Senate Budget and Fiscal Review

Subcommittee No. 3 2014 Agendas

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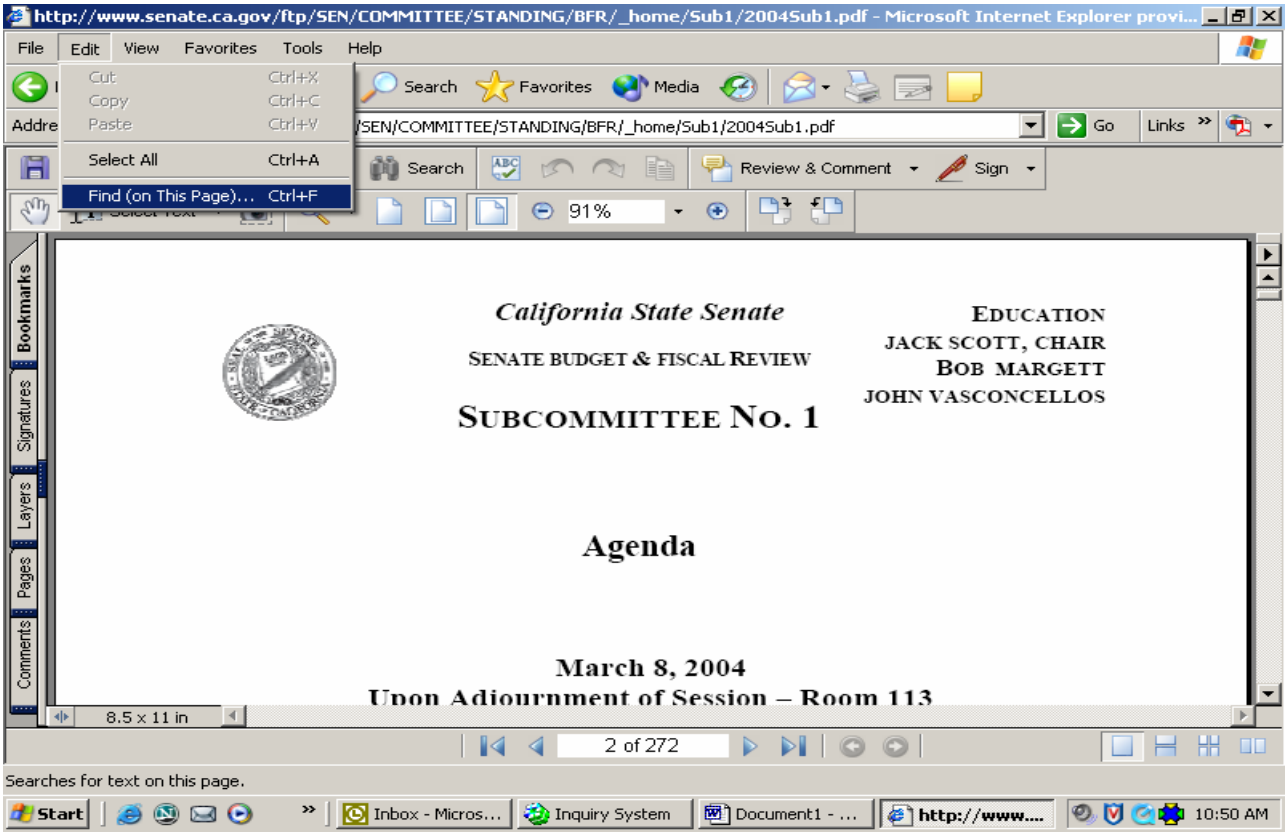

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett

Senator Bill Monning
Senator Mike Morrell

April 24, 2014

1:30 p.m.
Room 4202, State Capitol

Agenda
(Michelle Baass)

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate Daily File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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VOTE ONLY

0530 Secretary for Health and Human Services Agency

1. Office of Systems Integration - CalHEERS

Budget Issue. The Governor's budget requests a decrease in Office of Systems Integration (OSI) reimbursement authority in 2014-15, in the amount of $32,060,149 for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) Project. (Reimbursements are from the Health Benefit Exchange Board, the Department of Health Care Services, and the Managed Risk Medical Insurance Board.)

This decrease is in line with the project schedule and reflects the completion of development and implementation (D&I) and the beginning of operation and maintenance (O&M).

An increase of $5,746,167 is also required in 2013-14, which will be requested separately via a Section Letter. The increase in 2013-14 is a result of activities being shifted across fiscal years. The total project costs do not change over what was previously approved in the May 2013 *CalHEERS As-Needed Implementation Advance Planning Document Update*.

Background. OSI has been chosen by the California Health Benefit Exchange (Exchange) to provide project management services during the design, development and implementation and system stabilization of the CalHEERS solution to help meet the federally mandated timelines and requirements. In order to provide adequate project management for the CalHEERS Project, OSI requires reimbursement from the Exchange for the costs associated with these project management services in 2013-14.

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised regarding OSI's role in the CalHEERS project. It is recommended to approve this request to ensure continued development and management of the CalHEERS project.

4260 Department of Health Care Services (DHCS)

1. Every Woman Counts Contract Conversion

Budget Issue. DHCS requests four two-year limited-term positions to replace existing contract staff in the Every Woman Counts (EWC) Program in order to comply with Government Code Section 19130, which prohibits contracting out for services that can be performed by state civil servants. DHCS expects this proposal to result in savings of $143,000 federal funds.

DHCS proposes to acquire the following positions for this purpose:

- Associate Governmental Program Analysts (2.0)
- Associate Information Systems Analyst (1.0)
- Research Scientist Supervisor II (1.0)

To fill these positions, DHCS intends to hire the same individuals who currently are employed as the contracted staff to do this work, thereby ensuring the availability of qualified individuals to fill these positions.

Background. The EWC is funded through a combination of tobacco tax revenue, General Fund, and a federal Centers for Disease Control (CDC) grant. The CDC grant requires the program to monitor the quality of screening procedures, and therefore the program collects recipient enrollment and outcome data from enrolled primary care providers through a web-based data portal. This recipient data is then reported to CDC biannually and assessed for outcomes to determine if outcomes meet performance indicators, such as the number of women rarely or never screened for cervical cancer and length of time from screening to diagnosis to treatment.

The existing contract positions are responsible for performing core program performance activities associated with the federal grant deliverables and data analyses to support the development and completion of the annual report to the Legislature required under the Revenue and Tax Code Section 3046.6 (f). These positions provide semi-annual estimates, quarterly reports on caseload, program expenditures and program monitoring, as required by SB 853 (Committee on Budget & Fiscal Review), Chapter 717, Statutes of 2010. Currently, DHCS contracts with the University of California, Davis, to provide contract staff to perform these federally mandated data collection and reporting activities.

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal.

ISSUES FOR DISCUSSION

4260 Department of Health Care Services (DHCS)

1. CalHEERS and Medi-Cal Enrollment

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

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

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

Background. The Affordable Care Act required the Health Benefit Exchange to be operational by January 1, 2014. Functions of the Exchange include eligibility determinations for Exchange products and insurance affordability programs including Medi-Cal and Children's Health Insurance Programs (CHIP). Federal regulations and state law require coordination between the Exchange, Medi-Cal, and CHIP programs to ensure a seamless, integrated process for individuals seeking health coverage. This integration requires interfaces with CalHEERS, the information technology (IT) computer system designed for the Exchange functions, the three county eligibility consortia that determine Medi-Cal eligibility and MEDS, the statewide database that includes eligibility information for Medi-Cal, CalWORKs, and CalFRESH.

The 2013 Budget Act provided 12.0 two-year limited-term positions to support the planning, design, development, implementation, and ongoing maintenance of the Medi-Cal eligibility and enrollment system changes and integration with the California Health Benefit Exchange and county eligibility consortia systems. However, there have been significant scope and functionality delays; and, consequently, the Administration requests to extend these 12 positions for another two years. See table below for the proposed CalHEERS schedule.

Table: Proposed CalHEERS Release Schedule and Functionality

<table>
<tr><th colspan="2">March - May</th></tr>
<tr><td colspan="2">Theme: Medi-Cal and eHIT Improvements, Special Enrollment, Medi-Cal pre-ACA Renewals and Redeterminations</td></tr>
<tr><td>Completed Work:
Medi-Cal Effective Dating/Discontinuances/Notices
Medi-Cal Pre-ACA Conversion Renewals - Report A Change Reporting - Add a person to Pre-ACA Medi-Cal or Non-MAGI case
Federal Poverty Level – Table Update
eHIT Defect Resolution</td><td>Pending Work:
eHIT Defect Resolution (ongoing)
Changes to Special Enrollment
MAGI Medi-Cal Negative Action
MEDS Transactions Defect Resolution
Federal Poverty Level/COLA Processing
Remote Identity Proofing
Residency Verification (MEDS & Franchise Tax Board)
MAGI-Based Medi-Cal Aid Code Hierarchy (Former Foster Care)
Eliminate Deprivation
Changes for Processing Lump Sum Income</td></tr>
<tr><th colspan="2">June</th></tr>
<tr><td colspan="2">Theme: Medi-Cal and eHIT Improvements</td></tr>
<tr><td colspan="2">Include Unborn Child in Family Household for MAGI determinations
Additional Lump Sum Income updates
eHIT Schema Changes
Updates for Verify Lawful Presence
PRUCOL
Add Servicing County if different from county of residence
Continuous Eligibility for Children (CEC)
Continuous Eligibility for Pregnant Women
Enhancements for Reporting Changes for QHP enrollments
IRS Reporting for Advanced Premium Tax Credits (APTC) Consumers</td></tr>
<tr><th colspan="2">Summer</th></tr>
<tr><td colspan="2">Theme: Updates to Single Streamlined Application</td></tr>
<tr><td colspan="2">Updates for CMS Requirements
Updates to align paper and on-line application
Updates based on advocate feedback
Updates based on consumer / usability feedback
Medi-Cal Plan Selection</td></tr>
<tr><td colspan="2">Theme: MAGI Medi-Cal and Qualified Health Plan (QHP) Renewals</td></tr>
<tr><td colspan="2">Updates and changes required for first year renewals of MAGI and QHP Renewals</td></tr>
<tr><td colspan="2">Other Items</td></tr>
<tr><td colspan="2">Integrate AIM and CHIM Programs
Updates for Financial Management
Full implementation of Voter Registration Requirements</td></tr>
<tr><th colspan="2">Fall</th></tr>
<tr><td colspan="2">Theme: Second Year Open Enrollment for QHP</td></tr>
<tr><td colspan="2">Updates and changes required for second Exchange Open Enrollment</td></tr>
<tr><td colspan="2">Theme: Carrier and Enrollment Improvements</td></tr>
<tr><td colspan="2">On-line payments for QHP enrollments
Enhancements for Plan-based enrollers
Enhancements for Issuers on-line
Enrollment transaction enhancements</td></tr>
</table>

CalHEERS Delays and Inaccuracies Have Significant Impact on Medi-Cal Enrollment. Delays in implementation and inaccuracies in CalHEERS functionality have had a significant impact on Medi-Cal enrollment. Consequently, there is a backlog of almost 900,000 pending Medi-Cal applications. This includes individuals with applications submitted and likely MAGI (Modified Adjusted Gross Income) Medi-Cal eligible but need verification or need application information corrected or updated, or duplicate-case to be deleted:

- Submitted Oct 1 – Dec 31, 2013, and pending as of March 31: approximately 224,000
- Submitted Jan 1 – Mar 31, 2014, and pending as of March 31: approximately 673,000 (includes 390,000 submitted in March)

According to DHCS, most of the pending applications need residency verification, and approximately half of the pending applications need income verification. Since residency and income verification are the two requirements to make an applicant eligible (or conditionally eligible, if immigration status is pending), the policy of suspending the requirement for paper verification of residency means that potentially half of the pending applicants could be cleared by the temporary verification policy. However, DHCS notes that some of the older applications missing only residency verification may have other errors or outstanding issues to resolve before eligibility determination can be completed.

Approximately 34,000 consumers were determined eligible for MAGI Medi-Cal on an expedited basis because they have an immediate need for health care services, from January 1, 2014 through March 31, 2014.

Although the Administration has taken steps to address these issues by waiving certain requirements, such as suspending the requirement that Medi-Cal applicants provide paper documentation of residency until May 1, 2014, ensuring that key functionality is included in CalHEERS is critical to the Medi-Cal program. Consumer advocates and other stakeholders urge the continuation of the suspension of residency verification until the planned electronic verifications are implemented.

Additionally, since CalHEERS is a joint project between DHCS and Covered California, it is important to ensure that there is an equal focus on Medi-Cal when developing the public-messaging about health care reform and the CalHEERS website. For example, Medi-Cal does not have an open enrollment period as does Covered California's health coverage; however, when the open enrollment period for Covered California was ending, CalHEERS contained misleading information regarding a person's ability to enroll in Medi-Cal. DHCS and Covered California are working with stakeholders on this messaging; however, it is important for all future CalHEERS development and webpages to ensure that Medi-Cal's focus and rules are always considered.

Subcommittee Staff Comment and Recommendation—Hold Open. CalHEERS is a very complex IT system that was developed in an expedited timeframe to meet federal and state timelines. It is important to remember that this system impacts the ability of millions of Californian's to get the health coverage they need. It is recommended to hold this item open as discussions continue on steps that can be taken to suspend requirements or ease manual processing to ensure that individuals receive the coverage for which they are eligible.

Questions.

1. Please provide an overview of this proposal.

2. What is the backlog of pending Medi-Cal applications? How many of these applications would be addressed by the suspension of residency verification until May 1, 2014? How have these applications been processed? What is the timeline to clear the backlog? What other work-arounds have been implemented?

3. Please explain the income verification issues that are resulting in delays in processing eligibility and the corrective action steps that have been taken?

4. Please provide a high-level overview of the critical pieces of functionality that need to be implemented in CalHEERS.

5. Will all CalHEERS functionality be available to successfully process renewals? If not, what functionality will not be available?

6. How is DHCS seeking stakeholder feedback regarding changes to CalHEERS and the proposed CalHEERS release schedule?

7. Has DHCS considered suspending renewals, as permitted by the federal Centers for Medicare and Medicaid Services, and as has been done in other states in order to clear the backlog of pending cases?

8. Please explain what criteria DHCS and Covered California use to prioritize changes in CalHEERS?

9. What is the timeline for complying with the requirement to produce pre-populated forms?

10. Has there been an increased workload on the county eligibility workers as a result of some of the functionality problems over the original estimates? If so what accommodations have been made?

11. According to the proposed schedule, integration of AIM into CalHEERS is not proposed until the summer. If AIM is transition to DHCS on July 1, 2014 as proposed in the budget, how does DHCS plan to process AIM applications? How is DHCS planning for this and communicating with stakeholders on this potential future process?

2. SB 28 - Medi-Cal ACA Implementation – New County Administration Methodology

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

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

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

Background. The state's 58 counties perform eligibility determinations for applicants to the Medi-Cal program as well as case maintenance activities. Currently, counties are budgeted for their activities based on claimed expenditures from previous years, and there is no county share of cost for administrative activities in the Medi-Cal program. SB 28 requires the development of a new budgeting methodology for county administrative costs. This new budgeting methodology will be used to compensate counties for the work they will be performing under ACA while also providing DHCS with improved data on county operations and costs relative to Medi-Cal eligibility determinations and case maintenance activities for applicants and beneficiaries. The new budgeting methodology shall be implemented no sooner than 2015-16 and DHCS would be required to provide the new budgeting methodology to the legislative fiscal committees by March 2015.

DHCS intends for the development of the new county budget methodology to be a comprehensive overhaul that will include specific reviews of annual time studies, claimed expenditures, and other data metrics. The Administration believes that most of this work should be done by A&I as they have the experience, expertise, and skills necessary to perform these activities. DHCS states that A&I lacks certain critical expertise in the area of monitoring and evaluation of time studies. Consequently, DHCS proposes to hire contract staff with specific knowledge to develop the new methodology, create an ongoing monitoring plan, and train A&I staff on monitoring and evaluation of time studies.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as discussions continue on the classifications and divisions of the proposed staff. CWDA is concerned that most of the requested positions (five) would be in the A&I division, which does not have expertise in Medi-Cal eligibility or county administration.

Questions.

1. Please provide an overview of this proposal, including the implementation timeline.

2. The number of Medi-Cal applications in the county workload is higher than originally estimated. Does the Administration plan to make adjustments to this estimate as a result?

3. Please provide DHCS's rationale for why five of these positions would be in A&I. Could similar classifications be added to MCED?

3. Suspend Cost-of-Living Adjustment for County Eligibility Administration

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

Table: Summary of Proposed County Administration Funding

	2013-14		2014-15	
	Total Fund	**General Fund**	**Total Fund**	**General Fund**
Base County Administration	$1.3 billion	$651.3 million	$1.3 billion	$651.3 million
Affordable Care Act Implementation	$143.8 million	$71.9 million	$130 million	$65 million
Cost-of-Living Adjustment (COLA)	$30.8 million	$15.4 million	$20.2 million	$10.1 million
Elimination of COLA	N/A	N/A	-$20.2 million	-$10.1 million
Rollover of Prior Year Medi-Cal Eligibility Processing Costs	$37.6 million	$18.8 million	$35.9 million	$17.9 million
Other	$321.3 million	$57.9 million	$281 million	$127.9 million
Enhanced Federal Funding		-$124.2 million		-$248.4 million
Total	**$1.8 billion**	**$653.6 million**	**$1.7 billion**	**$506.5 million**

The Administration contends that this proposal is technical clean-up as county administrative funding has been adjusted due to implementation of new Affordable Care Act requirements in 2013-14 and 2014-15 and that the new budget methodology (discussed earlier) will be implemented for 2015-16.

Background. DHCS provides funding for county staff and support costs to perform administrative activities associated with the Medi-Cal eligibility process. Welfare and Institutions Code Section 14154 states the Legislature's intent to provide the counties with a COLA annually. Nevertheless, the COLA was suspended for the following four fiscal years: 2009-10, 2010-11, 2011-12, and 2012-13. Furthermore, AB 12 (Evans) Chapter 12, Statutes of 2009-10, 4th Extraordinary Session, added Government Code Section 11019.10 that prohibits automatic COLAs.

The 2013 Budget Act included supplemental funding for the counties reflecting the substantial increase in workload expected as a result of implementation of the Affordable Care Act. This supplemental funding included a COLA for 2013-14. Related, and as discussed in the prior issue on this agenda, SB 28 (Hernandez & Steinberg) Chapter 442, Statutes of 2013, requires DHCS, in consultation with stakeholders, to create a new methodology for budgeting and allocating funds for county administration for the Medi-Cal program, and for this new methodology to be implemented in 2015-16.

LAO Findings and Recommendation. The LAO recommends the Legislature reject the Administration's proposed trailer bill language that would express the Legislature's intent to suspend the COLA for Medi-Cal county administration on an ongoing basis. The LAO finds that the proposed trailer bill language is premature. Statutory language enacted in 2013 requires DHCS to work with counties to

develop a new budget methodology for Medi-Cal county administration no sooner than 2015-16. In the LAO's view, any discussion of the ongoing nature of COLAs should be part of the broader discussion of the new budget methodology that is being developed. Until the new budget methodology is developed and adopted, to the extent the Legislature choses to suspend the COLA for county administration, it can be suspended through the annual budget process—consistent with what has been done in recent years.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as updated estimates regarding county administration funding will be included in the May Revise.

Questions.

1. Please provide an overview of this item.

4. Medi-Cal Rates, Payment Reductions (AB 97), and Access Monitoring

Background. As a result of the state's fiscal crisis, AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, required the Department of Health Care Services (DHCS) to implement a 10 percent Medi-Cal provider payment reduction, starting June 1, 2011. This 10 percent rate reduction applies to all providers with certain exemptions and variations. Certain exemptions were specified in AB 97 and some are a result of an access and utilization assessment. AB 97 provides DHCS the ability to exempt services and providers if there are concerns about access.

On October 27, 2011, the federal Centers for Medicare and Medicaid (CMS) approved California's proposal to reduce Medi-Cal provider reimbursement rates. As part of this approval, CMS required DHCS to (1) provide data and metrics that demonstrated that beneficiary access to these services would not be impacted, and (2) develop and implement an ongoing healthcare access monitoring system.

DHCS had been prevented from implementing many of these reductions due to a court injunction. On June 14, 2013, the United States Court of Appeals for the Ninth Circuit denied the plaintiffs' motion for a stay of mandate in this case, allowing the implementation of all of the AB 97 Medi-Cal provider 10 percent payment reductions. For the enjoined providers, DHCS began implementation of the retrospective payment reductions on a staggered basis, by provider type, starting in September 2013.

Budget Issue. The Governor's budget continues these payment reductions and recognizes $489 million ($244.5 million General Fund) in ongoing annual savings and $76.6 million ($38.3 million General Fund) in savings from the recoupment of certain retroactive reductions (that are not forgiven as discussed below) in 2014-15. The 2013 budget included $849.3 million ($424.6 million General Fund) in annual ongoing savings. The differences between the 2013 budget act and the Governor's proposal are described below.

Forgives Certain Retroactive Obligations. The Governor's budget forgives certain retroactive fee-for-service (FFS) provider payment reductions for physicians/clinics, specialty drugs, dental, intermediate care facilities for the developmentally disabled (ICF/DDs), and medical transportation.

This results in an $11.6 million ($5.8 million General Fund) increase in 2013-14 and a $72.6 million ($36.3 million General Fund) increase in 2014-15. The total cost of these recoupments is $434.2 million ($217.1 million General Fund), which will be forgiven over the next several years. The Administration finds that implementation of both the retrospective and prospective reduction for these provider types would have a negative impact on access to these services for Medi-Cal enrollees. See table below for a summary.

The Administration indicates that federal CMS has no concerns with the proposal to forgive retroactive obligations and has provided guidance on the ability to draw down federal funds to help pay (based on a 50:50 split) for this proposal. Previously, the Administration indicated the federal funds would not be available to address retroactive reductions and consequently would have been all General Fund.

Table 1: Medi-Cal Provider Payment Reduction Summary in January Budget

Medi-Cal Provider Payment Reductions (AB 97) Summary						
Provider Type	Retroactive Savings Period	Total Retroactive Savings	Estimated Savings from AB 97 Reduction			
			2013-14		2014-15	
			On Going	Retro	On Going	Retro
Nursing Facilities - Level A	6/1/11-6/30/12	$245,754	$253,544	$122,877	$253,544	$20,480
ICF/DDs	8/1/12-10/31/13	forgiven	$11,603,317	$0	$17,404,975	$0
DP/NF-B	6/1/11-9/30/13	$83,437,273				$15,170,413
Phase 1 Providers (1)	6/1/11-12/20/11	$28,753,171	$55,208,892	$14,376,585	$56,136,663	$0
Physician 21 yrs+	6/1/11-1/9/14	forgiven	$24,873,072	$0	$49,746,144	$0
Medical Transportation	6/1/11-9/4/13	forgiven	$12,051,092	$0	$14,461,310	$0
Medical Supplies/DME	6/1/11-10/23/13	$39,427,840	$11,595,992	$1,251,677	$17,393,988	$7,510,065
Dental	6/1/11-9/4/13	forgiven	$35,451,470	$0	$64,733,864	$0
Clinics	6/1/11-1/9/14	forgiven	$9,255,850	$0	$18,511,701	$0
Pharmacy	6/1/11-2/6/14	$296,621,286	$47,382,359	$0	$113,717,663	$53,931,143
CHDP Providers (2)	6/1/11-10/31/13	forgiven	$1,609,367	$0	$2,414,050	$0
Managed Care			$100,675,930	$0	$134,234,574	$0
Grand Total (Federal&GF)		**$448,485,324**	**$309,960,885**	**$15,751,139**	**$489,008,476**	**$76,632,101**
General Fund		**$224,242,662**	**$154,980,443**	**$7,875,570**	**$244,504,238**	**$38,316,051**
Notes:						
(1) Phase I includes providers not specified above, generally ancillary services, such as laboratory and radiology.						
(2) Child Health and Disability Prevention Program (CHDP)						

Please note these numbers will be updated at the May Revision.

Key Changes from 2013 Budget Act. In addition to the forgiveness of certain retroactive obligations, key changes to the implementation of the AB 97 reductions since the enactment of the 2013 budget include:

- Certain Prescription Drugs – The budget includes the implementation of the exemption of certain prescription drugs (or categories of drugs) that are generally high-cost drugs used to treat extremely serious conditions. The 2013 budget included $271.9 million ($135.9 million General Fund) in ongoing annual savings from pharmacy, whereas, the proposed budget only includes $113.7 million ($56.8 million General Fund) in ongoing annual savings from the implementation of this reduction. On March 30, 2012, DHCS submitted a State Plan Amendment to the federal CMS for this change and it is still pending CMS approval.

- Distinct Part Nursing Facilities (DP/NFs) – On a prospective basis, DHCS exempted rural DP/NFs as of September 1, 2013 based on access and SB 239 (Hernandez and Steinberg), Chapter 657, Statues of 2013 exempted all DP/NFs from these reductions as of October 1, 2013. The 2013 budget included $38.2 million ($19.1 million General Fund) in ongoing annual savings from this reduction. The proposed budget does not include any ongoing savings from DP/NFs.

- Managed Care Rates – The 2013 budget included $267.5 million ($133.8 million General Fund) in ongoing annual savings from this rate reduction on managed care rates. The Governor's 2014-15 budget only includes $134.2 million ($67.1 million General Fund) in ongoing annual savings from implementation of this reduction on managed care plans. This is discussed in more detail below.

- Pediatric Dental Surgery Centers (for profit and nonprofit) – DHCS exempted most nonprofit dental pediatric surgery centers effective September 1, 2013; and most for-profit dental pediatric surgery centers effective December 1, 2013.

Issues to Consider. The following considerations are important when evaluating these Medi-Cal payment reductions:

- ***Shift to Managed Care and Actuarial Soundness of Rates.*** The 2013 budget act assumed that the ongoing savings on an annual basis from the imposition of this payment reduction on managed care plans would be $267.5 million ($133.8 million General Fund). However, as the chart above reflects, it is now estimated that the annual ongoing savings from this reduction on managed care would be $134.2 million ($67.1 million General Fund). There was no change in circumstance applied to managed care plans. This loss in savings is a result of the requirement that managed care plan rates be actuarially sound (and also reflected the application of AB 97 exemptions to certain FFS services). As such, managed care rates can only be reduced by AB 97 on an actuarial basis and must support the required services. Consequently, the 2013-14 managed care rates were reduced by less than one percent as a result of AB 97.

  Consequently, as more and more individuals shift into Medi-Cal managed care, the negative impact of these reductions to access of Medi-Cal services is reduced. This is because health plans must meet access standards *and* a health plan's rate must be actuarially sound (i.e., generally, the rate cannot be reduced to a level that does not support the required services).

- ***How to Evaluate the Impact of Provider Payment Reductions on Access?*** As the Legislature evaluates the impact of these reductions on access to services, the following factors and examples may be considered:

  - **Does Payment Cover the Cost?** In March 2012, DHCS proposed exempting certain drugs because it found that the Medi-Cal payment for these drugs (with the 10 percent reduction) would not cover the costs of these drugs.

  - **Is Medi-Cal a Large Portion of the Line-of-Business?** The Governor's budget proposes to forgive the retroactive recoupment of payment reductions for medical transportation because DHCS found that non-emergency medical transportation providers serve mostly Medi-Cal clients and that these providers do not have the cash available (i.e., these providers cannot cost-shift) to sustain retroactive recoupments and the prospective payment reduction.

  - **What is the Geographic Capacity of a Service/Provider?** DHCS exempted Community-Based Adult Service (CBAS) centers in certain rural parts of the state from the provider payment reduction due to geographic access and utilization analyses.

- ***Federally-Required Access Monitoring.*** The federal CMS requires DHCS to continually monitor to ensure that access (based on geographic location) is not impacted. DHCS uses call-center information, real-time information provided by provider groups, and cost data, for example, to evaluate impact. Additionally, DHCS has established an ongoing access monitoring system that considers 23 access measures (e.g., primary care physician ratios). However, given that most of the

payment reductions have not been in effect due to court injunctions, the available access monitoring reports generally do not reflect the implementation of these payment reductions. As the provider payment reductions are put into effect, these access monitoring reports will be critical in assessing the impact on Medi-Cal enrollees.

LAO Findings and Recommendations. The LAO has reviewed DHCS's baseline access analyses and quarterly monitoring reports and has come away with numerous concerns about the quality of the data, the soundness of the methodologies, and the assumptions underlying the Administration's findings on access. In the LAO's view, these concerns are sufficient to render the Administration's public reporting of very limited value for the purpose of understanding beneficiary access in the fee-for-service (FFS) system. The LAO also finds that much of the debate regarding the Medi-Cal provider payment reductions has focused mainly on FFS while access issues in managed care are gaining more importance (as a majority of Medi-Cal enrollees are in managed care). Since dental care will remain primarily a FFS benefit for the foreseeable future, the LAO recommends the Legislature create meaningful standards for monitoring Denti-Cal (FFS) access. In addition, the LAO recommends future oversight focus on monitoring the managed care system. The LAO indicates that it plans to produce a more detailed analysis on this topic in the future.

Stakeholder Concerns. Consumer advocates, providers, provider associations, and other stakeholders are concerned that the existing Medi-Cal rates, payment reductions, and rate freezes directly impact an enrollee's ability to access Medi-Cal services. These stakeholders find that the existing payments do not cover the costs to provide services to Medi-Cal enrollees and are not sufficient enough to sustain their operations.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as updated information will be received at the May Revise and discussions continue on this topic.

Subcommittee staff has requested technical assistance from DHCS to develop more specific metrics and methods to monitor Denti-Cal access.

Questions.

1. Please provide an overview of this issue and the January budget proposal.

2. Please explain what data sources and other information the department uses to evaluate access to providers and services.

3. Some of the provider types specified in the chart above encompasses a broad range of providers. For example, Medical Supplies/Durable Medical Equipment includes specialty providers such as custom rehabilitation technology (wheelchairs) and Pharmacy includes specialty long-term care pharmacy providers. These specialty provider types are different from the more general providers and may have special considerations. How does DHCS evaluate the impact of the AB 97 reductions to each specific provider type to ensure that access is not compromised? Has DHCS completed an access evaluation for custom rehabilitation technology or long-term care pharmacy providers?

4. Is there concern that the dental provider payment reduction will impede the partially restored adult dental benefit?

5. How does DHCS measure access for services and providers who do not have a choice to provide services, such as ambulatory and emergency room physician services?

5. Monitoring Medi-Cal Dental Services Utilization & Pediatric Dental Outreach Proposal

Oversight Issue. Over the last few years, concerns have been raised regarding access to and utilization of Medi-Cal dental services. As discussed in the prior agenda item, the state currently does not have tools to monitor Medi-Cal Denti-Cal fee-for-service (FFS) access or utilization in 56 counties. While there is the ability to monitor Medi-Cal dental services provided through dental managed care in Sacramento and Los Angeles counties, these monitoring reports indicate that plans have experienced difficulty in meeting performance benchmarks.

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

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

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

DHCS is in discussions with First 5 on the use of Proposition 10 funds for this purpose. This item is proposed to be discussed at the First 5 Commission's meeting on April 24, 2014.

Background. Medi-Cal provides dental services through two service models: FFS, also known as Denti-Cal, and dental managed care (DMC). Currently, only two counties—Sacramento and Los Angeles—offer DMC; while all other counties offer Denti-Cal. In Sacramento, beneficiaries are mandatorily enrolled in DMC whereas in Los Angeles, enrollment into DMC is voluntary, and if beneficiaries do not enroll in DMC, they are automatically enrolled in Denti-Cal. Currently, about 6.5 million beneficiaries are enrolled in Denti-Cal and about 500,000 beneficiaries are enrolled in DMC. The number of Medi-Cal beneficiaries with dental coverage is expected to grow as coverage for adult dental benefits is partially restored on May 1, 2014 and as Medi-Cal eligibility is expanded through the Affordable Care Act. As with the current population of children who receive dental coverage under Medi-Cal, the vast majority of these adult beneficiaries will be served by Denti-Cal.

Covered dental services under managed care are the same dental services provided under the fee-for-service Denti-Cal Program. These services include 24-hour emergency care for severe dental problems, urgent care (within 72-hours), non-urgent appointments (offered within 36-days), and preventive dental care appointments (offered within 40-days).

Performance of Dental Managed Care. In response to a 2010 First 5 report on Sacramento's Geographic Managed Care, subsequent press coverage, legislative hearings, and stakeholder input, provisions to address the shortcomings of dental managed care were included in AB 1467 (Committee on Budget), Chapter 23, Statutes of 2012. This bill required (among other things):

- ***Dental Plan Performance Measures.*** DHCS is to establish a list of performance measures to ensure that dental health plans meet quality criteria. The bill requires DHCS to post on its website on a quarterly basis, beginning January 1, 2013, the list of performance measures and each plan's performance. The bill requires the performance measures to include: provider network adequacy, overall utilization of dental services, annual dental visits, use of preventive dental services, use of dental treatment services, use of examinations and oral health evaluations, sealant to restoration ratio, filling to preventive services ratio, treatment to caries prevention ratio, use of dental sealants, use of diagnostic services, and survey of member satisfaction with plans and providers.

- ***Annual Reports.*** DHCS is to submit annual reports to the Legislature, beginning March 15, 2013, on dental managed care in Sacramento and Los Angeles, including changes and improvements implemented to increase Medi-Cal beneficiary access to dental care. The bill also required the DMHC to provide the Legislature, by January 1, 2013, its final report on surveys conducted and contractual requirements for the dental plans participating in Sacramento.

The March 15, 2014 report, required by AB 1467, has not yet been submitted to the Legislature and information from Los Angeles County has not yet been posted to the department's website. However, information from Sacramento County indicates that annual dental visits, use of preventative services, use of sealants, overall utilization of dental services, and use of dental treatment services declined across all plans and age groups, often by more than two percent. As a result, DHCS staff held a conference call with the plans to discuss these results, and have asked the plans to submit Corrective Action Plans (CAP) to tell DHCS how they will attempt to reverse this trend. The plans noted that some fourth quarter data encounters have not yet been reported, but DHCS does not believe these claims will materially affect the plan-reported results.

DHCS expects to receive the CAPs by April 10, 2014, consistent with All Plan Letter 13-004. In addition, the impacted plans will suffer financial penalties of up to 13 percent this year from amounts withheld from the plans' monthly capitation payment over the past year. DHCS may withhold up to 10 percent if a plan fails to meet their utilization goals, plus up to three percent for failing to submit timely and accurate deliverables.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as discussions continue on this topic. Subcommittee staff has requested technical assistance from DHCS to develop more specific metrics and methods to monitor Denti-Cal access.

Finally, it should be noted that a State Auditor Report is expected to be released in October 2014 regarding the Denti-Cal program.

Questions.

1. Please provide an overview of the pediatric dental outreach proposal and explain why DHCS thinks that the proposed outreach letters will improve utilization. Why is DHCS targeting 0-3 year olds?

2. What is the status of the discussions with the First 5 Commission on the use of their funds for this proposal?

3. Please provide an overview of the recent dental managed care monitoring report. When does DHCS plan to post information on Los Angeles County?

4. Please discuss efforts to include local stakeholders in the monitoring and enforcement efforts for Sacramento Geographic Managed Care.

5. Has DHCS received the corrective action plans from the dental managed care plans?

6. How does DHCS envision working with the newly-proposed State Dental Director at the Department of Public Health?

7. How does DHCS monitor FFS dental utilization and access?

6. Coordinated Care Initiative (CCI) Update and Position Request

Budget Issue. The Governor's January budget includes a net General Fund savings of $159.4 million in 2014-15 (DHCS budget only) as a result of the CCI, including the General Fund savings from the sales tax on managed care organizations (MCO). Without the MCO tax revenue, CCI would have a General Fund cost of $172.9 million in 2014-15.

On February 28, 2014, the Department of Finance (DOF) provided the following statutorily required update on overall General Fund savings across all departments: The CCI is expected to result in a net General Fund savings of $84.1 million in 2013-14 and $65.4 million in 2014-15. DOF also states that this will be updated again at May Revise.

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

Background. The 2012 budget authorized the Coordinated Care Initiative[1] (CCI), which expanded the number of Medi-Cal enrollees who must enroll in Medi-Cal managed care to receive their benefits in eight counties (Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara). CCI is composed of three major parts:

- **Long-Term Supports and Services (LTSS) as a Medi-Cal Managed Care Benefit**: CCI includes the addition of LTSS into Medi-Cal managed care. LTSS includes nursing facility care (NF), In-Home Supportive Services (IHSS), Multipurpose Senior Services Program (MSSP), and Community-Based Adult Services (CBAS). This change impacts about 600,000 Medi-Cal-only enrollees and up to 456,000 persons eligible for both Medicare and Medi-Cal who are in Cal MediConnect.

- **Cal MediConnect Program**: A three-year demonstration project for persons eligible for both Medicare and Medi-Cal (dual eligibles) to receive coordinated medical, behavioral health, long-term institutional, and home-and community-based services through a single organized delivery system (health plan). No more than 456,000 beneficiaries would be eligible for the duals demonstration in the eight counties. This demonstration project is a joint project with the federal Centers for Medicare and Medicaid Services (CMS).

- **Mandatory Enrollment of Dual Eligibles and Others into Medi-Cal Managed Care.** Most Medi-Cal beneficiaries, including dual eligibles, partial dual eligibles, and previously excluded Seniors and Persons with Disabilities (SPDs) who are Medi-Cal only, are required to join a Medi-Cal managed care health plan to receive their Medi-Cal benefits.

The purpose and goal of CCI is to promote the coordination of health and social care for Medi-Cal consumers, to pilot a coordinated delivery system for dual eligibles, and to create fiscal incentives for

1 Enacted in July 2012 through SB 1008 (Committee on Budget and Fiscal Review), Chapter 33, Statutes of 2012, and SB 1036 (Committee on Budget and Fiscal Review), Chapter 45, Statutes of 2012, and amended by SB 94 (Committee on Budget and Fiscal Review), Chapter 37, Statutes of 2013.

health plans to make decisions that keep their members healthy and out of institutions (given that hospital and nursing home care are more expensive than home and community-based care).

For a complete discussion on CCI, please see page 99 of the Senate Budget and Fiscal Review Committee's Overview of the 2014-15 budget, published February 3, 2014:
http://sbud.senate.ca.gov/sites/sbud.senate.ca.gov/files/overview/Overview2014_15BudgetBillSB851.pdf

CCI Updates and Milestones. Since the February 6th Joint Senate Budget and Fiscal Review Committee and Senate Health Committee hearing on CCI, the following changes and updates have occurred:

- **Aligning Cal MediConnect and Managed Medi-Cal Long-Term Services and Supports (MLTSS) Enrollment.** Moving forward, beneficiaries who are in Medi-Cal FFS will not transition to MLTSS ahead of their Cal MediConnect passive enrollment date. This will reduce the number of plan choices a beneficiary will need to make, and reduce confusion.

- **MLTSS Transition for FFS Population to Start in August.** To ensure that the MLTSS 90-day notices have had appropriate quality reviews, DHCS will not start MLTSS enrollment for Medi-Cal FFS populations (non-duals or duals excluded from Cal MediConnect) until August 2014. The previous enrollment schedule was to have the enrollment of this population begin in July.

- **Changes in timeline in Alameda and Orange Counties.** Enrollment in Alameda and Orange Counties is being delayed until no sooner than January 2015 (due to fiscal and program deficiencies) to allow more time to achieve plan readiness.

- **Cal MediConnect Implemented on April 1, 2014.** On April 1, 2014, 3,200 dual eligibles were passively enrolled in Cal MediConnect in San Mateo County and 300 dual eligibles voluntarily enrolled in Cal MediConnect in Los Angeles, Riverside, San Bernardino, and San Diego Counties.

- **Cal MediConnect Ombudsman Program Started on April 1, 2014.** The Cal MediConnect Ombudsman Program (overseen by the Department of Managed Health Care) became operational on April 1, 2014.

- **90-Day Notifications Sent to Eligible Beneficiaries in Los Angeles.** On March 28, 2014, approximately 45,000 eligible beneficiaries in Los Angeles County received a 90-day notice informing them that they are eligible for Cal MediConnect and will be enrolled. On April 3, 2014, DHCS began sending voluntary notices notifying eligible beneficiaries about Cal MediConnect. This voluntary notice went to approximately 20,000 eligible beneficiaries in Los Angeles County.

- **Federal Approval for Cal MediConnect Received.** On March 19, 2014, the federal CMS approved the state's waiver amendment to implement Cal MediConnect.

- **Duals Plan Letter—Complaint and Resolution Tracking.** On April 10, 2014, DHCS issued a letter to all Medi-Cal managed care plans participating in Cal MediConnect. This letter specified requirements on plans to report monthly on the number of complaints, the number of these

complaints that were fully or partially resolved or not resolved, and information about the type of complaint.

- **Next Implementation Date for Cal MediConnect.** The next major milestone is May 1, when passive enrollment into Cal MediConnect begins in Riverside, San Bernardino, and San Diego Counties. Individuals in these counties have already received a 90-day, 60-day, and 30-day notification about this implementation.

Concerns with Choice Form. Following the 60-day notification about the Coordinated Care Initiative, Medi-Cal enrollees will receive a Choice Form. Generally, on this form, enrollees may select their Medicare and/or Medi-Cal health plans. Stakeholders have raised concerns that this form does not present a clear choice or option to opt-out of Cal MediConnect. DHCS indicates that it has received a lot of feedback on this form and understands the concerns. As a result, DHCS is working with CMS to develop new forms that will undergo beneficiary testing in Los Angeles (at the end of April/early May) and that this feedback would be used to develop new notifications. The new materials would be ready for stakeholder review in June with the goal of having these materials ready for production in August/September.

Revised Medicare Advantage and D-SNP Proposal Still Unknown. As part of the Governor's January budget proposal, the Administration indicated that it would be proposing trailer bill language to no longer exempt dual eligible enrollees of Medicare Advantage and D-SNP plans from Cal MediConnect enrollment, effective January 2015. (Medicare Advantage is a Medicare managed care plan and includes D-SNPs which are special types of Medicare Advantage plans offered to dual-eligible individuals.) However, soon after the budget was released, DHCS indicated that it is still evaluating its proposal regarding Medicare Advantage and D-SNP plans. Under current law, these individuals are exempt from passive enrollment in Cal MediConnect in 2014 and as a result, would have to move to a new health plan with Cal MediConnect. The Administration still has not released its proposed policy regarding these Medicare plans. The federal government reauthorized the D-SNP program until 2016.

Continued Concerns with Los Angeles County Readiness. One of the health plans planning to participate in Cal MediConnect (LA Care) is ineligible to receive passive enrollment until it improves its Centers for Medicare and Medicaid Services star rating. In an attempt to offer choices to Los Angeles beneficiaries, DHCS announced in February that it is offering three other plans , CareMore, Care 1st, and Molina (which were already Cal MediConnect subcontractor plans), in addition to the existing plan option (Health Net) as options for passive enrollment starting no sooner than July 1, 2014.

CMS is recommending, and DHCS concurs, that these three plans be allowed to market in Los Angeles County beginning May 1, 2014. CMS also recommends that DHCS do additional monitoring of the nursing facility network for Care1st in the form of a network compliance plan, that would be jointly developed by the contract management team and the plan.

Subcommittee Staff Comment and Recommendation—Hold Open. No issues have been raised regarding the requested extension of the limited-term CCI positions. However, it is recommended to hold this item open as discussions continue on issues related to CCI.

Questions.

1. Please provide an update on the Coordinated Care Initiative.

2. Please describe what steps DHCS is taking to revise the Choice Form.

3. When will the Administration have its proposal regarding Medicare Advantage and D-SNP plans?

4. Please provide an update on the status of the CMS and DHCS Cal MediConnect health plan readiness assessment of CareMore, Care 1st, and Molina in Los Angeles County.

7. Medi-Cal Managed Care Ombudsman Program

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

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

Background. The Medi-Cal Managed Care Office of the Ombudsman helps solve problems from a neutral standpoint to ensure that Medi-Cal members receive all medically necessary covered services for which plans are contractually responsible. The ombudsman will not automatically take sides in a complaint. This office:

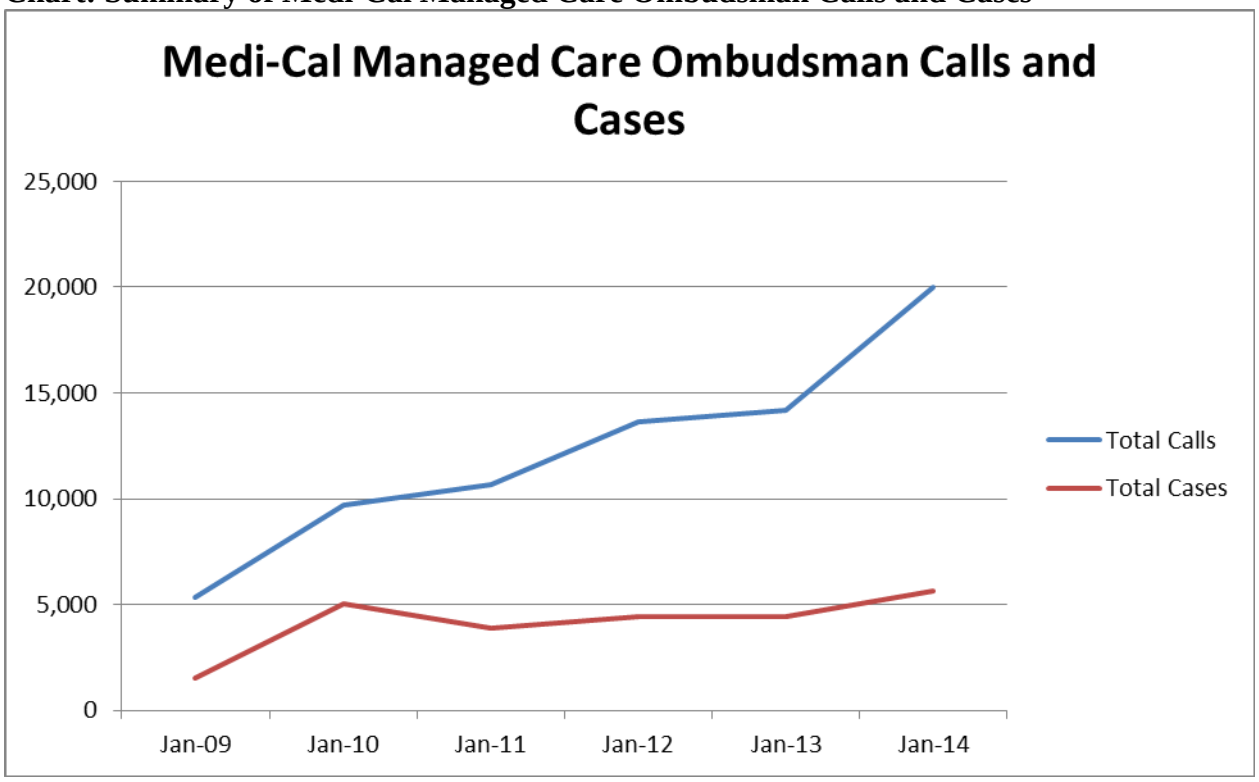
- Serves as an objective resource to resolve issues between Medi-Cal managed care members and managed care health plans.
- Conducts impartial investigations of member complaints about managed care health plans.
- Helps members with urgent enrollment and disenrollment problems.
- Offers information and referrals.
- Identifies ways to improve the effectiveness of the Medi-Cal managed care program.
- Educates members on how to effectively navigate through the Medi-Cal managed care system.

Increased Call Volume. As shown in the table below, the call and case volumes for the ombudsman program has increased in the last five years. Please note it is unclear how many calls were unable to get through due to busy signals or hang-ups due to long waits. With the implementation of the Affordable Care Act (ACA), the monthly call volumes have increased dramatically, but the volume increase began when DHCS began enrolling more and more beneficiaries into managed care. This includes the addition and transitions of Seniors and Persons with Disabilities, Healthy Families, Low Income Health Program, Rural Expansion, Express Lane, and ACA into Medi-Cal managed care. These are permanent additions to the managed care rolls.

Table: Medi-Cal Managed Care Ombudsman Program Calls and Cases

Date	Total Calls to Ombudsman	Total Cases by Ombudsman	Date	Total Calls to Ombudsman	Total Cases by Ombudsman
Jan-09	5,334	1,507	Jan-12	13,638	4,407
Feb-09	5,581	1,440	Feb-12	12,507	3,749
Mar-09	9,147	2,355	Mar-12	14,632	5,125
Apr-09	7,650	1,854	Apr-12	13,930	4,704
May-09	8,856	2,360	May-12	14,386	5,104
Jun-09	10,117	3,778	Jun-12	12,063	3,947
Jul-09	8,153	4,371	Jul-12	13,470	4,756
Aug-09	14,724	7,262	Aug-12	14,536	5,030
Sep-09	7,868	3,799	Sep-12	10,800	3,282
Oct-09	9,195	4,586	Oct-12	13,168	4,253
Nov-09	9,129	4,655	Nov-12	10,129	3,944
Dec-09	8,542	4,365	Dec-12	9,631	2,844
Jan-10	9,709	5,041	Jan-13	14,189	4,405
Feb-10	9,549	5,193	Feb-13	12,160	3,961
Mar-10	9,667	4,914	Mar-13	14,816	4,737
Apr-10	8,113	4,076	Apr-13	15,932	5,225
May-10	8,952	4,935	May-13	13,635	4,440
Jun-10	10,202	5,452	Jun-13	13,506	4,790
Jul-10	10,570	5,913	Jul-13	14,695	4,688
Aug-10	12,815	7,368	Aug-13	15,100	4,896
Sep-10	14,523	8,700	Sep-13	14,544	4,863
Oct-10	14,323	8,700	Oct-13	15,622	4,958
Nov-10	15,648	9,828	Nov-13	12,460	3,831
Dec-10	12,660	7,499	Dec-13	14,140	4,019
Jan-11	10,693	3,858	Jan-14	20,000	5,649
Feb-11	9,260	3,459	Feb-14	18,226	5,130
Mar-11	13,866	5,813	Mar-14	20,611	5,842
Apr-11	12,123	4,992			
May-11	9,641	3,113			
Jun-11	10,199	2,863			
Jul-11	9,757	2,835			
Aug-11	12,654	3,756			
Sep-11	12,424	3,699			
Oct-11	12,466	3,723			
Nov-11	12,822	3,898			
Dec-11	11,649	3,651			

Chart: Summary of Medi-Cal Managed Care Ombudsman Calls and Cases



Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open to continue discussions on the appropriate level of permanent staff needed at the Medi-Cal Managed Care Ombudsman Program. Given that millions of individuals now receive Medi-Cal through managed care, it is appropriate to ensure that resources are available to assist consumers and help them understand their managed care benefits and help resolve any questions or issues.

Questions.

1. Please provide a summary of the role of the Medi-Cal Managed Care Ombudsman Program.

2. Please describe how and why the call and case volumes have increased in the last five years.

3. Please describe phone-line capacity and call wait times.

4. Please describe performance standards for responding to calls.

5. How long does DHCS plan to keep the nine redirected staff at the ombudsman program? What is DHCS's long-term plan for staffing this program?

6. Does the ombudsman program staff have other responsibilities related to referrals and fair hearings?

7. Does DHCS plan to include information about Medi-Cal Managed Care Ombudsman Program calls and cases on its dashboard?

8. Why is there such a discrepancy between the number of calls and the number of cases? Is there a backlog of calls that have not been followed-up on?

8. Add Applied Behavioral Analysis (ABA) Services to Medi-Cal Managed Care

Issue. Last year's Senate version of the 2013-14 budget, which was not ultimately adopted, added applied behavioral analysis (ABA) services to Medi-Cal managed care for children ineligible for regional center services. This proposal continues to be a priority of the Senate.

According to the Administration, the annual costs to add ABA to Medi-Cal managed care for children ineligible for regional center services is $270 million ($125 million General Fund). According to DHCS, given the multitude and variability of data points, DHCS performed several calculations that varied from as low as $75 million annual total fund costs to nearly ten times that amount, or $750 million in annual total fund costs. DHCS also considered that for the most severe/costly cases the likelihood is that those children would meet the necessary qualifications to receive services at the regional centers and, therefore, the responsibility of the health plans would be *only* for those children ineligible for regional center services. Given these estimates and assumptions, DHCS determined that using an estimated per member per month cost in the mid-range ($4.50) would be the most appropriate way to develop an estimate.

Background. In the fall of 2012 during the planning for the Healthy Families Program (HFP) transition to Medi-Cal, questions about the provision of ABA services in Medi-Cal for children with autism were raised. Stakeholders requested specific information regarding the differences in services provided by HFP and Medi-Cal in order to identify issues prior to any transition and plan for their remedy. Senator Steinberg sent a letter to the California Health and Human Services Agency on November 29, 2012 requesting this specific information. However, the Administration did not respond to Senator Steinberg and did not provide stakeholders a clear representation for how the eligibility for this service differed between HFP and Medi-Cal.

On April 1, 2013 as HFP children in some counties were transitioned to Medi-Cal, families were given very short notice that their children would no longer be able to access ABA services once enrolled into a Medi-Cal managed care plan. This was in spite of months of awareness of this concern and clear feedback from consumer advocates that there was still confusion about this issue.

Pursuant to AB 88 (Thomson), Chapter 534, Statutes of 1999 and SB 946 (Steinberg) Chapter 650, Statutes of 2011, commercial insurance plans including HFP were required to pay for behavioral services (e.g., ABA) while health plans contracted with Medi-Cal were exempt from these provisions. Consequently, Medi-Cal does not currently have a set of services designated as "ABA." Currently, Medi-Cal pays for behavioral services for children under the Department of Developmental Services' Home- and Community-Based waiver provided through the regional centers. Not all HFP children receiving behavioral services qualify for these services in the regional centers because of eligibility and medical necessity criteria.

ABA is an intensive behavioral intervention therapy which is designed to promote positive social behaviors and reduce or ameliorate behaviors which interfere with learning and social interaction.

Recent Court Decisions and Settlements. The federal CMS has not issued guidance on whether or not ABA is a required benefit under Medicaid's Early Periodic Screening, Diagnosis, and Treatment

(EPSDT); however, recent court decisions[2] and settlements appear persuasive in specifying that ABA is a benefit under EPSDT. It is unclear how these court decisions and settlements may impact the Medi-Cal program in California.

Subcommittee Staff Comment and Recommendation—Hold Open. This issue continues to be a priority of the Senate. It is recommended to hold this item open as discussions continue on this topic.

Questions.

1. Please provide an overview of this proposal.

2. What rate of ABA utilization is assumed in this estimate?

3. What is DHCS's assessment of the case law on this topic?

2 *K.G. ex rel. Garrido v. Dudek (Fla. 2013) WL 5930764 and Parents' League for Effective Autism Services v. Jones-Kelley (6th Cir. 2009) 339 Fed.Appx. 542*

9. CBAS Program and Continued Transition of SPDs to Medi-Cal Managed Care

Budget Issue. DHCS requests the extension of three limited-term positions in the Long-Term Care Division (LTCD), expiring on August 31, 2014, for an additional year, and the extension of current limited-term positions, set to expire on June 30, 2014, another two years in the Medi-Cal Managed Care Division (MMCD) with $540,000 ($241,000 General Fund and $299,000 Federal Fund) to fund these positions in order to complete required workload pursuant to the Community-Based Adult Services (CBAS) Settlement Agreement and federal 1115 Waiver.

According to DHCS, these positions will assist in the processes and policies that will be reflected in the 1115 Waiver amendment, which is currently under development. In addition, the MMCD conversion of these limited-term positions for an additional two years is vital for ongoing health plan monitoring and member assistance to ensure compliance with the Waiver and the Coordinated Care Initiative (CCI). CBAS is maturing into a functional part of the CCI, with CBAS benefits being offered through managed care plans, allowing participants with various medical level-of-care needs to access CBAS without being institutionalized at a much greater cost. Additionally, extending the LTCD's positions and the MMCD's positions allows for continued program integrity, monitoring and oversight, completing required litigated, legislative, and federal reporting.

Background. The CBAS program developed out of the December 2011 *Darling et al. v. Douglas et al.*, Settlement Agreement (Case No. C-09-03798-SBA) and the April 2012 approval to the 1115 Medi-Cal Bridge to Reform (BTR) Waiver Amendment, following the elimination of Adult Day Health Care (ADHC) as a State Plan benefit via AB 97 (Committee on Budget), Chapter 3, Statutes of 2011. State operations authority was granted to operate the CBAS program through the end of the Settlement Agreement on August 30, 2014.

SB 1008 (Committee on Budget and Fiscal Review), Chapter 22, Statutes of 2012, and SB 1036 (Committee on Budget and Fiscal Review) Chapter 45, Statutes of 2012 (regarding implementation of the CCI) provide that CBAS is a managed care plan benefit, thus, requiring CBAS benefits to continue past the August 2014 end date by amending the 1115 Waiver and the establishing positions needed to support this ongoing managed care effort.

The CBAS program developed from the elimination of ADHC as a Medi-Cal benefit, when the Governor signed AB 97 on March 24, 2011. The Center for Medicare and Medicaid Services (CMS) approved DHCS' State Plan Amendment to eliminate the ADHC benefit effective September 1, 2011. However, in June 2011, ADHC participants filed a motion in federal court to enjoin the elimination of ADHC "unless and until adequate replacement services were in place," asserting that the elimination of the benefit would place beneficiaries at risk of unnecessary institutionalization. The parties reached a settlement before further court action (Settlement Agreement). The Settlement Agreement allowed the elimination of the ADHC program as an optional Medicaid benefit on February 29, 2012, and required establishment of the CBAS program on March 1, 2012 (subsequently moved to April 1, 2012) to provide similar services in outpatient facilities (CBAS Centers) to seniors and adults with disabilities who met the eligibility criteria defined in the Settlement Agreement and Waiver.

DHCS previously requested and received five limited-term positions effective in January 1, 2013, through June 30, 2014: three positions in LTCD, and two positions in MMCD for establishing, structuring, and assisting in rolling CBAS benefits into managed care plans, as well as the rollout in rural counties.

The CBAS program was implemented through the BTR Waiver Amendment, and work is in progress to extend the CBAS program beyond August 2014 through a Waiver Amendment. Work will continue to be necessary for a small number of fee-for-services beneficiaries with the majority of beneficiaries enrolled in managed care plans throughout the state.

Requested Positions. According to DHCS, the extension of three limited-term positions in the LTCD is necessary to complete all reporting requirements necessary under the Settlement Agreement and the CBAS amendment to the Bridge to Reform Waiver. Additionally, with extending the Waiver for ongoing CBAS, positions are necessary to transition the program to an ongoing managed care benefit. Extending the LT positions allows for completing and transitioning the program where it can be a permanent part of LTSS. Furthermore, these three positions will facilitate the CBAS conversion to managed care during the managed care expansion into the 28 remaining fee-for-service counties. These positions are necessary for monitoring and oversight of current and future CBAS within managed care.

The extension of two limited-term positions for an additional two years is necessary to continue oversight of health plan compliance in administering CBAS in all counties when CCI takes place. These positions oversee the ongoing contractual requirements and reporting specific to CBAS and assisting members receiving CBAS in order to ensure continued compliance with the Waiver amendment. Additionally, these positions work to provide health plan guidance in delivering member benefits, assist health plans in coordinating care with CBAS facilities, and resolve inquiries specific to CBAS from health plans, beneficiaries and stakeholders. Extending the staffing an additional two years is requested since managed care plans will continue to provide CBAS benefits to eligible beneficiaries after the Settlement Agreement and current Waiver expire in August 2014.

CBAS Stakeholder Process to Develop Waiver Amendment. DHCS and the California Department of Aging (CDA) convened a series of stakeholder meetings regarding CBAS beginning in October 2013 and concluding in April 2014. The purpose of these meetings is to provide interested parties an opportunity to provide input regarding the future direction of CBAS and recommendations for amending the CBAS provisions in the BTR Waiver, see below for a summary of the workgroup recommendations. DHCS and CDA propose to use the feedback from these meetings to develop the waiver amendment. Stakeholders have commented that these meetings have been comprehensive, transparent, and well-organized.

Summary of Stakeholder/Workgroup Recommendations:

- Delete obsolete provisions related to ADHC to CBAS transition.
- Continue access monitoring and streamline reporting requirements to CMS.
- Create new State Terms and Conditions/Standard Operating Procedures section clarifying plan/provider relationships.
- Retain language for fee-for-service grievances and appeals.
- Allow plan discretion regarding conducting of face-to-face eligibility determinations for individuals clinically appropriate.

