# SUBCOMMITTEE #3:
# Health & Human Services

**Chair, Senator Ellen Corbett**

**Senator Bill Monning**
**Senator Mike Morrell**

**May 20, 2014**

**1:00 pm**

**Room 4203, State Capitol**

**Agenda**
(Michelle Baass)

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***PLEASE NOTE:***

*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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## VOTE ONLY

## 0530 California Health and Human Services Agency (CHHSA)

### 1. Office of Systems Integration (OSI) – CalHEERS (DOF ISSUE 406)

**Budget Issues.** The May Revision requests an increase in OSI reimbursement authority in 2014-15, in the amount of $73,151,558. This increase is to support the continued development and implementation (D&I) and operation and maintenance (O&M) activities for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS).

This change in reimbursement authority is required for OSI to continue to provide oversight services for the design, development, implementation, and operation/maintenance for the CalHEERS Project. These costs will be reimbursed by Covered California and the Department of Health Care Services (DHCS).

**Subcommittee Staff Recommendation—Approve.** It is recommended to approve this request and adopt the following placeholder budget bill language:

> **Amendment to Provision 3 of Item 0530-001-9745**
>
> 3. (a) Of the funds appropriated in this item, ~~$87,091,000~~ $160,242,000 is for the support of activities related to the California Healthcare Eligibility, Enrollment, and Retention System project also known as CalHEERS. Expenditure of these funds is contingent upon review and approval of a plan submitted to the Director of Finance.
>
> (b) The Director of Finance may augment this item above the amount specified in subdivision (a) contingent upon review and approval of a revised plan submitted to the Director of Finance.

### 2. Office of the Patient Advocate

**Issue.** At the May 8th Subcommittee No. 3 hearing, the Subcommittee adopted placeholder trailer bill language regarding the Office of the Patient Advocate (OPA) at the California Health and Human Services Agency. As part of this trailer bill language, it is proposed that resources at OPA be transferred to the Department of Managed Health Care (DMHC) for direct consumer assistance grants.

**Subcommittee Staff Recommendation—Adjust OPA's Budget.** It is recommended to adjust OPA's budget, a reduction of $583,000, to reflect the transfer of resources to DMHC.

## 4140 Office of Statewide Health Planning and Development (OSHPD)

### 1. Song-Brown Primary Care Residency

**Budget Issue.** OSHPD requests the following:

a. $2.84 million per year for three years in California Health Data Planning Fund (CHDPF) expenditure authority to expand its Song-Brown Health Care Workforce Training Program to fund primary care residency programs via the Song-Brown Program. This expansion will increase the number of primary care residents specializing in internal medicine, pediatrics, as well as obstetrics and gynecology (OB/GYN).

b. To expand eligibility for Song-Brown residency program funding to teaching health centers. Song-Brown's focus on areas of unmet need (AUN) results in residents' exposure to working with underserved communities, providing culturally competent care, and learning to practice in an inter-disciplinary team.

c. One three-year limited-term staff services analyst position and $106,000 in CHDPF spending authority to develop and implement the program. This position would, for example, draft regulations; seek stakeholder feedback; develop key program components such as eligibility criteria; work with OSHPD's e-application vendors to modify the grants management system to include the additional primary care residency programs; develop and implement an outreach and marketing campaign; administer the contract process; collect and maintain program data to prepare progress, final reports, and summaries; and evaluate the outcomes of the expansion program.

The funding source for this proposal will be the CHDPF which will receive a $12 million repayment from a loan to the General Fund in 2014-15.

Statutory changes are needed to implement this proposal. For example, statutory language is necessary to expand the Song-Brown program criteria to include residencies in Teaching Health Centers as the Song-Brown program is currently limited to medical school-based residency programs. Teaching health centers are community-based ambulatory patient care settings (e.g., clinics) that operate a primary care medical residency program.

This issue was heard at the March 6th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve this request and adopt the proposed placeholder trailer bill language.

## 4150 Department of Managed Health Care

### 1. New Customer Relationship Management System

**Budget Issue.** DMHC requests two positions and a reduction of $50,000 for 2014-15 and ongoing to provide information technology (IT) programming services for the Customer Relationship Management (CRM) system that is currently performed by contracted vendors. This request includes the redirection of existing contract resources to fund the two positions.

This issue was heard at the March 20th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

### 2. AB 1 X1 – Medi-Cal Expansion Workload

**Budget Issue.** DMHC requests 18.0 positions and $2,404,000 for 2014-15 and $2,356,000 for 2015-16 and ongoing, to address increased workload resulting from implementation of AB 1 X1 (Pérez), Chapter 3, Statutes of 2013-14 of the First Extraordinary Session. This request includes $312,000 for 2014-15 and $416,000 for 2015-16 and ongoing for expert witness and deposition costs for enforcement trials.

This issue was heard at the March 20th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

### 3. SB 2 X1 – Individual Mandate Workload

**Budget Issue.** DMHC requests 13.5 positions and $1,518,000 for 2014-15 and 19.0 positions and $2,010,000 for 2015-16 and ongoing to address the increased workload resulting from the implementation of SB 2 X1 (Hernandez), Chapter 2, Statutes of 2013-14 of the First Extraordinary Session related to the individual market. These positions will be responsible for providing consumer assistance and resolving consumer complaints.

This issue was heard at the March 20th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

### 4. Transfer of Funding from the Office of the Patient Advocate

**Issue.** At the May 8th Subcommittee No. 3 hearing, the Subcommittee adopted placeholder trailer bill language regarding the Office of the Patient Advocate (OPA) at the California Health and Human Services Agency. As part of this trailer bill language, it is proposed that resources at OPA be transferred to DMHC for direct consumer assistance grants.

**Subcommittee Staff Recommendation—Augment budget and adopt provisional budget bill language.** It is recommended to augment DMHC's budget to account for the transferred resources and adopt the following provisional budget bill language:

> Add Provisional language to Budget Bill Item 4150-001-0933
>
> X. Of the amount appropriated in this item, $583,000 is available to the Department of Managed Health Care to contract with community based organizations to provide assistance to consumers in navigating private and public health care coverage pursuant to Code Section 1368.05 of the Health and Safety Code.

## 4260 Department of Health Care Services

### 1. CalHEERS and Medi-Cal Enrollment

**Budget Issue.** DHCS requests the extension of 12 two-year limited-term positions which expire June 30, 2014, and $1,777,000 ($314,000 General Funds, $857,000 federal funds, and $606,000 Reimbursement from Covered California) in associated funding to support the ongoing planning, design, development, implementation, and ongoing maintenance of the Medi-Cal Eligibility Data Systems (MEDS) system changes and integration with the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and county eligibility consortia systems. These positions are currently filled.

The Medi-Cal Eligibility Division requests to extend three positions to support the planning, development, implementation, and evaluation of Medicaid eligibility rules and enrollment simplification provisions as required by the federal Affordable Care Act (ACA).

The Information Technology Services Division requests to extend nine positions to support the planning, design, development, implementation, and ongoing maintenance of the MEDS changes and integration with CalHEERS and the county systems.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Approve.**

### 2. AB 1 X1 – Medi-Cal Eligibility Under ACA – Request for Positions

**Budget Issue.** DHCS requests eight positions and expenditure authority of $1,062,000 ($295,000 General Fund and $767,000 federal funds) in 2014-15 and $1,046,000 ($290,000 General Fund and $756,000 federal funds) in 2015-16 needed to implement the various statutory requirements of AB 1 X1 (Pérez), Chapter 3, Statutes of 2013-14 of the First Extraordinary Session. Specifically, AB 1 X1 authorizes DHCS to implement various Medicaid provisions of the Affordable Care Act (ACA).

This issues was heard at the March 20th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

### 3. AB 85 - County Realignment - Request for Positions

**Budget Issue.** DHCS requests $3,446,000 ($1,723,000 General Fund and $1,723,000 federal funds) in 2014-15 and $3,410,000 ($1,705,000 General Fund and $1,705,000 federal funds) in 2015-16 and ongoing to fund 18 positions and contract funds to implement and maintain the provisions of AB 85 (Committee on Budget), Chapter 24, Statutes of 2013.

The 18 positions requested in this proposal are for the Safety Net Financing Division (SNFD), Audits and Investigations Division (A&I), Office of Legal Services (OLS), Office of Administrative Hearings and Appeals (OAHA), and the Capitated Rates Development Division (CRDD).

Effective July 1, 2013, DHCS administratively established 12.0 positions and will absorb the costs, in the current year. This proposal requests authorized position and expenditure authority, effective July 1, 2014. DHCS states that resources were redirected in the current year, but that this redirection is not sustainable.

DHCS also requests $1.2 million ($600,000 General Fund and $600,000 federal funds) for consultant contracts:

- $1.0 million for a contract with Mercer (actuarial services). The Mercer contract will fund critical aspects of the program such as rate development and financial reporting.

- $200,000 to contract for a subject matter expert on public hospital data.

