AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1

HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER TONY THURMOND, CHAIR

MONDAY, MAY 18, 2015

1:30 P.M. OR UPON ADJOURNMENT OF SESSION - STATE CAPITOL ROOM 4202

ITEMS TO BE HEARD

ITEMS TO BE HEARD

4260 DEPARTMENT OF HEALTH CARE SERVICES
4265 DEPARTMENT OF PUBLIC HEALTH
4440 DEPARTMENT OF STATE HOSPITALS

ISSUE 1: HEPATITIS C TREATMENT COSTS

PANELISTS

- **Department of Health Care Services**
- **Department of Public Health**
- **Department of State Hospitals**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

The Governor's January Budget included $100 million General Fund in 2014-15 and $200 million General Fund in 2015-16 to cover the costs of Hepatitis C drugs through several different programs and departments, including the Medi-Cal program, AIDS Drug Assistance Program, and State Hospitals. This $300 million was set aside as a placeholder, until more accurate cost estimates for various programs throughout state government could be developed.

The May Revise includes $228 million (of the $300 million included in January), proposed to be appropriated to a variety of departments and programs to cover estimated treatment costs within each individual program, as described in detail below.

2015-16

At Governor's Budget, $275.3 million General Fund was budgeted for Hepatitis C treatments among the various impacted departments (including the $200 million General Fund set aside).

At May Revise, the General Fund need was reduced to $202.9 million, a reduction of $72.4 million or 26 percent.

2015-16 Budget Year			
Departments	General Fund @ GB	General Fund @ MR	Difference
Health Care Services	65.3	126.0	60.7
Corrections & Rehabilitation	10.0	70.6	60.6
State Hospitals	0.0	6.3	6.3
Public Health (ADAP)	0.0	0.0	0.0
CS 8.75/Org 5209	200.0	0.0	-200.0
Total	275.3	202.9	-72.4

2014-15

At Governor's Budget, $175.3 million General Fund was budgeted for Hepatitis C treatments among the various impacted departments (including the $100 million General Fund set aside).

At May Revise, the General Fund need was increased to $175.4 million, an increase of $100,000.

2014-15 Current Year			
Departments	General Fund @ GB	General Fund @ MR	Difference
Health Care Services	65.3	113.7	48.4
Corrections & Rehabilitation	10.0	61.7	51.7
State Hospitals	0.0	0.0	0.0
Public Health (ADAP)	0.0	0.0	0.0
CS 8.75/Org 5209	100.0	0.0	-100.0
Total	175.3	175.4	0.1

The May Revise proposal includes the deletion of provisional language included in January, which is no longer needed or appropriate given the program-specific cost estimates available at this time. Control Section 8.75 was proposed in the 2015-16 Governor's Budget to set aside $300 million in General Fund (over two years) pending initial coordination of the statewide high-cost medication working group on a statewide approach to high-cost medications. The set aside is no longer needed as the 2015-16 May Revision proposes increases to the affected budgets.

DHCS: DHCS requests that Items 4260-101-0001 and 4260-101-0890 each be increased by $6.7 million to reflect new clinical guidelines related to high-cost Hepatitis C drugs in the Medi-Cal program. Last year, Hepatitis C drugs were removed from the managed care plan base rates. Instead, a payment is made to the plans when these drugs are prescribed.

DPH: The Office of AIDS ADAP estimate includes an increase of $6.5 million in 2015-16 treatment costs as a result of updated clinical guidelines which provide access to Hepatitis C treatments to a larger population, including all patients with both HIV and Hepatitis C, regardless of Hepatitis C disease state.

DSH: The Department of State Hospitals requests that Item 4440-011-0001 be increased by $6,285,000 to reflect utilization of the new Hepatitis C treatment drugs and updated treatment guidelines. DSH anticipates absorbing a total cost of approximately $5.4 million in the current year by redirecting savings associated with delayed unit activations at DSH-Coalinga. The estimated cost assumes approximately 30 percent of eligible patients will participate in treatment, which is consistent with patient participation rates for other medication treatments.

BACKGROUND

Several new drugs that treat and cure Hepatitis C recently became available at an estimated cost of $85,000 per treatment. DHCS states that appropriate treatment protocols remain uncertain at this point in time, thereby making it impossible for DHCS to develop a precise cost estimate for the coverage of these drugs by the Medi-Cal program, though it is clear that the costs will be substantial. DHCS has been engaged in an effort to negotiate rebates with the pharmaceutical companies, as they do for other high-cost drugs, but to date their efforts have been met with virtually no interest by the pharmaceutical industry. The development of these new drugs represents an unprecedented cost risk for the state; although the Medi-Cal program, and other state programs, cover other high-cost drugs, the size of the population with Hepatitis C makes this a unique, and uniquely-costly, situation.

The updated May Revise cost estimates reflect the implementation of national clinical guidelines on the treatment of Hepatitis C. According to the administration, there are various national guidelines that are quite similar, and each program will be following the guidelines that most closely address the unique population being served by any particular program. The guidelines most often referred to in discussions on this proposal are issued by the American Association for the Study of Liver Diseases (AASLD).

STAFF COMMENTS/QUESTIONS

The Subcommittee heard the January Hepatitis C proposal on February 23, 2015. The Subcommittee requests DHCS, DPH, and DSH to each present this proposal, provide any specific detail unique to each department, and respond to the following:

1. Please provide an update on the cost of the drugs, rebates, or other strategies employed by the state to reduce the cost of these drugs for the state.

2. Please describe generally how following the AASLD guidelines changes the treatment protocols as compared to protocols currently utilized by state programs.

Staff Recommendation: Subcommittee staff recommends holding this proposal open to allow for additional time for review.

4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: MEDI-CAL ESTIMATE – MAY REVISE ADJUSTMENTS

PANELISTS

- **Department of Health Care Services**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

The May 2015 Estimate for the current year (2014-15) is $318.3 million General Fund less than the November 2014 estimate. Medi-Cal General Fund costs in 2015-16 are estimated to increase by $650.3 million (3.7%) over the current year budget. Total Medi-Cal expenditures for 2015-16 are projected to be $91,298,729,000 ($18,717,758,000 General Fund), which is a decrease of $4,113,659,000 ($438,739,000 General Fund) from the 2015-16 Governor's Budget.

The most significant policies affecting program costs compared to the Governor's Budget include: increased costs associated with Medi-Cal expansion and federal immigration reform, a reduction in the 2015-16 capitated rate adjustment for Medi-Cal managed care plans, and increased savings due to enhanced federal matching funds for the Children's Health Insurance Program. Major adjustments include the following:

Caseload Update

The average monthly caseload for fiscal year 2015-16 is projected to be 12,434,100 beneficiaries, which represents an increase of 212,600 beneficiaries from the estimate of 12,221,500 beneficiaries reflected in the 2015-16 Governor's Budget.

Current Year Shortfall

Medi-Cal program expenditures are expected to exceed the appropriation by approximately $241.5 million in 2014-15. The Administration will seek a supplemental appropriation bill to fund this increase, which is primarily attributable to higher costs than previously estimated for: the mandatory expansion population, hospital presumptive eligibility, and Medicare payments. These increases are partially offset by increased savings from litigation settlements and additional rebates for aged and disputed drugs. Until supplemental funding is provided, DHCS will utilize the loan authorized by Government Code section 16531.1 to make payments to various Medi-Cal providers.

Federal Immigration

The May Revision includes $33.1 million ($28 million General Fund, $5.3 million federal funds) for 2015-16 and $164.4 million ($138 million General Fund and $26.4 million federal funds) annually in Medi-Cal for spending associated with the provision of full-scope Medi-Cal coverage to eligible individuals receiving deferred action status under the President's executive actions. The Administration assumes there will be roughly 100,000 such individuals enrolled in full-scope Medi-Cal by October 2016 (after the assumed twelve-month phase-in period). The President's recent executive actions on immigration include actions that allow certain undocumented immigrants to request deferred action status, which provides temporary relief from deportation, and employment authorization. The President's executive actions expand the Deferred Action for Childhood Arrivals (DACA) program and create the Deferred Action for Parents of Accountability (DAPA) program (also known as the Deferred Action for Parents of Americans and Lawful Permanent Residents program). Currently, the President's executive actions cannot be implemented as a result of legal challenges. The Administration assumes the courts allow the federal government to begin implementing the President's executive actions in the summer of 2015. Based on this, the Governor's May Revision includes partial-year spending of $28 million General Fund in 2015-16 to support estimated increased enrollment in Medi-Cal. The Administration assumes the additional enrollment into Medi-Cal begins October 1, 2015 and phases in over a twelve-month period.

LAO Analysis. The LAO finds that the administration's estimate of General Fund expenditures to be overstated, primarily due to the fact that the LAO believes that the administration's phase-in of 12 months for Medi-Cal is unrealistic and expects that it will take longer for this population to enroll. The LAO recommends that the Legislature weigh the trade-offs of including any funding in the 2015-16 budget for this purpose given the legal uncertainty that remains regarding the President's actions. The LAO points out that the cost of including this funding for this purpose makes it unavailable for other Legislative priorities.

