

HEALTH AND HUMAN SERVICES

Health and Human Services programs provide essential medical, dental, mental health, and social services to many of California's most vulnerable and at-risk residents. These programs touch the lives of millions of Californians and provide access to critical services that promote their health, well-being, and ability to more effectively function in society. The Budget reflects the Administration's efforts to maintain a strong and responsible safety net for California's most vulnerable residents, guided by an overall vision for Health and Human Services which ensures that residents are protected against and prepared for natural and intentional disasters, that Californians have access to affordable health care coverage, that children are raised in safer, more stable, and permanent homes, that persons with developmental disabilities are given opportunity to work in the community, and that seniors and persons with disabilities live in the most integrated and appropriate community setting.

Effective July 1, 2007, Chapter 241, Statutes of 2006 (SB 162) created the new Department of Public Health (DPH) and the Department of Health Care Services (DHCS) from the former Department of Health Services. This organizational change will increase accountability, improve the effectiveness of public health programs and health care purchasing activities, enhance state leadership in public health, and increase organizational focus on the departments' respective core missions.

In order to further build a prudent reserve in light of the various uncertainties in revenues and spending that we face this year, the Budget includes reductions in various areas, including Health and Human Services programs. These reductions were selected using criteria such as minimizing the impact to services and preserving entitlements and other nondiscretionary activity.

REDUCTIONS TO BUILD A PRUDENT FISCAL RESERVE

The budget includes reductions to various Health and Human Services programs to help build a prudent reserve, including the following major adjustments:

- A decrease of \$331.9 million General Fund in the DHCS Medi-Cal estimate. This reduction is based on historical data showing that on average over the last three fiscal years, Medi-Cal expenditures have fallen short of the estimate by more than \$400 million General Fund.
- Deletion of one-time funding of \$106.3 million (\$53.1 million General Fund) in the DHCS that was intended to fund Medi-Cal managed care rates.
- Elimination of a total of \$32.1 million (\$15.4 million General Fund), on a one-time basis, in the DHCS, the DPH, and the Managed Risk Medical Insurance Board to delay implementation of a pilot program for self-certification of income at enrollment for Medi-Cal and development of feasibility study reports related to information technology system changes proposed by Chapter 328, Statutes of 2006 (SB 437). This reduction will result in a delay of one year in implementing the bill.
- A reduction of \$34.6 million (\$15 million General Fund) for the county grants portion of the Children's Outreach initiative in Medi-Cal and the Healthy Families Program. With this reduction, \$147 million (\$64.7 million General Fund) remains to fund other components of the initiative that streamline enrollment processes, improve retention, and support county-based enrollment efforts for children.
- A reduction of \$54.9 million General Fund for the Integrated Services for Homeless Adults with Serious Mental Illness Program. To the extent counties find this program beneficial and cost-effective, it can be restructured to meet the needs of each county's homeless population using other county funding sources, such as federal funds, realignment funds, or Proposition 63 funds.

DEPARTMENT OF HEALTH CARE SERVICES

The Budget includes total Medi-Cal expenditures of \$37 billion (\$14.3 billion General Fund), an increase of \$1.6 billion (\$642.2 million General Fund) over the revised 2006 Budget Act. The average monthly Medi-Cal caseload is expected to be 6,586,211 beneficiaries in 2007-08. This represents an increase of 0.8 percent above the revised 2006 Budget Act level.

NEW RATE METHODOLOGY FOR MEDI-CAL MANAGED HEALTH CARE PLANS

The Budget includes \$108 million (\$54 million General Fund) to provide rate adjustments to the Medi-Cal managed health care plans as determined by a new rate methodology, which will be implemented at the beginning of each plan's new rate year. These plans play a crucial role in ensuring adequate access to health care for vulnerable Californians, serving approximately 3.2 million Medi-Cal beneficiaries each year.

INCREASE RATE REIMBURSEMENTS FOR LONG-TERM CARE FACILITIES

The Budget includes \$146.3 million (\$73.1 million General Fund) for a 5.5-percent rate increase to freestanding level B nursing homes and adult sub-acute care facilities that provide long-term care to Medi-Cal beneficiaries.

IMPLEMENTATION OF FEDERAL DEFICIT REDUCTION ACT CITIZENSHIP REQUIREMENTS

The Budget includes \$50.8 million (\$25.4 million General Fund) and 3.8 positions to focus on implementing new federal requirements under the Deficit Reduction Act of 2005. Of this amount, \$50.4 million (\$25.2 million General Fund) is for county administrative activities.

