SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Bill Monning

Senator Mark DeSaulnier
Senator Bill Emmerson

May 9, 2013

9:30 AM or
Upon Adjournment of Session
(whichever is later)

Room 4203, State Capitol
(John L. Burton Hearing Room)

AGENDA Part 2
(Michelle Baass)

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate Daily File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.

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VOTE ONLY

4140 Office of Statewide Health Planning and Development (OSHPD)

1. Healthcare Workforce Development – Spring Finance Letter

Budget Issue. OSHPD is requesting an extension of its three limited-term positions responsible for proactive Health Professional Shortage Area (HPSA), Medically Underserved Area (MUA), and Medically Underserved Population (MUP) designations; and the extension of its one limited-term position responsible for continuing the implementation of the healthcare reform work plan, through an increase in the California Health Data and Planning Fund (CHDPF) expenditure authority of $286,000 in 2013-14.

Background. OSHPD has traditionally processed HPSA, MUA, and MUP applications in a reactive fashion; community clinics or stakeholders submit their application to OSHPD and staff validates the information in the HPSA, MUA, and MUP applications and makes a recommendation to the federal government.

The 2011-12 budget authorized three positions to perform these designations on a proactive basis. The proactive process allows OSHPD to prepare the aforementioned applications by identifying which areas of the state meet the federal criteria for designation and preparing designation applications on behalf of communities. However, OSHPD was unable to fill these four positions until February 2012. The proposed one-year extension provides an opportunity to continue its effort to complete these proactive designations.

According to OSHPD, California's communities receive almost $1.5 billion in federal, state, and private funding for programs for which one of the pre-requisites for participation is a HPSA, MUA, or MUP designation. Increasing the number of these designations also increases the ability of clinics to take advantage of Rural Health Clinic and Federally Qualified Health Center status, thereby increasing federal funds to the state's clinics.

Additionally, the Affordable Care Act (ACA) includes provisions on health workforce. OSHPD's role is to understand the issues around California's health care infrastructure and workforce and developing programs and engaging in activities that expand and equitably distribute California's health workforce. OSHPD has been involved in guiding the implementation of health workforce provision of the ACA and developed a health care reform implementation work plan. One of the limited-term positions requested to be extended is responsible for continuing the implementation of the healthcare reform work plan.

Subcommittee Staff Comment and Recommendation—Approve.

2. Mental Health Workforce Education and Training – Spring Finance Letter

Budget Issue. OSHPD requests that $2.2 million in unexpended Mental Health Services Act (MHSA) (Proposition 63) Workforce and Education Training (WET) be reappropriated through 2017-18 for WET programs. OSHPD also requests budget bill language to allow for appropriations to be available through 2017-18.

The 2012-13 WET appropriation was $22.8 million, of which OSHPD has expended $20.6 million, leaving $2.2 million in yet unexpended funds which OSHPD is requesting to be reappropriated. According to OSHPD, there are a variety of program-specific reasons for the funds not being fully expended, including: 1) the Mental Health Loan Assumption Program (MHLAP) designates funding for every county, although some counties do not have professionals with qualifying educational loans in certain years; 2) sometimes students drop out of the stipend program; and, 3) OSHPD did not receive a sufficient number of applications to expend all of the Song-Brown funding.

Of the $2.2 million proposed to be reappropriated, $632,000 will be allocated to the MHLAP through 2017-18. OSHPD expects the applicant pool to increase as counties recruit providers to meet increased demand (in part associated with federal health care reform implementation). The remaining $1.5 million will be used to implement the second 5-year WET plan, and the priorities identified in that plan. (The 5-year WET plan was discussed in this subcommittee on March 14, 2013.)

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the following budget bill language:

4140-001-3085--For support of Office of Statewide Health Planning and Development, for payment to Item 4140-001-0121, payable from the Mental Health Services Fund……..……11,471,000
Provisions:
1. Notwithstanding subdivision (a) of Section 1.80 or any other provision of law, the funds appropriated in this item for the purposes provided for in Welfare and Institutions Code sections 5820, 5821 and 5822, shall continue to be available for expenditure and encumbrance until June 30, 2018.

