# Agenda

## Assembly Budget Subcommittee No. 1 Health and Human Services

**Assemblymember Holly Mitchell, Chair**

**Monday, May 7, 2012**

4:00 P.M. - State Capitol Room 127

## Vote-Only Calendar

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VOTE-ONLY

0530 OFFICE OF HIPAA IMPLEMENTATION

VOTE-ONLY ISSUE 1: OFFICE OF HIPAA IMPLEMENTATION SUNSET EXTENSION

Through a Spring Finance Letter, the Office of HIPAA Implementation (CalOHI) is requesting an extension of the sunset date on the office to June 30, 2016, and approval of a reduction to the CalOHI budget of two positions and $517,000 in contract Funds.

BACKGROUND

In response to the passage of the Health Information Portability and Accountability Act (HIPAA) in 2001, CalOHI was established, with a sunset date of January 1, 2013, with the following responsibilities and authority:

- Statewide leadership coordination, policy formulation, direction, and oversight responsibilities for the HIPAA implementation by impacted state departments;
- Full authority relative to state entities to establish policy, provide direction to state entities, monitor progress, and report on HIPAA implementation efforts; and,
- Responsibility for determining which provisions of state law concerning personal health information are preempted by HIPAA for state agencies.

The CalOHI is responsible for planning, policy articulation, education, monitoring, tracking, and evaluation of HIPAA implementation on behalf of all state departments. This creates consistency throughout state government, given that, if each department were to individually implement HIPAA, as each new rule is released or amended, there would be multiple interpretations of the rules leading to conflict and confusion among stakeholders. Therefore, state statute allows CalOHI to interpret for state agencies the relationship between information privacy and access laws related to HIPAA, thereby avoiding potential significant federal sanctions and litigation by individuals and entities for failure to comply with HIPAA. Violations of HIPAA can result in fiscal sanctions and even criminal sanctions in some cases.

The Governor’s January 2012 budget includes continued funding for 9 positions and operating expenses at a cost of $3.2 million ($2 million General Fund [GF]) for 2013-14. This request is to extend the sunset and eliminate two positions and $517,449 in contract funding. CalOHI proposes to consolidate the workload and functions of two Staff Services Managers into one position, and to eliminate the Director of the Office. According to the Administration, the Deputy Secretary acts as the Administration’s key advisor on all issues related to electronic health information technology and exchange, and therefore can serve, functionally, as the Director of CalOHI.
According to the Administration, CalOHI’s responsibilities have expanded substantially since its inception in 2001. In addition to HIPAA implementation, CalOHI also has responsibility for the Office of Health Information Integrity, which enforces state laws mandating the confidentiality of medical information and imposes administrative fines for the unauthorized use of medical information. With the passage of the Health Information Technology for Economic and Clinical Health (HITECH) Act in 2009, the Office of Health Information Integrity is responsible for California’s $38 million Health Information Exchange federal Cooperative Agreement.

The Administration states that the pace of legislation and regulations has increased and is expected to continue on an ongoing basis.
4265 Department of Public Health

Vote-Only Issue 1: Southern California Laboratory Closure

Through a Spring Finance Letter, the Department of Public Health (DPH) proposes to close its Southern California Laboratory due to health and safety concerns related to seismic and other health and safety deficiencies. The closure is expected to generate savings of $180,000 ($57,000 GF) in 2012-13 and $360,000 ($114,000 GF) in future years.

Background

DPH owns and operates two laboratory buildings, one in Richmond and the other in downtown Los Angeles (LA). The LA building was built in 1968 and the state purchased it in 1988 for $1.3 million. DPH housed four different programs in the building, and also leases some space to the Department of Toxic Substance Control (DTSC).

Three separate infrastructure studies of the building have been completed, all of which identified numerous health and safety deficiencies. The first two in 1986 and 1991 determined that the building did not meet various building standards, such as the Americans with Disabilities Act, California Seismic Safety Code, California Building Code, and State Fire and Life Safety Code. The third study, in 2006, found that it would not be cost-effective to renovate the building given its substantial deficiencies. The latest seismic study found that the building has the highest seismic hazard risk of collapse during a major earthquake. The building also has been cited by the California Division of Occupational Safety and Health for inadequate venting of the laboratory’s ventilation system and fume hoods. Finally, both DPH and DTSC have received complaints from employees and from the California Association of Professional Scientists.

