



LEGISLATIVE BUDGET BOARD

Texas Medicaid Program and Mental Health

Overview and Funding

PRESENTED TO the House Committee on Appropriations

LEGISLATIVE BUDGET BOARD STAFF

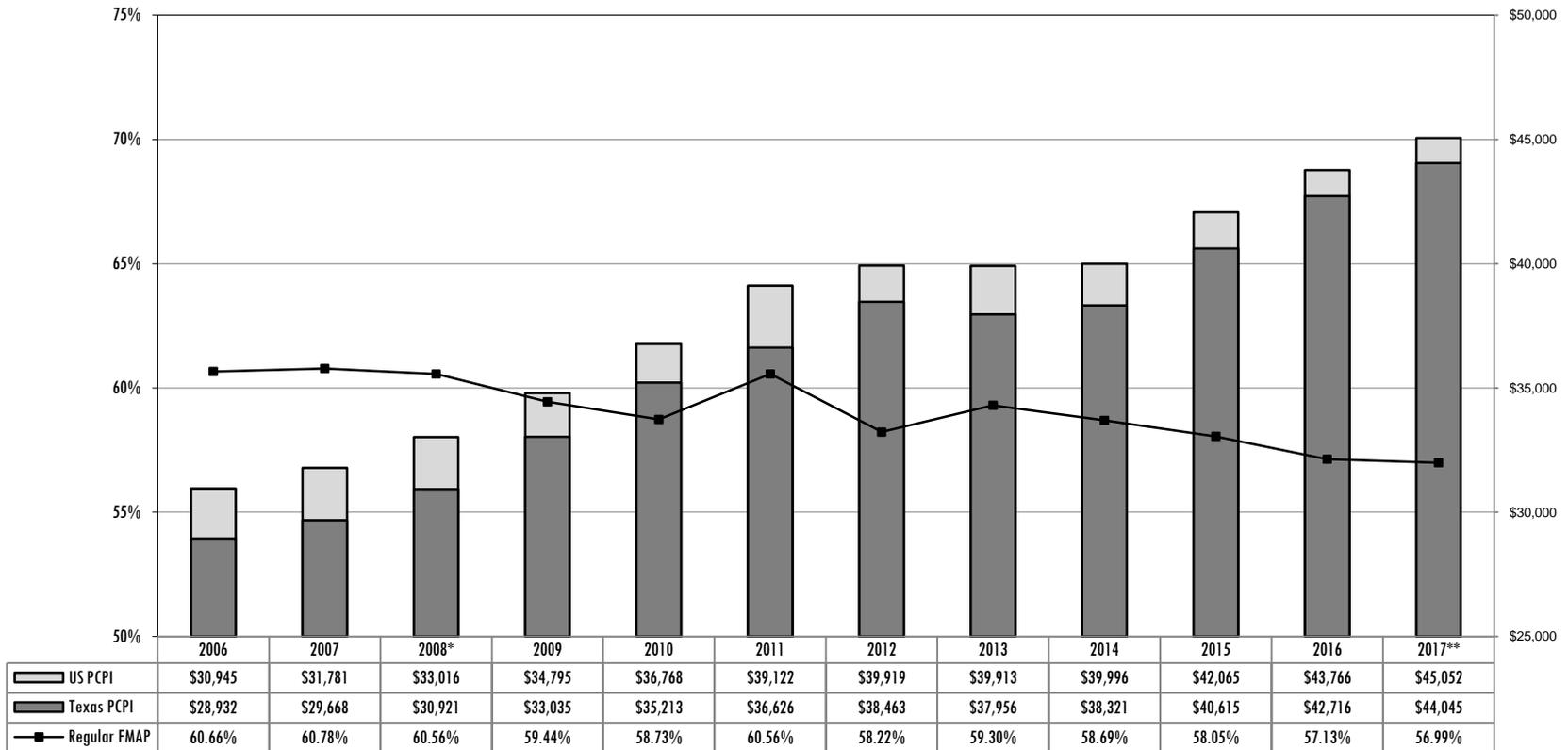
February 2015

Medicaid Overview

Medicaid is a jointly-funded State/Federal program providing insurance primarily to low-income families, non-disabled children, pregnant women, the elderly, and people with disabilities.

