SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Mark DeSaulnier

Senator Elaine K. Alquist
Senator Bill Emmerson

May 27th, 2011

Upon Adjournment of Session

Room 4203
(John L. Burton Hearing Room)

(Diane Van Maren)

PLEASE NOTE:

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

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

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VOTE ONLY ITEMS

A. Department of Public Health: Various Federal Grants

1. Strengthening Epidemiology, Laboratory and Health Systems Capacity (DOF 100)

Governor's Finance Letter. Department of Public Health (DPH) proposes an increase of $1.2 million (federal funds) for epidemiology and laboratory enhancement to improve detection, investigation and response to foodborne and emerging infectious diseases in the Central Valley and the San Francisco Bay Area.

This federal funding was made available through the federal the Patient Protection and Affordable Care Act of 2010. This federal grant included $755,000 for the current year, which was approved through a Section 28 letter to the Legislature.

Background. According to the DPH, the estimated annual health cost of foodborne illnesses is $152 billion nationally. The DPH further explains that many of the contaminated foods are major agricultural exports produced in California, including lettuce, spinach, eggs, cheese, and others. California's geography, cultural diversity, and international borders increase opportunities for foodborne illnesses to occur and to spread. This federal funding is intended to address the following:

- Laboratory capacity. These funds will be used to increase laboratory capacity to rapidly transport and analyze specimens, including Salmonella isolates sent to the lab.

- Public health information and surveillance systems. The effectiveness of data collection is diminished by the sheer size of California as well as by the decentralized nature of the state's public health system. These funds will be used to train additional local staff, develop standardized methods and questionnaires, and coordinate information sharing by streamlining databases and reporting systems.

Subcommittee Staff Comment and Recommendation. It is recommended to approve the Finance Letter. No issues have been raised.

2. Expanded HIV Testing for Disproportionately Affected Populations

Governor's Finance Letter. DPH requests an increase of $3.75 million (federal funds) to support expanded HIV testing services for disproportionately affected populations. This federal grant includes $2.6 million (federal funds) for the current year, which was approved through a Section 28 letter to the Legislature. States that received funds under a prior grant were eligible to compete for this grant, which was awarded based on demonstrated need.

Background. This federal grant is for the purpose of funding high-volume HIV screening in healthcare settings, linkages to care, and partner services. According to the DPH, the HIV epidemic continues to disproportionately affect racial and ethnic minority populations, particularly African Americans and Hispanics, men who have sex with men and injection drug users. The DPH also explains that insufficient HIV testing continues to enhance the epidemic as HIV positive individuals who are unaware of their HIV status are four times more likely to transmit HIV to another person, according to national research. Early treatment also helps reduce transmission of the disease.

In 2007, the federal Centers for Disease Control and Management (CDC) implemented an HIV testing program and California was awarded $716,000 annually which funded three emergency departments in Alameda and San Francisco. 24,137 people were tested and 188 of those tested HIV positive. This new grant is intended to sustain progress made under the prior program and expand routine testing to new clinical venues to reach more at-risk populations. This new funding will cover eight new testing sites, including Local Health Jurisdictions, large hospitals, or health care clinics.

Subcommittee Staff Comment and Recommendation. It is recommended to approve the Finance Letter. No issues have been raised.

<u>3. Ryan White HIV/AIDS Program in Sonoma County</u>

Governor's Finance Letter. The DPH requests an increase of $555,000 to support HIV care services in Sonoma County whose direct funding from the Health Services Resources Administration (HRSA) is being redirected to the State grant award for the Office of AIDS.

Background. The Ryan White HIV/AIDS Program, Part A, provides direct funding to cities and counties, including areas known as Transitional Grant Areas, which are areas most severely affected by the HIV/AIDS epidemic based on a minimum number of living AIDS cases.

Sonoma County *no longer qualifies* for Transitional Grant Areas status because it failed for the third consecutive year to meet the mandated eligibility criteria of total cumulative AIDS cases and number living with AIDS. Therefore, as of April 2011, Sonoma County will no longer receive Transitional Grant Areas funding directly from HRSA.

The Ryan White HIV/AIDS Treatment Extension Act of 2009 stipulates that states affected by a loss of TGA funding will receive TGA-transition step-down funds for a three year period to ensure continuation of HIV care services to clients living in the former TGA jurisdiction.

This request will implement this step-down period.

Subcommittee Staff Comment and Recommendation. It is recommended to approve the Finance Letter. No issues have been raised.

B. Department of Developmental Services

1. Technical May Revision Changes (DOF issues 304, 305, 306, 310, 312, and 313)

Governor's May Revision. The May Revision estimate for the Regional Center contains a series of technical adjustments to prior changes previously adopted by the Legislature, as well as technical adjustments to the base-line estimate which pertain to caseload and utilization of services, as well as federal monitoring requirements.

These changes are contained within the summary dollars discussed above under the Background section of this document. The list below reflects all of the technical changes (fund sources, caseload, utilization of services, and federal requirements) to existing budget schedules.

These technical adjustments include changes to the following budget schedules:

- **4.25 Percent Operations and Provider Payment Reductions.** It is requested that Schedule (1) of Item 4300-101-0001 be increased by $303,000 and Reimbursements be decreased by $143,000 and Schedule (2) of Item 4300-101-001 be decreased by $14,369,000 and Reimbursements be increased by $11,526,000 to reflect the revised estimate of the 4.25 percent reduction to operations and provider payments.