HUMAN PAPILLOMAVIRUS VACCINATIONS (HPV)

The Budget includes \$11.1 million (\$5.6 million General Fund) in 2007-08 to provide HPV to approximately 52,000 Medi-Cal-eligible women ages 19 through 26. The United States Food and Drug Administration recently approved this new vaccine, which has been shown to reduce the risk of contracting cervical cancer by up to 70 percent.

NURSING FACILITY A/B WAIVER CAP INCREASE

The Budget includes \$6.1 million (\$3 million General Fund) to increase the waiver cap for the Nursing Facility A/B waiver. This is a federal home- and community-based services waiver that provides services and support to Medi-Cal beneficiaries to allow them to remain safely in their homes and avoid institutional placements. These services are a critical component of the state's efforts to implement the Olmstead court decision.

ADULT DAY HEALTH CARE REFORM

The Budget includes \$2.6 million (\$1.2 million General Fund) and 36 positions to phase in program reforms and develop a new rate methodology to increase California's ability to retain federal funding and help ensure services remain available for qualified beneficiaries, as required by Chapter 691, Statutes of 2006 (SB 1755).

DEPARTMENT OF PUBLIC HEALTH

The Budget includes \$3.1 billion (\$390.7 million General Fund) for the Department of Public Health (DPH).

BIOMONITORING

The Budget includes \$3.2 million General Fund and 7.6 positions to implement the Environmental Contaminant Biomonitoring Program pursuant to Chapter 599, Statutes of 2006 (SB 1379). This funding will support a contract to develop a sampling design and establish parameters for this program, and hire staff and purchase equipment to establish laboratory protocols for the test design, field sampling, and the accelerated implementation of this program. This is a collaborative effort that also includes \$1.6 million for the Department of Toxic Substances Control and \$380,000 for the Office of Environmental Health Hazard Assessment.

PROPOSITION 84

The Budget includes \$47.3 million Proposition 84 bond funds and 15.7 two-year limited-term positions to administer a program to provide emergency and infrastructure improvement grants and grants and loans for drinking water projects.

GENETIC DISEASE

The Genetic Disease Screening Program, within the Center for Family Health, screens newborns and pregnant women for genetic and congenital disorders in a cost-effective and clinically efficient manner. The screening programs provide testing, follow-up and early diagnosis of disorders to prevent adverse outcomes or minimize the clinical effects of such disorders. The Budget Act includes \$118.4 million from the Genetic Disease Testing Fund, a net increase of \$20.7 million above the Budget Act of 2006. The Budget Act includes \$4.2 million from the Birth Defects Monitoring Fund, \$16.1 million from the Genetic Disease Testing Fund and 5.7 positions to implement Chapter 484, Statutes of 2006 (SB 1555), which expands research efforts and prenatal screenings for birth defects.

FOODBORNE ILLNESS

The Budget includes \$903,000 General Fund and 4.7 positions to enhance the state's capabilities to respond to foodborne illnesses and outbreaks such as E. coli. These resources will allow the DPH to quickly respond to and investigate the source of future outbreaks.

AIDS DRUG ASSISTANCE PROGRAM

The Budget includes \$288.9 million to fully fund the AIDS Drug Assistance Program (ADAP). ADAP provides life-saving medications to low-income persons living with HIV/AIDS. Drugs

provided by ADAP have been shown to prolong quality of life and delay the deterioration of health among individuals living with HIV. The ADAP will serve nearly 32,905 clients in 2007-08.

HIV/AIDS CARE AND TREATMENT PROGRAMS

As a result of additional drug rebate revenues, the Budget Act reflects one-time General Fund savings of \$9.3 million and a one-time redirection of \$7.8 million General Fund to other HIV care and treatment programs. The one-time redirection of General Fund will better meet the needs of persons living with HIV, while ensuring that the state maintains compliance with federal maintenance-of-effort requirements and continues to receive federal Ryan White HIV/AIDS Treatment Modernization Act funds totaling approximately \$122 million in 2007-08. The Budget includes redirected funding for the following programs:

- \$4 million for the Therapeutic Monitoring Program to provide more than 33,000 viral load and resistance tests to approximately 17,000 clients.
- Up to \$1.8 million to backfill the expected loss of federal funds to designated Eligible Metropolitan Areas or Transitional Grant Areas.
- \$1.5 million for the AIDS Regional Information and Evaluation System, a web-based case management system that supports client access to care and treatment.
- \$500,000 to support the development and delivery of capacity-building activities.

