



Presentation to the Senate Finance Committee

FY 2008-2009

Legislative Appropriations Request

October 23, 2006

FY 2006-2007 Issues

- Mental Health Services (Hospital Capacity; Rehabilitation Services: Provider of Last Resort)
 - Pandemic Flu Preparedness
 - Trauma Funds
 - Federal Challenges
-

Assumptions in FY 2008-2009 Appropriation Request

- General Revenue and General Revenue Related Base Request is limited to 90 percent of the sum of the amounts expended in FY 2006 and budgeted in FY 2007
- Debt Service is exempted from the 90 percent limitation
- Level Federal Funding
- Costs are held flat

FY 2008-2009 Issues

- Increasing pressure on local and state resources resulting from untreated mental health and/or substance abuse problems
- Cost to Texas of tobacco use and upward trend in obesity
- Need for effective response capabilities for natural and manmade emergencies
- Maintaining services with deteriorating facilities, vehicles, automation and telecommunications
- Growing population, caseloads and waitlists
- Federal fund reductions
- Impact of lawsuits on services and required resources

Biennial Comparison of Agency Request

(dollars in millions)

Agency	FY 2006-2007		FY 2008-2009		Biennial Difference	
	GR/GRD	AF	GR/GRD	AF	GR/GRD	AF
Preparedness and Prevention	\$376,866,096	\$948,984,285	\$341,592,981	\$931,107,368	\$-35,273,115	\$-17,876,917
Community Health Services	\$1,300,013,918	\$3,118,874,105	\$1,171,115,933	\$2,882,848,146	\$-128,897,985	\$-236,025,959
Hospital Facilities Management	\$587,885,044	\$692,527,243	\$538,682,870	\$640,041,628	\$-49,202,174	\$-52,485,615
Consumer Protection Services	\$93,092,361	\$111,140,079	\$75,891,726	\$93,059,776	\$-17,200,635	\$-18,080,303
Indirect Administration	\$35,639,104	\$69,249,909	\$32,248,394	\$65,801,688	\$-3,390,710	\$-3,448,221
Capital Items	\$20,406,853	\$101,315,122	\$17,580,441	\$51,355,165	\$-2,826,412	\$-49,959,957
Sub-total	\$2,413,903,376	\$5,042,090,743	\$2,177,112,345	\$4,664,213,771	\$-236,791,031	\$-377,876,972
Exceptional Items Request			\$526,954,392	\$656,523,233	\$526,954,392	\$656,523,233
Total	\$2,413,903,376	\$5,042,090,743	\$2,704,066,737	\$5,320,737,004	\$290,163,361	\$278,646,261

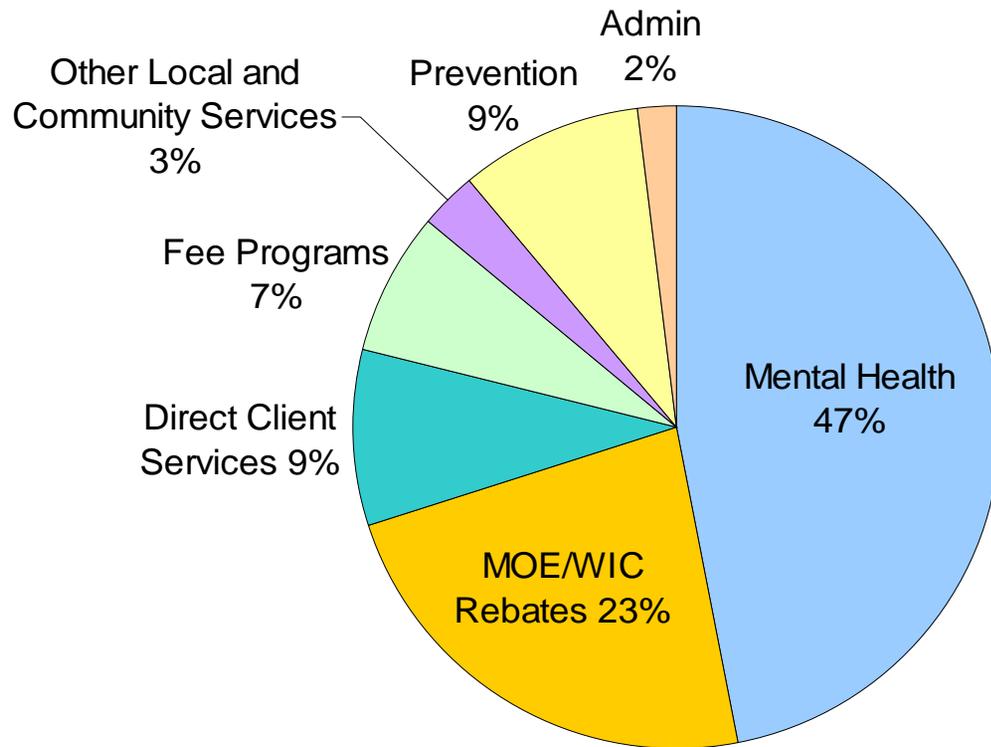
DSHS Legislative Appropriation Request 2008-09

EXCEPTIONAL ITEM	FY 2008		FY 2009		BIENNIAL TOTAL		FY 08	FY 09
	GR*	All Funds	GR*	All Funds	GR	All Funds	FTEs	FTEs
Base Funding Request	\$ 1,088,691,445	\$ 2,335,726,065	\$ 1,081,438,956	\$ 2,321,505,762	\$ 2,170,130,401	\$ 4,657,231,827	11,191.7	11,191.7
Rider 47 adjustments	\$ (1,219,418)	\$ (1,219,418)	\$ (1,211,418)	\$ (1,211,418)	\$ (2,430,836)	\$ (2,430,836)		
Correction for 2nd year of 07 3% pay increase	\$ 4,706,390	\$ 4,706,390	\$ 4,706,390	\$ 4,706,390	\$ 9,412,780	\$ 9,412,780		
Revised Base Funding Request	\$ 1,092,178,417	\$ 2,339,213,037	\$ 1,084,933,928	\$ 2,325,000,734	\$ 2,177,112,345	\$ 4,664,213,771	11,191.7	11,191.7
Exceptional Items:								
1. Restore 10% General Revenue Baseline Reduction	\$ 118,452,859	\$ 147,758,889	\$ 117,697,604	\$ 147,003,634	\$ 236,150,463	\$ 294,762,523	693.3	693.3
2. Required Biennial Funding for Phased in Mental Health Hospital Capacity Increase	4,294,900	4,294,900	4,294,900	4,294,900	8,589,800	8,589,800	97.0	97.0
3. Reduce the Spread of HIV and Tuberculosis	10,857,646	10,857,646	12,378,071	12,378,071	23,235,717	23,235,717	25.0	25.0
4. Mental Health Community Crisis Services for Children and Adults (Extension of Resiliency and Disease Management)	27,455,390	27,455,390	54,881,040	54,881,040	82,336,430	82,336,430	4.0	4.0
5. Prevention, Preparedness and Emergency Response	8,042,786	8,042,786	7,223,649	7,223,649	15,266,435	15,266,435	123.0	124.0
6. Pandemic Flu Prevention and Preparation	772,000	772,000	1,083,747	1,083,747	1,855,747	1,855,747	-	3.0
7. Prevent/Reduce Smoking in Children and Adults	23,240,477	23,240,477	30,928,293	30,928,293	54,168,770	54,168,770	6.0	6.0
8. Recruit and Retain Critical Shortage Professionals	4,329,343	4,329,343	4,801,854	4,801,854	9,131,197	9,131,197	56.0	56.0
9. Medicaid Substance Use Disorder Initiative	5,122,668	13,021,524	5,122,668	13,021,524	10,245,336	26,043,048	-	-
10. Protection of Children-School Cafeteria Inspections, Dental Health	1,127,798	1,127,798	1,216,869	1,216,869	2,344,667	2,344,667	19.0	19.0
11. Technology and Equipment for Critical Agency Functions	12,738,424	12,963,424	12,136,500	12,136,500	24,874,924	25,099,924	-	-
12. Replacement of Critical Client Services Transportation	2,122,870	2,122,870	2,122,870	2,122,870	4,245,740	4,245,740	-	-
13. Reduce Cardiovascular Disease, Diabetes and Other Chronic Diseases/Detect Cervical Cancer Early	5,806,992	6,069,492	11,762,657	12,112,657	17,569,649	18,182,149	25.0	25.0
14. Repair & Renovate Hospitals Including Equipment & Furniture Replacement	4,566,750	24,147,142	3,354,013	38,095,190	7,920,763	62,242,332	-	-
15. Substance Abuse Prevention & Treatment	7,672,486	7,672,486	7,672,486	7,672,486	15,344,972	15,344,972	2.0	2.0
16. Monitoring of Sexually Violent Predators	1,106,191	1,106,191	1,460,037	1,460,037	2,566,228	2,566,228	3.0	3.0
17. Automated Medication Dispensing System and Laboratory Information Systems	4,872,515	4,872,515	3,123,355	3,123,355	7,995,870	7,995,870	3.0	3.0
18. Medicaid Rate Restoration	1,555,842	1,555,842	1,555,842	1,555,842	3,111,684	3,111,684	-	-
Total Exceptional Items	\$ 244,137,937	\$ 301,410,715	\$ 282,816,455	\$ 355,112,518	\$ 526,954,392	\$ 656,523,233	1,056.3	1,060.3
Total Legislative Appropriation Request	\$ 1,336,316,354	\$ 2,640,623,752	\$ 1,367,750,383	\$ 2,680,113,252	\$ 2,704,066,737	\$ 5,320,737,004	12,248.0	12,252.0

Exceptional Item 1: Restoration of Base Funding

Ten percent reduction applied across all strategies.

