AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES
ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR

WEDNESDAY, MARCH 20, 2002
STATE CAPITOL, ROOM 444
1:30 P.M.

CONSENT CALENDAR

ITEMS TO BE HEARD

CONSENT ITEMS

ITEM 4170: DEPARTMENT OF AGING

CONSENT 1: DEPARMENT OF AGING STATE OPERATIONS REDUCTION

The Governor's Budget proposes a reduction in Department of Aging State 0perations.

BACKGROUND:

The Governor's Budget requests a reduction in Department of Aging State operations. Due to the overall condition of the budget, the Budget reduces the state operations budget by 15 percent.

COMMENTS:

The Department of Aging's State operations were reduced by $377,000 in the current year. These reductions continue in the budget year as part of the overall savings projected.

According to the Department of Aging, the proposed reduction will result in an overall 17% reduction in State operations funding (15% General Fund reduction).

There are no issues with this reduction.

CONSENT ACTION

Approve proposed Budget Change Proposal

CONSENT 2: DEPARTMENT OF AGING HIPPA ASSESSMENT

The Department submitted a Budget Change Proposal requesting $232,000 ($148,000 State General Fund) for an assessment of HIPPA implementation impact upon the Department in the current year.

BACKGROUND:

The Health Insurance Portability and Accountability Act of 1996 (HIPPA) requires the Department to move certain paper-based health information transactions to electronic transactions. The assessment is needed to ensure that the Department is compliant prior to the federal deadline for compliance with the federal requirements.

COMMENTS:

Finance comments that it will be recalling this Budget Change Proposal and addressing this issue in a Spring Fiscal Letter.

CONSENT ACTION

Hold open pending receipt of Spring Fiscal Letter

ITEM 5180: DEPARTMENT OF SOCIAL SERVICES

CONSENT 3: FEDERAL PARTICPATION FOR IHSS RESIDUAL PROGRAM

Federal law does not allow federal participation in the IHSS Residual Program.

BACKGROUND:

Under current law, IHSS cases in which recipients elect to have a relative act as their caregiver are not eligible for federal funding and must be served in the State-only residual program. There are about 14,500 such cases in which the recipient's caregiver is a relative, usually a spouse or parent.

In the February Analysis, the Legislative Analyst's Office recommended requiring all IHSS recipients to elect non-relative caregivers would make these IHSS cases eligible for federal funding, resulting in General Fund savings of about $30 million and county savings of about $18 million.

COMMENTS:

The Subcommittee has received substantial feedback from IHSS consumers, advocates, and providers regarding the impact of this proposal. Consumers believe that the Residual Program offers them more stability in the provision of services. The high turnover among IHSS providers makes it difficult for some consumers to attract and retain a provider. In certain cases, the consumers believe that they will not be able to stay at home without the stability that using a relative provides. Some public authority staff have also commented that the elimination of the Residual Program would result in increased SSI/SSP utilization, which would offset some of the savings projected for this program

There has been some discussion that the current IHSS residual option could be restructured legislatively to allow the State to realize Federal participation without disrupting the services provided by relatives. Subsequent legal opinion has determined that the Federal Government will not reimburse the State for services provided by relatives. However, with the new statewide requirement that all IHSS providers have an "employer of record" there may be a way to interpret the Public Authority/contractor as the provider of services, rather the relative caregiver.

Unfortunately, legal and programmatic experts believe that federal law cannot be interpreted in any manner that would allow the State to claim federal participation for the IHSS Residual program. In addition, the Federal government has already rejected State waivers that attempt to allow relatives to claim federal participation in other programs similar to IHSS.

CONSENT ACTION

No Action, do not adopt LAO recommendation for IHSS Residual Program.

ITEM 5180: DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: FEDERAL PARTICPATION FOR THE ADVANCED PAY OPTION

The Subcommittee will explore strategies for claiming Federal participation in the advanced pay option for In Home Supportive Services.

BACKGROUND:

Current state law allows certain severely disabled impaired recipients to receive payment before IHSS services are rendered. There are about 575 such "advance payment" cases, and, like cases with relative caregivers, they are not federally eligible.

In the February Analysis, the Legislative Analyst's Office recommended eliminating the advance payment option would make about 575 IHSS cases eligible for federal funding, resulting in General Fund savings of about $5 million.

