



**Presentation to the House Appropriations Sub-Committee  
Health and Human Services  
Spending Reduction Plan for the  
2010-11 Biennium**

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Thomas M. Suehs, Executive Commissioner

Terrell I. Murphy, Commissioner DARS

Anne Heiligenstein, Commissioner DFPS

David Lakey, M.D., Commissioner DSHS

Chris Traylor, Commissioner DADS

*June 14, 2010*

- **Guiding Principles**
- **Total Reductions by Major Category and Agency**
- **Items Excluded from Original Reduction Options**
- **Rate Reductions**
- **Detail of Agency Reductions**
  - Health and Human Services Commission (HHSC)
  - Department of Assistive & Rehabilitative Services (DARS)
  - Department of Family and Protective Services (DFPS)
  - Department of State Health Services (DSHS)
  - Department of Aging and Disability Services (DADS)

- Maintain the highest level of services and minimize the direct effect on clients
- Achieve as much administrative savings as possible without jeopardizing oversight and accountability
- Preserve effective prevention programs that help reduce the state's costs in the long run
- Preserve vital community programs, such as crisis mental health services
- Implement new programs later than originally assumed

## Reduction Options by Category

<b>HHS System - All Agencies</b>				
<b>General Revenue (\$ in millions)</b>				
<b>Categories</b>	<b>FY 2010</b>	<b>FY2011</b>	<b>Biennial</b>	<b>Biennial %</b>
<b>Salaries</b>	<b>\$8.9</b>	<b>\$10.6</b>	<b>\$19.6</b>	<b>9.5%</b>
<b>Other Administrative Support</b>	<b>18.9</b>	<b>13.5</b>	<b>32.4</b>	<b>15.8%</b>
<b>Revenue Management</b>	<b>27.5</b>	<b>12.0</b>	<b>39.5</b>	<b>19.3%</b>
<b>Provider Rates</b>	<b>0.0</b>	<b>64.3</b>	<b>64.3</b>	<b>31.4%</b>
<b>Client Services</b>	<b>0.0</b>	<b>3.5</b>	<b>3.5</b>	<b>1.7%</b>
<b>Other Program Reductions</b>	<b>4.4</b>	<b>28.7</b>	<b>33.1</b>	<b>16.1%</b>
<b>Implement Programs Later than Originally Assumed</b>	<b>0.0</b>	<b>12.7</b>	<b>12.7</b>	<b>6.2%</b>
<b>Total</b>	<b>\$59.7</b>	<b>\$145.3</b>	<b>\$205.0</b>	<b>100.0%</b>

## Reduction Options by Agency

(\$ in millions)

HHS Agency	FY10-11 General Revenue Budget as Adjusted*	Target General Revenue Reduction Submitted February 2010	Approved General Revenue Target Reduction May 2010
Department of Assistive and Rehabilitative Services (DARS)	\$187.4	\$7.3	\$7.3
Department of Family and Protective Services (DFPS)	802.9	14.7	14.7
Department of State Health Services (DSHS)	2,469.9	100.9	62.7
Department of Aging and Disability Services (DADS)	1,697.5	39.9	28.4
Health and Human Services Commission (HHSC)	398.7	115.0	91.8
Total	\$5,556.4	\$277.8	\$205.0

\*Budgets exclude eligibility, Medicaid entitlement, CHIP, foster care, and debt services.

# Reduction Options Excluded by LBB/GOBPP from Original Submission

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**Total Excluded Items** **\$72.8 million**

Additional 1% Provider Rate Reduction for long term  
care and adult acute care services **\$35.0 million**

Indigent Health Care-UTMB (partial exemption) **\$5.8 million**

Indigent Care Trauma (partial exemption) **\$5.0 million**

Mental Health Hospital Capacity **\$27.0 million**

Additional Items Excluded with no change in Reduction Target:

- Delay Regulatory Functions at DSHS related to dyslexia and hair laser removal
- Federally Qualified Health Clinics (FQHC) Incubator Grants (partial)

