

**Second Extraordinary Session
Conference Committee on SBX2 2 and ABX2 1**

PROPOSED CONFERENCE REPORT No. 1

Bill No: ABX2 1
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Amended: 9/3/15

SUBJECT: Developmental services: Medi-Cal: funding

DIGEST: Implements targeted rate increases for the community-based developmental services system, and forgives retroactive recoupment of Medi-Cal payment reductions and rate freezes, pursuant to AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, for distinct part nursing facilities.

ANALYSIS:

Existing law: Establishes the Department of Developmental Services (DDS), which oversees the provision of services and supports to over 290,000 persons with developmental disabilities and their families, pursuant to the provisions of the Lanterman Developmental Disabilities Services Act, also known as the Lanterman Act, (Division 4.5 of the California Welfare and Institutions Code). The Lanterman Act establishes an entitlement to services and supports for Californians with developmental disabilities.

This bill:

- 1) Makes the following changes, effective July 1, 2016 except as otherwise noted below, to the community-based developmental services system:
 - a) Requires DDS to submit a rate study to the Legislature by March 1, 2019 addressing the sustainability, quality, and transparency of community-based services for individuals with developmental disabilities.
 - b) Requires an entity to obtain an independent review of its financial statements relating to payments made by regional centers if it receives payments more than or equal to \$500,000 but less than \$2 million. Current law requires an independent review if the entity receives payments more than or equal to \$250,000 but less than \$500,000. This bill also requires an entity to obtain an independent audit if it receives payments that are equal to or more than \$2 million and allows these entities to apply for a two-year exemption from the audit requirement.
 - c) Provides for a 7.5 % rate increase for salary and/or benefit increases for regional center staff. The funds used to provide this rate increase cannot be used for unfunded retirement liabilities or executive staff. The amount of funding for this purpose is capped at \$29.7 million General Fund and total fund estimate is \$43.6

million.

- d) Provides for a 2.5 % rate increase for administrative costs for regional centers and clients' rights advocates contracts. The amount of funding for this purpose is capped at \$1.4 million General Fund and total fund estimate is \$2 million.
- e) Requires regional centers to maintain documentation on how this funding was allocated and requires regional centers to report specified information to DDS by March 10, 2017 and October 1, 2017 regarding the allocation of this funding. Any regional center that fails to report this information shall forfeit these rate increases.
- f) Requires DDS to describe the implementation of these rate increases in its 2017-18 May Revision.
- g) Provides a 7.5 % rate increase for the purpose of enhancing wages and benefits for staff who spend a minimum of 75 % of their time providing direct services to consumers. The actual %age rate increase shall be determined based on a random sample of service providers in each service category eligible for the rate. DDS shall use this information to determine a rate increase, to be the same for eligible providers in each service category, which shall be based on the proportion of the rate that is for direct services in each category. The amount of funding for this purpose is capped at \$169.5 million General Fund and total fund estimate is \$294.8 million.
- h) Provides a 2.5 % rate increase for administrative expenses for service providers. The amount of funding for this purpose is capped at \$9.9 million General Fund and total fund estimate is \$17.3 million.
- i)
- j) These rate increases do not apply to services for which rates are determined by other entities, such as the Department of Health Care Services or the Department of Social Services, or that are usual and customary.
- k) Requires DDS to conduct a survey of all providers on how these rate increases were used by providers. This survey shall include, but not be limited to, the number of employees and their salary, wage, and benefit costs; %age of time each employee spends providing direct services; administrative expenses; and additional information determined by the department.
- l) Requires DDS to describe the implementation of these rate increases in its 2017-18 May Revision.
- m) Provides a five % rate increase for supportive and independent living services. The cost for this rate increase is \$34.3 million (\$18 million General Fund) in 2016-17.

- n) Provides for a five % rate increase for in and out-of-home respite services. The cost for this rate increase is \$16.4 million (\$10 million General Fund) in 2016-17.
 - o) Implements a five % rate increase for ICF-DDs. This rate increase is achieved by eliminating the AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, Medi-Cal payment reductions and then increasing the rates to these providers by 3.7 %. This rate increase is effective August 1, 2016, as the rate year for this provider type is August to July. The cost for this rate increase is \$24 million (\$12 million General Fund) in 2016-17. This bill does not appropriate this funding.
 - p) Provides a five % rate increase for transportation services. The cost of this rate increase is \$13.9 million (\$9 million General Fund) in 2016-17.
 - q) Provides an 11.1 % rate increase (from \$30.82 to \$34.24) for the supported employment program at DDS. The cost of this rate increase is \$10.9 million (\$8.5 million General Fund) in 2016-17. This increase will restore rates to the level in-effect in 2006.
 - r) Establishes a program to increase paid internship opportunities for individuals with developmental disabilities and to provide additional payments to supported employment services providers for initial placements, placements lasting a continuous six months, and placements lasting twelve consecutive months. Placements for this program must be into competitive, integrated work environments. Regional centers will report information to DDS regarding the outcomes of this program. DDS will include this information in its May Revision fiscal estimate. The cost of this program is \$20 million General Fund in 2016-17.
 - s) Provides for pay differentials supporting bilingual service coordinators at regional centers when fluency in the second language helps to address the language needs of the regional center's catchment area, for a cost of \$1 million General Fund. This bill also provides for implementation of recommendations and plans to help reduce disparities in the purchase-of-service expenditures and to encourage the development and expansion of culturally and linguistically appropriate services. Activities funding may include, but are not limited to, paying differentials supporting direct care bilingual staff of community-based service providers, parent education programs, cultural competency training, and outreach, for a cost of \$10 million General Fund.
- 2) Appropriates \$287 million General Fund to the DDS effective July 1, 2016 for the purposes specified above. This bill does not include an appropriation to the Department of Health Care Services for the rate increase for ICF-DDs.

Existing law: Establishes the state's Medi-Cal program provides health care coverage for low income children, their families, and certain disabled residents of the state. Over the last several years, there have been a variety of attempts by the state to reduce payment rates to Medi-Cal providers, in an effort to reduce state spending on the program. As part of the 2011-12 budget, AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, implemented

rate reductions and rate freezes for certain Medi-Cal providers, including distinct part nursing facilities.

This bill: Prohibits the Department of Health Care Services from implementing or retroactively recouping the rate reductions and rate freezes for skilled nursing facilities that are distinct parts of general acute care hospitals, referred to as distinct part nursing facilities, pursuant to AB 97 for dates of service on or after June 1, 2011, and on or before September 30, 2013. The cost for this is \$122.9 million General Fund in 2016-17. This bill does not appropriate this funding.

Prepared by: Michelle Baass / P.H. & D.S. /
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