Senate Budget and Fiscal Review—Mark Leno, Chair
SUBCOMMITTEE No. 3 **AGENDA**

Chair, Senator Ellen M. Corbett

Senator Bill Monning
Senator Mike Morrell

May 21, 2014
10 a.m. - John L. Burton Hearing Room 4203

PART C

Staff: Peggy Collins

4300 Department of Developmental Services (DDS)
Community Services

<u>PLEASE NOTE</u>: Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the agenda unless otherwise directed by the Chair.

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4300 Department of Developmental Services (DDS)
(Regional Centers and Community Services Budgets)

Community Services

ISSUE 1: Caseload and Utilization Adjustments in Fiscal Year (FY) 2013-14.

The 2013-14 community caseload, as of January 31, 2014, is estimated to decrease by 493 consumers, to the level of 265,216, under the Governor's budget caseload estimate. The May Revision updates FY 2013-14 funding for the community services budget to $4.4 billion ($2.5 billion GF) and includes increased expenditures of $18.5 million ($6.5 million GF) above the Governor's January budget, but within the 2013-14 Budget Act allocation. These changes reflect a $1.1 million (GF) decrease in the regional center operations (OPS) budget; and an increase of $19.6 million ($7.6 million GF) in the purchase-of-services (POS) budget.

Staff Recommendation: Approve the 2013-14 May Revision adjustments, as proposed.

ISSUE 2: Caseload, Utilization and Expenditure Adjustments in Fiscal Year (FY) 2014-15.

The May Revision projects the total community caseload at 274,696, as of January 31, 2015, an increase of 9,480 over the updated 2014-15 Governor's January budget; and proposes expenditures of $4.7 billion ($2.6 billion GF) for the community-services budget in the 2014-15 fiscal year, an increase of $35.2 million ($12.0 million GF) over the Governor's January budget. This includes a decrease of $0.5 million ($3.3 million GF) in the regional center operations budget, reflecting updated caseload and utilization data and additional Home and Community-Based Services Waiver enrollment; an increase of $24.2 million ($11.8 million GF) in POS expenditures, reflecting updated caseload and utilization data; an increase of $1.8 million in the Early Start, Part C in Other Agency Costs to reflect an updated grant award amount.

These adjustments also include a $3.6 million decrease ($9.6 million GF decrease) in POS related to implementation of the minimum wage increase, specifically an increase of $0.9 million ($6.1 million GF decrease) due to updated expenditures, consumer information, and the percentage of expenditures eligible for federal financial participation; and the exclusion of supported employment (SEP) individual and group rates from a minimum wage rate adjustment. This issue is discussed later in this agenda.

These adjustments include a $0.3 million increase ($0.2 million GF) in POS to reflect updated expenditures in estimating the impact of Fair Labor Standards Act (FLSA) changes related to the payment of overtime, and a $13.0 million ($12.9 million GF) re-appropriation from 2011-12 for POS and OPS costs associated with implementation of various recommendations in Health and Human Services Agency's report, "The Future of Developmental Centers." These issues will be discussed later in this agenda.

Staff Recommendation: Approve the 2014-15 May Revision adjustments, as further adjusted by the actions taken on the issues discussed later in this agenda.

Issue 3: Increased Cash Flow Loan Authority

The department seeks the following budget bill language to increase the loan authority provided under 4300-101-0001 from $260 million to $395 million in order to meet the POS cash flow needs when there are delays in collecting reimbursements from the Health Care Deposit Fund.

4300-101-0001

"2. A loan or loans shall be made available from the General Fund to the State Department of Developmental Services not to exceed a cumulative total of $~~260,000,000~~ 395,000,000. The loan funds shall be transferred to this item as needed to meet cashflow needs due to delays in collecting reimbursements from the Health Care Deposit Fund ~~and are subject to the repayment provisions of Section 16351 of the Government Code~~. All moneys so transferred shall be repaid as soon as sufficient reimbursements have been collected to meet immediate cash needs and in installments as reimbursements accumulate if the loan is outstanding for more than one year."

Questions for DDS:

- Please describe the proposal.

Staff Recommendation: Approve as proposed.

