AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER DR. JOAQUIN ARAMBULA, CHAIR

WEDNESDAY, MARCH 4, 2020

2:30 P.M. - STATE CAPITOL, ROOM 126
(PLEASE NOTE ROOM CHANGE)

ITEMS TO BE HEARD

NON-DISCUSSION ITEMS

LIST OF PANELISTS IN ORDER OF PRESENTATION

All panelists are asked to please be succinct and brief in their presentations (2-3 minutes is suggested) in order to facilitate the flow of the hearing. Thank you.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: TRENDS IN THE DEVELOPMENTAL SERVICES SYSTEM AND DEFINING SYSTEM AND FISCAL REFORM

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Alison Morantz, J.D., Ph.D., Director, Stanford Intellectual & Developmental Disabilities Law and Policy Project, Stanford Law School
- Eric Zigman, Executive Director, Golden Gate Regional Center
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 2: PROVIDER RATES, GOVERNOR'S PROPOSAL, AND ASSOCIATED INVESTMENT PROPOSALS

- Nancy Bargmann, Director; John Doyle, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymember Chris Holden
- Tom Heinz, East Bay Innovations and Harry Bruell, Path Point
- Jordan Lindsey, The Arc & United Cerebral Palsy (UCP) California Collaboration
- Public Comment

ISSUE 3: GOVERNOR'S PROPOSAL ON PERFORMANCE INCENTIVES FOR REGIONAL CENTER SERVICES

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Curtis Child, Legislative Director, Disability Rights California
- Alison Morantz, Board Member, Disability Voices United
- Representative, Association of Regional Center Agencies
- Public Comment

ISSUE 4: GOVERNOR'S PROPOSAL ON SPECIALIZED CASELOAD RATIOS AND ASSOCIATED ADVOCACY REQUEST

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymember Brian Maienschein
- Tiffany Whiten, Legislative Advocates, Service Employees International Union
- Public Comment

ISSUE 5: GOVERNOR'S PROPOSAL ON CRISIS AND SAFETY NET SERVICES AND ASSOCIATED TRAILER BILL LANGUAGE PROPOSALS

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Norm Kramer, Interim Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 6: ADVOCACY PROPOSAL ON SERVICE OUTCOME INITIATIVE

- Kevin Rath, Executive Director, Manos and Vice President of the California Supported Living Network
- Nancy Bargmann, Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 7: ADVOCACY PROPOSAL ON PAID INTERNSHIP PROGRAM (PIP) AND COMPETITIVE INTEGRATED EMPLOYMENT (CIE) INCENTIVES

- Barry Jardini, Director of Government Affairs, California Disability Services Association
- Nancy Bargmann, Director and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 8: ADVOCACY PROPOSAL REGARDING SUBMINIMUM WAGES FOR CONSUMER WORKERS

- Eric Harris, Legislative Advocate, Disability Rights California
- Nancy Bargmann, Director and Norm Kramer, Interim Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 9: OVERSIGHT ITEM: HOME AND COMMUNITY-BASED SERVICES FEDERAL COMPLIANCE

- Brian Winfield, Chief Deputy Director and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 10: OVERSIGHT ITEM: SELF-DETERMINATION PROGRAM

- Brian Winfield, Chief Deputy Director and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Judy Mark, President, Disability Voices United
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 11: OVERSIGHT ITEM: HEADQUARTERS RESTRUCTURE AND REORGANIZATION AND GOVERNOR'S BUDGET CHANGE PROPOSAL

- Nancy Bargmann, Director; John Doyle, Chief Deputy Director; Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 12: OVERSIGHT ITEM: DISPARITIES FUNDING

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Vicky Lovell, Research, Audits and Evaluation Branch Manager, Department of Developmental Services
- Brent Houser, Department of Finance
- Fernando Gomez, Vice-President, Disability Voices United
- Sonja Petek, Legislative Analyst's Office
- Public Comment

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While there are no panels for Non-Discussion items, the Chair will ask if there is any public comment for these items. If a Member of the Subcommittee wishes for a fuller discussion on any of the Non-Discussion issues, please inform the Subcommittee staff and the Chair's office as soon as possible. Thank you.

Subcommittee staff would like to extend a special thank you to the Department of Developmental Services and the Legislative Analyst's Office for providing comprehensive, timely, and very helpful information and support, without which this public document would not be possible. Thank you.

ITEMS TO BE HEARD

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: TRENDS IN THE DEVELOPMENTAL SERVICES SYSTEM AND DEFINING SYSTEM AND FISCAL REFORM

PANEL

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Alison Morantz, J.D., Ph.D., Director, Stanford Intellectual & Developmental Disabilities Law and Policy Project, Stanford Law School
- Eric Zigman, Executive Director, Golden Gate Regional Center
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BUDGET OVERVIEW

The Department of Developmental Services (DDS) is responsible for administering the Lanterman Developmental Disabilities Services Act (Lanterman Act). The Lanterman Act provides for the coordination and provision of services and supports to enable people with developmental disabilities to lead more independent, productive, and integrated lives. The Early Start Program provides for the delivery of services to infants and toddlers at risk of having a developmental disability. The Department carries out its responsibilities through contracts with 21 community-based, non-profit corporations known as regional centers (RCs), two state-operated developmental centers, one state-operated community facility, and Stabilization, Training, Assistance and Reintegration (STAR) homes.

The Governor's proposed 2020-21 budget for DDS includes $9.2 billion from all fund sources, up $1 billion relative to revised 2019-20 estimates. The General Fund accounts for $5.7 billion of proposed 2020-21 spending; an increase of $622 million (12.3 percent) from revised 2019-20 General Fund spending.

DDS is estimated to serve 368,622 individuals with qualifying developmental disabilities (called "consumers" in statute) in 2020-21, up 5.3 percent from 2019-20 (from 350,047). The cost to serve new consumers, as well as growth in the cost per case, accounts for $420.3 million ($263.4 million General Fund) of the total year-over-year increase. Spending for service providers' costs associated with state minimum wage increases accounts for another $224.1 million ($114.6 million General Fund).

California's Lanterman Act was originally passed in 1969 and was substantially revised in 1977. It amounts to a statutory entitlement to services and supports for individuals with qualifying developmental disabilities. By passing the Lanterman Act and subsequent legislation, the state committed to providing the services and supports that all qualifying "consumers" (the term used in statute) need and choose to live in the least restrictive environments possible. There are no income-related eligibility criteria.

Pursuant to the plan proposed by the Governor and approved by the Legislature in 2015, DDS is closing its last general treatment Developmental Center (DC), Fairview DC in Costa Mesa (Orange County). DDS announced that it moved the final resident last month. In December 2019, DDS closed the General Treatment Area of Porterville DC (PDC) in Porterville (Tulare County). DCs were large state-operated institutions for individuals with developmental disabilities. At one time the state operated as many as seven DCs, but as integration of consumers into the community and consumer choice have grown in importance, institutional settings are less common. The ending population of individuals in state-operated residential facilities is estimated to be 302 on July 1, 2020. Most former DC residents transitioned to community-based homes (a small share live in intermediate care facilities or skilled nursing facilities).

DDS continues to operate a secure treatment program at PDC for consumers placed there by court order. PDC includes competency training for consumers deemed incompetent to stand trial (IST). Statute limits the number of PDC residents to 211. DDS also operates a leased community facility—Canyon Springs in Cathedral City (Riverside County)—which serves up to 56 consumers, many of whom are transitioning from PDC. Otherwise, DDS' consumer population now is served in community settings.

Community services are coordinated by 21 nonprofit Regional Centers (RCs), which contract with DDS. RCs pay for consumers' direct services, which are delivered by a large network of private and nonprofit service providers. Most consumers also receive services through other state programs, such as Medi-Cal (California's Medicaid program), public schools, or In-Home Supportive Services. If a service can be accessed through one of these other programs (called "generic" services), RCs cannot pay for that service.

FUNDING SUMMARY *(Dollars in Thousands)*	2019-20	2020-21	Difference	Percentage Change
BUDGET SUMMARY				
Community Services	$7,735,113	$8,751,047	$1,015,934	13.1%
State Operated Facilities	326,381	300,186	-26,195	-8.0%
Headquarters Support	97,881	118,220	20,339	20.8%
TOTALS, ALL PROGRAMS	**$8,159,375**	**$9,169,453**	**$1,010,079**	**12.4%**
GENERAL FUND				
Community Services	$4,686,900	$5,314,052	$627,152	13.4%
State Operated Facilities	283,828	267,126	-16,702	-5.9%
Headquarters Support	63,372	74,495	11,123	17.6%
GF TOTAL, ALL PROGRAMS	**$5,034,100**	**$5,655,673**	**$621,573**	**12.3%**

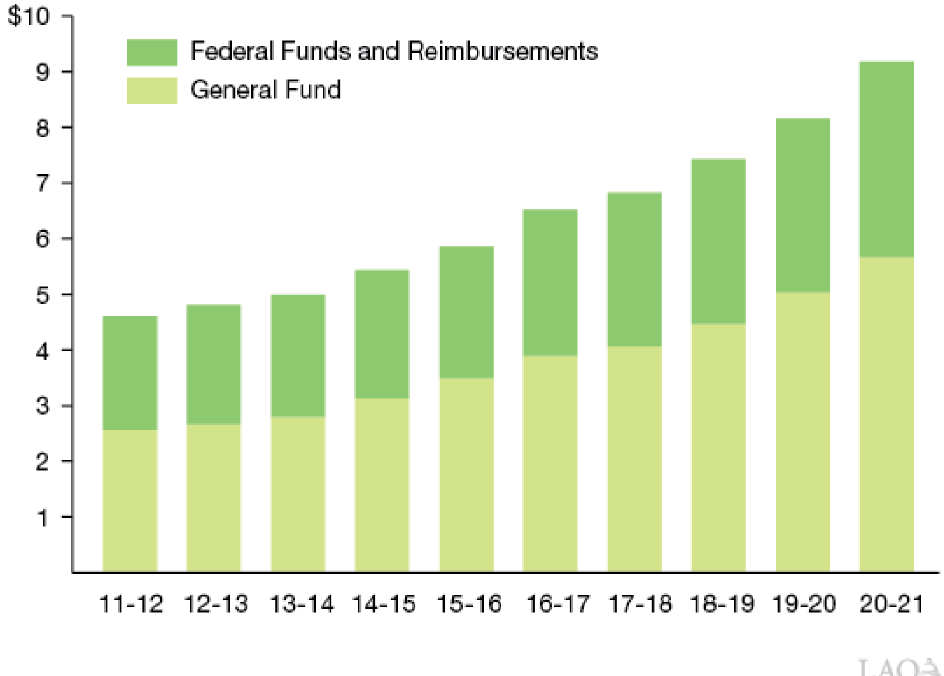
	2019-20	2020-21	Difference
Caseloads			
State Operated Facilities	363	302	-61
Regional Centers	350,047	368,622	18,575
Departmental Positions			
State Operated Facilities	2,518.2	1,951.8	-566.4
Headquarters	512.0	523.2	11.2

RECENT SYSTEM TRENDS

The figure on the next page from the Legislative Analyst's Office (LAO) shows the growth in the DDS budget over the last decade.

Department of Developmental Services Spending Has Doubled in Ten Years

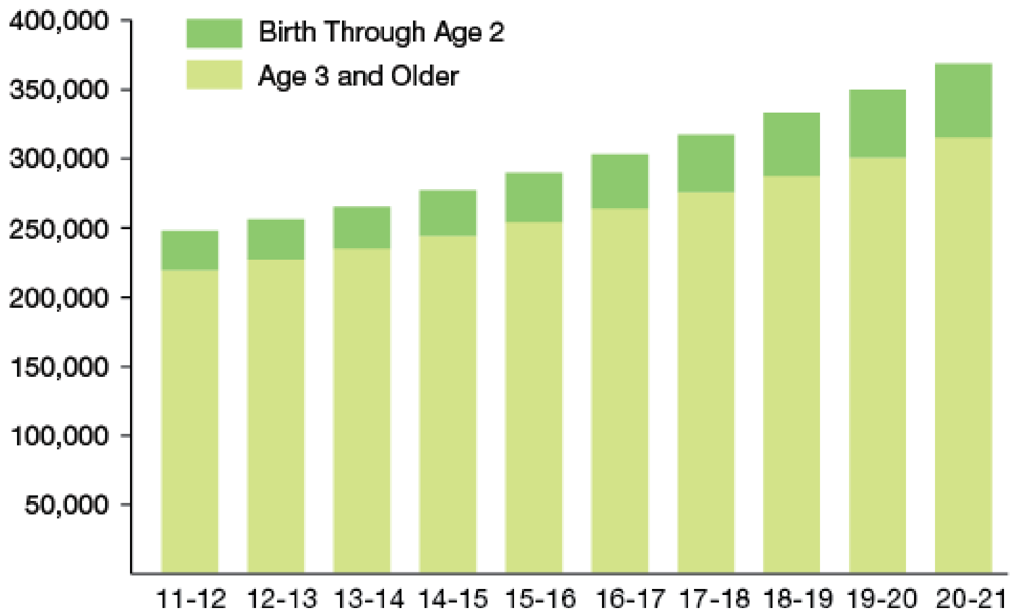
(In Billions)



Note: 2019-20 amounts are estimated and 2020-21 amounts are proposed.

