Health and Human Services

The Health and Human Services Agency oversees departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California's vulnerable and at-risk residents.

The May Revision includes total funding of $103.9 billion ($25.9 billion General Fund and $78 billion other funds) for all programs overseen by this Agency.

Department of Health Care Services

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health insurance program that provides comprehensive health care services at no or low cost for low-income individuals including families with children, seniors, persons with disabilities, foster care children, and pregnant women. The federal government dictates a mandatory set of basic services including, but not limited to, physician services, family nurse practitioner services, nursing facility services, hospital inpatient and outpatient services, laboratory and radiology services, family planning, and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, home- and community-based waiver services, and medical equipment, which avoid more costly services.

Proposals to Balance the Budget:

- *Coordinated Care Initiative*—The Governor's Budget proposed a Coordinated Care Initiative (CCI) to integrate care for individuals who are eligible for both Medi-Cal and Medicare. This initiative proposed to have the same health plan responsible for the delivery of all benefits by combining the full continuum of acute, primary, institutional, and home-and community-based services for dual eligible beneficiaries into a single benefit package over three years beginning January 1, 2013. Medi-Cal long-term care benefits were to be integrated in the first year. The Budget assumed that Medicare savings from this integration would be shared equally with the federal government. It also assumed decreased utilization of more expensive services including nursing home stays and hospitalization by increasing utilization of home and community-based services such as In-Home Supportive Services (IHSS). Lastly, the Budget included a payment deferral (one payment for all providers) to accelerate the savings in 2012-13.

  The May Revision proposes to phase in the long-term care benefits as each county transitions into managed care. Other changes include reducing the number of counties in phase one from ten to eight, and delaying the start date from January 1, 2013 to March 1, 2013. Counties will continue their role in assessing and authorizing hours for the IHSS program. In addition, consumers will continue to select and direct their provider. The proposal includes a county-specific maintenance of effort to hold county expenditures to the estimated level that would have been incurred absent the CCI. As CCI is implemented and funding responsibility is shifted to the state, collective bargaining will eventually transition to the state. As modified, the proposal saves $663.3 million in 2012-13 and $887 million when fully implemented. Implementation is contingent on securing a six-month stable enrollment period and 50 percent of total savings from the federal government.

Additionally, the May Revision includes several hospital and nursing home payment savings proposals. The Medi-Cal program currently spends approximately $15 billion ($3.4 billion General Fund) on hospitals and over $4 billion ($2 billion General Fund) on nursing homes. Together these costs comprise nearly 35 percent of total Medi-Cal General Fund expenditures. The May Revision proposes the following:

- *Hospital Payment Changes*—The May Revision proposes to reduce supplemental payments to private hospitals, eliminate public hospital grants, and eliminate increases to managed care plans for supplemental payments to designated public hospitals for savings of $150 million in General Fund in 2012-13 and $75 million in

2013-14. In addition, the May Revision proposes to delay the transition to a new diagnosis-related group-based payment methodology for hospitals by six months (from January 1, 2013 to July 1, 2013).

- *Unexpended Federal Waiver Funds*—Designated public hospitals and the state provide care to individuals who are uninsured and who are not eligible for full-scope Medi-Cal benefits. The Medi-Cal 1115 Bridge to Reform Waiver allows the state and designated public hospitals to access over $750 million in federal funds for providing care to these individuals. Additionally, unexpended prior year waiver funds can be rolled over to provide additional federal funding. The May Revision proposes that the additional funds be split equally between the state and the designated public hospitals, rather than the funding being provided exclusively to these hospitals for General Fund savings of $100 million in 2012-13 and $9 million in 2013-14.

- *Non-Designated Public Hospital Payment Changes*—The Medi-Cal program uses various payment methodologies to reimburse private hospitals and designated and non-designated public hospitals. Although non-designated public hospitals are publicly owned and operated, they have historically been funded similar to private hospitals, with Medi-Cal payments consisting of 50 percent General Fund and 50 percent federal funds. In contrast, designated public hospitals receive no state General Fund for their inpatient Medi-Cal fee-for-service and instead use their own funds to draw down federal funds. This proposal would align non-designated public hospital Medi-Cal funding with the designated public hospital funding methodology for inpatient Medi-Cal fee-for-service. This change would result in approximately $75 million in General Fund savings in 2012-13 and ongoing. To minimize the financial impact on the non-designated public hospitals, the department will seek increased federal funding for these hospitals.