ISSUE 4: Enhanced Behavioral Support Homes – Future of Developmental Centers Implementation Component

The May Revision proposes a pilot program to develop up to six enhanced behavioral support homes per year, through the re-appropriation of $5.4 million General Fund from 2011-12, a portion of which is unspent Community Placement Plan (CPP) funds, and proposed trailer bill language. According to DDS, these homes would be developed by regional centers utilizing CPP funds and would serve no more than four residents each, as a "step-down" and long-term residential option. In the first year, two of the six authorized homes may be developed with secured perimeters. In subsequent years, one of the six authorized homes may be developed with secured perimeters. The homes will be certified by DDS and licensed by the Department of Social Services (DSS). The homes will be distributed regionally, have a strong behavior component, and provide other services customized to each resident. Examples of individually tailored services include pharmacological services, psychiatric services and counseling.

The Administration proposed trailer bill language that would allow the department to promulgate emergency regulations to design the homes. The pilot would end January 1, 2020, unless extended or made permanent through further legislative action. The department would be required to conduct a review of the pilot and share its results with the DSS by September 1, 2018.

Questions for DDS:

- Please present the proposal.

Staff Comment: The proposed trailer bill language is complex and many significant components of this proposed pilot program would be determined through an accelerated regulatory process. Additionally, the Administration has only recently provided this language to committee staff and system stakeholders.

Staff Recommendation: Approve the funding associated with this issue and adopt placeholder trailer bill language. Direct committee staff to work with the Administration and LAO to develop a final language proposal.

ISSUE 5: Community Crisis Homes – Future of Developmental Centers Implementation Component

The May Revision proposes that DDS develop two community crisis homes (one in the north and one in the south), each to serve no more than eight individuals at risk of admission to a developmental center, on a short-time basis. The Administration proposes to re-appropriate $3.9 million General Fund from 2011-12, a portion of which is unspent Community Placement Plan (CPP) funds. The homes would be developed by regional centers using the CPP funds, owned by a non-profit organization and leased to a regional center provider. The homes will be certified by DDS and licensed by DSS. Additionally, the May Revision proposes trailer bill language that would allow the department to promulgate emergency regulations to develop these two homes.

Questions for DDS:

- Please present the proposal.

Staff Comment: The proposed trailer bill language is complex and many significant components of this program would be determined through an accelerated regulatory process. Additionally, the Administration has only recently provided this language to committee staff and system stakeholders.

Staff Recommendation: Approve the funding associated with this issue and adopt placeholder trailer bill language. Direct committee staff to work with the Administration and the LAO to develop a final language proposal.

ISSUE 6: Additional Community Housing Options – Future of Developmental Centers Implementation Component

The May Revision proposes that DDS develop, under existing authority, two transitional homes ($1.5 million General Fund) and an adult residential facility for persons with special health care needs (ARFPSHN) home that includes behavioral supports ($900,000 General Fund). These homes would be funded through the re-appropriation of $2.4 million General Fund from 2011-12, a portion of which is unspent CPP funds.

Questions for DDS:

- Please present the proposal.

Staff Comment: Unlike the previous two proposals, this issue addresses home models that do not require additional statutory authority but address gaps in the existing array of services available.

Staff Recommendation: Approve as proposed.

ISSUE 7: Regional Center Staffing Enhancements – Future of Developmental Centers Implementation Component

The May Revision proposes to re-appropriate $1.2 million ($1.1 million GF), a portion of which is unspent CPP funds, to increase regional center staffing to support resource development, quality assurance, support for specialized behavioral and medical care homes, and enhanced case management. This proposal includes the following:

- Quality Assurance Staff: $380,000 General Fund. Six regional center positions (eight months funding) to assist in transitioning individuals from developmental centers into the community. Quality assurance staff functions would include, but not be limited to, monitoring the new living arrangement to ensure it is meeting the consumer's unique needs, following up on and helping to resolve quality of care issues, utilizing risk management and system monitoring data toward positive outcomes, and providing technical assistance and training for regional center and service provider staff.