Restoration of this funding is critical to provision of health, mental health, and substance abuse services – basic agency operations.



Protect mental health – 19% reduction in other programs

Protect WIC, Maintenance of Effort – 33% reduction

Protect Direct health services – 47% reduction

Protect Fee-based programs – 69% reduction

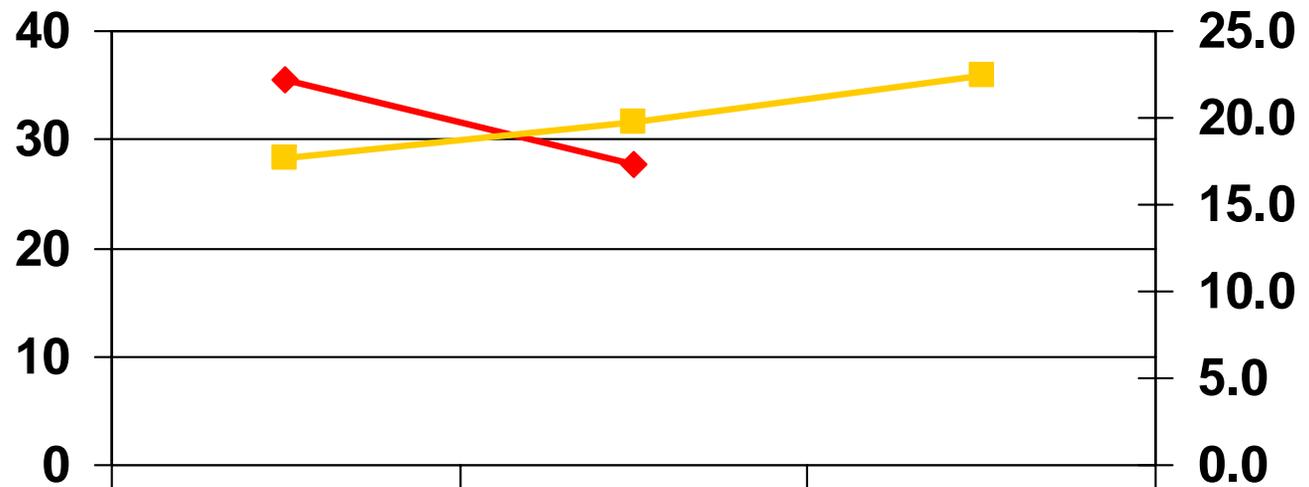
Exceptional Item 2: Required Biennial Funding for Phase in MH Hospital Capacity Increase

Maintain mental health hospital capacity at 2,477 beds

- Amount includes funding for:
 - FY 2006-07 increased capacity that could not be included in the base budget.
 - 6% utility rate increase.
 - 3.5% increase in food and storage costs.
- Avoid an increase in the number of individuals who are waiting in local jails for transfer to a state hospital.
- Avoid increased travel of local law enforcement to transport patients to facilities with available beds

Exceptional Item 2: Required Biennial Funding for Phase in MH Hospital Capacity Increase

Funding for State Mental Hospital Beds has declined while the Texas population has grown



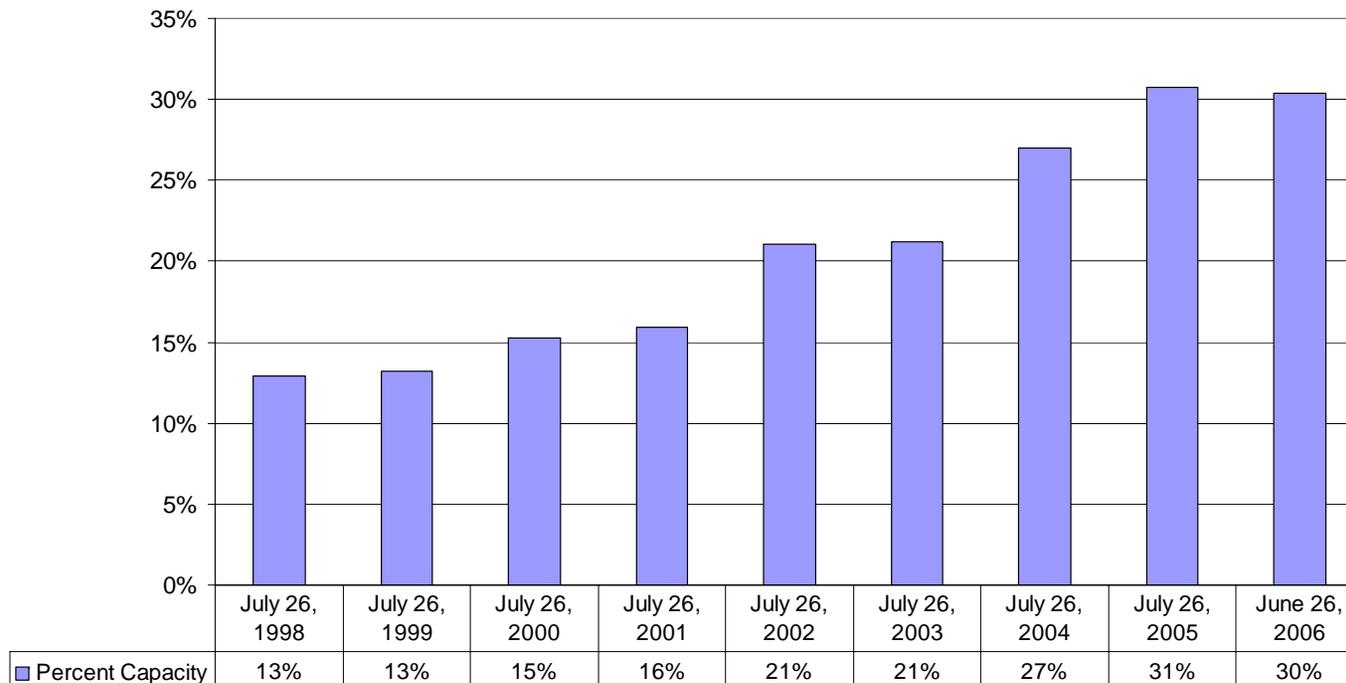
	FY '92	FY '98	FY '06
◆ State Hospital Beds	3,560	2,774	2,237*
■ Est. Pop. In Millions	17.7	19.8	22.5

* Before the fund transfer to increase bed capacity.

Exceptional Item 2: Required Biennial Funding for Phase in MH Hospital Capacity Increase

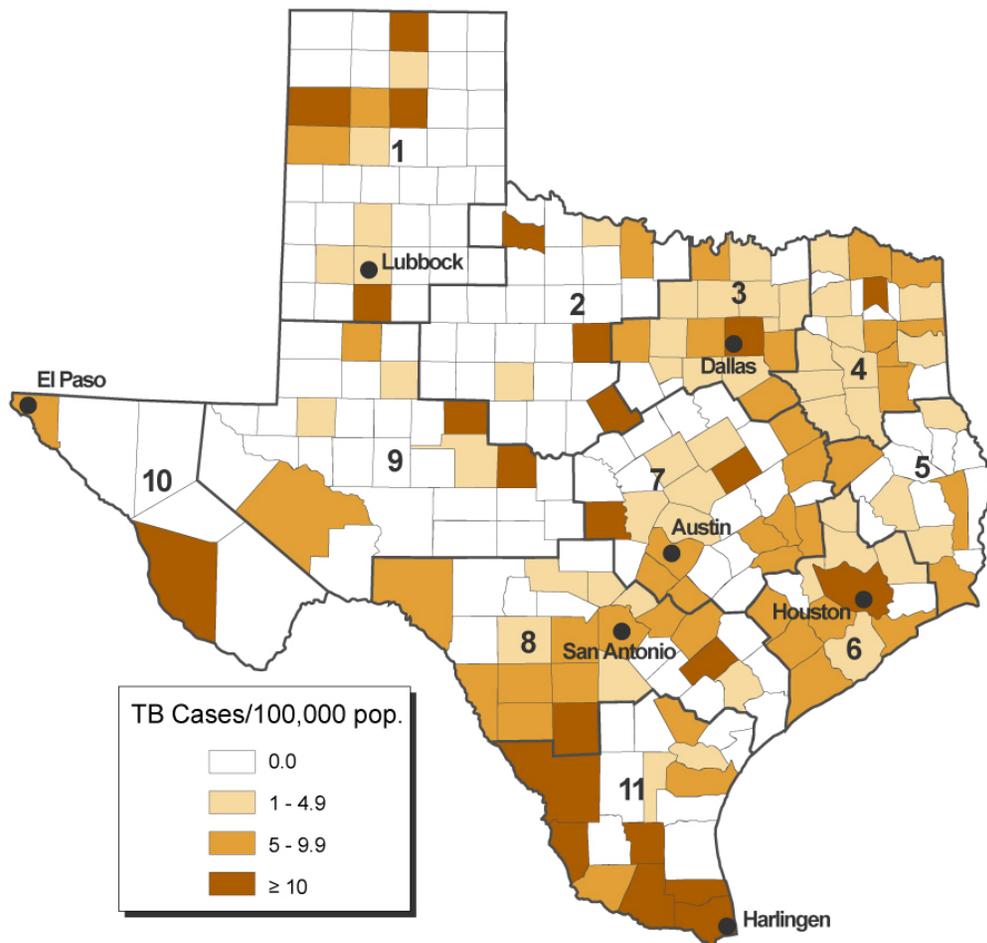
During 2005 and early 2006, the state hospital system in Texas operated at levels exceeding capacity. One driver of demand was an increasing number of criminal code (forensic) commitments. The forensic population represents 30% of the patients in state mental health hospitals.

