

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees 12 departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California's most vulnerable and at-risk residents.

The 2011 Budget Act includes total funding of \$88.2 billion (\$28.6 billion General Fund and \$59.6 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health insurance program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government dictates a mandatory set of basic services including, but not limited to, physician services, nursing facility services, hospital inpatient and outpatient services, laboratory and radiology services, and family planning. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, home and community based waiver services, and medical equipment, which avoid more costly services.

Medi-Cal costs historically have grown between 6 and 8 percent annually because of health care inflation and caseload growth. Over the current year, spending is projected to decline by approximately 4.7 percent due to enacted program savings (after adjusting for

the end of federal stimulus funding). Absent these savings, costs would have grown by approximately 4.9 percent.

ADOPTED SOLUTIONS

- **Limit Utilization of Services**—Established utilization controls at a level that ensures that 90 percent of the beneficiaries who utilize a particular service remain unaffected. Specifically, the controls set a maximum annual benefit dollar cap on hearing aids (\$1,510) and limits the number of doctor visits to seven per year prior to physician authorization. The limits on hearing aids save an estimated \$229,000 in 2011-12. The limit on physician visits saves an estimated \$41 million in 2011-12. These changes take effect October 1, 2011.
- **Require Beneficiaries to Share in the Cost of Services**—Beginning November 1, 2011, a \$5 copayment on physician, clinic, and dental services is required, resulting in savings of \$157.3 million in 2011-12. There will also be a \$50 copayment on emergency room services (saves \$96.8 million in 2011-12), a \$100/day and \$200 maximum copayment for hospital stays (saves \$128.7 million in 2011-12), and \$3/\$5 copayments for pharmacy based on the drug status (saves \$128.4 million in 2011-12).
- **Eliminate Adult Day Health Care and Other Benefits**—Eliminated the optional Adult Day Health Care program for savings of \$169.6 million in 2011-12. Approximately 35,000 beneficiaries use Adult Day Health Care services each month in about 330 centers statewide. Other benefit changes include restrictions to supplemental nutrition products (\$13.8 million) and ending coverage of over-the-counter cough and cold medications (\$2.1 million).
- **Provider Payment Reductions**—Reduced provider payments by 10 percent for physicians, pharmacy, clinics, medical transportation, home health, family health programs, certain hospitals, and nursing facilities. Consistent with the 10-percent reductions proposed for other providers, this proposal would also reduce rates for long-term care nursing facilities by 10 percent. This action will require federal approval and save an estimated \$623.4 million in 2011-12.
- **Extend the Existing Hospital Fee**—Extended the existing hospital fee through June 30, 2011. Fee revenue is used to leverage federal funding to provide supplemental payments to hospitals for the provision of Medi-Cal services and to offset General Fund. This is estimated to save \$210 million General Fund in 2010-11.

- **Collect Managed Care Drug Rebates**—Implemented an option provided by federal Health Care Reform to begin collecting drug rebates for drugs dispensed in managed care plans. The Medi-Cal program already collects significant rebates for drugs dispensed in the fee-for-service component of the program. This is estimated to save \$64 million General Fund in 2011-12.
- **Medi-Cal Waiver**—The recently approved Medi-Cal waiver provides for up to \$400 million in savings annually that can be claimed with expenditures in state-only programs (federal waiver funds can only be claimed if qualifying health care expenses are incurred). Current projections are that the state will fall short of that level in 2010-11. The state will petition the federal government to make additional waiver funds available that will be claimed with expenditures by public hospitals. The state will split the funds with public hospitals until the state achieves the full \$400 million savings target. This is estimated to save up to \$95.2 million General Fund in 2010-11 depending on the final expenditures for state-only programs.
- **State Share of Inter-Governmental Transfers**—Local governments that operate Medi-Cal managed care plans have the option of submitting an Inter-Governmental Transfer (IGT) to fund the non-federal share of rate increases, and this implements a fee equal to 20 percent of the IGT. Fee revenue will be used to offset General Fund costs in the Medi-Cal program. There are currently 17 counties that operate Medi-Cal managed care plans and they will be subject to the fee if they choose to participate in this voluntary program. This is estimated to save \$34.2 million General Fund in 2011-12.

OTHER CHANGES

The Budget includes the following significant changes:

- **Federal Drug Rebate Costs**—An increase of \$70 million in 2011-12 for drug rebate costs to be reimbursed to the federal government as a one-time reconciliation payment resulting from changes made by Health Care Reform.
- **Adult Day Health Care (ADHC) Transition**—An increase of \$85 million in 2011-12 to provide funding for ADHC transition assistance and other long-term care services.

MANAGED RISK MEDICAL INSURANCE BOARD

The Managed Risk Medical Insurance Board administers five programs that provide health coverage through commercial health plans, local initiatives and county-organized health systems to certain persons who do not have health insurance.

