Health and Human Services

The May Revision continues to provide a safety net of essential services and supports for California's most vulnerable residents and targets investments in specific areas to improve the health and safety of Californians. Due to the state's deepening fiscal difficulties, the May Revision includes additional reductions aimed at restoring the state's fiscal balance while maintaining essential services.

Department of Health Care Services

- 2007-08 $31.1 million
- 2008-09 $342.6 million

Medi-Cal

Current Year

The May Revision reflects total Medi-Cal expenditures of $36.6 billion ($14.1 billion General Fund), a decrease of $353.2 million (an increase of $12.7 million General Fund) from the Governor's Budget. General Fund expenditures for Medi-Cal have increased by $427.7 million, or 3.1 percent over the 2006-07 level.

The average monthly Medi-Cal caseload is expected to decrease by 1,200 beneficiaries to 6,636,500 eligibles, which is a decrease of 0.02 percent from the level projected in the Governor's Budget. This revised caseload is 0.6 percent higher than the 2006-07 caseload.

The net General Fund decrease from the Governor's Budget level includes the following significant adjustments:

- $16.0 million will be transferred from Medi-Cal to the Genetically Handicapped Persons Program (GHPP) and $3.4 million to the California Children's Services (CCS) Program to cover current-year cost increases. Treatment costs, especially those for hemophilia, have greatly increased in the GHPP, and CCS continues to experience growth in its treatment and therapy costs (see issue below in the Family Health section for greater detail).
- $102.7 million decrease due to changes in the timing of the receipt of federal financial participation (FFP) for interim payments to Designated Public Hospitals (DPHs). These payments are initially paid with 50 percent General Fund and 50 percent federal funds. On a quarterly basis, these payments are adjusted to 100 percent federal funding. The Department of Health Care Services (DHCS) will implement system changes in the current year that will allow the adjustment to occur on a weekly basis instead of quarterly.
- $47.6 million increase to reflect a loss of savings from various proposed current year Budget Balancing Reductions (BBRs) that have not been adopted. These include the elimination of certain optional Medi-Cal benefits, stopping the payment of Medicare Part B premiums for beneficiaries who do not meet their share of cost, and a delay in the implementation of the 10-percent provider rate reduction to July 1, 2008.

Budget Year

The May Revision includes total Medi-Cal expenditures of $37.2 billion ($13.9 billion General Fund), a net total funds increase of $1,172.5 million ($315.7 million General Fund) from the Governor's Budget. General Fund expenditures are expected to decrease by $169.1 million, or 1.2 percent, over the revised 2007-08 level.

The average monthly Medi-Cal caseload is expected to increase from the Governor's Budget by 22,900 beneficiaries, or 0.3 percent, to 6,586,700 eligibles.

The net General Fund increase from the Governor's Budget level includes the following significant adjustments:

- $13.0 million decrease due to the delayed implementation of Chapter 328, Statutes of 2006 which authorized simultaneous pre-enrollment and application process for uninsured women in the Women, Infants, and Children program into Medi-Cal, allowed presumptive eligibility, and a two-county pilot that would allow Medi-Cal beneficiaries to self-certify their income.
- $42.0 million decrease by implementing a monthly eligibility requirement for emergency services for undocumented immigrants.
- $86.7 million decrease by limiting benefits for newly qualified immigrants and immigrants who permanently reside under the color of law (PRUCOL) to the same level as currently provided for undocumented immigrants. Benefits retained include emergency services, pregnancy-related services, long-term care in a nursing facility, and breast and cervical cancer treatment.
- $31.2 million decrease from the rollback of the allowable income level for persons applying for Section 1931(b), which provides Medi-Cal eligibility to families with low-incomes who meet eligibility requirements. The qualifying level would be lowered to 61 percent of the federal poverty level (FPL) and employment would be defined as the principal wage earner working less than 100 hours a month. Parents with higher incomes who meet the resource and status requirements would be eligible for the medically needy program under Medi-Cal. Savings from this proposal will be phased in and will increase to $342.5 million in 2011-12.
- $173.1 million increase due to an erosion of savings from various proposed budget balancing reductions. Adjustments to the savings amount also reflect updated caseload estimates and expenditure data, technical corrections, and a delay in enactment until July 1, 2008.
- $22.4 million increase to reflect the revised estimate of the August 2008 cost-of-living adjustment to 4.9 percent for Skilled Nursing Facilities (SNFs). More recent data reflect higher-than-anticipated growth in labor costs.
- $169.8 million increase to fund rate adjustments for Medi-Cal managed health care plans. The amounts of the rate adjustments were derived by utilizing an experience-based, plan-specific methodology that was implemented in 2007-08 and is the minimum amount needed to ensure matching federal funds for the Medi-Cal managed care program.

