

# SUBCOMMITTEE NO. 3

# Agenda

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



**Tuesday, May 15, 2018**  
**1:30 p.m.**  
**State Capitol - Room 2040**

## PART A

Consultant: Scott Ongus

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**VOTE ONLY****0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY****4260 DEPARTMENT OF HEALTH CARE SERVICES****5180 DEPARTMENT OF SOCIAL SERVICES****Issue 1: Medi-Cal Eligibility Data Systems (MEDS) Modernization**

**DOF Issue#:** 0530-001-BCP-2018-GB  
 4260-014-BCP-2018-GB  
 5180-020-BCP-2018-GB

**Budget Issue.** CHHSA's Office of Systems Integration (OSI), DHCS, and DSS request seven positions (four positions for OSI, three positions for DSS) and expenditure authority of \$7.9 million (\$787,000 General Fund, \$6.6 million federal funds, and \$426,000 reimbursements) in 2018-19. If approved, these resources would continue the multi-departmental planning effort to replace the Medi-Cal Eligibility Data System (MEDS). These staffing and other resources would support completion of activities required by the Department of Technology's Project Approval Lifecycle (PAL) Stage Gate requirements.

<b>Program Funding Request Summary (CHHSA-OSI)</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
9745 – CHHS Automation Fund	\$7,350,000	\$-
<b>Total Funding Request:</b>	<b>\$7,350,000</b>	<b>\$-</b>
<b>Total Requested Positions:</b>	<b>4.0</b>	<b>0.0</b>

<b>Program Funding Request Summary (DHCS)</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
0001 – General Fund	\$740,000	\$-
0890 – Federal Trust Fund	\$6,664,000	\$-
<b>Total Funding Request:</b>	<b>\$7,404,000</b>	<b>\$-</b>
<b>Total Requested Positions:</b>	<b>0.0</b>	<b>0.0</b>

<b>Program Funding Request Summary (DSS)</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
0001 – General Fund	\$47,000	\$-
0995 – Reimbursements	\$426,000	\$-
<b>Total Funding Request:</b>	<b>\$473,000</b>	<b>\$-</b>
<b>Total Requested Positions:</b>	<b>3.0</b>	<b>0.0</b>

This issue was heard during the subcommittee's April 19th hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** MEDS serves as the “system of record” to determine eligibility for many of the state’s health and human services programs, including Medi-Cal, CalWORKS, CalFresh, and In-Home Supportive Services. Because MEDS suffers from

functional limitations due to its programming language and age, a multi-year, multi-agency process has been underway to modernize MEDS to address system issues, meet current and future operational needs, and fulfill requirements of state and federal guidance. Approval of these requests, funded by General Fund and federal funds managed by OSI, will allow OSI, DHCS, and DSS to effectively upgrade this vital eligibility system for the state's health and human services programs.

### **Issue 2: Rightsizing Office of Law Enforcement Support**

**DOF Issue#:** 0530-005-BCP-2018-GB

**Budget Issue.** CHHSA's Office of Law Enforcement Support (OLES) requests one new position, reclassification of nine existing positions, and General Fund expenditure authority of \$686,000 in 2018-19 and \$621,000 annually thereafter. If approved, these resources would allow OLES to recruit appropriate staff to provide monitoring and oversight of investigations conducted by the Department of State Hospitals (DSH) and Department of Developmental Services (DDS).

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$686,000	\$621,000
<b>Total Funding Request:</b>	<b>\$686,000</b>	<b>\$621,000</b>
<b>Total Requested Positions**:</b>	<b>1.0</b>	<b>1.0</b>

\* Positions and resources ongoing after 2019-20.

\*\* The position request includes reclassifications of nine existing positions to classifications with higher total compensation.

This issue was heard during the subcommittee's April 19<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The role of OLES as an internal affairs operation, rather than a Peace Officer Standards and Training (POST) organization, as well as the difficulties OLES has experienced in recruiting and retaining qualified Investigators, suggests reclassification of these Investigator positions to Special Agents is necessary and appropriate for long-term stability of the program.

### **4120 EMERGENCY MEDICAL SERVICES AUTHORITY**

#### **Issue 1: Increased Information Technology Security Resources**

**DOF Issue#:** 4120-001-BCP-2018-GB

**Budget Issue.** EMSA requests one permanent position and \$356,000 General Fund in 2018-19 and \$189,000 General Fund in 2019-20 and annually thereafter. If approved, these resources would allow EMSA to provide adequate staffing levels to strengthen the department's information technology (IT) infrastructure and compliance with state IT policy and regulatory requirements.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$356,000	\$189,000
<b>Total Funding Request:</b>	<b>\$356,000</b>	<b>\$189,000</b>
<b>Total Requested Positions:</b>	<b>1.0</b>	<b>1.0</b>

\* Positions and Resources are ongoing after 2019-20.

This issue was heard during the subcommittee's March 22<sup>nd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** An independent security assessment conducted by the Cyber Network Team at the California Military Department identified several deficiencies in EMSA's performance of its IT infrastructure and security responsibilities. These resources are necessary to correct those deficiencies and upgrade necessary IT infrastructure.

## 4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT

### Issue 1: Mental Health Loan Assumption Program Administrative Resources

**DOF Issue#:** 4140-300-BCP-2018-A1

**Spring Finance Letter.** OSHPD requests expenditure authority of \$215,000 from the Mental Health Services Fund in 2018-19 and 2019-20. If approved, these resources would support administrative activities to close out all grants awarded through the Mental Health Loan Assumption Program and ensure compliance with program requirements.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
3085 – Mental Health Services Fund	\$215,000	\$215,000
<b>Total Funding Request:</b>	<b>\$215,000</b>	<b>\$215,000</b>

This issue was heard during the subcommittee's May 3<sup>rd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The ten year Mental Health Services Act Workforce Education and Training (WET) funding allocation will expire at the end of the 2017-18 fiscal year. In addition, OSHPD only has funded staff in its Health Professions Education Foundation to manage the Mental Health Loan Assumption Program (MHLAP) until that time. These resources will allow OSHPD to close out existing awards under the MHLAP as the program funding comes to an end.

## 4150 DEPARTMENT OF MANAGED HEALTH CARE

### Issue 1: Consumer Outreach and Assistance Program Extension

**DOF Issue#:** None – Legislative Proposal

**Consumer Outreach and Assistance Program.** Section 1368.05 of the Health and Safety Code requires DMHC to contract with community-based organizations to assist consumers in navigating private and public health care coverage. Since 2012, DMHC has contracted with the Health Consumer Alliance (HCA) through the Consumer Outreach and Assistance Program (COAP) to advocate for health care consumers confronting barriers to eligibility, coverage, or obtaining services by providing free legal assistance. HCA is a statewide collaborative of consumer assistance programs operated by community-based legal services organizations, including: Bay Area Legal Aid, California Rural Legal Assistance, Central California Legal Services, Greater Bakersfield Legal Assistance, Legal Aid Society of Orange County, Legal Aid Society of San Diego, Legal Aid Society of San Mateo, Legal Services of Northern California, Neighborhood Legal Services of Los Angeles County, the National Health Law Program, and the Western Center on Law and Poverty.

According to HCA, COAP has been funded by \$2.5 million from the Managed Care Fund since 2014. The program receives an explicit allocation through provisional budget language of \$660,000, but HCA reports DMHC provides additional funding through redirection of other allocations within its overall appropriation from the Managed Care Fund. HCA requests an explicit allocation of \$2.6 million from the Managed Care Fund, which includes continued funding of the program at its current level and a cost-of-living adjustment of \$100,000.

This issue was heard during the subcommittee's March 22<sup>nd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Budget Bill Language** to fund the program at \$2.5 million from the Managed Care Fund. The COAP provides essential services to consumers to assist them in navigating the increasing complexities of both private and public health care coverage.

## 4260 DEPARTMENT OF HEALTH CARE SERVICES

### Issue 1: Federal Managed Care Regulations Implementation

**DOF Issue#:** 4260-005-BCP-2018-GB

**Budget Issue.** DHCS requests ongoing extension of nine expiring, limited-term positions and expenditure authority of \$3.1 million (\$1.5 million General Fund, \$1.5 million federal funds). If approved, these resources would allow DHCS to continue efforts to implement the federal Medicaid managed care regulations. Included in the resource request is \$1.3 million (\$650,000 General Fund and \$650,000 federal funds) for the department's contract with an External Quality Review Organization to perform quarterly access assessments.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$1,547,000	\$1,547,000
0890 – Federal Trust Fund	\$1,547,000	\$1,547,000
<b>Total Funding Request:</b>	<b>\$3,094,000</b>	<b>\$3,094,000</b>
<b>Total Requested Positions:</b>	<b>9.0</b>	<b>9.0</b>

\* Positions and Resources ongoing after 2019-20.

This issue was heard during the subcommittee's March 22<sup>nd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The federal Medicaid managed care regulations, as well as recently enacted state legislation codifying and expanding these regulations, requires ongoing resources to monitor compliance and perform quality review evaluations. Extension of these expiring, limited-term resources will allow DHCS to continue these activities.

#### **Issue 2: Discontinuation of 340B Drug Reimbursement**

**DOF Issue#:** TBL: RN 1802014

**Trailer Bill Language.** DHCS requests trailer bill language to restrict the scope of the use of the 340B Program within the Medi-Cal program to comply with existing federal requirements. According to DHCS, these restrictions would help protect program integrity, prevent unnecessary overpayments, result in additional drug rebate savings, as well as serve to mitigate the amount of time and resources expended to resolve drug rebate disputes related to 340B claims.

This issue was heard during the subcommittee's March 22<sup>nd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Deny.** While it is clear that a mechanism should be found to avoid inappropriate duplicate prescription drug rebates, eliminating 340B drugs from the Medi-Cal program would have a significant negative impact on essential safety net providers, putting access to care for beneficiaries at risk. The subcommittee encourages the Administration to continue to work with stakeholders to find a solution to the duplicate rebates problem that mitigates or eliminates these negative impacts.

#### **Issue 3: Drug Medi-Cal and Specialty Mental Health: FQHCs and RHCs (SB 323)**

**DOF Issue#:** 4260-013-BCP-2018-GB

**Budget Issue.** DHCS requests five positions and expenditure authority of \$891,000 (\$446,000 General Fund and \$445,000 federal funds) in 2018-19, and \$3 million (\$1.5 million General Fund and \$1.5 million federal funds) in 2019-20, \$3.2 million (\$1.6 million General Fund and \$1.6 million federal funds) in 2020-21, \$1.2 million (\$581,000 General Fund and \$580,000 federal funds) in 2021-22, and \$595,000 (\$298,000 General Fund and \$297,000 federal funds) in 2022-23 and annually thereafter. If approved, these resources would allow DHCS to provide oversight, implement system changes, and audit reimbursement rate changes for federally qualified health centers and rural health clinics to provide specialty mental health or Drug Medi-Cal services to eligible beneficiaries pursuant to SB 323 (Mitchell), Chapter 540, Statutes of 2017.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$446,000	\$1,509,000
0890 – Federal Trust Fund	\$445,000	\$1,509,000
<b>Total Funding Request:</b>	<b>\$891,000</b>	<b>\$3,018,000</b>
<b>Total Positions Requested**:</b>	<b>5.0</b>	<b>5.0</b>

\* Additional fiscal year resources requested: 2020-21: \$3,233,000; 2021-22: \$1,161,000; 2022-23 (ongoing): \$595,000

\*\* Limited-term expenditure authority equivalent to: 2018-20: 2.0 positions; 2019-21: 16.0 positions; 2020-22: 3.0 positions

This issue was heard during the subcommittee's April 12<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** Federally qualified health centers and rural health clinics seeking separate reimbursement for Drug Medi-Cal or specialty mental health services are required to apply for a change in scope of service to remove those services from the clinic's daily rate. These resources will allow DHCS to manage the auditing associated with the expected increase in change in scope of service requests.

