

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

Assemblymember Gilbert Cedillo, Chair

MONDAY, APRIL 22, 2002
STATE CAPITOL, ROOM 127
4:00 PM

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ITEMS ON CONSENT

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

CONSENT : NON-CONTROVERSIAL BUDGET CHANGE PROPOSALS

BACKGROUND:

These are budget change proposals by the Department of Alcohol and Drug Programs. These changes reflect lower caseloads, receipt of federal funding, and reestablishing vacant positions.

BCP#	PROGRAM	DESCRIPTION	BUDGET IMPACT
1	Drug Medi-Cal Program—Local Assistance	Reflects a revised estimate in lower caseloads, lower costs, as well as a plan to postpone the expansion of DMC day care rehab services (AB 2876 Aroner).	Reduction: \$3.7 million General Fund
14	Substance Abuse Treatment and Testing Accountability	Requests Federal Trust Funds to implement SATTA Program, required under Chapter 721, Statutes of 2001 (Burton).	Augment: \$8.6 million General Fund

COMMENTS:

There are no issues with these budget change proposals.

CONSENT ACTION:

Accept budget change proposals.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT : NON-CONTROVERSIAL BUDGET CHANGE PROPOSALS****BACKGROUND:**

These proposals from the Governor's 2002-03 Budget reflect estimates dependent on caseloads from other departments, activation of mental health hospitals, restorations of positions abolished by the State Controller's Office, and overdue workers' compensation costs.

	BCP	PROGRAM	DESCRIPTION	BUDGET IMPACT
A	1	Healthy Families Program Adjustments	Reflects adjustments to the program based on paid claims data for FY 1988-2001 and a reduction in the percentage of legal immigrants from 5.89 to 3.7.	Reduction: \$102,000 General Fund
B	7	Workers' Compensation	Associated with increased services fees and a change in the deposit procedure in accordance with the new three year Master Agreement negotiated by the Department of Personnel Administration for the administration and payment of workers' compensation benefits.	Augment: \$162,000 General Fund
C	8	Restore Abolished Non-Level of Care Positions	Requests permanent position authority to reestablish 4.0 non-level-of-care positions that were abolished by the SCO.	Augment: \$176,000 total \$60,000 General Fund
D	1	Mentally Disordered Offender Evaluations	Provides additional contract dollars in departmental support to fund an increase in the number of evaluations required to be completed on potential Mentally Disordered Offenders from 351 per month to 376.	Augment: \$184,000 General Fund
E	4	Continued Activation of Secure Treatment Facility at Coalinga	Requests authority for 15.0 staff (7.5 partial year) to continue activation activities associated with the new facility. Also requests funding for relocation expenses associated with recruitment of new staff.	Augment: \$1 million General Fund
F	3	Community Treatment Facilities (CTF)	Continues supplemental funding for support of 100 CTF beds until the appropriation rate structure for these facilities can be developed.	Augment: \$1.2 million General Fund

G	5	Security Improvements at Patton State Hospital	Replaces the current personal alarm systems in several buildings at Hospital.	Augment: \$2.6 million General Fund
H	6	Traumatic Injury/Rehab Positions	Establishes a ¾ time Associate Mental Health Specialist position in Specialized Programs to absorb the workload associated with the program. It is fully funded through the Department of Rehabilitation which is already included in the Department's support appropriation.	\$0 reimbursements
I	1	San Mateo Pharmacy	Reflects adjustments to the funding levels for the Pharmacy and Laboratory Services Field Test. Reflects the elimination of the risk corridor.	Augment: \$1,940,000 reimbursements
J	1	Managed Care Program: Population Adjustment	Reflects changes in required funding levels for the Medi-Cal specialty mental health services. Funding is based on population.	Augment: \$14 million General Fund

COMMENTS:

There are no issues with these budget changes proposals.

CONSENT ACTION:

Accept budget change proposals.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH**CONSENT : CAPITAL OUTLAY****BACKGROUND:**

These proposals from the Governor's 2002-03 Budget reflect construction to existing facilities to meet existing requirements for the Department of Mental Health's patients.

PROGRAM	DESCRIPTION	BUDGET IMPACT
Construction of Multipurpose Building	Meets additional treatment space required to serve 258 patients for scheduled bed expansion. LAO may not think this is consent	\$13.7 million 4440-301-0660
Install Personal Duress Alarm System	Installs a dual tone personal duress alarm system in several buildings directs staff to the location of an emergency.	\$603,000 General Fund
Construct School Building	Provides facilities to meet the state educational standards for the Youth Treatment Program.	\$7.1 million 4440-301-0660
Upgrade Electrical—Generator Plant	Installs a modern high voltage switching equipment which will supply power to Hospital from both commercial power or emergency generators when needed.	\$133,000 General Fund

COMMENTS:

There are no issues with these budget changes proposals.

CONSENT ACTION:

Accept budget change proposals.

ITEM 2400 DEPARTMENT OF MANAGED HEALTH CARE

ISSUE 1: SPECIAL ASSESSMENT CLARIFICATION LANGUAGE – FINANCE LETTER**BACKGROUND:**

The Department of Managed Health Care requests language be adopted to clarify the Legislative intent in establishing a three-year "special assessment" process that provides for notification of each plan of the assessment amount by September 15 of each applicable year.

The Department budget is primarily funded by two assessments on Health Plans. The annual assessment is authorized by the Health and Safety Code Section 1356(b). The special assessment is authorized in Section 1356(e). The special assessment was enacted with the establishment of the Department in July of 2000 and it was enacted to fund the balance of the Department's budget that was not funded by the existing annual assessment. The amount of the special assessment is established each year after the budget is adopted by the Legislature.

The Department of Managed Health Care believes the authorizing statute for the special assessment requires the Department to set the fee for the new fiscal year on September 15 of each applicable year. One health plan refuses to pay the special assessment for the 2001-2002 fiscal year on the grounds that notice was not given in September 2000 of the special assessments for future years.

The Department is seeking clarifying trailer bill language to make it clear that the fee is established each September 15. The language would also require the health plan make the payment in 2002-2003 fiscal year that it refused to make in 2001-2002 fiscal year.

COMMENTS:

Department please review the history of the special assessment?

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 1: STATEWIDE EMERGENCY MEDICAL SERVICES EVALUATION AND PLANNING PROJECT – FINANCE LETTER**BACKGROUND:**

The Emergency Medical Services Authority (EMSA) is requesting reimbursements be increased by \$171,000 to fund 2 one-year limited term positions to complete the Emergency Medical Services Evaluation and Training Project. The project is funded by a grant from the State Office of Traffic Safety (OTS). The project was to end in the budget year. The OTS agreed to extend the timeframe for the project.

EMSA is responsible for ensuring quality patient care through the development of an effective, statewide, system of coordinated emergency medical care, injury prevention and disaster medical response. The Department is to provide leadership and guidance to local EMS agencies and emergency health providers, establish statewide standards to ensure system effectiveness, and pursue improvement in order to meet future needs. The Department expects recommendations and/or plans will be in the form of legislation, guidelines or policies.

COMMENTS:

No issues have been raised.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY

ISSUE 2: CALIFORNIA EMERGENCY MEDICAL SERVICES INFORMATION SYSTEM – FINANCE LETTER**BACKGROUND:**

The need for a statewide Emergency Medical Services information has been identified as a key need for the Emergency Medical Services Authority by two separate mechanisms. The first was through a stakeholders group that is working with EMSA on evaluation and planning. The other was a technical assistance study requested by EMSA of the National Highway Traffic Safety Council. Funding from the Governor's Office of Traffic Safety has funded the analysis, feasibility study report and subsequent development and implementation of a statewide Emergency Medical Services data system. The proposal for the budget year, \$206,000 in reimbursements, is to complete the development and implementation phases .