- $800,000 increase to fund Screening and Brief Intervention, which will allow medical providers to screen Medi-Cal patients in an emergency department setting for non-dependent substance abuse, provide a brief intervention and, as necessary, refer patients for appropriate services. It is estimated that this change will result in General Fund cost avoidance of $1.2 million in 2009-10, increasing to $2.5 million annually thereafter by reducing the number of beneficiaries who progress to the utilization of more expensive drug and alcohol addiction programs. Evaluations of other states, including Washington State, have shown screening and brief intervention to be cost effective.
- $1.5 million increase to establish the Beneficiary Utilization Review (BUR) Unit. The purpose of the BUR will be to review overuse and abuse of prescription drugs by Medi-Cal beneficiaries. These identified beneficiaries will be assigned to a single primary care physician to ensure that they only get the medical care and services they need. If DHCS determines providers or beneficiaries have been acting in a fraudulent manner, those cases will be referred to the Attorney General or District Attorney offices, respectively. It is anticipated that these efforts will result in substantial savings in unnecessary prescription drug costs.
- $11.3 million decrease by reducing non-contracted hospital rates. Rates paid to general acute care hospitals for inpatient services will be reduced to the lower of the average regional rate or tertiary rate established by the California Medical Assistance Commission (CMAC) minus five percent or to the non-contracted hospital's interim rate minus 10 percent as enacted by Chapter 3, Statutes of 2008. Hospitals participating in the Selective Provider Contracting Program will be exempt and rural hospitals will remain at their interim rate minus 10 percent consistent with Chapter 3, Statutes of 2008. Similar trailer bill language is proposed for Medi-Cal managed care to reduce the rate of growth in Medi-Cal managed care rates in 2009-10 and thereafter. This proposal is intended to remove the disincentive that exists for contracting with Medi-Cal and to provide cost avoidance related to hospital rates.
- A net increase of $324,000 for Medi-Cal's fiscal intermediary to hire additional pharmacy consultants to process treatment authorization requests (TARs). These positions will address the backlog in TARs and reduce the need for auto-adjudication, which will result in General Fund savings of $272,000 in 2008-09, increasing to an annual savings of $2.3 million.
- $102.7 million increase attributable to the new interim rate payment process for Designated Public Hospitals (See issue in Current Year section for more detail).

Other Items of Interest:

- Fee for Service Improvements in Medi-Cal—Slowing the rate of growth in health care expenditures is an essential component of efforts to restore the state's fiscal balance and to achieve the coverage for all Californians. The Medi-Cal program is the largest purchaser of health care in California. Medi-Cal spending is concentrated among a small segment of enrollees, the majority of whom have complex chronic medical conditions, coupled with additional conditions, including behavioral health conditions. Five percent of Medi-Cal enrollees incur sixty percent of all fee-for-service (FFS) Medi-Cal expenditures. Two percent of the most expensive enrollees incur more than forty percent of all FFS Medi-Cal benefit expenditures. These statistics underscore the need to look carefully at the health care needs of persons with serious health conditions to assure that the right care is delivered at the right time in the right setting to maximize health outcomes and contain overall costs. Nationally, state Medicaid programs are using a variety of approaches to improve care delivery in their FFS programs. Emphasizing prevention and increased use of primary care services offers the promise of better health outcomes and slower rates of growth in costs. The Administration is committed to working with the Legislature and stakeholders to identify enhancements to the Medi-Cal FFS system that improve health outcomes and slow the overall rate of cost growth.
- DHCS will enter into a competitive bid procurement process to contract with an organization on a pay-for-performance basis in an effort to reduce durable medical equipment (DME) costs. The vendor will be paid only if cost savings are achieved. The maximum payment would be $1 million, paid on a dollar-for-dollar basis from actual savings. Savings achieved beyond the $1 million threshold will go to the state.
- Budget trailer bill language is proposed to implement the Public Assistance Reporting Information System (PARIS) pilot project. The purpose of the project is to improve the identification of the subset of Medi-Cal beneficiaries who are also veterans and who may be eligible for duplicative services. The DHCS will implement this project with existing resources beginning in 2008-09.

