



# THE POLICY PAGE

An update on state and federal action from

## The Center for Public Policy Priorities

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### KEY PROGRAMS NEED FUNDING AS CONFERENCE COMMITTEE CONSIDERS WELFARE, HEALTH AND HUMAN SERVICE ISSUES

The Conference Committee on the State Budget, which has the job of taking the House and Senate adopted budgets and coming up with a final compromise budget, will discuss allocation of funds for Health and Human Service programs the week of May 5. Planning for the allocation of the Temporary Assistance for Needy Families (TANF) block grant has been underway for several weeks. However, many major issues regarding HHS funding are expected to be left pending until HB 4, the property tax bill, is finalized. The reason for this is that the house tax bill would take \$1 billion in available revenues from the Treasury to add to the property tax cut pot. If this happens, only about \$600 million above the budget as adopted by the House will be available for the conferees to add to the budget proposal. Competition for those limited dollars will be fierce. Programs all across the budget require substantial additional funds; to illustrate, just funding three major needs -- Public Schools, Community Care and Nursing Home Care for the elderly and people with disabilities, and the state's Year-2000 Computer Fix -- would use up almost all of the available \$600 million. In addition, tens of thousands of Texans who are elderly or have disabilities are on waiting lists for basic community services (see below).

Meanwhile, the House tax proposal is dramatically weighted to favor the wealthiest Texans; by the Legislature's own analysis, the 82.5% of Texas families with incomes under \$75,000 will only get 41% of the tax break. For these reasons, the Center remains opposed to the use of \$1 billion in revenues for a tax break while critical state needs go unmet.

This Policy Page outlines key budget concerns of Health and Human Service agencies in the Conference process. Highlights are included in the box below, followed by agency summaries. Questions about this *Policy Page* may be addressed to Marcia Kinsey or Anne Dunkelberg at the Center.

Waiting Lists for State Programs Put Notion of "Budget Surplus" in Perspective	
PROGRAM	1997 Waiting List
Chronically Ill and Disabled Children's Program (CIDC) of TDH	1,116
Community Care (non-Medicaid) at TDHS	4,517
Community Living Assistance and Support Services (CLASS) at TDHS	3,117
In-Home and Family Support at TDHS	9,236
Community-Based Alternative Waiver at TDHS	8,760
Home and Community Services at TDMHMR	5,917
Texas Children's Mental Health Plan at TDMHMR	6,616
In-Home and Family Support at TDMHMR	6,367
Supported Employment at TDMHMR	1,206
Supported Housing at TDMHMR	255
Assertive Community Treatment at TDMHMR	234

### CPPP Top Concerns in Budget Process

- 1) Gap between agency request and budget for TDH Medicaid is over \$230 million GR, Contingency Fund uncertain.
- 2) Funding for Child Protective Services caseworkers to ensure Texas can meet increased needs
- 3) Funding necessary to ensure no elderly or disabled clients are removed from community care services.
- 4) Providing enough state GR to maintain current Early Childhood Intervention services.
- 5) Absence of any State Plan for Responding to Cut-off of Food Stamp and SSI benefits for legal Immigrants.

**TEXAS DEPARTMENT OF HEALTH**

**Proposed Funding for Medicaid programs, Texas Health Steps  
Over \$200 Million GR<sup>i</sup> Short of Current Services Request**

Medicaid funding is, as usual, a headache to try to understand. Here's our attempt to simplify the issues at the Texas Department of Health.

**1) Caseloads are NOT the issue.** The TDH and LBB budget writers appear have no major disagreement about the projected numbers of Texans who will be enrolled in Medicaid in 1998 and 1999.