Growth in Forensic Capacity as a Percent of Total Capacity



Exceptional Item 3: Reduce the Spread of Tuberculosis

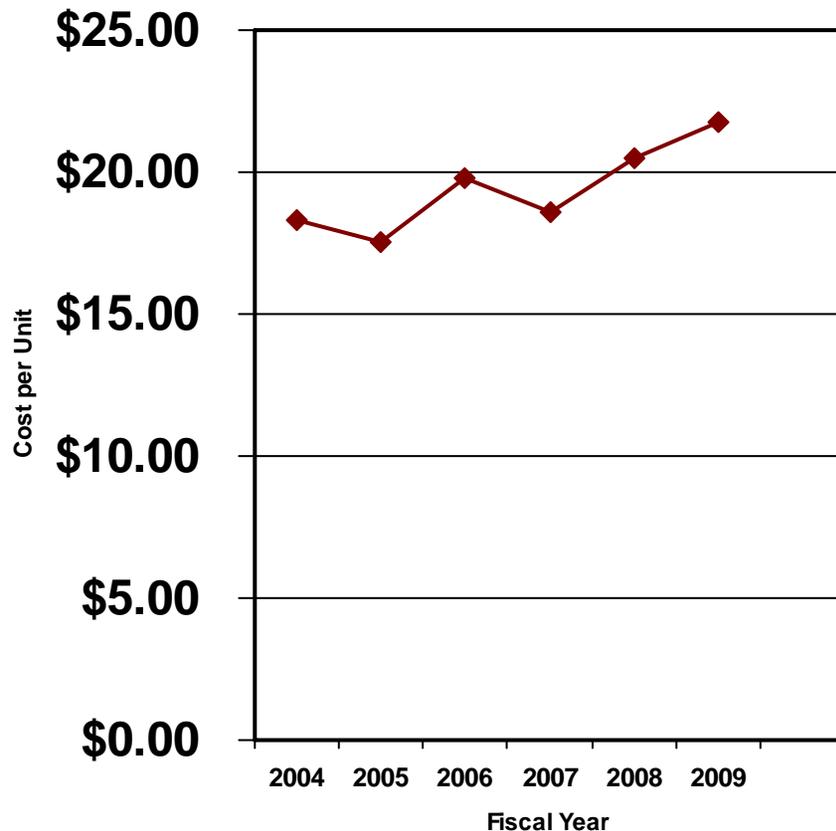
Map of TB Incidence Across Texas in 2004



In 2005, the incidence of Tuberculosis in Texas was 39% higher than the U.S. incidence rate.

Exceptional Item 3: Reduce the Spread of Tuberculosis

Increasing Cost of TB Medications



TB Treatment Cost Based on Susceptibility

Drug Susceptible TB
\$126 - 335 per case

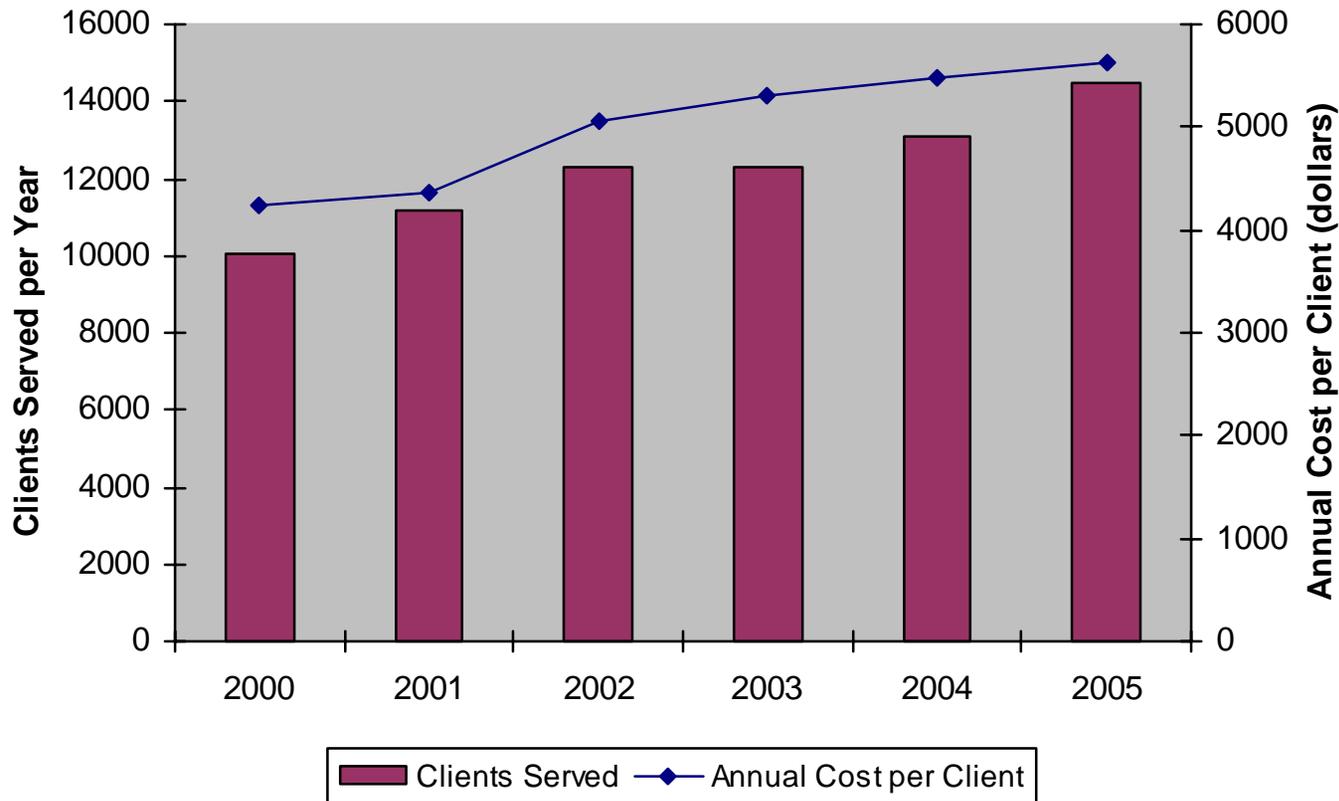
Drug Resistant TB
\$936 - 6,772 per case

Multi-drug Resistant TB
\$21,307+ per case

Exceptional Item 3: Reduce the Spread of HIV

The number of Texas HIV Medication Program (THMP) clients served has increased 44% from 10,041 clients in 2000 to 14,474 clients in 2005.

THMP Cost per Client has increased by 33% from \$4,249 per client in 2000 to \$5,639 per client in 2005.

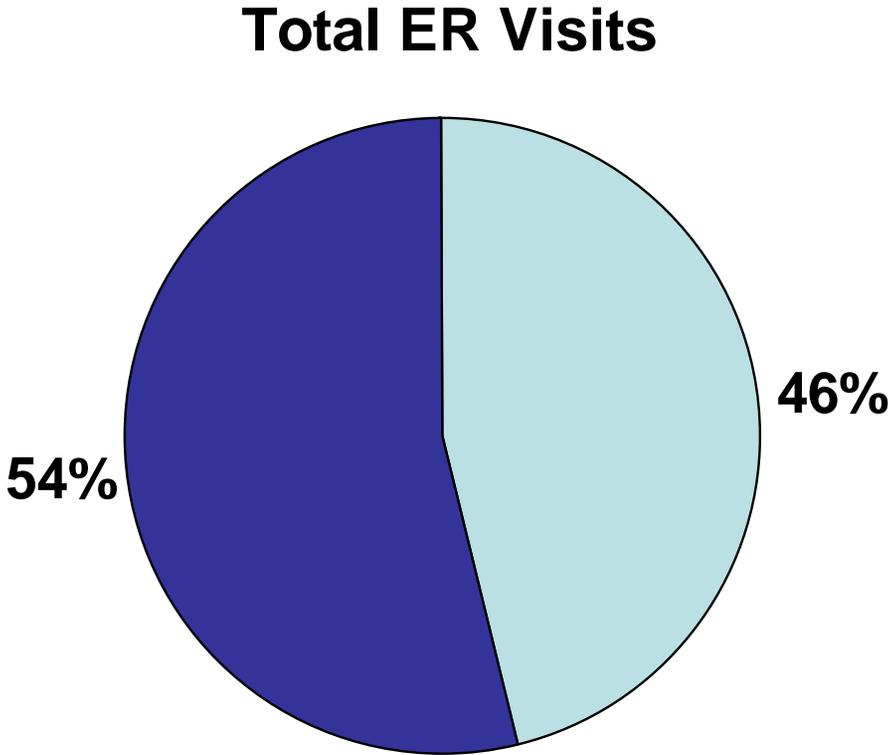


Exceptional Item 3: Reduce the Spread of HIV

- Outpatient medical care helps Texans with HIV stay healthier.
- Reduces the transmission of disease.
- Services include:
 - outpatient medical care;
 - case management;
 - some assistance with HIV medications;
 - mental health care;
 - nutrition services, among others.
- Most services are provided through contracts with local agencies.

