TEXAS
Health and Human Services System

Consolidated Budget

Fiscal Years 2016 - 2017

Health and Human Services Commission

Department of Aging and Disability Services

Department of Assistive and Rehabilitative Services

Department of Family and Protective Services

Department of State Health Services

October 2014

TEXAS HEALTH AND HUMAN SERVICES COMMISSION

KYLE L. JANEK, M.D.
EXECUTIVE COMMISSIONER

October 15, 2014

The Honorable Rick Perry
Governor
State Capitol, Room 2S.1
Austin, Texas 78701

The Honorable David Dewhurst
Lieutenant Governor
State Capitol, Room 2E.13
Austin, Texas 78701

The Honorable Joe Straus
Speaker of the House of Representatives
State Capitol, Room 2W.13
Austin, Texas 78701

Ursula Parks, Director
Legislative Budget Board
1501 Congress Avenue, 5th Floor
Austin, Texas 78701

Dear Governor Perry, Governor Dewhurst, Speaker Straus, and Ms. Parks:

In accordance with Section 531.026, Government Code, I am pleased to present the *Health and Human Services Consolidated Budget for Fiscal Years 2016-2017.*

The Consolidated Budget identifies the major funding issues of Texas' health and human services agencies and presents supporting information and data on the health and human services appropriations requests. In addition, it highlights cost containment efforts currently underway, provider rate considerations, and critical cross-agency needs, such as information technology systems, staff recruitment and retention, facility maintenance, and waiting list reduction.

Please let me know if you have questions or need additional information. David Kinsey, Director of HHS System Budget and Fiscal Policy, serves as the lead staff on this matter and can be reached at (512) 424-6550 or by email at David.Kinsey@hhsc.state.tx.us.

Sincerely,

Kyle L. Janek, M.D.

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I. EXECUTIVE SUMMARY

The five agencies comprising the Texas Health and Human Services System (the Department of Aging and Disability Services, the Department of Assistive and Rehabilitative Services, the Department of Family and Protective Services, the Department of State Health Services, and the Health and Human Services Commission) have individually submitted their Legislative Appropriations Requests (LARs) for the two year budget period of fiscal years (FY) 2016-2017. Each agency's request provides strategy level detail, sources of funding, anticipated performance, and base and exceptional item requests. To build on these requests, the Consolidated Budget for fiscal years 2016-2017:

- Summarizes the requests for legislative appropriations for all five Texas health and human services agencies;
- Highlights critical funding needs across the agencies and categorizes the requests to assist decision makers and the public in their analysis of the service and operational needs to maintain and improve the delivery of health and human services in our state;
- Provides supporting information on elements contributing to funding needs;
- Provides information on Medicaid funding initiatives;
- Identifies major federal funding issues;
- Describes provider rate methodologies and changes for legislative consideration;
- Provides supplemental information for legislative consideration; and
- Fulfills several statutory reporting requirements.

Summary of the HHS System LARs

The HHS System agencies have requested a total of $83.8 billion from all fund sources for the two year period of fiscal year 2016-2017, an increase of $8.1 billion (10.7 percent) over the 2014-2015 biennium amounts. The General Revenue (GR) portion of the fiscal year 2016-2017 request totals $34.9 billion, an increase of $4.4 billion (14.5 percent). Figures also assume a $1.0 billion General Revenue supplemental appropriation in fiscal year 2015 along with $1.6 billion in related federal funds. This estimate will be updated before and during the Legislative Session.

Categorization of Critical Funding Needs

In addition to the "base" level of funding, prepared according to required budget guidance, the Consolidated Budget highlights agency requests above the base budget and categorizes $6.1 billion All Funds ($2.8 billion General Revenue) of exceptional items into two primary groups:

- Maintain Current Services; and
- Service Improvements.

These groups are broken into subcategories in **Chapter II** to provide greater detail of needs.

Supporting Information on Factors Contributing to Funding Needs

Chapter III provides information on the key drivers of the increased need for resources such as forecasts for caseload, trends in the cost of services, and federal fund matching percentages.

HHS System Initiatives

Chapter IV highlights exceptional item requests addressing critical needs crossing multiple HHS agencies, such as increasing community services to reduce interest/waiting lists, supporting information technology efforts system-wide, recruiting and retaining critical staff, supporting state operated facilities, and improving mental health services.

Select Medicaid Initiatives

Chapter V provides information on recent cost containment efforts undertaken by HHS agencies and the Healthcare Transformation and Quality Improvement waiver that allows Texas to support the development and maintenance of a coordinated care delivery system through the creation of Regional Healthcare Partnerships, transition to a quality-based payment system across managed care and hospitals, and improve coordination in the current indigent care system.

Major Federal Funding Issues

Federal funding and policy issues are contained in several chapters including **Chapter VI**, which highlights areas with potential fiscal impact, such as delays in passage of federal appropriations bills, potential reductions as a result of the Budget Control Act (sequestration), Affordable Care Act, and pending reauthorizations.

Provider Rates

While agency LARs do not include major provider rate increases, **Chapter VII** of the Consolidated Budget addresses the cost of various rate changes by identifying funding required for each one percent increase in the rates, as well as identifying previous rate increases or decreases.

Other Supplemental Information Provided (Appendices)

Finally, the document provides additional detailed information in appendices related to increasing capacity in select programs, rate schedules, including more detailed methodology information, and the state's Long-Term Care Plan.

Statutory Requirements Fulfilled

Submission of the Consolidated Budget fulfills several statutory requirements including:

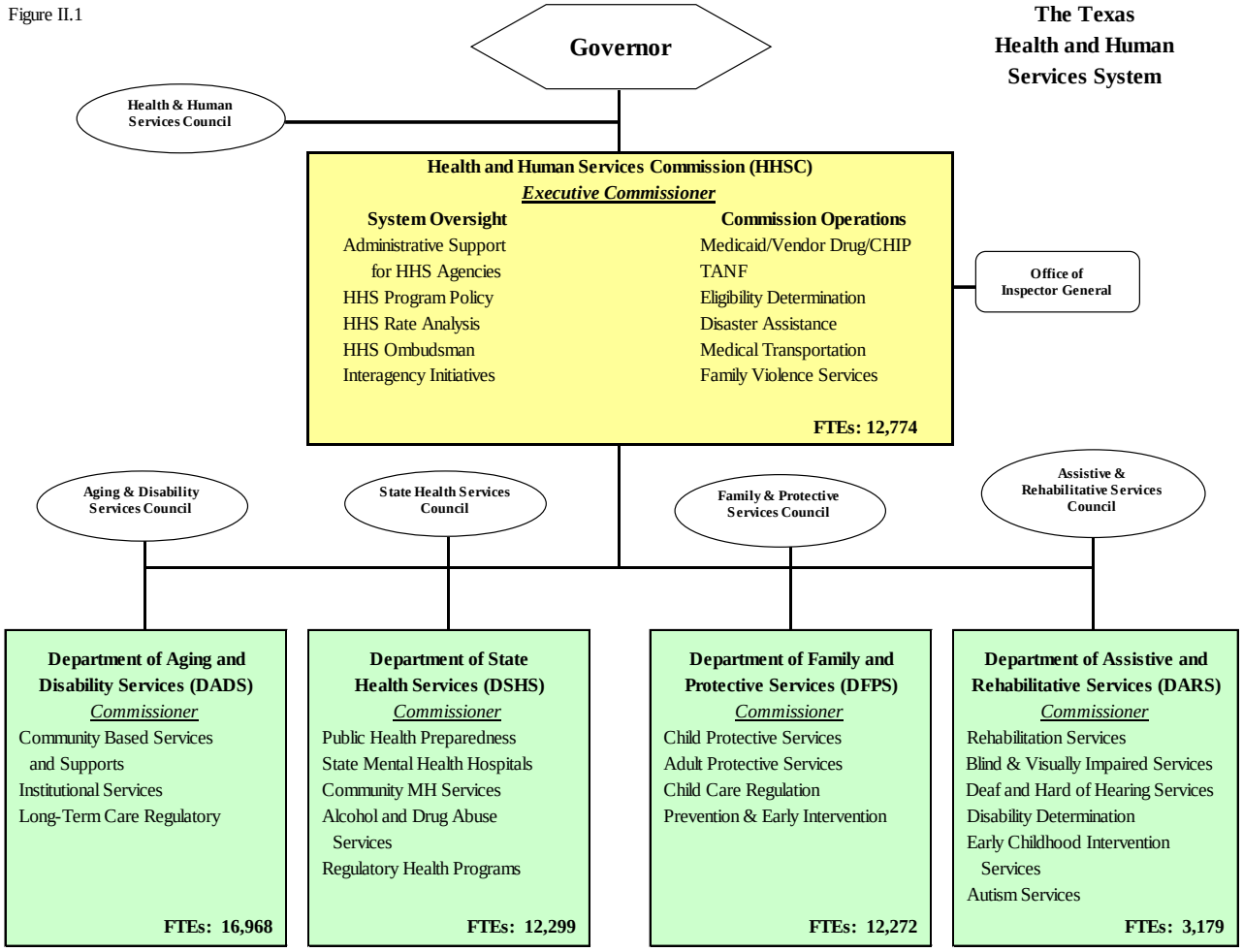
- The Biennial Consolidated Budget for the HHS System, Section 531.026, Government Code;
- The Annual Federal Funds Report, Section 531.0271-531.028, Government Code (**Chapter VI**); and
- The Long-term Care Plan for Individuals with Intellectual Disabilities and Related Conditions (**Appendix E**).

II. CONSOLIDATED BUDGET OVERVIEW

Health and Human Services System Overview

The Texas Health and Human Services (HHS) System is dedicated to developing client-focused program and policy initiatives that are solution-oriented and fiscally responsible. The HHS system promotes client-choice, appropriate funding, and streamlined service delivery. Reflecting a unified approach to delivering health and human services, the HHS system agencies operate with similar organizational structures. Organizational structures reflect an emphasis on efficiency, service delivery, accountability, and providing visible and accessible agency resources for stakeholders. **Figure II.1** depicts the HHS system organizational structure in fiscal year 2015 and identifies services provided by the HHS agencies.

Figure II.1

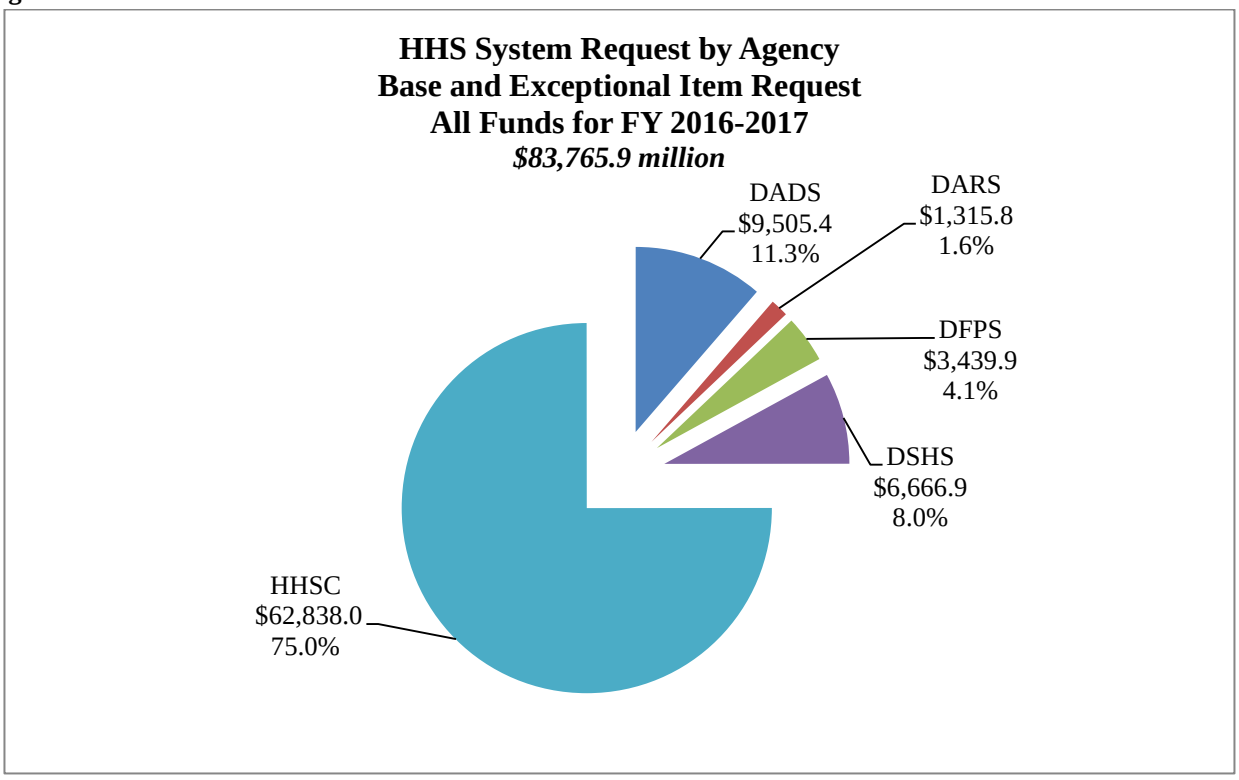


Note: The Full Time Equivalent (FTE's) positions are the budgeted level for fiscal year 2015.

HHS System Fiscal Year 2016-2017 Legislative Appropriations Request

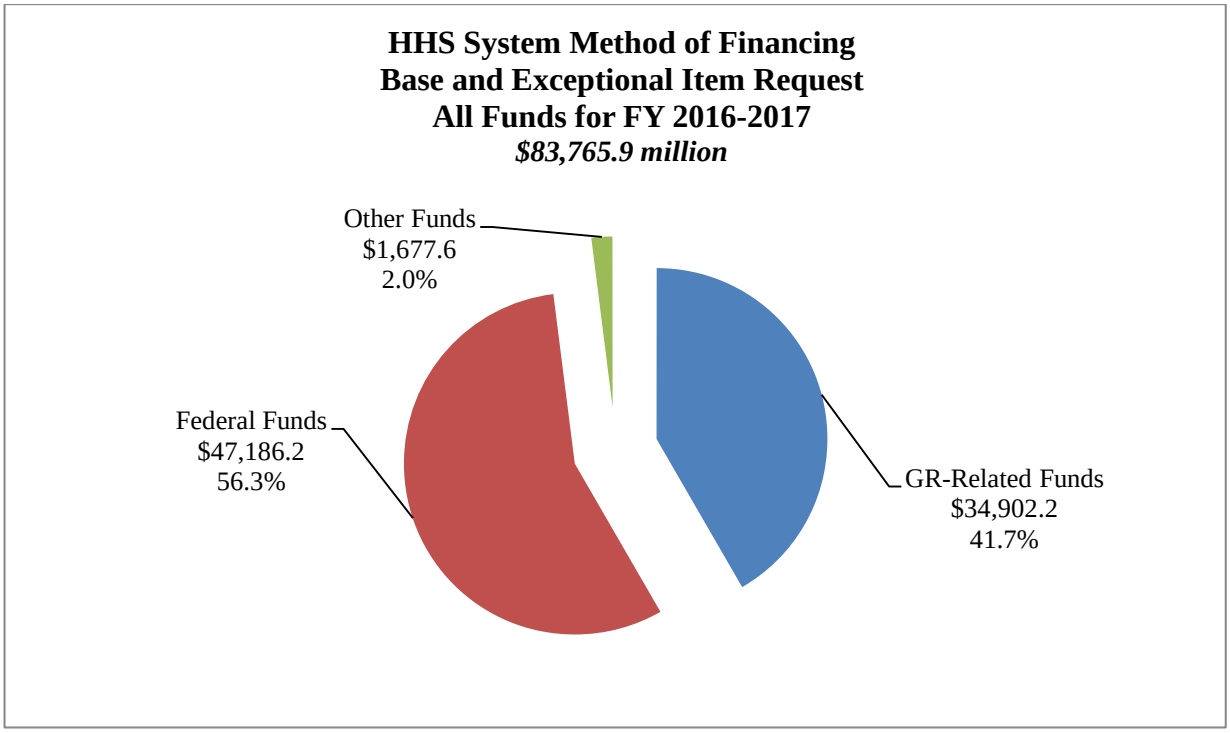
The fiscal year 2016-2017 Legislative Appropriations Request (LAR) base request combined with the exceptional items for all HHS agencies totals $83.8 billion, an increase of $8.1 billion All Funds from the 2014-2015 biennium (10.7 percent increase). Note that the 2014-2015 biennial estimate assumes a $1.0 billion General Revenue supplemental appropriation along with $1.6 billion in related federal funds. **Figure II.2** presents the allocation of requested funds among HHS agencies.

Figure II.2



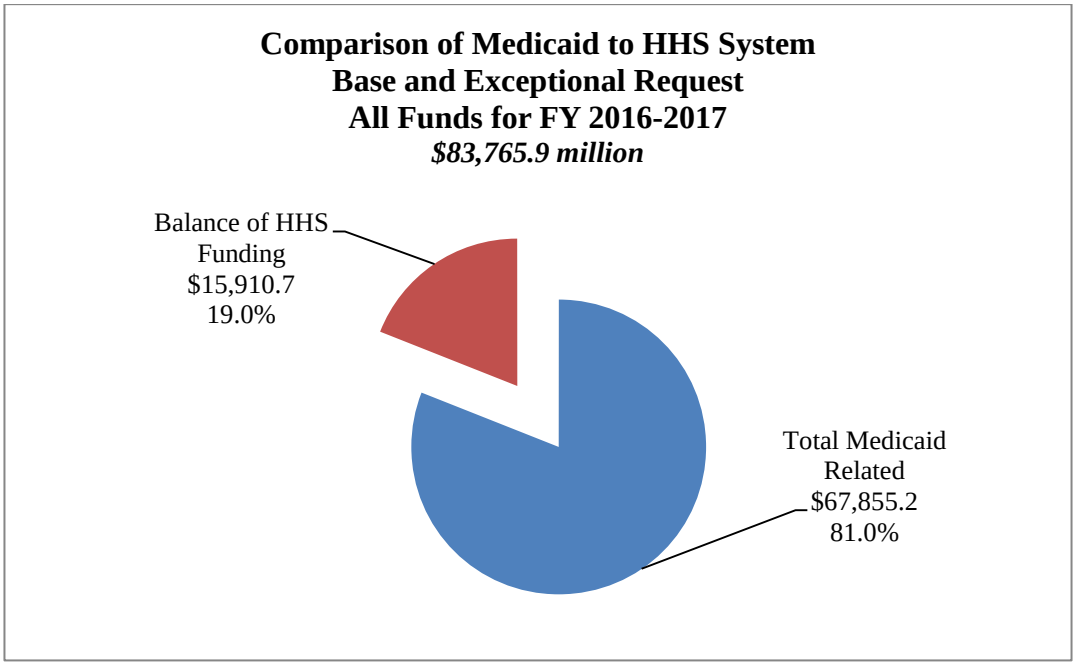
As reflected in the following chart, the GR-related base and exceptional item request for all HHS agencies for the 2016-2017 biennium totals $34.9 billion, representing a $4.4 billion increase (14.5 percent) from the 2014-2015 biennium. Total requested Federal Funds for the base and exceptional items for the HHS System for the biennium is $47.2 billion (56.3 percent). **Figure II.3** presents the comparison of funding sources for the HHS System.

Figure II.3



As the chart below indicates, Medicaid related funding accounts for $67.9 billion, or 81.0 percent, of the total HHS funding requested in the 2016-2017 biennium. Using state and federal funding, Texas' Medicaid program provides acute care and long term services and support to millions of low income Texans each year (see **Chapter III** for Medicaid caseload forecasts). **Figure II.4** presents the comparison of Medicaid to the HHS System.

Figure II.4



Legislative Appropriation Request: Guidance and Funding Request

Base Request Policy

In June 2014, the Governor's Office of Budget, Policy, and Planning and the Legislative Budget Board (LBB) jointly issued instructions for fiscal year 2016-2017 LARs. The General Revenue (GR) and GR-related base request must not exceed the sum of the amounts estimated in fiscal year 2014 and budgeted in fiscal year 2015. Exceptions to the base limitation include amounts necessary to maintain funding for caseloads (at 2015 costs/rates) in Medicaid entitlement programs, the Children's Health Insurance Program, the foster care program, the adoption subsidies program, and the permanency care assistance program.

Funding requests for other purposes which exceed the base spending level, including cost growth in programs above the 2015 level, may not be included in the base request but may be submitted as exceptional items. Agencies must also submit a supplemental schedule detailing how they would

reduce the base request by ten percent in General Revenue funding (**Appendix B**). A summary of each agency's request is provided below.

Agency Funding Requests

The following section highlights HHS agency requests in terms of overall base and exceptional items. The chapters that follow offer additional detail explaining critical issues related to these requests, such as key budget drivers, cross agency initiatives, federal funding considerations and provider rates considerations.

The **Health and Human Services Commission (HHSC)** fiscal year 2016-2017 base request totals $58,762.4 million in All Funds ($23,522.3 million GR-related). This request represents an increase of $5,710.4 million in All Funds and an increase of $3,156.2 million GR or a 10.8 percent and 15.5 percent increase respectively. Increasing entitlement growth and transfers of certain long-term care programs from DADS to HHSC and certain Medicaid mental health services from DSHS contribute to the base increase.

HHSC exceptional items, totaling $4,075.6 million All Funds ($1,665.7 million GR-related), primarily focus on funding cost growth in the Medicaid and CHIP programs, addressing information technology and operational needs, and advancing HHS System initiatives to fund critical cross agency needs.

The **Department of Aging and Disability Services (DADS)** fiscal year 2016-2017 base request totals $8,194.8 million in All Funds ($3,433.5 million GR-related). This request represents a decrease of $3,527.6 million in All Funds and a decrease of $1,342.8 million GR or a 30.1 percent and 28.1 percent decrease respectively. The reduction in funding is due primarily to program transfers to HHSC mentioned above.

DADS exceptional items, totaling $1,310.6 All Funds ($531.2 million GR-related), include multiple efforts to address the needs of Texans with disabilities, including maintaining services levels attained in the current biennium, significantly expanding community services through reducing waiting lists, complying with federal requirements related to appropriate and adequate services for clients in or entering nursing facilities, and providing quality care in State Supported Living Centers.

The **Department of Assistive and Rehabilitative Services (DARS)** fiscal year 2016-2017 base request totals $1,245.8 million ($264.5 million GR-related). This request represents an increase of $3.7 million in GR and All Funds or a 0.3 percent increase in All Funds and a 1.4 percent increase in GR.

DARS exceptional items, totaling $70.0 million All Funds ($52.5 million GR-related), focus on providing services to children with autism or developmental delays, assisting clients who are blind or who are deaf or hard of hearing, and reducing waiting lists for multiple programs.

The **Department of Family and Protective Services (DFPS)** fiscal year 2016-2017 base request totals $3,187.7 million in All Funds ($1,635.9 million GR-related). This level of funding is an increase of $73.9 million All Funds from fiscal year 2014-2015 and a $105.4 million or 6.9 percent increase of GR-related funds. Increases are due to entitlement caseload growth as well as declining Title IV-E Federal Funds.

DFPS exceptional items, totaling $252.2 million All Funds ($235.5 million GR-related), continue the major efforts funded in the current biennium to improve the state's Child Protective Services system. Multiple initiatives are included to ensure DFPS staff have the resources needed to keep children safe throughout the system. In addition, new efforts aim to build on advances from the prior legislative session including enhanced services to children in foster care, initiatives to reduce staff turnover, and expanded child abuse and neglect prevention projects.

The **Department of State Health Services (DSHS)** fiscal year 2016-2017 base request totals $6,260.6 million in All Funds ($3,258.5 million GR-related). This level of funding is a decrease of $295.3 million All Funds from the fiscal year 2014-2015 biennium and a $288.9 million or 8.1 percent decrease in GR-related funds. The reduction is primarily due to a decrease in trauma related funds, which were a one-time appropriation in the 2014-2015 biennium.

DSHS exceptional items, totaling $406.3 million in All Funds ($302.6 million GR-related), build on recent efforts to strengthen the state's behavioral health system, including state mental health facilities, as well as address major public health concerns and health services, such as substance abuse services, chronic diseases, women's health and care for children with special health care needs.

Summary Tables of Agency Requests

Figure II.5 provides detail, by agency, comparing fiscal year 2016-2017 requests to the fiscal year 2014-2015 budgets, and the fiscal year 2016-2017 base, exceptional items, and FTE requests.

Figure II.5

Comparison of HHS Agency Base Request
FY 2014-2015 to FY 2016-2017
($ In Millions)

Agency	FY 14 Estimated - FY 15 Budgeted		FY 16-17 Base Request		Biennial Change		Percent Change	
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds
DADS	$ 4,776.3	$ 11,722.4	$ 3,433.5	$ 8,194.8	$ (1,342.8)	$ (3,527.6)	-28.1%	-30.1%
DARS	$ 260.8	$ 1,242.1	$ 264.5	$ 1,245.8	$ 3.7	$ 3.7	1.4%	0.3%
DFPS	$ 1,530.5	$ 3,113.7	$ 1,635.9	$ 3,187.7	$ 105.4	$ 73.9	6.9%	2.4%
DSHS	$ 3,547.4	$ 6,555.9	$ 3,258.5	$ 6,260.6	$ (288.9)	$ (295.3)	-8.1%	-4.5%
HHSC	$ 20,366.0	$ 53,052.0	$ 23,522.3	$ 58,762.4	$ 3,156.2	$ 5,710.4	15.5%	10.8%
Total, HHS	**$ 30,481.0**	**$ 75,686.2**	**$ 32,114.7**	**$ 77,651.2**	**$ 1,633.7**	**$ 1,965.0**	**5.4%**	**2.6%**

HHS Agency Base Request and Exceptional Items Request (Total Request)
FY 2016-2017
($ in millions)

Agency	FY 16-17 Base Request		Exceptional Item Request		Total Request	
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds
DADS	$ 3,433.5	$ 8,194.8	$ 531.2	$ 1,310.6	$ 3,964.7	$ 9,505.4
DARS	$ 264.5	$ 1,245.8	$ 52.5	$ 70.0	$ 317.0	$ 1,315.8
DFPS	$ 1,635.9	$ 3,187.7	$ 235.5	$ 252.2	$ 1,871.5	$ 3,439.9
DSHS	$ 3,258.5	$ 6,260.6	$ 302.6	$ 406.3	$ 3,561.0	$ 6,666.9
HHSC	$ 23,522.3	$ 58,762.4	$ 1,665.7	$ 4,075.6	$ 25,187.9	$ 62,838.0
Total, HHS	**$ 32,114.7**	**$ 77,651.2**	**$ 2,787.5**	**$ 6,114.7**	**$ 34,902.2**	**$ 83,765.9**

HHS Agency Biennial Funding Comparison (Base & Exceptional Items)
FY 2014-2015 to FY 2016-2017
($ In Millions)

Agency	FY 14 Estimated - FY 15 Budgeted		FY 16-17 Requested		Biennial Change		Percent Change	
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds
DADS	$ 4,776.3	$ 11,722.4	$ 3,964.7	$ 9,505.4	$ (811.5)	$ (2,217.0)	-17.0%	-18.9%
DARS	$ 260.8	$ 1,242.1	$ 317.0	$ 1,315.8	$ 56.2	$ 73.7	21.5%	5.9%
DFPS	$ 1,530.5	$ 3,113.7	$ 1,871.5	$ 3,439.9	$ 341.0	$ 326.1	22.3%	10.5%
DSHS	$ 3,547.4	$ 6,555.9	$ 3,561.0	$ 6,666.9	$ 13.6	$ 110.9	0.4%	1.7%
HHSC	$ 20,366.0	$ 53,052.0	$ 25,187.9	$ 62,838.0	$ 4,821.9	$ 9,786.0	23.7%	18.4%
Total, HHS	**$ 30,481.0**	**$ 75,686.2**	**$ 34,902.2**	**$ 83,765.9**	**$ 4,421.1**	**$ 8,079.7**	**14.5%**	**10.7%**

HHS Agency Full-Time Equivalents (Baseline and Exceptional Items)
FY 2014-2015 and FY 2016-2017

Agency	FTE		FTE - Base		FTE - Exceptional Items		Total FTE Request	
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
DADS	15,894	16,968	16,969	16,910	105	208	17,074	17,118
DARS	2,928	3,179	3,125	3,125	0	0	3,125	3,125
DFPS	11,524	12,272	12,272	12,272	472	570	12,744	12,842
DSHS	12,045	12,299	12,299	12,299	0	0	12,299	12,299
HHSC	12,721	12,774	12,774	12,774	34	34	12,808	12,808
Total, HHS	**55,112**	**57,492**	**57,419**	**57,360**	**611**	**812**	**58,030**	**58,172**

--Totals may not add due to rounding. Employee benefits, interagency contracts, and most supplemental payments not included.
-- DFPS' exceptional items include a funding request to maintain fiscal year 2014-2015 staffing for 815 FTEs in fiscal year 2016 and 880 FTEs in fiscal year 2017. These FTEs are not shown in the exceptional item FTEs above. These FTEs are included in the agency's FTE cap.
-- DSHS' funds and FTEs include Office of Violent Sex Offender Management (OVSOM).
--Fiscal year 2014-2015 assumes supplemental appropriations of $1.0 billion GR and $2.6 billion All Funds.

Summary of HHS System Exceptional Item Request

HHS agencies requested 68 exceptional items totaling $2.8 billion in General Revenue and $6.1 billion in All Funds, including nine requests that are enterprise wide with components affecting multiple agencies. **Figure II.6** divides the exceptional items into two groups and seven subcategories to better highlight the areas of funding needs. These categories are described below.

Maintain Current Services and Cost Trends

Medicaid Programs ($1,498.9M GR/$3,662.8M AF)

The exceptional items in this subcategory would continue the current level of services provided in the Medicaid program by funding increased costs in acute care and long-term care at DADS and HHSC, as well as providing funds for increased claims administrator contract costs.

Non-Medicaid Programs ($242.3M GR/$374.3M AF)

The exceptional items in this subcategory would maintain current service levels and address cost trends in certain non-Medicaid programs:

- DARS requested funds to maintain caseloads in Early Childhood Intervention at fiscal year 2015 levels as well as address forecasted growth in fiscal year 2016-2017;
- DFPS requested funds to maintain fiscal year 2015 staffing levels, provide essential caseworker tools, as well as services for vulnerable children, adults, and their families. DFPS also requested funding for federal child care licensing requirements, and funds to maintain caseloads per worker at fiscal year 2015 levels;
- DSHS requested funds to maintain fiscal year 2015 service levels for mental health and tobacco prevention, as well as support operations at state mental health hospitals; and
- HHSC requested funds to maintain services in CHIP, support annualization of costs, continue funding for data center services at all five agencies, replace regional laundry equipment, maintain its vehicle fleet, and continue children protective services litigation defense.

Service Improvements

The exceptional items in this group would improve services provided by HHS agencies and have been categorized into five subcategories.

Increase Capacity to Serve More Clients in Existing Programs ($620.7M GR/$1,185.6M AF)

As the population of Texas grows, so will the need for health and human related services. These exceptional items would provide needed services to more individuals. The items include addressing interest and waiting lists at DADS, DARS and DSHS, expanding Autism services, and

complying with Federal Preadmission Screening and Resident Review (PASRR) requirements. In addition, HHSC would increase the capacity of existing family violence providers.

Address Critical Staffing Needs ($192.1M GR/$409.3M AF)

These exceptional items would allow agencies to better serve the increased numbers of individuals requiring state services by improving recruitment and retention of direct care and other critical staff across the system (see **Chapter IV** for more details). DFPS' staffing request would improve the safety of children and adults, as well as create a child safety office.

Maintain Infrastructure for State Facilities and Certain Programs ($21.2M GR/$211.0M AF)

The exceptional items in this category would primarily provide DADS and DSHS with funding to make critical repairs and renovations to state facilities. These repairs are needed to ensure the safety and well-being of the facilities' residents. HHSC would improve security at regional offices by installing video surveillance and keyless access systems (see **Chapter IV** for more details).

Enhance Information Technology ($54.9M GR/$69.9M AF)

These items address critical information technology needs that will enable HHS programs to provide client services in the most efficient manner possible (see **Chapter IV** for more details).

Other Service Improvements ($157.4M GR/$201.9M AF)

The final category identifies a range of other service improvement initiatives at HHS agencies designed to improve the quality and level of services currently provided.