- The Health and Human Services Commission (HHSC) is the single state agency responsible for the state's Medicaid program, but services are administered by a variety of state agencies.
- The distribution between federal and state funds is primarily based on the Federal Medical Assistance Percentage (FMAP).
 - House Bill 1 as introduced assumes State Fiscal Year adjusted FMAPs of 57.21 percent in FY 2016 and 57.00 percent in FY 2017.
 - There are other matching rates for certain services, client groups, and administrative costs ranging from 50 percent to 100 percent.
 - Enhanced matching rates, primarily in the form of increases to a state's FMAP, are also available for certain services.

Federal Medical Assistance Percentage (FMAP)



Notes: FMAPs are for federal fiscal year (FFY) and do not reflect enhanced FMAPs related to the American Recovery and Reinvestment Act (ARRA) that applied from the first quarter of FFY 2009 until the third quarter of FFY 2011. Per capita personal income (PCPI) is the average of the most recent three years available at the time each FMAP was calculated and does not include any updates to the data made after that time. For example, FFY 2015 FMAP is based on the average of 2010 to 2012 per capita personal income as reported by the Bureau of Economic Analysis in September 2013. A state with per capita personal income equal to the United States average would have an FMAP of 55.00 percent. Texas' per capita personal income has historically been below the national average, resulting in an FMAP exceeding 55.00 percent. In years where Texas' per capita personal income has become closer to the national average, the state's FMAP has become less favorable; FFY 2012 is the most extreme example of this reflected in the chart. The opposite is also true, with the state's FMAP becoming more favorable in years when its per capita personal income has moved further away from the national average.

* FFY2008 FMAP reflects 0.03 percentage point increase related to the Deficit Reduction Act and Hurricane Katrina; PCPI is what was used to calculate initial FMAP without this adjustment.

** Projected

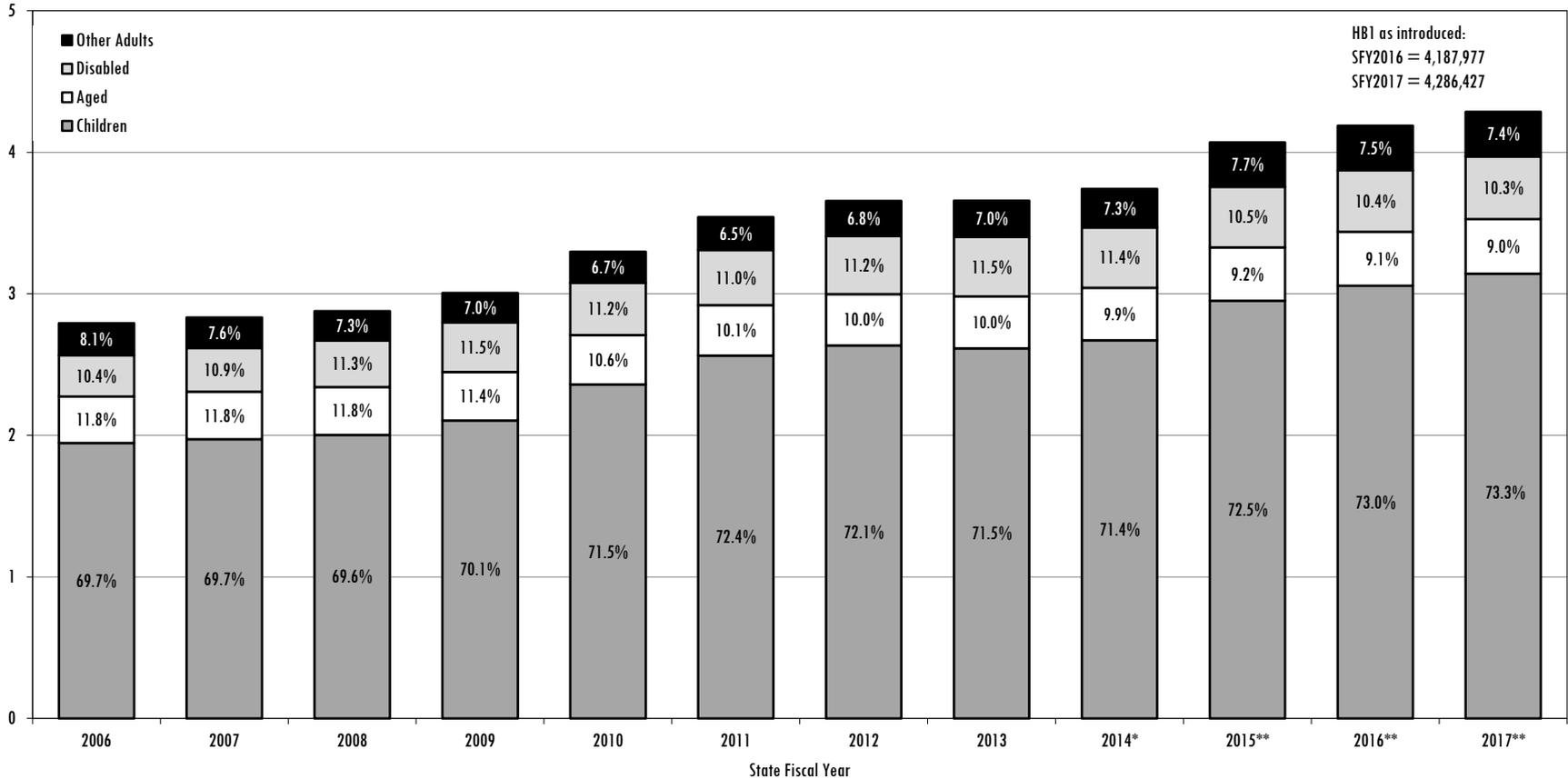
Medicaid Budget Drivers: Caseload and Cost

