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

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, M.D., Chair
Senator Melissa Hurtado
Senator Jeff Stone

Wednesday, May 15, 2019
10:00 a.m.
State Capitol - Room 4203

PART B

Consultant: Scott Ogus

PUBLIC COMMENT

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ISSUES FOR DISCUSSION

4800 CALIFORNIA HEALTH BENEFIT EXCHANGE – COVERED CALIFORNIA

Issue 1: Expanding Affordability in the Individual Health Insurance Market – Update

DOF Issue#: 4800-401-BCP-2019-MR

May Revision Issue and Trailer Bill Language Proposal. The Administration requests General Fund expenditure authority of $295.3 million in 2019-20, $330.4 million in 2020-21, and $379.9 million in 2021-22. If approved, these resources would allow Covered California to provide premium subsidies to individuals between 200 and 600 percent of the federal poverty level (FPL) purchasing coverage in the state's health benefit exchange. This request is an adjustment to the Administration's January budget proposal. The Administration also proposes adjustments to the trailer bill language included in the January budget to implement the premium subsidy program and impose a state-based individual mandate penalty. According to the Administration, revenue from the mandate penalty would offset the requested General Fund expenditures by $317.2 million in 2020-21, $335.9 million in 2021-22, and $352.8 million in 2022-23.

Background. In the January budget, the Administration proposed to increase premium subsidies to individuals with incomes between 250 and 400 percent of the federal poverty level (FPL) who are purchasing coverage on the Covered California health benefit exchange. All of these individuals currently receive premium subsidies from the federal advance premium tax credit (APTC). The January budget also proposed to expand premium subsidies to individuals with incomes between 400 and 600 percent of the FPL, all of whom are currently ineligible for premium subsidies from the federal APTC. The Administration proposes to fund the increased and expanded subsidies by implementing a state-based individual mandate penalty. Similar to the recently reduced federal mandate penalty, under the state-based mandate penalty, individuals would be required to purchase minimum essential coverage or face a penalty modeled on the federal requirement prior to its reduction under the federal tax bill.

Updated May Revision Proposal. According to the Administration, the May Revision changes to the January budget proposal would make health insurance more accessible and affordable for low- and middle-income families who purchase coverage through Covered California and would stabilize the insurance market by encouraging younger, healthier consumers to enroll in coverage. Specifically, the updated May Revision proposal would:

- For the coverage year beginning January 1, 2020, create an individual mandate penalty that would require California residents to obtain minimum essential coverage or pay a penalty similar to the penalty imposed under the federal Affordable Care Act.

- Exempt from the penalty individuals with hardships, such as short coverage gaps, low incomes, and unaffordable coverage, consistent with federal law and guidance. Additionally, the proposal would exempt individuals not required to file a California income tax return. According to the Administration, because California's income tax filing threshold is higher than that of the federal government, about 115,000 fewer low-income filers would be subject to California's mandate than if the federal mandate had remained in place.

- Offer advanced premium assistance subsidies to families earning between 200 and 600 percent of the federal poverty level (between $50,000 and $150,000 for a family of four) through Covered California, beginning January 1, 2020. California would be the first state in the nation to offer financial assistance to qualified individuals with incomes between 400 percent and 600 percent of the federal poverty level (FPL).

- Allocate about 75 percent of subsidies to about 190,000 individuals with incomes between 400 percent and 600 percent of the FPL. Subsidies for these individuals would average around $100 per month and around $150 per household. About 660,000 individuals with incomes between 200 percent and 400 percent of the FPL would receive average state subsidies of around $10 per month in addition to substantial federal subsidies. Similar to the federal subsidies, individual subsidy amounts would vary significantly depending upon an individual's income, family size, age, region, and health care premium costs.

- Require consumers to reconcile subsidies on their income tax return. Given some consumers above 400 percent of FPL—generally older individuals living in high cost markets—would be eligible for large state subsidies, in some cases exceeding $1,000 per month per individual, the Administration believes reconciliation is necessary to ensure individuals receive correct subsidy amounts.

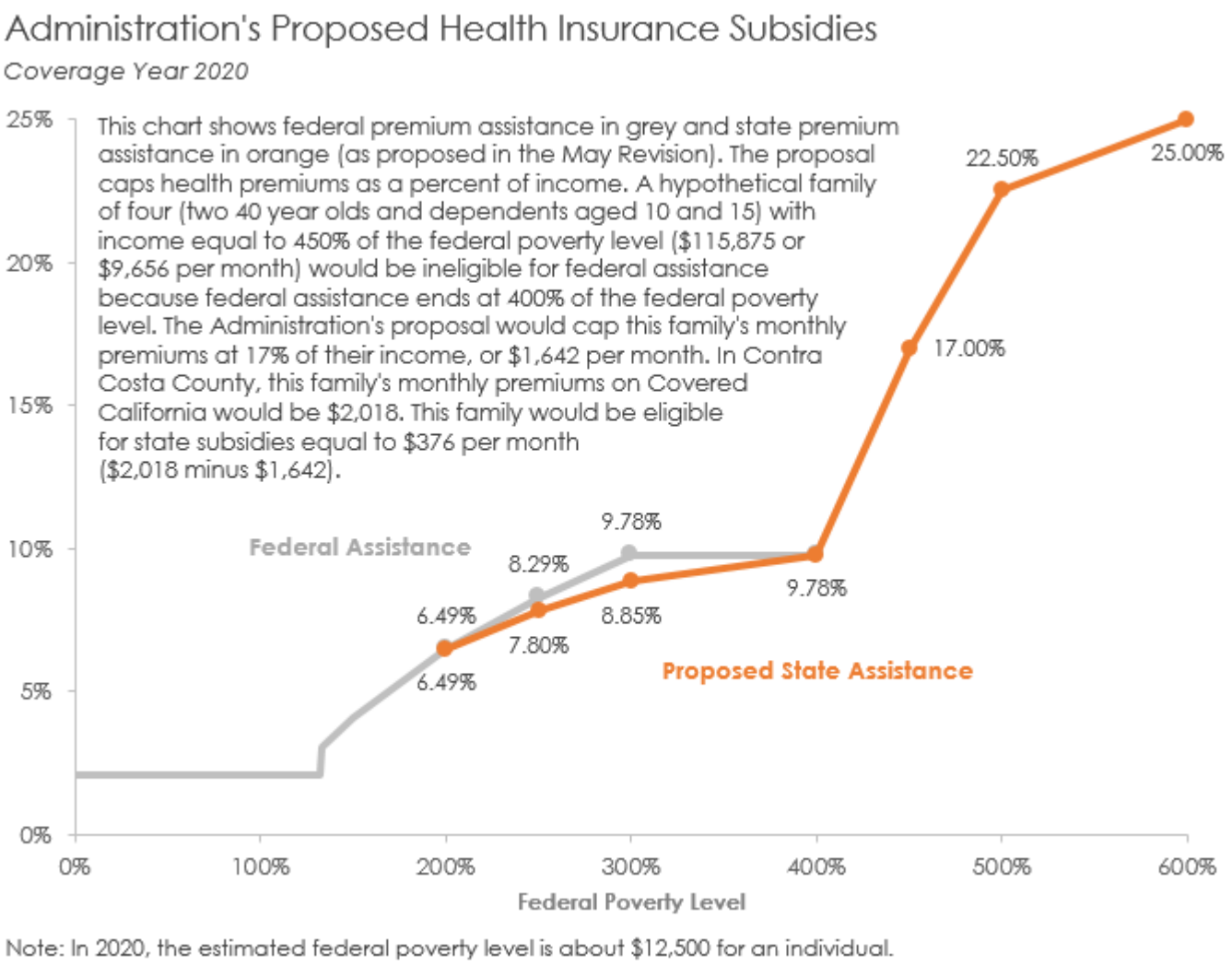
- Slow premium growth on the individual market by enrolling more healthy individuals in coverage. Specifically, the proposal is estimated to result in about 180,000 additional enrollees in 2020, lowering premiums between 4 and 8 percent relative to what they would have been without the Administration's proposals.

- Adjust subsidy levels in coverage years 2021 and 2022 to maintain a budget-neutral program. The subsidy program would sunset on December 31, 2022.

According to the Administration, the multi-year balance of premium subsidies and penalty revenue over the program periods would be as follows:

(dollars in millions)	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**TOTAL**
Penalty Revenue	$ -	$ 317.2	$ 335.9	$ 352.8	$ 1,005.8
Expenditures	$ 295.3	$ 330.4	$ 379.9	$ -	$ 1,005.6
TOTAL	**$ (295.3)**	**$ (13.2)**	**$ (44.0)**	**$ 352.8**	**$ 0.2**

The Administration has also provided the following chart to demonstrate the levels of its proposed premium subsidies at various income levels:



Note: In 2020, the estimated federal poverty level is about $12,500 for an individual.

Subcommittee Comment and Recommendation – Hold Open.

Questions. The subcommittee has requested the Administration and Covered California to respond to the following:

1. Please provide a brief overview of the May Revision changes to the Administration's health insurance affordability proposal.

