TEXAS
Department of Aging
and Disability Services

COMMISSIONER
Jon Weizenbaum

February 27, 2013

Ursula Parks, Director
Legislative Budget Board
P.O. Box 12666
Austin, TX 78711-2666

Subject: Fiscal Year 2013 January Monthly Financial Report

Dear Ms. Parks:

The following is a narrative summary of budget adjustments processed as of January 2013, as well as, year-to-date (YTD) expenditure data; annual projections; budget variances; and other key budget issues at this time.

BUDGET ADJUSTMENTS

In total, the Department of Aging and Disability Services (DADS) fiscal year 2013 Operating Budget is $3,924.1 million in All Funds ($1,484.9 million in General Revenue/General Revenue Dedicated Funds), which is $467.1 million in All Funds above the fiscal year 2013 appropriation of $3,457.0 million in All Funds, as stated in House Bill 1, 82nd Legislature, Regular Session, 2011, Conference Committee, Stage 12, dated May 22, 2011. For fiscal year 2013, the most significant budget adjustments affecting DADS' operating budget are as follows:

- Additional funding for Medicaid-related programs pursuant to Article IX, Section 18.12(a), House Bill 1, 82nd Legislature, Regular Session, 2011 (2012-13 General Appropriations Act (GAA)). In addition to amounts appropriated in Article II, DADS received $112.9 million in General Revenue (GR) and $264.8 million in All Funds (AF) for fiscal year 2013. This amount is reflected in DADS fiscal year 2013 Operating Budget.

- The federal Affordable Care Act created a Balancing Incentive Program (BIP) which authorizes enhanced federal funding for states through September 30, 2015 to provide quality care in the most appropriate integrated setting. States that spend less than 50% of Medicaid long-term services and supports (LTSS) funding on community LTSS are eligible for a 2% enhanced Federal Medical Assistance Percentage (FMAP). Texas spends 46.9% on community LTSS and is eligible to receive funding for community LTSS in exchange for making structural and programmatic changes to increase access to community LTSS. By October 1, 2015, Texas must achieve a 50% benchmark of Medicaid community-based LTSS expenditures. Based on appropriated funding, DADS fiscal year 2013 Operating Budget reflects a $29.0 million increase in Federal Funds and an offsetting General Revenue reduction.

DADS, pursuant to Section 7, Special Provisions, Article II, GAA, has requested approval from the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning and Policy (GOBPP) for a one-time expenditure of $361,601 in BIP-related GR in fiscal year 2013 for completion of the assessment phase of the "No Wrong Door/Single Entry Point System" allowed under the BIP. An LBB review of this expenditure was sent to the legislative presiding officers and its appropriating chairs on February 6, 2013. If no written disapproval is issued by February 28, 2013, the project is assumed to be approved by the Governor and LBB. Until that time, the associated freed-up GR is assumed to be transferred out of the respective strategies proportionately to the additional BIP funds increase.

BUDGET YEAR	STRATEGY	STRATEGY DESCRIPTION	AMOUNT
AY13	1.3.4	Deaf-Blind Multiple Disabilities (DBMD)	147,033.62
AY13	1.2.1	Primary Home Care	618,337.38
AY13	1.3.1	Community Based Alternatives (CBA)	2,315,135.70
AY13	1.2.2	Community Attendant Services (Formerly Frail Elderly)	3,306,122.38
AY13	1.3.5	Medically Dependent Children Program (MDCP)	831,089.92
AY13	1.3.7	Texas Home Living Waiver	895,773.76
AY13	1.2.3	Day Activity and Health Services (DAHS)	60,320.96
AY13	1.3.2	Home and Community Based Services (HCS)	16,262,024.30
AY13	1.5.1	Program of All-inclusive Care for the Elderly (PACE)	230,210.58
AY13	1.3.3	Community Living Assistance & Support Services	3,502,066.68
AY13	1.1.1	Intake, Access and Eligibility to Services and Supports	879,236.00
		Total:	**29,047,351.28**

- The transfer of funds and FTEs from the Department of Assistive and Rehabilitative Services (DARS) to DADS pursuant to GAA, Article II, Special Provisions, Section 10 - Limitations on Transfer Authority, related to health and human services (HHS) media service for DADS' Strategy C.1.1, Central Administration. DARS submitted a letter requesting the transfer of funds and FTEs to DADS, and the letter was approved by the LBB and the GOBPP on February 16, 2012. The fiscal year 2013 Operating Budget reflects the adjustment ($513,750 in All Funds, $86,310 in General Revenue Funds and 5.0 FTEs).