#### **Issue 4: Health Care Reform Financial Reporting**

**DOF Issue#:** 4260-001-BCP-2018-GB

**Budget Issue.** DHCS requests expenditure authority of \$1.9 million (\$963,000 General Fund and \$963,000 federal funds) in 2018-19, 2019-20, and 2020-21. If approved, these resources would allow DHCS to continue compliance with federal reporting requirements of the Affordable Care Act.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$963,000	\$963,000
0890 – Federal Trust Fund	\$963,000	\$963,000
<b>Total Funding Request:</b>	<b>\$1,926,000</b>	<b>\$1,926,000</b>

\* Additional fiscal year resources requested: 2020-21: \$1,926,000

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

**Subcommittee Staff Comment and Recommendation—Approve.** Implementation of the federal Affordable Care Act has resulted in additional complexity of financial reporting for federal matching funds. These resources will allow DHCS to manage this new workload.

#### **Issue 5: Orange County Office Consolidation**

**DOF Issue#:** 4260-002-BCP-2018-GB

**Budget Issue.** DHCS requests expenditure authority of \$562,000 (\$281,000 General Fund and \$281,000 federal funds) in 2018-19 and \$423,000 (\$212,000 General Fund and \$211,000 federal funds) annually thereafter. If approved, these resources would allow DHCS to relocate and consolidate program staff from two buildings in Orange County into a single location.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$281,000	\$212,000
0890 – Federal Trust Fund	\$281,000	\$211,000
<b>Total Funding Request:</b>	<b>\$562,000</b>	<b>\$423,000</b>

\* Resources ongoing after 2019-20.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The existing Santa Ana State Building is not an appropriate placement for DHCS staff given its level of disrepair. As the alternative Orange location is not large enough to house the Santa Ana staff, relocation to a new, larger building elsewhere in Orange County is an appropriate response to this issue.

#### **Issue 6: HIPAA Privacy Rule Compliance**

**DOF Issue#:** 4260-006-BCP-2018-GB

**Budget Issue.** DHCS requests four positions and expenditure authority of \$513,000 (\$257,000 General Fund and \$256,000 federal funds) in 2018-19 and \$477,000 (\$239,000 General Fund and \$238,000 federal funds) annually thereafter. If approved, these resources would allow the department to manage the response to an increase in privacy and security incidents related to the handling of protected health information and personally identifiable information.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$257,000	\$239,000
0890 – Federal Trust Fund	\$256,000	\$238,000
<b>Total Funding Request:</b>	<b>\$513,000</b>	<b>\$477,000</b>
<b>Total Positions Requested:</b>	<b>4.0</b>	<b>4.0</b>

\* Positions and resources ongoing after 2019-20.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** HIPAA related security incidents have continued to rise, with a concomitant rise in workload for DHCS staff to meet required reporting and notification requirements. These positions and resources will allow DHCS to manage these requirements.

#### **Issue 7: California Technical Assistance Program (CTAP) Extension**

**DOF Issue#:** 4260-007-BCP-2018-GB

**Budget Issue.** DHCS requests a two-year, no-cost extension and reappropriation of any remaining funding from the 2014 Budget Act allocation of \$3.8 million from the Major Risk Medical Insurance

Fund for the California Technical Assistance Program (CTAP). If approved, the reappropriation of funding will allow DHCS to continue to implement and administer CTAP, which provides assistance to providers to adopt the use of electronic health records.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** Delays in federal regulatory changes have hampered the ability of CTAP to utilize all of its expenditure authority. This no-cost extension will give the program the opportunity to assist additional providers to adopt electronic health records.

#### Issue 8: California 1115 Waiver - Medi-Cal 2020

**DOF Issue#:** 4260-008-BCP-2018-GB

**Budget Issue.** DHCS requests extension of limited-term expenditure authority of \$4.5 million (\$2.2 million General Fund and \$2.2 million federal funds) in 2018-19 and \$263,000 (\$132,000 General Fund and \$131,000 federal funds) in 2019-20. If approved, these resources would support continued compliance and administration of California's Section 1115 Waiver: Medi-Cal 2020.

Program Funding Request Summary		
Fund Source	2018-19	2019-20
0001 – General Fund	\$2,232,000	\$132,000
0890 – Federal Trust Fund	\$2,231,000	\$131,000
<b>Total Funding Request:</b>	<b>\$4,463,000</b>	<b>\$263,000</b>

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The terms of California's 1115 Waiver require certain compliance activities and evaluation of programs by external entities. These resources will allow DHCS to comply with these requirements.

#### Issue 9: Graduate Medical Education (GME) Program Oversight and Monitoring

**DOF Issue#:** 4260-012-BCP-2018-GB

**Budget Issue.** DHCS requests two positions and expenditure authority of \$244,000 (\$122,000 Designated Public Hospital GME Special Fund and \$122,000 federal funds) annually. If approved, these positions and resources would support fiscal oversight and monitoring of the department's implementation of a Medicaid Graduate Medical Education Program for designated public hospitals.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0890 – Federal Trust Fund	\$122,000	\$122,000
8113 – DPH GME Fund**	\$122,000	\$122,000
<b>Total Funding Request:</b>	<b>\$244,000</b>	<b>\$244,000</b>
<b>Total Positions Requested:</b>	<b>2.0</b>	<b>2.0</b>

\* Positions and resources ongoing after 2019-20.

\*\* DPH GME Fund receives county intergovernmental transfer funds for the non-federal share of program costs.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** While federal approval of the new GME program is pending, this program has the potential to offer significant resources to support development of the state's health care workforce. Approval of these resources will allow DHCS to administer this potentially significant program once federal approval is obtained.

#### **Issue 10: Hospital Quality Assurance Fee Program**

**DOF Issue#:** 4260-013-BCP-2018-GB  
**TBL:** RN 1806970

**Budget Issue and Trailer Bill Language Proposal.** DHCS requests 11.5 positions and expenditure authority of \$2.3 million (\$1.1 million Hospital Quality Assurance Revenue Fund and \$1.1 million federal funds) in 2018-19, \$2.9 million (\$1.4 million Hospital Quality Assurance Revenue Fund and \$1.4 million federal funds) in 2019-20 and 2020-21, and \$1.6 million (\$806,000 Hospital Quality Assurance Revenue Fund and \$806,000 federal funds) annually thereafter. The position request includes two permanent positions and conversion of 9.5 expiring limited-term positions to permanent, as well as limited-term resources equivalent to 9.5 positions until 2020-21. If approved, these positions and resources would allow DHCS to provide ongoing administration and implementation of the Hospital Quality Assurance Fee, which was reauthorized on a permanent basis by Proposition 52, approved by voters in 2016. DHCS also requests trailer bill language to authorize retention of up to \$500,000 each fiscal quarter to cover the non-federal share of administrative costs. State law currently allows retention of up to \$250,000 each fiscal quarter for this purpose.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0890 – Federal Trust Fund	\$1,134,000	\$1,436,000
3158 – Hospital Quality Assurance Revenue Fund	\$1,135,000	\$1,435,000
<b>Total Funding Request:</b>	<b>\$2,269,000</b>	<b>\$2,871,000</b>
<b>Total Positions Requested:</b>	<b>11.5</b>	<b>11.5</b>

\* Additional fiscal year resources requested: 2020-21: \$2,871,000, 2021-22 and ongoing: \$1,612,000

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Trailer Bill Language.** In 2016, voters approved permanent extension of the Hospital Quality Assurance Fee.

Because the fee was previously approved for a limited duration, limited-term resources were necessary. Due to the permanent extension of the fee, permanent extension of these resources is appropriate. In addition, the complexities of the transition to directed payments from the existing intergovernmental transfer program for supplemental hospital reimbursement warrant additional limited-term resources to manage the associated workload.

#### **Issue 11: Federally Qualified Health Center Audits (AB 1863)**

**DOF Issue#:** 4260-015-BCP-2018-GB

**Budget Issue.** DHCS requests expenditure authority of \$282,000 (\$141,000 General Fund and \$141,000 federal funds) in 2018-19 and \$1.3 million (\$670,000 General Fund and \$669,000 federal funds) in 2019-20. If approved, these resources would support new audit workload to manage the addition of marriage and family therapists (MFTs) to the list of health care professionals whose services may be reimbursed as a separate visit at a federally qualified health center (FQHC) or rural health clinic, pursuant to the requirements of AB 1863 (Wood), Chapter 610, Statutes of 2016.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2016-17</b>	<b>2017-18</b>
0001 – General Fund	\$141,000	\$670,000
0890 – Federal Trust Fund	\$141,000	\$669,000
<b>Total Funding Request:</b>	<b>\$282,000</b>	<b>\$1,339,000</b>

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** Federally qualified health centers and rural health clinics seeking reimbursement for a separate visit for marriage and family therapists are required to apply for a change in scope of service to remove those services from the clinic's daily rate. These resources will allow DHCS to manage the auditing associated with the expected increase in change in scope of service requests.

#### **Issue 12: Clinics/Community Treatment Facilities Supplemental Payments**

**DOF Issue#:** TBL: RN 1803402

**Trailer Bill Language Proposal.** DHCS proposes trailer bill language to repeal statutory requirements to establish a supplemental payment program for clinics and community treatment facilities, pursuant to AB 959 (Frommer), Chapter 162, Statutes of 2006. In addition, the trailer bill language eliminates an ongoing annual General Fund appropriation of \$45,000 related to implementation of regulations for community treatment facilities, which generally remains unexpended as DHCS has implemented the required regulations.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** After CMS approval of necessary cost reporting and evaluation of eligibility requirements for participation in the AB 959 supplemental

payment program, very few providers were eligible. As a result, approval of this trailer bill language proposal is necessary to repeal the program, as the program is not sustainable with such a small pool of participating providers.

#### Issue 13: Ombudsman Customer Relations Management System

**DOF Issue#:** 4260-303-BCP-2018-A1

**Spring Finance Letter.** DHCS requests expenditure authority of \$500,000 (\$250,000 General Fund and \$250,000 federal funds) in 2018-19 and \$173,000 (\$86,000 General Fund and \$87,000 federal funds) annually thereafter. If approved, these resources would allow DHCS to procure a new cloud-based Customer Relations Management (CRM) Software as a Service (SaaS) solution from the Office of Technology Services (OTech) and increased ongoing subscription costs to support the Office of the Ombudsman's Call Center.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$250,000	\$86,000
0890 – Federal Trust Fund	\$250,000	\$87,000
<b>Total Funding Request:</b>	<b>\$500,000</b>	<b>\$173,000</b>

\* Resources ongoing after 2019-20.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** Transferring the Office of the Ombudsman's CRM to a cloud-based software solution will allow DHCS to reduce its call wait time and collect demographic information from beneficiaries as required by the 2017 Budget Act.

#### Issue 14: Medi-Cal Program Integrity Data Analytics

**DOF Issue#:** 4260-303-BCP-2018-A1

**Spring Finance Letter and Budget Bill Language Proposal.** DHCS requests expenditure authority of \$9 million (\$2.3 million General Fund and \$6.8 million federal funds) in 2018-19 and up to \$10 million (\$2.5 million General Fund and \$7.5 million federal funds) in 2019-20. If approved, these resources would allow DHCS to contract with a data analytics vendor, which would provide access to numerous proprietary databases, sort approximately 200 million fee-for-service reimbursement claims, and utilize statistical models and intelligent technologies to identify aberrant utilization and billing practices that are potentially fraudulent or erroneous.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$2,250,000	\$2,500,000
0890 – Federal Trust Fund	\$6,750,000	\$7,500,000
<b>Total Funding Request:</b>	<b>\$9,000,000</b>	<b>\$10,000,000</b>

\* Proposed provisional language allows augmentation up to \$1 million (\$250,000 General Fund and \$750,000 federal funds)

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve and Adopt Placeholder Budget Bill Language.** DHCS' recent experience validating Drug Medi-Cal providers demonstrated the value of data analytics. Approval of these resources and budget bill language will improve DHCS' ability to detect inappropriate payments in the Medi-Cal system.

