

CalHHS

Governor's Budget Highlights

At CalHHS, we strive to *Focus on the Person* being served by our programs. This approach is Person Centered, Equity Focused, and Data Driven.

In order to maintain our collective focus on the person being served, we follow our [guiding principles](#)

Focus on Equity	Actively Listen	Use Data to Drive Action
See the Whole Person	Create a Culture of Innovation	Deliver on Outcomes
Put the Person Back in Person Centered		

The COVID-19 pandemic has impacted every Californian, with the most significant impacts on our underserved, low income communities. The pandemic has laid bare the inequities in our health care system and in our society overall.

On the other hand, the 2021 Budget Act and the Governor's 2022-23 Budget present a generational opportunity to improve the lives of All Californian's, particularly the most vulnerable amongst us.

The 2021 Budget Act provided us an opportunity to invest in programs and efforts that deepen our focus on the whole person served by our programs while also addressing the inequities in society laid bare by COVID-19. In the 2022-23 Governor's Budget, we propose to build on those efforts, by making investments that target our most vulnerable communities and also address the upstream needs of our communities. As we move forward, we will leverage the multiyear investments made in the 2021 Budget Act and proposed in the Governor's Budget to build up the foundations of a California for All.

The 2021 Budget Act

The 2021 Budget Act provided unprecedented investments to improve the lives of all Californians, with a particular focus on the most vulnerable in the state's communities. The 2021 Budget Act provided the CalHHS with the opportunity to make investments that focus our programs on the whole person – such as beginning CalAIM

implementation and making historic investments in home and community based programs – and to expand our ability to improve equity in California – such as by expanding full scope Medi-Cal to undocumented older adults.

Key investments provided in the 2021 Budget Act include:

- *Implementation of CalAIM* – which is a broad-based reform of the Medi-Cal Program's delivery system and payment structure, which will move Medi-Cal to a more person-centered approach to improve health outcomes and reduce disparities.
- *Children and Youth Behavioral Health Initiative* - \$2.9 billion over two years and \$430 million ongoing, totaling over \$4 billion the next five years, to transform the behavioral health system for All children in the state, into a system that is prevention-focused where all children and youth are routinely screened, supported, and served for existing and emerging behavioral health needs.
- *Behavioral Health Continuum Infrastructure Programs* - \$2.2 billion in funding for competitive grants for the construction, acquisition, and rehabilitation of facilities and mobile crisis infrastructure to expand the continuum of behavioral health treatment resources.
- *Community Care Expansion Program* - \$805 million in funding for the construction, acquisition, and/or rehabilitation of projects to preserve or expand adult and senior care facilities for individuals experiencing homelessness or at risk of experiencing homelessness.
- *Expansion of Medi-Cal Eligibility to older adults regardless of immigration status* – making all income-eligible California residents over age 50 eligible for full scope Medi-Cal benefits, including In Home Supportive Services. This expansion builds upon prior expansions of Medi-Cal to children and young adults, regardless of their immigration status.
- *Expansion of Home and Community-Based Services* – taking advantage of an opportunity for enhanced federal funding under the federal American Rescue Plan, the budget includes about \$3 billion in funding for a variety of home and community based services programs across several state departments.
- *Expansion of Subsidized Child Care*– the budget provides funding to expand the availability of subsidized child care by over 145,000 slots.
- *Developmental Services Rate Reform* – the budget includes \$90 million in the Current Year, growing to \$1.2 billion per year by 2025-26 for developmental services provider rate increases, including funding for a quality incentive payment program to improve consumer outcomes and service quality.

The Governor's Budget

The Governor's 2022-2023 Budget provides the opportunity to commit ourselves to make bold investments to protect our most vulnerable communities – such as providing housing for homeless individuals with serious behavioral health issues – and to make

investments that will address the upstream causes of health and human services needs in communities that have been deeply impacted by COVID-19 – such as building up our public health infrastructure.

The Governor's Budget continues to advance the health and well-being of all Californians by building upon the significant investments made in 2021-22. The proposed investments will improve the state's ability to serve the whole person, and advance the goal that health care, housing, and social needs are considered together, not solely through the lens of separate funding streams or programs. These proposals address the needs of those with serious mental illness, those who are justice-involved, immigrants, children, and aging populations and will improve the lives of California's most vulnerable residents while addressing underlying inequities in our society.

