

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:46PM**  
PAGE: **1 of 7**

---

Agency code: **529** Agency name: **Health and Human Services Commission**

---

**TEXAS HEALTH AND HUMAN SERVICES COMMISSION**

“The mission of health and human service agencies in Texas is to develop and administer an accessible, effective, and efficient health and human services delivery system that is beneficial and responsive to the people of Texas.”

The Health and Human Services Commission (HHSC) was created in 1992 to coordinate and improve the delivery of health and human services across Texas. In 2003, the 78th Legislature, Regular Session charged HHSC with overseeing the transformation of the delivery of health and human services. State leaders envision a coordinated system of health and human services that is rationally organized, effectively managed, centered on client needs, and accountable for results.

In addition to overseeing the health and human services system in Texas, HHSC is responsible for program administration of Medicaid, CHIP, Disaster Assistance, Temporary Assistance for Needy Families, SNAP, Family Violence and Refugee programs. Thus, HHSC has responsibilities as a leadership, operational, and oversight agency. The agency is accountable to Texans for ensuring that the consolidated Health and Human Services (HHS) agencies provide quality services as efficiently and effectively as possible. The agency executive commissioner is appointed by the Governor and assisted by a nine-member advisory council.

**FY 2010-11 PROGRESS and ACCOMPLISHMENTS**

During the 2010-11 biennium, HHSC and the other HHS agencies continue to build on efforts to improve the efficiency and effectiveness of programs and the service delivery system.

**Agency**

**Social Services**

**Improvements in Eligibility Processing**

With the approval of Rider 61 provisions for additional eligibility determination staffing in October 2009, HHSC has been better able to process applications for public assistance programs within required timeframes. In 2009, multiple factors including increasing caseloads in SNAP, Medicaid & TANF and responses to disasters, such as Hurricane Ike, resulted in application processing delays. Additional staffing provided by Rider 61 along with the implementation of various policy changes, business process improvements, and the dedication of the eligibility workforce have led to significant improvements during FY 2010.

Timeliness rates (percent of applications processed within federal guidelines) of applications have improved significantly. For example, in July 2010 91.6% of SNAP applications were processed timely compared to 58.6% in September 2009. In addition to improvements in timeliness, early FY 2010 data indicates that HHSC's error rates in determining eligibility & issuing benefits for SNAP has also seen significant improvement.

In FY 2010 HHSC resumed rollout of TIERS, the new automation system that supports eligibility determination. Three health and human services regions have now converted to TIERS – Austin, Lubbock & El Paso. Working in one automation system increases efficiency and allows for better monitoring of performance. Statewide roll-out for TANF, SNAP, & Medicaid is projected to be complete by December 2011.

**Health Services**

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:51PM**  
PAGE: **2 of 7**

Agency code: **529**

Agency name: **Health and Human Services Commission**

**Medical Transportation Program Broker Model**

- Rider 55 directed HHSC to implement a full-risk regional brokerage model for non-emergency Medicaid transportation services in areas of the state that could sustain such a model. HHSC is currently finalizing an RFP to seek bids for a model in the Dallas/Fort Worth and Houston/Beaumont regions of the state.

**Qualified Aliens**

- Federal CHIPRA legislation enacted February 2009 would allow the State to obtain federal CHIP matching funds for children who are legal permanent residents. These children and their families have met the five-year residency requirement to be eligible for traditional welfare and medical assistance. In May 2010, HHSC submitted a state plan amendment to begin claiming federal CHIP matching funds to provide medical assistance in both Medicaid & CHIP programs.
- The base and exceptional item funding requests for FY 2012-13 assume approval of the state plan amendment as submitted. In July 2010, the U.S. Centers for Medicare and Medicaid issued additional guidance that could alter the Texas proposal and LAR assumptions.

**CHIP Perinate Changes**

Pursuant to federal requirements, effective September 1, 2010, Perinate mothers who deliver children while eligible for Medicaid will have their newborns enrolled in Medicaid. Perinate moms below 185% of FPL will continue to receive pre-natal care under CHIP until their Medicaid delivery. Pregnant women above 185% FPL will continue to be enrolled in the CHIP Perinate program. This change reduces the average monthly CHIP Perinate caseload by about 35-40% to 38,869 in FY 2012 & 39,802 in FY 2013.