Figure II.6 **HHS Exceptional Item Request by Major Category**
FY 2016-2017

Agency	EI#	Exceptional Item	GR/GRD	All Funds
Maintain Current Services				
Medicaid Programs				
DADS	1	Caseload/Maintain Current Service Levels	$ 53,722,142	$ 112,444,589
DADS	2	Cost Trends	$ 23,702,808	$ 55,446,921
HHSC	1	Maintain Cost Trends for Medicaid Current Services	$ 1,373,700,215	$ 3,378,353,311
HHSC	3	Maintain Claims Administrator Costs	$ 47,761,056	$ 116,523,992
		Medicaid Programs, subtotal	***$ 1,498,886,221***	***$ 3,662,768,813***
Non-Medicaid Programs				
DARS	1	Maintain ECI Caseload at FY15 Levels	$ 16,948,975	$ 25,092,678
DARS	2	Fund ECI Caseload FY16/FY17 Forecasted Growth	$ 17,485,094	$ 25,890,373
DFPS	1	Maintain FY14-15 Staffing and Costs	$ 85,904,942	$ 95,638,670
DFPS	2	Maintain Services for Vulnerable Children, Adults and Their Families	$ 17,805,335	$ 17,805,335
DFPS	3	Maintain Essential Caseworker Tools	$ 6,323,185	$ 6,667,097
DFPS	4	Maintain Staff at FY16-17 Projected Caseloads at FY 15 Staff Ratio	$ 8,292,290	$ 9,416,543
DFPS	5	Maintain Compliance with Federal Child Care Licensing Requirements	$ 25,386,809	$ 25,741,107
DSHS	1	Maintain FY15 Service Levels	$ 29,762,912	$ 31,297,887
HHSC	5	Maintain Current Services to Support Caseload Growth and Annualization of Costs	$ 11,461,278	$ 21,389,307
HHSC	2	Maintain Cost Trends for CHIP Current Services	$ 7,293,297	$ 96,671,140
HHSC	4	Maintain Funding for Data Center Services	$ 15,638,534	$ 18,719,833
HHSC	8	Maintain Defense on Children's Litigation	TBD	TBD
		Non-Medicaid Programs, subtotal	***$ 242,302,651***	***$ 374,329,970***
		Maintain Current Services Total	**$ 1,741,188,872**	**$ 4,037,098,783**

Agency	EI#	Exceptional Item	GR/GRD	All Funds
Service Improvements				
Increase Service Capacity				
DARS	3	Support Texans with Autism	$ 7,840,000	$ 7,840,000
DARS	4	Invest in Independence and Blindness Prevention	$ 5,438,982	$ 5,532,109
DARS	5	Ensure Communication Access for People who are Deaf or Hard of Hearing	$ 1,200,000	$ 2,100,000
DARS	6	Reduce the Independent Living Services General Waiting List	$ 938,000	$ 938,000
DARS	7	Reduce the Comprehensive Rehabilitation Services Waiting List	$ 2,651,328	$ 2,651,328
DSHS	3	Expand and Enhance Women's Health via Primary Health Care Program	$ 20,000,000	$ 20,000,000
DSHS	4	Enhance Substance Abuse Services	$ 44,884,389	$ 44,884,389
DSHS	5	Community Mental Health Initiatives	$ 77,263,160	$ 90,837,623
DSHS	7	Fund Waiting Lists (CSHCN)	$ 17,868,693	$ 17,868,693
DSHS	9	Improve Prevention of Chronic Diseases	$ 26,054,055	$ 26,054,055
DADS	3	Reducing Community Waiver Program Interest Lists	$ 304,875,395	$ 725,718,937
DADS	4	Promoting Independence	$ 31,215,338	$ 85,000,578
DADS	6	Complying with Federal PASRR Requirements	$ 42,087,113	$ 117,651,368
DFPS	8	Increase Support and Services for Military Families and High Risk CPS Families	$ 35,342,564	$ 35,486,157
HHSC	9	Increase Capacity of Existing Family Violence Providers	$ 3,000,000	$ 3,000,000
		Increase Service Capacity, subtotal	***$ 620,659,017***	***$ 1,185,563,237***
Address Critical Staffing Needs				
DFPS	6	Create Child Safety Office	$ 768,490	$ 846,456
DFPS	9	Improve Safety in CPS Investigations and Conservatorship	$ 2,668,978	$ 2,994,472
DFPS	10	Improve Safety for Children in Foster Care	$ 4,601,001	$ 4,655,468
DFPS	11	Improve Safety for Children in Licensed Child Care	$ 7,022,969	$ 8,271,126
DFPS	12	Improve Safety for Elder Adults and Individuals with Disabilities	$ 2,802,756	$ 3,060,390
DFPS	13	Create More Tenure and Experience in Direct Delivery Staff	$ 10,746,937	$ 11,918,188
DFPS	17	Improve Records Management and Access	$ 6,035,302	$ 6,648,586
DFPS	18	Improve Stakeholder and External Coordination	$ 1,840,594	$ 2,029,638
HHSC	19	Improve Medicaid Staffing and Support	$ 1,105,085	$ 2,960,090
HHSC	20	Increase HHS Recruitment and Retention	$ 154,499,393	$ 365,877,609
		Address Critical Staffing Needs, subtotal	***$ 192,091,505***	***$ 409,262,023***
Maintain Infrastructure for State Facilities and Certain Programs				
DSHS	2	Facilities and Vehicles	$ 6,036,305	$ 94,631,545
DADS	8	Maintaining/Improving SSLC Operations	$ 11,191,905	$ 112,051,122
HHSC	6	Maintain HHSC Vehicle Fleet to Support Program Operations	$ 926,980	$ 926,980
HHSC	7	Regional Laundry - Replacement of Equipment and Trailer	$ 2,290,436	$ 2,290,436
HHSC	11	Security Enhancements for Regional HHS Client Delivery Facilities	$ 783,919	$ 1,078,486
		Maintain Infrastructure, subtotal	***$ 21,229,545***	***$ 210,978,569***

Agency	EI#	Exceptional Item	GR/GRD	All Funds
Service Improvements				
Enhance Information Technology				
DSHS	5	Improve Mobile Technology	$ 6,200,000	$ 6,200,000
DFPS	10	Use Data More Effectively to Improve Child Safety	$ 6,939,725	$ 7,601,029
HHSC	12	Food Service Management and Nutrition Care Management Software Expansion to all Sites	$ 1,723,024	$ 2,320,722
HHSC	14	Cybersecurity Advancement For HHS Enterprise	$ 11,552,324	$ 14,720,446
HHSC	15	Network, Performance, and Capacity	$ 3,318,426	$ 4,531,362
HHSC	16	HHS Telecom Managed Services Reprocurement	$ 9,232,346	$ 12,332,053
HHSC	17	HHSAS Upgrade to CAPPS 9.2 and Enhancements	$ 9,554,219	$ 13,013,297
HHSC	20	Improve Employee Technical Support	$ 6,366,273	$ 9,144,475
		Enhance Information Technology, subtotal	***$ 54,886,337***	***$ 69,863,384***
Other Service Improvements				
DSHS	6	State Hospital System Improvement	$ 55,731,540	$ 55,731,540
DSHS	8	STD Prevention and Treatment	$ 6,124,996	$ 6,124,996
DSHS	11	Emergency Planning	$ 5,000,000	$ 5,000,000
DSHS	12	Office of Violent Sex Offender	$ 7,633,039	$ 7,633,039
DADS	5	Enhancing Community IDD Services for Persons with Complex Medical and/or Behavioral Needs	$ 41,064,538	$ 58,324,264
DADS	7	Protecting Vulnerable Texans	$ 21,156,798	$ 41,780,718
DADS	9	ADRC Structural Enhancements: Specialized Resource Navigation for Veterans	$ 2,200,000	$ 2,200,000
DFPS	7	Get Up-to-date Criminal Background Checks	$ 2,167,742	$ 2,367,599
DFPS	15	Expand Foster Care Redesign	$ 1,530,931	$ 1,608,877
DFPS	16	Improve Outcomes for Foster Care Children	$ 2,639,800	$ 2,720,754
DFPS	19	Strengthen Joint Investigations	$ 6,700,000	$ 6,700,000
HHSC	10	Implement Enhanced Asset Verification System (AVS) for Certain Populations	$ 880,720	$ 1,761,440
HHSC	18	Establish Small House Nursing Facilities	$ 2,155,304	$ 5,042,062
HHSC	21	Implement Technology Solution to Support Improved Workload Distribution and Management	$ 2,425,116	$ 4,947,499
		Other Service Improvements, subtotal	***$ 157,410,524***	***$ 201,942,788***
		Service Improvements Total	**$ 1,046,276,928**	**$ 2,077,610,001**
		Total HHS Exceptional Item Request	**$ 2,787,465,800**	**$ 6,114,708,784**

III. MAJOR FACTORS CONTRIBUTING TO FUNDING NEEDS

Fiscal Year 2015 Supplemental Needs

HHSC and DFPS will require supplemental funding for entitlement programs estimated to be $1.0 billion GR and $2.6 billion in All Funds in fiscal year 2015. Of that total, $971.2 million in GR and $2.5 billion in All Funds is Medicaid related. In fiscal year 2014, HHSC utilized lapsed funds at DADS and authority to move funds appropriated for fiscal year 2015 to fiscal year 2014 to address budget needs. DFPS identified surplus funds in fiscal year 2014 and used additional TANF funds to address fiscal year 2014 needs and to partially cover fiscal year 2015 needs. Remaining fiscal year 2015 needs are as follows (see **Figure III.1**):

Health and Human Services Commission

- Higher caseloads and medical costs are key drivers in Medicaid and CHIP entitlement spending exceeding appropriations in the 2014-2015 General Appropriations Act (GAA), Senate Bill 1, 83rd Regular Legislative Session (83 R). Current estimates assume:
  - Medicaid need of $971.2 million GR of which $422.9 million replaces carryback used in fiscal year 2014 and $548.3 million is for fiscal year 2015; and
  - CHIP need of $10.2 million GR in fiscal year 2015.

Department of Family and Protective Services

- Current caseload forecasts for foster care, adoption subsidies, and permanency care assistance entitlement services combined with a national decline in federal Title IV-E funding results in an estimated need of $22.4 million for these entitlement programs.

Figure III.1 **Estimated Supplemental Need for Fiscal Year 2015 ($ in millions)**

	GR	All Funds
Medicaid	$971.2	$2,506.9
CHIP	$10.2	$34.9
Subtotal HHSC	**$981.4**	**$2,541.8**
Foster Care	$20.2	$20.2
Adoption Subsidies	$1.3	$1.3
Permanency Care	$0.9	$0.9
Subtotal DFPS	$22.4	$22.4
Total Supplemental Need	**$1,003.8**	**$2,564.2**

Source: HHS LARs fiscal year 2016-2017

Caseloads and Cost

Growing caseloads and health care cost increases are driving appropriations requests in several key areas. The Medicaid acute and long term care, foster care, adoption subsidy, child protective services daycare, and Early Childhood Intervention programs are all projecting continued growth in the number of clients that will need services in the next biennium. In addition, funding to address rising health care costs, particularly in the Medicaid and CHIP programs, is requested in agency exceptional items.

Medicaid Acute Care

Medicaid acute care caseloads are projected to average over 4.6 million by fiscal year 2017, with an average of almost 3.5 million in the children's risk groups (all non-disability-related children). In forecasting the Medicaid program for the fiscal year 2016-2017 LAR, the following assumptions were used:

- The caseload growth trend is estimated to be 2.3 percent by fiscal year 2017;

- Caseload growth under current eligibility criteria is included in the base request. There are caseload increases in fiscal year 2016 and fiscal year 2017 that continue to add clients who are enrolling due to policies or outreach required under the Affordable Care Act (ACA), including clients who remain on the caseload longer due to new streamlined renewal policies; and

- The base forecast held costs at the fiscal year 2015 level. Cost growth is projected through the end of the 2016-2017 biennium and included in HHSC's first exceptional item request.

Both caseload and cost trends are determined by time-series analyses of historical data, with consideration of external factors such as policy impacts from ACA. **Figure III.2** shows the Medicaid caseloads over a four year period.

Figure III.2

Medicaid Acute Care Caseload				
Caseload by Group	**Estimated FY 2014**	**Projected FY 2015**	**Projected FY 2016**	**Projected FY 2017**
Total Medicaid	**3,779,616**	**4,381,088**	**4,560,903**	**4,664,392**
Aged & Disability-Related	**798,130**	**815,624**	**837,184**	**864,696**
Aged & Medicare-Related	*371,021*	*378,372*	*390,311*	*404,449*
Disability-Related (including Children)	*427,109*	*437,252*	*446,873*	*460,247*
Other Adults, Non-Aged/Disability-Related	**269,232**	**305,983**	**337,518**	**342,237**
Pregnant Women	*137,434*	*144,406*	*145,467*	*146,880*
Adults, including Non-Cash and Breast and Cervical Cancer Clients in FY 2016 and 2017	*131,797*	*161,577*	*192,051*	*195,357*
Medicaid Children Ages 0-20, Non-Disabled	**2,712,254**	**3,259,481**	**3,386,201**	**3,457,459**
Newborns	*263,967*	*261,677*	*262,650*	*266,677*
Age 1-5	*879,580*	*925,570*	*985,377*	*1,001,719*
Age 6-14	*1,198,379*	*1,590,617*	*1,638,380*	*1,674,210*
Age 15+	*339,502*	*448,995*	*466,188*	*480,538*
StarHealth Foster Care	*30,826*	*32,623*	*33,605*	*34,314*

Source: Legislative Appropriations Request Forecast, HHSC Financial Services
Note: Numbers may not add due to rounding.

Children's Health Insurance Program

CHIP caseloads are projected to average over 363,000 in fiscal year 2017. If the Perinate caseload of 40,500 is included then estimated caseload is just over 404,000 in fiscal year 2017. Overall, there is a cost growth exceptional item of $7.3 million in GR for CHIP. Caseload actually declines, influenced heavily by the movement in eligibility from CHIP to Medicaid. Total costs also decline, however cost per child is expected to increase. **Figure III.3** shows the CHIP caseloads over a four year period.

Figure III.3

CHIP Caseload				
Group	**Estimated FY 2014**	**Projected FY 2015**	**Projected FY 2016**	**Projected FY 2017**
***Traditional CHIP Children*	*522,485*	*365,549*	*356,897*	*363,668*
****CHIP Perinatal Clients*	*37,718*	*38,365*	*38,925*	*40,518*
Group Total, No Perinates	**522,485**	**365,549**	**356,897**	**363,668**
Group Total, With Perinates	**560,203**	**403,914**	**395,822**	**404,186**

Source: Legislative Appropriations Request Forecast, HHSC Financial Services

***Traditional CHIP contains TRS, legal immigrant, and federally funded children since all 3 groups are now federally funded as of Sept. 2010*
****CHIP Perinate provides prenatal care for the unborn children of low-income women who do not qualify for Medicaid. Once born, the child receives CHIP benefits for the duration of the 12-month coverage period.*

Long Term Support Services

Residential long-term services and supports caseloads at DADS have changed considerably as many services are being carved-in to the overall managed care of the client. This results in a medical home and continuity of care that encompasses the total client need as well as staff and funding transfers from DADS to HHSC. Residential Nursing Facility services are being carved-in to the STAR+PLUS or Dual Demonstration programs at HHSC as of March 2015, and STAR+PLUS Community Care rolled out statewide as of September 2014. Long-Term Services for children with significant needs will be carved-in to managed care in fiscal year 2017. Some children would still receive waiver services outside of managed care. The caseload presented in **Figures III.4 and III.5** shows those clients who have services delivered fee-for-service (FFS) by DADS.

Figures III.4 shows those clients who have services delivered fee-for-service (FFS) by DADS in the following general categories (note that declines in caseload result from program transfers to HHSC):

- Residential Long-Term Services and Supports - caseload from the Nursing Facility (NF), Hospice, Skilled Nursing Facility (SNF), Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF/IID), and State Supported Living Center (SSLC) programs.
- Community Care - entitlement and non-entitlement programs:
  - Community Care Entitlement includes caseload from the Primary Home Care (PHC), Community Attendant Services (CAS), Day Activity and Health Services (DAHS) Title XIX programs.
  - Community Care Non-Entitlement includes caseload from the Community-based Alternatives (pre-2015) (CBA), Home and Community Based Services (HCS), Community Living Assistance and Support Services (CLASS), Deaf-Blind Multiple Disability (DBMD), Medically Dependent Children, Consolidated Waiver, and Texas Home Living waiver programs.
- Promoting Independence - caseload for clients moving from institutional settings into community care waivers, including CBA, CLASS and Medically Dependent Children's Program (MDCP).

Figure III.4

Long-Term Services and Supports Caseload: DADS						
Group	**Estimated FY 2014**	**Projected FY 2015**	**Projected FY 2016: Base Request**	**Projected FY 2017: Base Request**	**Projected FY 2016: Full Request**	**Projected FY 2017: Full Request**
Residential LTSS	*76,966*	*48,528*	*20,751*	*20,939*	*20,751*	*20,939*
Promoting Independence	*4,968*	*3,353*	*3,351*	*51*	*3,351*	*51*
Community Care	*106,119*	*91,176*	*91,969*	*89,953*	*93,438*	*91,333*

Source: Legislative Appropriations Request Forecast, HHSC Financial Services

Figure III.5 further details caseloads for DADS' Long-Term Services and Supports described above, illustrating the transition of major client groups out of DADS programs and into STAR+PLUS or Dual Demonstration programs at HHSC. Major shifts in caseloads include:

- Caseloads for the FFS Primary Home Care and Title XIX Day Activity and Health Services programs declines effective September 2014 as clients move into the statewide STAR+PLUS expansion.
- Caseload for the fee for service Nursing Facility and Skilled Nursing Facility programs is assumed to transfer effective March 2015 with the addition of nursing facility services in STAR+PLUS and the Dual Demonstration.
- With the STAR+PLUS statewide and the Disability-Related children's managed care expansions, DADS will no longer operate the Community-Based Alternatives waiver as of September 2014, or the Medically Dependent Children's Program as of September 2016. These programs have caseload in both the Community Care and Promoting Independence rows of the chart.

Figure III.5

Long Term Support Services FFS Caseload Forecast (June 2014)					
		FY 2014	FY 2015	FY 2016	FY 2017
Residential LTSS					
	Hospice	6,963	7,104	7,253	7,429
	SNF	5,254	3,496	2,061	2,064
	NF	55,905	29,289	2,892	2,901
	ICF/IID	5,413	5,401	5,401	5,401
	SSLC	3,439	3,238	3,144	3,144
	Subtotal	76,973	48,528	20,751	20,938
Promoting Independence					
	Rider CBA	1,639	0	0	0
	Rider CLASS	49	51	51	51
	Rider MDCP	3,240	3,302	3,300	0
	Subtotal	4,927	3,353	3,351	51
Community Care					
	PHC	10,951	1,249	1,281	1,314
	CAS	49,452	50,194	50,675	51,021
	DAHS	1,822	1,121	1,160	1,200
	CBA	9,870	0	0	0
	HCS	20,803	22,789	23,438	23,438
	CLASS	4,643	5,204	5,367	5,367
	DBMD	161	232	255	255
	MDCP	2,319	2,497	2,524	0
	TxHml	5,536	8,051	8,738	8,738
	Subtotal	105,557	91,337	93,438	91,333
	Total	**187,457**	**143,218**	**117,540**	**112,322**
	Nursing Facility services are being carved-in to the STAR+PLUS or Dual Demonstration programs at HHSC in March 2015				
	STAR+PLUS Community Care has rolled out statewide as of September 2014				
	Long-Term Services for children with significant needs will be carved-in to STAR Kids program in September 2016				

Note: Figure excludes HHSC Long Term Support Services.

Other Key HHS Caseloads

DFPS - Foster Care caseloads at DFPS are projected to increase, on average, approximately two percent each year of the 2016-2017 biennium, after an increase of 1.4 percent in fiscal year 2015. Adoption Subsidy clients have been increasing steadily, and are projected to increase approximately six percent a year for fiscal years 2015 through 2017. Total day care caseloads (Foster, Protective and Relative combined) are projected to increase by an estimated 2.2 percent in fiscal year 2016 and 1.5 percent in fiscal year 2017 after a projected 1.5 percent increase in fiscal year 2015.

DARS - Early Childhood Intervention (ECI) caseload increases approximately five percent in fiscal year 2015 and by five percent in each year of the fiscal year 2016-2017 biennium.

HHSC - Temporary Assistance for Needy Families (TANF) is projected to see a significant decrease of around eight percent in fiscal year 2015, continuing a similar trend of declining caseloads since fiscal year 2010. However, TANF caseload is expected to stabilize around 75,000 in fiscal year 2016, and slightly increase in fiscal year 2017.

Figure III.6

Other Key HHS Caseloads						
Agency/Program	**Estimated FY 2014**	**Projected FY 2015**	**Projected FY 2016 Base**	**Projected FY 2017 Base**	**Projected FY 2016 - Full Request**	**Projected FY 2017 - Full Request**
Department of Family and Protective Services						
Foster Care	*16,332*	*16,559*	*16,998*	*17,243*	*16,998*	*17,243*
Adoption Subsidy	*41,701*	*44,357*	*47,037*	*49,679*	*47,037*	*49,679*
Total Day Care Days	*172,035*	*174,652*	*170,241*	*168,135*	*178,446*	*181,134*
Department of Assistive and Rehabilitative Services						
Early Childhood Intervention	*25,714*	*27,104*	*26,981*	*22,869*	*28,576*	*30,129*
Health and Human Services Commission						
Temporary Assistance for Needy Families	*80,407*	*74,078*	*75,491*	*76,998*	75,491	76,998

Source: Legislative Appropriations Request Forecast, HHSC Financial Services

Notes:
(1) Foster Care caseload FTEs include forecasted caseload for Home and Community Based Services (HCS), Relative Foster Care and Supervised Independent Living (SIL).
(2) Total Day Care Days represent the Average Monthly Days of Day Care received for Foster, Protective and Relative combined.
(3) ECI Caseload presented is representative of the Average Monthly Number of Children Served in Comprehensive Services.

FMAP Adjustment

The federal match or federal medical assistance percentage (FMAP) is the share of state Medicaid services costs paid by the federal government. It also represents the federal share of Title IV-E foster care and adoption assistance maintenance payments. The FMAP is effective for each federal fiscal year, October 1 – September 30. For the Texas fiscal year, September 1 – August 31, a one-month adjustment is made for budget planning and reporting purposes.

The FMAP is calculated based on a three-year average of state per capita personal income relative to the national average and is affected both by income and population. The March 2014 release of 2013 state personal income and per capita personal income data permitted projection of the fiscal year 2016 FMAP rate which is based on the per capita personal incomes for calendar years 2011-2013. Recent economic and demographic growth in Texas in comparison to the national average has resulted in a declining federal share to Texas.

The LARs submitted by health and human services agencies assumed the federal match or FMAP for direct care services in Medicaid and Title IV-E at 57.30 percent for fiscal year 2016 and 57.23 percent for fiscal year 2017.

The final state fiscal year 2016 rate published on October 1, 2014, is lower than estimated in LARs at 57.21 percent instead of 57.30 percent, a difference of -0.09 percent. The state fiscal year 2017 rate was projected at 57.23 percent and the revised rate is 57.13 percent, a difference of -0.1 percent. This results in a biennium need of approximately $55.0 million.

Figure III.7 **LAR Estimated Federal Matching Rates (FMAP)**
State Fiscal Years 2007 and 2014-2017

State Fiscal Year	Estimated FMAP	Revised FMAP	Difference
2007	N/A	60.77%	
2014	N/A	58.74%	
2015	N/A	58.10%	
2016	57.30%	57.21%	-0.09%
2017	57.23%*	57.13%*	-0.10%

** Projected*

The Children's Health Insurance Program (CHIP) uses an enhanced FMAP rate calculated by reducing each state's Medicaid share by 30 percent. In fiscal years 2016 through 2019, the Affordable Care Act increases the enhanced FMAP by an additional 23 percentage points.

Figure III.8 **LAR Estimated Enhanced Federal Matching Rates (EFMAP)**
State Fiscal Years 2007 and 2014-2017

State Fiscal Year	Estimated EFMAP	Revised EFMAP	Difference
2007	N/A	72.54%	
2014	N/A	71.12%	
2015	N/A	70.68%	
2016*	91.19%	91.13%	-0.06%
2017**	93.06%*	92.99%*	-0.07%

** Includes additional 23% enhanced match*

*** Projected, includes additional 23% enhanced match*

Based on the LARs submitted for fiscal years 2016-2017, the estimated impact to Texas resulting from a change in the federal match rate is approximately $290 million for each one percent change. The final FMAP rates for fiscal year 2017 will be published in the fall of 2015.

IV. HHS System Initiatives

HHS agencies are requesting a number of exceptional items that address critical needs across agencies. Some of these exceptional items are carried by the respective agencies in their LARs, while others are consolidated into an enterprise request that is carried in the HHSC LAR. The requested items (described below) include increasing capacity of the community-based services programs, enhancing information technology, addressing retention and recruitment of selected direct care and other critical staff at HHS agencies, and meeting the needs of state-operated facilities.

Increase HHS Community Services (Waiting/Interest Lists)

The Health and Human Services Commission supports funding additional waiver slots in all community-based services programs in order to provide more timely service and give clients greater choice in the type of service they may access. DADS, DSHS, and DARS have included exceptional item requests in each of their LARs to continue efforts to increase capacity in community services. These exceptional items would serve 18,484 individuals by the end of fiscal year 2017 and cost $326.4 million in General Revenue (GR) for the 2016-2017 biennium. Most programs would receive federal matching funds (see **Appendix A** for details by program).

Prior to the fiscal year 2014-2015 biennium, the HHSC LAR included an exceptional item requesting funding on behalf of other agencies to increase capacity in community service programs. However, beginning with the fiscal year 2014-2015 biennium and continuing with the 2016-2017 biennium, each agency has submitted its own request as follows:

- **DADS/HHSC – $304.9 million General Revenue ($725.7 million All Funds).** DADS LAR requests reductions to waiting/interest lists in Home and Community Care Waivers and Non-Medicaid services. Programs included in Home and Community Care Waivers are Community Based Alternatives, Community Living Assistance and Support Services, Medically Dependent Children's Program, Deaf-Blind with Multiple Disabilities, Home and Community-Based Services, STAR+PLUS (HHSC), and Texas Home Living. This exceptional item provides services for an additional 17,426 clients to be served.

- **DSHS - $17.9 million General Revenue ($17.9 million All Funds)**. This exceptional item provides services for an additional 780 clients in the Children with Special Health Care Needs program and would reduce the number of clients on the existing waitlist to zero.

- **DARS - $3.6 million General Revenue ($3.6 million All Funds)**. DARS exceptional items for the Comprehensive Rehabilitation Services (CRS) and Independent Living Services (ILS) programs would provide services for an additional 278 clients and would reduce the number of clients on both existing waitlists to zero.

Information Technology Systems Needs

The Health and Human Services Commission Enterprise Information Technology functions provide leadership and direction related to automated systems to achieve an efficient and effective health and human services system for Texans. To continue to fulfill this purpose, seven exceptional items are included in the HHSC LAR **(**see **Figure IV.1)**. These items cross multiple agencies and represent the most critical information technology needs to enable Health and Human Services programs to provide client services in the most efficient manner possible. Each item is described separately below.

Figure IV.1

HHS System Information Technology Exceptional Item Requests (in millions)			
EI#	**Exceptional Item Title**	**General Revenue**	**All Funds**
4	Maintain Funding for Data Center Services (HHS Agencies)	$15.7	$18.7
12	Food Service and Nutrition Care Management Software Expansion to All Sites	1.7	2.3
14	Cybersecurity Advancement for HHS Enterprise	11.6	14.7
15	Network Performance and Capacity	3.3	4.5
16	HHS Telecom Managed Service Re-Procurement	9.2	12.3
17	HHSAS Upgrade to CAPPS and Enhancements	9.6	13.0
20	Improve Employee Technical Support	6.4	9.1
	Total HHS System Information Technology Request	**$57.5**	**$74.6**

In addition to the seven exceptional items described below, HHS agencies included in their agency-specific LARs information technology projects that do not impact multiple agencies.

HHSC Exceptional Item #4 - Maintain Funding for Data Center Services (HHS Agencies) ($15.7M GR/$18.7M AF)

HHS agencies are participants in the State's consolidated data center services (DCS) contract. The agreement includes management of services in 31 legacy data centers, consolidation of these services to the Austin and San Angelo data centers, and ongoing operations.

In response to various performance and financial issues surrounding the contract, the Department of Information Resources (DIR) restructured the contract in fiscal year 2013 with rate structures significantly different from prior years. Levels of server monitoring, charges for tape storage, changes in disaster recovery models and charges have all led to increases in billings. Ongoing transformations from legacy data centers to the consolidated data center have changed cost projections as well.

This exceptional item includes funding to support projected data center services needs for the 2016-2017 biennium, preparation of current applications and environments for data center services transformation by upgrading applications and refreshing technology platforms, and meeting requirements for disaster recovery functionality. This funding request includes costs for:

- HHSC ($0.6 million GR / $0.8 million All Funds)
- DADS ($2.6 million GR / $5.2 million All Funds)
- DFPS ($3.2 million GR / $3.5 million All Funds)
- DSHS ($4.1 million GR and All Funds)
- DARS ($5.1 million GR and All Funds)

HHSC Exceptional Item #12 - Food Service and Nutrition Care Management Software Expansion to All Sites ($1.7M GR/$2.3M AF)

This request allows statewide expansion and upgrade of food service management & nutrition care management software to support the State Supported Living Centers (DADS) and the State Mental Health Hospitals (DSHS), following a successful pilot in several facilities.

Control processes for food safety, allergies, textures, patient preferences, food production, and ordering in the SSLCs and state MH hospitals are performed manually using non-standardized error prone spreadsheets. This method raises the risk of safety-related mistakes, which can result in costly medical complications. SSLCs and state MH hospitals are under routine regulatory review by Joint Commission, Department of Justice (DOJ), and the Centers for Medicare and Medicaid Services (CMS).

Failure to meet nutritional requirements, food safety standards, and failure to maintain patient satisfaction can result in deficiencies and jeopardize Federal Funds.

HHSC Exceptional Item #14 - Cybersecurity Advancement for HHS Enterprise ($11.6M GR/$14.7M AF)

In 2011, to address the cyber security challenges faced by state agencies, DIR established a statewide Enterprise Security and Risk Management (ESRM) program aimed at strengthening the overall security posture of the State.

Funding is requested to address DIR's concerns and continue addressing security risks outlined in the HHS agency specific assessments to:

- Automate routine risk assessments by using a customizable intelligent repository to track findings;
- Protect HHS data against hackers, 3rd party security vulnerabilities, and malicious traffic;
- Automate manual processes to initiate and manage network access and related permissions; and
- Secure contracted resources to enhance the current security infrastructure, enable secure transmission and access of data, and ensure state and federal privacy requirements are met.

HHSC Exceptional Item #15 - Network Performance and Capacity ($3.3M GR/$4.5M AF)

Today's technology and business processes are driving the need to converge voice, data, and video networks, implement wireless capability, and ensure adequate network capacity. With a focus on improving services to Texans, HHS seeks funding to:

Expand Wireless Access
HHS has a significant number of mobile workers especially in CPS and APS with limited wireless access in certain areas of the state. This limitation impacts the timeliness of sending and receiving critical case investigation information ($3.0 million AF).

Develop a Test Environment
As agencies deploy system modifications, new functionality and applications, a system that creates a test environment to determine the impact on performance, security, and band width requirements is necessary to avoid down time or disrupting productivity ($0.6 million AF).

Consolidate Employee Access Management
As employees move between HHS agencies, access must be terminated and re-established as five separate systems are maintained. Obtaining a single system to manage employee access will allow staff to move within HHS agencies and maintain needed access and avoid down time ($0.9 million AF).

HHSC Exceptional Item #16 - HHS Telecom Managed Services Re-Procurement ($9.2M GR/$12.3M AF)

In 2015, HHSC will re-procure the telecommunications contract for HHS agencies. The current contract does not cover all HHS phone systems, does not include more current telecom capabilities and functions and causes inefficiencies.

- Nearly 8,000 telephones in 11 State Mental Health hospitals are on extremely aged phone systems that are costly to maintain and are in danger of failing;
- Phones are tied to on premise servers so that when a building is out of service (such as the DARS headquarters due to flooding) employees who have to relocate cannot keep their phones; and

- Many employees end up using both a desk and mobile phone because we do not have the technology to support just one phone number per person.

Funding is requested to:

- Transition obsolete phone systems to a vendor-delivered service which offers use of leased desk phones or an individual's existing mobile device (cloud) ($4.9 million AF);
- Expand vendor-delivered service to 11 State Mental Health hospitals ($7.4 million AF);
- Increase reliance on data lines which results in avoiding long distance costs; and
- Provide scalability for short-term needs such as disaster response or spikes in call volume.

HHSC Exceptional Item #17 - HHSAS Upgrade to CAPPS 9.2 and Enhancements ($9.6M GR/$13.0M AF)

The financial administrative system serving HHS agencies is no longer supported by the vendor. This request would support an upgrade to be consistent with the financial software version required by the State Comptroller today ($5.2 million AF). Additionally, HHSC is requesting funding to:

- Implement a software solution to provide our consolidated procurement and contracting services with needed functionality such as soliciting bids, tabulating bid responses, evaluating HUB requirements, and reporting capabilities. Procurement tasks are currently performed using multiple systems as well as manual processes ($6.9 million AF).
- Redesign the accounts receivable tracking system (ARTS) into a single application software platform that would be utilized across the HHS system. ARTS is a standalone application currently utilized by HHSC and DADS. The ARTS environment is comprised of multiple application software platforms, complicating the ongoing development and maintenance support, which drives up costs and increases the risk of application failure ($0.9 million AF).

HHSC Exceptional Item #20 – Improve Employee Technical Support ($6.4M GR/$9.1M AF)

Providing support and management for desktops, laptops, and mobile devices used by employees is a major challenge for large organizations like the HHS system with over 55,000 staff.

Funding would allow the procurement of software solutions to effectively track and secure computing devices across the system. These software applications would also allow:

- Remote deployment of software upgrades and security updates;
- Remote help desk functionality (online problem reporting, live chat, and self-service for employees to look up the answers to common questions and issues); and
- Measure actual usage of software applications for appropriate license allocation and distribution.

Retention and Recruitment of Critical Staff

The foundation of the HHS System in Texas is the staff that provides direct care for vulnerable Texans. The competition for qualified health professionals and front line client services staff throughout the state has a direct impact on HHS agencies' ability to maintain a high level of quality services in several critical areas, such as state mental health hospitals and state supported living centers, among others.

