Senate Budget and Fiscal Review—Holly Mitchell, Chair

SUBCOMMITTEE NO. 3 Agenda

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

Wednesday, May 16, 2018
Upon Call of Chair
State Capitol - Room 4203

PART C

Consultant: Renita Polk

PROPOSED FOR VOTE ONLY

PROPOSED FOR DISCUSSION

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

PROPOSED FOR VOTE ONLY

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Issue 1: Centralize Statewide Activities for Developmental Services (BCP)

Proposal. The budget proposes shifting $2.1 million ($1.6 million General Fund) for 15.5 permanent positions from the State Operated Residential and Community Services Program (formerly the Developmental Centers program) to Headquarters.

Staff Comments and Recommendation – Approve as budgeted: This issue was discussed on March 15th and no issues have been raised.

Issue 2: Clinical Staff for Community Homes Oversight (BCP)

Proposal. The budget proposes $2 million ($1.4 million General Fund) for nine permanent positions to increase clinical staff and expertise within Headquarters to support development and ongoing monitoring of Adult Residential Facilities of Persons with Special Health Care Needs (ARFPSHNs), Enhanced Behavioral Supports Homes (EBSHs), and Community Crisis Homes (CCHs).

Staff Comments and Recommendation – Approve as budgeted: This issue was discussed on March 15th and no issues have been raised.

Issue 3: Internal Audit Unit (BCP)

Proposal. The budget proposes $295,000 ($178,000 General Fund) and two positions to begin start-up and planning activities to establish an internal audit unit that will evaluate fiscal and programmatic internal controls, identify areas for improved efficiencies, and provide recommendations for addressing internal deficiencies.

Staff Comments and Recommendation – Approve as budgeted: This issue was discussed on March 15th and no issues have been raised.

PROPOSED FOR DISCUSSION

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Background. The Department of Developmental Services is responsible for administering the Lanterman Developmental Disabilities Services Act (Lanterman Act). The Lanterman Act provides for the coordination and provision of services and supports to enable people with developmental disabilities to lead more independent, productive, and integrated lives. The Early Start Program provides for the delivery of appropriate services to infants and toddlers at risk of having developmental disabilities. DDS carries out its responsibilities through 21 community-based, non-profit corporations known as regional centers, three state-operated developmental centers, and one state-operated community facility.

The number of individuals with developmental disabilities in the community served by regional centers (consumers) is expected to increase from 317,596 in the current year, to 332,738 in 2018-19. The number of individuals who will reside in state-operated residential facilities is estimated to be 323 on July 1, 2019.

The May Revision includes $7.3 billion total funds ($4.4 billion GF) for the Department in 2018-19; a net increase of $427.4 million ($305.9 million GF) over the updated 2017-18 budget.

FUNDING SUMMARY
(Dollars in Thousands)

	2017-18	2018-19	Difference	Percentage Change
BUDGET SUMMARY				
Community Services	$6,358,800	$6,879,880	$521,080	8.2%
Developmental Centers	483,369	384,549	-98,820	-20.4%
Headquarters Support	63,156	68,278	5,122	8.1%
TOTALS, ALL PROGRAMS	**$6,905,325**	**$7,332,707**	**$427,382**	**6.2%**
GENERAL FUND				
Community Services	$3,742,305	$4,103,311	$361,006	9.6%
Developmental Centers	358,135	299,150	-58,985	-16.5%
Headquarters Support	36,232	40,121	3,889	10.7%
GF TOTAL, ALL PROGRAMS	**$4,136,672**	**$4,442,582**	**$305,910**	**7.4%**

Issue 1: Developmental Centers – May Revision Adjustments

Current Year Adjustments: The May Revision reflects an ending DC population of 534 residents on June 30, 2018, which is a decrease of three residents as compared to the Governor's Budget. The May Revision proposes a decrease of $11.4 million ($8.5 million General Fund) for current year support. The following adjustments reflect this decrease:

- Operations Expenditures: $51,000 decrease ($29,000 GF decrease) in resident-driven Operations Expense and Equipment (OE&E) costs due to a net reduction of three residents.