**Other Medicaid Initiatives**

- Rebasing of FY 2011 hospital rates –There is a move on the national & state fronts to shift healthcare, including hospital, reimbursement to performance-bases payment. The first step in moving hospital reimbursements towards such a system is to rebase their current rates. Rebasing is a process by where each hospital's rate is adjusted to reflect its current cost and case mix along with other factors. Rebasing allows for each hospital to be reimbursed the same percentage of their cost, thereby providing funding equity. HHSC adopted the necessary rule changes to rebase hospital rates earlier this month and is in the process of implementing the accompanying rate changes.
- STAR+Plus Expansion– HHSC is in the process of expanding the STAR+Plus Program to the Dallas & Fort Worth Service Areas. STAR+Plus integrates acute and long-term services and supports for aged, blind and disabled Medicaid recipients, providing case management and coordinated care. HHSC plans to begin providing STAR+Plus services to eligible DFW-area members in February 2011.

**Federal Legislation**

**Affordable Care Act (ACA)**

In March 2010, the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HERCA) were signed into law. These two acts together are known as the Affordable Care Act (ACA), or federal health care reform legislation. While many provisions specifically related to Medicaid are not implemented until 2014 there are some provisions that impact Medicaid client services and workload in the current and next biennia. Most analysis is not completed and is not reflected in this 2012-13 funding request.

Specifically the LAR assumes increased federal recapture of drug rebate revenue from the State. Although the federal government has yet to recapture any drug rebates, the recapture is retroactive to January 2010. CMS is developing guidance, infrastructure and systems to implement this process. The drug rebate revenue reflected in the LAR for FY 2010-13 has been adjusted for this federal recapture.

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:51PM**  
PAGE: **3 of 7**

Agency code: **529**

Agency name: **Health and Human Services Commission**

HHSC intends to provide a more thorough analysis and estimated fiscal impact of federal health care reform before January 2011.

#### HHS System

##### Comptroller's Enterprise Resource Planning (ERP) Project

- Staffs from all five HHS agencies are participating in the Comptroller's project to effort to modernize the state's human resources (HR)/payroll and financial systems. In the first four months, over 80 HHSC employees have contributed over 6,500 hours to the project. HHS agencies will be implementing the new HR/payroll system within the Comptroller's timeframe.

#### Other Policy Considerations

##### American Recovery and Reinvestment Act of 2009 (ARRA)

During the 2010-11 biennium, over \$3.0 billion was expended by HHSC in ARRA funding.

- The temporary increase in the Medicaid Federal Medical Assistance Percentage (FMAP) represents \$1.8 billion in FY 2010 & \$1.1 billion in FY 2011.
- Other sources of ARRA funding include \$14.0 million in ARRA SNAP funding in FY 2010.
- Of the ARRA TANF Emergency Contingency Funding of \$29.0 million in FY 2010 & \$27.3 million in FY 2011, \$46.7 million was collaboration with local food banks to maximize the receipt of ARRA funding by providing short-term food packages to eligible families.
- Another \$7.5 million in ARRA Health Information Technology (HIT) funding was expended during the biennium. Only the HIT funding is continued as ARRA expenditures in the 2012-13 biennium.

ARRA also contained some funding opportunities for some health information technology initiatives. HHSC is involved in two projects related to these provisions.

- Statewide Health Information Exchange (HIE)-HHSC was able to draw down some federal funding and has contracted with the Texas Health Services Authority which is leading the initiative to develop a strategic and operational plan for the establishment of an HIE infrastructure for the state.
- Electronic Medical Records (EMRs) - Another initiative focused on promoting the adoption of EMRs. Texas was awarded funding to develop a plan to incentivize Medicaid providers to begin using EMRs.

