PART I

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

THURSDAY, MAY 31, 2012
UPON THE CALL OF THE CHAIR - STATE CAPITOL ROOM 437

VOTE-ONLY ITEMS

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4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: TRAILER BILL TO IMPLEMENT DRUG MEDI-CAL TRANSFER AND PROGRAMMATICALLY REALIGN SUBSTANCE ABUSE SERVICES

PRIOR SUBCOMMITTEE ACTION

The Subcommittee heard the Drug Medi-Cal (DMC) Transfer issue at its April 25, 2012 hearing. The Subcommittee directed staff to convene a working group to include administration representation and representatives of key stakeholder groups to review the draft trailer bill language to effectuate the transfer of the DMC program in 2012-13. Staff held two meetings with this working group subsequent to the action and offers the recommendations below.

The Subcommittee heard the Substance Abuse Services Programmatic Realignment proposal from the administration at its May 2, 2012 hearing upon the release of the trailer bill language. This language was also a subject of the working group meetings and per this consultation, staff offers the recommendations below.

The Subcommittee previously rejected the proposal to eliminate the Department. This action remains unchanged and, as such, there is no trailer bill associated with this proposal that is being approved for inclusion in the Human Services Omnibus.

Staff Recommendation:

Staff recommends the following actions:

In one motion: Adopt the administration's trailer bill to implement the DMC Transfer as placeholder language for inclusion in the Omnibus Human Services trailer bill for the 2012-13 budget, subject to additional changes in the trailer bill process, including but not limited to the following:

A. Addition of continuing quarterly updates to the Legislature, key stakeholders, and the public on the steps foreseen, planned, and completed, noting areas of question or concern, as the DMC Program fully transitions to the Department of Health Care Services. These updates shall include information on continuity of care for current beneficiaries and any access issues to care that arise as a result of or within the DMC transfer. A DHCS-sponsored meeting with stakeholders shall occur either in preparation for each quarterly update or when it is released. The first of these quarterly updates shall occur no later than October 1, 2012.

B. Revision of language regarding rule-making in the draft, rejecting the proposal to give the administration discretion to change regulation without undergoing the formal rule-making process.

C. Retention of any guiding statute on the DMC program as may exist in law, including citation of relevant court decisions.

<u>In a second motion:</u> Adopt the administration's trailer bill to implement Substance Abuse Services Realignment programmatic trailer bill language as placeholder language, also for inclusion in the Omnibus Human Services trailer bill for the 2012-13 budget, subject to changes in the trailer bill process, including but not limited to the following:

A. A requirement for ADP to annually provide to the appropriate fiscal and policy committees of the Legislature, and to publicly post, a summary of outcome and fiscal claiming data that allows for user-friendly tracking of changes Substance Abuse Services programs over time. Legislative staff will consult with the Department in order to identify more specifically the information that shall be included to effectuate this

B. Revision of language regarding rule-making in the draft, rejecting the proposal to give the administration discretion to change regulation without undergoing the formal rule-making process.

C. Retention of any guiding statute on the Substance Abuse Services programs as may exist in law, including Legislative intent language describing needs, services, and outcomes, citation of relevant court decisions, and other descriptive language about types of programs that counties may still choose to fund under realignment.

D. The inclusion of Substance Abuse Services programs in the fiscal superstructure provisions regarding requirements for a transparent and accessible local public process that must be used before a county significantly changes its expenditures on optional programs.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: SUNSET DATE FOR 1.25 PERCENT RATE REDUCTION

PRIOR SUBCOMMITTEE ACTION

The Subcommittee considered this issue as part of the DDS May Revision proposal regarding the $200 million General Fund (GF) reduction at its May 25, 2012 hearing and, as part of a larger action, approved the extension of the 1.25 percent rate reduction for a two-year period.

Staff Recommendation:

Staff recommends revision of the action taken to instead extend the 1.25 rate reduction for one year only, sunsetting at the end of the 2012-13 fiscal year, consistent with action taken in the Senate.

