

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

Assemblymember Gilbert Cedillo, Chair

MONDAY, APRIL 29, 2002
STATE CAPITOL, ROOM 437
4:00 PM

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CONSENT CALENDAR**ITEM 4260 DEPARTMENT OF HEALTH SERVICES**

ISSUE 1: STATE FIRE MARSHALL – FINANCE LETTER**BACKGROUND:**

Under an interagency agreement, the State Fire Marshall performs Life Safety Code surveys of certain health facilities that participate in the Medicare and/or Medi-Cal Programs. The agreement ends on June 30, 2003. For the last 30 years the State Fire Marshall has conducted the requisite fire and life safety surveys for the Licensing and Certification Program at DHS through an Interagency Agreement. In December 2001, the State Fire Marshall notified the Department of its intent to cancel the contract effective June 30, 2002, even though the contract extended to in June 30, 2003.

The State Fire Marshall has several statutory obligations and is having difficulty meeting them. Several other states use surveyors to perform the functions the State Fire Marshall fulfills. The Fire Marshall's need to refocus its efforts and DHS' ability to take over the function allows both entities to fulfill their responsibilities.

The Department of Health Services and the State Fire Marshall agree that the inspections would be assumed by the Department of Health Services. Funding that DHS is using to reimburse the State Fire Marshall will be used to fund the transfer of 17.0 positions from the State Fire Marshall. The position authority will be established in the Licensing and Certification Program of the Department of Health Services. A separate Finance Letter from the Department of Forestry and Fire Protection requests the reduction of the 17.0 positions at the State Fire Marshall.

COMMENTS:

No issues were raised

ITEM 4260 **DEPARTMENT OF HEALTH SERVICES**

ISSUE 2: LEAD-RELATED CONSTRUCTION PROGRAM – FINANCE LETTER**BACKGROUND:**

An inadvertent error was made in the preparation of the Governor's 02-03 budget. General Fund expenditures should be increased by \$853,000 thousand and the Childhood Lead Poisoning Prevention Fund expenditures should be decreased by \$853,000.

COMMENTS:

No issues to be addressed.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES

ISSUE 3: CAPITOL EAST END PROJECT – FINANCE LETTER

BACKGROUND:

The Department is requesting General Fund expenditures be reduced by \$2,009,601. Equipment to be used in the Capitol East End project will be included in long term bond financing used to finance the overall project.

COMMENTS:

No issues to be addressed.

ITEMS TO BE HEARD**ITEM 2400 DEPARTMENT OF MANAGED HEALTH CARE**

ISSUE 1: FINANCIAL SOLVENCY BOARD - RETURN**BACKGROUND:**

Chapter 529, statutes of 1999 (SB 260 – Speier) established the Financial Solvency Standards Board. The role of the Board is to advise the Director on matters of financial solvency that affect the delivery of health care services. Also, the Board is to develop and recommend financial requirements and standards relating to plan operations, plan-affiliate operations and transactions, plan-provider contractual relationships and provider-affiliate operations and transactions. Health plans and providers were also mandated to make reports to the Board.

In September 2001, the California Medical Association filed a lawsuit to enjoin the Department of Managed Health Care from portions of the regulations issued pursuant to SB 260. The CMA objected to the public disclosure of most of the financial information collected by DMHC. In February 2002 the court ruled a ruling in the case. Consistent with the Court's directive, the DMHC no longer requires the risk-bearing organizations to submit the financial data.

The DMHC had requested making three temporary positions permanent to handle the reporting by the risk bearing organizations.

COMMENTS:

Department, please review for the Subcommittee your response to the Subcommittee's request for information on the HELP Center.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY**ISSUE 1: TRAUMA CENTERS**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$25,000,000	\$0	\$25,000,000

BACKGROUND:

Save California Trauma Centers (SCTC), a coalition of public and private trauma hospitals throughout California, is seeking \$25 million in state funding for the hospitals as they are facing severe fiscal constraints.