**2) However, there is a MAJOR Difference in How Much Is Assumed to be Spent per Person.** Strategies B.1.1 to B.1.4. are the Medicaid line items which pay for traditional Medicaid premiums and capitation payments to HMOs. Neither the House nor the Senate added funds to these strategies above the amounts in the original filed budget. In order for the recommended funds to be adequate for the biennium, the average **monthly** cost per client would have to **drop** from TDH's current 1997 rate of \$156.91 to around \$149 per month in 1998. Calculating the gap between the recommended funding and the TDH request is complicated somewhat by questions about the handling of Medicaid funding for legal immigrants, but the **difference is roughly \$200 million All Funds, \$76 million GR.**

**3) Largest Gaps are Between TDH Request and Recommended Funds for Texas Health Steps (EPSDT) and Vendor Drugs.**

- **The "Comprehensive Care Program" (CCP) of Texas Health Steps** handles reimbursement for health services children on Medicaid need that fall outside of what the **traditional** Medicaid premium covers. Because new Medicaid HMO contracts now **include** CCP services, the costs of CCP services are being shifted from the CCP strategy to the premium strategies as more children are enrolled in managed care. (Managed care enrollment is projected to grow from about 14% in 1997 to 36% in 1999.) Requested funding for CCP reflects this transition; TDH requested \$162 million for 1998, dropping to \$150 million in 1999<sup>1</sup> (projected 1997 spending is \$161 million). In contrast, recommended funds in both the House and Senate budgets are \$109 million for 1998 and \$84 million in 1999, **for a biennial difference of \$119 million All Funds, \$44.9 million GR.**

<b>Gap Between TDH Medicaid Current Services Request and House &amp; Senate Budget</b> (Dollars in Millions)				
<u>Strategies</u>	<u>TDH Request</u>	<u>House &amp; Senate Budget</u>	<u>Difference</u>	
	<b>Biennial, All Funds</b>		<b>All Funds</b>	<b>GR</b>
<b>Premiums</b>	\$7,663	\$7,459*	\$203*	\$76
<b>Texas Health Steps: CCP</b>	\$312	\$193	\$119	\$44.9
<b>Texas Health Steps: Medical</b>	\$164.1	\$140.4	\$23.7	\$9.2
<b>Texas Health Steps: Dental</b>	305.7	\$249**	\$56.7	\$21
<b>Vendor Drug Program</b>	\$1,866.7	\$1,641.7	\$225	\$85
<b>Other Medicaid</b>	\$1,376	\$1,370.5	\$5.5	\$2.1
<b>Total, TDH Medicaid</b>			<b>\$633</b>	<b>\$238</b>
* Rough estimate; adjusts House/Senate amount upward to include funds for Legal Immigrant Medicaid.				
** Senate amount; same as original filed budget.				

- **Texas Health Steps Medical: Check-Ups, Outreach, and Case Management** are funded in the D.2.1. strategy. TDH has requested \$78.8 million in 1998 and \$85 million in 1999. The House and Senate budgets recommended \$70 million per year for 1998 and 1999, for a **biennial difference of \$23.7 million All Funds, \$9.2 million GR.** Under the terms of Texas' settlement agreement in the federal class-action lawsuit related to EPSDT, the state must expand substantially its outreach and case management activities for children.

- **Texas Health Steps Dental** is the only Medicaid strategy to which changes were made by either budget committee; the House reduced the amount from the original filed recommendation (\$120 million 1998 and \$128.9 in 1999) to reflect the TDH February request revisions (\$116 million and \$127 million). However, the April 1 TDH updates adjusted the request upward to \$141 million and \$164.5 million. The EPSDT lawsuit also requires TDH to improve outreach to get more children into dental services. TDH has seen an increase in children getting dental care from 29% in 1996 to 37%, as well as increased costs per child. The agency projects that 49% of children in Texas Medicaid will receive dental care in 1999. The gap between the original recommended funding (Senate bill) and the updated request is **\$56.7 million All Funds, \$21 million GR.**

- **Vendor Drug Program** requested funding was \$868 million for 1998 and \$998 million in 1999. The House and Senate budget recommended amounts are \$773 million for 1998 and \$869 million for 1999, for a **biennial difference of \$225 million All Funds, or \$85 million GR.** While little information has been available regarding the assumptions behind the recommended funding levels, TDH has been told that this gap does **not** result from assumptions about changes in the dispensing fee paid to

<sup>1</sup>Net request for current services after deducting costs of proposed MDCP expansion.

pharmacies, or implementation of selective contracting for prescription drugs.

