AGENDA
SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER PATTY BERG, CHAIR

MONDAY, APRIL 7, 2008
STATE CAPITOL, ROOM 127
4:00 P.M.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

The overall responsibilities and goals of the Emergency Medical Services Authority (EMSA) are to: (1) assess statewide needs, effectiveness, and coordination of emergency medical service systems; (2) review and approve local emergency medical service plans; (3) coordinate medical and hospital disaster preparedness; (4) mobilize and coordinate emergency medical services in a disaster using EMSA and mutual aid resources; (5) establish standards for the education, training and licensing of specified emergency medical care personnel; (6) establish standards for designating and monitoring poison control centers; (7) license paramedics and conduct disciplinary investigations, as necessary; (8) develop standards for pediatric first aid and CPR training programs for child care providers; and (9) develop standards for emergency medical dispatcher training for the "911" emergency telephone system.

The Governor's budget proposes total expenditures of $25 million ($12.1 million General Fund) for EMSA in 2008-09. This reflects a net reduction of $279,000, or 1.1 percent ($411,000, or 3.3 percent, General Fund), compared with estimated spending in the current year. Proposed General Fund spending is outlined in Table 1 below:

Table 1
EMSA Governor's Budget 2008-09,
General Fund
(thousands)

	Workload Base	Changes	Budget
Local Assistance			
CA Poison Control System contract with UC San Francisco	$6,900	10% reduction: -$690	$6,210
Grants to multi-county emergency medical services (EMS) agencies	2,424	10% reduction: -242	2,182
Regional Disaster Medical Health Specialists	360	10% reduction: -36	324
Medical Assistance Teams	102	None	102
Subtotals	**$9,786**	**-$968**	**$8,818**
State Operations			
Mobile Field Hospitals	$1,749	New contract for annual re-calibration of medical equipment: +$242	$1,991
Mobile Medical Assets	994	Add 3 Emergency Services Coordinator positions: +310 Reduction in operating costs and training: -35	1,269
Baseline personal services adjustment	57	n.a.	57
Subtotals	**$2,800**	**+$517**	**$3,317**
Totals	**$12,586**	**-$451**	**$12,135**

The LAO's Alternative Budget does not include any reductions to EMSA.

ISSUE 1: POISON CONTROL 10-PERCENT REDUCTION

The California Poison Control System presently receives $9 million in public funding, consisting of $6.9 million from the General Fund and $2.1 million provided directly from the federal Health Resources Services Administration (HRSA). In addition to this funding, the system also receives some funds from other sources that do not flow through the state budget, including industry contracts, private donations, and in-kind assistance.

The Governor proposes to reduce the state's support of the California Poison Control System to $6.2 million in 2008-09, a reduction of 10 percent ($690,000). Including federal funds, the reduction would be 7.7 percent.

Background. The Poison Control System is administered by the UC San Francisco School of Pharmacy. The system is a statewide network of experts that provide free treatment advice and assistance to people over the telephone in case of exposure to poisonous or hazardous substances. It provides poison help and information to both the public and health professionals and is accessible, toll-free, 24-hours a day, 7 days a week 365 days a year. The system has four divisions located at UC Davis Medical Center in Sacramento, San Francisco General Hospital in San Francisco, Children's Hospital Central California in Fresno and the UC San Diego Medical Center in San Diego. Calls received by the system not only pertain to the ingestion of potentially toxic household products, but also allergic reactions to household products and over-the-counter medications. General Fund support has been $6.9 million annually since 2002-03, when state support essentially doubled in order to replace lost federal Medicaid waiver funding.

STAFF COMMENTS

- According to EMSA, the Poison Control System benefit-to-cost ratio is 7-to-1 (seven dollars of health care costs avoided per dollar spent on the system). However, the savings accrue to overall health care costs throughout the state, so that the benefit to the state budget would be considerably less.

- EMSA also indicates that more than half of the calls to the system are for incidents involving children 5 year old or younger.

- The LAO has raised no issues with this reduction. Staff notes that, in the context of the current fiscal emergency, a 7.7 percent cut in overall public funding does not appear drastic.

