**Section 1**

**Health and Human Services Commission**
**Summary of Recommendations - Senate**

Page II-87
Dr. Kyle Janek, Executive Commissioner

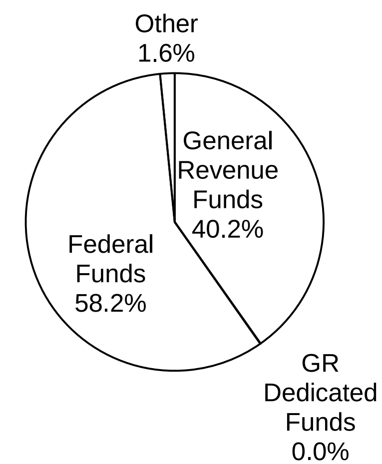
Christy Havel, LBB Analyst

| Method of Financing | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change |
|---|---|---|---|---|
| General Revenue Funds | $19,758,335,441 | $22,416,372,279 | $2,658,036,838 | 13.5% |
| GR Dedicated Funds | $0 | $22,541,252 | $22,541,252 | 100.0% |
| *Total GR-Related Funds* | *$19,758,335,441* | *$22,438,913,531* | *$2,680,578,090* | *13.6%* |
| Federal Funds | $30,531,222,412 | $32,433,193,987 | $1,901,971,575 | 6.2% |
| Other | $1,158,891,229 | $879,016,768 | ($279,874,461) | (24.2%) |
| **All Funds** | **$51,448,449,082** | **$55,751,124,286** | **$4,302,675,204** | **8.4%** |

| | FY 2015 Budgeted | FY 2017 Recommended | Biennial Change | % Change |
|---|---|---|---|---|
| **FTEs** | 12,773.5 | 12,773.5 | 0.0 | 0.0% |

The bill pattern for this agency (2016-17 Recommended) represents an estimated 78% of the agency's estimated total available funds for the 2016-17 biennium.

RECOMMENDED FUNDING
BY METHOD OF FINANCING

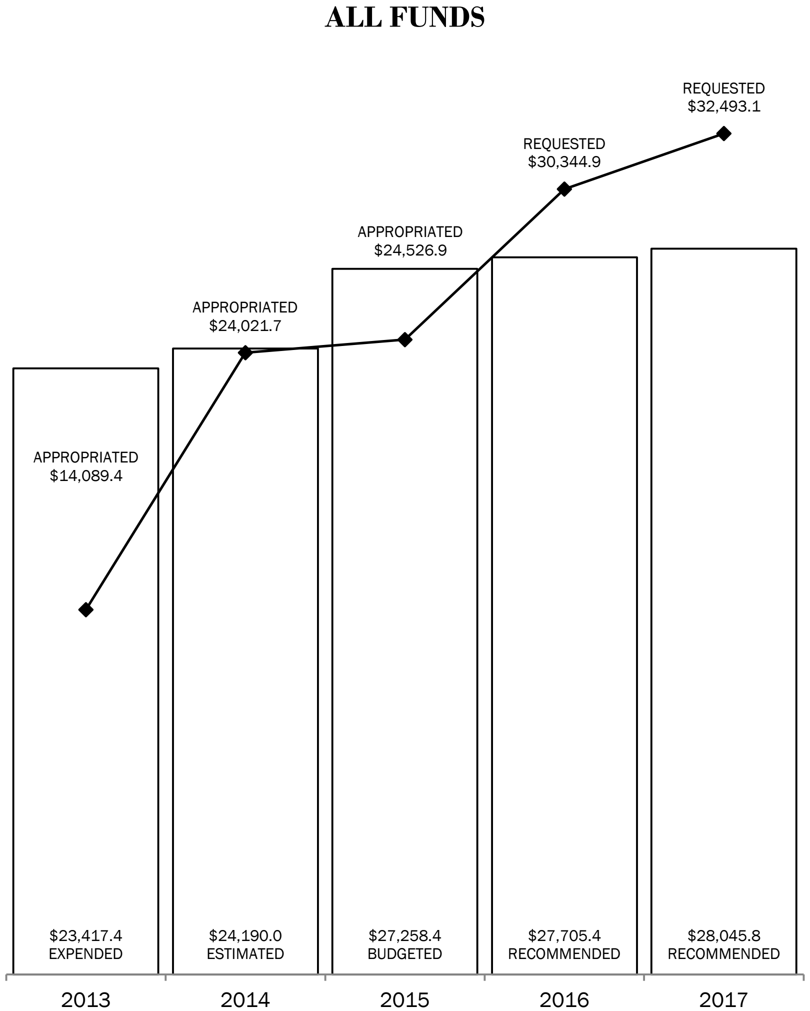


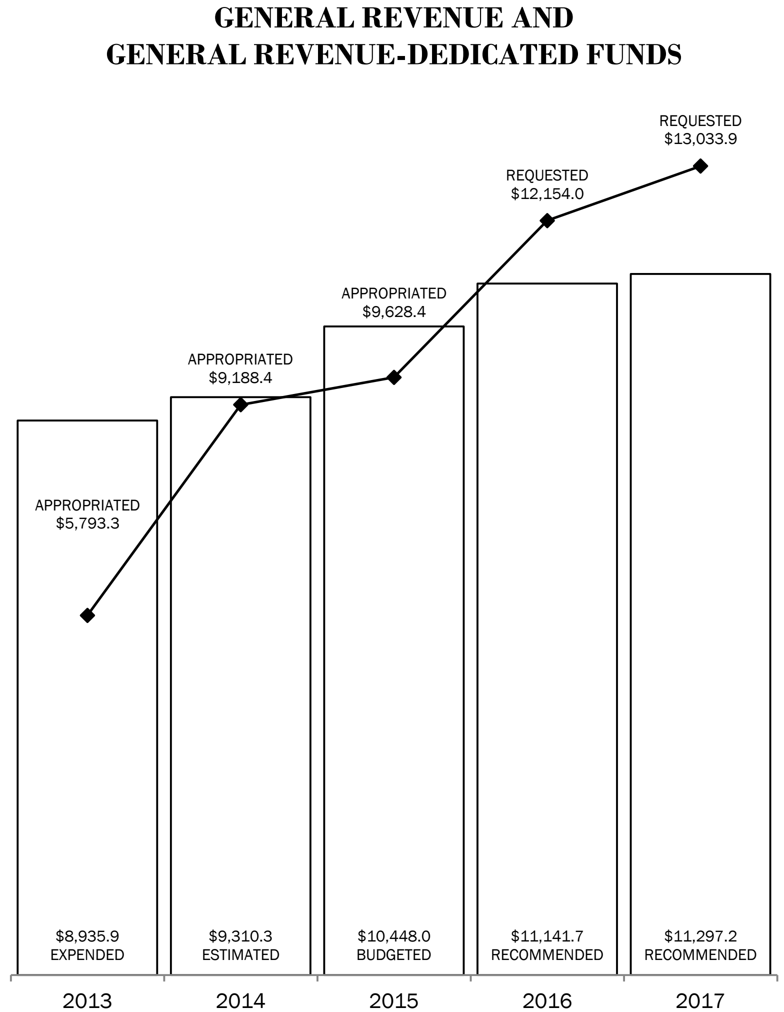
## Section 1
### Health and Human Services Commission

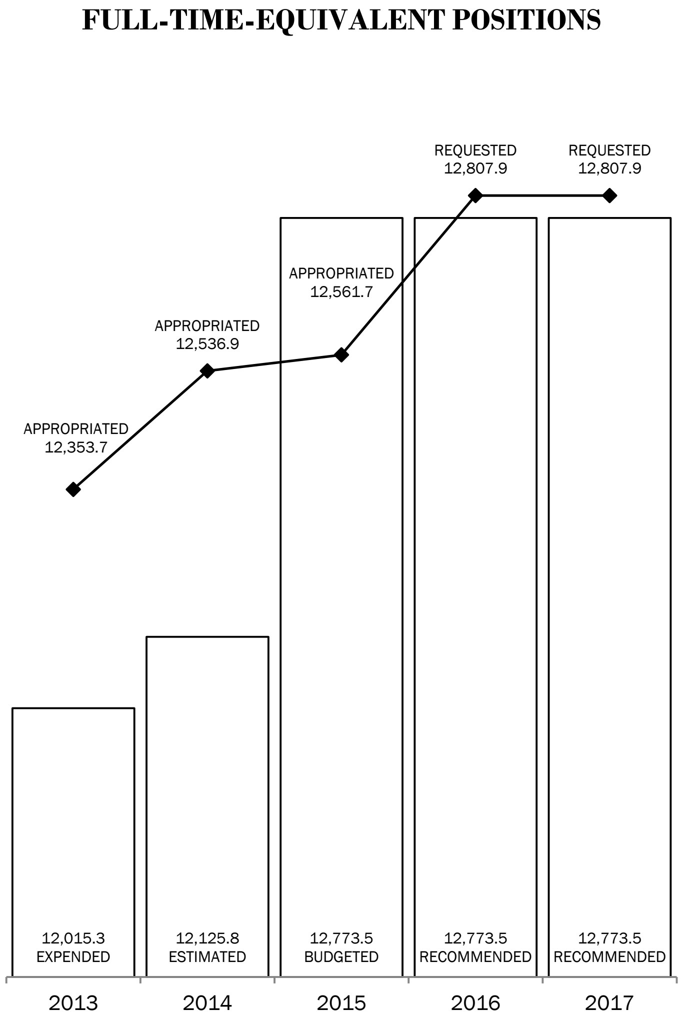
2016-2017 BIENNIUM

TOTAL= $55,751.1 MILLION

IN MILLIONS



**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

| Strategy/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| ENTERPRISE OVERSIGHT & POLICY A.1.1 | $123,599,814 | $117,345,751 | ($6,254,063) | (5.1%) | • Increase of $20.0 million in General Revenue for veteran's mental health grants.<br>• Decrease of $21.1 million in Affordable Care Act Home Visiting Program Federal Funds and of $3.1 million due to the ending of the federal stimulus funds to Promote Health Information Technology.<br>• Decrease of $1.3 million in General Revenue Match for Medicaid and $1.9 million in Medicaid Federal Funds for one-time Balancing Incentive Program (BIP) projects.<br>• Increase of $1.1 million in other Federal Funds.<br>See Selected Fiscal and Policy Issue #2 and #17. |
| INTEGRATED ELIGIBILITY & ENROLLMENT A.1.2 | $1,566,618,182 | $1,482,488,097 | ($84,130,085) | (5.4%) | • Decrease of $22.1 million in General Revenue Match for Medicaid and $22.1 million in Medicaid Federal Funds for one-time Balancing Incentive Program (BIP) projects.<br>• Decrease of $2.7 million in General Revenue funds and $2.8 million in Federal Funds to reduce eligibility travel.<br>• Decrease of $12.8 million in General Revenue Match for Medicaid and $21.4 million in Federal Funds for the cost allocation of IT items, which was moved to Strategy A.2.1.<br>• MOF Swap of $22.2 million decrease in General Revenue Match for CHIP and a matching increase in CHIP Federal Funds due to the 23 percentage point enhanced match on CHIP.<br>• Decrease of $0.2 million in TANF Stimulus funds.<br>See Selected Fiscal and Policy Issues #2, 12, and 21 and Section 7, Ten Percent Reduction Schedule Item #3. |

## Section 2

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

| Strategy/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| CONSOLIDATED SYSTEM SUPPORT A.2.1 | $321,472,809 | $359,389,161 | $37,916,352 | 11.8% | • Increase of $21.8 million in General Revenue, $44.6 million in Federal Funds, and $37.5 million in Interagency Contract funds to shift cost allocation items from Strategy A.1.2 and Goal E into Strategy A.2.1, Consolidated System Support.<br>• Increase of $9.6 million in General Revenue funds and $3.5 million in Federal Funds to fund CAPPS enhancements.<br>• An MOF swap of $1.5 million decrease in General Revenue and a like increase in Federal Funds due to the 23 percentage point enhanced match for CHIP.<br>• Decrease of $0.4 million in General Revenue to reduce for one-time funding of vehicles.<br>• Decrease of $10.6 million in General Revenue and $67.5 million in Federal Funds for the Enterprise Data Warehouse contract.<br>• A net decrease of $0.1 million in General Revenue, $0.3 million in Federal Funds, and $0.2 million in Interagency Contract funds due to decreased costs for Data Center Consolidation.<br>See Selected Fiscal and Policy Issues #12, 19, 20, 22, and 25. |
| **Total, Goal A, HHS ENTERPRISE OVERSIGHT & POLICY** | **$2,011,690,805** | **$1,959,223,009** | **($52,467,796)** | **(2.6%)** | |

