Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, M.D., Chair
Senator William W. Monning
Senator Jeff Stone

Thursday, May 18, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 4203

Consultant: Scott Ogus

PUBLIC COMMENT

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VOTE ONLY

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Medi-Cal Eligibility Data Systems (MEDS) Modernization

DOF Issue#: 0530-011-BCP-2017-GB
4260-019-BCP-2017-GB

Budget Issue. The Office of Systems Integration (OSI) and Department of Health Care Services (DHCS) request $6.6 million ($727,000 General Fund and $5.9 million federal funds) to extend support of 16.0 positions and other resources approved in the 2016 Budget Act for two additional years. If approved, these resources would continue the agency-wide planning effort to replace the Medi-Cal Eligibility Data System (MEDS). These staffing and other resources would support completion of activities required by the Department of Technology's Project Approval Lifecycle (PAL) Stage Gate requirements.

Program Funding Request Summary (DHCS)		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$727,000
0890 – Federal Trust Fund	$-	$5,903,000
Total Funding Request:	**$-**	**$6,630,000**
Total Positions Requested[1]:	**0.0**	
[1]***DHCS is requesting resources equivalent to 3.0 positions, but no permanent position authority.***		

Program Funding Request Summary (OSI)		
Fund Source	**2016-17**	**2017-18**
9745 – CA Health and Human Services Automation Fund	$-	$5,473,000
Total Funding Request:	**$-**	**$5,473,000**
Total Positions Requested:	**13.0**	
[2]***CHHS Automation Fund receives transfers from the DHCS budget (see above) to fund all OSI expenditures contained in this budget request.***		

This issue was heard during the subcommittee's March 9th hearing.

Subcommittee Staff Comment and Recommendation—Approve. MEDS serves as the "system of record" to determine eligibility for many of the state's health and human services programs, including Medi-Cal, CalWORKs, CalFresh, and In-Home Supportive Services. Because MEDS suffers from functional limitations due to its programming language (COBOL) and age, a multi-year, multi-agency process has been underway to modernize MEDS to address system issues, meet current and future operational needs, and fulfill requirements of state and federal guidance. Approval of these requests, funded by General Fund and federal funds managed by OSI, will allow OSI and DHCS to effectively upgrade this vital eligibility system for the state's health and human services programs.

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Issue 1: Extension of Expenditure Authority for Investment in Mental Health Wellness Grants

DOF Issue#: None – Legislative Proposal

Extension of Expenditure Authority for Investment in Mental Health Wellness Grants. The California Behavioral Health Directors Association (CBHDA) requests extension of expenditure authority for grants provided under the Investment in Mental Wellness Act of 2013. The 2013 Budget Act included $144.8 million General Fund to increase capacity for mobile crisis support, crisis intervention, crisis stabilization services, crisis residential treatment, and specified personnel resources. The funds were made available for encumbrance or expenditure until June 30, 2016. CBHDA requests budget bill language to instead make these grant funds available for encumbrance or expenditure until December 31, 2021.

This issue was heard during the subcommittee's May 11th hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Budget Bill Language to extend expenditure authority for Investment in Mental Health Wellness Grants until December 31, 2021. The community-based mental health crisis capacity building projects funded by these grants are in various stages of completion. By extending the budgetary expenditure authority for these projects, grantees may apply to CHFFA to extend the terms of existing grants if the circumstances warrant, and complete the capacity building projects under development.

Issue 2: Healthcare Expansion Loan Program Funding for Small or Rural Health Centers

DOF Issue#: None – Legislative Proposal

Healthcare Expansion Loan Program (HELP II) Funding for Clinic Operations. The Treasurer requests budget authority of $20 million from the fund balance supporting the HELP II program for a grant program for operations costs of non-profit small or rural health centers in critical service areas, or at risk of losing federal funding. Because HELP II funding is required to be allocated to the expansion of facilities, trailer bill language is required to allow allocation of the HELP II fund balance for operations.

This issue was heard during the subcommittee's May 11th hearing.

Subcommitee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** budget authority of $20 million from the California Health Facilities Financing Authority Fund for a grant program for operations costs of non-profit small or rural health centers in critical service areas, or at risk of losing federal funding.

2. **Adopt Placeholder Trailer Bill Language** to authorize funds from the California Health Facilities Financing Authority Fund to be used for this purpose.

4140 Office of Statewide Health Planning and Development

Issue 1: Reversion of Health Care Workforce Funding

DOF Issue#: 4140-100-BCP-2017-GB

Budget Issue. The Administration requests reversion of $33.3 million General Fund in 2016-17. These funds are the first year of a three-year, $100 million General Fund allocation approved in the 2016 Budget Act for augmentation of health care workforce initiatives at OSHPD. If the reversion is approved, the Administration would reallocate this funding to other budgetary expenditures and the previously approved health care workforce initiative augmentations would be permanently eliminated.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	($33,334,000)	$-
Total Funding Request:	**($33,334,000)**	**$-**

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** the Administration's proposed reversion of $33.3 million in 2016-17.

2. **Adopt Placeholder Budget Bill Language and General Fund Expenditure Authority** to augment OSHPD's primary care workforce programs by $6 million annually for the next three fiscal years, as follows:
   a. **$5.7 million** to fund primary care residency slots for existing teaching health centers under the Song-Brown Program.
   b. **$333,000** for the State Loan Repayment Program.

4150 DEPARTMENT OF MANAGED HEALTH CARE

Issue 1: Prohibition of Surprise Balance Billing (AB 72)

DOF Issue#: 4150-004-BCP-2017-GB

Budget Issue. The Department of Managed Health Care (DMHC) requests 16 positions, limited-term resources (equivalent to 3.75 staff) and expenditure authority from the Managed Care Fund of $3.6 million in 2017-18, $3.2 million in 2018-19, $3 million in 2019-20, and $2.3 million annually thereafter. If approved, these resources would allow DMHC to regulate the elimination of “surprise balance billing” pursuant to the requirements of AB 72 (Bonta), Chapter 492, Statutes of 2016.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0933 – Managed Care Fund	$-	$3,588,000
Total Funding Request:	**$-**	**$3,588,000**
Total Positions Requested:	**16.0**	

This issue was heard during the subcommittee’s March 23rd hearing.

Subcommittee Staff Comment and Recommendation— It is recommended the subcommittee take the following actions:

1. **Approve Budget Request.** AB 72 imposes several requirements on DMHC including developing procedures related to the independent dispute resolution process (IDRP) and development of average contracted rates. In addition, DMHC expects increased provider complaints and utilization of the new IDRP, which will require staff resources. Approval of this request, funded by special fund revenue from health plan regulatory fees, will allow DMHC to implement AB 72 requirements.

2. **Adopt Placeholder Supplemental Reporting Language** for DMHC to provide information regarding the extent of alignment between contracted providers and contracted facilities in managed care plan networks.

Issue 2: Medi-Cal Interagency Agreement Reduction

DOF Issue#: 4150-004-BCP-2017-GB
TBL# 615 (DMHC Components)

Budget Issue and Trailer Bill Language Proposal. DMHC is requesting a reduction of 18.5 positions and a reduction in expenditure authority of $5.3 million ($3.4 million Managed Care Fund and $1.9 million reimbursements) in 2017-18 and $4.3 million ($2.9 million Managed Care Fund and $1.4 million reimbursements) annually thereafter. If approved, these reductions and the related trailer bill language proposal would reflect the termination of existing interagency agreements between DMHC and the Department of Health Care Services (DHCS).

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0933 – Managed Care Fund	$-	($3,398,000)
0995 – Reimbursements	$-	($1,870,000)
Total Funding Request:	**$-**	**($5,268,000)**
Total Positions Requested:	**(18.5)**	

This issue was heard during the subcommittee's March 23rd hearing.

Subcommittee Staff Comment and Recommendation—Approve. According to DHCS and DMHC, the increased monitoring of Medi-Cal managed care plans required by the new rulemaking is more stringent than the surveys, reviews and other regulatory oversight provided by DMHC under the interagency agreements. DHCS reports this workload will be completed by staff in its Managed Care Operations, Managed Care Quality and Management, Capitated Rates, Dental Services, and Audits and Investigations Divisions. Approval of this request and the accompanying trailer bill language, which reduces special fund expenditures funded by health plan regulatory fees and federal reimbursements, will eliminate duplication of regulatory activities between the two departments. (Note: The proposed trailer bill language recommended for approval is part of the draft language proposing continuation of the Coordinated Care Initiative, which will be considered separately in the subcommittee's agenda.)

Issue 3: Consumer Participation Program Extension

DOF Issue#: None – Legislative Proposal

Consumer Participation Program. SB 1092 (Sher), Chapter 792, Statutes of 2002, created the Consumer Participation Program (CPP) and authorized the director of DMHC to "award reasonable advocacy and witness fees to any person or organization that demonstrates that the person or organization represents the interests of consumers and has made a substantial contribution on behalf of consumers to the adoption of any regulation or to an order or decision made by the director if the order or decision has the potential to impact a significant number of enrollees." The CPP has provided funding to organizations to represent consumer interests in a variety of DMHC proceedings. The statute allows DMHC to award a total of $350,000 each fiscal year. In 2016-17, Consumers Union, the Western Center on Law and Poverty, and Health Access California received awards for a combined total of approximately $50,000. The statutory authority for the CPP is scheduled to sunset on January 1, 2018. The program's sunset date has been extended twice in trailer bill language, in 2007 and 2011.

This issue was heard during the subcommittee's March 23rd hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language to eliminate the sunset date for the Consumer Participation Program. This program, funded by special fund revenue from health plan regulatory fees, helps managed care consumers have a voice in regulatory decisions impacting their health care coverage and has been extended by the Legislature twice. Continuation of this program carries no fiscal impact, as DMHC has not reduced its budget to account for the scheduled sunset of the program.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: County Administration Budgeting Methodology Staffing Extension

DOF Issue#: 4260-016-BCP-2017-GB

Budget Issue. DHCS requests expenditure authority of $1.5 million ($731,000 General Fund and $730,000 federal funds) in 2017-18 and 2018-19, and $244,000 ($122,000 General Fund and $122,000 federal funds) in 2019-20. If approved, these resources would allow the department to continue development of a new budgeting methodology for county administrative costs that reflects the impact of the Affordable Care Act, pursuant to the requirements of SB 28 (Hernandez), Chapter 442, Statutes of 2013.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$731,000
0890 – Federal Trust Fund	$-	$730,000
Total Funding Request:	**$-**	**$1,461,000**
Total Positions Requested:	**0.0**	

This issue was heard during the subcommittee's March 23rd hearing.

Subcommittee Staff Comment and Recommendation—Approve. SB 28 requires development of a new budgeting methodology for county administrative costs for the Medi-Cal program. Given the significant increase in county workload since implementation of the Affordable Care Act, this methodology will assist the state and counties to provide an appropriate level of funding for this work. Approval of this proposal, funded by General Fund and federal funds, will allow DHCS to continue development of the required methodology.

Issue 2: New Qualified Immigrant Affordability and Benefit Program Elimination

DOF Issue#: TBL# 604

May Revision Issue and Trailer Bill Language. The May Revision eliminates implementation of the transition of New Qualified Immigrants (NQIs) into the New Qualified Immigrant Affordability and Benefit Program. According to the Administration, due to operational and programmatic uncertainties, the Medi-Cal program will stop efforts to implement the program. The Administration intends to seek federal designation of the existing, state-funded NQI health care coverage program as minimum essential coverage (MEC). The Governor's January budget included savings of $120.8 million ($48 million General Fund and $72.8 million federal funds) for this purpose. The May Revision removes these savings consistent with the updated elimination proposal.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$48,035,000
0890 – Federal Trust Fund	$-	$72,775,000
Total Funding Request:	**$-**	**$120,810,000**

This issue, as reflected in the Governor's January budget, was heard during the subcommittee's March 23rd hearing.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Approve** the Administration's May Revision proposal to eliminate the NQI Affordability and Benefit Program.

2. **Adopt Placeholder Trailer Bill Language** to: 1) amend the authorizing statute for the NQI Affordability and Benefit Program, consistent with the Administration's proposed elimination of the program; and 2) provide statutory authority for DHCS to seek MEC designation for the existing, state-funded NQI health care coverage program.

Issue 3: Elimination of Major Risk Medical Insurance Fund Proposal

DOF Issue#: 4260-403-ECP-2017-MR
4260-410-BBA-2017-MR
TBL# 614

May Revision Issue and Trailer Bill Language Proposal. DHCS proposes budget actions and trailer bill language to abolish the Major Risk Medical Insurance Fund, transfer its fund balance to a new Health Care Services Plans Fines and Penalties Fund, redirect existing health plan administrative fines and penalties transfers to the new fund, and allow the fund to support expenditures in the Major Risk Medical Insurance Program and to offset General Fund spending in the Medi-Cal program. The May Revision reduces administrative expenditures from the new fund by $834,000 as follows:

- Item 4260-001-3311 decreased by $818,000
- Item 4260-017-3311 decreased by $16,000 and the item eliminated

The May Revision also reduces the General Fund local assistance spending in Medi-Cal offset by the new fund as follows:

- Item 4260-101-0001 increased by $19,067,000
- Item 4260-101-3311 decreased by $19,067,000

According to the Administration, these adjustments reflect updated expenditure levels for the Major Risk Medical Insurance Program, which DHCS proposes to support with resources from the new fund.