- Allow authorization for up to 12 months as determined by plan to be clinically appropriate.
- Redesign the individual plan of care (IPC) form and revise references in waiver to reflect plan/provider collaboration on participant IPC development.
- Include references in waiver to care coordination.
- Correct waiver language regarding CBAS benefits.
- Allow planned growth of new CBAS centers.
- Retain unbundled services.
- Revise waiver quality assurance requirements.
- Address rate issues:
    - Allow plans to pay CBAS providers based on acuity
    - Restore rate
    - Establish new rate methodology
- Add statutory references to SOPs.
- Delete non-profit provider provisions.
- Give CDA authority to grant program flexibility.
- Allow payment for days of service less than four hours under defined circumstances.
- Revise SOP language regarding staffing and ADA.

In addition, as a result of this process, the following future workgroups were identified:

- Redesign the IPC.
- Explore issues with data capture and utilization.
- Develop a quality strategy.
- Address issues with the CBAS rate.
- Reform ADHC statutes and regulations.
- Address access and develop a plan/process for growth of new CBAS centers.
- Develop strategies for enhancing plan/provider relationships.

DHCS and CDA plan to submit the draft waiver amendment to the federal CMS in May and seek CMS approval prior to August 31, 2014.

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal.

Questions.

1. Please provide an overview of this proposal.

2. Please provide an update on the CBAS waiver amendment development and the stakeholder process.

3. Does the Administration plan to codify the new CBAS waiver amendment? Please explain.

10. Family Health Estimate - CCS, GHPP, CHDP, EWC

Budget Issue. The DHCS Family Health Estimate covers the non-Medi-Cal budgets of the following four programs: 1) California Children's Services (CCS); 2) Children's Health & Disability Program (CHDP); 3) Genetically Handicapped Person's Program (GHPP); and 4) Every Woman Counts (EWC).

The costs of these programs specific to Medi-Cal enrollees are captured in the Medi-Cal estimate. As described below, the Administration is not proposing any substantial policy or fiscal changes to these four programs.

The overall Family Health Estimate shows a projected 3.7 percent decrease in funding in the proposed budget year, compared to the estimate for the current year. This decrease results from a decrease in costs in the CCS program, which reflects the transition of children from Healthy Families to Medi-Cal.

Table: Family Health Estimate Summary

Program	Budget Act 2013-14	Projected 2013-14	Proposed 2014-15	CY to BY $ Change	CY to BY % Change
CCS	$118,910,000	$131,966,000	$93,874,000	($38,092,000)	(29%)
CHDP	1,795,000	1,767,000	1,811,000	44,000	2.5%
GHPP	110,741,000	101,497,000	122,333,000	20,836,000	20.5%
EWC	52,619,000	52,696,000	59,142,000	6,446,000	12.2%
TOTAL	**$284,065,000**	**$287,926,000**	**$277,160,000**	**($10,766,000)**	**(3.7%)**

Background--California Children's Services (CCS). CCS provides diagnostic and treatment services, medical case management, and physical and occupational therapy services to children under age 21 with CCS-eligible medical conditions. Examples of CCS-eligible conditions include, but are not limited to: chronic medical conditions such as cystic fibrosis, hemophilia, cerebral palsy, heart disease, and cancer; traumatic injuries; and infectious diseases producing major sequelae. CCS also provides medical therapy services that are delivered at public schools.

Historically, CCS has served children who fit into three categories: 1) children in Medi-Cal; 2) children in Healthy Families; and 3) "State-only" children who are not eligible for either Healthy Families or Medi-Cal. The Family Health Estimate includes CCS costs only for children who are not in Medi-Cal. The largest category of children in CCS are in Medi-Cal, however these costs are contained separately, in the Medi-Cal Estimate. Therefore, a reduction in costs associated with the decreasing number of children in the Healthy Families Program can be seen as an equivalent increase in CCS costs within the Medi-Cal budget.

CCS is administered as a partnership between county health departments and the DHCS. Historically, approximately 70 percent of CCS-eligible children were Medi-Cal eligible; their care is paid for with state-federal matching Medicaid funds. The cost of care for the other 30 percent of children had been split equally between "CCS Only" and "CCS Healthy Families." The cost of care for CCS-only is funded equally between the state and counties. The cost of care for CCS Healthy Families was, and continues to

be, funded 65 percent federal Title XXI, 17.5 percent State, and 17.5 percent county funds, despite the fact that these children have transitioned into Medi-Cal.

CCS Budget. Excluding Medi-Cal costs, the proposed 2014-15 CCS budget is $93.9 million ($17 million General Fund), as compared to the 2013-14 estimate of $132 million ($12.4 million General Fund). This $38 million reduction primarily reflects the transition of approximately 760,000 children from Healthy Families to Medi-Cal. This is not a savings for the state, but rather a cost shift from the CCS Healthy Families program to CCS Medi-Cal. Therefore, the Medi-Cal estimate includes an equivalent increase in cost (as the state continues to receive 65 percent FFP and 17.5 percent county funding for this population).

Table: CCS Budget Summary

	2013-14	**2014-15**
Non-Medi-Cal CCS		
CCS-Only	$90,022,000	$92,916,000
CCS Healthy Families	$41,944,000	$958,000
Total	**$131,966,000**	**$93,874,000**
Federal Funds	$119,594,000	$76,860,400
General Fund	$12,371,000	$17,013,600
Non-Medi-Cal Caseload	20,271	19,754
Medi-Cal Caseload	161,895	166,207

Background--Children's Health & Disability Program (CHDP). CHDP provides complete health assessments for the early detection and prevention of disease and disabilities for low-income children and youth. A health assessment consists of a health history, physical examination, developmental assessment, nutritional assessment, dental assessment, vision and hearing tests, a tuberculin test, laboratory tests, immunizations, health education/anticipatory guidance, and referral for any needed diagnosis and treatment. CHDP oversees the screening and follow-up components of the federally mandated Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program for Medi-Cal eligible children and youth.

In July 2003, CHDP began using the "CHDP Gateway," an automated pre-enrollment process for non Medi-Cal, uninsured children. The CHDP Gateway serves as the entry point for these children to enroll in ongoing health care coverage through Medi-Cal or formerly the Healthy Families program.

CHDP Budget. The proposed CHDP budget includes $1.811 million ($1.8 million General Fund and $11,000 Childhood Lead Poisoning Prevention Fund), as compared to the current year estimate of $1.76 million ($1.75 million General Fund and $11,000 Childhood Lead Poisoning Prevention Fund).

Background--Genetically Handicapped Person's Program (GHPP). GHPP provides medical care for adults with specific genetically handicapping conditions. Hemophilia was the first medical condition covered by the GHPP and legislation over the years have added other medical conditions including

Cystic Fibrosis, Sickle Cell Disease, Phenylketonuria, and Huntington's disease. The last genetic condition added to the GHPP was Von Hippel-Lindau Disease.

The mission of GHPP is to promote high quality, coordinated medical care through case management services through:

- Centralized program administration;
- Case management services;
- Coordination of treatment services with managed care plans;
- Early identification and enrollment into the GHPP for persons with eligible conditions;
- Prevention and treatment services from highly-skilled Special Care Center teams; and,
- Ongoing care in the home community provided by qualified physicians and other health team members.

GHPP Budget. The proposed 2014-15 GHPP budget includes total funds of $122.3 million ($63.6 million General Fund), compared to the 2013-14 estimate of $101.5 million ($17.3 million General Fund). This increase largely is a result of an expected increase in base costs and a decrease in the amount of the Special Rebate Fund that can be used in the budget year.

Table: GHPP Caseload

	2013-14	**2014-15**
GHPP State Only	967	987
GHPP Medi-Cal	723	755
Total	**1,690**	**1,742**

Background—Every Woman Counts (EWC). The EWC provides breast and cervical cancer screenings to Californians who do not qualify for Medi-Cal or other comprehensive coverage. The EWC was transferred to DHCS from the Department of Public Health in 2012.

EWC Budget. The proposed 2014-15 budget includes $59.1 million ($21.4 million General Fund) for EWC, a $6.4 million (12 percent) increase over the 2013-14 estimate of $52.7 million ($18 million General Fund), which primarily reflects a full year of digital Mammography costs, as compared to only a half year in 2013-14.

CCS Carve Out. For many years, the CCS program has operated as a managed care "carve-out," such that children who qualify for CCS services receive those services on a fee-for-service basis, through a network of specialty care providers, all of which is outside of any managed care plan. The most recent extension of the carve-out was approved through AB 301 (Pan), Chapter 460, Statutes of 2011, which extended the sunset on the carve-out until January 1, 2016. DHCS indicates that although the Administration did not include a specific proposal in this year's budget, they believe that the program would greatly benefit from various reforms. DHCS states that these reforms would not necessarily transition the program to managed care; however, the program would be operated within the framework of an "organized delivery system." DHCS states that a great deal of confusion results from the current program organization, given that children must leave their managed care networks in order to receive CCS services, and it becomes somewhat unclear if the state or the managed care organization holds fiscal responsibility for these services.

Update on CCS Pilots. One component of the 1115 Bridge to Reform Medi-Cal Waiver is to better coordinate care for children in CCS through four different pilot programs: Existing Managed Care Plans (MCO), Enhanced Primary Care Case Management (EPCCM), Specialty Health Care Plan (SHCP), and Provider-Based Accountable Care Organization (ACO). The pilots are aimed at improving health outcomes, improving cost-effectiveness, creating clearer accountability, improving satisfaction with care, and promoting timely access to care and family-centered care. All pilots eliminate the current Medi-Cal managed care carve-out for CCS children. Five counties were awarded grants to carry out the four pilots on October 12, 2011. Below is an update on these pilots:

- The Health Plan of San Mateo was implemented as an existing Managed Care Organization and began operations on April 1, 2013. There are approximately 1,500 enrolled CCS-eligible children who receive comprehensive health care under the umbrella of one organization. There is no longer a "carve-out" of CCS services through this demonstration.

- Rady Children's Hospital of San Diego (RCHSD) is working closely with the Department of Health Services (DHCS) to implement an Accountable Care Organization model CCS demonstration. Under this model, RCHSD will enroll children diagnosed with Hemophilia, Cystic Fibrosis, or Sickle Cell Disease. DHCS and Rady have continued to collaboratively identify and resolve operational challenges; progress has permitted DHCS to update the existing draft contract which will be reissued to Rady in the near future. While a projected date for operations to begin has not yet been determined, it is hoped that enrollments can begin during the fall of 2014.

- The remaining three demonstration locations have been in various stages of development but have lagged behind the Health Plan of San Mateo and RCHSD for a number of reasons. This situation has prompted DHCS to consider engaging stakeholders in discussions about alternative health care delivery models and improving quality of care for the CCS population. No decision has been made on a particular service delivery model, including managed care and will not be made until meaningful discussions with stakeholders' takes place. To this end, the DHCS is currently developing a stakeholder process.

According to DHCS, it has considered the challenges associated with the concept of testing various organized health care delivery models on a limited geographical basis and now believes that a statewide approach is advisable. There have been a number of statewide initiatives that have been developed and implemented by DHCS including the Coordinated Care Initiative, the Seniors and Persons with Disabilities to managed care population, the transition of the Healthy Families Program to Medi-Cal and the rural expansion of Medi-Cal managed care. According to DHCS, these initiatives involved complex sensitive issues from which it has gained much valuable experience. Consequently, DHCS indicates that it is in a unique situation to now pursue discussions about improving the CCS Program.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as these estimates will be updated in the May Revision.

Questions.

1. Please provide an overview of the Family Health Estimate and each of its programs.

2. Please describe the department's plans for changing the CCS delivery model. Why does DHCS feel that it is necessary to change the CCS carve-out? How does DHCS plan to involve stakeholders in the discussions about changes to the CCS delivery model? Does DHCS have a timeline for this process?

3. Please provide an update on the CCS pilots. Given that only one pilot is operational, how does DHCS think that the experience in San Mateo can guide a statewide change in service delivery? Why would it be less challenging to transition all CCS children in the state to a coordinated delivery system than to implement pilot projects?

4. How can the Legislature assess what is the best model for these very fragile children with special health care needs without the benefit from pilot projects as was originally planned?

11. CA-MMIS Change Order Contract Exemption

Budget Issue. DHCS requests trailer bill language to establish an expedited contract process to exempt any California Medicaid Management Information System (CA-MMIS) Fiscal Intermediary (FI) contract amendments, modifications, and change orders from Public Contract Code requirements.

DHCS contends that this proposal would eliminate delays for DHCS seeking approval prior to implementing changes or requirements introduced by state legislation or federal laws and mandates while still remaining under the general programmatic and fiscal oversight of the California Department of Technology, the Bureau of State Audits, the federal Centers for Medicare and Medicaid (CMS), and the Department of Finance. This proposal does not exempt the department from the competitive bid process for awarding new FI contracts pursuant to Welfare and Institutions Code Section 14104.3.

Background. Approximately 8.3 million Medi-Cal beneficiaries receive health care services via the Medi-Cal program administered by DHCS. The CA-MMIS processes and pays approximately $17 billion a year in Medi-Cal fee-for-service health care claims to providers for medical care services provided to Medi-Cal beneficiaries, as well as the claims for other DHCS health care programs. In addition, it provides oversight and ensures the quality management process of Medi-Cal managed care payments. The FI, currently Xerox, operates and maintains the system as a contractor of DHCS. Each week, CA-MMIS, through Xerox, processes over four million claims and disburses on average $330 million to health care providers statewide.

DHCS is responsible for the overall administration, management, oversight, and monitoring of the FI contract with Xerox and all services provided under the contract. Other FI services include: the operation of a telephone service center and provider relations functions (publications, outreach, and training), system operations, updates and enhancements, processing eligibility inquiry transactions, treatment authorization requests, and service authority requests. The FI is also responsible for planning, developing, designing, testing, and implementing a new replacement system to replace the current thirty year-old legacy system that will put into effect current technology and support a service-oriented architecture, consistent with the new federally mandated Medicaid Information Technology Architecture (MITA).

Under the existing Public Contract Code, contracts entered into pursuant to Welfare & Institutions (W&I) Code section 14104.3 must adhere to a contract process that is subject to Department of General Services (DGS) review and approval, State Administrative Manual & State Contracting Manual guidelines, and DGS purchasing laws and policies, including those for information technology. According to DHCS, the current administrative process puts DHCS at risk of delays in meeting federal requirements that could result in a loss of enhanced federal funding. Without the continued receipt of enhanced federal funding there may be a significant impact to the General Fund. The estimated 2014-15 cost of the FI contract is $250,541,000 ($60,828,000 General Fund).

DGS has acknowledged that the current FI change orders and contract amendments process do not fit within the standard DGS contract review parameters. Accordingly, DGS has expressed support for DHCS to pursue statutory changes necessary to allow for such contract exemptions, including an

exemption from DGS review. DGS has also reviewed DHCS's proposed language and is in agreement that it accomplishes the desired goal.

California State Auditor Letter on CA-MMIS. On February 25, 2014, the State Auditor sent a letter to the Governor and Legislature regarding its concerns with CA-MMIS. See table below for key concerns discussed in the letter and steps DHCS has taken to address these concerns.

Table: Summary of State Auditor Concerns and DHCS Action Steps

State Auditor Concerns	DHCS Action Steps
• Implementation of key functionality has been delayed. • Xerox's implementation of similar systems in other states has also been delayed.	• System replacement project switched from "waterfall" approach to "agile" approach to more quickly and frequently deliver and test enhancements and changes. • Modified project timeline to reflect new approach.
• Xerox has continued to experience significant staff turnover.	• Requested a corrective action plan to address staffing concerns. • Established a staffing dashboard to monitor staffing over time and at a more granular level.
• DHCS has not paid Xerox for any of its system replacement work.	• Phase I and Phase II requirements proposed to be submitted late April. If these are submitted, DHCS will make a payment.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to adopt the placeholder trailer bill language. No concerns have been raised regarding this proposal.

Questions.

1. Please provide an overview of this proposal.

2. Please provide a brief summary of the State Auditor's letter and DHCS's actions steps.

12. Non-Payment and Reporting of Provider-Preventable Conditions

Budget Issue. DHCS requests statutory authority to comply with federal rules that require states to report Provider Preventable Conditions (PPCs) and prohibit Medicaid (Medi-Cal) payment for costs of services related to PPCs. Specifically, proposed language would authorize DHCS to exclude from Medi-Cal coverage certain increases in charges billed to the Medi-Cal program that are directly related to the treatment of PPCs, and to recoup any payments made for those excluded charges. Proposed language would also require providers to report PPCs to the department as specified by the department.

Background. The Deficit Reduction Act of 2005 authorized the U.S. Department of Health and Human Services (HHS) to develop quality measures for the Medicare Program. HHS adopted national coverage determination policies (non-payment policies) for hospitals participating in Medicare for secondary diagnoses associated with a "hospital acquired condition" that was not present on admission. Previously, Medicare's national coverage determination policies prohibited payment for certain adverse events.

In March 2010, Section 2702 of the Affordable Care Act required HHS to prepare similar non-payment practices for Medicaid. The Centers for Medicare and Medicaid Services (CMS), issued its Final Rule, CFR, Title 42, Parts 434, 438, and 447, in June 2011, requiring states to institute non-payment practices and reporting for PPCs, which include "Other Provider-Preventable Conditions" and "Health Care-Acquired Conditions" as referenced below.

Other Provider-Preventable Conditions (to be applied in <u>all</u> health care settings):

- Wrong surgical or other invasive procedure performed on a patient,
- Surgical or other invasive procedure performed on the wrong body part, or
- Surgical or other invasive procedure performed on the wrong patient.

Health Care-Acquired Conditions (to be applied in inpatient hospital settings at a minimum):

- Foreign Object Retained After Surgery
- *Iatrogenic pneumothorax with venous catheterization*[3]
- Air Embolism
- Blood Incompatibility
- Stage III and IV Pressure Ulcers
- Falls and Trauma including Fractures, Dislocations, Intracranial Injuries, Crushing Injuries, Burns and Electric Shock
- Manifestations of Poor Glycemic Control
    - Diabetic Ketoacidosis
    - Nonketotic Hyperosmolar Coma
    - Hypoglycemic Coma
    - Secondary Diabetes with Ketoacidosis
    - Secondary Diabetes with Hyperosmolarity
- Catheter-Associated Urinary Tract Infection

[3] *Reflects new reporting requirement mandated by CMS effective July 1, 2012.*

- Vascular Catheter-Associated Infection
- Surgical Site Infection Following:
  - Coronary Artery Bypass Graft - Mediastinitis
  - Bariatric Surgery including Laparoscopic Gastric Bypass, Gastroenterostomy, and Laparoscopic Gastric Restrictive Surgery
  - Orthopedic Procedures of spine, neck, shoulder and elbow
  - *Cardiac implantable electronic device (CIED) procedures*[4]
- For non-pediatric/obstetric population, Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) resulting from
  - Total Knee Replacement
  - Hip Replacement

As noted above, the exclusion from reimbursement of Other Provider-Preventable Conditions applies to all health care settings. To date, the exclusion from reimbursement of Health Care-Acquired Conditions is limited to services provided by inpatient hospitals, which reflects the minimum federal standard. This proposal would authorize DHCS to extend these non-payment provisions for Health Care-Acquired Conditions to additional care settings, as permitted under the federal rule, following notification and consultation with appropriate stakeholders.

Under existing state law, there is no specific authority that requires providers to report PPCs to the state, nor is there specific authority for DHCS to reduce or recoup Medi-Cal reimbursement for costs associated with PPCs. Without statutory authority, the state is at financial risk for both General Fund and federal funds claimed inappropriately for unreported PPCs.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to adopt the proposed placeholder trailer bill language with the clarification that prohibits the Medi-Cal enrollee from being billed for these procedures.

Questions.

1. Please provide an overview of this proposal.

[4] *Reflects new reporting requirement mandated by CMS effective July 1, 2012.*

4265 Department of Public Health (DPH)

1. California Reducing Disparities Contract Exemption

Budget Issue. DPH requests a statutory exemption from the Public Contract Code for the California Reducing Disparities Project (CRDP) that would allow DPH to complete the Strategic Plan (Phase I) and commence Phase II, a $60 million (Mental Health Services Act Funds) endeavor to implement and evaluate community-defined mental health practices.

Background. In 2009, the former Department of Mental Health (DMH) initiated seven CRDP contracts. Those published reports have culminated in a draft statewide Strategic Plan. The focus of the strategic plan is on improving the delivery of prevention and early intervention services for California's unserved, underserved, and inappropriately served communities. Once finalized, the plan will be the blue print for the DPH's design of Phase II Request for Proposals (RFPs) to commence the Mental Health Services Act (MHSA) funded, $60 million, four-year project to reduce mental health disparities.

The Legislature eliminated DMH (June 30, 2012) and moved functions and contracts to many state entities pursuant to AB 109 (Committee on Budget) Chapter 29, Statutes of 2011. DMH historically was granted authority under Welfare and Institutions Code 5897(e) for exemptions to the Public Contracting Code for MHSA funds. However, when DMH was eliminated and the CRDP contracts were transferred to the DPH in 2012, a technical oversight within trailer bill AB 1467 (Committee on Budget) Chapter 23, Statutes of 2012, resulted in the exemptions not transferring to DPH.

According to DPH, this statutory change would correct a technical oversight from the transfer of the CRDP from DMH to DPH. Because the CRDP is the first of its kind, the flexibility is needed to complete and implement the recommendations developed by diverse communities throughout the state. If this exemption is not provided, there will be delays to the phases of CRDP, and MHSA funds designated for local service providers would be delayed, ultimately impacting individuals from vulnerable communities in need of mental health services. In addition, the data regarding community-defined evidence and the robust evaluation component of CRDP Phase II will be delayed.

Table: CRDP MHSA Fund Projections for Phase I and Phase II (in thousands)

	2012-13	2013-14	2014-15	2015-16
	Phase I			
Carryover	-	-	-	-
Appropriated	$2,349	$2,201	$3,537	$3,537
Expenditures	2,280	1,510	3,537	3,537
Balance	$69	$691	-	-
	Phase II			
Carryover	-	$15,000	$30,000	$30,000
Appropriated	$15,000	15,000	15,000	15,000
Expenditures	-	-	15,000	15,000
Balance	$15,000	$30,000	$30,000	$30,000

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to adopt this placeholder trailer bill language. No concerns have been raised with this proposal.

Questions.

1. Please provide a brief overview of this proposal.

2. Health in All Policies Task Force

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

Background. Executive Order SO-04-10 established the HiAP Task Force under the auspices of the Strategic Growth Council (SGC). The SGC coordinates state agencies to assist and support the planning and development of sustainable communities which strengthen the economy, ensure social equity and enhance environmental stewardship. The order directed the Task Force be facilitated and staffed by DPH.

DPH first collaborated with the University of California, San Francisco, and then with the Public Health Institute (PHI), to provide initial staffing with financial support from The California Endowment. In subsequent years, additional funding to support PHI staff came from the Kaiser Foundation and the American Public Health Association. DPH contributed in-kind support for office space and supplies, as well as a Public Health Medical Officer II in the Center for Chronic Disease Prevention and Health Promotion.

In March 2010, the SGC convened the HiAP Task Force, designating 19 California state agencies, departments, and offices to participate. Each designated agency, department, and office was asked to identify a representative who was familiar with the breadth of their agency's activities, connected to staff with in-depth expertise, empowered to speak on their agency's behalf, and able to engage agency leadership in discussions and decisions about the Task Force's work. By December 2010, the HiAP Task Force held public workshops which resulted in 11 priority recommendations to improve community health that were addressed in eight implementation plans. Implementation plans were commenced as they were approved by the SGC with two plans near completion and the last plan approved in the spring of 2012. The Task Force has employed myriad strategies to aggregate the evidence for action, coordinate administrative resources, educate the public and the state workforce involved with HiAP, develop guidance and provide oversight, management, and accountability for the project.

In July 2012, Health and Safety Code Section 131019.4 was added to provide statutory authority for the new Office of Health Equity in CDPH. Pursuant to statute, the Office of Health Equity is to work collaboratively with the HiAP Task Force to promote work to prevent injury and illness through improved social and environmental factors that promote health and mental health. The statutes further describe a variety of ways that the office is to build and inform the HiAP Task Force including:

- Develop intervention programs with targeted approaches to address health and mental health inequities and disparities.
- Prioritize building cross-sector partnerships within and across departments and agencies to change policies and practices to advance health equity.

- Work with the advisory committee and through stakeholder meetings to provide a forum to identify and address the complexities of health and mental health inequities and disparities and the need for multiple, interrelated, multi-sectoral strategies.

Many of the policies and programs that affect health and the social determinants of health originate outside the health sector (e.g., housing, education, community safety). Public health government agencies; therefore, need to address population health using a strategy that fosters intersectoral action.

In 2012-13, The California Endowment communicated that their funding priorities for the HiAP approach was shifting from state support to more local support, so it was likely that funding for PHI staff for the California HiAP Task Force would end after 2013-14.

Subcommittee Staff Comment and Recommendation—Hold Open. No concerns have been raised regarding support for the HiAP Task Force; however, the nexus between the proposed funding sources and the purpose of this task force is not clear. According to the authorizing statute the charge to OHE includes prioritizing the building of cross-sectoral partnerships within and across departments and agencies to change policies and practices to advance health equity. Additionally, this task force supports the work of 19 other state agencies, yet this proposal does not include any reimbursements from these other state agencies to support this work. It is recommended that the Administration provide additional sources of potential funding, by the May Revise, such as housing, education, workforce-related, and environmental sources in order to assure alignment of the funding and the purpose of this task force.

Questions.

1. Please provide an overview of this proposal.

2. Has DPH requested reimbursements from other state agencies to support this task force? If not, why not?

3. Suspension of Tuberculosis Control Mandate

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

The Administration contends that the procedures required under the TB control mandate are best practices and locals would continue to follow these procedures, even if they are not specifically reimbursed for them.

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

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

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

1. **For LHOs.** Reviewing treatment plans submitted by health facilities within 24 hours of receipt and notifying the medical officer of a state parole region when there are reasonable grounds to believe that a parolee with TB has ceased TB treatment. (Health and Safety Code Section 121361(a)(2))
2. **For Local Detention Facilities.** Notifying and submitting a written treatment plan to LHOs when an inmate with TB is discharged and notifying the LHO and medical officer of the local detention facility when a person with TB is transferred to a facility in another jurisdiction. (Health and Safety Code Section 121361(e)(1))
3. **For Counties and Cities with Designated LHOs.** Providing counsel to non-indigent TB patients, who are subject to a civil detention order, for purposes of representing the TB patients in court hearings reviewing civil detention orders. (Health and Safety Code Section 121366)

Subcommittee Staff Comment and Recommendation—Hold Open. The LAO, Administration, and local health offers are in discussions about potential alternatives to suspending this mandate. It is recommended to hold this item open to continue these discussions to ensure that this important public health activity continues.

Questions.

1. Please provide an overview of this proposal and any updates on alternatives to this proposed mandate suspension.

4. Authority to Apply for Federal Grants

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

DPH contends that it has sufficient statutory authority to apply for federal grants and cites:
Health and Safety Code Section 131085 (a), which reads: The department may perform any of the following activities relating to the protection, preservation, and advancement of public health:

(1) Studies.
(2) Demonstrations of innovative methods.
(3) Evaluations of existing projects.
(4) Provision of training programs.
(5) Dissemination of information.

(b) In performing an activity specified in subdivision (a), the department may do any of the following:

(1) Perform the activity directly.
(2) Enter into contracts, cooperative agreements, or other agreements for the performance of the activity.
(3) Apply for and receive grants for the performance of the activity.
(4) Award grants for the performance of the activity.

DPH acknowledges the concerns that have been raised and indicates that it does not foresee this problem in the future, but it has not provided any rationale or explanation as to why these concerns occurred in the first place.

DPH Technical Assistance. Given the concerns that have been raised, subcommittee staff requested technical assistance on trailer bill language that would provide clear authority for DPH to apply for federal grants within the purview of public health. DPH provided the following draft language as technical assistance:

Add Health and Safety Code 131058 as follows:

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

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as discussions continue on this topic.

Questions.

1. Please provide an explanation as to why DPH was at first reluctant to reapply for the Wisewoman and colorectal cancer federal grants.

2. Does DPH find that it has sufficient authority to apply for any new or existing federal grants that are related to public health?

5. State Dental Director - April Finance Letter

Budget Issue. A DPH April Finance Letter requests $474,000 ($250,000 General Fund and $224,000 in reimbursements, federal funds from the Department of Health Care Services) to establish a State Dental Director, add an epidemiologist, and provide related consulting services to re-establish a statewide dental health program.

The State Dental Director would guide the development of a statewide dental health plan and establish partnerships and coalitions to advance dental health throughout California. The epidemiologist would support this work.

The proposed consulting services include:

1. External Contracts: (a) California State University Sacramento College of Continuing Education for conference and training services for $26,000 and (b) California Epidemiologic Investigation Service Fellow - $43,000 to fund an epidemiologist-in-training to work under staff at DPH to assist with the proposed activities.
2. A Memorandum of Understanding with the Behavioral Risk Factor Surveillance System administrator (California State University) to add four dental questions regarding dental health for children, adolescents, and adults for $30,000.

Background. Current law (Health and Safety Code Sections 104750-104765) establishes authority for DPH to maintain a dental program that includes: (1) development of comprehensive dental plans, (2) consultation necessary to coordinate national, state, and local agency programs related to dental health, (3) program evaluation related to preventative services, (4) consultation and program information to health professions, health professional educational institutions, and volunteer activities, (5) establishment of a Dental Director, and (6) authority to receive funds to establish a State Dental Program.

However, DPH has limited funding dedicated to the purposes described above and currently only provides $213,000 (through a federal grant) to promote drinking water fluoridation. DPH also serves as a fiscal intermediary for a federal oral health workforce development grant to the University of the Pacific that ends September 2014.

Tooth decay is the most common chronic condition in children. In 2006, 54 percent of kindergarten children and 71 percent of third graders in the state had tooth decay. In addition, low-income and minority children suffer disproportionately from dental tooth decay.

With these resources, DPH proposes to develop a Dental Burden of Disease (Burden) report which would help identify dental health issues, disease burden, facts and figures of dental disease, and capacity to address the burden. The Burden report would be the foundation for the development of the State Dental Plan (Plan). The Plan would serve as the roadmap for California's short-term, intermediate, and long-term priorities, goals, and objectives to address dental disease burden and prevention.

DPH proposes the following implementation timeline:

- By October 2014, establish DPH's Dental Team (State Dental Director, epidemiologist, and develop and execute consulting contracts)
- By December 2014, establish an Advisory Committee and Coalition
- By December 2014, establish the Dental Program Website
- By March 2015, publish the Dental Burden of Disease Report
- By June 2015, publish the State Dental Plan

DPH indicates that it has been working to identify appropriate classifications, prepare duty statements, and consider the need for exams in order to be prepared to start the recruiting process upon approval of the state budget. In addition to the standard job posting, DPH will conduct an aggressive recruiting campaign. DPH will work with public health programs and the state dental association to assist with recruiting efforts. Job announcements will also be posted on the Association for State and Territorial Dental Directors national list serve, California Dental Association job listings, and other job postings for dental public health programs such as the American Association for Public Health Dentistry.

Rationale for Dental Director at DPH. According to DPH, state public health departments are uniquely qualified with epidemiological expertise to define and monitor the oral disease burden throughout the state and to provide the statewide oral health professional leadership to plan and develop statewide strategies to reduce the burden of disease. DPH is positioned to collect statewide oral health surveillance data through unique data sources, leverage and integrate with health department components, such as other chronic disease programs, develop and implement statewide policy and programmatic strategies that cut across multiple chronic conditions, and to share support of complementary activities.

DPH would provide leadership for oral health initiatives, and would have access to statewide partnerships such as the state dental association, public health organizations, etc. Specific public health focus areas include statewide surveillance of oral disease, reporting the burden of disease, facilitating the development and implementation of a statewide oral health coalition and state oral health plan, coordination with other chronic disease and maternal and child health programs, development of statewide dental sealant programs, and community water fluoridation coordination, as well as management of program capacity and infrastructure to sustain a state oral health program within DPH.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve this proposal as no issues have been raised. This proposal is an important step in addressing oral health in the state.

Questions.

1. Please provide an overview of this proposal.

2. What public health outcomes would DPH expect as a result of this proposal? How does DPH plan to measure whether or not these outcomes have been achieved?

3. How will the Dental Director coordinate and work with the Department of Health Care Services to improve Medi-Cal dental services utilization and quality?

0530 Secretary for Health and Human Services Agency

1. Overview and State Only Health Programs

Background. The primary mission of the Health and Human Services Agency (HHSA) is to provide policy leadership and direction to the departments, boards, and programs it oversees, to reduce duplication and fragmentation among HHSA departments in policy development and implementation, to improve coordination among departments on common programs, to ensure programmatic integrity, and to advance the Governor's priorities on health and human services issues.

The HHSA accomplishes its mission through the administration and coordination of state and federal programs for public health, health care services, social services, public assistance, health planning and licensing, and rehabilitation. These programs touch the lives of millions of California's most needy and vulnerable residents. The HHSA states that it is committed to striking a balance between the twin imperatives of maintaining access to essential health and human services for California's most disadvantaged and at-risk residents, while constantly pursuing ways to better manage and control costs.

The following departments and entities fall under the purview of the HHSA:

- Department of Aging
- Department of Child Support Services
- Department of Community Services and Development
- Department of Developmental Services
- Emergency Medical Services Authority
- Department of Health Care Services
- Department of Public Health
- Department of Rehabilitation
- Department of Social Services
- Department of State Hospitals
- Office of Statewide Health Planning and Development
- Managed Risk Medical Insurance Board

Table: California Health and Human Services Agency Secretary Budget Summary (dollars in thousands)					
Fund Source	**2012-13 Actual**	**2013-14 Projected**	**2014-15 Proposed**	**BY to CY Change**	**% Change**
General Fund	$2,568	$3,142	$3,115	(27)	(0.9%)
Federal Trust Fund	1,685	4,333	3,643	(690)	(15.9)
Reimbursements	2,919	3,642	3,282	(360)	(9.9)
Internal Health Information Integrity Quality Improvement Account	-	25	25	-	-
California Health Information Technology and Exchange Fund	7,119	21,000	9,798	11,202	53.3
Office of Patient Advocate Trust Fund	2,110	2,731	2,741	(10)	(0.4)
Office of Systems Integration Fund	262,391	-	-	-	-
Central Service Cost Recovery Fund	839	819	849	30	3.7
California Health and Human Services Automation Fund	-	318,118	246,655	(71,463)	(22.5)
Total Expenditures	**$279,631**	**$353,810**	**$270,108**	**$83,702**	**23.7%**
Positions	210.2	250.7	257.7	7.0	2.8%

Transition of State Health Programs with Implementation of Federal Health Care Reform. The Administration does not have a proposal or plan to consider how to enroll eligible individuals in state health programs into comprehensive coverage through Covered California or Medi-Cal. HHSA indicates that it is focusing on getting health care reform stabilized before it develops mechanisms to easily enroll individuals in state health programs into comprehensive coverage.

LAO Comments and Findings. The LAO has no concerns regarding HHSA's budget. However, the LAO finds that the budget does not assume caseload decreases in some smaller state health programs such as the Breast and Cervical Cancer Treatment Program (BCCTP)—or funded primarily with state funds (also known as state-only programs), such as the Genetically Handicapped Person Program, which have traditionally provided coverage to individuals who may not qualify for full-scope Medi-Cal and who may not have private health insurance. Under the Affordable Care Act (ACA), some of the individuals who would have otherwise enrolled in these programs will likely obtain coverage through the optional Medi-Cal expansion or Covered California—thereby likely decreasing caseload in these programs. In some programs, such as the AIDS Drug Assistance Program, the budget adjusts for savings associated with reduced caseload under the ACA. In other programs, the budget does not adjust for likely caseload declines. See following table for a list of these programs.

Consequently, the LAO recommends the Legislature direct the Administration to report in budget hearings on the following: (1) the existing state health programs that are likely to experience caseload declines under the ACA; (2) factors that would limit any potential decline in caseload and costs in these programs, such as a substantial portion of enrollees who continue to be ineligible for Medi-Cal or

subsidized coverage through Covered California; and (3) the Administration's timeline for making adjustments to the budgets of these programs.

Table: LAO Summary Chart of State-Only Health Programs

Figure 6

State Health Programs Affected or Potentially Affected by the ACA[a]

Program	Major Eligibility Criteria[b]	Description of Services
Prostate Cancer Treatment Program	• Age 18 or older. • Income up to 200 percent FPL. • No other health coverage.	Prostate cancer treatment, patient education, and case management/patient navigation.
Every Woman Counts	• Female. • Income up to 200 percent FPL. • Services not covered by health coverage or coverage has high deductible/copayment.	Comprehensive breast and cervical cancer screening and diagnostic services, clinical follow-up, and tailored health eduction.
Breast and Cervical Cancer Treatment Program	• In need of treatment for breast or cervical cancer. • Income up to 200 percent FPL. • No other health insurance. • State-only program for individuals: (1) without satisfactory immigration status, (2) with high cost health insurance, and (3) females 65 years or older.	Full-scope coverage for individuals who meet federal eligibility criteria; cancer treatment and cancer-related services for individuals in state-only portion of the program.
Genetically Handicapped Persons Program	• Generally over age of 21. • Diagnosis of an eligible genetic condition. • No income limit. • State-only program for Medi-Cal-ineligible persons.	Medically necessary services, including case management services, regardless of whether services are related to qualifying medical condition.
Major Risk Medical Insurance Program	• Persons unable to obtain private health insurance because of a pre-existing medical condition.	Health coverage, including preventative care, hospital care, physician visits, and drugs.
Access for Infants and Mothers Program	• Pregnant women. • Income 200 percent to 300 percent FPL. • No health coverage or coverage has maternity-only deductible or copay greater than $500.	Comprehensive benefits, including pregnancy and non-pregnancy related services.
AIDS Drug Assistance Program	• HIV-infected. • Over age 18. • Income up to $50,000. • Lack health coverage that covers the medications.	HIV/AIDS medications.
Medi-Cal 200 Percent FPL Pregnant Women	• Pregnant women. • Income at or below 208 percent FPL.	Pregnancy related and 60-day post partum services.[e]
Medi-Cal Medically Needy Share-of-Cost Families	• Pregnant women, parent/caretaker relatives, and children. • No income limit, but income determines share-of-cost amount. • Asset test.	Full-scope Medi-Cal once share-of-cost has been met.
Family Planning, Access, Care, and Treatment	• Income up to 200 percent FPL. • No other source of health care coverage for family planning, or meet other specified criteria.	Family planning and reproductive health services.
California Children's Services (CCS)[c]	• Under age 21. • Diagnosed with CCS-eligible medical condition. • State-only program for children ineligible for Medi-Cal with family income less than $40,000 per year or estimated annual cost of care that exceeds 20 percent of family income.	Pediatric specialty and subspecialty health care, case management, and care coordination; school-based therapy services available regardless of family income.
Qualified aliens inside the five-year bar[d]	• Qualified aliens who otherwise meet Medi-Cal eligibility requirements, but who have been legally residing for less than five years and, thus, do not qualify for federal matching funds.	Full-scope Medi-Cal .

[a] Includes programs that provide services to individuals who became newly eligible for Medi-Cal or federally subsidized coverage on Covered California beginning January 1, 2014.
[b] Citizenship and immigration status requirements may also differ between programs, but are generally not included in this Figure.
[c] Reflects spending for state-only portion of the program.
[d] Qualified aliens inside the five-year bar from 0 percent to 400 percent FPL are eligible for federally subsidized coverage on Covered California.
[e] Certain qualified aliens inside the five-year bar qualify for federal matching funds. This spending number reflects costs for qualified aliens inside the five year bar who do qualify for the match and those who do not.

TF=total funds; GF=General Fund; and FPL=Federal Poverty Level.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as discussions continue on the state health programs.

Questions.

1. Please provide an overview of HHSA's departments and budget.

2. What is the Administration's plan for moving eligible individuals in state health programs into comprehensive coverage through Covered California, at open enrollment, and Medi-Cal?

2. Office of Patient Advocate

Oversight Issue. HHSA has not fully implemented AB 922 (Monning), Chapter 522, Statutes of 2011, regarding the Office of Patient Advocate (OPA).

The intent of AB 922 was to develop a robust response system to address consumer questions and grievances about the health care system and to provide for much needed, clear and understandable consumer information and assistance by expanding and strengthening current programs operating at the local level. OPA has not used the authority provided in AB 922 to develop this robust system.

For example, in the fall of 2013, OPA released its planned activities for 2014. This plan did not include key components of AB 922 such as providing direct consumer assistance and subcontracting with community-based organizations to provide individualized assistance.

Background. AB 922 designates OPA as a central resource to ensure that consumers get information on how to obtain health care coverage for which they are eligible or entitled and how to receive timely assistance in resolving problems when they have difficulty accessing care or have other programs with their health plans or providers.

AB 922 requires that OPA, by January 2013, expand its current audience of commercially covered consumers to serve all publicly and privately covered Californians as well as the uninsured. OPA is specifically mandated to provide the following services:

1. Publicly report and analyze aggregate data on consumer complaints regarding health coverage.

2. Render assistance to consumers regarding problems with their health care coverage or services, including assistance with procedures, rights, and responsibilities related to the filing of complaints, grievances, and appeals.

3. Develop protocols and procedures for assisting in the resolution of consumer complaints, including the referral of complaints to the appropriate regulator or health coverage program.

4. Develop, in consultation with specified health coverage programs, education and informational guides to be made available to the public online and through public outreach and education programs.

5. Provide outreach and education about health care coverage options and coordinate with other state and federal agencies engaged in outreach and education regarding the implementation of federal health care reform.

6. Operate a toll-free telephone number that can route callers to the proper regulating body or public program, their health plan, or local consumer assistance program.

7. Operate an Internet website, social media, and up-to-date communication systems to provide information regarding consumer assistance programs.

Complaint Data Reporting. The 2013-14 budget included an augmentation of $184,000 (Office of Patient Advocate Trust Fund) and one two-year limited-term position to develop a Complaint Data Reporting System, as required by AB 922. This included $67,000 for ongoing technical/statistical support from the National Committee for Quality Assurance and $12,000 to cover expenses associated with the design, translation, printing, promotion, and dissemination of the annual complaint reports and annual stakeholder preview sessions. It is anticipated that by the summer of 2014, submission of complaint data by the Department of Managed Health Care (DMHC), Department of Insurance (CDI), Department of Health Care Services (DHCS), Managed Risk Medical Insurance Board (MRMIB), and the California Health Benefit Exchange (Exchange) will commence and that the first complaint report will be issued in the summer of 2015.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. Senate legislative staff and HHSA have been working on placeholder trailer bill language to ensure a consumer assistance program. It is recommended to adopt this placeholder trailer bill language that:

1. Revises the responsibilities of the OPA to clarify that it is not the primary source of direct assistance to consumers

2. Clarifies OPA's responsibilities to track, analyze, and produce reports with data collected from calls, on problems and complaints by, and questions from, consumers about health care coverage received by health consumer call centers and helplines operated by other departments, regulators or governmental entities.

3. Requires OPA to make recommendations for the standardization of reporting on complaints, grievances, questions and requests for assistance.

4. Requires the OPA to develop model protocols, in consultation with each call center, consumer advocates and other stakeholders that may be used by call centers for responding to and referring calls that are outside the jurisdiction of the call center or regulator.

5. Shifts funding to the Department of Managed Health Care to supplement contracts with community-based organizations to provide direct consumer assistance.

Questions.

1. Please provide an update on AB 922 implementation activities.

2. Please provide an overview of the proposed placeholder trailer bill language.

3. CalOHII – HIPAA Compliance - April Finance Letter

Budget Issue. The California Office of Health Information Integrity (CalOHII) requests $750,000 ($375,000 General Fund and $375,000 reimbursements) for consulting services on a two-year limited-term basis. CalOHII indicates that this request would help ensure that state departments would meet data interoperability and expanded Health Insurance Portability and Accountability Act (HIPAA) requirements. (The reimbursements are federal Medicaid funds.)

Background. Division 110 of the Health and Safety Code, known as the Health Insurance Portability and Accountability Act of 2001 specifies CalOHII's responsibilities and authority including:

- Statewide leadership, coordination, policy formulation, direction, and oversight responsibilities for HIPAA implementation by impacted state departments;
- Full authority to establish policy and provide direction to state entities, monitor progress, and report on HIPAA implementation efforts; and
- Responsibility for determining which provisions of state law concerning personal health information are preempted by HIPAA for state agencies.

The federal government continues to issue new updates to existing HIPAA regulations and there are five compliance deadlines that must be met in the next two years. The federal government utilizes HIPAA to govern the standards, including security requirements, associated with efforts to enable electronic movement of health data. It is expected that with implementation of the Affordable Care Act the federal government will be issuing and modifying HIPAA rules. Some of these include HIPAA Certification Part 2 which will take effect December 2015, Operating rules in January 2016, and the Health Plan Identifier rule with compliance date in 2016.

Below is a chart of HIPAA impacted or HIPAA covered entities. "HIPAA impacted" means they are not considered covered entities but they have business/program functions that require they comply with HIPAA requirements in order to conduct business with other HIPAA covered entities.

Table: CalOHII's Existing HIPAA Oversight Responsibilities

CURRENT COVERED & IMPACTED ENTITIES	COVERED ENTITIES				IMPACTED ENTITIES		
	Health Care Provider	Health Care Plan	Health Care Clearinghouse	Hybrid Entity	Business Associate	Trading Partner	Impacted by Data Content
Aging, Department of		X		X	X	X	X
Controller, California State					X	X	X
Corrections and Rehabilitation, Department of (PIA Optical only)	X					X	X
Corrections and Rehabilitation, Department of (all except PIA Optical)						X	X
Developmental Services, Department of	X		X	X	X	X	X
Emergency Medical Services Authority						X	X
Employment Development Department							X
Forestry and Fire Protection, Department of	X			X	X		X
Health Planning and Development, Office of Statewide							X
Health Services, Department of	X	X			X	X	X
Industrial Relations, Department of						X	X
Insurance, Department of					X	X	X
Managed Health Care, Department of							X
Managed Risk Medical Insurance Board		X				X	X
Human Resources, Department of		X			X	X	X
Public Employees' Retirement System		X		X		X	
Public Health, Department of	X	X				X	
Social Services, Department of					X		
State Hospitals, Department of	X	X			X	X	X
Veterans Affairs, Department of	X	X				X	X
TOTAL IMPACTED ENTITIES	**7**	**8**	**1**	**4**	**10**	**15**	**18**

On April 1, 2014, CalOHII issued a reassessment document to all state departments within the Executive Branch to determine which additional departments are impacted or covered by HIPAA. Those results will be collected and a report will be prepared in May 2014. With the expansion of HIPAA in the Omnibus Rule, CalOHII projects the HIPAA impacted departments to increase.

The table below is a *projection* of the expansion of CalOHII's oversight responsibilities that will be confirmed with the pending reassessments.

Table: Projected Expansion of CalOHII's HIPAA Oversight Responsibilities

PROJECTED COVERED & IMPACTED ENTITIES	COVERED ENTITIES				IMPACTED ENTITIES		
	Health Care Provider	*Health Care Plan*	Health Care Clearinghouse	Hybrid Entity	Business Associate	Trading Partner	Impacted by Data Content
Correctional Health Care Services, California	X						
CDCR, PIA Optical and Dental				X			
Inspector General for Veteran Affairs, Office of					X		
Managed Health Care, Department of							X
Victims Compensation & Government Claims Board							X
Youth Authority, Department of							X
TOTAL IMPACTED ENTITIES	**1**			**1**	**1**		**3**

HIPPA Compliance Review. CalOHII conducts the following steps for its HIPAA compliance reviews of state departments:

- On-site compliance reviews with a Subject Matter Expert auditor for each HIPAA rule.
- Field visits to institutions, satellite offices or other department facilities as necessary including statewide travel.
- Large departments and complex programs will require multiple visits or audits.
- A dashboard report based on defined performance measures is provided.
- Final reports identify deficiencies and best practices and do the following:
    - Identify compliance level for all requirements
    - Identify deficiencies and best practices
    - Make recommendations on corrective action plan (CAP)/prevention
    - Identified deficiencies are shared with Executive Management and Agency.
- Assistance to develop corrective action plans and monitor progress is provided through on-going technical assistance to bring departments into compliance.
- Conduct follow-up reviews of departments with a CAP to validate deficiencies are eliminated and full compliance is achieved.

Purpose of Request. This proposal would fund three contracts. Each of these contracts would cost $250,000.

1. **Compliance Audits Infrastructure –** This contract includes:
   - Development of an audit tool for compliance reviews.
   - Development of performance measures and dashboard for compliance with applicable state and expanded federal health information privacy and security, transactions and code sets, unique identifiers, and patient rights laws.

   This contract will address all HIPAA rules and compliance deadlines. State entities are required to comply with federal and state laws and regulations regarding patient privacy, information security, patient access rights, unique identifiers, and standardizing electronic transactions and codes. This contract will define the infrastructure to conduct compliance audit / reviews of each department's implementation of the rules.

2. **Compliance Audits –** This contract includes:
   - Compliance audits (approximately 5-7 departments).
   - Draft final reports to identify deficiencies and best practices.
   - Development of corrective action plans and monitor progress. Provide compliance technical assistance to departments.

   CalOHII is mandated by Health and Safety Code sections 130300 *et seq*. to create state policy that ensures compliance with these laws, determine which or if both federal and state laws apply. CalOHII also has jurisdiction over all HIPAA affected state entities and has responsibility for statewide leadership, coordination, direction and oversight for HIPAA implementation and compliance. In order to fully achieve compliance with CalOHII's mandated scope one uniform statewide policy manual for all impacted state entities is in development. This contract will produce tools to be included in the policy manual for assisting departments in self-monitoring the achieving of compliance.

3. **Statewide Health Information Policy Manual –** This contract includes:
   - Finalization of the Statewide Health Information Policy Manual.
   - HIPAA Subject Matter Expertise.

   The compliance audit / reviews for impacted state departments will be based on the new State Health Information Policy Manual for state agencies. The policies outlined in this manual are based on all applicable requirements outlined in both state and federal health information laws and regulations. This methodology will allow for consistent standard interpretation and application of federal and state laws and regulations across all state agencies.

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised regarding this request.

Questions.

1. Please provide an overview of this proposal and CalOHII's role in regard to HIPAA compliance.

Michelle Baass 651-4103
Senate Budget & Fiscal Review

OUTCOMES: Senate Subcommittee #3 on Health & Human Services
Thursday, April 24 (Room 4202)

VOTE ONLY

0530 Secretary for Health and Human Services Agency

1. Office of Systems Integration - CalHEERS

- Approved as budgeted (3-0)

4260 Department of Health Care Services (DHCS)

1. Every Woman Counts Contract Conversion

- Approved as budgeted (2-0, Senator Morrell abstaining)

ISSUES FOR DISCUSSION

4260 Department of Health Care Services (DHCS)

1. CalHEERS and Medi-Cal Enrollment

- Held open.

2. SB 28 - Medi-Cal ACA Implementation – New County Administration Methodology

- Held open.

3. Suspend Cost-of-Living Adjustment for County Eligibility Administration

- Held open.

4. Medi-Cal Rates, Payment Reductions (AB 97), and Access Monitoring

- Held open.

5. Monitoring Medi-Cal Dental Services Utilization & Pediatric Dental Outreach Proposal

- Held open.

6. Coordinated Care Initiative (CCI) Update and Position Request

- Held open.

7. Medi-Cal Managed Care Ombudsman Program

- Held open.

8. Add Applied Behavioral Analysis (ABA) Services to Medi-Cal Managed Care

- Held open.

9. CBAS Program and Continued Transition of SPDs to Medi-Cal Managed Care

- Approved as budgeted (3-0)

10. Family Health Estimate - CCS, GHPP, CHDP, EWC

- Held open.

11. CA-MMIS Change Order Contract Exemption

- Approve as budgeted (3-0)

12. Non-Payment and Reporting of Provider-Preventable Conditions

- Approved as budgeted (3-0)

4265 Department of Public Health (DPH)

1. California Reducing Disparities Contract Exemption

- Approved as budgeted (2-0, Senator Morrell abstaining)

2. Health in All Policies Task Force

- Held open.

3. Suspension of Tuberculosis Control Mandate

- Held open.

4. Authority to Apply for Federal Grants

- Held open.

5. State Dental Director - April Finance Letter

- Approved as budgeted (3-0)

0530 Secretary for Health and Human Services Agency

1. Overview and State Only Health Programs

- Held open.

2. Office of Patient Advocate

- Held open.

3. CalOHII – HIPAA Compliance - April Finance Letter

- Held open.

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett

Senator Bill Monning
Senator Mike Morrell

May 1, 2014
9:30 a.m. or Upon Adjournment of Session
Room 4203, State Capitol

Staff: Samantha Lui

PLEASE NOTE: Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order noted in the Agenda unless otherwise directed by the Chair. Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

5175 Department of Child Support Services

1. Overview

The Department of Child Support Services (DCSS) is the single state agency designated to administer the federal Title IV-D mandated Child Support Program (CSP). California's Child Support Program seeks to enhance the well-being of children and families' self-sufficiency by providing professional services to locate parents, establish paternity, and establish and enforce orders for financial and medical support. DCSS estimates that there are over 1.3 million child support cases in California.

2014-15 Budget Overview

Fund Source	2012-13	2013-14	2014-15
General Fund	$298,865,000	$312,964,000	$312,892,000
Federal Trust Fund	$445,713,000	$494,894,000	$494,607,000
Child Support Collections Recovery Fund	$186,120,000	$190,480,000	$190,408,000
Reimbursements	$96,000	$123,000	$123,000
Total Expenditures	**$930,794,000**	**$998,389,000**	**$998,030,000**
Positions	**497.7**	**593.5**	**628.5**

Administration and funding. The Child Support Program is locally administered and funded through federal and state funds, 66 percent and 34 percent, respectively. The program earns federal incentive funds based on the state's performance in the five federal performance measures (to be discussed below). Eligibility for federal Temporary Assistance to Needy Families (TANF) Block Grant funding is ALSO contingent upon continuously providing federally-required child support services.

Service delivery. Local and regional child support agencies deliver services, which are available to all California residents. Families may be referred to CSP through public assistance programs. Non-aided families may apply for services at an office or online, and support is passed directly to the custodial party. After the initial application or referral, the family proceeds to case intake.

Collections. Basic collections represent the ongoing efforts of Local Child Support Agencies (LCSAs) to collect child support payments from parents paying support. Basic collections are collected from the following sources: wage assignments; federal and state tax refund intercepts; unemployment insurance benefit intercepts; lien intercepts; bank levies; and, direct payments from parents paying support. Collections made on behalf of non-assistance families are forwarded directly to custodial parties; while collections for families receiving assistance are retained and serve as recoupment of past welfare costs.

Total Collections Received, by source (FY 2012-13)	
Wage Witholding	$1.5 billion
IRS federal income tax refund	$176 million
FTB state income tax refund	$33 million
Unemployment Insurance Benefits	$92 million
Collections from other IV-D states	$91 million
Non-custodial parents regular payments	$298 million
Other sources* (Liens, workers' compensation, disability insurance benefits offset, California insurance intercepts, and full collections program without wage levies)	$90.3 million

Total child support distributed collections have grown from $2.3 billion (FY 2003-04) to a projected $2.4 billion for the budget year ($1.9 billion non-assistance payments; $477 million assistance payments). According to the Administration, wage withholding continues to be the most effective way to collection child support, constituting 65.94 percent ($1.5 billion) of the total collections received. For more information about total collections received by source, please see the department's chart, above.

Disregard payments to families. In addition to the California Work Opportunity and Responsibility to Kids (CalWORKs) grant, the custodial party receiving support also receives the first $50 of the current month's child support payment collected from the non-custodial parent. Forwarding the disregard portion of the collection to the family, instead of retaining it as revenue, results in reduced collection revenues for state and federal governments.

Automation System. Federal law requires each state to create a single statewide child support automation system that meets federal certification standards. There are two components of the California Child Support Automation System—Child Support Enforcement (CSE) and State Disbursement Unit (SDU).

- Child Support Enforcement. The CSE system contains tools to manage the accounts of child support recipients and to locate and intercept assets from non-custodial parents who are delinquent in their child support payments. In addition, it funds the local electronic data processing maintenance and operation costs.

- State Disbursement Unit. The SDU provides services to collect child support payments from non-custodial parents and to disburse these payments to custodial parties. The SDU complements the CSE system by providing services to collect and distribute child support obligation payments for both the IV-D and non- IV-D populations[1], and to prepare collection payment transactions for processing by the CSE system.

The California Child Support Automation System (CCSAS) has been implemented since 2008, and it received its federal certification as the statewide automation system shortly thereafter. The program's cost was approximately $1.5 billion dollars, and implementation took around eight years. DCSS must maintain the automation system, and is responsible for ensuring that LCSAs can access the system. Ongoing annual costs for the CCSAS are approximately $118.79 million ($103.8 million CSE; $14.97 million SDU).

2013 Federal Performance Measures. Federal incentive payments are based on the state's annual data reliability compliance and its performance in five measures, which were established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), and the Child Support Performance and Incentive Act of 1998. The five performance measures are:

1. **Statewide Paternity Establishment Percentage (PEP)** measures the number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out-of-wedlock during the preceding fiscal year.

[1] Title IV-D of the Social Security Act is a federally required program providing parentage and support establishment and support enforcement services.

California measured 98.6 percent for Federal Fiscal Year (FFY) 2013, a decreased of three percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 50 percent.

2. **Cases with Support Orders Established** measures cases with support orders as compared to total caseload. California measured 89 percent for FFY 2013, an increase of 1.1 percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 50 percent.

3. **Collections on Current Support** measures the current amount of support collected as compared to the total amount of current support owed. California measured 63.3 percent for FFY 2013, an increase of 1.9 percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 40 percent.

4. **Cases with Collections on Arrears** measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year. California measured 65.1 percent for FFY 201, an increase of 1.6 percentage points from FFY 2012 to FFY 2013. The federal minimum performance level is 40 percent.

5. **Cost Effectiveness for California** compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditures. California measured $2.54 for FFY 2013, an increase of seven cents from FFY 2012 to FFY 2013. The federal minimum performance level is $2.00.

DCSS estimates that California will be entitled to $40.3 million in federal incentive funds for fiscal year (FY) 2013-14 and the budget year.

Update on Local Child Support Agency Revenue Stabilization. Since July 1, 2009, the state provides $18.7 million ($6.4 million General Fund) for 51 LCSAs to stabilize caseworker staffing, and to avoid a loss in child support collections. To receive an allocation of revenue stabilization funds, DCSS requires that revenue stabilization funds are distributes to counties based on their performance on two key federal performance measures--Collections on Current Support and Cases with Collections on Arrears.

According to 2012-13 data, DCSS found that revenue stabilization funds maintain statewide child support collections. Specifically, the stabilization funds have assisted in retaining:

- $130.7 million in total distributed collections.
- $16.8 million in net total assistance collections.
- $8.0 million GF share of assistance collections.
- $113.9 million in total non-assistance collections.

Staff Comment. The item is informational, and no action is required.

Question

1. Please provide a brief overview of the department and its services.

2. California Child Support Automation System - Information Technology Contract Staff Reduction

Budget Issue. The Department of Child Support Services (DCSS) requests a shift, starting in the budget year and until FY 16-17, in local assistance funding to state operations for $11.95 million ($4.06 million General Fund), and for position authority for 100 full-time permanent positions to replace 100 contract staff. The resources would continue the maintenance and operations of the federally-mandated California Child Support Automation System (CCSAS) Child Support Enforcement (CSE) system. The Administration notes that this transition will result in a reduction of $699,196 ($237,727 GF) over three years.

DCSS proposes the following timeline for the replacement of contractor staff with permanent state civil staff within multiple sections of the Technology Services Division.

Transition Schedule: Child Support Enforcement System, Maintenance, & Operations Resources

Fiscal Year	Contract Positions	Contract Costs	Civil Service Positions	Civil Service Costs	Annual Savings
2014-15	35	$4,374,068	35	$4,129,888	$244,180
2015-16	38	$4,910,975	38	$4,562,277	$348,698
2016-17	27	$3,365,790	27	$3,259,472	$106,318
Total	100	**$12,650,833**	100	**$11,851,637**	**$699,196**

Background. AB 150 (Aroner), Chapter 479, Statutes of 1999; AB 196 (Keuhl), Chapter 478, Statutes of 1999; and, SB 542 (Burton), Chapter 480, Statutes of 1999, restructured California's child support program and required the state to implement a single statewide automated child support system to comply with federal certification requirements. Three other changes resulted from this legislative package:

1. State level program responsibility was transferred from Department of Social Services to DCSS.
2. Control of child support program moved from the district attorney's office to LCSAs.
3. Design, development, and implementation of the statewide automated child support system was transferred from the Health and Human Services Agency Data Center to the Franchise Tax Board (FTB).