Section 2

**Health and Human Services Commission**

**Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

| Strategy/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| AGED AND MEDICARE-RELATED B.1.1 | $5,542,938,291 | $9,183,177,576 | $3,640,239,285 | 65.7% | |
| DISABILITY-RELATED B.1.2 | $10,111,261,571 | $11,158,456,577 | $1,047,195,006 | 10.4% | |
| PREGNANT WOMEN B.1.3 | $2,310,225,088 | $2,298,649,823 | ($11,575,265) | (0.5%) | |
| OTHER ADULTS B.1.4 | $1,373,313,857 | $1,505,431,013 | $132,117,156 | 9.6% | |
| CHILDREN B.1.5 | $11,792,239,592 | $12,227,788,479 | $435,548,887 | 3.7% | |
| NON-FULL BENEFIT PAYMENTS B.2.1 | $1,248,078,284 | $1,267,724,536 | $19,646,252 | 1.6% | |
| MEDICAID PRESCRIPTION DRUGS B.2.2 | $6,244,033,697 | $6,614,045,364 | $370,011,667 | 5.9% | |
| MEDICAL TRANSPORTATION B.2.3 | $361,835,393 | $428,531,070 | $66,695,677 | 18.4% | |
| HEALTH STEPS (EPSDT) DENTAL B.2.4 | $2,258,129,696 | $2,456,646,149 | $198,516,453 | 8.8% | |
| MEDICARE PAYMENTS B.2.5 | $2,952,464,141 | $2,789,416,567 | ($163,047,574) | (5.5%) | |
| TRANSFORMATION PAYMENTS B.2.6 | $206,697,319 | $200,336,191 | ($6,361,128) | (3.1%) | |
| MEDICAID CONTRACTS & ADMINISTRATION B.3.1 | $2,117,415,653 | $1,060,182,577 | ($1,057,233,076) | (49.9%) | |
| **Total, Goal B, MEDICAID** | **$46,518,632,582** | **$51,190,385,922** | **$4,671,753,340** | **10.0%** | • Increase of $1.5 billion in All Funds, $1.3 billion in General Revenue Funds related to caseload growth; $3.6 billion in All Funds, $1.6 billion in General Revenue Funds for the Nursing Facility Carve-in; $382.7 million in All Funds, $165.2 million in General Revenue for habilitation services; $307.8 million in All Funds, $140.5 million in General Revenue Funds for a full biennium of the statewide expansion of STAR+PLUS; and $672.0 million in All Funds, a reduction of $89.2 million in General Revenue due to the transition of certain children from CHIP into Medicaid pursuant to the Affordable Care Act (ACA) with the 23 percentage point enhanced match.<br>• Decrease of $721.9 million in All Funds due to the one-time funding of $300 million for the non-federal share of the Disproportionate Share Hospital Program and the loss of federal matching funds.<br>• Decrease of $1.1 billion in All Funds, $24.2 million in General Revenue, due to the ending of the Primary Care Physician (PCP) rate increase.<br>See Selected Fiscal and Policy Issues #1, 2, 3, 5, 6, and 8. |

Section 2

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

| Strategy/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| CHIP C.1.1 | $1,210,221,058 | $981,876,060 | ($228,344,998) | (18.9%) | |
| CHIP PERINATAL SERVICES C.1.2 | $392,401,421 | $393,816,020 | $1,414,599 | 0.4% | |
| CHIP PRESCRIPTION DRUGS C.1.3 | $317,812,415 | $259,930,526 | ($57,881,889) | (18.2%) | |
| CHIP CONTRACTS & ADMINISTRATION C.1.4 | $28,978,985 | $28,661,738 | ($317,247) | (1.1%) | |
| **Total, Goal C, CHIP SERVICES** | **$1,949,413,879** | **$1,664,284,344** | **($285,129,535)** | **(14.6%)** | • Decrease due to the transition of certain children from CHIP into Medicaid. See Selected Fiscal and Policy Issue #12. |
| TANF (CASH ASSISTANCE) GRANTS D.1.1 | $152,598,297 | $161,444,542 | $8,846,245 | 5.8% | • Increase of $0.3 million in General Revenue and increase of $8.5 million in TANF Federal Funds due to cash assistance caseload and cost growth. See Selected Fiscal and Policy Issue #15. |
| REFUGEE ASSISTANCE D.1.2 | $70,443,741 | $88,250,598 | $17,806,857 | 25.3% | • Increase in Refugee Grant Federal Funds due to an increased cost related to refugee screenings and to pay for associated lab costs at the DSHS lab. The cost per refugee has increased while the number of individuals served remains constant. |
| DISASTER ASSISTANCE D.1.3 | $3,581 | $0 | ($3,581) | (100.0%) | |
| FAMILY VIOLENCE SERVICES D.2.1 | $52,993,130 | $53,912,676 | $919,546 | 1.7% | • Increase in Family Violence Prevention Federal Funds. |
| ALTERNATIVES TO ABORTION D.2.2 | $10,300,000 | $10,300,000 | $0 | 0.0% | |
| TEXAS WOMEN'S HEALTH PROGRAM D.2.3 | $69,310,379 | $69,310,379 | $0 | 0.0% | |
| CHILD ADVOCACY PROGRAMS D.2.4 | $0 | $52,647,006 | $52,647,006 | 100.0% | •Increase of $52.6 million in All Funds to transfer the Court Appointed Special Advocates (CASA) grant program and the Child Advocacy Centers (CAC) grant program from the Office of the Attorney General to HHSC. See Selected Fiscal and Policy Issue #18. |
| **Total, Goal D, ENCOURAGE SELF SUFFICIENCY** | **$355,649,128** | **$435,865,201** | **$80,216,073** | **22.6%** | |
| CENTRAL PROGRAM SUPPORT E.1.1 | $33,904,022 | $29,092,049 | ($4,811,973) | (14.2%) | • Decrease of $3.8 million in General Revenue due to one-time funding for the Children's Rights Lawsuit last biennium.<br>• Decrease of $1.0 million in General Revenue to move certain cost allocation items to Strategy A.2.1, Consolidated System Support. |
| IT PROGRAM SUPPORT E.1.2 | $28,127,189 | $15,083,464 | ($13,043,725) | (46.4%) | • Decrease of $4.4 million in General Revenue funds, $5.6 million in Federal Funds, and $3.0 million in Interagency Contracts primarily due to a shift in funding certain cost allocated projects to Strategy A.2.1, Consolidated System Support. |

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS**

| Strategy/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| REGIONAL PROGRAM SUPPORT E.1.3 | $242,846,521 | $226,127,372 | ($16,719,149) | (6.9%) | • Decrease of $0.3 million in General Revenue funds, $0.3 million in Federal Funds, and $16.1 million in Interagency Contracts due to a shift in strategy allocation for IT items to Strategy A.2.1, Consolidated System Support. |
| **Total, Goal E, PROGRAM SUPPORT** | **$304,877,732** | **$270,302,885** | **($34,574,847)** | **(11.3%)** | |
| TIERS & ELIGIBILITY TECHNOLOGIES F.1.1 | $181,182,398 | $114,997,696 | ($66,184,702) | (36.5%) | • Decrease of $3.9 million in General Revenue funds due to the last TIERS Master Lease Purchase Program payment in fiscal year 2016.<br>• Decrease of $3.1 million in General Revenue funds and $59.1 million in Federal Funds due to one-time costs in fiscal years 2014-15 for the TIERS eligibility modernization project. |
| **Total, Goal F, INFORMATION TECHNOLOGY PROJECTS** | **$181,182,398** | **$114,997,696** | **($66,184,702)** | **(36.5%)** | |
| OFFICE OF INSPECTOR GENERAL G.1.1 | $127,002,558 | $116,065,229 | ($10,937,329) | (8.6%) | • Decrease due to 2014-15 funds used for implementation of the fraud case management system; recommendations do not include funding for this contract. See Selected Fiscal and Policy Issues # 16. |
| **Total, Goal G, OFFICE OF INSPECTOR GENERAL** | **$127,002,558** | **$116,065,229** | **($10,937,329)** | **(8.6%)** | |
| **Grand Total, All Strategies** | **$51,448,449,082** | **$55,751,124,286** | **$4,302,675,204** | **8.4%** | |

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| **Total, Goal A, HHS ENTERPRISE OVERSIGHT & POLICY** | **$2,011,690,805** | **$1,959,223,009** | **($52,467,796)** | **(2.6%)** | |
| GENERAL REVENUE FUNDS | $812,251,218 | $790,482,728 | ($21,768,490) | (2.7%) | • Increase of $20.0 million in General Revenue for veteran's mental health grants.<br>• Increase of $9.6 million in General Revenue to fund CAPPS enhancements.<br>• Increase of $9.5 million in General Revenue to shift cost allocation items into Strategy A.2.1, Consolidated System Support.<br>• Decrease of $23.7 million in General Revenue due to the 23 percentage point enhanced match for CHIP.<br>• Decrease of $23.4 million in General Revenue Match for Medicaid for one-time Balancing Incentive Program (BIP) projects.<br>• Decrease of $10.6 million in General Revenue for the Enterprise Data Warehouse.<br>• Decrease of $2.7 million in General Revenue funds to reduce eligibility travel.<br>• Decrease of $0.4 million in General Revenue to reduce for one-time funding of vehicles.<br>• Decrease of $0.1 million in General Revenue due to decreased costs for Data Center Consolidation.<br>See Selected Fiscal and Policy Issues #2, 12, 17, 19, 20, 21, 25 and Section 7, Ten Percent Reduction Schedule Items #2 and 3. |
| GR DEDICATED | $0 | $0 | $0 | 0.0% | |

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| FEDERAL FUNDS | $970,536,052 | $903,315,791 | ($67,220,261) | (6.9%) | • Increase of $23.9 million in Federal Funds to shift cost allocation items into Strategy A.2.1, Consolidated System Support.<br>• Increase of $23.7 million in Federal Funds due to the 23 percentage point enhanced match for CHIP.<br>• Increase of $3.5 million in Federal Funds to fund CAPPS enhancements.<br>• Increase of $1.1 million in other Federal Funds.<br>• Decrease of $67.5 million in Federal Funds due to a delay in the Enterprise Data Warehouse contract.<br>• Decrease of $24.0 million in Medicaid Federal Funds for one-time Balancing Incentive Program (BIP) projects.<br>• Decrease of $21.1 million in Affordable Care Act Home Visiting Program Federal Funds and of $3.1 million due to the ending of the federal stimulus funds to Promote Health Information Technology.<br>• Decrease of $2.8 million in Federal Funds to reduce eligibility travel.<br>• Decrease of $0.3 million in Federal Funds due to decreased costs for Data Center Consolidation.<br>• Decrease of $0.2 million in TANF Stimulus funds.<br>See Selected Fiscal and Policy Issues #2, 12, 19, 20 and 25 and Section 7, Ten Percent Reduction Schedule Items #2 and 3. |
| OTHER FUNDS | $228,903,535 | $265,424,490 | $36,520,955 | 16.0% | • Increase of $36.5 million in Interagency Contract funds due to a shift in funding certain cost allocated items to Strategy A.2.1, Consolidated System Support. |

**Section 2**

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| **Total, Goal B, MEDICAID** | **$46,518,632,582** | **$51,190,385,922** | **$4,671,753,340** | **10.0%** | |
| GENERAL REVENUE FUNDS | $18,007,605,756 | $21,109,748,451 | $3,102,142,695 | 17.2% | • Increase of $1.3 billion in General Revenue Funds related to caseload growth; $1.6 billion in General Revenue Funds for the Nursing Facility Carve-in; $165.2 million in General Revenue for habilitation services; and $140.5 million in General Revenue Funds for a full biennium of the statewide expansion of STAR+PLUS.<br>• Decrease of $89.2 million in General Revenue due to the transition of certain children from CHIP into Medicaid pursuant to the Affordable Care Act (ACA) with the 23 percentage point enhanced match.<br>• Decrease of $24.2 million in General Revenue, due to the ending of the Primary Care Physician (PCP) rate increase.<br>See Selected Fiscal and Policy Issues #1, 2, 3, and 5. |
| GR DEDICATED | $0 | $0 | $0 | 0.0% | |
| FEDERAL FUNDS | $27,844,000,029 | $29,710,176,489 | $1,866,176,460 | 6.7% | • Increase related to caseload growth; a full biennium of the statewide expansion of STAR+PLUS, Nursing Facility Carve-in, habilitation services, and the transition of certain children from CHIP into Medicaid pursuant to the ACA; the Community First Choice enhanced match; and the 23 percentage point increase to EFMAP.<br>• Decreases due to a less favorable FMAP, the loss of the Balancing Incentive Program (BIP) enhanced match, removing the one-time funding of the non-federal portion of the Disproportionate Share Hospital program, and the end of the Primary Care Physician (PCP) Rate Increase.<br>See Selected Fiscal and Policy Issues #1, 2, 3, 5, and 8. |
| OTHER FUNDS | $667,026,797 | $370,460,982 | ($296,565,815) | (44.5%) | •Increase of $3.4 million in Medicaid Subrogation Receipts.<br>•Decrease of $300.0 million in Interagency Contract funds due to a one-time transfer from the Department of State Health Services related to an MOF swap.<br>See Selected Fiscal and Policy Issue #6. |

