Administrator's statement

84th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

529 Health and Human Services Commission

Texas Health and Human Services Commission

"The mission of HHSC is to maintain and improve the health and human services system in Texas and to administer its programs in accordance with the highest standards of customer service and accountability for the effective use of funds."

HHSC was created in 1992 to coordinate and improve the delivery of health and human services across Texas. In 2003 the legislature 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, Texas Women's Health Program, Disaster Assistance, Temporary Assistance for Needy Families, SNAP food benefits, Family Violence and Refugee services. Thus, HHSC has responsibilities as a leadership, operational, and oversight agency. The agency is accountable to Texans for ensuring that the consolidated 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.

The mission and performance of HHSC and the Interagency Task Force for Children with Special Needs are currently under review by the Legislature as required under the Texas Sunset Act. The Act provides that the Sunset Commission, composed of legislators and public members, periodically evaluate a state agency to determine if the agency is still needed and to explore ways to ensure that the agency's funds are well spent.

FY 2014-15 PROGRESS and ACCOMPLISHMENTS

During the first fiscal year of the 2014-15 biennium, HHS Chas achieved significant successes in Medicaid and Eligibility operations. These milestones are examples of our continued effort to improve the efficiency, effectiveness, and accountability of programs and the service delivery system.

Managed Care Expansion:
S.B. 7, 83rd Legislature, Regular Session, directed HHSC to continue several expansions of Medicaid managed care and to develop a performance-based payment system that rewards outcomes and enhances efficiencies. Implementation began in September 2013 and the full redesign will roll out gradually over the next six years through 2020. S.B. 7 included several expansions of Medicaid managed care, including:

September 1, 2014:
- STAR+PLUS Medicaid Rural Service Areas (MRSA) expansion
- Integration of acute care for certain adults with intellectual and developmental disabilities

March 1, 2015:
- Nursing facility carve-in
- Community First Choice
- Dual Demonstration

September 1, 2016:
- STAR Kids and IDD pilot programs will be implemented

Finally, determination regarding transition of Texas Home Living (TxHmL) benefits to STAR+PLUS (September 1, 2017) and transition of community intermediate care facilities (ICF) in STAR+PLUS (September 1, 2020).

Mental Health and Substance Abuse:
S.B. 58, 83rd Legislature, Regular Session, directed HHSC to include covered mental health rehabilitation and targeted case management in Medicaid managed care. This carve-in is scheduled for September 1, 2014.

Managed Transportation Model:
S.B. 8, 83rd Legislature, Regular Session, directed HHSC to transition the Medical Transportation Program in to a full-risk, capitated model beginning September 1, 2014 with services provided on a regional basis through contracted managed transportation organizations.

The state will be split into 11 managed transportation organization regions with six medical transportation organizations taking over delivery of services from the regional contracted brokers that previously provided nonemergency transportation. Two full-risk brokers already providing transportation services to client in the Houston/Beaumont and Dallas/Fort Worth areas will continue providing services in those areas.

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Texas Health Care Transformation and Quality Improvement:
In December 2011, HHSC initiated a five-year waiver, approved by the Centers for Medicare and Medicaid Services (CMS), allowing the state to expand Medicaid managed care while preserving supplemental hospital funding. Under the waiver, historic Upper Payment Limit funds and new funds are distributed to hospitals and other providers through two pools:

- Uncompensated Care (UC) Pool ($17.6 billion, All Funds)
- Delivery System Reform Incentive Payments (DSRIP) Pool ($11.4 billion, All Funds)

The waiver expires on September 30, 2016. HHSC must submit a renewal request to the CMS no later than September 30, 2015, to extend the waiver. HHSC has begun discussion with key stakeholders and plans to hold public meetings and solicit public input. In anticipation of waiver renewal, HHSC has been working with all of the regions to ensure that the DSRIP projects show measurable improvements in healthcare access and outcomes, particularly for Medicaid and the low-income uninsured patients.