California's trauma centers play a vital role in the state's health care delivery system. For more than 20 years, it has been documented that access to trauma care saves lives. Trauma care – immediate, coordinated surgical and medical care designed to provide life-saving or life-preserving treatment for victims of major physical injury – is a highly specialized service that brings together a multi-disciplinary team to the care of seriously injured patients, including victims of car accidents, falls, and gunshot wounds. Trauma care goes far beyond what is provided in the average community hospital emergency department: a designated trauma center must maintain specialized equipment and a panel of physician specialists, including a trauma surgeon, immediately available 24 hours a day, 7 days a week to handle the most challenging traumatic injuries.

The coalition states that trauma centers around the state are facing financial crises. Financial pressures in the late 1980s led to the closure of several trauma centers. The Coalition states the strain resulting from intense marketplace changes, low levels of Medicare and Medi-Cal reimbursement and the large number of the medically uninsured –jeopardizes the network further as more hospitals may be forced to leave the trauma network.

AB 430, the Health Trailer Bill from last year created the Trauma Care Fund. The State Emergency Medical Services Authority allocates money from the fund to local emergency medical services agencies that implement a trauma care system. The coalition proposal would have the Legislature appropriate \$25 million from the General Fund to the Trauma Care Fund.

COMMENTS:

EMSA, please provide the Subcommittee an overview of the operation of the Trauma Care Fund.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH**ISSUE 1: CANCER RESEARCH**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$25 million	Eliminate	\$0

BACKGROUND:

The budget proposes to eliminate funding for the Cancer Research Program. The program was established in Chapters 755 and 756 of the Statutes of 1997. Senator Ortiz was the author of AB 154, Chapter 756 and Senator Burton was the author of SB 273, Chapter 755. The repeal would eliminate state support for gender based cancer research, noting that many billions of dollars are spent by the federal government for Cancer Research.

One of the mandates of the Cancer Research Project enabling legislation is to fund research that complements rather than duplicates research funded by the Federal Government and other agencies. As such, the Cancer Research Section of the Department of Health Services has been invited to participate in a pilot project with the National Cancer Institute, the U.S. Army Medical research and Material Command, American Cancer Society, and four additional cancer research funding agencies.

The project involves development and use of a common coding outline for categorizing scientific research so that more effective comparisons between programs can be made. Results from the unprecedented collaboration will facilitate development of future Cancer Research Program RFAs, help to ensure complementarity of research eventually funded and provide a basis for program evaluation.

COMMENTS:

DHS, please describe for the Subcommittee the complementarity of the Cancer Research Program vis-à-vis the Federal Government's research.

DHS, please describe indirect overhead and how it used in the research projects?

DHS, please describe for the Subcommittee the Department's guidelines for the amount of indirect overhead that may be charged by the research institutions participating in the program.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH**ISSUE 2: CALIFORNIA BIRTH DEFECTS MONITORING PROGRAM**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$3.7 Million	\$1.571 Million	\$2.1 Million

BACKGROUND:

The budget proposes to cut \$1.6 million from the California Birth Defects Monitoring Program. The reduction in State funding will stop promising research, jeopardize matching federal funds and eliminate the public education component of the Program.

The California Birth Defects Monitoring Program was established in 1982. The Program is funded by the state and it receives additional funding from the Centers for Disease Control and Prevention and the National Institutes of Health. The program has been jointly operated with the March of Dimes since 1988.

The March of Dimes believes federal funding is threatened by the state budget reduction. The organization thinks prestigious grants now received from the Centers for Disease Control and Prevention and National Institutes of Health are less likely to be awarded in the future to a downsized program. Also, the March of Dimes believes its award winning public health communication program will be damaged. And, eliminating the Community Service Division means new results won't be quickly disseminated to health professionals, policy makers and the public as in the past.

