

**AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES**

ASSEMBLYMEMBER PATTY BERG, CHAIR

PART 1

**WEDNESDAY, MAY 21, 2008
STATE CAPITOL, ROOM 4202
1:30 P.M.**

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VOTE-ONLY CALENDAR

0530 HEALTH AND HUMAN SERVICES AGENCY

ISSUE 1: BUDGET CHANGE PROPOSAL (BCP) – HEALTH CARE REFORM – E-HEALTH PRIVACY AND SECURITY STANDARDS

BACKGROUND

The Subcommittee considered this issue at its March 12 hearing and held the BCP open.

The Administration is requesting to redirect \$327,000 from external contract funds to establish three limited-term positions (two years) to implement the new Privacy and Security Standards Advisory Board (PSAB). The PSAB will be overseeing a statewide collaborative process to develop privacy security standards for electronic health information exchange in California. This standards development effort is part of the health information technology initiative and was a component of the Governor's Health Care Reform proposal.

The three positions will lead, manage, and coordinate activities necessary for the development and expansion of electronic health information activities in the state. The Subcommittee had questions about the availability of these external contract dollars and the possibility of instead using these funds to make General Fund available elsewhere in the HHS budget, instead of taking up these new activities. Given the General Fund pressures and dramatic reductions elsewhere in the Governor's Budget, staff recommends rejection of this proposal.

Staff recommends the following: Rejection of the BCP, conforming to Senate action.

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

**ISSUE 1: BUDGET BALANCING REDUCTION (BBR) – SONG-BROWN 10%
REDUCTION AND ONE-TIME BACKFILL****BACKGROUND**

The Subcommittee considered this issue at its March 12 hearing and held the BBR open. The Song-Brown Program provides funds to Family Practice Residency Programs, Family Nurse Practitioner (FNP) and Physician Assistant (PA) Training Programs and Registered Nurse (RN) Education Programs to increase the training and education of primary care providers that will increase access to health care in rural and urban inner city areas of unmet priority in the state. This proposed local assistance reduction of \$497,000 will reduce the annual number of grants provided to education institutions offering Song-Brown funded disciplines. State operations reductions will decrease the dollars available for program staff providing support and general administration of the program.

There was concern that this reduction will impact the number of family practice physicians, FNPs, PAs, and RNs graduating each year and reduce the number of providers for healthcare to the State's indigent and uninsured population. The administration states that the reduction will result in 24 fewer nurses, 2.5 resident slots, and 44 FNP/PA slots.

The Senate chose to provide a one-time backfill of nearly \$5 million from the California Health Data and Planning Fund for Song-Brown from the California Health Data Planning Fund to both allow for the reduction proposed in the BBR of \$497,000 and to switch out the remaining GF in the program of \$4.5 million to yield one-time GF savings.

This issue has interplay with a May Revision proposal to borrow more from this Fund (under Issue 4 for OSHPD), which staff is recommending adopting given GF scarcity and the desire to work toward restorations for basic services.

Staff recommends the following: Accept the General Fund reduction proposed in the BBR and provide a one-time backfill of \$4.497 million from the California Health Data and Planning Fund for Song-Brown for a net zero reduction to the program, consistent with and conforming to the action taken in the Senate.

**ISSUE 2: BCP – HEALTHCARE WORKFORCE CLEARINGHOUSE PROGRAM
(SB 139)****BACKGROUND**

The Subcommittee considered this issue at its March 12 hearing and held the BCP open.

The BCP proposes to increase expenditure authority by \$439,000 in 2008-09 and four positions and \$618,000 and six positions in 09-10 for administration of SB 139, the Health Care Workforce Clearinghouse Program to develop and implement the Clearinghouse. OSHPD has identified the California Health Data and Planning Fund (CHDPF), a non-General Fund funding source, to fund the costs of developing, implementing, and sustaining the Clearinghouse.

To meet the requirements of SB 139, this proposal provides the staffing, contract resources, and identification of infrastructure needed to collect, analyze, and distribute data and information to monitor, analyze, and assess California's health care workforce supply and demand.

The Senate chose to approve this BCP with a modification – to reduce the BCP by 0.5 personnel analyst position.

Staff recommends the following: Conform to Senate action in approval of the BCP with the 0.5 reduction for the personnel analyst position.

ISSUE 3: SPRING FINANCE LETTERS (SFLS) – MENTAL HEALTH LOAN ASSUMPTION PROGRAM AND TECHNICAL ADJUSTMENT TO PROVIDE DIRECT APPROPRIATION FROM MENTAL HEALTH SERVICES FUND (MHSF)**BACKGROUND**

Mental Health Loan Assumption Program. This SFL requests \$2.8 million from the Mental Health Services Fund budget authority to be used to create the Mental Health Loan Assumption Program to allow for education loan repayment to psychiatrists and psychiatric nurse practitioners who commit to providing a two-year, full-time service obligation in a mental health professional shortage area or qualifying facility. The funding also would provide for establishment of 2.0 new positions to implement the program.

