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California State Senate

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ON
BUDGET AND FISCAL REVIEW

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Agenda
February 4, 2008
Room 4203
1 p.m.

Health, Healthy Families, Mental Health, and Developmental Services

Item # | **Page**

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4260-101-0001 Department of Health Care Services—Medi-Cal Program (Enrollment Issues)

Eliminate *Annual* Eligibility and Restore Quarterly Status Reports for Children. The Governor proposes to eliminate annual eligibility for children and to instead, require families to submit status reports on a quarterly basis (three times annually plus a re-determination form) or lose Medi-Cal Program enrollment. A total reduction of $167.1 million ($83.5 million federal funds) is assumed with a July 1, 2008 implementation date. Children would be dropped from Medi-Cal enrollment if a quarterly status report is not received, even if they are still eligible for Medi-Cal. This change requires: (1) statutory changes; (2) emergency regulations; (3) changes to county eligibility systems; (4) increased county administrative workload; and (5) a Medi-Cal State Plan Amendment.		-$83,532 BY TBL	Currently, children determined eligible for Medi-Cal are enrolled for coverage for one-year (i.e., until an an annual re-determination form is submitted). Annual enrollment for children has been in operation for over 7 years. Numerous independent analyses have shown its effectiveness because it assists in assuring, where applicable, uninterrupted health care coverage and provides a medical home for comprehensive coverage (most children are enrolled in Managed Care Plan arrangements). Independent analyses have also shown that annual enrollment for children serves to focus limited state dollars on direct health care services versus administrative paperwork and shifting between programs (i.e., Medi-Cal and Healthy Families). The Administration's savings amount does not take into consideration increased costs for county administration, or cost shifting between the Medi-Cal and Healthy Families programs.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Eliminate *Semi-Annual* Eligibility for Parents and Restore Quarterly Status Reports. The Governor proposes to eliminate semi-annual eligibility for parents and to instead, require parents to submit status reports on a quarterly basis (three times annually), along with an annual re-determination form, or lose Medi-Cal Program enrollment. A total reduction of $17.2 million ($8.6 million federal funds) is assumed with a July 1, 2008 implementation date. Parents would be dropped from Medi-Cal enrollment if a quarterly status report is not received, even if they are still eligible for Medi-Cal. This change requires: (1) statutory changes; (2) emergency regulations; (3) changes to county eligibility systems; (4) increased county administrative workload; and (5) a Medi-Cal State Plan Amendment.		-$8,624 BY TBL	Currently, parents determined eligible for Medi-Cal are enrolled for coverage for six months. They must submit a semi-annual status report to continue enrollment for an additional six months. At the one year anniversary of enrollment, parents must submit a comprehensive annual redetermination form to continue enrollment. Families are also required to report any changes in income, assets, and related items within ten days during their enrollment period. Semi-annual reporting for parents has been in use for over 7 years. It assists in assuring, where applicable, uninterrupted health care coverage and serves to focus limited state dollars on direct health care services versus administrative paperwork. The Administration's savings amount does not take into consideration increased costs for county administration or system changes.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce "Base Allocation" Funding for County Administration of Medi-Cal Program. The Governor proposes to reduce the base allocation used to fund County staff to conduct Medi-Cal eligibility processing, including intake and re-determination work with people applying for services. A July 1, 2008 implementation date is assumed. A total of $30.6 million ($15.3 million federal funds), or 2.5 percent, of the base would be eliminated. This requires a change in statute and release of an "All County Letter" by the Department of Health Care Services (DHCS).		-$15,300 BY TBL	County Welfare Departments serve as a surrogate for the state in administering the Medi-Cal eligibility determination process for all individuals applying for enrollment and all aspects of enrollment redeterminations. Reducing the base allocation would likely result in delays and inaccuracies in eligibility determinations. Not only would this affect individuals trying to enroll into the program, it may affect re-determinations by continuing eligibility when one may no longer be eligible for services. This reduction was backed into in order for the DHCS to meet their fiscal reduction target.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Caseload Funding for County Administration of Medi-Cal. The Governor proposes to reduce funding for County staff to conduct Medi-Cal eligibility processing which is allocated to counties based upon projected Medi-Cal caseload levels. Specifically, the Administration is not funding counties to process new caseload for Medi-Cal in 2008-09. A total of $66.8 million ($33.4 million federal funds) would be reduced from counties. This requires a change in statute and release of an "All County Letter" by the DHCS. A July 1, 2008 implementation date is assumed.		-$33,400 BY TBL	County Welfare Departments serve as a surrogate for the state in administering the Medi-Cal eligibility determination process for all individuals applying for enrollment and all aspects of enrollment redeterminations. Funds allocated to counties for caseload growth assist counties to hire additional staff to handle increased workload due to increases in Medi-Cal eligible persons and enrollment. As such, longer waits for Medi-Cal enrollment and health care assistance would occur. The existing methodology used by the DHCS to fund counties for caseload growth was agreed to after a series of meetings and was codified in SB 1103 (Ch 228, Statutes of 2004). This proposal eliminates this agreement. The Administration is not clear on how savings from "county performance measures" would be affected by this reduction. The Administration assumes the reduction will be ongoing.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces Funding for County Administration of Medi-Cal through Elimination of CNI Adjustment. The Governor reduces by a total of $44.8 million ($22.4 million federal funds) funding provided to counties to perform Medi-Cal Program intake and re-determination work by eliminating funding for salary increases (i.e., based on the CA Necessities Index). This requires a change in statute and release of an "All County Letter" by the DHCS. A July 1, 2008 implementation date is assumed.		-$22,400 BY TBL	County Welfare Departments serve as a surrogate for the state in administering the Medi-Cal eligibility determination process for all individuals applying for enrollment and all aspects of enrollment redeterminations. The accuracy and timeliness of the decisions made by eligibility workers are important for maintaining an up-to-date listing of Medi-Cal enrollees (which is tied to the payment of services). Reducing state funding for salary adjustments may make it more difficult for counties to hire and retain staff. The existing methodology used by the DHCS to fund counties for salary adjustments was agreed to after a series of meetings and is linked to specific county performance standards which saves hundreds of millions in state GF expenditures annually.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces by 10 Percent Medi-Cal Funding for County CCS Program Staff and Administration. The Governor reduces by 10 percent Medi-Cal administrative funds used to support case management functions conducted by County CA Children's Services (CCS) staff, including eligibility processing, making medical necessity determinations, and authorizing specialized medical services for children. The total proposed reduction is $9 million ($5.4 million federal funds). This program receives an enhanced federal match level due to the use of clinical staff. This requires a change in statute and emergency regulations. A July 1, 2008 implementation date is assumed.		-$3,629 BY TBL	The CA Children's Services (CCS) Program, established in 1927, provides specialized medical care to children through age 21 who have certain CCS eligible conditions (such as birth defects, genetic diseases, chronic illnesses, and severe injuries). By law, CCS services are provided as a separate and distinct medical treatment. CCS was included in the State-Local Realignment of 1992. County Realignment Funds, state General Fund, and federal matching funds are used to support the program. About 75 percent of CCS children are eligible for Medi-Cal. This reduction would reduce the amount of Medi-Cal administrative support to the program, including eligibility processing and authorizing specialized medical requests for children. It is likely children will wait longer for medical treatment.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces by 10 Percent Medi-Cal Funding for County Program Staff related to Child Health Assessments and Services. The Governor reduces by 10 percent Medi-Cal administrative funds used to support case management functions conducted by County Child Health and Disability Prevention (CHDP) Program staff. The functions include enrollment processing, care coordination, oversight of providers, and education and outreach activities. A total of $3 million ($1.9 million federal funds) is proposed for reduction in 2008-09. No statutory or emergency regulations are needed. However, counties would need notification for making staff reductions.		-$1,056 BY	The Child Health and Disability Prevention (CHDP) Program provides pediatric prevention health care services to (1) infants, children and adolescents up to age 19 who have family incomes at or below 200 percent of poverty; and (2) children and adolescents who are eligible for Medi-Cal services up to age 21. County local health jurisdictions manage CHDP, at the local level, working directly with private and public providers of services. CHDP services play a key role in a child's readiness for school. All children entering first grade must have a CHDP health exam certificate or equivalent. This program serves as a principle provider of vaccinations and facilitates enrollment into more comprehensive health care coverage, when applicable, via the CHDP gateway. This reduction could impact children's access to health assessments and immunizations.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4260-101-0001 Department of Health Care Services—Medi-Cal Program (Benefit Issues)