Since 2009, DPH has been systematically relocating its programs to other department space throughout Southern California. There are two remaining tenants: DPH’s Drinking Water Radiation Laboratory Branch (DWRLB), and the DTSC. The DWRLB has two positions that can be redirected to the Richmond Laboratory facility. DTSC also is considering relocating their laboratory activities to the facility in Richmond.

DPH is proposing to close the building, and likely put it up for sale, once it has been fully vacated and cleared of any hazardous waste or materials.
VOTE-ONLY ISSUE 1: METROPOLITAN NEW KITCHEN REappropriATION

Through a Spring Finance Letter, the Administration is requesting reappropriation authority in order to complete the New Main Kitchen project at Metropolitan State Hospital. No new funding is being requested at this time.

BACKGROUND

The New Main Kitchen Project started in 2004 and is complete, with one exception - a required fire water line is needed to be built to satisfy State Fire Marshall requirements. The water system’s velocity and pressure required to pass the State Fire Marshal requirements to bring the Central Kitchen online were not met. The fire water line is currently being built; however, it has had the following challenges:

1. Unforeseen site conditions in the fire water line trench with existing utilities and soil conditions requiring new fill material meeting project requirements;

2. A contractor that is unfamiliar with state projects; and,

3. Issues in obtaining the required approvals on deferred submittals from the appropriate state entities. It will be completed by the end of the year; however, there will be a lapse in project authority.

This reappropriation provides an extension of authority so that the fire water line can be completed and pay any claims using the remaining funds available for this project.
ITEMS TO BE HEARD

4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: PARIS REPORT & SAVINGS

The Department of Health Care Services (DHCS) recently issued a report to the Legislature on the Public Assistance Reporting Information System (PARIS), which has significant implications on potential savings in the Medi-Cal program, as described below.

BACKGROUND

PARIS is a federally-run data system that compiles the Social Security numbers of individuals receiving public services such as Medicaid (Medi-Cal in California), food stamps, veterans' benefits and pensions. The system was originally created to prevent welfare recipients from receiving benefits in more than one state, but its use has been expanded in recent years.

In a 2007 report, the Legislative Analyst's Office (LAO) found that approximately 144,000 veterans in California who could be eligible for health care services fully funded by the U.S. Veterans Administration (VA) were instead enrolled in the Medi-Cal program, which is partially funded by the state. The LAO suggested that if all of these veterans were informed of their right to VA-funded health care and made the switch, the state would save $250 million. They noted even if 10 percent of veterans changed providers, the state would save $25 million.

Other states, such as Washington and Pennsylvania, have used the PARIS system to identify veterans who are eligible for health care or other federally-funded services. For example, in Washington, the state focused on veterans who were in Medicaid-funded long-term care, which requires the family to repay some public funds after the patient's death. By switching some of these veterans to the VA system, the state saved money and helped veterans' families avoid having to repay some of the expenses.

Through 2008 budget legislation, the California Department of Health Care Services (DHCS) was directed by the Legislature to begin a two-year PARIS pilot project to identify veterans and their dependents, who were enrolled in Medi-Cal and informed the veterans of their right to VA-funded health care. There is no requirement that a veteran must change; it is a voluntary process. Also, some veterans could obtain VA-funded benefits that can supplement health care services funded by the state or other sources.

To enact the pilot project, DHCS and the Department of Veterans Affairs (CDVA) signed a memorandum of understanding to identify veterans in Medi-Cal and conduct an outreach effort to make them aware of VA benefits. DHCS ran data matches from select counties in the state to conduct the project. The project ran from July 2009 to June 2011. As part of the legislation, DHCS was required to submit a report to the Legislature, which was received in April of this year. The report contained the following key findings:
• 16,000 positive data matches (i.e., individuals enrolled in Medi-Cal who qualify for VA services) were found.

