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

Assemblymember Judy Chu, Chair

MONDAY, APRIL 21, 2003
STATE CAPITOL, ROOM 127
4:00 PM

ITEMS TO BE HEARD

ITEM 4260 DEPARTMENT OF HEALTH SERVICES

ISSUE 1: REDESIGN OF LOS ANGELES COUNTY DEPARTMENT OF HEALTH SERVICES

I. Los Angeles County Department of Health Services
Thomas Garthwaite, MD
Director

II. State Department of Health Services
Stan Rosenstein
Acting Deputy Director, Medical Care Services

III. Service Employees International Union

IV. Public Comment

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 1: INCORPORATION INTO DEPARTMENT OF HEALTH SERVICES

BACKGROUND:

The mid-year reduction proposed the merging of the Emergency Medical Services Authority (EMSA) into the Department of Health Services (DHS). The January budget assumed EMSA was incorporated into DHS. Widespread opposition to the merging of EMSA into DHS was received when the mid-year reduction was under consideration; none has been received since then.

Among the groups expressing opposition to the incorporation:
Los Angeles County Board of Supervisors;
California Professional Firefighters;
Council of Emergency Medical Services Directors;
California Healthcare Association;
California/American College of Emergency Physicians; and
California Chiefs Association.

The budget assumes five positions would be eliminated, the Director's position downgraded to Career Executive Assistant and $342,438 total funds ($138,440 General Fund, $128,198 federal funds, $62,607 EMS Personnel Fund, $13,193 EMS Training Program Approval Fund). In lieu of the consolidation, EMSA has expressed a willingness to accept a $138,440 General Fund reduction. The remaining $204,000 federal and special funds would be restored to EMSA.

EMSA's only program funded though General Fund is the disaster medical services program. At this time, approximately 90 percent of this program is directed to preparation for terrorism threats. A General Fund cut would affect EMSA's ability to prepare and respond to chemical, biological, nuclear, or explosive consequence management requirements. Other General Fund cuts would further degrade EMSA's ability to plan for and respond to any natural disasters such as earthquakes and floods. It is anticipated that two staff members out of seven (29 percent) would be eliminated to achieve the $138,440 in General Fund. Reducing expenditures from operating equipment and expenses is not viable, as General Fund reductions for those expenditures over the last two years has been 55 percent.

COMMENTS:

Emergency Medical Services Authority, please describe the consolidation proposal.

Emergency Medical Services Authority, please outline what effects the General Fund cut would have on the disaster medical services program.

Emergency Medical Services Authority, what positions would you eliminate? If a decision has not been made, please report your decision to the Subcommittee by May 5.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 2: TRAUMA SERVICES

BACKGROUND:

The Save California Trauma Centers, a coalition to ensure specialized care to treat life-threatening injuries, is requesting the Legislature appropriate $20 million General Fund for the state's trauma care network. In the 2001-2002 fiscal year the Legislature appropriated $25 million General Fund for the trauma system. In the 2002-2003 fiscal year, the Legislature again appropriated $25 million General Fund for trauma care. However, Governor Davis vetoed $5 million, leaving $20 million to be distributed to the qualifying facilities. The Governor's proposed budget for 2003-2004 does not provide any funding for the trauma care network.

According to the coalition:

- Trauma centers are required to have sophisticated, specialized and expensive equipment available 24 hours a day.
- Trauma centers must also have highly trained medical staff on site 24 hours a day.
- Operating costs of trauma centers are, as a consequence, very high.
- Trauma centers provide health care services to the medically indigent for which they receive no reimbursements.
- Reimbursements from managed health care companies reflect the cost of care of those who have health insurance and receive care in a Trauma center.
- Trauma centers are in financial jeopardy; they are having difficulty meeting their costs and staying open.
- The subsidy provides needed funding to the centers on the basis of the amount of care they provide to medically indigent individuals.

Save California Trauma Centers is a coalition of 21 public and private trauma centers throughout the state. The coalition sponsored the original legislation that created the Trauma Fund in 2001. It was the first time the state had dedicated funding specifically to fund trauma care. The coalition requests $20 million General Funds for the trauma care network.

COMMENTS:

Emergency Medical Services Authority, please provide the Subcommittee an overview of the distribution of the funding to the trauma centers.

