

**AGENDA, PART 2**  
**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1**  
**ON HEALTH AND HUMAN SERVICES**

**ASSEMBLYMEMBER GILBERT CEDILLO, CHAIR**

**MONDAY, MAY 17, 1999**  
**STATE CAPITOL, ROOM 444**  
**2:00 P.M.**

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## **4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT**

### **ISSUE 1: RURAL HEALTH DEVELOPMENT GRANTS**

These finance letter requests \$2 million to continue General Fund support of rural health infrastructure needs, targeted to licensed non-profit and public providers of healthcare in rural and frontier areas of California.

#### **BACKGROUND:**

This grant program has two components: 1) rural health capital grants; and, 2) professional loan repayments grants. The latter is designed to assist in recruitment and placement of health professions in federally designated professional shortage areas.

Capital grants can be used for a variety of purposes including health facility remodeling projects, patient care equipment, data systems upgrades, and consulting for seismic retrofit to name a few. Professional loan repayment grants offer to repay educational loans for clinical health professionals willing to re-locate and practice in rural communities.

These grants are available to:

- Non-profit licensed health facilities;
- Local government agencies; and,
- Non-profit community-based organizations

#### **COMMENTS:**

- Last year, the Legislature provided \$3 million for this program.

**ISSUE 2: CONTINUATION OF SAMET AND CALSAMMP**

The finance letter requests \$300,000 increased reimbursement authority to continue the Shortage Area Medical Education and Training (SAMET) program, and to re-institute the California Shortage Area Medical Matching Program (Cal SAMMP) at OSHPD.

**BACKGROUND:**

The California Endowment provided a grant to the U.C. Davis Medical School to initiate a Shortage Area Health Professions Development Program. U.C. Davis plans to sub-\$900,000 over three years with the OSHPD to conduct a major component of the SAHDP. These funds are being used by OSHPD to continue the Shortage Area Medical Education and Training (SAMET) program, and to re-institute the California Shortage Area Medical Matching Program (Cal SAMMP). **The objective of these programs is to place primary care medical residents, physician assistants, and nurse practitioners in shortage areas.**

**Health Professions Counselors:** Recent studies indicate that many underrepresented students interested and pursuing health professions do not have adequate support and guidance needed to make informed decisions. Consequently, many decide not to attend. Advocates have requested funding to hire additional counselors at the UC and CSU campuses, as well as funding to provide for frequent publications of *Health Pathways* (Published by OSHPD). Should the subcommittee also provide funding for a Medical Consultant to provide direction and leadership for the new and existing programs focused on increasing the supply of minority health professionals?

**COMMENTS:**

- These programs serve as an entry point for a significant number of minority health professionals. Recent surveys indicate that statewide the ratio of minority health professionals to minority patients is very low.

## 4260 DEPARTMENT OF HEALTH SERVICES

### ISSUE 3: MEDI-CAL MAY REVISE

The Governor's May revise includes \$76 million and \$181 million General Fund above the current and budget years respectively.

#### BACKGROUND:

**New Medi-Cal Policy Initiatives:** The Governor's Medi-Cal May revise proposal includes very modest policy changes,

- ***New Drugs and Vaccines.*** The May revise proposal adds several new drugs to the Medi-Cal formulary, as well as new vaccines. The drugs are for the treatment of arthritis, Hepatitis B, and Hepatitis C. The vaccines are for Hepatitis A and Lyme disease. This accounts for \$5.2 million in the current year and \$32.2 million in the budget year.
- ***Nursing Homes.*** The May revise includes a one-percent rate increase for nursing homes. This is expected to cost approximately \$14.2 million in the budget year.
- ***\$110 Million Set-aside.*** The Governor's May Revise includes a \$110 million set-aside to address several areas including, Medi-Cal managed care rate increases, nursing home reform, and In-Home Supportive Services.

**Medi-Cal Base Budget Increases:** Most of the increase in the current and budget years is related to higher than anticipated costs on old policy initiatives, and lower than expected savings. The current year increase is driven higher than anticipated costs in the Family Planning program, as well as increased costs associated with medical supplies, and county administration. The budget year increase is again associated with higher than anticipated costs for family planning, EPSDT mental health services, and medical supplies. Other areas of significant increased costs include the Home and Community Based Services Waiver (\$20 million), and the state Developmental Centers (\$18.5 million).

#### COMMENTS:

- The Legislative Analyst's Office recommends reducing the Medi-Cal May revise caseload estimate by \$46 million.
- As we discussed in a previous Medi-Cal hearing, the budget includes funds to continue prenatal care services for immigrant women. Placeholder trailer bill language is needed to re-establish the prenatal program.