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| **Total, Goal C, CHIP SERVICES** | **$1,949,413,879** | **$1,664,284,344** | **($285,129,535)** | **(14.6%)** | |
| GENERAL REVENUE FUNDS | $572,697,283 | $140,954,657 | ($431,742,626) | (75.4%) | •Decrease due to the transition of certain children from CHIP into Medicaid and the 23 percentage point enhanced match in CHIP.<br>See Selected Fiscal and Policy Issue #12. |
| GR DEDICATED | $0 | $0 | $0 | 0.0% | |
| FEDERAL FUNDS | $1,376,716,596 | $1,523,329,687 | $146,613,091 | 10.6% | •Increase due to the 23 percentage point enhanced match in CHIP.<br>•Decrease due to the transition of certain children from CHIP into Medicaid.<br>See Selected Fiscal and Policy Issue #12. |
| OTHER FUNDS | $0 | $0 | $0 | 0.0% | |
| **Total, Goal D, ENCOURAGE SELF SUFFICIENCY** | **$355,649,128** | **$435,865,201** | **$80,216,073** | **22.6%** | |
| GENERAL REVENUE FUNDS | $226,941,946 | $257,309,633 | $30,367,687 | 13.4% | •Increase of $30.0 million in General Revenue to transfer the Court Appointed Special Advocates (CASA) grant program and the Child Advocacy Centers (CAC) grant program from the Office of the Attorney General to HHSC.<br>•Increase of $0.3 million in General Revenue for TANF cash assistance caseload and cost growth.<br>See Selected Fiscal and Policy Issue #15 and #18. |
| GR DEDICATED | $0 | $22,541,252 | $22,541,252 | 100.0% | •Increase of $22.5 million in General Revenue-Dedicated funds to transfer the Court Appointed Special Advocates (CASA) grant program and the Child Advocacy Centers (CAC) grant program from the Office of the Attorney General to HHSC.<br>See Selected Fiscal and Policy Issue #18. |
| FEDERAL FUNDS | $128,707,182 | $155,966,316 | $27,259,134 | 21.2% | • Increase of $17.8 million in Refugee Grant Federal Funds due to an increased cost related to refugee screenings, an increase of $8.5 million in TANF Federal Funds due to cash assistance caseload and cost growth, and an increase of $1.0 million in Family Violence Prevention Federal Funds. |

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| OTHER FUNDS | $0 | $48,000 | $48,000 | 100.0% | •Increase of $48,000 in Other Funds to transfer the Court Appointed Special Advocates (CASA) grant program and the Child Advocacy Centers (CAC) grant program from the Office of the Attorney General to HHSC.<br>See Selected Fiscal and Policy Issue #18. |
| **Total, Goal E, PROGRAM SUPPORT** | **$304,877,732** | **$270,302,885** | **($34,574,847)** | **(11.3%)** | |
| GENERAL REVENUE FUNDS | $34,729,583 | $24,920,500 | ($9,809,083) | (28.2%) | • Decrease of $3.8 million in General Revenue due to one-time funding for the Children's Right Lawsuit last biennium.<br>• Decrease of $5.3 million in General Revenue due to a shift in funding certain cost allocated items to Strategy A.2.1, Consolidated System Support.<br>• Decrease of $0.7 million in General Revenue due to the 23 percentage point enhanced match in CHIP. There is a matching increase in federal funds.<br>See Selected Fiscal and Policy Issue #12. |
| GR DEDICATED | $0 | $0 | $0 | 0.0% | |
| FEDERAL FUNDS | $33,327,925 | $27,758,519 | ($5,569,406) | (16.7%) | • Increase of $0.7 million in CHIP Federal Funds due to the 23 percentage point enhanced match in CHIP. There is a matching decrease in General Revenue funds.<br>• Decrease of $6.2 million in Federal Funds due to a shift in funding certain cost allocated items to Strategy A.2.1, Consolidated System Support.<br>See Selected Fiscal and Policy Issue #12. |
| OTHER FUNDS | $236,820,224 | $217,623,866 | ($19,196,358) | (8.1%) | • Decrease of $19.2 million in Interagency Contracts due to a shift in funding certain cost allocated items to Strategy A.2.1, Consolidated System Support. |

**Health and Human Services Commission**

**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| **Total, Goal F, INFORMATION TECHNOLOGY PROJECTS** | **$181,182,398** | **$114,997,696** | **($66,184,702)** | **(36.5%)** | |
| GENERAL REVENUE FUNDS | $62,610,511 | $53,854,103 | ($8,756,408) | (14.0%) | • Decrease of $3.9 million in General Revenue due to the last TIERS Master Lease Purchase Program payment in fiscal year 2016.<br>• Decrease of $3.1 million in General Revenue due to one-time costs in fiscal years 2014-15 for the TIERS eligibility modernization project.<br>• Decrease of $1.7 million in General Revenue due to the 23 percentage point enhanced match in CHIP. There is a matching increase in federal funds.<br>See Selected Fiscal and Policy Issue #12. |
| GR DEDICATED | $0 | $0 | $0 | 0.0% | |
| FEDERAL FUNDS | $118,571,887 | $61,143,593 | ($57,428,294) | (48.4%) | • Increase of $1.7 million in CHIP Federal Funds due to the 23 percentage point enhanced match in CHIP. There is a matching decrease in General Revenue funds.<br>• Decrease of $59.1 million in General Revenue funds due to one-time costs in fiscal years 2014-15 for the TIERS eligibility modernization project.<br>See Selected Fiscal and Policy Issue #12. |
| OTHER FUNDS | $0 | $0 | $0 | 0.0% | |
| **Total, Goal G, OFFICE OF INSPECTOR GENERAL** | **$127,002,558** | **$116,065,229** | **($10,937,329)** | **(8.6%)** | |
| GENERAL REVENUE FUNDS | $41,499,144 | $39,102,207 | ($2,396,937) | (5.8%) | • Decrease of $2.4 million in General Revenue due to 2014-15 funds used for implementation of the fraud case management system; recommendations do not include funding for this contract.<br>See Selected Fiscal and Policy Issues #16. |
| GR DEDICATED | $0 | $0 | $0 | 0.0% | |
| FEDERAL FUNDS | $59,362,741 | $51,503,592 | ($7,859,149) | (13.2%) | • Decrease of $7.9 million in Federal Funds due to 2014-15 funds used for implementation of the fraud case management system; recommendations do not include funding for this contract.<br>See Selected Fiscal and Policy Issues #16. |
| OTHER FUNDS | $26,140,673 | $25,459,430 | ($681,243) | (2.6%) | • Decrease of $0.7 million in Interagency Contracts. |

## Section 2

**Health and Human Services Commission**
**Summary of Recommendations - Senate, By Method of Finance -- Supplemental**

| Strategy/Fund Type/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---|---|---|---|---|
| **Grand Total, All Agency** | **$51,448,449,082** | **$55,751,124,286** | **$4,302,675,204** | **8.4%** | |
| GENERAL REVENUE FUNDS | $19,758,335,441 | $22,416,372,279 | $2,658,036,838 | 13.5% | |
| GR DEDICATED | $0 | $22,541,252 | $22,541,252 | 100.0% | |
| FEDERAL FUNDS | $30,531,222,412 | $32,433,193,987 | $1,901,971,575 | 6.2% | |
| OTHER FUNDS | $1,158,891,229 | $879,016,768 | ($279,874,461) | (24.2%) | |

## Health and Human Services Commission
## Selected Fiscal and Policy Issues - Senate

### MEDICAID

1. **Supplemental Need in Fiscal Years 2014-15**. Based on LBB caseload and cost assumptions, the shortfall in Medicaid at the Health and Human Services Commission (HHSC) is **$313.5 million** in General Revenue Funds. This supplemental need is assumed to be offset by projected surplus funds from the Children's Health Insurance Program (CHIP, $15.3 million in General Revenue Funds) and the Department of Aging and Disability Services ($142.3 million in General Revenue Funds).

**Medicaid Client Services Expenditures (in millions)**

| | **2015 (Surplus)/Shortfall** | **2016-17 Above/(Below) 2014-15 Adjusted** | |
|---|---|---|---|
| | General Revenue | General Revenue-Related | All Funds |
| Department of Aging and Disability Services | ($142.3) | ($1,188.3) | ($3,245.5) |
| Health and Human Services Commission | $313.5 | $3,102.1 | $4,671.8 |
| Total | $171.2 | $1,913.8 | $1,426.3 |

Note: Incremental growth reflects growth for 2016-17 above the 2014-15 adjusted expenditure level included in the respective agency's recommendations. For specifics on assumptions, see respective agency packets. HHSC incremental growth includes all of Goal B, Medicaid. DADS incremental growth includes Medicaid client services strategies, including State Supported Living Centers

2. **Medicaid funding in 2016-17**. Recommendations include funding for Medicaid client services and direct administrative costs in Goal B, Medicaid, totaling **$51,190.4 million in All Funds, $21,109.7 million in General Revenue Funds**.

- **Cost**. Cost is held to the 2015 average cost with the exception of Medicare premiums and Medicare Giveback, which are funded at the projected federal level.
  - The recommendations do not include cost growth for fiscal years 2016-17, which the LBB estimates to be $1,590.2 million in All Funds, $678.7 million in General Revenue Funds.

- **Federal Medical Assistance Percentage (FMAP).** Federal participation rates for state-administered programs are less favorable in federal fiscal year 2016 than federal fiscal year 2014 and less favorable in federal fiscal year 2017 than federal fiscal year 2015. The adjustment is an increase of **$655.6 million** in General Revenue Funds and an equal decrease in Federal Funds. The federal fiscal year 2016 rate is final. The federal fiscal year 2017 rate has not been established and may change.

**State Fiscal Year FMAP Assumed in the Recommendations**

| Actual 2014 | Actual 2015 | Actual 2016 | Estimated 2017 |
|---|---|---|---|
| 58.74 | 58.10 | 57.21 | 57.00 |

- **Enhanced Matches**
  - **23 Percentage Point Increase to the Enhanced Federal Medical Assistance Percentage (EFMAP).** The Affordable Care Act (ACA) increased the EFMAP for most services federally funded based on EFMAP by 23 percentage points from October 1, 2015 until September 30, 2019. In Medicaid, the enhanced match will apply to (1) children ages 6-18 between 100 and 133 percent of the Federal Poverty Level (FPL) who have transitioned from CHIP to Medicaid due to provisions of the ACA and (2) legal permanent resident children formerly covered in CHIP. The Medicaid for Breast and Cervical Cancer program, which is matched based on EFMAP, will not qualify for the 23 percentage point increase. This increase is projected to result in a **$319.9 million decrease to General Revenue Funds and an equal increase in Federal Funds** in the 2016-17 biennium. These funds will be counted against the state's federal CHIP allotment.

  - The **Balancing Incentive Program** provides participating states an additional two percent federal match for qualifying community long-term-care services for federal fiscal years 2013 to 2015. Only one month of state fiscal year 2016 is eligible for this enhanced match. The loss of this enhanced match results in an estimated **increase of $96.3 million in General Revenue Funds and an equal decrease in Federal Funds** compared to 2014-15**.**

  - The **Community First Choice** (CFC) program provides an additional six percent federal match for certain attendant and habilitation services. While the program has not yet received federal approval, recommendations assume it will be implemented March 1, 2015. Implementation is now expected to occur June 1, 2015. The enhanced match results in an estimated **decrease of $48.7 million in General Revenue Funds and an equal increase in Federal Funds** compared to 2014-15.

