



Presentation to the Senate Finance Committee

FY 2008-2009

Legislative Appropriations Request

October 16, 2006

Health and Human Services System

The health and human services (HHS) system consists of five agencies which administer more than 200 programs, manage appropriations of \$48.3 billion for the 2006-07 biennium and employ an estimated 45,000 FTEs:

- o Health and Human Services Commission (HHSC)
 - o 9,246.1 FTEs
 - o FY 2007 Budgeted - \$15.71 billion
- o Department of Aging and Disability Services (DADS)
 - o 14,367.4 FTEs
 - o FY 2007 Budgeted - \$5.07 billion
- o Department of Assistive and Rehabilitative Services (DARS)
 - o 3,143.0 FTEs
 - o FY 2007 Budgeted - \$0.54 billion
- o Department of Family and Protective Services (DFPS)
 - o 9,429.0 FTEs
 - o FY 2007 Budgeted - \$1.14 billion
- o Department of State Health Services (DSHS)
 - o 11,885.0 FTEs
 - o FY 2007 Budgeted - \$2.54 billion

HHS Issues in FY 2007

- o Department of Family and Protective Services - \$21.7 million
 - Foster care/adoption subsidies caseload - \$11.4 million
 - Replacement federal funds due to Deficit Reduction Act - \$9.6 million
 - Relative Caregiver payments - \$0.7 million

To meet these needs DFPS will also require an additional \$26.9 million in TANF federal funds.

- o Department of Assistive and Rehabilitative Services - \$1.5 million
 - Vocational Rehabilitation Services
- o Department of State Health Services
 - Pandemic flu preparedness
 - Trauma funding - \$15 million, estimated
- o Health and Human Services Commission - \$132.9 million
 - Medicare Part D Clawback Payment

2008-2009 LAR

Baseline Policy and HHS Assumptions

- The General Revenue (GR) and GR-related base request is limited to 90 percent of the sum of the amounts expended in fiscal year 2006 and budgeted in fiscal year 2007.
- The 10% reduction in the base is approximately \$473.6 million GR. The All Funds reduction is estimated to be \$814.2 million.
- Exceptions to the 90 percent limitation include amounts necessary to maintain caseloads for entitlement services, such as Medicaid, Foster Care and Early Childhood Intervention.
- Costs are held flat at fiscal year 2006 level.

HHS Agency Baseline and Exceptional Funding Request

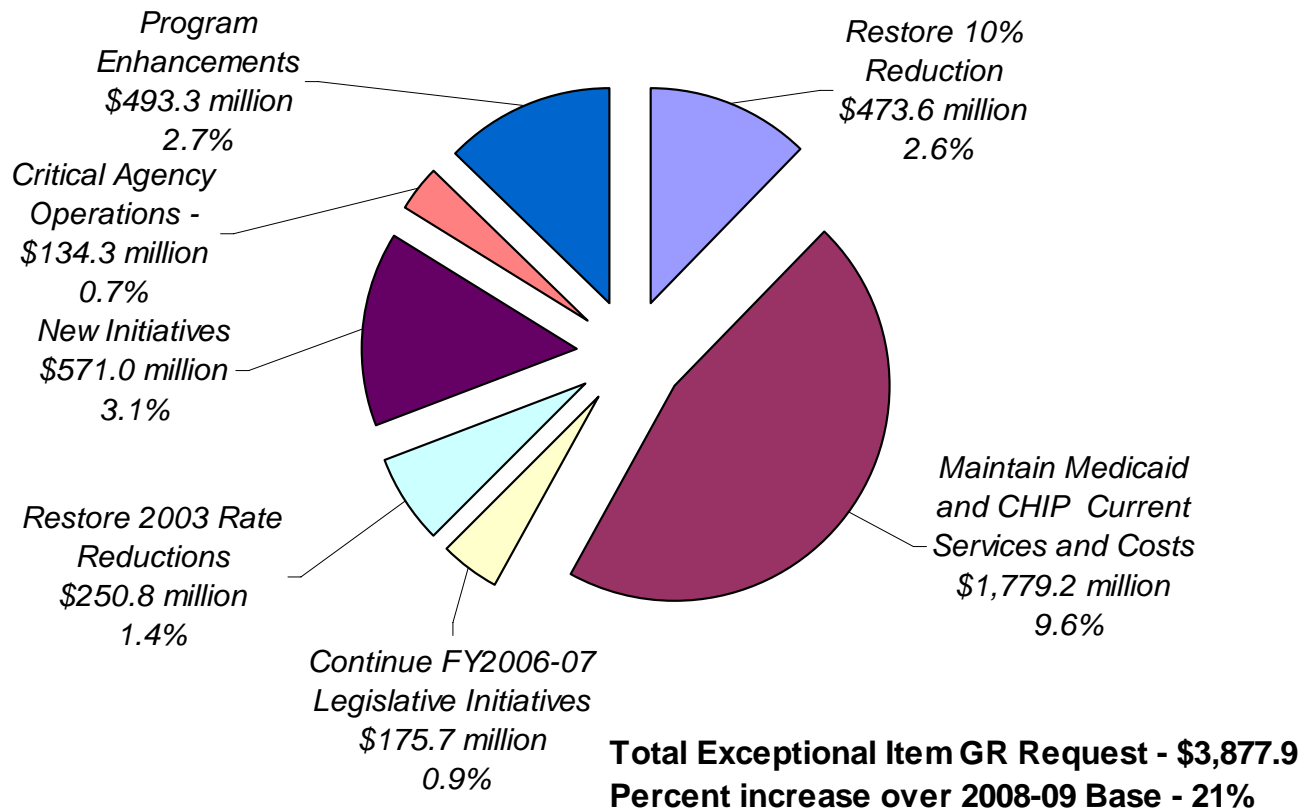
HHS Agency Baseline and Exceptional Funding Request							
FY 2008 - 2009							
<i>(in millions)</i>							
Agency	Baseline Request		Exceptional Item Request		Total Request		GR / GRD % Increase over FY 08-09 Baseline
	GR / GRD	All Funds	GR / GRD	All Funds	GR / GRD	All Funds	
DADS	4,080.1	10,473.2	301.8	703.4	4,381.9	11,176.6	7.40%
DARS	190.9	1,074.6	23.3	100.8	214.2	1,175.4	12.20%
DFPS ¹	909.0	2,312.6	215.8	266.1	1,124.8	2,578.7	23.74%
DSHS	2,177.1	4,664.2	527.0	656.5	2,704.1	5,320.7	24.20%
HHSC	11,149.1	30,963.8	2,810.1	6,831.1	13,959.2	37,794.9	25.20%
Total, HHS	\$ 18,506.2	\$ 49,488.4	\$ 3,877.9	\$ 8,557.9	\$ 22,384.1	\$ 58,046.4	20.95%

Note: Totals may not add due to rounding.

¹ As directed by the LAR instructions, the DFPS request includes \$591.4 million in GR-related funds that were appropriated as Economic Stabilization Funds during 2006-2007. For consistency, the ESF appropriated in 2006-2007 is shown here as

HHS Exceptional Item Funding Needs

**2008-2009 Exceptional Items
with Percent Increase over Baseline Request
(GR \$ in Millions)**



HHS Cross-Agency Exceptional Items

- **Provider Rate Considerations**
- **Waiting and Interest Lists**
- **Nurse Recruitment and Retention**
- **Telecommunications / IT Needs**

HHS Exceptional Items: Provider Rate Considerations

- Most Medicaid programs have not had a rate increase in six to seven years (as of September 1, 2006) with a few programs not experiencing a rate adjustment in over 10 years.
- In addition, most of these programs were subject to a rate reduction effective September 1, 2003 (1.1% for community long-term care programs, 1.75% for long-term care institutional care programs, and 2.5% for acute care programs and 5% for hospitals).
 - As of September 1, 2005, only certain long-term care programs have seen these reductions restored.
 - Prices in general increased by approximately 2.5% per year from FY 2002 to FY 2005 while medical prices increased by approximately 4.4% per year.
- Estimated cost trends indicate that rate increases for health and human services programs are needed. Reference Appendix B.

Interest List Reduction Summary

Fiscal Years 2006-2007

- For the 2006-07 biennium, approximately \$162.6 million in GR (\$377 million All Funds) was appropriated to DADS, DARS, DSHS, and HHSC to reduce health and human services waiting/interest lists by 10 percent by the end of the biennium and to prevent waiting list growth due to demographic growth.
- By the end of the current biennium, waiting lists are anticipated to be reduced by a total of 11,986 clients.
 - Of these clients, an estimated 9,476 additional persons will receive services through DADS programs (reference the table on the following page).

DADS Interest List Reduction Summary

Fiscal Years 2006-2007 (continued)

	CBA	CLASS	DBMD	MDCP	HCS	Total
Number of Clients on IL - LAR submission (November 2004)	66,787	13,453	18	8,604	26,698	115,560
Total Released/Removed from IL	36,168	3,296	34	2,193	2,768	44,459
<i>Enrolled</i>	7,486	471	5	175	1,339	9,476
<i>In the Pipeline</i>	3,828	1,859	15	807	828	7,337
<i>Denied/Declined</i>	24,854	966	14	1,211	601	27,646
Net Remaining from LAR submission	30,619	10,157	-16	6,411	23,930	71,101
Percent reduction from LAR submission	54.2%	24.5%	188.9%	25.5%	10.4%	38.5%
Added to IL since LAR submission	14,175	5,173	39	3,624	5,787	28,798
Current IL - August 31, 2006	44,794	15,330	23	10,035	29,717	*99,899
Net Percentage Change from LAR Submission	-32.9%	14.0%	27.8%	16.6%	11.3%	-13.6%

* Count is duplicated. The unduplicated individual count is 84,622

HHS Exceptional Item: Waiting and Interest Lists

FY 2008-2009 LAR <i>(dollars in millions)</i>									
Keep Pace with Population Growth	FY 2008			FY 2009			Biennium		
	Avg. Caseload¹	GR	AF	Avg. Caseload¹	GR	AF	Total Caseload	GR	AF
Community Based Alternatives (CBA)	319	\$2.3	\$5.6	958	\$6.5	\$16.1	1,277	\$8.8	\$21.7
Comm. Living Asst. & Supp. Svcs. (CLASS)	41	\$0.7	\$1.8	124	\$2.2	\$5.5	165	\$2.9	\$7.3
Medically Dep. Children's Program (MDCP)	28	\$0.7	\$1.7	83	\$2.0	\$5.2	111	\$2.7	\$6.9
Consolidated Waiver Program (CWP) ³	3	-	\$0.1	8	\$0.1	\$0.3	11	\$0.1	\$0.4
Deaf-Blind w/ Mult. Disab. Waiver (DBMD)	2	-	\$0.1	5	\$0.1	\$0.3	7	\$0.1	\$0.4
Non-Medicaid Services ²	557	\$1.2	\$1.2	1,671	\$3.5	\$3.5	2,228	\$4.7	\$4.7
In-Home & Family Support	47	\$0.1	\$0.1	140	\$0.2	\$0.2	187	\$0.3	\$0.3
Home and Community-Based Svcs. (HCS)	121	\$2.2	\$5.4	363	\$6.4	\$16.0	484	\$8.6	\$21.4
Texas Home Living (TxHmL)	35	\$0.3	\$0.9	104	\$1.0	\$2.6	139	\$1.3	\$3.5
Adult Community Mental Health	2,253	\$5.9	\$5.9	2,253	\$11.9	\$11.9	4,506	\$17.8	\$17.8
Child & Adolesc. Community Mental Health	307	\$1.6	\$1.6	307	\$3.1	\$3.1	614	\$4.7	\$4.7
Children with Special Health Care Needs (CSHCN)	55	\$0.8	\$0.8	55	\$1.6	\$1.6	110	\$2.4	\$2.4
Comprehensive Rehabilitative Services	19	\$0.6	\$0.6	17	\$0.6	\$0.6	36	\$1.2	\$1.2
Independent Living Services	71	\$0.3	\$0.3	102	\$0.3	\$0.3	173	\$0.6	\$0.6
Subtotal	3,858	\$16.7	\$26.1	6,190	\$39.5	\$67.2	10,048	\$56.2	\$93.3

¹ Average Caseload is an average monthly figure except for Adult Community Mental Health, Child and Adolescent Community Mental Health, Children with Special Health Care Needs, Comprehensive Rehabilitative Services, and Independent Living Services, for which Average Caseload is an annual figure.

²CWP draws from waiting/interest lists of five waiver programs: CBA, MDCP, HCS, DBMD, and CLASS.

³Non-Medicaid Services include these Title XX and GR funded services: Family Care, Home Delivered Meals, Emergency Response, Adult Foster Care, Special Svcs. for Persons with Disabilities, Residential Care, Client Managed Attendant Care, and Title XX Day Activity & Health Services (DAHS).

