

AGENDA – HEALTH**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER SHIRLEY N. WEBER, PH.D., CHAIR****FRIDAY, MAY 23, 2014****1:00 P.M. - STATE CAPITOL ROOM 447**

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VOTE ONLY ITEMS

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 1: STATEWIDE EMERGENCY MEDICAL RESPONSE CAPACITY ASSESSMENT

This Subcommittee heard this issue on March 10 and May 21, 2014.

In light of diminishing resources over the past several years, it is unclear and concerning how much capacity the state has to respond to medical disasters. For several years, the Legislature has grappled with the impacts and consequences of diminishing resources at both EMSA and DPH, with regard to the state's emergency medical preparedness capacity. It would be helpful and timely to have an analysis of the state's remaining emergency preparedness infrastructure and capacity.

Staff Recommendation: Staff recommends requesting supplemental reporting language from EMSA that describes in detail the available state and local resources available in a medical disaster, a comparison of how the state's resources compare to other states and countries of similar size, and recommendations on California's unmet needs in this area.

ISSUE 2: MOBILE FIELD HOSPITALS

This Subcommittee heard this issue on March 10 and May 21, 2014.

Since 2006, the EMSA has maintained three MFHs, each of which consists of approximately 30,000 square feet of tents, hundreds of beds, and sufficient medical supplies to respond to a major disaster in the state, such as a major earthquake in a densely populated area. The 2006 Budget Act allocated \$18 million in one-time funds for the purchase of the MFHs and \$1.7 million in on-going General Fund funding for the staffing, maintenance, storage, and purchase of pharmaceutical drugs, annual training exercises, and required medical equipment for the MFHs.

EMSA estimates the cost for all three hospitals to be fully operational, to be \$1,960,000.

Staff Recommendation: Appropriate \$1.96 million General Fund to EMSA to properly store, equip, and make operational the mobile field hospitals.

4140 OFFICE OF STATEWIDE HEALTH PLANNING & DEVELOPMENT

ISSUE 1: SONG BROWN BCP & TBL

This Subcommittee heard this issue on April 21, 2014.

OSHPD requests the following:

1. \$2.84 million per year for three years (California Health Data Planning Fund (CHDPF)) to expand its Song-Brown Health Care Workforce Training Program to fund primary care residency programs via the Song-Brown Program. This expansion will increase the number of primary care residents specializing in internal medicine, pediatrics as well as obstetrics and gynecology (OB/GYN).
2. To expand eligibility for Song-Brown residency program funding to teaching health centers. Song-Brown's focus on areas of unmet need (AUN) results in residents' exposure to working with underserved communities, providing culturally competent care and learning to practice in an inter-disciplinary team.
3. One three-year limited-term Staff Services Analyst position and \$106,000 (CHDPF) to develop and implement the program. This position would, for example, draft regulations; seek stakeholder feedback; develop key program components such as eligibility criteria; work with OSHPD's e-application vendors to modify the grants management system to include the additional primary care residency programs; develop and implement an outreach and marketing campaign; administer the contract process; collect and maintain program data to prepare progress and final reports, and summaries; and evaluate the outcomes of the expansion program.

The funding source for this proposal will be the CHDPF which will receive a \$12 million repayment from a loan to the General Fund in 2014-15.

Staff Recommendation: Approve of the proposed BCP for \$2.84 million (CHDPF), 1.0 3-year limited-term position, \$106,000 (CHDPF) and placeholder trailer bill to implement this proposal.

ISSUE 2: SONG BROWN ADVOCATES' PROPOSAL

This Subcommittee heard this issue on April 21, 2014.

Advocates for physician groups propose \$25 million (General Fund) to create a Graduate Medical Education Fund that would be used to fund new residency slots at hospitals or teaching health centers that are located in underserved areas and treat underserved populations.

Staff Recommendation: Appropriate \$4 million General Fund to OSHPD to expand Song Brown by providing support for residency slots, and adopt placeholder trailer bill to specify that these funds are for new residency slots only and only for California residents, and otherwise meet all of the existing qualifications and priorities of the Song Brown Program.

4150 DEPARTMENT OF MANAGED HEALTH CARE

ISSUE 1: INDIVIDUAL MARKET REFORMS BCP

This Subcommittee heard this issue on April 21, 2014.

The DMHC requests 13.5 positions and \$1,518,000 for 2014-15 and 19.0 positions and \$2,010,000 for 2015-16 and ongoing to address the increased workload resulting from the implementation of SB 2 X1 (Hernandez), Chapter 2, Statutes of 2013-14 of the First Extraordinary Session related to health care reforms in the individual market. These positions will be responsible for providing consumer assistance and resolving consumer complaints.

Staff Recommendation: Approve BCP as budgeted for 13.5 positions and \$1.5 million for 2014-15 and 19.0 positions and \$2 million for 2015-16 to address SB 2 X1 workload.

ISSUE 2: MEDI-CAL EXPANSION BCP

This Subcommittee heard this issue on April 21, 2014.

The DMHC requests 18.0 positions and \$2,404,000 for 2014-15 and \$2,356,000 for 2015-16 and ongoing, to address increased workload resulting from implementation of AB 1 X1 (Pérez), Chapter 3, Statutes of 2013-14 of the First Extraordinary Session. This request includes \$312,000 for 2014-15 and \$416,000 for 2015-16 and ongoing for expert witness and deposition costs for enforcement trials.

