Legislative Appropriations Request for Fiscal Years 2016-17 Joint Budget Hearing

Presented to the Governor's Office of Budget, Planning, and Policy and the Legislative Budget Board

September 24, 2014

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TEXAS Health and Human Services Commission

Presentation Overview

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Agency Mission

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

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FY 2014-15 Critical Budget Issues

- HHSC's 2014-15 biennial budget assumes a state-funded supplemental appropriation for entitlement programs:
  - Medicaid - $971.2 million
  - CHIP - $10.2 million
- Medical costs and utilization as well as higher caseloads are the key drivers for the spending levels in these programs that exceed S.B. 1 appropriations
- HHSC continues to work with CMS to seek additional federal flexibility necessary to help control increasing Medicaid costs

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FY 2014-15 Critical Budget Issues

- FY 2015 **does not** include additional expenses above current budgeted levels for the claims administrator functions in Medicaid
- In the event states are forced to pay the Health Insurance Issuer Tax and resulting Federal Income Tax, HHSC's estimate would be $89 million GR for FY 2015 (only $68.1 million was estimated in the LAR)
- HHSC's LAR assumed continuation of funding at FFY 2014 grant levels as Congress has yet to enact FFY 2015 appropriation bills for U.S. Health and Human Services Commission. The following grants may be impacted: Refugee Services, Social Service Block Grant, and Family Violence

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Other Federal Fund Changes

- HHSC received CMS approval of 75 percent federal financial participation for qualified expenditures related to eligibility workers who operate the TIERS system and other operational costs (APD approval – July 23 to September 30, 2014)
- CHIP federal match rate will increase by 23 percentage points from October 1, 2015 until September 30, 2019

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FY 2016-17 Baseline Assumptions - Medicaid

- Caseload projections total 3,785,028 in FY 2014 & 4,387,041 in FY 2015 and continue to increase to 4,547,470 in FY 2016 and 4,650,904 in FY 2017
- Growth trend is 3.5 percent for FY 2014, 15.9 percent for FY 2015, 3.7 percent for FY 2016, and 2.3 percent for FY 2017 and includes growth due to ACA provisions:
  - impact of 12-month recertification
  - MAGI continuation
  - currently eligible now enrolled
  - CHIP movement
- Base projections assume continuation of rate reductions and cost containment initiatives implemented in 2014-15

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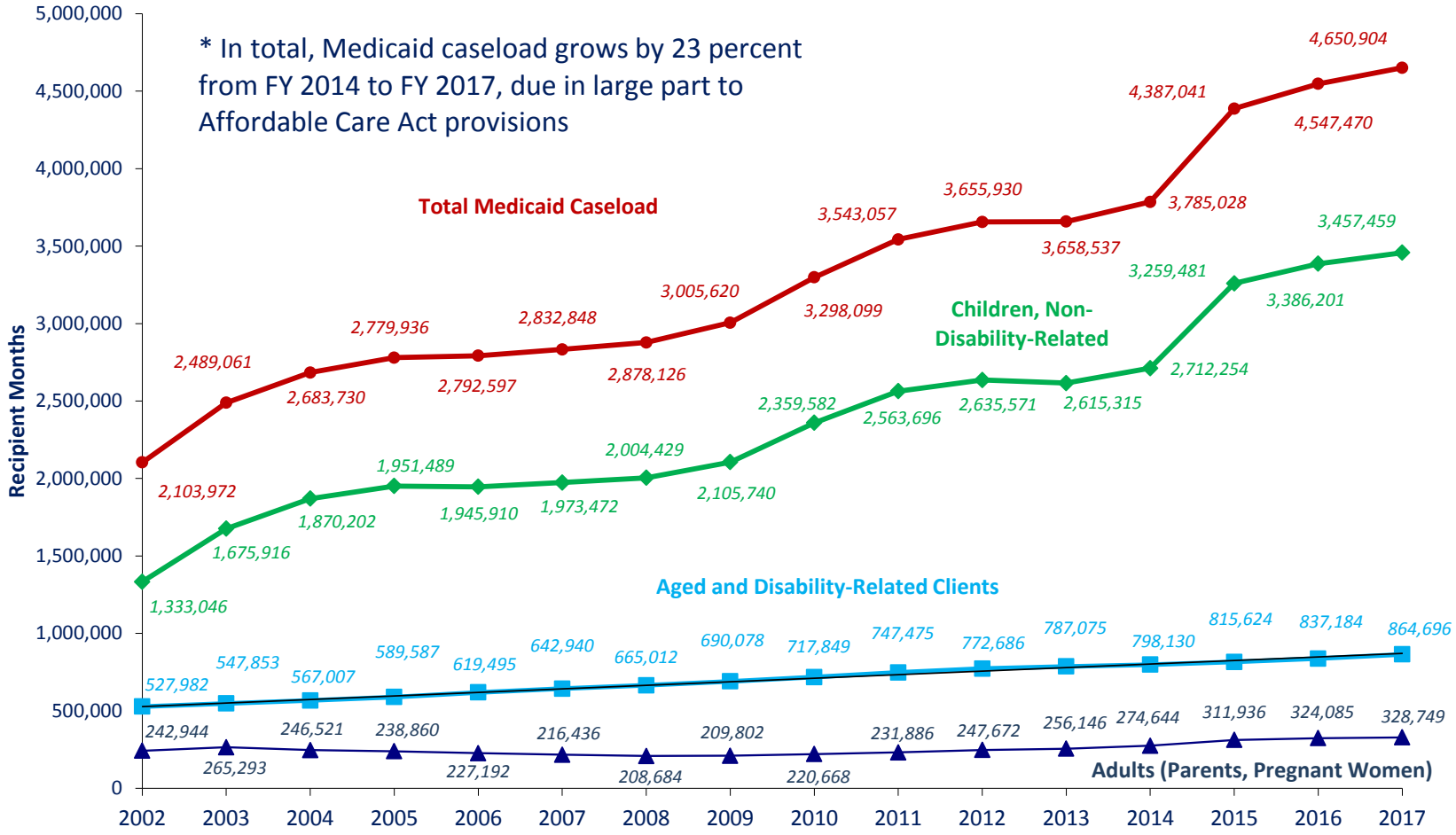
Medicaid Caseloads by Group Fiscal Years 2002 - 2017



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FY 2016-17 Baseline Assumptions - CHIP

