AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

Assemblymember Gilbert Cedillo, Chair

WEDNESDAY, MAY 22, 2002
STATE CAPITOL, ROOM 126
2:00 P.M. OR UPON CALL OF THE CHAIR

Consent Calendar

ITEMS TO BE HEARD

CONSENT CALENDAR

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT (SAPT) STATE OPERATIONS

The Spring Finance Letter requests $2.1 million for an outcomes measurement project.

BACKGROUND:

The Governor's Spring Finance Letter requests language to expend $2,050,000 of the SAPT funds for information technology projects **contingent upon approval of the required planning documents by the Department of Information Technology and Finance**. The project, called California Outcomes Measurement System (CalOMS) is based off a pilot project. It will be used to provide outcome evaluations, accountability performances, and assessment tools.

COMMENTS:

LAO believes in the concept of the IT project CalOMS. However, they argue that a Feasibility Study Report should be **completed** before the Subcommittee approves funding. Lastly, the LAO advises that the pilot program CalTOP's Post Implementation Report should be analyzed to assess the potential achievements of the proposed project.

CONSENT ACTION:

Conform to Senate action on CalOMS, which was to adopt budget bill language that specifies that the $2.1 million in automation projects not be spent without the approval of the required planning entities such as TIRU.

ISSUE 2: SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT (SAPT) LOCAL ASSISTANCE

The Subcommittee can adjust spending levels to accurately reflect the receipt of federal funds.

BACKGROUND:

The Department of Finance states that there is a deficiency of $164,000 between the amount of federal funds the state is receiving and the amount that it has allocated to be spent. To correct for this difference, the Subcommittee can decrease the level of SAPT funding for the Drug Court Partnership Act from $8,000,000 to $7,836,000.

COMMENTS:

The Subcommittee restored $11,350,000 in Federal Substance Abuse Prevention and Treatment Block Grant to the Perinatal Treatment Services, Technical Assistance Grants, and the Drug Court Partnership Act. The prior action funded the three programs at the following levels. The Perinatal Treatment Services were funded at $2.5 million. The technical assistance contracts were funded at $850,000. The Drug Court Partnership Act was funded at $8 million.

CONSENT ACTION:

Reduce level of SAPT funding for Drug Court Partnership Act to $7,836,000.

0530 HEALTH AND HUMAN SERVICES AGENCY

1. **Support reduction – DOF Issue 002 –** General Fund reduction of $185,000 to reduce funding for the Office of the Secretary for Health and Human Services Agency. **Approve the Finance Letter.**

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

1. **Hospital Bioterrorism Preparedness Program – DOF Issues 004 and 005 –** $9.116 million Federal Funds to fund development and implementation of bioterrorism response planning with in the state and upgrade the preparedness of state's hospitals and local health care organizations for a biological attack. **Approve the Finance Letter.**
2. **Administrative Reduction – DOF Issues 095 and 096 –** General Fund appropriation for the EMSA is reduced by $474 thousand for administrative purposes. **Approve the Finance Letter.**

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

1. **Song Brown – DOF Issue 101 -** $500 thousand General Fund reduction to the family physician training program, resulting in the loss of nine primary care physician training slots. **Approve the Finance Letter.**

4260 DEPARTMENT OF HEALTH SERVICES

Medi-Cal

1. **Long-term rate increase – DOF Issue 058 –** Funding, $18.190 million Total Funds, $9.095 million General Funds, for long-term care rate increase.
   Approve the Finance Letter.

2. **Medical Supply Contracting – DOF Issue 072 –** The Governor's Budget includes savings of $17.920 million, $8.96 million General Fund, for medical supply contracting. The May Revision proposes to eliminate optional medical supplies from the Medi-Cal

program and the savings, therefore, are reduced to $1.4 million Total Funds, $700 thousand General Fund.
Approve the Finance Letter.

3. **AB 1075 Staffing – DOF Issue 064 –** Eliminate funding and authority for 6.5 positions included in the Governor's budget for workload related to the staffing and reimbursement system redesign in long term care.
Approve the Finance Letter.

Public Health

1. **Vaccine Purchase – DOF Issue 431 –** Reflects a price increase, $1.80 to $5.50 per dose, for 700 thousand doses in the adult influenza vaccine program.
Approve the Finance Letter.

2. **Child Health and Disability Prevention Program –DOF Issues 434 & 441 -** $103.5 million Total Funds, $92.6 million General Fund and Tobacco Settlement Fund and $10.9 million various other funds, to restore the baseline program and reflect caseload decreases. Includes restoration of 6 positions at $436,000 Total Funds, $207,000 General Fund.
Approve the Finance Letter.

3. **California Children Services May Estimate – DOF Issue 435 –** Increase in caseload, $11.547 million Total Funds, $4.364 million General Fund.
Approve the Finance Letter.

4. **Genetically Handicapped Persons Program – DOF Issue 436 –** Caseload and cost increases, $6.014 million General Fund and $35 thousand reimbursements.
Approve the Finance Letter.

5. **Quality Awards – DOF Issue 442 –** Reverts $1 million from the 2001-2002 budget to the General Fund as result of receipt of additional federal funds.
Approve the Finance Letter.

6. **Breast Cancer – DOF Issue 443 –** Revenue decline of $600 thousand in Breast Cancer Control Account.
Approve the Finance Letter.

7. **Rape Prevention – DOF Issue 448 –** Increase of Federal Funds of $4.977 million for domestic violence prevention activities and fatal child abuse and neglect surveillance activities. **Approve the Finance Letter.**

8. **Ryan White Act – DOF 449 –** Reduction of $152,000 Federal Funds to reflect a technical change in the Act's allocation.
Approve the Finance Letter.

9. **Domestic Violence – DOF Issue 450 –** Increase funding, $900 thousand, from the Domestic Violence Training and Education Fund for 10 shelters that received funding in the current year.
Approve the Finance Letter.

10. **Maternal and Child Health Program Fund Shift – DOF Issue 445 –** One-time federal funds, $4 million, off-set the General Fund.
Approve the Finance Letter.

11. **Nuclear Planning – DOF Issue 499 –** A Price Index calculation increase of $13 thousand required by the Radiation Protection Act of !988.
Approve the Finance Letter.

12. **California Lab Space – DOF Issue 601 –** Deletion of Space Needs Study, $150 thousand General Fund savings. **Approve the Finance Letter.**

4280 MANAGED RISK MEDICAL INSURANCE BOARD

1. **Rural Health Demonstration Project – DOF Issue 110 –** Restoration of the Special Populations projects which will enable children in migratory families to retain Healthy Families Program coverage as they move within rural counties, $271,000 Total Funds. **Approve the Finance Letter.**

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

1. **Foster Grandparent – DOF Issue 104 –** An increase in the Federal Grant for the Foster Grandparent and Senior Companion Program, $15,000 Federal Funds.
Approve the Finance Letter.

2. **Los Angeles Forensic Project – DOF Issue 011 –** Re-appropriation for the project to complete development of a model program.
Approve the Finance Letter.

3. **Past Year Savings – DOF Issues 012 & 013 –** Reversion of $39 million General Fund, $14 million form the 2001-2002 budget and $25 million from the 2000-2001 budget. **Approve the Finance Letter.**

4. **State Mandated Local Program – DOF Issue 295 –** Reduction in the funding of state mandated local programs, $492 thousand General Fund savings.
Approve the Finance Letter.

5. Rescind the vote on Lanterman Construction taken April 8.
Adopt the motion.

6. **Lanterman Construction – DOF Issue 601 –** Deletion of funding for Lanterman Developmental Center Security Improvements, $3.8 million General Fund.
Approve the Finance Letter.

5160 DEPARTMENT OF REHABILITATION

1. **Postage Rate Increase – DOF Issue 101 -** $13,000 General Fund, $49,000 Total Funds, for a nine percent postage rate increase.
Approve the Finance Letter.

2. **Vocational Rehabilitation Program Baseline – DOF Issue 102 –** The Department of Rehabilitation is projecting a 1.7 percent increase resulting in a $560,000 Total Funds, $124,000 General Fund, increase in expenditures.
Approve the Finance Letter.

3. **Habilitation Services Program Baseline Changes – DOF Issue 105** - The Department projects a $9,203,000 Total Funds, $8,108,000 General Fund, decrease in expenditures from a decline in the number of days clients will attend Work Activity Program and a decline in the number of job coach hours that would be provided.
Approve the Finance Letter.

