



DRAFT

**Legislative Appropriations Request (LAR) for the
2010-11 Biennium**

Health and Human Services Commission Council Subcommittee
August 8, 2008

LAR Development for the 2010-2011 Biennium

- **Health and Human Services Commission (HHSC) LAR is due August 20, 2008 to the Legislative Budget Board (LBB), Governor's Office of Budget Planning and Policy (GOBPP), and several other offices.**
- **HHSC Strategic Plan (Fiscal Years 2009-2013)**
 - **Starting point for developing an agency's biennial budget request, including performance measures (quantifiable indicators of achievement).**
 - **Executive Commissioner's perspective and guidance on strategic plans and strategic planning process discussed with executive staff (September 2007)**
 - **Identifies issues, challenges, opportunities, internal/external factors, etc.**
 - **Data gathering, research, analysis, issue identification, and initial draft of strategic plans. (October 2007-February 2008)**
 - **Conducted public hearings in diverse locations throughout the state, including agency council participation.**
 - **Stakeholder input received (March-April 2008)**

Budget Development: Major Milestones

Completed Steps

- Strategic Plan instructions issued (March 2008)
- Public hearings held in diverse locations across the state, including agency council participation; stakeholder input received (March-April 2008)
- LAR instructions and policy guidance letter issued (May 2008)
- Agency submitted 2008-09 base reconciliation (June 2008)
- Agency strategic plan for 2009-13 submitted (July 11, 2008)
- LBB/GOBPP approved agency base reconciliation and provided agency GR/GR-Dedicated limits for 2010-11 baseline (July 2008)

Next Steps

- Agency submits biennial 2010-11 LAR (August 2008)
- LBB/GOBPP staff conduct joint budget hearings (September 2008)
- HHS Consolidated Budget Recommendations due (October 2008)
- LBB delivers budget recommendations to 81st Legislature (January 2009)
- Legislature considers and adopts appropriations bill (January-May 2009)
 - Appropriations Bill Introduced (January 2009)
 - House and Senate Committee Public Hearings (February 2009)
 - House and Senate Committees Appropriations Mark-Up (March –April 2009)
 - Conference Committee Reconciles Differences
- Comptroller of Public Accounts certifies Appropriations Bill (June 2009)
- Governor approves General Appropriations Act and issues veto proclamations (June 2009)
- 2010-11 Biennium Begins (September 1, 2009)

Major Themes

- **Expand Medicaid Buy-In (*HHSC #1 and #12*)**
- **Improve Medicaid Funding to Train Pediatricians and Pediatric Specialists (*HHSC #18*)**
- **Improve Funding for Children Services (*HHSC #2, #3, and #16*)**
- **Improve Parity for Physician Reimbursement in Medicaid (*HHS Consolidated Budget Request: Rates*)**
- **Improve Eligibility and Enrollment Services (*HHSC #6*)**
- **Improve Staff Retention (*HHS Enterprise #5*)**
- **Improve Access to Care (*HHSC #1, #2, #3, #4, #9, #10, #15 and #18*)**
- **Increase Care Information in Colonias (*HHSC #9*)**
- **Assure IT Support is Adequate (*HHS Enterprise #4, HHSC #13*)**
- **Reduce Waiting and Interest Lists (*HHS Enterprise #3*)**

Fiscal Years 2010 and 2011 Base Request

- **Federal Entitlement Programs**
 - Medicaid Caseload Growth Only
 - Fiscal Year 2009 Cost Levels
- **Non-Entitlement Programs Limitations**
 - 2010-11 funding amounts may not exceed the 2008-09 level for these programs
 - No exceptions for Children's Health Insurance Program (CHIP) or Temporary Assistance for Needy Families (TANF)