Office of Social Services:
The Office of Social Services oversees eligibility determinations for HHSC benefit programs, and has implemented several initiatives this biennium to encourage and support client utilization of online self-service features available at YourTexasBenefits.com. Efforts have included raising awareness of YourTexasBenefits.com to HHSC clients, and providing assistance to individuals applying for and managing their cases online at HHSC eligibility offices.

House Bill 2610, 82nd Legislature, Regular Session, 2011, directed HHSC to establish a program to train and certify staff and volunteers of community-based organizations to help Texans apply online for HHSC benefit programs. The Community Partner Program pilot began in 2012. Since then, the number of Community Partners assisting Texans with YourTexasBenefits.com has grown from 36 organizations to 679 in July 2014.

As a result of these and other efforts to increase YourTexasBenefits.com use, the percentage of benefit applications submitted online has grown from 28 percent in September 2012 to 63 percent in July 2014.

On June 26, 2014, the United States Department of Agriculture and Food Service Nutrition announced that Texas will receive $6,056,493 in federal funds as a performance bonus for achieving one of the best and most improved Supplemental Nutrition Assistance Program (SNAP) payment accuracy rates in the nation during federal fiscal year 2013. The Texas payment accuracy rate was 98.56 percent, above the national average of 96.80 percent.

Mobile Veterans App:
HHSC developed and deployed a new mobile phone app, which provides information about local, state and national resources available to Texas military veterans. By using the application veterans can get direct access to the national Veterans Crisis Line and the Hotline for Women Veterans (free, confidential 24-hour a day phone line staffed by qualified responders with the U.S. Department of Veterans Affairs), connect with other veterans in their area, and quickly find services available to military veterans.

FEDERAL LEGISLATION AND OTHER POLICIES

Eligibility Determination Changes:
The Affordable Care Act has required states to make significant changes to Medicaid and CHIP eligibility determinations. Beginning January 1, 2014, states were required to determine financial eligibility for most individuals in Medicaid and CHIP based on the modified adjusted gross income (MAGI) methodology. This methodology uses federal income tax rules for determining income and household composition.

MAGI applies to pregnant women, children and families, but does not apply to individuals who are elderly or who have disabilities AND prohibits assets tests and most income disregards for Medicaid and CHIP eligibility determinations but a five percentage across-the-board point income disregard is applied.

ACA provided exceptions to the use of the MAGI methodology and to the elimination for assets tests and income disregards. In Texas, the exceptions primarily apply to emergency Medicaid, foster care children, medically needy, individuals receiving Supplemental security Income, and Medicaid programs for people age 65 and over and those with disabilities.

Other eligibility changes include:

- Single, streamlined application form for Medicaid, CHIP, and the federal exchange,
- Electronic verification of applicant information through a federal data hub,
- Eligibility redetermination for MAGI groups no more frequently than once every 12 months except when a change in circumstance is received by the state that may affect an individual's eligibility, and
- An administrative or passive eligibility renewal process for MAGI groups.

Federal Marketplace:
The federal Marketplace began sending applications to HHSC on January 17, 2014. HHSC currently receives applications weekly from the Marketplace and processes them as they are received. Between January 5, 2014 and July 2, 2014, HHSC transferred 494,947 cases to the Marketplace. Transfers occur daily. As of July 2, 2014, HHSC has received 218,913 applications from the Marketplace. Despite the increase in applications, HHSC staff continued to meet federal timeliness standards for processing applications.

Of the applicants received by HHSC via an account transfer, the majority have been found ineligible for Medicaid or CHIP: 78 percent were denied, 18 percent were approved, and 4 percent withdrew their application. About a third of the denials were applicants interested in long-term care services, others were already enrolled in Medicaid or CHIP or didn't meet the Texas eligibility requirements.

Federal Financial Participation:
The ACA also impacted federal matching rates. States began receiving the CHIP federal match rate, for children (ages 6 to 18 above 100 and up to and including 133 percent of the federal poverty level) who move from CHIP to Medicaid eligibility beginning January 2014.

