

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents.

The Budget includes total funding of \$160 billion (\$39 billion General Fund and \$121 billion other funds) for all programs overseen by this Agency.

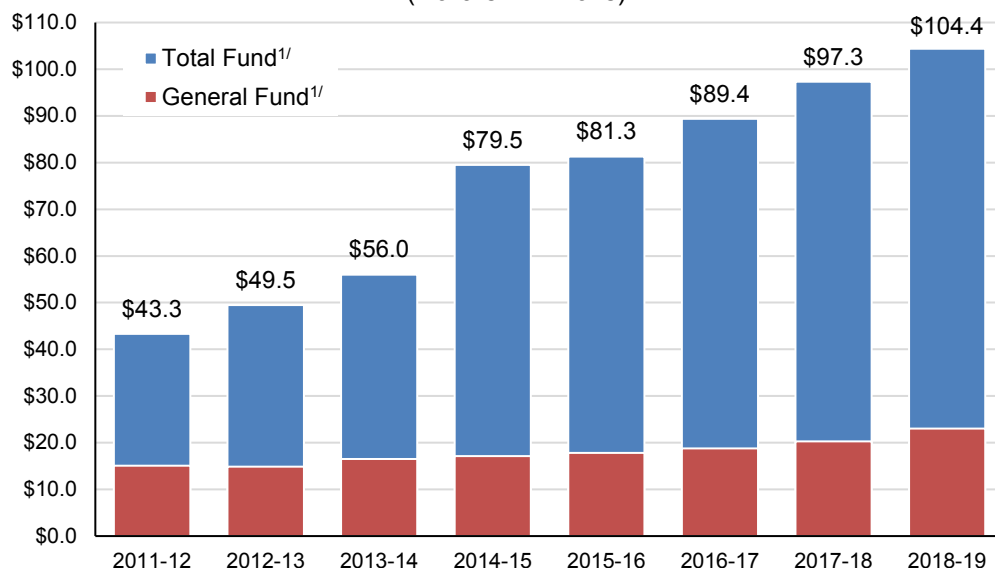
DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates basic services, including: physician services; family nurse practitioner services; nursing facility services; hospital inpatient and outpatient services; laboratory and radiology services; family planning; and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, dental, home and community-based services, and medical equipment. The Department also operates the California Children's Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

Since 2011-12, Medi-Cal spending has more than doubled, as shown in Figure HHS-01. Compared to the 2011 Budget, total program costs increased from \$43.3 billion (\$14.7 billion General Fund), to \$104.4 billion (\$23 billion General Fund) in the Budget. These changes reflect

a significant expansion in the number of individuals receiving coverage through Medi-Cal and the Children’s Health Insurance Program (CHIP) from 8.5 million to 13.3 million. Caseload for the Affordable Care Act (ACA) Optional Expansion population is anticipated to cover approximately 3.9 million individuals in 2018-19. In addition, 1.4 million people are expected to receive medical coverage through Covered California in 2018-19. Consequently, California has reduced the uninsured share of its population to less than ten percent.

Figure HHS-01
Medi-Cal Spending Has More Than Doubled
 (Dollars in Billions)



^{1/} These amounts do not include expenditures from Managed Risk Medical Insurance Board, Department of Mental Health, and Department of Alcohol and Drug Programs prior to transition to the Department of Health Care Services.

As a result of the unprecedented coverage expansions in the Medi-Cal program over this period, the state is projected to spend \$18.7 billion (\$1.7 billion General Fund) on the ACA Optional Expansion population in 2018-19. This expansion is funded in part by a redirection of some of the savings experienced by counties who have responsibility for indigent health care programs. Under Chapter 24, Statutes of 2013 (AB 85), the state is projected to redirect approximately \$773 million in 2018-19 for this purpose. In addition, the Budget includes costs of \$365.2 million (\$287.7 million General Fund) to expand full scope Medi-Cal coverage to 200,000 children regardless of immigration status as authorized by Chapter 18, Statutes of 2015 (SB 75).

Many of the program reductions from the Great Recession have been restored, including most optional benefits in the Medi-Cal program, such as dental benefits for adults and enteral nutrition, acupuncture, and psychology. Additionally, the state has made significant investments since the passage of the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) in various rate increases and supplemental provider payments.