This issue was heard at the March 20th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

## 4. Medi-Cal ACA Implementation New County Administration Methodology – January Budget Proposal

**Budget Issue.** DHCS requests $1,485,000 ($742,000 General Fund) and seven three-year, limited-term, positions for the Medi-Cal Eligibility Division (MCED) and for the Audits and Investigations Division (A&I), as well as funds for contracted services (for monitoring and evaluation time studies). This request is based on language included in SB 28 (Hernandez), Chapter 442, Statues of 2013, which directs DHCS in consultation with the counties and County Welfare Director's Association (CWDA) to design and implement a new budgeting methodology for county administrative costs that reflects the impact of the Affordable Care Act (ACA) on county administrative work and present that methodology to the Legislature no later than March 2015.

The positions requested for the MCED consist of one associate governmental program analyst (AGPA) and one staff services manager (SSM I) who will coordinate research and development of a new budgeting methodology for county administration of the Medi-Cal program.

The positions requested for A&I consist of four health program auditor IIIs, and one health program audit manager I to conduct a variety of on-site activities, including but not limited to, fiscal reviews to verify the accuracy of Medi-Cal administrative claimed costs in each of the 58 counties, to verify accuracy of reported time study information, and to verify the accuracy of data reported on county performance.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Reject.** The Administration has a revised proposal to implement SB 28 that is discussed later in the agenda.

## 5. Suspend Cost-of-Living Adjustment for County Eligibility Administration

**Budget Issue.** DHCS proposes trailer bill language to suspend the county administration cost-of-living adjustment (COLA). This would result in a $20.2 million ($10.1 million General Fund) savings in the budget year. See table below for summary of county administration funding.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Modify.** It is recommended to modify the proposed placeholder trailer bill language by suspending the county COLA for the budget year only and not on a permanent basis. The May Revise proposes increased funding for county eligibility administration and resources to develop a new county budgeting methodology.

## 6. Coordinated Care Initiative (CCI) Position Request

**Budget Issue.** DHCS requests four three-year limited-term positions and $760,000 ($380,000 General Fund, $380,000 federal fund) of which $300,000 is to be added to the existing Mercer Health and Benefits LLC contract for actuarial services, to implement provision of SB 94 (Committee on Budget & Fiscal Review), Chapter 37, Statutes of 2013, related to the use of "risk corridors." SB 94 provided for risk corridors for populations and services that are part of the CCI.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

## 7. SB 1 X1 - Mental Health and Substance Use Disorder Benefit Expansion

**Budget Issue.** In order to implement SB 1 X1 (Hernandez), Chapter 4, Statutes of 2013-14 of the First Extraordinary Session, which expanded Medi-Cal mental health and substance use disorder (SUD) benefits, the Governor's budget requests 10 permanent positions and 12 two-year limited-term positions to implement new requirements set forth in the Affordable Care Act (ACA), and enacted in SB 1 X1 and as a part of the 2013-14 budget, for enhanced Medi-Cal substance use disorders services.

According to DHCS, these positions would provide program oversight and monitoring, policy development, program integrity and compliance with applicable state and federal policies, statutes, and regulations. The total proposed funding for the 22 positions is $2,748,000 ($1,303,000 General Fund and $1,445,000 federal funds).

This issue was heard at the April 3rd Subcommittee No. 3 hearing.

**Subcommittee Staff Recommendation—Approve.**

## 8. Implementation of SB 82 and SB 364 – Staff Request

**Budget Issue.** DHCS requests the authority to establish three permanent, full-time positions due to the enactment of SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, the Investment in Mental Health Wellness Act of 2013, and the enactment of SB 364 (Steinberg), Chapter 567, Statues of 2013, which broadens the types of facilities that can be used for the purposes of 72-hour treatment and evaluation under Welfare and Institutions Code (WIC) Section 5150.

The cost for these positions is $353,000 ($177,000 General Fund and $176,000 Federal Fund). Two positions would support the workload related to SB 82 and one position would support the workload related to SB 364.

This issue was heard at the April 3rd Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Modify.** It is recommended to reduce this request by one position (related to SB 82) as part of the estimated workload for these proposed positions is based on the assumption that 2,000 crisis beds would be up in 2014-15; however, awards to develop only 835 beds have been recommended by the California Health Facilities Financing Authority (CHFFA).

## 9. Pediatric Dental Outreach Proposal

**Budget Issue.** DHCS proposes $17.5 million ($8 million Proposition 10 funds provided by the California Children and Families Commission [First 5] and $9.4 million federal funds) to increase dental care outreach activities for children ages zero to three years. This includes:

- $643,000 ($190,000 Proposition 10 funds) for outreach activities.
- $16.8 million ($7.9 million Proposition 10 funds) to be used for the expected increase in dental services utilization as a result of these outreach activities.

DHCS proposes to identify beneficiaries who are ages 0-3, during their birth months, that have not had a dental visit during the past 12 months, and mail parents/legal guardians a letter that: (1) encourages them to take their children to see a dental provider; and (2) provides educational information about the importance of early dental visits.

**Subcommittee Staff Recommendation—Approve.**

## 10. Medi-Cal Managed Care Ombudsman Program

**Oversight Issue.** Concerns have been raised that the Medi-Cal Managed Care Ombudsman Program is not responsive to consumer calls and inquiries. Until recently, consumers could reach a busy-signal and were not able to speak to a representative or leave a message. Additionally, since 2011 and through the budget year, close to three million new individuals enrolled into Medi-Cal managed care (either by transitioning from fee-for-service or as a part of the Medi-Cal expansion under the Affordable Care Act), and yet, no new resources or staff have been added to the Medi-Cal Managed Care Ombudsman Program.

Recently, DHCS redirected nine positions and hired two students to support the existing Medi-Cal Managed Care Ombudsman program to help with the increased workload related to all the transitions/enrollment occurring. (Prior to this redirection, this ombudsman program had eight staff.) These were actual filled positions from other areas in DHCS: Eligibility/Benefits/Third Party Liability and others. However, DHCS views this as a temporary redirection since it will impact the work in the areas from which these staff were redirected.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Add nine positions.** Given that almost seven million individuals now receive Medi-Cal through managed care, it is appropriate to ensure that resources are available to assist consumers and help them understand their managed care benefits and help resolve any questions or issues. Consequently, it is recommended to add nine permanent positions (one health education consultant and eight associate governmental program analysts) for $1,015,000 ($507,000 General Fund) in 2014-15 and $997,000 ($498,000 General Fund) annually thereafter to the Medi-Cal Managed Care Ombudsman Program.

## 11. State Only Health Programs

**Issue.** As previously discussed in this Subcommittee on April 24th, the Administration does not have a proposal or plan to consider how to enroll eligible individuals in state health programs into comprehensive coverage through Covered California or Medi-Cal.

**Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language.** It is recommended to adopt placeholder trailer bill language to require DHCS to work with stakeholders to develop a notification to be sent to enrollees in the state-only health programs to inform them that they may qualify for comprehensive coverage through Covered California or Medi-Cal. This notification would be sent annually prior to the open enrollment period for Covered California.

## 12. Substance Use Disorder Program Integrity – Counselor & Facility Complaints

**Budget Issue.** DHCS requests $739,000 and six three-year limited-term positions to investigate complaints related to counselors and facilities that provide 24-hour, non-medical residential and outpatient alcohol and other drug detoxification, treatment, or recovery services to adults. DHCS states that it is currently backlogged with investigating provider and counselor complaints and is not complying with the state mandate of investigating complaints regarding counselor misconduct within the ninety days of receipt.

This proposal was discussed at the April 3rd Subcommittee No. 3 hearing.

In addition, in the May Revise, DHCS requests trailer bill language to allow DHCS to increase licensure, application, and certification fees for these facilities upon approval of the Legislature through a provider bulletin. Currently the fees are set in regulation.

**Subcommittee Staff Comment and Recommendation—Approve**. No issues have been raised with this proposal. It is recommended to approve the budget request and adopt the proposed placeholder trailer bill language.

## 13. Family Health Programs Adjustments (DOF Issue 104)

**Budget Issue.** The May Revision requests adjustments to the California Children's Services (CCS), Child Health and Disability Prevention Program (CHDP), the Genetically Handicapped Person's Program (GHPP), and the Every Woman Counts (EWC) program. See tables below for details.

These changes reflected revised expenditure estimates based on caseload adjustments, the reduction in the use of federal Safety Net Care Pool funding and medical rebate funding, to offset General Fund, and other technical changes in program expenditures.