#### Background Check Authority

HHSC has permissive statutory authority under Government Code Sec. 411.1405 to conduct criminal background checks (CBCs) on certain Information Technology employees. HHSC does not currently conduct CBCs on those employees. HHSC does not have statutory authority to conduct CBCs on any other of its employees but consolidated Human Resources staff conducts CBCs on behalf of other HHS agencies. HHSC also has statutory authority to conduct criminal background checks on Medicaid providers and Medicaid provider applicants under Government Code Sec. 411.1143. The HHSC Office of Inspector General conducts those CBCs.

#### BUDGET REEQUEST FOR THE 2010-12 BIENNIUM

##### FY 2010-11 EXPENDITURES

The 2010-11 estimated base expenditures total \$41.8 billion in All Funds & \$14.0 billion in state funding. The 2010-11 biennial budget assumes a state-funded supplemental appropriation of \$1.1 billion for Medicaid and \$46.2 million for CHIP. The biennial shortfall is due primarily to the lack of funding of cost and utilization growth and

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:51PM**  
PAGE: **4 of 7**

---

Agency code: **529** Agency name: **Health and Human Services Commission**

---

caseloads higher than appropriated levels. This estimate in LAR was finalized in June 2010 with the submission of the Base Reconciliation and does not consider the enactment of P.L. 111-226, in August 2010 that extends the ARRA increase in FMAP an additional six months, ending June 30, 2011, but at a phased down level of assistance. The FY 2010-11 expenditures also include a biennial reduction of \$115.0 million GR associated with the required 5 percent reduction.

For the 2010-11 biennium, caseloads continue to increase. Current average Medicaid caseload projections total 3,346,903 recipients in FY 2010 & 3,732,835 recipients in FY 2011. Current average CHIP caseload projections total 569,818 recipients in FY 2010 & 581,599 recipients in FY 2011. For TANF Cash Assistance, the current average caseload projections total 123,338 recipients in FY 2010 & 130,089 recipients in FY 2011. Prior to the TANF caseload increases during FY 2010, this program had been experiencing caseload decreases for the previous seven years.

#### FY 2012-13 BASE REQUEST

The baseline request for FY 2012-13 totals \$47.3 billion, of which \$18.6 billion is GR. This request represents an increase of approximately \$4.6 billion in GR, or about 32.8% increase than projected 2010-11 biennial expenditures. The increase is primarily associated with Medicaid and CHIP caseload growth that was considered entitlement for baseline request as well as the impact of expiring federal increases in FMAP share. However FY 2012-13 Medicaid and CHIP costs were required to be held flat at FY 2011 levels but these costs include those rate-related components of Frew Strategic Initiatives. The Base Request also assumes maintaining the number of eligibility determination staff at FY 2011 levels.

CHIP caseloads are projected to increase to 593,836 in FY 2012 to 611,418 recipients in FY 2013. Medicaid caseloads are projected to increase to 3,884,015 recipients in FY 2012 & to 3,986,452 recipients in FY 2013. The CHIP match rate is 72.39 percent in FFY 2012 & FFY 2013. The Medicaid match rate is 60.55 percent in FFY 2012 & FFY 2013.

For the TANF Cash Assistance Program, federal TANF and state MOE levels were required to be held at the 2010-11 biennial levels. While the TANF cash assistance caseload growth is included in the Base request, the amounts of the monthly and annual grant awards would be decreased because of the assumption of flat funding. TANF cash assistance caseloads are projected to increase to of 133,210 recipients in FY 2012 & 136,507 in FY 2013. The portion of the federal TANF maintenance of effort (MOE) requirement in HHSC's request is met due in the base request.

#### EXCEPTIONAL ITEM REQUESTS

HHSC is seeking funding for 28 exceptional items totaling a net \$1.4 billion in GR & \$3.4 billion All Funds. Of the requested exceptional items, eight items represent requests across the HHS system and totals \$364.9 million GR & \$690.7 million All Funds for the biennium. There are also six exceptional items that represent biennial net savings of \$600.6 million GR & \$1.2 billion All Funds to the State by expanding managed care services in Medicaid and CHIP. Approximately \$1.56 billion GR & \$3.68 billion All Funds are needed to maintain current services in Medicaid, CHIP, TANF, Frew, Data Center Services and other agency programs and administration.

