



HHS Funding: Senate vs. House Proposals for 2004-2005

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Many programs and services for the neediest Texans remain unfunded in the Senate Finance or House budget proposals, or in both. While the Senate Finance Committee has invested significant amounts in Health and Human Services above what was included in the House Budget, major program and client cuts remain. **Despite additional funding, the Senate Finance budget in 2005 would eliminate Medicaid or CHIP coverage completely for over 211,000 persons; cut *benefits* (e.g., Medicaid drug coverage; HIV drugs; community care for aged, disabled, mentally ill, and mentally retarded persons) for more than 398,000 Texans, and reduce projected enrollment *growth* in children's Medicaid by over 298,000.**

Senators should be thanked for the additional effort they made to fund critical health and human services, but reminded that their budget as drafted today would still inflict harm on hundreds of thousands needy and vulnerable Texans, and deal a harsh blow to local economies through the loss of hundreds of millions of federal dollars for health care. The Legislature can raise additional revenue sufficient to avoid these cuts—as well as cuts in other key areas such as education—by raising cigarette taxes, closing loopholes in existing taxes, and making reasonable accounting adjustments. The Senate should continue further down the path of preserving core state services, and balance the budget in a balanced way.

Following is a summary of some significant cuts, noting how the House and Senate proposals diverge or converge. A table that follows provides additional detail, including the estimated funding needed to restore some of the cuts in the two budget bills.

Note: “Senate” below refers to the budget bill as voted out of the Senate Finance Committee on April 25, 2003. All figures are from state agencies, Legislative Budget Board, or legislative committee work documents. Caseload impact numbers below are based on the agencies’ fiscal year 2005 caseload impact estimates, because the caseload cuts generally become larger in the second year of the biennium.

Summary

- Senate funding of **community care for the elderly and disabled** would leave over 24,000 without care in 2005.^[1] In the House plan, over 66,600 people would lose these services in various programs that help them remain in their homes. Most of the cuts are the result of raising the “score” the Department of Human Services (DHS) uses to assess an individual’s need for assistance, which results in fewer individuals being eligible for care. The House would raise the qualifying score to 29 from a current 24, while the Senate raises the score to 26.

- The Senate bill cuts **Medicaid maternity coverage** (i.e., prenatal care and delivery) by a

monthly average of 13,518 women (but because maternity coverage is for less than a full year, the total number of affected women in a year will actually be higher than this number). The House bill eliminates coverage for 17,209 low-income pregnant women (monthly average number).

- **Prescription drug coverage for adults on Medicaid.** The Senate only partially funds prescription drug coverage for **adult SSI recipients**, eliminating drug coverage for more than 208,000 aged or disabled individuals, while the House budget provides drugs for all SSI recipients. The Senate also eliminates Medicaid drug coverage for over 147,000 **parents in extreme poverty** (those receiving TANF, as well as parents at or below the TANF income level who do NOT receive TANF, i.e., a family of 3 earning less than \$188 per month).

- In the House, **mental health and mental retardation services** are eliminated for about 8,200 individuals. In the Senate, services for at least 10,700 clients will be eliminated or reduced.

- Assumptions about **roll-backs of children's Medicaid simplification** (SB 43 from the 2001 session) were built into HHSC's budget request. These were: maintaining 6-month continuous coverage (rather than the 12-month period mandated by SB 43), imposing a "stricter" assets test, and reinstating mandatory face-to-face DHS application and renewal. The Health and Human Services Commission (HHSC) projects these 3 policy reversals would reduce projected 2005 Medicaid enrollment by more than 332,000 children. The Senate budget proposes 6-month continuous coverage, and adopts a stricter assets test, but has included \$45.7 million in funding to allow the Medicaid program to maintain application and renewal of children's Medicaid by telephone or mail. **This is a critical improvement; as parents would still be able to enroll and renew by mail, and children would have at least a 6-month period of continuous coverage, making for a process that is still much simpler for families than was the case before SB 43.** Because of this funding, the Senate's proposal is projected by HHSC to reduce 2005 child enrollment by a smaller number (298,601) than the House. The House budget does not include this funding, and assumes all 3 reversals of children's Medicaid simplification (and the higher reduction in child enrollment).

- **Children's Health Insurance Program (CHIP).** Both the House and Senate assume policy changes which were built into HHSC's budget request: (1) imposing a 90-day waiting period for enrollment, (2) reducing continuous eligibility to 6 months (from the current 12 months), and (3) requiring higher co-payments and premiums from clients. These changes are projected by HHSC to reduce the number of children enrolled by 162,487 below current (April 2003) enrollment, or 170,424 below projected enrollment in 2005. Because of these three policy changes, the Senate CHIP proposal—despite keeping eligibility at 200% of the federal poverty level (FPL)—will still reduce enrollment by this amount.