COMMENTS:

The Subcommittee has received substantial feedback from IHSS consumers, advocates, and providers regarding the impact of this proposal. Consumers believe that the advanced payment option offers them more stability in the provision of services. The high turnover among IHSS providers makes it difficult for some consumers to attract and retain a provider. In certain cases, the consumers believe that they will not be able to stay at home without the stability that the advanced pay option renders.

According to the Department, Federal requirements prohibit providing a Medi-Cal recipient with a cash payment in advance for the provision of services. However, the advanced pay option could be eligible for federal revenue if a third party were to oversee the advance pay option on behalf of the recipient.

Additionally, if changes were made to the CMIPS computer system, Advance Pay client would also be eligible for federal participation. Previous legislation proposing this change was vetoed as the cost of the computer modifications were thought to outweigh the potential cost savings to the State from Federal participation. However, as the State begins to implement CMIPS II, the replacement to CMIPS, it may be possible to build in the modifications necessary to claim revenue for Advanced Pay clients without incurring substantial additional costs.

ISSUE 2: IHSS $1 PER HOUR AND MACR INCREASE

The Subcommittee will consider the Governor's proposal to suspend an IHSS wage increase in the budget year.

BACKGROUND:

Chapter 108, Statutes of 2000 (AB 2876, Aroner), authorizes the state to pay 65 percent of the nonfederal cost of a series of wage increases for IHSS providers working in counties that have established "public authorities". The wage increases began with an increase of $1.75 per hour in 2000-01, potentially to be followed by additional increases of $1 per year, up to a maximum wage of $11.50 per hour. State participation in wage increases after 2000-01 is contingent upon General Fund revenue growth exceeding a 5 percent threshold. Chapter 108 also authorizes state participation in health benefits worth up to 60 cents per hour worked.

For 2001-02, revenue growth was below 5 percent. Thus, under the revenue trigger mechanism created by Chapter 108, state participation in a $1 per hour wage increase for public authority workers was not required. Nevertheless, State participation in a $1 wage increase to $8.50 per hour was provided, at a General Fund cost of approximately $23 million.

The Governor's budget estimates that an economic recovery beginning in the spring of 2002 will result in revenue growth (excluding transfers) of about 12 percent between 2001-02 and 2002-03. Because revenue growth exceeds the 5 percent threshold, under current law, state participation in a $1 per hour wage increase would be triggered. Given the state's difficult fiscal situation, the Governor proposes to suspend the application of this trigger. This results in a General Fund cost avoidance of $26.7 million in 2002-03. The Department assumed that the following counties would have offered an wage above the $8.50 level if the trigger had been pulled: Alameda, Contra Costa, Monterey, Sacramento, San Francisco, San Mateo, and Santa Clara, Santa Cruz, and Sonoma.

COMMENTS:

IHSS providers have requested that the Subcommittee reject the proposed trailer bill language to suspend the $1 per hour trigger for IHSS.

The United Domestic Workers notes that in addition to the trigger for the IHSS Public Authority providers, there are IHSS providers that provide services through the contract mode of services that will also not get a wage increase. The United Domestic Workers requests that the Subcommittee also consider increasing the Maximum Allowable Contract Rate (MACR) for contract providers to allow an increase in the wages of IHSS providers in this mode of service.

The Legislative Analyst's Office notes that the decision to override the trigger in 2001-02 means state participation in IHSS wages is already $1 higher than the level contemplated in Chapter 108. Thus, suspending the wage increase in 2002-03 would put wages at a level equal to what they would have been absent last year's budget change.

ISSUE 3: ADULT PROTECTIVE SERVICES CLEAN UP LANGUAGE

The CWDA has requested Trailer Bill Language to limit the requirements of the Adult Protective Services program.

BACKGROUND:

The Adult Protective Services Program provides assistance to elderly and dependent adults who are functionally impaired, unable to meet their own needs, and who are victims of abuse, neglect, or exploitation. The county agency investigates reports of abuse of elderly and dependent adults who are living in private homes, hotels, acute care hospitals and health clinics, adult day care, and social day care centers.

In addition to investigating and evaluating reports of abuse, APS staff provide or coordinate support services, such as counseling, money management, conservatorship, and advocacy. They also provide information and education to other agencies and the public about reporting requirements and other responsibilities under the elder and dependent adult abuse reporting laws.