4140-101-3085--For local assistance, Office of Statewide Health Planning and Development,
for payment to Item 4140-101-0001, payable from the Mental Health Services Fund..... 12,650,000
Provisions:
1. Notwithstanding subdivision (a) of Section 1.80 or any other provision of law, the funds appropriated in this item for the purposes of the workforce, education, and training (WET) programs established pursuant to Sections 5820, 5821, and 5822 of the Welfare and Institutions Code ~~for contracts with accredited physician assistant programs, as well as contracts with hospitals or other health care delivery systems located in California,~~ in support of the Mental Health Services Act ~~that meet the standards of the California Healthcare Workforce Policy Commission, established pursuant to Article 1 (commencing with Section 128200) of Chapter 4 of Part 3 of Division 107 of the Health and Safety Code,~~ shall continue to be available ~~for the 2014-15, 2015-16, and 2016-17 fiscal years~~ until June 30, 2018.

4150 Department of Managed Health Care (DMHC)

1. Consumer Assistance Program Federal Grant Reappropriation

Budget Issue. DMHC requests to reappropriate $1 million in federal authority from 2012-13 to 2013-14 for workload associated with the federal consumer assistance grant. The reappropriation amount reflects the amount of contractual, personnel services, and associated indirect costs necessary in 2013-14 to extend the four positions through June 30, 2014.

Background. On August 24, 2012, DMHC was awarded a second federal consumer assistance grant in the amount of $4.6 million in support of implementation of the Affordable Care Act (federal health care reform). These federal funds are being used to continue to enhance the current consumer assistance activities with a more focused approach on education and outreach to uninsured individuals and families and seniors and persons with disabilities.

Staff Recommendation—Approve.

ISSUES FOR DISCUSSION

4150 Department of Managed Health Care

1. Health Benefit Exchange

Budget Issue. DMHC requests three 18-month limited-term positions (July 1, 2013 through December 31, 2014) for the DMHC's Division of Licensing (DOL) and five 12-month limited-term positions (January 1, 2014 through December 31, 2014) for the DMHC's Help Center (HC) to address workload associated with enrolling consumers into licensed managed care plans and licensure/expansion of health plans participating in the California Health Benefit Exchange. Reimbursement authority of $622,000 for 2013-14 and $394,000 for 2014-15 is also requested, as these costs will be reimbursed by the Covered California.

The limited-term positions are as follows:

Division of Licensing

- 2.0 Attorneys
- 1.0 Associate Health Program Advisor

Help Center

- 3.0 Consumer Assistance Technicians
- 2.0 Staff Services Analysts

Background. The Affordable Care Act (ACA) (federal health care reform) requires states to establish a Health Benefit Exchanges to facilitate the purchasing of health coverage. In California, the Exchange is known as Covered California. Covered California is charged with creating a new insurance marketplace in which individuals and small businesses will be able to purchase competitively priced health plans using federal tax subsidies and credits beginning in 2014.

It is anticipated that six million Californians will enroll in managed care plans licensed by the DMHC beginning in 2014 via Covered California. An increase is expected in the number of enrollee inquiries, correspondence and complaints the DMHC will receive from this new population. Also, new and existing health care service plans will seek to enter the managed care marketplace as a Qualified Health Plan (QHP) which will precipitate new license applications and expansion of the scope of existing licenses. New entrants and expansion proposals will require DMHC to establish and maintain the legal framework for department approval of new types of plans and products, and to provide legal analysis relating to QHP certification standards. The Exchange coordination and QHP certification process will also require DMHC to initiate and maintain tracking of QHP regulatory filings, revisions to plan operations during the QHP contract term, and assist health plans in adhering to filing

guidelines specific to QHP regulatory filings and to serve as a primary liaison with Exchange plan management staff.

Covered California was awarded a two-year federal grant on January 17, 2013 to assist with continued development and implementation of the Exchange. Covered California will enter into an Interagency Agreement (IA) with DMHC to reimburse DMHC for its services performed related to Exchange activities. DMHC proposed to begin this work starting in January 1, 2013 to address the immediate workload; however, the IA with Covered California has not yet been finalized. DMHC anticipates that this agreement will be completed in time for these positions to start July 1, 2013.

Subcommittee Staff Comment and Recommendation—Approve. No issues have been raised with this proposal. It is recommended to approve this request.

Questions. The Subcommittee has requested DMHC respond to the following questions.

1. Please provide an overview of this budget proposal.

2. Please provide an update on finalizing the agreement with Covered California to begin this work.

2. Implementation of the Affordable Care Act

Budget Issue. DMHC requests to convert 13.0 limited-term positions, set to expire June 30, 2013, to permanent and add one new permanent position; and $1,841,000 for 2013-14 and $1,932,000 for 2014-15 and ongoing to address permanent workload resulting from implementation of the federal Affordable Care Act (ACA).