The data system will link data from separate systems to provide local agencies with the information they need to improve the quality of their Emergency Medical Services systems, including patient care, dispatch and transport. The data will include, among other sources, data collected from data already submitted to the Office of Statewide Planning and Development for hospital treatments and data submitted for emergency room services.

COMMENTS:

No issues have been raised.

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY**ISSUE 3: FIRST THERE, FIRST CARE – BYSTANDER CARE FOR THE INJURED –
FINANCE LETTER****BACKGROUND:**

First Care – Bystander Care for the Injured provides young drivers with basic first-aid training to enable them to provide life saving bystander care at the scene of motor vehicle crashes in rural areas. The \$82,00 to fund the project is a grant that comes from the Office of Traffic Safety of the federal government.

The Emergency Medical Services Authority will contract with a paramedic to provide training at approximately 54 schools in 11 counties. The targeted audiences are 16-18 year-olds who have had some driving experience and are more likely to be on rural highways during peak crash times, weekend evenings, than beginning drivers. Hiring a paramedic as the training provider will enable EMSA to include more Emergency Medical Services personnel in prevention and public education activities. An evaluation will be conducted after the session in the spring of the second year, to determine if students used their training, and if they believe that the training helped them to become safer drivers. A determination will then be made whether to implement the program elsewhere in California.

COMMENTS:

No issues have been raised.

ITEM 5160 DEPARTMENT OF REHABILITATION**ISSUE 1: SOCIAL SECURITY REIMBURSEMENT AUGMENTATION – FINANCE LETTER****BACKGROUND:**

The Department of Rehabilitation is requesting \$2,698,000 in Social Security Administration reimbursements to fund the increased salary costs of existing positions. The cost of filled position exceeds the budgeted costs.

The Department has experienced difficulties filling Vocational Rehabilitation Counselor (VRC) positions. VRC positions account for 41 percent of the Department's total permanent positions. DOR prefers to hire individuals with Masters Degrees for the VRC positions because federal regulations encourage a comprehensive system of personnel development. In order to recruit and retain the individuals for the positions the Department must pay at the higher end of the salary range. As a result of hiring the VRCs at the higher end of the salary range the Department determined that it did not have the budget authority to continue paying for the services it provides.

DOR is proposing to use Social Security Funds to make up the differential between what was included in the Governor's January budget proposal and what the Department now believes it will need to have budgeted to cover the costs of the program. Social Security Administrations reimbursements are reflected in the Department's budget as expenditures from the Federal Trust Fund. Under the Social Security Act, the Social Security Administration reimburses for a portion of the costs incurred when the Department's efforts either successfully remove Supplemental Security Income or Social Security Disability Insurance recipients from the job training rolls or reduce benefits paid to the recipient.

COMMENTS:

No issues were raised.

ITEMS TO BE HEARD

ITEM 4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: MAINTENANCE OF EFFORT REQUIREMENT FOR SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

There are two issues to consider regarding the Maintenance of Effort (MOE) Requirement for SAPT Block Grants:

- 1) The potential shortfall in General Fund expenditures and;
- 2) The consequences of excluding Prop 36 funds towards fulfillment of the requirement for SAPT.

BACKGROUND:

The Legislature has been advised that the cumulative impact of the General Fund expenditure reductions proposed by the Governor create some risk that the state will violate the MOE requirements for the federal SAPT block grant program. The SAPT block grants are provided to the states on the condition that they maintain an ongoing level of support for drug or alcohol programs. States that violate the MOE requirement are at risk of losing one federal dollar of SAPT block grant funding for every state dollar they spend below the required MOE level.

LAO identified a potential MOE problem that could result in the loss of as much as \$3 million in federal funds. The Department argues that the \$3 million shortfall is within "material compliance" of the requirement and would not be in violation of the MOE.

The Governor is considering whether to continue to count General Funds spent on Prop 36 toward fulfillment of the state's MOE requirement for the federal block grant. The state would have to ask the federal authorities for permission to exclude Prop 36 expenditures.

If we include the state's contribution to Prop 36 in the MOE requirement this year and continue this level every subsequent year, there is no problem. On the other hand, if the state includes Prop 36 then reduces funding at the end of the initiative's five years, the state would eventually be in violation of the MOE requirement. As a result, the state would risk losing \$180 million in federal funding over two years. In both scenarios there is no short-term problem.

If we exclude the state's General Fund expenditures from MOE calculations, then the state will have greater flexibility in the future to adjust funding levels. Proponents of Prop 36 may argue that this flexibility could greatly reduce the amount of resources towards treatment programs. Notwithstanding, if the state took this action, it would lose \$14.2 million in SAPT funding next year if a significant amount of state funding were not added back to the DADP budget.

COMMENTS:

The Department has also informed the Subcommittee that this issue must be decided this year and may not be revisited next year. Additionally, LAO argues that the Legislature may wish to consider alternatives to using General Fund resources to address the potential MOE problem.

ISSUE 2: SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

The Subcommittee will consider using increased federal funding to restore reduced programs or to pass the funds straight to the counties.

BACKGROUND:

The Governor's April Finance Letter requests an augmentation of \$20.2 million in the Department of Alcohol and Drug Programs (ADP) Federal Trust Fund. These funds stem from an increase in the federal Substance Abuse Prevention and Treatment (SAPT) Block Grant. HIV prevention set aside accounts for \$6.9 million of the SAPT funds, with the balance discretionary funding. The Governor proposes to allocate these funds to the counties using the standard alcohol and drug program allocation methodology and to fund related State support information technology activities.

Additionally, the Governor requests that 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 recommends that the Subcommittee consider using these additional SAPT funds as a means to finance alcohol or drug programs that are a priority for the Legislature, but have either already been reduced or are facing reduction under the Governor's budget proposal. As it considers this strategy, the Legislature should also carefully consider which programs should be allocated General Fund support and which should be supported from other funding sources, such as SAPT. Depending on such funding choices, it would be possible to restore the programs without increasing General Fund costs.

Additionally, the 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.

ISSUE 3: PERINATAL TREATMENT PROGRAMS

The Subcommittee will consider the proposed reduction of programs to treat addicted mothers.

BACKGROUND:

The Department proposes a reduction in various programs to implement state General Fund reductions necessitated by economic uncertainties in the budget year. These reductions occur in perinatal programs, technical assistance, drug courts, and alcohol and other drug Non-Drug-Medi-Cal services.

PROGRAM NAME	GOVERNOR'S REDUCTION
Perinatal Treatment Programs	\$2.5 million
Technical Assistance Grants	\$850,000
Drug Court Partnership Act	\$8 million
Unallocated Program Reductions	\$7.5 million

\$2.5 million: Perinatal services encompass all regular alcohol and drug treatment services plus, at a minimum, the following components: gender specific issues, comprehensive case management, cooperative child care, transportation, parenting skills building, health education, child development education, linkages to medical, HIV/TB testing and counseling, and educational, vocational, and other services.

COMMENTS:

LAO suggests that the Legislature restore cuts to those programs the Legislature deems a priority. This program has been cut severely in the last two budget years, for a total of \$3.5 million, and could benefit greatly from a restoration. Additionally, there is significant evidence that alcohol and drug treatment for mothers accomplishes several societal goals, including reducing criminal recidivism of mothers and improving the life-course outcomes of their children.

Public and private county groups have expressed their agreement with the Governor's decision to distribute cuts to counties in a block grant format, allowing for local governments to decide how to distribute the reductions within their programs.