The number of consumers served in the DDS system also continues to grow rapidly. California's overall population has grown by less than 1 percent on average in recent years (and the number of births in the state was down between 2017-18 and 2018-19). DDS caseload has grown by 5 percent on average in recent years. The DDS caseload is projected to add 18,575 new consumers in 2020-21, growing by 5.3 percent relative to revised 2019-20 estimates. DDS' Early Start Program—which serves children under age 3 who have a developmental delay—is growing particularly fast—twice as fast as the consumer population age 3 and older. The figure below shows growth in the DDS system over the past ten years.

Caseload Served by Department of Developmental Services Continues to Grow Rapidly



Note: Population from January of each fiscal year. Populations for 2019-20 and 2020-21 are estimated.

LAO

According to the LAO, there are three primary factors that drive spending increases in the DDS system, discussed below. A $1 billion increase ($627.2 million General Fund) in proposed 2020-21 spending on community services relative to revised 2019-20 estimates primarily is due to these three factors that reflect workload budget adjustments (as opposed to new policy proposals). Increased spending on community services is partially offset by decreased spending of $26.2 million ($16.7 million General Fund) on state-operated facilities.

1. **Caseload and Use of Services.** The increase in the number of consumers served and changes in the mix and amount of services used by each consumer account for $420.3 million ($263.4 million General Fund) of the increase.

2. **State Minimum Wage.** Funding to help service providers pay for the rising cost of state minimum wage increases accounts for another $224.1 million ($114.6 million General Fund) of this increase. This includes the full-year costs of the increase from $12 to $13 that began January 1, 2020 and half-year costs of the increase from $13 to $14 that is scheduled to begin on January 1, 2021.

3. **Full-Year Implementation of Supplemental Rate Increases.** The 2019-20 Budget Act included half-year costs for supplemental rate increases of up to 8.2 percent in numerous service categories. The increases took effect January 1, 2020. The proposed 2020-21 budget includes an additional $206.2 million ($124.5 million General Fund) to account for the full-year cost of these increases. The potential suspension of

these rate increases also was extended 18 months from December 31, 2021 to July 1, 2023.

SYSTEM AND FISCAL REFORM

In working toward the deinstitutionalization of individuals with developmental disabilities, and toward meeting statutory requirements for Developmental Center (DC) closure, the DDS established the DC Task Force as a way to include and collaborate with stakeholders. Once the closures of the last Developmental Centers was imminent, the Task Force changed into the Developmental Services (DS) Task Force in 2014 to strengthen community services for individuals who have intellectual and developmental disabilities. DS Task Force members include self-advocates, family members, advocacy organizations, regional center representatives, community service providers, labor organizations and legislative leaders. Members are charged with examining services for individuals with intellectual and developmental disabilities and developing recommendations to strengthen the community services system considering a growing and aging population, resource constraints, and new state and federal laws and regulations.

In November 2019, the DS Task Force and its associated workgroups were reconstituted, and members were added to best represent the consumer population to include age, diagnosis, geographic representation, and the diversity of California's developmental services system. There are a total of 159 members in the DS Task Force and workgroups. DDS states that the new workgroups will build on the work of the previous workgroups and take on additional issues identified by the Task Force and included in SB 81. The five newly constituted workgroups include:

1. The **System and Fiscal Reform Workgroup** shall make recommendations on a system that continues to adhere to central tenets of the Lanterman Act with a focus on exploring the development of a value-based system. DDS states that this process will be transparent and will evaluate compliance with federal rules. DDS states that it will prioritize key system performance outcomes and measures.

2. The **Service Access and Equity Workgroup** will continue discussions on creating a culturally and linguistically competent service system, review funded disparity projects and outcomes, explore statewide strategies to improve access, and make data easy to understand for community discussions.

3. The **Safety Net Workgroup** will continue evaluation of, and make recommendations on, the developmental services safety net, to include crisis services through person-centered approaches.

4. The **Oversight, Accountability and Transparency Workgroup** will review and explore ways to measure and monitor service and quality outcomes and enhance transparency.

5. The **Community Resources Workgroup** has a focus on service development needs and opportunities, including housing, employment, workforce development, health, wellness, and technology.

The DS Task Force meets three to four times a year. The workgroups are expected to meet quarterly, although some workgroups may need to meet more or less frequently based on the subject matter. Additionally, for topic-specific discussions, focus group discussions may be scheduled as a subset of the workgroups. The next full DS Task Force meeting is scheduled for April 15, 2020. The following workgroups are scheduled to meet between February and July: 1) Service Access and Equity Workgroup; 2) Community Resources Workgroup; 3) System and Fiscal Reform Workgroup; and, 4) Safety Net Workgroup. As meeting dates and locations are finalized, they will be shared on the DDS website.

STAFF COMMENTS AND QUESTIONS

Key issues and questions for this discussion are:

- What are the drivers for increasing caseload? The conventional wisdom is that the caseload is increasing due to earlier diagnoses, a wholesale increase in the prevalence of autism spectrum disorder in the infant/toddler/child population, the growing complexity of conditions among persons served, and the longer lifetime longevity for the overall population. How will system and fiscal reforms reconcile to these fundamental, demographic drivers?

- On the expenditure side, it is a long held belief in the stakeholder community that the developmental services system in California is underfunded. The rate study released in 2019 bore out that reality by showing an enormous rate deficiency. What is the Administration's thinking about how expenditures can be mitigated without further weakening the quality of services and care for Individuals with Developmental Disabilities?

- How will/might the Lanterman Act change pursuant to the discussions in the System and Fiscal Reform Workgroup?

- Is moving to a managed care system part of the approach contemplated in the System and Fiscal Reform Workgroup? And what could that mean for Regional Centers, quality of care, and health, safety, and quality of life outcomes for Individuals with Developmental Disabilities?

- Is it the intention of the System and Fiscal Reform Workgroup to address rates? In what way?

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 2: PROVIDER RATES, GOVERNOR'S PROPOSAL, AND ASSOCIATED INVESTMENT PROPOSALS

PANEL

- Nancy Bargmann, Director; John Doyle, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
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- Public Comment

BACKGROUND

Service providers around the state deliver a wide variety of services and supports to DDS consumers, including residential services, day programs, employment support, independent and supported living, and personal assistance. RCs pay providers a rate for each service provided based on a set of service codes. This system, which is akin to a "fee-for-service" model, includes more than 150 service codes. Traditionally, the specific rates paid for each service were set in a number of different ways, including by DDS, statute, negotiation between providers and RCs, or other departments. Budgetary conditions over the past couple of decades led to numerous incremental changes to both the rates and the rate-setting methods. These piecemeal changes made the rates overly complex, inequitable across similar providers, and hard to understand. In addition, there generally is common agreement that the current rate structure does not result in funding levels that align with the funding requirements of the DDS system, which are based on current laws and demand for services.

Recent Rate Study. To address the problems associated with service provider rates (both the structure and level of rates), the Legislature approved $3 million General Fund in 2016 for DDS to conduct a rate study over a three-year period. DDS contracted with health policy consultants, Burns and Associates, to conduct the study, the results of which were delivered in draft form on March 15, 2019 and in final form on January 10, 2020. The rate models recommended by the study provide similar rates for similar services, include assumptions and inputs that can be modified or updated, allow for adjustments based on regional and other cost differences, and reflect rate levels necessary to meet service needs. Not factoring in the increased funding associated with 2019-20 supplemental rate increases, Burns and Associates estimated that if the rate models were fully implemented, DDS spending would increase by $1.8 billion in total funds (about $1.1 billion General Fund) relative to 2019-20 spending.

In addition to paying for services through the rate-setting process, DDS has several separate funding allocations, some with set annual funding amounts. The figure on the next page from the LAO lists some of these allocations.

DDS Allocations That Operate Outside of Traditional Rate-Setting Process

Allocation	Purpose	Amount (General Fund)	Year Authorizing Legislation Approved
Employment-Related Incentives	• Tiered incentives for service providers that successfully place a consumer in competitive integrated employment: $1,000 for a consumer who is employed for 30 consecutive days, $1,250 for 6 consecutive months, and $1,500 for 12 consecutive months. • Up to $10,400 per consumer per year for paid internships.	$20 million annually.	2016-17
Reducing Disparities	Grants to RCs and community-based organizations to implement recommendations and plans to reduce disparities in RC services.	$11 million annually.	2016-17
Compliance With HCBS Rule	Funding to help providers achieve compliance with federal HCBS rules by March 17, 2022. Awards based on demonstrated need.	$15 million annually.	2016-17
Specialized Home Service Rates	Negotiated rates for service providers at specialized homes (ARFPSHN, CCH, and EBSH).	At least $83.6 million spent in total in 2018-19.[a] Average per-person spending is more than three times what it is at the most intensive community care facilities.	2005-06 (ARFPSHN), 2014-15 (CCH/EBSH)
CPP/CRDP	• CPP: Funding allocated to RCs to enhance community-based service capacity to reduce reliance on restrictive settings. • CRDP: Excess CPP funds that can be used to develop other needed community resources.	About $60 million to $68 million annually.	2002-03; CRDP added in 2017-18

[a]This amount does not include the service provider billing for vacancies (which is allowed via the contracts with Regional Centers), nor does it include the amount of contract purchase-of-service dollars for ARFPSHN homes.

DDS = Department of Developmental Services; RC = Regional Center; HCBS = Home- and Community-Based Services; ARFPSHN = Adult Residential Facility for Persons with Special Health Care Needs; CCH = Community Crisis Home; EBSH = enhanced behavioral supports home; CPP = Community Placement Plan; and CRDP = Community Resource Development Plan.

The purpose of these alternative payments is to address some of the particular service requirements that were not being met under the rate-setting process.

DDS Oversight of the System. One way DDS conducts oversight of RCs is through contracting. Statute requires the state to enter into five-year contracts with RCs. These contracts include annual performance objectives—such as how many consumers live in homelike settings or how many consumers have competitive job placements—as well as annual performance reporting requirements. Currently, RCs' funding levels are not contingent on their performance under these contracts.

The current data available about DDS consumers and services are not comprehensive and are not collected in a systematic manner. This makes understanding the extent to which service needs go unmet across the state difficult. In particular, DDS does not collect enough data to quantify whether service providers have sufficient capacity to meet consumers' diverse needs or whether consumers have sufficient choice among providers.

PROVIDER RATE CHANGES MADE IN THE 2019 BUDGET

The Governor has not proposed implementing the rate models developed by Burns and Associates. Last year's budget actions increased funding for supplemental rate payments to certain providers, rather than implement the rate models. DDS has committed to discussing "system and fiscal reform" through a new workgroup (of the same name) comprised of family members, advocates, service providers, RC representatives, and others, discussed in the prior Issue.

The 2019-20 enacted budget included $206 million ($125 million General Fund) for supplemental rate increases of up to 8.2 percent to the service categories shown in the figure below. The rate increases apply to services that make up the majority of purchase of services (POS) spending. The full-year cost of these increases in 2020-21 is $413 million ($250 million General Fund).

Department of Developmental Services
Supplemental Rate Increases, Effective January 1, 2020

Service Code and Service	Rate Increase
017 - Crisis Team—Evaluation and Behavior Modification	8.20%
025 - Tutor Services—Group	8.20
028 - Socialization Training Program	8.20
048 - Client/Parent Support Behavior Intervention Training	8.20
055 - Community Integration Training Program	8.20
062 - Personal Assistance	8.20
063 - Community Activities Support Services	8.20
091 - In-Home/Mobile Day Program	8.20
093 - Parent-Coordinated Personal Assist Service	8.20
094 - Creative Arts Program	8.20
108 - Parenting Support Services	8.20
109 - Program Support Group—Residential	8.20
110 - Program Support Group—Day Service	8.20
111 - Program Support Group—Other Services	8.20
113 - DSS Licensed-Specialized Residential Facility	8.20
420 - Voucher Respite	8.20
465 - Participant-Directed Respite Services	8.20
475 - Participant Directed Community-Based Training Services/Adults	8.20
510 - Adult Development Center	8.20
515 - Behavior Management Program	8.20
612 - Behavior Analyst	8.20
613 - Associate Behavior Analyst	8.20
615 - Behavior Management Assistant	8.20
616 - Behavior Technician—Paraprofessional	8.20
645 - Mobility Training Services Agency	8.20
650 - Mobility Training Service Specialist	8.20
860 - Homemaker Services	8.20
862 - In-Home Respite Services Agency	8.20
864 - In-Home Respite Worker	8.20
875 - Transportation Company	8.20
880 - Transportation-Additional Component	8.20
882 - Transportation-Assistant	8.20
896 - Supported Living Services	8.20
904 - Family Home Agency	8.20
905 - Residential Facility Serving Adults—Owner Operated	8.20
910 - Residential Facility Serving Children—Owner Operated	8.20
915 - Residential Facility Serving Adults—Staff Operated	8.20
920 - Residential Facility Serving Children—Staff Operated	8.20
950 - Supported Employment—Group	8.20
952 - Supported Employment—Individual	7.60
073 - Parent Coordinator Supported Living Program	6.30
605 - Adaptive Skills Trainer	3.90
635 - Independent Living Specialist	2.40

DSS = Department of Social Services.

