Senate Finance

Article 2

February 10, 2023

ADVOCACY UPDATE
TAHP

Roll Call

Chair: Joan Huffman - Present
Vice-chair: Juan "Chuy" Hinojosa - Present
Paul Bettencourt - Present
Donna Campbell - Present
Brandon Creighton - Present
Pete Flores - Present
Bob Hall - Present
Kelly Hancock - Present
Bryan Hughes - Present
Lois Kolkhorst - Present
Robert Nichols - Present
Angela Paxton - Present
Charles Perry - Present
Charles Schwertner - Present
Royce West - Present
John Whitmire - Present
Judith Zaffarini - Present

Resources

Public hearing notice
Witness list
Video of hearing
Presentation documents

- HHSC Presentation
- LBB Summary

Invited testimony

Claire Stieg, Legislative Budget Board (0:02:00)

88.6 billion in all funds for 24-25 biennium, a decrease in 6.8% compared to 22-23 biennium. No change to FTEs, relative to the year 2023. Overall reductions in recs to 24-25 biennium are offset by increases in general revenue for Medicaid and Chip, due to less favorable matching rates. Less favorable rates on CHIP due to decreased federal funding.

Employee vacancies and salary increases. Recommendations for 24-25 biennium include an increase in $418 million in all-funds to allow HHSC to maintain these salary increases for the full FTE cap. Recs also include an increase in $353.4 million in all funds for statewide salary adjustment.

Matching rates assumed for FMAP and enhanced FMAP for CHIP. The Families First Corona Response Act provided a 6.2% increase to FMAP through the last day of the quarter in which PHE was terminated. LBB staff projections for clients assumed PHE would end in Jan 2023 and increased FMAP would end in March. FCAA of this year; FMAP no longer tied to the end of PHE.

Recs include 71.7 billion in all-funds for Medicaid client services. An increase of 1.3 billion dollars in GR, offset by decrease in federal funds, resulted in an overall decrease of 8.2 billion in all-funds of 22-23 adjusted base.

Recs include additional 404.6 million dollars in GR, 1 billion in all-funds for nursing facilities. Portion of that is to maintain Covid-19 add-on rate, and fund reimbursement rates for nursing facilities as transition to new payment model.

CHIP: Recs include a 1.8 billion dollars in all funds. Caseloads expected to grow.

Rec: 427.2 million dollars in all funds for women's programs. 268.6 million for HTW. Rec: 135 million in all funds for family planning program. Rec: increase in 42.4 million dollars for treatment programs and other services. Rec: 20.3 million for all funds for alternatives to abortion program. Early childhood intervention: 385.8 million dollars.

Rec: 2.3 billion in all funds for all community health programs and substance abuse services. Funding for increases in multisystemic therapy, step down housing, coordinated speciality care, etc. Rec: 115.5 million in all-funds for child advocacy programs.

Rec: mental health state hospitals operations, 1.1 billion dollars in all funds. Increase in 20.4 million dollars in GR to expand beds for state hospitals for behavioral health. Rec: 623.4 million dollars in GR for community mental health hospitals.

Funding for TX Civil Commitment office rec: 43.4 million in all-funds, with 3.2 million in GR to fund the agencies LAR exceptional item for caseload growth.

Section 5: agency requests not included in recommendations. Includes HHSC, the OIG, and ___ requested items as of Jan. 25. 7.7 billion dollars in all funds and includes requested 224.1 FTE's.

Kolkhorst: Page 1- historical full time equivalence, jump in 2023 that is budgeted. Are these unfilled positions that they're gonna try to fill or is that increase in FTE's?
Nicole Delaney: Correct, represent the budgeted amount of FTE's.

Kolkhorst: Unwinding of pandemic. FMAP increase doesn't represent fiscal cliff, it will be phased out. Will the agency disenroll people in April?
Stieg: Yes, that will begin in April. But people are receiving notices now.
Kolkhorst: Alternatives to abortion; we lead the nation in that category. Page 12; Prescription drugs savings program for uninsured. Are they continuing to work on that IT?
Delaney: Don't plan to expend any of that funding for the current biennium.

Hughes: Historical full time employees. For actual employees- how successful have they been in filling those spots?
Delaney: Agency probably better able to answer that. But I understand they are not near that cap and still have vacancies.

Hughes: Increase in 220 million for moms and babies - how do we go about projecting that estimated demand and what caseload may look like?
Delaney: LBB doesn't have those projections.

Hughes: Alternatives to abortion. Update in reporting requirements, what does this mean?

Delaney: In the rider, reporting requirements and those were basically minor text updates to provide information.

Hughes: TIERS: is that what we call the eligibility system? Is that just a new name?
Stieg: That's correct.

Hall: Where is funding for Terrell State Hospital?
Delaney: Funding for new construction intended to be included in supplemental bill.

