Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, M.D., Chair
Senator William W. Monning
Senator Jeff Stone

Thursday, May 17, 2018
Upon Call of the Chair
State Capitol - Room 4203

PART C

Consultant: Scott Ogus

PUBLIC COMMENT

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VOTE ONLY

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Medi-Cal Local Assistance Estimate – May Revision Update

DOF Issue#: 4260-001-ECP-2018-GB (November 2017 – Medi-Cal Estimate)
4260-003-ECP-2018-GB (November 2017 – Medi-Cal Estimate)
4260-005-ECP-2018-GB (November 2017 – Children's Health Insurance Program)
4260-007-ECP-2018-GB (November 2017 – Full Adult Dental Restoration)
4260-008-ECP-2018-GB (November 2017 – ACA Optional Expansion)
4260-401-ECP-2018-MR (May 2018 – Medi-Cal Estimate)
4260-403-ECP-2018-MR (May 2018 – SMHS Federal Audit Repayment)
4260-411-ECP-2018-MR (May 2018 – Medi-Cal Unanticipated Costs)
4260-412-ECP-2018-MR (May 2018 – Medi-Cal Estimate)
4260-413-ECP-2018-MR (May 2018 – Reauthorization of CHIP)
4260-414-ECP-2018-MR (May 2018 – CMS Deferrals)

May Revision Issue. The May 2018 Medi-Cal Local Assistance Estimate includes $97.3 billion ($20.3 billion General Fund, $59.9 billion federal funds, and $17.1 billion special funds and reimbursements) for expenditures in 2017-18, and $103.9 billion ($22.9 billion General Fund, $67.2 billion federal funds, and $13.7 billion special funds and reimbursements) for expenditures in 2018-19. These figures represent an increase in estimated General Fund expenditures in the Medi-Cal program of $286.3 million in 2017-18 and $1.3 billion in 2018-19 compared to the Governor's January budget.

Caseload. In 2017-18, the May Revision assumes annual Medi-Cal caseload of 13.3 million, a decrease of 0.9 percent compared to assumptions in the Governor's January budget. In 2018-19, the May Revision assumes annual Medi-Cal caseload of 13.3 million, a decrease of 1.1 percent compared to assumptions in the Governor's January budget and a decrease of 0.1 percent compared to the revised caseload estimate for 2017-18. The decrease in estimated caseload is primarily due to lower projected enrollment for families on public assistance, medically needy families, and Medi-Cal expansion beneficiaries than estimated in the Governor's January budget.

May Revision Local Assistance Adjustments. The Administration requests the following adjustments to reflect caseload and miscellaneous adjustments:

- Item 4260-101-0001 be increased by $1,346,759,000 and reimbursements be decreased by $36,503,000
- Item 4260-101-0232 be decreased by $2,245,000
- Item 4260-101-0233 be increased by $764,000
- Item 4260-101-0236 be increased by $1,687,000
- Item 4260-101-0890 be decreased by $880,267,000
- Item 4260-101-3305 be increased by $3,717,000
- Item 4260-102-0001 be decreased by $4,763,000
- Item 4260-102-0890 be increased by $25,377,000
- Item 4260-106-0890 be increased by $3,794,000
- Item 4260-117-0001 be increased by $40,000

- Item 4260-117-0890 be increased by $326,000

This issue was heard during the subcommittee's March 22nd (November 2017 Estimate) and May 16th (May 2018 Estimate) hearing.

Subcommittee Staff Comment and Recommendation—Approve the balance of the technical adjustments to the Medi-Cal Local Assistance Estimate, as updated for the May Revision, with any changes necessary to conform to other actions that have been, or will be, taken.

Issue 2: Family Health Estimate – May Revision Update

DOF Issue#: 4260-002-ECP-2018-GB (November 2017 Family Health Estimate)
4260-402-ECP-2018-MR (May 2018 Family Health Estimate)

May Revision Issue. The May 2018 Family Health Local Assistance Estimate includes $222.5 million ($170 million General Fund, $5.1 million federal funds, and $47.4 million special funds and reimbursements) for expenditures in 2017-18, and $279.4 million ($229.5 million General Fund, $5.1 million federal funds, and $44.7 million special funds and reimbursements) for expenditures in 2018-19. These figures represent a decrease in estimated General Fund expenditures in Family Health programs of $12.2 million in 2017-18 and an increase in estimated General Fund expenditures of $18.9 million in 2018-19 compared to the Governor's January budget. These changes are primarily attributed to increased costs in the Genetically Handicapped Persons Program (GHPP) due to retroactive payments for treatment expenditures resulting from delayed processing, offset by decreased costs in GHPP for base expenditures.

The May Revision caseload estimates for Family Health programs are as follows:

- **California Children's Services (CCS) Caseload Estimate**
  Medi-Cal: The May Revision estimates Medi-Cal CCS caseload of 174,278 in 2017-18, a decrease of 1,044 or 0.6 percent, compared to the Governor's January budget. The May Revision estimates Medi-Cal CCS caseload of 177,299 in 2018-19, a decrease of 763 or 0.4 percent, compared to the Governor's January budget, and an increase of 3,453 or 1.7 percent, compared to the revised 2017-18 estimate.
  State-Only: The May Revision estimates state-only CCS caseload of 14,885 in 2017-18, a decrease of 736 or 4.7 percent, compared to the Governor's January budget. The May Revision estimates state-only CCS caseload of 14,819 in 2018-19, a decrease of 802 or 5.1 percent, compared to the Governor's January budget, and a decrease of 66 or 0.4 percent, compared to the revised 2017-18 estimate.
- **Child Health and Disability Prevention (CHDP) Caseload Estimate**
  The May Revision estimates state-only CHDP caseload of 19 in 2017-18, a decrease of 17 or 47.2 percent, compared to the Governor's January budget. The May Revision estimates state-only CHDP caseload of 22 in 2018-19, a decrease of 14 or 38.8 percent compared to the Governor's January budget, and an increase of 3 or 15.8 percent, compared to the revised 2017-18 estimate. According to DHCS, the significantly low caseload is primarily due to the eligibility of all children, regardless of immigration status, for full-scope Medi-Cal pursuant to SB 75 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2015.
- **Genetically Handicapped Persons Program (GHPP) Caseload Estimate**

The May Revision estimates state-only GHPP caseload of 703 in 2017-18, an increase of 48 or 7.3 percent, compared to the Governor's January budget. The May Revision estimates state-only GHPP caseload of 721 in 2018-19, an increase of 62 or 9.4 percent, compared to the Governor's January budget, and an increase of 18 or 2.6 percent, compared to the revised 2017-18 estimate.

- **Every Woman Counts (EWC) Program Caseload Estimate**
  The May Revision estimates EWC caseload of 26,280 in 2017-18, a decrease of 720 or 2.7 percent compared to the Governor's January budget. The May Revision estimates EWC caseload of 26,420 in 2018-19, a decrease of 580 or 2.1 percent, compared to the Governor's January budget, and an increase of 140 or 0.5 percent, compared to the revised 2017-18 estimate.

May Revision Local Assistance Adjustments. The Administration requests the following adjustments to reflect caseload and miscellaneous adjustments:

- Item 4260-111-0001 be increased by $22,218,000 and reimbursements be increased by $43,000
- Item 4260-114-0001 be increased by $3,354,000
- Item 4260-114-0890 be increased by $619,000

This issue was heard during the subcommittee's March 22nd (November 2017 Estimate) and May 16th (May 2018 Estimate) hearing.

Subcommittee Staff Comment and Recommendation—Approve the balance of the technical adjustments to the Family Health Local Assistance Estimate, as updated for the May Revision, with any changes necessary to conform to other actions that have been, or will be, taken.

Issue 3: Medi-Cal Unanticipated Costs, General Fund Reappropriation and Loan Authority

DOF Issue#: 4260-411-ECP-2018-MR
Issue 405 – May Revision Finance Letter
TBL (RN Pending)

Budget and May Revision Issue. In the Governor's January budget, the Administration estimated unanticipated increases in Medi-Cal program expenditures in 2017-18 would exceed its 2017 Budget Act appropriation, resulting in a current year General Fund deficiency of approximately $543.7 million. In the May Revision, the Administration estimated the 2017-18 General Fund deficiency has grown by $286.3 million to a total of $829.9 million.

May Revision Issue and Trailer Bill Language Proposal. DHCS requests reappropriation of General Fund balances from the 2017-18 fiscal year, including any approved supplemental appropriations prior to June 30, 2018. If approved, the reappropriated funds would be comprised of any unspent General Fund expenditure authority appropriated to DHCS for the Medi-Cal program in items 4260-101-0001 and 4260-113-0001.

In addition to this request, DHCS proposes trailer bill language to increase its existing General Fund loan authority to continue funding health care services in Medi-Cal in the event of a deficiency.

According to DHCS, the increased loan authority is necessary as the significant growth of the program has resulted in significantly larger deficiencies that can exceed the current $1 billion loan authority upon which the department relies to continue funding health care services when Medi-Cal costs exceed the department's appropriation authority. The department proposes to increase the loan authority from $1 billion to $2 billion.

Reappropriation Language. DHCS requests the following reappropriation language:

> 4260-491—Reappropriation, State Department of Health Care Services. Notwithstanding any other provision of law, upon order of the Department of Finance, the balances of the appropriations provided in the following citations are reappropriated for the same purposes provided for those appropriations as detailed in the preceding May Revision Medi-Cal estimate, and shall be available for expenditure until June 30, 2019.
>
> 0001—General Fund
>
> (1) Item 4260-101-0001, Budget Act of 2017 (Chs. 14, 22, and 54, Stats. 2017)
>
> (2) Item 4260-113-0001, Budget Act of 2017 (Chs. 14, 22, and 54, Stats. 2017)
>
> (3) Any Supplemental Appropriation Bills passed for this purpose prior to June 30, 2018.

This issue was heard during the subcommittee's March 22nd (November 2017 Estimate) and May 16th (May 2018 Estimate) hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve and Adopt Placeholder Trailer Bill Language** to authorize the supplemental appropriation for the 2017-18 General Fund deficiency.

2. **Approve** the reappropriation language for 2017-18

3. **Adopt Modified Placeholder Trailer Bill Language** to adopt the Administration's proposed changes to DHCS' General Fund loan authority, as well as a requirement that the Department of Finance notify the Legislature within ten days of a transfer of loan proceeds to DHCS for this purpose. The notification shall include the amount of the transfer, the reasons for the transfer, and the fiscal assumptions used in calculating the transfer amount.

Issue 4: County Administration Estimate and Budget Proposals

DOF Issue#: None – Medi-Cal Local Assistance Estimate

Budget Issue. The Governor's January budget included $2 billion ($979 million General Fund and $979 million federal funds) in 2017-18 and $2 billion ($1 billion General Fund and $1 billion federal funds) for the base allocation to counties for eligibility determinations for Medi-Cal beneficiaries. The base allocations include $655.3 million ($327.7 million General Fund and $327.7 million federal funds) in 2017-18 and $673.7 million ($336.8 million General Fund and $336.8 million federal funds) in 2018-19 allocated for costs related to eligibility determinations for newly eligible beneficiaries under the federal Affordable Care Act (ACA). Beginning in 2018-19 the budget combines the base allocation with the allocation for ACA, which had previously been reflected separately in the Medi-Cal estimate. The combined base allocation for county administration in 2017-18 is unchanged from the amount included in the 2017 Budget Act. Included in these allocations was $54.8 million ($18.5 General Fund and $36.3 million federal funds) in 2018-19 for a cost-of-doing-business adjustment for county eligibility workload.

The May Revision includes $2 billion ($979 million General Fund and $979 million federal funds) for the base allocation to counties for eligibility determinations in 2017-18, unchanged compared to the Governor's January budget. In 2018-19, the May Revision includes $2 billion ($1 billion General Fund and $1 billion federal funds) for the base allocation, an increase of $1.8 million ($543,000 General Fund and $1.2 million federal funds) compared to the Governor's January budget. This increase is attributable to an increase in the California Price Index from 2.8 percent to 2.89 percent, resulting in a higher cost-of-doing-business adjustment. This adjustment is now $56.6 million ($19 million General Fund and $37.5 million federal funds).

This issue was heard during the subcommittee's March 22nd hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the county administration estimate, as updated at May Revision, as well as the proposed cost-of-doing-business adjustment.

Issue 5: Homeless Mentally Ill Outreach and Treatment

DOF Issue#: 4260-415-ECP-2018-MR

May Revision Issue and Budget Bill Language. DHCS requests one-time General Fund expenditure authority of $50 million. If approved, these resources would allow DHCS to provide counties with targeted funding for multi-disciplinary teams to support intensive outreach, treatment, and related services for homeless persons with mental illness. According to the Administration, counties would be encouraged to match these funds with local mental health funding and federal matching funds, where appropriate. The funded interventions are intended to result in earlier identification of mental health needs, prevention of criminal justice involvement, and improved coordination of care for this population at the local level.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Modified Placeholder Budget Bill Language that includes the Administration's requested appropriation and provisional authority, but allows cities operating a Whole Person Care pilot to be eligible for allocation of these funds, and includes the following additional requirements:

1. Prior to submitting requests for allocations, cities or counties must consult with representatives and interested stakeholders from the city or county's local mental health community, including, but not limited to, service providers, consumer organizations, and other appropriate interests, such as health care providers and law enforcement.
2. Cities or counties receiving allocations that are operating a Whole Person Care pilot shall use the funds in coordination with the administering entity of the pilot for the purpose of providing services, such as housing assistance, not otherwise funded through the pilot.

Issue 6: Mental Health Services Division Policy Implementation

DOF Issue#: 4260-009-BCP-2018-GB

Budget Issue. DHCS requests 10 positions and expenditure authority of $1.3 million ($665,000 General Fund and $664,000 federal funds) in 2018-19 and $1.3 million ($638,000 General Fund and $637,000 federal funds) in 2019-20 and annually thereafter. If approved, these resources would allow DHCS to provide additional monitoring, oversight and external review of county mental health programs and short-term residential therapeutic programs.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0001 – General Fund	$665,000	$638,000
0890 – Federal Trust Fund	$664,000	$637,000
3085 – Mental Health Services Fund**	[$500,000]	[$500,000]
Total Funding Request:	**$1,329,000**	**$1,275,000**
Total Positions Requested:	**10.0**	**10.0**

* Positions and Resources are ongoing after 2019-20.