2. Why has the Administration chosen to direct 75 percent of the premium subsidy assistance to individuals between 400 and 600 percent of the FPL?

3. How many individuals that are not receiving premium subsidy assistance would also be subject to the individual mandate penalty?

4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

Issue 1: Investment in Workforce Education and Training Five-Year Plan

DOF Issue#: 4140-401-BCP-2019-MR

May Revision Issue and Budget Bill Language. OSHPD requests expenditure authority from the Mental Health Services Fund of $100 million in 2019-20, available for encumbrance and expenditure until June 30, 2026. If approved, these resources would allow OSHPD to support the 2020-2025 Workforce Education and Training (WET) Program Five Year Plan, a framework of strategies to remedy the shortage of qualified individuals who provide services in the public mental health system.

Program Funding Request Summary		
Fund Source	**2019-20**	**2020-21**
3085 – Mental Health Services Fund	$100,000,000	$-
Total Funding Request:	**$100,000,000**	**$-**

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 for community services and supports, prevention and early intervention, innovative programs, workforce education and training (WET), and capital facilities and technological needs. For WET programs, Proposition 63 allocated $210 million to counties and $234.5 million to the state over a ten year period beginning in 2008. The state's WET programs were originally administered by the Department of Mental Health (DMH), which developed the first five year plan for the program. After dissolution of DMH in 2012 program responsibility was transferred to OSHPD, which developed the second five year plan for 2014-2019 in coordination with the California Mental Health Planning Council.

OSHPD's WET program provides funding for stipends and loan assumption, education capacity, consumer and family member employment, regional partnerships, recruitment and retention, and evaluation of the program. According to OSHPD, in 2016-17 the WET program awarded the following:

1) *Stipends* - $16.2 million in stipends for psychiatric mental health nurse practitioners, clinical psychologists, marriage and family therapists, and social workers in public mental health systems
2) *Education Capacity* - $5.6 million to increase training capacity and provide clinical rotations in PMHS for psychiatric mental health nurse practitioners and clinical psychologists
3) *Recruitment and Retention* - $2 million for exposure and scholarship rotations in public mental health systems

In addition, OSHPD awarded multi-year grants of up to $1.8 million to five Regional Partnerships between 2014-15 and 2016-17 to address regional needs in a variety of mental health disciplines. $1.1 million was provided for evaluation of various program components.

According to OSHPD, the WET program reported the following participants in its various programs between 2014-15 and 2016-17:

Program Type	WET Program	Participants by Fiscal Year		
		2014-15	2015-16	2016-17
Individuals	Mental Health Loan Assumption Program	1,085	1,528	1,514
	Stipends	293	325	339
	Peer Personnel	522	933	1,207
	CalSEARCH	66	30	-
Groups	Consumer and Family Member Employment	600	4,736	4,510
	Education Capacity	63	106	111
	Mini Grants	-	10,858	7,416
	Retention	-	5,293	7,616
	All Programs	**2,629**	**23,809**	**22,713**

Expenditures between 2014-15 and 2017-18 were as follows:

State Administered WET Program	State WET Funding (2014-15 through 2017-18)
Stipends	$31,426,699
Loan Assumption	$41,500,000
Education Capacity	$16,634,556
Consumer and Family Member	$12,368,924
Regional Partnership	$9,000,000
Recruitment and Retention	$4,344,090
Evaluation	$900,000
TOTAL	**$116,174,269**

According to OSHPD, the stipend and loan repayment programs were most effective in retaining individuals within the PMHS. Of those who graduated and completed their service commitments, 91 percent continued working in the PMHS. Counties and community-based organizations also reported that the WET program was effective in increasing the PMHS workforce and increasing PMHS workforce diversity and cultural and linguistic competency.

Although the second five-year plan is scheduled to expire in 2019, the funding for the plan was previously only approved until July 1, 2018. The 2018 Budget Act included expenditure authority from the Mental Health Services Fund State Administration Account of $10 million in 2018-19 to allow existing WET programs to continue to allow time for OSHPD and stakeholders to work together on options for funding and implementing a new five-year plan for the WET program.

WET Program Five-Year Plan 2020-2025. In February 2019, OSHPD released the third five year WET plan covering the period from 2020-2025. After engaging with stakeholders, the report is meant to guide efforts to improve and expand the public mental health system (PMHS) workforce throughout

California. Unlike the previous two plans, there was no funding associated with this plan, which OSHPD designed to be programmatically flexible based on the level of funding provided. The plan sets out the following goals and objectives:

Goals

1. Increase the number of diverse, competent licensed and non-licensed professionals in the PMHS to address the needs of persons with serious mental illness.
2. Expand the capacity of California's current public mental health workforce to meet California's diverse and dynamic needs.
3. Facilitate a robust statewide, regional, and local infrastructure to develop the public mental health workforce.
4. Offer greater access to care at a lower level of intensity that enables consumers to maintain and maximize their overall well-being.
5. Support delivery of PMHS services for consumers within an integrated health system that encompasses physical health and substance use services.

Objectives

1. Expand awareness and outreach efforts to effectively recruit racially, ethnically, and culturally diverse individuals into the PMHS workforce.
2. Identify and enhance curricula to train students at all levels in competencies that align with the full spectrum of California's diverse and dynamic PMHS needs.
3. Develop career pathways for individuals entering and advancing across new and existing PMHS professions.
4. Expand the capacity of postsecondary education to meet the identified PMHS workforce needs.
5. Expand financial incentive programs for the PMHS workforce to equitably meet identified PMHS needs in underrepresented, underserved, unserved, and inappropriately served communities.
6. Expand education and training programs for the current PMHS workforce in competencies that align with the full spectrum of PMHS needs.
7. Increase the retention of PMHS workforce identified as high priority.
8. Evaluate methods to expand and enhance the quality of existing PMHS delivery systems to meet California's PMHS needs.
9. Develop and sustain new and existing collaborations and partnerships to strengthen recruitment, training, education, and retention of the PMHS workforce.
10. Explore stakeholder-identified policies that aim to further California's efforts to meet its PMHS needs.
11. Provide flexibility to allow local jurisdictions to meet their unique needs.
12. Standardize PMHS workforce education and training programs across the state.
13. Promote care that reduces demand for high-intensity PMHS services and workforce.

OSHPD requests expenditure authority from the Mental Health Services Fund of $100 million in 2019-20, available for encumbrance and expenditure until June 30, 2026, to support the 2020-2025 Workforce Education and Training (WET) Program Five Year Plan. OSHPD would directly administer programs that support systems including efforts to increase the psychiatry training of practitioners working outside

the PMHS, expand residency programs, support peer personnel within the PMHS, and conduct research and evaluation of the WET programs. The funding requested in this proposal would increase the PMHS workforce in areas with a shortage of qualified mental health personnel to meet the needs of California's diverse population. OSHPD indicates it will continue engaging with Regional Partnerships and other key stakeholders in 2019-20 and will phase implementation of new WET programs between 2020-21 and 2024-25. OSHPD intends to develop and use a county-level needs assessment to determine local behavioral health workforce needs and funding allocations.

OSHPD also requests the following budget bill language to support this request:

4140-101-3085—For local assistance, Office of Statewide Health Planning and Development, payable from the Mental Health Services Fund……..100,000,000

Schedule:
(1) 3835-Health Care Workforce ……100,000,000

Provisions:
1. Of the funds appropriated in Schedule (1), $100,000,000 is available to implement the 2020-2025 Workforce Education and Training (WET) Five-Year Plan to address workforce shortages in the state's public mental health system. This amount is available for encumbrance or expenditure until June 30, 2026.
2. The Department of Finance may authorize the transfer of expenditure authority specified in Provision 1 of Item 4140-001-3085 to administer the Workforce Education and Training (WET) Program. Any amounts transferred shall be available for encumbrance or expenditure until June 30, 2026.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

2. Specifically, please describe the types of mental health providers that would receive support under the new five-year WET plan, and what types of support these providers would receive.

3. How does this proposal interact with the Administration's $50 million augmentation for Mental Health workforce development proposed in the January budget? Are there programs or activities that would benefit from both proposals?

4260 DEPARTMENT OF HEALTH CARE SERVICES

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

DOF Issue#: 4260-001-ECP-2019-GB (November 2018 Medi-Cal Estimate)
4260-401-ECP-2019-MR (May 2019 Medi-Cal Estimate)
4260-017-ECP-2019-GB (Medi-Cal Drug Rebate Fund)
4260-409-ECP-2019-GB (Medi-Cal Drug Rebate Fund Reserve)

Medi-Cal Local Assistance Estimate - May Revision Update. The May 2019 Medi-Cal Local Assistance Estimate includes $93.5 billion ($19.7 billion General Fund, $59.8 billion federal funds, and $13.9 billion special funds and reimbursements) for expenditures in 2018-19, and $102.2 billion ($23 billion General Fund, $66 billion federal funds, and $13.1 billion special funds and reimbursements) for expenditures in 2019-20. These figures represent a decrease in estimated General Fund expenditures in the Medi-Cal program of $999.2 million in 2018-19 and an increase of $141.4 million in 2019-20 compared to the Governor's January budget.