Department of Health Services, please outline for the Subcommittee how it might be possible to do a $10 million General Fund appropriation and have matched with $10 million in federal funds for distribution to the trauma centers.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 3: POISON CONTROL CENTERS – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to shift funding back to the General Fund and augment it. The proposal would fund Poison Control Centers with $6.9 million General Fund. It would continue funding for the Poison Control System at the current level.

The January budget had proposed shifting the funding for the system to the State Emergency Telephone Number Account, $3.6 million. It has recently been determined that funding additional expenditures from the fund would constitute a tax. The remaining $3.3 million was to be funded by the California Medical Assistance Commission through Medi-Cal contracts with the centers. However, it was determined that this funding was not available. It should be noted that the $6.9 million General Fund does not provide full funding for the poison centers; the program would be $1.1 million short of current year funding.

COMMENTS:

Emergency Medical Services Authority, please provide the Subcommittee of the Poison Control System.

Emergency Medical Services Authority, please outline for the Subcommittee what parts of the Poison Control System are left unfunded by the $1.1 million reduction.

No issues have been raised.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 4: CHILDCARE PREVENTIVE STAFF POSITION – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to increase expenditures from the EMS Training Program Approval Fund by $58,000. The funding for the Childcare Preventive Health Analyst is being shifted from the General Fund to the Training Program Approval Fund. The revenue of the fund is generated by a $3 fee charged to persons receiving training for such things as CPR and First Aid. In addition one position will be reinstated to review and approve submissions to the Childcare Preventive Health Training Program.

COMMENTS:

Emergency Medical Services Authority, please provide the Subcommittee with an overview of the Childcare Preventive Health Training Program.

No issues have been raised.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 5: HOSPITAL BIOTERRORISM PREPAREDNESS PROGRAM

BACKGROUND:

The EMS Authority is requesting authority to extend four limited-term positions and expenditure authority for $594,000 in state support to complete the implementation of the California Hospital Bioterrorism Preparedness Program, which began in March 2002. The funding for the grant came from the federal Health Resources and Services Administration (HRSA).

As part of the federal government's Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States ACT, 2002, Public Law 107-117, HRSA made approximately $125 million available nationally for co-operative agreements within 59 states, territorial and selected municipal offices of public health. California received $9.9 million in funding. The funding is for developing and implementing regional plans to improve the capacity of hospitals, their emergency departments, outpatient centers, EMS systems and other collaborating health care entities to respond to bioterrorist incidents and/or outbreak of infectious disease.

As a result, California will be able to conduct statewide biological/bioterrorism needs assessment for hospitals, identifying areas of strength and areas of needed improvement in the healthcare system. The plans and systems developed for bioterrorism can be utilized to manage a large influx of patients and outbreaks of infectious disease, including influenza, HIV, tuberculosis, smallpox and others.

COMMENTS:

Emergency Medical Services Authority, please provide the Subcommittee with an overview of the California Hospital Bioterrorism Preparedness Program.

4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 1: ELIMINATION OF MEDI-CAL OPTIONAL BENEFITS FOR ADULTS – REPORT BACK

At the February 24 meeting of the Subcommittee, the Department of Health Services was requested to report back to the Subcommittee on utilization controls that were supposed to be applied to optional benefits but were not.

Together; the Governor's mid-year adjustments and January 10 budget proposals would permanently eliminate the following optional benefits from the Medi-Cal program for adults above age 21 and not in long-term care: dental services; medical supplies; podiatry; acupuncture; chiropractic services; psychology; independent rehabilitation centers and occupational therapy; hospice; non-emergency medical transportation; optometry; optician/laboratory; physical therapy; prosthetics; orthotics; speech/audiology; hearing aids; durable and medical equipment.

BACKGROUND:

Currently the Medi-Cal program offers all 34 optional benefits authorized under federal law. The elimination of the following 18 optional benefits for adults would save the state $361.83 million General Fund in the budget year.

