

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

**ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR**

**MONDAY, MAY 17, 1999**  
**STATE CAPITOL, ROOM 447**  
**2:00 P.M.**

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## **0530 HEALTH AND HUMAN SERVICES AGENCY**

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### **ISSUE 1: PERFORMANCE OUTCOMES MEASUREMENT**

The May revision includes \$50,000 from the General Fund on a one-time basis to develop a plan for a statewide standardized health and welfare outcomes measurement system.

**Recommendation: Approve the Finance Letter.**

## **4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**

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### **ISSUE 2: FEDERAL CARRYOVER FUNDS**

The May revision includes \$26,311,000 in increased federal expenditure authority for carryover funds from the Substance Abuse Prevention and Treatment Block Grant and the Safe and Drug Free Schools and Communities Grant.

**Recommendation: Approve the Finance Letter.**

## **4440 DEPARTMENT OF MENTAL HEALTH**

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### **ISSUE 3: MENTALLY DISORDERED OFFENDER EVALUATION**

The May revision includes \$648,000 from the General Fund to provide contract funds to complete Mentally Disordered Offender evaluations for an increased population referred by the Department of Corrections. The May revision also includes budget bill language to require the Department of Mental Health, in conjunction with the Board of Prison Terms and the Department of Corrections, to report by January 1, 2000 on criteria and statutory changes necessary to ensure that referrals of potential mentally disordered offenders are made using criteria which more closely aligns with certifiable status.

**Recommendation: Approve the Finance Letter.**

### **ISSUE 4: CAREGIVER RESOURCE CENTERS**

The May revision proposes reappropriation language for funds to continue services to brain damaged adults through the Caregiver Resource Centers.

**Recommendation: Approve the Finance Letter.**

**ISSUE 5: EARLY PERIODIC SCREENING, DIAGNOSIS AND TREATMENT (EPSDT)**

The May revision proposes an increase of \$61,029,000 in reimbursements for a projected increase in the number of children receiving services through the EPSDT program.

**Recommendation: Approve the Finance Letter.**

**ISSUE 6: HEALTHY FAMILIES – MENTAL HEALTH SERVICES**

The May revision proposes a reduction of \$5,293,000 in reimbursements due to revised enrollment projections.

**Recommendation: Approve the Finance Letter.**

**ISSUE 7: ATASCADERO STATE HOSPITAL – CAPITAL OUTLAY**

The May revision includes a General Fund increase of \$902,000 for perimeter and roofline security improvements at Atascadero State Hospital to rectify security vulnerabilities identified in a 1998 Bureau of State Audits Security Report, and will address the security needs of the changing population mix.

**Recommendation: Approve the Finance Letter.**

**5100 EMPLOYMENT DEVELOPMENT DEPARTMENT****ISSUE 8: JANITORIAL SERVICES**

The May revision proposes an increase of \$148,000 from the Contingent Fund for state operations costs for operating expenses and equipment to reflect increased rent costs.

**Recommendation: Approve the Finance Letter.**

**ISSUE 9: INNOVATION IN GOVERNMENT PROJECT**

The May revision proposes an increase of \$216,000 from the Contingent Fund for transfer to the Governor's Office of Planning and Research for the Innovation in Government Project's review of the Employment Development Department's business processes.

**Recommendation: Approve the Finance Letter.**

**ISSUE 10: UNEMPLOYMENT INSURANCE PROGRAM**

The May revision includes a net decrease of \$15,488,000 and 321 positions for state operations workload. The expenditure authority for unemployment insurance benefits is expected to increase by \$118,919,000 due to projected increases in benefits.

**Recommendation: Approve the Finance Letter.**

**ISSUE 11: DISABILITY INSURANCE PROGRAM**

The May revision includes a net decrease of \$894,000 and 30.5 positions for state operations workload in the Disability Insurance (DI) program. The expenditure authority for DI benefits is expected to increase by \$7,319,000 due to a projected increase in average benefit payment levels.

**Recommendation: Approve the Finance Letter.**

**ISSUE 12: SCHOOL EMPLOYEES FUND**

Benefit compensation paid from the School Employees Fund is projected to decrease by \$973,000.