COMMENTS:

DHS, please describe the research efforts of the program. Please describe for the Subcommittee some of the recent accomplishments of the research program.

DHS, please describe the public health communication program and how it will be affected by the proposed reduction.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH**ISSUE 3: COUNTY MEDICAL SERVICES PROGRAM**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$0	-\$5 Million	\$0

BACKGROUND:

The County Medical Services Program Board urges the Subcommittee to reject the budget proposal to charge it for administrative services provided by the Department of Health Services. The Board also requests the Subcommittee to reauthorize the County Medical Services Program for another five years.

The proposed budget would require the County Medical Services Program (CMSP) to reimburse the state \$5 million for the administrative services provided to the CMSP program by the County Health Services Branch of the Department of Health Services. In addition, the state would postpone \$20.2 million state funding for the program. In both cases the state committed to providing the administrative services and the annual \$20.2 million to the small county medically indigent program when it was restructured in 1995.

The County Medical Services Program was established in 1982 to provide medical and dental care to low income medically indigent adults in the state's 34 small counties that have less than 300,000 people residing in them. In 1995 the program was restructured to give the counties the policy, administrative and fiscal control of the program. Prior to 1995, the counties only had an advisory capacity to the program. As part of the restructuring, the state committed to provide an unconditional \$20.2 million per year to CMSP. And, the state committed to provide the administrative support to the program.

The program has accumulated reserves for contingencies and the administration sought in the 1999, 2000 and 2001 budgets to end the state's \$20.2 million General Fund contribution to the program. The Legislature, in the health budget trailer bills for 1999, 2000 and 2001 has provided a year-by-year deferral of the General Fund contribution in lieu of permanent elimination. In the proposed budget for 2002-2003, the Administration has proposed deferring its contribution to CMSP until the 2003-2004 fiscal year.

The CMSP Governing Board maintains a contingency reserve to pay providers for services delivered to the medically indigent in the 34 small counties. Each year the state questions the size of the reserve and the CMSP Board responds the counties are fiscally liable in the event that program costs exceed program revenues. In the past when expenses exceeded revenues the program unilaterally lowered provider reimbursement rates and eliminated services to the eligible population. It took several years to reestablish the provider rates and add the benefits back.

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The CMSP program was not made a permanent program when the counties took over fiscal and programmatic control in the middle 1990s. The authorizing legislation expires this year and the counties have requested the program be extended for another five-year period.

COMMENTS:

DHS and Finance, is charging an administrative fee consistent with the agreement the state made with the small counties when they took over the medically indigent program?

DHS, what administrative services to CMSP are included in the \$5 million fee estimate and what is the cost estimate for each component?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 1: HOSPITAL OUTPATIENT LAWSUIT - INFORMATIONAL**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
350,000,000		

BACKGROUND:

In the Orthopaedic Hospital lawsuit against the state the hospital industry reached agreement with the state for \$350 million, \$175 million General Fund, retroactive reimbursement for hospital outpatient rates. Additionally, the state and hospital industry agreed to an immediate 30 percent increase in hospital outpatient rates. Also, the state and the hospitals agreed that hospital outpatient rates would be increased 31/3 percent each year for the succeeding three years. The federal government has not agreed to its share of the retroactive payment of \$175 million, negotiations are continuing. The state's share of the retroactive payment is projected to be paid in the 2001-2002 state fiscal year. The 30 percent increase is also expected to be paid in the 2001-2002 state fiscal year, as the federal government has agreed to the increased reimbursement on a prospective basis.

COMMENTS:

DHS please provide the Subcommittee an update on the status of the lawsuit settlement. Will the payments to providers be made in the current year or the budget year?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 2: LOCAL EDUCATION AGENCIES****BACKGROUND:**

The California Local Education Agency Medi-Cal Billing Option was established in 1993 to allow school districts to claim federal reimbursement for services and match local education dollars being spent on health services for Medi-Cal children. A Federal Accounting Office Report in 2000 stated that California, in 1999, only claimed \$19 from the federal government for every eligible child (age 6 to 20). Maryland claimed \$818 and New York claimed \$703. California ranked 41st in per eligible claims among the states. In 1999, New York's total claims were \$682 million for providing services to 970,000 children and California's total claims were \$42.2 million for providing services to 2.2 million children.