OPTIONAL BENEFITS: TOTAL FUND SAVINGS

Service	Budget Year
Adult Dental Services	$423.602 Million
Medical Supplies	$108.666Million
Podiatry	$8.682Million
Acupuncture	$5.812Million
Chiropractic	$.798million
Psychology	$.458Million
Independent Rehabilitation	$.046Million
Occupational Therapy	$.030Million
Hospice	$27.358 million
Non-Emergency Medical Transport	$62.968 million
Optometry	$18.376 million
Optician/Laboratory	$29.032 million
Physical Therapy	$.060 million
Prosthetics	$4.168 million
Orthotics	$1.280 million
Speech/Audiology	$1.456 million
Hearing Aids	$5.820 million
Durable Medical Equipment	$25.048 million
Total Savings	$723.660 Million

Dental care and medical supplies constitute nearly 70 percent of the savings to the state. For dental care the residents of long-term care facilities would not be affected by the cutback. Many

individuals experience severe oral health problems and need the services. The only options for adults without the Medi-Cal coverage will be to seek emergency care in hospital rooms and community clinics. For adults that are clients of the Regional Center system, the services would be reimbursed by the Regional Centers, as the benefits are part of the Lanterman Act entitlement. There would be no federal match; the reimbursement would be 100 percent from the General Fund.

Medical supplies include, among others, catheters, diabetic test strips and syringes. The proposal would deny these items to adults on Medi-Cal. Each is medically necessary. The denial would subject the Medi-Cal beneficiaries to infections, illnesses and hospital visits to address the health issues that result from not having medically necessary supplies. The health care costs would be shifted from the state and federal government to the counties, clinics and hospitals, as they are the entities that pay or subsidize the health care services provided to the medically indigent.

COMMENTS:

Department of Health Services, please respond to the Subcommittee's request to report on utilization controls in lieu of elimination of Medi-Cal optional benefits.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 2: BABY-CAL

BACKGROUND:

The 2003-2004 budget proposes to eliminate the Outreach for Pregnant Women (Baby-Cal). Baby-Cal is a statewide public awareness and education campaign aimed at combating low birth weight and decreasing infant mortality. Baby-Cal focuses on educating women and their families about the importance of prenatal care, practicing healthy behaviors during pregnancy and the availability of state programs that can pay for prenatal services.

The budget eliminates $6.2 million ($3.1 million General Fund) for this program in FY 2003-04. Effective July 1, 2003, the Baby-Cal education and outreach campaign will be terminated. This includes the elimination of all media, public relations, collateral materials, and community-based support to encourage pregnant women to get prenatal care and to not smoke, drink alcohol or take drugs during pregnancy. The Department of Health Services notes that it does not have any contract nor does it have a procurement in process for an outreach contract.

Baby-Cal was started in 1991. The key messages of the program are: Get early and ongoing prenatal care; practice healthy behaviors throughout pregnancy (no smoking, drinking or drugs); and inform expectant mothers of California programs that can help them. Baby-Cal targets high-risk women throughout the state, including African-American, low-income and younger women of all ethnicities. Over the last 10 years the infant mortality rate has dropped from 7.9 infant deaths per 1,000 live births in 1990 to 5.4 infant deaths per 1,000 live births, a 31.6 percent drop.

Care for low-birth-weight babies in neonatal intensive units can cost $3,000 per day and total, on average, between $14,000 and $45,000 per neonatal discharge. According to the Department of Health Services, the state spends more than $300 million in Medi-Cal costs for neonatal intensive care.

COMMENTS:

Department of Health Services, please describe for the Subcommittee Baby-Cal and outreach efforts.

Department of Health Services, please describe for the Subcommittee the status of contracting for outreach in the Baby-Cal and Healthy Families programs.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 3: ENHANCED MEDI-CAL BUDGET ESTIMATE REDESIGN – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to shift the development and implementation of the Enhanced Medi-Cal Budget Estimate information system from outside vendors to in-house staff. Utilizing in-house staff, the department will save $575,000, $144,000 General Fund. The Enhanced Medi-Cal Budget Estimate information support system was adopted in the 1999-2000 budget. The system will replace the existing system for estimating the state's Medi-Cal expenditures.

COMMENTS:

Department of Health Services, please provide an overview of the Enhanced Medi-Cal Budget Estimate information system and when it will be incorporated into the budget process.

No issues have been raised.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – MEDI-CAL

ISSUE 4: QUALITY IMPROVEMENT ASSESSMENT FEE ON MEDI-CAL MANAGED CARE PLANS – FINANCE LETTER

BACKGROUND:

The Finance Letter proposes to add three full-time positions to implement, manage and process the quality improvement assessment fees on Medi-Cal Managed Care plans. The state will impose a 6 percent assessment on the plans and then will have the funds matched by federal funds. According to the Budget Change Proposal, the state will retain 25 percent of the net revenue and the health plans will receive 75 percent of the net funds in the form of a rate increase. The state will receive net $37.5 million for FY 03-04 and $75 million annually thereafter. The health plans will receive net $112.5 million in FY 03-04 and $150 million thereafter.

