

Governor's 2001-02 Budget Proposal For:**HEALTH****DEPARTMENT OF HEALTH SERVICES**

The Department of Health Services (DHS) proposed budget for 2001-02 is about \$28.2 billion (all funds). This represents an increase of \$671.4 million, or 2.38 percent, over estimated current year expenditures. Of this amount \$863.6 million is for state operations and \$27.3 billion is for local assistance. The Governor's proposed budget includes \$10 billion from the General Fund, which is a two percent decrease over current year. Most of the DHS budget, 89.3 percent, supports the Medi-Cal program, and the remainder supports public health activities including disease control and prevention, environmental hazard control, and health care services.

TOBACCO SETTLEMENT FUND

The Governor's budget proposes trailer bill legislation to create the Tobacco Settlement Fund into which all of the state's proceeds from the Tobacco Settlement will flow. The funds will be used solely for health care programs, including expanding health coverage to the uninsured, cancer research and treatment, and anti-tobacco efforts.

**TOBACCO SETTLEMENT FUND
REVENUES AND EXPENDITURES – 2001-02**

(Dollars in Millions)

Revenues	\$468
Total	\$468
Expenditures:	
Healthy Families Expansion:	
Children's Program	74
Adults' Program	76
Medi-Cal Eligibility and Benefits:	
Benefits to Aged, Blind and Disabled with incomes below 133 percent of FPL	47
Section 1931(b) of Title XIX of the Social Security Act	123
Breast Cancer Treatment Program	20
Prostate Cancer Treatment Program	20
Youth Anti-Tobacco Program Expansion	20
Child Health and Disability Prevention Program	65
Total Expenditures	\$445
Reserve	\$23

MEDI-CAL PROGRAM

The Medi-Cal program provides comprehensive health coverage, including inpatient/outpatient care, skilled nursing care, and dental care to welfare recipients and other low-income families. The state and federal governments jointly fund the program, with the state contributing 48.6 percent and the federal government contributing 51.4 percent. For 2001-02, the Medi-Cal caseload is projected to increase by 12.3 percent to 5.85 million eligible persons.

The Governor's proposed budget includes Medi-Cal expenditures of \$25.2 billion (local assistance) in 2001-02, which represents an increase of \$600 million, or 2.4 percent, over estimated current year expenditures. The General Fund local assistance portion (\$9.3 billion) is proposed to decrease by about \$200 million, or 2.1 percent. Table 2 below shows how these funds are distributed.

Table 2

2001-02 ESTIMATED MEDI-CAL EXPENDITURES				
(Local Assistance Dollars in Thousands)				
	General Fund	Federal Funds	Other Funds	Total
Eligibility	\$469,712	\$807,169	--	\$1,276,881
Payment Systems	72,529	173,242	--	245,771
Benefits	8,782,797	13,217,944	\$1,644,362	21,517,081
TOTAL	\$9,325,038	\$14,198,355	\$1,644,362	\$25,167,755

MAJOR PROPOSALS

- ◆ **1931(b) Expansion to 100 percent of Poverty Level.** \$170 million (\$85.1 million General Fund) is proposed in 2000-01 and \$245.8 million (\$122.9 million General Fund) is proposed in 2001-02 to expand the Medi-Cal program to cover an estimated 250,000 adults whose children are currently eligible. These parents are eligible due to the expansion of the 1931(b) program to cover both one and two parent families with incomes under 100 percent.
- ◆ **Continuing Eligibility for Children.** \$11.3 million (\$5.6 million General Fund) is proposed in 2000-01 and \$269.5 million (\$134.8 million General Fund) is proposed in 2001-02 to provide 12 month continuing eligibility to children 19 years of age or younger. This is expected to add coverage for 369,000 average monthly children in 2001-02 and help ensure children access to Medi-Cal.
- ◆ **Elimination of the Quarterly Status Report.** The 2000-01 budget eliminated the requirement that families eligible for Medi-Cal provide information about their assets and income every three months. The change is projected to result in parents remaining eligible for longer periods of time (the children will get continuous eligibility). The budget proposes \$5.3 million (\$2.5 million General Fund) in 2000-01 and \$142.1 million (\$71 million General Fund) in 2001-02 for this expansion.
- ◆ **No-Cost Medi-Cal for Low Income Seniors and Disable Individuals.** Medi-Cal coverage has been expanded to persons over 65 years of age and disabled persons with incomes below 133 percent of the Federal Poverty Level (FPL). 52,800 average monthly aged/disabled persons are projected to become eligible for Medi-Cal benefits because of the expansion. The 2000-01 proposed budget includes \$47.1 million (\$23.5 million General Fund) and \$94.1 million (\$47.1

million General Fund) in the 2001-02 budget.

