

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents.

The May Revision includes \$162.3 billion (\$41.4 billion General Fund and \$120.9 billion other funds) for all health and human services programs, an increase of \$1.1 billion General Fund compared to the Governor's Budget.

EXPANDED SUBSIDIES TO PROMOTE AFFORDABLE COVERAGE

To improve affordability and access to health care, the Governor's Budget proposed subsidies to help more low and middle class Californians afford health coverage through Covered California.

The Governor's Budget proposed to make California the first state in the nation to offer financial assistance to qualified individuals with incomes between 400 percent and 600 percent of the federal poverty level, while also increasing subsidies for individuals with incomes between 250 percent and 400 percent of the federal poverty level. The May Revision expands upon this proposal by offering subsidies to individuals between 200 percent and 250 percent of the federal poverty level.

In addition to the direct assistance for consumers receiving the additional subsidies, these subsidies will benefit all individual market consumers by encouraging younger,

healthier consumers to enroll in coverage. Combined with the Governor's Budget proposal to create a state individual mandate to obtain comprehensive health care coverage, the subsidies will improve the overall risk pool in the individual market, reducing future premium increases.

The expanded subsidies and the individual mandate penalty are proposed to begin on January 1, 2020 to provide immediate relief to Californians and to prevent further destabilization of the insurance market. The increased subsidies will be funded by penalty revenues, and the program design will be adjusted in coverage years 2021 and 2022 to maintain a budget-neutral program.

The May Revision includes General Fund expenditures of \$295.3 million in 2019-20, \$330.4 million in 2020-21, and \$379.9 million in 2021-22 to provide these subsidies. These proposed expenditures are aligned with individual mandate penalty revenue projections of \$317.2 million in 2020-21, \$335.9 million in 2021-22, and \$352.8 million in 2022-23.

To improve affordability for middle-class Californians who are ineligible for federal assistance, approximately 75 percent of subsidy expenditures would be allocated to qualified individuals with incomes between 400 percent and 600 percent of the federal poverty level. Subsidies for these individuals would average around \$100 per month. Similar to the federal subsidies currently offered through Covered California, individual subsidy amounts will vary significantly depending upon an individual's income, family size, age, region, and health care premium costs. Individuals with incomes between 200 percent and 400 percent of the federal poverty level would receive average state subsidies of around \$10 per month, in addition to federal subsidies of hundreds of dollars per month.

In addition to the expanded subsidies program, the May Revision also proposes \$8.2 million ongoing General Fund for the Franchise Tax Board to implement the individual mandate and reconcile annual subsidy payments. Finally, the May Revision proposes statutory amendments.

The expanded subsidies are proposed to sunset in three years. They provide a bridge to the work of the Healthy California for All Commission.

HEALTH CARE WORKFORCE INITIATIVES

To address the need for additional health care professionals throughout the state, the Governor's Budget invested in existing programs designed to bolster and expand

workforce capacity. The supply of and demand for physicians and other health professionals are affected by a number of factors including coverage expansions, practice patterns, an aging workforce, and the complex needs of the patient population. The combination of these factors has resulted in shortages of health professionals, with shortages more pronounced in rural parts of the state and among primary care and behavioral health providers.

In recognition of the increased demand for health care providers, the Governor's Budget included \$122 million as follows:

- \$50 million one-time General Fund to increase training opportunities in existing mental health workforce programs administered by the Office of Statewide Health Planning and Development;
- \$38.7 million Proposition 56 funds to develop residency programs at hospitals throughout California as administered and operated by the University of California in partnership with Physicians for a Healthy California, and;
- \$33.3 million ongoing General Fund to the Song-Brown Health Care Workforce program beginning in 2020-21.

ADDITIONAL WORKFORCE INVESTMENTS IN THE MAY REVISION

The May Revision allocates an additional \$120 million Proposition 56 funds for the Medi-Cal loan repayment program. Combined with amounts allocated in the 2018 Budget Act, the May Revision makes \$340 million available for the program over the next several years. Of this total, \$290 million is for physicians and \$50 million for dentists. All awardees are required to make a five-year commitment to maintain a patient caseload of 30 percent or more Medi-Cal beneficiaries. In the first round of loan repayment awards, Health Care Services expects to award loan repayments to approximately 125 physicians and 20 dentists. There will be a minimum of five rounds of funding.