Through these proposals, we have made a commitment to focusing on early intervention and prevention, to address upstream drivers of health and human service needs. Significant investments in our public health system, proposals to reduce childhood poverty, expanded access to programs and services, and investments in support for homeless individuals with behavioral health needs will allow us to make upstream interventions to address peoples' needs before they reach crisis levels.

Building a 21st Century Public Health System

The COVID-19 Pandemic has underscored the need for investment at the California Department of Public Health (CDPH) and at local health jurisdictions to respond to the needs of Californians during public health emergencies. As a result, the 2021-22 Budget included \$300 million ongoing General Fund, beginning in 2022-23, for investments in public health infrastructure.

The Governor's Budget allocates this funding as follows:

- State Operations Funding – The Budget includes \$100 million General Fund annually for CDPH to strengthen statewide public health infrastructure and complement local funding so that state and local governments can collaboratively work together to improve the health of all Californians.
- Local Assistance Funding – The Budget includes \$200 million General Fund annually for local health jurisdictions to enhance their public health infrastructure. The intent is to drive collaboration across counties and leverage resources collectively to gain economies of scale. Additional local funding resources should broadly include Workforce Expansion, Data Collection and Integration, and Community Partnerships.

In addition, to promote additional investment in community-based organizations that are focused on public health efforts, the Administration proposes statutory changes that direct that 25-percent of a non-profit hospital's community benefit dollars go to these efforts, while giving the Department of Health Care Access and Information enforcement authority over these requirements.

Addressing Childhood Poverty

Pass-Through of Child Support Collections For Formerly Assisted Families – under current law, families formerly receiving state assistance (such as CalWORKs) do not receive the full 'pass-through' of child support payments collected by the state. The Governor's Budget would make statutory changes to fully pass through assigned arrears collections to families formerly assisted by CalWORKs as currently permitted by federal law. Passing these funds directly to families may help low-income families reduce the burden of high-cost debt and stabilize their financial position. The estimated annual total pass through to formerly assisted families is \$187 million.

CalWORKs Grant Increase - The Governor's Budget projects a 7.1-percent increase to CalWORKs Maximum Aid Payment levels, which is estimated to cost \$200.7 million in 2022-23.

Expanding Home Visiting Services – Voluntary home visiting services for children aged 0-3 provide a range of supportive services to pregnant and newly parenting families in California. The Budget provides \$50 million ongoing General Fund for the Department of Public Health to expand the California Home Visiting Program and the California Black Infant Health Program, serving approximately 6,000 additional families over five years.

Individuals with Disabilities Education Act : Part C To B Transitions – When young children receiving Early Intervention Services turn three, they are often eligible to receive school-age special education services from a local education agency. This process of transitioning from early start services (Part C) to school-age services (Part B) is often challenging for children and families. In order to improve early childhood services for children from birth through age five, including children transitioning to special education service at three or entering kindergarten at five who have or are at risk for an intellectual or developmental disability, the Governor's Budget includes \$65.5 million in 2022-23 and \$82.5 million ongoing for the Department of Developmental Services to reduce regional center caseload ratios to 1:40 for children through age five and promote inclusion in preschool of three and four-year olds served by regional centers. Resources will support preschool efforts to improve accessibility of their programs.

Extend Provider Adverse Childhood Experiences (ACEs) Trainings – The budget includes Estimate includes \$22 million in state Mental Health Services Act funding and an additional \$22 million in federal funding in FY 2022-23 to extend provider ACEs trainings to additional Medi-Cal providers.

Making Health Care Affordable and Expanding Availability of Services for All Californians

Improving the affordability of health coverage and availability of health care will benefit millions of Californians. California has taken many actions over the last several years to improve health care affordability – such as expanding Covered California premium subsidies for the middle class, expanding access to Medi-Cal to children, young adults, and older adults regardless of immigration status, and expanding

coverage for preventive services, such as screening for adverse childhood experiences and for dementia. CalHHS has also convened the Healthy California for All Commission that has explored strategies to unify and simplify health care financing and improve affordability of high quality, accessible, and equitable care for all. To sustain affordable access to health care, the state must also address the underlying cost drivers of health care.

Office of Health Care Affordability – The Administration will move forward with its proposal for an Office of Health Care Affordability, housed within the Department of Health Care Access and Information, to address underlying cost drivers and improve the affordability of health coverage, benefiting millions of working Californians. The Office will be charged with increasing transparency on cost and quality, developing cost targets for the health care industry, enforcing compliance through financial penalties, and improving market oversight of transactions that may adversely impact market competition, prices, quality, access, and the total cost of care.