## Section 3

- **Caseload**. Caseloads are projected to continue to grow in Medicaid above the fiscal year 2014-15 levels.
    - **Children moving from CHIP to Medicaid.** Recommendations include a caseload shift from CHIP into Medicaid required by the ACA. Effective January 1, 2014 the ACA sets Medicaid eligibility levels for all children to 133 percent of FPL and eliminates the Medicaid and CHIP asset tests, instead allowing for a standard 5 percent income disregard, effectively increasing the eligibility threshold for children in Medicaid to 138 percent FPL. Previously, Medicaid eligibility requirements in Texas covered children ages 6 to 18 years up to 100 percent of FPL. Now, all children up to 138 percent of FPL will be covered in Medicaid instead of CHIP, including those currently income-eligible for Medicaid who were enrolled in CHIP because of the Medicaid asset test. These children will continue to receive the EFMAP, including the 23 percentage point increase beginning in federal fiscal year 2016. **Recommendations include $1,359.2 million in All Funds, $112.9 million in General Revenue Funds,** in 2016-17 to serve the increase in children (an estimated monthly average of 329,075 in fiscal year 2017). The cost to Medicaid is partially offset by savings to the CHIP program. **A net increase in funding to HHSC of $220.5 million in All Funds, $22.5 million in General Revenue Funds,** is due to the higher cost to serve children in Medicaid due to a more generous benefit package.
    See the Section 3, Supplemental Schedule #3, CHIP to Medicaid Transition.

    - **Income Eligibility Conversion to Modified Adjusted Gross Income (MAGI) Thresholds.** Effective January 1, 2014 the ACA requires states to use a methodology for determining income eligibility for Medicaid and CHIP for children, pregnant women, and parents based on MAGI. Under the MAGI-based methodology, previous income eligibility standards (which included income disregards) were converted so that the new eligibility standards were not less than the effective income level under the prior methodology. The ACA-mandated 5 percent income disregard is added to the MAGI-converted income level. Recommendations are based on data that included several months of enrollment under the revised methodology; however, the long-term effect (if any) of the MAGI-conversion on trends is not known.

**Medicaid Eligibility Levels by Percent of FPL, without Income Disregards**

| | Children, Under Age 1 | Children, Ages 1 to 5 | Children, Ages 6 to 18 | Pregnant Women | Parents |
|---|---|---|---|---|---|
| Prior to January 1, 2014 | 185 | 133 | 100 | 185 | 12 |
| Beginning January 1, 2014 | 198 | 144 | 133 | 198 | 15 |
| Including the 5% Income disregard | 203 | 149 | 138 | 203 | 20 |

Note: For children ages 6 to 18 the income eligibility level beginning January 1, 2014 is increased due to other requirements in the ACA, not the conversion to MAGI-based methodology.

3. **Medicaid Managed Care Expansion.**
    - **Senate Bill 7 Implementation.** Pursuant to Senate Bill 7, Eighty-third Legislature, Regular Session, the STAR+PLUS program expanded statewide in September 2014 and nursing facility services are anticipated to be carved into STAR+PLUS in March 2015. These two managed care expansions result in long-term-care services previously provided at DADS being provided at HHSC. 2016-17 projected expenditures for clients who will receive these long-term-care services through HHSC **increase by approximately $3.9 billion in All Funds, including $1.7 billion in General Revenue Funds,** from the 2014-15 expenditure level.

    - **Behavioral Health Services.** Senate Bill 58, Eighty-third Legislature, Regular Session, required HHSC to integrate behavioral health services in Medicaid managed care beginning in fiscal year 2015. On September 1, 2014, the Department of State Health Services transferred **$26.0 million in General Revenue Funds** to HHSC.

    - **Medical Transportation Program.** Senate Bill 8, Eighty-third Legislature, Regular Session, required HHSC to provide medical transportation program services through a full-risk, capitated managed transportation delivery model. The new service delivery model was implemented September 1, 2014.

    - **Dual Demonstration Program.** HHSC and CMS have established a federal-state partnership to implement a demonstration program serving persons dually eligible for Medicare and Medicaid in an effort to improve coordination of care and enhance quality of care for these enrollees, while reducing costs for both the state and the federal government. The demonstration is scheduled to be implemented in March 2015.

4. **Medicaid 1115 Waiver: Texas Healthcare Transformation and Quality Improvement Program.**
    - **Waiver Renewal.** The Section 1115 Medicaid Transformation waiver was designed to expand the managed care delivery system, operate a funding pool to reimburse providers for uncompensated care (UC) costs, and provide Delivery System Reform Incentive Payments (DSRIP) to participating hospitals that implement and operate approved projects. The waiver period ends on September 30, 2016. Recommendations assume that the waiver will be renewed.

    - **Uncompensated Care (UC) Payments**. In October of 2014, the Centers for Medicare and Medicaid Services (CMS) withheld $75.0 million in Federal Funds used to reimburse private hospitals for UC payments until the source of the non-federal share is deemed appropriate. CMS conducted a review in June and discovered instances of direct payments from private hospitals to government entities which are impermissible. The $75.0 million deferral is based on the results of this review and could increase if CMS identifies other disallowed funding arrangements. In December of 2014, CMS lifted the payment hold for one year. HHSC is working with CMS to resolve this issue so that future waiver payments are not impacted.

5. **Disproportionate Share Hospital Supplemental Payments.** The Medicaid Disproportionate Share Hospital (DSH) Program provides supplemental federal funds to hospitals that serve a disproportionate number of Medicaid and uninsured patients. Federal DSH payments to non-state-owned hospitals are typically drawn by Intergovernmental Transfer (IGT) from the largest public local hospitals in the state.

The 1115 Waiver's DSRIP projects offered local entities an opportunity to realize a return on their IGTs specific to their region. Because of this, transferring entities preferred to use IGT for DSRIP rather than for DSH payments, which presented an obstacle to fully funding DSH because there were insufficient local funds to maximize both DSH and DSRIP.

The 2014-15 General Appropriations Act addressed the anticipated ongoing need to provide appropriations for the non-federal portion of DSH payments through HHSC Rider 86, Transitional Medicaid DSH and Related Payments. Rider 86 provides that HHSC may spend up to $300.0 million ($160.0 million in fiscal year 2014 and $140.0 million in fiscal year 2015) in General Revenue Funds for the non-federal portion of DSH upon receiving approval from the Legislative Budget Board and the Governor.  The rider also requires HHSC to ensure that General Revenue Funds are not used for the non-federal share of DSH payments past fiscal year 2015.

In November 2014, HHSC distributed half of the total 2014 DSH funds to non-state-owned hospitals. This payment was drawn down with $188.7 million in IGTs and $80.0 million in General Revenue Funds. The remaining 2014 DSH funds will be distributed in March or April of 2015. Recommendations do not include any General Revenue Funds to provide for the non-federal portion of DSH in 2016-17.

6. **One-time Method of Finance Swap.** There is a decrease in Interagency Contract funds due to a one-time transfer from the Department of State Health Services (DSHS) of $300.0 million in 2014-15. DSHS was appropriated $300.0 million in General Revenue-Dedicated Account 5111, Trauma Funds due to a one-time appropriation by the Eighty-third Legislature of trauma funds to be transferred to HHSC for Medicaid expenses.

7. **Cost-Containment Initiatives.** Recommendations assume the continuation of cost-containment initiatives implemented in Medicaid during, or prior to, the 2014-15 biennium. Budgeted savings that have not been realized are not assumed or maintained.
   See also Rider Highlights, Modified Rider 51, Medicaid Funding Reduction and Cost Containment.

8. **Primary Care Physician (PCP) Rates.**
   - The ACA required a rate increase up to the Medicare rate for certain services provided by PCPs in Medicaid from January 1, 2013 through December 31, 2014. The rate increase was 100 percent federally funded from the rates that were in effect in July 2009. HHSC was also required to fund at regular FMAP matching levels the restoration of a 2 percent reduction before financing the additional increase to Medicare rates with 100 percent Federal Funds.
   - HHSC estimates the payments will total **$1.1 billion**, less than $25.0 million of which is expected to be funded with General Revenue Funds. The payments are being made in the form of a supplemental payment and have not been incorporated into either Fee-for-Service or Managed Care rates. The first payments were not made until February 2014 and the majority are assumed to be made in fiscal year 2015, though HHSC does not yet know when the last payment will be made. The payments made in fiscal year 2014 total $222.7 million in All Funds. Recommendations do not assume continuation of the rate increases beyond December 31, 2014. If the increases were continued, they would be funded at the regular Medicaid matching rate for the applicable population.

9. **Health Insurance Providers Fee and Resulting Federal Income Tax Impact.** The ACA establishes an annual fee on most health insurance providers based upon prior year net written premiums, including those for the Medicaid program. Payment of the fee and the associated federal income tax was not included in 2014-15 appropriations or managed care premiums and HHSC has not made any payments related to the fee at this time. The cost to pay the fee and associated tax for Medicaid is $193.3 million in All Funds, $79.7 million in General Revenue Funds, in fiscal year 2015. In the 2016-17 biennium, HHSC estimates the cost to pay the fee and associated tax for Medicaid to be $583.0 million in All Funds, including $239.8 million in General Revenue Funds. HHSC estimates an additional impact associated with the CHIP program (see Selected Fiscal and Policy Issue #14). **SB2 does not include any funding in 2016-17 to pay the fee or tax.**

10. **Network Access Improvement Program.** In fiscal year 2014, HHSC created the Network Access Improvement Program (NAIP). The NAIP aims to increase the availability and effectiveness of primary care for Medicaid clients by providing incentive payments to participating Health Related Institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a Managed Care Organization (MCO). If the proposal is approved by HHSC, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs will be responsible for making payments to the HRIs. A new rider has been added requiring HHSC to report on the approved partnerships. Recommendations do not assume any increase in funding related to this program because the number of participating providers and other information necessary to estimate costs is not available at this time.

**CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)**

11. **Surplus in Fiscal Years 2014-15**. Based on LBB caseload and cost assumptions, there is a surplus of **$15.3 million** in General Revenue at HHSC for CHIP in fiscal years 2014-15, which is assumed to be used to offset the supplemental need in Medicaid.

12. **CHIP funding in 2016-17**. Recommendations include funding for CHIP client services and direct administrative costs in Goal C, CHIP, totaling **$1,664.3 million in All Funds, $141.0 million in General Revenue Funds.**

- **Cost.** Cost is held to the 2015 average cost. The recommendations do not include cost growth for fiscal years 2016-17, which the LBB estimates to be $86.7 million in All Funds, $6.6 million in General Revenue Funds.

- **Enhanced FMAP (EFMAP).** Federal participation rates for CHIP are more favorable in federal fiscal year 2016 than federal fiscal year 2014 and more favorable in federal fiscal year 2017 than federal fiscal year 2015. The ACA increased the EFMAP, which is the match rate for the CHIP program, by 23 percentage points from October 1, 2015 until September 30, 2019. The adjustment is a **decrease of $367.8 million in General Revenue Funds and an equal increase in Federal Funds**. The federal fiscal year 2016 rate is final. The federal fiscal year 2017 rate has not been established and may change.

**State Fiscal Year EFMAP Assumed in the Recommendations**

| Actual 2014 | Actual 2015 | Actual 2016 | Estimated 2017 |
|---|---|---|---|
| 71.12 | 70.68 | 91.13 | 92.90 |

- **Caseload**. Caseload is projected to decrease in CHIP below 2014-15 levels.
  - **Children moving from CHIP to Medicaid.** See item #2 and supplemental schedule #3 for additional information on the transition of children from CHIP to Medicaid pursuant to the ACA. Recommendations include a decrease in 2016-17 CHIP funding due to this transition of $1,138.7 million in All Funds, $90.4 million in General Revenue.

  - **Income Eligibility Conversion to Modified Adjusted Gross Income (MAGI) Thresholds.** See Selected Fiscal and Policy Issue #2 for additional information on the conversion of income to MAGI thresholds pursuant to the ACA. The MAGI-based income eligibility level for CHIP is 201 percent of FPL and 202 percent of FPL for CHIP Perinatal. With the 5 percent income disregard, income eligibility for CHIP effective January 1, 2014 is 206 percent of FPL. Recommendations are based on data that included several months of enrollment under the revised methodology; however, the long-term effect (if any) of the MAGI-conversion on trends is not known and may be masked by the CHIP to Medicaid transition.