Children's Health Insurance Program (CHIP) Funding

The May Revise Medi-Cal estimate assumes General Fund savings of $381 million in 2015-16 as a result of enhanced federal funding within the CHIP program. The CHIP is a joint federal-state program that provides health coverage to children in low-income families, but with incomes too high to qualify for Medicaid. Currently, the federal government provides a 65 percent federal matching rate for CHIP coverage to California. Recently the federal government passed legislation that appropriated additional funding for CHIP sufficient to fund an increase in the federal matching rate for CHIP from 65 percent to 88 percent as authorized by the ACA. The higher federal matching rate will be in place beginning October 1, 2015 through September 30, 2017. The increased matching rate is authorized by the ACA through September 30, 2019 but additional federal funds would need to be appropriated in order to fund this. The Administration estimates General Fund savings of $381 million in 2015-16 and full year General Fund savings of roughly $650 million as a result of this increase in the federal matching rate. Children's advocates continue to urge the Legislature to ensure that this funding be reinvested into children's health services, as was discussed at the Subcommittee's hearing on April 20, 2015.

Affordable Care Act (ACA) Cost Estimates

The costs for the ACA optional and mandatory expansions increased by $256.9 million (total funds) since the November 2014 estimate for 2014-15 and $389.7 million (total funds) in 2015-16. The Medi-Cal estimate assumes the following ACA costs:

- $2.9 billion ($1.4 billion General Fund) for 2015-16 for costs associated with simplifications to Medi-Cal mandated by the ACA ("mandatory expansion"), associated with a caseload of 1.4 million.

- $14 billion (federal funds) in 2015-16 for the ACA optional Medi-Cal expansion, associated with an estimated caseload of 2.3 million.

Managed Care Rates

The managed care plan rates increase by $432.7 million in 2014-15 and $827.5 million in 215-16, a 1.6 percent increase over the 2014-15 rates. This 1.6 percent increase is less than the placeholder of 3.57 percent assumed in the November 2014 estimate. This increase accounts for: ACA simplifications, Hepatitis C treatments, mental health expansion, blood factor carve-out, Los Angeles Mobile Vision Pilot Project, and AB 97 rate reductions.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present the major changes to the Medi-Cal estimate and respond to Subcommittee questions.

Staff Recommendation: Subcommittee staff recommends holding the estimate open to allow for additional time for review.

ISSUE 2: COUNTY ELIGIBILITY ADMINISTRATION FUNDING

PANELISTS

- **Department of Health Care Services**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

Counties provide the administration of eligibility determinations for the Medi-Cal program, work that is reimbursed by the Medi-Cal program. Reflecting the substantial increase in workload expected as a result of implementation of the ACA, the 2013-14 and 2014-15 budgets included supplemental funding for counties of $240 million total funds for each of the two fiscal years. In recognition that the county workload was still growing and exceeding expectations, the January budget included an additional $150 million total funds, one-time funding, for 2014-15, and $240 million again for 2015-16. The May Revise proposes to appropriate an additional $150 million ($48.8 million General Fund) to address this increased workload in 2015-16.

DHCS and the County Welfare Director's Association (CWDA) describe an on-going significant increase in workload for counties due to an increase in enrollment that vastly exceeds projections, ongoing technology system delays and manual workarounds to process this substantial increase in eligibility determinations and renewals.

On April 27th, the Subcommittee heard considerable feedback from counties, county workers, and advocates that that CalHEERS system glitches has resulted in significant workload increases that all parties expect will remain in place for at least another year.

New Reimbursement Methodology

Currently, counties are budgeted for their activities based on claimed expenditures from previous years, and there is no county share of cost for administrative activities in the Medi-Cal program. DHCS states that, therefore, historically, there has been no incentive for counties to maximize efficiency or to control their administrative costs. In response, SB 28 (Hernandez & Steinberg) Chapter 442, Statutes of 2013, requires DHCS, in consultation with stakeholders, to create a new methodology for budgeting and allocating funds for county administration for the Medi-Cal program, and for this new methodology to be implemented in 2015-16. According to DHCS, the new methodology will seek to use a performance and outcome-based system to determine accurate county funding levels, reward increased county efficiency, and determine effectiveness of county efforts.

DHCS intends for the development of the new county budget methodology to be a comprehensive overhaul that will include specific reviews of annual time studies, claimed expenditures, and other data metrics. DHCS has entered into a contract with

an entity that will conduct this time study, create an ongoing monitoring plan and train Audits and Investigations staff on monitoring and evaluation of time studies. DHCS explains that the time study and development of the new methodology have been delayed due to the volatility in enrollment resulting from the ACA as well as due to delays in the full operation of CalHEERs, the eligibility and enrollment system for Covered California.

CWDA

CWDA's analysis of county costs results in a cost-estimate of $1 billion. Given this, CWDA has significant concerns with the administration's inclusion of only $150 million more in the May Revise. CWDA had requested twice this amount, $300 million ($97.6 million General Fund). CWDA states that with the proposed level of funding, counties will not be able to perform the intake, case management and renewal work necessary to ensure program integrity and deliver quality customer services. CWDA also expects an increase in benefits costs. The increased workload has resulted from significantly larger caseload increases than anticipated coupled with numerous ongoing manual workarounds required due to problems with the CalHEERS computer system. CWDA reports that these workarounds add an average of 45 minutes per intake.

DHCS has developed a 24-month "roadmap" for planned improvements to CalHEERS, however CWDA points out that some of the significant issues that increase workload are not even addressed in the roadmap. Regardless, the "24-month roadmap" will take another two years to implement.

To address this significant disagreement with the budgeting methodology used by DHCS for the May Revise, CWDA is requesting trailer bill language to ensure that the development and implementation of the new county budgeting methodology, as required by SB 28 (described above), occurs as quickly as possible. The proposed trailer bill language requires implementation of a new methodology by July 1, 2016. DHCS states that developing the new methodology requires time studies, which need to occur after the CalHEERS problems have been addressed and the manual workarounds by the counties can be eliminated. DHCS states that the increased time required by the workarounds would inflate the costs unreasonably.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and respond to the following:

1. Did DHCS use a new or different budgeting methodology in preparation for the May Revise, or the same methodology it has been using for the past several years?
2. Please explain when the new budgeting methodology will be developed and implemented, and what the challenges are to doing this sooner?
3. What can be done to make the necessary improvements to CalHEERS sooner than 24 months?

Staff Recommendation: Subcommittee staff recommends holding this issue open.

ISSUE 3: DRUG MEDI-CAL WAIVER MAY REVISE BUDGET CHANGE PROPOSAL

PANELISTS

- **Department of Health Care Services**
- **Department of Public Health**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

The Department of Health Care Services (DHCS) requests the authority to establish 13.0 permanent full-time positions, additional training funds, and limited-term contract funding for an External Quality Review Organization (EQRO). The requested resources will implement the 1115 Demonstration Waiver Amendment for the Drug Medi-Cal Organized Delivery System (DMC-ODS). Resources are requested at 50% General Fund/50% Federal Funds pending federal approval of the waiver.

Proposed	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	Total
Personal Services:						
13.0 Perm Positions	$ 1,290,000	$ 1,290,000	$ 1,290,000	$ 1,290,000	$ 1,290,000	$ 6,450,000
Operating Expenses and Equipment (OE&E):						
Staff OE&E	$ 366,000	$ 249,000	$ 249,000	$ 249,000	$ 249,000	$ 1,362,000
EQRO Contract	$ 500,000	$ 2,300,250	$ 2,300,250	$ 2,300,250	$ 2,300,250	$ 9,701,000
Technical Assistant Training (Contract)	$ 1,000,000	$ 1,000,000	$ 500,000	$ 500,000	$ 500,000	$ 3,500,000
Total per FY	$ 3,156,000	$ 4,839,250	$ 4,339,250	$ 4,339,250	$ 4,339,250	$21,013,000

BACKGROUND

The overall purpose of the Waiver is to create a model that will provide an Organized Delivery System of substance use disorder services. The DMC-ODS waiver is an amendment to DHCS' Bridge to Reform Waiver, which is up for renewal in the fall of 2015. Upon approval, the DMC-ODS would be approved for the remainder of the current waiver, and five years as part of the renewed waiver. Currently, the services under DMC include intensive outpatient treatment, outpatient treatment, perinatal residential treatment and methadone treatment. Counties must contract with any willing service provider; otherwise, the state must enter into a direct contract with the provider. Currently in California, DMC is a fragmented system without a true continuum of care.

Federal funding for residential services are currently restricted to facilities with 16 beds or fewer by interpretation of federal law under the Institutions for Mental Diseases (IMD) exclusion. The policy has been in place since 1965 when Medicaid was enacted. The IMD Exclusion 16-bed limit was amended in a federal statute in 1988 and is found in section 1905(a) of the Social Security Act (42 USC 1396(d)(a)). The exclusionary language prohibits federal Medicaid funds from being paid for care or services for an individual who is a patient in an IMD. The exclusion is tied to the patient, not the facility; therefore, Federal Financial Participation (FFP) is not available for any Medicaid services provided to a patient residing at an IMD, regardless of where he or she receives the services.

Ninety percent of California's current substance use disorder residential bed capacity is considered an IMD by the federal government and services provided are currently not reimbursable. The DMC-ODS Waiver application does not seek to waive the IMD exclusion, but to demonstrate that residential services as part of a continuum of care without a bed limit provides effective outcomes for beneficiaries in their substance use disorder treatment and is likely to have a positive impact on other systems. This structure is expected to improve utilization of substance use disorder services. Until the Waiver is approved, California cannot receive federal funds for residential services in nearly all residential facilities in the state.

The state will monitor all Waiver activities. The Waiver establishes a continuum of care to address substance use, including: early intervention, physician consultation, outpatient treatment, case management, medication assisted treatment, recovery services, recovery residence, withdrawal management, and residential treatment. Counties that choose to participate will be required to enter into a memorandum of understanding (MOU) with any managed care plan in their county, which outlines how physical health and substance use disorder services will be coordinated. Providers will be required to implement at least two evidenced based practices. Additionally, recovery services will allow the beneficiary to re-enter the continuum at a lower level of care if the event of a relapse or are triggered to relapse and will connect assessed beneficiaries with drug free housing while engaged in treatment.

