

**Informational Item**  
**December 8, 2010**

**Health and Human Services System**  
**Fiscal Year 2010 -2011 Budget Update**

**Summary FY2011 Additional HHS Agencies General Revenue Reductions**  
(in millions)

HHS Agency	Estimated FY2011 GR Budget as Adjusted*	Agency Items Excluding Rate Reductions	Rate Reductions	Total Reductions for Remainder of FY2011	Percent of Adjusted Agency GR Budget
Department of Assistive and Rehabilitative Services	\$93.9	\$7.3		\$7.3	7.8%
Department of Family and Protective Services	\$433.9	\$4.3		\$4.3	1.0%
Department of State Health Services	\$1,245.4	\$5.3	\$0.4	\$5.7	0.5%
Department of Aging and Disability Services	\$938.0	\$15.7	\$16.8	\$32.5	3.5%
Health and Human Services Commission	\$202.3	\$10.4	\$24.8	\$35.2	17.4%
<b>Totals</b>	<b>\$2,913.6</b>	<b>\$43.0</b>	<b>\$42.0</b>	<b>\$85.0</b>	<b>2.9%</b>

**Additional Rate Reductions**

Additional provider rate reductions are effective February 1, 2011 and are in addition to the provider rate reductions implemented September 1, 2010.

Additional provider rate reductions for HHS programs include:

- 1% rate reduction for HHSC and DSHS Acute Services including those provided through Managed Care Organizations- cumulative 2% in FY2011.
- 2% rate reduction for nursing facilities and ICF/MRs- cumulative 3% in FY2011. 2% rate reduction for Home and Community-based Services- HCS was not reduced September 2010.

HHS programs not reduced:

- Foster Care and Adoption Subsidies
- Long Term Care Community Services (except Home and Community-based Services)
- Programs at Department of Assistive and Rehabilitative Services
- Substance abuse, mental health services including NorthSTAR at DSHS

\* Budgets exclude eligibility, Medicaid entitlement, CHIP, foster care, and debt services

## HHS Agencies Reductions for Remainder of FY2011

(General Revenue in millions)

### Agency Reductions:

DARS	\$3.5	▶ End of year (FY10) balances in Early Childhood Intervention program due to higher federal collections
	0.3	▶ Reductions in support and administrative savings, including reductions in travel and professional fees *
	3.5	▶ Discontinue enrollment of new clients in the Comprehensive Rehabilitation Services program (effective January 2011) *
DFPS	2.0	▶ One-time savings from Prevention and Intervention contracts that could not be utilized in FY11
	0.5	▶ Renegotiate Telecommunication contracts at current market cost
	1.8	▶ Use available revenue from Adoption Incentive grant funds in lieu of General Revenue
DSHS	0.4	▶ Local Health Department Contract reductions for already terminated contracts and reductions of seasonal influenza contracts. These one-time reductions are not expected to have public health impact.
	1.0	▶ HIV/STD Prevention contract funds dedicated to expansion of HIV testing and which will not be expended in FY2011 due to contractor's delay in establishing testing capacity
	0.4	▶ Salary savings from hiring and merit freeze *
	0.3	▶ Obesity Prevention media contract termination for FY2011*
	0.5	▶ Reduction in contract from \$2.8 million to \$2.3 million for UTMB Community Outreach project, which implements community-based diabetes prevention and control programs*
	2.7	▶ Improved State Hospital bed utilization which incorporates serving certain eligible clients in stepdown facilities*
DADS	13.6	▶ Discontinue Community Services Expansion – halt the roll-out of additional waiver slots associated with interest list reductions for this biennium, beginning January 2011
	2.1	Contract saving for nursing homes pay for performance initiative
HHSC	4.0	▶ Additional salary savings from continuation of hiring and merit freeze*
	3.5	▶ Contract and operating expenses*
	2.9	▶ Additional FREW contract and operating savings in areas that expended less than anticipated

### Additional Rate Reductions:

HHSC	24.8	▶ 1% rate reduction acute care services including managed care (February 1, 2011 effective date). Cumulative 2% in FY2011
DSHS	0.4	▶ 1% rate reduction for acute care services (February 1, 2011 effective date). Cumulative 2% in FY2011
DADS	16.8	▶ 2% rate reduction for nursing facilities and ICF/MRs- cumulative 3% in FY2011; and 2% for Home and Community-based Services (February 1, 2011 effective date)*

**\$85.0 Total**

\* Items are included in FY2012-2013 LAR 10% reduction schedules

## HHS Fiscal Impact from Additional FY 2011 General Revenue Reductions

(in millions)

HHS Agency	General Revenue	Federal Funds	All Funds
Department of Assistive and Rehabilitative Services	\$7.3	\$0	\$7.3
Department of Family and Protective Services	4.3	0	4.3
Department of State Health Services	5.7	0.7	6.4
Department of Aging and Disability Services	32.5	61.0	93.5
Health and Human Services Commission	35.2	60.0	95.2
<b>Total</b>	<b>\$85.0</b>	<b>\$121.7</b>	<b>\$206.7</b>



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December 6, 2010

TO: State Agency Board/Commission Chairs  
State Agency Heads/Executive Directors  
Appellate Court Chief Justices  
Chancellors, Presidents and Directors of Institutions of Higher Education  
Legislative Agency Heads

Thank you for the thoughtful plans you submitted in response to our January 15, 2010, request to identify savings totaling 5 percent of your general-revenue-related appropriations for the 2010–2011 biennium. Since that time, sales tax receipts have improved; however, overall state revenue receipts for fiscal year 2010 came in \$2 billion below estimate. The sales tax has performed well in the first two months of fiscal year 2011 (more than 6 percent growth compared to 2010), but we still anticipate insufficient revenue to cover general revenue spending needs in the current biennium.

As we prepare for the upcoming legislative session, we respectfully ask that you identify additional strategies to slow spending in fiscal year 2011. While there is no need to update the plans you submitted in response to our previous request, we ask that you plan on additional savings equal to 2.5 percent of your original general revenue and general-revenue-dedicated appropriations for fiscal year 2011. While the same program exemptions identified in our January 2010 letter can be used to calculate your 2.5 percent target, we ask that you take a broad view across all programs and services to find savings opportunities. These and other savings you have identified for the current fiscal year will be realized through action the 82<sup>nd</sup> Texas Legislature takes in adopting a supplemental appropriations bill for fiscal year 2011.

Reduced spending in the current fiscal year puts state government in a better position to prepare for the budget reductions that will be necessary to balance the budget for the 2012–2013 biennium. And every dollar we save in fiscal year 2011 will alleviate the level of reductions necessary for the upcoming biennium.

The Texas economy remains strong and will rebound from the current difficult conditions. We appreciate your help now and during the legislative session to balance the budget while keeping state government effective and efficient.

Sincerely,

*Rick Perry* *David Dewhurst* *Joe Straus*  
Rick Perry Governor David Dewhurst Lieutenant Governor Joe Straus Speaker of the House