Additionally, the federal match rate for CHIP will increase by 23 percentage points (not to exceed 100 percent) from October 1, 2015 until September 30, 2019. However the increase does not apply to certain administrative expenditures and Medicaid for breast and cervical cancer.

CHIP Reauthorization:
The Patient Protection and Affordable Care Act, passed in March 2010, extended the authorization of the federal CHIP program for an additional two years, through September 30, 2015. The law requires states to maintain current income eligibility levels for CHIP through September 30, 2019. States are prohibited from implanting eligibility standards, methodologies or procedures that are more restrictive than those in place as of March 23, 2010.

Farm Bill:
The President signed the Agricultural Act of 2014 (Farm Bill) on February 7, 2014. The Farm Bill reauthorizes the Supplemental Nutrition Assistance Program (SNAP) through federal fiscal year 2018. Provisions of the bill were effective on February 7, 2014, unless stated otherwise. The federal Food and Nutrition Service (FNS) will issue regulations for certain provisions and has indicated that states should wait to implement these provisions until regulations have been issued.

Hospital Presumptive Eligibility:
On March 31, 2014, HHSC submitted a State Plan Amendment to CMS related to hospital presumptive eligibility. Implementation is schedule for January 1, 2015. Under presumptive eligibility:

- Qualified hospitals may make presumptive Medicaid determinations for children, pregnant women, parents and caretaker relatives, former foster care children, and individuals with breast or cervical cancer,
- Qualified hospitals will be required to have the applicant attest to meeting residency and citizenship or immigration requirements, and
- Pregnant women are only allowed one presumptive eligibility period per pregnancy (all other groups are limited to no more than one presumptive eligibility period per two calendar years).

BUDGET REQUEST FOR THE 2016-17 BIENNUM

FY 2014-15 Expenditures:
HHSC's FY 2014-15 estimated base expenditures total $53.1 billion in All Funds ($20.4 billion in state funding). The 2014-15 biennial budget assumes a state-funded supplemental appropriation for our entitlement programs of $971.2 million for Medicaid and $10.2 million for CHIP.

Medical costs and utilization as well as higher caseloads are the key drivers for the spending levels in these programs that exceed S.B. 1 appropriations. HHSC continues to work with the Centers for Medicare and Medicaid Services to seek additional federal flexibility necessary to help control increasing Medicaid costs.

The biennial shortfall is due primarily to differences in cost and utilization growth as well as slight caseload variances. The 2014-15 expenditures include anticipated savings of $1.1 billion All Funds ($454.1 million in state funding) associated with the cost containment initiatives.

For the 2014-15 biennium, Medicaid caseload continues to climb as a result of:
- Movement of CHIP children under 133 percent FPL to Medicaid pursuant to the Affordable Care Act,
- "welcome-mat" effect and Modified Adjusted Gross Income changes, and
- 12-month re-certification

Current average Medicaid caseload projections total 3,779,616 recipients in FY 2014 and 4,381,088 recipients in FY 2015.

CHIP caseload continues to decline as children move to Medicaid under the higher Affordable Care Act income limits. Current average caseload projections total 560,203 recipients in FY 2014 and 403,914 recipients in FY 2015.

For TANF Cash Assistance, the current average caseload projections total 80,425 recipients in FY 2014 and 74,078 recipients in FY 2015. TANF caseloads have continued to decrease after a brief increase during the 2010-11 biennium.

Current average Texas Women's Health Program caseload projections total 116,710 in FY 2014 and 115,645 in FY 2015.

FY 2016-17 Base Request:
The baseline request for FY 206-17 totals $58.8 billion, of which $23.5 billion is General Revenue. This request represents an increase of approximately $3.2 billion in General Revenue, or a 15.5 percent increase over projected 2014-15 biennial expenditures. The biennial increase is associated with caseload growth for our Medicaid and CHIP entitlement programs that are exceptions to the baseline request limitation. However FY 2016-17 Medicaid and CHIP costs were held flat at FY 2015 levels in the base request.

