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

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, M.D., Chair
Senator Melissa Hurtado
Senator Melissa Melendez

Sunday, May 24, 2020

2:00 PM

State Capitol - Room 4203

Part B – Human Services

Consultant: Renita Polk

VOTE ONLY CALENDAR

(Attachment)

Sustained and Withdrawn January Governor's Budget Proposals

Modifications to January Governor's Budget Proposals

New May Revision Proposals

ISSUES FOR DISCUSSION

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4170 DEPARTMENT OF AGING (CDA)

Issue 1: Major May Revision Changes

Requests. The May Revision includes the following reductions within the Department of Aging budget that would be triggered off if the federal government provides sufficient funding to restore them.

- $2 million ongoing reduction in the Long-Term Care Ombudsman program.

- $23.9 million ($22.2 million General Fund) reduction for the elimination of the Multipurpose Senior Services Program (MSSP)

- $3 million ($1.6 million General Fund) reduction for the elimination of the Community Based Adult Services (CBAS) Program

The May Revision also includes a one-time reduction of $8.5 million GF for the department's nutrition programs and a one-time reduction of $3 million for Aging and Disability Resource Centers. These two reductions are not subject to the federal "trigger."

Background. The 2019 Budget Act increased funding for local Ombudsman programs by $5.2 million annually. The Ombudsman program also received $2 million in federal CARES Act funding in response to the coronavirus epidemic. Note that the program will ultimately see a net reduction of $1 million as the May Revision also includes the transfer of $1 million to the program from the Department of Public Health, pursuant to the Budget Act of 2019. The 2019 Budget Act also included a one-time increase of $29.6 million ($14.8 million General Fund) to provide supplemental payments to MSSP providers. The increased funding for the local Ombudsman programs and the increase in supplemental payments to MSSP providers in the 2019 Budget Act was part of an Aging package of legislative investments. At the same time, the Governor established a task force to create a state Master Plan for Aging, to address projected growth in California's over-65 population for state government, local communities, private organizations and philanthropy to build environments that promote an age friendly California. Each of these programs was identified as a key component of that effort.

The 2019 Budget Act increased funding for both senior nutrition programs and ADRCs by $17.5 million and $5 million, respectively. These funds were subject to suspension on December 31, 2021, and the January Governor's budget proposed to delay those suspensions out to take effect on July 1, 2023. The ADRC funding was meant to provide grants to ADRCs to utilize the “No Wrong Door” model. Note that the reduction in funding would continue past 2020-21 until the suspension takes effect.

Questions.

1. MSSP provides social and health case management services for frail, elderly clients who wish to remain in their own homes and communities but are certified (or certifiable) as eligible to enter into a nursing home. Given that older adults in nursing homes have a higher risk of contracting COVID-19 please explain the reasoning behind the proposed elimination of the MSSP.

2. A May 2020 study by the UC Berkeley Goldman School of Public Policy found that the need for food delivery among adults 65 and older increased from 306,223 individuals pre-COVID-19 to about a million individuals in April 2020 during the COVID-19 pandemic. Given these numbers, please explain the reasoning for the decision to reduce funding for nutrition programs.

3. What will the reduction in funding for nutrition programs equate to in terms of meals no longer received and individuals affected?

Staff Recommendation:

- $2 million reduction in the Long-Term Care Ombudsman program. **Hold open.**

- $23.9 million ($22.2 million General Fund) reduction for the elimination of the Multipurpose Senior Services Program (MSSP). **Hold open.**

- $3 million ($1.6 million General Fund) reduction for the elimination of the Community Based Adult Services (CBAS) Program. **Hold open.**

- One-time reduction of $8.5 million GF for the department’s nutrition programs. **Reject May Revision proposal and approve $8.5 million GF in support of CDA Nutrition programs.**

- One-time reduction of $3 million for Aging and Disability Resource Centers. **Reject May Revision proposal and approve $3 million GF for Aging and Disability Resource Centers.**

4300 Department of Developmental Services (DDS)

Issue 1: Major May Revision Changes

Request. The May Revision includes the following reductions and modifications within the DDS budget that would be triggered off if the federal government provides sufficient funding to restore them.

- Establishment of a cost-sharing program for higher-income families resulting in $2 million General Fund (GF) savings in 2020-21. Trailer bill language is associated with this proposal.