- Staff notes that other funding sources may be available to the Poison Control System either on a temporary or ongoing basis. For example, commercial health plans and insurers, as well as hospitals, are some of the primary financial beneficiaries of the system's services and could contribute to the system's support. Furthermore, the budget estimates that the California Children and Families Commission will have more than $160 million of unspent Proposition 10 tobacco tax funds at the end of the current year, and the county commissions have even larger amounts of unspent funds. These "First 5" commissions are responsible, under Proposition 10, for funding programs and services that benefit the development of children age 5 and younger, who account for more than half of the Poison Control System's calls. Accordingly, it would seem that other sources of funds could be available to backfill the relatively small reduction in state funding, if necessary.

Senate Action. The Senate subcommittee adopted a deeper cut ($1 million) and the following Budget Bill language:

> Item 4120-101-0001 Provision 5:
>
> It is the intent of the Legislature for the Director of the Emergency Medical Services Authority where feasible, to provide assistance to the poison control system in seeking other sources of funding than state General Fund support, including grants from health-related foundations, federal grants, and assistance from the CA Children and Families Commission or other relevant entities. It is also the intent of the Legislature for the poison control system to assertively seek and obtain funding from foundations, private sector entities, the federal government and other non state General Fund sources.

ISSUE 2: EMERGENCY MEDICAL SERVICES (EMS) AGENCIES

The Governor's budget includes two 10-percent reductions to state funding for local EMS agencies.

1. Grants to Multi-County Agencies

The Governor's budget includes a 10-percent reduction to the state's support of the multi-county EMS agencies. The reduction of $242,000 (General Fund) would reduce the total amount of state grants to about $2.2 million in 2008-09. EMSA would reduce each of the seven multi-county EMS Agencies by 10 percent, which means a reduction in funding of $22,000 to $52,000, depending upon the agency.

EMSA provides supplemental state General Fund assistance to seven multi-county EMS Agencies in largely rural areas and those with smaller populations and limited financial and health care resources in order to help ensure an essential minimum level of services. Generally, state funds must be matched with equal local funds (cash or in-kind), except for EMS Agencies with a population of 300,000 or less, for whom the required match is set by EMSA at 41 cents per capita (cash).

According to EMSA, each multi-county EMS Agency currently receives the following state General Fund grant:

• Central California EMS Agency	$378,338
• Coastal Valley EMS Agency	299,275
• Inland Counties EMS Agency	282,361
• Mountain-Valley EMS Agency	347,031
• Northern California EMS Agency	524,107
• North Coast EMS Agency	228,748
• Sierra-Sacramento EMS Agency	364,260
Total	**$2,424,120**

According to the EMSA, the seven multi-county EMS Agencies cover over two-thirds of the state's geography and serve a total resident population of 6.5 million. Further, it is estimated that at least 30 percent of ambulance response in these areas is for non-resident visitors.

2. Regional EMS Coordinators

EMSA currently provides a total of $315,000 (General Fund) to five local EMS agencies) in support of Regional Medical Health Specialists. These agencies also received $315,000 in federal grant funds provided by the Department of Public Health.

The Governor proposes to reduce the state's support of the Regional Disaster Medical Health Specialist (Specialists) funding by $36,000, or about 10 percent. The reduction is to be taken across-the-board. EMSA indicates that this reduction will result in decreased hours for these specialists dedicated to program activities including the management of regional medical, health mutual aid, and emergency response system for Office of Emergency Services Mutual Aid Regions.

STAFF COMMENTS

- More urban or heavily populated counties operate county EMS systems and do not receive state grants for that purpose.

- One source of local funds for EMS agencies is an additional penalty assessment that counties can choose to impose to benefit local "Maddy Funds." Authority for these additional penalty assessments currently expires on January 1, 2009, but would be made permanent by SB 1236 (Padilla), currently pending in the Senate.

ISSUE 3: MOBILE MEDICAL ASSETS

The Mobile Medical Assets Program is a rapid field medical response program to provide patient care in a disaster. This rapid capability consists of the following: (1) 26 Disaster Medical Support Units; (2) three Medical Assistance Teams (CALMATs); (3) four Mission Support Teams; (4) Medical Volunteers Program; and (5) the Mobile Field Hospital Program. The Mobile Medical Assets Program is presently staffed with five positions.

The Governor's Budget includes the following three proposals (all General Fund):

1. An *augmentation* of $310,000 for three new Senior Emergency Coordinators.

2. An *augmentation* of $242,000 for maintenance and calibration of medical equipment for EMSA's two mobile field hospitals.

