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

ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR

MONDAY, APRIL 12, 1999
STATE CAPITOL, ROOM 444
4:00 P.M.

4260 DEPARTMENT OF HEALTH SERVICES (CONSENT ITEMS)

ISSUE 1: YEAR 2000 PREPAREDNESS – FINANCE LETTER

The department is requesting $3.1 million ($1.5 million GF) to fund activities related to Year 2000 computer system preparedness. These funds will be used for remediation of centralized systems, enterprise wide business continuation testing, a departmental rapid response team, and continuation of three limited-term positions. This represents the continuation of a Year 2000 project that began in 1997.

ISSUE 2: CHILDREN'S MEDICAL SERVICES NETWORK ENHANCEMENT – FINANCE LETTER

The department is requesting $800,000 ($400,000 GF) for the continuation of the CMS Net project. This project began in 1997-98. The objective of this request is to implement the Healthy Families program for the California Children's Services Program, to implement AB 2793, which requires all counties to process all claims using the state's fiscal intermediary, and to improve the effectiveness and efficiency of communication between the Healthy Families, Medi-Cal and California Children's Services programs.

ISSUE 3: STATE SAFE DRINKING WATER REVOLVING FUND – FINANCE LETTER

The budget requests $1.68 million ($280,000 GF) to access additional federal funds that have become available since the Governor's budget was released. These funds will provide low interest loans and grants to public water systems for infrastructure development and other proposals to improve drinking water systems. Last year, the Legislature provided $15.2 million to allow the state to access over $75 million in federal funds made available through the Safe Drinking Water Act of 1997.

ISSUE 4: INFANT BOTULISM LOAN AUTHORITY EXTENSION – FINANCE LETTER

This letter proposes to extend General Fund loan authority for the Infant Botulism program for one year. Loan Authority was established for the Infant Botulism Program to fund the development of a treatment for Infant Botulism. However, this treatment is still in the clinical trial stage. As such, the state cannot charge the full price for the treatment. The FDA will allow the state to charge the pre-licensure price, which does not cover the full operating cost of the program. The loan authority ($831,000 GF) is needed to cover the difference between the operating expenses and the amount generated by the pre-licensure fee.

ISSUE 5: HEALTHY FAMILIES/MEDI-CAL OUTREACH POSITIONS – FINANCE LETTER

The budget requests $324,000 ($162,000 General Fund) for the continuation of five positions in the Medical Services Division of the Department. These positions were established to manage the state's effort to inform families of their potential eligibility for the Healthy Families and Medi-Cal programs.

ISSUE 6: VITAL STATISTICS POSITIONS – FINANCE LETTER

The letter requests continuation of 17 limited-term positions for operation of the Vital Statistics program. No funding has been requested, as the availability of these funds was extended—via trailer bill language—until January 1, 2002.

The Vital Statistics program collects data on births and deaths in California. These positions are needed to meet the growing workload demand, as well as to provide ongoing maintenance to the State's automated vital event registration system. There are sufficient reserves in the Health Statistics Fund to support the 17 positions in future years.

ISSUE 7: CMS BUDGET (TECHNICAL CORRECTION) – FINANCE LETTER

The letter proposes to make a technical correction to the budget. Specifically, the request would shift $198,000 from the Federal Trust Fund to the General Fund.

Last year, the Children's Medical Services branch received funding ($300,000) to provide technical assistance to the Managed Risk Medical Insurance Board in developing materials for regional workshops related to Healthy Families. When the 1999-00 budget was adjusted downward to reflect that these activities were completed, all of the funding was taken out of the General Fund, thus resulting in $198,000 over-budget in federal funds and under budget in General Funds.

ISSUE 8: TRANSITIONAL MEDI-CAL POSITIONS – FINANCE LETTER

This letter requests a two-year continuation of two Associate Governmental Program Analyst positions in the Transtional Medi-Cal program (TMC). These positions are responsible for implementing federal and state guidelines relating to this program, as well as outreach and simplification of the TMC program.

Last year, the Legislature extended the TMC program for a second year as a state-only program. In addition, the Legislature directed the department to work with the counties to ensure that individuals who leave welfare for work are aware that they may be eligible for TMC. The requested positions are an integral part of that request.