Staff Recommendation: Approve BCP as budgeted for 18.0 positions and \$2.4 million for 2014-15 and \$2.4 million for 2015-16 to address AB 1 X1 workload.

ISSUE 3: FEDERAL MENTAL HEALTH PARITY PROPOSAL & TBL

This Subcommittee heard this issue on May 21, 2014.

In the May Revision, DMHC requests a one-time augmentation of \$369,000 (special fund) for 2014-15 for clinical consulting services to conduct initial front-end compliance reviews to ensure oversight of California's implementation of the federal Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA). In addition, DMHC requests trailer bill language to provide DMHC state authority to enforce these requirements.

Staff Recommendation: Approve BCP as budgeted and placeholder trailer bill to implement federal mental health parity.

ISSUE 4: OFFICE OF PATIENT ADVOCATE RESOURCES TRANSFER

The Subcommittee heard this issue on May 22, 2014.

This proposed action conforms to item 0530 issue 2 on the Subcommittee's May 22 agenda, and addresses the needed appropriation to the Department of Managed Health Care. The California Health & Human Services Agency has not fully implemented AB 922 (Monning), Chapter 522, Statutes of 2011, regarding the Office of Patient Advocate (OPA).

Staff Recommendation: Approve of Budget Bill Language (below) to transfer funds from the OPA within CHHS to the Department of Managed Health Care to supplement contracts with community-based organizations to provide direct consumer assistance.

Add Provisional language to Budget Bill Item 4150-001-0933

X. Of the amount appropriated in this item, \$583,000 is available to the Department of Managed Health Care to contract with community based organizations to provide assistance to consumers in navigating private and public health care coverage pursuant to Code Section 1368.05 of the Health and Safety Code.

4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: ACA PREGNANCY SERVICES TBL

The Subcommittee heard this issue on April 7, 2014.

DHCS is proposing trailer bill language to improve access to health care coverage for low-income pregnant women. The language proposes to:

1. **Provide Full Scope Medi-Cal for Pregnant Women Below 109 percent FPL.** DHCS proposes to provide full-scope coverage—rather than pregnancy-only coverage—to all pregnant women below 109 percent of the federal poverty level (FPL) who receive coverage from Medi-Cal (who are not otherwise eligible for full-scope). DHCS estimates no additional costs associated with providing full-scope coverage instead of pregnancy-only coverage, based on the assumption that there are no significant differences in coverage.
2. **Provide Medi-Cal Cost-Sharing and Benefit Wrap for Pregnant Women between 109 percent and 208 percent FPL.** DHCS also proposes to shift pregnant women between 109 percent and 208 percent of FPL who qualify for Medi-Cal pregnancy-only coverage to plans offered through Covered California. The budget assumes General Fund savings of \$17 million in 2014-15 related to this component of the proposal since the federal government (through Covered California) would cover the costs of comprehensive health coverage for these women. DHCS would implement this provision beginning January 1, 2015 and estimates that 8,100 Medi-Cal enrollees currently receiving pregnancy-only coverage would shift into Covered California.

Staff Recommendation: Adopt placeholder trailer bill language to implement this proposal to provide pregnancy services to low-income women.

ISSUE 2: PEDIATRIC DENTAL OUTREACH

The Subcommittee heard this issue on February 24, 2014.

The proposed 2014-15 budget includes \$17.5 million (Proposition 10 funds provided by the California Children and Families Commission) to increase dental care outreach activities for children ages zero to three years. Specifically, DHCS proposes to identify beneficiaries who are ages 0-3, during their birth months, that have not had a dental visit during the past 12 months, and mail parents/legal guardians a letter that: 1) encourages them to take their children to see a dental provider; and 2) provides educational information about the importance of early dental visits.

Staff Recommendation: 1) Approve proposal as budgeted for \$17.5 million (Proposition 10 funds) to implement pediatric dental outreach activities; and 2) Adopt placeholder trailer bill language to establish a metrics to monitor utilization and access in the Denti-Cal program.

ISSUE 3: PEDIATRIC VISION OUTREACH

The Subcommittee heard this issue on May 19, 2014.

The May Revision appropriates \$2 million (\$1 million General Fund) for a pilot program to increase utilization of pediatric vision services utilizing qualified mobile vision providers to expand vision screenings and services in schools.

Staff Recommendation: Deny proposal and trailer bill in light of the complexity and lateness of the proposal.

ISSUE 4: MEDI-CAL EXPANSION COUNTY SAVINGS (AB 85) BCP & MR UPDATES

The Subcommittee heard this proposal on April 7, 2014.

May Revision Updates

AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, establishes a county fiscal true-up mechanism to share in potential savings resulting from the shifting of individuals previously covered through county indigent health programs to the Medi-Cal program under the expansion. Under the ACA, county costs for indigent health care are expected to decrease as more individuals gain access to coverage. Current law redirects these county savings to CalWORKs, providing a corresponding General Fund offset. The May Revision continues to assume a redirection of \$300 million in county savings in the current year but decreases the 2014-15 redirection estimate of \$900 million to \$724.9 million. Compared to the Governor's budget, this revised redirection results in increased CalWORKs General Fund costs of \$175.1 million. See table below for the revised budget year estimates by county.