This issue, as reflected in the Governor's January budget, was heard during the subcommittee's March 23rd hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Modified Placeholder Trailer Bill Language that amends the Administration's proposed language to clarify that resources in the proposed new Health Care Services Plans Fines and Penalties Fund fully support necessary administrative and health care expenditures in the Major Risk Medical Insurance Program prior to offsetting General Fund expenditures in the Medi-Cal program.

Issue 4: Delayed Implementation of Previously Chaptered Legislation

DOF Issue#: TBL# 617
TBL# 618
TBL# 619

Trailer Bill Language Proposals. DHCS proposes trailer bill language to delay required implementation of three programs pursuant to previously chaptered legislation:

Delay Billing for Marriage and Family Therapists in Federally Qualified Health Centers - DHCS proposes trailer bill language to delay implementation of AB 1863 (Wood), Chapter 610, Statutes of 2016, which allows FQHCs to bill Medi-Cal for services provided by marriage and family therapists (MFTs) as a separate visit beginning July 1, 2017. If the department's trailer bill language proposal is approved, AB 1863 implementation would be delayed until July 1, 2018.

This issue was heard during the subcommittee's April 27th hearing.

Assisted Outpatient Treatment Evaluation Report (Laura's Law) Delay - DHCS proposes trailer bill language to allow for a one year delay of its annual reporting requirements under the Assisted Outpatient Treatment (AOT) Program, also known as Laura's Law. The proposal would delay the report due July 1, 2017, until July 1, 2018.

This issue was heard during the subcommittee's March 30th hearing.

Out-of-County Foster Care Presumptive Transfer Regulations Delay - DHCS proposes trailer bill language to extend its deadline, pursuant to AB 1299 (Ridley-Thomas), Chapter 603, Statutes of 2016, to adopt out-of-county foster care presumptive transfer regulations from July 1, 2019, to July 1, 2020.

This issue was heard during the subcommittee's March 30th hearing.

Subcommittee Staff Comment and Recommendation—Reject. It is recommended to reject all three trailer bill proposals to delay these statutory requirements. Legislators and staff spend substantial time and resources analyzing and considering the fiscal impacts of proposed legislation. In addition, the Administration provides the Governor with detailed programmatic and fiscal analyses of all proposals approved by the Legislature for his consideration. On the basis of approved legislation, various stakeholders and California residents may change business practices or funding arrangements in anticipation of implementation. The Administration's request to discuss whether these important policy changes are a worthwhile use of state resources was more appropriate during the legislative process prior to their approval. Furthermore, the Administration's rationale that these legislative requirements must be delayed due to other, more important priorities is not compelling.

Issue 5: Specialty Mental Health Services – Performance Outcomes System

DOF Issue#: 4260-407-ECP-2017-MR

May Revision Issue. The May Revision includes $14.9 million ($6.2 million General Fund and $8.8 million federal funds) in 2017-18 for costs to reimburse mental health plans for the costs of capturing and reporting functional assessment data as part of the Performance Outcomes System (POS) for EPSDT mental health services. These figures represent a reduction of $10.2 million ($5.1 million General Fund and $5.1 million federal funds) in 2016-17 and an increase of $1.3 million (a decrease of $629,000 General Fund and an increase of $1.9 million federal funds) compared to the Governor's January budget to reflect updated costs and implementation of the functional assessment tool beginning in 2017-18.

According to DHCS, the Pediatric Symptom Checklist (PSC 35) and the Child and Adolescents Needs and Strengths (CANS) have been selected as the functional assessment tools best suited to measure child and youth functional outcomes. DHCS estimates 3,925 clinical staff will need to be trained on these tools in the first year and 794 annually thereafter.

Program Funding Request Summary – May Revision Update		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$6,190,000
0890 – Federal Trust Fund	$-	$8,762,000
Total Funding Request:	**$-**	**$14,952,000**

This issue, as reflected in the Governor's January budget, was heard during the subcommittee's March 30th hearing.

Subcommittee Staff Comment and Recommendation—Approve. DHCS is required to develop a Performance Outcomes System for EPSDT mental health services to improve outcomes at the individual and system levels and to inform fiscal decision-making related to the purchase of services. Approval of this request, funded with General Fund and federal funds, will allow collection of functional assessment data and development of the IT resources to implement the system.

Issue 6: Medi-Cal 2020 Waiver Contract Resources

DOF Issue#: 4260-010-BCP-2017-GB

Budget Issue. DHCS requests expenditure authority of $2 million ($980,000 federal funds and $980,000 reimbursements) in 2017-18 through 2020-21 and $460,000 ($230,000 federal funds and $230,000 reimbursements) in 2021-22. If approved, these resources would fund contracts to facilitate learning collaboratives, provide technical assistance, and conduct an independent evaluation for components of the state's Section 1115 Medicaid Waiver, known as Medi-Cal 2020.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0890 – Federal Trust Fund	$-	$980,000
0995 – Reimbursements	$-	$980,000
Total Funding Request:	**$-**	**$1,960,000**
Total Positions Requested:	**0.0**	

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve. According to the Special Terms and Conditions of the state's Medi-Cal 2020 Waiver, DHCS must facilitate learning collaboratives for entities participating in the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) and Whole Person Care (WPC) pilot programs. DHCS must also conduct an independent evalution of the Dental Transformaton Initiative. Approval of this request, funded with federal funds and reimbursements from participating local entities, will allow DHCS to facilitate the required learning collaboratives and conduct the required independent evaluation pursuant to its agreement with the federal government.

Issue 7: Coordinated Care Initiative – Continuation of Cal MediConnect and MLTSS

DOF Issue#: 4260-010-ECP-2017-GB
4260-405-ECP-2017-MR
TBL# 615

May Revision Issue and Trailer Bill Language Proposal. The May Revision continues the Department of Finance certification that the Coordinated Care Initiative does not result in General Fund savings and the program will be eliminated effective January 1, 2018, pursuant to SB 94 (Committee on Budget and Fiscal Review), Chapter 37, Statutes of 2013. However, the Administration proposed trailer bill language to continue the duals demonstration project, continue the mandatory enrollment of individuals in managed care for long-term services and supports (MLTSS), except In-Home Supportive Services (IHSS), but eliminate the maintenance-of-effort (MOE) and Statewide Authority for IHSS. The budget included $626.2 million of General Fund savings in 2017-18 in the Department of Social Services' (DSS) budget from the elimination of the MOE. However, the May Revision includes General Fund and other support to mitigate county impacts of the MOE elimination. The May Revision includes $8 million of General Fund savings in the DHCS budget from continuation of the demonstration, a reduction of approximately $12 million from the estimate in the Governor's January budget.

In addition to the continuation of the Coordinated Care Initiative programs, the proposed trailer bill language repeals four interagency agreements with the Department of Managed Health Care (DMHC) the department reports are unnecessary due to its new oversight and monitoring responsibilities pursuant to new federal regulations governing Medi-Cal managed care plans.

This issue, as reflected in the Governor's January budget, was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Trailer Bill Language approving the Administration's proposed extension of the duals demonstration project and continuation of mandatory enrollment of individuals in managed care for MLTSS. The May Revision proposal to mitigate county impacts of the elimination of the MOE was heard during the subcommittee's May 17th hearing.

Issue 8: Federal Medi-Cal Managed Care Regulations

DOF Issue#: 4260-018-BCP-2017-GB

Budget Issue. DHCS requests 15 positions and expenditure authority of $8.9 million ($4.5 million General Fund and $4.5 million federal funds) in 2017-18 through 2020-21 and $2.6 million ($1.3 million General Fund and $1.3 million federal funds) in 2021-22. If approved, these positions and resources would support compliance with new federal rules governing Medi-Cal managed care plans, dental managed care plans, county mental health plans, and Drug Medi-Cal organized delivery system waiver providers.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$4,460,000
0890 – Federal Trust Fund	$-	$4,460,000
Total Funding Request:	**$-**	**$8,920,000**
Total Positions Requested:	**15.0**	

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve. The new federal Medicaid regulations impose significant new requirements on oversight, monitoring, data collection, and consumer assistance activities of Medi-Cal managed care plans. Approval of this request, funded by General Fund and federal funds, will allow DHCS to comply with these new federal requirements.

Issue 9: Medi-Cal Managed Care Ombudsman Staffing

DOF Issue#: 4260-013-BCP-2017-GB

Budget Issue. DHCS requests 15 positions (nine converted from limited-term and six new, permanent positions) and expenditure authority of $1.8 million ($895,000 General Fund and $894,000 federal funds). If approved, these resources would allow the department to continue managing increased call volume and consumer assistance activities in the Office of Ombudsman.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$895,000
0890 – Federal Trust Fund	$-	$894,000
Total Funding Request:	**$-**	**$1,789,000**
Total Positions Requested:	**15.0**	

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—It is recommended to approve the following actions regarding this proposal:

1. **Approve Budget Request.** The increased call and complaint volume at the Office of Ombudsman has persisted beyond the implementation of new coverage transitions, suggesting the office's workload will require continuation of its limited-term resources. Approval of this request, funded by General Fund and federal funds, will allow DHCS to manage this increased call and complaint workload.

2. **Adopt Placeholder Trailer Bill Language** to require reporting on calls received by the Ombudsman, including:
   a. Number and type of contacts received.
   b. Wait time for callers or average speed to answer.
   c. Number of calls abandoned.
   d. Result of contacts, including destination of referred calls and time to resolution of complaint or grievance.

   The collected data shall include demographic, coverage and complaint-related information, in coordination with the Office of Patient Advocate. The data shall be posted on the department's website and reported and included with other stakeholder reports at least quarterly and at least once a year shall include recommedations for training protocols for staff, including cultural and linguistic competency; an assessment of trends; and protocols for call or complaint referrals.

Issue 10: Third Party Liability Recovery – Fifty Percent Rule

DOF Issue#: TBL# 610

Budget Issue and Trailer Bill Language Proposal. DHCS proposes trailer bill language to change the statutory amount it may recover from personal injury awards for services provided to Medi-Cal beneficiaries as a result of the injury. If approved, the budget includes $12.2 million General Fund savings to account for the increased recoveries the department expects to receive.

Fifty Percent Rule Proposal Savings Estimate		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	($12,160,000)
Total Funding Request:	**$-**	**($12,160,000)**

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve the Administration's Medi-Cal Savings Estimate and Adopt Modified Trailer Bill Language with the Administration's proposals regarding Medi-Cal's share of litigation costs and ability to recover in the case of multiple settlements, but deleting the proposed change to the fifty percent rule. Stakeholders have attempted to arrive at a compromise with the Adminstration that protects Medi-Cal plaintiffs and the Medi-Cal program, but have been unable to reach agreement. The subcommittee recommends DHCS continue discussions with the Legislature and stakeholders regarding the underlying third party liability and federal repayment issues and pursue a solution through the normal legislative policy process.

Issue 11: Nursing Facility/Acute Hospital Waiver Implementation

DOF Issue#: TBL# 607

Waiver Renewal and Trailer Bill Language Proposal. DHCS proposes to renew its Nursing Facility/Acute Hospital (NF/AH) Transition and Diversion Waiver agreement with the federal government. The department proposes to codify the provisions of its proposed waiver renewal in trailer bill language. If approved, the proposed trailer bill language would allow the department to renew the waiver with specified changes. The May Revision includes $8.9 million ($4.5 million General Fund and $4.5 million federal funds) for costs related to implementation of the proposed waiver renewal.

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve. The NF/AH Waiver renewal has been submitted to the federal government for approval, after an extensive stakeholder process incorporating several proposed improvements to the program. According to DHCS, the NF/AH Waiver is an alternative to costly institutional care and affords frail and vulnerable Medi-Cal members the opportunity to remain in a home- or community-based setting or to transition out of an institution into a home- or community-based setting. Approval of this trailer bill proposal will authorize DHCS to implement the proposed NF/AH Waiver renewal.

Issue 12: SF Community Living Services Benefit Transition to Assisted Living Waiver

DOF Issue#: TBL# 609

Budget Issue and Trailer Bill Language Proposal. DHCS proposes trailer bill language to transition individuals receiving home and community-based services in the San Francisco Community Living Support Benefit (SF CLSB) Waiver into the Assisted Living Waiver (ALW). The budget includes savings of $746,340 ($373,170 General Fund and $373,170 federal funds), which is the net of additional costs for providing services to new ALW beneficiaries offset by savings from transitioning individuals from skilled nursing facilities into a community placement under the ALW.