Caseload. In 2018-19, the May Revision assumes annual Medi-Cal caseload of 13 million, a decrease of 1.2 percent compared to assumptions in the Governor's January budget. In 2019-20, the May Revision assumes annual Medi-Cal caseload of 13 million, a decrease of 1.6 percent compared to assumptions in the Governor's January budget and an increase of 0.02 percent compared to the revised caseload estimate for 2018-19. The decrease in estimated caseload is primarily due to lower projected enrollment for families on public assistance, medically needy families, and Medi-Cal expansion beneficiaries than estimated in the Governor's January budget. According to DHCS, these caseload reductions are attributable to the growing economy.

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

- Item 4260-101-0001 be increased by $147,985,000 and reimbursements be increased by $30,571,000
- Item 4260-101-0232 be increased by $4,678,000
- Item 4260-101-0233 be increased by $1,336,000
- Item 4260-101-0236 be increased by $769,000
- Item 4260-101-0890 be increased by $666,098,000
- Item 4260-101-3168 be increased by $378,000
- Item 4260-102-0001 be increased by $1,614,000
- Item 4260-102-0890 be decreased by $722,000
- Item 4260-106-0890 be increased by $4,480,000
- Item 4260-113-0001 be decreased by $58,307,000
- Item 4260-113-0890 be increased by $353,036,000
- Item 4260-117-0001 be increased by $171,000
- Item 4260-117-0890 be increased by $592,000

Medi-Cal Local Assistance Funding Summary 2018-19 Comparison to January Budget			
Fiscal Year:	**2018-19**	**2018-19**	**Jan-May**
Benefits			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$19,695,653,000	$18,769,164,000	($926,489,000)
Federal Funds	$58,756,149,000	$55,893,565,000	($2,862,584,000)
Special Funds/Reimbursements	$15,079,839,000	$ 13,922,060,000	($1,157,779,000)
Total Expenditures	**$93,531,641,000**	**$88,584,789,000**	**($4,946,852,000)**
County Administration			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$808,388,000	$745,050,000	($63,338,000)
Federal Funds	$3,793,253,000	$3,778,741,000	($14,512,000)
Special Funds and Reimbursements	$4,997,000	$5,730,000	$733,000
Total Expenditures	**$4,606,638,000**	**$4,529,521,000**	**($77,117,000)**
Fiscal Intermediary			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$175,298,000	$165,950,000	($9,348,000)
Federal Funds	$192,408,000	$176,531,000	($15,877,000)
Special Funds and Reimbursements	$-	$-	$-
Total Expenditures	**$367,706,000**	**$342,481,000**	**($25,225,000)**
TOTAL MEDI-CAL EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$20,679,339,000	$19,680,164,000	($999,175,000)
Federal Funds	$62,741,810,000	$59,848,837,000	($2,892,973,000)
Special Funds and Reimbursements	$15,084,836,000	$13,927,790,000	($1,157,046,000)
Total Expenditures	**$98,505,985,000**	**$93,456,791,000**	**($5,049,194,000)**

Medi-Cal Local Assistance Funding Summary 2019-20 Comparison to January Budget			
Fiscal Year:	**2019-20**	**2019-20**	**Jan-May**
Benefits			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$21,851,207,000	$21,999,336,000	$148,129,000
Federal Funds	$61,717,409,000	$62,075,956,000	$358,547,000
Special Funds/Reimbursements	$12,458,842,000	$13,143,233,000	$684,391,000
Total Expenditures	**$96,027,458,000**	**$97,218,525,000**	**$1,191,067,000**
County Administration			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$906,788,000	$898,502,000	($8,286,000)
Federal Funds	$3,410,136,000	$3,708,866,000	$298,730,000
Special Funds and Reimbursements	$4,589,000	$5,961,000	$1,372,000
Total Expenditures	**$4,321,513,000**	**$4,613,329,000**	**$291,816,000**
Fiscal Intermediary			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$119,024,000	$120,568,000	$1,544,000
Federal Funds	$231,883,000	$236,453,000	$4,570,000
Special Funds and Reimbursements	$-	$-	$-
Total Expenditures	**$350,907,000**	**$357,021,000**	**$6,114,000**
TOTAL MEDI-CAL EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$22,877,019,000	$23,018,406,000	$141,387,000
Federal Funds	$65,359,428,000	$66,021,275,000	$661,847,000
Special Funds and Reimbursements	$12,463,431,000	$13,149,194,000	$685,763,000
Total Expenditures	**$100,699,878,000**	**$102,188,875,000**	**$1,488,997,000**

Significant General Fund Changes. The May 2019 Medi-Cal Local Assistance Estimate includes the following significant General Fund changes:

Medi-Cal Unanticipated 2018-19 Savings — The May Revision estimates Medi‑Cal 2018-19 General Fund savings has increased by $999.2 million compared to the Governor's January budget, from $2.3 billion to $3.3 billion. According to the Administration, this significant net increase is primarily attributable to the following factors:

- Timing of Federal Repayments ($650.2 million additional) – Changes in the timing of federal repayments resulted in net General Fund savings in 2018-19. In particular, $479.6 million had

previously been scheduled to be repaid for federal repayment of Title XXI funds in 2018-19, but due to ongoing negotiations with the federal government, this repayment is being moved to a new stand-alone budget item with provisional language allowing augmentation by the Department of Finance if federal funds must be repaid. $170.6 million additional savings is related to adjustments in deferred claims.

- Prescription Drug Rebates ($118.2 million additional savings) – Savings from federal and state supplemental drug rebates, as well as for drugs purchased in Medi-Cal managed care were revised higher based on updated utilization.

Proposition 56 Investments — The May Revision includes approximately $263 million in additional Proposition 56 revenues due to a one-time fund reconciliation. These one-time funds are allocated as follows:

- $120 million additional one-time funding for the physician and dentist loan repayment program.
- $70 million additional one-time funding for the Value-Based Payments program, specifically focused on behavioral health integration.
- $25 million in 2019-20 ($60 million over three years) to train providers to conduct trauma screenings for children and adults in Medi-Cal.
- $11.3 million to restore optician and optical lab services for adult beneficiaries of the Medi-Cal program, effective no sooner than January 1, 2020.

Due to lower projections of General Fund revenue in later years, the Administration is proposing to sunset all Proposition 56 investments on December 31, 2021. These investments include the existing supplemental payment programs for physicians, dentists, women's health, intermediate care facilities for individuals with developmental disabilities, HIV/AIDS Waiver providers, home health, pediatric day health centers, free-standing subacute pediatric facilities, and community based adult services providers.

Full-Scope Medi-Cal Expansion for Undocumented Young Adults – The May Revision includes reduced costs to expand full-scope Medi-Cal for undocumented young adults of $161.6 million ($121.9 million General Fund and $39.7 million federal funds) due to changing the implementation date from July 1, 2019, to January 1, 2020.

Medi-Cal Drug Rebate Fund Reserve –The May Revision includes a $172 million reserve in the Medi-Cal Drug Rebate Fund. DHCS intends to increase the reserve in this fund when savings exceed initial drug rebate estimates. When savings fall short of initial estimates, the reserve will be accessed to reduce the impact on the General Fund.

Medi-Cal County Administration—The May Revision includes $2.1 billion ($729 million General Fund) in 2019-20 for county eligibility determination activities, an increase of $15.3 million total funds compared with the January budget, based on higher projected growth in the California Consumer Price Index (3.39 percent compared with 2.63 percent in the January budget), which results in a higher cost-of-doing business adjustment.

Non-Whole Person Care Counties – The May Revision includes expenditure authority from the Mental Health Services Fund of $20 million in 2019-20, available for five years, for counties not currently operating Whole Person Care pilots. According to DHCS, additional counties would be able to utilize

this funding to develop and implement essential programs focused on coordinating health, behavioral health, and critical social services, such as housing.

Subcommittee Staff Comment and Recommendation—Hold Open.

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 2019 Medi-Cal Estimate.