The DMC-ODS will be implemented in regional phases modeled after the California Behavioral Health Director's Association boundaries for each region. Phase One will consist of 8-10 counties in the Bay Area and will begin after securing Waiver approval. Phase Two will consist of the Southern counties and begin approximately four to six months after the start of Phase One. Phase Three and Phase Four will consist of Central and Northern counties. These phases will require a higher degree of technical assistance to establish their networks. Not all participating counties in a region are required to be fully implemented before DHCS begins the next phase. Instead, the phases represent the time DHCS will focus on each area. DHCS anticipates full implementation of participating counties within five years once the waiver is approved.

Phase five represents implementation of DMC-ODS services by the Tribally operated and urban Indian health providers. These entities will participate in the program through a Tribal Delivery System which will provide the continuum of care of services for tribal beneficiaries through the tribal system. The provisions will be consistent with the authorities in the Indian Health Care Improvement Act (IHCIA - Pub.L. 94-437, as amended) and will be developed in consultation with the California tribes, and Tribal and Urban Indian health programs located in the state, consistent with the Tribal Consultation State Plan Amendment and the CMS Tribal Consultation Policy. After consulting with Tribal stakeholders, DHCS will outline the requirements in an attachment to the DMC-ODS waiver.

Of the 13.0 requested positions, ten are for program workload and three for support functions, including 1.0 Staff Services Manager III, 1.0 Staff Services Manager I, and 8.0 Associate Governmental Program Analysts (AGPAs).

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and respond to questions of the Subcommittee.

Staff Recommendation: Subcommittee staff recommends holding this proposal open.

ISSUE 4: HEALTH HOME PROGRAM TRAILER BILL

PANELISTS

- **Department of Health Care Services**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

DHCS is proposing trailer bill language (TBL) to provide DHCS with the authority to establish a Health Home Program (HHP) Account in the Special Deposit Fund within the State Treasury in order to collect and allocate non-General Fund public or private grant funds, to be expended upon appropriation by the Legislature, for the purposes of implementing the HHP as specified in Assembly Bill (AB) 361(Mitchell, Chapter 642, Statutes of 2013). The Medi-Cal estimate includes $61.6 million (non-state funds) for this purpose for payments to health plans that participate in the Health Home Program.

BACKGROUND

The Medicaid Health Home State Plan Option is afforded to states under the Affordable Care Act (ACA). Section 2703 allows states to create Medicaid health homes to coordinate the full range of physical health, behavioral health, and community-based Long Term Services and Supports (LTSS), and other community based services needed by beneficiaries with chronic conditions.

AB 361authorizes DHCS, subject to federal approval, to create an ACA Section 2703 HHP for beneficiaries with chronic conditions. The HHP will serve eligible Medi-Cal beneficiaries with multiple chronic conditions who are frequent users and may benefit from enhanced care management and coordination. Health Homes provide six core services: comprehensive care management; care coordination (physical health, behavioral health, and community-based LTSS); health promotion; comprehensive transitional care; individual and family support; and referral to community and social support services. AB 361 provides that the requirements in the bill shall not be implemented unless federal financial participation is available and that the program is cost neutral regarding State General Funds. AB 361 also requires that if DHCS implements the program, DHCS must ensure that an evaluation of the program is completed and that DHCS submits a report to the appropriate policy and fiscal committees of the Legislature two years after implementation of the program.

This TBL would provide DHCS with the authority to establish a HHP Account; accept funding from local governments, foundations or other organizations; and expend, upon appropriation by the Legislature, the funds for the implementation of HHP.

Federal matching funds at 90 percent would be available for eight quarters. Federal matching funds would be available for staffing and contractor services at 50 percent. Foundation funding would be available to provide the non-federal share during the first eight quarters of HHP.

Stakeholder Concerns

Children's hospitals have significant concerns with this proposed trailer bill and program. Specifically, they are concerned with how this program will affect children who are in the California Children's Services (CCS) program that provides specialty care services for significant chronic medical conditions. According to these stakeholders, neither the statute nor the program concept paper developed by DHCS clearly explains what would happen to CCS children in the context of this program, and what protections are being provided to ensure they continue to have access to the same care they currently receive through the CCS program.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and respond to the following:

1. Please explain how this program would affect children in the CCS program.

2. What protections have been created to ensure that children in the CCS program will continue to receive the same services through CCS?

Staff Recommendation: Subcommittee staff recommends holding the proposal open.

ISSUE 5: GROUND EMERGENCY MEDICAL TRANSPORTATION TRAILER BILL

PANELISTS

- **Department of Health Care Services**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

This proposal would authorize the Department of Health Care Services (DHCS) to modify the existing Ground Emergency Medical Transportation (GEMT) Supplemental Reimbursement Program in order to maximize federal financial participation for public GEMT providers' services, subject to federal approval. This new mechanism would have no impact to the State General Fund.

BACKGROUND

California Welfare and Institutions (W&I) Code §14105.94, as enacted on October 2, 2011, authorized the GEMT supplemental reimbursement program. This voluntary Certified Public Expenditure (CPE) based program provides additional funding to eligible governmental entities that provide GEMT services to Medi-Cal beneficiaries. The Centers for Medicare and Medicaid Services (CMS) approved State Plan Amendment (SPA) 09-024 on September 4, 2013, authorizing the federal share of the supplemental reimbursement payments based on uncompensated costs for Medi-Cal fee-for-service (FFS) transports, effective January 30, 2010.

Since its inception, the GEMT supplemental reimbursement program has provided approximately $45.6 million (federal funds) in additional reimbursements to GEMT providers for their uncompensated care costs.

AB 2577 (Cooley) from the 2014 legislative session would have required DHCS to develop an intergovernmental transfer (IGT) funded program to increase capitation rates to health plans for GEMT services. AB 2577 was vetoed by the Governor; in the veto message the Governor directed DHCS to continue to work on options that would maximize funding for GEMT services in a manner that was operationally possible.

As directed by the Governor’s veto message for AB 2577, DHCS continued to work on potential options for increasing federal funding to public GEMT providers. DHCS determined that the program construct of AB 2577 was not possible to implement and instead is proposing to develop a modified GEMT program in FFS, in collaboration with the GEMT stakeholders.

Under the current GEMT methodology, funded through CPEs, participating providers are limited to supplemental reimbursement up to Medi-Cal allowable costs. These costs may not reflect the GEMT provider's full cost of providing the transport to a Medi-Cal beneficiary. Modifying the existing GEMT supplemental payment methodology to utilize IGTs will allow the providers to receive supplemental reimbursement up to the maximum allowed under federal Medicaid rules, which is generally comparable to the rates they receive from commercial payers, likely higher than the Medi-Cal allowable costs, thus providing additional federal funds to GEMT providers.

This modification will continue to allow the State to reimburse GEMT providers for their uncompensated care costs. Medi-Cal reimbursement rates for these providers are not regularly increased to align with the changing costs of providing GEMT services to Medi-Cal beneficiaries.

This modification would have no impact to the State General Fund. The nonfederal share would be provided by the participating GEMT providers.

The IGT mechanism would allow the State more flexibility to develop a methodology in which GEMT providers can be reimbursed at a level comparable to the rates paid by commercial payors.

DHCS states that increasing reimbursements would encourage GEMT providers to continue to provide access to these essential services to Medi-Cal beneficiaries, especially in light of the expansion of the Medi-Cal program.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and respond to Subcommittee questions.

Staff Recommendation: Subcommittee staff recommends holding this proposal open.

ISSUE 6: APPLICATION ASSISTANCE PAYMENTS TRAILER BILL

PANELISTS

- **Department of Health Care Services**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

Section 70 of Assembly Bill (AB) 82 (Chapter 23, Statutes of 2013), which authorized in-person enrollment application assistance payments of $58 per approved Medi-Cal application sunsets on June 30, 2015. Once all in-person enrollment assistance payments have been made for the approved Medi-Cal applications received through June 30, 2015, this proposal would reallocate any remaining funds to the county outreach and enrollment grants authorized under Section 71 of Senate Bill (SB) 101 (Chapter 361, Statutes of 2013). This proposal would also extend the date by which these county grant funds could be allocated to June 30, 2018.

BACKGROUND

Section 70 of AB 82 authorized the California Department of Health Care Services (DHCS) to accept contributions by private foundations, specifically The California Endowment (TCE), in the amount of $14 million. These funds were matched with federal funds and provided a total of $28 million for in-person enrollment application assistance. Section 71 of SB 101 authorized DHCS to accept private contributions by private foundations, specifically TCE, in the amount of $12.5 million. These funds were also matched with federal funds and provided a total of $25 million for county outreach and enrollment grants.

Covered California (CC) currently administers payments to Certified Enrollment Entities (CEEs) for in-person enrollment assistance for individuals who apply for insurance affordability programs, are found eligible, and enroll in either Medi-Cal or a CC Qualified Health Plan. In addition, CC pays Certified Insurance Agents (Agents) for applications that result in a Medi-Cal eligibility determination. Agents receive compensation from health plans for Qualified Health Plan enrollment. CC currently holds contracts with more than 900 CEEs and nearly 15,000 Agents. CC has an Interagency Agreement with DHCS, which provides funding for the $58 payments made to Agents and CEEs and provides reimbursement for a portion of CC's cost to administer the application assistance program.