This program could be restored with SAPT funding.

ISSUE 4: TECHNICAL ASSISTANCE

The Subcommittee will consider the reduction to technical assistance contracts.

BACKGROUND:

The Department proposes a reduction in various programs to implement state General Fund reductions necessitated by economic uncertainties in the budget year. These reductions occur in perinatal programs, technical assistance, drug courts, and alcohol and other drug Non-Drug-Medi-Cal services.

PROGRAM NAME	GOVERNOR'S REDUCTION
Perinatal Treatment Programs	\$2.5 million
Technical Assistance Grants	\$850,000
Drug Court Partnership Act	\$8 million
Unallocated Program Reductions	\$7.5 million

\$850,000: The Governor proposes an \$850,000 reduction in technical assistance grants provided to help communities provide appropriate treatment services to specific populations, such as Native Americans, Elderly, and African Americans. There are nine contracts which provide regional training and assistance in the areas of substance abuse treatment and recovery issues for targeted populations and programs. These contracts were increased in FY 2000-01; this proposal will return the funding to FY 1999-00 levels, which was \$95,000 in SAPT Block Grant funds.

COMMENTS:

Several agencies serving the Asian community have commented that the proposed reduction to the ADP Technical Assistance program will limit the access of alcohol and drug program services to the Asian community. The Subcommittee could consider restoring cuts the Governor has made to these programs for underserved and rural communities in need of these technical assistance dollars in order to provide culturally sensitive treatment.

Public and private county groups have expressed their agreement with the Governor's decision to distribute cuts to counties in a block grant format, allowing for local governments to decide how to distribute the reductions within their programs.

This program could be restored with SAPT funding.

ISSUE 5: DRUG COURT PARTNERSHIP ACT

The Subcommittee will consider the reduction to the Drug Court Partnership Act.

BACKGROUND:

The Department proposes a reduction in various programs to implement state General Fund reductions necessitated by economic uncertainties in the budget year. These reductions occur in perinatal programs, technical assistance, drug courts, and alcohol and other drug Non-Drug-Medi-Cal services.

PROGRAM NAME	GOVERNOR'S REDUCTION
Perinatal Treatment Programs	\$2.5 million
Technical Assistance Grants	\$850,000
Drug Court Partnership Act	\$8 million
Unallocated Program Reductions	\$7.5 million

\$8 million: The Governor's budget plan would eliminate all funding for state operations and local assistance provided under the Drug Court Partnership Act (DCPA), one of two existing state-funded programs to support drug courts. The DCPA program, established by the Legislature as a four-year demonstration project, was to expire at the end of the budget year, but would be eliminated one year earlier under the Governor's proposal. About \$7 million would remain in the budget for grants under the Comprehensive Drug Court Implementation program.

Preliminary data from a statutorily mandated evaluation of the program indicate that the program was diverting a significant number of offenders to treatment who would otherwise be incarcerated. Additionally, data showed that the treatment provided to drug- and alcohol-addicted offenders was reducing the rates at which they committed new offenses.

COMMENTS:

The Legislative Analysts' Office argues that the report released on DCPA understates the savings to counties, because it did not consider all counties or those clients who did not complete treatment. The Legislature may want to be aware of the possibility that a reduction in DCPA could result in an offsetting increase in state criminal justice system costs, including state prison expenditures. The LAO has suggested that the Legislature consider statutory changes to consolidate the program with the Comprehensive Drug Court Implementation program for which the budget proposes to continue funding.

LAO believes that this reduction would likely not save any General Fund revenues. LAO argues that the Legislature should use General Fund to restore this program. However, it could also be restored with federal SAPT funding.

ISSUE 6: UNALLOCATED REDUCTIONS

The Subcommittee will analyze the reductions to regular alcohol and drug treatment services.

BACKGROUND:

The Department proposes a reduction in various programs to implement state General Fund reductions necessitated by economic uncertainties in the budget year. These reductions occur in perinatal programs, technical assistance, drug courts, and alcohol and other drug Non-Drug-Medi-Cal services.

PROGRAM NAME	GOVERNOR'S REDUCTION
Perinatal Treatment Programs	\$2.5 million
Technical Assistance Grants	\$850,000
Drug Court Partnership Act	\$8 million
Unallocated Program Reductions	\$7.5 million

\$7.5 million: This proposal reduces Alcohol and Other Drug (AOD) Non-Drug Medi-Cal Services. **These services include regular, perinatal, and drug court? The Department has yet to determine what specific programs or services would be affected by this proposed cut.** These encompass an array of services that may include group and individual counseling, residential services, detoxification, prevention, case management, relapse prevention, and ancillary services. These reductions amount to 2.7% of AOD services funding, which include General Fund, federal funds, and reimbursements, excluding Drug Medi-Cal.

COMMENTS:

Public and private county groups have expressed their agreement with the Governor's decision to distribute cuts to counties in a block grant format, allowing for local governments to decide how to distribute the reductions within their programs.

The LAO recommends accepting this reduction in the Governor's budget proposal.

This program could be restored with SAPT funding.

ISSUE 7: POSITION REAUTHORIZATION

The Subcommittee will consider re-authorizing positions in the Department, including Career Executive Assignment positions.

BACKGROUND:

These seven positions were abolished on July 1, 2001 by the State Controller's Office. Other employees were acting in out-of-class assignments or Emergency Appointments to fill the unoccupied posts in the interim. The augmentation is for \$48,000 General Fund and \$461,000 in other funds.

The positions include four Career Executive Assignment (CEA) positions: Chief Legal Counsel, Assistant Deputy Director in the Program Operations Division, Deputy Director for Quality Assurance Division, and Deputy Director of Administrative Services Division. The Department lacked the authority to initiate any CEA examinations because both the Director and Chief Deputy Director positions were vacant through mid-November 2000. As a result, recruitment did not occur until after the Director was appointed. At this point, Prop 36 was ramping up which caused additional delays. During this period, employees were filling these positions with Emergency Appointments and out-of-class assignments.

The other three positions include two Associate Governmental Program Analysts, and one Office Assistant. The Department anticipated being able to fill these positions before the SCO's limit of a six-month vacancy. Unfortunately, there were multiple recruiting efforts and medical problems with newly hired staff resulting in the abolishment of utilized positions.

COMMENTS:

The LAO has no issues with this restoration of abolished positions.

ISSUE 8: ASSET FORFEITURE PROCEEDS FOR SUBSTANCE ABUSE TREATMENT

The Legislative Analysts Office has proposed a new revenue source to fund alcohol and drug programs to help solve the federal Maintenance of Effort problem for SAPT funding.

BACKGROUND:

General: The Legislature has the option of using a portion of the proceeds received from the seizure of assets from illegal narcotics traffickers to help prevent crime through an increase in support for substance abuse treatment programs. This approach could enable the state to maintain sufficient state funding for such programs to avoid federal sanctions that would result in the loss of additional treatment funds from the federal SAPT grant.

Because of the state's fiscal problems, the Legislature may wish to consider alternatives to using General Fund resources to address the potential MOE problem. One such alternative would be to enact statutory changes to shift between \$4.5 million and \$10 million of the approximately \$50 million in asset forfeiture proceeds received each year to support DADP local assistance programs. These funds are the proceeds gained from the seizure of assets found to have been used in illegal drug-trafficking activities.

Local Assistance: Such funding shifts would primarily come at the expense of local law enforcement agencies involved in criminal investigations that result in asset forfeiture, although under this option the funding would be returned to various local agencies in the form of more resources for drug or alcohol treatment services. The policy rationale for such changes would be to shift more resources from law enforcement to crime prevention by investing in treatment programs, an action which studies indicate can be cost-effective in reducing involvement in criminal activities by persons who would otherwise remain addicted to drugs.