**Table: Family Health Funding Estimate May Revise Summary**

| Program | Budget Act 2013-14 | Projected 2013-14 | Estimated 2014-15 | Current Year to Budget Year $ Change | Current Year to Budget Year % Change |
|---|---|---|---|---|---|
| **CCS** | $118,910,000 | $107,005,000 | $95,781,000 | -$11,224,000 | -10% |
| **CHDP** | 1,795,000 | 1,632,000 | 1,713,000 | 81,000 | 5% |
| **GHPP** | 110,741,000 | 102,634,000 | 128,739,000 | 26,105 | 25% |
| **EWC** | 52,619,000 | 52,666,000 | 58,583,000 | 5,917 | 11% |
| **TOTAL** | **$284,065,000** | **$263,937,000** | **$284,816,000** | **$20,879** | **8%** |

**Table: Family Health Caseload Estimate May Revise Summary**

| Program | Projected 2013-14 | May Revise 2014-15 | Current Year to Budget Year % Change |
|---|---|---|---|
| **CCS** | 18,352 | 18,012 | -1.85% |
| **CHDP** | 23,592 | 24,652 | 4% |
| **GHPP** | 995 | 1,024 | 2.9% |
| **EWC** | 291,900 | 304,400 | 4.2% |

**Subcommittee Staff Comment and Recommendation—Approve.**

## 4265 Department of Public Health

### 1. Health in All Policies Task Force

**Budget Issue.** The DPH requests $458,000 and four full-time permanent positions to staff the Health in All Policies Task Force (HiAP Task Force) in order to meet both statutory and Executive Order mandates. The source of this proposed funding includes: (1) $270,000 federal funds, (2) $120,000 Licensing and Certification Fund, (3) $27,000 Genetic Disease Testing Fund, and (4) $24,000 Radiation Control Fund.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Reject.** The Subcommittee requested DPH to identify alternative funding sources since the proposed funding sources (e.g., the Licensing and Certification Fund and Genetic Disease Testing Fund) do not have a nexus to the proposed activities of the task force. Additionally, given the problems with the Licensing and Certification program and the Governor's request to increase the genetic disease testing fees, it does not appear appropriate to use funding from these programs to support this task force.

DPH was unable to identify alternative funding sources; consequently, it is recommended to reject this proposal.

### 2. OA: Cross Match of ADAP Data with Franchise Tax Board

**Budget Issue.** The Office of AIDS (OA) proposes to amend statute to provide the State Franchise Tax Board (FTB) with authority to share state tax data with OA. The purpose is for verifying applicant/client income eligibility for OA's federally funded Ryan White HIV/AIDS Program (Ryan White), ADAP.

This issue was heard at the March 20th Subcommittee No. 3 hearing. Since this hearing, DPH has worked with stakeholders to address privacy concerns.

**Subcommittee Staff Recommendation—Approve.**

### 3. Drinking Water Program Transfer to State Water Resources Control Board

**Budget Issue.** The Administration proposes to transfer the Drinking Water Program (DWP) from DPH to the State Water Resources Control Board (SWRCB). The budget proposes to shift 291 positions and $202 million ($5 million GF) from DPH to the SWRCB, and includes an additional $1.8 million (General Fund) for one-time funds for technology and facility costs.

This issue was heard at the March 6th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve the budget adjustments and placeholder trailer bill language to transfer the drinking water program to the State Water Resources Control Board. This recommendation conforms to Subcommittee No. 2 recommendations.

## 4. Authority to Apply for Federal Grants

**Issue.** Concerns have been raised by public health advocates that DPH has been reluctant to apply and/or reapply for federal grants because it finds that it does not have sufficient statutory authority to do so. In particular, concerns have been raised regarding the Wisewoman (a federal grant to address heart disease in women) and colorectal cancer federal grants.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language.** It is recommended to adopt the following placeholder trailer bill language:

Add Health and Safety Code 131058 as follows:

131058. The State Department of Public Health may investigate, apply for, and enter into agreements to secure federal or non-governmental funding opportunities for the purposes of advancing public health, subject to the provisions of Section 13326 of the Government Code for federal funding or applicable administrative review and approval of non-governmental funding opportunities.

## 5. Medical Marijuana Program Fund Budget Adjustment (DOF ISSUE 500)

**Budget Issue.** The May Revision requests to decrease expenditures by $84,000 in the Medical Marijuana Program Fund due to a decline in revenues since the January budget.

**Subcommittee Staff Recommendation—Approve.**

## 6. Proposition 99 Estimate Update (DOF ISSUES 501, 502, 503, 504)

**Budget Issue.** The May Revision requests the following due to a reduction in Proposition 99 revenues:

- Reduce Health Education Account by $1,567,000 – This would result in a decrease in state operations for the Center for Chronic Disease Prevention and Health Promotion’s California Tobacco Control Program (CTCP).
- Reduce Research Account by $360,000 – This would result in a decrease in funds available for CTCP external research contracts.

- Reduce Unallocated Account by $157,000 – This would result in a reduction in administrative support for the CTCP.
- Reduce Health Education Account by $2 million – This would result in a decrease in competitive grant and funding allocations to Local Lead Agencies.

**Subcommittee Staff Recommendation—Approve.**

## 7. Women, Infants, and Children (WIC) Program (DOF ISSUE 651)

**Budget Issue.** The May Revision requests a decrease of $17.7 million in federal funds and $8.9 million in WIC Manufacturer Rebate Special Fund as a result of updated caseload and food expenditure projections. In addition, the May Revision reflects the implementation of a new federal rule which requires an increase in the cash value benefit issued to child participants from $6 to $8. This rule will be implemented by June 2, 2014.

**Subcommittee Staff Recommendation—Approve.**

## 8. Suspension of Tuberculosis Control Mandate

**Budget Issue.** The Governor proposes to suspend the tuberculosis control (TB) mandate in 2014-15. The Commission on State Mandates Cost Estimate, adopted on September 27, 2013, put the average annual cost (three year period from 2008-09 through 2011-12) at $28,356 and the total cost to date (claims from 2002-03 to 2011-12) at $132,855. These amounts are based on claims submitted by three counties (Orange, San Bernardino, and San Francisco). The Administration does not have an estimate of the total potential statewide cost if retroactive claims were submitted, but the statewide annual cost would likely be less than $1 million.

This issue was heard at the April 24th Subcommittee No. 3 hearing.

**Background.** TB is a contagious bacterial disease that is spread through airborne particles. DPH is the lead state agency for TB control and prevention activities. However, the primary responsibility for TB control resides with local health officers (LHOs). The LHOs have broad statutory responsibility to protect the public from the spread of TB.

The DPH provides about $6.7 million General Fund and about $4 million in federal funds to LHOs for TB control through a formula that is based on the number of TB cases in each jurisdiction.

On October 27, 2011, the Commission on State Mandates determined that the following TB control laws constitute state-reimbursable mandates:

1. **For LHOs.** Reviewing treatment plans submitted by health facilities within 24 hours of receipt and notifying the medical officer of a state parole region when there are reasonable grounds to

believe that a parolee with TB has ceased TB treatment. (Health and Safety Code Section 121361(a)(2))

2. **For Local Detention Facilities.** Notifying and submitting a written treatment plan to LHOs when an inmate with TB is discharged and notifying the LHO and medical officer of the local detention facility when a person with TB is transferred to a facility in another jurisdiction. (Health and Safety Code Section 121361(e)(1))
3. **For Counties and Cities with Designated LHOs.** Providing counsel to non-indigent TB patients, who are subject to a civil detention order, for purposes of representing the TB patients in court hearings reviewing civil detention orders. (Health and Safety Code Section 121366)

**LAO Analysis and Recommendations.** The LAO finds that these mandated TB control activities likely reduce the spread of TB and that this could lead to increased TB infection rates, which could increase public and private health care costs. Consequently, the LAO recommends rejection of the Governor's proposal to suspend this mandate and that future TB control mandate activities be included as part of the existing TB control funding stream.

**Subcommittee Staff Comment and Recommendation—Reject and Modify.** It is recommended to reject the proposed suspension of this mandate in the budget year, pay the backlog of claims, adopt placeholder trailer bill language to remove these mandates on LHOs, and augment DPH's budget by $250,000 General Fund (LAO's estimate of these mandate costs statewide) to account for the shift of these responsibilities as mandates to LHO to part of the existing TB control funding.

## 4280 Managed Risk Medical Insurance Board

### 1. Eliminate MRMIB

**Budget Issue.** The Governor's budget proposes to eliminate MRMIB and transfer its programs to the Department of Health Care Services (DHCS). The trailer bill language requests to:

- Transfer the Major Risk Medical Insurance Program (MRMIP), the Access for Infants and Mothers (AIM) program, the County Children's Health Initiative Matching Fund Program (CHIM) to DHCS. The Administration proposes no changes to these programs and states that individuals who are currently in one of these programs would experience no disruption in care or change in coverage, benefits, or eligibility.

- Rename the AIM program to the Medi-Cal Access Program in order to simplify messaging of subsidized coverage options to solely Medi-Cal and Covered California.

- Transition the responsibility for the close-out activities related to the Healthy Families Program transition to Medi-Cal and the Pre-Existing Conditions Insurance Program (PCIP) transition to the federal government to DHCS.

