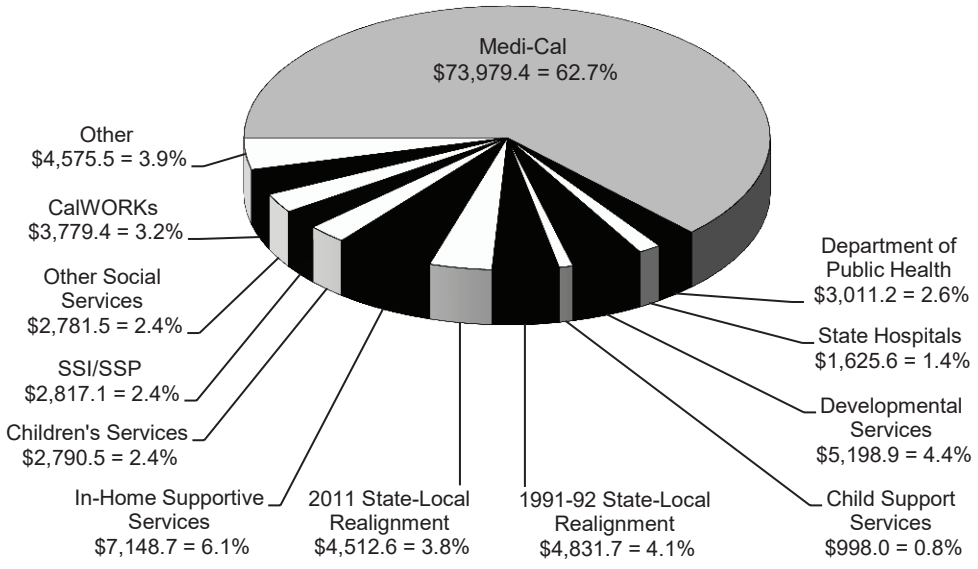
Health and Human Services

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 $118 billion ($28.8 billion General Fund and $89.2 billion other funds) for these programs. Figure HHS-01 displays expenditures for each major program area and Figure HHS-02 displays program caseload.

Figure HHS-01
Health and Human Services Proposed 2014-15 Funding[/1]
All Funds
(Dollars in Millions)



[/1] Totals $118,050.0 million for support, local assistance, and capital outlay. This figure includes reimbursements of $11,610.3 million and excludes $5.2 million in Proposition 98 funding in the Department of Developmental Services budget and county funds that do not flow through the state budget.

Figure HHS-02

Major Health and Human Services Program Caseloads

	2013-14 Revised	2014-15 Estimate	Change
Medi-Cal enrollees	9,170,500	10,106,200	935,700
California Children's Services (CCS) [a]	20,271	19,754	-517
CalWORKs	545,647	529,367	-16,280
CalFresh households	1,733,474	1,956,817	223,343
SSI/SSP (support for aged, blind, and disabled)	1,297,289	1,308,166	10,877
Child Welfare Services [b]	136,172	135,669	-503
Foster Care	41,926	40,129	-1,797
Adoption Assistance	84,535	84,961	426
In-Home Supportive Services	447,702	453,417	5,715
Regional Centers for persons with developmental disabilities	265,709	273,643	7,934
State Hospitals [c]	6,894	7,214	320
Developmental Centers [d]	1,333	1,110	-223
Vocational Rehabilitation	28,318	28,318	0

a Represents unduplicated quarterly caseload in the CCS Program. Does not include Medi-Cal CCS clients.

b Represents Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement service areas on a monthly basis. Due to transfers between each service area, cases may be reflected in more than one services area.

c Represents the year-end population. Includes population at Vacaville and Salinas Valley Psychiatric Programs.

d Represents average in-center population.

California is in the midst of implementing federal health care reform that will provide coverage to millions of Californians. Starting this month, Californians have access to affordable, quality health insurance coverage through Covered California, the new health insurance marketplace. By law, health coverage cannot be dropped or denied because of pre-existing conditions or illness. Also this month, California expanded Medi-Cal to cover childless adults and parent/caretaker relatives with incomes up to 138 percent of the federal poverty level.

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 including families with children, seniors, persons with disabilities, children in foster care, and pregnant women. 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, home and community-based services, and medical equipment. DHCS also operates the California Children's Services program, the Primary and Rural Health program, Targeted Low-Income Children's Program (formerly Healthy Families Program) and oversees county operated community mental health and substance use disorder programs.