This Budget continues the state’s progress toward providing health coverage for all Californians by creating the Council on Health Care Delivery Systems to research and provide potential options to achieve expanded coverage within an efficient health care financing system. The Budget also creates the Health Care Cost Transparency Database to collect and analyze health care cost data to improve transparency, inform policy decisions, reduce disparities, and reduce health care costs.

Significant Adjustments:

- Proposition 56—The Budget includes funding to support growth in Medi-Cal for expenditures above the 2016 Budget Act (\$217.7 million), supplemental provider payments (\$786.7 million), rate increases (\$34.6 million), and a loan assistance program (\$220 million) for recently graduated physicians and dentists who agree to work in underserved areas, as detailed in Figure HHS-02.

Figure HHS-02
Medi-Cal Proposition 56 Investments
(Dollars in Millions)

Category	2018-19
Physician Services Supplemental Payments	\$500.0
Supplemental Payments For Dental Services	210.0
Women's Health Supplemental Payments	49.0
ICF/DD Supplemental Payments ^{1/}	12.3
AIDS Waiver Supplemental Payments	3.4
Home Health Providers Rate Increase	27.6
Pediatric Day Health Care Facility Rate Increase	7.0
Physician and Dentist Loan Assistance Program	220.0
Other One-Time Supplemental Payments	12.0
Total	\$1,041.3

^{1/} Includes Proposition 56 costs for continuous skilled nursing facilities.

- School-Based Mobile Vision—The Budget includes \$1 million General Fund for a school-based mobile vision services grant.
- CHIP Reauthorization—In February 2018, the federal government approved a ten-year extension of enhanced federal funding at 88 percent through September 30, 2019, phasing down in future years to the historic ratio of 65 percent.
- ACA Optional Expansion—In January of each year, the state’s cost-sharing ratio for the 3.9 million Californians in the optional Medi-Cal expansion increases incrementally until it reaches 10 percent in 2020. The Budget includes \$18.7 billion (\$1.7 billion General Fund), an increase of \$803.2 million (\$251 million General Fund) compared to 2017-18 for the optional expansion population.

- Elimination of State-Only Limits on Breast and Cervical Cancer Treatment—The Budget includes \$8.4 million General Fund to eliminate the 18-month treatment limitation for breast cancer and 24-month treatment limitation for cervical cancer in the state-only Breast and Cervical Cancer Treatment Program.
- Data Collection and Sharing Initiatives—The Budget includes \$50 million (\$5 million General Fund) in 2018-19 for the development of Health Information Exchanges to facilitate data sharing of health information between health systems. It also includes funding for changes to the California Health Information Survey to study the accuracy of responses and data collected related to children's health (\$750,00 General Fund) and for incorporating questions and increasing efforts to conduct outreach involving long-term services and supports (\$3 million General Fund).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) oversees and administers programs that serve, aid, and protect California's vulnerable children, adults, and seniors in ways that strengthen and preserve families, encourage personal responsibility, and foster independence.

The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, and Disability Determination. During the Great Recession, many of these programs experienced substantial funding reductions. Since the beginning of the economic recovery, significant investments have been made to restore program reductions, provide additional flexibility to counties in administering these programs at the local level, and make targeted expansions, with the goal of improving the lives of those individuals and families receiving services.

CALWORKS

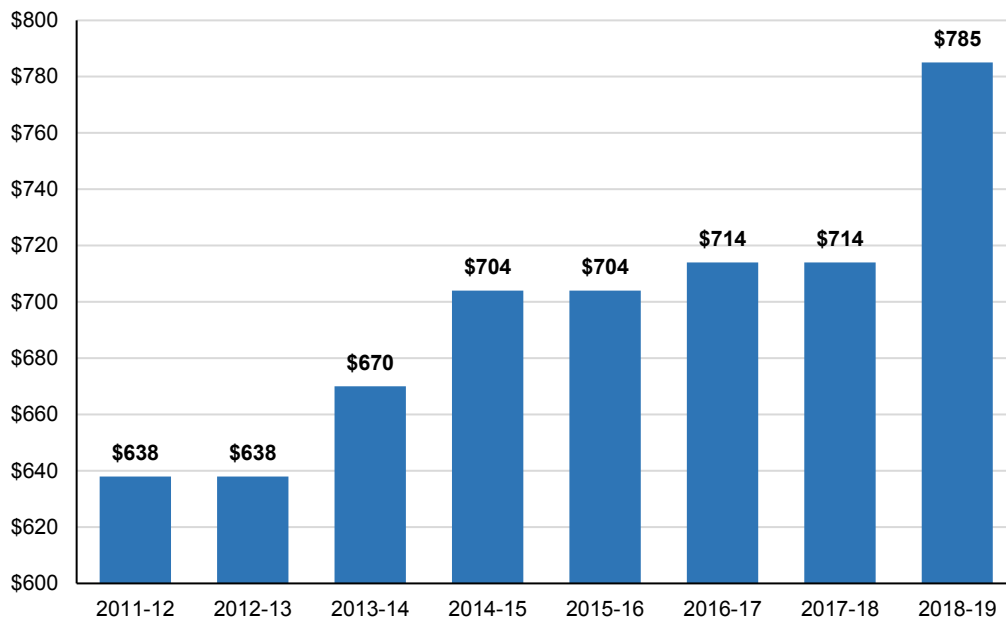
Grant levels were reduced by 12 percent during the Great Recession, funding for employment services and child care was drastically reduced, and the state faced substantial federal penalties for failing to meet work participation requirements. As the economy expanded, CalWORKs was redesigned to emphasize employment and provide greater flexibility for participants to meet program requirements during the first 24 months of welfare-to-work participation by:

