AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER SHIRLEY N. WEBER, PH.D., CHAIR

MONDAY, MAY 5, 2014

4:00 P.M. - STATE CAPITOL ROOM 127

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ITEMS TO BE HEARD

4140 OFFICE OF STATEWIDE HEALTH PLANNING & DEVELOPMENT

ISSUE 1: MHSA WET 5-YEAR PLAN FUNDING CHANGES SFL #1

The Office of Statewide Health Planning and Development (OSHPD) requests to align future statewide Mental Health Services Act (MHSA) Workforce Education and Training (WET) appropriations with the second MHSA WET Five-Year Plan, 2014-2019.

This includes reducing the appropriation for local assistance (4140-101-3085) by $3,449,000 and increasing state operations (4140-001-3085) by $3,949,000 to fund recruitment, retention and evaluation activities and other programs identified in this plan. Further, OSHPD requests additional Mental Health Services Fund expenditure authority of $330,000 in Fiscal Year (FY) 2014-15, and $306,000 annually through FY 2018-19. This includes three (3.0) five-year limited-term positions: one (1.0) Health Program Specialist I (HPS), one (1.0) Staff Services Analyst (SSA), one (1.0) Office Technician (OT), and $16,000 annually through FY 2018-19 for administrative overhead costs to administer the programs as a result of new responsibilities associated with the WET Five-Year Plan, 2014-2019.

BACKGROUND

The MHSA included a component for Mental Health Workforce Education and Training (WET) programs. Welfare and Institutions Code (WIC) 5892(a)(1) requires that a percentage of actual MHSA revenues collected between FY 2004-05 through FY 2007-08 be appropriated for WET purposes. WIC 5892(a)(1) specifies that a "trust fund" be created and that money within the trust fund "be expended for education and training programs" consistent with the MHSA WET component. Finally, WIC 5892(h) states that "funds for … education and training may be retained for up to ten years before reverting to the [Mental Health Services] fund." A total of $444.5 million was to be deposited in the WET trust fund at the State level. However, this trust fund was never established. Instead, budget act appropriations were made that appropriated unexpended WET funds through FY 2017-18. The MHSA created a ten-year funding allocation that established the statewide WET program.

After FY 2017-18, when this dedicated funding allocation ends, counties have the option to expend up to 20% of their local WET funds for statewide WET programs. The MHSA required the former Department of Mental Health (DMH) to develop a WET Five-Year Plan to remedy the shortage of qualified individuals providing services to severely mentally ill individuals. DMH developed the first WET Five-Year Plan, 2008-2013 as well as a ten-year expenditure plan for $444.5 million in WET funds. The ten-year budget allocated $210 million to counties for local WET program implementation and $234.5 million for the administration of WET programs at the State and regional levels.

The WET program was transferred to OSHPD in July 2012. The 2012-13 Budget Act provided OSHPD with a one-year extension to develop the second Five-Year Plan, which has been completed. OSHPD received a one-time $196,000 appropriation in FY 2013-14 from the Mental Health Services Fund to provide the necessary consulting resources and other support to develop the second WET Five-Year Plan.

From December 2012–December 2013, OSHPD developed the second WET Five-Year Plan utilizing a robust statewide stakeholder engagement process, county needs assessment, and research. The stakeholder engagement process included 14 community forums throughout the state, 13 focus groups, two online surveys, one webinar, 13 key informant interviews and two conference calls resulting in over 1,000 stakeholders providing input to the plan.

The county needs assessments – administered in June 2013 and October 2013 – included two surveys to counties to document local public mental health workforce needs. The first survey documented the counties' shortages, hard-to-fill and hard-to-retain positions, language proficiency needs, and diversity needs for licensed and non-licensed mental health professions, and counties participation in Statewide WET programs. The second county needs assessment further assessed hard-to-fill and hard-to-retain positions, including number of current vacancies, reasons positions are vacated, and labor substitution for vacated positions. The second survey additionally inquired about the effectiveness of the existing statewide WET programs.

OSHPD also contracted with a research firm to conduct a large-scale analysis of California's public mental health workforce needs. The major components of this research project included:

- Identification of statewide and regional trends via data gathered through the county needs assessment surveys;
- Evaluation of OSHPD-administered WET programs documenting how programs met intended goals of addressing hard-to-fill and hard-to-retain positions and cultural and linguistic needs; aligning curricula with MHSA values; employing consumers with lived experience; and meeting regional needs;
- Analysis of qualitative data from OSHPD's stakeholder engagement;
- Identification of workforce, training, and educational capacity needs for public mental health disciplines;
- Identification of potential public mental health users and mental health prevalence rates;
- Literature review identifying effects of different variables on public mental health workforce supply and demand including the effects of the Affordable Care Act (ACA), prevalence rates, aging workforce, graduation to workforce participation, and other relevant workforce variables; and
- Supply and demand projections.

In addition to these strategies, OSHPD created three statewide advisory committees to gather regular input from various constituencies including consumers and family members, county mental health departments, community organizations, academia and government partners.

In Fiscal Year 2013-14 during the development of the plan, OSHPD continued to fund the sixth year WET programs consistent with the original Five-Year Plan. Thus, while the new WET Five-Year Plan covers the period of 2014 through 2019, the corresponding budget plan is for only the four remaining years of the statewide WET funds appropriation: FY 2014-15 through FY 2017-18.

The stakeholder engagement and external evaluation process that informed the second WET Five-Year Plan identified new priorities and mental health workforce needs, different from what was previously proposed and funded in the first WET Five-Year Plan and budget. The Five-Year Plan includes a budget identifying State WET program funding allocations for the remaining $114,744,090 State WET funds from FY 2014-15 through FY 2017-18. Similar to the first WET Five-Year Plan, this Five-Year Plan presents goals and objectives, and proposes potential actions to assist in meeting these goals and proposes principles for funding, governance, and outline performance indicators by which the impact of workforce strategies can be measured over time.

The table on the following page provides specific funding allocations to align the second WET Five-Year Plan with programs prioritized by the stakeholder engagement process, county needs assessment and research.