ISSUE 2: TRAILER BILL TO EARLY START SERVICES

PROPOSAL

The May Revision for DDS includes the following trailer bill changes for Early Start Services, part of and consistent with other changes in the $200 million GF savings package adopted by the Subcommittee on May 25, 2012 for 2012-13 and ongoing. The provisions are meant to be protective of access to Early Start services in the context of private health plan coverage for benefits as sanctioned under the DDS May Revise package.

SECTION 1. Section 95004 of the Government Code, as amended by Section 1 of Chapter 9 of the 4th Extraordinary Session of the Statutes of 2009, is amended to read:

95004. The early intervention services specified in this title shall be provided as follows:

(a) Direct services for eligible infants and toddlers and their families shall be provided pursuant to the existing regional center system under the Lanterman Developmental Disabilities Services Act (Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code) and the existing local education agency system under appropriate sections of Part 30 (commencing with Section 56000) of the Education Code and regulations adopted pursuant thereto, and Part C of the Individuals with Disabilities Education Act (20 U.S.C. Sec. 1431 et seq.).

(b) (1) In providing services under this title, regional centers shall comply with the Lanterman Developmental Disabilities Services Act (Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code, and its implementing regulations (Division 2 (commencing with Section 50201) of Title 17 of the California Code of Regulations) including, but not limited to, those provisions relating to vendorization and ratesetting, and the Family Cost Participation Program, except where compliance with those provisions would result in any delays in, the provision of early intervention, or otherwise conflict with this title and the regulations implementing this title (Chapter 2 (commencing with Section 52000) of Division 2 of Title 17 of the California Code of Regulations), or Part C of the Individuals with Disabilities Education Act (20 U.S.C. Sec. 1431 et seq.), and applicable federal regulations contained in Part 303 (commencing with Section 303.1) of Title 34 of the Code of Federal Regulations. Notwithstanding any other law or regulation to the contrary, a ~~family's~~ private <u>health</u> insurance for medical services or a health care service plan identified in the individualized family service plan, other than for evaluation and assessment, shall be used in compliance with applicable federal and state law and regulation.

(2) When compliance with this subdivision would result in any delays in the provision of early intervention services for the provision of any of these services, the department may authorize a regional center to use a special service code that allows immediate procurement of the service.

<u>(c) The use of private health insurance to pay for early intervention services under Part C of the Individuals with Disabilities Education Act (20 U.S.C. Sec. 1431 et seq.) shall not result in any of the following:</u>

(1) Count towards or result in a loss of benefits due to the annual or lifetime health insurance coverage caps for the infant or toddler with a disability, the parent, or the child's family members who are covered under that health insurance policy.
(2) Negatively affect the availability of health insurance to the infant or toddler with a disability, the parent, or the child's family members who are covered under that health insurance policy, or result in a discontinuance of health insurance coverage for these individuals.
(3) Be the basis for increasing the health insurance premiums of the infant or toddler with a disability, the parent, or the child's family members covered under that health insurance policy.

~~*(c)*~~
(d) Services shall be provided by family resource centers that provide, but are not limited to, parent-to-parent support, information dissemination and referral, public awareness, family professional collaboration activities, and transition assistance for families.

~~*(d)*~~
(e) Existing obligations of the state to provide these services at state expense shall not be expanded.

~~*(e)*~~
(f) It is the intent of the Legislature that services be provided in accordance with Sections 303.124, 303.126, and 303.527 of Title 34 of the Code of Federal Regulations.

Staff Recommendation:

Staff recommends approval of the proposed trailer bill language for Early Start.

5175 DEPARTMENT OF CHILD SUPPORT PROGRAMS

ISSUE 1: BUDGET BILL LANGUAGE RELATED TO REDUCTION TO LOCAL CHILD SUPPORT AGENCIES

PRIOR SUBCOMMITTEE ACTION

The Subcommittee took action at its May 24, 2012 hearing to approve a one-time unallocated reduction to Local Child Support Agencies by $14.7 million ($5 million GF).