- **Enrollment, Caseload, Population Adjustment**. It is requested that Schedule (1) of Item 4300-101-0001 be decreased by $132,000 and Reimbursements be increased by $419,000. It is requested that Schedule (2) of Item 4300-101-0001 be increased by $28,849,000 and Reimbursements be increased by $1,836,000. It is requested that Schedule (4) of Item 4300-101-0001 be decreased by $16,297,000. It is requested that Schedule (7) of Item 4300-101-0001 be amended to reflect a reduction in Item 4300-101-0172 of $693,000. It is requested that Schedule (8) of Item 4300-101-0001 be amended to reflect an increase in Items 4300-101-0890 of $17,000 to reflect the adjustments due to revised estimates of caseload and utilization.

- **Quality Assurance Fees.** It is requested that Item 4300-101-0001 be amended to reflect an increase of $555,000 in Reimbursements to reflect a revised estimate of Quality Assurance Fees paid by Intermediate Care Facilities for Developmentally Disabled (ICF-DD).

- **Community Placement Plan Savings from Closure of Agnews Developmental Center.** It is requested that Item 4300-101-0001 be decreased by $347,000 and Reimbursements be decreased by $479,000 to reflect a revised estimate of *community placement plan* costs associated with individuals who have moved from Agnews Developmental Center.

- **Adjustment to Correct Funding for Regional Center Operations and Purchase of Services.** It is requested that Schedule (1) of Item 4300-101-0001 be decreased by $11,713,000 and Schedule (2) of Item 4300-101-0001 be increased by $11,713,000 to correct a program scheduling error in the Governor's Budget.

- **Conflict of Interest Savings Technical Adjustment.** It is requested that Item 4300-101-0001 be amended by increasing Reimbursements by $900,000 to correct the estimated savings resulting from the cost containment measure to deter conflicts of interest.

Subcommittee Staff Comment and Recommendation—Adopt May Revision. The May Revision contains a series of technical adjustments as referenced above. There are no proposed policy changes in these items. No issues have been raised.

It is recommended to approve these May Revision technical adjustments as noted.

2. Intermediate Care Facility Developmentally Disabled State Plan (DOF 307)

Governor's May Revision. The May Revision is requesting *two changes* related to the receipt of federal funds by reconfiguring the billing mechanism for ICF—DD facilities as it pertains to transportation. This change, enacted in the Budget Act of 2008, enables the DDS to claim increased federal funding.

The first change pertains to retroactive billing and a need for reappropriation to capture federal funds. The federal CMS approved California's State Plan Amendment as of April 15, 2011. Retroactive claiming for services starting on July 1, 2007 is in progress but cannot be completed prior to June 30, 2011 when the 2007-08 and 2008-09 State appropriation revert. Therefore, DDS is requesting the following uncodified trailer bill language in order to provide for a reappropriation in order to claim federal funds. The request language is as follows:

> Due to a change in the availability of federal funding that addresses the ability of California to capture additional federal financial participation for day treatment and transportation services provide to a Medi-Cal beneficiary residing in a licensed ICF as specified in Welfare and Institutions Code, Section 4646.55 and Section 14132.925, funds appropriated in the following items shall be available for liquidation until December 30, 2011:
>
> Item 4300-101-0001, Budget Act of 2007, Chapters 171 and 172, Statutes of 2007, previously reappropriated by Chapter 268, Statutes of 2008, and Item 4300-101-0001, Budget Act of 2008, Chapter 268, Statutes of 2008.

The second change pertains to a technical to reflect base-line estimate adjustments. It is requested that Schedule (1) of Item 4300-101-0001 be decreased by $58,000 and Reimbursements be decreased by $57,000 to reflect the revised estimate of ICF-DD State Plan Administration fees.

Subcommittee Staff Comment and Recommendation—Adopt May Revision. No issues have been raised regarding these *two changes* related to the ICF-DD State Plan Amendment. The ICF-DD State Plan Amendment, provided the Developmental Services system with additional federal funds through an approved federal CMS billing mechanism and enables the State to offset a portion of General Fund expenditures.

3. Regional Center Operations: Meeting Federal Medicaid Requirements (DOF 309)

Governor's May Revision. An increase of $1 million ($500,000 General Fund) is proposed for Regional Center Operations to comply with statutory changes contained in SB 74, Statutes of 2011 (Omnibus Developmental Services trailer bill) regarding accountability and transparency. This adjustment provides for 16 Regional Center positions.

Specifically, Regional Centers will need to gather and review business ownership, control and relationship information pursuant to federal law, from prospective and current vendors.

In addition, Regional Centers will be required to determine that all prospective and current vendors are eligible to participate as Medicaid service providers by verifying that they have not been convicted of a crime related to Medicare, Medicaid or federal Title XX programs. This pertains to concerns expressed by the federal CMS in a draft audit report—"Medicaid Integrity Program, California Comprehensive Program Integrity Review."

Subcommittee Staff Comment and Recommendation—Adopt May Revision. The proposal is consistent with statutory changes adopted in SB 74, Statutes of 2011, and changes as noted in the federal CMS draft audit need to occur or hundreds of millions in federal funds are at risk.

4. Offset to Regional Center Cost Containment (DOF Issue 315)

Governor's May Revision. The May Revision adjusts the 2011-12 budget to reflect an offset of $28.5 million (GF) from savings from 2010-11. This assists with phase-in of the Cost Containment proposals.