WET Five-Year Plan, FY 2014-15 through FY 2017-18 Funding Allocations

Statewide WET Program	Welfare and Institutions Code Section	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	Total Four Year Funding
State Operations						
Mental Health Loan Assumption Program	5822(b)	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$40,000,000
Recruitment and Retention	5822(e) 5822(i)	$750,000	$750,000	$750,000	$750,000	$3,000,000
Evaluation	5820(c)	$686,023	$686,023	$686,022	$686,022	$2,744,090
Subtotal		$11,436,023	$11,436,023	$11,436,022	$11,436,022	$45,744,090
Local Assistance						
Stipends	5822(c)	$8,750,000	$8,750,000	$8,750,000	$8,750,000	35,000,000
Education Capacity	5822(a) 5822(f)	$3,750,000	$3,750,000	$3,750,000	$3,750,000	15,000,000
Consumer and Family Member Employment	5822(g) 5822(h)	$5,000,000	$5,000,000	$0	$0	10,000,000
Regional Partnerships	5822(d)	$3,000,000	$3,000,000	$3,000,000	$0	9,000,000
Subtotal		$20,500,000	$20,500,000	$15,500,000	$12,500,000	$69,000,000
Total		**$31,936,023**	**$31,936,023**	**$26,936,022**	**$23,936,022**	**$114,744,090**

The next table provides details regarding the proposed statewide WET programs that will be funded under the second WET Five-Year Plan and projected program outcomes.

Second WET Five-Year Plan Program Funding Allocations/Projected Program Outcomes

Program	WIC Section	Allocation (Millions)	Proposed Action	Projected Program Outcomes
Stipend Programs	5822(c)	$8.75	Will contract with educational institutions to provide stipends for graduate students who plan to work in the PMHS: Social Work; Marriage and Family Therapist; Clinical Psychologist; and Psychiatric Mental Health Nurse Practitioner. Will require those educational institutions to incorporate MHSA principles into graduate level curriculum.	Will provide stipends to 1,500+ graduate students who plan to work in the PMHS for a minimum of one year.
Loan Assumption	5822(b)	$10.0	Will offer loan repayment of up to $10,000 to mental health workers in hard-to-fill and/or hard-to-retain positions in the Public Mental Health System (PMHS) in exchange for a 12-month service obligation.	Will provide loan assumptions to a minimum of 4,000 mental health workers in hard-to-fill and/or hard-to-retain positions in the PMHS throughout California.
Education Capacity	5822(a) 5822(b) 5822(f)	$3.75	Will fund residency and training slots in Psychiatric Residency and Psychiatric Mental Health Nurse Practitioner education programs to increase their capacity to train residents and trainees and provide clinical rotations in the PMHS.	Will partially fund training for a minimum of 41 psychiatrists and up to 250 Psychiatric Mental Health Nurse Practitioners who work or commit to working in the PMHS.
Consumer and Family Member Employment[1/]	5822(g) 5822(h)	$5.0	Will fund training, education, placement, support, planning, and development activities that lead to increased consumer and family member employment in the PMHS.	Engage consumers and family members in training, education, placement and support activities in PMHS.
Regional Partnerships [2/]	5822(d)	$3.0	Will fund five Regional Partnerships to plan and implement programs that build and improve local workforce education and training resources.	Outcomes will be based on regional needs.
Recruitment and Retention	5822(a) 5822(b)	$0.75	Will provide grants to organizations across three separate programs that: a) develop pathways programs to expose students to careers in mental health b) provide clinical rotations in the PMHS c) Develop programs for retaining the incumbent workforce.	Recruitment: It is projected that over four years approximately 12,000 students will be exposed to PMHS careers that will provide approximately 312 clinical rotations in the PMHS Retention: Will provide grants to organizations that engage in activities to increase the retention of public mental health system professionals through retraining and other evidenced based and/or community identified retention initiatives.
Evaluation	5820(c)	$0.69	Will fund internal and external evaluation of local, regional, and statewide WET programs, and mental health workforce needs assessments.	Will document outcomes from statewide WET programs and identify total statewide needs for each professional and other occupational category.
Total		**$31.94**		

1/ $5.0 million for Consumer and Family Member Employment will be awarded in FY 2014-2015 through FY 2015-2016.

2/ $3.0 million for Regional Partnerships will be awarded in FY 2014-2015 through FY 2016-2017.

The WET programs proposal addresses specific priorities identified through the stakeholder feedback provided during the development of the five-year plan. Specifically, the plan provides for a comprehensive evaluation of the statewide WET programs, no longer funds training Physician Assistants in Mental Health, provides funding for new recruitment and retention programs and evaluation, and prioritizes strategies for mental health professionals of greatest need.

STAFF COMMENTS/QUESTIONS

No concerns have been raised regarding this proposal, and the robust nature of stakeholder involvement in the development of the new 5-year-plan is reassuring.

The Subcommittee requests OSHPD to present this proposal.

Staff Recommendation: Staff recommends approval of this Spring Finance Letter requesting a reduction to local assistance of $3.4 million, an increase in state operations of $3.9 million, increased MHSA Fund expenditure authority of $330,000 in 2014-15 and of $306,000 annually thereafter through 2018-19, and 3.0 5-year limited-term positions.

ISSUE 2: MHSA WET TCE FUNDING CHANGES SFL #2

OSHPD proposes to redirect $700,000 of its California Endowment (TCE) grant from the Song-Brown Program to invest in other programs that will increase the healthcare workforce supply and distribution. TCE plans to invest $52 million over four years into OSHPD's health workforce development programs. Of that amount, $7 million was authorized to be allocated to OSHPD's Song-Brown program in FY 2014-15. In collaboration with the TCE, OSHPD specifically requests to redirect $700,000 as follows: $450,000 to California's Student/Resident Experiences and Rotations in Community Health (Cal-SEARCH), $100,000 to Mini-Grants, and $150,000 via reimbursement contract to the California Department of Public Health's (CDPH) Fellowship Program (PHFP). Consequently, OSHPD is requesting a redirection of $700,000 from local assistance reimbursement to state operations reimbursement to fund these initiatives.