HHS Exceptional Item: Waiting and Interest Lists

(continued)

Reduce Waiting/Interest Lists	FY 2008			FY 2009			Biennium		
	Avg. Caseload ¹	GR	AF	Avg. Caseload ¹	GR	AF	Total Caseload	GR	AF
Community Based Alternatives (CBA)	764	\$5.4	\$13.3	2,293	\$15.6	\$38.4	3,057	\$21.0	\$51.7
Comm. Living Asst. & Supp. Svcs. (CLASS)	300	\$5.2	\$13.2	901	\$15.9	\$40.1	1,201	\$21.1	\$53.3
Medically Dep. Children's Program (MDCP)	214	\$5.2	\$13.1	642	\$15.9	\$39.9	856	\$21.1	\$53.0
Consolidated Waiver Program (CWP) ³	-	-	-	-	-	-	-	-	-
Deaf-Blind w/ Mult. Disab. Waiver (DBMD)	2	\$0.1	\$0.1	6	\$0.1	\$0.3	8	\$0.2	\$0.4
Non-Medicaid Services ²	172	\$0.4	\$0.4	517	\$1.1	\$1.1	689	\$1.5	\$1.5
In-Home & Family Support	429	\$0.8	\$0.8	1,287	\$2.1	\$2.1	1,716	\$2.9	\$2.9
Home and Community-Based Svcs. (HCS)	1,327	\$24.0	\$59.0	3,981	\$70.4	\$175.3	5,308	\$94.4	\$234.3
STAR+Plus CBA (MAO only)	185	\$1.8	\$4.6	555	\$5.5	\$13.8	740	\$7.3	\$18.4
Adult Community Mental Health	940	\$2.5	\$2.5	940	\$5.0	\$5.0	1,880	\$7.5	\$7.5
Child & Adolesc. Community Mental Health	110	\$0.5	\$0.5	110	\$1.0	\$1.0	220	\$1.5	\$1.5
Children with Special Health Care Needs (CSHCN)	471	\$3.4	\$3.4	471	\$6.8	\$6.8	942	\$10.2	\$10.2
Comprehensive Rehabilitative Services	91	\$3.1	\$3.1	92	\$3.2	\$3.2	183	\$6.3	\$6.3
Independent Living Services	458	\$1.5	\$1.5	458	\$1.5	\$1.5	916	\$3.0	\$3.0
Subtotal	5,463	\$53.9	\$115.5	12,253	\$144.1	\$328.5	17,716	\$198.0	\$444.0
Total Request	9,321	\$70.6	\$141.6	18,443	\$183.6	\$395.7	27,764	\$254.2	\$537.3

¹ Average Caseload is an average monthly figure except for Adult Community Mental Health, Child and Adolescent Community Mental Health, Children with Special Health Care Needs, Comprehensive Rehabilitative Services, and Independent Living Services, for which Average Caseload is an annual figure.

²CWP draws from waiting/interest lists of five waiver programs: CBA, MDCP, HCS, DBMD, and CLASS.

³Non-Medicaid Services include these Title XX and GR funded services: Family Care, Home Delivered Meals, Emergency Response, Adult Foster Care, Special Svcs. for Persons with Disabilities, Residential Care, Client Managed Attendant Care, and Title XX Day Activity & Health Services (DAHS).

HHS Exceptional Item: Nurse Recruitment and Retention

- HHS agencies' compensation for RNs and LVNs lags private sector pay by approximately 15%. As a result, turnover in key nursing positions across HHS programs, such as state hospital and state schools, is up to 27% for RNs and 31% for LVNs.
- Total request for nurse recruitment and retention is \$41.9 million All Funds (\$32 million General Revenue).
 - Increase in nurse salaries in the following key program areas in HHS agencies by an average of 15% - \$23.4 million GR
 - DSHS – State Hospitals, Regional and Central Office
 - DADS – State Schools, Regulatory Services, Access and Intake
 - HHSC – Office of Inspector General
 - Fund educational incentives, including a stipend program, reimbursement for licensure renewal and funding for mandatory continuing education - \$8.6 million GR

HHS Exceptional Item: Telecommunications / IT Needs

**Request totals \$20.9 million General Revenue (\$39.2 million All Funds).
Components include:**

- o Information and IT asset management initiative to fulfill statutory requirements to capture performance indicators and service level metrics as well as building an on demand information management and data warehouse capability (\$10.1 million GR, \$20.0 million All Funds).
- o HHS security services center / forensics lab to improve security, vulnerability assessments, centralized patch management (\$1.4 million GR, \$2.3 million All Funds).
- o Identity management for single sign-on for all applications needed by an employee (\$0.7 million GR, \$1.3 million All Funds).
- o Software license for application development for web-based applications, service-oriented architecture environment (\$0.2 million GR, \$0.4 million All Funds).
- o Telecommunications enhancement for regional office PBX enhancements, improved voice mail systems, streamlined use of toll-free numbers (\$4.8 million GR, \$7.7 million All Funds).
- o Messaging and collaboration to standardize messaging and collaboration, improve productivity & performance (\$3.7 million GR, \$7.6 million All Funds).

Note: Except for the first item, one-time funding only would be needed for each of the exceptional items listed above.



**Health and Human Services Commission
2008-2009
Legislative Appropriations Request**

2008-2009 Biennial HHSC LAR Summary

- The FY 2008-09 baseline request totals nearly \$31.0 billion All Funds and \$11.1 billion General Revenue (GR).

GOAL		FY 2008-2009 Base Request	FY 2008-2009 Exceptional Items	FY 2008-2009 Total Request	Exceptional Item Increase Over Base Request
Goal A	HHS Enterprise Oversight & Policy	\$ 1,271,372,818	\$ 253,122,245	\$ 1,524,495,063	19.9%
Goal B	Medicaid	27,347,575,522	5,789,294,226	33,136,869,748	21.2%
Goal C	CHIP Services	1,097,226,628	759,855,370	1,857,081,998	69.3%
Goal D	Encourage Self Sufficiency	997,082,508	12,214,905	1,009,297,413	1.2%
Goal E	Program Support	209,920,826	16,653,864	226,574,690	7.9%
Goal F	Information Technology Projects	40,577,510	-	40,577,510	0.0%
Total, Agency Request		\$ 30,963,755,812	\$ 6,831,140,610	\$ 37,794,896,422	22.1%
Method of Financing:					
	General Revenue	\$ 11,149,077,646	\$ 2,810,076,480	\$ 13,959,154,126	25.2%
	Federal Funds	18,572,084,271	4,157,877,625	22,729,961,896	22.4%
	Other Funds	1,242,593,895	(136,813,495)	1,105,780,400	-11.0%
Total, Method of Financing		\$ 30,963,755,812	\$ 6,831,140,610	\$ 37,794,896,422	22.1%

Major Adjustments to Baseline Request

- o Medicaid and Children's Health Insurance Program (CHIP)
 - Medicaid projected caseload would be funded at current cost
 - Estimated 2008-09 payments to the federal government for contributions for Medicare Part D coverage as "clawback" total \$590.2 million GR.
 - The managed care payments for CHIP and Medicaid assumes 13 months of payments in FY 2008 (includes the deferred August 2007 payment) and 11 months of payments in FY 2009.
 - » Medicaid August 2007 Deferral: \$104.5 million GR (fall update)
 - » CHIP August 2007 Deferral: \$14.0 million GR (fall update with perinates)
 - » Medicaid August 2009 Deferral: \$101.4 million (LAR base request with perinates included in Medicaid)
 - » CHIP August 2009 Deferral: \$9.7 million (LAR base request without perinates)
 - The CHIP projected caseload would be funded at projected FY2008 cost levels, except for perinates.
- o Temporary Assistance for Needy Families (TANF)
 - TANF State Maintenance of Effort (MOE) requirement will not be met in the baseline request due to the mandated reduction.
- o Impact of Baseline Funding (10 Percent GR Reduction)
 - Reduction was applied to all programs and administrative operations.

2008-09 Major HHSC Issues

- Maintenance of current services in the Medicaid and CHIP programs due to increased cost trends
- Implementation of the CHIP Perinate program
- Impact of the Alberto N. Lawsuit Settlement

HHSC Exceptional Item Requests

- Exceptional item request for the 2008-09 biennium totals approximately \$6.8 billion All Funds and \$2.8 billion GR
 - 852.1 FTEs in FY 2008 and 1,003.2 FTEs in FY 2009
- Major exceptional items include:
 - Maintaining HHSC Current Services - \$1,832.1 million GR (65.2%)
 - HHS Waiting/Interest List - \$254.7 million GR (9.1%)
 - Restoring Provider Rates - \$237.0 million GR (8.4%)
 - Hospital Medicaid Financing - \$304.7 million GR (10.8%)
 - System and Service Improvements - \$122.6 million GR (4.3%)
 - HHS Enterprise - \$52.9 million GR (1.9%)
 - Increase Office of Inspector General (OIG) Support - \$6.6 million (0.2%)

Appendices

- Appendix A – Medicaid and CHIP Caseloads
- Appendix B – Provider Rate Considerations
- Appendix C – Needs of Hurricane Katrina Evacuees
- Appendix D – HHSC Exceptional Item Requests (Details)

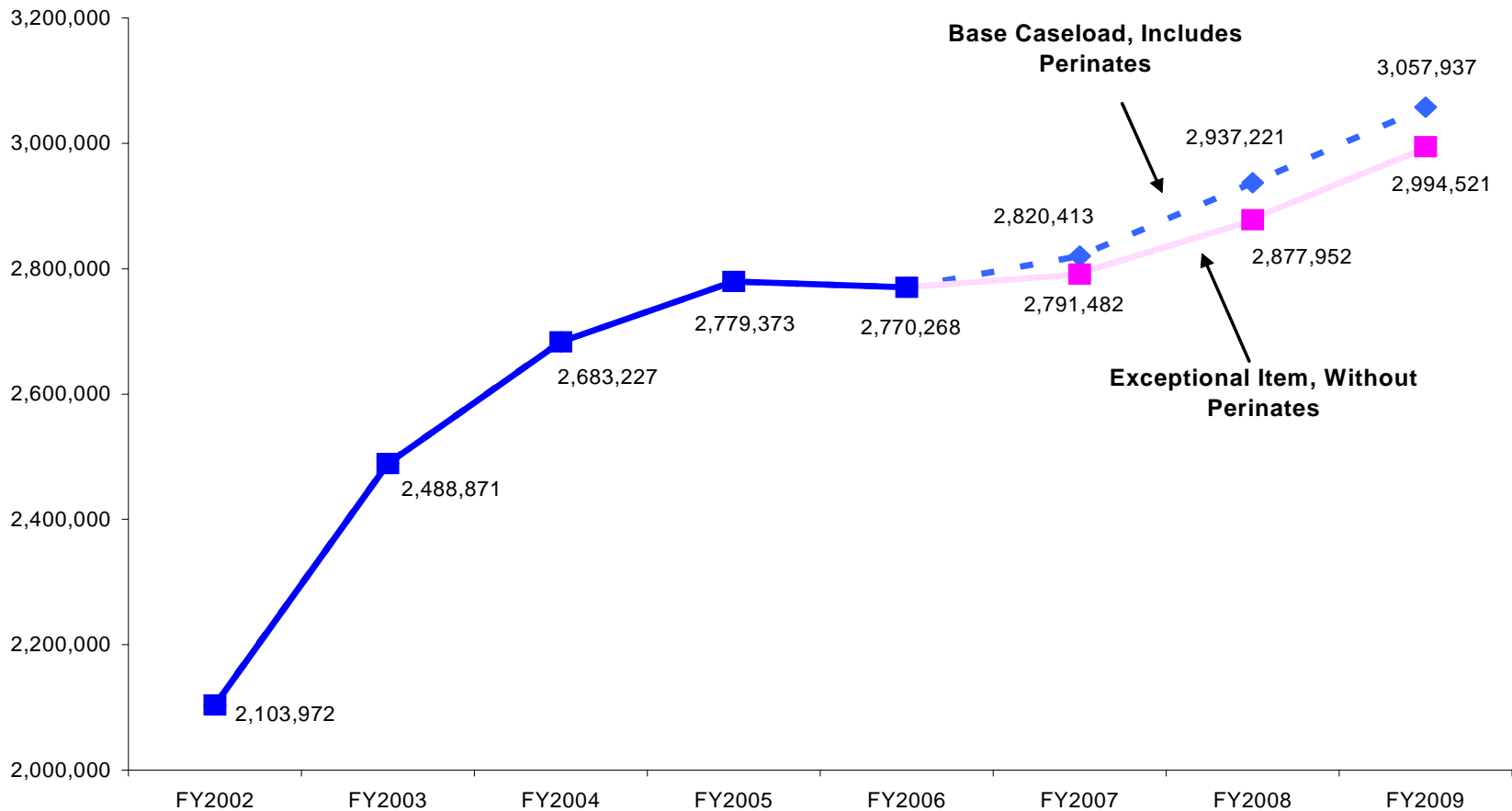
Critical Caseload Forecast - Medicaid

Medicaid Caseloads

Risk Group	FY 2006	FY 2007	FY 2008	FY 2009
Aged & Medicare Related	328,883	334,145	339,157	344,244
Disabled & Blind	290,204	312,518	332,565	353,669
Medically Needy	46,649	45,333	47,321	49,396
Pregnant Women	123,586	128,380	134,125	140,128
TANF Adult	55,581	55,616	55,966	56,201
TANF Child (0-18 years)	255,173	266,860	280,416	294,465
Newborns (0-12 months)	157,053	169,483	181,663	194,745
Expansion Child (0-6 years)	716,545	689,992	691,818	719,990
Federal Mandate Child (6-18 years)	796,595	789,155	814,921	841,683
Risk Group Total	2,770,268	2,791,482	2,877,952	2,994,521
Medicaid Children Total	1,925,365	1,915,490	1,968,818	2,050,883