4. **Reversion of Vocational Rehabilitation Program Funding – DOF Issue 106** - The DOR anticipates current year savings of $700,000 General Fund in the Vocational Rehabilitation Program.
Approve the Finance Letter.

ITEMS TO BE HEARD

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 1: POISON CONTROL – FINANCE LETTER

BACKGROUND:

The May Revision Finance Letter proposes to reduce the funding for the Poison Control System by $400,000. The reduction is proposed as part of the expenditure reductions that are necessitated by the decline in the stock market and slow down in the economy.

COMMENTS:

EMSA, please briefly outline the Poison Control System.

ISSUE 2: EMERGENCY MEDICAL SERVICES FOR CHILDREN

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
$0	**$200,000**	**$200,000**

BACKGROUND:

The Emergency Medical Services for Children Technical Advisory Committee requested the funding of the Emergency Medical Services for Children Coordinator.

Children have unique problems and needs associated with acute injury and illness and suffer from different types of illnesses than adults. As a result, children require different diagnostic procedures, medication, equipment and support techniques. EMS for Children systems need to be incorporated and maintained in all areas of the state to ensure children's unique needs are met. Many children in the state, however, live in areas that do not have Emergency Medical Services for Children in place. Therefore, all children are at risk if and when they travel to areas where an EMSC system is not in place. There is no state requirement for pediatric medical training and the EMSC program has been instrumental in getting the right equipment and training to ambulance and hospital emergency room medical care personnel. Incorporation and maintenance of Emergency Medical Services for Children systems will ensure proper procedures, resources, training and equipment are in place to specifically address children's needs.

A May Revision Finance letter deleted funding for the coordinator position in the 2001-2002 budget.

COMMENTS:

The issue was heard in the April 22nd hearing. The issue was held open.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 3: TRAUMA CENTER FUNDING

BACKGROUND:

The Legislature appropriated $25 million for Trauma Centers in the 2001-2002 budget. Trauma centers must meet a higher standard for equipment and staff than do emergency rooms. The centers provide care to the most compromised of patients. By virtue of the equipment and staffing they must have available and the severity of injury or illness they must treat , the cost of care in a trauma center is very expensive. Trauma centers are seeking continued support for the institutions that are so pivotal in the health care delivery system. Trauma centers are again requesting the Legislature appropriate $25 million for the support of trauma care.

COMMENTS:

EMSA, please briefly describe for the Subcommittee had the funds were distributed to the trauma centers in the current year.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 4: CASELOAD ADJUSTMENT – FINANCE LETTER

BACKGROUND:

The Department projects, relative to the January Budget, the average monthly caseload for 2001-2002 will decline by 4.3 percent, or 268,300 from the estimate of 6,195,000 eligibles. The total expenditures for the fiscal year are projected to grow by $324.9 million, $87.1 General Fund. For the budget year, the caseload is forecasted to decline 7.5 percent, 490,600. The Medi-Cal expenditures are projected to decline by $1.1 billion, $758.3 million General Fund.

The LAO states the estimate for the current year is overstated by 37,000 eligibles or $46.6 million Total Funds, $23.3 million GF. The LAO believes the budget year is overestimated by the same amount because the overestimated caseload from the current year is carried forward. Therefore, it is the same in the budget year: 37,000 eligibles$46.6 million ($23.3 million GF). The LAO does not take issue with any of the caseload numbers associated with policy changes in the budget year.

The Department of Health Services takes exception to the LAO recommendation that it has overstated the caseload. The DHS states that its latest data, with completion factors to account for retroactive determinations applied, shows that DHS reached 6,000,000+ eligibles in March. It also shows continuing growth each month above what the LAOforecasts.

DHS maintains it has had a high level of accuracy in the Medi-Cal caseload estimates. In the recent past, caseload has either tracked the Department's estimates or has been above the estimated amount. The Department states that it has not been presented with any data or analysis from the LAO that demonstrates the caseload estimate is overstated.

COMMENTS:

LAO, please outline for the Subcommittee your estimate of the Medi-Cal caseload for the current and budget years.

Department, how do you respond to the LAO's projections.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 5: SAWS/LEADER – FINANCE LETTER

BACKGROUND:

The Administration proposes to redirect $10,044,00, $5,022,00 General Fund, in budget year county administration savings for applications modifications to incorporate Medi-Cal Section 1931(b) and other program changes into SAWS LEADER. The savings for the redirection are ascribable to the discontinuance of the Los Angeles County legacy automation system that was replaced by the SAWS LEADER system.

COMMENTS:

No issues were raised.

ISSUE 6: PROVIDER RATE REDUCTION – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to reduce provider rates by another $47 million. The additional rate reduction will cause the rate increases provided in 200-2001 to be rescinded. The January Budget had proposed excluding services for children under 18 and long term care services to the extent possible. However, in the Finance Letter long term care and managed care are the only unaffected rates.

COMMENTS:

Department, what would it cost to restore provider rates to the 2000-2001 level for children under 18?

Department, what would be the effect of excluding Home Health Care from the rate reduction? What would be the effect of excluding non-emergency medical transportation?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES –MEDI-CAL

ISSUE 7: MEDI-CAL OPTIONAL BENEFITS – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to eliminate several Medi-Cal optional benefits. Among the optional benefits being eliminated for adults only are: chiropractic; adult dental; podiatry; Independent Rehabilitation Centers; occupational therapy; and medical supplies. The budget would save $521 million, $260 million General Fund. Those persons who are in long term care facilities would continue to be eligible for the optional services.

COMMENTS:

Department, please provide the Subcommittee with an overview of the optional Medi-Cal benefits,

ISSUE 8: CHILDREN'S DENTAL – FINANCE LETTER

BACKGROUND:

The budget proposes to reduce allowable office visits for children to once a year. Additional visits will be allowed when medically necessary and with prior authorization. In addition, the allowable cleanings will be limited to one per year. Additional cleanings will be allowed when medically necessary and with prior authorization. The projects the state would reduce expenditures by $7,933,000 Total Funds, $3,966, 500 General Funds.

COMMENTS:

Depart, please provide the Subcommittee with an over of the children's dental benefit. When were the benefits to be repealed first added as a Medi-Cal benefit?

Department, please provide the Subcommittee an assessment of children's dental health in the Medi-Cal program.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 9: COUNTY ADMINISTRATION – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to reduce County Administration by 20 percent. In addition the May Revision would reduce: Food Stamp Administration by 20 percent; In-Home Support Services Administration by 20 percent; Foster Care Administration by 20 percent; Adoptions Administration by 30 percent; CalWORKs Administration 14 percent; Adult Protective Services Administration by 10 percent; Child Welfare Services would have the cost-of-doing business eliminated and a reduction in Emergency Augmentation.

The Finance Letter would reduce the Medi-Cal budget by $175.9 million Total Funds, $87,959,000 General Fund. The County Administration reduction be on top of a $108 million reduction in the current year.

COMMENTS:

Department, please outline for the Subcommittee what effect the administrative cutback will have on the Medi-Cal beneficiaries.

ISSUE 10: PHARMACY REIMBURSEMENT – FINANCE LETTER

BACKGROUND:

The Finance Letter would reduce reimbursements to pharmacists by $23.8 million Total Funds, $11.9 million General Fund. The reduction per claim would be 40 cents. The reimbursement rates were statutorily increased in 1999, 25 cents in 2000 and 15 cents in 2003.

COMMENTS:

Department, please outline for the Subcommittee the expected consequences of reducing the reimbursement rate 40 cents per claim.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 11: DURABLE MEDICAL EQUIPMENT AND LABORATORY SERVICES CONTRACTING FINANCE LETTERS 068 & 067

BACKGROUND:

The Finance Letter would authorize the Department of Health Services to contract for Durable Medical Equipment and Laboratory Services. The contracting is expected to begin realizing savings in the fourth quarter of the fiscal year. The Department projects it will receive $6,606,000 Total Funds, $3,303,000 General Funds in the BY.

The staffing for the contracting, two positions, would increase by $177,000 General Fund and $330,000 federal Funds

COMMENTS:

Department, please outline for the Subcommittee what the Department projects to collect form the contracting on an annual basis.

ISSUE 12: EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes the counties pick up a 10 percent share of cost for the EPSDT Program. The General Fund would save $35 million by shifting the cost to the counties.

COMMENTS:

Department, please outline for the Subcommittee the impact of shifting the costs of the program to the counties.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 13: RESCINDING OF 1931(B) MEDI-CAL PROGRAM – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to (1) rescind the increase in the 1931(b) program income limit to 100 percent of the Federal Poverty Level and to reduce Medi-Cal Maintenance of Need and (2) restore the 100 hour employment deprivation requirement for qualification to the Section 1931(b) program.