**Recommendation: Approve the Finance Letter.**

**ISSUE 13: JOB TRAINING PARTNERSHIP ACT**

The May revision includes an increase of \$11,348,000 for administrative support to local Service Delivery Areas and local assistance is estimated to decrease by \$1,772,000.

**Recommendation: Approve the Finance Letter.**

**5180 DEPARTMENT OF SOCIAL SERVICES**

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**ISSUE 14: TRANSFER OF LEGAL POSITIONS**

The May revision includes an increase in authority of two legal positions from the Health and Welfare Agency Data Center (HWDC) due to the reorganization of HWDC legal services.

**Recommendation: Approve the Finance Letter.**

**ISSUE 15: INNOVATION IN GOVERNMENT PROJECT**

The May revision includes an increase of \$216,000 from the General Fund for transfer to the Governor's Office of Planning and Research for projects and staffing for the Innovation in Government project's review of Department of Social Services processes.

**Recommendation: Approve the Finance Letter.**

**ISSUE 16: CASE MANAGEMENT, INFORMATION AND PAYROLLING SYSTEM (CMIPS)**

The May revision includes an increase of \$129,000 (\$87,000 General Fund) and 1.5 two-year limited-term positions to implement a new contract for the replacement of the existing CMIPS in the In-Home Supportive Services program.

**Recommendation: Approve the Finance Letter.**

**ISSUE 17: BUDGET BILL LANGUAGE**

The May revision budget proposes the following budget bill language:

5180-101-0001

"Notwithstanding Section 26.00 of this act, the Department of Social Services may transfer amounts appropriated in this item under Schedule (a)(2) 16.30.020, Services, for county fiscal incentives, to other program components within Program 16.30, CalWORKs, to assure that the state meets the federal Temporary Assistance to Needy Families maintenance of effort requirement. For each amount transferred from Item 5180-101-0001 Schedule (a)(2) 16.30.020, Services, to other components within the CalWORKs program, a like amount of federal Temporary Assistance to Needy Families funds shall be transferred from Item 5180-101-0890 back to Item 5180-101-0001 Schedule (a)(2) 16.30.020, Services, for county fiscal incentives to assure no net loss of funding for those incentive payments."

5180-101-0890

"Provisions 1,4,5,6,8, and 9 of Item 5180-101-0001 also apply to this item."

5180-141-0001

"Section 11.00 of the Budget Act of 1998 shall apply to contracts entered into for the development and implementation of the Consortium IV and Welfare Client Data Systems consortia of the Statewide Automated Welfare System."

5180-490

0001 General Fund

“The balance of the amounts appropriated for *Beno v. Shalala* in Program 16.30.010, CalWORKS Assistance Payments, Item 5180-101-0001, Budget Act of 1998, is reappropriated for transfer to and in augmentation of Item 5180-001-0001, Program 16, Welfare Programs of this act to fulfill the requirements of the court decision in *Beno v. Shalala*, 30 F.3d1057. “

“ The balance of the amounts appropriated for the federal Welfare-to-Match in Item 5180-102-0001, Budget Act of 1998, is reappropriated for transfer to and in augmentation of Item 5180-102-0001, of this act to fulfill the requirements of the federal Welfare-to-Work match.”

**Recommendation: Approve the Finance Letter language, with technical corrections as follows—**

5180-141-0001

**“Section 11.00 of the Budget Act of 1999 shall apply to contracts entered into for the development and implementation of the Consortium IV and Welfare Client Data Systems consortia of the Statewide Automated Welfare System.”**

**5180-490**

**0001 General Fund**

**“The balance of the amounts appropriated for the federal Welfare-to-Work match in Item 5180-102-0001, Budget Act of 1998, is reappropriated for transfer to and in augmentation of Item 5180-102-0001, of this act to fulfill the requirements of the federal Welfare-to-Work match.”**

## 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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### ISSUE 18: DRUG/MEDI-CAL TRIGGER

The budget proposes trailer bill language to make permanent the Drug/Medi-Cal Trigger. This trigger would eliminate outpatient drug free services as a benefit under the Medi-Cal program if the projected costs for the fiscal year for outpatient drug abuse services exceed \$45 million from the General Fund.