Table: Summary of AB 85 Redirected County Savings

Article 13 Counties	Formula or 60/40		2014-15 Redirection Amount
Placer	60/40	\$	3,217,487
Sacramento	60/40	\$	31,528,114
Santa Barbara	60/40	\$	8,032,309
Stanislaus	60/40	\$	10,786,847
Yolo	60/40	\$	3,479,489
Fresno	Formula	\$	9,839,629
Merced	Formula	\$	2,117,668
Orange	Formula	\$	41,136,441
San Diego	Formula	\$	44,573,489
San Luis Obispo	Formula	\$	2,844,523
Santa Cruz	Formula	\$	3,697,680
Tulare	Formula	\$	6,885,537
Subtotal		\$	168,139,213
Public Hospital Counties			
Alameda	Formula	\$	44,592,649
Contra Costa	Formula	\$	15,927,158
Kern	Formula	\$	3,038,259
Los Angeles	Formula	\$	238,230,704
Monterey	Formula	\$	2,486,294
Riverside	Formula	\$	4,872,321
San Bernardino	Formula	\$	3,062,992
San Francisco	Formula	\$	3,896,974
San Joaquin	Formula	\$	3,316,785
San Mateo	Formula	\$	-
Santa Clara	Formula	\$	-
Ventura	Formula	\$	14,900,010
Subtotal		\$	334,324,148
CMSP Counties			
Alpine	60/40	\$	13,150
Amador	60/40	\$	620,264
Butte	60/40	\$	5,950,593
Calaveras	60/40	\$	913,959
Colusa	60/40	\$	799,988
Del Norte	60/40	\$	781,358
El Dorado	60/40	\$	3,535,288
Glenn	60/40	\$	787,933
Humboldt	60/40	\$	6,883,182
Imperial	60/40	\$	6,394,422
Inyo	60/40	\$	1,100,257
Kings	60/40	\$	2,832,833

Lake	60/40	\$	1,022,963
Lassen	60/40	\$	687,113
Madera	60/40	\$	2,882,147
Marin	60/40	\$	7,725,909
Mariposa	60/40	\$	435,062
Mendocino	60/40	\$	1,654,999
Modoc	60/40	\$	469,034
Mono	60/40	\$	369,309
Napa	60/40	\$	3,062,967
Nevada	60/40	\$	1,860,793
Plumas	60/40	\$	905,192
San Benito	60/40	\$	1,086,011
Shasta	60/40	\$	5,361,013
Sierra	60/40	\$	135,888
Siskiyou	60/40	\$	1,372,034
Solano	60/40	\$	6,871,127
Sonoma	60/40	\$	13,183,359
Sutter	60/40	\$	2,996,118
Tehama	60/40	\$	1,912,299
Trinity	60/40	\$	611,497
Tuolumne	60/40	\$	1,455,320
Yuba	60/40	\$	2,395,580
CMSP Board	60/40	\$	133,361,875
Subtotal		\$	222,430,836

Total 2014-15 Redirection Amount	\$	724,894,197
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January BCP

DHCS requests \$3,446,000 (\$1,723,000 General Fund and \$1,723,000 federal funds) in 2014-15 and \$3,410,000 (\$1,705,000 General Fund and \$1,705,000 federal funds) in 2015-16 and ongoing to fund 18 positions and contract funds to implement and maintain the provisions of AB 85.

Staff Recommendation: 1) Approve BCP as budgeted for \$3.4 million in 2014-15 and on-going, and 18 positions to implement AB 85; and 2) approve of the May Revise estimates on this issue.

ISSUE 5: ACA IMPLEMENTATION (ABX 1 1) BCP

The Subcommittee heard this proposal on April 7, 2014.

DHCS requests 8.0 positions and expenditure authority of \$1,062,000 (\$295,000 General Fund and \$767,000 federal funds) in 2014-15 and \$1,046,000 (\$290,000 General Fund and \$756,000 federal funds) in 2015-16 needed to implement the various statutory requirements of AB 1 X1 (Pérez), Chapter 3, Statutes of 2013-14 of the First Extraordinary Session. Specifically, AB 1 X1 authorizes DHCS to implement various Medicaid provisions of the Affordable Care Act (ACA).

Staff Recommendation: Approve of BCP as budgeted for 8.0 positions and \$1.1 million in 2014-15 and \$1 million in 2015-16 to address AB 1 X1 workload.

ISSUE 6: INVESTMENT IN MENTAL HEALTH WELLNESS IMPLEMENTATION (SB 82 & SB 364) BCP

The Subcommittee heard this proposal on April 7, 2014.

DHCS requests the authority to establish 3.0 permanent, full-time positions due to the enactment of SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, the Investment in Mental Health Wellness Act of 2013, and the enactment of SB 364 (Steinberg), Chapter 567, Statutes of 2013, which broadens the types of facilities that can be used for the purposes of 72-hour treatment and evaluation under Welfare and Institutions Code (WIC) Section 5150.

The cost for these positions is \$353,000 (\$177,000 General Fund and \$176,000 Federal Fund). Two positions would support the workload related to SB 82 and one position would support the workload related to SB 364.

It is recommended to reduce this request by one position (related to SB 82) as part of the estimated workload for these proposed positions is based on the assumption that 2,000 crisis beds would be up in 2014-15; however, awards to develop only 835 beds have been recommended by the California Health Facilities Financing Authority (CHFFA).

Staff Recommendation: Approve of a modified version of this BCP by reducing the request by 1.0 position (for SB 82).

**ISSUE 7: ACA MEDI-CAL ELIGIBILITY INTEGRATION WITH CALHEERS MCED 14-02 /030
BCP & TBL**

The Subcommittee heard this BCP proposal on April 7, 2014.