- Caseload projections total 560,203 in FY 2014 & 403,914 in FY 2015 and continue to decrease to 395,822 in FY 2016 with a slight increase to 404,186 in FY 2017
- Growth trend is -11 percent for FY 2014, -28 percent for FY 2015, -2 percent for FY 2016, and 2.1 percent for FY 2017

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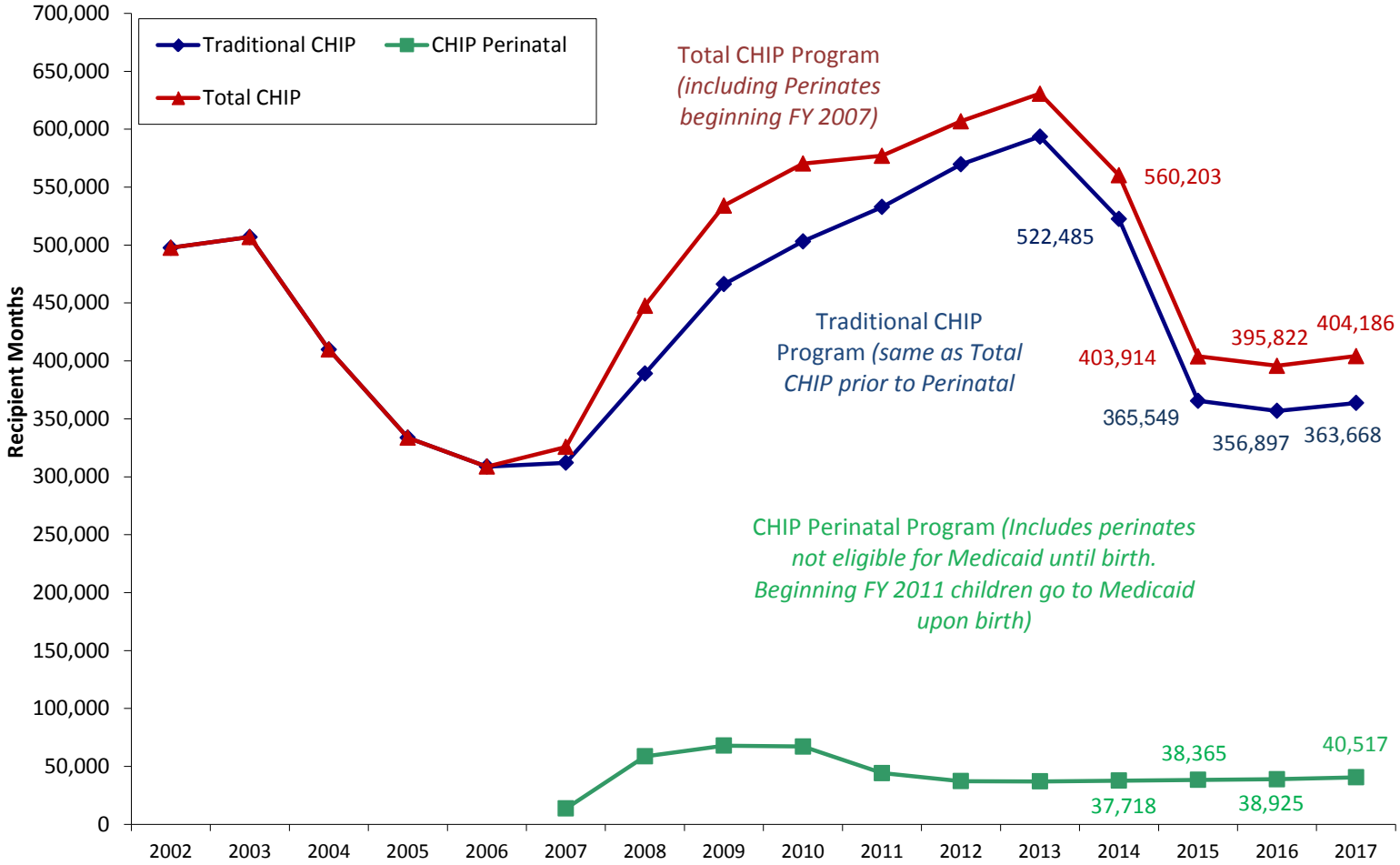
CHIP Total Caseloads Fiscal Years 2002 - 2017



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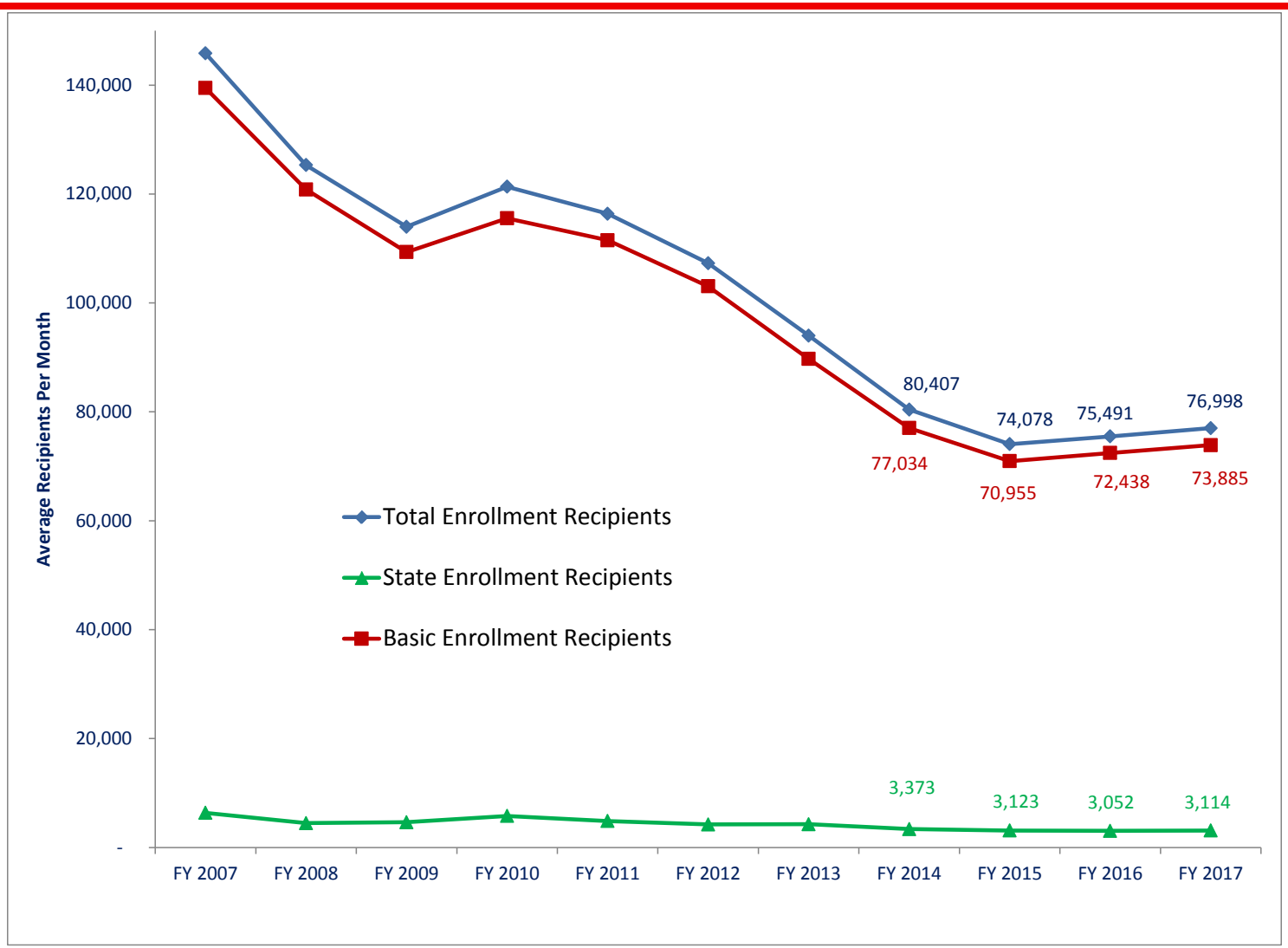
TANF Cash Assistance Caseloads Fiscal Years 2007 - 2017