Previously, the 1999 Budget Act and AB 1107 (Chapter 146, Statutes of 1999) expanded the Section 1931(b) Program by (1) revising deprivation based on unemployment to include families with earned income below 100 percent of poverty and (2) increasing the 1931(b) income limit to 100 percent of poverty.

The State would accrue budget savings of $184.2 million Total Funds, $92.1 million General Funds. Approximately 146,190 average monthly eligibles would be would be health care coverage.

COMMENTS:

Department, please describe for the Subcommittee the profile of the individuals and families that would lose health care coverage.

ISSUE 14: REINSTATE QUARTERLY STATUS REPORTS – FINANCE LETTER

BACKGROUND:

The May revision proposes to reinstate the quarterly status report for adults effective October, 2002. The Budget Act of 2000 and AB 2877 (Chapter 93, Statutes of 2000) eliminated the QSR for families eligible for Medi-Cal Only as of January 1, 2001, and included funding for the increased eligibles expected because of the change, AB 2900 (Chapter 945, Statutes of 2000) provides continuing eligibility for children and SB 87 (Chapter 1088, Statutes of 2000) provided continuing coverage without re-determination to persons discontinued from CalWORKs.

The budget would save $310,800,000 Total Funds, $155,400,000 General Fund through the reinstatement of the Quarterly Status Report. The average number of eligibles that would be without health coverage would be 246,667.

COMMENTS:

Department, please out line for the Subcommittee the profile of the people that would be losing health care coverage with the reinstatement of the QSR.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 15: DEFER EXPRESS LANE ELIGIBILITY – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to defer Express Lane Eligibility for three years, until July 2005. The budget year savings are projected to be $24.213 million Total Funds, $12,107,000 General Fund.

COMMENTS:

Department, please outline for the Subcommittee the status of implementing Express Lane Eligibility.

ISSUE 16: MEDI-CAL/HEALTHY FAMILIES OUTREACH

BACKGROUND:

The Finance Letter proposes cutback on outreach for the Healthy Families and Medi-Cal Programs. The budget would be reduced from $28,961,000 to $10,316,000. The General Fund would decline from $11,146,000 to $3,946,000. Community Based Organizations and Scholl based Outreach would be eliminated for a savings of $12 million. Assistant and Health-e-App training would also be eliminated, $2.5 million.

COMMENTS:

Department, please outline for the Subcommittee what the impact of the cutback in outreach will have.

ISSUE 17: DSH ADMINITRATIVE FEE – FINANCE LETTER

BACKGROUND:

The Finance Letter would further increase the size of the DSH Administrative Fee. For the 2001-2002 fiscal year the fee was $29 million. In the Governor's January budget the fee was proposed to increase by $55 million. The May Revise would have the fee raised again by $31 million.

COMMENTS:

Department, please outline for the Subcommittee your assessment of the increase in the DSH Fee on Safety Net hospitals.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 18: HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACY (HIPAA) ALL ITEMS FINANCE LETTER

BACKGROUND:

The Heath Insurance Portability Accountability Act (HIPAA) was on the May 6 agenda of the Subcommittee. HIPAA applies to all health-related organizations, providers and clearinghouses that electronically maintain or transmits health information pertaining to individual. All such entities are required to comply with the HIPAA standards within two years of their adoption. (See table in handout for timeline of rules.)

SB 456, Statutes of 2001, created a statutory framework for implementation of HIPAA, including the establishment of the Office of HIPAA Implementation (OHI) within the Health and Human Services Agency**.** OHI serves as the lead entity for that state's compliance activities, including policy formulation, direction, oversight, and coordination. OHI has identified five phases that comprise HIPAA compliance. These phases include (1) project initiation, (2) initial assessment, (3) project plan, (4) detailed assessment, and (5) remediation. Each phase consists of several projects.

The May Revision, see handout, proposes total funding of about $85.2 million ($24.5 million General Fund, and $60.7 million federal funds). This reflects an overall reduction of $7.1 million ($194,000 General Fund and $7.3 million federal funds). The May Revision includes the departments within the Health and Human Services Agency as well as Corrections, Youth Authority, Department of Personnel Administration, CalPERS, and the Department of Veterans Affairs.

The LAO reviewed the Administration's May Revise HIPAA proposal. The LAO's has concluded the administration is attempting to address both HIPAA assessments and remediation activities in budget year. It also appears that departments are at various stages of their HIPAA compliance activities. The administration is also proposing to establish a website ($277,000) for posting of HIPAA information consistent with SB 456 (Speier). In addition, the administration is proposing in the Health and Human Services Agency budget two funding mechanisms that departments can access - one for assessments ($618,000) and another for remediation ($2 million).

The LAO has a number of concerns regarding these proposals. First, it is concerned with funding remediation activities prior to completion of assessments that are suppose to determine the remediation that needs to occur. Second, the proposed funding mechanisms do not provide appropriate control mechanism for appropriation of funds and notification to the Legislature. The LAO is also concerned that the Legislature does not have a mechanism to keep track of HIPAA funding activities given that the activities are spread throughout many departments.

Health Information Portability and Accountability Act
LAO Recommendation

- Reject the HIPAA proposals for Departments of Aging, Alcohol and Drug Programs, CalPers, Corrections, Developmental Services, Health and Human Services Agency, Personnel Administration, Social Services, and Veterans Affairs.

- Authorize the following positions:

Department	Number of Positions	Position Type
Alcohol and Drug Programs (DADP)	5	Permanent
CalPers	3	Permanent
Corrections (CDC)	6	2 Year Limited Terms
Development Services (DDS)	6	Permanent
Health Services (DHS)	15	Permanent
Personnel Administration (DPA)	1	2 Year Limited Term
Social Services (DSS)	4	2 Year Limited Terms
Youth Authority (CYA)	5	2 Year Limited Terms

Establish Budget Item 9909, and schedule the following amounts:

Department	General Fund (In Thousands)	Special Fund (In Thousands)
Aging	$130.0	$70.0
CalPers	—	223.0
CDC	688	—
CYA	497.1	—
CHHS	895.0	—
DADP	---	----
DDS	451.0	450.0
DPA	—	225.0
DSS	204.9	294.9
DVA	134.0	—
Totals	**$3,000**	**$1262.9**

Adopt the following budget bill language:

> The funding in this item shall be allocated in accordance with the provisions of Health and Safety Code Section 130312.
>
> Departments that are required to comply with the Health Information Portability and Accountability Act (HIPAA shall conduct assessments prior to engaging in remediation activities. Notwithstanding Sections 27.00, 28.00, and 28.50 of the annual budget act, or any other provision of law, upon request of the California Health and Human Services Agency, the Department of Finance may augment the amount available for expenditure for items in Section 2.00 of the annual budget act, as appropriate, to fund HIPAA remediation activities. An augmentation approved by the Department of Finance shall be made not sooner than 30 days after notification in writing to the Joint Legislative Budget Committee, or not sooner than lesser time that the committee or designee may in each instance determine. The funds appropriated by this provision shall be consistent with the amount approved by the Department of Finance based on its review and approval of relevant funding documents.

These actions combined provide a savings of $7 million ($4.4 million General Fund and $2.6 million federal funds).

COMMENTS:

Department of Health Services and Finance please provide an overview and discuss the merits of the Administration's May Revise Proposal?

LAO, please present too the Subcommittee the Office's recommendation, including the proposed adjustment level, positions, Item 9909 and Budget Bill Language?

Department of Finance please address the issue of Legislative oversight as it relates to your proposal.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 19: ANTI-FRAUD

BACKGROUND:

The Finance Letter proposes to increase General Fund expenditures by $1.013 million and Federal Funds by $1.977 million to reflect the addition of 40 positions to the Department of Health Services to perform additional Medi-CalHS

ISSUE 20: DRUG SAVINGS

BACKGROUND:

The Subcommittee heard the Administrations drug contracting proposal at its May 6 hearing.