State law currently requires that 24 percent of the \$21 million in asset forfeiture proceeds now being received each year (about \$4.5 million) be deposited in the state General Fund. A statutory formula allocates the remaining proceeds among prosecutors, the California District Attorneys Association, and the law enforcement agencies that were involved in the seizure of criminal assets. However, all of the \$30 million per year in federal asset forfeiture proceeds goes directly to the California agencies involved in these criminal cases.

The Legislature could modify state law, as Oregon, Utah, and other states have done, to require that part of the federal asset forfeiture proceeds received by California agencies to be redirected to specific state programs--in this case, support of substance abuse treatment. Current U.S. Department of Justice guidelines require that federal asset forfeiture proceeds be used primarily to support specified law enforcement activities and equipment purchases. However, those guidelines do permit up to 15 percent of such proceeds to be used for drug treatment programs. In California, allocation of 15 percent of federal asset forfeiture proceeds could generate about \$4.5 million annually to support DADP's local assistance programs.

If state law were changed to require that the state share of such proceeds be increased from 24 percent to 50 percent, an additional \$5.5 million could be generated to support DADP's local assistance programs, or for other state purposes.

COMMENTS:

The LAO recommends that the Legislature consider the option of modifying state law to redirect a portion of asset forfeiture monies to support drug treatment programs. The LAO believes this option could be justified on policy grounds as an effort to shift only a portion of these resources from law enforcement to crime prevention. This is particularly true if the funds were used to preserve or expand programs targeted at individuals, such as juveniles, who are or were at risk of becoming criminal offenders.

Implementation of the asset forfeiture funding option could also help the state avoid a potential violation of the conditions of its SAPT grant by providing an additional allocation of state funding for DADP's drug or alcohol treatment programs that could be counted against California's MOE requirement.

This revenue stream could be used to fulfill the MOE problem if Prop 36 was excluded from the calculation this year.

ISSUE 9: DEPARTMENTAL BUDGET REDUCTION QUESTIONS

The Department will answer the Subcommittee's Budget questions.

BACKGROUND:

During the March 13th Hearing the Subcommittee decided to compose a fixed set of questions for all Departments. The Department of Social Services will respond the following questions:

1. What actions have been taken to evaluate the effectiveness of the programs for which you are responsible?
2. Have you made any effort to prioritize the Department's programs?
3. How has your department utilized savings from excess vacancies? Why shouldn't we recapture those savings and positions in FY 02/03?
4. What other funding sources might be available for your programs?
5. The Legislative Analyst Office has produced a compilation of options for the Legislature to consider during Budget deliberations. Please comment on those options that you find objectionable and provide the rationale for your opposition.
6. What other areas of your Budget should be considered in our effort to identify additional savings?

ISSUE 10: STATE INCENTIVE GRANT FUNDING

The Subcommittee will consider directing the Department to apply for federal grants for community coalition building.

BACKGROUND:

Community Substance Abuse Prevention Coalitions have existed in California since 1989. This type of coalition provides a vehicle to bring all elements of the communities impacted by substance abuse together. All relevant members of the community are convened to develop and implement strategic plans to reduce problems associated with alcohol and other drug use and misuse. The overall purpose is to provide measurable reductions in alcohol and other drug problem on the community level. A coalition acts a neutral convenor, credible expert, and resource developer.

The language to be added to a budget or trailer bill would be the following:

The California Department of Alcohol and Drug Programs shall apply for federal State Incentive Grant funding offered by the Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Prevention. Provided that State Incentive Grant funding is secured and is permitted to be used for that purpose of developing community substance abuse prevention coalitions, the department shall use the grant to support county and citywide community substance abuse prevention coalitions that include county health and social services agencies, local law and justice agencies, school districts, county offices of education, and community based organizations.

COMMENTS:

LAO has no concerns with this proposal.

ITEM # 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 11: PREADMISSION SCREENING FOR NON-MEDI-CAL NURSING FACILITY RESIDENTS**BACKGROUND:**

The Governor's April Finance Letter requests an augmentation of \$789,000 General Fund monies and \$2,368,000 in reimbursements from Department of Health Services to support 7.5 positions, operating expense costs and contractual services to enable expansion of the Preadmission Screening and Resident Review for Mental Illness(PASRR/MI) to persons residing in long-term care facilities and where the cost of care is not reimbursed through Title XIX Medi-Cal. Of this amount, \$933,000 (\$233,000 General Fund and \$700,000 Reimbursements) is one time only related to PASRR/MI evaluations for existing residents in nursing facilities and Institutes for Mental Disease. This funding would enable California to comply with current federal regulations governing the PASRR Program. This would enable the PASRR section of DMH to process increased referrals for persons with mental illness or suspected of having a mental illness, who are admitted to or reside in Medicaid-certified skilled nursing facilities, intermediate care facilities, and Special Treatment Programs statewide, regardless of the source of payment for their care. The Department states that failure to implement full screening will likely result in a fiscal penalty for California. The potential impact of that penalty is not known yet, but the department believes that it could easily be in the millions of dollars.

COMMENTS:

ISSUE 12: DEPARTMENT OF MENTAL HEALTH GENERAL FUND REDUCTION

The DMH has offered a proposal to reduce their operating and programmatic expenditures.

BACKGROUND:

This chart of reductions to the Department's expenses totals \$42 million. Specifically, the department requests a reduction of \$3 million to reflect reductions in departmental support and a reduction of \$39 million in local assistance. The reductions in state support include 18.0 positions. The Legislature has the option of accepting or rejecting these proposals separately.

ITEM	PROGRAM	DESCRIPTION	BUDGET IMPACT
Local Assistance Programs			
1	Supportive Housing Program	None of the 31 currently funded projects or new projects from the current year will be affected by this reduction. There will be \$3.5 million for FY 2002-03 to allow DMH to continue to award funds in subsequent years, but to a lesser amount of projects.	Reduction: \$17.5 million General Fund
2	Special Education Pupils Program	This program is being reduced in total. The Governor assumes the costs to cover these children will be recovered by counties through the mandate process. There is strong disagreement over this assumption.	Reduction: \$12 million General Fund
3	Children's System of Care	This program provides access to comprehensive services for children with serious emotional disabilities.	Reduction: \$4.2 million General Fund
4	Supplemental Funding to Santa Clara County	This reduction is related to the closure of the East Valley Pavillion.	Reduction: \$2.7 million General Fund
5	Dual Diagnosis Projects	The other funding for projects was eliminated in the current year cuts. The Department of Finance argues that the projects should have enough money from roll-over because there was a slower start up time than appropriated.	Reduction: \$1.5 million General Fund
6	Healthy Families Program	This reflects normal caseload adjustments for HFP. These services are associated with mental health provided to legal immigrants.	Reduction: \$565,000 General Fund
State Support			
7	Program Development and Evaluation	Eliminates staff in the program.	Reduction: \$635,000 General Fund

8	Information Technology for Master Billing and Pharmacy Systems	Reduces the contract funding for the state hospital master billing and pharmacy systems.	Reduction: \$437,000 General Fund
9	Evaluation of AB 34/AB 2034 (Steinberg)	Reduces the departmental support for evaluation of the program for homeless mentally ill adults.	Reduction: \$400,000 General Fund
10	Consultant and Professional Services Contracts	Reduces funding for contracts.	Reduction: \$361,000 General Fund
11	Sexually Violent Predator Program Evaluation	Reduces funding for evaluation costs for judicially committed sexually violent predators.	Reduction: \$282,000 General Fund
12	Administrative Activities	Shifts funding for some of the department's administrative activities.	Reduction: \$233,000 General Fund
13	Seriously Emotionally Disturbed children On-Site Reviews	Eliminates DMH's participation in on-site reviews of seriously emotionally disturbed children.	Reduction: \$200,000 General Fund

COMMENTS:

One group of county administrators has expressed concern to the Budget Committee about the reductions to the Children's System of Care and the Special Education Pupils Program.