- One-time reduction to provider rates and review of expenditure trends resulting in $300 million GF savings in 2020-21. $270 million GF savings is estimated due to adjustment of provider rates and $30 million GF savings is estimated due to the review of expenditure trends. Trailer bill language is associated with this proposal.

- Implementation of the uniform holiday schedule resulting in about $31.3 million GF savings in 2020-21. Trailer bill language is associated with this proposal.

- One-time reduction to the operations budget for Regional Centers resulting in $30 million GF savings in 2020-21. Trailer bill language is associated with this proposal.

The May Revision also includes the following proposals to maximize federal funding:

- Maximize federal funding for eligible services by including additional individuals with developmental disabilities eligible for and enrolled in Medi-Cal and new waiver eligible services. The proposal would result in approximately $27 million GF savings in 2020-21. Trailer bill language is associated with this proposal.

- Maximize federal funding by adding a service delivery alternative focused on the provision of service and case coordination via teleservices, videoconferencing, or other such technologies. Trailer bill language is associated with this proposal.

Background. Currently, DDS has three different cost-sharing programs for families. This proposal would restructure those three programs into two. The purpose of the proposed changes is to consolidate and streamline the process for collection of parental fees, be more equitable across varying family incomes, and increase funding to support regional center services. According to DDS, the new fee schedule is more equitable to lower income families and requires higher fees be paid by families with higher income levels. Six months after the fee changes have been implemented, DDS will review the billing and collection of the new fees for reevaluation of revenues.

The department proposes payment reductions based on a three-tiered schedule informed by the January 2020 rate study update. This proposal is estimated to result in savings assuming federal approval and a November 1, 2020 implementation start date. The department will engage its stakeholders in 2020-21 to evaluate this payment reduction and determine potential alternative methodologies to achieve required budgetary savings in future years should the fiscal crisis persist. The trailer bill language also requires regional centers to conduct expenditure and utilization reviews based on guidelines developed by DDS in collaboration with stakeholders.

As part of a package of budget solutions passed in 2009 in response to the significant state budget deficit, the state enacted a policy prohibiting regional centers from paying service providers on 14 set holidays per year. This meant that service providers either did not provide services on those days or absorbed the cost without payment. The policy also required that the 14 holidays be uniform statewide (in other words, it could not be any 14 days throughout the year). The 2019 Budget Act delayed implementation of the 14 day Uniform Holiday Schedule.

While individuals under the age of eighteen may initially fail to qualify for Medi-Cal based on family income, a program known as Institutional Deeming is available through the Medi-Cal Home and Community Based Services Waiver for those individuals who qualify. Under this program, family income is not counted against the income requirements associated with Medi-Cal, and instead only the individual's, in this case the child's, income is considered. The department estimates that roughly 44,000 individuals currently without Medi-Cal could qualify through Institutional Deeming. The department proposes to require individuals to apply for Medi-Cal, including pursuing Institutional Deeming, when the regional center identifies that the individual is eligible for regional center services. Furthermore, if the family chooses to not pursue Medi-Cal enrollment (or Institutional Deeming), the department proposes that the regional center seek reimbursement from individuals and families for that portion of services that would have been eligible for federal funding.

Questions.

1. In the 2019 Budget Act, various service providers received rate increases of up to 8.2 percent. The 2019 budget suspended those rate increases on December 31, 2021. The 2020 Governor's budget proposes to push the effective date of that suspension to July 1, 2023. Will providers that received a rate increase in the 2019 budget effectively see their rates reduced twice?

2. The proposed language on the review of expenditure trends requires regional centers to submit revised expenditure plans by July 1, 2021. If plans are submitted on July 1, 2021, what is the source of the estimated 2020-21 savings?

3. The proposed language on the one-time reduction of provider rates allows the department to implement additional payment reductions to achieve budgeted savings if the savings are not realized in 2020-21. What process will the department use to vet additional payment reductions? Will a stakeholder process be used?

4. How will the department ensure that reductions in regional center operations budgets have minimal impact on consumers? Does the department expect that some regional centers will need to reduce service coordinator positions to account for the reduction?

5. Please respond to advocate concerns that the proposal to maximize federal funding would place federal costs on consumers and families without due process protections including notice or hearing rights.

Staff Comment. Staff has concerns that the proposed language requiring consumers to apply for Medi-Cal does not appear to include due process protections. The subcommittee may want to consider modifying language to address this concern.