In 2003, the state awarded the CCSAS CSE contract to Business Partner, an alliance of International Business Machines, Accenture, and CGI. 58 county databases were converted to a single statewide system in two phases. The federal government approved the department's CSE system in federal fiscal year 2008. In January 2009, the CCSAS project was transferred from the Franchise Tax Board to DCSS, in anticipation of the Business Partner contract expiration in October 2010. In fiscal year 2011-12, the Legislature approved the department's request to transition 11 contract staff to 11 state civil service positions to support Help Desk activities and services. Currently, 100 IT contract staff support the federally-mandated CSE system. Specifically, contract staff's job functions for maintenance and operations include: development, database administration, technical architecture, testing, performance management, and network support.

Due to hiring restrictions, lack of training capacity for new civil service employees, and budget timeframes, the department decided to contract out on a temporary basis for 100 information technology (IT) staff to support CSE maintenance and operations. In May 2011, DCSS acquired temporary CSE maintenance and operations staff through a multi-year agreement, which expires April 30, 2016. The agreement provides for two 2-year optional extensions; if utilized, the contract would end April 30, 2020.

Further, the proposal correlates with specified goals and outcomes of the DCSS Strategic Plan, the DCSS Information Technology Strategic Plan, and the California Department of Technology Strategic Plan, such as: providing uniformity of statewide practices and procedures; collecting and using accurate and reliable data to DCSS and LCSAs; attracting, developing, and retaining skilled professionals; and, treating program and customer information as a secure asset.

Justification. According to the Administration, failure to approve the budget change proposal would result in continued use of IT contract staff, which would necessitate periodic procurements for vendor contracts. Also, if DCSS is unable to replace existing contract staff with state staff, or extend the contract, it will be at risk of not being able to respond to required legislative system mandates. If DCSS experiences a system failure, the department may not meet the federal mandate to process child support disbursements within 48 hours of receipts. Lastly, failure to meet federal data reliability standards places the state at risk of losing funding for Temporary Assistance for Needy Families (TANF).

Staff Comment & Recommendation - Hold open.

Question

1. Please provide a brief summary of the proposal and justification.

5180 Department of Social Services – State Hearings Division (SHD)

1. Overview

Budget Issue. The Governor's budget proposes $2.8 million and 167.2 authorized positions for the State Hearings Division in the Department of Social Services (DSS).

Background. State hearings, which are adjudicated by Administrative Law Judges (ALJs) employed through DSS, are used to provide due process to recipients of and applicants for many of California's health and human services' programs, including Medi-Cal, CalWORKs, CalFresh, and In-Home Supportive Services, when a recipient disagrees with a decision made by their local county welfare department. The *King v. McMahon* and *Ball v. Swoap* court decisions mandate that DSS provides recipients with timely due process for the adjudication of appeals hearings. Additionally, these court orders impose financial penalties on DSS for failing to adjudicate decisions within specified timeframes. The penalties are paid to the prevailing claimant. Federal mandates require that all requests for hearings be adjudicated within 90 days, or 60 days for CalFresh, of a recipient's request.

Penalty structure. Under the court orders, the minimum daily penalty amount is $5.00 per day, or a minimum of $50, whichever is greater. However, if 95 percent of all decisions are not issued within the required deadlines in a given month, the daily penalty rate for that programmatic category increases by $2.50 over the penalty rate being paid to claimants the previous month. In contrast, if 95 percent of all decisions related to that particular program are issued on time in a given month, the corresponding daily penalty rate decreases by $2.50 from the penalty rate being paid the previous month. The maximum daily rate under the court orders is $100 per day. In January 2014, the penalty rate per day of a late decision was $82.50 for Medi-Cal, $55 for CalWORKs, $12.50 for CalFresh, and $82.50 for IHSS. Penalties levied on the state for untimely SHD adjudication in 2012-13 totaled $5.2 million.

According to DSS, recent processing times, average penalties, and total penalties paid by program are listed below:

Program	Timeliness Requirement (In Days)	Average Processing Time (In Days)	Average Days Late	Average Penalty
CalFresh	60	83.14	23.14	$976.62
CalWORKs	90	113.69	23.69	$1,118.77
IHSS	90	117.51	27.51	$1,585.32
MediCal	90	121.25	31.25	$2,714.25

State Hearing Penalties by Program for the Last 5 Fiscal Years

Total Penalties Paid by Program

FY	CalWORKs	CalFresh	Medi-Cal	IHSS	Total
FY 08/09	$30,063	$6,670	$212,948	$1,430	$251,110
FY 09/10	$179,585	$43,422	$369,305	$158,790	$751,102
FY 10/11	$169,630	$67,988	$215,508	$231,320	$684,445
FY 11/12	$176,133	$59,170	$482,280	$389,158	$1,106,740
FY 12/13	$250,955	$54,948	$3,396,300	$597,618	$4,299,820

Last year, the Governor's budget proposed, and the Legislature approved 41 permanent positions (24 ALJs and 17 support staff) to handle an increased state hearings caseload. DSS indicates that these late decisions are a result of caseload growth and that the amount of penalties has increased since 2006, totaling $1.1 million for 2011-12, and projected to be as high as $1.8 million yearly over the next three years. Since July 1, 2013, the State Hearings Division is currently achieving a 95 percent overall monthly timeliness each month.

The department also notes several contributing factors to the increase in penalties from fiscal years 2008-09 through 2012-13, such as a 26 percent increase in overall workload and inadequate resources from a hiring freeze, furloughs, and retirements. The Medi-Cal spike was associated with CBAS cases and was one-time workload.

Recent Caseload Growth. The department indicates that the state hearings caseload has increased significantly in the past five years, specifically, from approximately 80,000 requests for hearing and 14,000 decisions issued in 2007-08, to 96,000 requests and 18,000 decisions in 2011-12. The Great Recession and corresponding state fiscal crisis led to billions of dollars in reductions to California's health and human services programs, along with corresponding contractions in eligibility for and/or services provided by those programs.

Staff Comment. The item is informational, and no action is required.

Questions.

1. Please briefly provide an overview of the function of the state hearings division and the structure of the timeliness requirements and penalties for not meeting them.

2. Please provide a chart that describes how the 2013-14 budget allocation of 41 positions is anticipated to reduce penalties. When did the penalties start to grow, and how fast?

2. Affordable Care Act Caseload Growth & Case Management System

Budget Issue. The budget proposes $9.8 million ($1.3 million GF) in budget year; $9.8 million ($1.3 million GF) in FY 2015-16; 63 new limited-term positions; and, funding for two existing positions. The proposal is comprised of two components:

1. Affordable Care Act (ACA) Caseload. The department requests the following positions to address Medi-Cal expansion and Covered California referrals:

- Three Administrative Law Judge (ALJ) II supervisors;
- Four ALJ II program specialists;
- 15 ALJ II hearing specialists;
- 17 ALJs;
- Seven office technicians (six to ACA caseload, one to DSS);
- 12 management services technicians;
- Three staff service analysts/associate government program analysts (SSA/AGPA)
- Three staff services managers of various levels; and,
- One associate information systems analyst.

2. Appeals Case Management System. The department requests the following positions to develop, implement, and maintain a new Appeals Case Management System (ACMS):

- One 3½-year, limited-term staff services manager;
- Three 3½-year limited-term SSA/AGPAs;
- One permanent systems software specialist;
- One 4-year limited-term systems software specialist;
- One 4-year limited-term senior programmer analyst;
- One 4-year limited-term staff programmer analyst;
- One 4-year limited-term associate programmer analyst;
- One 4-year limited-term department manager; and,
- One 3½-year limited-term senior information systems analyst.

In addition, the Office of Systems Integration requests $130,000 in one-time expenditure authority to provide procurement and acquisition subject matter expertise to DSS on the State Hearings Division ACMS project.

Background on the Affordable Care Act workload. Effective January 2014, under the Affordable Care Act (ACA), California must expand Medi-Cal over three years. As of April 15, 2014, according to Covered California, more than three million Californians enrolled in health insurance plans or in Medi-Cal. The Administration estimates that new workload from the ACA is projected to increase overall fair hearings workload by 53 percent, or an increase of over 9,400 hearing decisions, beginning in October 2013. The Administration projects the following workload, associated with Medi-Cal expansion and Covered California applications, respectively:

- For Medi-Cal expansion. 13,798 cases will request a state hearing, and 3,450 hearing requests that will result in a full hearing.
- For Covered California. The Health Exchange (excluding MAGI Medi-Cal) expects to process 630,000 applications during the fiscal year, which are projected to generate 24,070 appeals. Around 6,018 (25 percent) are projected to result in a full hearing.

Covered California designated DSS[2], effective October 2013, to adjudicate all appeal hearing requests for Covered California Advance Premium Tax Credits and Cost Sharing Reductions (APTC/CSR), Modified Adjusted Gross Income Medi-Cal (MAGI Medi-Cal), and Small Business Health Options Program (SHOP) cases. Covered California will receive and refer all hearing requests from the public and authorized representatives to the State Hearing Division's Customer Service group, which consists of management service technicians. The management services technician enter requests into the appeals case management system to begin the appeals process.

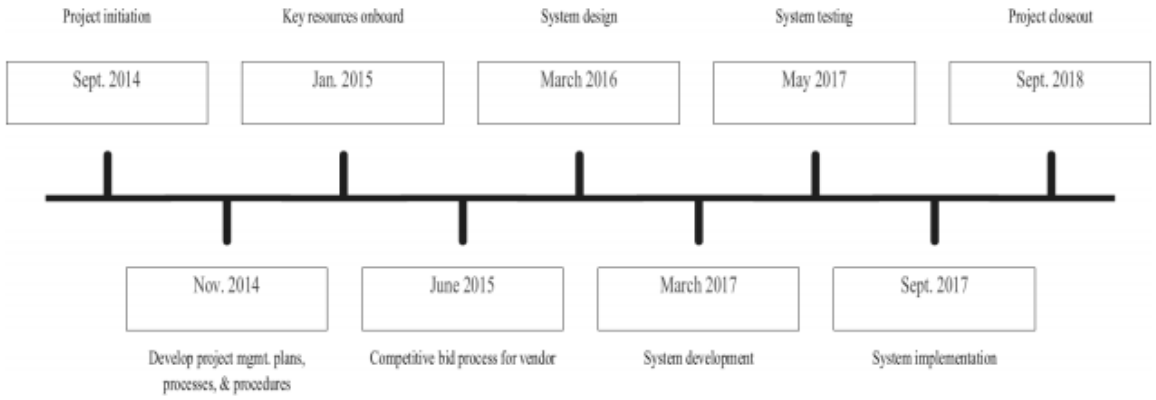
DSS assumes that Covered California will receive around 630,000 applications during 2014-15, which are projected to generate 24,070 appeals. The Administration estimates around 6,018 appeals (25 percent) will result in an actual hearing. Additionally, under the ACA, around 1.4 million individuals will be eligible for expanded Medi-Cal coverage through MAGI. Of those 1.4 million, around 551,912 will enroll, and an estimated 13,798 appeals are expected with 3,449 actual hearings.

Background on the Appeals Case Management System (ACMS). The ACMS mainframe application is housed at the Office of Technology Services and 21 ad-hoc applications hosted at DSS headquarters in Sacramento. The ACMS tracks, schedules, and manages appeal requests from California's 58 counties. Collectively, these systems are known as the State Hearings System (SHS). DSS indicates that the current SHS does not meet existing business requirements and will not be able to handle the anticipated increase of volume, associated with ACA implementation. SHS runs Natural and COBOL programming languages, which the State can no longer support. Due to these factors, DSS notes that there has been a 417 percent increase in state General Fund civil penalties over the prior five-year period for untimely state hearing decisions.

In August 2011, the Office of Management and Budget (OMB) authorized an exception to federal cost allocation funding rules to encourage states to leverage ACA resources to develop informational linkages between their health and social services system, known as "A-87 flexibility." The enhanced federal financial participation for implementation of health care reform and A-87 flexibility are available through December 2015, for development, implementation, and maintenance and operations activities for functionalities implemented by that date.

The department proposes the following ACMS project timeline (see next page):

[2] 10 CCR Section 6600.



Justifications. The Administration provides the following justifications for the budget requests.

ACA Workload. The department outlines the specific job duties of the requested positions, specifically:

- ALJ specialists will assist in the training and development of resource materials for ALJs, carry more caseload, and assist the ALJ Supervisors and Chief Administrative Law Judge in the review of proposed decisions.
- The management services technician (MST) will be the first point of contact with the public and will process hearing requests for the newly-expanded Covered California hearing requests. The MST will also handle telephone inquiries from claimants, authorized representatives, county and program staff; answer questions regarding case status; and, update information in the appeals case management system.
- SSA/AGPA support staff will assist in reducing the number of cases that go from hearing requests to actual hearings, by performing prehearing functions, such as: review all hearing requests; prepare administrative dismissals of invalid hearing requests; confirm need for language interpreter; contact claimants and authorized representatives to assure a case's hearing readiness; assist in the transmission and exchanges of hearing documents; and, prepare postponements and withdrawal of cases, as appropriate.

Appeals Case Management System. According to the Administration, the current State Hearings System (SHS) fails to meet current needs and contributes to the backlog, due to its inability to efficiently schedule hearing requests, inability to update automated correspondence generated from the system, and inability of the scheduling tool to add additional users to the workflow process. As a result, the State Hearings Division must perform resource-intensive workarounds.

To address existing caseload and meet ACA requirements, DSS seeks to address system limitations and to resolve existing HIPAA and language compliance issues. The new SHS will, among others:

- Consolidate the State Hearings Division main case management database and 21 associated downstream systems into one, comprehensive case management system;
- Eliminate multiple manual entries;
- Deploy Interactive Voice Response system to provide 24 hour/7 day a week telephone access to benefit recipients, authorized representatives, and other stakeholders;
- Provide an Appeals Case Decision Writing Module to reduce time per decision;

- Implement secure interface with California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), Statewide Automation Welfare System (SAWS) Consortia, and Department of Health Care Services (DHCS);
- Provide online web data input, review, or case status by benefit recipients, authorized representatives, and other stakeholders; and,
- Deploy a web-based user dashboard for counties, DHCS, and Covered California that provides the capability to view lists of cases scheduled for hearing, general case status, upload of documents to case files, statements of positions, and the ability to withdraw hearings and notify stakeholders.

LAO Comments. The Legislative Analyst's Office recommends approval of the Governor's proposal for 74 limited-term positions and $11.1 million to address the growth in caseload, as associated with ACA implementation, and in the replacement of SHS with ACMS, based on the following findings:

- ACA caseload projections appear reasonable, given the uncertainty about the impact of the ACA on SHD's caseload. It is appropriate that the requested staff are limited-term.

- New ACA workload cannot be absorbed by SHD. SHD experienced a growth in penalties over the last five years due to a convergence of trends, such as the loss of experienced staff due to the high number of retirements and a 26 percent caseload growth. SHD is unlikely to absorb the additional caseload without jeopardizing due process and increasing the state's penalty exposure.

- Extensive SHS deficiencies compromise SHD. The proposed ACMS project would create a single case management database to consolidate intake, scheduling, and reporting functions.

Staff Comment & Recommendation - Hold open. Last year's budget approved 24 ALJ positions, and the department notes that those positions would continue to reduce caseload, specifically reducing the daily penalty rate to $5-$10 per day for each for CalFresh, CalWORKs, Medi-Cal, and IHSS. This is a separate request to fund anticipated and projected caseload from ACA implementation.

Questions.

1. Please briefly summarize the proposal, including its justification and how the department will seek federal reimbursement for costs associated with increased hearing request workload.

2. How did the department estimate the number of staff positions requested and whether they would be sufficient to allow for timely decisions?

5180 Department of Social Services – Child Welfare Services (CWS)

1. Overview

The CWS system includes child abuse prevention, emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care. The total proposed budget for the Realigned CWS and Adoptions programs is $5.1 billion ($2.4 billion federal funds, $1.6 billion 2011 realignment funds, and $1.1 billion county funds). In general, around half of child welfare funds support counties to administer or provide the programs and half support payments to care providers.

Caseload Trends.[3] In 2000, there were approximately 107,998 children in foster care in California. In 2013, the figure dropped to around 53,112 children, not including children under probation department supervision who reside in foster care placements. The department attributes part of the caseload decline to prevention efforts for out-of-home care and back-end efforts for permanency placements.

Children in Foster Care. Research documents how children and youth, who experience foster care and those who emancipate from care, are at risk for challenges related to education, health, and mental health. As of October 2012, 58 percent of foster children had been in care for less than two years, while 16 percent had been in care for longer than five years. Nearly half were identified as Hispanic/Latino, while a quarter identified as White/Caucasian, and another quarter as African-American. Around two percent identified as Asian and/or Pacific Islander, and one percent as and Native American.[4] More than half of children exiting foster care reunify with their parents or other caregivers. The following chart identifies where most children in foster care reside and the rates of monthly payments for their care and supervision:

Placement Types	Percent of Children in Foster Care on 1/1/12*	Range of Basic Monthly Payment Rates	Potential Supplements for Children who Qualify	Administration and Social Worker Cost Built into Rate
Kin caregiver**	33%	Age 0-4 -- $640 Age 15-19 -- $799	Age 0-19 -- $200 to $2,000	$0
Guardian	11%			$0
Foster Family Home	9%			$0
Foster Family Agency-Certified Home	26%	Age 0-4 -- $829 Age 15-20 -- $988	Age 0-4 -- $189 Age 15-19 -- $189	Age 0-4 -- $868 Age 15-19 -- $968
Group Home	10%	Level 1 -- $2,223 Level 12 -- $9,419	$0	$0

* This column includes both child-welfare and probation-supervised foster children.

** The Kin caregiver population that is not federally eligible for AFDC-FC instead receives a monthly TANF grant of $345 (based on a child-only CalWORKs grant).

[3] Caseload and characteristics data is from *Child Welfare Services Reports for California*. Retrieved March 27, 2013, April 6, 2013, and April 26, 2014, from the University of California at Berkeley Center for Social Services Research -- http://cssr.berkeley.edu/ucb_childwelfare.

The chart below, based on CWS Outcomes System data collected from January 1, 2013, to December 31, 2013, provides specific numbers of children in CWS and their entry placements to care.[5]

Age Group	Pre-Adopt	Kin	Foster	FFA	Court Specified Home	Group	Shelter	Guardian	SILP	Total
<1 mo	.	687	1,138	1,047	.	7	15	3	.	2,897.
1-11 mo	.	755	700	1,225	3	6	60	21	.	2,770
1-2 yr	.	1,090	756	1,845	2	75	131	45	.	3,944.
3-5 yr	.	1,198	628	2,151	5	106	154	49	.	4,291.
6-10 yr	1	1,394	518	2,397	4	209	211	78	.	4,812.
11-15 yr	1	1,005	321	1,481	3	562	147	95	.	3,615.
16-17 yr	.	268	77	410	.	328	53	55	.	1,191.
18-20 yr	.	.	.	1	.	1	.	1	3	6
Total	2	6,397	4,138	10,557	17	1,294	771	347	3	23,526.

Performance measures & accountability. The federal Administration for Children and Families (ACF) conducts Child & Family Services Reviews (CFSRs) of states' child welfare systems, which include measures of outcomes related to the safety, permanency, and well-being experienced by children and families served. ACF performed its most recent CFSR in California in 2008. The state did not achieve substantial conformity (compliance in 95 percent of cases) with any outcome measures, but did achieve substantial conformity with three of seven systemic factors. According to ACF, challenges included: high caseloads and turnover of social workers; insufficient foster homes; a lack of caregiver support and training; and, a lack of needed services (e.g., mental health and substance abuse). In response, DSS developed a Program Improvement Plan (PIP). The department indicates that the state has now met all of the PIP targets and been released from any potential penalties resulting from the 2008 review.

The Child Welfare System Improvement and Accountability Act also created a statewide accountability system that became effective in 2004. It includes 14 performance indicators monitored at the county-specific level and a process for counties to develop System Improvement Plans (SIPs).

Additionally, the department's Community Care Licensing Division licenses facilities, including childcare centers, family childcare homes, foster family homes, foster family agencies (who in turn certify individual foster families) and group homes, adult residential facilities, and residential care facilities for the elderly. All facilities must meet minimum licensing standards, as specified in California's Health and Safety Code and Title 22 Regulations. DSS conducts pre- and post-licensing inspections for new facilities, including when a previously licensed facility changes hands. In addition, the department must conduct unannounced visits to licensed facilities under a statutorily required timeframe and respond to complaints against licensed facilities. 39 county child welfare agencies, under contract with the department, license foster family homes. Two counties license family child care homes. All counties have authority to approve relative caregivers for children in foster care.

[5] Placement type refers to the facility where a child was initially placed at the placement episode start date during the specified time period.

Ultimately, the department must visit all facilities at least once every five years, which is less frequent than required in most states. In addition, there is a "trigger" by which annually required inspections increase if citations increase by 10 percent from one year to the next. For FY 2012-13, the annual required inspection requirement was met 80 percent of the time, while the annual random inspection requirement was met 94 percent of the time.

The Governor's budget includes $7.5 million ($5.8 million GF) and 71.5 positions for quality enhancement and program improvement measures, including staff training and development; increasing licensing fees and penalties; and, establishing a temporary manager and receivership process. The CCL Quality Enhancement and Program Improvement proposal does not contain any changes to current law, pertaining to increased licensing frequency.[6]

Realignment. The 2011 public safety realignment and subsequent related legislation realigned approximately $1.6 billion for California's Child Welfare Services and adoptions programs (CWS) to the counties. Funding for a limited number of programs and the licensing of children's residential placements was not realigned. In addition, over the last several years, the state increased monthly care and supervision rates paid to group homes, foster family homes, and foster family agency-certified homes, as a result of litigation. The 2011 realignment funding reflects state GF costs for the following programs, which may also receive other matching funds.

CWS Program	Description	Realignment Funds (Formerly GF) in 2011-12
Child Welfare Services	Services to ensure the safety of children, including emergency response to allegations of abuse or neglect	$670 million
Foster Care	Administration of and monthly assistance payments for out-of-home care and supervision	$431 million
Adoption Assistance Program	Monthly assistance payments to families who have adopted children who meet criteria for special needs	$382 million
Adoptions Programs	Adoption-related services and oversight	$64 million[7]
Child Abuse Prevention	Efforts to prevent abuse and neglect	$13 million
	Total	**$1.560 billion**

Total realignment funding for Protective Services -- CWS and Adult Protective Services funding (APS) -- includes:

	2011-12	2012-13	2013-14	2014-15
Funding for Extended Foster Care (AB 12)		$18 million	$20 million	$15 million
Protective Services Growth Funding[8]			$158 million	$137 million
Total Realignment Base Funding for Protective Services (including CWS and APS)	$1.622 billion	$1.640 billion	$1.818 billion	$1.970 billion

[6] The CCL Quality Enhancement and Program Improvement proposal was heard in Senate Budget Subcommittee #3 on March 13, 2014.

[7] These costs do not include $6 million associated with Agency Adoptions.

[8] Growth is reflected here in the year it is anticipated to be distributed to the counties.

Prior to the 2011 realignment, DSS estimated the costs associated with meeting federal and state requirements for the estimated numbers of children and families to be served as part of the annual budget process. Under the 2011 realignment, the total funding for CWS is instead determined by the amount available from designated funding sources (a specified percent of the state sales and use tax and established growth allocations) that are directed to the counties and corresponding matching funds. Both before and after realignment, certain CWS expenditures, including payment rates for care providers that are statutorily established, are provided on an entitlement basis.

Realignment Superstructure. The 2012-13 budget included an ongoing superstructure for the 2011 realignment. The two main accounts are: 1) the Support Services Account, and 2) the Law Enforcement Services Account. The Support Services Account has two Subaccounts: 1) Protective Services, and 2) Behavioral Health. Along with funding for Adult Protective Services, CWS funding is provided from the Protective Services Subaccount. Funding totaling $53.9 million for extended foster care for 18 to 21 year olds will also be provided over three years in the Protective Services Subaccount base.

Under the superstructure, program growth will be distributed on roughly a proportional basis between accounts, and then subaccounts. The Protective Services Subaccount will receive 40 percent of growth funding allocated to the Support Services Account until $200 million identified for CWS base restoration is funded. Counties have authority to transfer a maximum of 10 percent of the lesser subaccount between subaccounts (but not the two main accounts) for up to one year.

Trailer bill provisions in 2012-13 additionally established programmatic flexibility that allows counties, via action by boards of supervisors after publicly noticed discussion, to discontinue some programs or services that were previously funded with only General Fund, including, clothing allowance and specialized care increments added to provider rates and Kinship Support Services Programs.

Roles of the State and Counties. DSS is responsible for oversight, statewide policy and regulation development, technical assistance, and ensuring federal compliance. Prior to realignment, the state was also at risk for the full costs of any federally imposed penalties stemming from federal Child and Family Service Reviews. Under realignment, counties, whose performance contributed to an applicable penalty, must pay a share of the penalty if realignment revenues were adequate to fully fund the 2011 base, and if they did not spend a minimum amount of allocated funding on CWS.

Required Reporting on Realignment. Pursuant to SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, DSS must report annually, on April 15, to the Legislature, outcome and expenditure data, as well as impacts of CWS and APS program realignment. Reports must also be posted on the department's website. The 2014 Child Welfare Services Realignment Report[9] found the following:

- Data for immediate and ten-day responses for child investigations is used to assess performance for state and federal standards and for monitoring. Immediate response referrals receive a timely response above 97 percent between 2009 and 2013, while ten-day response referrals have been hovering above 91 percent during the same time period.

- Placement stability, defined as the percentage of children who have been in foster care at least eight days and less than 12 months, and who have had no more than two placements, has

[9] The full report can be accessed here:
http://www.cdss.ca.gov/cdssweb/entres/pdf/CWRealignmentReport2014.pdf

improved from 84.9 percent in 2008 to 87.6 percent in 2013. The national standard is 86 percent.

- Since 2009, the percentage of children for whom their first placement is with kin has increased from 16 percent to 24 percent, while the proportion of children placed in group homes from 2009 to 2013 has decreased from 18 percent to 13 percent. Over the past four years, Foster Family Agencies (FFAs) have accounted for approximately 40 percent of initial placements.

- For children entering care between 2008 and 2012, there has been a moderate decrease in the proportion of children who reunified within 12 months from 43.5 percent in 2008 to 38 percent in 2012. The proportion of children re-entering foster care within a year has increased from 11.1 percent in 2008 to 12.7 percent in 2012.

Staff Comment and Recommendation. This is an informational item, and no action is required.

Question

1. What are some factors that may contribute to the declining foster care caseload? What are some expected caseload trends for the future?

2. Please briefly summarize key findings from the 2014 CWS Realignment Report.

2. Katie A. Implementation

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

On December 2, 2011, Federal District Court Judge A. Howard Matz issued an order approving a proposed settlement of the case. According to the Department of Health Care Services, "The settlement agreement seeks to accomplish systemic change for mental health services to children and youth within the class by promoting, adopting, and endorsing three new service array approaches for existing Medicaid covered services, consistent with a Core Practice Model (CPM) that creates a coherent and all-inclusive approach to service planning and delivery." The Settlement Agreement also specifies that all children and youth who meet subclass criteria are eligible to receive Intensive Care Coordination (ICC),[10] Intensive Home Based Services (IHBS)[11], and Therapeutic Foster Care (TFC). County mental health plans (MHPs) are required to provide ICC and IHBS services to subclass members. MHPs provide ICC and IHBS and claim federal reimbursement through the Short-Doyle/Medi-Cal (SDMC) claiming system.

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

Settlement Agreements[12]

Los Angeles County (2003)	California (2011)
Establish Advisory Panel	Appoint Special Master
Establish of a class	Identification of class and subclass
Caseload reduction	Core Practice Model
Core practice model	Intensive Care Coordination
Mental health screening, assessment, and service linkage	Child and Family Team
Increased availability of intensive home-based services	Three-year exit
Exit based on results of quality service reviews	

[10] Intensive Care Coordination (ICC) is a service that is responsible for facilitating assessment, care planning, and coordination of services, including urgent services (for children/youth who meet the *Katie A.* Subclass criteria).

[11] Intensive Home-Based Services (IHBS) are individualized, strength-based interventions designed to ameliorate mental health conditions that interfere with a child's functioning. IIHBS are delivered according to an individualized treatment plan developed by the Child and Family Team (CFT). The CFT develops goals and objectives for all life domains in which the child's mental health condition produces impaired functioning, including family life, community life, education, vocation, and independent living, and identifies the specific interventions that will be implemented to meet those goals and objectives.

[12] The summary table is from LA County's 2013 presentation, "Integrating Child Welfare and Mental Health Practice: A Litigation Drive Approach" http://www.uclaisap.org/slides/psattc/cod/2013/T_Katie%20A.pdf

Los Angeles County. LA County's children mental health system includes 78 contracted children's mental health providers, eight directly-operated children's programs, and over 10,000 rendering providers. The county serves over 100,000 clients, up to age 21, annually. In 2013, the county had over 2,200 children enrolled in Wraparound[13]; 1,700 Mental Health Services Act children's slots; and 300 contracted therapeutic foster care (TFC) beds. In fiscal year 2011-12, 70 percent of children with an open child welfare case received mental health services, a 28 percent increase since 2004. Over 300 children received full service partnership services.

As a result of LA County's specific settlement, eligible children and youth are those who are full-scope Medi-Cal, meet medical necessity for treatment, have an open child welfare services case, and meet either of the following criteria:

- Currently in or being considered for: Wraparound, TFC, or other intensive services, therapeutic behavioral services, specialized care rate due to behavioral health needs or crisis stabilization/intervention;
- Currently in, or being considered, for a group home, a psychiatric hospital, or 24 hour mental health treatment facility, or has experienced his/her third or more placement within 24 months due to behavioral health needs.

Intensive care coordination (ICC) and intensive home based services (IHBS) are also provided to subclass members. ICC, through the use of the child and family team, identifies the child and family's needs; individualizes interventions, and engages formal and information support systems. IHBS is delivered by paraprofessionals and provides services on a 1:1 ratio.

Statewide implementation. Since March 2013, the State has engaged in ongoing communication with the counties regarding implementation efforts. DHCS and DSS note that counties are at varying levels of readiness.[14] The statewide analysis revealed areas of noteworthy accomplishment and achievement, as well as possible challenges, both of which will inform and guide the state's activities moving forward.

In a 2013statewide assessment, counties self-assessed their ability to provide ICC and IHBS services. Seventeen percent of counties were in the process of expanding their capacity to meet the need for ICC and IHBS services, and 44 percent of counties were experiencing challenges expanding capacity to provide those services. 20 percent of counties identified areas of technical assistance, such as teaming, documentation, training and coaching, that could improve implementation.

Key themes. According to the departments, several key themes emerge when discussing implementation, including: lack of shared governance structure, inadequate stakeholder involvement, unidentified service capacity needs to provide ICC and IHBS, and training needs. The state holds weekly technical assistance calls and has identified counties that show promising practices that could provide peer-to-peer support. Additionally, DHCS and DSS released information notices and ACL to clarify the state's expectation of counties implementing the core practice model, ICC, and IHBS.

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[13] Los Angeles County Department of Children and Family Services defines Wraparound as, "an integrated, multi-agency, community-based planning process." Enrollment in Wrapround is completed through a network of Interagency Screening Committees located in each of the eight LA County Service Planning Areas. There are 34 Wrapround agencies.

[14] "Executive Summary: Department of Health Care Services and California Department of Social Services, Statewide Analysis of Readiness Assessment Tools and Service Delivery Plans." http://www.dhcs.ca.gov/services/MH/Documents/Analysis_Readiness_Assess_Tools_Svc_Del_Plans.pdf

Reporting. DSS and DHCS must collect and review semi-annual progress reports from California counties. The state has asked county MHPs and CWDs to jointly prepare and submit a semi-annual implementation progress report beginning October 1, 2013. The report will include reporting on mental health service utilization, action plans to address areas identified for improvement, and specific needs for technical assistance or state support.

Early and Periodic Screening, Diagnostic, and Treatment (EPSDT). EPSDT mental health services related to the *Katie A.* settlement are part of the Medi-Cal specialty mental health services (SMHS) "carve-out." This means SMHS are provided through county MHPs separately from Medi-Cal managed care or fee-for-service plans that provide physical health services. DHCS contracts with MHPs to provide SMHS services and MHPs are funded through realignment and federal funds. Under the *Katie A.* settlement, the services that are to be provided in a more intensive and effective manner including, ICC, IHBS, and TFC. DHCS estimates the cost of these services in FY 2014-15 will be about $53.5 million ($26.8 million federal, and $26.8 million county funds).

State Plan Amendment for TFC. On March 27, 2014, the Department of Health Care Services submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services to include TFC services as a rehabilitative mental health service. If approved by the federal government, TFC would then be available to eligible Medi-Cal children and youth, up to age 21, with intensive or complex emotional and behavioral needs. DHCS is awaiting federal notification.

Staff Comment & Recommendation. This item is informational and is included for discussion. No action is required. Staff notes that the intent of the *Katie A.* settlement is to ensure treatment for all qualified class and subclass members. As such, it is recommended the departments continue shared management and leadership when considering solutions to assist in reducing foster care caseload, increasing permanency, and assisting families in self-reliance.

Questions

1. Please describe statewide *Katie A.* implementation, including barriers to implementation and types of technical requests made by counties.

2. Please provide an update on how counties have been drawing down EPSDT funds.[15]

3. To DHCS: Has the department received any updates from CMS about the proposed State Plan Amendment?

[15] EPSDT is a required benefit for all categorically needy children (e.g., those who have poverty-level income, receive Supplemental Security Income, or receive federal foster care or adoption assistance). EPSDT benefits include periodic screening services, vision, hearing, dental, and necessary health care diagnosis and treatment.

3. Continuum of Care Reform (CCR) - Update

Background. SB 1013 (Budget and Fiscal Review Committee), Chapter 35, Statutes of 2012, authorized the Continuum of Care Reform (CCR) effort to develop recommendations to the state's current rate setting system, and to services and programs that serve children and families in the continuum of Aid to Families with Dependent Children-Foster Care (AFDC-FC) eligible placement settings. Reform recommendations are due October 2014.

According to the department's CWS Realignment Report, for the largest age group category, 13-17 years old, of the 4,737 children, the majority (45 percent) move out of group home placements in less than 12 months, longer stays (12-36 or more months) comprise the remaining 55 percent (2,619). From 2009 to 2013, the total number of children and youth placed in group homes for the same population dropped from 7,033 to 6,188.

Panel. The Subcommittee has invited a panel to provide insight about ongoing CCR discussions and to present various reinvestment proposals. Proposals include additional state funding for foster parent recruitment and retention; services for child victims of commercial sexual exploitation; a pilot project to fund foster youth permanency; relative caregiver funding; and, increasing funding for the FFA social worker wage. The panelists are:

- Jennifer Rodriguez, Executive Director, Youth Law Center
- Frank Mecca, Executive Director, County Welfare Directors Association
- Gail Johnson Vaughan, Mission Focused Solutions
- Brian Blalock, Bingham McCutchen Youth Justice Attorney, Bay Area Legal Aid
- Carroll Schroeder, Executive Director, California Alliance of Child and Family Services
- Vanessa Hernandez, Policy Coordinator, California Youth Connection
- Kyle Sporleder, Legislative Coordinator, California Youth Connection

Staff Comment. This item is informational and is included for discussion. No action is required.

Questions.

1. Please briefly provide an update on the CCR process and key workgroup findings. What recommendations and findings can the Legislature expect to see in the October 2014 report?

2. Have the workgroups discussed how *Katie A.* and CCR can be leveraged to serve eligible children, youth, and families?

3. What are some characteristics that would be appropriate to refer a child or youth to group home care, in contrast to family-based settings? What are some policy recommendations that can facilitate short term, intensive services in family based settings?

4. Sustainability for Continuum of Care Reform Fiscal Audit Alignment

Budget Issue. The department's Foster Care Audits and Rates Branch (FCARB) requests approval for five two-year limited-term general auditor positions to perform federal and state mandated fiscal audits of foster care providers, and to identify fiscal integrity issues that may arise as a result of changes in the rate-setting process within the Continuum of Care Reform (CCR). The total cost of the request, including staff salaries, staff benefits, and operating expenses, is $544,000 ($362,000 GF).

Background. The Department of Social Services (DSS), as the single state agency responsible for the administration of Title IV-E AFDC-FC funds, must perform fiscal audits of non-profit corporations who receive federal and state revenue to provide care and supervision to children placed in group homes or foster family agencies (FFAs).[16] Title IV-E funds are eligible for children in out-of-home care, up to age 19, and under certain conditions, to non-minor dependents, up to age 21. Title IV-E funds must be based solely on providing for the cost of care and supervision to children in foster care. There are over 361 group home programs and 240 FFA programs statewide. As of April 2013, 62,067 children were placed in California's foster care system. Specifically, 6,248 were placed in group home programs, and 15,152 were placed in foster family agencies (FFAs). The group represents around $306 million in local assistance federal funding for group home and FFA programs.

FCARB must also conduct three additional types of audits:

1. Provisional rate audits are conducted on-site for new providers, ongoing group home providers who request rate increases, and new programs of ongoing group home providers to ensure compliance and minimize any overpayments.

2. Financial audit reviews are prepared by independent certified public accountants and submitted by non-profit corporations that operate group home and FFA programs. These reviews assess a non-profit corporation's financial condition, identify certain indicators of financial instability, and determine if there is any evidence of malfeasance. A risk rating is assigned based on this information, and a referral is made to conduct the fiscal audit.

3. Fiscal audits are performed on-site of non-profit corporations to determine a non-profit corporation's financial condition, to determine if there is any evidence of malfeasance, or if expended AFDC-FC funds were allowable and reasonable.

Currently, FCARB has eight auditors. As a result of inadequate audit resources, DSS reports that between fiscal year 2006-07 and 2012-13, it has only been able to conduct fiscal audits of 33 of the 489 non-profit corporations that operate group homes or FFA programs, resulting in approximately $1,415,972 in assessed overpayments in which foster care providers inappropriately expended Title IV-E AFDC-FC funds that were unreasonable, unallowable, or unsupported (see table below). The federal government estimates the level of improper payments in the FC Title IV-E program to be around 4.7 percent.

[16] 45 Code of Federal Regulations Subtitle A Section 92.20 (a)(2)

Fiscal Audits Conducted of Non-Profit Corporations with Disallowed Costs
FY 2006-07 through 2012-13

Program Type	Number	Unallowable Costs	Unsupported Costs	Overpayment Assessed
Group Home (GH)	15	$72,710	$162,262	$234,972
Foster Family Agency (FFA)	14	$47,386	$244,862	$292,248
GH/FFA	4	$96,821	$791,931	$888,752
Totals	**33**	**$216,917**	**$1,199,055**	**$1,415,972**

In addition, between FY 2008-09 through 2012-13, 120 financial audit reports were referred for fiscal audit. To date, those referrals are still generated as this workload remains under-addressed.

DSS provides that it continues to receive public pressure, referrals for fiscal audits, and complaints about possible misuse of Title IV-E AFDC-FC funds, specifically:

- On December 1, 2009, DSS received a complaint, forwarded from former state Senator Hollingsworth from a concerned constituent, about the potential misuse of AFDC-FC funds by a non-profit corporation operating a group home and FFA. A fiscal audit from the period of January 1, 2005 through December 31, 2009, disclosed $831,789 in unallowable or unsupported costs. The non-profit corporation is currently under a repayment agreement to repay the overpayment.
- In November 2010, DSS received a subpoena from the Federal Bureau of Investigation in Los Angeles County for a FFA provider's financial audit report. DSS identified the embezzlement of $750,000 from the FFA. As a result of the review, a fiscal audit review was made but DSS was unable to perform the audit due to a lack of audit resources.

Justification. According to the Administration, approval of auditor positions will enable DSS to preserve the continuity of activities associated with the rate setting system revision under CCR[17]; to assure compliance with federal and state statutes; to reduce fiscal risk of inappropriate spending and misuse of AFDC-FC funds; to identify and collect overpayment of AFDC-FC funds from providers not providing care to children. Further, DSS would be exposed to federal sanctions if California is found to be out of compliance with federal requirements. Lack of staff resources could jeopardize approximately $306 million in Title IV-E local assistance funds received by California for group home and FFA programs.

Staff Comment & Recommendation - Approve, as no concerns have been raised.

Questions.
1. Please briefly summarize the proposal, including the justification and how the five additional positions will assist the department in conducting the remaining fiscal audits?

2. Why are the auditor positions limited-term?

[17] The department anticipates substantial workload associated with CCR implementation, with more auditing capability to address any modified rate-setting methodology and increased efforts associated with performance standards and outcome measures for out-of-home care providers, which is a measurement that is not currently audited in group homes and FFAs.

5. Title IV-E Tribal Share-of-Cost

Budget Issue. The Department of Social Services (DSS) proposes trailer bill language to change the state and tribal sharing ratios for the non-federal share of funding for tribal child welfare services, due to the availability of enhanced tribal Federal Medical Assistance Percentage (FMAP). Provisions of the trailer bill language specify:

1. Effective July 1, 2014, a tribe, consortium of tribes, or tribal organization operating a program, pursuant to an agreement with DSS, must be responsible for the following share-of-costs:

    - For adequate care of each child receiving AFDC-FC, there is no tribal share-of-cost of the non-federal share with an enhanced FMAP of 80 percent or higher. If FMAP is below 80 percent, tribal share-of-cost is 60 percent of the non-federal share.
    - For AFDC-FC program administration costs, 30 percent of the non-federal share.
    - For the provision of specified child welfare services, 30 percent of the non-federal share.
    - For the provision of Title XIX child welfare services, 30 percent of the non-federal share.
    - For wraparound services approved by DSS for eligible children, no tribal share-of-costs with FMAP of 80 percent of higher. If FMAP is below 80 percent, tribal share-of-cost is 60 percent of the non-federal share.
    - For support and care of hard-to-place adoptive children, there is no tribal share-of-costs with an enhanced FMAP of 62.5 percent or higher. If FMAP is below 62.5 percent, tribal share-of-costs is 25 percent of the non-federal share.
    - For monthly visitation of children in group homes, there is no tribal share.
    - For support and care of former dependent children who have been made wards of related guardians, no tribal share-of-cost of the non-federal share with an enhanced FMAP of 60.5 percent or higher. If FMAP is below 60.5 percent, the tribal share is 21 percent of the nonfederal share.
    - For extending aid to eligible non-minor dependents, the tribal share is based on specified sharing ratios.

2. If sharing costs are not specified in the trailer bill language, the tribal share-of-costs must be equal to the county statutory share-of-cost set forth in statutory sharing ratios for each of these programs, effective June 30, 2011.

3. The non-federal costs for programs, services, or administrative costs must be borne by the tribe, consortium of tribes, or tribal organization, and the state – unless, the child is transferred from the tribal program to county jurisdiction, then the county must bear the costs for the child.

Background on Title IV-E. The federal Title IV-E of the Social Security Act also provides that tribal governments may operate their own tribal child welfare systems. State and agreement tribes (Karuk and Yurok) share in the non-federal costs for assistance payments and administrative services. Effective July 1, 2011, a tribe, consortium of tribes, or tribal organization that operates a child welfare program, must be responsible for the following share-of-costs:

- Sixty percent of the non-federal share for each child receiving Aid to Families with Dependent Children—Foster Care (AFDC-FC);
- 30 percent of the non-federal share for AFDC-FC program administrative costs;

- 30 percent of the non-federal share for the provision of specified child welfare services;
- 30 percent of the non-federal share for the provision of Title XIX child welfare services;
- 60 percent of the costs for wraparound services approved by the department for children;
- 25 percent of the nonfederal share for the support and care of hard-to-place adoptive children;
- No tribal share for monthly visitation of children placed in group homes;
- 21 percent of the nonfederal share for the support and care of former dependent children, who have been made wards of related guardians. There is no required tribal share for federally eligible administrative costs. For non-federally eligible administrative costs, the tribal share is 50 percent; and,
- 21 percent of the non-federal share for the cost of extending aid to eligible non-minor dependents who have reached 18 years old and who are under jurisdiction of the tribal program.

Tribes that choose to administer their own tribal child welfare system are eligible for an enhanced FMAP. The state is currently at 50 percent of FMAP.

Currently, the Karuk and Yurok Tribes have reported that they are unable to cover their share of the non-federal costs. The existing appropriation has been unexpended since fiscal year 2007-08 because no tribe has the means to meet its share of the cost requirement.

Caseload projections. From fiscal years 2013-14 to 2014-15, the Karuk Tribe estimates an average of five cases per month for the foster family home (FFH); zero cases per month for group homes, and one case per month for the adoption assistance program (AAP). For FY 2013-15, the Yurok Tribe estimates an average of 12 cases per month for FFH and an average of zero cases per month for group homes and AAP.

Justification. According to the Administration, "the proposal will better enable California tribes to care for their own children, assist them in preserving their culture, and improve the intergovernmental relationship between sovereign tribal nations and the federal government."

Staff Comment & Recommendation - Approve. Staff recommends the Subcommittee adopt placeholder trailer bill language.

Question

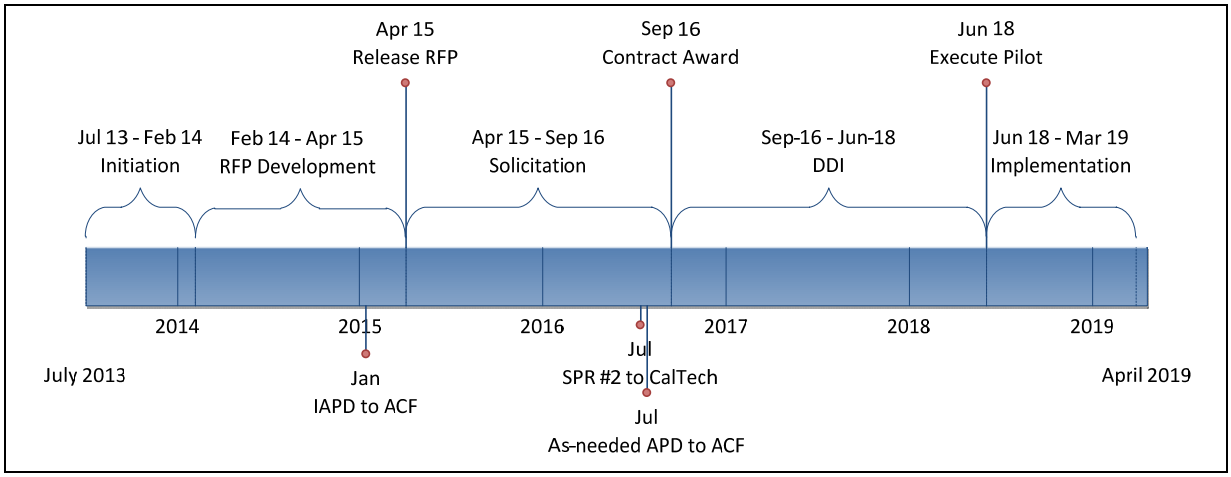
1. Please briefly summarize the proposal and trailer bill language.

5180 Department of Social Services – CWS
Health and Human Services Agency, Office of Systems Information

1. April Letter – CWS New System Project

Budget Issue. The Governor's proposal requests seven five-year limited-term positions, and a five-year extension for nine existing two-year limited-term positions. In addition, the budget requests, in 2013-14, a net decrease in the Office of Systems Integration (OSI) costs for $93,000 and a net decrease in Department of Social Services (DSS) costs of $1.8 million. For budget year, the proposal requests an increase in OSI costs for $2.42 million and a net decrease in DSS costs for $1.2 million.

The proposed new timeline for the CWS New System Project is below:



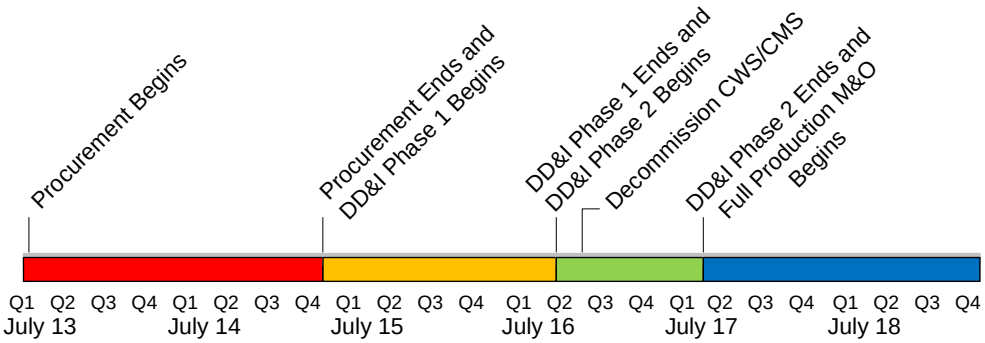
Background. Child Welfare Services/Case Management System (CWS/CMS) was fully implemented and transitioned to its operational phase in 1998. DSS has overall responsibility for the system, including providing project and program direction to OSI. OSI provides information technology expertise and is responsible for implementation and day-to-day operations of the system. The current contract for CWS/CMS runs through November 2016, with potential extensions of up to three years.

Last year, the Governor's budget proposed, and the Legislature approved $10.3 million ($4.6 million GF) for planning activities associated with development of the Child Welfare Services-New System (CWS-NS) project. Of this total, $4.3 million ($1.9 million GF) would support staffing at OSI and DSS. According to the Office of Systems Integration (OSI), the anticipated total one-time costs up through the design and development of the system, which is expected to finish in 2017, are $351.1 million ($154.9 million GF). Compared to continuing to operate the current and making necessary changes, however, the Administration estimated that the state will realize savings by completing the CWS-NS system because of its reduced maintenance and operations costs.

As of April 1, 2014, the approved Special Project Report reflects a 19-month delay for CWS-NS. Specifically, the planning and procurement process added 14 months: nine months because the department was unable to fill necessary state positions, due to the two-year, limited-term nature of the positions; and an additional five months to complete the request for proposal, among other items. Also, the design, development, and implementation (DDI) phase added five months for additional testing.

The previous timeline for the project was:

Table 1 – CWS-NS Project Timeline



Staff Comment & Recommendation - Hold open. Staff recommends the item remain open for further discussion.

Questions.

1. Please summarize how the Spring Finance Letter amends the CWS-NS timeline and costs.

2. Please briefly explain how the delay occurred and how this proposal ties in the concurrent Community Care Licensing trailer bill and budget request.

3. Have total project costs for CWS-NS increased? If so, by how much?

5180 Department of Social Services – CalFresh

1. Overview

CalFresh is California's name for the national Supplemental Nutrition Assistance Program (SNAP). As the largest food assistance program in the nation, SNAP aims to prevent hunger and to improve nutrition and health by helping low-income households buy the food they need for a nutritionally adequate diet. Californians are expected to receive a total of $7.8 billion (all federal funds) in CalFresh benefits in 2012-13, rising to $8.8 billion in 2013-14. According to the U.S. Department of Agriculture's Economic Research Service, every $5 in new SNAP/CalFresh benefits generates as much as $9 of economic activity (gross domestic product), which represents a multiplier effect of 1.79.

A Snapshot

- In 2013, approximately 1.9 million households (4.2 million people) received CalFresh benefits.
- This is estimated to represent only around half the eligible population.
- More than half of recipients are children.
- Average monthly benefit per household is $335.

CalFresh benefits are provided on electronic benefit transfer (EBT) cards, and participants may use them to purchase food at participating retailers, including most grocery stores, convenience stores, and farmers' markets.[18] In an average month in 2012-13, approximately $630 million in CalFresh food assistance was disbursed to around 4.2 million Californians. The average monthly allotment received during this period was $332 per household ($151 per person). Since 1997, California has also funded the California Food Assistance Program (CFAP), a corresponding program for legal permanent non-citizens, who are ineligible for federal nutrition assistance due to their immigration status.

CalFresh food benefits are funded nearly exclusively by the federal government. According to the LAO, in 2012-13, this amounted to $7.6 billion, with $62 million (less than one percent), from the state General Fund. Administrative costs are shared between the federal (50 percent), state (35 percent), and county (15 percent) governments. In 2012-13, the administrative expenses amounted to $842 million federal funds, $596 million General Fund, and $250 million county funds, totaling to $1.7 billion. According to the U.S. Department of Agriculture's Economic Research Service, every $5 in new SNAP/CalFresh benefits generates as much as $9 of economic activity.

Since 1997, the state has also funded the California Food Assistance Program (CFAP), a corresponding program for legal immigrants who are not eligible for federal nutrition assistance. The proposed CFAP budget includes $65.6 million GF for food benefits, with an expected average monthly caseload of around 19,000 households (with about 47,000 recipients).

Eligibility and Benefits. CalFresh households, except those with an aged or disabled member or where all members receive cash assistance, must meet gross and net income tests. Most CalFresh recipients must have gross incomes at or below 130 percent of the federal poverty level (which translates to approximately $2,008 per month for a family of three) and net incomes of no more than 100 percent of the federal poverty level ($1,545 per month for a family of three) after specified adjustments. The average monthly benefit per household is around $339 ($151 per person).

[18] Non-allowable items under CalFresh include: alcoholic beverages, tobacco products, medicines, vitamins, or any non-food items, like pet food, soap, household supplies, or cosmetics.

Performance Measures. According to the Food and Nutrition Service (FNS) 2012 report for FFY 2010-2011, 270,704 fraud investigations were completed in California, around 34 percent of the nation's total 797,828 investigations. 36,241 of the state's total investigations, or 13.3 percent, prevented fraud at intake. 146,550 of the 149,152 post-certification investigations, or 98 percent, yielded negative results, meaning that the investigation did not result in an administrative disqualification hearing or prosecution.[19]

Accuracy or error rates are measured through state and federal review of a sample of cases to determine how frequently benefits were over- or under-issued. States are subject to federal sanctions when their error rates exceed six percent for two consecutive years. As of September 2011, California's error rate was 4.1 percent. California was sanctioned $11.8 million, $114.3 million, and $60.8 million in 2000, 2001, and 2002, respectively.

Efforts to Improve Participation. The participation rate for the working poor population was 65 percent nationally. California's overall participation rate was the lowest in the nation at an estimated 55 percent.[20] California's participation rate for the working poor population was also the lowest in the nation at an estimated 42 percent.[21]

Reasons sometimes offered for California's poor performance with respect to CalFresh participation have included, among others, a lack of knowledge regarding eligibility among individuals who are eligible, frustration with application processes, concerns about stigma associated with receiving assistance, and misconceptions in immigrant communities about the impacts of accessing benefits.

Several recently enacted program changes seek to improve CalFresh program participation. Some of those program changes include:

1. Elimination of fingerprint imaging requirement. AB 6 (Fuentes), Chapter 501, Statutes of 2011 eliminated the fingerprinting requirement, which was intended to prevent duplicate receipt of aid. However, fingerprint imaging created the perception of stigma and other measures were already in place to prevent duplicative receipt.
2. "Heat and Eat." Federal law authorizes households to deduct certain utility expenses through the Low Income Home Energy Assistance Program (LIHEAP). As of January 1, 2013, all CalFresh households receive an annual $0.10 cash LIHEAP benefit to allow for a simplified deduction of utility expenses in the CalFresh benefit determination formula.
3. Semiannual reporting. Evidence suggested that a number of CalFresh households may leave the caseload after failing to correctly submit regular reports, only to reapply a few months later. AB 6 also amended the reporting requirement from three quarterly reports in a certification period to one report in a certification period.
4. Face-to-face interview waiver. All counties offer telephone interview in lieu of a face-to-face interview for intake and recertification appointments for CalFresh only clients.

[19] *Id.*

[20] DSS has noted that the federal government does not count the state's "cash-out" policy for SSI/SSP recipients (whereby those individuals receive a small food assistance benefit through SSP and are not eligible for additional CalFresh benefits) in its participation rate. The Department estimates that the state's participation rate could be a few percentage points higher if many those individuals who would otherwise be eligible for CalFresh were counted as participating. The state would still have the lowest participation rate in the nation.

[21] While California's caseload has doubled in recent years, this does not necessarily alter the state's participation rate in a significant way because the number of eligible households and individuals has also risen steeply.

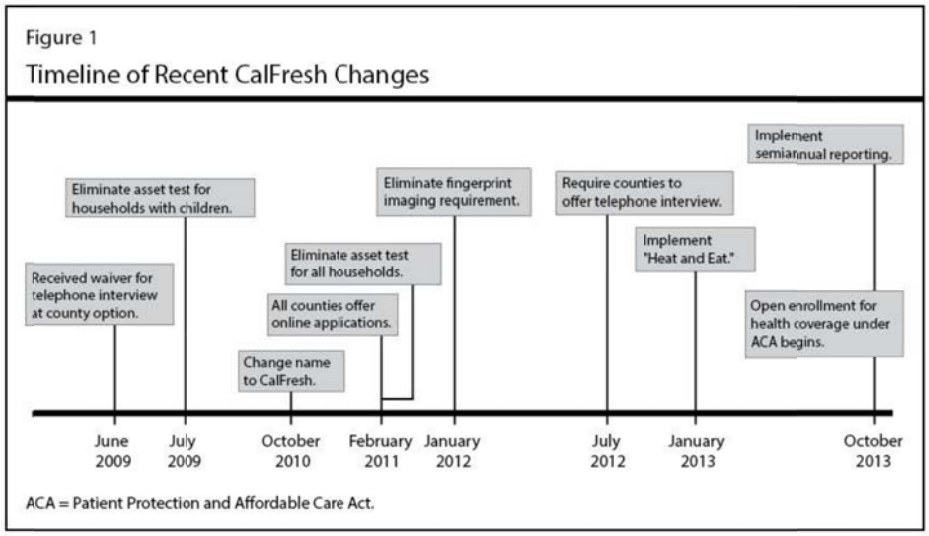


Figure prepared by the Legislative Analyst's Office, 2013.

DSS indicates that California continues to make significant program changes to increase access to the CalFresh program. Several of these changes were included in recently enacted legislation or administrative decisions to streamline application and other administrative policies. In addition to other recent forums for county/state dialogue about CalFresh efficiency and increased participation, and partly in response to a request from this Subcommittee last year, the Director of DSS has also asked each county to undertake a goal-setting process with respect to increased participation.

Staff Comment & Recommendation. Staff recommends that the Subcommittee ask the department to provide an update on its goals for increased participation in CalFresh statewide, including the impact on the number of eligible families and the state's participation rates, as attributed to legislative and policy changes.

Questions:

1. Why does California continue to have low CalFresh participation rates?

2. How can the state better ensure that more eligible low-income Californians receive federally-funded CalFresh food benefits? What opportunities have been leveraged to reach more Californians during ACA implementation?

2. 2014 Federal Farm Bill

Background. Every five years, Congress passes legislation, known as the "Farm Bill," which contains provisions governing federal policy for agriculture, nutrition, conservation, and forestry. On February 7, 2014, President Obama was signed the Agricultural Act (Act) of 2014,[22] enacting sweeping changes to federal nutrition programs, including $8.6 billion cuts from the Supplemental Nutrition Assistance Program. Specifically, the federal Farm Bill will:

- Clarify certain SNAP eligibility rules, in that lottery winners and specified college students are not eligible for SNAP.
- Strengthen SNAP program integrity and combat benefits trafficking.
- Test strategies to connect more SNAP participants to employment, including a pilot project to spark state innovation.
- Improve access to healthy food options by requiring stores to stock more perishable foods and testing new ways for clients to make purchases with their SNAP benefit card.

Implications. According to DSS, several provisions would impact California, including

- LIHEAP payments made to households, in order to get the automatic Standard Utility Allowance, must be greater than $20 annually.
- No funds appropriated by the Farm Bill may be used for recruitment activities, designed to persuade an individual to apply for SNAP.
- Quality control tolerance level for excluding errors for federal fiscal year 2014 is $37. This will be a retroactive change. For each fiscal year thereafter, the amount will be adjusted by the percentage that the thrifty food plan is adjusted.
- Excessive requests for replacement EBT cards may be declined, unless the household provides an explanation for the loss.
- The promotion of "physical activity" is now permitted as use of the federal Nutrition Education funding.

Heat and Eat. Federal law authorizes households to deduct certain utility expenses through the Low Income Home Energy Assistance Program (LIHEAP). As of January 1, 2013, all CalFresh households receive an annual $0.10 cash LIHEAP benefit to allow for a simplified deduction of utility expenses in the CalFresh benefit determination formula, pursuant to AB 6 (Fuentes), Chapter 501, Statutes of 2011, and to automatically allow for a Standard Utility Allowance (SUA) deduction.

Early estimates from the Western Center on Law Poverty (WCLP) note that as many as 300,000 households will receive lower monthly benefits (a decrease of $60) and 1,000 cases could become ineligible for CalFresh benefits if California ends LIHEAP. As a result, WCLP estimates that California could lose up to $275 million in federal CalFresh benefits in 2013-2014.

Staff Comment & Recommendation. This item is informational and included for discussion.

Questions.

1. To DSS/LAO: Please provide an overview of the Farm Bill's provisions that would impact California.

2. How does the department plan to engage populations to increase participation, without being in conflict with the Act's prohibition to recruit individuals to apply for SNAP?