2. Please provide a brief overview of the factors leading to the significant increase in 2018-19 savings.

Issue 2: Family Health Estimate – May Revision Update

DOF Issue#: 4260-002-ECP-2019-GB (November 2018 Family Health Estimate)
4260-402-ECP-2019-MR (May 2019 Family Health Estimate)

Family Health Local Assistance Funding Summary 2018-19 Comparison to January Budget			
Fiscal Year:	**2018-19**	**2018-19**	**Jan-May**
California Children's Services (CCS)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$78,356,000	$80,928,000	$2,572,000
Special Funds/Reimbursements	$5,453,000	$5,453,000	$-
County Funds [non-add]	[$84,124,000]	[$86,494,000]	[$2,370,000]
Total CCS Expenditures	**$83,809,000**	**$86,381,000**	**$2,572,000**
Child Health and Disability Prevention (CHDP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$3,000	$3,000	$-
Total CHDP Expenditures	**$3,000**	**$3,000**	**$-**
Genetically Handicapped Persons Program (GHPP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$112,315,000	$112,319,000	$4,000
Special Funds and Reimbursements	$11,462,000	$11,463,000	$1,000
Total GHPP Expenditures	**$123,777,000**	**$123,782,000**	**$5,000**
Every Woman Counts Program (EWC)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$16,105,000	$12,276,000	($3,829,000)
Federal Funds	$5,128,000	$5,128,000	$-
Special Funds and Reimbursements	$22,504,000	$22,504,000	$-
Total EWC Expenditures	**$43,737,000**	**$39,908,000**	**($3,829,000)**
TOTAL FAMILY HEALTH EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$206,779,000	$205,526,000	($1,253,000)
Federal Funds	$5,128,000	$5,128,000	$-
Special Funds and Reimbursements	$39,419,000	$39,420,000	$1,000
County Funds [non-add]	[$84,124,000]	[$86,494,000]	[$2,370,000]
Total Family Health Expenditures	**$251,326,000**	**$250,074,000**	**($1,252,000)**

Family Health Local Assistance Funding Summary 2019-20 Comparison to January Budget			
Fiscal Year:	**2019-20**	**2019-20**	**Jan-May**
California Children's Services (CCS)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$80,318,000	$81,148,000	$830,000
Special Funds/Reimbursements	$5,453,000	$5,453,000	$-
County Funds [non-add]	[$86,088,000]	[$86,761,000]	[$673,000]
Total CCS Expenditures	**$85,771,000**	**$86,601,000**	**$830,000**
Child Health and Disability Prevention (CHDP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$-	$-	$-
Total CHDP Expenditures	**$-**	**$-**	**$-**
Genetically Handicapped Persons Program (GHPP)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$118,146,000	$114,323,000	($3,823,000)
Special Funds and Reimbursements	$8,762,000	$11,211,000	$2,449,000
Total GHPP Expenditures	**$126,908,000**	**$125,534,000**	**($1,374,0000**
Every Woman Counts Program (EWC)			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$16,737,000	$12,913,000	($3,824,000)
Federal Funds	$5,128,000	$5,128,000	$-
Special Funds and Reimbursements	$22,504,000	$22,504,000	$-
Total EWC Expenditures	**$44,369,000**	**$40,545,000**	**($3,824,000)**
TOTAL FAMILY HEALTH EXPENDITURES			
Fund Source	***January Budget***	***May Revision***	***Change***
General Fund	$215,201,000	$208,834,000	($6,817,000)
Federal Funds	$5,128,000	$5,128,000	$-
Special Funds and Reimbursements	$36,719,000	$38,718,000	$1,999,000
County Funds [non-add]	[$86,088,000]	[$86,761,000]	[$673,000]
Total Family Health Expenditures	**$257,048,000**	**$252,680,000**	**($4,368,000)**

Family Health Estimate – May Revision Update. The May 2019 Family Health Local Assistance Estimate includes $250 million ($205.5 million General Fund, $5.1 million federal funds, and $39.4 million special funds and reimbursements) for expenditures in 2018-19, and $252.7 million ($208.8 million General Fund, $5.1 million federal funds, and $38.7 million special funds and reimbursements) for expenditures in 2019-20. These figures represent a decrease in estimated General Fund expenditures in Family Health programs of $1.3 million in 2018-19 and $6.8 million in 2019-20 compared to the

January budget. These changes are primarily attributed to changes in caseload and other miscellaneous adjustments.

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 172,690 in 2018-19, a decrease of 3,901 or 2.2 percent, compared to the January budget. The May Revision estimates Medi-Cal CCS caseload of 173,716 in 2019-20, a decrease of 4,655 or 2.6 percent, compared to the Governor's January budget, and an increase of 1,026 or 0.6 percent, compared to the revised 2018-19 estimate.
  State-Only: The May Revision estimates state-only CCS caseload of 14,631 in 2018-19, a decrease of 500 or 3.3 percent, compared to the January budget. The May Revision estimates state-only CCS caseload of 14,639 in 2019-20, a decrease of 492 or 3.3 percent, compared to the January budget, and an increase of 8 or 0.05 percent, compared to the revised 2018-19 estimate.
- **Child Health and Disability Prevention (CHDP) Caseload Estimate**
  The May Revision estimates state-only CHDP caseload of 22 in 2018-19, unchanged compared to the January budget. The May Revision estimates state-only CHDP caseload of zero in 2019-20, a decrease of 22 or 100 percent compared to the January budget, and a decrease of 22 or 100 percent, compared to the revised 2018-19 estimate. According to DHCS, the significantly low caseload is 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 783 in 2018-19, an increase of 62 or 8.6 percent, compared to the January budget. The May Revision estimates state-only GHPP caseload of 785 in 2019-20, an increase of 2 or 0.3 percent, compared to the January budget, and an increase of 2 or 0.3 percent, compared to the revised 2018-19 estimate.
- **Every Woman Counts (EWC) Program Caseload Estimate**
  The May Revision estimates EWC caseload of 26,963 in 2018-19, a decrease of 543 or 2.1 percent compared to the January budget. The May Revision estimates EWC caseload of 26,963 in 2019-20, unchanged compared to the January budget, and unchanged compared to the revised 2018-19 estimate.

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

- Item 4260-111-0001 be decreased by $2,993,000 and reimbursements be increased by $1,000
- Item 4260-114-0001 be decreased by $3,824,000

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of the caseload and expenditure changes in the May 2019 Family Health Estimate.

Issue 3: Proposition 56 Investments

DOF Issue#: 4260-403-ECP-2019-MR

May Revision Issue. DHCS requests additional Proposition 56 expenditure authority of $261.3 million in 2019-20, derived from a one-time fund reconciliation. If approved, these resources would allow DHCS to make additional investments in the Physicians and Dentists Loan Repayment Program, the Value-Based Payments Program, training providers to conduct trauma screenings, and restoration of optician and optical lab services in Medi-Cal.

Background. Proposition 56, approved by voters in 2016, increased the excise tax rate on cigarettes by $2 per pack, with an equivalent increase on other tobacco products, including electronic cigarettes, to provide funding for various public health and tobacco-related law enforcement programs.

After allocations for administration, auditing, and backfills of other revenue streams, Proposition 56 requires 82 percent of remaining funds be transferred to the Healthcare Treatment Fund to increase funding for existing healthcare programs and services by providing improved payments for all healthcare, treatment, and services in the Medi-Cal program. Proposition 56 also provides that "funds shall not be used to supplant existing state general funds for these same purposes", "the funding shall be used only for care provided by health care professionals, clinics, health facilities" and "health plans contracting with the State Department of Health Care Services to provide health benefits".

The May Revision includes $2.1 billion ($712.5 million Proposition 56 and $1.4 billion federal funds) in 2018-19 and $2.2 billion ($769.5 million Proposition 56 and $1.4 billion federal funds) in 2019-20 for supplemental provider payments in Medi-Cal. The supplemental payments by category are as follows:

Category	2018-19	2019-20	Category	2018-19	2019-20
Physician Services			***PDHCs***		
Total Fund	$1,311,240	$1,399,061	Total Fund	$14,246	$14,246
Proposition 56	$411,555	$458,077	Proposition 56	$6,812	$6,880
Federal Funds	$899,685	$940,984	Federal Funds	$7,434	$7,366
Dental Services			***Ped Subacute***		
Total Fund	$490,117	$518,325	Total Fund	$7,333	$1,811
Proposition 56	$177,597	$195,710	Proposition 56	$3,521	$883
Federal Funds	$312,520	$322,615	Federal Funds	$3,812	$927
Women's Health			***CBAS***		
Total Fund	$188,282	$143,325	Total Fund	$2,000	$-
Proposition 56	$48,372	$43,534	Proposition 56	$3,000	$-
Federal Funds	$139,910	$99,791	Federal Funds	$-	$-
ICF-DDs			***Home Health***		
Total Fund	$29,421	$27,819	Total Fund	$64,834	$64,834
Proposition 56	$13,785	$13,048	Proposition 56	$30,975	$31,211
Federal Funds	$15,636	$14,771	Federal Funds	$33,859	$33,623
AIDS Waiver			***TOTAL***		
Total Fund	$6,800	$6,800	Total Fund	$2,112,273	$2,176,221
Proposition 56	$3,400	$3,400	Proposition 56	$696,017	$752,743
Federal Funds	$3,400	$3,400	Federal Funds	$1,416,256	$1,423,478

Physician and Loan Repayment Program. The 2018 Budget Act included a one-time allocation of $220 million of Proposition 56 tobacco tax revenue for a loan repayment program to increase access to care for Medi-Cal beneficiaries. $190 million was allocated for recent graduate physicians and $30 million was allocated to recent graduate dentists. The funding was made available until June 30, 2025.