ISSUE 9: RURAL HEALTH DEMONSTRATION PROJECTS (TECHNICAL ADJUSTMENT) – FINANCE LETTER

This letter proposes to shift $6 million ($2 million General Fund) in local assistance funding from the Department o Health Services (DHS) to the Managed Risk Medical Insurance Board (MRMIB). These funds are provided to community providers to implement the demonstration projects enacted as part of the Healthy Families program. Although the MRMIB administers the Rural Health Demonstration Projects, the funds are currently budgeted in the DHS and passed on to the MRMIB via an interagency agreement. The request would eliminate the need to transfer funds between DHS and MRMIB, and would place the money with the agency that has the responsibility for implementing the program.

4260 DEPARTMENT OF HEALTH SERVICES (ITEMS TO BE HEARD)

BACKGROUND:

The Department of Health Services administers several public health programs, which are funded by the Proposition 99 Cigarette and Tobacco Products Surtax Fund.

Proposition 99, the Tobacco Tax and health Protection Act of 1988. Proposition 99 was approved by California voters in November of 1988. This measure established a 25-cent surtax on cigarettes and other tobacco products, such as cigars and chewing tobacco. In addition, the initiative stipulated how the revenues generated from the tax are to be budgeted and spent. Specifically, the initiative established six accounts and specified the percentage of revenues to be allocated to each. They are the Health Education Account (20 percent), the Hospital Services Account (35 percent), the Physician Services Account (ten percent), the Research Account (five percent), the Public Resources Account (five percent), and the Unallocated Account (25 percent). The names of these accounts indicate the types of activities that should be funded by them. The Unallocated Account can be used for any of the activities funded by the other accounts.

Subsequent to voter approval of Proposition 99, the Legislature enacted AB 75 (Isenberg) Chapter 1331, Statutes of 1989. This legislation delineated the specific programs to be funded by Proposition 99. The mix of programs has since changed, but most of the programs originally funded by AB 75 continue to be Proposition 99-funded albeit at much lower funding levels. Since Proposition 99 is a declining revenue source, the funding and program authority authorized by AB 75 was for a limited term. Accordingly, the Legislature has enacted subsequent legislation to reauthorize funding, including AB 99 in 1991, AB 816 in 1994, SB 493 in 1995, and AB 107 in 1997.

In 1998, most of the programs—except the rural health grants program administered by the Office of Statewide Health Planning and Development--were made permanent, contingent upon the availability of funds. **As part of the 1999-00 budget, the administration has proposed trailer bill language to make the rural health grants program permanent.**

Proposition 99 Lawsuits. The allocation of Proposition 99 revenues has often been a contentious issue, resulting in several court cases, including two by the American Lung Association. These lawsuits revolved around the funding formula for allocating the revenues (i.e., the level of funds allocated to the six accounts), and the specific programs that could be funded by each. Specifically, in 1994-95 and 1995-96, the state appropriated for various health services programs some of the Proposition 99 funds that would have otherwise gone for health education and research related to smoking.

In December of 1996, the courts of appeal ruled on two cases related to Proposition 99. In the case relating to AB 816, the court essentially ruled that the Legislature violated the Proposition by using funds from the Health Education and Research accounts to fund programs that should have been funded by the other accounts. In the case relating to SB 493, the court ruled that it is permissible for the Legislature (through a four-fifths vote) to change the percentages allocated to the various accounts.

The American Lung Association and others expressed interest in taking the latter case to the Supreme Court. However, that court has refused to hear the case. The ALA later offered the state a settlement. The administration is holding funds in reserve for final settlement of this and other prospective lawsuits.

Governor's 1999-00 Proposed Proposition 99 Budget. For 1999-00, the budget projects Proposition 99 tobacco tax revenues of $390 million, a 2.3 percent decline from estimated current year revenues. The budget proposes total Department of Health Services expenditures of $235.4 million. This represents a reduction of about $86.4 million, or 26.8 percent, from the current year.