3. A reduction of $35,000 in operating expenses.

The Governor's Budget requests an *increase* of $310,000 (General Fund) for three new Senior Emergency Coordinators at EMSA. The purpose of these positions, to be stationed in Sacramento, would be to serve as EMSA's field liaison during a state disaster medical response. They would be responsible for the readiness of field assets (such as equipment, vehicles, and supplies), training of staff and volunteers, and the interface with all 58 counties prior to an event. During a disaster they would be on-site coordinators with local EMS Agencies or the field level Incident Command managing the medical disaster.

EMSA is seeking an increase of $242,000 for the on-going maintenance and calibration of all medical equipment contained in all three of its Mobile Field Hospitals. The request is based on a “request for proposal” process. EMSA states that the contractor—Blu-Med – offered the “best value” for the state and that this level of funding will enable it to meet all manufacturers' required equipment calibration and service intervals necessary to maintain equipment warranties and ensure that the mobile hospitals are in a state of readiness.

In addition, an April 1 Finance Letter requests an additional General Fund augmentation of $448,000 to fund a pharmaceutical cache for the field hospitals. (This request will be addressed at a subsequent hearing.)

The budget includes a reduction of $35,000 General Fund to the Mobile Medical Assets Program. The EMS Authority states that this reduction would be taken by reducing general operating costs, including asset oversight and training activities. Program Description.

STAFF COMMENTS

1. EMSA has a total of about 28 existing positions in disaster and emergency response and planning, including the Mobile Medical Assets Program.

2. The Department of Public Health (DPH) has 114 personnel-years of staff in its emergency preparedness program, funded by federal funds and some state General Fund. The focus of DPH is on health emergencies involving disease outbreaks or bioterrorism. EMSA's mobile assets and coordination expertise also play a role in responding to those types of emergencies, in addition to responding to more trauma-centered emergencies, such as earthquakes or fires. EMSA's budget request for additional staffing does not discuss the possibility of shifting a small amount of DPH's funding and positions to EMSA in order to free-up resources to support the requested new positions.

3. The EMSA budget request recognizes that its original cost estimates for the mobile field hospitals were "shortsighted" in not anticipating the equipment calibration and maintenance costs necessary to their readiness.