The positions requested are:

Help Center

- 1.0 Attorney
- 1.0 Research Program Specialist I

Division of Licensing

- 4.0 Attorney III
- 2.0 Attorneys

Division of Financial Oversight

- 1.0 Corporation Examiner IV Supervisor
- 4.0 Corporation Examiners

Office of Technology and Innovation

- 1.0 Staff Programmer Analyst

Background. The DMHC is a health care consumer protection organization that helps California consumers resolve problems with their health plans and works to provide a stable and financially solvent managed care system. The DMHC ensures California's strong patient rights laws are followed and that all health plan members get the right care at the right time. The DMHC operates under a body of statutes collectively known as the Knox-Keene Health Care Service Plan Act of 1975 (KKA), as amended.

The ACA, federal health care reform, fundamentally alters the availability and structure of health insurance, brings coverage for the first time to millions of Californians and brings new coverage options for millions of enrollees who receive care through KKA-licensed health plans and contracted medical groups.

Because the ACA requires all Americans to obtain health care insurance, and based on the proportionate number of current health care plan members served by plans regulated by DMHC (versus the California Department of Insurance or other entities), DMHC estimates that approximately 6.16 million consumers (88 percent of the uninsured) will soon join health plans under DMHC jurisdiction.

Consequently, DMHC was approved for 13.0 two-year limited-term positions in the 2011-12 budget to address the resulting workload. However, DMHC indicates that its experience over

the last year has proven that this workload is not limited to two years, but is continuous and has permanently increased. This workload includes:

- **Help Center.** As mentioned previously, DMHC estimates that approximately six million consumers will soon join health plans under DMHC jurisdiction. These consumers will look to the Help Center for assistance in accessing care, learning about health care options, dealing with non-compliance issues affecting their care, responding to denials and delays in receiving care, and reporting a myriad of health care complaints for resolution. DMHC maintains that it is imperative that the Help Center maintain an infrastructure to proactively assess and effectively respond to consumer issues resulting from health care reform implementation.

- **Division of Licensing.** Provides legal analysis of health plan license filings attributable to the ACA. DMHC indicates that this workload is not "one-time" because the health care marketplace will continue to change after 2014 and license filings reflecting these changes will occur.

- **Division of Financial Oversight.** Addresses the medical loss ratio (MLR) workload associated with the rebate requirements of commercial plans. DMCH has the authority to impose and enforce an 85 percent MLR in the large group market and an 80 percent MLR in the small group and individual markets. If a health plan does not meet its specified MLR, DMH is require to ensure the plan provides appropriate rebates to consumers.

- **Office of Technology and Innovation.** Addresses the workload associated with new ACA reporting requirements and the expansion of information needed from health plans.

LAO Findings and Recommendation. The LAO recommends approval of all positions on a permanent-basis except the Division of Licensing positions. The LAO recommends approving these positions as two-year limited-term positions (instead of permanent positions) because it finds that the degree to which the licensing workload would be ongoing is still unclear at this time.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve this proposal. Subcommittee staff finds that the workload associated the changing health care market place under the ACA and with six million more Californians receiving health coverage through health plans under DMHC's jurisdiction is ongoing and permanent.

Questions. The Subcommittee has requested DMHC respond to the following questions.

1. Please provide an overview of this budget proposal.

2. Please respond to the LAO's findings and recommendation.

3. Network Adequacy Assessments for Healthy Families Program Transition

Budget Issue. DMHC requests four limited-term positions, effective July 1, 2013 through December 31, 2014; and $546,000 for 2013-14 and $262,000 for 2014-15 to address the increased workload attributable to the network adequacy assessments required for each of the four phases of the Healthy Families Program (HFP) transition to Medi-Cal.

The limited-term positions requested are as follows:

Division of Licensing

- 1.0 Attorney III
- 1.0 Health Plan Specialist I
- 1.0 Associate Governmental Program Analyst

Office of Technology and Innovation

- 1.0 Staff Programmer Analyst

Background. AB 1494 (a 2012 budget trailer bill) provides for the transition of HFP subscribers to the Medi-Cal program, commencing January 1, 2013. The HFP transition to Medi-Cal will occur in four phases over an approximate one year period, as follows:

- Phase 1 (Phase 1 has been broken down into to three sub-phases beginning January 1, 2013, March 1, 2013, April 1, 2013, and May 1, 2013). Individuals enrolled in a HFP health plan that is also a Medi-Cal health plan.
- Phase 2 (April 1, 2013). Individuals enrolled in a HFP health plan that is a subcontractor of a Medi-Cal health plan.
- Phase 3 (August 1, 2013). Individuals enrolled in a HFP plan that is not a Medi-Cal health plan and does not contract or subcontract with one of the Medi-Cal managed care plans in the county.
- Phase 4 (September 1, 2013). Individuals residing in a county that is not currently a Medi-Cal managed care county.