** Mental Health Services Fund resources are non-add, as resources, but not positions, were previously approved.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve this request for positions and resources. DHCS has various fiscal oversight responsibilities for county mental health programs. These positions and resources will improve the department's oversight activities. The subcommittee will continue to monitor the department's progress in improving fiscal oversight, particularly with regard to revenue and expenditure reporting and other oversight of the Mental Health Services Act.

Issue 7: Mental Health Services Fiscal Oversight and Behavioral Health Data Modernization

DOF Issue#: 4260-402-BCP-2018-MR

May Revision Issue. DHCS requests 21 positions and expenditure authority of $6.7 million ($2.8 million General Fund, $3.2 million federal funds, and $725,000 Mental Health Services Fund) in 2018-19, an additional seven positions and expenditure authority of $6.5 million ($2.7 million General Fund, $2.7 million federal funds, and $1.1 million Mental Health Services Fund) in 2019-20, $5.5 million ($2.2 million General Fund, $2.2 million federal funds, and $1 million Mental Health Services Fund) in 2020-21, and $4 million ($1.5 million General Fund, $1.5 million federal funds, and $1 million Mental Health Services Fund) annually thereafter. Included in these resources are funding equivalent to 20 two-year, limited-term positions. If approved, these resources would allow DHCS to strengthen fiscal oversight of the Mental Health Services Act, the Medi-Cal Mental Health Managed Care Program, and planning for a comprehensive Behavioral Health Data Modernization Project.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0001 – General Fund	$2,781,000	$2,700,000
0890 – Federal Trust Fund	$3,219,000	$2,698,000
3085 – Mental Health Services Fund	$725,000	$1,062,000
Total Funding Request:	**$6,725,000**	**$6,460,000**
Total Positions Requested:**	**21.0**	**28.0**

* Additional fiscal year resources requested: 2020-21: $5,477,000; 2021-22 (ongoing): $4,045,000
** Positions ongoing after 2019-20.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve this request for positions and resources to further improve fiscal oversight of county mental health programs and modernize the department's behavioral health data systems.

Issue 8: California Medicaid Management Information Legacy and Modernization Resources

DOF Issue#: 4260-406-BCP-2018-MR

May Revision Issue and Budget Bill Language Proposal. DHCS requests 17 positions and expenditure authority of $41.7 million ($9.7 million General Fund and $32 million federal funds) in 2018-19, an additional eight positions and expenditure authority of $23.9 million ($2.7 million General Fund and $21.1 million federal funds) in 2019-20, $11.5 million ($1.4 million General Fund and $10.1 million federal funds) in 2020-21, and $3 million ($582,000 General Fund and $2.4 million federal funds) annually thereafter. If approved, these resources would allow DHCS to further implement its modernization approach for the California Medicaid Management Information System (CA-MMIS).

DHCS also requests provisional authority allowing the Department of Finance to augment this request by up to $5.3 million General Fund and up to $47.7 million federal funds after consultation with the Department of Technology. The approval would consider progress that incorporates lessons learned, or

completion of milestones related to CA-MMIS modernization modules in progress. The language also requires notification of the Legislature ten days prior to any augmentation.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0001 – General Fund	$9,675,000	$2,723,000
0890 – Federal Trust Fund	$32,040,000	$21,131,000
Total Funding Request:	**$41,715,000**	**$23,854,000**
Total Positions Requested:**	**17.0**	**25.0**

* Additional fiscal year resources requested: 2020-21: $11,540,000; 2021-22 (ongoing): $2,991,000
** Positions ongoing after 2019-20.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Modified Placeholder Budget Bill Language that adopts the Administration's proposed provisional augmentation authority for the CA-MMIS project, but with a 30 day notification requirement, rather than 10 days.

Issue 9: Cost-Based Reimbursement Clinic Directed Payment Program

DOF Issue#: TBL (RN Pending)

May Revision Trailer Bill Language Proposal. DHCS proposes trailer bill language to establish a new Cost-Based Reimbursement Clinic (CBRC) directed payment program no sooner than July 1, 2019 to reimburse CBRCs that contract with managed care plans. The non-federal share of the program may be funded through voluntary intergovernmental transfers from public entities. The first $30 million of non-federal share in each fiscal year, or a lesser amount as determined by the department, would be financed by other state funds appropriated to the department for this purpose.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language approving the Administration's proposed directed payment program for CBRCs.

Issue 10: Technical Adjustments-Federal Grant Awards, Reimbursements, and Dist. Admin.

DOF Issue#: Issues 402, 403, and 413 – May Revision Finance Letter
4260-411-BBA-2018-MR

May Revision Issues. DHCS requests increased federal fund authority due to receipt of two grant awards from the federal Substance Abuse and Mental Health Services Administration (SAMHSA). The first grant award is a supplemental award of the department's annual SAMHSA allocation for county mental health and substance use disorder services. The second grant is the revised amount awarded for the Regular Service Program Crisis Counseling Program, which provides counseling services to Californians affected by the recent wildfires.

May Revision Local Assistance Adjustments. Pursuant to these requests and consistent with the revised grant awards, the Administration requests the following adjustments:

Increase to Annual SAMHSA Grant

- Item 4260-115-0890 be increased by $15,675,000
- Item 4260-116-0890 be increased by $2,262,000

Regular Service Program Crisis Counseling Program Award

- Item 4260-115-0890 be increased by $5,400,000

DHCS also requests a reduction of excess reimbursement authority in the children's medical services program to reflect an accurate representation of actual expenditures. The department requests Item 4260-111-0001 be amended by decreasing reimbursements by $36,010,000.

DHCS also requests technical adjustment of its administrative cost schedules. These schedules account for the department-wide costs of certain administrative activities provided to all department divisions and entities. This adjustment results in increasing Schedule (2) of item 4260-001-0001 by $1.5 million and reducing Schedule (3) of the same item by $1.5 million. This item is the main state operations appropriation for DHCS.

These issues were heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve the Administration's requested technical adjustments to the DHCS budget.

Issue 11: Provisional Changes: Lawsuits/Claims Payment, ICF-DD and Home Health

DOF Issue#: 4260-414-BBA-2018-MR
Issue 415 – May Revision Finance Letter

May Revision Issues and Budget Bill Language Proposals. DHCS requests elimination of provisional language in item 4260-101-0001 that waives legislative notification for payment of attorney fees below $50,000. According to DHCS, this provision is no longer necessary as the department's current practice is to include estimated costs of all Medi-Cal lawsuits, judgments, settlements, and attorney fees in the semi-annual Medi-Cal Local Assistance Estimates. This information is currently provided in Base Policy Change 208 – Lawsuits/Claims, in the May 2018 Medi-Cal Local Assistance Estimate and reflects 2017-18 attorney fee payments of $22,400.

DHCS also requests amendment of Provision 3 of item 4260-101-3305. If approved, the department's proposed amendments would extend supplemental payments to facilities providing continuous skilled nursing care to individuals with developmental disabilities pursuant to the department's continuous skilled nursing pilot. The amendments would also allow a rate increase for home health providers.

These issues were heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Budget Bill Language to adopt the Administration's requested provisional changes for lawsuits and claims payment notifications, extension of supplemental payments to additional facilities, and an increase for home health provider reimbursement.

Issue 12: Medi-Cal Eligibility Regardless of Immigration Status – Over Age 65

DOF Issue#: None – Legislative Proposal

Expansion of Medi-Cal Eligibility Regardless of Immigration Status. The California Immigrant Policy Center, Health Access California, and a coalition of 80 organizations request General Fund resources, likely in the low billions of dollars, to fund expansion of full-scope Medi-Cal services to otherwise eligible adults regardless of immigration status. According to the coalition, California's robust implementation of the Affordable Care Act (ACA) has brought the uninsured rate to a historic low of 6.8 percent. In 2015, California showed great leadership by investing in access to full-scope Medi-Cal for all income eligible children under the age of 19, regardless of immigration status, which has provided comprehensive care to over 200,000 undocumented children. Through these efforts, California now provides near-universal coverage for children. However, their parents and other undocumented adult Californians still face exclusions to health care access. Of the nearly three million uninsured Californians, 58 percent are undocumented adults who are locked out of health care access simply because of their immigration status. Any effort to achieve universal health coverage in California must include immigrant communities who shape our state and who call California home.

This issue was heard during the subcommittee's March 22nd hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $75 million in 2018-19 and $150 million annually thereafter.
2. **Adopt Placeholder Trailer Bill Language** to expand Medi-Cal eligibility to income-eligible individuals over age 65 regardless of immigration status, beginning on January 1, 2019.

Issue 13: Expand Aged and Disabled Eligibility to 138 Percent of FPL

DOF Issue#: None – Legislative Proposal

Aged and Disabled Program Eligibility. AB 2877 (Thomson), Chapter 93, Statutes of 2000, established the Aged and Disabled program, which extends full-scope Medi-Cal coverage to individuals with income under 100 percent of the federal poverty level (FPL) and who are over age 65 or are disabled. The statute also provided for an income disregard of $230 for an individual or $310 for a couple, raising the effective level of eligibility to those with income higher than 100 percent of the FPL, currently about 124 percent of the FPL. This income disregard has not been updated since the program was implemented. Prior to AB 2877, aged and disabled individuals could qualify for the Medically Needy program, which imposes a monthly share of cost, which must be paid prior to receiving Medi-Cal benefits. Today, aged and disabled individuals whose incomes exceed 100 percent of the FPL plus the

income disregard are still eligible under the Medically Needy program and must pay a monthly share of cost, which is the difference between eligible income and the Maintenance Need Income Level, a fixed dollar amount in statute intended to provide for food, rent and utilities. This level is $600 for an individual and $934 for a couple.

The Western Center on Law and Poverty (WCLP), Disability Rights California, Justice in Aging, and a coalition of 50 organizations request approximately $30 million General Fund annually to raise the income eligibility for Medi-Cal's Aged and Disabled program to 138 percent of the federal poverty level. This proposal would bring the Aged and Disabled program into alignment with other income-based Medi-Cal eligibility programs. While the Administration reports it does not possess sufficient data to provide a specific estimate of the costs of this proposal, its fiscal analyses of previous versions of this proposal estimate ongoing General Fund costs in the tens of millions of dollars, consistent with the budget request from the coalition.

According to the coalition, when the aged and disabled program was established, the income standard was equivalent to 133 percent FPL, the same level as most other adults enrolled in Medi-Cal. However, the disregards lose real value every year, because they are specific dollar amounts rather than percentages of FPL. Today, these unchanged dollar amounts place the resulting income standard at 123 percent FPL. When a senior has even a small increase in their income that puts them over 123 percent FPL, they are forced into the Medi-Cal Medically Needy program with a high share of cost.

This issue was heard during the subcommittee's March 22nd hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $15 million in 2018-19 and $30 million annually thereafter.
2. **Adopt Placeholder Trailer Bill Language** to expand eligibility for Medi-Cal's aged and disabled program up to 138 percent of the FPL, beginning January 1, 2019.

Issue 14: Air Ambulance Rate Increase

DOF Issue#: None – Legislative Proposal

Air Ambulance Provider Rate Increase to Replace Expiring Supplemental Payments. The California Association of Air Medical Services (Cal-AAMS) requests General Fund resources to increase air ambulance provider reimbursements commensurate with rural Medicare rates. According to Cal-AAMS, the Emergency Medical Air Transportation Act (EMATA) placed a $4 penalty on moving violations which is then matched with federal funds, and distributed to providers by way of supplemental payments. In the face of growing concerns over the magnitude of penalties assessed on moving violations, the Legislature has determined that the EMATA program will expire in 2019. The loss of these funds will be devastating to these emergency providers. The rural Medicare fee schedule reimburses providers approximately 2/3rds of their cost of providing the service, while the 20 plus year old Medi-Cal fee schedule pays less than half of the rural Medicare rate. Unlike hospitals and ground ambulance services who are able to augment their Medi-Cal payments by use of a Quality Assurance

Fee, air ambulances are precluded from doing so by federal law, as they are licensed air carriers. Air ambulance providers will be devastated by the impending decrease in the EMATA rate. An increase to the rural Medicare rate will sustain services, preventing potential base closures or reductions in services.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $9.9 million in 2018-19, $17.7 million in 2019-20, and $23.7 million annually thereafter.
2. **Adopt Placeholder Trailer Bill Language** to increase air ambulance rates to the rural Medicare fee schedule, beginning January 1, 2019.

Issue 15: Asthma Home Visiting Benefit

DOF Issue#: None – Legislative Proposal

Asthma Home Visiting Benefit. The California Pan-Ethnic Health Network (CPEHN) and the California Children's Hospital Association (CCHA) request up to $2 million ($1 million General Fund and $1 million federal funds) to provide access to medically necessary asthma education and home environmental trigger assessments for Medi-Cal beneficiaries with poorly controlled asthma. Specifically, these organizations request DHCS to allow qualified professionals that fall outside of the state's clinical licensure system to provide these services as long as a licensed practitioner has initially recommended the services. According to CCHA, ample research indicates asthma education, including home environmental assessments, frequently provides a return on investment due to decreased utilization of more costly health care services such as emergency department visits and hospitalizations Increasing access to asthma education and home environmental asthma trigger assessments will help fulfill California's Quadruple Aim of strengthening the quality of care, improving health outcomes, reducing health care costs and advancing health equity.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $1 million annually.
2. **Adopt Placeholder Trailer Bill Language** to establish an asthma home visiting benefit in the Medi-Cal program to provide access to medically necessary asthma education and home environmental trigger assessments for Medi-Cal beneficiaries with poorly controlled asthma.