- ◆ **Healthy Families/Medi-Cal Outreach.** \$6 million is proposed for outreach Healthy Families and Medi-Cal eligible children through schools and school-affiliated programs such as Child Nutrition, Healthy Start and Head Start programs. The budget also proposes \$1 million to outreach for parents.
- ◆ **Family Planning Access to Care and Treatment (P.A.C.T.).** \$317.9 million (\$86.3 General Fund) and \$326.2 million (\$89.0 million General Fund) in the 2001-02 budget for the Family P.A.C.T. program; a clinical services program designed to increase access to family planning and reproductive health care.
- ◆ **Funding for Ancillary Services Provided in Institutions for Mental Disease.** \$19.6 million (General Fund) is proposed to continue state-only funding for ancillary medical services provided to individuals in Institutes of Mental Disease until federal Medicaid funding is available.
- ◆ **Medi-Cal Reimbursement Rates for Outpatient Services.** Since 1990, the state has been involved in litigation with hospitals regarding Medi-Cal reimbursement rates for outpatient services. Under terms of a recent agreement, the DHS will provide hospitals with a one-time-payment of \$350 million (\$175 million General Fund) to address previous years' reimbursement levels. In addition, the budget proposes \$128.4 million (\$64.2 million General Fund) to increase reimbursement rates by 30 percent, effective July 1, 2001.
- ◆ **Health Insurance Portability and Accountability Act.** \$18.7 million (\$2 million General Fund) is proposed for DHS to develop policy associated with the administrative simplification objective of the HIPAA. The budget proposes to expend \$70 million total on HIPAA. The DHS will ensure that all the appropriate health plans, providers and programs that electronically maintain or transmit health information comply with the requirements to use a single set of national identifiers.
- ◆ **Wage Pass Through Audits.** The 1999-2000 and 2000-01 budgets contained Wage Pass Through provisions to provide additional funding to Long Term Care Facilities for increases in staff. The 2001-02 budget proposes to continue the staff to conduct audits to ensure compliance with the Wage Pass Through provisions.
- ◆ **William Mead Homes Health Study.** \$434,000 is proposed to conduct a study to assess the affects of possible soil contamination from polycyclic aromatic hydrocarbons on the residents of William Mead public housing project in Los Angeles.
- ◆ **Continuation of Medi-Cal Fraud Prevention Efforts.** \$1.4 million (\$700,000 General Fund) is proposed to convert 16 limited term positions to permanent in the 2001-02 budget.

PUBLIC HEALTH

The Governor's budget proposes total public health funding of about \$3 billion and \$676.9 million General Fund for 2001-02, decrease of \$73.9 million, or 9.8 percent, from estimated current year General Fund expenditures. These funds support a range of public health programs, including disease control and prevention, environmental hazard control, and health services programs.

HIV/AIDS Program. The Budget provides \$270 million (\$120.6 million General Fund) for HIV/AIDS Prevention, Education, Care and Treatment Programs.

AIDS Drug Assistance Program (ADAP). This program provides AIDS drugs to HIV-infected persons with:

- (1) Incomes below 400 percent of the federal poverty level,
- (2) Valid prescriptions from a California licensed physician, and
- (3) No coverage under Medi-Cal or other insurance.

The budget proposes an increase of \$5.1 million for ADAP, giving total program funding to \$154.6 million.

Persons with incomes between 400 percent of poverty and \$50,000 may also receive drugs through the ADAP at a share of cost. The ADAP is supported by the state (General Fund) and the federal government (Ryan White Care Act).

Studies have shown that early treatment with HIV/AIDS drugs prolongs life, reduces the need for more costly treatments, and maximizes the HIV-infected persons vitality and productivity. In recognition of these findings, the National Institutes of Health recently released treatment guidelines encouraging the use of combination drug therapy.