DHCS contracted with Physicians for a Healthy California (PHC) to administer the loan repayment program, known as CalHealthCares. Eligible physicians may apply for a loan repayment up to $300,000 in exchange for a five-year service obligation. Eligible dentists may apply for either a loan repayment up to $300,000 in exchange for a five-year services obligation or a practice support grant up to $300,000 in exchange for a ten-year service obligation. All medical and dental specialties are eligible. In this cycle, CalHealthCares expects to award approximately 125 physicians and 20 dentists. All awardees are required to maintain a patient caseload of 30 percent or more Medi-Cal beneficiaries.

Additional Augmentations Funded by Proposition 56. The January budget includes $965 million ($282.5 million Proposition 56 funds and $682.5 million federal funds) in 2019-20 for three augmentations:

- Value-Based Payments Program – The budget includes $360 million ($180 million Proposition 56 funds and $180 million federal funds) to fund a value-based payments program to encourage Medi-Cal managed care providers to meet goals in critical areas such as chronic disease management and behavioral health integration.
- Developmental and Trauma Screening – The budget includes $105 million ($52.5 million Proposition 56 funds and $52.5 million federal funds) to provide early developmental screenings for children and adverse childhood experiences (ACEs) screenings for children and adults in Medi-Cal.
- Family Planning Services – The budget includes $500 million ($50 million Proposition 56 funds and $450 million federal funds) for family planning services in the Medi-Cal program.

May Revision Includes Additional One-Time Augmentations Funded by Proposition 56. According to DHCS, prior year reconciliation of revenues and expenditures derived from Proposition 56 resulted in availability of an additional $261.3 million one-time. DHCS requests additional Proposition 56 expenditure authority of $261.3 million in 2019-20 to support the following one-time investments:

- Physician and Dentists Loan Repayment Program – The May Revision includes $240 million ($120 million Proposition 56 funds and $120 million federal funds) to provide additional awards in the Physicians and Dentists Loan Repayment Program through CalHealthCares.
- Value-Based Payments Program – The May Revision includes an additional $184.2 million ($70 million Proposition 56 funds and $114.2 million federal funds) for the Value-Based Payments Program, specifically focused on behavioral health integration. With this augmentation, the total funding for the program would be $544.2 million ($250 million Proposition 56 funds and $294.2 million federal funds)
- Provider Trauma Screening Training – The May Revision includes $50 million ($25 million Proposition 56 funds and $25 million federal funds) to train providers on delivering trauma screenings in a sensitive and appropriate manner. The January budget proposed funding for trauma screenings for children and adults in Medi-Cal.

- Restoration of Optical Benefit – The budget includes $33.4 million ($11.3 million Proposition 56 funds and $22.1 million federal funds) for restoration of optician and optical lab services authorized in the 2017 Budget Act.

In addition, DHCS indicates that, due to lower General Fund revenues in future years estimated by the Administration, the Proposition 56 investments sunsets on December 31, 2021. According to the Administration, these investments would provide a bridge to the work of the Administration's proposed Healthy California for All Commission, tasked with evaluating options for a single payer health care financing system.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of these proposals.

2. Please describe the rationale for the sunset of Proposition 56 investments in 2021.

3. Given the planned sunset of Proposition 56 investments at the end of 2021, for how long does DHCS intend to seek approval for the next round of supplemental provider payments?

4. Would the additional funding for Value-Based Payments for behavioral health integration include supplemental payments for meeting additional metrics in this area, or would the existing supplemental payments be larger?

Issue 4: Full-Scope Medi-Cal Coverage for Undocumented Young Adults – May Revision Update

DOF Issue#: 4260-015-BCP-2019-GB
4260-407-BCP-2019-MR

May Revision Issue and Trailer Bill Language Proposal. DHCS requests a reduction in expenditure authority of $161.6 million ($121.9 million General Fund and $39.8 million federal funds) in 2019-20 to account for a revision to the implementation date for expansion of full-scope Medi-Cal coverage to undocumented young adults. DHCS also proposes amendments to its January budget trailer bill on redirection of county realignment funding to reflect Yolo County as a County Medical Services Program (CMSP) county, withhold 100 percent of CMSP realignment until its reserves reach a reasonable level, and exempt Sacramento, Placer, Stanislaus, and Santa Barbara Counties from additional redirections.

Background. The January budget proposed to expand full-scope Medi-Cal coverage to approximately 138,000 income-eligible young adults up to age 26, regardless of immigration status, beginning July 1, 2019. DHCS requested expenditure authority of $257.1 million ($194 million General Fund and $63.1 million federal funds) for the expansion of coverage. In addition, DHCS requests two positions and expenditure authority of $624,000 ($237,000 General Fund and $387,000 federal funds) in 2019-20 and $306,000 ($153,000 General Fund and $153,000 federal funds) annually thereafter to allow implementation and make necessary system changes for the expansion of coverage.

AB 85 Redirection of County Realignment. As a result of the expansion of coverage to previously uninsured individuals through the state's Medi-Cal program, county indigent health programs were no longer responsible for providing care for this population. AB 85 (Committee on Budget), Chapter 24, Statutes of 2013, provides for the redirection of health-related 1991 Realignment revenues from counties to offset state General Fund costs to account for this shift in responsibility and health care expenditures for the Medi-Cal expansion population. The redirection of 1991 Realignment funds offsets expenditures in the California Work Opportunity and Responsibility to Kids (CalWORKs) program that were previously funded through the state's General Fund.

AB 85 requires CMSP counties to redirect 60 percent of the realignment funds they would have previously received. That legislation also gave another group of counties the option to redirect 60 percent of realignment funds or base the redirection amount on a formula that takes into account a county's cost and revenue experience. Five counties chose the 60 percent redirection: Yolo, Placer, Sacramento, Stanislaus, and Santa Barbara. Counties with public hospitals, except Los Angeles, base redirection amounts on the cost and revenue formula. Los Angeles County adheres to a county-specific formula.

January Budget Included Additional Redirection of County Realignment Funding. The cost of the Governor's proposal to expand full-scope Medi-Cal to undocumented young adults would be partially offset by redirecting additional county realignment funding for indigent health care to the state. In the January budget, DHCS proposed increasing the percent of realignment funds redirected from CMSP counties and Yolo, Sacramento, Placer, Stanislaus, and Santa Barbara Counties from 60 percent to 75 percent.

May Revision Adjusts Implementation Date and AB 85 Redirection Amounts. DHCS requests a reduction in expenditure authority of $161.6 million ($121.9 million General Fund and $39.8 million federal funds) in 2019-20 to account for a revision to the implementation date for expansion of full-scope Medi-Cal coverage to undocumented young adults. The January budget proposed implementation on July 1, 2019. The May Revision updates implementation to January 1, 2020.

DHCS also proposes amendments to its January budget trailer bill on redirection of county realignment funding, as follows:

1) Reflect Yolo County as a CMSP county – Since implementation of AB 85, Yolo County has become a CMSP county. DHCS proposes to treat them as a CMSP county in statute to reflect the change.
2) Temporarily Withhold 100 percent of CMSP Realignment – According to DHCS, CMSP currently has significant reserves that could support multiple years of its current expenditures. DHCS proposes to withhold 100 percent of CMSP Realignment funding until its reserves reach two years of total annual expenditures.
3) Sacramento, Placer, Stanislaus, and Santa Barbara Counties – Sacramento, Placer, Stanislaus, and Santa Barbara Counties expressed concerns about the additional redirections, indicating they exceeded the amounts that would be saved on indigent care for the Medi-Cal expansion for undocumented young adults. DHCS proposes to exempt these counties from additional redirection.

According to the Administration, these changes would result in increased General Fund costs of $5.1 million, which would be reflected in the Department of Social Services budget for CalWORKs.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of the May Revision changes to the proposed Medi-Cal expansion for undocumented young adults.

2. Please provide a brief overview of the May Revision changes to the AB 85 realignment

Issue 5: Peer-Run Mental Health Crisis Lines

DOF Issue#: 4260-407-BCP-2019-MR

May Revision Issue. DHCS requests expenditure authority from the Mental Health Services Fund of $3.6 million for three years to create a statewide peer-run mental health crisis line offering information, referrals, emotional support, and non-judgmental peer support to those living with mental illness.

Program Funding Request Summary		
Fund Source	**2019-20**	**2020-21***
3085 – Mental Health Services Fund	$3,600,000	$3,600,000
Total Funding Request:	**$3,600,000**	**$3,600,000**

* Additional fiscal year resources requested: 2021-22: $3,600,000

Background. The subcommittee previously heard a proposal from the Mental Health Association of San Francisco (MHASF) to establish a peer-run warm line for those experiencing a mental health crisis. This proposal was based on a similar warm line operated in San Francisco since 2014. The San Francisco Peer-Run Warm Line is a phone and instant-messaging based service that provides information, referrals, and emotional support to callers. Their mission is to offer accessible, relevant, non-judgmental peers support to anyone who reaches out to them. The line has taken nearly 100,000 calls from California residents seeking a wide variety of care and services.