Medicaid expenditures are primarily a function of two factors, caseload and cost.

- Medicaid is an entitlement program: any eligible person who enrolls may receive services. As caseloads increase (due to population growth, economic factors, policy changes), Medicaid expenditures increase.
- Medicaid expenditures also increase as a result of cost growth (tied to rate changes, medical inflation, higher utilization, or increased acuity).

Acute Care Caseloads at HHSC

IN MILLIONS

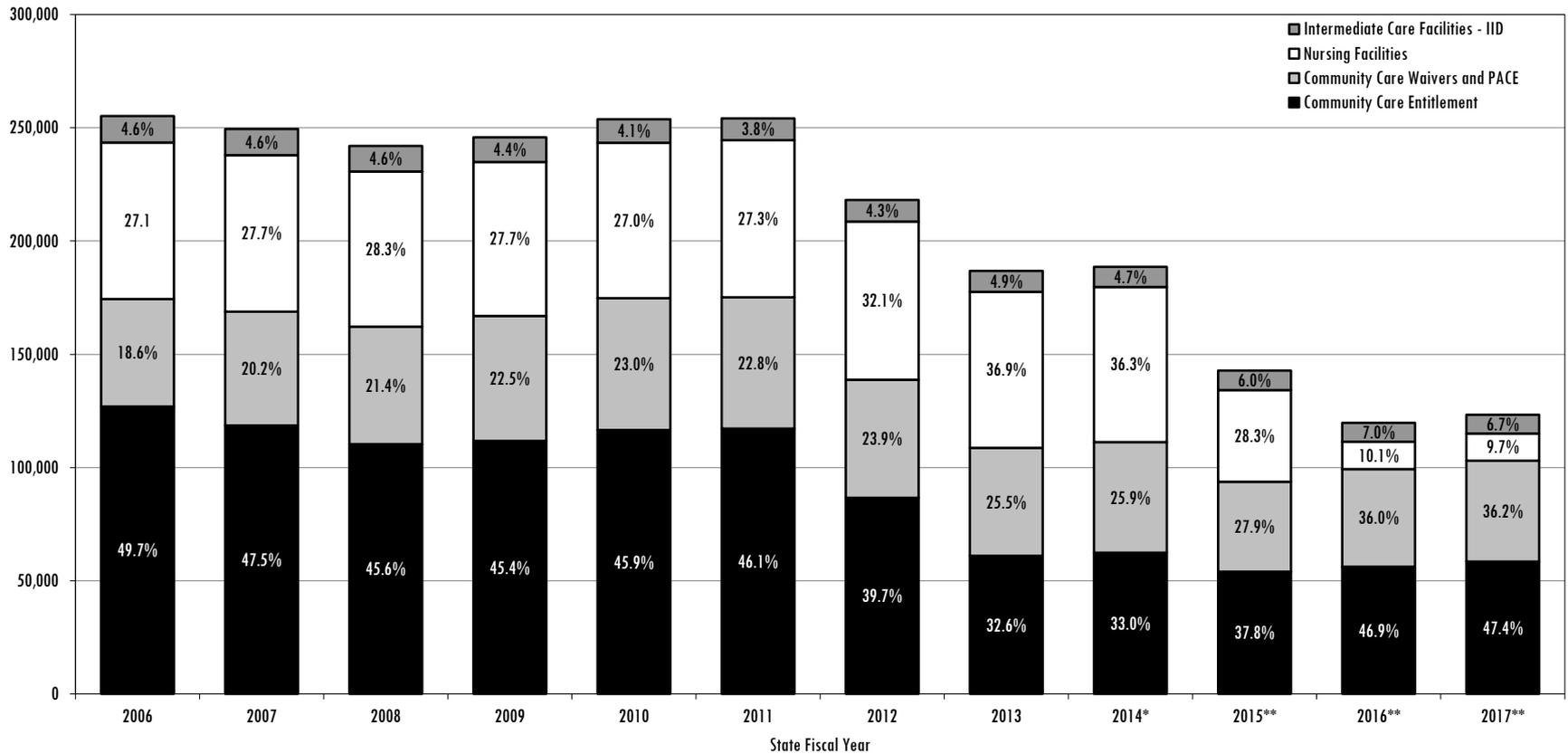


HBI as introduced:
 SFY2016 = 4,187,977
 SFY2017 = 4,286,427

NOTE: Represents average monthly number of clients receiving Medicaid acute care health insurance services through the Health and Human Services Commission. Aged and Disabled include clients enrolled in STAR+PLUS. Other Adults includes TANF Adults, Pregnant Women, Medically Needy, and Medicaid for Breast and Cervical Cancer clients.

* Estimated ** Projected

Long Term Care Caseloads at DADS



NOTE: Community Care Entitlement includes Primary Home Care, Community Attendant Services, and Day Activity and Health Services; Community Care Waivers include Community-based Alternatives, Home and Community-based Services, Community Living and Support Services, Deaf-Blind Multiple Disabilities, Medically Dependent Children Program, Consolidated, Texas Home Living, and Promoting Independence; Nursing Facility includes Medicaid nursing facility, Medicaid copayment for Medicare Skilled Nursing Facility Care, and Hospice; Intermediate Care Facilities – IID (ICFs/IID) includes private ICFs/IID and State Supported Living Centers. Declines in Community Care Entitlement and Waivers caseloads are primarily due to STAR+PLUS expansions, which occurred in February 2007, February 2011, September 2011, March 2012, and September 2014 and result in clients receiving long-term-care services through HHSC instead of DADS. Nursing Facility caseloads decline beginning in FY2015 due to nursing facility carve-in to STAR+PLUS, which is assumed to occur in March 2015.

* Estimated ** Projected

Medicaid Funding

in millions	FY 2014-15	FY 2016-17	Biennial Change	Percentage Change
GR	\$23,013.3	\$24,846.8	\$1,833.5	8.0%