• The pilot program focused on beneficiaries likely to have high Med-Cal expenditures.

• Approximately 4,000 referrals were made to CVSOs, who made approximately 990 contacts.

• Of the 990 contacts made by CVSOs, 158 already were enrolled in VA health benefits, and 24 agreed to discontinue their Medi-Cal coverage.

• Based on the redirections from Medi-Cal to VA benefits, the pilot resulted in $1.6 million in savings for the Medi-Cal program.

• Other states have achieved substantial savings from the use of PARIS. For example, Pennsylvania estimates annual cost savings of approximately $27.8 million.

**STAFF COMMENT / QUESTIONS**

1. Please summarize the recent PARIS report and its key findings and recommendations.

2. Given the significant potential for savings as a result of utilizing PARIS, what is the Administration considering in terms of expanding its use?

3. Could the department use the savings that were generated from the pilot to pay for expanded outreach efforts?

4. Are there examples of contracts within the Medi-Cal program, whereby the contractor is paid out of savings achieved, such as with 3rd party payment recoupments?

5. Have any of the other states used an outreach model that could work for California, in terms of not creating prohibitive upfront costs?

**PANEL**

- Department of Health Care Services
- Department of Finance
- Legislative Analyst's Office
4265 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: EFFICIENCY PROPOSALS

Through a Spring Finance Letter, Department of Public Health (DPH) is proposing trailer bill and authorization to make various policy changes to achieve program “efficiencies,” and for savings of $6.2 million (primarily special funds). DPH proposes to abolish 8 special funds and 26 authorized positions. Approximately $1.2 million in remaining fund balances are proposed to be reverted to the General Fund.

BACKGROUND

According to the Administration, the Governor requested that all departments conduct thorough explorations of their programs in order to identify potential efficiencies in state government, regardless of funding source. Therefore, DPH identified the following proposed changes and reductions:

Health Statistics Special Fund: DPH proposes to reduce the appropriation for this fund by $534,000 in order to align the appropriation authority with the fund balance. In order to compensate for the reduced appropriation, five positions will be redirected to the Information Technology Services Division (ITSD). This does not create savings overall, as the cost of these positions will be transferred to the ITSD, however it will align the appropriation and balance of this particular fund. The fund receives revenue from fees charged for record searches, issuance of certificates, permit registrations or other documents; funds from the Social Security Administration for the enumeration birth program; funds from the Vital Statistics Cooperative Program; funds transferred from the Vital Records Improvement Account; and other state register funds.

Water Device Certification Special Account: Currently California is one of only six states that require certain water purification devices to have State certifications, in addition to a “third-party” certification. These devices are residential, consumer-acquired devices such as refrigerator or counter top water filters. The devices must be certified by the National Sanitation Foundation and the Water Quality Association, and possibly other non-profit organizations that certify based on national standards. These organizations are accredited by the American National Standards Institute. The remaining balance in this fund will revert to the GF.

Registered Environmental Health Specialist Fund: DPH is proposing to reduce the fees paid by Environmental Health Specialists. This program ensures that Environmental Health Specialists who are registered have met prescribed education, training, and experience requirements and have passed a comprehensive examination reflecting the demands encountered within the environmental health profession. The Administration states that the reduction in revenue can be absorbed by the program’s Operating Expenses and Equipment budget.
**Licensing and Certification Program Fund:** For approximately $4.5 million in special fund savings, DPH proposes to repeal various mandates related to state inspections of licensed facilities including hospitals and nursing homes.

Specifically, state law requires periodic surveys of facilities every other year, as well as inspections based on complaints. Federal law also requires periodic facility surveys every 15.9 months. Therefore, the state surveys are conducted concurrently with federal surveys simply by including additional state-required survey items. While the surveys themselves operate concurrently with federal surveys, and therefore would not see a workload decrease as a result of this proposal, the paperwork requirements that must be met after the surveys have been completed would realize a substantial workload decrease, according to the Administration. The Administration also indicates that the bulk of the problems get identified through complaints, rather than through the periodic surveys.