Increased turnover, high vacancy rates, and the inability to fill positions with qualified applicants have the potential to diminish the quality of services and delay client access to services. Together these conditions heighten the risk to consumers by increasing the burden on existing staff, resulting in long hours, weekend shifts, and ultimately high staff dissatisfaction and burnout. In addition, the cost of turnover related to recruitment, training, and loss of productivity associated with frequently hiring new employees creates an additional strain on funding Health and Human Services.

Structure of Funding Requests

The fiscal year 2016-2017 appropriations request to provide salary increases to improve the retention and recruitment of critical HHS agency positions is included as Exceptional Item #13 in the HHSC LAR. This item combines requests to increase salaries and wages by five percent for the staffing at the following agencies:

- DADS
    - Direct Support Professionals;
    - Custodial and Laundry Staff;
    - Food Service Personnel;
    - Community Attendant Wages (HHSC included); and
    - Registered Nurses (RNs) and Licensed Vocational Nurses (LVNs).
- DSHS
    - Psychiatric Nurse Assistants;
    - Custodial and Laundry Staff;
    - Food Service Personnel; and
    - Registered Nurses (RNs) and Licensed Vocational Nurses (LVNs).
- HHSC
    - Career Ladder Tracks for Eligibility Staff.
- HHS System
    - Career Ladder Tracks for IT Related Series;
    - Recruitment and Retention Bonus for IT Related Series; and
    - Changes in State Classification Plan for IT Related Services.

Requested Funding for Fiscal Years 2016-2017

HHSC Exceptional Item #13 - Improve Retention and Recruitment of Targeted HHS Staff ($154.5 million GR/$365.9 million AF)

HHS agencies continue to experience high employee turnover. During fiscal year 2013 the overall turnover rate for the five agencies was 22.9 percent as compared to the statewide average of 17.6 percent. HHS agencies have seen employee turnover increase for the last five fiscal years losing almost 13,000 employees during fiscal year 2013 (see **Figure IV.2** and **Figure IV.4** for specific areas of HHS turnover).

The impact to operations and administrative costs associated with employee retention continues to increase, reducing the agencies' return on investment in training, salaries and benefits paid. The lack of structured career advancement tracks and professional development opportunities have been identified by former staff as key contributors to the attrition rate. These initiatives would seek to mitigate the impact of staffing turnover, promote professional development and retain institutional knowledge required for succession planning.

Figure IV.2 **Turnover Rates for Select Direct Care Professions Fiscal Year 2014**

Occupational Category/Agency	Total Number of Positions	Annual Turnover
Psychiatric Nurse Assistants/DSHS	3,146	33%
Direct Support Professionals/DADS	7,057	45%
DADS Community Attendant Care Workers	94,700	N/A*

*HHS does not have data on the turnover of third-party attendant care workers.

The appropriations request would increase salaries of psychiatric nurse assistants, direct support professionals, and community attendant care workers by five percent. As shown in **Figure IV.3**, this item totals $129.1 million in General Revenue and $316.3 million in All Funds.

Figure IV.3 **Requested FY 2016-2017 Funding for Direct Care Professional Staff Retention and Recruitment**

Agency	Occupational Category	Number of Positions	Percent Salary Increase Requested	Biennial Total ($ in millions)	
				GR	AF
DSHS	Psychiatric Nurse Assistants	3,146	5%	**$7.3**	**$7.3**
DADS	Direct Support Professionals	7,057	5%	**$7.4**	**$16.6**
DADS and HHSC	Community Attendant Care Workers	94,700	5%	**$114.4**	**$292.4**
Total, Direct Support Professionals				**$129.1**	**$316.3**

Figure IV.4 **Turnover Rates for RNs and LVNs Fiscal Year 2014**

Occupational Category/Agency	Total Number of Positions	Annual Turnover
DSHS RNs and LVNs	1,580	25%
DADS RNs and LVNs	1,939	26%
HHS System Total	**3,519**	**26%**

The appropriations request would increase salaries of RNs and LVNs by five percent. As shown in **Figure IV.5**, this item totals $10.9 million in General Revenue and $16.5 million in All Funds.

Figure IV.5 **Requested FY 2016-2017 Funding for RNs and LVNs**

Agency	Occupational Category	Number of Positions	Percent Salary Increase Requested	Biennial Total ($ in millions)	
				GR	AF
DSHS	Registered Nurses	1,053	5%	$5.1	$5.1
DSHS	Licensed Vocational Nurses	527	5%	$1.7	$1.7
Subtotal, DSHS		**1,580**	**5%**	**$6.8**	**$6.8**
DADS	Registered Nurses	1,229	5%	$3.0	$7.0
DADS	Licensed Vocational Nurses	710	5%	$1.1	$2.7
Subtotal, DADS		**1,939**	**5%**	**$4.1**	**$9.7**
Total, RNs and LVNs				**$10.9**	**$16.5**

The appropriations request would increase salaries of custodial and laundry staff and food service personnel by five percent. As shown in **Figure IV.6**, custodial and laundry staff and food service personnel related increases total $2.6 million in General Revenue and $3.9 million in All Funds.

Figure IV.6 **Requested FY 2016-2017 Funding for Custodial and Laundry Staff and Food Service Personnel**

Agency	Occupational Category	Number of Positions	Biennial Total ($ in millions)	
			GR	AF
DADS and DSHS	Custodial and Laundry Staff	891	**$1.3**	**$1.8**
DADS and DSHS	Food Personnel	1,018	**$1.3**	**$2.1**
Total, Custodial and Laundry Staff and Food Service Personnel			**$2.6**	**$3.9**

The appropriations request also includes changes to the state classification plan for IT related services as well as career ladder tracks for:

- IT related series;
- Eligibility determination workers; and
- Recruitment and retention bonus for IT related series.

As shown in **Figure IV.7**, IT related staff recruitment and retention requests total $4.4 million in General Revenue and $6.3 million in All Funds.

Figure IV.7 **Requested FY 2016-2017 Funding for Information Technology Staff Recruitment and Retention**

Agency	Occupational Category	Number of Positions	Biennial Total ($ in millions)	
			GR	AF
HHS System	IT Related Series	N/A	**$1.6**	**$2.3**
HHS System	Career Ladder Tracks for IT Related Series	N/A	**$2.2**	**$3.1**
HHS System	Recruitment and Retention Bonus for IT Related Series	N/A	**$0.6**	**$0.9**
Total, IT Related Items			**$4.4**	**$6.3**

Finally, the appropriations request would include an increase for Career Ladder Tracks Eligibility Determination Workers in the amount of $7.4 million in General Revenue and $22.7 million in All Funds.

Requested Legislative Authority for Fiscal Year 2016-2017

Locality Pay Rider

HHS agencies are requesting rider authority to increase pay for employees in certain areas where cost of living is prohibitive to hiring quality employees and keeping turnover to a manageable rate. This request will not be accompanied by a request for increased funding.

Additional Agency Requests

DFPS

DFPS' LAR includes several exceptional items designed to strengthen its workforce. Additionally, the agency is undergoing an operational review and will likely submit supplemental requests based on the recommendations of the review.

- The following items specifically target recruitment and retention and seek to improve worker safety and support staff:
    - Twenty-eight master investigator positions to assist with cases in high-vacancy, high-turnover areas (DFPS EI #9); and
    - Establishment of a worker safety office to provide trauma support, funds for parity pay for certain child care licensing staff, and pay down overtime balances for child protective workers (DFPS EI #13).

For a full list of DFPS exceptional items that would enhance staff, see **Figure II.6**.

DSHS

Included in DSHS Exceptional Item #6 is a request to expand the residency program in State Mental Health Hospitals. This request for $1.2 million All Funds supports the services of four psychiatric residents to work in the public mental health system. The new residency slots will expand the current residency training program from 15 to 19 slots. The request will also fund site-based supervision for the residents as well as any other residents serving in the specific site.

DADS

Included in DADS Exceptional Item #8 is $2.1 million in General Revenue and $4.9 million in All Funds for a reclassification of qualified intellectual disability professionals who oversee and coordinate client treatment plans.

State-Operated Facilities

HHSC, DADS and DSHS have identified four areas of need to ensure the health and safety of residents in state-operated facilities. These areas include: facility repair and renovations, facility demolition, vehicles, and laundry services. HHSC has included an enterprise exceptional item for regional laundry services. All other facility related items are addressed in each agency's LAR.

Facility Repairs and Renovation

DADS has 12 State-Supported Living Center (SSLC) campuses composed of 852 buildings. The buildings range in age from one to 114 years, with an average age of 48 years. SSLCs must have certification to be eligible for federal funding and facilities must comply with the articles of participation and licensing standards.

DADS' request would provide critical infrastructure repairs and renovations to SSLCs, such as life and safety code, fire sprinklers, roofing, generators, and electrical and plumbing systems.

DSHS has 12 state hospital campuses composed of 584 buildings. The buildings range in age from 2 to 157 years, with an average age of 52 years. State hospitals must maintain Joint Commission accreditation to receive federal funding. The state must provide a safe and therapeutic environment that is conducive to patient recovery.

DSHS's request would provide funding to repair and renovate aging state hospitals and their infrastructure. These repairs would limit high cost emergency repairs in the future.

Figure IV.8 below shows the amount of All Funds requested by the two agencies for facility repairs and renovation. Both DADS and DSHS requested general obligation bonds to fund these facility needs.

Figure IV.8 **Summary of DADS and DSHS FY 2016-2017 Repair and Renovation Needs and Requests (All Funds)**

Agency	Identified Needs	Request
DADS	$211,230,849	$93,987,724
DSHS	$185,856,965	$83,701,442
Total	**$397,087,814**	**$177,689,166**

Facility Demolition

DSHS maintains buildings that are no longer capable of being used and are identified as potential safety hazards for the patients being served.

Figure IV.9 below shows the amount of All Funds requested by DSHS for facility demolition.

Figure IV.9 **Listing of DSHS Facilities for Demolition FY 2016-2017 (All Funds)**

Facility Name	Request Description	Requested Amount
Big Spring	Demolition of Unused, Unsafe Bldgs. – Client Residences	$32,179
Big Spring	Demo Unused Boiler – Client Support Bldg.	$125,700
Kerrville	Demo Unsafe Building – Admin. Bldg.	$1,164,225
Rio Grande	Demolish Unsafe Building – Client Use Bldg.	$504,589
Rusk	Demo Unsafe Buildings – Client Support Bldgs.	$668,528
San Antonio	Demo Unsafe Bldg. – Client Support Bldg.	$1,221,416
Terrell	Demo Unsafe Bldgs. – Client Support & Client Use Bldgs.	$1,020,731
Waco Center	Demo Unsafe Bldgs. – Client Support & Client Use Bldgs.	$156,430
Grand Total		**$4,893,798**

Vehicles

HHS agencies' request for vehicles is consistent with each agency's replacement priorities identified in the HHS Enterprise Vehicle Replacement Plan. The request includes passenger cars, SUVs, light duty trucks, medium trucks, and vans that are primarily used for supporting client services at state facilities. HHS agencies request 467 vehicles and $13.1 million in General Revenue (**Figure IV.10**).

Figure IV.10 **HHS Enterprise Vehicle Needs (General Revenue)**

Agency	Number of Vehicles	Request
DADS	223	$6,063,934
DSHS	220	$6,036,305
HHSC	22	$926,980
Total	**465**	**$13,073,255**

DARS vehicle needs are included in the agency's base request. If approved, DARS will purchase one vehicle using Federal Funds. DADS' request for vehicles would receive Federal Funds covering 60 percent of the cost while DSHS' request is General Revenue.

Regional Laundry

In fiscal year 2005, SSLCs and state MH hospitals consolidated 13 individual laundry facilities to five regional facilities. Although a significant amount of equipment was replaced as part of the Energy Savings Performance Initiative through the State Energy Conservation Office (SECO) and with fiscal year 2014-2015 funding, a 10-year replacement plan was established to ensure the replacement of equipment on a regular industry standard schedule. Additionally, trailers are required to transport soiled linens and clothing and replace them with fresh, clean laundry. Clean clothing, towels, bed linens, and blankets are daily essentials that play a pivotal role in ensuring that the individuals dependent on these facilities receive appropriate care. This request is for a total of $2.3 million GR/All Funds, including $1.6 million at DADS and $0.7 million at DSHS.

Mental Health Coordination

In recent years, Texas has made strides towards enhanced mental health services, education, and supports; however, Texans with mental health conditions continue to face significant hurdles. Treating mental health conditions has a major cost impact/burden on the individual, the family, healthcare insurers, and providers. According to the Agency for Healthcare Research and Quality, an estimated $77.6 billion was spent nationally on medical treatment of mental disorders in 2011; however, the total economic burden from mental disorders is much larger.

Not treating mental health conditions when they occur also has a fiscal impact, whether through lost opportunity or funds expended. When people are too ill to work, they may lose wages or lose employment entirely. The Milken Institute estimates that the loss of worker productivity has been estimated to be more than $171 billion per year nationally, and more than $10 billion per year in Texas.

Mental health conditions are also associated with chronic medical diseases such as cardiovascular disease, diabetes, and obesity, causing increased use of emergency room and hospital services due to these and other co-morbid conditions, adding even more economic burden.

A number of opportunities exist to improve mental health treatment in Texas, including the following areas:

- **Increased Prevention and Early Intervention Services -** Studies indicate that better outcomes are achieved through prevention and early intervention services than through more restrictive and costly alternatives, such as jails, prisons, and hospitals;

- **Innovation in Funding and Service Delivery Programs -** Current traditional public mental health funding in Texas is channeled through nearly a dozen state agencies, contributing to a fragmented and poorly integrated system. Waiver projects, such as the Medicaid 1115 Transformation Waiver demonstration project which began in Texas in 2012, show promise with innovative, locally-driven projects that allow for flexibility in funding to address unique local needs and produce more favorable outcomes;
- **Veteran and Active Service Members Supports -** Nearly 1.6 million veterans reside in Texas. A number of veterans experience mental health challenges resulting from their military service, but they may feel a general reluctance to engage in mental health treatment. The effects of war can also extend beyond the deployed service member: children and families can struggle with changes resulting from absent and returning parents; and
- **Peer Services -** Recovery is a core value of the Texas system and Texas leads in many areas promoting self-directed care for people with mental illness through peer-delivered services. Peer support research has reported an increase in consumer engagement of care services, reduced inpatient and emergency room care, as well as reduced substance use among persons with co-occurring disorders.

Planned Actions

The 83rd Legislature invested an additional $300 million in the state's behavioral health care system for the 2014-2015 biennium. The funding is critical to communities across the state. This funding allowed DSHS to make several improvements to mental health and substance abuse services in Texas, including:

- Reducing the Adult Mental Health services waiting list by over 5,000 and serving every person who was on the waiting list at the beginning of fiscal year 2014;
- Reducing the Children's Mental Health services waiting list by 97 percent during fiscal year 2014;
- Serving over 1,600 additional clients in Mental Health Supported Housing;
- Successfully piloting a program addressing Parental Relinquishment in partnership with DFPS;
- Providing loans to help open 36 Oxford houses (democratically run, self-sustaining, drug free homes) with 731 residents;
- Over 12,000 teachers trained in Mental Health First Aid (MHFA), with 1,829 certified as MHFA trainers; and
- Contracts initiated for five Community Collaboratives for Homeless and Mental Health Services.

To ensure a strategic statewide approach, the Legislature also directed HHSC to designate an executive-level staff person to lead a statewide mental health coordination initiative, working in conjunction with DSHS, local governments, non-profit mental health organizations that are publicly-funded, and other relevant state agencies.

The Mental Health Coordination initiative will serve as a catalyst to develop an accountable system of mental health care that directs performance to achieve meaningful clinical and cost-effective outcomes that improve service access, coordination, collaboration, barrier elimination, and innovation among statewide systems of care. This initiative will provide overall vision and leadership for mental health services in Texas. This initiative will consult and coordinate with state-funded agencies and stakeholders to develop a statewide plan for a transformed mental health system.

In this planning period, the initiative is conducting the following activities to help fulfill the legislative direction:

- Develop a statewide strategic mental health plan that directs the vision and guiding principles to be adopted across state agencies;
- Evaluate and address network adequacy, funding methodology, system oversight, and service sustainability;
- Provide statewide mental health oversight, planning, coordination, and direction across all state funded agencies;
- Review and recommend improvements regarding mental health policies, practices, and programs, to promote effective program administration and service delivery focused on achieving statewide mental health objectives;
- Provide information and counsel to HHS System management on mental health trends and their impact;
- Identify and reduce overlap and duplication of effort in the provision of services and funding streams; and
- Seek innovative alternative approaches to address current gaps in care.

Mental Health Funding Initiatives

For fiscal years 2016-2017, DSHS and DADS are requesting a total of $183.6 million in GR and $206 million in All Funds for various mental health funding initiatives. These initiatives are requested in each agency's respective LAR.

DSHS

DSHS is requesting $142.6 million in GR and $157.7 million in All Funds in Exceptional Items #1, #5, and #6. As shown in **Figure IV.11**, this includes $8.5 million All Funds and $2.7 million All Funds to continue collaborative projects and Mental Health Home and Community Based

Services, respectively, which were funded by the 83rd Texas Legislature. Community Collaboratives encourage communities to leverage public and private resources and to address the needs of homeless individuals with mental illness. Mental Health Home and Community Based Services provide intense home and community-based services to adults with extended tenure in state mental health facilities, enabling them to live in the community rather than a state facility.

DSHS Exceptional Item #5 is requesting $90.8 million All Funds for Community Mental Health Initiatives. These initiatives include:

- Expand and Enhancing Mental Health Crisis Sites;
- Mental Health Surge Nursing Facilities;
- DFPS Relinquishment Slots;
- Expansion and Development of Recovery-Focused Clubhouses; and
- Clinical Management for Behavioral Health Services (CMBHS) system and other IT Improvements.

DSHS Exceptional Item #6 includes $55.7 million in GR and All Funds to purchase 150 beds outside of the existing state hospital system, expansion of the medical residency program in state mental health hospitals and community centers, supported decision making program, and hospital IT improvements.

Figure IV.11 **DSHS Exceptional Items Requested to Improve Mental Health Services ($ in millions)**

Initiative	GR/GRD	All Funds
Collaborative Projects (DSHS EI #1)	$8.5	$8.5
MH Home and Community Based Services (DSHS EI #1)	$1.1	$2.7
Community MH Initiatives (DSHS EI #5)	$77.3	$90.8
State Hospital System Improvement (DSHS EI #6)	$55.7	$55.7
Total, DSHS	**$142.6**	**$157.7**

DADS

DADS is requesting $41.0 million in GR and $58.3 million All Funds in Exceptional Item #5: *Enhancing Community IDD Services for Persons with Complex Medical Needs and/or Behavioral Health Needs.*

As **Figure IV.12** shows, DADS' request includes additional funding to support behavioral intervention and crisis respite programs at local Intellectual and Developmental Disability (IDD) authorities (LAs), an add-on rate to be piloted as an incentive for ICF/IID and HCS providers to serve individuals with IDD who have higher medical needs in small ICF/IID facilities or in HCS programs, and more intensive local service coordination for SSLC residents transitioning to the community.

Figure IV.12 **DADS Exceptional Item #5 - Enhancing Community IDD Services for Persons with Complex Medical Needs and/or Behavioral Health Needs ($ in millions)**

Initiative	GR/GRD	All Funds
Behavioral intervention and Crisis Respite Services	$27.5	$27.9
Support new regional medical, behavioral and psychiatric support teams at the LAs	$4.2	$8.4
Add-on rate pilot as an incentive for small ICF/IID facilities and HCS providers to serve clients with higher medical needs	$5.9	$13.8
Intensive Coordination for SSLC Transitioning Residents	3.5	$8.2
Total, DADS	**$41.0**	**$58.3**

V. SELECT MEDICAID INITIATIVES

Cost Containment

Cost containment efforts for the current biennium build upon the initiatives previously implemented. Notably, since fiscal year 2002, General Revenue spending has been reduced over $4 billion in Medicaid and other health and human services programs (**Appendix G** details past cost containment efforts) as a result of this ongoing emphasis on controlling Medicaid costs.

In the fiscal year 2014-2015, GAA, Article II, HHSC Rider 51 identified 25 initiatives to reduce Medicaid costs. In general, these efforts focus on service delivery and quality improvements, payment reforms, and reduction of fraud and waste. To date, HHSC has identified $438 million in General Revenue ($1,058.3 million All Funds) savings, or approximately 109 percent of the $400 million target in Rider 51. **Figure V.1** shows the estimated savings compared to the Rider 51 target.

Figure V.1 **Rider 51 Medicaid Cost Containment Initiatives**
General Revenue ($ in millions)

Item	Item Description	Target	Current Estimate
1	Implement payment reform and quality based payment adjustments in fee-for-service and in managed care premiums	$25.9	$25.5
2	Improve birth outcomes, including improving access to information and payment reform	45.2	TBD
3	Increase efficiencies in the vendor drug program	37.4	TBD
4	Continue to adjust outpatient Medicaid payments to a fee schedule that is a prospective payment system and that maximizes bundling of outpatient services, including hospital imaging rates	48.4	60.5
5	Expand efforts to develop more appropriate emergency department hospital rates for non-emergency related visits	36.4	35.1
6	Maximize co-payments in all Medicaid programs	0.0	0.0
7	Increase efficiency and reduce fraud in Medicaid transportation service through the most appropriate transportation model, including the transfer of transportation for dialysis patients to the Medical Transportation Program and non-emergency ambulance services	17.0	40.1
8	Implement statewide monitoring of community care and home health through electronic visit verification in Medicaid fee-for-service and managed care	27.1	27.1
9	Renegotiate more efficient contracts	0.0	0.0
10	Phase down Medicaid rates which are above Medicare rates, with separate consideration for an accurate and appropriate evaluation of the service delivery model when developing the rate for Medicaid rates for pediatric therapy services that have no equivalent Medicare service	8.4	7.8
11	Develop a more appropriate fee schedule for therapy services, requiring providers to submit the National Provider Identification (NPI) on each claim	36.8	24.2

Item	Item Description	Target	Current Estimate
12	Strengthen prior authorization requirements	62.0	117.4
13	Strengthen and expand utilization and prior authorization reviews	0.0	0.0
14	Incentivize appropriate neonatal intensive care unit utilization and coding	0.0	0.0
15	Improve care coordination through a capitated managed care program for remaining fee-for-service populations	16.5	0.0
16	Increase fraud, waste, and abuse prevention and detection	4.4	14.0
17	Expand initiatives to pay more appropriately for outlier payments	12.6	14.5
18	Develop a dynamic premium development process for managed care organizations that has an ongoing methodology for reducing inappropriate utilization, improving outcomes, reducing unnecessary spending, and increasing efficiency	0.0	0.0
19	Adjust inpatient hospital reimbursement for labor and delivery services provided to adults at children's hospitals	3.7	3.7
20	Implement fee-for-service payment changes and managed care premium adjustments that incentivize the most appropriate and effective use of services	0.0	0.0
21	Implement dually eligible Medicare/Medicaid integrated care model and long-term services and supports quality payment initiative	7.2	TBD
22	Reestablish hospital thirty day spell of illness limitations in STAR+PLUS	41.1	55.8
23	Align Texas Home Living with Home and Community-based Services (HCS) rates	2.6	2.4
24	Enforce appropriate payment practices for non-physician services	14.5	10.0
25	Implement additional initiatives identified by the Health and Human Services Commission	0.0	0.0
	Subtotal Rider 51 Estimated Cost Containment	**$447.2**	**$438.1**

Note: The target amount shown here exceeds the S.B. 1 target of $400 million, which accounts for certain risk of implementing numerous initiatives.

Areas where significant reforms have occurred fall into these broad categories: managed care expansions, appropriate utilization of services, vendor drug program improvements, improved birth outcomes, quality based payments, appropriate reimbursement, and reduction of fraud, waste and abuse.

Managed Care Expansions

The expansion of managed care in Medicaid continued in this biennium with the following roll-outs on September 1, 2014:

- STAR+PLUS expanded to the Medicaid Rural Service Area to improve care coordination for remaining fee-for-service (FFS) populations by integrating acute and long-term care services;
- Adults with intellectual and developmental disabilities also began receiving acute services through STAR+PLUS;

- Mental health rehabilitation and mental health targeted case management services were carved-in to managed care; and
- The medical transportation program transitioned to a capitated program with managed transportation organizations throughout the state, as required by S.B. 8, 83rd Legislature.

Note that outside of these cost containment managed care expansions, nursing facilities are scheduled to move under managed care in March 2015.

Appropriate Utilization

In response to cost containment efforts by the 82nd Legislature (2011), DADS implemented Electronic Visit Verification (EVV) for attendant services in select regions. Continuing this effort in the current biennium, DADS will expand EVV to remaining service regions and HHSC will implement EVV statewide for attendant services, acute care nursing services, and personal care services.

Prior authorization requirements were strengthened in HHSC's managed care orthodontia policy including benefit limitations on appliances and brackets and requiring more in-depth documentation of medical necessity for orthodontia (radiographs, photographs, diagnostic models).

Vendor Drug Program Improvements

HHSC has a number of cost containment initiatives related to the Vendor Drug Program in progress. These include:

- Developing a new FFS pharmacy reimbursement methodology, resulting in a more competitive ingredient costs;
- Increasing rebate revenues for clinician administered drugs;
- Reducing narcotic drug utilization in FFS Medicaid; and
- Discontinuing coverage of barbiturates and benzodiazepines for dual eligible clients.

Preferred Drug List (PDL) cost savings initiatives under development include:

- Reducing or eliminating vendor drug grandfathering program;
- Limiting the number of preferred drugs in a class on the PDL;
- Increasing compliance in FFS with PDL approval criteria; and
- Requiring additional clinical prior authorizations in FFS for Attention Hyperactivity Disorder medications and adding additional drug classes for review for the PDL.

Improve Birth Outcomes

HHSC provides Medicaid managed care organizations (MCOs) with birth record and historical claims data for all women entering the Pregnant Women's Medicaid Program. This initiative focuses on early identification of mothers at risk for a pre-term birth. The data sharing allows MCOs to identify members who have had a previous preterm birth so that timely targeted care can be provided to mothers at risk for repeat pre-term births.

Quality-Based Payments

HHSC applies fee adjustments in Medicaid fee-for-service reimbursements to hospitals based their performance on Potentially Preventable Readmissions (PPRs) and Potentially Preventable Complications (PPCs). HHSC also adjusts managed care organization (MCO) capitation rates based on in-network hospital performance on PPRs and PPCs. Additionally, the Pay-for-Quality Program (P4Q) was implemented in January 2014 and allows MCOs to earn back four percent of their capitation based on performance on quality-based measures including PPRs, potentially preventable emergency department visits (PPVs), and potentially preventable hospital admissions (PPAs).

HHSC received approval from CMS for a fully integrated, capitated approach that involves a three-party agreement between an MCO with an existing STAR+PLUS contract, the state, and CMS for the full array of Medicaid and Medicare services. The initiative will test an innovative payment and service delivery model to improve coordination of Medicare and Medicaid services for dual-eligibles, enhance quality of care and reduce costs for both the state and the federal government. Implementation of the demonstration in six counties is scheduled to begin March 1, 2015 and continue until December 31, 2018.

Appropriate Reimbursement

In September 2014, several efforts were implemented to ensure appropriate provider reimbursement including:

- HHSC implemented a 5.3 percent reduction in outpatient hospital reimbursement to offset the inflationary trend of the previous cost based methodology;
- To promote use of a more appropriate setting for the delivery of primary care services, HHSC adjusted MCO premiums to reflect non-payment when a Medicaid client returns to the emergency department for a non-emergency within 36 hours, and implemented a flat rate (125 percent of physician office visit) for non-urgent emergency department visits;
- MCO contracts have been amended to restore the 30-day spell of illness limitation in STAR+PLUS beginning September 1, 2013;

- FFS and MCO rate reductions of ten percent were implemented effective September 1, 2013, to pay more appropriately for outlier payments;
- Beginning September 1, 2013, rates for all acute care therapy services, excluding evaluations and re-evaluations, were reduced as follows:
    - 1.5 percent reduction for services provided in a client's home by either a home health agency or independent provider; and
    - 2.5 percent reduction for services provided in an office or clinic by either a Comprehensive Outpatient Rehabilitation Center (CORF), Outpatient Rehabilitation Center (ORF) or independent provider.
- Beginning September 1, 2013, Texas Home Living rates for habilitation services were reduced to be equal to Home and Community-Based Services rates; and
- HHSC has implemented system changes needed to enforce appropriate payments for physician assistant and nurse practitioner rates at 92 percent of the physician rate when billing under their Texas Health Steps provider number or as an individually enrolled family planning provider effective January 1, 2014. HHSC is also pursuing system changes that will enforce the 92 percent payment for all advanced practice registered nurses and physician assistants performing under a physician's supervision effective January 1, 2015.

Fraud, Waste and Abuse Reduction

- The Office of Inspector General (OIG) has deployed an advanced graph pattern analysis technology used to increase the detection of Medicaid fraud, waste and abuse; and
- Additional OIG staff authorized by the 83rd Legislature allowed OIG to:
    - Reduce case backlog;
    - Increase utilization review (UR) nurse positions to conduct UR of hospital and nursing facility services; and
    - Increase third party liability positions to ensure private insurance benefits, rather than Medicaid benefits, are utilized when available.

Healthcare Transformation and Quality Improvement Waiver

On December 12, 2011, Texas received approval from the federal Centers for Medicare and Medicaid Services (CMS) for the Texas Healthcare Transformation and Quality Improvement Program Waiver, a five-year 1115 Demonstration Waiver that expires September 30, 2016. The waiver was negotiated with CMS to meet legislative mandates to expand Medicaid managed care statewide, preserve hospital supplemental payments (previous Upper Payment Limit funding), achieve savings, and improve quality of care. The approved 1115 waiver includes the following goals:

- Expand risk-based managed care statewide;

- Support the development and maintenance of a coordinated care delivery system through the creation of Regional Healthcare Partnerships (RHPs) and RHP five-year care and quality improvement transformation plans;
- Improve outcomes while containing cost growth;
- Transition to quality-based payment system across managed care and hospitals; and
- Provide a mechanism for investments in delivery system reform including improved coordination in the current indigent care system.

The waiver allows the state to expand Medicaid managed care while preserving hospital funding, provides incentive payments for health care improvements, and directs more funding to hospitals and other providers that serve large numbers of Medicaid and uninsured patients. Hospital payments stayed largely the same for the first year of the waiver, with hospital transition payments through September 30, 2012. This approach provided transition time and system stability during development and implementation of waiver payment systems. Effective October 1, 2012, waiver payments are made through two sub-pools: the Uncompensated Care (UC) and Delivery System Reform Incentive Payment (DSRIP) pools.

- **Uncompensated Care Pool Payments** are designed to help offset the costs of uncompensated care provided by hospitals or other providers to Medicaid clients or individuals who have no sources of third party coverage.
- **DSRIP Pool Payments** are incentive payments to hospitals and other providers that develop programs or strategies to improve access to health care, quality of care, cost-effectiveness of care, and the health of the patients and families served.

Figure V.2 shows the total amounts that the state is authorized to allocate for the UC and DSRIP Pools in each demonstration year (DY). These amounts include both state and federal shares.

Figure V.2

Pool Allocations According to Demonstration Year (All Funds in Billions)

Type of Pool & Percent Allocation	DY 1 (2011-2012)	DY 2 (2012-2013)	DY 3 (2013-2014)	DY 4 (2014-2015)	DY 5 (2015-2016)	Total
UC	$ 3.7	$3.9	$3.5	$3.3	$3.1	$17.6
DSRIP	$0.5	$2.3	$2.7	$2.9	$3.1	$11.4
Total/DY	**$4.2**	**$6.2**	**$6.2**	**$6.2**	**$6.2**	**$29.0**
% UC	88%	63%	57%	54%	50%	60%
% DSRIP	12%	37%	43%	46%	50%	40%

The waiver allowed the state to increase available funding to hospitals and other providers by $29 billion All Funds over five years by including use of trends for historic UPL funds and availability

of additional funds from managed care savings. In fiscal year 2011, UPL hospital payments were $2.8 billion compared to $4.2 billion available in uncompensated care payments in the first year of the waiver.

Under the transformation waiver, eligibility for UC or DSRIP payments requires participation in a Regional Healthcare Partnership (RHP). Within each RHP, participants include governmental entities providing public funds known as intergovernmental transfers, Medicaid providers and other stakeholders. Participants developed a regional plan identifying partners, community needs, proposed DSRIP projects, and funding distribution. Each RHP is required to have one anchoring entity, which acts as a primary point of contact for HHSC in the region and is responsible for seeking regional stakeholder engagement and coordinating development of a regional plan. RHPs submitted their initial plans to HHSC by December 31, 2012. Payments for Demonstration Year (DY) 1 were made to DSRIP participants for successful submission of the RHP Plans to CMS in early 2013. Subsequent payments for successful reporting of metrics for DY 2 and first half of DY 3 have been made. As of July 2014, there are 1,491 approved and active DSRIP projects being implemented by over 300 Medicaid providers, including hospitals (public and private), community mental health centers, physician practices (most of which are affiliated with academic health science centers), and local health departments.

UC payments for DY 1 of the waiver were finalized and disbursed in June 2013 (with interim payments occurring in October 2012). UC payments for DY 2 were finalized and disbursed in June 2014 (with interim payments occurring in August 2013). UC payments for DY 3 are currently pending.

While not part of the waiver, hospitals receive similar disproportionate share hospital (DSH) supplemental payments. Federal fiscal year 2012 DSH payments were finalized and disbursed in July 2014 (with interim payments occurring from March 2012 through September 2012). Federal fiscal year 2013 DSH payments were finalized and disbursed in June 2014 (with interim payments occurring from April 2013 through December 2013). Federal fiscal year 2014 DSH payments are currently pending.