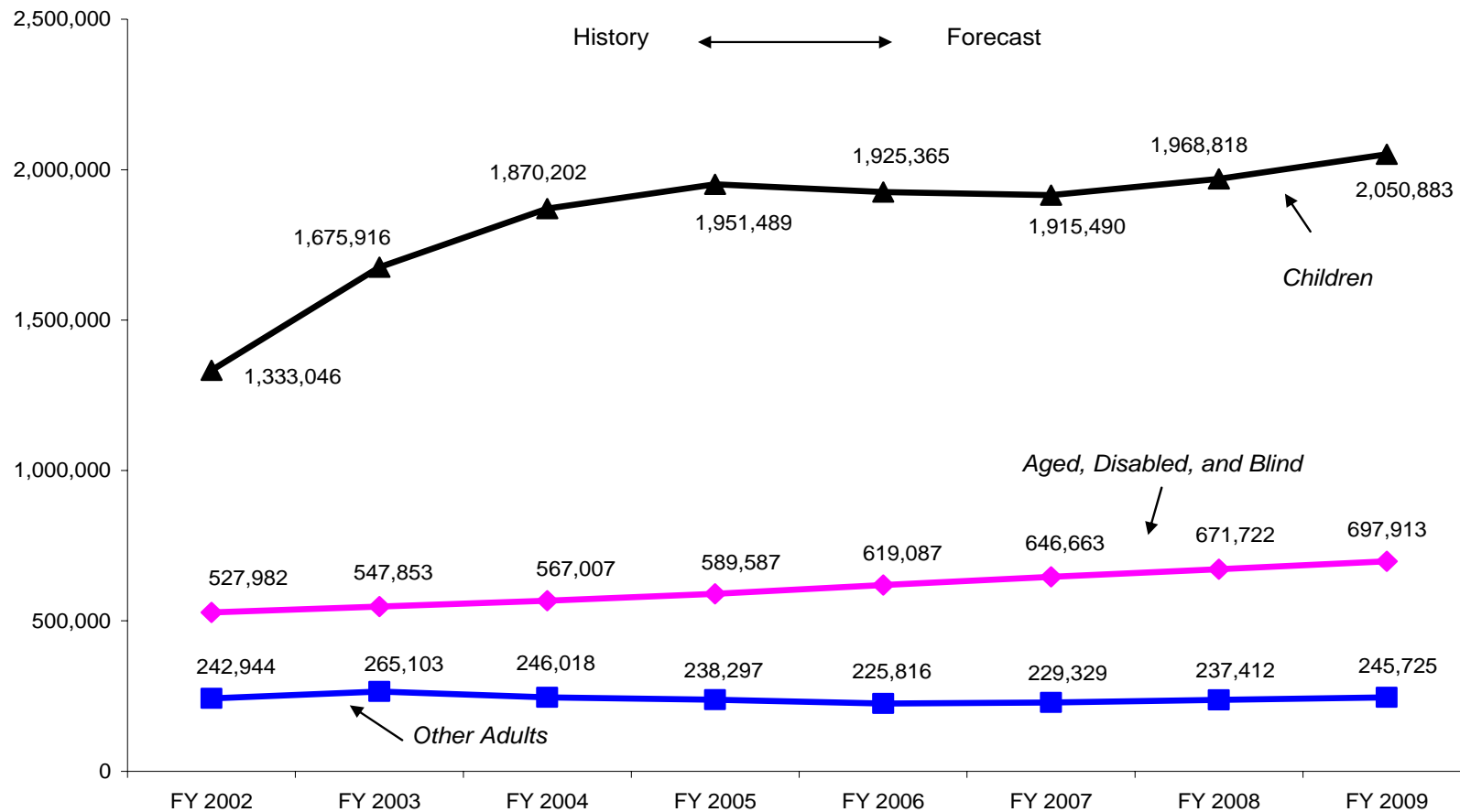
Critical Caseload Forecast - Medicaid (continued)

Medicaid Caseload Summary: FY 2002 through FY 2009, LAR Base and Exceptional Requests



Critical Caseload Forecast - Medicaid (continued)

Medicaid Acute Care Caseload by Risk Groups, FY 2002 - FY 2009, Fall 2006 Forecast

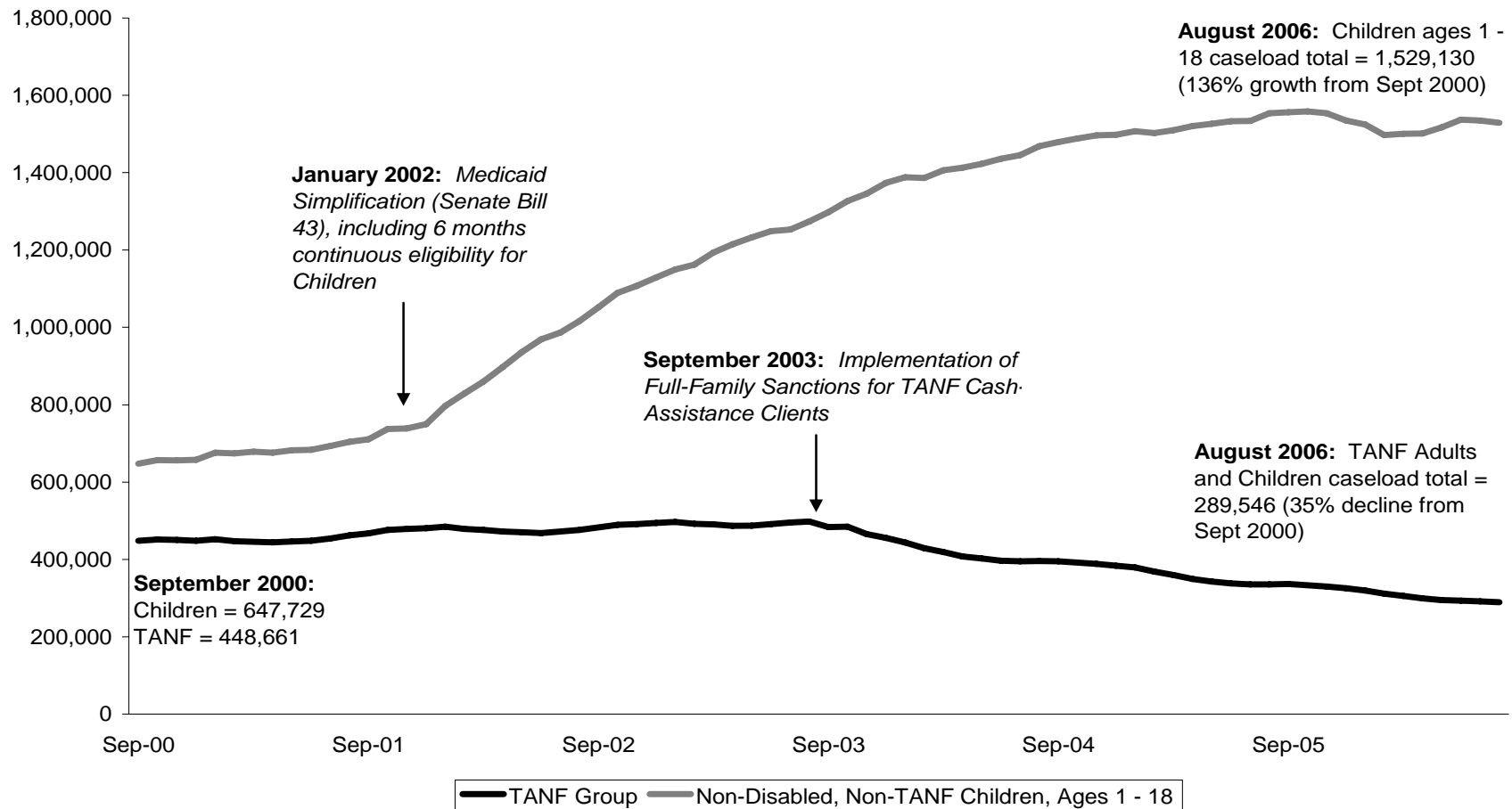


Other Adults include TANF Adults, Pregnant Women, and Medically Needy; Children includes all non-disabled children. Perinates are removed from the caseload.

◆ Aged, Disabled and Blind ■ Other Adult ▲ Children

Critical Caseload Forecast - Medicaid (continued)

**Medicaid Caseload by Policy Impacted Risk Groups: TANF Recipients and Non-Disabled Children Ages 1 - 18
September 2000 - August 2006**



Critical Caseload Forecast

Children's Health Insurance Program (CHIP) (continued)

CHIP Caseload Summary: Fiscal Years 2002 - 2009

	Total Caseload	Federally Funded	Legal Permanent Residents	TRS Eligible Children
FY2002	497,688	488,315	9,373	
FY2003	506,968	484,364	15,034	7,570
FY2004	409,865	384,563	16,708	8,594
FY2005	333,707	310,213	15,419	8,075
FY2006	309,172	286,655	14,958	7,559
FY2007	327,012	303,205	15,828	7,979
FY2008	335,477	311,053	16,238	8,186
FY2009	339,037	314,354	16,411	8,272

Note: FY 2006 includes actual data through July 2006

FY 2007 - FY 2009 are forecasts

Critical Caseload Forecast Children's Health Insurance Program (CHIP) (continued)

- **Children's Health Insurance Program (CHIP)**

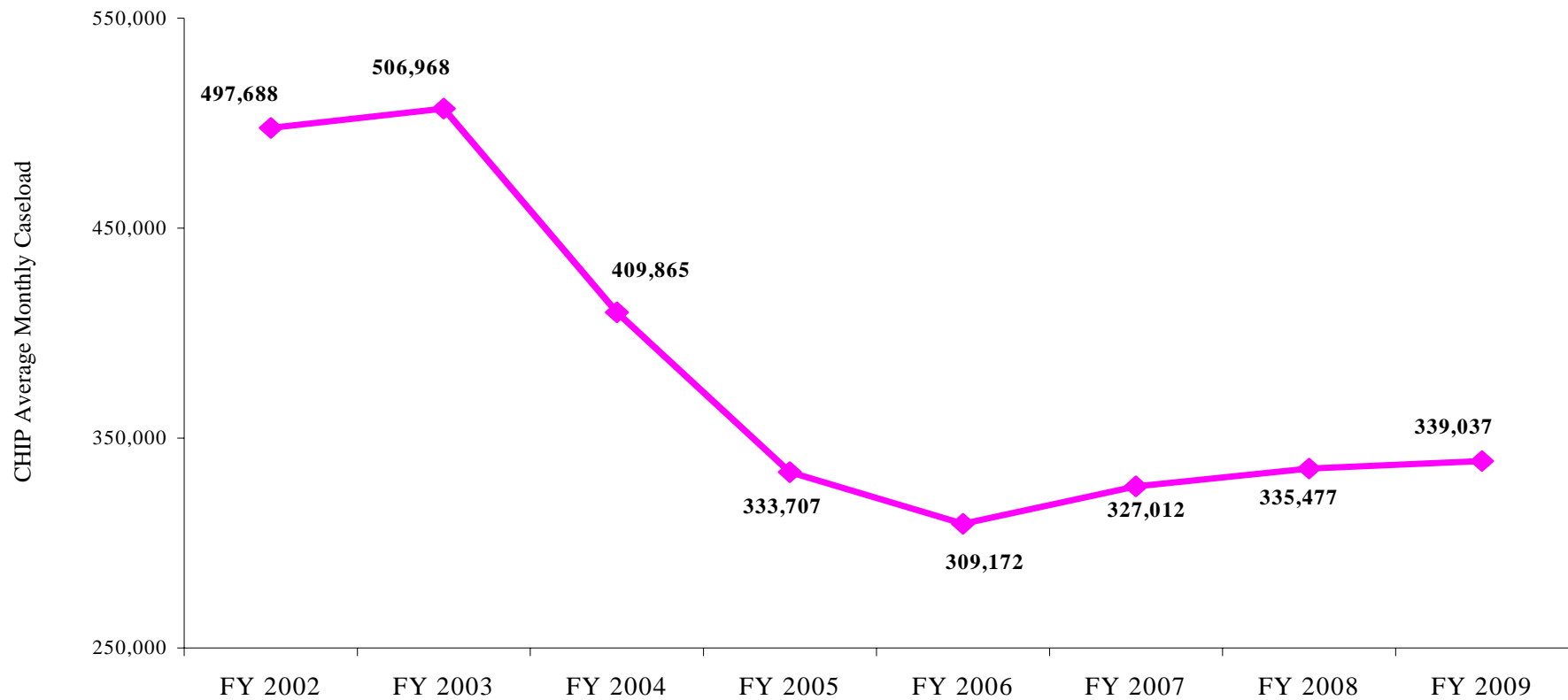
CHIP Perinatal Clients (Mothers/Perinates and Infants)