- Delete reference to adults from the CHIM Program provisions as the program was never expanded to cover parents.

- Transition 27 positions at MRMIB to DHCS.

This issue was heard at the March 20th Subcommittee No. 3 hearing.

**Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language.** It is recommended to make the appropriate budget and position adjustments in the MRMIB and DHCS budgets and to adopt placeholder trailer bill language to eliminate MRMIB and transfer its programs to DHCS.

## 4560 Mental Health Services Oversight and Accountability Commission

### 1. Reappropriation of Funds For Evaluation Contract (DOF ISSUE 100)

**Budget Issue.** The Mental Health Services Oversight and Accountability Commission (Commission) encumbered $400,000 for a contract with the University of California, Davis to support the Commission's evaluation efforts. The Contractor needs additional time to complete deliverables. The Commission is requesting to re-appropriate the unencumbered balance from fiscal year 2011-12 to extend the liquidation period allowing the Contractor to complete the deliverables and receive payment in fiscal year 2014-15.

**Subcommittee Staff Recommendation—Approve.** It is recommended to approve this request and adopt the following placeholder budget bill language:

> 4560-490—Reappropriation, Mental Health Services Oversight and Accountability Commission. Notwithstanding any other provisions of law, the period to liquidate encumbrances of the following citations are extended to June 30, 2015:
> 3085—Mental Health Services Fund
> (1) Item 4560-001-3085, Budget Act of 2011 (Ch. 33, Stat. of 2011)

## ISSUES FOR DISCUSSION

### 4150 Department of Managed Health Care (DMHC)

### 1. Federal Mental Health Parity Rules (DOF ISSUE 073)

**Budget Issue.** In the May Revision, DMHC requests a one-time augmentation of $369,000 (special fund) for 2014-15 for clinical consulting services to conduct initial front-end compliance reviews to ensure oversight of California's implementation of the federal Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA). In addition, DMHC requests trailer bill language to provide DMHC state authority to enforce these requirements.

According to DMHC, this proposal takes a proactive approach, through a front-end review of the methodologies plans will use to comply with the MHPAEA requirements. This work will be completed by actuarial and clinical consultants. Specifically, the DMHC will require health plans to certify to the DMHC's Office of Plan Licensing (OPL) that they are in compliance with the applicable MHPAEA requirements. Certifications will be filed with the OPL and must be accompanied by health plan explanations of methodologies for determining compliance.

The DMHC will contract with an actuarial consultant to determine whether the plans' methodologies for calculating expected plan payments is reasonable as required by the Final Rule. The DMHC will review the health plans' methodologies and other filings to determine if the plans are in compliance with federal law. The DMHC anticipates the additional workload for the actuarial analyses will be minimal and can be absorbed within existing resources.

The DMHC will also contract with clinical consultants to review the plans' methodologies and other filings. Of the 45 health plans that offer mental health benefits, 12 have the complexity of multiple product lines and group sizes; the remaining 33 plans do not have such complexity. The DMHC estimates that for health plans with multiple lines and group sizes an average of 56 hours of clinical compliance review will be needed. For health plans without multiple lines or group sizes, an average of 44 hours will be necessary to complete the review.

For both types of health plans, the clinical consultants will:

- Develop the standardized Parity Document Checklist and health plan instructions.
- Develop the Parity Compliance Findings tools and instructions.
- Provide clinical expertise in the review of health plan Filings and Findings Reports.
- Review health plan Filings to assess the sufficiency of submission, adequacy of methodology and procedures and completeness of documentation.
- Conduct an inter-rater reliability audit, which promotes reliability and consistency of the review process.
- Build a database of health plan Filings and review findings.
- Create a tracking database of Filings.
- Develop MHPAEA Compliance Health Plan-Specific Findings Report.
- Develop MHPAEA Compliance Aggregate Summary Report.

The number of hours and hourly rates identified in this request are based on an existing contract for similar clinical consulting services in which the contractor conducts medical survey and assessment activities that focus on health plan regulatory compliance filings. The DMHC will use existing resources to amend this contract for services to perform the pre-filing workload, including the development of pre-filing submission instructions and training, which must be completed prior to July 1, 2014.

The overall cost for the requested clinical consultant services is estimated at $369,000. For a detailed account of the workload to be performed and costs, please refer to Attachment 2.

The compliance findings reports will identify similarities and differences in benefit classifications and the underlying methodologies applied by health plans in their parity analysis. They also will identify best practices across submitted compliance methodologies. The findings reports will identify specific areas of concern for the DMHC to consider as it determines the need for rulemaking and prepares for focused retrospective implementation surveys/audits of each of the largest health plans' delivery of mental health and substance use disorder services.

This proposal ensures a front-end compliance review. However, it should be noted that this initial compliance review is intended to account only for the DMHC's anticipated initial compliance workload in FY 2014-15. For a retrospective, or back-end, compliance review, the DMHC intends to conduct focused medical surveys of all 45 full service and specialty health plans after the first year of compliance with the Final Rules, in addition to routine on-site medical surveys that are conducted every three years. As such, surveys will not begin until after January 1, 2016 and the DMHC will evaluate any fiscal impacts of such work as part of the FY 2015-16 budget process.

**Background.** The federal Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), expands federal mental health parity protections beyond the limited requirements of the previously enacted federal Mental Health Parity Act of 1996 (MHPA). The MHPAEA requires that group health plans and health insurance coverage offered in connection with group health plans that offer mental health and substance use disorder (MH/SUD) benefits do so in a manner comparable to medical and surgical (med/surg) benefits. For most plans, the MHPAEA became applicable to plan years beginning on or after October 3, 2009.

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve the budget request and adopt the placeholder trailer bill language to provide DMHC the authority to enforce these requirements and conform to federal rules to impose these requirements on large group products.

The Governor's January budget did not include a proposal to implement the new federal rules requiring health plans that offer mental health and substance use disorder benefits do so in a manner comparable to medical and surgical benefits. This issue was discussed at the March 20th Subcommittee No. 3 hearing. Since that hearing, DMHC has convened a stakeholder workgroup to discuss implementation of federal mental health parity and submitted this proposal.

**Questions.**

1. Please provide an overview of this proposal.

2. Please describe the short, medium, and long-term vision for enforcement of this requirement.

3. Please describe how DMHC's findings from the enforcement of federal mental health parity would be available to the public.

## 4560 Mental Health Services Oversight and Accountability Commission

### 1. Triage Grant Personnel and Reappropriation (DOF ISSUE 523 and 101)

**Budget Issue.** In the May Revise, the Mental Health Services Oversight and Accountability Commission (Commission) requests additional funding from the Mental Health Services Fund (MHSF), to support the ongoing administration and monitoring of SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statues of 2013, the Investment in Mental Health Wellness Act of 2013. SB 82 mandated the Commission to design and administer an ongoing competitive process to fund county grants to hire at least 600 mental health triage personnel statewide. The grants are funded with $32 million in MHSF and $22 million in federal Medi-Cal reimbursement ongoing.

The Commission requests three permanent positions and $296,000 for 2014-15 and a $290,000 ongoing allocation from the MHSF to administer and monitor the Triage Personnel Grant Program created by the Investment in Mental Health Wellness Act of 2013. The three positions are requested to oversee the triage grant program in counties within the five grant regions.

Additionally, the Commisson requests a reappropriation of $19.3 million in current year funding related to the triage grants. These funds were not all awarded in the current year and the Commission requests to reappropriate the funding to make additional grants. Budget bill language (BBL) is requested to make this reappropriation.

**Background.** On June 27, 2013, the Governor signed SB 82, the Investment in Mental Health Wellness Act of 2013, creating an opportunity to use Mental Health Services Act (MHSA) dollars to expand crisis services statewide that are expected to lead to improved life outcomes for the persons served and improved system outcomes for mental health and its community partners. Among the objectives cited in the Mental Health Wellness Act of 2013 is to "expand access to early intervention and treatment services to improve the client experience, achieve recovery and wellness, and reduce costs." This objective is consistent with the vision and focus for services identified in the MHSA.

SB 82 mandated the Commission to establish and administer a new competitive grant program that supports local mental health departments in the hiring of 600 new mental health triage personnel statewide. Per SB 82, the Commission worked with stakeholders to define the grant criteria. The grants targeted rural, suburban, and urban areas, identified within the five regional designations utilized by the California Mental Health Directors Association. SB 82 also tasked the Commission with ongoing administration and monitoring of this new triage program.

According to the Commission, there is additional workload that will accompany the administration and monitoring of the $54 million total funds provided to fund the triage program grants. The Commission temporarily redirected multiple staff from other duties to develop the criteria for the RFA, award the grants and address appeals, resulting in an administrative backlog in other Commission responsibilities. The Commission currently has 27 authorized positions. Half of the staff were redirected to create the criteria for the Request for Application (RFA), develop the RFA, review and score the applications, create monitoring tools for fiscal and outcome evaluations, and manage the appeals from the counties that were not funded. In addition, staff had to create individual agreements for each county that was

awarded funding. The RFA process will be evaluated, adjusted as needed, and implemented at least every three years based on the first grant awards. According to the Commission, given the new responsibilities associated with the administration and oversight of the Triage Personnel Grant Program, continuing to redirect existing resources is not a feasible alternative.