Since 2006-07, total Medi-Cal benefit costs grew 11.8 percent annually (approximately $5.1 billion per year) to $65.6 billion in 2013-14 because of a combination of health care cost inflation, program expansions, federal funds, provider fees, intergovernmental transfers, and caseload growth. Medi-Cal General Fund spending is projected to increase 4.1 percent from $16.2 billion in 2013-14 to $16.9 billion in 2014-15. Growth in Medi-Cal General Fund expenditures has been reduced through the use of other funding sources, including the Gross Premiums Tax (authorized from 2009-10 to 2012-13), the Managed Care Organization Tax (authorized in 2013-14), Hospital Quality Assurance Fee (first authorized in 2011-12), and Medicaid waivers that allow claiming of federal funds for state-only health care costs.

The Budget assumes that caseload will increase approximately 10.2 percent from 2013-14 to 2014-15 (from 9.2 million to 10.1 million), largely because of the implementation of federal health care reform and the shift of children from the Healthy Families Program to Medi-Cal. Caseload would increase by 1 percent absent these changes. Federal health care reform will increase the program's caseload by an estimated 1.03 million in 2013-14 and 1.36 million in 2014-15. The state will receive 100 percent federal funding for childless adults with income up to 138 percent of the federal poverty level (FPL), and parent and caretaker relatives with incomes above 114 percent of FPL. The Medi-Cal caseload is expected to be approximately 24 percent of the state's total population.

The Federal Medical Assistance Percentage (FMAP) determines the level of federal financial support for the Medi-Cal program. California has generally had an FMAP of 50 percent (the minimum percentage authorized under federal law) since the inception of the Medicaid program in 1965. California's percentage is lower than the national average and is lower than those of neighboring states. Oregon, Nevada, and Arizona currently have percentages of 62 percent, 60 percent, and 66 percent, respectively. The state's percentage is also substantially lower than Mississippi's 73 percent FMAP percentage, currently the highest in the country.

The Medi-Cal program cost per case is lower than the national average. California's cost per case of $3,441 was substantially lower than other low FMAP states such as Massachusetts ($6,841) and New York ($8,910) according to data from federal fiscal year 2010.

California is one of 26 states implementing the optional expansion under federal health care reform, which expands Medi-Cal to all parent/caretaker relatives and childless adults under 138 percent of FPL. In addition, California provides coverage for pregnant women up to 208 percent of FPL and for non-working persons with disabilities up to 100 percent of FPL; these two eligibility levels are the 7th highest in the nation.

Significant Adjustments:

- Forgive Specified AB 97 Retroactive Recoupments—Chapter 3, Statutes of 2011 (AB 97), generally reduced provider payments by 10 percent. These reductions will result in General Fund savings of $282.8 million in 2014-15. The state has already exempted key provider categories from the AB 97 provider reductions to maintain access to services. In addition, to provide further support to the state's health care delivery system during the implementation of federal health care reform, the state will forgive the retroactive recoupments for specified providers and services (physicians/clinics, certain drugs that are typically high-cost and used to treat serious conditions, dental, intermediate care facilities for the developmentally disabled, and medical transportation), resulting in an increase of $5.8 million General Fund in 2013-14 and $36.3 million General Fund in 2014-15. Given the retroactive recoupments are spread over a period of up to 72 months depending on the service type, the total cost is $217.7 million General Fund over the next several years. DHCS will continue to monitor access to covered services as health care reform is implemented.

- Pediatric Dental and Vision Services Outreach—The state is constantly monitoring utilization of Medi-Cal services to maintain access to critical health services. Recent reviews have focused on children's dental and vision utilization. The Medi-Cal program provides children with comprehensive dental benefits and screenings, exams, and eyeglasses to promote improved vision. The Budget includes $17.5 million to increase dental outreach activities for children ages zero to three years. Educating parents of young children about the importance of early dental benefits should provide positive health outcomes and result in decreased future costs associated with more expensive treatment for poor dental hygiene. The Budget assumes Proposition 10 funding provided by the California Children and

Families Commission will be available for the non-federal share of costs. In addition, the state will continue to evaluate methods for improving the utilization and quality of children's vision benefits offered through the Medi-Cal program.

- Pregnancy Coverage—Medi-Cal beneficiaries with incomes under 100 percent of FPL will receive full-scope Medi-Cal services. Pregnancy-only Medi-Cal beneficiaries with incomes between 100 and 208 percent of FPL will receive comprehensive health coverage through Covered California. The Budget proposes to pay for the out-of-pocket costs for pregnancy-only Medi-Cal beneficiaries electing to receive comprehensive coverage through Covered California beginning in January 2015, which will result in General Fund savings of $16.6 million in 2014-15.