Issue 16: Restoration of Optional Benefits

DOF Issue#: None – Legislative Proposal

Elimination of Medi-Cal Optional Benefits. In 2009, facing a significant General Fund deficit, the budget included several reductions in reimbursement and benefits in the Medi-Cal program. ABX3 5 (Evans), Chapter 20, Statutes of 2009, eliminated several optional Medi-Cal benefits, including adult dental services, acupuncture, audiology, speech therapy, chiropractic services, optician and optical lab services, podiatric services, psychology services, and incontinence creams and washes. These benefits were not eliminated for beneficiaries under the Early and Periodic Screening Diagnosis and Treatment Program, beneficiaries in a skilled nursing facility or intermediate care facility, or pregnant beneficiaries. Recent budget and legislative actions have restored acupuncture services, full adult dental services as of January 2018, and optical benefits effective January 2020 upon inclusion by the Legislature in the budget process.

Costs to Restore Remaining Optional Benefits. According to DHCS, the costs to restore each of the previously discontinued optional benefits in 2018-19 are as follows:

Optional Benefits	FFS	Managed Care	TF	GF
Audiology	$3,859,000	$6,632,000	$10,491,000	$3,124,000
Chiropractic	$483,000	$4,866,000	$5,349,000	$1,262,000
Incontinence Creams/Washes	$7,102,000	$9,789,000	$16,891,000	$5,208,000
Optician/Optical Lab*	$16,772,000	$58,104,000	$74,876,000	$20,810,000
Podiatry	$2,131,000	$12,768,000	$14,899,000	$3,404,000
Speech Therapy	$246,000	$2,357,000	$2,603,000	$722,000
Grand Total	**$30,593,000**	**$94,516,000**	**$125,109,000**	**$34,530,000**

***** The 2017 Budget Act restored Optician/Optical Lab benefits January 2020 upon inclusion in the budget process.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $16.6 million in 2018-19 and $41.4 million annually thereafter.
2. **Adopt Placeholder Trailer Bill Language** to restore the optional benefits subject to elimination during the recession, including audiology, incontinence creams/washes, optician/optical lab, podiatry, and speech therapy. According to this schedule, these benefits would be restored on January 1, 2019. The 2017 Budget Act restored optical benefits effective January 1, 2020. This action accelerates the optical benefit restoration by one year to January 1, 2019.

Issue 17: Remove BCCTP Treatment Limits

DOF Issue#: None – Legislative Proposal

Elimination of Treatment Limitations for State-Only BCCTP. Susan G. Komen for the Cure requests General Fund expenditure authority of $8.4 million and trailer bill language to eliminate treatment limitations in the Breast and Cervical Cancer Treatment Program (BCCTP). According to

Susan G. Komen for the Cure, the state-funded BCCTP's period of coverage is limited to 18 months for breast cancer and 24 months for cervical cancer. There are no similar treatment limitations for BCCTP coverage for Medi-Cal beneficiaries. This discrepancy causes gaps in service and leaves women that are stuck in the middle untreated, since women who qualify for state-only BCCTP may not qualify for BCCTP in Medi-Cal.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $8.4 million in 2018-19, $10.5 million in 2019-20, $8.5 million in 2020-21, $7.6 million in 2021-22, and $6.9 million annually thereafter.
2. **Adopt Placeholder Trailer Bill Language** to eliminate breast and cervical cancer treatment limitations for state-only BCCTP beneficiaries.

Issue 18: Funding for Health Information Exchanges

DOF Issue#: None – Legislative Proposal

Enhanced Medi-Cal Funding for Health Information Exchanges. The California Medical Association (CMA) requests General Fund expenditure authority of $5 million for DHCS to provide a state match to draw down additional Health Information Technology for Economic and Clinical Health (HITECH) funds. These funds, for which the federal government provides a 90 percent match, would provide the state with a total of $50 million to assist Health Information Exchanges (HIEs) with onboarding new providers and connecting them to the HIE so that they can successfully use its services. Taking advantage of this enhanced federal matching rate will allow HIEs to significantly expand, bringing thousands of new providers into data exchange networks.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $5 million in 2018-19.
2. **Adopt Placeholder Trailer Bill Language** to allow General Fund to be used for assisting health care providers with onboarding to health information exchanges in accordance with the State Medicaid Health Information Technology Plan.

Issue 19: SBIRT Expansion for Opioids and Other Drugs

DOF Issue#: None – Legislative Proposal

Screening, Brief Intervention, Referral, and Treatment (SBIRT) Expansion. The County Behavioral Health Directors Association requests $8.4 million ($2.6 million General Fund and $5.8 million federal funds) to expand the Medi-Cal benefit for alcohol misuse, screening and counseling to include screening for overuse of opioids and other illicit drugs such as heroine and methamphetamine. The program for screening, brief intervention, referral, and treatment (SBIRT) has traditionally focused on alcohol misuse and has been shown to reduce hazardous drinking across diverse populations when implemented according to established best practices. This request seeks to expand screening to detect use of opioids and other drugs as an important step to combatting the current crisis and save lives.

This issue was heard during the subcommittee's April 12th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $2.6 million annually.
2. **Adopt Placeholder Trailer Bill Language** to expand SBIRT services in Medi-Cal to detect use of opioids and other drugs.

Issue 20: Substance Use Counselors in Emergency Departments

DOF Issue#: None – Legislative Proposal

Drug and Alcohol Counselors in Emergency Departments. The California chapter of the American College of Emergency Physicians (CalACEP) requests $20 million total funds to create a statewide pilot program that places a certified drug and alcohol counselor in each of the roughly 400 emergency departments (EDs) throughout California. Data would be gathered during the pilot to measure the efficacy of treatment and the cost savings to the Medi-Cal program and other payers.

According to CalACEP, a variety of studies have shown direct referrals to treatment have enrollment rates as high as 50 percent. In New Jersey, the newly established Opioid Overdose Recovery Program provides ED intervention for patients who experience an opioid overdose. In the first six months of implementation, over 80 percent of patients accepted bedside intervention, while 40 percent of those patients accepted recovery support services, and 45 percent accepted detox, substance use disorder treatment and/or recovery. Over 60 percent of the overdose patients were Medicaid beneficiaries.

The University of California, Davis Medical Center ED applied for a grant through the Office of the President over a year ago to employ a certified drug and alcohol counselor to provide interventions in their ED and has also shown impressive results. Over a 12 month period, the Medi-Cal patients who received a brief intervention and referral to treatment experienced a 60 percent decline in ED utilization.

This issue was heard during the subcommittee's April 12th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $20 million annually.
2. **Adopt Placeholder Trailer Bill Language** to create a statewide pilot program that places a certified drug and alcohol counselor in each of the roughly 400 EDs throughout California.

Issue 21: LTSS Data in California Health Interview Survey (CHIS)

DOF Issue#: None – Legislative Proposal

Long-Term Services and Supports (LTSS) Data Collection in California Health Interview Survey. The California Collaborative for Long-Term Services and Supports (CCLTSS) requests General Fund expenditure authority of $3 million to address the need for data that assesses the use of and demand for long-term services and supports (LTSS) in California. Specifically, CCLTSS proposes to add LTSS screening questions and a 15 minute follow-on survey to the 2019-20 and 2023-24 cycles of the California Health Interview Survey (CHIS), conduct in-person, in-depth qualitative interviews with 100 Californians with LTSS needs in 2021, and support the continuation of a module of caregiver questions in CHIS during the 2023-24 cycle.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $3 million in 2018-19.
2. **Adopt Placeholder Trailer Bill Language** to contract with the University of California, Los Angeles to incorporate questions on LTSS needs in the California Health Interview Survey (CHIS) in the 2019-20 and 2023-24 survey cycles.

Issue 22: Children's Data in California Health Interview Survey (CHIS)

DOF Issue#: None – Legislative Proposal

Children's Data Collection in California Health Interview Survey. The California Children's Health Coverage Coalition requests General Fund expenditure authority of $750,000 to implement a pilot expansion for the California Health Interview Survey (CHIS) to strengthen data collection efforts of California's children and youth. According to the Coalition, CHIS is experimenting with alternative modes of data collection, including a Spring 2018 test with an online survey. The use of an online response is expected to yield more child and teen interviews due to the fact that younger households tend to be more likely to respond online, whereas older persons tend to respond more by telephone. Due to funding limitations, the test will only be conducted in three California counties (Los Angeles, Tulare, and Santa Clara), and the online questionnaire will only be available in English, leaving speakers of other languages to respond by telephone. This proposal seeks to conduct a second test in the fall of 2018 that would: 1) explore methods to increase the data obtained for children age 0-11 by experimentally reversing the questionnaire sequence to ask questions first about the selected child followed by questions about the selected adult; 2) refine methods for obtaining interviews from adolescents age 12-17 through

additional enhancements to the text, email, and paper mail materials that request their participation; 3) conduct the test among a sample of households in all California counties to measure the impact of such a design change across the state and inform future decisions about the need for customized approaches in different parts of the state; and 4) add a Spanish version of the online CHIS questionnaire, which will increase the data we collect about teens and children in Spanish-speaking households.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $750,000 in 2018-19.
2. **Adopt Placeholder Trailer Bill Language** to implement a pilot expansion for the California Health Interview Survey (CHIS) to strengthen data collection efforts of California's children and youth.

Issue 23: Federally Qualified Health Centers/Rural Health Clinics Same Day Visits

DOF Issue#: None – Legislative Proposal

Allow Separate Day Visits for Mental Health Services in a Single Day. California Health+ Advocates and the Steinberg Institute request trailer bill language to allow FQHCs and RHCs to better provide integrated behavioral health services to patients by allowing reimbursement for mental health services provided on the same day as medical services. According to California Health+ Advocates, patients qualify for Medi-Cal based on having low-income, and often come from a background of economic hardship that makes getting to a health center difficult in the first place. By requiring a 24 hour gap in services between referral from primary care and being seen by a mental health provider, many of these patients are not able to follow through and receive care, resulting in costly visits down the line. Same day visits for medical and mental health care are currently authorized in 32 state Medicaid programs, including Washington, Oregon, Nevada, and Arizona. Allowing for patients to access care in the primary care setting helps to lower the overall cost of care to the health system by lowering emergency room utilization, preventing illnesses from escalating into more serious conditions, and improving quality of life for patients.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $3 million in 2018-19 and $1.5 million annually thereafter.
2. **Adopt Placeholder Trailer Bill Language** to allow FQHCs and RHCs to be reimbursed separately for mental health services provided on the same day as medical services.

Issue 24: Dental Services Managed Care Integration Pilot in San Mateo County

DOF Issue#: None – Legislative Proposal

Dental Services Managed Care Integration Pilot in San Mateo County. Health Plan of San Mateo (HPSM) proposes a pilot project to integrate dental services into managed care in San Mateo County. HPSM, which is a county organized health system, would establish a network and provide reimbursement to providers of dental services to Medi-Cal beneficiaries in the county. HPSM would receive an enhanced, at-risk capitation payment to account for the additional dental services provided.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Adopt Placeholder Trailer Bill Language** to implement a pilot project to integrate Medi-Cal dental services into Medi-Cal managed care in San Mateo County.

Issue 25: Erroneous Payment Correction Recoupments for Physicians

DOF Issue#: None – Legislative Proposal

Limit Erroneous Payment Correction Recoupments for Physicians. The California Medical Association (CMA) requests trailer bill language to limit the length of time that DHCS can recoup overpayments for state errors to one year and the percentage of a current payment that can be withheld to 20 percent until the total amount is recouped. According to CMA, there is no limit on the timeframe that DHCS can retroactively recoup overpayment for services or on the amount of a provider's current payment that can be withheld and used to pay the amount owed. As a result, providers are essentially required to work without pay for providing services to current beneficiaries. In contrast, under the Knox-Keene Act, health plans have a one-year timeframe to recoup overpayments from providers. With over 13.5 million Californians enrolled in Medi-Cal and continued growth expected in the program, it is imperative that the state also explore additional ways to encourage provider participation. CMA believes that placing reasonable limits on the recoupment of provider overpayments resulting from state errors will help to reduce another barrier that physicians face when deciding to become Medi-Cal providers.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Adopt Placeholder Trailer Bill Language** to limit the length of time DHCS can recoup overpayments to physicians for state errors to one year and the percentage of the current payment that can be withheld to 20 percent until the total amount is recouped.

Issue 26: Collection of AANHPI Data in Eligibility Systems

DOF Issue#: None – Legislative Proposal

Collect AANHPI Data in Eligibility Systems. The Southeast Asia Resource Action Center (SEARAC) and the California Pan-Ethnic Health Network (CPEHN) request $1.4 million for DHCS to expand disaggregated demographic data collection of Asian-American, Native Hawaiian, and Pacific Islander (AANHPI) ethnicities for enrollees in Medi-Cal and other health programs through SAWS, CalHEERs and MEDS.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Medi-Cal program by $1.4 million annually.
2. **Adopt Placeholder Trailer Bill Language** to require DHCS to expand disaggregated demographic data collection of Asian-American, Native Hawaiian, and Pacific Islander (AANHPI) ethnicities for enrollees in Medi-Cal and other health programs through SAWS, CalHEERs, and MEDS.

Issue 27: Extension and Clarification of Medical Interpreters Pilot

DOF Issue#: None – Legislative Proposal

Extension and Clarification of Medical Interpreters Pilot. The American Federation of State, County, and Municipal Employees (AFSCME) requests budget bill language and trailer bill language to extend the timeline of the project and clarify the intent of the Legislature in the implementation of the pilot projects approved by AB 635 (Atkins), Chapter 600, Statutes of 2016.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Adopt Placeholder Trailer Bill Language** to extend the sunset date of the budget allocation for the AB 635 program by two years and clarify that the pilot project be conducted simultaneously with the study, with the pilot projects established no later than January 1, 2019.