On March 24, 1999, the subcommittee asked the department to work with stakeholders to develop options for improvements to the Drug/Medi-Cal program, while still managing costs.

### BACKGROUND:

The Drug/Medi-Cal (D/MC) Program provides medically necessary substance abuse treatment services for eligible Medi-Cal beneficiaries. Through an interagency agreement with the Department of Health Services, the Department of Alcohol and Drug Programs administers, manages, and finances the D/MC through contracts with counties and/ or private providers. Services include outpatient drug free, outpatient methadone maintenance, certain day care habilitative, naltrexone, and residential services for pregnant and parenting women.

In 1994, as a result of a class action lawsuit, the state was required to implement specific court orders to ensure that (1) all eligible Medi-Cal beneficiaries receive treatment services that are equal in amount, duration, and scope, and (2) no persons eligible for Medi-Cal funding for methadone treatment services be put on a waiting list due to budgetary constraints.

In 1994-95, the state changed its method for distributing General Fund dollars to counties in order to meet the growing demand for D/MC services. Prior to the lawsuit, counties used the state General Fund allocation at their discretion and decided whether to allocate funds to the D/MC program. After the lawsuit, priority for General Fund dollars was given to the D/MC program.

The budget trailer language for 1995-96 included a trigger as a cost containment measure that required the elimination of the outpatient drug-free services as a benefit if expenditures for the D/MC program exceeded \$60 million from the General Fund. In addition, the department implemented other cost containment measures in the areas of eligibility, benefits, rates, and utilization. In 1996-97, the trigger amount was reduced to \$45 million and has remained at that level through subsequent budget trailer language.



Since the triggers were implemented, General Fund expenditures for the D/MC have remained well below the trigger amounts. The following table shows the level of General Fund expenditures for D/MC contracts since 1996-97.

<b>Drug/Medi-Cal Program General Fund Contract Expenditures (in millions)</b>	
1996-97	\$28.0
1997-98	\$26.7
1998-99	\$34.8
1999-99	\$30 -\$35 (projected)

<b>COMMENTS:</b>
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In response to the subcommittee's request, the department has presented the following proposal for review:

1. Bifurcate the General Fund appropriation for D/MC and non-D/MC services.
2. Maintain a contingency reserve.
3. General Fund dollars for the D/MC program which are unexpended (after the reserve requirement is met) may be transferred to non-D/MC county expenditures. There would be no transfer authority from non-D/MC to D/MC programs.
4. County allocations for the D/MC would eventually be distributed through a claims process in the future (beginning in 2000-01).
5. The General Fund appropriation level for the D/MC program would be \$35.3 million (of which \$4 million would be for D/MC perinatal programs) in 1999-00.

## 4440 DEPARTMENT OF MENTAL HEALTH

### ISSUE 19: STATE HOSPITAL POPULATION

The January budget includes a net decrease of \$705,000 for state hospital population adjustments in 1999-00. This includes: (1) an increase of \$10.8 million General Fund, (2) a decrease of \$5.8 million in realignment reimbursements, and (3) a decrease of \$5.8 million in reimbursements from the Department of Developmental Services (DDS) and the California Youth Authority. The January budget also includes several non level-of-care staffing proposals:

- A reduction of ten non level-of-care positions and \$379,000 in reimbursements at Napa State Hospital as a result of the elimination of the DDS forensic population.
- A transfer of \$1,158,000 in funding from reimbursements from DDS to the General Fund to support 105 existing non level-of-care positions at Napa State Hospital.
- An increase of 58.4 non level-of-care positions and \$837,000 from the General Fund at Napa State Hospital as a result of a population increase and significant change in the population mix.
- An increase of seven non level-of-care positions and \$279,000 from the General Fund in the area of plant operations at Napa State Hospital.
- An increase of 39 non level-of-care positions and \$1,223,000 from the General Fund at Patton State Hospital to support the new acute psychiatric program.

The May Revision includes a net increase of \$4.7 million above the January budget for state hospital population adjustments. This includes: (1) an increase of \$9.2 million General Fund, (2) a decrease of \$7.5 million in realignment reimbursements, and (3) an increase of \$3 million in reimbursements from the DDS.

