

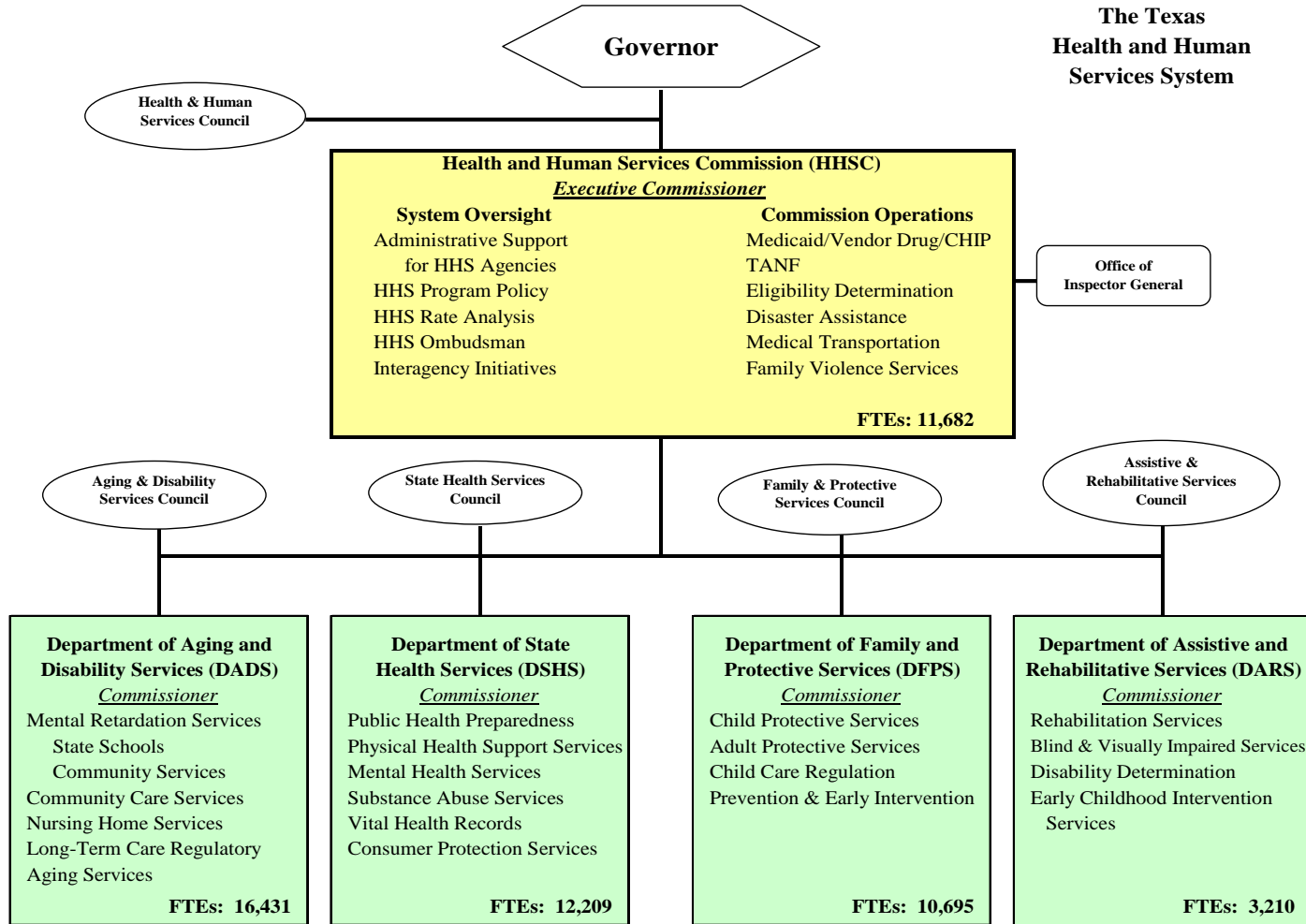


Presentation to the Senate Finance Committee

Health and Human Services System (HHS) Legislative Appropriations Request

Albert Hawkins, Executive Commissioner
February 11, 2009

HHS Organization



Note: The Full Time Equivalent (FTE's) positions are the budgeted level for FY 2009.

As of: 09-01-2008



Issues Facing Health and Human Services Agencies

Fiscal Year 2009

- Medicaid Caseloads and Costs
- Disaster Expenses
- Budgetary Adjustments Needed for Projected FY 2009 Spending Levels
- 2.5% GR and GR-D Reduction – Health and Human Services System Option



HHS FY 2009 Estimated Supplemental Appropriations Need

HHS FY 2009 Estimated Supplemental Appropriations Need
(dollars in millions)

Agency/Program Area	General Revenue
Health and Human Services Commission (HHSC)	
Medicaid Acute Care (FMAP, Medicare Federal Give Back Veto, Article II Funding Reduction - Special Provisions-Sec. 43, Cost and Caseload Variance)	\$ 979.9
Hurricane Ike Costs	\$ 44.5
<i>subtotal</i>	<u>\$ 1,024.4</u>
<i>HHSC will also need authority to access and transfer funds which are restricted by riders in the 2008-09 General Appropriations Act. Amounts shown may be reduced by unexpended balances.</i>	
Department of Aging and Disability Services (DADS)	
Long Term Care - FMAP and Home Care Minimum Wage	<u>\$ 67.4</u>
Department of State Health Services	
State Mental Health Hospitals	<u>\$ -</u>
<i>DSHS can cover its estimated shortfall of \$18.3 million using funds within the agency. Transfer authority will be needed in the supplemental appropriations bill to use available funding in various programs.</i>	
Department of Family and Protective Services (DFPS)	
	<u>\$ -</u>
<i>DFPS can cover estimated shortfalls of \$60.8 million in multiple areas using funds within the agency and additional TANF balances. Transfer authority is needed in the supplemental appropriations bill to use funds available in the foster care strategy. An additional \$4.2 million would need to be authorized from TANF balances.</i>	
Total HHS Supplemental Need	<u>\$ 1,091.8</u>
Action needed:	
Supplemental appropriations, and	
Legislative authorization to access and transfer funds within each agency.	



Issues Facing Health and Human Services Agencies

Fiscal Years 2010 and 2011

- Caseloads
- Health Care Costs
- Federal Program and Financial Requirements
- Retention and Recruitment – Professional Staffing
- Increase in Costs for Lease Space, General Business Goods and Services
- Provider Rates



