

HEALTH AND HUMAN SERVICES AGENCY BUDGET IMPACTS – FEBRUARY 2009

California Health and Human Services Agency (Agency) expenditures amount to approximately one-third of total state General Fund outlays, and are second only to education in the amount of funding received from the state's General Fund. As such, a budget solution would not be possible without expenditure reductions in the programs administered by the Agency. These reductions total nearly \$1.6 billion, of which approximately \$676 million will be restored if the Treasurer and Director of Finance determine on or before April 1, 2009 that sufficient funding from the federal economic stimulus package is available to offset those reductions. The Department of Finance has preliminarily estimated \$7.9 billion in federal fiscal relief will be available by June 30, 2010, although this estimate continues to be evaluated for purposes of the April 1, 2009 determination.

Department of Developmental Services (DDS)

REGIONAL CENTERS

Three Percent Reduction for Regional Center Provider Payments

2008-09: \$28.7 million

2009-10: \$72.4 million

Effective February 1, 2009, there will be a 3 percent payment reduction to service providers from regional centers, and a 3 percent reduction in funding for regional center operations costs.

Additional \$100 million in Cost-Containment

2008-09: None

2009-10: \$100 million

The DDS has begun working with stakeholders to develop ideas for containing costs in the regional center system. Informed by these discussions, the Administration will submit cost-containment proposals to the Legislature on April 1, 2009 to meet the \$100 million savings included in the Budget Act. To the extent that cost-containment measures are not enacted prior to September 1, 2009, the \$100 million in savings will be automatically achieved by implementing an additional payment reduction, up to 7.1 percent, to service providers from regional centers.

Department of Health Care Services (DHCS)

MEDI-CAL

Eliminate County Administration Cost-of-Living Adjustment (COLA)

2008-09: None

2009-10: \$24.7 million

This reduction will suspend the approximately 4 percent COLA for county operations otherwise expected to be authorized for the 2009-10 fiscal year. These funds would have provided state funding for salary increases for eligibility workers and support staff.

Department of Social Services (DSS)

CalWORKs

Suspend the July 2009 COLA

2008-09: None

2009-10: \$79.1 million

Suspending the July 2009 COLA will leave the current maximum aid payment levels unchanged during the 2009-10 fiscal year. This COLA is estimated at 2.94 percent, and would have increased the current maximum monthly aid payment level for a family of three from \$723 to \$744.

Suspend Funding for the "Pay For Performance Incentive Program"

2008-09: None

2009-10: \$40 million

This program was originally established to proportionately reward counties that made improvements in their CalWORKs work participation rates by successfully engaging people in the workforce. Given the difficulties of the current economy and the other competing priorities for limited state resources, funding for this discretionary program will not be continued during the 2009-10 fiscal year.

Delay LEADER Replacement Project

2008-09: None

2009-10: \$14.6 million

The Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement project is an effort to update one of the four consortia within the Statewide Automated Welfare System. This massive information technology project will eventually update the existing system used to establish, provide, monitor, and report social services to approximately 37 percent of the state's caseload. As the selection of a vendor for application development has not yet been made, it is feasible to delay the start of this effort and thereby postpone costs already planned for 2009-10.

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

Withhold the Federal January 2009 COLA

2008-09: \$79.8 million

2009-10: \$487.3 million

On January 1, 2009, recipients' maximum monthly SSI grant increased by approximately 5.8 percent due to a federal COLA, to \$907 for individuals and \$1,579 for couples. Effective May 1, 2009, the SSP portion of the combined grant will be reduced by the amount of that increase, effectively returning the maximum combined SSI/SSP grants for individuals and couples to their December 2008 levels of \$870 and \$1,524, respectively.

Suspend the State June 2010 COLA

2008-09: None

2009-10: \$27 million

After withholding the federal January COLA (above), also suspending the State June 2010 COLA currently estimated at 2.94 percent will leave the December 2008 maximum grant levels unchanged through the end of the 2009-10 fiscal year. The maximum grant

levels for individuals and couples therefore will not be increased on June 1, 2010 by the State COLA amounts of \$26 and \$45, respectively.

Department of Child Support Services (DCSS)

CHILD SUPPORT AUTOMATION

2008-09: None

2009-10: \$36.1 million

This adjustment is a deferral of various non-critical changes to the automated child support system that allows reduced funding in 2009-10.