### BACKGROUND:

The state hospitals provide inpatient treatment services for mentally disabled Lanterman-Petris-Short (LPS) patients, judicially committed patients, mentally disordered offenders, inmates transferred from the CDC, and wards from the California Youth Authority in facilities which are operated in accordance with state and federal requirements. The department is responsible for the operation of Atascadero, Metropolitan, Napa and Patton State Hospitals and the Psychiatric program at the California Medical Facility at Vacaville.

The department proposes the following population adjustments:

<b>State Hospital</b>	<b>1998-99</b>	<b>1999-00 (Jan.)</b>	<b>1999-00 (May)</b>
Atascadero	959	981	1,034
Metropolitan	998	922	928
Napa	1,020	1,094	1,128
Patton	1,178	1,201	1,261
<b>Total</b>	<b>4,155</b>	<b>4,198</b>	<b>4,351</b>

In order to meet licensing requirements and to deliver the appropriate level of treatment services, staffing levels must be adjusted in accordance with approved staffing standards at each hospital to accommodate the change in the number and level of illness of the patient population.

The department's budget proposals for caseload changes not only include increase or decreases in overall funding, but also reflect changes in the sources of funding for different types of patients. Pursuant to realignment legislation, counties have the ability to determine the number of LPS beds that they wish to purchase. As other less costly alternatives have become available to counties, there has been a consistent downward trend in the number of LPS beds which are purchased by counties each year. On the other hand, the penal code population, which is supported by the General Fund, is continuing to increase. The DMH must accept these patients when directed by the courts.

**COMMENTS:**

➤ The Legislative Analyst's Office (LAO) has raised the following issues:

1. The January state hospital budget appears to underestimate growth in the Mentally Disordered Offender (MDO) population, given current trends in the referral and evaluation of prison inmates who are potential MDOs. The LAO recommends that the department report at budget hearings on its MDO caseload estimates along with the projected support and capital outlay costs associated with an increased number of MDO referrals and state hospital commitments in 1999-00 and beyond.

2. The LAO recommends the adoption of budget bill language requiring the department to develop a marginal cost methodology for funding annual caseload changes at the state hospitals, rather than the current average cost methodology, in order to more accurately reflect the costs of supporting additional patients.
- The proposed budget does not include several language provisions that were included in the Budget Act of 1998-99 regarding the state hospitals. Specifically, the language provisions required: (1) the department to provide training to local law enforcement near Napa and Metropolitan State hospitals, (2) the department to provide specialized training to staff at Napa and Metropolitan State hospitals, (3) the department to provide a status update to the Legislature on penal code patients, (4) ensuring that the transfers of penal code patients to Metropolitan State hospitals are arranged on a flow basis, and (5) that the department consult with the Sheriff of the City of Napa and the Police Chief of the City of Napa regarding the security plan for Napa State Hospital.

**ISSUE 20: MANAGED CARE**

The January budget proposed a General Fund augmentation of \$4.6 million for the mental health managed care program. This includes the following: (1) an increase of \$194,000 for changes in the number of Medi-Cal beneficiaries, (2) an increase of \$5,019,000 for a cost adjustment factor based on the medical component of the national Consumer Price Index (CPI), (3) a decrease of \$557,000 for an adjustment to reflect a change in the Medi-Cal sharing ratio effective October 1, 1999 and to annualize the change in the sharing ratio which was effective October 1, 1998, (4) a decrease of \$48,000 for a one percent reduction in growth for managed care inpatient services, and (5) an increase of \$2,000 to reflect a change in the sharing ratio for Institutes for Mental Disease ancillary services.

The May revision reflects a decrease of \$2.5 million (General Fund) to the January budget proposal. The major components include:

- (1) a reduction of \$2.7 million to adjust for the number of Medi-Cal beneficiaries,
- (2) a reduction of \$212,000 to reflect an adjustment to the Medi-Cal CPI,
- (3) an increase of \$367,000 for physician rates.

The May revision also includes an increase of \$6.9 million in local assistance reimbursement authority from the Department of Health Services for San Mateo County for field testing pharmacy and laboratory services.