Cessation of Payment for Part B Premiums for Share-of-Cost Individuals. The Governor proposes to stop paying the federal Medicare Part B premiums for individuals who are enrolled in Medi-Cal with a share-of-cost *and* do not meet their share-of-cost every month. A June 1, 2008 implementation date is assumed. Federal matching funds are not applicable to this proposal. Part B premiums are for Medicare outpatient costs. Medi-Cal currently pays this premium for certain individuals in order for the federal Medicare Program to pay outpatient services in lieu of Medi-Cal funding them. Under this proposal, the DHCS would not pay the Part B premium for certain Medi-Cal enrollees (i.e., those that do not meet Medi-Cal share-of-cost requirements when applicable). This requires statutory change and notification to the affected individuals.		-$4,200 CY TBL -$66,532 BY	Currently, California participates in a "buy-in" agreement with the federal government whereby our Medi-Cal Program automatically pays the federal Medicare Part B premiums for all Medi-Cal enrollees who have federal Medicare Part B entitlement. Under this proposal, the DHCS would no longer pay the Part B premium for individuals enrolled in Medi-Cal with a "share-of-cost" who are Medicare entitled (i.e., adjusted income exceeds 129 percent of poverty) and do *not* meet their monthly share-of-cost requirement. The DHCS states there is no federal requirement to pay Part B premiums for these individuals. There are about 57,000 individuals, primarily aged, blind and disabled with income above 129 percent of the federal poverty level who would be affected by this proposal. If the state does not pay their Part B premium, an individual can *either* choose to pay it ($96 per month now), or pay out-of-pocket for outpatient medical services until they meet their share-of-cost requirement in Medi-Cal. The DHCS will then pay the Part B premium for the month following the first month that the individual meets their share-of-cost.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Adult Dental Services in "Denti-Cal" Program. The Governor proposes to discontinue dental services for adults 21 years of age or older, including pregnant women and individuals with developmental disabilities. Only adults in nursing facilities would continue to receive services. A total reduction of $19.2 million ($9.6 million federal funds) is proposed for the current-year and a reduction of $229.9 million ($114.9 million federal funds) for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes, and a Medi-Cal State Plan Amendment.		-$9,579 CY TBL -$114,950 BY	Currently, the Denti-Cal Program provides primary and specialty dental care for adults and children. Adult dental care is provided at the state's option and is not federally required but is federally reimbursed. Six other states besides California provide these services. Denti-Cal operates using strict cost containment requirements. Recent changes include: (1) pre-treatment x-rays to justify restorations; (2) restricted use for certain laboratory processed crowns; (3) increased provider enrollment requirements; (4) reduced payment for periodontal deep cleaning; and (5) an $1,800 annual cap for adult services. The Department of Developmental Services, which serves individuals with developmental disabilities, would need to provide certain dental services at 100 percent GF expenditure if Adult Dental is eliminated. This dollar amount has not yet been provided; however, past analyses have estimated increased costs of tens of millions. The DHCS notes that lack of dental treatment often results in emergency room visits which results in a shift and increase to medical and hospitals costs.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Optometry Services Provided to Adults. The Governor proposes to discontinue eye examinations and other vision services performed by optometrists for adults 21 years of age or older that are not in nursing homes. Services provided by ophthalmologists would *not* be affected by this proposal. A total reduction of $2.1 million ($1 million federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes and a Medi-Cal State Plan Amendment.		-$1,035 BY TBL	Currently, Medi-Cal provides optometry services, including eye examinations and eyeglasses, as well as diagnostic and ancillary procedures to protect the health of the eye. This coverage also includes medically necessary low vision aids and prosthetic eye services for the visually impaired. This coverage was established in 1971. Optometry services for adults are provided at the state's option and are not federally required but are federally reimbursed. Forty other states besides California provide these services. Services provided by ophthalmologists would *not* be affected by this proposal. There are about 1,200 ophthalmologists and 2,600 optometrists that accept Medi-Cal. Medi-Cal enrollees who are legally blind or visually impaired may require additional assistance from the CA Department of Rehabilitation.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Optician and Optical Laboratory Services for Adults. The Governor proposes to discontinue optician and optical laboratory services to adults 21 years of age or older that are not in nursing homes. Optician providers dispense prescription eyeglasses and contact lenses prescribed by optometrists and ophthalmologists to Medi-Cal enrollees. Optical laboratory services produce eyeglasses. A total reduction of $12.3 million ($6.2 million federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes and a Medi-Cal State Plan Amendment.		-$6,160 BY TBL	Currently, Medi-Cal provides Optician and Optical Laboratory services which are used to prescribe, dispense and fabricate eyeglasses. Optician and Optical Laboratory services for adults are provided at the state's option and are not federally required but are federally reimbursed. All fifty states presently provide these services. Federal law requires these services to be provided to children. Without appropriate eyewear, adults in need would have difficulty driving, reading, and conducting other activities of daily living. It should also be noted that the Prison Industry Authority (PIA), under an interagency agreement with the DHCS, fabricates eyewear for Medi-Cal enrollees (at San Diego, Solano, Pelican Bay, and Valley State prisons). PIA was reimbursed $18 million for lens fabrication services in 2006.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Audiology Services for Adults. The Governor proposes to discontinue audiology services to adults 21 years of age or older that are not in nursing homes. A total reduction of $3.1 million ($1.5 million federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes, and a Medi-Cal State Plan Amendment.		-$1,550 BY TBL	Currently, Medi-Cal provides medically necessary audiology services to Medi-Cal enrollees including screening, diagnostic evaluations, hearing aid evaluations, and hearing therapy. These services are provided at the state's option and are not federally required but are federally reimbursed. The bulk of the services are for audiological evolutions for hearing aids. Therefore, this change would also reduce the number of hearing aids and devices provided by Medi-Cal. Without appropriate audiology services, adults in need would have difficulty in hearing and communicating on a daily basis.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Speech Therapy for Adults. The Governor proposes to discontinue Speech Therapy services to adults 21 years of age or older that are not in nursing homes. A total reduction of $900,000 ($450,000 federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes and a Medi-Cal State Plan Amendment.		-$450 BY TBL	Currently, Medi-Cal provides medically necessary Speech Therapy services to Medi-Cal enrollees including language evaluation, speech evaluation, therapy, and speech generating device assessment. These services are provided at the state's option and are not federally required but are federally reimbursed. Without appropriate Speech Therapy services, adults in need would have difficulty communicating and being understood on a daily basis. Speech therapy is often an important component for individuals recovering from strokes.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Incontinence Creams and Washes for Adults. The Governor proposes to discontinue providing medically necessary incontinence creams and washes to all Medi-Cal enrollees. A total reduction of $9.4 million ($4.7 million federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes and a Medi-Cal State Plan Amendment.		-$39 CY TBL -$4,685 BY	Currently, Medi-Cal provides incontinence creams and washes to Medi-Cal enrollees, except for children under age five, when these products are determined to be medically necessary. To obtain products, enrollees must have a doctor certify the medical condition that is causing their incontinence and obtain a prescription. These prescriptions can be filled by any Medi-Cal provider (usually a pharmacy or durable medical equipment dealer). Coverage of incontinence supplies was established in 1976. Under the DHCS proposal, enrollees would have to purchase over-the-counter incontinence creams and washes at drug stores and incur the expense. Contracts for incontinence creams and washes signed by the DHCS in November 2007 are estimated to reduce expenditures by $1.3 million (all funds) annually.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Acupuncture Services for Adults. The Governor proposes to eliminate Acupuncture Services for adults 21 years of age or older that are not in nursing homes. A total reduction of $54,000 ($27,000 federal funds) is proposed for 2007-08 and a reduction of $5.6 million ($2.8 million federal funds) for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes and a Medi-Cal State Plan Amendment.		-$27 CY TBL -$2,840 BY	Currently, Medi-Cal provides medically necessary acupuncture services for Medi-Cal enrollees. These services include treatment for pain syndromes and other medical conditions, and are often used for the relief of symptoms of AIDS. Acupuncture services were established as a benefit in the Medi-Cal Program in 1981. These services are provided at the state's option and are not federally required but are federally reimbursed. The DHCS contends that elimination of these services would not increase costs to any other services within the Medi-Cal Program.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Podiatrist Services for Adults. The Governor proposes to eliminate Podiatrist services for adults 21 years of age or older that are not in nursing homes. Podiatry services performed by a physician would continue to be reimbursed by Medi-Cal. A total reduction of $3.4 million ($1.7 million federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes and a Medi-Cal State Plan Amendment.		-$1,692 BY TBL	Currently, Medi-Cal provides medically necessary podiatrist services to Medi-Cal enrollees. Podiatry services include medical and surgical services necessary to treat disorders of the feet, ankles, or tendons of the foot rendered by a podiatrist. Most of these services are provided to treat conditions that complicate chronic medical disease, or disorders that significantly impair the ability to walk. These services are provided at the state's option and are not federally required but are federally reimbursed. Coverage of these services in Medi-Cal was established in 1974. California is one of 44 states that offer this benefit. The DHCS states that elimination of these services would increase costs for other services, primarily physician services. These costs have been adjusted for this purpose.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Chiropractor Services for Adults. The Governor proposes to eliminate Chiropractor Services for adults 21 years of age or older that are not in nursing homes. A total reduction of $757,000 ($379,000 federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes, and a Medi-Cal State Plan Amendment.		-$379,000 BY TBL	Currently, Medi-Cal reimburses for medically necessary services provided by a chiropractor. These services include bone and joint manipulation for the relief of pain. California is one of 27 states that offer this benefit. These services are provided at the state's option and are not federally required but are federally reimbursed. Chiropractic services were established as a benefit in 1982. Under the DHCS proposal, enrollees would have to purchase chiropractic services on their own. The DHCS states their savings estimate has been adjusted downward by 25 percent due to anticipated increased costs for physician services which are likely to occur from eliminating chiropractic services.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Elimination of Psychology Services for Adults. The Governor proposes to eliminate Psychology services for adults 21 years of age or older that are not in nursing homes. A total reduction of $503,000 ($251,000 federal funds) is proposed for 2008-09. A June 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes, and a Medi-Cal State Plan Amendment.		-251 BY TBL	Currently, Medi-Cal provides psychology services to Medi-Cal enrollees under the fee-for-service system. Psychology services include those services provided by, or under the supervision of, a licensed psychologist. These services are restricted to two sessions per month unless provided by County Mental Health Plans (County Mental Health Plans operate under a separate waiver through the DMH.) These services are provided at the state's option and are not federally required but are federally reimbursed. Psychology services were established as a benefit in 1976, and California is one of 34 states that offer this benefit. The DHCS states their estimate has been adjusted downward by 50 percent due to anticipated increased costs for other services, primarily psychiatric services which are likely to increase as a result of eliminating these services. This proposal could result in a cost shift to County Mental Health Plans and could result in increased costs due to delays in people obtaining necessary care.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4260-101-0001 Department of Health Care Services—Medi-Cal Program (Provider Reimbursement)

