

Fiscal Year
2020-2021
Budget

HEALTH & HUMAN SERVICES

Promoting Community through Person-Centered Programs and Data-Driven Investments.



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There is no question that Governor Newsom is California's health and human services governor.

The governor's Budget makes bold investments to advance key health and human services priorities including quality, affordable health care regardless of your age or income; transformed health care services through the Medi-Cal program; lower prescription drug costs; integrated behavioral health care services; and support for those who struggle with homelessness. Beyond the new investments this Budget makes, we are deeply grateful for the continued support of programs that help change the arc of people's lives.

This Budget is a reflection of our shared values as Californians: It goes beyond funding Departments and programs. It invests in all of us as human beings, each with our own strengths and struggles. The Health and Human Services Budget proposals are the foundation of a Healthy California for All, and I look forward to working with the governor, state Legislators and stakeholders to enact these critically important priorities.

Mark Ghaly, MD, MPH

Secretary

Health and Human Services Agency

Californians to be served in Fiscal Year 2020-2021.

6,761

Californians will receive services through the State Hospitals

12,880,436

Californians will receive health coverage from the Medi-Cal Program

369,000

Californians will receive services from the Developmental Services System

4,075,278

California will receive benefits from the Supplemental Nutrition Assistance Program (CalFresh)

358,090

Californians will receive benefits from the Temporary Assistance for Needy Families Program (CalWORKs)

109,996

Californians will receive services from the Child Welfare System

589,390

Californians will receive services from the In-Home Supportive Services Program

840,344

Californians will receive benefits from the Women, Infant, and Children Program.



