

**AGENDA**  
**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1**  
**ON HEALTH AND HUMAN SERVICES**  
**AND**  
**ASSEMBLY HUMAN SERVICES COMMITTEE**

**Assemblymember Judy Chu, Chair**  
**Assemblymember Lois Wolk, Chair**

**MONDAY, APRIL 7, 2003**  
**STATE CAPITOL, ROOM 4202**  
**4:00 PM**

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**ITEM 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT****ISSUE 1: CALIFORNIA FAMILY PHYSICIAN TRAINING PROGRAM – FINANCE LETTER****BACKGROUND:**

The FY 2003-2004 budget proposed to end the General Fund support for California's Family Physician Training Program [also known as the "Song-Brown Act"]. The Administration proposed to fund the program with a 12 percent license surcharge on the medical licenses of physician and surgeons, osteopaths, podiatrists, registered nurses and physician assistants. The surcharge would be in addition to the 15 percent provider rate reduction. The licensure surcharges would raise \$4.502 million and be deposited in the new Health Professions Development Fund for the support of the Song-Brown Program.

However, the Department of Finance recently determined the surcharge would constitute a tax. It was not the intent of the Administration to impose a tax. The Administration now proposes to reverse its proposal and is withdrawing the proposed trailer bill language. The Administration supports the full funding of the Family Physician Training Program because it provides training for approximately 8 percent of the family practice residents trained within the state and the majority practice in medically under-served areas. The Administration, therefore, proposes General Fund be used to restore the current funding level.

**COMMENTS:**

No issues have been raised.

**ITEM 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT****ISSUE 2: BATESON BUILDING SECURITY – FINANCE LETTER****BACKGROUND:**

The Office of Statewide Health Planning and Development, Department of Mental Health and Department of Developmental Services occupy the Bateson building. Responsibility to serve as the custodian building security contract is rotated among the three tenants. It has recently been decided that the Office of Statewide Health Planning and Development would assume the responsibility for the next three years. The Department of Developmental Services would contribute \$115,500 General Fund, the Health and Human Services Agency would contribute \$24,000 General Fund and the Department of Mental Health would contribute \$85,500 General Fund. Therefore, the reimbursements for the Office need to be increased by \$225,000.

**COMMENTS:**

No issues have been raised.

**ITEM 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT****ISSUE 3: HEALTH PROFESSIONS CAREER OPPORTUNITY TRAINING PROGRAM****BACKGROUND:**

The Health Professions Career Opportunity Program (HPCOP) was established in 1977 to enlarge the pool of underrepresented minorities entering and graduating from health professional training. Funding provided for HPCOP in the Budget Act of 2002 is \$179,000 General Fund. The program had historically received \$300,000 General Fund support. During the preparation of the Budget Act of 2002, like many other programs, HPCOP was reduced.

The objectives of the program have been to motivate, inform, and assist underrepresented minorities in preparing for health professions training. These objectives were met through the distribution of a newsletter and a variety of publications geared toward improving academic skills and preparation for applying to health professional schools. Additionally, contracts were awarded to educational institutions, private organizations, and student groups to provide services such as preparatory courses designed to increase the pass rate of students taking the Medical College Admission Test (MCAT), Dental Admission Test (DAT), and Graduate Record Examination (GRE). In addition, funds were also utilized to support post-baccalaureate programs, applicant conferences for dental and medical school, or innovative programs that supported students demonstrating an interest in any of the varied healthcare professions.

Budgetary reductions have eliminated the publication and distribution of the newsletter and other publications. However, the past publications are available from other sources and on the Office of Statewide Health Planning and Development's (OSHPD) website. Currently, three Nurse Outreach and Development Program programs (at \$35,000 each) are being funded. There are no other activities being supported by the OSHPD at this time.

The repeal of this program would reduce the OSHPD's outreach activities to recruit economically and educationally disadvantaged students interested in entering and graduating from health professional training.

**COMMENTS:**

OSHPD, are there other sources where the minority students could readily gather this type of information and receive the same or similar support?

OSHPD, is there a way in which the program can continue, in the event funding is not available in the budget?