Technical Adjustment to Provide Direct Appropriation from the Mental Health Services Fund. The request consists of small technical adjustments (reducing reimbursement by \$500,000 and adding an appropriation of \$117,000) to correct funding requested in the Governor's Budget relative to increasing designated mental health shortage areas and training physician assistants for public mental health. The Governor's Budget reflects the funding for these purposes as reimbursements from the Department of Mental Health. The letter indicates that it is more appropriate for these funds to be a direct appropriation from the Mental Health Services Fund.

The Senate approved both requests in the April 1 Spring Finance Letter and, for the Mental Health Loan Assumption request, approved for budget year only. This will require OSHPD to submit a BCP for additional resources and positions for 2009-10. Other than this, no issues have been raised with these requests.

Staff recommends the following: Approve both requests in the OSHPD Spring Finance Letter, with the Mental Health Loan Assumption request approved for budget year only, conforming to Senate action.

ISSUE 4: MAY REVISION PROPOSAL (MR) – LOANS FROM VARIOUS FUNDS**BACKGROUND**

The May Revision proposes three loans to the General Fund from special funds administered by OSHPD: (1) a \$10 million loan from the Hospital Building Fund, (2) a \$12 million loan from the California Health Data and Planning (CHDP) Fund, and (3) a \$1 million loan from the Registered Nurses Education Fund to the General Fund. The administration anticipates that these loans would be repaid with interest from the General Fund by June 30, 2011.

The LAO has advised that the Legislature not approve these proposals and states that the loans don't provide savings, but General Fund costs.

Given the challenges facing the Subcommittee in the arena of wide and deep reduction proposals and the desire to work toward restorations, it is recommended that these loans, however undesirable, be adopted.

Staff recommends the following: Approve the May Revision request for loans to the General Fund as specified in the May 14 OSHPD Finance letter.

4170 DEPARTMENT OF AGING

ISSUE 1: OUTSTANDING BBRs

BACKGROUND

The Subcommittee considered the 10% reductions proposed by the Administration in the Department of Aging's programs both in its January Special Session hearings and well as on March 12.

The following BBR proposals were held open:

- Home Delivered Meals – reduction of \$316,000 GF with 240 older adults likely to not receive meals.
- Congregate Nutrition – reduction of \$253,000 GF with 380 older adults likely to not receive meals.
- Brown Bag Program – reduction of \$60,000 GF with each Brown Bag site losing \$100.
- Linkages Case Management – reduction of \$544,000 GF with 335 less individuals served statewide.
- Multipurpose Senior Services Program – reduction of \$2.5 million GF reducing client slots by 1,179.
- Alzheimer's Day Care Resource Centers – reduction of \$416,000 GF.
- Respite Purchase of Service – reduction of \$35,000 GF with 78 fewer clients served.
- Senior Companion Program – reduction of \$35,000 GF.
- AAA Administration – reduction of \$99,000 GF.
- Long-Term Care Ombudsman Program – reduction of \$250,000.
- Senior Legal Hotline – reduction of \$25,000.
- Adult Day Health Care – reduction of \$19,000 GF.

Staff recommends the following: Reject the BBRs for all of the programs listed in this agenda item, restoring them to current funding levels. Finance should note that this action should include any amendment to the BBRs per the Administration's May Revision letter across departments.

**ISSUE 2: MR – HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM
GRANT INCREASE****BACKGROUND**

The May Revision requests an increase of \$122,000 and \$392,000 in separate items to provide federal expenditure authority necessary to reflect a federal grant award for the Health Insurance Counseling and Advocacy Program (HICAP). The increases will allow the state to fully leverage all available federal funds for the program.

No issues have been raised with this proposal.

Staff recommends the following: Approval of the May Revision request for HICAP.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: BBR AND TRAILER BILL LANGUAGE (TBL) – DRUG MEDI-CAL REGULAR

BACKGROUND

The Subcommittee considered this issue at its April 2 hearing and held the BBR and accompanying TBL request open. This reduction represents an across-the-board 10% decrease to the developed rates by DMC modality, beginning in 2008-09. In the May Revision, the Administration revised its savings estimate for this BBR for an additional \$402,000 GF in addition to the original \$8.8 million in GF savings presumed in the BBR.

The Drug Medi-Cal (DMC) Program provides substance abuse services to those persons lacking health insurance and meeting income eligibility requirements, currently those with incomes up to 250% of the federal poverty level. The program provides confidential substance abuse services to youth through age 20. Services include: Outpatient Drug Free (ODF), Naltrexone, and Narcotic Treatment Program (NTP). In addition, Day Care Rehabilitative (DCR) services and Residential Treatment are available for pregnant and postpartum women full scope and youth whose family meets income eligibility.