Issue 28: Allocation of Proposition 56 Tobacco Tax Revenue

DOF Issue#: None – Legislative Proposal

Proposition 56 Supplemental Provider Payments. The May Revision continues supplemental payments for physicians, dentists, women's health services, intermediate care facilities for individuals with developmental disabilities, and HIV/AIDS Waiver services approved in the 2017 Budget Act, as well as a $163 million augmentation for physicians and $70 million augmentation for dental services included in the Governor's January budget. However, DHCS reports that claims for physicians are lower than expected, resulting in lower estimated expenditures of allocated Proposition 56 revenues. DHCS estimates total Proposition 56 expenditures of $252.2 million in 2017-18 and $602.2 million in 2018-19. For 2017-18, $293.8 million of the $546 million Proposition 56 funds appropriated in the 2017 Budget Act remains unspent. For 2018-19, $197.8 million of the $546 million Proposition 56 funds allocated pursuant to the 2017 Budget Act remains unspent which, along with the Administration's augmentation of $232.8 million, results in a total of $430.6 million of Proposition 56 funds unallocated in 2018-19. DHCS indicates it will continue to work with stakeholders and the Legislature on a supplemental payment structure to be submitted to the federal government for approval by September 2018.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** expenditure authority from the Healthcare Treatment Fund of $800 million, available for expenditure until the end of the 2019-20 fiscal year.
2. **Adopt Placeholder Budget Bill Language** that allocates the unspent Proposition 56 revenue as follows:
    a. $427 million unallocated in 2018-19 (Ongoing)
        i. $300 million for supplemental payments for pediatric primary care providers codes to be reimbursed at Medicare rates, consistent with the primary care rate increase provided pursuant to the federal Affordable Care Act.
        ii. $45 million for supplemental payments for pediatric specialty providers.
        iii. $30 million for supplemental payments to dental providers that treat children with special needs.
        iv. $40 million for supplemental payments for adult dental preventive treatment.
        v. $4 million for supplemental payments for pediatric day health centers.
        vi. $4 million for supplemental payments to pediatric subacute facilities.
        vii. $4 million for supplemental payments for breast pumps provided by Medi-Cal.
    b. $294 million unallocated in 2017-18 (One-time)
        i. $150 million for workforce development programs, including but not limited to, loan repayments, for physicians who agree to provide a significant portion of their services for Medi-Cal beneficiaries.
        ii. $144 million for a provider incentive payment program to cover fixed costs, provide supplemental reimbursements or other incentives to providers who serve Medi-Cal beneficiaries in rural or high poverty urban areas with a demonstrated shortage of access to providers.
    c. Direct DHCS to apply for federal approval for all supplemental payment programs for a two year period, with the funding provided by the two-year appropriation of the Healthcare Treatment Fund item.

4265 DEPARTMENT OF PUBLIC HEALTH

Issue 1: AIDS Drug Assistance Program (ADAP) – May Revision Estimate and Adjustments

DOF Issue#: 4265-007-ECP-2018-GB
4265-078-ECP-2018-GB
4265-400-ECP-2018-MR
4265-404-ECP-2018-MR

ADAP Local Assistance Estimate May Revision Update. The May 2018 ADAP Local Assistance Estimate reflects revised 2017-18 expenditures of $392 million, which is a decrease of $6.2 million or 1.5 percent compared to the Governor's January budget. According to DPH, this decrease is primarily due to reduced overall caseload. For 2018-19, DPH estimates ADAP expenditures of $432.1 million, a decrease of $2.3 million or 0.5 percent, compared to the Governor's January Budget, and an increase of $40.1 million or 10.2 percent, compared to the revised 2017-18 estimate. According to DPH, the increase over 2017-18 is primarily due to higher caseload, particularly in the medication-only category..

ADAP Local Assistance Funding 2017-18 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0890 – Federal Trust Fund	$111,400,000	$111,400,000
3080 – AIDS Drug Assistance Program Rebate Fund	$286,700,000	$280,500,000
Total ADAP Local Assistance Funding – All Funds	**$398,100,000**	**$392,000,000**

ADAP Local Assistance Funding 2018-19 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0890 – Federal Trust Fund	$132,400,000	$132,400,000
3080 – AIDS Drug Assistance Program Rebate Fund	$302,000,000	$299,600,000
Total ADAP Local Assistance Funding – All Funds	**$434,400,000**	**$432,100,000**

This issue was heard during the subcommittee's April 26th (November 2017) and May 16th (May 2018) hearings.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the balance of the technical adjustments to the ADAP estimate, as updated for the May Revision, with any changes necessary to conform to other actions that have been, or will be, taken.

Issue 2: Genetic Disease Screening Program – May Revision Estimate and Adjustments

DOF Issue#: 4265-079-ECP-2018-GB
4265-401-ECP-2018-MR
4265-435-BBA-2018-MR

May Revision Issue The May 2018 Genetic Disease Screening Program Estimate includes expenditure authority from the Genetic Disease Testing Fund of $132.1 million ($27.7 million state operations and $104.4 million local assistance) in 2017-18, and $133 million ($29.5 million state operations and $103.5 million local assistance) in 2018-19. These figures represent a decrease of $293,000 (all local

assistance) in 2017-18 and an increase of $28,000 (all local assistance) in 2018-19, compared to the Governor's January budget. According to DPH, the decrease in 2017-18 is primarily due to reduced demographic projections of live births by the Department of Finance's Demographic Research Unit, while the increase in 2018-19 is primarily due to a slight increase of the actual caseload of prenatal and newborn tests.

Genetic Disease Screening Program Funding 2017-18 May Revision Comparison to January			
	2017-18	**2017-18**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0203 – Genetic Disease Testing Fund			
State Operations:	$27,650,000	$27,650,000	$-
Local Assistance:	$104,732,000	$104,439,000	($293,000)
Total GDSP Expenditures	**$132,382,000**	**$132,089,000**	**($293,000)**

Genetic Disease Screening Program Funding 2018-19 May Revision Comparison to January			
	2018-19	**2018-19**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0203 – Genetic Disease Testing Fund			
State Operations:	$29,451,000	$29,451,000	$-
Local Assistance:	$103,473,000	$103,501,000	$28,000
Total GDSP Expenditures	**$132,924,000**	**$132,952,000**	**$28,000**

Newborn Screening Program (NBS) Caseload Estimate: The May Revision estimates NBS program caseload of 478,679 in 2017-18, a decrease of 1,928 or 0.4 percent, compared to the Governor's January budget. The May Revision estimates NBS program caseload of 478,419 in 2018-19, an increase of 98 or 0.02 percent, compared to the Governor's January budget, and a decrease of 260 or 0.05 percent compared to the revised 2017-18 estimate. These updated estimates are based on state projections of the number of live births. DPH assumes up to 99 percent of births will participate in the NBS program annually.

Prenatal Screening (PNS) Caseload Estimate: The May Revision estimates PNS program caseload of 342,532 in 2017-18, a decrease of 1,401 or 0.4 percent, compared to the Governor's January budget. The May Revision estimates PNS program caseload of 342,347 in 2018-19, an increase of 50 or 0.01 percent, compared to the Governor's January budget, and a decrease of 185 or 0.05 percent, compared to the revised 2017-18 estimate. These updated estimates are based on state projections of the number of live births. DPH assumes 71.4 percent of births will participate in the PNS program annually.

May Revision Finance Letter Adjustments. Consistent with local assistance expenditure updates to GDSP at May Revision and the requested fund shift for CBDMP, DPH requests the following adjustment:

- 4265-001-3114 be decreased by $1.8 million
- 4265-111-0203 be increased by $28,000

This issue was heard during the subcommittee's March 22nd (November 2017) and May 16th (May 2018) hearings.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the adjustments to the GDSP Local Assistance Estimate, as updated in the May Revision.

Issue 3: Women, Infants, and Children Program – May Revision Estimate

DOF Issue#: 4265-080-ECP-2018-GB
4265-402-ECP-2018-MR

May Revision Issue. The May 2018 Women, Infants, and Children (WIC) Program Estimate includes total expenditure authority of $1.2 billion ($932.7 million federal funds and $232.7 million WIC manufacturer rebate funds) in 2017-18, a reduction of $30.5 million ($29.9 million federal funds and $615,000 WIC manufacturer rebate funds) compared to the Governor's January budget. The May 2018 WIC Program Estimate includes $1.1 billion ($906.8 million federal funds and $229.8 million WIC manufacturer rebate funds) in 2018-19, a reduction of $47.1 million ($46 million federal funds and $1.1 million WIC manufacturer rebate funds) compared to the Governor's January budget, and a decrease of $28.8 million ($25.8 million federal funds and $2.9 million WIC manufacturer rebate funds) compared to the revised 2017-18 estimate. The federal fund amounts include state operations costs of $63.5 million in 2017-18 and $63.7 million in 2018-19.

WIC Funding Summary 2017-18 May Revision Comparison to January Budget			
	2017-18	**2017-18**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0890 – Federal Trust Fund			
State Operations:	$63,463,000	$63,463,000	$-
Local Assistance:	$899,152,000	$869,219,000	($29,933,000)
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	$233,307,000	$232,692,000	($615,000)
Total WIC Expenditures	**$1,195,922,000**	**$1,165,374,000**	**($30,548,000)**

WIC Funding Summary 2018-19 May Revision Comparison to January Budget			
	2018-19	**2018-19**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0890 – Federal Trust Fund			
State Operations:	$63,684,000	$63,684,000	$-
Local Assistance:	$889,131,000	$843,150,000	($45,981,000)
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	$230,852,000	$229,772,000	($1,080,000)
Total WIC Expenditures	**$1,183,667,000**	**$1,136,606,000**	**($47,061,000)**

The May Revision assumes a monthly average of 1,062,623 WIC participants in 2017-18, a decrease of 12,485 or 1.2 percent compared to the Governor's January budget. The May Revision assumes a monthly average of 1,012,984 WIC participants in 2018-19, a decrease of 11,398 or 1.1 percent compared to the Governor's January budget, and a decrease of 49,639 or 4.7 compared to the revised 2017-18 caseload estimate.

Food Expenditures Estimate. The May Revision includes $801.1 million ($568.4 million federal funds and $232.7 million WIC manufacturer rebate funds) in 2017-18 for WIC program food expenditures, a decrease of $30.5 million ($29.9 million federal funds and $620,000 WIC manufacturer rebate funds) or 3.7 percent, compared to the Governor's January budget. The May Revision includes $772.1 million ($542.3 million federal funds and $229.8 million WIC manufacturer rebate funds) in 2018-19 for WIC program food expenditures, a decrease of $47.1 million ($46 million federal funds and $1.1 million WIC manufacturer rebate funds) or 5.8 percent compared to the Governor's January budget, and a decrease of $29 million ($26.1 million federal funds and $2.9 million WIC manufacturer rebate funds) or 3.6 percent compared to the revised 2017-18 food expenditures estimate. According to DPH, the decreases in both years are due to lower than projected participation levels and a significantly lower inflation rate.

Nutrition Services and Administration (NSA) Estimate. The May Revision includes $300.9 million for other local assistance expenditures for the NSA budget in 2017-18 and 2018-19, which is unchanged from the level assumed in the Governor's January budget. Funding from the NSA grant is provided to the Office of Systems Integration to fund the establishment of a WIC management information system (MIS).

This issue was heard during the subcommittee's March 22nd (November 2017) and May 16th (May 2018) hearings.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the adjustments to the WIC Local Assistance Estimate, as updated in the May Revision. The subcommittee will continue to monitor the ongoing decline in participation in the program and encourages the department to continue to evaluate strategies for increasing participation.

Issue 4: Center for Health Care Quality – May Revision Estimate and Adjustments

DOF Issue#: 4265-403-ECP-2018-GB

May Revision Update. The May Revision estimate for the Center for Health Care Quality includes $272.5 million ($3.7 million General Fund, $100.3 million federal funds, and $168.5 million special funds and reimbursements) in 2017-18, unchanged compared to the Governor's January budget, and $280.4 million ($3.7 million General Fund, $102.1 million federal funds, and $174.7 million special funds and reimbursements) in 2018-19, an increase of $2.7 million (all special funds) compared to the Governor's January budget.

Center for Health Care Quality Funding 2017-18 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0001 – General Fund (transfer to fund 3098)	$3,700,000	$3,700,000
0890 – Federal Trust Fund	$100,327,000	$100,327,000
0942 – Internal Departmental Quality Improvement Acct	$2,389,000	$2,389,000
0942 – State Health Facilities Citation Penalty Acct	$2,144,000	$2,144,000
0942 – Federal Health Facilities Citation Penalty Acct	$973,000	$973,000
0995 – Reimbursements	$10,161,000	$10,161,000
3098 – Licensing and Certification Program Fund	$152,809,000	$152,809,000
Total CHCQ Funding – All Funds	**$272,502,000**	**$272,502,000**

Center for Health Care Quality Funding 2018-19 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0001 – General Fund (transfer to fund 3098)	$3,700,000	$3,700,000
0890 – Federal Trust Fund	$102,056,000	$102,056,000
0942 – Internal Departmental Quality Improvement Acct	$2,304,000	$2,598,000
0942 – State Health Facilities Citation Penalty Acct	$2,144,000	$2,144,000
0942 – Federal Health Facilities Citation Penalty Acct	$973,000	$973,000
0995 – Reimbursements	$10,436,000	$10,436,000
3098 – Licensing and Certification Program Fund	$156,153,000	$158,526,000
Total CHCQ Funding – All Funds	**$277,766,000**	**$280,433,000**

Provisional Language – Certified Nurse Assistant Training Kickstarter Program. DPH requests provisional language be added to item 4265-115-0942 to allow the department the flexibility to increase expenditure authority up to $1.7 million if the federal Center for Medicare and Medicaid Services approves the Certified Nursing Assistant (CNA) Training Kickstarter Program. Funding would be provided to the Quality Care Health Foundation to contract with health employers for CNA training classes, and provide technical assistance to skilled nursing facilities to develop and obtain approval of their own CNA training program. Any augmentation would be authorized no sooner than 30 days after notification to the Joint Legislative Budget Committee.