- Carry back of $50.0 million in General Revenue and $72.6 million in Federal Matching Funds from fiscal year 2013 to fiscal year 2012 in A.6.1, Nursing Facilities, pursuant to GAA, DADS Rider 11 - Appropriation Transfer between Fiscal Years. The carry back amount was used to offset the fiscal year 2012 shortfall.

- The budget transfer authority relating to the elimination of the Consolidated Waiver Program (Rider 35-Elimination of Consolidated Waiver Programs, Rider 9-Limitation: Medicaid Transfer Authority, and Rider 34-Limits for Waivers and Other Programs). *See following chart.*

STRATEGY	Measures (Number of Clients)	All Funds	GR Match for Medicaid	Title XIX - FMAP
A.3.6 Consolidated Waiver Program	-156	($3,770,017	($1,537,791)	($2,232,226)
Total FY 2013		**($3,770,017**	**($1,537,791)**	**($2,232,226)**
STRATEGY	**Measures (Number of Clients)**	**All Funds**	**GR Match for Medicaid**	**Title XIX - FMAP**
A.1.1 Intake, Access, and Eligibility to Services and Support	-	$144,778	$59,057	$85,721
A.3.2 Home & Community-Based Services (HCS)	66	$1,922,236	$784,080	$1,138,156
A.3.3 Community Living Assistance & Support (CLASS)	36	$791,001	$322,649	$468,352
A.3.4 Deaf-Blind Multiple Disabilities (DBMD)	2	$46,320	$18,894	$27,426
A.3.5 Medically Dependent Children Program (MDCP)	24	$302,494	$123,387	$179,107
B.1.6 STAR+PLUS	28	$563,188	$229,724	$333,464
Total FY 2013	**156**	**$3,770,017**	**$1,537,791**	**$2,232,226**

Budget Variances

As of January 31, 2013, DADS is projecting a fiscal year 2013 deficit of $2,369.7 million in All Funds ($1,038.1 million in General Revenue). Projections are based on estimates from February 2013, using data through January 2013. For fiscal year 2013, DADS' Medicaid client services programs were funded at approximately 41 percent of the anticipated demand. This estimate includes State Supported Living Centers, and would reflect 31 percent funding without them.

The total agency shortfall listed in this report reflects the use of the enhanced federal participation rate relating to both BIP and Money Follows the Person (MFP) for the respective programs. However, DADS has not received approval to expend the GR savings as a result of the enhanced rates, therefore, excluding the BIP ($12.4 million in additional freed up General Revenue) and MFP ($3.5 million in additional freed up General Revenue) rates, the Agency shortfall is estimated to be $2,577.8 in All Funds ($1,054.0 in General Revenue). Of this amount, approximately $2,165.7 million in All Funds ($873.4 million in General Revenue) is related to "unfunded months" for direct client service Medicaid programs.

Finally, it should be noted that strategy variances outlined below have been impacted by DADS cash management efforts taken in order to ensure the continuation of current services. In some cases, these efforts have caused sizable fluctuations in variance amounts with little or no impact on program performance measures. DADS cash management details are specified in a later section.

- ***Strategy A.2.1, Primary Home Care*** - This strategy is projected to have a negative variance of $49.9 million in All Funds, which includes $19.2 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is partially due to a projected increase in the average monthly cost per individual served from $671.90, as found in HB 1, to the current estimate of $700.86, a difference of $28.96. This is partially offset by a projected decrease in the number of individuals served per month from 12,084, as found in HB 1, to the current estimate of 11,330, a difference of 754.

- ***Strategy A.2.2, Community Attendant Services*** - This strategy is projected to have a negative variance of $266.8 million in All Funds, which includes $102.6 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is partially due to a projected increase in the average monthly cost per individual served from $842.35, as found in HB 1, to the current estimate of $897.10, a difference of $54.75. This is partially offset by a projected decrease in the average number of individuals served per month from 51,534, as found in HB 1, to the current estimate of 48,391, a difference of 3,143.

- ***Strategy A.2.3, Day Activity and Health Services*** – This strategy is projected to have a negative variance of $9.0 million in All Funds, which includes $3.7 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is partially due to a projected increase in the average monthly cost per individual served from $469.67, as found in HB 1, to the current estimate of $492.21, a difference of $22.54. In addition, the projected average number of individuals served per month increased from 1,686, as found in HB 1, to the current estimate of 1,980, a difference of 294.

- ***Strategy A.3.1, Community Based Alternatives*** - This strategy is projected to have a negative variance of $48.9 million in All Funds, which includes $27.7 million in General Revenue Funds. The variance relates to a projected increase in the average monthly cost per individual served from $992.15 per month, as found in HB 1, to the current estimate of $1,287.38, a difference of $295.23. This is partially offset by a projected decrease in the average number of individuals served per month from 9,794, as found in HB 1, to the current estimate of 9,701, a difference of 93.