# HHS Provider Rate Reductions

*(\$ in millions)*

Agency	Service Categories	General Revenue	Federal Funds	All Funds
<b>One percent provider rate reduction</b>		<b>\$49.7</b>	<b>\$89.3</b>	<b>\$139.1</b>
One-percent provider rate reduction for all HHS programs except Medicaid community care, Foster Care, and Adoption Subsidies. Beginning September 1, 2010.				
HHSC	Acute Care Medical Services, Dental Services, Vendor Drug Dispensing Fees - includes both Medicaid and CHIP	37.6	68.2	105.8
DADS	Nursing Facilities, Hospice, ICF-MR	11.4	20.0	31.4
DSHS	Children with Special Health Care Needs, Maternal and Child Health, Family Planning, Targeted Case Management, and Rehab Services	0.8	1.1	1.8
HHSC	<b>Additional Managed care rates</b>	<b>\$14.6</b>	<b>\$25.5</b>	<b>\$40.1</b>
Additional provider rate reduction for Medicaid managed care organizations at HHSC achieved using actuarially sound principles. Beginning September 1, 2010.				
<b>Total</b>		<b>\$64.3</b>	<b>\$114.8</b>	<b>\$179.2</b>



# Health and Human Services Commission (HHSC)

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Thomas M. Suehs  
Executive Commissioner

## Approved Reduction

**\$91.8 million GR\***  
**\$221.0 million AF\***

- **Actual and Anticipated Salary Savings - \$2.3 million GR**
  - Savings are derived from actual vacancies and a temporary hiring/merit freeze on certain positions implemented January 20, 2010.
- **Savings in Other Program Administration - \$4.3 million GR**
  - Reductions are anticipated in travel, cutting back on training or seminars for staff, and canceling subscriptions and reference materials.
- **Electronic eligibility verification transactions - \$2.5 million GR**
  - Additional revenue to offset an equal amount of general revenue related to charging third parties for use of eligibility data.
- **Federally Qualified Health Centers (FQHCs) - \$1.9 million GR**
  - Adjust payments to align with incurred cost in Medicaid program.

- **Savings in Contracts and Grants - \$15.1 million GR**
  - Savings where final contracts, rates and payments are lower than expected, or the contract start date was later than expected.
- **Delays in Implementation of Medicaid Buy-In for Children - \$10.3 million GR**
  - HHSC received funding to implement a new program that would allow families to buy into Medicaid coverage to cover the critical health needs of their children. The program implementation has been experiencing delays and will not meet the original start date of September 1, 2010. The program will be implemented as soon as technically feasible but no later than January 1, 2011, subject to federal approval.
- **National Corrective Coding initiative - \$2.8 million GR**
  - Implements National Corrective Coding initiative (NCCI) to standardize medical coding rules which would reduce inaccurate payments.

- **Reduce GR for Refugee Assistance - \$0.5 million GR**
  - The refugee program has state funding available in case the state must repay the federal government for refugee clients found ineligible. Projections indicate lower repayments than anticipated.
- **Savings in Capital Projects - \$49,788**
  - Savings would be achieved by reducing contractor hours. Capital projects affected include those supporting medical transportation, accessibility and removable data encryption.



# **Department of Assistive and Rehabilitative Services (DARS)**

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**Terrell I. Murphy, Commissioner**

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## Approved Reduction

**\$7.3 million GR**

**\$19.0 million AF**

- **Temporary Hiring Freeze - \$1.4 million GR**
  - Anticipated savings from a merit/promotion freeze and a temporary hiring freeze on certain positions.
- **Administrative Operating Costs - \$0.7 million GR**
  - Savings from reduced professional fees, travel and other operating costs.
- **FY 2009 SSAVR Federal Earnings - \$0.7 million GR**
  - Available federal earnings will be used to reduce the amount of general revenue needed for the Social Security Administration –Vocational Program (SSAVR).
- **Vocational Rehabilitation FTEs Funded But Not Approved - \$4.2 million GR**
  - General revenue appropriated for 105 new positions will be used to satisfy the reduction.
- **Independent Living Programs - \$0.3 million GR**
  - Savings would be achieved by reducing Disability Rehabilitation Services and Disability Blind Services Independent Living programs.



# **Department of Family and Protective Services (DFPS)**

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Anne Heiligenstein, Commissioner

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## Approved Reduction

**\$14.7 million GR**

**\$15.7 million AF**

- **Temporary Hiring Freeze - \$0.9 million GR**
  - Salary savings are derived from actual vacancies during the first four months of FY 2010.
- **Savings in Other Program Administration - \$4.3 million GR**
  - Savings are anticipated from recent decrease in travel reimbursement rates and from non-salary FTE costs budgeted but not incurred due to vacancies.
- **Updated Contract Experience Resulting in FY2010 Available Balances - \$4.7 million GR**
  - These are Prevention and Early Intervention funds and Strengthening Families Initiative funds projected to remain unspent at the end of FY 2010.
- **Eliminate Pilot Enhanced In-Home Support Program in FY2011 - \$4.8 million GR**
  - This item would eliminate the FY2011 appropriation for the pilot program aimed at family preservation in accordance with the recent evaluation that showed mixed results for the success of the program.