The Administration indicates that the proposed reduction may reduce the scope of DMC services available to eligible individuals, but they do not anticipate that fewer individuals will be served. However, ADP can not determine how many providers may withdraw completely from the DMC program, which would impact client access to services. In addition to the General Fund savings, there will be foregone federal funds resulting from this proposal in the 2008-09.

The proposed trailer bill to implement the ten percent DMC rate cut would require that in 2009-10, the DMC rates be the lower of either the statutorily calculated rates or the 2008-09 DMC rate increased for the California Necessities Index. It is unclear whether this method of implementing the rate cut on an ongoing basis would effectively change the rate calculating methodology from a cost-based system to one Proposed trailer bill language would also give the Department authority to implement DMC rates through all-county letters and exempt them from the rulemaking process

Staff recommends the following: Rejection of the BBR in Drug Medi-Cal as well as the accompanying trailer bill language. Finance should note that this action should include any amendment to the BBR per the Administration's May Revision letter across departments.

ISSUE 2: BBR – CALIFORNIA METHAMPHETAMINE INITIATIVE**BACKGROUND**

The Subcommittee considered this issue at its April 2 hearing and took action to reject the BBR. The Governor's Budget proposed to cut funding for the California Methamphetamine Initiative (CMI) by 10 percent effective March 1, 2008. The current year reduction of \$360,000 General Fund was ultimately approved by the Legislature in the Special Session.

The CMI is a statewide campaign to reduce and prevent abuse of methamphetamine among men who have sex with men, women of childbearing years, and teens. Components of the CMI include a social marketing campaign, a toolkit to educate treatment practitioners on effective treatment practices, and an educational/informational DVD series for treatment providers, families, and county administrators. The CMI is a three-year, \$10 million per year project ending in 2008-09.

The Administration indicates that the \$1 million reduction will be to the social marketing component of the CMI, including elimination of materials such as coasters, bar napkins, stall advertisements, etc.

In light of GF scarcity and the desire to work toward restorations where possible, the Subcommittee may wish to reconsider its prior action and adopt the BBR as budgeted.

Staff recommends the following: Rescind the prior Subcommittee action and adopt the BBR reduction for the California Methamphetamine Initiative.

ISSUE 3: BCP – TECHNICAL, CONFORMING ISSUE WITH PROBLEM GAMBLING PREVENTION PROGRAM**BACKGROUND**

The Subcommittee may wish to reconsider a prior action taken at its April 2 hearing on the BCP regarding the Problem Gambling Prevention Program.

The Senate chose to adopt the BCP with \$60,000 in Lottery Funding as an on-going source of revenue. Staff recommends that the Subcommittee modify its prior action to conform with the expectation built into the Senate motion, assuring the sustainability of the activities beyond the budget year.

The Governor's Budget requests \$400,000 in increased expenditure authority to expand research and prevention services for problem and pathological gamblers. Of the \$400,000, \$150,000 is from fees imposed on licensed card clubs pursuant to Assembly Bill (AB) 1973 (Chapter, Statutes of 2006) to be deposited in the Gambling Addiction Program Fund and \$250,000 will be a reimbursement from the California State Lottery.

The Office of Problem and Pathological Gambling was established in ADP in 2003. The office currently has annual funding of \$3.3 million in special funds from tribal casino revenues statutorily dedicated to prevention efforts, development of a statewide plan, operation of toll-free telephone helpline services, research, and public awareness campaigns. AB 1973 requires each entity with a state gambling license to pay an additional \$100 for each licensed table for deposit in the Gambling Addiction Program Fund for allocation to community-based organizations that directly provide assistance to persons with a gambling addiction. The California State Lottery also currently operates a toll-free helpline and provides gambling awareness materials to the 19,000 lottery retailers in the State. The ADP will take over these functions for 2008-09 through an interagency agreement with the Lottery. ADP and the Lottery estimate that the ongoing costs to ADP of these functions will be \$60,000.

Staff recommends the following: Modify prior action on this BCP, which was approval of the requested increase in expenditure authority, however specify that of the funding from the Lottery, approval of \$60,000 is ongoing and the remaining \$190,000 is one-time for 2008-09. This action is intended to conform to the Senate.

ISSUE 4: SFL – PROBLEM AND PATHOLOGICAL GAMBLING TREATMENT SERVICES**BACKGROUND**

The Department of Alcohol and Drug Programs (ADP) submitted a Spring Finance Letter requesting \$5.0 million in increased expenditure authority and two, three-year limited-term positions to develop and implement treatment programs for problem and pathological gamblers. Of this amount, \$4.0 million will be allocated, via a competitive grant application process, to local governments, public universities, and community organizations for treatment programs. Of the remaining \$1.0 million, \$750,000 will be used for counselor training, training materials, campaigns to raise public awareness about the availability of treatment, and surveys and evaluation, and \$250,000 will be to support the requested positions.