**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL DISABILITIES****ISSUE 1: PURCHASE OF SERVICES STANDARDS****BACKGROUND:**

The budget proposes to save \$100 million General Fund, \$140 million total funds, in FY 2003-2004 through the imposition of statewide purchase of services standards for Regional Centers.

The budget proposes the imposition of statewide purchase of services standards beginning in FY 2003-2004. The trailer bill language states that it is not the intent to limit the services and supports in such a way as to endanger a consumer's health or safety, nor place a consumer in a more restrictive setting in violation of the Olmstead decision of the Supreme Court. The Department would be authorized to limit the type, duration, scope, location, amount or intensity of services and supports. The Department would also be able to prohibit by type, the services and supports that are purchased by Regional Centers for consumers. In effect, the trailer bill language would end the Lanterman Act entitlement for persons with developmental disabilities. Such actions by the Department would not be appealable.

In addition, the Department would be able to require Regional Centers to impose payment reductions and closure days on categories of vendors selected by the Department. This authority also would not be appealable.

The Department would be authorized to issue emergency regulations to implement the trailer bill. The regulations would have to conform to two principles:

- Services and supports must be directly related to the individual's developmental disability.
- Families will be responsible for providing the services and supports to a minor child with a developmentally disability that families provide to children without disabilities.

The trailer bill and regulations issued pursuant to it would become inoperative on July 1, 2006 and would be repealed on January 1, 2007 unless a later enacted statute deletes or extends the dates on which it becomes inoperative and is repealed. Reinstatement of the Lanterman Act entitlement for developmentally disabled individuals after it has been compromised is unlikely.

**COMMENTS:**

Department of Developmental Services, please provide the Subcommittee with an overview of the proposal. When will the regulations be available? When would they be implemented? What input has the Department sought in the development of the regulations?

Department of Developmental Services, what decisions of the Department are appealable?

Department of Developmental Services, please outline for the Subcommittee why the desired level of savings cannot be achieved by other avenues.

Legislative Analyst Office, what is your assessment of the proposal?

**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL DISABILITIES****ISSUE 2: PARENTAL CO-PAYMENTS****BACKGROUND:**

The budget for the Department of Developmental Services proposes to establish a parental co-payment for Regional Center services delivered to children who live at home and are between the ages of 3 and 17. The Department's preliminary estimate for the co-payments in FY 2003-2004 is \$29.5 million. The estimate will be updated at the time of the May Revision.

The Department would be responsible for the development and implementation of the program, including the assessment and collection of the co-payments. The Department estimates that it would need to hire 25.6 people and spend \$1.757 million General Fund in FY 2003-2004. The Administration has not provided an outline of what the 25.6 positions will do. All revenue collected as a result of the co-payments will be deposited in the General Fund and will not be retained in the Developmental Disabilities system.

The imposition of family financial liability is not new in the developmental disabilities services system. The parents of minor children who reside in 24-hour out-of-home care facilities have had an obligation to pay a parental fee since the late 1960s. In addition, parents are required to furnish diapers to their children from birth to age 3, and to pay the cost of day care up to the amount they would be obligated to pay for a child without developmental disabilities receiving the services.

**The key components of the co-payments are:**

- Co-payments will be assessed on families with children ages 3 to 17 living at home receiving services from Regional Centers and who are not receiving Medi-Cal;
- Co-payments will be assessed on annual adjusted gross income, as provided by the Franchise Tax Board. Co-payments will be imposed on all families with incomes above 200 percent of the federal Poverty Level. Each family would be required to pay up to 10 percent of its annual income for the Regional Center services. The amount families would have to pay cannot exceed the cost of services provided by the Regional Center.
- Co-payments would have to be paid in 12 months of the initial assessment notification. The families would be able to make payments in one of four ways: 12 equal monthly installments; four equal quarterly payments; two equal semi-annual payments; or one lump sum payment at the time the co-payment is established.
- Families may appeal what they believe is an erroneous calculation or a change in income.

**The Legislative Analyst Office notes several features of the proposal that need to be clarified if the Legislature were to adopt the proposal:**

- Clarification of the fee structure. Is it a fixed or a sliding fee schedule? Will parents be billed before the services, after services are delivered?
- Linking of co-payments to families with incomes greater than 200 percent of the federal Poverty Level after taking into account family size.
- Expansion of co-payment to include children under 3 and adults 18 and over. No other state assesses co-payments for services for children between 0 – 3.