Subcommittee Staff Comment and Recommendation—Adopt May Revision. Increasing 2011-12 by $28.5 million (GF) to reflect savings achieved in 2010-11 will assist with phasing-in the identified Cost Containment proposals since some of these proposals will require a period of time for implementation to take place. No issues have been raised.

<u>5. Capital Outlay: Fairview Developmental Center Fire Alarm System</u>

Budget Issue. DDS requests an increase of $8.6 million (General Fund) through a "re-appropriation" for the construction phase of the Fairview Fire Alarm System Upgrade.

The fire alarm system upgrade was approved in the Budget Act of 2008 with $9 million (General Fund) for Preliminary Plans ($597,000), Working Drawings ($565,000) and Construction ($8.5 million). The system was approved to meet the current fire codes in consumer-utilized buildings at Fairview.

DDS states the outdated fire alarm system at Fairview DC affects the safety and quality of life of individuals living and working in the DC. For example, routinely fire and policy personnel are dispatched to living units to silence loud audible fire alarms. A complete upgrade of the system is necessary since replacement parts are no longer available for this 1970's system.

DDS states that there were several delays in completing the upgrade and this is why the re-appropriation is needed.

Subcommittee Staff Comment and Recommendation--Approve. The SB 69 Budget Bill did not include this DDS request due to fiscal constraints and the need to reduce expenditures overall.

However the Administration has requested reconsideration due to considerable health and safety issues if the Fire Alarm System is not upgraded. The Assembly Budget Subcommittee #1 on Health and Human Services did reconsider this request and has approved it.

It is recommended to *conform to the Assembly's action* and approve the request.

Department of Developmental Services

A. BACKGROUND

1. Comparison and Summary of Legislative Actions in SB 69 Budget Bill

Legislative Actions as contained in SB 69 Budget Bill. As shown in the Table below, the Legislature modified the Governor's January budget proposal in several key areas.

First, the Legislature *did not adopt* the Governor's full reduction amount of $750 million (General Fund). Instead a lessor amount, though still very significant, of $577 million (General Fund) was adopted.

Every effort was made to identify savings as far away from direct consumer services as possible in this extremely difficult fiscal environment by: **(1)** increasing the receipt of federal funds and other alternative sources; **(2)** spreading the overall reduction across the developmental services system to include a reduction at the Developmental Centers; **(3)** approving trailer bill to improve system accountabilities and recognize efficiencies; **(4)** reducing Regional Center Operations expenditures where feasible; and **(5)** continuing the 4.25 percent reduction from the current-year into 2011-12.

Table: Comparison & Summary of Proposed Reductions to General Fund Expenditures

Summary of Key Proposals *(Dollars are Rounded)*	Governor's January Budget (January)	Legislature's SB 69 Budget Bill (March)	Difference
1. Less of a General Fund Reduction Overall	-$750 million	-$577 million	**+$173 million *Restored by Legislature***
2. Reductions in Developmental Centers	--	-$39.5 million	-$39.5 million
3. Identified Additional Alternative Funds	-$125 million	-$137.7 million	+$12.7 million
4. Trailer Bill Language Package	-$109.7 million	-$109.7 million	--
5. Less Impact from other Departments (Medi-Cal related)	--	-$15 million	-$15 million
6. Identified Additional RC Operations Cuts	--	-$9.5 million	-$9.5 million
7. 4.25 percent RC Operations Cut & 4.25 percent Provider Reduction	-$91.5 million	-$91.5 million	--
8. Establish Process to Identify $174 million (GF) Through Best Practices	-$423.8 million	-$174 million	$249.8 million ***Away from Consumer***

A. BACKGROUND *(continued)*

2. Summary Overview of Governor's May Revision Changes

The May Revision continues the $174 million (General Fund) reduction amount identified in the SB 69 Budget Bill.

The May Revision consists of *two core components*. The *first component, "**A" below**,* consists of savings offsets and reduction to administrative functions. The *second component, **"B" below**,* reflects reductions associated with the Purchase of Services.

A. Savings Offsets & Reductions to Administrative Functions= -$121 million (GF)

- Use Current-Year Savings as Offset. Recognizes $28.5 million (GF) savings from 2010-11 to be applied as an offset against 2011-12. This assists with phase-in of proposals.
- Lower Base-Line Costs for 2011-12. Reflects $55.6 million (GF) savings due to updated expenditures, caseload and utilization changes. This reflects updated cost information.
- Additional Federal Funds for Purchase of Services. Reduce by $20.9 million (GF) due to the receipt of federal funds from various actions. This results in a fund shift only.
- Reduce DDS Headquarter Contracts. Cut a total of $1.8 million (GF) in various contracts, including information technology, quality assessment, and client's rights advocacy.
- Reduce Regional Center Operations. Reduce by $14.1 million (GF) Operations expenditures at Regional Centers, including $3 million in office relocations, $1.9 million in community placement plan staff, and $5.4 million as an unallocated reduction.

