



Presentation to the House Appropriations Art. II Subcommittee

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Health and Human
Services

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Mission & Vision

Our Mission

- We serve Texas.

Our Vision

- Making a positive difference in the lives of the people we serve.

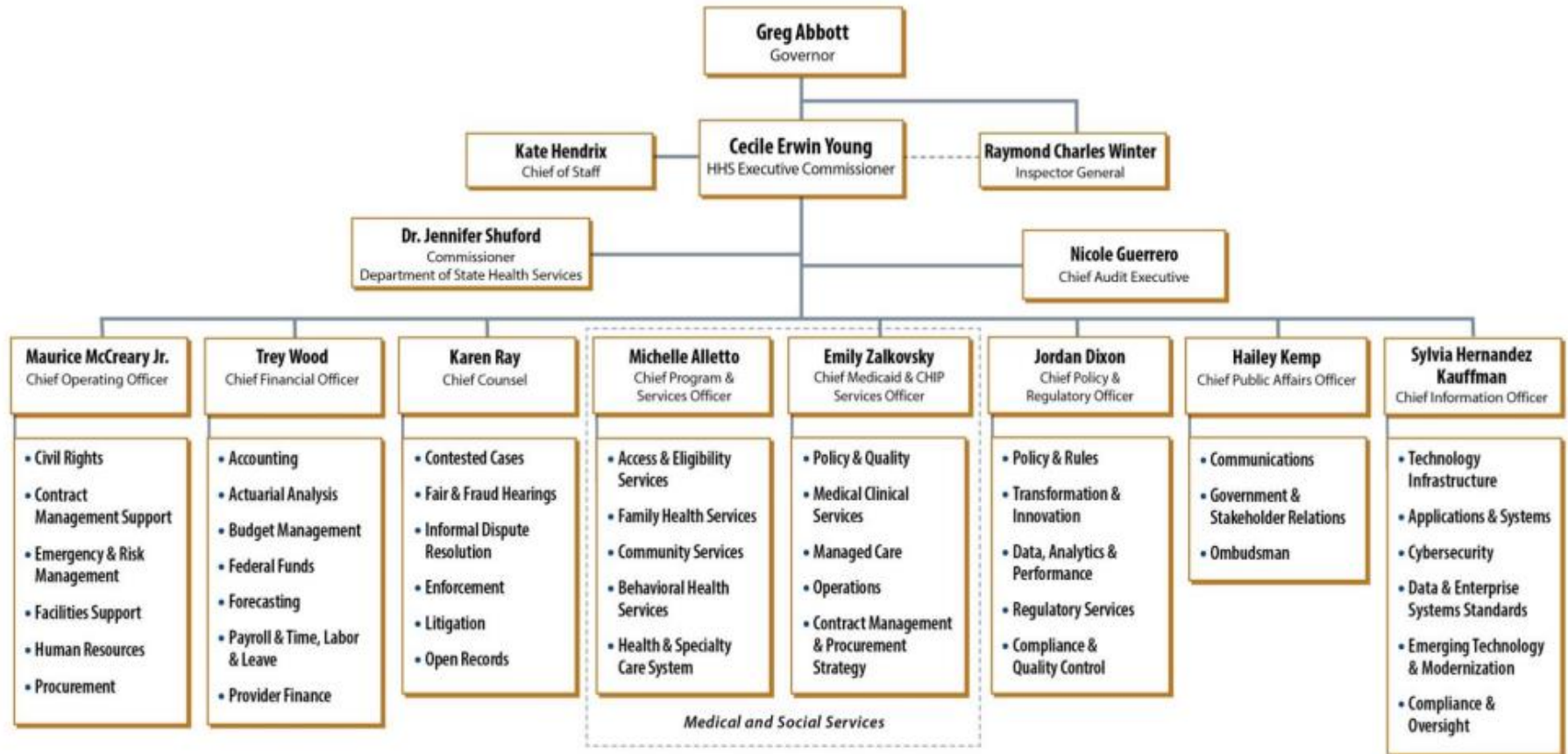


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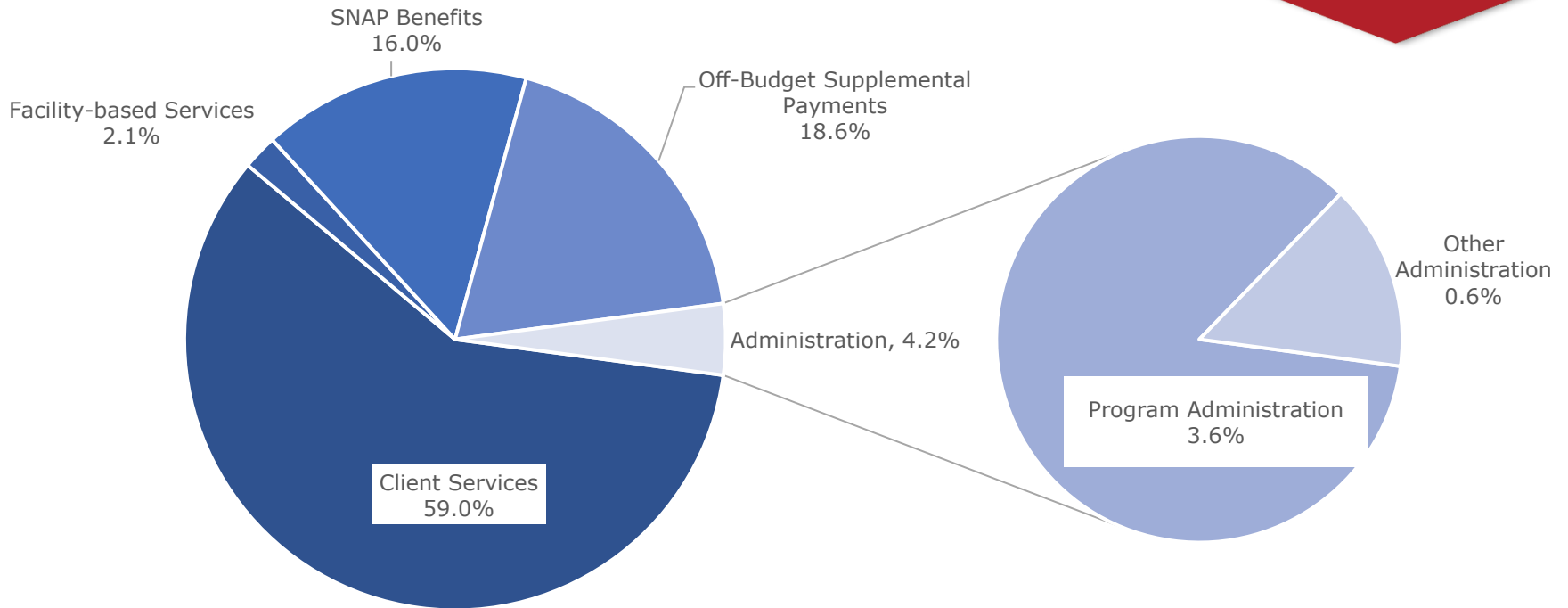
Key Functions

- Administers the state's Medicaid, women's health, behavioral health, and other client services programs.
- Sets policies, defines covered benefits, and determines eligibility for client services programs.
- Provides a comprehensive array of long-term services and supports for people with disabilities and people 60 and older.
- Operates state psychiatric hospitals and state supported living centers (SSLCs).
- Regulates health care providers, professions, and facilities.
- Provides oversight and administrative support for Health and Human Services (HHS) agencies.

