



## TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS  
EXECUTIVE COMMISSIONER

August 2, 2010

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

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

Dear Ms. Stout and Mr. O'Brien:

Enclosed is the agency's appropriation year 2010 Monthly Financial Report as of June 30, 2010.

The following is a narrative summary of budget adjustments, projected budget variances, capital budget issues, and other key budget issues known at this time.

### **BUDGET ADJUSTMENTS**

The budget adjustments listed below apply to the appropriation year 2010 report as of the end of June, 2010. Adjustments to Health and Human Service Commission's (HHSC) appropriation pattern as detailed in the Conference Committee version of S.B.1, Article II are described.

A1-A9. These adjustments include those pursuant to S.B. 1, Article XII that reduce HHSC's general revenue Match for Medicaid, appropriate ARRA federal funds – including not only Medicaid funds, but also Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) funding, allocate the general revenue reduction and enhanced Medicaid federal Medicaid assistance percentages (FMAP) to the affected agencies for appropriation year 2010, and carry forward a portion of the general revenue reduction and American Recovery and Reinvestment Act (ARRA) funds to appropriation year 2011. Pursuant to the letter dated May 10, 2010, adjustments seven through nine have been added this month to budget the additional ARRA Tier 2/3 federal increase and to utilize the freed up general revenue to mitigate Medicaid needs.

B. This adjustment reflects the appropriation per S.B.1, Article IX, Sec 17.78, *Contingency Appropriation for S.B. 7*. No change from prior report.

C. This adjustment reflects the appropriation per S.B. 1, 81<sup>st</sup> Legislature, Article IX, Sec 17.03, *Enterprise Resource Planning Projects*. No change from prior report.

D. This adjustment is pursuant to the authority provided in S.B. 1, 81<sup>st</sup> Legislature, Article IX, Sec. 8.03, *Reimbursements and Payments*. Adjustment has been updated this month to include additional interagency revenues in B.2.2. Medicaid Vendor Drugs and F.1.1. Tiers and Eligibility Supporting Tech Projects.

E. This adjustment reflects changes in estimated federal funds per S.B. 1, 81<sup>st</sup> Legislature, Regular Session, Article IX, Sec. 8.02, Federal Funds/Block Grants. Updated from prior month's report.

F. This adjustment reflects the carry forward of \$134,566,806 in unexpended general revenue balances from fiscal year 2009 for Frew strategic initiatives pursuant to S.B. 1, 81<sup>st</sup> Legislature, HHSC Rider 53, Appropriations Related to Frew Strategic Initiatives. No change from prior report.

F1 S.B. 1 appropriated an estimated unexpended balance of \$113,000,000 for Frew strategic initiatives; therefore, this adjustment reflects a reduction to the amount above, leaving a net of \$21,566,806 in excess of the General Appropriation Act (GAA) estimate. No change from prior report

G. Reserved for the carry forward of unexpended balances of supplemental appropriations from appropriation year 2009 pursuant to H.B. 4586, Sec. 27b. This adjustment will be included once the carry forward is completed.

H1 This adjustment reflects the June, 2010, carry forward of \$147,075,834 in Children's Health Insurance Program (CHIP) unexpended balances from appropriation year 2009 pursuant to HHSC Rider 15. Additional amounts will be carried forward in future months pursuant to the letter dated January, 2010. New adjustment this month

H2 S.B. 1 appropriated an estimated unexpended balance of \$136,400,000 for CHIP; therefore, this adjustment reflects a reduction in the amount above and leaves \$10,674,834 in excess of the GAA estimate. New adjustment this month

I. This adjustment reflects the use of \$13.8 million in ARRA SNAP funds in appropriation year 2009 pursuant to H.B. 4586, Sec. 30 and HHSC's letter dated August 14, 2009. No change from prior report.

J. Pursuant to Article XII, Sec. 4, this adjustment reflects the carry forward of \$7.3 million of ARRA TANF state budget appropriation authority to appropriation year 2011. No change from prior report.