	($1,000)	
	Total Savings	**General Fund**
AIDS & Cancer Drugs Supplemental Rebates	-$14,094	-$7,047
Aged Rebate Disputes	-$13,500	-$6,750
Generic Drug Contracting	-$53,455	-$26,727
TCR* Atypical Antipsychotics	-$29,535	-$14,768
Enteral Nutrition Contracts	-$18,138	-$9,069
Enteral Nutrition Rate Reduction	-$21,262	-$10,631
Medical Supply Contracting	-$17,920	-$8,960
TCR* for Nonsteroidal Anti-inflammatory Drugs	-$16,855	-$8,427
Duration of Therapy Audits	-$10,000	-$5,000
Frequency of Billing Audits	-$6,000	-$3,000
Total	**-$200,759**	**-$100,379**
*Therapeutic Category Review		

Of the 10 items heard, five were left open. The items left open are: Supplemental Rebates; Enteral Nutrtion rate reduction; Medical Supply Contracting; Drug Program Sunset; and clean-up of current statute.

1. AIDS AND CANCER DRUGS – SUPPLEMENTAL REBATES

The Department expects to receive $14.1 million, $7 million General Fund, savings from requiring a 10 percent rebate from AIDS and Cancer drug manufacturers on drugs that are automatically added to the Formulary. The automatic addition to the Formulary permits the state to gain the federally mandated rebate; it does not allow the state to get a supplemental rebate. The trailer bill language proposed by the state would require the 10 percent rebate. If a manufacturer doesn't agree to pay (through a signed contract with the Department) the rebate, all of the manufacturer's drugs, with the exception of the AIDS and cancer drugs, would be suspended from the List and, therefore, available only through the Treatment Authorization Request (TAR) process. Patients taking a suspended drug would be able to continue the drug without a TAR due to continuing care provisions in the proposed statute.

Pharmaceutical companies have raised opposition to the exclusion of all other products in their product line if they do not negotiate a rebate agreement with the state. One argument against the exclusion is if company A brings out a product that is cheaper than company B's and the company does not have negotiated agreement with the state, the savings that accrue from company A's drug would be denied the state for the lack of an agreement. The manufacturers maintain the "hammer", exclusion from participation in Medi-Cal for all non-AIDS and non-cancer drugs, is unnecessary because of the size of the market in California.

2. ENTERAL NUTRITION CONTACTS AND RATE REDUCTIONS

The Department expects to receive $18.1 million, $9.1 million General Fund, from enteral contracting. It projects $21.3 million, $10.6 million General Fund, reduction in costs from the shift from a fifty percent mark-up to a $4.05 dispensing fee for enteral. Medi-Cal currently covers enteral formulae products through the TAR process. A TAR is approved if the enteral formulae product is used as a therapeutic regimen to prevent serious disability or death in-patients with medically diagnosed conditions that preclude the full use of regular food. In the one year period from October 1, 2000 through September 30, 2001, the expenditure for these products was approximately $59.5 million total funds. The reimbursement rate for these products is based on estimated acquisition cost plus a 50-percent mark-up.

DHS currently does not contract with manufacturers for rebates on enteral formulae products. New W&I Code section 14105.8 would establish a list of contract enteral formulae. This new section would also define those products that are currently considered benefits of the program (a description of the benefit does not currently exist in statute). New W&I Code Section 14132(bb) adds enteral formulae to the schedule of benefits under Medi-Cal. New W&I Code Section 14105.85 would change the reimbursement rate from a 50-percent markup to a dispensing fee. The dispensing fee would be equal to that used for prescription drug reimbursement ($4.05 per claim).

The California Association of Medical Product Suppliers has raised an issue with the proposal:

- The effect of moving from a 50-percent markup to a pharmacy dispensing fee is significant and possibly detrimental to its member pharmacies ability to deliver the prescribed nutritional supplements.

The industry has offered the following compromise:
14105.85(a) Effective July 1, 2002 payment for enteral formulae dispensed by a pharmacy provider shall be based on estimated acquisition cost for that product plus a ~~professional fee~~ *percentage mark-up to be determined by the Department in consultation with provider representatives from the California Association of Medical Products Suppliers and the California Pharmacists Association. Such percentage mark-up shall fairly reimburse the costs of handling, storage, delivery and billing for such products.*

~~(b) The professional fee shall equal the maximum professional fee component used in the payment for legend generic drug types.~~

~~©~~ (b) The department may adopt emergency regulations to implement this section in accordance with rulemaking provisions of the Administrative Procedure Act (Chapter 3.5, commencing with Section 11340 o Part 1 of Division 3 of Title 2 of the Government Code.

3. MEDICAL SUPPLY CONTRACTING

The Department expects to reduce expenditures by $17.9 million, $8.96 million General Fund, by contracting for Blood Glucose test-strips. The state spends about $56 million annually for the strips. The contracting would reduce the state's expenditures for test strips by 32 percent.

The Department has proposed to dramatically reduce contracting for medical supplies.

4. ELIMINATION OF DRUG PROGRAM SUNSET PROVISIONS

Various provisions in the W&I Code allow the Department to contract with drug manufacturers to obtain the most favorable drug prices for Medi-Cal and provide for an expedited process for Medi-Cal drug formulary changes. These provisions sunset January 1, 2003. Allowing these provisions to sunset would result in the loss of supplemental drug rebates and would require a lengthy regulatory process for changes to the drug formulary. The proposed changes to W&I code would eliminate the current sunset provisions and eliminate those sections that would become active upon the sunset occurring. The Legislature, through budget trailer bills, has extended the sunset provisions approximately every two years since the beginning of the supplemental rebate program in 1991. The most recent extension of the Medi-Cal drug rebate program was enacted in 2000, Chapter 93, Statutes of 2000 (AB 2877) for two additional years, to the current sunset of January 1, 2003.

Upon sunset, current law requires the Department return to the system in place prior to 1990 in which there was no drug contracting for additional rebates and each addition to the drug formulary required a change in regulations. Neither the Department or drug industry manufacturers would like to reinstate this regulatory process. Drug additions through this regulatory process take longer (18 months average compared to 6 to 9 months for the current process) and result in fewer new drug additions (4 to 5 new drug additions pre year in 1988 and

1989 compared to 20 to 30 new additions per year from 1996 on). Elimination (instead of extension) of the drug rebate sunset date avoids the necessity of repeatedly seeking reauthorization every year or two while maintaining the fiscal integrity of the program.

The pharmaceutical manufacturers believe the program sunset should be extended for two years and not eliminated.

5. CLEAN-UP OF CURRENT STATUTE

W&I Code Section 14105.37 has language that allows the Department to suspend or delete a drug from the List at the expiration of the contract term or when the contract between the Department and the manufacturer of that drug is terminated. Some drugs on the List were added without a contract and therefore no clear authority exists in current statute that allows the Department to remove such products. Addition of subdivision (h) to this section would allow the Department to suspend or delete products from the list that for which there has never been a contract.

W&I Code Section 14105.39, subdivision (c), contains obsolete language that provides for the immediate inclusion on the Medi-Cal drug formulary of any new drug designated by the FDA as having an “important therapeutic gain.” The FDA stopped designating new drugs as having “an important therapeutic gain” in 1992, when the requirements changed to a priority review process. The presence of this language has caused confusion among drug manufacturers about the Department’s process for adding new drugs to the Medi-Cal drug formulary. Retaining this obsolete language in State law will continue to cause confusion and controversy among a few drug manufacturers regarding automatic inclusion of new drug products on the Medi-Cal drug formulary. The controversy cannot be resolved by maintaining the status quo.

The repeal of the language gives control of the formulary to the Medi-Cal program. New drugs will not be added automatically to the formulary, the companies will have to negotiate a rebate to have them added.

The repeal also will allow Medi-Cal to keep unsafe drugs off the formulary. A recent NY Times article stated that approximately 10 percent of the new drugs introduced are not safe. If the language is not repealed Medi-Cal will not have the authority to exclude new drugs from the formulary if Medi-Cal deems them unsafe.

There is no direct fiscal impact association with either the addition of 14105.37(h) or the deletion of 14105.39(c).

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 21: DRUG CONTRACTING PROGRAM – MAY REVISE

BACKGROUND:

1. **Preferred Prior Authorized Drugs**
   The May Revision would create within the Medi-Cal List of Contract drugs a "referred but prior authorization still required" drugs. The preferred status of the drugs in this section would be based on contracting with the Department of Health Service for rebates. Alisting in the Preferred Section would mean the prior authorization reviewer would authorize only that drug, unless the prescribing physician justified the need to authorize a drug not listed in the section. The Department does not believe it needs legislation to implement the change. The savings from the Preferred Section are estimated $10 million Total Fund, $5 million General Fund.