Significant proposals include:

- An $13.5 million augmentation to the Breast Cancer Early Detection Program;
- A $53 million reduction to the California Healthcare for Indigents Program;
- A $5.4 million reduction in the EAPC Clinic Grant Program; and
- A $3.8 million reduction in the County Medical Services Program.

Restricted Reserves. The budget maintains a restricted reserve of $32.5 million for potential liability related to outstanding lawsuits.

The table below shows the proposed change in DHS funded Proposition 99-funded programs.

Proposed Changes in Prop 99-Funded DHS Programs (Dollars in Millions)	
Programs	**Change from 1998-99**
Breast Cancer Early Detection Program	**$13.54**
Clinic Grants—Expanded Access to Primary Care (EAPC)	-5.42
Comprehensive Perinatal Outreach	-1.27
Child Health and Disability Prevention (CHDP) Screens	5.42
County Medical Services Program (CMSP) Expansion	-3.81
California Healthcare for Indigents Program (CHIP)	-58.30
Rural Health Services/CMSP	-1.82
Media Campaign	-5.66
Competitive Grants	-17.78
Committee and Evaluation	-1.12
Local Lead Agencies	-5.36
State administration	-3.33
Total Change	**-$86.40**

ISSUE 10: BREAST CANCER EARLY DETECTION PROGRAM

The Governor's budget requests of $27.9 million, including $13.5 million from the Proposition 99 Unallocated Account.

BACKGROUND:

This program provides breast cancer screening and diagnostic services to women over 40 years of age with incomes below 200 percent of the federal poverty level. The program's caseload has ramped up rather quickly going from about 98,000 in 1996-97 to a projected 192,000 by the end of 1999-00. As a result, the program has outgrown its statutory source of funding (the Breast Cancer Control Account). In order to support the program at projected levels, the budget proposes to use monies from both the Breast Cancer Control Account and the Proposition 99 Unallocated Account.

Breast Cancer Treatment Funds: Should the subcommittee put funding in the budget for Breast Cancer Treatment? The Blue Cross Foundation donated approximately $12 million to treat uninsured and underinsured low-income women for breast cancer. These funds will be exhausted in June. Assembly member Howard Wayne has introduced a bill that would establish a Breast Cancer Treatment program within the Department of Health Services.

COMMENTS:

Should BCEDP be funded by Proposition 99?

- Proposition 99 revenues are currently used to fund a variety of other important health programs. Committing these revenues to a rapidly growing program, such as BCEDP, puts great pressure on an already stretched funding source.

- If the BCEDP costs proposed to be funded by the Unallocated Account are shifted to another funding source, such as the General Fund, these funds could be used to restore some of the reductions in the Proposition 99 programs.

ISSUE 11: EXPANDED ACCESS TO PRIMARY CARE (EAPC) CLINIC GRANTS

The budget proposes a $5.4 million reduction in Proposition 99 funding for this program.

BACKGROUND:

The Expanded Access to Primary Care Clinic Grant program was established by AB 74, Chapter 1331, Statutes of 1989. The program provides funds to primary care clinics for outpatient care and case management services provided to persons with incomes below 200 percent of the federal poverty level.

Outpatient care includes preventive health services, diagnosis and treatment services, which may include dental and vision care, the associated pharmacy, x-ray, and laboratory services. Case management services provided as part of the outpatient visit include the management of all physician services, both primary and specialty, and arrangements for hospitalization, post-discharge care, and follow-up care.

Last year, the Legislature pushed for additional clinic funding to expand access to primary care in under-served areas. Former Governor Wilson vetoed most of the funds. However, the Legislature introduced by Assemblyman Cedillo was able to secure a $4.5 million General Fund augmentation—via legislation--for the EAPC clinic grant program.

Seasonal, Agricultural and Migrant Worker (SAMW), and Rural Health Services Development (RHSD) clinic grant programs. The proposed budget continues to fund these programs at their current year level. The subcommittee has been asked to consider augmenting SAMW and RHSD by $5 million and $3 million, respectively.

COMMENTS:

- Data indicate that clinics have seen an increase in the level of indigent care provided. Moreover, providers report that patients are generally showing up with more acute care needs. At the same time, managed care has placed pressure on clinics to make improvements (including capital improvements) in order to compete and remain viable.

