Summary of H.B. 1 Issues

- **Funding for Medicaid Services**
  - Fully Funding the Projected Caseloads as Reflected in the H.B. 1 Performance Measure Targets
  - Provider Rate Reductions
  - Cost Trends (Inflation, Utilization, Acuity)

- **Service Delivery**
  - Full-time Employees (FTEs) in Regulatory Services
  - State Supported Living Centers (SSLCs)
  - Information Technology in Support of Services and Programs
  - Safety Net Programs

- **Goal D – Managed Care Expansion Transfer**
  - Need to Reconcile Transfers based upon the H.B. 1 assumptions for Costs
    - The 10 percent Provider Rate reduction for DADS Medicaid programs was not applied to the Managed Care transfer
    - A 5 percent rate increase was also included in the transfer
Summary of H.B. 1 Issues

- Continuation of Movement Toward Community Services
  - Promoting Independence
  - Preventing Institutionalization

- Increased Demand for Services
  - Greater numbers of older Texans and people with disabilities will require more services in the future, in both community and institutional settings

- Settlement Agreement with the Department of Justice regarding DADS SSLCs
  - All SSLCs have completed their first round of compliance reviews performed by the settlement agreement monitors
  - DOJ will continue to track compliance progress at SSLCs
Implementing H.B. 1

- Affordable Care Act provides almost no flexibility to reduce caseloads; provider rate reductions are an option
  - Will take every effort to avoid across-the-board provider rate reductions
  - Will take every effort to protect access to care

- Historically, when access to community services has been curtailed, caseload growth in DADS’ institutional services programs – nursing facilities and ICF/MRs (which include State Supported Living Centers) has increased.
### Clients Served in Selected Programs

<table>
<thead>
<tr>
<th>DADS Programs</th>
<th>FY 2011</th>
<th>H.B. 1 FY 2012</th>
<th>H.B. 1 FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Entitlement Programs</td>
<td>115,921</td>
<td>116,277</td>
<td>119,400</td>
</tr>
<tr>
<td>Community Waiver Programs</td>
<td>52,335</td>
<td>53,347</td>
<td>53,347</td>
</tr>
<tr>
<td>Community Non-Medicaid Programs</td>
<td>57,881</td>
<td>45,901</td>
<td>45,901</td>
</tr>
<tr>
<td>Program for All Inclusive Care (PACE)</td>
<td>1,021</td>
<td>1,078</td>
<td>1,078</td>
</tr>
<tr>
<td>Nursing Facilities, Skilled NF, and Hospice</td>
<td>69,281</td>
<td>69,896</td>
<td>70,504</td>
</tr>
<tr>
<td>ICF/MR and State Supported Living Centers</td>
<td>9,939</td>
<td>9,479</td>
<td>9,018</td>
</tr>
</tbody>
</table>
## Comparison of Current Biennium to H.B. 1

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2010-11</th>
<th>FY 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Long Term Services and Supports</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Intake, Access, and Eligibility</td>
<td>$377,827,578</td>
<td>$403,669,034</td>
</tr>
<tr>
<td>2. Community Services and Supports - Entitlement</td>
<td>$2,163,624,232</td>
<td>$1,535,857,234</td>
</tr>
<tr>
<td>4. Community Services and Supports - Non-Medicaid</td>
<td>$540,381,017</td>
<td>$413,608,906</td>
</tr>
<tr>
<td>5. Program of All-inclusive Care for the Elderly (PACE)</td>
<td>$68,249,428</td>
<td>$51,947,310</td>
</tr>
<tr>
<td>6. Nursing Facility and Hospice Payments</td>
<td>$5,196,056,124</td>
<td>$3,558,553,973</td>
</tr>
<tr>
<td>7. Intermediate Care Facilities - Mental Retardation</td>
<td>$653,466,927</td>
<td>$433,534,061</td>
</tr>
<tr>
<td>8. MR State Schools Services</td>
<td>$1,288,257,844</td>
<td>$1,076,024,191</td>
</tr>
<tr>
<td>9. Capital Repairs and Renovations</td>
<td>$44,905,761</td>
<td>$15,537,704</td>
</tr>
<tr>
<td><strong>B. Regulation, Certification and Outreach</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$144,435,223</td>
<td>$135,823,318</td>
</tr>
<tr>
<td><strong>C. Indirect Administration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$144,344,823</td>
<td>$129,018,812</td>
</tr>
<tr>
<td><strong>D. Managed Care Expansion</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$-</td>
<td>$(1,357,753,164)</td>
</tr>
<tr>
<td><strong>Total Agency Request</strong></td>
<td>$13,641,741,218</td>
<td>$8,473,483,856</td>
</tr>
<tr>
<td><strong>Subtotal, General Revenue Fund</strong></td>
<td>$4,318,007,582</td>
<td>$3,427,028,341</td>
</tr>
<tr>
<td><strong>Subtotal, General Revenue Fund - Dedicated</strong></td>
<td>$109,629,249</td>
<td>$123,624,249</td>
</tr>
<tr>
<td><strong>Subtotal, Federal Funds</strong></td>
<td>$7,959,401,285</td>
<td>$4,859,793,654</td>
</tr>
<tr>
<td><strong>Subtotal, Federal FMAP Adjustment</strong></td>
<td>$1,148,635,662</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Subtotal, Other Funds</strong></td>
<td>$106,067,440</td>
<td>$63,037,612</td>
</tr>
<tr>
<td><strong>Total Agency MOF</strong></td>
<td>$13,641,741,218</td>
<td>$8,473,483,856</td>
</tr>
<tr>
<td><strong>FTEs</strong></td>
<td>17,961.9</td>
<td>17,472.0</td>
</tr>
</tbody>
</table>
## DADS Priorities for Consideration