The DMHC's role in the HFP transition to Medi-Cal consists of performing network adequacy assessments prior to each transition phase, as well as ongoing monitoring for one year after the completion of each transition phase.

As part of this transition, the DMHC received a one-time augmentation of $400,000 in 2012-13. Of that amount, $250,000 is used for consultant services and $150,000 to fund one attorney position. The current year workload includes network adequacy assessments to determine health plan's readiness to include HFP enrollees in their Medi-Cal managed care networks but does not include the costs for monitoring workload as each phase of the transition occurs.

In order to manage the new workload associated with the transition of the HFP to Medi-Cal, DMHC indicates that the Division of Licensing (DOL) will require four limited-term positions effective July 1, 2013 through December 31, 2014.

Quarterly monitoring will be specific to each transition phase will begin three months after the start of each transition phase. The duration of the monitoring will last for one year after the beginning of each phase. With Phase 4 scheduled to transition September 1, 2013, the last monitoring report to DHCS should be completed by December 30, 2014.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve this proposal as ongoing monitoring of this transition is critical.

Questions. The Subcommittee has requested DMHC respond to the following questions.

1. Please provide an overview of this budget proposal.

2. Has DMHC begun the quarterly monitoring for Phase 1a?

4260 Department of Health Care Services

1. Transparency of Medi-Cal State Plan Amendments and Waiver Amendments

Oversight Issue. Proposed State Plan Amendments (SPAs) are important documents that explain to the federal government how the state plans to change the Medi-Cal program. Similarly, waiver amendments and waiver renewals are documents that explain to the federal government how the state plans to change (or renew) a Medi-Cal waiver.

Proposed SPAs, wavier amendments, and waiver renewals are not available on the DHCS website and in the past have not been routinely shared with the Legislature or the public.

Consequently, the affected stakeholders may not have an opportunity to assess the accuracy of the state's representations to the federal government about a proposed change.

Background. When California wants to make significant changes to its Medicaid program (Medi-Cal), it must take one of two steps: either (1) amend its State Medicaid Plan; or (2) receive an exemption or Medicaid waiver from portions of Title XIX of the Social Security Act by the U.S. Department of Health and Human Services (DHHS).

State Plan. The state's Medi-Cal program is governed by the requirements set forth in the state's Medicaid State Plan. The State Plan is a comprehensive written document created by California that describes the nature and scope of its Medicaid (Medi-Cal) program. It serves as a contractual agreement between California and the federal government. The State Plan contains all information necessary for the federal Centers for Medicare and Medicaid Services (CMS) to determine if the state can receive federal financial participation (i.e., federal funding). Changes to the State Plan are submitted as amendments. The SPAs must be approved by CMS.

Waivers. Waivers allow states to wave certain Medicaid requirements and to use federal Medicaid funds in ways that are not otherwise allowed under federal rules. The federal government has the discretion to approve or reject waiver proposals. California has multiple Medi-Cal waivers. Waiver amendments are proposals to change an existing approved waiver.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language. DHCS has indicated that it is in the process of posting this information and is looking at ways to improve its communication and transparency. Given the importance of these documents and the importance for stakeholders, including Legislative staff, to have a complete understanding of how DHCS proposes to implement changes to the Medi-Cal program, it is recommended to adopt placeholder trailer bill language to require DHCS to post on its website proposed SPAs, waiver amendments, and waiver renewals that it has submitted to the federal government. This would provide legislative staff and stakeholders with the opportunity to review and comment on the state's implementation of policy.

Questions. The Subcommittee has requested DHCS respond to the following questions.

1. Please provide an overview of this item.

2. Please provide a brief overview of projects DHCS is undertaking to improve its transparency and communication with stakeholders.

2. Maximizing Federal Reimbursement for Parolees and State Hospital Patients

Oversight Issue. There are potential opportunities for the state to maximize federal Medicaid reimbursement. These include:

- **Parolee Mental Health Care – LAO Report.** The LAO recently released a report highlighting opportunities for the state to maximize federal reimbursements that could be available for parolee mental health treatment. Specifically, the LAO recommends that the California Department of Corrections and Rehabilitation (CDCR):

  1. Provide increased Medi-Cal application assistance for mentally ill parolees to ensure that all eligible parolees are enrolled.