This issue was heard during the subcommittee's April 26th (November 2017) and May 16th (May 2018) hearings.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** the balance of the technical adjustments to the CHCQ estimate, as updated for the May Revision, with any changes necessary to conform to other actions that have been, or will be, taken.
2. **Adopt Placeholder Budget Bill Language** to allow the department the flexibility to increase expenditure authority for the Certified Nurse Assistant Training Kickstarter Program.

Issue 5: L&C - Los Angeles County Contract Extension and Supplemental Fee Proposal

Budget Issue and Trailer Bill Language Proposal. DPH requests expenditure authority of $1.9 million from the Licensing and Certification Program Fund in 2018-19. If approved, these resources will allow DPH to augment the Los Angeles County contract to fund a one-year extension to account for adjustments to the indirect cost rate, employee benefits rate, personnel costs, and lease costs. DPH also requests trailer bill language to authorize a supplemental license fee on facilities located in Los Angeles County to offset additional costs necessary to regulate entities in the county.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20**
3098 – Licensing and Certification Program Fund	$1,900,000	$-
Total Funding Request:	**$1,900,000**	**$-**

DPH is also requesting trailer bill language to assess a supplemental license fee on facilities located in LA County to offset additional costs necessary to regulate these entities in LA County. The proposed supplemental fee will prevent the need to increase license fees on health care facilities statewide to absorb these increasing contract costs. The supplemental fee would allow health care facilities in LA County to receive services comparable to other health care facilities statewide and ensure that facilities pay license fees that are more commensurate with their regulatory costs. According to DPH, the imposition of the supplemental fee is meant to allow regulatory activities in LA County to be fully funded by fee revenue paid by LA County facilities, rather than subsidized by fees paid in other parts of the state.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** the department's expenditure authority request by $2.7 million for a total of $4.6 million, consistent with the estimate of costs necessary to perform the required workload provided by Los Angeles County.
2. **Adopt Placeholder Trailer Bill Language** allowing DPH to assess the proposed supplemental license fee on facilities located in Los Angeles County.

Issue 6: Licensing & Certification - Health Care Licensing and Oversight

Spring Finance Letter. DPH requests 22 positions and expenditure authority of $2.7 million ($2.4 million Licensing and Certification Program Fund and $294,000 Internal Departmental Quality Improvement Account) annually. If approved, these resources would allow DPH to improve core operations and effectiveness, foster quality improvement projects, and address workforce needs, particularly in the licensing of certified nurse assistants.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0942 – Internal Dept. Quality Improvement Account	$294,000	$294,000
3098 – Licensing and Certification Program Fund	$2,373,000	$2,373,000
Total Funding Request:	**$2,669,000**	**$2,669,000**
Total Positions Requested:	**22.0**	**22.0**

* Positions and resources ongoing after 2019-20.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve this request for positions and resources. The subcommittee will continue to monitor the department's efforts to address the workforce needs for certified nurse assistants.

Issue 7: Use of Federal Standards for State Regulation

Trailer Bill Language Proposal. DPH requests trailer bill language to allow use of federal certification standards for state licensure for certain facilities. The language would also allow use of federal standards during the rulemaking process for regulations related to intermediate care facilities for individuals with developmental disabilities (ICF-DDs), expected to be released in 2018.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. It is recommended the subcommittee approve the department's proposed trailer bill language using federal certification standards for facility licensure.

Issue 8: Proposition 99 Adjustments – Health Education and Unallocated Accounts

DOF Issue#: 4265-405-BBA-2018-MR

Proposition 99 Tobacco Tax Allocations. DPH requests the following technical corrections reflecting changes in Proposition 99 revenues and a shift between state operations and local assistance:

Health Education Account
- Item 4265-001-0231 be increased by $122,000
- Item 4265-111-0231 be increased by $1,00,000

Unallocated Account
- Item 4265-001-0236 be increased by $66,000

According to DPH, the Health Education Account adjustment would be provided to additional community-based organizations engaged in tobacco prevention activities. In addition, these funds would support additional state operations staff for oversight of these programs.

The Unallocated Account adjustment will fund additional state administrative activities.

This issue was heard during the subcommittee's May 15th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the department's proposed technical adjustments to Proposition 99 authority.

Issue 9: Proposition 56 Authority and Technical Adjustments

DOF Issue#: 4265-420-BBA-2018-MR
4265-421-BBA-2018-MR
4265-422-BBA-2018-MR
4265-430-BBA-2018-MR

May Revision Issue. DPH requests the elimination of the following budget items for expenditure of revenues from Proposition 56 tobacco taxes. These budget items fund the state Oral Health Program, tobacco law enforcement activities, and tobacco prevention activities. If approved, this request would eliminate these items and expenditures would be transferred to non-Budget Act items consistent with the provisions of Proposition 56. Specifically, DPH requests the following items be eliminated and converted into non-Budget Act items:

State Dental Program Account
- 4265-001-3307
- 4265-111-3307

Tobacco Law Enforcement Account
- 4265-001-3318
- 4265-111-3318

Tobacco Prevention Control Account
- 4265-001-3322
- 4265-111-3322

This issue was heard during the subcommittee's May 15th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** transfer of items for the State Dental Program Account (4265-001-3307 and 4265-111-3307) and the Tobacco Prevention Control Account (4265-001-3322 and 4265-111-3322) to non-Budget Act items that are continuously appropriated.
2. **Adopt Placeholder Trailer Bill Language** directing DPH to allow local health departments that receive grants from the Proposition 56 allocations for the Oral Health Program and tobacco prevention to expend these funds within three fiscal years after the grant award.
3. **Reject** transfer of items for the Tobacco Law Enforcement Account (4265-001-3318 and 4265-111-3322).

Issue 10: Expansion of Black Infant Health Program

DOF Issue#: None – Legislative Proposal

Interventions to Reduce Risk Factors for Black Infant Mortality. While the social support, stress management, and empowerment model of the Black Infant Health Program is an evidence-based intervention that reduces black infant mortality, the rate of black infant mortality has remained twice that of any other group. Other interventions that have shown promise generally include a team-based approach to care that couples social interventions with medical interventions. The Centering Pregnancy model is a group-based intervention that follows the recommended schedule of 10 prenatal visits, with each visit 90 minutes to two hours long. According to Centering Healthcare, which developed the model, pregnant women engage in their own care by taking their own weight and blood pressure and recording their own health data with private time with their provider for belly check. DPH indicates that the group-based intervention in the Black Infant Health Program is partially derived from the Centering Pregnancy model.

In addition to these models, a pilot program in Sacramento County demonstrated significant reductions in pre-term birth and low birth weight among its participants compared to rates of these conditions in the county and nationally. The program, affiliated with a federally qualified health center, provided a team-based approach that included an extensive evaluation of each African American pregnant woman, personalized case management, an educational program, and wraparound care provided by home visitors and various medical personnel. The program identified 56 risk factors for pre-term birth and each patient was evaluated by a physician for these social and medical factors. Between June 2014 and April 2016, 454 African American women participated in the program. The combined medical plan and home visiting approach reduced the pre-term birth rate from 16.8 percent for African Americans in Sacramento County to 2.9 percent for participants in the program. The rate of low birth rates was similarly reduced from 13.8 percent in Sacramento County to 4.3 percent for program participants.

This issue was heard during the subcommittee's May 10th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** the Black Infant Health Program's General Fund expenditure authority by $15 million annually.
2. **Adopt Placeholder Trailer Bill Language** to expand the Black Infant Health Program's scope to fund local programs that combine social interventions with medical interventions and other wrap-around services including, but not limited to, evaluation, personalized case management, educational programs, and wraparound care provided by home visitors and various medical personnel. These programs may utilize existing approaches, such as Centering Pregnancy, or other evidence-based approaches that have shown promise in reducing the incidence of black infant mortality, premature labor, and low birth weight.

Issue 11: Local Comprehensive HIV Prevention

DOF Issue#: None – Legislative Proposal

Comprehensive HIV Prevention Services Including PrEP and PEP. The HIV Alliance requests $10 million General Fund annually to provide grants to support comprehensive HIV prevention services including Pre-Exposure Prophylaxis (PrEP) and Post-Exposure Prophylaxis (PEP), including outreach and navigation, HIV testing for high risk populations, and related prevention services. Because the specific needs of local health jurisdictions vary widely, the Request for Proposals should allow applicants to identify the range of HIV prevention services needed in their individual communities with special attention given to applicants serving key populations in resource limited areas.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Office of AIDS by $10 million annually.
2. **Adopt Placeholder Trailer Bill Language** to establish a grant program to support comprehensive HIV prevention services including PrEP and PEP.

Issue 12: Modify and Expand PrEP Assistance Program

DOF Issue#: None – Legislative Proposal

Modify PrEP Assistance Program to Provide More Comprehensive Coverage for PrEP and PEP. The HIV Alliance proposes trailer bill language to modify the PrEP Assistance Program to expand coverage. Currently the program is limited to individuals 18 years old and above, does not provide financial assistance for post-exposure prophylaxis (PEP) and is not authorized to provide health insurance premium support. The program is also not authorized to cover the full cost of PrEP and PEP medications under any circumstances. These limitations prevent the program from providing adequate safety-net coverage for PrEP and PEP to those who qualify. The trailer bill language would make the following changes:

1. Change program eligibility to include all residents of California at least 12 years of age.
2. Authorize program to provide financial assistance for PEP.
3. Cover the full cost of PrEP and PEP medications for uninsured individuals under 18 years old.
4. Provide health insurance premium support.
5. Cover the full cost of PrEP and PEP, including medication and medical costs, for individuals unable to use their insurance for confidentiality or safety reasons.
6. Cover all PrEP- and PEP-related drug costs not covered by the individual's health insurance plan when manufacturer's copay assistance program imposes an undue burden.
7. Cover starter packs for PrEP and PEP.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** ADAP Rebate Fund expenditure authority for ADAP program by $2 million annually to fund more comprehensive coverage for PrEP and PEP.
2. **Adopt Placeholder Trailer Bill Language** to make the following changes to the PrEP Assistance Program:
   a. Change program eligibility to include all residents of California at least 12 years of age.
   b. Authorize program to provide financial assistance for PEP.
   c. Cover the full cost of PrEP and PEP medications for uninsured individuals under 18 years old.
   d. Provide health insurance premium support.
   e. Cover the full cost of PrEP and PEP, including medication and medical costs, for individuals unable to use their insurance for confidentiality or safety reasons.
   f. Cover all PrEP- and PEP-related drug costs not covered by the individual's health insurance plan when manufacturer's copay assistance program imposes an undue burden.
   g. Cover starter packs for PrEP and PEP.

Issue 13: Demonstration Project for Persons Living with HIV/AIDS Over Age 50

DOF Issue#: None – Legislative Proposal

Health and Psychosocial Needs of Older Adults Living with HIV. The HIV Alliance requests $3 million General Fund over three years to establish demonstration projects that address the health and psychosocial needs of people living with HIV over the age of 50. The demonstration projects would serve both rural and urban jurisdictions as well as diverse groups of clients. The demonstration projects would include an evaluation component, a plan for disseminating lessons learned in order to strengthen ongoing programs, and would be evaluated based on multiple factors including need in the area, population served, competency of the entity applying, project design and evaluation design. CDPH OA would oversee the demonstration projects in consultation with the Department of Aging.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Office of AIDS by $3 million in 2018-19, available for expenditure for three years.
2. **Adopt Placeholder Trailer Bill Language** to establish a demonstration project that addresses the health and psychosocial needs of people living with HIV over the age of 50.

Issue 14: Demonstration Projects for Transgender Care Coordination

DOF Issue#: None – Legislative Proposal

Linkage to HIV Care and Prevention for Transgender Women. The HIV Alliance requests $2 million General Fund over three years to support demonstration projects that provide economic empowerment services for transgender women in coordination with linkage to HIV care and prevention services. These demonstration projects would include assessing client needs and potential barriers to

employment, client-centered career development trainings, referrals to inclusive and affirming employers and culturally competent referrals to HIV care and prevention services.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Office of AIDS by $2 million in 2018-19, available for expenditure for three years.
2. **Adopt Placeholder Trailer Bill Language** to establish a demonstration project to provide economic empowerment services for transgender women in coordination with linkage to HIV care and prevention services.

Issue 15: Substance Use Disorders Treatment Navigators at Harm Reduction Programs

DOF Issue#: None – Legislative Proposal

Substance Use Disorders Treatment Navigators at Harm Reduction Programs. The Drug Policy Alliance requests $11 million for the California Department of Public Health Office of AIDS (OA) for grants to harm reduction programs, including syringe access programs, to provide outreach to people who use drugs who are not in treatment and assist them with linkage to health care services. This outreach would increase the number of people who are able to benefit from medication assisted treatment such as methadone and buprenorphine and reduce the burden of opioid misuse, drug overdose deaths, hepatitis C and HIV in our communities by connecting individuals with substance use disorders to effective treatment and other services.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the Office of AIDS by $11 million annually.
2. **Adopt Placeholder Trailer Bill Language** to establish a grant program to harm reduction programs, including syringe access programs, to provide outreach to people who use drugs who are not in treatment and assist them with linkage to health care services.

Issue 16: Systems of Care for Amyotrophic Lateral Sclerosis (ALS)

DOF Issue#: None – Legislative Proposal

Systems of Care for Amyotrophic Lateral Sclerosis (ALS). The ALS Association requests $3 million General Fund to help support the critical System of Care, both clinic- and community-based, for ALS patients and their caregivers. According to the ALS Association, ALS, often referred to as Lou Gehrig's disease, is a progressive and fatal neuro-degenerative disease. When motor neurons die, the ability of

the brain to initiate and control muscle movement is lost. The result is that people with ALS lose the ability to move, speak, swallow and breathe. The life expectancy of a person diagnosed with ALS is 2 to 5 years, and there is no effective treatment or cure. There are only two drugs approved by the FDA for ALS, neither are proven to extend life by more than 2 to 4 months. The only way to meaningfully extend the length and quality of life for people diagnosed with ALS is to provide them with access to the ALS Association's evidence-based model of care. This model of care involves the seamless integration of community and clinic based multidisciplinary services. This "wraparound" model of care is proven to help people diagnosed with ALS to live significantly longer and better than the only FDA approved drugs.