The Legislature and the Administration used the draft rate study (released in March 2019) to determine which service categories to increase within the budgeted amount of $206 million ($125 million General Fund). The 2019-20 budget included the suspension of these services in December 2021 unless the anticipated amount of General Fund revenues met a certain threshold.

Among the services that were not given a supplemental rate increase were independent living services, infant development services, and Early Start therapeutic services. The draft rate study models had indicated that the existing rates for these services were sufficient in the near term. However, once they were updated, the rate models ultimately indicated they were not.

To receive federal Medicaid matching funds, DDS must seek federal approval of the supplemental rate increases. This approval process takes about six months for program changes like a rate increase. Because of this delay, the 2019-20 budget provided half-year funding in anticipation of the increases beginning January 1, 2020, which they did.

GOVERNOR'S PROPOSAL

As described previously, the 2019-20 budget included funding for supplemental rate increases of up to 8.2 percent in numerous service categories, effective January 1, 2020, at an annualized cost of $413 million ($250 million General Fund). Although these increases do not reflect implementation of the rate study's recommended rate models, the selection of service categories to target was based on findings from the then-draft rate study.

The Governor's budget proposes $18 million ($10.8 million General Fund) in 2020-21 for supplemental rate increases for three additional services—infant development, Early Start therapeutic services, and independent living services—effective January 1, 2021. The addition of these three services to those services receiving supplemental rate increases reflects a correction made in the final version of the rate study, and thus is consistent with legislative intent in enacting the 2019-20 increases.

The Governor's budget proposes $18 million ($10.8 million General Fund) to add the three additional services noted above to the supplemental rate increases in 2020-21. The funding represents half-year costs. In 2021-22, the estimated annual cost of these increases is $36 million ($21.6 million General Fund). The figure below notes each service and the percentage rate increase for each.

Proposal for Supplemental Rate Increases for Three Additional Services, Effective January 1, 2021

Service Code and Service	Rate Increase
520 - Independent Living Program	8.20%
805 - Infant Development Program	8.20
116 - Early Start Specialized Therapeutic Services	5.00

For the added services, supplemental rate increases would not take effect until January 1, 2021, which would again provide the state six months to seek federal approval of these increases. The supplemental rate increases approved in 2019-20 and proposed in 2020-21 would be suspended on July 1, 2023, unless General Fund revenues are anticipated to reach a certain threshold. This extends the original suspension date for the 2019-20 increases by 18 months. It is worth noting that, currently, the Administration assumes these suspensions take effect.

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

The LAO had identified the three services targeted for rate increases in 2020-21 as ones that had potential issues with their draft rate models. The results from the draft rate models had led to the omission of these services from the rate increase in 2019-20. The Governor's budget proposes to correct that omission based on revised rate model information. Again, the proposal does not implement rate models; rather the rate models—if they were fully implemented—indicate which services are most in need of a rate increase.

As the LAO noted in their analysis last year, the Governor's proposed suspension of services that are arguably ongoing in nature creates uncertainty for consumers and service providers.

The LAO recommends the Legislature approve the proposed supplemental rate increases for infant development, Early Start therapies, and independent living, consistent with the Legislature's action approving supplemental rate increases in 2019-20.

ADVOCACY PROPOSALS

Assemblymember Jim Frazier and a group of organizations led by **The Arc & United Cerebral Palsy (UCP) California Collaboration** request a multi-year strategic plan and $20.4 million General Fund (one-time) and $377.6 million General Fund ($620 million total funds) ongoing to do the following:

- Phase-in the DDS rate models over three years with an investment of $275 million General Fund ($450 million total funds) annually;

- Take corrective actions on the provider supplemental rate increases to retroactively include three omitted services: Early Start Specialized Therapeutic Services, Independent Living Program, and Infant Development Program. This proposal assumes an 8.2% increase for all three services and includes a General Fund backfill, effective January 2020 to July 2020, of $20.4 million General Fund, and ongoing increases effective July 2020 of $24 million General Fund ($40.8 million total funds).

- Comply with Federal and State regional center caseload ratios by hiring 800 service coordinators with an increase of $50.7 million General Fund ($74.6 million total funds).

- Solve the minimum wage "quirk" and ensure all DDS funded services & supports receive adjustments for state minimum wage increases by providing a 3.33% increase for every $1 increase in minimum wage, $27.9 million General Fund ($54.5 million total funds).

- Secure a foundation for long-term planning by permanently removing the suspension date of July 1, 2023.

Assemblymember Chris Holden and the **Los Angeles Coalition of Service Providers** request $28.8 million General Fund ($56.2 million total funds) to augment the funds currently in the Governor's budget for rate adjustments to developmental services providers linked specifically to increases in state minimum wage. "The request would replace the current uneven and inequitable methodology with a uniform rate adjustment for all providers of 3.33% for each $1.00 of State minimum wage increase. The current methodology disallows rate adjustments for virtually all providers in regions of the state where labor costs are the highest, but offers increases for regions under less pressure to increase wages. This was not the intent of the Legislature when it acted to provide rate adjustments linked to state increases in minimum wage."

STAFF COMMENT/QUESTIONS

In total, the estimated cost of fully implementing the rate study remains at $1.8 billion ($1.1 billion General Fund). The estimated cost does not account for the supplemental rate increase included in the 2019 Budget or the proposed 2020-21 supplemental rate increase for additional service codes. Specifically, the 2019 Budget included an annualized $413 million in total funds for rate increases. Accounting for the supplemental rate increases, the remaining cost of implementing the rate models would be estimated at $1.4 billion total funds.

The key question for the Legislature and Administration is how the State wants to move forward, and options include: (1) some investment on a path that takes a next incremental step to address rate inadequacy; or, (2) a variation proposal that does not build off the study, but does address rates in some fashion.

Fixing the Minimum Wage Quirk. The minimum wage "quirk" is one option that would allow a pass-through of a $1 increase for providers in areas where a local minimum wage ordinance exceeds the state minimum wage. DDS has recently confirmed that the updated estimate for this cost for 2020-21 is $62.4 million ($32 million General Fund). This is the estimated impact for vendors in areas with local minimum wage ordinances in 2020-21 for both the minimum wage increase, effective January 2020 ($38.6 million = 12 months cost), and the minimum wage increase, effective January 2021 ($23.8 million = six months cost). This option has been discussed for two years, and underspending in the minimum wage allocation for DDS year over year creates a question of whether this can be accomplished, at least in part, within existing, unspent resources. The table on the following page is a display of the local areas where this "quirk" could be addressed, potentially as part of an overall approach on rates.

Addressing Data Needs. Another core question is how rates integrate into the vision of an outcomes-based system for DDS. Data gaps are large and fundamental in the developmental services system. Staff recommends that the Subcommittee consider some action as part of this Budget to begin to address the dire data needs that contribute to the current questions, and potential vulnerability, of the developmental services system.

Local Areas in Which Providers Cannot Request DDS Funding Associated With January 2020 State Minimum Wage Increase From $12 to $13 Per Hour

City or County	Employer Size (if Applicable)	Local Hourly Wage Before 1/1/2020
Belmont		$13.50
Berkeley		15.59
Cupertino		15.00
El Cerrito		15.00
Emeryville		16.30
Fremont	26+ employees	13.50
Los Altos		15.00
Los Angeles City	26+ employees	14.25
Los Angeles City	Under 26 employees	13.25
Los Angeles County—unincorporated areas	26+ employees	14.25
Los Angeles County—unincorporated areas	Under 26 employees	13.25
Malibu	26+ employees	14.25
Malibu	Under 26 employees	13.25
Milpitas		15.00
Mountain View		15.65
Oakland		13.80
Palo Alto		15.00
Pasadena	26+ employees	14.25
Pasadena	Under 26 employees	13.25
Redwood City		13.50
Richmond		15.00
San Francisco		15.59
San Jose		15.00
San Leandro		14.00
San Mateo	For-profits	15.00
San Mateo	Nonprofits	13.50
Santa Clara		15.00
Santa Monica	26+ employees	14.25
Santa Monica	Under 26 employees	13.25
Sunnyvale		15.65

DDS = Department of Developmental Services.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 3: GOVERNOR'S PROPOSAL ON PERFORMANCE INCENTIVES FOR REGIONAL CENTER SERVICES

PANEL

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Curtis Child, Legislative Director, Disability Rights California
- Alison Morantz, Board Member, Disability Voices United
- Representative, Association of Regional Center Agencies
- Public Comment

GOVERNOR'S PROPOSAL

The Governor's 2020-21 budget proposes $78 million ($60 million General Fund) annually to establish a performance-incentive program for developmental services that are administered through the RC system, on an opt-in basis across the 21 RCs. The program would be subject to potential suspension on July 1, 2023.

The proposed program has four stated goals: (1) having a quality system that values consumer outcomes; (2) developing services that meet consumer needs in a person-centered way; (3) promoting settings that better integrate consumers into the wider community; and, (4) increasing the number of consumers that have competitive (minimum wage or higher) job placements in the mainstream community.

DDS intends to work with the System and Fiscal Reform Workgroup of the Developmental Services Task Force to determine which outcomes align with the stated goals and how to measure them. These measures, or metrics, would form the basis of RC contracts moving forward. DDS would revise RC performance contracts to reflect the systemwide agreed-upon metrics.

DDS indicates that in the first year of the proposed incentive program, the funding would allow RCs to improve the quality and consistency of data collected and to ensure adequate infrastructure (such as contracting processes or payment practices) is in place to carry out the program. DDS developed this proposal based on communications with the National Association of State Directors of Developmental Disabilities Services and by examining similar programs in other states, such as Louisiana.

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

While the goals of the proposed program reflect legislative priorities for DDS, the LAO finds the system's current conditions, particularly funding challenges, would significantly constrain the ability of RCs and service providers to respond to incentives in a way that would lead to the intended goals. In addition, the LAO finds that the proposed program's structure lacks several criteria identified by researchers as optimal to result in a successful government performance-incentive program. The LAO notes that this proposal appears to move the system away from implementing rate reform—a key legislative interest over the last several years. This interest is reflected in the statutory requirement for a three-year rate study (since completed) to modernize the DDS rate structure in an effort to address the sustainability and quality of developmental services provided in the community.

Given the above concerns, the LAO is recommending that the Legislature reject the proposal for a performance-incentive program, and instead consider the direction it would like to take the DDS system in the future. On the one hand, pursuing full implementation of the rate study's recommendations over time would align the system with the guiding vision of the Lanterman Act, but it would increase costs significantly. If the Legislature pursued this path, the LAO offers some suggestions for how to repurpose funding proposed in the Governor's budget for the performance-incentive program to begin to address some of the system's chronic challenges. This path also could lay the foundation for pursuing a performance-based incentive program in the future. On the other hand, the Legislature may choose a different path forward. If so, the LAO suggests the Legislature begin to consider ways to change the system based on the Legislature's priorities and available resources.

The LAO references a 2010 RAND Corporation study examining nine "performance-based accountability systems" (systems that provide incentives based on measured outcomes to improve public services) in five public sectors: child care, education, health care, public health emergency preparedness, and transportation. The study found that the conditions listed in the figure on the following page are optimal for success. The LAO use these conditions as an evaluation framework for considering the Governor's proposed performance-incentive program. RAND notes that while fully realizing all six of these conditions is rare, decision-makers should assess whether sufficient conditions are present to make a performance-based accountability system the most appropriate and cost-effective policy intervention.

Excerpted From RAND Study[a] on Performance-Based Accountability Systems for Public Services

Optimum circumstances include having the following:

- ✓ A goal that is widely shared.
- ✓ Measures that are unambiguous and easy to observe.
- ✓ Incentives that apply to individuals or organizations that have control over the relevant inputs and processes.
- ✓ Incentives that are meaningful to those being incentivized.
- ✓ Few competing interests or requirements.
- ✓ Adequate resources to design, implement, and operate the performance-based accountability system.

[a]RAND Corporation (2010). "Toward a Culture of Consequence: Performance-Based Accountability Systems for Public Services."

In addition, RAND found that successful implementation of a performance-based accountability system requires getting past certain pitfalls, such as lack of experience managing such systems or lack of infrastructure to support it, unrealistic time lines, overly complex design, lack of communication, and resistance from stakeholders. The study notes that assessing "upfront whether providers have sufficient resources to do what is required of them" is important. RAND found examples of strategies that can aid public agencies in avoiding these pitfalls. For example, public agencies can pilot-test the system to identify problems or challenges. Exploiting existing infrastructure (such as building on top of existing structures) and implementing the system in stages can reduce implementation time and minimize the effect of mistakes in the system. The report recommends regular and effective communication with stakeholders, as well as regular monitoring of the system to identify and correct problems on an ongoing basis.