DHCS requests the extension of 12.0 2-year limited-term positions, which expire June 30, 2014, and \$1,777,000 (\$314,000 General Fund, \$857,000 Federal Funds, \$606,000 Reimbursements from Covered California) to support the ongoing implementation and maintenance of the Medi-Cal Eligibility Data System (MEDS) changes and integration with the California Health Benefit Exchange ("CalHEERS") and county eligibility consortia systems.

New Trailer Bill Proposal

Covered California is requesting trailer bill to extend the Exchange's emergency regulation authority and allow the current emergency regulations to remain in place for two additional years. During this extended period, the Exchange would continue to actively engage stakeholder and public input into its emergency rulemaking activities.

Current law provides the California Health Benefit Exchange (Covered California) Board authority to adopt emergency regulations until 2016. These emergency regulations go into effect immediately but are subject to a 180-day time limitation with a maximum of two additional 90-day extensions before they expire. Because permanent regulations do not go into effect until after a lengthy process, the Exchange will have a gap in regulatory authority between the time the emergency regulations expire and the time the permanent regulations go into effect.

Covered California's short amount of time in operation requires an extension of emergency regulatory authority. Covered California has only completed one open enrollment cycle. This fall will be the first time it completes a renewal cycle. Even if federal policy was set and additional changes were not likely, it is too early to definitively set policy in regulations. If the existing emergency regulatory authority ends and eligibility and enrollment regulations governing applications and renewals have unintended consequences, including impacts on the Medi-Cal caseload, the regulations would remain in effect for months until new permanent regulations could be adopted.

Further, anticipated federal regulatory and policy changes also require an extension of emergency regulatory authority. Examples of these federal and policy changes include:

- Dates of the open enrollment period for 2015 and 2016 plan year; content for annual eligibility redetermination notices;
- Verification process for eligibility determination for special enrollment;
- Expedited appeals process in coordination with the State Department of Social Services;
- Single, streamlined application in coordination with the Department of Health Care Services.

Staff Recommendation: 1) Approve of BCP as budgeted for 12.0 2-year limited-term positions and \$1.7 million to implement the integration of MEDS with CalHEERS; and 2) Hold open placeholder trailer bill (below) to extend the authority of Covered California to operate under emergency regulations.

Amend Government Code 100504(a)(6).

(6) Adopt rules and regulations, as necessary. Until January 1, 20168, any necessary rules and regulations may be adopted as emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2). The adoption of these regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, including subdivisions (e) and (h) of section 11346.1, any emergency regulation adopted pursuant to this section shall be filed with, but not be repealed by, the Office of Administrative Law and shall remain in effect for a period of two years or until revised by the Board, whichever occurs sooner.

ISSUE 8: RESIDENTIAL & OUTPATIENT PROGRAMS (SUDS 14-01) BCP & TBL
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The Subcommittee heard this BCP proposal on February 24, 2014.

DHCS is requesting \$739,000 (Residential & Outpatient Program Licensing Fund) and 6.0 3-year limited-term positions to investigate substance use disorder counselor and facility complaints. Funding is contingent on legislative approval of a fee increase for licensed and certified facilities and trailer bill is proposed for this purpose.

Staff Recommendation: Approve BCP as budgeted for \$739,000 and 6.0 3-year limited-term positions to investigate substance use disorder counselor and facility complaints, and adopt placeholder trailer bill to increase fees for this purpose.

ISSUE 9: STATEWIDE OUTPATIENT CONTRACT DRUG LIST TBL

The Subcommittee heard this BCP proposal on April 7, 2014.

DHCS requests trailer bill language to:

1. **Statewide Formulary.** Establish a core statewide outpatient Medi-Cal contract drug list (CDL) formulary for all Medi-Cal beneficiaries, including the Family Planning, Access, Care and Treatment Program (FPACT). Any of the drugs on this statewide formulary would be available without a treatment authorization request. Managed care plans would be required to use this core formulary, as a minimum, and could add additional drugs at their discretion.
2. **Additional State Supplemental Drug Rebates.** Negotiate supplemental drug rebate contracts with manufacturers for all Medi-Cal programs, including managed care plans and FPACT. The budget estimates General Fund savings of \$32.5 million in 2014-15 and annual General Fund savings of at least \$65 million as a result of these supplemental drug rebates.

Staff Recommendation: Deny this proposal and trailer bill language.

ISSUE 10: MEDI-CAL ENROLLMENT FINGERPRINTING & CRIMINAL BACKGROUND CHECKS PROGRAM TBL

The Subcommittee heard this BCP proposal on April 7, 2014.

DHCS seeks statutory authority to receive the results of criminal background checks of applicants and providers from the Department of Justice (DOJ) in order to screen or enroll the Medi-Cal provider applicants and providers.

Trailer bill language is also requested to clarify that applicants/providers will be responsible for reimbursing DOJ the cost to complete the expanded background checks and fingerprinting. The added language provides DOJ with clear legal authority to charge the providers for the fingerprinting and background checks. The cost of the background check is approximately \$50.

The trailer bill has been revised as part of the May Revision to clarify that the existing fingerprinting requirements for IHSS are to remain unchanged.

Staff Recommendation: Approve of proposed trailer bill to give authority to DHCS to receive the results of criminal background checks from DOJ for Medi-Cal provider applicants and providers.

ISSUE 11: COORDINATED CARE INITIATIVE UPDATED SAVINGS & TBL

The Subcommittee heard this issue on April 7 and May 19, 2014.