## 4265 DEPARTMENT OF PUBLIC HEALTH

### Issue 1: Alzheimer's Disease Program Grant Awards

**DOF Issue#:** 4265-009-BCP-2018-GB

**Budget Issue.** DPH requests expenditure authority of \$3.2 million (\$3.1 million General Fund and \$104,000 CA Alzheimer's Disease and Related Disorders Research Fund) in 2018-19 and \$3 million (\$3.1 million General Fund and a reduction of \$138,000 CA Alzheimer's Disease and Related Disorders Research Fund) in 2019-20 and annually thereafter. If approved, these resources would allow DPH to fund research related to the study of Alzheimer's disease and related disorders.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$3,115,000	\$3,115,000
0823 – CA Alzheimer's Disease & Related Disorders Fund	\$104,000**	(\$138,000)
<b>Total Funding Request:</b>	<b>\$3,219,000</b>	<b>\$2,997,000</b>

\* Resources ongoing after 2019-20.

\*\* Consists of a reduction of \$138,000 State Operations offset by an increase in \$242,000 for Local Assistance grants

This issue was heard during the subcommittee's March 22<sup>nd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** While the inappropriate over-award of grant funding resulted in additional costs to the program, the program has implemented an additional layer of review to prevent future issues. In addition, the Administration's proposed increase in General Fund resources for Alzheimer's research is a welcome augmentation to the resources of this vital research program.

### Issue 2: Public Beaches: Inspection for Contaminants (SB 1395)

**DOF Issue#:** 4265-002-BCP-2018-GB

**Budget Issue.** DPH requests General Fund expenditure authority of \$354,000 in 2018-19, \$242,000 in 2019-20, \$370,000 in 2020-21, and \$125,000 in 2021-22 and 2022-23. If approved, these resources would allow DPH to finalize development of guidelines approving the use of new rapid test methods to replace current conventional culture methods for determining closures of public beaches, pursuant to the

provisions of SB 1395 (Block), Chapter 928, Statutes of 2014. Staff funded by these resources would be redirected from other divisions within DPH.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$354,000	\$242,000
<b>Total Funding Request:</b>	<b>\$354,000</b>	<b>\$242,000</b>
<b>Total Requested Positions:</b>	<b>0.0</b>	<b>0.0</b>

\* Additional fiscal year resources requested: 2020-21: \$370,000; 2021-22 and 2022-23: \$125,000.

This issue was heard during the subcommittee's March 22<sup>nd</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** Expansion of the use of rapid-testing for beach contamination will allow for shorter periods of potential exposure for Californians. These resources will ultimately allow local health departments to shorten the period between suspicion of contamination, confirmation, and closure to prevent public exposure to contaminants.

### Issue 3: Richmond Lab: Viral Rickettsial Disease Lab Upgrade

**DOF Issue#:** 4265-001-COBCP-2018-GB

**Capital Outlay Budget Issue.** DPH requests reversion of \$3.8 million General Fund and a new appropriation of \$4.9 million General Fund to upgrade the Richmond Campus Viral Rickettsial Disease Laboratory to meet Bio-Safety Level-3 requirements established by the Centers for Disease Control and the National Institute of Health.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19*</b>	<b>2019-20</b>
0001 – General Fund	\$4,866,000	\$-
<b>Total Funding Request:</b>	<b>\$4,866,000</b>	<b>\$-</b>

\* Includes reversion and a new appropriation of \$3,799,000 approved in the 2015 Budget Act.

This issue was heard during the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The federal Centers for Disease Control and the National Institute of Health recently updated requirements to qualify as a Bio-Safety Level-3 laboratory. These resources will allow DPH to build a new laboratory space that complies with these new requirements and will allow DPH to continue to process and analyze samples containing potentially dangerous viruses.

### 4440 DEPARTMENT OF STATE HOSPITALS

#### Issue 1: Unified Hospital Communications Public Address System – Phase 2

**DOF Issue#:** 4440-001-BCP-2018-GB

**Budget Issue.** DSH requests two positions and General Fund expenditure authority of \$359,000 in 2018-19, \$4.6 million in 2019-20, \$7.7 million in 2020-21, and \$3.7 million in 2021-22 and annually thereafter. If approved, these positions and resources would allow DSH to support an increase in maintenance costs for Phase 1, and implementation of Phase 2, of its Unified Hospital Communications Public Address System Project.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$359,000	\$4,629,000
<b>Total Funding Request:</b>	<b>\$359,000</b>	<b>\$4,629,000</b>
<b>Total Positions Requested**:</b>		<b>2.0</b>

\* Additional fiscal year resources requested: 2020-21: \$7,725,000; 2021-22: \$3,721,000; 2022-23 (ongoing): \$3,651,000

\*\* Positions are ongoing after 2019-20.

This issue was heard during the subcommittee's April 12<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The 2015 Budget Act approved resources to fund implementation of a new public address system for the state hospitals to improve communication and dissemination of information. These resources will allow DSH to continue implementation of this project.

#### **Issue 2: Ongoing Costs for Personal Duress Alarm System**

**DOF Issue#:** 4440-002-BCP-2018-GB

**Budget Issue.** DSH requests ongoing General Fund expenditure authority of \$2.7 million. If approved, these resources would allow DSH to support ongoing maintenance and service for its Personal Duress Alarm System Project.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$2,700,000	\$2,700,000
<b>Total Funding Request:</b>	<b>\$2,700,000</b>	<b>\$2,700,000</b>

\* Resources are ongoing after 2019-20.

This issue was heard in the subcommittee's April 12<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The 2013 Budget Act approved resources to implement a Personal Duress Alarm System within the state hospital system to alert hospital police and other nearby employees when a duress incident occurs. However, the initial funding did not account for the need to upgrade equipment at the end of its usable life. These resources will allow DSH to upgrade the equipment necessary for a functioning Personal Duress Alarm System.

#### **Issue 3: Information Security Program Expansion**

**DOF Issue#:** 4440-003-BCP-2017-GB

**Budget Issue.** DSH requests two positions and General Fund expenditure authority of \$3.1 million in 2018-19 and \$1.7 million in 2019-20 and annually thereafter. If approved, these positions and resources would allow DSH to provide adequate staffing to protect information assets and remediate findings identified in a recent security assessment by the California Military Department.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$3,080,000	\$1,678,000
<b>Total Funding Request:</b>	<b>\$3,080,000</b>	<b>\$1,678,000</b>
<b>Total Positions Requested*:</b>		<b>2.0</b>

\* Positions and resources are ongoing after 2019-20.

This issue was heard in the subcommittee's April 12<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** An independent security assessment conducted by the Cyber Network Team at the California Military Department identified several deficiencies in DSH's performance of its IT infrastructure and security responsibilities. These resources are necessary to correct those deficiencies and upgrade necessary IT infrastructure.

#### **Issue 4: Electronic Health Records Planning**

**DOF Issue#:** 4440-005-BCP-2018-GB

**Budget Issue.** DSH requests four positions and General Fund expenditure authority of \$1.3 million in 2018-19 and \$713,000 in 2019-20. If approved, these positions and resources would allow DSH to complete Stages 3 and 4 of the Project Approval Lifecycle process for implementation of an integrated electronic health record for State Hospital inpatients.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
0001 – General Fund	\$1,267,000	\$713,000
<b>Total Funding Request:</b>	<b>\$1,267,000</b>	<b>\$713,000</b>
<b>Total Positions Requested*:</b>		<b>4.0</b>

\* Positions are ongoing after 2019-20.

This issue was heard in the subcommittee's April 12<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** DSH has responsibilities to protect personally identifiable information and protected health information for its patients. Adoption of electronic health records will assist with these responsibilities, as well as provide opportunities for continuity of care for patients when they leave the state hospital system. Approval of these resources will allow DSH to continue its implementation of electronic health records for its patients.

#### **Issue 5: Coalinga: New Activity Courtyard Reappropriation**

**DOF Issue#:** 4440-004-COBCP-2018-GB

**Capital Outlay Budget Issue.** DSH requests reappropriation of \$5.7 million General Fund originally approved in the 2017 Budget Act. If approved, these resources would allow DSH to complete construction of a new activity courtyard at Coalinga State Hospital.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19*</b>	<b>2019-20</b>
0001 – General Fund	\$5,738,000	\$-
<b>Total Funding Request:</b>	<b>\$5,738,000</b>	<b>\$-</b>

\* Reappropriation from Item 4440-301-0001, Budget Act of 2017

This issue was heard in the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** Coalinga State Hospital's courtyard is currently insufficient for the treatment and exercise needs of its current census of 1,293 patients. The 2015 Budget Act approved resources to construct a new courtyard. Approval of reappropriation of these resources will allow DSH to continue this construction project.

#### **Issue 6: Metropolitan: Consolidation of Police Operations**

**DOF Issue#:** 4440-001-COBCP-2018-GB

**Capital Outlay Budget Issue.** DSH requests General Fund expenditure authority of \$1.5 million in 2018-19. If approved, these resources would allow DSH to construct a new building to accommodate the Department of Police Services, Office of Special Investigation, and the Emergency Dispatch Center at Metropolitan State Hospital.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
0001 – General Fund	\$1,509,000	\$-
<b>Total Funding Request:</b>	<b>\$1,509,000</b>	<b>\$-</b>

This issue was heard in the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** California regulations require certain buildings used for police activities to be Essential Services Buildings, capable of providing essential services to the public after a disaster and constructed to minimize fire hazards and to resist the forces generated by earthquakes, gravity, and winds. Approval of these resources will allow DSH to consolidate its police operations, currently in non-compliant buildings, into a single building that qualifies as an Essential Services Building.

#### **Issue 7: Metropolitan: CTE Fire Alarm System Upgrade Reappropriation**

**DOF Issue#:** 4440-003-COBCP-2018-GB

**Capital Outlay Budget Issue.** DSH requests reappropriation of \$3.4 million General Fund originally approved in the 2017 Budget Act. If approved, these resources would allow DSH to upgrade existing fire alarm systems for the Chronic Treatment East building at Metropolitan State Hospital.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19*</b>	<b>2019-20</b>
0001 – General Fund	\$3,392,000	\$-
<b>Total Funding Request:</b>	<b>\$3,392,000</b>	<b>\$-</b>

\* Reappropriation from Item 4440-301-0001, Budget Act of 2017

This issue was heard in the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The 2017 Budget Act approved resources to upgrade the existing fire alarm systems at Metropolitan State Hospital. The Chronic Treatment East building was removed from fire alarm upgrade planning to keep the project on schedule. Approval of reappropriation of these resources will allow DSH to complete the fire alarm upgrade at this building.

#### **Issue 8: Patton: Fire Alarm System Upgrade**

**DOF Issue#:** 4440-002-COBCP-2018-GB

**Capital Outlay Budget Issue.** DSH requests General Fund expenditure authority of \$9.4 million in 2018-19. If approved, these resources would allow DSH to remove and replace deficient SimplexGrinnell Fire Alarm Control Panels and associated components in four patient-occupied buildings at Patton State Hospital.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20</b>
0001 – General Fund	\$9,428,000	\$-
<b>Total Funding Request:</b>	<b>\$9,428,000</b>	<b>\$-</b>

This issue was heard in the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The 2015 Budget Act approved resources to upgrade the existing fire alarm systems at Patton State Hospital. Approval of these resources will allow DSH to proceed to the construction phase of this project.

