Texas Public Policy Foundation
Budget Solution$
*Closing Texas' Budget Shortfall*
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# Article II: Health and Human Services

As legislators are well aware, Article II has consumed an increasingly larger percentage of the state's budget with Medicaid demanding the lion's share. It is also the least flexible due to the restraints placed on Medicaid by the federal government. Recent changes in federal law with the passage of the Patient Protection Affordable Care Act (PPACA) removed most of the remaining options. With hands tied and the federal match decreasing, the Article II agencies present special challenges in efforts to balance the budget. Absent Medicaid reform, the state lacks the freedom to set its own priorities and design the optimal health and human services delivery programs. Ultimately, unless the leaders at every level of government make significant reforms to the Medicaid program, as the Foundation has vigorously supported, the state will continue to experience Article II budget difficulties, including the projected need for more than $14 billion in new General Revenue for the 2014-15 biennium under the dictates of the current federal law.

The recommendations below represent budget savings from the 2010-11 appropriations bill. In coming up with our recommendations, the Foundation undertook an agency by agency, program by program, and line by line review of the state budget. In many cases, this resulted in specific recommendations for certain agencies or programs—many of which are highlighted in the descriptions below. At other times, it resulted in recommendations of across the board savings at agencies. In all cases, the impact on Texas taxpayers and the economy of higher taxes to support spending at present levels during these tough economic times were taken into account. Some of these savings may already be reflected in HB 1 and SB 1.

## Recommendations

### *Consolidate the Department of Assistive and Rehabilitative Services DARS into the Department of State Health Services*

*Savings:* $7.2 Million
*Description:* DARS provides some much needed services to Texas. Over time, though, it has grown to primarily operate programs funded and regulated by the federal government. The need for an entire agency to operate programs largely controlled by the federal government is no longer apparent. As the smallest of the five Article II agencies it is the easiest for consolidation. This will lower the costs of administration and duplication of efforts.

### *Cut Non-Federally Required Medicaid Programs*

*Agency:* Department of State Health Services, Department of Aging and Disability Services
*Savings:* $67 million
*Description:* The state is in a precarious position with Medicaid due to the PPACA's prohibition on changes to eligibility. Over the years Texas has expanded benefits through a number of non-federally required programs. These programs include Kidney Health Care Program, Family Planning Services, Substance Abuse Prevention, Adoption Services, and others. Many of these programs will be duplicated under the PPACA's minimum benefits package, and they offer some of the only certain cost savings during the current period of uncertainty in health care.

### *Expand APN Scope of Practice Laws*

*Agency:* Health and Human Services Commission, Department of Aging and Disability Services
*Savings:* $50 million
*Description:* Texas has some of the most restrictive scope of practice laws for Advanced Practice Nurses (APN) among all of the states. Burdensome regulations concerning oversight and documentation make their prescriptive authority quite limited and ineffectual on a large scale. Despite these restrictions APNs have proven to provide equal quality of care at a lower cost than physicians. They are also far less expensive to train meaning we can deploy many more APNs, which is especially critical in Medically Underserved Areas (MUA) and Health Professional Shortage Areas (HPSA). This will allow for more and less expensive options for medical services provided by the state. It will also expand health care services in MUAs and HPSAs which will reduce emergency room utilization.

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*Expand Medicaid Managed Care Statewide*

*Agency:* Health and Human Services Commission
*Savings:* $601 million
*Description:* Medicaid Managed Care STAR and STAR+Plus programs are proven means of cost containment in Texas Medicaid. South Texas was originally exempted because the cost savings were thought to be negligible. It has since been demonstrated that savings are very significant and managed care is needed on a number of fronts. The 2012-13 LAR suggests also including dental costs and hospital payments in managed care. The state cannot justify exemptions from proven means of cost containment during this budget cycle, particularly considering the prohibition on Medicaid eligibility in the PPACA.

*Pay Hospitals by Medicaid Fee Schedule*

*Agency:* Health and Human Services Commission
*Savings:* $46 million
*Description:* Hospitals are currently paid at 200 percent of the normal Medicaid rate. If the state were to reduce this reimbursement rate to the Federal level HHSC estimates savings of $46 million. In a December 30, 2010 letter, HHSC Executive Commissioner Tom Suehs noted that, "HHSC has already implemented limiting inpatient hospital reimbursement to related parties to no more than Medicaid. By extending that to non-related parties, an estimated $119.3 million all funds ($46.3 million general revenue) is projected to be saved over the next biennium." Hospitals are allowed to bill managed care organizations at more than the Medicaid rate which is what causes this disparity. The State should not pay twice as much for the same treatment.

*Privatize State Supported Living Centers*

*Agency:* Department of Aging and Disability Services
*Savings:* $10 million
*Description:* State Supported Living Centers (SSLC) are the large, state-operated institutional facilities used to house and treat individuals with Intellectual and Developmental Disabilities (IDD).They are extremely expensive, often three times the cost of their community based alternatives, and are subject to burdensome Department of Justice (DOJ) requirements due to numerous, repeated cases of abuse. The facilities will also cost two and a half times their value in maintenance over the next 5 years. The DOJ recently used the *Olmstead* case to shut state institutional facilities down in Georgia, and the U.S. Attorney stated that that case would be used as a template to shut SSLC-type facilities down across the nation. The community based, private alternatives are less expensive and offer better care. Texas is far behind the curve on treating their IDD citizens in the most integrated way possible, which is not only the highest quality way, but also the way required by Federal law. Savings of $10 million could be found by closing two SSLCs. The Texas Public Policy Foundation continues to advocate for the privatization of all of the centers but acknowledges the scope of the task. It is only feasible to expect two SSLCs to be closed this session. The Foundation recommends the San Antonio and Rio Grande facilities as the primary candidates for closure. The Legislature should continue to privatize the remaining facilities in future sessions to mitigate the unjustified costs associated with them.

## Total GR Savings in Article II: $1,127,832,938

(reduction from 2010-11 appropriations)

| Agency | 2012-13 GR Savings |
|---|---|
| Department of Aging and Disability Services | ($85,497,937) |
| Department of Assistive and Rehabilitative Services | ($7,200,000) |
| Department of Family and Protective Services | ($33,167,354) |
| Department of State Health Services | ($266,044,481) |
| Health and Human Services Commission | ($735,923,166) |

*Reduce TANF Welfare to Work Exemptions*

*Agency:* Health and Human Services Commission
*Savings:* $10 million
*Description:* Temporary Assistance for Needy Families (TANF) Grant requires a 50 percent and 90 percent participation rates for all families and two-parent families, respectively. The benchmark year for tracking these percentages was updated to 2005 from 1995 in the Deficit Reduction Act of 2005 (DRA). This means the state must track these percentages more closely than before. There are currently a number of exemptions from these work requirements, both in statute and rule, which will put the state in jeopardy of meeting these requirements and receiving our full grant money. ☆

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