1. The May Revise contains updated Coordinated Care Initiative (CCI) savings estimates; and
2. DHCS is proposing trailer bill language to address the issue of expiring Medicare Improvement for Patients and Providers (MIPAA) contracts with Medicare Advantage plans.

Staff Recommendation: Approve of the updated CCI savings estimate and adopt placeholder TBL to address the role of Medicare Advantage plans.

ISSUE 12: MAJOR RISK MEDICAL INSURANCE PROGRAM ELIMINATION

The Subcommittee heard this issue on May 19, 2014.

The May Revise proposes a reduction of \$20.8 million (Proposition 99) and trailer bill to:

1. Eliminate, on January 1, 2015, the Major Risk Medical Insurance Program (MRMIP), a state-only program for Californians with pre-existing conditions.
2. Require health care plans to offer their Medicare supplemental insurance products to individuals with End Stage Renal Disease on Medicare who cannot obtain supplemental coverage in the individual market due to statutory restrictions; and
3. Require the development of a transition plan that would be submitted to the Legislature by September 1, 2014 detailing the closure of the program.

Please see staff recommendations below.

Staff Recommendation:

- 1) Deny this proposal and trailer bill, including the elimination of MRMIP and the requirement on health plans;
 - 2) Adopt placeholder trailer bill language to require DHCS to work with stakeholders to develop a notification to be sent to enrollees in the state-only health programs to inform them that they may qualify for comprehensive coverage through Covered California or Medi-Cal; this notification would be sent annually prior to the open enrollment period for Covered California;
 - 3) Approve placeholder trailer bill to amend the Proposition 99 allocation;
 - 4) Approve the MRMIP funding levels proposed in the May Revise; and
 - 5) Adopt placeholder trailer bill to require DHCS to convene a stakeholder workgroup composed of stakeholders, including health care providers, county representatives, labor, consumer advocates, immigrant policy advocates, and employers of low-wage workers to develop a plan to utilize available Major Risk Medical Insurance Funds including Managed Care Administrative Fines Penalties Funds transferred pursuant to Health and Safety Code 1341.45(c)(1)(B) to continue to provide health coverage to individuals that are not eligible for other full-scope programs or subsidies.
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ISSUE 13: MEDI-CAL ESTIMATE (ISSUES 101 & 102)

The Subcommittee heard this issue on February 24 and May 19, 2014.

It is requested that the technical adjustments noted below be made to the following budget bill items to reflect a variety of caseload and cost changes not highlighted in the other Medi-Cal proposals:

1. Item 4260-101-0001 be decreased by \$98,125,000 and reimbursements be increased by \$1,421,174,000
2. Item 4260-101-0232 be increased by \$1,702,000
3. Item 4260-101-0236 be decreased by \$1,702,000
4. Item 4260-101-0890 be increased by \$5,833,052,000
5. Item 4260-101-3168 be increased by \$9,617,000
6. Item 4260-102-0001 be increased by \$18,251,000
7. Item 4260-102-0890 be increased by \$18,251,000
8. Item 4260-106-0890 be increased by \$1,669,000
9. Item 4260-113-0001 be increased by \$235,150,000
10. Item 4260-113-0890 be increased by \$453,253,000
11. Item 4260-113-3055 be decreased by \$294,000
12. Item 4260-117-0001 be increased by \$1,491,000
13. Item 4260-117-0890 be increased by \$343,000

Includes an increase of \$1.2 million (\$600,00 General Fund) and requests Budget Bill Language (*see below) to support the increased county workload necessary to provide semi-annual progress reports and implementation activities, required by the Katie A. v. Bonta settlement agreement.

Staff Recommendation: 1) Approve of the Medi-Cal estimate issues 101 and 102, with any changes to conform as appropriate to other actions that have been, or will be, taken; 2) Approve of the proposed budget bill language related to the Katie A. Settlement.

****Proposed Budget Bill Language regarding the Katie A. v. Bonta Settlement Agreement:***

4260-101-0001

X. Of the amount appropriated in this item, up to \$600,000 is available to counties for semiannual implementation progress reports related to the *Katie A. v. Bonta* settlement and implementation plan, as described in the department's Mental Health Services Division Information Notice No. 13-19 and Information Notice 14-010, and upon approval by the Director of Finance. Prior to approval, the Director of Finance shall consult with the Department of Health Care Services, the Department of Social Services and California State Association of Counties to determine if counties incurred overall cost increases due to the notices outlined in this provision. The Department of Finance shall provide notification of the allocation to the Joint Legislative Budget Committee within 10 days from the approval date by the Department of Finance.

ISSUE 14: COUNTY COLA 1-YEAR SUSPENSION

The Subcommittee heard this issue on April 7, 2014.

DHCS is proposing trailer bill language to discontinue the annual cost of living adjustment (COLA) in statute for counties for their administration of Medi-Cal eligibility determinations and related functions. The Subcommittee denied this proposed trailer bill on April 7, 2014 in part based on the fact that the Legislature can suspend the COLA for any given year. Therefore, it is recommended to suspend the COLA for 2014-15.

Staff Recommendation: Adopt placeholder trailer bill to suspend the county COLA for the budget year only.

ISSUE 15: MARTIN LUTHER KING, JR. COMMUNITY HOSPITAL TBL

The Subcommittee heard this issue on May 19, 2014.

Los Angeles County and the University of California are requesting trailer bill language in order to update the financing structure for the MLK, Jr. Community Hospital in Los Angeles, in light of significant changes to the overall health care system that have rendered the existing statutory financing scheme unworkable.