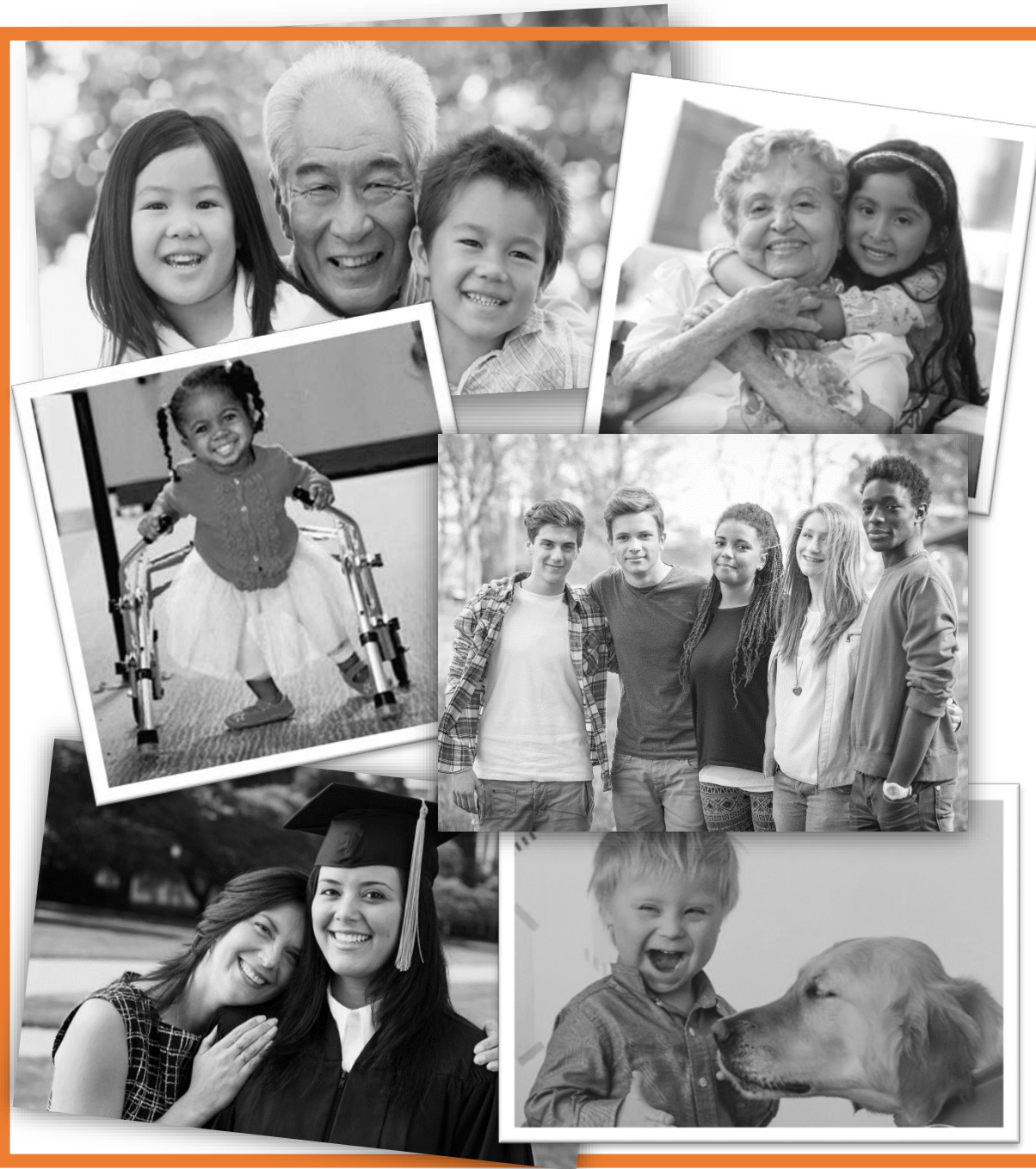
INTRODUCTION

The initiatives proposed in the Budget independently help bolster critical safety-net programs that Californians across the state depend on. Taken collectively, these investments have an even broader impact, as they advance the health and well-being, as well as the social and economic mobility, of all Californians.

The health and human services Budget proposals are the foundation of a Healthy California for All. We will continue exploring policy solutions that improve the health and well-being of entire communities while driving toward an integrated health and human services system that is accessible, affordable, high-quality and equitable for all.

To that end, it is important to recognize that our work extends to the entire life span, from initiatives focused on improving the trajectory of our children, to efforts designed to improve the quality of life of older and disabled Californians. Most importantly, our work looks to make a positive impact on the lives of all Californians, irrespective of age, race, gender, socioeconomic status and sexual orientation.

Finally, person-centered programs require integrated data organized around people and their communities rather than programs. This is why the Budget looks to enhance the actionable use of our data so that we can better understand the conditions in communities, the impact of current programs and the opportunities to improve the delivery of our services.



A **Healthy California for All** is a place that understands that the best medical care in the world is not enough if you do not have a roof over your head and enough food to eat.

It's a place that recognizes the urgent need for timely access to high-quality mental health and substance use disorder treatment.

It's a place that believes that prescription drugs should serve Californians, and not be vehicles for padding pharmaceutical manufacturers' profits.

It's a place that sees the whole person and recognizes the impact adverse childhood experiences have on individuals, families and communities.

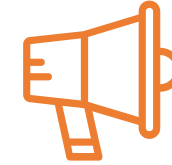
It's a place that acknowledges that creating healthy people requires creating healthy communities, communities where the healthy choice is the easy choice available to all.

And it's a place that is committed to addressing the economic inequalities that cause many Californians to live on the street.

OUR STRATEGIC PRIORITIES

1. Build a Healthy California for All
2. Integrate Health and Human Services
3. Improve the Lives of the Most Vulnerable

OUR GUIDING PRINCIPLES



Adopt a Culture of Collaboration & Innovation

Focus on Outcomes & Value Generation



Use Data to Drive Action

Put the Person back in Person-Centered



See the Whole Person

A group of five diverse, smiling older adults (three men and two women) are shown outdoors in a park-like setting with green trees in the background. They are all laughing or smiling broadly, conveying a sense of joy and health. The group includes a Black man, a white man with a beard, a white woman with blonde hair, an Asian woman with grey hair, and an Asian man with glasses. They are dressed in casual, comfortable clothing like t-shirts and a visor. The entire image is framed by a thick orange border.

BUILDING A HEALTHY CALIFORNIA FOR ALL

The Budget furthers last year's investments to make health care more affordable while advancing progress towards universal coverage.



Expanding Health Coverage and Benefits

Since 2010, the number of uninsured Californians has dropped by more than half, to 7.2 percent. We have been able to make these gains by expanding public insurance coverage through Medi-Cal, California's Medicaid program, and by extending private insurance coverage through the state health insurance marketplace, Covered California.

Our goal is to achieve universal coverage, and we are taking incremental steps to get every person in California access to meaningful and affordable health insurance.

In the Medi-Cal program, last year we expanded coverage to undocumented young adults under the age of 26, and we expanded eligibility for no-cost Medi-Cal for seniors and persons with disabilities up to 138 percent of the federal poverty level.

We also added new optional benefits and extended full-scope Medi-Cal coverage to new mothers with a maternal mental health diagnosis.

In terms of private insurance coverage, through Covered California, we became the first state in the nation to extend premium assistance to qualified individuals with incomes between 400 and 600 percent of the federal poverty level and individuals at or below 138 percent of the federal poverty level. We also increased our premium assistance for individuals with incomes above 200 percent and at or below 400 percent of the federal poverty level.