Key Budget Drivers

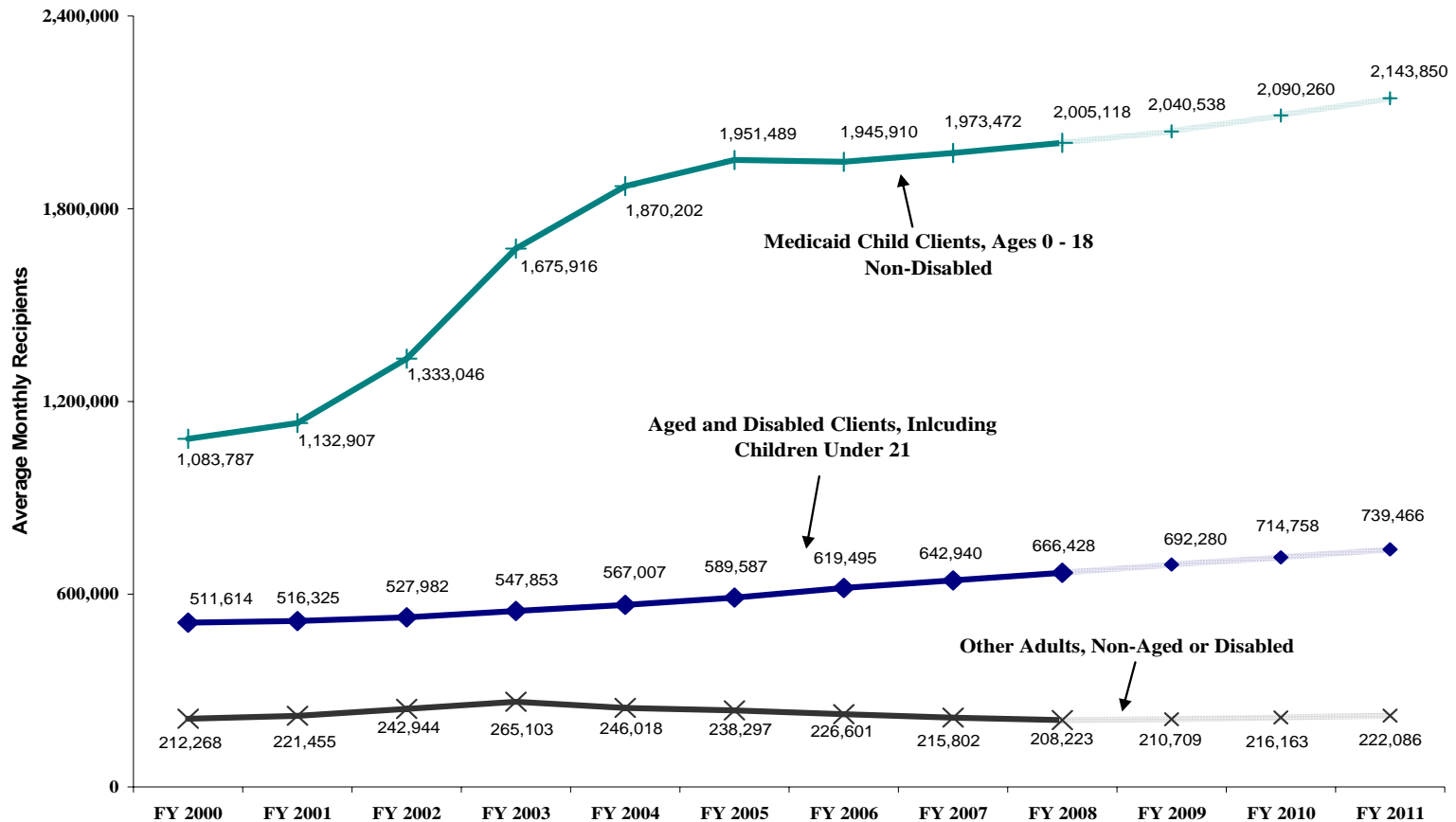
- **Medicaid and CHIP Caseloads**
- **Health Care Cost Trends**
- **Staffing**
- **Increase in Costs for Lease Space,
General Business Goods and Services**
- **Federal Budget and Policy Decisions**

Key Budget Drivers

- **Medicaid and CHIP Caseloads**
 - Medicaid acute care caseloads increased every year since fiscal year 2000.
 - CHIP caseloads are projected to increase in the next biennium, reaching more than 500,000 clients, including CHIP Perinatal clients.
- **Health Care Cost Trends**
 - Costs are impacted by changes in caseload size, case mix, utilization patterns, etc.
- **Staffing**
 - Number of staff needed to serve a growing caseload and to improve quality of service.
 - Turnover in targeted staff areas.

