



Legislative Appropriations Request for Fiscal Years 2018-2019 Joint Budget Hearing

Presented to the Governor's Office of Budget and Policy
and the Legislative Budget Board

September 22, 2016

Charles Smith, Executive Commissioner

Presentation Overview

- I. Agency Mission
- II. Transformed HHSC
- III. FY 2016-2017 Critical Budget Issues
- IV. FY 2018-2019 Key Budget Drivers
- V. Summary of FY 2018-2019 Baseline Request
- VI. Four Percent General Revenue Reductions
- VII. Summary of FY 2018-2019 Exceptional Items
- VIII. Detail of Exceptional Items

HHSC Mission & Vision

Mission: Improving the health, safety and well-being of Texans with good stewardship of public resources.

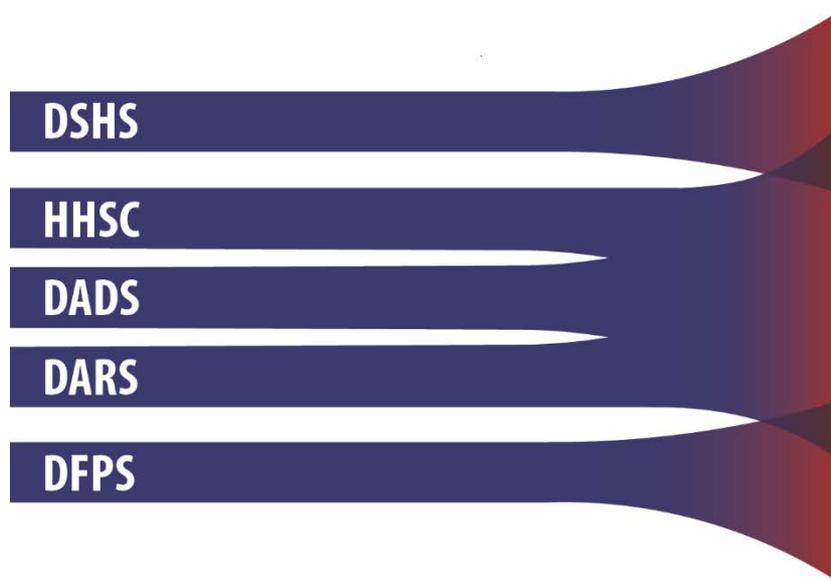
Vision: Making a difference in the lives of people we serve.

A Transformed HHSC

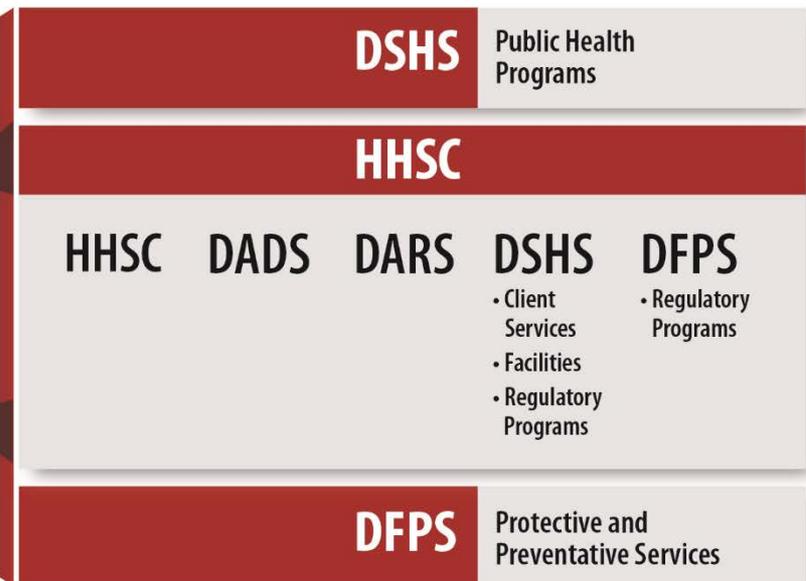
By September 1, 2017, the new HHSC will have grown by:

- more than 28,000 staff (includes client and administrative services); and
- approximately 200 programs or programmatic functions.

FY16 HHS System *(5 agencies)*



FY18 HHS System *(3 agencies)*



A Transformed HHSC

- With the consolidation of three agencies into one, and the transfer of client services and regulatory programs from an additional two agencies, HHSC’s financial and appropriations outlook is substantially different from previous biennia.
- In the FY 2018-19 biennium, HHSC will have appropriations distributed through strategies A-L.
- These strategies will contain all Medicaid and CHIP programs and services, all mental health services, all women’s health services, all centralized administrative functions, delivered by the Health and Human Services system.

FY 2016-17* Expended/Budgeted	FY 2018-19** Requested
\$74.6 billion	\$81.6 billion

*Includes all programs and services that will have transferred to HHSC by September 1, 2017; also includes an estimated shortfall amount of \$1.2 billion for FY2017.

**Includes \$75.6 billion in base funding and \$6 billion in exceptional items.

Fiscal Years 2016-2017

Critical Budget Issues

- HHSC anticipates a need for a supplemental appropriation for FYs 2016-17 for HHSC and other HHS system agencies.
- The current estimate for the HHS system projects an additional need of:

HHS System Estimated FYs 2016-17 Funding Needs (General Revenue – in millions)	
<u>Health and Human Services Commission</u>	
Medicaid	(1,136.8)
Nursing Facilities (NF)	(63.4)
Hospice	(19.3)
Community Attendant Services (CAS)	(19.5)
Day Activity & Health Services (DAHS)	(0.2)
Texas Home Living	(6.8)
Total HHSC	(1,245.9)
<u>Department of Aging and Disability Services</u>	
State Supported Living Centers	TBD
Total DADS	TBD
<u>Department of Family and Protective Services</u>	
Foster Care	(42.7)
Adoption/Permanency Care Assistance (PCA)	(2.6)
Relative Caregiver Payments	0.3
Foster, Protective, and Relative Day Care	(13.9)
Total DFPS	(\$58.9)
<u>Department of State Health Services</u>	
State Mental Health Hospitals	TBD
Total DSHS	TBD
Total HHS System	(\$1,304.8)

Fiscal Years 2018-2019

Key Budget Drivers

- Caseload growth for Medicaid is projected to be less than two percent each year with CHIP growth projected to be between three and four percent.
- Additionally, the cost to maintain services increases, as the cost of health care grows.
 - The Texas Medicaid program does experience cost growth each biennium, however Texas' cost growth averages a slower rate of increase when compared to national cost growth trends.
 - Some components of cost growth include changes in federal reimbursement and increased access to emerging drug therapies and medical care.
- Other budget drivers include maintenance of available waiver slots.

Four Percent Reductions

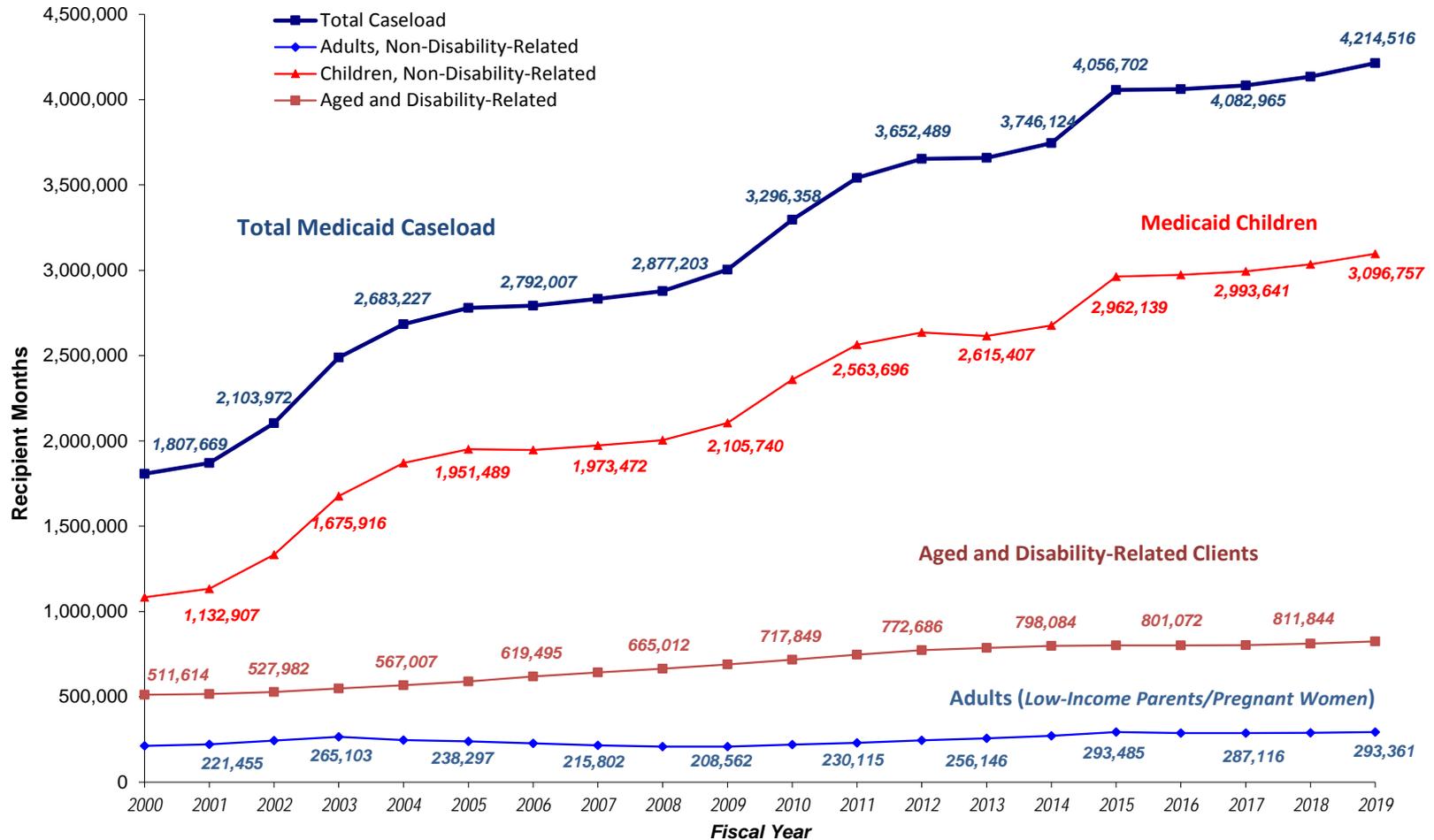
HHSC's total amount of four percent reduction: \$179.8 million GR