**4) The Contingency Fund.** Both the House and Senate budgets include a Contingency Fund of \$200 million (not to be confused with a separate Contingency Fund being considered for the TANF block grant.) The fund as defined in the bill would respond to “emergency expenditure requirements **related to caseload growth**” at the Texas Education Agency for the foundation school program, Texas Department of Health and Department of Human Services for Medicaid purposes; the Texas Youth Commission, the Department of Criminal Justice, and/or the Department of Protective and Regulatory Services, for foster care/adoption payments. It is not clear if the Contingency Fund will be available to respond to a shortfall in Medicaid for two reasons:

- The fund as currently defined would respond only to emergency needs related to **caseload** growth, and the gap between requested and recommended amounts is caused by different **cost** assumptions, rather than caseload differences. ***The Center recommends that language be added to the rider defining the Contingency Fund that explicitly allows the Fund to respond to expenditure needs related to Medicaid utilization growth.***

- With only about \$600 million available to add to the budget, it is possible that the Contingency Fund may not survive the Conference Process.

**4) Why is the Gap between Requested and Recommended So Large?** As many readers know, the Medicaid programs at TDH cost far less in 1996 and 1997 than the agency had projected, and were even less than the LBB had projected at budget-drafting time in 1995. The 1996-97 budget was estimated to under-fund TDH by about \$100 million GR, but the agency is instead expected to end the biennium with a **surplus** of over \$320 million

GR, mostly due to lower-than-projected Medicaid costs. After several years of steep upward climb, Medicaid caseload growth has dropped to a crawl for the last 3 years.

Given this recent history, it is difficult to justify cost Medicaid increases related to caseload -- and, in fact, TDH and the budget writers seem to be in agreement over caseloads. The Center cannot speak to the likelihood that all the inflation- and utilization-related growth projected by TDH will materialize. Still, it seems clear that a **drop** in cost per client (which would have to occur to stay within the budgeted premium funding) is quite unlikely. The precipitous drop in Texas Health Steps CCP spending that is assumed in the House and Senate budgets is also unlikely; and combined with the discrepancies in the other THS strategies it should raise the concern of anyone interested in health care for low-income children in our State.

It is not clear whether the amounts recommended for Medicaid in the House and Senate budgets are based on actual assumptions about Medicaid growth, or were just designed to come in under a pre-ordained spending level. It has even been suggested that the numbers may represent an estimate of the costs of 23 months of program operations, with the assumption that in a worst case, costs could be pushed into the next biennium. **Whatever the reason for the difference, the budget crafters at the Legislature should inform the public whether the Legislature will ensure that Medicaid is adequately funded if the final appropriated amounts prove inadequate, or whether instead services and provider payments will be cut.**

## Other TDH Budget Issues

**1) MDCP Waiver Expansion Request.** The Medicaid amounts listed above are adjusted to subtract amounts requested for an expansion of the Medically Dependent Children’s Program (MDCP), the waiver program designed to allow children with complex medical needs to remain in their family homes. TDH has requested **\$14.9 million GR for the biennium in the MDCP strategy, plus \$9.2 million GR for additional THS-CCP costs** for the newly enrolled children. With these funds, TDH would expand the program from the current 600 children, adding 750 children to the program. The waiting list for MDCP is reported to be over 1,000, so even this major expansion would not all current needs.

**2) Current Services for Maternal and Child Health Block Grant (Title V) Programs.** This Federal block grant, which is one of the largest sources of funding for

local health departments and other non-profits that serve low-income uninsured Texans, has been flat-funded by Congress for several years; meanwhile, population growth and inflation continue to grow. As a result, the agency has estimated that it will need an additional \$11 million GR for the biennium just to maintain existing contracts with community providers. Without this funding, local health departments and community providers will have to reduce or eliminate services. **Neither the House nor Senate provided this funding in their budgets, if this is unchanged TDH believes they will be unable to maintain current contracts. Both houses included the item in the Article XI “wish list.”**