ISSUE 12: CALIFORNIA HEALTHCARE FOR INDIGENTS PROGRAM (CHIP)

The budget proposes to reduce Proposition 99 funding for this program by $58.3 million.

BACKGROUND:

One of the original Proposition-99 funded programs, the California Healthcare for Indigents Program (CHIP) provides funding to counties for uncompensated care to individuals under 200 percent of poverty who have no other source of payment.

Under this program, 24 large counties receive funds based on a statutory formula that takes into account the amount of uncompensated care provided by each county. The funds are generated from three accounts within the Cigarette and Tobacco Products Surtax Fund: the physician services account, the hospital services account, and the unallocated account.

The funds from the unallocated account are particularly important to the counties as these funds can be used more flexibly, thus allowing the county to fund important services, such as the Child Health and Disability Prevention (CHDP) follow-up treatment services.

COMMENTS:

- It should be noted that the funds provided by this program for indigent care do not fully compensate counties for their uncompensated care costs.

ISSUE 13: RURAL HEALTH SERVICES/CMSP

The budget proposes to reduce Proposition 99 funding for this program by $1.8 million.

BACKGROUND:

This program provides funds to small, generally rural counties for health care provided to low income persons with incomes below 200 percent of the federal poverty level who have no other source of payment.

Due to the limited amount of funds available for this purpose and the demand for Child Health and Disability Prevention (CHDP) follow-up treatment in rural counties, most of the funds are currently used to provide CHDP follow-up treatment. It should also be noted that several counties have chosen not to participate in the program due to the low level of funding available.

COMMENTS:

Although most of the funds are used for the CHDP Treatment Program, these funds could be used for a variety of public health purposes at the discretion of the participating counties.

ISSUE 14: PUBLIC HEALTH CASELOAD PROGRAMS

The Governor's budget proposes an increase of $9.2 million General Fund in the current year, and $3.4 million General Fund in the budget year for the Child Health and Disability Prevention Program, the California Children's Services Program, and the Genetically Handicapped Persons Program.

BACKGROUND:

Child Health and Disability Prevention (CHDP)*:* This program provides preventive health screens to children 0 to 18 years of age below 200 percent of the federal poverty level. An estimated 1.6 million CHDP screens will be provided in 1999-00. The state-only program serves children who are not enrolled in Medi-Cal or Healthy Families. The state-federal collaborative, also known as the Early and Periodic, Screening, Detection and Treatment (EPSDT) Program, serves children in Medi-Cal. **Last year, the Legislature increased rates for these programs by five percent.** 1999-00 Budget: $95.5 million.

California Children's Services (CCS)*:* This program provides specialty and subspecialty services to children with special health care needs (i.e. a qualifying medical condition). In addition, case management services are provided to ensure that children receive appropriate treatment and services. The total average quarterly caseload for CCS is about 142,000. The counties administer CCS, with oversight from the Department of Health Services. CCS is funded primarily by the state and counties (roughly equal shares), with some federal Title V and Title XXI funds for children otherwise eligible for Healthy Families. 1999-00 Budget: $105.4 million.

Genetically Handicapped Persons Program (GHPP)*:* This program provides access to medical care and case management for individuals over 21 years of age with a specific genetic condition, including cystic fibrosis, hemophilia, sickle cell, and Huntington disease to name a few. GHPP currently serves approximately 1,800 clients. Services include acute inpatient hospitalizations, transplantation services, pharmaceuticals and blood factor products, dental care, home health services, durable medical equipment, and respite care. 1999-00 Budget: $20.5 million.

COMMENTS:

- The department will update the estimate for these programs as part of the May revision process.

ISSUE 15: OFFICE OF AIDS PROGRAM FUNDING

A total of $9.2 million (General Fund) may be available for redirection as a result of increased federal funding for the Aids Drug Assistance Program (ADAP).

BACKGROUND:

The budget includes a total of $235.6 million for all AIDS programs administered by the Department of Health Services: $16.85 million for state operations, and $218.79 million for local assistance. The budget has grown significantly in the past four years, going from $147 million in 1996-97 to an estimated about $236 million in 1999-00. However, most of this growth has been in one program—the AIDS Dug Assistance Program, which provides AIDS drugs to low-income and uninsured HIV-infected persons. While the ADAP program continues to meet an important demand, other programs have been ignored.

