

# Children's Priorities in the Health and Human Services Commission (HHSC) FY 2026-2027 State Budget

## Testimony for the HHSC LBB Budget Hearing

### Summary of Recommendations

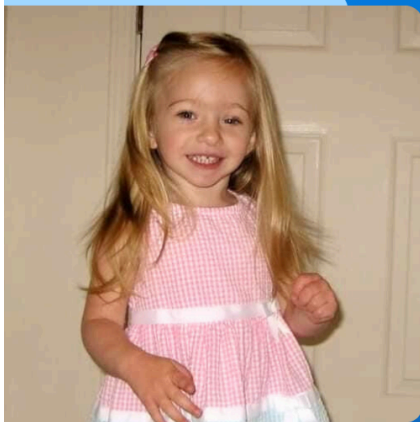
The Health and Human Services Commission (HHSC) budget for the next two years – and the additional revenue that state leaders will have available in the upcoming legislative session – provide an opportunity for budget writers to address critical needs affecting children, including unintended barriers preventing eligible Texas children from enrolling in health coverage; Early Childhood Intervention (ECI) services for toddlers with disabilities; maternal health; and children's mental health.

- **The eligibility and enrollment system** for Medicaid and other public benefit programs is facing significant difficulties even as the unwinding of the Public Health Emergency (PHE) policies ends. Parents are having difficulty enrolling eligible children due to the growing backlog of Medicaid applications, which is over 200,000. To address these challenges, we support **Exceptional Item #2**, which addresses HHSC workforce needs, invests in improving technology, and funds additional eligibility workers and IT teams to process applications.
- **Demand for Early Childhood Intervention (ECI)** for toddlers with disabilities continues to grow—at an anticipated 3.5 percent next biennium. Yet, without increased investments, funding to serve each child will decline, undermining the progress the legislature made last session. We urge the Legislature to support **Exceptional Item #5** to increase ECI funding to account for caseload growth.
- State leaders made historic investments in **women's and maternal health** during the 2023 legislative session. To build on that foundation, the Legislature should support **Exceptional Item #5** to fund additional mobile health units that provide preventive and family planning care for underserved areas of the state.
- **Children's mental health concerns** have risen dramatically over the last decade. Lawmakers have made targeted investments and recently signaled that children's mental health should continue to be a priority. No child should enter foster care because of unmet mental health needs. We urge the Legislature to support **Exceptional Item #12** to improve access to mental health services for children, including youth with more complex needs and those at risk of entering foster care.

These and other recommendations are explained in greater detail below. We appreciate the Legislative Budget Board and the Office of the Governor's consideration as they draft the state budget bill.

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# Medicaid health insurance works for Texas kids like Lola — when they can sign up.



After Lola was born with birth defects, she got the surgeries she needed.

When Lola missed school because she was sick, she got the medications she needed to quickly get back in the classroom.

While the rate of uninsured children in Texas has declined in recent years,<sup>1</sup> the end of pandemic-era policies will likely reverse that positive trend if state leaders do not take action. There is an urgent need throughout the state to connect more children to health coverage. Data from 2023 shows **Texas has the worst children's uninsured rate in the nation at 11.9%.**<sup>2</sup> This is a statewide problem, with 12 metro areas that had children's uninsured rates in 2022 that were **more than twice the national average** of 5.1%: Abilene, Beaumont, Brownsville, Dallas-Fort Worth, El Paso, Houston, Laredo, Longview, McAllen, Midland, Sherman, and Waco<sup>3</sup>. Notably, about half of uninsured Texas children are eligible for insurance through Medicaid or CHIP.<sup>4</sup>

A strong investment in Medicaid and CHIP is essential for Texas to advance maternal and child health. In Texas, three out of four Medicaid enrollees are children. These programs provide crucial services, including check-ups, eyeglasses, dental care, and therapies, ensuring that children remain healthy and ready to learn in school. By addressing children's needs early on, we can reduce costs in the health care system and other programs like special education.<sup>5</sup>

Over the last year, Texas finished reviewing Medicaid eligibility for 5.9 million Texans as part of the “unwinding” of Medicaid rules that allowed enrollees to maintain their health insurance without renewing it during the pandemic.<sup>6</sup> Many women and kids in Medicaid were no longer eligible by the end of the pandemic, so they were supposed to lose coverage during the unwinding. However, the process further exposed a number of challenges with the state's enrollment system. Many Texas kids were cut off from coverage without a determination of eligibility, meaning the state did not finish confirming if they were eligible before removing them from Medicaid.

**The unwinding of continuous coverage highlighted and worsened challenges within the state's eligibility system, revealing a heavy reliance on manual processes and a failure to fully leverage key data.** Texas has consistently missed opportunities to modernize and streamline this system, which places too much burden on eligibility workers instead of utilizing technology to improve enrollment. **Currently, applications and renewal forms submitted online must be manually re-entered by staff,** leading to unnecessary delays that could be minimized if

HHSC used technology that did not require staff to manually input information. This system creates barriers for parents who are attempting to enroll their eligible children in health coverage.