The triage program will also impact staff in the evaluation unit. There are specific data elements that will be collected that will be evaluated to determine the effectiveness of the triage grant program. As with most new programs, there will likely be a significant amount of training and technical assistance required for counties and triage program staff.

Additionally, according to the Commission, without additional positions, current evaluation staff may continue to be redirected, which could cause a delay in evaluations and implementation of the Evaluation Master Plan.

**Funding for Suicide Prevention.** A request has been received for state funding to support the addition of suicide nets on the Golden Gate Bridge. In 2013, 46 people committed suicide on this bridge and workers stopped 118 others. Unlike other iconic buildings, the Golden Gate Bridge lacks a suicide barrier.

**Subcommittee Staff Comment and Recommendation—Approve and Modify BBL.** It is recommended to approve the request for staff positions to ensure that the Commission has the resources necessary to monitor the grants and evaluate the outcomes from these grants. It is also recommended to modify the requested budget bill language to reappropriate $19.3 million by providing that $7 million of these funds be made available for suicide prevention efforts. Given the one-time availability of unawarded MHSA funds, it is recommended to redirect $7 million for suicide prevention efforts at the Golden Gate Bridge. Modified budget bill language:

> 4560-491—Reappropriation, Mental Health Services Oversight and Accountability Commission. The balances of the appropriations provided in the following citations are reappropriated for the purposes specified below and shall be available for encumbrance or expenditure until June 30, 2017.
> 3085—Mental Health Services Fund
> (1) Item 4560-001-3085, Budget Act of 2013 (Ch. 20, Stat. of 2013)
> Provisions:
>
> 1. Of the funds reappropriated in this item, up to $7,000,000 shall be made available for suicide prevention efforts.
>
> 2. It is the intent of the Legislature, that the remaining funds continue funding triage personnel grants approved by the Commission. Therefore, notwithstanding any other provision of law, the balance of the appropriation may, upon approval of the Department of Finance, be reappropriated for additional grants. The funds reappropriated by this provision shall be made available consistent with the amount approved by the Department of Finance subject to the availability of

funds within the state administrative cap of the Mental Health Services Fund for grants approved by the Mental Health Services Oversight and Accountability Commission not sooner than 30 days after providing notification in writing to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

**Questions.**

1. Please provide an overview of this item.

## 4120 Emergency Medical Services Authority (EMSA)

### 1. California Poison Control System Augmentation (DOF ISSUE 500)

**Budget Issues.** The May Revision proposes an increase of $827,000 General Fund and $1.5 million reimbursements to provide a funding augmentation for the California Poison Control System. The funding would ensure that this system maintains the staffing levels and call response times necessary to maintain accreditation. This request replaces an April Finance Letter that proposed funding from the California Children and Families Commission.

At the April 24th First 5 California Commission meeting, the Commission rejected the proposal to use First 5 funds for this purpose. The Commission found that it would be an illegal use of First 5 funds because these funds would be used to fund existing services instead of to supplement services.

**Background.** The California Poison Control System is a statewide network of health care professionals that provide free treatment advice and assistance to people over the telephone in case of exposure to poisonous or hazardous substances. It provides poison help and information to both the public and health professionals through a toll-free hotline that is accessible 24-hours a day, 7 days a week. The system has four divisions located at UC Davis Medical Center in Sacramento, San Francisco General Hospital in San Francisco, Children's Hospital Central California in Fresno, and the UC San Diego Medical Center in San Diego.

According to EMSA, salaries for nurses and pharmacists will likely increase in the range of five percent over the next three years based on current bargaining agreements which end in October 2017. In prior years, federal funding carryover funds were available to pay these salary increases. However, with federal sequestration, the amount of federal funds have been reduced from $2 million to $1.7 million annually.

**Table: Proposed California Poison Control Budget Summary**

| | | | 2014-15 (Projected) | 2015-16 (Projected) | 2016-17 (Projected) |
|---|---|---|---|---|---|
| **Funding Source** | | | | | |
| | | | | | |
| | **Federal funding/Private sector grants** | | | | |
| | | HRSA Stabilization Grant | $1,700,000 | $1,700,000 | $1,700,000 |
| | | Miscellaneous Revenue | $289,000 | $289,000 | $289,000 |
| | **State Funding** | | | | |
| | | State General Fund | $2,950,000 | $2,950,000 | $2,950,000 |
| | | Medi-Cal Funding | $800,000 | $800,000 | $800,000 |
| | | HFP Funding | $5,278,000 | $5,278,000 | $5,278,000 |
| | **Total Funding** | | **$11,017,000** | **$11,017,000** | **$11,017,000** |
| | | | | | |
| **Expenditures** | | | | | |
| | | Personnel Costs | $11,580,000 | $12,158,000 | $12,766,000 |
| | | Operating Expenses | $1,801,000 | $1,891,000 | $1,985,000 |
| | **Total Expenses** | | **$13,381,000** | **$14,049,000** | **$14,751,000** |
| | | | | | |
| **Funding Deficit** | | | **-$2,364,000** | **-$3,032,000** | **-$3,734,000** |
| | | | | | |
| **May Revision Request** | | | | | |
| | | State General Fund (35%) | **$827,000** | **$1,061,000** | **$1,307,000** |
| | | Federal S-CHIP Funds (65%) | **$1,537,000** | **$1,971,000** | **$2,427,000** |
| | **Total Request** | | **$2,364,000** | **$3,032,000** | **$3,734,000** |

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve this proposal. No issues have been raised.

**Questions.**

1. Please provide an overview of this proposal.

## 2. Local Trauma System Plan Reviews

**Oversight Issue.** Concerns have been raised that a regular evaluation of local trauma system and emergency response plans is necessary to update the systems and ensure that improvements are made to meet the needs of all residents in a county.

**Background.** State law allows, but does not require, local agencies that provide emergency medical services (EMS) to establish trauma systems. For those local agencies that elect to establish trauma systems, state law requires that the agencies submit their trauma system plans to EMSA. EMSA reviews these plans to ensure that they comply with regulations and trauma guidelines. However state law does not require local agencies to regularly conduct independent performance evaluations or assessments to demonstrate whether its trauma system is meeting the needs of all areas and populations in the county.

**State Auditor Report.** In February 2014, the State Auditor released a report, *Los Angeles County: Lacking a Comprehensive Assessment of its Trauma System, It Cannot Demonstrate That It Has Used Measure B Funds to Address the Most Pressing Trauma Needs*, which highlighted that Los Angeles County had not evaluated its trauma system in about a decade. Consequently, the report concludes that without a comprehensive assessment of its trauma system, Los Angeles could not demonstrate that it had used Measure B funds to address the most pressing trauma needs and fulfilled the intent of the measure by expanding trauma services countywide. This audit, while unique to Los Angeles, has revealed gaps in oversight and accountability. For instance, although local emergency services agencies are required to regularly review and update their plans once approved, they do not utilize an independent evaluation process to analyze the existing system design. While the plan may have been adequate when first developed, changes in demographics and other factors may result in the need to adjust the overall plan. In addition, there is nothing that allows or requires EMSA to hold the local agencies accountable or to have authority to set performance and response time standards.

**Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language.** It is recommended to adopt the following placeholder trailer bill language to require local EMS agencies to periodically evaluate their trauma systems:

> The Director of the Emergency Medical Services Authority shall adopt standards for trauma system design measurements and require local EMS agencies to conduct periodic evaluations, using an independent review team, of their trauma systems at least every five years. The authority shall use these evaluations in verifying whether trauma system plans meet the needs of the persons served and is consistent with the coordinating activities of the geographical area served. Trauma system evaluations and performance metrics shall be publicly available.

**Questions.**

1. Please provide an overview of this issue.

## 4265 Department of Public Health

### 1. AIDS Drug Assistance Program (ADAP) Update (DOF ISSUE 650)

**Budget Issue.** The May Revision updates expenditures for the ADAP program. See table below.

**Table: Comparison of January and May Estimates for ADAP for Budget Year**
(dollars in thousands)

| Fund Source | January Budget | May Revise | Difference |
|---|---|---|---|
| AIDS Drug Rebate Fund | $259,769 | $278,601 | $18,832 |
| Federal Funds – Ryan White | 98,727 | 106,290 | $7,563 |
| Reimbursements-Medicaid Waiver | 51,126 | 53,645 | $2,519 |
| **Total** | **$409,622** | **$438,536** | $28,914 |

Two new issues in the May Revise impacting the ADAP program are:

a. **Addition of Hepatitis C (HCV) Drugs to the ADAP Formulary.** DPH proposes to add simeprevir (Olysio) and sofosbuvir (Solvadi) to the ADAP formulary. On January 24, 2014, the ADAP Medical Advisory Committee (MAC) voted to recommend that both of these drugs be added to the ADAP formulary, citing the large burden of HCV co-infection among HIV-infected patients with its resulting impact on mortality (about five percent of deaths among all persons living with HIV/AIDS in California are due to HCV), and the tremendous improvement in HCV cure rate that these new drugs offer over current HCV therapy.