The Departments of Health Services and Education, along with a consortium of private foundations, collaborated in the development of the billing option. Using the option, LEAs can generate funds for services and collaboration. The LEA Billing Option program has been amended four times.

- Chapter 654, Statutes of 1993 authorized and mandated establishment of the LEA Medi-Cal Billing Option;
- Chapter 305, Statutes of 1995 required DHS to adopt emergency regulations to authorize LEAs to bill the Medi-Cal program for services provided by credentialed professionals;
- Chapter 310, Statutes of 1998 established the LEA Medi-Cal Technical Assistance project through the Department of Education which was to teach school district personnel how to maximize reimbursement of federal funds for Medi-Cal services and case management;
- Chapter 883, Statutes of 1997 added Community College Districts, California State University and University of California campuses as LEA providers; and
- Chapter 655, Statutes of 2001 required the Department of Health Services to amend California's Medicaid plan to accomplish various goals aimed at enhancing Medi-Cal services provided on school sites, and access by students to those services.

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The Department will contract for the positions to implement: the provisions of Chapter 655, including:

- Amend the state plan to ensure that schools are reimbursed for all eligible services that they provide that are not precluded by federal requirements;
- Examine methodologies for increasing school participation in the Medi-Cal Billing Option so that schools can meet the health care needs of their students;
- Implement recommendations from the LEA rate study;
- Prepare an annual report with the Legislature that will include, among other objectives:
 - A state-by-state comparison of school based Medicaid total and per-eligible child claims and federal revenue;
 - A listing of all school-based services and providers approved for reimbursement by the Federal Centers for Medicare and Medicaid Services in other state plans that are not yet approved for reimbursement in California's state plan and the service unit rates approved for reimbursement.
 - A one-year timetable for state plan amendments and other actions necessary to obtain reimbursement ; and
 - A list of barriers to LEA reimbursement and description of the action necessary to eliminate them.

Funding will be derived by proportionately reducing the federal funds paid to LEAs. The annual amount funded is not to exceed \$1.5 million. The proposal requires no general fund nor any state personnel services authority.

COMMENTS:

Department, please provide the Subcommittee with an overview the Local Education Billing Option, what types of services are provided to the Medi-Cal eligible children.

Are all Medi-Cal children eligible for services or are there limitations on which aid categories may receive services? Is there any share of cost for the children?

Department, how long will it take California to expand the program and have it fully operational? What is the Department's forecast of additional Federal Funds the state will receive?

ITEM 4260 DEPARTMENT OF HEALTH SERVICE – MEDI-CAL**ISSUE 3: MEDI-CAL TO HEALTHY FAMILIES BRIDGE – PARENTAL EXEMPTION**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$0	\$5.8 Million	\$5.8 Million

BACKGROUND:

The proposed budget contains funding for the two-month eligibility bridge for children going from Healthy Families to Medi-Cal. Likewise, the bridge for children going from Medi-Cal to Healthy Families is also included in the budget. The Healthy Families Program carries funding for the Healthy Families to Medi-Cal bridge for parents. However, the two-month bridge for parents going from Medi-Cal to Healthy Families is not included in the budget. To fully implement the parental expansion, which is a mirror of the children's program in structure, the bridge needs to be funded.