Even though the unwinding ended on March 1, 2024, according to HHSC, **the state's backlog for processing Medicaid applications increased to 220,644 applications in September after dropping to 167,000 in May.**<sup>7</sup> This means 220,644 Texas families have filled out applications for Medicaid health insurance for their kids—but the state has not even started processing them. On average, these **families are waiting three to four months for their child's application for health coverage to begin processing.**

## Recommendations

- 1. Fund Exceptional Item #1 to Account for Cost Trends in Medicaid, CHIP, CHIP Perinatal Services, and TANF.** We support HHSC's recommendations that additional funding is needed to account for projected cost trends, an action that is critical to ensure a sufficient number of health care providers continue to participate in Medicaid and CHIP and serve pregnant women, infants, and children across the state.
- 2. Fund Exceptional Item #2 to Invest in our Medicaid Eligibility and Enrollment System and Workforce.** We support HHSC's recommendation to invest in addressing the current and ongoing challenges within the state's eligibility system, including funding for additional eligibility workers and IT support teams, improvements to Texas' Integrated Eligibility System (TIERS), changes to YourTexasBenefits.com and the mobile app, and other technology enhancements.



Texas still has a  
backlog of more than  
200,000 Medicaid  
applications to  
process!

Source: HHSC Ambassador Call on 8/19/2024, <https://bit.ly/3xkCS8K>

## Early Childhood Intervention (ECI)

Early Childhood Intervention (ECI) is an effective program for infants and toddlers with disabilities or developmental delays. By serving children during the critical first three years of life, a time of rapid brain development, ECI is highly successful in helping children learn to walk, communicate with their families, get ready to start school, and meet other developmental goals. However, **ECI can only be effective when these children have access to it, which requires adequate and sustained funding.** We urge the Legislature to adopt Exceptional Item #5 for an additional \$18 million to account for the anticipated 3.5 percent increase in the number of infants and toddlers enrolled in ECI for the 2026-27 biennium.

Over the last several years, the ECI program has seen a consistently growing number of toddlers enroll and receive life-changing therapies and support. HHSC projects this increased demand will continue in 2026 and 2027, with an anticipated 3.5 percent caseload growth. Last session, the Legislature made progress by investing in the growing demand for ECI and increasing per-child funding to \$452 in 2025. However, HHSC's base budget request does not go far enough to address the increased need for ECI. If Exceptional Item #5 is not adopted, the state will undermine the progress the Legislature made last session by decreasing per-child funding from \$452 in 2025 to \$424 for the 2026-27 biennium.

When the state underfunds ECI, there are multiple ways it can hurt infants and toddlers with disabilities. Like many programs and industries across Texas, ECI programs have been hit with rising costs to provide services due to inflation, including transportation costs. Inadequate per-child funding has exacerbated staff shortages and reduced outreach efforts, resulting in kids in ECI getting fewer services or missing out on services altogether.

### Recommendations

1. **Fully fund Exceptional Item #5 to account for the 3.5 percent anticipated caseload growth in ECI services.**
2. **Make additional investments in the ECI program to ensure all eligible infants and toddlers with disabilities can access timely, quality services.** To ensure the sustainability and continued participation of ECI programs, per-child investments must increase and keep up with increasing costs.



**Thanks to Early Childhood Intervention, Natalia and her daughter Mariana recently danced together for the first time.**

## Women's and Maternal Health

Approximately half of Texas counties are fully or partially designated as primary care Health Professional Shortage Areas. The lack of providers means many Texans cannot routinely see a primary care provider or access prevention healthcare services. Lack of access is strongly associated with poorer and costlier health outcomes. Last session the legislature funded seven mobile health units to cover 35 counties across the state. These MHUs provide critical primary health care to women in underserved areas of the state. Through the process of using those funds, HHSC received numerous funding requests indicating interest and capacity for additional units.

HHSC's LAR for the Women's Preventive Mobile Health Units (MHUs) includes the additional \$10 million from the last session in the base budget request. Exceptional Item #5 includes additional funds for mobile health units to target the Panhandle, West Texas, and Deep East Texas, which continue to have limited health care access, leading to poorer and costlier health outcomes.

### Recommendations

1. **Fully fund Exceptional Item #5 to ensure underserved areas of the state have access to basic maternal health care services.** We support HHSC's recommendation to invest an additional \$5 million each year over the biennium to target underserved areas of the state with mobile health units that can provide preventive care like cancer screenings.

## Children's Mental Health

Most children enter foster care because of concerns about abuse or neglect. However, **there is a separate population of Texas children who end up in foster care because they have complex mental health challenges that their parents are unable to manage without additional services and support.** The number of cases highlights critical gaps in the system and the urgent need for more robust mental health services and support. We urge the Legislature to adopt Exceptional Item #12, which will provide \$61.9 million for the biennium to support Youth Empowerment Services (YES), additional Youth Crisis Outreach Teams, and recommendations from the Children's Mental Health Strategic Plan, which will be published in December 2024.