The Special Education Pupils Program will be discussed in Subcommittee on May 8th.

ISSUE 13: EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT SERVICES

The Subcommittee will review the augmentation to the EPSDT program.

BACKGROUND:

The Governor's Budget requests an augmentation of \$133,734,000 in local assistance reimbursements from the Department of Health Services to reflect caseload growth in the EPSDT program. It also requests a decrease in local assistance reimbursements of \$10,660,000 from the Department of Health Services for the current year based on the elimination of costs associated with therapeutic behavioral services from the EPSDT estimate and an increase in the cost-of-living adjustment applied to the Short-Doyle/Medi-Cal baseline.

The increased costs of this program are due to an increase in the number of children served and an increase in the amount of services provided to those children. This program has been increasing at a rate of about 30% per year.

It is the ultimate goal of the state to transfer the risk for EPSDT services to the counties, which now operate as Mental Health Plans under Phase II consolidation. The transfer of risk, however, is dependent on determining a reasonable estimate of the appropriate level of reimbursement for that risk. The continuing expansion of EPSDT services in response to significant state policy changes has made such an estimate impossible to date. A variety of factors, including modifications in Medi-Cal policy, legal decisions, and expansion of services by counties to meet EPSDT access requirements, will likely result in continued significant program growth for several more years.

The Department of Finance argues that shifting risk to the counties at this time risks legal claims, as well as the possibility of counties returning the responsibilities of providing these services to the state and opting out of the managed care situation.

COMMENTS:

ISSUE 14: THERAPEUTIC BEHAVIORAL SERVICES

The Subcommittee will consider approval of an augmentation of \$16,390,000 to fund services to troubled children.

BACKGROUND:

The Department of Mental Health is requesting an augmentation of \$16.5 million in reimbursements from the Department of Health Services and a General Fund reduction of \$148,000 in the DMH budget. Of the total amount requested \$7,927,000 reflects General Fund costs from DHS and the balance of \$8,463,000 is Title XIX Federal Financial Participation.

This funding is used for DMH and DHS to meet their financial obligations for Therapeutic Behavioral Services (TBS), an expanded Medi-Cal Early and Periodic Screening, Diagnosis, and Treatment (EPDST) outpatient specialty mental health service. The funding will also be used to conduct necessary administrative functions associated with TBS and to provide appropriate oversight of the services.

Funding for TBS is driven by caseload of clients and utilization of services. This is the third year of implementation and the program is ramping up. The program aids high risk children by offering comprehensive services, in which a provider works with the child on a one to one ratio.

Implementation of TBS is a mandate and required by a preliminary injunction issued in June 1999 as a part of the class action lawsuit, Emily Q. v. Bontà. DMH and counties are required to provide this service as a Medi-Cal benefit.

COMMENTS:

The Legislative Analysts Office states that the cost of expanding therapeutic behavioral services to troubled children and older youth is almost double, on a cost-per-client basis, than the figures presented to the Legislature when a major expansion of this program was inaugurated last year. As a result, LAO has withheld recommendation on the request for a net increase of \$16 million for expansion of TBS. The LAO recommends the Legislature solicit answers from the department as to why the cost of the program is so much higher than was indicated last year and what steps, if any, could be taken to control the costs of these services.

ISSUE 15: SALINAS VALLEY PSYCHIATRIC PROGRAM

The Subcommittee will consider scoring savings of \$2.4 million in the current and budget years.

BACKGROUND:

The Governor's 2002-03 Budget, after accounting for the expiration of one-time funding from the current year, would provide a total of about \$5.8 million for the anticipated full-year operation of the new mental health beds. Current year expenditures are \$2.9 million. According to DMH, it was advised by CDC to delay recruitment of staff for the new facility. This was delayed, but DMH is currently hiring and recruiting staff. The administration unit will be moving in in June and occupancy is tentatively scheduled for September.

If activation of the facility is postponed until September 2002, much of the \$1 million appropriated in the current fiscal year, and as much as \$1.4 million of the appropriation of the budget year, would not be needed.

COMMENTS:

The Legislative Analysts Office has suggested that the Department of Mental Health and the Department of Corrections report on the status of the Salinas Valley Psychiatric Program activation and the savings that could result if its opening is postponed. If activation on the facility is postponed DMH should estimate the savings that will result both in the current and budget year from the delay and the Legislature should adjust the CDC and DMH budgets accordingly.

ISSUE 16: PATIENT POPULATION CASELOAD

The Subcommittee will consider an agreement reached by DOF, LAO and DMH regarding the forecasting methodology to determine patient caseload, resulting in savings of \$5.4 million.

BACKGROUND:

The Governor's original budget plan proposed to provide additional funding to DMH in both the current and budget year to accommodate the increases that the department projected will occur in the state hospital population. It requested a General Fund increase of \$21.6 million to treat certain forensic patients.

DMH originally based its analyses on a ten-year population projection. As a result, it assumed that 1) the number of county Lanterman-Petris-Short (LPS) patients would decline, 2) the number of CDC state prison inmates receiving treatment in state hospitals would remain level, and 3) the number of other forensic patients supported through General Fund appropriations in the DMH budget would increase.

The Legislative Analysts Office had two main issues with the department's assumptions: 1) the caseload projections are too high and 2) the hospital caseload funding is overstated. First the LAO uses a smaller time frame to reflect current trends in patient caseloads, to more fully take into account recent statistical trends and recent changes in programs. Specifically, LAO assumes a somewhat higher caseload of LPS patients, but a lower number of CDC patients in state hospitals. Secondly, the LAO argues the funding needs are overstated. The hospital caseload has been running far below projections for a long time.

COMMENTS:

CURRENT YEAR	GOVERNOR'S BUDGET PROPOSAL	AGREED PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$430,309,000	+\$21,621,000	-\$5,377,500	\$446,552,500

The agreement reached among DOF, DMH, and LAO is a General Fund increase of \$16,243,500 and a reduction in reimbursements. This change causes a savings of \$5,377,500 and a shift of \$1.1 million to the counties to reflect their share of overhead costs resulting from a change in the ratio of General Fund to LPS patients.

ISSUE 17: HOSPITAL BED ALLOCATION

The Subcommittee could investigate the need for additional mental health hospital beds and potentially realize \$3 million in savings.

BACKGROUND:

The Governor proposes to augment the General Fund by \$3,061,000 to the state hospital appropriation to support new non-level-of-care staff positions and additional expenses at Atascadero and Patton State Hospitals. These positions will support clinical staff and meet the activation needs of additional beds when the modular space is occupied. The 500 bed increase was previously justified because the department assumed that the state hospital system would run out of bed space in 2002-03 for patients requiring a secure setting.

The Legislative Analysts Office argues that as a result of slower state hospital population growth, additional hospital beds will not be needed until 2003-04 at the earliest. The activation of a secure new 258-bed facility last year at Atascadero means that DMH would continue to have a surplus of about 125 beds at the *end* of the budget year. The surplus in these secure beds may even be sufficient to meet the state hospital system's needs until 2004-05, when a new state hospital in Coalinga is scheduled to open.