SF Community Living Services Benefit Transition Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	($373,170)
0890 – Federal Trust Fund	$-	($373,170)
Total Funding Request:	**$-**	**($746,340)**

This issue was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve. San Francisco has decided not to renew the SF CLSB Waiver. Expansion of the ALW to the city and county of San Francisco is an effective way to continue services for the 22 affected individuals, as well as provide additional resources for transitioning individuals from skilled nursing into a home- or community-based setting. Approval of this trailer bill language proposal will authorize DHCS to close the SF CLSB and expand the ALW to San Francisco.

Issue 13: Robert F. Kennedy Farm Workers Health Plan Stop-Loss Payments

DOF Issue#: None – Legislative Proposal

Robert F. Kennedy Farm Workers Health Plan Stop-Loss Payments. The Robert F. Kennedy Farm Workers Health Plan requests trailer bill language to extend until January 1, 2026, the funding requirements contained in SB 145 (Pan), Chapter 712, Statutes of 2015. SB 145 requires DHCS to annually reimburse the plan up to $3,000,000 per year until January 1, 2021 for claim payments that exceed $70,000 made by the plan on behalf of an eligible employee or dependent for a single episode of care on or after September 1, 2016. If approved, this request would extend these reimbursements for five years. According to representatives of the Robert F. Kennedy Farm Workers Health Plan, this extension will allow the plan to build sufficient reserves to no longer require stop-loss funding from the state.

Subcommitee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language to extend the reimbursements authorized by SB 145 an additional five years to January 1, 2026. This extension will allow the Robert F. Kennedy Farm Workers Health Plan to build sufficient reserves so that it will no longer be dependent on state funding.

Issue 14: Medically Tailored Meals Pilot Program

DOF Issue#: None – Legislative Proposal

Medically Tailored Meals Program. The Food is Medicine Coalition requests $2 million General Fund for three years to make a cost-effective, medically tailored, home delivered meal intervention available to approximately 2,500 Medi-Cal beneficiaries with certain complex and traditionally high-cost health conditions and determine how such an intervention could lead to better outcomes and lower health care costs for recipients and the state Medi-Cal program.

This issue was heard during the subcommittee's April 27th hearing.

Subcommitee Staff Comment and Recommendation—Augment the DHCS budget and Adopt Placeholder Trailer Bill Language to allocate $2 million General Fund annually for three years to implement a medically tailored meals pilot program to serve Medi-Cal beneficiaries with complex and high-cost health conditions and direct DHCS to seek any available federal funding for this purpose.

4265 DEPARTMENT OF PUBLIC HEALTH

Issue 1: L&C: Los Angeles County Contract

DOF Issue#: 4265-008-BCP-2017-GB

Budget Issue. The Department of Public Health (DPH) requests expenditure authority from the Licensing and Certification Program Fund of $1.1 million annually. If approved, these resources would augment the state's licensing and certification contract with Los Angeles County to account for general salary increases approved by the county's Board of Supervisors of three percent in October 2016, two percent in October 2017, and two percent in April 2018.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
3098 – Licensing & Certification Program Fund	$-	$1,100,000
Total Funding Request:	**$-**	**$1,100,000**
Total Positions Requested:	**0.0**	

This issue was heard during the subcommittee's March 9th hearing.

Subcommittee Staff Comment and Recommendation—Approve. The state's licensing and certification contract with Los Angeles County did not account for general salary increases later approved by the county's Board of Supervisors. Approval of these resources, funded by special fund revenue from health facility licensing fees, will allow DPH to account for these additional costs and allow Los Angeles County to continue its licensing and certification activities pursuant to the contract.

Issue 2: Long-Term Care Ombudsman Funding

DOF Issue#: None – Legislative Proposal

Long-Term Care Ombudsman Funding Proposal. The Long-Term Care Ombudsman Program is a federally authorized program administered by the California Department of Aging that monitors and assists residents in skilled nursing facilities and residential care facilities for the elderly. There are 35 local Long-Term Care Ombudsman programs throughout the state that work to resolve complaints or problems of care by working directly with facility administrators and care providers.

The Long-Term Care Ombudsman Program receives $1.1 million annually from the State Health Facility Citation Penalties Account, which receives funds from penalties imposed upon health facilities for violations of state laws and regulations. The program received an additional $1 million augmentation on a one-time basis in both the 2015-16 and 2016-17 budgets. The California Long-Term Care Ombudsman Association is requesting the $1 million augmentation be provided on an ongoing basis to allow the local programs to make sustainable infrastructure improvements and increase resident access to the programs' services.

Subcommitee Staff Comment and Recommendation—Augment Funding for the Long-Term Care Ombudsman Program with $1 million in ongoing funds from the State Health Facilities Citation Account. There is substantial evidence that the monitoring, assistance, and other services provided by this program improves the health, safety and quality of life for residents of long-term care facilities.

Issue 3: Tobacco Tax Initiative (Prop 56) Public Health Program Funding

DOF Issue#: 4265-016-BCP-2017-GB
4265-404-BCP-2017-MR

Budget Issue and May Revision Adjustment. DPH requests 57 positions and expenditure authority of $226.1 million annually from the State Dental Program Account, Tobacco Law Enforcement Account, and Tobacco Prevention and Control Programs Account of the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) Fund. These resources would also offset $3.4 million of General Fund expenditures in the department's Oral Health Program. If approved, these resources would fund oral health, tobacco law enforcement, and tobacco prevention programs as required by voter approval of Proposition 56. The amount of these resources reflects revisions requested by DPH to the distribution of funding between state operations and local assistance, as well as updates to the allocation of revenue to the department from Proposition 56 revenues.

Program Funding Request Summary (2017-18)		
Fund Source	**January Budget**[1]	**May Revision**[1]
0001 – General Fund	($774,000) – SO ($2,880,000) – LA	($550,000) – SO ($2,880,000) – LA
TOTAL Fund 0001 – General Fund	**($3,654,000)**	**($3,430,000)**
3307 – State Dental Program Account (Prop. 56 Fund)	$1,875,000 – SO $35,625,000 - LA	$15,000,000 – SO $22,500,000 – LA
TOTAL Fund 3307 – State Dental Program Account	**$37,500,000**	**$37,500,000**
3308 – Tobacco Law Enforcement Account (Prop. 56 Fund)	$2,875,000 – SO $4,625,000 – LA	$5,800,000 – SO $1,700,000 – LA
TOTAL Fund 3308 – Tobacco Law Enf. Account	**$7,500,000**	**$7,500,000**
3309 – Tobacco Prevention and Control Programs Account (Prop. 56 Fund)	$8,923,000 – SO $169,532,000 - LA	$84,082,000 – SO $97,041,000 - LA
TOTAL Fund 3309 – Tobacco Prev/Cont Pgm Account	**$178,455,000**	**$181,123,000**
Total Funding Request:	**$219,801,000**	**$222,693,000**
Total Positions Requested:	**57.0**	
[1] ***SO = State Operations; LA = Local Assistance***		

This issue, as reflected in the Governor's January budget, was heard during the subcommittee's March 9th hearing.

Subcommittee Staff Comment and Recommendation—Approve. Proposition 56 authorizes specific allocations of tobacco tax revenue to DPH for the Oral Health Program, for tobacco retailer enforcement, and tobacco prevention activities. Approval of this proposal will allow DPH to implement these requirements of the initiative.

Issue 4: Center for Health Care Quality Estimate – May Revision

May Revision Update. The May Revision estimate for the Center for Health Care Quality includes $266.5 million ($3.7 million General Fund, $95.9 million federal funds, and $166.9 million special funds and reimbursements) in 2016-17, an increase of $3.3 million ($507,000 federal funds and $2.7 million special funds and reimbursements) compared to the Governor's January budget, and $263.9 million ($3.7 million General Fund, $97.6 million federal funds, and $162.7 million special funds and reimbursements) in 2017-18, an increase of $1.2 million ($274,000 federal funds and $943,000 special funds and reimbursements) compared to the Governor's January budget.

Center for Health Care Quality Funding 2016-17 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0001 – General Fund (transfer to fund 3098)	$3,700,000	$3,700,000
0890 – Federal Trust Fund	$95,386,000	$95,893,000
0942 – Internal Departmental Quality Improvement Acct	$2,304,000	$2,304,000
0942 – State Health Facilities Citation Penalty Acct	$2,144,000	$2,144,000
0942 – Federal Health Facilities Citation Penalty Acct	$973,000	$973,000
0995 – Reimbursements	$16,444,000	$16,572,000
3098 – Licensing and Certification Program Fund	$142,287,000	$144,943,000
Total CHCQ Funding – All Funds	**$263,238,000**	**$266,529,000**

Center for Health Care Quality Funding 2017-18 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0001 – General Fund (transfer to fund 3098)	$3,700,000	$3,700,000
0890 – Federal Trust Fund	$97,296,000	$97,570,000
0942 – Internal Departmental Quality Improvement Acct	$2,389,000	$2,389,000
0942 – State Health Facilities Citation Penalty Acct	$2,144,000	$2,144,000
0942 – Federal Health Facilities Citation Penalty Acct	$973,000	$973,000
0995 – Reimbursements	$9,672,000	$9,706,000
3098 – Licensing and Certification Program Fund	$146,536,000	$147,445,000
Total CHCQ Funding – All Funds	**$262,710,000**	**$263,927,000**

The Licensing and Certification Division of CHCQ was heard during the subcommittee's March 9th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the CHCQ estimate. The subcommittee will continue to monitor the center's oversight of health facilities, particularly the management of complaints of abuse and neglect, and may revisit the issue in future hearings, if necessary.

Issue 5: Genetic Disease Screening Program – May Revision Update

DOF Issue#: 4265-009-ECP-2017-GB
4265-402-ECP-2017-MR

May Revision Issue The May 2017 Genetic Disease Screening Program Estimate includes expenditure authority from the Genetic Disease Testing Fund of $130.3 million ($26.8 million state operations and $103.5 million local assistance) in 2016-17, and $131.6 million ($26.9 million state operations and $104.7 million local assistance) in 2017-18. These figures represent a decrease of $2.1 million (an increase of $256,000 state operations and a decrease of $2.3 million local assistance) in 2016-17 and $5 million (an increase of $87,000 state operations and a decrease of $5.1 million local assistance) in 2017-18, compared to the Governor's January budget. According to DPH, these reductions are primarily due to reduced demographic projections of live births by the Department of Finance's Demographic Research Unit.

Genetic Disease Screening Program Funding 2016-17 May Revision Comparison to January			
	2016-17	**2016-17**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0203 – Genetic Disease Testing Fund			
State Operations:	$26,540,000	$26,796,000	$256,000
Local Assistance:	$105,771,000	$103,463,000	($2,308,000)
Total GDSP Expenditures	**$132,311,000**	**$130,259,000**	**($2,052,000)**

Genetic Disease Screening Program Funding 2017-18 May Revision Comparison to January			
	2017-18	**2017-18**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0203 – Genetic Disease Testing Fund			
State Operations:	$26,767,000	$26,854,000	$87,000
Local Assistance:	$109,857,000	$104,732,000	($5,125,000)
Total GDSP Expenditures	**$136,624,000**	**$131,586,000**	**($5,038,000)**

Newborn Screening Program (NBS) Caseload Estimate: The May Revision estimates NBS program caseload of 483,363 in 2016-17, a decrease of 11,449 or 2.3 percent, compared to the Governor's January budget. The May Revision estimates NBS program caseload of 486,207 in 2017-18, a decrease of 11,766 or 2.4 percent, compared to the Governor's January budget, and an increase of 2,844 or 0.6 percent compared to the revised 2016-17 estimate. These updated estimates are based on state projections of an increase in the number of live births. DPH assumes up to 99 percent of births will participate in the NBS program annually.

Prenatal Screening (PNS) Caseload Estimate: The May Revisoin estimates PNS program caseload of 351,711 in 2016-17, a decrease of 8,577 or 2.4 percent, compared to the Governor's January budget. The May Revision estimates PNS program caseload of 348,437 in 2017-18, a decrease of 14,116 or 3.9 percent, compared to the Governor's January budget, and a decrease of 3,274 or 0.9 percent, compared to the revised 2016-17 estimate. These updated estimates are based on state projections of an increase in the number of live births. DPH assumes 71.9 percent of births will participate in the PNS program annually.

May Revision Finance Letter Adjustments. Consistent with the local assistance expenditure updates to GDSP at May Revision, DPH requests the following adjustment:

- 4265-111-0203 be decreased by $5,125,000

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the May Revision updates to the GDSP estimate.