Family Health Estimates

Current Year

The Family Health Program is comprised of the California Children's Services (CCS), the Child Health and Disability Prevention (CHDP) program, and the Genetically Handicapped Persons Program (GHPP). The May Revision includes $301.9 million

($156.3 million General Fund), a net increase of $20.4 million ($18.4 million General Fund) from $281.5 million provided in the Governor's Budget. The change primarily is due to increased costs of treatment for beneficiaries with hemophilia. The General Fund increase from the Governor's Budget level includes the following significant adjustments:

- $16.0 million will be transferred from Medi-Cal to GHPP to cover a projected funding shortfall from the 2007 Budget Act due to increased treatment costs of hemophilia, which makes up to 90 percent of the costs of the GHPP. The GHPP served approximately 477 beneficiaries with hemophilia in 2007-08. Treatment for hemophilia is expensive and episodes of bleeding for a few beneficiaries can significantly increase health care costs for the program. This funding shortfall will be addressed by transferring funds from Medi-Cal to the GHPP program.
- $3.4 million will be transferred from Medi-Cal to CCS, which has a projected $3.7 million General Fund funding shortfall from the 2007 Budget Act ($2.1 million above the Governor's Budget) in the California Children's Services (CCS) program for caseload growth and increased costs for treatment and therapy services. This funding shortfall will be resolved by transferring funds from Medi-Cal to the CCS program. The remaining $0.3 million of the shortfall will be funded through savings in the CHDP program.

Budget Year

The May Revision includes $313.5 million ($134.8 million General Fund), a net increase of $26.1 million ($25.2 million General Fund) from the $287.5 million provided in the Governor's Budget. The net General Fund increase from the Governor's Budget level includes the following significant adjustments:

- $19.5 million increase to cover caseload growth and increased costs of service in GHPP. The May Revision also includes proposals to contain costs in the GHPP, including:
    - Negotiate supplemental rebates from blood factor manufacturers, for increased General Fund revenue of $250,000 in 2008-09;
    - Statutory change to allow the DHCS to contract directly with pharmacies; and
    - System changes that will allow for improved tracking of blood factor utilization to ensure proper billing for manufacturers' rebates.

- $6.0 million increase in the CCS program for caseload growth and increased costs for treatment and therapy services.

Department of Public Health

- 2007-08 No Change
- 2008-09 $0.1 million

AIDS Drug Assistance Program

The May Revision includes $325.3 million to fund the AIDS Drug Assistance Program (ADAP), which is 16.2 percent above the $280.0 million identified in the Governor's Budget. The ADAP will serve nearly 34,256 clients in 2008-09, approximately 1,400 clients above revised current year caseload estimates.

Cigarette and Tobacco Products Surtax Fund-Proposition 99

The May Revision projects decreased Proposition 99 revenue of $7.0 million in 2007-08, and $15.0 million in 2008-09, for revised total revenues of $320.0 million in the current and budget years. The projected decrease in Proposition 99 revenue is primarily attributable to larger annual declines in cigarette consumption than had been assumed in the Governor's Budget, based on an analysis of historical consumption data. In addition, the forecast reflects a modest downward adjustment in the 18-to-64 population. The revised 2007-08 projection also incorporates updated data on cash collections.