FUNDING SHIFTS

California Children and Families Commission (Proposition 10)

Contingent upon passage of a ballot initiative, the Budget redirects between \$275 million and \$340 million in one-time funds from the State Commission reserve and reduces funding available to the state and local commissions by 50 percent through 2013-14 (\$268 million annually). These funds would be used to offset General Fund expenditures by the Departments of Social Services (DSS) and Developmental Services (DDS) for services to children ages 0-5. There is no impact to persons receiving services through DSS or DDS as a result of this change in fund source.

Department of Mental Health (DMH)

MENTAL HEALTH SERVICES ACT (PROPOSITION 63)

The Early Periodic Screening Diagnosis Testing Program (EPSDT)

2008-09: None

2009-10: \$226.7 million

Contingent upon passage of a ballot initiative, the Budget redirects \$226 million in unallocated Proposition 63 resources to support the Early Periodic Screening Diagnosis Testing Program (EPSDT) for patients under the age of 21 for 2009-10 and 2010-11. There is no impact to persons receiving services through EPSDT as a result of this fund shift.

TRIGGER REDUCTIONS

The Budget contains several reductions that would be "triggered off" if, on or before April 1, 2009, the Treasurer and the Director of Finance jointly determine that at least ten billion dollars in additional federal funds that may be used to offset General Fund expenditures before June 30, 2010 will be available to California. The Department of Finance has preliminarily estimated \$7.9 billion in federal fiscal relief through June 20, 2010, though the Treasurer and the Department of Finance Director are required to make a formal determination prior to April 1, 2009. If that determination cannot be made, then all of the reductions described below will be implemented on July 1, 2009.

MEDI-CAL

Trigger Reduction—Eliminate Optional Benefits for Adults

2008-09: None

2009-10: \$129.4 million

This reduction would eliminate the following ten Medi-Cal optional benefits for adults 21 years of age or older who are not in a nursing facility: Acupuncture Services, Adult Dental, Chiropractic Services, Incontinence Creams and Washes, Optician/Optical Laboratory Services, Optometry Services, Podiatry Services, Psychology Services, Speech Therapy, and Audiology Services. As required by federal law, these services will continue to be available for persons in a licensed skilled nursing facility or intermediate care facility. Persons enrolled in the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program also will continue to receive these services, pursuant to federal law. Pregnancy-related services and services for the treatment of other conditions that might complicate the pregnancy will continue to be covered. After this reduction, California will continue to offer 26 optional benefits.

Trigger Reduction—10 Percent Reduction in Public Hospital Reimbursement Rates

2008-09: None

2009-10: \$54.2 million

The Safety Net Care Pool (SNCP) was established on July 1, 2005, to reimburse hospitals for uncompensated care they provide to the uninsured as part of the Medi-Cal Hospital/Uninsured Care Demonstration (hospital financing waiver). The SNCP makes \$586 million available to be claimed using the certified public expenditures of designated public hospitals (DPHs) for uncompensated care to the uninsured. This reduction would reduce these payments to DPHs by 10 percent to fund various state health care programs.

CalWORKs

Trigger Reduction—4 Percent Grant Reduction

2008-09: None

2009-10: \$146.9 million

A four percent reduction to the maximum aid payments would result in grants being reduced from \$723 per month to \$694 per month.

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

Trigger Reduction—Reduce Grants by 2.3 Percent

2008-09: None

2009-10: \$267.8 million

This would reduce the maximum grant levels by 2.3 percent, or approximately \$20 for individuals and \$35 for married couples. The current maximum grant levels are \$907 per month for individuals and \$1,579 per month for married couples.

IN-HOME SUPPORTIVE SERVICES (IHSS)

Trigger Reduction—Reduce the Cap on State Financial Participation in IHSS Provider Wages

2008-09: None

2009-10: \$74.2 million

The state currently contributes a portion of IHSS provider wages and benefits, up to \$12.10 per hour. This reduction would limit the state's contribution to \$9.50 per hour plus up to \$0.60 per hour for benefits.

Trigger Reduction—Limit the Share of Cost Program to Existing Recipients

2008-09: None

2009-10: \$3.8 million

The IHSS Share-of-Cost (SOC) Buy-Out Program pays the difference between a recipient's SOC paid by Medi-Cal (which is calculated by taking into account the entire family's resources) and the recipient's SOC paid by the IHSS program (which is calculated by taking into account only the IHSS recipient's income). Since the IHSS recipient's SOC is lower, IHSS has historically "bought out" the difference for persons enrolled in both programs. This program will be eliminated for any new recipients after July 1, 2009. Persons actively in the program as of June 30, 2009 will be "grandfathered" in and will continue to benefit from this state contribution to their SOC.