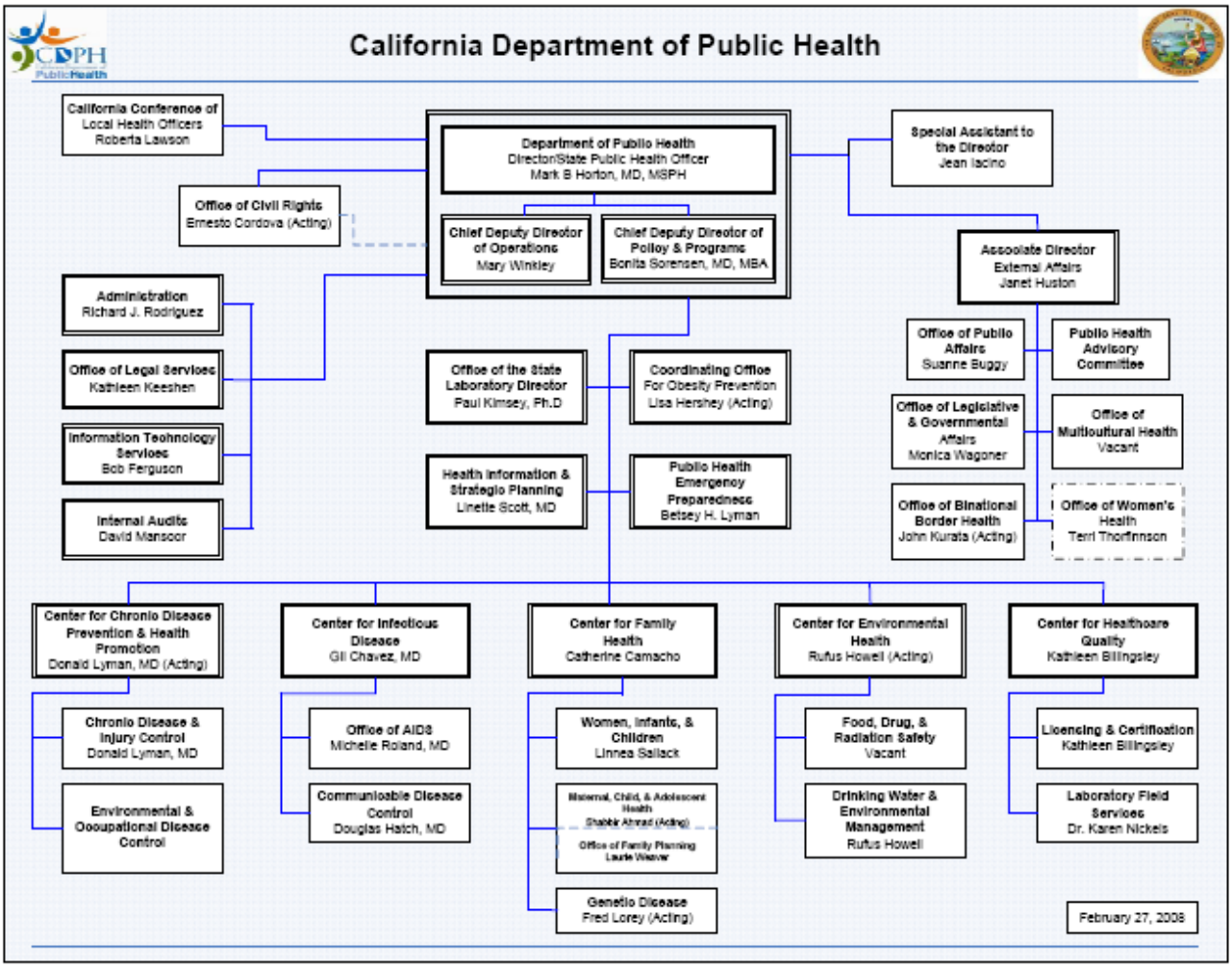
4265 DEPARTMENT PUBLIC HEALTH

The Department of Public Health (DPH) delivers a broad range of public health programs. Some of these programs complement and support the activities of local health agencies in controlling environmental hazards, preventing and controlling disease, and providing health services to populations who have special needs. Others are solely state-operated programs, such as those that license health care facilities.

According to the DPH, their goals include the following:

- Promote healthy lifestyles and appropriate use of health services
- Prevent disease, disability and premature death
- Protect the public from unhealthy and unsafe environments
- Provide and ensure access to critical public health services
- Enhance public health emergency preparedness and response

The DPH was part of the former Department of Health Services and became a separate department in the current year. Other functions of the former department (primarily Medi-Cal) were placed in the new Department of Health Care Services (DHCS). As shown in the organization chart below, DPH is organized into five Centers plus units overseeing emergency preparedness, the public health laboratories operated by the department, and health information and vital statistics.



Summary of Funding. The Governor's budget proposes about $3.1 billion (total funds) for state operations, local assistance, and capital outlay for DPH in 2008-09, as shown in Table 1 below. Including the Governor's budget-balancing reductions, this represents a decrease of about $246 million, or 7.4 percent, from total estimated current-year spending. This overall funding decrease primarily results from a reduction of $192.7 million in budgeted spending from bond funds for safe drinking water programs. Most of the Department's funding is from federal funds ($1.5 billion) and a variety of special funds. Proposed spending from the General Fund is $368.9 million—a decrease of $26 million, or 6.6 percent, compared with the current year. This General Fund decrease is due to the Governor's proposed "budget-balancing reductions."

Table 1
Department of Public Health
Expenditures and Staffing by Program
2008-09 Governor's Budget
(dollars in thousands)

Program	Estimated 2007-08*	Proposed 2008-09*	Proposed Staffing 2008-09
Public Health Emergency Preparedness	$115,501	$124,297	114.2
Public and Environmental Health Totals	3,058,015	2,831,223	1,864.4
Chronic Disease Prevention and Health Promotion	324,725	319,307	193.7
Infectious Disease	559,234	538,343	265.4
Family Health	1,517,053	1,522,036	473.7
Health Information and Strategic Planning	37,229	36,260	195.1
County Health Services	72,116	57,583	71.1
Environmental Health	547,658	357,694	665.4
Licensing and Certification Totals	161,000	170,991	1,061.5
Licensing and Certification	151,225	161,103	983.7
Laboratory Field Services	9,775	9,888	77.8
Administration	22,208	23,071	284.0
Distributed Administration	-22,208	-23,071	-
Total Expenditures (All Programs)	**$3,334,516**	**$3,126,511**	**3,324.1**
Budget-Balancing Reductions	**--**	**-$38,179**	**-51.2**

The Governor's proposed budget for public health programs includes the following significant changes:

- ***Budget–Balancing Reductions.*** The Governor's budget plan includes a reduction of $31.7 million General Fund and 51.2 positions in 2008–09. A 10 percent reduction against the base workload budget for 2008–09 was applied to each program area funded by the General Fund except for programs related to food–borne illness and lease–revenue bond payments for the Richmond Laboratory. Of the 51.2 positions proposed to be eliminated, 19 were vacant as of January 10, 2008. These reductions also eliminate $6.5 million of other funds (primarily federal matching funds).