#### **Issue 9: Patton: Construct New Main Kitchen - Reappropriation**

**DOF Issue#:** 4440-300-COBCP-2018-A1

**Capital Outlay Spring Finance Letter.** DSH requests reappropriation of \$33.1 million from the Public Buildings Construction Fund originally approved in the 2008 Budget Act and reappropriated in the 2010

and 2012 Budget Acts. If approved, these resources would allow DSH to continue the construction phase for a new main kitchen at Patton State Hospital.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19*</b>	<b>2019-20</b>
0660 – Public Buildings Construction Fund	\$33,086,000	\$-
<b>Total Funding Request:</b>	<b>\$33,086,000</b>	<b>\$-</b>

\* Reappropriation from Item 4440-301-0660, Budget Act of 2008

This issue was heard in the subcommittee's April 26<sup>th</sup> hearing.

**Subcommittee Staff Comment and Recommendation—Approve.** The 2006 Budget Act approved resources to construct a new 32,000 square foot main kitchen at Patton State Hospital to accommodate a modern cook and chill preparation system and all dietary support facilities. Approval of these resources will allow DSH to complete this project. The Legislative Analyst's Office and the Administration disagree on whether these funds are still available for reappropriation. The subcommittee intends to approve resources for this project, whether through reappropriation or a reversion and new appropriation of the reverted funds.

**ISSUES FOR DISCUSSION****4265 DEPARTMENT OF PUBLIC HEALTH****Issue 1: AIDS Drug Assistance Program (ADAP) – May Revision Estimate and Adjustments**

**DOF Issue#:** 4265-007-ECP-2018-GB  
 4265-078-ECP-2018-GB  
 4265-400-ECP-2018-MR  
 4265-404-ECP-2018-MR

**ADAP Local Assistance Estimate May Revision Update.** The May 2018 ADAP Local Assistance Estimate reflects revised 2017-18 expenditures of \$392 million, which is a decrease of \$6.2 million or 1.5 percent compared to the Governor's January budget. According to DPH, this decrease is primarily due to reduced overall caseload. For 2018-19, DPH estimates ADAP expenditures of \$432.1 million, a decrease of \$2.3 million or 0.5 percent, compared to the Governor's January Budget, and an increase of \$40.1 million or 10.2 percent, compared to the revised 2017-18 estimate. According to DPH, the increase over 2017-18 is primarily due to higher caseload, particularly in the medication-only category..

<b>ADAP Local Assistance Funding 2017-18 May Revision Comparison to January Budget</b>		
<b>Fund Source</b>	<b>January Budget</b>	<b>May Revision</b>
0890 – Federal Trust Fund	\$111,400,000	\$111,400,000
3080 – AIDS Drug Assistance Program Rebate Fund	\$286,700,000	\$280,500,000
<b>Total ADAP Local Assistance Funding – All Funds</b>	<b>\$398,100,000</b>	<b>\$392,000,000</b>

<b>ADAP Local Assistance Funding 2018-19 May Revision Comparison to January Budget</b>		
<b>Fund Source</b>	<b>January Budget</b>	<b>May Revision</b>
0890 – Federal Trust Fund	\$132,400,000	\$132,400,000
3080 – AIDS Drug Assistance Program Rebate Fund	\$302,000,000	\$299,600,000
<b>Total ADAP Local Assistance Funding – All Funds</b>	<b>\$434,400,000</b>	<b>\$432,100,000</b>

ADAP tracks caseload and expenditures by client group. After May Revision updates, DPH estimates ADAP caseload and expenditures for 2017-18 and 2018-19 will be as follows:

<b>Caseload by Client Group</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Medication-Only</b>	12,652	12,938
<b>Medi-Cal Share of Cost</b>	162	162
<b>Private Insurance</b>	8,023	8,804
<b>Medicare Part D</b>	7,510	7,510
<b>Pre-Exposure Prophylaxis (PrEP) Assistance Program</b>	250	1,450

<b><u>Expenditures by Client Group</u></b>	<b><u>2017-18</u></b>	<b><u>2018-19</u></b>
<b>Medication-Only</b>	\$315,706,847	\$338,933,509
<b>Medi-Cal Share of Cost</b>	\$1,000,515	\$1,000,515
<b>Private Insurance</b>	\$45,906,517	\$61,117,792
<b>Medicare Part D</b>	\$20,475,511	\$22,879,604
<b>PrEP Assistance Program</b>	\$863,193	\$1,304,313

**Enrollment and Case Management Reimbursement Update.** In addition to expenditures for services to clients, the ADAP Local Assistance Estimate also includes funds for a variety of enrollment, case management, and quality improvement efforts to support the program. Previously, enrollment sites received a fixed reimbursement for these activities. Beginning in 2017-18, a new reimbursement methodology will include a payment floor and total payment dependent on volume of the following services:

1. New Medication Enrollment
2. Bi-Annual Self-Verification
3. ADAP Annual Re-Enrollment
4. New Insurance Assistance Enrollment
5. Insurance Assistance Annual Re-Enrollment
6. New PrEP Enrollment
7. PrEP Re-Enrollment
8. Paid PrEP Related Out-of-Pocket Claims
9. Paid Insurance Assistance Medical Out-of-Pocket Claims.

According to DPH, enrollment sites will receive \$8 million for this work in 2017-18, pursuant to the terms of the 2017 Budget Act. However, in 2018-19, enrollment site expenditures are expected to decrease to \$6.8 million under the new reimbursement methodology due to updated caseload projections which forecast lower enrollment.

**ADAP Eligibility and Enrollment System.** In the Governor's January budget, DPH requested resources to manage the workload of transitioning ADAP eligibility and enrollment services to the Office of AIDS after terminating its enrollment broker contract for failure to complete contract deliverables and due to a security breach. DPH requests additional expenditure authority from the ADAP Rebate Fund of \$1.6 million in 2017-18 and \$4.4 million 2018-19 to support program enhancements to the interim ADAP Enrollment System, contract amendments, and planning resources to assist with the Project Approval Lifecycle process for a long-term enrollment system.

**May Revision Adjustment.** As a result of the decrease in ADAP Local Assistance expenditures and the requested increase in ADAP Rebate Fund expenditure authority for eligibility and enrollment, DPH requests net increased expenditure authority of approximately \$2 million from the ADAP Rebate Fund.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

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

1. Please provide a brief overview of the major changes to caseload and expenditure in the ADAP May Revision Estimate.
2. Please provide a brief overview of the increased resources requested for the ADAP Enrollment System.

<b>Issue 2: Genetic Disease Screening Program – May Revision Estimate and Adjustments</b>
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**DOF Issue#:** 4265-079-ECP-2018-GB  
 4265-401-ECP-2018-MR  
 4265-435-BBA-2018-MR

**May Revision Issue** The May 2018 Genetic Disease Screening Program Estimate includes expenditure authority from the Genetic Disease Testing Fund of \$132.1 million (\$27.7 million state operations and \$104.4 million local assistance) in 2017-18, and \$133 million (\$29.5 million state operations and \$103.5 million local assistance) in 2018-19. These figures represent a decrease of \$293,000 (all local assistance) in 2017-18 and an increase of \$28,000 (all local assistance) in 2018-19, compared to the Governor's January budget. According to DPH, the decrease in 2017-18 is primarily due to reduced demographic projections of live births by the Department of Finance's Demographic Research Unit, while the increase in 2018-19 is primarily due to a slight increase of the actual caseload of prenatal and newborn tests.

<b>Genetic Disease Screening Program Funding 2017-18 May Revision Comparison to January</b>			
	<b>2017-18</b>	<b>2017-18</b>	<b>Jan-May</b>
<b>Fund Source</b>	<i>January Budget</i>	<i>May Revision</i>	<i>Change</i>
0203 – Genetic Disease Testing Fund			
State Operations:	\$27,650,000	\$27,650,000	\$-
Local Assistance:	\$104,732,000	\$104,439,000	(\$293,000)
<b>Total GDSP Expenditures</b>	<b>\$132,382,000</b>	<b>\$132,089,000</b>	<b>(\$293,000)</b>

<b>Genetic Disease Screening Program Funding 2018-19 May Revision Comparison to January</b>			
	<b>2018-19</b>	<b>2018-19</b>	<b>Jan-May</b>
<b>Fund Source</b>	<i>January Budget</i>	<i>May Revision</i>	<i>Change</i>
0203 – Genetic Disease Testing Fund			
State Operations:	\$29,451,000	\$29,451,000	\$-
Local Assistance:	\$103,473,000	\$103,501,000	\$28,000
<b>Total GDSP Expenditures</b>	<b>\$132,924,000</b>	<b>\$132,952,000</b>	<b>\$28,000</b>

Newborn Screening Program (NBS) Caseload Estimate: The May Revision estimates NBS program caseload of 478,679 in 2017-18, a decrease of 1,928 or 0.4 percent, compared to the Governor's January budget. The May Revision estimates NBS program caseload of 478,419 in 2018-19, an increase of 98 or 0.02 percent, compared to the Governor's January budget, and a decrease of 260 or 0.05 percent compared to the revised 2017-18 estimate. These updated estimates are based on state projections of the number of live births. DPH assumes up to 99 percent of births will participate in the NBS program annually.

Prenatal Screening (PNS) Caseload Estimate: The May Revisoin estimates PNS program caseload of 342,532 in 2017-18, a decrease of 1,401 or 0.4 percent, compared to the Governor's January budget. The May Revision estimates PNS program caseload of 342,347 in 2018-19, an increase of 50 or 0.01

percent, compared to the Governor's January budget, and a decrease of 185 or 0.05 percent, compared to the revised 2017-18 estimate. These updated estimates are based on state projections of the number of live births. DPH assumes 71.4 percent of births will participate in the PNS program annually.

**Birth Defects Surveillance Activities Funding Adjustment.** In addition to the NBS and PNS programs, GDSP includes the California Birth Defects Monitoring Program (CBDMP). According to DPH, the CBDMP conducts birth defect surveillance throughout the state, maintains the birth defects monitoring program, tracks birth defects and trends, evaluates whether environmental hazards are associated with birth defects, investigates other possible causes of birth defects, develops birth defect prevention strategies, and conducts interview studies about birth defect causes. CBDMP surveillance is conducted in 10 counties: Fresno, Kern, Kings, Madera, Merced, Orange, San Diego, San Joaquin, Stanislaus, and Tulare.

DPH proposes to shift funding for the CBDMP from the California Birth Defects Monitoring Program Fund (Fund 3114) to the Genetic Disease Testing Fund (Fund 0203). This shift would result in a reduction in Fund 3114 of \$1.8 million. According to DPH, Fund 3114 receives a revenue transfer of a portion of fees paid in the PNS program. The balance of PNS program fees are deposited in Fund 0203. Therefore, although expenditures are proposed to shift between these funds, the program will continue to be funded by the same original revenue stream.

**May Revision Finance Letter Adjustments.** Consistent with local assistance expenditure updates to GDSP at May Revision and the requested fund shift for CBDMP, DPH requests the following adjustment:

- 4265-001-3114 be decreased by \$1.8 million
- 4265-111-0203 be increased by \$28,000

**Subcommittee Staff Comment and Recommendation—Hold Open.**

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

1. Please provide a brief overview of the major changes to caseload and expenditure in the GDSP May Revision Estimate.
2. Please provide a brief overview of the proposal to shift funding for the California Birth Defects Monitoring Program to the Genetic Disease Testing Fund.