Health and Human Services Commission (HHSC) Exceptional Item Requests



HHSC Summary

EXCEPTIONAL ITEM	FY 2010		FY 2011		BIENNIAL TOTAL		FY 2010	FY 2011
	GR	All Funds	GR	All Funds	GR	All Funds	FTEs	FTEs
Exceptional Items:								
1. Maintain Medicaid Current Services for Caseload and Cost Trends	\$ 769,719,424	\$ 1,938,186,333	\$ 1,094,156,731	\$ 3,026,133,876	\$ 1,863,876,155	\$ 4,964,320,208	-	-
2. Maintain Current Eligibility Determination Staffing	41,333,905	67,808,342	41,211,737	63,935,686	82,545,642	131,744,028	1,823.5	1,796.2
3. Increase Eligibility Resources for Caseload and Workload Growth	23,616,317	56,313,729	27,370,587	62,863,693	50,986,904	119,177,422	656.4	822.9
4. Increase Capacity of HHS-Funded Community Services*	64,661,185	128,570,163	158,649,534	350,786,922	223,310,719	479,357,085	96.3	170.5
5. Improve Staffing and Supports for the Office of Inspector General	3,578,401	7,562,211	3,277,095	7,046,188	6,855,496	14,608,399	81.1	81.1
6. Maintain IT Services for HHS Provided by the Department of Information Resources	19,527,729	25,410,623	14,459,471	20,309,859	33,987,200	45,720,482	14.0	14.0
7. Maintain and Improve Critical HHS Technological Systems	24,522,224	33,976,738	8,931,392	12,732,432	33,453,616	46,709,170	7.3	7.3
8. Maintain Transportation Infrastructure of HHS Facilities, Warehouses, and Offices	5,030,861	5,030,861	6,269,209	6,269,209	11,300,070	11,300,070	-	-
9. Increase Retention and Recruitment of Targeted HHS Staff	22,905,159	33,417,093	22,972,071	33,417,093	45,877,230	66,834,186	-	-
10. Increase Family Violence Services Funding	1,251,382	1,251,382	1,231,277	1,231,277	2,482,659	2,482,659	3.1	3.1
11. Increase State Assistance to 2-1-1 Information Centers	491,000	1,000,000	491,000	1,000,000	982,000	2,000,000	-	-
12. Maintain and Increase Support of Critical Health & Family Services	9,111,497	9,111,497	9,557,884	9,557,884	18,669,381	18,669,381	8.3	8.3
13. Establish Medicaid Buy-In for Children	214,294	428,588	22,260,866	45,498,180	22,475,160	45,926,768	3.4	20.6
14. DSH Hospital Audit Compliance	2,535,957	5,071,913	2,525,904	5,051,808	5,061,861	10,123,721	3.1	3.1
15. Provide Premium Assistance to Local and Regional Subsidy Programs	12,108,192	12,108,192	12,101,485	12,101,485	24,209,677	24,209,677	1.0	1.0
16. Replace Hospital IGT for General Revenue	31,669,354	-	31,669,354	-	63,338,708	-	-	-
Subtotal Exceptional Items	\$ 988,499,335	\$ 2,313,139,473	\$ 1,413,364,758	\$ 3,645,834,107	\$ 2,401,864,093	\$ 5,958,973,579	2,696.5	2,927.1
* Less: Senate Contingency Appropriation Art. II SP Sec.48	\$ 34,328,277	\$ 83,029,750	\$ 102,576,580	\$ 249,293,089	136,904,857	332,322,839	18.6	36.7
Total Exceptional Items	\$ 954,171,058	\$ 2,230,109,723	\$ 1,310,788,178	\$ 3,396,541,018	\$ 2,264,959,236	\$ 5,626,650,740	2,677.9	2,890.4



Exceptional Item # 1

Maintain Medicaid Current Services for Caseload and Cost Trends

This request represents the estimated incremental funding needed over S.B.1 as Introduced. These funds represent HHSC's estimate of additional needs to continue the current services under the Medicaid entitlement program. These amounts are for (1) additional Medicaid caseload and medical cost for clients already included in S.B.1 as Introduced and (2) the additional clients and related medical costs in this exceptional item. FY 2010-11 costs exclude any impact for rebasing of hospital rates.

The amounts requested utilize the same FMAP rates as the introduced bill (58.73 percent for fiscal year 2010 and 58.96 percent for fiscal year 2011).

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$769.7	\$1,094.2	\$1,863.9
All Funds	\$1,938.2	\$3,026.1	\$4,964.3
FTEs			N/A

Program Impact	FY 2010	FY 2011	Totals
Avg. Medicaid Acute Care Recipient Months per Month	54,653	76,111	

Caseload/Case Mix

- Overall, HHSC February 2009 LAR Update caseload differs from the Legislative Budget Estimate caseload (LBE) by 1.9 percent in fiscal year 2010, or 54,653, and 2.5 percent in fiscal year 2011, or 76,111.
- Differences in client mix significantly contribute to the overall differences in client service costs, as client cost per member per month differs significantly by group.
- The mix of client or caseload “risk” groups differs significantly in several main areas.
 - **Children Ages 0 – 5**
 - HHSC projects 6.8 percent, or 61,384 more clients age 0-5 in fiscal year 2010, and 11.1 percent, or 99,582 more in fiscal year 2011.
 - **Children Ages 6 – 18**
 - HHSC projects 2.5 percent, or 21,617 fewer clients age 6-18 in fiscal year 2010 and 6.3 percent, or 56,256 fewer in fiscal year 2011.
 - **TANF Clients, Adults and Children**
 - HHSC projects an additional 13,052 TANF clients in fiscal year 2010, and 22,198 in fiscal year 2011, which is 4.5 percent and 7.5 percent higher, respectively.

Cost Per Client Mix

- Depending on the mix of clients in a population, even small (or no) overall differences in total number can still show significant differences in total cost.
 - Medicaid risk groups vary significantly in terms of cost, from a low cost of approximately \$170 per member per month to a high cost of \$950 per member per month (PMPM).
 - Differences in client mix become more pronounced as costs grow, such as in the case of Children ages 0-5, where the initial total cost difference with S.B. 1, as introduced, of \$278.7 million in fiscal year 2009 grows to \$939.2 million by fiscal year 2011.
- The table on the following page details the Children Ages 0-5 client group, showing the impact of difference in client mix, initial cost used, and ultimately, in cost growth.
 - Initial cost per client used in fiscal year 2009 differs by \$20 per month, and grows to over \$50 per month, while the caseload differences increase as well.
 - Within this group, more younger clients at end of the age range results in a higher group cost per client, as costs for newborns are as high as \$800 PMPM.
 - As of December 2008, the year-to-date fiscal 2009 average number of clients is 914,000, with 920,000 in December.



Average Cost and Client Mix

Legislative Budget Estimates and HHSC February LAR Update: Impact of Client Mix, Average Cost per Client, and Total Cost Differences						
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
HHSC: Actuals and LAR Update						
Children, Ages 0 - 5	880,417	902,305	912,388	928,301	965,442	999,756
<i>Trend</i>		2.5%	1.1%	1.7%	4.0%	3.6%
<i>Per Member Per Month</i>				\$ 271.01	\$ 287.69	\$ 299.87
Legislative Budget Estimates						
Children, Ages 0 - 5				907,984	904,058	900,174
<i>Per Member Per Month</i>				-0.5%	-0.4%	-0.4%
				\$ 251.50	\$ 243.04	\$ 246.09
Differences						
Children, Ages 0 - 5				20,317	61,384	99,582
Total Client Service Cost				\$ 278,729,146	\$ 696,300,201	\$ 939,207,591

Notes: (1) December 2008 caseload = 920,468, with 237,939 under age 1.

(2) In the Legislative Budget Estimates, total client service cost is estimated using FY 2009 cost trends and are not grown in FY 2010 and FY 2011.

