



Spending Reduction Plan for the 2010-11 Biennium Additional Reductions for 2012-13

David L. Lakey, Commissioner
July 6, 2010

- **Guiding Principles**
- **Items excluded from Original Options**
- **Additional Reductions Required**
- **Process of Identifying Options**
- **Timeline**

- Maintain the highest level of services and minimize the direct effect on clients
- Achieve as much administrative savings as possible without jeopardizing oversight and accountability
- Preserve effective prevention programs that help reduce the state's costs in the long run
- Preserve community services
- Implement new programs later than originally assumed

Reduction Options by Agency

HHS Agency	FY10-11 GR Budget as Adjusted*	Target Reduction	Actual Reduction Submitted February 2010	Percent of GR	Approved Target Reduction May 2010
Department of Assistive and Rehabilitative Services	\$187.40	\$9.30	\$7.30	3.9	\$7.30
Department of Family and Protective Services	802.9	40	14.7	1.8	14.7
Department of State Health Services	2,513.00	123.00	100.9	4.0	62.7
Department of Aging and Disability Services	1,697.50	84.00	39.9	2.3	28.4
Health and Human Services Commission	398.7	19.9	115	28.8	91.8
Totals* **	\$5,599.50	\$278.00	\$277.80	5.0	\$205.00

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

** Numbers may not add due to rounding

Reduction Options Excluded by LBB/GOBPP from Original Submission

Total Excluded Items	\$ 38,211,836
Additional 1% Provider Rate Reduction for long term care and adult acute care services	\$ 411,836
Indigent Health Care-UTMB (partial exemption)	\$ 5,800,000
Indigent Care Trauma (partial exemption)	\$ 5,000,000
Mental Health Hospital Capacity	\$ 27,000,000
Delay Regulatory Functions at DSHS related to dyslexia and hair laser removal: \$1.5 million associated with this option must be found elsewhere	\$ 0

Approved Reduction

\$62.7 million GR
\$63.8 million AF

- Temporary Hiring Freeze-\$4.4 million
- One-time Revenue Streams-\$5.3 million
- Savings from Contract Renegotiations-\$1.5 million
- Delay Replacing Computer Equipment-\$0.6 million
- Improve Medicaid Reimbursement-\$1.7 million
- County Indigent Program-\$5.0 million
- Immunizations-\$12.0 million
- Kidney Health Care Rebates-\$5.2 million
- Indigent Health Care UTMB-\$1.5 million
- Diabetes Prevention Pilot-\$0.2 million
- Site Visits to Texas Vaccine for Children Providers-\$0.3 million

- Trauma Reimbursement Funds-\$5.0 million
- Contract Monitoring and Technical Assistance-\$0.6 million
- Regional Health Services-\$1.8 million
- Children with Special Health Care Needs-\$3.5 million
- Hospital Administrative Costs-\$1.2 million
- Central Office Administration Reduction-\$1.6 million
- Environmental Health-\$0.9 million
- Regulation of Health care Professionals-\$0.5 million
- Radiation Control-\$0.5 million
- Food and Drug Regulations-\$0.5 million
- FQHC Incubator Grants-\$TBD
- **Remaining Amount under Consideration-\$8.5 million**

Excerpt from Legislative Appropriation Request Policy Letter

“As a starting point for budget deliberations, an agency's baseline request for general revenue related (GR and GR-Dedicated) funds may not exceed the sum of amounts expended in fiscal year 2010 and budgeted in fiscal year 2011 adjusted to **reflect the full five percent reduction target** identified by our offices for each agency.

Agencies must also submit a supplemental schedule detailing how they would reduce the baseline request **by an additional 10 percent** (in five percent increments) in general revenue-related funding.”