Due to the decrease in revenues, the May Revision reflects decreases in funding for the California Healthcare for Indigents Program and the Rural Health Services program totaling $3.0 million in 2007-08 and $9.8 million in 2008-09. The reductions will not affect funding for the Managed Risk Medical Insurance Program and the Access for Infants and Mothers program. These programs are being adjusted for caseload changes only.

Managed Risk Medical Insurance Board

- 2007-08 $2.3 million
- 2008-09 $2.1 million

Healthy Families Program

Current Year

The May Revision projects an overall expenditure increase of $5.6 million ($2.3 million General Fund and $3.3 million other funds), to $1.1 billion ($395.8 million General Fund), from the level anticipated in the Governor's Budget. The Healthy Families Program (HFP) is expected to serve a total of 880,999 children by June 30, 2008, a decrease of 27,913, or 3.1 percent, from June 30, 2007. Funding increases are primarily due to an increase in the average statewide capitation rate paid per enrollee. The average statewide rate may vary as enrollees shift among the 21 health plans available to subscribers, as some plans have higher capitation rates than others.

Budget Year

Between June 2008 and June 2009, enrollment in the HFP is projected to grow from 880,999 children to 935,482 children, a 6.2-percent increase. This is a decrease of 18,770 children compared to the projection at Governor's Budget. The May Revision projects an overall expenditure increase of $5.8 million ($2.1 million General Fund), to $1.1 billion ($389.9 million General Fund), from the level anticipated in the Governor's Budget. The General Fund increase from the Governor's Budget level includes the following significant adjustments:

- $4.8 million increase due to the loss of savings associated with the delay of the enactment of the HFP Budget Balancing Reductions.
- $1.9 million decrease related to delaying implementation of Chapter 328, Statutes 2006. Upon implementation, HFP beneficiaries will be able to self-certify their income at annual eligibility redetermination.

Access for Infants and Mothers Program

Current Year

The May Revision projects an overall expenditure decrease of $4.4 million ($2.5 million federal funds and $1.9 million Perinatal Insurance Fund) from the level anticipated in the Governor's Budget, to $130.2 million. This 3.3-percent decrease in total funds is primarily due to a decrease in expected enrollment, offset by an increase in capitation rates. Average monthly enrollment in the Access for Infants and Mothers (AIM) program is expected to be 1,054 women, 8.7 percent lower than the 1,155 originally estimated in the Governor's Budget.

Budget Year

The May Revision projects an overall expenditure decrease of $7.2 million ($3.9 million federal funds and $3.3 million Perinatal Insurance Fund) from the level anticipated in the Governor's Budget. This decrease of 4.7 percent in total funds is largely due to a decrease in expected enrollment. Average monthly enrollment in the AIM program is expected to be 1,159 women, a decrease of 12.2 percent from the 1,320 originally estimated in the Governor's Budget.

County Health Initiative Matching Fund Program

The County Health Initiative Matching Fund Program allows county or local public agency funds to be used to match unused federal State Children's Health Insurance Program funds to provide health care for uninsured children in families with incomes up to 300 percent of the federal poverty level. These county programs are frequently referred to as Healthy Kids Programs. Expenditures are expected to decrease by $90,000 ($31,000 county funds and $59,000 federal funds) in 2007-08 and by $90,000 ($32,000 county funds and $58,000 federal funds) in 2008-09 due to updated county caseload and expenditure information.

Department of Developmental Services

- 2007-08 -$110.8 million
- 2008-09 $67.9 million

Developmental Centers

Current Year

At 2,620 residents, the average Developmental Center (DC) population remains unchanged from the Governor's Budget projection.

Agnews Developmental Center Closure – The May Revision includes Budget Bill Language to reappropriate 2007-08 General Fund savings in the Regional Center and Developmental Center budgets to 2008-09 to fund the cost of consumers who will remain at Agnews Developmental Center past the June 30, 2008 closure date. The actual amount required for reappropriation will be based on the number of consumers residing at Agnews Developmental Center after June 30, 2008 and their individual service needs and costs; however, the May Revision includes a $22 million reappropriation to reflect the best estimate at this time. The number of consumers residing at Agnews Developmental Center on May 1, 2008 was 157.