COMMENTS:

Department, please provide the Subcommittee an overview of the Bridge to Healthy Families.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES**ISSUE 4: ASSISTED LIVING PILOT PROJECT – FINANCE LETTER****BACKGROUND:**

Chapter 557, Statutes of 2000 (AB 499, Aroner) requires the Department of Health Services to develop and submit a Home and Community-Based Services waiver application to the Center for Medicare and Medicaid Services for an Assisted Living pilot project. The 2001-2002 budget contains \$508,000 in General Funds and \$508,000 in Federal Funds for the development of a pilot program to offer assisted living as a Medi-Cal benefit. The complexity of establishing cost-neutrality, as required by statute, limited the Department of Health Services to expending only \$28,000 from each item in the current year. The Department is requesting that Item 4260-490 be amended to reappropriate \$960,000 (\$480,000 General Fund) for the budget year. The funds would enable the Department to contract with health care researchers and others with technical expertise in assisted living. According to the Department, without the re-appropriation it will not be able to continue with the implementation.

COMMENTS:

Department, please provide an overview of how Assisted Living Pilot Project fits in to the spectrum of community based long term care projects.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES**ISSUE 5: COMMUNITY OPTIONS FOR LONG TERM CARE – FINANCE LETTER****BACKGROUND:**

The Department is requesting \$578,000 General Fund and \$578,000 of federal funds over a three year time frame to develop and implement a pilot program to expand community options for long-term care. The pilot project is part of the Governor's Aging With Dignity Initiative. The funding would support two limited term positions to develop the contract for the pilot project and ensure ongoing clinical co-ordination of activities.

A contractor will be funded to pilot test a set of strategies that, upon positive evaluation, could be utilized to expand the availability of community based options for long term care. The strategies are to address the key elements of patient assessment, discharge planning, ongoing case management, and the identification and development of community based services and supports. The contractor, utilizing the services of an expert consultant in the area of aging and assessment tool development, will develop and pilot test a model process for arranging the services and supports needed to move nursing home residents to community homes when appropriate. The contractor will provide for an evaluation of the efforts to place individuals out of institutions. Finally, the evaluations will run for the duration of the pilot projects. A report will be prepared after the first two years of actual operation, which may be used to help decide whether or not the projects should be continued beyond their planned termination.

COMMENTS:

No issues were raised.

ITEM 4260 **DEPARTMENT OF HEALTH SERVICES****ISSUE 6: MEDICAL WASTE MANGEMENT AUGMENTATION – FINANCE LETTER****BACKGROUND:**

The Environmental Management Branch's Medical Waste Management Program is requesting a deficit funding authorization of \$100,000 for the current year and an increase of \$100,000 for the budget year. The funding would come from the \$1.5 million reserve of the Medical Waste Management Fund.

The budget authority of the program is insufficient to support anticipated program expenditures in the current and budget years. The program's enforcement activities have increased. As a result the Program has experienced an increase of general expense related to maintaining the Program.

COMMENTS:

Department, please outline for the Subcommittee the revenues the program receives and the expenditures made, including extraordinary expenses.

Department, please outline for the Subcommittee the projected revenues and expenses for the budget year.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 7: ASSET TEST**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$4,250,000	(\$4,250,000)	\$0

BACKGROUND:

Federal law permits states to drop the asset test in the Section 1931(b) program of Medi-Cal. Section 1931(b) covers low-income parents and other caretakers with income up to 100 percent of poverty. Starting in 2001, Wisconsin and New Jersey will have dropped the assets test in their Section 1931(b) programs to align them with their S-CHIP waiver. In California, Section 1931(b) beneficiaries are still required to undergo an assets test.

There is no asset test for eligibility in the Healthy Families Program. Parents with twice the income (up to 200 percent of poverty) have no assets tests. In addition, there is no asset test for pregnant women in California's AIM program, which goes up to 300 percent of poverty; Medi-Cal for pregnant women and infants (200 percent); Family PACT (200 percent); CHDP (200 percent); Medi-Cal for 1-5 year-olds (133 percent); and Medi-Cal/Healthy Families for children six through age 18 (100 percent). The state is inconsistent in applying the assets test.