Reductions in FY 10-11 Not Continuing in FY 2012-13

Reductions in FY 2010-11 that were one-time in nature and must be replaced with other options:

- One-time Revenue Streams-\$5.3 million
- Delay Replacing Computer Equipment-\$0.6 million
- Immunizations-\$12.0 million
- Kidney Health Care Rebates-\$5.2 million

Amount to be Replaced: \$23.1 million

Full 5% Reduction \$123.4 M

Continuing FY 10-11 Reductions \$39.9 M

HHS Enterprise Coverage \$83.5 M

123.4 M

10% Reduction Schedule \$245 M

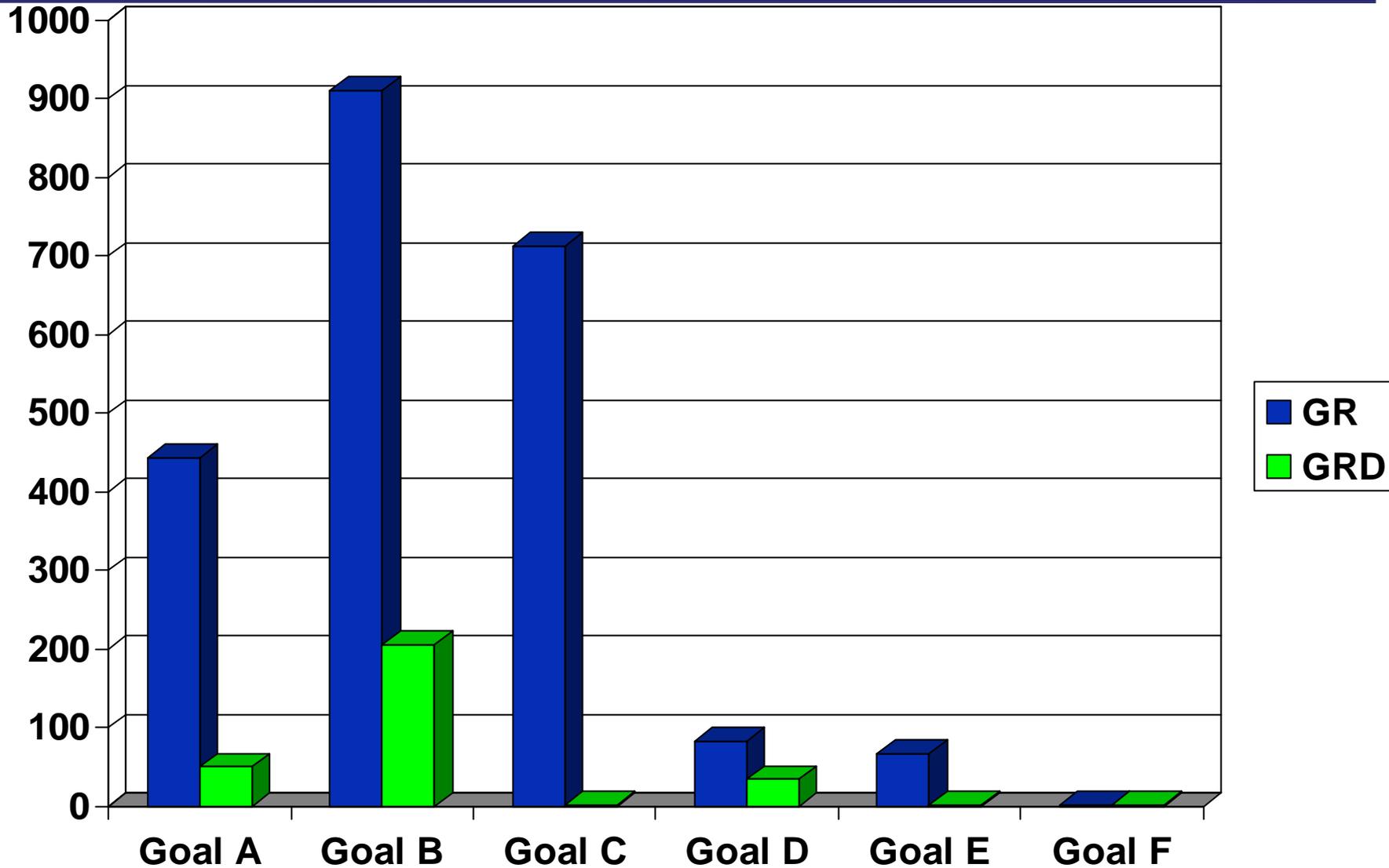
Approach

- Evaluate opportunities to reduce administrative and operating costs
- Identify services which could/are being performed by other governmental entities potentially eliminating the need for the state to conduct those services
- Assess the impact on public health risk
- Identify new revenue sources and/or increases to existing revenue sources
- Consider Patient Protection and Affordable Care Act (HCR) impact on existing programs
- Identify the areas with the highest levels of GR/GRD