Coordinated Care Initiative

Under the Coordinated Care Initiative (CCI), persons eligible for both Medicare and Medi-Cal (dual eligibles) will receive medical, behavioral health, long-term supports and services, and home and community-based services coordinated through a single health plan. These changes will be accomplished through a federal demonstration project known as Cal MediConnect. The CCI will also enroll all dual eligibles in managed care plans for their Medi-Cal benefits. The CCI will operate in eight counties: Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara.

The following changes have occurred to the structure of the CCI since enactment of the 2013 Budget Act:

- Dual-eligibles in Medicare fee-for-service will be passively enrolled for both Medicare and Medi-Cal benefits beginning April 2014 in all participating counties except Los Angeles, Alameda, and Santa Clara. In Los Angeles, dual-eligibles may voluntarily enroll in Cal MediConnect or opt out beginning April 2014 and the remaining dual-eligibles will be passively enrolled beginning July 2014. Alameda and Santa Clara counties will passively enroll dual-eligibles no sooner than July 2014.
- Dual-eligibles in Medicare Advantage plans and those opting out of Cal MediConnect in all participating counties will be enrolled in managed care for Medi-Cal benefits beginning in July 2014. Dual-eligibles in Medicare Advantage plans who do not opt out of Cal MediConnect will be enrolled into Cal MediConnect for Medicare benefits in January 2015.
- Those only eligible for Medi-Cal or for partial Medicare coverage in all participating counties will have long-term supports and services and home and community-based services included in managed care beginning July 2014.

The Budget projects net General Fund savings for the CCI of $159.4 million in 2014-15. General Fund savings from the sales tax on managed care organizations is included in the net savings figure. Without the tax revenue, the CCI would have a General Fund cost of $172.9 million in 2014-15.

Health Care Reform Implementation

In the past year, California has implemented significant portions of the Affordable Care Act (ACA). On October 1, 2013, Covered California, the new insurance marketplace, began offering affordable health insurance, including plans subsidized with federally funded tax subsidies and products for small businesses with coverage that started January 1, 2014.

In addition, the Medi-Cal program was expanded in two ways:

- The mandatory expansion simplified eligibility, enrollment, and retention rules making it easier to get on and stay on the program.
- The optional expansion extended eligibility to adults without children and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level.

Further, California increased the mental health and substance use disorder benefits available through Medi-Cal to provide needed services, including to those who are released from prisons or jails and need these types of services to better support their reentry into the community.

Significant reforms in the individual and small group insurance markets will also take effect January 1, 2014. Most health plans and insurers in California are required to cover the 10 essential health benefits as required by federal law: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric oral and vision care.

With these reforms and coverage opportunities, an estimated 1.4 million additional people will enroll in Medi-Cal and 1.9 million people will enroll in Covered California by the end of 2015-16. Covered California has received over $1 billion in start-up funding from the federal government with the vast majority of the funds paying for staff, information

technology systems, and marketing. It must be self-sustaining by January 1, 2015, and will assess fees on its 11 qualified health plans to fund its operating budget.

Paying for the Medi-Cal Expansion

The Budget assumes net costs of $867.4 million ($404.9 million General Fund) in 2014-15 to provide for the mandatory Medi-Cal expansion. California will split these costs with the federal government. Additionally, the federal government has committed to pay 100 percent of the cost of the new adult group optional expansion for the first three years; by 2020-21, the federal share will have decreased to 90 percent and the state will pay 10 percent. The Budget assumes net costs of $6.7 billion in 2014-15 for the optional Medi-Cal expansion.

Under the ACA, county costs and responsibilities for indigent health care are expected to decrease as more individuals gain access to health care coverage. The state-based Medi-Cal expansion will result in indigent care costs previously paid by counties shifting to the state.

Chapter 24, Statutes of 2013 (AB 85), modifies 1991 Realignment Local Revenue Fund (LRF) distributions to capture and redirect savings counties will experience from the implementation of federal health care reform effective January 1, 2014. County savings are estimated to be $300 million in 2013-14 and $900 million in 2014-15, and those savings will be redirected to counties for CalWORKs expenditures. This redirection mechanism frees up General Fund resources to pay for rising Medi-Cal costs.