It is anticipated that funds appropriated in 2007-08 to provide services in the community for consumers who have not yet moved and funds available for employee costs associated with the closure are available for reappropriation. These funds are being reappropriated to 2008-09 to cover the costs of developmental center services, employee costs associated with closure and regional center placement costs in 2008-09.

Budget Year

The average DC population is projected to decrease by 45 residents over the Governor's Budget projection, to 2,404 residents to reflect the Budget Balancing Reduction (BBR) which caps the resident population at the Porterville Developmental Center's (DC) Secured Treatment Program (STP). The May Revision includes the following changes:

- Staffing—The May Revision includes a decrease of 70.6 positions attributable to the Governor's Budget BBRs, which reflected a reduction in positions. The May Revision reconciles the position authority, primarily at the Porterville DC, to reflect a decrease of 57 positions due to a capped resident population at the Porterville DC's STP, a decrease of 13 positions at the Porterville DC Office of Protective Services, and a decrease of 0.6 positions in Regional Resource Development Projects.
- Foster Grandparent Program – The May Revision includes a decrease of $21,000 in federal funds for the Foster Grandparent Program, which receives funds from Senior Corps. For federal fiscal year 2008, the funding allocated by the federal government included a 1.747-percent across-the-board rescission to this grant. California's share of this reduction is $21,000.
- Other Fund Technical Adjustments – The May Revision includes an increase of $42,000 in Reimbursements to reflect an adjustment to Other Funds amounts since the Governor's Budget.

Regional Centers

Current Year

Compared to the Governor's Budget, Regional Center community caseload is projected to decrease by 586 consumers, to 221,069 consumers. The May Revision includes a net decrease of $53.3 million ($88.8 million General Fund) for Regional Centers to reflect updated caseload and expenditure data. The May Revision reflects increased federal funds, reimbursements, and Public Transportation Account (PTA) funds of $35.5 million, which offset the General Fund and thus reduces the General Fund increase from the 2008-09 Governor's Budget. The May Revision reflects the following:

- Early Start/Part C Grant – The May Revision reflects an increase of $19.8 million federal funds in 2007-08 and a corresponding decrease in General Fund by accelerating the drawdown of Early Start federal grant funds.
- Transportation – The May Revision reflects an increase of $6.2 million from the PTA funds to reflect updated transportation expenditures.
- Reversion of Current Year Savings – The May Revision reflects General Fund savings of $88.8 million in 2007-08, in part due to the increased federal funds, reimbursements, and PTA funds totaling $35.5 million. The savings will be reverted to the General Fund effective June 30, 2008.

Budget Year

Compared to the Governor's Budget, Regional Center community caseload is projected to decrease by 2,450 consumers, to 229,675 consumers. The May Revision includes a net increase of $150.4 million ($45.9 million General Fund), reflecting the following changes:

- Purchase of Services – The May Revision provides a net increase of $124.5 million (increase of $8.2 million General Fund) to fund projected Regional Center expenditures for residential and other services. These services include Community Care Facilities, Health Care, Health Facilities, In-Home Respite, and Day Programs. Utilization and costs for services are estimated to increase by 3.8 percent over the Governor's Budget. This is due to funding adjustments and factors such as an increase in the number of consumers dually diagnosed with mental health conditions, an increase in persons diagnosed with autism spectrum disorders, and increased need for support services.
- Operations—The May Revision reflects an increase of $4.8 million ($22.8 million General Fund) due to funding adjustments and increased Early Start staffing resulting from projected increased eligibility assessments of approximately 823 cases since the Governor's Budget.
- Early Start/Part C Grant – The May Revision reflects an increase of $13.9 million federal funds in 2008-09 and a corresponding decrease in General Fund by accelerating the draw down of Early Start federal grant funds.

- Impacts of Reductions in Other Departments – The May Revision includes $21.1 million ($14.9 million General Fund) to reflect the impacts of reductions in the Department of Social Services and the Department of Health Care Services.
- Transportation—The May Revision includes a reduction of $2.6 million in PTA funds based on updated Transportation expenditures.