Staff Recommendation:

Staff recommends adoption of accompanying Budget Bill Language for the aforementioned action to read as follows:

> "To the extent practicable, the reduction to local child support agencies adopted pursuant to the 2012-2013 budget act, shall not result in a reduction to caseworker staffing levels or collections."

5180 DEPARTMENT OF SOCIAL SERVICES
0530 OFFICE OF SYSTEMS INTEGRATION

ISSUE 1: MAY REVISION REQUESTS REGARDING CALHEERS

PROPOSAL

The following information was provided by the administration as background to their May Revision requests as outlined:

"MAGI Overview. Beginning in 2014, approximately 3 million of the current Medi-Cal cases in the three SAWS systems will have their Medi-Cal eligibility determination based on Modified Adjusted Gross Income, or MAGI. In addition, it is estimated that another 1 - 1.5 million individuals will become newly eligible for Medi-Cal through the MAGI determination. This population consists primarily of childless adults with incomes below 133 percent of the federal poverty level. The MAGI eligibility determinations are anticipated to be greatly simplified over the current process, largely attributable to the elimination of an asset test. There are an additional 1.5 million current Medi-Cal beneficiaries in SAWS, primarily the aged, blind and disabled, who will continue to have Medi-Cal eligibility determined under the current process. Individuals with incomes between 133 and 400 percent of the federal poverty level will be eligible for federally subsidized health care through the Exchange.

Two Options for MAGI Medi-Cal Cases. The Exchange's Request for Solicitation for the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) outlined two approaches for case data storage that will impact the SAWS systems. Under both scenarios, CalHEERS would build an eligibility rules engine that would be responsible for making eligibility determinations for both Modified Adjusted Gross Income (MAGI) Medi-Cal and individuals eligible for subsidized coverage in the Exchange. Under both scenarios, it is expected that county case workers would continue to manage Medi-Cal cases. The scenarios are:

A. Case data for both MAGI Medi-Cal and subsidized cases would be stored in CalHEERS.

B. Case data for all Medi-Cal cases, including MAGI, would continue to be stored in the SAWS systems, while case data for the subsidized population would be stored in CalHEERS.

Regardless of which approach is pursued, changes to SAWS will be needed. Interfaces will need to be created between the CalHEERS eligibility determination rules engine and the three SAWS systems. Additionally, modifications to the SAWS systems will be needed to recognize these new MAGI eligibility factors.

2012-13 Budget-Related Components.

<u>Office of Systems Integration (OSI)</u>

- BCP to provide OSI positions with 16 full-time positions and \$2.543 million in reimbursements to perform project management for CalHEERS.
- Trailer bill language (TBL) to allow OSI to conduct project management – currently, OSI does not have statutory authority to do this work.

- Budget bill language (BBL) that would delay any expenditures for CalHEERS until 60 days after a plan for CalHEERS has been submitted to the Legislature.
- BBL that would allow an increase in expenditure authority for costs related to project management of CalHEERS.

Department of Health Care Services (DHCS) (These issues are discussed and recommended for action in the Health portion of the Sub. 1 agenda for today.)

- BCP for positions to develop MEDS interfaces with CalHEERS.
- Local Assistance funding included in the Medi-Cal Estimate for the state's share of CalHEERS costs (17 percent of the 10 percent). CalHEERS will be funded 90 percent federal funds and 10 percent General Fund.
- BBL that would delay any expenditures for CalHEERS until 60 days after a plan for CalHEERS has been submitted to the Legislature.
- BBL that would allow an increase in expenditure authority for CalHEERS expenditures (state's matching share).

Department of Social Services (DSS)

- BBL to allow DSS Local Assistance automation Items (5180-141) to be augmented by $18 million General Fund and $18 million federal funds for changes to SAWS systems needed for Affordable Care Act implementation. Expenditure of these funds would be contingent on the submittal of a plan for CalHEERS 60 days prior to expenditure. These costs are based on estimates provided by the SAWS consortia.

Timeline.
Once the Board has adopted an approach to meeting the 2014 ACA implementation deadline, the administration, the Exchange, and county partners will begin developing a plan pursuant to Budget Bill Language linked to 2012-13 appropriations for ACA implementation.