GR-D	\$110.2	\$126.2	\$16.0	14.5%
OF	\$769.5	\$472.5	(\$297.0)	(38.6%)
FF	\$34,981.4	\$34,674.4	(\$307.0)	(0.9%)
AF	\$58,874.4	\$60,120.0	\$1,245.6	2.1%

Total Medicaid funding in the 2014-15 base (in the Legislative Budget Estimates) is \$23.1 billion in General Revenue-Related Funds and \$58.9 billion in All Funds.

- This includes \$171.2 million in supplemental General Revenue Funds to complete fiscal year 2015 expenditures.

House Bill 1 as introduced (HB1) includes \$25.0 billion in General Revenue-Related Funds and \$60.1 billion in All Funds for Medicaid in 2016-17.

- This is a net increase of \$1.8 billion in General Revenue-Related Funds and \$1.2 billion in All Funds.

Major Medicaid Increases and Decreases

- HB1 includes an increase of \$1.4 billion in General Revenue-Related Funds and \$1.9 billion in Federal Funds for projected caseload growth and to maintain fiscal year 2015 costs.
- HB1 includes a net increase to General Revenue Funds and reduction to Federal Funds of \$534.9 million related to net less favorable matching rates for client services.
- HB1 does not continue Primary Care Provider rate increases resulting in a \$1.1 billion decrease to Federal Funds.
- HB1 replaces \$300 million in Interagency Contracts (reduction to Other Funds) with General Revenue Funds.
- HB1 does not continue state funding of Disproportionate Share Hospital payments resulting in decreases of \$300 million in General Revenue Funds and \$421.9 million in Federal Funds.

Mental Health Funds

- HB1 as introduced appropriates \$2.6 billion in General Revenue (\$3.4 billion in All Funds) for behavioral health and substance abuse services to seventeen agencies across five articles.
- The Department of State Health Services (DSHS) is appropriated \$1.8 billion in General Revenue for mental health and substance abuse services, which is 70.5% of the total General Revenue Funds appropriated for this purpose.
- HB1 as introduced provides level funding with the amounts expended (FY 14) and budgeted (FY 15) for expanded mental health services in the current biennium.
- There is now a projected wait list for fiscal year 2015 of 909 in Mental Health Services for Adults.