The figure on the next page summarizes the LAO assessment of the extent to which the Governor's proposal meets the six major conditions the RAND study says are optimal for a successful performance-based system.

DDS' Proposed Performance-Incentive Program Lacks Important Conditions for Success

	Does the Proposed Program Currently Have This Element?		
Conditions	Yes	No	Unclear
Widely shared goal	✓		
Clear, observable measures		X	
Properly aligned incentives			?
Meaningful incentives			?
Few competing interests		X	
Sufficient resources			?

DDS = Department of Developmental Services.

Note: Conditions for a successful performance-based accountability system are taken from Rand Corporation's 2010 report, "Toward a Culture of Consequences: Performance-Based Accountability Systems for Public Services."

ADVOCACY FEEDBACK

Disability Rights California writes to urge that *all* regional centers and providers should be required to use the performance outcome measures and that DDS must develop robust statewide performance outcome measures, rather than allowing individual regional centers or providers to develop their own measures. They also urge the development and investment in robust and uniform data collection systems to measure outcomes, with annual reporting so that all stakeholders can monitor achievements and areas for improvement statewide.

Disability Voices United writes to urge utilization of the National Core Indicators as baseline metrics to determine authentic person-centered planning, the improvement of data collection, and creating more transparent oversight to determine if services are being delivered in a way that reduced racial/ethnic disparities across the developmental services system.

STAFF COMMENT/QUESTIONS

Staff concurs with the LAO that without addressing the existing challenges, Regional Centers are not positioned to respond to an incentive-based system, such as the one proposed. Some parts of the proposal, such as "readiness" investments to assist RCs with updating data systems, could begin to set the right context for future performance-based incentive contracts with RCs. Until then, as the LAO writes, "the proposal otherwise does not set up many of the optimal conditions for success," and is open-ended enough to potentially not yield meaningful outcome information that advocates are so much seeking.

In addition, staff supports the concept of mandatory participation by all of the 21 RCs, pursuant to the recommendation from Disability Rights California. Dividing the $78 million across the 21 RCs could mean approximately $3.7 million to each RC on an annual basis. We would want to consider what we could reasonably buy and expect to achieve to support concrete goals, like increases in proportion of persons served who are employed or creation of data systems that assess satisfaction and quality of life outcomes, available on a state-sponsored dashboard. Narrowing the goal of this proposal to calibrate it realistically to the appropriation is what staff would emphasize as the next step if the Legislature chooses to adopt this proposal in some fashion.

Additionally, the trailer bill language released by the Administration lacks detail that is otherwise discussed as part of the proposal. Staff would urge the direction of the Subcommittee to work with the Administration to revise the trailer bill to incorporate this detail in the spirit of transparency on how the program would work for all of the stakeholders involved to see. These components include the up-front proportion (75 percent) of the funds that would go to the RCs based on specified "readiness" goals and the remaining portion (25 percent) that would be allocated upon an assessment of progress, made by DDS, with use at the RC's own discretion, or for a specified set of purposes, such as caseload ratio relief, to the extent that might not be otherwise unaddressed. It is possible that the first year of this funding is allocated differently than future years, and perhaps it makes sense to craft the trailer bill to allow for the program to be reformulated and reviewed at some point in the future.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 4: GOVERNOR'S PROPOSAL ON SPECIALIZED CASELOAD RATIOS AND ASSOCIATED ADVOCACY REQUEST

PANEL

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymember Brian Maienschein
- Tiffany Whiten, Legislative Advocates, Service Employees International Union
- Public Comment

BACKGROUND

Infants and toddlers who were part of the Early Start program are reassessed at age 3 to determine whether they have a substantial lifelong developmental disability. It also is the age at which young children may become eligible for services through the school system. Currently, required average caseload ratios at each RC for consumers ages 3 and older are 1:62 if they are enrolled in the Medicaid waiver or 1:66 if they are not enrolled in the Medicaid waiver.

GOVERNOR'S PROPOSAL

The proposed budget includes $16.5 million ($11.2 million General Fund) to reduce the RC service coordinator-to-consumer ratios to one service coordinator for every 45 consumers (1:45) for children ages 3, 4, and 5. Currently, federal funding agreements and state statute require average caseload ratios of 1:62 to 1:66 at each RC. The Governor's proposal is based on the Administration's preferred caseload ratios of 1:45 in the Early Start program, which serves infants and toddlers under age 3 (statute limits average Early Start caseload ratios to 1:62).

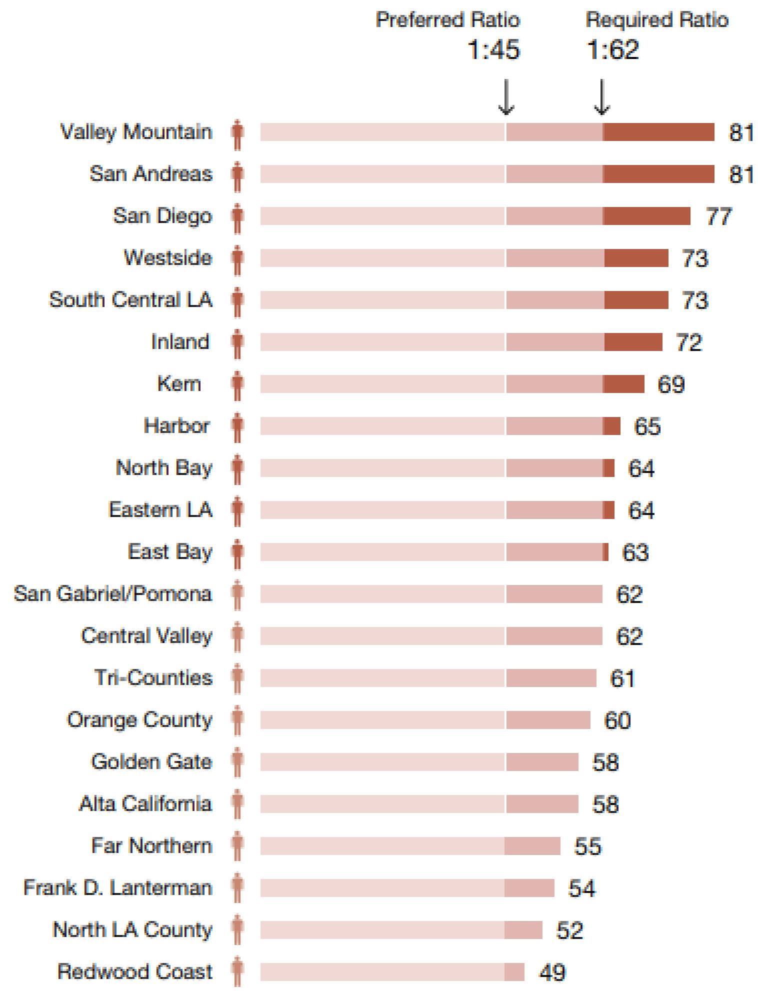
LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

While the Governor's proposal to add extra support for the families of children ages 3 through 5 might have merit, it does not address some of the known problems with caseload ratios described below.

The Governor's budget bases its proposal for caseload ratios of 1:45 for children ages 3, 4, and 5 on the purported 1:45 caseload ratios in Early Start. Although statute sets Early Start caseload ratios at 1:62, DDS funds RCs for a preferred caseload ratio of 1:45. The salary assumptions in the funding formula DDS uses to determine how much to pay RCs to implement the preferred caseload ratios is very outdated, however. Consequently, an RC typically hires fewer service coordinators than it is "funded for" because it has to pay a higher salary than that provided in the formula. As a result, as of March 2019, all RCs had average Early Start caseload ratios exceeding 1:45, as shown in the figure below. The average caseload ratio statewide was 1:65 and six RCs had average Early Start ratios in excess of 1:70.

None of the Regional Centers Meet the Preferred Early Start Caseload Ratios[a]

Average Number of Consumers Served by a Single Service Coordinator, March 2019



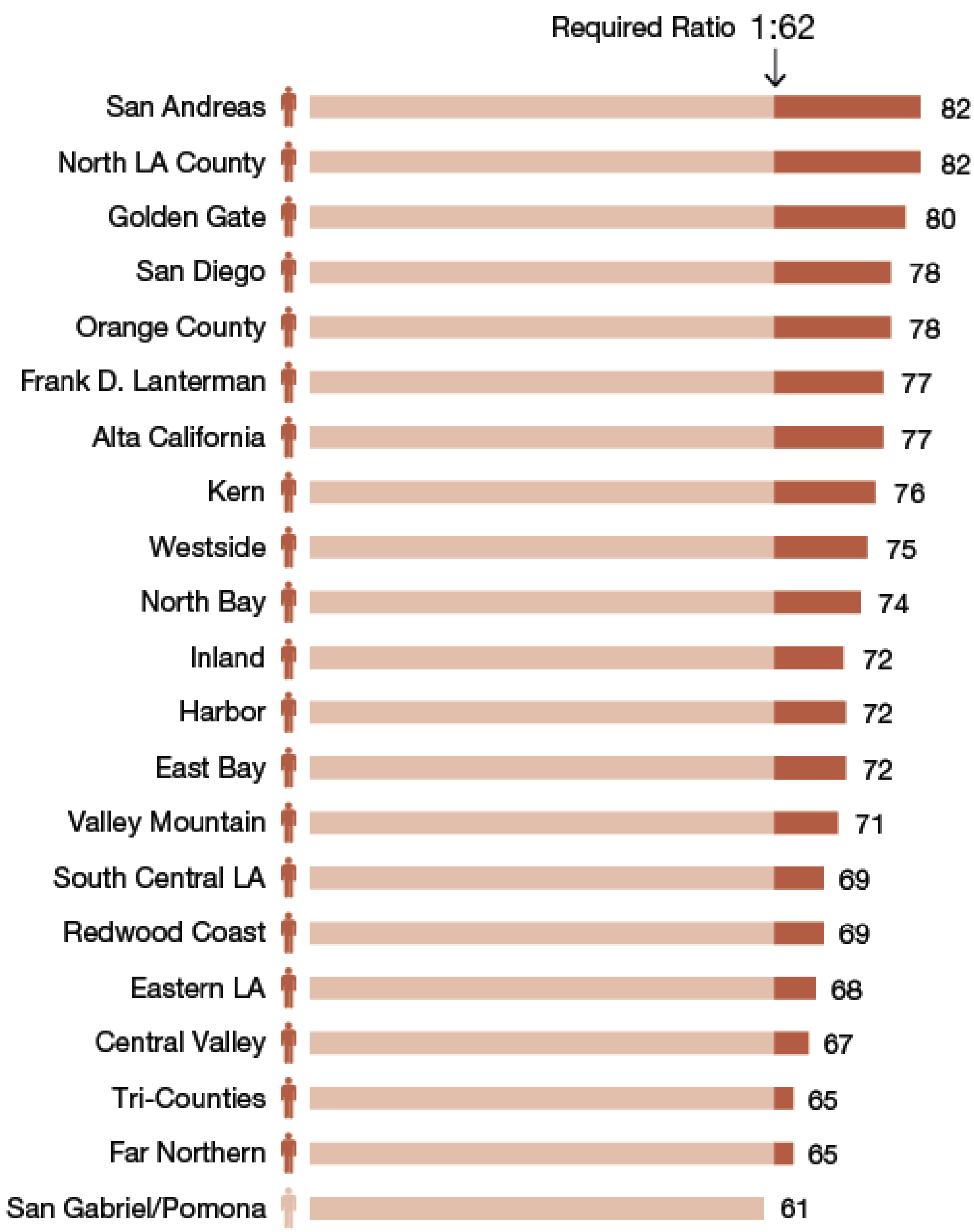
[a] Statute requires that a single service coordinator serve no more than 62 infants and toddlers (1:62) enrolled in Early Start, but the preferred ratio as determined by the administration is 1:45.

LA = Los Angeles.

In addition to problems with the Early Start caseload ratios, RC service coordinators also carry large caseloads for consumers age 3 and older enrolled in the Medicaid waiver. While statute and federal agreements require average caseload ratios of 1:62 at each RC, as of March 2019, only one RC was in compliance as shown in the next figure. The average caseload statewide was 73 and nine RCs had average caseload ratios of 1:75 or higher.

All but One RC Is Out of Compliance With Required Federal Medicaid Waiver Caseload Ratios[a]

Average Number of Consumers Served by a Single Service Coordinator, March 2019



[a] California's Medicaid Home- and Community-Based Services Waiver requires an average service coordinator-to-consumer ratio at each RC of 1:62 for waiver-enrolled consumers.