This Budget looks to build off our prior investments by expanding full-scope Medi-Cal coverage to all seniors aged 65 years and older, regardless of immigration status.



Building a Healthier California for All through Medi-Cal

While California has made great strides in expanding coverage, we are just as focused on reforming the delivery of public health care services to enhance quality and improve the beneficiary experience.

To do that, we have launched the *Medi-Cal Healthier California for All* initiative (formerly known as CalAIM), which envisions a health care system for low-income Californians that seamlessly treats the whole person and their full array of behavioral, developmental and physical needs.

Medi-Cal Healthier California for All will provide a wider array of services and supports for individuals with complex needs whose health outcomes are, in part, driven by unmet social needs such as housing, transportation and food. It will make it easier for people with complex health needs to navigate care while addressing other factors that impact health.

The *Medi-Cal Healthier California for All* initiative has three primary goals:

Goal 1: Identify and manage member risk and need through Whole Person Care approaches and addressing social determinants of health;

Goal 2: Move Medi-Cal to a more integrated and seamless system by reducing complexity and increasing flexibility; and

Goal 3: Improve quality outcomes and drive delivery system transformation through value-based initiatives, modernization of systems and payment reform.

In the end, more seamlessly delivering prevention and treatment services to Medi-Cal beneficiaries, and addressing other factors that affect their health, will reduce overall health care costs.



Making Health Care Affordable for All

Despite a strong economy, high health care costs represent a major challenge for all Californians. Compared to a decade ago, families contribute 67 percent more to their health benefits, while employers contribute 51 percent more in premium contributions; meanwhile, wages have only increased by 26 percent. Much of this increase in costs is due to growth in the underlying cost of care that outstrips the growth of the economy or of wages.

We are taking immediate action to stop the cost of prescription drugs from continuing to rise. Some pharmaceutical manufacturers are increasing the prices of life-saving drugs, making access increasingly difficult. Absent federal action to address these rising costs, the State must do what is in its power to get better prices from pharmaceutical manufacturers for taxpayers, employers, and consumers.

Last year, we began the process to transition all pharmacy services from Medi-Cal managed care to a fee-for-service system.

This will standardize the Medi-Cal pharmacy benefit statewide, improve access to pharmacy services with a pharmacy network that includes approximately 94 percent of the state's pharmacies, apply statewide utilization management protocols to all outpatient drugs, and strengthen California's ability to negotiate state supplemental drug rebates with drug manufacturers.

This Administration will propose to establish a single market for drug pricing within the state. This proposal would enable all purchasers--Medi-Cal, CalPERS, Covered California, private insurers, self-insured employers, and others-- to combine their purchasing power.

Drug manufacturers would have to bid to sell their drugs – at a uniform price – in the California market. California would invoke a most-favored-nation clause in the manufacturer price bid, which would require manufacturers to offer prices at or below the price offered to any other state, nation, or global purchaser if they wish to sell their products in California.

We are also exploring the establishment of the State's own generic drug label. The State would contract with one or more generic drug manufacturers to manufacture certain generic drugs on behalf of the state and participating entities.

This proposal would allow the state to disrupt the generic drug market by introducing competition into the existing market through the establishment of a generic drug label.

Additionally, the Budget proposes to expand the State's authority to consider the best prices offered by manufacturers internationally when conducting negotiations for supplemental rebates in the Medi-Cal program.

The Budget also proposes to leverage the purchasing power of the Medi-Cal program to negotiate supplemental rebates on behalf of targeted populations outside the Medi-Cal program.

Finally, we are proposing to establish the Office of Health Care Affordability, which will be charged with increasing cost and quality transparency, developing specific strategies and cost targets for the different sectors of the health care industry, and financial consequences for entities that fail to meet these targets. The ultimate goal is for savings to return to consumers.



Combating the Youth Vaping Epidemic

California has been a national leader in driving down tobacco use in our youth, but these advances are being eroded by an epidemic of vaping. The dramatic increase in youth vaping has been attributed to the appeal of flavored vaping and alternative nicotine products.

Vaping devices are the most commonly used tobacco product among California youth and more than 80 percent of high-school teens who consume tobacco use a vaping device.

Of the California teens who consume tobacco products, 86.4 percent report using a flavored tobacco product. There are over 15,500 liquid e-flavors enticing youth into a behavior that results in nicotine addiction and that is known to have negative health and behavior effects. Flavors mask the harsh taste of nicotine which makes it easier for kids to smoke, and most

kids do not know that flavored E-cigarettes may have a higher nicotine content.

We can no longer stand by as a new generation falls victim to big tobacco, with vaping products being developed to directly target kids and youth.

