



SUMMARY OF 2012-13 APPROPRIATIONS

- Appropriations for 2012-13 across all state agencies total \$172.1 billion (All Funds), compared to \$187.2 billion budgeted in 2010-11 (an 8% decrease).
- The General Revenue (GR) total, including GR-Dedicated, is \$86.9 billion, compared to \$88.5 billion in 2010-11 (a 2% decrease).
- For Health and Human Services, the All Funds appropriated amount is \$53.7 billion, compared to \$65.5 billion in 2010-11 (an 18% decrease).
- The significant loss of Federal Funds for Health and Human Services (down 29% from the 2010-11 biennium) results in the largest All Funds decrease among the functional areas.
- The GR total for Health and Human Services is \$23.2 billion, 2% higher than the 2010-11 total of \$22.7 billion.

BIENNIAL COMPARISON (amounts in millions)

	Budgeted 2010-11	Appropriated 2012-13	Amount Difference	% Change
Total by Method of Finance				
General Revenue + General Revenue-Dedicated	\$88,525.6	\$86,882.2	-\$1,643.4	-1.9%
Federal*	\$72,303.2	\$54,120.0	-\$18,183.2	-25.1%
Other	\$26,399.4	\$31,072.0	\$4,672.6	17.7%
All Funds Total	\$187,228.2	\$172,074.2	-\$15,154.0	-8.1%
Functional Area of Government (All Funds)				
General Government	\$4,807.9	\$4,291.2	-\$516.7	-10.7%
Health and Human Services*	\$65,477.6	\$53,736.5	-\$11,741.1	-17.9%
Public Education*	\$53,701.5	\$50,726.7	-\$2,974.8	-5.5%
Higher Education	\$22,740.0	\$21,770.9	-\$969.1	-4.3%
Judiciary	\$673.9	\$643.1	-\$30.8	-4.6%
Public Safety and Criminal Justice	\$12,073.9	\$11,430.8	-\$643.1	-5.3%
Natural Resources	\$3,649.0	\$3,158.4	-\$490.6	-13.4%
Business and Economic Development	\$23,202.8	\$24,368.3	\$1,165.5	5.0%
Regulatory	\$798.7	\$696.6	-\$102.1	-12.8%
General Provisions*	\$0.0	\$912.7	\$912.7	N/A
The Legislature	\$372.8	\$340.0	-\$32.8	-8.8%
Article II: All Funds by Agency				
Department of Aging and Disability Services	\$13,641.7	\$9,668.3	-\$3,973.4	-29.1%
Department of Assistive and Rehabilitative Services	\$1,348.8	\$1,217.4	-\$131.4	-9.7%
Department of Family and Protective Services	\$2,740.3	\$2,747.6	\$7.3	0.3%
Department of State Health Services	\$6,140.2	\$5,551.8	-\$588.4	-9.6%
Health and Human Services Commission*	\$40,782.6	\$32,984.2	-\$7,798.4	-19.1%
Article II: General Revenue by Agency				
Department of Aging and Disability Services	\$4,427.6	\$4,030.6	-\$397.0	-9.0%
Department of Assistive and Rehabilitative Services	\$245.9	\$243.4	-\$2.5	-1.0%
Department of Family and Protective Services	\$1,080.4	\$1,298.0	\$217.6	20.1%
Department of State Health Services	\$2,955.0	\$2,869.3	-\$85.7	-2.9%
Health and Human Services Commission*	\$13,040.0	\$13,701.3	\$661.3	5.1%

*Amounts have been adjusted to reflect reductions in Article IX, General Provisions.