- Programs exempted from the four percent reduction schedule include: the Foundation School Program, Child Protective Services, behavioral health services programs and current benefits and eligibility in Medicaid programs and the Children's Health Insurance Program (CHIP).
- After evaluating their impact to the State of Texas, certain programs were eligible for reduction, but no reduction was implemented, such as:
 - Alternatives to Abortion
 - Abstinance Education
 - Healthy Texas Women
 - Family Planning
 - Veteran's Services
 - Family Violence program
 - Court Appointed Special Advocates
 - Child Advocacy Centers of Texas
 - CHIP Administrative
- HHSC achieved the four percent reduction in our baseline by seeking ways to minimize impact to clients. Instead, we first sought reductions in administrative expenditures.

Texas Women's Health Options

Healthy Texas Women	Family Planning	Breast and Cervical Cancer Services
<ul style="list-style-type: none"> ➤ Women ages 15-44 (Ages 15-17 with parental consent) ➤ 200% Federal Poverty Level (FPL) ➤ Citizen/Eligible Immigrant ➤ Not pregnant ➤ Clients may apply through paper application or online, and eligibility is determined by HHSC ➤ Services delivered on a fee-for-service basis 	<ul style="list-style-type: none"> ➤ Women and Men age 64 or younger ➤ 250% FPL ➤ Texas residents ➤ Eligibility is determined at the point of service by family planning contractors 	<ul style="list-style-type: none"> ➤ Priority populations: <ul style="list-style-type: none"> • Women 50-64 for breast screenings • Women 21-64 for cervical screenings ➤ Income at or below 200% FPL
<p>*An estimated 327,000 clients are projected to be served in Healthy Texas Women and Family Planning in FY 2018, and 328,000 in FY 2019.</p>		

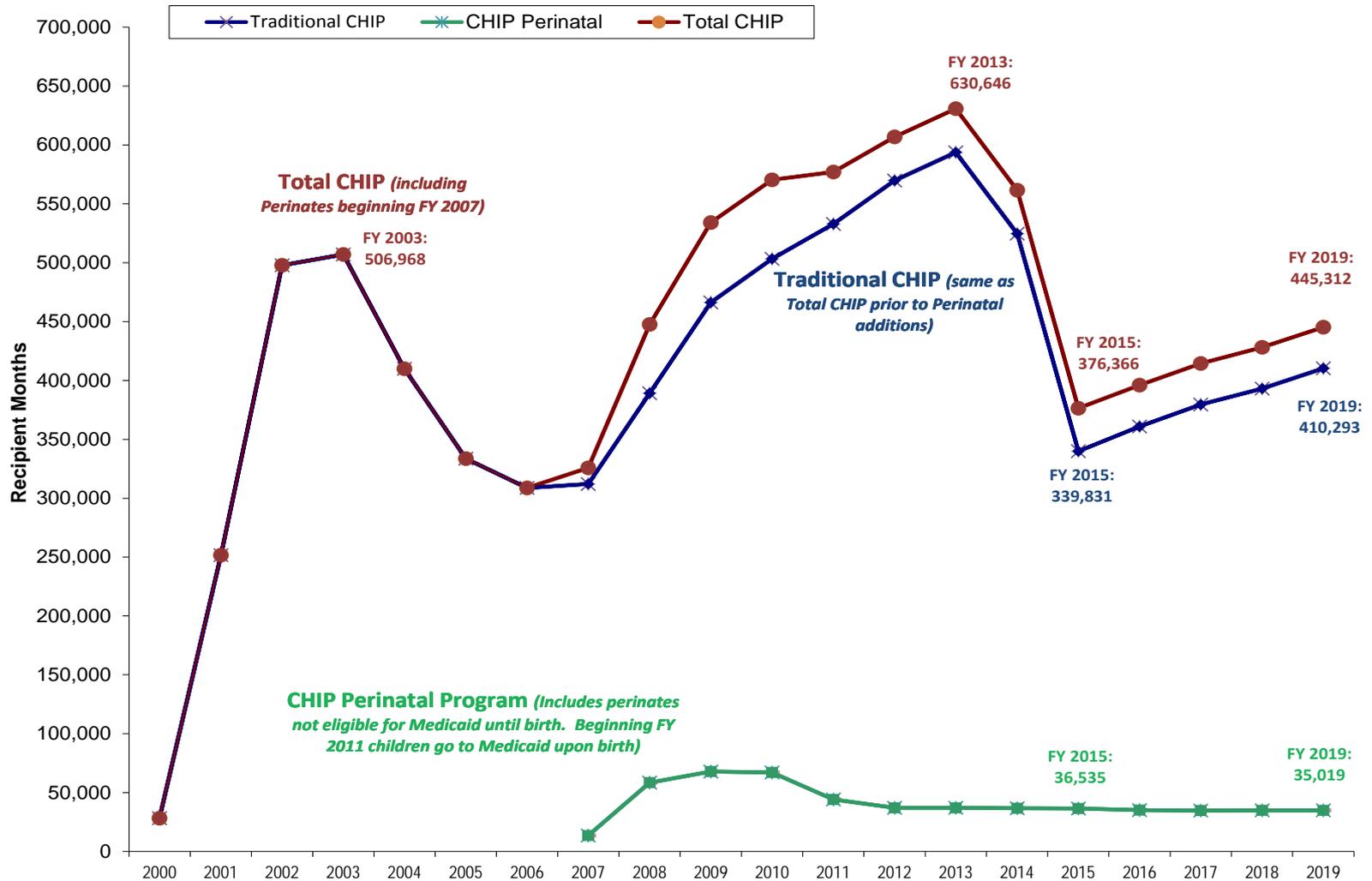
Medicaid Caseloads by Group Fiscal Years 2000-2019



Data for FY 2016 is estimated, FY 2017 forecasted July 2016;
 Non-Disability Related Adults include TANF-level parents and Pregnant Women; Children are all non-disability related children under age 19;
 Disability-Related clients include clients both over and under age 21.