Generally, families with incomes at or below 100 percent of poverty rarely are able to accumulate assets over Medi-Cal limits. Several studies have shown that the complex assets test with its long list of invasive questions (ranging, e.g., from how many stocks and bonds do you own to how much change is in your pocket right now?) makes Medi-Cal appear like a welfare program and discourages families from applying. People find it difficult to accumulate the assets at that low level of income and the test keeps eligible people from participating in the program.

COMMENTS:

DHS, what is the Department's estimate of the savings the state could expect to realize if the asset test were to be repealed?

Does the Department have an estimate for the budget year plus one? If so what is it?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 8: EXPRESS LANE ELIGIBILITY****BACKGROUND:**

Chapter 894, Statutes of 2001, AB 59 (Cedillo) established Express Lane Eligibility, a statewide pilot project to expedite Medi-Cal enrollment for children receiving free lunches through the National School Lunch Program, effective July 1, 2002. Express Lane Eligibility authorizes consent for the release of information on applications for free lunches to county welfare departments, and requires them to quickly enroll children in Medi-Cal upon receipt of such information from school districts.

Furthermore, it authorizes immediate Medi-Cal enrollment of children, who are in families with incomes less than 100 percent of the federal poverty level, and requires simplified additional information to determine if children in families over 100 percent are eligible for either Medi-Cal or the Healthy Families Program. In addition, county welfare departments are required to assist Food Stamp applicants applying for Medi-Cal and provide information on the Healthy Families program to families that don't qualify for Medi-Cal.

In order to implement the program, schools need to do an accelerated enrollment based on information on the school lunch form. To accomplish this, the school lunch form needs to be revised to include a check box to indicate the parent wants Medi-Cal for his/her child. The form also needs boxes to indicate the relationship of each member of the household to determine family size, countable family income and an optional field for the child's Social Security Number. The state needs a State Plan Amendment designating schools determining free National School Lunch Program eligibility as a qualified Medi-Cal entity.

COMMENTS:

Department please assess for the Subcommittee the willingness of schools to participate in the program.

Are there any challenges or roadblocks on the horizon for the program over the next two months?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 9: EXTERNAL CONSULTING CONTRACTS –FINANCE LETTER****BACKGROUND:**

The Finance Letter would increase expenditures for financial consultants and attorneys who have been hired to assist the State in its defense in several matters of litigation, including *Sanchez v. Johnson* and *Davis v. Johnson*. General Fund authorization would increase by \$1.775 million and Federal Funds authorization would increase \$1.025 million. It is anticipated that current year expenditures will be \$200,000 less than budgeted and Finance Letter requests that Item 4260-490 be amended to re-appropriate the \$200,000 for these purposes.

The lawsuits allege that California does not adequately provide community living options and, as a result, individuals are unnecessarily confined to institutions. The plaintiffs allege they are denied their rights as defined in the American with Disabilities Act. Preliminary estimates of the financial consultants suggest that were the state to meet all of the plaintiffs demands it would require the creation of new community homes and services for thousands of institutional residents. The annual cost would be in the hundreds of millions of dollars and possibly billions. The Attorney General has indicated that because of the high volume of legal work involved, the special nature of ADA complaints and potential costs of the suits, the assistance of external consultants and attorneys is essential.

COMMENTS:

Department, please provide the Subcommittee with a historical overview of the litigation to date.

Department, please provide the Subcommittee with review of what the state has spent to date and what has been accomplished and what is yet to be accomplished.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 10: LICENSING AND CERTIFICATION ENFORCEMENT – FINANCE LETTER****BACKGROUND:**

The Department is requesting an adjustment to the position authority and funding included in the Governor's budget. The January budget had an increase of 9 positions to address a projected 46 percent increase in complaints filed against Certified Nurse Assistants, Home Health Aids and Certified Hemodialysis Aids. The Finance Letter would allow the Aide and Technician Certification Enforcement/Complaint Unit of the Licensing and Certification Program to hire additional staff (6 permanent and 2 three year limited term) to address an increase in complaints (i.e., allegations of abuse or misappropriation of patient property) and to conduct investigations of licensed Nursing Home Administrators.