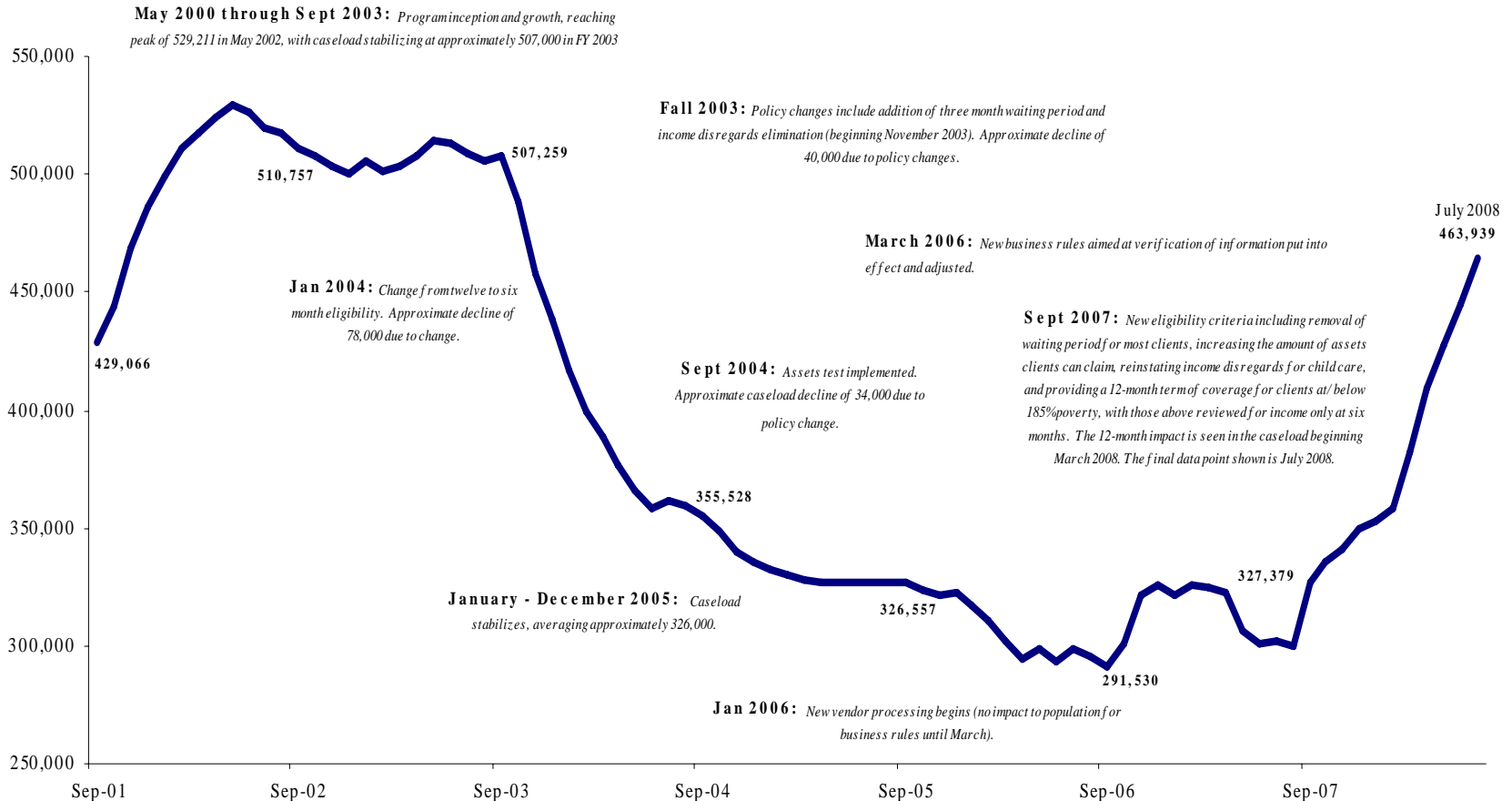
Key Budget Driver: Medicaid Caseload

Medicaid Caseload by Group: Fiscal Year 2000 to 2011 (projected)