**3) Other TDH Public Health Priorities.** The agency identified a number of public health funding needs in its Exceptional Items request. These include:

- \$1 million GR for current services at Birth Defects Registry, and another \$1.46 million to complete statewide expansion of the registry. The Department may have authority to maximize federal funds in the current biennium which could address these needs.
- \$8.95 million GR for outreach and treatment of Tuberculosis,
- \$7.53 million for continued Rabies bait vaccination of coyotes and foxes across the state,

- \$1.18 million GR for home health agency inspection activities, (funded by House only)
- \$13.72 for current service needs in Family Planning,
- \$820,000 for current services at the Health Care Information Council, and
- \$7.5 million for renovations at the state-owned hospitals in San Antonio and Harlingen.

## TEXAS DEPARTMENT OF HUMAN SERVICES

Neither the House nor the Senate budgets provide enough funding for the agency to maintain the current level of services in community care programs and Medicaid-funded nursing homes serving elderly and disabled Texans. In addition, DHS indicates that extra funding is needed to support long-term care eligibility workers at their current workload levels and necessary automation enhancements.

Community Care Funding Issues		
	House	Senate
<b>Funding Shortfall</b>	<b>\$36.6 million GR; \$80.1 million all funds</b>	<b>\$85.5 million GR; \$194.5 million all funds</b>
<b>Effect on Services</b>	<ul style="list-style-type: none"> <li>2,750 fewer clients served in non-Medicaid community care services.</li> <li>Non-waiver Medicaid community care fully funded.</li> <li>Of the Medicaid waiver community care programs, Community Based Alternatives would be able to increase services initially but would freeze service levels in August 98.</li> </ul>	<ul style="list-style-type: none"> <li>3,830 fewer clients served in non-Medicaid community care services.</li> <li>Non-waiver Medicaid community care fully funded.</li> <li>In the Medicaid waiver community care programs, 2,700 clients would be put on a waiting list for Community-Based Alternatives services in FY 98 and 7,620 in FY 99.</li> </ul>

**1. Elderly and Disabled Would be Removed From Community Care.** Neither budgets provide enough funding to maintain the current community care programs.

*The difference in the funding shortfall between the House and Senate is due to the fact that the House's TANF plan recommended using \$39.7 million in "freed up" GR (to match \$65.5 million in federal Medicaid funds) and \$9.2 million in "freed up" Title XX funds.*

**2. Nursing Home Clients Would be Denied Care.** Both houses' budgets underfund nursing facility payments by \$122.2 million GR (\$323.2 million all funds). To operate at this funding level, DHS would tighten eligibility criteria, resulting in 10,200 clients being denied services.

**3. Funding for Computer Conversions not Covered.**

DHS estimates that it will cost the agency \$24.4 million GR (\$63.7 million in all funds) to make the appropriate automation system changes for the year 2000. Making these changes are essential for the continued provision of services to clients. Neither budget funds this; however, there is discussion about how these changes could be incorporated in with the large scale overhaul of the state's eligibility determination system.

**4. Workload for Long-Term Care Eligibility Workers Would Increase.** Both House and Senate budgets fall \$17.7 million GR (\$32.6 million in all funds) short of the amount needed to maintain current worker caseload levels.

## DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES

Except for foster care and adoption payments, the original LBB<sup>ii</sup> budget did not even fund DPRS' programs at their FY 97 levels, despite projections of increased needs in FY 98 and 99. Although neither the House nor the Senate recommended enough funding above the base LBB budget to meet all the increased needs at the agency, much discussion has occurred in the Budget Conference Committee's TANF Work Group about funding DPRS's needs with new federal welfare block grant —Temporary Assistance for Needy Families (TANF)—funds and state GR and federal Title XX that was "freed up" by doing TANF swaps. Because TANF funds can be used to fund programs at DPRS, fully funding this agency's needs is not a question of how to find enough state GR. Rather, the debate surrounding DPRS is likely to focus upon the

agency's request for additional staff. The House, in particular, has indicated concern about adding significant numbers of additional staff.