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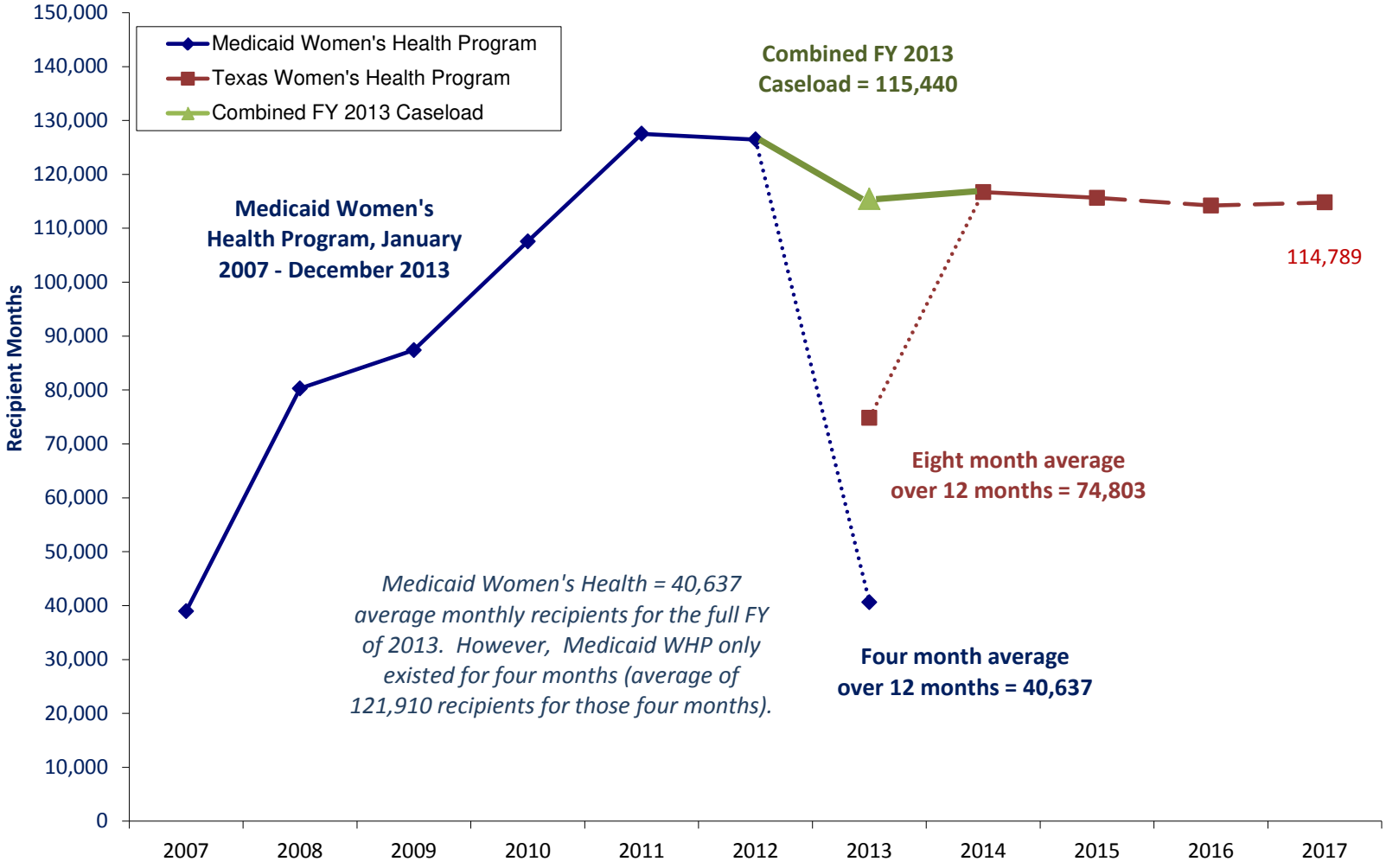
Texas Women's Health Program Caseloads Fiscal Years 2013 - 2017



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FY 2016-17 Summary of Request