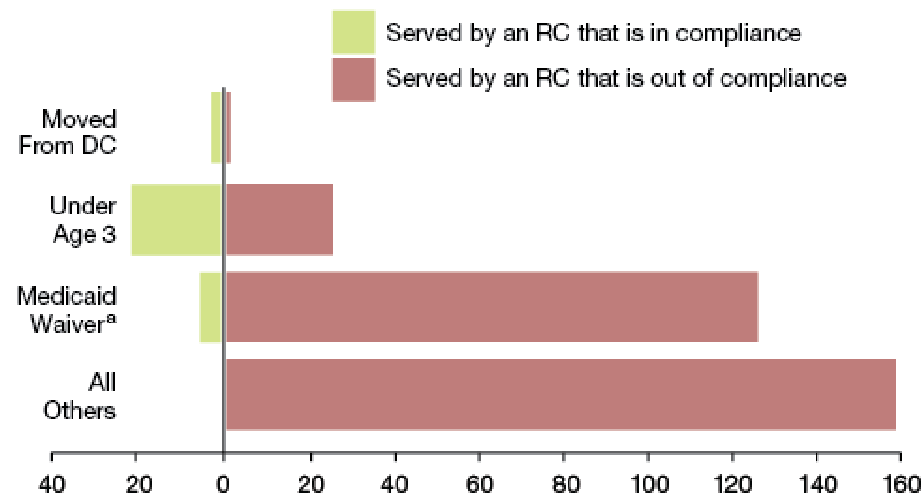
Medicaid waiver caseload ratios have been out of compliance for multiple years. Although the federal government has not taken any action against California as of yet, these out-of-compliance ratios nonetheless put federal funding at risk, particularly given the state's experience in the 1990s. Specifically, in 1997, the federal government found that RCs had numerous quality problems. In response, the federal government froze enrollment in the Medicaid waiver program until RCs implemented agreed-upon changes, which meant that the state could not access federal matching funds for services provided to consumers who would have otherwise been new waiver enrollees. When the freeze was finally fully lifted several years later, DDS estimated the state had foregone nearly $1 billion in federal funding. At that time, the federal government and California agreed to limit the size of caseloads as one way to avoid compromising the quality of RC services.

Without prejudice to its merits, the LAO states that the Governor's proposal lacks sufficient analytic basis to determine where or for whom caseload relief is warranted. Instead, it assumes that all RCs need to provide more intensive service coordination to families of children ages 3 through 5. While the LAO agrees those ages include important milestones and could benefit from extra support, why this is necessarily the case at all RCs is unclear, given some RCs might need extra support elsewhere. For example, age 22 is another important milestone in the system—it is when consumers age out of the school system and begin to access adult services from RCs. Transition planning at schools begins at age 16. Arguably, consumers in this transitional age range and their families also could use added attention from their service coordinators. Given that more than 90 percent of DDS consumers are served by RCs that are out of compliance with caseload ratios, the LAO questions why the proposal is limited to ages 3 through 5.

The LAO withholds recommendation on the proposal for enhanced caseload ratios for children ages 3, 4, and 5. In light of the fact that most consumers are assigned to service coordinators who have very large caseload ratios (and that all RCs are out of compliance in at least one service category), the LAO would need more information to justify approval of this request to enhance caseload ratios for such a limited age group. In addition, the program—Early Start—that serves as the model for this caseload ratio of 1:45 does not have a single RC with average caseloads that small. Consequently, the rationale for targeting caseloads for this age group before targeting Early Start caseloads is unclear.

Most of the DDS Population Is Served by RCs That Are Out of Compliance With Required Caseload Ratios

DDS Population (in Thousands), March 2019



[a] Refers to the group of consumers whose services are eligible for federal matching funds through the Medicaid Home- and Community-Based Services Waiver Program.

DDS = Department of Developmental Services; RCs = Regional Centers; and DC = Developmental Center.

ADVOCACY PROPOSALS

Assemblymember Brian Maienschein, **Service Employees International Union (SEIU)**, and the **Association of Regional Center Agencies (ARCA)** request the full funding of regional center caseload ratios needs, inclusive of the staffing needs to support service coordinators required to meet statutory caseload requirements. According to the advocates, this would require an appropriation of $50.7 million General Fund ($74.6 million total funds). This will fund 800 additional service coordinators.

The advocates state that approximately 8 in 10 people with developmental disabilities are served on caseloads that are out of compliance with California's commitment to the federal government. The annual survey completed in March 2019 demonstrated this was a shortfall of nearly 700 service coordination positions statewide, but informal surveys of regional centers show the current number is approximately 800. Official updated numbers will be available in early March 2020.

The following information is from their advocacy letter. "Each person served by a center is paired with a service coordinator to help them plan for the future, overcome current challenges, and secure services and supports to meet their unique needs that arise from the combination of their diagnosis, age, support needs, preferences, and cultural values. But when service coordinators have too many cases, consumers and their families are not given the time and attention needed to provide quality service coordination. Services may be delayed, coordination with service providers is less effective, mistakes are made, people fall through the cracks, and there are times when service coordination is reduced to triage and crisis management."

STAFF COMMENT/QUESTIONS

The state of RC caseloads is untenable, both at a system level and from the perspectives of RC staff who have spent their careers in service coordination in the developmental services system. While the ratio standards were set in 1990, it is plausible to assume that if they were reformulated and updated, the complexity of cases today would mean even lower ratios that California would be even farther away from in terms of compliance.

The Governor's proposal has merit of course given the developmental milestones at age three, and the challenges that exist already for those families so new to the system. The philosophy here though translates across the system and could be extended to foster a systemwide movement toward ratio compliance with current law.

The Subcommittee may wish to ask the following questions of the Administration on this subject:

- What is the Department's plan to address other caseload ratios that are out of compliance?
- Is the Department concerned about the possibility of losing federal funding because of out-of-compliance caseload ratios for consumers enrolled in the Medicaid waiver program?
- What is the Department's plan to improve Early Start caseload ratios?

Staff further recommends requesting updated caseload ratio information that is scheduled to be available later this month.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 5: GOVERNOR'S PROPOSAL ON CRISIS AND SAFETY NET SERVICES AND ASSOCIATED TRAILER BILL LANGUAGE PROPOSALS

PANEL

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Norm Kramer, Interim Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

As DDS closed its last general treatment DCs, it simultaneously developed community-based services for individuals in crisis. Such safety net services, which provide temporary residential, medical, and behavioral intervention, range from mobile crisis teams to acute crisis homes to "step-down" homes and services for individuals moving from more restrictive settings, such as institutions for mental disease or PDC's Secure Treatment Program.

The previous Governor's plan to close DCs was approved by the Legislature in 2015. Subsequent legislation required DDS to submit a safety net and crisis plan with the Governor's revised budget in May 2017. Many, but not all, of DDS' recent and current activities related to safety net services were described in that plan.

DDS was directed by the Legislature to submit a revised plan along with the Governor's 2020-21 budget proposal. DDS released its revised safety net plan on January 10. It includes an update on previous initiatives, describes how it engaged stakeholders to develop the plan, discusses recent initiatives, and describes the new proposals in the Governor's budget.

GOVERNOR'S PROPOSAL

The Governor's budget includes $20.9 million ($19 million General Fund) in 2020-21 to expand the safety net as follows: (1) a temporarily increase in capacity (until 2024) at DDS' secure treatment program at Porterville Developmental Center (PDC) for consumers currently in jail; (2) simultaneous development of five specialized homes that would ultimately replace the temporary increased capacity at PDC; and, (3) an increase in crisis prevention training at four RCs (currently this model is being piloted at two RCs). Each of these components is described in more depth below.

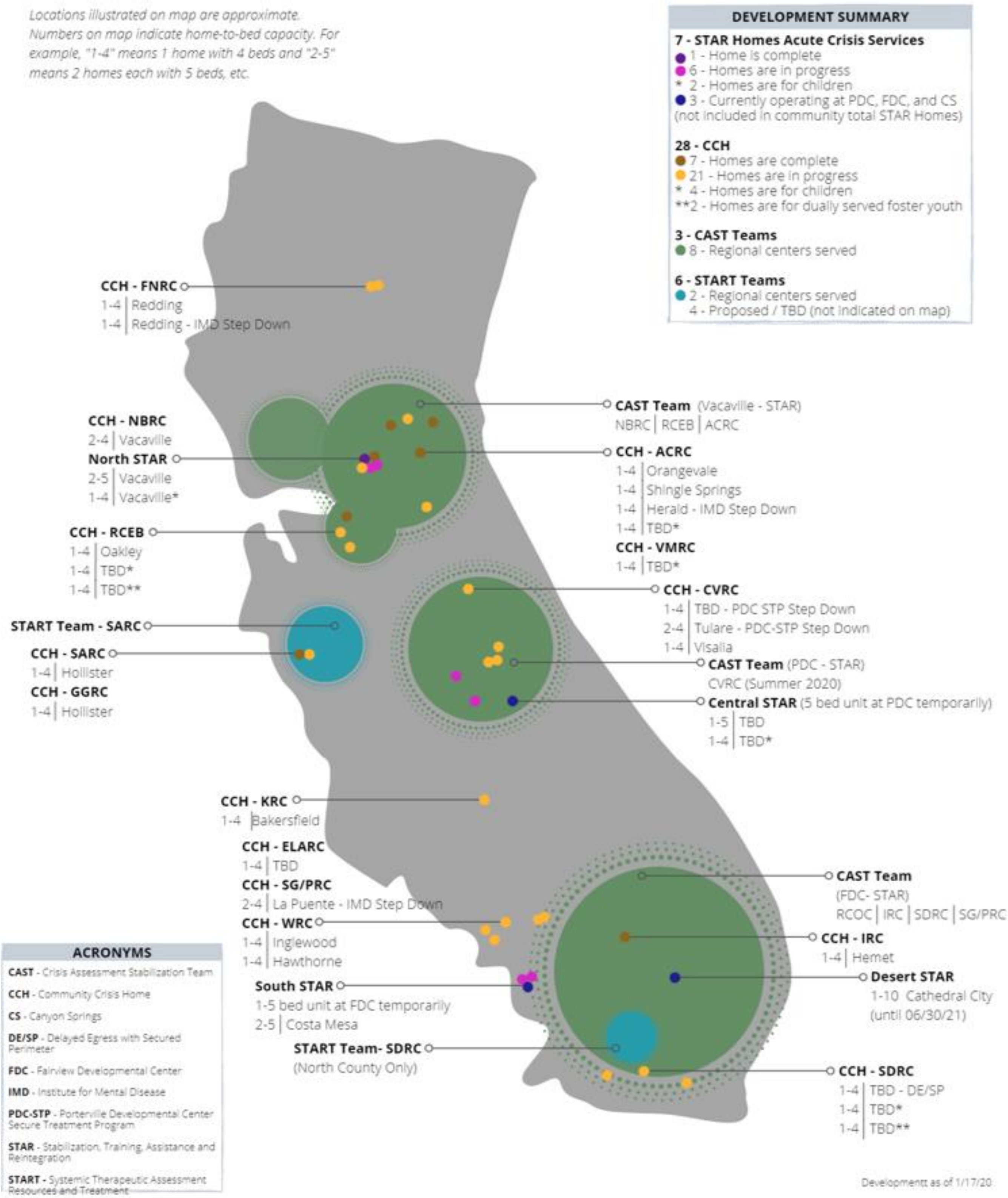
The Governor's budget proposes $8.9 million General Fund to temporarily add one intermediate care facility (ICF) unit of 20 beds at PDC (for a total of 231 beds at PDC). The 20 beds would not be available after June 30, 2024. The Governor's budget indicated the purpose of the additional beds, which would increase the statutory cap of 211 beds at PDC to 231, is to provide temporary additional capacity for individuals with developmental disabilities who have been deemed incompetent to stand trial (IST) and are currently in county jails awaiting admission to PDC. The Administration is also seeking trailer bill language associated with this proposal.

The Governor's budget proposes $7.5 million General Fund for DDS to develop five additional Enhanced Behavioral Support Homes (EBSHs) with delayed egress and secured perimeter. These homes would serve individuals at PDC who are deemed a danger to themselves or others, which would make more room at PDC for those accused of committing a crime and deemed IST. DDS estimates all five homes would be up and running by July 2024 when the temporary ICF unit at PDC would cease being available. The Administration is also seeking trailer bill language associated with this proposal.

The Governor's budget includes $4.5 million ($2.6 million General Fund) to expand crisis prevention training and education at four additional RCs (training and education currently are being pilot-tested at two RCs). The particular program is called Systemic, Therapeutic, Assessment, Resources, and Treatment (START). It was developed in 1988 at the University of New Hampshire to serve the unique needs of individuals with developmental disabilities and co-occurring mental or behavioral health challenges. Among other things, it provides training to local START teams (which are selected and contracted by the RC) on whole person assessment, community education, and data collection and management. These teams facilitate 24-hour care coordination and provide coaching and education to families, staff, and service providers.

DDS has provided the following Safety Net map:

SAFETY NET DEVELOPMENT IN OPERATION AND IN PROGRESS



LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

The LAO writes that DDS' revised safety net plan provides important status updates about past and current safety net development and operation and it describes the 2020-21 proposals to expand the safety net. It also describes the changing demographics and composition of the DDS consumer population, which provides important context (particularly about the increasing share of individuals with autism) about the need for safety net services.

Although the plan provides important information about current and past efforts and describes the new proposals for 2020-21, the LAO points out that it provides little information about efforts beyond 2020-21. Because the plan is more like a status update, assessing whether the Department is conducting the right amount of preparation for the future is difficult. For example, the plan provides good data about the growth in the number of consumers diagnosed with autism or intellectual disabilities, but it does not address what the Department anticipates having to do to in terms of safety net planning to adequately serve these consumers in the future.