[22] H.R. 2642 (Stabenow), P.L. 113-79

3. SB 103 - Emergency Drought Budget Bill

Budget Issue. In January 2014, Governor Brown declared an emergency drought. SB 103 (Budget and Fiscal Review), Chapter 2, Statutes of 2014, enacted the $687 million drought relief package. SB 103 includes provisions that provide up to $25 million General Fund to the Department of Social Services (DSS) for drought food assistance.

Background. The CalFresh program is intended to help families prevent hunger, with emergency food programs as a safety net resource. To be eligible for food programs, a recipient must have income below 150 percent of federal poverty level, be a local resident, and use the food received in their personal home.
California operates several emergency food assistance programs:

- The Emergency Food Assistance Program (EFAP) provides United States Department of Agriculture (USDA) commodities to a network of food banks for distribution to eligible individuals and households within their service area. In order to be eligible for USDA commodities, a recipient or household must reside in the geographical area being served and meet established income guidelines. DSS is responsible for EFAP oversight and ensures that USDA commodities are provided and distributed to eligible individuals and households in all 58 California counties. For FFY 2014, USDA allocated $66.5 million to California for commodities and administrative costs ($35.2 million to order and receive a broad array of USDA food; $24.7 million in anticipated specific bonus/surplus food; $6.5 million for administrative costs).

- AB 152 (Fuentes), Chapter 503, Statutes of 2011 established State Emergency Food Assistance Program (SEFAP), which provides a tax credit to California growers for the cost of fresh fruit or vegetables donated to California food banks.

The Drought Food Assistance Program (DFAP) is the temporary program developed in response to the Governor's Drought Emergency Declaration, and seeks to provide food assistance to drough-affected communities with high levels of unemployment.

Distribution timeline. The Department of Finance has approved a $5.1 million initial request from DSS. According to DSS, DFAP food will begin distribution in May. DFAP food initially will be provided by the California Emergency Foodlink, the non-profit CDSS contractor which normally purchases and distributes USDA food statewide. Counties that will receive DFAP are those with unemployment rates that were above the state-wide average in 2013, and which have a higher share of agricultural workers than California as a whole. For 2013, the average unemployment rate for California was 8.9 percent, and the share of workers employed in agriculture was 2.64 percent. Receiving counties include Amador, Butte, Colusa, Fresno, Glenn, Kern, Kings, Lake, Lassen, Madera, Merced, Modoc, Monterey, San Benito, San Joaquin, Santa Cruz, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Tulare, Yolo, and Yuba.[23]

Eligibility and content. Household DFAP eligibility is based on a self-certification process, whereby recipients identify themselves as the head of a household in an affected community where the

[23] According to DSS, this list is subject to change, as more information about drought impacts becomes available, including the results of a University of California, Davis, study that is currently underway.

household's unemployment or underemployment is directly related to the drought. DFAP food boxes are prepackaged, weigh approximately 25 pounds, and designed to provide food for a household of four people for about five days. Contents include, among others, spaghetti, pinto beans, apple sauce, green beans, corn, and tomato sauce.

Outreach. The department envisions that participating food banks will inform affected households of the location and availability of DFAP food distributions. Food banks are expected to collaborate with other local community organizations that may be engaged with these families. Eligible households with longer-term needs also will be offered information and assistance in applying for CalFresh.

Staff Comment & Recommendation. The item is informational and is included for discussion. No action is required. Staff recommends that the Subcommittee request the department to provide an update on the distribution, data collection on families who indicated interest in signing-up for CalFresh, and future plans for distribution.

Questions.

1. Please briefly provide an overview of the drought emergency food assistance, the food banks' role in food distribution, and who is eligible for DFAP.

2. How did the department determine which counties would receive food boxes? Has there been any change to the list of counties that will receive DFAP boxes?

3. When does the department anticipate the U.C. Davis study to be completed?

4. Please briefly explain how food banks will conduct outreach to eligible households.

5180 Department of Social Services - CalWORKs

1. Overview

California Work Opportunities and Responsibilities to Kids (CalWORKs), the state's version of the federal Temporary Assistance for Needy Families (TANF) program, provides cash assistance and welfare-to-work services to eligible low-income families with children. In the last several years, CalWORKs has sustained very significant reductions (summarized below), as well as programmatic restructuring. Total CalWORKs expenditures are $6.9 billion (all funds, State General Fund is $504 million) in 2014-15. The amount budgeted includes $5.3 billion for CalWORKs program expenditures (including grants, services, and child care) and $1.6 billion in non-CalWORKs programs. California receives an annual $3.7 billion TANF federal block grant. To receive TANF funds, California must provide an MOE of $2.9 billion annually. State-only programs funded with state General Fund are countable towards the MOE requirement.

Demographics of CalWORKs Recipients[24]. Around three-quarters of all CalWORKs recipients are children. Nearly half of those children are under the age of six. The vast majority (92 percent) of heads of CalWORKs recipient households are women. Two-thirds are single and have never married. Nearly half have an 11th grade or less level of education, and ten to 28 percent are estimated to have learning disabilities. Around 80 percent of these adults report experiencing domestic abuse at some point.

Caseload and Spending Trends. Prior to federal welfare reform in the mid-1990s, California's welfare program aided more than 900,000 families. By 2000, the caseload had declined to 500,000 families. During the recent recession the caseload grew; but at an estimated 563,500 families in 2012-13, it is not anywhere close to the levels of the early 1990s. Most recently, the caseload declined 1.8 percent in 2011-12, and from there is expected to increase slightly in 2012-13 and 2013-14 (to a projected 572,000 families). According to the California Budget Project, welfare assistance represented 6.8 percent of the state's overall budget (including federal, state, and local resources) in 1996-97, compared with 2.9 percent in 2011-12.

Background on Welfare-to-Work Program. Adults eligible for CalWORKs are subject to a lifetime limit of 48 months of assistance. Unless exempt for reasons such as disability or caregiving for an ill family member, they must participate in work and other welfare-to-work (e.g., educational) activities. Depending on family composition, these activities are required for 20, 30, or 35 hours per week. The program also offers related services, such as childcare and transportation. Beginning January 1, 2013, there are new restrictions regarding what counts as an eligible work activity that will result in some adults losing all assistance after 24 months.

Child-Only Caseload. In more than half of CalWORKs cases (called "child-only" cases), the state provides cash assistance on behalf of children only and does not provide adults with cash aid or welfare-to-work services. There is no time limit on aid for minors. The maximum grant for two children is currently $516 monthly. In most child-only cases, a parent is in the household, but ineligible for assistance due to receipt of Supplemental Security Income, sanction for non-participation in welfare-to-

[24] Context information comes from sample data collected by the Department of Social Services (DSS) and from studies in single or multiple counties, as summarized in *Understanding CalWORKs: A Primer for Service Providers and Policymakers*, by Kate Karpilow and Diane Reed. Published in April 2010; available online.

work, time limits, a previous felony drug conviction, or immigration status. In the remaining cases, no parent is present, and the child is residing with a relative or other adult with legal guardianship or custody.

Statewide Automated Welfare System (SAWS) Background. SAWS automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties, including the CalWORKs welfare-to-work program, CalFresh (Food Stamps), Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services. The Los Angeles Eligibility, Automated Determination, Evaluation & Reporting (LEADER) system currently serves Los Angeles (LA) County, while a consortium called C-IV serves 39 additional counties and another called Cal-WIN serves the remaining 18 (though each system houses information for roughly one-third of the statewide caseload). Including project management expenditures, as well as the Welfare Data Tracking Implementation Project (WDTIP) system, the total proposed budget for SAWS in 2013-14 includes $291.7 million ($151.0 million TANF/GF)

Trailer bill language related to the 2011-12 budget directed OSI to migrate the 39 counties currently in the C-IV consortium to the new Leader Replacement System (LRS), which would replace both LEADER and C-IV, so that the state would have a two-consortia SAWS system. In 2012-13, the budget additionally included a requirement for a "cost reasonableness assessment" or study conducted by contracted experts who collect data on the costs of other public and private sector efforts and extrapolate to determine whether the proposed costs for the C-IV migration project are within the realm of reasonableness. In 2012-13, the Legislature also adopted Supplemental Reporting Language directing the Administration to conduct regularly scheduled briefings with legislative staff, and to offer updates during budget Subcommittee hearings, as efforts to develop LRS and migrate C-IV continue. OSI estimates the following timing for the Migration project (to be updated after a migration strategy is chosen):

C-IV/LRS Migration Major Tasks	Start Date
C-IV Migration Planning	11/1/2012 – 4/30/2017
LRS Stabilization/C-IV Migration Preparation	5/1/2017– 4/30/2018
Migrate C-IV Counties	5/1/2018 –10/2019

Federal Context and Work Participation Rate. Federal funding for CalWORKs is part of the Temporary Assistance for Needy Families (TANF) block grant program. TANF currently requires states to meet a work participation rate (WPR) for all aided families, or face a penalty of a portion of their block grant. States can, however, reduce or eliminate penalties by disputing them, demonstrating reasonable cause or extraordinary circumstances, or planning for corrective compliance. It is also important to note that federal formulas for calculating a state's WPR have been the subject of much criticism. For example, they do not give credit for a significant number of families who are partially, but not fully, meeting hourly requirements. California did not meet its federal WPR requirements for 2007, 2008, or 2009. The state is appealing penalties of $47.7 million and $113 million for 2008 and 2009, and it remains unclear whether, or when, those penalties might be enforced. The table below shows California's penalty status for FFYs 2008, 2009, 2010, and 2011 for the All Families WPR. California did meet federal requirements for the two-parent WPR.

Summary of WPR Requirements and TANF Penalties

FFY:	2008	2009	2010	2011
Required Rate: All Families	50%	50%	50%	50%
Caseload Reduction Credit[1]	21%	21%	21%	21%
Adjusted WPR target	29%	29%	29%	29%
California Actual WPR	25.1%	26.8%	26.2%	27.8%
Potential Penalty Amount	$47.7 million	$113.6 million	$179.7 million	$246.1 million

[1/] *Due to the American Recovery and Reinvestment Act, California received the 2008 Caseload Reduction Credit for all three years displayed.*

The Work Incentive Nutritional Supplement (WINS) program, which provides a state-funded benefit of $10 monthly to families receiving CalFresh who are meeting TANF work requirement, began on January 1, 2014. It is expected to help improve the state's WPR because those state funds will be counted toward the state's TANF Maintenance of Effort (MOE) requirement and because the beneficiary families count in the state's WPR.

Recent Reductions and Changes in CalWORKs are summarized below:

GRANT REDUCTIONS	GF savings[25] (in 000s), if available	Effective Period
Suspension of annual cost-of-living adjustment (COLA) (enacted in 2008-09 budget)	$163,000	Ongoing
Suspension of COLA *and* 4% grant cut (2009-10)	$226,000	Ongoing
Elimination of statutory basis for future COLAs (2009-10)		Ongoing
Additional 8% grant cut (2011-12)	$314,000	Ongoing
Changes to earned income disregard that mean faster reductions to grants or exits from aid due to earnings (2011-12)	$83,000	7/1/11 through 10/1/13

TIME LIMIT REDUCTIONS	GF savings[26] (in 000s), if available	Effective Period
Reduction of adults' lifetime time limit from 60 to 48 months (2011-12)	$104,000	Ongoing
Creation of a 24-month time limit with more flexible welfare-to-work activities before it has been reached and stricter requirements afterward (up to 48 total months) (2012-13)		Ongoing, with fiscal effect starting 2014-15

[25] Savings figures on this page are annual in the first full-year of implementation. On an ongoing basis, exact savings will vary with caseload and other policy changes.

[26] Savings figures on this page are annual in the first full-year of implementation. On an ongoing basis, exact savings will vary with caseload and other policy changes.

REDUCTIONS TO WELFARE-TO-WORK SERVICES	GF savings[27] (in 000s), if available	Effective Period
Exemption from welfare-to-work services for parents of one child from 12 to 24 months old or 2 or more children under age 6 (savings from not providing services) (2009-10)	$375,000	7/1/09 through 1/1/13 (with phase-out of policy then lasting 2 years)
Suspension of CalLearn intensive case management for teen parents (2011-12)	$43,600	7/1/11 through 7/1/12, with funding phased back in during 2012-13
Once in a lifetime welfare-to-work exemption for parents with children under 24 months old (2012-13)		Ongoing, beginning 1/1/13

Policy considerations. The Legislature is also faced with other policy considerations in the CalWORKs programs:

- Grants. The average CalWORKs grant for recipient families is $467 monthly (up to a maximum of $638, or 40 percent of the federal poverty level for a family of three in a high-cost county with no other income. Last year, the Legislature, in budget legislation, enacted a statutory mechanism to increase the CalWORKs grant payments when a dedicated revenue stream is estimated to be sufficient to cover the cost of such an increase. A five percent increase has taken effect in March 2014. The LAO estimates that CalWORKs grants could be increased, on average, around 2 percent each year.
- Earned income disregard. Since 1997, CalWORKs has allowed families to keep the first $225 of their pre-tax earnings, without an impact on reducing the CalWORKs grant amount. Advocates have noted that this amount has not been increase since its inception.
- Maximum family grant (MFG) stipulates that a family's maximum aid payment will not be increased for any child born into a family that has received CalWORKs for ten months prior to the birth of a child. There is proposed legislation in the current session seeking to amend the MFG.

Staff Comment & Recommendation. This item is informational, and no action is required.

Question

1. Please briefly summarize the CalWORKs program, including average grant amounts, recent legislative and policy changes, and caseload trends.

[27] Savings figures on this page are annual in the first full-year of implementation. On an ongoing basis, exact savings will vary with caseload and other policy changes.

2. SB 1041: Implementation Update

SB 1041 (Budget and Fiscal Review Committee), Chapter 47, Statutes of 2012, made significant changes to CalWORKs welfare-to-work rules, including:

- Creation of a 24-month time limit with more flexible welfare-to-work activities[28] before the time limit has been reached and stricter requirements afterward (up to 48 total months),
- A two-year phase-out of temporary exemptions from welfare-to-work requirements for parents of one child from 12 to 24 months old or 2 or more children under age 6, along with a new, once in a lifetime exemption for parents with children under 24 months, and
- Changes to conform state law to the number of hours of work participation (20, 30, or 35, depending on family composition) required to comply with federal work requirements.

DSS must contract with an independent, research-based institution for an evaluation and written report regarding the enacted changes, and provide the report must to the Legislature by October 1, 2017. In the interim, the department must annually update the Legislature regarding implementation of the enacted changes.

Also, SB 1041 created a differentiation between welfare-to-work participation rules that apply before expiration of a 24-month time limit, which are more flexible than prior law in how they count education and treatment-related activities, and stricter rules that now apply after that time period, which can sometimes include more than 24 calendar months because of how months are counted. As a result of the rules that then apply, some adults are expected to lose assistance after 24 months. In preliminary estimates, based on RADEP 2012 and WDTIP data, the department projected that around 168,660 recipients may be affected by the new 24- month clock by July 2015.

SB 1041 also allows for extensions of up to six months, after a review at least every six months, of the more flexible rules for up to 20 percent of participants.

Background on Early Engagement. SB 1041 required DSS to convene stakeholder workgroups to inform the implementation of these changes, as well three strategies intended to help recipients engage with the WTW component, specifically:

1. Subsidized Employment. Under subsidized employment, counties form partnerships with employers, non-profits, and public agencies. Wages are fully or partially subsidized. The department estimates that subsidized employment will create around 8,250 new jobs in budget year. $39.3 million was allocated last fiscal year to 57 counties. Currently, 20 ESE county plans have been submitted for the DSS website: three plans already posted, nine plans prepared for posting, and eight plans ready for review calls with counties.

Electronic county data reporting begins spring 2014 for fiscal year

Key Dates for Subsidized Employment

- **July 1, 2013:** Effective date.
- **SFY 2013-14:** Program roll-out.
- **SFY 2014-15:** Full implementation anticipated.
- **April 1, 2015:** Information on outcomes due to the Legislature.

[28] In the first 24 months, the flexible activities could include: employment, vocational education; job search; job readiness; job skills training; adult basic education; secondary school; or barrier removal activities.

2013-14. Data points will include: number of CalWORKs recipients who entered subsidized employment; number of CalWORKs recipients who find unsubsidized employment; earnings of the program participants before and after the subsidy; and impact on the Work Participation Rate. The department must provide an outcomes report to the Legislature, no later than April 1, 2015.

2. Family Stabilization. Family stabilization (FS) is intended to increase client success during the flexible WTW 24-Month Time Clock period by ensuring a basic level of stability: intensive case management and barrier removal services. Clients must have a "Stabilization Plan" with no minimum hourly participation requirements, and six months of clock-stopping is available, if good cause is determined.

According to DSS, for FY 2013-14, $10.8 million was allocated to counties for FS, and in the budget year, $26 million has been estimated in the Governor's Budget.

Counties have flexibility to determine the services that will be provided and individual program components in order to best meet the needs of each county and the clients the county serves. Below is a chart of the summary of family stabilization plans received.

Key Dates for Family Stabilization

- **November 27, 2013:** FS allocation to counties.
- **February 4, 2014:** Implementation guidelines and expenditure claiming instructions released.
- **March 2014:** Counties to submit FS plans and release of the FS Request and Determination forms.
- **April 2014:** Release of draft FS Data Reporting Form.

Summary of Family Stabilization Plans Received*
Total number of FS Plans received as of April 15, 2014: 47

Services	# of Counties	Examples
Homelessness	31	• Transitional housing • Emergency homeless assistance/shelter • Relocation assistance • Subsidized rent
Mental Health	44	• Co-locating staff • Multi-disciplinary team • Partner with county behavioral health department • Specialized units • Rehabilitative services • Children's mental health services
Substance Abuse	44	
Domestic Abuse	44	
Weekly Client Contact	40	• Home visits • Phone calls
Other		• CWS Linkages Families • Life skills workshops • Legal Services • Nutrition education • Literacy • Financial Planning

3. Online CalWORKs Appraisal Tool (OCAT). OCAT is a standardized statewide WTW appraisal tool, which will provide an in-depth assessment of client strengths and barriers, including: employment history, interests, and skills; educational history; housing status and stability; language barriers; physical and behavioral health, including, but not limited to, mental health and substance abuse issues; child health and well-being. The department is currently holding stakeholder meetings, and pilot testing will begin in July 2014. The department estimates that OCAT will be available statewide September 2014.

Re-engagement. To date, DSS has received 26 county strategy plans that cover how they intend to "re-engage" parents in approximately 15,000 families whose young-child exemptions are ending over the two-year time period identified by SB 1041. Beginning re-engagement dates vary throughout those counties. Strategies as to which groupings of clients will be re-engaged[29] and in what order al so vary by county. In December 2012, approximately 68,000 clients were identified as being part of the population that needed to be reengaged. As of April 2014, all 58 counties have begun reengagement, and 23 of those counties have completed reengagement. Approximately 50,000 clients have been reengaged as of December 30, 2013, with 18,000 clients remaining to be reengaged.

Key Dates for Re-engagement

- **January 1, 2013:** End of short-term young child exemption.
- **December 28, 2013:** Counties required to submit reengagement sequencing plans.
- **January 1, 2015:** All clients must be reengaged.

Concerns Raised by Advocates. Advocates have been parties to the stakeholder discussions and have provided feedback on the state guidance. At the same time, however, they have expressed strong concerns with front-line implementation of the changes thus far. Anecdotally, they indicate that they are not yet observing the intended impacts of the increase in flexibility regarding activities or decrease in the required participation hours in a number of counties. Additionally, the Western Center on Law and Poverty writes that advocates have received reports that recipients are given incorrect information about the new 24-month clock. For example, "A common story advocates heard was that education was no longer permitted and that recipients had to meet federal work participation requirements."

Workgroup Discussions. Stakeholder discussions in the workgroup with the Administration have focused in particular on a few programmatic concepts, including:

- The need to utilize information from more robust appraisals and/or assessments of clients' needs;
- The need for there to be more than one welfare-to-work track for participants (e.g., differentiating between those who are ready for work experience, those who need education and skill development, and those who have major barriers to be addressed);
- The need for more intensive case management services or other supports to allow families who have multiple barriers and/or are particularly in crisis to get stabilized; and
- A desire for expanded uses of subsidized employment opportunities.

Staff Comment & Recommendations. Given the volume of recent reductions and restructuring, the CalWORKs program is in a state of flux. Successive reductions and changes to grants, time limits, and work participation rules have resulted in additional layers of complexity. Staff notes that some recipients' 24-hour clock is ticking without all of the early engagement opportunities in full implementation.

[29] Clients who met this exemption in December 2012 are not required to participate until they are reengaged by the county.

Questions.

1. Please provide an overview of the key changes enacted by SB 1041 and how the department is monitoring and implementing those changes.

2. What is the effect of the 24-month limit on families in WTW for budget year, BY +1, and BY +2?

3. What is the current status of early engagement, and when does the department expect all the pieces to be in place?

4. What kinds of measurable data elements might provide insight into the degree to which the changes in activities flexibility and hours have their intended impacts on the ground?

3. Welfare-to-Work Performance Oversight

Budget Issue. The Department of Social Services (DSS) requests eight positions and $980,000 to support the county peer review process, quality control reviews for the Temporary Assistance to Needy Families (TANF) program, and field monitoring visits to monitor the implementation of recent CalWORKs changes. Specifically, the eight positions are as follows:

- Two staff services managers;
- Two research analysts; and,
- Four associate governmental program analysts in CalWORKs Employment Bureau.

Background. In response to the federal Deficit Reduction Act (DRA) of 2005 and TANF Reauthorization of 2006, state law required and established the county peer review (CPR) program to assist counties meet the work participation rate (WPR). Counties receive recommendations and insight on strategies including: establishing early intervention for clients near non-compliance; enhancing client access, behavioral health and domestic violence counseling; and, increasing operational efficiency between workers.

Four of the positions are intended to establish a CPR process, with counties helping the state to develop the process and county visit tools, collaborate in the county reviews, and provide ongoing expertise regarding county systems and practices. Of the remaining four positions, one position is intended to assist with oversight of the Work Incentive Nutritional Supplement (WINS) program, where a new $10 per month supplemental food benefit would be provided to working families who are receiving Supplemental Nutritional Assistance Program (food stamp) benefits that are not receiving CalWORKs assistance. Two positions are intended to provide support and evaluation of the Early Engagement changes as required in Senate Bill 1041 (Budget and Fiscal Review), Chapter 47, Statutes of 2012. The last of the total eight positions is requested to manage the entire performance oversight effort.

Justification. According to the Administration, the requested staff is needed to meet statutory requirements, improve California's WPR, monitor county implementation, evaluate program changes (i.e., look at trends by county over time and monitor program changes related to SB 1041 and AB 74), and uncover best practices. Also, the positions will enable full implementation of the CPR program, WINS, and major changes in SB 1041 and AB 74. Potential outcomes include increasing the number of CalWORKs recipients who meet the hourly work participation requirements, improved federal WPR, and reduction of potential federal financial penalties.

Staff Comment & Recommendation - Hold open.

Question.

1. Please briefly summarize the proposal and the need for the requested positions.

4. Proposal to Eliminate Temporary Assistance Program (TAP)

Budget Issue. The department proposes trailer bill language to eliminate the Temporary Assistance Program. Specifically, the trailer bill's provisions repeal:

1. The requirement that the Department of Social Services (DSS), effective October 1, 2014, administer TAP for current and future California Work Opportunity and Responsibility to Kids (CalWORKs) recipients who meet exemption criteria for work participation activities, and are not single parents who have a child under the age of one year old.
2. The authorization that eligible CalWORKs recipients have the option of receiving grant payments, child care, and transportation services from TAP.
3. The requirement that DSS enroll CalWORKs recipients and applicants into the program, unless recipients or applicants provide written indication that they would not like to receive assistance from TAP.
4. Language that specifies state General Fund resources for grant payments, child care, transportation, and eligibility determination activities for families receiving TAP benefits.
5. Intent language that specifies that TAP recipients have and maintain access to the hardship exemption and services necessary to begin and increase participation in welfare-to-work activities.

Background. AB 1808 (Budget Committee), Chapter 75, Statutes of 2006, required DSS to establish, by April 1, 2007, a voluntary, state-funded TAP that would provide the same benefits as the CalWORKs program, without federal restrictions or requirements. Under TAP, DSS must provide cash assistance and other benefits to current and future CalWORKs recipients, exempt from state work participation requirements but included in the state's work participation rate (WPR) for the federal Temporary Assistance to Needy Families (TANF) program. The state is authorized to move exempt recipients out of the TANF program and into TAP. Due to existing federal child support distribution rules, administrative complexity in the aid code and benefit type changes for the TAP population, implementation was suspended annually.

Justification. According to the Administration, DSS proposes to eliminate TAP because it is no longer necessary as a strategy to increase the state's work participation rate (WPR). The 2013 Budget Act provided non-MOE General Fund resources for the assistance and administration of safety net cases. Once fully implemented, the department estimates that the shift to non-MOE funding will increase the state's WPR by 5.3 percentage points. Additionally, DSS notes that implementation of TAP could result in adverse impacts to some recipients' grant payments and families' benefits in CalFresh or Medi-Cal, and could create unequal treatment between TAP program recipients and CalWORKs recipients (i.e., TAP families receive 100 percent of child support, while CalWORKs families do not).

Staff Comment & Recommendation. Staff recommends the Subcommittee hold open the item pending further discussion.

Questions

1. Please briefly summarize the proposal and its justification.

2. What have been the barriers to implementing TAP?

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OUTCOMES: **Senate Subcommittee #3 on Health & Human Services**
Thursday, May 1 (Room 4203)

Members present: Senator Corbett, Senator Morrell, Senator Monning

5175 Department of Child Support Services

1. Overview

- Informational item.

2. California Child Support Automation System - Information Technology Contract Staff Reduction

- Held open.

5180 Department of Social Services – State Hearings Division (SHD)

1. Overview

- Informational item.

5180 Department of Social Services – State Hearings Divisions
Health and Human Services, Office of Systems Integration

1. Affordable Care Act Caseload Growth & Case Management System

- Held open.

5180 Department of Social Services – Child Welfare Services (CWS)

1. Overview

- Information item.

2. Katie A. Implementation

- Informational item.

3. Continuum of Care Reform (CCR) - Update

- Informational item.

4. Sustainability for Continuum of Care Reform Fiscal Audit Alignment

- Approve as budgeted (3-0).

5. Title IV-E Tribal Share-of-Cost

- Adopt placeholder trailer bill language (2-0, Senator Morrell abstaining).

5180 Department of Social Services – CWS
Health and Human Services Agency, Office of Systems Information

1. April Letter – CWS New System Project

- Held open.

5180 Department of Social Services – CalFresh

1. Overview

- Informational item.

2. 2014 Federal Farm Bill

- Informational item.

3. SB 103 - Emergency Drought Budget Bill

- Informational item.

5180 Department of Social Services - CalWORKs

1. Overview

- Informational item.

2. SB 1041: Implementation Update

- Informational item.

3. Welfare-to-Work Performance Oversight

- Held open.

4. Proposal to Eliminate Temporary Assistance Program (TAP)

- Held open.

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett

Senator Bill Monning
Senator Mike Morrell

May 8, 2014

9:30 a.m. or Upon Adjournment of Session

Room 4203, State Capitol

Agenda – Part 1
(Michelle Baass)

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate Daily File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

VOTE ONLY

0530 California Health and Human Services Agency (CHHSA)

1. Office of the Agency Information Officer – CHHSA Governance

Budget Issue. The California Health and Human Services Agency (CHHSA) requests three permanent positions and $431,000 in reimbursement authority to provide dedicated staffing for the establishment of formalized governance, project assessment, and strategic enterprise architecture functions within the Office of the Agency Information Officer (OAIO).

CHHSA is also requesting to add provisional budget bill language to Item 0530-001-9745 that is intended to enhance the Office of Systems Integration's (OSI) ability to timely provide requested subject matter expertise on an as-needed basis to departments that have requested technical assistance for information technology projects or have been referred by the CHHSA or the California Department of Technology as having projects that are at-risk.

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

Subcommittee Staff Comment and Recommendation—Modify. It is recommended to:

a. Approve the request for permanent positions and expenditure authority to establish formalized governance, project assessment, and strategic enterprise architecture functions within OAIO.

b. Reject the proposed budget bill language, as this language does not appear to address the issues within the Administration's internal review process.

c. Adopt the following placeholder supplemental reporting language to require OAIO to report on how this proposal adds value and achieves the intended and worthy goals of better agency-wide planning and coordination of information technology (IT) projects. Proposed language:

Item 0530-001-0001—California Health and Human Services Agency.
Office of the Agency Information Officer (OAIO)—New Functions. In conjunction with the submission of the 2017-18 Governor's Budget, the California Health and Human Services Agency shall submit to the chairs of the budget committees of the Legislature a report on (1) the status of establishing information technology (IT) governance, project assessment, and strategic enterprise architecture planning functions within OAIO, as provided for in the 2014-15 Budget Act, and (2) the value these functions have added to the development and deployment of technology systems across agency departments. The report shall include, but not be limited to:

(1) a description of the changes made to agency IT policies and processes (for example, changes in how the office and constituent departments interact) in order to implement the planning functions at OAIO;

(2) examples of identified opportunities for the development of flexible IT solutions that could eliminate silos and foster communication across systems and data sharing amongst multiple departments within agency;

(3) a description of the analytical framework used by OAIO to inform investment decisions in IT projects that reflect the highest programmatic goals of the agency;

(4) a description of common challenges identified during project assessments and the modifications made to projects as result of OAIO's early intervention, planning and oversight of IT projects, with the steps taken to integrate project management best practices and agency goals into project plans; and

(5) a description of OAIO's objectives for the IT governance, project assessment, and strategic enterprise architecture planning functions and the extent to which OAIO has met its objectives with the authorized level of resources.

2. Office of the Patient Advocate

Oversight Issue. HHSA has not fully implemented AB 922 (Monning), Chapter 522, Statutes of 2011, regarding the Office of Patient Advocate (OPA).

The intent of AB 922 was to develop a robust response system to address consumer questions and grievances about the health care system and to provide for much needed, clear and understandable consumer information and assistance by expanding and strengthening current programs operating at the local level. OPA has not used the authority provided in AB 922 to develop this robust system.

For example, in the fall of 2013, OPA released its planned activities for 2014. This plan did not include key components of AB 922 such as providing direct consumer assistance and subcontracting with community-based organizations to provide individualized assistance.

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

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. Senate legislative staff and HHSA have been working on placeholder trailer bill language to ensure a consumer assistance program. It is recommended to adopt this placeholder trailer bill language that:

1. Revises the responsibilities of the OPA to clarify that it is not the primary source of direct assistance to consumers

2. Clarifies OPA's responsibilities to track, analyze, and produce reports with data collected from calls, on problems and complaints by, and questions from, consumers about health care coverage received by health consumer call centers and helplines operated by other departments, regulators or governmental entities.

3. Requires OPA to make recommendations for the standardization of reporting on complaints, grievances, questions and requests for assistance.

4. Requires the OPA to develop model protocols, in consultation with each call center, consumer advocates and other stakeholders that may be used by call centers for responding to and referring calls that are outside the jurisdiction of the call center or regulator.

5. Shifts funding to the Department of Managed Health Care to supplement contracts with community-based organizations to provide direct consumer assistance.

3. CalOHII – HIPAA Compliance

Budget Issue. Through an April Finance Letter, the California Office of Health Information Integrity (CalOHII) requests $750,000 ($375,000 General Fund and $375,000 reimbursements) for consulting services on a two-year limited-term basis. CalOHII indicates that this request would help ensure that state departments would meet data interoperability and expanded Health Insurance Portability and Accountability Act (HIPAA) requirements. (The reimbursements are federal Medicaid funds.)

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

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised regarding this request.

0530 CHHSA & 4265 Department of Public Health

1. Transfer of Medical Privacy Breach Program to Department of Public Health

Budget Issue. The Administration proposes to combine the authority and resources of two existing programs charged with enforcing medical privacy violations in order to increase efficiency. To do this, the Administration requests to transfer three investigator positions and associated workload and responsibilities from the Health and Human Services Agency's California Office of Health Information Integrity (CalOHII) to the Department of Public Health (DPH).

According to the Administration, this proposal would allow current DPH and CalOHII staff to conduct concurrent investigations of violations by health facilities and individuals and eliminate or reduce redundancy and inefficiencies.

This transfer requires statutory changes.

This proposal was discussed at the March 6th Subcommittee No.3 hearings.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the request to transfer positions and to adopt the placeholder trailer bill langauge.

4140 Office of Statewide Health Planning and Development (OSHPD)

1. Song-Brown Primary Care Residency

Budget Issue. OSHPD requests the following:

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

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

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

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

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

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

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

2. Mental Health Services Act Workforce Education & Training Five-Year Plan Funding

Budget Issue. Through an April Finance Letter, OSHPD requests to align future statewide Mental Health Services Act (MHSA) Workforce Education and Training (WET) appropriations with the second MHSA WET Five-Year Plan, 2014-2019. See following tables for proposed funding allocations and program outcomes associated with the second MHSA WET Five-Year Plan.

As required by the Mental Health Services Act of 2004, the second WET plan was developed by OSHPD and approved by the California Mental Health Planning Council (CMHPC) in January 2014.

This request includes reducing the appropriation for local assistance by $3,449,000 and increasing state operations by $3,949,000 to fund recruitment, retention and evaluation activities and other programs identified in this plan. Further, OSHPD requests additional Mental Health Services Fund expenditure authority of $330,000 in 2014-15, $306,000 annually through 2018-19. This includes funding for three five-year limited-term positions: one health program specialist I, one staff services analyst, one office technician, and $16,000 annually through 2018-19 for administrative overhead costs to administer the programs as a result of new responsibilities associated with the WET Five-Year Plan, 2014-2019.

Finally, this request proposes to make the following change to budget bill language because, based on a county needs assessment and stakeholder feedback, the New Five-Year Plan no longer funds Song-Brown physician assistant training in support of mental health as counties preferred to invest in other mental health professions. Thus, Item 4140-101-3085, Provision 1 language is no longer needed and is requested to be deleted since it pertains to the Song-Brown contracts with accredited physician assistant programs, hospitals or other health care delivery systems in support of the mental health. Proposed change:

> 4140-101-3085—For local assistance, Office of Statewide Health Planning and Development payment to item 4140-101-0001, payable from the Mental Health Services Fund
>
> ~~1. Notwithstanding subdivision (a) of Section 1.80 or any other provision of law, the funds appropriated in this item for contracts with accredited physician assistant programs, as well as contracts with hospitals or other health care delivery systems located in California, in support of the Mental Health Services that meet the standards of the California Act Healthcare Workforce Policy Commission, established pursuant to Article 1 (commencing with Section 128200) of Chapter 4 of Part 3 of Division 107 of the Health and Safety Code, shall continue to be available until June 30, 2018.~~

Table: WET Five-Year Plan, 2014-15 through 2017-18 Funding Allocations

Statewide WET Program	Welfare and Institutions Code Section	2014-2015	2015-2016	2016-2017	2017-2018	Total Four Year Funding
State Operations						
Mental Health Loan Assumption Program	5822(b)	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$40,000,000
Recruitment and Retention	5822(e) 5822(i)	$750,000	$750,000	$750,000	$750,000	$3,000,000
Evaluation	5820(c)	$686,023	$686,023	$686,022	$686,022	$2,744,090
Subtotal		$11,436,023	$11,436,023	$11,436,022	$11,436,022	$45,744,090
Local Assistance						
Stipends	5822(c)	$8,750,000	$8,750,000	$8,750,000	$8,750,000	35,000,000
Education Capacity	5822(a) 5822(f)	$3,750,000	$3,750,000	$3,750,000	$3,750,000	15,000,000
Consumer and Family Member Employment	5822(g) 5822(h)	$5,000,000	$5,000,000	$0	$0	10,000,000
Regional Partnerships	5822(d)	$3,000,000	$3,000,000	$3,000,000	$0	9,000,000
Subtotal		$20,500,000	$20,500,000	$15,500,000	$12,500,000	$69,000,000
Total		**$31,936,023**	**$31,936,023**	**$29,936,022**	**$23,936,022**	**$114,744,090**

Table: WET Five-Year Plan Program Funding Allocations/Projected Outcomes (2014-19)

Program	WIC Section	Allocation (Millions)	Proposed Action	Projected Program Outcomes
Stipend Programs	5822(c)	$8.75	Will contract with educational institutions to provide stipends for graduate students who plan to work in the public mental health system (PMHS): Social Work; Marriage and Family Therapist; Clinical Psychologist; and Psychiatric Mental Health Nurse Practitioner. Will require those educational institutions to incorporate MHSA principles into graduate level curriculum.	Will provide stipends to 1,500+ graduate students who plan to work in the PMHS for a minimum of one year.
Loan Assumption	5822(b)	$10.0	Will offer loan repayment of up to $10,000 to mental health workers in hard-to-fill and/or hard-to-retain positions in PMHS in exchange for a 12-month service obligation.	Will provide loan assumptions to a minimum of 4,000 mental health workers in hard-to-fill and/or hard-to-retain positions in the PMHS throughout California.
Education Capacity	5822(a) 5822(b) 5822(f)	$3.75	Will fund residency and training slots in Psychiatric Residency and Psychiatric Mental Health Nurse Practitioner education programs to increase their capacity to train residents and trainees and provide clinical rotations in the PMHS.	Will partially fund training for a minimum of 41 psychiatrists and up to 250 Psychiatric Mental Health Nurse Practitioners who work or commit to working in the PMHS.
Consumer and Family Member Employment[1/]	5822(g) 5822(h)	$5.0	Will fund training, education, placement, support, planning, and development activities that lead to increased consumer and family member employment in the PMHS.	Engage consumers and family members in training, education, placement, and support activities in PMHS.
Regional Partnerships [2/]	5822(d)	$3.0	Will fund five Regional Partnerships to plan and implement programs that build and improve local workforce education and training resources.	Outcomes will be based on regional needs.
Recruitment and Retention	5822(a) 5822(b)	$0.75	Will provide grants to organizations across three separate programs that: a) develop pathways programs to expose students to careers in mental health. b) provide clinical rotations in the PMHS. c) develop programs for retaining the incumbent workforce.	Recruitment: It is projected that over four years approximately 12,000 students will be exposed to PMHS careers that will provide approximately 312 clinical rotations in the PMHS. Retention: Will provide grants to organizations that engage in activities to increase the retention of public mental health system professionals through retraining and other evidenced based and/or community identified retention initiatives.
Evaluation	5820(c)	$0.69	Will fund internal and external evaluation of local, regional, and statewide WET programs, and mental health workforce needs assessments.	Will document outcomes from statewide WET programs and identify total statewide needs for each professional and other occupational category.
Total		**$31.94**		

1/ $5.0 million for Consumer and Family Member Employment will be awarded in FY 2014-2015 through FY 2015-2016.

2/ $3.0 million for Regional Partnerships will be awarded in FY 2014-2015 through FY 2016-2017.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the budget adjustments, requested limited-term positions, and proposed budget bill language changes. No issues have been raised with this proposal and it is consistent with the WET Five-Year Plan, which has undergone substantial stakeholder input.

3. Reallocation of California Endowment Grant Funding for Workforce Development

Budget Issue. Through an April Finance Letter, OSHPD proposes to redirect $700,000 of its California Endowment (TCE) grant from the Song-Brown Program to invest in other programs that will increase the healthcare workforce supply and distribution. The TCE plans to invest $52 million over four years into OSHPD's health workforce development programs. Of that amount, $7 million was authorized to be allocated to OSHPD's Song-Brown program in 2014-15. In collaboration with the TCE, OSHPD specifically requests to redirect $700,000 as follows: $450,000 to California's Student/Resident Experiences and Rotations in Community Health (Cal-SEARCH), $100,000 to Mini-Grants, and $150,000 via reimbursement contract to the California Department of Public Health's (CDPH) Fellowship Program.

Background. On January 18, 2013, TCE announced its commitment of $225 million to help California implement the Affordable Care Act (ACA). TCE is dedicating $70 million to "fund efforts to expand the primary care health workforce". Of that amount, TCE is investing $52 million in OSHPD's healthcare workforce development programs including $21 million for the Song-Brown Program and $31 million for health professional scholarships and loan repayments administered through OSHPD's Health Professions Education Foundation. In the 2013-14 budget, OSHPD was approved to receive the $52 million grant from the TCE. With this grant approval, OSHPD has authorized $7 million each year for 2013-14, 2014-15, and 2015-16 for the Song-Brown Program.

OSHPD administers a number of health workforce development programs in addition to Song-Brown that are designed to increase access to healthcare in MUAs. Two of these programs include Cal-SEARCH and Mini-Grants. Cal-SEARCH, established as a partnership between OSHPD, the California Primary Care Association, and the California Area Health Education Center, provides advanced practice clinicians with exposure to underserved communities via clinical rotations in community health centers. The Mini-Grants Program provides grants to community organizations, educational entities (K-12 educational entities, post-secondary education) and industry/employers developing health career pathways.

The CDPH seeks to establish a Public Health Fellowship Program to institute a mechanism to train professionals to facilitate implementation of such systems. Thus OSHPD proposes to contract with CDPH to create and pilot a workforce development model that will train a cohort of public health professionals skilled in facilitating an integrated health system, using the accountable care communities model, that systematically addresses the root causes and social determinants of health in order to promote health, prevent disease, remedy gaps, and reverse disparities and improve the quality of health services in the clinical and community.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve this proposal. The California Endowment is supportive of this proposed adjustment as this change decreases allocation from a relatively under-subscribed training support category to other health workforce priorities that serve in the successful implementation of the Affordable Care Act.

4265 Department of Public Health

1. Licensing and Certification: Licensing Standards for Chronic Dialysis Clinics, Rehabilitation, & Surgical Clinics

Budget Issue. DPH requests one-time special fund (Internal Departmental Quality Improvement Account) expenditure authority of $201,000 to contract with the University of California, Davis (UCD) for an independent research analysis and report that describes the extent to which the federal certification standards are, or are not, sufficient as a basis for state licensing standards, as required by SB 534 (Hernandez), Chapter 722, Statutes of 2013.

DPH has contacted the Institute for Population Health Improvement at UCD to perform independent research and analysis and produce the required report on the sufficiency of the federal regulations. The analysis and report will consist of: (1) a review of the various certification, accreditation, and other relevant performance standards currently used to evaluate chronic dialysis clinics, surgical clinics, and rehabilitation clinics in other states, comparing requirements of the federal standards with these alternate standards; and (2) a systematic literature review of the peer-reviewed and grey literature on experiences with the implementation of those standards, including identification of areas in need of additional regulatory oversight. The projected cost is $200,000 for the required study.

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

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal.

2. Office of AIDS: OA-HIPP – Wrap for Out-of-Pocket Medical Expenses

Issue. The Office of AIDS (OA) has a number of programs to help people move into and retain comprehensive health coverage, such as the OA-Health Insurance Premium Payment (OA-HIPP) program. However, it does not have a program to pay for the out-of-pocket medical expenses (copays, coinsurance, and deductibles) associated with comprehensive health coverage for eligible persons with HIV/AIDS.

A program to pay for these out-of-pocket medical expenses could ensure that persons with HIV/AIDS can enroll in and receive comprehensive health coverage and could result in AIDS Drug Assistance Program (ADAP) savings as HIV/AIDS-related medications would be paid for by the primary health coverage (e.g., coverage purchased privately or through Covered California). Fifteen other states have ADAP programs that pay for these out-of-pocket medical expenses.

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

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. Creating a new ADAP program that covers out-of-pocket medical costs could reduce ADAP expenditures while providing more comprehensive health care coverage to people living with HIV/AIDS. It is recommended to adopt the following placeholder trailer bill language to create this wrap:

Health and Safety Code Section 120955 (i) The department may also subsidize certain cost-sharing requirements for persons otherwise eligible for the AIDS Drug Assistance Program (ADAP) with existing non-ADAP drug coverage by paying for prescription drugs included on the ADAP formulary within the existing ADAP operational structure up to, but not exceeding, the amount of that cost-sharing obligation. This cost sharing may only be applied in circumstances in which the other payer recognizes the ADAP payment as counting toward the individual's cost-sharing obligation. **Where the director determines that it would result in a cost savings to the state, the department may subsidize costs associated with a health insurance policy, including medical co-payments, deductibles, and premiums to purchase or maintain health insurance coverage.**

3. Infant Botulism Treatment and Prevention Program

Budget Issue. DPH requests:

a. An increase in expenditure authority of $3 million in 2014-15 and $951,000 in 2015-16 in the Infant Botulism Prevention and Treatment Fund to use fee revenue accumulated in the BabyBIG®/Infant Botulism Special Fund, to sustain statutorily-mandated production, distribution, regulatory compliance, and other activities for DPH's public service orphan drug BabyBIG® program. (An orphan drug is a treatment for a rare medical condition, typically developed as a matter of public policy because of insufficient profit motive for drug manufacturers.)

b. Authority to convert contract positions and establish two permanent state positions. The conversion of contract positions to state positions would reduce expenditure authority by $46,000 Infant Botulism Treatment and Prevention Fund (IBTP). Positions will provide the full spectrum of administrative services necessary to the Infant Botulism Treatment and Prevention Program which will significantly reduce the burden on highly-skilled medical staff and/or executive management to perform routine administrative duties to ensure business needs of the program are met.

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

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with these proposals.

4260 Department of Health Care Services

1. Re-Certification of Drug Medi-Cal Providers

Budget Issue. DHCS requests 21 one-year limited-term positions at a cost of $2.2 million ($1.1 million General Fund) to recertify all providers in the Drug Medi-Cal program (DMC). These positions would continue efforts commenced in the current year to improve DMC program integrity and recertify only providers meeting standards of participation in Medi-Cal. DHCS redirected 21 positions in 2013-14 to begin this work.

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

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal.

2. Substance Use Disorder Program Integrity – Counselor & Facility Complaints

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

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

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal.

3. Continuance of Driving Under the Influence (DUI) Program Evaluation

Budget Issue. DHCS requests $96,000 (DUI Program Licensing Trust Fund) to renew a contract to continue its evaluation of DUI Programs licensed and monitored by the state.

The evaluation would run from 2014-15 through 2015-16, at an annual cost of $96,000. According to DHCS, the continuation of this program evaluation will ensure that specific recommendations provided in the previous and existing evaluation will be acted upon. If approved, the next two years' scope of work will focus on establishing critically needed program benchmarks and performance measures, outcomes, and suggested recommendations for related regulations.

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

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal.

ISSUES FOR DISCUSSION

4260 Department of Health Care Services

1. ACA – Medi-Cal Renewal Assistance Grant from The California Endowment

Issue. The California Endowment (TCE) has committed to providing $6 million in funding to DHCS, to be matched with federal funds for a total for $12 million, for Medi-Cal application renewal assistance payments to Certified Enrollment Counselors.

Background. The 2013 budget required DHCS to accept a grant from the California Endowment for Medi-Cal Enrollment Assistance ($14 million) and Medi-Cal Outreach and Enrollment Grants to community-based organizations ($12.5 million) and obtain $26.5 million in matching federal funds for these purposes. These funds, along with funds available through Covered California, have developed an outreach and enrollment infrastructure of Certified Enrollment Counselors. These counselors have assisted tens of thousands of Californians to enroll in Covered California and continue to help those who are eligible to enroll in Medi-Cal.

Several million Californians have enrolled in Covered California and Medi-Cal as part of the initial implementation of the Affordable Care Act. These Californians will need to renew their coverage in order to keep it.

Those Californians who used Certified Enrollment Counselors for initial enrollment in Covered California and Medi-Cal are likely to return to these trusted sources when faced with renewing their coverage. Covered California is paying Certified Enrollment Counselors $25 per application for renewal assistance for those enrolled in Covered California but federal rules prohibit use of these dollars for Medi-Cal renewal assistance.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. This generous offer by The California Endowment will help ensure that eligible Medi-Cal enrollees remain in coverage and have access to needed medical care. It is recommended to adopt the placeholder trailer bill language to require DHCS to accept these contributions and seek matching federal funds for these purposes. See below for the proposed placeholder trailer bill language:

(a) The State Department of Health Care Services shall accept contributions by private foundations in the amount of at least six million dollars ($6,000,000) for the purpose of providing Medi-Cal in-person annual renewal enrollment assistance payments and shall immediately seek an equal amount of federal matching funds.
(b) Entities and persons that are eligible for Medi-Cal in-person annual renewal enrollment assistance payments shall be those trained and eligible for in-person enrollment assistance payments by the California Health Benefit Exchange. The amount of the renewal assistance payment shall be equal to the amount of the renewal assistance payment paid by the California Health Benefit Exchange for California Health Benefit Exchange enrollees. The payments may be made by the State Department of Health Care Services utilizing the California Health Benefit Exchange in-person assistance payment system.

(c) Annual renewal assistance payments shall be made only for Medi-Cal applicants that have completed the Medi-Cal annual renewal process for coverage dates on or after September 1, 2014.
(e) The State Department of Health Care Services or the California Health Benefit Exchange shall provide monthly and cumulative payment updates and number of Medi-Cal persons renewed through in-person assistance payments on its Internet Web site.

Questions.

1. Please provide an overview of this item.

2. Merge California Institute for Mental Health and Alcohol and Drug Policy Institute

Issue. The California Institute for Mental Health (CiMH) requests statutory changes to reflect its merger with the Alcohol and Drug Policy Institute (ADPI) on July 1, 2014. On March 21, 2014, the boards of CiMH and ADPI voted to merge organizations and become the California Institute for Behavioral Health Solutions. They took this action to take advantage of opportunities to better serve their customers and improve outcomes for individuals and their families. CiMH's responsibilities are specified in statute; consequently, this proposal requests changes to specify that this new entity can work on substance use disorder services programs.

Background. CiMH was established in 1993 to promote excellence in mental health services through training, technical assistance, research and policy development. Local mental health directors founded CiMH to work collaboratively with all mental health system stakeholders. CiMH is defined in statute (Welfare and Institutions Code Section 40619[a][5]).

ADPI works toward the advancement of the substance use disorder (SUD) field in California through the creation and dissemination of knowledge regarding alcohol and other drug problems and culturally competent approaches to their prevention and amelioration. ADPI was incorporated in August 2000 as a nonprofit public benefit corporation and is organized and operated exclusively for educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

CiMH and ADPI find the following benefits with the merger:

a) For counties, a one-stop shop for consulting expertise related to the integration of services as well as the best practices in the provision of both mental health and SUD services.
b) For health care organizations, a one-stop source for assistance in getting better health outcomes for patients with complex and chronic health conditions.
c) For state departments who pay for health care services primarily through the Medi-Cal program, a one-stop shop for a training and TA interface with counties, service providers, and other stakeholders.
d) For individuals and their families: Through consulting and technical assistance to counties, health care organization and state departments, expedite the adoption of evidence-based and community-based practices, resulting in improved health outcomes.

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. This proposal and merger reflect the growing momentum towards integrating mental health and substance use disorder services to improve an individual's overall health. It is recommended to adopt placeholder trailer bill language to reflect this merger.

Questions.

1. Please provide an overview of this item.

2. Does DHCS have any concerns with this proposal?

Multiple Departments

1. Health-Related Proposals for Restoration and Augmentation

Various stakeholders have submitted proposals for funding restoration or augmentation. The table below includes issues that have not been previously discussed in this subcommittee. Proposals that have been previously discussed in a subcommittee hearing can be found in Appendix A.

Program	Description	Amount Requested
Adolescent Family Life Program (AFLP)	Restoration - AFLP addresses the social, health, educational, and economic consequences of adolescent pregnancy by providing comprehensive case management services to pregnant and parenting teens and their children. AFLP emphasizes promotion of positive youth development, focusing on and building upon adolescents' strengths and resources to work towards improving the health of the pregnant or parenting teen, improving graduation rates, and creating networks of support for these parents. Funding for AFLP was reduced substantially in 2009.	$10.7 million General Fund
Adverse Childhood Experience (ACE) Survey Questions	Augmentation - A request to add ACE questions to the existing California Behavioral Risk Factor Surveillance System (BRFSS) to measure the impact of adverse childhood experiences on children over time. **The Department of Public Health recently announced that it plans to use funds from an increase in the federal Preventive Health and Human Services Block Grant Award to fund the addition of ACE questions to BRFSS.[1]**	~~$82,500 General Fund~~
AIDS Drug Assistance (ADAP) and Office of AIDS Health Insurance Premium Payment (OA-HIPP) Program	Expansion - A proposal to expand eligibility for ADAP and OA-HIPP to consider family size when evaluating income and to consider using the Modified Adjusted Gross Income standard used by Medi-Cal and Covered California.	Unknown special fund costs and potential General Fund pressure

1 Please see the following link for more information on the proposed allocation of the increase in the federal Preventive Health and Human Services Block Grant Award:
http://www.cdph.ca.gov/programs/cdcb/Documents/CDPH%20Proposed%20Allocations%20for%20FFY%202014%20Increased%20PHHSBG%20Award_Revised.pdf

Biomonitoring Program	Given a potential reduction in federal grant funds, advocates are requesting state funding to continue the work of the Biomonitoring Program. This program determines levels of environmental chemicals in a representative sample of Californians, establishes the trends in these levels over time, and helps assess the effectiveness of efforts to decrease exposure to specific chemicals.	Up to $2.65 million General Fund
Black Infant Health Program (BIHP)	BIHP was created in 1989 to address a disproportionately high infant mortality rate for black infants. BIHP seeks to address the complex factors related to infant mortality and preterm births for the population at greatest risk. BIHP provides health education, social support, individualized case management, home visitation and referrals to other services. BIHP still operates in 15 local health jurisdictions in California. Funding for the BIHP was cut by $3.9 million in 2009. **The Department of Public Health recently announced that it plans to use funds ($300,000) from an increase in the federal Preventive Health and Human Services Block Grant Award for BIHP.**	$3.9 million General Fund
Caregiver Resource Centers (CRCs)	CRCs are community-based centers that offer services to families designed to assist unpaid family caregivers of adults with chronic, disabling health conditions. Funding for CRCs was reduced by 74 percent in 2009.	$2.9 million General Fund
Dental Disease Prevention Program (DDPP)	From 1980 to 2009, the DDPP provided school-based oral health prevention services to approximately 300,000 low-income school children in 32 counties in California. Approximately $3.2 million General Fund was eliminated from this program. Participating sites provided fluoride supplementation, dental sealants, plaque control, and oral health education.	$3.2 million General Fund
Drug Overdose Grant Program	The Drug Policy Alliance (DPA) requests to establish a grant program for local agencies and community-based organizations in order to reduce the rate of fatal drug overdose caused by prescription analgesics and other drugs.	$2 million General Fund

Early Mental Health Initiative (EMHI)	Prior to 2012, the state provided $15 million General Fund (Proposition 98) to EMHI, which sought to identify very young, school-aged, children who exhibited mental health risk signs, and provide those kids with various supportive services, provided by trained para-professionals, in order to stop or slow the progression of mental health challenges for these kids. The program had been operated through the former Department of Mental Health, until the elimination of that department, at which time the program transferred to the Department of Education (CDE). CDE has never actually operated the program, as all of the funding was eliminated the same year the program was transferred.	$15 million General Fund
Expanded Access to Primary Care	Restore funding to this program which expanded access to preventative health care for the medically underserved by ensuring that safety net providers had resources to cover uncompensated care.	$27 million General Fund
HIV/AIDS Initiatives in Mid-Size and Small Counties	A proposal to reinvest state funding for HIV/AIDS initiatives focused on outreach, screening outside the medical setting, linkage, and retention in mid-size and small counties.	$7 million General Fund
HIV Prevention - Demonstration Projects	Advocates propose to support at least three public health demonstration projects to allow for innovative, evidence based approaches to outreach, screening, and linkage to, and retention in, care for the most vulnerable Californians living with and at risk for HIV disease. In light of the increasing rates of new HIV infections in particularly vulnerable communities, the National HIV/AIDS Strategy encourages outreach to the tens of thousands of individuals who are HIV infected yet do not know their status, to encourage testing and to help link people to quality health care. Advocates point out that while the ACA will help in this effort due to its emphasis on preventive services, including HIV screening, there remains a critical need to reach out to those with no ties to the established health care system. Advocates believe that the proposed demonstration projects have the potential to improve health outcomes and reduce disparities in vulnerable populations.	$2 million General Fund

HIV Prevention - Pre-Exposure Prophylaxis (PrEP)	Advocates propose three demonstration projects exploring the cost, benefit and health outcomes of offering PrEP to residually uninsured individuals in high impact areas. PrEP is a new FDA-approved drug that prevents HIV infection in at-risk individuals. If used correctly, PrEP is 96 percent effective in preventing new infections. Advocates state that these demonstration programs would allow the state to explore the feasibility of delivering this effective new HIV prevention technology to at-risk individuals with no other source of coverage. They believe that a successful project could also dramatically lower HIV prevalence in these communities, thereby also reducing new infections.	$3 million General Fund
HIV Prevention - Post-Exposure Prophylaxis (PEP) and PrEP education	Advocates propose funding for PEP and PrEP education. PEP and PrEP represent two proven and effective ways to reduce HIV infections, according to supporters of this proposal. However, there are many missed opportunities to use these technologies. National studies have documented a lack of knowledge among providers and low uptake among people at risk.	$3 million General Fund
HIV Prevention - Syringe Access Programs	Advocates propose funding for clean syringe access programs, stating that they are the longest standing evidence-based intervention to prevent HIV and hepatitis C among injection drug users. Syringe programs have proven to dramatically reduce infection rates among active injection drug users. Advocates argue that, due to the long-standing ban on federal funding coupled with a lack of state funding, the effectiveness of this proven intervention has been diminished in California.	$5 million General Fund
Medi-Cal Primary Care Rate Bump	The Affordable Care Act required Medi-Cal to increase primary care physician services rates to 100 percent of the Medicare rate for services provided from January 1, 2013 through December 31, 2014. The state received 100 percent federal funding for the incremental increase in Medi-Cal rates. Federal funding for this incremental rate increase expires December 31, 2014. It has been proposed to continue to fund this rate increase with state funds.	$500-600 million General Fund
Mental Health Peer Respite Pilots	County mental health departments request funding to provide support through peer respite for people experiencing psychological distress.	$20 million General Fund

Optional Medi-Cal Benefits	The 2009 budget eliminated several Medicaid optional benefits from the Medi-Cal program. These benefits were eliminated for budgetary, not policy, reasons in response to the fiscal crisis. There is considerable support for restoring these benefits to the Medi-Cal program.	$77 million General Fund, see table below for details on this estimate
Primary Care Residency	Physician associations request an increase in funding for various primary care specialty residency programs.	$25 million General Fund
Public Health Laboratory Training Program	The 2012 budget eliminated $2.2 million General Fund for the Public Health Laboratory Training Program. This program provided local assistance grants to subsidize training, support, outreach and education, and provided funding for doctoral candidate stipends and post-doctoral fellowships for individuals training for public health laboratory directorships. The Health Officers Association of California (HOAC) proposes to restore funding, but with modifications to the program such that assistance be limited to assistant lab directors employed in local public health labs. These individuals would be eligible for a four-year commitment to funds, thereby allowing them to accrue the four years of lab experience necessary to become a public health lab director. HOAC estimates the need for funding at approximately $1 million.	$1 million General Fund
Safety-Net Services for Remaining Uninsured	Provide health coverage to remaining uninsured.	Unknown
School-Based Health Centers	Supporters of the Public School Health Center Support Program (an unfunded grant program already in statute) propose funding to start the existing program that has yet to receive any funding.	$10 million General Fund
School-Based Mental Health	Funding for a new pilot program is requested to demonstrate that partnerships between county mental health and schools can provide additional support for students resulting in savings in special education.	$2.5 million General Fund

Sexually Transmitted Disease (STD) Prevention and Services	The California Family Health Council proposes funding to provide free STD screening, testing, and diagnosis, free Chlamydia and Gonorrhea treatment, and to support outreach and education. They propose the selection of three counties with high STD rates that lack sufficient resources and infrastructure to provide adequate STD services to the uninsured population. Funds would support outreach and education, evaluation, training, and program administration. These pilot programs would operate from July 1, 2014 through June 30, 2016.	$2 million General Fund
Teen Pregnancy Prevention	Advocates propose to restore funding for teen pregnancy prevention efforts, by funding the Community Challenge Grant (CCG) program. CCG funds a variety of community-based teen pregnancy prevention programs to help adolescents avoid unintended pregnancy and sexually transmitted infections. In 2006-07, CCG programs served approximately 166,749 youth and families through direct, face-to-face interventions, and age-appropriate, culturally sensitive, comprehensive sex education.	$10 million General Fund
Tuberculosis Trust Fund	HOAC requests funding to ensure tuberculosis (TB) expertise through an augmented or dedicated position in all 61 local health jurisdictions. According to HOAC, while TB has been declining in California since 1993, a Californian dies with TB every other day and a child under five is diagnosed with TB every week in California. Approximately 2.4 million persons are infected with TB, and finding and treating those individuals is critical to preventing TB transmission and to eventually eradicating TB in California.	$8.8 million General Fund

Table: Summary of Costs to Restore Optional Medi-Cal Benefits

	Annual Costs				
	Fee-For-Service	**Managed Care**	**Total Funds**	**Federal Funds****	**General Fund**
Optional Benefits Restoration:	A	B	A+B		
Acupuncture	$1,193,000	$618,000	$1,811,000	$940,000	$871,000
Audiology	$1,379,000	$714,000	$2,093,000	$1,087,000	$1,006,000
Chiropractic	$172,000	$89,000	$261,000	$136,000	$126,000
Incontinence Cream & Washes	$2,538,000	$3,550,000	$6,088,000	$3,357,000	$2,730,000
Optician/Optical Lab	$3,554,000	$1,255,000	$4,809,000	$2,466,000	$2,343,000
Podiatry	$761,000	$394,000	$1,155,000	$600,000	$555,000
Speech Therapy	$88,000	$45,000	$133,000	$69,000	$64,000
Dental*	$228,490,000	$0	$228,490,000	$158,911,000	$69,579,000
Grand Total	**$238,175,000**	**$6,665,000**	**$244,840,000**	**$167,566,000**	**$77,274,000**

* Dental: Additional costs to restore all adult dental benefits. Costs for partial restoration are already budgeted in the Governor's budget.