Fiscal Year	Less than 185% FPL			185-200% FPL			Total		
	<i>Perinate</i>	<i>Infant</i>	<i>Total</i>	<i>Perinate</i>	<i>Infant</i>	<i>Total</i>	<i>Perinate</i>	<i>Infant</i>	<i>Total</i>
2007	24,110	43,397	67,507	959	1,727	2,686	25,069	45,124	70,193
2008	32,927	59,269	92,196	1,173	2,111	3,284	34,100	61,380	95,480
2009	35,231	63,416	98,647	1,189	2,141	3,330	36,420	65,557	101,977

Critical Caseload Forecast

Children's Health Insurance Program (CHIP) (continued)

CHIP Caseloads and Forecasts, FY2002 - FY2009

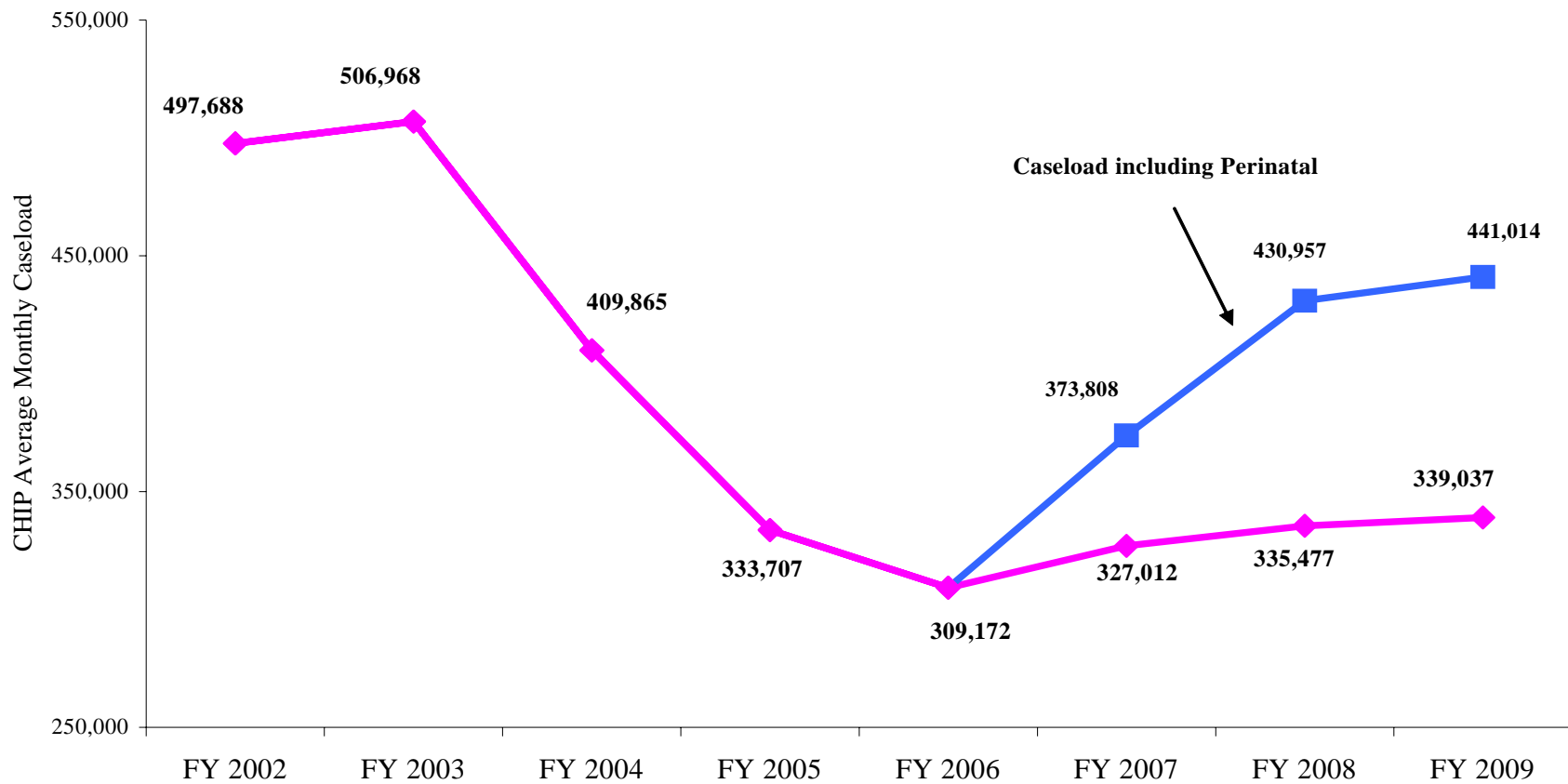


CHIP Perinatal clients not included in forecast

Critical Caseload Forecast

Children's Health Insurance Program (CHIP) (continued)

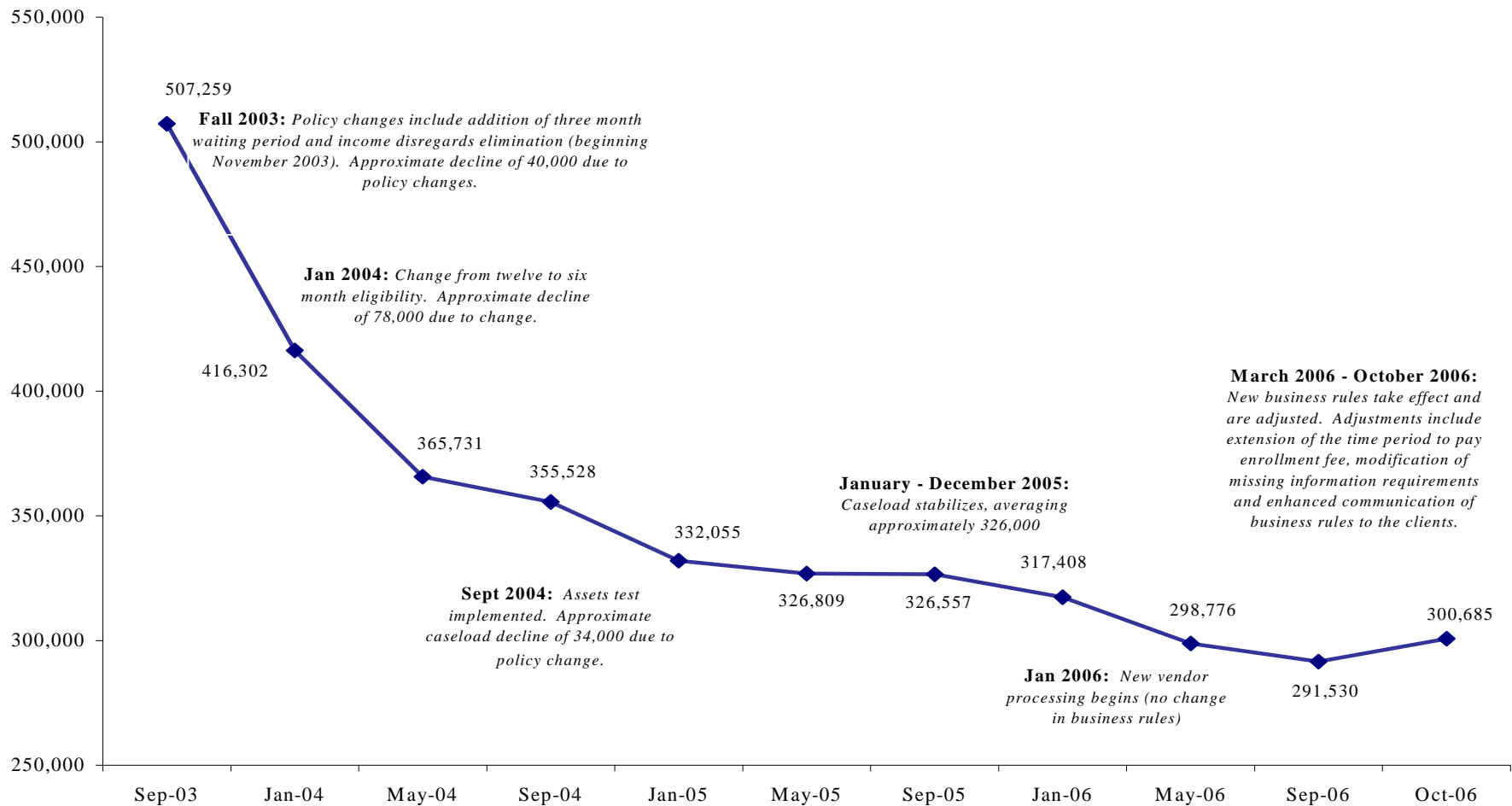
CHIP Caseloads and Forecasts, FY2002 - FY2009



CHIP Perinatal clients not included in forecast

Critical Caseload Forecast Children's Health Insurance Program (CHIP) (continued)

CHIP Enrollment and Policy Changes



Critical Caseload Forecast Children's Health Insurance Program (CHIP) (continued)

CHIP Caseload: Historical Caseload Change and Policy/Process Impact, September 2003 - Present

DATE	Caseload	Net Caseload Change from Sept 2003	Policy or Process Change	Total Policy Impact (may span multiple months)	Notes
September 2003	507,259		<i>3 month waiting period</i>	(24,000)	<i>10,000 average monthly deferral due to waiting period, October - December 2003</i>
November 2003	458,166	(49,093)	<i>Income disregards elimination</i>	(16,170)	<i>16,170 removed from caseload, additional caseload reduction resulting from new enrollees not added unknown</i>
January 2004	416,302	(90,957)	<i>Change to 6 month eligibility</i>	(78,000)	<i>Approximate client loss due to 6 month eligibility, January 2004 - June 2004</i>
September 2004	355,528	(151,731)	<i>Assets Test</i>	(34,000)	<i>Approximate client loss due to denial for Assets, or failure to supply asset information, September 2004 - November 2005</i>
September 2005	326,557	(180,702)			
		Net Change	CHIP Policy Changes	Total Policy Net Impact	% Caseload decline attributable to Policy Impacts:
TWO YEAR Caseload Difference	September 03- September 05	(180,702)	90-day waiting period; Use of gross, not net income; 6-month term of coverage; Assets test	(152,170)	84.2%

Policy impact includes only those clients removed from the caseload (or deferred, based on the 90-day wait period) as a result of the policy change. Clients who may not ever enter the caseload, who would have potentially been eligible under previous policies, are not considered in these numbers. The difference in the caseload decline not attributable to policy or process changes may be due to lower enrollment due to these policies, economic growth, or other unknown factors.

Critical Caseload Forecast

Children's Health Insurance Program (CHIP) (continued)

DATE	Caseload	Net Caseload Change from September 2005	Policy or Process Change	Notes
September 2005	326,557			<i>September 2005 - December 2005: Potential impact from eligibility worker deployment for Hurricane Katrina evacuees, plus HHSC staff attrition and anticipatory declines due to vendor change.</i>
October 2005	323,343	(3,214)		
November 2005	321,562	(4,995)	<i>November 28, 2005: TAA Contract Begin Date</i>	
December 2005	322,898	(3,659)		
January 2006	317,408	(9,149)	<i>TAA processing begins (Renewals still use ACS business rules)</i>	<i>Backlog of applications and renewals from ACS, plus data conversion issues resulting in increased requests for missing information from clients.</i>
February 2006	310,981	(15,576)		
March 2006	302,020	(24,537)	<i>New business rules for renewals; Enrollment fee* (suspended)</i>	<i>Business rules for income declaration and verification, assets verified with data broker</i>
April 2006	294,189	(32,368)	<i>Enrollment fee in effect</i>	
May 2006	298,776	(27,781)		<i>~ 28,000 clients receiving missing information / payment notices after April 1 reinstated one month</i>
June 2006	293,342	(33,215)	<i>New business rules for information accepted via telephone</i>	<i>Extension continued; Direction given to tighten missing information requests to clients</i>
July 2006	298,731	(27,826)	<i>Continuation/implementation of new business rules</i>	<i>Business rules adjusted to allow clients to time to pay enrollment fee (through cut-off of the first month of renewal), communication enhanced, and missing information requirements modified.</i>
August 2006	295,331	(31,226)	<i>Continuation/implementation of new business rules</i>	
September 2006	291,530	(35,027)	<i>Continuation/implementation of new business rules</i>	
October 2006	300,685		<i>Continuation/implementation of new business rules</i>	
		Net Change	CHIP Policy/Process Changes	
Fourteen Month Caseload Difference	September 05- October 06	(25,872)	New business rules; Enrollment fee; TAA contract begins	

Provider Rate Considerations

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Rate Histories and Rate Change Impacts

KEY - A - Access based
 BR - Blue Ribbon File of Claims Data
 CD - Percent of claims data - trend to FY 08/09
 CR - Cost Reports used for prospective rate - trend to FY 08/09
 CS - Cost Reports used for interim rate and cost settlement - trend to FY 08/09
 T - Trending from current rate to FY 08/09
 M - Based on Medicare rates
 B - Based on rates from other Medicaid programs
 PA - Pro forma analysis

Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DADS									
Access and Intake - Mental Retardation Service Coordination	SFY 2002	2.00%	1.75%	0.00%	CS	0	0	0	0
Community Attendant Services	9/1/2000	1.20%	1.10%	1.10%	CR	3,742,208	1,470,688	4,056,264	1,587,216
Community Based Alternatives	9/1/2000	2.20%	1.10%	1.10%	CR	3,727,036	1,464,725	3,727,036	1,458,389
Community Living Assistance and Support Services	9/1/2002	0.04%	1.10%	0.00%	CR	1,283,740	504,510	1,291,456	505,347
Consolidated Waiver Program	9/1/2000	2.20%	1.10%	1.10%	B	39,317	15,452	39,317	15,385
Day Activity and Health Services - Title XIX	9/1/2002	1.30%	1.10%	1.10%	CR	979,600	384,983	1,013,306	396,507
Deaf-Blind Multiple Disabilities	9/1/2002	0.04%	1.10%	1.10%	B	72,493	28,490	72,493	28,366
Home and Community-based Services	9/1/1998 - all services; 9/1/2001 - services with direct care level staff and foster care	9/1/1998 - 1.25%; 9/1/2001 - various from decrease of 4.4% to increase of 3.23%	1.10%	0.00%	CR	4,816,216	1,892,773	4,816,216	1,884,585
Hospice Payments (NF Related Only)	1/1/2006	11.75%	1.75%	1.75%	B	1,673,358	657,630	1,821,998	712,948
Intermediate Care Facilities - Mental Retardation	9/1/2001 and 11/1/2001	varied between 10% and 13% total increase	1.75%	0.00%	CR	3,426,271	1,346,525	3,426,271	1,340,700

Provider Rate Considerations (continued)

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DADS (continued)									
Medically Dependent Children Program	1998	NA	1.10%	1.10%	B	391,805	153,979	391,805	153,313
MR State Schools Services	9/1/2005	7.50%	0.00%	0.00%	CS	Increased Operating Costs Included in DADS LAR			
Non-Medicaid Services - Title XX	9/1/2000	various	0.00%	0.00%	CR	736,760	736,760	736,760	736,760
Nursing Facility	1/1/2006	11.75%	1.75%	1.75%	CR	22,521,880	8,851,099	22,465,540	8,790,766
Primary Home Care	9/1/2000	1.20%	1.10%	1.10%	CR	3,896,804	1,531,444	3,993,880	1,562,805
Program of All-inclusive Care for the Elderly	1/1/2006	various	NA	NA	CD	293,387	115,301	293,387	114,802
Promoting Independence Services	9/1/2000	various	1.10%	1.10%	B	903,458	355,059	966,552	378,212
Texas Home Living Waiver	3/1/2004 rates based on HCS	0.00%	0.00%	0.00%	B	119,976	47,150	119,976	46,946
Total DADS						48,624,309	19,556,567	49,232,257	19,713,048
DARS									
ECI - Case Mgmt.	FY 2000	0.00%	0.00%	0.00%	CR	0	0	0	0
ECI - Development Rehab Svcs.	4/4/2003	63.00%	0.00%	0.00%	CR	0	0	0	0
Total DARS						0	0	0	0
DFPS									
24-Hr. Residential Child Care (Foster Care)	9/1/2005	2.78%	0.00%	0.00%	CR	4,398,424	1,615,197 See note 1	4,703,686	1,734,683 See note 2
Total DFPS						4,398,424	1,615,197	4,703,686	1,734,683

Provider Rate Considerations (continued)

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DSHS									
Children with Special Health Care Needs (CSHCN) - Outpatient Hospital	NA	NA	0.00%	0.00%	B	32,319	32,319	44,058	44,058
CSHCN - Ambulance Services	9/1/1999	1.50%	2.50%	0.00%	B	909	909	1,676	1,676
CSHCN - ASCs/HASCs	9/1/1995	Changed to Fee Schedule	0.00%	0.00%	B	2,155	2,155	2,558	2,558
CSHCN - Dental Services	FY 2001	13.50%	2.50%	0.00%	B	4,307	4,307	5,211	5,211
CSHCN - Drugs/Biological Fees	FY 2000	-2.80%	0.00%	0.00%	B	97,037	97,037	111,437	111,437
CSHCN - Durable Medical Equipment, Prosthetics, Orthotics, Supplies (DMEPOS)	FY 2003	Varies	0.00%	0.00%	B	30,643	30,643	36,252	36,252
CSHCN - Home Health Agencies (Therapies)	11/1/2002	Change to Statewide Visit Rate	2.50%	0.00%	B	54	54	64	64
CSHCN - Inpatient Hospital - SDA Inflation Only	9/1/2001	13.87%	5.00%	0.00%	B	131,040	131,040	168,331	168,331
CSHCN - Inpatient Hospital Rebasing	9/1/2001	13.87%	5.00%	0.00%	B	131,040	131,040	174,097	174,097
CSHCN - Meals, Transportation, Lodging	NA	NA	2.50%	0.00%	Cost	13,514	13,514	15,446	15,446
CSHCN - Physician/Professional Services	9/1/1999	1.50%	2.50%	0.00%	B	55,126	55,126	60,638	60,638
CSHCN - Private Duty Nursing	9/15/1993	32.00%	2.50%	0.00%	B	5,173	5,173	9,681	9,681
Family Planning - DMEPOS	FY 2003	Varies	0.00%	0.00%	B	3,644	3,644	4,072	4,072
Family Planning - Drugs/Biologicals	FY 2000	-2.80%	0.00%	0.00%	B	65,088	65,088	67,626	67,626

Provider Rate Considerations (continued)

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DSHS (continued)									
Family Planning - FQHCs	Provider FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	B	12,563	12,563	13,605	13,605
Family Planning - Maternity Service Clinics	9/1/1999	1.50%	2.50%	0.00%	B	25,098	25,098	39,819	39,819
Family Planning - Outpatient Hospital	NA	NA	2.50%	0.00%	B	904	904	962	962
Family Planning - Physician Services	9/1/1999	1.50%	2.50%	0.00%	B	483,558	483,558	502,417	502,417
Family Planning - RHCs	Provider FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	B	213	213	231	231
Institutions for Mental Disease	9/1/2002	5.35%	0.00%	0.00%	CR	42,861	16,844	43,132	16,877
Maternal and Child Health - Genetics	9/1/1999	1.50%	0.00%	0.00%	B	14,152	14,152	18,236	18,236
Maternal and Child Health - Physician Services	9/1/1999	1.50%	2.50%	0.00%	B	130,636	130,636	143,700	143,700
MH Rehabilitative Services	8/31/2004	Converted to Program Resiliency and Disease Management	1.75%	0.00%	CS	35,952	14,129	37,457	14,657
MH Targeted Case Management	8/31/2004	Converted to Program Resiliency and Disease Management	0.00%	0.00%	CS	116,879	45,934	125,896	49,263
NorthSTAR -- Medicaid Clinical Laboratory Fees - Independent Laboratories	FY 2002	NA	2.50%	0.00%	C	1,616	635	2,144	839

Provider Rate Considerations (continued)

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
DSHS (continued)									
NorthSTAR -- Medicaid Inpatient Hospital -- Inflation only	9/1/2001	13.87%	5.00%	0.00%	BR	92,066	36,182	95,104	37,214
NorthSTAR -- Medicaid Inpatient Hospital -- Rebasing	9/1/2001	13.87%	5.00%	0.00%	BR	92,066	36,182	95,104	37,214
NorthSTAR -- MH Rehabilitative Services	8/31/2004	Converted to Program Resiliancy and Disease Management	0.00%	0.00%	CS	207,937	81,719	216,641	84,772
NorthSTAR -- MH Targeted Case Management	8/31/2004	Converted to Program Resiliancy and Disease Management	0.00%	0.00%	CS	57,225	22,489	61,639	24,120
NorthStar - Physician/ Professional Services	9/1/1999	1.50%	2.50%	0.00%	B	85,567	33,628	85,567	33,482
Total DSHS						1,971,341	1,526,914	2,182,804	1,718,557
HHSC									
Ambulance Services	9/1/1999	1.50%	2.50%	0.00%	M	737,136	289,694	765,884	299,691
Ambulatory Surgical Center/Hospital Ambulatory Surgical Center	9/1/1995	Changed to Fee Schedule	2.50%	0.00%	M	2,857,569	1,123,025	2,918,825	1,142,136
Birthing Centers	9/1/1992	Changed to Fee Schedule	2.50%	0.00%	CD	5,355	2,105	5,578	2,183
Children & Pregnant Women - Case Management	1/1/1998	NA	2.50%	0.00%	B	16,330	6,418	17,465	6,834
CHIP (including perinate)	9/1/2006	10.70%	2.50%	0.00%	T	7,036,211	2,150,239	7,812,845	2,360,757

Provider Rate Considerations (continued)

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
HHSC (continued)									
CHIP Dental	5/1/2006	New Contract	NA	NA	T	464,166	127,692	469,092	130,126
Clinical Lab. Fees - DSHS Lab - EPSDT	4/1/2006	28.00%	0.00%	0.00%	CS	4,739	1,863	6,199	2,426
Clinical Lab. Fees - DSHS Lab Newborn Screening	4/1/2006	6.00%	0.00%	0.00%	CS	1,667	655	1,808	708
Clinical Lab. Fees - Independent Labs.	FY 2002	NA	2.50%	0.00%	CD	1,227,628	482,458	1,628,821	637,358
Dental Services - THSteps - CCP	FY 2001	13.50%	2.50%	0.00%	A,CD	5,235,539	2,057,567	5,759,093	2,253,533
Drugs/Biological Fees	FY 2000	-2.80%	0.00%	0.00%	A,CD	714,490	280,794	725,524	283,898
Durable Medical Equipment, Prosthetics, Orthotics, Supplies	FY 2003	Various	0.00%	0.00%	CD	2,319,725	911,652	2,908,312	1,138,022
Federally Qualified Health Centers	Provider FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	CS	1,266,858	497,875	1,281,025	501,265
Genetic Services	9/1/1999	1.50%	2.50%	0.00%	CD	37,059	14,564	43,411	16,987
Home Health Services	11/1/2002	Change to Statewide Visit Rate	2.50%	0.00%	A,CD	1,280,356	503,180	1,391,321	544,424
Inpatient Hospital - SDA Inflation Only	9/1/2001	13.87%	5.00%	0.00%	BR	49,195,197	19,333,713	50,818,639	19,885,333
Inpatient Hospital - SDA Rebasing	9/1/2001	13.87%	5.00%	0.00%	BR	40,112,610	15,764,256	41,436,326	16,214,034
Maternity Centers	9/1/1999	1.50%	2.50%	0.00%	M	3,565	1,401	5,291	2,070
Outpatient Hospital	NA	NA	2.50%	0.00%	CD	4,771,181	1,875,074	5,177,059	2,025,783
Personal Care Services / THSteps-CCP	New service to begin 09/01/07 (Alberto N.)		0.00%	0.00%	B	817,833	321,408	836,622	327,370
Physician & Professional Services	9/1/1999	1.50%	2.50%	0.00%	CD	22,486,940	8,837,367	23,363,933	9,142,307

Provider Rate Considerations (continued)

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Program by Budget Agency	Date of Last Rate Increase (other than rate restoration)	Percent of Last Rate Increase (other than rate restoration)	Percent of Rate Reduction FY03-04	Percent of Rate Reduction Restored	Method of Determining Rate Change	Incremental Cost of 1 Percent Rate Increase			
						2008		2009	
						AF	GR	AF	GR
HHSC (continued)									
Private Duty Nursing/THSteps - CCP	9/15/1993	32.00%	2.50%	0.00%	B	1,552,201	610,015	1,957,593	766,006
Renal Dialysis Facilities	9/1/1999	NA	2.50%	0.00%	CD	296,111	116,372	298,285	116,719
Rural Health Clinics	FYE 2006	Medicare Economic Index (MEI) or MEI+1.5%	0.00%	0.00%	CD	1,269,298	498,834	1,292,505	505,757
STAR+PLUS -- Community Based Alternatives	9/1/2000	2.20%	1.10%	1.10%	B	1,902,274	747,594	2,061,432	806,638
STAR+PLUS -- Day Activity and Health Services	9/1/2002	1.30%	1.10%	1.10%	B	38,988	15,322	42,250	16,532
STAR+PLUS -- Primary Home Care	9/1/2000	1.20%	1.10%	1.10%	B	5,531,535	2,173,893	5,994,341	2,345,586
TB Clinics	9/1/1996	NA	0.00%	0.00%	CD	948	373	998	390
Total HHSC						151,183,509	58,745,402	159,020,476	61,474,873
Vendor Drug Dispensing Fees	FY 1997	15.82%	2.50%	0.00%	PA	The incremental cost of a \$1 increase in the dispensing fee per prescription dispensed for FY 2008 is \$27,485,420 and for FY 2009 is \$28,759,622 All Funds. The impact of this increase is not included in the totals shown above for HHSC or below for HHS.			
Total HHS						206,177,582	81,444,080	215,139,223	84,641,162

note 1 \$ 10,938,648 If TANF funding is available, up to \$4,494,010 of this amount is eligible for TANF funding the remaining \$6,444,638 must be GR

note 2 \$ 11,669,020 If TANF funding is available, up to \$4,801,735 of this amount is eligible for TANF funding the remaining \$6,867,285 must be GR

Needs of Hurricane Katrina Evacuees

Hurricane Katrina resulted in the largest relocation of U.S. residents in the nations history. Many of the impacted relocated to Texas. In May/June 2006, the Gallup Organization conducted a survey of Hurricane Katrina evacuees in Texas.