Both the Senate and House budget proposals have stripped out many benefits from CHIP, leaving what have been described as "federal minimum benefits, plus drug coverage." CHIP benefits that would be eliminated include: dental, durable medical equipment (wheelchairs, crutches, leg braces, prostheses, etc.), chiropractic, hearing aids, home health, hospice, mental health, physical therapy, speech therapy, substance abuse services, vision care and eyeglasses. While the federal statute clearly encourages states to cover mental health, vision, and hearing services, and there is no precedent for a state offering such a limited CHIP benefit, it appears it may be possible to gain federal approval.

The Senate has kept eligibility at 200% FPL, but reduced the benefit package to near federal minimums. The Senate has maintained all 3 state-funded CHIP programs (state employee children, children of school district employees, and recent legal immigrant children). The House has cut eligibility back to 150% FPL, reduced benefits to near the federal minimum, and eliminated the state-funded CHIP programs for the children of state and school district employees (maintaining coverage of legal immigrant children). Because of the lower eligibility threshold and the elimination of the 2 state-funded groups, the House bill would reduce 2005 enrollment by more than 268,000 children (from a projected enrollment of 516,113 in 2005 under current law).

· **Essential Child Protective Services** were largely restored in the Senate, though funding is still needed for prevention programs and other items. The House plan leaves front-line CPS investigations teams both below current staffing and more than 380 workers short of being able to keep caseloads from increasing in the next two years. Significant gaps in foster care rates and funding for prevention programs remain in the House budget.

General Revenue Additions to Article II and Remaining Needs

The House Appropriations Committee added \$2.75 billion to Article II above the “zero-based” funding level, or Initial General Revenue Amount (IGRA). However, the full House subsequently reduced Medicaid appropriations by \$524 million in GR and distributed that “savings” among various Article III priorities—reducing the actual “increase” to Article II to \$2.204 billion.

The Senate Finance Committee added \$2.863 billion to Article II priorities as part of its budget plan.

The Gap Remaining: In the Senate plan, we estimate that additional general revenue of at least \$1.1 billion is needed to avoid the worst cuts to essential health and human services programs. This is reflected in the Senate’s unfunded items in the attached chart. Another reference point is the Senate’s Article II “wish list,” as outlined in an intent rider by Senator Zaffirini, which identifies \$790 million in unfunded priorities.

For items not funded in the House budget that appear in the chart, essential restorations would require an additional \$1.5 billion.

Comparison of the House and Senate Budget Plans:

How They Treat Selected Article II Items and Child Care Subsidies

	Senate	House
General Revenue added to Article II above the IGRA ^[2]	\$2,862.5 million	\$2,203.9 million

NOTE: in chart below, a blank indicates that the restoration has already been proposed or the cut was never proposed in the first place. “Unknown” means client impact information is not available to CPPP.

Selected priorities still not funded	Senate		House	
	Client Impact* (numbers cut or losing benefit)	Cost to restore	Client Impact* (numbers cut or losing benefit)	Cost to restore
Restoration of functional needs score to 24 for Community Care (Entitlement Services and State Funded)	17,918 if score left at 26; SSI clients in the community would not get 3 prescription medications	\$74 m	56,669 if score left at 29	\$261.7 m for score of 24

for elderly and disabled individuals who require assistance with daily tasks to remain in their homes (DHS-Medicaid).				
Community Care - Waiver program capacity <i>(Programs: CBA, CLASS, MDCP, Deaf/Blind Multiple Disabilities, Consolidated Waiver [Bexar County pilot])</i>			3,577	\$30.1 m
State-funded community care not covered by Medicaid (DHS) -- does not include cuts made through change of functional needs score mentioned above <i>(Programs: Adult Foster, Family Care, Home Delivered Meals, Emergency Response, Consumer Managed Personal Assistant Services, Respite Care, Residential Care)</i>	2,856	\$17.8 m	2,856	\$32.5 m
In Home and Family Support (DHS)	4,221	\$18 m	3,500	\$15 m
Alzheimer's program (DHS)				\$1.6 m
Increased long-term care acuity costs [to cover increased per-client use of			Unknown	\$67.8 m

services and supplies in community care and nursing facility/hospice programs] (DHS)				
Personal needs allowance for nursing home/hospice care (DHS)				\$13 m
Integrated Managed Care: restoration of rates to 2003 level [House cut]; restoration of service package [House and Senate (DHS)		\$8.9 m		\$39.5 m
TANF grants (cash assistance) for children and their parents (DHS)		\$0.83 m		\$6.2 million
TIERS project (DHS Capital Budget Rider 1)		\$17.4 m		
Prenatal care and delivery for low-income pregnant women (HHSC-Medicaid).	13,518 between 144 - 185% FPL	\$71.4 m	17,209 between 134- 185% FPL	\$90.0 m
Prescription drug coverage for SSI recipients who are not in a nursing home or a Medicaid waiver program (HHSC).	208,743	\$338.7 m		
Prescription drug coverage for very poor parents with dependent children and incomes low enough to receive TANF – no more than \$188 per month (HHSC-Medicaid)	147,441	\$41.1 m		
Medically Needy Adults – temporary health coverage of	9,959 (monthly average)	\$63.4 m	9,959 (monthly average)	\$63.4 m