Now, as the growth rate in the ADAP caseload has slowed, and federal funds continue to increase the General Fund need is declining. In fact, the 1999-00 budget reduces by $4.2 million the General Fund share of the ADAP. Note that an additional $5 million will be available due to increased federal funding, thus making available a total of $9.2 million General Fund.

Some argue that rather than reduce overall funding for AIDS programs, this is a good time to consider funding other programs at a level that is commensurate with need, and reflective of recent trends. The subcommittee has been asked by the California HIV Advocacy Coalition to consider the following allocation:

- $3.2 million for care and treatment Services;
- $3.5 million for housing for people living with AIDS; and
- $2.5 million for prevention education, including partner counseling and referral services.

COMMENTS:

In evaluating proposals, the subcommittee should consider the disproportionate effect of the AIDS epidemic on people of color, and recent federal recognition of this continuing trend.

***AIDS Disproportionate Impact on Communities of Color*.** In looking at racial/ethnic data, the HIV/AIDS epidemic continues to disproportionately affect people of color, especially the African American and Latino communities**.**

- African Americans account for 6.8 percent of California's general population but represent 16.4 percent of the cumulative AIDS cases and 22.4 percent of the new 1998 cases.

- Latinos account for 28 percent of the general population and represent 18.6 percent of the cumulative AIDS cases and 27.5 percent of the new 1998 cases.

- It should also be noted that communities of color have lower rates of decline in death rates.

Despite these facts, these populations experience greater problems with access to services.

Federal Action: The federal government has acknowledged the disproportionate effects of the AIDS epidemic on minorities, declaring it a "severe and ongoing health crisis". Accordingly, the federal Health Resources and Services Administration has directed Ryan White CARE Act grantees to assess the shifting demographics of new HIV/AIDS cases, respond to the growing impact of the epidemic among underserved minority and hard-to-reach populations, and increase access to services.

- **Does the subcommittee want to provide funding to target underserved minority and hard-to-reach populations?**

- **Does the subcommittee want to adopt trailer bill language expressing legislative intent to redirect future General Fund savings from the AIDS Drug Assistance Program (ADAP) to other Office of AIDS programs?**

ISSUE 16: WOMEN, INFANTS, AND CHILDREN FARMER'S MARKET NUTRITIONAL PROGRAM

The budget includes $175,714 to match federal funds for the WIC Farmer's Market Program. An additional $225,000 is needed to take full advantage of the recent federal expansion of the WIC Farmer's Market Nutritional Program.

BACKGROUND:

The Women, Infants, and Children Farmer's Market Nutritional Program provides vouchers which allow program participants to purchase fresh fruits and vegetables at certified farmer's markets. The program was created in 1992 and administered by the California Department of Food and Agriculture until 1996. At the request of the CDFA, the program was transferred to the Department of Health Services.

Several advocates, farmer's markets, and WIC recipients have expressed concerns regarding the budget for this program, and have requested that the Legislature consider augmenting the program to maximize the number of nutritionally at-risk families that benefit from fresh fruits and vegetables. The budget for the program is $550,000

It should be noted that:

- California has one of the smallest WIC Farmer's Market programs in the nation relative to the size of our WIC program.
- The program has been shown to increase the amount of fresh fruits and vegetables eaten by nutritionally at-risk children.
- The federal government recently expanded the budget amount available for matching funds. California is eligible for much of the additional funding since our program is so small.

The requested augmentation of $225,000 General Fund would provide on-going funding of approximately $1.3 million for this program.

COMMENTS:

- **Should the Legislature provide a General Fund augmentation for this program?**

ISSUE 17: LOCAL PUBLIC HEALTH FUNDING

California, being one of the country's major ports of entry, and one of the leading producers of fruits and vegetables, is vulnerable to public health epidemics. Although the public health system is a partnership between the local, state and federal governments, counties for the most part have been delegated the responsibility of responding first to public threats.