BACKGROUND

On January 18, 2013, TCE announced its commitment of $225 million to help California implement the ACA. Of this amount, TCE is dedicating $70 million for efforts to expand the primary care health workforce. Of the $70 million, TCE is investing $52 million in OSHPD's healthcare workforce development programs including $21 million for the Song-Brown Program and $31 million for health professional scholarships and loan repayments administered through OSHPD's Health Professions Education Foundation. Via the FY 2013-14 budget, OSHPD was approved to receive the $52 million grant from the TCE. With this grant approval, OSHPD was authorized $7 million each year for FY 2013-14, 2014-15, and 2015-16 for the Song-Brown Program.

Song-Brown provides grants to California Health Professions Education Institutions (HPEI) providing clinical training to Family Practice (FP) medical residents, Family Nurse Practitioners (FNP), and primary care Physician Assistant (PA) students. Residents and students of Song-Brown funded HPEIs are required to complete training in underserved areas such as Health Professional Shortage Areas (HPSA), MUAs, Medically Underserved Populations (MUPs), and Primary Care Shortage Areas (PCSAs), as well as multicultural and rural communities.

Since 2006, Song-Brown has provided funding to 319 health professions education and training programs and supported more than 14,189 residents and students, who in turn practice direct patient care in Medically Underserved Areas (MUAs). In fact, thirty-seven percent of California county facilities and forty-six community health centers receive primary care services from Song-Brown providers. In FY 2011-12, education and training programs supported by Song-Brown served approximately 1,271,550 Californians in underserved communities.

OSHPD administers a number of health workforce development programs in addition to Song-Brown that are designed to increase access to healthcare in MUAs. Two of these programs include California's Student/Resident Experiences and Rotations in Community Health (Cal-SEARCH) and Mini-Grants, which are two of the programs proposed to receive funding through this redirection.

Cal-SEARCH

One challenge to increasing access to healthcare in MUAs is the fact that the majority of clinical rotations for the training of health professionals are hospital-based. Research indicates that practitioners who train in community clinic settings are nearly three times as likely to practice in underserved settings after graduation when compared to residents who did not train in community health centers. In light of this, the Health Resources and Services Administration (HRSA) provided OSHPD a three-year grant beginning in October 2009 to increase access to clinical rotations in underserved areas. Cal-SEARCH, established as a partnership between OSHPD, California Primary Care Association (CPCA), and California Area Health Education Center (AHEC), provided advanced practice clinicians with exposure to underserved communities via clinical rotations in community health centers. During FY 2009-10 through FY 2011-12, Cal-SEARCH supported 150 students and residents in California's clinics and community health centers in underserved areas through clinical experiences linked to preceptors, mentors, and community projects. An evaluation of practitioners participating in Cal-SEARCH indicated that the program had increased and/or cemented their desire to serve in primary care in a community health center.

Mini-Grants Program

Many communities lament the lack of diversity in the state's health professions. Stakeholders have indicated that pathway programs are necessary to expose students from underserved communities to the possibilities of a career in health care. Pathway programs such as health academic preparations, community service programs, health professions awareness conferences, workshops, staff development and hands-on experiences with health professionals in real and simulated healthcare settings are effective in increasing the exposure to health professions and increasing the diversity of health practitioners.

Per Health and Safety Code Sections 127875-127885, the Mini-Grants Program provides grants to community organizations, educational entities (K-12 educational entities, post-secondary education) and industry/employers developing health career pathways. These awards impact diversity in the health professions through exposing and encouraging economically/educationally and/or disadvantaged groups to pursue health careers. Since 2005, the Mini-Grants Program has awarded more than $1,346,830 to 108 organizations resulting in more than 34,000 students being introduced and exposed to health professional training experiences.

Mini-Grants receive more requests for funding than it has available to award applicants. Between FY 2009-10 and FY 2012-2013, only 70 of 183 Mini-Grants applications (38%) were funded.

OSHPD provides Mini-Grants to the level that funding is available each year. The Health Careers Training Program budget provides funding for Mini-Grants and other programs as follows: developing private/public partnerships, identifying sources and financial incentives, assisting educators and health providers, and increasing awareness of available health professions.

CDPH

The CDPH General Preventive Medicine/Public Health Residency Program (GPM/PH) was established in 1980 in response to the California Conference of Local Health Officers (CCLHO) recognition of the need for physicians trained in public health and preventive medicine. The Program's mission is to develop preventive medicine physicians who can provide strong leadership in California local and state public health agencies, effectively applying the existing and continually evolving science base of public health and preventive medicine. In 2010, CDPH received three years of American Recovery and Reinvestment Act funding to train thirteen residents in Integrating Medicine and Public Health and Achieving Health Equity. The goal was to continue recruitment efforts with a focus on underrepresented minority physicians and those interested in achieving health equity, all in an effort to assure a well-trained public health physician workforce to maintain California's public health infrastructure.

Seventy-eight percent of Preventive Medicine Residency Program (PMRP) graduates employed in California work in local or state public health agencies, public health institutes, community clinics serving underrepresented populations, or at academic institutions conducting research related to Preventive Medicine. The CDPH PMRP is accredited by the Accreditation Council for Graduate Medical Education (ACGME) to provide a post-graduate year (PGY) 2 that leads to a Master of Public Health (MPH) and a PGY3 that provides public health experience and the opportunity to achieve the competencies needed by a public health physician. Since 1989, Cal-EIS has graduated 121 trainees of which 61% are working in California public health agencies and 18% went on to post-graduate training, including medical or other graduate school.

This redirection continues to support the original intent of the grant which is to support the Affordable Care Act (ACA) by further developing and expanding the state's healthcare workforce.

STAFF COMMENTS/QUESTIONS

No concerns have been raised with this proposal.

The Subcommittee requests OSHPD to present this proposal.

Staff Recommendation: Staff recommends approval of this Spring Finance Letter requesting approval to redirect $700,000 in TCE funding from the Song Brown Program to CalSEARCH, Mini-Grants and a Public Health Fellowship Program.

4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: AUTISM SERVICES IN MEDI-CAL

HFP plans were required to provide Applied Behavioral Analysis (ABA) services to children with Autism Spectrum Disorders (ASD). In the transition to Medi-Cal, some children qualified for, and therefore were referred to, Regional Centers, which provide ABA services. However, if a child was not eligible for Regional Center services, the child no longer had access to ABA services. The Healthy Families transition highlighted the general issue that ABA services are not a covered benefit for children in Medi-Cal, unless they qualify for Regional Center services. Advocates urge the Legislature and administration to make ABA a covered benefit in Medi-Cal, regardless of Regional Center eligibility.