Issue 6: Women, Infants, and Children (WIC) Program – May Revision Update

DOF Issue#: 4265-007-ECP-2017-GB
4265-403-ECP-2017-MR

May Revision Issue. The May 2017 Women, Infants, and Children (WIC) Program Estimate includes total expenditure authority of $1.2 billion ($1 billion federal funds and $221.7 million WIC manufacturer rebate funds) in 2016-17, a reduction of $93.7 million ($92.1 million federal funds and $1.7 million WIC manufacturer rebate funds) compared to the Governor's January budget. The May 2017 WIC Program Estimate includes $1.2 billion ($1 billion federal funds and $236.7 million WIC manufacturer rebate funds) in 2017-18, a reduction of $98.6 million (a decrease of $118.9 million federal funds and an increase of $20.3 million WIC manufacturer rebate funds) compared to the Governor's January budget, and an increase of $12.1 million (a decrease of $2.9 million federal funds and an increase of $15 million WIC manufacturer rebate funds) compared to the revised 2016-17 estimate. The federal fund amounts include state operations costs of $62.1 million in 2016-17 and $63.5 million in 2017-18.

WIC Funding Summary 2016-17 May Revisoin Comparison to January Budget			
	2016-17	**2016-17**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0890 – Federal Trust Fund			
State Operations:	$61,429,000	$62,082,000	$653,000
Local Assistance:	$1,035,439,000	$942,725,000	($92,714,000)
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	$223,377,000	$221,725,000	($1,652,000)
Total WIC Expenditures	**$1,320,245,000**	**$1,226,532,000**	**($93,713,000)**

WIC Funding Summary 2017-18 May Revisoin Comparison to January Budget			
	2017-18	**2017-18**	**Jan-May**
Fund Source	***January Budget***	***May Revision***	***Change***
0890 – Federal Trust Fund			
State Operations:	$63,209,000	$63,463,000	$254,000
Local Assistance:	$1,057,618,000	$938,424,000	($119,194,000)
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	$216,412,000	$236,711,000	$20,299,000
Total WIC Expenditures	**$1,337,239,000**	**$1,238,598,000**	**($98,641,000)**

The May Revision assumes 1,139,305 WIC participants in 2016-17, a decrease of 31,692 or 2.7 percent compared to the Governor's January budget. The May Revision assumes 1,130,793 WIC participants in 2017-18, a decrease of 33,250 or 2.9 percent compared to the Governor's January budget, and a decrease of 8,512 or 0.7 compared to the revised 2016-17 caseload estimate.

Food Expenditures Estimate. The May Revision includes $863.6 million 2016-17 for WIC program food expenditures, a decrease of $94.4 million or 9.9 percent, compared to the Governor's January budget. The May Revision includes $874.3 million in 2017-18 for WIC program food expenditures, a decrease of $98.9 million or 10.2 percent compared to the Governor's January budget, and an increase of $10.7 million or 1.2 percent compared to the revised 2016-17 food expenditures estimate. According to DPH, the decreases in both years are due to lower than projected participation levels and a significantly lower inflation rate.

Nutrition Services and Administration (NSA) Estimate. The May Revision includes $300.9 million for other local assistance expenditures for the NSA budget in 2016-17 and 2017-18, which is unchanged from the level assumed in the Governor's January budget.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve the May Revision updates to the WIC Program estimate.

4260 DEPARTMENT OF HEALTH CARE SERVICES
4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: Mental Health Services Act Fiscal Reversion

Background. In 2004, voters approved Proposition 63, the Mental Health Services Act (MHSA), to change the way California treats mental illness by expanding the availability of innovative and preventative programs, reduce stigma and long-term adverse impacts for those suffering from untreated mental illness, and hold funded programs accountable for achieving those outcomes. The act directed the majority of revenues to county mental health programs and services in the following five categories:

1. *Community Services and Supports (CSS):* 80 percent of county MHSA funding treats severely mentally ill Californians through a variety of programs and services, including full service partnerships and outreach and engagement activities aimed at reaching unserved populations.

2. *Prevention and Early Intervention (PEI):* Up to 20 percent of county MHSA funds may be used for PEI programs, which are designed to identify early mental illness, improve timely access to services for underserved populations, and reduce negative outcomes from untreated mental illness, such as suicide, incarceration, school failure or dropping out, unemployment, homelessness and removal of children from homes.

3. *Innovation:* Up to 5 percent of MHSA funds received for CSS and PEI may be used for innovative programs that develop, test and implement promising practices that have not yet demonstrated their effectiveness.

MHSA also required counties to spend a portion of their revenues on two additional components to build the infrastructure to support mental health programs. Since 2008-09, counties have the option of using a portion of their CSS funding in these areas or to build up a prudent reserve:

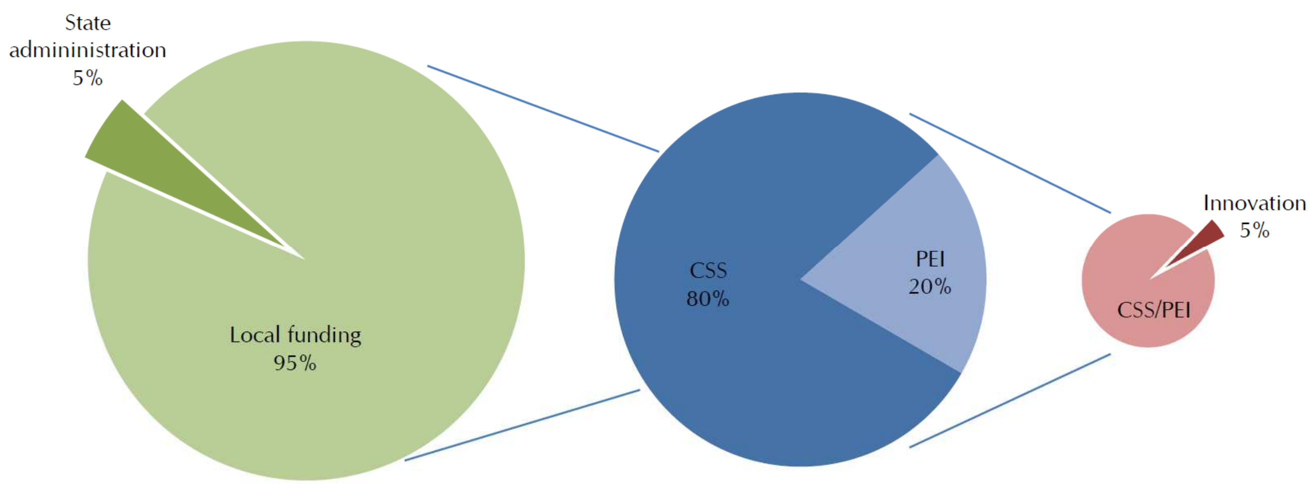
4. *Workforce Education and Training:* This component aims to train more people to remedy the shortage of qualified individuals who provide services to address severe mental illness. Counties may use funds to promote employment of mental health clients and their family members in the mental health system and increase the cultural competency of staff and workforce development programs.

5. *Capital Facilities and Technological Needs:* This component finances necessary capital and infrastructure to support implementation of other MHSA programs. It includes funding to improve or replace technology systems and other capital projects.

MHSA funds are allocated to counties through a formula that weighs each county’s need for mental health services, the size of its population most likely to apply for services, and the prevalence of mental illness in the county. Adjustments are made for the cost of living and other available funding resources. The formula also provides a minimum allocation to rural counties for the CSS and PEI components.

State Administration Funds. MHSA authorizes the use of up to five percent of annual revenues for state administration and specifies that these funds are to be used by state agencies to "implement all duties pursuant to the [MHSA] programs." This includes ensuring adequate research and evaluation regarding the effectiveness and outcomes of MHSA services and programs.

Apportionment of Mental Health Services Act Funds.



Source: Little Hoover Commission Report #225: *Promises to Keep: A Decade of the Mental Health Services Act* (Jan. 2015)

Reversion Requirements for Unspent County Funds. MHSA requires the reversion of unspent county funds to the state. According to Welfare and Institutions Code section 5892 (h), "any funds allocated to a county which have not been spent for their authorized purpose within three years shall revert to the state to be deposited into the fund and available for other counties in future years". However, DHCS has not reverted unspent county funds since 2008.

Concerns About Reversion Policies. Mental health advocates have expressed concerns that counties are retaining MHSA funds that could be reverted and reallocated to the provision of additional mental health services. However, counties have reported various challenges with accurate reporting of funds subject to reversion, including limitations on reporting forms from DHCS, inadequate identification of funds owed, and unclear policies for reversion.

This issue was heard during the subcommittee's March 30th hearing.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language enacting the following provisions to the extent they are not considered an amendment to the Mental Health Services Act:

1. Hold counties harmless for reversion prior to 2017-18
2. Extend reversion period from three to five years for small counties
3. Require DHCS, with stakeholder input, to develop procedures and guidance for counties to provide clarity regarding the amounts of MHSA funds subject to reversion.
4. Allow Counties to Revise Annual Revenue and Expenditure Reports
5. Establish an MHSA Reversion Fund

4560 Mental Health Services Oversight And Accountability Commission

Issue 1: Contract Administration

DOF Issue#: 4560-003-BCP-2017-GB

Budget Issue. MHSOAC requests one position and expenditure authority from the Mental Health Services Fund of $157,000 annually. If approved, these resources would support MHSOAC's ability to implement new and expanded contracting obligations authorized by the 2016 Budget Act.

Program Funding Request Summary (Budgeting Methodology BCP)		
Fund Source	**2016-17**	**2017-18**
3085 – Mental Health Services Fund	$-	$157,000
Total Funding Request:	**$-**	**$157,000**
Total Positions Requested:	**1.0**	

This issue was heard in the subcommittee's March 30th hearing.

Subcommittee Staff Comment and Recommendation—Approve. MHSOAC has new and existing contract responsibilities related to stakeholder advocacy and implementation of children's crisis services authorized in the 2016 Budget Act. Approval of this request, funded by Mental Health Services Act income tax revenue, will allow MHSOAC to support administration of these contracts.

Issue 2: Prevention and Early Intervention Plan Reviews

DOF Issue#: 4560-002-BCP-2017-GB

Budget Issue. MHSOAC requests two positions and expenditure authority from the Mental Health Services Fund of $309,000 annually. If approved, these resources would allow MHSOAC to implement regulations for Prevention and Early Intervention (PEI) and Innovation programs pursuant to AB 82 (Committee on Budget), Chapter 23, Statutes of 2013.

Program Funding Request Summary (Budgeting Methodology BCP)		
Fund Source	**2016-17**	**2017-18**
3085 – Mental Health Services Fund	$-	$309,000
Total Funding Request:	**$-**	**$309,000**
Total Positions Requested:	**2.0**	

This issue was heard in the subcommittee's March 30th hearing.

Subcommittee Staff Comment and Recommendation—Approve. AB 82 imposed new requirements on MHSOAC including the provision of technical assistance to county mental health programs for prevention and early intervention programs. Approval of this request, funded by Mental Health Services Act income tax revenue, will allow MHSOAC to provide the necessary technical assistance.

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Overtime Exemptions Proposal

DOF Issue#: None – Legislative Proposal

Budget Issue. The IHSS Coalition requests $16.5 million General Fund for 1) DSS to expand IHSS exemption criteria; 2) That consumers and providers receive notification about the criteria and process to request and exemption; and 3) That DSS establish an appeals process.

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language for a total of approximately $1.65 million that 1) codifies existing exemptions for live-in family care providers and extraordinary circumstances; 2) adds that an exemption be granted for providers on an individual basis when there is failure to grant an exemption if the recipient is at serious risk of institutionalization; 3) provides notices and hearing for IHSS consumers where a denial of a provider exemption would result in a loss of services; and 4) adds a one-time notice mailing and exemption request form to all providers who may be eligible for exemptions; and 5) adds an annual reassessment evaluation for potential eligibility for exemptions . This subcommittee heard and discussed this issue during its March 2, 2017 hearing.

Issue 2: Statewide Fingerprinting Imaging System

Subcommittee Staff Comment and Recommendation—The Subcommittee heard and discussed various issues related to CalWORKs in both its April 20, 2017 and May 17, 2017 hearings, including:

- The State Fingerprinting Imaging System (SFIS), which is up for contract renewal this year, is inefficient as multiple audits have demonstrated, and there are other, extensive identity verification and duplicate aid avoidance measures that now protect applicant information and program integrity in CalWORKs. If SFIS were eliminated, it would save approximately $8 million in the first year and $12 million thereafter.
- The Online CalWORKs Appraisal Tool (OCAT) system, which is used to assess the needs of CalWORKs clients in order to more effectively aid them and help them to overcome barriers, is still a standalone system that requires county staff to do duplicate data entry and the lack of integration within SAWS impedes outcome tracking. OCAT needs to be integrated into the larger SAWS system in order for OCAT data to be utilized effectively. The Administration did not include funding for these purposes.
- Various advocates have requested that Department of Social Services be required to work on the establishment of a new outcomes and accountability review system to foster continuous quality improvement in the program, as the only official measure of success currently is the federal Work Participation Rate, which is a narrow measure that has significant limitations.

Staff recommends eliminating the use of SFIS, for a total savings of $8 million, and redirecting a portion of these monies towards goals that aim to strengthen the CalWORKs program as laid out below:

- $3.7 million to fund the integration of OCAT into SAWS (proposal heard in subcommittee April 20, 2017)
- Placeholder trailer bill to establish a new outcomes and accountability system, including a process for developing this system that relies on client and stakeholder participation.