2. **Drugs Exempt From Co-Pay**
   The Department has proposed that pharmacy providers ask beneficiaries for a co-payment of one dollar for each drug prescription and will reduce a pharmacy's reimbursement by that amount. If the drug manufacturer negotiates a state supplemental rebate sufficient to make the drug the lowest cost drug within its therapeutic class the drug will be exempt from the co-payment requirement. The rebate would have to cover the loss of the one dollar co-payment for this to be effective. Legislation is required to implement the change. The Department projects it will accrue $20 million Total Funds, $10 million General Fund, in savings.

3. **Reduce Pharmacy Reimbursement**
   The current payment methodology is based on the Estimated Acquisition Costs of AWP-5% (Average Wholesale Costs – AWP). The proposed change would be to AWP-10% for innovator Brand Products and AWP-40% for Generic Products. This proposal will be co-ordinated with the Generic Drug Contracting previously discussed by the Subcommittee. Legislation is required to implement the change. The Department estimates savings of $24 million Total Funds, $12 million General Fund.

4. **Maximum Allowable Ingredient Costs**
   Maximum Allowable Ingredient Cost are required by statute to based on the AWP-5% of a reference drug brand that is generically equivalent to the innovator brand. The reference drug must be manufactured by a company large enough to meet the statewide needs of the Medi-Cal Program for that drug.

   The Department is proposing to change the methodology to one that is based on the Wholesale Selling Price (WSP). The WSP represents the actual price at which the wholesaler sells drugs to pharmacies. The Average Wholesale Price (AWP) is often as 40% - 70% higher than the WSP. The Department needs Legislation to implement the change. The Department estimates savings of $6 million Total Funds, $3 million General Fund, would accrue from this proposal.

5. **Maximum Allowable Product Costs**
   State regulations require a public hearing when the Maximum Allowable Product Costs (MAPC) for medical supplies are established. The Maximum Allowable Costs are based on the Average Wholesale Price. The Department proposes to change the from AWP as the basis for reimbursement to the WSP. The Department is also proposing to the requirement for a public hearing. Legislation is required to implement the change. The Department estimates annual saving of $6 million Total Funds, $3 million General Fund would accrue from such a change.

6. **Over-the-Counter Reimbursement**
   The Department is proposing to change reimbursement from drug ingredient costs plus 50 percent mark-up to drug ingredient cost plus a professional fee. Legislation is required to implement this change. The Department estimates savings of $42 million Total Funds, $21 million General Funds will accrue from the change.

7. **Incontinence Supply reimbursement**
   Incontinence supplies are an optional Medi-Cal benefit. Their use is limited to chronic pathological conditions. The monthly reimbursement is limited to $165 per month without prior authorization. Creams and washes are excluded from the dollar limit. Reimbursement is limited to the lesser of the provider's usual and customary rate or Medi-Cal's rate on file plus 40 percent markup. The Department wants to include the creams and washes under the $165 monthly limit. Legislation is required to effect this change. The Department would accrue $2 million Total Funds, $1 million General Fund, savings.

   The Department also proposes to reduce reimbursement for incontinence supplies to the lesser of provider's usual and customary or Medi-Cal's rate on file plus 25 percent markup. Legislation is required to effect this policy change. The Department projects to accrue $12 million Total Funds, $6 million General Fund, savings.

8. **Medical Supplies**
   The Department proposes to remove Medical Supplies from regulations and create a List of Contract Medical Supplies. The Department would then be able to implement utilization control and Code 1 limitations on utilization. Placement on the list would be based on contract negotiations and additional savings to the program. Full implementation would reuire the develoment of a new payment file and claims processing. Legislation is required to effect this change in policy. The Department expects to accrue $4 million Total Fund, $2 million General Fund, savings

9. **State Drug Sales**
   Develop statutory language that would minimize the negative fiscal impact to the state when manufacturers recalculate the Average Manufacturers Price.

10. **System Design Changes**
    The claims processing system will need to be changed to accommodate the changes proposed by the Department. The project cost are estimated to be $3 million.

The proposal would add two staff to conduct the negotiating for the program, $156, 000 Total Funds, $39,000 General Fund.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 22: HEALTH FACILITY LICENSE FEE FINANCE LETTER

BACKGROUND:

Fees are assessed on health care facilities pursuant to statutory authority. The Department of Health Services' Licensing and Certification Program also collects fees from other types of providers. The largest source of fees comes from long-term care facilities and hospitals. The Department of Health Services report "Health Facility License Report " outlines the methodology for establishing the fees and periodicity for their collection. These adjustments are captured in Budget Bill Language that is updated twice (in the January budget and in the May Revision). Providers have participated in discussions on the fee increase.

The May Revision proposes to make the following changes:

Licensing Per-Bed Fees		
	2001-02 Budget Act	**2002-03 Proposed**
Hospitals[1]	$94.95	$120.56
Long-Term Care Facilities[2]	$283.27	$199.55
[1] Includes general acute care, acute psychiatric, special, general acute care rehabilitation, and chemical dependency recovery hospitals		
[2] Includes skilled nursing facilities, intermediate care facilities, and intermediate care facilities for the developmentally disabled		

COMMENTS:

No issues identified.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 23: OFFICE OF OMBUDSMAN

BACKGROUND:

Consumer health care assistance centers have proposed that the Department of Health Services pilot test the concept of contracting with an entity that would perform the functions of Department of Health Service's Office of the Ombudsman (Ombudsman) or to provide support services to this office including training. The Ombudsman helps Medi-Cal managed care members to expeditiously resolve problems associated with accessing or receiving health care through the Medi-Cal managed care plans. The Ombudsman also serves as the information and assistance center for disseminating information to Medi-Cal managed care members relative to member rights and responsibilities and their options for resolving disputes with health care service plans.

COMMENTS:

Department, please outline for the Subcommittee the role of the Ombudsman in the Medi-Cal managed care program. Could the role and functions of the Ombudsman be served appropriately by organizations that are not part of the Medi-Cal program?

ISSUE 24: ADULT DAY HEALTH – FINANCE LETTER

BACKGROUND:

The Finance Letter would fund a pilot program that would allow a specified number of adult day health care providers to offer alternative shifts. This would allow more beneficiaries to receive adult day health care services. General Fund expenditures would increase by $2.387 million and Federal Funds would increase by $2.242 million

COMMENTS:

Department, please outline for the Subcommittee the need for additional adult day health care slots.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 25: ASSET TEST

BACKGROUND:

The Subcommittee adopted placeholder trailer bill language to eliminate the test in the Medi-Cal Program at its April 29 hearing. Adoption of the asset test would reduce the Medi-Cal Budget by $8.5 million Total Funds, $4.25 million General Fund.

COMMENTS:

Department, has the Medi-Cal Policy Institute completed its evaluation of the impact of a repeal of the Medi-Cal Asset Test?

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 26: MANAGED CARE RATE INCREASE – FINANCE LETTER

BACKGROUND:

The Finance Letter would provide an actuarially based rate increase to the Santa Barbara Health Authority County Organized Health System. The General Fund would pay $4,484,000 and Federal Funds would be $4,416,000 for a total $8.9 million

COMMENTS:

Department, please outline for the Subcommittee when and how managed care rates for County Organized Health Systems are

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 27: TOBACCO SETTLEMENT FUND – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to shift Tobacco Settlement Funds to the Medi-Cal Program, thereby reducing general Fund contributions to Medi-Cal. The General Fund in Medi-Cal would decline by $86.22 million and the Tobacco Fund would provide $86.22 million for Medi-Cal.

COMMENTS:

Department, please outline for the Subcommittee how the Tobacco Settlement Funds will be applied to Medi-Cal in the future.

ISSUE 28: MEDICAL CASE MANAGEMENT – FINANCE LETTERS 065 &066

BACKGROUND:

The issue was discussed during the May 13 meeting of the Subcommittee. The Finance Letter proposes to expand the program per the discussion on the 13th. The Letter projects the Medi-Cal program will achieve $4.5 million in savings beginning in the 4th quarter of the budget year. It is anticipated in BY+1 the program will achive $18 million in savings.

COMMENTS:

Department, please provide the Subcommittee with an overview of the proposal.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 29 : PROVIDER RATE REDUCTION

BACKGROUND:

At the March 18 Subcommittee hearing the issue of provider rates were discussed. In the January proposal the rates for long term care and services for children were to be exempted from the rate decrease to the extent possible. The action to exclude the providers of children's services from the rate reduction was left open.

COMMENTS:

Department, please provide the Subcommittee an assessment of excluding from the rate providers who provide service to children under age 18.