BACKGROUND

ABA is an intensive behavioral intervention therapy, which is designed to promote positive social behaviors and reduce or ameliorate behaviors which interfere with learning and social interaction. The National Institutes of Mental Health, Surgeon General, and American Academy of Pediatrics have endorsed ABA therapy as the clinical standard-of-care treatment for ASD. Advocates state that the medical community considers ABA to be the most effective treatment for ASD in that it can produce significant improvements in communication, social relationships, play, self-care, and school success as well as dramatically reduce problem behaviors such as self-injury and aggression.

For private coverage, state statute, created by SB 946 (Steinberg and Evans), Chapter 650, Statutes of 2011 mandates health plans to provide ABA services. Healthy Families Program plans also were required to provide ABA services under the state's mental health parity law, implemented via emergency regulations from the Department of Managed Health Care in September 2012. Children enrolled in Medi-Cal, however, are not guaranteed access to these services, but should be under federal Medicaid law, according to advocates.

Medi-Cal "carves out" mental and behavioral health services from contracts with health plans. These services are provided by County Mental Health Departments for those with Asperger's and Pervasive Developmental Disorder–Not Otherwise Specified, or PDD-NOS (about 2/3 of individuals with ASD). County Mental Health Departments do not provide ABA therapy. Twenty-one Regional Centers provide services for some of those with ASD. A majority of beneficiaries with ASD are unable to access ABA in Medi-Cal.

In the fall of 2012 during the planning for the Healthy Families Program (HFP) transition to Medi-Cal, questions about the provision of ABA services in Medi-Cal for children with autism were raised. Stakeholders requested specific information regarding the differences in services provided by HFP and Medi-Cal in order to identify issues prior to any transition and plan for their remedy. On April 1, 2013 as HFP children in some counties were transitioned to Medi-Cal, families were given very short notice that their children would no longer be able to access ABA services once enrolled into a Medi-Cal managed care plan. This was in spite of months of awareness of this concern and clear feedback from consumer advocates that there was still confusion about this issue.

Pursuant to AB 88 (Thomson), Chapter 534, Statutes of 1999 and SB 946 (Steinberg) Chapter 650, Statutes of 2011, commercial insurance plans including HFP were required to pay for behavioral services (e.g., ABA) while health plans contracted with Medi-Cal were exempt from these provisions. Consequently, Medi-Cal does not currently have a set of services designated as "ABA." Currently, Medi-Cal pays for behavioral services for children under the Department of Developmental Services' Home- and Community-Based waiver provided through the Regional Centers. Not all HFP children receiving behavioral services qualify for these services in the regional centers because of eligibility and medical necessity criteria.

Recent Court Decisions and Settlements

The federal Centers for Medicare and Medicaid Services (CMS) recently issued new regulations clarifying the mandate on state Medicaid programs to provide both preventive and medically-necessary services. Many advocates and health professionals argue that ABA services are both preventive and medically-necessary, however CMS has not issued guidance specifically on whether or not ABA is a required benefit under Medicaid's Early Periodic Screening, Diagnosis, and Treatment (EPSDT); Recent court cases in Florida and Washington resulted in rulings that require those states to cover ABA within their Medicaid programs. According to advocates, more than 10 other states cover ABA in their Medicaid programs.

DHCS states that the State of Washington recently submitted a State Plan Amendment (SPA) to CMS in order to cover a set of services, which are the types of services included in ABA. DHCS also states that the administration is closely observing how this issue unfolds in Washington, as they believe it will be instructive to California. DHCS also believes that securing federal financial participation (i.e., a federal match) for these services would be challenging and complex.

Fiscal Impact

The administration indicates that they have no cost estimate on covering AB in Medi-Cal, however last year they estimated the cost to be $125 million. Autism advocates have developed their own cost estimate, which is approximately $21.5 million General Fund.

STAFF COMMENTS/QUESTIONS

The administration has no proposal on this issue. Despite mounting evidence of the effectiveness of ABA and favorable court decisions, it seems fairly uninterested in seeking a way to cover ABA for more children in Medi-Cal, including those who began receiving it in the Healthy Families program.

The Subcommittee requests the LAO to present this issue/proposal, and for DHCS to react, answer questions, and respond to the following:

1. Does the administration have a cost estimate on covering ABA for children in Medi-Cal, regardless of Regional Center-eligibility?

2. Please explain the reasons you anticipate difficulty in securing federal financial participation, given that the Healthy Families program seems to have had no difficulty securing a federal match.

3. What is important, or instructive for California, about what happens in the State of Washington?

Staff Recommendation: Staff recommends holding this item open to allow for more discussion with the administration and stakeholders.

ISSUE 2: PACE MEDI-CAL RATES – PROPOSED TRAILER BILL LANGUAGE (TBL)

Programs of Cal Pace, an association of All-Inclusive Care for the Elderly (PACE) programs, proposes trailer bill language to increase Medi-Cal rates paid to PACE programs by: 1) increasing the rate from 90 percent to 95 percent of the upper payment limit; and 2) requiring DHCS to implement the rate formula in a way that evens out the variations in rates across PACE counties.

BACKGROUND

PACE programs provide comprehensive, integrated acute and long-term care services to beneficiaries who are 55 years of age or older and who meet the criteria for nursing home placement. PACE programs receive capitated payments and are responsible for providing all Medicare and Medicaid covered benefits and services as well as any other services that are determined necessary to improve and maintain the participant's health status. PACE provides Medicare and Medi-Cal covered benefits including, but not limited to, primary and specialty medical care, adult day care, in-home services, home care prescription drugs, laboratory and diagnostic services, physical and occupational therapies, meals, transportation, and as necessary, hospital and nursing home care. An interdisciplinary team of physicians, nurses, social workers, therapists, and aides develops each treatment plan and manages all services. PACE provides aggressive delivery of preventative care and regular access to physicians and other health care professionals.