DSHS FY 10-11 Appropriations

Total budget prior to reductions	\$6,153 M
Total GR+ GRD	\$3,007 M
subtract GRD for WIC rebates	\$494 M
Non-entitlement DSHS GR/ GRD	\$2, 513 M

Where is the GR/ GRD located



DSHS FY 10-11 Appropriations Prior to 10-11 Reductions

	GR	GR Match/MOE	GR-D	GRD Match/MOE	Federal Funds	Other Funds	All Funds
A.1.1 Public Health Preparedness and Coordinated Services	\$ 931,577	\$ 28,020,643	\$ 1,999,410	\$ 7,737,590	\$ 272,377,970	\$ 4,951,896	\$ 316,019,086
A.1.2 Health Registries, Information, and Vital Records	18,614,392	2,713,642	11,700,528	-	21,272,934	15,616,382	69,917,878
A.2.1 Immunize Children and Adults in Texas	63,523,412	-	289,614	-	52,976,931	75,451,006	192,240,963
A.2.2 HIV/STD Prevention	32,965,349	77,451,094	-	-	242,658,928	-	353,075,371
A.2.3 Infectious Disease Prevention, Epidemiology and Surveillance	49,762,578	-	1,547,418	-	27,993,274	43,300	79,346,570
A.3.1 Health Promotion & Chronic Disease Prevention	19,989,139	1,987,396	1,000	-	7,763,366	292,322	30,033,223
A.3.2 Abstinence Education	1,134,091	-	-	-	-	-	1,134,091
A.3.3 Kidney Health Care	44,220,689	-	-	-	27,004	400,000	44,647,693
A.3.4 Children with Special Health Care Needs	23,560,139	42,385,770	-	-	21,665,873	-	87,611,782
A.3.5 Epilepsy Hemophilia Services	2,525,183	-	-	-	1,552	-	2,526,735
A.4.1 Laboratory Services	19,359,640	4,602,580	27,514,906	-	4,647,924	29,087,290	85,212,340
Subtotal, Goal A: Preparedness & Prevention	276,586,189	157,161,125	43,052,876	7,737,590	651,385,756	125,842,196	1,261,765,731
B.1.1 Provide WIC Services: Benefits, Nutrition Education & Counseling	2,838,502	186,094	493,680,000	-	1,245,721,222	24,000,000	1,766,425,818
B.1.2 Women and Children's Health Services	22,620,183	19,434,910	-	-	85,932,180	21,835,312	149,822,585
B.1.3 Family Planning Services	9,566,128	13,994,198	-	-	84,990,558	157,872	108,708,756
B.1.4 Community Primary Care Services	27,003,702	-	137,640	-	533,094	275,709	27,950,145
B.2.1 Mental Health Services for Adults	18,603,727	399,006,042	-	-	158,013,570	120,592	575,743,931
B.2.2 Mental Health Services for Children	1,698,551	87,310,171	-	-	42,796,926	1,344,907	133,150,555
B.2.3 Community Mental Health Crisis Services	-	165,568,602	-	-	-	-	165,568,602
B.2.4 NorthStar Behavioral Health Waiver	241,994	73,182,312	-	-	95,499,812	33,634,950	202,559,068
B.2.5 Substance Abuse Prevention, Intervention and Treatment	4,843	46,044,774	-	-	270,792,836	-	316,842,453
B.2.6 Develop a Statewide Program to Reduce the Use of Tobacco Products	2,341,822	-	17,657,000	1,000,000	2,788,232	832,000	24,619,054
B.3.1 EMS & Trauma Care System	34,001	-	168,261,602	-	-	-	168,295,603
B.3.2 FQHC Infrastructure Grants	10,000,000	-	-	-	-	-	10,000,000
B.3.3 Indigent Health Care Reimbursement (UTMB)	-	-	20,000,000	-	-	-	20,000,000
B.3.4 County Indigent Health Care Services	11,155,457	22,404	-	-	211,453	3,000,000	14,389,314
Subtotal, Goal B: Community Health Services	106,108,910	804,749,507	699,736,242	1,000,000	1,987,279,883	85,201,342	3,684,075,884