BACKGROUND:

Funding for public health has fluctuated. For the most part, when public health threats subside, so too does state and local commitment to fund public health activities. According to a coalition of local public health officers, "scientific and professional capacity has not grown with the State's increasing population and the complexity of problems". **A recent survey of local resources, conducted by the local health officers and the Department of Health Services, identified local public health needs totaling over $22 million.**

This funding would be used to carry out basic core scientific disease prevention and surveillance activities, including expanding communicable disease reporting, improving immunizations through operation of immunization registries, and monitoring microbial resistance to name a few.

COMMENTS:

- Last year, the Legislature added $7.7 million to fund this request. Former Governor Wilson vetoed the funding.

- Several recent studies conducted by the Centers for Disease Control and the Institute's on Medicine have underscored the need to begin to rebuild the public health infrastructure.

ISSUE 18: CALIFORNIA CHILDREN'S SERVICES PILOT PROJECT

The subcommittee has been asked to provide funding to implement the California Children's Services Pilot Project.

BACKGROUND:

The California Children's Services program provides treatment and case management services to children with very serious medical conditions. The counties administer the program, with oversight by the Department of Health Services.

Recognizing the sensitivity of placing CCS children into managed care, the Legislature in 1994 enacted SB 1371, Chapter 917, Statutes of 1994 to test the idea on a small scale. LA County and CCS Care were among the applicants chosen to develop a pilot. The other applicants have since dropped out.

After five years of laying the groundwork for the CCS pilot (i.e., integrating treatment for CCS medical conditions into managed care), CCS Care is ready to implement but there are no funds in the budget. According to the department, there was never a commitment by the state to fund the pilot.

In addition, there are three positions in the Department of Health Services' Children's Medical Services branch which will expire in June 1999. The subcommittee has been asked to continue these positions for three years.

COMMENTS:

- Note that significant resources have been invested into the pilot over the past five years, including public and private funding.

ISSUE 19: OFFICE OF BORDER HEALTH

The budget includes $500,000 to expand the Office of Border Health.

BACKGROUND:

Disease rates along the border are in many cases higher than in the rest of the state and California disease rates are higher than the rest of the nation. For example, almost 300 Mexican-born TB patients were hospitalized in California last year costing millions of dollars. In addition, there are significant health hazards associated with impure water supplies, untreated sewage, food and drug safety hazards and toxic exposures. These issues effect all Californians.

Despite these significant health threats, which may contribute to birth defects and respiratory illnesses, tuberculosis and other communicable diseases, the state Office of Border Health is staffed with only one nurse and one half time secretary. This request would increase the effort in the Office of Border Health to a level more commensurate with other border states, such as Texas and New Mexico which spend $1.3 and $1.3 million respectively.

Specifically, this proposal would add one Medical Officer III—Epidemiologist, contract staff, support funds for the main office in San Diego County, a satellite office in Imperial county, and a liaison position in Los Angeles County. Some activities to be performed by the requested staff include developing linkages and partnerships with key stakeholders, monitoring key primary and preventive health indicators in the region, and promoting state and local projects which have an impact on public health services in the border region.

COMMENTS:

- Assembly member Ducheny has introduced legislation (AB 63) that would foster the development of the Office of Border Health, and enhance communication and coordination between U.S and Mexican public health officials.

ISSUE 20: ENVIRONMENTAL LAB ACCREDITATION—FINANCE LETTER

The letter requests $451,000 (Environmental Lab Improvement Fund) to support six new positions in the Environmental Lab Accreditation Program.

BACKGROUND:

The proposed positions include five public health chemists, and one environmental specialist. According to the department, these positions are needed to address the backlog of accreditation requests, and to implement new federal standards related to lab accreditation.

COMMENTS:

- There are sufficient reserves to support this request in the Environmental Lab Improvement Fund.
- This proposal does not increase fees on environmental labs.

ISSUE 21: MEDI-CAL 1931 (B) ASSET TEST

Should the subcommittee waive the asset test in the 1931 (b) program and save $6 million ($3 million General Fund)?