ADOPTED SOLUTIONS

- **Increase Premiums**—Increased Healthy Families Program premiums for families with incomes at or above 150 percent of poverty for General Fund savings of \$22.8 million. Upon federal approval, premiums would increase for the income group from 150 to 200 percent of poverty by \$14 per child (from \$16 to \$30) and increase the maximum limit for a family with three or more children by \$42 for a family maximum of \$90. For families with incomes from 200 to 250 percent of poverty, premiums would increase by \$18 per child (from \$24 to \$42) and the maximum limit for a family with three or more children would increase by \$54 to \$126.
- **Increase Co-Payments**—Increased Healthy Families Program co-payments for emergency room visits from \$15 to \$50 and inpatient stays from \$0 to \$100 per day (\$200 maximum per admission) to conform to a similar Medi-Cal cost-containment proposal. This would result in savings of \$4.9 million.
- **Vision Benefit Cost Containment**—Adopted cost containment measures for vision services to achieve \$3.3 million in General Fund savings in 2011-12.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services serves approximately 243,000 individuals with developmental disabilities in the community and 1,970 individuals in state-operated facilities. The Budget includes \$4.6 billion (\$2.6 billion General Fund). Services are provided through the developmental centers and one community facility and the regional center system.

ADOPTED SOLUTIONS

- **Developmental Services System Wide Reductions**—A net decrease of \$582.2 million over the two-year period from 2010-11 to 2011-12. Legislation authorized various cost containment measures to achieve ongoing savings of \$389.3 million.

DEPARTMENT OF MENTAL HEALTH

The Department of Mental Health provides oversight of community mental health programs and direct services through state hospitals. The Budget includes \$4.5 billion (\$1.3 billion General Fund) in 2011-12.

ADOPTED SOLUTIONS

- Fund Community Services Programs with the Mental Health Services Fund (MHSF)—A decrease of \$861.2 million in 2011-12. Legislation authorizes the one-time use of the MHSF for the Early and Periodic Screening, Diagnosis and Treatment program, the Mental Health Managed Care program, and mental health services to special education students.
- The Budget provides \$98.6 million MHSF to county mental health agencies on a one-time basis for mental health services to special education students. Ongoing responsibility for these services is realigned to school districts. Shifting the responsibility for providing mental health services, including out-of-home residential services, is expected to contain costs and ensure that services provided are related to educational outcomes.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

ADOPTED SOLUTIONS

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

- Reduce the Time Limit on Aid for Adults—A decrease of \$102.6 million in 2011-12 from reducing the cumulative total number of months aided adults can receive a monthly cash benefit from 60 months to 48 months. This reduction will result in approximately 22,500 adults being removed from aid.
- Reduce Monthly Grants by 8 Percent—A decrease of \$314.3 million in 2011-12 from reducing the maximum monthly CalWORKs aid payment levels by 8 percent. This reduction will reduce the maximum monthly grant for a family of three from \$694 to \$638.

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- Reduce Earned Income Disregard—A decrease of \$83.3 million in 2011-12 from reducing the amount of income that is not counted for purposes of calculating a family's monthly grant. The income disregard will be modified to not count the first \$112 of monthly earned income and 50 percent of each dollar earned beyond \$112.
- Extend Short-Term Reforms—A net decrease of \$369.4 million in 2011-12 from extending, for one year, the reduction in the county single allocation for employment services and Stage 1 child care that has been in place since 2009-10.
- Suspend Cal-Learn Program—A decrease of \$43.6 million in 2011-12 from a one-year suspension of the Cal-Learn program, which provides intensive case management, supportive services, and fiscal incentives and disincentives to encourage teen parents to earn a high school diploma or equivalent degree. This reduction would maintain fiscal incentives during this period for pregnant or parenting teenagers who continue to make satisfactory progress on their education.

IN-HOME SUPPORTIVE SERVICES (IHSS)

- Eliminate Services for Recipients without Medical Certification—A net decrease of \$67.4 million in 2011-12 from requiring the provision of IHSS to be contingent upon a written certification from a licensed health care professional that personal care services are necessary to prevent out-of-home care.
- Implement Community First Choice Option—A decrease of \$128 million in 2011-12 from the assumption that the state will receive a 6-percent increase in federal matching funds by exercising a federal option for home and community-based attendant services benefiting all IHSS federally eligible recipients.
- Implement Pilot Project for Medication Dispensing Machines—A decrease of \$140 million in 2011-12 from implementing a pilot project that would utilize automated medication dispensing machines with associated telephonic reporting services for monitoring and assisting Medi-Cal recipients with taking prescribed medications.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP)

- Reduce SSI/SSP Grants for Individuals to the Federal Minimum—A net decrease of \$178.4 million in 2011-12 from reducing monthly SSP grants for individuals to the federal minimum payment standard. With this reduction, the maximum monthly SSI/SSP cash grant for individuals will be reduced by \$15 per month (from \$845 to \$830). SSP grants for couples are already to the federal minimum.

INFORMATION TECHNOLOGY PROJECTS

- Delay Development of the LEADER Replacement Project—A decrease of \$14.1 million in 2010-11 and \$13 million in 2011-12 from delaying development of the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting Replacement (LEADER Replacement) system. This project will replace Los Angeles County’s existing automated system for eligibility and benefit determination for CalWORKs, CalFresh, Medi-Cal, and various social services programs.

OTHER CHANGES

The Budget includes the following significant changes:

- Foster Care Rate Increase—An increase of \$17.4 million in 2011-12 to increase payment rates and grant a cost-of-living adjustment for foster family homes as well as prospective Adoption Assistance Payment, Kinship Guardianship Assistance Payment, and Non-Related Legal Guardian payment rates required by judicial decisions.
- Funding for Residential Care for Seriously Emotionally Disturbed Pupils—A decrease of \$68 million in 2011-12 to reflect a shift in responsibility of funding for Seriously Emotionally Disturbed placements from the DSS to schools and a decrease in county administrative costs for this program. Of the total amount, \$66.6 million will now be included in Proposition 98 General Fund for this program.

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