- Will work with the Legislature answer questions pertaining to the plan and address concerns.
- 60 days after submittal of this plan to the Legislature, the Department of Finance will approve the ACA implementation expenditures."

Staff Recommendation:

Staff recommends the following actions:

1. Adopt trailer bill language that deletes the following language from Government Code Section 12803.3 that prevents the OSI from managing the CalHEERS project and generally has not been operational:

   "The California Health and Human Services Agency shall not place or transfer information technology projects in the office, without further legislation authorizing these activities."

2. Adopt the following BBL for DSS:
   Add the following provision to Item 5180-141-0001:
   X. This item may be increased by up to $18,000,000 by order of the Director of Finance to address system changes necessary to implement the requirements of the federal Affordable Care Act. The Director of Finance shall provide notification in writing to the Joint Legislative Budget Committee of any expenditure approved under this provision not less than 30 days prior to the effective date of the approval. This 30-day notification shall include a plan for

the system changes necessary to implement the requirements of the federal Affordable Care Act.
Amend Provision 1 of Item 5180-141-0890:
"1. Provisions 2, 3, and 4, and X of Item 5180-141-0001 also apply to this item."

3. Approve the May Revise OSI BCP for positions and funding to perform project management for CalHEERS.

4. Adopt the following BBL for OSI:
Add Budget Bill Language to Item 0530-001-9732
Provisions:

X. Of the funds appropriated in this Item, $2,543,000 is to support the system changes necessary to implement federal health care reform. These funds are not authorized for expenditure until approved by the Director of Finance. The Director of Finance shall provide notification in writing to the Joint Legislative Budget Committee of any expenditure approved under this provision not less than 30 days prior to the effective date of the approval. This 30-day notification shall include a plan for the system changes necessary to implement the requirements of the federal Affordable Care Act.

X. The Director of Finance may authorize the transfer of expenditure authority from the Department of Health Care Services and/or the Managed Risk Medical Insurance Board to the Office of Systems Integration consistent with the plan for system changes to implement the Affordable Care Act. Any such increases shall occur no sooner than 30 days after notification in writing of the necessity therefor to the Joint Legislative Budget Committee, or not sooner than whatever lesser time after notification the chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

X. The Director of Finance may increase this item consistent with an interagency agreement between the Office of System Integration and the California Health Benefit Exchange for the management, including procurement, design, development, testing, implementation, oversight, maintenance, and any other activities related to the California Healthcare Eligibility, Enrollment, and Retention System project. Any such increases shall occur no sooner than 30 days after notification in writing of the necessity therefor to the Joint Legislative Budget Committee, or not sooner than whatever lesser time after notification the chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

ISSUE 2: CALFRESH ADMINISTRATION

The Subcommittee heard the CalFresh issues at its March 21, 2012 hearing and held open CalFresh administration at that time. The Subcommittee did take an action to extend the Match Waiver for county administration for an additional two years. Please see that Agenda and Actions Taken document for more information. These issues are revisited here.

BACKGROUND

CalFresh is California's name for the national Supplemental Nutrition Assistance Program (SNAP, formerly known as "food stamps"). Californians are expected to receive a total of $7.2 billion (all federal funds) in CalFresh benefits in 2011-12, rising to $8.4 billion in 2012-13. The Governor's January budget included $1.6 billion ($540.0 million GF) for CalFresh administration costs, which are shared 50/50 federal/non-federal funds (with non-federal funds shared 35/15 by the state/counties).

The January budget also proposed a reduction of $71.9 million GF to CalFresh administration funding in 2012-13. The administration indicated at the time that the adjustment was based on counties' expenditure patterns for the past few years. The May Revision updates that proposal, resulting instead in a reduction of $45.3 million GF (and corresponding other funds). The administration indicates that the change is based on more recent data resulting from a survey of counties. There are two components to the proposed reduction to the base funding for FY 2012-13 that each comprise around half of its total value: 1) a proposal to permanently reduce funding by the amount that counties were able to spend in 2010-11 (excluding additional expenditures the counties accessed under an existing county "match-waiver" that is scheduled to sunset on June 30, 2012), and 2) a proposal to permanently reduce funding by the amount that the administration estimates counties will be able to spend when compared to the total budgeted for 2011-12. Both are described further below.

