TRANSITION LEGISLATIVE

OVERSIGHT COMMITTEE

REPORT
TO THE
85TH LEGISLATURE

November 29, 2016
The Honorable Greg Abbott
Governor of Texas

The Honorable Dan Patrick
Lieutenant Governor of Texas

The Honorable Joe Straus
Speaker, Texas House of Representatives

Dear Governor Abbott, Lieutenant Governor Patrick, Speaker Straus, and members of the Legislature:

The Transition Legislative Oversight Committee submits this report in accordance with Senate Bill 200, 84th Texas Legislature.

Respectfully submitted,

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Senator Juan "Chuy" Hinojosa
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Introduction

The state of Texas delivers health and human services to perhaps the most economically and geographically diverse population in the entire nation. In the 2016 - 2017 biennium, the state will spend an estimated $77.2 billion all funds to provide services for 27.4 million Texans. The state has a vested interest in making sure these services are delivered efficiently, effectively, and in a manner that is easy for clients to navigate. To that end, the state's health and human services delivery system is undergoing a major structural transformation. This report, required by Senate Bill 200, 84th Legislature, provides an update on the reorganization effort.1

Background

Health and Human Services System Overview, 2003-2015
In 2003, the 78th Legislature consolidated 12 state agencies performing health and human services functions into five: the Health and Human Services Commission (HHSC), Department of Family and Protective Services (DFPS), Department of State Health Services (DSHS), Department of Assistive and Rehabilitative Services (DARS), and the Department of Aging and Disability Services (DADS). This reorganization was driven by the need to achieve significant savings, particularly through the consolidation of administrative services amid a budget shortfall. The Office of Inspector General (OIG) was also created in 2003 with the goal of better preventing, detecting, and investigating fraud, waste, and abuse. A brief description of the responsibilities under each agency follows:

- The Health and Human Services Commission offers oversight and support for the health and human services agencies, administers the state's Medicaid and other public benefit programs, sets policies, defines covered benefits, and determines client eligibility for major programs.

- The Department of Family and Protective Services investigates allegations of abuse and neglect perpetrated against children, seniors, and people with disabilities, administers the state's foster care system, and regulates child care facilities.

- The Department of State Health Services oversees public health services; supports local health departments, operates the state's mental health hospitals, center for infectious diseases, and public health laboratory; provides services for persons with infectious diseases, specific health conditions, substance use disorders and mental illness; and regulates certain healthcare professions, facilities, and consumer services and products.

- The Department of Assistive and Rehabilitative Services provided time-limited services to people with disabilities and children with developmental delays, such as gaining functionality, preparing for and finding employment, and living independently in the community.

- The Department of Aging and Disability Services provides long term services and supports for people with disabilities and people age 60 and older, and regulates providers serving these populations in facilities or home settings to protect individuals' health and safety.
- The Office of Inspector General identifies and investigates provider and recipient fraud in public assistance programs; audits the use of state and federal funds; recommends policies to prevent fraud, waste, and abuse; investigates health and human services employees; and performs background checks on healthcare providers.²

Texas' Health and Human Services System, September 2003 - September 2016

The Sunset Advisory Commission reviewed each health and human service system agency in 2013 and 2014.³ These reviews found areas of concern in each agency but also deficiencies in the overall structure of the health and human service delivery system. Specifically, Sunset determined the system suffered from blurred lines of authority, inefficient organization of programs and staff, and a lack of coordination among programs spread across multiple agencies that often served the same individuals.

The Sunset Advisory Commission's staff report for the Health and Human Services Commission recommended a consolidation of all five agencies into a single state agency by the beginning of fiscal year 2017.⁴ In the format proposed by Sunset staff, programs and services could be organized along functional lines, promoting efficiency and making the system easier to navigate. The staff report also recommended that a number of regulatory and client service programs be moved outside of the health and human services system to better align with similar services and gain additional administrative efficiencies. In December 2014, the Sunset Advisory Commission unanimously adopted the staff report recommendations to consolidate the agencies and functionally organize associated programs.⁵

The Sunset reports involving system reorganization and summaries of related legislative action are available electronically at:

Health and Human Services Commission Report:

Department of Family and Protective Services Report:
Governor's Strike Force Report, March 2015
After the Sunset Advisory Commission recommended reorganization of the health and human services system agencies in December 2014, several highly publicized contracting, management, and human resources issues emerged at HHSC. In response, the Governor appointed an independent Strike Force Team in January 2015 to perform a special purpose review of the agency. The Strike Force Report was released in March 2015, and is available electronically at: http://gov.texas.gov/files/press-office/Strike_Force_3_26_15.pdf.