We know that increasing price is the most effective way to reduce youth tobacco use. The Budget proposes a new nicotine content-based E-cigarette tax which will begin on January 1, 2021, and will be \$2 for 40 milligrams of nicotine in the product. The new tax will be in addition to all existing taxes on E-cigarettes, which are presently taxed as tobacco products under state law.

In addition to the tax, the Administration is supporting a statewide ban of all flavored nicotine products as of January 1, 2021.

A photograph of a diverse family of five—two adults and three children—sitting around a wooden dining table in a bright, modern kitchen. They are all laughing and smiling, creating a warm and joyful atmosphere. The table is set with plates of food, glasses, and condiments. The kitchen background features white cabinets, a wooden countertop, and various kitchen appliances like a microwave and toaster.

INTEGRATING HEALTH & HUMAN SERVICES

The Budget makes new investments in critical areas that will further integrate the delivery of health and human services to better meet the needs of the individuals served by public programs.



Transforming Behavioral Health

The Budget places a strong emphasis on behavioral health to address the urgent need to improve timely access to high-quality mental health and substance use disorder treatment.

While health care coverage continues to expand to more people across the state, many residents with private and public coverage are struggling to access behavioral health treatment. California must combat the rising rates of suicide and opioid and methamphetamine overdose through better prevention, early intervention, and treatment to stabilize conditions before they become severe.

The Budget supports new and expanded behavioral health programs and services across various Departments across the Agency, while establishing a Behavioral Health Task Force.

The Task Force will be chaired by the Secretary and will bring together state departments and offices, counties, advocates, health plans, providers, and other stakeholders.

The Task Force will review timely access to treatment and the quality of care, as well as the State's enforcement of behavioral health parity laws and regulations. While parity of behavioral health coverage with other medical benefits is a central component of providing access to treatment, our work should go further than parity to address broader issues of access, including services that work and are culturally appropriate and promote community.

The Task Force will examine existing policies and programs, and coordinate system transformation efforts to better prevent and respond to mental illness and substance use disorders in California.



Delivering Quality Developmental Services

California proudly has a strong developmental services system that ensures all in need are eligible and entitled to services.

During the past ten years, the composition of regional center consumers has significantly changed. Today's consumers have more significant behavioral and healthcare needs, and are older and more ethnically diverse. Specifically, behavioral needs have grown by 48 percent, while the rate of individuals with an autism diagnosis has grown by 177 percent.

In collaboration with the Developmental Services Task Force and other stakeholders, we will make recommendations on how to reform the financing of the developmental services delivery system to improve the quality and value of services delivered. This requires establishing a system that prioritizes outcomes, and innovation, and provides transparency, oversight, and accountability.

To initiate this work and help begin to think differently about the provision of services in order to improve quality and derive value, the Budget proposes to establish a Performance Incentive Program for Developmental Services administered through the Regional Center system.

The Performance Incentive Program would provide incentive payments to Regional Centers to incentivize the availability of service options to align with the changing demographics of consumers, while improving data collection to demonstrate value.

The Performance Incentive Program is intended to align with each Regional Center's performance contract, but will require Regional Centers to meet an advanced tier of performance measures to receive additional payments.



Establishing a Center for Data Insights and Innovation

To integrate services, we must integrate data. Therefore, the Budget proposes to consolidate existing resources to establish a Center for Data Insights and Innovation within the Agency.

The Center will focus on leveraging data to develop the knowledge and insights to improve program delivery and drive system transformation across health and human services.

Too often we are focused on delivering specific programs or services within our government silos that we do not see how our programs complement one another to best address the needs of the people and communities we serve.

Our vision is to enable the efficient delivery of services, and the development of evidence to support and reinforce the impact of our programs.

The Center will integrate the Office of Innovation, the Office of the Patient Advocate, and the Office of Health Information Integrity.

The Center will focus on four key goals: (1) institutionalize analytics to improve knowledge management across policy areas; (2) develop internal data capacity to grow insights and knowledge; (3) operationalize rapid prototyping and human-centered design to ensure high-value service delivery; and (4) build analytical excellence within government to drive civic engagement externally.

The Center will achieve these goals by making timely data available for use; by telling stories and developing information with data; and by bringing advanced models, such as human-centered design, to service delivery.

A group of diverse young children, including boys and girls of various ethnicities, are sitting together on a light-colored floor. They are all looking towards the left side of the frame with expressions of interest and joy. Some are smiling broadly, while others are looking more intently. The children are dressed in casual clothing like t-shirts and shorts. The background is slightly blurred, showing what appears to be an indoor setting with wooden paneling.

