

- SUBJECT:** Authorizing spending reductions by health and human services agencies
- COMMITTEE:** Appropriations — favorable, without amendment
- VOTE:** 22 ayes — Heflin, Luna, Berman, Branch, B. Brown, F. Brown, Crownover, J. Davis, Eiland, Hamric, Hope, Hupp, Isett, Kolkhorst, McClendon, Menendez, Pickett, Pitts, Solis, Truitt, Turner, Wohlgemuth
- 0 nays
- 7 absent — Deshotel, Dukes, Ellis, Gutierrez, E. Jones, Raymond, Stick
- SENATE VOTE:** On final passage, May 20 — 31-0
- WITNESSES:** None
- BACKGROUND:** Texas Constitution, Art. 3, sec. 35 limits bills to one subject, except for general appropriations bills, which can include various subjects and accounts. However, this provision has been interpreted as prohibiting the general appropriations bill from changing substantive law. In other words, appropriations bills deal only with spending. Because the levels of funding in an appropriations bill assume certain programmatic changes, the statutory changes required to meet that funding level are contained in other legislation.
- On April 17, the House passed HB 1 by Heflin, the House version of the general appropriations bill for fiscal 2004-05. The Senate passed its version of the bill on April 29, and the bill now is in conference committee. Statutory changes required to implement the final version of the state budget will be contained in a series of bills, all of which have been reported favorably by the House Appropriations Committee.
- For further discussion of issues in the state budget, see HRO State Finance Report Number 78-2, *CSHB 1: The House Appropriations Committee's Proposed Budget for Fiscal 2004-05*, April 9, 2003.
- DIGEST:** SB 1862 would amend statutes relating to health and human services (HHS) in the areas of Medicaid rate setting and the quality assurance fee for long-term care. Notwithstanding any other statute, HHS agencies in Article 2 of the general appropriations act could reduce expenditures by consolidating reports,

delivering them by electronic means, or using electronic transmission for other communications such as billing or certificates; adopting fees to cover operating costs; entering into a contract with another entity to perform the agency's duties; or extending the effective period of any license, permit, or registration issued by the agency.

Medicaid rate setting. The Health and Human Services Commission (HHSC) could adjust Medicaid reimbursement rates to achieve objectives of the Medicaid program. The adjustment would have to be made in a manner consistent with the commission's rate setting methodologies, relevant state or federal law, economic conditions that could affect provider participation in the program, and available state and federal funds.

Quality assurance fee. The bed fee would have to be assessed on all facilities operated by the Texas Department of Mental Health and Mental Retardation. Combined with federal matching funds, the quality assurance fee would have to be used to support the rate incentive program. Funds raised by the fee, combined with federal matching funds, also could be used for waiver programs for people with mental retardation or for any other HHS purpose approved by the governor and the Legislative Budget Board. The bill would repeal HHSC's authority to use the fee for a rate increase for waiver programs.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

NOTES:

The companion bill, CSHB 3519 by Wohlgemuth, was placed on the House Major State Calendar for May 10 but was postponed and died in the House. SB 1862 would exclude provisions of CSHB 3519 relating to asset limits for recipients of Temporary Assistance for Needy Families, the personal needs allowance given to elderly nursing-home residents, and certain medical programs. The quality assurance fee provision in SB 1862 also is in HB 2292 by Wohlgemuth, which passed the House on April 28 and was considered in a public hearing by the Senate Finance Committee on May 23.

The fiscal note for CSHB 3519 estimated net savings of \$228 million in fiscal 2004-05, but the fiscal note for SB 1862 estimates no net savings to the state.

Other bills that would make statutory revisions to implement HB 1 include:

- HB 3441 by Pickett, relating to appropriations for general government agencies in Article 1;
- HB 3459 by Pitts, relating to appropriations for agencies of public education and higher education in Article 3;
- HB 3306 by Berman, relating to appropriations for the judiciary in Article 4;
- HB 3305 by Berman, relating to appropriations for criminal justice agencies in Article 5;
- HB 3442 by Pickett, relating to appropriations for natural resources agencies in Article 6;
- HB 3443 by Pickett, relating to appropriations for business and economic development agencies in Article 7; and
- HB 3378 by Hope, relating to appropriations for Article 8 regulatory agencies.

All of these bills passed the House on May 10 and have been reported favorably by the Senate Finance Committee.