



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



Put the person back in person centered



Create a culture of innovation



Deliver on outcomes

How We Got Here



Over the past four years CalHHS has grown by 42 percent in our annual budget with a host of new programs and initiatives underway.

In the last two Budget Acts, unprecedented investments have been made to deliver on our vision of a Health California for All.

This included significant investments to:

- Advance health care affordability,
- Improve outcomes in our programs,
- Expand access to care and benefits,
- Strengthen the behavioral health continuum,
- Support the health and human services workforce, and
- Invest in public health infrastructure.

The Budget continues to advance the health and well-being of All Californians and maintains many of the investments made in recent years.

The COVID-19 pandemic has been fueled by the disparities and inequities

in communities across the state and therefore our investments are anchored in efforts that look to disrupt those disparities and inequities in order to realize our vision of a Healthy California for All.

Expanding Medi-Cal Eligibility and Implementing CalAIM

California has successively expanded full-scope Medi-Cal eligibility to undocumented children, young adults, and seniors. Beginning on January 1, 2024, California will expand Medi-Cal eligibility to undocumented adults age 26-49, ensuring that All Californians are eligible for health care coverage.

The Budget includes \$844.5 million in 2023-24, \$2.1 billion in 2024-25, and approximately \$2.5 billion ongoing to complete the expansion of Medi-Cal to all income-eligible adults ages 26 to 49 regardless of immigration status. In addition, the budget maintains the Administration's commitment to reforming and modernizing the Medi-Cal health care delivery system through the implementation of CalAIM.



Behavioral Health Continuum Infrastructure Program

The Budget includes over \$8 billion total funds to expand the continuum of behavioral health treatment capacity – through programs such as the Behavioral Health Continuum Infrastructure Program and the Behavioral Health Bridge Housing Program – and to transform the system for providing behavioral health services to children and youth – through programs such as the Children and Youth Behavioral Health Initiative.

Access to Reproductive Health Care

California is leading the nation in protecting access to reproductive health care. The 2022 Budget Act includes over \$200 million in investments to ensure safe, accessible reproductive health care. These investments include:

- Funding to providers to cover the uncompensated costs of providing care.
- Additional payments to Medi-Cal providers.
- A Pilot program in LA County to expand access.
- Funding to non-profit organizations that assist with overcoming barriers to care.
- Funding for workforce.
- Funding to clinics for capital and security improvements.
- Subsidies through Covered California to cover the costs of reproductive health care.
- Funding for medically accurate and culturally competent outreach.
- Development of a comprehensive website to provide accurate information on access to care.



Response to the Opioid Crisis

The opioid epidemic continues to evolve, with the overdoses from fentanyl and other synthetic opioids presenting an increasing public health threat. The Administration has spent more than \$1 billion since 2019 to combat opioid abuse and overdose, including:

- Providing Medication Assisted Treatment for opioid use disorders, including through the Medi-Cal program and in jails and prisons.
- Harm reduction strategies to reduce the risks of accidental overdose.
- Distribution of overdose reversal agents such as Naloxone, to prevent fatal opioid overdoses.
- Distributing fentanyl test strips, to prevent inadvertent fentanyl exposure and overdoses.
- Education campaigns to increase awareness of the risks of opioid misuse, particularly the growing risk of fentanyl.
- Focusing law enforcement efforts on those who distribute opioids, as opposed to users.

Child Care Investments

The Budget reflects an historic agreement with Child Care Providers United-California to collectively bargain reimbursement rate increases, and provides over \$2 billion annually to support subsidized child care slot availability.

Developmental Services Provider Rate Reform

The Budget includes an estimated annual \$1.2 billion General Fund per year by 2024-25 to fully implement service provider rate reform with a focus on improving outcomes and quality of services.

Increased Cash Assistance

The Budget includes over \$1 billion General Fund annually to provide increased cash assistance to individuals with disabilities through SSI/SSP and low-income children and families through the CalWORKs program.

Incompetent to Stand Trial Waitlist Solutions

The Budget includes \$535.5 million General Fund in 2022-23, increasing to \$638 million in 2025-26 and ongoing to implement Solutions to address the waitlist of individuals who have been found Incompetent to Stand Trial (IST) and are awaiting placement in a State Hospital or community placement. These investments include Early Stabilization, Community Care Coordination, and Expanding Diversion and Community-Based Restoration Capacity. Over four years, this funding will establish 5,000 community treatment beds to support felony ISTs.



Public Health Infrastructure Investment

The Budget includes \$300 million ongoing General Fund to modernize state and local public health infrastructure and transition to a resilient public health system. Of this amount, \$100 million General Fund supports state public health capacity in foundational public health areas such as emergency preparedness and response and workforce development and training. The remaining \$200 million General Fund is for local health jurisdictions to expand public health staffing and reduce health disparities.

Health and Human Services Workforce

The Budget includes over \$1 billion over three years to strengthen and expand the state's health and human services workforce. These investments include funding for increasing nurses, community health workers and social workers, and supporting new individuals coming into the workforce in behavioral health, primary care and reproductive health.

Advancing the Master Plan for Aging (MPA)

In the first two years of implementation, the MPA has generated investments in affordable housing with supportive services, nutrition, bridging the digital

divide, health care access for all undocumented Californians aged 50 and above, expanded access to home and community-based services, and more than \$1 billion in direct care workforce incentives and training, delivering results for older adults, people with disabilities, and caregivers.