Exceptional Item 4: Mental Health Community Crisis Services for Children and Adults

46% of all ER visits in the U.S. have behavioral health issues as a basic or contributing factor

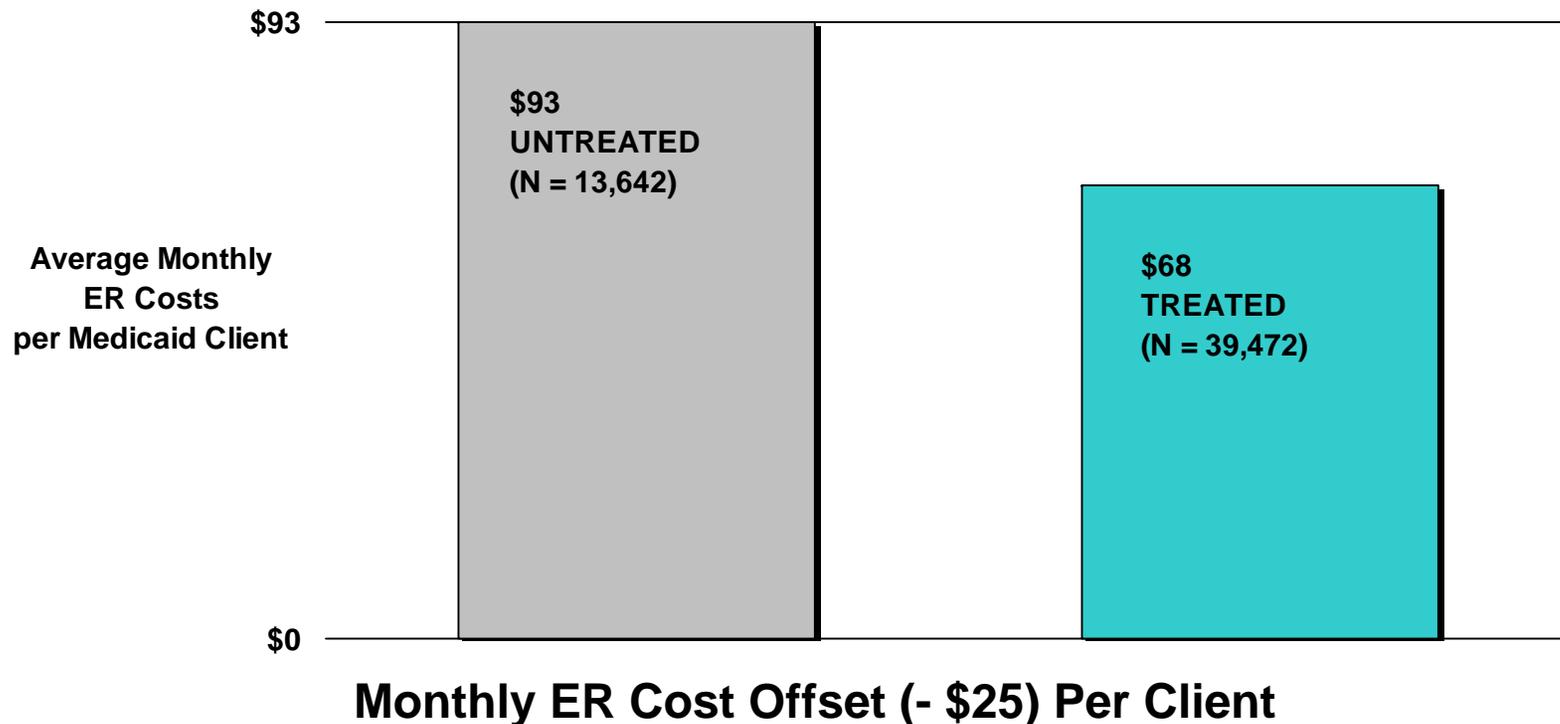


Exceptional Item 4: Mental Health Community Crisis Services for Children and Adults

- Reduced use of costly care settings, i.e., emergency rooms, and jails
- Reduced need for transportation to state hospitals for short-term stabilization
- Reduced suicides
- Minimized impact on the health and social services system
- Every \$1 spent on mental health services saves \$5 in overall health care costs (Am. Psychological Association)

Exceptional Item 4: Mental Health Community Crisis Services for Children and Adults

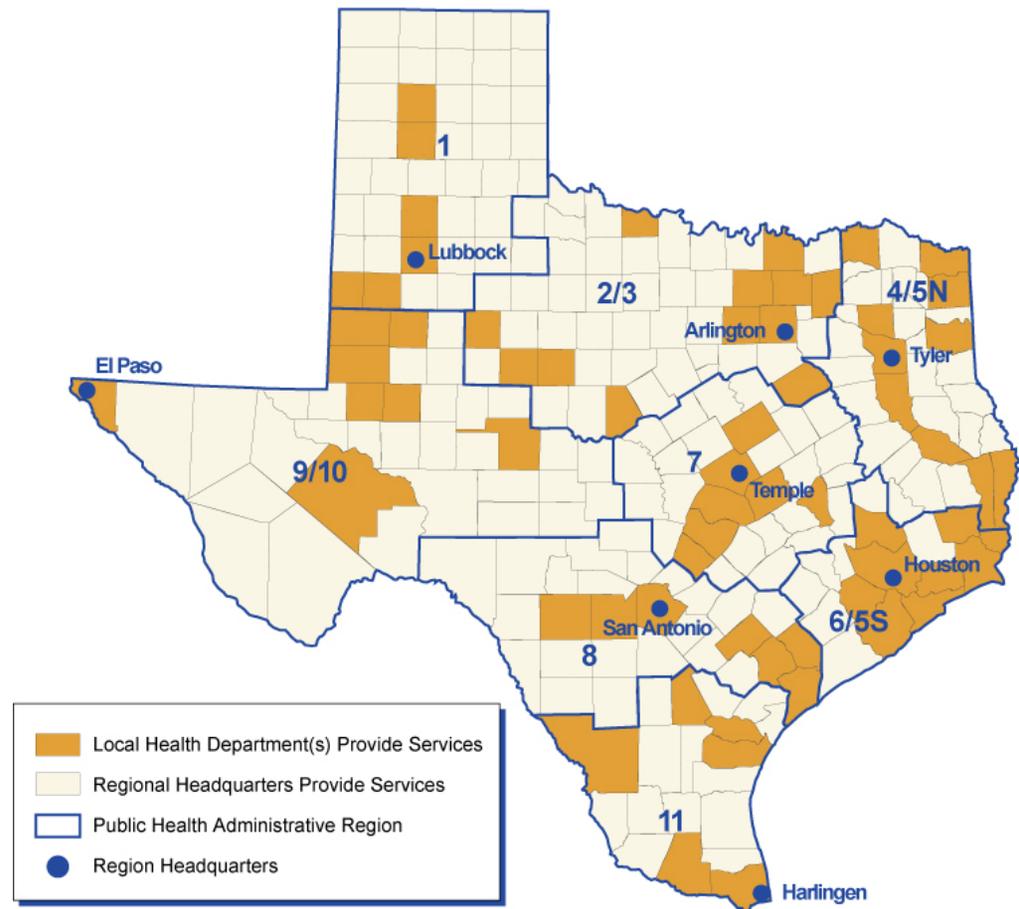
Fiscal Year 2005 Texas average monthly Emergency Room (ER) costs were 27 percent lower for Medicaid clients receiving needed DSHS community mental health treatment.



Exceptional Item 5: Prevention, Preparedness and Emergency Response

DSHS Regional Offices provide disaster response and local public health services to 191 Texas counties that do not have local health departments or have limited public health services.

DSHS supports the activities of all local health departments



Source: Office of Public Health Practice, Dec. 2003

Exceptional Item 5: Prevention, Preparedness and Emergency Response

- Supports DSHS' expanded role in the state's disaster planning and response activities
 - All-hazards approach
 - Enhanced testing for biological agents and radiation
 - Comprehensive medical special needs evacuation and shelter planning