Beginning July 1, 2015, CC is implementing a new payment model for Qualified Health Plan enrollment assistance work under the Navigator Grant Program. The Navigator Program is required pursuant to federal Exchange regulations, but does not provide compensation for applications with Medi-Cal eligible individuals. CC will no longer be

providing application assistance payments to CEEs and Agents for applications with Medi-Cal eligible individuals received after June 30, 2015. CC confirmed that it will make the payments to assisters for valid Medi-Cal applications received through June 30, 2015.

Of the $28 million dedicated to Agents and CEEs for Medi-Cal applications, as of April 2015, $18.2 million has been identified for applications submitted October 2013 through December 2014. Based on current enrollment trends, DHCS estimates CC will pay out an additional $7.3 million through June 30, 2015. This would leave approximately $2.5 million in remaining funding for Medi-Cal assistor payments unspent.

Of the $23.5 million dedicated to county outreach and enrollment grants, as of April 2015, approximately $3.8 million has been distributed to counties. Under current law, these funds must be fully expended by June 30, 2016.

Under this proposal, once CEEs and Agents have been compensated for eligible applications submitted through June 30, 2015, the remaining funds will be transferred to the county outreach and enrollment grants under Section 71 of SB 101. Furthermore, this proposal would extend the date by which these county grant funds can be spent from June 30, 2016, to June 30, 2018. These funds will be allocated to counties in a manner determined by DHCS.

Absent this proposed legislation, CC will be unable to distribute the remaining grant money dedicated to Agents and CEEs for Medi-Cal applications by June 30, 2015 and these funds would go unspent. When CC's contracts with CEEs expire on June 30, 2015, DHCS will no longer be able to leverage the existing contracts CC has with these CEEs or its relationship with Agents. DHCS does not believe that it has the contracting or accounting resources or capacity to implement contracts with and make payments to the 900 CEEs and 15,000 Agents. The proposed legislation will permit DHCS to distribute the remaining funding using the county and CBO structure that it has in place for funding outreach and enrollment. DHCS has implemented an outreach grant tracking system to ensure timely invoice collection and payment going forward. Furthermore, it is unlikely DHCS will be able to fully distribute the county grant funds by June 30, 2016. Without an extension of the date by which county grant funds can be distributed any remaining funds as of June 30, 2016, would go unspent.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and respond to the following:

1. Please explain the reasons that this program cannot continue in its current form.
2. Has DHCS considered any options to allow continued payments for Medi-Cal only?
3. Please describe any evidence of success of the two outreach programs.

Staff Recommendation: Subcommittee staff recommends holding this proposal open.

4265 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: LICENSING & CERTIFICATION MAY REVISE ADJUSTMENT TO LOS ANGELES COUNTY CONTRACT

PANELISTS

- **Department of Public Health**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

The California Department of Public Health (Public Health), Center for Health Care Quality (CHCQ), requests an increase in expenditure authority of $5.3 million from the State Department of Public Health Licensing and Certification Program Fund. The increase will fund the Los Angeles County contract for the following negotiated terms: (1) a 2-percent salary increase that became effective in October 2014; (2) a 2-percent salary increase that became effective in April 2015; (3) an increase to the fringe benefit rate; (4) an increase to the indirect cost rate; (5) a productive workload adjustment based on 1,760 hours per Full-Time Equivalent position; and (6) consistency with state staff ratios for field staff.

BACKGROUND

The CHCQ is responsible for regulatory oversight of licensed health care facilities and health care professionals to ensure safe, effective, and quality health care for all Californians. The CHCQ fulfills this role by conducting periodic inspections and complaint investigations of health care facilities to ensure they comply with federal and state laws and regulations. The CHCQ receives funds through a grant from the Centers for Medicare and Medicaid Services (CMS) and licensing fees paid by health care facilities. The CHCQ licenses and certifies over 7,500 health care facilities and agencies in California in 30 different licensure and certification categories.

For over 30 years, public health has contracted with Los Angeles County (LAC) to perform federal certification and state licensing surveys and investigate complaints and entity-reported incidents for approximately 2,500 health facilities in the Los Angeles County area. In July 2012, public health and LAC renewed the contract for a three-year term (ending June 30, 2015), for an annual budget of $26.9 million to fund 178 positions.

Roughly one third of licensed and certified health care facilities in California are located in Los Angeles County, but only 18.7 percent of the long term care (LTC) complaints and entity-reported incidents received statewide each year are generated in Los Angeles County.

LAC workers have higher salary rates than comparable state staff. The contract between public health and LAC has not reflected LAC Board of Supervisor's approved salary increases since 2010. consequently, the current contract only funds 151 of the 178 authorized positions and, as a result, LAC has held positions vacant to stay within the contracted amounts.

The Governor's January budget requested an increase of $9.5 million, for a total projected contract amount of $36.5 million. That proposal included $2.6 million to fund the current contract positions at the existing LAC salary rates, and $6.9 million to fund 32 additional LAC positions to enable the county to address tier 1 and tier 2 federal workload, long-term care complaints and entity-reported incidents, and investigate open long-term care complaints and entity-reported incidents. This did not include funding for: increases in salary and wages due to salary increase adjustments that took effect in October 2014 and April 2015, an increase to the fringe benefit rate, and an increase to the indirect cost rate, calculating workload using 1,760 productive hours annually, and using state staff ratios for field staff. These changes are currently being discussed in contract negotiations between LAC and the CHCQ.

Due to a salary increase negotiated by LAC nurses, the current contract only funds 151 of the 178 authorized positions. LAC has purposefully held 27 positions vacant. These vacancies have led to a growing number of open complaints and entity-reported incidents, and LAC is unable to meet current and ongoing workload within the current funding. As a result, the department proposed $9.5 million to fully fund the current contracted positions.

However, due to the timing of the Governor's Budget and ongoing negotiations with LAC, the original proposal did not include funding for two increases in salary and wages, an increase to the fringe benefit rate, an increase to the indirect cost rate, using an annual productive work hour metric based on 1,760 full-time equivalent hours instead of 1,800 hours, and county staff ratios for field staff being inconsistent with the state's ratios. If this request is not approved, DPH states that the LAC contract will not be fully funded, and the county will not be able to pay for the staff necessary to complete the contracted workload. DPH believes that this will result in increased vacancies to offset the funding, fewer complaints being addressed timely, greater backlogs of open complaints, and the potential loss of future CMS grant awards due to lack of compliance.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DPH to present this proposal and respond to the following:

1. How will the new contract hold LAC accountable for the increase in resources?

2. What cost controls does the state maintain with regard to the LAC contract?

Staff Recommendation: Subcommittee staff recommends holding this proposal open.

ISSUE 2: GENETIC DISEASE SCREENING PROGRAM PRENATAL SCREENING TRAILER BILL

PANELISTS

- **Department of Public Health**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

DPH is proposing trailer bill language to prohibit health insurers and managed care plans from either not reimbursing the state, or charging patients co-pays or deductibles, for prenatal screening as provided by the state.

BACKGROUND

The Prenatal Screening Program screens pregnant women who consent to screening for serious birth defects. The fee paid for this screening is about $207. Most prepaid health plans and insurance companies pay the fee. Medi-Cal also pays it for its enrollees. There are three types of screening tests for pregnant women in order to identify individuals who are at increased risk for carrying a fetus with a specific birth defect. All three of these tests use blood specimens, and generally, the type of test used is contingent upon the trimester. Women who are at high risk based on the screening test results are referred for follow-up services at state-approved “Prenatal Diagnosis Centers.” Services offered at these Centers include genetic counseling, ultrasound, and amniocentesis. Participation is voluntary.

DPH explains that some health plans have been refusing to cover the payment required by this program, stating that the program is "out of network." However, all prenatal screening is done by this program, and therefore the program cannot be considered out-of-network. Moreover, the program saves the plans money by covering the costs of follow-up care.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DPH to present this proposal and respond to questions of the Subcommittee.

Staff Recommendation: Subcommittee staff recommends holding this proposal open.

4440 DEPARTMENT OF STATE HOSPITALS

ISSUE 1: RESTORATION OF COMPETENCY PROGRAM EXPANSION

PANELISTS

- **Department of State Hospitals**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

DSH requests $10,102,000 General Fund to expand the Restoration of Competency (ROC) program by up to 108 beds to address the Incompetent to Stand Trial (IST) patient wait list. The 2014 Budget Act included $3,898,000 to expand the existing 40-bed program by 45-55 beds; however, due to unforeseen delays, DSH projects savings of approximately $1,431,000 General Fund in the current year. The Department has negotiated to expand the number of ROC beds at the San Bernardino County jail and has finalized this contract, expecting to become operational in June 2015. DSH requests that provisional language be added to provide up to $4 million for additional contracts, contingent upon new contracts being signed. Additionally, trailer bill language is requested to eliminate the sunset date for ROC programs and allow for the continued operation and expansion of ROC programs beyond the current sunset date of January 1, 2016.

BACKGROUND

The 2007 Budget Act included $4.3 million for a pilot program to test a more efficient and less costly process to restore competency for IST defendants by providing competency restoration services in county jails, in lieu of providing them within state hospitals. This pilot operated in San Bernardino County, via a contract between the former Department of Mental Health, San Bernardino County, and Liberty Healthcare Corporation. Liberty provides intensive psychiatric treatment, acute stabilization services, and other court-mandated services. The State pays Liberty $278, well below the approximately $450 cost of a state hospital bed. The county covers the costs of food, housing, medications, and security through its county jail. The results of the pilot have been very positive, including: 1) treatment begins more quickly than in state hospitals; 2) treatment gets completed more quickly; 3) treatment has been effective as measured by the number of patients restored to competency but then returned to IST status; and, 4) the county has seen a reduction in the number of IST referrals. San Bernardino County reports that it has been able to achieve savings of more than $5,000 per IST defendant, and therefore total savings of about $200,000. The LAO estimated that the state achieved approximately $1.2 million in savings from the San Bernardino County pilot project.