The YES Waiver program serves children with complex mental health challenges, including children in DFPS conservatorship. State leaders developed the YES Waiver program so that children with serious mental health concerns who may be at imminent risk of out-of-home placement, including hospitalization, residential treatment, or foster care, can access treatment and specialized services that would otherwise not be available in their community. YES Waiver services work in preventing crisis – 2023 data shows that after youth engaged in YES Waiver services, crisis services utilization decreased by 48 percent.<sup>8</sup> Last session, both the House and Senate versions of the budget included an increase in YES Waiver reimbursement rates, but the conference committee removed this increase. In April 2024, HHSC held a hearing about whether to increase YES Waiver reimbursement rates, and the agency has included the YES Waiver as a strategy to provide intensive mental health services to more children and families in Texas in its 2025-2029 Strategic Plan.<sup>9</sup> **Prioritizing funding for YES Waiver services would reduce unnecessary entries into foster care, enhance mental health support for youth, and strengthen families by fostering stability and well-being.**

In 2023, the Legislature funded state grants to some local mental health authorities to operate Youth Crisis Outreach Teams, intended to address the immediate needs of youth and provide up to 90 days of support. Yet, current funding supports eight total teams, including three prioritizing DFPS children, **which leaves large portions of the state uncovered or with limited access to crisis stabilization.**<sup>10</sup> Crisis stabilization provides immediate support to address acute symptoms through face-to-face counseling at a crisis stabilization unit, home, or school.



The Legislature directed HHSC to create a Children’s Mental Health Strategic Plan in partnership with stakeholders, to be published in December 2024. The Plan is intended to offer recommendations and a plan for how the state agencies will help children and families access the full continuum of mental health care to support their well-being. By providing comprehensive mental health care to families—offering counseling, therapy, intensive outpatient, and crisis support — **these services can help stabilize households, improve family dynamics, and resolve issues before they escalate to the point of removal.** Early intervention through accessible mental health services can keep families intact, preventing children from experiencing family separation and entry into the foster care system.

## Recommendations

1. **Fund Exceptional Item #12 to improve access to mental health services for children, including youth with more complex needs and those at risk of entering foster care.** The request for a \$61.9 million increase for the biennium will support Youth Empowerment Services (YES), additional Youth Crisis Outreach Teams, and recommendations from the Children’s Statewide Strategic Plan, which will be published in December 2024.

## Endnotes

1. Medicaid’s Pandemic-Era Continuous Coverage Protections Helped Reduce Number of Uninsured Children (2023). Georgetown Center for Children and Families. Retrieved at: <https://ccf.georgetown.edu/2023/11/15/medicaids-pandemic-era-continuous-coverage-protections-helped-reduce-number-of-uninsured-children>
2. New Census Data: Texas Has Worst Uninsured Rate In US (2024). Cover Texas Now. Retrieved at: <https://covertexasnow.org/posts/2024/9/12/new-census-data-texas-has-worst-uninsured-rate-in-us>
3. Medicaid’s Pandemic-Era Continuous Coverage Protections Helped Reduce Number of Uninsured Children (2023). Georgetown Center for Children and Families. Retrieved at: <https://ccf.georgetown.edu/2023/11/15/medicaids-pandemic-era-continuous-coverage-protections-helped-reduce-number-of-uninsured-children>
4. See Texans Care for Children. April 2024 <https://txchildren.org/report-almost-half-of-uninsured-tx-kids-are-eligible-for-medicaid-or-chip/> (citing Texas 2036 December 2023 report). <https://texas2036.org/wp-content/uploads/2023/12/Who-Are-The-Uninsured-Update-Press-Release-121423.pdf>.
5. Center for Children and Families & Commonwealth Fund. “Jeopardizing a Sound Investment: Why short term cuts to Medicaid Coverage During Pregnancy and Childhood Could Result in Long Term Harm.” (Dec 2020).
6. Looking Back on Medicaid “Unwinding” in Texas – And Forward to Strategies for a More Effective Enrollment System for Families (2024). Texans Care for Children. Retrieved at: <https://txchildren.org/looking-back-on-medicaid-unwinding-in-texas-and-forward-to-strategies-for-a-more-effective-enrollment-system-for-families/>
7. Texas Medicaid Application Backlog is Rising Again (2024). Texans Care for Children. <https://txchildren.org/texas-medicaid-application-backlog-is-rising-again/>
8. Texas Health and Human Services Presentation to the House Youth Health & Safety Select Committee
9. Texas Health and Human Services Commission (HHSC). (2024). Health and Human Services Commission Strategic Plan for Fiscal Years 2025-2029, Part II. <https://www.hhs.texas.gov/sites/default/files/documents/hhsc-strategic-plan-2025-2029-part-2.pdf>.
10. Texas Health and Human Services Presentation to the House Youth Health & Safety Select Committee