Department of Mental Health

- 2007-08 -$0.1 million
- 2008-09 -$34.7 million

Long-Term Care / State Hospitals

Current Year

The May Revision reflects no change from the 2008-09 Governor's Budget. However, during the 2007-08 Third Extraordinary Special Session, $12.6 million General Fund was reduced from the Department of Mental Health's (DMH's) budget in March 2008 to account for the fact that caseload for the Sexually Violent Predator (SVP) population was not materializing as projected.

Budget Year

Funding for long-term care and state hospitals is anticipated to decrease by $31.1 million General Fund compared to the Governor's Budget. The change is comprised of the following adjustments:

- State Hospital Population:
  - The May Revision reflects a decrease of $13.3 million General Fund to reflect a lower projected caseload for the SVP population.
  - A decrease of $24.7 million General Fund to reflect full-year impact of the current year reduction in the state hospital population by 225 patients.
  - A decrease of $328,000 General Fund associated with Phase IX of the Coalinga State Hospital (CSH) Activation, which was requested in the fall State Hospital Population Estimate. The DMH revised the estimated population at CSH for 2008-09 to 825 patients and subsequently reduced the number of non-level-of-care staff to reflect this change.

- An increase of $6.7 million General Fund to support a 64-bed expansion at the Salinas Valley Psychiatric Program (SVPP). The expansion includes both the level-of-care and non-level-of-care positions necessary to meet the *Coleman* court's expectation that the facility be fully staffed within four months of the first admission, which will take place on November 30, 2008.

- Forensic Conditional Release Program (CONREP): The May Revision includes an increase of $0.6 million General Fund to support alternative placements for SVPs. There are currently 11 SVPs who are either scheduled to be released into CONREP and are awaiting placement in the community, or who have filed petitions with the Court for conditional release. The DMH anticipates that alternative placement will be required for a total of 4 SVPs in the budget year.

Community Mental Health Services

Current Year

The May Revision reflects a net increase of $110.5 million ($54,000 General Fund decrease and $110.6 million increase in reimbursements) for community mental health services relative to the Governor's Budget. The adjustments include the following:

- Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program – The May Revision includes an increase of $113.1 million in reimbursements due to a change from cash-based accounting to accrual-based accounting.

- Healthy Families Program – The May Revision includes a decrease of $2.6 million ($54,000 General Fund and $2.5 million in reimbursements) due to a decrease in forecasted claims for the current year.

Budget Year

The May Revision includes a net increase of $24.7 million ($3.6 million General Fund decrease and $28.3 million increase in reimbursements) for community mental health services relative to the Governor's Budget. The major adjustments include the following:

- Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program —The May Revision includes an increase of $31.1 million ($3.5 million General Fund decrease and $34.6 million reimbursements increase). This includes the following adjustments:

- A decrease of $57.2 million ($27.8 million General Fund and $29.4 in reimbursements) due to lower-than-projected EPSDT claims.
- An increase of $13.4 million in reimbursements due to the change from cash-based accounting to accrual-based accounting.
- An increase of $17.2 million ($8.6 million General Fund and $8.6 million in reimbursements) due to delays in implementing proposed budget balancing reductions (BBR) and adjustments to the BBRs based on the new EPSDT claims information.
- An increase of $57.7 million ($15.7 million General Fund and $42 million in reimbursements) due to the 2005-06 cost settlement. This is an estimated amount because final settlement amounts have not been received for all counties, including Los Angeles.

- Healthy Families Program (HFP)—The May Revision includes a decrease of $6.4 million ($171,000 General Fund and $6.3 million in reimbursements), primarily due to lower than projected HFP claims

Department of Social Services

- 2007-08 $42.6 million
- 2008-09 $118.0 million

CalWORKs

The 2007-08 average monthly CalWORKs caseload of 460,119 represents an increase of 0.1 percent from 2006-07, and an increase of 1.9 percent from the Governor's Budget estimate. Absent the program changes described below, the average monthly caseload in this program is estimated to be 459,744 in 2008-09, a 0.1 percent decrease over the 2007-08 projection. The proposed changes to CalWORKs are estimated to reduce the 2008-09 caseload projection to 386,871 families, a 16.0 percent decrease from the 2007-08 estimate. Combined federal Temporary Assistance for Needy Families (TANF) Block Grant and state and county maintenance-of-effort expenditures in 2007-08 and 2008-09 are anticipated to be $6.7 billion.