Staff Recommendation: Hold open**.**

Issue 2: January Governor's Budget Proposal (Sustained) – Incompetent to Stand Trial Capacity

Request. The May Revision sustains the January proposal to temporarily increase bed capacity at the Porterville Developmental Center (PDC) Secure Treatment Program (STP) to decrease current admission wait times. The DDS proposes to increase the current 211 bed capacity limit to 231 through June 30, 2024. The bed capacity would return to 211 by July 1, 2024, at which point additional community capacity for WIC 6500 commitments is projected to be developed and operational. The proposal would result in $16.6 million GF costs.

The May Revision also sustains the January proposal to increase the capacity of Enhanced Behavioral Support Homes (EBSH) with delayed egress, secure perimeters from six to eleven, and remove the January 1, 2021 sunset provision on the pilot program.

Background. PDC STP is currently serving individuals who are either court-ordered to PDC due to being a danger to self or others (WIC 6500 commitments) or individuals who have been deemed incompetent to stand trial (IST) and require competency training. The STP is the only DDS facility that serves the IST population. Some of these individuals could be served in a less restrictive but secure setting in the community. Pursuant to SB 856 (Committee on Budget and Fiscal Review) Chapter 30, Statues of 2014, the DDS developed the EBSH pilot program to serve individuals with challenging behavioral needs in the community. A subset of this program has aimed at serving WIC 6500 commitments in EBSH's with delayed egress and secured perimeters. Statute currently limits EBSH's with delayed egress secured perimeter (DESP) to six homes throughout the state and the state may not authorize more than 150 beds in facilities with secured perimeters. Current statute sunsets the EBSH pilot on January 1, 2021. The reasons for this limitation is that these settings are considered more restrictive and are not eligible for federal matching funds. However, the DDS has found the EBSH model to be a successful addition to the array of service options necessary in California to move away from the institution model of care. DDS has the authority to serve the IST population in the community and is allowed to place a maximum of 50 IST placements in the community. However, DDS has not developed that service and currently there are not any IST placements in the community.

Questions.

1. Why has the department not developed any IST treatment options in the community? How long will it take DDS to establish additional suitable community placements for individuals moving out of PDC?

2. How many individuals are currently ready to move as soon as a suitable placement is developed?

Staff Comment. As the system has moved away from institutional models of care, the DDS and RCs have endeavored to place individuals in the least restrictive settings possible. It seems that expanding capacity at Porterville's STP may conflict with that goal. Note that the DDS has had the ability since 2014 to serve individuals that have been declared IST in the community, which would be less restrictive than placing them at PDC. Currently, the DDS is not serving any of these individuals in the community. The committee should consider if there is a way to reduce the IST wait list, while also serving individuals in the community. Staff recommends the Legislature approach this proposal with caution given that it expands the use of restrictive settings – a model that the system as a whole is trying to move away from.

Staff Recommendation. Hold open**.**

5175 Department of Child Support Services (DCSS)

Issue 1: Major May Revision Changes

Requests. The May Revision includes the following reductions and modifications within the DCSS budget that would be triggered off if the federal government provides sufficient funding to restore them.

- Revert Local Child Support Agency (LCSA) funding methodology to 2018 levels, resulting in a General Fund savings of $38 million. Note that $19 million was proposed in the 2020 Governor's budget, and the other $19 million was included in the 2019 budget.

- Temporarily reduce state operations and contracts, resulting in a General Fund savings of $8.3 million General Fund.

Background. The 2019 Budget Act included funding for the department to implement an interim funding methodology for LCSA administrative costs. The budget also included trailer bill language requiring the department to convene a series of stakeholder working sessions to develop an ongoing funding methodology and to provide a written update to the Legislature describing recommended changes to the funding methodology by February 1, 2020.

Questions.

1. Please explain the impacts of (1) withdrawing the proposed 2020-21 funding augmentation, and (2) reducing current base funding on LCSAs. Please describe the methodology of proposed reductions to various LCSAs.

2. The report submitted to the Legislature in February 2020 detailed program efficiencies that could be implemented. Please speak to the possibility of implementing some of those efficiencies in the coming fiscal year to offset cost pressures created by the recent pandemic.

Staff Comment. Due to the COVID-19 pandemic, the Subcommittee did not have the opportunity to meet and discuss the report referenced above and potential adjustments to the funding methodology. The subcommittee submitted follow up questions to the department that were not able to be addressed due to the pandemic. Due to this, the subcommittee may want to consider having the department present potential updates to the funding methodology in the 2021 Governor's budget, per the February 2020 report.
Staff Recommendation: Hold open.