Reduces Medi-Cal Reimbursement by 10 Percent for both Fee-For-Service *and* Managed Care Plans. The Governor proposes to reduce by 10 percent Medi-Cal reimbursement paid under both Fee-For-Service and Medi-Cal Managed Care. This reduction applies to all provider payments *except* for certain specified providers, primarily institutional, who are affected by other reduction proposals. A total reduction of $66.8 million ($33.4 million federal funds) is proposed for 2007-08 and a reduction of $1.212 billion ($609.6 million federal funds) in 2008-09. A July 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes, and a Medi-Cal State Plan Amendment.		-$33,433 CY TBL -$602,400 BY	California reimburses providers for services provided under the Medi-Cal (Medicaid) at some of the lowest rates in the nation. In a recent DHCS report, as requested by the Legislature, rates for some services are less than 50 percent below the federal Medicare Program reimbursement level. It should be noted that the Budget Act of 2007 provided for a rate increase—an average of 3 percent—for Managed Care plans. However, due to a partial Governor's veto, a portion of this rate increase—about $38.5 million (all funds)—is proposed to be deferred to 2008-09 by the DHCS. As a result of this proposal, some providers may choose to no longer participate in the Medi-Cal Program. The DHCS notes that this may cause some Medi-Cal enrollees to seek replacement services from higher cost facilities, such as emergency rooms or Federally Qualified Health Care Centers. To the extent this proposal causes Medi-Cal enrollees to seek services from higher cost facilities, the estimated savings would be less.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Medi-Cal Reimbursement by 10 Percent for Certain Long-Term Care Providers. The Governor proposes to reduce by 10 percent the reimbursement paid for certain Long-Term Care facilities, including Distinct-Part facilities (associated with hospitals), Nursing Facilities-Level A, Adult Day Health Centers, Hospice, rural swing beds, Subacute facilities, and Pediatric Subacute facilities. A total reduction of $113.5 million ($56.7 million federal funds) is proposed for 2008-09. A July 1, 2008 implementation date is assumed. This requires a change in statute, regulatory changes, and a Medi-Cal State Plan Amendment.		-$56,751 BY TBL	Currently, for these specified Long-Term Care facilities, Medi-Cal reimbursement rates are based on two-year old cost data that are projected forward to determine a prospective rate. If this proposal is enacted, it is likely that certain providers will discontinue their participation in Medi-Cal or may close altogether. To the extent this occurs, it may result in some Medi-Cal patients having to stay longer in an acute hospital before they can be placed in a nursing facility or at home. Other individuals may not have access to services. Nursing facility Level B's and Intermediate Care Facilities for the Developmentally Disabled (ICF-DD) are excluded from this proposal because they pay a "quality improvement fee" that helps pay for their cost of services.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces Funding to Public Hospitals by Shifting Federal Funds to Backfill for General Fund in Certain State-Operated Programs. The Governor proposes to shift federal funds designated for uncompensated care for Public Hospitals, as contained in the state's Hospital Financing Waiver, to backfill for General Fund support in certain state-operated programs, including the Medically Indigent Adult Long-Term Care Program and the Breast and Cervical Cancer Treatment Program (both in Medi-Cal). This proposal would shift an additional $7.7 million (federal Safety Net Care Pool funds) to backfill General Fund support for these two programs. Presently, a total of $14.7 million (in Safety Net Care Pool Funds) is used to offset General Fund in Medi-Cal. A July 1, 2008 implementation date is assumed. This requires a change in statute. *(See Item 4260-111-001, regarding CA Children's Services and Federal Shift).*		-$7,750 BY TBL	Under the state's Hospital Financing Waiver, designated hospitals receive funds from several sources based on a complex formula. A key aspect of this arrangement is that designated Public Hospitals receive federal matching funds based on generated certified public expenditures (CPE) and intergovernmental transfers. Safety Net Care Pool Funds are capped at $560 million (federal funds) annually and are provided to hospitals for uncompensated care costs, except for $40.7 million which is used by the state to offset General Fund costs in various state-operated programs. Certain expenditures incurred by the state can also serve as CPE for purposes of obtaining federal Safety Net Care Pool Funds. When this is done, the state can save General Fund support by using federal funds as a backfill. The effect of this proposal is that fewer funds would be available to Public Hospitals from the Safety Net Care Pool. This could affect access to services by both Medi-Cal enrollees and the uninsured. It should be noted that due to other proposed budget year adjustments, the total amount identified in the Safety Net Care Pool for expenditure by the state is a total of $78.8 million, or a $38.1 million increase in the shift over the Budget Act of 2007.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces Payments for Private Hospitals and District Hospitals. The Governor proposes to reduce by 10 percent the amount paid to Private Hospitals and District Hospitals under the state's Hospital Financing Waiver by making adjustments to certain disproportionate share hospital payments, including replacement payments, which are paid to these hospitals. A total reduction of $47.3 million ($23.3 million federal funds) is proposed for 2008-09. A July 1, 2008 implementation date is assumed. This requires a change in statute and changes in the Hospital Financing Waiver.		-$24,000 BY TBL	Under the state's Hospital Financing Waiver, hospitals participating in the Medi-Cal Program receive funds from several sources based on a complex formula. A key aspect of this arrangement is that Public Hospitals receive federal funds based on the use of their certified public expenditures and intergovernmental transfers, whereas Private Hospitals and District Hospitals receive a mixture of state General Fund support and federal funds. This proposal would, in effect, reduce by 10 percent the amount Private Hospitals and District Hospitals receive in disproportionate share hospital replacement payments. Therefore, these hospitals would receive less reimbursement for their uncompensated care costs.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces Payments for "Non-Contract" Hospitals. The Governor proposes to reduce by 10 percent the amount paid by Medi-Cal to "non-contract" hospitals for inpatient services provided to Medi-Cal enrollees. A total reduction of $60.1 million ($30 million federal funds) is proposed for 2008-09. A July 1, 2008 implementation date is assumed. This requires a change in statute and emergency regulation authority. In addition, the DHCS would need to conduct certain administrative functions, such as send out rate adjustment notices.		-$30,033 BY TBL	Non-contract hospitals are hospitals that do not have a contract with the CA Medical Assistance Commission (CMAC) to serve Medi-Cal patients. Non-contract hospitals tend to be located in rural areas of the state; however, there are some in urban areas. Non-contract hospitals can be limited in the number of beds they offer for Medi-Cal due to the size of the facility and may not offer certain specialty medical services. This proposal would limit non-contract hospital payments to 90 percent of their allowable rate of payment. This reduction could impact some rural hospitals operating under less stable financial conditions.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4260-111-0001 Department of Health Care Services— Other Health Care Program Proposals