B. Reductions Associated with Changes to Purchase of Services= -$53.1 million (GF)

Reductions Associate with Purchase of Services Proposals	2011-12 May Revision (GF Reduction)	Annualized (GF Reduction)
• Community Placement Plan	$6.9 million	$7.0 million
• Rate Equity and Negotiated Rate Control	$3.4 million	$9.6 million
• Annual Family Program Fee	$3.6 million	$7.2 million
• Maintaining Consumer's Home of Choice: Mixed Payment Rates	$1.4 million	$2.5 million
• Maximize Utilization of Generic Resources-- Education	$10.2 million	$13.6 million
• Supported Living Services: Maximize Resources	$5.5 million	$10.9 million
• Individual Choice Day Service	$9.6 million	$12.3 million
• Maximizing Resources for Behavioral Services	$3.8 million	$3.8 million
• Transfer Prevention Program to Family Resource Centers	$7.5 million	$10.0 million
• Development of Transportation Access Plans	$1.1 million	$2.2 million
Subtotal of Purchase of Services	**-$53 million**	**-$79.1 million**
TOTAL General Fund Reductions "A" + "B"	**-$145.5 million**	**-$174 million**

Discussion Items

A. Community-Based Services

1. Proposed Purchase of Services Reductions (-$53.1 million GF) (Pages 12 to 19)

Background. The Legislature adopted a lower reduction amount-- $174 million (GF) – than proposed in the Governor's January budget and directed the DDS to work collaboratively with stakeholder groups to develop draft proposals to achieve the $174 million (GF) reduction level.

DDS established eight subject area workgroups, including: (1) Behavioral Services; (2) Day Program, (3) Supported Employment, and Work Activity Program Services; (4) Early Start Services; (5) Health Care and Therapeutic Services; (6) Independent Living and Supported Living Services; (7) Residential Services; Respite and Other Family Supports; and (8) Transportation Services. Sixteen workgroup meetings were held throughout March and April 2011, totaling over 70 hours of discussion with stakeholders. In addition, DDS held three public forums –Los Angeles, Oakland and Sacramento –to receive comments on the proposals.

As noted on page two of this Agenda, the May Revision proposes base-line savings offsets and reductions to administrative functions which result in a total reduction of $121 million (GF), which leaves about $53 million (GF) to be obtained from Purchases of Services.

Governor's May Revision Proposals in Purchase of Services

Proposals in Purchase of Services	2011-12 May Revision (GF Reduction)	Annualized (GF Reduction)
Community Placement Plan	-$7.0 million	-$7.0 million
Rate Equity and Negotiated Rate Control	-$3.4 million	-$9.6 million
Annual Family Program Fee	-$3.6 million	-$7.2 million
Maintaining Consumer's Home of Choice: Mixed Payment Rates	-$1.4 million	-$2.5 million
Maximize Utilization of Generic Resources-- Education	-$10.2 million	-$13.6 million
Supported Living Services: Maximize Resources	-$5.5 million	-$10.9 million
Individual Choice Day Service—Three Components	-$9.6 million	-$12.4 million
Maximizing Resources for Behavioral Services	-$3.8 million	-$3.8 million
Transfer Prevention Program to Family Resource Centers	-$7.5 million	-$10.0 million
Development of Transportation Access Plans	--$1.1 million	-$2.1 million
TOTAL General Fund Reductions	**-$53.1 million**	**-$174 million**

Each of the May Revision Purchase of Services proposals is discussed below:

- *Community Placement Plan (CPP).* Under the Community Placement Plan (CPP) process, each Regional Center provides an annual Plan to DDS based on necessary resources, services, and supports for consumers moving from a Developmental Center, as well as the resources needed to prevent Developmental Center admission ("deflection"). As part of this process, Regional Centers must forecast the dates consumers will move into the community as well as when community resources will become available.

  DDS conducted an analysis of the funds budgeted, allocated, and expended on CPP and has determined that a total of $10 million ($7.3 million GF) can be reduced to more closely align identified needs and expenditures. Of this amount, $315,000 is reflected as a reduction to Regional Center Operations. Most of the proposed reduction is from "start-up", placement and deflection expenditures. No direct effect on consumer services is anticipated. No statutory changes are required.

- *Rate Equity and Negotiated Rate Control.* The May Revision reduces by $4.6 million ($3.4 million General Fund) for 2011-12 under this proposal. Annual savings are $13 million ($9.6 million General Fund).

  The rate setting methodologies for services funded by Regional Centers are specified in law. These methodologies include: **(1)** negotiations resulting in a rate that does not exceed the Regional Center's median rate for that service, *or* the statewide median, whichever is lower; and **(2)** the provider's "Usual and Customary" rate, which means the rate they charge the members of the general public to whom they are providing services.

  The 4.25 percent payment reduction for the Purchase of Services went into effect July 1, 2010 *but did not apply* to service providers with a "Usual and Customary" rate. The intent of the "Usual and Customary" exemption was for businesses that serve the general public without specialty in services for persons with developmental disabilities.

  This proposal clarifies that the exemption to the 4.25 percent payment reductions does not apply to providers specializing in services to persons with developmental disabilities. This proposal also calls for DDS to update the calculation of the Regional Center and statewide median rates, established as part of the 2008-09 budget reductions, applicable to new vendors providing services for which rates are set through negotiation. The proposal impacts providers who were not previously impacted by the 4.25 percent payment reduction and new providers of negotiated rate services.

  Trailer bill clarifies the 4.25 percent reduction that exempted usual and customary payments by listing services that are not exempted from this reduction.

- *Annual Family Program Fee.* The May Revision reduces by $3.6 million ($3.6 million GF) by requiring certain families of consumers to pay an annual family program Fee in the amount of $150 *or* $200 depending on family income.