SB 1003 (Vasconcellos, 1999) was adopted as a response to the underfunding of the Adult Protective Services program. Given the acknowledged underfunding, SB 1003 permitted the counties to forgo an in-person visit in response to reports of abuse if the county determines that there is not a risk of imminent danger to the elder or dependant adult. SB 1003 also included reporting requirements about the cases that would not receive an in-person response.

COMMENTS:

The CWDA has requested that the Subcommittee consider adopting some clean-up trailer bill language. The proposed language would loosen the reporting requirements for the counties. This language is consistent with language contained in SB 1003 to adjust State mandates to the current budget level for the Adult Protective Services Program.

The Department comments that the clean up language eliminates redundant reporting requirements. According to the Department, an evaluation of these reporting requirements was developed in prior years and that report showed that the additional reporting requirements did not significantly enhance the program.

ISSUE 4: SSI/SSP COLAS

The Governor's budget suspends the State portion of the SSI/SSP Cost of Living Adjustment in the budget year.

BACKGROUND:

Under current law, both the Federal and State grant payments for SSI/SSP recipients are adjusted for inflation each January. The cost-of-living adjustments (COLAs) are funded by both the federal and state governments. The state COLA is based on the California Necessities Index (CNI) and is applied to the combined SSI/SSP grant. The federal COLA (based on the Consumer Price Index for Urban Wage Earners and Clerical Workers, or the CPI-W) is applied annually to the SSI portion of the grant. The remaining amount needed to cover the state COLA is funded with state monies.

The Governor's budget estimates that the CPI-W will be 1.8 percent and that the CNI will be 3.9 percent. Based on these assumptions, providing the state COLA on January 1, 2003 would result in a six-month General Fund cost of $133 million. Based on more recent actual data, however, the CNI will be 3.7 percent. Using the lower actual CNI, we estimate that suspending the state COLA in the budget year would result in six-month savings of $127 million, a difference of approximately $6 million.

COMMENTS:

Since the budget was proposed, actual CNI figures have become available, and they have been somewhat reduced to 3.74 percent. As a result, actual grant levels will be somewhat reduced from the Governor's projections, and the General Fund savings against current law of suspending the COLA are somewhat smaller as well, $127.7 million. The impact of the reduction against current law would be a reduction of approximately $19/month for aged and disabled individuals.

The Subcommittee has feedback from the community commenting that failing to provide the full CNI COLA for SSI/SSP will result in a decline in real income for SSI/SSP recipients. Recipients of this program has commented that their actual cost of living has increased more than the CNI figure because of increases in electricity and housing costs over the last year. They believe that the small increase in income generated by the COLA is essential for them to continue to afford their basic food, shelter, and utility expenses.

ISSUE 5: SUSPENDING THE SPECIAL CIRCUMSTANCES PROGRAM

The Subcommittee will consider suspending the Special Circumstances program for the budget year.

BACKGROUND:

The Special Circumstances program provides one-time cash grants to recipients of SSI/SSP, IHSS, or CAPI who have financial needs due to an emergency (such as a broken refrigerator). The program was reestablished in 1998-99 (following a five-year suspension) with an annual appropriation of $8.3 million. In 2001-02, the Governor vetoed $3.3 million leaving $5 million. The Governor's budget proposes $4.5 million for 2002-03.

This program has historically had relatively high administrative costs. Action taken in the budget committee has greatly reduced the administrative costs of the program. The table below illustrates that the current program's administrative costs have been reduced from 41percent to 26 percent.

	Actual Expenditures FY 2000-2001 (millions)		Actual Expenditures FY 2001-2002 (millions)	
Services	$ 4.97	59%	$ 2.30	74%
Administration	$ 3.45	41%	$ 0.80	26%
	$ 8.42		$ 3.10	

Because the Special Circumstances program is a small pot of funds administered by 58 different counties, the current 26 percent administrative cost is lower than what would be expected.

COMMENTS:

As part of its "Options" document, the Legislative Analyst's Office suggested eliminating the Special Circumstances Program as a possible strategy to reduce State spending, resulting in a savings of $5 million in the Budget Year.

The Subcommittee could also consider suspending the program for the budget year, which would allow the State to revive the program after the current fiscal crisis has ended.