CURRENT YEAR	GOVERNOR'S BUDGET PROPOSAL	LAO RECOMMENDATION	PROPOSED BUDGET EXPENDITURES
\$430,309,000	+\$3,061,000	-\$3,061,000	\$430,309,000

COMMENTS:

The Subcommittee can score the nearly \$3.1 million in savings as suggested by the LAO and agreed to by the Department of Finance and Mental Health.

ISSUE 18: TELEPSYCHIATRY REIMBURSEMENTS

The Subcommittee will consider adopting trailer bill language to provide for a short term remedy pending further work by DMH and constituency groups.

BACKGROUND:

There are challenges in providing mental health services to rural areas in California. Specifically, there are severe shortages of mental health services in rural California. There is limited access to mental health services may result in higher utilization of medical services and higher suicide rates. Often, there is a stigma in rural communities toward mental health services and concerns about privacy. Professionals believe that tele-mental health services can be effectively used to mitigate these challenges by improving access to services and stabilizing rural health care systems. Telepsychiatry is actually the number one specialty used by rural primary care providers.

The trailer bill language states:

The Department of Health Services shall allow psychiatrists to receive fee-for-service Medi-Cal reimbursement for services provided through telemedicine until June 30, 2004 or until such time as the Department of Mental Health and mental health plans, in collaboration with stakeholders, develop a method for reimbursing psychiatric services through telemedicine that is administratively feasible for the mental health plans, primary care providers and psychiatrists providing the service.

COMMENTS:

When mental health services are provided via Telemedicine, there is no reimbursement mechanism in place to enable the Psychiatrist to bill Medi-Cal and maintain the carve-out. The largest provider of these services has indicated that it will not be able to continue these services in the conditions under which it operates now, without prior authorization. UC Davis anticipates that many patients will not have access to psychiatric care as a result.

The UC Davis workgroup determined that a viable solution would be to use a Medi-Cal billing code in lieu of billing as a county mental health service. They contend that this will enable patients to continue to receive the psychiatric consult without having to enter the County Mental Health System. DMH responded that the proposed solution was not workable but

ISSUE 19: CLINICAL PSYCHOLOGISTS

The Subcommittee will hear issues relating to oversight of implementation of legislation.

BACKGROUND:

Assemblymember Gallegos helped enact into law Chapter 7171, Statutes of 1998, which required that clinical psychologists receive consideration by medical staff for clinical privileges based upon their individual education, training, expertise, and demonstrated competence.

The former regulations required facilities to establish rules, regulations, and procedures for consideration of psychologist's application for medical staff membership and clinical privileges. Specifically, the law recast the requirements to conform the membership and clinical privileges to those of other licensed health care practitioners. These revisions include a prohibition against discrimination on the basis of licensure.

COMMENTS:

Questions/Issues for the Department of Mental Health Director, Dr. Stephen Mayberg:

1. Has the spirit of AB 947 been fully implemented by the Department of Mental Health at the state hospitals?
2. In the three years since the passage of AB 947, has any clinical psychologist been granted privileges by the medical staff to admit, diagnose, authorize a treatment plan, or discharge mentally ill patients in state hospitals?

Please present the list of psychologists and the facilities where the psychologists are authorized with these responsibilities. If there are no psychologists with these privileges, please explain the reasons.

ISSUE 20: EARLY MENTAL HEALTH INITIATIVE TRAILER BILL LANGUAGE

The Department will present modifications to trailer bill language.

BACKGROUND:

The Department has suggested that it would like to introduce changes to the trailer bill language that was submitted on January 15th. This request was made late.

The proposed changes are to the Early Mental Health Initiative. These modifications change the percentages for the requirements of the program.

COMMENTS:

The Department should address the proposed changes and the impacts that these changes will have on the budgetary constraints. The Department should also present the proposed changes in writing to the Subcommittee.

ISSUE 21: DEPARTMENTAL BUDGET REDUCTION QUESTIONS

The Department will answer the Subcommittee's Budget questions.

BACKGROUND:

During the March 13th Hearing the Subcommittee decided to compose a fixed set of questions for all Departments. The Department of Social Services will respond the following questions:

- 1) What actions have been taken to evaluate the effectiveness of the programs for which you are responsible?
- 2) Have you made any effort to prioritize the Department's programs?
- 3) How has your department utilized savings from excess vacancies? Why shouldn't we recapture those savings and positions in FY 02/03?
- 4) What other funding sources might be available for your programs?
- 5) The Legislative Analyst Office has produced a compilation of options for the Legislature to consider during Budget deliberations. Please comment on those options that you find objectionable and provide the rationale for your opposition.
- 6) What other areas of your Budget should be considered in our effort to identify additional savings?

ISSUE 22: DEPARTMENT STAFFING LEVELS

The Subcommittee will review a pending study on DMH vacancies that should help determine which of the growing number of unfilled positions should be abolished.

BACKGROUND:

Midway through the 2001-02 fiscal year, DMH indicated that about 1,750 of the authorized 8,650 positions remain vacant. This represents a vacancy rate of about 20 percent—a rate far in excess of the 5 percent vacancy rate that is the standard for operation of most state agencies, and a rate higher than the 15 percent vacancy rate reported by the department at the same time last year. The major reason so many positions go unfilled is the severe difficulties the department has experienced in recruiting and retaining nurses, mental health professionals, and certain other staff positions subject to labor shortages.

DMH has reviewed for the Subcommittee its 1,105 vacant positions noted in the Bureau of State Audits. Of the total, 59 percent of the vacancies in FY 2000-01 were in the level-of-care classifications, while 22 percent were in other difficult-to-fill and high turnover classifications, including hospital police officers, dieticians, pharmacists, food service workers, and janitors.

Because state mental hospitals are licensed and accredited, there are level-of-care staffing standards that must be adhered to 24 hours a day. DMH, as all other state agencies required to provide 24 hour care, have for several years been struggling with the difficulty in recruiting for virtually all level-of-care classifications, which include doctors, nurses, psychiatric social workers, psychologists, rehabilitation therapists, psychiatric technicians and teachers.

The Department is making efforts to combat the shortage of clinical staff. DMH acknowledges budgetary support from the Administration and the Legislature to expand the Psychiatric Technician Schools. Atascadero State Hospital has increased its program by 194 graduates in two years, and Napa State Hospital has had an increase of 30 Certified Nursing Assistants and 30 new Psychiatric Technicians. DMH is also partnering with Hacienda-La Puente College and West Hills Community College. DMH also participates in the Governor's Nursing Initiative.

COMMENTS:

The LAO recommends that the Legislature direct the Department of Finance to prepare a revised 2002-03 hospital spending plan that more closely reflects: 1) the number of staff positions that the hospital system will actually be able to fill and 2) how excess funding from vacancies is actually being used. LAO acknowledges that, in most cases, unused funding from vacancies are being used for other appropriate purposes.

ITEM 2400 DEPARTMENT OF MANAGED HEALTH CARE

ISSUE 1: FINANCIAL SOLVENCY BOARD**BACKGROUND:**

Chapter 529, statutes of 1999 (SB 260 – Speier) established the Financial Solvency Standards Board. The role of the Board is to advise the Director on matters of financial solvency that affect the delivery of health care services. Also, the Board is to develop and recommend financial requirements and standards relating to plan operations, plan-affiliate operations and transactions, plan-provider contractual relationships and provider-affiliate operations and transactions. Health plans and providers were also mandated to make reports to the Board.

In September 2001, the California Medical Association filed a lawsuit to enjoin the Department of Managed Health Care from portions of the regulations issued pursuant to SB 260. The CMA objected to the public disclosure of most of the financial information collected by DMHC. In February, 2002 the court ruled a ruling in the case. Consistent with the Court's directive, the DMHC no longer requires the risk-bearing organizations to submit the financial data.