Reducing The Cost Of Insulin – The insulin market has long epitomized the kinds of market failures that plague the pharmaceutical industry. The Administration will continue to work on plans to remedy the market failure for insulin by spurring the availability of insulins that are priced at a fraction of current market prices.

Expansion Of Medi-Cal To All Income-Eligible Californians – Over the last decade, the Medi-Cal program has significantly expanded to cover children, young adults, and older adults age 50 and over regardless of immigration status. The Budget builds on those expansions to expand full-scope eligibility to all income-eligible adults aged 26 through 49 regardless of immigration status. Beginning no sooner than January 1, 2024, Medi-Cal will be available to all income-eligible Californians and move California to near-universal eligibility for health care coverage.

Reduction of Medi-Cal Premiums – The Budget reduces Medi-Cal premiums to zero for approximately 500,000 women, children, and disabled working adults. Currently, these beneficiaries have income that is marginally above the threshold for Medi-Cal and so they must pay monthly premiums. This proposal will reduce the financial burden for many Californians and minimize the disruption that occurs when families lose coverage and access to preventive services when they cannot afford monthly premiums.

Reproductive Health – To protect the right to safe and accessible reproductive health care services, the Administration will undertake a number of actions to maintain and improve availability of these essential services, such as increasing flexibilities in the Medi-Cal Program, adding coverage for the HPV Vaccine to the Family PACT Program, Investing in the reproductive health care workforce, and investing in the physical and information technology infrastructure of reproductive health care facilities.

[Addressing the Behavioral Health Needs of California's Most Vulnerable](#)

The COVID-19 Pandemic has exacerbated behavioral health needs—both mental health and substance use disorder—and placed significant demands on the existing system of care. Workforce shortages have widened the inequities across the system,

worsened by the COVID-19 Pandemic. Californians across all demographics, but especially youth, communities of color, and LGBTQ individuals, and other disadvantaged Californians are experiencing increased levels of stress, anxiety, depression and isolation. In California, consistent with national trends, overdose deaths have risen as well as suicidal ideation and hospitalization for self-harming behavior.

To meet the behavioral health needs of All Californians, and particularly those most vulnerable such as individuals experiencing homelessness and those who are justice-involved, the Governor's Budget makes substantial new investments in behavioral health programs.

Housing Supports To Individuals With Behavioral Health Needs – While \$5.8 billion for Homekey in the 2021 Budget Act provided an unprecedented investment in long-term housing and treatment solutions for people experiencing unsheltered homelessness who have serious behavioral health conditions, there is a need for immediate bridge solutions as the new units come online.

The Budget includes an additional \$1.5 billion in dedicated resources to address immediate housing and treatment needs. Funding will be administered through DHCS' Behavioral Health Continuum Infrastructure Program and can be used to purchase and install tiny homes and to provide time-limited operational supports in these tiny homes or in other bridge housing settings including existing assisted living settings.

California's state and local governments must improve coordination to better serve people with acute behavioral health challenges and those needing housing, treatment, and services, including medication and family supports. The Administration will develop a strategy that addresses the stabilization and treatment of this extremely vulnerable population of Californians with the most severe and untreated behavioral health conditions. Rather than criminalize the homeless population with behavioral health needs, the strategy will provide community-based care upstream to prevent institutionalization and incarceration.

Felony Incompetent to Stand Trial Waitlist Solutions – California is home to thousands of vulnerable and sick individuals who, because of limited community-based and early intervention treatment, decompensate to a point where engagement and treatment is difficult. For many of these Californians with the most severe behavioral health conditions, they become enter into a cycle of untreated mental illness, homelessness, and incarceration. Criminal defendants who are unable to understand criminal proceedings or assist counsel in their defense are determined by a court to be Incompetent to Stand Trial (IST). If these individuals are charged with a felony, they can be committed to the Department of State Hospitals (DSH) to provide clinical and medical services with the goal of restoring their competency and enabling them to return to court to resume their criminal proceedings.

Informed by the deliberations of the IST Solutions Workgroup, the Budget includes spending of \$93 million General Fund in 2021-22 and \$571 million General Fund in 2022-23 and ongoing to provide for:

- Early Stabilization and Community Care Coordination to provide immediate solutions to support access to treatment for the nearly 1700 individuals currently found IST on felony charges and waiting in jail and to reduce the flow of new incoming referrals.
- Expand Diversion and Community-Based Restoration Capacity to increase IST treatment alternatives provided by investing in the community infrastructure required to support the felony IST population.