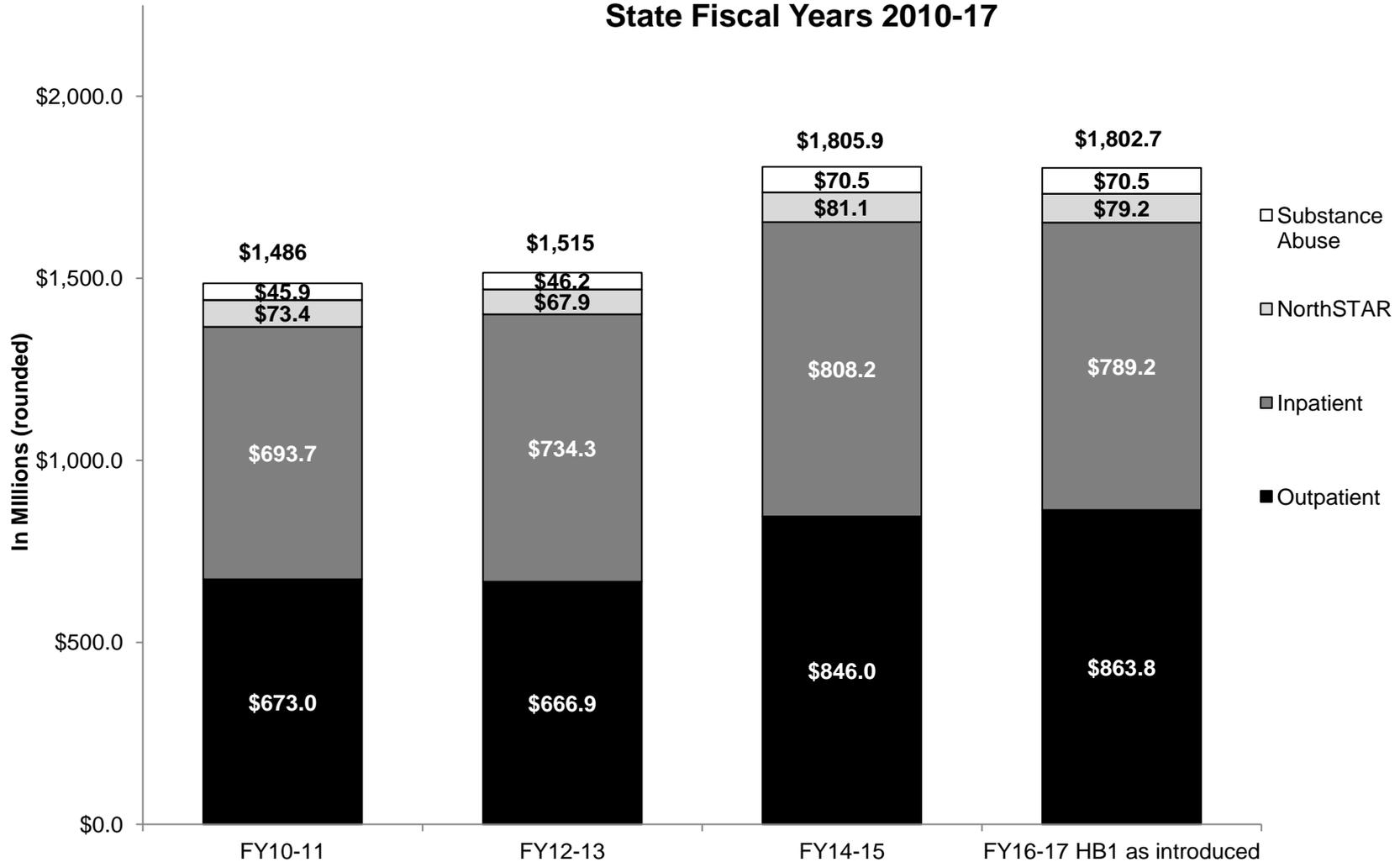
Statewide Behavioral Health Funding

(in millions)