HHS Business Functions Organizational Chart



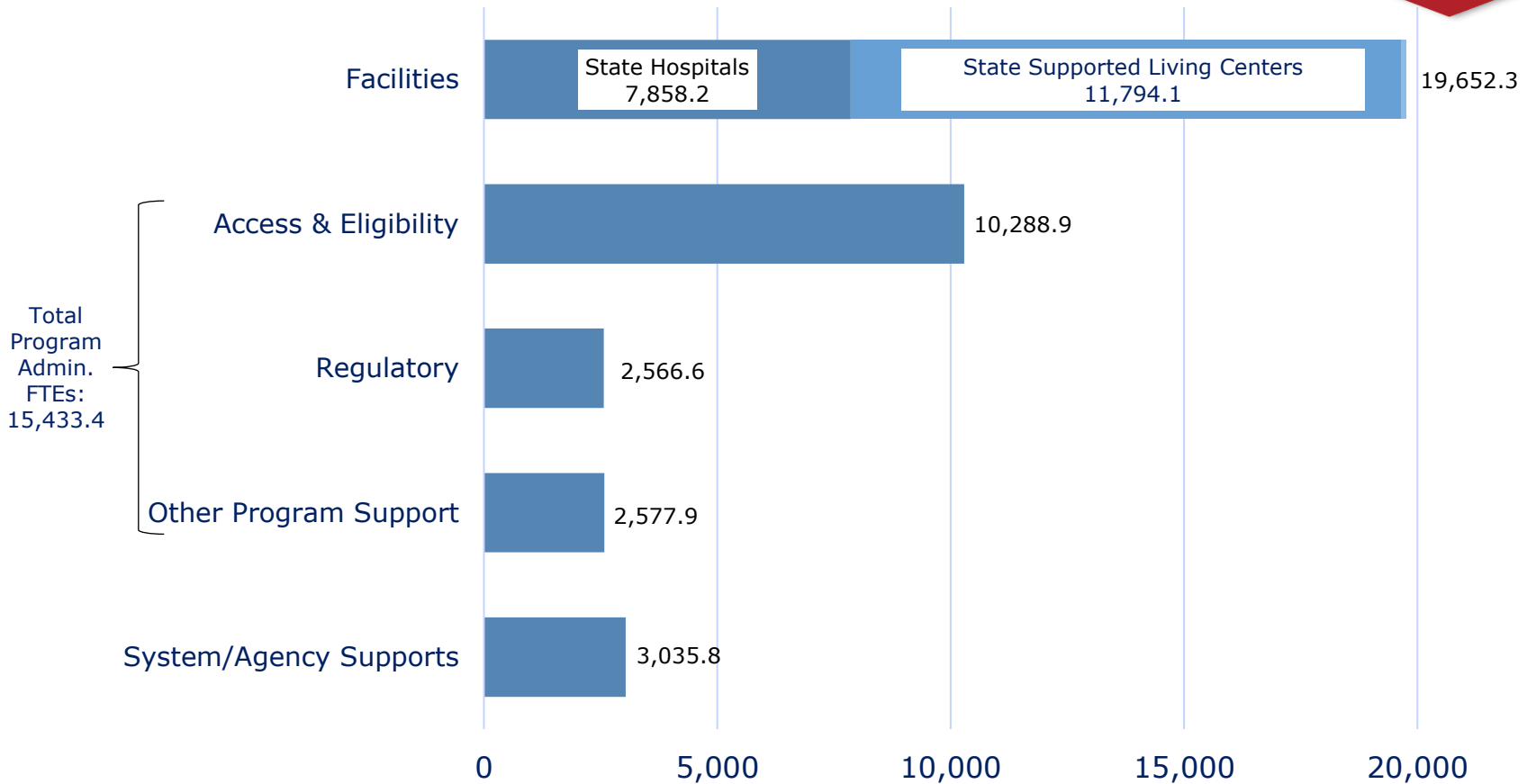
Agency Overview 2024-25 Biennium



Health and Human Services Commission (HHSC) – Percentages of Estimated Total Available Funds (2024-25 Biennium)

Does not include interagency contract funds in Goal K, Office of Inspector General (\$11.8 million), and Goal L, System Oversight and Program Support (\$357.6 million). The Program Administration category includes Access and Eligibility Services and Regulatory Oversight. Off-budget supplemental payments are 2024-25 estimates. SNAP benefits are 2022-23 estimates.

HHSC FTEs by Function 2024-25 Biennium



Notes:

1. Other Program Support includes FTEs supporting Medicaid and CHIP, Behavioral Health Services, WIC, and other agency programs.
2. Excludes Office of the Inspector General and Texas Civil Commitment Office FTEs.



Key Budget Drivers

While the public health emergency (PHE) and related policies ended May 2023, figures are impacted due to continued policy recovery and stabilization over the current 2024-25 biennium:

- Medicaid caseloads are projected to increase by 1.4 percent in FY 2026 and 1.4 percent in FY 2027.
- CHIP caseloads are projected to increase by 34.2 percent in FY 2026 and 4.9 percent in FY 2027.
- Cost growth is impacted by:
 - Utilization trends.
 - Case mix distribution.
 - Benefit changes.
 - Population acuity factors.
 - Aging and births.
 - Evolutionary and revolutionary advances in medicine.
- Cost growth for Texas' Medicaid program has averaged a slower rate of increase when compared to national trends.



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New HB 1 Funding

House Bill 1 represents a significant investment in HHSC services and operations, including:

- \$2.2 billion to increase the base wage for community attendant services to \$12 and increase the associated payroll costs, taxes, and benefits percentage to 14.0 percent.
- \$521.6 million to support state-owned facilities, including:
 - \$275.1 million to maintain salary funding provided in the 2024-25 biennium for state hospitals and state supported living centers
 - \$139.3 million in operational funding for state hospital construction funded in SB 30 (88R)
 - \$100.0 million for deferred maintenance
- \$386.4 million to support the integrity of eligibility determinations.
- \$204.2 million for critical Information Technology projects.
- \$117.3 million to support Medicaid and CHIP operations and modernize Medicaid Enterprise Systems.