5180 Department of Social Services (DSS)

Issue 1: Major May Revision Changes - Child Welfare Services and Continuum of Care Reform (CCR)

Requests. The May Revision proposes the following new proposals related to child welfare services and CCR. Note there are additional proposals related to child welfare services in the vote only calendar that are not discussed here.

- Eliminate Foster Family Agency social worker rate increase for a one-time savings of $4.7 million GF. This one-time proposal is subject to federal “off trigger.”
- Reduce Short-term Residential Treatment Program (STRTP) rates by five percent for a savings of $13.3 million GF. This is an ongoing proposal subject to federal “off trigger.”
- Revert and eliminate Family Urgent Response System (FURS) for a one-time savings of $30 million. This proposal is subject to federal “off trigger.”
- Suspend Level of Care (LOC) rates two through four for a savings of $15.5 million GF. This is an ongoing proposal subject to federal “off trigger.”
- CCR Reconciliation: Child and Family Teams (CFTs) for fiscal years 2016-17 and 2017-18 at a cost of $2.6 million GF.

Background. The 2019 Budget Act included $6.5 million General Fund for a Cost of Living Adjustment (COLA) for the rates paid to foster family agencies (FFAs). These funds were subject to suspension on December 31, 2021, and the January Governor’s budget proposed to delay those suspensions to take effect on July 1, 2023.

Under CCR, the state has begun to eliminate group homes and replace them with STRTPs. STRTPs are intended to provide care, supervision, and expanded services and supports on a short-term basis. Both FFAs and STRTPs are required to ensure access to specialty mental health services.

The 2019 Budget Act included $15 million General Fund in 2019-20 and annual funding thereafter to implement FURS. These funds were subject to suspension on December 31, 2021, and the January Governor's budget proposed to delay those suspensions to take effect on July 1, 2023.

To implement a new rate structure under CCR, a LOC tool was developed to aid in assessing foster youth and placing them in the appropriate LOC. All new FFA entries into foster care are being assessed with a LOC tool.

Proposition 30 requires that the state fund the net costs to each county of any new state child welfare requirements or programs enacted after 2011, and provides that counties only have to implement those new state requirements or programs to the extent of the state funding provided. CCR legislation, enacted in 2016, contained new and expanded administrative requirements. Counties have been fronting additional costs for the administrative provisions of CCR without reimbursement. The May Revision includes $2.6 million GF to reimburse counties for the net costs associated with CFTs for 2016-17 and 2017-18, based on a methodology developed by CWDA and CDSS. The Administration will not be providing reimbursement for the net new costs associated with the Resource Family Approval (RFA) process.

Questions.

1. The May Revision includes an ongoing five percent reduction to STRTP rates and an ongoing suspension to level of care rates. Please describe the reasoning behind making these reductions ongoing, as opposed to making them time-limited to coincide with future economic recovery.

2. Would the proposed suspension of the level of care rates affect those currently receiving those rates? Is this a prospective suspension?

3. Please describe the process used to develop the CCR reconciliation methodology.

4. Why is FURS proposed for elimination and if eliminated, how much federal funding will be required to administratively resume the program? How will programs like FURS be prioritized for federal funding if there is insufficient federal funds to support all of the proposed "off triggers"?

Staff Recommendation. Hold open**.**

Issue 2: Major May Revision Changes - Supplemental Security Income/State Supplemental Payment (SSI/SSP)

Request. The May Revision proposes an ongoing withholding of the federal January 2021 COLA to SSI/SSP Recipients for a cost savings of $33.7 million GF. This proposal is subject to the federal "off trigger." Note there are additional proposals related to SSI/SSP on the vote only calendar that are not discussed here.

Background. The SSI/SSP programs provide cash assistance to around 1.2 million Californians, who are aged 65 or older (29 percent), are blind (one percent), or have disabilities (70 percent), and in each case meet federal income and resource limits. A qualified SSI recipient is automatically qualified for SSP. SSI grants are 100 percent federally funded. The state pays SSP, which augments the federal benefit. The federal government, which funds the SSI portion of the grant, is statutorily required to provide an annual COLA each January. The state COLA for the SSP was permanently repealed in 2011 through statute. The 2016 budget included a one-time SSP COLA of 2.76 percent. The 2018 Budget Act included trailer bill language that codified COLAs to SSP grants beginning in 2022-23, subject to funding in the annual Budget Act. The Governor's budget estimates SSI/SSP monthly maximum grant levels will reach $957.72 for individuals and $1,602.14 for couples.