# **Department of State Health Services (DSHS)**

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**David L. Lakey, M.D., Commissioner**

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## Approved Reduction

**\$62.7 million GR**

**\$63.8 million AF**

- **Temporary Hiring Freeze - \$4.4 million GR**
  - Savings anticipated from a temporary freeze on one-time merits and hiring.
- **One-time Revenue Streams - \$5.3 million GR**
  - Includes funds related to Hurricane Ike/Dolly reimbursement and revenue collected for print shop services, which is used to offset current General Revenue costs.
- **Savings from Contract Renegotiations - \$1.5 million GR**
  - Savings resulting from the renegotiation of several contracts.
- **Delay Replacing Computer Equipment - \$0.6 million GR**
  - Savings due to the delay in replacing computer equipment as a result of a contract start date later than expected.
- **Improve Medicaid Reimbursement - \$1.7 million GR**
  - Savings resulting from improvements in billing the Medicaid program for laboratory kits.

- **County Indigent Program - \$5.0 million GR**
  - Saving resulting from lower county demand for the state assistance
- **Immunizations - \$12.0 million GR**
  - Additional one time federal American Recovery and Reinvestment Act (ARRA) funds for vaccine reduces the general revenue need for the 2010-11 biennium
- **Kidney Health Care Rebates - \$5.2 million GR**
  - Savings resulting from one-time settlements on vendor drug rebates
- **Indigent Health Care UTMB - \$1.5 million GR**
  - Reduction in billings for indigent health care provided by UTMB
- **Diabetes Prevention Pilot - \$0.2 million GR**
  - Reduction in funding for the UTMB/Stark Diabetes Center
- **Site Visits to Texas Vaccine for Children Providers - \$0.3 million GR**
  - Reduces contract with the Texas Medical Foundation for site visits to providers

- **Hospital Indigent Health Care Reimbursement Trauma Funds - \$5.0 million GR**
  - Reduces funding available to trauma centers
- **Contract Monitoring and Technical Assistance - \$0.6 million GR**
  - Reduces funds for temporary staff to assist with contract monitoring and technical assistance/training for contractors
- **Regional Health Services - \$1.8 million GR**
  - Reduces funding for regional offices for the control of tuberculosis and the investigation of diseases of public health importance
- **Children with Special Health Care Needs - \$3.5 million GR**
  - Reduction would impact DSHS ability to serve 285 clients on the waiting list
- **Hospital Administrative Costs - \$1.2 million GR**
  - Savings would be achieved from reductions in administrative and operating costs at state hospitals

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- **Central Office Administration Reduction - \$1.6 million GR**
    - Savings achieved as a result of reductions for vehicle maintenance, fuel costs, building security and other contracted services
  - **Environmental Health - \$0.9 million GR**
    - Delays hiring of additional regulatory staff authorized by the 81<sup>st</sup> Legislature to improve inspections. Eliminate routine inspections for certain environmental strategies
  - **Regulation of Health Care Professionals - \$0.5 million GR**
    - Delays hiring of additional regulatory staff authorized by the 81<sup>st</sup> Legislature to improve compliance with state regulations
  - **Radiation Control - \$0.5 million GR**
    - Delays hiring of additional staff authorized by the 81<sup>st</sup> Legislature to improve compliance with regulations
  - **Food and Drug Regulations - \$0.5 million GR**
    - Delays hiring of additional staff authorized by the 81<sup>st</sup> Legislature to improve compliance with regulations
  - **Remaining Amount under Consideration - \$8.5 million GR**
    - DSHS is still in the process of identifying additional savings to meet its target



# **Department of Aging and Disability Services (DADS)**

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**Chris Traylor, Commissioner**

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## Approved Reduction

**\$28.4 million GR**  
**\$75.7 million AF**

- **Temporary Hiring Freeze - \$6.4 million GR**
  - Salary savings are derived from temporary hiring freeze and filling positions at lower salaries than originally budgeted
- **Reduce Travel - \$1.3 million GR**
  - Travel savings will be achieved by limiting travel throughout the agency
- **Reduce Overhead - \$1.4 million GR**
  - Overhead budget will be monitored and adjusted to achieve savings
- **Personal Care Service – Hours Management - \$6.0 million GR**
  - Personal Care Services – Hours Management savings will be achieved by ensuring consistency in authorization of Personal Assistance Service Hours in the Primary Home Care, Community Attendant Services, and Community Based Alternatives programs
- **Utilization Review of Home and Community Based Services (HCS) - \$2.0 million GR**
  - Savings will be achieved by expanding utilization reviews in HCS