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Priorities for Consideration</td>
<td>GR</td>
<td>AF</td>
<td>GR</td>
<td>AF</td>
<td>FTEs</td>
</tr>
<tr>
<td>Base Budget</td>
<td>$1,682,130,845</td>
<td>$4,063,418,140</td>
<td>$1,868,521,745</td>
<td>$4,410,065,707</td>
<td>$3,550,652,590</td>
</tr>
<tr>
<td><strong>Priority Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Fully Fund Caseloads</td>
<td>$690,643,724</td>
<td>$1,651,603,707</td>
<td>$1,052,238,269</td>
<td>$2,703,841,976</td>
<td>-</td>
</tr>
<tr>
<td>2 Provider Rates</td>
<td>$203,933,814</td>
<td>$469,138,524</td>
<td>$458,491,056</td>
<td>$947,629,618</td>
<td>-</td>
</tr>
<tr>
<td>3 Safety Net Programs</td>
<td>$56,401,600</td>
<td>$56,401,600</td>
<td>$56,401,599</td>
<td>$56,401,599</td>
<td>$112,803,199</td>
</tr>
<tr>
<td>4 PC/Workstation Leases</td>
<td>$1,924,679</td>
<td>$3,965,874</td>
<td>$1,961,537</td>
<td>$3,995,874</td>
<td>$3,986,216</td>
</tr>
<tr>
<td>5 FTEs for Regulatory Services</td>
<td>$1,988,978</td>
<td>$1,988,978</td>
<td>$1,988,978</td>
<td>$1,988,978</td>
<td>$3,797,956</td>
</tr>
<tr>
<td>6 FY2012-13 Cost Trends</td>
<td>$33,840,342</td>
<td>$81,012,555</td>
<td>$146,225,110</td>
<td>$227,237,665</td>
<td>-</td>
</tr>
<tr>
<td>7 Promoting Independence</td>
<td>$5,680,761</td>
<td>$13,666,295</td>
<td>$39,457,891</td>
<td>$53,144,196</td>
<td>-</td>
</tr>
<tr>
<td>8 State Supported Living Centers</td>
<td>$1,298,566</td>
<td>$54,216,871</td>
<td>$2,670,767</td>
<td>$56,887,638</td>
<td>-</td>
</tr>
<tr>
<td>9 PACE</td>
<td>$3,445,757</td>
<td>$8,237,054</td>
<td>$15,757,217</td>
<td>$24,044,271</td>
<td>-</td>
</tr>
<tr>
<td>10 IT in Support of Services</td>
<td>$3,494,998</td>
<td>$11,078,318</td>
<td>$5,513,333</td>
<td>$16,591,701</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total, Priority Items</strong></td>
<td>$1,002,023,209</td>
<td>$2,371,269,814</td>
<td>$1,782,650,144</td>
<td>$4,153,939,958</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total Request</strong></td>
<td>$2,684,154,054</td>
<td>$6,434,707,963</td>
<td>$6,192,715,851</td>
<td>$12,627,423,814</td>
<td>17,682.4</td>
</tr>
</tbody>
</table>
Appendix
Priorities for Consideration
Item #1 – Fully Fund Caseloads and Prevent Further Rate Reductions

- Using the performance measures found in H.B. 1 for caseloads and costs, an additional $1.1 billion of GR ($2.7 billion All Funds) is needed in order to meet these performance targets for the next biennium.