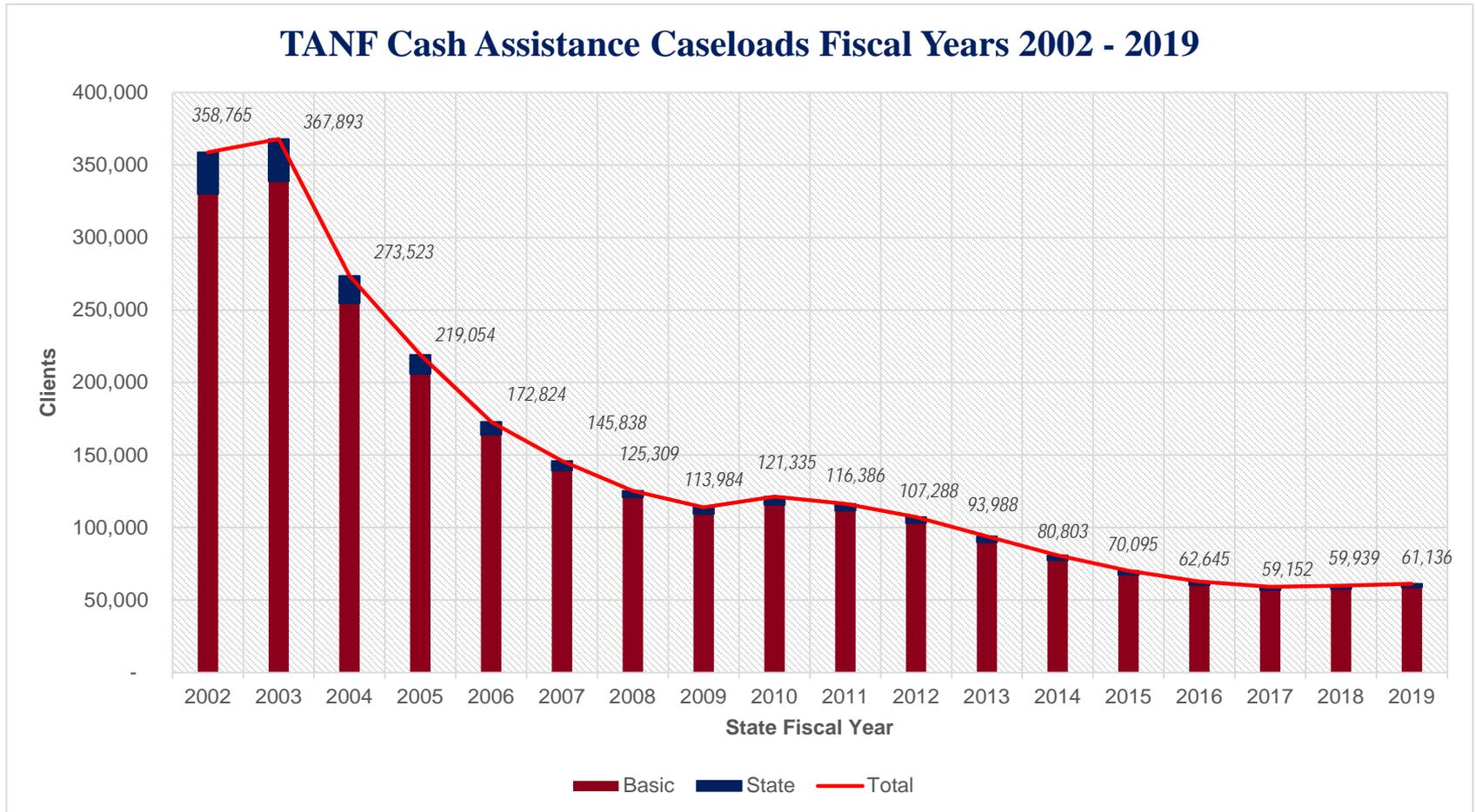
CHIP Total Caseloads

Fiscal Years 2000-2019



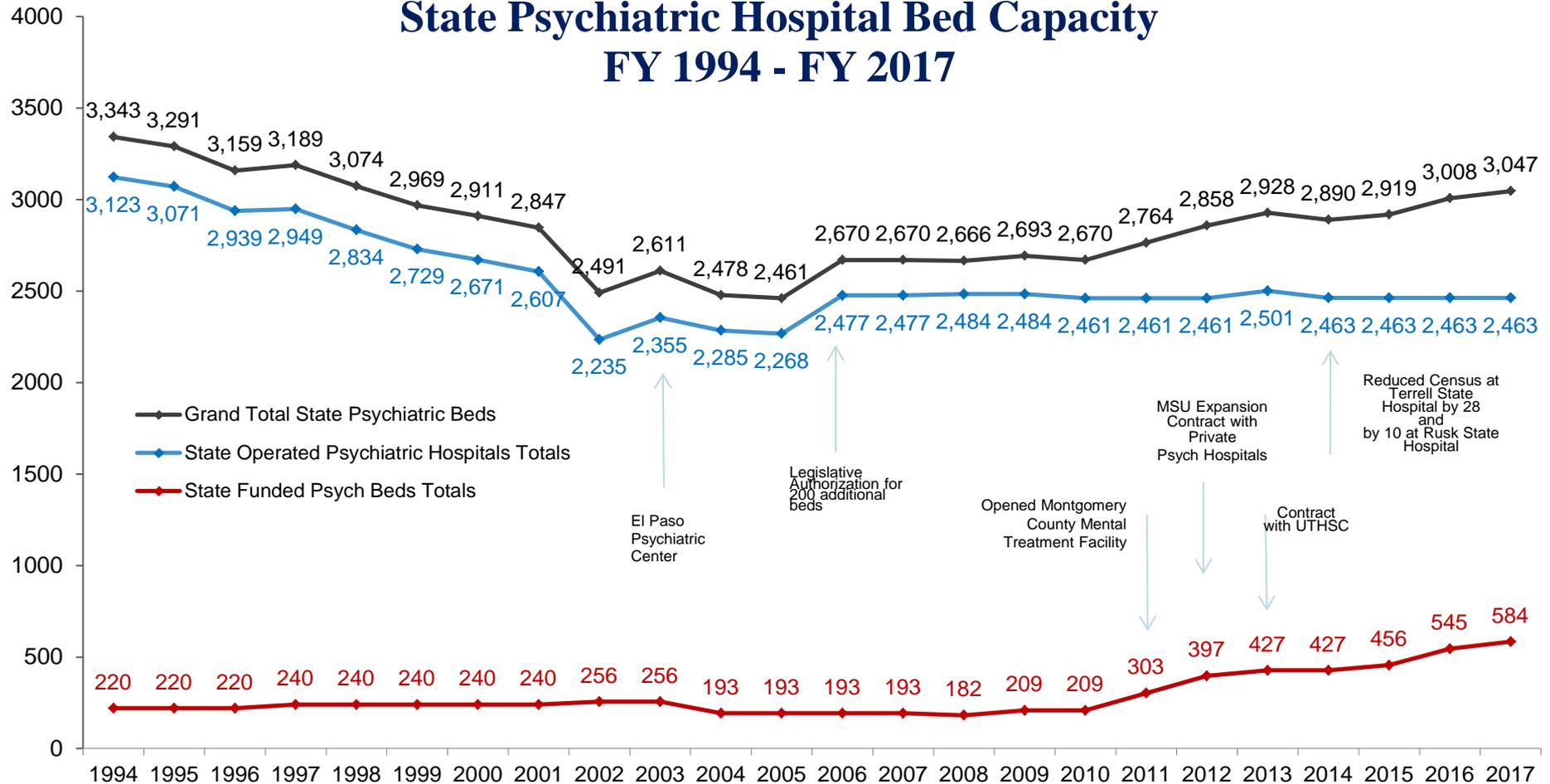
TANF Cash Assistance Caseloads

Fiscal Years 2002-2019



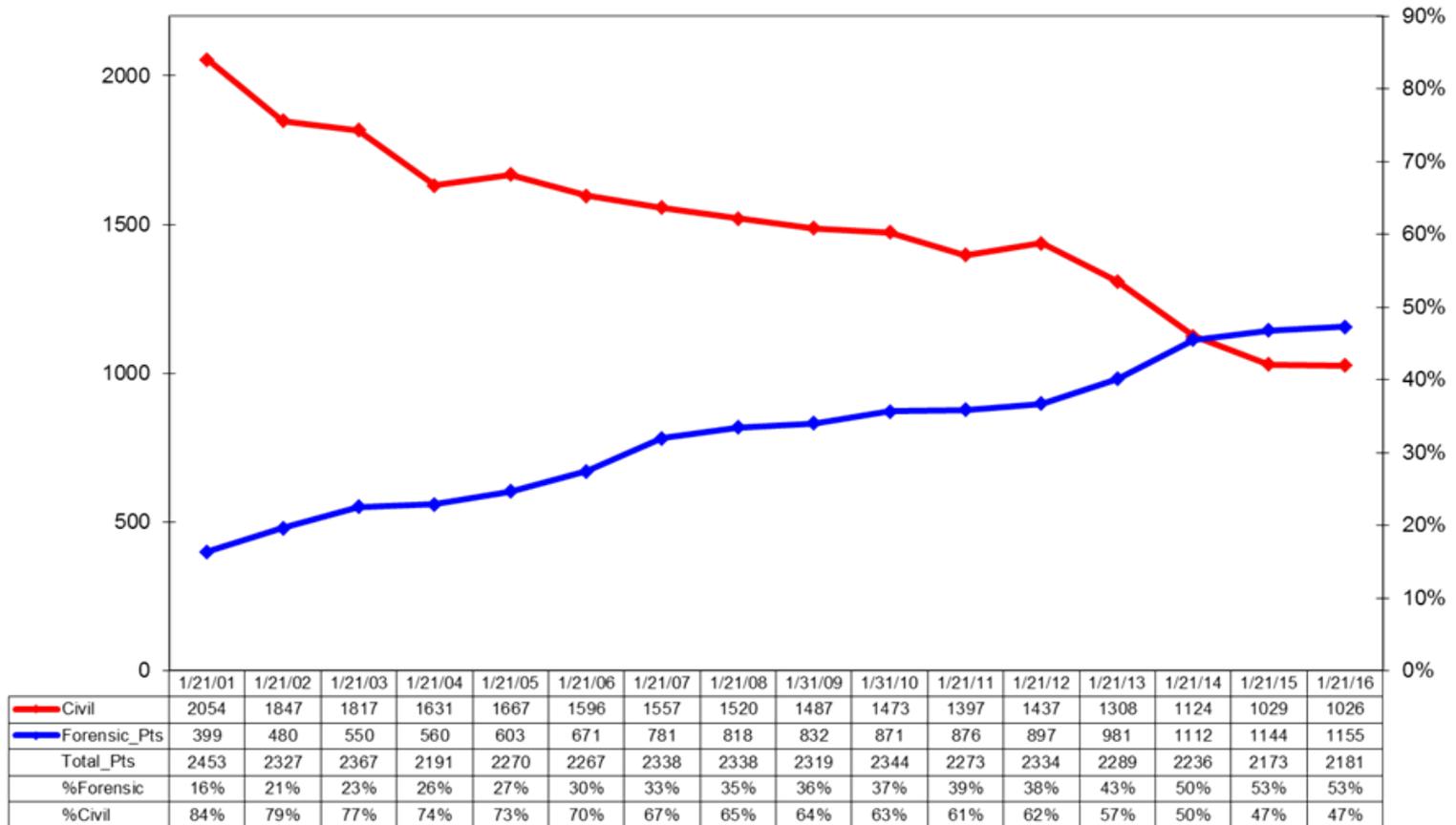
State Psychiatric Hospital Inpatient Capacity

State Psychiatric Hospital Bed Capacity FY 1994 - FY 2017



Forensic Inpatient Psychiatric Needs

Civil vs Forensic Census Snapshots on Specified Dates from FY 2001 to Present



Fiscal Years 2018-2019

Summary of Request

FY 2018-19 Summary of Request						
Goal		FY 2018-19 Base Request	FY 2018-19 Exceptional Items	FY2018-19 Total Request	FTE Total Request	
					FY2018	FY2019
Goal A	Medicaid	\$ 61,093.8	\$ 4,827.1	\$ 65,920.9	-	-
Goal B	Medicaid and CHIP Contracts	\$ 1,315.8	\$ 11.7	\$ 1,327.5	931.0	931.0
Goal C	Children's Health Insurance Program Services	\$ 2,012.9	\$ 106.4	\$ 2,119.3	-	-
Goal D	Provide Additional Health-Related Services	\$ 2,303.6	\$ 121.7	\$ 2,425.3	483.0	483.0
Goal E	Encourage Self-Sufficiency	\$ 1,812.8	\$ -	\$ 1,812.8	183.0	183.0
Goal F	Community and Independent Living Services & Coordination	\$ 625.2	\$ 46.9	\$ 672.1	270.0	270.0
Goal G	Mental Health, State Hospitals, SSLCs and Other Facilities	\$ 2,457.2	\$ 576.5	\$ 3,033.7	22,193.5	22,248.0
Goal H	Regulatory, Licensing, and Consumer Protection Services	\$ 313.9	\$ 47.9	\$ 361.8	2,673.0	2,695.0
Goal I	Program Eligibility Determination & Enrollment	\$ 2,301.7	\$ 65.5	\$ 2,367.2	10,815.0	10,915.0
Goal J	Provide Disability Determination Services Within SSA Guidelines	\$ 230.4	\$ -	\$ 230.4	875.0	875.0
Goal K	Office of Inspector General	\$ 122.1	\$ 27.9	\$ 150.0	752.0	752.0
Goal L	HHS System Oversight and Policy	\$ 1,024.0	\$ 173.2	\$ 1,197.2	2,545.0	2,531.0
Total Agency Request		\$ 75,613.4	\$ 6,004.8	\$ 81,618.2	41,720.5	41,883.0
Method of Financing						
General Revenue		\$ 31,522.8	\$ 2,767.7	\$ 34,291		
Federal Funds		\$ 42,760.1	\$ 3,035.9	\$ 45,796		
Other Funds		\$ 1,330.5	\$ 201.2	\$ 1,532		
Total, Agency Method of Financing		\$ 75,613.4	\$ 6,004.8	\$ 81,618.2		

Summary of Exceptional Item Requests

EXCEPTIONAL ITEM CATEGORY	FY 2018		FY 2019		BIENNIAL TOTAL		FY 18 FTEs	FY 19 FTEs
	GR	All Funds	GR	All Funds	GR	All Funds		
1. Maintain Current Funding for Client Services	620,713,453	1,335,961,183	1,125,461,698	2,539,713,680	1,746,175,151	3,875,674,863	55.0	110.0
2. Restore Four-Percent Reductions	1,508,390	1,508,390	1,546,700	1,546,700	3,055,090	3,055,090	-	-
3. Provide Transition to Community Services	13,067,633	29,769,256	37,195,847	84,738,223	50,263,480	114,507,479	8.0	26.0
4. Reduce Community Program Interest Lists	99,690,171	213,144,928	265,255,451	608,811,572	364,945,622	821,956,500	48.5	147.0
5. Provide Essential Repairs to State-Operated Facilities	13,063,611	201,672,875	8,066,069	8,066,069	21,129,680	209,738,944	-	-