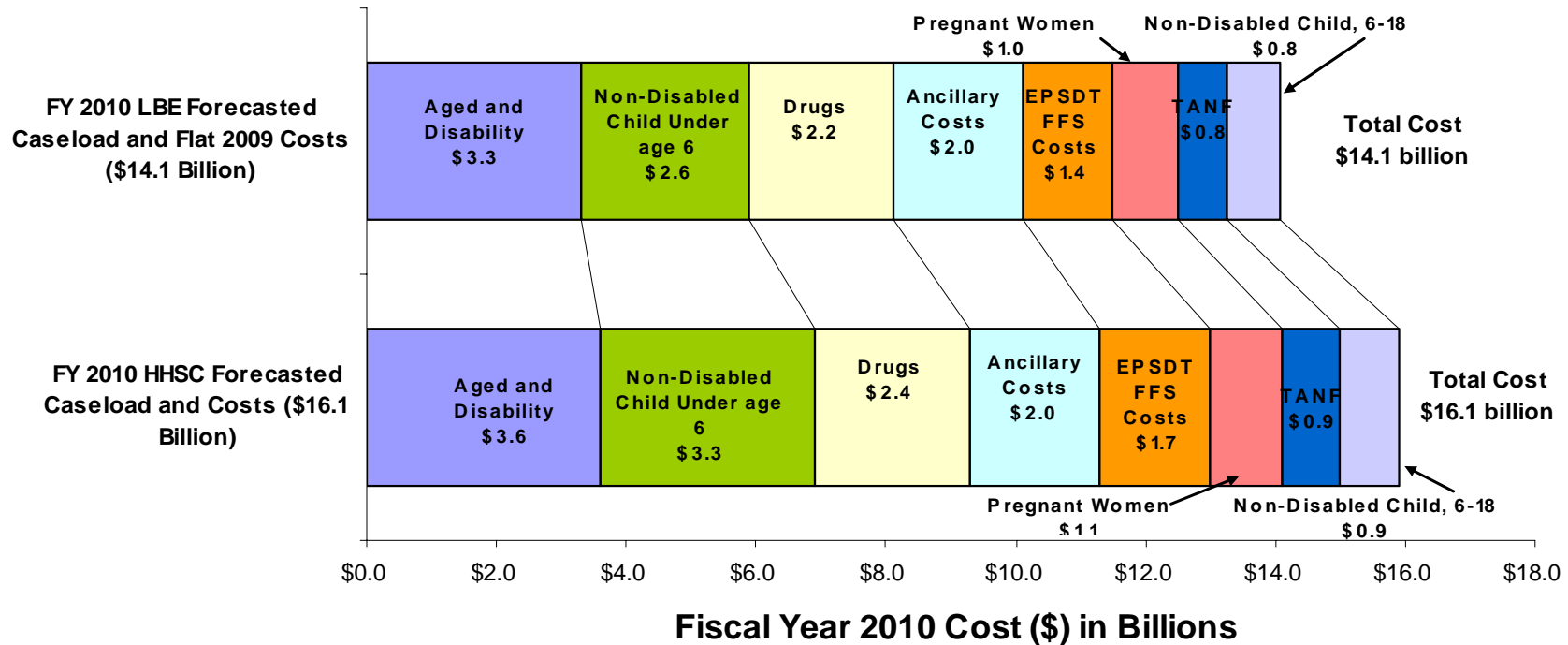


Cost Growth: Net Result of Client Mix and Higher Cost per Client

Legislative Budget Estimates and HHSC February LAR Update: Impact of Client Mix and Cost Differences						
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
HHSC: Actuals and LAR Update Forecast						
<i>Average Monthly Recipients</i>	2,792,007	2,832,214	2,877,285	2,926,238	3,005,563	3,093,784
<i>Trend</i>		1.4%	1.6%	1.7%	2.7%	2.9%
<i>Total Client Service Cost</i>	\$ 10,922,990,482	\$ 11,398,862,001	\$ 13,253,919,400	\$ 14,638,491,737	\$ 16,084,210,156	\$ 17,650,410,273
Legislative Budget Estimates						
<i>Average Monthly Recipients</i>				2,892,023	2,950,910	3,017,673
				0.5%	2.0%	2.3%
<i>Total Client Service Cost</i>	\$ 10,922,990,482	\$ 11,398,862,001	\$ 13,253,919,400	\$ 14,052,516,006	na	na
<i>Estimated Client Service Cost, 2009 Costs</i>					\$ 14,140,558,321	\$ 14,611,096,381
Differences						
<i>Average Monthly Recipients</i>				34,215	54,653	76,111
<i>Total Client Service Cost</i>				\$ 585,975,731	\$ 1,943,651,836	\$ 3,039,313,892

Note: Costs are client service costs only, and do not include administrative costs.

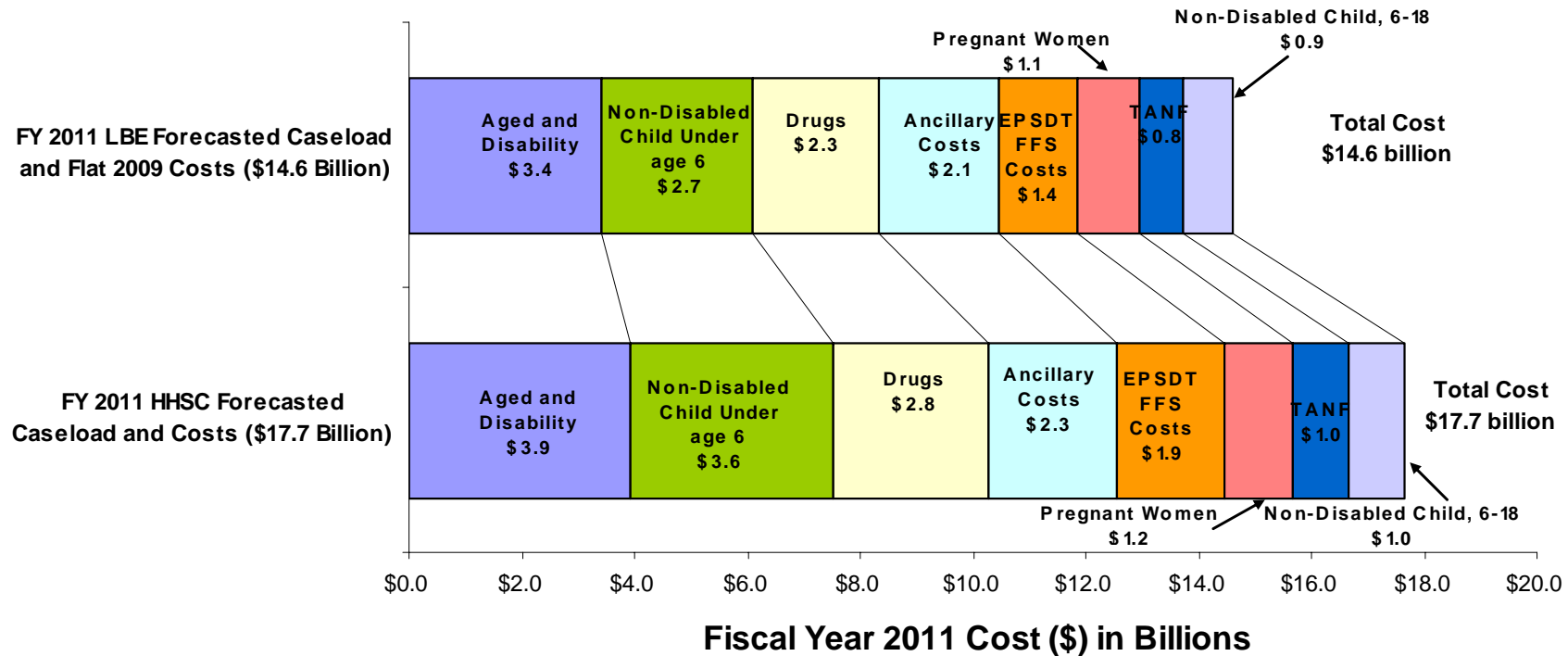
Total Cost, Average Cost and Client Mix: Fiscal Year 2010 Comparisons