- Resource Developer Staff: $190,000 General Fund. Two regional center positions to assist in the development of the models discussed above. The resource developers will be responsible for overall project management and communicating with involved parties. The resource developers will work with the non-profit organizations (NPOs) to search for and acquire properties, assist with the design of the homes, assist with budget development and monitoring to ensure the projects stay on budget, monitor the progress of the projects to ensure timelines are met, work with all parties to resolve issues as they arise, and facilitate development through final licensure and occupancy. The success of these projects is contingent upon adequate staffing to manage their development.

- Board-Certified Behavioral Analyst (BCBA) staff: $160,000 General Fund. Two regional center staff to oversee the development and ongoing operation of the models discussed above. The staff will help design the homes, including the physical layout and program designs, and will be responsible for ongoing oversight and monitoring of each individual's unique treatment plan. The treatment goals and plans for each individual will need to be modified frequently to respond to changing needs, and the regional center BCBA staff will provide the necessary oversight to ensure the service provider's staff is properly responding to each individual's unique needs, as well as crises that arise.

- Nursing staff: $153,000 General Fund. DDS is proposing to employ the services of two regional center registered nurses (RNs) statewide that will be responsible for assisting in the development of the homes and the ongoing oversight and monitoring of the care provided to the individuals who transition into the homes.

- Enhanced caseload ratio of 1:45 for two years: $344,000 ($254,000 General Fund). This equates to 6.4 new positions. Regional centers are currently required to provide this staffing ratio for the first year an individual moves from a developmental center to the community. This proposal would extend the enhanced caseload ratio for a second year following a move to the community.

Questions:

- Please present the proposal.
- How will this staff be allocated to regional centers?
- How will goals be set and measured for this enhanced staff?

Staff Recommendation: Approve as proposed.

ISSUE 8: Improved Quality Assurance for Residents of Developmental Centers Moving To the Community – Future of Developmental Centers Implementation Component

Under this proposal $121,000 (General Fund), a portion of which is unspent CPP funds, would be re-appropriated to provide quality assurance for residents of developmental centers moving to the community. Specifically, DDS will revise the contract with the existing risk management consultant to evaluate overall indicators of performance for developmental center (DC) movers (such as changes in residential settings, changes in the Client Development Evaluation Report, and Special Incident Report (SIR) rates); analyze SIR data with the goal of identifying subpopulations with greater risk for specific SIR types, and individuals at risk of additional SIRs; and perform statewide reviews of abuse, neglect, and mortality SIRs to ensure that proper reporting, investigation, and risk prevention, and mitigation occur. Additionally, DDS will expand the National Core Indicators satisfaction survey of individuals and families to increase the sample size for persons who have transitioned from a DC.

Questions for DDS:

- Please present the proposal.

Staff Recommendation: Approve as proposed.

Issue 9: Re-appropriation Authority - Future of Developmental Centers Implementation Component

The department seeks budget bill language, as follows, to provide the authority to re-appropriate $13,048,000 of unspent funds from Item 4300-101-0001, Budget Act of 2011, a portion of which is unspent Community Placement Plan (CPP) funds. These funds would be used to implement components of the Future of Developmental Centers report discussed above and at Monday's subcommittee hearing.

"4300-490--Reappropriation, Department of Developmental Services. Notwithstanding any other provision of law, the following periods to liquidate encumbrances of the following citations are each extended to June 30, 2015:

0001--General Fund

(1) Item 4300-101-0001, Budget Act of 2009 (Ch. 1, 2009-10 3rd Ex. Sess., as revised by Ch. 1, 2009-10 4th Ex. Sess.), as partially reverted by Item 4300-495, Budget Act of 2010 (Ch. 712, Stats. 2010), as reappropriated by Item 4300-490, Budget Act of 2012 (Chs. 21 and 29, Stats. 2012) and Budget Act of 2013 (Ch. 20, Stats. 2013)

(2) Item 4300-101-0001, Budget Act of 2010 (Ch. 712, Stats. 2010), as reappropriated by Item 4300-490, Budget Act of 2012 (Chs. 21 and 29, Stats. 2012) and Budget Act of 2013 (Ch. 20, Stats. 2013)

~~*(3) Item 4300-101-0001, Budget Act of 2011 (Ch. 33, Stats. 2011)*~~

4300-491—Reappropriation, Department of Developmental Services. Notwithstanding any other provision of law, Item 4300-101-0001, Budget Act of 2011 (Ch. 33, Stats. 2011) is available for liquidation of encumbrances through June 30, 2015. The unencumbered balance of $13,048,000 is reappropriated for the purposes provided for in the appropriation and shall be available for encumbrance or expenditure until June 30, 2015, and for liquidation through June 30, 2017."