Perry: Expanded Medicaid during Covid, didn't have the impact we thought it would with the tipping point (when the benefit of increase would be less than keeping people on Medicaid).
Stieg: That's correct.

Kolkhorst: Following up with Senator Perry about fiscal cliffs. Forecasting for reenrollment for Medicaid; estimate how many people in PHE phase out that will no longer be on the Medicaid rolls? In May of 2022, what happened?
Stieg: Estimates that increase of FMAP no longer covered the people on Medicaid. Covered in GR.

Kolkhorst: Postpartum coverage for women. Because PHE, those who gave birth in March of 2022 have been on Medicaid continuously? Do we have utilization standards on that?
Stieg: Don't have that info now but can follow up.

Cecile Young, Executive Commissioner, HHSC (0:33:23)
Discussing LAR and exceptional item requests. Trey will handle most of the presentation.

Grateful to see needs recognized. Agency has over 200 programs.

Two major challenges: 1. Workforce needs. Funding is needed to prevent the disruption of agency operations and provision of client services. Rate increases recommended for community attendants. 2. End of Medicaid continuous coverage.

Trey Wood, CEO, HHSC (0:36:48)
Overview: Client services include Medicaid, CHIP, mental health funding, etc. Then SNAP, off-budget supplemental payments, facility based, administration, and program/other administration.

Caseloads are projected to decrease by 22 percent in 2024 and 8.7 in 2025. CHIP caseloads are expected to increase by 219.8 in 2024 and 5.6 in 2025.

Cost growth in Texas Medicaid has a slower rate of increase compared to national trends.

HHSC projects a 3.7 billion shortfall in GR for 22-23.

Baseline funding. SB 1 provides an increase in 1.9 billion from HHSC's LAR baseline rec. 771.4 million for statewide pay increases. 526.3 mill for behavioral health. 14.5 mill for CASA and CAC programs. 20.3 mill for alternatives to abortion.

End of Continuous Coverage. Temporary 6.2 increase in FMAP. Individuals at that time in Medicaid have stayed on Medicaid. Will end March 31, 2023. States begin disenrolling on April 1, 2023.

Huffman: Workforce is a major issue. During the interim, salary increases were given to whom?
Wood: Those in the eligibility area; we saw a decrease in those employees and took action to increase salaries. We have positive returns on that.
Huffman: Lack of staffing in state hospital beds. About 2500 people are waiting in jail. We put money into it and need to solve the problem. What else needs to happen to use the beds we have already paid for?
Wood: Funding has been generous for addressing infrastructure. We think as the hiring progresses we should have more beds come online.

Zaffarini: Demographic changes; how has that driven up the cost of HHSC delivering services?

Wood: Increased caseloads overall. Women who have given birth has trended the demographic younger (less cost for this age group typically), cost for individuals has gone down.
Zaffarini: What is the waitlist for different services? Cost of eliminating this?
Wood: Have around 304,000 people on the interest list; this is the duplicated list. 156,000 individuals total waiting.
Zaffarini: Do you have a timeline to eliminate this?
Wood: Estimated cost is around additional 1.9 billion GR per year.

Zaffarini: End of continuous Medicaid coverage. Necessary redeterminations would be a large undertaking for the commission. What additional resources including eligibility specialists are needed to accomplish this with minimal disruption?
Wood: Hire 642 additional staff in the eligibility area (temporary). Additional contract costs.
Zaffarini: Workforce issues. Does agencies update LAR align wages for direct service pros providing community based services for those working in the SSLCs.
Wood: Yes. Amount we have for facility staff is a best estimate. Doesn't fully go to the top of the salary range for people.

Zaffarini asks about the impact of not fully funding community care and Star PLUS.
Wood: Not enough providers.

Zaffarini: Exceptional item 14; complying with state and federal regulations, what is this over/what corrective actions do we still need?
Jordan Dickson: Referring to individualized skills and socialization benefits- based on CMS rules that were passed years ago. Need to be in compliance by March 1. No funding was provided for clinical oversight.

Zaffarini: Children in nursing homes. Status; hoping that testimony is that we no longer have that. Can you be sure we have accurate info on that later today?
Dickson: Yes.

Hughes: Thankful for work at Rusk state hospital. 2.3 billion for state hospital construction and additional inpatient capacity. Who is this for?

Wood: We don't have the supplemental bill yet but assume Terrell, etc.
Hughes: ATA: We can't have agencies obstructing a program, so want to be crystal clear about those services getting delivered. 43% increase in need for ATA since Roe and heartbeat bill.

Perry: IMD- currently don't have capacity to change this 15 day limitation?
Wood: 15 day cap is federal limitation.

Perry: We have an emphasis to build out state hospitals. Got a lot of money and one time opportunity. Opportunity to build out a holistic approach in rural areas. Looking forward to getting that model right.

Huffman: Forensic beds at Terrell State. How many are offline?
Wood: 132 are offline due to staffing, need for construction, etc.