- The caseload measures were partially adjusted for recent events, primarily related to Medicaid Waiver roll-out.

- Programs Impacted:
  - All Medicaid Programs
    - Entitlements
    - Waivers

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$690.6</td>
<td>$449.3</td>
<td>$1,139.9</td>
</tr>
<tr>
<td>All Funds</td>
<td>$1,651.6</td>
<td>$1,052.2</td>
<td>$2,703.8</td>
</tr>
</tbody>
</table>
Provider rates need to be sufficient in order to maintain providers’ financial stability and ultimately their ability to provide quality care.

Significantly reduced provider rates will likely impact the providers’ ability to provide quality care.

- Community rates are restored 10 percent
- Nursing Facility and Intermediate Care Facilities (ICF/MR) are restored 5 percent

Programs Impacted:
- All Medicaid Programs
  - Entitlements
  - Waivers

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$203.4</td>
<td>$195.1</td>
<td>$398.5</td>
</tr>
<tr>
<td>All Funds</td>
<td>$489.1</td>
<td>$458.5</td>
<td>$947.6</td>
</tr>
</tbody>
</table>
Item #3
Safety Net Programs

- This exceptional item restores GR safety net funding to FY2011 funding levels for services for individuals who are aged and disabled (physical and intellectual).
- The restored funds will provide the following community services: Independent Living, Employment Services, Day Training, Therapies, Respite, and In-Home Family and Support Services.

Programs Impacted
- Community Services for individuals with IDD
- In-Home and Family Support Services for individuals who are aged and disabled or with IDD

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$56.4</td>
<td>$56.4</td>
<td>$112.8</td>
</tr>
<tr>
<td>All Funds</td>
<td>$56.4</td>
<td>$56.4</td>
<td>$112.8</td>
</tr>
</tbody>
</table>

| Individuals Served   | 10,651 | 10,651 |          |
Item #4
PC/Workstation Leases

- DADS, as well as all other HHS agencies, leases its PC/Workstations in a “seat management” arrangement
- Leased PCs allow the agency to stay current with PC technology and software
- H.B. 1 eliminated the Capital Budget authority and all funding for seat management PC leases

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$1.9</td>
<td>$2.0</td>
<td>$3.9</td>
</tr>
<tr>
<td>All Funds</td>
<td>$4.0</td>
<td>$4.0</td>
<td>$8.0</td>
</tr>
</tbody>
</table>

| PCs Leased            | 10,100 | 10,600 |          |

- Programs Impacted
  - All DADS Programs and Activities
    - Access and Intake / Eligibility
    - SSLC
    - Regulatory
    - Administration
Item #5
FTEs for Regulatory Services

- DADS Regulatory Services licenses and surveys nursing facility, assisted living facility, home health, and other providers to ensure the health and safety of vulnerable Texans
- DADS was not current on investigation of complaints at nursing facilities and other providers for several years. In 2010, DADS current level of staffing allowed the department to become current and timely in investigations.
- DADS seeks restoration of 40 FTEs to ensure the timely investigation of complaints and incidents in long term care settings.
- Programs Impacted
  - Regulatory Services
    - ALF’s – Assisted Living Facilities
    - ADC’s – Adult Day Care

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$1.9</td>
<td>$1.9</td>
<td>$3.8</td>
</tr>
<tr>
<td>All Funds</td>
<td>$1.9</td>
<td>$1.9</td>
<td>$3.8</td>
</tr>
<tr>
<td>ALF’s inspected</td>
<td>532</td>
<td>532</td>
<td></td>
</tr>
<tr>
<td>ADC’s inspected</td>
<td>133</td>
<td>133</td>
<td></td>
</tr>
</tbody>
</table>
DADS is experiencing increases in the average cost per individual served in many programs, primarily due to:

- Acuity
- Case Mix Changes
- Utilization Increases
- Inflation

These increases in costs occur every year, affecting the cost trends for long term services and supports.