DHCS requests expenditure authority from the Mental Health Services Fund of $3.6 million for three years to create a statewide peer-run mental health crisis line, based on the line established in San Francisco, to support those living with mental illness. This funding would support phone and instant messaging to callers across California using peer counselors with lived experience of mental health challenges. According to DHCS, the California Peer-Run Warm Line would offer accessible peer support to Californians on a 24 hour basis. These services are expected to decrease unnecessary emergency room visits, avoid public safety involvement and other types of crisis services. DHCS intends to effectuate a contract with the Mental Health Association of San Francisco to implement the California Peer-Run Warm Line.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 6: Non-Whole Person Care Counties

DOF Issue#: 4260-450-ECP-2019-MR

May Revision Issue and Budget Bill Language. DHCS requests expenditure authority from the Mental Health Services Fund of $20 million in 2019-20. If approved, these resources would allow DHCS to provide funding to counties for their development and implementation of programs to focus on coordinating health, behavioral health, and social services such as housing with priority to individuals with mental illness who are also homeless or at risk of becoming homeless. DHCS proposes budget bill language to allow these funds to be available for encumbrance and expenditure until June 30, 2025.

Program Funding Request Summary		
Fund Source	**2019-20***	**2020-21**
3085 – Mental Health Services Fund	$20,000,000	$-
Total Funding Request:	**$20,000,000**	**$-**

* Resources available until June 30, 2025.

Whole Person Care (WPC) Pilots. The WPC Pilots are intended to coordinate health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources. WPC Pilots allow individual public entities or a consortium of public entities to integrate care for a particularly vulnerable group of Medi-Cal beneficiaries who have been identified as high users of multiple systems and continue to have poor health outcomes. WPC Pilot entities will identify target populations, share data between systems, coordinate care in real time, and evaluate individual and population progress. Target populations may include but are not limited to individuals:

i. With repeated incidents of avoidable emergency use, hospital admissions, or nursing facility placement.
ii. With two or more chronic conditions.
iii. With mental health and/or substance use disorders.
iv. Who are currently experiencing homelessness.
v. Individuals who are at risk of homelessness, including individuals who will experience homelessness upon release from institutional settings.

WPC Pilots targeting individuals at risk of or experiencing homelessness can implement housing interventions, such as tenancy-based care management services or county housing pools.

DHCS approved eighteen applications for WPC Pilots from the following entities:

Lead Entity	Estimated Five-year Beneficiary Count	Total Five-Year Budget
Alameda County Health Care Services Agency	20,000	$283,453,400
City of Sacramento	4,386	$64,078,680
Contra Costa Health Services	15,600	$203,958,160
County of Marin, Dept. of Health and Human Services	3,516	$20,000,000
County of Orange Health Care Agency	9,303	$31,066,860
County of San Diego, Health & Human Services Agency	1,049	$43,619,950
County of Santa Cruz, Health Services Agency	625	$20,892,336
County of Sonoma, Dept. of Health Services	3,040	$16,704,136
Kern Medical Center	2,000	$157,346,500
Kings County Human Services Agency	600	$12,848,360
L.A. County Department of Health Services	154,044	$1,260,352,362
Mendocino County Health and Human Services Agency	600	$10,804,720
Monterey County Health Department	500	$34,035,672
Napa County	800	$22,921,433
Placer County Health and Human Services Department	450	$20,126,290
Riverside University Health System - Behavioral Health	38,000	$35,386,995
San Bernardino Co. - Arrowhead Regional Med. Center	2,000	$24,537,000
San Francisco Department of Public Health	16,954	$161,750,000
San Joaquin County Health Care Services Agency	2,255	$18,365,004
San Mateo County Health System	5,000	$165,367,710
Santa Clara Valley Health and Hospital System	10,000	$250,191,859
Small County Whole Person Care Collaborative	287	$10,362,176
Shasta County Health and Human Services Agency	600	$19,403,550
Solano County Health & Social Services	250	$4,667,010
Ventura County Health Care Agency	2,280	$107,759,837

The May Revision includes $515.5 million ($257.7 million intergovernmental transfers and $257.7 million federal funds) in 2018-19 and $970.6 million ($485.3 million intergovernmental transfers and $485.3 million federal funds) in 2019-20 for funding WPC Pilots. The May Revision also continues the one-time General Fund augmentation of $100 million in the January budget to provide funding for supportive housing services for individuals who are homeless or are at risk of becoming homeless, with a focus on individuals with mental illness.

DHCS requests expenditure authority from the Mental Health Services Fund of $20 million in 2019-20. If approved, these resources would allow DHCS to provide funding to counties for their development and implementation of programs to focus on coordinating health, behavioral health, and social services such as housing with priority to individuals with mental illness who are also homeless or at risk of becoming homeless. DHCS proposes budget bill language to allow these funds to be available for encumbrance and expenditure until June 30, 2025. These funds would be available for counties that did not implement a WPC pilot, which requires expenditures of county funds. It is unclear whether this proposal would require any contribution from counties for implementation of these programs.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 7: Various Reappropriations

DOF Issue#: 4260-313-BBA-2019-MR

May Revision Issue. DHCS requests various changes to reappropriation language for the following purposes:

1) $7.4 million from Item 4260-001-0001, 2018 Budget Act, for turnover and takeover of the Medi-Cal fiscal intermediary legacy contract. (This reappropriation is related *to Issue 9: CA-MMIS Oversight to Ownership and Modernization Projects*)
2) $808,000 from Item 4260-001-0001, 2018 Budget Act, for continued planning costs for the Comprehensive Behavioral Health Data Systems. (This reappropriation was heard as an April Finance Letter, "*Reappropriation: Behavioral Health Modernization Resources*" during the subcommittee's April 25th hearing).
3) Remaining expenditure authority from the initial allocation of $220 million Proposition 56 funds in the 2018 Budget Act for the Medi-Cal Physician and Loan Repayment Program. These funds would be available for encumbrance or expenditure until June 30, 2029.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 8: Medi-Cal Eligibility Systems Staffing

DOF Issue#: 4260-400-BCP-2019-MR

May Revision Issue. DHCS requests conversion of 13 limited-term resources to permanent, a two-year extension of resources equivalent to seven positions, and expenditure authority of $3 million ($910,000 General Fund and $2.1 million federal funds) in 2019-20 and 2020-21, and $1.8 million ($626,000 General Fund and $1.2 million federal funds) annually thereafter. If approved, these positions and resources would allow DHCS to oversee, govern, support, and implement the new and continuing policy-driven and infrastructure stabilization initiatives of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS).

Program Funding Request Summary		
Fund Source	**2019-20**	**2020-21***
0001 – General Fund	$910,000	$910,000
0890 – Federal Trust Fund	$2,058,000	$2,058,000
Total Funding Request:	**$2,968,000**	**$2,968,000**
Total Positions Requested:**	**13.0**	**13.0**

***** Additional fiscal year resources requested – 2021-22 and ongoing: $1,838,000.
** Positions ongoing.

Background. Under the federal Affordable Care Act, states were required to either create a state-based insurance exchange or use the federal exchange and for such exchanges to be operational by January 1, 2014. Additionally, expansions of Medicaid to childless adults up to 138 percent of the federal poverty level were required to be implemented by January 1, 2014. Covered California, California's health benefits exchange, went live on October 1, 2013.

The 2012 Budget Act included 12 two-year limited-term positions to support the planning, design, development, implementation, and ongoing maintenance of the Medi-Cal eligibility and enrollment system changes and integration with CalHEERS and county eligibility consortia systems. The 2014 Budget Act extended these positions for another two years due to delays in federal regulations, policy guidance and state policy decisions, which caused significant scope and functionality delays in system delivery timelines. The ongoing workload included continued system integration by the Enterprise Innovation and Technology Services (EITS) division and continued development on legislation. State Plan Amendments (SPAs), policy guidance for counties, incorporation of the Modified Adjusted Gross Income (MAGI) Medicaid and Children's Health Insurance Program (CHIP) eligibility rules into CalHEERS, and coordination of insurance affordability program transitions with Covered California.

AB1 X1 (Perez), Chapter 3, Statutes of 2013, First Extraordinary Session, authorized DHCS to implement Medicaid provisions of the ACA, including: 1) implementation of the new "adult group" in California, 2) transition of the Low Income Health Program (LIHP) beneficiaries to Medi-Cal, 3) use of the MAGI methodology, 4) simplifications to the annual renewal and change in circumstances processes for Medi-Cal beneficiaries, 5) use of electronic verifications of eligibility criteria at initial application, and 6) redeterminations of eligibility and performance standards for DHCS, Covered CA, and the Statewide Automated Welfare Systems (SAWS). DHCS received an additional eight two-year limited-

term positions to handle this additional workload. The 2016 Budget Act extended all 20 positions for three years.