- ***Additional Funding for Licensing and Certification.*** The budget proposes $8.8 million in special funds and 68 positions to implement Chapter 896, Statues of 2006 (SB 1312, Alquist), which requires DPH to inspect all long–term care health facilities to ensure compliance with state laws and regulations.

- ***Upgrade of Richmond Laboratory.*** The budget includes $2.5 million General Fund to fund construction of enhancements to the Richmond Laboratory necessary to meet newly established federal standards.

- ***Implementation of Infections Control Program.*** The budget includes $1.7 million ($1.3 million General Fund) and 12 positions to implement an infection surveillance and prevention program pursuant to Chapter 526, Statutes of 2006 (SB 739, Speier). The Governor vetoed funding for this program in the *2007–08 Budget Act* indicating in his veto message that his intent was to delay implementation by one year.

ISSUE 1: OFFICE OF AIDS PROGRAM REDUCTIONS

The Office of AIDS (OA), in the Department of Public Health, is the lead agency responsible for coordinating state programs, services, and activities relating to HIV/AIDS. The office is committed to assess, prevent, and interrupt the transmission of HIV, and to provide for the needs of HIV-infected Californians. There are three branches and two sections in the OA: HIV/AIDS Epidemiology Branch, HIV Care Branch, HIV Education and Prevention Services Branch, AIDS Drug Assistance Program Section, and the Administration Section.

Table 2 shows estimated current-year and proposed 2008-09 funding for programs administered by the OA. For 2008-09, the Governor's budget proposes a total of $404.3 million ($165.8 million General Fund) for programs operated by the OA. This represents a net reduction of $21.6 million ($7.3 million General Fund) compared with estimated spending in the current year.

The largest program operated by the OA is the AIDS Drug Assistance Program (ADAP), which accounts for 69 percent of total proposed spending by the OA. ADAP ensures that uninsured and under-insured HIV-positive persons who do not qualify for Medi-Cal have access to drug therapies that can increase the duration and quality of their lives. Budgeted ADAP spending in 2008-09 totals $280 million ($100.6 million General Fund). In addition to General Fund support, the budget estimates that OA programs will spend $147 million in federal Ryan White funds and $92 million of ADAP drug rebate funds in 2008-09. The federal government also provides direct Ryan White funding to local health jurisdictions and to county and community clinics totaling $95 million in the current year.

Table 2

Office of AIDS Program Funding Detail

Department of Public Health

2008-09 Governor's Budget

($ In Thousands)

Funding Category	2007-08 (Estimated)		2008-09 (Budgeted)		Proposed Change in 2008-09			
	General Fund	Total	General Fund	Total	General Fund	Percent	Total	Percent
Support	$6,892	**$18,593**	$6,492	**$20,983**	-$400	-5.8%	$2,390	12.9%
Local Assistance (DPH OA)								
Education & Prevention	$30,478	**$37,612**	$23,278	**$30,412**	-$7,200	-23.6%	-$7,200	-19.1%
HIV Counseling and Testing	8,825	**10,460**	8,225	**9,860**	-600	-6.8%	-600	-5.7%
Epidemiologic Studies/Surveillance	9,051	**10,560**	8,651	**10,235**	-400	-4.4%	-325	-3.1%
Early Intervention	8,133	**14,933**	7,433	**14,382**	-700	-8.6%	-551	-3.7%
Therapeutic Monitoring Program	8,000	**8,000**	3,700	**3,700**	-4,300	-53.8%	-4,300	-53.8%
AIDS Drug Assist. Program (ADAP)	90,564	**287,455**	100,649	**279,959**	10,085	11.1%	-7,496	-2.6%
Housing	1,215	**5,365**	1,093	**4,805**	-122	-10.0%	-560	-10.4%
Home and Community Based Care	6,727	**12,380**	6,327	**11,869**	-400	-5.9%	-511	-4.1%
CARE/Health Insurance Premiums	--	**1,700**	--	**1,700**	--	--	--	--
Care Services (Consortia)	3,300	**17,751**	--	**14,250**	-3,300	100.0%	-3,501	-19.7%
Planning/Technical Assistance	--	**1,100**	--	**2,122**	--	--	1,022	92.9%
TOTAL OA LOCAL ASSISTANCE	**$166,293**	**$407,316**	**$159,356**	**$383,294**	**-$6,937**	**-4.2%**	**-$24,022**	**-5.9%**
TOTAL OA (SUPPORT + LOCAL ASST)	**$173,185**	**$425,909**	**$165,848**	**$404,277**	**-$7,337**	**-4.2%**	**-$21,632**	**-5.1%**