Programs Impacted:

- Medicaid Entitlements
- Medicaid Waivers

<table>
<thead>
<tr>
<th>($ in Millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$33.8</td>
<td>$62.3</td>
<td>$96.2</td>
</tr>
<tr>
<td>All Funds</td>
<td>$81.0</td>
<td>$146.2</td>
<td>$227.2</td>
</tr>
</tbody>
</table>
Item #7 – Promoting Independence and Preventing Institutionalization

- Continues the movement of individuals into the Home and Community-Based Services (HCS) waiver program
  - 400 persons from large and medium Intermediate Care Facilities for Persons with MR (ICF/MRs)
  - 192 children aging out of foster care at the Department of Family and Protective Services (DFPS)
  - 240 individuals in crisis situations at imminent risk of institutionalization

- Establishes 100 Community-Based Alternatives (CBA) Crisis Slots for individuals at eminent risk of institutionalization

- Programs Impacted:
  - HCS Waiver
  - CBA Waiver

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$5.7</td>
<td>$16.8</td>
<td>$22.5</td>
</tr>
<tr>
<td>All Funds</td>
<td>$13.7</td>
<td>$39.5</td>
<td>$53.2</td>
</tr>
<tr>
<td>Individuals Served-</td>
<td>208</td>
<td>624</td>
<td></td>
</tr>
<tr>
<td>HCS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals Served-</td>
<td>25</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>CBA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Item #8

State Supported Living Centers (SSLC)

- SSLCs provide a 24/7 environment that supports 4,200 individuals requiring ongoing planning and replacement of furniture, equipment, and vehicles.

<table>
<thead>
<tr>
<th></th>
<th>($ in Millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td></td>
<td>$1.3</td>
<td>$1.2</td>
<td>$2.5</td>
</tr>
<tr>
<td>All Funds</td>
<td></td>
<td>$54.2</td>
<td>$2.7</td>
<td>$56.9</td>
</tr>
</tbody>
</table>

- Vehicles
  - 43 Para-Transit/Wheelchair Vehicles
  - 116 Resident Transportation Vehicles

- Physical infrastructure at State Supported Living Centers to ensure ICF-MR certification. These repairs would include:
  - Life-safety code requirements; Roofs; HVAC, Plumbing, Electrical, Utilities

- Programs Impacted:
  - State Supported Living Centers
Item #9

Program for All-Inclusive Care for Elderly (PACE)

- DADS currently operates three PACE sites, in El Paso, Amarillo, and most recently, Lubbock
- The core of the PACE model is an adult day care center with individuals receiving the program’s key services
- Services include inpatient and outpatient medical care, specialty services (e.g. dentistry, podiatry), social services, in-home care, meals, and transportation. Providers are paid a capitated monthly fee below the cost of comparable nursing facility care.
- This exceptional item requests:
  - funding for two additional PACE sites with 200 slots for each site
  - 150 additional slots for the current PACE sites

Programs Impacted:
- PACE

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$3.5</td>
<td>$6.7</td>
<td>$10.2</td>
</tr>
<tr>
<td>All Funds</td>
<td>$8.3</td>
<td>$15.8</td>
<td>$24.1</td>
</tr>
<tr>
<td>Individuals Served – New Sites</td>
<td>0</td>
<td>212</td>
<td></td>
</tr>
<tr>
<td>Individuals Served – New Slots</td>
<td>150</td>
<td>150</td>
<td></td>
</tr>
</tbody>
</table>
Item #10

Information Technology in Support of Services

- Information Technology will allow the agency to work more efficiently and effectively with less resources.

- This item continues the project to replace the two service authorization systems at DADS from their legacy agencies.

- Business Intelligence and database software to maintain critical resident information and to provides analysis and reporting for SSLCs.

- Replace outdated automated systems used by Regulatory Services, most of which are based on Microsoft Access97 databases.

- Contract Application Portal, which will increase the efficiency of the contracting process by reducing application errors on the part of providers and reducing the time required to process applications by contract staff.

- Programs Impacted:
  - Access and Intake
  - State Supported Living Centers
  - Central Administration
  - All Providers

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$3.5</td>
<td>$2.4</td>
<td>$5.9</td>
</tr>
<tr>
<td>All Funds</td>
<td>$11.1</td>
<td>$5.5</td>
<td>$16.6</td>
</tr>
</tbody>
</table>