The LAO produced a report titled*, An Alternative Approach: Treating the Incompetent to Stand Trial*, in January 2012 on this issue. Given the savings realized for both the state and the county, as well as the other indicators of success in the form of shortened treatment times and a deterrent effect reducing the number of defendants seeking IST commitments, the LAO recommends that the pilot program be expanded.

In 2012, budget trailer bill authorized the state to continue the pilot on an ongoing basis, and the DSH is in the process of actively encouraging expansion to other counties. The DSH reports that they have had significant discussions with 14 counties and that they are close to signing contracts with Sacramento and Alameda Counties.

Just last week, DSH announced finalizing a new contract with San Bernardino to expand their program to serve Los Angeles County. This proposal would cover the costs of 76 new beds to serve LA County residents at a cost of $6.1 million. The additional $4 million is subject to approval of one or more additional contracts with other counties for expansion of ROC.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DSH to present this proposal and respond to questions of the Subcommittee.

Staff Recommendation: Subcommittee staff recommends holding open this proposal to allow for additional time for review.

ISSUE 2: COLEMAN BED EXPANSION – VACAVILLE

PANELISTS

- **Department of State Hospitals**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

DSH requests $4,613,000 General Fund and 38.2 positions for the activation of a 30-bed unit at Vacaville that can provide both intermediate care and acute treatment for *Coleman* patients.

BACKGROUND

DSH states that, given growing waitlists for these types of beds and patients with extended days in mental health crisis beds, there is a need to activate this unit and increase the inpatient capacity within the psychiatric programs. Furthermore, the Special Master overseeing the *Coleman* lawsuit has expressed concern over these growing waitlists.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DSH to present this proposal and respond to questions of the Subcommittee.

Staff Recommendation: Subcommittee staff recommends holding open this proposal to allow for additional time for review.

ISSUE 3: CIVIL COMMITMENT BED EXPANSION – METROPOLITAN

PANELISTS

- **Department of State Hospitals**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

DSH requests $8,326,000 (reimbursements from counties) to support 67.1 positions and activate a 40-bed Lanterman-Petris-Short (LPS) unit at Metropolitan State Hospital.

BACKGROUND

This proposed activation is expected to begin in May 2015 and will address a growing waitlist of county commitments. DSH reports that the waitlist for civil commitments by counties has grown from approximately 10 at the beginning of 2015 to approximately 43 now.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DSH to present this proposal and respond to the following:

Please describe the increase in the waitlist for LPS patients that has occurred over the past year and what DSH knows about the possible contributing factors to this increase.

Staff Recommendation: Subcommittee staff recommends holding open this proposal to allow for additional time for review.

ISSUE 4: EARTHQUAKE REPAIRS & SEISMIC UPGRADES – NAPA

PANELISTS

- **Department of State Hospitals**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

This issue addresses two proposals by DSH within the May Revise that seek to address seismic safety and damage done by the Napa earthquake, as follows:

1. *Damage Repairs*. DSH requests $5,725,000 (General Fund) and $17,175,000 (reimbursements which are Federal Emergency Management Agency (FEMA) funds) to repair damages sustained at Napa State Hospital (NSH) during the August 2014 earthquake. Additionally, provisional language is requested to authorize a General Fund loan pending federal reimbursements.

2. *Plant Operations Building Capital Outlay*. DSH requests $1,042,000 General Fund and $3 million FEMA funds for the seismic retrofit of the NSH Plant Operations Building #145, that houses facilities support staff and their equipment used to conduct necessary repairs and maintenance work at NSH. This proposal includes provisional language to condition the appropriation on receipt of the federal grant and an extension of the encumbrance period.

BACKGROUND

On August 24, 2014, the greater Napa region was hit with a 6.1 earthquake. On September 11th, President Obama signed a disaster declaration for the State of California in the areas affected by the earthquake.

1) Damage Repairs
The August 2014 earthquake in Napa damaged approximately 40 buildings at NSH, and was declared a federal emergency. Federal reimbursement has been authorized for 75 percent of approved repair costs. The State Fire Marshal, Department of General Services, Office of Emergency Services and the Office of Statewide Health Planning and Development have been assisting NSH in assessing the damage caused by the earthquake. To date, eight structures used for staff offices and workspaces have been identified as unfit for occupancy: four of these buildings have been "red tagged" requiring demolition and reconstruction; four building have been "yellow tagged" which will require substantial reconstruction.

2) Plant Operations Capital Outlay
Under the federal emergency declaration, funding from FEMA is possible to seismically upgrade buildings that were not structurally damaged through this recent earthquake. This grant program offers up to 75 percent reimbursement of state costs, up to a maximum of $3 million per project. This proposed project, to upgrade building #145, has qualified preliminarily for this funding. However, final awards will not be known until after the budget has been enacted, and therefore the administration has proposed provisional language to condition the proposed appropriation on receipt of this federal grant.

According to DSH, building 145 was built in 1916 and was constructed using unreinforced masonry that makes it subject to collapse in the event of a major earthquake. DSH states that in its current condition, the building is a danger to the health and safety of the hospital staff housed there.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DSH to present these proposals and respond to the following:

1. What does DSH know about the level of seismic safety of all State Hospital structures?

2. Does DSH have a seismic safety upgrade plan for the State Hospitals?

3. Does DSH believe that State Hospitals structures are sufficiently and appropriately seismically safe for both patients and staff?

Staff Recommendation: Subcommittee staff recommends holding open this proposal to allow for additional time for review.

4800 CALIFORNIA HEALTH BENEFIT EXCHANGE

ISSUE 1: EMERGENCY REGULATIONS AUTHORITY TRAILER BILL

PANELISTS

- **Department of State Hospitals**
- **Department of Finance**
- **Legislative Analyst's Office**
- **Public Comment**

BUDGET PROPOSAL

Covered California (CC, California's Health Benefit Exchange) proposes trailer bill to extend CC's current emergency regulations and its Board's rulemaking authority until January 2017, and provide limited statutory exemptions from the Administrative Procedure Act's (APA) rulemaking requirements for (i) standard plan designs, and (ii) having separate regulations for each procurement

BACKGROUND

Extending Emergency Regulations and Rulemaking Authority
In 2010, CC was granted authority to adopt emergency regulations through January 1, 2016. Emergency regulations must be made permanent within one year, or else they expire. The 2014-15 budget trailer bill package included a provision to allow a one-year extension of CC's emergency regulations before becoming permanent. However, changes in federal regulations and marketplace implementation issues continue to require timely adjustments in CC's rules and regulations.

This proposal would provide CC extension of its current emergency regulations and a one-year extension of its emergency rulemaking authority until January 2017. This will enable CC to account for new federal regulations and to continue implementing and updating current policies to respond to market needs. An example of continuing changes in federal regulations is the final federal 2016 Notice of Benefit and Payment Parameters rule, which requires:

- Changes to special enrollment periods and expanded triggering events allowing consumers to select a plan through an exchange during special enrollment periods;
- Changes to termination of coverage provisions, allowing a retroactive termination; and
- Changes to eligibility standards for exemptions.

Failure to extend CC's emergency rulemaking authority could lead to inconsistency between federal, state and CC regulations, risk litigation, and create uncertainties in eligibility and enrollment for CC and Medi-Cal.

Even where federal policy is established, CC is continuously updating—and in many instances still developing—its implementation policies to account for lessons learned from its first renewal period. CC states that with emergency rulemaking authority, CC can quickly revise its policies to respond to market needs, allowing CC to swiftly adopt new policies to the benefit of its consumers.

Limited Statutory Exemptions from the Administrative Procedure Act for Standard Plan Designs and from having Separate Regulations for Each Procurement

Standard Plan Designs: CC is authorized to establish standard benefit plan designs, including copays and deductibles, to allow consumers to compare health care plans on an "apples to apples" basis. To develop its standard plan design, CC is required to rely on federal regulations that are updated annually. These updates include changes in the Final Notice of Benefit and Payment Parameters and the Actuarial Value Calculator (AV Calculator). These annual changes result in significant challenges to CC's ability to adopt permanent regulations within the necessary timeline. For example, the permanent rulemaking process can take up to a year to complete. However, in 2014, rates for standard plan designs were due May 1, 2014, less than two months after the final AV Calculator was released.

CCS states that without an exemption from the permanent rulemaking process, it would be highly problematic for CC to implement policies to standardize insurance products in the individual and small group markets. Therefore, this proposal would exempt standard plan designs from the formal rulemaking process. Under this proposal, the standard plan designs would be subject to approval of the California Health Benefit Exchange Board (Board), and must be publicly noticed and discussed during at least two Board meetings.

Procurements**:** In its enacting legislation, CC was granted certain exceptions from the Public Contract Code and from Department of General Services (DGS) oversight in an effort to provide flexibility in its contracting and procurement processes. Unlike agencies that are under DGS oversight, CC's contracting and procurements processes are not exempt from the rulemaking requirements of the APA.

One unanticipated consequence of this is that once CC's emergency regulation authority ends, it would be required to adopt its competitive solicitations and some of its contracts as permanent regulations before its contracts could be executed. This would create an administrative burden on CC because of the excessive amount of time it would take to contract for necessary services. As an alternative, this proposal would exempt CC's competitive solicitations and some of its contracts from the APA's permanent rulemaking requirements, while also promoting transparency in its contracting and procurements processes. Under this proposal, the Board would adopt a Contracting Manual incorporating procurement and contracting policies and procedures that must be followed by CC.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests Covered California to present this proposal and respond to questions of the Subcommittee.