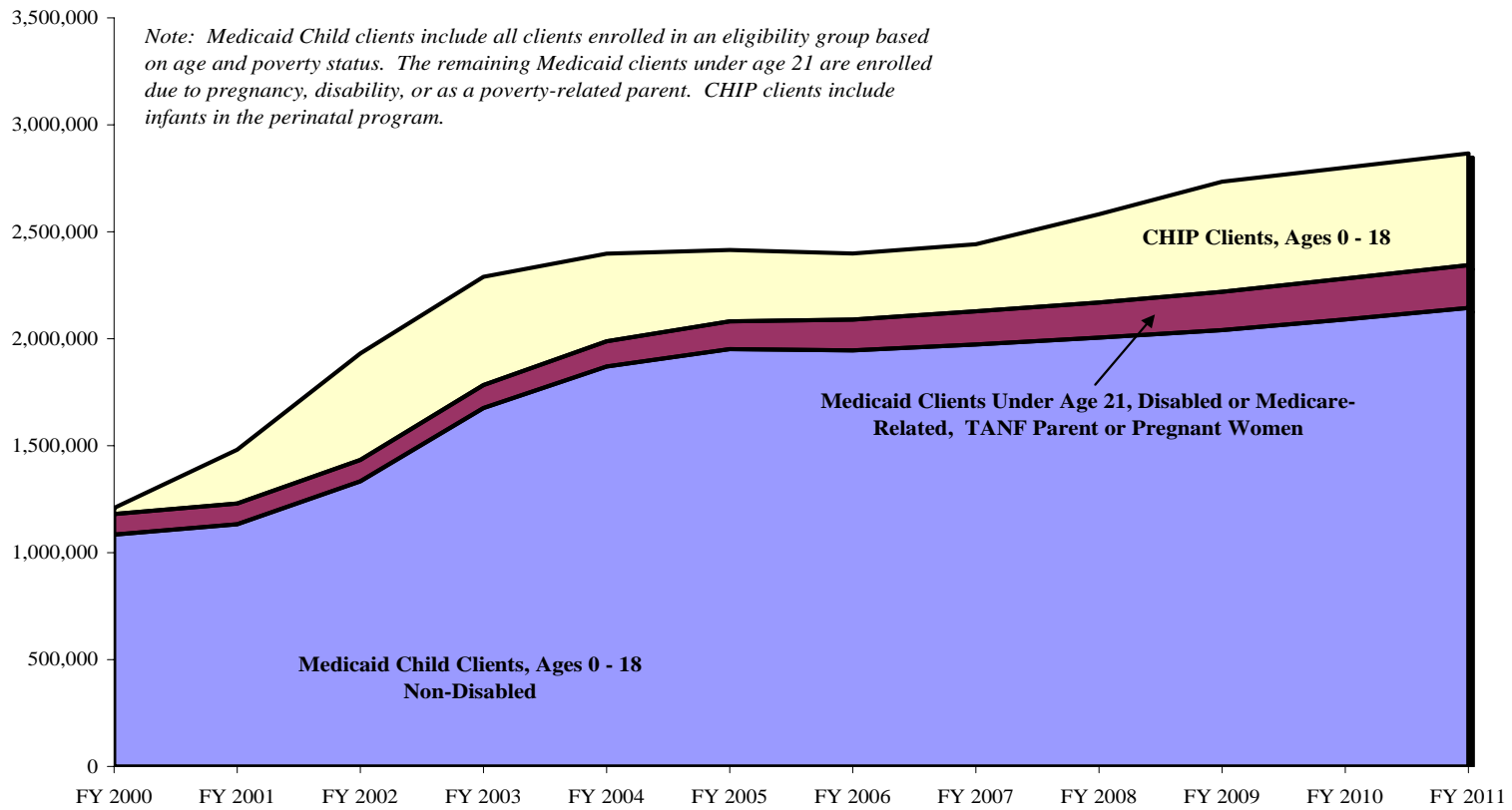
Key Budget Driver: CHIP Caseload

CHIP Enrollment and Policy Changes, September 2001 - July 2008



Key Budget Driver: Children Served

Medicaid and CHIP Clients Under Age 21: Fiscal Years 2000 - 2011 (projected)