6. Increase Capacity to Meet the Growing Need for Psychiatric Treatment	49,887,147	49,887,147	50,813,809	50,813,809	100,700,956	100,700,956	490.0	490.0
7. Offer Acute, Long-Term, and Behavioral Health Treatment	56,006,116	63,609,435	63,511,437	96,743,257	119,517,553	160,352,692	-	-
8. Ensure Quality System Oversight and Client Service Delivery	102,456,710	216,951,231	135,241,488	294,525,111	237,698,198	511,476,342	365.0	370.0
9. Provide Critical Information Technology Infrastructure and Support	70,059,895	109,997,972	44,772,565	69,377,247	114,832,460	179,375,219	29.0	15.0
10. Office of Inspector General*	4,976,768	14,511,459	4,401,051	13,391,551	9,377,819	27,903,010	16.0	16.0
Total Exceptional Requests	\$ 1,031,429,894	\$ 2,237,013,876	\$ 1,736,266,115	\$ 3,767,727,219	\$ 2,767,696,009	\$ 6,004,741,095	1,011.5	1,174.0

*HHSC anticipates updating totals due to changes being made to requested items.

Exceptional Item Category 1

Maintain Current Funding for Client Services

- This item maintains cost growth in:
 - Medicaid entitlement programs (\$1.4b GR/\$3.3b AF)
 - CHIP non-entitlement program (\$8.1m GR/\$106.4m AF)
 - Medicaid non-entitlement programs (\$21.2m GR/\$48.4m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$620.7	\$1,125.5	\$1,746.2
All Funds (AF)	\$1,336.0	\$2,539.7	\$3,875.7
FTEs	55	110	

- Maintain services at FY 2017 levels for:
 - Medicaid waivers for individuals with disabilities (\$29.9m GR/\$70.2m AF)
 - mental health community services programs (\$4.7m GR/\$4.7m AF)
 - Early Childhood Intervention caseload (\$41.9m GR/\$44.8m AF)
- Sustains enhanced community coordination services and transition support teams when the Money Follows the Person grant funding ends after FY 2017 (\$13.0m GR/\$13.0m AF)
- Funding to maintain:
 - the state’s psychiatric bed capacity (\$121.0m GR/\$121.0m AF)
 - critical direct delivery staff in state hospitals and state supported living centers (\$68.8m GR/\$96.0m AF)
 - critical operational supports for Child Care Licensing (CCL) and Adult Protective Services (APS) provider investigations (\$5.1m GR/\$6.0m AF)
 - biennial funding for contingency GR (S.B. 208) (\$18.3m GR/\$18.3m AF)

Exceptional Item Category 2

Restore Four Percent Reductions

- Restores four percent reductions for blindness education, screening and treatment (BEST) and comprehensive rehabilitation services (CRS) to ensure the agency can serve consumers at FY 2017 levels (\$1.3m GR/\$1.3m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$1.5	\$1.5	\$3.0
All Funds (AF)	\$1.5	\$1.5	\$3.0

- Restores four percent reductions for CCL and APS provider investigations to ensure regulatory programs can function without impacting delivery of services (\$1.7m GR/\$1.7m AF)