DPH also proposes to allow 48 hours instead of 24 hours for the state to respond to complaints about facilities. This will conform state law to federal law, and allow state resources to be managed more efficiently given that certain types of complaints do not justify a 24 hour response.

**Retail Food Safety and Defense Fund:** This proposal would simply allow fee revenue to be deposited into a different fund than this one. DPH collects user fees from the retail food industry for mandated activities, including review and approval of Hazard Analysis Critical Control Point Plans, equipment variances, and modified atmosphere packaging proposals. Based on this proposal, fee revenues would be deposited into the Food Safety Fund, and this fund would be eliminated given its very small size (approximately $21,000).

**Recreational Health Fund:** Per state statute, counties collect a $6 fee from owners of public swimming pools, and send most of this revenue to the state for the purposes specified in legislation related to improving public swimming pool safety. The original legislation included a sunset of 2014; however, DPH states that the requirements of the bill are complete. Per the requirements of the legislation, DPH has completed the following:

- Provided a series of informational and guidance memos to all the Local Environmental Health Departments (LEHDs);
- Provided informational and guidance documents to LEHDs to distribute to pool owners and contractors; and,
- Met with the California Conference of Directors of Environmental Health to develop a pool owners compliance form and instructional materials and distributed same to LEHDs, pool owners/operators and pool contractors

The Administration indicates that all of the information developed under this program is being incorporated into regulations and that local government will continue to have general responsibility for the safety of public pools.
California Prostate Cancer Research Fund: This fund was created to deposit voluntary taxpayer contributions, as a “tax check-off,” to be allocated to the Coalition to Cure Prostate Cancer. According to the Administration, this tax check-off is no longer available to taxpayers and therefore the fund is obsolete.

California Sexual Violence Victim Services Fund: This fund was created to deposit voluntary taxpayer contributions, as a “tax check-off,” to be allocated to the California Coalition Against Sexual Assault. According to the Administration, this tax check-off is no longer available to taxpayers and therefore the fund is obsolete.

STAFF COMMENT / QUESTIONS

Subcommittee staff has requested that DPH provide an overview of each of these proposals.

PANEL

- Department of Public Health
- Department of Finance
- Legislative Analyst’s Office
4440 Department of Mental Health

ISSUE 1: Caregiver Resource Centers

The Governor’s Budget proposes the elimination of funding for the Caregiver Resource Centers (CRCs) for General Fund savings of $4.1 million ($2.9 million Local Assistance).

BACKGROUND

The CRCs provide supportive services to caregivers of people with acquired brain impairment such as Alzheimer’s, Stroke, Parkinson’s, Huntington’s, traumatic brain injury and related dementia. CRC services include: mental health support, respite, legal counseling, support groups, and education. There are 11 CRCs throughout the state, serving approximately 12,000 caregivers.

The CRC system in California was the first of its kind in the nation, and was looked to as a model for the development of similar services now available in all fifty states. State funding for CRCs was reduced by 74 percent in 2009. State funding qualifies for a 3:1 federal-state match. While eligibility for CRC services is not means-tested, CRC services are unique and generally not available elsewhere, even for people of middle or high-income who have health insurance. Moreover, individuals pay fees on a sliding scale. As a result of budget reductions to California’s CRCs, particularly in 2009, all 11 CRCs maintain waiting lists for various services; the LA CRC has a waiting list of over 900 people just for respite services.

These services are a valuable piece of our overall safety net that allows caregivers to continue providing care, thereby enabling many disabled Californians to continue living in the community rather than in institutions. Keeping people at home leads to substantial savings for the state in reduced institutional care costs. States that have prioritized and invested in community-based care, as a preferred alternative to nursing homes and other institutional care settings, generally support these types of services. Eliminating CRCs will increase, rather than decrease, California’s dependence on high-priced, low-quality-of-life institutional care.

LAO Comment. The LAO finds that the role of CRCs should be considered in the context of the Governor’s Coordinated Care Initiative and other state efforts to provide seniors and persons with disabilities with community-based services instead of institutional care. The LAO also notes that CRC administrators report that this proposal would result in a federal funding reduction to CRCs of $3.9 million due to federal matching requirements that would no longer be met.