The number of complaints filed against Certified Nurse Assistants, Home Health Aides and Certified Hemodialysis Aids is projected to more than double from 2000 to 2002. According to the Department complaints increased by 46 percent from 2000 to 2001. They grew from 582 complaints to 852 complaints. The Department states that 2002 will see an increase over 2001 and projects 1,200 complaints for the year, a 41 percent increase over 2001. There were 582 complaints in 2000 and they are projected to reach 1,200 in 2002.

COMMENTS:

The Finance Letter is requesting 8 positions in addition to the 9 proposed in the January Budget.

Department, please explain for the Subcommittee the dramatic upsurge in the number of complaints? What are the causes of such an increase in caseload?

What has/is the state done/doing to address the factors that are causing the explosion of complaints?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 11: ICF/DD-CONTINUOUS NURSING PILOT PROGRAM**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$0	\$160,000	\$160,000

BACKGROUND:

Chapter 845, Statutes of 1999, (AB 359 – Aroner) established a pilot program to provide an alternative to placement in larger institutions or state facilities for persons with developmental disabilities who require more than eight hours of nursing care. The ICF/DD-CN facilities are designed for 24 hour nursing care in a four to six bed facility in a community setting. DHS developed the program and has selected ten providers for the pilot program. Due to delays in the process, providers are unlikely to begin enrolling consumers until the end of June 2002.

The pilot program will sunset on January 1, 2003. The program only will have been operational for six months when it sunsets.

COMMENTS:

Department, please outline for the Subcommittee the status of the ten providers and enrollment in the program.

ITEM 4260 DEPARTMENT OF HEATH SERVICES – MEDI-CAL**ISSUE 12: PROGRAM OF ALL INCLUSIVE CARE OF THE ELDERLY - (PACE)**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$0	\$100,000	\$100,000

BACKGROUND:

Existing and prospective PACE providers are requesting an expansion of the PACE Program. PACE serves senior citizens in need of nursing home care. Through a broad range of services and intense co-ordination of services provided by PACE, senior citizens are able to remain at home and in their communities. PACE provides comprehensive medical and long-term care services and fully co-ordinates the services through an interdisciplinary team.

According to the four existing PACE organizations, which operate twelve PACE Centers in different low-income communities, the state saves \$3.5 million per year. The supporters state that if the state invested \$100,000 annually for administrative and quality oversight for expansion of PACE, the state would realize an additional saving of \$3.5 million.

COMMENTS:

Department, please review for the Subcommittee the history and effectiveness of PACE in California.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES**ISSUE 13: HEALTH-E-APP****BACKGROUND:**

The Health and Human Service Agency has begun the implementation of Health-e-App. The California HealthCare Foundation developed the Internet based application processing system. It conducted a pilot project in San Diego County to test the application. Early indications suggest the Health-e-App improves the Medi-Cal and Healthy Families application process. The improvement results from increased efficiency, accuracy and accountability in the application process. The process, as a result, improves customer service. All of this results from a Certified Application Assister filling out the computer application form with the family information and then submitting it to the Single Point of Entry for the initial eligibility determination.

The statewide implementation commenced in February and be done by the end of August, 2002. The state arrayed the enrollment entities from the one with the most claims to the least and then created five implementation groups. Also, counties were assessed on how much progress they had made on developing their side of the Health-e-APP application process and then were arrayed in five groups from the most developed to the least developed. Counties have the option to install their side of Health-e-App system. If counties do participate they will have to appropriate funds for the project. The implementation began with the groups of enrollment entities with the highest number of claims and the counties that had progressed the most on developing their side of the process and will proceed through to the group of entities with the least enrollment and the counties that are least developed. San Diego, the site of the Foundation's pilot project, is the only county that has installed the computer system.