- It is estimated that after nearly 10 months since Hurricane Katrina made landfall, there are 251,000 Hurricane Katrina evacuees still in Texas.
- Hurricane Katrina evacuees in Texas are predominately young, African-American women living in households with children.
 - 81% are African American
 - 60% are female
 - 54% live in households with children
 - 63% are between 18 and 44 years-of-age
- Of the evacuees in Texas during May 2006:
 - about 64% believe they will still be in Texas in six months;
 - about 50% believe they will still be in Texas after one year; and
 - about 40% believe they will still be in Texas after two years.

Needs of Hurricane Katrina Evacuees

(Continued)

In general, evacuees still in Texas have many needs:

- o 59% report being unemployed
- o 37% report fair or poor physical health
- o 40% report fair or poor mental health
- o 36% report not having health insurance
- o 33% report incurring major medical costs since the hurricane
- o 54% continue to rely on housing subsidies

Administrative data indicate that service utilization among evacuees is lower than expected.

- Of the Medicaid and Uncompensated Care Pool Waiver:
 - o 58,700 individuals were enrolled
 - 48,800 enrolled for the Medicaid Waiver
 - 9,900 received services covered by the uncompensated care pool
 - o As of August 2006, \$58.3 million were spent on the Medicaid and Uncompensated Care Pool Waiver
- About 10,100 families received a One-Time \$1,000 TANF Cash Grant
- Additionally, 58,000 families (121,100 individuals) received a three-month Food Stamp benefit, worth \$48.3 million

Summary of Exceptional Items for FY 2008-2009

Texas Health & Human Services Commission

EXCEPTIONAL ITEM	FY 2008		FY 2009		BIENNIAL TOTAL		FY 08	FY 09
	GR	All Funds	GR	All Funds	GR	All Funds	FTEs	FTEs
Baseline Request	\$ 5,565,416,558	\$ 15,446,062,652	\$ 5,583,661,088	\$ 15,517,693,160	\$ 11,149,077,646	\$ 30,963,755,812	8,332.9	8,332.9
Exceptional Items:								
Essential Services								
1. Maintain FY 07 Medicaid Costs	\$ 327,952,272	\$ 856,795,481	\$ 345,046,194	\$ 903,225,229	\$ 672,998,466	\$ 1,760,020,710	-	-
2. Restore Base Funding	35,759,339	87,967,404	36,883,550	90,980,474	72,642,889	178,947,878	549.9	549.9
3. Maintain Medicaid Cost Trends and Current Services for 08-0	361,998,042	922,694,334	729,541,976	1,877,371,729	1,091,540,018	2,800,066,063	-	-
4. Maintain CHIP Cost Trends and Current Services for FY 09	-	-	14,667,544	44,887,509	14,667,544	44,887,509	-	-
5. Reduce HHS Waiting/Interest Lists - Demographic Growth	16,763,078	26,020,393	39,696,632	67,110,182	56,459,710	93,130,575	23.0	45.0
6. Restore CHIP Perinatal Program	(7,269,011)	81,265,877	(12,434,058)	77,415,506	(19,703,069)	158,681,383	-	-
7. Provide State Funding for Alberto N Settlement	52,001,412	132,319,115	55,025,963	140,623,468	107,027,375	272,942,583	-	-
8. Maintain Compliance with Federal HIPAA Regulations	2,625,002	7,500,004	2,625,002	7,500,004	5,250,004	15,000,008	-	-
Critical Services								
9. Reduce HHS Waiting/Interest Lists	54,019,224	115,675,833	144,191,960	328,572,558	198,211,184	444,248,391	75.1	150.2
10. Increase Office of Inspector General (OIG) Support	3,278,812	8,122,492	3,278,812	8,122,492	6,557,624	16,244,984	85.0	85.0
11. Expand Family Violence Services	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	-	-
12. Support Critical Building Maintenance	1,437,396	1,437,396	-	-	1,437,396	1,437,396	-	-
13. Improve HHS Telecommunications & IT Systems & Security	9,915,206	18,693,838	11,021,476	20,477,785	20,936,682	39,171,623	-	-
14. Maintain Facility and Regional Infrastructure	623,758	623,758	-	-	623,758	623,758	-	-
System Improvements								
15. Increase Coordination of Health Services	581,700	581,700	581,700	581,700	1,163,400	1,163,400	3.5	3.5
16. Increase Nurse Retention and Recruitment	14,656,968	19,608,881	17,312,698	22,272,099	31,969,666	41,880,980	108.0	162.0
17. Implement Criminal History Checks of Health Providers	470,050	940,100	470,050	940,100	940,100	1,880,200	-	-
18. Maintain Support of EBT Infrastructure and Implement IBC	1,615,354	3,326,563	2,033,154	4,207,011	3,648,508	7,533,574	7.6	7.6
19. Restore Medicaid and CHIP Rates to 2003 Levels	116,383,976	297,401,720	120,643,833	309,620,233	237,027,809	607,021,953	-	-
20. Provide State Funding for Private Urban UPL.	27,000,000	68,702,290	27,000,000	69,000,767	54,000,000	137,703,057	-	-
21. Replace Non Recurring IGT	58,500,000	-	58,500,000	-	117,000,000	-	-	-
22. Provide State Funding for Hospital Financing	26,338,708	-	26,338,708	-	52,677,416	-	-	-
23. Provide State Funding for Graduate Medical Education	40,500,000	103,053,435	40,500,000	103,501,150	81,000,000	206,554,585	-	-
Total Exceptional Items	\$ 1,146,151,286	\$ 2,753,730,614	\$ 1,663,925,194	\$ 4,077,409,996	\$ 2,810,076,480	\$ 6,831,140,610	852.1	1,003.2
Grand Total of Request with Exceptional Items	\$ 6,711,567,844	\$ 18,199,793,266	\$ 7,247,586,282	\$ 19,595,103,156	\$ 13,959,154,126	\$ 37,794,896,422	9,185.0	9,336.1
FY 2006-2007 Appropriation					\$ 10,438,810,231	\$ 29,767,628,616	9,669.8	9,246.1

Texas Health & Human Services Commission

Exceptional Item 1

Maintain FY 07 Medicaid Costs

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$856,795,481	\$903,225,229	\$ 1,760,020,710
Method of Financing:			
General Revenue	\$327,952,272	\$345,046,194	\$ 672,998,466
Other Funds			\$ -
Federal Funds	\$528,843,209	\$558,179,035	\$ 1,087,022,244
Number of FTEs			

Request

This request represent the incremental Medicaid cost growth from fiscal year 2006 to fiscal year 2007 applied over the FY 2008-09 baseline request which holds costs flat at FY 2006 levels. Costs represents include all Medicaid client services (hospital costs and all HMO premium payments, Vendor Drug costs, Texas Health Steps Medical, Dental, and Comprehensive Care costs, and costs for Medicare clients not fully Medicaid eligible (premiums and hospital co-pays). The overall client services cost growth trend for FY 2007 is 6.5 percent.

- o Acute care medical costs include all inpatient and outpatient hospital costs, and all HMO premium payments for the Medicaid Risk Groups. Approximately 50 percent of the cost growth in this exceptional item request is acute care medical costs. Growth is not disproportionate in this category except for the Disabled and Blind and Newborn risk groups. Acute care medical costs grow at a rate of 5 percent from fiscal year 2006 to fiscal year 2007.
- o Comparing historical growth trends to the trends in this request, approximately 16 percent of the cost growth is in the Disabled and Blind Risk Group, which is higher than their historical proportion of approximately 12.5 percent. Approximately 11 percent of the cost growth is for Newborns, just slightly higher than their proportion to total costs of 10 percent. Both the Disabled and blind and Newborn risk groups have had consistent caseload growth in the past several years.
- o Vendor drugs account for approximately 25 percent of the cost growth when vendor drugs typically account for 15 percent of total client services costs. Vendor drug costs show a 12 percent growth trend from fiscal year 2006 to fiscal year 2007.
- o Approximately 11 percent of the cost growth from fiscal year 2006 to fiscal year 2007 is reflected in the Texas Health Steps Programs, including dental, medical, and CCP services. Typically, these services account for about 7 percent of costs.
- o Emergency services provided to Legal Permanent Residents and Illegal Aliens account for approximately 3 percent of cost growth.
- o Expenses related to premiums and hospital co-payments for Medicare clients (non-full duals) account for approximately 11 percent of the cost growth from fiscal year 2006 to fiscal year 2007.

Program Impact

	FY 2008	FY 2009
Average Medicaid Acute Care Cost per Recipient Month	\$228.26	\$230.36

Texas Health & Human Services Commission

Exceptional Item 2

Restore Base Funding

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
\$	87,967,404	\$ 90,980,474	\$ 178,947,878
	\$35,759,339	\$36,883,550	\$ 72,642,889
	\$13,758,744	\$13,758,720	\$ 27,517,464
	\$38,449,321	\$40,338,204	\$ 78,787,525
	549.9	549.9	

Request

This request would restore the ten percent reduced from the base funding request. The request totals \$72.6 million general revenue. Agency program support and administrative functions consolidated across the agency would be affected by this restoration, including the Office of the Inspector General. Program and administrative support within Medicaid, Family Services, and Eligibility Services would also be affected. Client programs for TANF Cash Assistance and Family Violence would have reduced funding. The State's maintenance of effort requirement for TANF would not be met by \$ 6.5 million

Funding reductions would reduce the ability to maintain program accountability and oversight. Workloads would increase which could cause errors and reduce responsiveness. Reductions in funding related to State Schools and Hospitals could reduce support of those facilities in areas such as property maintenance and risk management which ultimately could affect certification of those facilities.

Additionally, reductions would negatively impact the ability to audit for contractor fraud, arrange for efficient space utilization, process personnel actions, purchase and deliver supplies (including food for state schools and hospitals, office supplies, lab and medical supplies, etc.), pay vendors and review and process contracts in a timely manner, provide timely reporting, respond to inquiries, and assume telephone and computer connectivity for state workers and clients.

This exceptional request represents a significant portion of the 10 percent reduction restoration. There are two other exceptional request which also includes requests the 10 percent restoration - \$41.6 million in the Perinate Exceptional Item (#6) and \$7.0 million GR for TMHP administrative costs in FY 2007 Medicaid costs (Exceptional Item #1).

Program Impact	FY 2008	FY 2009
Number of Guardianship Assistance Grants	5	5
Average Number of TANF Recipients per Month	3,575	3,726
Average Number of TANF State-Paid Recipients per Month	546	568
Number of Women & Children Served in Family Violence Shelters	2,667	2,224

Texas Health & Human Services Commission

Exceptional Item 3

Maintain Medicaid Cost Trends and Current Services for 08-09

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$922,694,334	\$1,877,371,729	\$ 2,800,066,063
Method of Financing:			
General Revenue	\$361,998,042	\$729,541,976	\$ 1,091,540,018
Other Funds			\$ -
Federal Funds	\$560,696,292	\$1,147,829,753	\$ 1,708,526,045
Number of FTEs			

Request

The cost growth to maintain current services includes growth for client services costs from fiscal year 2007 costs (Exceptional Item 1) to costs for the 2008-09 biennium. The overall client services cost growth trend for fiscal year 2007 is 6.5 percent. Caseload growth is in the base request, so any case-mix changes (i.e. more or fewer costly clients) will be accounted for in the base. Cost growth from fiscal year 2007 to the 2008-09 biennium includes the same costs for client services as the Exceptional Item 1.

o Acute care medical costs, which include all inpatient and outpatient hospital costs, and all HMO premium payments for the Medicaid Risk Groups and STAR+Plus account for approximately 44 percent of this exceptional item. Acute care medical costs grow at a rate of 4 percent each year of the biennium. Disabled and Blind cost growth is lower than in fiscal year 2007, which is likely due to STAR+Plus.

o Vendor drug costs account for 26 percent of the cost growth from fiscal year 2007 to the 2008-09 biennium is growth in the Vendor drug program. Vendor drugs typically account for 15 percent of total client services costs. Vendor drug costs show a 12 percent growth trend for each year of the biennium.

o Approximately 12 percent of the cost growth from fiscal year 2007 to the 2008-09 biennium is in the Texas Health Steps Programs, including dental, medical, and CCP services. Typically, these services account for about 7 percent of costs.

o Costs for emergency services provided to Legal Permanent Residents and Illegal Aliens represent approximately 4 percent of cost growth in this request.

o All premiums and hospital co-payments for Medicare clients (non-full duals) account for 14 percent of the cost growth from fiscal year 2007 to the 2008-09 biennium.

Program Impact

	FY 2008	FY 2009
Average Medicaid Acute Care Cost per Recipient Month	\$240.05	\$251.41

Texas Health & Human Services Commission

Exceptional Item 4

Maintain CHIP Cost Trends and Current Services for FY 09

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ -	\$44,887,509	\$ 44,887,509
Method of Financing:			
General Revenue		\$14,667,544	\$ 14,667,544
Other Funds			\$ -
Federal Funds		\$30,219,965	\$ 30,219,965
Number of FTEs			

Request

This request would maintain current services funding for CHIP. This request includes the anticipated incremental cost increases above 2008 levels. CHIP program Costs through FY 2008 along with increased CHIP caseload is reflected in the 2008-09 baseline request.