Proposition 99. This proposition created a 25-cent surtax on cigarettes and other tobacco products, established six accounts within the Cigarette and Tobacco Products Surtax fund, and specified percentages of revenues to be allocated to each account. For 2001-02, the budget projects tobacco tax revenues of about \$355 million, a decrease of 1.4 percent from estimated current year revenues, and proposes to allocate revenues among the accounts within the fund in accordance with the percentages specified in the Proposition.

Despite the continued decline in Proposition 99 revenues, the Governor's budget proposes to fund most programs at the 1999-00 level. Some significant augmentations are proposed in caseload driven programs such as the Child Health and Disability Prevention (CHDP) program, the California Healthcare for Indigents Program, and the Anti-Smoking Media Campaign. Augmentations were possible due to lower than anticipated costs in some programs, such as the Breast Cancer Early Detection program, as well as the use of previously restricted reserves.

Table 3

PROPOSED CHANGES IN PROP 99-FUNDED DHS PROGRAMS	
(Dollars in millions)	
Programs	Change from 2000-01
Breast Cancer Early Detection Program	\$11.5
Clinic Grants—Expanded Access to Primary Care (EAPC)	0
Comprehensive Perinatal Outreach	0
Child Health and Disability Prevention (CHDP) Screens	0
Children's Hospitals	0
Managed Care Counties	0
County Medical Services Program (CMSP) Expansion	0
California Healthcare for Indigents Program (CHIP)	0
Rural Health Services/CMSP	0
Media Campaign	0
Competitive Grants	0
Committee and Evaluation	0
Local Lead Agencies	0
State administration	-.097
Total Change	+\$11.4

Breast Cancer Early Detection Program (BCEDP). Established by the Breast Cancer Act of 1993, this program provides breast cancer screening and diagnostic services to low income women. It has been funded by the Breast Cancer Fund—also established by the Breast Cancer Act of 1993. However, this fund cannot remain solvent, and continue to support the rapidly increasing demand for BCEDP services. The budget, therefore, proposes to continue to fund the program using the Cigarette and Tobacco Products Surtax Fund (Proposition 99—Unallocated Account), an increase of \$11.5 million. The proposed budget assumes an increase in caseload and a shortfall in the Breast Cancer Fund in 2001-02.

County Medical Services Program. This program provides health care to medically indigent adults in the smaller rural counties. The program is operated by the counties, and is funded primarily with county funds. The state has traditionally contributed \$20.2 million from the General Fund. However, due to the substantial reserves in the local County Medical Services Program, the Governor's budget proposes to permanently eliminate the \$20.2 million General Fund share.

The administration proposed to eliminate the subsidy in the 1999-00 and 2000-01 budgets. However, each year the Legislature extended the subsidy for an additional year to allow additional time to review local fiscal reserves.

MAJOR PROPOSALS

- ◆ **Medical Device Retailers.** \$1.3 million from the Drug Device Safety Fund is proposed for the licensing and inspection program to regulate medical device retailers
- ◆ **Childhood Lead Poisoning Prevention Program.** \$19.5 million, an increase of \$1.1 over the current year, is proposed for enhanced preventive screening and case management services.
- ◆ **Community Challenge Grant.** California has received a \$36.1 million federal “high performance” bonus for its welfare to work program. To support California’s success in the

reduction of out-of-wedlock births, the budget proposes to spend \$20 million of the bonus on Community Challenge Grants.

- ◆ **Childhood Asthma Initiative.** \$4 million and a one-year extension of four limited-term positions is proposed to continue the initiative.
- ◆ **Childhood Health and Disability Prevention Program.** \$114.3 million (\$49.3 million General Fund), a \$12.4 million increase, including \$6.6 million for Prevnar vaccine to prevent ear and blood infections and meningitis.
- ◆ **Genetically Handicapped Persons Program.** Caseload is expected to increase by 1.6 percent and the budget proposes to spend \$35.9 million (General Fund), an increase of \$4.8 million.
- ◆ **Prostrate Cancer.** The budget proposes \$20 million, an increase of \$10 million over the current year, to provide additional treatment to uninsured or underinsured individuals with incomes less than 200 percent of the Federal Poverty Level.

MANAGED RISK MEDICAL INSURANCE BOARD

The Governor's proposed budget includes total expenditures of approximately \$832.8 million for the Managed Risk Medical Insurance Board (MRMIB) for 2001-02, an increase of \$355.9 million, or 65.8 percent. Most of this increase is related to caseload growth in the Healthy Families program.