BACKGROUND:

Section 1931 (b) is the section of federal law that—as part of welfare reform--allowed the state to establish a link between the new CalWorks Program and Medi-Cal. This link is known as the 1931 (b) program.

Federal law allows the state to adopt more liberal income and resource standards under the 1931 (b) program. Accordingly, last year the Assembly Budget Committee eliminated the asset test to simplify the eligibility process and reduce administrative costs. However, resistance from the previous administration resulted in a Conference Committee compromise to discount assets up to $3,000.

COMMENTS:

- The Department of Health Services estimates that elimination of the asset test would result in $6 million savings ($3 million General Fund).

ISSUE 22: SINGLE POINT OF ENTRY—FINANCE LETTER

The letter requests spending authority ($46,000 federal funds) and one Associate Medi-Cal Eligibility Analyst to develop the Single Point of Entry through an inter-agency agreement with the Managed Risk Medical Insurance Board.

BACKGROUND:

The objective of this proposal is to further reduce the barriers to enrollment for the estimated 1.7 million children who are currently eligible for Medi-Cal and Healthy Families, but do not participate.

In response to concerns about the initial application developed for the Healthy Families/Medi-Cal program, the department convened a task force to discuss how to simplify the process. The task force recommends eliminating the most onerous portion of the application (four pages), which requires applicants to calculate their income for purposes of determining which program to apply for. In addition, the task force recommends establishing a single intake point for the applications where income will be determined, a tracking system for applications, and a toll free phone number which applicants can call to check the status of their application.

COMMENTS:

Questions:

- Will county activities duplicate EDS activities related to eligibility determination?
- Please describe the tracking system. What specific information will EDS be able to give callers about the application?

ISSUE 23: REVISION OF MEDI-CAL ESTIMATE PRODUCTION—FINANCE LETTER

This letter requests $320,000 ($160,000 General Fund) and three positions to review, assess and redesign the underlying methodology, the production, and the presentation of the Medi-Cal budget estimate.

BACKGROUND:

In the *Analysis*, the Legislative Analyst's Office (LAO) recommends enactment of legislation directing the department to revise the Medi-Cal estimate process in order to make it a much more useful and timely tool for budgeting, monitoring, and evaluating the Medi-Cal program.

According to the LAO, the estimate is outdated, new proposals are buried in the estimate, and the basis for the estimates often are not given.

COMMENTS:

Questions

- What is the timeline for completing the project?
- Will the Legislature have an opportunity to review the new estimate before it is final?

4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 24: ACCESS FOR INFANTS AND MOTHERS (AIM)

The budget includes $36 million (Proposition 99) to fund the Access for Infants and Mothers (AIM) Program.

BACKGROUND:

The AIM program provides health care coverage to pregnant women and their infants who do not qualify for Medi-Cal. The program was established in 1992 and has been funded with Proposition 99 funds.

According to MRMIB, there are insufficient funds in the budget to cover the estimated caseload in the current year. The MRMIB estimates that approximately $2 million is needed to prevent having to turn pregnant women and children away.

COMMENTS:

- Should the subcommittee provide the funds needed to operate the program for the remainder of the current year?

ISSUE 25: HEALTHY FAMILIES—SINGLE POINT OF ENTRY (FINANCE LETTER)

The letter requests a total of $3 million to implement the Single point of Entry for the Healthy Families program.

BACKGROUND:

The objective of this proposal is to further reduce the barriers to enrollment for the estimated 1.7 million children who are currently eligible for these programs, but do not participate.

In response to concerns about the initial application developed for the Healthy Families/Medi-Cal program, the Department convened a task force to discuss how to simplify the process. The task force recommends eliminating the most onerous portion of the application (four pages), which requires applicants to calculate their income for purposes of determining which program to apply for. In addition, the task force recommends establishing a single intake point for the applications where income will be determined, a tracking system for applications, and a toll free phone number which applicants can call to check the status of their application.

ISSUE 26: HEALTHY FAMILIES STAFF

The budget requests $425,000 ($146,000 General Fund) to permanently establish five new positions in the Managed Risk Medical Insurance Board to address unanticipated workload in the Healthy Families Program.