Department, what would the fiscal consequence if home health were to be exempted from the rate reduction? What would it be to exempt Non-emergency Medical Transportation?

ISSUE 30: DOMESTIC VIOLENCE ADVISORY COUNCIL

BACKGROUND:

A Department of Health Services domestic violence advisory council will soon sunset. The Department has requested the sunset date be extended. Following is the trailer bill language to extend the sunset.

Amend Health and Safety Code Section 124250 to read:

124250. (e) In implementing the grant program pursuant to this section, the State Department of Health Services shall consult with an advisory council that shall remain in existence until January 1,2003 6. The council shall be composed of not to exceed 13 voting members and two nonvoting members appointed as follows: ...

COMMENTS:

Department, please provide the Subcommittee with an overview off the advisory council and what it has accomplished.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES

ISSUE 31: MEMORANDUM OF UNDERSTANDING - FINANCE LETTER

BACKGROUND:

The May Revision is requesting adoption of the uncodified trailer bill language below.

> The Department of Health Services may reimburse other California State Departments for their allowable Medi-Cal costs via a Memorandum of Understanding between the department and the California State Department receiving the reimbursement. The Memorandum of Understanding shall take the place of a contract or interagency agreement between the departments and the Department of Heath Services shall not be required to have either a contract or interagency agreement with the other State Department in order to pay that Department for Medi-Cal allowable costs. The Memorandum of Understandings shall provide the conditions for payment including all performance and financial standards that the Departments shall meet. The Memorandum of Understanding may be modified with mutual agreement of the Departments. Reimbursable amounts shall only be made in accordance with appropriations provided the Department of Health Services and shall meet the other State and federal requirements for payments.

The Department wants to utilize Memorandums of Understanding with other state departments in its role as the single state agency. Interagency agreements are slow and ponderous and cause financial difficulties for the state.

COMMENTS:

Department, please provide an overview of the benefits of MOUs relative to Interagency Agreements.

ISSUE 32: AIDS DRUG ASSISTANCE PROGRAM – FINANCE LETTER

BACKGROUND:

The Finance Letter would provide funding for the program from a different mix of funding. It reflects an increased Ryan White CARE Act Title II funding, an increased level of drug company rebate reimbursements and a corresponding reduction in General Fund. The May Revision proposes to fully fund the AIDS caseload through the AIDS Drug Assistance Program augmentation of $1.305 million. The General Fund contribution would decrease by $10,864,00; Federal Funds increase by $6,008,000; and reimbursements increase by $6,161,000.

COMMENTS:

No issues raised.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH

ISSUE 33: PUBLIC HEALTH PREPAREDNESS AND RESPONSE– FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to spend $51 million of the $70.8 million in federal funds awarded to the state from the Federal Centers for Disease Control and Prevention (CDC) and the Health an Resources and Services Administration (HRSA). The federal funding is for countering potential biological and chemical threats to civilian populations. CDC supports state and local public health measures to strengthen states against the threats of terrorism. HRSA supports the development and implementation of regional plans to improve the capacity of hospitals, and collaborating health care entities to respond to terrorist incidents and/or other outbreaks of infectious disease.

COMMENTS:

Department, please provide the Subcommittee with an overview of federal money available or soon to be available for public health preparedness and response.

ISSUE 34: PROPOSITION 99 – FINANCE LETTER

BACKGROUND:

Funding from Proposition 99 is projected to decline in 2002-2003 by $39.54 million. The funding reductions will affect four accounts within the Proposition 99 fund: Health Education Account; Hospital Services Account; Physicians Services Account and the Unallocated Account. The Health Education Account will be reduced by $26.195 million; Hospital Services Account will be reduced by $9.409 million; Physicians Services Account will be reduced by $2.663 million; and Unallocated Account will be reduced by $1.266 million.

COMMENTS:

Department, please outline for the Subcommittee what the effect of the increased tax rates from Proposition 10 and the proposed 50 cents per pack increase have been on the health programs funded by Proposition 99.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH

ISSUE 35 YOUTH ANTI-TOBACCO PROGRAM – FINANCE LETTER

BACKGROUND:

The budget would rescind all funding for the Youth Anti-Tobacco Program by $35 million. The program strategies targeted at enforcing tobacco control laws; interventions with 18-24 year olds; youth advocacy coalitions; special populations; evaluation and surveillance; direct cessation services; and technical assistance consultants.

COMMENTS:

No issues.

ISSUE 36: EXPANDED ACCESS TO PRIMARY CARE (EAPC) – FINACE LETTER

BACKGROUND:

The Governor's budget in January proposed an $17.5 million augmentation to the EAPC program in concert with a redesigned Child Health and Disability Program. When the revised CHDP Gateway was announced, the proposal left the $17.5 million in the EAPC program for the services the clinics provide to those who are without health insurance. EAPC will be left with $10 million in funding for clinics that provide health care to the medically uninsured.

COMMENTS:

Department, please outline for the Subcommittee how treatment will be affected for the children that are not eligible for either Healthy Families or Medi-Cal.

ISSUE 37: POSTAGE INCREASE – FINANCE LETTER

BACKGROUND:

Postage rates are expected to increase on June 30, 2002, $239,000 for public health..

COMMENTS:

No issues.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH

ISSUE 38: CHILDHOOD LEAD EXPOSURE – FINANCE LETTER

BACKGROUND:

The Childhood Lead Poisoning Prevention Fund will be used to expand the existing Response and Surveillance System for Childhood Lead Exposure system to allow: blood lead information to be electronically distributed to local programs; enable the Department of Health Services to monitor case management activities for children identified as lead exposed; and provide detailed information on lead-poisoning prevention activities to enhance statewide policy development and decision-making. The system expansion is projected to cost $1,166,000.

COMMENTS:

Department, please provide the Subcommittee with an overview of the Response and Surveillance System for Childhood Lead Exposure (RASSCLE).

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH

ISSUE 39: CHILD HEALTH AND DISABILITY PREVENTION PROGRAM

BACKGROUND:

The details of the CHDP Gateway proposal of the Administration was discussed at the May 6 Subcommittee hearing. The Department of Health Services described at length its commendable proposal. The Department convened a series of constituency work group meetings to solicit options and comment on restructuring the CHDP Program to maximize enrollment in Medi-Cal and Healthy Families. Originally, the details of the proposal were not to be made available until the release of the May Revision. The Administration released the programmatic aspects of the proposal two weeks before the May Revision and the budget details in the May Revision.

The principal features of the proposal include**:**

- Continuation of the current CHDP Program as it currently exists for those children who are ineligible for Medi-Cal or Healthy Families.;
- The CHDP "Gateway", to be implemented effective April 1, 2003, will be constructed on the model of the Family PACT and Breast and Cervical Cancer Treatment Programs. This permits providers to complete application forms using an Internet-based process or a "point of service" device to transmit an application for program eligibility.
- The CHDP application, with minor changes, will serve as the enrollment process for CHDP, and as a "pre-enrollment application**"** for Medi-Cal and the Healthy Families Programs if the parent elects to have the application forwarded.
- The Fiscal Intermediary will process the pre-enrollment application and cross-check the application against the Medi-Cal data file MEDS.
- MEDS identifies the child as having had pre-enrollment within the CHDP periodicity. At this juncture, the child can then either: (1) proceed to enrollment into full-scope Medi-Cal, (2) proceed to enrollment into Healthy Families, or (3) be CHDP-only.
- If a child is CHDP-only, they can receive CHDP services only if the child is accessing services according to the periodicity schedule of the program. If a CHDP-only child has previously received his/her periodicity visit and seeks care again, the provider will be unable to receive reimbursement CHDP for the services provided a second time. The purpose of the Gateway is to direct, where appropriate, children into the more comprehensive health care programs Medi-Cal and Healthy Families.
- If MEDS identifies the child as enrolled in full-scope Medi-Cal or Healthy Families, the family will be directed to Medi-Cal or HFP providers. No CHDP service would be reimbursable.
- Families completing pre-enrollment applications for Medi-Cal or Healthy Families will be required to complete program applications for the appropriate program. The pre-enrollment period provides up to 60 days of Medi-Cal or Healthy Families eligibility while the application is being processed. Supplemental applications for Medi-Cal and Healthy Families will be sent to families' homes.

The May Revision contains a series of adjustments to account for the CHDP Gateway, including system changes and Medi-Cal Healthy Families and CHDP caseload adjustments: $6 million (total funds) for the Medi-Cal Program; $888,000 (total funds) for Healthy Families within the DHS; and $101,000 (total funds) for Healthy Families within the MRMIB. The net increase for the CHDP Gateway compared to the current CHDP program is $3.9 million ($50,500 General Fund).