Exceptional Item Category 3

Provide Transition to Community Services (Promoting Independence)

- Under the Promoting Independence initiative, HHSC will continue to move individuals into the Home and Community-based Services (HCS) waiver program:

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$13.1	\$37.2	\$50.3
All Funds (AF)	\$29.8	\$84.7	\$114.5
FTEs	8	26	

- 500 slots for persons moving from large and medium ICFs/IID and SSLCs
 - 236 slots for children aging out of foster care at the Department of Family and Protective Services (DFPS)
 - 400 slots for individuals on the interest list to prevent institutionalization
 - 165 slots for individuals transitioning from state hospitals and DFPS facilities
 - 1,300 slots for moving or diverting individuals with IDD from nursing facilities
 - Request reflects offset in nursing facility costs due to lower nursing facility census
- This item also provides 550 Promoting Independence slots in the Medically Dependent Children's Program (MDCP) for children at imminent risk of nursing facility admission
 - Request reflects offset from MDCP interest list slots

Exceptional Item Category 4

Reduce Community Program Interest Lists

- This item provides 21,252 slots for HHSC community-based services, including:

- Full interest list funding for:

- Deaf Blind Multiple Disabilities (DBMD)
 - MDCP: SSI
 - CRS
 - Independent Living Services
 - Mental Health

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$99.7	\$265.3	\$365.0
All Funds (AF)	\$213.1	\$608.8	\$821.9
FTEs	49	147	

- 20 percent of estimated number of eligible individuals on interests lists for:
 - Community Living Assistance and Support Services (CLASS)
 - Home and Community-based Services (HCS)
 - MDCP: Medical Assistance Only
 - Texas Home Living
 - 10 percent of interest lists for Non-Medicaid Services (Title XX)

- Item also provides FTEs to ensure slots are enrolled on a timely basis and provide adequate regulatory and contract oversight.

Exceptional Item Category 5

Provide Essential Repairs to State-Operated Facilities

- Would use funding from bond proceeds to make necessary life safety repairs and renovations at state facilities (\$188.6m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$13.1	\$8.1	\$21.2
All Funds (AF)	\$201.7	\$8.1	\$209.8

- Maintains the replacement schedule for regional laundry facility equipment at state facilities and provides minor repairs and construction (\$5.4m GR/\$5.4m AF)
- Provides funding for vehicles within the HHS system 10-year replacement plan (\$15.8m GR/\$15.8m AF)
- State leaders, agency staff and external stakeholders agree state-operated facilities are in need of rehabilitation or replacement to better meet the state's need for institution-based services. Texas needs an innovative approach to addressing challenges facing state-operated facilities and the populations they serve, and HHSC welcomes direction from the Texas Legislature on the path forward.

Exceptional Item Category 6

Increase Capacity to Meet the Growing Need for Psychiatric Treatment

- Increase maximum security capacity at North Texas State Hospital – Vernon by adding 96 beds to reduce wait time for forensic commitments (\$41.1m GR/\$41.1m AF)
- Provide for 200 community mental health beds to address waiting list for inpatient psychiatric beds in state hospital system (\$59.6m GR/\$59.6m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$49.9	\$50.8	\$100.7
All Funds (AF)	\$49.9	\$50.8	\$100.7
FTEs	490	490	

Exceptional Item Category 7

Offer Acute, Long-term and Behavioral Health Treatment

- Expands family planning services in the HHSC Family Planning program to meet service capacity of existing providers and reach underserved areas of the state (\$20m GR/\$20m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$56.0	\$63.5	\$119.5
All Funds (AF)	\$63.6	\$96.7	\$160.3
- Increases capacity for Texas CASA and CACTX to meet projected growth and facilitate joint investigations of child abuse with CPS and law enforcement, respectively (\$8m GR/\$8m AF)
- Funds a new service for intensive behavior intervention for children with Autism spectrum disorders (\$14.3m GR/\$32.8m AF)
- Enhances community services for mental and behavioral health and substance abuse services and funds 15 Residential Treatment Center (RTC) beds for youths at risk of parental relinquishment (\$44.5m GR/\$44.5m AF)

Exceptional Item Category 8

Ensure Quality System Oversight and Client Service Delivery

- Provides additional staff to ensure the agency can conduct contract management, oversight, quality monitoring and system improvements (\$6.8m GR/\$13.7m AF)
- Provides additional regulatory staff to meet survey and investigation needs for long-term care facilities (\$3.9m GR/\$5.8m AF)
- Improves average daily caseloads for CCL and Adult Protective Services investigations staff (\$14.8m GR/\$17.4m AF)
- Provides legal staff to support major litigation and guardianship services around the state (\$3.1m GR/\$3.2m AF)
- Increases hourly attendant wage to \$8.50 to support community attendants (\$156.3m GR/\$364.4m AF)
- Provides funding to help community providers comply with new CMS regulations related to settings for Home and Community-based Services (HCBS) (\$30.6m GR/\$70.0m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$102.5	\$135.2	\$237.7
All Funds (AF)	\$217.0	\$294.5	\$511.5
FTEs	365	370	

Exceptional Item Category 9

Provide Critical Information Technology Infrastructure and Support

- Community critical incident reporting system (\$1.3m GR/\$2.5m AF)
- Long-term Care Facility Quality Reporting System (\$0.6m GR/\$1.2m AF)
- Long-term Care Online Portal specialized services system quality improvements (\$4.1m GR/\$16.5m AF)
- DARS Transformation remediation (\$3.3m GR/\$3.3m AF)
- State hospital system avatar support and hospital infrastructure and life record (\$6.1m GR/\$6.1m AF)
- TIERS (\$4.2m GR/\$12.1m AF)
- Social security number removal initiative (\$0.7m GR/\$7.1m AF)
- HHS electronic discovery solution (\$6.1m GR/\$8.3m AF)
- HHS cybersecurity project (\$3.5m GR/\$4.8m AF)
- DIR Data Center services (billings) (\$38.2m GR/\$59.7m AF)
- Legacy system modernization (DCS and non-DCS) (\$33.7m GR/\$43.6m AF)
- Annualization of ongoing support costs (\$9.1m GR/\$10.1m AF)

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)	\$70.1	\$44.8	\$114.9
All Funds (AF)	\$110.0	\$69.4	\$179.4
FTEs	29	15	

Exceptional Item Category 10

Office of Inspector General

- 9 additional Inspections staff to conduct inspections on Health and Human Services programs
- Medicaid Fraud and Abuse Detection System (MFADS)
- Develop, Create, and Maintain an IG Case Management System

(\$ in Millions)	FY 2018	FY 2019	Biennium
General Revenue (GR)*	\$5.0	\$4.4	\$9.4
All Funds (AF)*	\$14.5	\$13.4	\$27.9
FTEs*	16.0	16.0	

*HHSC anticipates updating totals due to changes being made to requested items.

Appendix A

HHSC Administrator's Statement

Administrator's Statement

9/12/2016 10:09:46PM

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

529 Health and Human Services Commission

The Texas Health and Human Services Commission is responsible for the overall delivery of health and human services across the Lone Star State. This mission is achieved by administering more than 200 programs by the 58,000 system employees. The HHS System has a total biennial operating budget that exceeds \$70 billion dollars.

HHSC directly administers a broad scope of programs in execution of those responsibilities, including: Medicaid, the Children's Health Insurance Program (CHIP), the Temporary Assistance for Needy Families (TANF) program, Supplemental Nutritional Assistance Program (SNAP), Family Violence Services, Disaster Assistance, and the newly-created Healthy Texas Women initiative.

The HHS System is currently undergoing holistic transformation, as sister agencies, the Department of Assistive and Rehabilitative Services (DARS) and the Department of Aging and Disability Services (DADS), sunset September 1, 2016 and September 1, 2017, respectively.

S.B. 200, 84th Legislature, is an indispensable blueprint for organizational restructuring. We embrace transformation because we can tear down operational silos within the HHS System, create a culture that fosters innovation, make data-driven decisions and reward fiscal accountability. State leaders envision, and taxpayers expect, a system that is collaborative with stakeholders and partners, coordinated in its delivery of care and services, innovative in resolving challenges and fiscally responsible with its management of state funds and resources.

HHS system agencies will redistribute, prioritize and maximize every public dollar they are appropriated before seeking additional taxpayer dollars.

The 2018-19 HHSC funding request is the culmination of months of evaluation on how we can do more with less. These tough decisions led us to requesting funding for a spectrum of programs in the following categories: maintaining current services level for client services; promoting independence; reducing interest lists and wait lists; critical improvement for state hospital and state-supported living center infrastructure; meeting needs for psychiatric care; providing for needs of acute, long-term and behavioral health treatment; staffing; IT support; and the Office of Inspector General.

We viewed each funding request through the prism of two questions: Is this good for Texas? Is this good for our clients?