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Supplemental Appropriations

House Bill 1 includes a statement of legislative intent in Article IX, Section 17.15, for a supplemental appropriations bill for FY 2025. Among other items, this includes:

- Fully funding Medicaid for FY 2025.
- Information Technology.
- Vehicle replacement.
- \$10.0 million for a new mental health facility in Brazoria County.

Revised Exceptional Item Request for FY 2026-27

Priority	Description	General Revenue	All Funds	FY 27 FTEs
1	Maintain Client Services Cost Growth	\$2,856,910,626	\$8,799,994,660	-
	Total, Maintain Client Services Cost Growth	\$2,856,910,626	\$8,799,994,660	-
2	Support Ongoing Medicaid and CHIP Operations	\$4,941,188	\$10,957,926	-
3	Resources to Carry Out the Agency Mission	\$36,543,376	\$50,301,630	151.0
4	Prevent Loss of Services - Compliance with Federal Medicaid Access Rules	\$33,086,630	\$61,696,716	145.0
5	State Initiatives	\$20,587,540	\$22,597,145	68.0
6	Protecting Vulnerable Adults and Children from Abuse, Neglect and Exploitation	\$31,312,880	\$32,789,756	138.0
7	Reduce Medicaid Waiver Interest Lists	\$35,226,560	\$86,221,096	18.0
8	Increasing Services for People with Disabilities	\$17,327,021	\$17,354,140	4.0
9	Client Safety in State Operated Facilities	\$41,471,641	\$41,861,494	16.0
10	Ensure Delivery of Client Services	\$54,783,312	\$67,512,514	47.0
11	Improve Client Outcomes Through Data Quality and Reporting	\$22,589,299	\$37,943,549	27.0
	Total, Items 2 through 11¹	\$297,869,447	\$429,235,966	614.0

Notes:

1 – List does not include exceptional item requests from the Office of Inspector General or the Texas Civil Commitment Office.





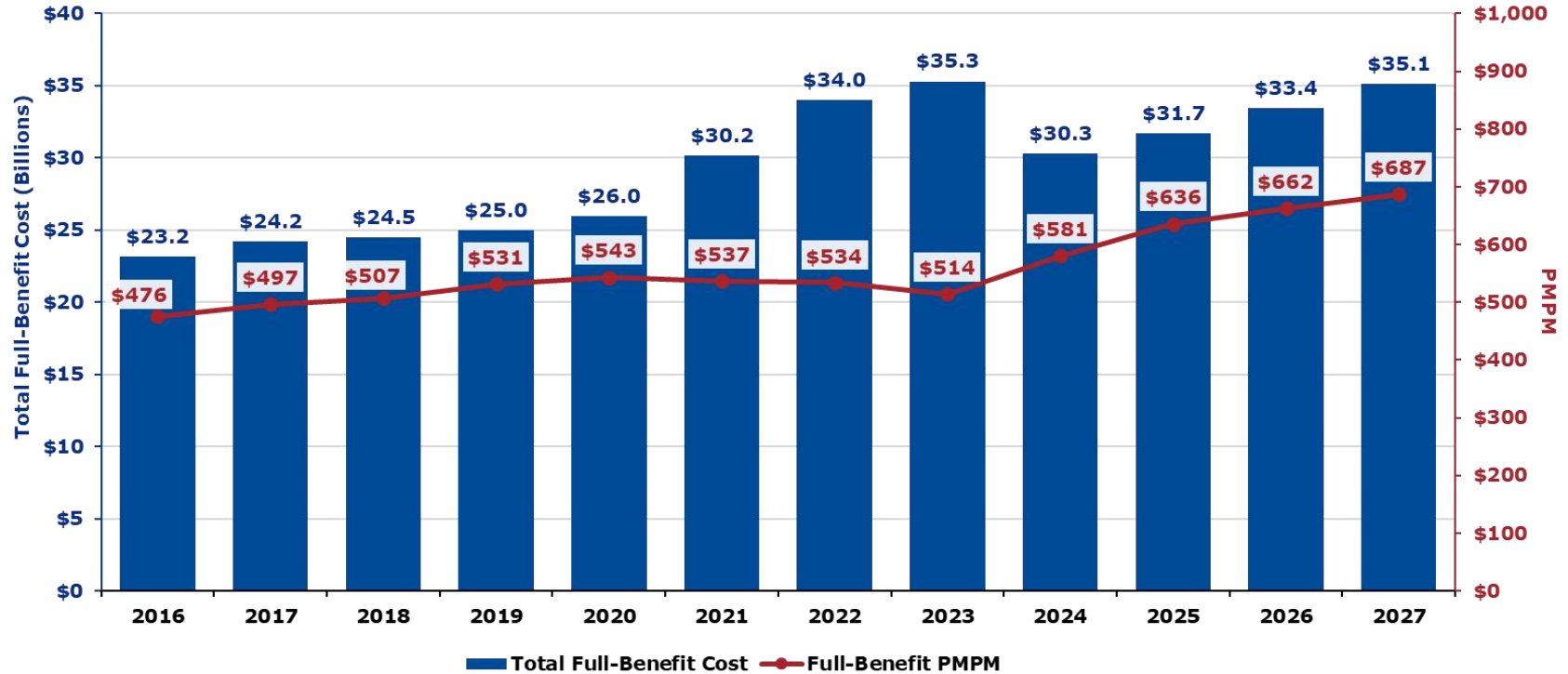
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Appendix A