Exceptional Item 6: Pandemic Flu Prevention & Preparation

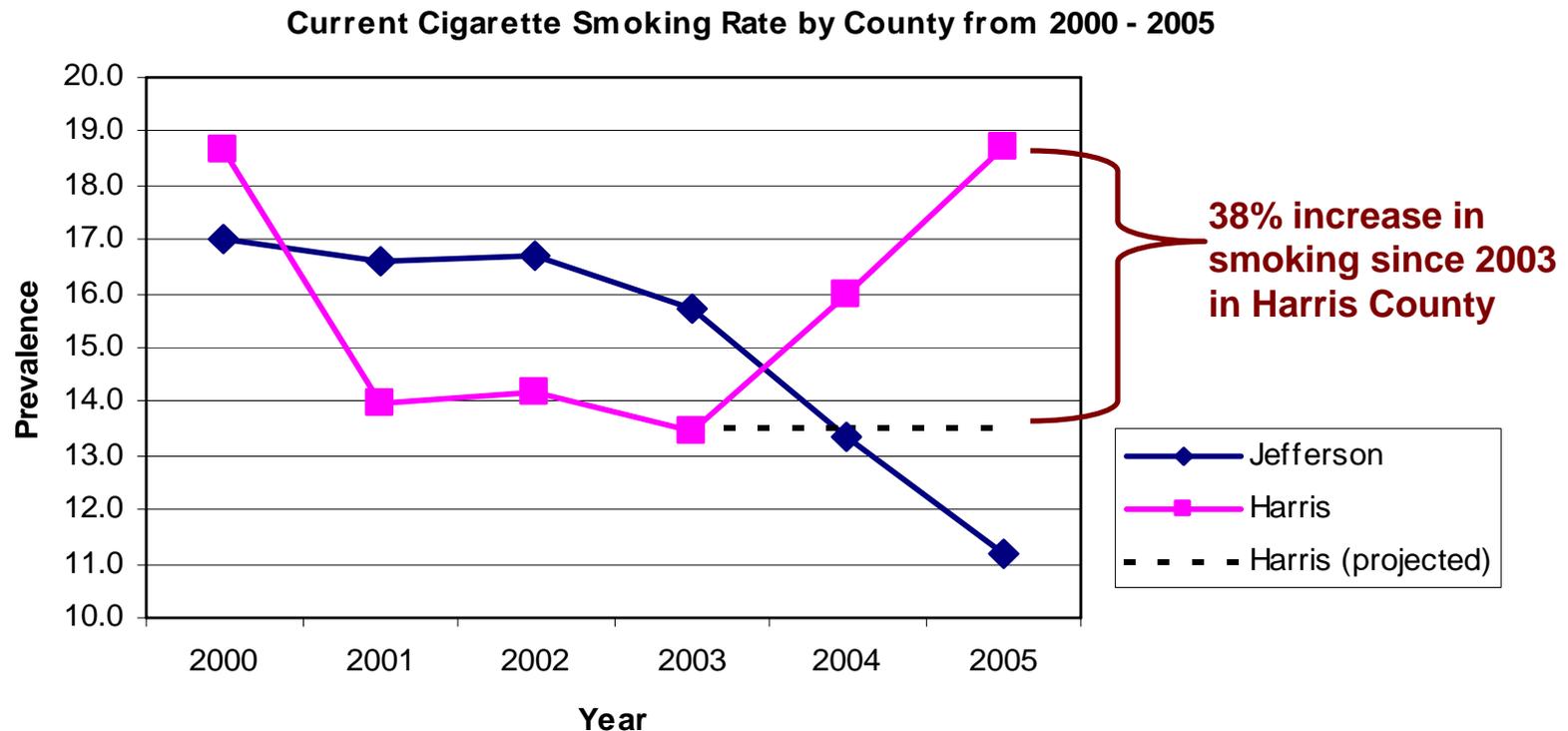
- Enhance seasonal flu surveillance for a more robust early detection system
 - Increase the number of health care providers who report flu from 90 to 200
 - Provide equipment for specimen collection and rapid flu testing
- Ensure adequate surveillance systems are in place to detect avian flu in poultry, as well as migrating bird populations
- Increase business continuity planning efforts
- Purchase personal protective equipment, such as masks, gloves, gowns
- Complement overall disaster response activities as well as planning and activities tied to federal Pandemic Flu funding
- Containing/controlling an outbreak saves lives and money

Exceptional Item 7: Prevent/Reduce Smoking in Children & Adults

- Five year return on investment of \$1.4 billion (\$69M investment for 5 years)
- Leverages current state funds to achieve a \$3 per capita program
- Estimated 163,000 fewer smokers in Texas in the first year of a statewide program
- Increased productivity and reduced health care costs

Exceptional Item 7: Prevent/Reduce Smoking in Children & Adults

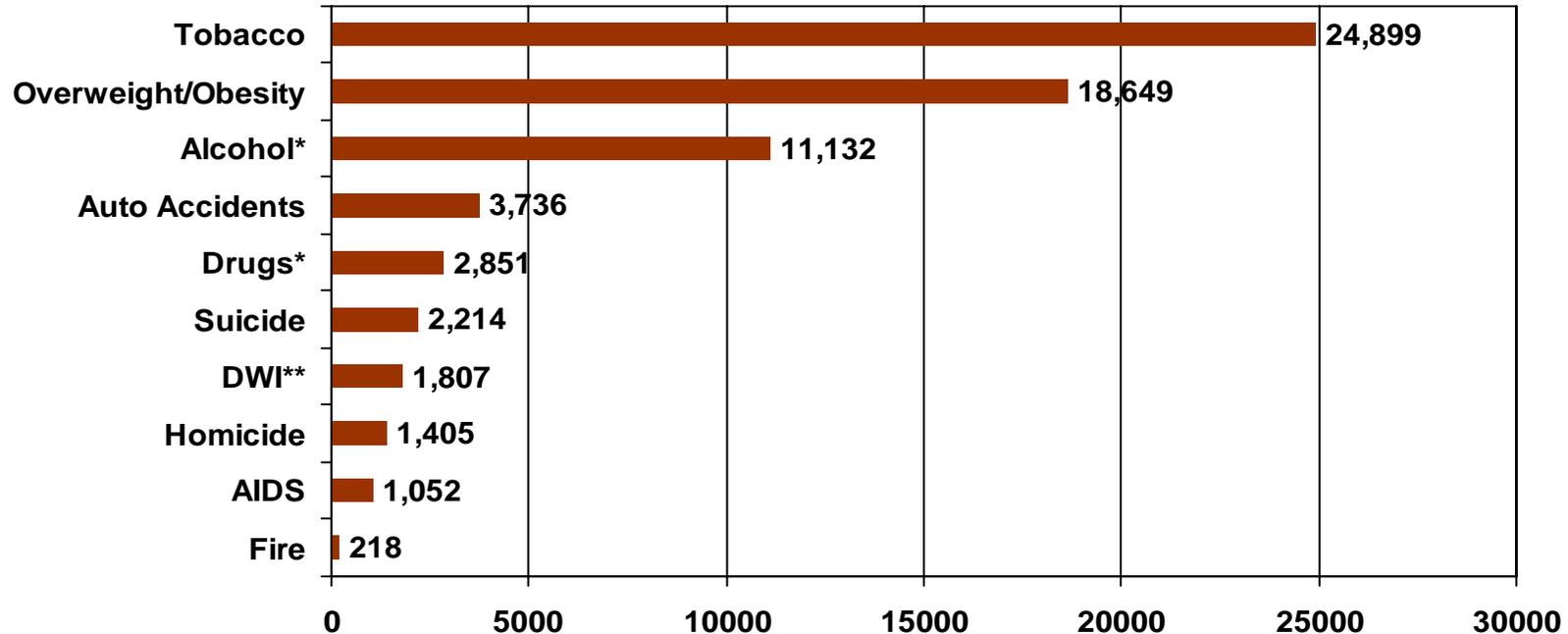
Reducing tobacco use requires a comprehensive and sustained approach. Gains produced by the comprehensive program with middle school students have regressed in Harris County as resources/efforts were reduced.



Exceptional Item 7: Prevent/Reduce Smoking in Children & Adults

Tobacco is the single most preventable cause of death and disease in Texas.

Actual Causes of Deaths
Texas, 2001



Exceptional Item 8: Recruit and Retain Critical Shortage Professionals

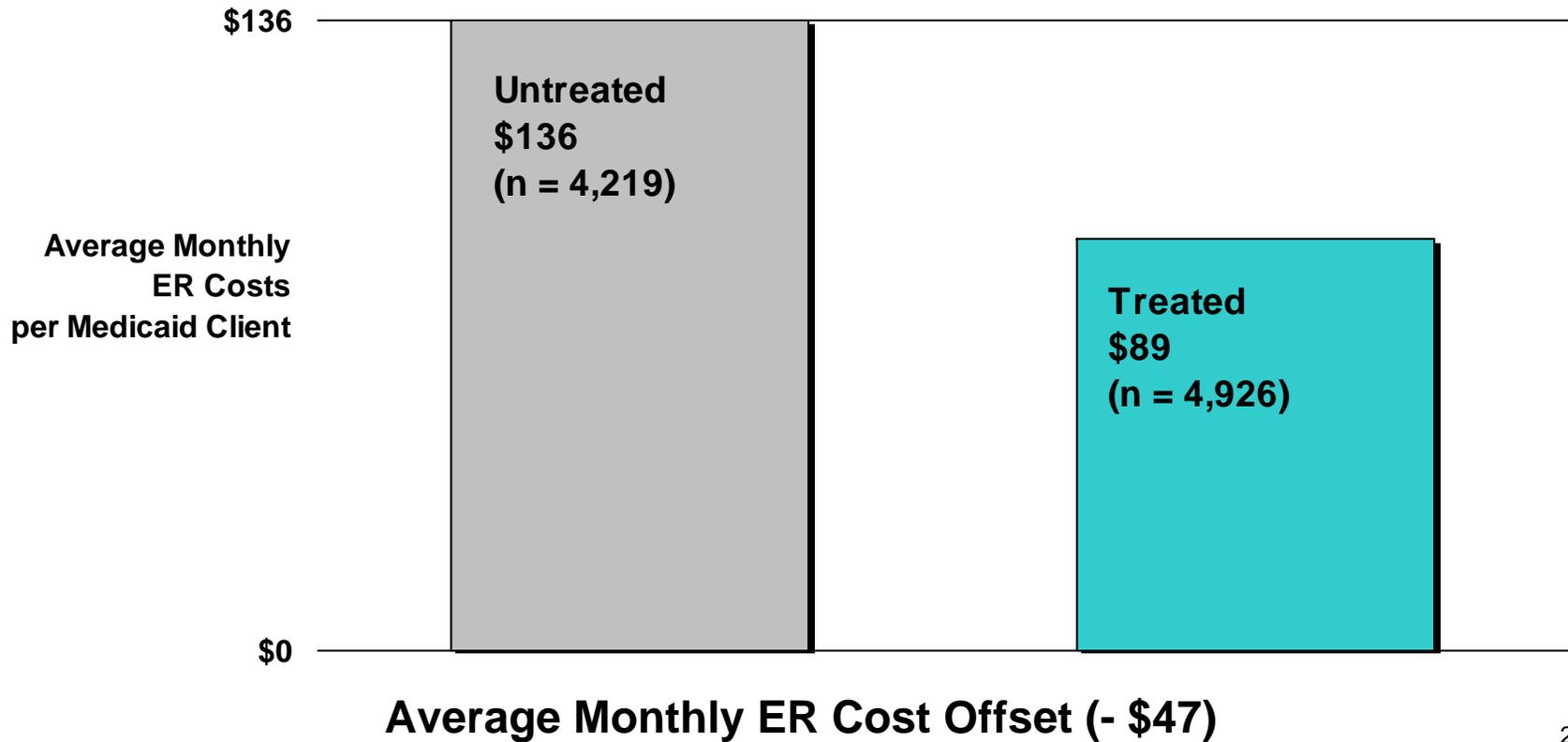
- Establish psychiatrist and psychologist residency placements in the state hospitals collaborating with higher education
- Decrease compensation gap
 - Physicians
 - Dentists
 - Pharmacists
 - Veterinarians
- Strategies to recruit/retain nurses included in the HHSC LAR