- *Nursing Homes*—Existing law authorizes a cumulative 2.4-percent rate increase for nursing homes in 2011-12 and 2012-13. The rate increase is funded with from fee revenues. This proposal would rescind the 2012-13 rate increase (estimated at about 2 percent) and continue the maximum amount of fee revenue collection, and retain fee revenue for a General Fund benefit of $47.6 million. Existing law also requires DHCS to set-aside 1 percent of nursing home payments for supplemental payments based on quality measures. This proposal would retain the 1-percent set-aside for a General Fund benefit of $23.3 million.

- *Proposition 10 Funding*—This proposal reflects $40 million to be provided by the First 5 California Children and Families Commission for programs serving children ages birth through five. This would decrease Medi-Cal General Fund by $40 million.

Other Significant Adjustments:

- *Decreased Caseload Projections for Medi-Cal Base*—A decrease of approximately $200 million General Fund in 2011-12 and $700 million General Fund in 2012-13 as compared to the previous budget forecast.
- *Implementing Provider Payment Reductions*—An increase of $245.5 million in 2011-12 and $174.6 million in 2012-13 as a result of court rulings preventing the implementation of payment reductions. The May Revision continues to set-aside funds in the event litigation challenging recently approved provider rate reductions is successful.
- *Implementing Copayments*—An increase of $555.3 million in 2012-13 because the federal government rejected the proposal to implement various copayments for Medi-Cal beneficiaries. The May Revision assumes copayments of $15 for non-emergency room visits and $1 and $3 copayments for pharmacy based on the drug status and how medications are dispensed to achieve savings of $20.2 million General Fund in 2012-13.

Managed Risk Medical Insurance Board

The Managed Risk Medical Insurance Board administers five programs that provide health coverage through commercial health plans, local initiatives and county organized health systems to certain persons who do not have health insurance. The five programs include the Access for Infants and Mothers Program, the Healthy Families Program, the County Health Initiative Matching Fund Program, the Major Risk Medical Insurance Program, and the Pre-Existing Conditions Insurance Plan Program. Only the Healthy Families Program is funded with General Fund.

Proposal to Balance the Budget:

- *Healthy Families*—The Governor's Budget proposed to reduce Healthy Families managed care rates to the same level that it would cost to cover these children under Medi-Cal and to transfer Healthy Families Program beneficiaries to Medi-Cal over a nine-month period beginning in October 2012. The proposal assumed savings of $64.4 million. The May Revision maintains this proposal but reflects savings of $48.6 million. This decrease is primarily attributable to revising the per-member per-month average cost of a Medi-Cal beneficiary from $76.86 to $83.91. This new rate includes additional Medi-Cal administrative costs and accounts for mental health benefits that are carved out of the Medi-Cal managed care rate.

Other Significant Adjustments:

- *Healthy Families Program Base Estimate Adjustment*—An increase of $5.7 million in 2011-12 and $9.5 million in 2012-13 compared to base costs included in the Governor's Budget. These increases are primarily due to a shift in enrollment from lower-cost to higher-cost plans.
- *Implementing Premium and Copayment Increases*—An increase of $42.4 million due to the elimination of savings previously assumed for premium and copayment increases as the federal government has denied this request.

Department of Social Services

The Department of Social Services administers programs that provide services and assistance payments to needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

Proposals to Balance the Budget:

- *CalWORKs Redesign and Refocus*—The Governor's Budget proposed a major restructuring of the CalWORKs program to refocus on welfare-to-work. The main components of the proposal included: (1) reducing the time limit for adult recipients from 48 months to 24 months if sufficient hours of paid employment are not secured within the first two years on aid, (2) retroactively applying months during which the adult recipient was exempt from welfare-to-work participation requirements or sanctioned towards his or her 24-month time limit, (3) providing additional fiscal incentives for families that secure sufficient hours of paid employment, and (4) creating a separate Child Maintenance program with lower monthly grants for families that do not secure sufficient hours of paid employment after 24 months on aid and for families in sanction status over 3 months.