Cost Growth

Medicaid Cost Growth

Texas Medicaid Acute and Long-Term Services Costs, FY 2016-2027: Total and Per Member Per Month Full-Benefit Cost Clients



Medicaid Caseload (Recipient Months) and Per Member Per Month Costs with Trends

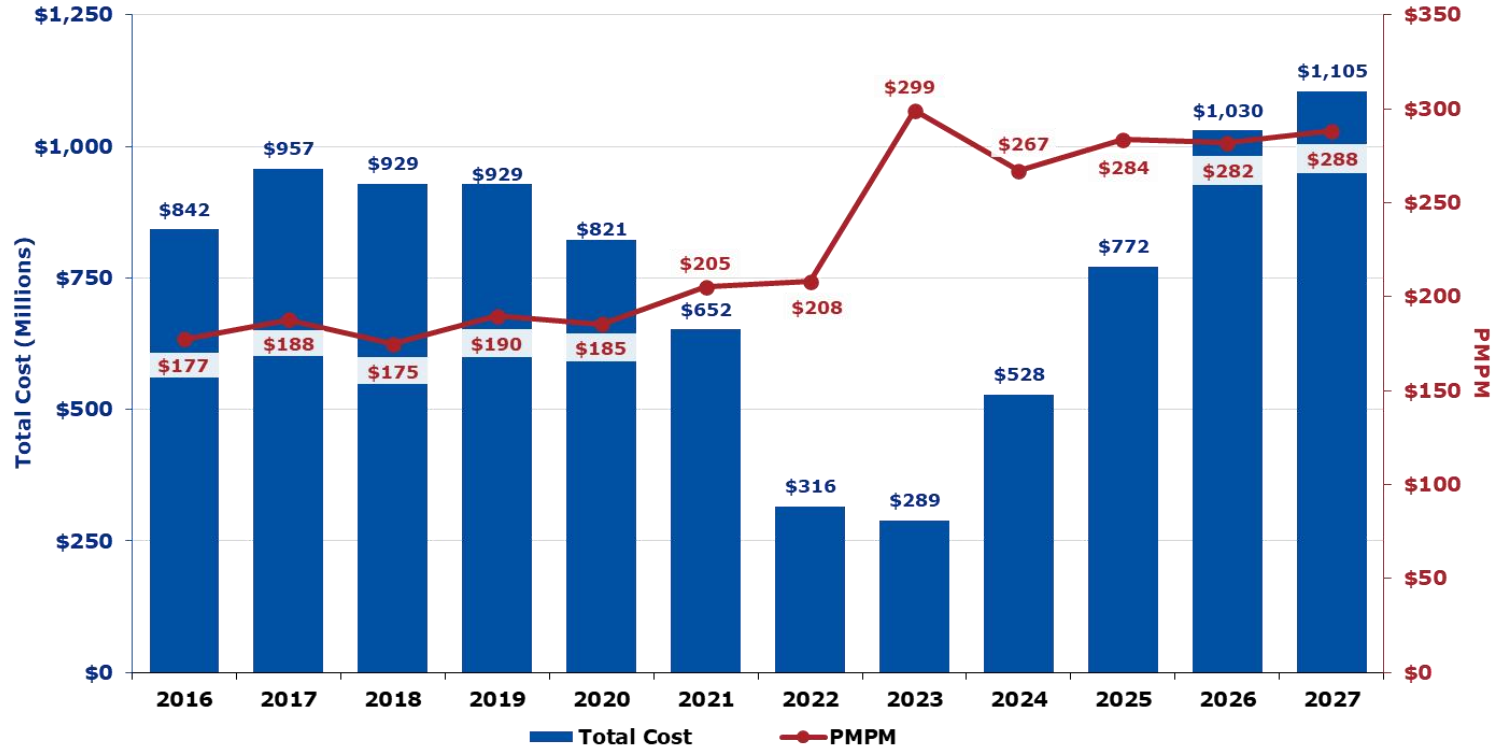
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
RMs	4,060,564	4,067,380	4,021,686	3,915,011	3,984,967	4,682,819	5,311,376	5,727,639	4,345,637	4,149,360	4,205,647	4,262,912
RM Trend	0%	0%	-1%	-3%	2%	18%	13%	8%	-24%	-5%	1%	1%
PMPM	\$476	\$497	\$507	\$531	\$543	\$537	\$534	\$514	\$581	\$636	\$662	\$687
PMPM Trend	4%	4%	2%	5%	2%	-1%	-1%	-4%	13%	10%	4%	4%