HIV REPORTING

The Budget includes \$2 million General Fund to provide additional local assistance funding to increase surveillance staff for HIV reporting activities. This funding will accelerate the state's implementation of names-based HIV reporting, which is critical for the state's continued receipt of \$50 million in federal grants to support critical services for persons living with HIV.

LICENSING AND CERTIFICATION

The Budget includes \$83.6 million (\$9.1 million General Fund) for Licensing and Certification (L and C) activities including:

- \$2.8 million General Fund to help offset L and C fee increases to facilities.
- \$7.2 million L and C Program Fund and 42.7 positions to implement Chapter 647, Statutes of 2006 (SB 1301) related to the reporting of and follow up on adverse events in hospitals.

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- \$2.5 million L and C Program Fund and 15.2 positions to conduct periodic licensing surveys of long-term care facilities, pursuant to Chapter 895, Statutes of 2006 (SB 1312).
- \$0.7 million (\$0.4 million L and C Program Fund and \$0.4 million Federal Funds) and 5.7 positions to provide legal and administrative support for the 155.5 new L and C staff included in the 2006 Budget Act.
- \$0.2 million and 1.4 positions in the DPH and \$0.5 million (\$0.3 million General Fund) and 4.3 positions in the DHCS to ensure hospitals apply fair pricing to uninsured and underinsured patients, pursuant to Chapter 755, Statutes of 2006 (AB 774).

MANAGED RISK MEDICAL INSURANCE BOARD

HEALTHY FAMILIES PROGRAM

The Budget includes Healthy Families Program (HFP) expenditures of \$1.1 billion (\$398.7 million General Fund), an increase of \$93.6 million (\$36.5 million General Fund) above the revised 2006 Budget Act level. Year-end caseload is expected to reach 908,912 children, an increase of 64,629 children compared to 844,283 in 2006-07.

ENROLLING ELIGIBLE CHILDREN IN HEALTH COVERAGE

The Budget includes \$58.9 million (\$21 million General Fund) to continue program changes that promote and maximize enrollment in the HFP, improve retention of children already enrolled, and support county-based efforts to enroll eligible children. These changes include streamlining of the application process, providing incentives to Certified Application Assistants, and developing an electronic application (know as Health-e-App) for public use. These changes are expected to increase HFP enrollment by over 38,800 children.

ACCESS FOR INFANTS AND MOTHERS PROGRAM

The Budget includes Access for Infants and Mothers (AIM) program expenditures of \$133.2 million, an increase of \$8.8 million above the revised 2006 Budget Act level. Enrollment is expected to reach 13,912 women, an increase of 1,815 women compared to 12,097 in 2006-07.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Budget includes \$4.4 billion (\$2.6 billion General Fund) for the Department of Developmental Services (DDS), an increase of \$289.9 million (\$93.9 million General Fund) above the revised 2006-07 budget. Total caseload is expected to reach 221,840 consumers in 2007-08, compared to 214,057 in 2006-07.

DEVELOPMENTAL CENTERS

The Budget provides \$720.3 million (\$391.5 million General Fund) for developmental centers, a net decrease of \$14.2 million (\$14.8 million General Fund) from the revised 2006-07 budget, primarily due to a reduction in the developmental center population as consumers transition into the community. The Budget supports a population of 2,610, a decrease of 267 consumers from 2006-07.

AGNEWS DEVELOPMENTAL CENTER CLOSURE

The Budget continues to provide funding to achieve the authorized closure of Agnews Developmental Center in June 2008 and includes a decrease of \$12 million (\$9.3 million General Fund) due to the anticipated movement of 188 consumers from Agnews into the community and the movement of an estimated 10 consumers to other developmental centers. The regional centers' budget is projected to increase by \$45.1 million (\$30.3 million General Fund) for the costs of providing services to the additional consumers in the community. The Budget includes \$1 million redirected from the Wellness Initiative grant to provide two mobile health clinics in the Golden Gate Regional Center, Regional Center of the East Bay, and San Andreas Regional Center catchment areas to help ensure the continuity of health care as Agnews consumers transition into the community.

REGIONAL CENTERS

The Budget includes \$3.6 billion (\$2.2 billion General Fund) for regional centers, a net increase of \$302.9 million (\$107.6 million General Fund) above the revised 2006-07 budget, primarily due to increases in the costs of community care facilities, day programs, support services, miscellaneous services and the increase in the minimum wage. The Budget supports a population of 219,230, an increase of 8,050 consumers above 2006-07. The Budget also includes \$503,000 (\$126,000 General Fund) to provide health care community specialists to facilitate the transition of Agnews consumers into residential placements and to act as coordinators between the health care plans, consumers, families and other community-based services.