DHCS requests conversion of 13 limited-term resources to permanent, a two-year extension of resources equivalent to seven positions, and expenditure authority of $3 million ($910,000 General Fund and $2.1 million federal funds) in 2019-20 and 2020-21, and $1.8 million ($626,000 General Fund and $1.2 million federal funds) annually thereafter to allow DHCS to oversee, govern, support, and implement the new and continuing policy-driven and infrastructure stabilization initiatives of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS). DHCS reports the 20 limited-term positions previously approved by the Legislature are set to expire on June 30, 2019. According to DHCS, the requested positions and resources would support the following staff:

Managed Care Eligibility Division – Seven positions

- **One Staff Services Manager I, two Health Program Specialist II** positions, and **four Associate Governmental Program Analysts** would continue responsibilities directing CalHEERS related changes in eligibility and enrollment, providing oversight and governance of system gaps in CalHEERS, providing timely policy guidance to lessen administrative burdens on counties and consumers, and participate as policy subject matter experts and program decision makers of system components and strategies.

Enterprise Innovation and Technology Services Division – 13 positions (seven limited-term)

- **One Information Technology Manager I** and **one Information Technology Supervisor II** position would continue managing contracted vendor relationships and serve as the DHCS project management and oversight liaison with the various internal and external stakeholders participating in the modifications to MEDS related to the expanded business rules for eligibility, enrollment, and integration with CalHEERS and SAWS.
- **Seven Information Technology Specialist I** positions would continue to adopt the iterative Agile methodology to implement MEDS and CalHEERS changes by working closely with program staff, developing user stories, and test scripts to satisfy validating requirements are traceable between user stories and test results. These positions would also serve in lead capacity as a technical resource to analyze issues from a business perspective with technology in mind.
- **One Information Technology Specialist I** position would coordinate with DHCS and CalHEERS teams by preparing test cases, reviewing test scenarios, and executing test scripts aligned to functional and non-functional requirements.
- **One Information Technology Specialist II** position would perform ongoing architectural oversight, assessment, and guidance associated with the development and maintenance of new and existing services, system infrastructure, and interfaces between DHCS Medi-Cal eligibility and enrollment systems, SAWS, and CalHEERS. In addition, this position would lead architecture assurance to maintain compliance and alignment to Agency, state, and federal policies and initiatives, such as the CHHS Information Strategic Plan, California Enterprise Architecture Framework - Version 2.0, and the MITA 3.0 framework.
- **One Information Technology Specialist II** position would serve as the DHCS security subject matter expert for CalHEERS in performing risk analysis and consultation during changes to business process flow, software, services, usage of personal information, information technology

infrastructure, hosting location, security monitoring, and interfaces to systems such as the federal data services hub, MEDS, and SAWS systems.

- **One Information Technology Specialist II** position would provide database services including maintenance and support of existing and future database solutions and configurations essential to MEDS and production and ongoing enhancement of Database 2 Database Management Systems and other MEDS related subsystems such as Children's Medical System and Hospital Presumptive Eligibility.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 9: CA-MMIS Oversight to Ownership and Modernization Projects

DOF Issue#: 4260-400-BCP-2019-MR

May Revision Issue. DHCS requests 11 positions and expenditure authority of $49.7 million ($15.3 million General Fund and $34.4 million federal funds) in 2019-20 and $1.7 million ($614,000 General Fund and $1.1 million federal funds) annually thereafter. If approved, these resources would allow DHCS to fund transitional efforts for turnover and takeover of the fiscal intermediary, continuation of the oversight to ownership strategy, and 3) continuation of procurements for design, development, and implementation of systems modules. Included in the request for 2019-20 is a reappropriation of $22.9 million ($7.4 million General Fund and $15.5 million federal funds) for this purpose (see *Issue 7: Various Reappropriations*)

Program Funding Request Summary		
Fund Source	**2019-20**	**2020-21***
0001 – General Fund	$15,270,000	$614,000
0890 – Federal Trust Fund	$34,401,000	$1,058,000
Total Funding Request:	**$49,671,000**	**$1,672,000**
Total Positions Requested:**	**11.0**	**11.0**

***** Positions and resources ongoing after 2020-21.

Background. DHCS currently contracts with a fiscal intermediary (FI) to operate the California Medicaid Management Information System (CA-MMIS) and is solely charged with the oversight, management, monitoring, and administration of the contract and the services provided by the FI. The services include adjudicating both Medi-Cal and non-Medi-Cal claims, as well as other services to program providers, beneficiaries, and federal and state users of the system. In 2010, DHCS contracted with a vendor to provide Information Technology Maintenance and Operations (IT M&O), Business Operations as well as the design, development and implementation (DDI) of a new replacement system. As a result of various challenges experienced by the vendor, a settlement agreement was approved in 2015 by DHCS and the vendor which included, but was not limited to, the FI transferring the DDI requirements of the contract to DHCS while maintaining the IT M&O and Business Operations activities through the end of operations for the current vendor in September 2019, and through the run out of the contract and associated stabilization period through March 31, 2020. DHCS began a procurement process to establish new contracts for: 1) IT M&O; and 2) Business Operations, prior to the September 2019 end date.

The 2017 Budget Act included seven positions for DHCS to begin modernization efforts and adopt a user-centered, iterative, modular approach to the DDI of systems modules, as well as the conversion of 21 limited-term positions to permanent positions and funding for personal services to support and oversee the ongoing maintenance and operation of the legacy system. CA-MMIS completed a statement of work, received federal approval for a Federal Draw and Reporting (FDR) Digital Services developer team, and completed the MedCompass Project.

The 2018 Budget Act included 17 additional positions in 2018-19, eight additional positions in 2019-20, and two limited-term positions for the Enterprise Innovation and Technology Services (EITS) Division, corresponding expenditure authority, and $14.7 million in Modernization contract authority.

DHCS requests 11 positions and expenditure authority of $49.7 million ($15.3 million General Fund and $34.4 million federal funds) in 2019-20 and $1.7 million ($614,000 General Fund and $1.1 million federal funds) annually thereafter to allow DHCS to fund transitional efforts for turnover and takeover of the fiscal intermediary, continuation of the oversight to ownership strategy, and 3) continuation of procurements for design, development, and implementation of systems modules.

Specifically, these resources would support the following positions and contract vendors:

Turnover and Takeover Strategy - $25 million contract

- Upon final approval of the terms of the new FI contract, DHCS is obligated to request authority to cover the remaining Turnover and Takeover costs. These costs include payments to both the current FI and the two new FIs. With the approval of the FI Business Operations contract in February 2019, DHCS indicates costs for the Turnover and Takeover contract are $25 million. This amount represents the anticipated need for the new FI who will be taking over the Business Operations responsibilities.

Oversight to Ownership Strategy – Nine positions

- **One Information Technology Associate** would support new Ownership responsibilities associated with aid code creation and updates for the federally mandated eligibility subsystem, including presumptive eligibility and all associated funding reports, resolution of system updates and issues, and invoices within the eligibility unit.
- **One Information Technology Associate** would support new Ownership responsibilities associated with updates and enhancements to the federally mandated Medi-Cal Pharmacy and Rebate Systems, resolution of system updates and issues, and invoices within the Pharmacy/Medical Supply Unit.
- **One Information Technology Associate** would support new Ownership responsibilities associated with updates and enhancements to eligibility and recipient subsystems including other intermediaries, CALPOS (PCS), Medi-Cal website, Automated Eligibility Verification System (AEVS), which manages telephone and internet eligibility transactions and responses, resolution of system updates and issues, and invoices.
- **One Associate Governmental Program Analyst** would research, analyze and evaluate program data, current procedures and processes; generate data-based reports and basic Operating Instruction Letters (OILs); review claims detail reports, error codes and edits criteria to resolve claims adjudication issues; research and generate statistical reports providing oversight of FI vendor performance, research policy development, and identify probable sources of, and solutions to, provider billing issues.
- **One Associate Governmental Program Analyst** would monitor contractor management of, and activities in, the area of provider representative trainings and onsite visits to ensure the contractor meets and maintains contractual requirements, direct, coordinate, review, and monitor FI contractor management of, and activities in, the area of claims billing and systems training development, delivery and training coordination for state employees, programs and stakeholder entities. Evaluate contractor performance and recommend corrective action plans when necessary; follow up and monitors to ensure compliance.

- **One Associate Governmental Program Analyst** would perform research, analysis and other support functions related to the contracts, inter-agency agreements, and acquisition and bid documents.
- **One Medical Consultant II** position would provide technical oversight and act as professional staff lead on large and high profile policy updates and multi-disciplinary projects; review state and vendor professional staff competency and performance. Division liaison to program medical professionals and policy owners. Provide direction, oversight and review of multi-vendor collaboration of policy research, development, review, and updates including accurate claims adjudication, system integrity and quality management. Direct CA-MMIS and FI staff in the analysis and identification of data implementation anomalies and errors that affect the integrity and efficiency of CA-MMIS to accurately interpret and implement medical policy in claims adjudication.
- **One Nurse Consultant III** position would serve as a key branch liaison between DHCS' Benefits Division, program partners, FI Business Operations, and FI Maintenance and Operations Systems Group to develop, communicate and clarify new and updated medical policy changes and system implementation in pre-defined areas of medical specialty. Analyze and identify data and implementation anomalies and errors that affect the integrity and efficiency of CA-MMIS to accurately apply medical policy in claims adjudication.
- **One Staff Services Manager II** position would direct the establishment and management of the Financial Analysis, Integrity, and Reporting (FAIR) Section, plan, organize and direct the activities of the Financial Integrity and Compliance Unit, all divisional financial reporting, and enhanced, automated fiscal systems and controls for tracking the increased level of contract expenses.