Medi-Cal Community-Based Mobile Crisis Services – The Department of Health Care Services will add multi-disciplinary mobile response services for crises related to mental health and substance use disorders as a new Medi-Cal benefit, as soon as January 1, 2023. Providing community-based mobile crisis services will help reduce the impact of untreated behavioral health conditions on emergency departments and psychiatric facilities, by providing a system for triaging and referring people to services in the community.

Opioid Response – in response to the growing problem of increased availability of synthetic opioids and related overdose deaths, the Budget includes \$96 million General Fund in 2022-23 and \$61 million ongoing General Fund to expand access to Medication Assisted Treatment. In addition, the Budget includes one-time \$86 million opioid settlement funds which will be dedicated to a public awareness campaign targeted towards youth opioids education and awareness and fentanyl risk education (\$50 million) and improving the state's ability to collect and analyze data on opioid overdose trends (\$5 million), provider training on opioid treatment (\$26 million), and distributing naloxone to homeless service providers (\$5 million).

Supporting California's Aging Population

In the 2021 Budget Act, the state made substantial investments to implement the Governor's Master Plan for Aging and Alzheimer's Task Force recommendations to prepare for more Californians living longer and to advance inclusive, equitable communities for all ages and abilities. To further the Administration's goals, the Budget includes additional investments to support our aging population.

Reforming Nursing Facility Financing – Currently, the state provides annual cost-based increases and quality incentive payments to skilled nursing facilities, funded partly by a Quality Assurance Fee equivalent to 6-percent of facility revenues. The resulting revenue draws down additional federal funding to support nursing facility payments. The Budget proposes to reform the funding framework to move from a primarily cost-based methodology to one that incentivizes value and quality. The intent of these reforms is to further enable nursing facilities to invest in quality and patient care while assuring the long-term financial viability of these essential Medi-Cal providers.

Expanding the Alzheimer's Healthy Brain Initiative – the Budget includes \$10 million one-time General Fund to continue support for the existing Alzheimer's Healthy Brain Initiative grantees in six local health jurisdictions and expand to up to six additional local

health jurisdictions to promote brain health, better care for people with cognitive impairment, increase attention to caregivers, and build public health capacity.

Implementing the Master Plan for Aging – The Governor's Budget also makes a range of targeted investments to support age, disability, and dementia-friendly communities statewide, including:

- Master Plan for Aging—The Budget includes \$2.1 million to bolster the Master Plan for Aging's Data Dashboard to drive outcomes and sustain public engagement for statewide initiatives through the Department of Aging, and strengthen civic engagement policies and programs in the California Commission on Aging.
- Health Care Access for Working Disabled People—\$1.5 million General Fund ongoing to reduce Medi-Cal premiums for working adults with disabilities to continue progress on California's goals to expand access to health care and increase the affordability of home care.
- Intergenerational Volunteering and Community Engagement—The Budget includes funding for various volunteer programs across the state including one-time \$10 million General Fund for programs to engage older adults in volunteer service.
- Inclusive and Equitable Employment—\$7.6 million for an expanded California Leads as an Employer initiative through the California Department of Human Resources to continuously recruit and support a state workforce that reflects all of California, which includes renewed efforts to employ Californians with disabilities.
- Protecting and Empowering At-Risk Aging and Disabled Populations—California is increasing investments in serving the growing number of older and disabled adults with more complex needs, across a range of specialized services, such as to continue the Returning Home Well Program to provide transitional housing to parolees at risk of housing insecurity or homelessness, creation of a new position to coordinate best practices with county Public Conservator agencies serving people with probate conservatorships at the California Department of Aging, and a new position focused on supporting aging individuals with developmental disabilities and their families at the California Department of Developmental Services.

Supplemental Security Income/State Supplementary Payment Increase – The federal SSI program provides a monthly cash benefit to individuals with disabilities, including children, adults, and seniors who meet the program's income and resource requirements. In California, the SSI payment is augmented with an SSP grant. The Governor's Budget assumes an additional SSP increase of 24 percent, effective January 1, 2024, which would fully restore SSP monthly payments for both individuals and couples to pre-Great Recession levels.

Building a Workforce for a Healthy California for All

To succeed in implementing the historic investments made in the 2021 Budget Act and proposed in the Governor's Budget, the state will need to make significant investments in our health and human services workforce.

The Budget includes a one-time \$1.7 billion investment over three years in care economy workforce development—across both the Labor and Workforce Development Agency and CalHHS—that will create more innovative and accessible opportunities to recruit, train, hire, and advance an ethnically and culturally inclusive health and human services workforce, with improved diversity, compensation, and health-equity outcomes.