parents with dependent children whose high medical bills have impoverished them (HHSC - Medicaid)				
Children's Medicaid simplification: Allowing continued mail-in application and renewal for children (HHSC)			33,597	\$45.7 m
Breast and Cervical Cancer Program for uninsured women under age 65 with income less than 200% of the federal poverty line (HHSC - Medicaid)	366	\$2.5 m		
Counseling, podiatric and chiropractor care, eyeglasses, hearing aids, and other optional benefits for adults on Medicaid, principally aged and disabled individuals (HHSC)	More than 169,900	\$18.7 m	More than 169,900	\$18.7 m
CHIP at 200% FPL, with full benefits to age 19 and all state funded-programs (HHSC). <i>Note: Neither proposal restores current eligibility/co-pay/enrollment policies. An additional \$143 million above the restoration amounts at right</i>	170,424	\$69 million to restore full benefits to all children.	More than 268,000	\$215.5 m to restore to 200% FPL, full benefits, and fund state programs

<i>would be needed to get back to current policies.</i>				
Medicaid provider rates at fiscal 2003 levels	Unknown	\$188 m; \$6.9 m to restore CHIP rates	Unknown	\$276.5 m
Immunizations (TDH)			470,960 vaccines	\$5.4 m
HIV Medications (TDH)	Program would likely impose clinical thresholds to reduce new client intake by 1/3	\$7.9 m		
Primary health care, Federally Qualified Health Centers, Office of Minority Health, and County Indigent Care Program	unknown	\$21.6 m (to restore to 2002-2003 level)	unknown	\$11.2 m (to restore to 2002-2003 level)
Maintain Kidney Health Program (TDH) -- reductions would be in drugs, medical services, and transportation benefits		\$5.3 m	Unknown	\$10.1 m
Children with Special Health Care Needs (TDH)			510 children	\$7.6 m
Tuberculosis program (TDH)			Unknown	\$1 m
Dental Health programs for children and dentally-underserved areas			Unknown	\$1.5 m
Mental Health Community Center Services for adults (MHMR) <i>(NOTE: for all MHMR restoration costs,</i>	1,024 adults (1% reduction); plus 2,946 lose In Home and Family Support	\$14.4 m	2,946 adults served by In Home and Family Support	\$11.1 m

<i>assumptions were made based on the fiscal 2004-05 current services request for GR)</i>				
Mental Health Community Center Svcs. for children (MHMR)	619 children (2.2% reduction)	\$2.1 m		
Community hospitals (MHMR): inpatient services (House cut) and research and training (cut in House and Senate)		\$6.6 m	1.6% reduction in beds in Galveston, Houston, Lubbock	\$7.2 m
NorthStar Services for Indigent Consumers (MHMR)	1,913 with reduced services	\$2.4		
State hospital (MHMR)			Clients relocated	\$6.5 m
Mental Retardation Community Center Services (MHMR)	4,241 losing In Home and Family Support	\$25.2 m	1,192 lose In Home and Family Support; 4,108 clients lose other services (17.5% cut)	\$70.7 m
State school (MHMR)			Clients relocated	\$7.5 m
45 Child Protective Services (CPS) workers, to maintain fiscal 2003 staffing level (PRS)			Unknown	\$2.5 m
More than 380 additional CPS staff, to maintain fiscal 2003 caseloads per worker (PRS)			Unknown	\$17.3 m
Foster care rates at 2003 levels (PRS)	At least 8,300 children affected	\$5.0 m	At least 11,470 children affected	\$13.8 m
Restoring adoption subsidy payments to 2003		\$1.3 m		\$6.1 m

levels (PRS)				
Restoring abuse prevention and at-risk programs to 2002-03 funding levels (PRS)	More than 34,900	\$27.4 m	More than 32,800	\$26.9 m
General revenue needed to draw down Texas' full allocation of federal child care funds (TWC)	4,921	\$12.3 m	4,921	\$12.3 m

[1] We have used agencies' fiscal year 2005 caseload impact estimates, because the caseload cuts generally become larger in the second year of the biennium.

[2]* Client impact numbers reflect those losing services compared to current program in 2005 and therefore the numbers of clients restored if corresponding funding level is restored.

[2] IGRA – Initial General Revenue Amount: the target amount required to come within a 12.5% GR reduction from fiscal 2002-03 (for Article II: \$12.154 billion, not counting retirement/group insurance, Social Security/BRP, bond debt service payments, lease payments, and special provisions).

[i] Revised 5/12/03 per LBB Article II Issue Docket for Conference Committee (House budget has funded this item), and updated HHSC estimates provided to Conference Committee members (HHSC revision to client impact estimate).

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