Legislators adopted several Strike Force recommendations, along with other modifications, to phase in consolidation of functions via Senate Bills 200 and 208. Most significantly, the Legislature decided to keep DFPS and DSHS as separate agencies and extended the timeline for transfers of functions and abolition of DARS and DADS, allowing additional planning to ensure a successful transition.

84th Legislative Session: Senate Bills 200, 208, and Oversight
To provide ongoing oversight, SB 200 created the Transition Legislative Oversight Committee (TLOC). Composed of four Senators, four Representatives, and three members of the public, TLOC must meet at least quarterly until September 2017; at least semi-annually between October 2017 and December 2019; and, at least annually between January 2020 and August 2023. Per SB 208, TLOC is also responsible for oversight and monitoring of the transition of certain functions from DARS to the Texas Workforce Commission (TWC). The Committee is abolished September 1, 2023.

In 2016, TLOC met on January 25, March 31, May 18, and September 14. All witness lists, presentations, agendas, and other documents related to TLOC are available online at: http://www.hhsc.state.tx.us/hhs-transformation/index.shtml.

Senate Bills 200 and 208 established the following timeline for transformation:

Between September 1, 2015 - September 1, 2016 ("Phase One") the following will occur: 6
- consolidation of administrative services among all health and human services system entities, as practicable, at HHSC;
- client services from all health and human services agencies transfer to HHSC;
- child abuse prevention and early intervention programs move from DSHS and HHSC to DFPS; and
• all DARS functions move to HHSC or TWC, and DARS ceases to exist as a stand-alone agency effective September 1, 2016.

Between September 1, 2016 - September 1, 2017 ("Phase Two") the following will occur:
• consolidation of remaining administrative functions, as feasible, among all remaining health and human services system entities at HHSC;
• many regulatory functions transfer from DFPS and DSHS to HHSC;
• responsibility for state-operated institutions (state hospitals and state supported living centers) transfers from DSHS and DADS to HHSC;
• all DADS functions move to HHSC, and DADS ceases to exist as a stand-alone agency effective September 1, 2017; and
• all functions of the Texas Office for the Prevention of Developmental Disabilities (TOPDD) move to HHSC; TOPDD ceases to exist as an independent office effective September 1, 2017.

By September 1, 2018 the following will occur:
• HHSC Executive Commissioner will study and recommend to TLOC whether DFPS and DSHS should remain independent agencies or be merged into HHSC.

By December 1, 2018 the following will occur:
• TLOC will study and recommend to the 86th Texas Legislature whether DFPS and DSHS should remain independent agencies or be merged into HHSC.

By September 1, 2023 the following will occur:
• special-purpose review of HHSC by Sunset to evaluate progress of the reorganization; and
• TLOC will be abolished effective September 1, 2023.

**Transition Planning**

As required by SB 200 and SB 208, HHSC and TWC submitted transition plans to TLOC, the Governor, and the Legislative Budget Board on March 1, 2016. On March 31, TLOC held a public hearing on the transition plans and heard testimony from 14 individuals. TLOC offered its official comments on the initial transition plans, as directed by SB 200 and SB 208, in a letter sent April 27, 2016. Suggestions in the letter include:

• consider reducing the number of direct reports to the HHSC Executive Commissioner;
• clarify the relationship and line of authority between the Executive Commissioner and the Inspector General;
• strengthen the role of the Policy and Performance Office;
• seek outside expertise as the transformation continues;
• capitalize on opportunities to achieve efficiency as administrative functions are consolidated; and
• continue to consider public input as the transformation occurs.

In response, HHSC presented revised elements of the Transition Plan to TLOC at a subsequent
hearing in May. The final HHSC Transition Plan was published in the Texas Register on August 19, 2016. The Transition Plan includes an organizational chart and other key details related to the transformation, such as defining which public health functions will remain at DSHS and offering specific timeframes for elements of the administrative consolidation.