**1. Shortfall in Child Protective Services (CPS) Would Risk Safety of Children.** Neither the House nor the Senate budgets would ensure Texas could meet its responsibility to protect abused and neglected children. Despite the fact that the agency projects more children needing protection in FY 98 and FY 99, neither budget even funds the agency at its FY 97 service levels. Without funding to meet the demands of increased need, the agency will be forced to make tough choices, like tightening up the definition of abuse and neglect.

DPRS projects that another \$7 million GR (\$33.4 million all funds) is needed to meet the demands of increased need

in CPS services. These funds would support the addition of 12 new caseworkers (and another 2 support positions) by FY 99 to take in reports of abuse and neglect. They would also fund another 199 caseworkers (and another 73 support positions) by FY 99 to investigate abuse and work with children placed in foster care.

## **2. Shortfall in Adult Protective Services (APS) Would Jeopardize Vulnerable Elderly and Disabled Texans.** APS, like CPS, did not receive enough funding in

either budget to maintain FY 97 service levels. To meet the demands of increased need, DPRS projects another \$1.2 million GR (\$1.7 million in all funds) is necessary.

The above figures do not include the costs of administration nor the agency's request for additional automation funding. In administration alone, DPRS projects a shortfall of \$4.6 million in GR (\$7.2 million all funds) below its FY 97 funded level.

## **TEXAS DEPARTMENT OF MENTAL HEALTH AND MENTAL RETARDATION**

**No Current Service Shortfall; But Enormous Unmet Needs.** TDMHMR is not facing any major current service funding shortfalls at the proposed levels of funding in the House and Senate. The agency has made remarkable progress in reducing the size of waiting lists for community-based mental health and mental retardation services by almost one-third from 1995 to 1996. Still, because of the enormous backlog of unmet need for MHMR services in our state, about 20,600 Texans remain on waiting lists at this agency alone. And, as we are reminded by advocates for community care needs, these numbers do not count those people too discouraged to leave their names on a waiting list on which they would be number 6,368.

Given the magnitude of the unmet need, TDMHMR has identified a number of priority requests for additional funding above the amounts included in the House and Senate Bills. These include:

- **Home and Community-Based Services:** The House budget includes \$4.6 million GR for expansion to serve 200 Texans with mental retardation; an additional \$12.2 million GR would allow an additional 800 persons to be served. The total waiting list is over 5,900.
- **New Generation Medications:** for major mental illnesses, make it possible for many people to live in the community, reducing inpatient stays. The House budget includes \$5 million GR which would serve 526 persons; an additional \$8 million GR would extend care to another 860 persons.

- **Mental Illness & Substance Abuse Pilots:** these projects for dual-diagnosis individuals are a collaboration with TCADA. The House budget includes \$4.5 million GR to allow expansion of the 5 current pilots to 6 new sites.

- **Children's Mental Health Plan:** The agency requests \$21.2 million GR to serve an additional 6,330 children with serious mental health needs. Waiting list today: 6,616.

- **Residential Treatment for Children and Adolescents:** The agency requests \$21.5 million GR for services for 278 children and adolescents.

- **In-Home and Family Support:** The agency requests \$34.8 million GR to allow 6,356 persons to live independently or in their family home. Waiting list today: 6,367.

- **Other important Programs:**
  - Assertive Community Treatment:** \$4.2 million GR to serve all 234 persons with mental illness who are on waiting list;
  - Supported Employment:** \$14 million GR to support all 1,206 persons with mental illness or mental retardation on waiting list to find and keep jobs;
  - Supported Housing:** \$3 million GR to assist all 255 persons with mental illness who are on the waiting list in living independently;
  - Offenders with Mental Impairments:** \$11 million GR to reduce recidivism among ex-offenders with mental illness or mental retardation; and
  - Public School Transition:** \$5 million GR to help 580 youths with disabilities to make the transition when public school-provided services are no longer available.

## **TEXAS COMMISSION ON ALCOHOL AND DRUG ABUSE**

TCADA has one major current service issue, plus a number of fairly technical concerns related to Capital Budget needs and budget "riders" directing funds to particular local projects.