This issue was heard during the subcommittee's March 22nd hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for DPH by $3 million annually.
2. **Adopt Placeholder Trailer Bill Language** to administer a grant to a qualified non-profit organization which specializes in ALS and is incorporated in the State of California to support the implementation of the System of Care wraparound model for Californians diagnosed with ALS.

Issue 17: Resources for California Safe Cosmetics Program

DOF Issue#: None – Legislative Proposal

Enforcement and Program Improvements for the California Safe Cosmetics Program. Breast Cancer Prevention Partners and a coalition of companies manufacturing safer cosmetics, public health and environmental health organizations request General Fund expenditure authority of up to $1.5 million to increase staffing and for enforcement and program improvement activities. The coalition also requests implementation of a $30 fee for each reportable product and penalty authority of $10,000 per company or $1,000 per product for failure to report covered products to the CSCP for inclusion in the database. The fee and penalty revenue would be used to reimburse the General Fund for the increased funding request.

According to the coalition, increased funding would provide the following:

- Increase staffing of the program to fulfill its statutory mandates and fully implement the law.
- Enable the program to address underreporting by manufacturers.
- Enable the program to address the industry abuse of "trade secret" designations which businesses have used to conceal hundreds of toxic chemicals from public view.
- Initiate investigations into the safety of ingredients and products.
- Refer investigations that find potential harm to Cal/OSHA to protect California's salon workers.
- Allow for increased awareness and use of the Safe Cosmetics Database and regular outreach to consumers and salon workers.
- Require companies to report to the state's database whether their products are intended for professional salon use or consumer use.
- Overhaul and modernize the SCP's outdated platform to address database malfunctioning.

This issue was heard during the subcommittee's March 22nd hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the California Safe Cosmetics Program by $1.5 million in 2018-19 and $500,000 annually thereafter to support one-time infrastructure upgrades and additional enforcement and outreach staff to ensure full implementation of program requirements by manufacturers of covered products.

Issue 18: Mosquito Surveillance Funding

DOF Issue#: None – Legislative Proposal

Mosquito Surveillance. The Mosquito and Vector Control Association of California requests General Fund expenditure authority of $500,000 annually for the California Vector-borne Disease Surveillance (CalSurv) system, as well as grants for vector research specific to California's unique ecosystems. According to the Association, mosquito surveillance is crucial for tracking, eliminating, and preventing the spread of mosquitos and the diseases they carry. Due to effective mosquito surveillance, efforts to limit the spread of West Nile were successful. However, mosquitos adapt quickly by becoming resistant to pesticides, alter their feeding and biting patterns, and infest geographic regions they have never before been detected.

This issue was heard during the subcommittee's May 10th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Budget Bill Language to augment DPH's General Fund expenditure authority by $500,000 annually to fund the CalSurv system.

Issue 19: Jordan's Syndrome PPP2R5D Research Grants

DOF Issue#: None – Legislative Proposal

Stakeholder Proposal - "Jordan's Syndrome" PPP2R5D Research Grants. The UC Davis Institute of Regenerative Cures requests expenditure authority of $12 million for research related to a genetic mutation, PPP2R5D, which has recently been described as a cause of neurodevelopmental disorders including autism, intellectual disabilities, behavioral challenges, and seizures. According to the Institute of Regenerative Cures, the research grant would fund a clinical registry and biorepository, creation of transgenic mouse models with the most common mutations, various characterization and biochemical studies, identification of lead compounds, and mouse clinical trials. Once a compound is identified, the project would partner with a pharmaceutical company to begin formal human clinical trials. The process is expected to take six to ten years.

This issue was heard during the subcommittee's May 16th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Trailer Bill Language to create a grant program for a collaborative research effort into diseases associated with variances in the Gene PPP2R5D. These funds will be used to provide various research functions, including, but not limited to, development of pluripotent stem cells into brain cell lines, development of mouse models, three-dimensional modeling of proteins, high throughput drug screening, gene editing applications and funding research agreements with other institutes of higher education children's hospitals to collaborate in providing those functions.

Issue 20: Valley Fever Funding

DOF Issue#: None – Legislative Proposal

Valley Fever Research. The Valley Fever Institute at Kern Medical requests General Fund expenditure authority of $3 million in 2018-19 for a research grant to fund Valley Fever treatment research and outreach. According to the Valley Fever Institute, there is no cure or vaccine for Valley Fever and studies show that early intervention ensures the best management of the disease. The most severe cases of Valley Fever stem from delayed diagnosis. The Centers for Disease Control and Prevention report Valley Fever infection rates rose twelve-fold nationwide between 1995 and 2009, and researchers estimate the fungus infects 150,000 people each year who either escape detection of the disease or suffer serious ailments without knowing the cause of their illness. The Valley Fever Institute at Kern Medical is ideally suited to be the premiere center for laboratory research, as it has the largest population of patients with Valley Fever, receives patients from around the world, has infectious disease experts dedicated to the study of Valley Fever, and is the site of clinical research trials on the effectiveness of early treatment with medication.

This issue was heard during the subcommittee's May 10th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Budget Bill Language to augment DPH's General Fund expenditure authority by $3 million as follows: 1) $2 million to the Valley Fever Institute at Kern Medical for capital expenses for research, awareness and education, and patient care; and 2) $1 million for a Valley Fever public awareness campaign.

Issue 21: Hepatitis C Prevention, Testing, Linkage, and Retention in Care

DOF Issue#: None – Legislative Proposal

Hepatitis C (HCV) Prevention, Testing, and Linkage to and Retention in Care Services. The California Hepatitis Alliance (CalHEP) requests $6.6 million General Fund annually for HCV prevention, testing, and linkage to, and retention in, care projects and capacity building support services to assist new programs. These resources are an expansion of a 2015-16 investment of $2.2 million a year for three years for HCV testing and linkage to care demonstration projects. The outcomes of these pilots in San Luis Obispo, Monterey, Butte, San Diego, and San Francisco counties, as well as Central and Southern Los Angeles, were excellent, and worth expanding. According to CalHEP, this funding allowed the California Department of Public Health's STD Control Branch Office of Viral Hepatitis to support efforts related to three goals: 1) using surveillance to improve HCV outcomes, 2) hepatitis C testing and linkages to care, 3) HCV care coordination.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Augment** General Fund expenditure authority for the DPH STD Control Branch by $6.6 million annually.
2. **Adopt Placeholder Trailer Bill Language** to expand the existing pilot for HCV prevention, testing, and linkage to, and retention in, care projects and capacity building support services to assist new programs.

Issue 22: Integrity of Inspections

DOF Issue#: None – Legislative Proposal

Improved Integrity of Facility Inspections. The California Nurses Association (CNA) requests trailer bill language to allow employees of entities inspected by DPH to have the right to discuss possible regulatory violations or patient safety concerns with an inspector privately during the course of an investigation or inspection by DPH. These provisions are similar to Labor Code sections regarding inspections by the California Division of Occupational Safety and Health (Cal-OSHA).

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. It is recommended the subcommittee adopt placeholder trailer bill language mirroring Labor Code sections for Cal-OSHA to allow employees of entities inspected by DPH to have the right to discuss regulatory violations or patient safety concerns with an inspector privately during the course of an investigation or inspection by DPH.

Issue 23: Needle Exchange Program Sunset Extension

DOF Issue#: None – Legislative Proposal

Sunset Extension for Needle Exchange Programs. The Drug Policy alliance requests trailer bill language to eliminate the sunset date for needle exchange programs. Needle exchange programs lower the risks of infection by blood-borne diseases such as HIV and HCV by limiting syringe sharing and providing safe disposal options. These programs also provide people who inject drugs with referrals to drug treatment, detoxification, social services, and primary health care. The statutory authority for these programs is scheduled to expire on January 1, 2019.

This issue was heard during the subcommittee's April 26th hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. It is recommended the subcommittee adopt placeholder trailer bill language to eliminate the sunset date for needle exchange programs.

Issue 24: Lead Certification Application Processing

DOF Issue#: None – Legislative Proposal

Lead Certification Application Processing. The California State Council of Laborers requests expenditure authority of $75,000 to fund staff in DPH to accelerate processing of applications for certification for providing lead construction services. The Laborers are requesting an increase in their certification fee of between $10 and $12 to fund this request. According to the Laborers, the current application processing timeline is 120 days. With additional staff funded by this request, the processing time would be reduced to no more than 60 days.

This issue was heard during the subcommittee's May 10th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** special fund expenditure authority in the Lead Certification Program by $75,000 annually
2. **Adopt Placeholder Budget Bill Language** to allow DPH to augment the lead certification fee by up to $12 to fund additional staff to improve certification processing time to no more than 60 days.

4440 DEPARTMENT OF STATE HOSPITALS

Issue 1: 2018-19 Program Updates – May Revision Adjustments

DOF Issue#: 4440-009-ECP-2018-GB
4440-010-ECP-2018-GB
4440-220-ECP-2018-MR
4440-003-ECP-2018-GB
4440-240-ECP-2018-MR
4440-005-ECP-2018-GB
4440-290-ECP-2018-MR
4440-001-ECP-2018-GB
4440-300-ECP-2018-MR
4440-004-ECP-2018-GB
4440-310-ECP-2018-MR
4440-320-ECP-2018-MR
4440-330-ECP-2018-MR
4440-340-ECP-2018-MR
4440-008-ECP-2018-GB
4440-350-ECP-2018-MR
4440-360-ECP-2018-MR

Program Update: Forensic Conditional Release Program (CONREP) – General/Non-Sexually Violent Predator (Non-SVP) Program. The Forensic Conditional Release Program (CONREP) was established in 1986 and provides outpatient treatment to individuals ordered by a court to be released if their symptoms have been stabilized and they no longer represent a danger to society. The CONREP population includes patients committed to state hospitals as Not Guilty by Reason of Insanity (NGI), Mentally Disordered Offenders (MDO), felony Incompetent to Stand Trial (IST) and Mentally Disordered Sex Offenders. After one year, a court hearing determines if the patient will continue in the program, be sent back to DSH, or be released.

According to DSH, when a patient is discharged to CONREP, the goal is to provide an independent living environment in the least restrictive setting. However, if the patient has not demonstrated the ability to live in the community without direct staff supervision, the patient is referred to a Statewide Transitional Residential Program (STRP), a resource used by CONREP to provide patients the opportunity to learn and demonstrate appropriate community living skills in a controlled setting with 24 hour supervision. DSH currently contracts for one 17 bed STRP in Los Angeles County. A 16 bed STRP in Fresno County was closed in November 2017, which was funded by General Fund expenditure authority of $976,000 in 2017-18 approved in the 2017 Budget Act.

In the Governor's January budget, DSH requested General Fund expenditure authority of $976,000 in 2018-19 and annually thereafter to establish a new 16 bed STRP contract to replace the capacity lost upon closure of the Fresno County STRP. The funding would be ongoing, contingent upon securing a new contract provider.

In the May Revision, DSH requests additional General Fund expenditure authority of $610,000 in 2019-20, for a total authority of $1.6 million. DSH indicates it has identified one prospective provider in Northern California to establish a 26-bed STRP, which is larger than the 16 beds anticipated in the Governor's January budget. While the annual cost of operating the new 26-bed program is $1.6 million, DSH is not requesting additional funding until 2019-20, based on the need for startup activities and modifications, and the timeline for activation of the additional capacity.

Program Update: Kern County Admission, Evaluation, and Stabilization Center. In the Governor's January budget, DSH reported a reduction in General Fund expenditures in 2017-18 of $1.7 million related to delays in negotiation and execution of a contact with Kern County to establish an Admission, Evaluation, and Stabilization (AES) Center at the Lerdo Pre-Trial Facility located in Bakersfield. The Kern AES Center is expected to receive and treat IST patients committed to State Hospitals directly from nearby catchment counties.

In the May Revision, DSH reports an additional reduction in General Fund expenditures in 2017-18 of $906,000, for a total expenditure reduction of $2.6 million. According to DSH, the Kern County Board of Supervisors approved the final contract for the AES Center in December 2017, with the 60 day startup period beginning in February 2018 with recruitment and training activities. The additional delay in recruitment and training has led to an admission date of April 23, 2018, which results in a total reduction in estimated General Fund expenditures in 2017-18 of $2.6 million, which is an increase of savings of $906,000 compared to the Governor's January budget.

Medicare Authority Increase. DSH pays Medicare premiums for third-party health coverage of Medicare beneficiaries who are patients at the state hospitals, pursuant to state law. The governing statute provides a continuous General Fund appropriation to DSH for this purpose.

In the May Revision, DSH reports additional General Fund expenditures of $600,000 for Medicare premium payments. According to DSH, the funding level has not changed in more than 16 years, although the Medicare-eligible population has increased. DSH indicates additional costs have been imposed by the implementation of Medicare Part D and regular cost-of-living adjustments by the federal government. As these expenditures are continuously appropriated, DSH indicates this program update is informational and does not require legislative action.

Program Update: 2014 South Napa Earthquake Repairs. The 2014 South Napa Earthquake caused damage to buildings at Napa State Hospital with historical significance, within the hospital's secure treatment area, and in non-secured areas of the hospital. The 2015 Budget Act approved a total of $22.9 million ($5.7 million General Fund and $17.2 million federal disaster funds) for building repairs related to the earthquake. According to DSH, total project cost estimates have changed significantly over the past three years, rising by an additional $2.4 million from the costs estimated in the 2017 Budget Act.

In the Governor's January budget, DSH requested authority to utilize $2.4 million of savings from construction delays for its ETP units at Atascadero State Hospital to fund the increased costs for these repair projects. If approved, these savings would allow DSH to complete all of these repairs by the end of 2019.

In the May Revision, DSH updated its project costs and timelines for the repair projects. These updates result in an additional request for expenditure authority of $1.9 million ($1.1 million General Fund and

$834,000 reimbursements) in 2017-18, $1.2 million reimbursement expenditure authority in 2018-19, and $608,000 reimbursement expenditure authority in 2019-20.