The official TLOC comment letter, the final Transition Plan prepared by HHSC, and related presentations to TLOC are available electronically at: [http://www.hhsc.state.tx.us/hhs-transformation/](http://www.hhsc.state.tx.us/hhs-transformation/)


**Final Health and Human Services System Organizational Chart**

**Transition Progress and Recommendations: Phase One**

**Administrative Services**

Administrative consolidation among health and human services agencies has long been a goal of the Legislature. It was required by House Bill 2292 in 2003 but never fully implemented. SB 200
directs a phased timeline for the consolidation of administrative services extending into 2017. Accordingly, TLOC will continue to monitor the consolidation of administrative services to ensure the vision of SB 200 - better service and greater efficiency- is realized. Significant administrative consolidations achieved in 2016 follow:

- An **administrative services division** was established within HHSC. The division reports to the Chief Operating Officer and now includes four departments:
  - data and system services, including the Chief Technology Office, Chief Information Security Office, and technology functions from DARS and DADS;
  - procurement and contracting oversight functions from DARS, DADS, and DSHS;
  - financial services functions from DARS, DADS, and some from DSHS; and
  - system support services such as human resources, switchboard, asset management and tracking, and records management from DARS, DADS, and DSHS.

*Administrative services from DFPS will be merged with HHSC effective September 1, 2017*

- The **legal services division and internal audit division** were established at HHSC and report directly to the Executive Commissioner. All legal and audit staff from DARS, DADS and some legal staff from DFPS transitioned to HHSC.

An update on the administrative consolidation was provided by HHSC at the September 14, 2016 TLOC hearing. The agency reported no interruption to client services, business operations, or staff work following the first phase of transitions on September 1, 2016. Highlighting the consolidation of information technology, HHSC reported that separate help desks at HHSC, DSHS, DFPS, and DARS will be combined at HHSC, offering the ability to cross train staff and achieve financial savings. Similarly, the consolidation of telecommunications contracts will allow better leveraging of purchasing power, improve contract oversight, and replace outdated technology. More broadly, the administrative services division is developing service agreements between administrative services and program areas to ensure responsibilities, such as human resources, are clearly communicated with divisions.

**Recommendations**
- HHSC must continue to seek out and realize administrative efficiencies through centralized, streamlined support operations.

**Client Services**
Prior to SB 200, client services were spread across multiple agencies, making it difficult for clients and providers participating in multiple programs to successfully navigate the system. For example, though HHSC has long been the primary administrator of Medicaid programs, additional Medicaid programs were managed by DSHS and DADS. Placing all client service programs at HHSC streamlines eligibility determinations, referrals, customer service, and administrative oversight. Client services consolidation efforts achieved in 2016 follow:

- A **medical and social services division** was established at HHSC, reporting to the Chief Deputy Executive Commissioner. The division includes four departments:
  - Access and Eligibility Services;
  - Health, Developmental and Independence Services;
Notably, the new division co-locates community mental health services with community services for individuals with intellectual and developmental disabilities within a single department. It also integrates mental and physical health services, allowing the system to treat individuals holistically. Historically, individuals with multiple diagnoses have had to navigate services delivered by two or three independent agencies.

Medicaid programs and women's health programs were also unified at HHSC. HHSC reported no interruption to client services, business operations or staff work following the September 1, 2016 transfer of staff and programs.

To prevent silos from developing, HHSC has created positions responsible for cross coordination, which is critical to the success of overall transformation, particularly the integration of behavioral and other health services. The newly established Policy and Performance Office will assist with strategic planning and direction of policy and rulemaking efforts between divisions. For example, the Policy and Performance Office will be involved in monthly meetings between each major division and each administrative service area to help ensure that appropriate linkages are established and maintained in the new HHSC structure.

**Recommendations**

- HHSC should guard against the creation of new silos and continue to utilize cross-division coordination efforts, including regular, structured communication channels among and within divisions and departments.
- The offices of Policy and Performance and Transformation must play an active role in measuring performance, and ensuring HHSC is meeting client experience expectations.
- Both HHSC and the Legislature should continue to evaluate advisory committees and avoid establishing duplicative or unnecessary advisory entities for client service programs.
- HHSC should begin preparations for the next phase of the transition immediately and apply lessons learned from the first phase into its planning efforts.

**Prevention and Early Intervention Services**

The responsibility to prevent the abuse, neglect, and exploitation of vulnerable Texans requires timely, efficient, and effective action. Similar to other transfers, SB 200 directs the move of all prevention and early intervention programs in the system to DFPS to achieve functional alignment of services. Accordingly, the Nurse Family Partnership and Texas Home Visiting programs were transferred from HHSC to the newly established DFPS **prevention and early intervention division** effective May 1, 2016.