  The May Revision reflects several policy changes, including: (1) allowing work participation requirements to be met through any combination of state-allowable work activities in the first 24 months and federally allowable activities for up to 48 months rather than solely through paid employment, (2) eliminating the retroactive counting of previously exempt and sanctioned months towards the adult recipient's 48-month time limit, and (3) beginning October 2012, implementing a phased in approach to re-engage cases previously exempted under the short-term reforms that otherwise would sunset on June 30, 2012. The revised proposal would provide General Fund savings of $879.9 million in 2012-13.

- *Across-the-Board Reduction in IHSS Hours*—The May Revision reflects a decrease of $99.2 million General Fund in 2012-13 from a 7-percent across-the-board decrease in authorized hours effective August 1, 2012. Similar to the 3.6-percent across-the-board reduction that under current law sunsets on July 1, 2012, recipients may direct the manner in which the reduction of authorized hours is applied to their previously authorized services.

- *Eliminate Domestic and Related Services for Certain IHSS Recipients* —The May Revision reflects savings of $125.3 million General Fund from the proposed elimination of domestic and related services (which include housework, shopping for food, meal preparation and cleanup, laundry, and other shopping and errands) for IHSS beneficiaries residing in a shared living arrangement, since these services can be met in common with other household members.

Other Significant Adjustments:

- *Caseload Projections for Social Services Programs*—A decrease of approximately $65 million General Fund in 2011-12 and $180 million General Fund in 2012-13 as a result of decreased caseload projections in the CalWORKs, Supplemental Security Income/State Supplementary Payment (SSI/SSP), and IHSS programs as compared to the previous budget forecast.

- *Higher IHSS Costs*—An increase of $101.9 million General Fund in 2011-12 and $212.8 million General Fund in 2012-13. The federal government did not approve the IHSS provider tax, which results in a loss of General Fund savings of $57.3 million in 2011-12 and $95.4 million in 2012-13. In addition, actual data demonstrate the savings from making the provision of IHSS services contingent upon a written certification from a licensed health care professional were overstated. This results in a loss of General Fund savings of $44.7 million in 2011-12 and $117.3 million in 2012-13. These costs are in addition to the approximately $166 million in savings that did not materialize. Costs for IHSS are considerably higher than in the 2011 Budget Act.

- *Title IV-E Waiver Carryover*—An increase of $6.6 million General Fund in 2012-13 as a result of carryover funding from previous fiscal years for the Title IV-E Waiver.

Under the terms of the waiver, the participating counties are able to retain unspent funds. These funds must be reappropriated to prevent them from expiring.

- *LEADER Replacement System*—An increase of $36.5 million ($15.3 million General Fund) in 2012-13 to include full-year funding to replace the existing Los Angeles Eligibility, Automated Determination, Evaluation and Reporting system.

Department of Child Support Services

The Department of Child Support Services is designated as the single state agency responsible for administering the statewide child support program.

Proposals to Balance the Budget:

- *Reduce Funding for Local Child Support Agencies*—The May Revision reflects a decrease of $14.7 million ($5 million General Fund) in 2012-13 to reflect reduced funding for Local Child Support Agencies (LCSAs). To assist in achieving this reduction, LCSAs will no longer be required to prepare cases for state hearings and would instead continue their required complaint resolution process and to refer cases to the state for administrative review.
- *Suspend County Share of Collections*—The Governor's Budget proposed to suspend the county share of child support collections in 2012-13. Due to a decreased projection of child support collections, this proposal is now estimated to save $31.9 million General Fund in 2012-13.
- *Reduce California Child Support Automation System Funding*—The May Revision reflects a decrease of $5.5 million General Fund in 2011-12 and $1 million General Fund in 2012-13 associated with the California Child Support Automation System (CCSAS). For 2011-12, the savings will result from an early reversion of remaining CCSAS reappropriation dollars. Beginning in 2012-13, the CCSAS project maintenance and operations budget will be reduced by $2.9 million ($1 million General Fund).

Department of Public Health

The Department of Public Health (DPH) is charged with protecting and promoting the health status of Californians through programs and policies that use population-wide interventions.