Staff Recommendation: Adopt placeholder trailer bill language to ensure that the new MLK, Jr. Community Hospital receives at a minimum the financing committed to it in 2010 in a manner that ensures that:

- The new hospital will receive supplemental Medi-Cal payments tied to the projected costs of providing both in-patient and outpatient Medi-Cal services.
- The state will continue to provide funding linked to the cost of care that is capped at the same percentages agreed to in the 2010 agreement.
- Any non-federal share (state match) that is required that exceeds the 2010 State commitment will be generated through IGTs provided by the County of Los Angeles.
- The state will seek federal approval as necessary to obtain federal matching funds to the maximum extent permitted by federal law.

ISSUE 16: CAREGIVER RESOURCE CENTERS AUGMENTATION

The Subcommittee heard this issue on February 24, 2014.

The Caregiver Resource Centers (CRCs) are legislatively mandated to assist families who provide care for loved ones with Alzheimer's disease, stroke, Parkinson's disease, traumatic brain injury, Huntington's disease, multiple sclerosis and other cognitive disorders that occur after the age of 18. The CRCs are now operated by DHCS, and experienced a 72 percent funding reduction in 2009-10. The CRCs total allocation has gone from \$10,547,013 to the current funding level of \$2,918,013.

Staff Recommendation: Approve of \$2.9 million General Fund for DHCS for the Caregiver Resource Centers.

ISSUE 17: MEDI-CAL PROVIDER RATES

The Subcommittee heard this issue on February 24, 2014.

AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, requires DHCS to implement a 10 percent Medi-Cal provider payment reduction starting June 1, 2011. The Governor's budget continues these payment reductions and recognizes \$544.6 million (\$272.3 million General Fund) in ongoing annual savings and \$76.6 million (\$38.3 million General Fund) in savings from the recoupment of certain retroactive reductions (that have not been forgiven) in 2014-15.

The January budget forgives certain retroactive provider payment reductions for physicians/clinics, specialty drugs, dental, intermediate care facilities for the developmentally disabled (ICF/DDs), and medical transportation.

Staff Recommendation: Adopt placeholder trailer bill language to repeal the provisions of AB 97 and make necessary adjustment to the Budget Act to reflect these changes:

1. Adopt placeholder trailer bill to forgive all of the retroactive reductions that result from the delayed implementation of AB 97 (\$38 million General Fund in 2014-15).
2. Adopt placeholder trailer bill to restore all of the AB 97 reductions, beginning April 1, 2015 (\$69 million in 2014-15, \$274 million in 2015-16 and ongoing), including the following two adjustments:
 - a) Adopt placeholder trailer bill to eliminate the rate freeze on Intermediate Care Facilities for the Developmentally Disabled (ICF-DD), beginning April 1, 2015 (\$8.2 million General Fund in 2014-15, \$33.1 million General Fund in 2015-16); and
 - b) Adopt placeholder trailer bill to adjust the rates paid to PACE programs from 90% of the Upper Payment Limit (UPL) to 95% UPL, beginning April 1, 2015 (\$1.8 million in 2014-15, \$7.3 million in 2015-16 and ongoing)

4265 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: DRINKING WATER PROGRAM TRANSFER

The Subcommittee heard this proposal on March 10, 2014.

The Governor's budget proposes to move the Drinking Water Program (DWP) from DPH to the State Water Resources Control Board (SWRCB). This would involve the transfer of \$202 million (\$5 million General Fund) and 291.2 positions from DPH to the Water Board. This includes an additional \$1.8 million (General Fund) in one-time funds for technology and facility costs.

Staff Recommendation: Approve proposal and "placeholder TBL" to implement this proposed transfer.

ISSUE 2: LICENSING & CERTIFICATION PROGRAM ESTIMATE

The Subcommittee heard this issue on March 10 and May 5, 2014.

The Licensing and Certification (L&C) program develops a budget estimate that details all L&C programmatic, fiscal, and workload factors that it uses to develop its budget. The 2014-15 estimated L&C budget is \$188.8 million, which is an increase of \$1.9 million from the current year.

The May Revise makes no changes to the estimate, with the exception of reflecting changes contained in the administration's Spring Finance Letter that requests 18 2-year limited-term positions and \$1.95 million to support investigations of complaints against Certified Nurse Assistants, Home Health Aids, and Certified Hemodialysis Technicians. The Subcommittee approved of the SFL on May 5, 2014.

Staff Recommendation: Approve the Licensing & Certification program estimate, as budgeted.

ISSUE 3: LICENSING & CERTIFICATION EVALUATION BCP & TBL

DPH requests \$1.4 million (one-time Internal Departmental Quality Improvement Account) to expand the Licensing and Certification Program Evaluation project. This project includes a contractor to evaluate ways to improve internal business practices and quality improvement efforts to achieve timely completion of both state and federal workload, in order to ensure that the department meets federal Center for Medicare & Medicaid Services benchmarks.