STAFF COMMENT / QUESTIONS

Subcommittee staff has requested that DMH provide an overview of the proposal and explain the need for 1.2 million in state operations for this program.

PANEL

- Department of Mental Health
- Department of Finance
- Legislative Analyst’s Office
The Administration proposes to eliminate $750,000 General Fund that is paid as a supplemental rate to Community Treatment Facilities (CTFs). The Administration argues that since this is not a statewide program, counties can use local funds to fund these CTFs at their discretion. These are Medi-Cal (EPSDT) payments and therefore qualify for the usual federal funding match of 1:1. Therefore, this represents a $1.5 million cut to CTFs.

BACKGROUND

CTFs were established as a pilot program to provide secured residential care for the treatment of children diagnosed as being seriously emotionally disturbed (SED). These are locked facilities and provide intensive treatment for primarily teens who are at high suicide risk or otherwise have severe mental illness. Generally, CTFs were created as an alternative to out-of-state placements and state hospitalization for some children. Most of the children served by CTFs are in foster care and placed by county child welfare and probation departments. The three CTFs, together, are licensed for a total of 86 children. The establishment of the CTFs enabled the state to eliminate all of the beds for children in the state hospitals.

In the early years of the program, the costs of operating such high intensity treatment programs quickly exceeded the combination of revenues they received from the AFDC-Foster Care RCL 14 rate for care and supervision, and the mental health EPSDT program for treatment. Therefore, the Budget Act of 2001, and related legislation, provided supplemental payments to CTFs. The CTF supplemental rate provides additional funding up to a maximum of $2,500 per month, per child. These supplemental payments consist of both state (40 percent or $1,000) and county (60 percent or $1,500) funding.

There are three active CTFs in California:

- Starview Children and Family Services in Los Angeles County (40 beds);
- Vista Del Mar Child and Family Services in Los Angeles County (21 beds); and,
- The San Francisco Community Alternatives Program in San Francisco County is in the process of closing and is performing assessments on all of its clients in order to refer each one to other programs and services in the area.

The $750,000 General Fund supplemental rate was based on three CTFs being operational in the state.

STAFF COMMENT / QUESTIONS

Subcommittee staff has requested that DMH provide an overview of the proposal.

1. Please explain your perspective on how funding for these facilities fits into realignment?
2. What will happen to these facilities and the children they serve if this funding is eliminated?

PANEL

- Department of Mental Health
- Department of Finance
- Legislative Analyst's Office
The 2011-12 budget eliminated the California Youth Empowerment Network (CAYEN) contract at DMH. Concerns have been raised indicating that this elimination was based on a misunderstanding of how this contract was categorized. The contract was for $250,000 (MHSA funds). Mental health advocates and stakeholders recommend reinstating this contract for $300,000 at the Mental Health Services Oversight and Accountability Commission.

BACKGROUND

The CAYEN contract supports advocacy efforts for transition-age-youth (age 15-26) regarding the mental health system. CAYEN ensures that counties include transition-age-youth in mental health community planning and that services that young people say work are being identified and put into practice. CAYEN also encourages young people to get involved in their county planning process to make sure the transition-age youth perspective is incorporated. This contract has been supported since 2007-08.

During the 2011-12 budget deliberations, this contract was eliminated because it was misclassified as an administrative-related contract. The 2011-12 budget reduced the percent of total annual revenues for state administrative expenditures for MHSA from 5 percent to 3.5 percent.

Since severe mental illness most often first manifests during the transition age-youth years of age, the perspective and consultation of participants in this age group is critical to mental health community planning. The increase of $50,000 (from the original contracted amount) would provide additional funds for youth participants to attend meetings, such as the meetings of the Mental Health Services Oversight and Accountability Commission and meetings with state and county officials, and an inflationary increase.

STAFF COMMENT / QUESTIONS

The Subcommittee has requested the Administration respond to the following:

1. Please provide an overview of this contract and the action taken in 2011-12.

2. Does the Administration have any concerns with the reinstatement of this contract?

PANEL

- Department of Mental Health
- Department of Finance
- Legislative Analyst’s Office