  2. Develop a process, in collaboration with DHCS, to claim federal reimbursement for the costs assisting inmates with benefits applications.

  3. Develop a process, in collaboration with DHCS, to claim federal reimbursement for mental health treatment services provided to parolees.

  The LAO estimates that if these steps were taken, the state could achieve $6 million General Fund savings in 2013-14 and $28 million annually upon full implementation in 2014-15.

- **Parolee Substance Use Treatment – LAO Finding.** In the LAO's parolee mental health care report, it notes that it is possible that federal reimbursements could also be available for substance use treatment services provided to parolees. An analysis of whether the substance use treatment services offered to parolees are consistent with the services covered by Medi-Cal would be necessary.

- **Off-Site Inpatient Medical Services for State Hospital Patients.** Just as the state is able to claim federal Medicaid reimbursement for off-site inpatient medical services provided to prison inmates, the state could potentially claim federal Medicaid reimbursement for off-site inpatient medical services provided to eligible state hospital patients. The Department of State Hospitals spends about $10 million General Fund annually on off-site inpatient medical services of state hospital patients.

Subcommittee Staff Comment and Recommendation—Hold Open. These issues will be discussed in more detail in Subcommittee #5. Subcommittee staff recommends DHCS continue to work with CDCR and Subcommittee #5 staff on developing a plan to maximize federal Medicaid reimbursement for services provided to eligible parolees. Given Medi-Cal expansion to certain childless adults, under federal health care reform, it is likely that thousands of additional parolees could be eligible for Medi-Cal beginning in 2014 (with the federal match at 100 percent for the first three years).

The Subcommittee has requested the LAO to provide an overview of its report.

3. Medi-Cal Coverage of County Medical Parole and Compassionate Release

Budget Issue. DHCS requests one permanent position to implement SB 1462 (Leno, Statues of 2012) which provides Medi-Cal to eligible county inmates on medical parole and inmates granted compassionate release.

The annual cost for this position is $103,000 total funds ($51,000 reimbursement from counties, and $52,000 federal funds).

Background. SB 1462 authorizes under certain conditions the release of prisoners from a county correctional facility on medical probation and the granting of compassionate release. SB 1462 requires a county that chooses to implement these provisions to pay the non-federal share of a prisoner's Medi-Cal costs.

The bill also authorizes a county sheriff to request that a court grant medical probation or resentence certain individuals in lieu of jail time. If the medical condition of the probationer improves to the extent that the person no longer qualifies for medical probation, the probationer may be returned to the sheriff's custody. In addition, SB 1462 requires a county that chooses to implement these provisions to pay the non-federal share of a prisoner's Medi-Cal costs.

Implementation of SB 1462 will require DHCS to develop a process to allow counties who voluntarily participate in this program to receive federal funds for eligible Medi-Cal services, and to require counties to pay the non-federal share of the services provided.

Subcommittee Staff Comment and Recommendation—Hold Open. No concerns have been raised regarding the requested position. However, DHCS indicates that statutory changes are necessary to ensure the cost neutrality of SB 1462. Subcommittee staff recommends that DHCS work with the author's office to ensure that the proposed changes comply with the intent of SB 1462.

Questions. The Subcommittee has requested DHCS respond to the following questions.

1. Please provide an overview of this budget proposal.

4. Medi-Cal Managed Care Expansion to Rural Counties

Budget Issue. The Governor's budget includes $2.7 million General Fund savings in 2013-14 and $3.6 million in 2012-13 as a result of the expansion of Medi-Cal managed care into 28 rural counties across the state.

The Governor's budget assumed this expansion would occur on June 1, 2013; however, this transition has been delayed until September 1, 2013.

Background. AB 1467 (a 2012 budget trailer bill) expands Medi-Cal managed care into 28 rural counties across the state (Medi-Cal currently operates under a fee-for-service model in these counties). About 396,000 Medi-Cal enrollees will be transitioned to managed care under this expansion.

DHCS is currently in the process of assessing plan readiness and finalizing plan contracts. General notices about this change will be sent to the impacted enrollees on June 1. More specific notification about health plans will be sent to enrollees on July 1.

See table below for specific information on Medi-Cal eligibles in the 28 counties and health plan information.