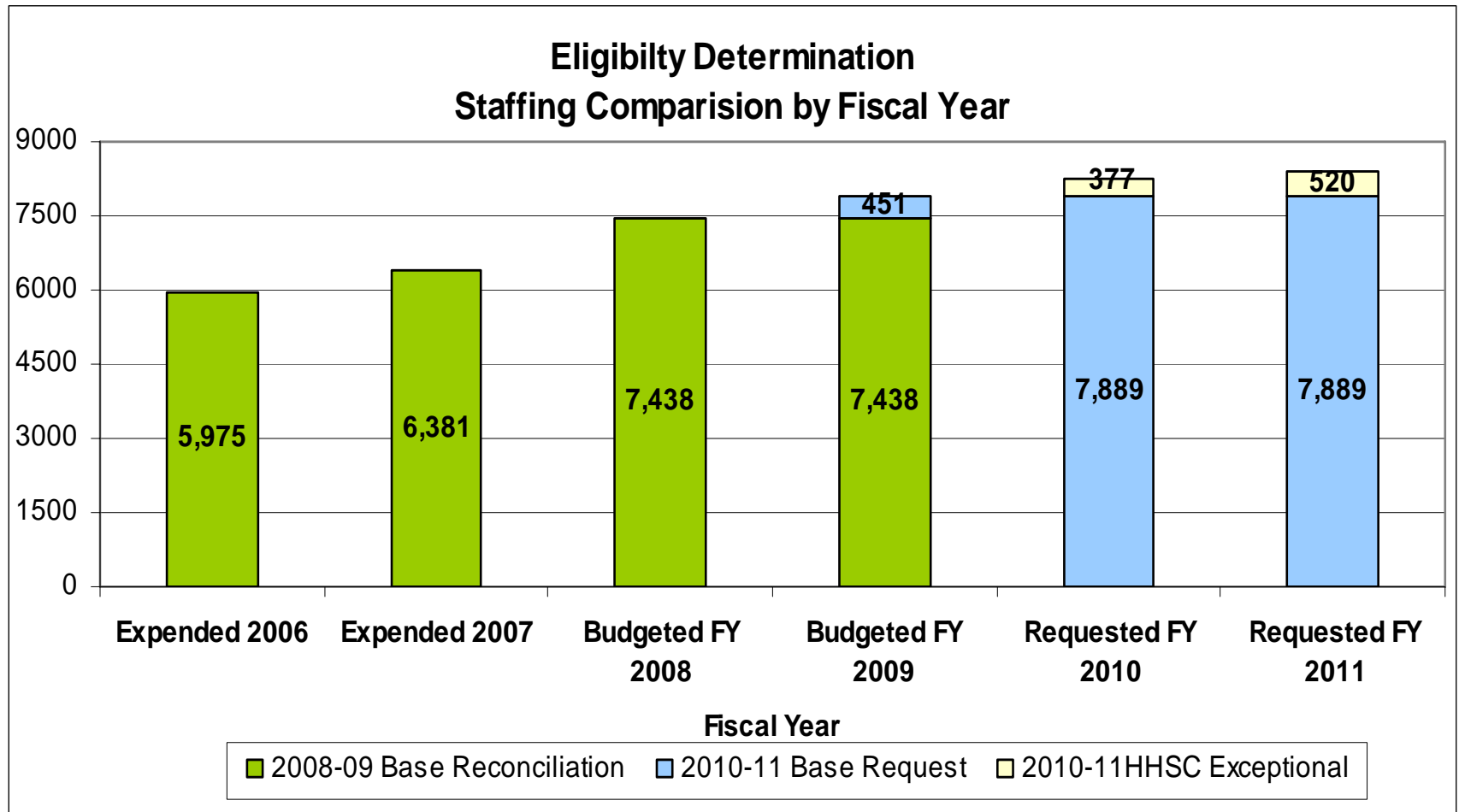
Key Budget Driver: Health Care Costs

- **Nationally, health care cost trends are forecasted at approximately 6.7 percent in 2007, and are projected to remain at or near that level for the next 10 years by the Centers for Medicare and Medicaid Services (CMS).**
- **The long-term trend for Texas Medicaid services, including all Medicaid spending, is near this level, at approximately 6 – 7 percent. Near-term trends are impacted by recent rate increases.**
 - **The trend above includes drug spending, which is growing at a rate of approximately 10 percent each year, after negative growth resulting from Medicare Part D carve-out.**
 - **Nationwide, CMS anticipates drug spending to “accelerate” after a slowing trend in 2007, based on a leveling off of generic dispensing, new drugs in the marketplace, and evolving therapies calling for earlier introduction of drugs as part of an overall treatment plan.**

Key Budget Driver: Health Care Costs

- **Caseload growth is a significant Medicaid budget driver: As of 2008, overall Medicaid caseload has grown by over half at 59 percent growth since 2000.**
- **Case mix is a significant Medicaid budget driver. SSI related clients, the most costly, have grown 30 percent from 2000 to 2008, and are projected to continue growing. Non-SSI children have almost doubled in that same time, at 85 percent growth.**

Key Budget Driver: Staffing



Key Budget Drivers: Other Issues

- **Increases in Cost for System Support Services: Lease Space, General Business Goods & Services**
- **Federal Budget and Policy Decisions**
 - **Centers for Medicare and Medicaid (CMS)**
 - **Regulatory Actions**
 - **Government Provider Cost Limit Regulation**
 - **Rehabilitation Services**
 - **Case Management**
 - **State Plan Amendments (SPA)**
 - **Changes in reimbursement for services**
 - **Withholding federal matching funds for pending SPAs**

Key Budget Drivers: Other Issues

- **Federal Budget and Policy Decisions,**
continued
 - **Disproportionate Share Hospital (DSH)**
 - **Upper Payment Limit (UPL)**
 - **CHIP Reauthorization**
 - **FMAP Changes**

Major Components of HHSC LAR

- **Baseline or Base Budget**
- **HHSC Exceptional Items**
- **HHS Enterprise Exceptional Items**
- **Capital Budget Request**
- **Rider Revisions and Additions**
- **10% General Revenue Reduction Options Supplemental Schedule**

Baseline or Base Request

- **General Revenue Entitlement Programs – Medicaid**
 - Includes forecasted caseload at fiscal year 2009 costs (including FREW rate increases and hospital rebasing)
 - Includes projected FMAP (federal Medicaid assistance percentages) changes for fiscal year 2010 and 2011
- **General Revenue Non-Entitlement Programs**
 - CHIP (Children’s Health Insurance Program) fully funded at projected caseloads and costs, excluding Perinates who would be in Medicaid
 - TANF (Temporary Assistance for Needy Families) fully funded at projected caseloads and costs
 - Base Request cannot maintain current cost and staffing for Eligibility Services and Regional Administration.