DSHS 10-11 Appropriations Prior to 10-11 Reductions

	GR	GR Match/MOE	GR-D	GRD Match/MOE	Federal Funds	Other Funds	All Funds
C.1.1 Texas Center for Infectious Diseases	18,247,936	-	2,391,000	-	184,159	475,541	21,298,636
C.1.2 South Texas Health Care System	11,321,329	-	-	-	99,114	2,669,287	14,089,730
C.1.3 Mental Health State Hospitals	603,547,557	19,561,289	-	-	34,815,420	125,018,025	782,942,291
C.2.1 Mental Health Community Hospitals	60,236,154	-	-	-	-	-	60,236,154
Subtotal, Goal C: Hospital Facility Mgmt & Serv.	693,352,976	19,561,289	2,391,000	-	35,098,693	128,162,853	878,566,811
D.1.1 Food (Meat) & Drug Safety	24,136,987	7,254,591	15,131,475	-	9,759,063	1,409,080	57,691,196
D.1.2 Environmental Health	10,206,419	801,528	7,077,620	92,544	1,550,734	-	19,728,844
D.1.3 Radiation Control	19,300,810	-	5,718,369	-	903,766	42,692	25,965,637
D.1.4 Health Care Professionals	9,955,264	62,120	3,628,019	-	1,812,972	1,573,355	17,031,730
D.1.5 Health Care Facilities	11,888,458	71,910	3,084,541	-	8,676,656	-	23,721,565
D.1.6 TexasOnline, Estimated and Nontransferable	548,940	-	1,000,600	-	-	645,740	2,195,280
D.1.7 Sex Offender Treatment and Supervision	-	-	-	-	-	6,891,768	6,891,768
Subtotal, Goal D: Consumer Protection Services	76,036,877	8,190,149	35,640,624	92,544	22,703,191	10,562,635	153,226,020
E.1.1 Central Administration	16,821,868	1,144,514	920,609	-	16,033,854	1,800,392	36,721,237
E.1.2 IT Program Support	39,977,894	577,242	2,728	-	2,211,815	1,122	42,770,801
E.1.3 Other Support Services	6,458,205	427,456	1,739,591	-	4,372,649	18,410,031	31,407,932
E.1.4 Regional Administration	-	2,957,728	77,824	-	215,337	148	3,251,037
Subtotal, Goal E: Indirect Administration	63,257,967	5,106,940	2,740,752	-	22,833,655	20,211,693	114,151,007
F.1.1 Laboratory (Austin) Bond Debt	-	-	2,878,032	-	-	-	2,878,032
F.1.2 Construction: Health Care Facilities, TCID	-	-	-	-	-	7,182,878	7,182,878
F.1.3 Capital Repair and Renovation Mental Health Facilities	2,786,097	-	-	-	-	47,918,559	50,704,656
Subtotal, Goal F: Capital Items	2,786,097	-	2,878,032	-	-	55,101,437	60,765,566
GRAND TOTAL, DSHS	\$ 1,218,129,016	\$ 994,769,010	\$ 786,439,526	\$ 8,830,134	\$ 2,719,301,177	\$ 425,082,156	\$ 6,152,551,020

Options for 10% Reduction Schedule

DSHS 10% Reduction Plan
(In Strategy Order)