The May Revision also invests \$100 million from the Mental Health Services Fund (one-time funding available over five years) for the new 2020-25 Workforce Education and Training (WET) Five-Year Plan. The Plan provides a framework of strategies that the state, local governments, community partners, educational institutions, and other stakeholders can pursue to begin to address the shortage of qualified mental health professionals in the public mental health system.

Combined with other recent health workforce investments, the May Revision commits over \$600 million in funding in the coming years to meet our future health care workforce needs.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services. Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost to low-income individuals. The federal government mandates basic services be included in the program, 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, dental, home and community-based services, and medical equipment. The Department also operates the California Children's Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

The Medi-Cal budget is \$93.5 billion (\$19.7 billion General Fund) in 2018-19 and \$102.2 billion (\$23.0 billion General Fund) in 2019-20. The May Revision assumes that caseload will decrease by approximately 2.4 percent from 2017-18 to 2018-19 and increase by 0.02 percent from 2018-19 to 2019-20. Medi-Cal is projected to cover approximately 13 million Californians in 2019-20, including 3.8 million in the optional expansion population.

In 2019-20, the May Revision reflects an 8.5-percent state share of cost for the optional expansion population. The May Revision includes \$19.6 billion (\$2.1 billion General Fund) in 2019-20 for this population.

PROPOSITION 56

In January, the Proposition 56 package totaled approximately \$1 billion for 2019-20 for supplemental rate increases for physicians, dentists, and various other Medi-Cal providers, funds for Medi-Cal women's health, trauma and developmental screenings, and the Value-Based Payments program. The May Revision includes approximately \$263 million in additional Proposition 56 revenues due to a one-time fund reconciliation.

The May Revision includes the following additional Proposition 56 investments:

- \$120 million additional one-time funding for the loan repayment program for physicians and dentists who commit to serving Medi-Cal beneficiaries.
- \$70 million additional one-time funding for the Value-Based Payments program, specifically for behavioral health integration. This brings the total allocation for Value-Based Payments to \$250 million available for the program over the next several years.
- \$25 million in 2019-20 (\$60 million over three years) to train providers to conduct the trauma screenings that were proposed in the Governor's Budget.
- \$11.3 million to restore optician and optical lab services for adult beneficiaries in the Medi-Cal program, effective no sooner than January 1, 2020.

Given lower projected General Fund revenues over the forecast period and ongoing efforts to transform the state's health care system and lower costs, the package of Proposition 56 investments sunsets December 31, 2021. These investments remain a priority, and provide a bridge to the work of the Healthy California for All Commission.

Other Significant Adjustments:

- Current Year—The May Revision assumes decreased expenditures in the Medi-Cal program of approximately \$1 billion General Fund compared to the Governor's Budget. Unlike most programs, Medi-Cal operates on a cash, rather than an accrual, basis of accounting. This means that the timing of transactions can significantly disrupt fiscal year budgetary estimates.
 - About 70 percent of the difference is due to shifts in timing for repayments to the federal government. These repayments are now assumed to be made in the budget year, resulting in relatively minor net changes across the two fiscal years.
 - Another 12 percent is attributed to increased savings for drug rebates and retroactive managed care payments, offset by increased delinquent fees owed from skilled nursing facilities and other one-time adjustments.
 - The remaining variance is primarily due to changes in fee-for-service caseload.
- Year-Over-Year—The May Revision projects General Fund expenditures of \$23 billion in 2019-20, an increase of \$3.3 billion compared with 2018-19. Approximately one-third of the increase is attributable to the expiration of the managed care organization tax. Another one-third is due to a higher average cost per eligible and

other factors. The remaining increase results from a shift in the timing of payments from current year to budget year and other factors.