  This proposal requires trailer bill and assumes implementation as of July 1, 2011. The Fee would be phased-in at the time of in-take, or at the time of development, scheduled review, or modification of a consumer's Individual Program Plan (IPP), but no later than June 30, 2012.

  It should be noted that the language does provide for an *exemption* from paying the Fee if the parents can demonstrate that: (1) exemption from the Fee is necessary to maintain the child in the family home; (2) the existence of an extraordinary event as specified; (3) the existence of a catastrophic loss that temporarily limits the ability of the parents to pay as specified.

  This annual fee would be assessed for families of consumers receiving services from the Regional Centers who *meet* the following criteria:

  - Family's income is at or above 400 percent of poverty based upon family size;
  - Child lives at home, is under 18 years of age, and is *not* eligible for Medi-Cal; and
  - Child or family receives services beyond eligibility determination, needs assessment, and case management.
  - Families of consumers who *only* receive respite, day care, and/or camping services are also *excluded* under the Annual Fee Program if assessed separately in the Family Cost Participation Program (no double payment).

  It is estimated that there will be a total of 46,900 families responsible for paying this Fee. It is assumed that 5 percent of these families will be exempt from paying for various reasons.

  Of the remaining 42,400 families remaining, about 18,800 families will have incomes between 400 percent and 800 percent of poverty and would be assessed an annual Fee of $150, generating $2.8 million in savings.

  The remaining 23,600 families will have incomes in excess of 800 percent of poverty and would be assessed a family fee of $200, generating $4.8 million in savings.

  Annual savings would be $7.2 million (GF) and 2011-12 savings would be the $3.6 million (GF) due to the phasing-in.

- Maintaining Consumer’s Home of Choice: Mixed Payment Rates. The May Revision reduces by $2.3 million ($1.4 million General Fund) in 2011-12. Annual savings are $4.2 million ($2.5 million General Fund).

  Under this proposal, rather than a consumer having to leave their preferred residential living arrangement because their service and support needs have changed, it allows for Regional Center payment of a lower rate that meets the needs of the individual while leaving intact the higher level of services and support for the other individuals residing in that home and the facility’s ARM service level designation.

  Current regulations for ARM facilities (Title 17, Section 56902) allow regional centers to negotiate a level of payment for its consumers that is lower than the vendored rate established by the Department (ARM rate). However, the vendor must still provide the same level of service (i.e. staffing ratios and hours, and consultant services) for which they are vendored. This proposal would allow, pursuant to the consumer’s IPP, and a contract between the regional center and residential provider, a lower payment rate for a consumer whose needs have changed but wants to maintain their residency in the home, without impacting the facility’s ARM service level designation.

  This estimate assumes approximately 450 consumers residing in service level 4 ARM facilities that are determined through their IPP to no longer need the level of service provided by that facility through its assessed rate, but want to remain in their home. To resolve this, a lower level of payment (within the existing ARM rate structure) would be negotiated and established in contract. A change in the level of residential services would be done through the IPP process, and subsequently through a contract between the regional center and residential service provider.

  Trailer bill is added to allow regional centers to enter in contracts with residential service providers for a consumer's needed services at a lower level of payment and staffing without adjusting the facility's approved service level.

- Maximizing Utilization of Generic Resources—Education. The Lanterman Act requires the use of generic services to meet the needs of consumers, as applicable, and public school services are a generic resource to be utilized.

  Publicly funded school services are available to regional center consumers until age 22. The Education Code lists services provided by the school system, including orientation and mobility services, school transition services, specialized driver training instruction, specifically designed vocational education and career development, and transportation.

  As such, this proposal requires Regional Centers to access public schools services in lieu of purchasing Day Program, work/employment, independent living, and associated transportation services, as feasible for consumers who remain eligible for services through the public school system.

This proposal requires trailer bill and would take effect immediately. A reduction of $13.7 million ($10.2 million GF) is assumed for 2011-12, with annual savings projected to be $18.2 million ($13.6 million GF). This would affect consumers between the ages of 18 to 22 years.

It should be noted that the Budget Act of 2009 required Regional Centers to use generic education resources for minor school aged children.

- Supported Living Services: Maximize Resources. Supported Living Services (SLS) is a community living option that supports adult consumers who live in homes they control through ownership, lease, or rental agreement. In supported living, a consumer pays for living expenses (e.g. rent, utilities, food, and entertainment) out of Social Security Income, work earnings or other personal resources. Regional Centers pay the vendor to provide the SLS. This proposal reduces expenditures by $9.9 million ($5.5 million GF) in 2011-12 *based on two changes*.

  First, a savings of $3.8 million ($2.1 million GF) is assuming by requiring Regional Centers to assess, during IPP meetings, whether there are tasks that can be shared by consumers who live with roommates. DDS states that 40 percent of consumer receiving SLS share living arrangements with another adult. It is assumed that 10 percent of these households will choose to share equally in tasks. The annual savings for this component are estimated to be $7.7 million ($4.2 million GF).

  Second, an independent needs assessment will be required for all consumers who have Supported Living Services costs that *exceed 125 percent* of their annual statewide average cost of providing supported living service.

  A reduction of $6.1 million ($3.4 million GF) is assumed for this component. This calculation assumes a reduction of 5 percent due to the independent assessments of those individuals above, or expected to be above the 125 percent of the annual statewide average (mean), or $15.2 million (total funds). This reduction is offset by the cost of the independent assessment, at about $1,000 per assessment, or $3 million (total funds). Annual savings from this component are anticipated to be $12.2 million ($6.7 million GF).