Goal		FY 2014-15 Budgeted/ Expended	FY 2016-17 Base Request	FY 2016-17 Exceptional Items	FY 2016-17 Total Request	Biennial Change
Goal A	HHS Enterprise Oversight & Policy	2,011.7	2,009.9	251.3	2,261.3	249.6
Goal B	Medicaid Services	47,941.9	54,037.3	3,714.8	57,752.1	9,810.2
Goal C	CHIP Services	2,047.0	1,815.7	96.7	1,912.4	(134.6)
Goal D	Encourage Self Sufficiency	348.1	369.4	3.0	372.4	24.3
Goal E	Program Support	304.9	270.3	0.0	270.3	(34.5)
Goal F	Information Technology Projects	181.2	115.0	-	115.0	(66.2)
Goal G	Office of Inspector General	217.2	144.7	9.8	154.4	(62.8)
Total Agency Request (All Funds)		**53,052.0**	**58,762.4**	**4,075.6**	**62,838.0**	**9,786.0**
Method of Financing						
	General Revenue	20,366.0	23,522.3	1,665.7	25,187.9	4,821.9
	Federal Funds	31,524.7	34,364.0	2,409.9	36,773.9	5,249.2
	Other Funds	1,161.2	876.1	0.02	876.1	(285.1)
Total, Agency Method of Financing		**53,052.0**	**58,762.4**	**4,075.6**	**62,838.0**	**9,786.0**
FTEs (last year of biennium)		12,773.5	12,773.5	34.4	12,807.9	34.4

FY 2015 assumes a supplemental funding need of $981.4 million general revenue for Medicaid and CHIP.

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FY 2016-17 FTE Summary of Request

Goal		Expended	Estimated	Budgeted	Base Request		Exceptional Items		Total	
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
Goal A	HHS Enterprise Oversight & Policy	10,207.0	10,473.4	10,557.1	10,557.1	10,557.1	17.1	17.1	10,574.2	10,574.2
Goal B	Medicaid Services	637.2	821.1	766.8	766.8	766.8	17.3	17.3	784.1	784.1
Goal C	CHIP Services	33.7	56.8	58.7	58.7	58.7	-	-	58.7	58.7
Goal D	Encourage Self Sufficiency	15.1	16.0	18.1	18.1	18.1	-	-	18.1	18.1
Goal E	Program Support	514.0	554.1	573.5	573.5	573.5	-	-	573.5	573.5
Goal F	Information Technology Projects	-	-	-	-	-	-	-	-	-
Goal G	Office of Inspector General	607.9	799.3	799.3	799.3	799.3	-	-	799.3	799.3
Total Agency Request		**12,014.9**	**12,720.7**	**12,773.5**	**12,773.5**	**12,773.5**	**34.4**	**34.4**	**12,807.9**	**12,807.9**

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Summary of Exceptional Item Requests

	Item	2016 GR	2016 All Funds	2016 FTEs	2017 GR	2017 All Funds	2017 FTEs	Biennium GR	Biennium All Funds
1	Maintain Medicaid Cost Trends	$464,505,871	$1,147,154,505		$909,194,344	$2,231,198,806		$1,373,700,215	$3,378,353,311
2	Maintain CHIP Cost Trends	$2,752,867	$31,247,076		$4,540,430	$65,424,064		$7,293,297	$96,671,140
3	Maintain Claims Administrator Costs	$20,844,639	$47,090,815		$26,916,417	$69,433,177		$47,761,056	$116,523,992
4	Maintain Data Center Services	$6,680,543	$7,369,395		$8,957,991	$11,350,438		$15,638,534	$18,719,833
5	Annualization of Costs	$5,939,839	$11,531,453		$5,521,439	$9,857,854		$11,461,278	$21,389,307
6	HHSC Vehicle Replacement	$637,457	$637,457		$289,523	$289,523		$926,980	$926,980
7	Regional Laundry Equipment	$2,290,436	$2,290,436		$0	$0		$2,290,436	$2,290,436
8	Maintain Legal Defense for Children	$0	$0		$0	$0		$0	$0
9	Family Violence Capacity	$1,500,000	$1,500,000		$1,500,000	$1,500,000		$3,000,000	$3,000,000
10	Implement Asset Verification System	$440,360	$880,720		$440,360	$880,720		$880,720	$1,761,440
11	Improve Regional Security	$783,919	$1,078,486		$0	$0		$783,919	$1,078,486
12	Food Service & Nutrition Care Mgt	$1,370,437	$1,854,244		$352,587	$466,478		$1,723,024	$2,320,722
13	Increase HHS Recruitment & Retention	$76,386,220	$180,133,240		$78,113,173	$185,744,369		$154,499,393	$365,877,609
14	Cybersecurity Advancement for HHS	$5,832,578	$7,437,093	2.0	$5,719,746	$7,283,353	2.0	$11,552,324	$14,720,446
15	Network Performance and Capacity	$2,172,995	$2,973,195		$1,145,431	$1,558,167		$3,318,426	$4,531,362
16	HHS Telecom Managed Services	$6,478,410	$8,494,458		$2,753,936	$3,837,595		$9,232,346	$12,332,053
17	HHSAS Upgrade to CAPPS 9.2	$3,791,657	$5,164,416		$5,762,562	$7,848,881		$9,554,219	$13,013,297
18	Establish Small House Nursing Facilities	$723,866	$1,695,237		$1,431,438	$3,346,825		$2,155,304	$5,042,062
19	Improve Medicaid Staffing	$581,933	$1,538,775	17.3	$523,152	$1,421,315	17.3	$1,105,085	$2,960,090
20	Improve Employee Technical Support	$3,559,798	$5,289,958	3.0	$2,806,475	$3,854,517	3.0	$6,366,273	$9,144,475
21	Improve Workload Distribution	$1,529,713	$3,120,288	12.1	$895,403	$1,827,211	12.1	$2,425,116	$4,947,499
Total, Exceptional Item Request		**$608,803,538**	**$1,468,481,247**	**34.4**	**$1,056,864,407**	**$2,607,123,293**	**34.4**	**$1,665,667,945**	**$4,075,604,540**

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Item #1

Maintain Cost Trends for Medicaid Current Services

This request represents the incremental costs in FY 2016 and 2017 above the FY 2015 levels that are not allowed in the base request. Projected caseload growth is assumed in the base request at average FY 2015 costs and the Federal Medical Assistance Percentage (FMAP) rates of 57.30 percent for FY 2016 and 57.23 percent for FY 2017.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$464.5	$909.2	$1,373.7
All Funds (AF)	$1,147.2	$2,231.2	$3,378.4

Overall, the Medicaid cost growth is 4.5 percent in FY 2016 and 4.1 percent in FY 2017. Cost growth is seen across all groups and services, and is a result of changing utilization and increased cost of business.