COMMENTS

Department of Health Services, please briefly outline for the Subcommittee the CHDP Gateway, including its principal features.

Legislative Analyst Office, please outline for the Subcommittee the concerns the LAO has with the Gateway proposal of the Administration.

ISSUE 40: CANCER RESEARCH – FINANCE LETTER

BACKGROUND:

On April 29 the Subcommittee heard the issue of Cancer Research. The Subcommittee voted to appropriate $25 million for the research and placed it on suspense. The Subcommittee also voted to limit the federal indirect overhead rate to 25 percent. The May Revise Finance Letter would appropriate $12.5 million for the research. The expectation of the May Revise letter is private funds would provide another $12.5 million in funds and restore the program to its funding in 2001-2002.

COMMENTS:

No issues.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES - PUBLIC HEALTH

ISSUE 41: BIRTH DEFECTS MONITORIING PROGRAM

BACKGROUND:

The Senate adopted a series of adjustments to programs funded with federal Maternal and Child Health (MCH) Title V block grant funds to partially backfill the proposed budget reduction to the Birth Defects Monitoring Program. Federal MCH Title V block grant funds are flexible and are used for a wide variety of projects, including $250,000 for the Birth Defects Monitoring Program

The California Birth Defects Monitoring Program was established in 1982. It is jointly operated by the state and the March of Dimes. It is a leader in birth defects epidemiology. The CBDMP is designated as one of eight national Centers of Excellence for Birth Defects Research and Prevention and is part of a nationwide effort to discover the causes of birth defects**.**

The following lists recent highlights:

- Finding the first evidence associating urban air pollution with heart defects (2001);
- Identifying that women who take folic acid before becoming pregnant reduce the chance of having a baby born with spinal defects by up to 70 percent;
- Showing a link between obesity and increased spinal defects;
- Linking home pesticide use to several common birth defects (1999);
- Discovering stressful life events may increase the risk for birth defects (2000);
- Demonstrating gene-environment interaction showing babies with a particular gene are eight times more likely to have oral clefts if their mothers smoke (1998);
- Ruling out high voltage power lines as increases birth defects.

For the past 20 years, the CBDMP's contributions to the discovery of new risk factors and protective factors guide future clinical care and public health strategies for the prevention of birth defects.

The Senate adopted the following adjustments to the Maternal and Child Health funding:

- Eliminate $151,000 for the annual MCH Conference;
- Shift the entire $210,000 for the Automated Vital Statistics System (AVSS) Birthnet (links up birth and death records) from MCH Title V funding to the Health Statistics Fund. (The DHS agrees that this is a more appropriate funding source and that it should be fee supported.);
- Redirect the entire $151,000 cost for the Common Application Transaction System (CATS) implementation which provides computer support for a wide variety of programs—WIC, Family PACT, CCS and others—to the departments overall overhead for reimbursement back to the Health and Welfare Data Center.
- Reduce by $250,000 the Fetal Infant Mortality Review Program, leaving $500,000 to remain. This program was funded at $500,000 for many years and was still quite successful.

- Shift the entire $200,000 for the Perinatal Profiles to the California Health Data and Planning Fund (in OSHPD) since it is a data project that analyzes hospital birth data. (The California Health Data and Planning Fund has a substantial reserve.)
- Redirect the entire $962,000 in the above identified federal MCH Title V block grant funds and backfill a portion of the General Fund reduction to the Birth Defects Monitoring Program.

COMMENTS:

Department, please provide the Subcommittee with an overview of the Senate's proposal.

ISSUE 42: STATE MANDATE LOCAL PROGRAM – FINANCE LETTER

BACKGROUND:

The May Revision proposes to revise the appropriation for State Mandates. All mandate appropriations are being reduced to $1,000. The following mandates in the Department of Health Services are affected: SIDS contacts by Local Health Officers; SIDS Notices; Pacific Beach Safety; Sudden Infant Death Sysndrome Autopsies; AIDS Search Warrants; Medi-Cal Beneficiary Death; Inmates SIDS Testing; Perinatal Services for Alcohol/Drug exposed Infants; and SIDS Training for Firefighters. General Fund expenditures will decline by $7,724,000.

COMMENTS:

No issues.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 43: TRAILER BILL ADJUSTMENTS TO HEALTHY FAMILIES PRORAM

BACKGROUND:

The Managed Risk Medical Insurance Board has requested three pieces of technical language for the Healthy Families Program. See handout for language.

- **Healthy Families to Medi-Cal Bridge:** The statute that implements the Healthy Families to Medi-Cal bridge contains a phrase that requires the implementation of the bridge to occur with the implementation of the Healthy Families Parental Waiver. As the budget does not propose to implement the Parental Waiver trailer bill language is necessary to permit the state to implement the bridge independent of the waiver. .Insurance Code section 12693.981, added by the 2001 trailer bill (AB 430), provides for a two month bridge for subscribers who lose Healthy Families eligibility because they become Medi-Cal eligible. However subdivision 12693.981(e) provides that "[t]his section shall be implemented only if the State Child Healthy Insurance Program waiver described in Section 12693.755 is approved, and at the time the waiver is implemented." (The last phrase makes implementation of the bridge contingent on implementation of the waiver; therefore, trailer bill language is needed to permit the state to implement the bridge independent of the waiver.
- **Sponsorship Flexibility:** The Healthy Families statute permits payment of premiums by "family contribution sponsors." If a sponsor pays a family's premium for twelve full months, the family is not required to make an initial premium payment as a condition of enrollment in the program and is not responsible for premiums during the first year. The statute defines "family contribution sponsor" as "a person or entity that pays the family contribution on behalf of an applicant for the period of 12 months from the month eligibility is established. The language limits sponsorship to the first 12 months of a subscriber's participation in Healthy Families.

  The state proposed in the parental expansion waiver to make sponsorship provisions flexible and permit a sponsor to pay family contributions for any 12 months. It was expected the change would occur in conjunction with the parental expansion waiver. However, the state is not proposing to begin enrolling parents in the Healthy Families Program until July of 2003. The state now seeks to implement the sponsorship changes independent of the parental waiver and trailer bill language is necessary to authorize sponsorship at times other than the first 12 months of eligibility.

- **Electronic Funds Transfer:** An additional program improvement included in the parental waiver is a 25 percent discount for families paying their premiums by electronic funds transfer**.** As the parental waiver will not be implemented in the budget year MRMIB does not have authority to offer the discount. The discount is tied to the premiums a family would pay after consideration for available discounts, i.e. Community Provider Plan. As the state seeks to implement the funds transfer provision independent of the parental expansion, trailer bill language is needed.

COMMENTS:

No issues were identified.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 44: HEALTHY FAMILIES CASELOAD – FINANCE LETTER

BACKGROUND:

In the current year the Healthy Families children caseload is not projected to change from the total of 559,000 children. There are some adjustments within the various eligibility categories. The State-only funded caseload, which is funded by Tobacco Settlement Funds, is expected to decrease by 3,065 and the other groups are expected to increase by 3,065. The adjustments will result in a $2,399,000, $462,000 General Fund and $1,181,000 Tobacco Settlement Fund, decrease.

In the budget year caseload is expected to decline by 20,000 children to 624,000. A decline in the rate of growth in the program is the primary reason for the revised estimate. Included in the decline is a revision of the number of children who would be shifted into Healthy Families from the Child Health and Disability Prevention Program. In the January budget the estimate for the number of children who would shift to the Healthy Families Program was 20,666. The CHDP Gateway will channel 406 children into Healthy Families during the last quarter of the fiscal year.

The May Revise Finance Letter includes a 4.6 percent increase in the average monthly rate for health, dental and vision insurance coverage. Overall expenditures are expected to be $20,749,000 Total Funds above the January Budget, $20,288,000 increase in General Fund and $17,254,00 decrease in Tobacco Settlement Fund.

COMMENTS:

No issues were raised.

ISSUE 45: HEALTHY FAMILIES PARENTAL EXPANSION

BACKGROUND:

The budget defers the startup of the Parental Expansion of Healthy Families until July 1, 2003.

According to MRMIB, an increase of about $92.5 million (General Fund) would be needed for a July 1, 2002 implementation date of the Parental Expansion. Total expenditures would be about $253 million ($92.5 million General Fund and $160.5 million federal funds).