Table: Summary of Medi-Cal Eligibles and Plans in Rural Managed Care Expansion

County Model	County	Family & Children	Healthy Families	Medi-Cal-Only Seniors & Persons with Disabilities	Dual Eligible
County Organized Health System (COHS) Model Partnership Health Plan	Del Norte	4,602	487	1,375	1,368
	Humboldt	15,093	2,731	4,408	4,843
	Lake	9,754	1,370	2,626	2,901
	Lassen	2,906	208	641	747
	Modoc	1,144	106	273	383
	Shasta	22,830	3,244	6,509	7,453
	Siskiyou	6,001	581	1,597	2,047
	Trinity	1,492	202	462	590
Subtotal		**63,822**	**8,929**	**17,891**	**20,332**
COHS Model Anthem Blue Cross	San Benito	6,530	1,759	713	752
Total 9 COHS Counties		**70,352**	**10,688**	**18,604**	**21,084**
Regional Model (18 contiguous counties) Anthem Blue Cross & California Health and Wellness	Alpine	112	6	26	41
	Amador	2,842	375	460	715
	Butte	30,205	2,858	7,740	8,771
	Calaveras	4,314	580	781	979
	Colusa	2,909	1,606	307	629
	El Dorado	11,176	2,623	2,239	2,978
	Glenn	4,370	1,165	744	971
	Inyo	2,170	270	283	514
	Mariposa	1,747	150	300	487
	Mono	858	387	87	117
	Nevada	6,887	2,289	1,308	1,924
	Placer	17,892	5,062	3,895	5,280
	Plumas	1,781	222	409	638
	Sierra	260	27	69	127
	Sutter	14,599	3,148	2,324	3,528
	Tehama	10,510	1,239	2,027	2,727
	Tuolumne	4,740	861	1,104	1,479
	Yuba	12,588	1,740	2,679	2,665
Subtotal		**129,960**	**24,608**	**26,782**	**34,570**
Imperial Model Plans California Health and Wellness	Imperial	39,668	3,952	4,466	11,302
Total 19 Non-COHS Counties		**169,628**	**28,560**	**31,248**	**45,872**
TOTAL		**239,980**	**39,248**	**49,852**	**66,956**

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this item open as the May Revision will include updated fiscal estimates reflecting the delay of this managed care expansion.

Questions. The Subcommittee has requested DHCS respond to the following questions.

1. Please provide an update on this issue.

4265 Department of Public Health

1. Suspension of Tuberculosis Control Mandate

Budget Issue. The Governor proposes to suspend the tuberculosis control (TB) mandate in 2013-14. There is no statewide cost estimate for this mandate; consequently, this proposal would not result in any budgetary savings in 2013-14. It is anticipated that the statewide cost estimate would be available sometime this year.

The Administration contends that the procedures required under the TB control mandate are best practices and locals would continue to follow these procedures even if they are not specifically reimbursed for them.

Background. TB is a contagious bacterial disease that is spread through airborne particles. DPH is the lead state agency for TB control and prevention activities. However, the primary responsibility for TB control resides with local health officers (LHOs). The LHOs have broad statutory responsibility to protect the public from the spread of TB.

The DPH provides about $6.7 million General Fund to LHOs for TB control through a formula that is based on the number of TB cases in each jurisdiction.

The Commission on State Mandates determined (on October 27, 2011) that the following TB control laws constitute state-reimbursable mandates:

- **For LHOs.** Reviewing treatment plans submitted by health facilities within 24 hours of receipt and notifying the medical officer of a state parole region when there are reasonable grounds to believe that a parolee with TB has ceased TB treatment.
- **For Local Detention Facilities.** Notifying and submitting a written treatment plan to LHOs when an inmate with TB is discharged and notifying the LHO and medical officer of the local detention facility when a person with TB is transferred to a facility in another jurisdiction.
- **For Counties and Cities with Designated LHOs.** Providing counsel to non-indigent TB patients, who are subject to a civil detention order, for purposes of representing the TB patients in court hearings reviewing civil detention orders.

LAO Findings and Recommendation. The LAO finds that the activities required by the TB control mandate likely reduce the spread of TB, as the LHOs have more experience with TB cases than a typical medical professional. Additionally, the LAO finds that since there is no statewide cost estimate for this mandate, it is difficult to evaluate the benefits of the mandated activities compared to the costs. (LAO thinks it is reasonable to assume the costs would be in the magnitude of a few million dollars.)