An additional factor in cost growth is the Health Insurance Issuer Tax, and resulting Federal Income Tax impact on some Managed Care plans.

Enhanced FMAP rates of 91.19 percent for FY 2016 and 93.06 percent for FY 2017 are assumed for CHIP recipients under 138% FPL that moved to Medicaid starting in January 2014.

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Item #2

Maintain Cost Trends for CHIP Current Services

This request represents the incremental costs in FY 2016 and 2017 above the FY 2015 levels that are not allowed in the base request. Projected caseload growth is assumed in the base request at average FY 2015 costs and the Enhanced Federal Medical Assistance Percentage (FMAP) rates of 91.19 percent for FY 2016 and 93.06 percent for FY 2017.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$2.8	$4.5	$7.3
All Funds (AF)	$31.2	$65.4	$96.6

Traditional CHIP recipient month premiums are assumed to grow at 3.9 percent each year in FY 2016 and FY 2017. Total CHIP vendor drug cost growth is 3.8 percent each year, and CHIP perinatal costs grow at just 2 percent a year.

Although the costs for the Health Insurance Issuer Fee and resulting Federal Income Tax impact are estimated to be higher than the FY 2015 levels, there is no exceptional item for this increase as the general revenue portion is lower due to the new EFMAP rates.

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Item #3

Maintain Claims Administrator Costs

On August 1, 2014 HHSC executed a three-year contract with a new claims administrator. The contract has an option to renew annually for up to two years. Additional funding is needed to support:

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$20.8	$26.9	$47.8
All Funds (AF)	$47.1	$69.4	$116.5

- Additional skilled professionals to evaluate requests for prior authorization
- Compliance with new ACA requirements for provider re-enrollment
- Increases in lease costs
- Implementation of management programs to ensure key metrics are met

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Item #4

Maintain Funding for Data Center Services (HHS Agencies)

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

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$6.7	$9.0	$15.7
All Funds (AF)	$7.4	$11.4	$18.7

In response to various performance and financial issues surrounding the contract, DIR restructured the contract in FY 13, with rate structures significantly different from prior years. Levels of server monitoring, charges for tape storage, changes in disaster recovery models and charges have all led to increases in billings. Ongoing transformations from legacy data centers to the consolidated data center have changed cost projections as well.

This exceptional item includes funding to support projected DCS needs for the 2016-17 biennium, preparation of current applications and environments for data center services transformation by upgrading applications and refreshing technology platforms, and meeting requirements for disaster recovery functionality. This funding requests includes costs for:

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

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Item #5

Maintain Current Services to Support Caseload Growth and Annualization of Costs

Although caseload growth for entitlement programs is allowed in the baseline request for FY 2016-17, the contracted eligibility determination support services, which are based on fixed and variable pricing associated with caseload growth, must be requested as an exceptional item. Funding is requested to maintain the enrollment broker contract increases that exceed the 2016-17 baseline request.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$5.9	$5.5	$11.4
All Funds (AF)	$11.5	$9.9	$21.4

The current OIG lease which provides approximately 54,000 square feet of usable space expires March 29, 2015. As OIG responsibilities and staffing have increased, so too has the need for additional work space. During recent years, HHSC has used temporary space for employees in numerous other leased facilities in the Austin area. Funding would support annualization of the increased lease costs for the 2016-17 biennium.

The current Medicaid Fraud and Abuse Detection System's neural network and learning technology contract terminates August 31, 2015. Funding would support the cost increase for a 3 year extension and mandatory enhancements (new case tracker and on-line inquiry) in order for the services to be continued.

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Item #6

Maintain HHSC Vehicle Fleet to Support Program Operations

There are still several HHSC vehicles currently meeting or exceeding established agency replacement criteria. If they are not replaced, certain services and jobs performed through the use of these vehicles may be adversely affected as they tend to breakdown or are in the shop for maintenance more often.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$0.6	$0.3	$0.9
All Funds (AF)	$0.6	$0.3	$0.9

The current HHSC fleet includes a total of 83 vehicles used within Regional Administrative Services (RAS), Facilities Management, the Enterprise Fleet Management Office, Enterprise Mail Services, and the Office of the Inspector General (OIG). HHSC vehicles are used to perform food and supply deliveries, fraud investigations, regulatory inspections, and other services provided across the HHS enterprise such as consolidated mail delivery.

Additional funding of $0.9 million general revenue would allow the replacement of 22 vehicles within Regional Administrative Services, Facilities Management, and the vehicle pool managed by the Enterprise Fleet Management Office.

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Item #7

Regional Laundry – Replacement of Equipment and Trailers

This request maintains the replacement schedule for regional laundry facility equipment and related trailers to support the State Supported Living Centers (DADS) and the State Mental Health Hospitals (DSHS).

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$2.3	$0	$2.3
All Funds (AF)	$2.3	$0	$2.3

In 2005, SSLCs and state MH hospitals consolidated 13 individual laundry facilities to 5 regional facilities. Although a significant amount of equipment was replaced as part of the Energy Savings Performance Initiative through the State Energy Conservation Office (SECO) and with 2014-15 funding, a 10 year replacement plan was established to ensure the replacement of equipment on a regular industry standard schedule.

Additionally trailers are required to transport soiled linens and clothing and replace them with fresh, clean laundry. Clean clothing, towels, bed linens, and blankets are daily essentials that play a pivotal role in ensuring that the individuals dependent on these facilities receive appropriate care. The laundry request totals $2.3 million GR and All Funds.

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Item #8

Maintain Defense on Children's Litigation

During the 2014-15 biennium, the Health and Human Services Commission was appropriated approximately $4.0 million general revenue to effectively support the legal defense of the state agencies and officials named in relation to the defense of the lawsuit styled M.D, et al. Rick Perry, Kyle Janek, and John Specia, U.S. District Court, Southern District of Texas, Civil Action No. 2: 11cv00084.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	TBD	TBD	TBD
All Funds (AF)	TBD	TBD	TBD

This class action lawsuit is currently pending in federal court against the Governor, the Health and Human Services Commission (HHSC), and the Department of Family and Protective Services (DFPS).

This exceptional item is a placeholder as we anticipate additional costs to continue to support the legal defense in this case during the 2016-17 biennium.