<b>Issue 3: Women, Infants, and Children Program – May Revision Estimate</b>
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**DOF Issue#:** 4265-080-ECP-2018-GB  
4265-402-ECP-2018-MR

**May Revision Issue.** The May 2018 Women, Infants, and Children (WIC) Program Estimate includes total expenditure authority of \$1.2 billion (\$932.7 million federal funds and \$232.7 million WIC manufacturer rebate funds) in 2017-18, a reduction of \$30.5 million (\$29.9 million federal funds and \$615,000 WIC manufacturer rebate funds) compared to the Governor's January budget. The May 2018 WIC Program Estimate includes \$1.1 billion (\$906.8 million federal funds and \$229.8 million WIC manufacturer rebate funds) in 2018-19, a reduction of \$47.1 million (\$46 million federal funds and \$1.1 million WIC manufacturer rebate funds) compared to the Governor's January budget, and a decrease of \$28.8 million (\$25.8 million federal funds and \$2.9 million WIC manufacturer rebate funds) compared to the revised 2017-18 estimate. The federal fund amounts include state operations costs of \$63.5 million in 2017-18 and \$63.7 million in 2018-19.

<b>WIC Funding Summary 2017-18 May Revisoin Comparison to January Budget</b>			
	<b>2017-18</b>	<b>2017-18</b>	<b>Jan-May</b>
<b>Fund Source</b>	<i>January Budget</i>	<i>May Revision</i>	<i>Change</i>
0890 – Federal Trust Fund			
State Operations:	\$63,463,000	\$63,463,000	\$-
Local Assistance:	\$899,152,000	\$869,219,000	(\$29,933,000)
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	\$233,307,000	\$232,692,000	(\$615,000)
<b>Total WIC Expenditures</b>	<b>\$1,195,922,000</b>	<b>\$1,165,374,000</b>	<b>(\$30,548,000)</b>

<b>WIC Funding Summary 2018-19 May Revisoin Comparison to January Budget</b>			
	<b>2018-19</b>	<b>2018-19</b>	<b>Jan-May</b>
<b>Fund Source</b>	<i>January Budget</i>	<i>May Revision</i>	<i>Change</i>
0890 – Federal Trust Fund			
State Operations:	\$63,684,000	\$63,684,000	\$-
Local Assistance:	\$889,131,000	\$843,150,000	(\$45,981,000)
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	\$230,852,000	\$229,772,000	(\$1,080,000)
<b>Total WIC Expenditures</b>	<b>\$1,183,667,000</b>	<b>\$1,136,606,000</b>	<b>(\$47,061,000)</b>

The May Revision assumes a monthly average of 1,062,623 WIC participants in 2017-18, a decrease of 12,485 or 1.2 percent compared to the Governor's January budget. The May Revision assumes a monthly average of 1,012,984 WIC participants in 2018-19, a decrease of 11,398 or 1.1 percent compared to the Governor's January budget, and a decrease of 49,639 or 4.7 compared to the revised 2017-18 caseload estimate.

**Food Expenditures Estimate.** The May Revision includes \$801.1 million (\$568.4 million federal funds and \$232.7 million WIC manufacturer rebate funds) in 2017-18 for WIC program food expenditures, a decrease of \$30.5 million (\$29.9 million federal funds and \$620,000 WIC manufacturer rebate funds) or 3.7 percent, compared to the Governor's January budget. The May Revision includes \$772.1 million (\$542.3 million federal funds and \$229.8 million WIC manufacturer rebate funds) in 2018-19 for WIC program food expenditures, a decrease of \$47.1 million (\$46 million federal funds and \$1.1 million WIC manufacturer rebate funds) or 5.8 percent compared to the Governor's January budget, and a decrease of \$29 million (\$26.1 million federal funds and \$2.9 million WIC manufacturer rebate funds) or 3.6 percent compared to the revised 2017-18 food expenditures estimate. According to DPH, the decreases in both years are due to lower than projected participation levels and a significantly lower inflation rate.

**Nutrition Services and Administration (NSA) Estimate.** The May Revision includes \$300.9 million for other local assistance expenditures for the NSA budget in 2017-18 and 2018-19, which is unchanged from the level assumed in the Governor's January budget. Funding from the NSA grant is provided to the Office of Systems Integration to fund the establishment of a WIC management information system (MIS).

**Subcommittee Staff Comment and Recommendation—Hold Open.**

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

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

**Issue 4: Center for Health Care Quality – May Revision Estimate and Adjustments****DOF Issue#:** 4265-403-ECP-2018-GB

**May Revision Update.** The May Revision estimate for the Center for Health Care Quality includes \$272.5 million (\$3.7 million General Fund, \$100.3 million federal funds, and \$168.5 million special funds and reimbursements) in 2017-18, unchanged compared to the Governor's January budget, and \$280.4 million (\$3.7 million General Fund, \$102.1 million federal funds, and \$174.7 million special funds and reimbursements) in 2018-19, an increase of \$2.7 million (all special funds) compared to the Governor's January budget.

<b>Center for Health Care Quality Funding 2017-18 May Revision Comparison to January Budget</b>		
<b>Fund Source</b>	<i><b>January Budget</b></i>	<i><b>May Revision</b></i>
0001 – General Fund (transfer to fund 3098)	\$3,700,000	\$3,700,000
0890 – Federal Trust Fund	\$100,327,000	\$100,327,000
0942 – Internal Departmental Quality Improvement Acct	\$2,389,000	\$2,389,000
0942 – State Health Facilities Citation Penalty Acct	\$2,144,000	\$2,144,000
0942 – Federal Health Facilities Citation Penalty Acct	\$973,000	\$973,000
0995 – Reimbursements	\$10,161,000	\$10,161,000
3098 – Licensing and Certification Program Fund	\$152,809,000	\$152,809,000
<b>Total CHCQ Funding – All Funds</b>	<b>\$272,502,000</b>	<b>\$272,502,000</b>

<b>Center for Health Care Quality Funding 2018-19 May Revision Comparison to January Budget</b>		
<b>Fund Source</b>	<i><b>January Budget</b></i>	<i><b>May Revision</b></i>
0001 – General Fund (transfer to fund 3098)	\$3,700,000	\$3,700,000
0890 – Federal Trust Fund	\$102,056,000	\$102,056,000
0942 – Internal Departmental Quality Improvement Acct	\$2,304,000	\$2,598,000
0942 – State Health Facilities Citation Penalty Acct	\$2,144,000	\$2,144,000
0942 – Federal Health Facilities Citation Penalty Acct	\$973,000	\$973,000
0995 – Reimbursements	\$10,436,000	\$10,436,000
3098 – Licensing and Certification Program Fund	\$156,153,000	\$158,526,000
<b>Total CHCQ Funding – All Funds</b>	<b>\$277,766,000</b>	<b>\$280,433,000</b>

**Provisional Language – Certified Nurse Assistant Training Kickstarter Program.** DPH requests provisional language be added to item 4265-115-0942 to allow the department the flexibility to increase expenditure authority up to \$1.7 million if the federal Center for Medicare and Medicaid Services approves the Certified Nursing Assistant (CNA) Training Kickstarter Program. Funding would be provided to the Quality Care Health Foundation to contract with health employers for CNA training classes, and provide technical assistance to skilled nursing facilities to develop and obtain approval of their own CNA training program. Any augmentation would be authorized no sooner than 30 days after notification to the Joint Legislative Budget Committee.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

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

1. Please provide a brief overview of the major changes to caseload and expenditure in the CHCQ May Revision Estimate.
2. Please provide a brief overview of the CNA Training Kickstarter Program proposed in the May Revision.

**Issue 5: Proposition 99 Adjustments – Health Education and Unallocated Accounts**

**DOF Issue#:** 4265-405-BBA-2018-MR

**Proposition 99 Tobacco Tax Allocations.** DPH requests the following technical corrections reflecting changes in Proposition 99 revenues and a shift between state operations and local assistance:

Health Education Account

- Item 4265-001-0231 be increased by \$122,000
- Item 4265-111-0231 be increased by \$1,00,000

Unallocated Account

- Item 4265-001-0236 be increased by \$66,000

According to DPH, the Health Education Account adjustment would be provided to additional community-based organizations engaged in tobacco prevention activities. In addition, these funds would support additional state operations staff for oversight of these programs.

The Unallocated Account adjustment will fund additional state administrative activities.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

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

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

**Issue 6: Proposition 56 Authority and Technical Adjustments**

**DOF Issue#:** 4265-420-BBA-2018-MR  
4265-421-BBA-2018-MR  
4265-422-BBA-2018-MR  
4265-430-BBA-2018-MR

**May Revision Issue.** DPH requests the elimination of the following budget items for expenditure of revenues from Proposition 56 tobacco taxes. These budget items fund the state Oral Health Program, tobacco law enforcement activities, and tobacco prevention activities. If approved, this request would eliminate these items and expenditures would be transferred to non-Budget Act items consistent with the provisions of Proposition 56. Specifically, DPH requests the following items be eliminated and converted into non-Budget Act items:

State Dental Program Account

- 4265-001-3307
- 4265-111-3307

Tobacco Law Enforcement Account

- 4265-001-3318
- 4265-111-3318

Tobacco Prevention Control Account

- 4265-001-3322
- 4265-111-3322

**Subcommittee Staff Comment and Recommendation—Hold Open.**

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

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

**4440 DEPARTMENT OF STATE HOSPITALS****Issue 1: 2018-19 Program Updates – May Revision Adjustments**

**DOF Issue#:** 4440-009-ECP-2018-GB  
4440-010-ECP-2018-GB  
4440-220-ECP-2018-MR  
4440-003-ECP-2018-GB  
4440-240-ECP-2018-MR  
4440-005-ECP-2018-GB  
4440-290-ECP-2018-MR  
4440-001-ECP-2018-GB  
4440-300-ECP-2018-MR  
4440-004-ECP-2018-GB  
4440-310-ECP-2018-MR  
4440-320-ECP-2018-MR  
4440-330-ECP-2018-MR  
4440-340-ECP-2018-MR  
4440-008-ECP-2018-GB  
4440-350-ECP-2018-MR  
4440-360-ECP-2018-MR

**Background.** DSH oversees five state hospitals which comprise the largest inpatient forensic mental health hospital system in the nation. In addition to forensic admissions, which comprise 91 percent of its population, the five state hospitals admit individuals civilly committed under the Lanterman-Petris-Short (LPS) Act because they require physically secure 24-hour care and meet legal criteria that they represent a danger to themselves or others.

The five state hospitals operated by DSH are:

- **Atascadero State Hospital** – Located on the Central Coast in San Luis Obispo County, Atascadero is a self-contained psychiatric hospital with an all-male population primarily composed of MDO, *Coleman*, IST, and NGI patients. Atascadero has a licensed bed capacity of 1,275 and an operational bed capacity of 1,185.
- **Coalinga State Hospital** – Located in the Central Valley in Fresno County, Coalinga is a self-contained psychiatric hospital with an all-male population primarily composed of MDO, *Coleman*, and SVP patients. Coalinga has a licensed bed capacity of 1,500 and an operational bed capacity of 1,310.
- **Metropolitan State Hospital** – Located in Norwalk in Los Angeles County, Metropolitan is an “open” style campus within a security perimeter. Due to community concerns, a formal agreement with the City of Norwalk and the county sheriff prohibits Metropolitan from accepting patients charged with murder or a sex crime, or at high risk for escape. Metropolitan

primarily serves LPS, IST, MDO, and NGI patients and has a licensed bed capacity of 1,106 and an operational bed capacity of 826.

- **Napa State Hospital** – Located in Napa County, Napa has an “open” style campus within a security perimeter. Napa primarily treats IST, NGI and LPS patients and has a licensed bed capacity of 1,418 and an operational bed capacity of 1,270.
- **Patton State Hospital** – Located in the town of Highland in San Bernardino County, Patton is an “open” style campus within a security perimeter operated by correctional officers from CDCR due to concerns from the surrounding community. Patton primarily serves LPS, IST, MDO, and NGI patients, has a licensed bed capacity of 1,287, and an operational bed capacity of 1,527.