Staff Comment: While staff has no concern with this proposal, it does raise a concern about how much CPP funding remains unspent.

Staff Recommendation: Approve budget bill language and adopt placeholder supplemental report language, as drafted by LAO, to require the department to report annually on unspent CPP funds, as follows:

By March 1, 2015, and annually thereafter, the department shall provide information to the fiscal and policy committees of the Legislature and the Legislative Analyst's Office on the difference between (1) the total amount of appropriated Community Placement Plan (CPP) funds from three years prior and (2) the actual amount of spent CPP funds from three-years prior, at which time CPP expenditures will be final.

ISSUE 10: Measuring the Success of the Proposals Related to the Future of Developmental Centers Report.

The Administration is to be commended for its efforts to build consensus around the complex issues associated with the future of developmental centers. The proposals put forth in the May Revision are promising. However, of new three models of care proposed, only the enhanced behavioral homes will be a pilot project. The two models of crisis service – the two crisis units at the developmental centers and the community crisis homes – offer a real opportunity to examine the benefits and challenges of each model in meeting the needs of persons they are both intended to serve. Outside of a requirement that DDS provide DSS with a review of the enhanced behavioral homes by September 1, 2018, there is no requirement that these models be reviewed, assessed, or evaluated; no mechanism for system stakeholders or members of the public participation in, or access to, a review, assessment or evaluation of these models; and, except for the enhanced behavioral homes, no statutorily-established point in time in which the Legislature would review the effectiveness of these models and make a determination as to the expansion or modification of these models.

Questions for DDS:

- Why is only one model proposed to be a pilot project?

- Given the significance of these projects in changing the landscape of how services and supports are provided to persons with challenging needs, why has the Administration not proposed more robust evaluation components and a mechanism for providing information to the Legislature and stakeholders about the impact of these models in meeting the needs of this population?

Staff Recommendation: Direct staff to work with the department and LAO to include reasonable evaluation components in trailer bill related to proposals to implement the Future of Developmental Centers report, including providing the Legislature with sufficient information to determine whether these programs should be continue

ISSUE 11: Improving Consumer Placement Planning Efforts

At its March 27th hearing, the subcommittee discussed the existing community placement plan (CPP) process. While the proposals submitted by the Administration to implement the recommendations in the Future of Developmental Centers report are promising, these efforts should not slow the existing process to support residents at developmental centers who are ready to move to the community or ensuring that existing crisis resources are appropriately utilized.

Current law requires regional centers to conduct comprehensive assessments of any consumer residing in a developmental center (Welfare and Institutions Code §4419.25(c)(2)(A)). These assessments are important tools in determining the readiness of residents to move and identifying the services and supports necessary to make that move successful.

Current law (Welfare and Institutions Code §4433) requires that DDS contract with an independent, statewide non-profit agency to provide regional center client rights advocacy services. The contract is held by Disability Rights California (DRC).

Current law (Welfare and Institutions Code §4418.7 and §4648) requires that regional center client rights advocates be informed of any acute crisis admissions to Fairview Developmental Center or an Institute of Mental Diseases (IMD).

Staff Recommendation: In order to ensure these assessments are utilized for their intended purpose, that appropriate services and supports are provided to those moving to the community, and that existing crisis services are utilized appropriately, staff recommends the following actions be taken:

- **Adopt placeholder trailer bill language to require a court be provided with a copy of the comprehensive assessment, and any updates to it, during all judicial reviews of a consumer's commitment to a developmental center. This is important information for a court when it considers the appropriateness of extending a commitment or other less-restrictive settings.**

- **Increase the DRC regional center client rights advocacy contract by $200,000 to ensure they have sufficient resources to participate in individual program plan meetings and any court proceedings for persons moving from a developmental center to the community.**

- **Adopt placeholder trailer bill language to ensure that regional center client rights advocates are provided with these notices in a timely manner and to expand notice requirements to placements in the Sonoma Developmental Center crisis unit and community crisis homes, once these options are established.**

ISSUE 12: Regional Centers Core-Staffing Formula

At its March 27th hearing, the subcommittee discussed the shortcomings of the existing regional center core-staffing formula and heard testimony from stakeholders about the negative impact this outdated formula and years of operations budget freezes and reductions has had on the delivery of services and supports to persons with developmental disabilities and their families.