CLOSING THE GAP BETWEEN SPENDING AND REVENUE

- HB 275 appropriates \$3.2 billion in Rainy Day Funds to address the revenue shortfall for 2011.
- HB 4, which reduces state agency funding in 2011, has a net positive impact of \$354 million GR. For health and human services, reductions total \$234 million.
- SB 1 (under consideration in Special Session) is projected to save \$7.6 billion in the 2012-13 biennium, primarily by:
 - Reducing Foundation School Program formula funding (\$4.0 billion);
 - Deferring the August 2013 payment to school districts until September 2013 (\$2.3 billion);
 - Delaying a transfer of motor fuels tax to the Highway Fund (\$403 million);
 - Accelerating payment of sales taxes for taxpayers using electronic transfers (\$231 million);
 - Moving the unclaimed property tax transfer deadline (\$200 million).
- SB 7 (under consideration in Special Session) is projected to save \$468 million, primarily by removing the prohibition against using a managed care model for Medicaid in South Texas.
- Federal legislation removed a barrier perceived as blocking Texas' receipt of \$831 million in Federal Funds for education.
- The Comptroller raised the 2011 revenue estimate by \$300 million GR and the 2012-13 biennial revenue estimate by \$1.2 billion GR.
- The Comptroller also raised the estimated Rainy Day Fund balance at the end of the 2012-13 biennium by \$300 million to a total of \$ 6.5 billion (assuming use of \$3.2 billion in 2011).
- No Rainy Day Funds are appropriated for the 2012-13 biennium (so far).

MEDICAID DECISIONS

- Appropriations for Medicaid in 2012-13 total \$16.4 billion GR and \$38.9 billion All Funds.
- In 2010-11, Medicaid funding totals \$15.8 billion GR and \$49.4 billion All Funds.
- Compared to 2010-11, funding levels in 2012-13 represent a 4% increase in GR, but a 21% decrease in All Funds.
- The number of Medicaid recipients is projected to grow about 3% each year, from 3.5 million in 2011 to 3.7 million in 2013.
- To save \$700 million GR in 2013, the Health and Human Services Commission (HHSC) is directed to seek waivers on eligibility, benefits, copays, blended funding for hospital and long-term care, or 100% federal funding for undocumented persons.
- To achieve \$450 million in GR savings HHSC is directed to consider 30 cost containment initiatives.
- HHSC is authorized to defer March 2013 managed care premium payments to April 2013 and defer April 2013 payments to May 2013. The Department of Aging and Disability Services has similar authority for long-term care payments.

BIENNIAL COMPARISON (amounts in millions)	Budgeted 2010-11	Appropriated 2012-13	Amount Difference	% Change
Medicaid Program				
General Revenue + General Revenue-Dedicated*	\$15,784.4	\$16,364.1	\$579.7	3.7%
Federal Funds*	\$33,384.3	\$22,306.5	-\$11,077.8	-33.2%
Other	\$249.8	\$248.7	-\$1.1	-0.4%
Total Medicaid*	\$49,418.5	\$38,919.3	-\$10,499.2	-21.2%

*Amounts have been adjusted to reflect reductions in Article IX, General Provisions.



MEDICAID SHORTFALL: 2012-13
(in millions)

Agency Funding	Current Services Forecast	Conference Committee Funding	Projected Medicaid Shortfall
Department of Aging and Disability Services			
State Match	\$4,694.2	\$3,758.0	\$936.2
Federal Funds	\$6,445.6	\$5,160.2	\$1,285.4
Total	\$11,139.8	\$8,918.2	\$2,221.6
Health and Human Services Commission			
State Match	\$16,711.9	\$12,679.7	\$4,032.2
Federal Funds	\$22,176.1	\$16,825.5	\$5,350.6
Total	\$38,888.0	\$29,505.2	\$9,382.8
Total Medicaid Shortfall			
State Match	\$21,406.1	\$16,440.8	\$4,965.3
Federal Funds	\$28,621.7	\$21,982.6	\$6,639.1
Total	\$50,027.8	\$38,423.4	\$11,604.4

*Amounts have been adjusted to reflect reductions in Article IX, General Provisions.