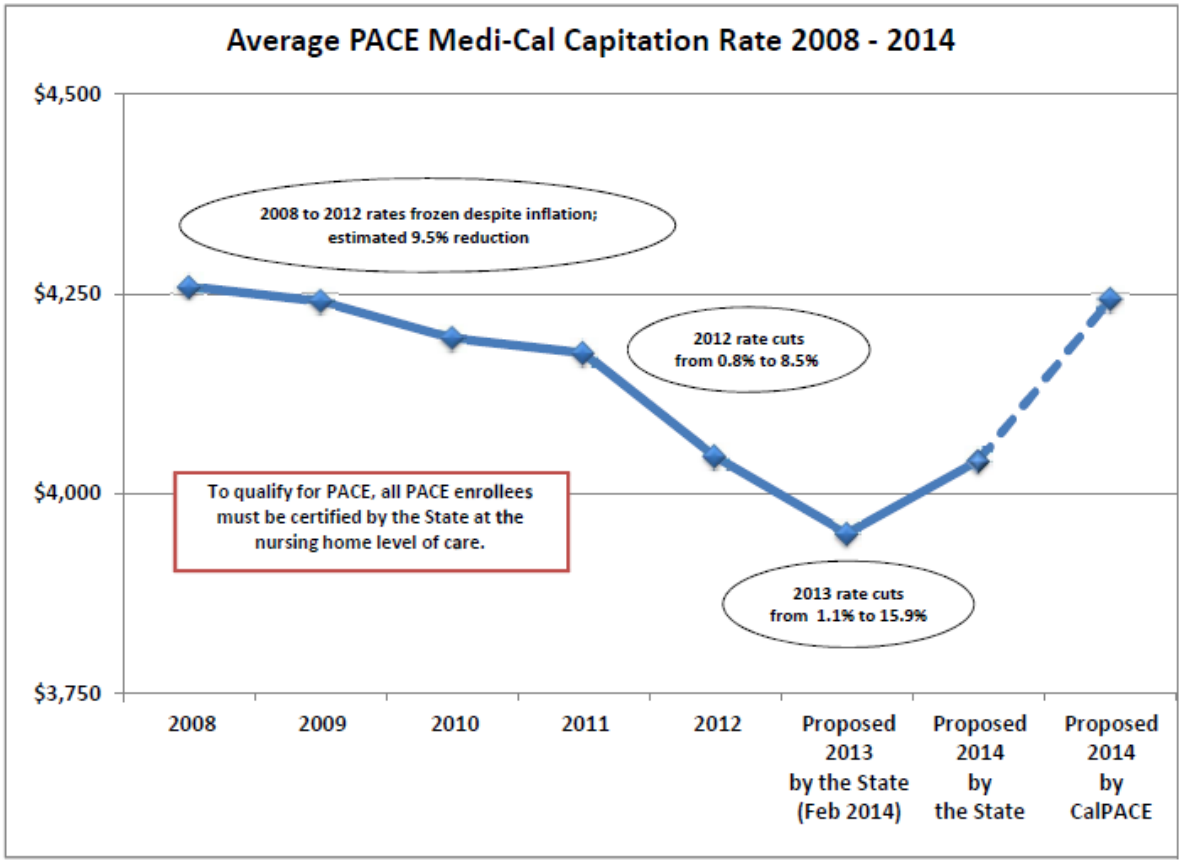
PACE Rates

Per existing statute, PACE capitation rates are set 10 percent below the level the state would pay for a comparable population outside of PACE. Specifically, Welfare & Institutions Code Section 14593(e)(1) states that PACE capitation rates are to be paid at no less than 90 percent of the amount the Department of Health Care Services estimates would be payable under the state plan if all of those services were to be provided under the Medi-Cal fee-for-services program, known as the Upper Payment Limit (UPL).

In 2012, within the requirements of statute, DHCS modified the basis for calculating the UPL from using the costs associated with a population of all long-term care (nursing home) patients, to using the costs of a population that is a blend of nursing home residents (40 percent) and non-institutionalized individuals utilizing home and community based services (60 percent). This change resulted in a substantial rate reduction to PACE programs.

The CalPACE association provided the following chart which details the reductions to rates since 2008. The chart reflects the following:

- Between 2008 and 2012, PACE rates were frozen, representing a 9.5 percent reduction.
- In 2012, PACE programs received a reduction between 0.8 percent and 8.5 percent, based on the change to the formula described above.
- In 2013, PACE programs received reductions between 1.1 percent and 15.9 percent, again primarily due to the formula change, as well as due to the Medi-Cal 10 percent rate cut contained in AB 97 (Committee on Budget) Chapter 3, Statutes of 2011.



CalPACE also provided the following data on average capitation rates, and revenue and expenditures for PACE programs:

Average PACE Capitation Rates								
PACE Program	**2008**	**2009**	**2010**	**2011**	**2012**	**State Proposed 2013**	**State Proposed 2014**	**CalPACE Proposed 2014**
On Lok	$4,443	$4,444	$4,435	$4,405	$4,311	$4,301	$4,468	$4,691
CEI	$4,530	$4,526	$4,483	$4,533	$4,373	$4,252	$4,315	$4,531
Sutter	$3,631	$3,641	$3,601	$3,592	$3,666	$3,783	$3,931	$4,128
St. Paul's	$3,649	$3,663	$3,838	$3,820	$3,729	$3,636	$3,747	$3,935
AltaMed	$3,973	$3,943	$3,906	$3,897	$3,704	$3,612	$3,692	$3,877