Notes: FY24-27 is projected. Excludes Supp. & Directed Payment Programs, SHARS, Medicare premiums, clawback, drug rebates, and agency admin.
Source: PPS, CMS-37 Historical (FFY). HHSC Forecasting, January 2025.



CHIP Cost Growth

Texas CHIP Costs, FY 2016-2027: Total and Per Member Per Month Costs



CHIP Caseload (Recipient Months) and Per Member Per Month Costs with Trends

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
RMs	395,859	425,082	443,115	408,277	369,401	264,765	126,687	80,602	164,805	226,820	304,482	319,521
RM Trend	5%	7%	4%	-8%	-10%	-28%	-52%	-36%	104%	38%	34%	5%
PMPM	\$177	\$188	\$175	\$190	\$185	\$205	\$208	\$299	\$267	\$284	\$282	\$288
Trend	-8%	6%	-7%	9%	-2%	11%	1%	44%	-11%	6%	-1%	2%

Notes: FY24-27 is projected. Data includes CHIP Perinatal. Source: PPS, CMS-21B (FFY). HHSC Forecasting, January 2025.

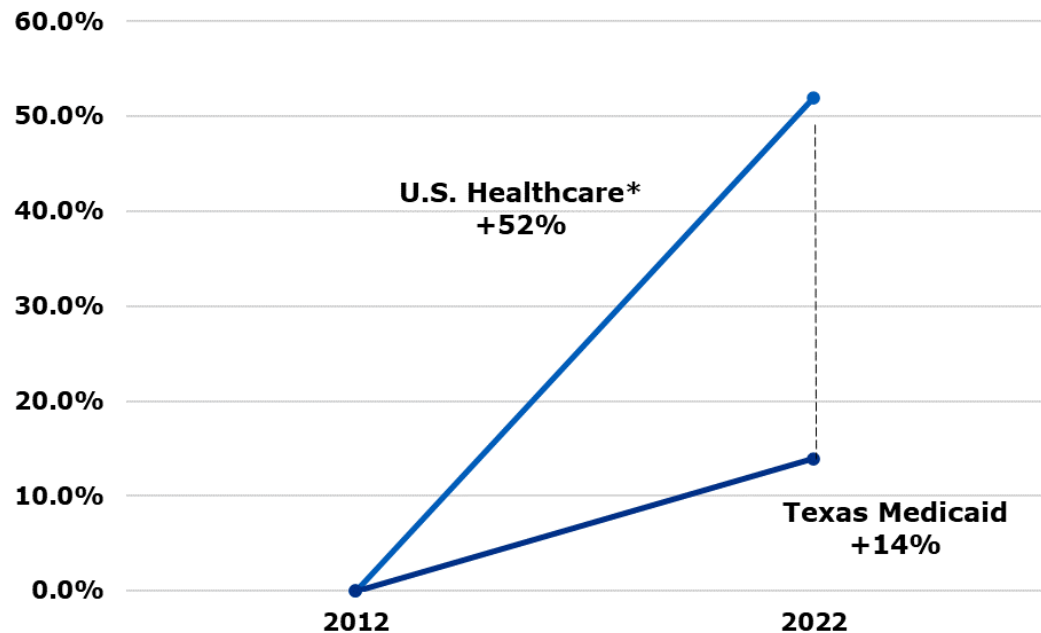




Cost Growth Trends

Increased enrollment and improved preventative care within managed care keeps Texas Medicaid costs contained — 38 percentage points lower than the U.S. national average for health care.