The Department comments that the Special Circumstances program provides one-time services that prevent seniors from losing their housing or needing to utilize expensive facilities like nursing homes. The program is the only State funding counties have available to pay for one-time expenses like wheel chair ramps that allow recipients to remain in their home. Counties also utilize this program to replace broken household appliances (such as stoves, heaters, and refrigerators), eviction prevention and moving expenses that have kept seniors from losing their housing.

ISSUE 6: FOOD STAMP ERROR RATE/PROSPECTIVE BUDGETING

The Subcommittee could adopt prospective budgeting to help address the State's Food Stamp Error Rate.

BACKGROUND:

Currently California's Food Stamp error rate is so high that the State faces imminent federal fiscal sanctions. Recent statistics illustrate that 13.99 percent of all of the State's food stamp benefits are determined incorrectly statewide, significantly higher than the national average of 8.91 percent. In Los Angeles County, the error rate was over 22 percent.

California's poor performance in Food Stamp benefit determination has been the subject of recent congressional hearings. In 2000-2001 fiscal year, California had a 17.28 percent error rate. As a result, the State stands to face a fiscal penalty of over $100 million.

The Department comments that one significant reason for the error rate is due to a "failure to act"—when a county worker fails to update a case when a monthly report is received.

One strategy other States have used to address the food stamp error rate is adopt quarterly prospective budgeting. At the current time, California requires Food Stamp and CalWORKs recipients to report to the county monthly on their income for the prior month. With prospective budgeting, a recipient would report quarterly on the expected income for coming three months. Adopting prospective budgeting reduces the eligibility workload, thus giving county workers more time to determine eligibility for food stamps and more flexibility to provide quality control on food stamp benefits.

Prospective Budgeting would also provide savings to the State by reducing the number of eligibility staff needed for the CalWORKs program. Adopting prospective budgeting would save the CalWORKs program $3.2 million.

Currently, the State allows counties to use quarterly reporting for the Medi-Cal caseload. When the Legislature adopted quarterly reporting for Medi-Cal, savings were projected for Medi-Cal Administration. However, Federal requirements dictate that if an individual's record is updated in a different eligibility program (Food Stamp and CalWORKs) then the county must also redetermine eligibility for Medi-Cal. As a result, the projected savings were not realized. Adopting prospective budgeting for the other programs would allow the State to recognize the unrealized savings for Medi-Cal

COMMENTS:

The Department reports that it intends to allocate any forthcoming Food Stamp sanctions to the counties with high error rates.

The Department also comments that it has been working very aggressively with counties with high error rates and has seen some decline in the error rate over the last year.

The California Food Policy Advocates (CFPA) comments that California is one of just eight states that require monthly reporting for its entire caseload. CFPA comments that States have recognized it as excessive red tape for both the clients they serve as well as the county workers who administer the program.

Currently Legislation has been introduced (AB 2926 (Longville) and AB 2415 (Keeley)) that would seek a federal waiver to allow prospective budgeting for Food Stamps, CFAP and CalWORKs.

ISSUE 7: TRANSITIONAL FOOD STAMPS

The Subcommittee will consider providing transitional food stamps to individuals leaving cash aid.

BACKGROUND:

The 2001 Agriculture Appropriations Act and new Federal regulations together mandate several changes to the Food Stamp Program that give California the option of continuing food stamp benefits to former CalWORKs recipients for up to three months after they leave cash assistance. Under this option, households would receive the same level of food stamps they received just prior to leaving CalWORKs (or, if the household would lose income as a result of leaving CalWORKs and would therefore qualify for a higher benefit level, the benefits would be frozen at the higher level). Families leaving CalWORKs because of program violations would not be eligible for the transitional benefits.

The purpose of the transitional benefit allowance is to provide automatic assistance to families during the transition period from welfare to work, thereby increasing income stability and decreasing the likelihood of returning to cash assistance. The transitional benefits would affect three types of households. The first type is a household that would remain eligible for food stamps after leaving CalWORKs, but would not apply for them. The second type is a household that would otherwise be income ineligible for food stamps when they leave CalWORKs. Finally, the third type is a household that is already receiving food stamps after leaving CalWORKs. The only impact on these households would be a reduction in their reporting requirements for the transitional period.

COMMENTS:

Last year, this Subcommittee adopted Budget Bill Language requiring Department to prepare a proposal for consideration by the Legislature for a transitional food stamp benefit when the Federal government sets an effective date. The Governor vetoed this language.