Exceptional Item 9: Medicaid Substance Use Disorder Initiative

- Reduced use of medical services, leading to cost savings
- Leverage state funds with federal funds (40 percent state/60 percent federal)
- Lower medical costs by reducing low birth weight babies, Fetal Alcohol Spectrum Disorders and use of neonatal ICU
- Benefit to the child welfare system through services to women of childbearing age

Exceptional Item 9: Medicaid Substance Use Disorder Initiative

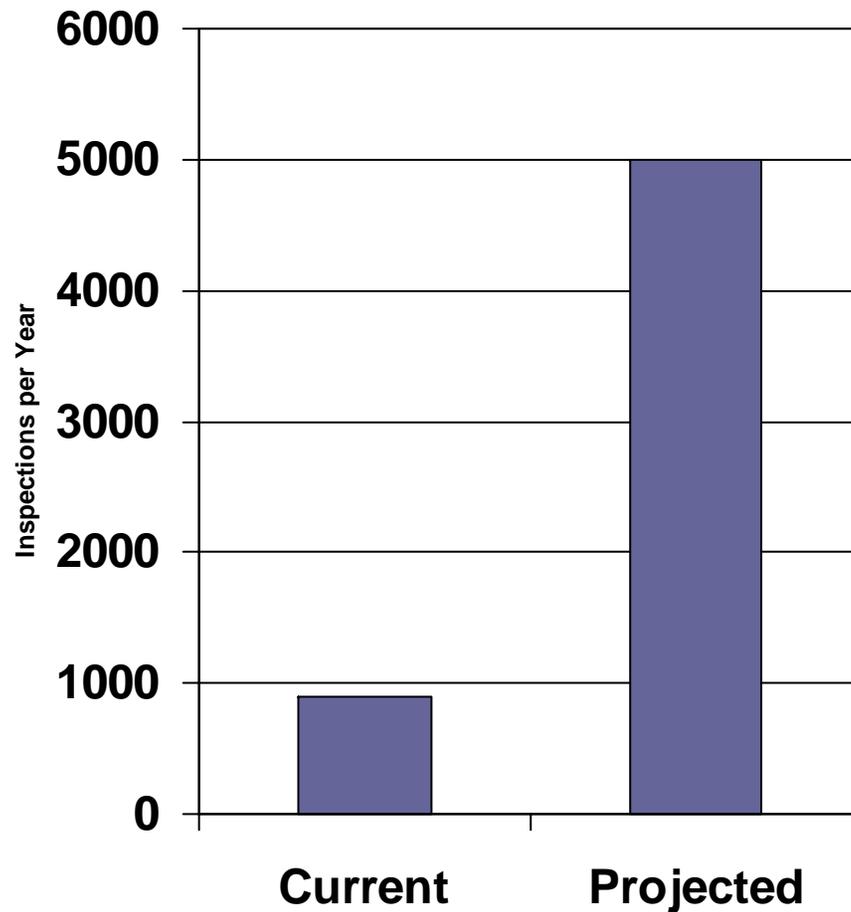
Fiscal Year 2005 Texas average monthly Emergency Room (ER) costs were almost 35 percent lower for Medicaid clients receiving needed DSHS substance abuse treatment.



Exceptional Item 10: Protection of Children School Cafeteria Inspections

The number of school cafeteria inspections increases dramatically with the new federal mandate of two inspections per year.

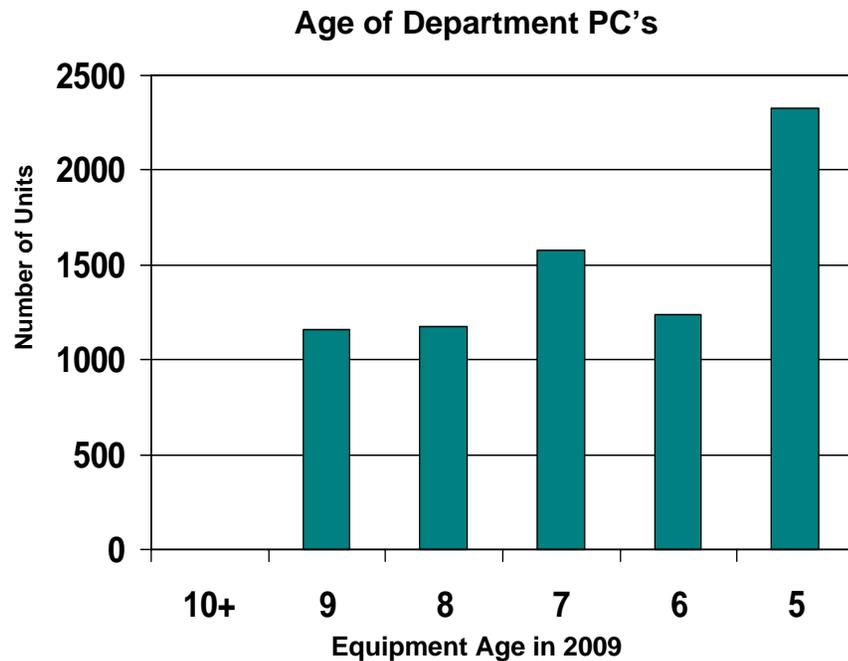
DSHS is responsible for 2,500 school in rural areas where no local health department exists.



Exceptional Item 10: Protection of Children Dental Health

- Dental Health
 - Expands preventive dental health care for children by adding 5 dental hygienists.
 - Provides vouchers for children in need of acute dental services with no other resources to pay.
- Prevents lost school days and more expensive care settings, such as emergency rooms

Exceptional Item 11: Technology and Equipment for Critical Agency Functions



Number of Units

- State standard life cycle for desktop computers is 4-5 years; for laptops, 2-3 years.

Reduces inefficiencies



Improves security



Increases productivity

Exceptional Item 12: Replacement of Critical Client Services Transportation

- Consequences of Not Funding Vehicles
 - Risk of injuries to patients and staff
 - Excessive time and money on extensive repairs to existing vehicles
 - General operating costs for gas and oil are higher for older less efficient vehicles
 - Uncomfortable environmental conditions, which can be dangerous for medically fragile patients
 - Valuable/available program services dollars will be spent on critical vehicle needs that cannot be postponed

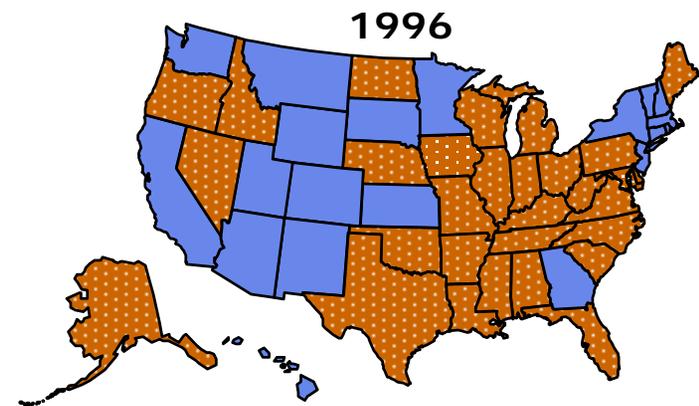
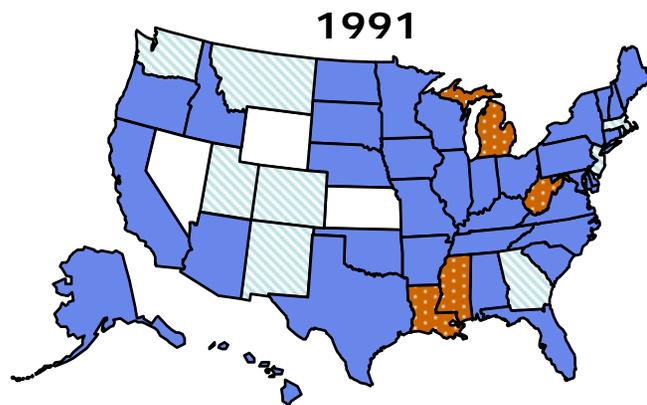
Exceptional Item 13: Reduce Cardiovascular Disease, Diabetes and Other Chronic Diseases

Implementation of the *Strategic Plan for the Prevention of Obesity in Texas*

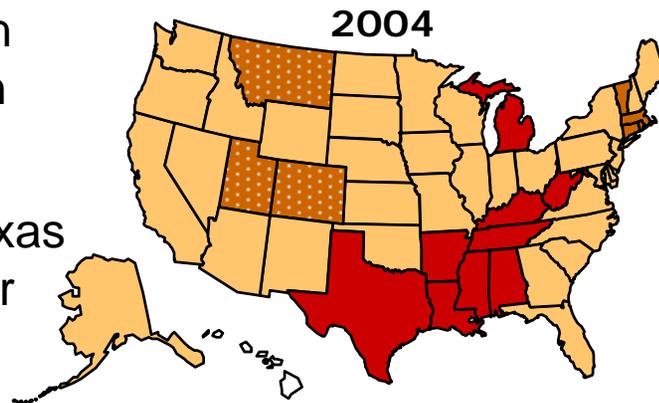
Program components:

- Community-based prevention initiatives
- Surveillance (continuation of SPAN)
- Targeted media campaign
- Return on investment study
- Support for coordinated school health
- Special projects targeting health disparities in African-Americans and Hispanics

Exceptional Item 13: Reduce Cardiovascular Disease, Diabetes and Other Chronic Diseases



- Prevalence of obesity in adult Texans more than doubled 1990-2004.
- Today, two thirds of Texas adults are overweight or obese.