Agency	FY 14-15 Estimated/Budgeted		FY16-17 HB 1 - Introduced*		Differences between HB 1 & FY14-15	
	GR-R	All Funds	GR-R	All Funds	GR-R	All Funds
Office of the Attorney General	\$3.5	\$7.7	\$3.5	\$7.7	\$0.0	\$0.0
Trusted Programs, Office of the Governor	\$3.2	\$10.8	\$1.5	\$10.6	(\$1.7)	(\$0.1)
Veterans Commission	\$0.0	\$3.3	\$0.0	\$3.0	\$0.0	(\$0.3)
Article I Total	\$6.7	\$21.7	\$5.0	\$21.3	(\$1.7)	(\$0.4)
Department of Family and Protective Services	\$16.1	\$26.2	\$16.1	\$26.2	\$0.0	\$0.0
Department of State Health Services	\$1,805.9	\$2,652.6	\$1,802.7	\$2,584.0	(\$3.1)	(\$68.6)
Health and Human Services Commission	\$18.8	\$60.2	\$24.2	\$66.7	\$5.4	\$6.4
Office of Violent Sex Offender Management	\$13.0	\$13.0	\$13.0	\$13.1	\$0.0	\$0.1
Article II Total	\$1,853.7	\$2,752.0	\$1,856.0	\$2,689.9	\$2.3	(\$62.0)
UT - Health Science Center Houston	\$12.0	\$12.0	\$12.0	\$12.0	\$0.0	\$0.0
Article III Total	\$12.0	\$12.0	\$12.0	\$12.0	\$0.0	\$0.0
Department of Criminal Justice	\$459.7	\$464.8	\$460.0	\$465.1	\$0.3	\$0.3
Juvenile Justice Department	\$221.1	\$234.5	\$219.9	\$234.8	(\$1.1)	\$0.3
Military Department	\$0.9	\$0.9	\$1.3	\$1.3	\$0.4	\$0.4
Article V Total	\$681.6	\$700.1	\$681.2	\$701.2	(\$0.4)	\$1.0
Board of Dental Examiners	\$0.2	\$0.2	\$0.2	\$0.2	\$0.0	\$0.0
Board of Pharmacy	\$0.5	\$0.5	\$0.5	\$0.5	\$0.0	\$0.0
Board of Veterinary Medical Examiners	\$0.1	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0
Optometry Board	\$0.1	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0
Texas Board of Nursing	\$1.7	\$1.7	\$1.7	\$1.7	\$0.0	\$0.0
Texas Medical Board	\$1.0	\$1.0	\$1.1	\$1.1	\$0.0	\$0.0
Article VIII Total	\$3.6	\$3.6	\$3.7	\$3.7	\$0.0	\$0.0
Cross Article Total:	\$2,557.7	\$3,489.5	\$2,557.9	\$3,428.1	\$0.2	(\$61.4)

Notes: * The Office of Attorney General, Military Department, Department of Criminal Justice and certain Article VIII agencies' FY16-17 amounts have been corrected after HB 1 filing. 1) The Department of Assistive and Rehabilitative Services provides mental health services under the Vocational Rehabilitation program, as necessary, to reach a specific employment goal. Associated costs for these services are not tracked, and are expended on a case-by-case basis. 2) The Juvenile Justice Department information includes amounts that support various services for a range of youth, many of whom have behavioral health issues but not necessarily mental health or substance abuse disorders. The agency's funding is provided as a lump sum rider appropriation with no allotment to specific goals or strategies. 3) Due to a technical adjustment, the Veterans Commission's (TVC) 2016-17 request and recommendation reflects an increase of \$1.0 million in Other Funds from the agency's Legislative Appropriation Request and LBB recommendation of \$2.0 million in All Funds for Veteran Mental Health Grants. This is to reflect an Interagency Contract the agency recently reported to expect with the Department of State Health Services (DSHS) for the 2016-17 biennium. 4) The Office of Violent Sex Offender Management (OVSOM) is administratively attached to the Department of State Health Services (DSHS). Funds are appropriated to OVSOM through DSHS Goal G. 5) Some exceptional items at the Department of State Health Services and Texas Military Department are funded (in part or total). 6) These amounts do not include Medicaid expenditures within the Health and Human Services Enterprise. HHSC reports expending for Medicaid behavioral health services in FY 2013 \$219.6 million GR and \$538.3 million All Funds and for substance abuse services in FY 2013 \$3.0 million GR and \$7.2 million All Funds.

Texas Department of State Health Services (DSHS) Mental Health and Substance Abuse General Revenue Funds State Fiscal Years 2010-17



Data Source: FY2010-13 data is from DSHS Operating Budget. FY2014-17 data is from the Legislative Budget Estimates. Note: FY2010-13 are expended funds; FY2014-15 are estimated/budgeted funds; FY2016-17 are funds appropriated in HB1 as introduced.



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