Counties can either choose a reduction of 60 percent of their health realignment funds, including their maintenance of effort, or choose a formula that accounts for the revenues and costs of indigent care programs in their county. Counties have the following options:

- ***Option 1*** uses a formula that measures actual county health care costs and revenues. The state receives 80 percent of any calculated savings, with the county retaining 20 percent of savings to invest in the local health care delivery system or spend on public health activities.
- ***Option 2*** transfers 60 percent of a county's health realignment allocation plus the county maintenance of effort to the state to be captured as savings; the county retains 40 percent of its realignment funding for public health, remaining uninsured, or other health care needs.

Counties participating in the County Medical Services Program (CMSP) are subject to an alternative similar to Option 2. Total realignment funding for CMSP consists of a direct allocation that grows over time and $89 million that CMSP counties collectively contribute annually to the CMSP Governing Board. For CMSP counties, AB 85 redirects the $89 million as savings, and the Governing Board will be responsible for covering the remainder of the amount equal to 60 percent of the program's total realignment and MOE funding.

Future year savings for all counties will be estimated in January and May, prior to the start of the year, based on the most recently available data. Further, for counties that choose the formula, reconciliation will occur within two years of the close of each fiscal year. Counties have until January 22, 2014 to adopt a resolution to select Option 1 or Option 2 and inform DHCS of the final decision. DHCS will issue a final determination on the historical percentage spent on indigent health care to each county no later than January 31, 2014.

1991 State-Local Realignment–Revised Flow of Funds

LRF sales tax revenues are first allocated to base funding to the subaccounts (Mental Health, Health, Social Services, and CalWORKs) within the fund. Any sales tax revenues deposited into the LRF in excess of base funding are distributed through various growth formulas. These growth funds are first distributed to fund cost increases in social services programs, followed by CMSP growth pursuant to a statutory formula. Any remaining growth funds, or general growth, is distributed to each of the subaccounts within the LRF.

AB 85 established two new subaccounts within the LRF beginning in 2013-14: (1) the Family Support Subaccount, which will receive sales tax funds redirected from the Health Subaccount, as noted above, and then redistributed to counties in lieu of General Fund for the CalWORKs program, and (2) the Child Poverty and Family Supplemental Support Subaccount, which will receive base and growth revenues dedicated solely towards funding increases to CalWORKs grant levels. Additionally, under AB 85, the Health Subaccount will receive a fixed percentage of general growth funds, 18.5 percent, while the Mental Health Subaccount will continue to receive general growth without any changes to the original statutory formula. The Child Poverty and Family Supplemental Support Subaccount will receive any remaining general growth funds.

Based on current revenue estimates, the Child Poverty and Family Supplemental Support Subaccount is projected to receive $69 million in general growth funds in 2013-14. Of this amount, $57.5 million will be used to fund the 5-percent increase to CalWORKs grant levels that takes effect on March 1, 2014. The remaining $11.4 million will be carried over to 2014-15 to help fund the full-year costs of the grant increase, estimated to be $168 million. Including the carryover funding, total deposits to the Child Poverty and Family Supplemental Support Subaccount in 2014-15 are projected to be $161.7 million. The Budget includes an increase of $6.3 million General Fund to support the full-year costs of the 5-percent grant increase.

Mental Health and Substance Use Disorder Services

California has expanded the mental health and substance use disorder benefits available to those eligible for Medi-Cal, including individuals released from prisons or jails who need these types of services to better support their reentry into the community. The Budget reflects the costs of expanding both the services provided and the population served.

To achieve these and other benefits, DHCS will seek a waiver from the federal Centers for Medicare and Medicaid Services to better coordinate substance use disorder treatment services and build upon the experience and positive results California has achieved in the specialty mental health system. The waiver will give state and county officials more authority to select quality providers to meet drug treatment needs.

Due to concerns about program integrity in the Drug Medi-Cal program, DHCS took steps in July 2013 to eliminate fraud and abuse in the program, including temporarily suspending the certification of 177 facilities providing drug treatment inconsistent with program goals, and referring 68 drug treatment providers to the Department of Justice for potential criminal prosecution. DHCS has conducted a review of internal operations to improve oversight and monitoring of drug treatment programs, and has improved coordination with counties to ensure appropriate monitoring and recertification of all drug treatment providers. The Budget proposes 21 positions and $2.2 million ($1.1 million General Fund) to continue the state's intensive focus on program integrity and expansion of drug treatment services by recertifying all providers in the state.

2011 Realignment Funding

In an effort to provide services more efficiently and effectively, 2011 Realignment shifted responsibility and dedicated funding for public safety services to local governments.