The May Revision continues to reflect the Administration's January proposals for major CalWORKs reform measures that emphasize work participation and personal responsibility and improve the state's ability to meet federal requirements.

The May Revision also incorporates additional program reductions and transfers necessary to maintain the CalWORKs program within the limits of federal TANF funding and General Fund Maintenance-of-Effort (MOE) requirements. The final federal TANF regulations issued in February 2008 disallowed many of the expenditures that California had been counting towards its MOE requirement. In order to offset this disallowance, the May Revision reflects the exchange of TANF funds for General Fund that is currently expended in other TANF-qualifying programs. This proposal allows California to continue to meet federal MOE requirements without increasing overall state General Fund expenditures. The following programs participate in the TANF-General Fund exchanges:

- CalGrants ($223 million)
- Probation ($151.8 million)
- Emergency Assistance Foster Care ($50.4 million)
- Increased Title XX transfer to Department of Developmental Services ($22.2 million).

Higher caseloads and costs per case, and an erosion of the savings assumed in the Governor's Budget for certain proposals, will create a TANF shortfall in the CalWORKs program of $376 million. The following changes are proposed to maintain program expenditures at the level of available TANF and MOE funding:

- Eliminate 2008-09 Cost of Living Adjustment ($131 million—$20 million taken in special session, $111 million additional proposed in May Revision)
- Five percent grant reduction ($108.2 million).
- Self-Sufficiency Reviews ($59.7 million; see below for details)
- Eliminate County Pay-for-Performance Incentive ($40 million)
- Use Unspent Performance and Fraud Incentives funding to offset General Fund ($20.6 million)
- Implement the Regional Market Rate for Child Care in January 2009 and limit reimbursement rates to the 75th Percentile ($19.4 million)

- Eliminate the TANF Reserve ($13.0 million)

In order to move the state closer to meeting federal work participation requirements, the May Revision includes three proposals to benefit the work participation rate calculation:

- Pre-Assistance Employment Readiness System (PAERS) is proposed as a four-month, pre-CalWORKs program for all new or returning CalWORKs participants. The program will be designed to accelerate efforts in assisting applicants to secure employment and avoid entry into CalWORKs and develop a work plan as a condition of eligibility for CalWORKs for those applicants who are unable to secure employment during the PAERS program.
- Institute a face-to-face self-sufficiency review every six months with a county worker for CalWORKs families who are not meeting work requirements. The review will assess what services or resources may be necessary to address barriers that are preventing participation and help remove a family's dependence upon public assistance.
- Transfer $5 million in TANF to the Boys and Girls Club in order to count an estimated $88 million in additional expenditures as excess MOE.

Supplemental Security Income/State Supplementary Payment Program

Total General Fund expenditures for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program are $3.6 billion in 2007-08, representing an increase of $4.6 million compared to the Governor's Budget. SSI/SSP General Fund expenditures for 2008-09 are $3.5 billion, a decrease of $213.4 million from the Governor's Budget. Caseload for the SSI/SSP program is projected at 1,247,575 recipients in 2007-08 and 1,274,000 recipients in 2008-09, a year-to-year caseload growth of 2.1 percent.

The May Revision includes a proposal to retain the January 2009 federal SSI COLA, rather than pass it through to recipients, as part of a package of additional reductions made necessary by the state's current fiscal condition. This will provide additional savings of $108.8 million General Fund in 2008-09. California's SSI/SSP payment levels for individuals and couples are projected to maintain rankings of second and first in the nation, respectively (Figure HHS-01).