**COMMENTS:**

Department of Developmental Services, please provide the Subcommittee with an overview of your proposal.

Department of Developmental Services, the proposal would require families to pay up to 10 percent of their adjusted gross income as co-payments for Regional Center services. Would the co-payments be equal to or greater than the co-payments for similar income levels in the Healthy Families Program? Will the co-payments be collected at the time of service as in Healthy Families?

Department of Developmental Services, would things such as catastrophic medical costs in a given year be deducted from income for the purposes of calculating parental co-payments?

Legislative Analyst Office, please provide an overview of your analysis of the Department's proposal. Does the Analyst have any recommendations with respect the proposal? What is the LAO's assessment of the need for 25.6 ongoing full-time positions for the program?



**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES****ISSUE 3: DEFINITION OF DISABILITY****BACKGROUND:**

The budget proposes to achieve a \$2.1 million General Fund reduction by redefining the state's definition of "substantial disability," which is used to determine whether individuals are eligible for service. The redefinition will align the state and federal definitions requiring limitations in three of the seven major life activity domains in order to establish eligibility. The revised definition would be applied prospectively so that those currently receiving services would not be affected.

Under current state regulation, a substantial disability means a condition that results in a major impairment of cognitive and/or social functioning. It requires interdisciplinary planning and coordination of special or generic services to assist the individual in achieving his/her maximum potential. The existence of a major impairment is determined by assessing the following, among other undefined areas:

- Communications skills;
- Learning;
- Self-care;
- Mobility;
- Self-direction;
- Capacity for independent living; and
- Economic self-sufficiency.

Federal law defines a developmental disability as a severe, chronic disability of a person 5 years of age or older, that is attributable to a mental or physical impairment or combination of mental and physical impairments that is manifested before the individual reaches age 22, is likely to continue indefinitely and ***results in substantial functional limitations in three or more of the following major life activities:***

- Self-care;
- Receptive and expressive language;
- Learning;
- Mobility;
- Self-direction;
- Capacity for independent living;
- Economic self-sufficiency; and
- Reflects the individual's need for a combination and sequence of special, interdisciplinary, or generic services, supports, or other assistance that is of lifelong or extended duration and is individually planned and coordinated.

The state seeks to add the three functional limitation requirements as described above (in bold italics).

According to Protection and Advocacy, any narrowing or strict requirements make it more difficult for persons to become regional center eligible, especially for persons with developmental disabilities because many persons demonstrate learned but supported

borderline strengths. This means that persons with arguably eligible conditions have, over time, found ways to learn helpful survival skills. These skills are taught and supported by caregivers (family, facility care staff, etc.). These supports are usually temporary (at least one reason why regional center services are pursued). Without the ongoing support of regional center services, these individuals tend to de-compensate and lose those survival skills. Nevertheless, at the time they apply for regional center services, they usually have support for their survival skills and it becomes harder for these individuals to show three functional limitations as opposed to significant delays in one or two major life activities. Therefore, the criterion the state is choosing to acquire from the federal definition (without simply taking the whole definition) does indeed narrow the scope of those that may qualify for regional center eligibility and will harm many in our constituency.

**COMMENTS:**

Department of Developmental Services, please provide the Subcommittee with an overview of the proposed change. Would the policy be implemented on a prospective basis?

Department of Developmental Services, please address the issue raised by Protection and Advocacy about learned supports, their temporary nature and how their eligibility for services would be affected.

**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL DISABILITIES****ISSUE 4: DEVELOPMENTAL CENTER CLOSURE****BACKGROUND:**

The Governor's budget proposes to close one Developmental Center. The budget proposes to initiate the planning that would ultimately lead to the closure of Agnews. The Department will be creating a strategic plan to ensure the development and implementation of services and supports for individuals who would either be placed in a less restrictive or in another Developmental Center. The funding would be absorbed by the Agnew budget. The Department projects that it could achieve at least \$25 million (\$14 million General Fund) on an annual basis by closing Agnews Developmental Center.