- Salary Savings: $11.4 million decrease ($8.5 million GF decrease) in personal services, staff benefits, and OE&E expenditures resulting from estimated salary savings.

Budget Year Adjustments: The May Revision reflects an ending DC population of 323 residents on June 30, 2019, which is a decrease of 38 residents as compared to the Governor's Budget. For the budget year, the May Revision proposes an increase of $8.9 million ($7.2 million General Fund) over the January budget to reflect the following adjustments:

- Operations Expenditures: $9.1 million net increase ($7.6 million GF increase). This includes an increase of $6.5 million ($6.3 million GF increase) and 125.2 positions at the Sonoma DC to reflect a technical correction, and a $2.6 million increase ($1.4 million GF increase) for updated operations expenditures at the Fairview and Porterville DCs due to revised resident populations.

- Closure Activity Costs: $0.2 million decrease ($0.4 million GF decrease) to reflect updated closure activity costs at the Fairview, Porterville, and Sonoma DCs.

Deferred Maintenance: The May Revision proposes $60 million General Fund to address critical deferred maintenance issues at Porterville DC. This amount is included in Budget Act Control Section 6.10, which will be discussed in Budget and Fiscal Review Subcommittee No. 4.

Questions for DDS:

- Briefly present the May Revision proposal for developmental centers.

Staff Comments and Recommendation – Hold open.

Issue 2: Community Services Program – May Revision Adjustments

Current Year (2017-18) Adjustments: The May Revision projects the total community caseload at 317,596, reflecting a decrease of 241 consumers from the 2018 Governor's Budget. For the current year, the Governor's May Revision proposes an updated budget of $6.4 billion ($3.7 billion General Fund), a net decrease of $16.7 million ($44 million General Fund decrease) from the Governor's January budget. The decrease includes the following adjustments:

- Caseload and Utilization: $16.7 million net decrease ($43.9 million GF decrease) in regional center Operations (OPS) and Purchase of Services (POS) as follows:
    - OPS decrease of $2.1 million ($3.6 million GF decrease)
    - POS decrease of $14.6 million ($40.3 million GF decrease)

The net decrease in OPS reflects updated projections for regional center rent expenditures, a caseload-driven decrease in Federal Compliance, the cancellation of the Department's contract with University Enterprises, Inc. for assistance with forecasting projections, and a decrease in administration fees for Intermediate Care Facilities for the Developmentally Disabled (ICF-DD).

The decrease in POS reflects the net difference of adjustments for all POS budget categories based on updated prior year expenditures upon which current year expenses are projected. The decrease in GF reflects an estimated increase in Home and Community Based Services (HCBS) Waiver and 1915(i) State Plan Amendment reimbursements, resulting in an offset to the GF.

- DC Closure Community Placement Plan: $0 net impact ($0.1 million GF decrease) to reflect an estimated increase in federal reimbursements, resulting in an offset to the GF.

- BHT Transition – Consumers without an ASD Diagnosis: $0.2 million decrease ($0.2 million GF decrease) reflecting updated expenditures for consumers without an Autism Spectrum Disorder (ASD) diagnosis who receive services on a fee-for-services basis, as reimbursed by the Department of Health Care Services (DHCS).

- ICF-DD Supplemental Payment Program: $0.2 million increase ($0.2 million GF increase) to provide supplemental payments to ICF-DDs consistent with a corresponding Medi-Cal rate increase.

Budget Year (2018-19) Adjustments: The May Revision estimates the total community caseload at 332,738 consumers, reflecting a projected decrease of 286 consumers from the caseload estimated in the 2018 Governor's Budget. The department estimates total funding of $6.9 billion ($4.1 billion GF), reflecting a net increase of $21.6 million ($2.6 million GF decrease) over the Governor's Budget. The decrease in GF reflects an estimated increase in HCBS Waiver and 1915(i) State Plan Amendment reimbursements, resulting in an offset to the GF. This increase includes the following adjustments:

- Caseload and Utilization: $6.6 million decrease ($20.8 million GF decrease) in regional center OPS and POS as follows:
    - OPS decrease of $0.5 million ($2.2 million GF decrease)

- POS decrease of $6.1 million ($18.6 million GF decrease)

The net OPS decrease results from caseload-driven decreases in core staffing and Federal Compliance, a slight decrease in ICF-DD administration fees, and a net increase in projects.