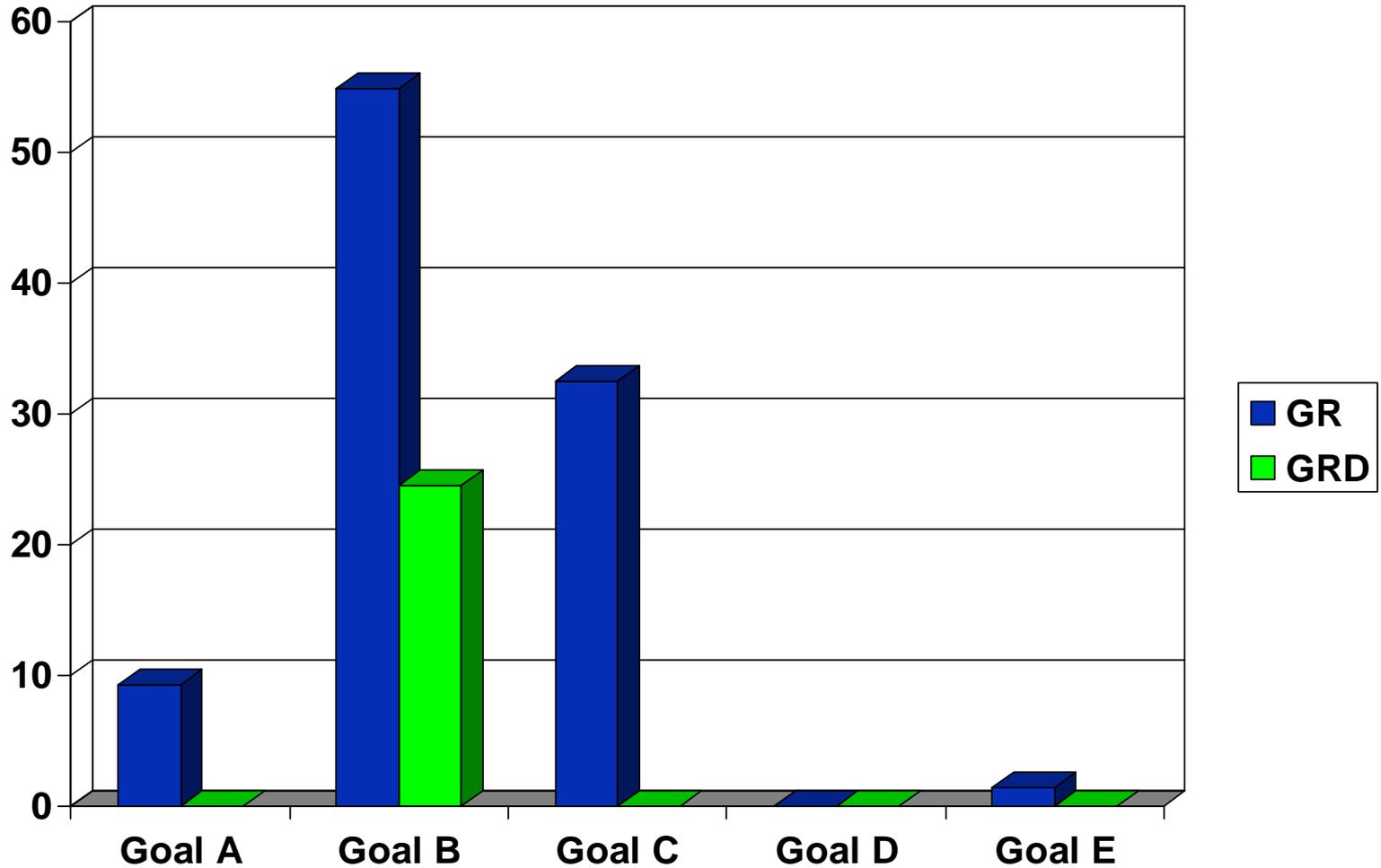
Strategy	Description	First 5% 123 M	Second 5% 123 M	Total
A.2.1	Immunization - Adult	1	0	1
A.2.1	Immunization - Children	0	7.5	7.5
A.3.1	Children's Outreach Heart Program	0.5	0	0.5
A.3.1	Diabetes	0.5	0.5	1
A.3.1	Obesity Prevention	1	0	1
A.3.3	Kidney Transportation	4.5	0	4.5
A.3.3	Donate Life Registry	0.4	0	0.4
A.3.3	Kidney Medical	1	6	7
A.3.4	Children with Special Health Care Needs	0	24.1	24.1
A.3.5	Epilepsy	0.45	0	0.45
B.1.1	Farmer's Market	0.85	0	0.85
B.1.2	Women and Children's Service - Dental Services	0	1.6	1.6
B.1.4	Primary Care	6	3	9
B.2.1/B.2.2/ B.2.3/B.2.4	Community Mental Health Services	33	47	80
B.2.3	Mental Health Crisis Services - Transitional Services	5	5	10
B.2.5	Substance Abuse Intervention	4	0	4
B.3.1	EMS Trauma	20	5	25
B.3.3	Indigent Health Care Reimbursement to UTMB	4.5	4	8.5
B.3.4	County Indigent	6	0	6
C.1.2	South Texas Health Care System	2.5	2.5	5
C.1.3	State Mental Health Hospital Services	30	14	44
D.1.4	Massage Therapists	0	1.5	1.5
various	Support Activities	1.5	1.5	3
TOTAL		122.7	123.2	245.9