**ISSUE 4: MEDI-CAL AND FAMILY-PACT ANTI-FRAUD INITIATIVE**

The May revise proposes \$2.48 million (\$1.2 million General Fund) and 30 new positions for Medi-Cal and Family-PACT Anti-Fraud activities. It is estimated this proposal will result in \$5.7 million in savings.

**BACKGROUND:**

The proposal would 1) tighten the provider enrollment process, 2) increase drop-in activities, 3) increased review and referral of Family-PACT providers with suspicious utilization patterns, as well as termination of provider agreements, and 4) curbing residency fraud in the Medi-Cal program. (Note: According to the department, residency fraud is committed when non-residents use false identification, mail drops, etc. to illegally obtain Medi-Cal or other benefits.)

Per the recommendation of the State Auditor, both houses of the Legislature and the Governor eliminated the Port of Entry Detection/California Airport Residency Review programs. Item 4 listed above is proposed as a kinder and gentler method of detecting residency fraud. According to the department, this approach would address residency fraud without direct contact with the Immigration and Naturalization Service.

**COMMENTS:**

- Is the state required to conduct some form of residency fraud detection to receive federal funds for the Medi-Cal program.
- The budget assumes \$15.3 million in savings resulting from these programs. **The residency fraud proposal accounts for \$1 million in savings.**

**ISSUE 5: ROCIO V. BELSHE SETTLEMENT**

Should the subcommittee adopt the following budget bill language requiring the department use unclaimed funds to conduct outreach to immigrants communities eligible for Medi-Cal?

“Notwithstanding any other provision of law, any funds designated in the budget for the settlement of the Rocio v. Belshe litigation that are left unclaimed shall be used by the State Department of Health Services to facilitate the enrollment of immigrant communities eligible to participate in the Medi-Cal Program.”

**BACKGROUND:**

On November 2, 1998, a federal court issued a settlement in the case of *Rocio v. Belshe*, requiring the Department of Health Services to repay funds recovered from immigrants for services they had received legally. The budget includes \$3.8 million (\$1.9 million General Fund) to reimburse 1,059 immigrants as required by the settlement.

**COMMENTS:**

- It is likely that some portion of these funds will remain unclaimed. The advocates have requested that the unclaimed amount be used to alleviate some of the fear generated by the previous administration through the implementation of programs such as the Port of Entry Detection and the California Airport Residency Review.

**ISSUE 6: FAMILY-PACT POSITIONS**

This May revise proposal requests \$423,000 (\$188,000 General Fund) and five positions to implement the Family-PACT waiver proposed in the January budget and subsequently adopted by the budget committees of both houses of the Legislature.

**BACKGROUND:**

**The positions appear to be justified on a workload basis.** Under the proposal two positions would be in the Office of Family Planning, two positions would be in the Audits and Investigations Branch, and would be in the Rate Development Branch.

**COMMENTS:**

- Are the positions permanent or temporary?

**ISSUE 7: PUBLIC HEALTH CASELOADS—CHDP, CCS & GHPP**

The total General Fund increase in the public health caseload programs is about \$9.95 million in the current year, and about \$8.7 million in the budget year.

**BACKGROUND:**

***Child Health and Disability Prevention:*** The total estimated current year amount is \$84.16 million. This is a decrease of \$4 million (\$2 million General Fund) from the November estimate. The total estimated budget year amount is \$91.45 million. This is a decrease of \$4 million (\$2.8 million General Fund) from the November estimate.

***California Children's Services:*** The total estimated current year amount is \$107.3 million, or an increase of \$3.75 million General Fund. The total estimated budget year amount is \$111 million, or an increase of \$6.4 million over the November estimate.

***Genetically Handicapped Persons Program:*** The total estimated current year amount is \$25.2 million, or an increase of \$6.2 million General Fund. The total estimated budget year amount is \$23.1 million, or an increase of \$2.3 million General Fund over the November estimate.

**COMMENTS:**

- The increased request is related to projected caseload growth, and a CHDP vaccine expansion. Also, a portion of the increase is related to a claims backlog in the GHPP.



**ISSUE 8: CHDP VACCINE EXPANSION**

This finance letter requests \$1.3 million (\$787,000 General Fund) to conform the CHDP Immunization schedule for children 0 to 21 years of age to the immunization schedules recommended by the American Academy of Pediatrics.

**BACKGROUND:**

Under the proposal, children under 200 percent of the poverty level would receive two additional vaccines, one for Rotavirus, and one for Hepatitis A.