Reduces by 10 Percent Payments to CA Children's Services (CCS) Providers. The Governor proposes to reduce by 10 percent the amount paid to providers participating in the CCS Program. A wide range of health care services are reimbursable to providers, including inpatient hospital care, physician services, pharmaceuticals and durable medical equipment. CCS reimburses providers at the rates paid to Medi-Cal. A total reduction of $24.2 million ($13.2 million federal funds) is proposed for 2008-09. A July 1, 2008 implementation date is assumed. This requires a change in statute and emergency regulation authority.		-$10,989 BY TBL	The CA Children's Services (CCS) Program provides specialized medical care to children through age 21 who have certain CCS eligible conditions (such as birth defects, genetic diseases, cancer, and severe injuries). By law, CCS services are provided as a separate and distinct medical treatment. County Realignment Funds, state General Fund, and federal matching funds are used to support the program. About 75 percent of CCS children are enrolled in Medi-Cal. The remaining 25 percent are CCS-Healthy Families and CCS-only cases. The proposed reduction would be consistent with the proposal under the Medi-Cal Program. Certain types of specialty and subspecialty physicians are already scarce and this proposal will likely add to this challenge. There is also a shortage of durable medical and home health providers and will be an added concern.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Shift Federal Funds from Safety Net Care Pool to Backfill for General Fund in Certain State-Operated Programs—CCS and GHPP. The Governor proposes to shift federal funds designated for uncompensated care for Public Hospitals, as contained in the state's Hospital Financing Waiver, to backfill for General Fund support in certain state-operated programs, including the CA Children Services (CCS) Program and the Genetically Handicapped Persons Program (GHPP). Certain state expenditures can also serve as a certified public expenditure for purposes of obtaining federal Safety Net Care Pool Funds. The state is presently offsetting $26 million in General Fund costs using federal Safety Net Care Pool funds for CCS and GHPP. This proposal would increase General Fund offset to $52.6 million (in federal funds) for these two programs. (See Item 4260-101-0001, regarding the Medi-Cal Program and fund shift).		-$26,650 BY TBL	Under the state's Hospital Financing Waiver, designated hospitals receive funds from several sources based on a complex formula. A key aspect of this arrangement is that designated Public Hospitals receive federal matching funds based on generated certified public expenditures and intergovernmental transfers. Safety Net Care Pool Funds are capped at $560 million (federal funds) annually and are provided to hospitals for uncompensated care costs. Certain expenditures incurred by the state for some programs, such as the GHPP, can also serve as a certified public expenditure for purposes of obtaining federal Safety Net Care Pool Funds. When this is done, the state can save General Fund support by using federal funds as a backfill. Absent the proposed shift, General Fund support would be needed for the CCS and GHPP. The affect of this proposal is that fewer funds would be available to Public Hospitals from the Safety Net Care Pool. The total amount identified to shift from Public Hospitals to backfill for state General Fund support is $78.8 million, or an increase of $38.1 million, over the Budget Act of 2007. This includes the Medi-Cal piece.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces by 10 Percent Payments to Genetically Handicapped Persons Program (GHPP) Providers. The Governor proposes to reduce by 10 percent the amount paid to providers participating in the GHPP Program. GHPP reimburses providers at the rates paid to Medi-Cal. A total reduction of $4.2 million (GF) is proposed for 2008-09**.** A July 1, 2008 implementation date is assumed. This requires a change in statute and emergency regulation authority.		-$4,200 BY TBL	The GHPP provides comprehensive health care coverage for persons with specific genetic diseases including Hemophilia, Sickle Cell, Huntington's, Joseph's, Cystic Fibrosis, and metabolic diseases. GHPP clients must be low-income and have a qualifying genetic disease for enrollment into the program. Clients pay enrollment fees based on a sliding fee scale for family size and income. There are about 1,550 clients in the program of whom 313 are Medi-Cal enrollees. The proposed reduction would be consistent with the proposal under the Medi-Cal Program. The reductions would be applied to non-contract hospitals and all other provider types except for long-term care facilities. Certain types of specialty and subspecialty physicians are already scarce and this proposal will likely add to this challenge. There is also a shortage of durable medical and home health providers and will be an added concern.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduces Clinic Programs by 10 Percent. The Governor proposes to reduce clinic programs by 10 percent for *each* program for a total of $3.5 million GF. This includes a reduction to: the Seasonal, Agricultural and Migratory Workers (SAMW) clinics; Indian Health (IH) clinics; Rural Health Service (RHS) clinics; Expanded Access to Primary Care (EAPC) clinics; and Grants-In-Aid to clinics. The proposal does not require statutory change; however, the Administration is seeking to add statute to state that funding for these programs is contingent on appropriation in the annual Budget Act.		-$3,545 BY TBL	There are several clinic programs which provide assistance to clinics in rural areas and urban areas, and clinics which serve special populations in need of primary care. Generally, these programs provide assistance to almost 400 clinics. Some clinics are more reliant on these state-supported funds than others, contingent on the community population whom they serve. All clinics that receive funding provide for some portion of uncompensated care in their communities. The reduction would reduce funding for: ✓ 21,750 SAMW clinic visits; ✓ 40,590 RHS clinic visits; ✓ 18,800 EAPC clinic visits; ✓ 37,100 medical, 19,500 dental, and 16,900 public health visits in the IH clinics; and ✓ 1,700 medical and dental visits in Grants-In-Aid. No statutory changes are necessary to implement the reduction or to maintain existing funding. All of these programs are contingent upon appropriation in the annual Budget Act and have been since their inception.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4260-001-0001 Department of Health Care Services— Administrative Issues

Reduces Contracts Related to the Administration of the Medi-Cal Program. The Governor proposes to reduce the following contract activities within the Medi-Cal Program and CA Discount Prescription Drug Program (CDPDP) as follows: ✓ Medi-Cal Management Information Systems/Decision Support by 25 percent= $2.1 m (total) ✓ Electronic Data Systems (EDS), various functions for Medi-Cal= $16.9 m (total) ✓ Delta Dental, for Denti-Cal utilization review, = $2.8 m (total funds) ✓ Contractor for CDPDP = $443,000 (total) No statutory changes are needed but some re-negotiations of contracts will be needed.		-$5,293 BY	Medi-Cal contracts with EDS to be its fiscal intermediary responsible for all transactions associated with Medi-Cal reimbursement (billing systems, provider inquiries on billing, data warehouse, and related functions). The overall contract with EDS is $167 million ($46.6 million General Fund). Medi-Cal contracts with Delta Dental to be its fiscal intermediary responsible for all transactions associated with Denti-Cal reimbursement. The DHCS states these reductions will require some contract re-negotiations and will result in: (1) delays for Health Insurance Portability and Accountability (HIPA) Act implementation; (2) elimination of paper provider bulletins; (3) reduction in DHCS user training; (4) delays in certain system changes; (5) less assistance on provider telephone lines; and (6) reduction of utilization review activities in dental claims. In addition, the DHCS notes that a sole source IT contract amendment will be needed.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4280-101-0001 Managed Risk Medical Insurance Board—Healthy Families Program