- ***Strategy A.3.2, Home and Community Based Services*** - This strategy is projected to have a negative variance of $101.2 million in All Funds, which includes $82.6 million in General Revenue Funds. The variance relates to a projected increase in the average monthly cost per individual served from $3,299.07, as found in HB 1, to the current estimate of $3,494.81, a difference of $195.74. This is partially offset by a projected decrease in the average number of individuals served per month from 20,539, as found in HB 1, to the current estimate of 20,311, a difference of 228.

- ***Strategy A.3.3, Community Living Assistance Support Services*** – This strategy is projected to have a negative variance of $51.1 million in All Funds, which includes $37.4 million in General Revenue Funds. The variance relates to a projected increase in the average monthly cost per individual served from $3,159.11, as found in HB 1, to the current estimate of $3,500.14, a difference of $341.03. In addition, the projected average monthly number of individuals served increased from 4,619 to 4,727, a difference of 108. Of the 108 additional individuals served, 24 are a result of the transfer of individuals from the expired Consolidated Waiver Program, as of December 2011.

- ***Strategy A.3.4, Deaf-Blind Multiple Disabilities*** – This strategy is projected to have a negative variance of $1.9 million in All Funds, which includes $1.6 million in General Revenue Funds. The variance relates to a projected increase in the average monthly cost per individual served from $4,139.46, as found in HB 1, to the current estimate of $4,226.39, a difference of $86.93. In addition, the projected average monthly number of individuals served increased from 148, as found in HB 1, to 158, a difference of 10.

- ***Strategy A.3.5, Medically Dependent Children Program*** - This strategy is projected to have a negative variance of $3.4 million in All Funds, which includes $3.9 million in General Revenue Funds. The variance relates to a projected increase in the average monthly cost per individual served from $1,454.99, as found in HB 1, to the current estimate of $1,460.38, a difference of $5.39. This is partially offset by a projected decrease in the average number of individuals served per month from 2,380, as found in HB 1, to the current estimate of 2,341, a difference of 39.

- ***Strategy A.3.7, Texas Home Living Waiver*** - This strategy is projected to have a negative variance of $16.0 million in All Funds, which includes $12.0 million in General Revenue Funds. The variance relates to a projected increase in the average monthly cost per individual served from $650.47, as found in HB 1, to the current estimate of $869.46, a difference of $218.99. This is partially offset by a projected decrease in the average number of individuals served per month from 5,738, as found in HB 1, to the current estimate of 4,999, a difference of 739.

- ***Strategy A.5.1, Program of All-Inclusive Care for the Elderly (PACE)*** - This strategy is projected to have a negative variance of $26.9 million in All Funds, which includes $11.0 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is partially due to a projected increase in the average monthly cost per individual served from $2,859.20, as found in HB 1, to the current estimate of $2,871.73, a difference of $12.53. This is partially offset by a projected decrease in the number of individuals served per month from 1105, as found in HB 1, to the current estimate of 1089, a difference of 16.

- ***Strategy A.6.1, Nursing Facility Payments*** - This strategy is projected to have a negative variance of $1,348.8 million in All Funds, which includes $550.1 million in General Revenue

Funds. In addition to the "unfunded months" issue, the variance is partially due to the net nursing facility cost per Medicaid resident per month served, which increased from $2,950.54, as found in HB 1, to the current estimate of $3,263.06, a difference of $312.52. The projected average number of individuals served per month increased from 56,223, as found in HB 1, to 57,633, a difference of 1,410. There was a significant change in the annual projections due to the impact of changes in DADS Third Party recovery processes. Previously, DADS would make payment on nursing facility claims and then pursue any possible reimbursement if an individual is covered by a private insurance plan. Now, DADS requires a denial letter from any third party insurance before issuing payment, which will result in a reduction in cost or increase the lag time in billing submissions from the providers.

- ***Strategy A.6.2, Medicare Skilled Nursing Facility*** - This strategy is projected to have a negative variance of $85.4 million in All Funds, which includes $34.8 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance in Medicare Skilled Nursing Facilities is partially due to a general lack of program funding in FY 2013.

- ***Strategy A.6.3, Hospice*** - This strategy is projected to have a negative variance of $134.9 million in All Funds, which includes $55.0 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is partially due to a projected increase in the average net payment for individuals serviced per month from $2,732.23, as found in HB 1, to the current estimate of $2,809.33, a difference of $77.10. This is partially offset by a projected decrease in the average number of individuals served per month from 7,343, as found in HB 1, to 6,950, a difference of 393.