The answers to those questions led us to achieve the four percent reduction in our baseline request in ways that did not have a negative impact on clients. Instead we were able to tighten our belts and meet the requests of our state leaders by cutting things like non-essential travel.

What's more important to our clients is what was not cut: TANF, CHIP, Alternatives to Abortion, Women's Health, Family Violence program, abstinence education, ECI, and Child Advocacy Centers of Texas and Court Appointed Special Advocates.

While tremendous progress has been made in transforming what we do and how we do it, difficult challenges remain.

State leadership, system personnel and advocates made persuasive arguments about why specific projects should be included in our legislative appropriations request. To be clear, all state hospitals and state supported living center facilities are deteriorating and in need of rehabilitation or replacement. This deterioration has resulted in patient bed reductions, costly population shifts, and a patchwork of workarounds that cost taxpayers more money to maintain than actually fixing the problem. In a stark example, the Rusk State Hospital must hire staff to sit in patient bedrooms 24 hours a day - occupied or not - because it lacks the funds to bring the facility up to code to avoid litigation risks. This is a \$2,000,000 one-time fix but currently costs the state as much as \$1-2,000,000 annually in wages alone.

Administrator's Statement

9/12/2016 10:09:46PM

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

529 Health and Human Services Commission

Psychiatric conditions affect 4.3 million Texans with an economic impact of \$1.5 billion on state and local governments. Despite these sobering statistics less than half of people with psychiatric conditions receive effective treatment.

These problems persist because psychiatric treatment models lag behind those for other medical illnesses. Mental health facilities in Texas operate under the same fractured mental health hospital system that was implemented 50 years ago.

The Cannon Report (83R Article II, DSHS, Rider 83) recommended replacing five of the state hospitals due to deteriorating infrastructure and inadequate spaces for providing current standard of care. In just one example of how the State has the opportunity to leverage resources, the new Dell Medical School in Central Texas offers the state, the regional community and the mental health care providers working in the region a unique opportunity to move past the obsolete system currently in place to provide the highest-value care, stressing quality for patients and cost-effectiveness for taxpayers.

The State of Texas needs an innovative approach to addressing these challenges. This will mean questioning all assumptions about how we currently operate, where we locate these facilities, and what the overall model for the delivery of care is. The rapid population growth of Texas necessitates a substantial infrastructure improvement and new strategically-located construction of facilities in order to keep pace with the mental health, behavioral health and long-term services needs of the state.

We think it prudent to take direction from our elected leaders on the tempo and tenor of these large-scale projects.

Fiscal Year 2016-17 and beyond: Changes, Progress, and Accomplishments

As directed by the 84th Legislature in S.B. 200, HHSC has been preparing for the consolidation of administrative activities and approximately 200 client services function into HHSC. On September 1, 2016 over 4,000 positions moved to HHSC. Significant effort has gone into planning for the new organizational structure and overseeing the activities that need to occur to move the programs and staff without disrupting client service during the 2016-17 biennium. On September 1, 2017, over 20,000 positions associated with regulatory functions and the state-operated facilities will transition to HHSC. The LAR budget structure presented here recognizes the new organizational structure, but also that transformation will be an ongoing effort. In the 2018-19 biennium, the health and human services system will continue to plan and execute initiatives that deliver on transformation goals to have a more efficient and effective health and human services system.

During the 2016-17 biennium, we restructured and refined service delivery for client services programs, with an emphasis on Women's Health, Behavioral Health, and Medicaid managed care, a cost saving method that drives improved outcomes. The Healthy Texas Women's program, launched July 2016, leverages existing resources and technology to increase provider partnerships and access. New funding provided by the 84th Legislature enhanced patient care and education, and increased availability of long-acting reversible contraceptives. Changes such as auto-enrollment of women from Medicaid into Healthy Texas Women post-childbirth (beginning August 2016) is just one example of how we are maximizing coordination to the benefit of our clients.

Our Office of Mental Health Coordination worked across 18 state agencies and with many community stakeholders to develop the first statewide behavioral health strategic plan and cost expenditure proposal. Through grant funding appropriated under S.B. 55, 84th Legislature, the office implemented a Texas Veterans Grant Program to support community mental health programs providing services and treatment to veterans and their families.

Mental health and substance abuse hotlines and Outreach, Screening, Assessment, and Referral (OSAR) services were integrated at the Local Mental Health Authorities. The Mental Health and Substance Abuse (MHSA) program successfully collaborated with Department of Family and Protective Services (DFPS) to expand access to residential treatment center beds for youth and families to avoid relinquishment of parental rights in order for children to receive care. In conjunction with judicial

529 Health and Human Services Commission

officials, an online resource guide for individuals in need of alternatives to inpatient mental health treatment in the state mental health hospital systems was created. We aim to provide additional resources to maintain and expand capacity of the state in-patient care system during the next biennium. Plans also include expanded access to community mental health and substance abuse services to ensure access to timely treatment services, implementation of evidence-based practices, and continuity of care for persons exiting the correctional system.

For the individuals with intellectual and developmental disabilities (IDD), the expansion of Enhanced Service Coordination provided additional pre- and post-relocation services to ensure effective service planning and continuity of care when transitioning out of state supported living centers and nursing facilities into the community. We also implemented eight Transition Support Teams to provide technical assistance and preventative measures to ensure local intellectual and developmental disability authorities (LIDDAs) and private community waiver providers have the necessary expertise related to specific disorders and diseases. Implementing Crisis Respite and Crisis Intervention Services for individuals with IDD in crisis allowed statewide access to temporary stabilization resources while looking for long-term services and supports.

We markedly advanced the Medicaid managed care service delivery system and oversight efforts to ensure members receive optimal care in the most appropriate setting possible. On November 1, 2016, approximately 180,000 children and young adults ages 20 and under will begin receiving acute, behavioral health, and long-term care services and supports through the STAR Kids program. Under STAR Kids, members will have at least two health plans to choose from in each service delivery area and will have access to a strengths-based assessment planning process, person-centered planning and ongoing service coordination.

We will also issue a request for proposals in September 2016 to solicit service new delivery models to deliver long-term care services and supports to individuals with intellectual and developmental disabilities. Members receiving adoption assistance, permanency care assistance and services under the breast and cervical cancer programs will be transitioned into managed care in calendar year 2017.

We are preparing to transition members served under the Texas Home Living (TxHmL) waiver into the STAR+PLUS program on September 1, 2018. On September 1, 2021, the following populations will be transitioned into STAR+PLUS: members currently served under the Consumer Living Assistance and Support Services (CLASS), Deaf Blind with Multiple Disabilities (DBMD), Home and Community-based Services (HCS) waivers, and those who live in community-based Intermediate Care Facilities for Individuals with an Intellectual Disability.

We have refined network adequacy standards, created an expedited credentialing process for specific provider types and enhanced provider directory standards for Medicaid managed care, in response to the mandates outlined in SB 760, 84th Legislature, Regular Session, 2015. The new standards will be incorporated into managed care organization (MCO) contracts in March 2017.

The federal Patient Protection and Affordable Care Act requires all providers that render services through Medicaid MCOs or through fee-for-service to re-enroll in Medicaid on or before September 24, 2016. Our agency has engaged in a multi-year effort to solicit re-enrollment applications from providers. To date, nearly 83 percent of acute care providers, 89 percent of pharmacies and 62 percent of long-term services and supports providers have successfully re-enrolled. Efforts to obtain complete applications from remaining providers will continue through the September deadline.

In December 2011, Texas received federal approval of a 5-year 1115 Transformation and Quality Improvement Waiver to preserve the hospital safety-net while also expanding managed care to additional areas of the state. The Uncompensated Care (UC) Pool replaced the upper payment limit (UPL) program and covers Medicaid shortfall and costs of care provided to uninsured individuals. The Delivery System Reform Incentive Payment (DSRIP) Pool was a new incentive program to support coordinated care and quality improvements through 20 Regional Healthcare Partnerships (RHPs). The initial 5-year period ends on September 30, 2016.

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HHSC submitted a waiver extension request to CMS in September 2015, requesting to continue all three components of the waiver (statewide managed care, UC pool and DSRIP pool) for another five years

In November 2015, CMS notified HHSC that it would be required to conduct an uncompensated care (UC) study to be used to inform discussions about potential reforms to the UC pool. The study would need to be performed independent of HHSC and would need to provide analysis of the following questions: what would be the impact on Texas' UC funding needs if: (1) the state expanded Medicaid; and (2) if its Medicaid hospital rates covered the full cost of providing hospital care to Medicaid recipients. CMS also asked that the study identify what portion of the DSRIP pool goes toward hospital uncompensated care.