Staff Recommendation: Approve of BCP and adopt placeholder trailer bill to require the department to report to the Legislature per the following:

1. On a monthly basis, the Department of Public health shall report to the appropriate policy and fiscal committees of the Legislature and shall post on its website the following information:
 - Beginning in 2007-08 by fiscal year and by month for the budget year, the number of:
 - Complaints, immediate jeopardy complaints, investigations within 24 hours, and complaints investigated within 10 days, closed cases by calendar days (<60, 60-90, 90-365, >365) from complaint receipt to case closure, and closed cases. This information shall be provided by facility type.
 - The number of state and federal surveys completed for all facility types and the number of surveys that were not completed on a timely basis.
 - The vacancy rate by position classification in L&C and the status of hiring new positions, to backfill vacancies or through administrative action (temporary blanket).
 - Information on if and how the \$9 million in L&C fund reserve is being used.
 - Status of how the \$1.4 million for L&C program evaluation is being used and the outcomes from this effort.
 - An update on DPH's efforts to evaluate and reform the L&C time keeping systems and methodology.
 - An update on the Los Angeles County contract and L&C's oversight of this contract.
 - By December 1, 2014, an assessment of the possibilities of using other professional position classifications (besides Health Facility Evaluator Nurses) to perform L&C survey or complaint workload with the consideration that other professional classifications may be easier to hire and retain.
2. Establishes an L&C stakeholder workgroup that shall meet at least on a quarterly basis and shall include but not be limited to representatives from consumer advocate organizations, health facilities, unions, and the Legislature. This workgroup shall advise L&C on the development of solutions and new policies that would improve the program and ensure that Californians receive the highest quality of medical care in health facilities.

ISSUE 4: GENETIC DISEASE SCREENING PROGRAM ESTIMATE

The Subcommittee heard this issue on March 3, 2014.

The January budget proposes a 2014-15 increase in expenditure authority of \$907,000, attributable to a proposed \$45 fee increase in the Prenatal Screening Program. The proposed fee increase would bring the total fee to \$207. The DPH explains that the fee increase is necessary to correct for the historic overstatement of caseload and inadequate fee revenue in recent years leading to insufficient funding to cover program costs. The May Revision makes no changes to this program estimate.

Staff Recommendation: Approve Genetic Disease Screening Program estimate, as budgeted.

ISSUE 5: PROPOSITION 99 & MEDICAL MARIJUANA PROGRAM REDUCTIONS

The Subcommittee heard these issues on March 3 and May 21, 2014.

The Governor's proposed 2014-15 budget includes a decrease of \$2.7 million in Proposition 99 Health Education Account funding for the California Tobacco Control Program. This reduction includes a \$1.4 million decrease to state operations for the Media Campaign, and a \$1.3 million decrease in Competitive Grants.

The May Revision requests the following adjustments due to a reduction in Proposition 99 revenues:

- Reduce Health Education Account by \$1,567,000 – This would result in a decrease in state operations for the Center for Chronic Disease Prevention and Health Promotion's California Tobacco Control Program (CTCP).
- Reduce Research Account by \$360,000 – This would result in a decrease in funds available for CTCP external research contracts. The Research Account would impact the Chronic Disease Research and Surveillance Branch's cancer registry program as well as the Environmental Health Investigations Branch's outreach efforts regarding environmental exposures in communities.

- Reduce Unallocated Account by \$157,000 – The impact would be in the Center for Chronic Disease.
- Reduce Health Education Account by \$2 million – This would result in a decrease in competitive grant and funding allocations to Local Lead Agencies.

The May Revision also requests to decrease expenditures by \$84,000 in the Medical Marijuana Program Fund due to a decline in revenues since the January budget.

Staff Recommendation: Approve of reductions as budgeted.

ISSUE 6: BIOMONITORING PROGRAM FUNDING

The Subcommittee heard this issue on May 21, 2014

DPH and the Department of Toxic Substances Control (DTSC) jointly request four two-year limited-term positions and expenditure authority of \$700,000 (\$350,000 Toxic Substances Control Account/\$350,000 Birth Defects Program Monitoring Fund) in 2014-15 and \$696,000 (\$346,000 Toxic Substances Control Account/\$350,000 Birth Defects Program Monitoring Fund) in 2015-16 to support the California Environmental Contaminant Biomonitoring Program (CECBP).

Staff Recommendation: Approve of BCP and augment the funding with \$2 million General Fund (as also reflected in the recommended action on the Public Health Reinvestment proposal).

ISSUE 7: RYAN WHITE DATA MATCH TBL

The Subcommittee heard this issue on March 3, 2014.

The Office of AIDS (OA) is proposing trailer bill language in order to obtain statutory authority to allow the California Franchise Tax Board (FTB) to share tax data with OA.

This proposal was heard by the Subcommittee on March 3, 2014. Since that time, the language has been revised to address privacy concerns raised by advocates.

Staff Recommendation: Approve of proposed trailer bill to allow the FTB to share tax data with the OA.

ISSUE 8: SNAP-ED CONTRACT CONVERSION BCP

The Subcommittee heard this issue on March 10, 2014.

DPH's Nutrition Education and Obesity Prevention Branch (NEOPB) requests authority to convert 70 personal service contract positions to 45 state positions. These positions are federally funded by the United States Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program for Education (SNAP-Ed) through a reimbursement contract with the California Department of Social Services (CDSS). This personal services contract expires on September 30, 2014.

This issue was heard at the March 10th Subcommittee hearing. Since this hearing, the Administration has worked with stakeholders to develop an alternative to the January proposal. This alternative would:

- Create 45 new DPH positions and 13 new research positions, which will be contracted through an interagency agreement with the University of California. This is not a change from the January proposal.
- DPH would propose a non-competitive bid (NCB) contract with the Public Health Institute (PHI), the current contractor, for a 12 month period. This one-time NCB contract will be for an amount ranging from \$5.5M - \$6.5M for services that include knowledge transfer, technical assistance to state staff, and other services that will enable a smooth transition to DPH state staff for SNAP-ED functions currently performed by PHI. This NCB will meet USDA's needs to ensure program continuity and efficacy, provide sufficient time for CDPH to transition to functions previously performed by PHI. This NCB would be funded with the savings (\$12.7 million) identified as part of the contract conversion that would have been allocated to local health departments as proposed in the January budget proposal.