- K. This adjustment reflects the transfer of funding to other HHS agencies pursuant to Article II, HHSC Rider 61(b), Office of Eligibility Services Staffing, and HHSC's letter dated October 2, 2009. No change from prior report.
- L. Reserved for transfers of funding to other HHSC agencies pursuant to Article II, Special Provisions, Sec. 11. The transfers related to the Enterprise Telecommunications Enhancement Project detailed in HHSC's letter dated October 19, 2009, will be reflected in a future Monthly Financial Report. Other transfers related to capital budget projects and other agency projected needs will be requested in future letters and reflected in future reports accordingly.
- M. Reserved for the transfer of Medicaid funding to Department of Aging and Disability Services pursuant to Article II, Special Provisions, Sec 46, Integrated Model of Care. The transfers will be included in a future Monthly Financial Report as the transfer occurs.
- N. Reserved for any future transfers pursuant to HHSC Rider 7, Appropriation Transfers Between Fiscal Years, necessary to meet appropriation year 2010 funding needs in Medicaid and CHIP strategies.
- O. Pursuant to Article IX, Sec. 8.01, Acceptance of Gifts of Money, this transfer reflects donations that were received in appropriation year 2009 and have been carried forward to appropriation year 2010 for expenditure. No change from prior report.
- P. Pursuant to HHSC Rider 45, Graduate Medical Education, this adjustment reflects the receipt in October, 2009 and January and April, 2010 of \$37.1 million of allowable funds from state-owned teaching hospitals to be used as the non-federal share for graduate medical education in strategy B.2.1. Cost Reimbursed Service. No change from the prior month's report.
- Q. This transfer reflects the transfer, pursuant to HHSC Rider 61 (a) and (b) and the letter dated August 13, 2009, of \$35 million from Goal B Medicaid to three strategies supporting the eligibility program and related services. No change from prior month's report.
- R. This adjustment reflects a (net zero) reclassification between general revenue Match for Medicaid (ABEST fund 758) and general revenue (ABEST fund 001). No change from prior report.
- S. This adjustment reflects a (net zero) reclassification between general revenue Match for Medicaid (ABEST fund 758) and general revenue Match for CHIP (ABEST fund 8010). No change from prior month.
- T. This adjustment reflects a (net zero) reclassification between general revenue Match for Medicaid (ABEST fund 758) and general revenue Match for Food Stamps (ABEST fund 8014). No change from prior month.

U. Pursuant to HHSC's Rider 12.a. (2) and letter dated October 27, 2009, this adjustment reports the transfer of \$18 million in general revenue Tobacco funds between CHIP strategies in Goal C. No change from prior report.

V. This adjustment reflects a (net zero) reclassification between general revenue Tobacco Receipts Match for CHIP (8025) and Tobacco Settlement Receipts (5040). Updated from prior month's report.

W. This adjustment reflects a (net zero) reclassification between general revenue (0001) and general revenue Match for CHIP (8010). Updated from prior month's report.

X. This adjustment reflects use of additional CHIP experience rebates (ABEST fund 8054) as authorized by S.B. 1, 81<sup>st</sup> Legislature, Regular Session, Article II, HHSC, Rider 14. Updated from the prior month's report.

Y. This adjustment reflects the use of additional Medicaid Program Income (ABEST fund 705) as authorized by S.B. 1, 81<sup>st</sup> Legislature, Regular Session, Article II, HHSC, Rider 13. Updated from prior month's report.

Z. Pursuant to HHSC's Rider 12.a. (1) and letter dated January 5, 2010, this adjustment reports the transfer of \$37.5 million in general revenue and \$106.8 million in Federal Funds between Medicaid strategies in Goal B. No change from prior month's report.

AA This adjustment reflects the use of additional Medicaid Cost Sharing revenues (ABEST fund 8075) pursuant to S.B. 1, 81<sup>st</sup> Legislature, Regular Session, Article II, HHSC, Rider 17. Updated this month.

AB This adjustment reflects the use of additional Medicaid Subrogation Receipts (ABEST fund 8044) pursuant to S.B. 1, 81<sup>st</sup> Legislature, Regular Session, Article II, HHSC, Rider 6. Updated this month.

AC This adjustment reflects a (net zero) reclassification between general revenue Match for CHIP (8010) and general revenue Match for Food Stamps (8014). New adjustment this month.

## **BUDGET VARIANCES**

Projected budget variances reflected for strategies in Goal B, Medicaid, and Goal C, CHIP, reflect the forecast updates included in the HHSC Base Reconciliation, submitted June 14, 2010.

Although we have updated our projections in this month's report, we have not included a number of adjustments that were included in the Base Reconciliation. As a result, the variances in Schedules 3 and 5 of this report will not agree with the appropriation needs presented in that submission. Future adjustments will be included in Monthly Financial Reports as required

notifications are submitted, approvals received, revenues realized, and/or actual adjusting entries are processed in the Uniform State Accounting System.

Schedule 3 indicates balances in the variance column for some collections that HHSC projects will not be fully realized and some that HHSC anticipates will exceed the initial S.B. 1 appropriation. Note that, if appropriation authority has been provided, HHSC increases the SB 1 estimate (the Operating Budget column in this report) for collected revenues in general revenue-Related and Other Funds only when revenues have actually been received.

- Collections that are anticipated to result in lapsed authority are expressed as a positive variance (706 Vendor Drug Rebates, 8081 Supplemental Vendor Drug Rebates, 3643 Premium Co-payments, Low Income Children, 8062 Appropriated Receipts Match for Medicaid, and 666 Appropriated Receipts). The positive variance in 705 Medicaid Program Income reflects that the actual collections to-date currently exceed the Base Reconciliation estimate.
- Collections projected to exceed the S.B. 1 estimate plus actual collections to-date are expressed as a negative variance (8054 Chip Experience Rebates, 8070 Chip Vendor Drug Rebates, 8075 Medicaid Cost Sharing, 8044 Medicaid Subrogation Receipts, and 777 Interagency Contracts).