DDS compiles certain data and information about the safety net, such as how many consumers were placed in restrictive settings like jails and for how long, the characteristics of consumers with complex needs, and ongoing housing development. What is less clear is how DDS uses that information to determine which projects to prioritize in a given year, anticipate future need, and project caseloads and spending associated with meeting those needs.

The focus on training of local teams to prevent and respond to crises by educating and coaching family, staff, and providers could potentially reduce the number of full-blown crises. This would be better for the consumer and the consumer's family and service providers. Moreover, crises can be costly events. Crises often result in consumers having to move from their current residence to a temporary crisis home or a restrictive setting like an institution for mental disease, the latter of which is ineligible for federal funding. Consequently, reducing the frequency of consumer crises could reduce state costs.

DDS used information about the number of consumers in county jails awaiting admission to PDC (which is currently at capacity) as the basis for proposing to add 20 temporary beds at PDC and develop five EBSHs in the community (which could each serve up to four people). The PDC resources would be available for individuals who have been found IST and need competency training. PDC is likely a more appropriate placement for an individual with developmental disabilities than county jails. The EBSH homes would serve individuals at PDC who are deemed a danger to themselves or others. Moving those individuals into EBSH would make room at PDC for the IST population needs.

Although it appears the additional EBSH capacity is warranted, it is worth noting that increasing the number of EBSHs that include delayed egress and a secured perimeter deviates from current statute. Currently, EBSHs with delayed egress and secured perimeter are written into statute as a pilot program that ends January 1, 2021. The pilot only allowed six of these homes to be built and for only one to be developed in a given year. The current proposal would increase the cap to 11 homes and remove language about only developing one of these homes per year. The reason for the original limitations is that EBSHs with delayed egress and secured perimeter are considered more restrictive settings and are not eligible for federal matching funds. Since approving the planned closure of DCs, the Legislature has approached proposals to expand the use of restrictive settings in the community with caution given the potential implications for the individual. Although the Legislature may determine this particular expansion is warranted, making these decisions deliberately and conducting ongoing oversight of DDS to ensure these settings are not being overused is important.

Pilot testing of START services at San Andreas and San Diego RCs is not yet complete and no reports are available yet about the implementation and progress. Typically, government agencies wait for the results of pilot programs before deciding whether the pilots were successful enough to scale the programs up and replicate them in other areas. In this case, DDS may be justified in moving forward before the pilot testing is complete. As the LAO noted last year, moving the system more toward prevention of crises and away from having to respond to crises is important. The START program—which has been used and evaluated in other states and requires data collection as a requisite activity—trains families and providers on ways to prevent and respond to potential crises and link them to local resources, such as first responders. Which RCs will be selected for START services is still unknown.

LAO Recommendations. "Although the safety net plan submitted by DDS includes important status updates and descriptions of programs and changing consumer demographics, it still lacks information about future-looking strategies and the methodology DDS uses to determine imminent and future needs. We recommend the Legislature continue to press DDS at hearings, if not in another formal update, to provide additional information about its strategic planning process to inform the Legislature's assessment of the Governor's safety net spending priorities in the current and future budget proposals.

The proposed temporary additional capacity at PDC coupled with the development of new EBSH homes with delayed egress and secured perimeter makes sense for serving consumers in jail awaiting admission to PDC. We recommend the Legislature approve this component of the safety net proposal and request regular updates about the use of and demand for these kinds of services.

While we recommend the Legislature ask DDS at budget subcommittee hearings about which RCs would be selected for START services and why, we recommend approval of funding to increase START training on crisis prevention and intervention in concept. We recommend the Legislature request regular updates on these training efforts, including reports of available data."

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 6: ADVOCACY PROPOSAL ON SERVICE OUTCOME INITIATIVE

PANEL

- Kevin Rath, Executive Director, Manos and Vice President of the California Supported Living Network
- Nancy Bargmann, Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ADVOCACY PROPOSAL

Assemblymember Kevin Mullin and the **California Supported Living Network (CSLN)** request $2 million General Fund (one-time) for a pilot project that will develop service outcome-based measurement, training, quality, and data collection tools for California's developmental disability services. The following information is from their proposal.

"Right now, the State lacks a way of defining what good disability support services are. This is hampering the California Department of Developmental Services' (DDS's) ability to measure service outcomes, improve services, and develop training for service providers. The issue is so serious that the DDS's Rate Study cited this problem as the reason it is currently impossible to link service provider payments to quality, impeding the study's implementation.

CSLN is developing clear and consistent outcomes by focusing on the content of service delivery and the structure of service use. This approach creates the ability to measure (1) service delivery, (2) use of service deliverables, and (3) the service outcome's contribution to quality-of-life goals. This method applies to all disability support services, differentiating them from health care services that deal with injury and disease.

The pilot project will:

- Define service outcomes.
- Create outcome-based curriculum outline for training on different services.
- Work with experts in applied statistics and total quality management (TQM) to create ways to measure service outcomes.
- Build software that can collect satisfaction and usage data from DDS clients.
- Create a pilot project to for testing.
- Provide a full report to the State regarding initial results and next steps.
- Fund the State CA Council on Developmental Disabilities (SCDD). SCDD can subcontract to an organization through a competitive bidding process, monitoring the project.

The impetus behind this project comes from the Person-Centered Advocacy, Vision, and Education (PAVE) Project. In partnership with SCDD, CSLN is creating service outcomes for five common disability services. The next step is to create a blueprint for training, measuring, and improving these service outcomes.

The inability to define service outcomes has slowed improvement of services, Rate Study implementation, and value-based purchasing.

The PAVE methodology will be ready for further development and testing by the beginning of FY 2020-21. CSLN will bring together experts in disability services, outcome- based training, total quality management, applied statistics, and software development. This group will create tools that will allow people with developmental disabilities to evaluate and improve their service.

Value-Based Purchasing. The State will be able to implement value-based purchasing by using these outcome-based data and training tools, improving:

- Usage. Increases effectiveness.
- Training. Determines its content.
- Certification. Links performance to service.
- Delivery. Sets service provider expectations.
- Measurement. Creates service metrics.
- Evaluation. Sets clear criteria for evaluation.
- Improvement. Reveals areas for upgrading.
- Management. Guides service oversight.
- Purchasing. Allows value-based purchasing.
- Payment. Allows for transparent funding."

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 7: ADVOCACY PROPOSAL ON PAID INTERNSHIP PROGRAM (PIP) AND COMPETITIVE INTEGRATED EMPLOYMENT (CIE) INCENTIVES

PANEL

- Barry Jardini, Director of Government Affairs, California Disability Services Association
- Nancy Bargmann, Director and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ADVOCACY PROPOSAL

The **California Disability Services Association (CDSA)** is proposing trailer bill language to amend Welfare and Institutions Code section 4870, which codifies the paid internship program (PIP) for individuals with intellectual and developmental disabilities (I/DD), as well as competitive integrated employment (CIE) incentives payments for providers who place individuals with I/DD into CIE. The following information is from their proposal.

"Since 2016-17, the Legislature and Governor have appropriated $29 million ($20 million GF) annually for the implementation of the PIP and CIE incentives program. Both are designed to increase employment opportunities and CIE outcomes, which is in line with California's Employment First policy. Over the course of the three completed fiscal years since the programs were implemented, we have spent approximately $1.2 million, $4.6 million, and $7.7 million, respectively. In total, we have underspent the $87 million appropriated over those three years by over $73 million. This proposal would make amendments to the programs to increase utilization of the programs and yield additional employment outcomes.

The PIP was established when the state minimum wage was $10 per hour, and it allowed consumers to earn up to $10,400 per year in the program, which equates to 1,040 possible internship hours. However, as the state minimum wage has increased, the opportunities for consumers in the program have decreased, as they are permitted fewer hours under a strict earnings cap. Our proposal would return the opportunity level to the original intent by replacing the $10,400 earnings cap with a 1,040 annual hours cap. This would ensure the full opportunity originally intended for the program can be realized by consumers.

Additionally, the PIP as currently established provides no funding to providers for the facilitation of the internship opportunities. While service providers can bill for direct support services during an internship, none of the administrative costs for setting up and managing internships are reimbursed. This proposal would allow for a 15 percent administration fee for facilitating the PIP, which should enable more providers to support PIP opportunities without doing so at a loss. The 15 percent administrative fee is consistent with administrative fees for other services in the system.

This proposal would also double CIE incentives payments available to providers who place consumers in CIE. The incentives were designed to encourage providers to offer employment services that emphasized CIE outcomes, aligning with state policy. Currently, providers may only bill for direct supports to consumers in CIE, but do not receive any funding for the job discovery, development and employment exploration that are necessary to ensure successful employment placements and outcomes. Under this proposal, we expect that providing larger incentives would facilitate additional CIE opportunities and outcomes for consumers, as well as fund the underlying infrastructure required to provide meaningful CIE placements. Larger incentives payments could also yield additional providers offering employment supports.

The Governor's budget proposes a continuing $29 million appropriation for the PIP and CIE incentives for 2020-21. This proposal would be paid for under existing funding without requiring any new appropriation."

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 8: ADVOCACY PROPOSAL REGARDING SUBMINIMUM WAGES FOR CONSUMER WORKERS

PANEL

- Eric Harris, Legislative Advocate, Disability Rights California
- Nancy Bargmann, Director and Norm Kramer, Interim Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ADVOCACY PROPOSAL

Assemblymember Cristina Garcia and **Disability Rights California (DRC)** request to fund the difference between the current subminimum wage being paid to consumer workers at sheltered workshops in Developmental Centers and state or local minimum wage, whichever is higher. The following information is from their proposal.

"Currently, there are 137 consumer workers at Porterville and 49 consumer workers at Canyon Springs that are being paid subminimum wages in sheltered workshops. The specific number of workers, hours and wages will be provided in the DDS estimate.

At Porterville Developmental Center, there are some consumer workers who are close to making minimum wage. Client workers are paid by piece rate or hourly rate. Piece rate means that they are paid based on the amount of work that they do. The hourly rate is a time study to determine the client's productivity. Client workers work one day per week.

$925,693 is the estimated cost based on information from the Department of Developmental Services. This is the difference between the approximate amount that the individuals under subminimum wage in Developmental Centers made in 2019 and the current state minimum wage."

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 9: OVERSIGHT ITEM: HOME AND COMMUNITY-BASED SERVICES FEDERAL COMPLIANCE

PANEL

- Brian Winfield, Chief Deputy Director and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND AND UPDATE

The federal Centers for Medicare and Medicaid Services (CMS) issued requirements referred to as the Home and Community-Based Services (HCBS) Final Rule, which affect services provided to individuals with developmental disabilities through California's regional center system. The HCBS Final Rule focuses on the nature and quality of individuals' experiences and not just the settings where the services are delivered. The Final Rule was developed to ensure that individuals have full access to the benefits of community living and the opportunity to receive services in the most integrated setting appropriate. The chart below explains the steps taken by DDS to be in alignment with the HCBS Final Rule by March 2022.

DDS is asked to provide an update on the plan toward HCBS compliance as part of this item.

DDS HCBS Compliance Milestones	Timeline								
	2020				2021				2022
SELF-ASSESSMENT									
Providers of regional center services are required to complete a self-assessment to measure their current level of compliance with the Final Rule.	January-March 2020								
ON-SITE ASSESSMENTS									
As a validation of the self-assessments, a random sample of on-site assessments will be conducted.			July-December 2020						
ADDITIONAL REVIEW									
Some providers may require additional review, based on not having completed a self-assessment or heightened scrutiny, in order to verify that services are aligned with the Final Rule.		March 2020-March 2021							
ALIGNING SERVICES									
Develop and implement plans to address issues identified during the self-assessment, on-site assessment, and/or stakeholder input process.		March 2020-December 2021							
REGULATORY REVIEW									
Make necessary changes based on assessment of statute and regulations to ensure California alignment with the Final Rule.			June 2020-December 2021						

STAFF COMMENT/QUESTIONS

The consequence for being out of compliance with HCBS rules is the loss of $2.8 billion in federal funds, which includes HCBS Waiver, HCBS Waiver Admin, 1915(i) and the Self-Determination Program.

The nexus between the HCBS compliance work and the rate study is one that the Subcommittee may wish to inquire about – is there a way to prioritize rate increases for rate codes in the study that especially move the state toward HCBS compliance?

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 10: OVERSIGHT ITEM: SELF-DETERMINATION PROGRAM

PANEL

- Brian Winfield, Chief Deputy Director and Jim Knight, Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Judy Mark, President, Disability Voices United
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND AND REQUEST FOR WRITTEN UPDATE

The Self-Determination Program (SDP) waiver was approved by the Centers for Medicare and Medicaid Services (CMS) on June 7, 2018. The initial 2,500 participants were selected October 1, 2018. After June 7, 2021, the program will be available to all eligible consumers. The Self-Determination Program allows participants the opportunity to have more control in developing their service plans and selecting service providers to better meet their needs.

DDS is asked to provide an update on the SDP as part of this item and follow up with that information in writing to the Subcommittee staff.