The Medicaid and CHIP projections for FY 2016-17 assume continuation of rate reductions and cost containment initiatives implemented during the 2104-15 biennium.

- Medicaid caseloads are projected at 4,620,769 recipients in FY 2016 and to 4,725,043 recipients in FY 2017.
- CHIP caseloads are projected at 395,822 in FY 2016 to 404,186 recipients in FY 2017.

Medicaid caseloads include anticipated growth due to the impact of 12-month recertification, MAGI continuation, currently eligible now enrolled, and CHIP movement.

The Medicaid match rate is assumed to be 57.23 percent in FFY 2016 and FFY 2017. The CHIP enhanced match rate is assumed to be 93.06 percent in FFY 2016 and FFY 2017.

FY 2016-17 caseloads in the TANF Cash Assistance Program are projected to remain close to FY 15 caseloads, increasing slightly in FY 2016 to 75,490 monthly recipients and then increasing again in FY 2017 to 76,999 monthly recipients. The portion of the federal TANF maintenance of effort (MOE) requirement in HHSC's request is met in the base request.

For the Texas Women's Health Program, caseloads are projected to decrease slightly from the FY 15 caseloads. Projections are 114,218 in FY 2016 and 114,789 in FY 2017.

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In 2014-15, HHSC was appropriated funding for several capital related projects that have been identified as one-time expenditures and are not fully maintained in the 2016-17 baseline request. A portion of funding for some projects was retained and reallocated to support on-going operational project costs and other critical agency needs. The 2016-17 baseline request has been reduced by $41.5 million General Revenue.

Also reflected in the FY 2016-17, is the reallocation of funding related to maintain HHSC-'s computer and telecommunications infrastructure. Historically, funding was cost allocated across the agency strategies using FTE's. Our baseline request for FY 2016-17 has shifted funding from all strategies to Strategy A.2.1 Consolidated System Support. There is no impact to general revenue as a result of this reallocation. Prior years reflect the old allocation methodology.

FY 2016-17 Exceptional Item Requests:
The Health and Human Services Commission is requesting funding above the FY 2016-17 baseline request for 21 exceptional items totaling $1.7 billion General Revenue ($4.1 billion All Funds). There are eight exceptional item funding requests that maintain some level of current services or programs at HHSC and other HHS agencies. The remaining 13 exceptional items address enhancement of current services, operational improvements, and system initiatives at HHSC and the other HHS agencies.

Maintain Current Services (8)
Approximately $1.5 billion General Revenue ($3.6 billion All Funds) are requested to maintain current services, programs, operations, and administration for HHSC.

Maintain Cost Trends for Medicaid Acute Care and CHIP (2)
The biennial costs to maintain cost and utilization growth forecasted for FY 2016-17 in our Medicaid and CHIP entitlement programs that are above the fiscal year 2015 levels and not allowed in the baseline request totals more than $1.4 billion General Revenue ($3.5 billion All Funds). This exceptional item request only addresses cost and utilization since caseload growth is assumed in the baseline request.

The overall FY 2016-17 Medicaid cost growth trend is 6.8 percent for FY 2016 over FY 2015 and 4.2 percent for 2017 over FY 2016 with an average of 5.5 percent per year.

Cost trends include:

- Cost growth attributed to new long term services and supports costs to HHSC not fully in FY costs: STAR+PLUS nursing facility costs (March 2015),

- Costs from the Medically Dependent Children Program assumed to transfer to HHSC upon the implementation of the new STAR Kids program (September 2016),
- Costs for clients who present in the hospital or clinic setting and receive presumptive eligibility (January 2015), and
- Costs for the Health Insurance Issuer Fee and the Federal Income Tax impact over FY 2015 levels.

Traditional CHIP recipient month premiums are assumed to grow at 3.9 percent each year in FY 16 and FY 17. This exceptional item only represents CHIP cost growth. Total CHIP vendor drug costs growth is 3.8 percent each year, and CHIP perinatal costs grow at just 2 percent a year. Cost growth in the CHIP perinatal program accounts for 16 percent of this exceptional item.