13. **CHIP Reauthorization.** The ACA extends funding for CHIP through federal fiscal year 2015 and authorizes the program through 2019. The ACA prohibits states from restricting CHIP eligibility standards, methodologies, or procedures from enactment until September 30, 2019 (maintenance-of-effort requirement). Under current law, states will receive their final federal CHIP allotments in two semi-annual installments with the final installment made on April 1, 2015. States will have until September 30, 2016 to spend the allotment. Without federal budgetary action, all states will likely exhaust their federal CHIP allotments at some point in federal fiscal year 2016. The 23 percentage point increase in EFMAP in 2016 and the ability to apply EFMAP to certain Medicaid expenditures if federal CHIP funds are used both contribute to increases in the rate at which federal CHIP funds are expected to be expended. The 2015 federal CHIP allotment is estimated to cover a portion of the projected demand for Federal Funds in fiscal year 2016 and none of fiscal year 2017. Because Texas is operating a separate CHIP program (rather than a Medicaid-expansion CHIP program), the state would not be obligated to continue funding the CHIP program once federal funds run out, despite the maintenance-of-effort requirement. Recommendations assume new federal funds will become available to continue the program in 2016-17.

14. **Health Insurance Providers Fee and Resulting Federal Income Tax Impact.** See Selected Fiscal and Policy Issue #9 for additional information on the fee and tax. The cost to pay the fee and associated tax for CHIP is $15.4 million in All Funds, $4.5 million in General Revenue Funds, in fiscal year 2015. In the 2016-17 biennium, HHSC estimates the cost to pay the fee and associated tax for CHIP to be $30.9 million in All Funds, including $2.5 million in General Revenue Funds. **SB2 does not include any funding in 2016-17 to pay the fee or tax.**

**OTHER HHSC PROGRAMS**

15. **Temporary Assistance for Needy Families (TANF) Cash Assistance.** Caseloads in the TANF Cash Assistance programs declined in fiscal years 2013 and 2014 and are projected to have a slight increase in fiscal year 2015. **A surplus of $35.1 million in TANF Federal Funds** is expected for the program in 2014-15. The surplus TANF Federal Funds are assumed to be available in the 2016-17 TANF balance. **Recommendations continue funding the Maintenance of Effort (MOE) level of $62.9 million in General Revenue MOE for TANF** annually and continue the TANF State Program for two-parent families. Grant per recipient has historically increased each year because the maximum grant is tied to the FPL, which traditionally increases. Recommendations maintain the eligibility for TANF at 17 percent of FPL. Caseloads are projected to increase by 1 percent in each of fiscal years 2016-17 in the TANF program and the TANF State Program for two-parent families. Recommendations assume an increase above 2014-15 expenditure levels of **$8.8 million in All Funds, including $0.3 million in General Revenue Funds and $8.5 million in TANF Federal Funds.**

16. **Office of the Inspector General.** In fiscal year 2013, the Office of the Inspector General (OIG) received approval to fund a new fraud case management system. The cost in fiscal year 2013 was $15.6 million in All Funds, $1.6 million in General Revenue. The Eighty-third Legislature funded an exceptional item related to the OIG which included $7.1 million in All Funds, $1.0 million in General Revenue, for this contract. On July 10, 2014, HHSC submitted a request to transfer $90.2 million in All Funds, $18.9 million in General Revenue from Medicaid to the OIG in fiscal years 2014-2015 to extend and expand this system. This request was not approved.

    On October 31, 2014, HHSC submitted a request to transfer $63.8 million in All Funds, $16.2 million in General Revenue in fiscal year 2015 to extend and expand this system. The agency withdrew this request.

    **The OIG fraud case management system is not funded in the fiscal year 2016-17 recommendations.** The fraud case management system was first funded during the interim in fiscal year 2013. The project cost through fiscal year 2015 is $24.4 million in All Funds, $2.7 million in General Revenue.

17. **Mental Health for Veterans Grant Program.** Recommendations increase appropriations by $20.0 million in General Revenue in fiscal years 2016-17 to fund a grant program to provide mental health services to veterans.

    See Rider Highlights, New Rider #69, Mental Health for Veterans Grant Program.

18. **Court Appointed Special Advocates (CASA) and Children's Advocacy Centers of Texas (CAC) Grants.** SB2 includes the transfer of the CASA and CAC grant programs from the Office of the Attorney General (OAG) to HHSC into new strategy D.2.4, Child Advocacy Programs. Funds transferred total $52.6 million in All Funds, which includes an increase of $4.8 million in All Funds for CASA and $6.7 million in All Funds for CAC.

The funding for the two programs is as follows:

| **Court Appointed Special Advocates** | FY 2016 | FY 2017 |
|---|---|---|
| General Revenue | $7.2 | $7.1 |
| General Revenue-Dedicated Compensation to Victims of Crime Fund No. 0469 | $4.7 | $4.7 |
| General Revenue Dedicated Sexual Assault Program Account No. 5010 | $1.1 | $1.1 |
| License Plate Trust Fund Account No. 0802 | $0.0 | $0.0 |
| CASA Total | **$13.0** | **$12.9** |
| **Children's Advocacy Centers** | | |
| General Revenue | $7.9 | $7.9 |
| General Revenue-Dedicated Compensation to Victims of Crime Fund No. 0469 | $4.5 | $4.5 |
| General Revenue Dedicated Sexual Assault Program Account No. 5010 | $1.0 | $1.0 |
| CAC Total | **$13.3** | **$13.3** |
| **Strategy D.2.4, Children Advocacy Programs Total** | **$26.4** | **$26.3** |

The following statutory changes are required to implement the recommendations:

- Texas Family Code, Chapter 264, §264.602 – (CASA) Amend to allow HHSC to contract with a statewide organization to provide services to victims of child abuse or neglect.
- Texas Family Code, Chapter 264, §264.409 – (CAC) Amend to allow HHSC to contract with a statewide organization to provide children's advocacy centers.
- Texas Transportation Code, Chapter 504, §504.611 – (CASA) Amend to appropriate revenue from the sale of the Volunteer Advocate specialty license plate to HHSC.

See also Rider Highlights, New Riders #71, Contingency for Child Advocacy Center and Court Appointed Special Advocate Grants, Rider #72, Contingency Appropriation of CASA License Plate Receipts, and Rider #73, Contingency for Funding of Child Advocacy Programs.

19. **Data Center Consolidation:**
    - **Maintain Current Services.** Recommendations reduce the base funding for Data Center services by **$0.1 million in General Revenue and $0.6 million in All Funds** due to a decrease in the cost to maintain current services. Recommendations fund the Department of Information Resources (DIR) estimate of Data Center Services (DCS) at a cost of $25.4 million in General Revenue and $67.8 million in All Funds over the biennium. Recommendations include capital budget authority.
    - **Server Consolidation.** Recommendations fund DCS application remediation in fiscal year 2016 by reallocating **$0.7 million in General Revenue and $1.8 million in All Funds** within the base level of funding. Recommendations include capital budget authority. HHSC, in consultation with DIR, has identified 11 projects that require application remediation and transformation prior to the servers being consolidated. Contracted capacity for server consolidation is scheduled to be complete by the end of fiscal year 2016. If the project is postponed past fiscal year 2016, server consolidation would require additional funding. If the applications are unable to be consolidated to the DCS servers, HHSC will continue to be invoiced higher charges under non-consolidated rates.

20. **Centralized Accounting and Payroll/Personnel System (CAPPS).** HHSC is one of the hub agencies for the Comptroller's Centralized Accounting and Payroll/Personnel System (CAPPS). Recommendations continue the base level of funding in the amount of $2.1 million in General Revenue and $19.9 million in All Funds for maintenance related to CAPPS and fund a 3.5% increase to total $0.3 million in General Revenue and $2.6 million in All Funds for PeopleSoft licenses related to CAPPS. This is in alignment with the statewide approach to fund maintenance costs for CAPPS.

    Additionally, recommendations reallocate one-time funds for Balancing Incentive Program projects to fund the HHSC exceptional item totaling $13.0 million in All Funds, $9.6 million in General Revenue to upgrade the current financial system to then be supported by CAPPS. The upgrade is necessary to complete the CAPPS transition.

21. **Ten Percent Schedule Reductions.** Recommendations reduce administrative travel by **$0.2 million in General Revenue and $0.7 million in All Funds** over the biennium. Recommendations reduce eligibility services travel by **$2.7 million in General Revenue and $2.9 million in All Funds** over the biennium. Both items were included in the agency's ten percent reduction schedule.

22. **One-time Funding Reductions.** In fiscal years 2014-15, HHSC expended $19.9 million in General Revenue for one-time expenses which include $13.8 million for Balancing Incentive Program projects, $3.8 million for the Children's Rights Litigation, $1.8 million for information technology projects, and $0.4 million for vehicle replacement. **Recommendations decrease appropriations by a total of $10.3 million in General Revenue for one-time funding.** Additionally, $9.6 million in General Revenue is reallocated to fund the CAPPS upgrade.

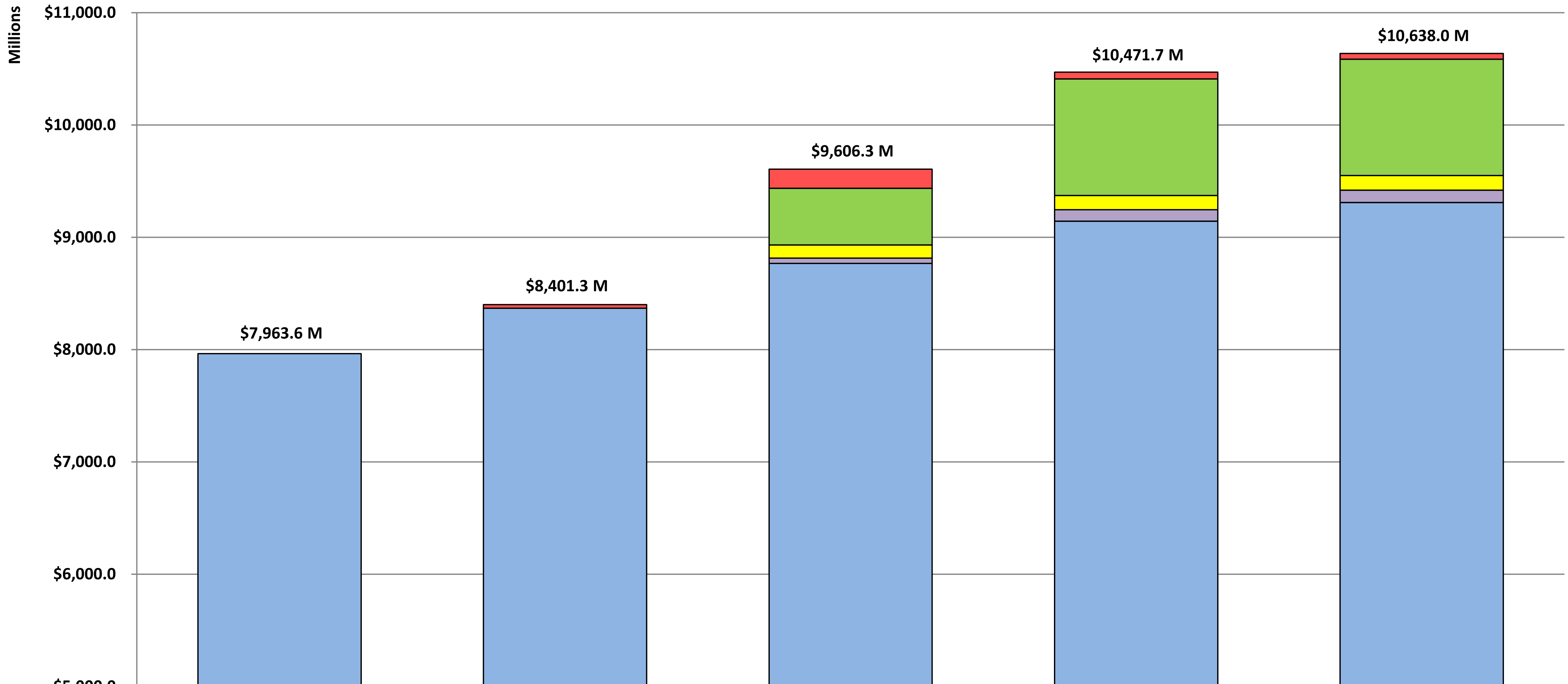
23. **Vehicle Replacement.** Recommendations maintain **$0.5 million in General Revenue Funds** from the base to replace 12 vehicles with over 150,000 miles.