Staff Comment: The core staffing formula is the primary driver of the regional centers' operations budgets. As it has not been updated in over two decades, it is difficult to discern how well it addresses how regional center staffing should be structured or funded to best meet the needs of the people they serve.

Staff Recommendation: Adopt placeholder budget bill language, as follows:

The department shall convene a stakeholder group, consisting of regional centers, advocates, providers, family members and persons with developmental disabilities, to review the core-staffing formula for regional centers and make recommendations to update the positions and core-staffing allocation formula to reflect the current and future needs of regional centers in serving their clientele in a manner that is effective, cost-efficient, minimizes staff turnover, and is compliant with all federal and state requirements. This review shall include staff classifications and caseload ratios necessary to meet the diverse needs of persons with developmental disabilities and their families, reasonable salary ranges, and regional differentials.

The department shall present their recommendations for changes to the core-staffing formula to budget committees in both houses during the 2015-16 budget deliberations.

ISSUE 13: Minimum Wage Increase and Supported Employment Programs (SEP).

The May Revision proposes to reduce the purchase-of-services budget by $3.6 million ($9.6 million GF) below the Governor's budget to reflect (1) an increase of $0.9 million ($6.1 million GF decrease) to reflect updated expenditures, consumer information, and percentage of expenditures eligible for federal financial participation used to estimate the impact of the minimum wage increase, and (2) the exclusion of individual and group supported employment programs (SEPs) in participation in this adjustment. The Governor's January budget included an estimate of $4.5 million ($3.5 million GF) for the impact of the minimum wage increase on these programs.

Provider organizations argue that the Governor's proposal falls short of making adjustments to reflect the real impact the minimum wage increase will have on their programs. For example, providers cite California Labor Code § 515 as requiring certain supervisorial staff to be paid twice the minimum wage under defined circumstances. They additionally argue that a minimum wage increase necessitates increases for staff above the minimum wage to maintain the differentials earned through seniority and promotion within their agencies.

Included in the Governor's January budget was $4.5 million ($3.5 million GF) for the impact of the minimum wage increase on individual and group supported employment programs (SEP). However, DDS has determined that it does not have enough visibility into the composition of the SEP hourly rate to know whether a minimum wage increase is warranted. Therefore, the Administration has withdrawn this portion of their minimum wage proposal. It is worth noting that SEPs received a 10 percent rate reduction in 2008, and their rates have been frozen at that level since that time.

Supported employment programs support persons with developmental disabilities to acquire and be successful in paid employment positions throughout their community. The Legislature and the Governor stated their preference for these programs with the passage of AB 1041 (Chesbro), Chapter 667, Statutes of 2013, which adopted an "employment first" policy for persons with developmental disabilities.

Increasingly, federal agencies have encouraged states to move away from the provision of services in segregated settings. In April of this year, the U.S. Justice Department announced that it has entered into a settlement agreement with the State of Rhode Island to address the rights of people with disabilities to receive state-funded employment and day services in the broader community, rather than in segregated sheltered workshops and facility-based programs. Similar actions are underway in other states. Additionally, new federal HCBS waiver regulations for residential and non-residential services puts greater emphasis on states providing service and supports in integrated settings with full access to the greater community. These recent developments speak to California's need to strengthen existing programs that promote and provide heightened opportunities for community access, such as supported employment programs.

Questions for DDS:

- Please describe the status of implementing this proposal so community-based programs receive timely rate adjustments.
- Please describe your consideration of the issues raised by providers, including potential indirect costs associated with the minimum wage increase.

Staff Recommendation: Adopt supplemental report language to require the department to report back to the Legislature, by May 14, 2014, on the actual costs associated with the minimum wage increase.