Maintain Current Operating Levels-HHSC (3)
Three exceptional items totaling $12.4 million General Revenue ($22.3 million All Funds) would maintain current FY 2015 HHSC operating levels.

Funding would support pricing and transaction increases for enrollment broker services associated with caseload growth ($11.6 million All Funds), lease costs for new space acquired in FY 2015 for the Office of Inspector General ($6.2 million All Funds), and cost increase for 3-year extension of OIG Medicaid Fraud and Abuse Detection System contract ($3.6 million All Funds).

Funding would maintain schedule for vehicle replacement of aging and high mileage vehicles within Regional Administrative Services, Facilities Management, and the vehicle pool managed by the Enterprise Fleet Management Office. HHSC vehicles are used to perform food and supply deliveries, fraud investigations, regulatory inspections, and other services provided across the HHS enterprise such as consolidated mail delivery ($0.9 million General Revenue and All Funds).

HHSC would require additional funding to continue to support the legal defense in the pending class action lawsuit against the Governor, the Health and Human Services Commission, and the Department of Family and protective Services. This is a placeholder request.

Maintain Current Operating Levels-HHS Agencies (3)
On behalf of the other HHSC agencies, there are three funding requests to maintain current HHS operating levels totaling $65.7 million General Revenue ($137.5 million All Funds).

Funding would maintain projected data center services costs including preparation of current applications and environments for transformation by upgrading and refreshing technology platforms as well as meeting disaster recovery functionality requirements ($15.6 million General Revenue/$18.7 million All funds).

Funding would maintain costs to support claims administrator contract, with additional emphasis on process improvement and prior authorization rules enforcement to decrease unnecessary expenditures ($47.8 million General Revenue/$116.5 million All Funds).

There is also a request totaling 2.3 million General Revenue ($2.3 million All Funds) to maintain schedule for laundry equipment and trailers replacement used to provide clean clothing, towels, bed linens, and blankets to individuals in the State Supported Living Centers and State Mental Hospitals.

Enhancements of Current HHSC Programs/Services (4)
There are four exceptional item funding requests that would enhance current programs or services at HHSC totaling $8.5 million General Revenue ($14.8 million All Funds).

Additional funding to existing Family Violence providers to serve more clients, address unmet need, and reach underserved areas totals $3.0 million General Revenue and All Funds.

Additional funding to implement the federally required Asset Verification System which allows independent verification of data from financial institutions for certain Medicaid applicants and recipients that are aged, blind or disabled totals $0.9 million General Revenue ($1.8 million All Funds).

A request of $2.4 million General Revenue ($4.9 million all funds) would support a workload distribution solution that allows the more efficient use of staff resources in managing the growing caseload.

HHSC has requested $2.2 million General Revenue ($5.0 million All Funds) to establish and add-on rate of $157.01 per day for nursing facility days of service provided under the "small house" model.

Enhancements of Current HHS Programs/Services (2)
There are two exceptional item funding requests that would enhance current programs or services for the HHS system totaling $2.5 million General Revenue ($3.4 million All Funds).

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HHSC has requested $0.8 million General Revenue ($1.1 million All Funds) to continue to improve the safety of our clients and staff by installing keyless access in 33 facilities and video surveillance in 36 facilities.

Funding to expand food service management and nutrition care management software to all State Supported Living Centers and State Mental Health Hospitals which is currently piloted in 3 locations totals $1.7 million general Revenue ($2.3 million All Funds). The pilots demonstrated improved patient safety measures leading to reduced risk of harmful reactions to food allergens and diet errors. This would also facilitate ability to meet regulatory review of Joint Commission, Department of Justice, and Centers for Medicare and Medicaid Services.

Operational Improvements-HHSC (1)
There is one exceptional item funding request that would improve operations at HHSC totaling $1.1 million General Revenue ($3.0 million All Funds).