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Item #9

Increase Capacity of Existing Family Violence Providers

Funding would be allocated to existing Family Violence providers to serve more clients, address unmet need, and reach underserved areas. In FY 2013, HHSC family violence contractors served 75,870 individuals, but were unable to serve an additional 11,485 individuals due to lack of capacity. Providers funded from this exceptional item would meet all or a combination of these objectives:

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$1.5	$1.5	$3.0
All Funds (AF)	$1.5	$1.5	$3.0

Program Impact	FY 2016	FY 2017
Number of Persons served by Family Violence Programs/Shelters	2,176	2,176

- expand services for underserved areas and populations as identified by the state plan,
- provide additional services dedicated to address complex survivor needs, such as legal services and economic stability, to support efforts for clients to become self-sufficient and
- participate in systemic statewide change such as establishing a Fatality Review Board or enhancing capacity for prevention efforts.

Exceptional item funding would be awarded to current contractors with successful HHSC contract performance, and a documented strategy to address unmet needs in their community.

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Item #10

Implement Enhanced Asset Verification System (AVS) for Certain Populations

States are required to implement a system to verify the assets of Medicaid applicants and recipients that are aged, blind or disabled. In Texas, these programs fall under the Medicaid for the Elderly and People with Disabilities program which represents around 25 percent of the total Texas Medicaid population, but comprises more than 55 percent of the total costs.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$0.4	$0.4	$0.9
All Funds (AF)	$0.9	$0.9	$1.8

The AVS system would provide an independent verification of data from financial institutions, preventing waste, fraud and abuse due to non-disclosure of assets or misunderstanding of asset policies.

Funding would will be used to cover the processing and transaction fees associated with implementation of the new verification system. Annual vendor processing fees are estimated at $240,000. There will also be transactions fees estimated at $640,720 per year (232,989 transactions x $2.75 fee).

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Item #11

Security Enhancements for Regional HHS Client Facilities

HHSC Regional Administrative Services (RAS) has conducted annual vulnerability assessments for all regional HHS facilities since 2007. Access control continues to be a key area of vulnerability identified each year.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$0.8	$0.0	$0.8
All Funds (AF)	$1.1	$0.0	$1.1

Given the tragic events in the last few years, HHSC was appropriated $1.5 million in the 2014-15 biennium to install keyless access systems at 58 facilities, install video surveillance systems at 32 facilities, complete 6 exterior lighting projects, and erect parking lot fencing and lighting at 5 facilities.

There is an expectation from staff and others to continue to improve the safety of our many clients and 24,000 staff served or located in the 545 regional facilities throughout the state. Approximately $1.9 million All Funds in our base request for 2016-17 would be used to install keyless access in 54 facilities and video surveillance in 48 facilities. Increased funding would allow for the expansion of this initiative to install keyless access in 33 additional facilities and install video surveillance in 36 additional facilities.

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Item #12

Food Service & Nutrition Care Management Software Expansion to All Sites

This request allows statewide expansion and upgrade of food service management & nutrition care management software to support the State Supported Living Centers (DADS) and the State Mental Health Hospitals (DSHS).

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$1.4	$0.3	$1.7
All Funds (AF)	$1.9	$0.4	$2.3

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

Failure to meet nutritional requirements, food safety standards, and failure to maintain patient satisfaction can result in deficiencies and jeopardize federal funds. The software request totals $1.7 million GR / $2.3 million All Funds.

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Item #13

Increase HHS Recruitment and Retention

HHSC is requesting targeted funding for the following five initiatives: 1) wage increase for community attendant care workers, 2) salary increase for certain agency staff, 3) changes to state classification plan for certain IT series, 4) career ladder tracks for eligibility determination workers and certain IT staff, and 5) recruitment and retention bonuses for certain IT staff.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$76.4	$78.1	$154.5
All Funds (AF)	$180.1	$185.7	$365.8

Funding is requested to provide a 5 percent wage or salary increase for:

- community attendant care workers [$114.4 million GR / $292.4 million AF]
- DADS direct support professionals [$7.4 million GR / $16.6 million AF]
- DSHS psychiatric nurse assistants [$7.3 million GR and AF]
- RNs/LVNs at DADS [$4.1 million GR / $9.7 AF] and at DSHS [$6.8 million GR and AF]
- custodial and laundry staff at DADS [$0.4 million GR / $1.0 million AF] and at DSHS [$0.8 million GR and AF]
- food personnel at DADS [$0.6 million GR / $1.4 million AF] and at DSHS [$0.7 million GR and AF]

Additionally, funding is requested for:

- changes to the state classification plan for IT related series [$1.6 million GR / $2.3 million AF]
- career ladder tracks for IT related series [$2.2 million GR / $3.1 million AF] and eligibility determination workers [$10.7 million GR / $22.3 million AF]
- recruitment and retention bonus for IT related series [$0.6 million GR / $0.9 million AF]

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Item #14

Cybersecurity Advancement for HHS Enterprise

In 2011, to address the cyber security challenges faced by state agencies, DIR established a statewide Enterprise Security and Risk Management (ESRM) program aimed at strengthening the overall security posture of the State. The following risks have been identified by DIR security assessments of the HHS agencies:

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$5.8	$5.7	$11.6
All Funds (AF)	$7.4	$7.3	$14.7

FTEs	2.0	2.0

1. insufficient levels of staffing focused on IT security and risk management
2. governance processes and awareness programs are not mature
3. lack of standardized approach to identity management and access control which prevents users from improperly accessing systems or data
4. data may not be classified to optimize security protection
5. lack of consistent and comprehensive analysis of network and system monitoring data

Funding is request to continue addressing security risks outlined in the HHS agency specific assessments to:

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

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Item #15

Network Performance and Capacity

Today's technology & business processes are driving the need to converge voice, data, and video networks, implement wireless capability, and ensure adequate network capacity.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$2.2	$1.1	$3.3
All Funds (AF)	$2.9	$1.6	$4.5

With a focus on improving services to Texans, HHS seeks funding to:

Expand Wireless Access

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

Develop a Test Environment

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

Consolidate Employee Access Management

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

TEXAS Health and Human Services Commission

Item #16

HHS Telecom Managed Services Re-Procurement

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

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$6.5	$2.8	$9.2
All Funds (AF)	$8.5	$3.8	$12.3

- Nearly 8,000 telephones in 11 State Mental Health hospitals are on extremely aged phone systems that are costly to maintain and are in danger of failing.
- Phones are tied to on premise servers, so that when a building is out of service, such as the DARS headquarters due to flooding, employees who have to relocate cannot keep their phones
- Many employees end up using both a desk and mobile phone because we do not have the technology to support just one phone number per person.