ADVOCATE FEEDBACK

Disability Voices United writes urging the Subcommittee to consider posing the following questions to DDS on the progress of the SDP:

1. How many participants have fully begun in the SDP?
2. What percentage, by regional center, of participants decided to not participate in the SDP in 2019?
3. Has DDS surveyed in an impartial way the participants who have dropped out to explore their reasons and have those results been made public?
4. How many participants have developed person-centered plans?
5. Have there been problems with participants receiving support for person-centered planning, for finding a Financial Management Services agency, for developing spending plans?
6. Have racial and ethnic disparities been perpetuated or reduced in the SDP?
7. What have been the greatest barriers to implementation reported by the Statewide Self-Determination Advisory Committee and local advisory committees?

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 11: OVERSIGHT ITEM: HEADQUARTERS RESTRUCTURE AND REORGANIZATION AND GOVERNOR'S BUDGET CHANGE PROPOSAL

PANEL

- Nancy Bargmann, Director; John Doyle, Chief Deputy Director; Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Brent Houser, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

The 2019 Budget Act included $8.1 million ($6.5 million General Fund) and 54 new permanent positions (as well as three-year, limited-term funding for three positions related to implementation of new federal rules) to reorganize the Department and created a Southern California regional headquarters office. Currently, staff are being housed at the Fairview Developmental Center (FDC) administration building in Costa Mesa. Given that the FDC is in warm-shutdown and its future use currently being assessed, the Department is seeking a long-term leased facility in the area for its Southern California staff, which is the subject of the Budget Change Proposal (BCP) described under this issue.

REORG UPDATE

The following table from DDS provides an update on Headquarters staffing before and since the resources provided in the 2019 Budget for the DDS reorganization.

Side by Side Position Comparison 18/19 VS 19/20

2018/19	Total # of Positions	2019/20	Total # of Positions	Total Vacant *5&*6
Director's Office	7.0	Director's Office	7.0	
		Operations		
Office of Legal Affairs	12.5	Office of Legal Affairs	12.5	1.0
Office of Legislation & Communications	4.0	Office of Legislation, Regulations & Public Affairs	11.0	4.0
Office of Human Rights & Advocacy Services	6.0	Office of Human Rights & Advocacy Services	6.0	2.0
Emergency Preparedness & Coordination	2.0	Emergency Preparedness & Coordination	2.0	
		Office of Protective Services	14.0	1.0
		Office of Quality Assurance & Risk Management*4	16.0	7.0
Administration Division	156.0	Administration Division	175.0	13.0
Information Technology Division	67.0	Information Technology Division	73.0	6.0
		Program Services		
Community Services Division	137.5	Community Services Division	85.5	15.0
		Federal Programs Division *1&*2	54.0	12.0
		Office of Statewide Clinical Services*3	32.0	9.0
Developmental Centers Division	45.5	State Operated Facilities Division	17.5	4.0
Department Total:	**437.5**		**505.5**	**74.0**

**1 3 CPS II positions in the blanket added to Federal Programs Division.*

**2 Prior to reorganization Federal Programs was a branch within Community Services Division.*

**3 Prior to reorganization positions in Office of Statewide Clinical Services were in Community Services Division and Developmental Centers Division.*

**4 Prior to reorganization positions in Quality Assurance & Risk Management were in Community Services Division and Developmental Centers Divisic*

**5 36 of the 54 new Re-Org BCP positions are filled. Remaining 18 are in active recruitment/hiring process. The normal process to establish positions, r and hiring was used thus positions have been filled at different points in time – we are in final stages of filling newly established positions.*

**6 Prior to the 19/20 BCP's DDS averaged about 50 vacancies per month. This was DDS's normal attrition rate with all vacancies in active recruitment.*

GOVERNOR'S PROPOSAL

The Department of Developmental Services (Department) is requesting $2 million ($1.6 million General Fund) in 2020-21 for approximately 20,000 square footage of new leased space for approximately 100 permanent positions to be located in the Costa Mesa/Orange County, CA area. Of this request, $1.2 million ($1 million General Fund) is ongoing.

The Department will use the new office space for regional center liaison and monitoring teams, existing staff of the Regional Resource Development Project, and staff to support the Stabilization, Training, Assistance and Reintegration/Crisis Assessment Stabilization Teams and other administrative functions located in the southern region.

This request is consistent with the scheduled closure of Fairview DC and the Department's ongoing responsibilities to develop and monitor community resources for transitioned DC residents, and to provide options for serving community consumers in crisis to prevent their placement in more restrictive and institutional settings. By providing a Southern California regional headquarters office in Costa Mesa/Orange County, the Department will continue to effectively achieve its mission.

The Southern California Headquarters staff authorized by the 2019 Budget are temporarily utilizing offices at the FDC administration building in Costa Mesa. However, continued use of the administration building is not sustainable due to a number of factors: 1) the Department of

General Services is currently conducting an assessment of the FDC; the final disposition of the property remains unknown; 2) if the administration building were to remain in operation, it would entail capital outlay maintenance expenditures which have been deferred for years due to FDC's planned closure; and, 3) the continued operation of the administration building would necessitate campus- wide ancillary operations that would increase warm-shutdown costs. The Department is seeking leased space, within reasonable proximity to FDC to help retain existing staff and minimize changes in employee commutes. Additionally, the Southern Stabilization, Training, Assistance, Reintegration (STAR) Homes and Harbor Village are located in Costa Mesa; these facilities rely on clinical and administrative support from staff anticipated to operate out of the Southern California Headquarters office.

In December 2019, the Department submitted an online request for real estate services (Customer Request: Upgraded Information Sharing Environment [CRUISE]) to the Department of General Services (DGS) to secure leased office space for approximately 100 permanent staff in the Costa Mesa area. Upon approval, DGS will designate a Project Manager to begin working with the Department. The Department notated in the CRUISE that the newly acquired office space is needed by July 1, 2020. The Department requests $0.8 million ($0.6 million GF) in one-time costs associated with this move in 2020-21. These costs include moving contracts, IT and telecommunication infrastructure, IT hardware, and office furniture.

So Cal Office Position Listing	
Re-Org Movement	
New Positions from the BCP (Re-Org)	17
Redirected Existing Positions	24
Total Current So Cal positions	41
Administrative HQ Staff at FDC	7
Post Re-Org Redirected Program So Cal positions	10
Foster Grandparent/Senior Companion	2
HQ Traveling Staff	5
Post FDC Closure	
STAR Administrative Support	11
RRDP	8
Program functions to be Redirected to So Cal as attrition occurs	11
Total So Cal Projection	95

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

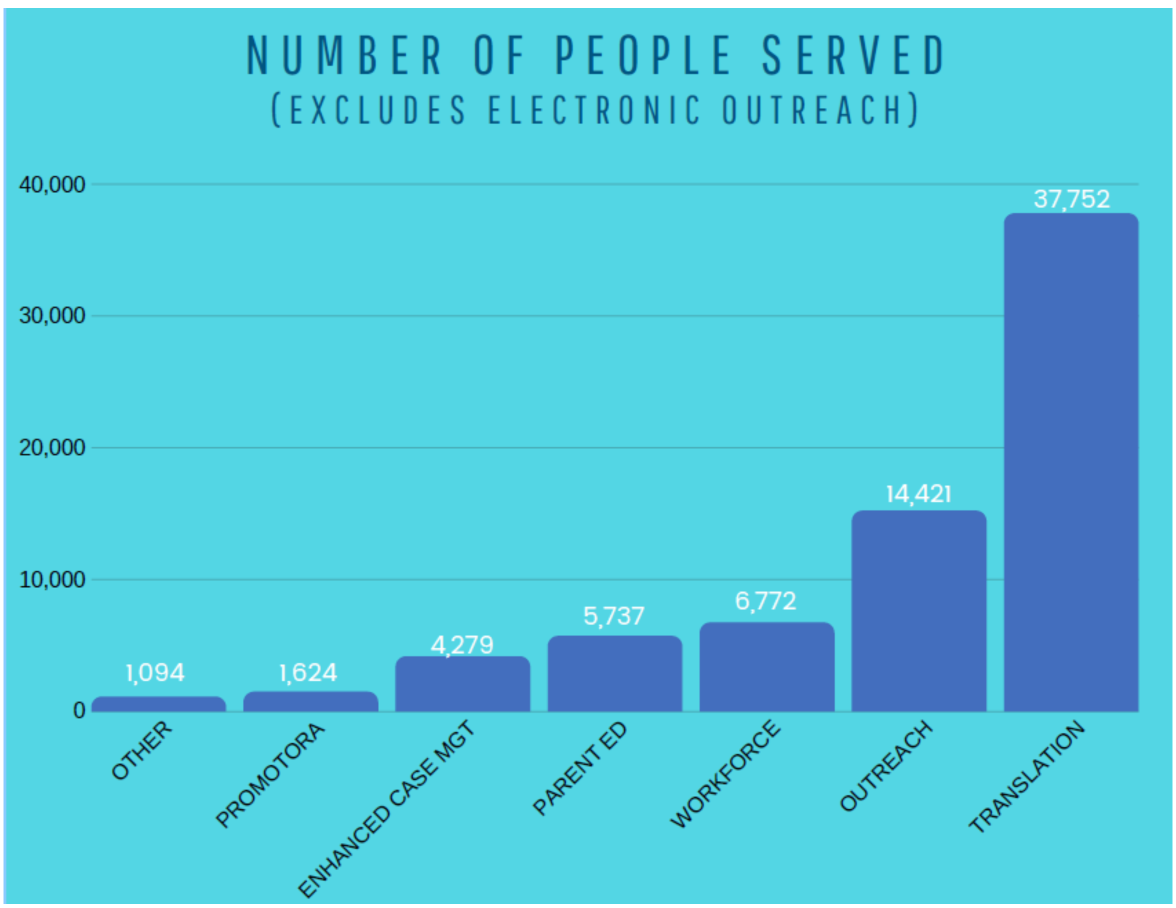
ISSUE 12: OVERSIGHT ITEM: DISPARITIES FUNDING

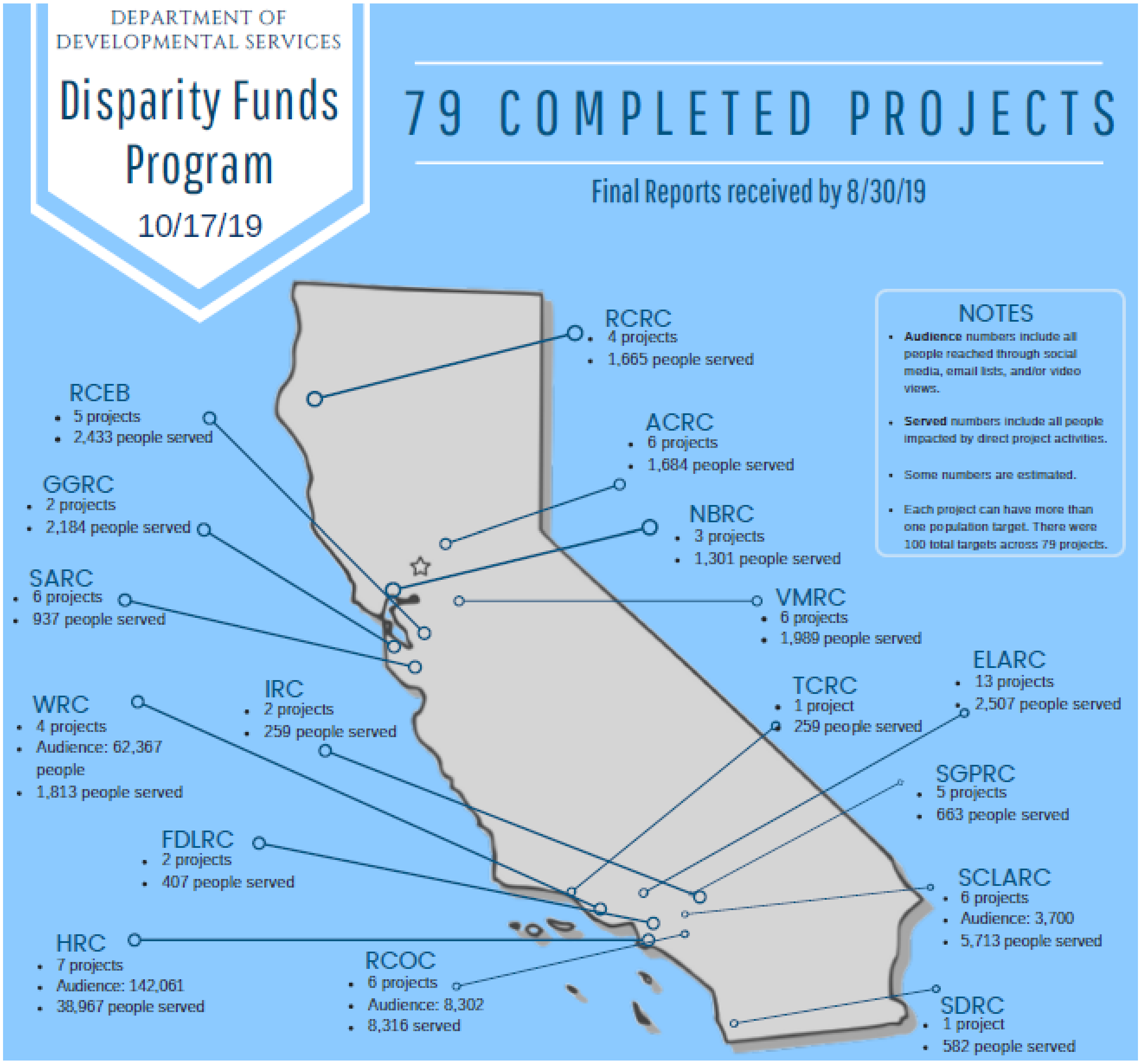
PANEL

- Nancy Bargmann, Director; Brian Winfield, Chief Deputy Director; and Vicky Lovell, Research, Audits and Evaluation Branch Manager, Department of Developmental Services
- Brent Houser, Department of Finance
- Fernando Gomez, Vice-President, Disability Voices United
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

For the past four years, the State has provided $11 million per year to fund programs and strategies to reduce disparities in the DDS system. DDS provided the following charts in response to questions about the distribution and impact of these funds:





ADVOCATE FEEDBACK

Disability Voices United (DVU) writes with the following feedback on the use and impact of the Disparities funding.