HHSC Exceptional Items

LISTING of DRAFT PRIORITIZED EXCEPTIONAL ITEMS		BIENNIAL TOTAL GR/GRD All Funds		FY 10 FTEs	FY 11 FTEs
(in millions)					
Maintain Essential Services Serving Clients					
1	Maintain Medicaid Cost Trends Current Services and Enhance Current Buy-In	\$ 1,229.1	\$ 2,860.7	-	-
2	Maintain Funding for Frew Corrective Action Orders	25.0	50.0	6.1	6.1
3	Maintain Frew Strategic Initiative Funding	150.0	293.8	-	-
4	Maintain Current Operating Levels For HHSC Programs & Services	133.7	264.8	-	-
5	Maintain CHIP Perinatal Program	(65.5)	86.8	-	-
Critical Services					
6	Increase Eligibility Resources for Caseload & Workload Growth	\$ 55.4	\$ 122.5	642.1	793.7
7	Improve Staffing and Supports for the Office of Inspector General	8.1	16.9	87.0	87.0
8	Increase Family Violence Services Funding	2.5	2.5	3.0	3.0
9	Expand Services and Supports for Office of Border Affairs	1.1	1.5	19.1	19.1
10	Increase State Assistance to 2-1-1 Information Centers	1.0	2.0	-	-
11	Increase Support of Critical Health and Family Services	7.3	7.3	8.3	8.3
12	Establish Medicaid Buy-In Program for Children	23.1	46.7	3.3	20.7
13	Maintain and Improve HHSC Technological Systems	2.2	4.3	-	-
14	Support Critical Building Maintenance	0.8	0.8	-	-
System Improvements					
15	Initiate Integrated Benefit Card	\$ 0.5	\$ 0.5	-	-
16	Increase State Support of Children Hospitals Upper Payment Limit Programs	25.0	60.0	-	-
17	Increase Support of Certain Internal and Enterprise Functions	3.2	4.9	26.4	26.4
18	Restore a State-Supported Graduate Medical Education Program	100.0	240.4	-	-
HHSC Total		\$ 1,702.5	\$ 4,066.4	795.3	964.3

HHSC Exceptional Items, *continued*

MAINTAIN ESSENTIAL SERVICES FOR CLIENTS

1. **MAINTAIN MEDICAID COST TRENDS FOR CURRENT SERVICES & ENHANCE BUY-IN** **\$1,229.1 GR / \$2,860.7 AF**
 This request represents cost and utilization increases forecasted for FY 2010-11 in the Medicaid program that are not allowed in the base request. Caseload growth is assumed to be in the base request at FY 2009 cost levels and FMAP rates of 58.59 percent for FY 2010 and 58.10 percent for FY 2011. The current Medicaid Buy-In Program for Adults would be enhanced to improve participation and include outreach.
2. **MAINTAIN FUNDING FOR FREW CORRECTIVE ACTION ORDERS** **\$25.0 GR / \$ 50.0 AF**
 This request would represent funding necessary to maintain the Frew Corrective Action Orders that was not able to be requested in the base request. The request also includes 6 FTEs for DSHS.
3. **MAINTAIN FREW STRATEGIC INITIATIVES FUNDING** **\$150.0 GR / \$ 293.8AF**
 This request would continue those Frew Strategic Initiatives initiated during the current biennium as well as provide funding for new initiatives. Matching federal Medicaid funds may be able on most initiatives.
4. **MAINTAIN CURRENT OPERATING LEVELS FOR HHSC PROGRAMS AND SERVICES** **\$133.7 GR / \$264.8 AF**
 During the 2008-09 biennium, HHSC implemented or increased several programs and initiatives where staffing and expenditure levels do not represent 24 months of expenditures that can be sustained for a full 24 months for 2010-11 biennium. To maintain the number of local and regional HHS offices in place at the end of August 2009, \$33.2 million GR and \$38.8 million AF is requested for increased costs in leases, utilities, janitorial and other facility services. For Eligibility Services the anticipated staffing level of 9,012 FTEs (employees and contractors) and related compensation would be maintained (\$94.7 million GR and \$215.3 million AF). The Nurse-Family Partnership Program which was implemented during FY 2008 would also be maintained. The GR amount also includes the GR share that would be billed to other HHS agencies but would eventually be Interagency Contracts in HHSC's method of finance.
5. **MAINTAIN CHIP PERINATE PROGRAM** **(\$65.5) GR / \$86.8 AF**
 This funding request would restore the CHIP Perinate Program and represents the net difference between Medicaid and CHIP. In the Medicaid base request, these children would be assumed to be in Medicaid. Restoring the Perinate programs saves general revenue but costs more federal funding due to CHIP's more generous federal match rate compared to Medicaid. The biennial cost of Perinates in CHIP totals \$237.0 million GR and \$813.9 million AF and the same costs in Medicaid totals \$302.5 million GR and \$727.1 million AF.