MEDICAID DECISIONS (CONTINUED)

- The 2012-13 funding level is estimated to be \$5.0 billion (GR) short of the current services forecast for the Medicaid program, requiring a Supplemental Appropriations bill in Spring 2013.
- Reimbursement Issues:
 - Maintains TEFRA full cost reimbursement for children’s hospitals inpatient services.
 - Limits further rate cuts for physicians, dental providers and pediatric private duty nursing and home health (to 2% reduction implemented in 2010-11).
 - Decreases inpatient rates at other hospitals by 8% (in addition to current 2%).
 - Decreases rates for Durable Medical Equipment and Lab Services by 10.5%.
 - HHSC is directed to reimburse hospitals (other than children’s and rural) using a statewide Standard Dollar Amount (with add-ons allowed to recognize high-cost functions).
- Upper Payment Limit (UPL) Issues:
 - HHSC is authorized to provide up to \$5 million GR for Children’s Hospital UPL payments, if a critical need is demonstrated, following efforts to access funds through private UPL payments.
 - HHSC is directed to collect data to provide transparency regarding claims associated with UPL and to conduct an independent audit that includes a review of regional affiliations, uncompensated care claims and contractual agreements.
- Managed Care:
 - A total savings of \$386 million GR is assumed in the bill related to managed care expansions.
 - A gain of about \$240 million in insurance premium tax revenue is also projected.
 - STAR and STAR+Plus will expand to 10 counties in South Texas, as well as to 28 contiguous counties of existing service delivery areas.
 - 164 counties currently under the Primary Care Case Management model will convert to STAR.
 - Dental services will be provided using a managed care model.
 - If a federal waiver securing UPL payments related to STAR is not approved, HHSC is directed to halt expansion and achieve savings through hospital rate reductions.



MEDICAID DECISIONS (CONTINUED)

- If a federal waiver securing UPL payments related to STAR+Plus is not approved, HHSC is directed to carve out hospital services and achieve savings through rate reductions.
- Additional cost containment initiatives totaling \$705 million GR were adopted, including:
 - \$296 million for capping payments for dual eligibles at Medicaid rates; and
 - \$169 million for adjusting HMO premiums to average acuity.
- A number of riders were adopted related to quality-based payment reforms:
 - Reducing potentially preventable readmissions and complications;
 - Identifying over-utilized physician services;
 - Reducing non-emergent use of emergency room services; and
 - Reducing pediatric ICU admissions and costs for high-risk infants discharged from neonatal ICUs.
- Contingent on the Comptroller certifying additional revenue during the interim, up to \$700 million GR is appropriated for Medicaid.

OTHER HEALTH AND HUMAN SERVICES ISSUES

- **CHIP.** Despite anticipated growth in enrollment (from 573,769 children to 2011 to 625,457 in 2013), funding in 2012-13 is slightly less (\$17 million) than in 2010-11. Changes in federal law allow the state to now draw federal funds for legal immigrant children and children of state employees. Also, premium costs are adjusted to average acuity, parallel to the Medicaid cost containment policy.
- **Trauma.** Funding for 2012-13 totals \$115 million, which is \$35 million less than the amount appropriated for 2010-11 (or \$25 million less than the amount budgeted for 2010-11 following interim budget reductions). A transfer of trauma funding is allowed for maximizing Medicaid funds, if funding levels to designated trauma facilities would not decline.
- **Children with Special Health Care Needs.** Funding declines by \$16 million compared to appropriated amounts in 2010-11 (from \$87 million to \$71 million).
- **Early Childhood Intervention Services.** Funding in 2012-13 is slightly less than 2010-11 appropriated amounts (\$322 million versus \$326 million).
- **Children's Mental Health Services.** An increase of \$21 million is appropriated in 2012-13 (from \$132 million in 2010-11 to \$153 million).
- **Tobacco Cessation.** Funding is reduced by a third (from \$24 million in 2010-11 to \$16 million in 2012-13).
- **Immunizations.** Funding for 2012-13 is consistent with the budget for 2010-11 (\$170 million), providing more than 14 million vaccine doses to children.
- **Medically Dependent Children's Waiver.** The \$84 million funding level for the 2012-13 program is 18% less than amounts in 2010-11. A number of cost containment measures for Medicaid waiver programs were adopted.