The Pregnant Postpartum Intervention (PPI) and Parenting Awareness and Drug Risk Education (PADRE) programs, formerly administered by DSHS, were moved to HHSC effective September 1, 2016. These programs are unique from other prevention programs as they are focused on parents already undergoing treatment for substance abuse. Locating the programs at HHSC maintains current linkages to behavioral health and substance abuse initiatives, but a move to DFPS would align the initiatives with other child abuse prevention efforts. These programs will be evaluated for potential transfer to DFPS by HHSC before September 1, 2017.
**Recommendations**

- HHSC and DFPS should involve stakeholders in the evaluation of a potential transfer of the PPI and PADRE programs to DFPS.
- HHSC and DFPS should closely coordinate to share relevant and appropriate information to meet the holistic needs of children receiving state services.

**Department of Assistive and Rehabilitative Services Functions**

The functional alignment of services directed by SB 200 transfers the administration of client services and vocational rehabilitation formerly housed at DARS to HHSC and TWC respectively, eliminating the need for the independent DARS state agency. A list of programs transferred in 2016 follow:

- Four programs moved from DARS to TWC, effective September 1, 2016:
  - Vocational Rehabilitation (General and Blind);
  - Criss Cole Rehabilitation Center;
  - the Business Enterprises of Texas program; and
  - the Independent Living Services for Older Individuals Who Are Blind grant.

- Eight programs moved from DARS to HHSC's medical and social services division, effective September 1, 2016:
  - Children's Autism;
  - Blind Children's Vocational Discovery and Development;
  - Blindness Education, Screening and Treatment;
  - The Independent Living Program;
  - Comprehensive Rehabilitative Services;
  - Deaf and Hard of Hearing Services;
  - Early Childhood Intervention; and
  - Disability Determination Services.

HHSC and TWC provided an update on the movement of DARS programs at the September 14, 2016 TLOC hearing, reporting no interruption to client services, business operations or staff work following the September 1, 2016 transition. TWC also reported plans to streamline the delivery of vocational rehabilitation programs by integrating the blind and general vocational rehabilitation programs. Late in fiscal year 2016, TWC was notified of federal disapproval of the Commission's plan to enter into an interagency agreement with HHSC to deliver independent living services. Instead, TWC will administer the program directly. TWC has also realized an opportunity to co-locate vocational rehabilitation staff with workforce staff in four areas of the state. This is precisely the type of efficiencies envisioned by SB 200.

**Recommendations**

- Given the limited timeframe available to adjust plans for the administration of independent living services for older individuals, the Legislature should continue to monitor the transition of this program to TWC and HHSC's implementation of the revised management structure.
- TWC should continue to seek operational efficiencies following the assumption of these programs, such as co-location of field office staff, to improve service delivery and make better use of limited resources.
Transfer of Functions: Phase Two

State Operated Institutions
The transfer of 9 state operated mental health hospitals from DSHS and 13 state supported living centers from DADS will occur September 1, 2017. As directed in SB 200, HHSC is planning to assume these responsibilities by establishing and staffing a state operated facilities division. The Deputy Executive Commissioner of State Operated Facilities will report to the Chief Deputy Executive Commissioner. The alignment of these two service areas under a single management structure will encourage program coordination between behavioral and other health services offered within the institutions and in the community. Unified administration for the two distinct facility types will also be helpful as the state continues long-term planning for inpatient services.

The plan to transfer the state facilities to HHSC is included in the Transition Plan. At the September 14, 2016 TLOC hearing, HHSC noted the need to adjust its transformation communication strategy for state institution employees due to the fact that many of these employees are direct caregivers without desks. In addition, HHSC is applying lessons learned during Phase One of the transformation to better plan for Phase Two, such as finalizing the new organizational structure and selecting new leadership early in the process.

Recommendations
• HHSC, DSHS, and DADS should continue thoughtful planning for the transfer of responsibility for state facility operations to ensure no disruption of operations occurs for this population. The agencies should communicate extensively to ensure clients, families, and other stakeholders are informed of the progress of the transfers.
• HHSC should seek and implement opportunities to maximize efficiency of operations among similar residential facilities.
• HHSC should apply relevant lessons learned from the transition of client services to the transitions of state-operated institutions.