Questions.

1. The proposed withholding of the SSI COLA is proposed to be ongoing. Please explain the reasoning behind making this an ongoing proposal instead of one-time.

Staff Comment. Those receiving SSI/SSP grants are some of California's most vulnerable residents. Due to the vulnerable nature of SSI/SSP recipients, the Subcommittee may wish to make this a one-time withholding. Additionally, if approved, the subcommittee may wish to require the state to restore the withheld amount after a set amount of time when the economy is recovered.

Staff Recommendation. Hold open.

Issue 3: Major May Revision Changes – In-Home Supportive Services (IHSS)

Request. The May Revision proposes the following new proposals related to the IHSS program. Note there are additional proposals related to IHSS that are not discussed here.

- Seven Percent Reduction to recipients' service hours resulting in approximately $205 million GF savings. This proposal is subject to the federal "off trigger."
- Hold county administration and Public Authority funding to 2019 Budget Act level resulting in $12.1 million GF savings. This proposal is subject to the federal "off trigger."
- Transfer payroll functions from counties to a vendor resulting in a $9.2 million GF savings.

Background. The IHSS program provides personal care services to approximately 610,457 qualified low-income individuals who are blind (1.5 percent), over 65 (36.8 percent), or who have disabilities (61.7 percent). Services include feeding, bathing, bowel and bladder care, meal preparation and clean up, laundry, and paramedical care. These services help program recipients avoid or delay more expensive and less desirable institutional care settings. County social workers determine IHSS eligibility and perform case management after conducting a standardized in-home assessment of an individual's ability to perform activities of daily living.

Questions.

1. Does linking reductions to restoring IHSS service levels reduce the likelihood of the state receiving federal relief, given that the federal government has already provided an enhanced federal medical assistance percentage?
2. Access to IHSS services reduces institutionalization and is less costly. How much of the projected savings from reduction of IHSS service hours will be offset by higher costs of nursing home care covered by Medi-Cal?
3. Please provide a brief description of the specific payroll functions proposed for transfer from counties. Describe the potential impact to county staff.

Staff Recommendation. Hold open.

Issue 4: Major May Revision Changes - CalWORKs

Requests. The May Revision proposes the following new proposals related to the CalWORKs program. All proposals listed below are subject to the federal "off trigger." Note there are additional proposals related to CalWORKs in the vote only calendar that are not discussed here.

- Revised CalWORKs Employment Services and Child Care assumptions for an estimated savings of $67.5 million GF.
- Ongoing suspension of CalWORKs Expanded Subsidized Employment for an estimated savings of $134 million.
- Reduction in the CalWORKs Home Visiting program for an estimated savings of $30 million.
- Suspension of CalWORKs Outcomes and Accountability Review (Cal-OAR) for an estimated savings of $21 million.
- CalWORKs Child Care Regional Market Rate reduction for an estimated savings of $32.9 million.

Background. The projections for CalWORKs Employment Services and Child Care costs related to COVID-19 caseload increases assume that both take up and cost per case will be lower than average, resulting in a $665 million ($67.5 million GF) proposed decrease to CalWORKs Employment Services and Child Care, compared with what would have been budgeted under the existing methodology.

Under subsidized employment, counties form partnerships with employers, non-profits, and public agencies to match CalWORKs recipients with jobs. Wages are fully or partially subsidized for six months to a year.

The CalWORKs Home Visiting Program began in 2018. It pairs new parents with a nurse or other trained professional who makes regular visits to the participant's home to provide guidance, coaching, access to prenatal and postnatal care, and other health and social services.

Cal-OAR is a framework for a new performance measurement system for CalWORKs. Under Cal-OAR, data on various performance indicators are collected and published, and counties will regularly undergo self-assessment and develop system improvement plans with targets for the performance indicators.

Questions.

1. Please describe the rationale behind the assumption that take up and cost per case related to COVID-19 caseload will be lower than average.

2. Please discuss the rationale behind the reduction in subsidized employment. Please respond to advocate assertions that this program is a likely path to employment during an economic downturn.

3. How will CalWORKs recipients currently enrolled in the subsidized employment program be affected by this proposal? Will these participants remain employed on July 1, 2020, if this proposal is approved?

4. How will families currently participating in the CalWORKs Home Visiting Program be affected by the reduction in funding for the program?

Staff Recommendation. Hold open.