#### Medicaid Acute Care, CHIP and TANF

The biennial cost to maintain current services in client service programs totals over \$1.4 billion GR and \$3.5 billion in Medicaid, CHIP, & TANF. Exceptional Item funding addresses cost and utilization since caseload growth is assumed in the base request. Requested funding would maintain certain Frew Strategic Initiatives (\$91.4 million GR & \$96.9 million All Funds). Other than the continuation of rate increases that are already in the Medicaid base cost trends, there is no Frew Strategic Initiative Funding in the FY 2012-13 Base Request.

#### Current Operating Levels

In an effort to maintain FY 2011 operating levels, \$111.2 million GR & \$123.2 million All Funds would continue the other agency operations. Frew Strategic Initiatives totals

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:51PM**  
PAGE: **5 of 7**

---

Agency code: **529** Agency name: **Health and Human Services Commission**

---

\$91.4 million GR & \$96.9 million All Funds. The FY 2010-11 base request cannot sustain costs associated with 24 months of the regional and local offices established and increased during the current 2010-11 biennium. The biennial cost for these offices and facilities include leases, utilities, security and janitorial services total \$17.8 million GR & \$24.3 million All Funds. There are costs for increased EBT card transactions associated with SNAP caseload growth- \$1.0 million GR & \$2.0 million All Funds.

#### Other Critical Services and System Improvements

There are four requests associated with eligibility determination services totaling \$122.6 million GR & \$237.7 million All Funds that would 1) expand the food bank pilot statewide, 2) improve staff retention, 3) add 958 FTEs in FY 2012 and an additional 589 FTEs in FY 2013 for caseload growth, and 4) manage client flow in local offices. The other requests would fund an increase of \$4.5 million GR & All Funds for Family Violence services, establish an autism center - \$1.6 million GR & All Funds, implement a federally required asset verification system for MEPD - \$2.3 million GR & \$4.6 million All Funds, and increase state support of area information centers - \$1.7 million GR & \$3.5 million All Funds. The Office of Inspector General requests \$2.4 million GR & \$4.4 million All Funds to add 35 FTEs to address increasing investigation workload.

#### Medicaid Managed Care Savings Exceptional Items

There are six exceptional items that would generate savings to the State if Medicaid managed care was expanded and if certain services were capitated in Medicaid and CHIP. The biennial net savings of all of the exceptional items is \$600.6 million GR & \$1.2 billion All Funds. Each cost estimate includes the impact to HHSC, any savings impact to the Department of Aging and Disabilities (DADS) - such as the movement of clients from DADS LTC services to STAR+Plus at HHSC, as well as the estimated revenue increase to the State Treasury in the Insurance Premium Tax. To capitate drugs, there would also be lost revenue in supplement rebates to the State but the capitated rate would be adjusted to allow the Managed Care Organizations to collect those rebates.

#### HHS SYSTEM EXCEPTIONAL ITEMS

There are eight exceptional items requested on behalf of the HHS system that total \$364.9 million GR & \$690.7 million All Funds. One request continues an initiative implemented two biennia ago by further reducing waiting and interest lists, three relate to IT systems and supports, two create specialized health services and supports, one addresses disproportionality in the HHS system, and one improves the retention and recruitment of medical professionals across the system. Requested state funding represents the state share for all five HHS agencies.

#### Data Center Services

The funding request of \$13.7 million GR & \$18.8 million All Funds relates to the Department of Information Resources Data Center Consolidation - \$4.4 million GR & \$7.3 million All Funds would support increased payments to DIR and \$9.4 million GR & \$11.5 million All Funds and would be for internal agency costs to support networks and remediate programs to platforms and software versions supported by the DIR contractor.

#### IT Security Improvements:

The funding request of \$10.9 million GR & \$16.1 million All Funds supports several HHS system initiatives that would improve the physical security and usage of technological systems. Many of these initiatives would fulfill statutory requires or address audit findings.