   DPH estimates that 4,545 ADAP clients are co-infected with HCV in 2014-15 and that of these, only 10 percent (454) would receive treatment with these new HCV therapies in 2014-15. DPH is in discussions with the ADAP MAC on establishing prior authorization criteria for these new HCV drugs that would make the new drugs available to those most in need and most likely to benefit from HCV treatment.

   DPH estimates the net cost of adding this treatment would be $26 million. This net cost assumes that DPH would be able to get $5 million in rebates from these manufacturers.

b. **Office of AIDS-Health Insurance Premium Assistance Payment Program (OA-HIPP) Medical Cost Sharing Wrap.** DPH proposes trailer bill language to develop the capacity to pay out-of-pocket medical expenses, in addition to premiums for eligible OA-HIPP clients, for clients who choose to purchase insurance through Covered California. This would encourage more ADAP clients to enroll in comprehensive coverage and would result in a reduction in ADAP costs of $9.9 million in 2014-15.

   This issue has been previously discussed in Subcommittee and the Subcommittee has already adopted this placeholder trailer bill language.

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve the adjustments to the ADAP estimate, approve the addition of the two HCV drugs to the ADAP formulary, and reaffirm adoption of placeholder trailer bill language to create an OA-HIPP medical cost wrap.

**Questions.**

1. Please provide an overview of this issue.

## 2. Biomonitoring (DOF ISSUE 506)

**Budget Issue.** DPH and the Department of Toxic Substances Control (DTSC) jointly request four two-year limited-term positions and expenditure authority of $700,000 ($350,000 Toxic Substances Control Account/$350,000 Birth Defects Program Monitoring Fund) in 2014-15 and $696,000 ($346,000 Toxic Substances Control Account/$350,000 Birth Defects Program Monitoring Fund) in 2015-16 to support the California Environmental Contaminant Biomonitoring Program (CECBP).

DPH is the designated lead for Biomonitoring California, coordinating with two CalEPA departments: the Office of Environmental Health Hazard Assessment (OEHHA) and DTSC. The requested positions would replace some federal grant positions that will be lost when Centers for Disease Control and Prevention (CDC) funding is eliminated on August 31, 2014, ensuring that the mission of CECBP maintains its momentum.

**Background.** SB 1379 (Perata and Ortiz), Chapter 599, Statutes of 2006, established the tri-departmental CECBP. CECBP is a collaborative effort among DPH, OEHHA, and DTSC. CECBP's principal mandates are to measure and report levels of specific environmental chemicals in blood and urine samples from a representative sample of Californians, conduct community-based biomonitoring studies, and help assess the effectiveness of public health and environmental programs in reducing chemical exposures. CECBP provides unique information on the extent to which Californians are exposed to a variety of environmental chemicals and how such exposures may be influenced by factors such as age, gender, ethnicity, diet, occupation, residential location, and use of specific consumer products.

The three departments that constitute CECBP received $2.2 million in 2013-14 from five special funds: (1) Toxic Substances Control Account, (2) Birth Defects Monitoring Program Fund, (3) Department of Pesticide Regulation Fund, (4) Air Pollution Control Fund, and (5) Childhood Lead Poisoning Prevention Fund. This baseline state funding currently supports eight positions in DPH and five total positions within OEHHA and DTSC.

In 2009, CECBP was awarded a competitive five-year Cooperative Agreement (grant) of $2.65 million per year from CDC through the Sequoia Foundation as its designated bona fide agent. Although the funding was awarded directly to the Sequoia Foundation and is not included in DPH's or DTSC's budget, CECBP benefits from these resources as the Sequoia grant staff work with state staff to accomplish the tasks of the Cooperative Agreement. The CDC Cooperative Agreement with Sequoia Foundation funds approximately 15 non-state "grant" positions to supplement the 13 core state positions. This grant has complemented CECBP's state funding since 2009-10, and has played a critical role in establishing the program's current capabilities and proficiencies. The grant from CDC ends on August 31, 2014. When the grant ends, CECBP's resources will be reduced by nearly 60 percent, if resources are not renewed.

In February 2014, the CDC issued a new Funding Opportunity Announcement for state public health laboratories with biomonitoring capabilities. This new competitive five-year grant is restricted to funding only work that generates surveillance data to augment the national and state databases. It is not to be used for purposes of research or laboratory expansion. About five states will be awarded grants.

On May 5, 2014, the Sequoia Foundation, as DPH's designated bona fide agent, submitted a proposal to CDC to fund CECBP at the maximum allowable level of $1 million per year. If awarded, the new grant would support up to six Sequoia Foundation positions for five years between September 1, 2014 and August 31, 2019.

CECBP's current state funding of $2.2 million per year has been fairly stable since 2008-09. It has supported 13 permanent state staff positions (eight in DPH, three in OEHHA, and two in DTSC) that form the scientific core of CECBP.

When the CDC grant expires, the ongoing level of state funding will not be adequate to sustain the current program resource levels. Without this proposed funding, CECBP's ability to serve as an early warning system for new chemical exposures or promote state environmental and public health policies would be reduced. Furthermore, although the Sequoia Foundation recently applied for new federal funding of $1 million per year over a five-year funding cycle, this level of federal funding represents a reduction from the $2.65 million in federal funding received annually over the last five years. The CDC has stated that there would likely be no federal funding for state biomonitoring programs beyond that date when the next five-year funding cycle expires on August 31, 2019.

This proposal requests four two-year limited-term positions and expenditure authority of $700,000 in 2014-15 and $696,000 in 2015-16 from the Toxic Substances Control Account and the Birth Defects Monitoring Program Fund to support this program and partially offset the loss of federal funds on August 31, 2014. The requested four positions would replace some of the 15 grant positions that will be eliminated when current CDC funding ends.

The four limited-term state positions would help CECBP maintain a degree of proficiency and productivity after August 31, 2014, when the CDC grant ends and some Sequoia Foundation contract positions are eliminated. The four proposed state positions would continue to analyze specific toxic chemical contaminants in biological samples from on-going population-based investigations, establish methodologies, conduct statistical analyses of the data, and contribute to other mandated activities such as returning results to individual participants and conducting essential public health investigations.

This limited-term funding would allow CECBP to: (1) hire state staff to perform the duties currently accomplished by some of the grant staff for the next two years; (2) sustain productivity over the next two years in detecting and measuring chemical exposures; (3) begin developing capabilities to investigate emerging and as of yet unknown chemical threats in the environment and consumer products; and (4) continue collaborations with external (mainly university) investigators.

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve this proposal.

**Questions.**

1. Please provide an overview of this item.

## 3. Licensing and Certification (L&C) Oversight

**Oversight Issue.** As previously discussed in Subcommittee, there are significant concerns regarding the Licensing and Certification (L&C) program's ability to complete its mission to promote the highest quality of medical care in community settings and facilities.

The Governor's January budget and the May Revision do nothing to address these concerns and do not put forth a proposal to immediately address the inconsistent and untimely enforcement of federal and state laws regarding the health facilities it licenses.

Additionally, according to an April 21, 2014 letter from the federal CMS, the state is in jeopardy of losing $1 million in federal funding if certain performance and management benchmarks reagarding the L&C's investigation of complaints and L&C's overight of the Los Angeles Countract and are not met.

**Budget Issue.** DPH requests one-time funding of $1.4 million from the Internal Departmental Quality Improvement Account (IDQIA) to further expand the work related to the Licensing and Certification (L&C) Program Evaluation project.

**Background.** The Licensing and Certification (L&C) Program develops and enforces state licensure standards, conducts inspections to assure compliance with federal standards for facility participation in Medicare and/or Medi-Cal, and responds to complaints against providers licensed by the DPH. L&C contracts with Los Angeles County to license and certify health facilities in Los Angeles County.

**CMS Concerns with L&C.** On June 20, 2012, the federal Centers for Medicare and Medicaid (CMS) sent a letter to DPH expressing its concern with the ability of DPH to meet many of its current Medicaid survey and certification responsibilities. In this letter, CMS states that its analysis of data and ongoing discussions with DPH officials reveal the crucial need for California to take effective leadership, management, and oversight of DPH's regulatory organizational structure, systems, and functions to make sure DPH is able to meet all of its survey and certification responsibilities.

The letter further states that "failure to address the listed concerns and meet CMS' expectations will require CMS to initiate one or more actions that would have a negative effect on DPH's ability to avail itself of federal funds." In this letter, CMS acknowledges that the state's fiscal situation in the last few years, and the resulting hiring freezes and furloughs, has impaired DPH's ability to meet survey and certification responsibilities.

