

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 \$113.3 billion (\$28.5 billion General Fund and \$84.8 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

The Department of Health Care Services (DHCS) preserves and improves the health status of Californians. To fulfill its mission, DHCS finances and administers a number of individual health care service delivery programs, including Medi-Cal, the California Children's Services, the Primary and Rural Health, Family PACT, Every Woman Counts, and Drug Medi-Cal programs. DHCS also oversees county-operated community mental health programs.

Medi-Cal, California's Medicaid program, 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, children in foster care, and pregnant women. The federal government mandates basic services including 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 services, and medical equipment.

Significant Adjustments:

- *Managed Care Organization Tax*—The May Revision proposes a tax on Medi-Cal managed care plans for 2012-13, 2013-14, and beyond. Medi-Cal managed care plans are assessed the tax and proceeds are matched with federal funds to provide supplemental payments to plans. Remaining proceeds are used for the provision of health services to children and seniors and persons with disabilities in the Medi-Cal program. In 2012-13, the tax rate will be equal to the gross premiums tax. In 2013-14 and beyond, the tax rate will equal the state sales tax rate. This proposal generates General Fund savings of \$128.1 million in 2012-13 in the Managed Risk Medical Insurance Board budget and \$342.9 million in DHCS's budget in 2013-14.
- *Coordinated Care Initiative (CCI)*—Persons eligible for both Medicare and Medi-Cal (dual eligibles) will receive medical, behavioral health, long-term support and services, and home and community-based services through a single health plan. The CCI will also enroll all dual eligibles in managed care plans for their Medi-Cal benefits. Dual eligibles will enroll in the CCI in specified counties participating in the demonstration. The May Revision reflects the following changes:
 - The size and scope of the demonstration has been revised as agreed to in a Memorandum of Understanding with the federal government. The May Revision reflects the population participating in the demonstration and accounts for a cap on the number of beneficiaries from Los Angeles County.
 - The May Revision changes the scheduled phasing for beneficiaries enrolling in the CCI. Beneficiaries in the eight participating counties will enroll in the demonstration no sooner than January 2014. Los Angeles County will phase-in beneficiaries over 12 months, subject to further discussions with the federal government. San Mateo County will enroll all beneficiaries over 3 months. Orange, San Diego, San Bernardino, Riverside, Alameda, and Santa Clara counties will phase-in over 12 months.
 - The May Revision projects revised General Fund savings for CCI of \$119.6 million in 2013-14. This amount includes the net benefit of moving to a higher tax rate on Medi-Cal managed care plans. The proposal also requires statutory changes to reflect the changes in the implementation schedule.

- The May Revision includes \$518,000 (\$259,000 General Fund) and 4 positions in the Department of Social Services to staff the Statewide Authority, which is responsible for collective bargaining with unions representing individual providers in counties that have transitioned to the CCI. The Administration expects to convene the Statewide Authority before the first county completes its transition into managed care.

MANAGED RISK MEDICAL INSURANCE BOARD

The Managed Risk Medical Insurance Board (MRMIB) currently administers programs that provide health coverage through commercial health plans, local initiatives, and county organized health systems to eligible individuals who do not have health insurance.

Significant Adjustments:

- *Managed Risk Medical Insurance Program (MRMIP)*—The Governor’s Budget assumed MRMIP would phase-out with the implementation of the federal Affordable Care Act. The May Revision defers the elimination of this and other state-only programs affected by the Act.
- *Transfer Infants to the Department of Health Care Services*—The Access for Infants and Mothers (AIM) Program provides comprehensive health care to pregnant women and infants. The May Revision proposes to transition to DHCS infants born to mothers enrolled in the AIM Program whose income is between 250 and 300 percent of the federal poverty level.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) 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.