#### **SIGNIFICANT CHANGES FROM PREVIOUS REPORT**

This is the tenth report for budget year 2010. Significant changes in this month's report include the carry forward of general revenue unexpended balances in Goal C CHIP pursuant to HHSC Rider 15. Additional amounts will be carried forward in the coming months pursuant to HHSC's letter dated January, 2010. This month's report also reflects the adjustments necessary to budget the ARRA Tier 2/3 as detailed in the request dated May 10, 2010. Finally, note that the ALL Funds projections for Goal B Medicaid and Goal C CHIP continue to agree with the recently submitted base reconciliation method of finance totals; however, we have made adjustments between strategies this month to more accurately reflect the forecast in the strategies from which expenditures will be paid.

#### **OTHER KEY BUDGET ISSUES**

An ongoing potential budget issue (with increased risk during "hurricane season") is the possibility of declared disasters requiring emergency expenditures in appropriation year 2010, not presently anticipated in HHSC budget projections submitted in the Base Reconciliation.

The Method of Finance used throughout the report is based upon currently known federal cost allocation factors and methodologies and will be updated as required by the federal government, which could result in future Method of Finance adjustments.

Ms. Mary Katherine Stout  
 Mr. John O'Brien  
 August 2, 2010  
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In an effort to assist in monitoring the status of requests for approvals on various issues, the table below lists pending appropriation year 2010 requests, the date submitted, and the status of approval or disapproval as of July 28, 2010. We acknowledge that the method of approval or disapproval varies depending on the conditions of the cited provision and may become approval by default. Correspondence regarding funding adjustments that requires notification only is not included in the table.

**Status of Pending Transfers and Authority Requiring Prior Approval**

<b>HHSC Letter Topic Appropriation Year 2010</b>	<b>HHSC Letter Date</b>	<b>Approval/Response Received by July 28, 2010</b>	
		<b>LBB</b>	<b>Governor</b>
Request Approval to transfer funding and capital authority from HHSC to other HHS agencies related to Eligibility request #HHSC-2010-A-88	May 17, 2010	N	N
Request Approval to Exceed Transfer Limitation on Capital Budget Expenditures to implement Messaging & Collaboration across HHS Enterprise. #HHSC-2010-A-90	June 23, 2010	N	N
Enterprise Support Services Assessments for AY 2010, request to exceed limitation indicated in Art. II, Special Provisions, Section 45. #HHSC-2010-A-91	June 28, 2010	N	N
Medicaid Services Appropriated Funds Carryback from AY 2011 (Art II, Rider 7, 81 <sup>st</sup> Legislature) #HHSC-2010-A-94	July 9, 2010	N	N

**CAPITAL BUDGET ISSUES**

Capital budget issues currently under consideration include the need for additional capital budget authority addressed within the requests noted in the above table. The projected expenditures in the capital schedule include the requests noted above as well as pending and future requests as reflected in the HHSC 2012-2013 Legislative Appropriations Request Base Reconciliation, submitted June, 2010. Future adjustments will be reflected in Monthly Financial Reports as required notifications are submitted, approvals received, revenues realized, and/or actual adjusting entries are processed in the Uniform State Accounting System.

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**Future Transfers Not Requiring Prior Approval**

- Transfer from Non-Capital Budget Item to Capital Budget Item Not Exceeding 25% – Seat Management Services (Article IX, Sec. 14.03 (i))

Please let me know if you have any questions or need additional information. Ms. Neva Klotz, Manager, is serving as the lead staff on this matter and can be reached at (512) 424-6493 or by e-mail at [Neva.Klotz@hhsc.state.tx.us](mailto:Neva.Klotz@hhsc.state.tx.us).

Sincerely,



Tracy Henderson  
Chief Financial Officer

TH:LS

cc: Melitta Berger, Manager, Health and Human Services Team, Legislative Budget Board  
Emily Sentilles, Analyst, Health and Human Services  
Mark Bures, Office of the Comptroller of Public Accounts

Enclosure



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**Future Transfers Not Requiring Prior Approval**

- Transfer from Non-Capital Budget Item to Capital Budget Item Not Exceeding 25% – Seat Management Services (Article IX, Sec. 14.03 (i))

Please let me know if you have any questions or need additional information. Ms. Neva Klotz, Manager, is serving as the lead staff on this matter and can be reached at (512) 424-6493 or by e-mail at [Neva.Klotz@hhsc.state.tx.us](mailto:Neva.Klotz@hhsc.state.tx.us).

Sincerely,



Tracy Henderson  
Chief Financial Officer

TH:LS

cc: Melitta Berger, Manager, Health and Human Services Team, Legislative Budget Board  
Emily Sentilles, Analyst, Health and Human Services  
Mark Bures, Office of the Comptroller of Public Accounts

Enclosure