**COMMENTS:**

- All vaccines available through CHDP are 100 percent federally funded under the federal Vaccines for Children program. The CHDP program reimburses providers for administering the vaccines at a rate of \$7.88 per dose.

**ISSUE 9: CALIFORNIA HEALTH INTERVIEW SURVEY**

The May revise proposes to fund the proposal adopted in the Assembly and Senate budget committees. The only difference is two proposed positions to provide technical assistance and general support to CHIS users. Staff recommends approving the positions.

**BACKGROUND:**

The subcommittee provided \$2 million (\$1 million General Fund) to develop and implement the California Health Interview Survey (CHIS) to provide population based public health data for policy makers and health professionals. This proposal was also adopted in the Senate.

**COMMENTS:**

- This project is a collaborative effort between the UCLA Center for Health Policy Research, and the Public Health Institute.

**ISSUE 10: HIV/AIDS PROGRAMS & SERVICES**

This May revise finance letter restores \$4.2 million General Fund to the Office of AIDS budget, and redirects an additional \$5 million General fund savings from the AIDS Drug Assistance Program (ADAP) for a total of \$9.2 million.

**BACKGROUND:**

This subcommittee previously augmented the HIV/AIDS budget by a total of \$11.2 million General Fund. The table below compares the Governor's proposal to that adopted in the Assembly.

	<b>Assembly</b>	<b>Governor (May Revise)</b>
Early Intervention Program Expansion	\$2,200	\$1,900
Diagnostic Testing	1,000	0
Evaluation	1,000	1,700
HIV/AIDS Communities of Color	2,400	1,300
Residential Care Facility Program	1,500	1,000
Education and Prevention	1,500	3,000
Anonymous HIV Testing	1,600	--
<b>Total</b>	<b>\$11,200</b>	<b>\$9,200</b>

**COMMENTS:**

- With the exception of the Anonymous HIV Testing, the Governor's proposal is consistent with Legislative priorities in this area. Should the subcommittee adopt the Governors proposal?

## **4280 MANAGED RISK MEDICAL INSURANCE BOARD**

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### **ISSUE 11: HEALTH INSURANCE PLAN OF CALIFORNIA**

This finance letter requests a reduction in budget authority of \$2.6 million in the Voluntary Alliance Uniting Employers Fund reflecting the transfer of the Health Insurance Plan of California from the Managed Risk Medical Insurance Board to a non-profit public benefit corporation.

#### **BACKGROUND:**

The objective of the HIPC is to provide affordable health insurance to small employers through a state purchasing pool from which employers can purchase health and dental insurance for their employers.

The statutes authorizing the HIPC require the board, after three years of the effective date of implementation, to issue an RFP to solicit nonprofit entities to assume administration and fiscal responsibility for operation of the program. In May 1998 (five years after the program began), Pacific Business Group on Health was selected.

#### **COMMENTS:**

- This has no General Fund impact.

**ISSUE 12: AIM ENROLLMENT ADJUSTMENT**

This finance letter requests an increase of \$4.3 million (\$.3 million General Fund, \$3.4 million Prop 99, and \$0.6 million federal funds) to adjust for population adjustments in the Access for Infants and Mothers (AIM) program.

**BACKGROUND:**

The Governor's January budget assumed an average monthly caseload of 330 for the AIM program. Based on more recent data, it is estimated that average monthly caseload for the budget year will reach 360.

Established in 1992, AIM provides health benefits to pregnant women and their infants (to age one) who do not qualify for the Medi-Cal program. Specifically, AIM provides prenatal care, delivery, and the first year of care for the newborn for women with gross annual incomes between 200 and 300 percent of the federal poverty level. There is a family premium equal to two percent of gross annual income.

**COMMENTS:**

- According to the board, growth in program enrollment is the result of additional application assistance, and additional outreach resulting from the Healthy Families/Medi-Cal joint outreach campaign.

**ISSUE 13: HEALTHY FAMILIES CASELOAD ADJUSTMENT**

This finance letter proposes a decrease of \$15.5 million (\$5.25 million General Fund) in the budget year due to revised estimates of the Healthy Families target population.

**BACKGROUND:**

***Reduction is the result of revised estimate of target population.*** The January budget was developed under the assumption that total eligible population for the program was about 400,000. The UCLA Center for Health Policy Research subsequently released a revised estimate of 328,000 program eligibles. The proposed May revise savings result from this adjustment. The total estimated expenditures for 1999-00 are estimated to be \$183.9 million. This provides coverage to 250,000 children by the end of fiscal year 1999-00.