(1) providing housing support to families experiencing homelessness or housing instability and other family stabilization services to remove barriers to employment, (2) expanding the number of child care slots, (3) increasing child care provider rates, and (4) providing a Work Incentive Nutritional Supplement to working families. These programmatic changes have allowed the

state to meet federal work participation requirements—avoiding over \$1.1 billion in potential penalties.

CalWORKs grant levels were gradually increased beginning in 2014, and with the next scheduled increase in April 2019, grant levels will reach an all-time high. For a family of three, maximum aid payment levels in 2019 will be over 23 percent higher than 2011 levels, as shown in Figure HHS-03. Also noteworthy was the repeal of the maximum family grant rule in 2017—under the rule, grants were not increased when a child was born into a family already receiving aid.

Figure HHS-03
CalWORKs Monthly Maximum Aid Payment Levels
(For a Family of Three)



Additionally, the Budget establishes a Safety Net Reserve Fund for CalWORKs and Medi-Cal to maintain program services and benefits in economic downturns. The Budget includes an initial transfer of \$200 million from the General Fund to the Safety Net Reserve Fund, CalWORKs Subaccount. The Department of Finance, in consultation with DSS, DHCS, and the Legislative Analyst's Office, will present a methodology to the Legislature to determine future transfers to and distributions from the fund.

CHILD WELFARE AND FOSTER CARE

The state began the Continuum of Care Reform (CCR) in 2015, which emphasizes home-based, family care placements with supportive services rather than group home care placements for children in foster care. The goal of these efforts is to improve child welfare outcomes for children and families through the development of preventive services to help keep children

safely in their homes, when appropriate. Changes include: (1) input from the child, parents, and caregivers in case planning and case management, (2) a streamlined resource family approval process, (3) improvement in the retention and recruitment of caregivers, and (4) wraparound services, including mental health services to help support successful placements and reunifications. Initial funding for CCR was included in the 2015 Budget Act, and the Budget includes approximately \$248 million General Fund to continue these efforts, including \$35.8 million in one-time funding for foster parent retention, recruitment and support; to eliminate the backlog of foster care resource family applications; and provide additional support to implement a tool that assesses a child's level-of-care needs. Over the long term, local agencies should realize net savings from significant reductions in foster care assistance expenditures as group home placements will gradually transition to home-based family care settings.

COMMUNITY CARE LICENSING

Beginning with the 2014 Budget, additional resources have been provided for the Community Care Licensing program to improve program quality, strengthen enforcement, and increase the frequency of licensed community facility inspections. The additional funding, which totals approximately \$27 million (\$21 million General Fund) and 240 positions in the Budget, provides the necessary resources for DSS to perform inspections of child care facilities every three years; children's residential care facilities every two years; and adult and senior care facilities every year. The Budget also includes \$26.2 million from the federal Child Care and Development block grant in both 2018-19 and 2019-20 to ultimately achieve annual inspections for child care facilities.