Funding is requested to:

1. transition obsolete phone systems to a vendor-delivered service which offers use of leased desk phones or an individual's existing mobile device (cloud) [$4.9 million AF]
2. expand vendor-delivered service to 11 State Mental Health hospitals [$7.4 million AF]
3. increase reliance on data lines which results in avoiding long distance costs
4. provide scalability for short-term needs such as disaster response or spikes in call volume

TEXAS Health and Human Services Commission

Item #17

HHSAS Upgrade to CAPPS 9.2 and Enhancements

The financial administrative system serving HHS agencies is no longer supported by the vendor. This request would support an upgrade to be consistent with the financial software version required by the State Comptroller today. [$5.2 million AF]

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$3.8	$5.8	$9.6
All Funds (AF)	$5.2	$7.8	$13.0

Additionally, HHSC is requesting funding to:

implement a software solution to provide our consolidated procurement and contracting services with needed functionality such as soliciting bids, tabulating bid responses, evaluating HUB requirements, and reporting capabilities. Procurement tasks are currently performed using multiple systems as well as manual processes. [$6.9 million AF]

redesign the accounts receivable tracking system (ARTS) into a single application software platform that would be utilized across the HHS system. ARTS is a standalone application, currently utilized by HHSC and DADS. The ARTS environment is comprised of multiple application software platforms, complicating the ongoing development and maintenance support, which drives up costs and increases the risk of application failure. [$0.9 million All Funds]

TEXAS Health and Human Services Commission

Item #18

Establish Small House Nursing Facilities

A Texas Health and Human Services study conducted in 2008 revealed the average Texas Medicaid nursing facility (NF) was either constructed or last subject to a major improvement in 1979. NFs constructed in the 1970s do not reflect best practices for providing NF care.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$0.7	$1.4	$2.2
All Funds (AF)	$1.7	$3.3	$5.0

The fixed capital costs associated with a small house model are significantly greater than those associated with traditional NFs. The retro-fitting of an existing NF to provide care under the small house model is also significant.

Funding would allow for the establishment of an add-on payment of $157.01 per day for NF days of service provided under the small house model. This request assumes that four current Texas Medicaid NF residents receiving services in a small house bed will continue receiving such services and that our two current Medicaid contracted small house facilities (which now have a total of 64 contracted beds) continue operating and slowly transition to serving Medicaid clients in their existing small house beds for a total of 29 Medicaid NF residents in a small house bed in FY 2016 and 58 in FY 2017.

Additional small house beds are not expected to come on line in the 2016-17 biennium due to the time required to construct such beds.

TEXAS Health and Human Services Commission

Item #19

Improve Medicaid Staffing and Support

HHSC is requesting additional staff to help support managed care expansions required under S.B. 8 and S.B. 58. These programs involve our most vulnerable populations and are very complex to administer.

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$0.6	$0.5	$1.1
All Funds (AF)	$1.5	$1.4	$2.9

The Medicaid/CHIP Divisions is requesting the following FTEs:

FTEs	17.3	17.3

- 10 FTEs to expand utilization review functions to support managed care and the MMIS claims administrator contract management, appropriateness of services, and quality improvement: Program Operations' Utilization Review Unit -- 1 - Nurse V (Acute Care Nurse Manager), 4 - Nurse IV (Acute Care UR Nurses), 5 - Nurse IV (LTC UR Nurses)

- 5 FTEs to support health plan management for new (legislatively directed) managed care program expansions: MCD Program Operations -- 1 - PS VI (Health Plan Manager); 4 - Contract Specialist IV (Health Plan Specialists)

- 2 FTEs to support Medicaid /CHIP program data analytics for both the managed care and MMIS contract management and program improvements: MCD Data Analytics (a legislatively established unit) -- 1 - PS VII (Data Analyst, Team Lead), 1 - PS VI (Sr. Data Analyst)

TEXAS Health and Human Services Commission

Item #20

Improve Employee Technical Support

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

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

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$3.6	$2.8	$6.4
All Funds (AF)	$5.3	$3.9	$9.1

FTEs	3.0	3.0

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

TEXAS Health and Human Services Commission

Item #21

Implement Technology Solution to Support Improved Workload Distribution and Management

($ in Millions)	FY 2016	FY 2017	Biennium
General Revenue	$1.5	$0.9	$2.4
All Funds (AF)	$3.1	$1.8	$4.9

FTEs	12.1	12.1

Funding of this item would allow the more efficient use of staff resources and allow the agency to more efficiently manage the growing eligibility workload.

HHSC eligibility staff process over six million applications for public assistance benefits and serve more than four million recipients of benefits each year. Currently, work is distributed statewide based on applicant or client zip code, which results in greater volumes of work for certain areas of the state. To balance this workload, cases can be manually assigned to be worked by staff in another area of the state.

This exceptional item funding would support the development of a workload distribution and monitoring tool that would enable HHSC to effectively track and monitor real-time production and performance. This solution would also support distribution of work based on a worker's availability and expertise rather than geographic location.

TEXAS Health and Human Services Commission

HHS System Exceptional Items by Agency

Agency Exceptional Items	FY 2016		FY 2017		BIENNIAL TOTAL	
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds
4 Maintain Funding for Data Center Services (HHS Agencies)	**$6,680,543**	**$7,369,395**	**$8,957,991**	**$11,350,438**	**$15,638,534**	**$18,719,833**
DADS	577,570	1,155,140	2,040,266	4,080,531	2,617,836	5,235,671
DARS	2,620,523	2,620,523	2,465,700	2,465,700	5,086,223	5,086,223
DFPS	990,975	1,088,984	2,178,680	2,394,154	3,169,655	3,483,138
DSHS	2,351,784	2,351,784	1,793,961	1,793,961	4,145,745	4,145,745
HHSC	139,691	152,964	479,384	616,092	619,075	769,056
7 Regional Laundry - Replacement of Equipment and Trailer	**$2,290,436**	**$2,290,436**	**$0**	**$0**	**$2,290,436**	**$2,290,436**
DADS	1,552,243	1,552,243			1,552,243	1,552,243
DSHS	738,193	738,193			738,193	738,193