BACKGROUND:

The additional workload relates to federal requirements, the Rural Health Demonstration Projects, and reporting requirements for the related to Title XXI funding. According to the MRMIB, these activities can no longer be sustained by the existing staff without negative consequences to the Healthy Families program and other programs administered by the Board.

COMMENTS:

- Staff analysis of the request, indicates that the positions are justified on a workload basis.

ISSUE 27: RURAL HEALTH DEMONSTRATION PROJECTS (FINANCE LETTER)

This letter proposes to shift $6 million ($2 million General Fund) in local assistance funding from the Department of Health Services (DHS) to the Managed Risk Medical Insurance Board (MRMIB).

BACKGROUND:

These funds are provided to community providers to implement the demonstration projects enacted as part of the Healthy Families program. Although the MRMIB administers the Rural Health Demonstration Projects, the funds are currently budgeted in the DHS and passed on to the MRMIB via an interagency agreement.

COMMENTS:

- The request would eliminate the need to transfer between DHS and MRMIB, and would place the funds with the agency that has the responsibility for implementing the program.

ISSUE 28: HEALTHY FAMILIES SUPPORT COSTS

The budget requests $274,000 ($93,000 GF) to establish one full-time permanent office assistant and to fund unanticipated costs related to the implementation of the new program.

BACKGROUND:

The office assistant will provide administrative support for the Healthy Families program. Some of the unanticipated costs for Healthy Families administration included higher than anticipated printing costs, in-state travel, sub-recipient monitoring, and costs associated with meetings of the Healthy Families Advisory Panel.

COMMENTS:

- The position request is justified on a workload basis.
- The request for unanticipated costs is reasonable given that these are related to the first year of implementing a new program.

ISSUE 29: HEALTHY FAMILIES PROGRAM CASELOAD

The budget requests an increase of $99.8 million ($33.7 million General Fund) to fund projected caseload in the budget year. This brings total MRMIB program funding to $199.4 million. The estimate assumes that approximately 304,000 children will be enrolled by the end of the budget year.

BACKGROUND:

The amount requested will fund payments to health, dental and vision plans. Estimated payments to plans are $71.75 per month per child enrolled. This is an increase of $1.50 from the $70.25 estimated in the 1998-99 budget.

The request will also fund payments to the administrative vendor (Electronic Data Systems-EDS). Under the existing contract, EDS is paid $52 per child per month for the first 10,000 subscribers and $3.85 thereafter.

The costs for payments to health plans and the administrative vendor are offset by premium payments.

COMMENTS:

- This caseload estimate will change as part of the May revise.

ISSUE 30: HEALTHY FAMILIES PROGRAM EXPANSION

The budget requests $8 million ($2.7 million General Fund) to expand the Healthy Families program through the application of Medi-Cal income deductions (beginning July 1999).

In addition, the budget includes $37.3 million for health care reform. The administration has indicated a willingness to consider Healthy Families modifications.

BACKGROUND:

The Healthy Families legislation that was ultimately enacted by the Legislature and signed by former Governor Wilson included the Medi-Cal income deductions that are being proposed. Last year, after the state plan for Healthy Families was submitted to the federal Health Care Financing Administration, the former Governor administratively eliminated the income deductions. This proposal would restore the income eligibility criteria enacted by the Legislature.

Should the subcommittee expand the program further? A portion of the $37.3 million set aside in the 1999-00 budget could be used to expand the program further, thus providing health care coverage to a larger number of children in working poor families. Some options include:

- **Expand the eligibility income limit to 250 percent of the federal poverty level and apply income deductions**. **(Budget Year Cost: $26 million--$8.8 million General Fund)** It is estimated that 164,000 additional low-income children would qualify for the program. The MRMIB estimates that approximately 56,500 children would enroll by the end of fiscal year 1999-00; and

- **Offer coverage as a state-only program to legal immigrant children entering the country after August 22, 1996 (Budget Year Cost: $4.87 million General Fund. Under this proposal and estimated 40,000 additional children would qualify for healthy families. The MRMIB estimates that approximately 10,580 children would enroll by the end of fiscal year 1999-00)**.

COMMENTS:

- These estimates of expansion costs will change as part of the May revise.