Consequently, the LAO recommends rejecting the Governor's proposal. Rejecting the Governor's proposal would have no fiscal effect in 2013-14, but would add an unknown

amount (for the 2013-14 costs) to the total reimbursement for prior-year costs that the state must provide in the future. The LAO also recommends that the Legislature consider modifying existing TB control funding to address the mandate costs and direct the Administration to work with local governments to examine how the funding stream could be repurposed to fund the mandated activities.

Subcommittee Staff Comment and Recommendation—Reject. Subcommittee staff concurs with the LAO that it is difficult to evaluate the benefits of the mandated activities compared to the costs since there are no statewide cost estimates. Consequently, staff recommends rejecting the proposal. As statewide cost information becomes available, the Legislature and Administration will have the information necessary to understand how this mandate could interact with existing state funding for TB control.

Questions. The Subcommittee has requested the Administration respond to the following questions.

1. Please provide an overview of this proposal.

2. Drinking Water Program - US EPA Notice of Noncompliance

Oversight Issue. On April 19, 2013, DPH received a notice of noncompliance from the US Environmental Protection Agency (EPA) regarding its Safe Drinking Water State Revolving Fund (SDWSRF) program. US EPA's key findings of noncompliance are:

- **Noncompliance with Expeditious and Timely Use of Funds.** As of October 1, 2012, the SDWSRF had an unspent balance of $455 million in federal funds. This sum was the largest unliquidated obligation of any state in the nation. States are required to make timely loans or grants using all available drinking water funds to eligible water systems. EPA found that California has failed to meet this standard.

- **Noncompliance with Technical Capability to Operate the SDWSRF Program.** EPA found that DPH has inadequate personnel and resources to manage the SDWSRF program and that DPH has not provided EPA the required quarterly schedule of cash forecasts.

DPH must submit a corrective action plan within 60 days of receipt of the notice of noncompliance.

Background. Enacted in 1997, under the Safe Drinking Water State Revolving Fund (SDWSRF) program California receives federal funds to finance low-interest loans and grants for public water system infrastructure improvements. DPH has used the SDWSRF to provide loans and grants to over 200 public water system projects and executed about $1.5 billion in funding agreements.

DPH Response to Notice of Noncompliance. DPH indicates that it has been working to address these concerns identified by EPA. Specifically, DPH notes that it has developed a SDWSRF cash flow model and revised the claims submittal process. Additionally, DPH proposes to overcommit SDWSRF funds next year, eliminate the $20 million cap for SDWSRF projects, and create a small water system unit (discussed in the next agenda item) to address the specific challenges facing small water systems.

DPH indicates that these actions, among others, would improve the pace at which funding for projects is committed and dispersed. It plans to double its dispersements in the current year and budget year, as compared to 2006-07 to 2008-09. DPH cites that since October 1, 2012, it has dispersed $80 million.

Concerns with Drinking Water Program. Over the past several years, the Legislature has focused oversight efforts on the provision of safe drinking water throughout the state, and in particular to small, disadvantaged communities mainly in rural areas. The Legislature, starting in 2008, has held numerous oversight hearings discussing groundwater and drinking water legislation, with a focus on providing clean drinking water, and looking at the root causes of water quality degradation. The conclusion of these hearings, as well as various reports, is that the majority of the water supply in California is safe and clean. However, where there are gaps

in some areas, the provision of water is a challenge, particularly in small, disadvantaged and rural communities.

As discussed at the April 11, 2013 Senate Budget Subcommittee #2 hearing, there are hints that the Administration is considering a shift that would place the Department of Public Health (DPH) drinking water programs under the Cal-EPA. This would allow for the combination of the two federally-funded infrastructure loan programs (drinking water and wastewater at the State Water Resources Control Board), and could bring efficiencies in the administration of water programs, particularly in rural areas.

Subcommittee Staff Comment—Oversight Item. This is an informational item. Subcommittee staff finds that DPH has taken steps and has plans for future activities to improve its ability to more quickly fund drinking water projects. However, there is more work to be done to address the benchmarks set by EPA. Subcommittee staff recommends that DPH keep the Subcommittee updated on its corrective action plan and communications with EPA.

Questions. The Subcommittee has requested DPH respond to the following questions.

1. Please provide an overview of this issue.

2. Please describe steps DPH has taken or proposes to take to address these issues of noncompliance.

3. One of the key areas of noncompliance identified by EPA was inadequate personnel and resources to manage the SDWSRF program. How does DPH plan to address this concern?