CMS has previously indicated their intention to reduce the Texas UC pool by the amounts identified by this independent study for items (1) and (2) above. With private hospitals currently providing approximately 80 percent of Medicaid in-hospital days, drastic reductions by CMS to the Texas UC pool could result in significant erosion to the safety-net system.

On May 1, 2016, HHSC received approval of a 15-month extension from the Centers for Medicare and Medicaid Services (CMS) at Demonstration Year (DY) 5 funding levels for both pools through December 31, 2017. As part of this extension, CMS indicated that the UC study would be due to CMS on August 31, 2016, and would be used to rebase the size of the UC pool. The report was submitted to CMS on the 31st and Texas is looking forward to productive discussions regarding its September 2015 five year waiver extension request.

Fiscal Year 2018-19 Baseline Amounts

The 2018-19 base request at the Health and Human Services Commission includes all administrative and regulatory programs of the Department of Aging and Disability Services (DADS), the components of Department of Assistive and Rehabilitative Services (DARS) not transferring to the Texas Workforce Commission, client services including Mental Health and Substance Abuse (MHSA) programs from Department of State Health Services (DSHS), and Child Care Licensing (CCL) and Adult Protective Services Investigations (APS-I) from Department of Family and Protective Services (DFPS). The baseline request for HHSC includes no reduction for the Medicaid, Children's Health Insurance, and Behavioral Health programs, and caseload growth is included in the base for both Medicaid and CHIP. Other programs noted earlier, such as Women's Health and Family Violence, were funded at 100 percent of base with additional measures used in order to meet the directives of the policy letter and reduce the baseline by \$179.8 million in general revenue/general revenue-dedicated, which is a four percent reduction of all non-exempted programs for HHSC. The program eliminations include \$10 million for the In-Home Family Support Program (formerly housed at DADS), \$1 million for the Lifespan Respite program, and \$5 million for elimination of relocation specialist function, redundant to ongoing managed care efforts. Program reductions include \$1.7 million for Child Care Licensing and APS-I, and \$3 million for Blindness, Education, Screening, and Treatment (BEST) and Comprehensive Rehabilitation. These important client and regulatory services are being requested for restoration in an exceptional item.

Additional reductions include approximately \$51 million for reductions to administrative areas, including travel, staffing, and contracting efficiencies (elimination of redundant vacant positions or delay in hiring are examples of staffing efficiencies). HHSC is also proposing to remove \$9.8 million in Indigent Health Care Reimbursement transferred to the University of Texas Medical Branch at Galveston to cover a portion of the facility's unpaid costs for indigent patients, and to reduce \$18 million in Women, Infants and Children (WIC) Program formula rebates, which were included in the base reconciliation but will not affect the level of WIC services. Savings are also achieved through moving the remaining Medicaid programs from DADS to HHSC and converting to a cash-based payment for client services provided on or after September 1, 2017. Currently, payments are made on an accrual basis. In effect, this will push payments forward and result in an overall 2018-19 biennial savings. Some of these savings, approximately \$54 million, are being applied to the non-entitlement Medicaid waiver reductions. The remainder of the savings for

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accrual to cash, \$41 million, are being used to partially fund the Medicaid waivers to the end of fiscal year 2017 levels, reducing that item to \$20.3 million (EI number 4, "Maintain Medicaid Waiver Programs at FY 2017 Levels"). Provider rates for the Medicaid and CHIP dental programs were reduced by 2.75 percent, for a total \$26.4 million savings to achieve the remainder of the required four percent reductions.

Use of budgetary savings, gained efficiencies, and specific rate reductions in preventative dental services would enable HHSC to conduct business without jeopardizing our core mission.

Medicaid (non-waiver) client services, Children's Health Insurance (CHIP), and behavioral health programs at HHSC were exempted from the baseline reductions. Funding is requested for those programs at the fiscal year 2017 level, and the Medicaid and CHIP programs include growth in caseloads: Medicaid at 0.4 percent in fiscal year 2018 and 1.9 percent in fiscal year 2019; CHIP at 3.3 and 4 percent growth for 2018 and 2019, respectively.

The 10 percent General Revenue and General Revenue-Dedicated reductions to base funding were addressed through a combination of rate and administrative reductions. Rates for the Medicaid and CHIP dental program were reduced by an additional 8.2 percent, over and above reductions taken to achieve the 96 percent base. Additionally, rates for Texas Home Living Program, Home and Community-Based Services, Program for All-Inclusive Care for the Elderly, Private Duty Nursing and Skilled Nursing, and Other Community and Institutional rates were reduced. Rate reductions comprise approximately two-thirds of the 10 percent reductions, with administrative reductions including salary savings, contractor reductions, and other administrative cuts comprising the remaining. This method of combining rate administrative reductions, for both the four and ten percent options, was used to avoid cuts to client services.

The Health and Human Services Commission has one exempt position, the Executive Commissioner, and no changes are requested.

The health and human services agencies are authorized by statute to conduct criminal background checks and/or Nurse Aide and Employee Misconduct registry clearance checks on applicants and employees for certain positions. Agencies that conduct these checks may do so on any employee subject to a check at any time the agency deems appropriate. Convictions for some offenses constitute a bar to employment and agencies may determine on a case-by-case basis other criminal offenses for which a conviction is a contraindication to employment.

We look forward to working with the Legislature, executive branch, clients and advocates to continue improving how we serve the needs of Texas.