**1) Prevention Services.** TCADA requests \$8.6 million GR to allow Prevention Services to remain at the 1997 funding level.

**2) Expansions and Supports for Continued Agency Re-design.** Key agency priorities include:

- **FTE cap adjustment:** the agency requests up to an additional 17.5 FTEs to allow adequate oversight and monitoring activities.

- **Youth Prevention Expansion:** the agency requests \$3 million GR to expand drug and alcohol abuse prevention activities for high risk youth and families.

- **Youth Gambling Prevention:** The agency requests an additional \$400,000 to expand gambling prevention activities targeted to youth, to be funded with Lottery proceeds.

**Another TCADA Issue.** While it is not an identified priority of the agency, the Center for Public Policy Priorities believes that it should be acknowledged that access to publicly-funded drug and alcohol abuse treatment for Texas adults has dropped significantly as a

result of decisions made by the 74th Texas Legislature. In 1995 treatment services were delivered to over 35,000 adults (not including those who were treated as inmates in TDCJ facilities); targeted treatment for adults in the 1998-99 biennium will range from 26,300 to 28,700. Assuming the higher number are served, this will represent a reduction of almost 6,800 clients served, or a 19%

reduction from the 1996 level. While TCADA clearly needed the overhaul of its management and oversight capacity which the agency has undergone, the reduction in availability of public treatment beds -- which were already in scarce supply, with long waiting times for treatment -- was an unfortunate consequence of the restructuring process.

## TEXAS REHABILITATION COMMISSION (TRC)

**Federal Matching Funds for Vocation Rehabilitation go Unmatched.** TRC lists as their priority in the Conference Committee deliberations drawing down the \$13.2 million in additional federal vocational rehabilitation funds available to Texas in FY 98-99. Above the base LBB budget, Texas needed another \$3.6 million to draw down all the available federal funds. The House base budget added only \$1.1 million to draw down a portion of these funds. The Senate base budget included no additional state funds to draw down these federal funds.

## TEXAS COMMISSION FOR THE DEAF AND HARD OF HEARING

**1) Current Services: Contract Services Rider.** The House included a rider requested by the agency to authorize the carryover of unexpended balances of donated funds and grants from the summer camp "Camp Sign" program to allow for maintaining current services.

**2) Current Services: Interpreter Licensing Program.** The House budget includes \$20,000 to allow TCDHH to replace the 10-year old van used to transport staff around the state to conduct licensing examinations. The House also included a rider directing this expenditure.

**3) Other Riders.** Other riders the agency requested were adopted in the House budget or included in Article XI. These include: authorizing expenditure of donated funds for advisory committee expenses; interagency transfer to Texas Commission for the Blind, and general authorization for the collection (and appropriation to TCDHH) of gift, grants, or donations.

## TEXAS COMMISSION FOR THE BLIND

The Texas Commission for the Blind is concerned about several items that were not adequately funded in the base LBB budget.

**1. TCB is requesting \$270,000 in Business Employment Program funding** (which are dedicated state funds) **to fund Employment Opportunities.**

**2. Funding for TCB's Independent Living Skills Program Falls \$40,000 Short.** This funding is necessary to guarantee the full federal match for this program. The House includes the \$40,000.

## TEXAS DEPARTMENT ON AGING

The Texas Department of Aging is expressly concerned that the current funding recommended for their agency will not continue to serve the same percentage of the elderly population as was served this biennium.

## INTERAGENCY COUNCIL ON EARLY CHILDHOOD INTERVENTION (ECI)

**1. Ensuring Texas Maintains ECI services.** ECI's main priority in the Conference Committee deliberations is the addition of \$12.1 million in state GR. Without this funding, Texas risks losing all federal funding for early intervention services by FY 99. The Senate budget includes the \$12 million in state GR for ECI. The House budget, however, only provided \$6 million with authority for the remaining \$6 million to be transferred to ECI if necessary to maintain federal funds. The Senate is the preferable option for the agency.

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<sup>i</sup>GR = state general revenue

<sup>ii</sup>LBB = Legislative Budget Board