The federal CMS Terms and Conditions for the Parent Waiver requires the state to continue our existing 1931 (b) Program in order to receive federal funds for the Parent Waiver.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 46: PERINATAL INSURANCE FUND

BACKGROUND:

The Perinatal Insurance Fund has a surplus reserve of $6,785,000. The Finance letter would use the funds to support other public health programs.

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 47: DEVELOPMENTAL CENTER CASELOAD

BACKGROUND:

The Finance Letter requests 69 level-of-care positions to accommodate a caseload increase of 31 clients, bringing the Developmental Center population to 3,991 by June 30, 2003. The General Fund expenditures will increase by $2,574,000 and reimbursements will increase by $1,675,000

COMMENTS:

No issues were raised.

ISSUE 48: EMERGENCY REGULATION AUTHORITY – FINANCE LETTER

BACKGROUND:

The May Revision would grant the Department of Developmental Services emergency regulation authority to implement various provisions of the 2002-2003 fiscal year budget.

COMMENTS:

No issues raised.

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 49: INTAKE ASSESSMENT – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes extending the timeframe for intake and assessment to 120 days from 60. The trailer bill language would limit the extended timeframe for intake and assessment to one year. The state adopted this same policy during the recession of the 1990s. The delay would save $4.5 million General Fund.

COMMENTS:

No issues raised.

ISSUE 50: NON-COMMUNITY PLACEMENT PLAN STARTUP - FINANCE LETTER

BACKGROUND:

The Finance Letter would prohibit the start-up of any new programs by the Regional Centers during the 2002-2003 fiscal year. The only exceptions are if the expenditure is necessary to protect the consumers' health or safety and the Department has granted prior written authorization for the expenditure. The delay would save $6 million General Fund.

COMMENTS:

No issues were raised.

ISSUE 51: SIERRA VISTA/CANYON SPRINGS – FINANCE LETTER

BACKGROUND:

Medi-Cal reimbursements are increased by $6 million and General Fund is reduced by $6 million. This reflects Medi-Cal reimbursements for Sierra Vista ($5,079,000) and a Medi-Cal base funding adjustment of $921,000. The Sierra Vista savings are offset by an increase in General Funds expenditures of $748,000 due to the delays in federal certification of the Canyon Springs secure treatment facility.

COMMENTS:

No issues were raised.

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 52: REGIONAL CENTER OPERATIONS LANGUAGE

BACKGROUND:

On April 8 the Subcommittee heard the budget of the Department of Developmental Services. A subject of the hearing was the Home and Community Based Services Waiver. The Subcommittee took a number of actions related to what the Senate Subcommittee 3 had taken earlier in the day. The following four issues are the placeholder trailer bill actions of the Senate to which the Subcommittee conformed. The language of the four are included in the language handout.

1. The first expresses the intent of the Legislature to direct a significant portion of any additional funds from the Home and Community-Based Services waiver to increase the rates for community-based providers.
2. The second would establish Regional Centers are required to use funds to achieve and maintain service coordinator caseloads.
3. Requires funds appropriated for the purpose of a federal program co-ordinator at the Regional Centers shall only be used for said purpose.
4. On April 8 the Subcommittee adopted $5.6 million in savings from the Home and Community-Based Services Waiver and placed it on suspense. The funding would be applied to one-time only grants to community based service providers.
5. Budget Bill Language to require the Department of Rehabilitation and the Department of Developmental Services to review the Supported Employment Programs, Work Activity Programs and other work activity programs as deemed appropriate by the two departments.

COMMENTS:

Department, what is your view of the language adopted by the Senate.

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 53: REGIONAL CENTER OPERATIONS – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to reduce the General Fund contribution to Regional Centers by $90,279,000 and increase reimbursements by $75,711,000 and federal funds by $1,328,000. The change is comprised of the following adjustments:

- Regional Center operations expenditures will decrease by a net of $3.0 million due to a $4.5 million reduction achieved by extending the time for intake and assessment and an increase in Community Placement Plan costs.
- Purchase of Service Costs will decrease by $7.4 million, $6.0 million due to suspension of all non-Community Placement Plan startup activity and $1.4 million for Community Placement Plan costs.
- Federal Funds that are passed through the Department to the Department of Rehabilitation.
- General Fund reduction of $11.4 million and Reimbursements increased by the same amount to reflect South Central Los Angeles Regional Center's anticipated certification under the Home and Community-Based Services Waiver.
- Reimbursements are increased by $70.973 million and General Fund is reduced commensurately to reflect the transfer of Title XX Funds which can be used in lieu of General Fund.

COMMENTS:

No issues were raised.

ISSUE 54: COMMUNITY PLACEMENT PLAN/REGIONAL RESOURCE DEVELOPMENT PROJECT – OPEN ISSUE

BACKGROUND:

The Community Placement Plan and the Regional Resource Development Project were discussed during the April 8 meeting of the Subcommittee. The Subcommittee discussed adopting placeholder trailer bill action codifying the Community Placement Plan and the Regional Resource Development Project. Adopting the language was put over. The Senate adopted the language at its May Revise hearing on the 18th. See Handout

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 55: STATE MANDATE – FINANCE LETTER

BACKGROUND:

The May Revision proposes to revise the appropriation for State Mandates. All mandate appropriations are being reduced to $1,000. The following mandates in the Department of Developmental Services are affected: Judicial Proceedings; Attorney Fees; MR Representation; and Conservatorships. General Fund expenditures will decline $492,000.

COMMENTS:

No issues.

ITEM 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 56: BUDGET BILL LANGUAGE

BACKGROUND:

The Senate adopted budget bill language in the Departments of Rehabilitation and Developmental Services that requires them to review the operations of the Supported Employment Programs, Work Activity Programs and other activity programs in each program as deemed appropriate by the departments. The departments are required to report to the Legislature by February 1, 2003 on the rates paid to providers, the eligibility for participation in each program and consumer outcomes. See Language in handout.

COMMENTS:

No issues raised.

ITEM 5160 DEPARTMENT OF REHABILITATION

ISSUE 57: HABILITATION SERVICES PROGRAM RESTRUCTURING – FINANCE LETTER

BACKGROUND:

The May Revision proposes changes to the Welfare Institutions Code, Section 19356.6 to redefine the Habitation Services Program group size and eliminate lunch supervision as a reimbursable cost. The proposed trailer bill language would increase group size to four from three in addition to the elimination of lunch supervision as a reimbursable expense.

Some work groups are in areas that are potentially dangerous to the clients. Technical Assistance from the Department of Rehabilitation was requested. The Department estimated the cost to provide lunch supervision in locations that present potential hazards to consumers in Supported Employment Groups. The criteria DOR used for potentially hazardous locations was CALTRANS rest areas and military bases.

The department currently has 436 SEP groups authorized to bill for lunch supervision. Of this total, 76 are located at either CALTRANS rest areas or military bases. These groups average half hour lunch breaks. The total annual costs for lunch supervision for these groups would be $271,000 ($219,000 General Fund, $52,000 Reimbursements).

COMMENTS:

Department, please describe for the Subcommittee work sites that are potentially hazardous to clients of the Department.

ITEM 5160 DEPARTMENT OF REHABILITATION

ISSUE 58: BUDGET BILL LANGUAGE

BACKGROUND:

The Senate adopted interrelated budget bill reporting language. See handout for the language.

1. All cooperative agreements are required to provide in-kind match for federal funds. When the Mental Health coops began there were questions about the match. Match issues have not been a problem for some time. No other coop agreement has this language.
2. The first amendment to the budget bill would require the Department of Rehabilitation to report to the fiscal and policy committees of the Legislature on the state's performance on federal Vocational Rehabilitation performance measures for the years 2000-01; 2001-02;and 2002-03.
3. The second budget bill amendment would require the Department to report to the Legislature by February 1, 2003 on what it expects to expend to participate in California's One-Stop System
4. The third budget bill amendment would require the Department to report to the budget committee of both houses about the status of planning and implementation of the provisions of the Ticket to Work and Work Incentives Act of 1999.
5. The fourth, Control Section 4.50 would be added to the Budget Act to authorize the Department of Finance to augment an aggregate total of $33,000,000 from any special fund on non-governmental cost fund item of appropriation to fund the cost of architectural barrier removal projects in state buildings to provide access for the disabled.
6. Budget Bill Language to require the Department of Rehabilitation and the Department of Developmental Services to review the Supported Employment Programs, Work Activity Programs and other work activity programs as deemed appropriate by the two departments.

COMMENTS:

No issues raised