The Legislative Analyst Office recommends the Legislature direct the Department to begin the planning work on closing a second Developmental Center, Lanterman, by January 1, 2005.

The Agnews budget for the 2002-2003 FY is \$94.4 million. The closure of Agnews would not produce that level of savings because the consumers would have to be cared for in other Developmental Centers or in community programs. If the consumers were at the average of the cost per consumer across all five Developmental Centers, the savings would total \$25 million (\$14 million General Fund) per year.

External pressures to close Developmental Centers include AB 896 (Aroner) of 2002; Supreme Court Decision, Olmstead; filing of the Sanchez and Capital People First lawsuits; and recent follow-up investigations at Agnews and Sonoma Developmental Centers by the Federal Department of Justice. There are opposing interests held by parents and employee unions to keep all of the Developmental Centers open.

The budget proposal also provides for immediate planning and implementation of services and supports to increase the community capacity for individuals who will be moving into community living arrangements. It would include the collaborative planning of resource needs to provide the necessary supports from the Department, Developmental Centers and Regional Centers for individuals that move into the community or other options.

It is expected the population of Agnews will be transferred to the community or another development center, as was done when the Developmental Centers at Camarillo and Stockton were closed 1997 and 1996. The number of community placements will be determined by the individual needs of the consumer and the capacity of the community to provide the necessary services and supports. The current population of Agnews is approximately 445 and all but 50 are clients of either the San Andreas Regional Center, Golden Gate Regional Center or Regional Center of the East Bay.

The Administration proposes to create a project team (Project Director, two Assistant Directors and two administrative staff) that would be supplemented with consultants and temporary staff with experience in DC closures. The project team would be located on-site at Agnews and would collaborate with stakeholders to develop a master plan that will focus on:

- Increasing community capacity through innovative resource development;
- Determining the feasibility of a "Regional Service Hub" that would utilize a cadre of clinical and professional staff to provide support to consumers;
- Supporting the implementation of the Community Placement Plan in the Bay Area;
- Monitoring the implementation of person-centered assessments for all consumers residing at Agnews;
- Monitoring and assisting with all relocation activities of Agnews consumers; and
- Developing the Agnews Closure Plan with stakeholder involvement.

**COMMENTS:**

Legislative Analyst Office, you recommend the planning for the closure of a second Developmental Center during the closure of the Agnews Developmental Center; please outline for the Subcommittee the LAO's reasoning.

Department of Developmental Services, please respond to the LAO's recommendation to initiate the planning for closure of a second Developmental Center during closure of the Agnews Developmental Center.

**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL DISABILITIES****ISSUE 5: IMPACT OF MEDI-CAL OPTIONAL BENEFITS ELIMINATION - INFORMATIONAL****BACKGROUND:**

The budget proposes to eliminate 18 optional benefits in the Medi-Cal program. Together, the Governor's Mid-Year Adjustments and January 10 budget proposals would permanently eliminate the following optional benefits from the Medi-Cal program for adults above age 21 and not in long-term care: dental services, medical supplies, podiatry, acupuncture, chiropractic services, psychology, independent rehabilitation centers and occupational therapy, hospice, non-emergency medical transportation, optometry, optician/laboratory, physical therapy, prosthetics, orthotics, speech/audiology, hearing aids, durable and medical equipment. Clients of the Department of Developmental Services system that are Medi-Cal eligible would continue to receive the benefits. However, they would be paid for by the Regional and Developmental Centers rather than the Medi-Cal program. The full cost of the service would be borne by the General Fund rather than being shared with federal government on a 50/50 basis.

Currently the Medi-Cal program offers all 34 optional benefits authorized under federal law. The elimination of the 18 optional benefits for adults would save the state \$361.83 million General Fund in the Medi-Cal program in the budget year. However, the General Fund savings would be reduced because those Medi-Cal beneficiaries who are clients of the Department of Developmental Services system and are Medi-Cal eligible would have the services paid for by the Regional and Developmental Centers. The Lanterman Act entitlement for the developmentally disabled increases the costs for Regional and Developmental Centers by \$60.536 million. The net impact on the General Fund would be a \$29.993 million increase, as it pays \$30.543 million irrespective of whether Medi-Cal funds the expenditures (see handout). However, the budget for the Regional and Developmental Centers would have to absorb the \$60.536 million increase in cost as a result of the shift of the expenditures to the Regional and Developmental Center budgets from the Medi-Cal budget in the Department of Health Services.