The categories of individuals admitted to state hospitals for treatment are:

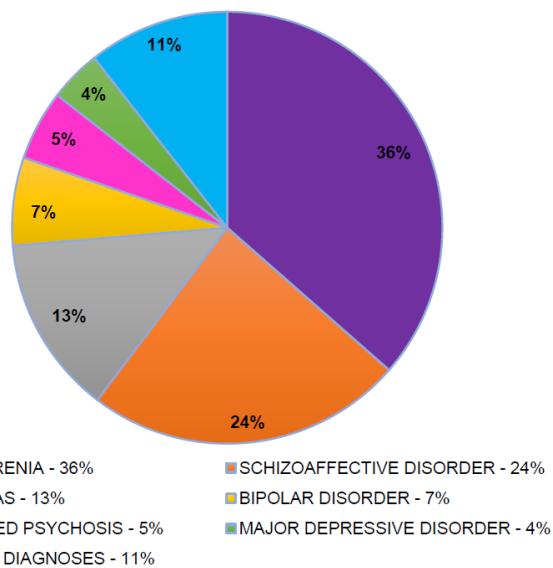
- **Incompetent to Stand Trial (IST)** – IST patients are referred to DSH under Section 1370 of the Penal Code if a court has determined they are unable to understand the nature of criminal proceedings or assist counsel in their defense. IST patients receive competency-based treatment and are returned to court once able to participate in court proceedings. Most IST patients are charged with felonies, with some misdemeanors.
- **Not Guilty by Reason of Insanity (NGI)** – NGI patients are individuals found guilty of an offense, but are admitted to DSH if a court determines the individual was “insane” at the time the crime was committed. NGI patients are committed for a term equal to the maximum sentence which could have been imposed, though may be recommitted for an additional two years if the individual represents a substantial danger of physical harm.
- **Mentally Disordered Offenders (MDO)** – MDO patients are parolees who meet the following six criteria for MDO classification: (1) presence of a severe mental disorder, (2) the mental disorder is not in remission or requires treatment to be kept in remission, (3) the mental disorder was a factor in the commitment offense, (4) the prisoner has been in treatment at least 90 days in the year prior to release, (5) the commitment offense involved force or violence or serious bodily injury, (6) the prisoner continues to be dangerous due to the severe mental disorder. MDO commitments under Section 2962 of the Penal Code span the length of the parole term, but may be extended for up to one year if the patient represents a danger of physical harm to others.
- **Sexually Violent Predators (SVP)** – SVP commitments are civil commitments of prisoners released from prison who meet certain criteria under the Sexually Violent Predator Act, including being convicted of certain sex offenses and diagnosed with a mental disorder that increases the likelihood of engaging in sexually violent criminal behavior. SVP patients undergo an annual review process to evaluate the patient’s suitability for release into the community, either conditionally or without supervision.
- **Lanterman-Petris-Short (LPS)** – LPS patients are individuals that require physically secure 24-hour care and are committed through civil court proceedings that determine the individual is a danger to themselves or others or suffers from a grave disability. LPS patients are discharged when their county of residence places them in a different facility, in independent living, or with family, or if a court removes the conservatorship.

- **Coleman Class Patients (Mentally Ill Prisoners)** – *Coleman* patients are referred by the California Department of Corrections and Rehabilitation (CDCR) when they are found to be mentally ill while in prison. *Coleman* patients return to CDCR custody when they have received the maximum benefit from treatment. If these individuals are still mentally ill at the end of their prison term, they may be committed to DSH as MDO.
- **Conditional Release Program (CONREP)** – CONREP provides outpatient treatment to individuals ordered by a court to be released if their symptoms have been stabilized and they no longer represent a danger to society. After one year, a court hearing determines if the patient will continue in the program, be sent back to DSH, or be released.

	2017-18	2018-19
<b>Population by Hospital</b>		
Atascadero	1,247	1,184
Coalinga	1,318	1,398
Metropolitan	807	903
Napa	1,269	1,269
Patton	1,509	1,484
<b>Population Total</b>	<b>6,150</b>	<b>6,238</b>
<b>Population by Commitment Type</b>		
Incompetent to Stand Trial (IST)	1,523	1,621
Not Guilty by Reason of Insanity (NGI)	1,407	1,401
Mentally Disordered Offender (MDO)	1,328	1,321
Sexually Violent Predator (SVP)	920	920
Lanterman-Petris-Short Civil Commitments (LPS)	628	631
<i>Coleman</i> Referrals	336	336
Dept. of Juvenile Justice (DJJ)	8	8
<b>Jail-Based Competency Treatment (JBCT) Programs</b>		
Riverside JBCT	25	25
San Bernardino JBCT	126	146
Sacramento JBCT (Male and Female)	44	44
San Diego JBCT	30	30
Sonoma JBCT	10	12
Kern Admission, Evaluation, and Stabilization (AES) Center	60	60
Mendocino JBCT	TBD	TBD
Stansislaus JBCT	12	12
Proposed Expansion of JBCT	--	27
Los Angeles County Program	--	150
<b>Total JBCT Programs</b>	<b>307</b>	<b>518</b>

**Figure 1: State Hospital Population by Hospital, Commitment Type and JBCT Programs**

Source: 2018-19 May Revision Estimates, Department of State Hospitals, May 2018



**Figure 2: State Hospital Population By Major Diagnosis, as of July 1, 2017**

**Source:** Report on Measures of Patient Outcomes, Department of State Hospitals, January 2018

**Program Update: Forensic Conditional Release Program (CONREP) – General/Non-Sexually Violent Predator (Non-SVP) Program.** The Forensic Conditional Release Program (CONREP) was established in 1986 and provides outpatient treatment to individuals ordered by a court to be released if their symptoms have been stabilized and they no longer represent a danger to society. The CONREP population includes patients committed to state hospitals as Not Guilty by Reason of Insanity (NGI), Mentally Disordered Offenders (MDO), felony Incompetent to Stand Trial (IST) and Mentally Disordered Sex Offenders. After one year, a court hearing determines if the patient will continue in the program, be sent back to DSH, or be released.

According to DSH, when a patient is discharged to CONREP, the goal is to provide an independent living environment in the least restrictive setting. However, if the patient has not demonstrated the ability to live in the community without direct staff supervision, the patient is referred to a Statewide Transitional Residential Program (STRP), a resource used by CONREP to provide patients the opportunity to learn and demonstrate appropriate community living skills in a controlled setting with 24 hour supervision. DSH currently contracts for one 17 bed STRP in Los Angeles County. A 16 bed STRP in Fresno County was closed in November 2017, which was funded by General Fund expenditure authority of \$976,000 in 2017-18 approved in the 2017 Budget Act.

In the Governor's January budget, DSH requested General Fund expenditure authority of \$976,000 in 2018-19 and annually thereafter to establish a new 16 bed STRP contract to replace the capacity lost upon closure of the Fresno County STRP. The funding would be ongoing, contingent upon securing a new contract provider.

In the May Revision, DSH requests additional General Fund expenditure authority of \$610,000 in 2019-20, for a total authority of \$1.6 million. DSH indicates it has identified one prospective provider in Northern California to establish a 26-bed STRP, which is larger than the 16 beds anticipated in the Governor's January budget. While the annual cost of operating the new 26-bed program is \$1.6 million,

DSH is not requesting additional funding until 2019-20, based on the need for startup activities and modifications, and the timeline for activation of the additional capacity.

**Program Update: Kern County Admission, Evaluation, and Stabilization Center.** In the Governor's January budget, DSH reported a reduction in General Fund expenditures in 2017-18 of \$1.7 million related to delays in negotiation and execution of a contact with Kern County to establish an Admission, Evaluation, and Stabilization (AES) Center at the Lerdo Pre-Trial Facility located in Bakersfield. The Kern AES Center is expected to receive and treat IST patients committed to State Hospitals directly from nearby catchment counties.

In the May Revision, DSH reports an additional reduction in General Fund expenditures in 2017-18 of \$906,000, for a total expenditure reduction of \$2.6 million. According to DSH, the Kern County Board of Supervisors approved the final contract for the AES Center in December 2017, with the 60 day startup period beginning in February 2018 with recruitment and training activities. The additional delay in recruitment and training has led to an admission date of April 23, 2018, which results in a total reduction in estimated General Fund expenditures in 2017-18 of \$2.6 million, which is an increase of savings of \$906,000 compared to the Governor's January budget.

**Medicare Authority Increase.** DSH pays Medicare premiums for third-party health coverage of Medicare beneficiaries who are patients at the state hospitals, pursuant to state law. The governing statute provides a continuous General Fund appropriation to DSH for this purpose.

In the May Revision, DSH reports additional General Fund expenditures of \$600,000 for Medicare premium payments. According to DSH, the funding level has not changed in more than 16 years, although the Medicare-eligible population has increased. DSH indicates additional costs have been imposed by the implementation of Medicare Part D and regular cost-of-living adjustments by the federal government. As these expenditures are continuously appropriated, DSH indicates this program update is informational and does not require legislative action.

**Program Update: 2014 South Napa Earthquake Repairs.** The 2014 South Napa Earthquake caused damage to buildings at Napa State Hospital with historical significance, within the hospital's secure treatment area, and in non-secured areas of the hospital. The 2015 Budget Act approved a total of \$22.9 million (\$5.7 million General Fund and \$17.2 million federal disaster funds) for building repairs related to the earthquake. According to DSH, total project cost estimates have changed significantly over the past three years, rising by an additional \$2.4 million from the costs estimated in the 2017 Budget Act.

In the Governor's January budget, DSH requested authority to utilize \$2.4 million of savings from construction delays for its ETP units at Atascadero State Hospital to fund the increased costs for these repair projects. If approved, these savings would allow DSH to complete all of these repairs by the end of 2019.

In the May Revision, DSH updated its project costs and timelines for the repair projects. These updates result in an additional request for expenditure authority of \$1.9 million (\$1.1 million General Fund and \$834,000 reimbursements) in 2017-18, \$1.2 million reimbursement expenditure authority in 2018-19, and \$608,000 reimbursement expenditure authority in 2019-20.

According to DSH, the updated timeline of construction and expenditures on these repairs is as follows:

	DGS PROJECT 1 Three Historical Buildings	DGS PROJECT 2 Buildings Outside the STA	DSH PROJECT 3 Buildings Inside the STA
Design Completion	July 6, 2017	May 2018	N/A
Begin Construction	November 2, 2018	September 21, 2018	October 1, 2017
Complete Construction	July 5, 2019	September 21, 2019	December 31, 2019

Project	2015-16	2016-17	2017-18	2018-19	2019-20	Grand Total
1. Three Historical Buildings	\$989,900	\$0	\$7,129,000	\$0	\$0	\$8,118,900
2. Buildings Outside the STA	\$0	\$326,200	\$3,675,000	\$0	\$0	\$4,001,200
3. Buildings Inside the STA	\$0	\$0	\$1,624,958	\$1,216,958	\$608,479	\$3,450,395
<b>Totals</b>	<b>\$989,900</b>	<b>\$326,200</b>	<b>\$12,428,958</b>	<b>\$1,216,958</b>	<b>\$608,479</b>	<b>\$15,570,495</b>

**Program Update: Metropolitan State Hospital Bed Expansion.** In the Governor's January budget, DSH requested 346.1 positions and General Fund expenditure authority of \$53.1 million in 2018-19 and 473.4 positions and General Fund expenditure authority of \$69 million in 2019-20 and annually thereafter to activate newly secured units at Metropolitan State Hospital to provide increased capacity for the treatment of IST patients. The 2016 Budget Act included capital outlay construction funding to securely enclose existing patient buildings that currently house civilly committed patients under the Lanterman-Petris-Short (LPS) Act. Once secured, the LPS patients currently housed in these units will be transferred to non-secured buildings elsewhere on the Metropolitan campus and allow for additional secured capacity for the treatment of IST patients currently in county jails awaiting state hospital treatment.