#### Technology Improvements for State Hospitals and State Supported Living Centers.

The funding request of \$8.8 million GR & \$12.4 million All Funds for DADS and DSHS would improve several administrative and clinical applications supporting both types of facilities.

#### Reducing Waiting and Interest Lists

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:51PM**  
PAGE: **6 of 7**

Agency code: **529**

Agency name: **Health and Human Services Commission**

This request would improve the capacity of HHS community care programs. This request totals \$265.4 million GR & \$543.5 million All Funds. The agency impact is:

- Department of Aging and Disability Services - \$172.5 million GR & \$402.3 million All Funds: Home and community care waivers, non-Medicaid services, and the In Home and Family Support program. The home and community care waivers include Community Based Alternatives, Community Living Assistance and Support Services, Medically Dependent Children's Program, Consolidated Waiver Program, Deaf-Blind with Multiple Disabilities, Home and Community Based Services, and Texas Home Living.
- Department of Assistive and Rehabilitative Services - \$7.4 million GR & All Funds: Comprehensive Rehabilitation Services and Independent Living.
- Department of State Health Services - \$53.8 million GR and All Funds: Child and Adolescent Community Mental Health and Children with Special Health Care Needs.
- HHSC would incur acute Medicaid costs of \$31.7 million GR & \$80.0 million All Funds associated with some of the clients served by DADS.

#### Veteran's Health Initiative

This initiative would provide \$14.9 million GR & All Funds in community settings supported by DSHS, DADS, and HHSC to support coordination and develop needed wrap-around services for veterans and their families.

#### Acquired Brain Injury Waiver

This funding would develop and implement a new Medicaid waiver by FY 2013 for individuals with an acquired brain injury coordinated by the Office of Acquired Brain Injury. The biennial costs total \$1.2 million GR and \$2.6 million All Funds.

#### HHS Disproportionality Initiative

This exceptional item funding of \$2.2 million GR & \$3.1 million All Funds would begin to address disproportionality of services and clients in the HHS System with staffing, education, and collaborative initiatives.

#### Medical Professional Retention and Recruitment

There is a request of \$41.7 million GR & \$70.3 million All Funds to improve the retention and recruitment of certain medical workers (nurses, LVNs, and nursing assistants) in the state hospitals and state supported living centers. Psychiatric Nursing and Mental Retardation Assistants would receive a one-time salary increase of 10 percent, LVNs – 15 percent salary increase, direct care nurses – 7.5 percent salary increase and non-direct care nurses – 5 percent salary increase. Biennial cost by agency totals \$19.2 million GR & \$47.5 million All Funds at DADS and \$22.5 million GR a \$22.8 million All Funds at DSHS. A salary increase for DADS LTC eligibility workers is also included.

#### 10 Percent Reduction Schedule

The Commission's ten percent reduction schedule totals \$85.2 million GR across 19 category reductions. The reduction would impact 246 FTEs of which 60 percent are currently vacant. There is also a reduction of \$2.3 million GR to acknowledge that that 2012-13 base is lower than FY 2010-11 in non-exempt areas by \$23.0 million GR as HHSC did not utilize or re-purpose one-time state funding that could have reduced the target reduction. Other reductions would result in the State's failure to maintain TANF MOE requirements and reductions in contracts would impact service levels.

#### COST ALLOCATION

The methods of finance submitted in HHSC's LAR are based upon a federally-approved cost allocation plan. However, because the data elements supporting the plan may change monthly, the share of federal and state funding represents our best estimate for these monthly funding shifts.

**ADMINISTRATOR'S STATEMENT**  
82nd Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/20/2010**  
TIME: **9:20:51PM**  
PAGE: **7 of 7**

---

Agency code: **529**

Agency name: **Health and Human Services Commission**

---

Conclusion

HHSC will be submitting the HHS Consolidated Budget in October 2010 which will provide additional details on provider rates and other HHS system-wide funding issues and initiatives. HHSC appreciates your consideration of our FY 2012-13 funding. We look forward to working with you and your staff during the 82nd Legislative Session.

Respectfully submitted,

Thomas M. Suehs  
Executive Commissioner