- **Full-Scope Medi-Cal Expansion for Undocumented Young Adults**—The May Revision includes \$98 million (\$74.3 million General Fund) to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25 regardless of immigration status, starting no sooner than January 1, 2020. The assumed implementation date is six months later than assumed in the Governor's Budget. This expansion will provide full-scope coverage to approximately 90,000 undocumented young adults in the first year. Nearly 75 percent of these individuals are currently in the Medi-Cal system.
- **Redirection of County Realignment Savings that Result from Medi-Cal Expansion**—The May Revision maintains the Administration's proposal to change the redirection amounts for certain counties' indigent care realignment revenue with three modifications. First, the May Revision reflects Yolo County as a County Medical Services Program county. Second, the change in redirection amounts for certain counties is delayed six months to align with the assumed timing of the proposed Medi-Cal eligibility expansion. Third, the May Revision proposes to withhold realignment revenues from the County Medical Services Program Board until the Board's total reserves reach two years of total annual expenditures. At that point, the Board revenues will be reflect a 75 percent redirection amount consistent with non-formula counties.
- **Pharmacy Transition to Fee-for-Service**—The transition of pharmacy services from Medi-Cal managed care to a fee-for-service benefit will help the state secure better prices by allowing California to negotiate with pharmaceutical manufacturers on behalf of a much larger population of Medi-Cal beneficiaries. Savings from the transition are estimated to reach \$393 million General Fund by 2022-23. While the transition is scheduled for January 1, 2021, savings will not be realized immediately due to timing of drug rebates and the managed care rate setting process.
- **Medi-Cal Drug Rebate Fund Reserve**—Drug rebates are a major source of General Fund spending volatility in the Medi-Cal program. To reduce this volatility, the May Revision projects a \$172 million reserve in the Medi-Cal Drug Rebate Fund. In the future, the reserve in this fund will be increased when savings exceed initial drug rebate estimates. When savings fall short of initial estimates, the reserve will be accessed to reduce the impact on the General Fund.
- **Medi-Cal County Administration**—The May Revision includes \$2.1 billion (\$729 million General Fund) in 2019-20 for county eligibility determination activities, an increase of

\$15.3 million total funds compared with the Governor's Budget, based on higher projected growth in the California Consumer Price Index (3.39 percent compared with 2.63 percent at Governor's Budget).

- **Whole Person Care Pilots**—The May Revision includes one-time \$20 million Mental Health Services Fund over five years for counties that currently do not operate Whole Person Care Pilots. This is in addition to the \$100 million one-time General Fund proposed in the Governor's Budget for counties that currently operate pilots. With this funding, additional counties will be able to develop and implement essential programs focused on coordinating health, behavioral health (for individuals with a mental health and/or substance use disorder), and critical social services, such as housing. Priority will be given to individuals with mental illness who are also homeless, or at risk of becoming homeless.
- **Peer-Run Mental Health Crisis Line**—The May Revision allocates \$3.6 million Mental Health Services Fund annually for three years to the Department of Health Care Services to provide support for a statewide peer-run mental health crisis line, a critical resource for those on the brink of a mental health crisis. This proposal maintains the Administration's focus on prevention and early intervention by providing a resource offering information, referrals, emotional support, and non-judgmental peer support to those living with mental illness. This statewide crisis line would also increase employment opportunities to those who have recovered from mental health issues.
- **Cannabis Allocation**—The May Revision includes \$21.5 million in Proposition 64 funds for competitive grants to develop and implement new youth programs in the areas of education, prevention, and early intervention of substance use disorders. These funds are continuously appropriated.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, and Disability Determination.

Caseload-Related Adjustments:

- IHSS—The overall cost for IHSS increased by \$60.5 million General Fund in 2018-19 and \$151.6 million General Fund in 2019-20, due primarily to a projected increase in caseload growth, average hours per case, and average cost per case. These increases were offset partially by decreases in IHSS provider overtime and travel costs.
- CalWORKs—A decrease of \$46.8 million General Fund and federal Temporary Assistance for Needy Families (TANF) block grant funds in 2018-19 and \$49.1 million General Fund and federal TANF block grant funds in 2019-20 to reflect updated caseload and average cost per case projections.
- SSI/SSP—A decrease of \$5.9 million General Fund in 2018-19 and \$18 million General Fund in 2019-20 to reflect updated caseload and average cost per case projections.