In addition to investments being made by the Labor and Workforce Development Agency, the major CalHHS investments include:

- *California 25x25 Initiative*—\$350 million General Fund to recruit, train, and certify 25,000 new community health workers by 2025, with specialty certifications in areas that include climate health, homelessness, and dementia.
- *High Road Training Partnerships*—\$340 million General Fund for training and career advancement programs for people with barriers to employment, in alignment with the Workforce Council for Healthcare Training priorities.
- *21st Century Nursing Initiative*—\$270 million General Fund to increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions.
- *California Social Work 2030 Initiative*—\$210 million General Fund to support social work training programs and provide stipends and scholarships for working people to create a new pipeline for diverse social workers who cannot otherwise afford the financial or time investment required to complete full-time programs.
- *Psychiatric Resident Program*—\$120 million General Fund to create training positions for psychiatric residents, psychiatric mental health nurse practitioners, psychology interns/fellows, and psychiatric nurses. Increasing on-site training programs will assist in building the workforce while also serving as an active recruitment pool for advancement within the health and human services workforce, leading to promotional pathways and increased salaries.
- *Multilingual Health Initiatives*—\$60 million General Fund to expand scholarships and loan repayment programs in healthcare and social work for multilingual applicants, with the goal of increasing language and cultural competencies throughout the care workforce.
- *Opioid Treatment*—\$26 million to train providers to build out the substance use disorder (SUD) workforce with a focus on opioid treatment. Funding will be used to increase the number of licensed clinicians, including providers focused on addiction. Funding will also provide supportive employment services to people with SUD issues to transition them into ongoing employment.

Implementing CalAIM

California Advancing and Innovating Medi-Cal (CalAIM) is a framework that encompasses a broad-based delivery system, program, and payment reform across the Medi-Cal program. CalAIM recognizes the opportunity to move California's whole-person care approach to a statewide level, with a clear focus on improving health and reducing health disparities and inequities. Updates to the Department's Section 1115 CalAIM demonstration and Section 1915(b) waiver, along with related contractual and Medi-Cal State Plan changes, will enable California to execute the CalAIM initiative, providing benefits to certain high-need, hard-to-reach populations, with the objective of improving health outcomes for Medi-Cal beneficiaries and other low-income individuals in the state.

In late December 2021, the Centers for Medicare and Medicaid Services (CMS) approved the CalAIM proposal (a few key elements are subject to ongoing discussions with CMS). Approval of CalAIM is a major milestone in the program-wide reform of Medi-Cal. CMS approval allows the state to move forward with these reforms and investments that will deepen Medi-Cal's focus on the most vulnerable members – such as through Enhanced Care Management – while also creating a population health focus that will address the upstream needs of all Medi-Cal enrollees.

The budget continues the investments made in the current year to support the successful implementation of CalAIM. The additional funds to be provided in the Budget Year will particularly assist in the implementation of CalAIM's support for highly vulnerable Medi-Cal enrollees – such as those who are justice-involved, those with complex medical and behavioral health needs, and foster youth.

The Governor's Budget includes these key CalAIM implementation items:

- Justice-involved start-up funds to build on the successful work conducted under Whole Person Care pilots. The Providing Access and Transforming Health (PATH) program will build statewide capacity and expand access to necessary pre-release and post-release services under CalAIM.
- Support for implementation of Enhanced Care Management and Community Supports, including Whole Person Care services and transition to managed care; technical assistance; collaborative planning; and capacity and infrastructure transition, expansion and development funding for providers, community-based organizations, and counties.
- To address the complex medical and behavioral health needs of foster youth, and to build on the Continuum of Care Reforms, the Administration intends to work with stakeholders in the budget year to develop a new Foster Care Model of Care. The Department of Health Care Services and the Department of Social Services will center this effort on establishing an accountability framework across systems, advancing equity, and integrating services and care.

As we move forward, beyond the 2022-23 Budget Year, we will leverage the multiyear investments made in the 2021 Budget Act and proposed in the Governor's Budget to build a California For All. To do so, we will build up our health and human services

workforce and strengthen the foundations of programs that serve All Californians. Key efforts over the next several years that will advance this effort include the implementation of CalAIM, the development of a behavioral health system for all children and youth, the development of a 21st Century public health system, and the build out of a health and human services workforce that will be able to meet the needs of All Californians.

For more information, visit the [California Budget 2022-23 website](#).