Regulatory Functions
The consolidation of regulatory functions offers one of the greatest areas for operational and service improvement efficiencies, given the often similar administrative structures for state licensing programs. HHSC’s newly established regulatory services division will meet a long standing need to separate the regulation of state-operated facilities from their operations to avoid potential conflicts of interest. HHSC will assume administration of more than 60 regulatory programs from DFPS, DSHS, and DADS effective September 1, 2017. Some of the regulatory programs transferring to HHSC follow:
• From DFPS: abuse and neglect investigations involving community providers, childcare licensing for daycares and residential operations, and investigations of adult protective services providers.
• From DSHS: various professional and occupational licenses including chemical dependency counselors and social workers, and facilities such as clinical laboratories, ambulatory surgical centers, and psychiatric hospitals.
• From DADS: assisted living and nursing facilities, day activity health services facilities, and professionals such as nursing facility administrators and nurse and medication aides.
Recommendations

- HHSC, DFPS, DSHS, and DADS should communicate extensively to ensure stakeholders, including licensees, are informed of the progress in transferring programs.
- The Legislature should review the list of regulatory programs slated for transfer to HHSC’s regulatory division to determine whether any occupational or other licensing programs might be better aligned with a centralized regulatory administrative structure as exists at the Texas Department of Licensing and Regulation.

Department of Aging and Disability Services Functions

Functions such as internal audit, information technology, legal services, external relations, and financial services from DADS were transferred to HHSC on September 1, 2016 as part of the larger consolidation of administrative services. Likewise, client services once administered by DADS were transferred to HHSC’s medical and social services division without issue at the same time. DADS will cease to exist as a stand-alone agency effective September 1, 2017, when the following remaining functions are transferred to the regulatory services and state operated facilities divisions and the Office of the Ombudsman at HHSC:

- trust fund monitoring;
- educational services for regulatory;
- Office of the State Long-Term Care Ombudsman;
- regulatory services;
- state supported living centers (SSLCs);
- Office of the Independent Ombudsman for SSLCs; and
- consumer rights and services complaint intake.

At the September 14, 2016 TLOC hearing, HHSC noted the need to adjust communication strategies for employees in state operated institutions due to many DADS staff at SSLCs acting as direct caregivers without desks and personal computers. For these staff, meetings, paper handouts, and other communication tools are likely to be more effective means of communication about the transfer of their workplaces to a new administrative agency than email and other electronic announcements.

Recommendations

- HHSC and DADS should immediately plan for the transfer of oversight for state supported living center facility operations to ensure no disruption to operations.
- HHSC and DADS should communicate extensively to ensure clients and families are informed of the progress in transferring the administration of these facilities.

Advisory Committees

At the onset of the Sunset Advisory Commission review of the health and human services system, well over 100 advisory committees were offering varying levels of input to health and human services system agencies. Some groups were inactive. Some were duplicative. Others had met their intended purpose but continued to meet due to statutory requirements. In an effort to streamline public input and promote coordination among similar initiatives, SB 200 eliminated 36 advisory committees from statute and directed the Executive Commissioner to re-establish committees in rule to address specific issue areas such as Medicaid, managed care, aging, and
behavioral health. A list of recreated committees can be found in Appendix C of the agency’s Transition Plan. Despite efforts to streamline avenues for public input, 49 advisory committees affiliated with health and human services agencies remain in statute, some of which overlap with committees recently established in rule by the Executive Commissioner.

Recommendations

- HHSC should encourage committees with similar scope to work together on recommendations to the agency and other initiatives to make best use of agency and stakeholder resources.
- The Legislature should consider eliminating duplicative or unnecessary advisory committees or councils from statute.
- The Legislature should work with the Executive Commissioner to determine whether opportunities for input are available through existing committees or could be garnered through an advisory committee established by the Executive Commissioner in rule.

Conclusion

The goal of reorganization is to ensure efficient, cost-effective, and timely delivery of health and human services. TLOC has observed new opportunities for efficiency as a result of the transition that should lead to better services for clients. As reorganization continues, TLOC will exercise its oversight responsibilities to monitor the implementation of the recommendations outlined in this report and, most importantly, to ensure that the system is properly meeting the needs of our most vulnerable Texans.

1 SB 200, Section 531.0203(a)
3 https://www.sunset.texas.gov/review-cycles/2014-2015-review-cycle
4 https://www.sunset.texas.gov/reviews-and-reports/agencies/health-and-human-services-commission-hhsc
5 https://www.sunset.texas.gov/archives-past-sunset-meetings
6 SB 200, Section 531.0201
7 SB 200, Section 531.02011
8 http://www.legis.state.tx.us/tlodocs/84R/witlistmtg/pdf/C9352016033109301.PDF
9 http://www.senate.state.tx.us/75r/senate/members/dist12/pr16/p042716a.pdf