Table: Estimate of Profit/Loss for Calendar Year 2013

CY13 Basis	PO	PO 2	PO	PO	PO	Total
TOTAL MEMBER MONTHS						41,68
REVENUE						
Title XVIII - Medicare	$2,424.09	$1,599.00	$2,573.05	$2,474.62	$2,374.25	
Medi-Cal	$4,303.74	$3,524.28	$3,528.08	$4,060.82	$3,815.75	
Private Pay/ SOC	$25.17	$-	$157.93	$175.87	$47.77	
TOTAL REVENUE (Lines 2 to	$6,753.00	$5,123.28	$6,259.07	$6,711.31	$6,237.78	$6,143.10
SERVICE RELATED	$6,336.71	$4,603.45	$5,438.59	$6,345.79	$5,565.56	
ADMINISTRATIVE EXPENSES	$484.57	$784.13	$642.48	$606.24	$712.03	
TOTAL EXPENSES	$6,821.28	$5,387.57	$6,081.07	$6,952.04	$6,277.60	$6,316.54
NET INCOME (LOSS)	$(68.29)	$(264.29)	$178.00	$(240.72)	$(39.82)	$(173.44)
TOTAL DOLLARS REVENUE	$45,238,323	$68,236,929	$21,243,267	$104,508,587	$16,835,758	$256,062,865
TOTAL DOLLARS EXPENSES	$45,695,771	$71,757,069	$20,639,148	$108,257,101	$16,943,237	$263,292,326
TOTAL DOLLARS GAIN/(LOSS)	$(457,448)	$(3,520,140)	$604,119	$(3,748,514)	$(107,479)	$(7,229,462)
Percent Gain/(Loss)			2.8%			

1) Medi-Cal revenue is adjusted to reflect revised CY13 rates

Proposed Trailer Bill Language

The CalPACE association is requesting the following proposed trailer bill language to: 1) increase the rate from 90 percent to 95 percent of the upper payment limit; and 2) require DHCS to implement the rate formula in a way that evens out the variations in rates across PACE counties.

Amend Welfare and Institutions Code Section 14593 (e) (1):

The department shall establish capitation rates paid to each PACE organization at no less than ~~90~~ 95 percent of the fee-for-service equivalent cost, including the department's cost of administration, that the department estimates would be payable for all services covered under the PACE organization contract if all those services were to be furnished to Medi-Cal beneficiaries under the fee-for-service Medi-Cal program provided for pursuant to Chapter 7 (commencing with Section

14000). In order to ensure reasonable and equitable capitation rates throughout the state, the department shall increase the fee for service equivalent for any county in which there is low utilization of services by any comparable population used to calculate the fee for service equivalent due to under-reporting, inaccessibility of provider services, or other factors.

Fiscal Impact

DHCS stated that they did not have a clear enough understanding of the second requirement in the proposed language to provide a cost estimate at this time on the impact of that language. Nevertheless, DHCS states that the budget impact of increasing the UPL from 90 percent to 95 percent would result in costs of $14,595,000 Total Funds ($7,297,500 General Fund). These costs are based on CMS approved calendar year 2013 rates and 2014-15 enrollment projections for each PACE organization. The 2014-15 enrollment projections reflect the delayed implementation of three organizations originally expected to commence operations in FY 2013-14.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests the LAO to present this proposal, and for DHCS to react, answer questions, and respond to the following:

1. When does the department intend to propose bill language for the purpose of adopting a new PACE rate setting formula?

Staff Recommendation: Staff recommends holding this item open to allow for more discussions with the administration and stakeholders.

ISSUE 3: MEDI-CAL RENEWALS – PROPOSED TBL

The California Endowment (TCE) has offered to provide funding to the state, of at least $6 million, to be matched with federal funds and used to pay individuals to assist Medi-Cal beneficiaries with required renewals. Consumer advocates propose tbl to enable the state to accept these TCE funds, seek federal matching funds and implement the proposed services.

BACKGROUND

California has developed an outreach and enrollment infrastructure of Certified Enrollment Counselors. These counselors have assisted tens of thousands of Californians to enroll in Covered California and continue to help those who are eligible to enroll in Medi-Cal. Several million Californians have enrolled in Covered California and Medi-Cal as part of the initial implementation of the Affordable Care Act. These Californians will need to renew their coverage in order to keep it. Advocates argue that Californians who used Certified Enrollment Counselors for initial enrollment in Covered California and Medi-Cal are likely to return to these trusted sources when faced with renewing their coverage.

Renewal assistance will be particularly important in 2014-15 as families move from welfare-based income and household rules to tax-based rules. The Medi-Cal forms being used for 2014 are particularly confusing and may take additional support. Keeping eligible beneficiaries enrolled in coverage assures ongoing access to medically necessary care and reduces administrative overhead due to avoidable churning of enrollment. As part of a "no wrong door" application and enrollment system, it is important to have the same assistance available regardless of whether a Californian is covered through Covered California or Medi-Cal. Also, because kids are eligible for Medi-Cal up to 266%federal poverty level (FPL) while adults over 138%FPL are eligible for Covered California, many families have the parents on Covered California and the kids on Medi-Cal, which is confusing and people will need help. Finally, recent research indicates that variations in income will lead to changes in program eligibility for a significant share of those enrolled in either of the programs.

Covered California is paying Certified Enrollment Counselors $25 per application for renewal assistance for those enrolled in Covered California but federal rules prohibit the use of these dollars for Medi-Cal renewal assistance. TCE is making available $6 million for renewal assistance for Medi-Cal beneficiaries. Budget trailer bill language would be required in order to draw down federal matching funds. The proposed language is below.

DHCS points out that the state already pays counties to assist individuals with renewals, and therefore the administration would need to explore what fiscal impact this would have on this existing process. The administration also expresses concerns that this proposal will result in long-term costs for the state.

Proposed Trailer Bill Language

Consumer advocates are proposing the following trailer bill language in order to enable the state to accept this offer of funds from TCE for this purpose:

a) The State Department of Health Care Services shall accept contributions by private foundations in the amount of at least six million dollars ($6,000,000) for the purpose of providing Medi-Cal in-person annual renewal enrollment assistance payments and shall immediately seek an equal amount of federal matching funds.

b) Entities and persons that are eligible for Medi-Cal in-person annual renewal enrollment assistance payments shall be those trained and eligible for in-person enrollment assistance payments by the California Health Benefit Exchange. The amount of the renewal assistance payment shall be equal to the amount of the renewal assistance payment paid by the California Health Benefit Exchange for California Health Benefit Exchange enrollees. The payments may be made by the State Department of Health Care Services utilizing the California Health Benefit Exchange in-person assistance payment system.

c) Annual renewal assistance payments shall be made only for Medi-Cal applicants that have completed the Medi-Cal annual renewal process for coverage dates on or after September 1, 2014.

d) The State Department of Health Care Services or the California Health Benefit Exchange shall provide monthly and cumulative payment updates and number of Medi-Cal persons renewed through in-person assistance payments on its Internet Web site.