FY 2012-13 Base Reductions

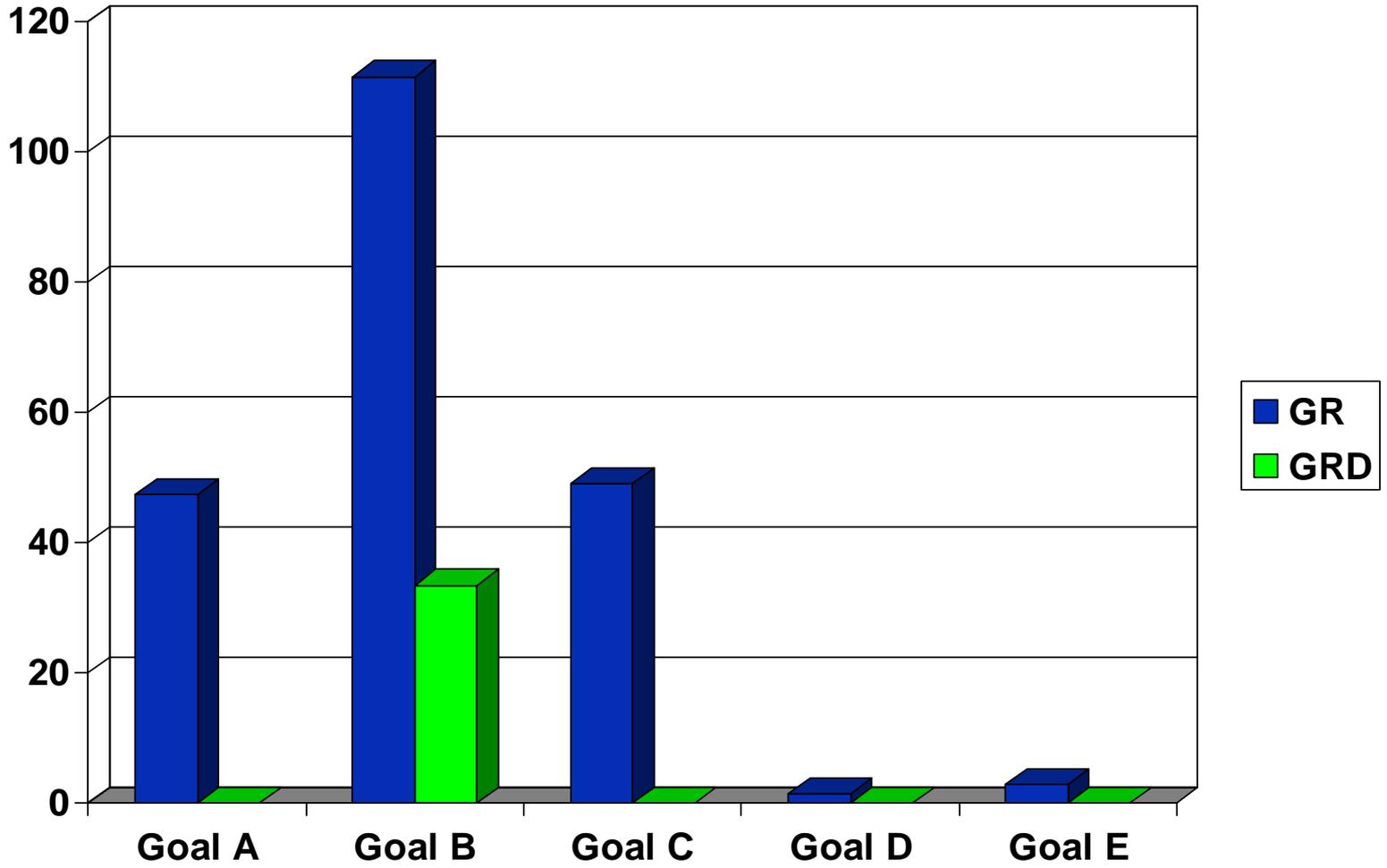
DSHS FY 10-11 Reductions continuing in FY 12-13
Enterprise Consolidated Approach