In addition, community mental health programs previously funded in 1991 State-Local Realignment are now funded by revenue dedicated for 2011 Realignment.

2011 Realignment is funded through two sources: a state special fund sales tax of 1.0625 cents totaling $6.3 billion and $497.1 million in Vehicle License Fees. Pursuant to Chapter 40, Statutes of 2012 (SB 1020), these funds are deposited into the Local Revenue Fund 2011 for allocation to the counties and are constitutionally guaranteed for the purposes of 2011 Realignment. Figure HHS-03 identifies the programs and funding for 2011 Realignment.

Figure HHS-03

2011 Realignment Estimate[1]- at 2014-15 Governor's Budget

	2012-13	2012-13 Growth	2013-14	2013-14 Growth	2014-15	2014-15 Growth
Law Enforcement Services	**$1,942.6**		**$2,124.3**		**$2,075.4**	
Trial Court Security Subaccount	496.4	11.6	508.0	8.6	516.6	21.3
Enhancing Law Enforcement Activities Subaccount[2]	489.9	-	489.9	-	489.9	7.2
Community Corrections Subaccount[3]	842.9	86.7	998.9	64.3	934.1	159.8
District Attorney and Public Defender Subaccount[3]	14.6	5.8	17.1	4.3	15.8	10.7
Juvenile Justice Subaccount	98.8	11.6	110.4	8.6	119.0	21.3
Youthful Offender Block Grant Special Account	*(93.4)*	*(11.0)*	*(104.3)*	*(8.1)*	*(112.4)*	*(20.1)*
Juvenile Reentry Grant Special Account	*(5.5)*	*(0.6)*	*(6.1)*	*(0.5)*	*(6.6)*	*(1.2)*
Growth, Law Enforcement Services	**115.7**	**115.7**	**85.8**	**85.8**	**220.3**	**220.3**
Mental Health[4]	**1,120.6**	10.7	**1,120.6**	8.0	**1,120.6**	19.8
Support Services	**2,604.9**		**2,829.3**		**2,996.1**	
Protective Services Subaccount	1,640.4	176.2	1,837.0	98.5	1,950.8	191.8
Behavioral Health Subaccount[5]	964.5	27.9	992.3	52.8	1,045.3	184.3
Women and Children's Residential Treatment Services	*(5.1)*	-	*(5.1)*	-	*(5.1)*	-
Growth, Support Services	**214.8**	**214.8**	**159.3**	**159.3**	**395.9**	**395.9**
Account Total and Growth	**$5,998.6**		**$6,319.3**		**$6,808.3**	
Revenue						
1.0625% Sales Tax	5,516.6		5,880.5		6,311.2	
Motor Vehicle License Fee	482.0		438.8		497.1	
Revenue Total	**$5,998.6**		**$6,319.3**		**$6,808.3**	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

[1] Dollars in millions.

[2] Allocation is capped at $489.9 million. 2014-15 growth will not add to subsequent fiscal year's subaccount base allocations.

[3] 2012-13 and 2013-14 growth is not added to subsequent fiscal year's subaccount base allocations.

[4] Growth does not add to base.

[5] The Early and Periodic Screening, Diagnosis, and Treatment and Drug Medi-Cal programs within the Behavioral Health Subaccount do not yet have a permanent base.

The Administration continues to develop an allocation for the 2011 Realignment Behavioral Health Services Growth Special Account, in consultation with county partners and stakeholders. From 2012-13 revenues, the Account has $27.9 million. The first priority for growth funds is federal entitlement programs: Medi-Cal Specialty Mental Health, including the Early Periodic Screening, Diagnosis, and Treatment benefit, and Drug Medi-Cal.

Managed Risk Medical Insurance Board

The Managed Risk Medical Insurance Board (MRMIB) currently administers three programs that provide health coverage through commercial health plans, local initiatives, and county organized health systems to eligible individuals who do not have health insurance: the Access for Infants and Mothers Program, which provides comprehensive health care to lower middle-income pregnant women, the County Health Initiative Matching Fund Program, which provides comprehensive health benefits through county-sponsored insurance programs, and the Major Risk Medical Insurance Program, which provides health coverage for individuals with pre-existing conditions.

Given the substantial reduction in the Board's role in recent years, the Budget proposes to eliminate MRMIB and transfer these programs to the Department of Health Care Services effective July 1, 2014. The Budget includes $177.6 million ($1.2 million General Fund) for the programs currently administered by MRMIB.