24. **Medicaid Management Information System.** In May of 2014, HHSC ended the contract with Xerox to serve as the Medicaid claims administrator and entered into a new contract with Accenture. Previously, Xerox made all capital expenditures related to updating the Medicaid Management Information System, the integrated information technology / capital systems, and passed the cost on to HHSC. Accenture will not take on that liability, so HHSC requested capital budget authority in fiscal years 2016-17. Recommendations include an increase in capital budget authority of $103.2 million in All Funds, $28.8 million in General Revenue, for the new project. Funds were allocated for this project within the agency's limit.

25. **Enterprise Data Warehouse.** Recommendations decrease funds and capital budget authority by **$78.0 million in All Funds, $10.6 million in General Revenue**, for the Enterprise Data Warehouse. This project began in fiscal year 2008 and has increased in size each biennium. The agency has not yet awarded the contract for fiscal years 2014-15. Due to this delay, recommendations have reduced funds and capital budget authority in fiscal years 2016-17.

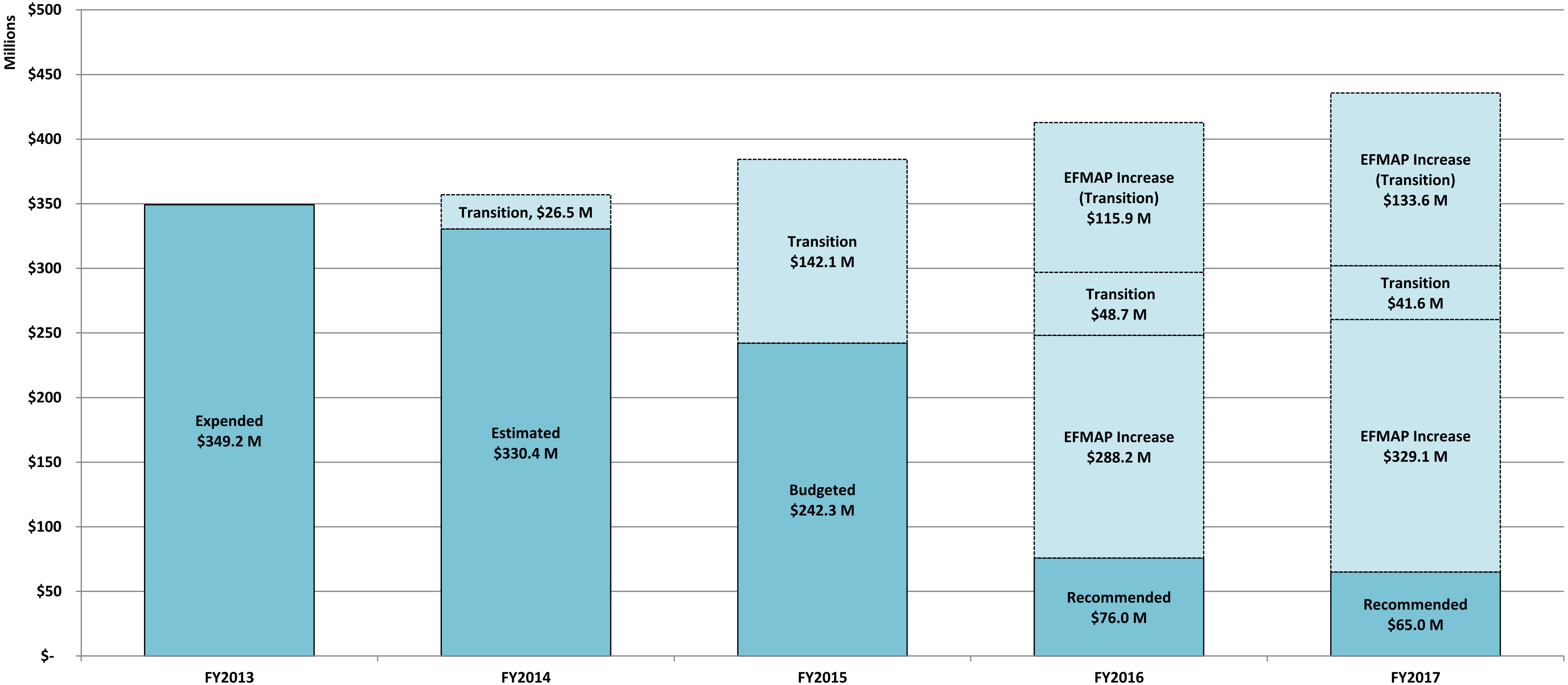
26. **Sunset Review.** The five Health and Human Services agencies are under Sunset review during the Eighty-fourth Legislative Session. In the event that the agency is not continued, the funds appropriated for fiscal year 2016, or as much thereof as may be necessary, are to be used to provide for the phase out of the agency operations.
    See Rider Highlights, New Rider #70, Sunset Contingency.

## Health and Human Services Commission: Supplemental Schedule #1
## Medicaid General Revenue Funding and Increases, Fiscal Years 2013 to 2017




| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 |
|---|---|---|---|---|---|
| CHIP to Medicaid Transition | $- | $33.2 | $168.9 | $61.7 | $51.2 |
| Nursing Facility Carve-In | $- | $- | $505.5 | $1,036.6 | $1,037.0 |
| Statewide STAR+PLUS | $- | $- | $118.0 | $128.2 | $130.3 |
| Habilitation Services | $- | $- | $46.4 | $101.5 | $110.1 |
| Base Program | $7,963.6 | $8,368.1 | $8,767.5 | $9,143.7 | $9,309.4 |

## Health and Human Services Commission: Supplemental Schedule #2
## CHIP General Revenue Funding and Reductions, Fiscal Years 2013 to 2017




Dark blue columns represent actual/expected General Revenue expenditures in Goal C, CHIP.

Light blue columns represent an estimate of General Revenue expenditures that would have been expected in Goal C, CHIP absent the transition of certain children from CHIP to Medicaid beginning in fiscal year 2014 and the 23 percentage point increase to EFMAP beginning in federal fiscal year 2016.

Note: Estimates of expenditures that would have been expected absent the transition of children to Medicaid assume the 23 percentage point increase to EFMAP; savings associated with the transition and the increase to EFMAP are shown separately as EFMAP Increase (Transition).

## Health and Human Services Commission: Supplemental Schedule #3
## CHIP to Medicaid Transition

Section 1902(l)(2)(C) of the Social Security Act, as amended by Section 2001(a)(5)(B) of the Patient Protection and Affordable Care Act (PPACA) and Section 205(b) of the Medicare and Medicaid Extenders Act of 2010, increases Medicaid income eligibility for children ages 6 to 18 from 100 percent to 133 percent of the Federal Poverty Level (FPL) effective January 1, 2014. Prior to this date, Texas provided insurance coverage for these children in the Children's Health Insurance Program (CHIP). The transition is occurring at the time families renew their coverage. Families returning renewal packets on or after January 1, 2014 were enrolled into the Medicaid program. Because some families returned renewal packets for terms of coverage beginning after January 2014 prior to January 1, recommendations assume the transition will be completed in March 2015. Recommendations assume all children up to 138 percent FPL will be covered in Medicaid instead of CHIP, accounting for the increase to Medicaid income eligibility as well as elimination of the Medicaid assets test and the establishment of a five percent income disregard for Medicaid. It is anticipated that children will have higher monthly costs in the Medicaid program due to a more generous benefit package. Pursuant to Sections 1905(b) and 1905(u)(2) of the Social Security Act, recommendations assume client services expenditures will continue to be matched using the Enhanced Federal Medical Assistance Percentage (EFMAP), including the 23 percentage point increase beginning in Federal Fiscal Year 2016, and that Federal Funds expended for these children will count against the state's federal CHIP allotment.

| ***Reductions to CHIP*** | **FY2014** | **FY2015** | **2014-15** | **FY2016** | **FY2017** | **2016-17** |
|---|---|---|---|---|---|---|
| CHIP Enrollment, Average Monthly | (54,433) | (272,087) | | (310,448) | (329,075) | |
| Average Monthly Cost, Medical | $ 89.28 | $ 88.95 | | $ 88.85 | $ 88.85 | |
| Average Monthly Cost, Dental | $ 21.22 | $ 23.72 | | $ 23.75 | $ 23.75 | |
| Average Monthly Cost, Prescription Drugs | $ 29.63 | $ 31.39 | | $ 31.43 | $ 31.43 | |
| Total Average Monthly Cost | $ 140.14 | $ 144.06 | | $ 144.03 | $ 144.03 | |
| All Funds Reduction, Client Services | $ (91,537,739) | $ (484,567,887) | $ (576,105,626) | $ (552,788,980) | $ (585,955,083) | $ (1,138,744,063) |
| General Revenue Reduction, Client Services | $ (26,472,694) | $ (142,139,150) | $ (168,611,844) | $ (48,745,754) | $ (41,614,002) | $ (90,359,756) |

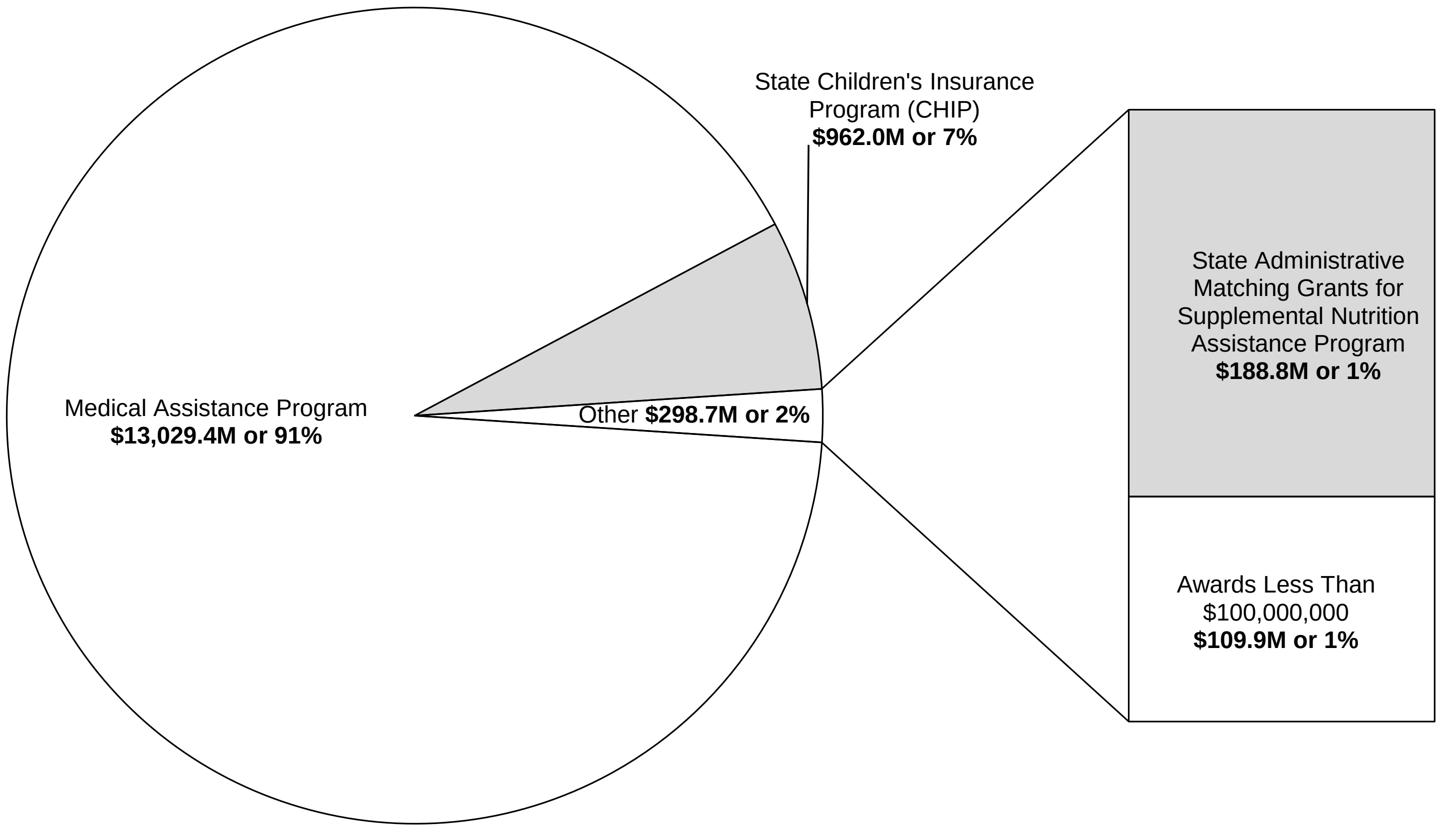
| ***Increases to Medicaid*** | **FY2014** | **FY2015** | **2014-15** | **FY2016** | **FY2017** | **2016-17** |
|---|---|---|---|---|---|---|
| Medicaid Enrollment, Average Monthly | 54,433 | 272,087 | | 310,448 | 329,075 | |
| Average Monthly Cost, Medical | $ 104.35 | $ 103.57 | | $ 105.06 | $ 105.23 | |
| Average Monthly Cost, Dental | $ 31.62 | $ 31.12 | | $ 31.19 | $ 31.20 | |
| Average Monthly Cost, Prescription Drugs | $ 39.99 | $ 40.59 | | $ 40.76 | $ 40.78 | |
| Total Average Monthly Cost | $ 175.96 | $ 175.28 | | $ 177.02 | $ 177.21 | |
| All Funds Increase, Client Services | $ 114,937,024 | $ 572,301,230 | $ 687,238,254 | $ 659,461,447 | $ 699,768,019 | $ 1,359,229,466 |
| General Revenue Increase, Client Services | $ 33,215,205 | $ 168,862,016 | $ 202,077,221 | $ 61,691,796 | $ 51,182,232 | $ 112,874,028 |