Charles Smith
Executive Commissioner
Texas Health and Human Services Commission

Appendix B

Complete Listing of All Subcomponents for Exceptional Item Categories

Priority	Name	FY 18		FY 19		Biennial		FTES	
		GR	AF	GR	AF	GR	AF	FY 18	FY 19
1	Maintain Current Funding for Client Services	620,713,453	1,335,961,183	1,125,461,698	2,539,713,680	1,746,175,151	3,875,674,863	55	110
1	Maintain Medicaid Entitlement Program Cost Growth in FY 2018-19	462,484,744	1,100,142,033	951,619,923	2,246,844,423	1,414,104,667	3,346,986,456		
2	Maintain CHIP Non-Entitlement Program Cost Growth in FY 2018-19	2,600,258	34,124,130	5,504,337	72,235,401	8,104,595	106,359,531		
3	Maintain Medicaid Non-Entitlement Cost Growth in FY 2018-19	8,759,261	20,016,592	12,403,870	28,351,703	21,163,131	48,368,295		
4	Maintain Medicaid Waiver Programs at FY 2017 Levels (end of year population)	14,723,967	34,353,456	15,215,514	35,801,361	29,939,481	70,154,817		
5	Maintain Mental Health Community Services Programs at FY 2017 Levels	2,362,412	2,362,412	2,362,412	2,362,412	4,724,824	4,724,824		
6	Maintain ECI Caseload and Program Cost Growth in FY 2018-19	17,516,557	18,644,324	24,410,130	26,118,468	41,926,687	44,762,792		
7	Funding to Sustain Enhanced Community Coordination and Transition Support Teams to Ease Community Transition for Persons with Intellectual and Development Disabilities	6,519,785	6,519,785	6,519,785	6,519,785	13,039,570	13,039,570		
8	Maintain Psychiatric Bed Capacity in the State	59,655,745	59,655,745	61,337,421	61,337,421	120,993,166	120,993,166		
9	Maintain Critical Direct Delivery Staffing in State Hospitals and State Supported Living Centers Through Recruitment and Retention	34,395,937	47,993,425	34,393,519	47,993,425	68,789,456	95,986,850	55.0	110.0
10	Maintain Critical Operations & Support of Direct Delivery Staff for Child Care Licensing and Adult Protective Services Investigations	2,525,710	2,980,204	2,525,710	2,980,204	5,051,420	5,960,408		
11	Maintain Biennial Funding for Contingency General Revenue to Resolve HHS Shortfalls Related to Transformation Method of Finance Changes	9,169,077	9,169,077	9,169,077	9,169,077	18,338,154	18,338,154		
2	Restore Four-Percent Reductions	1,508,390	1,508,390	1,546,700	1,546,700	3,055,090	3,055,090	-	-
12	Restore Client Service 4% Reductions for Blindness Education, Screening, and Treatment (BEST) and Comprehensive Rehabilitation Services (CRS)	674,626	674,626	674,626	674,626	1,349,252	1,349,252		
13	Restore Client Service 4% Reductions for Child-Care Licensing and Adult Protective Services Investigations	833,764	833,764	872,074	872,074	1,705,838	1,705,838		
3	Provide Transition to Community Services	13,067,633	29,769,256	37,195,847	84,738,223	50,263,480	114,507,479	8	26
14	Promoting Independence Waiver Places for Individuals Leaving / Diverted From Facilities	13,067,633	29,769,256	37,195,847	84,738,223	50,263,480	114,507,479	8.0	26.0
4	Reduce Community Program Interest Lists	99,690,171	213,144,928	265,255,451	608,811,572	364,945,622	821,956,500	49	147
15	Reducing Community Program Interest List for LTSS Community-Based Services (19,010)	85,999,728	199,454,485	260,348,228	603,904,349	346,347,956	803,358,834	48.5	147.0
16	Reducing the Community Mental Health Waitlist	4,084,680	4,084,680	4,084,680	4,084,680	8,169,360	8,169,360		
17	Reducing the Comprehensive Rehabilitation Services and Independent Living Services Waitlist	9,605,763	9,605,763	822,543	822,543	10,428,306	10,428,306		
5	Provide Essential Repairs for State Operated Facilities	13,063,611	201,672,875	8,066,069	8,066,069	21,129,680	209,738,944	-	-
18	Facilities Repair and Renovation for State Hospitals and State Supported Living Centers	-	188,609,264	-	-	-	188,609,264		
19	Regional Laundry and Other Facility Items	5,352,702	5,352,702	-	-	5,352,702	5,352,702		
20	Fleet Operations	7,710,908	7,710,908	8,066,068	8,066,068	15,776,976	15,776,976		
21	New Construction: State Hospitals and State Supported Living Centers	1	1	1	1	2	2		
6	Increase Capacity to Meet the Growing Need for Psychiatric Treatment	49,887,147	49,887,147	50,813,809	50,813,809	100,700,956	100,700,956	490	490
22	Provide Critical Capacity to Meet the Need for Psychiatric Treatment Beds	49,887,147	49,887,147	50,813,809	50,813,809	100,700,956	100,700,956	490.0	490.0
7	Offer Acute, Long-Term, and Behavioral Health Treatment	56,006,116	63,609,435	63,511,437	96,743,257	119,517,553	160,352,692	-	-
23	Family Planning Services	10,000,000	10,000,000	10,000,000	10,000,000	20,000,000	20,000,000		
24	Family Violence Program: Increase Capacity of Existing Providers	1,500,000	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000		
25	Increase Capacity for Court-Appointed Special Advocates and Child Advocacy Centers of Texas	4,000,000	4,000,000	4,000,000	4,000,000	8,000,000	8,000,000		
26	Intensive Behavioral Intervention			14,333,650	32,762,628	14,333,650	32,762,628		
27	Hepatitis C Treatment at State Hospitals	13,200,000	13,200,000	6,600,000	6,600,000	19,800,000	19,800,000		
28	Enhance Community Services for Substance Abuse and Behavioral Health Treatment	21,995,653	21,995,653	22,495,653	22,495,653	44,491,306	44,491,306		
29	State Supported Living Centers Services to the Community	2,104,355	6,437,305	1,367,316	12,899,208	3,471,671	19,336,513		
30	Increase Aging and Disability Resource Centers Supports for Veterans	661,454	661,454	670,745	670,745	1,332,199	1,332,199		
31	PACE Full Funding Adjustment	2,544,654	5,815,023	2,544,073	5,815,023	5,088,727	11,630,046		
8	Ensure Quality System Oversight and Client Service Delivery	102,456,710	216,951,231	135,241,488	294,525,111	237,698,198	511,476,342	365	370
32	Contract Management, Oversight and System Improvements for ICF/IID and Medicaid	3,545,031	7,089,238	3,282,334	6,564,159	6,827,365	13,653,397	79.0	79.0
33	Maintaining Regulatory Timeframes Amid Increased Workload	1,974,854	2,890,110	1,967,635	2,879,528	3,942,489	5,769,638	36.0	36.0
34	Ensure Compliance with Federal Child Care Licensing Requirements	6,330,186	6,439,011	5,568,314	5,654,832	11,898,500	12,093,843	97.5	97.5
35	Vulnerable Children, Adults, Families	7,748,268	9,099,703	7,030,014	8,279,339	14,778,282	17,379,042	140.5	145.5
36	Litigation Support & Legal Assistance	1,546,444	1,599,138	1,538,293	1,590,987	3,084,737	3,190,125	12.0	12.0
37	Quality Improvement in Community IDD Programs to Provide Mortality Review	1,237,500	2,475,000	500,000	1,000,000	1,737,500	3,475,000		

38	Attendant Wage Increase, \$8.00 to \$8.50	75,805,590	176,602,592	80,450,233	187,772,618	156,255,823	364,375,210		
39	Increased Wage Enhancement Funding for IDD Programs	4,268,837	10,756,439	4,268,923	10,759,094	8,537,760	21,515,533		
40	Community Day Habilitation Programs: Home and Community-Based Services Rules	-	-	30,635,742	70,024,554	30,635,742	70,024,554		
9	Provide Critical Information Technology Infrastructure and Support	70,059,895	109,997,972	44,772,565	69,377,247	114,832,460	179,375,219	29	15
41	Community Critical Incident Reporting for 1915c and ICF/IID Programs	1,014,000	2,028,000	250,000	500,000	1,264,000	2,528,000		
42	Quality Reporting System Updates	614,088	1,228,176	-	-	614,088	1,228,176		
43	PASRR LTC Online Portal Quality Improvements	2,068,125	8,272,500	2,068,125	8,272,500	4,136,250	16,545,000		
44	ReHabWorks Replacement Solution	3,179,520	3,179,520	89,760	89,760	3,269,280	3,269,280		
45	Avatar Support for State Hospital Systems Avatar	3,044,180	3,044,180	3,044,180	3,044,180	6,088,360	6,088,360		
46	Hospital Life-Record at Rio Grande State Center	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000		
47	Hospital Infrastructure: Maintain State Hospital Texhology for Patient Care	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000		
48	TIERS Vendor Transition Planning and Maintenance	4,156,811	12,091,504	-	-	4,156,811	12,091,504		
49	Social Security Number Removal Initiative for Medicare Access and CHIP Reauthorization Compliance	539,328	5,302,121	185,252	1,844,724	724,580	7,146,845	17.0	3.0
50	HHS Electronic Discovery Solution	4,854,784	6,591,953	1,259,480	1,710,215	6,114,264	8,302,168	2.0	2.0
51	HHS Cybersecurity Project	2,315,846	3,144,491	1,205,631	1,637,029	3,521,477	4,781,520	1.0	1.0
52	DIR Data Center Services	19,987,094	31,250,333	18,182,043	28,408,049	38,169,137	59,658,382		
53	Legacy System Modernization - Non DCS IT Infrastructure	21,642,365	26,576,498	12,030,858	17,018,689	33,673,223	43,595,187	3.0	3.0
54	Seat Management Services	3,301,906	3,466,243	3,813,804	3,978,141	7,115,710	7,444,384		
55	Enterprise Identity & Access Management Expansion	1,341,848	1,822,453	643,432	873,960	1,985,280	2,696,413	6.0	6.0
10	Office of Inspector General	4,976,768	14,511,459	4,401,051	13,391,551	9,377,819	27,903,010	16	16
56	Additional Inspection Staff for IG Prevention and Deterrence	689,374	936,756	639,901	869,304	1,329,275	1,806,060	9.0	9.0
57	Medicaid Fraud and Abuse Detection System (MFADS) solution	2,500,000	10,000,000	2,500,000	10,000,000	5,000,000	20,000,000		
58	Investigation/Audit/Inspection Case Management System	1,500,000	3,000,000	1,000,000	2,000,000	2,500,000	5,000,000		
59	Provider Enrollment Background Check Staff	287,394	574,703	261,150	522,247	548,544	1,096,950	7.0	7.0
	Total	1,031,429,894	2,237,013,876	1,736,266,115	3,767,727,219	2,767,696,009	6,004,741,095	1,011.5	1,174.0

Checks 2,776,930,673 6,013,975,759

(9,234,664) (9,234,664)

Appendix C

Potential 10 Percent Reduction Schedule

10 Percent General Revenue Biennial Reductions

- FY 2018-19 GR Target: \$431.5 million
- **Reduction Items**
 - Adjust Target to Credit for One-Time Expenditures - \$.4 million
 - WIC Rebates Method of Finance swap - \$52.4 million
 - Provider Rate Reductions – rate reductions to various health and dental providers, - \$291.2 million
 - Administration & Operations:
 - Salary Savings (Hold FTEs Vacant) - \$3.2 million
 - Reduction in Administrative Operating Expense - \$13.6 million
 - Reduction in Administrative Contracted Services - \$21.0 million
 - Salary Savings (Hold FTEs Vacant - Eligibility) - \$11.2 million
 - Reduction in Eligibility Contracted Services - \$11.0 million
 - Reduction in Vacant Administrative FTEs - \$0.7 million
 - Program Reductions - \$.8 million
 - Delayed Program Implementation - \$.04 million
 - Program Service Reductions - \$20.5 million
 - Reduction in Child Care Regulation - \$4.3 million
 - Reduction in Adult Protective Services - \$1.1 million