The DMHC had requested making three temporary positions permanent to handle the reporting by the risk bearing organizations.

COMMENTS:

Department, given the order of the court, please outline for the Subcommittee how the positions will be utilized? What is the Department doing to make its services more available linguistic and culturally?

ITEM 2400 DEPARTMENT OF MANAGED HEALTH CARE**ISSUE 2: HMO REPORT CARD - OVERSIGHT****BACKGROUND:**

The Office of Patient Advocate (OPA) was established in Chapter 525, Statutes of 1999 (AB 78, Gallegos). One of the key responsibilities of the of the OPA is to compile an annual publication, that is to be made available over the Department of Managed Health care website, of a quality of care report card including but not limited to health care service plans.

The report card is designed to inform HMO enrollees about quality of care and intended to help them select a health care service plan. It also is of use to health care service plans to assist them in their quality improvement efforts. The OPA received advice on the development of the report for the Department of Managed Health Care's Advisory Committee on Managed Health Care, as is statutorily required. The OPA solicited the views of other interested parties, particularly a Cultural and Linguistic Work Group. The OPA then compiled a report card using available quality indicators for seventeen of the largest full-service health care plans covering approximately 90 percent of the HMO enrollees.

The Department's Advisory Committee favors to develop a report card that covers all types of enrollment and includes reporting at the medical group level. However, data on Medi-Cal, Healthy Families and Medicare enrollees is not available currently. The OPA plans to work with the Department of Health Services, Managed Risk Insurance Board and the Centers for Medicare and Medicaid Services to collect the data. OPA will work with the Department of Health Services and the Managed Risk Medical Insurance Board to include their program data in future report cards or to link its report card to any other report cards prepared separately by the Department of Health Services and/or Managed Risk Medical Insurance Board.

The OPA is adding medical groups to the report card for its second year. Roughly half of all HMO enrollees are offered the choice of one HMO through their employer. As a result, much of the choice exercised by a consumer is at the medical group level. It is also doing an evaluation of the Report Card to make useful improvements.

In the third year of the report, the OPA is planning to review the available quality indicators. The Department's Advisory Committee recommended data sources other than the HEDIS (the source of clinical data) and CHAPS (the source of patient satisfaction data). Also, credentialing data, financial information, provider turnover rates, and health benefit design/features are under consideration. Also, the cultural and linguistic data will be collected and reported in the budget year. Finally, HMO Call Center complaint data will be included in the Report Card.

COMMENTS:

Patient Advocate, please provide the Subcommittee with an overview of the evolvement of the Report Card.

Patient Advocate, please detail for the Subcommittee the new variable for the report in the budget year, how will the report address cultural and linguistically?

ITEM 4120 EMERGENCY MEDICAL SERVICES AUTHORITY**ISSUE 1: 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 has 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 or 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:

EMSA, please describe for the Subcommittee has been the effect of not having a co-ordinator for the Emergency Medical Services for Children Program.
What will result from the lack of a Children co-ordinator in the future?

ITEM 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT**ISSUE 1: OUTCOMES REPORTING****BACKGROUND:**

In 1991, the California Hospital Outcomes Project was created to study and report on the quality of care in individual hospitals. OSHPD is required to publish risk-adjusted outcome reports on medical, surgical, and obstetrical procedures and conditions selected with input from a Technical Advisory Committee.

Historically, OSHPD has contracted with the University of California to develop the risk-adjusted outcomes models and to produce valid reports from the data. Due to competing demands, UC did not produce the ongoing reports in a timely manner. In 1999-2000, OSHPD established four limited-term positions to provide analysts who could produce regular reports using the analytical framework established by UC for risk-adjusted outcomes studies. The 2001-2002 budget made these positions permanent.

The Office has produced a series of four outcomes reports on Acute Myocardial Infarction (heart attacks) and has reports on four additional conditions under development. A report on mortality following Coronary Artery Bypass Graft (CABG) surgery, using data submitted voluntarily by 79 hospitals, was issued in August, 2001. Each year, approximately 27,000 Californians with advanced heart disease undergo a CABG in California. There are 118 hospitals that offer bypass surgery to adult patients. The CABG report provides comparative data on bypass surgery outcomes for California hospitals. This type of information is critical for hospital quality improvement efforts and for enabling patients and their families to make informed decisions about where to receive treatment. California is one of the few states that has taken on the challenge of developing risk-adjusted outcomes reports.

Chapter 898, Statutes of 2001, SB 680 (Figueroa), added several major provisions to OSHPD's outcomes reporting requirements. OSHPD is required to report CABG outcome reports beginning in 2004. In 2002 and 2003 the reports remain voluntary. In addition, OSHPD is required to report outcomes by surgeon as well as hospitals in 2004 and every other year thereafter. Also, OSHPD is given the authority to produce physician-level outcomes reports for other conditions/procedures. The Office is required to establish specialized Clinical Panels to review and approve newly developed, surgeon-level, risk-adjusted outcomes models. The Office is also given the authority to collect data necessary to produce CABG Reports.

COMMENTS:

OSHPD, please provide an overview of outcomes reports and their usefulness.

OSHPD, please provide an overview of the reports issued to date and the status of reports expected to be released in the three to five years. OSHPD, will any of the reports be ongoing? Why or why not

OSHPD, you have authority to collect several new data elements from hospitals, what plans do you have for new outcomes studies?

ITEM 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

ISSUE 2: SEISMIC SAFETY EXTENSION**BACKGROUND:**

The Office of Statewide Health Planning and Development has responsibility to review and approve plans for hospital construction, including ensuring compliance with standards for hospital seismic safety. The Office has recently approved extensions of seismic safety compliance deadlines for four hospitals. SEIU is very concerned with the extensions because public notice was not given nor was an opportunity to comment afforded. SEIU wants hospitals to publicly justify why they are unable to comply with the 2008 compliance deadline. The union states that that it recognizes that rebuilding or retrofitting an entire hospital by 2008 may not be feasible in many instances.

The union requests the Subcommittee adopt two pieces of trailer bill language: a requirement that hospitals be required to justify why they are not reasonably able to comply with the law and need an extension; and a public notice with a public comment period within which the relevant documents will be made available for 30 days.

Rather than adopting the trailer bill language the Senate requested the Service Employee International Union and California Healthcare Association get together and work out the issue.

COMMENTS:

Office, outline for the Subcommittee the logic of granting the extensions without public notice

SEIU/CHA please update the Subcommittee on the status of discussions the Senate requested you to undertake.

ITEM 4140 OFFICE OF STATEWIDE HEALTH AND PLANNING DEVELOPMENT

ISSUE 3: NURSING STUDENT SCHOLARSHIP – FINANCE LETTER**BACKGROUND:**

An element of the Governor's proposal to address the nursing shortage is additional educational support for nursing students for the next three years. In exchange for the assistance, the students would be required to commit to working in a medically under served area for up to five years. The Finance Letter would appropriate \$1.070 million for the purpose.

COMMENTS:

Office, please provide on overview of the nursing scholarship program and how awards are made.

ITEM 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

ISSUE 4: REGISTERED NURSE EDUCATION TRANSFER – FINANCE LETTER**BACKGROUND:**

The January budget included a transfer of \$800,000 from the Registered Nurse Education Fund to the General Fund. To fund the nursing scholarship and loan repayment program, it is necessary for the transfer to be reversed.

COMMENTS:

Office, please provide an overview of the nursing scholarship program and how awards are made.