HHSC plans to submit a request to CMS for renewal of this waiver to continue the statewide delivery of Medicaid managed care, and to continue supplemental payments through DSRIP and UC that are critical to support and improve Texas' healthcare safety net. HHSC must submit a renewal request to CMS no later than September 30, 2015. HHSC will seek input from waiver stakeholders regarding the renewal request, and plans to hold multiple public stakeholder meetings around the state during the summer of 2015 prior to submitting the formal request to CMS.

VI. FEDERAL FUNDS

This chapter outlines issues affecting federal funding to the Texas health and human services (HHS) agencies. The federal appropriations process, the Budget Control Act of 2011 (sequester), rising caseloads for Medicaid and other entitlement programs, and a recovering economy can impact the state's ability to receive Federal Funds to maintain existing services to recipients.

For the 2016-2017 biennium, the HHS agencies' legislative appropriations base request and exceptional items include $47.2 billion in Federal Funds or 56.3 percent of the total requested appropriations. A detailed table of the top 30 federal funding sources used by the Texas health and human services agencies is included as **Appendix F**.

Federal Budget Outlook

1. Federal Appropriations Bills

In the last few years, the federal appropriations process stalled creating delays in Congress enacting the twelve appropriations bills prior to the October 1 start date of the federal fiscal year. The result was government shutdowns or continuing resolutions to temporarily fund the federal government and its programs. Health and human services programs in Texas may be impacted by unavailable federal funding for critical services or limited federal staffing resources to address state needs or process requests if this happens again in the future.

For federal fiscal year 2015, a continuing appropriations resolution passed to temporarily fund the federal government through December 11, 2014, or until individual appropriations bills are passed.

2. Future Sequestration Impact

The Budget Control Act of 2011 requires funding reductions to achieve savings and to limit the size of the federal budget; this is commonly referred to as sequestration. Reductions under the Act were extended an additional two years by the Bipartisan Budget Act of 2013 requiring cuts over federal fiscal years 2013-2023. If Congress enacts appropriations that exceed the caps set in legislation, a sequestration is triggered to reduce appropriations to within the limits.

Both discretionary and mandatory federal programs are subject to sequester; however, some programs are exempt, including Medicaid, CHIP, and TANF. Factors, such as level of growth in mandatory programs, and rule exceptions for certain programs, such as a limit on reductions to Medicare, may impact the calculations for the reductions. Additionally, Congress could enact legislation at any time that repeals the law or modifies the exemptions or rules associated with

sequestration. If sequestration occurs in fiscal years 2016 and 2017, the Congressional Budget Office estimates reductions of up to seven to eight percent.

Future decreases in funding to covered discretionary and mandatory programs may result in reductions in numbers of clients served and levels of services provided by Texas HHS agencies. Estimates of future year reductions are not possible as the exact reduction depends on the base determined as subject to sequestration after applying exemptions and special rules.

During the last biennium, Texas HHS agencies managed reductions within existing appropriations to minimize the impact to client services. Fiscal years 2016-2017 may offer challenges as existing balances are depleted; however, at this time the HHS agencies do not anticipate a significant impact to client services due to sequestration.

The following are agencies' assessments of potential sequestration impact at this point:

- HHSC is not anticipating a negative impact of sequestration in fiscal years 2016 or 2017 and is continuing to analyze information in order to assess any impact to clients served, FTEs, and administrative functions. Grants subject to sequestration include: Refugee and Entrant Assistance, Family Violence Prevention and Services, and Social Services Block Grant.

- DSHS is continuing to analyze available information and assess potential impact to programs and services. Approximately 15 discretionary federal grant sources have been identified as covered under sequestration.

- DFPS expects most of the Title IV funding not to be subject to sequestration. The major programs impacted by future sequester are the Social Services Block Grant, Child Care and Development Block Grant, and Title IV-B Promoting Safe and Stable Families.

- DADS is not anticipating a negative impact to programs and services due to sequestration and is continuing to analyze funding information as it becomes available.

- DARS has not experienced any impact to clients served, staffing, or administrative functions as a result of sequestration. Federal agencies have not provided specific guidance about future sequestration and the potential impact for fiscal years 2016-2017 is not known at this time.

Social Services Block Grant:

Subject to sequestration, the Social Services Block Grant (SSBG) provides funding to HHSC, DADS, DFPS and DSHS. During the last biennium, federal awards were received at less than the appropriated level due to sequestration. Programs funded through this block grant include: protective services for adults and children, foster care, home-based services and home-delivered meals, adult day care, case management, and crisis behavioral health services. While able to mitigate the impact in 2014-2015, future reductions to these SSBG funded programs may result in unmet needs and in reducing services to match the federal funding level.

3. Federal Uniform Grant Guidance

On December 26, 2013, the federal Office of Management and Budget (OMB) released its final guidance on "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" referred to as the Uniform Grant Guidance. The guidance supersedes the requirements of various other OMB circulars, including OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments, and OMB Circular A-87, Cost Principles.

The Uniform Grant Guidance is codified in 2 CFR 200. It establishes uniform administrative requirements, cost principles, and audit requirements for all types of non-federal entities. These new federal policies become effective for new federal awards and new funding for existing awards on December 26, 2014.

The guidance is applicable to direct federal grants, cooperative agreements and cost-reimbursable contracts. Each federal awarding agency must implement the requirements and those implementation plans are expected to be released by 2015.

The health and human services agencies are working on a system-wide coordination, communication and collaboration structure to address the requirements of the new federal guidance and available training opportunities. The agencies are reviewing policies and procedures in terms of the new requirements and continuing to analyze the potential impact to financial, administrative and programmatic systems.

Pending Federal Reauthorizations

Many of the health and human services system federal grant programs are pending program reauthorizations, some for many years. Historically, federal grant programs are extended through the federal appropriations bills passed by Congress for each federal fiscal year.

The following summarizes the status of key programs:

1. Children's Health Insurance Program (CHIP) (HHSC)

The federal statutory authority for CHIP extends indefinitely; however, federal allotments are not authorized beyond federal fiscal year 2015. Those fiscal year 2015 allotments would be available to states through September 30, 2016 (states have two years to spend their allotments). Contingency funds also expire after fiscal year 2015. The Centers for Medicaid and Medicare Services has not issued guidance on the expiration of CHIP funding.

The Affordable Care Act (ACA) also provided an increase in the enhanced Federal Medical Assistance Percentage (EFMAP) for CHIP by 23 percentage points (some expenditures were excluded) beginning in federal fiscal year 2016 and continuing through fiscal year 2019. Unless Congress reauthorizes or extends CHIP beyond what is authorized through fiscal year 2015, accelerated by the increase in enhanced FMAP, CHIP may run out of funds in early fiscal year 2016 potentially impacting states.

2. Transitional Medical Assistance and Qualifying Individuals Programs (HHSC)

The Transitional Medical Assistance (TMA) and Qualifying Individual (QI) programs are currently authorized through March 31, 2015. Under TMA, low-income Medicaid beneficiaries who would otherwise become ineligible for Medicaid due to new or increased wages or hours at a job are entitled to up to 12 months of Medicaid benefits. If not reauthorized, TMA will be provided for a more limited period of four months. Under QI, individuals receive help with part of their Medicare expenses through state Medicaid programs. This program will be eliminated if not reauthorized beyond March 31, 2015.

3. Supplemental Nutrition Assistance Program (SNAP) (HHSC)

SNAP was recently reauthorized through federal fiscal year 2018 as part of The Agricultural Act of 2014 (P.L.113-79), enacted February 7, 2014. The law contains various provisions that affect SNAP eligibility, benefits, and program administration, including changes mandated by the law and those that provide additional flexibility for State agencies. The federal Food and Nutrition Service (FNS) has instructed states to wait to implement certain provisions until Federal regulations have been issued.

4. Temporary Assistance for Needy Families (TANF) (HHSC)

The TANF program was created in 1996 (P.L. 104-193) and replaced the Aid to Families with Dependent Children (AFDC). TANF is administered by the U.S. Department of Health and Human Services and has four program goals: provide assistance to needy families so that children can be cared for in their own homes; reduce the dependency of needy parents by promoting job preparation, work and marriage; prevent and reduce unplanned pregnancies among single young adults; and encourage the formation and maintenance of two-parent

families. TANF is an entitlement to the states and is not subject to the annual appropriations process.

Since expiring in 2010, Congress has extended the TANF block grant multiple times through a series of short-term extensions. The most recent extension was part of the Continuing Appropriations Resolution passed in September 2014, and extended TANF through December 11, 2014.

The separate allotment of TANF called "Contingency Funds" is also dependent on a continuing resolution or passage of a “new” Congressional budget action.

5. Child Care and Development Block Grant (CCDBG) (DFPS)

CCDBG funding provides protective, relative and foster day care services as well as staffing costs associated with Child Care Regulation. The Senate passed legislation (S.1086) on March 13, 2014, to reauthorize and improve the CCDBG. The House passed the bill with amendments on September 15, 2014. The amended bill is expected to be approved reauthorizing the CCDBG through federal fiscal year 2020 with an estimated three percent growth in funding. If passed, provisions in this legislation may result in a cost impact to the state related to requirements for additional inspections of registered homes and center-based operations and for conducting new background checks for licensed, regulated or registered providers. DFPS is monitoring Congressional action related to this measure and continuing to analyze potential fiscal impact.

6. Adoption Incentive Program (DFPS)

The Adoption Incentive Program expired on September 30, 2013. Reauthorization of this program known as the Preventing Sex Trafficking and Strengthening Families Act (H.R. 4980), could be granted through a bipartisan agreement between the House and Senate to combine three bills, previously passed by the full House and the Senate Finance Committee. The bill would require states to identify, document, and determine appropriate services for youth in foster care or involved in the child welfare system who are victims of child sex trafficking or at risk of becoming victims. The measure also would reauthorize Family Connection Grants through fiscal year 2015, and restructure and reauthorize the Adoption Incentives Program through fiscal year 2016. In addition, it would require states to report on the amount and use of state savings in the Title IV-E adoption assistance program resulting from the phase-out of income-eligibility requirements included in a 2008 child welfare law (P.L. 110-351), and would mandate that states spend at least 30 percent of those savings on specified services, such as post-adoption services and services to support at-risk children. H.R. 4980 was passed by the U.S. House of Representatives on July 23, 2014, and has been sent to the Senate. In fiscal year 2013, DFPS was awarded $10 million for the Adoption Incentive Program based on 2012 consummated adoptions data. Grant award amounts are anticipated to increase slightly due to revised

methodology in the proposed Act. Adoption Incentive funds are utilized to support CPS Direct Delivery staffing and purchased client services.

7. Ryan White HIV/AIDS Treatment Extension Act of 2009 (DSHS)

The Ryan White HIV/AIDS Treatment Extension Act of 2009 expired on October 1, 2013, and was extended through federal appropriations in 2014. Despite no reauthorization from Congress, appropriations can continue because the Act is not a self-repealing appropriation. While it is certain that all health appropriations will be examined more closely in light of ACA and sequestration, substantive changes to the Ryan White Program are unlikely until the effects of ACA are more clearly understood. DSHS is monitoring appropriations and implementation of ACA to determine fiscal impact to the state.

Agency Specific Federal Issues

This section includes information on federal funding issues affecting specific Texas HHS agencies.

1. Title IV Part E Federal Payments for Foster Care and Adoption Assistance (DFPS)

Texas continues to experience a decline in federal financial participation of Title IV-E funding. The methodology for claiming funds uses a population ratio which is the percentage of each state's foster care caseload that qualifies for federal financial participation. The population ratio is calculated by dividing the number of children in DFPS conservatorship by the number of IV-E eligible children in IV-E eligible placements.

The rate is used to determine the amount of federal IV-E administrative claiming for CPS direct delivery staff. The rate used in the 2014-2015 biennium is estimated to be approximately 37.0 percent in fiscal year 2014 and 35.4 percent in fiscal year 2015. In fiscal year 2013 the rate was approximately 40.5 percent.

There are two reasons for this decline.

- Income eligibility for Title IV-E is linked to the 1996 Aid to Families with Dependent Children (AFDC) standards, and can only be adjusted through a federal law change. To qualify for IV-E funds today, a child has to come from a poorer household today than he or she would have had to in 1996; and
- DFPS uses relative placements for many children in conservatorship, and relative placements are not IV-E eligible placements since they have not been verified as a foster home. As the percentage of children in conservatorship who are in relative placements increases, the population ratio decreases.

2. Title IV Part E Waiver (DFPS)

During fiscal year 2014, DFPS submitted a federal IV-E Waiver to the Administration of Children and Families to improve the outcomes for foster care children in Harris County (pursuant to DFPS Rider 36). The federal decision of the waiver will not be known until early in fiscal year 2015. If approved, the federal government essentially "block grants" the Federal Funds for the waiver area and requires re-investment of any savings. DFPS would require flexibility to transfer and invest those savings from Foster Care payments.

3. Workforce Innovation and Opportunity Act (WIOA) (DARS)

The Workforce Innovation and Opportunity Act (WIOA), HR 803, became law (P.L. 113-128) on July 22, 2014. WIOA supersedes the Workforce Investment Act (WIA) of 1998 and amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act Amendments of 1998. The amendments to the Rehabilitation Act, in Title IV of WIOA, make significant improvements for individuals with disabilities, including youth with disabilities as they make the transition from education to employment. Specifically these changes ensure students have opportunities to acquire the skills and training they need to maximize their potential and enter competitive integrated employment. WIOA increases the accountability of core programs, including the vocational rehabilitation (VR) program, placing emphasis on results through the establishment of common employment outcome measures across the core WIOA programs. WIOA also promotes better alignment among job training programs through the requirement of a Unified State Plan.

In addition to programmatic changes, the Act transfers the State Independent Living Services Program (IL, Part B) and the Centers for Independent Living Program (IL, Part C) from the Department of Education to the Administration for Community Living (ACL) in the Department of Health and Human Services and it eliminates the In-Service Training Program.

WIOA will become effective on July 1, 2015. However, the Act includes several provisions that become effective on other dates. For example, states must submit Unified State Plans pertaining to workforce investment programs, adult education and VR to the Secretary of Labor on March 3, 2016. New WIOA performance accountability provisions for all core programs take effect on July 1, 2016. The Department of Labor (DOL), Department of Education (ED) and Department of Health and Human Services (HHS) must publish Notices of Proposed Rulemaking to implement WIOA no later than 180 days after enactment (January 18, 2015). DOL, ED and HHS must publish Final Rules to implement WIOA 18 months after enactment (January 22, 2016).

Federal agencies will be publishing guidelines and providing detailed technical assistance on the WIOA. DARS has formed an interdivisional workgroup to assess the implications and impacts of WIOA on DARS.

4. Disability Determination Services Program (DARS)

The Disability Determination Services (DDS) program is 100 percent federally funded by the Social Security Administration (SSA) and is exempt from the sequestration legislation.

However, the DDS program has operated under a federal hiring freeze in three of the last four years. Current staffing is down more than 230 filled positions since 2010. While the program continues to perform better than the national average for case processing times, the Department of Assistive and Rehabilitative Services remains concerned about the inability to replace staff losses and continues to discuss staffing levels and case assignments with the SSA.

5. Public Health Preparedness (DSHS)

The 2013 reauthorization of the 2006 Pandemic All-Hazards Preparedness Act provided states and independently funded jurisdictions with funding for public health and medical preparedness programs, such as the Hospital Preparedness Program (HPP) and the Public Health Emergency Preparedness (PHEP) Cooperative Agreement. Additionally, the act provided increased flexibility in allowing states to temporarily deploy federally funded state personnel, funded in programs other than preparedness, to meet critical community needs in a disaster. Texas uses dollars from these programs to fund public health and medical preparedness activities at the state, regional and local levels.

Over the last five years, Congress decreased appropriations thus reducing allocations to Texas for some programs. The HPP award to Texas was reduced by $8 million; however, the PHEP award was increased by $3 million in 2014. Further reductions in funding may diminish state, regional and local public health and healthcare partners' ability in an all-hazards response. Such capacity reductions may include, but are not limited to, epidemiologic surveillance, investigation and response to disease outbreaks and environmental health concerns; provision of medical surge of essential healthcare providers and services; and, planning efforts for the mitigation of natural and man-made disasters.

6. Title V Maternal and Child Health Services Block Grant (DSHS)

The federal Health Resources and Services Administration (HRSA) historically used the United States Census Bureau's official decennial census data in part to determine the allocation formula for the Title V Maternal and Child Health Services Block Grant based on the number of children living in poverty (in an individual state) as compared to the total number of children living in poverty in the United States. Starting with state fiscal year 2013, HRSA now uses the American Community Survey poverty estimates in part to determine the allocation formula. This provides more real-time, relevant data in which to allocate funds to the states.

The impact of Affordable Care Act implementation on the Title V Maternal and Child Health Block Grant is unknown at this time. The federal 2015 grant application and guidance to be released in July 2015 is expected to provide further information regarding the impact of ACA to the program. Discussion is ongoing with the Maternal Child Health Bureau on potential changes for the block grant.

7. Mental Health and Substance Abuse Block Grants (DSHS)

The federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant awards provide funding to states to establish, expand, or enhance an organized, community-based system for providing mental health services for adults with serious mental illness, children with serious emotional disturbances, and adults and adolescents with or at-risk for substance use disorders. SAMHSA recommends that block grant funds address services and activities focusing on the primary prevention of mental and substance use disorders and those services for populations that may not otherwise be addressed.

States now provide a coordinated and combined state plan application for the Mental Health Block Grant and the Substance Abuse Prevention and Treatment Block Grant, although funding awards are separate.

Affordable Care Act

Background

In March 2010, the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010, collectively known as the Affordable Care Act (ACA), were signed into federal law.

Key provisions of ACA related to health care reform include:

- Requiring all U.S. citizens and legal residents to obtain health coverage that meets federal standards (individual mandate);
- Eliminating lifetime and annual benefit limits/restrictions;
- Prohibiting pre-existing conditions exclusions;
- Allowing dependent coverage up to age 26;
- Eliminating out-of-pocket expenses for preventive services;
- Creating Health Benefit Exchanges to serve as marketplaces for individuals and small business employees to compare and purchase health coverage;
- Providing federal health coverage subsidies for individuals 100-400 percent of the federal poverty level enrolling for health insurance coverage through the Marketplace; and

- Requiring health insurance issuers to pay a federal tax based on the percentage of national market share.

While the June 2012 ruling by the Supreme Court effectively made expansion of Medicaid optional, HHSC has implemented Medicaid and CHIP provisions which are either required by federal law or authorized by state law. These include:

- Allowing children enrolled in Medicaid and CHIP to elect hospice care without waiving their rights to treatment for their terminal illness;
- Making freestanding birthing centers eligible for Medicaid reimbursement;
- Claiming federal matching funds for school and state employees' children enrolled in CHIP;
- Adding tobacco cessation counseling as a Medicaid benefit for pregnant women;
- Making drug rebate formulary changes;
- Implementing a pharmacy carve-in for Medicaid and CHIP managed care; and
- Adding several program integrity provisions.

DSHS anticipates that certain key public and mental health activities will be covered by private health insurance plans under ACA beginning in fiscal year 2015. These activities include: infectious disease control, prevention, and treatment; health promotion and chronic disease prevention; laboratory services; primary care and nutrition services; behavioral health services; community capacity; and state-owned and privately-owned hospital services.

Overview of ACA Funding to the HHS System

In fiscal years 2012 and 2013, approximately $434 million in federal funding were expended by four HHS agencies (HHSC, DADS, DSHS, and DFPS) primarily related to vendor drug rebates, information technology including eligibility system enhancements, and CHIP.

In fiscal year 2014, a large part of the anticipated $1.3 billion in ACA-related funding is due to the primary care rate increase required in Medicaid. As part of the LAR instructions, agencies reported the budgetary impacts of federal health care reform. **Figure VI.1** summarizes the budgetary impacts included in the LAR for fiscal years 2016-2017.

Figure VI.1 **Budgetary Impacts Related to Healthcare Reform**

	Est FY2014	Bud FY2015	Base FY2016	Base FY2017	Excp FY2016	Excp FY2017
DSHS	$24,522,953	$18,124,417	$17,167,483	$17,167,483	$0	$0
DADS	$0	$0	$0	$0	$0	$0
DARS	$0	$0	$0	$0	$0	$0
DFPS	$0	$0	$0	$0	$0	$0
HHSC	$1,311,611,609	$1,858,192,280	$1,975,294,632	$2,026,495,629	$228,337,374	$353,844,891
HHS Totals	**$1,336,134,562**	**$1,876,316,697**	**$1,992,462,115**	**$2,043,663,112**	**$228,337,374**	**$353,844,891**

Source: HHS System LARs FY 2016-17, Federal Funds, Schedule 6.J.

The Affordable Care Act (ACA, P.L. 111-148 and P.L. 111-152) created and provided a direct appropriation for the Prevention and Public Health Fund (PPHF), beginning in fiscal year 2010. PPHF has been used to fund new programs included in health care reform and enhance funding for a number of existing programs. In some instances, PPHF has supplanted, rather than supplemented, federal funding for programs. Funding for PPHF has been reduced over time due to sequestration under the Budget Control Act of 2011 (BCA, P.L. 112-25) and other legislation.

DSHS is experiencing a trend where grant awards for existing federal grant programs are being reclassified as Affordable Care Act Prevention and Public Health Fund (PPHF) which were historically non-PPHF. Examples of the federal funding programs receiving reclassified awards to ACA-funded include: Preventive Health and Health Services Block Grant ($6.0M), Epidemiology and Laboratory Capacity, Heart Disease, Stroke and Diabetes, Prevention, Control and Promote School Health ($1.5M), and Cancer Prevention and Control ($6.2M). Going forward, it is likely that the federal Centers for Disease Control and Prevention will continue awarding funds through the ACA Prevention and Public Health Fund for existing traditional public health programs.

Major ACA Programs and Provisions

ACA provisions currently in the planning or implementation stage at the Texas health and human service agencies include:

- Balancing Incentives Payment program;
- Community First Choice;
- Primary Care provider rate increases;
- Presumptive Eligibility;
- Provider Enrollment Fee;
- Disproportionate Share Hospital program; and
- Related Grants

Balancing Incentives Program - BIP (HHSC/DADS/DSHS)

The Balancing Incentive Program (BIP) increases the federal medical assistance percentage (FMAP) available to participating states through September 2015 in exchange for states implementing certain structural reforms to increase access to Medicaid community based long-term services and supports (LTSS). These structural reforms include implementing a “no wrong door” eligibility and enrollment system, core standardized assessment instruments and conflict free case management activities. In September 2012, the federal Centers for Medicare and Medicaid Services (CMS) approved the state’s BIP application and in October 2012, Texas began drawing down a two percent enhanced FMAP for all Medicaid community-based LTSS

expenditures. By October 2015, Texas must spend more than 50 percent of Medicaid LTSS funds on community-based services. As of September 2014, Texas spent 60.3 percent of Medicaid LTSS funds on community-based services.

Key projects related to the BIP include:

- Statewide expansion of the state's aging and disability resource centers;
- Integration of a basic screen into the Your Texas Benefits self-service web portal that will direct individuals to the "front doors" for services that best meet their needs;
- Community First Choice, a new attendant and habilitation services program;
- Funding for additional community-based waiver slots;
- A direct service worker base wage increase to improve recruitment, quality and retention; and
- Expansion of the use of electronic health records at state supported living centers to assist in transition planning for individuals choosing to transition to the community.

Community First Choice - CFC (HHSC/DADS)

The Community First Choice (CFC) federal program allows states to receive a six percent increase in federal matching funds to provide home and community-based attendant services and supports as a state plan benefit for individuals with disabilities who are enrolled in Medicaid and require an institutional level of care.

Texas plans to include the following CFC services:

- Personal assistance services,
- Habilitation services;
- Emergency response services; and,
- Support consultation services.

The six percent increase in federal matching funds would also be received for services that are currently provided to individuals meeting intermediate care facility level of care criteria for individuals with an intellectual disability or related condition through four intellectual and developmental disability waivers administered by DADS. The CFC services would be provided as a state plan service rather than as a waiver benefit. These include Community Living Assistance and Support Services, Deaf Blind with Multiple Disabilities, Home and Community-Based Services, and Texas Home Living.

Primary Care Rate Increase (HHSC)

The ACA provides a temporary rate increase for certain primary care providers and services from January 1, 2013, through December 31, 2014. States receive 100 percent federal match for the difference in the July 1, 2009, Medicaid rate and the 2013-2014 Medicare rates except for the portion necessary to restore rate reductions made by the state since July 2009 (approximately two percent). In 2014, Texas began issuing supplemental payments to providers to cover the difference between the regular Medicaid rate for the service and the temporary increase. Texas has issued fee for service and managed care payments for dates of service for the first quarter of 2013 through the second quarter of 2014 for a total amount of $429.2 million.

Presumptive Eligibility (HHSC)

The ACA mandates that states allow qualified hospitals the option to determine Medicaid presumptive eligibility for pregnant women, children, low-income caretaker relatives, and the new former foster care groups regardless of whether or not the states choose to provide presumptive eligibility for these groups. The state is prohibited from requiring qualified hospitals to verify eligibility criteria and only has the option to require the hospital to ask the applicant to attest to the applicants U.S. citizenship/alien status and residency. Qualified hospitals must make the eligibility determination based on information provided by the applicant. Implementation for Texas is scheduled for February 2015.

Provider Enrollment Fee (HHSC)

The provider screening and enrollment fees are defined as payments from medical providers and suppliers required by the federal Centers for Medicare and Medicaid Services (CMS) as a condition for enrolling as a provider in the Medicaid and CHIP programs. HHSC will collect and receive the funds as Appropriated Receipts - Match for Medicaid. Collected funds may be expended as authorized by federal law to support provider enrollment. In the event revenues collected are greater than expenditures, any unused fee balances shall be disbursed to the federal government as required by federal law.

Disproportionate Share Hospital Program-DSH (HHSC)

Currently, states make Medicaid DSH payments to hospitals that serve a disproportionate share of low income patients and have high levels of uncompensated care costs. The ACA required reductions to state DSH allotments annually from fiscal year 2014 through fiscal year 2020. The ACA's expansion of coverage through private insurance and Medicaid is expected to reduce the amount of uncompensated care covered by hospitals and providers. The Bipartisan Budget Act included provisions to delay reductions until fiscal year 2016 and extend the reductions to fiscal year 2023.

The federal government released DSH allocations for federal fiscal year 2014. The allocation for Texas was $1.74 billion, as compared to the federal fiscal year 2013 allocation of $1.69 billion.

Related Grants

Several DSHS prevention and public health programs were funded through appropriations included in provisions of the ACA. Examples include: epidemiology and infectious disease prevention; chronic disease and health promotion; immunization; nutrition, physical activity and obesity; breast and cervical cancer; and tobacco cessation services.

ACA also included funding to HHS agencies for initiatives such as:

- Elder Abuse Prevention (DFPS);
- Medicare Improvements for Patients and Providers-MIPPA (DADS); and
- Maternal, Infant, and Early Childhood Home Visiting Program-MIECHV (HHSC).

Federal Funds Enhancement Initiatives

The Texas HHS agencies were successful in efforts to enhance revenue and maximize the use of Federal Funds during the current biennium. By working with various federal agencies, the state identified expenditures where additional Federal Funds could be claimed and qualified for new opportunities to bring additional dollars to Texas. Agencies continue to seek innovative ways to increase access to Federal Funds that support the state's mission and interests.

TANF Contingency Fund (HHSC)

To assist states in meeting the need for welfare assistance during periods of economic downturn, states can access TANF Contingency funds when they reach high levels of unemployment and/or SNAP/food stamp caseloads. Contingency funds may be used only in the fiscal year for which they are awarded; they may not be carried over for use in a succeeding fiscal year.

To draw upon Contingency funds, a state must both (1) meet a test of "economic need" and (2) spend from its own funds more than what the state spent in fiscal year 1994 on cash, emergency assistance, and job training in TANF's predecessor programs. A state meets the "economic need" test if its seasonally adjusted unemployment rate averaged over the most recent three-month period is at least 6.5 percent *and* at least ten percent higher than its rate in the corresponding three-month period in either of the previous two years; ***or*** its SNAP/ food stamps caseload over the most recent three-month period is at least ten percent higher than the adjusted caseload in the corresponding three-month period in fiscal year 1994 or fiscal year 1995.

In 2014 Texas applied for and received approximately $48.3 million in additional funds requested through the TANF Contingency Funds grant. These funds are separate and apart from the TANF Emergency Contingency Funds.

Unlike the regular TANF block grant which provides a fixed funding amount to states regardless of economic conditions, the TANF Contingency Fund provides additional TANF funds to states in times of economic downturn when states reach high levels of unemployment and/or food stamp caseloads. Texas met the threshold, based on SNAP caseload. TANF Contingency Funds can be used for any purpose for which regular TANF funds are used but must be spent in the fiscal year they are received.

If the state remains eligible, HHSC will continue to apply for TANF Contingency Funds.

VII. PROVIDER RATE CONSIDERATIONS AND METHODOLOGY

Overview of Provider Rate Considerations and Methodology

Direct services received by health and human services clients are predominantly provided through the private sector. While state employees determine client eligibility and provide protective and regulatory services, medical, residential and social services are generally received by clients in community settings from private sector individuals or entities[1]. These providers may also serve individuals who do not receive state funded services. The provider community expects, at a minimum, to be reimbursed for the cost of rendering service and most providers operate as a business, desiring the opportunity to earn a profit when providing efficient care which meets regulatory standards. The Texas Health and Human Services (HHS) system should provide adequate reimbursement to permit client access to necessary and efficiently delivered services of acceptable quality for clients enrolled in state funded programs.

Figure VII.1 illustrates the cost of providing a one percent rate change in provider reimbursement. The one percent rate increment can be used to estimate the fiscal impact to the state for each one percent rate increase or decrease. **Appendix C1** shows overall percent rate changes required to recognize increases/decreases in costs incurred by providers based on various methodologies. Rate increases may be needed in order to appropriately reimburse providers for changes in their costs in delivering care to HHS clients. Without additional funding for rate increases, continued rising costs incurred by providers could erode the quality of services delivered and could result in access to care problems for clients due to fewer providers willing to deliver services for the level of Medicaid reimbursement, unless providers can adjust their business practices to reduce costs.

HHSC develops approximately 158,000 different rates, primarily for the Medicaid program. Of this amount 360 rates are for health maintenance organizations; 1,000 are for long-term services programs; 1,000 are for nursing facilities; 25 for child foster care services; 28,000 for school health and related services; 171 for inpatient hospital standard dollar amounts and 745 for inpatient hospitals diagnostic related groups; 112,592 for physicians and other professionals; 1,991 for durable medical equipment; 2,773 for Texas Health Steps medical providers; and 650 for therapy providers.

[1]State employees also provide mental health and residential services at state hospitals, state supported living centers and state centers.

In addition to the rate tables, information is provided on several specific rate issues, including long-term services and supports and compensation for attendant workers.

See **Figure VII.1** and **Appendix C1** for the cost of providing a one percent rate change for each program. In addition, **Appendix C1** provides estimates for the cost of fully funding the various rates using current methodologies; and **Appendix C2** provides estimates for a $1 per hour increase for long term services and supports attendant wages.

Cost of One Percent Rate Change

Figure VII.1

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DADS								
Service Coordination (ID)	6/1/2010	5.00%	NA	NA	1,059,193	452,275	1,059,193	453,017
Notes 1 PASRR Assessment	NA	NA	NA	NA	0	0	0	0
Notes 1 & 2 PASRR Specialized Services	NA	NA	NA	NA	0	0	0	0
Note 3 & 4 Community Attendant Services	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	6,004,419	2,563,887	6,166,384	2,637,363
Note 4 Community Living Assistance and Support Services	8/1/2009	$0.80 per hour minimum wage rate increase	NA	NA	2,397,761	915,945	2,397,761	917,623
Note 3, 4 & 5 Day Activity and Health Services - Title XIX	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	71,656	30,597	74,127	31,704
Note 4 Deaf-Blind Multiple Disabilities	6/15/2010	18% increase for Intervenors	NA	NA	131,023	52,645	131,023	52,737
Home and Community-based Services	10/1/2009	4.25%	9/1/2011	3% to 44% depending on service	10,054,058	4,256,888	10,054,058	4,263,926
Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Conditions	9/1/2009	1.50%	9/1/2011	5.00%	3,082,380	1,316,176	3,074,030	1,314,763
Note 6 Medically Dependent Children Program	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	432,816	184,812	NA	NA
Note 3 & 4 Non-Medicaid Services - Title XX	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	913,369	913,369	913,369	913,369
Nursing Facility Providers								
Note 7 Hospice Payments (NF Related Only)	9/1/2014	4.00% (also 2.00% eff. 9/1/2013; 6.00% total for 14-15 biennium)	NA	NA	2,759,015	1,178,099	2,879,679	1,231,639
Note 5 Nursing Facility	9/1/2014		NA	NA	1,566,539	668,912	1,601,004	684,749
Total All Nursing Facility Provider Types	**NA**	**NA**	**NA**	**NA**	**4,325,554**	**1,847,011**	**4,480,683**	**1,916,388**

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DADS, continued								
Note 3, 4 & 5 Primary Home Care	9/1/2014	Increase in base wage rate to $7.86 per hour	NA	NA	148,240	63,298	155,109	66,340
Program of All-inclusive Care for the Elderly	9/1/2012	-0.5% OVERALL	NA	NA	430,460	183,806	430,460	184,108
Promoting Independence Services	8/1/2009	$0.80 per hour minimum wage rate increase	NA	NA	574,447	245,289	8,563	3,662
Texas Home Living Waiver	10/1/2009	39.49%	9/1/2013	Reduced to match HCS rates	853,245	352,561	853,245	353,158
Total DADS (with totals only included)					**30,478,621**	**13,378,559**	**29,798,005**	**13,108,158**

Note 1: PASRR Assessments and Specialized Services were effective 2/1/2013 therefore there have been no rate increases or reductions

Note 2: PASRR rates are tied to Medicaid therapy rates.