For reference the Medi-Cal optional benefits that the budget proposes to cut are included.

**MEDI-CAL OPTIONAL BENEFITS: TOTAL FUND SAVINGS**

<b>Service</b>	<b>Budget Year</b>
Adult Dental Services	\$423.602 Million
Medical Supplies	\$108.666 Million
Podiatry	\$8.682 Million
Acupuncture	\$5.812 Million
Chiropractic	\$.798 Million
Psychology	\$.458 Million
Independent Rehabilitation	\$.046 Million
Occupational Therapy	\$.030 Million
Hospice	\$27.358 Million
Non-Emergency Medical Transport	\$62.968 Million

Optometry	\$18.376 Million
Optician/Laboratory	\$29.032 Million
Physical Therapy	\$.060 Million
Prosthetics	\$4.168 Million
Orthotics	\$1.280 Million
Speech/Audiology	\$1.456 Million
Hearing Aids	\$5.820 Million
Durable Medical Equipment	\$25.048 Million
Total Medi-Cal Savings	\$723.660 Million

**COMMENTS:**

Department of Developmental Services, please provide the Subcommittee with an overview of the impact of the elimination of the Medi-Cal Optional Benefits on the Regional Center budget. How will the new costs be absorbed in the Regional and Developmental Center budgets?

**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL DISABILITIES****ISSUE 6: SPECIAL INVESTIGATORS - INFORMATIONAL****BACKGROUND:**

The budget proposes to hire five supervising special investigators at the state Developmental Centers. The proposal would increase expenditures in FY 03-04 by \$406,000, \$237,000 General Fund.

The Department of Developmental Services is proposing to re-organize the existing public safety function of the Department. The proposal is organize the public safety into a more traditional law enforcement command structure under the Office of Protective Services. The proposal would have the Department hire five supervising special investigators. One benefit of proposal would be to ensure consumer safety. Another would be to make certain investigations are completed within statutory time frames, meeting federal certification requirements to maintain federal financial participation.

Licensing authorities require all allegations of mistreatment or abuse of consumers, injuries of unknown origin, neglect of consumers, sexual abuse of consumers and all consumer deaths be reported and thoroughly investigated within five days. In addition, investigators also perform criminal background checks on all new hires of developmental center personnel. Crimes committed on the Developmental Center premises must also be investigated.

In 2001, 936 investigations were undertaken and 742 were closed, leaving 194 cases incomplete. In 2000, 833 investigations were undertaken and 639 were closed leaving 194 cases incomplete. Based on 1,178-hour work year, the average investigator clears 44 cases per year. For the 2002-2003 FY the Department has 20 investigators system wide. Based on projections for the 2003-2004 FY the Department will need at least 25 investigators. If the Department remains at 22 investigators it will not be able to expeditiously handle all of the investigations it anticipates.

	1997	1998	1999	2000	2001	2002	2003
Cases	595	611	725	833	936	1,011	1,126
Investigators	13.5	13.9	16.5	18.9	21.2	22.9	25.6

In 2000, several newspaper articles indicated a public concern for the safety of the individuals in Developmental Centers by questioning the timeliness of investigations. The articles also cited conflicts of interest between facility administration and law enforcement. The Legislature requested the Attorney General conduct an inquiry in the Department's public safety organization and management. The findings included:

- Lack of Central and Intermediate Control – No administrative professional law enforcement command staff.
- Inconsistent Policies, Procedures and Guidelines – Inconsistent application of public safety related policies and lack of police and investigative policy and procedures manuals.

- Inconsistent hiring and firing – Recruitment, hiring, pre-employment background investigations, personnel training and equipment acquisition have been performed separately by each facility.
- High turnover rate – In the last three years the investigative staff of the Department has experienced 100 percent turnover.
- Large Backlogs – There are significant backlogs of incomplete investigations at of the developmental centers.