HHSC has requested funding to hire additional staff to provide adequate contract oversight and management for claims administration and managed care operations. Operation services in these areas comprise a significant portion of HHSC's contracted funding to support our most vulnerable populations.

HHSC System Initiatives including Critical Technology Improvements (6)
The last category represents funding requests that would impact one or more HS agencies across the system. There are six exceptional funding request totaling $194.5 million General Revenue ($419.6 million All Funds).

Funding would support the implementation of targeted strategies to increase community attendant care wages and recruit and retain critical HHS agency staff including direct support professional, psychiatric nurse assistants, RNs, LVNs, custodial/laundry/food personnel staff, and certain information technology professional. This item would also support career ladders for information technology professionals and eligibility determination workers. HHS requested funding in the 2014-15 biennium for direct care and other professional staff. This request expands recruitment and retention efforts to other HHHS critical positions ($154.5 million General Revenue/$365.9 million All Funds).

A total of $11.6 million General Revenue ($14.7 million All Funds) would begin to address security risks outlined in the HHS agency specific assessment prepared by the Department of Information Resources. Security threats continue to be a number one concern for industry and organizations in both the public and private sectors. Building and maintaining strong security allows us to reduce the number of security breaches and protect confidential client information.

Today's technology and business processes drive the need to converge voice, data, and video networks, implement wireless capability, and ensure adequate network capacity. Combining those networks across the enterprise results in a more economical business solution and reduces duplicity. Funding would imp0rove network performance and capacity to expand capabilities for teleworking and mobility, integrate voice and data networks, and increase web self-service capabilities ($3.3 million General Revenue/$4.5 million All Funds).

Funding would support the transition of obsolete phone systems to a vendor-delivered service offering leased desk phones or use of an individual's existing mobile device. This approach increases reliance on data lines thereby avoiding long distance costs and provides scalability for short term needs such as disaster response or spikes in call volume ($9.2 million General Revenue/$12.3 million All Funds).

HHSC has requested $9.6 million general Revenue ($13.0 million All Funds) to support a financial software upgrade that is consistent with the version required by the State Comptroller; implement a consolidated procurement and contracting system to allow bid solicitation, bid response tabulation, and HUB requirement evaluation; and redesign the accounts receivable tracking system to single software platform to be used across HHS.

A request of $6.4 million General Revenue ($9.1 million All Funds) will be used to procure software solutions that allow remote help desk functionality, effective tracking ad security of computing devices, and remote deployment of software/security updates. IT staff currently use manual processes to perform these activities solutions would result in less down time and lost productivity for HHS employees.

THE 10 PERCENT REDUCITON SCHEDULE

HHSC took a similar approach to this reduction schedule as in previous biennia. HHSC identified $53.3 million General Revenue ($152.5 million All Funds) in administrative and programmatic savings in an effort to meet our general revenue reduction target of $149.7 million for the 2016-17 biennium. Of the general revenue reductions, $4.2 million is associated with one-time expenses and $49.1 million is associated with administration and support operations.

To impose the full target on HHSC's programs and staff would dismantle the foundation and support of the successes achieved this biennium and result in the backlogs, delays, and errors of prior years. Therefore the balance of HHSC's target reduction, $96.4

million General Revenue ($230.9 million All Funds), would equate to an across-the-board rate reduction to certain Medicaid providers of approximately 1.8 percent for the 2016-17 biennium. All acute care services excluding in/out-patient hospital, would be subject to the rate reduction. This reduction, in addition to other cost containment measures that have reduced reimbursement to providers, could be disincentive to some providers resulting indecisions to no longer participate in the Medicaid program which could create an access issue for some clients. The loss in matching federal funds totals $134.5 million for the biennium.

COST ALLOCATION

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

CONCLUSION

HHSC will be submitting the HHS Consolidated Budget in October 2014 which will provide additional details on provider rates and other HHS system-wide funding issues and initiatives. The staff of HHSC looks forward to working with you and your staff during the 84th Legislative Session.

Respectfully submitted,
Kyle L. Janek
Executive Commissioner

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