The decrease in POS reflects the net difference of adjustments for all POS budget categories based on current year expenditure trends.

- BHT Transition – Consumers without an ASD Diagnosis: $0.9 million net increase ($0.9 million GF increase) in expenditures for consumers without an ASD diagnosis. The adjustment includes a $0.5 million decrease for consumers who receive services on a fee-for-services basis, and a $1.4 million increase reflecting a three month phased transition of Medi-Cal managed care consumers in Los Angeles, Orange, Riverside, and San Bernardino counties.

- DC Closure Community Placement Plan: $2.2 million increase ($0.6 million GF increase) to fund CPP placement activities for an increased number of individuals moving from a DC.

- ICF-DD Supplemental Payment program: $0.2 million increase ($0.2 million GF increase) representing the full year impact of the program consistent with a corresponding Medi-Cal rate increase.

- Home Health Rate Increase: $29.5 million increase ($17.1 million GF increase) to fund the 50% rate increase for Home Health Agency, Licensed Vocational Nurse, and Registered Nurse services consistent with a corresponding Medi-Cal rate adjustment. This is a conforming adjustment to align the developmental services rate with the Department of Health Care Services (DHCS) rate. Pursuant to existing regulations, the developmental services rates for home health services and intermediate care facilities are based on a rate scheduled established by DHCS.

- Uniform Holiday Schedule: $4.6 million decrease ($0.2 million GF decrease) to correct an error in the Governor's Budget. The correction results in additional estimated savings to implement the Uniform Holiday Schedule in accordance with W&I Code Section 4692.

- SB 3 Minimum Wage Increase: $0 net impact ($0.4 million GF decrease) reflecting an estimated increase in federal reimbursements which offset the GF.

Questions for DDS:

- Please briefly present the May Revision proposal for the Community Services Program.

Staff Comments and Recommendation – Hold open.

Issue 3: Headquarters – May Revision Adjustments

The May Revision proposes $68.3 million ($40.1 million GF) for Headquarters in 2018-19, which is a $0.7 million increase ($0.5 million GF increase) compared to the Governor's Budget. The increase results from the following two Budget Change Proposals (BCPs):

Electronic Visit Verification (EVV) BCP

Proposal. The May Revision proposes a $277,000 increase ($222,000 General Fund and $55,000 reimbursements) to support planning activities to comply with the federal EVV requirements related to Home and Community-Based Services programs. These resources would fund two, two-year limited term positions. This proposal is part of a larger Health and Human Services Agency proposal.

Background. Electronic visit verification (EVV) is a telephone and computer-based system that electronically verifies service visits occur. Pursuant to Subsection l of Section 1903 of the Social Security Act (42 U.S.C. 1396b), all states must implement EVV for Medicaid-funded personal care services by January 2019 and home health care services by January 2023.

Staff Comments and Recommendation – Hold open: This proposal is part of a larger agency wide proposal that the subcommittee will take action on once it hears all the May Revision proposals.

Person-Centered Planning Training Resources BCP

Proposal. The May Revision proposes a one-time augmentation of $404,000 ($310,000 General Fund) for the department to contract for resources to develop and implement training on person-centered practices.

Background. Federal regulations, referred to as the Home and Community-Based Services (HCBS) Final Rule, require that service plans for individuals in Medicaid funded HCBS programs be developed through a person-centered planning process. A person-centered planning process helps guide the selection of the most appropriate and effective services which can reduce the need for changes in services and the potential need for more restrictive services. The department receives more than $2 billion annually in Medicaid HCBS reimbursements under the existing 1915(c) HCBS waiver and the 1915(i) State Plan Amendment for HCBS. In addition, the upcoming Self Determination program will be funded as a 1915(c) waiver. All of these programs require compliance with person-centered service planning.

To effectively implement and monitor statewide compliance with person-centered planning requirements, the department must develop training resources for consumers, families, and regional centers that are consistent throughout the state.

Staff Comments and Recommendation – Hold open.