It is recommended to modify the Governor's January budget request to convert the SNAP-Ed contract to state positions by adopting the alternative described above with conforming changes to the state operations and local assistance amounts. This alternative provides for a smoother transition of this contract and helps ensure program continuity.

Staff Recommendation: Approve of BCP with administration compromise, as described above, and approve placeholder trailer bill language included below:

Proposed Placeholder Trailer bill:

During fiscal year 2014-15, the department shall convene a quarterly meeting of stakeholders, including community organizations, representatives of food banks, nonprofits, program contractors, and counties, to advise the department on the development, integration, and evaluation of nutrition education and obesity prevention programs, and to promote that the transition of work from contracted vendors to the civil service is effectuated timely and in a manner that minimizes any disruption to services in the SNAP-Ed program.

ISSUE 9: PUBLIC HEALTH REINVESTMENT
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The Subcommittee heard this issue on March 3, 2014.

Historically, California's investment in public health has been minimal; despite this, it also experienced a drastic decline over the past five years. The General Fund in the DPH has been reduced dramatically over the past few years. In 2008-09, the DPH budget included approximately \$350 million in General Fund, as compared to the currently proposed \$110 million, a 69 percent reduction. Through the state's recent fiscal crisis, funding for many DPH programs was either reduced or eliminated.

Staff Recommendation: Approve of \$55 million General Fund, for the programs and purposes in the chart below, for 2014-15 and on-going to reinvest in public health programs, and adopt placeholder trailer bill to implement the use of these funds.

	2014-15 & On-Going
Assembly Public Health Reinvestment	55
Black Infant Health	4
Adolescent Family Life	3
Pre-Exposure Prophylaxis Demo Projects	3
HIV Demo Projects	2
OA-Family Size Proposal	3.3
Syringe Access Programs	3
STD Prevention	2
Teen Pregnancy	5
Injury Control	1
Asthma Public Health Initiative	1
Dental Disease Prevention Program	3.5
PH Lab Training Program	2.2
School Based Health Centers	3
Drug Overdose Grant Program	2
Biomonitoring Program*	2
Early Mental Health Initiative	15

*This augmentation is also included in the recommended action on the administration's proposal on the Biomonitoring program.

4440 DEPARTMENT OF STATE HOSPITALS**ISSUE 1: SALINAS/VACAVILLE BED CAPACITY INCREASE**

The DSH is requesting authority to continue operating an additional 137 beds at Salinas Valley and Vacaville (beyond the bed migration plan), at a cost of \$13.3 million in the current year (to be funded with savings from the delayed activation of beds at the Stockton program) and \$26.3 million General Fund in 2014-15 (and on-going). The DSH requests these resources to maintain 204.3 existing positions at Salinas Valley and Vacaville.

Staff Recommendation: Approve request for \$13.3 million in 2013-14 (savings) and \$26.3 million in 2014-15 and on-going to increase beds at Salinas Valley and Vacaville Psychiatric Programs.

ISSUE 2: PATIENT MANAGEMENT UNIT BCP & TRAILER BILL

The budget includes \$1.1 million General Fund and 10.0 2-year limited-term positions to establish a Patient Management Unit to centralize admissions and transfers of patients throughout the state hospitals system.

Staff Recommendation: Approve BCP for \$1.1 million and 10.0 2-year limited-term positions, and adopt placeholder trailer bill to establish a Patient Management Unit.

ISSUE 3: STATEWIDE ENHANCED TREATMENT UNITS BCP & SPRING FINANCE LETTER

The budget proposes \$1.5 million General Fund to prepare an analysis, estimate, and infrastructure design for the development of approximately 44 enhanced treatment units (ETUs) at the state hospitals. A Spring Finance Letter was also submitted on this issue requesting an additional \$603,000 for the renovation of existing space for ETUs at Atascadero, Coalinga, Napa, and Patton state hospitals. This additional funding is an update to the original January request for a total request of \$2,103,000

Staff Recommendation: 1) Approve of \$2.1 million General Fund (capital outlay) for ETUs; and 2) Adopt budget bill language that prohibits this appropriation unless and until legislation has been passed by the Legislature and signed by the Governor providing authority to DSH to establish ETUs.

ISSUE 4: RESTORATION OF COMPETENCY PROGRAM EXPANSION

The Subcommittee heard this issue on May 21, 2014.

DSH requests 13.5 positions and \$3,898,000 to expand the county-based Restoration of Competency (ROC) program by 45-55 beds.

Staff Recommendation: Approve proposal to expand the ROC program.

ISSUE 5: RETENTION & RECRUITMENT AT STATE HOSPITALS

The Subcommittee heard this issue on May 21, 2014.

The Union of American Physicians and Dentists (UAPD) requests \$1.6 million General Fund for the Department of State Hospitals to provide a recruitment and retention incentive equal to 10 percent of salary for Physicians and Surgeons employed by State Hospitals.

Staff Recommendation: Approve proposal for \$1.6 million General Fund to the Department of State Hospitals for the purpose of recruitment and retention bonuses for physicians and psychiatrists.