STAFF COMMENTS/QUESTIONS

TCE has created a unique opportunity to provide assistance to individuals and families who are attempting to navigate a new, changing, complex, and often-confusing health care system at no cost to the state. Staff is unaware of any reason the state should not adopt language to allow for this contribution of funding.

The Subcommittee requests the LAO to present this proposal, and for DHCS to react and answer questions.

Staff Recommendation: Staff recommends approval of "placeholder" trailer bill language requiring DHCS to accept monetary contributions from private foundations for the purpose of providing Medi-Cal in-person annual renewal enrollment assistance payments and to immediately seek an equal amount of federal matching funds.

4265 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: CALIFORNIA REDUCING DISPARITIES PROJECT – PROPOSED TBL

The Department of Public Health (DPH) requests a statutory exemption from the Public Contract Code for the California Reducing Disparities Project (CRDP) that would allow DPH to complete the Strategic Plan (Phase I) and commence Phase II, a $60 million (Mental Health Services Act Funds) endeavor to implement and evaluate community-defined mental health practices.

BACKGROUND

In 2009, the former Department of Mental Health (DMH) initiated seven CRDP contracts. The resulting published reports have culminated in a draft statewide Strategic Plan. The focus of the strategic plan is on improving the delivery of prevention and early intervention services for California's unserved, underserved, and inappropriately served communities. Once finalized, the plan will be the blue print for the DPH's design of Phase II Request for Proposals (RFPs) to commence the Mental Health Services Act (MHSA) funded, $60 million, four-year project to reduce mental health disparities.

The Legislature eliminated DMH (June 30, 2012) and moved functions and contracts to many state entities pursuant to AB 109 (Committee on Budget) Chapter 29, Statutes of 2011. DMH historically was granted authority under Welfare and Institutions Code 5897(e) for exemptions to the Public Contract Code for MHSA funds. However, when DMH was eliminated and the CRDP contracts were transferred to the DPH in 2012, a technical oversight within trailer bill AB 1467 (Committee on Budget) Chapter 23, Statutes of 2012, resulted in the exemptions not transferring to DPH.

According to DPH, this statutory change would correct a technical oversight from the transfer of the CRDP from DMH to DPH. Because the CRDP is the first of its kind, the flexibility is needed to complete and implement the recommendations developed by diverse communities throughout the state. If this exemption is not provided, there will be delays to the phases of CRDP, and MHSA funds designated for local service providers would be delayed, ultimately impacting individuals from vulnerable communities in need of mental health services. In addition, the data regarding community-defined evidence and the robust evaluation component of CRDP Phase II will be delayed.

STAFF COMMENTS/QUESTIONS

No concerns have been raised with the Subcommittee on this proposal.

The Subcommittee requests DPH to present this proposed trailer bill.

Staff Recommendation: Staff recommends approval of this "placeholder" trailer bill to exempt the California Reducing Disparities Project from the Public Contract Code.

ISSUE 2: STATE DENTAL DIRECTOR SFL #1

A DPH April Finance Letter requests $474,000 ($250,000 General Fund and $224,000 in reimbursements,federal funds from the Department of Health Care Services) to establish a State Dental Director, add an epidemiologist, and provide related consulting services to re-establish a statewide dental health program.

The State Dental Director would guide the development of a statewide dental health plan and establish partnerships and coalitions to advance dental health throughout California. The epidemiologist would support this work.

The proposed consulting services include:

1. External Contracts: (a) California State University Sacramento College of Continuing Education for conference and training services for $26,000 and (b) California Epidemiologic Investigation Service Fellow - $43,000 to fund an epidemiologist-in-training to work under staff at DPH to assist with the proposed activities.

2. A Memorandum of Understanding with the Behavioral Risk Factor Surveillance System administrator (California State University) to add four dental questions regarding dental health for children, adolescents, and adults for $30,000.

BACKGROUND

Tooth decay is the most common chronic condition in children. In 2006, 54 percent of kindergarten children and 71 percent of third graders in the state had tooth decay. In addition, low-income and minority children suffer disproportionately from dental tooth decay.

Current law (Health and Safety Code Sections 104750-104765) establishes authority for DPH to maintain a dental program that includes: 1) development of comprehensive dental plans; 2) consultation necessary to coordinate national, state, and local agency programs related to dental health; 3) program evaluation related to preventative services; 4) consultation and program information to health professions, health professional educational institutions, and volunteer activities; 5) establishment of a Dental Director; and 6) authority to receive funds to establish a State Dental Program.

However, DPH has limited funding dedicated to the purposes described above and currently only provides $213,000 (through a federal grant) to promote drinking water fluoridation. DPH also serves as a fiscal intermediary for a federal oral health workforce development grant to the University of the Pacific that ends September 2014.

With these resources, DPH proposes to develop a Dental Burden of Disease (Burden) report, which would help identify dental health issues, disease burden, facts and figures of dental disease, and capacity to address the burden. The Burden report would be the foundation for the development of the State Dental Plan (Plan). The Plan would serve as the roadmap for California's short-term, intermediate, and long-term priorities, goals, and objectives to address dental disease burden and prevention.

DPH proposes the following implementation timeline:

- By October 2014, establish DPH's Dental Team (State Dental Director, epidemiologist, and develop and execute consulting contracts)
- By December 2014, establish an Advisory Committee and Coalition
- By December 2014, establish the Dental Program Website
- By March 2015, publish the Dental Burden of Disease Report
- By June 2015, publish the State Dental Plan

DPH indicates that it has been working to identify appropriate classifications, prepare duty statements, and consider the need for exams in order to be prepared to start the recruiting process upon approval of the state budget. In addition to the standard job posting, DPH will conduct an aggressive recruiting campaign. DPH will work with public health programs and the state dental association to assist with recruiting efforts. Job announcements will also be posted on the Association for State and Territorial Dental Directors national list serve, California Dental Association job listings, and other job postings for dental public health programs such as the American Association for Public Health Dentistry.