Figure HHS-01

Comparison of Five Highest SSI/SSP Maximum Payments

Monthly Grants for Independent Living Arrangement as of January 1, 2008

	Aged and Disabled	
State	**Individuals**	**Couples**
Alaska	$965	$1,432
California	870	1,524
Connecticut	771	1,144
Massachusetts	766	1,158
New York	724	1,060

In addition, the May Revision proposes to eliminate the Cash Assistance Program for Immigrants. This program, which provides benefits to aged, blind, and disabled legal immigrants, was projected to have an average monthly caseload of 10,300 individuals in 2008-09. Elimination of the program will result in savings of $111.2 million General Fund in 2008-09.

In-Home Supportive Services

Total General Fund expenditures for the In-Home Supportive Services (IHSS) program are $1.7 billion in 2007-08 and $1.5 billion in 2008-09, including an increase of $36.5 million in 2007-08 and a decrease of $110.7 million in 2008-09 compared to the Governor's Budget. Caseload is projected to be 396,612 recipients in 2007-08 and 415,589 in 2008-09. Caseload estimates in 2007-08 and 2008-09 are slightly higher than projected in the Governor's Budget.

The May Revision includes alternative reduction proposals to replace the 18-percent reduction in domestic and related service hours proposed in the Governor's Budget:

- Focus the state buyout program for IHSS recipients whose Medi-Cal share of cost is higher than their IHSS share of cost on persons with the most severe needs. Under this proposal, the state will no longer pay the difference in the share of cost for those IHSS recipients with average functional index scores below 4. This proposal will result in 2008-09 savings of $27.7 million General Fund.
- Provide IHSS domestic and related services to individuals with the highest levels of need, as measured by a functional index score of 4 or higher. The provision of other

IHSS services to all eligible consumers regardless of their functional index score will not be impacted. This proposal will save $52.0 million General Fund in 2008-09.

The May Revision also limits state participation in the wages of IHSS workers to the state minimum wage plus $0.60 per hour for benefits. This would result in savings of $186.6 million General Fund in 2008-09. The principal reason that the average cost of care for an IHSS recipient has nearly doubled over the past 10 years is wage growth.

Child Welfare Services

The child welfare services system in California provides a continuum of services through various programs, including Child Welfare Services, Child Abuse Prevention, Foster Care, Adoption Assistance, and Adoptions to children who are either at risk of or have suffered abuse and/or neglect. The May Revision includes $4.0 billion ($1.5 billion General Fund) to provide assistance payments and services to children and families under these programs. This is a $60.1 million increase ($16.5 million General Fund decrease) from the Governor's Budget. The net General Fund decrease is the result of using TANF funds in lieu of General Fund for the Emergency Assistance Foster Care program ($50 million), offset by the erosion of savings associated with not enacting the Budget Balancing Reduction proposal to reduce rates in the Foster Care, Adoption Assistance, and Kin-Gap programs ($22.5 million) by 10 percent by March 1, 2008.

In addition, the May Revision includes a $9.4 million augmentation to pay a federal penalty for failure to meet a performance measure related to the stability of foster care placements noted in the federal Child and Family Services Review. The Department of Social Services is appealing the penalty, but will make the payment to stop the accrual of interest charges pending the appeal.

Loans and Transfers from Special Funds

The May Revision proposes loans and transfers from various special funds to provide one-time funding to the General Fund to help close the budget gap. For funds within this agency, total loans and transfers are $25.7 million and $14.6 million respectively. A loan or transfer was only proposed where the loss of the revenue would not result in any impact to the programs supported by the fund and would not require any fee increases. Loans will be repaid by June 30, 2011.

Office of Statewide Health Planning and Development

- $10.0 million loan from the Hospital Building Fund.
- $12.0 million loan from the California Health Data and Planning Fund.
- $1.0 million loan from the Registered Nurse Education Fund.

Department of Health Care Services

- $3.0 million transfer from the Emergency Services and Supplemental Payment Fund.
- $1.0 million transfer from the Private Hospital Supplemental Fund.

Department of Public Health

- $1.1 million loan from the Occupational Lead Poisoning Prevention Account.
- $1.6 million loan from the Drinking Water Operator Certification Special Account.
- $2.1 million transfer from the Cancer Research Fund.
- $8.5 million transfer from the Drinking Water Treatment and Research Fund.