** The Department receives 100 percent federal financial participation for services provided to Affordable Care Act optional Medi-Cal expansion population.

Subcommittee Staff Comment. At the May Revise, the Legislature will have a better understanding of the state's fiscal situation and can better evaluate proposals for restoration and augmentation.

Subcommittee staff has requested LAO to provide a brief overview of these proposals.

Appendix A

Health-Related Proposals for Restoration and Augmentation that Have Previously Been Discussed in Subcommittee

Program	Description	Amount Requested
Applied Behavioral Analysis in Medi-Cal	Add applied behavioral analysis (ABA) services to Medi-Cal managed care for children ineligible for regional center services. ABA is an intensive behavioral intervention therapy which is designed to promote positive social behaviors and reduce or ameliorate behaviors which interfere with learning and social interaction. Discussed at the April 24th Subcommittee hearing.	$125 million General Fund
Electronic Health Records State Match for Technical Assistance	The federal government will provide a 90 percent match for activities related to health information technology, including efforts tied to electronic health record (EHR) adoption and support. Previously, these efforts were funded with federal grant funds. These grant funds have expired. A request for state funds to drawn down $37.5 million in additional federal funds to support the meaningful use of EHRs in the state. Discussed at the March 20th Subcommittee hearing.	$4 million General Fund
Medi-Cal Rates	Consumer advocates, providers, provider associations, and other stakeholders are concerned that the existing Medi-Cal rates, payment reductions, and rate freezes directly impact an enrollee's ability to access Medi-Cal services. These stakeholders find that the existing payments do not cover the costs to provide services to Medi-Cal enrollees and are not sufficient enough to sustain their operations. Multiple stakeholders have requested an increase in Medi-Cal rates. Discussed at the April 24th Subcommittee hearing.	Up to $245 million General Fund annually (for prospective)

Michelle Baass 651-4103
Senate Budget & Fiscal Review

OUTCOMES: Senate Subcommittee #3 on Health & Human Services
Thursday, May 8 (Room 4203)
Agenda – Part 1

VOTE ONLY

0530 California Health and Human Services Agency (CHHSA)

1. Office of the Agency Information Officer – CHHSA Governance

- Approved staff recommendation (3-0).

Subcommittee Staff Comment and Recommendation—Modify. It is recommended to:

a. Approve the request for permanent positions and expenditure authority to establish formalized governance, project assessment, and strategic enterprise architecture functions within OAIO.

b. Reject the proposed budget bill language, as this language does not appear to address the issues within the Administration's internal review process.

c. Adopt the following placeholder supplemental reporting language to require OAIO to report on how this proposal adds value and achieves the intended and worthy goals of better agency-wide planning and coordination of information technology (IT) projects. Proposed language:

Item 0530-001-0001—California Health and Human Services Agency.
Office of the Agency Information Officer (OAIO)—New Functions. In conjunction with the submission of the 2017-18 Governor's Budget, the California Health and Human Services Agency shall submit to the chairs of the budget committees of the Legislature a report on (1) the status of establishing information technology (IT) governance, project assessment, and strategic enterprise architecture planning functions within OAIO, as provided for in the 2014-15 Budget Act, and (2) the value these functions have added to the development and deployment of technology systems across agency departments. The report shall include, but not be limited to:

(1) a description of the changes made to agency IT policies and processes (for example, changes in how the office and constituent departments interact) in order to implement the planning functions at OAIO;

(2) examples of identified opportunities for the development of flexible IT solutions that could eliminate silos and foster communication across systems and data sharing amongst multiple departments within agency;

(3) a description of the analytical framework used by OAIO to inform investment decisions in IT projects that reflect the highest programmatic goals of the agency;

(4) a description of common challenges identified during project assessments and the modifications made to projects as result of OAIO's early intervention, planning and oversight of IT projects, with the steps taken to integrate project management best practices and agency goals into project plans; and

(5) a description of OAIO's objectives for the IT governance, project assessment, and strategic enterprise architecture planning functions and the extent to which OAIO has met its objectives with the authorized level of resources.

2. Office of the Patient Advocate

- Approved staff recommendation (2-1, Senator Morrell voting no).

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. Senate legislative staff and HHSA have been working on placeholder trailer bill language to ensure a consumer assistance program. It is recommended to adopt this placeholder trailer bill language that:

1. Revises the responsibilities of the OPA to clarify that it is not the primary source of direct assistance to consumers

2. Clarifies OPA's responsibilities to track, analyze, and produce reports with data collected from calls, on problems and complaints by, and questions from, consumers about health care coverage received by health consumer call centers and helplines operated by other departments, regulators or governmental entities.

3. Requires OPA to make recommendations for the standardization of reporting on complaints, grievances, questions and requests for assistance.

4. Requires the OPA to develop model protocols, in consultation with each call center, consumer advocates and other stakeholders that may be used by call centers for responding to and referring calls that are outside the jurisdiction of the call center or regulator.

5. Shifts funding to the Department of Managed Health Care to supplement contracts with community-based organizations to provide direct consumer assistance.

3. CalOHII – HIPAA Compliance

- Approved as budgeted (3-0).

0530 CHHSA & 4265 Department of Public Health

1. Transfer of Medical Privacy Breach Program to Department of Public Health

- Approved as budgeted (3-0).

4140 Office of Statewide Health Planning and Development (OSHPD)

1. Song-Brown Primary Care Residency

- Held open.

2. Mental Health Services Act Workforce Education & Training Five-Year Plan Funding

- Approved as budgeted (2-0, Senator Morrell not voting).

3. Reallocation of California Endowment Grant Funding for Workforce Development

- Approved as budgeted (3-0).

4265 Department of Public Health

1. Licensing and Certification: Licensing Standards for Chronic Dialysis Clinics, Rehabilitation, & Surgical Clinics

- Approved as budgeted (3-0).

2. Office of AIDS: OA-HIPP – Wrap for Out-of-Pocket Medical Expenses

- Approved staff recommendation (2-0, Senator Morrell not voting).

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. Creating a new ADAP program that covers out-of-pocket medical costs could reduce ADAP expenditures while providing more comprehensive health care coverage to people living with HIV/AIDS. It is recommended to adopt the following placeholder trailer bill language to create this wrap:

Health and Safety Code Section 120955 (i) The department may also subsidize certain cost-sharing requirements for persons otherwise eligible for the AIDS Drug Assistance Program (ADAP) with existing non-ADAP drug coverage by paying for prescription drugs included on the ADAP formulary within the existing ADAP operational structure up to, but not exceeding, the amount of that cost-sharing obligation. This cost sharing may only be applied in circumstances in which the other payer recognizes the ADAP payment as counting toward the individual's cost-sharing obligation. **Where the director determines that it would result in a cost savings to the state, the department may subsidize costs associated with a health insurance policy, including medical co-payments, deductibles, and premiums to purchase or maintain health insurance coverage.**

3. Infant Botulism Treatment and Prevention Program

- Approved as budgeted (3-0).

4260 Department of Health Care Services

1. Re-Certification of Drug Medi-Cal Providers

- Approved as budgeted (3-0).

2. Substance Use Disorder Program Integrity – Counselor & Facility Complaints

- Held open.

3. Continuance of Driving Under the Influence (DUI) Program Evaluation

- Approved as budgeted (3-0).

ISSUES FOR DISCUSSION

4260 Department of Health Care Services

1. ACA – Medi-Cal Renewal Assistance Grant from The California Endowment

- Approved staff recommendation (2-1, Senator Morrell voting no).

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. This generous offer by The California Endowment will help ensure that eligible Medi-Cal enrollees remain in coverage and have access to needed medical care. It is recommended to adopt the placeholder trailer bill language to require DHCS to accept these contributions and seek matching federal funds for these purposes. See below for the proposed placeholder trailer bill language:

(a) The State Department of Health Care Services shall accept contributions by private foundations in the amount of at least six million dollars ($6,000,000) for the purpose of providing Medi-Cal in-person annual renewal enrollment assistance payments and shall immediately seek an equal amount of federal matching funds.
(b) Entities and persons that are eligible for Medi-Cal in-person annual renewal enrollment assistance payments shall be those trained and eligible for in-person enrollment assistance payments by the California Health Benefit Exchange. The amount of the renewal assistance payment shall be equal to the amount of the renewal assistance payment paid by the California Health Benefit Exchange for California Health Benefit Exchange enrollees. The payments may be made by the State Department of Health Care Services utilizing the California Health Benefit Exchange in-person assistance payment system.
(c) Annual renewal assistance payments shall be made only for Medi-Cal applicants that have completed the Medi-Cal annual renewal process for coverage dates on or after September 1, 2014.
(e) The State Department of Health Care Services or the California Health Benefit Exchange shall provide monthly and cumulative payment updates and number of Medi-Cal persons renewed through in-person assistance payments on its Internet Web site.

2. Merge California Institute for Mental Health and Alcohol and Drug Policy Institute

- Approved staff recommendation (2-0, Senator Morrell not voting).

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. This proposal and merger reflect the growing momentum towards integrating mental health and substance use disorder services to improve an individual's overall health. It is recommended to adopt placeholder trailer bill language to reflect this merger.

Multiple Departments

1. Health-Related Proposals for Restoration and Augmentation

- Informational item.

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett
Senator Bill Monning
Senator Mike Morrell

May 8, 2014
9:30 a.m., or Upon Adjournment of Session
Room 4203, State Capitol

Agenda -- Part 2
Staff: Samantha Lui

ISSUES RECOMMENDED FOR VOTE ONLY

ISSUES FOR DISCUSSION

PLEASE NOTE: Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order noted in the Agenda unless otherwise directed by the Chair. Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

ISSUES RECOMMENDED FOR VOTE ONLY

4170 Department of Aging

1. April Letter - Health Insurance Counseling and Advocacy Program Augmentation

The California Department of Aging (CDA) requests an increase of $161,000 for the Health Insurance Counseling Program (HICAP) and $1,216,000 to reflect receipt of additional federal grant funds. CDA received an increase in federal funds to support existing program and grant administration activities for HICAP. The additional funds will support increased workload in the State Health Insurance Program and California's Coordinated Care Initiative associated with expanded federal Centers for Medicare and Medicaid Services reporting requirements, training, outreach, and awareness of health insurance counseling to the eight counties -- Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara -- participating in Cal MediConnect.

Recommendation. Approve Item 1.

5160 Department of Rehabilitation

1. Traumatic Brain Injury (TBI) Supplemental Funding

The Department of Rehabilitation (DOR) requests an additional $500,000 to the Traumatic Brain Injury Fund from the Driver Training Penalty Assessment Fund. DOR administers the Traumatic Brain Injury (TBI) program. Seven providers located throughout the state deliver services, which include coordinated post-acute care, such as supported living, community reintegration, and vocational supports, to help impacted individuals lead productive and independent lives. TBI Fund revenues stem from penalties paid for various violations of California's Vehicle Code, including the seatbelt law.

Recommendation. Approve Item 1. The Subcommittee heard and discussed this item during its March 27, 2014 hearing. No concerns have been raised.

5175 Department of Child Support Services

1. California Child Support Automation System - Information Technology Contract Staff Reduction

The Department of Child Support Services (DCSS) requests a shift, starting in the budget year and until FY 2016-17, in local assistance funding to state operations for $11.95 million ($4.06 million GF), and for position authority for 100 full-time permanent positions to replace 100 contract staff. The resources would continue the maintenance and operations of the federally-mandated California Child Support Automation System (CCSAS) Child Support Enforcement (CSE) system. The Administration notes that this transition will result in a reduction of $699,196 ($237,727 GF) over three years.

Recommendation. Approve Item 1. The Subcommittee heard and discussed this item during its May 1, 2014 hearing.

0530 Health and Human Services Agency: Office of Systems Integration
5180 Department of Social Services

1. Case Management, Information, & Payrolling System II (CMIPS II)

The budget requests to align the Office of Systems Integration (OSI) spending authority with the CMIPS II system rollout and transition to Maintenance and Operations (M&O) in 2013-14, and 2014-15. Specifically, the budget proposes an increase of $115,000 in OSI spending authority and a corresponding increase of $2.9 million in the Department of Social Services (DSS) Local Assistance for FY 2013-14, and a net decrease in OSI spending authority of $33.7 million for the budget year. The proposal also includes authority for ten new permanent state staff ($1.48 million) and a corresponding decrease of $36.7 million in the DSS Local Assistance.

Correspondingly, the DSS budget requests six permanent positions to support the CMIPS II project in its maintenance and operations (M&O) phase. This proposal has a corresponding reduction to its Local Assistance budget as it was originally budgeted within OSI. DSS will assume the lead role for the service and support activities that were formerly outsourced. Duties in this role include system enhancements, inputting of legislatively mandated changes, validation and testing, data extraction, research, analysis, and reporting. CMIPS II will provide monthly and quarterly system updates during the M&O period that will necessitate DSS oversight, leadership, support, and approval.

Staff Comment and Recommendation. Approve Item 1. The Subcommittee heard and discussed this item during its March 13, 2014 hearing. No concerns have been raised.

2. Affordable Care Act Caseload Growth & Case Management System

The budget proposes $9.8 million ($1.3 million GF) in budget year; $9.8 million ($1.3 million GF) in FY 2015-16; 63 new limited-term positions; and, funding for two existing positions. The proposal is comprised of two components:

1. Affordable Care Act (ACA) Caseload. The department requests the following positions to address Medi-Cal expansion and Covered California referrals:
    - Three Administrative Law Judge (ALJ) II supervisors;
    - Four ALJ II program specialists;
    - 15 ALJ II hearing specialists;
    - 17 ALJs;
    - Seven office technicians (six to ACA caseload, one to DSS);
    - 12 management services technicians;
    - Three staff service analysts/associate government program analysts (SSA/AGPA)
    - Three staff services managers of various levels; and,
    - One associate information systems analyst.

2. Appeals Case Management System. The department requests the following positions to develop, implement, and maintain a new Appeals Case Management System (ACMS):
    - One 3½-year, limited-term staff services manager;
    - Three 3½-year limited-term SSA/AGPAs;

- One permanent systems software specialist;
- One 4-year limited-term systems software specialist;
- One 4-year limited-term senior programmer analyst;
- One 4-year limited-term staff programmer analyst;
- One 4-year limited-term associate programmer analyst;
- One 4-year limited-term department manager; and,
- One 3½-year limited-term senior information systems analyst.

In addition, the Office of Systems Integration requests $130,000 in one-time expenditure authority to provide procurement and acquisition subject matter expertise to DSS on the State Hearings Division ACMS project.

Staff Comment and Recommendation. Approve Item 2. The Subcommittee heard and discussed this item during its May 1, 2014 hearing.

ISSUES FOR DISCUSSION

Public testimony will be taken for the items listed in this section.

Multiple Departments

1. Human Services-Related Proposals for Restoration, Augmentation, and Expansion

Various stakeholders have submitted proposals for funding restoration, augmentation, or program expansion. The table below includes issues that have not been previously discussed in this Subcommittee. The Subcommittee has invited a panel, including the Legislative Analyst's Office and proponents of the proposals, to provide a background and context.

- Darrell Kelch, Executive Director, California Association of Agencies on Aging
- Frank Mecca, Executive Director, California Welfare Directors Association
- Phil Ansell, Chief Deputy, Los Angeles County Department of Public Social Services

Aging Issues

Program	Description	Amount Requested
Adult Protective Services (APS) - Training	Proposal increases training days from 5 to 12 days per worker; supports curriculum development and training for supervisors, joint training with public guardians, and advanced training for APS staff.	$1.25 million
California Long-Term Care (LTC) Ombudsman Program	Provides advocacy services to protect the health, safety, welfare, and rights of residents of skilled nursing facilities and residential care facilities for the elderly. In FY 2011-12, the Ombudsman conducted 44,771 facility monitoring visits and instigated 37,542 resident complaints.	$3.8 million
Brown Bag Program	The program provided food staples used throughout the week. Elimination of the program resulted in a loss of over $21 million of food and services.	$541,000
Senior Companion Program	The program engaged senior volunteers to provide supportive services, such as housekeeping and shopping, to at-risk older persons.	$317,000

CalFresh

Program	Description	Amount Requested
CalFresh Administration Match Waiver	Phase-out the waiver over 5 fiscal years, beginning in 2014-15, by reducing by 20% each year, the amount of a county's GF allocation, as opposed to eliminating the waiver in the budget year.	Unknown.

Staff Comment. The item is informational and included for discussion. No action is necessary.

Appendix A

Appendix A lists other human services-related proposals that have been previously discussed during the May 1, 2014 hearing. Those items include the following:

Child Welfare Services		
Program	**Description**	**Amount Requested**
Foster Parent Recruitment, Retention, and Support	The proposals seeks to: (1) Hire county foster parent recruitment/support coordinators. (2) Provide parent support and training outreach for recruitment. (3) Provide supplemental funding to foster caregivers and a supplemental rate for emergency placement foster homes.	$13.5 million ($6.75 million GF)
Foster Youth Permanency	Provides start-up capital for two counties to create or expand specialized youth permanency programs, with provisions that each county track and reinvest savings, replicating a model pioneered by Sacramento County.	First-year costs: $750,000 FY 15-10 to FY 2018-19: $1.2 million annually
Interim Social Worker Reform for Foster Family Agencies (FFA)	Directs Dept. of Social Services to adjust the minimum payment to the social worker component in the FFA rate to reflect California Necessities Index (CNI) adjustments back to July 1, 2001, increasing funding for FFA social worker wages, from $15.13 to $23.91.	$25 million
Protecting and Serving Child Victims of Commercial Sexual Exploitation	The proposal, among other items, seeks to: (1) Create county coordinator position to serve as a liaison with other first responders. (2) Provide funding for additional caseworkers in 12 large counties. (3) Provide training for staff, caseworker, and local partners. (4) Provide an enhanced foster care rate for placements. (5) My Life, My Choice Training for foster youth, ages 11-17 (both probation & foster).	First-year costs: $40.563 million ($20.282 million GF) Ongoing costs: $28.517 million ($14.259 million GF)
Relative Caregiver Equity	Provides non-federally eligible foster children in relative-placements equal financial support and benefits, as children in other non-relative foster home or group homes.	$30-35 million

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett
Senator Bill Monning
Senator Mike Morrell

May 8, 2014
9:30 a.m., or Upon Adjournment of Session
Room 4203, State Capitol

OUTCOMES
Staff: Samantha Lui

ISSUES RECOMMENDED FOR VOTE ONLY

Item	Department	
	4170 Department of Aging	
	1. April Letter - Health Insurance Counseling and Advocacy Program Augmentation	Approve (3-0)
5160	Department of Rehabilitation	
	1. Traumatic Brain Injury (TBI) Supplemental Funding	Approve (3-0)
5175	Department of Child Support Services	
	1. California Child Support Automation System - Information Technology Contract Staff Reduction	Approve (2-1; Morrell voting no)
0530	Health and Human Services Agency: Office of Systems Integration	
5180	Department of Social Services	
	1. Case Management, Information, & Payrolling System II (CMIPS II)	Approve (3-0)
	2. Affordable Care Act Caseload Growth & Case Management System	Approve (3-0)

ISSUES FOR DISCUSSION

Item	Department	
	Multiple Departments	
	1. Human Services-Related Proposals for Restoration, Augmentation, and Expansion	Informational item

APPENDIX A

Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Ellen Corbett, Chair
Senator William Monning
Senator Mike Morrell

Monday, May 19, 2014
1:00 p.m. or Upon Adjournment of Session
State Capitol Room 4203

Agenda Part A

Consultant: Julie Salley-Gray

Items Proposed for Vote-Only

Items Proposed for Discussion

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PROPOSED FOR VOTE ONLY

4440 Department of State Hospitals (DSH)

1. **Enhanced Treatment Units (ETU) Capital Outlay.** The Governor's budget requests $1.5 million in General Fund for DSH and the Department of General Services (DGS) to prepare an analysis, estimate, and infrastructure design for the development of 44 locked ETUs in the five state hospitals. [See April 3, 2014 subcommittee agenda for details on this proposal.]

2. **Salinas Valley and Vacaville Psychiatric Programs.** DSH is requesting authority to continue operating an additional 137 beds at Salinas Valley and Vacaville (beyond the bed migration plan), at a cost of $13.3 million in the current year (to be funded with savings from the delayed activation of beds at the Stockton program) and $26.3 million General Fund in 2014-15 (and on-going). DSH requests these resources to permanently maintain 204.3 existing positions at Salinas Valley and Vacaville. [See April 3, 2014 subcommittee agenda for details on this proposal.]

3. **Patient Management Unit.** The budget includes $1.1 million General Fund and 10 two-year limited-term positions to establish a patient management unit to centralize admissions and transfers of patients throughout the state hospital system. [See April 3, 2014 subcommittee agenda for details on this proposal.]

4. **Incompetent to Stand Trial Waiting List.** The budget proposes $7.87 million General Fund for the current year (2013-14) and $27.8 million General Fund for 2014-15, to increase bed capacity by 105 beds to address the waiting list specific to IST patients.

   Specifically, DSH is proposing three new units with 35 beds each, anticipating activation of the first unit in March 2014, the second in May 2014, and the third in July 2014. DSH proposes to use savings realized from delays in the activation of the Stockton facility for the current year costs. [See April 3, 2014 subcommittee agenda for details on this proposal.]

ITEMS TO BE HEARD

0540 Health and Human Services Agency

Issue 1: Office of Investigations and Law Enforcement Support

May Revise Proposal. The May Revision includes $1.8 million ($1.2 million General Fund and $600,000 in reimbursements) for nine positions to create an Office of Investigations and Law Enforcement Support within the Health and Human Services Agency. The purpose of this office is to provide support and oversight for the public safety officers currently working within the state hospitals and developmental centers.

Legislative Analyst's Office (LAO):

The LAO believes that both Department of Developmental Services (DDS) and Department of State Hospitals (DSH) would benefit from increased oversight and training, but they have several questions and concerns about the proposal that should be considered. Given the compressed timeframe of the May revision, there is insufficient time to fully assess the proposal or to fully analyze potential alternatives. While they recognize the importance of these issues, they recommend that the Legislature reject this request at this time and require the administration to return in January with a proposal that addresses the questions and concerns listed below.

> ***Differences in Populations Served by DSH and DDS.*** *The populations served by DSH and DDS are quite different and the issues the departments face can be unique. For example, in contrast to DDS, DSH serves a largely forensic population. How does this proposal serve the unique needs of each department? Would a proposal that provides separate offices for each department better serve their unique needs?*
>
> ***Creation of Agency-Level Office.*** *The agency has noted that Atascadero State Hospital has an exemplary training program for DSH law enforcement staff. Why does the proposal create a new office at the Agency level, rather than scaling the Atascadero program to DSH statewide? Is it possible for these training services to be provided at the department level?*
>
> ***Office of the Inspector General (OIG).*** *The OIG has audit and oversight experience related to both custody and clinical care, particularly through their management of state prison medical audits. In 2013-14, the LAO recommended an OIG for DDS. Did the Agency consider having the Office of the Inspector General provide audit and oversight services for DSH? Did the agency consider creating an OIG for DDS? Why is the current proposal preferable to having an OIG provide audit services for DSH and DDS?*
>
> ***Limited Scope.*** *The current proposal includes oversight for law enforcement personnel and issues of serious misconduct; all other oversight will continue to be provided by the department-level staff. Why is this proposal limited to law enforcement staff, excluding issues of clinical competence? Wouldn't this leave a serious gap in accountability.*

Conflict of Interest. *Under the current proposal, the office would provide both training and audit services. They are concerned that this could create a conflict of interest. If the office provides training to staff, it would be in its interest to not identify problems with employees' performance, once they have been trained. How will the proposal address that potential conflict?*

4440 Department of State Hospitals

Issue 2: Restoration of Competency Expansion

May Revise Proposal. The Governor's May Revision includes an increase of $3.9 million General Fund and 13.5 positions to expand the restoration of competency program (ROC) by 45 to 55 beds.

Background. Expanding this program, which allows people who have been deemed incompetent to stand trial (IST) by reason of insanity to receive mental health services in the county jail, rather than being transferred to a state hospital, should help to reduce the IST waiting list for those who are waiting for space to open up in a state hospital.

Currently, two counties, Riverside and San Bernardino, have a restoration of competency program. The proposed augmentation would expand the ROC program to Los Angeles and Alameda counties. Currently, the ROC program is only available in a county jail setting and not in community mental health facilities.

Legislative Analyst's Office Recommendation (LAO). The LAO recommends modifying this proposal. While they do not have concerns with the funding for the expansion, they would recommend that the Legislature include budget bill language specifying that, if the department is unable to contract for the approved ROC capacity, unused funds would be reverted to the General Fund.

Staff Comments. The annual cost of the ROC program is approximately $78,000 per bed, as opposed to an IST bed in a state hospital that costs approximately $265,000 per year. Given the significant general fund savings associated with the ROC program, the Legislature may wish to consider expanding the number of ROC beds. As noted above, the program is only being offered in two county jails and, under this proposal, would be expanded to two more. However, even with the expansion, the ROC program will have less than 100 beds state-wide. In addition, patients' rights advocates express concern about expanding a program that treats mentally ill individuals in county jails. Given the limited capacity and the concerns of the advocates, the Legislature should consider expanding the program to allow community-based, mental health treatment providers with residential programs to participate in the ROC program.

Issue 3: Independent Staffing Analysis and Assessment of Current Capacity

Background. According to an analysis from the Legislative Analyst's Office (LAO), in recent years, there has been a significant mismatch between the size of the population DSH is funded to serve and the number of patients actually in the hospitals. This is because while DSH has received funding increases in recent years to support additional beds, the department has not been able to activate the planned beds at the rate expected—resulting in much lower-than-expected growth in the patient population. DSH has consistently maintained a smaller population than beds for which it is budgeted to support. In total, DSH is currently budgeted for 616 more beds than it has patients. Specifically, the department is over-budgeted by 365 beds in state hospitals and 251 beds in the psychiatric programs at correctional institutions. Despite this, the department has not reverted unused funds to the General Fund at the end of the year.

As discussed at the April 3, 2014, subcommittee hearing, despite DSH being budgeted for more beds than they need, the state hospitals have seen an increase in waiting lists for forensic patients. The largest waiting lists are for Incompetent to Stand Trial (IST) patients and *Coleman* commitments. As of May 12, 2014, there were 328 IST and 74 *Coleman* patients awaiting placement in DSH facilities. In an effort to reduce the waiting lists, the 2013-14 budget provided $22.1 million to increase treatment capacity for IST patients and Mentally Disordered Offenders (MDOs) by 155 beds.

Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Ellen Corbett, Chair
Senator William Monning
Senator Mike Morrell

OUTCOMES

Monday, May 19, 2014
1:00 p.m. or Upon Adjournment of Session
State Capitol Room 4203

Agenda Part A

Consultant: Julie Salley-Gray

Items Proposed for Vote-Only

Items Proposed for Discussion

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PROPOSED FOR VOTE ONLY

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1. **Enhanced Treatment Units (ETU) Capital Outlay.** The Governor's budget requests $1.5 million in General Fund for DHS and the Department of General Services (DGS) to prepare an analysis, estimate, and infrastructure design for the development of 44 locked ETUs in the five state hospitals. [See April 3, 2014 subcommittee agenda for details on this proposal.]

Action: Reject Vote: 2 – 1 (Morrell: No)

2. **Salinas Valley and Vacaville Psychiatric Programs.** DSH is requesting authority to continue operating an additional 137 beds at Salinas Valley and Vacaville (beyond the bed migration plan), at a cost of $13.3 million in the current year (to be funded with savings from the delayed activation of beds at the Stockton program) and $26.3 million General Fund in 2014-15 (and on-going). DSH requests these resources to permanently maintain 204.3 existing positions at Salinas Valley and Vacaville. [See April 3, 2014 subcommittee agenda for details on this proposal.]

Action: Approve Vote: 3 – 0

3. **Patient Management Unit.** The budget includes $1.1 million General Fund and 10 two-year limited-term positions to establish a patient management unit to centralize admissions and transfers of patients throughout the state hospital system. [See April 3, 2014 subcommittee agenda for details on this proposal.]

Action: Approve Vote: 3 – 0

4. **Incompetent to Stand Trial Waiting List.** The budget proposes $7.87 million General Fund for the current year (2013-14) and $27.8 million General Fund for 2014-15, to increase bed capacity by 105 beds to address the waiting list specific to IST patients.

   Specifically, DSH is proposing three new units with 35 beds each, anticipating activation of the first unit in March 2014, the second in May 2014, and the third in July 2014. DSH proposes to use savings realized from delays in the activation of the Stockton facility for the current year costs. [See April 3, 2014 subcommittee agenda for details on this proposal.]

Action: Reject Vote: 2 – 1 (Morrell: No)

ITEMS TO BE HEARD

0540 Health and Human Services Agency

Issue 1: Office of Investigations and Law Enforcement Support

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Legislative Analyst's Office (LAO):

The LAO believes that both Department of Developmental Services (DDS) and Department of State Hospitals (DSH) would benefit from increased oversight and training, but they have several questions and concerns about the proposal that should be considered. Given the compressed timeframe of the May revision, there is insufficient time to fully assess the proposal or to fully analyze potential alternatives. While they recognize the importance of these issues, they recommend that the Legislature reject this request at this time and require the administration to return in January with a proposal that addresses the questions and concerns listed below.

> ***Differences in Populations Served by DSH and DDS.*** *The populations served by DSH and DDS are quite different and the issues the departments face can be unique. For example, in contrast to DDS, DSH serves a largely forensic population. How does this proposal serve the unique needs of each department? Would a proposal that provides separate offices for each department better serve their unique needs?*
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> ***Creation of Agency-Level Office.*** *The agency has noted that Atascadero State Hospital has an exemplary training program for DSH law enforcement staff. Why does the proposal create a new office at the Agency level, rather than scaling the Atascadero program to DSH statewide? Is it possible for these training services to be provided at the department level?*
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Conflict of Interest. *Under the current proposal, the office would provide both training and audit services. They are concerned that this could create a conflict of interest. If the office provides training to staff, it would be in its interest to not identify problems with employees' performance, once they have been trained. How will the proposal address that potential conflict?*

Staff Recommendation: Hold Open

4440 Department of State Hospitals

Issue 2: Restoration of Competency Expansion

May Revise Proposal. The Governor's May Revision includes an increase of $3.9 million General fund and 13.5 positions to expand the restoration of competency program (ROC) by 45 to 55 beds.

Background. Expanding this program, which allows people who have been deemed incompetent to stand trial (IST) by reason of insanity to receive mental health services in the county jail, rather than being transferred to a state hospital, should help to reduce the IST waiting list for those who are waiting for space to open up in a state hospital.

Currently, two counties, Riverside and San Bernardino, have a restoration of competency program. The proposed augmentation would expand the ROC program to Los Angeles and Alameda counties. Currently, the ROC program is only available in a county jail setting and not in community mental health facilities.

Legislative Analyst's Office Recommendation (LAO). The LAO recommends modifying this proposal. While they do not have concerns with the funding for the expansion, they would recommend that the Legislature include budget bill language specifying that, if the department is unable to contract for the approved ROC capacity, unused funds would be reverted to the General Fund.

Staff Comments. The annual cost of the ROC program is approximately $78,000 per bed, as opposed to an IST bed in a state hospital that costs approximately $265,000 per year. Given the significant general fund savings associated with the ROC program, the Legislature may wish to consider expanding the number of ROC beds. As noted above, the program is only being offered in two county jails and, under this proposal, would be expanded to two more. However, even with the expansion, the ROC program will have less than 100 beds state-wide. In addition, patients' rights advocates express concern about expanding a program that treats mentally ill individuals in county jails. Given the limited capacity and the concerns of the advocates, the Legislature should consider expanding the program to allow community-based, mental health treatment providers with residential programs to participate in the ROC program.

Action: Augment the proposal by $8.2 million, adopt draft placeholder trailer bill expanding the restoration of competency program to include both county jails and community-based residential mental health programs, and adopt budget bill language stating that any unspent funds will revert to the General Fund.

Vote: 2 – 0

Issue 3: Independent Staffing Analysis and Assessment of Current Capacity

Background. According to an analysis from the Legislative Analyst's Office (LAO), in recent years, there has been a significant mismatch between the size of the population DSH is funded to serve and the number of patients actually in the hospitals. This is because while DSH has received funding increases in recent years to support additional beds, the department has not been able to activate the planned beds at the rate expected—resulting in much lower-than-expected growth in the patient population. DSH has consistently maintained a smaller population than beds for which it is budgeted to support. In total, DSH is currently budgeted for 616 more beds than it has patients. Specifically, the department is over-budgeted by 365 beds in state hospitals and 251 beds in the psychiatric programs at correctional institutions. Despite this, the department has not reverted unused funds to the General Fund at the end of the year.

As discussed at the April 3, 2014, subcommittee hearing, despite DSH being budgeted for more beds than they need, the state hospitals have seen an increase in waiting lists for forensic patients. The largest waiting lists are for Incompetent to Stand Trial (IST) patients and *Coleman* commitments. As of May 12, 2014, there were 328 IST and 74 *Coleman* patients awaiting placement in DSH facilities. In an effort to reduce the waiting lists, the 2013-14 budget provided $22.1 million to increase treatment capacity for IST patients and Mentally Disordered Offenders (MDOs) by 155 beds.

Action: Adopt the LAO recommendation to require the department to develop a proposal by January 10, 2015, to contract for an independent staffing analysis to determine the appropriate staffing level for each of the five hospitals and three programs. The staffing ratios should be based on licensing requirements, clinical need, necessary bed vacancies, and other factors as deemed appropriate by the independent assessor.

In addition, adopt the following draft supplemental reporting language:

Item 4440-001-0001

1. *Population and Personal Services Adjustments.* On or before March 1, 2015, the Department of State Hospitals (DSH) shall submit to the Joint Legislative Budget Committee a report assessing the department's funding needs for additional patient capacity. The report shall include the following information:

(a) A detailed analysis of the number of beds in all state hospitals and psychiatric programs broken out by licensure, acuity level, and patient type.

(b) An accounting of the one-year average and current number of licensed, budgeted, occupied, and vacant beds by licensure, acuity level, and patient type.

(c) A detailed analysis and explanation of the discrepancy between the number of licensed, budgeted, occupied, and vacant beds, including an

accounting of how funds budgeted for vacant beds were used including whether such funds were reverted to the General Fund.

(d) A proposal for an independent staffing and population analysis. The requested analysis shall include an assessment of appropriate clinical and security staffing ratios for each hospital, psychiatric program, and patient type; necessary number of beds by licensure, acuity, and patient type; necessary bed vacancy rates; and other factors as deemed necessary or appropriate by the independent assessor.

Vote: 3 – 0

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett
Senator Bill Monning
Senator Mike Morrell

May 19, 2014
1:00 P.M. or Upon Adjournment of Session
Room 4203, State Capitol

Staff: Samantha Lui

ISSUES RECOMMENDED FOR VOTE-ONLY

ISSUES FOR DISCUSSION

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ISSUES RECOMMENDED FOR VOTE-ONLY

5180 Department of Social Services - CalWORKs

1. Temporary Assistance for Needy Families Transfer to California Student Aid Commission
(Issue 301)

May Revision. The Administration requests a decrease of $104,459,000 General Fund for the CalWORKs program, reflecting a decrease in the amount of federal Temporary Assistance for Needy Families (TANF) block grant funds expended for Cal Grants. Instead, the TANF funds will be expended in lieu of General Fund in CalWORKs, requiring a corresponding General Fund backfill in the California Student Aid Commission budget (see Item 6980-101-0001, Issue 018), which will be heard in Senate Budget Subcommittee 1 on May 20, 2014.

Staff Recommendation. Approve Item 1 to reflect appropriate adjustments.

5180 Department of Social Services - In-Home Supportive Services

2. Affordable Care Act (ACA) Caseload Impact
(Issue 352)

May Revision. The Administration requests an increase of $535,355,000 ($13,790,000 GF and $521,565,000 reimbursements) to reflect the impact of the Affordable Care Act (ACA) on the IHSS program. Under the ACA, Medi-Cal eligibility was expanded to childless adults that meet income eligibility requirements. A portion of these newly-eligible Medi-Cal beneficiaries are projected to be eligible for and receive IHSS services.

Staff Recommendation. Approve Item 2 as requested.

5180 Department of Social Services - Child Welfare Services

3. Total Child Welfare Training
(Issue 161)

May Revision. The Administration requests an increase of $1,769,000 ($900,000 GF and $869,000 Federal Trust Fund) is requested to support the implementation of new statewide training for child welfare workers and supervisors including online-learning, field-based learning, and additional classroom learning, coaching, and mentoring. This request is part of a compliance plan resulting from the *Katie A. v. Bonta* settlement agreement.

Addition of Provisional Language to Budget Bill Item 5180-151-0001:

X. The following amounts appropriated in this item shall only be allocated to counties upon approval by the Director of Finance: (a) up to $68,000 to support increased costs associated with revised county collection and reporting activities for cases of child abuse and neglect that result

in near fatalities, as required by the federal Child Abuse Prevention and Treatment Act; and (b) up to $3,471,000 to support increased costs to counties associated with revised federal requirements for child welfare case reviews. Prior to approval, the Director of Finance shall consult with the Department of Social Services and the California State Association of Counties to determine if counties incurred overall cost increases. The Department of Finance shall provide written notification of the allocation of funds to the Joint Legislative Budget Committee within 10 working days from the date of approval.

Staff Comment and Recommendation. During the Subcommittee's May 1, 2014 hearing, the Subcommittee heard informational testimony on the implementation of the *Katie A.* settlement and future steps for increased departmental organization to assist in reducing foster care caseload, increasing permanency, and assisting families in self-reliance. Staff recommends to approve Item 3 as requested and to adopt placeholder provisional budget bill language.

4. Child Near Fatalities Reporting

(Issue 163)

May Revision. An increase of $139,000 ($68,000 GF and $71,000 Federal Trust Fund) is requested to support increased county workload required by the federal Child Abuse Prevention and Treatment Act. The new requirements include county collection and reporting of information regarding cases of child abuse and neglect that result in near fatalities. The requested amount reflects half-year funding, as compliance with the new requirements is no sooner than January 1, 2015. A related increase of $37,000 GF is requested for the Title IV-E Waiver program.

Proposed Budget Bill Provisional Language.

Addition of Provisional Language to Budget Bill Item 5180-151-0001:

X. The following amounts appropriated in this item shall only be allocated to counties upon approval by the Director of Finance: (a) up to $68,000 to support increased costs associated with revised county collection and reporting activities for cases of child abuse and neglect that result in near fatalities, as required by the federal Child Abuse Prevention and Treatment Act; and (b) up to $3,471,000 to support increased costs to counties associated with revised federal requirements for child welfare case reviews. Prior to approval, the Director of Finance shall consult with the Department of Social Services and the California State Association of Counties to determine if counties incurred overall cost increases. The Department of Finance shall provide written notification of the allocation of funds to the Joint Legislative Budget Committee within 10 working days from the date of approval.

Addition of Budget Bill Item 5180-153-0001:

5180-153-0001—For local assistance, Department of Social Services……..215,000
Provisions:

1. The following amounts appropriated in this item shall only be allocated to counties upon approval by the Director of Finance: (a) up to $37,000 to support increased costs associated with revised county collection and reporting activities for cases of child abuse and neglect

that result in near fatalities, as required by the federal Child Abuse Prevention and Treatment Act; and (b) up to $178,000 to support increased costs to counties associated with revised federal requirements for child welfare case reviews. Prior to approval, the Director of Finance shall consult with the Department of Social Services and the California State Association of Counties to determine if counties incurred overall cost increases. The Department of Finance shall provide written notification of the allocation of funds to the Joint Legislative Budget Committee within 10 working days from the date of approval.

Staff Comment and Recommendation. Staff recommends to approve Item 4 as requested and to adopt placeholder provisional budget bill language.

5. Child and Family Services Review - Case Record Reviews

(Issue 164)

May Revision. The Administration proposes to increase $7,048,000 ($3,471,000 GF and $3,577,000 Federal Trust Fund) to support increased county workload associated with the preparation and completion of upcoming federal child welfare case reviews. Revised requirements and components include larger sample sizes, increase in caseload diversity, inclusion of random sampling, and execution of interviews with all case-related participants. The Department of Social Services (DSS) will also collect data on an ongoing basis for inclusion in the federally required annual progress reports for federal Title IV-B programs. A related increase of $178,000 GF is requested for the Title IV-E Waiver program. See new Item 5180-153-0001, Issue 164.

Proposed Budget Bill Provision Language is drafted to ensure this funding is appropriately expended on specified activities.

Addition of Provisional Language to Budget Bill Item 5180-151-0001:

X. The following amounts appropriated in this item shall only be allocated to counties upon approval by the Director of Finance: (a) up to $68,000 to support increased costs associated with revised county collection and reporting activities for cases of child abuse and neglect that result in near fatalities, as required by the federal Child Abuse Prevention and Treatment Act; and (b) up to $3,471,000 to support increased costs to counties associated with revised federal requirements for child welfare case reviews. Prior to approval, the Director of Finance shall consult with the Department of Social Services and the California State Association of Counties to determine if counties incurred overall cost increases. The Department of Finance shall provide written notification of the allocation of funds to the Joint Legislative Budget Committee within 10 working days from the date of approval.

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Staff Comment and Recommendation. Staff recommends to approve Item 5 as requested and to adopt placeholder provisional budget bill language.

6. *Katie A. v. Bonta* Settlement Agreement Reporting Requirements

(Issue 165)

May Revision. The Administration proposes an increase of $800,000 ($400,000 GF and $400,000 reimbursements) and budget bill language to support the increased county workload necessary to provide semi-annual progress reports and implementation activities, as required by the *Katie A. v. Bonta* settlement agreement.

Proposed Budget Bill Provisional Language. The proposed provisional budget bill language seeks to ensure that funding is appropriately expended on specified activities.

Addition of Provisional Language to Budget Bill Item 5180-151-0001:

X. Of the amount appropriated in this item, up to $400,000 is available to counties for semiannual implementation progress reports related to the *Katie A. v. Bonta* settlement and implementation plan, as described in the department's All County Letter (ACL) No. 13-73 and ACL No. 14-29, and upon approval by the Director of Finance. Prior to approval, the Director of Finance shall consult with the Department of Health Care Services, the Department of Social Services, and the California State Association of Counties to determine if counties incurred overall cost increases due to the notices outlined in this provision. The Department of Finance shall provide notification of the allocation to the Joint Legislative Budget Committee within 10 working days from the date of Department of Finance approval.

Staff Comment and Recommendation. Staff recommends to approve Item 6 as requested and to adopt placeholder provisional budget bill language.

ISSUES FOR DISCUSSION

5175 Department of Child Support Services

1. Revenue and Collections May Revise Update

The Governor's May Revision identifies adjustments from the Governor's proposed January budget, as outlined in the table below:

	Governor's Budget	May Revise	Adjustments
Child Support Assistance Collections	$476,791,000	$421,820,000	-$54,971,000
Child Support Non-assistance Collections	$1,889,478,000	$1,881,262,000	-$8,216,000,000
Revenues and Transfers[1]	-$4,621,000	-$3,114,000	$1,507,000
Total	**$2,361,648,000**	**$2,299,968,000**	**-$61,680,000**

Staff Comment. Approve the adjusted amounts.

2. Enrollment Caseload Population Estimate

(Issue 500)

The Governor's May Revision includes a request to decrease the amount of the department's GF support by $112,000 and to offset the reduction with a $112,000 increase in Federal Trust Funds to display a corresponding projected increase in Federal Performance Basic Incentive funds.

Background. As discussed during the May 1, 2014 Subcommittee hearing, there are federal incentives tied to a list of performance measures that apply to the process of establishing parentage, the collection of child support, the overall cost of collecting child support, the establishments of cases with support orders, and collection on arrears. Gains made in these areas have led to an increase in Federal Performance Basic Incentive funds. The table below represents the state's ranking as it compares to other states and territories.

Measure	2013 Rank	2012 Rank	2011 Rank
Paternity Establishment	10	7	2
Cases with Support Orders	12	14	20
Current Support Paid	23	28	37
Cases Payment on Arrears	19	22	25
Cost Effectiveness	49	49	49

Staff Recommendation. Approve to reflect the adjusted funds.

[1] Reflects total funds from Title IV-E Child Support Collections Recovery Fund and Never Assisted Cases Fee Recovery.

0530 Health and Human Services Agency, Office of Systems Integration
5180 Department of Social Services

1. Appeals Case Management System (ACMS)

(Item 0530-001-9745, Issue 405)

May Revision. The Administration requests $3.6 million, reflecting a shift of six positions and contract funding from the Department of Social Services to the Office of Systems Integration, to support OSI's management of the ACMS.

(Item 5180-001-0001, Issue 102; Item 5180-141-0001, Issue 107)

May Revision. The Department of Social Services requests a decrease of $629,000 ($275,000 GF; $203,000 reimbursements; and $151,000 Federal Trust Fund) to reflect a shift of proposed project resources (six positions) from Department of Social Services to the OSI.

Background. As discussed during the Subcommittee's May 1, 2014 hearing, and approved by the Subcommittee on May 8, 2014, the proposed ACMS system will, among other things:

- Consolidate the State Hearings Division main case management database and 21 associated downstream systems into one, comprehensive case management system;
- Provide an Appeals Case Decision Writing Module to reduce time per decision;
- Implement secure interface with California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), Statewide Automation Welfare System (SAWS) Consortia, and Department of Health Care Services (DHCS);
- Provide online web data input, review, or case status by benefit recipients, authorized representatives, and other stakeholders; and,
- Deploy a web-based user dashboard for counties, DHCS, and Covered California that provides the capability to view lists of cases scheduled for hearing, general case status, upload of documents to case files, statements of positions, and the ability to withdraw hearings and notify stakeholders.

Staff Recommendation. Approve Office of Systems Integration's request of $3.6 million, and DSS's request a decrease of $629,000, as a result of shifting six positions and contract funding from DSS to OSI, supporting OSI's management of the ACMS.

2. Case Management Information & Payrolling System II

January Budget Proposal. The Administration requests to align the Office of Systems Integration (OSI) spending authority with the CMIPS II system rollout and transition to Maintenance and Operations (M&O) in 2013-14 and 2014-15. Specifically, the budget proposes an increase of $115,000 in OSI spending authority and a corresponding increase of $2.9 million in the DSS Local Assistance for FY 2013-14, and a net decrease in OSI spending authority of $33.7 million for the budget year. The proposal also includes authority for ten new permanent state staff ($1.48 million) and a corresponding decrease of $36.7 million in the DSS Local Assistance.

Correspondingly, the DSS budget requests six permanent positions to support the CMIPS II project in its maintenance and operations (M&O) phase. This proposal has a corresponding reduction to its Local Assistance budget as it was originally budgeted within OSI. DSS will assume the lead role for the service and support activities that were formerly outsourced. Duties in this role include system enhancements, inputting of legislatively mandated changes, validation and testing, data extraction, research, analysis, and reporting. CMIPS II will provide monthly and quarterly system updates during the M&O period that will necessitate DSS oversight, leadership, support, and approval.

The Subcommittee approved the proposal during its May 8, 2014 hearing.

May Revision. The Administration's May Revision proposal for CMIPS II includes the following provisions:

(Item 0530-001-9745, Issue 407)

The Administration requests that General Fund be increased by $17.5 million to support CMIPS II system changes needed in the budget year. As discussed during the March 13, 2014 Subcommittee hearing, necessary changes are needed to update the system to reflect the federal Fair Labor Standards Act's Final Rule, increases in the minimum hourly wage rate pursuant to AB 10 (Alejo), Chapter 351, Statutes of 2013, and enhancements to accommodate recipients who are blind and visually impaired

(Item 5180, Issue 401)

The Administration requests an increase of $511,000 ($255,000 GF and $256,000 reimbursements) to support three permanent and two, two-year limited-term positions to address unforeseen workload associated with the transition from the CMIPS Legacy system to CMIPS II.

(Item 5180-111-0001, Issue 351)

An increase of $10 million ($5,050,000 GF and $4,950,000 reimbursements) is requested to support CMIPS II system changes needed in 2014-15, including changes related to the increase in the state's minimum hourly wage, and enhancements to accommodate IHSS recipients who are blind and visually impaired.

Staff Recommendation. Hold open.

5180 Department of Social Services

1. May Revision Caseload and Estimates Update

The May Revision proposes a net increase of $751.4 million (increases of $168 million GF, $528.9 million reimbursements, $56 million Federal Trust Fund, and $17,000 State Children's Trust Fund, offset by a decrease of $1.5 million in Child Support Collections Recovery Fund), due to the impact of caseload and workload changes since the Governor's proposed January budget, as displayed in the following table:

Program	Item	Change from Governor's Budget
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001 5180-101-0890 5180-601-0995	$3,846,000 $15,215,000 -$76,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$6,069,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$133,756,000 $505,130,000
Other Assistance Payments	5180-101-0001 5180-101-0890	$10,639,000 $2,408,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	$25,197,000 $26,106,000 $47,383,000
Community Care Licensing	5180-151-0001 5180-151-0890	$621,000 -$78,000
Special Programs	5180-151-0890	$1,781,000
Realigned Programs		
Adoption Assistance Program	5180-101-0001 5180-101-0890	$1,000 -$4,934,000
Foster Care	5180-101-0001 5180-101-0890 5180-101-8004 5180-141-0890	$1,000 $18,771,000 -$1,507,000 $1,820,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0803 5180-151-0890 5180-651-0995	$6,000 $17,000 -$5,076,000 -$24,046,000
Title IV-E Waiver	5180-153-0890	$31,000
Adult Protective Services	5180-651-0995	$483,000

The updated caseload estimates for the largest programs are summarized below:

Program	January estimate for 2014-15	May estimate for 2014-15
CalWORKs	529,367	540,454
SSI/SSP	1,308,166	1,309,152
IHSS	453,417	463,939

Additionally, the Administration requests the following local assistance adjustments:
(916) 479-1657

- Local assistance expenditures increase of a net amount of $1,391,182,000 ($277,140,000 GF; $1,032,839,000 reimbursements; $82,693,000 Federal Trust Fund; and $17,000 State Children's Trust Fund), offset by a decrease of $1,507,000 Child Support Collections Recovery Fund.

Staff Recommendation. Approve May Revision caseload estimate changes, subject to additional conforming changes made by other legislative actions.

5180 Department of Social Services--CalWORKs

1. General Fund Offset - Health Care Reform & 1991 Realignment

(Issue 104)

May Revision. The Administration requests an increase of $175,106,000 GF to reflect a decrease in the estimated level of county indigent health savings associated with Medi-Cal expansion under health care reform. Pursuant to AB 85 (Budget Committee), Chapter 24, Statutes of 2013, county indigent health savings are redistributed to counties, via a redirection of 1991 health realignment funds, for CalWORKs expenditures, to offset General Fund costs in the program.

Background. The decrease in fiscal year 2014-15 is based on the projection of revenues and funds available for the Realignment Family Support Subaccount. General Fund is required to replace funds necessary to fund the CalWORKs grant costs, which are not covered by the subaccount.

Staff Recommendation. Approve request.

2. Five-percent Grant Increase

(Issue 105)

May Revision. The Administration requests an increase of $6,811,000 GF to reflect a projected decrease in 1991 realignment revenue deposits to the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.

Background. Effective March 1, 2014, the CalWORKs Maximum Aid Payment (MAP) levels were increased by five percent, and are funded with revenues in the Child Poverty and Family Supplemental Support Subaccount. Due to the decrease in the projected deposits in the subaccount, GF is needed to fund the five-percent grant increase in 2014-15. The Legislative Analyst's Office estimates that CalWORKs grants could be increased, on average, around two percent each year, depending on whether the subaccount revenue stream is estimated to be sufficient to cover the cost of a MAP increase.

Staff Recommendation. Approve requested increase to fund the CalWORKs five-percent grant increase.

3. Child Support Pass-through for Safety-Net and Certain Child-Only Cases

May Revision. The Administration shifts $175.3 million in FY 2013-14 and $498.6 million in the budget year for 84,000 cases. The Administration also proposes corresponding trailer bill language to effectuate the policy change.

Background. In 2013, DSS instructed counties to move Safety Net and Drug/Fleeing Felon child-only cases out of the Temporary Assistance for Needy Families (TANF) program to exclude them from the federal TANF Program work participation requirement (WPR). When implementing this move-out, DSS and the Department of Child Support Services (DCSS) discovered a conflict between federal law and California state law with regard to child support requirements. DCSS cites federal law that prohibits

them from passing collected child support through to the state on behalf of non-TANF families, and instead, requires that payments be made directly to the families. State law, on the other hand, requires that all CalWORKs applicants and/or recipients assign support rights and cooperate with child support enforcement requirements, as a condition of eligibility, and requires counties to refer these families to the Local Child Support Agencies.

Approximately 1,674 cases receive child support payments monthly, and 34,000 cases currently receive child support that may not be considered reasonably anticipated. According to the department, recoupment of child support for these cases would not be feasible, as it would require $1 million one-time automation and $14 million annual ongoing costs for the Department of Child Support Services.

Justification. According to the Administration, the proposal would resolve conflict in federal and state laws by exempting Safety Net and Drug and Fleeing Felon child-only cases from assigning their child and spousal support rights to the state/county, cooperating with DCSS, and requiring these cases be referred to DCSS for child support enforcement/collection services. The department estimates that for 2015 federal fiscal year, this activity would increase the Work Participation Rate by four percent.

Staff Recommendation. Because the request is a fund shift, there is no net GF impact to the department. The GF impact could be offset, to the extent that child support payments are received on a regular basis by families and can be reported as income for CalWORKs grant determinations. Staff recommends approving the May Revision request and adopting placeholder trailer bill language in the nature of the request.

5180 Department of Social Services - In-Home Supportive Services (IHSS)

1. Restoration of the Seven Percent Reduction

Budget Issue. Restore the seven-percent across-the-board services cut to all IHSS recipients with funding from the state General Fund, until the home health assessment (assessment) is enacted. Upon enactment of the assessment, the revenues generated will off-set the General Fund portion of the seven percent reduction.

Background. As discussed during the Subcommittee's March 13, 2014 hearing, a settlement agreement repealed previous reductions and replaced them with an eight percent across-the-board cut, effective July 1, 2013, which will become a seven percent across-the-board cut on July 1, 2014. The settlement agreement also included a provision to "trigger off" the ongoing reduction of up to seven percent–in whole or in part–as a result of enhanced federal funding received pursuant to an "assessment" (likely a fee or tax) on home care services, including IHSS. The Department of Health Care Services (DHCS) must submit a proposal for its implementation to the federal government by October 2014.

The Legislative Analyst Office estimates restoration of the seven percent across-the-board cut at $186.7 million GF.

Panelists. The Subcommittee has invited the following panelists to present and discuss the proposal:

- Robert Harris, California State Council of Service Employees
- Kim Rutledge, UDW/AFSCME Local 3930

Staff Recommendation. Hold open.

5180 Department of Social Service - Child Welfare Services

1. Title IV-E California Well-Being Waiver Project

(Issue 151)

May Revision. To support a full-five year extension and expansion of the Title IV-E California Well-Being Waiver Project (Project), the Administration requests extension of two current limited-term positions and the reinstatement, or establishment, of 15.5 new five-year limited-term positions:

Title IV-E California Well-Being Project (Project) FY 2014-15		
Departmental Project Responsibility	**Classification**	**Total**
Overall project oversight; project reporting and Children and Family Services Division policy direction	1.0 SSC III (Extension) 1.0 SSC III (Establish) 1.0 SSM I (Re-establish) 1.0 AGPA (Establish) 0.5 Attorney (SC III) (Establish)	4.5
Claiming, payment and fiscal reporting activities	1.0 AAA (Extension) 2.0 AAA (Establish) 1.0 AAS (Establish) 1.0 Sr. AO (Specialist)/Establish	5.0
Fiscal analysis, oversight of fiscal reports and fiscal contribution of project evaluation reports, county data, monitoring and oversight activities	1.0 SSM I (Specialist)/Establish 1.0 SSM I (Superv)/Establish 3.0 RA II (Research Analysts)/Establish	5.0
Evaluation activities and contract management and oversight	1.0 RPS II (Establish)	1.0
		15.5

Additionally, the proposal requests contract funding of $1,250,000 ($625,000 GF) per year for the next five years to fund the evaluation of the project.

The proposal also includes the following provisional budget bill language to be added to Item 5180-001-0001, allowing for the revision of this resource request to provide the department with the required level of support as determined by the final number of participating counties and negotiated Administration for Children and Families' Terms and Conditions.

Add the following provision to Item 5180-001-0001:

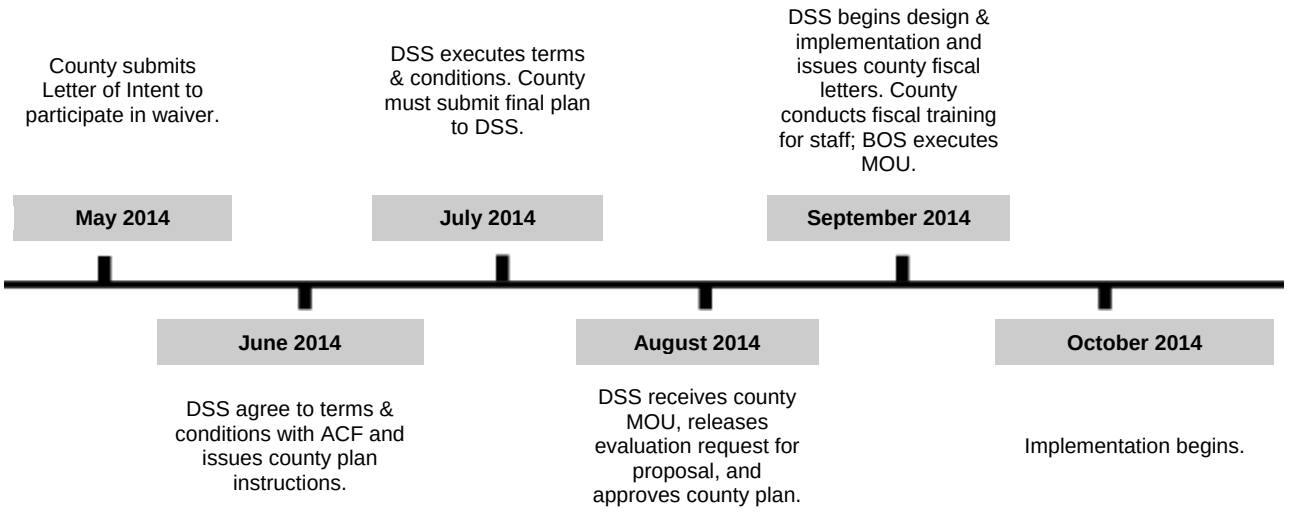
Of the amount appropriated in this item, $1,527,000 is available to support increased workload associated with the expansion of the Title IV-E Child Welfare Waiver Demonstration Project. Notwithstanding any other provision of law, the Department of Finance is authorized to increase or decrease this amount based on (a) the final contractual Waiver Terms and Conditions agreement entered into by the State Department of Social Services and the federal Administration for Children and Families, and (b) the total number of counties opting into the Waiver, not sooner than 30 days after notification in writing to the Chairperson of the Joint

Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations, unless the chairperson of the joint committee, or his or her designee, imposes a lesser time.

Background on Title IV-E and the current project. On March 31, 2006, the U.S. Department of Health and Human Services approved California's current five-year project, which allows counties flexibility in the use of federal and state foster care maintenance and administrative funds. These funds, which were previously restricted to pay for board-and-care costs and child welfare administration, can be used to provide direct services and supports. This flexible funding waiver demonstration supports child welfare practice, program, and system improvements for early intervention, reunification efforts, and reduction in out-of-home placements. Los Angeles and Alameda county child welfare and probation departments are in the current project. California spent $2.2 billion federal ($5.8 billion total funds including state and local sources) flexibly over the five years of the project.