As a result of these concerns, CMS set benchmarks for DPH must attain and is requiring quarterly updates from DPH on its work plans and progress on meeting these benchmarks. As mentioned above, the state is in jeopardy of losing $1 million in federal funds if certain benchmarks are not met.

**Recent Legislative Oversight Hearings on L&C.** Multiple recent legislative oversight hearings by the Assembly Committee on Aging and Long-Term Care, Assembly Committee on Health, Senate Committee on Business, Professions and Economic Development, and Senate Committee on Health and media reports have highlighted significant gaps in state oversight of health facilities and certain

professionals that work in these facilities. These gaps include a backlog of complaint investigations against certified nurse assistants and untimely health facility complaint investigations.

**Long-Standing Problems with Complaint Investigations.** There has been long-standing concerns about L&C's ability to investigate and close complaints in a timely manner. The LAO (in 2006) and the Bureau of State Audits (in 2007) found that L&C had a backlog of complaints and that complaint investigations were not investigated or closed in a timely manner. These concerns still exist today and appear to be persistent and ongoing. There has been no measurable progress on these issues as exemplified by the two CMS letters within the past two years.

**Los Angeles County Contract.** L&C contracts with Los Angeles County to license and certify health facilities in Los Angeles County. As revealed in March 2014, facing a backlog of hundreds of health and safety complaints about nursing homes, it has been reported that Los Angeles County public health officials told inspectors to close cases without fully investigating them. This calls into question the state's oversight of this contract and these responsibilities.

**Subcommittee Staff Comment and Recommendation.** It is recommended to approve the request for $1.4 million to continue the L&C program evaluation. Additionally, given that DPH has not provided a comprehensive proposal to immediately address the concerns with L&C, it is recommended to adopt placeholder trailer bill language that does the following:

1. On a monthly basis, the Department of Public Health shall report to the appropriate policy and fiscal committees of the Legislature and shall post on its website the following information:
   - Beginning in 2007-08 by fiscal year and by month for the budget year, the number of:
     - Complaints, immediate jeopardy complaints, investigations within 24 hours, and complaints investigated within 10 days, closed cases by calendar days (<60, 60-90, 90-365, >365) from complaint receipt to case closure, and closed cases, including disposition. This information shall be provided by facility type.
     - The number of state and federal surveys completed for all facility types and the number of surveys that were not completed on a timely basis.
   - The vacancy rate by position classification in L&C and the status of hiring new positions, to backfill vacancies or through administrative action (temporary blanket).
   - Information on if, and how, the $9 million in L&C fund reserve is being used.
   - Status of how the $1.4 million for L&C program evaluation is being used and the outcomes from this effort.
   - An update on DPH's efforts to evaluate and reform the L&C timekeeping systems and methodology.
   - An update on the Los Angeles County contract and L&C's oversight of this contract.
   - By December 1, 2014, an assessment of the possibilities of using other professional position classifications (besides Health Facility Evaluator Nurses) to perform L&C survey or complaint workload with the consideration that other professional classifications may be easier to hire and retain.

2. Establishes an L&C stakeholder workgroup that shall meet at least on a quarterly basis and shall include but not be limited to representatives from consumer advocate organizations, health facilities, unions, and the Legislature. This workgroup shall advise L&C on the development of

solutions and new policies that would improve the program and ensure that Californians receive the highest quality of medical care in health facilities.

**Questions.**

1. Please explain why DPH does not have a proposal in the May Revision to improve L&C's ability to enforce state and federal laws.

2. Please describe how DPH plans to use the proposed funds for the Program Evaluation contract.

3. Please describe how DPH plans to meet the recent CMS benchmarks to ensure that the state does not lose $1 million in federal funding.

4. Please describe how DPH plans to address the backlog of complaints.

5. Please provide an update on the Los Angeles County contract.

## 4. L&C – Timely Investigations of Caregivers

**Budget Issue.** In an April Finance Letter, DPH requests 18 two-year limited-term positions and $1,951,000 (Licensing & Certification Special Fund) to support timely investigations of allegations/complaints filed against Certified Nurse Assistants (CNAs), Home Health Aides (HHAs), and Certified Hemodialysis Technicians (CHTs).

DPH requests the following positions:

- 15 Associate Governmental Program Analysts
- 1 Staff Services Manager I
- 2 Program Technician II

Through this proposal, DPH is proposing to become and remain current on all cases and conduct timely investigations. Specifically, the proposal includes: 1) 9 2-year investigator positions to augment current investigations; and 2) 6 2-year investigator positions to focus on aging cases.

**Background.** Licensing and Certification Investigations (L&C) licenses, regulates, inspects and/or certifies health care facilities in California, on behalf of both the state and federal governments. L&C regulates approximately 19 different types of health care facilities, such as hospitals and nursing homes, and also oversees the certification of nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators.

L&C's field operations are implemented through 14 district offices, including approximately 800 positions, throughout the state, and through a contract with Los Angeles County. The field operations investigate complaints about facilities, primarily long-term care facilities, conduct periodic facility surveys, and assess penalties. L&C receives approximately 6,000 complaints per year, and 10,000 entity-reported incidents.

CNAs provide 80 percent of direct patient care and activities for daily living in skilled nursing facilities and direct care in residences through licensed home health agencies. Investigations of allegations and complaints against CNAs, HHA, and CHTs are required by both federal and state laws. Approximately 925 allegations/complaints are received by DPH for both active and inactive caregivers each year.
DPH staff investigates all allegations/complaints, regardless of the source of the complaint or the nature of the allegation. The complaints range from significant safety issues and abuse to those that are not life-threatening, such as profanity or false identification.

DPH staff review all allegations/complaints upon receipt to determine if immediate action is required. For those not requiring immediate action, staff assign the initial assessment level within ten business days. The assessment levels include:

- Level A – Unprofessional conduct involving death, physical and sexual assault (rape, rape with a foreign object, and sodomy) with witness(es), and/or law enforcement involvement.
- Level 1 – Unprofessional conduct involving sexual assault (groping, fondling, or physical contact and physical abuse); may include physical evidence and involvement of witness(es) and/or law enforcement.
- Level 2 – Unprofessional conduct without witness(es), but may include physical evidence.

- Level 3 – Unprofessional conduct without a witness and no known physical evidence.
- Level 4 – False identification and/or social security number.

**Investigations Backlog.** DPH has been operating with an on-going multi-year accumulation of investigations. Furloughs, vacancies, and outdated processes led to this backlog of aging cases. For several years, DPH sought to work through the aging cases while trying to complete current investigations, but found it impossible to reduce the backlog significantly. Therefore, prior to 2009, DPH prioritized current cases, investigating older complaints only as time permitted. Since 2009, DPH instituted several business process improvements leading to a reduction in the backlog such that investigations have been completed for all cases received prior to January 1, 2012. Nevertheless, the Administration asserts that the current resources at DPH are not sufficient to keep current with new cases while successfully completing the full inventory of aging cases.

**Subcommittee Staff Comment and Recommendation—Approve.** It is recommended to approve this request.

**Questions.**

1. Please provide an overview of this issue.

## 4260 Department of Health Care Services

### 1. Pediatric Vision Pilot Projects (DOF ISSUE 107)

**Budget Issue.** The May Revision proposes an increase of $2 million ($1 million General Fund) in 2014-15 (for half year funding) and $4 million ($2 million General Fund) in 2015-16 and 2016-17 and trailer bill language to implement a pilot program to expand pediatric vision screenings and services through the use of mobile vision providers.

Under this proposal, DHCS would implement a three-year pilot program to increase utilization of vision services and eye glasses to children by allowing a mobile vision service provider that has an established Memorandum of Understanding with school districts within Los Angeles County to contract with managed care health plans in Los Angeles County for the provision of these vision services at school sites.

It is estimated that 45,000 children would be screened annually and that the average cost per child would be $90.48 for examinations, necessary lenses, and frames. (The Prison Industry Authority will provide the lenses, per current requirements.)

DHCS indicates that any capitation rate adjustment for managed care plans to account for the increased utilization would be actuarially-based and developed using projections of contingent events, including targeted populations who will receive these services.

**Subcommittee Staff Comment and Recommendation—Approve**. It is recommended to approve this proposal and the placeholder trailer bill language. While the concept to test other models of service delivery to increase utilization of these important services is worthwhile, details on how this pilot will be implemented, including how to prevent duplicative payment for the service in the existing managed care capitation rate and payment related to this pilot will need to be worked out. Additionally, this pilot project will require federal approval.

**Questions.**

1. Please provide an overview of this proposal.

2. Please describe the problems this proposal is attempting to address.

3. Please describe how DHCS plans to monitor and evaluate this pilot.

4. Please address whether there will be potential application to other school-based services that are not currently reimbursed by Medi-Cal.