Primary differences in the total cost difference of \$1.9 billion include:

- \$696 million for Children ages 0-5
- \$327 million for Health Steps Costs for Fee-for-Service (FFS) clients (primarily Disability-Related Children)
- \$305 million for Aged and Disability Related client costs
- \$255 million for Vendor Drugs

Total Cost, Average Cost and Client Mix: Fiscal Year 2011 Comparisons



Primary differences in the total cost difference of \$3.0 billion include:

- \$939 million for Children ages 0-5
- \$513 million for Vendor Drugs
- \$507 million for Health Steps Costs for FFS clients (primarily Disability-Related Children)
- \$499 million for Aged and Disability Related client costs



Exceptional Item # 2 Maintain Current Eligibility Determination Staffing

For the Office of Eligibility Services, an additional \$82.5 million GR and \$131.7 million AF is needed to retain the 7,889 budgeted fiscal year 2009 eligibility determination full-time employees. The GR in S.B.1 as introduced is insufficient to afford 1,823.5 FTEs in fiscal year 2010 and 1,796.2 FTEs in fiscal year 2011. This request does not represent a request for additional FTE authority above S.B. 1; it reflects a request for additional funds to afford all FTEs in S.B. 1. The average cost of an eligibility determination FTE is \$45,483 per year, including salary and all other support and operating costs.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$41.3	\$41.2	\$82.5
All Funds	\$66.0	\$62.2	\$131.7

FTEs	1,823.5	1,796.2	
-------------	---------	---------	--

Program Impact	FY 2010	FY 2011	Totals

In S.B. 1, the Appropriated Receipts and Interagency Contract revenues are greater than HHSC currently forecasts to collect. Appropriated Receipts for outstationed workers in hospitals and clinics, such as UTMB Galveston, have declined especially since Hurricane Ike.

Eligibility Cost Issues

- S.B. 1, as introduced, funding levels would not be sufficient to fully fund the recommended level of staffing.
- Funding overestimates the receipt of other revenues such as appropriated receipts for outstationed workers. Federal funding level in S.B. 1, as introduced, cannot be accessed or matched at the recommended GR level.
- While S.B. 1, as introduced, funded salaries, it did not fully fund travel, facilities, eligibility support contractors and other costs necessary to maintain current services and staffing.
- Of the 7,995 current filled positions in Strategy A.1.2, Integrated Eligibility and Enrollment, HHSC estimates that only 7,229 FTEs can be supported with recommended base funding.
 - The impact of funding at this level would be a 23% reduction in eligibility determination staff in local offices and call centers.
- The exceptional item funding request would allow HHSC to maintain the August 2009 projected filled staffing level of 9,039 FTEs.

Eligibility Cost Issues

**Comparison of Funding to Maintain Current Services and Staffing
in Strategy A.1.2 Integrated Eligibility and Enrollment
(\$ in millions)**

Method of Finance	LAR 10-11 Current Services (Base + Maintain Exceptional Item)	Recommended Base Bill	Difference Exceptional Item #2
General Revenue	\$ 669.7	\$ 587.1	\$ 82.5
Other	\$ 18.4	\$ 29.4	\$ (11.0)
Federal Funds	\$ 821.9	\$ 761.7	\$ 60.2
Total	\$ 1,510.0	\$ 1,378.2	\$ 131.7

Comparison of Funding to Total and Affordable FTE Levels (Averaged across the 2010-11 Biennium)

Avg Biennial FTE	9,039.0	9,039.0	-
Avg Affordable FTE	9,039.0	7,229.2	1,810



Exceptional Item # 3 Increase Eligibility Resources for Caseload and Workload Growth

This request would support additional eligibility staff and support staff associated with the caseload forecasts for Medicaid, TANF, Food Stamps and CHIP. In FY 2010, requested funding would allow HHSC to “catch up” with fiscal year 2009 and fiscal year 2010 forecasted program growth. In fiscal year 2011, requested funding would maintain the fiscal year 2010 level as well as add staff and resources for the forecasted fiscal year 2011 program growth.

Funding would include eligibility determination staff, trainers, EBT contracted expense, enrollment broker contracted expense, postage and presorting, telephony, data broker and other eligibility support, ombudsman, and TIERS onsite support staff.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$23.6	\$27.4	\$51.0
All Funds	\$56.3	\$62.9	\$119.2
FTEs	656.4	822.9	N/A

Program Impact	FY 2010	FY 2011	Totals
Avg. Cost per Eligibility Determination			
Avg. Number of Eligibility Determinations per Staff Person per Month			



Exceptional Item # 4

Increase Capacity of HHS-Funded Community Services

Funding would increase capacity of HHS community services as part of an effort to reduce and/or eliminate programs with waiting or interest lists. **DADS** – \$151.8 million GR and \$357.6 million AF for Home and Community Care Waivers, Non-Medicaid services, and In-Home & Family Support . Waiver programs include Community Based Alternatives (CBA), Community Living Assistance and Support Services (CLASS), Medically Dependent Children’s Program (MDCP), Consolidated Waiver Program (CWP), Deaf-Blind with Multiple Disabilities (DBMD), Home and Community Based Services (HCS) and Texas Home Living (TxHmL). **HHSC** would also incur acute Medicaid costs of \$35.1 million GR and \$85.3 million AF for some clients served by **DADS**. **DARS** - \$8.3 million GR and AF for Independent Living Service (ILS) and Comprehensive Rehabilitative Services (CRS).

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$64.7	\$158.6	\$223.3
All Funds	\$128.6	\$350.8	\$479.4

FTEs	96.3	170.5	N/A
-------------	------	-------	-----

Program Impact	FY 2010	FY 2011	Totals
Avg. Individuals Served per Month in CLASS (DADS)	472	1,417	
Avg. Individuals Served per Month in HCS (DADS)	1,280	3,840	
ILS Clients Served per Year (DARS)	533	569	
CSHCN Clients Served at End of Year (DSHS)	400	400	

DSHS - \$28.1 million GR and AF for Child and Adolescent Community Mental Health (CACMH) and Children with Special Health Care Needs (CSHCN).