Note 3: The adopted payment rates incorporate provisions in the 2014-15 General Appropriations Act that included funds to support increases in the base wages of personal attendants to $7.50 per hour in FY 2014 and $7.86 per hour in FY 2015

Note 4: Article II of the 2014-15 General Appropriations Act, S.B. 1, 83rd Legislature, Regular Session, 2013, Special Provisions for all Health and Human Services Agencies, Section 61, appropriated $20 million general revenue to DADS and HHSC for increases in attendant compensation rate enhancement payments during fiscal years 2014 and 2015.

Note 5: The cost of the rate increase only includes the impact on services that will remain as fee-for-service under DADS. The corresponding impact on services delivered through managed care is included in the applicable STAR+PLUS programs.

Note 6: The Medically Dependent Children Program is moving to STAR+PLUS in FY 2017

Note 7: Nursing Facility Hospice rates are tied by federal law to 95% of NF rates - any changes to NF rates will impact Hospice Payments.

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DARS								
ECI - Case Management	3/15/2010	24.00%	NA	NA	494,228	211,035	528,082	225,861
ECI - Development Rehabilitative Services	3/15/2010	5.71%	NA	NA	899,348	384,022	960,953	411,000
Total DARS					**1,393,576**	**595,057**	**1,489,035**	**636,860**

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DFPS								
24-Hr. Residential Child Care (Foster Care) - Foster Family	9/1/2013	4.30%	NA	NA	177,707	120,242	177,707	120,905
24-Hr. Residential Child Care (Foster Care) CPA								
Foster Family Pass Through	9/1/2013	4.30%	NA	NA	1,273,579	884,083	1,273,579	889,160
Retainage	9/1/2013	8.36%	NA	NA	1,130,564	708,295	1,130,564	728,868
Subtotal 24-Hr. Residential Child Care CPA Pass Through/Retainage	9/1/2013	6.12%	NA	NA	2,404,143	1,592,378	2,404,143	1,618,028
24-Hr. Residential Child Care (Foster Care) - Residential Treatment Facility	9/1/2013	7.13%	NA	NA	1,119,281	877,963	1,119,281	879,971
24-Hr. Residential Child Care (Foster Care) - Emergency Shelter	9/1/2013	5.86%	NA	NA	260,589	202,205	260,589	202,374
Total All 24-Hr. Residential Child Care (Foster Care)	**NA**	**NA**	**NA**	**NA**	**3,961,720**	**Note 1 2,792,788**	**3,961,720**	**Note 2 2,821,278**
Psychiatric Transition (Intensive Psychiatric Step Down)	NA	NA	NA	NA	37,880	Note 3 36,077	37,880	Note 4 35,859
Supervised Independent Living	NA	NA	NA	NA	10,604	Note 5 8,002	10,604	Note 6 7,901
Total DFPS (with totals only included)					**4,010,204**	**2,836,867**	**4,010,204**	**2,865,038**

Note 1: If TANF funding is available, up to $1,460,237of this amount is eligible for TANF funding the remaining $1,332,551 must be GR

Note 2: If TANF funding is available, up to $1,386,009 of this amount is eligible for TANF funding the remaining $1,439,269 must be GR

Note 3: If TANF funding is available, up to $22,924 of this amount is eligible for TANF funding the remaining $13,153 must be GR

Note 4: If TANF funding is available, up to $24,896 of this amount is eligible for TANF funding the remaining $10,963 must be GR

Note 5: If TANF funding is available, up to $4,103 of this amount is eligible for TANF funding; the remaining $3,899 must be GR

Note 6: If TANF funding is available, up to $3,987 of this amount is eligible for TANF funding; the remaining $3,914 must be GR

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DSHS								
Notes 1 & 2 Children with Special Health Care Needs (CSHCN) - Outpatient Hospital	9/1/2007	2.50%	2/1/2011	2.00%	32,317	32,317	32,317	32,317
Notes 1 & 2 CSHCN - Ambulance Services	9/1/2009	2.50%	2/1/2011	2.00%	4,728	4,728	4,728	4,728
Notes 1 & 2 CSHCN - Durable Medical Equipment, Prosthetics, Orthotics, Supplies	Various 2008	2.50%	2/1/2011	2.00%	10,581	10,581	10,581	10,581
Notes 1 & 2 CSHCN - Drugs/Biologicals	10/1/2008	2.50%	2/1/2011	2.00%	83,371	83,371	83,371	83,371
Notes 1 & 2 TEFRA Based Inpatient Hospital (Cost-Based)	NA	NA	NA	NA	20,534	20,534	20,534	20,534
Notes 1 & 2 CSHCN - Nursing	11/1/2002	2.50%	2/1/2011	2.00%	717	717	717	717
Notes 1 & 2 CSHCN - Physician & Professional Services - Total	9/1/2007	2.50%	2/1/2011	2.00%	32,614	32,614	32,614	32,614
Notes 1 & 2 Family Planning - Durable Medical Equipment, Prosthetics, Orthotics, Supplies	Various 2008	2.50%	2/1/2011	2.00%	6,585	6,585	6,585	6,585
Notes 1 & 2 Family Planning - Drugs/Biologicals	10/1/2008	2.50%	2/1/2011	2.00%	35,238	35,238	35,238	35,238
Notes 1 & 2 Family Planning - Clinical Laboratory	4/1/2008	2.50%	2/1/2011	2.00%	30,203	30,203	30,203	30,203
Notes 1 & 2 Family Planning - Physician & Professional Services (Includes Women's Health Program) - Adults - Total	9/1/2007	2.50%	2/1/2011	2.00%	38,676	38,676	38,676	38,676

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DSHS, continued								
Notes 1 & 2 Maternal and Child Health - Dental	9/1/2007	2.50%	2/1/2011	2.00%	7,310	7,310	7,310	7,310
Notes 1 & 2 Maternal and Child Health - Physician & Professional Services - Children - Total	9/1/2007	2.50%	2/1/2011	2.00%	32,058	32,058	32,058	32,058
Notes 1 & 2 Maternal and Child Health - Physician & Professional Services - Adults - Total	9/1/2007	2.50%	2/1/2011	2.00%	6,664	6,664	6,664	6,664
Note 3 Mental Health (MH) Targeted Case Management - Adult	9/1/2004	New Service	2/1/2011	2.00%	76,423	32,633	76,423	32,686
Note 3 Mental Health (MH) Targeted Case Management - Children	9/1/2004	New Service	2/1/2011	2.00%	12,384	5,288	12,384	5,297
Note 3 MH Rehabilitative Services - Adult	9/1/2004	New Service	2/1/2011	2.00%	341,341	145,753	341,341	145,992
Note 3 MH Rehabilitative Services - Children	9/1/2004	New Service	2/1/2011	2.00%	54,718	23,365	54,718	23,403
Notes 1 & 2 Substance Use Disorder	9/1/2007	7%	9/1/2013	19.00%	841,954	841,954	841,954	841,954
Note 4 NorthSTAR -- Medicaid Inpatient Hospital	NA	NA	NA	NA	82,690	35,309	87,493	37,421
Note 4 NorthSTAR -- MH Rehabilitative Services - Children	NA	NA	NA	NA	31,223	13,332	32,938	14,088
Note 4 NorthSTAR -- MH Rehabilitative Services - Adults	NA	NA	NA	NA	42,007	17,937	44,542	19,051

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
DSHS, continued								
Note 4 NorthSTAR -- MH Targeted Case Management - Children	NA	NA	NA	NA	7,976	3,406	8,414	3,599
Note 4 NorthSTAR -- MH Targeted Case Management - Adults	NA	NA	NA	NA	15,805	6,749	16,759	7,168
Note 4 NorthSTAR - Physician & Professional Services - Total	NA	NA	NA	NA	119,593	51,066	126,541	54,122
Note 4 NorthSTAR -- Medicaid Institutions for Mental Disease (State Hospitals)	NA	NA	NA	NA	146,444	62,532	154,951	66,273
Note 5 Youth Empowerment Services (YES) Waiver	9/1/2013	154% for Community Living Supports; 26% for Family Supports; 13% for Paraprofessional Services	NA	NA	107,617	45,952	107,617	46,028
Note 6 Home and Community Based Services - Adult Mental Health	NA	NA	NA	NA	NA	NA	NA	NA
Total DSHS					**2,225,803**	**1,626,872**	**2,251,705**	**1,638,678**

Note 1: Any increase in rates must be funded with GR to maintain level services since federal block grants will not be increased for rate increases

Note 2: GR for these programs is Fund 8003 GR Match for Maternal Child Health Block Grant or 8002 General Revenue for Substance Abuse Block Grant. Any reduction in general revenue may result in loss of federal block grants and elimination of this program. For Substance Abuse Disorder, there is not a required State Match but a required State Maintenance of Effort of State funding to be no less than prior two year average.

Note 3: Mental Health Targeted Case Management and Rehabilitative Services rates adjusted effective 9-1-2011 to reflect the change in reimbursement methodology eliminating cost settlement adjusted rates to reflect a statewide prospective in lieu of provider specific rate with cost settlement.

Note 4: NorthSTAR Medicaid services assumed standard FMAP.

Note 5: YES Waiver does not have CMS approval to expand the program statewide at this time. Therefore, the calculations for rate increase is based on FY2015 projected slots with a 1% proportional increase. YES Waiver assumed standard FMAP for Medicaid services..

Note 6: Home and Community-based Services Adult Mental Health (HCBS-AMH) has not received CMS approval to begin services. The Rate impact is based on State Plan Amendment rate fiscal impact for FY16/17. The HCBS services include those for non-Medicaid clients and non-eligible services for Medicaid clients paid by 100% GR. Therefore this is not a state match percentage. This is the state portion of total projected costs for program.

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
HHSC								
Anesthesia - Children	9/1/2007	21.58%	2/1/2011	2.00%	456,615	194,975	500,528	214,076
Anesthesia - Adults	1/1/2010	9.23%	2/1/2011	2.00%	471,879	201,492	521,871	223,204
Anesthesia - Certified Registered Nurse Anesthetist - Children	9/1/2007	21.58%	2/1/2011	2.00%	200,095	85,441	219,582	93,915
Anesthesia - Certified Registered Nurse Anesthetist - Adults	1/1/2010	9.23%	2/1/2011	2.00%	315,394	134,673	348,750	149,160
Notes 1 & 2 Ambulance Services (Ground Transportation)	9/1/2009	29.97%	9/1/2013	5.00%	1,669,640	712,936	1,826,545	781,213
Notes 1 & 2 Ambulance Services (Air Transportation)	9/1/2009	29.97%	9/1/2013	5.00%	448,366	191,452	488,385	208,882
Ambulatory Surgical Center/Hospital Ambulatory Surgical Center	9/1/2007	2.50%	9/1/2011	5.00%	1,663,508	710,318	1,734,720	741,940
Note 3 Birthing Center - Facility Services	7/1/2012	250.00%	NA	NA	993	424	1,075	460
Note 3 Birthing Center - Professional Services	7/1/2012	250.00%	NA	NA	2,911	1,243	3,239	1,385
Children & Pregnant Women - Case Management - Children	9/1/2007	55.50%	2/1/2011	2.00%	15,701	6,704	16,400	7,014
Children & Pregnant Women - Case Management -Adults	9/1/2007	55.50%	2/1/2011	2.00%	557	238	582	249
Children's Health Insurance Program (CHIP) (including perinate, excluding pharmacy costs)	9/1/2013	-0.3% (3/1/12), -1.1% (9/1/12)	NA	NA	6,360,090	560,324	6,513,554	452,041
CHIP Dental	9/1/2013	-9.5% Overall, since 9/1/2012	NA	NA	984,796	86,761	1,003,481	69,642
CHIP Vendor Drug Dispensing Fee	3/1/2012	Managed Care rollout for Vendor Drug decreased Dispensing Fee from $6.5/prescription +1.96% to $1.50/prescription	NA	NA	23,700	2,088	24,529	1,702
Clinical Laboratory Fees (non-state owned)	4/1/2008	2.60%	9/1/2011	10.50%	3,681,533	1,572,015	4,302,726	1,840,276
Orthodontics - Children	9/1/2007	52.50%	2/1/2011	2.00%	601,769	256,955	659,100	281,897
Orthodontics - Adults	9/1/2007	52.50%	2/1/2011	2.00%	20,199	8,625	22,073	9,441
Dental Services - Children's	9/1/2007	52.50%	2/1/2011	2.00%	12,318,376	5,259,947	13,629,307	5,829,255
Dental Services - Adults	9/1/2007	52.50%	2/1/2011	2.00%	674,732	288,111	750,743	321,093

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
HHSC, continued								
Durable Medical Equipment, Prosthetics, Orthotics, Supplies (DMEPOS)								
Diabetic Equipment and Supplies	Various 2008	10.00%	9/1/2011	10.00%	157,253	67,147	174,089	74,458
Hearing Services	Various 2008	10.00%	6/1/2013	Reimburse-ment for hearing aids limited to lesser of provider's acquisition cost or fees determined by HHSC.	179,643	76,708	188,848	80,770
Hospital Beds and Accessories	Various 2008	10.00%	9/1/2011	10.00%	79,084	33,769	85,457	36,550
Incontinence Supplies	Various 2008	10.00%	9/1/2011	10.00%	1,901,197	811,811	2,020,031	863,967
Kidney Machines and Access	Various 2008	10.00%	9/1/2011	10.00%	13,739	5,867	14,830	6,343
Miscellaneous DME Equipment and Supplies	Various 2008	10.00%	9/1/2011	10.00%	604,796	258,248	660,745	282,601
Mobility Aids	Various 2008	10.00%	9/1/2011	10.00%	77,065	32,907	82,548	35,306
Neurostimulators	Various 2008	10.00%	9/1/2011	10.00%	11,234	4,797	12,498	5,345
Nutrition (Enteral and Parenteral)	Various 2008	10.00%	9/1/2011	10.00%	1,483,072	633,272	1,574,492	673,410
Orthotics	Various 2008	10.00%	9/1/2011	10.00%	171,870	73,388	184,092	78,736
Oxygen and Related Respiratory Equipment	Various 2008	10.00%	9/1/2011	10.00%	578,933	247,204	624,789	267,222
Prosthetics	Various 2008	10.00%	9/1/2011	10.00%	62,616	26,737	67,267	28,770
Speech Generating Devices/Augmentive Communication Devices	Various 2008	10.00%	9/1/2011	10.00%	20,166	8,611	21,280	9,101
Wheel Chairs	Various 2008	10.00%	9/1/2011	10.00%	493,125	210,564	530,312	226,814
Wound Therapy	Various 2008	10.00%	9/1/2011	10.00%	35,344	15,092	39,177	16,756
Vision	Various 2008	10.00%	9/1/2011	10.00%	272,394	116,312	300,205	128,398
Environmental Lead Investigations	7/1/2010	New Benefit	2/1/2011	2.00%	90	38	95	41
Family Planning Clinics - Children	9/1/2007	10.06%	2/1/2011	2.00%	50,875	21,724	56,137	24,010
Family Planning Clinics - Adults	9/1/2007	4.00%	2/1/2011	2.00%	35,918	15,337	39,813	17,028
Long-Acting Reversible Contraceptive (LARC), Sterilization, and Associated Services - Children	9/1/2013	19.00%	NA	NA	59,527	25,418	65,667	28,086

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
					2016		2017	
	Date	Percent	Date	Percent	AF	GR	AF	GR
HHSC, continued								
Long-Acting Reversible Contraceptive (LARC), Sterilization, and Associated Services - Adults	9/1/2013	18.00%	NA	NA	258,510	110,384	287,762	123,076
Notes 4 & 5 Federally Qualified Health Centers	1/1/2014	Medicare Economic Index (MEI) (0.8%) or MEI+0.5%	NA	NA	1,024,579	437,495	1,024,579	438,212
Freestanding Psychiatric Hospitals (non-state owned)	1/1/2008	18.18%	9/1/2011	8.00%	905,323	386,573	938,922	401,577
TEFRA Based Inpatient Hospital (Cost-Based)	NA	NA	NA	NA	1,819,698	777,011	1,768,219	756,267
Inpatient Hospital	9/1/2001	13.87%	9/1/2013	10% reduction to outlier payments (children's hospitals exempt); pay adult rates for labor and delivery services provided at children's hospitals	41,400,234	17,677,900	43,183,370	18,469,527
Outpatient Hospital	9/1/2007	2.50%	9/1/2013	5.30% (children's, rural and state-owned exempt); flat fee for non-emergent ED visits at 125% of acute care office visit fee (rural exempt)	12,771,902	5,453,602	13,284,110	5,681,614
Outpatient Imaging	NA	NA	9/1/2013	125% of Acute Care Adult Rate	1,813,411	774,326	1,952,812	835,218
HHA- Home Health Aide Services	9/1/2007	2.50%	2/1/2011	2.00%	1,127	481	1,241	531
HHA - Other Services (Supplies)	9/1/2007	2.50%	2/1/2011	2.00%	11,594,948	4,951,043	12,932,576	5,531,263
HHA - Skilled Nursing Services	9/1/2007	2.50%	2/1/2011	2.00%	202,276	86,372	223,810	95,724
Laboratory Services - Children	9/1/2007	27.50%	2/1/2011	2.00%	605,569	258,578	663,508	283,782
Laboratory Services - Adults	9/1/2007	12.50%	2/1/2011	2.00%	1,256,018	536,320	1,378,674	589,659
Maternity Service Clinic	NA	NA	9/1/2011	7.00%	4,692	2,003	5,199	2,224
Medical Transportation	NA	NA	NA	NA	2,364,978	1,009,845	2,541,739	1,087,102

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
HHSC, continued								
Physician And Other Practitioners - Children	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	12,991,548	5,547,391	14,306,411	6,118,852
Physician And Other Practitioners - Adults	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	9,416,951	4,021,038	10,400,795	4,448,420
Physicians Vaccine Administration - Children	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	626,883	267,679	693,559	296,635
Physicians Vaccine Administration - Adults	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	8,642	3,690	9,577	4,096
Physician- Administered Drugs/Biological Fees (Nononcology)- Children	10/1/2008	3.59%	2/1/2011	24.00%	43,104	18,405	46,839	20,033
Physician- Administered Drugs/Biological Fees (Nononcology)- Adults	10/1/2008	3.59%	2/1/2011	24.00%	93,804	40,054	103,767	44,381
Physician-Administered Oncology Drugs - Children	10/1/2008	3.59%	2/1/2011	2.00%	21,399	9,137	23,243	9,941
Physician-Administered Oncology Drugs - Adults	10/1/2008	3.59%	2/1/2011	2.00%	606,496	258,974	659,303	281,984
Certified Nurse Midwife - Children	9/1/2007	27.50%	2/1/2011	2.00%	1,359	580	1,503	643
Certified Nurse Midwife - Adults	9/1/2007	27.50%	2/1/2011	2.00%	7,896	3,372	8,790	3,759
Chiropractors - Children	9/1/2007	27.50%	2/1/2011	2.00%	1,809	772	1,990	851
Chiropractors - Adults	9/1/2007	12.50%	2/1/2011	2.00%	2,871	1,226	3,178	1,359
Geneticist - Children	9/1/2007	27.50%	2/1/2011	2.00%	18,897	8,069	20,685	8,847
Geneticist - Adults	9/1/2007	12.50%	2/1/2011	2.00%	16,149	6,896	18,005	7,701
Licensed Clinical Social Worker/CCP Social Worker - Children	9/1/2007	27.50%	2/1/2011	2.00%	73,623	31,437	81,020	34,652
Licensed Clinical Social Worker/CCP Social Worker - Adults	9/1/2007	12.50%	2/1/2011	2.00%	18,165	7,756	20,111	8,601

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
HHSC, continued								
Licensed Marriage and Family Therapist - Children	9/1/2007	27.50%	2/1/2011	2.00%	4,909	2,096	5,354	2,290
Licensed Marriage and Family Therapist - Adults	9/1/2007	12.50%	2/1/2011	2.00%	748	319	813	348
Licensed Professional Counselors - Children	9/1/2007	27.50%	2/1/2011	2.00%	611,057	260,921	672,745	287,733
Licensed Professional Counselors - Adults	9/1/2007	12.50%	2/1/2011	2.00%	162,590	69,426	178,898	76,515
Optometrist/Optician - Children	9/1/2007	27.50%	2/1/2011	2.00%	350,514	149,669	385,720	164,972
Optometrist/Optician - Adults	9/1/2007	12.50%	2/1/2011	2.00%	96,536	41,221	105,974	45,325
Physician Assistants and Nurse Practitioners - Children	9/1/2007	27.50%	2/1/2011	2.00%	276,674	118,140	306,136	130,934
Physician Assistants and Nurse Practitioners - Adults	9/1/2007	12.50%	2/1/2011	2.00%	44,152	18,853	48,845	20,891
Podiatrist - Children	9/1/2007	27.50%	2/1/2011	2.00%	42,576	18,180	46,988	20,097
Podiatrist - Adults	9/1/2007	12.50%	2/1/2011	2.00%	46,902	20,027	51,836	22,170
Psychologists - Children	9/1/2007	27.50%	2/1/2011	2.00%	208,904	89,202	230,472	98,573
Psychologists - Adults	9/1/2007	12.50%	2/1/2011	2.00%	20,813	8,887	22,747	9,729
Licensed Psychological Associate - Children	N/A	N/A	N/A	N/A	11,111	4,744	12,273	5,249
Licensed Psychological Associate - Adults	N/A	N/A	N/A	N/A	311	133	338	145
Renal Dialysis Facilities	9/1/2007	2.50%	9/1/2011	5.00%	271,720	116,024	275,701	117,917
Note 6 Rural Health Clinics	1/1/2014	Medicare Economic Index (MEI) (0.8%)	NA	NA	19,429,576	8,296,429	21,341,888	9,127,925
Note 7, 8 & 9 STAR+PLUS Long Term Care - - Community Based Alternatives	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	8,492,619	3,357,415	9,259,377	3,682,454
Note 7, 8 & 9 STAR+PLUS Long Term Care - - Day Activity and Health Services	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	1,293,439	550,143	1,410,217	603,150
Note 9 & 10 STAR+PLUS Long Term Care - - Nursing Facility	9/1/2014	4.00% (also 2.00% eff. 9/1/2013; 6.00% total for 14-15 biennium)	NA	NA	28,865,586	12,325,605	29,480,851	12,608,960
Note 9 & 11 STAR KIDS Long Term Care -- Medically Dependent Children Program	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	NA	NA	998,700	427,144

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
HHSC, continued								
Note 7, 8 & 9 STAR+PLUS Long Term Care - - Primary Home Care	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	11,775,495	4,902,531	12,838,648	5,375,542
Substance Use Disorder Services (Chemical Dependency Treatment Facility)	9/1/2013	19.00%	NA	NA	168,500	71,950	185,945	79,529
Therapy Services - Comprehensive Outpatient Rehabilitation Facility (CORF) / Outpatient Rehabilitation Facility (ORF) (PT 65, PS25) - Children ONLY	1/1/2006	NA	9/1/2013	2.50%	NA	NA	NA	NA
Therapy Services - Home Health Agency - Children	1/1/2006	NA	9/1/2013	1.50%	NA	NA	NA	NA
Therapy Services - Home Health Agency - Adults	1/1/2006	NA	9/1/2013	1.50%	NA	NA	NA	NA
Therapy Services - Independent Therapists (PT 34, 35, 50) - Children	1/1/2006	NA	9/1/2013	4.00% - office setting 1.50% - home setting	NA	NA	NA	NA
Therapy Services - Independent Therapists (PT 34, 35, 50) - Adults	1/1/2006	NA	9/1/2013	4.00% - office setting 1.50% - home setting	NA	NA	NA	NA
THSteps Medical Checkups	9/1/2007	27.50%	2/1/2011	2.00%	1,244,185	531,267	1,359,950	581,651
THSteps Newborn	9/1/2007	27.50%	2/1/2011	2.00%	430,837	183,967	451,056	192,917
THSteps Personal Care Services and Attendant Care	8/1/2009	7.00%	9/1/2010	1.00%	1,401,843	598,587	1,468,098	627,906
THSteps Private Duty Nursing	7/1/2008	15.00%	2/1/2011	2.00%	6,332,373	2,703,923	6,679,352	2,856,759
Tuberculosis Clinics	NA	NA	2/1/2011	2.00%	2,403	1,026	2,589	1,107
Note 12 Vendor Drug Dispensing Fee	9/1/2007	44.80%	2/1/2011	2.00%	1,071,514	295,845	1,017,893	281,040
Texas Women's Health Program	9/1/2007	22.50%	2/1/2011	2.00%	260,617	260,617	272,214	272,214
Total HHSC					**219,090,161**	**90,645,231**	**235,006,478**	**97,418,273**

Estimated Cost of 1 Percent Rate Change

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Incremental Cost of 1 Percent Rate Change			
	Date	Percent	Date	Percent	2016		2017	
					AF	GR	AF	GR
HHSC, continued								
Note 1: Basic and Advanced Life Support Costs were allocated between air and ground ambulance based on number of clients served.								
Note 2: Effective September 1, 2013, Ambulance Services were fully exempted from Medicare equalization which increased revenues received for dually-eligible consumers.								
Note 3: Reimbursement was set based a cost survey resulting in a significant increase for the program								
Note 4: Federally Qualified Health Center Rate increases are limited to MEI plus .5 percent, they have federally mandated Medical Economic Inflators provided annually.								
Note 5: Recently, some Federally Qualified Health Centers (FQHCs) have acquired physician practices and retained their client base. This activity may cause FQHC costs to increase over the next biennium as FQHC rates are significantly higher than physician reimbursement. HHSC does not have a way of predicting how many clients will be moved to the FQHC client base, and therefore it is difficult to predict increases in costs.								
Note 6: Rural Health Centers are exempt from rate changes because they have federally mandated Medical Economic Inflators provided annually								
Note 7: STAR+PLUS expansion into the Medicaid Rural Service Area (MRSA) occurred September 1, 2014. These members were SSI in STAR previously								
Note 8: Article II of the 2014-15 General Appropriations Act, S.B. 1, 83rd Legislature, Regular Session, 2013, Special Provisions for all Health and Human Services Agencies, Section 61, appropriated $20 million general revenue to DADS and HHSC for increases in attendant compensation rate enhancement payments during fiscal years 2014 and 2015.								
Note 9: Reflects the impact of potential DADS fee-for-service rate increases on corresponding services delivered through managed care.								
Note 10: STAR+PLUS expansion will occur March 1, 2015								
Note 11: STAR+PLUS expansion will occur September 1, 2016. These members will receive their long term care services from DADS prior to this date								
Note 12: Under FFS, HHSC pays pharmacies a dispensing fee comprised of a fixed component amount of $6.50 and a variable component amount of 1.96% of the drug cost per prescription which averages to about $8 per claim. Under managed care, the dispensing fee varies by MCO; $1.50 per prescription is assumed for both Medicaid and CHIP managed care rates.								
Total HHS					**257,198,364**	**109,082,586**	**272,555,426**	**115,667,008**

Long Term Services and Supports

Establishment of Small House Nursing Facilities

Texas Medicaid nursing facilities' (NF) physical plants tend to be old. An HHSC study performed in 2008 revealed that, at that time, the average Texas Medicaid NF was constructed or last subject to a major improvement in 1979. It is unlikely that these figures have significantly improved over the past six years. NFs constructed in the 1970s do not reflect best practices for providing NF care. One promising approach to the provision of NF care is the small house (also known as "green house") model in which the NF is designed to provide a non-institutional environment to promote resident-centered care. Per DADS' regulations, a small house within a NF must have no more than 16 bedrooms and be designed and equipped to provide a homelike environment that promotes resident-centered care.

HHSC included an exceptional item in its 2016-2017 LAR to fund an add-on based on a $157 per day of service to the NF reimbursement rate in order to aid NF providers in the offset of fixed capital costs associated with the small house model since they are significantly greater than those associated with a traditional NF and the cost of retro-fitting an existing NF to provide care under the small house model is significant.

Enhancing Community IDD Services for Persons with Complex Medical and/or Behavioral Needs

While Texas has invested a great deal in community-based care for individuals with intellectual or developmental disabilities (IDD), the state still has challenges in its treatment of individuals with IDD who also have complex medical and/or mental health issues. This fact has been noted by numerous stakeholders as well as Texas Sunset Commission staff. To address this issue, DADS included an exceptional item in its 2016-2017 LAR to fund increased ICF and HCS rates for services to individuals with IDD who have lived in a State-Supported Living Center (SSLC) for at least six months prior to referral to a non-state operated provider; have a Level of Need (LON) which includes a medical LON increase (excluding individuals with an LON of Pervasive Plus); and have a Resource Utilization Group (RUG-III) classification in the major RUG-III classification groups of Extensive Services, Rehabilitation, Special Care or Clinically Complex. These increased funds are intended to enable providers to care for these high needs individuals in a non-SSLC setting.

Apportioning Rate Changes Pro Rata

In the event that appropriations are not adequate to fully fund payment rate increases included in this 2016-2017 Consolidated Budget for a specific program and no direction is given by the Legislature as to legislative intent on the distribution of appropriated funds across services and cost areas (e.g., direct care versus indirect care) within that long term services and supports

program, HHSC will distribute appropriated funds for the program proportionally based on each of the program's service types and cost area ratio of rates as determined in accordance with published reimbursement methodology to existing payment rates. Any rate reductions will be applied in a similar manner.

For example, the 2016-2017 Consolidated Budget included a rate increase of ten percent for Program A and Program A's rates were comprised of two cost centers: one a direct care cost center and one an indirect cost center. The ten percent requested rate increase is a total rate increase for the program, comprised of a 20 percent increase for direct care costs and a five percent increase for indirect costs (based on a calculation of the rates at the time the request was determined). If funds were appropriated to cover 50 percent of the requested rate increase (i.e., a five percent rate increase overall), the direct care cost center would increase ten percent (50 percent of the 20 percent increase) and the indirect cost center would increase 2.5 percent (50 percent of the five percent increase).

Comparison of Nursing Facility Medicaid Rates to Private Pay Rates

Data from nursing facility providers' fiscal year 2012 cost reports showed the average daily payment for a Medicaid recipient was $129.63, whereas the average daily payment for a private pay resident was $147.79 and the average daily payment for a Medicare resident was $410.59. It should be noted that Medicare residents are significantly more expensive to care for than Medicaid residents due to their higher acuity levels and need for rehabilitative therapies. A comparison of Nursing Facility Medicaid rates to estimated private pay amounts is detailed below.

Figure VII.2 Comparison of Nursing Facility Rates Fiscal Year 2012

Procedure Description	Average Medicaid Fee	Average Private Pay	Percent Medicaid to Average Private Pay
Nursing Facility	$129.63	$147.79	87.71%

Attendant Compensation

Direct support workers, typically referred to as attendants, provide the majority of services to consumers in a number of DADS and HHSC community-based programs. Texas faces serious challenges in meeting current and future needs for a stable and adequate attendant workforce. The demand for new attendants in Texas is expected to increase substantially over the next decade due to numerous factors including the aging of the baby boom generation, the aging of family caregivers, and the increasing prevalence of various disabilities. Meanwhile, retention of attendants has long been a challenge; high rates of job turnover exist throughout the state. Low

compensation is a significant issue with attendant wages in Texas ranking among the lowest in the nation.

A Home and Community-Based Services Workforce Advisory Council was established by HHSC in 2009 to identify and study attendant workforce issues, including wages and benefits, turnover, recruitment, training and skill development, and retention. Three priority recommendations were made by the Council. All three recommendations are concerned with improving compensation levels, as research shows that wages and benefits are the most important factors affecting attendant recruitment and retention.

Appendix C – Attendant Wages per Hour and Cost of Increasing Attendant Wages by $1.00 per Hour, presents the minimum attendant wages per hour assumed in fiscal year 2015 base payment rates for the various programs as well as the maximum attendant wages per hour assumed in the fiscal year 2015 rates assuming full participation in one of HHSC's wage enhancement programs. This table also presents the estimated cost of increasing attendant wages assumed in program rates by $1.00 per hour plus associated payroll taxes and benefits. Costs are presented separately for each individual program employing attendants. Figures presented in this table can be used in calculating the fiscal impact of various wage options for attendants.

HHSC included an exceptional item in its 2016-2017 LAR to fund a five percent wage increase for attendants.

Fiscal impact of the Affordable Care Act on Long-Term Care Providers

The Affordable Care Act, which was signed into law on March 23, 2010, requires employers with 50 or more full-time equivalent employees to offer health coverage to their employees that is affordable and that provides an acceptable level of care. An employer would be considered noncompliant and be subject to penalties if health coverage is not offered or is not considered affordable or an acceptable level of care.

On February 10, 2014, the United States Treasury Department issued final regulations which implemented the Employer Shared Responsibility under the Affordable Care Act. These final rules gave employers additional time to comply with the mandate by phasing-in employers based upon their number of employees. Employers with 100 or more full-time employees would be required to be compliant beginning in 2015. To avoid a penalty for failing to offer health coverage, these larger employers would need to offer coverage to 70 percent of their full-time employees in 2015 and 95 percent in 2016 and beyond. Employers with 50 to 99 full-time employees would be required to offer health coverage starting in 2016.

Based upon provider's fiscal year 2013 cost reports submitted to HHSC, 10.51 percent of long-term care providers have 50 to 99 employees and 39.02 percent have 100 or more employees. These providers would be considered large employers and would be required to

comply with the mandate. The remaining 50.47 percent of providers are considered small and would not be subject to the Affordable Care Act.