In the May Revision, DSH updated its timeline and staff requests to reflect additional delays and a technical adjustment related to the civil service classification of the requested staff. As a result, DSH requests reduction of 10.1 positions and General Fund expenditure authority of \$1 million in 2017-18, reduction of 183.3 positions and General Fund expenditure authority of \$28.3 million in 2018-19, and a reduction of 131.2 positions and General Fund expenditure authority of \$18.4 million in 2019-20. According to DSH, these reductions in staff and resources are the result of delayed inspections and additional modifications required by the State Fire Marshall, as well as delays in securing a contractor for the new secured fence.

This request previously activated and provided staff for approximately 236 forensic beds over the course of 2018-19 to treat IST patients. The May Revision update activates and provides staff for approximately 96 forensic beds in 2018-19 and 140 forensic beds in 2019-20.

**Program Update: Jail-Based Competency Treatment Program Expansions.** In the Governor's January budget, DSH requested General Fund expenditure authority of \$516,000 in 2017-18, \$8.1 million in 2018-19, and \$8.3 million in 2019-20 and annually thereafter to activate jail-based competency treatment (JBCT) beds for the treatment of IST patients in county jails, pursuant to approval of program expansions in previous budget requests. DSH contracts with county jail facilities to provide

restoration of competency services in jails, treating IST patients with lower acuity and that are likely to be quickly restored to competency. This request nets savings from delayed implementation of existing JBCT contracts in Mendocino, Sacramento, and Stanislaus counties with additional costs for the activation of five JBCT beds in Riverside and 50 beds in San Bernardino.

In the Governor's January budget, DSH also requested \$8 million in 2018-19 and \$9.3 million in 2019-20 to activate new JBCT programs totaling 104 beds in five Northern California counties, one Southern California county, and one Central California county. Two of the Northern California counties would be small counties.

In the May Revision, DSH has revised its request for existing and new JBCT programs. For existing programs, DSH requests reduction of General Fund expenditure authority of \$1.1 million in 2017-18 and \$1.6 million in 2018-19, and an increase in General Fund expenditure authority of \$305,000 in 2019-20. According to DSH, these reductions are based on delayed activation for JBCT programs in Mendocino and San Bernardino, offset in 2019-20 by an expansion of the JBCT program in Sonoma by two beds. Reflecting these May Revision adjustments, the total DSH request for existing JBCT programs is a General Fund expenditure authority decrease of \$561,000 in 2017-18, and increased General Fund expenditure authority of \$6.5 million in 2018-19 and \$8.6 million in 2019-20.

For new programs, DSH requests reduction of General Fund expenditure authority of \$4.9 million in 2018-19 and \$2.3 million in 2019-20. According to DSH, these reductions are based on delayed contracts for activation of these programs and proposed replacement of a small Northern California county with a small Central California county for JBCT expansion. Reflecting these May Revision adjustments, the total DSH request for new JBCT programs is an increase in General Fund expenditure authority of \$3.1 million in 2018-19 and \$7 million in 2019-20.

**Program Update: Enhanced Treatment Program (ETP) Staffing.** AB 1340 (Achadjian), Chapter 718, Statutes of 2014, authorized DSH to establish an ETP pilot project to expand the range of clinical treatment options for patients determined to be at the highest risk of dangerous behavior or violence against other patients or hospital staff and cannot be safely treated in a standard treatment environment. According to DSH, the risk of violence against other patients or hospital staff imposes both a threat to health and safety, as well as a barrier to the effective treatment of other patients who may fear for their physical safety in a standard treatment environment with a potentially violent patient. The pilot project period extends approximately five years from the first patient admitted to the ETP and imposes certain requirements on admission and treatment within an ETP.

Patients are evaluated for admission to an ETP based on requirements contained in AB 1340. A patient referred to an ETP by state hospital clinical staff is assessed by a dedicated forensic psychologist within three business days to make an initial determination regarding the appropriateness of the referral. If the referral is appropriate, the patient is further assessed by a panel comprised of a state hospital medical director, psychiatrist, and psychologist to certify admission to the ETP within seven days of the original referral. Upon admission, a forensic needs assessment team psychologist conducts a violence risk assessment and develops a treatment plan in writing and, if possible, with the collaboration of the patient. The treatment plan, which must be reviewed and updated every ten days, must include information about the patient's mental health status and diagnoses, prescribed medications, goals of treatment, planned interventions and methods, documentation of success in meeting objectives, evaluation of the factors contributing to or detracting from the patient's progress, an activity plan, plans

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for other services needed by the patient, discharge criteria, goals for an aftercare plan in a standard treatment environment upon discharge, and a plan for post-discharge follow up.

In addition to the admission and treatment criteria, each ETP has specified staff-to-patient ratios, housing and facility requirements, and accessibility requirements. Each ETP is also required to maintain a full-time independent patient's rights advocate to provide advocacy services to patients admitted to an ETP.

The 2017 Budget Act authorized 44.7 positions and \$8 million in 2017-18 and 115.1 positions and \$15.2 million annually thereafter to activate the first two ETP units at Atascadero State Hospital. According to DSH, construction for the first unit was expected to begin in December 2017 and be completed in April 2018, while construction for the second unit was expected to begin April 2018 and be completed in August 2018. DSH reports these timelines have been delayed by the inability of the State Fire Marshall to complete approval of the final working plans, as fire resources have been deployed elsewhere in the state to assist with the emergency fire situation in several California counties.

In the Governor's January budget, DSH requested reversion of \$2.3 million of anticipated General Fund savings related to the construction delays of the ETP units and reallocation of \$2.4 million to fund unanticipated additional costs related to earthquake repairs at Napa State Hospital (see "Program Update: 2014 South Napa Earthquake Repairs"). DSH reported it would only spend \$3 million of its \$8 million 2017 Budget Act authority for ETP unit construction.

In the Governor's January budget, DSH also requested 23.2 positions and \$2.8 million in 2018-19 and 65.7 positions and \$8.4 million annually thereafter over the department's 2017 Budget Act authority for ETP unit construction. If approved, these resources would allow DSH to complete staffing and activation for the first two ETP units at Atascadero, as well as the planned activation of two additional ETP units, one at Atascadero and one at Patton State Hospital.

In the May Revision, DSH requests General Fund expenditure authority be increased by \$70,000 in 2017-18, decreased by \$7.4 million in 2018-19, and decreased by \$50,000 in 2019-20. According to DSH, these changes are the result of delayed activation of the ETP units due to delays in receiving required approvals from the State Fire Marshall.

According to DSH, the updated timeline for construction for each of these units is as follows:

Units/Hospital	Construction Initiated	Construction Completed
DSH-Atascadero Unit 1	August 8, 2018	December 26, 2018
DSH-Atascadero Unit 2	December 26, 2018	April 17, 2019
DSH-Atascadero Unit 3	April 17, 2019	August 7, 2019
DSH-Patton Unit 1	April 12, 2019	September 6, 2019

#### **Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of each of the program updates referenced in this item.

<b>Issue 2: Protected Health Information</b>
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**DOF Issue#:** 4440-001-BCP-2018-MR

**May Revision Finance Letter.** DSH requests eight three-year, limited-term positions and General Fund expenditure authority of \$988,000 in 2018-19, 2019-20, and 2020-21. If approved, these positions and resources would allow DSH to implement new procedures for processing invoices and payments from external medical providers containing Protected Health Information and consolidate financial operations into a single unit.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$988,000	\$988,000
<b>Total Funding Request:</b>	<b>\$988,000</b>	<b>\$988,000</b>
<b>Total Positions Requested**:</b>		<b>8.0</b>

\* Additional fiscal year resources requested: 2020-21: \$988,000;

\*\* Positions are limited-term and expire at the end of 2020-21.

**Background.** The Health Insurance Portability and Accountability Act (HIPAA), implemented in 1996, was intended to allow for portability and continuity of an individual's health care coverage by imposing significant administrative simplification and standardization requirements on health care entities, and strict security standards for protected health information (PHI). HIPAA administrative simplification and security rules apply to certain individuals or organizations known as covered entities or business associates. According to the U.S. Department of Health and Human Services (HHS), covered entities include the following:

1. Health care providers including physicians, clinics, psychologists, dentists, chiropractors, nursing homes, and pharmacies that transmit HIPAA-protected information in an electronic format.
2. Health plans including commercial health care service plans, health insurers, group health plans, and public health care programs, such as Medicare, Medicaid, and military or veteran's health care programs.
3. Health care clearinghouses that process nonstandard information they receive from another entity into a standard electronic format or data content, or vice versa.

DSH is a covered entity under HIPAA and is responsible for the security of protected health information for its patients. According to DSH, over 55,000 invoices are processed by the department annually and more than 65 percent contain PHI. DSH patients have unique and acute medical and clinical needs that oftentimes require visits to specific external providers. These medical providers' invoices in turn contain a combination of patient information such as the patient's name, patient identification number, diagnosis, medical service received, and date of service. In addition, DSH indicates processing these invoices is entirely paper-based.

DSH requests eight three-year, limited-term positions and General Fund expenditure authority of \$988,000 in 2018-19, 2019-20, and 2020-21. **Five Accounting Officer Specialists** would manage the transition of the paper-based invoice process to a third party vendor or an electronic health record. DSH indicates it expects the interim process to drive additional accounting workload to transition invoices

into a PeopleSoft accounts payable module. In addition, **three Associate Accounting Analysts** would manage additional workload from implementing FI\$Cal, the state's fiscal budgeting platform, particularly related to collapsing accounting from six separate business units for the headquarters and five hospitals into one single business unit.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of this proposal.

<b>Issue 3: Los Angeles County Incompetent to Stand Trial Community Treatment</b>
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**DOF Issue#:** 4440-002-ECP-2018-GB

4440-230-ECP-2018-MR

4440-260-ECP-2018-MR

**Background.** In the Governor's January budget, DSH requested General Fund expenditure authority of \$14.8 million to contract with Los Angeles County for 150 beds to treat IST patients in community settings, based on the county's experience in treating misdemeanor IST patients in similar settings. The contract, currently under negotiation to begin July 2018, would provide a coordinated continuum of mental health placements including five beds in a locked acute psychiatric hospital, 45 beds in a locked Institute for Mental Disease or mental health rehabilitation center, and 100 beds in residential facilities with clinical and supportive services. Los Angeles County has approximately 185 IST offenders awaiting state hospital placement. The contract would also include \$2.5 million of funding for Los Angeles County staffing resources for 10-12 positions, including a clinical team of six to eight staff members, which would provide patient support by stabilizing patients on medications and preparing them for community placement, and a navigation team of two to three staff members to support connections to social services and other needs.

	Locked Inpatient	Locked IMD type IMD Type	Unlocked, secured, Clinically Enhanced Type
Proposed # of Beds	5	45	100
Facility Type	General Acute Care Hospital or Acute Psychiatric Hospital – likely Olive View Medical Center	Low acuity hospital, and/or Nursing facility; licenses as an Institute for Mental Disease facility or a Mental Health Rehabilitation Center	Residential site with clinical and supportive services on-site
Facility Bed Capacity	18 total beds with 5 set aside for this project	2 different facilities: 1st up to 15 beds in San Fernando Valley part of LA County; 2nd with up to 35 beds in southern LAC or San Diego County	3-5 sites across LA County with 20-40 beds each
Security	Locked unit	Locked facilities	Open, but gated and with staff and security cameras monitoring entrance/exit
Staffing	24/7 nursing and MD staff, full-time clinical SW and support staff	24/7 nursing staff, M-F and on call MD staff, full-time clinical SW and support staff	24/7 case management and security staff, full-time clinical social work and nursing staff; potentially nurse practitioner on call
Treatment	Stabilization of Acute Mental Health or Medical symptoms	Sub-acute stabilization of patients who do not require acute care, but who are not clinically ready for outpatient care and restoration of competency treatment.	Outpatient treatment, maintenance of stabilization, on-site psychiatric care, medication support and monitoring, group and individual therapy and restoration of competency treatment.