## 2. Medi-Cal Program Integrity Data Analytics (DOF ISSUE 501)

**Budget Issue.** DHCS requests $5.0 million ($1.25 million General Fund and $3.75 million Federal Fund) in 2014-15, $10.0 million ($2.5 million General Fund and $7.5 million Federal Fund) in 2015-16 and 2016-17, and $5.0 million ($1.25 million General Fund and $3.75 million Federal Fund) in 2017-18 to secure a data analytics contractor to expand on recent data analytics activities that have enhanced DHCS' Medi-Cal program integrity efforts. The contractor will allow DHCS Audits and Investigations (A&I) staff to access numerous proprietary databases to gain additional information about providers. The contractor will sort approximately 200 million Medi-Cal fee-for-service (FFS) claims, including Mental Health and Substance Use Disorder services claims, through statistical models and intelligent technologies to uncover patterns and relationships in Medi-Cal claims activity and history to identify aberrant utilization and billing practices that are potentially fraudulent or erroneous.

DHCS' A&I Division will use suspicious activities alerts generated from this data analytic system to focus their investigation efforts more effectively and identify erroneous patterns and fraudulent schemes that cannot currently be detected due to the volume and complexity of the claims data. Furthermore, the system will also be useful in screening applicants during the provider enrollment process to uncover any problematic business history that poses a risk to Medi-Cal program integrity. In the future, DHCS could also integrate Medi-Cal Managed Care encounter data into the system.

**Background.** DHCS has existing program integrity efforts to prevent fraud, waste, and abuse. These efforts include:

- Reviewing provider applications when providers enroll or re-enroll
- Conducting utilization review and control
- Conducting prepayment review of claims
- Conducting traditional data mining (manual queries)
- Conducting financial and medical audits and reviews
- Investigating Medi-Cal fraud hotline tips and complaints
- Producing the Medi-Cal Payment Error Study

All of these efforts help identify and prevent schemes used by providers to defraud Medi-Cal, including but not limited to:

- Billing for services not rendered
- Double billing
- Discriminatory billing
- Inflated billings and costs between related entities
- Billing for more hours than there are in a day
- Billing for more expensive procedures than performed
- Billing for more products than purchased
- Providing services that do not meet "medical necessity"
- Kickbacks to providers

Despite these efforts, DHCS' recent activity to address fraud in the Drug Medi-Cal program has identified a need for data analytics to enhance DHCS' current Medi-Cal program integrity efforts for

Medi-Cal FFS. Furthermore, the 2011 Medi-Cal Payment Error Study (MPES) estimated approximately $1.25 billion in erroneous payments in the FFS system, $473 million of which were identified as potentially fraudulent.

DHCS recently entered into a short term $500,000 contract with a vendor to provide advanced data analytics services for the Drug Medi-Cal program which covers January through July of 2014. By utilizing proprietary databases, like credit reporting agencies, and running Medi-Cal claims through statistical models and intelligent technologies, the vendor identified several DMC providers that demonstrated characteristics of having a high likelihood of committing fraud. Recent anti-fraud efforts on DMC providers confirmed these findings of the data analytics system. Many of the providers identified by the data analytics system as having a high likelihood of being fraudulent were found to be fraudulent providers.

Based on the findings of the current vendor and confirmation of those findings through A&I field work, DHCS has determined that there would be great benefit in processing all Medi-Cal FFS providers and claims data into a data analytic system to identify fraud throughout the FFS program.

The federal government supports states taking advantage of these data analytic systems for their Medicaid programs and has provided enhanced federal funding for these systems, including 75 percent FFP for maintenance and operations and 90 percent FFP through the Medicaid Information Technology Architecture (MITA) process for system development. DHCS will be submitting before June 30, 2014 to the Centers for Medicare and Medicaid Services (CMS) an Advance Planning Document requesting federal approval for enhanced federal funding. Because this request is to enter into a service contract and not build a system for Medi-Cal, this request assumes a 75 percent FFP share.

Other states have procured more costly data analytic systems for their Medicaid programs. Texas secured a $58 million contract last year, Connecticut secured an $8 million contract this year and Florida is currently procuring a system, with a first year cost estimated at $18 million, and second year cost of $15 million.

Based on the cost of the current contract, DHCS estimates that expanding the current service contract to all FFS claims would have an annual cost of $10 million. This estimate is based on the current service contract costing approximately $3 per beneficiary for 175,000 beneficiaries and an additional $475,000 to develop the Dashboard on an annual basis. The 2014 Medi-Cal May Estimate projects 2.7 million FFS beneficiaries. In addition, there are approximately 300,000 Mental Health Services and Substance Use Disorder Services beneficiaries. Based on $3 per beneficiary, DHCS projects an annual cost of $9 million plus $1 million to maintain and enhance an internet browser-based Dashboard containing the suspicious activities alerts, geospatial mapping, and link analysis. The contract would be structured in a manner that will not result in costs exceeding the annualized $10 million requested in this proposal. The $5 million requested for 2014-15 would cover the contract period of January through June of 2015 to allow for the procurement of the contract in the beginning of 2014-15. DHCS would then be able to analyze the benefit of the data analytics tool based on this expanded capability at the end of the contract term to determine if the service contract is worth continuing and possibly expanding on an ongoing basis.

**Subcommittee Staff Recommendation—Approve.** It is recommended to approve this proposal. No issues have been raised.

**Questions.**

1. Please provide an overview of this item.

2. Please address the procurement process and whether there was and Request for Proposal or if this is a sole source contract.

## 3. *Katie A.* Settlement Agreement Reporting Requirements (DOF ISSUE 102)

**Budget Issue.** The May Revision proposes an increase of $1.2 million ($600,000 General Fund and $600,000 Reimbursements) and budget bill language to support the increased county workload necessary to provide semi-annual progress reports and implementation activities, as required by the *Katie A. v. Bonta* settlement agreement.

**Background.** The *Katie A. vs. Bonta* case was first filed on July 18, 2002, as a class action suit on behalf of children, who were not provided services by both the child protective system and the mental health system in California. The suit sought to improve the provision of mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California.

On December 2, 2011, Federal District Court Judge A. Howard Matz issued an order approving a proposed settlement of the case. According to DHCS, "The settlement agreement seeks to accomplish systemic change for mental health services to children and youth within the class by promoting, adopting, and endorsing three new service array approaches for existing Medicaid covered services, consistent with a Core Practice Model (CPM) that creates a coherent and all-inclusive approach to service planning and delivery." The Settlement Agreement also specifies that all children and youth who meet subclass criteria are eligible to receive Intensive Care Coordination (ICC), Intensive Home-Based Services (IHBS), and Therapeutic Foster Care (TFC). County mental health plans (MHPs) are required to provide ICC and IHBS services to subclass members. MHPs provide ICC and IHBS and claim federal reimbursement through the Short-Doyle/Medi-Cal (SDMC) claiming system.

The California Department of Social Services and Department of Health Care Services worked together with the federal court appointed Special Master, the plaintiffs' counsel, and other stakeholders to develop and implement a plan to accomplish the terms of the settlement agreement.

**Subcommittee Staff Recommendation—Approve.** It is recommended to approve the request and adopt the proposed budget bill language. This proposal recognizes the new administrative activities and increased county costs as a result of the settlement agreement.

**Questions.**

1. Please provide an overview of this issue.

## 4. Medi-Cal ACA Implementation New County Administration Methodology – May Revise Proposal

**Budget Issue.** In the May Revision, DHCS requests $1,485,000 in 2014-15 for two three-year limited-term positions for the Medi-Cal Eligibility Division (MCED), County Administrative Expense Section, and contracted services ($1.2 million). This request is based on language included in SB 28 (Hernandez), Chapter 442, Statues of 2013, which directs the DHCS, in consultation with the counties and County Welfare Directors Association (CWDA), to design and implement a new budgeting methodology for county administrative costs that reflects the impact of the Affordable Care Act (ACA) on county administrative work and present that methodology to the legislature no later than March 2015.

The positions requested for the MCED consist of one (1.0) Associate Governmental Program Analyst (AGPA) and one (1.0) Staff Services Manager (SSM I) who will coordinate research and development of a new budgeting methodology for county administration of the Medi-Cal program.

The new county budget methodology is intended to be an improved process that will include reviews and consideration of county operations. The majority of these reviews will be performed by contracted resources with specific expertise in and skills necessary to analyze these activities. These activities include specific reviews of annual time studies, claimed expenditures, and other data metrics. The contractor would have expertise in evaluation skills pertinent to time studies and reconciliations, would create an ongoing monitoring plan, and would train staff on the monitoring and evaluation of time studies and reconciliations.

In the January budget, DHCS proposed a different staffing/contractor approach to develop this new county administration methodology (see Vote Only section of this agenda for more information), but given stakeholder concerns, DHCS has revised its proposal.

**Subcommittee Staff Recommendation—Approve.** It is recommended to approve this request.

**Questions.**

1. Please provide an overview of this issue.