Exceptional Item # 5

Improve Staffing and Supports for the Office of Inspector General

This funding request would increase the staff for the OIG by 73 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.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$3.6	\$3.3	\$6.9
All Funds	\$7.6	\$7.0	\$14.6
FTEs	81.1	81.1	N/A

Program Impact	FY 2010	FY 2011	Totals
Number of Provider & Recipient Investigations	4,447	4,447	
Number of Audits Performed	442	442	
Avg. \$ Recovered & Saved per Completed Investigation, Review or Audit	\$2,846	\$2,846	



Exceptional Item # 6

Maintain IT Services for HHS Provided by the Department of Information Resources

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, and other connectivity and network costs. Part of the request, \$17.5 million GR and \$26.2 million AF, would support increased payments to DIR, and the other share, \$16.5 million GR and \$19.5 million AF, would be for internal HHS agency costs to support networks, remediate programs to platforms and software versions supported by the DIR contractor, program transformation, and staff for contract monitoring.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$19.5	\$14.5	\$34.0
All Funds	\$25.4	\$20.3	\$45.7

FTEs	14.0	14.0	N/A
-------------	------	------	-----

Program Impact	FY 2010	FY 2011	Totals

Cost by agency totals \$3.7 million GR and \$6.8 million AF at the Department of Aging and Disability Services (DADS); \$11.8 million GR and AF at Department of State Health Services (DSHS); \$8.6 million GR and \$15.9 million AF at HHSC; \$2.3 million GR and AF at Department of Assistive and Rehabilitative Services (DARS); and Department of Family and Protective Services (DFPS) with \$7.6 million GR and \$8.9 million AF.



Exceptional Item # 7

Maintain and Improve Critical HHS Technological Systems

This request represents all HHS IT funding supporting existing initiatives, such as improving security (\$7.0 million AF) and identify management (\$4.1 million AF) as well as other new other new IT initiatives that cross over all five agencies.

New activities include updating systems supporting both State Schools and State Hospitals (\$6.7 million AF), PeopleSoft HRMS Upgrade (\$9.5 million AF), implementing financial modules for inventory management (\$2.4 million AF) and accounts receivables (\$1.7 million AF).

This funding would allow HHS agencies and programs to maintain and improve services to

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$24.5	\$8.9	\$33.5
All Funds	\$34.0	\$12.7	\$46.7
FTEs	7.3	7.3	N/A

Program Impact	FY 2010	FY 2011	Totals

clients, providers, and employees as well as update obsolete systems and processes supporting HHS programs.



Exceptional Item # 8

Maintain Transportation Infrastructure of HHS Facilities, Warehouses, and Offices

This request would provide funding to replace and purchase new vehicles across the HHS enterprise – State Schools, State Hospitals, and agency programs. Replacement is based upon a 10-year plan. The funds would replace 336 vehicles and add 101 new vehicles to HHS fleet. Funds are needed to help maintain the safety of client transportation, to increase community integration activities, and to increase consumer training activities.

Cost by agency totals
 \$7.5 million GR and AF at DADS, \$3.6 million GR and AF at DSHS, and \$0.2 million GR and AF at DARS.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$5.0	\$6.3	\$11.3
All Funds	\$5.0	\$6.3	\$11.3

FTEs			N/A
-------------	--	--	-----

Program Impact	FY 2010	FY 2011	Totals



Exceptional Item # 9

Increase Retention and Recruitment of Targeted HHS Staff

This item is requested on behalf of DSHS, DADS, HHSC and DFPS to improve retention and recruitment of nurses (RNs and LVNs), physicians and psychiatrists throughout the HHS system. High turnover rates in excess of 25 percent for nurses and 21 percent for doctors continue to challenge HHS agencies to maintain an adequate workforce of health care professionals.

Funding would move over 4,000 medical HHS professionals closer to market rates by increasing salaries of psychiatrist and direct-care nurse positions by on average 15 percent and salaries of physician and non-direct care administrative nurse positions by 10 percent.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$22.9	\$23.0	\$45.9
All Funds	\$33.4	\$33.4	\$66.8

FTEs			N/A
-------------	--	--	-----

Program Impact	FY 2010	FY 2011	Totals

Increases would be targeted to fill vacancies and retain staff. Cost by agency totals \$18.1 million GR and \$37.7 million AF at DADS; \$27.4 million GR and \$28.1 million AF at DSHS; \$0.2 million GR and \$1.0 million AF at HHSC; and DFPS with \$0.1 million GR and AF.



Exceptional Item # 10

Increase Family Violence Services Funding

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.

Funding could help establish two new programs or shelters serving over 3,300 women and children. The addition of 2 FTEs will allow HHSC contract management staff to increase contract oversight, manage workloads and increase the amount of programmatic and fiscal technical assistance given to providers. FVP will be able to conduct more frequent monitoring of the FVP contracts especially of those identified as high risk.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$1.3	\$1.2	\$2.5
All Funds	\$1.3	\$1.2	\$2.5
FTEs	3.1	3.1	

Program Impact	FY 2010	FY 2011	Totals
Number of Women and Children Served	3,359	3,359	
Number of Programs and/or Shelters	2	2	



Exceptional Item # 11 Increase State Assistance to 2-1-1 Information Centers

Requested funding would increase support of 2-1-1 contractors for increased call volume. In 2006, 2-1-1 handled 1.3 million and calls and nearly 2 million calls in 2007, a 54 percent increase. Call volume is projected to increase to 2.5 million calls handled in 2011 (an increase of 520,298 calls, or 25 percent).

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 may jeopardize quality standards being.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$0.5	\$0.5	\$1.0
All Funds	\$1.0	\$1.0	\$2.0

FTEs			N/A
-------------	--	--	-----

Program Impact	FY 2010	FY 2011	Totals



Exceptional Item # 12

Maintain and Increase Support of Critical Health & Family Services

This request would increase funding to certain state-funded health initiatives. Funding would add four Texas Integrated Funding Initiative sites (\$0.6 million); 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 (OEHD) coordinates statewide efforts in HHS agencies to target health disparities. Culturally and Linguistically Appropriate Services (CLAS) standards address quality health and human services for African-American and Hispanic/Latino Texans crucial to reduce disability, mortality, morbidity,

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$9.1	\$9.6	\$18.7
All Funds	\$9.9	\$10.4	\$20.3

FTEs	8.3	8.3	
-------------	-----	-----	--

Program Impact	FY 2010	FY 2011	Totals

and healthcare/social services costs. CLAS standards are required for HHS agencies receiving federal funds to ensure Texans receive equitable and effective treatment. Requested funding supports five statewide OEHD funded sites (\$2.0 million and five FTEs). Funding would allow the Nurse Family Partnership (\$7.7 million) and Healthy Marriage (\$3.5 million) programs to maintain 2009 service levels. If additional TANF federal funds are available, they could be substituted for the requested general revenue for the Healthy Marriage program.



Exceptional Item # 13

Establish Medicaid Buy-In for Children

This request would create a new program for families of children with significant health concerns to buy into Medicaid health coverage. Families could have incomes above the financial standards for SSI up to 300% of the federal poverty level and have cost sharing requirements up to 7.5 percent of family incomes. This request assumes outreach and automation programming in FY 2010 and implementation in FY 2011. Funding would also provide additional eligibility determination staff for this program expansion.