ELIMINATE SSI CASH-OUT

The Budget includes one-time funding of \$230 million General Fund to eliminate the SSI cash-out policy no later than August 1, 2019, expanding federal funding for food assistance while holding harmless households potentially affected by the change. Prior to this change, individuals receiving SSI did not receive CalFresh benefits and their income was not counted in the benefit calculations for CalFresh households. These individuals instead were given a \$10 monthly supplemental SSI/SSP benefit. Elimination of this policy results in approximately 370,000 households becoming newly eligible for CalFresh benefits, with an additional 45,000 households receiving an increase in CalFresh benefits.

Significant Adjustments:

- CalWORKs Grant Increase—The Budget increases CalWORKs grant levels by 10 percent, beginning April 1, 2019, with General Fund costs of \$90.1 million in 2018-19 and

\$359.9 million annually thereafter. This increase will bring grant levels to 45 percent of the federal poverty level. Additional increases may be considered beyond 2018-19 until grant levels reach at least 50 percent of the federal poverty level. Any such increases would be subject to an appropriation of funds.

- Home Visiting Initiative—The Budget includes \$26.7 million for a voluntary CalWORKs Home Visiting pilot program, which will provide pregnant women and families with a child under the age of two with home visitation services for up to 24 months, with priority given to first-time pregnant women and parents. The goal of the home visiting pilot is to help young families reach self-sufficiency by improving family engagement practices, supporting healthy development of young children living in poverty, and preparing parents for employment. The pilot will leverage existing, evidence-based program models currently being implemented across the state. A total of \$131.6 million in one-time federal Temporary Assistance for Needy Families block grant funds is being reserved for the pilot's total costs through calendar year 2021.
- Services to Address Homelessness—The Budget includes over \$47 million General Fund to expand and enhance services to families and seniors experiencing or at risk of homelessness, including: (1) an increase of \$24.2 million in 2018-19, to help CalWORKs families secure permanent housing, increasing total funding from \$47 million to \$95 million annually beginning in 2019-20, (2) an increase in the daily payment rate for temporary housing assistance from \$65 to \$85, effective January 1, 2019, with costs of \$8.1 million in 2018-19 and \$15.3 million annually thereafter, (3) one-time funding of \$15 million General Fund to establish a three-year pilot program, with local matching funds, designed to provide housing-related supports to seniors experiencing or at risk of homelessness.
- IHSS Provider Paid Sick Leave—The Budget includes \$29.3 million General Fund to reflect implementation of eight paid sick leave hours for IHSS providers beginning on July 1, 2018. Accrued paid sick leave hours will increase to 16 hours and 24 hours annually when the state minimum hourly wage reaches \$13 and \$15, respectively. General Fund costs are projected to grow to \$131.2 million by 2022-23.
- Immigration Services—The Budget includes a total of \$65 million General Fund, including one-time funding of \$17 million, for the Immigration Services Program to provide a broad array of legal services and remedies related to immigration status for individuals and families. The one-time funds will be used primarily to assist unaccompanied undocumented minors and other minors in removal proceedings, current and past beneficiaries of federal temporary protected status, and persons on California State University campuses. The Budget also includes \$10 million one-time Proposition 98 General Fund to provide immigration legal services to students on California Community College campuses,

as well as a one-time augmentation of \$4 million General Fund to provide legal services for persons on a University of California campus. Together, the Budget provides \$79 million General Fund for immigration services in 2018-19, and \$48 million ongoing thereafter.

- Foster Care Support—The Budget includes various increases to support foster youth and their caregivers, including: (1) \$13.4 million TANF to provide caregivers with up to six months of emergency assistance payments pending their approval as a resource family, (2) \$16.8 million General Fund to eliminate the backlog of foster care resource family applications and support the implementation of a tool to assess a child’s needed level of care, and (3) \$4 million General Fund to expand eligibility for Chafee education and training voucher grant awards to former foster youth up to age 26.

MENTAL HEALTH SERVICES

In California, mental health services are primarily provided in the community through county-run systems, with significant state and federal funding participation.

State General Fund support for community-based mental health services was first realigned to the counties in 1991. In 2004, the voters passed Proposition 63, which generates revenues from a personal income tax surcharge of 1 percent on taxable income of over \$1 million to further support community mental health services. 2011 Realignment completed the transfer of General Fund for community mental health services to the counties, and the remaining responsibility for mental health managed care and Early and Periodic Screening Diagnosis and Treatment-Specialty Mental Health Services. Those community mental health programs previously funded in 1991 Realignment now receive constitutionally protected revenue as part of 2011 Realignment. Further, the state’s implementation of the Affordable Care Act expanded both mild-to-moderate mental health services as well as the population covered under Medi-Cal.