**COMMENTS:**

Department of Developmental Services, please provide the Subcommittee with an overview of its public safety function and the Attorney General's inquiry.

How will the budget proposal address the issues raised by the Attorney General?

At what rate does the Department anticipate the backlog will be reduced?



**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES****ISSUE 7: OFFICE OF CLIENTS RIGHTS ADVOCACY****BACKGROUND:**

Clients Rights Advocacy for persons with developmental disabilities was established pursuant to SB 391(Granlund), Chapter 294, Statutes of 1997. Protection and Advocacy, Inc. has bid on the Clients Rights contract both of the times it has been bid and granted. Each time, Protection and Advocacy has been the successful bidder and no other non-profit corporation has applied.

Protection and Advocacy proposes an amendment to Welfare and Institution Code Section 4433 to increase the contractual period of the state Office of Clients Rights Advocacy (OCRA) contract from three to five years, subject to the annual appropriation of funds by the Legislature. No other provision of Section 4433 is proposed to be amended.

Protection and Advocacy notes a significant amount of time and effort is necessary to develop and publish a Request-For-Proposal (RFP) and evaluate the responder's proposals. In addition, it takes significant time to respond to an RFP and Protection and Advocacy resources are very limited at this point.

**COMMENTS:**

Department of Developmental Services, please provide the Subcommittee with an overview of the Office and the contracting history.

Department, does it make sense in the present budgetary circumstances to amend the statute to permit contracting for five years for the services of Office of Client Rights Advocacy?

**ITEM 4300 DEPARTMENT OF DEVELOPMENTAL DISABILITIES****ISSUE 8: HABILITATION SERVICES PROGRAM****BACKGROUND:**

The Administration's FY 2003-2004 budget proposal would transfer the Habilitation Services Program from the Department of Rehabilitation to the Department of Developmental Services. The Habilitation Services Program is comprised of two programs: Worker Activity Program; and Supported Employment Program.

The Department of Rehabilitation's expenditures would decline by \$114.712 million and the Department of Developmental Services budget would increase by \$114.712 million; purchase of services would require \$112 million of the total. The Department of Developmental Services has determined it would need 18 new positions to effectuate the transfer from the Department of Rehabilitation. The Department of Rehabilitation would lose 27.3 positions. The Department of Developmental Services proposes to transfer existing DOR Headquarters positions and staff wherever possible. The Regional Centers would not receive any additional funding for the expanded services they would be required to provide.

Work Activity and Supported Employment Programs are components of the Habilitation Services Program in the Department of Rehabilitation. The services of the programs are provided under the entitlement of the Lanterman Act to people with developmental disabilities.

The Work Activity Program provides services in a sheltered setting, although services sometimes include work experiences in integrated group settings within the community. Referrals to the program come from the 21 Regional Centers of the Department of Developmental Services. The Habilitation Services Program purchases the services for individuals for as long as their Individual Program Plans indicate the need. The Work Activity Program pays on a per consumer day basis.

The Supported Employment Program provides opportunities for persons with severe disabilities to work in the community, in integrated settings, with support services provided by community rehabilitation programs. The services enable clients to learn necessary job skills and maintain employment. The Supported Employment Program provides services for individually employed consumers (Individual Placements) as well as for consumers employed in group settings (Group Placements).

Protection and Advocacy notes the shift of Habilitation Services to the Department of Developmental Disabilities will permit the Individual Placement Plan to focus on what programs, including habilitation programs, would best meet a consumer's needs instead of always looking first at habilitation programs. By having Habilitation Services provided through the Developmental Disabilities system, Regional Centers could integrate programs by providing training and employment skill development with supported work programs to facilitate successful transition to work as supported employment slots become available.

The California Rehabilitation Association notes that many technical issues of the transfer are not resolved and expresses concern for the lack of sensitivity in the Regional Centers in regards to

the purposes and objectives of a work program. The Association is concerned with a shift from the centralized billing system of the Department of Rehabilitation to a decentralized Regional Center system.

**COMMENTS:**

Department of Developmental Services and Department of Rehabilitation, please provide the Subcommittee your separate assessments of the advantages of transferring the Habilitation Services Program to the Department of Developmental Services.