Increase the May Revision 2014-15 Purchase-of-Services budget by $4.5 million ($3.5 million General Fund). Adopt placeholder trailer bill language to amend Welfare and Institutions Code § 4860 to reflect a rate adjustment for supported work programs approximately equal to $4.5 million ($3.5 million General Fund).

ISSUE 14: Federal Overtime Changes:

Recent Federal Labor Standards (FSLA) changes require overtime compensation for service providers previously exempt, effective January 1, 2015. Among the services purchased by regional centers, supported living programs, in-home respite programs, and personal assistance services will be impacted.

The Governor's budget, as adjusted by the May Revision, includes $7.5 million ($4 million GF), and trailer bill language, for the budget year costs to address the administrative costs associated with implementation of the FSLA change, specifically, the hiring of additional staff to avoid the need to pay overtime.

At its May 27th hearing, the subcommittee heard testimony from many care providers and persons with disabilities about the profoundly personal nature of the services provided by these workers, in many cases workers who are also family members. Even if there were an abundance of workers necessary to avoid the overtime issue in the manner the Governor envisions, it may not be reasonable to expect persons with complex disabilities and often challenging communication skills, to easily find the same level of skill and trust with another care provider. However, there is unlikely to be an abundance of workers available to ensure service will be provided without gaps under the Administration's scheme. In the alternative, the cost of assuming that overtime will be paid in most cases would be $17 million ($30.9 million GF).

Staff Recommendation: Augment the budget by $9.5 million ($5.2 GF) (combined with the $7.5 million in the Governor's Budget, as adjusted in the May Revision, this will provide six months funding) for the costs to respite service agencies, personal assistants and supported living services in implementing the new overtime requirements, effective January 1, 2015 . Reject the Administration's trailer bill.

ISSUE 15: Impact of Multi-Year Reductions on Community Services and Supports.

At its May 27th hearing, the subcommittee discussed the impact of multi-year reductions on community services and supports. Most community-based service providers have not received a rate increase since 2006. Residential care providers (ARM), day programs, and traditional work programs received a three percent rate reduction in February 2009, which expired in July 2012. These providers receive an additional rate reduction of 1.25 percent in July 2010, which expired in July 2013. Since 2008, providers whose rate is set through negotiations with individual regional centers have had their rate limited to the median rate for the year 2007. These providers were not subject to the three percent and 1.25 percent rate reductions discussed above. Supported work providers, whose rate is set in statute, received a 24 percent rate increase in 2006, but it was subsequently reduced 10 percent in 2008.

Other changes further skewed the relationship between costs and reimbursement rates. These include:

- Exceptions to rate freezes, and reductions, justified through a "health and welfare" waiver.
- Prohibition on use of POS for program "start-up" costs.
- Implementation of a uniform holiday schedule.

- o Implementation of addition administrative functions, including required audits, for providers.

Although these actions may have provided necessary fiscal relief to the state budget, the cumulative impact has been to substantially distort the relationship between rates paid for services and the actual cost of these services and, in some cases, have created a disparity in payments to programs providing similar services. Additionally, system preferences for service models have changed in the ensuing years but rates have not changed to reflect the costs of these new, preferred models. For example, ARM rates are based on six-person homes. However, regional centers increasingly prefer four person homes. Likewise, smaller day and work programs are generally viewed as more effective than the larger, congregate models. Finally, as discussed under Issue 10, federal agencies are increasingly pressing for services and supports to be provided in settings that are more fully integrated in, and reflect, community-life.

Recommendation 6 of the Future of Developmental Centers report relates to the future of the community system. DDS intends to establish a task force to "explore community system improvements and make recommendations"; however, their timeline for doing this is not specified. For the reasons discussed above, it is clear that more immediate attention should be paid to stabilizing community-based services and supports and ensuring the community provides the array of services and supports necessary to meet the needs of all consumers.

Staff Comment: Outside of the minimum wage and overtime adjustments, the May Revision provides no additional rate increases for community-based programs, nor does it propose a venue for a collaborative discussion with stakeholders on how the existing rate structure should be modified to ensure the appropriate array of stable and quality services and supports are available.