Perry: Friends that depend on attendant care. 300,000 that are dependent. Curious if you look at the cost difference for community setting vs institutional.
Wood: Agency looks at community setting vs institutional cost differences.

Hinojosa: Rate for attendants?
Wood: About 8.11 an hour.
Hinojosa: If we were to pass legislation to allow family members to be attendants, would that alleviate anything/help?
Wood: Would increase the pool of those that could provide services.

Hinojosa: Pediatric physicians. As we talk about ATA . Have we increased reimbursements for physicians or health care providers?
Wood: We have not. This is an area that would benefit.
Hinojosa: SB 1, are y'all recommending any increase in Medicaid reimbursements to Medicaid providers?
Wood: We don't have a specific amount but called this out as an area of need.

Huffman: As people fall off Medicaid because of new requirements; some of those children may fall off and go into CHIP. Is that why some of the numbers look lower?

Wood: Yes.

Kolkhorst: Question about budget neutrality. Increases in Medicaid rates in base bill, exceptional item requests. How much room do we have?
Wood: Talking about that now. Single biggest reason why we assumed extension of 1115 waiver. Solidified Medicaid program for next 10 years. As a result of inflation, CMS has been examining budget neutrality. Working with them now to see what some of those changes in policy mean. Don't know how much we have.
Kolkhorst: Medicaid waiver funding is a lot of money. Important we understand budget neutrality because it could affect this waiver.

Kolhorst: Being able to hire employees to fill the beds. Looking at the same issues across hospitals. SB 170- looking at Senator Perry's point. Funding cost growth for inpatient and outpatient. It's a lag, so puts pressure on those hospitals.
Wood: Perry's bill gets us to realign those rates every biennium
Kolkhorst: Go to page 16, cost growth. Per member/per month. 537 to estimated 606 and 668. Why this shift?
Wood: PHE. Large denominator of caseload that pulled down average cost.
Kolkhorst: Have agreement with MCOs that we get a rebate if cost is lower. How much have we received?
Wood: PHE extended quarter by quarter; doesn't really work when we set rates on an annual. Built in mechanism to account; lowered capitation rate on front end. In addition, backend for rebates; hit threshold have to return more to state. We condensed it so the most profit MCO can have is 4.1%. Return all excess to state.

Kolkhorst: Emergency food stamps.
Wood: Benefits ending this month.
Kolkhorst: 500 plus per month, can go down to 100?
Wood: For some, yes very large jumps.

RUGS conversion - if we want to set rate, we need to shift to PDPM.

Flores: Asks about 2-11 (call center in his district in Temple).

Wood: We hit a million calls in December.
Flores: Is the type of volume we should expect? What are we doing to maintain the quality of these centers. Do we have any upgrades in budget?
Wood: Special item 5, replacing some systems and modernizing equipment.

Sylvia Hernandez Kaufman, Inspector General, HHSC (1:52:40)
FY22 - recovered nearly half a billion, for every dollar invested, $6.21 recouped
Had a 16% reduction in FTEs
$45 million request

- Workforce and technology biggest challenges

Several systems need upgrading or are manuel, takes up staff times
9 exceptional items - focused improving oversight capabilities

- Includes pay increases targeted to those below state average or higher vacancy
- FTEs to improve data analytics, processors, etc.
- Automation of collection and some investigation
- Procure case management system
- Create a system easier for public to report
- Outsource appeals process for efficiency and timeliness

Huffman: Have you seen an increase in fraud under the PHE?
Kaufman: As numbers increase, there is an increase of fraud based on volume.

Hinojosa: Praised Kaufman for strengthening the office, there seems to be a long time for the office to determine fraud cases, is this a lack of staff?
Kaufman: There is a lack of staff and there is increased complexity, meaning sometimes we aren't able to meet the 180 day time frame.

Flores: What is the base percentage of fraud overall?
Kaufman: The best research is 3-5% of claims.
Flores: What is most common?
Kaufman: Improper payments, often billing for services that aren't rendered.

Bettencourt: You saved $490 million, if we can get you the money for the automated system for the specific criminal cases, this sounds like a great value for the state. (Bettencourt also asked about public interface)

Kolkhorst asked about the emergency room cases and if they are working with MCOs or if it is algorithms.
Kaufman: We do both. We hear from MCOs and then we can work with other MCOs to detect if there are broader issues. We had cases that recouped $14 million.
Kolkhorst talked about "double billing" of infusions.

Amit Patel, Legislative Budget Board (2:28:45)
DSHS recommendations. Decrease in 72.4 percent of all funds. Outline significant changes from 22-23 adjusted base.

Huffman: GRD account trending down. Trauma funding decreases because of that? Need to backfill amounts with GR to stay consistent?
Julia Lindsey: If revenue comes in lower than what is projected for 24-25, then there might be a backfill. But based on projections, there should be enough funding.