Special Provision 52, S.B. 1, directed HHSC, in coordination with the Legislative Budget Board, to determine the impact of the employer mandate in the Affordable Care Act on Medicaid long-term care providers. Details of the results of this study were not available at the time this Consolidated Budget was developed but will be available in a report submitted to the Governor and Legislative Budget Board due November 1, 2014.

Nursing Facility UPL/Minimum Payment Amount

In 2012, HHSC created a nursing facility (NF) upper payment limit (UPL) supplemental payment program for non-state government-owned NFs. Eligible NFs could apply to participate in this program and, if approved, the NFs could receive supplemental payments based on the difference between the amount paid through fee-for-service Medicaid and the amount Medicare would have paid for those same services. As with other supplemental payment programs operated by HHSC, the non-federal share of the supplemental Medicaid payment is funded through intergovernmental transfers (IGTs) provided by the non-state governmental entities that own the participating NFs. Payments have been made under the NF UPL program since October 2013. When the NF UPL program was implemented, there were less than 30 non-state government-owned NFs in Texas; due to the incentives under the NF UPL program, there are currently over 140 NFs that are either non-state government-owned or in the process of undergoing a change of ownership from privately owned to non-state government-owned.

Beginning March 1, 2015, NF services will be "carved-in" to managed care. In other words, the capitated payment HHSC makes to Medicaid managed care organizations (MCOs) will include funds for NF services provided by NFs contracted with the MCOs. As a result of the carve-in, HHSC is prohibited by federal regulations from continuing the NF UPL program.

In an effort to continue a certain level of funding to the NF UPL participants, HHSC is working to create a new minimum payment to eligible NFs to be made through the MCOs. A NF will be required to meet multiple criteria to be eligible for this minimum payment including: 1) the NF must be owned by a non-state governmental entity; 2) the NF must make certain representations and certifications on a form to be prescribed by HHSC; and 3) the NF must enter into an IGT responsibility agreement with the State prior to the applicable rate period. Current estimates indicate that this program could bring upwards of $208 million in new federal dollars per year into Texas to fund Medicaid services in non-state government-owned NFs.

Foster Care Redesign

The 2012-2013 GAA (Article II, Department of Family and Protective Services, H.B. 1, 82nd Legislature, Regular Session, 2011) and S.B. 218, 82nd Legislature, Regular Session, 2011,

directed the Department of Family and Protective Services to implement a redesign of the foster care system in accordance with recommendations contained in DFPS's December 2010 Foster Care Redesign report submitted to the Legislature. HB 1 and SB 218 permitted HHSC to use payment rates for foster care under the redesigned system that are different from those used for non-redesign 24-hour residential child care so long as the implementation of the redesigned system did not lead to additional costs to the state. HHSC developed the first set of rates for Single Source Continuum Contractors under Foster Care Redesign in August 2012.

Department of Labor Fair Labor Standards Act Rule Impact

On January 1, 2014, the Department of Labor issued final regulations in to regard to compensation of employees in the home and community based services (HCBS) waiver programs, NFs, and ICFs/IID. It was determined that a notable fiscal impact to the state or providers from these regulations was unlikely since (1) the vast majority of these providers already pay at least minimum wage and pay overtime to employees that work over 40 hours in a week; and (2) providers must assure that they are in compliance with the Department of Labor Final Rule in regards to compensation of their employees for overtime and sleep time.

Hospitals

Transitioning the New Standard Dollar Amount Payment System

Effective September 1, 2012, reimbursement for urban hospitals was converted from Medicare Severity Diagnosis Related Groups (MS DRG) to All Patient Refined Diagnosis Related Groups (APR DRG). APR DRG is a diagnosis-related group (DRG) methodology that allows for a more accurate classification of specific patient populations and accounts for severity of patient illness and mortality risk. The transition to APR DRG enabled the transition of children's and rural hospitals to a standard dollar amount (SDA) DRG reimbursement methodology, effective September 1, 2013.

The conversion of children's hospitals to a statewide SDA payment methodology with add-on rates was implemented as required by the 2012-13 GAA (Article II, Health and Human Services Commission, H.B. 1, Rider 67 and Rider 61(b) (17), 82nd Legislature, Regular Session, 2011). Analysis revealed that transition to a statewide rate for rural hospitals would be detrimental to many of those safety net hospitals, therefore those hospitals were transitioned to an SDA based on individual hospital costs with a cap and a floor on the rates. To lessen the impact of the transition to APR DRG reimbursement, a phase-in rate was used for children's hospitals and hospitals in Rockwall County. Rockwall County exceeded the population limits to qualify the hospitals in that county as rural; therefore the hospitals were considered urban and moved to a statewide SDA with add-ons over a two-year period. Children's hospitals were granted a one year transitional period with inflation through state fiscal year 2015.

Transitioning Outpatient Reimbursement away from Cost Reimbursement

GAA (83 R), HHSC Rider 51(b)(4) requires HHSC to "continue to adjust outpatient Medicaid payments to a fee schedule that is a prospective payment system and that maximizes bundling of outpatient services, including hospital imaging rates." Due to the lengthy transition required for implementation of a prospective payment system for hospital outpatient reimbursement, HHSC implemented a 5.3 percent reduction and subsequent freeze (children's, rural and state-owned are exempt) to its hospital outpatient reimbursements to garner the assumed savings that could be achieved from the transition to a prospective payment system while the details of the transition are worked out. The subsequent freeze is intended to counteract the inherent inflationary incentives of the current cost-based system. Cost settlement payments were also eliminated.

Medicaid Shortfall

Medicaid hospital base payment rates do not cover the full cost to the hospital of providing the service. Analyses indicate that:

- Inpatient rates cover approximately 58.0 percent of costs on average for urban Medicaid hospitals and 66.8 percent of costs on average for all Medicaid hospitals; and
- Outpatient rules limit payments to 72.0 percent of cost for high volume hospitals and 68.4 percent of cost for all others.

The Medicaid shortfall, which is the difference between hospital costs and Medicaid payments, is partially covered by supplemental payments made under the disproportionate share hospital (DSH) and uncompensated care (UC) programs.

Acute Care Services

Biennial Review of Medicaid Acute Care Fees

Most Medicaid acute care fees are based on the Medicare Relative Value Unit (RVU) system, which is an evidence-based, national standard used to compare the relative value of professional health care services. Based upon actual empirical measurement, RVUs quantify the relative work, practice expense and malpractice cost associated with each rated service. A total RVU amount, based on the sum of these three components, is then assigned to each Current Procedural Terminology (CPT) code. Rates are typically set at some percentage of the Medicare rate for a similar service. Rates for services that do not have an equivalent Medicare RVU are based on the fees for comparable services, an examination of fees from other states, market rates, or other fee analyzer tools.

For the majority of Medicaid acute care programs, agency rules, the Medicaid State Plan, or agency policy require fee reviews at periodic intervals. In 2008, HHSC set a goal to review all

acute care reimbursement rates at least once every two years and implemented a fee review plan to reach that goal. The intent of the review process was to utilize a consistent and objective approach to updating rates. Prior to this initiative, most of the acute care fees had not had a systematic review and had not been updated in six to ten years, or in some cases longer. The fee review plan included improving internal processes and assigning a portion of the first level review of acute care fees to the Medicaid claims processing contractor. HHSC added an amendment to the Medicaid claims administrator contract in August 2008 that made the contractor responsible for reviewing and recommending to HHSC changes to approximately one eighth of approximately 66,000 fees every quarter. HHSC reviews and approves the contractor's work schedule and recommendations, including fee determination and fiscal impact analysis. The first calendar fee review was implemented effective April 1, 2009. The eighth and final calendar fee review in the first two-year cycle was completed and implemented effective January 1, 2011. HHSC's Rate Analysis Department continues to update rates based on this established two year review calendar cycle. One of the results of these fee reviews was the identification and implementation of needed systems changes to allow HHSC to pay separate rates for age groups (children vs. adults) and by place of service (facility or non-facility). It also improved the online fee schedules to allow them to display the most recent fee review dates so that providers will know when the fees were reviewed and revised.

With these reviews, the Texas Medicaid conversion factor that is multiplied by the RVU to determine the payment fee is not changed. Conversion factors are revised when appropriations warrant an update for fee increases or decreases.

Physicians/Professional Services

Medicaid reimburses all physicians and professionals according to the same fee schedule. Medicaid pays Advanced Practice Nurses and Physician Assistants at 92.0 percent of the fee paid to physicians for the same service. Medicaid also pays Licensed Clinical Social Workers, Licensed Professional Counselors, Licensed Marriage and Family Therapists and Licensed Psychological Associates 70.0 percent of the fee paid to psychiatrists and psychologists for the same service.

Medicaid currently pays approximately 78.0 percent of Medicare for physician and professional services to children and 73.0 percent of Medicare for physician and professional services to adults. This Medicare methodology is based on the primary Medicaid conversion factor of $28.07 for services provided to children and the primary Medicaid conversion factor of $26.73 for services provided to adults. An additional conversion factor of $30.00 was added as an option to increase a rate beyond the normal threshold for children and adults as deemed necessary by medical staff. By way of comparison, the Medicare conversion factor effective June 1, 2014, is $35.82.

Figure VII.3 Comparison of Medicare to Texas Medicaid Conversion Factors For Physicians and Other Professionals

Medicare 2014 Conversion Factor	$35.82
Texas Medicaid 2014 Conversion Factor for Adults	$27.28
Percentage Adjustment to Medicaid Conversion Factor for Adults to Account for a 1 Percent Rate Reduction September 1, 2010, and a 1 Percent Rate Reduction February 1, 2011	(2.0%)
Texas Medicaid 2014 Conversion Factor Adjusted for 2% Rate Reduction	$26.73
Percent of Medicare for Adults	**73.4%**
Texas Medicaid 2014 Conversion Factor for Children	$28.64
Percentage Adjustment to Medicaid Conversion Factor for Children to Account for a 1 Percent Rate Reduction September 1, 2010 and a 1 Percent Rate Reduction February 1, 2011	(2.0%)
Texas Medicaid 2014 Conversion Factor Adjusted for 2% Rate Reduction	$28.07
Percent of Medicare for Children	**78.4%**

Durable Medical Equipment, Prosthetics, Orthotics and Supplies

Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) procedure codes are reviewed biennially. DMEPOS consists of 16 subcategories – Diabetic Equipment and Supplies, Hospital Beds and Access, Incontinence Supplies, Kidney Machines and Access, Mobility Aids, Neurostimulators, Nutrition, Orthotics, Oxygen and Related Respiratory Equipment, Prosthetics, Speech Generating Devices/Augmentive Communication Devices, Wheel Chairs, Wound Therapy, Vision Devices and Related Services, Hearing Aids and Related Services, and Miscellaneous Durable Medical Equipment and Supplies.

Reimbursement rates for each category are compared to the current Medicare reimbursement rate to ensure that the State reimbursement rate remains within 50 and 100 percent of the Medicare reimbursement rate. If Medicare does not reimburse an item that is a benefit of Texas Medicaid, then other methods are used to obtain a reimbursement rate, including: comparing the reimbursement rates of other states, contacting the manufacturer of the product, contacting DMEPOS providers and their associations, or using the pricing from MediSpan, a subscription database.

Since 2009, communications with provider organizations have increased. In 2011, provider workgroups made recommendations to adjust DMEPOS rates, as allowed and in compliance with direction received in the 2012-2013 GAA (Article II, H.B. 1, 82nd Legislature, Regular Session, 2011), effective September 1, 2011. In order to minimize the negative impact on provider participation and client access to services, the workgroup reviewed the directed across-the-board reimbursement reductions of 10.5 percent to DMEPOS. The workgroup provided valuable insight and proposed variations in percentages per category based on cost and profit margin of items in the category. These proposed rates were presented at a public rate hearing in November 2011 and were made effective January 1, 2012. Texas Medicaid has not applied additional across-the-board reimbursement adjustments to DMEPOS, but the Rate Analysis Department reviews rates for all Medicaid including DMEPOS as they are scheduled in the calendar fee review and to receive provider input for proposed reimbursement rates. As reimbursement rates are reviewed and updated, the percentage reduction is removed for tangible items. As of January 1, 2012, 60.0 percent of the DMEPOS procedure codes and type of service combinations had a percentage reduction applied. In accordance with rate review procedures, 39.0 percent of the DMEPOS procedure codes and type of service combinations have a reduction remaining.

Therapies

Texas Medicaid is estimated to expend $830 million in General Revenue on Acute Care therapies (physical, occupational, speech), primarily for children during the 2014-2015 biennium. Expenditures for therapies have increased significantly over time. Studies indicate that Texas Medicaid fees for Acute Care therapies are higher than fees paid by Medicare, other states' Medicaid programs and private insurers for similar services. As indicated above (see "Significant Medicaid Fee-for-Service Rate Actions 2010-2015"), HHSC has instituted a series of fee reductions for these services since 2010. HHSC continues to work with providers, its contracted Medicaid MCOs and other impacted stakeholders to develop appropriate methods of reimbursing for Acute Care therapy services.

Significant Medicaid Fee-for-Service Rate Actions 2010-2015

Long Term Services and Supports (Biennial)

- Nursing Facilities
  - Fiscal years 2010-2011 – 2.7 percent increase; one percent reduction; additional two percent reduction
  - Fiscal years 2012-2013 – no changes
  - Fiscal years 2014-2015 – two percent in fiscal year 2014 and four percent in fiscal year 2015 for a total six percent increase

- Intermediate Care Facilities for Individuals with Intellectual or Developmental Disabilities (ICF/IID)
  - Fiscal years 2010-2011 – 1.5 percent increase; two separate reductions totaling three percent
  - Fiscal years 2012-2013 – two percent reduction
  - Fiscal years 2014-2015 – no change
- Community Care other than Home and Community-based Services/Texas Home Living (HCS/TxHmL)
  - Fiscal years 2010-2011 – $19.2 million General Revenue (GR) increase for rate enhancements
  - Fiscal years 2012-2013 – Community Based Alternatives (CBA) Personal Attendant Services (PAS) 3.95 percent reduction
  - Fiscal years 2014-2015 – increases to support $7.50 per hour minimum wage for attendants in fiscal year 2013 and $7.86 per hour in fiscal year 2014; $20 million GR increase for rate enhancements
- HCS/TxHmL
  - Fiscal years 2010-2011 – 4.25 percent increase for HCS; 39.49 percent increase for TxHmL (to equalize with HCS); two percent reduction
  - Fiscal years 2012-2013 – decreases ranging from 1 to 42 percent depending on service
  - Fiscal years 2014-2015 – no change

Although payment rates for HCS and TxHmL providers have been reduced over time for purposes of aligning those rates with similar services in other Medicaid programs and with the actual cost of providing HCS and TxHmL services, the most recent, available audited cost data available (fiscal year 2012) indicates that the profit margin for providing Medicaid services for these providers is 5.5 percent.

Hospitals (Biennial)

- Inpatient
  - Fiscal years 2010-2011 – two separate one percent reductions
  - Fiscal years 2012-2013 – moved to statewide standard dollar amount (SDA); eight percent reduction with one-year $20 million hold-harmless
  - Fiscal years 2014-2015 – ten percent reduction to outlier payments (children's hospitals exempt); pay adult rates for labor and delivery services provided at children's hospitals; transition children's and rural hospitals from cost-based reimbursement to All Patient Refined Diagnosis Related Group (APR-DRG) reimbursement.
- Outpatient

- Fiscal years 2010-2011 – two separate one percent reductions
- Fiscal years 2012-2013 – eight percent reduction; implemented imaging fee schedule; 40 percent reduction for non-emergent Emergency Room services
- Fiscal years 2014-2015 – 5.3 percent reduction and subsequent freeze (children's, rural and state-owned exempt); imaging fees greater than 125 percent of acute care fee reduced to 125 percent of acute care fee; flat fee for non-emergent Emergency Room visits at 125 percent of acute care office visit fee (rural hospitals exempt)

Currently, inpatient hospital rates cover approximately 58.0 percent of costs on average for urban Medicaid hospitals and 66.8 percent of costs on average for all Medicaid hospitals. Outpatient rules limit payments to 72.0 percent of cost for high volume hospitals and 68.4 percent of cost for all other hospitals.

Acute Care (Biennial)

In general, most Acute Care Medicaid services last had a rate increase effective September 1, 2007. Many Acute Care provider rates were reduced by one percent effective September 1, 2010, one percent February 1, 2011, and by varying percentages effective September 1, 2011. Significant provider rate actions include:

- Ambulance
  - Fiscal years 2010-2011 – 29.7 percent increase; two separate one percent reductions
  - Fiscal years 2012-2013 – Medicare equalization (emergency and Part B deductibles exempt)
  - Fiscal years 2014-2015 – Fully exempt from Medicare equalization; five percent reduction
- Therapies
  - Fiscal years 2010-2011
    - CORF/ORF and Independent Therapist in office setting – three reductions totaling seven percent
    - Home Health Agencies and Independent Therapist in home setting- two reductions totaling two percent
  - Fiscal years 2012-2013
    - CORF/ORF- ten percent reduction for evaluations; 19 percent reduction for re-evaluations; 2.5 percent reduction for all other services
    - Independent Therapist- 2.76 percent reduction to Speech evaluations conducted in the home; 10 percent reduction for Speech, Physical and Occupational re-evaluations; seven percent reduction for all other Speech services
    - Home Health Agencies- 2.76 percent reduction for Speech evaluations; ten percent reduction for Speech, Physical and Occupational re-evaluations
  - Fiscal years 2014-2015

        - CORF/ORF- 2.5 percent reduction
        - Independent Therapist in office setting- four percent reduction
        - Home Health Agencies and Independent Therapist in a home setting- 1.5 percent reduction
- Physicians
    - Fiscal years 2010-2011 – two separate one percent reductions
    - January 1, 2013 through December 31, 2014 – Affordable Care Act (ACA) increases for primary care evaluation and management
- Dental Services – fiscal years 2010-2011 – two separate one percent reductions
- Vendor Drug Dispensing
    - Fiscal years 2010-2011 – two separate one percent reductions
    - Fiscal years 2012-2013 - $0.85 reduction

VIII. APPENDICES

A. Increase Capacity of HHS – Community Services

FY 2016-2017 LAR
Waiting/Interest List Request

DADS	Current Interest Lists Jan 2014	% Recv. Other Svcs.	August 2015 S.B. 1	FY 2016			FY 2017			16-17 Biennium		
				Avg. Monthly Caseload	GR	AF	Avg. Monthly Caseload	GR	AF	Caseload as of Aug. 17	GR	AF
STAR PLUS CBA				412	$ 4,055,045	$ 10,290,520	1,235	$ 12,431,553	$ 31,468,588	1,646	$ 16,486,598	$ 41,759,108
Medically Dep. Children's Program (MDCP)	27,509	7.5%	2,524	321	$ 7,452,546	$ 17,418,625	962	$ 23,171,482	$ 54,079,044	1,282	$ 30,624,028	$ 71,497,669
Comm. Living Asst. & Supp. Svcs. (CLASS)	49,529	24.2%	5,367	1,038	$ 22,904,268	$ 58,408,687	3,114	$ 70,208,922	$ 178,560,008	4,151	$ 93,113,190	$ 236,968,695
Home and Community-Based Svcs. (HCS)	48,516	26.3%	23,396	1,698	$ 36,949,879	$ 86,874,973	5,094	$ 112,587,313	$ 264,249,682	6,792	$ 149,537,192	$ 351,124,655
Texas Home Living Waiver	20,792	N/A	8,738	260	$ 1,622,516	$ 3,741,404	780	$ 4,968,666	$ 11,435,064	1,040	$ 6,591,182	$ 15,176,468
Deaf-Blind w/ Mult. Disab. Waiver (DBMD)	104	40.3%	255	-	$ 111,487	$ 276,419	-	$ 343,144	$ 847,349	-	$ 454,631	$ 1,123,768
Non-Medicaid Services*	20,536	varies	33,758	326	$ 990,663	$ 990,663	978	$ 2,989,681	$ 2,989,681	1,303	$ 3,980,344	$ 3,980,344
IDD Communiity				591	$ 1,700,000	$ 1,700,000	591	$ 1,700,000	$ 1,700,000	591	$ 3,400,000	$ 3,400,000
In-Home & Family Support	22,277	varies	5,999	150	$ 175,438	$ 175,438	450	$ 512,792	$ 512,792	600	$ 688,230	$ 688,230
Total	**189,263**		**80,037**	**4,796**	**$ 75,961,842**	**$ 179,876,729**	**13,204**	**$ 228,913,553**	**$ 545,842,208**	**17,405**	**$ 304,875,395**	**$ 725,718,937**

FY 2016-2017 LAR
Waiting/Interest List Request

DARS	Current Waiting List	% Recv. Other Svcs.	August 2015 Waiting List	FY 2016 Annual Caseload	FY 2016 GR	FY 2016 AF	FY 2017 Annual Caseload	FY 2017 GR	FY 2017 AF	Biennium Caseload as of Aug. 17	Biennium GR	Biennium AF
Reduce the Independent Living - General Waiting List	156	N/A	215	2,950	$ 445,000	$ 445,000	2,835	$ 493,000	$ 493,000	876	$ 938,000	$ 938,000
Reduce the Comprehensive Rehabiliation Services Waiting List	0	N/A	0	1,025	$ 1,325,664	$ 1,325,664	1,025	$ 1,325,664	$ 1,325,664	495	$ 2,651,328	$ 2,651,328
Total				**3,975**	**$1,770,664.0**	**$1,770,664.0**	**3,860**	**$1,818,664.0**	**$1,818,664.0**	**1,371**	**$3,589,328.0**	**$3,589,328.0**

FY 2016-2017 LAR
Waiting/Interest List Request

DSHS	Current Waiting List	% Recv. Other Svcs.	August 2015 Waiting List	FY 2016 Annual Caseload	FY 2016 GR	FY 2016 AF	FY 2017 Annual Caseload	FY 2017 GR	FY 2017 AF	Biennium Caseload as of Aug. 17	Biennium GR	Biennium AF
Children with Special Health Care Needs (CSHCN)	464	varies	1,652	2,165	$8.6	$8.6	2,213	$9.3	$9.3	2,180	$17.9	$17.9
Total				**2,165**	**$8.6**	**$8.6**	**2,213**	**$9.3**	**$9.3**	**2,180**	**$17.9**	**$17.9**

Assumptions for Children with Special Health Care Needs:

1. Caseload figures are annualized.
2. The current waiting list estimate was based on the actual WL as of August 31, 2014.
3. Dollars to sustain clients removed from the waiting list in FY16 would be needed in FY17.
4. Assumes no additional Federal dollars available.
5. Client benefit costs exclude transportation benefit (approximately 2% of the total CSHCN health care benefit cost) provided through the Health and Human Services Commission (HHSC).
6. Assumes 50% of eligible clients (not on waiting list) receive services as CSHCN is a safety net program and payer of last resort. Current rules required removal of clients from the waiting list based on priority groups, with groups 1 & 2 being the most likely to receive services at a higher cost. As one moves through the levels of priority, the need for services and related cost to CSHCN diminishes.
7. The August 2015 caseload is based on the projected eligible clients on the program receiving services as of July 31, 2014.
8. The FY 2016 Annual Caseload is the projected caseload as of July 31, 2014 plus the two waiting list removals of 630 clients and 70 clients.
9. The FY 2017 Annual Caseload is the projected FY 2016 annual caseload with a 1.5% attrition rate plus an additional 80 clients removed from the waiting list.
10. The Caseload as of Aug. 17 projection includes a 1.5% attrition rate from the FY 2017 annual caseload.

B. 10% Biennial Base Reduction Schedule

HHS agencies submitted items totaling $682.8 million in General Revenue as part of a supplemental schedule in each agency's LAR. This schedule represents reductions, and in some cases, elimination of various HHS programs. Reduction and the impact on FTEs are listed below. Details of the ten percent reductions are shown in the following tables.

Supplemental 10% Schedule General Revenue/General Revenue Dedicated (in millions)				
Agency	**FY 2016**	**FY 2017**	**Biennial**	**FY 2017 FTEs**
HHSC	73.5	76.2	149.7	19
DADS	78.1	75.2	153.3	29
DFPS	43.3	43.3	86.6	455
DARS	13.0	13.0	25.9	20
DSHS	133.6	133.6	267.2	945
Total	**$341.5**	**$342.3**	**$682.8**	**1,469**

10 Percent Biennial Base GR Reduction Options Schedule

Approved Reduction Amount
$ 153,289,705

Agency Code: 539 | **Agency Name: Department of Aging and Disability Services**

Rank	Strat	Reduction Item Name	GR Reduction Amount			Revenue Loss			Cumulative GR related reduction as a % of 2016-17 Base	FTE Reduction	
			FY 2016	FY 2017	Biennial Total	FY 2016	FY 2017	Biennial Total		FY 2016	FY 2017
	3.1.1										
1	3.1.2	Administrative Operating Expenditures	2,109,392	2,109,392	4,218,784	-	-	-	0.3%	29.0	29.0
	1.4.1										
	1.4.2										
2	1.4.4	Reduction Other Program Support	6,291,419	6,291,419	12,582,838	-	-	-	1.1%	0.0	0.0
	1.2.2										
	1.2.3										
	1.3.2										
	1.3.3										
	1.3.4										
3	1.3.5	Rate Reduction	30,563,611	29,279,620	59,843,231	-	-	-	5.0%	0.0	0.0
	1.2.2										
	1.2.3										
	1.3.2										
	1.3.3										
	1.3.4										
4	1.3.5	Rate Reduction	39,144,669	37,500,183	76,644,852	-	-	-	10.0%	0.0	0.0
		Total	**78,109,091**	**75,180,614**	**153,289,705**	**-**	**-**	**-**	**10.0%**	**29.0**	**29.0**

10 Percent Biennial Base GR Reduction Options Schedule

Approved Reduction Amount

$ 25,908,716

Agency Code: 538			Agency Name: Department of Assistive and Rehabilitative Services								
Rank	Reduction Item		GR Reduction Amount			Revenue Loss			Cumulative GR related reduction as a % of 2016-17 Base	FTE Reduction	
	Strat	Name	FY 2016	FY 2017	Biennial Total	FY 2016	FY 2017	Biennial Total		FY 2016	FY 2017
1	2.3.4	Comprehensive Rehabilitation Services	2,750,000	2,750,000	5,500,000	-	-	-	2.1%	0.0	0.0
2	2.3.1	Vocational Rehabilitation - General	1,681,743	1,681,743	3,363,486	6,213,765	6,213,765	12,427,530	3.4%	0.0	0.0
3	2.1.3	Vocational Rehabilitation - Blind	420,436	420,436	840,872	1,553,441	1,553,441	3,106,882	3.7%	0.0	0.0
4	4.1.1 4.1.3	Program Support	-	-	-	586,342	586,342	1,172,684	3.7%	7.0	7.0
5	4.1.4	Information Technology Program Support	-	-	-	250,963	250,963	501,926	3.7%	2.0	2.0
6	1.1.1	Early Childhood Intervention Services	1,500,000	1,500,000	3,000,000	428,678	427,622	856,300	4.9%	0.0	0.0
7	1.3.1	Autism Program	125,000	125,000	250,000	-	-	-	5.0%	0.0	0.0
8	2.3.4	Comprehensive Rehabilitation Services	2,750,000	2,750,000	5,500,000	-	-	-	7.1%	0.0	0.0
9	2.3.1	Vocational Rehabilitation - General	1,681,743	1,681,743	3,363,486	6,213,765	6,213,765	12,427,530	8.4%	0.0	0.0
10	2.1.3	Vocational Rehabilitation - Blind	420,436	420,436	840,872	1,553,441	1,553,441	3,106,882	8.7%	0.0	0.0
11	4.1.1 4.1.3	Program Support	-	-	-	586,342	586,342	1,172,684	8.7%	6.0	6.0
12	4.1.4	Information Technology Program Support	-	-	-	250,963	250,963	501,926	8.7%	3.0	2.0
13	1.1.1	Early Childhood Intervention Services	1,500,000	1,500,000	3,000,000	428,678	427,622	856,300	9.9%	0.0	0.0
14	1.3.1	Autism Program	125,000	125,000	250,000	-	-	-	10.0%	0.0	0.0
		Total	**12,954,358**	**12,954,358**	**25,908,716**	**18,066,378**	**18,064,266**	**36,130,644**	**10.0%**	**18.0**	**17.0**

10 Percent Biennial Base GR Reduction Options Schedule

Approved Reduction Amount
$86,570,590

Agency Code: 530 | **Agency Name: Texas Department of Family and Protective Services**

Rank	Reduction Item		GR Reduction Amount			Revenue Loss			Cumulative GR related reduction as a % of 2016-17 Base	FTE Reduction	
	Strat	Name	FY 2016	FY 2017	Biennial Total	FY 2016	FY 2017	Biennial Total		FY 2016	FY 2017
1	3.1.1 3.1.2 3.1.3 3.1.4 3.1.5 3.1.6	Reduce Prevention Services	11,771,561	11,771,561	23,543,122	-	-	-	2.7%	1.5	1.5
2	6.1.4	Reduct IT Program Support	1,037,818	1,037,817	2,075,635	107,537	102,855	210,392	3.0%	0.0	0.0
3	2.1.2 4.1.2 6.1.1 6.1.2 6.1.3	Reduce Program Support/Agency Admin	2,033,476	2,033,476	4,066,952	216,682	207,560	424,242	3.4%	31.9	31.9
4	2.1.3 2.1.4 2.1.5 2.1.7 2.1.8 2.1.11 4.1.3	Reduce Purchased Services	8,005,635	8,005,639	16,011,274	-	-	-	5.3%	0.0	0.0
5	1.1.1	Reduce Statewide Intake	529,151	529,151	1,058,302	4,747	4,704	9,451	5.4%	9.3	9.3
6	5.1.1	Reduce Child Care Regulation	1,106,703	1,106,703	2,213,406	-	-	-	5.7%	20.7	20.7
7	4.1.1	Reduce APS Direct Delivery	2,319,246	2,319,246	4,638,492	119,832	119,832	239,664	6.2%	49.3	49.3
8	2.1.1	Reduce CPS Direct Delivery	16,481,705	16,481,702	32,963,407	2,083,371	1,978,987	4,062,358	10.0%	342.9	342.9
		Total	**43,285,295**	**43,285,295**	**86,570,590**	**2,532,169**	**2,413,938**	**4,946,107**	**10.0%**	**455.6**	**455.6**

10 Percent Biennial Base GR Reduction Options Schedule

Approved Reduction Amount
$ 267,236,119

Agency Code: 537 | **Agency Name: Department of State Health Services**

Rank	Reduction Item		GR Reduction Amount			Revenue Loss			Cumulative GR related reduction as a % of 2016-17 Base	FTE Reduction	
	Strat	Name	FY 2016	FY 2017	Biennial Total	FY 2016	FY 2017	Biennial Total		FY 2016	FY 2017
1	2.3.4	Hospital Vehicles	850,000	850,000	1,700,000	-	-	-	0.1%	0.0	0.0
2	1.1.1	Regions Vehicles	150,000	150,000	300,000	-	-	-	0.1%	0.0	0.0
3	2.1.1	WIC Vehicles	18,235	-	18,235	-	-	-	0.1%	0.0	0.0
4	5.1.1	Administration	375,000	375,000	750,000	-	-	-	0.1%	0.0	0.0
5	5.1.2	Information Technology Support	500,000	500,000	1,000,000	-	-	-	0.1%	0.0	0.0
6	1.2.2	Reduce HIV/STD Prevention	2,049,275	2,049,275	4,098,550	-	-	-	0.3%	0.0	0.0
7	2.3.2	Reduce Indigent Health Care Reimbursement	4,904,883	4,904,882	9,809,765	-	-	-	0.7%	0.0	0.0
8	3.1.2	Close Rio Grande Outpatient Clinic	3,159,792	3,159,792	6,319,584	-	-	-	0.9%	68.0	68.0
9	4.1.2	De-regulation of Selected Licenses	1,225,448	1,225,448	2,450,896	1,801,273	1,801,273	3,602,546	1.0%	22.2	22.2
10	2.3.3	County Indigent	48,637	48,637	97,274	-	-	-	1.0%	0.0	0.0
11	2.3.1	EMS Trauma	6,191,226	6,191,227	12,382,453	-	-	-	1.5%	0.0	0.0
12	1.3.4	Kidney Health Care	6,450,000	6,450,000	12,900,000	-	-	-	1.9%	2.6	2.6
13	6.1.2	State Hospital Facility Repairs	2,500,000	2,500,000	5,000,000	-	-	-	2.1%	0.0	0.0
14	2.2.1	Adult Mental Health	19,063,620	19,063,620	38,127,240	-	-	-	3.6%	0.0	0.0
15	2.2.2	Children Mental Health	4,515,205	4,515,205	9,030,410	-	-	-	3.9%	0.0	0.0
16	2.2.3	Crisis Services	10,900,000	10,900,000	21,800,000	-	-	-	4.7%	0.0	0.0
17	2.2.4	NorthSTAR	2,815,558	2,815,557	5,631,115	-	-	-	4.9%	0.0	0.0
18	3.1.3	State Hospitals	22,793,656	22,793,656	45,587,312	-	-	-	6.6%	425.0	425.0
19	2.1.3	Family Planning	1,882,944	1,882,945	3,765,889	-	-	-	6.8%	0.0	0.0
20	2.1.4	Primary Health Care	6,290,570	6,290,571	12,581,141	-	-	-	7.2%	3.0	3.0
21	2.1.2	Women and Children	1,940,849	1,940,849	3,881,698	-	-	-	7.4%	0.0	0.0
22	1.2.1	Immunizations - Adults	3,026,539	3,026,538	6,053,077	-	-	-	7.6%	0.0	0.0
23	1.3.1	Chronic Diseases	368,723	368,722	737,445	-	-	-	7.6%	0.0	0.0
24	1.2.4	Tuberculosis	775,560	775,559	1,551,119	-	-	-	7.7%	0.0	0.0
25	1.3.5	Children with Special Health Care Needs	1,200,000	1,200,000	2,400,000	-	-	-	7.8%	0.0	0.0
26	2.3.1	EMS/Trauma	6,191,226	6,191,227	12,382,453	-	-	-	8.2%	0.0	0.0
27	3.1.3	Mental Health State Hospitals	22,793,656	22,793,656	45,587,312	-	-	-	10.0%	425.0	425.0
28	7.1.1	Office of Sex Offender Management	646,576	646,575	1,293,151	-	-	-	10.0%	0.0	0.0
		Total	**133,627,178**	**133,608,941**	**267,236,119**	**1,801,273**	**1,801,273**	**3,602,546**	**10.0%**	**945.8**	**945.8**