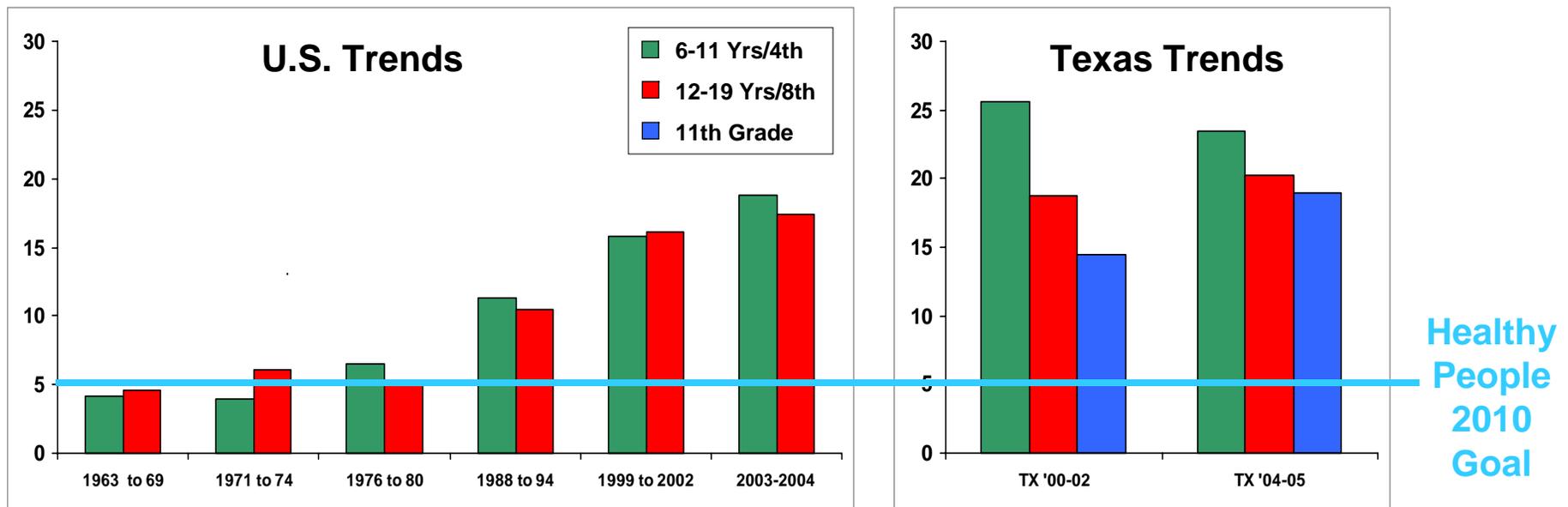


Obesity Trends* Among U.S. Adults
BRFSS, 1991, 1996, 2004
 (*BMI ≥ 30 , or about 30 lbs overweight for 5'4" person)



Exceptional Item 13: Reduce Cardiovascular Disease, Diabetes and Other Chronic Diseases

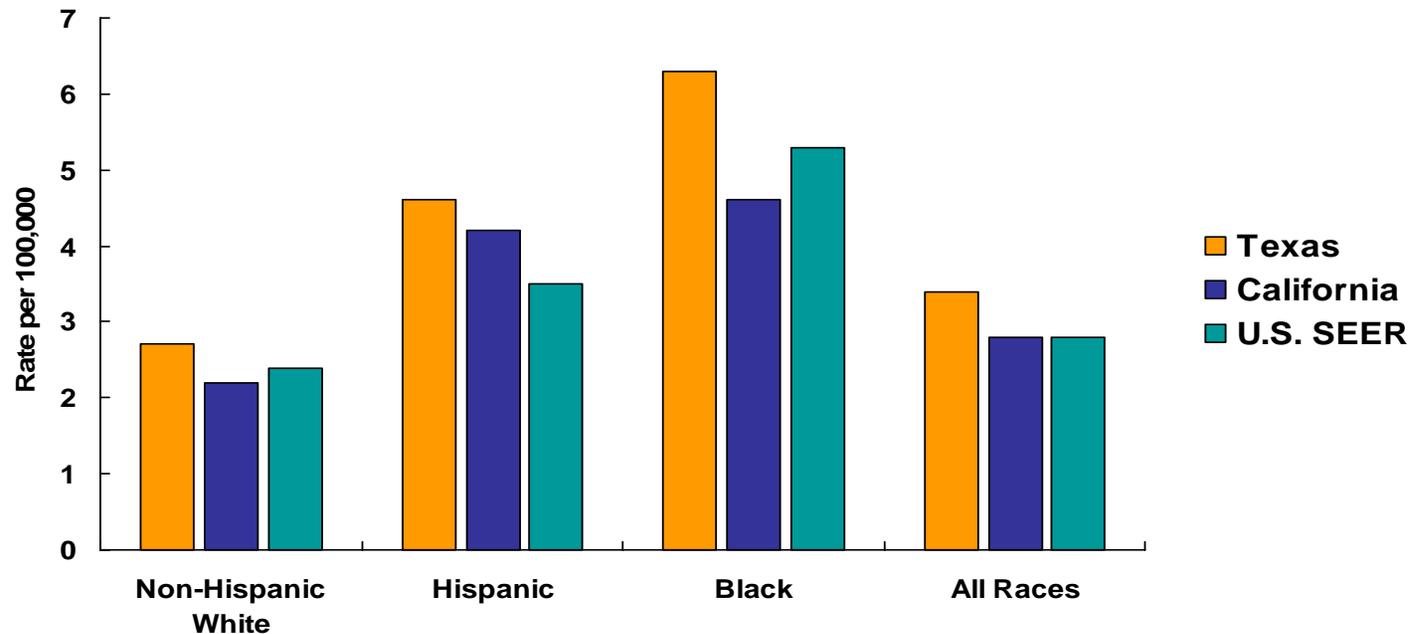
Data suggests one-third of Texas children are overweight or obese. Overweight children are at risk of developing chronic diseases earlier in life.



Trends in Prevalence of Youth Overweight in Texas Compared to National Data

Exceptional Item 13: Reduce Cardiovascular Disease, Diabetes and Other Chronic Diseases

Although progress has been made in reducing cervical cancer rates, the Texas rate is higher than California and the U.S. rates.



Cervical Cancer Mortality Rates Compared with California and the U.S. SEER by Race/Ethnicity, 1998-2002
(Rates are average annual rates per 100,000, age-adjusted to the 2000 U.S. Standard Population.)

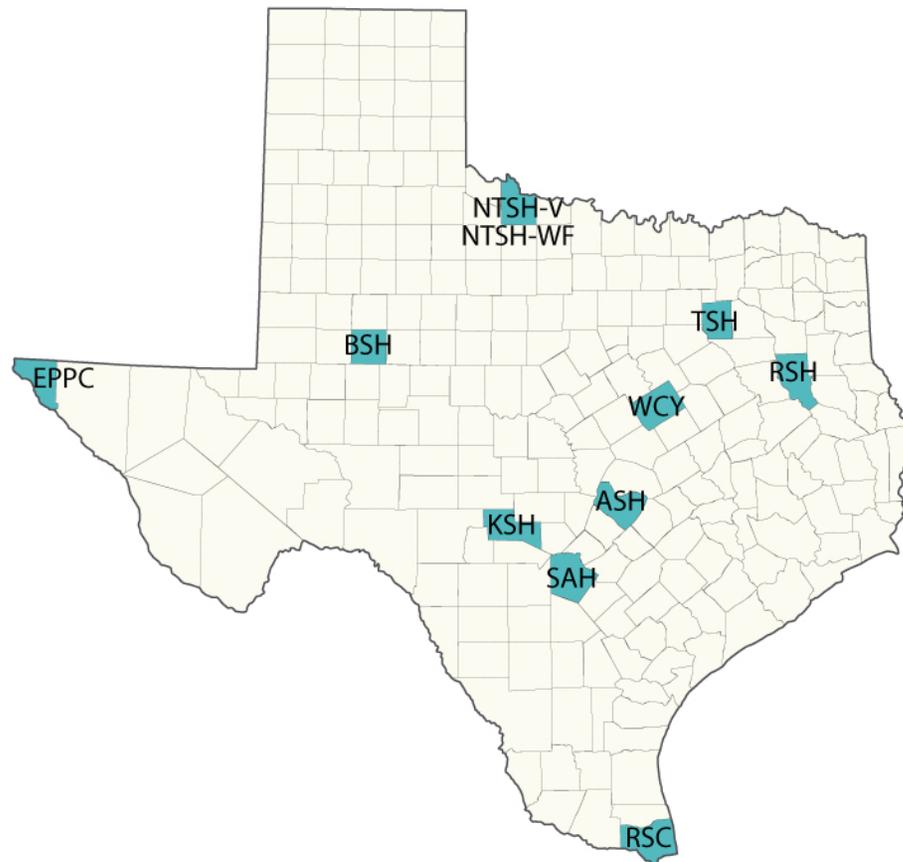
Exceptional Item 13: Reduce Cardiovascular Disease, Diabetes and Other Chronic Diseases