ISSUES FOR DISCUSSION

4140 Office of Statewide Health Planning and Development

Issue 1: May Revision – Technical Adjustment for Administration (Issues 403-MR and 404-MR)

DOF Issue#: 4140-403-BBA-2017-MR
4140-404-BBA-2017-MR

May Revision Issue. OSHPD requests net-zero, technical adjustments to budget items, schedules and reimbursements to facilitiate the accounting and budgeting of administrative expenditures. These changes would remove distributed administrative expenditures, reimbursements and positions from existing schedules and instead reflect them in a newly created Program 3860-Administration.

The requested amounts and positions to be scheduled under the new program are as follows:

- $7,800,000 in Item 4140-001-0121
- $8,285,000, -$151,000 Reimbursements, and 96.4 positions in Item 4140-001-0143
- $57,000 in Item 4140-001-0181
- $31,000 in Item 4140-001-3064
- $16,000 in Item 4140-001-3068
- $298,000 in Item 4140-001-3085
- $126,000 in Item 4140-017-0143

Subcommittee Staff Comment and Recommendation—Approve. These are net-zero technical adjustments to the accounting and budgeting of administrative expenditures.

Questions. The subcommittee has requested OSHPD to respond to the following:

1. Please provide a brief overview of this proposal.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Medi-Cal Local Assistance Estimate – May Revision Update

DOF Issue#: 4260-001-ECP-2017-GB (November Estimate – Caseload Adjustments)
4260-003-ECP-2017-GB (November Estimate – Hospital Quality Assurance Fee)
4260-004-ECP-2017-GB (November Estimate – ACA Optional Expansion)
4260-007-ECP-2017-GB (November Estimate – SB 75 Full-Scope Expansion)
4260-008-ECP-2017-GB (November Estimate – Drug Medi-Cal ODS Waiver)
4260-009-ECP-2017-GB (November Estimate – Managed Care Enrollment Tax)
4260-012-ECP-2017-GB (November Estimate – Provisional Adjustment)
4260-013-ECP-2017-GB (November Estimate – Provisional Adjustment)
4260-014-ECP-2017-GB (November Estimate – Provisional Adjustment)
4260-401-ECP-2017-MR (May Revision Estimate Update – Caseload Adjustments)

May Revision Issue. The May 2017 Medi-Cal Local Assistance Estimate includes $89.2 billion ($18.9 billion General Fund, $57.7 billion federal funds, and $12.6 billion special funds and reimbursements) for expenditures in 2016-17, and $105.6 billion ($18.6 billion General Fund, $68.3 billion federal funds, and $18.8 billion special funds and reimbursements) for expenditures in 2017-18. These figures represent a decrease in estimated General Fund expenditures in the Medi-Cal program of $619.8 million in 2016-17 and $536.4 million in 2017-18 compared to the Governor's January budget

Caseload. In 2016-17, the May Revision assumes annual Medi-Cal caseload of 13.6 million, a decrease of 3.4 percent compared to assumptions in the Governor's January budget. In 2017-18, the budget assumes annual Medi-Cal caseload of 13.7 million, a decrease of 4.2 percent compared to assumptions in the Governor's January budget and a 1.8 percent increase compared to the revised caseload estimate for 2016-17. According to the Administration, the decrease in estimated caseload is primarily due to lower projected enrollment in the Optional Expansion of Medi-Cal than estimated in the Governor's January budget.

May Revision Local Assistance Adjustments. The Administration requests the following adjustments to reflect caseload and miscellaneous adjustments:

- Item 4260-101-0001 be decreased by $409,075,000 and reimbursements be increased by $2,349,760,000
- Item 4260-101-0232 be decreased by $675,000
- Item 4260-101-0233 be increased by $3,418,000
- Item 4260-101-0236 be decreased by $473,000
- Item 4260-101-0890 be decreased by $1,207,001,000
- Item 4260-101-3156 be added in the amount of $99,407,000
- Item 4260-101-3168 be increased by $852,000
- Item 4260-102-0001 be increased by $23,406,000
- Item 4260-102-0890 be increased by $23,406,000
- Item 4260-104-0001 be increased by $127,000
- Item 4260-105-0001 be increased by $18,250,000
- Item 4260-106-0890 be increased by $355,000

- Item 4260-113-0001 be decreased by $199,408,000
- Item 4260-113-0890 be decreased by $666,322,000
- Item 4260-117-0001 be increased by $25,000
- Item 4260-117-0890 be decreased by $172,000

Medi-Cal Local Assistance Funding Summary 2016-17 Comparison to January Budget			
Fiscal Year:	**2016-17**	**2016-17**	**Jan-May**
Benefits			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$18,580,262,000	$17,972,052,000	($608,210,000)
Federal Funds	$63,114,015,000	$54,229,749,000	($8,884,266,000)
Special Funds/Reimbursements	$13,681,542,000	$12,562,986,000	($1,118,556,000)
Total Expenditures	**$95,375,819,000**	**$84,764,787,000**	**($10,611,032,000)**
County Administration			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$859,237,000	$852,711,000	($6,526,000)
Federal Funds	$3,397,740,000	$3,207,957,000	($189,783,000)
Special Funds and Reimbursements	$11,956,000	$13,032,000	$1,076,000
Total Expenditures	**$4,268,933,000**	**$4,073,700,000**	**($195,233,000)**
Fiscal Intermediary			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$120,524,000	$115,477,000	($5,047,000)
Federal Funds	$296,767,000	$287,849,000	($8,918,000)
Special Funds and Reimbursements	$-	$-	$-
Total Expenditures	**$417,291,000**	**$403,326,000**	**($13,965,000)**
TOTAL MEDI-CAL EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$19,560,023,000	$18,940,240,000	($619,783,000)
Federal Funds	$66,808,522,000	$57,725,555,000	($9,082,967,000)
Special Funds and Reimbursements	$13,693,498,000	$12,576,018,000	($1,117,480,000)
Total Expenditures	**$100,062,043,000**	**$89,241,813,000**	**($10,820,230,000)**

Medi-Cal Local Assistance Funding Summary 2017-18 Comparison to January Budget			
Fiscal Year:	**2017-18**	**2017-18**	**Jan-May**
Benefits			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$18,118,289,000	$17,478,590,000	($639,699,000)
Federal Funds	$62,976,866,000	$64,392,933,000	$1,416,067,000
Special Funds/Reimbursements	$16,693,070,000	$18,757,921,000	$2,064,851,000
Total Expenditures	**$97,788,225,000**	**$100,629,444,000**	**$2,841,219,000**
County Administration			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$858,771,000	$960,561,000	$101,790,000
Federal Funds	$3,502,083,000	$3,601,595,000	$99,512,000
Special Funds and Reimbursements	$11,819,000	$12,191,000	$372,000
Total Expenditures	**$4,372,673,000**	**$4,574,347,000**	**$201,674,000**
Fiscal Intermediary			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$152,982,000	$154,539,000	$1,557,000
Federal Funds	$271,148,000	$268,691,000	($2,457,000)
Special Funds and Reimbursements	$-	$-	$-
Total Expenditures	**$424,130,000**	**$423,230,000**	**($900,000)**
TOTAL MEDI-CAL EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$19,130,042,000	$18,593,690,000	($536,352,000)
Federal Funds	$66,750,097,000	$68,263,219,000	$1,513,122,000
Special Funds and Reimbursements	$16,704,889,000	$18,770,112,000	$2,065,223,000
Total Expenditures	**$102,585,028,000**	**$105,627,021,000**	**$3,041,993,000**

Significant General Fund Changes. The May 2017 Medi-Cal Local Assistance Estimate includes the following significant General Fund changes:

Medi-Cal Unanticipated Costs: 2016-17 Deficiency — The May Revision estimates the Medi‑Cal 2016-17 General Fund deficiency has decreased by $619.8 million compared to the Governor's January budget, from $1.8 billion to approximately $1.2 billion. According to the Administration, the reduction is primarily attributable to savings from drug rebates in Medi‑Cal managed care, retroactive managed care rate adjustments, and slower caseload growth than previously estimated.

Erroneous Enrollment of Medicare Part A Beneficiaries in Optional Expansion. The May Revision includes a one-time repayment of $227.1 million General Fund to the federal government for enhanced federal matching funds for individuals erroneously enrolled in the Optional Expansion of Medi-Cal. These individuals were also enrolled in Medicare Part A, which is considered minimum essential coverage. Individuals with minimum essential coverage are ineligible for the Optional Expansion. The department reports it must repay the federal government for the difference between the 100 percent match paid for the Optional Expansion and the 50 percent match for which these individuals were otherwise eligible. In addition, the department will recoup from managed care plans the difference between the Optional Expansion managed care capitation rate and the Dual/Partial Eligible managed care capitation rate. This recoupment is expected to be $364.8 million total funds.

Coordinated Care Initiative (CCI) Duals Demonstration Pilot — The May Revision continues the Administration's estimate that CCI will no longer be cost-effective and discontinues many components of CCI in 2017-18. Based on lessons learned, the May Revision continues the Administration's proposed: (1) extension of the Cal MediConnect program, (2) mandatory enrollment of dual eligibles, and (3) long‑term services and supports integration into managed care, except IHSS. The May Revision estimates General Fund savings of approximately $8 million based on the proposed continuation of the Cal MediConnect duals demonstration pilot, a decrease of approximately $12 million compared to the Governor's January budget. According to the Administration, the reduced savings is attributable to a decrease in the number of beneficiaries choosing to participate in the pilot.

Elimination of Newly Qualified Immigrants (NQI) Affordability and Benefit Program — The May Revision includes an increase of $48 million General Fund to reflect elimination of the NQI Benefits and Affordability Program. According to the Administration, due to operational and programmatic uncertainties, the Medi-Cal program will stop efforts to implement the program. The Administration intends to seek federal designation of the existing, state-funded NQI health care coverage program as minimum essential coverage.

Palliative Care — The May Revision includes net General Fund costs of $1.3 million in 2017‑18 for the implementation of the Palliative Care Services program no later than January 1, 2018. This program will serve adult Medi‑Cal beneficiaries and provide one‑time grants to health care plans of up to $50,000 for provider network development, data analysis, and other palliative care program development costs. Conditions eligible for palliative care include cancer, congestive heart failure, chronic obstructive pulmonary disease, or liver disease for patients with no more than a one‑year life expectancy.

Performance Outcomes System — The May Revision includes a total of $15 million ($6.2 million General Fund and $8.8 million federal funds) for the implementation of functional assessment tools for populations receiving specialty mental health services through county mental health plans. These figures represent an increase of $1.3 million ($629,000 General Fund and $628,000 federal funds) compared to the Governor's January budget. These assessment tools will gather data from both a clinician's and caregiver's perspective and will be used to track outcomes for Medi‑Cal mental health services provided to children up to age 21. According to the Administration, the revised funding reflects training, staff, and information technology costs associated with implementation of the newly selected functional assessment tools.

Medi-Cal Local Assistance Issues Previously Heard in Subcommittee Hearings. The following previously heard local assistance issues, as reflected in the Governor's January budget, were also previously heard by the subcommittee:

March 23, 2017 Hearing

- *Issue 2: November 2016 Medi-Cal Estimate – Overview*
- *Issue 4: County Administration Estimate and Budget Proposals*
- *Issue 6: Undocumented Children Full-Scope Expansion (SB 75)*
- *Issue 8: Title XXI Federal Match Reduction*
- *Issue 9: Denti-Cal*

March 30, 2017 Hearing

- *Issue 5: Drug Medi-Cal Estimate – Overview*
- *Issue 6: Drug Medi-Cal – Organized Delivery System Waiver*

April 27, 2017 Hearing

- *Issue 1: Medi-Cal 2020 Waiver Implementation Update*
- *Issue 3: Affordable Care Act – Optional Expansion of Medi-Cal*

In addition, several other issues are discussed separately in the subcommittee's hearing agenda.

Subcommittee Staff Comment and Recommendation—It is recommended the subcommittee take the following actions:

1. **Reject** the proposed allocation of $1.3 billion Proposition 56 revenue in Medi-Cal Estimate Policy Changes 11, 55, 64, 70, 96, 97, 99, 102, 104, 135, 167, 168, 171, and 208.

2. **Approve** the balance of the technical adjustments to the Medi-Cal Local Assistance Estimate, with any changes necessary to conform to other actions that have been, or will be, taken.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the significant caseload and expenditure changes in the May 2017 Medi-Cal Estimate.

Issue 2: Family Health Estimate – May Revision Update

DOF Issue#: 4260-002-ECP-2017-GB
4260-402-ECP-2017-MR

May Revision Issue. The May 2017 Family Health Local Assistance Estimate includes $237.7 million ($161.2 million General Fund, $10.5 million federal funds, and $66 million special funds and reimbursements) for expenditures in 2016-17, and $262.2 million ($213.4 million General Fund, $4.5 million federal funds, and $44.3 million special funds and reimbursements) for expenditures in 2017-18. These figures represent a decrease in estimated General Fund expenditures in Family Health programs of $14 million in 2016-17 and $4.7 million in 2017-18 compared to the Governor's January budget.