10 Percent Biennial Base GR Reduction Options Schedule

Approved Reduction Amount

$ 149,661,851

Agency Code: 529			Agency Name: Health and Human Services Commission								
Rank	Reduction Item		GR Reduction Amount			Revenue Loss			Cumulative GR related reduction as a % of 2016-17 Base	FTE Reduction	
	Strat	Name	FY 2016	FY 2017	Biennial Total	FY 2016	FY 2017	Biennial Total		FY 2016	FY 2017
1	1.1.2 1.2.1 2.3.1	Adjust Target to Credit for One-Time Expenses	2,077,119	2,077,119	4,154,238	4,277,914	4,277,914	8,555,828	0.3%	0.0	0.0
2	1.2.1 2.3.1 3.1.4 4.2.1	Reduction in Administrative Travel	97,761	93,533	191,294	343,176	337,405	680,581	0.3%	0.0	0.0
3	1.1.2	Reduction in Eligibility Services Travel	1,328,372	1,328,372	2,656,744	1,430,819	1,430,819	2,861,638	0.5%	0.0	0.0
4	2.1.2 2.1.3 2.1.4	Provider Rate Reduction	46,855,858	49,525,144	96,381,002	68,212,556	66,268,973	134,481,529	6.9%	0.0	0.0
5	1.1.2 1.2.1 2.3.1 4.2.1 5.1.1	Reduction in Adminstrative Operating Expense	9,754,365	9,781,122	19,535,487	22,276,731	22,313,253	44,589,984	8.2%	0.0	0.0
6	1.1.2 1.2.1 2.3.1 4.2.1 5.1.1	Salary Savings in Administrative Areas	3,526,467	3,553,101	7,079,568	7,238,623	7,238,623	14,477,246	8.7%	0.0	0.0
7	1.1.2	Salary Savings in Eligibility Services	4,986,563	4,986,563	9,973,126	5,609,142	5,609,142	11,218,284	9.4%	0.0	0.0
8	1.1.1	Reduction in Home Visiting Services	593,098	593,098	1,186,196	-	-	-	9.4%	0.0	0.0
9	4.1.1	Reduction in Administrative Contracted Services	3,902,966	3,902,966	7,805,932	7,965,971	7,965,971	15,931,942	10.0%	0.0	0.0
10	2.1.1	Reduction in Filled Adminstrative FTEs	359,666	338,598	698,264	456,152	435,084	891,236	10.0%	20.1	19.1
		Total	**73,482,235**	**76,179,616**	**149,661,851**	**117,811,084**	**115,877,184**	**233,688,268**	**10.0%**	**20.1**	**19.1**

Estimated Cost of 1 Percent Rate Change

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DADS													
Service Coordination (ID)	6/1/2010	5.00%	NA	NA	CR	180,794,540	75,174,370	2.60%	2.60%	5,507,806	2,353,761	2,118,386	905,292
Notes 1 PASRR Assessment	NA	NA	NA	NA	T	1,467,854	366,964	0.00%	0.00%	0	0	0	0
Notes 1 & 2 PASRR Specialized Services	NA	NA	NA	NA	T	3,667,290	1,524,859	0.00%	0.00%	0	0	0	0
Note 3 & 4 Community Attendant Services	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	CR	1,133,125,395	448,616,808	2.81%	2.81%	34,199,956	14,615,511	12,170,803	5,201,250
Note 4 Community Living Assistance and Support Services	8/1/2009	$0.80 per hour minimum wage rate increase	NA	NA	CR	435,278,270	168,406,968	2.80%	2.80%	13,427,462	5,133,990	4,795,522	1,833,568
Note 3, 4 & 5 Day Activity and Health Services - Title XIX	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	CR	18,062,040	7,273,957	5.19%	5.19%	757,192	323,590	145,783	62,301
Note 4 Deaf-Blind Multiple Disabilities	6/15/2010	18% increase for Intervenors	NA	NA	B	20,560,127	8,053,322	3.91%	3.91%	1,024,596	412,041	262,046	105,382
Home and Community-based Services	10/1/2009	4.25%	9/1/2011	3% to 44% depending on service	CR	1,863,067,318	729,372,969	-2.31%	-2.31%	-46,449,750	-19,683,081	20,108,116	8,520,814
Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Conditions	9/1/2009	1.50%	9/1/2011	5.00%	CR	561,923,696	241,605,855	3.00%	3.00%	18,469,445	7,892,909	6,156,410	2,630,939
Note 6 Medically Dependent Children Program	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	B	84,487,830	32,440,598	7.45%	7.45%	3,224,476	1,376,851	432,816	184,812
Note 3 & 4 Non-Medicaid Services - Title XX	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	CR	180,804,815	25,114,597	3.96%	3.96%	7,233,880	7,233,880	1,826,738	1,826,738
Nursing Facility Providers													
Note 7 Hospice Payments (NF Related Only)	9/1/2014	4.00% (also 2.00% eff. 9/1/2013; 6.00% total for 14-15 biennium)	NA	NA	B	502,505,005	209,115,247	13.75%	13.76%	77,532,045	33,133,900	5,638,694	2,409,738
Note 5 Nursing Facility	9/1/2014		NA	NA	CR	3,534,328,311	1,467,325,700	13.75%	13.76%	43,553,708	18,612,843	3,167,543	1,353,661
Total All Nursing Facility Provider Types	**NA**	**NA**	**NA**	**NA**	**NA**	**4,036,833,316**	**1,676,440,947**	**NA**	**NA**	**121,085,753**	**51,746,743**	**8,806,237**	**3,763,399**

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DADS, continued													
Note 3, 4 & 5 Primary Home Care	9/1/2014	Increase in base wage rate to $7.86 per hour	NA	NA	CR	111,313,669	44,089,535	2.81%	2.81%	851,332	363,824	303,349	129,638
Program of All-inclusive Care for the Elderly	9/1/2012	-0.5% OVERALL	NA	NA	PA	75,598,056	31,441,231	26.01%	26.01%	22,392,540	9,569,452	860,920	367,914
Promoting Independence Services	8/1/2009	$0.80 per hour minimum wage rate increase	NA	NA	B	148,700,846	56,696,276	7.45%	2.80%	4,343,430	1,854,645	583,010	248,951
Texas Home Living Waiver	10/1/2009	39.49%	9/1/2013	match HCS	B	137,958,409	54,281,823	5.46%	5.46%	9,317,432	3,853,245	1,706,490	705,719
Total DADS (with totals only included)										**195,385,550**	**87,047,361**	**60,276,626**	**26,486,717**

Note 1: PASRR Assessments and Specialized Services were effective 2/1/2013 therefore there have been no rate increases or reductions

Note 2: PASRR rates are tied to Medicaid therapy rates

Note 3: The adopted payment rates incorporate provisions in the 2014-15 General Appropriations Act that included funds to support increases in the base wages of personal attendants to $7.50 per hour in FY 2014 and $7.86 per hour in FY 2015

Note 4: Article II of the 2014-15 General Appropriations Act, S.B. 1, 83rd Legislature, Regular Session, 2013, Special Provisions for all Health and Human Services Agencies, Section 61, appropriated $20 million general revenue to DADS and HHSC for increases in attendant compensation rate enhancement payments during fiscal years 2014 and 2015.

Note 5: The cost of the rate increase only includes the impact on services that will remain as fee-for-service under DADS. The corresponding impact on services delivered through managed care is included in the applicable STAR+PLUS programs.

Note 6: The Medically Dependent Children Program is moving to STAR+PLUS in FY 2017

Note 7: Nursing Facility Hospice rates are tied by federal law to 95% of NF rates - any changes to NF rates will impact Hospice Payments.

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DARS													
ECI - Case Management	3/15/2010	24.00%	NA	NA	CR	45,007,541	18,714,135	1.00%	1.00%	1,022,310	436,896	1,022,310	436,896
ECI - Development Rehabilitative Services	3/15/2010	5.71%	NA	NA	CR	81,900,376	34,054,176	1.00%	1.00%	1,860,301	795,022	1,860,301	795,021
Total DARS										**2,882,611**	**1,231,918**	**2,882,611**	**1,231,917**

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DFPS													
24-Hr. Residential Child Care (Foster Care) - Foster Family	9/1/2013	4.30%	NA	NA	CR	17,770,745	10,938,059	23.15%	22.80%	8,165,997	5,540,464	355,414	241,147
24-Hr. Residential Child Care (Foster Care) CPA												0	0
Foster Family Pass Through	9/1/2013	4.30%	NA	NA	PA	127,357,903	80,627,171	20.46%	21.96%	54,021,335	37,611,601	2,547,158	1,773,243
Retainage	9/1/2013	8.36%	NA	NA	CR	113,056,380	79,633,289	9.28%	10.64%	22,521,225	14,328,444	2,261,128	1,437,163
Subtotal 24-Hr. Residential Child Care CPA Pass Through/Retainage	9/1/2013	6.12%	NA	NA	CR	240,414,283	160,260,460	Note 1 15.20%	Note 1 16.64%	76,542,560	51,940,045	4,808,286	3,210,406
24-Hr. Residential Child Care (Foster Care) - Residential Treatment Facility	9/1/2013	7.13%	NA	NA	CR	111,928,137	84,977,040	26.42%	28.13%	61,065,141	47,955,934	2,238,562	1,757,934
24-Hr. Residential Child Care (Foster Care) - Emergency Shelter	9/1/2013	5.86%	NA	NA	CR	26,058,866	19,117,042	37.60%	39.60%	20,117,771	15,617,141	521,178	404,579
Total All 24-Hr. Residential Child Care (Foster Care)	**NA**	**NA**	**NA**	**NA**	**CR**	**396,172,031**	**275,292,601**	**20.20%**	**21.67%**	**165,891,469**	**Notes 2 & 3 121,053,584**	**7,923,440**	**5,614,066**
Psychiatric Transition (Intensive Psychiatric Step Down)	NA	NA	NA	NA	PA	3,787,973	3,009,199	4.33%	5.56%	374,671	Notes 4 & 5 355,630	75,759	71,936
Supervised Independent Living	NA	NA	NA	NA	PA	1,060,392	757,457	Note 6 29.06%	Note 6 43.76%	772,128	Notes 7 & 8 578,224	21,208	15,902
Total DFPS (with totals only included)										**167,038,268**	**121,987,438**	**8,020,407**	**5,701,905**

Note 1: The percentage rate change for 24-Hr. Residential Child Care (Foster Care) - Child Placing Agency is the weighted average of the percent increase for the foster family pass-through component of the rate, and the percent increase for the Child Placing Agency Retainage component.

Note 2: If TANF funding is available for FY 2016, up to $30,452,916 of this amount is eligible for TANF funding; the remaining $27,789,813 for FY 2016 must be GR

Note 3: If TANF funding is available for FY 2017, up to $30,856,813 of this amount is eligible for TANF funding the remaining $31,954,042 for FY 2017 must be GR

Note 4: If TANF funding is available for FY 2016, up to $99,331 of this amount is eligible for TANF funding the remaining $56,996 for FY 2016 must be GR

Note 5: If TANF funding is available for FY 2017, up to $138,370 of this amount is eligible for TANF funding the remaining $60,933 for FY 2017 must be GR

Note 6: The percentage rate change for Supervised Independent Living (SIL) is the weighted average of the percent increases for all SIL settings.

Note 7: If TANF funding is available for FY 2016, up to $119,224 of this amount is eligible for TANF funding; the remaining $113,266 for FY 2016 must be GR

Note 8: If TANF funding is available for FY 2017, up to $174,459 of this amount is eligible for TANF funding; the remaining $171,275 for FY 2017 must be GR

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DSHS													
Notes 1 & 2 Children with Special Health Care Needs (CSHCN) - Outpatient Hospital	9/1/2007	2.50%	2/1/2011	2.00%	B	6,463,473	3,878,084	1.00%	1.00%	64,635	64,634	64,634	64,634
Notes 1 & 2 CSHCN - Ambulance Services	9/1/2009	2.50%	2/1/2011	2.00%	B	945,603	567,362	1.00%	1.00%	9,456	9,456	9,456	9,456
Notes 1 & 2 CSHCN - Durable Medical Equipment, Prosthetics, Orthotics, Supplies	Various 2008	2.50%	2/1/2011	2.00%	B	2,116,214	1,269,728	1.00%	1.00%	21,162	21,162	21,162	21,162
Notes 1 & 2 CSHCN - Drugs/Biologicals	10/1/2008	2.50%	2/1/2011	2.00%	B	16,674,170	10,004,502	1.00%	1.00%	166,742	166,742	166,742	166,742
Notes 1 & 2 TEFRA Based Inpatient Hospital (Cost-Based)	NA	NA	NA	NA	CR	4,106,719	2,464,031	1.00%	1.00%	41,067	41,068	41,068	41,068
Notes 1 & 2 CSHCN - Nursing	11/1/2002	2.50%	2/1/2011	2.00%	B	143,431	86,058	1.00%	1.00%	1,434	1,434	1,434	1,434
Notes 1 & 2 CSHCN - Physician & Professional Services - Total	9/1/2007	2.50%	2/1/2011	2.00%	B	6,522,728	3,913,637	1.00%	1.00%	65,227	65,228	65,228	65,228
Notes 1 & 2 Family Planning - Durable Medical Equipment, Prosthetics, Orthotics, Supplies	Various 2008	2.50%	2/1/2011	2.00%	B	1,317,086	1,317,086	1.00%	1.00%	13,171	13,170	13,170	13,170
Notes 1 & 2 Family Planning - Drugs/Biologicals	10/1/2008	2.50%	2/1/2011	2.00%	B	7,047,512	7,047,512	1.00%	1.00%	70,475	70,476	70,476	70,476
Notes 1 & 2 Family Planning - Clinical Laboratory	4/1/2008	2.50%	2/1/2011	2.00%	B	6,040,538	6,040,538	1.00%	1.00%	60,405	60,406	60,406	60,406
Notes 1 & 2 Family Planning - Physician & Professional Services (Includes Women's Health Program) - Adults - Total	9/1/2007	2.50%	2/1/2011	2.00%	B	7,735,115	7,735,115	1.00%	1.00%	77,351	77,352	77,352	77,352

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DSHS, continued													
Notes 1 & 2 Maternal and Child Health - Dental	9/1/2007	2.50%	2/1/2011	2.00%	B	1,462,026	1,462,026	1.00%	1.00%	14,620	14,620	14,620	14,620
Notes 1 & 2 Maternal and Child Health - Physician & Professional Services - Children - Total	9/1/2007	2.50%	2/1/2011	2.00%	B	6,411,577	333,183	1.00%	1.00%	64,116	64,116	64,116	64,116
Notes 1 & 2 Maternal and Child Health - Physician & Professional Services - Adults - Total	9/1/2007	2.50%	2/1/2011	2.00%	B	1,332,733	1,332,733	1.00%	1.00%	13,327	13,328	13,328	13,328
Note 3 Mental Health (MH) Targeted Case Management - Adult	9/1/2004	New Service	2/1/2011	2.00%	CR	15,284,505	6,297,568	1.00%	1.00%	152,845	65,318	152,846	65,319
Note 3 Mental Health (MH) Targeted Case Management - Children	9/1/2004	New Service	2/1/2011	2.00%	CR	2,476,824	1,022,200	1.00%	1.00%	24,768	10,585	24,768	10,585
Note 3 MH Rehabilitative Services - Adult	9/1/2004	New Service	2/1/2011	2.00%	CR	68,268,198	28,118,283	1.00%	1.00%	682,682	291,745	682,682	291,745
Note 3 MH Rehabilitative Services - Children	9/1/2004	New Service	2/1/2011	2.00%	CR	10,943,665	4,515,358	1.00%	1.00%	109,437	46,768	109,436	46,768
Notes 1 & 2 Substance Use Disorder	9/1/2007	7%	9/1/2013	19.00%	NA	168,390,700	41,720,952	1.00%	1.00%	1,683,907	1,683,907	1,683,908	1,683,908
Note 4 NorthSTAR – Medicaid Inpatient Hospital	NA	NA	NA	NA	B	20,408,071	8,485,676	1.00%	1.00%	170,183	72,729	170,183	72,730
Note 4 NorthSTAR – MH Rehabilitative Services - Children	NA	NA	NA	NA	T	5,600,307	2,328,608	1.00%	1.00%	64,160	27,420	64,161	27,420
Note 4 NorthSTAR – MH Rehabilitative Services - Adults	NA	NA	NA	NA	T	7,678,811	3,192,850	1.00%	1.00%	86,550	36,988	86,549	36,988

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	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
DSHS, continued													
Note 4 NorthSTAR -- MH Targeted Case Management - Children	NA	NA	NA	NA	T	1,430,683	594,878	1.00%	1.00%	16,391	7,005	16,390	7,005
Note 4 NorthSTAR -- MH Targeted Case Management - Adults	NA	NA	NA	NA	T	2,889,188	1,201,324	1.00%	1.00%	32,565	13,917	32,564	13,917
Note 4 NorthSTAR - Physician & Professional Services - Total	NA	NA	NA	NA	T	21,690,930	9,019,089	1.00%	1.00%	246,134	105,188	246,134	105,188
Note 4 NorthSTAR -- Medicaid Institutions for Mental Disease (State Hospitals)	NA	NA	NA	NA	B	22,382,875	9,306,800	1.00%	1.00%	301,394	128,804	301,395	128,805
Note 5 Youth Empowerment Services (YES) Waiver	9/1/2013	154% for Community Living Supports; 26% for Family Supports; 13% for Paraprofessional Services	NA	NA	B	13,603,425	5,680,966	1.00%	1.00%	215,234	91,980	215,234	91,980
Note 6 Home and Community Based Services - Adult Mental Health	NA	NA	NA	NA	B	1,786,207	1,257,321	NA	NA	20,676,638	11,995,602	0	0
Total DSHS										**25,146,076**	**15,261,148**	**4,469,442**	**3,265,550**

Note 1: Any increase in rates must be funded with GR to maintain level services since federal block grants will not be increased for rate increases

Note 2: "GR" for these programs is Fund 8003 GR Match for Maternal Child Health Block Grant or 8002 General Revenue for Substance Abuse Block Grant. Any reduction in general revenue may result in loss of federal block grants and elimination of this program. For Substance Abuse Disorder, there is not a required State Match but a required State Maintenance of Effort of State funding to be no less than prior two year average.

Note 3: Mental Health Targeted Case Management and Rehabilitative Services rates adjusted effective 9-1-2011 to reflect the change in reimbursement methodology eliminating cost settlement adjusted rates to reflect a statewide prospective in lieu of provider specific rate with cost settlement.

Note 4: NorthSTAR Medicaid services assumed standard FMAP.

Note 5: YES Waiver does not have CMS approval to expand the program statewide at this time. Therefore, the calculations for rate increase is based on FY2015 projected slots with a 1% proportional increase. YES Waiver assumed standard FMAP for Medicaid services.

Note 6: Home and Community-based Services Adult Mental Health (HCBS-AMH) has not received CMS approval to begin services. The Rate impact is based on State Plan Amendment rate fiscal impact for FY16/17. The HCBS services include those for non-Medicaid clients and non-eligible services for Medicaid clients paid by 100% GR. Therefore this is not a state match percentage. This is the state portion of total projected costs for program.

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HHSC														
Anesthesia - Children	9/1/2007	21.58%	2/1/2011	2.00%	M	80,794,903	39,132,373	1.00%	1.00%	957,143	409,051		957,143	409,050
Anesthesia - Adults	1/1/2010	9.23%	2/1/2011	2.00%	M	82,045,356	37,523,805	1.00%	1.00%	993,750	424,696		993,750	424,697
Anesthesia - Certified Registered Nurse Anesthetist - Children	9/1/2007	21.58%	2/1/2011	2.00%	M	35,348,675	16,930,308	1.00%	1.00%	419,677	179,356		419,677	179,356
Anesthesia - Certified Registered Nurse Anesthetist - Adults	1/1/2010	9.23%	2/1/2011	2.00%	M	54,851,282	25,128,626	1.00%	1.00%	664,144	283,833		664,144	283,834
Notes 1 & 2 Ambulance Services (Ground Transportation)	9/1/2009	29.97%	9/1/2013	5.00%	M	295,513,958	148,803,796	15.50%	15.50%	54,190,868	23,159,319		3,496,185	1,494,150
Notes 1 & 2 Ambulance Services (Air Transportation)	9/1/2009	29.97%	9/1/2013	5.00%	M	79,962,878	41,489,576	14.00%	14.00%	13,114,520	5,604,686		936,751	400,335
Ambulatory Surgical Center/Hospital Ambulatory Surgical Center	9/1/2007	2.50%	9/1/2011	5.00%	M	314,059,879	130,624,931	90.00%	90.00%	305,840,492	130,703,178		3,398,228	1,452,258
Note 3 Birthing Center - Facility Services	7/1/2012	250.00%	NA	NA	A, CD	178,332	98,606	3.00%	3.00%	6,202	2,651		2,068	884
Note 3 Birthing Center - Professional Services	7/1/2012	250.00%	NA	NA	A, CD	501,584	213,734	3.00%	3.00%	18,450	7,885		6,150	2,628
Children & Pregnant Women - Case Management - Children	9/1/2007	55.50%	2/1/2011	2.00%	B	2,966,777	2,070,229	1.00%	1.00%	32,101	13,718		32,101	13,719
Children & Pregnant Women - Case Management -Adults	9/1/2007	55.50%	2/1/2011	2.00%	B	105,311	73,487	1.00%	1.00%	1,139	487		1,139	487
Children's Health Insurance Program (CHIP) (including perinate, excluding pharmacy costs)	9/1/2013	-0.3% (3/1/12), -1.1% (9/1/12)	NA	NA	T	1,436,750,515	417,762,341	26.00%	26.00%	334,766,743	26,325,568		12,873,645	1,012,365
CHIP Dental	9/1/2013	-9.5% Overall, since 9/1/2012	NA	NA	T	231,975,344	67,438,295	1.00%	1.00%	1,988,277	156,402		1,988,277	156,402
CHIP Vendor Drug Dispensing Fee	3/1/2012	Managed Care rollout for Vendor Drug decreased Dispensing Fee from $6.5/prescription +1.96% to $1.50/prescription	NA	NA	PA	5,999,467	1,743,163	1.00%	1.00%	48,229	3,790		48,229	3,790

C1. Rate Schedule – Rate Change Based on Current Review of Costs, continued

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HHSC, continued													
Clinical Laboratory Fees (non-state owned)	4/1/2008	2.60%	9/1/2011	10.50%	M	726,727,454	302,266,903	8.00%	7.00%	59,571,345	25,458,048	7,984,259	3,412,291
Orthodontics - Children	9/1/2007	52.50%	2/1/2011	2.00%	A,CD	106,604,932	52,056,316	1.00%	1.00%	1,260,869	538,852	1,260,869	538,852
Orthodontics - Adults	9/1/2007	52.50%	2/1/2011	2.00%	A,CD	3,577,463	1,833,227	1.00%	1.00%	42,272	18,066	42,272	18,066
Dental Services - Children's	9/1/2007	52.50%	2/1/2011	2.00%	A,CD	2,150,303,693	942,916,269	1.00%	1.00%	25,947,683	11,089,202	25,947,683	11,089,201
Dental Services - Adults	9/1/2007	52.50%	2/1/2011	2.00%	A,CD	116,203,413	49,797,155	1.00%	1.00%	1,425,475	609,204	1,425,475	609,203
Durable Medical Equipment, Prosthetics, Orthotics, Supplies (DMEPOS)													
Diabetic Equipment and Supplies	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	27,313,722	12,305,056	31.01%	31.01%	10,274,915	4,391,168	331,342	141,605
Hearing Services	Various 2008	10.00%	6/1/2013	Reimburse-ment for hearing aids limited to lesser of provider's acquisition cost or fees determined by HHSC.	A,CD,M	33,653,816	22,632,000	3.00%	3.00%	1,105,472	472,433	368,491	157,478
Hospital Beds and Accessories	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	14,248,413	7,977,394	8.46%	8.46%	1,392,019	594,898	164,541	70,319
Incontinence Supplies	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	350,952,915	221,140,621	14.19%	14.19%	55,642,234	23,779,299	3,921,228	1,675,778
Kidney Machines and Access	Various 2008	10.00%	9/1/2011	10.00%	A,CD	2,478,885	1,400,601	1.00%	1.00%	28,569	12,210	28,569	12,209
Miscellaneous DME Equipment and Supplies	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	107,372,263	54,308,617	36.94%	36.94%	46,749,092	19,978,948	1,265,541	540,849
Mobility Aids	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	14,067,174	8,382,024	14.45%	14.45%	2,306,414	985,674	159,613	68,213
Neurostimulators	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	1,936,007	827,493	8.59%	8.59%	203,853	87,121	23,732	10,142
Nutrition (Enteral and Parenteral)	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	274,167,451	173,326,392	3.00%	3.00%	9,172,692	3,920,046	3,057,564	1,306,682
Orthotics	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	31,409,039	18,587,331	28.66%	28.66%	10,201,861	4,359,888	355,962	152,125
Oxygen and Related Respiratory Equipment	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	104,521,078	59,020,728	13.76%	13.76%	16,563,215	7,078,511	1,203,722	514,427
Prosthetics	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	11,387,963	6,622,208	18.66%	18.66%	2,423,615	1,035,762	129,883	55,507
Speech Generating Devices/Augmentive	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	3,759,343	2,468,078	11.02%	11.02%	456,732	195,189	41,446	17,712
Wheel Chairs	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	89,469,998	51,925,440	27.48%	27.48%	28,124,058	12,019,174	1,023,437	437,379
Wound Therapy	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	6,125,930	2,728,377	10.95%	10.95%	816,002	348,733	74,521	31,848
Vision	Various 2008	10.00%	9/1/2011	10.00%	A,CD,M	47,785,681	22,020,722	39.13%	39.13%	22,405,806	9,575,502	572,599	244,710

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HHSC, continued													
Environmental Lead Investigations	7/1/2010	New Benefit	2/1/2011	2.00%	A	17,100	11,932	3.00%	3.00%	555	237	185	79
Family Planning Clinics - Children	9/1/2007	10.06%	2/1/2011	2.00%	A, M	8,915,971	4,029,660	8.00%	8.00%	856,096	365,867	107,012	45,733
Family Planning Clinics - Adults	9/1/2007	4.00%	2/1/2011	2.00%	A, M	6,222,853	2,779,433	10.00%	10.00%	757,305	323,648	75,731	32,365
Long-Acting Reversible Contraceptive (LARC), Sterilization, and Associated Services - Children	9/1/2013	19.00%	NA	NA	CD	10,436,500	4,731,056	3.00%	3.00%	375,581	160,511	125,194	53,504
Long-Acting Reversible Contraceptive (LARC), Sterilization, and Associated Services - Adults	9/1/2013	18.00%	NA	NA	CD	44,489,274	18,968,620	3.00%	3.00%	1,638,816	700,379	546,272	233,460
Notes 4 & 5 Federally Qualified Health Centers	1/1/2014	Medicare Economic Index (MEI) (0.8%) or MEI+0.5%	NA	NA	T	387,049,561	160,986,503	1.30%	1.30%	2,663,905	1,138,420	2,049,158	875,707
Freestanding Psychiatric Hospitals (non-state owned)	1/1/2008	18.18%	9/1/2011	8.00%	T,M	171,811,603	71,461,398	18.00%	18.00%	33,196,413	14,186,699	1,844,245	788,150
TEFRA Based Inpatient Hospital (Cost-Based)	NA	NA	NA	NA	CB	309,605,450	128,773,834	4.00%	5.00%	16,119,890	6,889,382	3,587,917	1,533,278
Inpatient Hospital	9/1/2001	13.87%	9/1/2013	10% reduction to outlier payments (children's hospitals exempt); pay adult rates for labor and delivery services provided at children's hospitals	BR	7,829,301,673	3,256,432,327	77.00%	77.00%	6,512,937,449	2,783,351,875	84,583,604	36,147,427
Outpatient Hospital	9/1/2007	2.50%	9/1/2013	5.30% (children's, rural and state-owned exempt); flat fee for non-emergent ED visits at 125% of acute care office visit fee (rural exempt)	CD	2,407,386,905	1,001,301,632	32.00%	32.00%	833,792,399	356,326,919	26,056,012	11,135,216
Outpatient Imaging	NA	NA	9/1/2013	125% of Acute Care Adult Rate	M	340,437,690	141,623,229	29.00%	28.00%	107,267,655	45,841,564	3,766,223	1,609,544

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HHSC, continued													
HHA- Home Health Aide Services	9/1/2007	2.50%	2/1/2011	2.00%	A,CD,M	197,147	93,642	1.00%	1.00%	2,368	1,012	2,368	1,012
HHA - Other Services (Supplies)	9/1/2007	2.50%	2/1/2011	2.00%	A,CD,M	1,989,584,110	827,733,286	1.00%	1.00%	24,527,524	10,482,306	24,527,524	10,482,306
HHA - Skilled Nursing Services	9/1/2007	2.50%	2/1/2011	2.00%	A,CD,M	35,157,729	15,951,932	1.00%	1.00%	426,086	182,096	426,086	182,095
Laboratory Services - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	107,220,744	52,164,695	10.82%	10.82%	13,731,419	5,868,342	1,269,077	542,360
Laboratory Services - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	220,938,305	108,744,098	12.69%	12.69%	33,434,236	14,288,665	2,634,692	1,125,979
Maternity Service Clinic	NA	NA	9/1/2011	7.00%	A,M	816,049	355,142	11.76%	11.76%	116,316	49,709	9,891	4,227
Medical Transportation	NA	NA	NA	NA	NA	441,136,113	183,424,396	2.90%	2.90%	14,229,479	6,081,147	4,906,717	2,096,947
Physician And Other Practitioners - Children	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	A, B, M,CD	2,283,550,206	1,054,919,894	10.82%	10.82%	295,363,921	126,228,751	27,297,959	11,666,243
Physician And Other Practitioners - Adults	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	A, B, M,CD	1,640,707,907	760,592,835	12.69%	12.69%	251,487,200	107,477,425	19,817,746	8,469,458
Physicians Vaccine Administration - Children	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	A	109,437,489	48,017,603	10.82%	10.82%	14,287,181	6,105,879	1,320,442	564,314
Physicians Vaccine Administration - Adults	1/1/2013	ACA increase to Medicare for Evaluation and Management Services for two years	1/1/2015	ACA increases expire	A	1,497,663	670,285	12.69%	12.69%	231,198	98,807	18,219	7,786
Physician- Administered Drugs/Biological Fees (Nononcology)- Children	10/1/2008	3.59%	2/1/2011	24.00%	A,M	7,722,420	4,060,795	10.82%	10.82%	973,184	415,904	89,943	38,438
Physician- Administered Drugs/Biological Fees (Nononcology)- Adults	10/1/2008	3.59%	2/1/2011	24.00%	A,M	16,303,420	7,437,833	12.69%	12.69%	2,507,169	1,071,483	197,571	84,435
Physician-Administered Oncology Drugs - Children	10/1/2008	3.59%	2/1/2011	2.00%	A,M	3,835,956	2,024,436	10.82%	10.82%	483,029	206,429	44,642	19,078
Physician-Administered Oncology Drugs - Adults	10/1/2008	3.59%	2/1/2011	2.00%	A,M	108,261,174	57,977,992	12.69%	12.69%	16,062,998	6,864,757	1,265,799	540,958