Client services in the CHIP program are paid through a capitated rate. Client services include acute care medical services and dental benefits, which were added back into the CHIP program in fiscal year 2006. The growth in claims cost for fiscal year 2006 was higher than in the past several years, 10.6 percent, and a 10 percent cost trend was used in setting the rates for fiscal year 2007.

Funding assumes the projected EFMAP of 72.62 percent for FY 2009.

Program Impact

	FY 2008	FY 2009
Average CHIP Programs Benefit Cost with Prescription Benefit		\$143.06

Texas Health & Human Services Commission

Exceptional Item 5

Reduce HHS Waiting/Interest Lists - Demographic Growth

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 26,020,393	\$ 67,110,182	\$ 93,130,575
Method of Financing:			
General Revenue	\$16,763,078	\$39,696,632	\$ 56,459,710
Other Funds			\$ -
Federal Funds	\$9,257,315	\$27,413,550	\$ 36,670,865
Number of FTEs	23.0	45.0	

Request

This exceptional item requests funding to continue the effort to reduce/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) as follows:

DADS: Home and community care waivers, non-Medicaid services, and the In Home & Family Support program. Assumes 20% of the current (as of March 31, 2006) waiting/ interest lists will be served. All are phased in at 25% in the first year of the biennium and 75% in the second year. Includes funding for 37.6 FTEs in FY 2008 and 112.7 FTEs in FY 2009. Incremental acute care and prescription drug costs are assumed for all programs except non-Medicaid services and In Home and Family Support. \$29.7 million GR and \$66.4 million All Funds.

DARS: Comprehensive Rehabilitation Services and Independent Living Services. \$1.8 million GR and All Funds .

DSHS: Adult Community Mental Health, Child and Adolescent Community Mental Health, and Children with Special Health Care Needs (CSHCN). \$24.9 million GR and All Funds

Program Impact

Average Number of Clients Served CBA Waiver (DADS)

Average Number of Clients Served per Month - CLASS (DADS)

Average Monthly Number of Consumers Receiving Home & Community-Based Services (DADS)

Number of People Receiving CRS Supported IL Services (DARS)

Number of CSHCN Clients Receiving Medical Services (DSHS)

FY 2008

FY 2009

764

2,293

300

901

1,327

3,981

670

670

942

0

Texas Health & Human Services Commission

Exceptional Item 6

Restore CHIP Perinatal Program

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$81,265,877	\$77,415,506	\$ 158,681,383
Method of Financing:			
General Revenue	(\$7,269,011)	(\$12,434,058)	\$ (19,703,069)
Other Funds			\$ -
Federal Funds	\$88,534,888	\$89,849,564	\$ 178,384,452
Number of FTEs			-

Request

This request would maintain CHIP perinatal program implemented during FY 2007. Because of the partial implementation during the 2006-07 biennium, the program could not be maintained in the 2008-09 CHIP baseline request. Therefore, the baseline funding for Medicaid included these children as entitlement caseload. Additionally, \$41.6 million of this request is a part of the restoration funding of the 10 percent reduction imposed in the baseline request

By reinstating the perinate program in this exceptional item request, the Medicaid program baseline funding is reduced by \$211.4 million GR and \$539.8 million All Funds and the CHIP program increases by \$191.8 million GR and \$698.5 million All Funds. The net decrease of state funding and the net increase of total funding is a result of the lower state matching requirement in CHIP compared to Medicaid.

The impact to caseload is a decrease of 59,269 recipients in FY 2008 and 63,416 recipients in FY 2009 in Medicaid with an increase of 92,196 recipients in FY 2008 and 101,977 recipients in FY 2009 in CHIP.

Program Impact

	FY 2008	FY 2009
Average CHIP Programs Recipient Months per Month	430,957	441,014
Average CHIP Programs Benefit Cost with Prescription Benefit	\$167.26	\$178.96
Average Medicaid Acute Care Recipient Months per Month	2,877,952	2,994,521
Average Medicaid Acute Care Cost per Recipient Month	\$239.12	\$250.36

Texas Health & Human Services Commission

Exceptional Item 7

Provide State Funding for Alberto N Settlement

Funding Request	FY 2008	FY 2009	Biennium
Total (All Funds)	\$132,319,115	\$140,623,468	\$ 272,942,583
Method of Financing:			
General Revenue	\$52,001,412	\$55,025,963	\$ 107,027,375
Other Funds			\$ -
Federal Funds	80,317,703	85,597,505	\$ 165,915,208
Number of FTEs			

Request

This request would address the lawsuit requirements of Alberto N. vs. Albert Hawkins which was filed in 1999. The plaintiffs are children with disabilities and chronic health conditions who alleged they have been denied medically necessary in-home Medicaid services. These services include private duty nursing (PDN), personal care services and durable medical equipment (DME). There was an initial settlement in 2002 and a final settlement agreement was reached and approved by the Court in June 2005.

Requested funding would provide for additional hours of private duty nursing, additional hours of primary home care services. The settlement agreement would 1) provide all medically necessary DME, nursing services (either through a home health skilled nurse or a private duty nurse provided through the Comprehensive Care Program at HHSC; 2) provide all necessary personal care services, taking into consideration the parent's needs and competencies; 3) eliminate diagnosis-based criteria for services; 4) revise the method for calculating and allocating the number of PDN and personal care services hours; and 5) coordinate nursing and personal care services hours. The State would also be permitted to make changes to the agreement based on changes in federal or state law. Implementation would begin January 2007 and conclude December 2008. Amounts exclude any provider rate increases related to this case.

These amounts do not reflect funding for additional resources for case management services that may be provided by the department of State Health Services.

Program Impact	FY 2008	FY 2009
	Average cost per EPSDT-CCP Recipient Month Per Month	\$124.62

Texas Health & Human Services Commission

Exceptional Item 8

Maintain Compliance with Federal HIPAA Regulations

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 7,500,004	\$ 7,500,004	\$ 15,000,008
Method of Financing:			
General Revenue	\$2,625,002	\$2,625,002	\$ 5,250,004
Other Funds			\$ -
Federal Funds	\$4,875,002	\$4,875,002	\$ 9,750,004
Number of FTEs			

Request

This request would continue HIPAA (Health Insurance Portability and Administration Act) Initiatives that ensure compliance with federal regulations regarding healthcare claims processing. This funding would allow for standardization of electronic claims attachments, the update of federal coding (diagnosis and inpatient procedure codes) by October 1, 2008, and the implementation by 2008 of a federal plan for National ID.

This is also a capital funding request. Funding for this phase of the project is matched at different match rates.

Program Impact

FY 2008

FY 2009

Program Impact	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 9

Reduce HHS Waiting/Interest Lists

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
	\$ 115,675,833	\$ 328,572,558	\$ 444,248,391
	\$54,019,224	\$144,191,960	\$ 198,211,184
			\$ -
	\$61,656,609	\$184,380,598	\$ 246,037,207
	75.1	150.2	

Request

This exceptional item requests funding to continue the effort to reduce/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) as follows:

DADS: Home and community care waivers, non-Medicaid services, and the In Home & Family Support program. Assumes 20% of the current (as of March 31, 2006) waiting/ interest lists will be served. All are phased in at 25% in the first year of the biennium and 75% in the second year. Includes funding for 37.6 FTEs in FY 2008 and 112.7 FTEs in FY 2009. Incremental acute care and prescription drug costs are assumed for all programs except non-Medicaid services and In Home and Family Support. \$169.6 million GR and \$415.6 million All Funds

DARS: Comprehensive Rehabilitation Services and Independent Living Services. \$9.3 million GR and All Funds

DSHS: Adult Community Mental Health, Child and Adolescent Community Mental Health, and Children with Special Health Care Needs (CSHCN). \$19.3 million GR and All Funds

Program Impact	FY 2008	FY 2009
Average Number of Clients Served CBA Waiver (DADS)	764	2,293
Average Number of Clients Served per Month - CLASS (DADS)	300	901
Average Monthly Number of Consumers Receiving Home & Community-Based Services (DADS)	1,327	3,981
Number of People Receiving CRS Supported IL Services (DARS)	670	670
Number of CSHCN Clients Receiving Medical Services (DSHS)	942	0

Texas Health & Human Services Commission

Exceptional Item 10

Increase Office of Inspector General (OIG) Support

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 8,122,492	\$ 8,122,492	\$ 16,244,984
Method of Financing:			
General Revenue	\$3,278,812	\$3,278,812	\$ 6,557,624
Other Funds	\$711,092	\$711,092	\$ 1,422,184
Federal Funds	\$4,132,588	\$4,132,588	\$ 8,265,176
Number of FTEs	85.0	85.0	

Request

This funding would provide additional staff required in the Office of Inspector General (OIG) and enable the OIG to address increasing workloads as a result of rule changes expanding OIG responsibilities, the Federal Deficit Reduction Act of 2005, fraud and hotline referrals, and implementation of the Texas Homeland Security Strategic Plan.

Some specific areas include 15 new auditors and 16 professional medical staff for Quality Control and Compliance, 15 investigators and staff to support Medicaid Program Integrity, 15 investigators to screen and investigate hotline referrals.

The funding request includes not only the state funding matched directly by Medicaid at HHSC (\$2.6 million GR) but also \$1.5 million GR and \$2.9 million AF for the other 4 HHS agencies for their related investigation costs. Other HHSC funding of \$1.0 million GR crosses over multiple funding sources.

Program Impact

FY 2008

FY 2009

	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 11

Expand Family Violence Services

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
Method of Financing:			
General Revenue	\$1,000,000	\$1,000,000	\$ 2,000,000
Other Funds			\$ -
Federal Funds			\$ -
Number of FTEs			

Request

This request would 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.

To achieve programmatic goals, HHSC requests exceptional item funding to expand and increase services in the following targeted service areas:

- Primary Prevention services that would employ a variety of methods to prevent domestic violence before it occurs. These methods may include both school and community based educational opportunities and prevention of dating violence and bullying.
- Transitional Housing services would enable shelters to serve additional clients in crisis by moving clients with less immediate and acute needs into transitional housing.
- Legal Services would provide clients with additional assistance in such areas as protective orders, custody disputes, and court appearances.
- Job Training services that support victims in becoming self-sufficient and would include both short and long-term focused training ranging from interviewing skills to assisting victims achieve a college education.
- Child Care services that would allow clients to work or attend school in order to become self-sufficient.

A funding strategy dedicated to primary prevention would benefit an estimated additional 3,000 persons per year.

Program Impact	FY 2008	FY 2009
Number of Women and Children Served	3,000	3,000

Texas Health & Human Services Commission

Exceptional Item 12

Support Critical Building Maintenance

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 1,437,396	\$ -	\$ 1,437,396
Method of Financing:			
General Revenue	\$1,437,396	-	\$ 1,437,396
Other Funds			\$ -
Federal Funds			\$ -
Number of FTEs			

Request

Several buildings on the Austin State Hospital campus are currently utilized by HHSC and DSHS for administrative offices and enterprise support functions. This request would provide funding to repair and replace existing Life Safety Code deficiencies, missing emergency generators, deteriorated doors and windows, electrical changes, and roofs.

These seven buildings have the potential for renovation and remain viable for this investment at this time. If funding is not secured, the State will probably incur greater future costs for relocation of staff to safer leased property if space in state-owned buildings is unavailable.

This request is not included in any DSHS request of building maintenance and repair of campus hospital facilities.

Program Impact

FY 2008

FY 2009

Program Impact	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 13

Improve HHS Telecommunications & IT Systems & Security

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 18,693,838	\$ 20,477,785	\$ 39,171,623
Method of Financing:			
General Revenue	\$9,915,206	\$11,021,476	\$ 20,936,682
Other Funds	\$1,811,863	\$2,112,410	\$ 3,924,273
Federal Funds	\$6,966,769	\$7,343,899	\$ 14,310,668
Number of FTEs			

Request

This funding request would support several HHS enterprise initiatives that would improve telecommunications and technological systems and security. Requested state funding represents the state share for all five HHS agencies.

The Enterprise Information & IT Asset Management initiative would implement business, asset and IT modeling to capture performance indicators and service level metrics as well as building an on-demand information Management and Data Warehouse capability. This request will fulfill statutory requirements in SB 1188, HB 2292, and HB 1516; allow business areas to accurately forecast trends and identify areas for savings; eliminate redundant program reporting applications across HHS programs; provide the capability to respond to changing needs through re-deploying existing workforce and IT assets; provide information about existing IT assets and re-use capability to lower costs for new IT systems. Biennial estimates total \$10.4 million GR and \$20 million All Funds.

The creation of an HHS Security Services Center/Forensics Lab would improve the overall security of HHS IT assets through testing, vulnerability assessments, and centralized patch management / vulnerability remediation. Biennial estimates total \$1.2 million GR and \$2.3 million All Funds.