Existing Title IV-E foster care funding structures prohibit the use of Title IV-E funds for programs that prevent out-of-home placements and promote family reunification and permanency options for children. The project waives certain sections of these Title IV-E program limitations. Additionally, under the current system, federal savings from reductions in foster care placements cannot be used for program improvements and enhancements without a waiver. Since Title IV-E funding is based solely on actual cost of care, if a county's preventative services are effective and fewer children enter or stay in the foster care system, the county's Title IV-E funding is reduced. Thus, the county is penalized for reducing foster care placements, even though such a reduction is the most desirable outcome. Without the current waiver, the state would have lost a considerable amount of Title IV-E funding over the past six years due to decreases in caseload.

Background on proposal. The department is seeking approval from the federal Administration of Children and Families (ACF) for a full five-year extension of the project, including two current participating counties and the expansion to 17 additional counties. Per federal requirements, county project participation must include both the County Child Welfare and County Probation Departments. Negotiations are underway with ACF to obtain revised waiver Terms and Conditions. The department provided the following draft timeline of milestones for the Title IV-E waiver:



Per direct conversations with ACF and updated project claiming instructions, DSS indicates that there are new and more stringent evaluations, cost neutrality, and reporting requirements. The table (below) identifies key differences between the current and extended Project, specifically:

Feature	Current	Extension
Project Implementation Date	July 1, 2007	October 1, 2014
Number of Counties Participating	Two - Alameda and Los Angeles	• 17 Intent counties[2] includes LA and Alameda • Terms & Conditions allow up to 20 counties • Meeting on May 22, 2014 to allow other counties to participate in the Project
County Probation Participation Required	Yes	Yes
Specific Interventions Required of All Participating Counties	No	Yes • CWDA and Counties chose Safety Organized Practice as the intervention that every participating child welfare agency will implement. • CPOC and counties chose Wraparound as prevention to group home placement, as the intervention that every participating Probation Department will implement. • Each Department can choose to implement both interventions.
Evaluation Funding	$2,116,000	$1,250,000.00
Key Evaluation Requirements	This evaluation included: • A Process Evaluation • An Outcome Evaluation • A Cost Analysis Client level data was not used in the final evaluation.	The evaluation will have the same three components, which will include: • An interrupted time series design in which changes in child welfare outcomes are tracked over time using CWS/CMS. • A meta-analysis that tracks child welfare outcomes across participating counties in the intervention. • To extent possible, an analysis using case-level data to isolate the impact of the intervention from the impact of demographic, program, and external confounding factors.
Termination Process	• Terms & Conditions Section 1.3 allows for the State to withdraw from the Project. • State/County MOU Section K: County to Opt-Out 60 calendar days prior to the first day of the quarter in which the County intends to terminate its participation.	No Change.

[2] The 17 intent counties include: Alameda, Contra Costa, Fresno, Lake, Los Angeles, Mariposa, Mendocino, Nevada, Orange, Riverside, Sacramento, San Diego, San Francisco, Santa Clara, Santa Cruz, Shasta, and Sonoma.

Justification. According to the Administration, the requested resources are critical to operating the Project extension, funding the federally required third-party evaluation, and ensuring compliance with new federal financial reporting requirements. The resources are needed to provide training and technical assistance to participating county child welfare and probation departments as the changes will impact county claiming and reporting activities. It will also impact state payment activities, federal reporting functions including new federal waiver reporting forms, monitoring, oversight and legal compliance for the Project.

Staff Recommendation. Hold item open for further discussion.

2. Child Welfare Services - New System Project (CWS-NS)

(Issue 162)

Background. As discussed during the Subcommittee's May 1, 2014 hearing, the Child Welfare Services-New System Project is projected to, as of April 1, 2014, to experience a 19-month delay. Specifically, the planning and procurement process added 14 months: nine months because the department was unable to fill necessary state positions; and an additional five months to complete the request for proposal, among other items. Also, the design, development, and implementation (DDI) phase added five months for additional testing.

April Letter. The proposal requests seven five-year limited-term positions, and a five-year extension for nine existing two-year limited-term positions. In addition, the budget requests, in 2013-14, a net decrease in the Office of Systems Integration (OSI) costs for $93,000 and a net decrease in Department of Social Services (DSS) costs of $1.8 million. For budget year, the proposal requests an increase in OSI costs of $2.42 million and a net decrease in DSS costs of $1.2 million. The Spring Finance Letter was held open for further discussion.

May Revision. The Administration requests a decrease of $22,247,000 ($11,278,000 Federal Trust Fund, $9,695,000 GF and $1,274,000 reimbursements) to accommodate this 19-month project delay and the inclusion of licensing functionality for the Community Care Licensing Division within DSS. The Department of Technology has approved a Special Project Report that includes a new funding plan associated with this delay and scope increase.

Staff Recommendation. Hold open.

3. Request to Collect Social Worker Caseload Data

Proposal. To require the Department of Social Services (DSS) to begin collecting data on county Child Welfare Services social worker caseloads, and to provide such data during its annual realignment report. Specifically, the proposed language:

> Section 10104 of the Welfare and Institutions Code is amended to read:
>
> 10104. It is the intent of the Legislature to ensure that the impacts of the 2011 realignment of child welfare services, foster care, adoptions, and adult protective services programs are identified and evaluated, initially and over time. It is further the intent of the Legislature to ensure that information regarding these impacts is publicly available and accessible and can be

utilized to support the state's and counties' effectiveness in delivering these critical services and supports.

(a) The State Department of Social Services shall annually report to the appropriate fiscal and policy committees of the Legislature, and publicly post on the department's Internet Web site, a summary of outcome and expenditure data that allows for monitoring of changes over time.

(b) The report shall be submitted and posted by April 15 of each year and shall contain expenditures for each county for the programs described in clauses (i) to (vii), inclusive, of subparagraph (A) of paragraph (9) of subdivision (f) of Section 30025 of the Government Code.

(c) The report shall also contain the amount of growth funds per county, child welfare service social worker caseloads per county, the number of authorized positions in the local child welfare service agency, and the number of vacant positions in the local child welfare service agency.

(d) ~~(c)~~ The department shall consult with legislative staff and with stakeholders to develop a reporting format consistent with the Legislature's desired level of outcome and expenditure reporting detail. Counties shall cooperate with the department to provide the information necessary for the report.

Panelist. The Subcommittee has invited the following panelist to speak about the request:

- Tia Orr, Service Employee's International Union (SEIU)

Staff Recommendation. Hold open.

4. Yolo Crisis Nursery and Sacramento Crisis Nursery

Proposal. $2.4 million GF, over two years, is requested to fund a pilot project to evaluate the durability of the December 2006 ARCH National Respite Network and Resource Center (NRNRC) study results by evaluating the Sacramento and Yolo Crisis Nurseries. The study is contingent on matching private and local support.

Pilot Project	$300,000
Data Collection/ Administrative Support	$100,000
Public Information/ Marketing	$100,000
Projected Usage Increase of 15%	$375,000
Mentoring New Communities	$25,000
Sacramento Crisis Nurseries	$1,021,162
Yolo Crisis Nursery	$497,693
TOTAL	**$2,418,855**

Background on Crisis Nurseries. Crisis nurseries provide short-term emergency respite care for the infants, toddlers, or young children of families in crisis without other options, such as trusted friends or relatives to care for their children. Reports show that families turn to crisis nurseries when they are struggling to deal with illness, hospitalization, domestic violence, homelessness, or substance abuse recovery. Currently, five nonprofit agencies operate six crisis nursery facilities in the counties of: Contra Costa, Sacramento, Yolo, Stanislaus, and Nevada. The crisis nurseries operate 24 hours a day, 7 days a week, and rely mostly on private funds, although some do receive funding through their local First Five Commissions.

Background on the Proposal. In December 2006, the ARCH National Respite Network and Resource Center (NRNRC) (3) published the results of a two-year study examining the relationships between crisis respite care to incidents of reported child abuse. The evaluation also explored the differences in outcomes between crisis respite used as a secondary prevention service and as a tertiary prevention service. The evaluation was conducted from June 14, 2004 through July 31, 2006 and included Sacramento Crisis Nurseries North and South, and the Yolo Crisis Nursery.

Below is usage data for the Yolo Crisis Nursery:

EMQ Families First Yolo Crisis Nursery

	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	Total
Respite Day Services						
# of 30 day stays per facility	0	0	0	0	0	0
# of kids the facility has served	381	339	368	329	372	1789
Average length of stay per child, per facility (days)	1.25	1.28	1.19	1.32	1.43	1.29
Overnight Services						
# of 30 day stays per facility	0	1	0	0	0	1
# of kids the facility has served	73	88	101	38	6	306
Average length of stay per facility (nights)	5.45	4.74	3	3.71	3.67	2.93

Below is a budget history of both Sacramento Crisis Nursery and Yolo Crisis Nursery:

- **Sacramento Crisis Nurseries**
  - FY 2012- 13, total expense of $2,136,724, with a deficit of $566,724.
  - FY 2013-14 (projected), total expense will be $2,015,452, with deficit of $500,697.
- **Yolo Crisis Nursery**
  - FY 2012-13, total expense was $603,000, with a loss of $438,000.
  - FY 2013-2014 (projected), total expense will be $659,000, with loss of $480,000.

Panelists. The Subcommittee has invited the following panelists to speak to the proposal:

- State Senator Lois Wolk
- Gordon Richardson, Yolo Crisis Nursery, and
- Roy Alexander from Sacramento Crisis Nursery

Staff Comment. The item is informational. No action is required.

5. Services to Child Victims of Commercial Sexual Exploitation

Proposal. To provide total first-year funding support of $40.6 million ($20.3 million GF), which can be matched 50 percent federal Title IV-E funding, as well as $28.5 million ($14.3 million GF) annually ongoing costs, to enable county child welfare agencies to serve victims of commercial sexual exploitation. The proposal includes three major components: prevention, intervention, and direct services.

- Prevention. Services include education of foster youth and training for foster care providers to prevent exploitation, such as training to recognize signs of sexual exploitation and trauma and tools to avoid victimization.
- Intervention. Coordination must be in place between child welfare services agencies and other systems, including domestic violence providers, mental health services, and law enforcement. The proposed strategies include:
    - Child welfare worker training,
    - Child welfare worker staffing,
    - Partnership with survivors, and
    - Systems coordination.
- Direct services include access to appropriate support and services (e.g., safe shelter, enhanced supervision, protection).

Background. Various studies have pointed to pattern wherein commercial sexual exploitation of children (CSEC) victims have had prior involvement with the child welfare system, and some have been recruit while being in the foster care system. In addition, three of the top ten highest trafficking areas in the nation are in California: San Francisco, Los Angeles, and San Diego. A response to CSEC must be multifaceted.

Panelist. The Subcommittee has invited the following panelist to present the proposal:

- Frank Mecca, Executive Director, County Welfare Directors Association

Staff Comment. Hold open.

5180 Department of Social Services - CalFresh

1. State Utility Assistance Subsidy (SUAS) Benefit

(Issue 302)

May Revision. The Administration proposes a state-funded energy assistance program to comply with the mandates of the federal Farm Bill, effective July 1, 2014. This program would require that the $20.01 payment be made only to those households who would receive additional CalFresh benefits due to Heat and Eat. The 2014 May Revision includes $11.8 million total costs ($10.9 GF) under the new State Utility Assistance Subsidy (SUAS) program. Of the $11.8 million, the budget provides $9.5 million in SUAS benefits to select households, $0.4 million in one-time reprogramming for the Statewide Automated Welfare System, and $1.7 million for administrative activities in the counties for notifications and tracking of eligible CalFresh and California Food Assistance Program households. The program will be subject to an appropriation in the annual Budget Act.

The Administration proposes trailer bill language to implement this proposal.

Background. Previously, DSS, in partnership with the Department of Community Services and Development (CSD) provided all CalFresh recipients a nominal federal Low-Income Home Energy Assistance Program (LIHEAP) benefit ($0.10 annually), which entitled the household to the Standard Utility Allowance (SUA) for purposes of determining the monthly food stamp benefit amount. On February 7, 2014, President Obama signed H.R. 2642, the Agricultural Act of 2014 (the Farm Bill), which requires participating states to provide an annual subsidy greater than $20 to trigger SUA eligibility. At least seven other states, including New York, Pennsylvania, Massachusetts, Connecticut, Oregon, Montana, Rhode Island, and the District of Columbia have decided to continue "Heat and Eat" by issuing the minimum $20.01 LIHEAP or other similar energy program payment.

According to DSS, continuing the program through the implementation of the SUAS would result in 349,000 CalFresh households receiving an average of $62 in additional monthly CalFresh benefits.

Staff Recommendation. Staff notes that if the state were to issue the new $20.01 minimum benefit to all CalFresh households (existing and new entrants), the department estimates it would cost in excess of $63 million annually. Costs of the proposal are anticipated to be offset by sales tax revenues generated by additional food benefits to California, for a net GF cost of $3.6 million. Staff recommends holding the item open for further discussion.

2. Caseload Impact from the Affordable Care Act (ACA)

(Issue 303)

May Revision. The Administration requests an increase of $48,017,000 ($18,674,000 GF and $29,343,000 Federal Trust Fund) to reflect a significant increase in new CalFresh recipients due to efforts to streamline eligibility and increase awareness of the program as part of ACA implementation. This change also has an impact on the California Food Assistance Program (CFAP), resulting in an increase of $2,068,000 General Fund.

Staff Recommendation. As discussed during the full budget hearing on January 8, 2014, and during the Subcommittee hearing on May 1, 2014, the state and Legislature have made policy steps to increase participation and enrollment in the CalFresh program. One of these strategies includes horizontal integration with ACA implementation. Staff recommends approving the May Revision request.

3. Modified Categorical Eligibility

(Issue 304)

May Revision. The Administration requests an increase of $7,911,000 ($3,995,000 GF and $3,916,000 Federal Trust Fund) to increase the CalFresh gross income eligibility threshold to 200 percent of the federal poverty level, as well as address increases related to ACA caseload. This change also impacts the California Food Assistance Program, resulting in an increase of $1,094,000 General Fund.

The Administration also proposes corresponding trailer bill language to implement the provisions. The language:

- Makes inoperative, and would automatically repeal, on July 1, 2015, unless otherwise extended, Section 18901.5 of the Welfare and Institutions Code.
- Effective July 1, 2014, requires DSS to establish, design, and implement a program of categorical eligibility for CalFresh recipients.
- Provides that the Director of DSS can only establish the program of categorical eligibility with appropriate federal authorization, and if implementation would not result in the loss of federal financial participation.
- Repeals rulemaking provisions in law and moves those provisions to an uncodified section. Those provisions:
    - Authorizes DSS to implement and administer the changes through all-county letters or similar instructions until regulations are adopted.
    - Require DSS to adopt emergency regulations implementing these provisions no later than January 1, 2016, after being deemed to be an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare.

Background. Effective January 1, 2014, AB 191 (Bocanegra), Chapter 669, Statutes of 2013, requires DSS to design and implement a program of categorical eligibility for CalFresh, which increases the gross income limit, for any household that includes a member who receives or is eligible to receive assistance under Medi-Cal. Households must still meet the net income test and other CalFresh eligibility criteria.

According to the department, after meeting with the Department of Health Care Services (DHCS) and stakeholders, administrative and privacy obstacles have come to light, such as:

- Mandating all households with a Medi-Cal member to be eligible for MCE/BBCE (including Minor Consent participants), as long as they satisfy all other eligibility requirements, could potentially violate confidentiality laws and put minors at risk.

- As a result of AB 191, there are three different categorically eligible FPLs for CalFresh recipients in California: 130 percent for all CalFresh recipients; 200 percent for Elderly/Disabled CalFresh recipients; 200 percent for households with a Medi-Cal recipient.

- While households are not required to report changes in Medi-Cal status to CalFresh, CalFresh is legally obligated to take action if such information becomes otherwise known to the county, possibly resulting in a household receiving decreased benefits, or perhaps, even ineligibility.

Federal law allows states to use a gross income limit of up to 200 percent of the Federal Poverty Limit (FPL) in order to be eligible for a non-cash TANF/MOE-funded benefit to confer broad-based categorical eligibility (BBCE), in California referred to as Modified Categorical Eligibility (MCE).

Justification. By raising the FPL to the federally allowable maximum amount of 200 percent, a household would be categorically eligible for CalFresh providing the household meets all other CalFresh eligibility requirements other than the CalFresh resource limit. Allowing the 200 percent for all CalFresh households, not just for the elderly and for persons with dsabilities , eases counties' administrative burden of determining which FPL a household uses.

Staff Recommendation. Approve requested increase and adopt placeholder trailer bill language to implement the modified categorical eligibility.

4a. Drought Food Assistance Program

(Issue 700)

Proposed Provisional Budget Bill Language. The Administration requests budget bill language to authorize up to $20 million General Fund, upon approval by the Department of Finance, for the Drought Food Assistance Program (DFAP) to provide emergency food relief to drought impacted communities. Of this amount, $15 million reflects a shift of funding authorized in SB 103 (Budget Committee), Chapter 2, Statutes of 2013, to 2014-15. The proposed language also authorizes spending in excess of $20 million, upon written notification to the Joint Legislative Budget Committee.

Addition of Provisional Language to Budget Bill Item 5180-101-0001:

X. (a) Upon request of the State Department of Social Services, the Department of Finance may increase expenditure authority in this item by up to $20,000,000 for food assistance programs associated with persons affected by the drought. Notwithstanding any other provision of law, these funds shall be available for encumbrance by the State Department of Social Services through December 31, 2015, for commodity purchases and state and local agency administrative costs incurred on or before June 30, 2015, to provide food assistance associated with the drought through existing partnerships. The Department of Finance shall provide notification of the adjustment to the Joint Legislative Budget Committee within 10 working days from the date of Department of Finance approval of the adjustment.

(b) Upon request of the State Department of Social Services, the Department of Finance may increase expenditure authority above the amount authorized in subdivision (a). The Department of Finance shall authorize any such increase not sooner than 10 days after notification of the necessity thereof in writing to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee.

Staff Recommendation. Hold open.

4b. Disaster Supplemental Nutrition Assistance Program

May Revision. The Administration proposes provisional budget bill language to authorize an increase in GF and Federal Trust Fund expenditure authority for food stamp administrative costs in the event of a major disaster declaration by the President of the United States. Specifically:

Addition of Provisional Language to Budget Bill Item 5180-141-0001:

X. In the event of a declaration of a major disaster by the President of the United States, and upon request of the State Department of Social Services following approval by the United States Department of Food and Agriculture's Food and Nutrition Service, the Department of Finance may increase expenditure authority in this item in order to fund the administrative costs of a Disaster Supplemental Nutrition Assistance Program food assistance program.

Amendment to Provision 1 of Item 5180-141-0890 as follows:

"1. Provisions 2, 3, 4, ~~and~~ 6, and X of Item 5180-141-0001 also apply to this item."

Staff Comment. Hold open for further discussion with stakeholders.

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

Chair, Senator Ellen M. Corbett

Senator Bill Monning
Senator Mike Morrell

May 19, 2014
1:00 p.m. - John L. Burton Hearing Room 4203

PART C

Staff: Peggy Collins

4300 Department of Developmental Services (DDS)

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

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

4300 Department of Developmental Services (DDS)

DDS Overview

The Governor's May Revision includes $5.2 billion total funds ($2.9 billion General Fund (GF)) for the department. This is an increase of $241.2 million, or 4.8 percent, above the adjusted current year. The department will serve an estimated 274,696 individuals with developmental disabilities in the community (an increase of 1,053 over the Governor's January budget), and 1,112 individuals in state-operated developmental centers (an increase of two over the Governor's January budget).

VOTE ONLY

ISSUE 1: Vendor Audit Positions BCP #3

DDS is requesting $897,000 ($605,000 GF) for 7.0 limited-term auditor positions to meet workload associated with increased demand for vendor audits and associated recovery of funds. This issue was heard by the subcommittee on March 27th.

Staff Recommendation: Approve BCP #3. Adopt the following supplemental report language:

By March 1, 2015, and annually thereafter, the department shall provide information to the fiscal and policy committees of the Legislature regarding the number and type of audits conducted and in process and total funds recouped as the result of audit activities in the previous fiscal year. The information provided shall also indicate how the number of audits conducted and the total funds recouped in the previous fiscal year compares to the expectations specified in the budget change proposal for 2014-15. Lastly, the information provided shall include the number of total authorized and filled audit positions.

By March 1, 2015, and annually thereafter, the department shall provide information to the fiscal and policy committees of the Legislature regarding whistleblower complaints received in the previous fiscal year that are referred to the Vendor Audit Section for investigation. This information shall include the number of such complaints received, the number pending investigation, the number under investigation, the number with completed investigations, and a description of the allegations and outcomes of the completed investigations.

CA Health and Human Services Agency Report on the Future of Developmental Centers Presentation on Implementation Strategies

NOTE: The following is a presentation of implementation strategies, proposed by the Administration, related to the California Health and Human Services Agency's Report on the Future of Developmental Centers. Actions on individual proposals related to this discussion will be made under the appropriate budget item, later in the agenda today or on Wednesday.

At the March 27th subcommittee hearing, the Secretary of the California Health and Human Services Agency presented her "*Plan for the Future of Developmental Centers in California"* (plan). How the Administration plans to address each recommendation is discussed in the following excerpt from the "Developmental Centers 2014 May Revision" document.

Recommendation 1: Individuals with Enduring and Complex Medical Needs
DDS, working closely with regional centers, will focus on developing community resources using Community Placement Plan (CPP) funds, to support the transition of DC residents into the community each year. Activities directly related to individuals with enduring and complex medical needs include: developing community capacity utilizing existing service models; maximizing the use of CPP funds to develop additional Adult Residential Facilities for Persons with Special Health Care Needs (ARFPSHN); and enhancing regional center staffing for resource development, and to support transitions and quality assurance.

Recommendation 2: Individuals with Challenging Behaviors and Support Needs
DDS proposes to improve crisis services at Fairview DC and establish new crisis services at Sonoma DC. DDS also proposes trailer bill language to authorize: 1) the development of enhanced behavioral supports homes and community crisis homes; and 2) the expansion of the Community State Staff Program to support any individual moving from a DC. Future CPP guidelines will incorporate Task Force recommendations as a priority for resource development, including crisis teams and other supports. DDS will work with stakeholders to further evaluate the availability of, and access to behavioral services system-wide, covering crisis, transitional and long-term services.

Recommendation 3: Individuals Involved in the Criminal Justice System
As recommended, DDS plans to continue operating the STP and Canyon Springs Community Facility, as the appropriate role for the State. Additionally, DDS will engage stakeholders to explore additional and alternative services for persons with criminal justice system involvement.

Recommendation 4: Health Resource Center
DDS will engage stakeholders to explore a workable model for a health resource center to address the health needs of DC residents after they transition to community homes, including the utilization of DC resources. DDS will also work with the Department of Health Care Services to evaluate expanding managed care benefits to qualified DC residents who are transitioning to the community.

Recommendation 5: Use of DC Land and Resources

DDS will engage stakeholders in exploring innovative projects for repurposing DC land and employees, and defining future DC services consistent with the Task Force recommendations. In particular, the feasibility of using DC land to develop community housing through public/private partnerships will be evaluated.

Recommendation 6: Future of the Community System
In the short term, DDS will focus its efforts on thoroughly addressing Task Force Recommendations 1 through 5. After key components are underway, DDS will establish a task force to explore community system improvements and make recommendations. In the interim, DDS will continue to work with stakeholders and the Legislature to address significant community issues.

The following are the specific proposals the Administration has submitted in the May Revision for funding and implementation in the budget year.

Re-appropriation of $13 million ($12.9 million GF) from 2011-12, a portion of which is unspent Community Placement Plan (CPP) funds, and budget bill language, to support community resource development, and transition and quality assurance support. Regional centers are provided CPP funds to develop resources in the community as an alternative to institutional care, certain mental health facilities that are ineligible for federal funding, and out-of-state placements. These funds are also used to conduct comprehensive assessments of residents in developmental centers to determine the service and support needs that would enable that person to move into the community. Specifically, the re-appropriation of funds would be used on the following activities:

- **$11.7 million (GF), and trailer bill language, to develop two enhanced models of care in the community – one for enhanced behavioral supports homes and one for community crisis homes; and the development of two transitional homes and one adult residential facility for persons with special health care needs (ARFPSHN).** Specifically, the Administration seeks authority to develop six homes, serving no more than four residents each, as a "step-down" and long-term residential option for individuals who have significant behavior challanges, as a pilot program, along with authority to promulgate emergency regulations. Additionally, the Administration seeks authority to develop two community crisis homes (one in the north and one in the south), each to serve no more than eight individuals, at risk of admission to a developmental center, on a short-time basis. These homes would be owned by a non-profit organization and leased to a regional center provider. Finally, under existing authority, DDS proposed to develop two transitional homes and an ARFPSHN home that includes behavioral supports.

- **$1.2 million (total funds) to increase regional center staffing to support resource development, quality assurance, support for specialized behavioral and medical care homes, and enhanced case management**.

    - Quality Assurance Staff: $380,000 (GF). Six regional center positions (eight months funding) to assist in transitioning individuals from developmental centers

into the community. Quality assurance staff functions would include, but not be limited to, monitoring the new living arrangement to ensure it is meeting the consumer's unique needs, following up on and helping to resolve quality of care issues, utilizing risk management and system monitoring data toward positive outcomes, and providing technical assistance and training for regional center and service provider staff.

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

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

- Nursing staff: $153,000 (GF). DDS is proposing to employ the services of two regional center registered nurses (eight months funding) statewide that will be responsible for assisting in the development of the homes and the ongoing oversight and monitoring of the care and services provided to the individuals who have complex medical needs and are transitioning into the homes.

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

- **$0.1 million (GF) to provide quality assurance for residents of developmental centers moving to the community.** Under this proposal, DDS will revise the contract with the existing risk management consultant to evaluate overall indicators of performance for DC movers (such as changes in residential settings, changes in the Client Development Evaluation Report, and Special Incident Report (SIR) rates); analyze SIR data with the goal of identifying subpopulations with greater risk for specific SIR types,

and individuals at risk of additional SIRs; and perform statewide reviews of abuse, neglect, and mortality SIRs to ensure that proper reporting, investigation, and risk prevention and mitigation occur. Additionally, DDS will expand the National Core Indicators satisfaction survey of individuals and families to increase the sample size for persons who have transitioned from a DC. DDS is proposing additional Regional Center Operations, Projects funding of $121,000 one time, and $76,000 ongoing, funded from CPP be dedicated to a quality management system for DC residents transitioning into the community.

$3.2 million ($2.0 million GF), 43.1 positions, and trailer bill language, to improve crisis services at Fairview Developmental Center and provide new crisis services at Sonoma Developmental Center. Specifically, this proposal would create separate crisis units at each facility. First, an existing, distinct housing unit will be modified and staffed at Fairview DC to serve five residents requiring crisis services. Second, an existing, stand-alone housing unit will be modified and staffed at Sonoma DC to provide crisis services for five residents.

Trailer bill language to expand the Community State Staff Program statewide. A community state staff program was associated with both the Agnews and Lanterman developmental centers' closures. This program allows developmental center staff to continue to work with residents moving from a developmental center to the community, and maintain state staff status, through a contract with a community provider. Currently, 13 Lanterman Developmental Center employees have been selected for the community state staff program. DDS is proposing trailer bill language to expand the Community State Staff Program to support anyone transitioning from any developmental center into the community. Because utilization during the early stages of the program is expected to be small, DDS currently has sufficient reimbursement authority within its proposed budget to support this program during 2014-15.

Augmentation of $0.5 million ($0.3 million GF) to redirect 4.0 unfunded positions at DDS headquarters to address the community program workload associated with the Task Force recommendations. Specifically, these positions will support community resource development; implementation and monitoring of the two new models of behavioral care; coordination with, and oversight of, regional center resource development and quality assurance activities; and organizing and participating in the stakeholder process moving forward.

In addition to proposals discussed above, DDS has committed to addressing these additional issues.

- **Managed Care.** DDS is working with the Department of Health Care Services to evaluate the recent experience at Lanterman Developmental Center and consider how this program might be expanded to other individuals moving out of developmental centers.

- **Enhanced Transition Planning.** DDS will initiate an evaluation of the transition planning process now in use at the developmental centers and community facilities, and make improvements that support a meaningful person-centered process.

- **Community Housing Using Developmental Center Lands.** DDS will utilize a stakeholder process to determine how the utilization of developmental center land for development of integrated community housing options through public/private partnerships might be developed, similar to Harbor Village at Fairview Developmental Center.

- **Health Resource Center(s).** DDS will utilize a stakeholder process to explore how some of the unique health, mental health, and specialty services available to developmental center residents can be utilized by persons with developmental disabilities living in the community.

- **Additional and/or Alternative Transitional and Competency Restoration Services.** DDS will engage stakeholders in analyzing the need for these services and options that may be available.

- **Future of Community Services.** A key concept universally endorsed by members of the task force was the need to improve access to quality services and supports in the community. DDS will establish a task force to explore this issue and make recommendations. Although a timeline has not been set for this process, DDS indicates it will continue to work with stakeholders and the Legislature in addressing significant community issues.

Questions for DDS:

- Please present your proposal.

- How long will it take to establish the new community resources you have proposed?

- Given the time it will take to establish these new facilities, what can DDS do now to better ensure persons ready to move to the community do not have to wait, including better use of existing comprehensive assessments and the CPP process?

- One of the plan components you propose to move forward through an additional stakeholder process is the use of developmental center lands for integrated community housing projects. We discussed this at the March hearing and committee members expressed frustration that a specific proposal at Fairview was ready to move forward but lost momentum due to issues with the Department of General Services. What has the Administration done to resolve these issues?

- Another plan component is the development of health resource centers, accessible to persons with developmental disabilities living in the community, using existing developmental center resources. Here a significant challenge has been eligibility for federal funding participation. What has the Administration done to resolve this issue?

DDS Headquarters

The May Revision provides $41.1 million ($26.3 million GF) for DDS headquarters, a $0.5 million ($0.3 million GF) increase over the Governor's January budget and an increase of $1.9 million ($0.9 million GF) over the adjusted current year budget. The proposed budget reflects an increase in employee compensation costs approved through collective bargaining and changes in retirement contribution rates; two budget change proposals (BCPs) related to vendor audit positions (discussed below) and the establishment of an existing limited-term CEA II position as permanent (approved by the subcommittee on March 27th); and, a May Revision proposal to fund 4.0 redirected positions to address workload associated with the implementation of the recommendations in the Health and Human Services Agency's "Plan for the Future of Developmental Centers in California" (discussed below).

ISSUE 1: Redirection of headquarters staff – BCP# MR 1 - Future of Developmental Centers Implementation Component

The May Revision proposes an augmentation of $458,000 ($321,000 GF) to redirect existing, unfunded positions at DDS headquarters to address the community program workload associated with the Task Force recommendations. Specifically, these positions will support community resource development; implementation and monitoring of the two new models of behavioral care; coordination with, and oversight of, regional center resource development and quality assurance activities; and organizing and participating in the stakeholder process moving forward.

Questions for DDS:

- Please describe the proposal.

Staff Recommendation: Approve BCP # MR 1.

Developmental Centers

The Governor's May Revision budget provides $528.2 ($276.0 million GF) for state developmental centers (DCs), an increase of $2.2 million ($1.5 million GF) over the Governor's January budget, and a $27.8 million ($29.1 million GF) decrease below the adjusted 2013-14 budget. The May Revision increases reflect, among other adjustments, costs associated with the implementation of program improvement plans (PIPs) at Porterville, Fairview and Lanterman developmental centers in order to regain or maintain federal certification, the redesign of the crisis unit at Fairview Developmental Center and development of a crisis unit at Sonoma Developmental Center.

Authorized positions decreased slightly to 4,461, a reduction of 3.4 positions below the Governor's January budget. 1,187 individuals are expected to reside in state developmental

centers on July 1, 2014 and reduce to 1,052 by June 20, 2015. The May Revision shows no change in the developmental centers caseload estimate in the current year, but increases by two in the budget year, from 1,110 to 1,112.

ISSUE 1: May Revision Adjustments

The May Revision makes the following adjustments to the Governor's January budget for developmental centers:

For Fiscal Year 2013-14:

- Updates funding to $556.0 million ($305.2 million GF), a decrease of $19,683 ($8,617 GF) over the Governor's January budget.
- Redirects Sonoma Developmental Center Program Improvement Plan salary savings of $2.2 million ($1.3 million GF), resulting from delays in filling 42.5 positions, to offset the following:
    - $137,000 increase ($82,000 GF) in the State Council on Developmental Disabilities contract (Client Rights Advocate Interagency Agreement) due to various employee compensation adjustments approved through collective bargaining.
    - $2.1 million increase ($1.2 million GF) to support the Independent Consultant Review Expert contract required by the Program Improvement Plans (PIPs) at Fairview, Lanterman and Porterville developmental centers.
- $19,683 decrease ($8,617 GF) resulting from the transfer of the Foster Grandparent Program at Lanterman Developmental Center to the community services program.

For Fiscal Year 2014-15:

- Increases funding of $2.2 million ($1.5 million GF) and a net staffing decrease of 3.4 positions related to population staffing adjustments.
- $139,000 ($83,000 GF) increase to the State Council on Developmental Disabilities contract (Clients' Rights Advocate Interagency Agreement) due to various employee compensation adjustments approved through collective bargaining;
- $28,000 ($18,000 GF) transfer to Community Services Program for the utilization of Foster Grandparent Program.
- Additional adjustments discussed elsewhere in this agenda.

Questions for DDS:

- Please provide a brief overview of the population and staffing adjustments in the May Revision for Developmental Centers.

Staff recommendation: Approve May Revision adjustments (not otherwise addressed in this agenda).

ISSUE 2: Lanterman Developmental Center Closure Adjustments

Lanterman Developmental Center (LDC), which is in the process of transitioning its residents into community-based placements as part of a closure process, currently houses 58 residents[i]. The budget assumes a net decrease of $22.7 million ($12.0 million GF) related to position reductions, staff separation costs, enhanced staffing adjustments, and post-closure activities. LDC's residential population is expected to be zero by December 31, 2014.

To reflect adjustments related to the closure of Lanterman Developmental Center, the May Revision requests a net decrease of $ 2.5 million ($1.4 million GF) and a reduction of 45.5 positions.

Questions for DDS:

- Please provide an update of the Lanterman Closure process.

Staff Recommendation: Approve as proposed.

ISSUE 3: Fairview, Porterville and Lanterman Developmental Centers Program Improvement Plans (PIPs)

Fairview Developmental Center has approximately 317 residents with developmental disabilities. Porterville Developmental Center has approximately 397 residents with developmental disabilities, 168 of which reside in the Secure Treatment Program (STP). Sonoma Developmental Center has approximately 443 residents. Canyon Springs, a state-leased and operated ICD/MR residential facility, serves approximately 52 residents with moderate to mild intellectual disabilities, who may have mental health treatment needs, and who are transitioning out of a developmental center.

The Department of Public Health recertification surveys at FDC, PDC, and LDC found the Intermediate Care Facilities (ICFs) units at each facility to be out of compliance with federal requirements for treatment plans, protection of residents, client health and safety, and client rights. In January, DDS and DPH reached an agreement to avoid decertification, and maintain federal funding of approximately $4.2 million each month. The agreement will require the development of a root-cause analysis and action plan for PDC and FDC, similar to what was required at SDC. For LDC, the agreement requires DDS to contract with an independent monitor to provide oversight, among other requirements.

The May Revision requests an increase of $1.5 million ($0.9 million GF) for costs associated with Independent Consultative Review Expert (ICRE) contracts, as required by the PIPs. These costs include funding for independent monitoring at Lanterman while residents remain at the

facility. ICRE contracts also require the development of action plans for Fairview and Porterville developmental centers.

Questions for DDS:

- Please briefly describe the process associated with the PIPs, moving forward.
- Please provide a brief update on the status of Sonoma Developmental Center's efforts to regain federal certification.
- Please discuss the status of certification at Canyon Springs Residential Facility.
- Please discuss the US DOJ Civil Investigative Demand issue highlighted in your May Revision documents.

Staff Recommendation: Approve as proposed.

ISSUE 4: Crisis Services at Fairview and Sonoma Developmental Centers – Future of Developmental Centers Implementation Component

The May Revision proposes $3.2 million ($2.0 million GF), 43.1 positions, and trailer bill language, to improve crisis services at FDC and provide new crisis services at SDC. Specifically, this proposal would create separate crisis units at each facility. An existing, ICF-DD certified housing unit will be modified and staffed at each facility to serve residents requiring crisis services in a five-bed, distinct unit.

Under current law, FDC is the only developmental center that accepts crisis placements, under defined circumstances. Persons placed at FDC under current policy are housed within existing units and among existing FDC residents. DDS has found this to be of less-than-optimal benefit to both the person in crisis and the current residents.

The cost to establish the proposed crisis unit at FDC is $2.1 million ($1.2 million GF) and will require 28.8 new permanent positions (full year). The cost to establish the proposed crisis unit at SDC is $1.1 million ($736,000 GF) and will require 14.3 permanent staff positions (half year).

Along with the funding described above, the May Revision proposes trailer bill language to expand authority for acute crisis placements, already established in law, to SDC.

Questions for DDS:

- Please describe the proposal.
- Given that this proposal establishes, in a more formal way, the provision of crisis services in the developmental centers, would it be prudent to provide additional definition of these in statute?

Staff recommendation: Approve the funding and positions as proposed. Adopt modified trailer bill language, as follows:

Add subsection (h) to Welfare and Institutions Code 4418.7, to read:

The acute crisis centers at Fairview Developmental Center and Sonoma Developmental Center shall consist of one distinct unit at each developmental center, distinct from other developmental center residential units, and serve no more than five residents in each unit. The acute crisis centers shall assist the consumer to transition back to his or her prior residence, or an alternative community-based residential setting, within the timeframe described in this section.

ISSUE 5: Community State Staff Program - Future of Developmental Centers Implementation Component

A community state staff program was associated with both the Agnews and Lanterman developmental centers' closures. This program allows developmental center staff to continue to work with residents moving from a developmental center to the community, and maintain state staff status, through a contract with a community provider. Currently, 12 Lanterman DC employees have been selected for the community state staff program. The May Revision proposes trailer bill language to expand the Community State Staff Program to support anyone transitioning from any developmental center into the community. Because utilization during the early stages of the program is expected to be small, DDS currently has sufficient reimbursement authority within its proposed budget to support this program during 2014-15.

Questions for DDS:

- Please describe the proposal.
- How might DDS encourage more use of this program?

Staff recommendation: Approve the trailer bill language (attached), as proposed.

[i] All developmental center population references reflect the May 14, 2014 in-center census.

Attachments

PROPOSED MAY REVISION TRAILER BILL LEGISLATION
Department of Developmental Services
(629) COMMUNITY STATE STAFF PROGRAM

Section 1. Amend Government Code § 854.1 as follows:

854.1. (a) It is the intent of the Legislature to ensure continuity of care for ~~clients of Agnews Developmental Center and Lanterman Developmental Center~~ individuals with developmental disabilities transitioning from a developmental center to the community.
(b) In the effort to achieve these goals, it is the intent of the Legislature to seek and implement recommendations that include all of the following services to retain ~~Agnews and Lanterman~~ developmental center staff as employees:

(1) Crisis management teams that provide behavioral, medical, and dental treatment, training, and technical assistance.

(2) Specialized services, including adaptive equipment design and fabrication, and medical, dental, psychological, and assessment services.

(3) Staff support in community homes to assist individuals with behavioral or psychiatric needs.

(c) As used in this chapter, the terms "mental institution" or "medical facility" also include a developmental services facility. For the purposes of this chapter "developmental services facility" means any facility or place where a public employee provides ~~developmental~~ services ~~relating to the closure of Agnews Developmental Center or Lanterman Developmental Center~~ and supports to individuals transitioning from a developmental center to the community.

Sec. 2. Amend Welfare & Institutions Code § 4474.2 as follows:

4474.2. (a) Notwithstanding any law to the contrary, the department may operate any facility, provide its employees to assist in the operation of any facility, or provide other necessary services and supports if, in the discretion of the department, it determines that the activity will assist in meeting the goal of ~~the orderly closures of Agnews Developmental Center and Lanterman Developmental Center~~ successfully transitioning developmental center residents to community living. The department may contract with any entity for the use of the department's employees to provide services and supports in furtherance of ~~the orderly closures of Agnews Developmental Center and Lanterman Developmental Center~~ this goal.
(b) The department shall prepare a report on the use of the department's employees in providing services in the community to ~~assist in the orderly closures of Agnews Developmental Center and Lanterman Developmental Center~~ individuals transitioning from a developmental center. The report shall include data on the number and classification of state employees working in the community program. The report shall be submitted with the Governor's proposed budget for the ~~2012–13~~ 2015-16 fiscal year to the fiscal committees of both houses of the Legislature and annually thereafter.

PROPOSED MAY REVISION TRAILER BILL LEGISLATION
Department of Developmental Services
(628) CRISIS ADMISSIONS

Section 1. Amend Welfare & Institutions Code § 4418.7 as follows:

4418.7. (a) If the regional center determines, or is informed by the consumer's parents, legal guardian, conservator, or authorized representative that the community placement of a consumer is at risk of failing, and that admittance to a state developmental center is a likelihood, or the regional center is notified by a court of a potential admission to a developmental center consistent with Section 7505, the regional center shall immediately notify the appropriate regional resource development project, the consumer, and the consumer's parents, legal guardian, or conservator.

(b) In these cases, the regional resource development project shall immediately arrange for an assessment of the situation, including, visiting the consumer, if appropriate, determining barriers to successful integration, and recommending the most appropriate means necessary to assist the consumer to remain in the community. The regional center shall request assistance from the statewide specialized resource service pursuant to Section 4418.25 as necessary in order to determine the most appropriate means necessary to assist the consumer to remain in the community and shall provide the information obtained from the statewide specialized resource service to the regional resource developmental project. If, based on the assessment, the regional resource development project determines that additional or different services and supports are necessary, the department shall ensure that the regional center provides those services and supports on an emergency basis. An individual program plan meeting, including the regional resource development project's representative, shall be convened as soon as possible to review the emergency services and supports and determine the consumer's ongoing needs for services and supports. The regional resource development project shall follow up with the regional center as to the success of the recommended interventions until the consumer's living arrangement is stable.

(c) (1) If the regional resource development project determines, based on the assessment conducted pursuant to subdivision (b), that the consumer referred to the regional resource development project by the court cannot be safely served in the developmental center, the department shall notify the court in writing.

(2) (A) If the regional resource development project, in consultation with the regional center, the consumer, and the consumer's parents, legal guardian, or conservator, when appropriate, determines that admittance to a state developmental center is necessary due to an acute crisis, as defined in paragraph (1) of subdivision (d), the regional center shall immediately pursue the obtainment of a court order for short-term admission and crisis stabilization.

(B) (i) The regional resource development project, in consultation with the regional center, the consumer, and, when appropriate, the consumer's parents, legal guardian,

conservator, or authorized representative, shall not make a determination that admittance to a state developmental center is necessary due to an acute crisis as defined in paragraph (1) of subdivision (d) unless the determination includes a regional center report detailing all considered community-based services and supports and an explanation of why those options could not meet the consumer's needs at the time of such a determination.

(ii) For purposes of complying with clause (i), the regional center shall not be required to consider out-of-state placements or mental health facilities, including institutions for mental disease, as described in Part 5 (commencing with Section 5900) of Division 5, that are ineligible for federal Medicaid funding.

(d) (1) For purposes of this section, an "acute crisis" means a situation in which the consumer meets the criteria of Section 6500 and, as a result of the consumer's behavior, all of the following are met:

(A) There is imminent risk for substantial harm to self or others.

(B) The service and support needs of the consumer cannot be met in the community, including with supplemental services as set forth in subparagraph (E) of paragraph (9) of subdivision (a) of Section 4648 and emergency and crisis intervention services as set forth in paragraph (10) of subdivision (a) of Section 4648.

(C) Due to serious and potentially life-threatening conditions, the consumer requires a more restrictive environment for crisis stabilization.

(2) For purposes of paragraph (1), out-of-state placements or mental health facilities and other facilities, including institutions for mental disease, as described in Part 5 (commencing with Section 5900) of Division 5, for which federal Medicaid funding is not available, shall not be deemed to be supplemental services or emergency and crisis intervention services.

(e) When an admission occurs due to an acute crisis, all of the following shall apply:

(1) As soon as possible following admission to a developmental center, a comprehensive assessment shall be completed by the regional center in coordination with the developmental center. The comprehensive assessment shall include the identification of the services and supports needed for crisis stabilization and the timeline for identifying or developing the services and supports needed to transition the consumer back to the community. The regional center shall immediately submit a copy of the comprehensive assessment to the committing court. Immediately following the assessment, and not later than 30 days following admission, the regional center and the developmental center shall jointly convene an individual program plan meeting to determine the services and supports needed for crisis stabilization and to develop a plan to transition the consumer into community living pursuant to Section 4418.3. The clients' rights advocate for the regional center shall be notified of the admission and the individual program plan meeting and may participate in the individual program plan meeting unless the consumer objects on his or her own behalf.

(2) If transition is not expected within 90 days of admission, an individual program plan meeting shall be held to discuss the status of transition and to determine if the consumer is still in need of crisis stabilization. If crisis services continue to be

necessary, the regional center shall submit to the department an updated transition plan and a request for an extension of stay at the developmental center of up to 90 days.

(3) (A) A consumer shall reside in the developmental center no longer than six months before being placed into a community living arrangement pursuant to Section 4418.3, unless, prior to the end of the six months, all of the following have occurred:

(i) The regional center has conducted an additional comprehensive assessment based on information provided by the regional center, and the department determines that the consumer continues to be in an acute crisis.

(ii) The individual program planning team has developed a plan that identifies the specific services and supports necessary to transition the consumer into the community, and the plan includes a timeline to obtain or develop those services and supports.

(iii) The committing court has reviewed and, if appropriate, extended the commitment.

(B) The clients' rights advocate for the regional center shall be notified of the proposed extension pursuant to clause (iii) of subparagraph (A) and the individual program plan meeting to consider the extension, and may participate in the individual program plan meeting unless the consumer objects on his or her own behalf.

(C) (i) In no event shall a consumer's placement at the developmental center exceed one year unless both of the following occur:

(I) The regional center demonstrates significant progress toward implementing the plan specified in clause (ii) of subparagraph (A) identifying the specific services and supports necessary to transition the consumer into the community.

(II) Extraordinary circumstances exist beyond the regional center's control that have prevented the regional center from obtaining those services and supports within the timeline based on the plan.

(ii) If both of the circumstances described in subclauses (I) and (II) exist, the regional center may request, and the committing court may grant, an additional extension of the commitment, not to exceed 30 days.

(D) Consumers placed in the community after admission to a developmental center pursuant to this section shall be considered to have moved from a developmental center for purposes of Section 4640.6.

(f) The department shall collect data on the outcomes of efforts to assist at-risk consumers to remain in the community. The department shall make aggregate data on the implementation of the requirements of this section available, upon request.

(g) Notwithstanding any other law or regulation, commencing July 1, 2012 and until December 31, 2014, Fairview Developmental Center shall be the only developmental center authorized to admit a consumer pursuant to a court order for an acute crisis as described in this section. Commencing January 1, 2015, admissions to a developmental center for an acute crisis as described in this section are authorized pursuant to a court order only to the acute crisis center at Fairview Developmental Center or the acute crisis center at Sonoma Developmental Center.

Sec. 2. Amend Welfare & Institutions Code § 6509 as follows:

6509. (a) If the court finds that the person has a developmental disability, and is a danger to himself, herself, or to others, the court may make an order that the person be committed to the State Department of Developmental Services for suitable treatment and habilitation services. Suitable treatment and habilitation services is defined as the least restrictive residential placement necessary to achieve the purposes of treatment. Care and treatment of a person committed to the State Department of Developmental Services may include placement in any of the following:

(1) Any licensed community care facility, as defined in Section 1504, or any health facility, as defined in Section 1250, other than a developmental center or state-operated facility.

(2) Prior to January 1, 2015, Fairview Developmental Center or, on or after January 1, 2015, the acute crisis center at Fairview Developmental Center or the acute crisis center at Sonoma Developmental Center, if the person meets the criteria for admission pursuant to paragraph (2) of subdivision (a) of Section 7505.

(3) The secure treatment program at Porterville Developmental Center if the person meets the criteria for admission pursuant to paragraph (3) of subdivision (a) of Section 7505.

(4) Any other appropriate placement permitted by law.

(b) (1) The court shall hold a hearing as to the available placement alternatives and consider the reports of the regional center director or designee and the developmental center director or designee submitted pursuant to Section 6504.5. After hearing all the evidence, the court shall order that the person be committed to that placement that the court finds to be the most appropriate and least restrictive alternative. If the court finds that release of the person can be made subject to conditions that the court deems proper and adequate for the protection and safety of others and the welfare of the person, the person shall be released subject to those conditions.

(2) The court, however, may commit a person with a developmental disability who is not a resident of this state under Section 4460 for the purpose of transportation of the person to the state of his or her legal residence pursuant to Section 4461. The State Department of Developmental Services shall receive the person committed to it and shall place the person in the placement ordered by the court.

(c) If the person has at any time been found mentally incompetent pursuant to Chapter 6 (commencing with Section 1367) of Title 10 of Part 2 of the Penal Code arising out of a complaint charging a felony offense specified in Section 290 of the Penal Code, the court shall order the State Department of Developmental Services to give notice of that finding to the designated placement facility and the appropriate law enforcement agency or agencies having local jurisdiction at the site of the placement facility.

(d) If the Department of Developmental Services decides that a change in placement is necessary, it shall notify in writing the court of commitment, the district attorney, and the attorney of record for the person and the regional center of its decision at least 15 days in advance of the proposed change in placement. The court may hold a hearing and (1)

approve or disapprove of the change, or (2) take no action in which case the change shall be deemed approved. At the request of the district attorney or of the attorney for the person, a hearing shall be held.

Sec. 3. Amend Welfare & Institutions Code § 7505 as follows:

7505. (a) Notwithstanding any other provision of law, commencing July 1, 2012, the State Department of Developmental Services shall not admit anyone to a developmental center unless the person has been determined eligible for services under Division 4.5 (commencing with Section 4500) and the person is:
(1) Committed by a court to Porterville Developmental Center, secure treatment program, pursuant to Section 1370.1 of the Penal Code.

(2) Committed by a court to Fairview Developmental Center prior to January 1, 2015, or the acute crisis center at Fairview Developmental Center or the acute crisis center at Sonoma Developmental Center on or after January 1, 2015, pursuant to Article 2 (commencing with Section 6500) of Chapter 2 of Part 2 of Division 6 due to an acute crisis, pursuant to Section 4418.7.

(3) Committed by a court to Porterville Developmental Center, secure treatment program, pursuant to Article 2 (commencing with Section 6500) of Chapter 2 of Part 2 of Division 6 as a result of involvement with the criminal justice system, and the court has determined the person is mentally incompetent to stand trial.

(4) A person described in Section 4508.

(5) A juvenile committed to Porterville Developmental Center, secure treatment program, pursuant to Section 709.

(b) Under no circumstances shall the State Department of Developmental Services admit a person to a developmental center after July 1, 2012, as a result of a criminal conviction or where the person is competent to stand trial for the criminal offense and the admission is ordered in lieu of trial.

Peggy Collins 651-1891
Senate Budget & Fiscal Review

OUTCOMES: **Senate Subcommittee #3 on Health & Human Services**
Monday, May 19, 2014 (Room 4203)
PART A

Members Present: Corbett, Monning, Morrell

4300 Department of Developmental Services

Vote Only

- Issue One: BCP #3 Vendor Audit Positions – BCP and placeholder supplemental report language. **Approve. Vote: 3-0**
-

DDS Headquarters

- Issue One: Redirection of Headquarters Staff – **Approve. Vote: 3-0**

DEVELOPMENTAL CENTERS

- Issue 1: May Revision Adjustments – **Approve. Vote: 2-1 (Morrell)**
- Issue 2: Lanterman Developmental Center Closure Adjustments **– Approve. Vote: 2-1 (Morrell)**
- Issue 3: Fairview, Porterville and Lanterman Developmental Centers Program Improvement Plans Adjustments – **Approve funding and language to require that quarterly reporting to staff be expanded to include all DCs and Canyon Springs. Vote: 2-1 (Morrell)**
- Issue 4: Crisis Services at Fairview and Sonoma Developmental Centers: funding and positions and modified placeholder TBL **– Approve. Vote: 3-0**
- Issue 5: Community State Staff Program: placeholder trailer bill language – **Approve. Vote: 2-1**

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett

Senator Bill Monning
Senator Mike Morrell

May 20, 2014

1:00 pm

Room 4203, State Capitol

Agenda
(Michelle Baass)

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate Daily File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

VOTE ONLY

0530 California Health and Human Services Agency (CHHSA)

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

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

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

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

Amendment to Provision 3 of Item 0530-001-9745

3. (a) Of the funds appropriated in this item, ~~$87,091,000~~ $160,242,000 is for the support of activities related to the California Healthcare Eligibility, Enrollment, and Retention System project also known as CalHEERS. Expenditure of these funds is contingent upon review and approval of a plan submitted to the Director of Finance.

(b) The Director of Finance may augment this item above the amount specified in subdivision (a) contingent upon review and approval of a revised plan submitted to the Director of Finance.

2. Office of the Patient Advocate

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

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

4140 Office of Statewide Health Planning and Development (OSHPD)

1. Song-Brown Primary Care Residency

Budget Issue. OSHPD requests the following:

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

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

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

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

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

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

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

4150 Department of Managed Health Care

1. New Customer Relationship Management System

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

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

Subcommittee Staff Recommendation—Approve.

2. AB 1 X1 – Medi-Cal Expansion Workload

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

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

Subcommittee Staff Recommendation—Approve.

3. SB 2 X1 – Individual Mandate Workload

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

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

Subcommittee Staff Recommendation—Approve.

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

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

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

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

4260 Department of Health Care Services

1. CalHEERS and Medi-Cal Enrollment

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

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

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

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

Subcommittee Staff Comment and Recommendation—Approve.

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

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

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

Subcommittee Staff Recommendation—Approve.

3. AB 85 - County Realignment - Request for Positions

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

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

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

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

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

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

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

Subcommittee Staff Recommendation—Approve.

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

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

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

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

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

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

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

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

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

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

6. Coordinated Care Initiative (CCI) Position Request

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

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

Subcommittee Staff Recommendation—Approve.

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

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

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

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

Subcommittee Staff Recommendation—Approve.

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

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

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

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

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

9. Pediatric Dental Outreach Proposal

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

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

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

Subcommittee Staff Recommendation—Approve.

10. Medi-Cal Managed Care Ombudsman Program

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

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

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

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

11. State Only Health Programs

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

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

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

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

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

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

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

13. Family Health Programs Adjustments (DOF Issue 104)

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

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

Table: Family Health Funding Estimate May Revise Summary

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

Table: Family Health Caseload Estimate May Revise Summary

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

Subcommittee Staff Comment and Recommendation—Approve.

4265 Department of Public Health

1. Health in All Policies Task Force

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

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

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

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

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

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

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

Subcommittee Staff Recommendation—Approve.

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

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

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

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

4. Authority to Apply for Federal Grants

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

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

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

Add Health and Safety Code 131058 as follows:

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

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

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

Subcommittee Staff Recommendation—Approve.

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

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

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

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

Subcommittee Staff Recommendation—Approve.

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

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

Subcommittee Staff Recommendation—Approve.

8. Suspension of Tuberculosis Control Mandate

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

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

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

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

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

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

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

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

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

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

4280 Managed Risk Medical Insurance Board

1. Eliminate MRMIB

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

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

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

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

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

- Transition 27 positions at MRMIB to DHCS.

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

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

4560 Mental Health Services Oversight and Accountability Commission

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

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

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

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

ISSUES FOR DISCUSSION

4150 Department of Managed Health Care (DMHC)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this proposal.

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

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

4560 Mental Health Services Oversight and Accountability Commission

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this item.

4120 Emergency Medical Services Authority (EMSA)

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

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

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

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

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

Table: Proposed California Poison Control Budget Summary

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

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

Questions.

1. Please provide an overview of this proposal.

2. Local Trauma System Plan Reviews

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

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

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

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

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

Questions.

1. Please provide an overview of this issue.

4265 Department of Public Health

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

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

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

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

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this issue.

2. Biomonitoring (DOF ISSUE 506)

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

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

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

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

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

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

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this item.

3. Licensing and Certification (L&C) Oversight

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Questions.

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

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

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

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

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

4. L&C – Timely Investigations of Caregivers

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

DPH requests the following positions:

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

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

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

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this issue.

4260 Department of Health Care Services

1. Pediatric Vision Pilot Projects (DOF ISSUE 107)

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

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

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

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

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

Questions.

1. Please provide an overview of this proposal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this item.

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

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

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

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

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

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

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

Questions.

1. Please provide an overview of this issue.

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

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

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

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

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

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

Questions.

1. Please provide an overview of this issue.

Michelle Baass 651-4103
Senate Budget & Fiscal Review

OUTCOMES: Senate Subcommittee #3 on Health & Human Services
Tuesday, May 20

VOTE ONLY

0530 California Health and Human Services Agency (CHHSA)

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

Amendment to Provision 3 of Item 0530-001-9745

3. (a) Of the funds appropriated in this item, ~~$87,091,000~~ $160,242,000 is for the support of activities related to the California Healthcare Eligibility, Enrollment, and Retention System project also known as CalHEERS. Expenditure of these funds is contingent upon review and approval of a plan submitted to the Director of Finance.

(b) The Director of Finance may augment this item above the amount specified in subdivision (a) contingent upon review and approval of a revised plan submitted to the Director of Finance.

2. Office of the Patient Advocate

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Adjust OPA's Budget. It is recommended to adjust OPA's budget, a reduction of $648,000, to reflect the transfer of resources to DMHC.

4140 Office of Statewide Health Planning and Development (OSHPD)

1. Song-Brown Primary Care Residency

- Approved staff recommendation (3-0)

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

4150 Department of Managed Health Care

1. New Customer Relationship Management System

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Approve.

2. AB 1 X1 – Medi-Cal Expansion Workload

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Approve.

3. SB 2 X1 – Individual Mandate Workload

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Approve.

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

Add Provisional language to Budget Bill Item 4150-001-0933

X. Of the amount appropriated in this item, $583,000 is available to the Department of Managed Health Care to contract with community based organizations to provide assistance to consumers in navigating private and public health care coverage pursuant to Code Section 1368.05 of the Health and Safety Code.

4260 Department of Health Care Services

1. CalHEERS and Medi-Cal Enrollment

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Approve.

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Approve.

3. AB 85 - County Realignment - Request for Positions

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Approve.

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

- Approved (3-0)

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

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

- Approved (3-0)

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

6. Coordinated Care Initiative (CCI) Position Request

- Approved (3-0)

Subcommittee Staff Recommendation—Approve.

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Recommendation—Approve.

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

- Approved (3-0)

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

9. Pediatric Dental Outreach Proposal

- Approved (3-0)

Subcommittee Staff Recommendation—Approve.

10. Medi-Cal Managed Care Ombudsman Program

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Add nine positions. Given that almost seven million individuals now receive Medi-Cal through managed care, it is appropriate to ensure that resources are available to assist consumers and help them understand their managed care benefits and

help resolve any questions or issues. Consequently, it is recommended to add nine permanent positions (one health education consultant and eight associate governmental program analysts) for $1,015,000 ($507,000 General Fund) in 2014-15 and $997,000 ($498,000 General Fund) annually thereafter to the Medi-Cal Managed Care Ombudsman Program.

11. State Only Health Programs

- Approved (2-0, Senator Morrell not voting)

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

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

- Approved (3-0)

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

13. Family Health Programs Adjustments (DOF Issue 104)

- Approved staff recommendation (2-0, Senator Morrell not voting)

Subcommittee Staff Comment and Recommendation—Approve.

4265 Department of Public Health

1. Health in All Policies Task Force

- Approved staff recommendation (3-0)

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

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

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

- Approved staff recommendation (3-0)

Subcommittee Staff Recommendation—Approve.

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

4. Authority to Apply for Federal Grants

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

Add Health and Safety Code 131058 as follows:

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

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

- Approved staff recommendation (3-0)

Subcommittee Staff Recommendation—Approve.

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

- Approved staff recommendation (3-0)

Subcommittee Staff Recommendation—Approve.

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

- Approved staff recommendation (3-0)

Subcommittee Staff Recommendation—Approve.