Advocates report that the State is now able to provide Transitional Food Stamps.

Congress and the President are considering extending the transitional food stamps for six months after a recipient leaves cash aid.

The Department reports that it would cost $789,000 General Fund in administrative costs to provide Transitional Food Stamps in the budget year. Transitional Food Stamps would also have a $338,000 General Fund MOE cost.

ISSUE 8: ADOPTING FEDERAL VEHICLE ASSET STANDARDS

The Subcommittee will consider adopting vehicle asset standards consistent with anticipated federal standards.

BACKGROUND:

Last year's budget implemented new Federal rules for food stamps that require states to exempt more vehicles from consideration when determining a household's assets. (For example, vehicles with a small resale value are exempted from consideration as an asset when determining eligibility). State law provides that asset rules in CalWORKs and the CFAP program will be the same as food stamp rules. Although the State adopted the required federal rules, it did not adopt optional vehicle valuation choices offered by the federal government. Principally, the State retained a requirement that all nonexempt cars must be under a limited fair market value.

COMMENTS:

The President and Congress are expected to adopt a new vehicle asset rule requiring all states to allow the complete asset exemption of the value of one vehicle per aided adult. Currently, states have the option to exempt one vehicle per aided adult.

If the Subcommittee were to conform to the President's proposed vehicle exemption policy, the State would experience a small savings resulting from reduced administration of CalWORKs and Food Stamps.

Adopting a vehicle exemption policy would also help the State address its food stamp error rate problem. Currently, county welfare workers must undertake the cumbersome process of computing the value of vehicles to determine eligibility. Adopting a vehicle exemption would simplify one aspect of the eligibility process.

ISSUE 9: ABAWD WAIVERS

The Subcommittee will consider changing the State's policy for ABAWD waivers.

BACKGROUND:

Under current federal law, some food stamp recipients called ABAWDS (able bodied adults without dependants) are required to work 3 out of 36 months in order to continue to receive Food Stamps. The federal government allows the state to seek waivers for this requirement in counties that have a high unemployment rate.

Currently, the State requires the County Board of Supervisors act before it requests a federal waiver from ABAWD requirements for a particular county.

COMMENTS:

The California Food Policy Advocates are requesting that the Subcommittee adopt trailer bill language requiring the State to apply for all eligible ABAWD waivers.

ITEM 4170 DEPARTMENT OF AGING

ISSUE 10: LINKAGES REDUCTION

The Governor's Budget proposed to reduce the Linkages Program by $126,000 in the budget year.

BACKGROUND:

The Linkages Program was established in 1985 as a demonstration project, and was made permanent in 1989. It is a case management program that serve frail elderly or functionally impaired adult clients; it targets persons who do not qualify for Medi-Cal or are functionally impaired but do not meet the age requirement of other programs.

There are currently 36 Linkages sites, each with 100 client slots.

The Governor's Budget proposes to reduce the Linkages slots by $126,000 in the budget year. This reduction would be spread to all of the 36 Linkages sites.

COMMENTS:

The Governor's Budget comments that the additional Federal revenue may become available to allow local Area's on Aging to restore the Linkages program.

ISSUE 11: SENIOR WELLNESS CAMPAIGN

The Subcommittee will consider reducing the Senior Wellness Campaign.

BACKGROUND:

The Senior Wellness and Prevention Media Campaign was initiated in 2000-01 with a $1 million General Fund appropriation. The program had not been initiated when the Department of Aging's budget was heard, but an RFP had been developed for a campaign logo, public service announcements, newsletters, and a direct mail campaign. The campaign was intended to provide information to aging Californians about physical fitness, nutrition, physical and mental health. The Department of Aging's intention was to use the General Funds to develop campaign plans and materials, and to solicit private contributions to take the campaign to scale. The current year budget provided an additional $1 million and two limited term positions to continue to operate the campaign; the proposed budget reduces the program by $261,000 as part of the reduction in operational funding.

COMMENTS:

The current year budget required that CDA prepare a report by March 1, 2002, on the accomplishments of the Senior Wellness and Prevention Media Campaign, including a description of the campaign and identification of the private resources to distribute the materials. The report has not been received.

The Department of Aging will provide information about the operation of the Campaign, including when the required report will be submitted.