Requested funding would implement Enterprise Identity Management, including single sign-on for all applications needed by an employee and the granting and removal of security accesses based on the position a user is assigned rather than the manual flow of paperwork at the beginning and ending of assignments. Biennial estimates total \$0.7 million GR and \$1.3 million All Funds and would put the HHS Enterprise in compliance with SAO findings.

HHSC would acquire software licenses for application development staff use in developing web-based applications in a Service-Oriented Architecture environment. Biennial estimates total \$0.2 million GR and \$0.4 million All Funds.

The telecommunications enhancement initiative includes regional office PBX enhancements, improved voice mail systems, and the streamlined use of toll-free numbers. The initiative will reduce existing line costs by implementing a seat management approach at an estimated cost of \$35 to \$50 per seat per month. Biennial estimates total \$4.8 million GR and \$7.7 million All Funds.

The Messaging and Collaboration initiative would standardize messaging and collaboration technologies across the HHS enterprise to improving productivity, performance and availability, security against SPAM and viruses, and collaboration efforts. Biennial estimates total \$4.6 million GR and \$7.6 million All Funds.

Program Impact

FY 2008

FY 2009

Texas Health & Human Services Commission

Exceptional Item 14

Maintain Facility and Regional Infrastructure

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 623,758	\$ -	\$ 623,758
Method of Financing:			
General Revenue	\$623,758		\$ 623,758
Other Funds			\$ -
Federal Funds			\$ -
Number of FTEs			

Request

This capital request of \$0.6 million, all funds, is for vehicle replacement for 22 vehicles that will maintain support of DADS State Schools and DSHS State Hospitals as well as HHS regional operations. This request would replace vehicles exceeding the state parameters of mileage in excess of 100,000 miles. Funding would:

- * Replace two Trucks and two trailers that deliver frozen food products to the State Schools and Hospitals.
- * Replace 2 mini-vans, 2 station wagons, 1 sedan and 1 truck that are currently used by staff at HHSC, DADS and DSHS to provide program and service oversight to State Hospitals and Schools.
- * Replace 12 vehicles used in the 11 HHS regions staff for system support tasks. Vehicles are used to deliver mail, office supplies, facilitate moves and support IT tasks.

As the vehicles are depreciated, federal funding would be obtained in future years as Earned Federal Funds.

Program Impact

	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 15

Increase Coordination of Health Services

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 581,700	\$ 581,700	\$ 1,163,400
Method of Financing:			
General Revenue	\$581,700	\$581,700	\$ 1,163,400
Other Funds			\$ -
Federal Funds			\$ -
Number of FTEs	3.5	3.5	

Request

This request would provide staffing and other resources to address the coordination of health services critical to children and individuals with disabilities.

1. Funding would expand the Texas Integrated Funding Initiative (TIFI) to two additional communities (\$0.3 million annually). This initiative support serious emotionally disturbed children who are at risk of costly out-of-home placements with community and family-based alternatives. TIFI to develop local mental health care systems for children in up to six communities. Four communities have been funded with small amounts of seed money for the past six years and this has provided local entities with the capability of receiving almost \$20 million in federal dollars. These communities have successfully implemented a system change service delivery approach to produce more positive outcomes for children/youth and their families.
2. State funding of \$0.3 million would continue the Early Childhood Comprehensive Systems initiative currently funded through an expiring federal grant to improve communication, coordination and efficiency within and beyond the HHS system of services for children under age six. The funding will support the current FTE and a new FTE, to implement activities across the HHS system, as well as across non-HHS systems, including education and childcare. The additional funding would facilitate a more coordinated and comprehensive system of services that more efficiently meets the needs of children under age six.
3. Funding of \$0.3 million would establish an Office for Acquired Brain Injury to respond to the increasing number of survivors of traumatic brain injuries (TBI), many of whom face lifelong needs for support. This situation is particularly relevant to servicemen and women who are returning war veterans. With changing demographics and an increasing population of individuals who are permanently disabled by brain injury in Texas, there is a critical unmet need for information and care coordination. By assisting them in identifying services; reducing the need for state funding; accessing available federal grants and resources, this would further provide a central point of contact for services to TBI survivors since services required by survivors are at different agencies across the enterprise.

Access to information and services and support is critical and a liaison is needed between state agencies and federal services to prevent service duplication, to address gaps in services, and to ensure that recommended policy changes are based upon accurate data and assessment.

Program Impact

FY 2008

FY 2009

Program Impact	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 16

Increase Nurse Retention and Recruitment

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 19,608,881	\$ 22,272,099	\$ 41,880,980
Method of Financing:			
General Revenue	14,656,968	17,312,698	\$ 31,969,666
Other Funds			\$ -
Federal Funds	4,951,913	4,959,401	\$ 9,911,314
Number of FTEs	108.0	162.0	

Request

This item is requested on behalf of DADS, DSHS, and HHSC to improve nurse retention and recruitment throughout the HHS system. Turnover rate of 27% for Registered Nurses (RN) and 31% for Licensed Vocational Nurses (LVN) in HHS agencies are well above the statewide average of 17% for all state employees. Likewise, vacancy rate continue to be high in the area at 17% for RNs and 10% for LVNs. This exceptional item would increase salaries by an average of 15% for 1682 RNs and 1,010 LVNs working in HHS agencies, primarily in state mental health hospitals (DSHS), state schools (DADS), the long term care regulatory function (DADS), and nurse investigators in the HHSC OIG as well as in Medicaid. The share by agency totals \$8.7 million GR and \$17.9 million All Funds for DADS, \$23.0 million GR and All Funds for DSHS, and \$0.2 million GR and \$0.9 million All Funds for HHSC.

This request also includes two additional incentives to assist in recruitment and retention of nurses. Educational stipends would provide the opportunity for current HHS staff to achieve nursing certification in exchange for a commitment to remain with the state for a specified period of time. This stipend would provide salary and education expenses to support 50 staff pursuing LVN certification, 50 associate RNs, 4 bachelors' - level RNs, and 4 master's level nurses each year. Additionally, a set allocation of \$150 would reimburse nurses for license renewal and/or continuing education cost.

Program Impact

FY 2008

FY 2009

Texas Health & Human Services Commission

Exceptional Item 17

Implement Criminal History Checks of Health Providers

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
	\$ 940,100	\$ 940,100	\$ 1,880,200
	\$470,050	\$470,050	\$ 940,100
			\$ -
	\$470,050	\$470,050	\$ 940,100

Request

Effective December 1, 2005, the Office of Inspector General's Medical Provider Integrity Unit (MPI) began conducting criminal history checks on all Medicaid provider applicants, including those with ownership and principal interests, using the Department of Public Safety (DPS) secured website, at a cost of \$1.00 per applicant. This process would be completed in FY2008.

Future Medicaid applicants, including those with ownership and principal interest, would be subject to a nation-wide criminal history check, at a cost of \$48.95 each, through the DPS vendor Indentix Identification Services. Criminal history checks will only be required at the time of enrollment. After completion of the initial criminal history check, OIG would be notified electronically if the provider had been arrested at a later date in any state in the nation.

This funding request is eligible for a 50-50 Medicaid match rate.

Program Impact

FY 2008

FY 2009

Texas Health & Human Services Commission

Exceptional Item 18

Maintain Support of EBT Infrastructure and Implement IBC

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 3,326,563	\$ 4,207,011	\$ 7,533,574
Method of Financing:			
General Revenue	1,615,354	2,033,154	\$ 3,648,508
Other Funds	-		\$ -
Federal Funds	1,711,209	2,173,857	\$ 3,885,066
Number of FTEs	7.6	7.6	

Request

This request would maintain support of the Electronic Benefit Transfer (EBT) system and implement the Integrated Benefits (IBC) Card. Texans receiving TANF cash assistance and Food Stamps obtain their benefits electronically. HHSC uses an EBT system, known as the Lone Star Card, to deliver TANF and Food Stamp benefits. The EBT system has not requested new funding since 1999 and is being reprocured during the 2006-07 biennium. The integrated benefits card roject would integrate the Lone Star Card with the Medicaid Access Card, allowing clients to use a single card for all target prorams and provide a platform for expansion to other programs.

The request of \$6.0 million All Funds and \$2.9 million GR would subsidize the EBT system which has been operating for twelve years with no major updates to the central processing hardware or the operating system. In order to ensure compliance with federal Food Stamp Program requirements, the EBT system needs to be migrated to a platform that is fully supported. Maintenance for one of the key components of the current platform is no longer available in the current environment. Migration to a Unix platform would resolve this issue as well as improve overall system performance and reliability. An additional advantage is that the new system may be easily scaled to adjust to changes in volume or to expand services and programs covered by the Lone Star Card. Funding would also cover variable contract costs such as transaction fees, card issuance and increased call center activity, associated with caseload growth.

The IBC implementation would consolidate cared managemnt functions and would provide savings in future biennia for program operatons, card issuance, replacement, and storage. It would provide greater convenience and security for clients and providers. Estimated cost is \$1.5 million All Funds and \$0.7 million GR.

Program Impact

	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 19

Restore Medicaid and CHIP Rates to 2003 Levels

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$297,401,720	\$309,620,233	\$ 607,021,953
Method of Financing:			
General Revenue	\$116,383,976	\$120,643,833	\$ 237,027,809
Other Funds			\$ -
Federal Funds	\$181,017,744	\$188,976,400	\$ 369,994,144
Number of FTEs			

Request

This request would restore rate reductions incurred in the 2004-05 biennium from FY 2003 levels - 2.5 percent for medical professionals and 5.0 percent for hospitals. These funds would be used to cover increases in both Fee-for-Service (the traditional health care payment system, where physicians and other providers receive a payment for each unit of service provided) and Managed Care (a system in which the overall care of a patient is overseen by a single provider or organization) delivery models.

Costs associated with Medicaid rate restoration total \$232.0 million GR (\$127.5 million for inpatient hospital, \$16.7 million for outpatient hospital, \$43.3 million for medical professionals, \$3.7 million for pharmacists' dispensing fee, \$1.7 million for ambulance and \$39.1 million for managed care.)

The costs associated with CHIP restoration total \$5.1 million GR for managed care.

Program Impact	FY 2008	FY 2009
Average CHIP Programs Benefit Cost with Prescription Benefit	\$168.73	\$180.45
Average Medicaid Acute Care Cost per RM	\$247.38	\$258.62

Texas Health & Human Services Commission

Exceptional Item 20

Provide State Funding for Private Urban UPL.

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
	\$ 68,702,290	\$ 69,000,767	\$ 137,703,057
	27,000,000	27,000,000	\$ 54,000,000
			\$ -
	41,702,290	42,000,767	\$ 83,703,057

Request

This request would fund payments to private urban hospitals under the Upper Payment Limit (UPL) Program in the 2008-09 biennium. These payments to high volume hospitals were made during the 2004-05 biennium but no funding was appropriated to continue them during the 2006-07 biennium.

Program Impact

FY 2008

FY 2009

	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 21

Replace Non Recurring IGT

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ -	\$ -	\$ -
Method of Financing:			
General Revenue	\$58,500,000	\$58,500,000	\$ 117,000,000
Other Funds	(\$58,500,000)	(\$58,500,000)	\$ (117,000,000)
Federal Funds			\$ -
Number of FTEs			

Request

This request restores funding to STAR+PLUS providers for a \$59.7 million GR reduction imposed pursuant to S.B. 1, Article II, Special Provisions, Section 49 which was a biennial reduction of \$109.5 million GR. The rate reduction in FY 2007 is restored to both years during the 2008-09 biennium.

Program Impact

	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 22

Provide State Funding for Hospital Financing

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ -	\$ -	\$ -
Method of Financing:			
General Revenue	\$26,338,708	\$26,338,708	\$ 52,677,416
Other Funds	(\$26,338,708)	(\$26,338,708)	\$ (52,677,416)
Federal Funds			\$ -
Number of FTEs			

Request

General Revenue funds are requested in lieu of intergovernmental transfers (IGTs) that were assumed in the baseline request from public hospitals as a revenue source to draw down federal funds. In order to minimize the impact of required provider rate reductions in recent years, the agency was authorized to use IGTs - fund exchanges among or between different levels of government.

Program Impact

	FY 2008	FY 2009

Texas Health & Human Services Commission

Exceptional Item 23

Provide State Funding for Graduate Medical Education

Funding Request

Total (All Funds)

Method of Financing:

General Revenue

Other Funds

Federal Funds

Number of FTEs

	FY 2008	FY 2009	Biennium
Total (All Funds)	\$ 103,053,435	\$ 103,501,150	\$ 206,554,585
Method of Financing:			
General Revenue	\$40,500,000	\$40,500,000	\$ 81,000,000
Other Funds			\$ -
Federal Funds	\$62,553,435	\$63,001,150	\$ 125,554,585
Number of FTEs			

Request

This request would provide state funding to support Graduate Medical Education (GME) in teaching hospitals which operate approved medical residency training programs. These teaching hospitals provide physician training, care for the uninsured, conduct medical research, provide highly specialized services, and educate medical students, nurses and other healthcare professionals. Medicaid GME payments recognize the higher cost incurred by teaching hospitals. Compared to non-teaching hospitals, teaching hospitals treat patients with more complex conditions and provide patient care that is more intensive and technologically sophisticated.

Program Impact

FY 2008

FY 2009

Program Impact	FY 2008	FY 2009