Staff Recommendation: Subcommittee staff recommends holding open this proposal.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

The budget for the Department of Developmental Services (DDS) was heard by this Subcommittee on March 4, 2015, where the current issues and Governor's Budget proposals were heard.

This agenda is dedicated to new issues in DDS pursuant to the Governor's May Revision, released on May 14, 2015.

BUDGET SUMMARY

(Dollars in Thousands)

	Updated 2014-15	2015-16	Difference	Percent of Change
TOTAL FUNDS				
Community Services	$4,891,976	$5,389,415	$497,439	10.2%
Developmental Centers	557,693	515,579	-42,114	-7.6%
Headquarters Support	42,484	43,850	1,366	3.2%
TOTALS, ALL PROGRAMS	**$5,492,153**	**$5,948,844**	**$456,691**	**8.3%**
GENERAL FUND				
Community Services	$2,803,150	$3,203,828	$400,678	14.3%
Developmental Centers	310,131	295,127	-15,004	-4.8%
Headquarters Support	27,043	28,341	1,298	4.8%
TOTALS, ALL PROGRAMS	**$3,140,324**	**$3,527,296**	**$386,972**	**12.3%**

Developmental Centers Division

FY 2014-15

To provide services and support to 1,117 residents in developmental centers (average in-center population), the May Revision updates the Governor's Budget to $557.7 million total funds ($310.1 million GF), a net decrease of $5.2 million total funds (and GF increase of $0.5 million) for Developmental Centers' State Operations funding.

FY 2015-16

For 2015-16 the May Revision provides services and support for 1,035 residents (average in-center population) in developmental centers, an increase of 25 residents (due to less placements budgeted for in the prior year than anticipated) over the Governor's Budget. Funding increased to $515.6 million ($295.1 million GF); an increase of $0.4 million ($15.3 million GF). Authorized positions decreased from 4,270 to 4,249.0; a decrease of 21.2 positions below the Governor's Budget. By the end of the budget year, there is expected to be 996 individuals residing in the state operated facilities. DC costs are also adjusted to reflect complete closure of the Lanterman DC.

ISSUE 1: DEVELOPMENTAL CENTERS CLOSURE PLAN

The May Revision proposes to initiate a closure process for the Sonoma, Fairview, and the non-secure treatment portion of the Porterville Developmental Centers (DCs).

BACKGROUND

In January of 2014, The Plan for the Future of Developmental Centers in California recommended that the state should operate a limited number of smaller, safety-net crisis and residential services in the future. Since that time, deficiencies that could lead to decertification have been found within the ICF-IID portions of Sonoma, Fairview, and Porterville Developmental Centers. All three of these facilities have entered into Program Improvement Plans (PIPs) with the California Department of Public Health (CDPH). Sonoma began its PIP in January of 2013 and the PIPs at Fairview and Porterville commenced in January of 2014.

At this Subcommittee's hearing on March 4, 2015, it was noted that on February 25, 2015, CMS notified the Department that Sonoma DC's Federal financial participation (FFP) would end on April 11, 2015. CMS updated this decision on May 7, 2015, when the Department was notified that FFP will end on June 6, 2015. The state is in the process of negotiating a settlement with the federal government to continue federal funding for Sonoma for a limited amount of time. Fairview and Porterville entered into PIPs in January 2014 and are still operating under the PIPs. These facilities will continue to retain federal funding for services in the ICF units while the facilities continue to make improvements in their services and systems.

MAY REVISION PROPOSAL

Consistent with the recommendations in the Plan for the Future of Developmental Centers in California, the May Revision proposes trailer bill language to initiate closure planning for the remaining developmental centers. The Department will provide a closure timeline for the Sonoma Developmental Center with the goal of closing this developmental center by the end of 2018. As part of this closure process, the Department will convene stakeholders to discuss alternative uses for the Sonoma

campus. At this time, the Department plans to report back to the Legislature on its closure plan for Sonoma on October 1, 2015.

The May Revision also proposes the future closure of the Fairview Developmental Center and the non-secure treatment portion of the Porterville Developmental Center, with the last closure completed in 2021. The closure of each developmental center will require significant resources to develop placement options and services for the developmental center residents who will transition into other placements. Thus, the proposal includes $49.3 million ($46.9 million General Fund) of Community Placement Plan (CPP) funding to begin development of resources to support the transition of SDC residents. This funding will provide resources to fund the development of homes in the community, additional training for providers, supported living services, crisis services, transportation, and other support services. Specifically, this funding would include $46.7 million for start-up and placement, $1.3 million for regional center coordination and $1.3 million for state coordination.

LAO COMMENTS

The LAO notes the following regarding the Governor's plan:

Proposed Schedule for DC Closures Faster Than Prior Two DC Closures. The state has successfully closed Agnews DC—over the five-year period from 2004-05 to 2008-09—and Lanterman DC—over the six-year period from 2009-10 to 2014-15. The proposed closure of Sonoma and Fairview DCs and the general treatment area at Porterville DC over six years is a shorter time period than the eleven-year period it took to close both Agnews and Lanterman DCs one at a time. Given the proposed time line calls for a faster closure than the prior two DC closures, it will be important to put comprehensive measures in place to ensure the health and safety of the residents as they transition from the DCs to the community.

Some Closure-Related Activities Are Not Allowed Until Legislature Approves Closure Plan. Under state law, a DC closure plan submitted to the Legislature shall not be implemented without the approval of the Legislature. Therefore, it is important that DDS limit its closure-related activities to those allowable under state law prior to legislative approval of a closure plan. This will ensure the Legislature will have a chance to weigh in on the DC closure plans and modify them to meet legislative priorities and objectives.

The LAO also makes the following recommendations.

Adopt Placeholder Trailer Bill Language. To be consistent with state and federal policies regarding DCs, the LAO recommends that the Legislature adopt the administration's proposed trailer bill language as placeholder trailer bill language to allow the Legislature to continue to work with the administration regarding the closure plan submission process.

Approve Requested Resources. The LAO recommends that, the Legislature approve the three May Revision requests for a total of $49.3 million ($46.9 million GF) to begin the development of resources necessary to support Sonoma DC residents in the community to be consistent with existing state and federal policies.

Require the Department to Report on Allowable Closure Activities. The timing of legislative approval of a closure plan may affect the department's ability to go forward with certain closure activities, potentially delaying the ultimate closure of a DC. The LAO recommends the Legislature require the department to report at budget hearings regarding which closure activities are allowable under current law prior to legislative approval of a closure plan and which closure-related activities are contingent upon legislative approval of a closure plan.

Require the Department to Report on Consumer Health and Safety Measures. The LAO recommends the Legislature require the department to report at budget hearings on the measures that will be put in place to safeguard the health and safety of DC residents transitioning to community placements given the time line proposed for closure is faster than prior closures.

STAFF COMMENTS

The conditions and services available to those living in the DCs has been in question for some time, and many programs like the PIPs have been established in order to increase the quality of care in these facilities. However, decertification and loss of federal funds due to deficiencies in the DCs continue to be an issue. There has been a shift towards providing the most home-like care within the community for the developmentally disabled, while minimizing the population of those within the DC facilities.

The Administration's proposal is consistent with the recommendations in the Plan for the Future of Developmental Centers in California, and also includes funding to provide resources for the population transitioning out of the DCs and into the community. This Subcommittee may wish to include additional trailer bill language to require the Department to report back to this Subcommittee on milestones as well as certain performance indicators related to the closure plans.

The Subcommittee may also wish to ask the Department to give an update on the Acute Crisis Homes currently open. Specificity on the source of funding for these facilities is of particular interest, as the Sonoma Acute Crisis unit funding may be at risk given the status of decertification of the ICF units at the Sonoma DC. It is unclear at this time as to whether the Department would seek further General Fund backfill if funding were to be lost for the Acute Crisis Facility at Sonoma, or if funding resources exist in the community to provide for any loss of federal funding. The Department may wish to open more Acute Crisis Units in the future as the Developmental Centers close, and the Legislature should be clear as to the quality of care within and fiscal impacts of these facilities.

Staff Recommendation: Hold open.

ISSUE 2: LANTERMAN CLOSURE UPDATE

The January budget for the Lanterman DC Community State Staff (CSS) Program included $93,780 for a Personnel Specialist I. This funding has been reduced by $42,000 (22,000 GF increase) to correct an error in the formula and to clarify a change in funding methodology. DDS states that the Personnel Specialist I salary and benefits were incorrectly calculated; furthermore, the CSS positions are administrative and do not meet the CMS guidelines for FFP. As a result of this, all funding for this position must come from the General Fund.

STAFF COMMENTS

Staff has no concerns with this proposal, but notes that advocates have reached out about the Developmentally Disabled needs that will still exist in the community when the facility shuts. Whether or not there will be resources and services available to the community when this land is transferred is something the Subcommittee may want the Department to comment on.

As the land is proposed to transfer to the California State University System, Subcommittee 2 on Education Finance also covered the issue of the land transfer in the Subcommittee's hearing on April 22, 2015.

Staff Recommendation: Hold open.

ISSUE 3: SONOMA DEVELOPMENTAL CENTER BACKFILL UPDATE

FY 2014-15

A decrease of $4.4 million in Reimbursement Authority, offset by an increase of $4.4 million GF, to backfill the loss of Medi-Cal Reimbursement for an additional four months (March through June 2015), covering the four Sonoma DC ICF units withdrawn January 2013 from the Medicaid Provider Agreement to ensure continued federal funding for the remaining seven ICF units. The state is in the process of negotiating a settlement with the federal government to continue federal funding for ICF units. However, it is not anticipated that the settlement will include funding for the withdrawn ICF units.