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD

ISSUE 1: HEALTHY FAMILIES - PARENTAL EXPANSION

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$656,962,000	\$241,800,000	

BACKGROUND:

Healthy Families is projected to have 558,888 children enrolled in the program by the end of the year, an increase of 34,040 over what was estimated when the 2001-2002 budget was adopted. The budget year projection is 623,306 children, a year to year increase of 64,418 children. The program expenditures for the current year are projected to total \$535 million and the budget year they are expected to total \$649 million. The average cost per child per month is increasing a small amount, from \$8.54 to \$8.70.

In the budget year, 20,666 children are anticipated in the program from the new Child Health and Disability Prevention Program gateway. The addition of the children from the CHDP program would increase program expenditures by \$15.4 million.

A change in the program is the adjustment for the first full month of coverage (true-up). Effective March 2002, MRMIB implemented a program change in which the initial premium will cover the cost of the first full month of family enrollment. This will eliminate the fluctuations in initial billings that confused subscribers and contribute to late payments. To facilitate the change the estimate applies 1/30th of the premiums collected from new enrollees to the month in which they enroll. This is due to subscribers enrolling with effective dates of the 2nd through the 31st will not pay a premium for the initial month of coverage.

In January of this year the federal government approved the state's Healthy Families Program Waiver. The approved waiver will extend the Healthy Families program to the uninsured parents of children in families with income less than 200 percent of the Federal Poverty Level. As is true in the childrens' program, there is no asset test for the parents. As is true in the childrens' program, parents who have had employer based coverage in the preceding month are not eligible for Healthy Families. The general expectation is that with parents enrolling in the program, more children will be enrolled and there will be fewer breaks in coverage for the children.

MRMIB has been working to get ready to commence enrollment on July 1, 2002. The handout details the activities and timeframes of MRMIB's efforts to be ready by July 1. MRMIB expects 336,962 parents to enroll in Healthy Families. As with the children, Healthy Families is not an entitlement for the parents. If federal funds are inadequate for the whole program, the funds must first be utilized for the children.

COMMENTS:

MRMIB, please provide the Subcommittee with an overview of Healthy Families Program over this budget year and the next.

MRMIB, has the projection for the number of children from CHDP who will enroll in Healthy Families changed. Briefly describe for the Subcommittee how the estimate was derived.

MRMIB, please briefly describe for the Subcommittee all that was done so that parents could be enrolled on July 1. Will you be able to enroll parents on July 1? How many parents are Healthy Families and Medi-Cal projected to enroll in the first year? What about the second year, how many more will be enrolled?

ITEM 4280 MANAGED RISK MEDICAL INSURANCE BOARD**ISSUE 2: RURAL HEALTH DEMONSTRATION PROJECT**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$2,000,000	\$2,000,000	\$2,000,000

BACKGROUND:

The Rural Health Demonstration Projects were authorized in the state's enabling legislation, Assembly Bill, Chapter 6623, Statutes of 1997, for the Healthy Families Program. 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 RHDP provides grant funds to participating health, dental and vision plans to provide increased services to eligible subscribers enrolled in the Healthy Families Program and who are members of a special population and/or residing in rural areas. Included within the eligible population are seasonal and migrant farm workers, forestry and fishing workers and American Indians.

The DHS and MRMIB have employed three strategies to address the access issues for Special Populations A, Special Populations B and Geographic access. Special Population A grants are incentives to Healthy Families Plans to expand services without regard to a geographic boundaries. MRMIB provides the funding and administration. Special Populations B were to be grants to develop networks of health care providers to deliver health care services to special populations. DHS was to fund and administer the grants. Because a waiver is necessary the strategy has never been employed. Geographic Access addresses the lack of services in the rural areas of the state. In addition, Infrastructure grants were to be made for the development or enhancement of infrastructure in rural areas. This is administered and funded by DHS. It has never been employed because it also requires a federal waiver.

For the current year, MRMIB has funded 52 projects at a cost of \$6 million. Twenty seven were selected to address issues of geographic access and 25 were funded to support special populations. The proposed budget does not recommend any funding for the Rural Health Demonstration Projects.

COMMENTS:

MRMIB, please describe for the Subcommittee the basic types of programs that have been funded through the Rural health Demonstration Grants.

MRMIB, over the years 108 Geographic Access projects and 130 Special Population grants have been made, please describe the impact of not funding the Rural Health Demonstration Grants?

ITEM 5160 DEPARTMENT OF REHABILITATION**ISSUE 1: WORK ACTIVITY PROGRAM****BACKGROUND:**

Work Activity Programs (WAP) provide meaningful and supportive work opportunities in a center-based work environment for more than 10,000 people with developmental disabilities. Work is generally provided in a sheltered workshop and includes both paid work and work related services. Providers are reimbursed on their WAP historical costs so the rate for services varies from provider to provider. Providers are paid on a per consumer day. Current statute requires the rate to be re-established every two years and be based on the provider's actual cost of providing services. Rates for 2002-2003 are to be based on the actual costs of providing services in 2000-2001.

The budget, through trailer bill language, would suspend the new rates to be set in 2002-2003. For the budget year the rates paid to providers would be based on costs from 1998-1999. This would save the General Fund approximately \$3.8 million General Fund. Money spent in 2000-2001 expecting rates to be increased in 2002-2003.

As with the clients of the Department of Developmental Services, clients of the Department of Rehabilitation are eligible for placement on the state's Home and Community-Based Services Waiver. The placement of clients on the waiver would have federal funds displace General Funds. The budget savings would be available for other budgetary purposes.

COMMENTS:

Department, have you done an assessment of how many clients of the Department could be placed on the waiver? If so, how many clients can be placed on the waiver in the current year and how many can be placed in the budget year? If an assessment has not been conducted how long would it take and what resources that you do not have are necessary?

Department, please tell the Subcommittee what will be the effect of the rate freeze on providers and clients of the Department?

Department, please tell the Subcommittee when the next rate adjustment would be required statutorily? What would be the base cost year for the programs?

ITEM 5160 DEPARTMENT OF REHABILITATION

ISSUE 2: HABILITATION PROGRAM – SUPPORTED EMPLOYMENT AND WORK ACTIVITY PROGRAM**BACKGROUND:**

The budget would appropriate \$10.9 million, \$10.5 million General Fund, for the caseload increase in the Habilitation Supported Employment and Work Activity programs. This is on top of a current year deficiency appropriation related to an increase in the number of days clients attend Work Activity Programs and the number of job coaching hours provided the Supported Employment Program.

The budget would achieve savings in the two programs through unspecified cost containment measures. The projected savings from the cost reducing measures total \$7.3 million, \$5.9 million General Fund. The Department conducted a number of stakeholder meetings to identify various cost cutting measures that could be adopted by the Department to achieve its budget mandate. The Department has finished the process and is assimilating the data it collected.

According to the California Rehabilitation Association, the Department used 240 days per year per Work Activity Program consumer in building its budget. In the current year the Department budgeted 217 days per consumer. Over the last five years the number of consumer days per year has never been over 217 days. The Association believes the Department would realize a \$6.6 million General Fund savings if the Work Activity Program was budgeted at the 217 days per year standard rather than the 240 used in the construction of the 2002-2003 budget.

COMMENTS:

Department, what average level of days assumption was used in the construction of the 2002-2003 departmental budget for the Work Activity Program?

What level was the comparable figure for the 2001-2002 budget? What is the average comparable number for the last five years?

Department, please describe for the Subcommittee what conclusions the Department reached as a result of the stakeholder meetings?

Department, will the Legislature and the stakeholders be given an opportunity to review and comment on the Department's proposal before the May Revision?