***Governor Proposes to Extend the Child Health and Disability Prevention Retroactive Claiming Period.*** Under current law, CHDP providers are retroactively reimbursed for screening exams and treatment services provided up to 30 prior to enrollment in Healthy Families. The administration has proposed trailer bill language to extend the retroactive payment period from 30 to 90 days, as this provides a more reasonable lead time for families to learn about and apply for Healthy Families.

**COMMENTS:**

- According to the board, there will be no additional costs associated with the extension of the CHDP retroactive claiming period.

**ISSUE 14: APPLICATION OF INCOME DEDUCTIONS**

The Governor proposes to apply Medi-Cal income deductions to the Healthy Families program at a cost of \$6.9 million, a net decrease of \$.84 million (\$208 General Fund increase), from the January estimate.

**BACKGROUND:**

When the final Healthy Families legislation was passed by the Legislature and signed by the Governor, it was understood that Medi-Cal income deductions would be applied in Healthy Families. Nonetheless, Governor Wilson amended the state plan for Healthy Families to disallow the application of Medi-Cal income deductions. Governor Davis proposes to restore the original agreement reached between the Legislature and the administration. It is estimated that this proposal would provide coverage to 14,000 additional children.

**COMMENTS:**

- Given that Assembly health care reform legislation proposes alternative adjustments to Healthy Families, should the subcommittee defer action on this request?

## 5160 DEPARTMENT OF REHABILITATION

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### ISSUE 15: INDEPENDENT LIVING CENTERS

The Governor proposes to fund the Independent Living Center—Incentive funding at the current year level of \$479,000 General Fund. Should the Legislature augment the program?

#### BACKGROUND:

In 1997-98 session, the Legislature asked the State Independent Living Council (SILC) to examine funding for the Independent Living Centers and make recommendations for improving the allocation methodology.

Among other things, SILC recommended that the Legislature augment funding for the program. In response, last year the Legislature augmented the base amount (\$479,000) by \$521,000 for total incentive funds of \$1 million, but this was vetoed.

#### COMMENTS:

- The Senate Budget and Fiscal Review Committee provided a \$521,000 augmentation for this program.



**ISSUE 16: WORK ACTIVITY PROGRAM & SUPPORTED EMPLOYMENT PROGRAM  
CASELOAD**

The May Revise requests an increase of \$8.67 million to fund higher caseloads in the Work Activity and Supported Employment programs.

**BACKGROUND:**

These programs provide individuals with disabilities the opportunity to receive employment preparation, job placement, and specialized support services. Work activity programs typically serve individuals in sheltered settings. In the supported employment program, job coaches provide support services in a community setting/on the job site.

**COMMENTS:**

- The request for additional funds is related to an increase in the average cost per client in both programs, as well as overall caseload growth.

**ISSUE 17: VOCATIONAL REHABILITATION PROGRAM-BASE AUGMENTATION**

The May Revise requests an increase of \$8.3 million (\$7.8 million federal funds, and \$0.5 million special funds) to allow the department to provide services to additional eligible applicants while maximizing available federal funds.

**BACKGROUND:**

It is estimated that this augmentation will allow the department to serve an estimated 4,200 new eligible applicants, and will provide funding to fill 49 vacant vocational rehabilitation counselor positions and 32 vacant counselor support positions.

**COMMENTS:**

- There is no General Fund impact.

**ISSUE 18: HOME AND COMMUNITY BASED SERVICES WAIVER**

The May Revise proposes a technical adjustment to the previous request for the HCBW program, resulting in a \$0.9 million General Fund reduction in the budget year.

**BACKGROUND:**

According to the Department, these funds will be returned to the Department's local assistance budget to provide services for those clients that have not yet been approved to participate in the Waiver.

**COMMENTS:**

- This change results from a slight change in the estimated number of participants covered under the waiver.

**ISSUE 19: ADA COMPLIANCE**

The May Revise proposes an expansion of the Americans with Disabilities Act (ADA) Implementation Unit. The request is for five positions and increased reimbursement authority of \$344,000.

**BACKGROUND:**

The Department of Rehabilitation is responsible for assisting state agencies in developing plans for compliance with ADA. This request would expand those efforts.

Almost ten years after the enacted of the federal Americans with Disabilities Act, no additional funding has been made available for the actual implementation of plans for compliance with ADA. **Should the subcommittee provide funds to begin the implementation of compliance plans?**

**COMMENTS:**

- There is no General Fund impact for the request to add staff to the ADA unit.