SALARY ADJUSTMENTS FOR CLINICAL HEALTHCARE CLASSIFICATIONS

The Budget includes salary adjustments for clinical staff that provide direct care services to DDS consumers. These adjustments are in response to the following court decisions:

- Salary Enhancements for Medical Services Personnel (Plata Case)—The Budget includes an increase of \$12.6 million (\$7.4 million General Fund) to bring salaries for classifications providing medical services to within 18 percent of the Plata court-ordered salaries for

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the same classifications at the California Department of Corrections and Rehabilitation. This will allow hiring and retention of medical staff at the developmental centers.

- Salary Enhancements for Dental Staff (Perez Case)—The Budget includes an increase of \$1.3 million (\$747,000 General Fund) in order to provide salary increases to all budgeted Department of Developmental Services dental staff to retain existing staff and enhance the recruitment of additional staff.
- Salary Enhancements for Mental Health Personnel (Coleman Case)—The Budget includes an increase of \$7.2 million (\$4.2 million General Fund and \$3 million reimbursements) to fund salary increases for impacted mental health classifications to improve hiring and staff retention at the developmental centers.

MINIMUM WAGE INCREASE

On January 1, 2007, California's minimum wage increased by \$0.75 to \$7.50 per hour. This increase impacts entry-level direct care staff who provide services in community care facilities, day and work activity programs and respite care. The Budget reflects costs of \$53.3 million (\$37.2 million General Fund) in 2007-08 to fund this increase. On January 1, 2008, California's minimum wage will increase by an additional \$0.50 to \$8.00 per hour. The Budget also includes \$18.1 million (\$12.6 million General Fund) to fund this increase.

DEPARTMENT OF MENTAL HEALTH

The Budget includes \$4.8 billion (\$1.9 billion General Fund) for the Department of Mental Health (DMH), an increase of \$1.2 billion (\$48.7 million General Fund) from the revised 2006 Budget Act level. This net change primarily reflects continued growth in the Early and Periodic Screening, Diagnosis and Treatment Program, the impact of Proposition 83, also known as Jessica's Law, elimination of the Integrated Services for Homeless Adults with Serious Mental Illness program, and the removal of one-time costs for prior-year AB 3632 mandate claims.

STATE HOSPITALS

The Budget includes \$1.2 billion (\$1.1 billion General Fund) and 10,445 positions for 2007-08, an increase of \$137.4 million (\$110.2 million General Fund) and 821.2 positions from the revised 2006-07 budget. This funding will support a total population of 6,095, an increase of 506 patients from the revised 2006-07 population level. This includes an increase of \$4.3 million General Fund to contract for competency restoration services at the local level. Contracting for local mental health beds will expand services and address state hospital capacity issues.

SALARY ADJUSTMENTS FOR CLINICAL HEALTHCARE CLASSIFICATIONS

The Budget includes salary adjustments for clinical staff that provide direct care services to patients at the state hospitals and psychiatric programs. These adjustments are in response to the following court decisions:

- Salary Enhancements for Medical Services Personnel (Plata Case)—The Budget includes an increase of \$7.1 million (\$6.9 million General Fund) to bring salaries for classifications providing medical services to within 18 percent of the Plata court-ordered salaries for the California Department of Corrections and Rehabilitation. This will allow hiring and retention of medical staff at state hospitals.
- Salary Enhancements for Dental Staff (Perez Case)—The Budget includes an increase of \$1.6 million General Fund in order to provide salary increases to DMH dental staff to retain existing staff and enhance the recruitment of additional staff.
- Salary Enhancements for Mental Health Personnel (Coleman Case)—The Budget includes an increase of \$5.5 million General Fund to increase the salaries of the same classifications of staff working in DMH psychiatric programs operating within Salinas Valley State Prison and the California Medical Facility at Vacaville. The Budget also includes \$35.5 million (\$34.7 million General Fund) to fund salary increases for impacted mental health classifications to improve hiring and staff retention at the state hospitals.

COMMUNITY MENTAL HEALTH SERVICES

The Administration recognizes the importance of providing mental health services in communities to reduce institutionalization. The Budget includes \$3.5 billion (\$776.8 million General Fund), an increase of \$1.1 billion (a decrease of \$72.9 million General Fund) compared to the revised 2006-07 budget for community mental health services.

EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT (EPSDT) PROGRAM

The Budget includes \$1 billion (\$454 million General Fund) for EPSDT, a decrease of \$37 million (an increase of \$47.8 million General Fund) from the revised 2006-07 budget. In addition, \$86.7 million General Fund is available to begin reimbursing counties for prior years' costs, which will be repaid over a three-year period commencing in 2007-08. Under this program, approximately 186,000 Medi-Cal-eligible children and young adults receive services to ameliorate a diagnosed mental illness.