Funding for county mental health programs include over \$1.8 billion in Proposition 63-Mental Health Services Fund, \$1.4 billion from the 2011 Realignment Behavioral Health Subaccount (which also includes funding for substance use disorder and Early and Periodic Screening Diagnosis and Treatment-Specialty Mental Health services), and approximately \$4.8 billion in General Fund and matching federal funds through the Medi-Cal program. Additionally, mental health services are provided by the Department of State Hospitals and the California Department of Corrections and Rehabilitation for individuals under their jurisdiction.

Despite recent efforts that have focused on mental health services, many challenges remain. A particularly challenging area is the cross section between the mental health and criminal justice systems. Specifically, the state has seen a drastic increase in incompetent to stand trial referrals to state hospitals. The state has also experienced a growing homeless population, which has a high prevalence of mental illness (and co-occurring substance use disorder issues). The Budget provides more than \$450 million in new funding with the goal of enhancing local mental health efforts, decreasing homelessness, and reducing the number of individuals with mental illness involved in the criminal justice system—including the number of individuals incarcerated in county jails and state prisons, as well as those awaiting placement in state hospitals.

Significant Adjustments:

- **Incompetent to Stand Trial Diversion**—The Budget includes \$100 million General Fund over three years for the expansion and development of county diversion programs, with the majority of funding going to the 15 counties with the highest referrals to state hospitals. In addition, targeted funding of approximately \$15 million will be provided to Los Angeles County—the county with the highest number of severely mentally ill individuals and the majority of referrals to state hospitals—as well as \$5 million Mental Health Services Fund over two years to help counties develop innovative plans to increase access and quality of county mental health services. These augmentations will help mitigate the incompetent to stand trial pending placement list, which is currently over 800 individuals.
- **No Place Like Home**—The Budget places the No Place Like Home program on the November 2018 ballot to accelerate the issuance of \$2 billion in bond funds. The bonds will help provide housing for individuals experiencing mental illness who are homeless or at risk of homelessness and will be repaid from the Mental Health Services Fund. The Department of Housing and Community Development will issue an initial Notice of Funding Availability prior to November and make awards before the end of the calendar year contingent on voter approval of the measure.
- **Children's Mental Health Mandate Repayment**—The Budget includes repayment of approximately \$254 million plus interest for repealed state mandates related to services provided by counties to seriously emotionally disturbed children (AB 3632). The Administration expects counties to use this funding for early intervention and prevention of mental health services for youth, with an emphasis on teens.
- **Homeless Mentally Ill Outreach and Treatment**—The Budget includes a one-time augmentation of \$50 million for the Department of Health Care Services to provide counties with targeted funding for multi-disciplinary teams to provide intensive outreach, treatment

and related services for homeless persons with mental illness. This type of intervention is expected to result in earlier identification of mental health needs, prevention of criminal justice involvement, and better coordination of care for this population at the local level.

- **Workforce Education Training**—The Budget includes a one-time augmentation of \$10 million Mental Health Services Fund for the Office of Statewide Health Planning and Development for targeted investments to support stipends for Psychiatric Nurse Practitioners, Clinical Psychologists, and Social Workers and increase education capacity for Psychiatric Nurse Practitioners.
- **Childhood Trauma**—The Budget includes \$10 million one-time Mental Health Services Fund for the Department of Public Health to support a three-year All Children Thrive pilot program to address childhood trauma. This targeted investment will be used to provide up to 12 cities and counties with grants to implement local public health strategies to prevent childhood trauma.
- **Suicide Hotlines**—The Budget includes \$4.3 million ongoing Mental Health Services Fund for the Department of Health Care Services to contract with a suicide hotline provider for statewide access to suicide prevention services.
- **Criminal Justice Involved Mental Health Coordination**—The Budget includes \$945,000 Mental Health Services Fund for the Council on Criminal Justice and Behavioral Health to help address the prevalence of mental illness within the criminal justice-involved population. Of this amount, \$795,000 ongoing will be used for stakeholder advocacy contracts, and associated program administration, to support mental health outreach and services for criminal justice-involved populations. In addition, the Budget includes \$150,000, for three years, for the Council to consult with the Department of State Hospitals on the evaluation of counties' plans that are submitted under the Incompetent to Stand Trial Diversion program.
- **Veterans Mental Health**—To help address the mental health needs of California's veterans, the Budget includes an increase of \$1 million ongoing Mental Health Services Fund to the California Department of Veterans Affairs to increase access to mental health services for veterans.
- **Immigrant and Refugee Mental Health**—The Budget includes \$670,000 ongoing Mental Health Services Fund for the Mental Health Services Oversight and Accountability Commission to provide stakeholder advocacy contracts that support mental health outreach and services for immigrant and refugee populations.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement.