Department of Public Health

The Department of Public Health is charged with protecting and promoting the health and well-being of the people in California. Funding for 2013-14 is $3.5 billion ($115.2 million General Fund), and proposed funding for 2014-15 is $3 billion ($110.6 million General Fund).

Significant Adjustments:

- Drinking Water Program Reorganization—The Budget proposes to transfer $200.3 million ($5 million General Fund) and 291.2 positions for the administration of the Drinking Water Program from the Department to the State Water Resources Control Board. Please see the State Water Resources Control Board narrative in the Environmental Protection Agency chapter for additional information.

- Genetic Disease Screening Program—The activities of the Prenatal Screening Program focus on detecting birth defects during pregnancy. Although participation is voluntary, providers are required to offer the screening to all women in California. The program is planning to implement a fee increase of $45 in the Prenatal Screening Program, effective July 1, 2014. This increase will bring the total fee to $207. The fee covers a blood test for participating women and follow-up services offered to women with positive screening results. The fee increase is necessary to correct for the historic overstatement of caseload and inadequate fee revenue in recent years to cover costs.

Department of Developmental Services

The Department of Developmental Services (DDS) provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently, or in supported environments. California is the only state providing developmental services as an entitlement. DDS serves approximately 273,000 individuals with developmental disabilities in the community and 1,110 individuals in state-operated developmental centers (DCs). For 2014-15, the Budget includes $5.2 billion ($2.9 billion General Fund) for support of the Department.

Future of the Developmental Centers Task Force

In May 2013, the California Health and Human Services Agency convened a task force on the future of the DCs. Since the passage of the Lanterman Act in 1967, the role of the DCs has been evolving. The resident population has dropped from a high of 13,400 in 1968, with thousands on a waiting list for admission, to 1,110 residents in 2014-15. The 2012 Budget Act placed a moratorium on new admissions except for individuals involved in the criminal justice system and consumers in an acute crisis needing short-term stabilization. In addition, funding is provided to regional centers to expand and improve services to meet the needs of DC residents transitioning to the community. While the moratorium has reduced the reliance on DCs and expedited the population decrease in these facilities, it also resulted in higher average costs per resident.

The Task Force recommends that the future role of state-operated facilities should be to provide secure treatment services; smaller, safety-net crisis and residential services; and specialized health care resource centers. As the state moves in this direction, the stakeholder process will continue to be used to monitor changes and make recommendations for the most effective use of available resources.

Significant Adjustments:

- Certification Issues—The Budget includes $9.2 million ($5.1 million General Fund) to reflect anticipated costs related to the ongoing implementation of the Sonoma Developmental Center Program Improvement Plan. The Plan was entered into on March 13, 2013 with the California Department of Public Health and the Centers for Medicare and Medicaid Services (CMS) to bring the facility back into compliance with federal requirements. DDS is currently working with Public Health and CMS on certification actions at the Fairview, Porterville and Lanterman Developmental Centers and anticipates entering into an agreement in January specifying a path to resolving these certification issues.
- Labor Regulations and Minimum Wage—In September 2013, the United States Department of Labor announced new regulations, effective January 1, 2015, that affect pay for domestic workers. The Budget includes $7.5 million ($4 million General Fund) to adjust for these new rules. Chapter 351, Statutes of 2013 (AB 10), incrementally increases California's minimum wage to $10 per hour, effective January 1, 2016. To accommodate the increase to $9 per hour, effective July 1, 2014, the Budget includes $110.1 million ($69.5 million General Fund).
- Deferred Maintenance—The Budget provides $100 million to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, $10 million will be allocated to DDS.

Department of State Hospitals

The Department of State Hospitals (DSH) was established as a stand-alone department in July 2012 to administer the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Budget includes $1.6 billion ($1.5 billion General Fund) in 2014-15 for support of DSH. The patient population is projected to reach a total of 7,214 in 2014-15.

A Changing Population

The composition of the patients served by DSH has changed greatly over time, with over 90 percent currently coming from the criminal justice system. In addition, the class action lawsuit (*Coleman v. Brown*) involving mental health care in state prisons has increased referrals from the Department of Corrections and Rehabilitation to DSH for inpatient treatment. The inmates referred to DSH tend to have a more violent history.