Match-Waiver. Under the match-waiver in place for 2010-11 and 2011-12, counties can draw down a portion of the General Fund and federal fund allocations for CalFresh administration without fully matching those funds under the standard sharing ratios. The amount of General Fund resources available to the counties as a direct result of the match-waiver in 2010-11 is estimated at $22 million. When the match-waiver was enacted, the Legislature anticipated that counties would be able to raise their expenditures back up to the full amount required under the standard sharing ratios after a few years of relief during the toughest economic times of the recession (which were also resulting in dramatic caseload increases in CalFresh). The administration's proposal instead assumes the match waiver will not continue and that based on expenditure patterns the counties will permanently expend the lower amount of matching funds – effectively lowering the total administration funding available to the program by $22 million GF and corresponding federal funds on a permanent basis. By contrast, the County Welfare Directors Association (CWDA) indicates that counties still plan to meet the original intent of bringing their expenditures back up to the full matching requirements. CWDA does, however, propose a two-year extension of the match-waiver before counties would be prepared to again reach this level of contribution.

Reduction Related to Recent Expenditures: The administration estimates that counties will not spend $23 million GF (of the $583 million total GF budgeted) and proposes to lower the 2012-13 budgeted allocation by that amount. CWDA and other stakeholders oppose this change in budgeting methodology and point out that especially in the current budget climate, counties are being cautious about not overspending their allocations and this four percent of the total allocation is within the natural margin of error given that caution.

Proposed Reversion of Funds from 2010-11 and 2011-12: As an alternative to $23 million of the $45.3 million GF reduction assumed in the Governor's May Revision, CWDA proposes budget language to revert any unexpended General Fund resources from 2010-11 and 2011-12 earlier in the process than would normally occur.

Staff Recommendation:

Staff recommends adoption of a one-time reduction of $45 million GF and a one-year extension of the match-waiver (rescinding and changing the prior Subcommittee action to extend it for two years), with as much of the reduction achieved as possible through reversions of funding unexpended in prior years. To the extent that the reduction is achieved through a reduction in 2012-13 funding, require DSS to consult with counties regarding how to allocate the reduction and to report to the Legislature during budget hearings regarding the resulting impacts on the program.

ISSUE 3: MAY REVISION REQUEST REGARDING CHILD WELFARE SERVICES DIVISION POSITIONS

PROPOSAL

The administration proposed to reduce the DSS budget by a net of 42.0 positions. As part of the state's realignment efforts, the administration states, the responsibility and funding for the Agency Adoptions Program has been transferred to the counties. Currently eleven counties have expressed interest in transitioning the adoptions programs to the county resulting in a reduction of a total of 53.5 positions in the Children and Family Services Division, Agency Adoptions Program.

The administration states that as the single state agency for social services, this proposal requests 11.5 positions for 2012-13 to fulfill the state's responsibilities in oversight and monitoring, policy and program development and technical assistance in the state and federal governments' commitments and efforts in vital Child Welfare Services (CWS) programs. "The requested resources are needed in response to recent court orders, lawsuit decisions and to ensure implementation and compliance with recently enacted state and federal legislation."

Staff Recommendation:

Staff recommends approval of the administration's proposal to reduce DSS Child & Family Services Division staffing by a net of 42 positions related to Adoptions functions that have been realigned to counties. This also includes the retention and repurposing of 11.5 positions as described below (with 9.5 as proposed and 2 repurposed to be consistent with additional shared priorities):

Oversight & Monitoring:
1.0 General Auditor III for Foster Care Audits Accountability
1.0 (out of 3.0 requested) Social Service Consultants for CAPTA compliance
2.0 repurposed positions – to focus on: a) fiscal and outcome-related oversight stemming from the programmatic trailer bill language related to realignment, and b) policy and program development related to the continuum of care and assessment of children's needs, which may include implementation related to the Katie A. settlement as well.