Significant Adjustments:

- *CalWORKs Early Engagement*—The recent CalWORKs reform established a prospective 24-month time limit on cash assistance and employment services for adults. DSS held stakeholder workgroup sessions to identify best practices and strategies to ensure program participants are receiving appropriate services during their limited time on aid. The May Revision includes \$48.3 million

General Fund to implement additional proven appraisal protocols, promote family stabilization, and provide enhanced subsidized employment opportunities. The proposal establishes a standardized assessment tool and process for new welfare-to-work participants. Barriers to employment such as mental health, substance abuse, domestic violence, and housing issues will be identified early on and addressed so clients can successfully pursue employment. Counties with mature subsidized employment programs can expand those efforts as resources become available. Counties new to such programs will receive technical assistance. The appropriate level of ongoing resources will be determined in the 2014-15 Governor's Budget.

- *IHSS caseload*—An increase of \$80.3 million General Fund in 2012-13 and \$120 million General Fund in 2013-14 as a result of increased caseload projections resulting primarily from increased costs per case and from an erosion of savings associated with the health care certification requirement. Additional months of data indicate more recipients are securing the required certification than was assumed in the Governor's Budget.
- *IHSS Settlement*—In March 2013, the Administration reached an agreement with plaintiffs with respect to the *Oster* and *Dominguez* class-action lawsuits. For the settlement terms to be implemented, legislation is necessary to repeal IHSS provider wage and service reductions enacted in prior years, including the 20-percent across-the-board reduction, for which General Fund savings was included in the 2013-14 Governor's Budget. The settlement requires an 8-percent across-the-board reduction effective July 1, 2013, and 7-percent savings annually thereafter. The May Revision reflects savings of \$176.4 million General Fund in the budget year.
- *Federal Sequester Backfill*—The Social Services Block Grant is subject to sequestration reductions. DSS will use carryover funds to backfill the current year reduction and half of the budget year reduction to its Community Care Licensing program. The May Revision proposes Budget Bill language to authorize up to \$2.1 million from the Child Health and Safety Fund to backfill the loss of federal Title XX funds for the Community Care Licensing program in 2013-14. The Child Health and Safety Fund has sufficient reserves to absorb this increase on a one-time basis.
- *Other Caseload Adjustments*—A decrease of \$94.5 million General Fund in 2012-13 and \$126.5 million General Fund in 2013-14 as a result of decreased caseload projections in the CalWORKs and Supplemental Security Income/State Supplementary Payment programs as compared to the Governor's Budget.

DEPARTMENT OF PUBLIC HEALTH

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

Significant Adjustment:

- *AIDS Drug Assistance Program*—A decrease of \$12.5 million (other funds) in 2012-13 and a decrease of \$46.4 million (other funds) in 2013-14 as a result of updated caseload and cost projections since the Governor’s Budget.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services serves approximately 256,000 individuals with developmental disabilities in the community and 1,569 individuals in state-operated facilities. The May Revision includes \$5 billion (\$2.8 billion General Fund) for support of the Department and community services.

Significant Adjustments:

- *Sonoma Program Improvement Plan*—The May Revision includes an increase of \$344,000 (\$241,000 General Fund) in 2012-13 and \$2.5 million (\$1.7 million General Fund) in 2013-14 to reflect anticipated costs related to the Sonoma Developmental Center Program Improvement Plan requirement to contract with Independent Consultative Review Experts to develop an action plan to bring the facility into compliance with federal requirements. Provisional language would authorize up to \$10 million in additional funding to address costs necessary to implement the action plan. The May Revision also assumes increases of \$7.4 million in 2012-13 and \$15.7 million in 2013-14 to backfill the loss of federal funding resulting from the withdrawal of four residential units at Sonoma from the Medicaid Provider Agreement. Withdrawing these units ensures continued federal funding for Sonoma’s remaining six Intermediate Care units.
- *Federal Sequester Backfills*—The May Revision includes an increase of \$5.7 million General Fund in 2012-13 and \$11.9 million General Fund in 2013-14 to backfill the sequester reduction to the Social Services Block Grant (Title XX), which is used to partially fund regional center purchase of services. The May Revision also proposes

an increase of \$613,000 General Fund in 2013-14 to backfill the sequester reduction to the Early Start IDEA Part C grant for regional center purchase of services.