TEXAS Health and Human Services Commission

HHS System Exceptional Items by Agency

Agency Exceptional Items	FY 2016		FY 2017		BIENNIAL TOTAL	
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds
13 Increase HHS Recruitment and Retention and Attendant Care Wages	**$76,386,220**	**$180,133,240**	**$78,113,173**	**$185,744,369**	**$154,499,393**	**$365,877,609**
DADS	26,091,095	59,376,789	26,225,102	59,671,596	52,316,197	119,048,385
DARS	248,331	248,331	117,383	117,383	365,714	365,714
DFPS	737,944	809,102	494,682	541,026	1,232,626	1,350,128
DSHS	8,373,990	8,373,990	8,180,534	8,180,534	16,554,524	16,554,524
HHSC	40,934,860	111,325,028	43,095,472	117,233,830	84,030,332	228,558,858
14 Cybersecurity Advancement for HHS Enterprise	**$5,832,578**	**$7,437,093**	**$5,719,746**	**$7,283,353**	**$11,552,324**	**$14,720,446**
DADS	225,000	450,000	225,000	450,000	450,000	900,000
DFPS	409,500	450,000	409,500	450,000	819,000	900,000
DSHS	1,500,000	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000
HHSC	3,698,078	5,037,093	3,585,246	4,883,353	7,283,324	9,920,446
15 Network, Performance, and Capacity	**$2,172,995**	**$2,973,195**	**$1,145,431**	**$1,558,167**	**$3,318,426**	**$4,531,362**
DARS	5,430	5,430	5,430	5,430	10,860	10,860
HHSC	2,167,565	2,967,765	1,140,001	1,552,737	3,307,566	4,520,502

TEXAS Health and Human Services Commission

HHS System Exceptional Items by Agency

Agency Exceptional Items	FY 2016		FY 2017		BIENNIAL TOTAL	
	GR/GRD	All Funds	GR/GRD	All Funds	GR/GRD	All Funds
20 Improve Employee Technical Support	**$3,559,798**	**$5,289,958**	**$2,806,475**	**$3,854,517**	**$6,366,273**	**$9,144,475**
DADS	5,000	10,000	0	0	5,000	10,000
DARS	10,000	10,000	0	0	10,000	10,000
DFPS	22,750	25,000	0	0	22,750	25,000
DSHS	10,000	10,000	0	0	10,000	10,000
HHSC	3,512,048	5,234,958	2,806,475	3,854,517	6,318,523	9,089,475

TEXAS Health and Human Services Commission

HHS System Exceptional Items by Agency

EXCEPTIONAL ITEM	FY 2016 GR	FY 2016 All Funds	FY 2017 GR	FY 2017 All Funds	BIENNIAL TOTAL GR	BIENNIAL TOTAL All Funds
Increase HHS Recruitment and Retention	**76,386,220**	**180,133,240**	**78,113,173**	**185,744,369**	**154,499,393**	**365,877,609**
Establish Enhanced Career Tracks for Eligibility Staff	**3,741,380**	**11,402,072**	**3,698,345**	**11,280,464**	**7,439,725**	**22,682,536**
HHSC	3,741,380	11,402,072	3,698,345	11,280,464	7,439,725	22,682,536
Information Technology	**2,737,289**	**3,887,916**	**1,743,839**	**2,503,172**	**4,481,128**	**6,391,088**
DADS	245,988	491,977	103,933	207,866	349,921	699,843
DARS	248,331	248,331	117,383	117,383	365,714	365,714
DFPS	737,944	809,102	494,682	541,026	1,232,626	1,350,128
DSHS	541,323	541,323	347,867	347,867	889,190	889,190
HHSC	963,703	1,797,183	679,974	1,289,030	1,643,677	3,086,213
Psychiatric Nurse Assistants and Direct Support Professionals	**7,349,843**	**11,956,183**	**7,349,843**	**11,956,183**	**14,699,686**	**23,912,366**
DADS	3,708,353	8,314,693	3,708,353	8,314,693	7,416,706	16,629,386
DSHS	3,641,490	3,641,490	3,641,490	3,641,490	7,282,980	7,282,980
Custodians, Custodial Managers, Laundry Workers and Laundry Managers	**630,378**	**919,981**	**630,378**	**919,981**	**1,260,756**	**1,839,962**
DADS	209,283	498,886	209,283	498,886	418,566	997,772
DSHS	421,095	421,095	421,095	421,095	842,190	842,190
Food Service Workers and Food Service Managers	**651,842**	**1,061,563**	**651,159**	**1,059,935**	**1,303,001**	**2,121,498**
DADS	296,086	705,807	295,403	704,179	591,489	1,409,986
DSHS	355,756	355,756	355,756	355,756	711,512	711,512
Direct Care Licensed Vocational Nurses and Registered Nurses	**5,446,592**	**8,258,821**	**5,442,642**	**8,249,407**	**10,889,234**	**16,508,228**
DADS	2,032,266	4,844,495	2,028,316	4,835,081	4,060,582	9,679,576
DSHS	3,414,326	3,414,326	3,414,326	3,414,326	6,828,652	6,828,652
Attendant Care Wages	**55,828,896**	**142,646,704**	**58,596,967**	**149,775,227**	**114,425,863**	**292,421,931**
DADS	19,599,119	44,520,931	19,879,814	45,110,891	39,478,933	89,631,822
HHSC	36,229,777	98,125,773	38,717,153	104,664,336	74,946,930	202,790,109

TEXAS Health and Human Services Commission

10 Percent General Revenue Biennial Reductions

FY 2016-17 GR Target: $149.7 million

Reduction Items

- Provider Rate Reductions – across the board rate reduction of 1.8 percent for all acute care services in Medicaid , excluding in/out patient hospital - $96.4 million
- Adjust Target to Credit for One-Time Expenditures (baseline reduced by $41.5 million) - $4.2 million
- Administration & Operations
  - Reduction in Travel (Administrative and Eligibility) - $2.8 million
  - Reduction in Administrative Operating Expense - $19.5 million
  - Reduction in Administrative Contracted Services - $7.8 million
  - Reduction in Home Visiting Services - $1.2 million
  - Salary Savings (Administrative and Eligibility) - $17.1 million
  - Reduction in Filled Administrative FTEs - $0.7 million and 19 FTEs