"While DDS is requiring the funded programs to provide data on the effectiveness of their programs, there is no oversight to ensure that the data is accurate and no rigorous independent evaluations to determine whether the programs were in fact efficacious. Moreover, there has been no assessment of whether the grants have targeted regional centers with the greatest levels of disparities, and DDS has not tied the receipt of funds to a demonstration of program effectiveness. In many cases, the grants were distributed with limited input from the most underserved communities. Finally, little attention has been paid to the great differences between regional centers in the amount of services provided.

DVU analyzed the most recent service data and found that in 19 out of 21 regional centers, the disparities have actually worsened since the grants began. In two regional centers, they have stayed the same."

DVU urges the Legislature to require DDS and regional centers to produce comprehensive and comparative data on the progress they have made in reducing racial and ethnic disparities, including the extent to which any improvements were brought about by the programs funded by DDS. DVU urges more rigorous, evidence-based, data-driven processes for selecting grants and target areas with the greatest levels of disparities. Grant recipients should be required to collaborate with independent evaluators to rigorously assess whether, and if so what extent, the projects funded succeed in reducing disparities.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

NON-DISCUSSION ITEMS

There are no panels for non-discussion items, but the Chair will ask if there is any public comment for these items. If a Member of the Subcommittee wishes for a fuller discussion on any of these issues, please inform the Subcommittee staff and the Chair's office as soon as possible. Thank you.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 13: ELECTRONIC VISIT VERIFICATION PENALTY

GOVERNOR'S PROPOSAL

DDS requests an increase of $5.1 million General Fund for an estimated federal financial payment penalty for not yet complying with the federal rule on Electronic Visit Verification (EVV). The penalty estimate assumes a 0.50% reduction in the federal match for six months for services applicable to EVV. DDS, in coordination with DHCS and other impacted departments, is working through the state's project approval lifecycle. The Office of Systems Integration is managing the multi-department effort. While the state's project approval lifecycle process for procurement is lengthy, the departments are working to complete stages as quickly as possible, including working concurrently on successive stages with the targeted implementation in late 2021.

All states must implement EVV for personal care services by January 2020 and home health care services by January 2023. In accordance with federal provisions, the state submitted a Good Faith Effort Exemption (GFE) request on October 2, 2019 to the Federal Centers for Medicaid and Medicare Services (CMS) to extend the EVV implementation date for personal care services to January 2021. CMS approved the state's GFE request for personal care services on October 22, 2019 and will not apply Federal Medical Assistance Percentage (FMAP) reductions in calendar year 2020.

The EVV Phase II project, within which DDS is participating, is currently in the planning phase required by the Department of Technology's Project Approval Lifecycle (PAL) process. Pending completion of PAL Stages 2 through 4, the partner departments (DDS, DHCS, CDA, CDSS and CDPH) estimate EVV Phase II implementation by the end of calendar year 2021 for Personal Care Services, and by the end of calendar year 2022 for Home Health Care Services.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 14: GOVERNOR'S BUDGET CHANGE PROPOSAL ON COMMUNITY STATE STAFF REIMBURSEMENT

GOVERNOR'S PROPOSAL

The Department of Developmental Services (Department) requests an increase of $9.7 million, in reimbursement authority, for temporary help expenditures related to the continuing operation of the Community State Staff Program (CSSP). The Department currently operates the CSSP to provide continuity of care benefits to residents transitioned into the community from developmental centers providing reassurances to families that their loved ones will continue to receive quality care from familiar caregivers.

The Department currently operates the CSSP to provide continuity of care benefits to individuals who have transitioned to the community and reassurance to families their loved ones will continue to receive quality care from familiar staff. CSSP also provides an opportunity for exchange of knowledge between seasoned staff from a Developmental Center (DC) and community direct service professionals. The CSSP provides employment options to DC employees who face layoff during DC closures and offers service providers and regional centers access to qualified, well-trained staff. Welfare & Institution Code section 4474.2 authorized the CSSP. The program began during the Agnews DC closure and continued through Lanterman DC closure. Subsequently, Chapter 30, Statutes of 2014 (SB 856) revised the program to be a stand-alone service provided throughout the State. While working in the community, the former DC/state employees retain their civil service status and continue to retain state compensation, to include benefits. The CSSP is funded out of the Department's Headquarters' temporary help budget. The program participation is projected to grow to 150 staff as a result of the participating Fairview Developmental Center and Porterville's Developmental Center - General Treatment Area closure in 2019-20. The Department pays the salaries and benefits of CSSP staff, and in turn, receives reimbursements from providers and regional centers for these costs.

This request correctly reflects the anticipated total state expenditures and contracted provider reimbursements for the CSSP of $18.1 million, as compared with current actual budget authority of $8.4 million. This request will correctly align budgetary expenditures and appropriation authority for CSSP. A portion of this request anticipates the increased salary and benefit expenses and associated reimbursements.

With the increase in reimbursement authority, the CSSP will continue to expand as necessary, providing job alternatives to DC employees and continuity of care to former DC residents. The Department will continue to engage providers under contract, and recover all billable costs incurred providing direct care by CSSP staff.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 15: GOVERNOR'S BUDGET CHANGE PROPOSAL ON THE INFORMATION SECURITY OFFICE

GOVERNOR'S PROPOSAL

The Department of Developmental Services (Department) requests $0.3 million ($0.2 million General Fund [GF]), and two (2.0) Information Technology Specialist I positions to support workload related to the highest assessed information security and cybersecurity vulnerabilities.

California statutes and regulations place a responsibility on state agencies to protect the information contained in varied networks, databases, and applications. According to the State Administrative Manual (SAM) Section 5300, each state entity is responsible for establishing an information security program to effectively manage risk, provide protection of information assets and prevent illegal activity, fraud, waste, and abuse. Safeguarding these threats requires a robust and sophisticated information security program and consistent improvements to cybersecurity defenses.

In 2019, the California Department of Technology (CDT) released a draft of California's Cybersecurity Plan referred to as Cal-SECURE, which provides a baseline for technical cyber capabilities that are prioritized according to risk and identified the process to measure, manage and improve the State's cybersecurity maturity over time. This plan provides the framework and guidance necessary for effective decision-making for the State to address critical gaps in its cybersecurity capabilities, and provide a roadmap for implementing and maintaining required security capabilities, the Department began the process of strategically addressing the implementation of Cal-SECURE's framework to effectively manage and monitor DDS' information security program to safeguard data and meet its security goals. Additionally, Federal compliance standards identify DDS as a 'Health Insurance Portability and Accountability Act (HIPAA) - Covered Entity' and the Information Security Office (ISO) is responsible for providing security and compliance oversight for approximately 200 systems utilized by diverse divisions within the Department and leveraged by the regional center system throughout the 58 counties.

A breach of any Department data facilitated through phishing emails, end-points, un-remediated system vulnerabilities, and or simple exposure to unauthorized recipients could potentially cost the state millions of dollars in Civil Money Penalties (CMP), levied by the Office of Civil Rights (OCR) upon investigation. In the past twelve months, the Department has undergone an increasing number of mandated state and federal engagements to audit and assess the Department's information security, privacy, and risk management programs.

The proposed resources will help address risk identified in recent audits, assessments, and reviews and are aligned with the CDT Draft Cybersecurity Strategic Plan. With the approval of the network security position, the Department will be able to address the critical network asset vulnerabilities, the position will consistently monitor and evaluate existing vulnerabilities and threats to fulfill the requirements identified under asset management and risks to end points. The desired outcome will be to reduce potential breaches and increase the managing of information security and privacy. Approval of the risk and compliance specialist, the Department will be able to manage and resolve the highest assessed risks identified and be compliant with existing policy. The Department will validate system logs and assets and gain valuable insights into system vulnerabilities from consistent review.

There are 25 open items in total: two are low-risk, 10 are medium risk and 13 are high risk. CDT and Military audits will continue as CDT considers DDS a high-risk entity due to the fact the Department works with HIPPA data. CDT audits DDS annually for policy reviews and Military audits are every two years for technical reviews.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 16: GOVERNOR'S BUDGET CHANGE PROPOSAL ON THE INFORMATION TECHNOLOGY DATA AND PLANNING

GOVERNOR'S PROPOSAL

The Department of Developmental Services (Department) requests $2.2 million ($1.9 million General Fund [GF]) in 2020-21, $1.1 million ($894,000 GF) in 2021-22, and $677,000 ($541,000 GF) in 2022-23 and ongoing in funding for four (4.0) permanent positions, resources equivalent to three (3.0) positions on a two-year limited-term basis, and supporting resources for the modernization of the Information Technology Division (ITD) organizational infrastructure to support the increasingly complex technology and data needs of the Department's business programs.

Additional information technology needs have resulted from the Departments' move to a new headquarters building and the establishment of Stabilization, Training, Assistance, and Reintegration (STAR) facilities. The Department has identified information technology deficits in its ability to gather and assess data, manage information technology projects, support its information technology network, and establish a plan to meet the Departments' future information technology needs and the tools to support them.

The requested resources will allow the Department to successfully navigate a rapidly evolving technical landscape while building a modernized and adaptable infrastructure; effectively utilize data as a predictive analytical tool; and meet Department, CHHS, and Statewide strategic information technology objectives.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 17: GOVERNOR'S BUDGET CHANGE PROPOSAL ON THE UNIFORM FISCAL SYSTEM MODERNIZATION

GOVERNOR'S PROPOSAL

The Department of Developmental Services (Department) requests $1.4 million ($1.3 million General Fund [GF]) in 2020-21 and $1.6 million ($1.5 million GF) in 2021-22 to plan for the replacement of the Uniform Fiscal Systems (UFS). The requested resources will allow the Department to move through the state's required California Department of Technology (CDT) Project Approval Lifecycle (PAL) in preparation for the project.

This request includes funding to hire one (1.0) IT Specialist II (ITS II), one (1.0) IT Specialist I (ITS I) on a two-year limited-term basis, and acquire consultant resources to support planning for the RC UFS replacement project. The objective is to replace the RC's UFS application. UFS is a complex legacy accounting system, developed in 1984, that tracks: a) operational expenses and service provider authorizations and claims; b) state funding; and, c) consumer financial benefits. The mission-critical UFS environment requires a high degree of specialized technical knowledge and skills that are required for this effort to be successful.

UFS is a mission critical accounting application, used for consumer purchase of services authorizations, tracking, and maintenance. The legacy system is unable to accommodate the RC's growing needs, including increasingly varied consumer populations, multiple services delivery models, new program regulations, and additional program monitoring requirements. In addition, UFS is not able to interface with other billing systems, which creates laborious invoicing processes for vendors, contributing to delayed payments and a diminishing pool of available services providers. Failure to begin planning for the UFS replacement project risks the Department's ability to ensure the continuous delivery of services for consumers, which are mandated through the Lanterman Act. Without a modern solution, the 21 RCs will continue to struggle with inflexible technology that forces manual workaround processes, needlessly increasing workloads for their overextended staff and affecting the quality of services available to consumers.

The Department will adhere to the state's prescribed PAL process for new information technology projects, collaborating with its partners including: RCs, ARCA, CHHSA's Office of Systems Integration, CDT, the Department of Health Care Services, and the Department of Finance. The Department plans to work collaboratively to ensure the PAL process is followed and the project receives adequate oversight. Consistent with California Health and Human Services Agency (CHHSA) and the Department goals, planning will ensure that the future solution has a standard technical architecture; facilitates improved business processing efficiencies; supports application integration; and enhances data collection and sharing for improved services delivery for consumers.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

This agenda and other publications are available on the Assembly Budget Committee's website at: https://abgt.assembly.ca.gov/sub1hearingagendas. You may contact the Committee at (916) 319-2099. This agenda was prepared by Nicole Vazquez.