FY 2015-16

The May Revision includes a decrease of $13.2 million in Reimbursement Authority offset by an increase of $13.2 million GF, to backfill the loss of Medical Reimbursement for the full fiscal year specific to the four ICFs that were voluntarily withdrawn January 2013 from the Medicaid Provider Agreement to ensure continued federal funding for the remaining seven ICF units. The state is in the process of negotiating a settlement with the federal government to continue federal funding for ICF units. However, it is not anticipated that the settlement will include funding for the withdrawn ICF units.

STAFF COMMENTS

This Subcommittee may wish to ask the Department to report back to this Subcommittee and provide notifications to the Joint Legislative Budget Committee regarding the progress of securing federal funding for the ICF units.

The Subcommittee may also wish to ask DDS about any effects the closure plan will have on backfill and the decertification issues that Sonoma DC faces.

Staff Recommendation: Hold open.

ISSUE 4: PROGRAM IMPROVEMENT PLANS UPDATE

FY 2014-15
DDS requests reductions of $3.1 million ($1.9 million GF) and 46.1 positions as hiring and retention efforts at the Fairview and Porterville DCs have proven difficult. The resulting delays in hiring and retaining staff have reduced the amount of funding needed in the Current Year.

FY 2015-16
The May Revision includes a decrease of 1.2 million in Reimbursement Authority which is offset by a $1.2 million increase to correct an error in determining the amount of eligible expenditures which are eligible for Medi-Cal Reimbursement Authority.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Hold open.

ISSUE 5: EXPANSION OF THE SECURE TREATMENT PROGRAM AT PORTERVILLE DC UPDATE

FY 2014-15
DDS requests a decrease of $2.0 million GF and a decrease of 19 positions in the Current Year to reflect a reduction of the estimated admissions to the Porterville DC's Secure Treatment Program (STP).

FY 2015-16
The May Revision proposes a $0.8 million GF increase and a net reduction of 2.5 positions in BY 2015-16 to increase projected capacity to 41 beds (from 32 in January's proposal), including staffing category adjustments in the budget year. The Department states that this expansion is necessary to accommodate the increasing number of Developmentally Disabled individuals found Incompetent to Stand Trial (IST) and ordered to the DCs by the Courts.

This request includes trailer bill language to permit increased admissions. Specifically, DDS requests to amend Section 7502.5 of the Welfare and Institutions Code to read:

An individual may be admitted to the secure treatment facility at Porterville Developmental Center, as provided in paragraphs (1) and (3) of subdivision (a) of Section 7505, only when all of the following conditions are satisfied:

(a) The unit to which the individual will be admitted is approved for occupancy and licensed.
(b) The population of the secure treatment facility is less than 211 persons.
(c) The individual is at least eighteen (18) years old.

STAFF COMMENTS

The proposed trailer bill language reduces the total population of the secure treatment facility from 230 to 211 persons. It also removes the cap on those residents receiving services in the transition treatment program (which was previously set at 60). This Subcommittee may wish to ask the following questions of the Department:

1. Does the Department foresee housing an increased amount of residents in its transition treatment program?

2. Please provide an update on the status of court orders for those who require competency training at Porterville DC.

Staff Recommendation: Hold open.

ISSUE 6: OTHER DEVELOPMENTAL CENTERS DIVISION PROPOSALS

The May Revision includes the following requests and adjustments.

DC Population Staffing Adjustments. The May Revision includes a net decrease of $0.4 million ($0.1 million GF increase) and a net reduction of 18.7 positions due to an update of operational needs at each DC location, while managing an increase of 25 in the average-in-center resident population, compared to the Governor's Budget.

Reevaluating Sonoma Creek Pump Station Project. The Governor's Budget proposed a $1.6 million GF increase for the replacement of the SDC Pump Station Intake System located at the Sonoma DC, for Phase I funding to prepare Preliminary Plans and Working Drawings. DDS is reevaluating this proposed project in light of the current drought conditions and the water curtailments that are occurring throughout the state. The Department's reevaluation will consider the water needs for SDC residents and for fire suppression.

Headquarters Request. The May Revision includes a $1.3 million GF increase for 7.0 positions within the Community Services Division and funds for an Inter-Agency Agreement with the Department of Social Services for reimbursement of one dedicated staff position to handle the workload associated with expediting licensing of new license settings in 2015-16. There are no changes for the 2014-15 FY.

Foster Grandparent and Senior Companion Program Transfer from the Developmental Centers Program to the Community Services Program. For FY 2014-15, there is a decrease of $103,000 ($68,000 GF) from the Developmental Centers Program to the Community Services Program to reflect the closure of Lanterman DC.

STAFF COMMENTS

Given the expedited time frame for the closure of the DCs, the positions in the Headquarters BCP are reasonable. Staff has no concerns with these proposals.

Staff Recommendation: Hold open.

Community Services Division

FY 2014-15

To provide services and support to 279,453 persons with developmental disabilities in the community, the May Revision updates the Governor's Budget to $4.9 billion total funds ($2.8 billion GF). The May Revision includes increase of $43.4 million TF ($41.7 million GF) above the 2014-15 Governor's Budget for regional center operations (OPS) and purchase of services (POS).

FY 2015-16

The May Revision projects the total community caseload at 289,931, as of January 31, 2016, and assumes an increase of 10,478 consumers over the updated 2014-15 caseload. The estimate proposes 2015-16 funding for services and support to persons with developmental disabilities in the community at $5.4 billion TF ($3.2 billion GF), an increase of $247.7 million ($211.9 million GF) over the Governor's Budget.

ISSUE 7: CASELOAD AND UTILIZATION

FY 2014-15

The May Revision updates OPS and POS costs by an increase of $73.9 million ($52.4 million GF increase) to reflect updated caseload and utilization due to updated population and expenditure data including Home and Community Based Services (HCBS) waiver enrollment above budgeted levels.

The OPS portion of this funding includes an increase of $1.6 million in total funds, while the GF commitment decreases by $4.6 million GF. The POS portion includes an increase of $72.3 million ($57.0 million GF).

FY 2015-16

The May Revision provides a $120.8 million increase ($82.9 million GF) in OPS and POS to reflect caseload and utilization due to updated population and expenditure data including HCBS Waiver enrollment above budgeted levels.

The OPS portion of this funding includes an increase of $2.5 million, while the GF commitment decreases by $9.3 million. The POS portion includes an increase of $118.3 million ($92.2 million GF).

LAO COMMENTS

At this Subcommittee's hearing on March 4, 2015, the LAO noted that there were issues with the estimate of costs associated with greater utilization in the Community Services budget. Specifically, the discrepancy pertained to the amount of federal draw down matching Medicaid funds in community care facilities (this includes specialized adult residential facilities) and support services (this includes supported living services). For these two categories, the LAO found that the 2015-16 estimated costs proposed for General Fund expenditures that do not draw down federal Medicaid matching funds (known as non-matched General Fund) far outpaced recent trends in cost growth.

In the LAOs discussions with the Department, DDS indicated that in prior years the budget estimate likely underestimated non-matched General Fund (or conversely, overestimated the amount of General Fund that would be matched with federal funds). According to the Department, the estimated amount of federal matching funds was estimated based upon historical trends that did not adequately take into account changes to the provision of services that have been implemented over the past several years, such as cost-saving measures. The DDS has indicated that it will work to improve its estimate methodology to better align its estimate of the amount of federal matching funds it will draw down with program changes.

The LAO does not recommend an adjustment to the DDS budget at this time. However, they will continue to monitor the department's estimates and advise the Legislature if they believe this issue warrants further legislative action.

STAFF COMMENTS

Staff will continue to engage with the LAO regarding caseload and utilization costs. Oversight of the amount of federal draw down in community care facilities and support services will become increasingly important as residents transition from the DCs into the community, and these services are utilized by more consumers.

Staff Recommendation: Hold open.

ISSUE 8: FEDERAL LABOR STANDARDS ACT UPDATE

FY 2014-15
The May Revision updates the costs associated with the Federal Labor Standards Act (FLSA). This update includes a decrease of $20.7 million ($11.2 million GF) to reflect the United States District Court's actions regarding the Federal Labor Overtime Regulations that would have required overtime pay for previously exempted home care workers.

FY 2015-16
The May Revision provides a $2.0 million increase, with a decrease in GF commitment of $0.9 million, in POS to reflect a correction in funding for the Federal Overtime Regulations. In error, the Governor's Budget did not reflect $1.9 million in federal financial participation, and the updated costs associated with implementation of the Regulations.

BACKGROUND

In 2014-15, the Governor's January budget included $21 million ($11 million GF) and $41 million ($22 million GF) in 2015-16 for the implementation of the Fair Labor Standards Act (FLSA) in DDS. The associations of home care companies brought on a lawsuit and a federal district court ruled in early January that the Department of Labor (DOL) overreached its rulemaking authority when it revised the FLSA regulations for the homecare industry.

The DOL has appealed this court ruling and a final decision is not expected until the end of June 2015 at the earliest. As a result, implementation of the FLSA regulations were halted in California and the Governor's May Revision assumes savings of $21 million ($11 million General Fund) in 2014-15. The May Revision includes revised estimates of $43 million ($21 million from the General Fund) to fund the cost to comply with the FLSA regulations for a full year in 2015-16.

LAO COMMENTS

The LAO notes uncertainty surrounding when the appeals court will make its decision on the FLSA regulations, how the court will decide the case, whether the case will be appealed further, and thus whether a full year of funding in the budget year will ultimately be necessary.