Reduces Healthy Families Program (HFP) Plan Rates by 5 Percent The Governor proposes to reduce by 5 percent, for a total reduction of $63.1 million ($40.7 million federal S-CHIP), the rates paid to plans participating in the Healthy Families Program. A July 1, 2008 implementation is assumed. MRMIB contracts with 23 health plans, 6 dental plans, and 3 vision plans to achieve statewide coverage. The statewide monthly capitation rate is $98.88 for ages 1 to 19 and $237 for children birth to one. Plan rates are negotiated between January and March and approved by the MRMIB Board in March of each year for the upcoming budget year. This proposal requires: (1) a statutory change; (2) emergency regulation authority; (3) contracts to be re-negotiated with the plans; and (4) a State Plan Amendment which requires federal approval. This proposal interacts with the limit to dental coverage, and the proposal to increase copayments, below.		-$22,400 BY TBL	The HFP provides subsidized health insurance including dental and vision for children (birth to age 19) in families with incomes from 100 percent of poverty up to 250 percent of poverty. Subscribers pay monthly premiums and co-payments for services. As required by federal law, children eligible for Medicaid (Medi-Cal in CA) must be enrolled in it, and not the HFP. The HFP is funded at a 65 percent federal match through a federal allotment (i.e., this is not a federal entitlement program). Generally, the MRMIB negotiates contracts annually and is noted for operating an efficient program. Currently there are 7 counties with only one health plan available. If the 5 percent reduction occurs, and this plan decides not to contract with the HFP, MRMIB would have to find another plan. There is also the potential for reduced access to services if a plan needs to limit its network due to the rate reduction. Though the MRMIB does not anticipate any benefit reductions resulting from the proposed rate reduction, this could be a consequence of the proposal since health plans would likely desire to curtail their costs based on a reduced capitation rate. This proposal also interacts with the limit to dental coverage and the proposal to increase copayments, below.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Proposes Annual Benefit Limit for Dental Coverage in the HFP. The Governor proposes to institute an annual limit of $1,000 for dental coverage within the HFP for a total reduction of $17.7 million ($11.4 million federal S-CHIP). A July 1, 2008 implementation is assumed. This proposal would limit the annual dental coverage offered to subscribers and would reduce plan costs (i.e., rates). This proposal requires: (1) statutory change; (2) emergency regulation authority; (3) contracts to be re-negotiated with the plans; and (4) a State Plan Amendment. This proposal also interacts with the 5 percent rate reduction issue as discussed above, and the proposal to increase copayments, below.		-$6,300 BY TBL	The HFP presently contracts with 6 dental plans for the provision of dental care services. These plans receive a capitated reimbursement from the HFP based on a defined benefit package and contract rate negotiations. According to the MRMIB and their contracted actuary, establishing this dental limit would result in a 12 percent savings in dental benefits over the current year. The MRMIB notes that if the $1,000 cap is imposed, dental benefits will remain the same; however, subscribers with multiple dental needs would likely need to spread services over more than one-year. MRMIB's contracted actuary estimates that 5 percent of the HFP subscribers would reach the $1,000 annual limit. This proposed $1,000 limit would result in a rate reduction and is in addition to the 5 percent rate reduction.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Increase to Subscriber Premiums. The Governor proposes to increase premiums paid by subscribers as follows: ✓ 1. Subscribers from 100-150%. No change. Due to federal cost-sharing requirements, premiums cannot be raised for this group of subscribers. The premium is \$7 per child with a maximum per family of \$14 per month. ✓ 2. Subscribers from 151-200%. Increase from \$9 per child per month to \$16, or by \$7 per month. The family maximum amount would increase from \$27 to \$48 per month, or \$21 per month. ✓ 3. Subscribers over 200%. Increase from \$15 per child per month to \$19, or by \$4 per month. The family maximum amount would increase from \$45 to \$57 per month, or \$12 per month. A total reduction of \$31.3 million (\$20.2 federal) is assumed. The July 1, 2008 start requires a statutory change, emergency regulation authority, and State Plan Amendment. No federal approval is needed.		-\$11,100 BY TBL	HFP premiums are in statute and must be paid by families to maintain their child's enrollment. Subscribers with incomes over 200 percent of poverty had their premiums increased as of July 1, 2005 (from \$9 to the present \$15 per child). The HFP does offer subscribers "premium discount options" to offset some costs associated with premiums and co-payments. Discounts offered include (1) \$3 per child per month discount for enrollment in a "community provider plan"; (2) subscriber paying 3 months in advance to get one month "free"; and (3) a 25 percent monthly discount for payment of premiums through electronic funds transfer or reoccurring credit card payment. The proposal would significantly increase premiums for two categories of family income as noted. Subscribers from 151 to 200 percent of poverty would experience a 77 percent increase (\$7 per month). Subscribers over 200 percent of poverty would experience a 27 percent increase (\$4 per month). MRMIB anticipates increased use of the premium discount options. However it is likely that some families will be unable to pay premiums given the increase and will disenroll or not enroll their children. This proposal also interacts with the one below.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Increases Co-Payments for "Non-Preventive" Services in the HFP. The Governor proposes to increase the co-payments of HFP subscribers from $5 to $7.50 for non-preventive services for families with incomes *over* 150 percent (i.e., from 151 to 250 percent). Non-preventive services include, but are not limited to, the following: ✓ Emergency room visits if not hospitalized; ✓ Doctor visits for other than well-child visits, inpatient services or chronic care treatment; ✓ Prescriptions; ✓ Eye Exams and Prescription glasses; ✓ Physical, speech, and occupational therapy; and ✓ Root canals, oral surgery, crowns, bridges, and dentures. A total reduction of $9.6 million ($6.2 million federal) is assumed. This proposal requires a statutory change, emergency regulation authority, and State Plan Amendment. No federal approval is needed.		-$3,400 BY TBL	Co-payments are paid by families for most services received by their children, though some preventive services do not require one. Presently, co-payments for "non-preventive" services are $5 for all families. This proposal would increase co-payments by $2.50, or 50 percent more than paid now, for families *over* 150 percent of poverty. The MRMIB states this amount was selected due to the savings level it achieves. It is assumed that an increase in co-payments will reduce utilization of services by families (their children), and thereby, reduce plan rates by about 1.25 percent. The MRMIB notes their proposed increase in premium payments, along with this proposed increase in co-payments, would still meet the federal cost-sharing requirement of not exceeding 5 percent of a family's income. However, as noted below, it would increase a family's cost significantly—42 percent and 28 percent respectfully.

Percent of Annual Family Income Spent on HFP

Income Level	Current	Proposed
150 to 200	1.9%	2.7%
200 to 250	1.8%	2.3%

This proposal would likely affect a child's access to HFP services, due to increased costs.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments

4440-101-0001 Department of Mental Health—Local Assistance

Two Significant Changes Proposed for Early and Periodic Screening, Diagnosis & Treatment (EPSDT) Program which Serves Children: ***(A) Reduce Rates & Eliminate COLA.*** The Governor proposes significant changes to the EPSDT Program which provides mental health treatment to children, including reducing rates as follows: *1. Reduce Schedule of Maximum Allowances.* A reduction of 5 percent is proposed and would be effective as of March 1, 2008. A total reduction of $6.1 million ($3 million federal funds) is assumed for the current-year and a total of $24.6 million ($12.3 million federal funds) for 2008-09. *2. Eliminate COLA.* The above Schedule is updated annually based on the "home health market basket" to account for inflation. This would be eliminated. A total reduction of $3.8 million ($1.9 million federal funds) is assumed for the current-year and a total of $15 million ($7.5 million federal funds) for 2008-09. A statutory change is required.		-$4,947 CY TBL -$19,796 BY	The EPSDT Program is federally mandated and provides mental health services, including family therapy, behavioral management, and medication monitoring to children with severe mental illness. The state has lost several lawsuits and was required to expand access. This program is supported using a combination of state GF, County Realignment Funds, and federal matching funds. Both the LAO and DOF have documented substantial concerns regarding the DMH's management of this program. Three recent comprehensive reports by the DOF's Office of State Audits and Evaluations (OSAE) have proposed dozens of recommendations for the DMH to implement for management purposes. Most of these recommendations have not yet commenced. These changes would likely shift costs to counties and trigger County MHPs to re-negotiate their current contracts to provide these services with the state. It is likely that fewer community providers will provide services and issues regarding access to services for children may arise.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Significant Changes Proposed for EPSDT Program Which Serves Children: ***(B) Require a 6-month Reauthorization & Reduce the Cost per Client.*** The Governor proposes significant changes to the EPSDT Program which provides mental health treatment to children, including: 1. *Require a 6-Month Reauthorization*. DMH would require County MHPs to review requests for EPSDT services submitted by Day Treatment providers that exceed 6-months of treatment for a child. A total reduction of $38.8 million ($19.4 million federal funds) is assumed for 2008-09. It is assumed counties will reduce or terminate services. A July 1, 2008 implementation is assumed. 2. *Further Reduce Cost per Client*. DMH would conduct more monitoring which would result in reduced claims. A total of $3.5 million ($1.7 million federal funds) is assumed for the current-year and $14.2 million ($7.1 million federal funds) for 2008-09. A March 1, 2008 implementation is assumed. No statutory change is proposed.		-$1,768 CY -$26,540 BY	This proposal is in addition to the reductions identified in the prior page. With respect to the six-month reauthorization proposal, originally the DMH stated it would be conducting these reauthorization reviews. However, the DMH now states that County MHPs would be responsible for these reviews. County MHPs are already required by the DMH to conduct prior authorizations and reviews (every three and six months) of day treatment services. Also, all EPSDT claims for day treatment services are subject to state and county audits. It is unclear how this proposal would functionally be different than existing practices or how the dollar level of savings would be achieved. Regarding the proposal to establish a DMH unit to further monitor claims, it is unclear how reductions are to be achieved. Additional clarity on how existing County MHP reviews and DMH EPSDT audits interact with this proposal is needed.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Reduces State Allocation to Counties for Medi-Cal Mental Health Managed Care Program. The Governor proposes to reduce the state's GF allotment to County Mental Health Plans (County MHPs) for services provided under the Medi-Cal Mental Health Managed Care Program. A March 1, 2008 implementation is assumed. A total reduction of $16 million ($7.8 million federal funds) is assumed in the current-year, and a $46.7 million ($22.9 million federal funds) reduction in 2008-09. The DMH states the proposed reduction was derived as follows: 1. Reduce rates by 5 Percent. 2. Eliminate funding for Minor Consent. 3. Eliminate funding for implementation of federal managed care regulations A statutory change is required.		-$8,185 CY TBL -$23,800 BY	This program operates under a federal waiver which requires all Medi-Cal enrollees with severe mental illness to obtain mental health services through their local County Mental Health Plan (County MPH). This program operates in partnership and uses a combination of state GF, County Realignment Funds, and federal matching funds. The state's GF allotment is based on state law. County MHPs use the state allotment and their own County Realignment Funds to obtain a federal match. County MHPs can choose to opt out of the program. Mental Health Managed Care was reduced by 5 percent for a two-year period (2003 to 2005). Efforts to restore this funding have not succeeded. Adjustments for certain medical COLAs have not been provided by the state to County MHPs since 2000. The proposal would make permanent an additional 5 percent reduction, along with eliminating all state funding for Minor Consent Services and no longer providing funding for certain federal regulations. These reductions would further limit overall funding for the program and shift expenditures to counties. This would likely lead to reduced services and less access to mental health services.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Reduces by 10 Percent the General Fund (GF) Appropriation for Healthy Families (Supplemental Mental Health Services). The Governor proposes a 10 percent reduction to the Department of Mental Health's state GF appropriation for legal immigrant children enrolled in the Healthy Families Program (supplemental mental health services). The Administration incorrectly states that federal funds would be reduced as well. Per federal law, California cannot receive federal funds for legal immigrant children enrolled in the Healthy Families Program. A March 1, 2008 implementation date is assumed. No statutory changes are proposed.		-$20 CY -$71 BY	Under the Healthy Families Program (HFP), as administered by the MRMIB, participating health plans provide medically necessary mental health services to enrolled children up to a specified limit. Children, who have been diagnosed as being seriously emotionally disturbed, are to receive *additional*, supplemental mental health services provided by County Mental Health Plans (County MHPs). The supplemental mental health services provided to HFP enrolled children can be billed by County MHPs (using County Realignment Funds) to obtain a federal match, *except* for legal immigrant children. Federal "State-Children's Health Insurance Program" (S-CHIP) law excludes federal financial participation for legal immigrant children. Therefore, states must use 100 percent of their own funds to provide services to this population. Historically, the state has provided 65 percent of this funding, and the County MHPs 34 percent (to equate to 100 percent). This funding ratio (65 percent state funds) was established back in 1997 (when the HFP was implemented) because it represents the percentage that would normally be paid by the federal S-CHIP formula. This proposal would shift costs to County MHPs and could result in less services.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Reduces the San Mateo Pharmacy and Laboratory Services Project. The Governor proposes to reduce by 10 percent funding for the San Mateo Pharmacy and Laboratory Services Project (Project) by a total of $380,000 ($190,000 federal funds) in the current-year, and a total of $928,000 ($464,000 federal funds) in 2008-09. A March 1, 2008 implementation date is assumed. No statutory changes are required but the DMH contract with San Mateo would need to be amended.		-$190 CY $464 BY	The San Mateo County Mental Health Plan is the only county plan to cover pharmacy and related laboratory services for Medi-Cal Program enrollees with a serious mental health illness, including both children and adults. This reduction would likely result in reduced services to about 1,953 pharmacy clients in need of medications and laboratory work.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Eliminates the Community Treatment Facilities (CTFs) Supplemental Rate. The Governor proposes to eliminate the state's share of a supplemental rate paid to CTFs. A March 1, 2008 implementation date is assumed. The Administration is requesting statutory change to implement this proposal.		-$1,200 CY TBL -1,200 BY	Community Treatment Facilities (CTFs), provide secured residential care for the treatment of children diagnosed as being seriously emotionally disturbed (SED). These are locked facilities that provide intensive treatment. CTFs were created as an alternative to out-of-state placement and state hospitalization for some children. The DMH and Department of Social Services have joint protocols for the oversight of these facilities. The Budget Act of 2001 and related legislation provided supplemental payments to CTFs. These supplemental payments consist of both state (40 percent) and county (60 percent) funding. There are five CTFs in CA as follows: (1) San Francisco Community Alternatives; (2) Seneca-Oak Community Alternatives in Concord; (3) Starlight Adolescent Center in San Jose; (4) Starview Children & Family in Santa Clara; and (5) Vista Del Mar Child & Family Services in Los Angeles. Elimination of this rate would likely shift costs to counties, or result in fewer children being served, or result in placing children in more expensive juvenile facilities.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Reduces Caregiver Resource Centers by 10 percent. The Governor proposes to reduce the Caregiver Resource Centers by 10 percent. A March 1, 2008 implementation date is assumed. A total reduction of $400,000 (GF) is proposed for the current-year and a total of $1.2 million (GF for 2008-09. No statutory change is proposed.		-$400 CY -$1,200	The CA Caregiver Resource Center system provides assistance to about 13,000 families who are caring for an adult family member at home. Assistance includes consultation and care planning, counseling and support planning groups, education and training, legal and financial planning, respite care, and other mental health interventions. The DMH contracts with 11 agencies statewide for these services. The availability of services assists to delay, if not eliminate, the admission of family members to long-term care institutions. The DMH states that this reduction could decrease support services to over 1,300 caregivers.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Reduces AIDS Counseling Funding. The Governor proposes a 10 percent reduction for AIDS Counseling services. A March 1, 2008 implementation date is assumed. A total reduction of $50,000 (GF) is proposed for the current-year and a total of $150,000 (GF) for 2008-09. The DMH states this reduction will not jeopardize the state's compliance with federal Ryan White HIV and AIDS Treatment Modernization Act maintenance-of-effort requirements. No statutory change is required.		-$50 CY -$150 BY	The CA AIDS Project provides mental health counseling and support to more than 3,000 individuals affected by, or at risk of contracting, HIV and AIDS. Currently, the DMH contracts with 14 agencies statewide to provide these services. The 2007 Budget Act appropriated $1.5 million (GF) for this purpose. The DMH states this reduction would result in the loss of services to about 334 persons.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments
Reduces Funding for the Cathie Wright Technical Assistance Center. The Governor proposes to reduce this Center by a total of $10,000 GF) in the current-year and $40,000 GF in 2008-09. A March 1, 2008 implementation is assumed. No statutory change is required.		-$10 CY -$40 BY	In the Budget Act of 2004, the DMH received an appropriation of $350,000 (GF) to contract with the CA Institute for Mental Health for operation of the Cathie Wright Technical Assistance Center. This Center provides extensive assistance, including the following: ✓ Training, consultation, and technical assistance to counties to support the local implementation of evidence-based services. ✓ Developing new projects designed to facilitate state and local consensus building through interagency collaboration, support of family/professional partnerships, and child, youth, and family driven services. This reduction would limit planned forums, and reduce the number of training activities for all involved parties. The DMH states that this reduction will not have any significant impacts on clients, consumers, or providers.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (In Thousands)	Comments