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HHSC, continued													
Certified Nurse Midwife - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	237,564	105,108	10.82%	10.82%	30,969	13,235	2,862	1,223
Certified Nurse Midwife - Adults	9/1/2007	27.50%	2/1/2011	2.00%	A,M	1,358,942	579,436	12.69%	12.69%	211,744	90,493	16,686	7,131
Chiropractors - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	318,667	149,328	10.82%	10.82%	41,108	17,568	3,799	1,624
Chiropractors - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	498,549	225,970	12.69%	12.69%	76,769	32,809	6,049	2,585
Geneticist - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	3,350,762	1,646,383	10.82%	10.82%	428,279	183,032	39,582	16,916
Geneticist - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	2,772,408	1,161,067	12.69%	12.69%	433,420	185,230	34,154	14,596
Licensed Clinical Social Worker/CCP Social Worker - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	12,953,488	6,026,882	10.82%	10.82%	1,673,230	715,083	154,643	66,089
Licensed Clinical Social Worker/CCP Social Worker - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	3,153,142	1,426,469	12.69%	12.69%	485,717	207,579	38,276	16,358
Licensed Marriage and Family Therapist - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	874,860	444,685	10.82%	10.82%	111,050	47,459	10,263	4,386
Licensed Marriage and Family Therapist - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	133,628	71,875	12.69%	12.69%	19,805	8,464	1,561	667
Licensed Professional Counselors - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	107,442,946	49,757,541	10.82%	10.82%	13,890,737	5,936,440	1,283,802	548,654
Licensed Professional Counselors - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	28,494,613	13,710,266	12.69%	12.69%	4,333,493	1,851,991	341,488	145,941
Optometrist/Optician - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	61,673,202	28,702,676	10.82%	10.82%	7,966,049	3,404,424	736,234	314,642
Optometrist/Optician - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	16,978,438	8,348,752	12.69%	12.69%	2,569,858	1,098,271	202,510	86,546
Physician Assistants and Nurse Practitioners - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	48,292,398	21,162,482	10.82%	10.82%	6,306,010	2,694,985	582,810	249,074
Physician Assistants and Nurse Practitioners - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	7,672,649	3,497,177	12.69%	12.69%	1,180,131	504,350	92,997	39,744
Podiatrist - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	7,459,618	3,364,893	10.82%	10.82%	969,082	414,154	89,564	38,277
Podiatrist - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	8,163,292	3,759,204	12.69%	12.69%	1,252,978	535,482	98,738	42,197
Psychologists - Children	9/1/2007	27.50%	2/1/2011	2.00%	A,M	36,620,642	16,583,285	10.82%	10.82%	4,754,052	2,031,726	439,376	187,775
Psychologists - Adults	9/1/2007	12.50%	2/1/2011	2.00%	A,M	3,685,352	1,886,090	12.69%	12.69%	552,775	236,237	43,560	18,616

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HHSC, continued													
Licensed Psychological Associate - Children	N/A	N/A	N/A	N/A	A,M	1,944,401	869,140	10.82%	10.82%	253,011	108,128	23,384	9,994
Licensed Psychological Associate - Adults	N/A	N/A	N/A	N/A	A,M	55,570	29,827	12.69%	12.69%	8,241	3,522	649	277
Renal Dialysis Facilities	9/1/2007	2.50%	9/1/2011	5.00%	CD	53,446,194	22,229,813	6.00%	7.00%	3,560,231	1,521,569	547,421	233,941
Note 6 Rural Health Clinics	1/1/2014	Medicare Economic Index (MEI) (0.8%)	NA	NA	T	200,081,205	83,219,542	0.08%	0.08%	3,261,717	1,393,948	40,771,464	17,424,354
Note 7, 8 & 9 STAR+PLUS Long Term Care - Community Based Alternatives	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	PA	1,387,259,997	538,750,440	6.67%	6.67%	118,483,673	46,986,806	17,751,996	7,039,869
Note 7, 8 & 9 STAR+PLUS Long Term Care - Day Activity and Health Services	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	PA	257,631,898	101,960,035	7.43%	7.43%	20,098,654	8,573,438	2,703,656	1,153,293
Note 9 & 10 STAR+PLUS Long Term Care - Nursing Facility	9/1/2014	4.00% (also 2.00% eff. 9/1/2013; 6.00% total for 14-15 biennium)	NA	NA	CR	3,534,328,311	1,467,325,700	13.75%	13.76%	802,666,052	343,022,439	58,346,437	24,934,565
Note 9 & 11 STAR KIDS Long Term Care – Medically Dependent Children Program	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	B	84,487,830	32,440,598	NA	7.45%	7,440,312	3,177,013	998,700	427,144
Note 7, 8 & 9 STAR+PLUS Long Term Care - Primary Home Care	9/1/2014	Increase in attendant base wage rate to $7.86 per hour	NA	NA	PA	2,052,915,311	807,899,572	3.93%	3.93%	96,698,419	40,378,144	24,614,143	10,278,073
Substance Use Disorder Services (Chemical Dependency Treatment Facility)	9/1/2013	19.00%	NA	NA	A, B, CD	29,454,682	13,561,111	3.00%	3.00%	1,063,335	454,435	354,445	151,478
Therapy Services - Comprehensive Outpatient Rehabilitation Facility (CORF) / Outpatient Rehabilitation Facility (ORF) (PT 65, PS25) - Children ONLY	1/1/2006	NA	9/1/2013	2.50%	A,M	465,415,172	256,812,220	0.00%	0.00%	NA	NA	0	0
Therapy Services - Home Health Agency - Children	1/1/2006	NA	9/1/2013	1.50%	A,M	713,097,444	404,506,870	0.00%	0.00%	NA	NA	0	0
Therapy Services - Home Health Agency - Adults	1/1/2006	NA	9/1/2013	1.50%	A,M	5,972,894	2,689,934	0.00%	0.00%	NA	NA	0	0

Estimated Cost of 1 Percent Rate Change

KEY - A - Access based; B - Based on rates from other Medicaid programs; BR - Blue Ribbon file of claims data; CD - Percent of claims data; CR - Cost Reports used for prospective rate - trend to FY 2016-17; T - Trending from current rate to FY 2016-17; M - Based on Medicare rates; PA - Pro forma analysis

Program by Budget Agency	Last Rate Increase		Rate Reduction Since Last Rate Increase		Method of Determining Rate Change	Estimated 2014-2015 Biennial Cost		Percentage Rate Change to Fully Fund Methodology		Estimated Biennial Cost of Rate Change		Estimated Biennial Cost of 1 Percent Rate Change	
	Date	Percent	Date	Percent		AF	GR	2016	2017	AF	GR	AF	GR
HHSC, continued													
Therapy Services - Independent Therapists (PT 34, 35, 50) - Children	1/1/2006	NA	9/1/2013	4.00% - office setting 1.50% - home setting	A,M	340,480,863	185,609,553	0.00%	0.00%	NA	NA	0	0
Therapy Services - Independent Therapists (PT 34, 35, 50) - Adults	1/1/2006	NA	9/1/2013	4.00% - office setting 1.50% - home setting	A,M	13,608,679	6,026,807	0.00%	0.00%	NA	NA	0	0
THSteps Medical Checkups	9/1/2007	27.50%	2/1/2011	2.00%	A,M	221,046,543	110,123,070	10.82%	10.82%	28,176,740	12,041,768	2,604,135	1,112,918
THSteps Newborn	9/1/2007	27.50%	2/1/2011	2.00%	A,M		55,872,830	12.69%	12.69%	11,191,227	4,782,661	881,893	376,884
THSteps Personal Care Services and Attendant Care	8/1/2009	7.00%	9/1/2010	1.00%	B	263,980,703	181,379,385	3.00%	3.00%	8,609,824	3,679,478	2,869,941	1,226,492
THSteps Private Duty Nursing	7/1/2008	15.00%	2/1/2011	2.00%	B	1,181,312,138	776,886,467	3.00%	3.00%	39,035,174	16,682,046	13,011,725	5,560,682
Tuberculosis Clinics	NA	NA	2/1/2011	2.00%	A,M	435,471	248,766	11.76%	11.76%	58,707	25,089	4,992	2,133
Note 12 Vendor Drug Dispensing Fee	9/1/2007	44.80%	2/1/2011	2.00%	PA	197,645,328	81,369,397	1.00%	1.00%	2,089,407	859,849	2,089,407	576,885
Texas Women's Health Program	9/1/2007	22.50%	2/1/2011	2.00%	A,CD,M	49,244,295	49,244,295	5.00%	5.00%	2,664,157	2,664,157	532,831	532,831
Total HHSC										**10,379,271,437**	**4,315,094,263**	**454,096,638**	**188,063,504**

Note 1: Basic and Advanced Life Support Costs were allocated between air and ground ambulance based on number of clients served.

Note 2: Effective September 1, 2013, Ambulance Services were fully exempted from Medicare equalization which increased revenues received for dually-eligible consumers.

Note 3: Reimbursement was set based a cost survey resulting in a significant increase for the program.

Note 4: Federally Qualified Health Center Rate increases are limited to MEI plus .5 percent, they have federally mandated Medical Economic Inflators provided annually.

Note 5: Recently, some Federally Qualified Health Centers (FQHCs) have acquired physician practices and retained their client base. This activity may cause FQHC costs to increase over the next biennium as FQHC rates are significantly higher than physician reimbursement. HHSC does not have a way of predicting how many clients will be moved to the FQHC client base, and therefore it is difficult

Note 6: Rural Health Centers are exempt from rate changes because they have federally mandated Medical Economic Inflators provided annually

Note 7: STAR+PLUS expansion into the Medicaid Rural Service Area (MRSA) occurred September 1, 2014. These members were SSI in STAR previously

Note 8: Article II of the 2014-15 General Appropriations Act, S.B. 1, 83rd Legislature, Regular Session, 2013, Special Provisions for all Health and Human Services Agencies, Section 61, appropriated $20 million general revenue to DADS and HHSC for increases in attendant compensation rate enhancement payments during fiscal years 2014 and 2015.

Note 9: Reflects the impact of potential DADS fee-for-service rate increases on corresponding services delivered through managed care.

Note 10: STAR+PLUS expansion will occur March 1, 2015

Note 11: STAR+PLUS expansion will occur September 1, 2016. These members will receive their long term care services from DADS prior to this date

Note 12: Under FFS, HHSC pays pharmacies a dispensing fee comprised of a fixed component amount of $6.50 and a variable component amount of 1.96% of the drug cost per prescription which averages to about $8 per claim. Under managed care, the dispensing fee varies by MCO; $1.50 per prescription is assumed for both Medicaid and CHIP managed care rates.

Total HHS	**10,769,723,942**	**4,540,622,128**	**529,745,724**	**224,749,593**

C2. Rate Schedule – Attendant Wages per Hour and Cost of Increasing Attendant Wages by $1.00 per Hour

Attendant Wages per Hour Assumed in FY 2015 DADS and HHSC Payment Rates

Program	Minimum Attendant Wages per Hour Assumed in FY 2015 Rates	Percent Payroll Taxes and Benefits Assumed in FY 2015 Rates	Total Attendant Compensation Assumed in FY 2015 Rates	Attendant hours per Unit of Service	Maximum Attendant Wages per Hour Assumed in FY 2015 Rates Assuming Full Participation in Enhancement Program	Per Unit Cost of Increasing Rate to support $1.00 per hour increase in attendant wages	Cost of Increasing Attendant Wages by $1.00 per Hour Plus Associated Payroll Taxes and Benefits				
							FY 2016			FY 2017	
							AF	GR	AF		GR
Community Based Alternatives (CBA)	$7.86	10.25%	$8.66	1.00	9.31	$1.10	$0	$0	$0		$0
Medically Dependent Children Program (Not eligible for CFC)	$7.86	10.25%	$8.66	1.00	7.86	$1.10	$6,704,733	$2,862,921.08	$6,703,583		$2,867,122
CBA Assisted Living / Residential Care (Not eligible for CFC)	$8.11	10.25%	$8.94	1.37	9.17	$1.51	$0	$0	$0		$0
Residential Care (Not eligible for CFC)	$7.86	10.25%	$8.67	1.02	9.28	$1.12	$167,181	$167,181	$167,181		$167,181
Primary Home Care (PHC) Nonpriority (Not eligible for CFC)	$7.86	10.25%	$8.67	1.00	9.31	$1.10	$1,302,667	$556,239	$1,363,029		$582,967
PHC Priority (Not eligible for CFC)	$8.02	10.25%	$8.84	1.00	9.47	$1.10	$12,362	$5,278	$12,934		$5,532
Community Attendant Services (Not eligible for CFC)	$7.86	10.25%	$8.67	1.00	9.31	$1.10	$53,486,044	$22,838,541	$54,928,800		$23,493,048
Family Care (Not eligible for CFC)	$7.86	10.25%	$8.67	1.00	9.31	$1.10	$3,826,635	$3,826,635	$3,826,635		$3,826,635
Client Managed Personal Attendant Services (Not eligible for CFC)	$7.86	10.25%	$8.67	1.00	7.86	$1.10	$530,694	$530,694	$530,694		$530,694
Day Activity and Health Services (DAHS) - Title XIX Medicaid (Not eligible for CFC)	$7.86	10.25%	$8.67	0.38	11.72	$0.41	$193,156	$82,478	$199,817		$85,462
DAHS - Title XX (Not eligible for CFC)	$7.86	10.25%	$8.67	0.38	11.72	$0.41	$469,671	$469,671	$469,671		$469,671
Community Living Assistance and Support Services	$9.25	10.25%	$10.20	1.00	10.70	$1.10	$13,438,873	$4,951,418	$13,438,873		$4,960,825
Deaf Blind Multiple Disabilities Waiver	$9.25	10.25%	$10.20	1.00	10.70	$1.10	$361,246	$133,011	$361,246		$133,263
Home and Community-based Services Residential Direct Service Worker (Not eligible for CFC)	$8.76	16.29%	$10.19	7.01	8.92	$8.15	$23,128,665	$9,875,940	$23,128,665		$9,892,130
Home and Community-based Services Supported Home Living	$10.11	16.29%	$11.76	1.00	11.26	$1.16	$2,877,586	$1,060,218	$2,877,586		$1,062,232
Texas Home Living Community Support Services	$10.11	16.29%	$11.76	1.00	11.26	$1.16	$898,381	$329,706	$898,381		$330,335
Subtotal DADS							$107,397,894	$47,689,931	$108,907,094		$48,407,098
Texas Health Steps (TxHSteps) - Personal Care Services	$7.66	10.25%	$8.45	0.25	7.66	$0.28	$4,825,242	$1,961,943	$5,165,904		$2,104,073
TxHSteps - Behavioral Personal Care Services	$9.16	10.25%	$10.10	0.25	9.16	$0.28	$5,682,889	$2,276,565	$6,084,101		$2,441,550
Subtotal HHSC non-STARPLUS							$10,508,131	$4,238,509	$11,250,005		$4,545,622
STARPLUS CBA AL (including 1.75% Managed Care State Premium Tax, 2.00% Risk Margin, 5.75% Admin) (Not eligible for CFC)	$8.11	10.25%	$8.94	1.37	9.17	$1.51	$2,033,033	$868,105	$2,168,112		$927,302
STARPLUS DAHS (including 1.75% Managed Care State Premium Tax, 2.00% Risk Margin, 5.75% Admin) (Not eligible for CFC)	$7.86	10.25%	$8.67	0.38	11.72	$0.41	$7,189,545	$3,069,936	$7,667,236		$3,279,277
STARPLUS CBA attendant (including 1.75% Managed Care State Premium Tax, 2.00% Risk Margin, 5.75% Admin.)	$7.86	10.25%	$8.67	1.00	9.31	$1.10	$82,851,203	$32,146,267	$88,356,037		$34,343,991
STARPLUS Attendant (including 1.75% Managed Care State Premium Tax, 2.00% Risk Margin, 5.75% Admin)	$7.86	10.25%	$8.67	1.00	9.31	$1.10	$147,291,027	$60,683,903	$157,077,398		$64,825,842
STARPLUS Subtotal							$239,364,809	$96,768,211	$255,268,782		$103,376,412
Subtotal HHSC							$249,872,940	$101,006,720	$266,518,787		$107,922,034
HHSC and DADS Total							$357,270,834	$148,696,650	$375,425,881		$156,329,132

D. Promoting Independence Initiative

The *Promoting Independence Initiative (Initiative)* is the direct result of four public policy actions:

- The United States Supreme Court ruling, *Olmstead v. L.C.*, June 1999, which stated in part…"that individuals living in institutions must be provided community care when the following conditions are met:
    - State's treatment professionals determine that such placement is appropriate;
    - Affected persons do not oppose such treatment; and
    - Placement can be reasonably accommodated, taking into account the resources available to the state and the needs of others who are receiving state supported disability services…."
- Governor Bush's Executive Order GWB 99-2, September 1999, which began the Texas Initiative by requiring the Health and Human Services Commission to conduct a comprehensive review of all services and support systems available to people with disabilities in Texas ensuring the involvement of consumers, advocates, providers, and relevant agency representatives in this review. Executive Order GWB 99-2 also required that a report of these findings be submitted to the Governor, the Lieutenant Governor and the Speaker of House by January 2001; this report became the first *Promoting Independence Plan (Plan)*. The Plan and Initiative includes specific requirements to provide community options for persons within the *Olmstead* population who are served in large (fourteen or more bed) community Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID), state supported living centers, state mental health facilities (state hospitals) and nursing facilities (NFs) who are appropriate for and choose community alternatives.
- Texas statutes enacted in 2001 which codified many of the aspects of the original Plan and appropriations language which created the "Money Follows the Person" (MFP) policy whereby the funding for individuals moving from NFs to community-based services could be transferred from the NF budget to the community –based services budget. MFP allows individuals to be able to choose how and where they are to receive their LTSS.
    - S.B. 367 codified many of the aspects of the Plan that impacted the entire health and human services systems, established the Promoting Independence Advisory Committee, and requires updated Plans every two years prior to a new legislative session.
    - S. B. 368 impacts children (0-21 years of age) by emphasizing and providing direction to HHSC and all health and human services agencies regarding the implementation of permanency planning efforts.

- Governor Perry's Executive Order RP-13, April 2002, which enhances the Initiative and directs HHSC to continue its development and implementation of the state's Promoting Independence Initiative and Plan, including revising it on a regular basis. Additionally, Executive Order RP-13 highlights the need for housing, workforce, and permanency planning efforts.

HHSC and DADS successfully competed for a Deficit Reduction Act of 2005 MFP Demonstration award to build upon and enhance its current Promoting Independence initiatives. The Demonstration began on February 1, 2008 and will continue through 2020. The state works with individuals residing in NFs, community ICF/IIDs with nine beds or more, and state supported living centers (SSLCs) who want to relocate to the community. The state receives enhanced funding for 365 days for each individual who enrolls in the Demonstration. As of July, 2014 almost 8,900 individuals had enrolled in the Demonstration.

The Demonstration funds a variety of different projects, including direct service provision as well as information technology, staff resources and other infrastructure-related functions. Some of these projects include:

- Community supports (e.g., cognitive adaptation services, substance abuse services) for individuals transitioning from NFs with co-occurring behavioral health needs in Bexar County and its contiguous counties, and Travis county.
- Incentives for providers of community ICFs/IID with nine or more beds who want to voluntarily close their facilities and provide residential choice for their current residents.
- Hands-on assistance from relocation contractors to assist in the transition back to the community as well as short-term post-relocation contacts for individuals who have moved back into the community to ensure a more successful relocation.
- Enhancement of data collection, reporting and quality assurance systems and provider monitoring.
- Financial assistance to local Long Term Care Ombudsmen to assist nursing facility residents who want to learn more about community-based alternatives.
- A customized employment project for providers who want to assist individuals receiving services in an ICF/IID or an ICF/IID waiver program, to achieve integrated employment at local businesses.
- Administrative assistance for Relocation Contractor Services and Direct Service Workforce Development.
- Transition specialists housed at each SSLC to improve the quality of the relocation process.

- Funding of fourteen Aging and Disability Resource Centers (ADRCs) to hire Housing Specialists who will concentrate their efforts on the identification and expansion of affordable, accessible and integrated housing.
- Funding for fourteen ADRCs to provide options counseling to non-Medicaid nursing facility residents interested in learning about community LTSS.
- Establishment of a Quality Reporting Office to provide additional in-house capabilities to monitor, discover, describe and create intervention strategies to promote quality across Demonstration activities and Medicaid 1915(c) waivers.
- Establishment of a crisis intervention team staffed by Austin-Travis County Integral Care for individuals who reside in Travis County who have left an SSLC within the previous five years and who (1) are experiencing a behavioral or mental health crisis; or (2) have a history of intermittent behavioral challenges; and (3) require the establishment of a proactive action plan to maintain stability.

The Initiative and MFP policy have been very successful in shaping long term services and supports public policy since 2001 by providing increased community opportunities for over 41,000 individuals residing in NF, state supported living centers, and large community ICFs/IID. HHSC oversees the Initiative and delegates the daily management to the Department of Aging and Disability Services. DADS has included the following three exceptional items:

Exceptional Item #4 Promoting Independence - Funding under this exceptional item would service approximately 500 Home and Community based Services (HCS) slots for residents of large ICFs/IID and State Supported Living Centers, 216 HCS slots for Department of Family and Protective Services (DFPS) children aging out of foster care, 400 HCS crisis slots for persons at imminent risk of institutionalization, 120 HCS slots for the movement of individuals with IDD from Texas State Hospitals, and 25 HCS slots for DFPS children transitioning from general residence operations facilities.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$7.7	$23.5	$31.2
All Funds	$22.1	$62.9	$85.0

Exceptional Item #3 Community Expansion - This item continues DADS' efforts to increase services for community programs that maintain interest lists. For STAR+PLUS Community Based Alternatives (CBA) and DBMD, this amount reflects full funding of those interests lists. For HCS, Medically Dependent Children's Program (MDCP), Texas Home Living, CLASS and Title XX individuals above the SSI level, funding would service 20 percent of the estimated number of eligible individuals on the interest list. For In-Home and Family Support and IDD Community services, this item requests funding to see a reduction of ten percent over fiscal year

2014-15 levels. The request includes funding for acute care, drug and administrative costs at HHSC, as well as long term care and administrative costs at DADS.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$76.0	$228.9	$304.9
All Funds	$179.9	$545.8	$725.7

Exceptional Item #6 Complying with Federal PASRR Requirements - In an effort to comply with federal Preadmission Screening and Resident Review (PASRR) requirements applying to all persons who have an intellectual or developmental disability who are entering or seeking admission to an NF, DADS is requesting additional funding for the fiscal year 2016-2017 biennium. Roughly one-half of this funding would be used to create 1,300 HCS and 200 TxHmL slots to be used by individuals moving or being diverted from an NF. These program expansions further support the state's promoting independence initiative through expansion of specialized community-based care for individuals with an intellectual or developmental disability. The expenditure of these funds, however, is largely offset by the amount that HCS and TxHmL slots will lower expected new NF admissions for the biennium. This item also contains funds to provide the federally mandated full range of specialized services and intensive service coordination to eligible individuals in NFs or who have recently transitioned from a nursing facility to a community setting. Proper screening and the provision of specialized services are essential to the state's compliance with federal PASRR requirements.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$18.7	$23.4	$42.1
All Funds	$52.1	$65.5	$117.6

E. Long Term Care Plan

Section 533.062 of the Texas Health and Safety Code requires the Long-Term Care Plan for Individuals with Intellectual Disabilities and Related Conditions to be developed prior to each legislative session and adjusted following legislative action on appropriations for long-term care services specific to this population.

The Health and Human Services Commission publishes the plan solely to reflect the legislative appropriations for the 1) state supported living centers and licensed/certified community-based intermediate care facilities serving individuals with an intellectual disability or related conditions (ICF/IID), and 2) the various waiver programs serving individuals with intellectual disabilities and related conditions. Data in this plan represent the average monthly number of persons expected to participate in each service. They do not necessarily represent the number of institutional beds or waiver slots available.

DADS' legislative appropriations request contains three exceptional items, Promoting Independence, Community Expansion, and complying with PASRR requirements totaling approximately $379.5 million in General Revenue and $928.5 million in All Funds. The items focus on providing community-based services for aging individuals and those with intellectual disabilities and related conditions.

- Promoting Independence – DADS is requesting funds to:
  - Expand waiver services for transition of 500 persons from ICF/IID (including state supported living centers);
  - Expand waiver services to support 216 children aging out of foster care;
  - Expand waiver services to support 25 DFPS children transitioning from a general residence operations facility;
  - Expand waiver services to support 400 persons at imminent risk of entering an ICF/IID;
  - Expand waiver services to support 120 individuals moving from state hospitals;
- Complying with PASSR Requirements - Expand waiver services to support 1500 individuals with intellectual and developmental disabilities moving or being diverted from nursing facilities during the biennium.
- Community Expansion – DADS is requesting an increase in funding to support 15,780 new individuals in community-based services currently on interest lists.

Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Conditions (ICF/IID)

The ICF/IID program is a Medicaid-funded program that provides 24-hour residential services and supports for individuals with an intellectual disability or related conditions in settings of four or more persons. ICF/IID services are provided in two settings: state supported living centers (SSLCs) and community-based facilities.

The primary purpose of the Medicaid ICF/IID program is the provision of health and habilitation services. Provision of active treatment is the core requirement for certification as an ICF/IID. Each facility must comply with federal and state standards, applicable laws, and regulations.

Legislative Appropriations Request

	FY 2016	FY 2017
SSLCs	3144	3,144
ICFs/IID	5391	5391

Waiver Programs

Section 1915(c) of the Social Security Act provides that upon federal approval states may "waive" various federal Medicaid requirements to provide an array of support services in the community as an alternative to institutional care. Medicaid expenses for individuals in waiver programs cannot exceed, in the aggregate, Medicaid expenses for institutional services for individuals with similar needs.

Home and Community-based Services (HCS) Program

The HCS program serves individuals with a primary diagnosis of an intellectual disability or a related condition who qualify for a Level of Care I. The HCS program provides individualized services and supports for persons living in their family home, their own home, in a foster/companion care setting, or in a residence with no more than four individuals who receive similar services.

HCS Exceptional Items

Initiative	2016	2017
Maintain August 2015	857	857
Promoting Independence	630	1261
PASRR	650	1300
Interest List Reduction	3396	6792

Texas Home Living (TxHmL) Program

The TxHmL program provides individualized community-based services and supports for individuals with a primary diagnosis of an intellectual disability or a related condition who qualify for a Level of Care I. Selected essential services and supports are provided for individuals so they can continue to live with their families or in their own homes.

The sharp increase in the number of individuals served by TxHmL beginning in 2012 reflects legislative direction to refinance services formerly provided by local authorities using only General Revenue (GR) funds. Individuals who received GR funded services in the past are now enrolled in the TxHmL waiver, which allows federal matching funds to support the cost of these services.

TxHmL Exceptional Items

Initiative	2016	2017
Maintain August 2015	319	319
PASRR	100	200
Interest List Reduction	520	1040

Community Living Assistance and Support Services (CLASS) Program

The CLASS program provides home and community-based services for adults and children with related conditions so they can live with their families or in their own homes as an alternative to ICF/IID services. Individuals with related conditions have a diagnosis listed on the DADS Approved Diagnostic Codes for Persons with Related Conditions. The disability must originate before age 22 and limit the individual's ability to perform activities of daily living.

CLASS Exceptional Items

Initiative	2016	2017
Maintain August 2015	195	195
Interest List Reduction	2076	4151

Deaf-Blind with Multiple Disabilities (DBMD) Program

The DBMD program provides home and community-based services for individuals who have deaf blindness with one or more other disabilities. Individuals live with their families, in their own homes, or in residences with no more than six individuals. The program focuses on increasing opportunities for individuals to communicate and interact with their environment.

DBMD Exceptional Items

Initiative	2016	2017
Maintain August 2015	**9**	**9**
Interest List Reduction	11	21

F. Federal Funds Top 30

FY 2014 Top 30 HHS Enterprise Federal Funding Sources (in millions)

Rank	Fed Agy	Federal Grant Title	GR Match Y/N	TOTALS HHS System Est FY2014 (in millions)	HHSC (in millions)	DADS (in millions)	DSHS (in millions)	DFPS (in millions)	DARS (in millions)
1	HHS-CMS	Title XIX - Medicaid/Medical Assistance Program (multiple grants)	Y	$17,611.2	$13,902.7	$3,529.8	$135.7	$10.3	$32.7
2	HHS-CMS	State Children's Health Insurance Program/CHIP	Y	$993.3	$993.3				
3	USDA	Special Supplemental Nutrition Program for Women, Infants, and Children/WIC (2 grants)	N	$545.1			$545.1		
4	HHS-ACF	Title IV Part A-Temporary Assistance for Needy Families/TANF & TANF to Title XX (Block Grant)	N	$358.0	$37.9		$22.0	$282.0	$16.1
5	DOE	Vocational Rehabilitation Grants to States (2 grants)	Y	$221.4					$221.4
6	USDA	State Administration for Supplemental Nutrition Assistance Program SNAP aka Food Stamps	Y	$196.5	$196.5				
7	HHS-ACF	Title IV E-Foster Care (multiple grants)	Y	$191.6				$191.6	
8	HHS-SAMHSA	Substance Abuse Prevention and Treatment Block Grant	N	$136.9			$136.9		
9	HHS-ACF	Title XX-Social Services Block Grant (SSBG)	N	$132.9	$1.4	$88.8	$7.2	$35.5	
10	SSA	Disability Determinations	N	$114.6					$114.6
11	HHS-ACF	Title IV E-Adoption Assistance (multiple grants)	Y	$111.9				$111.9	
12	HHS-HRSA	HIV Care Formula Grants	Y	$89.6			$89.6		
13	HHS-CDC	Public Health Emergency Preparedness	Y	$65.4			$65.4		
14	HHS-CMS	Survey and Certification of Health Care Providers and Suppliers/Medicare (multiple grants)	N	$49.8		$44.6	$5.2		
15	HHS-ACF	Refugee and Entrant Assistance (multiple grants)	N	$49.3	$29.8		$12.9	$6.6	
16	HHS-HRSA	Title V-Maternal and Child Health Services Block Grant	Y	$38.8			$38.8		
17	DOE	Special Education Grants	N	$38.2					$38.2
18	HHS-Admin for Comm Living	Title III Part C-Special Programs for the Aging- Nutrition Services	Y	$36.1		$36.1			
19	HHS-SAMHSA	Community Mental Health Services Block Grant	N	$35.5			$35.5		
20	HHS-ACF	Title IV Part B-Promoting Safe and Stable Families	Y	$32.0				$32.0	
21	HHS-ACF	Child Care and Development Block Grant	N	$29.9				$29.9	
22	HHS-ACF	Child Welfare Services Program	Y	$25.4				$25.4	
23	HHS-Admin for Comm Living	Title III Part B-Special Programs for the Aging for Supportive Services and Senior Centers	Y	$24.7		$24.7			
24	HHS-CMS	Money Follows the Person Rebalancing Demonstration	Y	$24.3	$5.8	$17.4	$1.1		
25	SSA	SSA - VR Reimbursement	N	$22.8					$22.8
26	HHS-CDC	Immunization Grants	N	$19.8			$19.8		
27	HHS-HRSA	ACA Maternal Infant Early Childhood Home Visiting Program	N	$19.3	$19.3				
28	HHS-CDC	HIV Prevention Programs (multiple grants)	N	$17.4			$17.4		
29	HHS-CDC	Centers for Disease Control and Prevention-Investigations and Technical Assistance Grants (multiple grant programs)	Y	$12.5			$12.5		
30	HHS-Admin for Comm Living	Nutrition Services Incentive Program	Y	$12.4		$12.4			
		Top 30 Totals:		$21,256.6	$15,186.7	$3,753.8	$1,145.1	$725.2	$445.8
		All Other Federal Funds		$158.8	$21.5	$20.1	$75.3	$31.1	$10.8
TOTAL All Federal Funds Est FY2014:				$21,415.4	$15,208.2	$3,773.9	$1,220.4	$756.3	$456.6
Top 30 % of All Federal Funds:				99.3%	99.9%	99.5%	93.8%	95.9%	97.6%

G. Major HHS Agencies Savings Initiatives ($ in millions)

FY 2002 - 2003	GR	FTEs
78th Legislature, HB 7 – FY 2003 Reduction Plan	$133.9	39
77th Legislature, Business Process Study – Rider Reduction	$10.0	19
77th Legislature, Medicaid Cost Containment – Rider Reduction	$205.0	-
Subtotal	**$348.9**	**58**

FY 2004 - 2005	GR	FTEs
78th Legislature – Initial GR Reduction	$320.4	664
78th Legislature – Program Savings Included in General Appropriations Act		
Maintain 6 months continuous eligibility in Medicaid	*$282.4*	-
CHIP Policy Changes	*$144.5*	-
Preferred Drug List	*$140.0*	-
Client Transportation Transfer	*$104.3*	-
Medicaid Benefit Changes	*$43.1*	-
TANF Pay for Performance	*$29.1*	-
Other Initiatives	*$89.0*	-
Subtotal – Program Savings	$832.4	-
78th Legislature – HB 2292 Reductions		
Consolidation of Agencies / Administrative Reductions	*$50.4*	*671*
Programmatic Savings Reduced in Agency Budgets	*$27.6*	*1,115*
Subtotal – HB 2292 Reductions	$78.0	1,786
78th Legislature – Additional Savings Identified by HHS Agencies	$83.8	-
Subtotal	**$1,314.6**	**2,450**

FY 2006 - 2007	GR	FTEs
79th Legislature – Rider Reduction for Services to Medicaid Aged / Blind / Disabled populations	$73.0	-
79th Legislature – Rider Reduction for Multi-State Drug Purchasing Pool	$17.6	-
79th Legislature – DSHS Reductions	$6.7	52
79th Legislature – 2% FTE Reductions	-	720
Subtotal	**$97.3**	**772**

FY 2010 - 2011	GR	FTEs
81st Legislature – Rider 59 Medicaid Cost Savings	$76.5	
Governor, Lieutenant Governor, and Speaker 5% Directive FY10-11	$205.0	
Governor, Lieutenant Governor, and Speaker 2.5% Directive FY11	$85.0	
Subtotal	**$366.5**	

FY 2012 - 2013	**GR**	**FTEs**
Medicaid Funding Reductions- Rider 61	$355.0	
Managed Care Expansion- Rider 51	$263.3	187
Provider Rates- Section 16	$486.6	
Additional Cost Containment- Section 17	$576.0	
Other Cost Containment Measures in HB1	$80.6	
Premium Tax (state revenue)	$200.0	
Federal Flexibility-Rider 59	$0.0	
Subtotal	**$1,961.5**	**187**

FY 2014 - 2015	*GR*	*FTEs*
HHSC Rider 51: Medicaid Funding Reduction and Cost Containment	$438.1	
Subtotal	**$438.1**	

Total GR Savings: FY 2002 - 2015	**$4,526.9**	**3,467**

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