**BACKGROUND:**

The Department of Mental Health (DMH) is in the process of moving the mental health services system for Medi-Cal beneficiaries toward a managed care system, through a series of phases implemented over a period of several years. The first two phases involve consolidating the two existing Medi-Cal mental health programs (Short-Doyle/Medi-Cal and Fee-for-Service/Medi-Cal) into one service delivery system for all Medi-Cal specialty mental health services. The first phase, consolidation of Medi-Cal Psychiatric Inpatient Hospital Services, was implemented in January 1995. The second phase, Medi-Cal Specialty Mental Health Services consolidation, began November 1997. The third phase, capitation or other prepayment of federal funding, will be implemented at a later date.

The Budget Act of 1998 required the DMH to provide a status update on the implementation of mental health managed care, including progress on both inpatient and outpatient consolidation by January 1, 1999. The department indicates that the report has not yet been released.

**COMMENTS:**

The department is required to submit an independent assessment regarding access to care, quality of services, and cost-effectiveness of the Mental Health Managed Care program to the federal government. The department indicates that this assessment should be completed by June 30, 1999.

**ISSUE 21: SEXUALLY VIOLENT PREDATOR FACILITY**

The LAO recommends the deletion of \$16 million in lease-payment bond funding for preliminary plans and working drawings because (1) only preliminary plans can be completed for this \$300 million project in the budget year and (2) the preliminary plan should be funded from the General Fund.

The May revision proposes no changes to the funding level, but does propose the following budget bill language:

“Funds appropriated for preliminary plans and working drawings for the project identified in Schedule 1 of this item may not be expended until the Department of Finance provides written notification to the Joint Legislative Budget Committee that all project scope and program issues have been identified and resolved. The written notice shall identify project scope and program changes that differ from the Feasibility Study, Bed Needs and Related Facility report dated April 1998. “

**BACKGROUND:**

The January budget includes \$16 million to prepare preliminary plans and working drawings for a new state facility to house sexually violent predators (SVPs). These individuals are currently housed at Atascadero State Hospital. By mid-2002, the total number of Judicially Committed/Penal Code patients (including SVPs) is projected to exceed the capacity of the four state hospitals where they are housed. Therefore, it was determined that a separate facility would be needed to house up to 1,500 SVPs. The current estimated cost of the facility is \$297 million.

The Budget Act of 1998-99 included \$5.5 million for activities related to locating and designing this facility. These activities are underway and include:

- Determination of the appropriate treatment program, licensing category, staffing ratio, and architectural programming for the facility.
- Search and evaluation of potential sites in order to select three alternative sites for the facility.
- For each of the alternatives, development of an environmental impact report, site master plan, conceptual facility design, and cost estimates.
- Conceptual construction phasing.

The Governor's budget indicated that the \$16 million budget proposal for the SVP facility was a “placeholder” estimate.

Assuming that the department is able to locate a suitable site for the facility, and make sufficient progress on the other work listed above, the LAO believes it would be appropriate to fund the preliminary plan phase of the project for \$7 million in 1999-00. Based on the size and nature of this facility, the LAO does not believe that funding will also be needed in 1999-00 for the working drawing phase. In addition, the LAO recommends that the preliminary plans be funded from the General Fund rather than lease-payment bonds.

**COMMENTS:**

The department anticipates that working drawings will commence in the budget year.



## **CONTROL SECTION LANGUAGE**

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### **ISSUE 22: IMMIGRANT VERIFICATION**

In August 1996, Governor Wilson signed an executive order which resulted in state agencies examining the programs they administered regarding immigrant verification and the development of a list of program cuts for over 200 programs.

#### **BACKGROUND:**

In March 1997, Governor Wilson proposed to impose immigration screens and restrictions in over 200 state programs. To implement these restrictions, Governor Wilson's budget proposal for 1998-99 include funding augmentations for new staff to verify immigration status in various departments. The Legislature deleted these proposed funds and also adopted budget control section language which prohibited state or local agencies from implementing these restrictions until the state enacted authorizing legislation. However, Governor Wilson vetoed the budget control section language.

#### **COMMENTS:**

The language that was vetoed last year stated:

"No funds appropriated by this act shall be used by a state or local agency to implement the prohibition contained in Section 411 of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 regarding the eligibility of aliens for state and local public benefits until the state enacts legislation authorizing the implementation of that prohibition."