Proposals to Balance the Budget:

- *Public Health Laboratory Training Program*—A decrease of $2.2 million in 2012-13 to eliminate the Public Health Laboratory Training Program. This program provides local assistance grants to subsidize training, support, outreach and education, and provides funding for doctoral candidate stipends and post doctoral fellowships for individuals training for public health laboratory directorships. Fifteen individuals currently participate in this program.

- *Increase Client Share of Cost for the AIDS Drug Assistance Program (ADAP)*—The Governor's Budget proposed increasing the client share of cost in the ADAP to the maximum percentages allowable under federal law with a projected savings of $14.5 million General Fund. The May Revision eliminates this share-of-cost requirement for private insurance clients because a cost-sharing obligation will exceed their out-of-pocket costs for private insurance. Additionally, a 90-day delay in implementation is proposed to allow for billing system modifications necessary to implement the proposal. The combination of these changes results in an increase of $3.8 million General Fund. The revised cost sharing proposal achieves General Fund savings of $10.7 million in 2012-13.

Other Significant Adjustments:

- *AIDS Drug Assistance Program*—A net increase of $4.8 million in 2011-12 ($1 million General Fund decrease and $5.8 million other fund increase) and a net increase of $30.1 million in 2012-13 ($4.1 million General Fund decrease and $34.2 million other fund increase). Major program changes include a delay in program clients enrolling in county Low Income Health Programs, increased federal funds through the Ryan White Part B grant, a decrease in Safety Net Care Pool funds, and an increase in the projected drug rebate collection rate.

- *Women, Infants and Children (WIC) Program*—An increase of $26 million WIC Manufacturer Rebate Fund in 2012-13, and a corresponding decrease in federal authority. The increase in rebate funds is the result of a new contract award for infant formula rebates effective August 1, 2012. Federal law requires the use of WIC manufacturer rebate revenues prior to using federal WIC food funds. Therefore, it is necessary for the DPH to increase its rebate authority to maintain compliance with federal requirements.

- *California Reducing Disparities Project*—An increase of $15 million Mental Health Services Fund in 2012-13, with the intent of providing a total of $60 million toward the project. This funding continues statewide efforts to improve access to mental health services and quality of care, and increase positive outcomes for underserved communities.

Department of Developmental Services

The Department of Developmental Services (DDS) serves approximately 250,000 individuals with developmental disabilities in the community and 1,760 individuals in state-operated facilities. The May Revision includes $4.7 billion ($2.7 billion General Fund) for support of the department and community services. Services are provided through the developmental centers and one community facility and the regional center system.

Proposal to Balance the Budget:

- *Developmental Services Systemwide Reductions*—The General Fund decrease of $100 million proposed at Governor's Budget will be achieved by reducing expenditures and increasing the receipt of federal funds. This savings proposal was annualized to $200 million in 2012-13. Of this total, $120.2 million is related to new policy proposals. Savings will be achieved by increasing eligibility for federal funding, increasing insurance billing for certain autism-related services, redesigning options for consumers who have been hard to serve in the community, and a 1.25-percent payment reduction.

Other Significant Adjustment:

- *Proposition 10 Funding*—This proposal reflects $40 million to be provided by the First 5 California Children and Families Commission for programs serving children ages birth through five. This funding will support the DDS Early Start Program, decreasing General Fund costs by $40 million.

Department of State Hospitals

The former Department of Mental Health is transferring community mental health programs to other departments, and is being restructured to focus on administering the California state hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed and voluntary patients. The May Revision includes $1.4 billion ($1.3 billion

General Fund) in 2012-13 for support of the Department. The patient population is projected to reach a total of 6,439 in 2012-13.

Significant Adjustment:

- *2011-12 Operating Shortfall*—The Governor's Budget originally identified a current year shortfall of approximately $180 million General Fund, due to various unfunded activities within the state hospital system. Through a series of cost-savings proposals, including a staffing ratio adjustment, the use of generic drugs and personal service contract rate revisions, and minor program restructuring, the shortfall at Governor's Budget was reduced to $63 million General Fund. The May Revision includes an additional reduction of $21 million General Fund, bringing the estimated shortfall to $41.7 million General Fund. The reduction results from a decrease in the estimated population census.