  This proposal requires trailer bill.

- Individual Choice Day Service—Three Components. This proposal reduces by $12.8 million ($9.6 million GF) by offering alternative choices to traditional Day Programs, including: **(1)** Tailored Day Program Service Option; **(2)** Vouchered Community-Based Training Service Option; and **(3)** Modified Full and Half-Day Program Attendance Billing.

  The first two proposals address the community's desire for greater consumer choice in day services.

  The Tailored Day Program Service Option would result in savings of $7 million ($5.3 million GF) in 2011-12 and annualized savings of $9.4 million ($7 million GF). In this option, through the IPP process, the consumer, vendor and Regional Center can create a program tailored to the consumer's needs. Once the type and amount of service desired by the consumer is determined, the regional Center and vendor can negotiate the appropriate hourly or daily rate. Staffing may be adjusted but must meet all health and safety requirements for the consumer and meet the consumer's tailored needs.

The Vouchered Community-Based Training Service Option would result in savings of $3.9 million ($2.9 million GF) in 20112 and annualized savings of $5.2 million ($3.9 million GF). In this option, consumers and/or parents who choose to directly hire a support worker to develop functional skills to achieve community integration, pursue post-secondary education, employment, or participation in volunteer activities. A Financial Management Services entity would be available to assist the consumer in payroll activities and up to 150 hours of services are available each quarter.

The third proposal modifies the current billing for Day Programs that bill a *daily* rate. A full day of service is defined as at least 75 percent of the declared and approved programed day, and a half-day of service is any attendance less than a full-day of service. Presently, regulations governing the provision of Day Programs are silent on what constitutes a full or half-day for billing purposes. This proposal would ensure the consumer is receiving the level of services purchased. This component would result in savings of $1.9 million ($1.4 million GF) in 2011-12 and annualized.

Total annualized savings are $16.5 million ($12.3 million General Fund) for implementation of these three changes.

This proposal requires trailer bill for enactment.

- <u>Maximizing Resources for Behavioral Services.</u> Behavioral Services are services that provide instruction and environmental modifications to promote positive behaviors and reduce behaviors that interfere with learning and social interaction. These include designing, implementing and evaluating teaching methods, consultation with specialists, and behavioral interventions; and training for consumers and/or parents on the use of behavioral intervention techniques and home-based behavioral intervention programs. DDS regulations establish the qualifications for the various professionals delivering these services.

  There are *two components* to this proposal. *First*, it requires parents to verify receipt of Behavioral Services provided to their child to reduce the unintended occurrence of incorrect billings. A reduction of $2.7 million ($2 million GF) in 2011-12 is assumed from this component, as well as annually. This reflects a one percent savings level based upon projected expenditures of $265.7 million (total funds) for behavioral services (ages 0 to 17 years).

  Second, it authorizes the DDS to promulgate emergency regulations to establish a new service to enable Regional Centers to contract with paraprofessionals with certain educational or experiential qualifications and acting under professional supervision (i.e.,. group practice), to provide behavioral intervention services. A reduction of $2.5 million ($1.9 million GF) for 2011-12 is assumed from this component, as well as annually. This savings level assumes that 25 percent of Behavioral Management Assistant services are provided by a paraprofessional and that the rate paid to the paraprofessional is 75 percent of the current rate.

This proposal requires trailer bill for enactment.

- Transfer Prevention Program to Family Resource Centers. The May Revision reduces by $7.5 million (General Fund) for this proposal. Annualized savings are $10 million (General Fund) as detailed below.

  The Prevention Program was established in October 2009 after changes in eligibility to achieve savings in the Early Start Program. The Prevention Program provides services in the form of intake, assessment, case management, and referral to generic agencies for those infants and toddlers, 0 to 2 years of age, who are *not eligible* for Early Start services but who *are at risk* for developmental delay. The Prevention Program is currently budgeted at $12 million for 2011-12 (as contained in SB 69 Budget Bill).

  This proposal would *decrease the required functions* of the Prevention Program to information, resource, outreach, and referral; transfer responsibility for these functions to Family Resource Centers, and reduce funding to $4.5 million for 2011-12 and to only $2 million in 2012-13.

  Since approximately 3,200 children presently remain in the Prevention Program, this proposal assumes $2.5 million for Regional Centers to complete services to the existing caseload and $2 million for Family Resource Centers to serve *new* referrals.

  Beginning July 1, 2012, the program would be completely transferred to the Family Resource Centers through a contract between the DDS and the Family Resource Center Network of California, or a similar entity.

  Regional Centers will continue to provide all infants and toddlers with intake, assessment, and evaluation for the Early Start Program. Infants and toddlers ineligible for the Early Start Program would be referred to the Family Resource Centers.

  The proposed trailer bill amends statute to specify that babies identified as being "at-risk" who are in the prevention program as of June 30, 2011, shall continue in the prevention program until the child reaches the age of 36 months, the Regional Center has determined the child is eligible for services under the California Early Intervention Program pursuant to Title 14, or June 30, 2012, whichever date is earlier.

  Language also phases out the Prevention Program by July 1, 2012. Lastly, language is added to allow DDS to contract with an organization representing one or more family resource centers which receive federal funds from Part C of the Individuals with Disabilities Education Act to provide outreach, information and referral services to generic agencies for children under 36 months of age who are otherwise not eligible for the California Early Intervention Program pursuant to Title.