Cost per Person Increase



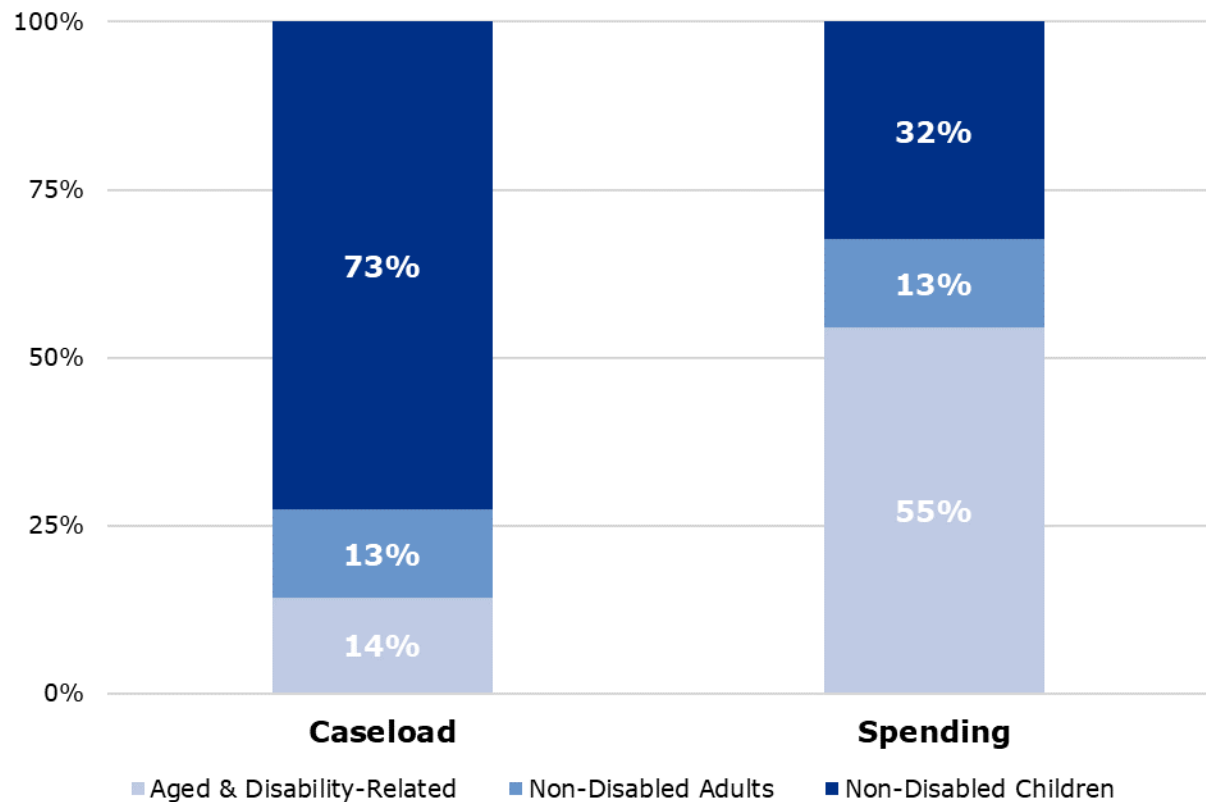
Texas Medicaid is based on full-benefit clients.

*Source: CMS, Office of the Actuary - data is for CY12-CY22



Major Category Spending

% Caseload vs. % Spending





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Appendix B

Exceptional Items

Exceptional Item #1



Maintain Client Services Cost Growth

This request funds cost growth for:

- Medicaid (entitlement and non-entitlement).
- Children's Health Insurance Program (CHIP).
- Temporary Assistance for Needy Families (TANF).
- the Home and Community-Based Services-Adult Mental Health (HCBS-AMH) program.

\$ in Billions	FY26	FY27	Biennium
General Revenue	\$1.2	\$1.7	\$2.9
All Funds	\$3.7	\$5.1	\$8.9
FTEs	-	-	



Exceptional Item #2

Support Ongoing Medicaid and CHIP Operations

This request would fund critical Medicaid and CHIP operations and oversight functions at HHSC, including:

- Contract oversight.
- Financial oversight.
- Pharmacy benefits administration.
- Provider management and monitoring.
- In-person utilization reviews.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$2.5	\$2.5	\$4.9
All Funds	\$5.5	\$5.5	\$11.0
FTEs	-	-	

Exceptional Item #3



Resources to Carry Out the Agency Mission

This request would fund staff resources to support increased workload and assist the agency in continuing to execute its mission. These include:

- Information technology.
- Contract attorneys.
- Open records.
- Rules.
- Procurement.
- Federal funds analysts.
- Human resources and payroll.
- Medicaid program support.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$18.8	\$17.7	\$36.5
All Funds	\$25.9	\$24.4	\$50.3
FTEs	151.0	151.0	

Exceptional Item #4



Prevent Loss of Services – Compliance with Federal Medicaid Access Rules

This request would allow HHSC to comply with new federal regulations related to access to care, quality of care, state directed payment programs, and improved health outcomes for fee-for-service and managed care clients in Medicaid and CHIP.