- ***Strategy A.6.4, Promoting Independence Services*** – This strategy is projected to have a negative variance of $60.0 million in All Funds, which includes $23.7 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is the result of a general lack of program funding in fiscal year 2013.

- ***Strategy A.7.1, Intermediate Care Facilities*** - This strategy is projected to have a negative variance of $147.4 million in All Funds, which includes $60.2 million in General Revenue Funds. In addition to the "unfunded months" issue, the variance is partially due to a projected increase in the average monthly cost per consumer from $4,349.92, as found in HB 1, to the current estimate of $4,362.63, a difference of $12.71. The average number of individuals in ICF beds per month increased from 5,423, as found in HB 1, to the current estimate of 5,590, a difference of 167.

- ***Strategy A.8.1, State Supported Living Centers*** - This strategy is projected to have a negative variance of $18.1 million in All Funds, which includes $12.6 million in General Revenue Funds. The variance in SSLCs is the result of a general lack of program funding in fiscal year 2013.

PENDING AGENCY REQUESTS FOR EXPENDITURE AUTHORITY

DADS has submitted four requests for additional budget authority, three of which relate to the expenditure of enhanced FMAP funds (EFMAP). One item seeks additional capital budget authority. In addition to the BIP expenditure authority referenced above, these requests include:

- An approval request for DADS to contract for support of a purchased service, software, and support solution for a community-based Direct Service Workforce Employer/Employee Matching System. This request spans three years and totals $475,000 in General Revenue that is made available through the EFMAP provided by the federal MFP program.
- An approval request for DADS to expend up to $300,000 in General Revenue in fiscal year 2013 for implementation of a Direct Service Worker Evaluation Project. This additional General Revenue is made available through the EFMAP provided through the federal MFP program.
- An approval request for $1,881,522 in All Funds ($235,207 in General Revenue) for additional capital authority for the Preadmission Screening and Resident Review Project (PASRR) for fiscal year 2013. This request covers expenditures for the time period March 1 to August 31, 2013. This request will be funded from Strategy A.6.1, NF Payments, within existing appropriations.

AGENCY CASH MANAGEMENT

Pursuant to Rider 9, Section f, Cash Management, DADS has issued various temporary strategy transfers, for cash management purposes to maintain agency programs operational until supplemental appropriations are provided by the 83rd Legislature.

Strategy	Current GR Transfers	Proposed Transfers
A.2.1 Primary Home Care	0	0
A.2.2 Community Attendant Services (Formerly Frail Elderly)	0	0
A.2.3 Day Activity and Health Services (DAHS)	1,500,000	0
A.3.1 Community Based Alternatives (CBA)	(1,300,000)	0
A.3.2 Home and Community Based Services (HCS)	(86,000,000)	1,009,841
A.3.3 Community Living Assistance & Support Services (CLASS)	0	0
A.3.4 Deaf-Blind Multiple Disabilities (DBMD)	0	0
A.3.5 Medically Dependent Children Program (MDCP)	0	(1,570,651)
A.3.6 Consolidated Waiver Program	0	0
A.3.7 Texas Home Living Waiver	0	560,810
A.5.1 Program of All-inclusive Care for the Elderly (PACE)	4,500,000	0
A.6.1 Nursing Facility Payments	80,000,000	0
A.6.2 Medicare Skilled Nursing Facility	0	0
A.6.3 Hospice	0	0
A.6.4 Promoting Independence Services	1,300,000	0
A.7.1 Intermediate Care Facilities – Intellectual Disability (ICF/IID)	11,600,000	0
A.8.1 State Supported Living Centers (SSLC)	(11,600,000)	0
Subtotal, Goal A: Long Term Services and Supports	**$ -**	**$ -**

OTHER KEY BUDGET ISSUES

Projected budget shortfalls in fiscal year 2012 were resolved through LBB and GOBPP-approved budget adjustments. The projected shortfall for fiscal year 2013, however, primarily relates to the fact that DADS Medicaid client services programs were funded at 41 percent of expected utilization. If funding for SSLCs is removed, that Medicaid-related program amount sinks to 31 percent. These funding amounts have required the use of short-term cash management measures and triggered the need for a large supplemental appropriation in early calendar year 2013.

Please let me know if you have any questions or need additional information. David Cook, DADS Budget Director, will serve as the lead staff on this matter and can be reached by phone at (512) 438-3177 or by e-mail at David.Cook@dads.state.tx.us.

Sincerely,

James Jenkins

James Jenkins
Chief Financial Officer

JJ:dc

Enclosure

cc: Kate McGrath, Deputy Director, Governor's Office of Budget, Planning and Policy