STAFF COMMENTS

The overtime issue (as well as its implications to the DDS community) is being handled within the overall In-Home Supportive Services discussion under the Department of Social Services.

Staff Recommendation: Hold open.

ISSUE 9: ASSEMBLY BILL 10 MINIMUM WAGE UPDATE

FY 2014-15

Assembly Bill 10 (AB 10), Chapter 351, Statutes of 2013, included a minimum wage increase, effective July 1, 2014. The May Revision updates the costs associated with state-mandated hourly minimum wage increase from $8 to $9, and includes a reduction of $31.2 million (a $16.5 million GF decrease). The initial estimate of costs was $106.5 million ($59.7 million GF). Based upon service providers and regional center reports of estimated annual fiscal impact the revised estimate of costs is $75.3 million ($43.2 million GF).

FY 2015-16

The May Revision provides a decrease of $31.0 million ($16.4 million GF) as follows:

- A $0.2 million increase ($0.2 million GF) in OPS to reflect a correction of the costs associated with the state-mandated hourly minimum wage increase from $9 to $10, effective January 1, 2016. For the Governor's Budget the estimated fiscal impact did not include regional center Revenue Clerk positions that are budgeted at the minimum wage; and

- A $31.2 million decrease ($16.5 million GF) to reflect costs associated with the state-mandated minimum wage increase from $8 to $9 that went into effect July 1, 2014. Initial estimate of costs was $106.5 million ($59.7 million GF).

STAFF COMMENTS

As the May Revision includes a decrease of $31.2 million to reflect actual utilization of the minimum wage increase, the Subcommittee may wish to ask the Department to provide rationale on this discrepancy.

Staff Recommendation: Hold open.

ISSUE 10: TRANSITION OF RESIDENTS OF DCS INTO THE COMMUNITY

FY 2014-15

The May Revision reflects an increase in costs for FY 2014-15 of $21.4 million ($15.7 million GF) in POS to reflect the continuing costs for consumers who, under the Community Placement Plan (CPP), transitioned from a DC into the community in 2013-14 and whose costs will now be funded in 2014-15 with POS. For DC residents who transitioned into the community in 2013-14 their continuation costs are reflected in the POS expenditure trends for 2014-15. However, the continuation costs for residents of DCs who transitioned into the community in 2012-13 and 2013-14 are significantly higher than in prior years.

Currently, the Governor's Budget includes $4.2 Million in continuation costs in the estimate for Community Care Facilities. For the May Revision DDS proposes increasing continuation costs by an additional $21.4 Million. With future placements of DC residents into the community that include individuals with challenging service needs it is expected that continuation costs will need to be adjusted on an annual basis.

FY 2015-16
The May Revision includes an increase of $37.9 million ($29.9 Million GF) in POS to reflect the continuing costs for consumers who, under the CPP, transitioned from a DC into the community in 2014-15 and whose costs will now be funded in 2015-16 with POS funding.

STAFF COMMENTS

Aside from the CPP funding in this portion of the May Revision, further funding is discussed in this Agenda's section on the Developmental Centers Closure Plan.

Staff Recommendation: Hold open.

ISSUE 11: SERVING CONSUMERS WITH BEHAVIORAL HEALTH NEEDS

The May Revision includes a decrease of $3.0 million ($1.5 million GF) in POS to reflect an update of the estimated fiscal impact of implementation of BHT services by the Department of Health Care Services (DHCS) per Senate Bill 870, Chapter 40, Statutes of 2014, which directs DHCS to implement BHT services as a Medi-Cal benefit for individuals under the age of 21 with an Autism Spectrum Disorder diagnosis if required by federal law. The estimate put forward in the May Revision reflects updated caseload data.

PRIOR YEAR GF SHORTFALL

The May Revision includes an increase of $61.5 Million GF in POS to reflect unrealized savings and offsetting federal funds for prior year expenses, resulting in a need for additional GF to repay outstanding GF loans. After reconciling information on federal fund reimbursement assumptions, DDS identified a shortfall of $15.6 Million in fiscal year 2011-12 and $46.0 Million in 2012-13.

The shortfall is the result of an overestimate of reimbursements not adjusted for cost-containment proposals enacted during those fiscal years and lower than anticipated savings from the private insurance coverage of behavioral health therapy required by Chapter 650, Statutes of 2011 (Senate Bill 946). Additionally, provisional language is requested to specify that these funds are to be used only for prior year shortfalls.

PROPOSED TRAILER BILL LANGUAGE

The Department has requested Trailer Bill Language in order to implement a pilot project using community placement plan funding to test the effectiveness of providing enhanced behavioral supports in home-like community settings. CMS sent a letter to DHCS on April 22, 2014 in order to clarify that facilities with delayed egress and secured perimeters would not be used to serve individuals receiving HCBS services, as CMS requires that setting where individuals receive Medicaid HCBS are integrated in, and facilitate the individual's full access to, the greater community.

The proposed trailer bill includes the following:

1. Prohibits enhanced behavioral supports homes from housing more than four individuals with developmental disabilities
2. Requires that these facilities be licensed as an adult residential facility or a group home pursuant to the California Community Care Facilities Act and certified by DDS
3. Requires facilities to reach licensed capacity before they can receive full established facility rates for a full month of service
4. Allows these facilities to use delayed egress devices and secured perimeters
5. Allows for up to two enhanced behavioral supports homes using delayed egress devises in combination with secured perimeters be certified during the first year of the pilot
6. Prohibits more than six enhanced behavioral supports homes that used delayed egress devices in combination with a secured perimeter shall be certified during the pilot program

   The trailer bill language also includes provides guidelines and protections related to the health and safety of consumers.

STAFF COMMENTS

Efforts to shrink the state's reliance on DCs over the past decade have been hampered by continued admissions to the institutions, largely for consumers with complex forensic or behavioral needs. The enhanced behavioral supports homes provide a more community-based setting for this population and thus decrease reliance on the institutions that provide behavioral health supports.

Staff will continue to engage the Department in conversations regarding these facilities.

Staff Recommendation: Hold open.

ISSUE 12: SHANNON'S MOUNTAIN UPDATE

In 2008, the Department of General Services (DGS) issued a Request for a Proposal to allow for the development of Shannon's Mountain, a housing unit complex on the Fairview DC property. In 2012, DGS realized that they did not have statutory authority for all terms of this project. Specifically, the most pertinent issues were prevailing wage, and the allowed revenue sharing and subsidy of the units in order to provide subsidized rent for units for the developmentally disabled. The Department, DGS, and CHHS have been in discussions on how to move forward on this project, and as of this Subcommittee's March 4, 2015 hearing, the project manager as well as the appropriate legal staff at DGS had been identified in order for the Departments to accurately determine statutory authority for the continuation of this project.

PROPOSED TRAILER BILL LANGUAGE

The proposed trailer bill language related to Shannon's Mountain allows for up to 20 acres on the Fairview DC property to be utilized for affordable housing for persons with developmental disabilities.

STAFF COMMENTS

The May Revision proposal on Shannon's Mountain supplants the previous proposal for the land at Fairview. This proposal includes a complete re-working of the project strategy and establishes collaboration between the Department of General Services and the Department of Developmental Services.

ISSUE 13: OTHER COMMUNITY SERVICES DIVISION PROPOSALS

The May Revision includes the following requests and adjustments.

GF Offset Due to Reduction in Revenues from the Program Development Fund (PDC). The May Revision includes a decrease in revenue in the 2014-15 BY of $1.3 million form the PDF offset by $1.3 million increase in GF in POS to reflect updated population, assessments and payment information associated with the Annual Parental Fee Program (APFP). It also includes a decrease of $1.4 million in the 2015-16 BY. The decrease in the AFPF is due to a lower number of eligible children, fewer assessments from regional centers, and updated collection data. The decrease in the PFP is to realign the budget with actual revenue collections. The decrease also reflects lower anticipated collections due to delays in credit card payment implementation.

AB 1522, Chapter 317, Statutes of 2014; Healthy Workplace, Healthy Families Act of 2014. The May Revision includes a $1.7 million increase ($0.9 million GF) in POS to reflect an update of costs associated with the implementation of paid sick days by service providers.

Early Start Restoration of Eligibility Criteria. The May Revision includes an increase of $9.8 million GF in POS to reflect the full-year cost to provide expanded eligibility for Early Start Services. The Governor's Budget includes funding of $5.6 million to implement changes to the Early Start Program, effective January 1, 2015. For 2015-16, the Governor's Budget includes the same amount of funding to provide 12 months of expanded eligibility of Early Start Services. For the May Revision the estimate of 2015-16 is updated to $15.3 million GF, an increase of $9.8 million over the Governor's Budget.

GF Offset Due to Reduction in the Early Start, Part C Grant. The May Revision includes a decrease of $0.5 million in the Early Start, Part C grant in POS due to a reduction in the State's share of the children under 3 years of age population offset by a $0.5 million GF increase.

LAO COMMENTS

The LAO provided comments regarding the update to the Healthy Workplace Healthy Families Act of 2014 and recommends the Legislature approve the Governor's proposed augmentation, and adopt supplemental report language to require DDS to provide the actual general fund costs for these proposals.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Hold open.

5160 DEPARTMENT OF REHABILITATION

The Department of Rehabilitation has one May Revision proposal to be heard.

ISSUE 1: MAY REVISION PROPOSAL

This proposal requests an increase of $155,000 for the Vocational Rehabilitation (VR) program. The requested amount will provide the 10 percent nonfederal match now required by the 2014 Federal Workforce Innovation and Opportunity Act (WIOA). Previous versions of the WIOA did not require a state match, but new regulations now necessitate the state to provide funds for this program.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold open.