- Development of Transportation Access Plans. The May Revision reduces by $1.5 million ($1.1 million General Fund) for this proposal. Annual savings would be $2.9 million ($2.1 million General Fund).

  Current law provides that Regional Centers will *not* fund private, specialized transportation services for an *adult consumer* who can safely access and utilize public transportation when that transportation modality is available and will purchase the least expensive transportation modality that meets a consumer's needs as set forth in the Individualized Program Plan (IPP) or Individualized Family Services Plan (IPP/IFSP).

  To maximize consumer community integration and to address barriers to the most integrated transportation services, a Transportation Access Plan would be developed at the time of the IPP, for consumers for whom the Regional Center is purchasing specialized transportation services or vendored transportation services. The Transportation Plan would address services needed to assist the consumer in developing skills to access the most inclusive transportation option that can meet the consumer's needs.

  Trailer bill is proposed to implement the review of transportation needs of a consumer through a Transportation Access Plan. Changes to the consumer's transportation needs will be completed through the IPP and will address a consumer's community integration and participation through the use of public transportation services. The planning team will consider safety, availability, accessibility, and future services and supports which include mobility training services and transportation aides.

Subcommittee Staff Comment and Recommendation. The workgroups, public forums, and commitment from *all* interest groups has significantly influenced the outcomes for the best practices for Purchase of Services language as contained in SB 74, Statutes of 2011 (Omnibus Developmental Services Trailer Bill).

The Administration has done commendable work by identified *both* savings from the current-year (i.e., $28.5 million GF savings) and budget year (i.e., $55.6 million GF savings), as well as identifying more federal funding opportunities, and administrative savings (discussed later in this Agenda.)

It is recommended to **(1)** Adopt the $53.1 million (General Fund) reduction to the Purchase of Services, as referenced above; **(2)** Adopt "placeholder" trailer bill language to continue the fine-tuning of language on *all issues as long as the savings level is achieve*; **(3)** Adopt a two-year sunset on the Annual Family Program Fee; and **(4)** Adopt Supplemental Reporting Language regarding the Prevention Program component. This recommendation would conform to the Assembly.

Questions. The Subcommittee has requested the DDS to respond to the following questions:

1. DDS, Please provide a *brief overview* of the *key components* of the Governor's May Revision.

2. DDS, Please describe *each* of the proposed changes to the Purchase of Services as referenced above in this issue (all ten proposed changes).

2. Governor's May Revision Proposals: Federal Funds, Contracts & Regional Center Operations

Governor's May Revision. As noted earlier in this Agenda, the May Revision recognizes reduced General Fund expenditures from *three other components* as follows:

First, as listed in the chart below, additional federal funds of $20.9 million have been identified for 2011-12. Receipt of federal funds is an integral component of the Regional Center services system and comprises about $1.7 billion of the funding.

DDS will expand receipt of federal funding through the **(1)** renewal of the Home and Community-Based Waiver; **(2)** the 1915(i) State Plan Amendment; and **(3)** Money Follows the Person Grant.

In addition, trailer bill is proposed to require consumers or family members to provide a copy of the consumer's Medi-Cal, Medicare, and insurance cards at the time of the IPP to ensure federal funds and other resources are maximized.

Further, DDS will pursue accessing funds through the federal 1915 (k) Community Living Options, which becomes available to states in October 2011.

A. Increased Federal Funds for the Purchase of Services

Category of Federal Funds	2011-12 GF Offset	2012-12 GF Offset
Add Voucher of Nursing to Home & Community Based Waiver	-$528,000	-$528,000
Money Follows the Person for Residents of Institutional Settings	-$1.9 million	-$3.5 million
Enhanced Funding from 1915 (k) Medicaid Plan	-$1.2 million	-$1.2 million
Obtain Federal Funding for Infant Development	-$13.2 million	-$13.2 million
1915 (i) New Expenditures	-$4.1 million	-$4.1 million
Total	**-$20.9 million**	**-$22.5 million**

Second, DDS proposes to reduce certain contracts as shown in the Table below. No issues have been raised regarding these reductions.

B. Reductions to Specified Contracts

Contract	2011-12 GF Reduction	2012-12 GF Reduction
Information Technology	-$545,000	-$545,000
Clients Rights Advocacy	-$200,000	-$200,000
Quality Assessment	-$424,000	-$424,000
Direct Support Professional Training	-$85,000	-$85,000
Office of Administrative Hearings	-$200,000	-$200,000
Risk Management	-$100,000	-$100,000
Self-Directed Service Training	-$200,000	-$200,000
Total	**-$1.7 million**	**-$1.7 million**

Third, DDS proposes reductions to the Regional Center Operations budget as shown in the Table below.

C. Reduction & Efficiency in Regional Center Operations

Regional Center Operations Area	2011-12 GF Reduction	2012-12 GF Reduction
Self-Directed Services Waiver—reduce staff	-$861,000	-$861,000
Community Placement Plan—reduce staff	-$315,000	-$315,000
Roll Back Prior Year Staffing Increase	-$1.9 million	-$1.9 million
Reduce Accelerated Waiver Enrollment	-$1.7 million	-$1.7 million
Administrative Efficiency—Electronic Billing	-$883,00	-$1.7 million
Eliminate one-time Office Relocation Funds	-$3 million	-$3 million
Unallocated Reduction	-$5.4 million	-$5.4 million
Total	**-$14.1 million**	**-$15 million**

Subcommittee Staff Comment and Recommendation-- Adopt. It is recommended to approve as contained in the May Revision the **(1)** reduction of $20.9 million (General Fund) due to increased federal funds; **(2)** reduction of $1.7 million (General Fund) from contracts as specified; and **(3)** reduction of $14.1 million (General Fund) from efficiencies and reductions to the Regional Center Operations.