COMMENTS:

Department of Health Services, please provide the Subcommittee with an overview of the Quality Assessment Fee and its impact on the Medi-Cal Provider Rate Reduction.

Department of Health Services, please outline for the Subcommittee the staffing needs of its proposal.

No issues have been raised.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 1: GENERAL FUND BACKFILL – FINANCE LETTER

BACKGROUND:

The Finance Letter would shift $220.0 million of the program funding to the General Fund. The budget had proposed using $220.0 million from the Tobacco Settlement Fund bond financing. The bond has not been sold and an alternative to funding the program was needed. Therefore, the Finance Letter proposes to utilize General Fund for the program.

The Managed Risk Medical Insurance Board (MRMIB) projects the enrollment in Healthy Families will be 768,232 as of June 30, 2004. The enrollment projected for June 30, 2003 is 668,517, a gain of 99,715 children enrolled in the Healthy Families Program.

COMMENTS:

Managed Risk Medical Insurance Board, please provide the Subcommittee with an overview of the growth of Healthy Families from the current year through the budget year.

No issues have been raised.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 2: ACCESS FOR INFANTS AND MOTHERS (AIM)

BACKGROUND:

The budget proposes to enroll Access for Infants and Mothers (AIM) infants into the Healthy Families Program at birth while continuing to provide women eligible for the AIM program comprehensive prenatal and postpartum care (see trailer bill and MRMIB graphic handout). There are several benefits to the proposal. First, enrolling the infants into the Healthy Families Program would reduce health plan costs, as California Children Services are available in the Healthy Families Program. Additionally, health plans would charge lower rates if the infants were covered in the Healthy Families Program because the plans could spread the risk over a larger population in Healthy Families than in AIM. Also, it allows the state to utilize the federal funding in the Healthy Families program for the declining funding under Proposition 99. Finally, it will provide the infants with two years of Healthy Families Program coverage.

AIM was established in 1991 to cover perinatal health care for women and infants in low- to moderate-income families who do not qualify for Medi-Cal. Funding for the program has been Proposition 99, the 25 cent-per-pack cigarette tax increase adopted on the 1988 ballot. The program covers women in families between 200 percent and 300 percent of the Federal Poverty Level. AIM provides comprehensive health coverage for women during pregnancy, delivery and for 60 days postpartum. Infants born to women in the AIM program receive comprehensive health coverage up to their second birthday. The cost to the subscriber is 2 percent of family income plus $100 for coverage of the baby from 1 to 2 years of age. Since inception, the program has covered over 53,000 women and 47,000 babies.

To address the issues of declining Proposition 99 revenues, the increasing demands for the funds and the growth in AIM, MRMIB is proposing to enroll infants born to women enrolled in the AIM program directly into the Healthy Families Program. Infants in families with incomes between 200 percent and 250 percent of the Federal Poverty Level would be funded by the state's General Fund and federal State Children Health Insurance Program funds. Infants in families with income between 250 percent and 300 percent of the Federal Poverty Level would be covered by 100 percent state funds. To further enhance federal funds, California could, via a state plan amendment, expand its Healthy Families Program to cover all infants between 0-2 up to 300 percent of the Federal Poverty Level.

COMMENTS:

Managed Risk Medical Insurance Board, please provide the Subcommittee with an overview of the incorporation of AIM infants into the Healthy Families Program and the advantages it provides the state.

Managed Risk Medical Insurance Board, please review the proposed Trailer Bill Language for the Subcommittee. Are any amendments to the language necessary?

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 3: RURAL HEALTH DEMONSTRATION PROJECTS

BACKGROUND:

The statute authorizing the Rural Health Demonstrations Projects expires June 30, 2003. The projects included in the 2002-2003 budget are proposed to be the last.

Up to five Rural Health Demonstration Projects (RHDPs) were authorized in the enabling legislation for the Healthy Families Program (Assembly Bill 1126, Dutton, Chapter 623, Statutes of 1997). The purpose of the demonstration projects is to fund rural collaborative health care networks to alleviate unique access problems to health, dental and vision care in areas with significant numbers of uninsured children.