MRMIB administers several programs that provide health insurance to individuals and groups who traditionally have had difficulty obtaining health coverage in the private insurance market. Specific groups served by these programs include individuals who have been denied coverage due to pre-existing conditions, low-income families (primarily women and infants) who do not qualify for Medi-Cal, and small businesses.

MAJOR PROPOSALS

- ◆ **Healthy Families Program.** The Healthy Families program provides comprehensive health coverage, including health, dental and vision benefits, for children in families with low to moderate incomes that are not eligible for Medi-Cal without a share of cost due to income limitations. The state and federal governments share the costs of the program, with the federal government covering approximately 66 percent.

Under the program, families of enrolled children may choose among the health plans in their region, and must pay monthly premiums ranging between \$7 and \$27. The family contribution is based upon the family income and the number of children in the program.

Last year, the Governor and the Legislature agreed to expand the program to cover the parents of the children enrolled in the program. In December of last year the state submitted a waiver proposal to the federal government for the expansion. The proposed expansion would include the parents who earn 200 percent or less of the FPL. As with eligible children, families will enroll in health plans. The premiums of the children will remain unchanged. The premiums parents will pay is dependent upon family incomes: \$20 per adult for families who earn 150

percent or less of the FPL; and \$25 per adult for families with incomes between 150 FPL and 200 FPL

The proposed budget includes a total of \$733.1 million (\$125.2 million General Fund) for the Healthy Families program, an amount sufficient to enroll a projected 561,000 children by June 30, 2002. In addition, the 2001-02 budget proposes \$201.5 million (\$76.1 million Tobacco Settlement Fund) for expansion of the Healthy Families Program to include parents of children eligible for Healthy Families and Medi-Cal for Children. An estimated 174,000 adults are expected to be enrolled in the program by June 2002. Total Healthy Families enrollment is expected to grow to 735,000 children and adults by the end of the 2001-02 fiscal year.

- ◆ **Access for Infant and Mothers (AIM) Program.** The AIM program provides health insurance coverage to women who have no coverage for their pregnancy and who have incomes between 201 percent and 300 percent of the federal poverty level. The program covers women during pregnancy and 60 days postpartum, and covers their infants up to two years of age. The proposed budget includes a total of \$65.3 million for this program, an amount sufficient to cover an estimated 527 new women per month.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides a range of services and supports for individuals (of all ages) with disabilities. The department is responsible under the Lanterman Act for ensuring that persons with disabilities receive the support they need to lead more independent, normal lives. Services are administered through 21 contracted regional centers and five state-operated developmental centers. While some regional center services, such as case management and diagnosis, are provided directly, most services are purchased from community providers. The department will serve an estimated 175,116 clients in 2001-02.

The Governor's budget proposal includes \$2.7 billion for the department, an increase over estimated current year projections. Of this amount, \$1.86 billion is from the General Fund, which is \$55.5 million over the General Fund estimate for the current year.

MAJOR PROPOSALS

- ◆ **Sonoma Developmental Center Backfill.** \$36.5 million (General Fund) is proposed to backfill for federal funds due to a decertification of the Sonoma Developmental Center, a delay in recertifying Agnews Developmental Center and a delay in certifying the Sierra Vista facility.
- ◆ **Early Start.** \$2.6 million (General Fund) is proposed to increase the Regional Center personnel in the Early Start program for increased clinical staff for necessary evaluations and service coordination to meet the federal Office of Special Education program requirements.
- ◆ **California Developmental Disabilities Information System.** \$5.6 million (General Fund) for the second of three phases to implement a statewide fiscal accounting and program monitoring system. The five year project to develop the California Developmental Disabilities Information System is expected to cost \$14 million General Fund.

- ◆ **Special Incident Reporting System.** \$9.2 million (\$7.5 million General Fund) is proposed for additional Regional Center staff to expand the Special Incident Reporting System. It is expected that will bring the system into compliance with federal requirements to ensure continued Home and Community-Based Services Waiver funding.
- ◆ **Budget Simplification.** \$591 million transfer of the General Fund portion of Medi-Cal costs from Department of Health Services is proposed to simplify budgeting and eliminate unnecessary fund transfers.