Rationale for Dental Director at DPH

According to DPH, state public health departments are uniquely qualified with epidemiological expertise to define and monitor the oral disease burden throughout the state and to provide the statewide oral health professional leadership to plan and develop statewide strategies to reduce the burden of disease. DPH is positioned to collect statewide oral health surveillance data through unique data sources, leverage and integrate with health department components, such as other chronic disease programs, develop and implement statewide policy and programmatic strategies that cut across multiple chronic conditions, and to share support of complementary activities.

DPH would provide leadership for oral health initiatives, and would have access to statewide partnerships such as the state dental association, public health organizations, etc. Specific public health focus areas include statewide surveillance of oral disease, reporting the burden of disease, facilitating the development and implementation of a statewide oral health coalition and state oral health plan, coordination with other chronic disease and maternal and child health programs, development of statewide dental sealant programs, and community water fluoridation coordination, as well as management of program capacity and infrastructure to sustain a state oral health program within DPH.

STAFF COMMENTS/QUESTIONS

Significant support exists by both health advocates as well as within the Assembly for the creation of a state dental director, and, in general, for the state to provide greater leadership on improving dental health.

The Subcommittee requests DPH to present this proposal.

Staff Recommendation: Staff recommends approval of this Spring Finance Letter requesting $474,000 ($250,000 General Fund, $224,000 Federal Funds) and approval for a State Dental Director, 1.0 epidemiologist position, and consulting services to establish a statewide dental health program.

ISSUE 3: LICENSING & CERTIFICATION INVESTIGATIONS SFL #2

DPH requests 18 2-year limited-term positions and $1,951,000 (Licensing & Certification Special Fund) to support timely investigations of allegations/complaints filed against Certified Nurse Assistants (CNAs), Home Health Aides (HHAs), and Certified Hemodialysis Technicians (CHTs).

BACKGROUND

Licensing and Certification Investigations (L&C) licenses, regulates, inspects and/or certifies health care facilities in California, on behalf of both the state and federal governments. L&C regulates approximately 19 different types of health care facilities, such as hospitals and nursing homes, and also oversees the certification of nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators.

L&C's field operations are implemented via 14 district offices, including approximately 800 positions, throughout the state, and through a contract with Los Angeles County. The field operations investigate complaints about facilities, primarily long-term care facilities, conduct periodic facility surveys, and assess penalties. L&C receives approximately 6,000 complaints per year, and 10,000 entity-reported incidents.

CNAs provide 80 percent of direct patient care, activities for daily living, in skilled nursing facilities, and direct care in residences through licensed home health agencies. Investigations of allegations and complaints against CNAs, HHA, and CHTs is required by both federal and state laws. Approximately 925 allegations/complaints are received by DPH for both active and inactive caregivers each year.

DPH staff investigates all allegations/complaints, regardless of the source of the complaint or the nature of the allegation. The complaints range from significant safety issues and abuse to those that are not life-threatening, such as profanity or false identification.

DPH staff review all allegations/complaints upon receipt to determine if immediate action is required. For those not requiring immediate action, staff assign the initial assessment level within ten business days. The assessment levels include:

- Level A – Unprofessional conduct involving death, physical and sexual assault (rape, rape with a foreign object, and sodomy) with witness(es), and/or law enforcement involvement.
- Level 1 – Unprofessional conduct involving sexual assault (groping, fondling, or physical contact and physical abuse; may include physical evidence and involvement of witness(es) and/or law enforcement.
- Level 2 – Unprofessional conduct without witness(es), but may include physical evidence.
- Level 3 – Unprofessional conduct without a witness and no known physical evidence.

- Level 4 – False identification and/or social security number.

Investigations Backlog

DPH has been operating with an on-going multi-year accumulation of investigations. Furloughs, vacancies, and outdated processes led to this backlog of aging cases. For several years, DPH sought to work through the aging cases while trying to complete current investigations, but found it impossible to reduce the backlog significantly. Therefore, prior to 2009, DPH prioritized current cases, investigating older complaints only as time permitted. Since 2009, DPH instituted several business process improvements leading to a reduction in the backlog such that investigations have been completed for all cases received prior to January 1, 2012. Nevertheless, the administration asserts that the current resources at DPH are not sufficient to keep current with new cases while successfully completing the full inventory of aging cases.

The table below shows the resources available to the L & C Program:

Licensing & Certification Program Fund (*Dollars in thousands*)					
Program Budget	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Authorized Expenditures	$81,998	$88,471	$90,267	$89,879	$93,644
Actual Expenditures	$72,789	$82,175	$75,072	$70,751	$93,644*
Revenues	$75,632	$65,482	$78,287	$79,623	$74,128*
Authorized Positions	1,084.3	1,245.7	1,275.1	1,116.3	1,064.2
Filled Positions	917.5	980.2	939.7	931.0	n/a
Vacancies	166.8	265.5	335.4	185.3	n/a

*FY 2013-14 Budget Act Expenditures and Revenues
Position counts reflect the entire L&C Division (positions are funded either by the L&C Special Fund, or by a combination of the L&C Special Fund, Federal Funds, and Reimbursement Funds).

The following table contains the workload history as of December 31, 2013:

Workload Measure	**2011-12**	**2012-13**	**2013-14***	**2013-14****
Aging	1,484	1,419	1,162	1,162
Received	918	941	458	916
Completed	(983)	(1,198)	(601)	(1,201)
Remaining	**1,419**	**1,162**	**1,019**	**877**

*Represents July 1 – December 31, 2013
**Projected using current year trend

Requested Positions

DPH is requesting the following positions:

15 Associate Governmental Program Analysts
1 Staff Services Manager I
2 Program Technician II

Through this proposal, DPH is proposing a two-pronged approach to become and remain current on all cases and conduct timely investigations. Specifically, the proposal includes: 1) 9 2-year investigator positions to augment current investigations; and 2) 6 2-year investigator positions to focus on aging cases.

STAFF COMMENTS/QUESTIONS

As described in the Subcommittee's March 10, 2014 agenda, L&C investigations has long been a source of concern for the federal government, the Legislature, the press, and consumer advocates.

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

1. Does the department anticipate difficulty in hiring for these positions?

Staff Recommendation: Staff recommends approval of this Spring Finance Letter requesting $1.9 million and 18 2-year limited-term positions for investigations of allegations & complaints filed against Certified Nurse Assistants, Home Health Aids, and Certified Hemodialysis Technicians.