The amounts utilize the recommended base bill FMAP rates of 58.73 percent for fiscal year 2010 and 58.96 percent for fiscal year 2011.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$0.2	\$22.3	\$22.5
All Funds	\$0.4	\$45.5	\$45.9

FTEs	3.4	20.6	N/A
-------------	-----	------	-----

Program Impact	FY 2010	FY 2011	Totals
Avg. Disabled and Blind Recipient Months per Month	0	2,412	

Exceptional Item # 14 DSH Hospital Audit Compliance

This request would provide additional funding to address the Centers for Medicare and Medicaid Services (CMS) Disproportionate Share Hospital (DSH) audit rule, which became effective January 19, 2009. This rule has many new reporting and audit requirements that will have an impact on the distribution of hospital DSH funding and the agency's oversight of the program. The rule language will require HHSC to expend additional financial resources related to the management of a contractor to perform the audits, the cost of independent audits as well as the additional staff necessary to perform the additional program oversight tasks required by the audit rule. The CMS has required

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$2.5	\$2.5	\$5.1
All Funds	\$5.1	\$5.1	\$10.1

FTEs	3.1	3.1	N/A
-------------	-----	-----	-----

Program Impact	FY 2010	FY 2011	Totals

that these audits be performed as a condition of future DSH funding. Funding requested supports 35 large hospital audits and 143 small hospital audits each fiscal year.



Exceptional Item # 15

Provide Premium Assistance to Local and Regional Subsidy Programs

S.B. 10, 80th Legislature, Regular Session, 2007, authorized HHSC to develop a grant program to support regional and local health care programs (also known as multi-share or three-share programs). Multi-share programs use a combination of contributions from employers, employees and, typically, a third or even fourth source of funds, which may include local or state public funds, and foundation funding.

This item would contribute one-half of one third of the monthly premium cost for 25,000 uninsured Texans for two years. This provision in S.B. 10 expires on September 1, 2009.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$12.1	\$12.1	\$24.2
All Funds	\$12.1	\$12.1	\$24.2
FTEs	1.0	1.0	N/A

Program Impact	FY 2010	FY 2011	Totals
Avg. Multi-share Recipient per Month	25,000	25,000	
Avg. Monthly Premium Share Cost Per Recipient	\$40	\$40	
Avg. Monthly Total Premium Cost Per Recipient	\$240	\$240	



Exceptional Item # 16

Replace Hospital IGT for General Revenue

This request would provide state funding in lieu of intergovernmental transfers (IGTs) that are assumed in the base bill funding. Public hospitals transfer funding to HHSC to be used as a revenue source to draw down federal matching funds.

These IGTs were provided by public hospitals to (1) minimize the impact of required rate reductions imposed several biennia ago and (2) provide additional savings from expansion of STAR+Plus in the 2006-07 biennium. Savings from STAR+Plus are already assumed in the agency's cost projections for current services.

MOF (\$ in millions)	FY 2010	FY 2011	Totals
GR Related	\$31.7	\$31.7	\$63.3
All Funds	N/A	N/A	N/A

FTEs			N/A
-------------	--	--	-----

Program Impact	FY 2010	FY 2011	Totals



HHS Consolidated Budget for Fiscal Years 2010 - 2011

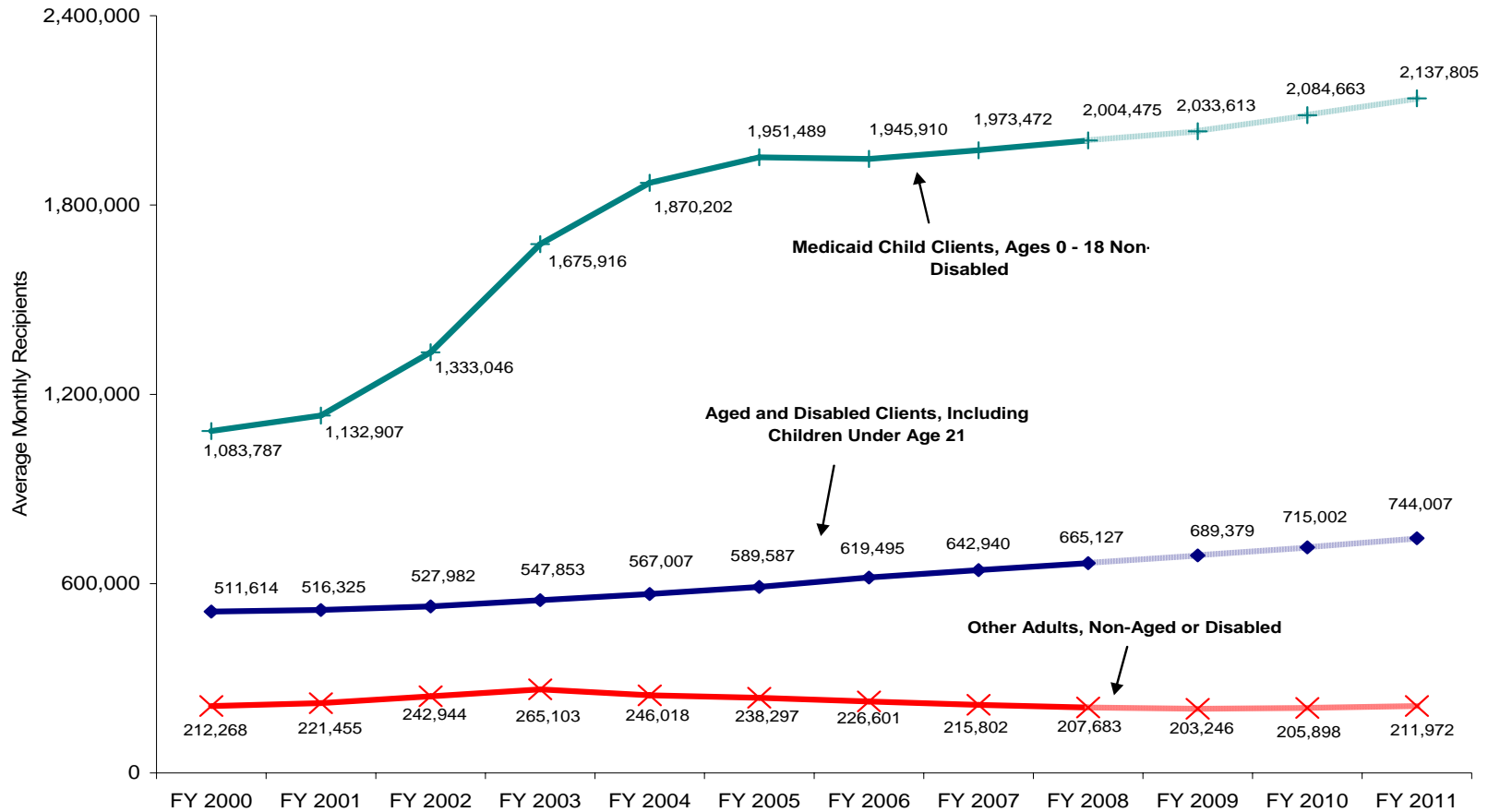
- The HHS Consolidated Budget includes two funding requests which are not included in exceptional items at individual health and human services agencies.
 - **Recruitment and Retention of Critical Direct Care Staff in Major Service Delivery Systems – \$88.2 million general revenue, \$141.3 million all funds.**
 - Increases salaries for MHMR workers, Child Protective Services workers, and Eligibility Determination staff
 - An estimated 24,587 FTEs would be impacted.
 - Funding for recruitment and retention of health care professionals, such as nurses, physicians and psychiatrists, is included in a separate exceptional item in the HHSC request.
 - **Rate Increases for Service Providers – The Consolidated Budget details the cost of increasing rates in one percent increments for each type of service across the HHS System.**
 - HHSC develops approximately 158,000 different rates for the Medicaid program.