Department of Developmental Services and Department of Rehabilitation, will the clients experience any disruptions in the receipt of their services?

Department of Developmental Services, please provide an overview of the stakeholder process.

Department of Developmental Disabilities, is the transfer planning and implementation on its projected timetable? Do you foresee any impediments to the timely transfer by July 1, 2003?

**ITEM 5160 DEPARTMENT OF REHABILITATION****ISSUE 1: RATE REDUCTION FOR THE WORK ACTIVITY AND SUPPORTED EMPLOYMENT PROGRAMS****BACKGROUND:**

The Governor's proposed budget presupposes the Work Activity and Supported Employment Programs' rates were reduced by 5 percent by the Legislature in the Mid-Year Reduction. Likewise, it assumed a three-year suspension Work Activity Program rate adjustment. The 5 percent rate reduction for the Work Activity and Supported Employment Programs would total \$6.3 million in the budget year.

Work Activity and Supported Employment Programs are components of the Habilitation Services Program in the Department of Rehabilitation. The services of the programs are provided under the entitlement of the Lanterman Act to people with developmental disabilities.

The Work Activity Program provides services in a sheltered setting, although services sometimes include work experiences in integrated group settings within the community. Referrals to the program come from the 21 Regional Centers of the Department of Developmental Services. The Habilitation Services Program purchases the services for individuals for as long as their Individual Program Plans indicate the need. The Work Activity Program pays on a per consumer day basis.

The Supported Employment Program provides opportunities for persons with severe disabilities to work in the community, in integrated settings, with support services provided by community rehabilitation programs. The services enable clients to learn necessary job skills and maintain employment. The Supported Employment Program provides services for individually employed consumers (Individual Placements) as well as for consumers employed in-group settings (Group Placements).

The California Rehabilitation Association maintains the rate cut is unnecessary. CRA states the Department assumes a level of employment that is not consistent with the performance of the state's economy. The Department, according to the Association, will be able to meet its FY 2003-2004 budget without a rate cut in the Work Activity and Supported Employment Programs.

**COMMENTS:**

Department of Rehabilitation, please provide the Subcommittee with an overview of the rate history for the Work Activity and Supported Employment Programs over the last five years.

Department, please provide the Subcommittee with it's assessment of a reduction on the availability of employment opportunities for the clients of the system and retaining providers.

Department, please respond to the California Rehabilitation Association's analysis of the over budgeting and its conclusion the budget can be achieved without a rate reduction.

**ITEM 5160 DEPARTMENT OF REHABILITATION****ISSUE 2: SUSPENSION OF WORK ACTIVITY PROGRAM RATE ADJUSTMENT****BACKGROUND:**

The suspension of the Work Activity Program rate adjustment until July 1, 2006 is projected to save \$12.3 million in the budget year. Providers are reimbursed on their Work Activity Program historical costs so the rate for services varies from provider to provider. Providers are paid on a per consumer day. Current statute requires the rate to be re-established every two years and be based on the provider's actual cost of providing services. The July 1, 2002 rate adjustment was suspended. The next adjustment is scheduled to take effect on July 1, 2003. The budget, through trailer bill language, would suspend the new rates to be set July 1, 2003. For the budget year the rates paid to providers, therefore, would be based on costs from 2000-2001. The Governor's proposal to freeze the provider rates until 2006 would essentially freeze rates for five years.

Work Activity and Supported Employment Programs are components of the Habilitation Services Program in the Department of Rehabilitation. The services of the programs are provided under the entitlement of the Lanterman Act to people with developmental disabilities.

The Work Activity Program provides services in a sheltered setting, although services sometimes include work experiences in integrated group settings within the community. Referrals to the program come from the 21 Regional Centers of the Department of Developmental Services. The Habilitation Services Program purchases the services for individuals for as long as their Individual Program Plans indicate the need. The Work Activity Program pays on a per consumer day basis.

The California Rehabilitation Association urges the legislature only to suspend the Work Activity Program rate adjustment for one year.

**COMMENTS:**

Department, please provide the Subcommittee with its assessment of the effect of not raising the rate base for five years on the availability of employment opportunities for the clients of the system and retaining providers in the program.