| ***Net Increase*** | **FY2014** | **FY2015** | **2014-15** | **FY2016** | **FY2017** | **2016-17** |
|---|---|---|---|---|---|---|
| Enrollment | $ - | $ - | | $ - | $ - | |
| Average Monthly Cost | $ 35.82 | $ 31.22 | | $ 32.99 | $ 33.17 | |
| All Funds, Client Services | $ 23,399,285 | $ 87,733,343 | $ 111,132,628 | $ 106,672,467 | $ 113,812,936 | $ 220,485,403 |
| General Revenue, Client Services | $ 6,742,511 | $ 26,722,866 | $ 33,465,377 | $ 12,946,042 | $ 9,568,230 | $ 22,514,272 |

**Health and Human Services Commission**

*Summary of Federal Funds (Estimated 2014) - Senate*

**TOTAL = $14,290.1M**



Section 3

**Health and Human Services Commission**

**Significant Federal Funds Changes - Senate**

| CFDA No. | Program Name | 2014-15 Base | 2016-17 Recommended | Recommended Over/(Under) Base | Comments (Optional) |
|---|---|---|---|---|---|
| 00.000.001 | Comptroller Misc. Claims Fed Fnd Pymnts | $0 | $1,672,159 | $1,672,159 | |
| 10.551.000 | Food Stamps | $2,400 | $0 | ($2,400) | |
| 10.561.000 | State Admin Matching Grants for Supplemental Nutrition Assist Prog | $378,072,831 | $380,158,667 | $2,085,836 | |
| 10.580.000 | SNAP: Customer Management Flow Sys Deployment | $43,041 | $0 | ($43,041) | |
| 93.104.000 | CMHS Child Mental Health Service Initiative | $41,526 | $0 | ($41,526) | |
| 93.234.000 | Traumatic Brain Injury | $249,338 | $0 | ($249,338) | |
| 93.243.000 | Projects of Regional and National Significance | $1,028,731 | $1,759,017 | $730,286 | |
| 93.296.000 | St. Partnership Grant to Improve Minority Health | $305,844 | $282,174 | ($23,670) | |
| 93.505.000 | ACA Home Visiting Program | $18,485,074 | $894,823 | ($17,590,251) | |
| 93.505.001 | ACA Home Visitation Grant - Competitive | $10,584,668 | $7,092,436 | ($3,492,232) | |
| 93.536.000 | ACA - Medicaid Incentives for Prevention of Chronic Disease | $3,672,261 | $0 | ($3,672,261) | |
| 93.558.000 | Temporary Assistance for Needy Families | $58,882,125 | $67,946,692 | $9,064,567 | |
| 93.558.667 | Temporary Assistance for Needy Families to Title XX | $19,008,919 | $18,991,457 | ($17,462) | |
| 93.566.000 | Refugee and Entrant Assistance - State | $59,690,272 | $77,539,940 | $17,849,668 | |
| 93.576.000 | Refugee and Entrant Assistance--Discretionary Grants | $3,761,919 | $3,761,918 | ($1) | |
| 93.609.000 | The Affordable Care Act Medicaid Adult Quality Grants | $227,040 | $0 | ($227,040) | |
| 93.624.000 | ACA State Innovation Models:Funding for Model Design and Model Testing | $593,983 | $0 | ($593,983) | |
| 93.643.000 | Children s Justice Grants to States | $44,631 | $0 | ($44,631) | |
| 93.667.000 | Social Services Block Grant | $2,615,262 | $2,422,301 | ($192,961) | |

| CFDA No. | Program Name | 2014-15 Base | 2016-17 Recommended | Recommended Over/(Under) Base | Comments (Optional) |
|---|---|---|---|---|---|
| 93.671.000 | Family Violence Prevention & Services | $10,150,691 | $11,330,644 | $1,179,953 | |
| 93.714.000 | TANF Emergency Contingency Fund - Stimulus | $200,000 | $0 | ($200,000) | |
| 93.719.000 | State Grants to Promote Health Information Technology - Stimulus | $3,054,141 | $0 | ($3,054,141) | |
| 93.748.000 | Prescrip. Drug Monitoring Program EHR Integration and Interoperab. Exp | $441,016 | $0 | ($441,016) | |
| 93.767.000 | State Children's Insurance Program (CHIP) | $1,472,768,340 | $1,634,688,182 | $161,919,842 | |
| 93.767.778 | CHIP for Medicaid (EFMAP) | $533,657,478 | $1,311,485,795 | $777,828,317 | |
| 93.778.000 | Medical Assistance Program | $24,654,409,190 | $27,084,756,137 | $2,430,346,947 | |
| 93.778.003 | Medical Assistance Program 50% | $691,535,938 | $658,827,009 | ($32,708,929) | |
| 93.778.004 | XIX Medical Assistance Program Administration @ 75% | $272,427,092 | $229,822,664 | ($42,604,428) | |
| 93.778.005 | XIX Medical Assistance Program @ 90% | $243,230,433 | $147,700,465 | ($95,529,968) | |
| 93.778.007 | XIX Medical Assistance Program Administration @ 100% | $1,229,030,695 | $198,031,102 | ($1,030,999,593) | |
| 93.778.009 | SHARS | $353,324,432 | $377,323,623 | $23,999,191 | |
| 93.778.014 | Medicaid - Stimulus | $499,546,074 | $206,517,560 | ($293,028,514) | |
| 93.796.000 | St. Survey Certification of HC Providers & Suppliers Title XIX | $1,052,310 | $1,108,086 | $55,776 | |
| 97.050.000 | Federal Assistance - Individuals and Households Other Needs | $3,581 | $0 | ($3,581) | |

# Health and Human Services Commission
## Performance Review and Policy Report Highlights - Senate

| Reports & Recommendations | Savings/ (Cost) | Gain/ (Loss) | Fund Type | Included in Introduced Bill | Action Required During Session |
|---|---|---|---|---|---|
| **Improve the Evaluation and Administration of the Medicaid Adult Substance Use Disorder Treatment Benefit, p. 191** | | | | | |
| *These recommendations would have no significant fiscal impact for the 2016-17 biennium. The recommendations are intended to help ensure that adult Medicaid clients with substance use disorders receive appropriate high-quality services, thus reducing non-treatment Medicaid spending and improving the state's ability to monitor program performance and make system improvements.* | | | | | |
| 1. Amend the existing rider on Medicaid Substance Abuse Treatment in the introduced 2016-17 General Appropriations Bill to require HHSC to evaluate the impact of the adult Medicaid substance use disorder benefit on overall Medicaid spending and client outcomes. | $ - | $ - | | Rider 45<br>p. II-108 | NA |
| **Evaluate Pay for Quality Measures in the Texas Medicaid Program, p. 202** | | | | | |
| *This recommendation would have no significant fiscal impact for the 2016-17 biennium. The recommendation would ensure that the Health and Human Services Commission evaluates existing pay for quality measures in the Texas Medicaid program and uses study findings to improve these programs and any expansion of these programs into outpatient healthcare settings.* | | | | | |
| 1. Include a rider in the introduced 2016–17 General Appropriations Bill to require HHSC to evaluate how Texas Medicaid providers and managed care organizations use existing pay for quality measures to improve health care delivery and whether the initiatives result in a higher quality of care and improved health outcomes. Require the agency to report findings to the Governor, the Legislative Budget Board, and the appropriate standing committees of the Legislature by December 1, 2016. The report should also indicate (1) efforts undertaken to make the current pay for quality methods more effective, and (2) how the agency will apply improvements in pay for quality methods if they are expanded into outpatient settings. | $ - | $ - | | Rider 68<br>p. II-115 | NA |
| **Reduce Reliance on General Revenue-Dedicated Accounts for Certification** | | | | | |
| *This report fulfills House Bill 7, Eighty-third Legislature, 2013, requirements relating to the reduction of reliance on available dedicated revenue for certification of the General Appropriations Act. The report provides an overview of the issue and includes recommendations and options to reduce reliance on General Revenue-Dedicated Accounts, including dedicated revenue appropriated to the Texas Health and Human Services Commission.* | | | | | |

**Health and Human Services Commission**
**Rider Highlights - Senate**

**Modified Riders (new number)**

4. **Reimbursement of Advisory Committee Members**. Amended to delete one advisory committee and add four which were created by SB7 and SB58 during the 83rd Legislative Session.

12. **Transfers: Authority and Limitations.** Amended to standardize the approval process.

15. **CHIP: Unexpended Balances and Allocation of Funds.** Amended to align the amounts in the rider with the recommendations and to standardize the approval process.

32. **Unexpended Balance Authority for Eligibility Determination Services.** Amended to standardize the approval process.

33. **Limited Medicaid Coverage for Clients with Medicare Part D Benefit for Certain Excluded Medicare Part D Drug Categories.** Amended to clarify that HHSC does not pay for drugs for clients that opt out of Medicare Part D. The edits align with current program practice.

37. **Payments to Rural Hospital Providers.** Amended the rider to remove the inpatient payment methodology which has been implemented in rule; retain legislative intent for future changes to outpatient reimbursement methodology.

38. **Staffing and Capital Authorization in Lieu of Contracted Responsibilities.** Clarified the relationship between this rider and the FTE provisions in Art. IX, Section 6.10.

45. **Medicaid Substance Abuse Treatment.** Amended rider per current GEER report recommendation.

51. **Medicaid Funding Reduction and Cost Containment.** The rider is updated with new cost containment initiatives. The continuation of the policies in the fiscal year 2014-15 rider is built into the Medicaid forecast, to the extent that they were implemented.

62. **Federal Funding for Health Related Institutions.** Amended to clarify that the Health Related Institutions may transfer funds which are off-budget.

64. **Receipt of Transfers for Participation in the Healthcare Transformation and Quality Improvement Program.** Amended to align with agency rule that all DSRIP IGT entities pay for the proportionate share of the DSRIP monitoring contract cost.

**Deleted Riders (old number)**

23. **Earned Income Disregard.** This rider is duplicative of Texas Human Resources Code Ann. § 31.0037; 1 Texas Administrative Code § 372.409.

41. **Enterprise Data Warehouse.** This rider is duplicative of information that QAT receives monthly from HHSC and the funding for this project is not included in the recommendations.

49. **Capitated Managed Care Model of Dental Services Reporting.** This rider was related to a previous GEER report. The provisions of the rider have been fulfilled.

50. **Medicaid Emergency Room Use.** The reporting requirement was fulfilled in August 2014.

52. **Client Assessment for Acute Nursing Services in Medicaid.** This rider is duplicative of statute, Government Code, §531.02417 and §531.024171.

63. **Reporting Fiscal Impact of the Federal Eligibility Modernization Program on the Texas Integrated Eligibility Redesign System.** Provisions of the rider have been completed.

66. **Contingency for STAR+PLUS Utilization Review.** This was a one-time contingency rider.

67. **Information Technology Funding.** This was one-time authority and funding for specific projects. The funds are included in the strategy.

68. **Health Homes Health Teams State Plan Amendment.** The agency pursued this plan amendment, which CMS did not approve. The rider is no longer needed.