According to DSH, the updated timeline of construction and expenditures on these repairs is as follows:

	DGS PROJECT 1 Three Historical Buildings	**DGS PROJECT 2** Buildings Outside the STA	**DSH PROJECT 3** Buildings Inside the STA
Design Completion	July 6, 2017	May 2018	N/A
Begin Construction	November 2, 2018	September 21, 2018	October 1, 2017
Complete Construction	July 5, 2019	September 21, 2019	December 31, 2019

Project	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**Grand Total**
1. Three Historical Buildings	$989,900	$0	$7,129,000	$0	$0	$8,118,900
2. Buildings Outside the STA	$0	$326,200	$3,675,000	$0	$0	$4,001,200
3. Buildings Inside the STA	$0	$0	$1,624,958	$1,216,958	$608,479	$3,450,395
Totals	**$989,900**	**$326,200**	**$12,428,958**	**$1,216,958**	**$608,479**	**$15,570,495**

Program Update: Metropolitan State Hospital Bed Expansion. In the Governor's January budget, DSH requested 346.1 positions and General Fund expenditure authority of $53.1 million in 2018-19 and 473.4 positions and General Fund expenditure authority of $69 million in 2019-20 and annually thereafter to activate newly secured units at Metropolitan State Hospital to provide increased capacity for the treatment of IST patients. The 2016 Budget Act included capital outlay construction funding to securely enclose existing patient buildings that currently house civilly committed patients under the Lanterman-Petris-Short (LPS) Act. Once secured, the LPS patients currently housed in these units will be transferred to non-secured buildings elsewhere on the Metropolitan campus and allow for additional secured capacity for the treatment of IST patients currently in county jails awaiting state hospital treatment.

In the May Revision, DSH updated its timeline and staff requests to reflect additional delays and a technical adjustment related to the civil service classification of the requested staff. As a result, DSH requests reduction of 10.1 positions and General Fund expenditure authority of $1 million in 2017-18, reduction of 183.3 positions and General Fund expenditure authority of $28.3 million in 2018-19, and a reduction of 131.2 positions and General Fund expenditure authority of $18.4 million in 2019-20. According to DSH, these reductions in staff and resources are the result of delayed inspections and additional modifications required by the State Fire Marshall, as well as delays in securing a contractor for the new secured fence.

This request previously activated and provided staff for approximately 236 forensic beds over the course of 2018-19 to treat IST patients. The May Revision update activates and provides staff for approximately 96 forensic beds in 2018-19 and 140 forensic beds in 2019-20.

Program Update: Jail-Based Competency Treatment Program Expansions. In the Governor's January budget, DSH requested General Fund expenditure authority of $516,000 in 2017-18, $8.1 million in 2018-19, and $8.3 million in 2019-20 and annually thereafter to activate jail-based competency treatment (JBCT) beds for the treatment of IST patients in county jails, pursuant to approval of program expansions in previous budget requests. DSH contracts with county jail facilities to provide restoration of competency services in jails, treating IST patients with lower acuity and that are likely to be quickly restored to competency. This request nets savings from delayed implementation of existing JBCT contracts in Mendocino, Sacramento, and Stanislaus counties with additional costs for the activation of five JBCT beds in Riverside and 50 beds in San Bernardino.

In the Governor's January budget, DSH also requested $8 million in 2018-19 and $9.3 million in 2019-20 to activate new JBCT programs totaling 104 beds in five Northern California counties, one Southern California county, and one Central California county. Two of the Northern California counties would be small counties.

In the May Revision, DSH has revised its request for existing and new JBCT programs. For existing programs, DSH requests reduction of General Fund expenditure authority of $1.1 million in 2017-18 and $1.6 million in 2018-19, and an increase in General Fund expenditure authority of $305,000 in 2019-20. According to DSH, these reductions are based on delayed activation for JBCT programs in Mendocino and San Bernardino, offset in 2019-20 by an expansion of the JBCT program in Sonoma by two beds. Reflecting these May Revision adjustments, the total DSH request for existing JBCT programs is a General Fund expenditure authority decrease of $561,000 in 2017-18, and increased General Fund expenditure authority of $6.5 million in 2018-19 and $8.6 million in 2019-20.

For new programs, DSH requests reduction of General Fund expenditure authority of $4.9 million in 2018-19 and $2.3 million in 2019-20. According to DSH, these reductions are based on delayed contracts for activation of these programs and proposed replacement of a small Northern California county with a small Central California county for JBCT expansion. Reflecting these May Revision adjustments, the total DSH request for new JBCT programs is an increase in General Fund expenditure authority of $3.1 million in 2018-19 and $7 million in 2019-20.

Program Update: Enhanced Treatment Program (ETP) Staffing. AB 1340 (Achadjian), Chapter 718, Statutes of 2014, authorized DSH to establish an ETP pilot project to expand the range of clinical treatment options for patients determined to be at the highest risk of dangerous behavior or violence against other patients or hospital staff and cannot be safely treated in a standard treatment environment. According to DSH, the risk of violence against other patients or hospital staff imposes both a threat to health and safety, as well as a barrier to the effective treatment of other patients who may fear for their physical safety in a standard treatment environment with a potentially violent patient. The pilot project period extends approximately five years from the first patient admitted to the ETP and imposes certain requirements on admission and treatment within an ETP.

Patients are evaluated for admission to an ETP based on requirements contained in AB 1340. A patient referred to an ETP by state hospital clinical staff is assessed by a dedicated forensic psychologist within three business days to make an initial determination regarding the appropriateness of the referral. If the referral is appropriate, the patient is further assessed by a panel comprised of a state hospital medical director, psychiatrist, and psychologist to certify admission to the ETP within seven days of the original referral. Upon admission, a forensic needs assessment team psychologist conducts a violence risk

assessment and develops a treatment plan in writing and, if possible, with the collaboration of the patient. The treatment plan, which must be reviewed and updated every ten days, must include information about the patient's mental health status and diagnoses, prescribed medications, goals of treatment, planned interventions and methods, documentation of success in meeting objectives, evaluation of the factors contributing to or detracting from the patient's progress, an activity plan, plans for other services needed by the patient, discharge criteria, goals for an aftercare plan in a standard treatment environment upon discharge, and a plan for post-discharge follow up.

In addition to the admission and treatment criteria, each ETP has specified staff-to-patient ratios, housing and facility requirements, and accessibility requirements. Each ETP is also required to maintain a full-time independent patient's rights advocate to provide advocacy services to patients admitted to an ETP.

The 2017 Budget Act authorized 44.7 positions and $8 million in 2017-18 and 115.1 positions and $15.2 million annually thereafter to activate the first two ETP units at Atascadero State Hospital. According to DSH, construction for the first unit was expected to begin in December 2017 and be completed in April 2018, while construction for the second unit was expected to begin April 2018 and be completed in August 2018. DSH reports these timelines have been delayed by the inability of the State Fire Marshall to complete approval of the final working plans, as fire resources have been deployed elsewhere in the state to assist with the emergency fire situation in several California counties.

In the Governor's January budget, DSH requested reversion of $2.3 million of anticipated General Fund savings related to the construction delays of the ETP units and reallocation of $2.4 million to fund unanticipated additional costs related to earthquake repairs at Napa State Hospital (see "Program Update: 2014 South Napa Earthquake Repairs"). DSH reported it would only spend $3 million of its $8 million 2017 Budget Act authority for ETP unit construction.

In the Governor's January budget, DSH also requested 23.2 positions and $2.8 million in 2018-19 and 65.7 positions and $8.4 million annually thereafter over the department's 2017 Budget Act authority for ETP unit construction. If approved, these resources would allow DSH to complete staffing and activation for the first two ETP units at Atascadero, as well as the planned activation of two additional ETP units, one at Atascadero and one at Patton State Hospital.

In the May Revision, DSH requests General Fund expenditure authority be increased by $70,000 in 2017-18, decreased by $7.4 million in 2018-19, and decreased by $50,000 in 2019-20. According to DSH, these changes are the result of delayed activation of the ETP units due to delays in receiving required approvals from the State Fire Marshall.

According to DSH, the updated timeline for construction for each of these units is as follows:

Units/Hospital	Construction Initiated	Construction Completed
DSH-Atascadero Unit 1	August 8, 2018	December 26, 2018
DSH-Atascadero Unit 2	December 26, 2018	April 17, 2019
DSH-Atascadero Unit 3	April 17, 2019	August 7, 2019
DSH-Patton Unit 1	April 12, 2019	September 6, 2019

Governor's January Budget Program Updates. The subcommittee also heard the following program updates that were unchanged at the May Revision.

Metropolitan State Hospital Per Patient Operating Equipment and Expenses. DSH requests General Fund expenditure authority of $3.7 million annually to fund the operating equipment and expenses associated with the activation of the additional 236 beds for the treatment of IST patients at Metropolitan State Hospital.

Coalinga State Hospital MDO Bed Activation. DSH requests 81.2 positions and General Fund expenditure authority of $11.5 million in 2018-19 and 96.9 positions and General Fund expenditure authority of $13.7 million in 2019-20 to increase capacity for the treatment of mentally disordered offenders (MDOs) at Coalinga State Hospital. This increased capacity is intended to allow transfer of MDOs from other State Hospitals to create additional capacity in those State Hospitals for the treatment of IST patients. Coalinga has already increased its MDO capacity by 25 beds. This request will allow for a two-phase activation of an additional 80 beds during 2018-19.

Program Update: Lanterman-Petris-Short (LPS) Population and Personal Services Adjustment. LPS patients are individuals that require physically secure 24-hour care and are committed through civil court proceedings that determine the individual is a danger to themselves or others or suffers from a grave disability. LPS patients are discharged when their county of residence places them in a different facility, in independent living, or with family, or if a court removes the conservatorship. Counties reimburse state hospitals for the costs of treatment for LPS patients.

According to DSH, the focus of treatment for the LPS population is on psychiatric stabilization and psychosocial treatments to reduce the risk of danger to themselves or others and develop basic life skills to function optimally in a lower level of care in the community. DSH provided care to a total of 849 LPS patients in 2016-17 with an average daily census of 670, or nine percent of the overall population. Of the 849 LPS patients in the state hospital system, 462 received treatment at Metropolitan, 258 at Napa, 118 at Patton, 10 at Atascadero, and one at Salinas Valley.

DSH requests an increase in reimbursement authority of $20.1 million in 2017-18 and annually thereafter. If approved, these resources would allow DSH to receive reimbursements from counties for the care and treatment of LPS patients. According to DSH, the currently budgeted LPS capacity systemwide is 628. As of June 2017, DSH had a total LPS census of 670.

Program Update: Forensic CONREP – Sexually Violent Predator (SVP) Program. Beginning in 1996, Sexually Violent Predators (SVP) were added to the CONREP population and are conditionally released to their county of domicile by court order with sufficient funding to provide treatment and supervision services. According to DSH, the CONREP-SVP program offers patients direct access to an array of mental health services with a forensic focus, as well as regularly scheduled sex offender risk assessments, polygraph testing, and review of Global Position System (GPS) data and surveillance. DSH reports it is on track to achieve a total 2017-18 caseload of 17 SVPs in CONREP by June 30, 2018.

Although no caseload growth is expected, DSH reports it will achieve $96,000 one-time General Fund savings in 2017-18 in the CONREP-SVP program based on adjustments to caseload due to the timing of conditional release dates from state hospital commitments.

These issues were heard during the subcommittee's April 12th, April 26th, and May 15th hearings.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve these program updates, as reflected as of May Revision.

Issue 2: Protected Health Information

DOF Issue#: 4440-001-BCP-2018-MR

May Revision Finance Letter. DSH requests eight three-year, limited-term positions and General Fund expenditure authority of $988,000 in 2018-19, 2019-20, and 2020-21. If approved, these positions and resources would allow DSH to implement new procedures for processing invoices and payments from external medical providers containing Protected Health Information and consolidate financial operations into a single unit.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0001 – General Fund	$988,000	$988,000
Total Funding Request:	**$988,000**	**$988,000**
Total Positions Requested:**	**8.0**	

* Additional fiscal year resources requested: 2020-21: $988,000;
** Positions are limited-term and expire at the end of 2020-21.

This issue was heard during the subcommittee's May 15th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the requested positions and resources to improve security practices for protected health information by transitioning to a more secure invoice processing system.

Issue 3: Los Angeles County Incompetent to Stand Trial Community Treatment

DOF Issue#: 4440-002-ECP-2018-GB
4440-230-ECP-2018-MR
4440-260-ECP-2018-MR

Background. In the Governor's January budget, DSH requested General Fund expenditure authority of $14.8 million to contract with Los Angeles County for 150 beds to treat IST patients in community settings, based on the county's experience in treating misdemeanor IST patients in similar settings. The contract, currently under negotiation to begin July 2018, would provide a coordinated continuum of mental health placements including five beds in a locked acute psychiatric hospital, 45 beds in a locked Institute for Mental Disease or mental health rehabilitation center, and 100 beds in residential facilities with clinical and supportive services. Los Angeles County has approximately 185 IST offenders awaiting state hospital placement. The contract would also include $2.5 million of funding for Los Angeles County staffing resources for 10-12 positions, including a clinical team of six to eight staff members, which would provide patient support by stabilizing patients on medications and preparing

them for community placement, and a navigation team of two to three staff members to support connections to social services and other needs.