These reductions are primarily attributed to blood factor drug rebates and reductions in utilization of high cost drugs, particularly the cystic fibrosis drug Orkambi, by beneficiaries in the state-only Genetically Handicapped Persons Program. These reductions are partially offset by increased costs for recently approved high cost drugs provided to beneficiaries in the state-only California Childrens' Services program.

Family Health Local Assistance Funding Summary 2016-17 Comparison to January Budget			
Fiscal Year:	**2016-17**	**2016-17**	**Jan-May**
California Children's Services (CCS)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$67,805,000	$68,375,000	$570,000
Federal Funds	$6,061,000	$6,025,000	($36,000)
Special Funds/Reimbursements	$4,723,000	$5,453,000	$730,000
County Funds [non-add]	[$78,685,000]	[$79,448,000]	[$763,000]
Total CCS Expenditures	**$78,589,000**	**$79,853,000**	**$1,264,000**
Child Health and Disability Prevention (CHDP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$32,000	$33,000	$1,000
Total CHDP Expenditures	**$32,000**	**$33,000**	**$1,000**
Genetically Handicapped Persons Program (GHPP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$106,186,000	$91,976,000	($14,210,000)
Special Funds and Reimbursements	$36,425,000	$36,427,000	$2,000
Total GHPP Expenditures	**$142,611,000**	**$128,403,000**	**($14,208,000)**
Every Woman Counts Program (EWC)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$1,190,000	$857,000	($333,000)
Federal Funds	$4,509,000	$4,509,000	$-
Special Funds and Reimbursements	$24,083,000	$24,083,000	$-
Total EWC Expenditures	**$29,782,000**	**$29,449,000**	**($333,000)**
TOTAL FAMILY HEALTH EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$175,213,000	$161,241,000	($13,972,000)
Federal Funds	$10,570,000	$10,534,000	($36,000)
Special Funds and Reimbursements	$65,231,000	$65,963,000	$732,000
County Funds [non-add]	[$78,685,000]	[$79,448,000]	[$763,000]
Total Family Health Expenditures	**$251,014,000**	**$237,738,000**	**($13,276,000)**

Family Health Local Assistance Funding Summary 2017-18 Comparison to January Budget			
Fiscal Year:	**2017-18**	**2017-18**	**Jan-May**
California Children's Services (CCS)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$73,877,000	$80,170,000	$6,293,000
Federal Funds	$-	$-	$-
Special Funds/Reimbursements	$5,453,000	$5,453,000	$-
County Funds [non-add]	[$79,444,000]	[$81,527,000]	[$2,083,000]
Total CCS Expenditures	**$79,330,000**	**$85,623,000**	**$6,293,000**
Child Health and Disability Prevention (CHDP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$1,000	$1,000	$-
Total CHDP Expenditures	**$1,000**	**$1,000**	**$-**
Genetically Handicapped Persons Program (GHPP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$144,206,000	$133,138,000	($11,068,000)
Special Funds and Reimbursements	$16,425,000	$16,427,000	$2,000
Total GHPP Expenditures	**$160,631,000**	**$149,565,000**	**($11,066,000)**
Every Woman Counts Program (EWC)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$-	$87,000	$87,000
Federal Funds	$4,509,000	$4,509,000	$-
Special Funds and Reimbursements	$22,427,000	$22,427,000	$-
Total EWC Expenditures	**$26,936,000**	**$27,023,000**	**$87,000**
TOTAL FAMILY HEALTH EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$218,084,000	$213,396,000	($4,688,000)
Federal Funds	$4,509,000	$4,509,000	$-
Special Funds and Reimbursements	$44,305,000	$44,307,000	$2,000
County Funds [non-add]	[$79,444,000]	[$81,623,000]	[$2,083,000]
Total Family Health Expenditures	**$266,898,000**	**$262,212,000**	**($4,686,000)**

The May Revision caseload estimates for Family Health programs are as follows:

- **California Children's Services (CCS) Caseload Estimate**
  Medi-Cal: The May Revision estimates Medi-Cal CCS caseload of 172,634 in 2016-17, a decrease of 1,544 or 0.9 percent, compared to the Governor's January budget. The May Revision estimates Medi-Cal CCS caseload of 176,087 in 2017-18, a decrease of 1,309 or 0.7 percent, compared to the Governor's January budget, and a decrease of 3,453 or 2.0 percent, compared to the revised 2016-17 estimate.
  State-Only: The May Revision estimates state-only CCS caseload of 15,925 in 2016-17, an increase of 3,122 or 24.4 percent, compared to the Governor's January budget. The May Revision estimates state-only CCS caseload of 16,069 in 2017-18, an increase of 3,512 or 28 percent, compared to the Governor's January budget, and an increase of 144 or 0.9 percent, compared to the revised 2016-17 estimate. According to DHCS, the significant increase in caseload compared to the Governor's January budget is attributable to higher actual enrollment than previously estimated.
- **Child Health and Disability Prevention (CHDP) Caseload Estimate**
  The May Revision estimates state-only CHDP caseload of 475 in 2016-17, a decrease of 34 or 6.7 percent, compared to the Governor's January budget. The May Revision estimates state-only CHDP caseload of zero in 2017-18, unchanged compared to the Governor's January budget, and a decrease of 475 or 100 percent, compared to the revised 2016-17 estimate. According to DHCS, these significant caseload reductions are primarily due to the eligibility of all children, regardless of immigration status, for full-scope Medi-Cal pursuant to SB 75 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2015.
- **Genetically Handicapped Persons Program (GHPP) Caseload Estimate**
  The May Revision estimates state-only GHPP caseload of 942 in 2016-17, an increase of 11 or 1.2 percent, compared to the Governor's January budget. The May Revision estimates state-only GHPP caseload of 951 in 2017-18, an increase of 15 or 1.6 percent, compared to the Governor's January budget, and an increase of 9 or 1 percent, compared to the revised 2016-17 estimate.
- **Every Woman Counts (EWC) Program Caseload Estimate**
  The May Revision estimates EWC caseload of 161,000 in 2016-17, unchanged compared to the Governor's January budget. The May Revision estimates EWC caseload of 24,500 in 2017-18, a decrease of 500 or 0.2 percent, compared to the Governor's January budget, and a decrease of 136,500 or 84.8 percent, compared to the revised 2016-17 estimate. The significant decrease in 2017-18 caseload is due to the proposed transition from an accrual basis to budgeting on a cash basis.

May Revision Local Assistance Adjustments. The Administration requests the following adjustments to reflect caseload and miscellaneous adjustments:

- Item 4260-111-0001 be decreased by $4,773,000 and reimbursements be increased by $2,000
- Item 4260-114-0001 be added in the amount of $87,000

This issue, as reflected in the Governor's January budget, was heard during the subcommittee's April 27th hearing.

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve these technical adjustments to the Family Health Local Assistance Estimate, with any changes necessary to conform to other actions that have been, or will be, taken.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the significant caseload and expenditure changes in the May 2017 Family Health Estimate.

Issue 3: California Medicaid Management Information System Legacy Operations

DOF Issue#: 4260-500-BCP-2017-MR

May Revision Issue. DHCS requests 21 positions (conversion from limited-term) and expenditure authority of $9.1 million ($2.1 million General Fund and $7 million federal funds) annually. If approved, these resources would allow DHCS to continue performing ongoing systems and business operations for the legacy California Medicaid Management Information System (CA-MMIS). These resources include $6 million for contracted services including: 1) agency oversight, 2) procurement and vendor management, 3) transition management, 4) technical and information integration, and 5) testing.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$2,104,000
0890 – Federal Trust Fund	$-	$7,039,000
Total Funding Request:	**$-**	**$9,143,000**
Total Positions Requested:	**21.0**	

Background. DHCS contracts with a fiscal intermediary (FI), Xerox, to maintain and operate CA-MMIS, which is utilized by Medi-Cal to process approximately 200 million claims annually for payment of medical services provided to Medi-Cal members. Under the CA-MMIS contract, the FI adjudicates both Medi-Cal and non-Medi-Cal claims, and delivers other FI services to program providers, beneficiaries, and federal and state users of the system.

In October 2012, Xerox began design and development of a new CA-MMIS replacement system, "Health Enterprise" (HE). In October 2015, Xerox announced it would not complete the replacement system and entered into negotiations with DHCS on terms and conditions of a settlement to terminate its contractual obligation. In April 2016, DHCS and Xerox signed a settlement agreement to terminate design and development of the replacement system and compensate DHCS for costs incurred under the FI contract. Xerox will continue to operate and maintain the current CA-MMIS until September 30, 2019, or until the department has secured another contract for information technology (IT) maintenance and operations (M&O) services and support.

The 2016 Budget Act included one-year expenditure authority equivalent to 24 positions for DHCS to close out the replacement system activities, procure new FI contracts to conduct business operations of the legacy CA-MMIS system, and re-evaluate the procurement approach for design, development, and implementation of the CA-MMIS replacement system.

DHCS is requesting conversion of 21 of these positions to permanent and expenditure authority of $9.1 million ($2.1 million General Fund and $7 million federal funds) to continue ongoing IT M&O and business operations, take ownership of activities currently performed by the FI, transition the replacement system project from FI ownership to DHCS ownership, and plan for the development of procurements for design, development and implementation of new system modules.

Subcommittee Staff Comment and Recommendation—Approve. CA-MMIS is the primary claims payment system for providers of services to Medi-Cal fee-for-service beneficiaries. The system also provides other critical functionality essential to operation of the Medi-Cal program. Maintaining this system is still necessary while the department evaluates its options for implementing a replacement system to meet future needs. In addition, the department intends to utilize these positions and resources to administer and maintain the new system once it becomes operational. Approval of this request, funded by General Fund and federal funds, will allow the department to continue maintenance and operation of legacy CA-MMIS.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 4: California Medicaid Management Information System Modernization

DOF Issue#: 4260-501-BCP-2017-MR
4260-411-BBA-2017-MR

May Revision Issue and Budget Bill Language Proposal. DHCS requests seven positions and expenditure authority of $5.8 million ($575,000 General Fund and $5.2 million federal funds) annually. If approved, these resources would allow DHCS to implement a modernization strategy for the California Medicaid Management Information System (CA-MMIS) and adopt a user-centered, iterative, modular approach to the design, development, and implementation of system modules to replace the existing legacy system. DHCS also requests budget bill language to allow for a General Fund augmentation of up to $2.5 million, upon approval by the Department of Finance and the Department of Technology, for implementation of the Advantage Collections Application, a third party liability collections information technology solution.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$575,000
0890 – Federal Trust Fund	$-	$5,179,000
Total Funding Request:	**$-**	**$5,754,000**
Total Positions Requested:	**7.0**	

Background. DHCS contracts with a fiscal intermediary (FI), Xerox, to maintain and operate CA-MMIS, which is utilized by Medi-Cal to process approximately 200 million claims annually for payment of medical services provided to Medi-Cal members. Under the CA-MMIS contract, the FI adjudicates both Medi-Cal and non-Medi-Cal claims delivers other FI services to program providers, beneficiaries, and federal and state users of the system.

In October 2012, Xerox began design and development of a new CA-MMIS replacement system, “Health Enterprise” (HE). In October 2015, Xerox announced it would not complete the replacement system and entered into negotiations with DHCS on terms and conditions of a settlement to terminate its contractual obligation. In April 2016, DHCS and Xerox signed a settlement agreement to terminate design and development of the replacement system and compensate DHCS for costs incurred under the FI contract. Xerox will continue to operate and maintain the current CA-MMIS until September 30, 2019, or until the department has secured another contract for information technology (IT) maintenance and operations (M&O) services and support.

DHCS intends to adopt a modular approach for the procurement, design, development, and implementation of a new system. The modular approach to system development is supported by federal guidance and regulations, which provide enhanced federal funding for system development and encourage states to adopt a modular approach by permitting certification of individual modules as opposed to entire systems.

DHCS requests seven positions and expenditure authority of $5.8 million to complete the modernization project, which will be conducted by digital service teams comprised of the requested positions, and utilizing user-centered, iterative, and agile processes.

Advantage Collections Application. DHCS also requests budget bill language to allow for a General Fund augmentation of up to $2.5 million, upon approval of the Department of Finance and the Department of Technology, for implementation of the Advantage Collections Application. The Advantage Collections Application, when completed, will perform debt collection management, accounts receivables, letter generation and reporting functionality to enable and support the Third Party Liability (TPL) business processes. Advantage Collections will replace the legacy Automated Collection Management system currently used to support the identification of fees and post-payment recovery of Medi-Cal and other TPL related debts. According to DHCS, this solution would result in increased collections that will offset General Fund expenditures in the Medi-Cal program.