- *California Children and Families Commission (First 5) Backfill*—An increase of \$25 million in 2012-13 to backfill lower-than-anticipated funding from the First 5 Commission.
- *Caseload Adjustments*—The growth in Regional Center caseload is down slightly from the Governor’s Budget, but per-case costs have increased due to higher utilization and cost per service, increasing purchase of services by \$42.1 million (\$14.7 million General Fund) in 2012-13 and \$36.3 million (\$9.4 million General Fund) in 2013-14. The May Revision contains an increase of \$1.5 million (\$0.9 million General Fund) in 2012-13 and \$1.5 million (\$0.9 million General Fund) in 2013-14 due to slightly higher caseload in the Developmental Centers and increased per-case costs. Caseload is slightly higher because fewer individuals than projected have transitioned to community living settings. However, the Developmental Center population continues to decline year-over-year consistent with the ongoing transition of Developmental Center residents into community living; a moratorium on admissions to state-operated facilities; and the continuation of Lanterman Developmental Center closure activities.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals (DSH) administers the state mental health 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 \$1.6 billion (\$1.5 billion General Fund) in 2013-14 for support of the Department. The patient population is projected to reach a total of 6,730 in 2013-14.

Significant Adjustments:

- *Establish Additional Intermediate Care and Acute Units*—The May Revision contains \$22.1 million (\$16 million General Fund) and 173 positions (primarily Level-of-Care staff) to establish four new units and convert one existing unit at three state hospitals. This funding would increase the number of beds by 155 and better accommodate patient population for Lanterman-Petris-Short, Incompetent to Stand Trial, Mentally Disordered Offender, and Sexually Violent Predator commitments.

- *Patient Management and Bed Utilization Unit*—The May Revision proposes \$1.8 million General Fund and 18 positions in 2013-14 to establish a Patient Management Unit dedicated to managing patient bed needs to maximize utilization within state hospitals. The Unit would provide more appropriate patient-security level placement, reduce wait lists by identifying available alternative placements, and provide a centralized patient population data repository to track patient referrals, transfers, wait lists, rejections, and demographics.
- *Psychiatric Inpatient Hospital Programs co-located with the California Department of Corrections and Rehabilitation (CDCR)*—A net decrease of \$10 million General Fund and 3.1 positions resulting from the transition of beds from DSH-Salinas and DSH-Vacaville to the California Health Care Facility in Stockton (DSH-Stockton) and an adjustment to staffing standards and relief factors. This proposal is consistent with the approved Mental Health Bed Plan and would provide necessary inpatient treatment staff for the Psychiatric Programs co-located with CDCR facilities. Activation of DSH-Stockton results in the transition of 450 inpatient beds from DSH-Salinas and DSH-Vacaville.

MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

The Mental Health Services Oversight and Accountability Commission provides oversight, review, accountability and evaluation of projects and programs supported with Mental Health Services Act funds.

Significant Adjustment:

- *Evaluation Master Plan*—The May Revision includes \$947,000 Mental Health Service Fund and 6 positions to begin implementation of the Mental Health Services Act Evaluation Master Plan approved by the Commission on March 28, 2013. These resources fund the initial costs of the 5-year Evaluation Master Plan beginning in 2013-14, which includes steps to maintain and upgrade the performance monitoring system, and evaluation studies.

**OFFICE OF STATEWIDE HEALTH
PLANNING AND DEVELOPMENT**

The Office of Statewide Health Planning and Development (OSHPD) develops policies, plans and programs to meet current and future health needs of the people of California. Its programs provide transparent health care quality and cost information, ensure safe health care facility construction, improve financing opportunities for health care facilities, and promote access to a culturally competent health care workforce.

Significant Adjustment:

- *Healthcare Workforce Development Grant Funds*—The May Revision includes \$21 million Reimbursements for OSHPD to deliver healthcare workforce development incentive programs funded through a grant from the California Endowment. OSHPD received a total grant of \$52 million that will be spent over four years. Of the budget year amount, \$14 million is for health profession scholarships and loan repayments, while the remainder is to provide financial support to family practice residency, family nurse practitioner, physician assistant, and registered nurse education programs throughout California.