Proposed Budget Reductions

Budget-balancing reductions (BBRs) account for $11 million of the proposed reductions in OA programs, including a $7-million cut in ADAP. The remainder of the reductions results from the elimination of funding added or continued in the current year that the Administration considers to be temporary. The budget includes the following major funding reductions:

- ***ADAP ($7 million).*** This is a BBR reduction to be achieved by reducing the ADAP formulary—drugs covered by ADAP—to eliminate drugs that do not treat HIV/AIDS itself or opportunistic infections that attack AIDS patients with compromised immune systems. The drugs to be eliminated are those that treat conditions that often affect AIDS patients, such as drugs that treat wasting, blood disorders, anti-convulsants, and anti-psychotics. The OA, in consultation with the ADAP Medical Advisory Committee (MAC), now has preformed an initial review of drug expenditures and prescribing practices for the affected classes of drugs. Based on that initial review, OA now indicates that it may not need to eliminate all of the targeted drug classes to achieve the $7 million savings goal. Alternatives may include stricter utilization controls for some drugs, removal of selected drugs within a class, and encouraging the appropriate use of less expensive drugs. The OA expects to have more a more specific plan in a few weeks.

- ***Therapeutic Monitoring ($4.3 million).*** This reduction includes elimination of $4 million of additional funding provided to meet testing needs in the current year and an additional BBR cut of $300,000—a total reduction of 53.8 percent. This program provides access to specific laboratory tests (viral load and resistance testing) through a voucher-based program for low income, HIV-infected Californians who are uninsured or underinsured. HIV therapeutic monitoring provides clinicians with the objective tools to measure the efficacy of a particular course of highly active antiretroviral therapy (HAART), thereby increasing successful outcomes, and ensuring the quality of life and longevity of HIV-infected persons. Based on surveys conducted last year, there is an annual need for approximately 60,000 testing vouchers. Reducing current funding by more than half will force local health jurisdictions (LHJs) to divert money from other existing programs to meet some of the unfunded need for testing and it will place many HIV/AIDS patients who are not able to access tests at risk of ineffective treatment.

- ***Education and Prevention ($7.2 million).*** The budget eliminates $5.6 million of General Fund support that the Legislature has provided annually since 2005-06 in order to maintain existing ongoing funding levels for approximately 47 LHJs. In addition, the budget includes a BBR reduction of $1.6 million. The overall funding reduction for this program would be 19.1 percent. The Education and Prevention Program provides funding to local health jurisdictions (LHJs), community-based organizations (CBOs), service providers, advocacy organizations, universities, and other state and federal agencies to develop and implement focused HIV education and prevention programs. The program's primary goals are preventing HIV transmission, changing individual attitudes about HIV and risk behaviors, promoting the development of risk-reduction skills, and changing community norms that may sanction unsafe sexual and drug-taking behaviors.

Care Services/Consortia ($3.5 million). The budget eliminates all of the $3.3 million in General Fund support provided in the current year and also reduces federal funding by $201,000. The program contracts with counties to provide health and support services that increase and maintain access to primary medical care and support services for persons with HIV/AIDS.

Basis for ADAP Cost and Drug Rebate Revenue Estimates Not Clear

Because ADAP is both the most crucial and, by far, the largest, program component of the OA, it's funding needs and revenues have a large impact on the overall financing of OA programs.

MOE Requirement. Federal Ryan White funds are not provided on a matching basis (unlike Medi-Cal), so that, at the margin, the General Fund finances the entire amount of any net increase in ADAP spending and receives the entire benefit of any reduction. However, the state must meet a maintenance-of-effort (MOE) requirement for HIV/AIDS programs (including Medi-Cal HIV/AIDS spending) as a condition of receiving Ryan White federal funds. The OA has not provided a specific figure for the MOE in 2008-09, but the Office indicates that the Governor's budget is close to the MOE requirement in 2008-09. This leaves little or no room for any additional General Fund savings. Consequently, if the need for General Fund support of ADAP declines (due to lower program costs or higher drug rebate revenues), the savings would have to be redirected to other HIV/AIDS programs in order to ensure that the state meets the MOE requirement.