HHSC Exceptional Items, *continued*

CRITICAL SERVICES

6. INCREASE ELIGIBLY RESOURCES FOR CASELOAD AND WORKLOAD GROWTH \$55.4 GR / \$122.5 AF

This request for funding would support additional eligibility staff and administrative staff associated with the caseload forecasts for Medicaid, TANF, Food Stamps and CHIP- 414.2 FTES in FY 2010 and 565.8 FTEs in FY 2011. Funding would also cover other costs associated with caseload growth, EBT transaction costs, related postage, eligibility contractors, staff for ombudsman hotline, and related facility expenses. This request also includes \$35.5 million AF and \$15.7 million GR for additional TIERS staff providing on-site technical support for rollout – 227.9 FTEs each year of the 2010-11 biennium.

7. IMPROVE STAFFING AND SUPPORTS FOR THE OFFICE OF INSPECTOR GENERAL (OIG) \$8.1 GR / \$16.9 AF

This funding request would increase the staff for the OIG by 82 positions each year, adding investigators, auditors, attorneys and other analysts and support positions to address the increasing workload of the Office and 5 staff supporting criminal history checks. The funding would also provide an upgrade to the server supporting the Medicaid Fraud and Abuse System. The GR amount also includes the GR share that would be billed to other HHS agencies but would eventually be Interagency Contracts in HHSC's method of finance.

8. INCREASE FAMILY VIOLENCE SERVICES FUNDING \$2.5 GR/ \$2.5 AF

This request could provide additional funding to improve family violence services in underserved areas of the state and help the Family Violence Program achieve its goal of promoting self-sufficiency, safety, and long-term independence from family violence.

9. EXPAND SERVICES AND SUPPORTS FOR OFFICE OF BORDER AFFAIRS \$1.1 GR / \$1.5 AF

This request includes: additional funding for promotoras/community health workers; wireless laptops for HHS agencies working in the colonias; and an additional regional coordinator in the Rio Grande Valley. Staffing increases would fully fund 19 promotora positions partially funded to support an increasing number of colonia residents. The GR amount also includes the GR share that would be billed to other HHS agencies but would eventually be Interagency Contracts in HHSC's method of finance.

HHSC Exceptional Items, *continued*

10. INCREASE STATE ASSISTANCE TO 2-1-1 INFORMATION CENTERS **\$1.0 GR/ \$2.0 AF**

Requested funding would increase support of 2-1-1 contractors for increased call volume. In 2006 2-1-1 handled 1,287,603 to 1,979,702 in 2007, an increase of 692,099 calls. Call volume is projected to increase to 2.5 million calls handled in 2011 (an increase of 520,298 Calls). A lack of adequate funding to effectively respond to this increase in call volume may result in understaffing in many of the 2-1-1 Area Information Centers (AIC) and quality standards being put in jeopardy.

11. INCREASE SUPPORT OF CRITICAL HEALTH AND FAMILY INITIATIVES **\$7.3 GR / \$7.3AF**

This request would increase funding to certain state-funded health initiatives. Funding would add four Texas Integrated Funding Initiative sites (\$ 0.6 million) and increase grant funding for Community Resource Coordination Groups (\$3.0 million and 2 FTEs) and increase funding for Alternatives to Abortion contractors (\$1.5 million). One FTE would support the Raising Texas Initiative to facilitate replication of state level Early Childhood Comprehensive Systems activities at the local level (\$0.2 million and 1 FTE). The Office for the Elimination of Health Disparities would support 5 sites addressing Cultural and Linguistically Appropriate Standards (CLAS) for minority populations (\$2.0 million and 5 FTEs).

12. ESTABLISH MEDICAID BUY-IN FOR CHILDREN **\$23.1 GR / \$46.7 AF**

This request would create a new program for families of children with significant health concerns to buy into Medicaid health coverage. Over 2,400 children are estimated to be covered in FY 2011. This estimate would provide coverage at 300% FPL.

13. MAINTAIN AND IMPROVE HHSC TECHNOLOGICAL SYSTEMS **\$2.2 GR / \$4.3AF**

This request funds an HHSC IT initiative to improve security tracking of computers, laptops, and peripherals, as well as provide Internet content filtering, protect data during electronic transmission (secure email), and on mobile or removable media, and provide employee education.

14. SUPPORT CRITICAL BUILDING MAINTENANCE **\$0.8 GR / \$0.8 AF**

This request would provide capital funding for administrative building rehabilitation on the Austin State Hospital Campus.

SYSTEM IMPROVEMENTS

15. IMPLEMENT INTEGRATED BENEFITS CARD (IBC) \$0.5 GR / \$0.5 AF

This request would fund a contractor to conduct an expanded IBC feasibility study and would assist the agency in developing a business case for an IBC based upon the study's revised perspective of changes within the following targeted card projects: Food Stamps, TANF, and Medicaid. It would also include timelines, cost projections, and specific scope of the IBC to include a common card platform for multiple programs and the required card management system.

16. INCREASE SUPPORT OF CHILDREN HOSPITALS UPPER PAYMENT LIMIT (UPL) PROGRAM \$25.0 GR / \$60.0 AF

This request would increase funding for the additional payments to children hospitals authorized in the Upper Payment Limit Program.