EARLY MENTAL HEALTH INITIATIVE (EMHI)

The Budget includes a \$5 million increase in Proposition 98 General Fund to augment the EMHI program, which provides grants to local education agencies for supportive, non-clinical

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mental health intervention and prevention services to children (grades K-3) who have mild or moderate school adjustment difficulties. This augmentation will increase total program funding to \$15 million in 2007-08.

DEPARTMENT OF CHILD SUPPORT SERVICES

RESTORING THE LOSS OF FEDERAL FUNDS

Effective October 1, 2007, the federal Deficit Reduction Act of 2005 (DRA) will eliminate California's ability to claim federal matching funds for earned federal incentive payments. These incentive payments are awarded to all states based upon program performance in a number of areas, such as paternity establishment. The Budget includes increased funding of \$23 million General Fund to maintain the current funding level for local child support agencies.

DEPARTMENT OF SOCIAL SERVICES

The Budget includes \$19.1 billion (\$9 billion General Fund) for the Department of Social Services, an increase of \$698.3 million (a decrease of \$222.1 million General Fund) from the revised 2006 Budget Act level.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The Budget includes total California Work Opportunity and Responsibility to Kids (CalWORKs) expenditures of \$7.2 billion. Caseload is projected to decrease by a modest amount after many consecutive years of decline. The revised caseload projections are 461,200 cases in 2006-07 and 457,500 in 2007-08.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT PROGRAM

Total General Fund expenditures for the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program are \$3.7 billion in 2007-08, an increase of \$118.7 million from the revised 2006 Budget Act level. The average monthly caseload in this program is estimated to increase to 1.3 million recipients, a 1.8-percent increase over the 2006-07 projected level.

The Budget provides a pass-through of the federal cost-of-living adjustment (COLA) for the SSI/SSP program on January 1, 2008, which will increase the monthly grant payment levels from \$856 for aged or disabled individuals and from \$1,502 for aged or disabled couples to \$868 and \$1,521 respectively. The Budget delays provision of the state SSI/SSP COLA from January 2008 to June 2008. On June 1, 2008, monthly grant payment levels will increase to \$888 for aged or disabled individuals and to \$1,558 for aged or disabled couples. California's

SSI/SSP payment levels for individuals and couples are projected to maintain rankings of second and first in the nation, respectively.

IN-HOME SUPPORTIVE SERVICES

Total General Fund expenditures for the In-Home Supportive Services (IHSS) program are \$1.6 billion in 2007-08, an increase of \$97.1 million from the revised 2006 Budget Act level. The average monthly caseload in this program is estimated to increase to 389,100 recipients, a 5.1-percent increase over the 2006-07 projected level. Effective July 1, 2007, state participation in IHSS provider wages and health benefits increased from \$11.10 per hour to \$12.10 per hour, based on the projected growth of General Fund revenues.

CHILD WELFARE SERVICES

The child welfare services system in California provides a continuum of services through programs, including Child Welfare Services, Child Abuse Prevention, Foster Care, Adoption Assistance, and Adoptions to children who are either at risk of or have suffered abuse and neglect. The Budget includes \$4.1 billion (\$1.6 billion General Fund) to provide assistance payments and services to children and families under these programs. This is a \$175.4 million, or a 4.5-percent increase, from the revised 2006 Budget Act level. Major investments in the child welfare system include:

- An increase of \$3.7 million (\$2 million General Fund), effective February 1, 2008, to double the reimbursement rate for non-profit private adoption agencies that specialize in finding permanent homes for children with high needs.
- An increase of \$17.2 million (\$9.6 million General Fund), effective January 1, 2008, to provide a 5-percent increase to foster family home base rates, specialized care increments, and group home rates; Adoption Assistance Program cases prospectively; and all Kin-GAP and Emergency Assistance cases.
- An increase of \$30.8 million (\$15.2 million General Fund) to create a standard rate paid to foster care and adoptive families who care for children with developmental disabilities. These children are served by both the Department of Social Services and the Department of Developmental Services. The effect of this change will be an expedited and streamlined process for families accessing services through this program. Under this change, the vast majority of families will receive a rate increase and no family will see a decrease. Children will continue to receive all necessary services related to their developmental disability through the regional center system.

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- An increase of \$20.2 million General Fund to increase participation in the Transitional Housing Plus Program, which provides services to youth between 18 and 24 years of age emancipating from the foster care system.