3. Small Water Systems Technical Assistance Positions

Budget Issue. DPH requests seven permanent positions and $2.7 million in contract funds to address small community water systems that are currently not in compliance with primary drinking water quality standards.

Background. Enacted in 1997, under the Safe Drinking Water State Revolving Fund (SDWSRF) program California receives federal funds to finance low-interest loans and grants for public water system infrastructure improvements. DPH has used the SDWSRF to provide loans and grants to over 200 public water system projects and executed about $1.5 billion in funding agreements.

There are approximately 2,300 small community water systems in California (water systems that serve less than 1,000 service connections). Of these, approximately 181 are not in compliance with one or more health-based drinking water standards. In comparison, for the 677 large community water systems statewide, 35 are not in compliance with primary drinking water standards.

Approximately 57,000 individuals (<1 percent of the State's population) are served by small water systems that fail one or more health-based standards. Predominantly, these individuals are located in disadvantaged communities and/or are served by small water systems in rural areas. These water systems typically cannot charge rates sufficient for maintenance and operation, or to undertake infrastructure repairs and upgrades. At the same time, the standards for public water systems have grown increasingly complex and more stringent.

With this proposal, DPH would create a small water system support unit to provide a higher level of assistance to these small systems. In addition, DPH will increase funding for contracts with third party technical assistance providers that have specialized skills to assist small water systems in solving their drinking water problems.

There are 181 non-compliant small community water systems in the state. These systems are to be brought up to a level of technical, managerial, and financial capacity to enable them to sustain compliance into the future. DPH has established an implementation plan to achieve the program goal. The purpose of the implementation plan is to define the specific steps DPH will take to bring these targeted small systems into sustainable compliance with primary drinking water standards. It includes the use of DPH staff and coordination with county drinking water programs, technical assistance providers, and stakeholders to accomplish its goal. This comprehensive approach will address the specific violations and reduce the numbers of primary drinking water standard violations in California.

Small water systems have the most difficulties navigating the complex process for SDWSRF funding. They have limited access to the types of professionals that large water systems typically use to prepare applications and manage the process, such as engineers, environmental consultants, accountants (to provide audits and financial data), and

administrative staff. Consequently, it is more labor intensive for DPH to work with these systems and provide greater oversight and assistance.

Subcommittee Staff Comment and Recommendation—Approve. Small water systems face unique challenges and require additional state support and technical assistance; consequently, it is recommended to approve this proposal.

Questions. The Subcommittee has requested DPH respond to the following questions.

1. Please provide an overview of this proposal.

2. Please address how this proposal addresses concerns raised by the US EPA regarding the SDWSRF (previous agenda item).

4. Office of Health Equity Update

Oversight Issue. At the March 14, 2013 Subcommittee #3 hearing, this committee heard an update from DPH regarding the Office of Health Equity (OHE). Generally, DPH had not made significant progress on any major responsibilities including the appointment of a Deputy Director, the selection of the Advisory Committee, the development of the Interagency Agreement with the Department of Health Care Services (DHCS), and the finalization of the California Reducing Disparities (CRDP) Strategic Plan.

Background. The Governor's 2012 budget proposed the creation of a new Office of Health Equity (OHE) at DPH. The OHE would be created by consolidating the following entities:

- Office of Multicultural Health at DPH
- Office of Women's Health at the Department of Health Care Services (DHCS)
- Office of Multicultural Services at the Department of Mental Health (this department was eliminated in 2012)
- Health in All Policies Task Force at DPH
- Healthy Places Team at DPH

Concerns were raised by various stakeholders during last year's budget process finding that the Administration's proposed trailer bill language was vague and provided no metrics to hold this new office accountable for improving health equities. Additionally, stakeholders were concerned that with the elimination of the existing offices, there would be a loss of focus on women's issues, for example. As a result, Legislative staff and stakeholders worked together to strengthen the administration's proposal. This modified proposal was approved by the Legislature and included in AB 1467 (a 2012 budget trailer bill).

Subcommittee Staff Comment—Oversight Item. It appears that DPH has made some progress regarding its OHE responsibilities. It has made a recommendation to the Governor's Office for a Deputy Director (this position is appointment by the Governor and confirmed by the Senate), sent acceptance letters to 25 individuals selected to be part of the Advisory Committee and is working on selecting the first meeting date, is meeting with key stakeholders this week regarding the CRDP Strategic Plan, and is sending the Interagency Agreement to DHCS for review this week.

Questions. The Subcommittee has requested DPH respond to the following questions.

1. Please provide an update on the OHE activities.