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

The Department of Alcohol and Drug Programs (DADP) funds prevention, treatment and recovery programs for approximately 500,000 Californians with some form of alcohol and/or other drug abuse problem. The Department is responsible for implementing the Substance Abuse Treatment and Crime Act of 2000 (Proposition 36). The Governor's proposed budget includes \$680.3 million in total spending for the Department of Alcohol and Drug Programs (DADP); an increase of 8.1 percent over the current year estimated expenditures.

MAJOR PROPOSALS

- ◆ **Drug Medi-Cal Program.** \$38.3 million (19.7 million General Fund) for caseload adjustments in the Drug Medi-Cal program.
- ◆ **Proposition 36 Funding.** \$120 million in 2001-02 to continue funding Proposition 36.
- ◆ **Substance and Abuse Program in Indian Health Clinics.** \$2.8 million to develop and implement a Substance and Abuse Program in Indian Health Clinics; and
- ◆ **Substance Abuse Prevention and Treatment Block Grant.** The federal Substance Abuse Prevention and Treatment Block Grant will be reduced by \$6 million.

DEPARTMENT OF MENTAL HEALTH

The Governor's proposed budget includes total expenditures, exclusive of capital expenditures, of \$2 billion to support the programs and services of the Department of Mental Health (DMH). This represents an increase of 10.3 percent over estimated current year expenditures. The DMH is responsible for the delivery of mental health treatment services through a state-county partnership as well as the involuntary treatment of the mentally disabled. The DMH operates four state hospitals for the mentally disabled and acute psychiatric units at the California Medical Facility in Vacaville. The department estimates the population in these facilities to reach 4,421 by the end of June 2001 and to increase to 4,593 by the end of June 2002.

The Budget Act of 1999 included \$10 million General Fund on a one-time basis for local grants to counties to provide integrated mental health services to populations such as homeless individuals, parolees, and probationers. The Budget Act of 2000 contained a one-time appropriation of \$20 million from the General Fund and a \$35.6 million General Fund increase for such grants. The 2001-02 proposed budget provides \$55.6 million on an ongoing basis to provide these services annually.

The proposed budget includes \$13 million, a \$12 million increase (reimbursements), for Therapeutic Behavioral Services, one-on-one, short-term outpatient treatment intervention for children and youth who are seriously disturbed and need additional support.

MAJOR PROPOSALS

- ◆ **Early Periodic Screening, Diagnosis and Treatment Program.** An increase of \$117.3 million in reimbursements for the Early Periodic Screening, Diagnosis and Treatment Program, a 27 percent increase in program costs.
- ◆ **Mental Health Managed Care Program.** An increase of \$21.2 million General Fund for the Mental Health Managed Care program.
- ◆ **Hospital Population.** A reduction in spending of \$5.2 million due to changes in the hospitals population.
- ◆ **Metropolitan State Hospital.** \$34.5 million from the General Fund for one time expenditures on deferred maintenance and security improvement projects for the four state hospitals as well as to complete the American with Disabilities Act modifications at Metropolitan State Hospital.
- ◆ **Salinas Valley Prison.** \$2.3 million (reimbursements) and 97 positions to staff a new 64 –bed inpatient facility at Salinas Valley Prison which is expected to be completed in March 2002.
- ◆ **Institutions for Mental Disease.** \$1 million (General Fund) for the first year of a three-year pilot project to test community-based alternatives to long-term placement in Institutions for Mental Disease.

- ◆ **Mental Health Plan Compliance.** An increase of \$1.4 million (General Fund) to oversee and monitor county Mental Health Plan compliance with federal and state mental health requirements in areas including service access and quality of care.
- ◆ **Psychiatric Technician Training Program.** \$650,000 (General Fund) for one-time start-up costs for a Psychiatric Technician Training program at West Hills Community College.
- ◆ **Health Insurance and Portability and Accountability Act.** \$2.4 million (General Fund) to implement the federal Health Insurance and Portability and Accountability Act.
- ◆ **Judicially Committed Patients.** \$7.1 million in state hospitals for half-year funding for 172 new Judicially Committed patients;
- ◆ **Hospital Alarm System.** \$7.6 million to install personal alarm systems at Atascadero, Metropolitan and Patton State Hospitals; and
- ◆ **Sexually Violent Predators.** \$485,000 for court required recommitment evaluations of sexually violent predators.