- In Texas, there will be fewer women with untreated premalignant cervical diseases and invasive cervical cancer.
- New technologies allow women to get a pap smear every 2-3 years, rather than every year.
- Estimated \$3 million in savings in state and federal Medicaid, Title V and Title XX dollars per year as a result of:
 - Less frequency of screening
 - Decreased need for additional pelvic exams
 - Decreased need for long term cancer and hospice care by reducing the number of women with invasive cervical cancer

Exceptional Item 14: Repair & Renovate Hospitals Including Equipment & Furniture Replacement

Infrastructure Description

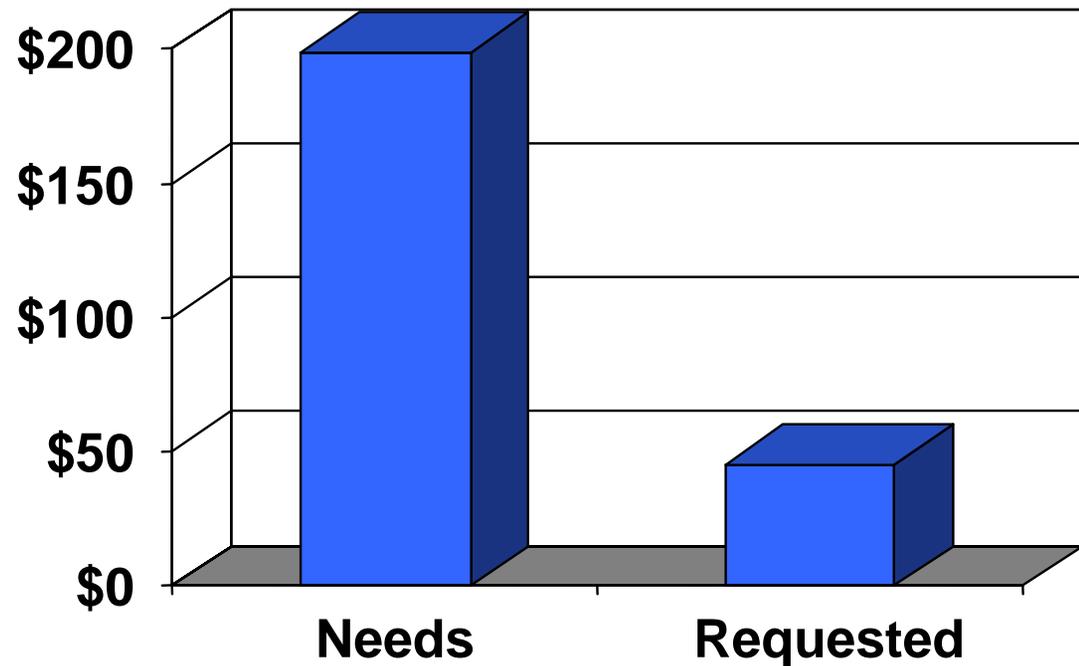
- Eleven State Mental Health Facility campuses and Two Health Facilities
- 3,032 acres, 552 buildings, 4.9 million square feet
- \$866 million replacement value
- Average age is 55.2 years old.
- Most buildings were well built and remain structurally sound, but are in need of renovation to meet today's standards and programmatic requirements.
- Over 84% of total building area is dedicated to patients and patient support.



Exceptional Item 14: Repair & Renovate Hospitals Including Equipment & Furniture Replacement

FY08-09 Capital Construction Needs

- \$198.9 million in capital construction needs have been identified for FY08-09 funding for State Hospitals.
- Of that, \$47.76 million has been identified as the most critical.

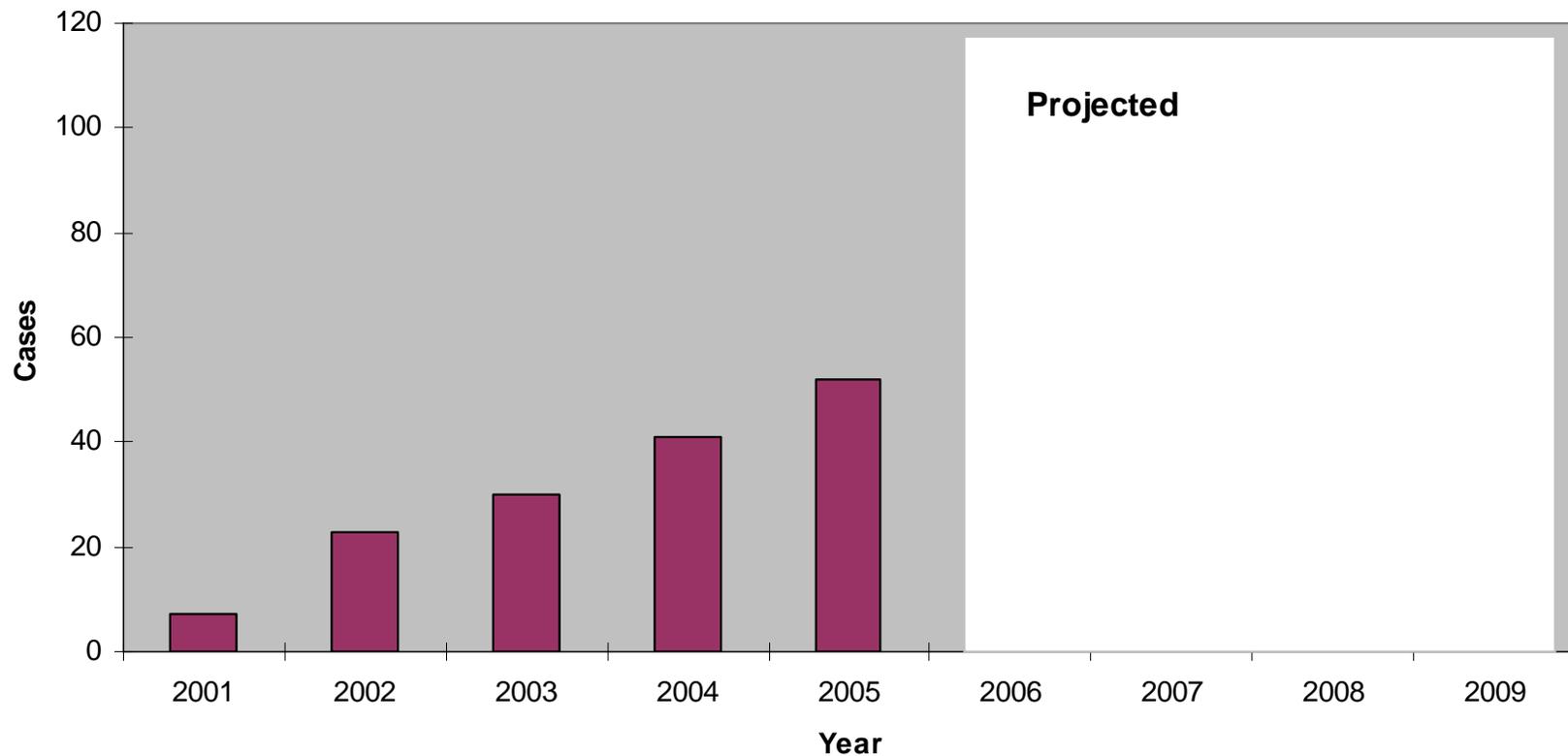


Exceptional Item 15: Substance Abuse Prevention & Treatment

- The role of substance use prevention is to create healthy communities at work and in school.
- Prevention of substance among children is a priority.
- The Treatment Outcome Prospective Study found that every \$1 invested in residential treatment saved an additional \$2.10 in reduced law enforcement, incarceration, and social welfare costs within the first year after treatment.
- Clients participating in the Texas Access to Recovery program, which provides substance abuse treatment or recovery support services to drug court participants, had the following successful outcomes:
 - 92% Abstinent
 - 59% Employed or in School
 - 91% No Further Arrests
 - 99% Not Homeless

Exceptional Item 16: Monitoring of Sexually Violent Predators

SVP Case Load



Based on projections of 15 trials per year. An increase in the number of trials would increase the projected caseloads.

Exceptional Item 17: Automated Medication Dispensing and Laboratory Information System

- Implement Automated Medication Administration Records System and Medication Dispensing System in DSHS facilities
 - Use technology to reduce/eliminate costly medication errors & increase efficiency
- Enhance the laboratory information system
 - Manage information for more than 1.5 million specimens/samples
 - Collect, store, analyze and report on more than 5 million tests annually
 - Enhance billing and allocation of costs capabilities

Exceptional Item 18: Medicaid Rate Restoration (2.5%)

A number of DSHS rates are based on established Medicaid rates. This exceptional item reflects restoration of the 2.5% reduction for:

- Children with Special Health Care Needs
- Maternal and Child Health Services
- Breast and Cervical Cancer Control
- County Indigent Health Care
- Family Planning



Exhibit I

Exceptional Item Detail