69. **Pediatric Long Term Care Facility Rate Setting.** The rider is duplicative of rule.

71. **Inpatient Payments to Children's Hospitals.** The provisions of the rider have been implemented.

72. **Promote Innovative Nursing Home Care Models.** The provisions of the rider have been completed.

74. **Ambulance Transportation Services Funding.** The provisions of the rider have been completed.

75. **Reporting on Gestational Diabetes in Medicaid.** The provisions of the rider have been completed.

78. **Interagency Grant and Resource Coordination to Improve Service Delivery to Children and Families.** The funds are included in the base and it is a separate sub-strategy in strategy A.1.1, Enterprise Oversight and Policy.

79. **Primary Care Access Funding for Health Related Institutions.** The program has been implemented. A new rider has been added to require an annual report.

82. **Statewide Mental Health Services Coordination.** The position and funding are included in the recommendations.

83. **Children's Hospital DSH.** The rider was added due to a change in federal guidelines and a subsequent lawsuit by Texas Children's Hospital. The federal guidelines have been finalized and the rider is obsolete.

84. **Prescription Drug Carve into Managed Care Organizations.** The rider is duplicative of statute, Texas Government Code Ann. § 533.005(a)(23).

85. **Study and Report on Sepsis Infections in Medicaid.** The provisions of the rider have been implemented and the report was received in September.

86. **Transitional Medicaid DSH and Related Payments.** The provisions were implemented in the fiscal years 2014-15.

**New Riders (new number)**

67. **Network Access Improvement Program Report.** The new reporting requirement in the rider requires HHSC to provide information on approved partnerships.

68. **Report on Pay for Quality measures.** New rider related to a GEER report.

69. **Mental Health for Veterans Grant Program.** New rider related to increased funds for a grant program.

70. **Sunset Contingency.** The agency is under Sunset review.

71. **Contingency for Child Advocacy Center and Court Appointed Special Advocate Grants.** New rider related to the transfer of programs from the Office of the Attorney General being contingent on legislation.

72. **Contingency Appropriation of CASA License Plate Receipts.** New rider appropriating to HHSC license plate revenue related to the transfer of the CASA program from the Office of the Attorney General to HHSC.

73. **Contingency for Funding of Child Advocacy Program.** New rider making the funds appropriated from balances in the General Revenue-Dedicated Sexual Assault Program Account No. 5010 contingent upon litigation relating to certain fees.

74. **Contingency for Behavioral Health Funds.** Makes expenditure of fiscal year 2017 General Revenue-related behavioral health funds contingent on satisfying requirements of Article IX, Sec. 10.04, Statewide Behavioral Health Strategic Plan and Coordinated Expenditures.

**Health and Human Services Commission**
**Items not Included in Recommendations - Senate**

| | 2016-17 Biennial Total | |
|---|---|---|
| | GR & GR-Dedicated | All Funds |
| **Agency Exceptional Items - In Agency Priority Order** | | |
| 1. Maintain Medicaid and CHIP Current Services. Includes cost growth, differences in the HHSC forecast, and payment of the Health Insurance Providers Fee and Resulting Federal Income Tax Impact. | $ 1,715,291,404 | $ 4,099,359,634 |
| 2. Maintain Claims Administrator Costs. Enterprise request for HHSC and DADS. | $ 44,600,157 | $ 189,228,307 |
| 3. Maintain Current Services to Support Caseload Growth and Annualization of Costs. Includes 12.2 FTEs. | $ 22,426,851 | $ 43,729,946 |
| 4. Regional Laundry - Replacement of Equipment and Trailer. Enterprise request for the DADS State Supported Living Centers and the DSHS State Hospitals. | $ 2,290,436 | $ 2,290,436 |
| 5. Maintain Defense on Children's Rights Litigation. This item is a placeholder. The agency will update the amounts during session. | $ - | $ - |
| 6. Increase Capacity of Existing Family Violence Providers. | $ 3,000,000 | $ 3,000,000 |
| 7. Security Enhancements for Regional HHS Client Delivery Facilities. Enterprise request. | $ 778,832 | $ 1,078,486 |
| 8. Food Service Management & Nutrition Care Management Software Expansion to all Sites. Enterprise request. | $ 1,723,024 | $ 2,320,722 |
| 9. Increase HHS Recruitment & Retention. Enterprise request. | $ 161,199,567 | $ 360,069,204 |
| 10. Cybersecurity Advancement For HHS Enterprise. Includes 2.0 FTEs. Enterprise request for HHSC, DADS, DFPS, and DSHS. | $ 11,522,372 | $ 14,720,446 |
| 11. Network, Performance, and Capacity. Enterprise request for DARS and HHSC. | $ 10,086,986 | $ 13,790,311 |
| 12. Improve HHS Enterprise Telecommunications. Enterprise request. | $ 9,188,366 | $ 12,332,053 |
| 13. Improve Medicaid Staffing and Support. Includes 17.3 FTEs. | $ 1,104,430 | $ 2,960,090 |
| 14. Improve Employee Technical Support. Includes 3.0 FTEs. Enterprise request. | $ 6,330,571 | $ 9,144,475 |

**Health and Human Services Commission**
**Items not Included in Recommendations - Senate**

| | 2016-17 Biennial Total | |
|---|---|---|
| | GR & GR-Dedicated | All Funds |
| 15. Seat Management. | $ 2,251,856 | $ 4,375,992 |
| 16. Enterprise Data Warehouse. | $ 10,560,731 | $ 78,032,725 |
| **Total, Agency Exceptional Items** | **$ 2,002,355,583** | **$ 4,836,432,827** |

**Health and Human Services Commission**
**Summary of 10 Percent Biennial Base Reduction Options -Senate**

| Priority | Item | Description/Impact | Biennial Reduction Amounts: GR and GR-Dedicated | All Funds | FTEs | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Included in Intro Bill |
|---|---|---|---|---|---|---|---|---|
| 1 | **Adjust Target to Credit for One-Time Expenses** | The agency's 2016-17 baseline request has been reduced by $41.5 million in General Revenue for one-time related expenditures. This $4.2 million adjustment represents a 10 percent reduction associated with the one-time projects of 1) Fleet Operations, 2) Upgrade HHSAS Financials, 3) Winters Data Center Upgrade, 4) OIG Case Management System, 5) BIP Projects, 6) Children's Litigation, and 7) IT Systems for State Operated Facilities. | $4,154,238 | $4,154,238 | | $8,555,828 | 8.2% | Yes. |
| 2 | **Reduction in Administrative Travel** | This $0.2 million General Revenue reduction would affect travel activities at HHSC for programmatic areas other than Eligibility Services. This travel reduction represents less than 1% of the total identified reductions. This reduction is not expected to have a significant impact on the agency's mission or the delivery of services. The associated revenue loss in Federal Funds and Interagency Contracts is $0.7 million for the biennium. | $191,294 | $191,294 | | $680,581 | 5.2% | Yes. |
| 3 | **Reduction in Eligibility Services Travel** | This $2.7 million general revenue reduction would affect travel activities in Eligibility Services at HHSC. This travel reduction represents less than 2% of the total identified reductions. This reduction is not expected to a significant impact on service delivery unless gasoline cost increases result in the Internal Revenue Services substantially increasing the mileage reimbursement. The associated revenue loss in federal funds and Interagency contracts is $2.9 million for the biennium. | $2,656,744 | $2,656,744 | | $2,861,638 | 0.6% | Yes. |
| 4 | **Provider Rate Reduction** | This General Revenue reduction of $96.4 million would result in an across-the-board rate reduction to Medicaid providers of approximately 1.8 percent for the 2016-17 biennium.<br>All acute care services excluding in/out-patient hospital, would be subject to the rate reduction. This reduction, in addition to other cost containment measures that have reduced reimbursement to providers, could be a disincentive to some providers resulting in decisions to no longer participate in the Medicaid program which could create an access issue for some clients. The loss in matching federal funds totals $134.5 million for the biennium. | $96,381,002 | $96,381,002 | | $134,481,529 | 0.7% | No. |

**Health and Human Services Commission**
**Summary of 10 Percent Biennial Base Reduction Options -Senate**

| Priority | Item | Description/Impact | GR and GR-Dedicated | All Funds | FTEs | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Included in Intro Bill |
|---|---|---|---|---|---|---|---|---|
| | | | Biennial Reduction Amounts | | | | | |
| 5 | **Reduction in Administrative Operating Expense** | This $19.5 million General Revenue reduction would affect HHSC's other operating expenses in administrative areas such as consumable supplies, data devices, temporary staff, and postage costs. This reduction would pause process improvement initiatives but is not expected to have a significant impact on the agency's mission or the delivery of services. The majority of the reduction would be taken in the Eligibility strategy ($6.1 million general revenue per year), with reductions impacting the 2-1-1 Texas Information and Referral Network (TIRN), support costs for eligibility operations, and postage related expenses related to the delivery of benefits to Medicaid clients. The associated revenue loss in federal funds and Interagency contracts is $44.6 million for the biennium. | $19,535,487 | $19,535,487 | | $44,589,984 | 1.5% | No |
| 6 | **Salary Savings in Administrative Areas** | This $7.1 million General Revenue reduction would impact HHSC programmatic areas other than Eligibility Services. During fiscal year 2014, HHSC has experienced a vacancy rate of approximately three percent. The majority of the reductions are in areas that support the delivery and management of client services, such as Medicaid/CHIP, the Office of Inspector General, and Information Technology. Reduction of FTEs in these area will cause disruption of services in audit and investigative activities, contract monitoring oversight and responsibilities, and ability to respond to technology and business needs. The associated revenue loss in federal and Interagency contracts is $10.1 million for the biennium. | $7,079,568 | $7,079,568 | | $14,477,246 | 0.6% | No |
| 7 | **Salary Savings in Eligibility Services** | This $10.0 million General Revenue reduction would impact HHSC's eligibility determination function. The freezing of eligibility positions could impact the program's ability to maintain a low vacancy rate for eligibility determination staff even though the program continues to explore changes that could ensure the most efficient use of local office staff to modernize offices, and to maximize the use of self-service options, web-based automation, document imaging and electronic case files, shared work flow between local benefit offices, and contracted support of eligibility and enrollment functions.<br><br>The associated revenue loss in federal and Interagency contracts is $11.2 million for the biennium. | $9,973,126 | $9,973,126 | | $11,218,284 | 2.2% | No. |

**Health and Human Services Commission**
**Summary of 10 Percent Biennial Base Reduction Options -Senate**

| Priority | Item | Description/Impact | GR and GR-Dedicated | All Funds | FTEs | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Included in Intro Bill |
|---|---|---|---|---|---|---|---|---|
| | | | Biennial Reduction Amounts | | | | | |
| 8 | **Reduction in Home Visiting Services** | This $1.2 million General Revenue reduction would eliminate direct services for 120 Home Visiting Programs, reducing the ability to invest in community programs supporting vulnerable families and improving health and school readiness outcomes. | $1,186,196 | $1,186,196 | | $0 | 15.0% | No. |
| 9 | **Reduction in Administrative Contracted Services** | This $7.8 million General Revenue reduction would affect various HHSC administrative services contracts by reducing the scope, slowing response time, or delaying implementation. The majority of the reductions will significantly impact technology projects resulting in discontinuation of contracted regional and state office desk side support; lengthening the time required to respond, trouble-shoot and fix computer issues; lowering the ability to monitor system performance, update automation systems to comply with state/federal mandates, handle major program changes, and implement performance improvements. The associated revenue loss in federal funds and Interagency contracts is $15.9 million for the | $7,805,932 | $7,805,932 | | $15,931,942 | 0.6% | No. |
| 10 | **Reduction in Filled Administrative FTEs** | This $0.7 million General Revenue reduction would result in the loss of 19 FTEs per fiscal year in areas responsible for handling fraud referrals, performing contract monitoring, and conducting research, evaluating internal risks and controls, and reviewing policies and business processes. Risks include effectiveness of contract monitoring and ongoing and future investigations. The associated revenue loss in federal and Interagency contracts is $0.9 million for the biennium. | $698,264 | $698,264 | 20.1 | $891,236 | 0.1% | No. |
| **TOTAL, 10% Reduction Options** | | | **$149,661,851** | **$149,661,851** | **20.1** | **$233,688,268** | | |

**Health and Human Services Commission**
**Summary of 10 Percent Biennial Base Reduction Options - Senate**

## Agency 10% Reduction Options by Category of Reduction