Modernization Approach – Two positions

- **Two Information Technology Specialist II** positions would develop and operate cloud-based environments, platforms, and developer tools in support of division-wide modernization development and operations functions.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 10: Substance Use Disorder Emerging Epidemics, Disaster Response, & Licensing Workload

DOF Issue#: 4260-402-BCP-2019-MR

May Revision Issue. DHCS requests seven positions and expenditure authority of $1.2 million ($100,000 General Fund and $1.1 million Residential and Outpatient Program Licensing Fund) in 2019-20 and $1 million Residential and Outpatient Program Licensing Fund annually thereafter. If approved, these resources would allow DHCS to address the increased workload of responding to natural disasters and other emergencies, the opioid epidemic, the resurgence of methamphetamine abuse, and the rise in the number of substance use disorder treatment facilities. Included in this request is a one-time expense of $100,000 General Fund to migrate the DHCS disaster collection and reporting process into the web-based reporting platform, NC4, through an interagency agreement with DPH.

Program Funding Request Summary		
Fund Source	**2019-20**	**2020-21***
0001 – General Fund	$100,000	$-
3113 – Residential and Outpatient Program Licensing Fund	$1,060,000	$997,000
Total Funding Request:	**$1,160,000**	**$997,000**
Total Positions Requested:	**7.0**	**7.0**

***** Positions and resources ongoing after 2020-21.

Background. DHCS, Licensing and Certification Section (LCS) licenses and certifies all facilities, regardless of their funding source, that provide residential and outpatient alcohol and other drug (AOD) treatment, detoxification, or recovery services to adults. LCS is responsible for processing initial and renewal applications for residential, outpatient, detoxification, adolescent waivers, incidental medical services, and for conducting site visits for each initial and renewal. LCS is also responsible for monitoring compliance with state, federal and local laws, statutes, and regulations by conducting on-site reviews every two years. Lastly, LCS collects fees and fines, and provides technical assistance to facilities. DHCS currently has a total of 1,895 residential and outpatient facilities. This includes 394 residential licensed, 618 residential licensed and AOD certified, and 883 AOD outpatient.

SB 84 (Committee on Budget and Fiscal Review), Chapter 177, Statutes of 2007, requires DHCS to charge fees for licensure and certification of all residential AOD recovery or treatment facilities and for certification of outpatient AOD programs. The Residential and Outpatient Program Licensing Fund collects all fines, fees, and penalties assessed to licensed and certified AOD providers.

DHCS reports it cannot sustain the substantial increase in licensing workload, and other byproducts of health care reform, due to natural disasters, the opioid epidemic, the resurgence of methamphetamine use, and the rise in the number of facilities. Currently, there are backlogs of new applications, applications for the expansion of current facilities, and license and certification renewals. These backlogs delay the expansion of treatment services for new clients and create wait lists at the local level. Inadequate staffing at DHCS also delays the implementation of new government funding and creates risks without proper monitoring at the state level.

DHCS requests seven positions and expenditure authority of $1.2 million ($100,000 General Fund and $1.1 million Residential and Outpatient Program Licensing Fund) in 2019-20 and $1 million Residential

and Outpatient Program Licensing Fund annually thereafter to address the increased licensing workload. Specifically, these resources would support the following positions:

- **One Staff Services Manager II, one Health Program Specialist II,** and **two Associate Governmental Program Analysts** would address the increased workload as a result of the rise in natural disasters, which includes emergency preparedness, disaster response and reporting. With the additional resources, the Counselor and Medication Assisted Treatment Section, which is responsible for compliance activities related to narcotic treatment programs, would form an Emergency Plan Team, which would work with the other sections in developing an extensive emergency response plan for all residential and outpatient programs licensed or certified with DHCS.
- **One Staff Services Manager I** and **two Associate Governmental Program Analysts** would allow LCS to review all licensing and certification components in a timely manner, permit LCS to conduct any follow-up compliance visits for deficiencies of concern, and help reduce the average number of programs in each LCS analysts' caseload, allowing LCS staff to meet mandated requirements and critical deadlines.

Included in this request is a one-time expense of $100,000 General Fund to migrate the DHCS disaster collection and reporting process into the web-based reporting platform, NC4, through an interagency agreement with DPH.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 11: Extension of Health Home Program Funding – May Revision Update

DOF Issue#: Trailer Bill Language Proposal

Trailer Bill Language Proposal. DHCS requests amendments to trailer bill language proposed in the January budget to extend the sunset date for the Health Homes Program to June 30, 2024. According to DHCS, this extension would align with the revised program implementation timeline.

Background. In the January budget, DHCS requested the adoption of trailer bill language to extend the period of availability of funding for implementation of the Health Homes Program from June 30, 2020, to June 30, 2023 to allow DHCS to continue implementation and funding for the Health Homes Program, which began July 1, 2018.

According to DHCS, in an effort to successfully implement the Health Homes Program, DHCS delayed program implementation from 2016 to 2018. The program is currently in the process of being implemented in four waves over six-month intervals. The first phase of implementation began on July 1, 2018 and the last implementation phase is set to begin January 1, 2020. Given the delay in implementation, DHCS proposes to extend the sunset date that governs the program's ability to utilize funds from June 30, 2020 to June 30, 2024. This extension would allow the funds to be available for the duration of the program, in accordance with updated implementation timelines, as well as to facilitate the completion of the evaluation required pursuant to state law.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 12: Managed Care Sanctions

DOF Issue#: Trailer Bill Language Proposal

Trailer Bill Language Proposal. DHCS requests trailer bill language to clarify existing language authorizing the department to impose sanctions on managed care plans, mental health plans, and substance use disorder plans. According to DHCS, these changes would broaden its authority to sanction any entity that contracts with DHCS to deliver health care services, allow DHCS to enter into contracts, and be exempted from the Department of General Services' (DGS) contract approval process, for the purpose of strengthening oversight and the quality of preventive services for children in Medi-Cal.

Background. Existing law authorizes DHCS to impose sanctions, up to and including contract termination, for managed care plans that fail to comply with legal or contractual requirements. However, DHCS indicates it needs authority to hold contractors accountable in a consistent manner across multiple delivery systems for the quality of the health care services that they deliver. This proposed language would increase and standardize amounts of monetary penalties, codify specific violations previously included in state regulations, and apply the sanction authority to any contractor providing health care services. Most of the moneys collected as a result of these statutory changes would be deposited into the General Fund. Additionally, this proposed language would allow DHCS to enter into exclusive or non-exclusive contracts, and be exempt from DGS' contract review or approval process, in order to strengthen oversight and the quality of preventive services for children enrolled in health care programs administered by DHCS.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.

Issue 13: Adult Use of Marijuana Act: Youth Education, Prevention and Treatment Workload

DOF Issue#: 4260-312-BBA-2019-MR

Background. The Adult Use of Marijuana Act (Proposition 64) imposes a 15 percent excise tax on the sale of recreational cannabis products sold in the state of California to be deposited in the California Cannabis Tax Fund. Proposition 64 requires tax proceeds deposited in the fund to be distributed as follows:

1) Costs incurred by state agencies for requirements of Proposition 64.
2) $10 million dollars to universities annually for ten years to research the effect of Proposition 64.
3) $3 million dollars annually for five years to the California Highway Patrol to adopt protocols to determine whether a driver is operating a vehicle while impaired by the use of cannabis or cannabis products.
4) $10 million dollars annually in 2018-19, increasing to $50 million dollars in 2022-23 and annually thereafter for the Governor's Office of Business and Economic Development to administer a community reinvestments grants program.
5) $2 million dollars annually to the University of California San Diego Center for Medicinal Cannabis Research.

After disbursing funds for these purposes, 60 percent of the remaining funds are deposited into the Youth Education, Prevention, Early Intervention and Treatment Account and continuously appropriated to DHCS to enter into interagency agreements with DPH and the California Department of Education (CDE) to implement and administer programs for youth that are designed to educate about and to prevent substance use disorders and to prevent harm from substance use. Proposition 64 requires the programs to emphasize accurate education, effective prevention, early intervention, school retention, and timely treatment services for youth, their families and caregivers.

The May Revision reflects a total Proposition 64 allocation of $119.3 million to DHCS for these programs. According to the Administration, $80.5 million will be transferred to CDE to subsidize up to 9,600 child care slots for school-age children up to 13 years old from income-eligible families. $5.3 million will be transferred to the California Natural Resources Agency to support youth community access grants to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities, for positive programming to discourage substance use. $12 million will transferred to DPH to conduct cannabis surveillance and education activities.

The May Revision also includes Proposition 64 funding of $21.5 million for DHCS to support local programs that emphasize prevention, education and early intervention for youth through a competitive grant program and informed through a stakeholder process.

Subcommittee Staff Comment and Recommendation—Hold Open.

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

1. Please provide a brief overview of this proposal.