Staff Recommendation: Adopt placeholder budget bill language, as follows?

The department shall review and make recommendations to the Legislature for revisions to existing rate-setting methodologies for community-based services and supports purchased by regional centers for persons with developmental disabilities and their families. In making its recommendations, the department shall consider the rate structures that best achieve all of the following:

- ***Meet the current and future needs of persons with developmental disabilities.***
- ***Provide a range of options that maximize consumer choice and opportunities for integration in all aspects of community life.***
- ***Reflect appropriate state and federal requirements for staffing levels, staff qualifications, prudent auditing requirements, and other quality control measures.***
- ***Provide maximum program quality and stability in a cost-effective manner.***
- ***Reflect reasonable actual costs associated with the provision of services and supports.***

The department shall convene a stakeholder workgroup consisting of regional centers, service providers, consumers, family members and advocates to provide input prior to their finalization of their recommendations.

The plan may propose an incremental strategy, beginning in fiscal year 2015-16, for making rate methodology changes, and other statutory and regulatory changes, necessary to implement the

recommendations. The recommendations shall be provided to the fiscal and policy committees of the Legislature by January 10, 2015.

ISSUE 16: Early Start Program

At its March 27th hearing, the subcommittee discussed the impact of reductions to the Early Start Program, which provides early intervention services to infants and toddlers with disabilities and their families. These reductions eliminate eligibility for some infants and toddlers and discontinued the provision of services in the Early Start Program that are not required by the federal government, with the exception of durable medical equipment.

At the March 27th hearing, DDS testified that up to 12,000 children may have been impacted by these reductions.

Staff Comment: Many infants and children at-risk of developing a developmental disability, and who are denied access to the Early Start Program, may become eligible for regional center services after the age of 3, and may require more intense and costly services and supports for the entirety of their lives.

Staff Recommendation. Appropriate $15.7 million (GF) and adopt placeholder trailer bill language to restore eligibility to infants and toddlers to the level that was in place prior to the State Budget Act of 2009.

ISSUE 17: Insurance Co-Pays and Deductibles.

This issue was discussed at the March 27th subcommittee hearing. The 2013-14 state budget included trailer bill language to allow regional centers to make health insurance co-pays and co-insurance payments, on behalf consumers and their families, for the services identified as necessary in an IPP, under defined circumstances.

The adopted trailer bill language also prohibited payment by regional centers of insurance deductibles (the amount the insured must spend on covered health services before insurance benefits can be utilized), as it can be difficult to link insurance deductibles to a specific service or family member.

Regional centers were provided an appropriation of $9.9 million (GF) to cover the costs of insurance co-pays and co-insurance for the 2013-14 budget year, and the same amount is proposed for the budget year. Based on updated data provided by DDS, regional centers have expended approximately $1.3 million on co-pays and co-insurance for all health services, through March 2014. Of that amount, approximately $1.1 million is for co-pays and co-insurance for behavioral services.

Questions for DDS:

- Please explain the inconsistency in the data provided on this issue throughout the year. Is the department confident that the problems in collecting this data have be resolved so that the most recent data provided is an accurate reflection of these expenditures?

- Can you provide any greater insight into the savings associated with the avoidance of full service costs due to the payment of co-pays and co-insurance?

- Can you provide any insight into the costs that may be associated with regional centers paying the full cost of a service due to the prohibition on the payment of insurance deductibles?

- Can you provide any greater insight into the number of consumers/families who qualified under the extraordinary circumstances exception?

Staff Comment: With only two months left in the current fiscal year, regional centers have expended approximately 13 percent of the current year appropriation provided for the payment of co-pay and co-insurance. The same level of appropriation, $9.9 million (GF), is provided in the budget year.

Staff Recommendation: Adopt placeholder trailer bill language to remove the prohibition on regional center payment of insurance deductibles. Adopt placeholder trailer bill language to amend existing reporting requirements for regional center expenditures on co-pay and co-insurance payments to include expenditures on deductibles; provide information on the estimated savings associated with the payment of insurance co-pays, co-insurance and deductibles; provide information on the number of consumers and families who have qualified for an exception due to extraordinary circumstances.