Uncertain Estimates. Estimates of ADAP costs and drug rebates have been subject to significant variability. For example, last year's May Revision reduced the ADAP cost estimate by $10.5 million and increased funding from drug rebates by $17.1 million—an overall improvement of $27.6 million between January and May. This enabled ADAP to reduce its General Fund cost by $9.3 million and provided an additional $18.3 million that the 2007-08 Budget Act redirected to maintain and enhance OA programs.

In the current year, spending from ADAP drug rebate revenues will virtually double to $109 million, an increase of $52 million, according to the Governor's budget. In contrast, the budget projects a *decline* of $17.1 million in ADAP drug rebate revenue for 2008-09. Projected total ADAP spending in 2008-09 is the same as in the current year ($287 million), excluding the $7 million budget-balancing reduction. Unlike other significant health care programs, such as Medi-Cal, Healthy Families, or California Children's Services, ADAP provides no documented estimate to justify its budget request. OA states that it develops the ADAP budget request by starting with prior-year spending and then projecting changes in client numbers, drug costs and utilization, and new drugs that will come on the market. Given the many variables involved, and the costs of coordinating with Medicare Part D and other drug coverage available to some ADAP clients, it would seem unlikely (although not necessarily impossible) for projected ADAP costs to remain constant. Without a detailed estimate, there is no basis to evaluate the budget request.

Large Rebate Reserve. The budget estimates that the ADAP Rebate Fund will have a reserve of $80 million (about 80 percent of annual revenue) at the end of 2008-09. The OA indicates that it needs a large reserve to provide for potential litigation liability and other factors. However, again, no specific basis for keeping a reserve of this size has been provided.

STAFF COMMENTS

The proposed budget reductions will have a detrimental effect on education and prevention efforts to reduce the spread of HIV/AIDS and on health care services for persons with HIV/AIDS.

Without a detailed estimate of ADAP needs and costs, it is not possible to evaluate the program's budget request either in terms of its adequacy to meet ongoing ADAP needs or whether rebate revenues could be used to free-up additional General Fund money for other OA programs.

The OA should explain the basis of its estimates and the amount of the rebate reserve to the Subcommittee, and provide specific estimate detail to the LAO and staff.

ISSUE 2: COUNTY MEDICAL SERVICES PROGRAM FUNDING

The Department of Public Health (DPH) is proposing trailer bill language to: (1) permanently eliminate the state's statutory obligation to provide up to $20.2 million (General Fund) annually for the County Medical Services Program (CMSP); and (2) technical changes regarding the administration of the fund.

Since enactment of Realignment in 1991, the state has been statutorily required to provide up to $20.2 million General Fund to meet some of the expenditures of the program. However, since 1999, trailer bill language has been enacted to suspend this appropriation. The DPH trailer bill language would permanently eliminate this statutory requirement. In addition, the proposed language would make a technical conforming action by having the State Controller's Office deposit all funds (County Realignment-related funds) into the CMSP Subaccount of the Sales Tax Growth Account in lieu of the CMSP Account. The State Controller's Office would then periodically allocate the funds to the CMSP Board for CMSP expenditures.

CMSP. Created in 1983, the CMSP is a county-operated provider reimbursement program serving medically indigent adults who are not eligible for Medi-Cal and reside in one of California's 34 smaller counties. CMSP is funded using monies derived primarily from county Realignment Funds and county general purpose revenues. It is administered by a CMSP Governing Board and appointed staff. In October 2005, the CMSP Board hired Blue Cross to administer the program, in lieu of using Department of Health Services (DPH now) staff. Despite this administrative change, management of the CMSP Account remained with the state because statute located the Account within a fund that DPH administers on behalf of a variety of programs. The proposed trailer bill language would update this arrangement.

STAFF COMMENTS

CMSP Board Supports the Language. The governing board has expressed its support for adoption of this language, and no issues have been raised by LAO or others.