IMPROVING THE LIVES OF THE MOST VULNERABLE

The Budget proposes to make new investments in areas that will help further address critical issues impacting the most vulnerable in our communities.



Addressing the Homelessness Crisis

Even with our strong economy, tonight, more than 150,000 Californians will find themselves without a place to sleep – seeking shelter instead in tents or cars, under bridges or on sidewalks.

The Budget gives a hand up for those who struggle with homelessness by making \$750 million in new investments this year to help our most vulnerable neighbors.

We understand that homelessness is a complex problem with many causes, including mental illness and drug addiction.

However, a primary driver of homelessness in California is the skyrocketing cost of housing. As rents soar, many people are one financial misfortune or illness away from landing on the streets.

To help people who are currently homeless or at risk of becoming so, the Budget will establish the California Access to Housing and Services Fund to address the key drivers of homelessness, while helping to stabilize board and care facilities. It will both move more people into stable housing and help create stable new housing units.

The fund will select organizations to serve as Regional Administrators; these organizations will serve a role not unlike a real estate agent serves for a first-time homebuyer: helping identify housing, negotiating with landlords, wrangling paperwork and making rental payments in some cases.

The Regional Administrators will go a step further, making small and medium investments in the development of new housing units in return for subsidized rents in the future and connecting people with services like Medi-Cal and food assistance.



Establishing a Department of Early Childhood Development

Over the years, California's early childhood system has evolved by piecemeal resulting in fragmentation.

There are strengths in this mixed delivery system, as well as challenges where the array of regulations, funding mechanisms, program standards, and governance structures can be difficult for families and early childhood agencies to navigate. While these programs support many of the same families, services are difficult to navigate due to programs being administered across multiple departments with varying goals and standards.

The Budget proposes to establish the Department of Early Childhood Development to ensure California is building a high quality, affordable and unified early childhood system, which recognizes that the health and social services needs of children are critical for their learning.

Consolidating funding streams and programs under a single system of state administration in strong partnership with the Department of Education and the State Board of Education will maximize investments in high-quality early childhood programs for low-income children and their families.

There are a number of benefits to establishing a new department within the Agency. These include: (1) a recognition of the primary relationship between early childhood development and health; (2) improved interagency collaboration with health and social service programs; (3) strengthened collective impact by aligning and prioritizing outcomes and measures across programs; (4) simplified state administration of child care and development programs; and (5) improved coordination between the state's child care licensing departments.



Developing Community Pilots for those Incompetent to Stand Trial

The number of individuals found incompetent to stand trial, who are referred from the trial courts to the state hospital system, continues to grow despite the addition of state hospital beds and jail-based treatment beds, as well as reduced length of stay achieved through system improvement.

Restoration services do not go beyond stabilizing acute mental health symptoms and teaching basic information about court processes and roles. Given the limited focus on competency restoration in order to return to court, treatment at state hospitals does not have a long-term impact on patients' mental health or recidivism rates.

As a result, continuing to build new capacity for state hospital restoration is not the answer for reducing the referral rate and so we must look to long-term solutions in the community.

The Community Care Collaborative Pilot Program is a six-year pilot program in three counties that provides incentives to locals to not only treat individuals in the community, but to focus on upstream treatment and earlier interventions so clinical conditions do not decompensate.

Targeted reductions will increase over the course of a six-year pilot period as will the value of incentive funding offered to the counties to encourage participation, thoughtful planning and a focused approach to implementing creative and collaborative solutions to reducing the increasing rate of commitments and referrals to the state hospital system.

Our goal is to treat more individuals in the community thereby reducing the waitlists and ultimately freeing up state hospital beds for individuals who need 24-hour care that is not available through community programs.

This Budget begins to lay the foundation for us to build together a **Healthy California for All** that integrates health and human services and improves the lives of the most vulnerable in our communities.



RESOURCES

Visit our websites for additional Budget information:

- Health and Human Services Agency- www.chhs.ca.gov
- Department of Finance - www.dof.ca.gov

Follow us on social media for additional Budget information:



@CHHSAgency

Contact us by email or phone for Budget questions:

- Email: chhsmail@chhs.ca.gov
- Phone: 916.654.3454

A photograph of a family walking away from the camera on a dirt path through a dense, green forest. The father, on the left, is wearing a light-colored short-sleeved shirt, khaki pants, and a hat. The mother, on the right, is wearing a blue dress with white polka dots. A young child in a blue shirt and plaid shorts is running between them, holding their hands. The path is surrounded by tall trees and thick foliage, with sunlight filtering through the leaves. The entire image is framed by a thick orange border.

Join us in Building a Healthy California for All.