39,947,494
83,546,986
123,494,480

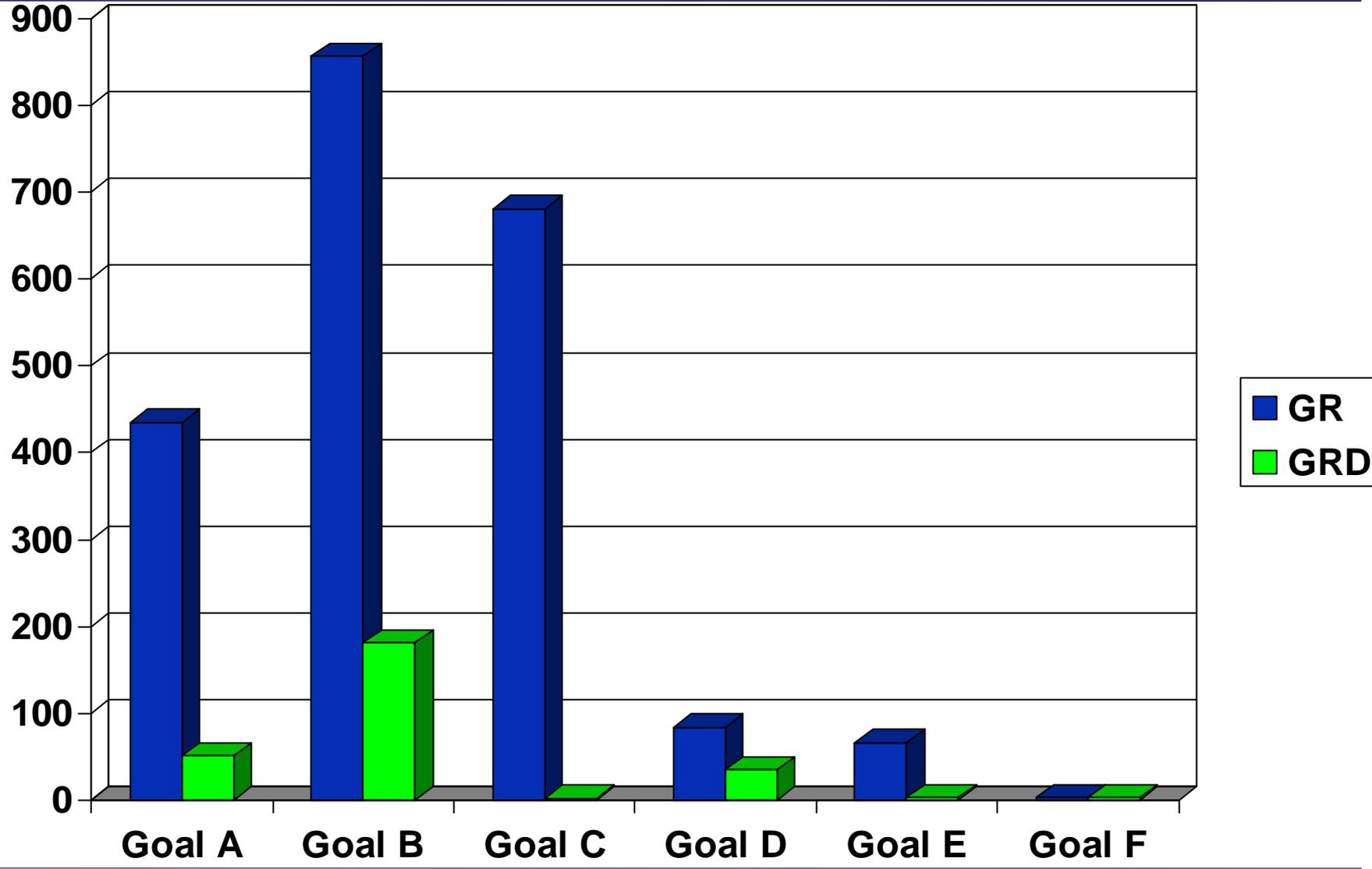
First 5% of Reduction Schedule



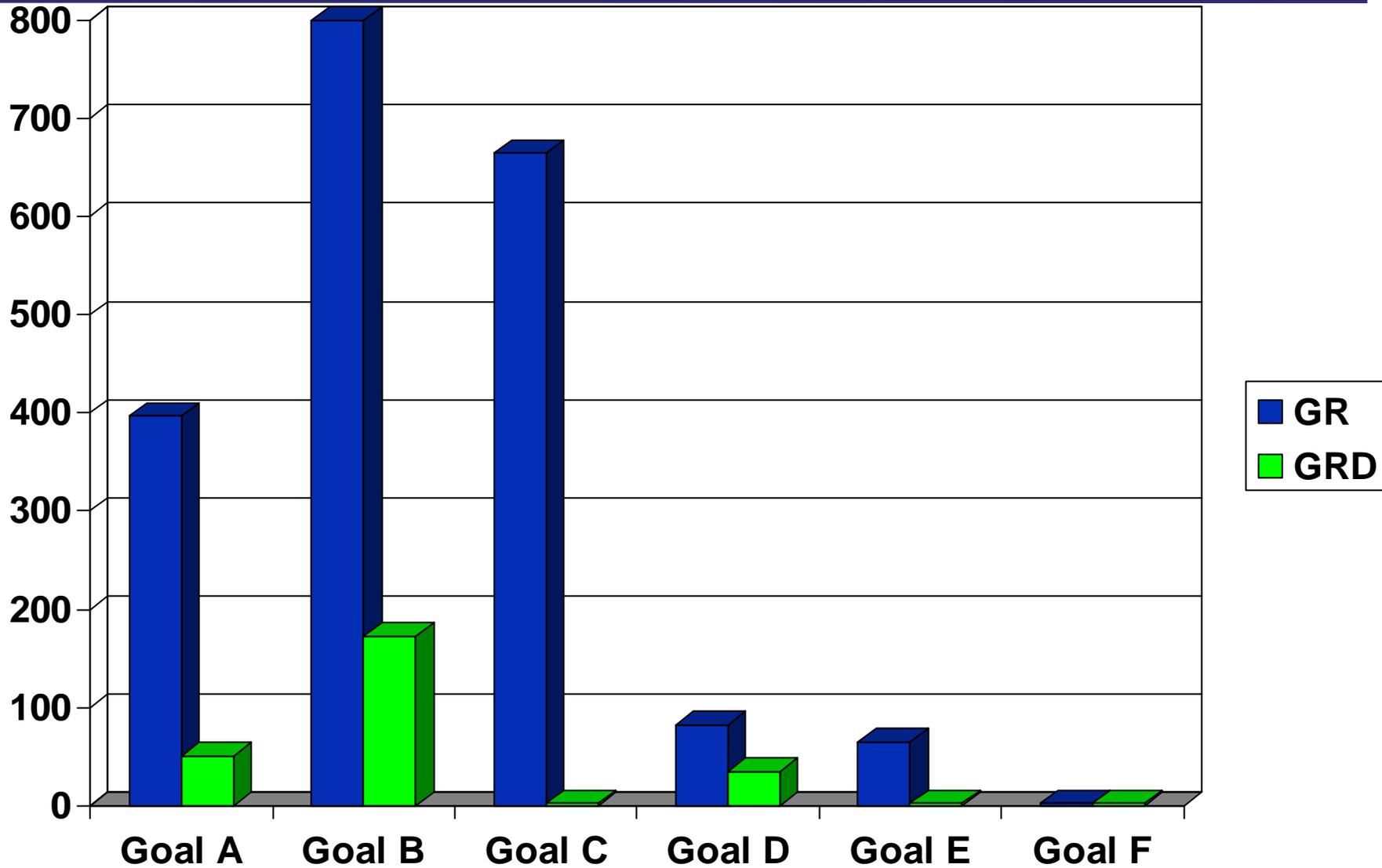
Total 10% Reduction Schedule



GR/GRD with First 5% Reduction Reflected



GR/GRD with 10% Reduction Reflected



Mailbox for input from DSHS staff – June 24

Senior Management Meeting – June 30

Stakeholder Meeting – July 6

Begin ABEST Entry – July 16

LAR Due Date – August 16

82nd Legislative Session – January - May 2011