Following a moratorium on developmental center admissions beginning in 2012, the state has made various investments through dedicated funding in the regional centers' community placement plan, the development of new community facility models and state-operated community crisis homes, and state-operated mobile crisis teams. In addition, many recession-era cuts have been restored, such as a 4.25-percent provider rate reduction from 2009, restoration of the Early Start program, and removal of the respite cap policy. Also, a significant ongoing augmentation to service provider rates was made through Chapter 3, Statutes of 2016 (ABx2 1), which is estimated to cost approximately \$295.6 million General Fund in 2018-19.

Despite cost-saving reductions made during the Great Recession, the Department of Developmental Services' General Fund expenditures have grown from \$2.6 billion in 2010-11 to \$4.2 billion in 2018-19, an increase of 61.5 percent. During the same period, the Department's caseload in the community program has grown by 37 percent, from approximately 243,000 consumers in 2010-11 to an estimated 333,000 consumers in 2018-19. The planned closure of the Department's state-operated developmental centers (except for the secure treatment area at the Porterville Developmental Center and the Canyon Springs community facility) has resulted in caseload decreasing in the developmental centers by 85 percent, from 2,151 residents in 2010-11 to an estimated 323 residents by June 30, 2019, as residents transition to receiving services in the community.

Significant Adjustments:

- **Bridge Funding for Service Providers**—The Budget includes one-time funding of \$25 million General Fund for a targeted rate increase for direct care service staff. The funding provides a limited-term increase in advance of a 2019 rate study. The study will address current methods for setting rates, including a comparison of the fiscal effects of alternative rate setting methods; how vendor rates relate to consumer outcomes; and whether the current method of rate setting leads to an adequate supply of providers.
- **Uniform Holiday Schedule Suspension**—The Budget includes \$29.3 million General Fund on a one-time basis to suspend the 14-day Uniform Holiday Schedule statute.

- **Provider Rate Increase**—The Budget includes an increase of \$17.7 million General Fund to provide a rate increase for Home Health, Intermediate Care Facility-Developmentally Disabled, and Pediatric Day Health Care providers. This adjustment is consistent with increases provided in the Department of Health Care Services' Medi-Cal program.
- **Minimum Wage**—The Budget includes an increase of \$245.4 million (\$133.7 million General Fund) to reflect the impact on providers of the state minimum wage. This amount includes the increases of the hourly wage to \$12.00, effective January 1, 2019.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California. Public Health expenditures in 2018-19 are \$3.2 billion (\$170 million General Fund).

There have also been various ongoing and one-time General Fund augmentations in recent years focused in the following areas: sexually transmitted diseases, hepatitis, opioid overdose, Parkinson's disease, Amyotrophic Lateral Sclerosis, Alzheimer's disease, diabetes, valley fever, and human immunodeficiency virus (HIV). Additional ongoing special fund investments are supporting dental disease prevention for children, cannabis regulation, and increased licensing staff for health facilities.

Significant Adjustments:

- **Public Health Investments**—The Budget includes \$11.4 million General Fund for the following ongoing health expenditures: expansion of Black Infant Health Program services in the California Perinatal Equity Initiative (\$8 million); Alzheimer's disease research (\$3.1 million); and \$300,000 to backfill a loss of federal funds for the Office of Binational Border Health. The Budget also includes \$23.5 million General Fund for the following one-time public health expenditures: services for individuals diagnosed with Amyotrophic Lateral Sclerosis (\$9 million); human immunodeficiency virus prevention (\$5 million); outreach and research for valley fever (\$5 million); diabetes prevention and treatment (\$2.5 million); and sexually transmitted disease prevention (\$2 million).
- **Implementation of the Medicinal and Adult Use Cannabis and Regulation Safety Act**—The Budget contains \$11.1 million and 28.5 positions in 2018-19 for Public Health to continue implementing the requirements of the Act. In total, Public Health has \$26.6 million and 112.5 positions related to cannabis regulation in 2018-19.