The Office of Problem and Pathological Gambling was established in ADP in 2003. The office currently has annual funding of \$3.3 million in special funds from tribal casino revenues statutorily dedicated to prevention efforts, development of a statewide plan, operation of toll-free telephone helpline services, research, and public awareness campaigns. Current law also requires that treatment services be provided with these funds, but to date, there has not been sufficient funding to do so. With the ratification of the new Indian gaming compacts, additional resources are now available to develop treatment programs.

Although this is a new program, these funds cannot be used for any other purpose. If the request is not approved, the funds will sit unused.

Staff recommends the following: Approve the requested funding and limited-term positions, conforming to Senate action.

ISSUE 5: SFL – TRANSFER OF MENTORING PROGRAM**BACKGROUND**

The ADP submitted a Spring Finance Letter on April 1 requesting the transfer of \$107,000 General Fund and one position to move the Governor's Mentoring Partnership resources to the CaliforniaVolunteers within the Office of Planning and Research pursuant to Executive Order S-02-08. Executive Order S-02-08, signed on February 26, 2008, created a Secretary of Service and Volunteering in the Governor's Cabinet and established CaliforniaVolunteers to serve as the state service commission supporting the expansion of service and volunteering in California. It also required that GMP be relocated to CaliforniaVolunteers.

Staff recommends the following: Approve the requested transfer, conforming to Senate action.

ISSUE 6: TBL – ELIMINATE MONTHLY REIMBURSEMENT RATE FOR NARCOTIC TREATMENT PROGRAM**BACKGROUND**

The Governor's Budget proposes trailer bill language that would change the Drug Medi-Cal monthly reimbursement rate for Narcotic Treatment Programs to a daily reimbursement rate. Current law requires the proration of the monthly reimbursement rate to a daily rate if the patient receives less than a full month of service. The reconciliation of the daily and monthly rates drives workload at ADP to make sure that the rates are reconciled. Elimination of the use of a monthly rate and only using a daily rate will eliminate the reconciliation process and result in savings of \$25,000 General Fund. There will be virtually no impact to rates paid to providers as a result of the change. The trailer bill language has been reviewed by Drug Medi-Cal provider representatives who concur with the proposed change.

Staff recommends the following: Approve the requested trailer bill language, which conforms to Senate action.

ITEMS TO BE HEARD

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

ISSUE 1: MR – REGULAR AND PERINATAL DRUG MEDI-CAL ESTIMATES

BACKGROUND

In May Revision, the Department is requesting an increase of \$13,215,000 GF and that reimbursements increase by \$10,630,000 to reflect revised caseload and utilization estimates in Regular and Perinatal Drug Medi-Cal. The Regular Drug Medi-Cal population is projected to be 215,956 in fiscal year 2008-09, an increase of 9,286, or 4.5 percent from the Governor's Budget. In addition to caseload adjustments, the May Revision Estimate reflects an increase in average units of service (UOS) for the Narcotic Treatment Program (NTP) modality.

The Administration explains that in July 2006, the California Outcomes Measurement System (CalOMS) replaced the California Alcohol and Drug Data System (CADDs) as the data collection system through which counties and direct contract providers report client treatment admission and discharge data across all Drug Medi-Cal modalities. However, due to inconsistencies in the data between the two systems and ongoing validation of the CalOMS data within the NTP modality, the 2007 November Estimate for the NTP was based only on CADDs data. Subsequently, the Department of Alcohol and Drug Programs completed the CalOMS data validation and determined the actual NTP caseload for 2006-07 was over 16,000 less than previously estimated due to the removal of a large number of inactive cases. The removal of these cases results in a significant increase in average UOS, the measure of utilization for Drug Medi-Cal services.

It is further requested that the program be increased by \$146,000 GF and that reimbursements increase by \$146,000 to reflect revised caseload and utilization estimates for the Perinatal Drug Medi-Cal population. Caseload is projected to be 9,670 in 2008-09, a decrease of 446, or 4.4 percent from the Governor's Budget. This is a result of increases in the Outpatient Drug Free and Day Care Rehabilitative caseloads, offset by reduced caseload in the NTP and Perinatal Residential modalities.

Possible Questions: What is driving the increases? How do these compare with past trends in the program?

Has the Department sorted through the data validation issues that led to the difference in estimates? What is the disposition here? Will this continue to be modified?

Staff recommends the following: Approve the May Revision request and adopt the updated ADP estimate.