Subcommittee Staff Comment and Recommendation—Approve. Termination of the Xerox system replacement project contract required DHCS to re-evaluate its approach to replacing legacy CA-MMIS. Adoption of a modular approach is consistent with federal guidance and results in an enhanced federal match for systems development. Approval of this request, funded by General Fund and federal funds, will allow DHCS to proceed with its system replacement planning.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 5: SB 1004 Palliative Care Services

DOF Issue#: 4260-502-BCP-2017-MR

May Revision Issue. DHCS requests one position (conversion of limited-term to permanent) and expenditure authority of $124,000 ($62,000 General Fund and $62,000 federal funds) annually. If approved, these resources would allow DHCS to implement and provide ongoing oversight of the palliative care services program authorized by SB 1004 (Hernandez), Chapter 574, Statutes of 2014.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$62,000
0890 – Federal Trust Fund	$-	$62,000
Total Funding Request:	**$-**	**$124,000**
Total Positions Requested:	**1.0**	

Background. SB 1004 requires DHCS, in consultation with interested stakeholders, to establish standards and provide technical assistance for Medi-Cal managed care plans to oversee delivery of palliative care services, including specified hospice services and other services determined appropriate by the department. SB 1004 also requires that: 1) DHCS establish standards for palliative care services delivered concurrently with curative services to Medi-Cal beneficiaries served by Medi-Cal managed care plans; 2) authorized providers include licensed hospice agencies and home health agencies; and 3) DHCS, to the extent practicable, oversee the delivery of palliative care services under these provisions is provided in a manner that is cost neutral to the General Fund on an ongoing basis.

The 2015 Budget Act approved a two-year, limited-term Health Program Specialist I (HPS I) to coordinate with stakeholders to develop standards and guidelines for the palliative care program and provide technical assistance to managed care plans to monitor the appropriate delivery of palliative care services. DHCS experienced delays in the development of the policy, and therefore, has not been able to deploy the policy in managed care. The anticipated finalization of the managed care policy is scheduled to occur no sooner than January 1, 2018. The HPS I serves as the subject matter expert on palliative care and the position expires June 30, 2017.

DHCS requests conversion of the HPS I from limited-term to permanent and expenditure authority of $124,000 ($62,000 General Fund and $62,000 federal funds). If approved, these resources would allow DHCS to implement the palliative care program, develop policies for the delivery of palliative care services, facilitate managed care contracting with providers, and provide technical assistance to managed care plans, providers and stakeholders.

Subcommittee Staff Comment and Recommendation—Approve. SB 1004 requires implementation of palliative care services as a managed care benefit. Approval of these resources will allow DHCS to implement this required benefit, expected to begin January 1, 2018. The subcommittee will continue to monitor the progress of implementation of this benefit and expects the department to utilize these resources to ensure this benefit is provided as scheduled to eligible Medi-Cal beneficiaries.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 6: Enhanced Medi-Cal Budget Estimate Redesign (EMBER) System

DOF Issue#: 4260-503-BCP-2017-MR

May Revision Issue. DHCS requests one-time expenditure authority of $495,000 ($248,000 General Fund and $247,000 federal funds) in 2017-18. If approved, these resources would allow DHCS to procure a contract to upgrade the Enhanced Medi-Cal Budget Estimate Redesign (EMBER) system, which is utilized to produce the Medi-Cal Local Assistance Estimate.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$248,000
0890 – Federal Trust Fund	$-	$247,000
Total Funding Request:	**$-**	**$495,000**
Total Positions Requested:	**0.0**	

Background. The Medi-Cal Local Assistance Estimate forecasts expenditures, caseload, and the impact of regulatory and policy changes in the Medi-Cal program. The Estimate forms the basis for the Medi-Cal budget and is subject to the analysis of the Department of Finance, the Legislative Analyst's Office (LAO), the Legislature, and other stakeholders. The Enhanced Medi-Cal Budget Estimate Redesign (EMBER) System is the state-owned, proprietary system used to incorporate all aspects of the Estimate. EMBER is a web-based, multi-tiered application that was developed in 2006.

The EMBER system produced its first Estimate in May 2006. Over the past 11 years, the Medi-Cal Local Assistance Estimate has grown from $33.3 billion to $105.6 billion, added an additional 130 policy changes and 836 regressions. During the same period, Medi-Cal has added over 5.6 million average monthly beneficiaries and the program continues to grow. According to DHCS, the trend towards increasing complexity in the Medi-Cal program will likely continue in the future, and the EMBER system needs to be flexible to adapt to changes in the Medi-Cal Local Assistance Estimate.

DHCS requests one-time expenditure authority of $495,000 ($248,000 General Fund and $247,000 federal funds) to secure a contractor to upgrade the EMBER system to a new software framework to enhance system stability and improve flexibility to allow for additional enhancements. According to DHCS, this upgrade will improve the accuracy and accessibility of the Medi-Cal Local Assistance Estimate. In addition, the department reports that continuing the EMBER in its current state will require more attention and potentially increase staff workload, as the system's risk of failure due to incompatibility with new software continues to grow.

Subcommittee Staff Comment and Recommendation—Approve. The Medi-Cal Local Assistance Estimate has increased significantly in complexity over recent years, particularly with implementation of major program changes such as the Optional Expansion of Medi-Cal. The EMBER system is reaching the limits of its functionality and an upgraded system will help the Estimate become more accurate and more accessible. Approval of this request, funded by General Fund and federal funds, will allow DHCS to upgrade the EMBER system to provide the necessary functionality for this purpose.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 7: Federal Cures Act Opioid Targeted Response Grant

DOF Issue#: 4260-412-BBA-2017-MR
TBL# 647

May Revision Issue and Trailer Bill Language. DHCS requests expenditure authority from federal funds of $44.7 million to implement the federal Opioid State Targeted Response grant provided under the 21st Century Cures Act. This grant will allow for increased medication assisted treatment for individuals with substance use disorders. According to DHCS, these funds would be used to establish 15 "hub and spoke" systems, where a Narcotic Treatment Program would serve as a "hub" and the "spokes" are regional physicians approved to prescribe medication assisted treatment. Narcotic Treatment Programs would begin providing expanded substance use services by September 1, 2017 as required by the grant provisions. In addition, DHCS is proposing trailer bill language in order to expedite the ability to provide these funds to the receiving entities, pursuant to the timing of federal requirements for expenditure of grant funds. The trailer bill language would, for the purposes of this grant program, allow DHCS to enter into exclusive or nonexclusive contracts and be exempt from certain state contracting provisions.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0890 – Federal Trust Fund	$-	$44,700,000
Total Funding Request:	**$-**	**$44,700,000**

Subcommittee Staff Comment and Recommendation—Approve. DHCS intends to utilize these grant funds to address high-need areas, particularly rural areas in the north part of the state, with new programs for medication assisted treatment for substance use disorders. According to DHCS, the contract flexibility provided by the proposed trailer bill language is necessary to allow these programs to be operational by the time federal grant funds must be spent. Approval of this request for expenditure of federal grant funds and the accompanying trailer bill language will allow DHCS to expand availability of medication assisted treatment for substance use disorders.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 8: California Childrens' Services Medical Therapy Program Medical Necessity

DOF Issue#: TBL# 642

Trailer Bill Language. DHCS requests trailer bill language to clarify that the California Children's Services (CCS) program is responsible for the delivery of occupational therapy (OT) and physical therapy (PT) services when medically necessary. Specifically, this proposal would amend the Government Code to clarify that medically necessary OT and PT services are not related services or designated instruction and services under the Individuals with Disabilities Education Act (IDEA), and that the CCS program is not responsible for providing services that are solely educationally necessary.

Recent court decisions deemed OT and PT services provided by CCS to be "related services" under IDEA and state law. DHCS has been ordered to continue the provision of all OT and PT services included in a child's written Individualized Education Program, even when the underlying medical prescription has expired, and a physician has determined that a lesser amount is medically necessary. These court rulings are expected to increase General Fund expenditures for the CCS Medical Therapy Program In addition, because these services are not medically necessary, they would not be eligible for federal financial participation.

Subcommittee Staff Comment and Recommendation—Reject. Given the challenging budget environment and the multitude of new programs, federal regulations, and other efforts, the Legislature must prioritize consideration of certain initiatives and delay others. The proposed trailer bill language is likely to impose significant changes for local school districts serving children in need of CCS services. There is insufficient time for proper legislative consideration of the impacts this proposal may have on local school districts and children who need educationally necessary or medically necessary services. The subcommittee recommends DHCS continue discussions with the Legislature and stakeholders regarding the role of CCS in providing services to children in educational settings and pursue a solution through the normal legislative policy process.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 9: Contract Pharmacies in Medi-Cal 340B Program

DOF Issue#: TBL# 645

Trailer Bill Language. DHCS requests trailer bill language to correct problems regarding the use of contract pharmacies in the 340B Drug Billing program. According to DHCS, some 340B covered entities do not directly dispense medications, but instead contract with a different, non-340B pharmacy that receives a higher, non-340B price billed to the department or Medi-Cal managed care plan. The proposed trailer bill language prohibits the use of contract pharmacies in the 340B program in Medi-Cal, consistent with recent concerns raised by federal agencies. The proposal is intended to avoid inappropriate duplicate discounts by claiming federal drug rebates on already discounted drugs and prevent unnecessary overpayment in Medi-Cal.

Subcommittee Staff Comment and Recommendation—Reject. Given the challenging budget environment and the multitude of new programs, federal regulations, and other efforts, the Legislature must prioritize consideration of certain initiatives and delay others. The proposed trailer bill language is likely to impose a significant change in current operations for many 340B entities. There is insufficient time for proper legislative consideration of the impacts this proposal may have on essential Medi-Cal providers. The subcommittee recommends DHCS continue discussions with the Legislature and stakeholders regarding duplicate pharmacy rebates and pursue a solution through the normal legislative policy process.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 10: Disproportionate Share Hospital Allocation Adjustments

DOF Issue#: TBL# 644

Trailer Bill Language. DHCS requests trailer bill language to make clarifying changes to disproportionate share hospital (DSH) allocations to make full use of federal funds. The existing distribution methodology for DSH assumed sufficient uncompensated costs to claim and distribute all available funding. However, recent federal guidance indicates costs incurred by a hospital-based federally qualified health center are not allowable for DSH. As a result, California may not have sufficient uncompensated costs to claim all available funds. The proposed trailer bill language would make changes to address this issue and other technical clarifications, as follows:

- Clarify the methodology to determine federal DSH allotment funding allocated to designated public hospitals (DPHs).
- Require a reduction factor to be calculated, to be used in DSH redistribution in the case that DPH costs are insufficient to draw down the DPH-allocated federal DSH allotment.
- Specify the calculation methodology for DSH fund redistribution in the case that DPH costs are insufficient to draw down the DPH-allocated federal DSH allotment.
- Specify the calculation methodology for DSH fund adjustments in the case that additional DSH funding is available after the finalization of the fiscal year.
- Authorize DHCS to determine adjustment pay timing in consultation with the affected DPHs.
- Authorize DHCS to consult with the DPH and Department of Finance to determine whether additional payment to the DPH would impact the applicable county's redirection obligation pursuant to AB 85 (Committee on Budget), Chapter 24, Statutes of 2013.

Subcommittee Staff Comment and Recommendation—Approve. These technical, clarifying changes will allow DPHs to maximize the availability of federal DSH funding.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 11: Graduate Medical Education Program for Designated Public Hospitals

DOF Issue#: TBL# 643

Trailer Bill Language. DHCS requests trailer bill language to implement a graduate medical education (GME) program for Medi-Cal. According to DHCS, although most states support GME through their Medicaid programs, California does not currently have a Medicaid GME program despite being the state with the second largest number of teaching hospitals and residents in the nation. Changes in California hospital financing enacted in 2005 have prevented implementation of such a program. However, recent federal regulations authorize DHCS to make new GME payments to Designated Public Hospitals (DPHs) and their affiliated government entities. DHCS intends to submit a State Plan Amendment to allow these entities to provide the non-federal share of GME payments to draw down additional federal matching funds.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0890 – Federal Trust Fund	$-	$593,750,000
0995 – Reimbursements	$-	$593,750,000
Total Funding Request:	**$-**	**$1,187,500,000**

The proposed language would implement the following provisions:

- Provide additional Medi-Cal payments outside of payment obligations to Medi-Cal managed care plans or DPHs and their affiliated government entities in recognition of the Medi-Cal managed care share of GME costs.
- The direct component of GME payments would be made in recognition and support of direct costs incurred in the operation of GME programs, including salaries, benefits, physician oversight, and allocated overhead costs incurred for interns and residents in medicine, osteopathy, dentistry, podiatry, nursing, and allied health or paramedical programs.
- The indirect component of GME payments would be made in recognition and support of the increased operating and patient care costs associated with teaching programs.
- GME payments will be inflation adjusted as cost of services will fluctuate.
- DHCS would determine the maximum amount of GME payments in consultation with the DPHs.