Significant Adjustments:

- Enhanced Treatment Program—The state hospital facilities were not designed to accommodate a forensic population. The Budget includes $1.5 million General Fund to design and plan for specialized short-term housing units at most hospitals, totaling approximately 44 beds. On a long-term basis, DSH is looking at the feasibility of creating a new facility model specializing in longer-term treatment and stabilization of the most violent patients. Improving the physical configuration, screening, and treatment space will increase employee safety and protection of other patients, and enable those with behavioral issues more opportunities for treatment.
- Personal Duress Alarm System—In 2011, DSH began the process of updating its antiquated alarm system, beginning with Napa State Hospital. The new alarm system is more reliable, alerts employees in the affected area, and provides campus-wide coverage. The new system is currently being installed in Patton and Metropolitan State Hospitals, and installation will begin at Atascadero and Coalinga in 2014. The Budget includes $8 million General Fund to conclude deployment of the new alarm system.
- Deferred Maintenance—The Budget provides $100 million to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, $10 million will be allocated to DSH.

Waitlists

The population of DSH continues to increase. This trend is most pronounced in two patient categories, incompetent to stand trial (IST) and *Coleman* patients. Currently, DSH has over 300 IST and approximately 100 *Coleman* patients waiting to be admitted.

Significant Adjustments:

- Patient Management Unit—Currently, DSH has no centralized intake management of its patient population. Referrals are made from individual courts to individual hospitals, regardless of current capacity at each facility. This lack of coordination leads to inefficient use of state hospital resources and results in ad hoc management of bed capacity. The Budget includes $1.1 million General Fund to establish a Patient Management Unit to centralize admissions and transfers. The unit will improve utilization of beds, and direct patients to the hospital most appropriate for their individual needs, thereby reducing the waitlist.

- IST Workgroup—The Administration has engaged in an ongoing series of meetings with stakeholders to work on issues related to the IST population with the goal of improving coordination to reduce the waitlist. The Budget includes $27.8 million General Fund to increase IST bed capacity by 105 beds to help ameliorate the waitlist. The Administration will continue to work with county partners and other stakeholders on the larger IST system issues.
- *Coleman*—The Budget includes $26.3 million General Fund to keep 137 beds active in the psychiatric programs at Salinas Valley and Vacaville to maintain sufficient capacity for DSH to serve *Coleman* patients during the activation of the California Health Care Facility in Stockton.

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. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, Child Welfare Services, Community Care Licensing, and Disability Determination.

The Budget includes $19.3 billion ($6.5 billion General Fund) for DSS, a decrease of $383 million General Fund from the revised 2013-14 budget, primarily due to an increase from the 1991 Realignment Family Support Subaccount that will be used to offset General Fund costs in the CalWORKs program.

Significant Adjustments:

- Community Care Licensing—In response to a number of high-profile incidents at children's and adult residential care facilities licensed by the state, the Budget includes $7.5 million ($5.8 million General Fund) and 71.5 positions for quality enhancement and program improvement in Community Care Licensing. By significantly increasing civil penalties and improving the timeliness of investigations, this proposal will strengthen enforcement. A specialized complaint hotline will assist in acquiring better initial information, conducting consistent prioritization, and dispatching incoming complaints to regional offices. Further, the Department will assist with policy and practice development for medical and mental health conditions in community facilities to enhance quality and accountability by increasing training for new field staff and creating training for

supervisors and managers. The Department will also commit resources to achieve quality assurance and consistency for consumer safety and protection throughout the state. These changes are funded in part by a proposed 10-percent increase in licensing fees.

- State Hearings Division—The Budget includes $9.8 million ($1.3 million General Fund) and 63 two-year limited-term positions in 2014-15 to address the anticipated workload impact on the State Hearings Division resulting from implementation of the Affordable Care Act. The additional resources will provide timely hearing decisions to address disputes from Medi-Cal and Covered California applicants.

California Work Opportunity and Responsibility to Kids

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services so that families may become self-sufficient. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs.

Total TANF expenditures are $7.1 billion (state, local, and federal funds) in 2014-15. The amount budgeted includes $5.5 billion for CalWORKs program expenditures and $1.6 billion in other programs. Other programs primarily include expenditures for Cal Grants, Department of Education child care, Child Welfare Services, Foster Care, Department of Developmental Services programs, the Statewide Automated Welfare System, California Community Colleges child care and education services, and the Department of Child Support Services.

Average monthly CalWORKs caseload is estimated to be about 529,000 families in 2014-15, a 4-percent decrease from the 2013 Budget projection.

Significant Adjustments:

- Parent/Child Engagement Demonstration Pilot—To support some of the most vulnerable low-income families who have multiple barriers of entry into the workforce, and do not have access to licensed child care, or who fall into CalWORKs sanction status, the Budget proposes a six-county, 2,000-family pilot project over three years to:
    - Connect vulnerable children with stable licensed child care.