Other Significant Adjustments:

- CalWORKs Single Allocation Budgeting Methodology—An ongoing increase of \$41.4 million General Fund and federal TANF block grant funds in 2019-20 to reflect the adoption of a revised budgeting methodology for the employment services component of the CalWORKs Single Allocation to counties. This augmentation represents a \$165.5 million increase compared to the traditional methodology. Because a budgeting methodology for the administration/eligibility and employment services components have been created, the May Revision proposes to separate the child care component from the Single Allocation.
- CalWORKs Outcomes and Accountability Review (Cal-OAR)—An increase of \$13.2 million General Fund and federal TANF block grant funds in 2019-20 for counties to perform required Continuous Quality Improvement activities consistent with Cal-OAR implementation.
- CalWORKs Stage One Child Care 12-Month Eligibility—An increase of \$40.7 million General Fund in 2019-20 (\$54.2 million annually thereafter) to establish a 12-month eligibility period for CalWORKs Stage One Child Care services. See the Early Childhood Chapter for more information.
- CalWORKs Home Visiting Initiative—An increase of \$10.7 million in General Fund and federal TANF block grant funds to reflect updated projections of CalWORKs cases

eligible for home visiting services. See the Early Childhood Chapter for more information.

- Funding for County Administrative Costs for the Expanded CalFresh Population—A one-time increase of \$15 million General Fund in 2019-20 for county administration efforts to process new CalFresh applicants as a result of eliminating the Supplemental Security Income Cash-Out policy.
- IHSS Restoration of the 7-percent Across-the-Board Reduction to IHSS Service Hours—An increase of \$15.3 million General Fund to reflect the updated costs for the restoration of the 7-percent across-the-board reduction to IHSS service hours. The May Revision proposes to temporarily restore the 7-percent reduction through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.
- County IHSS Maintenance-of-Effort Adjustment—An increase of \$55 million General Fund related to the rebenching of the County IHSS Maintenance-of-Effort to reflect revised 1991 Realignment revenue projections and revised IHSS caseload and cost projections.
- Resource Family Approval Administration and Application Backlog—A one-time increase of \$14.4 million General Fund in 2019-20 to support county efforts in eliminating the backlog of foster care resource family applications that are pending review and approval.
- Foster Parent Recruitment, Retention, and Support—A one-time increase of \$21.6 million General Fund in 2019-20 for activities and services to retain, recruit, and support foster parents, relative caregivers, and resource families.
- Foster Care Emergency Assistance—An increase of \$21.7 million General Fund and federal TANF block grant funds in 2019-20 to provide caregivers with up to four months of emergency assistance payments pending resource family approval. Beginning in 2020-21 and annually thereafter, the state will fund emergency assistance payments for up to three months, as local child welfare agencies and probation departments are anticipated to complete the resource family approval process within three months of application receipt. The May Revision includes a TANF reserve of \$31.2 million to fund emergency assistance costs through 2020-21.
- Federal Title IV-E Administrative Costs Dependency Counsel—An ongoing increase of \$34 million federal funds to support court-appointed dependency counsel representing children and parents at every stage of the dependency proceeding.

- Funding for Special Olympics—A one-time increase of \$2 million General Fund in 2019-20 to support the Special Olympics, which enriches the lives of children and adults with intellectual disabilities through sports and education.
- Immigration-Related Pilot Projects—The May Revision proposes to use up to \$5 million of the \$10 million General Fund proposed in 2019-20 for the provision of legal services to unaccompanied undocumented minors and Temporary Protected Status beneficiaries to: (1) establish a pilot to provide mental health evaluations related to legal defense, and (2) develop a family reunification navigator pilot to connect undocumented minors and their families with services in the community.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services funds a variety of services for individuals with developmental disabilities that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement. The state is in the process of closing all state-operated developmental centers, but will continue to operate the secure treatment area at the Porterville Developmental Center and the Canyon Springs community facility.

By the end of 2018-19, the Department estimates it will be providing community services to approximately 333,000 individuals with developmental disabilities. In the developmental centers, the estimated population, as of July 1, 2019, is 326 residents. The population is expected to decrease to 297 residents by June 30, 2020, as the final residents transition to receiving services through the Regional Centers. The Budget includes \$8.2 billion (\$5 billion General Fund) for support of developmental services. Based on recent projections, base program costs are expected to grow by 10.2 percent annually.