ISSUE 3: INCREASE IN LOCAL ASSISTANCE FOR EMERGENCY PREPAREDNESS

The Governor's budget proposes to increase General Fund local assistance for pandemic influenza and bioterrorism planning by $6.9 million (after a BBR reduction of $1.6 million), which would almost double the current funding level of $7.1 million. In addition, the budget proposes $55 million of federal funds for this purpose, which is the same as the amount provided in the current year.

The current funding level ($7.1 million) results from the Governor's veto in the 2007 Budget Act of $8.5 million of the amount that he had originally requested for local assistance planning. The Governor pointed out that the funding level is discretionary and based his action on the need for a prudent reserve.

LAO Alternative Budget. The LAO's alternative budget proposal deletes the proposed $6.9 million increase on the basis that it is an augmentation above current spending levels.

STAFF COMMENTS

1. The need for budget savings would appear to be even more compelling now than when the Governor vetoed down the 2007-08 appropriation.

2. DPH should address the specific basis of their requested augmentation (no Budget Change Proposal was provided to justify the request).

ISSUE 4: LAO ALTERNATIVE BUDGET BBR PROPOSALS

The Legislative Analyst's Office has presented a comprehensive alternative budget proposal for the Legislature's consideration. The LAO alternative rejects the Governor's basic approach of across-the-board reductions and rather attempts to target spending cuts. The LAO alternative also includes $2.7 billion of additional General Fund revenues, allowing for a smaller total of spending reductions.

With respect to the DPH, LAO's alternative budget rejects $15.7 million of the $31.7 million of General Fund spending cuts proposed in the Governor's budget-balancing reductions (BBRs). Table 4 lists the BBRs that would not be adopted in the LAO alternative budget. Generally, the BBRs rejected by LAO were those that in their judgment reduced direct services.

Table 4
Department of Public Health
2008-09 Governor's Budget Balancing Reductions (BBRs)
Legislative Analyst's Office Alternative Budget
Rejected BBRs
(dollars in thousands)

BBR Page	Program	General Fund	LAO Comments
360	***Chronic Disease***		
363	Prostate Cancer	$365	$233,800 loss for treatment of men.
377	Children's Dental	326	Reduce preventative dental services for about 32,500 children
379	Preventive Health Care	125	4,000 clients will not receive comprehensive health assessments.
415	***Center for Family Health***		
418	Information & Education - teen mentoring and referrals related to reproductive health	159	An estimated 5,000 teens and parents of teens will not receive services.
419	Male Involvement Program - prevention of pregnancy	115	~2,400 men will not receive services.
420	Teen Smart Outreach - targets high risk teens - prevent pregnancy and STDs	91	30,000 teens would not receive services.
421	Adolescent Family Life-pregnant and parenting teens, promotes healthy births, school, etc.	1,194	1100 teens would not receive services.
422	Black Infant Health	390	556 clients would not receive services, may result in low birth weight or infant mortality.
427	Domestic Violence	2,269	13,000 women would not receive services.
433	***AIDS/HIV Programs***		
434	AIDS Education & Prevention	1,600	Reduces the number of contacts with high-risk clients by 20,000 (400,000 contacts are made annually). 75% of new infections are spread by those who do not know they are infected.
440	AIDS Therapeutic Monitoring	300	~1,176 less would receive services. These tests help physicians prescribe the best medicine.
442	AIDS Home and Community-Based Services	400	Reduces the number of clients receiving case management services.
443	AIDS Drug Assistance Program	7,000	Reduces the formulary.
447	HIV Counseling & Testing	600	Eliminate 8,060 tests annually. 75% of new infections are spread by those who do not know they are infected.
451	**Communicable Diseases**		
471	Tuberculosis Control - Housing - local assistance	748	For the last several years, the cumulative amount requested by locals (paid in arrears for allowable expenses) have exceeded the available funds. Public safety issue.
	Total of LAO rejected BBRs	**$ 15,682**	

STAFF COMMENTS

- The LAO's alternative budget also rejects the Medi-Cal provider rate cuts due to their potential detrimental affect on access to services. As noted above, this is possible, in part, because the LAO alternative includes significant new revenues. In the context of the Legislature's Special Session action to adopt the Medi-Cal rate cuts, however, rejecting these BBRs could result in more favorable treatment of persons receiving services through the various DPH programs, whose providers would not experience a payment reduction, and Medi-Cal beneficiaries, whose providers will generally get paid less than they do now.

- The LAO should review for the Subcommittee their approach and the basis for their rejection of selected DPH BBRs.