The following are the state's participating DPHs, as of 2013:

Alameda Health System	San Joaquin General Hospital
Arrowhead Regional Medical Center	Santa Clara Valley Medical Center
L.A. County - Olive View UCLA Medical Center	L.A. County University of Southern California
Kern Medical Center	San Francisco General Hospital
Riverside County Regional Medical Center	Ventura Medical Center
Contra Costa Regional Medical Center	L.A. County – Harbor-UCLA Medical Center
Rancho Los Amigos Natl Rehabilitation Center	UC Irvine Medical Center
UC San Diego Medical Center	Ronald Reagan UCLA Medical Center
UCLA Medical Center Santa Monica	Natividad Medical Center
San Mateo Medical Center	UC Davis Medical Center
UC San Francisco Medical Center	

Subcommittee Staff Comment and Recommendation—Approve. If the federal government approves the department's proposed State Plan Amendment to begin providing GME payments to account for Medi-Cal managed care's share of GME costs, this new program and associated funding will help train and retain health care professionals in the state. Approval of this proposal, funded by federal funds and reimbursements from local government entities, and the accompanying trailer bill language, will allow DHCS to implement the GME payment program.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 12: Covered Outpatient Drug Final Rule

DOF Issue#: TBL# 646

Trailer Bill Language. DHCS requests trailer bill language to codify a new drug ingredient reimbursement methodology and dispensing fee based on a study of pharmacy provider costs in the Medi-Cal program. Recent federal regulations impose new requirements on Medicaid programs for reimbursement of covered outpatient drugs, including a transition to an acquisition cost based reimbursement methodology and, when changing the reimbursement methodology for the ingredient cost of drugs, examination or revision of professional dispensing fees to ensure Medicaid pharmacy providers are adequately reimbursed to maintain beneficiary access to care.

Subcommittee Staff Comment and Recommendation—Approve. This proposal is consistent with federal requirements to base reimbursements and dispensing fees on actual costs and adequate access to outpatient drugs for Medi-Cal beneficiaries. In addition, transition to the new average acquisition cost methodology results in discontinuation of the ten percent reimbursement rate reductions imposed pursuant to AB 97 (Committee on Budget), Chapter 3, Statutes of 2011.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 13: Erroneous Enrollment of Medicare Part A Beneficiaries in Optional Expansion

DOF Issue#: 4260-401-ECP-2017-MR (May Revision Estimate)

May Revision Issue. The May Revision includes a one-time repayment of $227.1 million General Fund to the federal government for enhanced federal matching funds for individuals erroneously enrolled in the Optional Expansion of Medi-Cal. These individuals were also enrolled in Medicare Part A, which is considered minimum essential coverage. Individuals with minimum essential coverage are ineligible for the Optional Expansion. The department must repay the federal government for the difference between the 100 percent match paid for the Optional Expansion and the 50 percent match for which these individuals were otherwise eligible. In addition, the department will recoup from managed care plans the difference between the Optional Expansion managed care capitation rate and the Dual/Partial Eligible managed care capitation rate. This recoupment is expected to be $364.8 million total funds.

Program Funding Request Summary		
Fund Source	**2016-17**	**2017-18**
0001 – General Fund	$-	$227,140,000
0890 – Federal Trust Fund	$-	($742,437,000)
Total Funding Request:	**$-**	**($515,297,000)**

Subcommittee Staff Comment and Recommendation—Adopt Placeholder Trailer Bill Language to: 1) establish a workgroup to develop the managed care plan recoupment process, 2) require written notification of overpayment to be recouped and a method for recoupment, 3) prohibit plans from being subject to penalties so long as plans pay back the amount owed by June 30, 2018, and 4) allow for a plan to appeal should a discrepancy arise.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this issue.

2. Please describe the process for recoupment from Medi-Cal managed care plans.

3. Does DHCS plan to coordinate with Medi-Cal managed care plans to help determine which beneficiaries were erroneously enrolled under Optional Expansion?

4265 DEPARTMENT OF PUBLIC HEALTH

Issue 1: AIDS Drug Assistance Program (ADAP) – May Revision Update and TBL

DOF Issue#: 4265-008-ECP-2017-GB
4265-401-ECP-2017-MR
TBL# 628
TBL# 641

ADAP Local Assistance Estimate May Revision Update. The May 2017 ADAP Local Assistance Estimate reflects revised 2016-17 expenditures of $385.1 million, which is an increase of $2.6 million or 0.7 percent compared to the Governor's January budget. According to DPH, this increase is primarily due to growth in medication-only clients and continuing increases in medication prices. For 2017-18, DPH estimates ADAP expenditures of $395.7 million, an increase of $13.5 million or 3.5 percent, compared to the Governor's January Budget, and an increase of $10.6 million or 2.8 percent, compared to the revised 2016-17 estimate. According to DPH, this increase is primarily due to fewer clients than previously estimated transitioning from medication-only to private insurance with the proposed implementation of ADAP case management services.

ADAP Local Assistance Funding 2016-17 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0890 – Federal Trust Fund	$121,800,000	$184,600,000
3080 – AIDS Drug Assistance Program Rebate Fund	$240,700,000	$180,500,000
Total ADAP Local Assistance Funding – All Funds	**$362,500,000**	**$385,100,000**

ADAP Local Assistance Funding 2017-18 May Revision Comparison to January Budget		
Fund Source	***January Budget***	***May Revision***
0890 – Federal Trust Fund	$117,400,000	$111,400,000
3080 – AIDS Drug Assistance Program Rebate Fund	$264,800,000	$284,300,000
Total ADAP Local Assistance Funding – All Funds	**$382,200,000**	**$395,700,000**

ADAP tracks caseload and expenditures by client group. After May Revision updates, DPH estimates ADAP caseload and expenditures for 2016-17 and 2017-18 will be as follows:

Caseload by Client Group	2016-17	2017-18
Medication-Only	13,288	12,870
Medi-Cal Share of Cost	139	153
Private Insurance	7,769	10,068
Medicare Part D	8,462	8,462
Pre-Exposure Prophylaxis (PrEP) Assistance Program	0	450

Expenditures by Client Group	**2016-17**	**2017-18**
Medication-Only	$304,977,994	$308,864,703
Medi-Cal Share of Cost	$848,266	$974,171
Private Insurance	$32,142,670	$55,890,180
Medicare Part D	$19,251,895	$21,060,146
PrEP Assistance Program	$-	$310,406

Enrollment Benefits Manager (EBM) Contract Termination Update. In November 2016, the ADAP enrollment portal was unexpectedly unavailable for enrollment worker and client use due to security vulnerabilities in the new system provided by the EBM contractor, A.J. Boggs. DPH took several actions to address the problems with enrollments and eligibility determinations:

- Enrollment workers were instructed to fax client applications directly to A.J. Boggs for processing.
- Client eligibility was extended until the next reenrollment or recertification period after June 30, 2017.
- Paper applications were shortened to streamline the faxed application process.
- DPH staff actively worked with enrollment sites, clients, and advocates to monitor problems and ensure continued access to medications and health insurance.
- DPH provided semi-weekly updates on the issue with enrollment workers and stakeholders
- ADAP ceased secondary, state-level review of new applications to expedite access to medications.
- DPH staff engaged consultants at Deloitte to provide an independent assessment of the security issues and future viability of the enrollment portal.

On March 1, 2017, DPH announced it was terminating its EBM vendor relationship with A.J. Boggs, citing material breach of contract as the portal does not allow for the secure exchange of data. A.J. Boggs ceased processing applications on Friday, March 3, 2017. DPH began conducting eligibility and enrollment services effective March 6, 2017, and began development of a replacement enrollment portal with minimum necessary functionality. According to DPH, ADAP program staff are working to provide all enrollment workers access to the new system, and over 57 percent of enrollment workers have begun enrolling and reauthorizing clients. DPH reports it is still evaluating options for the future of the ADAP enrollment portal, including identifying a new EBM vendor.

ADAP Data Sharing Trailer Bill Proposal. In the Governor's January budget, DPH proposed trailer bill language to allow information sharing between ADAP and other entities. This information sharing is intended to streamline the enrollment and case management activities that require partnership between ADAP and local entities. According to DPH, enhancing case management capabilities would result in program savings due to increased enrollment of medication-only ADAP clients in comprehensive health care coverage.

PrEP Assistance Program Clarification Trailer Bill Language Proposal. In the May Revision, DPH proposes trailer bill language to clarify the PrEP Assistance Program will provide PrEP medication to uninsured clients. The 2016 trailer bill language authorizing the program provides that "*the director may expend funding from the AIDS Drug Assistance Program Rebate Fund for this HIV infection prevention program to cover the costs of prescribed ADAP formulary medications for the prevention of HIV infection and related medical copays, coinsurance, and deductibles.*" In the Governor's January budget, DPH interpreted the statutory reference to "*copays, coinsurance, and deductibles*" to require enrollment only of individuals with health care coverage. The department's proposed trailer bill language will clarify PrEP may be provided to uninsured clients and the ADAP Local Assistance Estimate makes conforming changes to caseload and expenditures for the program.

May Revision Finance Letter Adjustments. Consistent with the expenditure updates to ADAP at May Revision, DPH requests the following adjustments:

- 4265-111-0890 be decreased by $6,000,000
- ADAP Rebate Fund be increased by $19,467,000

Subcommittee Staff Comment and Recommendation—It is recommended to take the following actions:

1. **Modify May Revision ADAP Local Assistance Adjustments.** The assumed $15.5 million reduction of savings is based on halving the number of expected transitions of medication-only clients to private insurance due to a reduction of the Covered California open enrollment period from three months to six weeks, pursuant to the new federal market stabilization rule. However, a recent study suggests individuals likely to not enroll in Covered California due to a shortened open enrollment period are "healthy procrastinators", or those without significant health issues. Because ADAP clients have significant health issues, a one-to-one drop in enrollment in private insurance due to a shortened open enrollment period is unlikely. Therefore, it is recommended to increase the savings assumption by $4 million (federal funds and rebate funds) and approve the balance of the updated ADAP Local Assistance Estimate with any changes necessary to conform to other actions that have been, or will be, taken.

2. **Augment Allocation to ADAP Enrollment Workers.** Given the significant additional workload required of ADAP enrollment workers due to the failure of the enrollment portal, it is recommended to augment the programmatic allocation to enrollment workers in 2017-18 by $4 million (federal funds and rebate funds).

3. **Adopt Placeholder Trailer Bill Language**:
    - **ADAP Data Sharing Trailer Bill Language Proposal—**Adopt placeholder trailer bill language, consistent with the Governor's January budget proposal.
    - **PrEP Assistance Program Clarification Trailer Bill Language Proposal—**Adopt placeholder trailer bill language, consistent with the May Revision proposal.

In addition, the subcommittee will continue to monitor the department's management of the enrollment and eligibility determination issues caused by the termination of the EBM contract and revisit the department's planning for improvement of the enrollment process, if necessary, in the future.

Questions. The subcommittee has requested DPH to respond to the following:

1. Please provide a brief overview of the major changes to caseload and expenditure in the ADAP May Revision Estimate.

Issue 2: Technical Adjustments – Youth Tobacco, Emergency Preparedness, Proposition 99

DOF Issue#: 4265-411-BBA-2017-MR
4265-414-BBA-2017-MR
4265-416-BBA-2017-MR
4265-500-BBA-2017-MR

May Revision Issues. DPH requests the following technical adjustments:

- Youth Tobacco Program – DPH requests the following technical correction regarding an inadvertent General Fund reduction made in the Governor's January budget for the Youth Tobacco Program's Retail Inspection Contract:
  - Item 4265-001-0001 be increased by $1,078,000

- Office of Emergency Preparedness – DPH requests the following technical correction to correct an inadvertent retention of federal funds and positions that were limited-term and scheduled to expire July 1, 2017:
  - Item 4265-001-0890 be decreased by $9,441,000 and 76.8 positions

- Proposition 99 Adjustments – DPH requests the following technical corrections reflecting changes in Proposition 99 revenues and a shift between state operations and local assistance:
  - Item 4265-001-0231 be decreased by $1,924,000
  - Item 4265-111-0231 be increased by $1,903,000
  - Item 4265-001-0234 be increased by $2,000
  - Item 4265-001-0236 be increased by $28,000

Subcommittee Staff Comment and Recommendation—Approve. It is recommended to approve these technical adjustments.

Questions. The subcommittee has requested DPH to respond to the following:

1. Please provide a brief overview of these proposed technical changes.

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: Mental Health Services Fund Reappropriation

DOF Issue#: None- Legislative Proposal

Budget Issue. MHSOAC requests reappropriation of Mental Health Services Act funds from items of appropriation in the Budget Acts of 2013, 2014, and 2015. These funds would allow MHSOAC to continue to support the following ongoing activities:

- IT consulting contracts
- A competitive bidding process for advocacy contracts
- Triage personnel grants
- Evaluation contracts

Subcommittee Staff Comment and Recommendation—Approve Placeholder Budget Bill and Provisional Language to reappropriate the requested funding, as requested by MHSOAC.