Policy & Program Development
1.0 Associate Government Program Analyst for Foster Care Rates, Regulations, and Technical Assistance
3.5 limited-term positions for the state's Child Welfare Waiver Demonstration Capped Allocation Project
3.0 positions related to the federal CA Partners for Permanency (CAPP) grant

ISSUE 4: CHILD WELFARE SERVICES PROGRAMMATIC REALIGNMENT TRAILER BILL PROPOSAL

PRIOR SUBCOMMITTEE ACTION

The Subcommittee heard the CWS Programmatic Realignment proposal from the administration at its May 2, 2012 hearing upon the release of the trailer bill language. This language has been the subject of discussions between legislative staff and the administration, and with and among many stakeholders who have weighed in with feedback on various aspects of the proposed language. From this consultation and review of feedback, and seeking to ensure the most positive outcomes under realignment for CWS, staff offers the recommendations below.

Staff Recommendation:

Staff recommends the following actions:

As one motion, the following: Adopt the administration's CWS Realignment programmatic trailer bill language as placeholder language, subject to changes in the trailer bill process, including but not limited to the following:

A. Revisions that would: 1) allow the Department to license THP-Plus-Foster Care placements, consistent with the licensure of other foster care placement types, and 2) leave in place statutory provisions intended to enable foster youth to access federal Supplemental Security Income (SSI) benefits.

B. With respect to the California Child & Family Services Reviews:

   1. Language to clarify that the workgroup called for in WIC 10601.2 can reconvene as necessary.

   2. A requirement for DSS to consult with counties before establishing performance targets pursuant to these provisions.

   3. The inclusion of state-defined objectives and outcome measures within the newly proposed provisions related to state oversight under WIC 10601.2(j).

C. A requirement for DSS to annually provide to the appropriate fiscal and policy committees of the Legislature, and to publicly post, a summary of outcome and fiscal claiming data that allows for user-friendly tracking of changes in CWS and foster care programs over time and that indicates the degree to which the programs are meeting state and county-defined outcome measures. Legislative staff will consult with the Department in order to identify more specifically the information that shall be included.

D. The inclusion of CWS and foster care programs in fiscal superstructure provisions regarding requirements for a transparent and accessible local public process that must be used before a county significantly changes its expenditures on optional programs.

As a second motion: Adopt the administration's fiscal superstructure trailer bill language as placeholder language, subject to changes in the trailer bill process, including but not limited to the following:

A. Toward the interest of ensuring that counties do not disinvest from their existing CWS programs with the allocations provided under realignment, (a) make the receipt of growth funds contingent on spending virtually all of the base allocation year to year within the Protective Services Subaccount and (b) increase penalty-sharing for counties that have disinvested from CWS programs, calibrating their increased duty to pay a levied penalty by the same percentage by which they have disinvested or underspent their available dollars for program services in the relevant fiscal years, excluding their reserve option available under the Superstructure. Counties would be permitted to appeal to the Department of Social Services for a discretionary waiver if there were inordinate circumstances inhibiting their full expenditure and DSS may adjust or waive the augmented penalty-sharing on a case by case basis.

B. Create a unique account within the Behavioral Health Subaccount for the Women and Children's Residential Services Treatment Program funding as a pass-through force for those six counties that host the eight sites currently operating under this program, define the program in statute, and allow additional funds to be provided for this program and similar services at the discretion of the counties.

C. Adopt the following placeholder provision to allow counties that administer integrated programs using blended funds to continue under realignment, "Any county authorized to operate an integrated and comprehensive county health and human services system under Welfare and Institutions Code section 18986.60, 18986.86 and 18989 may reallocate money between subaccounts in the Support Services Account, consistent with the provisions and restrictions contained in Welfare and Institutions Code 18986.60 – 18989."

D. Conform to other changes to the fiscal superstructure that may be adopted in the Public Safety assignment.