



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS
EXECUTIVE COMMISSIONER

February 15, 2010

Ms. Mary Katherine Stout, Director
Governor's Office of Budget, Planning and Policy
1100 San Jacinto, 4th Floor
Austin, Texas 78701

Mr. John O'Brien, Director
Legislative Budget Board
1501 Congress Avenue, 5th Floor
Austin, Texas 78701

Dear Ms. Stout and Mr. O'Brien:

I have attached the Texas Health and Human Services System's response to the January 15, 2010, request to identify potential savings totaling five percent of general revenue for the 2010-11 biennium.

Identifying possible reductions in a budget that is overwhelmingly invested in client services is a painstaking task. State leaders asked agencies to identify options that "present prudent, efficient reductions that minimize the impact on direct services," and that philosophy guided our work.

As our agencies began to identify possible savings, I implemented an administrative hiring freeze on January 20, 2010. I took this early action so that we could begin to achieve administrative savings as quickly as possible and to protect critical areas such as protective services, direct care staffing at state supported living centers and hospitals, regulatory staff, and eligibility services.

Program and budget staff at each agency have put in an incredible number of hours to identify potential savings. This involved consideration of state and federal statutes, regulations, and maintenance-of-effort requirements; the mix of federal and state funding for each program; and a host of other complexities associated with each option.

We developed the following principles to guide our efforts:

- Maintain the highest level of services and minimize the direct affect on clients.
- Achieve as much administrative savings as possible without jeopardizing oversight and accountability.

- Preserve effective prevention programs that help reduce the state's costs in the long run.
- Preserve vital community programs, such as crisis mental health services.
- Delay implementing new programs.

Agencies began by identifying areas where the assumptions made in Senate Bill 1 had changed, and projected state funding requirements are now lower. This included areas where additional federal funds were received, caseload projections are lower, and anticipated project start dates already had been moved back. We identified savings associated with the hiring freeze and other possible administrative reductions, in addition to looking at areas where we could delay the start of new programs rather than reduce existing services. To meet our target of identifying up to \$304 million in potential state general revenue savings, however, we also faced some incredibly difficult decisions. The options we have developed also would result in the loss of \$242 million in federal funds, making the potential loss of funding to our agencies approximately \$546 million in all funds.

As directed by the January 15 letter, we will make no reductions to eligibility staffing, including the additional resources approved under Rider 61 in Senate Bill 1, and we will continue to evaluate the need for the additional staff authorized by that rider. Likewise, there are no changes being proposed for current benefits or eligibility standards for Medicaid or the Children's Health Insurance Program. We have taken great care to ensure that the Texans who rely on our services today will continue to have access to those services in the future.


As we looked at the possible reductions identified by our agencies, I made the difficult decision to include a potential reduction in Medicaid rates as an option for your consideration. I believe this is the only way to achieve the full five percent savings target for health and human services and avoid deep reductions in existing programs and services. It should be noted that none of the potential savings options has a significant affect on the projected Medicaid shortfall. As you know, caseloads currently are increasing at a rate higher than we projected. We will continue to closely monitor caseloads and keep you informed of that situation.

I recognize that the challenges our agencies faced in identifying potential budget reductions are much like the difficult decisions that many Texas families face every day. Like Texas families, we know that difficult times often result in difficult decisions. Even administrative savings have the potential to erode our effectiveness in the long run, just as a family's decision to delay oil changes can lead to higher car repair bills later. We are grateful that our state has fared better than most during this national recession, and we trust that today's prudent and careful actions will ensure that we remain able to protect the health and safety of Texans in the future.

Ms. Mary Katherine Stout and Mr. John O'Brien
February 15, 2010
Page 3

Please let me know if you have any questions or need additional information. Greta Rymal, Deputy Executive Commissioner for Financial Services, serves as the lead on this matter and may be reached at (512) 424-6919 or by e-mail at Greta.Rymal@hhsc.state.tx.us

Sincerely,



Thomas Suehs

TS:sm

Attachment