- Engage parents with their children in the child care setting.
- Enhance parenting and life skills.
- Provide parents with work readiness activities that will move the family toward self-sufficiency.

The project will cost $9.9 million General Fund in 2014-15, assuming March 2015 enrollment of the first cohort of families, and $115.4 million General Fund over three years.

- Maximum Aid Payment Levels—The 2013 Budget increases Maximum Aid Payment levels by 5 percent, effective March 1, 2014. The 5-percent increase is expected to cost approximately $168 million annually. The increase will be funded by 1991 Realignment growth funds deposited in the Child Poverty and Family Supplemental Support Subaccount (see Health Care Reform Implementation section within Department of Health Care Services), as well as a $6.3 million General Fund augmentation. Subsequent increases will be based on analysis of revenue and caseload estimates in future years.

In-Home Supportive Services

The IHSS program provides domestic and related services such as housework, transportation, and personal care services to eligible low-income aged, blind, and disabled persons. These services are provided to assist individuals to remain safely in their homes and prevent institutionalization.

The Budget includes $2 billion General Fund for the IHSS program in 2014-15, a 6.4-percent increase over the 2013 Budget. Average monthly caseload in this program is estimated to be 453,000 recipients in 2014-15, a 1.2-percent increase from the 2013 Budget projection.

In September 2013, the United States Department of Labor announced new regulations, effective January 1, 2015, that require overtime pay for domestic workers. In addition, new requirements were added that require compensation for providers traveling between multiple recipients, wait time that is associated with medical accompaniment, and time spent in mandatory provider training. These regulations have the potential to increase IHSS program costs by over $600 million by 2015-16.

To control costs and promote the continued health and safety of Medicaid recipients in the program, the Budget proposes to prohibit providers from working overtime. As the

employer for purposes of hiring, firing, scheduling, and supervising the work of his/her IHSS provider, this restriction will require some recipients to hire and train additional providers to fully provide their authorized services. The IHSS workforce will need to increase to accommodate this change.

A Provider Backup System will be established to assist recipients in an unexpected circumstance to obtain a provider for continued care when their regular provider would exceed the limitations on hours worked by continuing to provide services. In these circumstances, a recipient could contact the Provider Backup System for assistance in obtaining a backup provider who would be available in a short amount of time. Any services provided by the backup provider will be deducted from the recipient's authorized hours.

Combined implementation of the new federal requirements will cost $208.9 million ($99 million General Fund) in 2014-15 and $327.9 million ($153.1 million General Fund) thereafter.

The IHSS program is also a key component of the Coordinated Care Initiative (CCI). No earlier than April 2014, certain Medi-Cal beneficiaries residing in a county authorized to participate in the CCI demonstration will begin transitioning from the traditional fee-for-service model to a managed care model for receiving health care services, including IHSS services. Under CCI, the fundamental structure of the IHSS program will remain the same, with eligibility determination, assessment of hours, and program administration conducted by county social workers and administrative staff. For additional information on CCI, refer to the Department of Health Care Services section.

Supplemental Security Income/State Supplementary Payment

The federal SSI program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a SSP grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration (SSA) administers the SSI/SSP program, making eligibility determinations, grant computations, and issuing combined monthly checks to recipients. The state-only Cash Assistance Program for Immigrants (CAPI) provides monthly cash benefits to aged, blind, and disabled legal non-citizens who are ineligible for SSI/SSP due solely to their immigration status.

Effective January 2013, maximum SSI/SSP grant levels are $866 per month for individuals and $1,462 per month for couples. SSA applies an annual cost-of-living adjustment to the SSI portion of the grant equivalent to the year-over-year increase in the Consumer Price Index (CPI). The current CPI growth factors are 1.5 percent for 2014 and a projected 0.6 percent for 2015. Maximum SSI/SSP monthly grant levels will increase by $11 and $16 for individuals and couples, respectively, effective January 2014. CAPI benefits are equivalent to SSI/SSP benefits, less $10 per month for individuals and $20 per month for couples.

The Budget includes $2.8 billion General Fund for the SSI/SSP program. This represents a 1.2-percent increase ($34 million) from the revised 2013-14 budget. The average monthly caseload in this program is estimated to be 1.3 million recipients in 2014-15, a slight increase over the 2013-14 projected level. The SSI/SSP caseload consists of 27-percent aged, 2-percent blind, and 71-percent disabled persons.

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