4440-001-0001 Department of Mental Health—State Administration

Reduce Some State Administrative Costs. The Governor proposes to reduce certain positions and administrative expenditures at the DMH headquarters. A total reduction of \$722,000 GF is proposed for the current-year and a total of \$2.4 million (\$500,000 in reimbursements) is proposed for 2008-09. A March 1, 2008 implementation date is assumed. No statutory change is required.		-\$722 CY -\$1,948	This reduction includes elimination of 8 positions in various administrative areas, 5 positions in program oversight functions, and \$1.5 million in reduced contract costs. The reduced contract expenditures are in the areas of general expense, travel, and information technology services.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4300-101-0001 Department of Developmental Services--Community-Based Services & Regional Centers

Expand the Family Cost Participation Program. The Governor proposes to expand the existing "Family Cost Participation" Program by: (1) requiring parents with children under 3 years of age and living at home to pay a share of cost for daycare, respite, and camping services; and (2) assessing a higher share of cost on parents with incomes above 400 percent of poverty using a sliding fee scale based on income levels. Total savings for 2008-09 are assumed to be $773,000 (GF). Implementation of the higher share of cost issue is assumed to occur by July 1, 2008. Implementation of inclusion of children under age 3 in the cost sharing program is assumed by October 1, 2008. Both of these issues require statutory change and emergency regulation authority. In addition, inclusion of children under age 3 in the cost sharing requires federal notification and a State Plan Amendment (to the Early Start Program).		-$773 BY TBL	The Family Cost Participation Program (FCPP), effective January 1, 2005, requires Regional Centers to assess a share of the cost of respite, child day care, and camping services to parents who have a child, aged 3 to 17 living at home and *not* eligible for Medi-Cal. The family cost participation is calculated on a sliding scale from 5 percent to 80 percent, based on a family's income and their family size. Under the FCPP, a family is informed of the number of units of service for which they are financially responsible and they pay this amount directly to the provider. About 5,000 families are in the program. DDS states that $3.1 million (GF) is saved annually under the current program. This proposal would expand the FCPP to include services (i.e., respite, child day care and camping services) provided to children under the age of 3, effective October 1, 2008. DDS states this would save $561,000 General Fund annually. The same sliding fee scale, based on family income and family size, would apply. This proposal would also assess a higher share of cost on parents (above 400 percent of poverty) by increasing the assessment up to 100 percent of cost participation (versus an upper limit of 80 percent now).

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Purchase of Services (POS) Costs through Continuation of Cost Containment Measures. *(See Chart)* The Governor proposes to make *permanent* cost containment measures enacted in prior years for total savings of $329.7 million ($100.9 million in reimbursements). These measures include the following: 1. Freeze Non-Community Placement Start-Up 2. Freeze Rates for Day Program, Work Activity, and In-Home Respite 3. Freeze Rates for Community Care Facilities (CCF) and Eliminate SSI/SSP Pass-Through 4. Freeze All Regional Center (RC) Negotiated Rates and Establish Limits for New Negotiated Rate Programs and Services 5. Freeze Rates for Habilitation Services A July 1, 2008 implementation date is assumed. This requires statutory change. The amount of savings attributed to each component of this proposal is contained in a separately provided chart.		-$228,822 BY TBL	Purchase of Services (POS) cost containment measures have been enacted in one form or another through the Budget Acts of 2003 to 2007. (See chart for individual dollars.) 1. Freeze Non-Community Placement Start-Up. Under this proposal, an RC may not use POS funds for the startup of any new program unless the expenditure is necessary to protect a consumer's health or safety. 2. Freeze Rates for Day Program, Work Activity and In-Home Respite. This rate freeze means that providers with a temporary rate in effect on or after June 30, 2003 (i.e., a 3% rate increase was given) cannot obtain a higher permanent rate. 3. Freeze Rates for CCFs and Eliminate SSI/SSP Pass-Through. This would continue a rate freeze that went into effect in the Budget Act of 2003. In addition, it would continue to use federal increases in SSI/SSP to offset GF expenditures for these services. 4. Freeze RC Rates for Contract Services. Some RCs contract through direct negotiations with providers. This proposal would expand existing law to freeze all rates in effect as of June 30th, and it would establish an upper limit on the rates RCs can negotiate for new providers. 5. Freeze Rates for Habilitation Services. This would continue the freeze on rates for Supported Employment Programs. This issue interacts with the following item.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Supported Employment Programs by 10 Percent. The Governor proposes to reduce by 10 percent the reimbursement rates paid in the Supported Employment Program which provide assistance to individuals with developmental disabilities. Specifically, the proposal would reduce the job coaching rate from $34.24 per hour to $30.82 per hour. A total savings of $9.6 million ($1.8 million in reimbursements) is assumed with an implementation date of July 1, 2008. Statutory change would be required as well as notification to the providers. This proposal interacts with the rate freeze as outlined above. (This reduction also affects programs operated by the Department of Rehabilitation.)		-$7,740 BY TBL	The Supported Employment Program (SEP) provides opportunities for persons with developmental disabilities to work in the community, in integrated settings, with support services provided by community rehabilitation programs. SEP provides services for individually employed consumers, as well as consumers employed in group settings. The Budget Act of 2006, with accompanying statutory changes, provided a 24 percent increase to SEP (i.e., job coaching rate increased to $34.24 per hour). This rate increase was expected to assist in the development of 600 additional new jobs annually. This proposal assumes no reduction in the number of consumers entering employment services. However, it is likely that some reduced services would occur. This proposal interacts with the rate freeze as outlined on the prior page. (This reduction also affects programs operated by the Department of Rehabilitation.)

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Regional Center (RC) Operations through Continuation of Cost Containment Measures. The Governor proposes to make *permanent* cost containment measures for RC Operations as follows: 1. <u>Delay Intake and Assessment Functions.</u> This proposal would increase the time for RCs to conduct intake and assessment activities of consumers from 60 days to 120 days for total savings of $4.5 million (all GF) in RC staff expenditures. 2. <u>Caseload Ratio Change from 1:62 to 1:66</u>. This proposal would increase the RC staff to consumer ratio from 1 to 62 up to a higher ratio of 1 to 66 for total savings of $32.4 million ($16.4 million in reimbursements). The Administration proposes an implementation date of July 1, 2008. Statutory change would be required.		-20,496 BY TBL	These RC Operations cost containment measures have been enacted in one form or another through the Budget Acts of 2002 to 2007. The Administration is now proposing to make these cost containment measures permanent. Continuation of these cost containment measures means that consumers may receive less case management assistance from RC staff, and that persons who may be eligible for RC services will need to wait longer to be assessed and enrolled for services. It should be noted that the Administration is proposing to make these cost containment measures, as well as the Purchase of Services cost containment measures *permanent (ongoing)*.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Regional Center (RC) Community Placement Plan Operations by 10 Percent The Governor proposes to reduce by 10 percent the amount of funding for RC Operations functions related to "community placement" planning. A total reduction of $660,000 (GF) is assumed for the current-year and $2 million (GF) for 2008-09. A March 1, 2008 implementation date is assumed. No statutory change is required.		-$660 CY -$2,000 BY	Each RC develops an annual "Community Placement Plan" in concert with the department. This plan is consistent with, and implements requirements in, the state's Lanterman Act and the U.S. Supreme Court's decision in *Olmstead* that consumers be served in the least restrictive environment. RCs receive dedicated operations funding to cover the costs of transitioning residents from Developmental Centers to the community, and for providing assistance to consumers in the community to mitigate being placed in Developmental Centers. RC Operations expenditures consist of personnel, consultant services, training services, and clinical/crisis teams. The DDS states that each RC will determine which categories to make any potential reduction.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Regional Center (RC) Operations for HIPAA Implementation by 10 Percent. The Governor proposes a 10 percent reduction provided to Regional Centers related to implementation of the federal Health Insurance Portability and Accountability Act (HIPAA). A March 1, 2008 implementation date is assumed. A total reduction of $23,000 (GF) is proposed in the current-year and a reduction of $141,000 ($70,000 in reimbursements) is proposed for 2008-09. No statutory changes are required.		-$23 CY -$71 BY	The federal Health Insurance Portability and Accountability Act (HIPPA) requires states and health care providers to meet various requirements, including the secure transmission of confidential health information. Activities for implementation of HIPAA have been on-going for many years. RCs are required by the DDS to implement certain requirements set forth in HIPAA. The RCs receive $1.4 million (total funds) for HIPAA activities. Each RC receives funds to support a HIPAA compliance position. The DDS states that reducing these funds by 10 percent is a marginal reduction and will not impact the RCs' capability to meet their contractual requirements.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4300-003-0001 Department of Developmental Services—State Developmental Centers