**Figure 1: Los Angeles County IST Restoration in Community Mental Health Treatment Placements**

**Source:** 2018-19 Department of State Hospitals Governor's Budget Proposals and Estimate

In the May Revision, DSH requests a reduction in one-time General Fund expenditure authority of \$1.7 million in 2017-18 and an increase in ongoing General Fund expenditure authority of \$750,000 in 2018-19. According to DSH, the 2017-18 reduction reflects a phase-in of community placements, one-time startup costs, additional clinical team members to work with the courts and to support an “off-ramp” for patients restored to competency before placement in the community or state hospitals. The 2018-19 increase is for additional staff for ongoing support of the “off-ramp” for competency restoration, including one psychiatrist, two social workers, and one support staff.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of the proposed adjustments to this proposal.

**Issue 4: Metropolitan State Hospital Central Utility Plant****DOF Issue#:** 4440-270-ECP-2018-MR

**May Revision Issue.** DSH requests ongoing General Fund expenditure authority of \$2.6 million. If approved, these resources would fund the operation and maintenance of the Central Utility Plant at Metropolitan State Hospital.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$2,580,000	\$2,580,000
<b>Total Funding Request:</b>	<b>\$2,580,000</b>	<b>\$2,580,000</b>

\* Resources ongoing after 2019-20.

**Background.** The 2017 Budget Act included provisional authority for the Department of Finance to approve up to \$1.5 million for DSH to acquire and operate Metropolitan State Hospital's Central Utility Plant. According to DSH, Wheelabrator Norwalk Energy Company, Inc. (WNEC) owned and operated the plant under a 40 year contract. Upon expiration of the contract, DSH purchased the plant, with a transfer of ownership as of February 2018. Metropolitan has assumed responsibility for the operations and maintenance of the steam boilers, chillers, and associated machinery. These responsibilities have required DSH to hire six additional staff to manage the plant's operations.

DSH indicates the \$1.5 million 2017-18 augmentation allowed for the purchase of the plant, equipment and repairs, staffing, training, and service agreements. The 2017-18 total cost was \$1.8 million, exceeding the provisional augmentation by approximately \$285,000. According to DSH, the full year costs of service agreements, staffing, and training is \$2.6 million. DSH requests ongoing General Fund expenditure authority of \$2.6 million to fund these operations and maintenance costs.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of this proposal.

**Issue 5: Hepatitis C Treatment Expansion****DOF Issue#:** 4440-370-ECP-2018-MR

**May Revision Issue.** DSH requests ongoing General Fund expenditure authority of \$3.3 million. If approved, these resources would allow DSH to expand treatment eligibility for state hospital patients infected with Hepatitis C.

<b>Program Funding Request Summary</b>		
<b>Fund Source</b>	<b>2018-19</b>	<b>2019-20*</b>
0001 – General Fund	\$3,300,000	\$3,300,000
<b>Total Funding Request:</b>	<b>\$3,300,000</b>	<b>\$3,300,000</b>

\* Resources ongoing after 2019-20.

**Background.** According to DSH, as of April 30, 2018, 907 state hospital patients are infected with Hepatitis C virus (HCV), a form of viral hepatitis that is transmitted via infected blood causing chronic liver disease. Unless successfully treated with medication, chronic HCV infection usually continues throughout the patient's life and causes other serious health problems, such as cirrhosis, liver cancer, liver failure, and the risk of end-stage renal disease.

New treatment options have changed the management of HCV, particularly in public health care systems. In 2015, in the context of a statewide assessment of treatment guidelines for individuals in publicly funded programs infected with HCV, DSH developed a set of guidelines for patient eligibility for the new treatments. According to DSH guidelines, to qualify for treatment, the patient would be expected to remain at the state hospital for the full treatment course and for the immediate post treatment follow up. Certain exclusion criteria would be used to screen the patients and ultimately determine whether the patient was a viable candidate including advanced HIV infection, anemia, pregnancy, and allergic reaction to the treatment medication. In addition, patients were generally only treated with liver fibrosis higher than stage 2, with other patients treated if there was a presence of a co-morbid condition.

DSH requests ongoing General Fund expenditure authority of \$3.3 million. If approved, these resources would allow DSH to expand treatment eligibility for state hospital patients infected with HCV. In accordance with a statewide adjustment to eligibility criteria for HCV treatment occurring in the California Department of Corrections and Rehabilitation and the Department of Health Care Services, DSH proposes to update its treatment guidelines to offer treatment to all appropriate patients with chronic HCV regardless of the stage of liver fibrosis. These new guidelines are consistent with recent guidance provided by the American Association for the Study of Liver Disease.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of this proposal.

**Issue 6: Miscellaneous Technical Adjustments****DOF Issue#:** 4440-250-ECP-2018-MR

**May Revision Issue.** DSH requests technical adjustments to reduce reimbursement expenditure authority of \$1 million in 2018-19 and \$1.2 million in 2019-20. If approved, these adjustments would allow a one-time increase in reimbursement authority in 2018-19 from a local community college for DSH's Hospital Police Officer Academy program and remove unused reimbursement authority for implementation of the Health Insurance Portability and Accountability Act (HIPAA).

**Background.** Police officers hired by DSH receive approximately 15 weeks of training at the DSH Police Academy located in Atascadero, CA adjacent to Atascadero State Hospital. Housing and per diem is provided to all DSH Police Officers hired at one of the Hospitals at least 51 miles away from Atascadero, CA. The academy requirements include successful completion of 548 hours in multiple disciplines pertaining specifically to DSH Police Officer job specifications and with a passing standard of 76 percent or higher. The DSH Police Academy is endorsed by Allan Hancock Community College and participants receive college credit. Based on this relationship, DSH receives partial reimbursement from the college for the cost of the academy program of up to \$72,000 per session with a maximum enrollment of 50 cadets. DSH indicates it will hold three academy sessions and will be able to collect reimbursements up to \$216,000, exceeding its current reimbursement authority by \$150,000.

DSH also is requesting the removal of unused reimbursement authority left over from when it was the Department of Mental Health (DMH). According to DSH, DMH received reimbursement from the Department of Health Care Services (DHCS) for HIPAA activities related to its oversight of the Mental Health Services Act (MHSA), which expanded mental health services statewide through a tax on incomes over \$1 million. DMH was eliminated and its MHSA responsibilities transferred to DHCS, while the state hospitals responsibilities were transferred to the newly created DSH. DSH is requesting a reduction of reimbursement authority of \$1.2 million, which is currently unused, as it no longer has responsibilities under MHSA.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

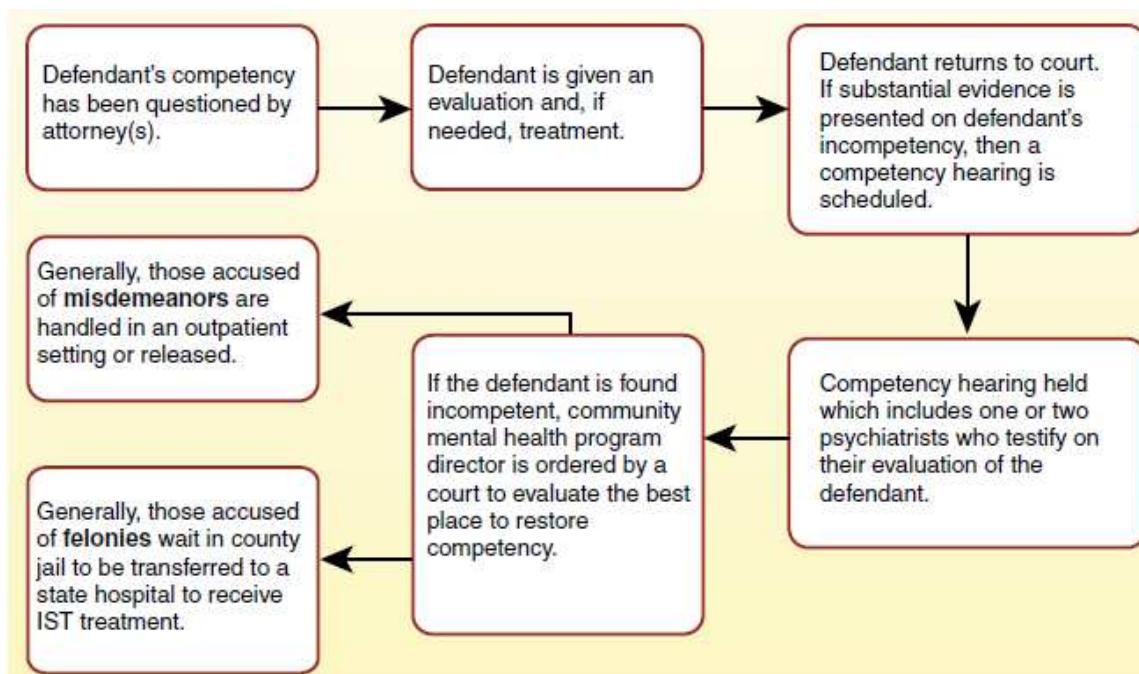
1. Please provide a brief overview of the proposed adjustments in this proposal.

## Issue 6: Competency Restoration Assessments

**DOF Issue#:** TBL (RN Pending)

**May Revision Trailer Bill Language Proposal.** DSH proposes trailer bill language to allow for an individual declared incompetent to stand trial to be assessed at any time to determine if the individual has regained competence and may be returned to the referring county for criminal proceedings.

**Incompetent to Stand Trial Referrals.** Under California law “[a] person cannot be tried or adjudged to punishment or have his or her probation, mandatory supervision, post-release community supervision, or parole revoked while that person is mentally incompetent.” IST patients are referred to DSH under Section 1370 of the Penal Code if a court has determined they are unable to understand the nature of criminal proceedings or assist counsel in their defense. IST patients receive competency-based treatment and are returned to court once able to participate in court proceedings. If a defendant’s attorney raises concerns about his or her competency to stand trial, the judge in the case may order a mental health evaluation by a psychiatrist or clinical psychologist. If the evaluation finds substantial evidence the defendant is incompetent, a competency hearing is scheduled with additional expert testimony and an opportunity for the defendant to respond to or refute the findings of the evaluation. If the court finds a defendant incompetent to stand trial, the local community health director determines whether the defendant is best treated in a local facility, an outpatient facility, or at a state hospital. Misdemeanants are typically treated in an outpatient setting or released, while felonies are typically referred for treatment at a state hospital. Maximum commitments are either three years or the maximum term of imprisonment for the most serious charge.



**Figure 1: Incompetent to Stand Trial Commitment Process**

**Source:** “An Alternative Approach: Treating the Incompetent to Stand Trial”, Legislative Analyst’s Office, Jan 2012

DSH proposes trailer bill language to allow an individual declared incompetent to stand trial pursuant Penal Code Section 1370 to be examined to determine whether the defendant has regained competence. If counsel for the individual, the district attorney, judge, jail medical, or mental health staff reports the individual appears to have regained competence, the court may appoint a psychiatrist, licensed psychologist, or any other expert to perform the examination. If, in the opinion of the expert, the individual has regained competence, the court would reinstate criminal proceedings.

**Subcommittee Staff Comment and Recommendation—Hold Open.**

**Questions.** The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of the proposed trailer bill language.