REGIONAL CENTER REFORMS AND PROVIDER RATES

As required by Chapter 3, Statutes of 2016, Second Extraordinary Session (ABX2 1), the Department of Developmental Services submitted a rate study in March 2019, which has helped inform the Administration's targeted rates proposal.

The May Revision includes \$165 million (\$100 million General Fund) beginning January 1, 2020, for supplemental provider rate increases for community developmental

services. Annual costs of these rate increases are \$330 million (\$200 million General Fund).

The rate structure for community-based developmental services is complex and contributes to making oversight of the system difficult. These funds will focus on three specific areas to address specific service delivery elements within the Regional Center system, including:

- Stabilizing residential capacity, with a focus on compliance with the March 2014 federal Home and Community-Based Services requirements;
- Addressing rate differences between Regional Centers and vendors; and
- Enhancing consumer safety through mandated fingerprint requirements.

In addition to the proposed rate increases, the May Revision proposes the following reform efforts as a first step:

- Establishing and enforcing comprehensive Regional Center performance goals and increased accountability measures;
- Developing a statewide oversight system that regularly reviews Regional Center and provider performance and disseminates best practices and standards; and
- More frequent monitoring of Regional Center budgets.

Additional recommendations and reforms are needed for Regional Center board governance, standardization of practices, rate methodologies and categories, as well as the establishment of process and outcome measures necessary to increase transparency and accountability in this program area. These reforms will promote the provision of quality services in an efficient manner to persons with developmental disabilities.

The May Revision also includes \$7 million (\$5 million General Fund) for the Department and Regional Centers to begin implementing broad reform efforts as well as implementing the supplemental rate increases.

Other Significant Adjustment:

- The May Revision includes \$50 million (\$30.1 million General Fund) to suspend the Uniform Holiday Schedule. This change allows additional days of services to be paid.

The supplemental rates and Uniform Holiday Schedule will sunset on December 31, 2021, due to lower-than expected revenues over the forecast period and efforts to address the complexity of the current rate system as reviewed in the rate study released earlier this year and other efforts to improve transparency, accountability, and other issues in the Regional Center system.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California. Public Health expenditures in 2019-20 are \$3.3 billion (\$224.3 million General Fund).

California has some of the highest preventable infectious disease rates in the nation, and these rates have increased in the last several years. The Department is currently implementing a "Getting to Zero" HIV and AIDS prevention and treatment plan. The May Revision includes \$40 million one-time General Fund to slow infectious disease epidemics. The funds will be available over a four-year period through local public health departments and tribal communities to assist in providing prevention, testing, and treatment services.

Significant Adjustments:

- California Home Visiting and Black Infant Health Programs—The May Revision includes additional reimbursements from the Department of Health Care Services for Medicaid-eligible activities previously not reflected in the Governor's Budget. See the Early Childhood Chapter for more information.
- Cannabis Surveillance and Education—The May Revision includes \$12 million in Proposition 64 funds for surveillance and education activities. These funds are continuously appropriated.
- Emergency Preparedness, Response, and Recovery—The May Revision includes \$959,000 (\$569,000 General Fund) to support health care facilities and mass care shelters during emergencies as well as disaster preparedness, response, and recovery efforts. See the Emergency Preparedness, Response, and Recovery Chapter for more information.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals 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 patients.

The patient population is expected to reach 6,530 across the state hospitals and contracted patient programs and 795 in the Conditional Release Program by the end of 2019-20.

Significant Adjustments:

- **Conditional Release Step Down Program**—An increase of \$5.7 million General Fund in 2019-20 (\$11.5 million General Fund annually thereafter) for the Department of State Hospitals to contract for a 78-bed community step-down program to serve Mentally Disordered Offenders and Not Guilty by Reason of Insanity commitments who are preparing for conditional release from state hospitals within 18 to 24 months. This funding also includes increasing an existing Department of State Hospitals' contract by 4 beds for a total of 24 beds.
- **Telepsychiatry Resources**—An increase of \$2.2 million General Fund in 2019-20 (\$3.75 million General Fund in 2020-21 and \$3.5 million General Fund annually thereafter) for the Department of State Hospitals to expand the use of telepsychiatry to treat patients remotely via video-conferencing.

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