Non-compliance with the regulations would risk Medicaid and CHIP federal funding.

HHSC is monitoring federal activity related to rules and regulations.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$17.2	\$15.9	\$33.1
All Funds	\$31.8	\$29.9	\$61.7
FTEs	147.0	145.0	

Exceptional Item #5



State Initiatives

This request would allow the Health and Human Services Commission (HHSC) to comply with requirements driven by state law and other legislative initiatives, including:

- State Office of Administrative Hearings (SOAH) attorneys to handle cases for hearings required by Government Code Sec. 2001.051.
- Senate Bill 30 (88R) Mental Health Bed Capacity.
- Children’s Mental Health Strategic Plan.
- Senate Bill 24 (88R).
- Transfer of the Prevention and Early Intervention program to HHSC.
- Creation of an integrated system of services and supports for Texas families.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$10.2	\$10.4	\$20.6
All Funds	\$11.2	\$11.4	\$22.6
FTEs	68.0	68.0	

Exceptional Item #6



Protecting Vulnerable Adults and Children from Abuse, Neglect and Exploitation

As the population of aging Texans has grown, so has reliance on hospitals and long-term care supports, services and facilities.

There are not sufficient staff to manage an increasing number of intakes and regular surveys required for the increasing volume of providers.

This request would help reduce the backlog and ensure timely investigations of abuse, neglect, and exploitation (ANE) cases of vulnerable Texans.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$16.3	\$15.0	\$31.3
All Funds	\$17.1	\$15.7	\$32.8
FTEs	138.0	138.0	

Exceptional Item #7



Reduce Medicaid Interest Lists

This request would fund:

- Additional waiver slots to serve Texans who are currently on a waiver interest list.
- Diversion slots so medically fragile children who meet certain criteria can enroll in the Medically Dependent Children Program (MDCP) without a stay in a nursing facility.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$7.1	\$28.1	\$35.2
All Funds	\$17.2	\$69.0	\$86.2
FTEs	9.0	18.0	



Exceptional Item #8

Increasing Services for People with Disabilities

This request would provide services and supports for people with disabilities to promote independent living within their own community by:

- Increasing the number of outpatient mental health services sites for people with intellectual or developmental disabilities (IDD).
- Increasing access to services for 5,000 people who are deaf, hard of hearing, or deafblind in unserved or underserved areas of the state.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$8.7	\$8.6	\$17.3
All Funds	\$8.7	\$8.7	\$17.4
FTEs	4.0	4.0	

Exceptional Item #9



Client Safety in State-Operated Facilities

This request would support client and life safety at state-operated facilities, including state hospitals and state supported living centers. Funding would provide for:

- An upgraded video surveillance system.
- Measures to improve network security.
- The continuation of one-time funding provided by the Legislature to address inflationary costs.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$24.6	\$16.9	\$41.5
All Funds	\$24.8	\$17.1	\$41.9
FTEs	16.0	16.0	



Exceptional Item #10

Ensure Delivery of Client Services

This item would ensure systems at end of life don't lead to client service disruptions.

Funding would support IT systems and infrastructure that allow HHSC to carry out its mission to serve Texas. These include:

- Data Center Services (DCS).
- Systems that support procurement.
- Employee and stakeholder training software.
- Modernization of aging IT systems.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$26.5	\$28.3	\$54.8
All Funds	\$32.5	\$35.0	\$67.5
FTEs	47.0	47.0	



Exceptional Item #11

Improve Client Outcomes through Data Quality and Reporting

This request would support the ability of HHSC to respond to data and analytics requests in a timely manner, and to proactively identify and address data quality issues across a wide range of HHSC programs to make data-driven decisions. Funding would:

- Provide for additional staff to respond to data requests, including legislative, stakeholder, open records, litigation, media, and other requests.
- Expand access to clinical data for Medicaid and CHIP, and comply with federal requirements around transitioning to a digital quality measurement.

\$ in Millions	FY26	FY27	Biennium
General Revenue	\$14.8	\$7.8	\$22.6
All Funds	\$25.9	\$12.1	\$37.9
FTEs	27.0	27.0	