The State of California adopted three strategies for implementing the RHDPs. Each strategy comprises one of the five RHDPs authorized by the legislation. The three strategies that have been implemented are:
Geographic Access: Projects designed to address the lack of health care services in rural geographic areas of California.
Special Populations: Projects designed to address unique access problems of special populations (children of migrant and seasonal farm workers, fishing and forestry workers, and American Indians).
Infrastructure: Projects designed to address the development or enhancement of infrastructure in rural areas where health care services are not accessible.

The Managed Risk Medical Insurance Board (MRMIB) has administrative responsibility for the implementation of the ***Geographic Access*** and ***Special Populations*** project strategies. The California Department of Health Services (DHS) has administrative responsibility for the ***Infrastructure*** strategy.

To be eligible for **Geographic Access** project funding, a project proposal must demonstrate:
• An area's need for additional services as identified by the unique access barriers;
• The potential number of eligible children, and the current HFP network (including traditional and safety net providers as defined by the MRMIB) available to subscribers in the area;
• A proposed project's potential for increasing the plan's provider network. New providers to the health plan's network receive special consideration; and
• Cost-effectiveness of a proposal, including administrative overhead costs.

To be eligible for **Special Populations** project funding, a project proposal must demonstrate:
• Methodology for addressing the unique access needs of one or more identified special populations and the extent to which the proposal is designed to reduce health disparities among children in the target special populations;
• The plan's proposed network of providers, including other facilities available to special populations and/or additions to the plan's network;
• The inclusion of providers that have experience serving the specific target populations; and
• Cost-effectiveness of the project, including the amount of funding used for administrative overhead and direct services.

The RHDP is comprised of individual projects administered by health, dental, or vision plans. Plans administer these projects consistent with the contractual arrangements between plans and the MRMIB. Clinics or other health care providers willing to partner with the HFP participating plans must submit proposals to MRMIB through the participating plans. All health, dental, and vision plans participating in the HFP are eligible to participate in the RHDP. Since fiscal year 1998-99, six health plans and three dental plans have participated in the RHDP.

Through March 2002, 238 projects have been funded through the HFP Rural Health Demonstration Project. The individual projects are grouped into six major categories: (1) Extended Provider Hours, (2) Mobile Dental and Health Vans, (3) Increase Available Providers, (4) Rate Enhancements, (5) Portability of Coverage, and (6) Telemedicine.

COMMENTS:

Managed Risk Medical Insurance Board, please briefly review for the Subcommittee the history of the program and the ongoing benefits that have resulted from it.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 4: ORAL HEALTH DEMONSTRATION PROJECT – FINANCE LETTER

BACKGROUND:

The Children and Families Commission has provided a three-year $3.0 million grant to the Managed Risk Medical Insurance Board (MRMIB) to implement an oral health demonstration project. MRMIB will try to match the Commission funds with Federal State Children's Health Insurance funds for each year of the project. The plan is to increase the utilization of preventive dental techniques among children who are 5 years old and younger. The grant provides for one three-year limited term position to administer the project.

COMMENTS:

Managed Risk Medical Insurance Board, please provide an overview of the project to the Subcommittee.

No issues have been raised.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 5: IMPLEMENT COUNTY HEALTH INITIATIVE MATCHING FUND – FINANCE LETTER

BACKGROUND:

AB 495 (Diaz), Chapter 648, Statutes of 2001 established the Children's Health Initiative Matching Fund Program to be administered by the Managed Risk Medical Insurance Board (MRMIB). The program would match county or local public agency funds with unused federal State Children's Health Insurance Program funds to provide health care to children in families who do not have private health insurance and have incomes between 250 and 300 percent of the Federal Poverty Level. The name of the program would be changed to the County Health Initiative Matching Fund (CHIMF) program. The budget would provide $153.6 million in the budget year for the program.

In addition, the Finance Letter language would authorize the transfer of funds between MRMIB's support and local assistance items for the effective administration of the program. Also, language would be added to ensure federal State Children's Health Insurance Program funds are available for the CHIMF program to the extent the funds are not needed for other state-funded health insurance programs, Healthy Families, Medi-Cal and Access for Infants and Mothers. Finally, the Department of Finance would be authorized to establish positions to allow the MRMIB to effectively administer the County Health Initiative Matching Fund program.

The counties most ready to begin the program are: Santa Clara; Alameda; San Mateo; and San Francisco.

COMMENTS:

Managed Risk Medical Insurance Board, please provide an overview of the initiative to the Subcommittee.

Managed Risk Medical Insurance Board, when do you think the counties will begin to take advantage of the program and where might we first expect the program to begin?

No issues have been raised.