Reduce State Staff in Regional Resource Development Projects (RRDPs). The Governor proposes to eliminate two "off-site" Regional Resource Development Projects (RRDPs) which would result in a reduction of 12 state positions and related operating expenses. Total savings for 2008-09 are $1.1 million ($480,000 in reimbursements). This reduction would be phased-in during the current year. Of the 12 positions, four positions would be eliminated by March 1, 2008. Total savings for the current year are $170,000 (all reimbursements). No statutory changes are needed. The DDS states that lease agreements for the two office sites would be terminated by June with no negative fiscal impact.		-$0 CY -$663 BY	RRDPs serve two primary functions. First, they conduct various transition activities, including facilitation and monitoring of activities for consumers moving into the community from a Developmental Center, and follow-up activities for one-year after movement into the community. In addition, RRDPs provide support when a consumer in the community is at risk of losing their residential placement that may then require admission into a state Developmental Center. State staff works closely with Regional Center staff in conducting these RRDP activities. RRDPs are located at each of the five state-operated Developmental Centers, with two additional "off-site" RRDPs that were formerly associated with two closed Developmental Centers (Stockton and Camarillo). DDS is proposing to close the two located "off-site". DDS states that elimination of the staff will increase the workload assigned to the remaining RRDPs and require the RRDP branch at DDS headquarters to assume additional field responsibilities.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce Clients' Rights Advocacy at State Developmental Centers by 10 Percent. The Governor proposes to reduce the contract between the DDS and the State Council on Developmental Disabilities for the provision of comprehensive clients' rights advocacy services provided at DDS-operated facilities, including the Developmental Centers, Sierra Vista, and Cathedral City. A March 1, 2008 implementation date is assumed. Total current year savings are $67,000 ($28,000 in reimbursements). Total 2008-09 savings are $204,000 ($85,000 in reimbursements. No statutory changes are needed.		-$39 CY -$119 BY	Existing statute requires the DDS to contract for independent advocacy services for clients residing in DDS-operated facilities, including the Developmental Centers, Sierra Vista and Cathedral City. The current contract is for five years. The 2008-09 contract cost is projected to be $2 million (total funds). The proposal would slightly reduce the number of hours of advocacy services available to consumers at each facility and decrease associated travel and operating cost.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Eliminate Vacant Peace Officer Positions at Porterville Developmental Center (DC). The Governor proposes to eliminate 13 state positions at Porterville DC for total savings of $310,000 ($129,000 in reimbursement) in the current-year and $938,000 ($391,000 in reimbursements) in 2008-09. No statutory changes are required. A March 1, 2008 implementation date is assumed.		-$181 CY -$547 BY	Porterville DC has a "secured treatment program". Clients residing in this program are court commitments having been charged with crimes, but deemed to be incompetent to stand trial or otherwise recognized to be a danger to themselves or others. Porterville has 127 positions to address the security of clients residing in this program. The proposal would reduce this by 13 Peace Officer positions, or 10 percent. The DDS states that Peace Officer vacancies already exist to cover this proposed reduction. Further, the DDS is currently underway to reorganize and utilize existing security guards more efficiently at Porterville.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments
Reduce the Quality Assurance Fee Paid by the DDS Due to the Agnews DC Closure. The Governor proposes to reduce the amount paid by the DDS for its portion of the "Quality Assurance Fee" related to Intermediate Care Facilities for the Developmentally Disabled (ICF-DD). The reduced fee is attributed to the scheduled closure of Agnews Developmental Center by June 30, 2008. A March 1, 2008 implementation date is assumed. Total savings for the current-year are $1.4 million ($600,000 in reimbursements). Total savings for 2008-09 are $4.2 million ($1.9 million in reimbursements). No statutory change is required.		-$755 CY -$2,288 BY	Generally, federal Medicaid law (Medi-Cal in CA) enables states to collect "Quality Assurance Fees" from specified provider-types, including ICF-DD facilities, for the purpose of improving services. Federal law requires that these fees be assessed equally across provider-type, including state-operated facilities. The "Quality Assurance Fees" are matched with federal funds and utilized for various service-related purposes, including rate increases. The fees paid by the DDS are assessed based on total Medi-Cal ICF-DD costs within the DDS (i.e., the five Developmental Centers, Sierra Vista, and Cathedral City). The DDS states that with the scheduled closure of the Agnews DC, a reduction in the number of beds assessed the fee is warranted. The proposal reflects this reduced amount, which would occur on the natural, with DDS using less ICF-DD beds.

Program Description	2007 Budget Act (where applicable)	Proposed Special Session Change (in Thousands)	Comments

4300-001-0001 Department of Developmental Services—State Administration (Headquarters)

Program Description	2007 Budget Act	Proposed Special Session Change	Comments
Eliminate Six Vacant Audit Positions at Department of Developmental Services (DDS). The Governor proposes to eliminate six audit positions in the Department of Developmental Services (DDS) which are presently vacant. These positions are used to conduct audit work related to the oversight of the Regional Centers (RCs), and to conduct audits of certain vendors/providers. The proposal assumes implementation by March 1, 2008. No statutory change is required.		-$119 CY -$362 BY	A total of six vacant positions would be eliminated under this proposal. First, the DDS presently has an audit unit which performs fiscal audits of RCs. The current staffing of this unit is 17 positions. This proposal would eliminate two vacant positions from this unit. Second, the DDS also has an audit unit which performs fiscal audits of certain vendors/providers. There are 17 positions to perform these audits. Four of these vacant positions would be eliminated from this unit. The DDS states that even though their ability to perform audits would be reduced under this proposal, they intend to implement a more targeted, risk-based audit program approach to reduce any affect from this reduction.

Governor's Proposed
Purchase of Services (POS) Cost Containment
In the Regional Centers

(For Item 4300-101-0001, Page 44 of Agenda)

(Dollars in Thousands)

	Governor's Purchase of Services Reductions	2008-09
1	**Non-Community Placement Start-up Funding Freeze**	-$32,772,000
	General Fund	*-32,772,000*
2	**Day Program, Work Activity Program, and In-Home Respite Rate Freeze**	-14,437,000
	General Fund	*-10,674,000*
	Other	*-3,763,000*
3	**Community Care Facilities (CCF) Service-Level Freeze**	-47,350,000
	General Fund	*-28,423,000*
	Other	*-18,927,000*
4	**Contracted Services Rate Freeze**	-196,036,000
	General Fund	*-127,776,000*
	Other	*-68,260,000*
5	**Habilitation Services Rate Freeze**	-11,532,000
	General Fund	*-9,367,000*
	Other	*-2,165,000*
6	**Community Care Facility (CCF) SSI/SSP Pass-Through Elimination**; (Implemented Administratively)	-9,276,000
	General Fund	*-5,565,000*
	Other	*-3,711,000*
7	**Limit New Negotiated Rates and Freeze Existing Negotiated Rates**	
	General Fund	*-14,245,000*
	Other	*-4,074,000*
	Purchase of Services Total	**$329,722,000**
	General Fund	*-228,822,000*
	Other	*-100,900,000*