	Locked Inpatient	Locked IMD type IMD Type	Unlocked, secured, Clinically Enhanced Type
Proposed # of Beds	5	45	100
Facility Type	General Acute Care Hospital or Acute Psychiatric Hosptial -- likely Olive View Medical Center	Low acuity hospital, and/or Nursing facility; licenses as an Institute for Mental Disease facility or a Mental Health Rehabilitation Center	Residential site with clinical and supportive services on-site
Facility Bed Capacity	18 total beds with 5 set aside for this project	2 different facilities: 1st up to 15 beds in San Fernando Valley part of LA County; 2nd with up to 35 beds in southern LAC or San Diego County	3-5 sites across LA County with 20-40 beds each
Security	Locked unit	Locked facilities	Open, but gated and with staff and security cameras monitoring entrance/exit
Staffing	24/7 nursing and MD staff, full-time clinical SW and support staff	24/7 nursing staff, M-F and on call MD staff, full-time clinical SW and support staff	24/7 case management and security staff, full-time clinical social work and nursing staff; potentially nurse practitioner on call
Treatment	Stabilization of Acute Mental Health or Medical symptoms	Sub-acute stablization of patients who do not require acute care, but who are not clinically ready for outpatient care and restoration of competency treatment.	Outpatient treatment, maintenance of stabilization, on-site psychiatric care, medication support and monitoring, group and individual therapy and restoration of competency treatment.

Figure 1: Los Angeles County IST Restoration in Community Mental Health Treatment Placements
Source: *2018-19 Department of State Hospitals Governor's Budget Proposals and Estimate*

In the May Revision, DSH requests a reduction in one-time General Fund expenditure authority of $1.7 million in 2017-18 and an increase in ongoing General Fund expenditure authority of $750,000 in 2018-19. According to DSH, the 2017-18 reduction reflects a phase-in of community placements, one-time startup costs, additional clinical team members to work with the courts and to support an "off-ramp" for patients restored to competency before placement in the community or state hospitals. The 2018-19 increase is for additional staff for ongoing support of the "off-ramp" for competency restoration, including one psychiatrist, two social workers, and one support staff.

This issue was heard during the subcommittee's April 12th and May 15th hearings.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve the resources for the LA County IST Community Treatment program. Los Angeles County has experienced significant success with community-based treatment and diversion of its misdemeanant IST population. The subcommittee will continue monitoring LA County's progress in reducing its IST referrals and diverting individuals with serious mental illness into treatment.

Issue 4: Metropolitan State Hospital Central Utility Plant

DOF Issue#: 4440-270-ECP-2018-MR

May Revision Issue. DSH requests ongoing General Fund expenditure authority of $2.6 million. If approved, these resources would fund the operation and maintenance of the Central Utility Plant at Metropolitan State Hospital.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0001 – General Fund	$2,580,000	$2,580,000
Total Funding Request:	**$2,580,000**	**$2,580,000**

* Resources ongoing after 2019-20.

This issue was heard during the subcommittee's May 15th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve this request for resources to continue operations of the Metropolitan State Hospital Central Utility Plant.

Issue 5: Hepatitis C Treatment Expansion

DOF Issue#: 4440-370-ECP-2018-MR

May Revision Issue. DSH requests ongoing General Fund expenditure authority of $3.3 million. If approved, these resources would allow DSH to expand treatment eligibility for state hospital patients infected with Hepatitis C.

Program Funding Request Summary		
Fund Source	**2018-19**	**2019-20***
0001 – General Fund	$3,300,000	$3,300,000
Total Funding Request:	**$3,300,000**	**$3,300,000**

* Resources ongoing after 2019-20.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve this request for resources to expand Hepatitis C treatment guidelines to DSH patients at an earlier stage of infection. The subcommittee will continue to monitor DSH's progress in reducing the HCV infection rate at its state hospitals.

Issue 6: Miscellaneous Technical Adjustments

DOF Issue#: 4440-250-ECP-2018-MR

May Revision Issue. DSH requests technical adjustments to reduce reimbursement expenditure authority of $1 million in 2018-19 and $1.2 million in 2019-20. If approved, these adjustments would

allow a one-time increase in reimbursement authority in 2018-19 from a local community college for DSH's Hospital Police Officer Academy program and remove unused reimbursement authority for implementation of the Health Insurance Portability and Accountability Act (HIPAA).

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve these technical adjustments to department reimbursements.

Issue 7: Competency Restoration Assessments

DOF Issue#: TBL (RN Pending)

May Revision Trailer Bill Language Proposal. DSH proposes trailer bill language to allow for an individual declared incompetent to stand trial to be assessed at any time to determine if the individual has regained competence and may be returned to the referring county for criminal proceedings.

DSH proposes trailer bill language to allow an individual declared incompetent to stand trial pursuant Penal Code Section 1370 to be examined to determine whether the defendant has regained competence. If counsel for the individual, the district attorney, judge, jail medical, or mental health staff reports the individual appears to have regained competence, the court may appoint a psychiatrist, licensed psychologist, or any other expert to perform the examination. If, in the opinion of the expert, the individual has regained competence, the court would reinstate criminal proceedings.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. It is recommended the subcommittee approve the department's proposed trailer bill language to implement a process for individuals that regain competency to be assessed for restoration.

Issue 8: IST Diversion Proposal – County Mental Health Treatment Partnerships

DOF Issue#: TBL (RN Pending)

Budget Issue and Trailer Bill Language. DSH requests two positions and General Fund expenditure authority of $100 million in 2018-19 and $376,000 to contract with counties to develop new or expand existing diversion programs for individuals with serious mental illness with potential to be found incompetent to stand trial (IST) on felony charges.

Program Funding Request Summary (Budgeting Methodology BCP)		
Fund Source	**2018-19**	**2019-20**
0001 – General Fund	$100,000,000	$376,000
Total Funding Request:	**$100,000,000**	**$376,000**
Total Positions Requested:**	**2.0**	**2.0**

* Mental Health Services Fund is also separately reflected in the MHSOAC budget request.
** Positions are limited-term and would be authorized through 2020-21.

State-County Partnerships for Diversion of Potential IST Offenders. DSH requests trailer bill language and General Fund expenditure authority of $100 million to contract with counties to develop new or expand existing diversion programs for individuals with severe mental illnesses. These

programs would be primarily focused on individuals diagnosed with schizophrenia, shizoaffective disorder, or bipolar disorder with the potential to be found IST on felony charges. Programs components would include:

- Evidence-based community mental health treatment and wrap around services, such as forensic assertive community treatment teams, crisis intervention teams, forensic alternative centers, intensive case management, criminal justice coordination, peer support, supportive housing, and vocational support.
- Targeting of individuals with serious mental illnesses where a nexus exists between the illness and the alleged criminal activity, there is significant evidence of mental illness at the time of the alleged crime, the crime is driven by conditions of homelessness, and the individual does not pose a significant safety risk if treated in the community.

Counties would be required to contribute matching funds of 20 percent of the program costs and provide outcomes data on the success of the program towards the goal of reducing IST referrals by 30 percent. In addition to funding for county diversion contracts, DSH requests one Chief Psychologist and one Health Program Specialist I position on a three-year, limited-term basis to provide diversion and risk assessment expertise and to review and provide technical assistance for county diversion proposals.

Stakeholder Proposal – Community Mental Health Diversion for IST and State Prisoners. Stanford Law School's Three Strikes Project requests trailer bill language to expand upon the Administration's IST diversion proposal to address unmet mental health needs among both State Hospital patients and individuals incarcerated in state prisons. Modeled on similar incentive-based funding programs, such as SB 81 (Committee on Budget and Fiscal Review), Chapter 175, Statutes of 2007, and SB 678 (Leno), Chapter 608, Statutes of 2009, this proposal requires the Department of Finance, in consultation with other law enforcement agencies and entities, to calculate the state costs of incarceration in state prisons or restoration of competency treatment in State Hospitals and share 35 percent of those costs with counties for every individual with mental illness diverted to community-based treatment below a certain baseline threshold.

According to the Three Strikes Project, more than 30 percent of California prisoners currently receive treatment for a serious mental disorder, which represents a 150 percent increase since 2000. In addition, the severity of psychiatric symptoms of state prisoners has risen dramatically over the last five years. Defendants with mental illness receive longer prison sentences, on average, and some counties send a disproportionate number of defendants with mental illness to state prison.

While the Administration's proposed investment in community mental health diversion programs is a necessary component of addressing unmet mental health needs in the community that may lead to involvement in the justice system, the solitary focus on IST referrals ignores the equally challenging public health problem and fiscal impacts of individuals with severe mental illness sentenced to state prisons. The Three Strikes Project proposal, which is also contained in SB 142 (Beall) and would be combined with the Administration's current IST community mental health diversion proposal, incorporates financial incentives for counties to divert more at-risk individuals for community treatment and provides an ongoing funding source for diversion programs.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** the department's request for resources for its proposed county mental health treatment partnership.
2. **Adopt Modified Placeholder Trailer Bill Language** that makes the following adjustments to the department's proposal as updated at May Revision:
   - Require DSH to enter into an interagency agreement with the Mental Health Services Oversight and Accountability Commission (MHSOAC).
   - Require counties applying for diversion funds to make use of available county allocations of Mental Health Services Act revenues.
   - Require both DSH and MHSOAC approval of all county plans for diversion programs, with an expedited process for concurrent approval by both entities.
   - Establish a shared savings program for counties receiving diversion funds under this program. After the three-year grant period, if a county reduced its IST referrals to state hospitals by a certain threshold, it would be eligible for a fixed amount of General Fund resources per diverted individual per year. Counties would only be eligible for such funding if there was no concomitant increase in individuals sentenced to state prison in those counties that enter the Mental Health Services Delivery System during the same period.

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: County Mental Health Innovation Planning

Budget Issue. MHSOAC requests expenditure authority from the Mental Health Services Fund of $2.5 million in 2018-19 and 2019-20. If approved, these resources would allow MHSOAC to contract with a private entity to provide support to counties in developing plans for innovative programs under the Mental Health Services Act, specifically to address community mental health diversion efforts for individuals found incompetent to stand trial.

Program Funding Request Summary (Budgeting Methodology BCP)		
Fund Source	**2018-19**	**2019-20**
3085 – Mental Health Services Fund	$2,500,000	$2,500,000
Total Funding Request:	**$2,500,000**	**$2,500,000**

This issue was heard during the subcommittee's April 12th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended the subcommittee approve this request for resources to provide support to counties in developing innovation plans.

Issue 2: Reappropriation of Unexpended Mental Health Triage Funding

DOF Issue#: None – Legislative Proposal

Reappropriation of Unexpended Mental Health Triage Funding. MHSOAC requests reappropriation of expenditure authority from the Mental Health Services Fund of $29.4 million ($2.5 million from 2013-14, $8.8 million from 2014-15, $992,408 from 2015-16, and $17.1 million from 2016-17). These funds were originally appropriated under the Investment in Mental Health Wellness Act for triage personnel to provide intensive case management and linkage to services for individuals with mental health disorders at various points of access. The original appropriation was $54 million ($32 million Mental Health Services Fund and $22 million federal funds) for 600 triage personnel. According to MHSOAC, counties experienced challenges hiring triage personnel and were unable to spend all of their allotted funds during the term of their grants. These unspent funds, once reappropriated and available for encumbrance and expenditure through 2020-21, would allow MHSOAC to award more grants to counties during the next grant cycle.

This issue was heard during the subcommittee's May 3rd hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** the reappropriation of expenditure authority from the Mental Health Services Fund from 2013-14, 2014-15, 2015-16, and 2017-18.

Issue 3: Stakeholder Contracts for Mental Health Issues Among Immigrants and Refugees

DOF Issue#: None – Legislative Proposal

Stakeholder Advocacy Contracts for Mental Health Issues Among Immigrants and Refugees. The California Pan-Ethnic Health Network (CPEHN) and the California Immigrant Policy Center (CIPC) request $670,000 from the Mental Health Services Fund for MHSOAC to develop stakeholder advocacy contracts to support the mental health and engagement of immigrants and refugees. According to CPEHN and CIPC, the Trump Administration's continued scapegoating and attacking of immigrants has created a hostile atmosphere for many in our communities. The state has taken legislative action to limit the reach of the federal government and invested additional resources in support of immigrant legal services. Immigrants and refugees continue to show their strength and resiliency in weathering these attacks, but the cumulative impact takes a toll on the health and well-being of communities. As part of the MHSA, MHSOAC can support key partnerships, programs, and planning to meet the mental health needs of Californians and their families. In addition, pursuant to Welfare and Institutions Code Section 5892(d), the Mental Health Services administrative fund must include funds to promote stakeholder engagement in decisions concerning the public mental health system. The 2015 Budget Act included funds to increase stakeholder engagement among diverse racial and ethnic communities and among veterans, and the 2016 Budget Act included funds to increase stakeholder engagement among LGBTQ communities. CPEHN and CIPC request funding for stakeholder contracts to include mental health issues among immigrant and refugee communities.

This issue was heard during the subcommittee's April 12th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** expenditure authority from the Mental Health Services Fund state administration account of $670,000 annually to fund stakeholder contracts for mental health issues among immigrants and refugees.

Issue 4: Stakeholder Contracts to Reduce Criminal Justice Involvement of MH Consumers

DOF Issue#: None – Legislative Proposal

Stakeholder Contracts To Reduce Criminal Justice Involvement of Mental Health Consumers. MHSOAC requests expenditure authority of $670,000 from the Mental Health Services Fund annually to fund stakeholder advocacy contracts to reduce the involvement of mental health consumers in the criminal justice system. MHSOAC oversees the activities of statewide stakeholder advocacy contracts funded under Welfare and Institutions Code Section 5892(d). These contracts support the needs of mental health clients, family members, children, transition-aged youth, veterans, the LGBTQ community, and organizations working to reduce racial and ethnic disparities through education, outreach and advocacy efforts. MHSOAC awards a total of $4.7 million contracted funds annually.

According to MHSOAC, for too many Californians becoming involved with law enforcement remains the primary avenue to accessing mental health care. As part of a broader strategy to address this challenge, MHSOAC requests expenditure authority of $670,000 from the Mental Health Services Fund

state administration account for stakeholder advocacy contracts to reduce the number of mental health consumers who become involved in the criminal justice system.

This issue was heard during the subcommittee's May 3rd hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Augment** expenditure authority from the Mental Health Services Fund state administration account of $670,000 annually to fund stakeholder contracts to reduce criminal justice involvement among mental health consumers.