8. Suspension of Tuberculosis Control Mandate

- Approved staff recommendation (3-0)

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

4280 Managed Risk Medical Insurance Board

1. Eliminate MRMIB

- Approved staff recommendation (3-0)

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

4560 Mental Health Services Oversight and Accountability Commission

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

- Approved staff recommendation (3-0)

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

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

ISSUES FOR DISCUSSION

4150 Department of Managed Health Care (DMHC)

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

- Approved staff recommendation (2-0, Senator Morrell not voting)

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

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

4560 Mental Health Services Oversight and Accountability Commission

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

> 4560-491—Reappropriation, Mental Health Services Oversight and Accountability Commission. The balances of the appropriations provided in the following citations are reappropriated for the purposes specified below and shall be available for encumbrance or expenditure until June 30, 2017.
> 3085—Mental Health Services Fund
> (1) Item 4560-001-3085, Budget Act of 2013 (Ch. 20, Stat. of 2013)
> Provisions:
> 1. Of the funds reappropriated in this item, up to $7,000,000 shall be made available for suicide prevention efforts.

2. It is the intent of the Legislature, that the remaining funds continue funding triage personnel grants approved by the Commission. Therefore, notwithstanding any other provision of law, the balance of the appropriation may, upon approval of the Department of Finance, be reappropriated for additional grants. The funds reappropriated by this provision shall be made available consistent with the amount approved by the Department of Finance subject to the availability of funds within the state administrative cap of the Mental Health Services Fund for grants approved by the Mental Health Services Oversight and Accountability Commission not sooner than 30 days after providing notification in writing to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

4120 Emergency Medical Services Authority (EMSA)

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

- Approved staff recommendation (3-0)

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

It is also recommended to reject the April Finance Letter requesting to use First 5 State Funds for this purpose, as the May Revision proposal replaces the April Letter.

2. Local Trauma System Plan Reviews

- This issue was pulled from the agenda and not discussed.

4265 Department of Public Health

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

- Approved staff recommendation (2-0, Senator Morrell not voting)

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

2. Biomonitoring (DOF ISSUE 506)

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

3. Licensing and Certification (L&C) Oversight

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

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

2. Establishes an L&C stakeholder workgroup that shall meet at least on a quarterly basis and shall include but not be limited to representatives from consumer advocate organizations, health facilities, unions, and the Legislature. This workgroup shall advise L&C on the development of solutions and new policies that would improve the program and ensure that Californians receive the highest quality of medical care in health facilities.

4. L&C – Timely Investigations of Caregivers

- Approved staff recommendation (3-0)

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

4260 Department of Health Care Services

1. Pediatric Vision Pilot Projects (DOF ISSUE 107)

- Approved staff recommendation (3-0)

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

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

- Approved staff recommendation (3-0)

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

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

- Approved staff recommendation (3-0)

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

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

- Approved staff recommendation (2-1, Senator Morrell voting no)

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

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett

Senator Bill Monning
Senator Mike Morrell

May 21, 2014

10 a.m.
Room 4203, State Capitol

Agenda – Part A
(Michelle Baass)

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate Daily File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

VOTE ONLY

4260 Department of Health Care Services

1. Medi-Cal Estimate Update – Technical Adjustments (DOF ISSUE 101)

May 2014 Medi-Cal Estimate. It is requested that the technical adjustments noted below be made to the following budget bill items to reflect a variety of caseload and cost changes not highlighted in the other Medi-Cal proposals:

1. Item 4260-101-0001 be decreased by $98,125,000 and reimbursements be increased by $1,421,174,000
2. Item 4260-101-0232 be increased by $1,702,000
3. Item 4260-101-0236 be decreased by $1,702,000
4. Item 4260-101-0890 be increased by $5,833,052,000
5. Item 4260-101-3168 be increased by $9,617,000
6. Item 4260-102-0001 be increased by $18,251,000
7. Item 4260-102-0890 be increased by $18,251,000
8. Item 4260-106-0890 be increased by $1,669,000
9. Item 4260-113-0001 be increased by $235,150,000
10. Item 4260-113-0890 be increased by $453,253,000
11. Item 4260-113-3055 be decreased by $294,000
12. Item 4260-117-0001 be increased by $1,491,000
13. Item 4260-117-0890 be increased by $343,000

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the above adjustments, with any changes to conform as appropriate to other actions that have been, or will be, taken. This is a technical adjustment.

2. Fingerprinting and Criminal Background Checks

Budget Issue. DHCS seeks statutory authority to receive the results of criminal background checks of applicants and providers from the Department of Justice (DOJ) in order to screen or enroll the Medi-Cal provider applicants and providers.

Trailer bill language is also requested to clarify that applicant/providers will be responsible for reimbursing DOJ the costs to complete the expanded background checks and fingerprinting. The added language provides DOJ with clear legal authority to charge the providers for the fingerprinting and background checks.

This issue was heard in Subcommittee No. 3 on March 20th. Since then, the Administration has worked with the Department of Social Services to clarify in the trailer bill language that IHSS providers will

follow the current fingerprinting and criminal background check process required in Welfare and Institutions Code Section 15660.

Additionally, DHCS anticipates receiving final guidance for Medicaid providers within the next few months. DHCS will implement this requirement within 60 days of the issuance of the final guidance from CMS.

Subcommittee Staff Recommendation—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill language to implement this proposal.

3. Pregnancy Only Proposal

Budget Issue. DHCS' pregnancy only proposal has two main components:

1. **Provide Full-Scope Medi-Cal for Pregnant Women Below 109 percent FPL.** DHCS proposes to provide full-scope coverage—rather than pregnancy-only coverage—to all pregnant women below 109 percent of the federal poverty level (FPL) who receive coverage from Medi-Cal (who are not otherwise eligible for full-scope coverage). DHCS estimates no additional costs associated with providing full-scope coverage instead of pregnancy-only coverage, based on the assumption that there are no significant differences in coverage.

2. **Provide Medi-Cal Cost-Sharing and Benefit Wrap for Pregnant Women between 109 percent and 208 percent FPL.** DHCS also proposes to shift pregnant women between 109 percent and 208 percent of FPL who qualify for Medi-Cal pregnancy-only coverage to plans offered through Covered California. The budget assumes General Fund savings of $17 million in 2014-15 related to this component of the proposal since the federal government (through Covered California) would pick up the costs of comprehensive health coverage for these women. DHCS would implement this provision beginning January 1, 2015 and estimates that 8,100 Medi-Cal enrollees currently receiving pregnancy-only coverage would shift into Covered California.

LAO Comments and Recommendations. The LAO finds that the Governor's proposal would (1) likely reduce General Fund spending, while potentially providing more generous benefits, (2) full-scope coverage would eliminate coverage inconsistencies for pregnant women, and (3) certain details of the proposal remain unclear, such as the differences in covered services and costs between full-scope and pregnancy-only coverage. The LAO recommends the Administration clarify (1) the differences in covered services between full-scope Medi-Cal and pregnancy-only Medi-Cal and (2) continuity of coverage and plan choice for individuals moving between Medi-Cal and Covered California.

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

Subcommittee Staff Recommendation and Comment—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill language to implement this proposal. It is important to ensure that pregnant women are eligible for full-scope comprehensive health coverage.

4. Statewide Outpatient Medi-Cal Contract Drug List

Budget Issue. DHCS requests trailer bill language to:

1. **Statewide Formulary.** Establish a core statewide outpatient Medi-Cal contract drug list (CDL) formulary for all Medi-Cal beneficiaries, including the Family Planning, Access, Care and Treatment Program (FPACT). Any of the drugs on this statewide formulary would be available without a treatment authorization request. Managed care plans would be required to use this core formulary, as a minimum, and could add additional drugs at their discretion.

2. **Additional State Supplemental Drug Rebates.** Negotiate supplemental drug rebate contracts with manufacturers for all Medi-Cal programs, including managed care plans and FPACT. The budget estimates General Fund savings of $32.5 million in 2014-15 and annual General Fund savings of at least $65 million as a result of these supplemental drug rebates.

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

LAO Findings and Recommendation. The LAO recently released its findings and recommendation regarding this proposal. The LAO finds that this proposal achieves short term savings, although the amount is uncertain, but that the Administration is downplaying the upward pressure of future managed care capitation rates which could lead to long-term net costs to the state. Additionally, the LAO finds that this proposal departs from a basic principle of managed care—that if plans are given financial risk for a benefit, they should also be given meaningful control over costs and utilization for that benefit. Consequently, the LAO recommends that the Legislature reject the Governor's proposal.

Subcommittee Staff Comment and Recommendation—Reject. Staff concurs with the LAO recommendation. It is recommended to reject this proposal. The Administration has not demonstrated that these savings would materialize and has not provided justification for limiting a managed care plan's ability to coordinate and manage the care and pharmacy benefit of its enrollees.

5. Monitoring Medi-Cal Dental Services Utilization

Oversight Issue. Over the last few years, concerns have been raised regarding access to and utilization of Medi-Cal dental services. As discussed in the prior agenda item, the state currently does not have tools to monitor Medi-Cal Denti-Cal fee-for-service (FFS) access or utilization in 56 counties. While there is the ability to monitor Medi-Cal dental services provided through dental managed care in Sacramento and Los Angeles counties, these monitoring reports indicate that plans have experienced difficulty in meeting performance benchmarks.

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

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill to establish a metrics to monitor utilization and access in the Denti-Cal program.

4265 Department of Public Health

1. Nutrition Education and Obesity Prevention Branch – Contract Conversion

Budget Issue. DPH's Nutrition Education and Obesity Prevention Branch (NEOPB) requests authority to convert 70 personal service contract positions to 45 state positions. These positions are federally funded by the United States Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program for Education (SNAP-Ed) through a reimbursement contract with the California Department of Social Services (CDSS). This personal services contract expires on September 30, 2014.

This issue was heard at the March 20th Subcommittee No. 3 hearing. Since this hearing, the Administration has worked with stakeholders to develop an alternative to the January proposal. This alternative would:

- Create 45 new DPH positions and 13 new research positions, which will be contracted through an interagency agreement with the University of California, Berkeley. This is not change from the January proposal.

- DPH would propose a non-competitive bid (NCB) contract with the Public Health Institute (PHI), the current contractor, for a 12 month period. This one-time NCB contract will be for an amount ranging from $5.5M - $6.5M for services that include knowledge transfer, technical assistance to state staff, and other services that will enable a smooth transition to DPH state staff for SNAP-ED functions currently performed by PHI. This NCB will meet USDA's needs to ensure program continuity and efficacy, provide sufficient time for CDPH to transition to functions previously performed by PHI. This NCB would be funded with the savings ($12.7 million) identified as part of the contract conversion that would have been allocated to local health departments as proposed in the January budget proposal.

Subcommittee Staff Comment and Recommendation—Modify. It is recommended to modify the Governor's January budget request to convert the SNAP-Ed contract to state positions by adopting the alternative described above with conforming changes to the state operations and local assistance amounts. This alternative provides for a smoother transition of this contract and helps ensure program continuity.

2. Genetic Disease Screening Program

Budget Issue. DPH proposes total expenditures of $116.9 million (Genetic Disease Testing Fund) for the Genetic Disease Screening Program (GDSP). This reflects a net increase of $8 million (Genetic Disease Testing Fund) as compared to the current-year. This program is fully fee supported. See table below for funding summary.

Table: Genetic Disease Screening Program Funding Summary

	2013-14	2014-15	BY to CY
	Projected	**Proposed**	**Change**
State Operations	$25,157,000	$28,258,000	$3,101,000
Local Assistance	$83,704,000	$88,654,000	$4,950,000
Total	$108,861,000	$116,912,000	$8,051,000

Included in the GDSP budget estimate are the following proposals:

- **Prenatal Screening Program Fee Increase.** DPH proposes to increase the fee in the Prenatal Screening Program by $45 to bring the total fee to $207, effective July 1, 2014. This fee covers a blood test for participating women and follow-up services offered to women with positive screening results. Although participation in the Prenatal Screening Program is voluntary, providers are required to offer screening to all women in California.

  DPH states that the fee increase is necessary to correct for the historic overstatement of caseload and the resulting inadequate fee revenue in recent years to cover costs. Historically, the Prenatal Screening Program has assumed a caseload of approximately 80 percent of the state's births; however, the caseload has been closer to 73 percent of the annual birth rate. DPH states that this fee increase will stabilize the fund over the next three years.

- **Consolidate Regional Screening Laboratories.** DPH proposes to consolidate the number of regional contract screening laboratories from seven laboratories down to five in order to achieve savings through economies of scale. Contract laboratories perform newborn screening and prenatal screening using state-supplied equipment, reagents, methods, and protocols; the labs provide qualified personnel to do the work for DPH. The savings would be realized primarily through a reduction of testing equipment and the related maintenance, operation, and repair expenses. The estimated one-time upfront moving costs in 2014-15 could range from $200,000 to $800,000, depending on the outcome of the competitive bidding process and how many existing Newborn and Prenatal Screening Labs are successful bidders for the newly consolidated regions. DPH anticipates savings of approximately $1.7 million dollars per year, which would occur no sooner than 2015-16.

- **Refine Algorithm for Detecting Positive Case.** DPH is investigating reducing the false positive rate for certain disorders. This would result in a decrease in reference laboratory services, follow-up diagnostic services, and case management and coordination services.

Subcommittee Staff Comment and Recommendation—Approve.

4120 Emergency Medical Services Authority (EMSA)

1. Statewide Emergency Medical Response Capacity

Oversight Issue. For several years, the Legislature has grappled with the impacts and consequences of diminishing resources at both EMSA and the Department of Public Health, with regard to the state's emergency medical preparedness capacity.

Subcommittee Staff Recommendation—Adopt Supplemental Reporting Language. It is recommended to adopt supplemental reporting language for EMSA that describes in detail the available state and local resources available in a medical disaster, a comparison of how the state's resources compare to other states and countries of similar size, and recommendations on California's unmet needs in this area. This action conforms to actions taken in the Assembly Subcommittee No. 1.

ISSUES FOR DISCUSSION

4260 Department of Health Care Services

1. Medi-Cal Caseload Update (DOF ISSUE 103,104, 105)

Budget Issue. The May Revision projects total expenditures in 2014-15 for Medi-Cal to be $90.6 billion ($17.4 billion General Fund) which is an increase of $17 billion ($502 million General Fund) as compared to the Governor's January budget. See tables below for details.

As of April 30, 2014, there are 10.6 million individuals enrolled in Medi-Cal and of these 566,000 are related to the mandatory Medi-Cal expansion.

Key adjustments to the Governor's January budget included in the May Revision are:

- An increase of $510 million General Fund related to the Medi-Cal mandatory expansion under the federal Affordable Care Act (ACA). This increase assumes a 60 percent increase in this caseload and an increase in the per enrollee cost for some of these individuals.
- A decrease of $17.7 million General Fund as a result of the conversion to Modified Adjusted Gross Income (MAGI) eligibility rules and changes in federal claiming.
- An increase of $187.2 million General Fund related to increases in managed care rates.

Table: January to May Revision Current Year Comparison

	January Budget	**May Revision**	
	2013-14	**2013-14**	**Difference**
Benefits	$65,641,000,000	$58,665,000,000	-$6,976,000,000
County Administration (Eligibility)	$3,622,500,000	$3,282,300,000	-$340,200,000
Fiscal Intermediaries (Claims Processing)	$414,300,000	$424,700,000	$10,400,000
Total	**$69,677,800,000**	**$62,372,100,000**	-$7,305,700,000
General Fund	$16,229,900,000	$16,646,800,000	$416,900,000
Federal Funds	$43,631,300,000	$39,521,400,000	-$4,109,900,000
Other Funds	$9,816,700,000	$6,203,800,000	-$3,612,900,000

Table: January to May Revision Budget Year Comparison

	January Budget	May Revision	
	2014-15	2014-15	Difference
Benefits	$69,725,300,000	$86,366,800,000	$16,641,500,000
County Administration (Eligibility)	$3,361,900,000	$3,724,400,000	$362,500,000
Fiscal Intermediaries (Claims Processing)	$419,300,000	$492,900,000	$73,600,000
Total	**$73,506,400,000**	**$90,584,100,000**	$17,077,700,000
General Fund	$16,899,500,000	$17,401,800,000	$502,300,000
Federal Funds	$45,752,500,000	$58,745,000,000	$12,992,500,000
Other Funds	$10,854,500,000	$14,437,300,000	$3,582,800,000

Table: Current Year and Budget Year Comparisons of ACA Related Medi-Cal Expansions

	2013-14			2014-15		
	January	May	Diff.	January	May	Diff.
Medi-Cal Caseload	9,170,500	9,358,200	2%	10,106,200	11,500,500	14%
Medi-Cal ACA Mandatory Expansion						
Average Monthly Caseload	130,046	157,789	21%	508,540	815,358	60%
General Fund	$103,754,350	$193,414,050	86%	$419,214,950	$929,905,350	122%
Medi-Cal ACA Optional Expansion						
Average Monthly Caseload	326,592	462,678	42%	769,069	1,627,276	112%

Administration's Methodology to Determine Mandatory Expansion Caseload. The Administration indicates that it based its caseload projections on enrollment data through mid-April, general caseload growth of one percent, and certain assumptions about the estimated 996,000 pending Medi-Cal applications. Some of the assumptions regarding these pending applications include:

- 15 percent would be denied coverage
- 4.4 percent overlap with the Express Lane population
- 22.84 percent would be considered part of the mandatory expansion (based upon CalHEERS non-pending aid codes)

With these assumptions, the Administration estimates that of the 996,000 pending Medi-Cal applications, 265,000 would be eligible under the mandatory expansion and 478,000 would be eligible under the optional expansion.

Additionally, the Administration finds that only 31 percent in the current year and 62 percent in the budget year of new Medi-Cal enrollees would enroll in managed care.

Administration's Methodology to Determine Mandatory Expansion Costs. The Administration revised its methodology to determine the per enrollee cost for the mandatory population. In the May Revision the Administration assumes a new, significantly higher per member per month (PMPM) cost for a large portion of individuals who are assumed to enroll in fee-for-service (FFS), it used a $202.95 PMPM for children and $369.41 PMPM for adults, compared to the weighted average $139 PMPM under managed care. The Administration contends that the reason for this new assumption is that given the overwhelming response in enrollment into Medi-Cal, it is taking longer for individuals to choose and sign up for health plans. Consequently, a PMPM based on FFS utilization is assumed. In some cases, these PMPM costs are close to three times the PMPM cost in managed care and the PMPM costs for a health population in FFS.

Table: Administration's Mandatory Expansion Per Member Per Month Costs

	2013-14	2014-15
Managed Care Adult	$139	$145.95
Managed Care Child	$97.10	$101.95
Fee-For-Service Adult	$369.41	$387.88
Fee-For-Service Child	$202.95	$213.10

LAO Finding—Administration's Mandatory Expansion Caseload Estimates Plausible. The LAO finds that the assumptions used to estimate caseload are plausible. However, since the type and scope of changes made by the ACA are largely unprecedented and the major provisions of the ACA have only been in effect for a few months, the estimates of additional enrollment associated with the mandatory expansion are subject to considerable uncertainty.

LAO Finding—Administration's Mandatory Expansion Costs Too High. The LAO finds that key assumptions about per enrollee costs appear too high. The LAO finds that it is unclear why the average costs in FFS for these new enrollees would be significantly higher—nearly three times higher in some cases—than average costs for non-disabled adults and children enrolled in managed care plans. In the LAO's view, the Administration's estimated PMPM costs for individuals in FFS are likely too high and the average PMPM for existing managed care enrollees is a more reasonable estimate of PMPM costs.

According to the LAO, when evaluating the Administration's PMPM assumptions for the mandatory expansion population, there are a couple of important factors to keep in mind. First, the mandatory expansion population is defined as individuals who, absent changes made by the ACA, would be eligible for Medi-Cal but not enrolled. In the LAO's view, it is reasonable to assume that—compared to the non-disabled parents and children that are already enrolled in the Medi-Cal—the mandatory expansion population is likely healthy and, on average, less costly. If these individuals had significant and costly health care needs, they likely would have enrolled in the program.

In addition, the LAO has concerns about using FFS costs for similar populations enrolled in FFS as a proxy for PMPM costs for mandatory expansion enrollees. The historical average FFS costs may include a disproportionately high number of costly services that likely would not apply to mandatory expansion enrollees. For example, non-disabled parents or children sometimes enroll in the program after visiting an emergency room and/or having an unexpected hospital stay--these costs are part of average FFS costs. In contrast, relatively few mandatory expansion enrollees will have FFS emergency room or hospital costs because, by definition, they are individuals who are enrolling in the program in response to factors such as enhanced outreach and streamlined enrollment process. Therefore, we would expect average mandatory expansion costs to be lower than existing average FFS costs.

LAO Recommendation—Adjust Medi-Cal Budget to Reflect Lower Costs. The LAO recommends the Legislature reduce the Medi-Cal budget to reflect lower PMPM cost assumptions for mandatory expansion enrollees. The LAO recommends the Legislature apply average PMPM costs for non-disabled parents and children that are currently enrolled in managed care—$139 for most enrollees and $97 for certain children in 2013-14—to the entire estimated mandatory expansion population. In our view, these PMPM cost assumptions are a more reasonable estimate of average PMPM costs for the mandatory expansion population than the much higher average PMPM assumptions—up to $369 dollars in some cases—used by the Administration. This would reduce the estimated Medi-Cal General Fund spending by about $64 million in 2013-14 and $230 million in 2014-15. The LAO indicates that it is working with the Administration on refining these adjustments.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as discussions continue on this issue. Compared to the January budget, the Administration estimates that there would be a 60 percent increase in the number of individuals enrolling under the mandatory expansion and that this would result in a 122 percent increase in General Fund costs related to this population. While it appears that the caseload estimate is reasonable, the Administration has not yet provided justification for why the costs for this population has increased so significantly. The Administration does not yet have actual claims data to support using a PMPM that is close to three times the PMPM for the non-disabled adult population. Individuals enrolling under the mandatory expansion would likely be healthy and would be a less expensive population.

Although the LAO finds the assumptions regarding the potential number of duplicative pending applications reasonable, it is also possible that the number could be higher. DHCS has found between 12 percent and 19 percent depending on the entry portal. It is possible that of those that have not been verified, the duplication percent may be at the higher-end as applicants who were not receiving a response towards the end of open enrollment may have been more likely to submit duplicate applications.

Questions.

1. Please provide an overview of the adjustments to the Medi-Cal caseload and budget.

2. Please explain why the Administration finds that only 31 percent in the current year and 62 percent in the budget year of new Medi-Cal enrollees would enroll in managed care?

3. Please explain the Administration's assumptions in using the FFS PMPM for the mandatory expansion population.

2. Eliminate Major Risk Medical Insurance Program (MRMIP) (DOF ISSUE 173)

Budget Issue. The May Revise proposes to eliminate MRMIP, effective January 1, 2015, and reduce $20.846 million local assistance funding from the Major Risk Medical Insurance Fund (MRMIF) in 2014-15. The reduction provides funds to cover MRMIP expenditures from July 1, 2014 to December 31, 2014. This proposal would also amend the annual appropriation of Proposition 99 funds to the MRMIF. In addition, this proposal would require the development of a transition plan that would be submitted to the appropriate policy and fiscal legislative committees by September 1, 2014, detailing processes to be employed regarding the closure of the program.

The 2014-15 Governor's January Budget proposed the transfer of the Major Risk Medical Insurance Program (MRMIP) and associated funding to the Department of Health Care Services (DHCS) effective July 1, 2014.

Table: MRMIP Budget Summary (in thousands)

	2013-14		2014-15	
	January Budget	**May Revision**	**January Budget**	**May Revision**
State Operations	$1,272	$1,272	$1,304	$1,304
Local Assistance	$41,691	$41,691	$41,691	$20,846
Total	$42,963	$42,963	$42,995	$22,150
Ending MRMIP Fund Reserve	$36,803	$36,803	$25,587	$35,010

Background. MRMIP was established by AB 60, Chapter 1168, Statutes of 1989. MRMIP is a program developed to provide health insurance for Californians unable to obtain coverage in the individual insurance market. MRMIP services are delivered through contracts with health insurance plans, and program subscribers participate in the payment for the cost of their coverage by paying monthly premiums equal to 100 percent of the average market cost of premiums, an annual deductible, and copayments.

MRMIP has an annual benefit cap of $75,000 and a lifetime benefit cap of $750,000. MRMIP supplements subscriber contributions to cover the cost of care that is funded annually by tobacco tax funds. To be eligible for MRMIP, California residency is a requirement, Medicare and/or COBRA coverage cannot be available except in specific circumstances, and proof that coverage was denied by a private insurer in the previous 12 months must be provided. Since MRMIP is a state-only funded program, proof of citizenship is not a requirement for enrollment.

There are approximately 60 MRMIP subscribers with End Stage Renal Disease (ESRD) under age 65 who are covered by Medicare (because of their ESRD diagnosis) but who cannot get the Medicare supplemental coverage that most Medicare subscribers need. This Medicare coverage disqualifies them from obtaining coverage through Covered California because of federal "anti-duplication" requirements

and state law currently allows the Medicare supplement market to exclude them. MRMIP in effect serves as the Medicare supplement for these individuals.

The Affordable Care Act (ACA) includes a prohibition against the denial of coverage for pre-existing health conditions and a prohibition of charging individuals with pre-existing conditions a higher premium due to their condition. Therefore, the need for a high risk pool and subsidized premium for individuals with a pre-existing condition has diminished considerably. This is evident by the fact that since the ACA open enrollment began in October 2013 the monthly caseload for MRMIP has declined by 54 percent. The MRMIP enrollment on October 1, 2013 was approximately 6,500 and now the current enrollment as of April 1, 2014 is approximately 2,972 subscribers. Most individuals with pre-existing conditions can now seek comprehensive coverage through Covered California or the individual market and cannot be denied coverage or be charged above market rates due to their condition.

Administration's Proposal Has Major Policy Concerns. Currently, individuals with ESRD are covered by Medicare and can also subscribe to MRMIP for supplemental coverage (a person with ESRD can have monthly medical costs of $4,000 to $6,000). As part of the proposal to eliminate MRMIP, the Administration proposes to require Medicare Supplement Plans to offer coverage to individuals with ESRD. According to one Medicare Supplement Plan, this could lead to current rates being increased by four to five times, which would likely lead to financial hardship for these current Medicare Supplement Plan enrollees.

Additionally, it is not clear why MRMIP could not be maintained as a form of supplemental insurance for ESRD individuals who are enrolled in Medicare, as Medicare would be considered minimal essential coverage, per the federal Affordable Care Act.

MRMIP is Over-Budgeted. In addition to the policy concerns stated above, the Administration's estimates for funding necessary for the current year and budget year for MRMIP are overstated. For example:

- **Current Year Does Not Account for Decreased Enrollment.** In the current year, MRMIP is budgeted for full caseload of 7,500 enrollees per month. However, as shown in the table below, enrollment in MRMIP has substantially decreased since January.

Table: July 2013-June 2014 MRMIP Enrollment

Month	Caseload
July	6,463
August	6,536
September	6,570
October	6,492
November	6,321
December	5,678
January	4,782
February	3,591
March	3,242

April	2,972
May	2,972
June	2,972

Using these enrollment figures would reduce MRMIP expenditures by approximately $14.8 million compared to the Governor's budget.

- **Budget Year Does Not Account for Decreased Enrollment.** The May Revision proposes to transfer $20 million in Proposition 99 funds to MRMIP to cover the MRMIP costs from July through December. However, if the MRMIP caseload stays at approximately 3,000 individuals per month, the cost of the program would only be $16.5 million.

- **Major Risk Medical Insurance Fund (MRMIF) Has Substantial Reserve.** Under the Governor's proposal, the MRMIF will have a reserve of $36.8 million at the end of 2013-14 and $35 million at the end of 2014-15. While sufficient funds need to be available to close out prior year MRMIP reconciliations, it is highly unlikely that a full year's appropriation would be needed to reconcile claims. The Administration has not been able to provide an estimate of the funds necessary to complete the reconciliation process.

Subcommittee Staff Comment and Recommendation—Reject. It is recommended to reject the Administration's proposal to eliminate MRMIP. The MRMIP program should be maintained as a program where Medicare-ESRD individuals can purchase supplemental coverage. The MRMIP program should also be maintained as an option for non-ESRD individuals who are in MRMIP today, in order to determine the nature of this population and other options for coverage. Consequently, it is recommended to adopt placeholder trailer bill language to:

- Require DHCS to convene a stakeholder workgroup composed of stakeholders, including health care providers, county representatives, labor, consumer advocates, immigrant policy advocates, and employers of low-wage workers to develop a plan to utilize available Major Risk Medical Insurance Funds including Managed Care Administrative Fines Penalties Funds transferred pursuant to Health and Safety Code 1341.45(c)(1)(B) to continue to provide health coverage to individuals that are not eligible for other full-scope programs or subsidies.

Questions.

1. Please provide an overview of the Administration's proposal.

2. Please explain why MRMIP can no longer be an option for Medicare enrollees with ESRD.

3. Robert F. Kennedy Medical Plan

Issue. The federal Affordable Care Act (ACA) introduces new standards for employer-sponsored health plans. The implementation dates for these requirements vary based on the plan's effective date, whether the plan is subject to a collective bargaining agreement (CBA), and whether the plan is self-insured or fully insured. Some plans may be "grandfathered". These plans are exempt from some provisions, while other requirements apply on the same date as they apply to other plans. The ACA allowed fully insured plans that are pursuant to a CBA to have certain elements of their plan be "grandfathered." ACA allows multiemployer plans with CBAs to maintain "grandfathered" status with the exception of lifetime and annual limits.

One such plan is the Robert F Kennedy (RFK) Medical Plan, a self-funded, self-insured plan that is subject to a CBA between the United Farmworker's Union (UFW) and multiple agricultural employers (also known as a Taft-Hartley Plan). According to the plan and the UFW, it provides coverage to approximately 10,710 lives. Of those 5,083 are adults and 5,627 are children. The employee and all dependents are automatically covered. The employer's contribution is between $2 and $3 per hour depending on the CBA. According to the plan and the UFW, the plan provides benefits that are equivalent or richer than is required under the ACA in almost every requirement. For instance, the occupational therapy is more generous than is required and all primary and preventive care is provided with very low co-pays and deductibles. According to the plan, about 96 percent of the RFK Plan's budget goes directly to providing benefits to its beneficiaries and their dependents, meeting and exceeding the medical loss ratio requirements.

There is one requirement however, that has proven to be a significant hurdle to the continued existence of the plan, the prohibition on annual and lifetime limits. The plan has a waiver until September 1, 2014 that exempts the plan from the annual limits and currently has an annual cap around $70,000. RFK estimates that the cost of a replacement plan that would be ACA compliant by removing annual limits would result in a 35 to 80 percent increase in costs. The plan has determined that it can purchase stop loss insurance for the cost of $3.2 million to cover any costs that would exceed the current maximum and would then be in compliance with the ACA and is therefore requesting this amount.

The plan argues that there will be off-setting savings in the Medi-Cal program. This is based on an assumption that it will not be financially viable and will therefore not continue without this subsidy. In that case, the plan's consultants assume 50 percent of the plans members would be eligible for Medi-Cal. The cost of Medi-Cal to the state of California for these participants would be at least $4.7 million.

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill language to provide $3.2 million in one-time Proposition 99 funds, which are available due to the over-budgeted MRMIP program (discussed in the item above), to DHCS to be contracted out to the RFK plan for purposes of purchasing stop loss insurance.

Questions.

1. Please provide an overview of this item.

4. Coordinated Care Initiative (CCI) – Medicare D-SNP Proposal (DOF Issue 106)

Budget Issue. In the May Revise, the Administration updates the savings related to the CCI (see following table) and proposes trailer bill language to implement its policy regarding Medicare Advantage/D-SNP plans and the Coordinated Care Initiative. Specifically, DHCS proposes:

1. In non-CCI counties, DHCS will offer Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) contracts to DSNPs for the duration of the CMC demonstration under same terms and conditions as authorized in 2014.

2. In CCI counties, DHCS will offer MIPPA contracts to DSNPs that are not also CMC plans in a CCI county for the duration of the CMC demonstration subject to the following:
    a. Such MIPPA contracts will contain the same terms and conditions as authorized in 2014; and
    b. Eligible populations will be beneficiaries excluded from CMC and/or CMC-eligible beneficiaries enrolled as of December 31, 2014.

3. In CCI counties, DHCS will offer MIPPA contracts to DSNPs for the duration of the CMC demonstration that are also CMC plans only for beneficiaries excluded from CMC.

4. As for passive enrollment into CMC, DHCS will:
    a. Passively enroll DSNP enrollees into CMC when DSNP is also a CMC Plan, as authorized under current law; and
    b. Not passively enroll any other MA enrollees into CMC if they are in a non-CMC DSNP or any other MA plan.

In addition, the proposed language contains provisions unique to Kaiser and SCAN, as follows:

- Kaiser - Exempts Kaiser enrollees from passive enrollment into CMC. The language allows Kaiser to continue to enroll new CMC-eligible members after December 31, 2014 based on a prior affiliation with the plan.
- SCAN - Authorizes DHCS to enter into a contract extension with SCAN, and specifies that individuals already enrolled in the SCAN plan will not be passively enrolled into CMC. Allows SCAN to continue to enroll new CMC-eligible members in 2015.

Background. The Centers for Medicare & Medicaid Services (CMS) requires that Dual-Eligible Special Needs Plans (D-SNPs) enter into MIPPA compliant contracts with state Medicaid agencies. Under current law, DHCS was only authorized to enter into such MIPPA contracts for calendar year 2014. Also, Cal MediConnect (CMC)-eligible enrollees in Medicare Advantage (MA) products, including D-SNPs, will be passively enrolled into CMC, effective January 2015.

Within the eight CMC counties, approximately 168,000 individuals are currently enrolled in comprehensive, integrated Medicare managed care plans, for which the state's contracts expire on December 31, 2014.

Coordinated Care Initiative 2014 May Revision Estimate Cost-Savings Analysis				
	2013-14		2014-15	
(In thousands)	TF	GF	TF	GF
SAVINGS				
Local Assistance Costs (Savings)	**$ 62,284**	**$ 11,906**	**$ 3,362,405**	**$ 475,077**
Payments to Managed Care Plans	$ 98,877	$ 49,439	$ 6,901,009	$ 3,450,504
Transfer of IHSS Costs to DHCS	$ -	$ (19,237)	$ -	$ (1,206,125)
Savings from Reduced FFS Utilization	$ (36,593)	$ (18,296)	$ (3,538,604)	$ (1,769,302)
Payment Deferrals	**$ (36,974)**	**$ (18,487)**	**$ (883,411)**	**$ (441,706)**
Defer Managed Care Payment	$ (39,437)	$ (19,718)	$ (963,695)	$ (481,848)
Delay 1 Checkwrite	$ 2,463	$ 1,231	$ 80,284	$ 40,142
Revenue	**$ (123,247)**	**$ (123,247)**	**$ (425,052)**	**$ (425,052)**
Increased MCO Tax from CCI (All Revenue)	$ -	$ -	$ (103,844)	$ (103,844)
Increased MCO Tax from non-CCI (Incremental increase from 2.35 to 3.93 percent)	$ (123,247)	$ (123,247)	$ (321,208)	$ (321,208)
Savings Sub-Total	**$ (97,937)**	**$ (129,828)**	**$ 2,053,942**	**$ (391,681)**
COSTS				
Increased DHCS Costs				
Administrative Costs	$ 9,217	$ 2,759	$ 8,086	$ 2,551
Fiscal Intermediary Costs	$ 10,207	$ 5,103	$ 37,507	$ 18,753
Increased DSS Costs				
Service Costs (increased GF due to MOE)	$ 100,212	$ 100,212	$ 118,370	$ 118,370
DSS Administrative Costs From CCI	$ 2,340	$ 1,172	$ 7,072	$ 3,542
CalHR Administrative Costs	$ 563	$ 282	$ 1,411	$ 706
	.			
DMHC Administrative Costs	$ 2,218	$ -	$ 2,186	$ -
CDA Administrative Costs	$ 627	$ -	$ 768	$ -
Costs Sub-Total	**$ 125,384**	**$ 109,528**	**$ 175,400**	**$ 143,922**
Net Impact to CA - Costs	**$ 27,447**	**$ (20,300)**	**$ 2,229,342**	**$ (247,759)**

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. It is recommended to approve the revised CCI estimates and adopt placeholder trailer bill language to allow current D-SNP enrollees to keep their D-SNP unless it is also a CMC plan. DHCS has significantly changed course compared to its January proposal to no longer enter into contracts with D-SNPs in CCI counties. This revised approach addresses the need to balance beneficiary choice and continuity of care with the interest of promoting enrollment into CMC.

Questions.

1. Please provide an overview of proposed trailer bill language.

2. Please explain the exceptions for Kaiser and SCAN and the justification for these exceptions.

5. AB 85 – Updated County Savings Related to Health Care Reform

Budget Issue. Under the ACA, county costs for indigent health care are expected to decrease as more individuals gain access to coverage. Current law redirects these county savings to CalWORKs, providing a corresponding General Fund offset. The May Revision continues to assume a redirection of $300 million in county savings in the current year but decreases the 2014-15 redirection estimate of $900 million to $724.9 million. Compared to the Governor's budget, this revised redirection results in increased CalWORKs General Fund costs of $175.1 million. See table below for the revised budget year estimates by county.

Table: Summary of AB 85 Redirected County Savings

Article 13 Counties	Formula or 60/40		2014-15 Redirection Amount
Placer	60/40	$	3,217,487
Sacramento	60/40	$	31,528,114
Santa Barbara	60/40	$	8,032,309
Stanislaus	60/40	$	10,786,847
Yolo	60/40	$	3,479,489
Fresno	Formula	$	9,839,629
Merced	Formula	$	2,117,668
Orange	Formula	$	41,136,441
San Diego	Formula	$	44,573,489
San Luis Obispo	Formula	$	2,844,523
Santa Cruz	Formula	$	3,697,680
Tulare	Formula	$	6,885,537
Subtotal		**$**	**168,139,213**
Public Hospital Counties			
Alameda	Formula	$	44,592,649
Contra Costa	Formula	$	15,927,158
Kern	Formula	$	3,038,259
Los Angeles	Formula	$	238,230,704
Monterey	Formula	$	2,486,294
Riverside	Formula	$	4,872,321
San Bernardino	Formula	$	3,062,992
San Francisco	Formula	$	3,896,974
San Joaquin	Formula	$	3,316,785
San Mateo	Formula	$	-
Santa Clara	Formula	$	-
Ventura	Formula	$	14,900,010
Subtotal		**$**	**334,324,148**

CMSP Counties			
Alpine	60/40	$	13,150
Amador	60/40	$	620,264
Butte	60/40	$	5,950,593
Calaveras	60/40	$	913,959
Colusa	60/40	$	799,988
Del Norte	60/40	$	781,358
El Dorado	60/40	$	3,535,288
Glenn	60/40	$	787,933
Humboldt	60/40	$	6,883,182
Imperial	60/40	$	6,394,422
Inyo	60/40	$	1,100,257
Kings	60/40	$	2,832,833
Lake	60/40	$	1,022,963
Lassen	60/40	$	687,113
Madera	60/40	$	2,882,147
Marin	60/40	$	7,725,909
Mariposa	60/40	$	435,062
Mendocino	60/40	$	1,654,999
Modoc	60/40	$	469,034
Mono	60/40	$	369,309
Napa	60/40	$	3,062,967
Nevada	60/40	$	1,860,793
Plumas	60/40	$	905,192
San Benito	60/40	$	1,086,011
Shasta	60/40	$	5,361,013
Sierra	60/40	$	135,888
Siskiyou	60/40	$	1,372,034
Solano	60/40	$	6,871,127
Sonoma	60/40	$	13,183,359
Sutter	60/40	$	2,996,118
Tehama	60/40	$	1,912,299
Trinity	60/40	$	611,497
Tuolumne	60/40	$	1,455,320
Yuba	60/40	$	2,395,580
CMSP Board	60/40	$	133,361,875
Subtotal		**$**	**222,430,836**
Total 2014-15 Redirection Amount		**$**	**724,894,197**

Background. AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, establishes a county fiscal true-up mechanism to share in potential savings resulting from the shifting of individuals previously covered through county indigent health programs to the Medi-Cal program under the expansion. Specifically, AB 85:

- Establishes a formula for the County Medical Services Program counties (the 34 counties that participated in this program in 2011-12) and two options for all other counties to decide how their contribution would be met. These two options are (1) a formula that measures actual county health care costs and revenues and (2) 60 percent of a county's health realignment allocation plus maintenance of effort. Under Option 1, counties will retain 20 percent of the indigent care savings; and, therefore, would have funding above what is needed to cover the cost of the services. Additionally, under Option 1, the state's share of savings is limited to the funding spent on indigent health. Savings, from all counties, are estimated to be $300 million in 2013-14. For counties that chose Option 1, the state will revise the 2013-14 estimates in May and if the savings are estimated to be lower than $300 million, money will be provided to the county for health care costs.

- Creates the County Health Care Funding Resolution Committee. This committee is made up of: 1) one person from the California State Association of Counties, 2) one person from the Department of Health Care Services (DHCS), and 3) one person from the Department of Finance. It allows the counties to petition to switch to a mechanism option described above. Additionally, the committee resolves issues related to differences in historical data being applied to calculations and the data being provided by the county and the department.

- Establishes safety-net protections for public hospital counties.

Subcommittee Staff Comment and Recommendation--Approve. The Administration and counties have been in discussion on this methodology for months. Subcommittee staff has not received any comments or letters related to these revised estimates. It is recommended to approved the updated estimate.

Questions.

1. Please provide an overview of this item.

2. Please explain the factors resulting in the decrease in budget year savings.

6. Martin Luther King (MLK) Jr. Community Hospital Trailer Bill Language

Issue. Los Angeles County and the University of California are requesting trailer bill language in order to update the financing structure for the MLK Jr. Community Hospital in Los Angeles, in light of significant changes to the overall health care system that have rendered the existing statutory financing scheme unworkable.

Background. In 2007, the Los Angeles County-operated Martin Luther King, Jr. public hospital, originally built in the aftermath of the Watts Riot to provide critically needed medical care to one of the most underserved communities in the nation, was closed by Federal regulators after failing to meet patient care standards.

Within a year, the county launched an ambitious effort, in collaboration with the State of California and the leadership of the University of California (UC), to develop a plan for a replacement hospital. The concept that was agreed to was a unique model -- a private, non-profit entity backed by the financial assistance of the County and the medical expertise of UC. In 2010, the County of Los Angeles and the UC Regents signed a coordination agreement for the establishment of the new Martin Luther King (MLK), Jr. Community Hospital.

On September 23, 2010, the Governor signed AB 2599 (Bass and Hall), Chapter 267, Statutes of 2010, sponsored by LA County and UC. This legislation authorized State payments for the new MLK, Jr. Community Hospital and allowed county financing to be utilized to meet the needs of the facility.

Reason for Request. The former California Medical Assistance Commission (CMAC) was the primary vehicle in AB 2599 for ensuring that the new MLK, Jr. Community Hospital received the necessary financial assistance, and the CMAC rate was to be tied to the anticipated cost of providing services at the new hospital.

Health care financing has changed in significant ways since the passage of AB 2599. CMAC was eliminated as of July 2, 2012, and replaced with a new diagnosis-based reimbursement system. The Affordable Care Act, which took effect January 1, 2014, created a new level of Medi-Cal matching payments

Due to these changes, the original MLK, Jr. Community Hospital financing commitment needs to be restructured. The proposed restructuring is intended to maintain all of the original commitments of the 2010 state, UC, and county agreement.

Supplemental financing to ensure the viability of the new MLK, Jr. Community Hospital will come from the County of Los Angeles. This financing will come primarily through two annual payments:

1. $50 million per year intergovernmental transfer (IGT) for the benefit of Medi-Cal patients seen at the hospital.

2. An annual $18 million payment to the hospital to support indigent patient care services.

The county financing will be used to maximize federal matching dollars for the hospital. State General Fund costs will remain the same as prescribed in AB 2599 and will continue to be linked to the projected cost of care in the facility and will be capped at a fixed percentage of cost. No University of California funding will be used.

This legislation also implements the expressed intent language of AB 2599 to remove MLK, Jr. Community Hospital from receiving private hospital Disproportionate Share Hospital (DSH) funding.

The new MLK, Jr. Community Hospital is scheduled to open to the public in May 2015. Supporters of this proposal state that legislation to implement this restructured financing must be approved in 2014 to guarantee that the financing promised by the state and county when the original agreement was reached in 2010 is available to fund patient services.

Subcommittee Staff Recommendation—Approve. This proposal has no impact to the General Fund and maintains status quo in regard to the existing agreements on funding for hospitals. It is recommended to adopt placeholder trailer bill language that to ensure that the new MLK, Jr. Community Hospital receives at a minimum the financing committed to it in 2010 in a manner that continues to guarantee a cap on the state's contribution. The proposed trailer bill language would do the following:

- The new hospital will receive supplemental Medi-Cal payments tied to the projected costs of providing both in-patient and outpatient Medi-Cal services.

- The state will continue to provide funding linked to the cost of care that is capped at the same percentages agreed to in the 2010 agreement.

- Any non-federal share (state match) that is required that exceeds the 2010 State commitment will be generated through IGTs provided by the County of Los Angeles.

- The state will seek federal approval as necessary to obtain federal matching funds to the maximum extent permitted by federal law.

Questions.

1. Please provide an overview of this item.

2. Does DHCS have concerns with the proposed trailer bill language?

3. Please confirm there is no impact to the General Fund or any hospital funding mechanism with this proposal.

Michelle Baass 651-4103
Senate Budget & Fiscal Review

OUTCOMES: Senate Subcommittee #3 on Health & Human Services
Wednesday, May 21, Agenda Part A

VOTE ONLY

4260 Department of Health Care Services

1. Medi-Cal Estimate Update – Technical Adjustments (DOF ISSUE 101)

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the above adjustments, with any changes to conform as appropriate to other actions that have been, or will be, taken. This is a technical adjustment.

2. Fingerprinting and Criminal Background Checks

- Approved staff recommendation (2-0, Senator Morrell not voting)

Subcommittee Staff Recommendation—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill language to implement this proposal.

3. Pregnancy Only Proposal

- Approved staff recommendation (2-0, Senator Morrell not voting)

Subcommittee Staff Recommendation and Comment—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill language to implement this proposal. It is important to ensure that pregnant women are eligible for full-scope comprehensive health coverage.

4. Statewide Outpatient Medi-Cal Contract Drug List

- Approved staff recommendation (3-0)

Subcommittee Staff Comment and Recommendation—Reject. Staff concurs with the LAO recommendation. It is recommended to reject this proposal. The Administration has not demonstrated

that these savings would materialize and has not provided justification for limiting a managed care plan's ability to coordinate and manage the care and pharmacy benefit of its enrollees.

5. Monitoring Medi-Cal Dental Services Utilization

- Approved staff recommendation (3-0)

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill to establish a metrics to monitor utilization and access in the Denti-Cal program.

4265 Department of Public Health

1. Nutrition Education and Obesity Prevention Branch – Contract Conversion

- Approved staff recommendation and the addition of placeholder budget bill language to convene a stakeholder group regarding this transition (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Modify. It is recommended to modify the Governor's January budget request to convert the SNAP-Ed contract to state positions by adopting the alternative described above with conforming changes to the state operations and local assistance amounts. This alternative provides for a smoother transition of this contract and helps ensure program continuity.

2. Genetic Disease Screening Program

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Approve.

4120 Emergency Medical Services Authority (EMSA)

1. Statewide Emergency Medical Response Capacity

- Approved staff recommendation (3-0)

Subcommittee Staff Recommendation—Adopt Supplemental Reporting Language. It is recommended to adopt supplemental reporting language for EMSA that describes in detail the available state and local resources available in a medical disaster, a comparison of how the state's resources compare to other states and countries of similar size, and recommendations on California's unmet needs in this area. This action conforms to actions taken in the Assembly Subcommittee No. 1.

ISSUES FOR DISCUSSION

4260 Department of Health Care Services

1. Medi-Cal Caseload Update (DOF ISSUE 103,104, 105)

- Held open

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as discussions continue on this issue. Compared to the January budget, the Administration estimates that there would be a 60 percent increase in the number of individuals enrolling under the mandatory expansion and that this would result in a 122 percent increase in General Fund costs related to this population. While it appears that the caseload estimate is reasonable, the Administration has not yet provided justification for why the costs for this population has increased so significantly. The Administration does not yet have actual claims data to support using a PMPM that is close to three times the PMPM for the non-disabled adult population. Individuals enrolling under the mandatory expansion would likely be healthy and would be a less expensive population.

Although the LAO finds the assumptions regarding the potential number of duplicative pending applications reasonable, it is also possible that the number could be higher. DHCS has found between 12 percent and 19 percent depending on the entry portal. It is possible that of those that have not been verified, the duplication percent may be at the higher-end as applicants who were not receiving a response towards the end of open enrollment may have been more likely to submit duplicate applications.

2. Eliminate Major Risk Medical Insurance Program (MRMIP) (DOF ISSUE 173)

- Approved staff recommendation and the addition of placeholder trailer bill language to adjust the allocation of Proposition 99 funds to MRMIP to reflect the expenditure levels reflected in the May Revision (3-0)

Subcommittee Staff Comment and Recommendation—Reject. It is recommended to reject the Administration's proposal to eliminate MRMIP. The MRMIP program should be maintained as a program where Medicare-ESRD individuals can purchase supplemental coverage. The MRMIP program

should also be maintained as an option for non-ESRD individuals who are in MRMIP today, in order to determine the nature of this population and other options for coverage. Consequently, it is recommended to adopt placeholder trailer bill language to:

- Require DHCS to convene a stakeholder workgroup composed of stakeholders, including health care providers, county representatives, labor, consumer advocates, immigrant policy advocates, and employers of low-wage workers to develop a plan to utilize available Major Risk Medical Insurance Funds including Managed Care Administrative Fines Penalties Funds transferred pursuant to Health and Safety Code 1341.45(c)(1)(B) to continue to provide health coverage to individuals that are not eligible for other full-scope programs or subsidies.

3. Robert F. Kennedy Medical Plan

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. It is recommended to adopt placeholder trailer bill language to provide $3.2 million in one-time Proposition 99 funds, which are available due to the over-budgeted MRMIP program (discussed in the item above), to DHCS to be contracted out to the RFK plan for purposes of purchasing stop loss insurance.

4. Coordinated Care Initiative (CCI) – Medicare D-SNP Proposal (DOF Issue 106)

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation—Adopt placeholder trailer bill language. It is recommended to approve the revised CCI estimates and adopt placeholder trailer bill language to allow current D-SNP enrollees to keep their D-SNP unless it is also a CMC plan. DHCS has significantly changed course compared to its January proposal to no longer enter into contracts with D-SNPs in CCI counties. This revised approach addresses the need to balance beneficiary choice and continuity of care with the interest of promoting enrollment into CMC.

5. AB 85 – Updated County Savings Related to Health Care Reform

- Approved staff recommendation (2-1, Senator Morrell voting no)

Subcommittee Staff Comment and Recommendation--Approve. The Administration and counties have been in discussion on this methodology for months. Subcommittee staff has not received any comments or letters related to these revised estimates. It is recommended to approved the updated estimate.

6. Martin Luther King (MLK) Jr. Community Hospital Trailer Bill Language

- Approved staff recommendation (2-0, Senator Morrell not voting)

Subcommittee Staff Recommendation—Approve. This proposal has no impact to the General Fund and maintains status quo in regard to the existing agreements on funding for hospitals. It is recommended to adopt placeholder trailer bill language that to ensure that the new MLK, Jr. Community Hospital receives at a minimum the financing committed to it in 2010 in a manner that continues to guarantee a cap on the state's contribution. The proposed trailer bill language would do the following:

- The new hospital will receive supplemental Medi-Cal payments tied to the projected costs of providing both in-patient and outpatient Medi-Cal services.

- The state will continue to provide funding linked to the cost of care that is capped at the same percentages agreed to in the 2010 agreement.

- Any non-federal share (state match) that is required that exceeds the 2010 State commitment will be generated through IGTs provided by the County of Los Angeles.

- The state will seek federal approval as necessary to obtain federal matching funds to the maximum extent permitted by federal law.

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett
Senator Bill Monning
Senator Mike Morrell

May 21, 2013
10 A.M.
Room 4203, State Capitol

AGENDA: PART B

Staff: Samantha Lui

ISSUES RECOMMENDED FOR VOTE-ONLY

PLEASE NOTE. Only those items contained in this agenda will be discussed at this hearing. Please see the Senate Daily File for dates and times of subsequent hearings. Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

All Departments

Update on Governor's January Budget Proposals, Trailer Bill Actions, and Open Items

The Subcommittee has heard and considered the following proposals:

Governor's January Budget

Department Name	Proposal Name	Sen. Action	Hearing Date
Office of Systems Integration	Case Management, Information, and Payrolling System II (CMIPS II)	Approve (3-0)	05/08/2014
Office of Systems Integration	County Expense Claim Reporting Information System (CECRIS)	Approve (2-0)	03/27/2014
Dept. of Aging	Expanding Capacity to Service Persons w/ Dementia in Managed Care Plans Grant	Approve (3-0)	03/13/2014
Dept. of Aging	Aging & Disability Resource Connection Transfer	Approve (3-0)	03/13/2014
Dept. of Aging	Model Approaches to Statewide Legal Assistance Systems -- Phase II	Approve (3-0)	03/13/2014
Dept. of Rehabilitation	California PROMISE Initiative (CaPROMISE) Grant	Approve (2-0)	03/27/2014
Dept. of Rehabilitation	Traumatic Brain Injury (TBI) Supplemental Funding	Approve (3-0)	05/08/2014
Dept. of Child Support Services	CA Child Support Automation System (CCSAS) -- IT Contract Staff Reduction	Approve (2-1)	05/08/2014
Dept. of Social Services	CCL - Quality Enhancement & Program Improvement	Held open	03/13/2014
Dept. of Social Services	Affordable Care Act Caseload Growth & Appeals Case Management System	Approve (3-0)	05/08/2014
Dept. of Social Services	CalWORKs Welfare to Work Performance Oversight State/County Peer Reviews	Held open	05/01/2014
Dept. of Social Services	Sustainability for Continuum of Care Reform (CCR) Fiscal Audit Alignment	Approve (3-0)	05/01/2014
Dept. of Social Services	Sacramento County Caseload Transfer	Approve (3-0)	03/13/2014
Dept. of Social Services	Case Management, Information, and Payrolling System II (CMIPS II) Maintenance & Operations (M&O)	Approve (3-0)	05/08/2014
Dept. of Social Services	AB 1217: Home Care Services Consumer Protection Act	Held open	03/13/2014

Proposed Trailer Bill Language

Department Name	TBL#	Proposal Title	Sen. Action	Hearing Date
Dept. of Social Services	612	CalWORKs Parent-Child Engagement Pilot Project	Held open	04/10/2014
Dept. of Social Services	613	FLSA Changes	Held open	03/27/2014
Dept. of Social Services	614	Eliminate Temporary Assistance Program	Held open	05/01/2014
Dept. of Social Services	615	Community Care Licensing	Held open	03/13/2014
Dept. of Social Services	616	Home Care Services Consumer Protection Act	Held open	03/13/2014
Dept. of Social Services	617	Tribal Share of Cost - Title IV	Adopt placeholder (2-0)	05/01/2014

April Letters

Department Name	Issue #	Proposal Title	Sen. Action	Hearing Date
Office of Systems Integration		CWS - New System Project	Held open	05/01/2014
Dept. of Aging	401,402	Health Insurance Counseling & Advocacy Program (HICAP) Federal Funds Augmentation	Approve (3-0)	05/08/2014
Dept. of Social Services		CWS - New System Project	Held open	05/01/2014
Dept. of Education	846	Federal Child Care & Development Fund Provisions	Held open	05/01/2014

ISSUES RECOMMENDED FOR VOTE-ONLY

5160 Department of Rehabilitation

1. California PROMISE Initiative (CaPROMISE) Grant

Background. CaPROMISE seeks to develop and implement model demonstration projects that promote positive outcomes for 14- to 16-year old Supplemental Security Income (SSI) recipients and their families. The grant award is $10 million per year, with a $50 million maximum, and is 100 percent federal funds without a state match requirement.

Governor's January Proposal. At the March 27, 2013 hearing, the Subcommittee approved the department's requests of $10 million in federal budget authority for the California PROMISE Initiative (CaPROMISE) federal grant, which begins October 1, 2013, to September 30, 2019. The proposal requests six permanent, full-time positions, at a cost of $620,000, for the required administrative and program oversight, and to perform mandated accounting, contracting, and data management activities. Federal funding will cover position costs (salary and benefits) and all ancillary costs, such as travel, supplies, operational expenses, and equipment. The positions are as follows:

- One staff manager,
- Three associate governmental program analysts,
- One accounting officer specialist, and
- One office technician.

Proposed Provisional Budget Bill Language.

Add provision to Item 5160-001-0890

X. The Department of Finance and Department of Rehabilitation shall determine the appropriateness of maintaining funding for permanent positions included in Item 5160-001-0890 for the California PROMISE Grant project in the fiscal year 2019-20 Budget or upon completion of the grant period, whichever is later.

Staff Recommendation. Re-open the item to adopt budget bill language that requires the Department of Finance and the Department of Rehabilitation, in fiscal year 2019-20 or upon completion of the grant period, determine the appropriateness of funding for the permanent positions.

5180 Department of Social Services - Child Welfare Services

1. Title IV-E California Well-Being Waiver Project

(Issue 151)

May Revision. To support a full-five year extension and expansion of the Title IV-E California Well-Being Waiver Project, the Administration requests extension of two current limited-term positions and the reinstatement, or establishment, of new five-year limited-term positions (see chart below):

Title IV-E California Well-Being Project (Project) FY 2014-15		
Departmental Project Responsibility	**Classification**	**Total**
Overall project oversight; project reporting and Children and Family Services Division policy direction	1.0 SSC III (Extension) 1.0 SSC III (Establish) 1.0 SSM I (Re-establish) 1.0 AGPA (Establish) 0.5 Attorney (SC III) (Establish)	4.5
Claiming, payment and fiscal reporting activities	1.0 AAA (Extension) 2.0 AAA (Establish) 1.0 AAS (Establish) 1.0 Sr. AO (Specialist)/Establish	5.0
Fiscal analysis, oversight of fiscal reports and fiscal contribution of project evaluation reports, county data, monitoring and oversight activities	1.0 SSM I (Specialist)/Establish 1.0 SSM I (Superv)/Establish 3.0 RA II (Research Analysts)/Establish	5.0
Evaluation activities and contract management and oversight	1.0 RPS II (Establish)	1.0
		15.5

Additionally, the proposal requests contract funding of $1,250,000 ($625,000 GF) per year for the next five years to fund the evaluation of the Project.

The proposal also includes the following provisional budget bill language to be added to Item 5180-001-0001, allowing for the revision of this resource request to provide the Department with the required level of support as determined by the final number of participating counties and negotiated Administration for Children and Families' Terms and Conditions.

Add the following provision to Item 5180-001-0001:

Of the amount appropriated in this item, $1,527,000 is available to support increased workload associated with the expansion of the Title IV-E Child Welfare Waiver Demonstration Project. Notwithstanding any other provision of law, the Department of Finance is authorized to increase or decrease this amount based on (a) the final contractual Waiver Terms and Conditions agreement entered into by the State Department of Social Services and the federal

Administration for Children and Families, and (b) the total number of counties opting into the Waiver, not sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations, unless the chairperson of the joint committee, or his or her designee, imposes a lesser time.

Staff Comment. The item was discussed and held open at the Subcommittee's May 19, 2014 hearing. Staff notes the value of the Title IV-E waiver, as it supports child welfare practice, program, and system improvements for early intervention, reunification efforts, and reduction in out-of-home placements. The department indicates that it is having ongoing discussions with the federal Administration on Children and Families and anticipates implementation of the extended waiver by October 2014.

Staff Recommendation. Due to the uncertainty of the number of participating counties, staff recommends providing DSS the authority to hire up to five positions, upon final approval of the waiver and contingent upon the final number of participating counties in the waiver. Staff recommends notification be made to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the fiscal committees in each house of the Legislature, at least 30 days before any action, unless the chairperson of the joint committee, or his or her designee, imposes a lesser time.

2. Foster Youth Permanency

Proposal. Provide start-up capital for two counties to create or expand specialized youth permanency programs, with provisions that each county track and reinvest savings, replicating a model pioneered by Sacramento County. First-year costs: $750,000 with annual, ongoing costs of $1.2 million until fiscal year 2018-19.

Staff Recommendation. The Subcommittee heard this proposal during its May 1, 2014 hearing. Staff recommends approving the funding request.

3. Services to Support Child Victims of Sexual Exploitation

Proposal. The proposal, among other items, seeks to:

(1) Create county coordinator position to serve as a liaison with other first responders.
(2) Provide funding for additional caseworkers in 12 large counties.
(3) Provide training for staff, caseworker, and local partners.
(4) Provide an enhanced foster care rate for placements.
(5) My Life, My Choice Training for foster youth, ages 11-17 (both probation & foster).

First-year costs: $40.563 million ($20.282 million GF)
Ongoing costs: $28.517 million ($14.259 million GF)

Proposed Placeholder Trailer Bill Language.