Appendix

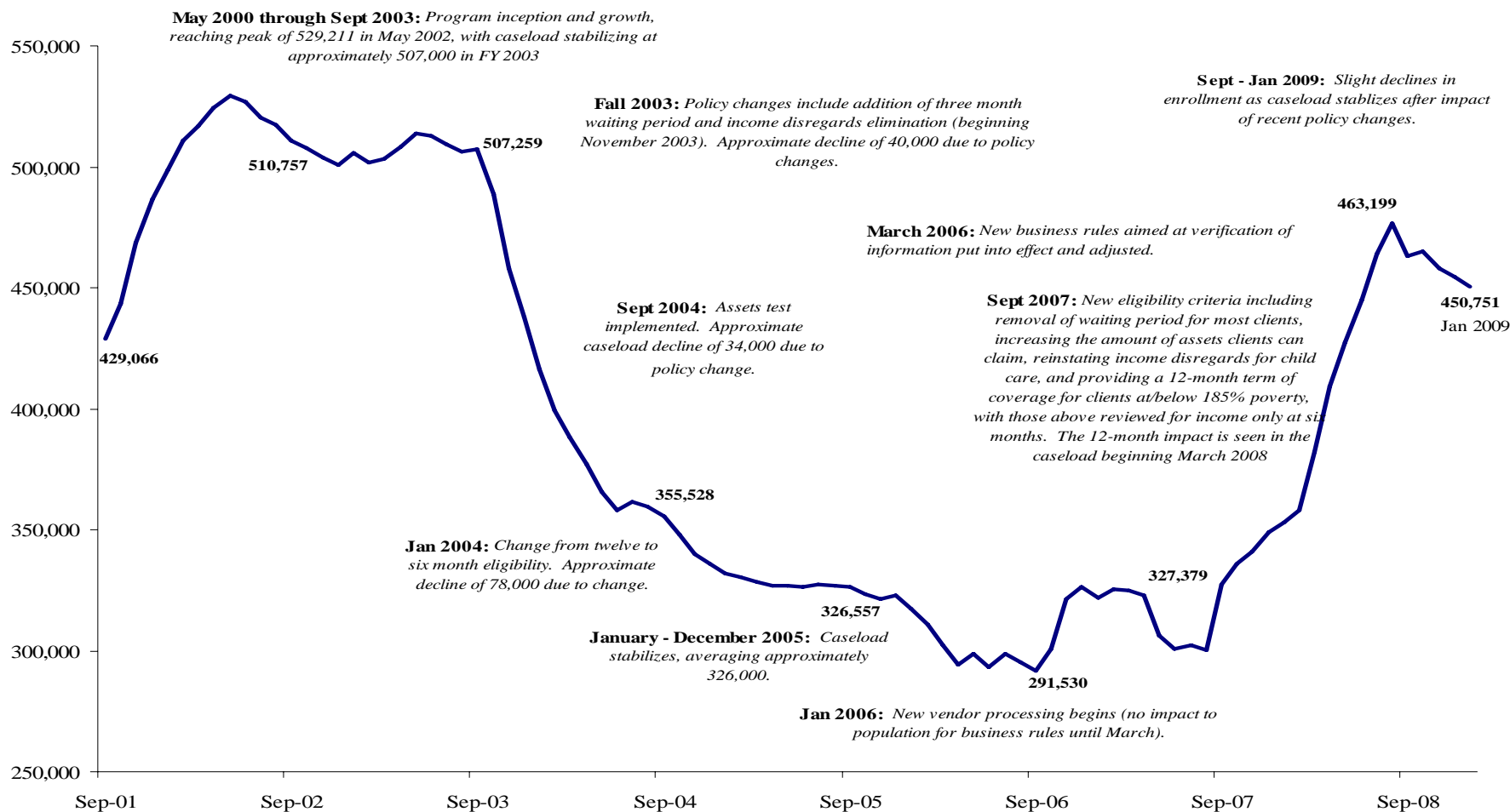
Key Budget Driver: Medicaid Caseload

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



Key Budget Driver: CHIP Caseload

CHIP Enrollment and Policy Changes, September 2001 - January 2009





Number of Children Eligible for Medicaid or CHIP

Children's Medicaid

	Potential Eligibles	Avg Monthly Enrollment*	Estimated # of Children Eligible But Uncovered
2009	2,742,000	2,040,538	701,462
2010	2,771,000	2,090,260	680,740
2011	2,801,000	2,143,850	657,150

CHIP

	Potential Eligibles	Avg Monthly Enrollment*	Estimated # of Children Eligible But Uncovered
2009	654,000	480,085	173,915
2010	660,000	483,358	176,642
2011	668,000	485,706	182,294

Children's Medicaid + CHIP

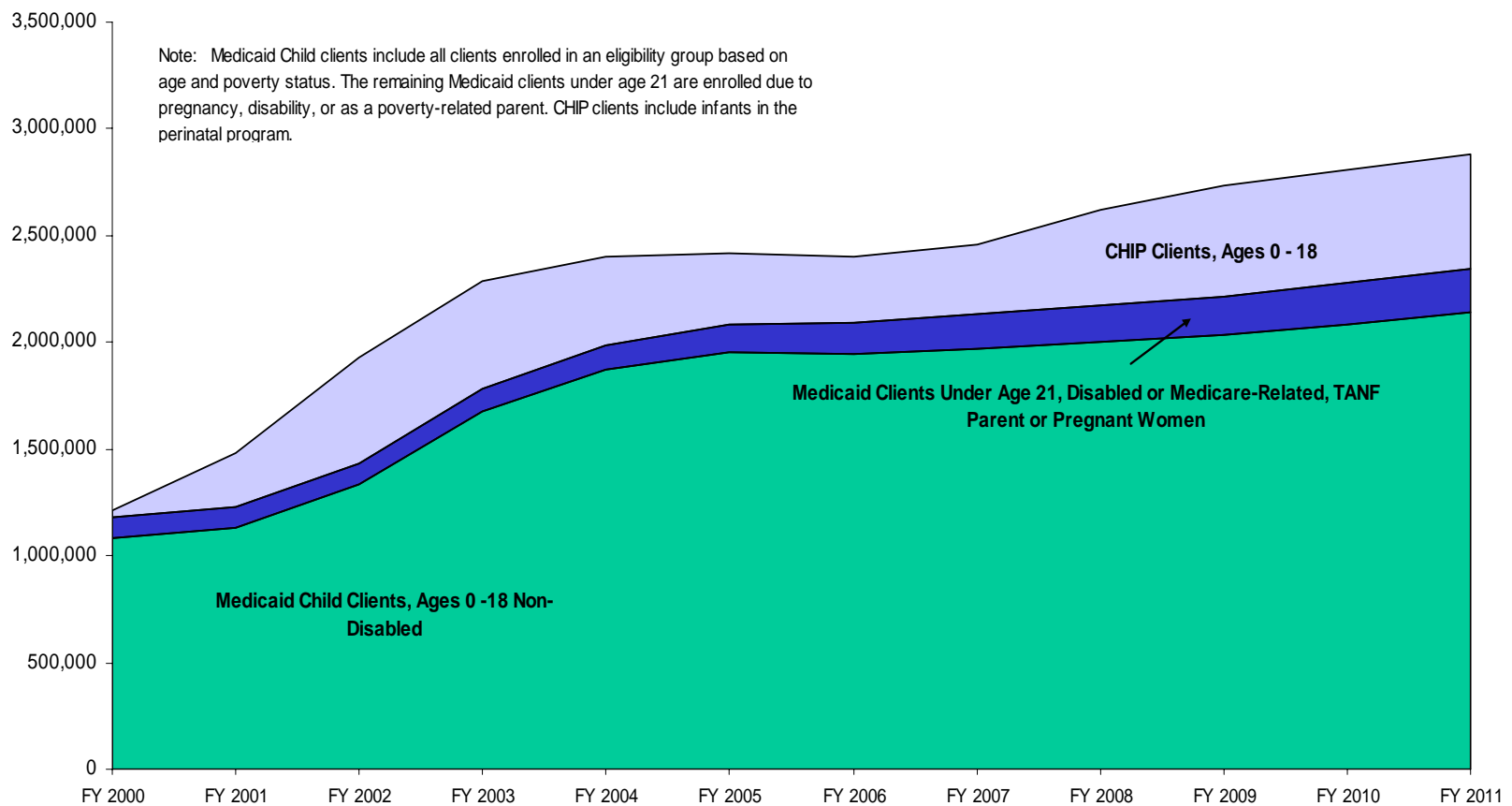
	Potential Eligibles	Avg Monthly Enrollment*	Estimated # of Children Eligible But Uncovered
2009	3,396,000	2,520,623	875,377
2010	3,431,000	2,573,618	857,382
2011	3,469,000	2,629,556	839,444