When a family's information is sent to the Single Point of Entry it will automatically update the appropriate county's data if the county has its side of the system in place. If the county does not have the system in place a paper application will be printed out at the Single Point of Entry and sent to the county.

COMMENTS:

Department, please give the Subcommittee an overview of the Health-e-App process and an update on the installation of it.

Department, please provide the Subcommittee a sense of what it would cost for a large, medium and county to fully install the Health-e-App system. What have counties indicated to you about the installation of the computer application process?

Department, please provide the Subcommittee an overview on how the Child Health and Disability Prevention Program will be integrated into the system.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL**ISSUE 14: PEDIATRIC LONG-TERM CARE**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$0	\$500,000	\$500,000

BACKGROUND:

San Diego Children's Hospital is requesting a supplemental rate to cover the operating deficit of its new Children's Convalescent Hospital. The hospital is the only long-term nursing care provider for children in the state. San Diego Children's Convalescent Hospital (CCH) is housed in a 35-year-old building. It was originally constructed to provide care to adults. San Diego Children's Hospital has raised funds to cover the costs of building a new Children's Convalescent Hospital. The hospital will be occupied in the 2002-2003 fiscal year. When the facility is occupied, the new, higher depreciation costs will be added to the high cost of providing care to children. The combined costs will exceed the established reimbursement cap and the hospital is requesting a supplemental rate to cover the increased costs until the new DP/RF methodology becomes effective in 2004.

Children present a challenge in a skilled nursing setting. In many ways they are experiencing the world for the first time. A medically complex child is totally dependent for all care, it is necessary to feed bathe and provide developmental and social stimulation to enhance a child's life. The care requires 24-hours a day to help the child move, dress, eat and sit. Adults, on the other hand, are often able to help with the care and are re-learning skills. A medically complex child does not understand how to eat or dress and must learn this skill over and over, often never being able to learn the skill due to developmental delays. Such children also must be schooled, either in public or in a classroom in the hospital.

An example of the difference is feeding by tubes directly into the stomach. A child would be fed five times a day or twenty-four hours via feeding pump. Children have small stomachs, are at high risk of being over fed and/or having their ability to breathe compromised. Therefore, food must be administered over a long period of time by a licensed, trained nurse. Most adults would only require three feedings. Costs in a children's facility would be much higher than in an adult facility.

Depreciation plays an important role in moving into the new hospital. In the old hospital, depreciation was negligible and in the new hospital it will be significant. The cost of providing the care in the new facility will exceed the reimbursement received. The Children's Hospital request is to cover the deficit with a supplemental rate added to its existing DP/NF rate until the new rate methodology takes effect in 2004.

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COMMENTS:

Department, please provide for the Subcommittee an overview of the long-term care options currently available for children. Are there new options developing on the horizon?

Does the state's reimbursement methodology for DP/NFs take into account the higher costs of operation of DP/NFs for children?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES**ISSUE 15: HEALTH-E-APP – FINANCE LETTER**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$0	\$62,000	\$62,000

BACKGROUND:

The \$124,000, \$62,000 General Fund and \$62,000 Federal Funds, would make permanent one limited term position. The person would continue project management for Health-e-App; an Internet based application to enroll low-income children in Healthy Families and Medi-Cal. The Department of Health Services and Managed Risk Medical Insurance Board share funding of the position.

COMMENTS:

No issues were raised.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES

ISSUE 16: RADIATION CONTROL FUND – FINANCE LETTER**BACKGROUND:**

The Department is requesting a technical amendment to its budget. The amendment would increase expenditures in the Radiation Control Fund by \$2,660,000. An error was made in the preparation of the 2002-2003 budget. Inadvertently, mandated activities related to licensing, certification, registration, inspections and enforcement of medical, academic and industrial radioactive materials users and machines were overlooked.

COMMENTS:

No issues to be addressed.