The Legislature finds and declares that in order to adequately serve minors who have been sexually exploited or trafficked, it is necessary that counties develop and utilize a multidisciplinary team approach to case management, service planning, and provision of services

and that counties develop and utilize interagency protocols to ensure services are provided as needed to this population.

Staff Recommendation. The Subcommittee heard this proposal during its May 1, 2014 hearing. Staff recommends approving the funding request and adopting proposed placeholder trailer bill language.

4. Child Care Worker Age Limit in Group Home

Proposal. Increase the qualifications for group home staff by increasing the minimum age to 21. The current age qualification requirements for group home staff are set at 18 years old.

Proposed Placeholder Trailer Bill Language.

Section 1502.36 is added to the Health and Safety Code to read:

1502.36 (a) Each Person employed on the staff of a group home for foster youth as defined in paragraph (13) of subdivision (a) of Section 1502 shall be at least 21 years of age.

Staff Recommendation. The Subcommittee heard this issue during its May 1, 2014 hearing. Staff recommends adopting the placeholder trailer bill language to increase the minimum age requirements of staff of a group home for foster youth to be at least 21 years of age.

5. Request to Collect Social Worker Caseload Data

Proposal. To require the Department of Social Services (DSS) to begin collecting data on county Child Welfare Services social worker caseloads, and to provide such data during its annual realignment report.

Specifically, the proposed language:

Section 10104 of the Welfare and Institutions Code is amended to read:

10104. It is the intent of the Legislature to ensure that the impacts of the 2011 realignment of child welfare services, foster care, adoptions, and adult protective services programs are identified and evaluated, initially and over time. It is further the intent of the Legislature to ensure that information regarding these impacts is publicly available and accessible and can be utilized to support the state's and counties' effectiveness in delivering these critical services and supports.

(a) The State Department of Social Services shall annually report to the appropriate fiscal and policy committees of the Legislature, and publicly post on the department's Internet Web site, a summary of outcome and expenditure data that allows for monitoring of changes over time.

(b) The report shall be submitted and posted by April 15 of each year and shall contain expenditures for each county for the programs described in clauses (i) to (vii), inclusive, of subparagraph (A) of paragraph (9) of subdivision (f) of Section 30025 of the Government Code.

(c) The report shall also contain the amount of growth funds per county, child welfare service social worker caseloads per county, the number of authorized positions in the local child

welfare service agency, and the number of vacant positions in the local child welfare service agency.

(d) ~~(c)~~ The department shall consult with legislative staff and with stakeholders to develop a reporting format consistent with the Legislature's desired level of outcome and expenditure reporting detail. Counties shall cooperate with the department to provide the information necessary for the report.

Staff Recommendation. The Subcommittee heard and held open this issue during its May 19, 2014 hearing. Staff recommends adopting placeholder trailer bill language.

5180 Department of Social Services -- Community Care Licensing

1. Quality Enhancement and Program Improvement

Governor's Budget Proposal. The Governor's budget includes $7.5 million ($5.8 million GF) and 71.5 positions for quality enhancement and program improvement measures. The additional positions and resources seek to improve the timeliness of investigations; help to ensure the CCL Division inspects all licensed residential facilities at least once every five years, as statutorily required; increase staff training; and, establish clear fiscal, program, and corporate accountability. The budget provides for increased training for new field staff and training for supervisors and managers by expanding the Licensing Program Analyst academy, implementing ongoing training, strengthening the Administrator Certification Section, and creating a mental health populations unit. The Administration also proposes to increase civil penalties for types of serious noncompliance, including zero-tolerance violations, repeat violations, and failure to correct. The proposal also includes language to increase licensing application fees and licensing annual fees. In addition, the proposal seeks to create a specialized complaint hotline, centralize application processing, and outlines a process for temporary manager or receivership.

Staff Comment and Recommendation. The Subcommittee heard and discussed this issue at its March 13, 2014 hearing. Staff recommends the Subcommittee amend the proposed trailer bill language and adopt placeholder trailer bill to effectuate the following:

- Delayed implementation of the proposal, no sooner than October 1, 2014.
- A plan to increase annual inspection frequency that begins no later than April 1, 2015.
- Remove specified language pertaining to penalty rate structure to be replaced with intent language regarding scope of penalties.
- Add procedures that the Department of Social Services must implement to minimize the trauma of residents or clients at risk of physical or mental abuse, abandonment, or any other substantial threat to health or safety following a temporary suspension or revocation of a license.

2. AB 1217: Home Care Services Consumer Protection Act

January Budget Proposal. The budget requests $1,472,000 in General Fund for vendor contract funding ($251,000) and ten positions (seven permanent; two one-year limited-term; and, one two-year limited-term) to establish, and maintain, the operational and administrative components of the Home Care Services Consumer Protection Act (AB 1217, Lowenthal). The positions and related divisions include:

- Community Care Licensing: one staff services manager; two associate governmental program analysts; and, one office technician.
- Legal Division: one attorney.
- Information Systems Division: two staff programmer analysts; two one-year limited term staff programmer analyst; and, one senior information systems analyst.

The Administration also includes a trailer bill, which, among other provisions, contains the following:

1. Deletes language that exempts specified individuals from registration requirements for home care aides, and expands the list of individuals and entities that are not considered home care aides or home care organizations.
2. Requires the chief executive officer, or another person serving in a similar capacity, in a home care organization, to consent to a background examination.
3. Prohibits the department from issuing a provisional license to any corporate home care organization applicant that has a member of the board of directors, executive director, or officer who is not eligible for licensure.
4. Revises license renewal requirements, including insurance and workers' compensation policies.
5. Revises a home care organization's licensure requirements to require proof of an employee dishonesty bond.
6. Authorizes the department to cease review on an application if it is determined that the home care applicant was previously issued a license and that license was revoked.
7. Requires home care organization licensees to report suspected or known dependent adult, elder, or child abuse to the department. Upon receipt of these reports, the department must cross-report the suspected or known abuse to local law enforcement and Adult Protective Services or Child Protected Services.
8. Authorizes home care organization applicants and home care aide applicants, who submit applications prior to January 1, 2016, to provide home care services without meeting the tuberculosis examination requirements, provided that those requirements are met by July 1, 2016.

Staff Recommendation. Approve request as budgeted and approve corresponding placeholder trailer bill.

5180 Department of Social Services - In-Home Supportive Services (IHSS)

1. Federal Fair Labor Standards Act

Governor's Proposal. The budget recognizes the new FLSA regulations, effective January 1, 2015, and provides that implementation of federal requirements will cost $208.9 million ($99 million General Fund) in 2014-15 and $327.9 million ($153.1 million General Fund) annually thereafter. The $208.9 million breakdown is as follows:

- Approximately $68.6 million ($32 million GF) for FLSA regulations and creating a provider backup system (around $7.5 million would be allocated to modify CMIPS-II data software to maintain workweek agreements; track provider hours; update policies, instructions, and provider timesheets; and, add new activities, such as wait time during medical accompaniment and mandatory training);[1]
- $87 million ($40 million GF) for FLSA compliance[2] ($81 million [$37 million GF] for medical accompaniment wait time; $6 million [$3 million GF] for travel time; and, mandatory provider training); and,
- $53 million ($27 million GF) to implement overtime restrictions (social workers in county welfare departments work with IHSS recipients to create and review workweek agreements for all recipients).

May Revision. The May Revision adjusts the January estimates.

Staff Recommendation. The Subcommittee heard the Governor's January budget proposal on March 13, 2014. Staff recommends rejecting the proposed trailer bill language pertaining to FLSA. As a result, staff recommends augmenting $66 million for costs to implement payment for overtime.

2. Restoration of the Seven-Percent Reduction

Proposal. Restore the seven-percent across-the-board services cut to all IHSS recipients with funding from the state General Fund, until the home health assessment (assessment) is enacted. Upon enactment of the assessment, the revenues generated will off-set the General Fund portion of the 7% reduction. The Legislative Analyst Office estimates restoration of the seven-percent across-the-board cut as $186.7 million GF.

Background. As discussed during the Subcommittee's March 13, 2014 hearing, a settlement agreement repealed previous reductions and replaced them with an eight percent across-the-board cut, effective July 1, 2013, which will become a seven percent across-the-board cut on July 1, 2014. The settlement

[1] Due to a technical budget error, the Administration overestimated the cost associated with paying for authorized services delivered by a backup provider by $22 million GF in 2014-15 and $48 million GF in 2015-16. After correcting the error, the Administration estimates that the proposal to restrict overtime for all IHSS providers, including administrative activities to prevent overtime and maintain the Provider Backup System would cost $52 million ($25 million GF) annually.

[2] The budget provides that 85 percent of recipients will have a provider accompany them to medical visits, where providers will spend three hours per month waiting for recipients to complete their appointments. Each month new providers will attend a two-hour mandatory orientation training.

agreement also included a provision to "trigger off" the ongoing reduction of up to seven percent–in whole or in part–as a result of enhanced federal funding received pursuant to an "assessment" (likely a fee or tax) on home care services, including IHSS. The Department of Health Care Services (DHCS) must submit a proposal for its implementation to the federal government by October 2014.

Staff Recommendation. Adopt placeholder trailer bill language to eliminate the seven percent reduction in program hours and amend the 2010 assessment statute on personal care services, effective October 1, 2014. The delayed date is due to the need to update CMIPS II programming. Upon enactment of the assessment, federal financial participation will backfill General Fund IHSS expenditures. Staff recommends augmenting the budget by $140 million for associated costs.

5180 Department of Social Services -- CalWORKs

1a. Suspend CalWORKs 24-month Time Clock

During the Subcommittee's May 1, 2014 hearing, the Subcommittee heard testimony regarding the implementation of CalWORKs structural and programmatic reforms, including the roll-out of early engagement strategies, such as family stabilization, the Online California Assessment Tool, and subsidized employment. Advocates express continued concerns that they have yet to see the intended impacts of the increase in flexibility regarding hours in the reforms associated with the 24-month clock.

Staff Recommendation. Due to lack of full implementation of CalWORKs reform, suspend CalWORKs 24-mo. time clock until six-months after the full implementation of CalWORKs early engagement strategies, including Online California Assessment Tool (OCAT), family stabilization, subsidized employment. Approve placeholder language to conform to these changes.

1b. Family Stabilization

Family stabilization (FS) is intended to increase client success during the flexible WTW 24-Month Time Clock period by ensuring a basic level of stability: intensive case management and barrier removal services. Clients must have a "Stabilization Plan" with no minimum hourly participation requirements, and six months of clock-stopping is available, if good cause is determined. Advocates have raised the concern that participants of family stabilization may be at increased risk of sanction status, despite the original intent of family stabilization being an activity to provide interventions for families in crisis.

Uncodified Provisional Language.

> Uncodified Placeholder Section X.
>
> X It is the intent of the Legislature to clarify that the Family Stabilization Program within CalWORKs is a voluntary activity intended to provide constructive interventions for parents and to assist in barrier removal for families facing very difficult needs. Participants in Family Stabilization are encouraged to participate, but there is no intention that parents be sanctioned as part of their experience in this program component.

Staff Recommendation. Adopt uncodified placeholder language pertaining to family stabilization.

1c. Countable Hours

Proposal. SB 1041 requires recipients to meet hourly work requirements "each week." Advocates have expressed concern that this has been explicitly interpreted to discount a client's efforts at work participation if he or she was short one hour a week or has other scheduling needs but would otherwise meet the monthly participation rate.

Staff Recommendation. Adopt placeholder trailer bill language to allow recipients to meet hourly work requirements if the weekly average over the entire month meets the weekly requirement.

2. CalWORKs Welfare-to-Work Performance Oversight State/County Peer Review

Governor's Proposal. The Department of Social Services (DSS) requests eight positions and $980,000 to support the county peer review process, quality control reviews for the Temporary Assistance to Needy Families (TANF) program, and field monitoring visits to monitor the implementation of recent CalWORKs changes. Specifically, the eight positions are as follows:

- Two staff services managers;
- Two research analysts; and,
- Four associate governmental program analysts in CalWORKs Employment Bureau.

Staff Recommendation. Reject proposal. The Subcommittee discussed and held open this item during its May 1, 2014 hearing.

3. Parent-Child Engagement Pilot Project

Governor's January Budget. The budget proposes a three-year, six-county pilot project to serve 2,000 low-income families, and to connect 3,200 preschool-age children between the ages of Under the pilot, child care will be provided in a stable environment, and parents must work with their child for an average of ten hours per week for at least six months. Child care providers will work directly with parents through mentoring. The proposal assumes the first cohort of families to enroll in March 2015 and the second cohort in 2016. The budget projects a $9.9 million General Fund (GF) cost in 2014-15, and a total of $115.4 million GF over three years.

Full-time child care will be provided throughout the entire project, if the parent completes the parental involvement component. Based on the weighted statewide average of monthly preschool age in a child care center at the 85th percentile of the 2005 RMR survey, full-time and part-time care cost per case is $873.40 and $732.31, respectively. Monthly cost per case for parental involvement is $335.

The budget includes an accompanying trailer bill, which contains the following provisions:

1. Expresses the Legislature's intent in authorizing a three-year pilot project, in up to six counties, to demonstrate improved outcomes for CalWORKs hardest-to-serve families, including sanctioned families and their preschool aged children;
2. Sets forth information that a county must include in its proposal, prior to being selected as a project site, such as:
    a. How the county plans to attain the project goals.
    b. The basis of its project plan (e.g., Child-Parent evidence-based model, or an alternate model).
3. Requires participating counties to prepare and submit progress reports, annual reports, and a final report, on a schedule determined by DSS;
4. Requires counties to measure the program's success based on the following outcomes:
    a. Regular child care attendance;
    b. Continuity of parental involvement for at least the first six months of a family's participation;

c. Reduce barriers to achieving self-sufficiency, including improved parental employment history, as determined by caseworker review; and,
d. Improved school readiness of participating children, as assessed using a standardized tool to measure cognitive, emotional, and social skill development.

5. Authorizes the Department of Social Services (DSS) to terminate any, or all, of the pilot projects after six months of operation, if DSS receives information that the project is not cost-effective or adversely impacts recipients.
6. Authorizes DSS to waive specific statutory requirements, regulations, and standards, by formal order of the director, for the purpose and duration of the project.
7. Authorizes a participating county to dis-enroll children from the project who have unsatisfactory child care attendance, after project representatives have actively attempted on multiple occasions to engage the family, to allow the child care slot to be utilized by a new participant.
8. Authorizes the department to implement and administer the pilot project through all-county letters or a similar mechanism.

Staff Recommendation. The Subcommittee heard this item during its joint-hearing with Subcommittee 1 on Education on April 10. Conform to action taken in Senate Subcommittee 1- Education.

4. Eliminate Temporary Assistance Program

Governor's January Budget. The department proposes trailer bill language to eliminate the Temporary Assistance Program. Specifically, the trailer bill's provisions repeal:

1. The requirement that the Department of Social Services (DSS), effective October 1, 2014, administer TAP for current and future California Work Opportunity and Responsibility to Kids (CalWORKs) recipients who meet exemption criteria for work participation activities, and are not single parents who have a child under the age of one year old.
2. The authorization that eligible CalWORKs recipients have the option of receiving grant payments, child care, and transportation services from TAP.
3. The requirement that DSS enroll CalWORKs recipients and applicants into the program, unless recipients or applicants provide written indication that they would not like to receive assistance from TAP.
4. Language that specifies state General Fund resources for grant payments, child care, transportation, and eligibility determination activities for families receiving TAP benefits.
5. Intent language that specifies that TAP recipients have and maintain access to the hardship exemption and services necessary to begin and increase participation in welfare-to-work activities.

Proposed Trailer Bill Language.

Amend subdivision (a) Section 11320.32 of the Welfare and Institutions Code to read:

…"no later than October 1, ~~2014~~ 2016."

Staff Recommendation. Amend the Governor's proposal and adopt trailer bill language to retain the Temporary Assistance Program but extend the implementation deadline from October 1, 2014 to October 1, 2016.

5180 Department of Social Services - CalFresh

1. Disaster Supplemental Nutrition Assistance Program

May Revision. The Administration proposes provisional budget bill language to authorize an increase in GF and Federal Trust Fund expenditure authority for food stamp administrative costs in the event of a major disaster declaration by the President of the United States. Specifically:

Addition of Provisional Language to Budget Bill Item 5180-141-0001:

X. In the event of a declaration of a major disaster by the President of the United States, and upon request of the State Department of Social Services following approval by the United States Department of Food and Agriculture's Food and Nutrition Service, the Department of Finance may increase expenditure authority in this item in order to fund the administrative costs of a Disaster Supplemental Nutrition Assistance Program food assistance program.

Amendment to Provision 1 of Item 5180-141-0890 as follows:

"1. Provisions 2, 3, 4, ~~and~~ 6, and X of Item 5180-141-0001 also apply to this item."

Proposed Amended Provisional Budget Bill Language.

Addition of Provisional Language to Budget Bill Item 5180-141-0001:

X. The Department of Finance may increase expenditure authority in this item for the State Department of Social Services in order to fund the administrative costs to prepare for and respond to a declaration of major disaster by the President of the United States and to maximize the amount of assistance requested and received through the federal Disaster Supplemental Nutrition Assistance Program and other federally funded nutrition assistance programs.

Amendment to Provision 1 of Item 5180-141-0890 as follows:

"1. Provisions 2, 3, 4, ~~and~~ 6, and X of Item 5180-141-0001 also apply to this item."

Staff Recommendation. The Subcommittee heard and held open this item during its May 19, 2104 hearing for further discussion with stakeholders. Adopt the proposed amended trailer bill language and corresponding language to the item.

2. CalFresh Administration Match Waiver

Proposal. A five-year phase out of the CalFresh Administration Match Waiver that would reduce in equal increments over that time period the portion of a county's GF allocation that it could access without increasing its matching funds beyond the county's CalWORKs/CalFresh MOE. In 2014-15, a county would still have the ability to draw down the full portion of its GF allocation as long as the county fully meet its maintenance of effort (MOE) in the CalFresh program. Beginning in 2015-16 and

for the next three fiscal years, the portion of the GF allocation that could be accessed once a county meets its MOE would decline by 20 percent per year to zero. Any county that is able to increase its CalFresh Administration spending above its MOE level would continue to be able to draw down GF up to the county's GF allocation.

Background. The match waiver was originally enacted for two years beginning in 2010-11 and was extended through the 2013-14 fiscal year. According to the California Welfare Directors Association, based on preliminary data for 2012-13, the match waiver enabled 33 counties to spend about $35 million GF ($70 million total funds) on the CalFresh program that they otherwise would not have been able to spend because they would not have been able to put up county funds for the match.

Staff Recommendation. Effective July 1, 2015, and for the following four fiscal years, the portion of the General Fund allocation that can be accessed after a county meets its MOE will phase-out incrementally.

0530 Health and Human Services Agency, Office of Systems Integration
5180 Department of Social Services -- Child Welfare Services

1. Child Welfare Services - New System Project (CWS-NS)

Background. As discussed during the Subcommittee's May 1, 2014 hearing, the Child Welfare Services-New System Project is projected to, as of April 1, 2014, to experience a 19-month delay. Specifically, the planning and procurement process added 14 months: nine months because the department was unable to fill necessary state positions; and an additional five months to complete the request for proposal, among other items. Also, the design, development, and implementation (DDI) phase added five months for additional testing.

April Letter. The proposal requests seven five-year limited-term positions, and a five-year extension for nine existing two-year limited-term positions. In addition, the budget requests, in 2013-14, a net decrease in the Office of Systems Integration (OSI) costs for $93,000 and a net decrease in Department of Social Services (DSS) costs of $1.8 million. For budget year, the proposal requests an increase in OSI costs for $2.42 million and a net decrease in DSS costs for $1.2 million. The Spring Finance Letter was held open for further discussion.

May Revision. The Administration requests a decrease of $22,247,000 ($11,278,000 Federal Trust Fund, $9,695,000 General Fund, and $1,274,000 reimbursements) to accommodate this 19-month project delay and the inclusion of licensing functionality for the Community Care Licensing Division within DSS. The Department of Technology has approved a Special Project Report that includes a new funding plan associated with this delay and scope increase.

Proposed Provisional Budget Bill Language.

Add provision to Item 5180-001-0001:

X. The Department of Finance and Department of Technology shall determine the appropriateness of maintaining funding for permanent positions included in this item and Item 5180-001-0890 for the Child Welfare Services-New System project during the development of the fiscal year 2019-20 Budget or after implementation of the project is completed, whichever is later.

Add provision to Item 0530-001-9745:

X. The Department of Finance and Department of Technology shall determine the appropriateness of maintaining funding for permanent positions included in this item for the Child Welfare Services-New System project during the development of the fiscal year 2019-20 Budget or after implementation of the project is completed, whichever is later.

Proposed Supplemental Reporting Language.

Commencing August 2014 the Department of Social Services and the Office of Systems Integration will provide monthly updates to the Legislature and to stakeholders, including the

California Welfare Directors Association, regarding efforts to develop and implement the CWS-NS Project. The updates shall include, but not be limited to: (1) the vacancy rate, the duration of each vacant position and its classification, and the status of efforts to fill the position, (2) challenges with recruiting and retaining qualified staff and a description of efforts to resolve the issues, (3) challenges with procurement, including any delays, and a description of efforts to resolve the issues, (4) any issues or risks, including but not limited to pending state and federal approvals, that may jeopardize the project's completion or result in delays relative to the approved project schedule, budget, and scope and (5) progress on and projected completion dates for any significant upcoming project milestones. This reporting requirement shall be reviewed and modified as necessary upon the completion of the procurement phase of the CWS-NS Project and the signing of the contract with the selected primary vendor.

Staff Recommendation. Approve requests as proposed, adopt proposed budget bill language, and adopt placeholder supplemental reporting language.

2. Case Management Information & Payrolling System II

Governor's January Budget. The Administration requests to align the Office of Systems Integration (OSI) spending authority with the CMIPS II system rollout and transition to Maintenance and Operations (M&O) in 2013-14 and 2014-15. Specifically, the budget proposes an increase of $115,000 in OSI spending authority and a corresponding increase of $2.9 million in the DSS Local Assistance for FY 2013-14, and a net decrease in OSI spending authority of $33.7 million for the budget year. The proposal also includes authority for ten new permanent state staff ($1.48 million) and a corresponding decrease of $36.7 million in the DSS Local Assistance.

Correspondingly, the DSS budget requests six permanent positions to support the CMIPS II project in its maintenance and operations (M&O) phase. This proposal has a corresponding reduction to its Local Assistance budget as it was originally budgeted within OSI. DSS will assume the lead role for the service and support activities that were formerly outsourced. Duties in this role include system enhancements, inputting of legislatively mandated changes, validation and testing, data extraction, research, analysis, and reporting. CMIPS II will provide monthly and quarterly system updates during the M&O period that will necessitate DSS oversight, leadership, support and approval.

The Subcommittee approved the proposal during its May 8, 2014 hearing.

May Revision. The Administration's May Revision proposals for CMIPS II include the following:

(Item 0530-001-9745, Issue 407)

The Administration requests that General Fund be increased by $17.5 million to support CMIPS II system changes needed in the budget year. As discussed during the March 13, 2014 Subcommittee hearing, necessary changes are needed to update the system to reflect the federal Fair Labor Standards Act's Final Rule, increases in the minimum hourly wage rate pursuant to AB 10 (Alejo), Chapter 351, Statutes of 2013, and enhancements to accommodate blind and visually impaired

(Item 5180-111-0001, Issue 351)

An increase of $10 million ($5,050,000 General Fund and $4,950,000 reimbursements) is requested to support CMIPS II system changes needed in 2014-15, including changes related to the increase to the state's minimum hourly wage, and enhancements to accommodate blind and visually impaired IHSS recipients.

(Item 5180, Issue 401)

The Administration requests an increase of $511,000 ($255,000 GF and $256,000 reimbursements) to support three permanent and two, two-year limited-term positions to address unforeseen workload associated with the transition from the CMIPS Legacy system to CMIPS II.

Staff Recommendation. Approve as requested.

0530 Health and Human Services Agency

1. Office of Investigations

May Revise Proposal. The May Revision includes $1.8 million ($1.2 million General Fund and $600,000 in reimbursements) for nine positions to create an Office of Investigations and Law Enforcement Support within the Health and Human Services Agency. The purpose of this office is to provide support and oversight for the public safety officers currently working within the state hospitals and developmental centers.

Recommendation. Reject the May Revision request and instead:

- Approve $216,000 and three two-year limited term positions: one supervising special investigator two position; one training officer three position and one associate gov't program analyst position.

- Adopt placeholder trailer bill language requiring the Health and Human Services Agency staff to develop uniform training and policies and procedures for peace officers at both the state hospitals and developmental centers. In addition, HHS is required to work with system stakeholders to develop recommendations to further improve the quality and stability of law enforcement and investigative functions at both development centers and state hospitals in a meaningful and sustainable manner. Recommendations due to Legislature no later than 1/10/15

- Approve $200,000 General Fund for the Office of the Inspector General.

- Adopt placeholder trailer bill language directing the Office of the Inspector General to prepare a recommendation for presentation to the appropriate Senate and Assembly committees to address oversight and transparency of the employee discipline process and use of force within the Department of State Hospitals. The recommendation is to include requirements for reporting of employee misconduct, and how the office of internal affairs within that department is organized, conducts investigations and reports. The recommendation is also to include a review of how the Department presents employee misconduct and discipline cases to the State Personnel Board and any changes that should be made. Finally, the presentation shall include the feasibility and cost of either bringing the state hospitals under the Inspector General's jurisdiction or creating a separate Inspector General's Office for the state hospital system.

- Adopt placeholder trailer bill language directing the California Health And Human Services Agency is directed to cooperate with the Office of the Inspector General and provide unfettered access to all requested documents and personnel.

- The Office of the Inspector General is directed to complete its inquiry and provide a report to the appropriate Senate and Assembly committees by March 1, 2015.

SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Ellen Corbett
Senator Bill Monning
Senator Mike Morrell

May 21, 2013
10 A.M.
Room 4203, State Capitol

AGENDA: PART B

Staff: Samantha Lui

OUTCOMES

ISSUES RECOMMENDED FOR VOTE-ONLY

ISSUES RECOMMENDED FOR VOTE-ONLY

5160 Department of Rehabilitation

1. California PROMISE Initiative (CaPROMISE) Grant

Background. CaPROMISE seeks to develop and implement model demonstration projects that promote positive outcomes for 14- to 16-year old Supplemental Security Income (SSI) recipients and their families. The grant award is $10 million per year, with a $50 million maximum, and is 100 percent federal funds without a state match requirement.

Governor's January Proposal. At the March 27, 2013 hearing, the Subcommittee approved the department's requests of $10 million in federal budget authority for the California PROMISE Initiative (CaPROMISE) federal grant, which begins October 1, 2013, to September 30, 2019. The proposal requests six permanent, full-time positions, at a cost of $620,000, for the required administrative and program oversight, and to perform mandated accounting, contracting, and data management activities. Federal funding will cover position costs (salary and benefits) and all ancillary costs, such as travel, supplies, operational expenses, and equipment. The positions are as follows:

- One staff manager,
- Three associate governmental program analysts,
- One accounting officer specialist, and
- One office technician.

Proposed Provisional Budget Bill Language.

Add provision to Item 5160-001-0890

X. The Department of Finance and Department of Rehabilitation shall determine the appropriateness of maintaining funding for permanent positions included in Item 5160-001-0890 for the California PROMISE Grant project in the fiscal year 2019-20 Budget or upon completion of the grant period, whichever is later.

Staff Recommendation. Re-open the item to adopt budget bill language that requires the Department of Finance and the Department of Rehabilitation, in fiscal year 2019-20 or upon completion of the grant period, determine the appropriateness of funding for the permanent positions.

Approve (3-0).

5180 Department of Social Services - Child Welfare Services

1. Title IV-E California Well-Being Waiver Project

(Issue 151)

May Revision. To support a full-five year extension and expansion of the Title IV-E California Well-Being Waiver Project, the Administration requests extension of two current limited-term positions and the reinstatement, or establishment, of new five-year limited-term positions (see chart below):

Title IV-E California Well-Being Project (Project) FY 2014-15		
Departmental Project Responsibility	**Classification**	**Total**
Overall project oversight; project reporting and Children and Family Services Division policy direction	1.0 SSC III (Extension) 1.0 SSC III (Establish) 1.0 SSM I (Re-establish) 1.0 AGPA (Establish) 0.5 Attorney (SC III) (Establish)	4.5
Claiming, payment and fiscal reporting activities	1.0 AAA (Extension) 2.0 AAA (Establish) 1.0 AAS (Establish) 1.0 Sr. AO (Specialist)/Establish	5.0
Fiscal analysis, oversight of fiscal reports and fiscal contribution of project evaluation reports, county data, monitoring and oversight activities	1.0 SSM I (Specialist)/Establish 1.0 SSM I (Superv)/Establish 3.0 RA II (Research Analysts)/Establish	5.0
Evaluation activities and contract management and oversight	1.0 RPS II (Establish)	1.0
		15.5

Additionally, the proposal requests contract funding of $1,250,000 ($625,000 GF) per year for the next five years to fund the evaluation of the Project.

The proposal also includes the following provisional budget bill language to be added to Item 5180-001-0001, allowing for the revision of this resource request to provide the Department with the required level of support as determined by the final number of participating counties and negotiated Administration for Children and Families' Terms and Conditions.

Add the following provision to Item 5180-001-0001:

Of the amount appropriated in this item, $1,527,000 is available to support increased workload associated with the expansion of the Title IV-E Child Welfare Waiver Demonstration Project. Notwithstanding any other provision of law, the Department of Finance is authorized to increase or decrease this amount based on (a) the final contractual Waiver Terms and Conditions agreement entered into by the State Department of Social Services and the federal

Administration for Children and Families, and (b) the total number of counties opting into the Waiver, not sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations, unless the chairperson of the joint committee, or his or her designee, imposes a lesser time.

Staff Comment. The item was discussed and held open at the Subcommittee's May 19, 2014 hearing. Staff notes the value of the Title IV-E waiver, as it supports child welfare practice, program, and system improvements for early intervention, reunification efforts, and reduction in out-of-home placements. The department indicates that it is having ongoing discussions with the federal Administration on Children and Families and anticipates implementation of the extended waiver by October 2014.

Staff Recommendation. Due to the uncertainty of the number of participating counties, staff recommends adopting placeholder budget bill language for this issue, providing DSS the authority to hire up to five positions as of July 1, 2014 for implementation of the waiver, with the authority for the Department of Finance to authorize up to 10.5 additional positions and associated funding upon final federal approval of the waiver and contingent upon the final number of participating counties in the waiver extension. Any increase beyond the initial five positions also would be subject to 30-day prior notification in writing to the Joint Legislative Budget Committee and the fiscal committees in each house of the Legislature, unless the chairperson of the JLBC, or his or her designee, imposes a lesser time.

Approve (2-1, Morrell voting no).

2. Foster Youth Permanency

Proposal. Provide start-up capital for two counties to create or expand specialized youth permanency programs, with provisions that each county track and reinvest savings, replicating a model pioneered by Sacramento County. First-year costs: $750,000 with annual, ongoing costs of $1.2 million until fiscal year 2018-19.

Staff Recommendation. The Subcommittee heard this proposal during its May 1, 2014 hearing. Staff recommends approving the funding request.

Approve (3-0).

3. Services to Support Child Victims of Sexual Exploitation

Proposal. The proposal, among other items, seeks to:

(1) Create county coordinator position to serve as a liaison with other first responders.
(2) Provide funding for additional caseworkers in 12 large counties.
(3) Provide training for staff, caseworker, and local partners.
(4) Provide an enhanced foster care rate for placements.
(5) My Life, My Choice Training for foster youth, ages 11-17 (both probation & foster).

First-year costs: $40.563 million ($20.282 million GF)
Ongoing costs: $28.517 million ($14.259 million GF)

Proposed Placeholder Trailer Bill Language.

> The Legislature finds and declares that in order to adequately serve minors who have been sexually exploited or trafficked, it is necessary that counties develop and utilize a multidisciplinary team approach to case management, service planning, and provision of services and that counties develop and utilize interagency protocols to ensure services are provided as needed to this population.

Staff Recommendation. The Subcommittee heard this proposal during its May 1, 2014 hearing. Staff recommends approving the funding request and adopting proposed placeholder trailer bill language.

Approve (2-1, Morrell voting no).

4. Child Care Worker Age Limit in Group Home

Proposal. Increase the qualifications for group home staff by increasing the minimum age to 21. The current age qualification requirements for group home staff are set at 18 years old.

Proposed Placeholder Trailer Bill Language.

> Section 1502.36 is added to the Health and Safety Code to read:
>
> 1502.36 (a) Each Person employed on the staff of a group home for foster youth as defined in paragraph (13) of subdivision (a) of Section 1502 shall be at least 21 years of age.

Staff Recommendation. The Subcommittee heard this issue during its May 1, 2014 hearing. Staff recommends adopting the placeholder trailer bill language to increase the minimum age requirements of staff of a group home for foster youth to be at least 21 years of age.

Approve (3-0).

5. Request to Collect Social Worker Caseload Data

Proposal. To require the Department of Social Services (DSS) to begin collecting data on county Child Welfare Services social worker caseloads, and to provide such data during its annual realignment report.

Specifically, the proposed language:

> Section 10104 of the Welfare and Institutions Code is amended to read:
>
> 10104. It is the intent of the Legislature to ensure that the impacts of the 2011 realignment of child welfare services, foster care, adoptions, and adult protective services programs are

identified and evaluated, initially and over time. It is further the intent of the Legislature to ensure that information regarding these impacts is publicly available and accessible and can be utilized to support the state's and counties' effectiveness in delivering these critical services and supports.

(a) The State Department of Social Services shall annually report to the appropriate fiscal and policy committees of the Legislature, and publicly post on the department's Internet Web site, a summary of outcome and expenditure data that allows for monitoring of changes over time.

(b) The report shall be submitted and posted by April 15 of each year and shall contain expenditures for each county for the programs described in clauses (i) to (vii), inclusive, of subparagraph (A) of paragraph (9) of subdivision (f) of Section 30025 of the Government Code.

(c) The report shall also contain the amount of growth funds per county, child welfare service social worker caseloads per county, the number of authorized positions in the local child welfare service agency, and the number of vacant positions in the local child welfare service agency.

(d) ~~(c)~~ The department shall consult with legislative staff and with stakeholders to develop a reporting format consistent with the Legislature's desired level of outcome and expenditure reporting detail. Counties shall cooperate with the department to provide the information necessary for the report.

Staff Recommendation. The Subcommittee heard and held open this issue during its May 19, 2014 hearing. Staff recommends adopting placeholder trailer bill language.

Approve (2-1, Morrell voting no).

5180 Department of Social Services -- Community Care Licensing

1. Quality Enhancement and Program Improvement

Governor's Budget Proposal. The Governor's budget includes $7.5 million ($5.8 million GF) and 71.5 positions for quality enhancement and program improvement measures. The additional positions and resources seek to improve the timeliness of investigations; help to ensure the CCL Division inspects all licensed residential facilities at least once every five years, as statutorily required; increase staff training; and, establish clear fiscal, program, and corporate accountability. The budget provides for increased training for new field staff and training for supervisors and managers by expanding the Licensing Program Analyst academy, implementing ongoing training, strengthening the Administrator Certification Section, and creating a mental health populations unit. The Administration also proposes to increase civil penalties for types of serious noncompliance, including zero-tolerance violations, repeat violations, and failure to correct. The proposal also includes language to increase licensing application fees and licensing annual fees. In addition, the proposal seeks to create a specialized complaint hotline, centralize application processing, and outlines a process for temporary manager or receivership.

Staff Comment and Recommendation. The Subcommittee heard and discussed this issue at its March 13, 2014 hearing. Staff recommends the Subcommittee amend the proposed trailer bill language and adopt placeholder trailer bill to effectuate the following:

- Delayed implementation of the proposal, no sooner than October 1, 2014.
- A plan to increase annual inspection frequency that begins no later than April 1, 2015.
- Remove specified language pertaining to penalty rate structure to be replaced with intent language regarding scope of penalties.
- Add procedures that the Department of Social Services must implement to minimize the trauma of residents or clients at risk of physical or mental abuse, abandonment, or any other substantial threat to health or safety following a temporary suspension or revocation of a license.

Approve (2-1, Morrell voting no).

2. AB 1217: Home Care Services Consumer Protection Act

January Budget Proposal. The budget requests $1,472,000 in General Fund for vendor contract funding ($251,000) and ten positions (seven permanent; two one-year limited-term; and, one two-year limited-term) to establish, and maintain, the operational and administrative components of the Home Care Services Consumer Protection Act (AB 1217, Lowenthal). The positions and related divisions include:

- Community Care Licensing: one staff services manager; two associate governmental program analysts; and, one office technician.
- Legal Division: one attorney.
- Information Systems Division: two staff programmer analysts; two one-year limited term staff programmer analyst; and, one senior information systems analyst.

The Administration also includes a trailer bill, which, among other provisions, contains the following:

1. Deletes language that exempts specified individuals from registration requirements for home care aides, and expands the list of individuals and entities that are not considered home care aides or home care organizations.
2. Requires the chief executive officer, or another person serving in a similar capacity, in a home care organization, to consent to a background examination.
3. Prohibits the department from issuing a provisional license to any corporate home care organization applicant that has a member of the board of directors, executive director, or officer who is not eligible for licensure.
4. Revises license renewal requirements, including insurance and workers' compensation policies.
5. Revises a home care organization's licensure requirements to require proof of an employee dishonesty bond.
6. Authorizes the department to cease review on an application if it is determined that the home care applicant was previously issued a license and that license was revoked.
7. Requires home care organization licensees to report suspected or known dependent adult, elder, or child abuse to the department. Upon receipt of these reports, the department must cross-report the suspected or known abuse to local law enforcement and Adult Protective Services or Child Protected Services.
8. Authorizes home care organization applicants and home care aide applicants, who submit applications prior to January 1, 2016, to provide home care services without meeting the tuberculosis examination requirements, provided that those requirements are met by July 1, 2016.

Staff Recommendation. Approve request as budgeted and approve corresponding placeholder trailer bill.

Approve (2-1, Morrell voting no).

5180 Department of Social Services - In-Home Supportive Services (IHSS)

1. Federal Fair Labor Standards Act

Governor's Proposal. The budget recognizes the new FLSA regulations, effective January 1, 2015, and provides that implementation of federal requirements will cost $208.9 million ($99 million General Fund) in 2014-15 and $327.9 million ($153.1 million General Fund) annually thereafter. The $208.9 million breakdown is as follows:

- Approximately $68.6 million ($32 million GF) for FLSA regulations and creating a provider backup system (around $7.5 million would be allocated to modify CMIPS-II data software to maintain workweek agreements; track provider hours; update policies, instructions, and provider timesheets; and, add new activities, such as wait time during medical accompaniment and mandatory training);[1]
- $87 million ($40 million GF) for FLSA compliance[2] ($81 million [$37 million GF] for medical accompaniment wait time; $6 million [$3 million GF] for travel time; and, mandatory provider training); and,
- $53 million ($27 million GF) to implement overtime restrictions (social workers in county welfare departments work with IHSS recipients to create and review workweek agreements for all recipients).

May Revision. The May Revision adjusts the January estimates.

Staff Recommendation. The Subcommittee heard the Governor's January budget proposal on March 13, 2014. Staff recommends rejecting the proposed trailer bill language pertaining to FLSA. As a result, staff recommends augmenting $66 million for costs to implement payment for overtime.

Approve (2-1, Morrell voting no).

2. Restoration of the Seven-Percent Reduction

Proposal. Restore the seven-percent across-the-board services cut to all IHSS recipients with funding from the state General Fund, until the home health assessment (assessment) is enacted. Upon enactment of the assessment, the revenues generated will off-set the General Fund portion of the 7% reduction. The Legislative Analyst Office estimates restoration of the seven-percent across-the-board cut as $186.7 million GF.

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[1] Due to a technical budget error, the Administration overestimated the cost associated with paying for authorized services delivered by a backup provider by $22 million GF in 2014-15 and $48 million GF in 2015-16. After correcting the error, the Administration estimates that the proposal to restrict overtime for all IHSS providers, including administrative activities to prevent overtime and maintain the Provider Backup System would cost $52 million ($25 million GF) annually.

[2] The budget provides that 85 percent of recipients will have a provider accompany them to medical visits, where providers will spend three hours per month waiting for recipients to complete their appointments. Each month new providers will attend a two-hour mandatory orientation training.

Staff Recommendation. Adopt placeholder trailer bill language to eliminate the seven percent reduction in program hours and amend the 2010 assessment statute on personal care services, effective October 1, 2014. The delayed date is due to the need to update CMIPS II programming. Upon enactment of the assessment, federal financial participation will backfill General Fund IHSS expenditures. Staff recommends augmenting the budget by $140 million for associated costs.

Approve (2-1, Morrell voting no).

5180 Department of Social Services -- CalWORKs

1a. Suspend CalWORKs 24-month Time Clock

During the Subcommittee's May 1, 2014 hearing, the Subcommittee heard testimony regarding the implementation of CalWORKs structural and programmatic reforms, including the roll-out of early engagement strategies, such as family stabilization, the Online California Assessment Tool, and subsidized employment. Advocates express continued concerns that they have yet to see the intended impacts of the increase in flexibility regarding hours in the reforms associated with the 24-month clock.

Staff Recommendation. Due to lack of full implementation of CalWORKs reform, suspend CalWORKs 24-mo. time clock until six-months after the full implementation of CalWORKs early engagement strategies, including Online California Assessment Tool (OCAT), family stabilization, subsidized employment. Approve placeholder language to conform to these changes.

Approve (2-1, Morrell voting no).

1b. Family Stabilization

Family stabilization (FS) is intended to increase client success during the flexible WTW 24-Month Time Clock period by ensuring a basic level of stability: intensive case management and barrier removal services. Clients must have a "Stabilization Plan" with no minimum hourly participation requirements, and six months of clock-stopping is available, if good cause is determined. Advocates have raised the concern that participants of family stabilization may be at increased risk of sanction status, despite the original intent of family stabilization being an activity to provide interventions for families in crisis.

Uncodified Provisional Language.

> Uncodified Placeholder Section X.
>
> X It is the intent of the Legislature to clarify that the Family Stabilization Program within CalWORKs is a voluntary activity intended to provide constructive interventions for parents and to assist in barrier removal for families facing very difficult needs. Participants in Family Stabilization are encouraged to participate, but there is no intention that parents be sanctioned as part of their experience in this program component.

Staff Recommendation. Adopt uncodified placeholder language pertaining to family stabilization.

Approve (2-1, Morrell voting no).

1c. Countable Hours

Proposal. SB 1041 requires recipients to meet hourly work requirements "each week." Advocates have expressed concern that this has been explicitly interpreted to discount a client's efforts at work

participation if he or she was short one hour a week or has other scheduling needs but would otherwise meet the monthly participation rate.

Staff Recommendation. Adopt placeholder trailer bill language to allow recipients to meet hourly work requirements if the weekly average over the entire month meets the weekly requirement.

Approve (2-1, Morrell voting no).

2. CalWORKs Welfare-to-Work Performance Oversight State/County Peer Review

Governor's Proposal. The Department of Social Services (DSS) requests eight positions and $980,000 to support the county peer review process, quality control reviews for the Temporary Assistance to Needy Families (TANF) program, and field monitoring visits to monitor the implementation of recent CalWORKs changes. Specifically, the eight positions are as follows:

- Two staff services managers;
- Two research analysts; and,
- Four associate governmental program analysts in CalWORKs Employment Bureau.

Staff Recommendation. Reject proposal. The Subcommittee discussed and held open this item during its May 1, 2014 hearing.

Approve (2-1, Morrell voting no).

3. Parent-Child Engagement Pilot Project

Governor's January Budget. The budget proposes a three-year, six-county pilot project to serve 2,000 low-income families, and to connect 3,200 preschool-age children between the ages of Under the pilot, child care will be provided in a stable environment, and parents must work with their child for an average of ten hours per week for at least six months. Child care providers will work directly with parents through mentoring. The proposal assumes the first cohort of families to enroll in March 2015 and the second cohort in 2016. The budget projects a $9.9 million General Fund (GF) cost in 2014-15, and a total of $115.4 million GF over three years.

Full-time child care will be provided throughout the entire project, if the parent completes the parental involvement component. Based on the weighted statewide average of monthly preschool age in a child care center at the 85th percentile of the 2005 RMR survey, full-time and part-time care cost per case is $873.40 and $732.31, respectively. Monthly cost per case for parental involvement is $335.

The budget includes an accompanying trailer bill, which contains the following provisions:

1. Expresses the Legislature's intent in authorizing a three-year pilot project, in up to six counties, to demonstrate improved outcomes for CalWORKs hardest-to-serve families, including sanctioned families and their preschool aged children;
2. Sets forth information that a county must include in its proposal, prior to being selected as a project site, such as:

   a. How the county plans to attain the project goals.
   b. The basis of its project plan (e.g., Child-Parent evidence-based model, or an alternate model).
3. Requires participating counties to prepare and submit progress reports, annual reports, and a final report, on a schedule determined by DSS;
4. Requires counties to measure the program's success based on the following outcomes:
   a. Regular child care attendance;
   b. Continuity of parental involvement for at least the first six months of a family's participation;
   c. Reduce barriers to achieving self-sufficiency, including improved parental employment history, as determined by caseworker review; and,
   d. Improved school readiness of participating children, as assessed using a standardized tool to measure cognitive, emotional, and social skill development.
5. Authorizes the Department of Social Services (DSS) to terminate any, or all, of the pilot projects after six months of operation, if DSS receives information that the project is not cost-effective or adversely impacts recipients.
6. Authorizes DSS to waive specific statutory requirements, regulations, and standards, by formal order of the director, for the purpose and duration of the project.
7. Authorizes a participating county to dis-enroll children from the project who have unsatisfactory child care attendance, after project representatives have actively attempted on multiple occasions to engage the family, to allow the child care slot to be utilized by a new participant.
8. Authorizes the department to implement and administer the pilot project through all-county letters or a similar mechanism.

Staff Recommendation. The Subcommittee heard this item during its joint-hearing with Subcommittee 1 on Education on April 10. Conform to action taken in Senate Subcommittee 1- Education.

Approve (2-1, Morrell voting no).

4. Eliminate Temporary Assistance Program

Governor's January Budget. The department proposes trailer bill language to eliminate the Temporary Assistance Program. Specifically, the trailer bill's provisions repeal:

1. The requirement that the Department of Social Services (DSS), effective October 1, 2014, administer TAP for current and future California Work Opportunity and Responsibility to Kids (CalWORKs) recipients who meet exemption criteria for work participation activities, and are not single parents who have a child under the age of one year old.
2. The authorization that eligible CalWORKs recipients have the option of receiving grant payments, child care, and transportation services from TAP.
3. The requirement that DSS enroll CalWORKs recipients and applicants into the program, unless recipients or applicants provide written indication that they would not like to receive assistance from TAP.
4. Language that specifies state General Fund resources for grant payments, child care, transportation, and eligibility determination activities for families receiving TAP benefits.

5. Intent language that specifies that TAP recipients have and maintain access to the hardship exemption and services necessary to begin and increase participation in welfare-to-work activities.

Proposed Trailer Bill Language.

Amend subdivision (a) Section 11320.32 of the Welfare and Institutions Code to read:

…"no later than October 1, ~~2014~~ 2016."

Staff Recommendation. Amend the Governor's proposal and adopt trailer bill language to retain the Temporary Assistance Program but extend the implementation deadline from October 1, 2014 to October 1, 2016.

Approve (2-1, Morrell voting no).

5180 Department of Social Services - CalFresh

1. Disaster Supplemental Nutrition Assistance Program

May Revision. The Administration proposes provisional budget bill language to authorize an increase in GF and Federal Trust Fund expenditure authority for food stamp administrative costs in the event of a major disaster declaration by the President of the United States. Specifically:

Addition of Provisional Language to Budget Bill Item 5180-141-0001:

X. In the event of a declaration of a major disaster by the President of the United States, and upon request of the State Department of Social Services following approval by the United States Department of Food and Agriculture's Food and Nutrition Service, the Department of Finance may increase expenditure authority in this item in order to fund the administrative costs of a Disaster Supplemental Nutrition Assistance Program food assistance program.

Amendment to Provision 1 of Item 5180-141-0890 as follows:

"1. Provisions 2, 3, 4, ~~and~~ 6, and X of Item 5180-141-0001 also apply to this item."

Proposed Amended Provisional Budget Bill Language.

Addition of Provisional Language to Budget Bill Item 5180-141-0001:

X. The Department of Finance may increase expenditure authority in this item for the State Department of Social Services in order to fund the administrative costs to prepare for and respond to a declaration of major disaster by the President of the United States and to maximize the amount of assistance requested and received through the federal Disaster Supplemental Nutrition Assistance Program and other federally funded nutrition assistance programs.

Amendment to Provision 1 of Item 5180-141-0890 as follows:

"1. Provisions 2, 3, 4, ~~and~~ 6, and X of Item 5180-141-0001 also apply to this item."

Staff Recommendation. The Subcommittee heard and held open this item during its May 19, 2104 hearing for further discussion with stakeholders. Adopt the proposed amended trailer bill language and corresponding language to the item.
Approve (2-1, Morrell voting no).

2. CalFresh Administration Match Waiver

Proposal. A five-year phase out of the CalFresh Administration Match Waiver that would reduce in equal increments over that time period the portion of a county's GF allocation that it could access without increasing its matching funds beyond the county's CalWORKs/CalFresh MOE. In 2014-15, a

county would still have the ability to draw down the full portion of its GF allocation as long as the county fully meet its maintenance of effort (MOE) in the CalFresh program. Beginning in 2015-16 and for the next three fiscal years, the portion of the GF allocation that could be accessed once a county meets its MOE would decline by 20 percent per year to zero. Any county that is able to increase its CalFresh Administration spending above its MOE level would continue to be able to draw down GF up to the county's GF allocation.

Background. The match waiver was originally enacted for two years beginning in 2010-11 and was extended through the 2013-14 fiscal year. According to the California Welfare Directors Association, based on preliminary data for 2012-13, the match waiver enabled 33 counties to spend about $35 million GF ($70 million total funds) on the CalFresh program that they otherwise would not have been able to spend because they would not have been able to put up county funds for the match.

Staff Recommendation. Effective July 1, 2015, and for the following four fiscal years, the portion of the General Fund allocation that can be accessed after a county meets its MOE will phase-out incrementally.

Approve (3-0).

0530 Health and Human Services Agency, Office of Systems Integration
5180 Department of Social Services -- Child Welfare Services

1. Child Welfare Services - New System Project (CWS-NS)

April Letter. The proposal requests seven five-year limited-term positions, and a five-year extension for nine existing two-year limited-term positions. In addition, the budget requests, in 2013-14, a net decrease in the Office of Systems Integration (OSI) costs for $93,000 and a net decrease in Department of Social Services (DSS) costs of $1.8 million. For budget year, the proposal requests an increase in OSI costs for $2.42 million and a net decrease in DSS costs for $1.2 million. The Spring Finance Letter was held open for further discussion.

May Revision. The Administration requests a decrease of $22,247,000 ($11,278,000 Federal Trust Fund, $9,695,000 General Fund, and $1,274,000 reimbursements) to accommodate this 19-month project delay and the inclusion of licensing functionality for the Community Care Licensing Division within DSS. The Department of Technology has approved a Special Project Report that includes a new funding plan associated with this delay and scope increase.

Proposed Provisional Budget Bill Language.

Add provision to Item 5180-001-0001:

X. The Department of Finance and Department of Technology shall determine the appropriateness of maintaining funding for permanent positions included in this item and Item 5180-001-0890 for the Child Welfare Services-New System project during the development of the fiscal year 2019-20 Budget or after implementation of the project is completed, whichever is later.

Add provision to Item 0530-001-9745:

X. The Department of Finance and Department of Technology shall determine the appropriateness of maintaining funding for permanent positions included in this item for the Child Welfare Services-New System project during the development of the fiscal year 2019-20 Budget or after implementation of the project is completed, whichever is later.

Proposed Supplemental Reporting Language.

Commencing August 2014 the Department of Social Services and the Office of Systems Integration will provide monthly updates to the Legislature and to stakeholders, including the California Welfare Directors Association, regarding efforts to develop and implement the CWS-NS Project. The updates shall include, but not be limited to: (1) the vacancy rate, the duration of each vacant position and its classification, and the status of efforts to fill the position, (2) challenges with recruiting and retaining qualified staff and a description of efforts to resolve the issues, (3) challenges with procurement, including any delays, and a description of efforts to resolve the issues, (4) any issues or risks, including but not limited to pending state and federal approvals, that may jeopardize the project's completion or result in delays relative to the

approved project schedule, budget, and scope and (5) progress on and projected completion dates for any significant upcoming project milestones. This reporting requirement shall be reviewed and modified as necessary upon the completion of the procurement phase of the CWS-NS Project and the signing of the contract with the selected primary vendor.

Staff Recommendation. Approve requests as amended, adopt proposed budget bill language, and adopt placeholder supplemental reporting language.

Approve (2-1, Morrell voting no).

2. Case Management Information & Payrolling System II

Governor's January Budget. The Administration requests to align the Office of Systems Integration (OSI) spending authority with the CMIPS II system rollout and transition to Maintenance and Operations (M&O) in 2013-14 and 2014-15. Specifically, the budget proposes an increase of $115,000 in OSI spending authority and a corresponding increase of $2.9 million in the DSS Local Assistance for FY 2013-14, and a net decrease in OSI spending authority of $33.7 million for the budget year. The proposal also includes authority for ten new permanent state staff ($1.48 million) and a corresponding decrease of $36.7 million in the DSS Local Assistance.

Correspondingly, the DSS budget requests six permanent positions to support the CMIPS II project in its maintenance and operations (M&O) phase. This proposal has a corresponding reduction to its Local Assistance budget as it was originally budgeted within OSI. DSS will assume the lead role for the service and support activities that were formerly outsourced. Duties in this role include system enhancements, inputting of legislatively mandated changes, validation and testing, data extraction, research, analysis, and reporting. CMIPS II will provide monthly and quarterly system updates during the M&O period that will necessitate DSS oversight, leadership, support and approval.

The Subcommittee approved the proposal during its May 8, 2014 hearing.

May Revision. The Administration's May Revision proposals for CMIPS II include the following:

(Item 0530-001-9745, Issue 407)

The Administration requests that General Fund be increased by $17.5 million to support CMIPS II system changes needed in the budget year. As discussed during the March 13, 2014 Subcommittee hearing, necessary changes are needed to update the system to reflect the federal Fair Labor Standards Act's Final Rule, increases in the minimum hourly wage rate pursuant to AB 10 (Alejo), Chapter 351, Statutes of 2013, and enhancements to accommodate blind and visually impaired

(Item 5180-111-0001, Issue 351)

An increase of $10 million ($5,050,000 General Fund and $4,950,000 reimbursements) is requested to support CMIPS II system changes needed in 2014-15, including changes related to the increase to the

state's minimum hourly wage, and enhancements to accommodate blind and visually impaired IHSS recipients.

(Item 5180, Issue 401)

The Administration requests an increase of $511,000 ($255,000 GF and $256,000 reimbursements) to support three permanent and two, two-year limited-term positions to address unforeseen workload associated with the transition from the CMIPS Legacy system to CMIPS II.

Staff Recommendation. Approve as requested.

Approve (3-0).

0530 Health and Human Services Agency

1. Office of Investigations

May Revise Proposal. The May Revision includes $1.8 million ($1.2 million General Fund and $600,000 in reimbursements) for nine positions to create an Office of Investigations and Law Enforcement Support within the Health and Human Services Agency. The purpose of this office is to provide support and oversight for the public safety officers currently working within the state hospitals and developmental centers.

Recommendation. Reject the May Revision request and instead:

- Approve $216,000 and three two-year limited term positions: one supervising special investigator two position; one training officer three position and one associate gov't program analyst position.

- Adopt placeholder trailer bill language requiring the Health and Human Services Agency staff to develop uniform training and policies and procedures for peace officers at both the state hospitals and developmental centers. In addition, HHS is required to work with system stakeholders to develop recommendations to further improve the quality and stability of law enforcement and investigative functions at both development centers and state hospitals in a meaningful and sustainable manner. Recommendations due to Legislature no later than 1/10/15

- Approve $200,000 General Fund for the Office of the Inspector General.

- Adopt placeholder trailer bill language directing the Office of the Inspector General to prepare a recommendation for presentation to the appropriate Senate and Assembly committees to address oversight and transparency of the employee discipline process and use of force within the Department of State Hospitals. The recommendation is to include requirements for reporting of employee misconduct, and how the office of internal affairs within that department is organized, conducts investigations and reports. The recommendation is also to include a review of how the Department presents employee misconduct and discipline cases to the State Personnel Board and any changes that should be made. Finally, the presentation shall include the feasibility and cost of either bringing the state hospitals under the Inspector General's jurisdiction or creating a separate Inspector General's Office for the state hospital system.

- Adopt placeholder trailer bill language directing the California Health And Human Services Agency is directed to cooperate with the Office of the Inspector General and provide unfettered access to all requested documents and personnel.

- The Office of the Inspector General is directed to complete its inquiry and provide a report to the appropriate Senate and Assembly committees by March 1, 2015.

Approve (3-0).

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

Chair, Senator Ellen M. Corbett

Senator Bill Monning
Senator Mike Morrell

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

PART C

Staff: Peggy Collins

4300 Department of Developmental Services (DDS)
Community Services

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

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible. Thank you.

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

Community Services

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

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

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

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

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

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

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

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

Issue 3: Increased Cash Flow Loan Authority

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

4300-101-0001
"2. A loan or loans shall be made available from the General Fund to the State Department of Developmental Services not to exceed a cumulative total of ~~$260,000,000~~ 395,000,000. The loan funds shall be transferred to this item as needed to meet cashflow needs due to delays in collecting reimbursements from the Health Care Deposit Fund ~~and are subject to the repayment provisions of Section 16351 of the Government Code~~. All moneys so transferred shall be repaid as soon as sufficient reimbursements have been collected to meet immediate cash needs and in installments as reimbursements accumulate if the loan is outstanding for more than one year."

Questions for DDS:

- Please describe the proposal.

Staff Recommendation: Approve as proposed.

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

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

have a strong behavior component, and provide other services customized to each resident. Examples of individually tailored services include pharmacological services, psychiatric services and counseling.

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

Questions for DDS:

- Please present the proposal.

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

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

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

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

Questions for DDS:

- Please present the proposal.

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

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

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

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

Questions for DDS:

- Please present the proposal.

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

Staff Recommendation: Approve as proposed.

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

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

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

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

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

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

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

Questions:

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

Staff Recommendation: Approve as proposed.

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

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

Questions for DDS:

- Please present the proposal.

Staff Recommendation: Approve as proposed.

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

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

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

0001--General Fund

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

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

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

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

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

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

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

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

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

Questions for DDS:

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

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

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

ISSUE 11: Improving Consumer Placement Planning Efforts

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

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

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

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

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

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

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

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

ISSUE 12: Regional Centers Core-Staffing Formula

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

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

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

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

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

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

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

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

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

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

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

Questions for DDS:

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

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

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

ISSUE 14: Federal Overtime Changes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ISSUE 16: Early Start Program

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

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

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

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

ISSUE 17: Insurance Co-Pays and Deductibles.

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

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

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

Questions for DDS:

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

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

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

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

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

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

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

Chair, Senator Ellen M. Corbett

Senator Bill Monning
Senator Mike Morrell

May 21, 2014
PART C
Staff: Peggy Collins

HEARING OUTCOMES

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

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

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

Approve: 3-0

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

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

Approve: 3-0

Issue 3: Increased Cash Flow Loan Authority

Motion: Approve as proposed.

Approve: 3-0

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

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

Approve: 2-0

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

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

Approve: 3-0

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

Motion: Approve as proposed.

Approve: 3-0

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

Motion: Approve as proposed.

Approve: 3-0

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

Motion: Approve as proposed.

Approve: 3-0

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

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

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Approve: 3-0

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

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

Approve: 2-0

ISSUE 11: Improving Consumer Placement Planning Efforts

Motion: In order to ensure these assessments are utilized for their intended purpose, that appropriate services and supports are provided to those moving to the community, and that existing crisis services are utilized appropriately, adopt the following actions:

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

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

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

Approve: 2-0

ISSUE 12: Regional Centers Core-Staffing Formula

Motion: Adopt placeholder budget bill language.

Approve: 3-0

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

Motion:

- **Adopt supplemental report language to require the department to report back to the Legislature, by May 14, 2015, on the actual costs associated with the minimum wage increase.**

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

Approve: 2-0

ISSUE 14: Federal Overtime Changes:

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

Approve: 2-1 (Morrell)

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

Motion: Adopt placeholder budget bill language.

Vote: 3-0

ISSUE 16: Early Start Program

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

Vote: 3-0

ISSUE 17: Insurance Co-Pays and Deductibles.

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

Approve: 3-0