17. INCREASE SUPPORT OF CERTAIN INTERNAL AND ENTERPRISE FUNCTIONS \$3.2 GR / \$4.9 AF

This request would provide additional program and administrative staff to support increasing workload and increasing number of HHS employees across the enterprise. Staffing increase would be in Human Resources (5 FTEs), Civil Rights (12 FTEs), Rate Analysis (5 FTEs) and Budget (4 FTEs). The GR amount also includes the GR share that would be billed to other HHS agencies but would eventually be Interagency Contracts in HHSC's method of finance.

18. RESTORE A STATE-SUPPORTED GRADUATE MEDICAL EDUCATION PROGRAM \$100.0 GR / \$240.4 AF

This funding request would support a state-funded Graduate Medical Education (GME) Program for Medicaid.

HHS Enterprise Exceptional Items

LISTING of DRAFT PRIORITIZED EXCEPTIONAL ITEMS		BIENNIAL TOTAL		FY 10	FY 11
		GR/GRD	All Funds	FTEs	FTEs
(in millions)					
HHS Enterprise Items					
1	Maintain IT Services for HHS Provided by Department of Information Resources' Data Center Services	\$ 24.1	\$ 30.0	13.0	13.0
2	Maintain Transportation Infrastructure of HHS State Facilities, Warehouses, and Offices	11.3	11.3	-	-
3	Increase Capacity of HHS-Funded Community Services (Waiting and Interest Lists)	224.0	474.4	96.3	170.5
4	Maintain and Improve Critical HHS Technological Systems	45.4	62.2	31.2	31.2
5	Increase Retention and Recruitment of Targeted HHS Staff	46.6	66.8		
HHS Enterprise Total		\$ 351.4	\$ 644.7	140.5	214.7

HHS Enterprise

Exceptional Items, *continued*

MAINTAIN ESSENTIAL SERVICES FOR CLIENTS

1. MAINTAIN IT SERVICES FOR HHS PROVIDED BY DIR DATA CENTER SERVICES \$24.1 GR / \$30.0 AF

This request would provide funding to all five HHS agencies in support of Data Center Services consolidation managed by the Department of Information Resources (DIR). Funding would cover increased billings from DIR as well as internal agency costs to remediate existing systems to be supported by DIR as well as other connectivity and network costs.

2. MAINTAIN TRANSPORTATION INFRASTRUCTURE SUPPORTING HHS STATE FACILITIES, WAREHOUSES, & OFFICES \$11.3 GR / \$11.3 AF

This request would provide funding to replace and purchase new vehicles across the HHS enterprise – State Schools, State Hospitals, Regions, and Central Office. Replacement is based upon a 10-year plan.

CRITICAL SERVICES

3. INCREASE CAPACITY OF HHS-FUNDED COMMUNITY SERVICES \$224.4 GR / \$474.4 AF

This exceptional item would request funding to increase capacity of HHS community services as part of a continue the effort to reduce and/or eliminate programs with waiting or interest lists at the Department of Aging and Disability Services (DADS), the Department of Assistive and Rehabilitative Services (DARS) and the Department of State Health Services (DSHS).

4. MAINTAIN CRITICAL HHS TECHNOLOGICAL SERVICES \$45.4 GR / \$62.2 AF

This request represents all enterprise IT funding supporting existing initiatives, such as data warehouse, identity management, or other new IT initiatives that cross over all five agencies. Activities include PeopleSoft HRMS Upgrade, telecommunications seat management maintenance, updating systems supporting both State Schools and Hospitals, and implementing financial modules for inventory management and accounts receivables.

5. INCREASE RETENTION AND RECRUITMENT OF TARGETED HHS STAFF \$46.6 GR / \$66.8 AF

This funding represents an HHS initiative to improve staff retention and recruitment to targeted medical classifications across the HHS enterprise. Medical classifications include nurses (LVN and RN), physicians, and psychiatrists at DADS, DFPS, DSHS, and HHSC. Proposed salary increases are 15% for direct care nurses and psychiatrists and 10% for non-direct care nurses and physicians.

HHS Consolidated Budget Recommendation

- **Texas Government Code, §531.026 requires HHSC to submit a Health and Human Services Consolidated Budget to the LBB and GOBPP by October 15th of each even-numbered year.**
- **The Consolidated Budget will highlight all HHS agency requests and include the following two additional issues.**
 - ***Provider Rate Increases:*** Identifies funding options primarily related to rates for Medicaid services (acute and long-term care).
 - ***Recruitment and Retention of Staff in Critical Client Service Areas:*** To address high turnover rates among staff in major client services system, this item identifies the cost of a 10% salary increase for protective services workers, direct care staff in state hospitals and state schools, and eligibility staff.

Other Items