Questions. The Subcommittee has requested the DDS to respond to the following questions:

1. DDS, Please provide a *brief descript* of the *key components* related to the receipt of federal funds, reduction to contracts and adjustments to the Regional Center Operations.

B. State Developmental Centers (DOF issues 100, 101,102,103,105, and 106)

1. Adjustments to Achieve $15 million (GF) Reduction Allocated by Legislature

Legislative Actions Contained in SB 69 Budget Bill. As referenced in the Table above on page 2, the Legislature reduced the Developmental Centers by a total of $39.5 million (General Fund).

This $39.5 million (General Fund) reduction consists of the following actions:

- o $30 million ($15 million General Fund) unallocated reduction;
- o $13.3 million ($6.8 million General Fund) and 140 Non-Level of Care positions associated with resident and program consolidations;
- o $6.6 million ($5.2 million General fund) through limiting equipment replacement, special repairs and other operations;
- o $2.1 million ($1.2 million General Fund) by reducing 28 positions from Lanterman Developmental Center to adjust for population reductions.
- o $2.7 million (General Fund) by deleting the Sonoma Developmental Center capital outlay project for medical gases; and
- o $8.6 million (General Fund) by deleting the Fairview Developmental Center fire alarm system.

Governor's May Revision. The May Revision recognizes the approach of the Legislature in the SB 69 Budget Bill and is proposing to conform to the above listed actions, *except for the $30 million ($15 million General Fund) reduction.*

Specifically, DDS has identified reductions in the May Revision to achieve the $30 million ($15 million General Fund) unallocated reduction. The proposed reductions are shown below.

May Revision: DDS Proposals for $15 million (General Fund)	2011-12 May Revision (General Fund)	2012-13 Projection (General Fund)
1. One-time staff savings in 2010-11, apply to 2011-12	-$1.4 million	--
2. One-time operations reduction in 2010-11 apply to 2011-12	-$2.2 million	--
3. Cap Secure Treatment at Porterville DC	-$5.1 million	-$10 million
4. Population Adjustment for 2011-12	-$3.2 million	-$3.2 million
5. Reduce Major Equipment	-$1.6 million	-$1.5 million
6. Reduce Janitorial Services	-$0.3 million	-$0.3 million
7. One-time staff adjustment at Lanterman DC	-$0.1 million	
8. One-time General Expense Reduction	-$1.1 million	
TOTAL Reduction	**-$15 million**	**-$15 million**

- Current-Year Reduction (-$3.6 million GF). A total reduction of $3.6 million (GF) one-time only is reflected due to May Revision adjustments to Developmental Center staffing and operations.

- Cap Secure Treatment at Porterville DC (-$5.1 million GF). Through trailer bill, DDS proposes to suspend admissions at Porterville Developmental Center for the "Secured Treatment Program" for a reduction of $5.1 million (General Fund) and 71 positions. The current cap at the Secured Treatment Program is 297 residents. The May Revision proposal would cap it at a total of 230 residents which includes those residents receiving services in the Porterville transition treatment program.

- May Revision Population Adjustment (-$3.2 million GF). The May Revision reflects an average in-center reduction of 31 residents (from 1,783 to 1,752) as compared to the January budget projection. This results in a reduction of $3.2 million (GF).

- One-Time Operating and Equipment Expenses (-$3.2 million GF). As noted in the Table above, the May Revision reflects several adjustments to reduce operating expenses.

- Technical Adjustment for Excess Reimbursement Authority. The May Revision also requests a technical adjustment to realign the reimbursement authority within the Developmental Centers Item by decreasing by $3.5 million (Reimbursements) to reflect the closure of the Primary Care Clinic and warm shut-down staffing.

Subcommittee Staff Comment and Recommendation. The DDS has responded to the Legislature's actions in SB 69 and the May Revision is consistent with its intent.

First, it is recommended to adopt the May Revision as proposed for the Developmental Centers, including *placeholder* language regarding the cap on Secure Treatment at Porterville Developmental Center.

In addition, it is recommended to *adopt uncodified placeholder trailer bill language* as follows:

> The Department of Developmental Services (DDS) shall reimburse the Office of Statewide Audits and Evaluations (OSAE) within the Department of Finance to conduct a review and analysis of the budget methodology, including relevant data, formulas and cost assumptions, used in determining the annual State budget for the Developmental Centers. The DDS shall provide information to the OSAE as necessary for them to complete their analysis and provide recommendations. It is the Legislature's intent for the DDS to notify the OSAE and to proceed with this analysis during the fall of 2011.

The uncodified placeholder trailer bill language is recommended in order to access the expertise of OSAE which has a myriad of fiscal, evaluation and audit expertise. OSAE has completed similar analyses previously, including a similar analysis regarding the State Hospitals administered by the Department of Finance.

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

1. DDS, Please provide a brief update on the continuing closure of Lanterman Developmental Center.

2. DDS, Please provide a summary of the proposed cost-containment for the Developmental Centers.