Estimates account for citizenship and income status of population (insurance status is also considered for CHIP). However, these estimates do not account for other factors considered during eligibility determination, such as resources.

* Average Monthly Enrollment from Summer 2008 (LAR) forecast

Key Budget Driver: Children Served

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





2.5 % Budget Reduction Option: HHS System

Agency	General Revenue Related (Non-Entitlement)	
	FY 2009 Budgeted	2.5% Reduction
Health and Human Services Commission	\$ 650,975,294	\$ (16,274,382)
Department of Aging and Disability Services	\$ 750,187,224	\$ (18,757,686)
Department of Assistive and Rehabilitative Services	\$ 117,254,862	\$ (2,931,371)
Department of Family and Protective Services	\$ 327,938,556	\$ (8,198,464)
Department of State Health Services	\$ 1,386,772,640	\$ (34,669,316)
Total HHS	\$ 3,233,128,576	\$ (80,831,219)



2.5% Budget Reduction Option: Agency Detail

Reductions by Agency	GR-R	All Funds	Program Impact
Health and Human Services Commission:			
Reduce Budgeted FTEs (effective March 2009) (multiple strategies)	\$ (11,457,000)	\$ (27,524,412)	HHSC would not fill vacant positions for the remainder of the FY 2009 (effective March 2009). This could impact an estimated 860 FTEs. In general, workload for remaining staff could increase and time to respond, review, process, pay, report, plan, and submit could increase. The two areas that would be impacted most severely are the Office of Eligibility and Family Services and Medicaid program support.
Reduce Related Supporting Costs (multiple strategies)	\$ (4,817,382)	\$ (11,573,328)	With reductions in 860 FTEs, there would also be savings from budgeted levels for travel, training, seat management, and contractors expenses. Some new leases and related facility costs could possibly be avoided.
Department of Aging and Disability Services:			
A.1.1 Intake, Access and Eligibility	\$ (1,000,000)	\$ (2,000,000)	Training cost savings.
A.3.1 Community Based Alternatives	\$ (1,500,000)	\$ (3,698,225)	Anticipated lapse in ICM catchment areas after redistributing some ICM slots within the geographic area.
A.4.1 Non-Medicaid Services	\$ (2,304,710)	\$ (2,304,710)	1,986 older and disabled persons who do not qualify for Medicaid would not continue to receive home and community based social and supportive services.
A.4.2 MR Community Services	\$ (12,468,596)	\$ (12,468,596)	2,241 MR consumers would not continue to receive MR services such as employment services, day training, refine skills needed to live and work in the community and various therapies.
A.4.3 Promoting Independence Plan	\$ (165,360)	\$ (165,360)	55 individuals would not continue to receive services that assist in transitioning from Nursing Homes into community-based services and support.
A.4.4 In-Home & Family Support	\$ (591,215)	\$ (591,215)	1,127 individuals would not continue to receive financial assistance to purchase special equipment and other support needed to remain in the community.
A.4.5 MR In-Home Services	\$ (727,805)	\$ (727,805)	389 MR consumers would not continue to be provided financial assistance to purchase special equipment and other services needed to remain in the community.



2.5% Budget Reduction Option: Agency Detail

Reductions by Agency	GR-R	All Funds	Program Impact
Department of Assistive and Rehabilitative Services:			
A.1.3 ECI Comprehensive Services	\$ (1,950,000)	\$ (1,950,000)	This reduction would result in the autism pilot being eliminated. An estimated 133 clients aged 3-8 would not be served.
B.3.4 Comprehensive Rehabilitation	\$ (981,371)	\$ (981,371)	37 clients will not be served and will be added to the waiting list.
Department of Family and Protective Services:			
Prevention Services	\$ (8,198,464)	\$ (8,198,464)	This reduction is made up of anticipated lapse from the 2008-09 biennium contracts and unobligated appropriation. There should be no impact to expected client service
Department of State Health Services:			
B.3.2 FQHC Infrastructure Grants	\$ (1,500,000)	\$ (1,500,000)	In FY 09 this amount was to be transferred to community primary care, which provides critical medical services. 8,710 clients would not receive community primary care services
B.1.1 Provide WIC Services	\$ (6,171,000)	\$ (6,171,000)	WIC rebates are federally required to be used to offset allowable costs when requesting reimbursement of federal funds. Although federal law prohibits the use of federal funds prior to the use of WIC rebates, this item must be included in the determinatio
B.3.3 Indigent Care Reimbursement (UTMB)	\$ (3,800,000)	\$ (3,800,000)	Reimbursement amount will be less than the appropriated level.
B.3.1 EMS and Trauma Care System	\$ (16,436,316)	\$ (16,436,316)	Activities related to uncompensated care, emergency medical services, regional advisory councils would see a decline in reimbursements related to this revenue source. Decreased EMS/trauma funding could result in trauma facilities relinquishing their desig



2.5% Budget Reduction Option: Agency Detail

Reductions by Agency	GR-R	All Funds	Program Impact
Department of State Health Services, continued:			
B.2.1 Mental Health Services for Adults	\$ (2,000,000)	\$ (2,000,000)	DSHS-funded Local Mental Health Authorities (LMHAs) would serve approximately 947 fewer adults with serious mental illness (based on FY2009 served per year target 83,040 adults). Due to the economic crisis and projected population growth, the need for men
Various program under \$1 million (multiple strategies)	\$ (4,762,000)	\$ (5,012,000)	Various programs are impacted by this reduction. The Zoster (shingles) immunization to 6,542 adults would not be provided, 50 children with special health care needs would not receive services, screening for cervical cancer or abnormalities through pap sm