Reducing the Price of Prescription Drugs

The 2022 Budget Act includes \$100 million for the state to invest in the production of low-cost generic insulin, under the CaIRx program. This will reduce out-of-pocket spending for millions of Californians as well as reducing overall health care premiums by reducing the cost of insulin for purchasers.

The 2023 Governor's Budget



Budget Outlook

The Governor's Budget includes \$230.5 billion (\$71.5 billion General Fund) for all health and human services programs in 2023-24.

The Governor's Budget forecasts General Fund revenues will be \$29.5 billion lower than were projected at the adoption of the 2022 Budget Act. This results in a projected budget gap of \$22.5 billion in the 2023-24 fiscal year.

Budget Balancing Solutions

To address the projected budget gap, Governor's Budget reflects a balanced plan of funding delays, reductions, fund shifts, trigger reductions, and limited borrowing.

Within CalHHS department budgets, the Administration focused its Budget Solutions on delaying new, one-time spending; reverting unspent funds; updating the timing of one-time expenditures; and restoring the Medi-Cal Managed Care Organization Tax.

This allows the Administration to avoid making cuts to base budgets or to existing entitlements. By focusing on these solutions, the Administration has preserved our core programs, while still providing the ability to continue implementing new investments in future years.

The Administration will revalue the state's fiscal condition at the May Revision.



Within CalHHS department budgets, significant budget solutions include:

- **Workforce Investments** – the Budget delays spending of \$397 million (\$68 million in the Current Year and \$329 million in the Budget Year), to be restored in 2024-25 and 2025-26.
- **Managed Care Organization (MCO) Tax** – renewal of the MCO tax to support the Medi-Cal Program, offsetting an estimated \$6.5 billion in General Fund spending over three years.
- **Behavioral Health Continuum Infrastructure Program** – delay of spending \$481 million in the Current Year, to be restored in 2024-25 and 2025-26.
- **Behavioral Health Bridge Housing Program** – Delays \$250 million General Fund of the total \$1.5 billion General Fund to 2024-25 for the Behavioral Health Bridge Housing Program. The Budget maintains \$1 billion General Fund in 2022-23 and \$250 million General Fund in 2023-24 for this program.
- **Public Health Workforce Reductions** – reduced spending of \$50 million over four years.
- **Utility Arrearages Payments** – reversion of \$400 million in unspent funds in the Current Year.
- **Covered California Health Care Affordability Fund** – shift of unspent funds to the General Fund, to be restored in 2025-26.
- **Child Care Slot Expansion** – The Budget delays spending of \$134 million in the Budget Year to reflect slower than anticipated uptake of newly created child care slots.
- **Mello-Granlund Older Californians Act Modernization Pilot delay**– \$186 million in funding planned to be spent across three years will now be spread over five years.

Significant Augmentations in the Governor's Budget

While the budget does reflect delays and reductions in spending, the Administration does propose to make new, targeted investments in high-priority areas.

Improving the Behavioral Health System with a Focus on the Most Vulnerable California is facing a crisis of untreated and undertreated behavioral health conditions, which has been further compounded by the impacts of the COVID-19 pandemic. One-fifth of all emergency department visits and one-third of all inpatient hospitalizations in California involve individuals with a behavioral health diagnosis. It is estimated that nearly a quarter of Californians experiencing homelessness have a serious mental illness and

another quarter have a chronic substance use disorder. The percentage of adult psychiatric clients experiencing homelessness more than doubled from 2010 to 2020.

The best method to prevent behavioral health crisis is an equitable and accessible behavioral health system that delivers high quality and timely care. To this end, the Budget includes a number of proposals that continue to build a solid foundation for a better behavioral health system for All Californians.

To this end, the Budget prioritizes targeted investments in a number of efforts to further strengthen the state's behavioral health system, as follows.





Behavioral Health Care Continuum Waiver (CalBH-CBC)

The Department of Health Care Services (DHCS) will seek federal approval of a new proposed Medicaid Section 1115 demonstration (waiver), titled California's Behavioral Health Community-Based Continuum (CalBH-CBC) Demonstration.

The CalBH-CBC Demonstration will complement and amplify the state's existing initiatives to build out the behavioral health continuum of care in the community. This builds on: The CARE Act, Behavioral Health Bridge Housing, Children and Youth Behavioral Health Initiative, Contingency Management as a Medi-Cal benefit, Enhanced Care Management and Community Supports under CalAIM, and new behavioral health Crisis Services in Medi-Cal.

The CalBH-CBC will expand behavioral health services for Medi-Cal beneficiaries living with serious mental illness and serious emotional disturbance – with a focus on children and youth, people experiencing homelessness, and justice involved individuals.

The CalBH-CBC includes proposals to:

- Strengthen the continuum of community-based services to reduce the need for institutional care and improve outcomes,
- Clarify coverage for evidence-based therapies and home-based services for children and families,
- Improve integrated medical, behavioral health and social services for foster children and youth,
- Add Assertive Community Treatment, Supportive Employment, and Coordinated Specialty Care for first episode psychosis,
- Build statewide centers of excellence in behavioral health services to support statewide practice transformations.

The Budget includes \$6.1 billion (\$314 million General Fund, \$175 million Mental Health Services Fund, \$2.1 billion Medi-Cal County Behavioral Health Fund, and \$3.5 billion federal funds) over five years to implement the CalBH-CBC.

The CalBH-CBC would allow counties to cover rent or temporary housing for up to six months for certain high-need beneficiaries, while also focusing on supportive employment to help address critical needs for the treatment and recovery of individuals living with serious behavioral health conditions.

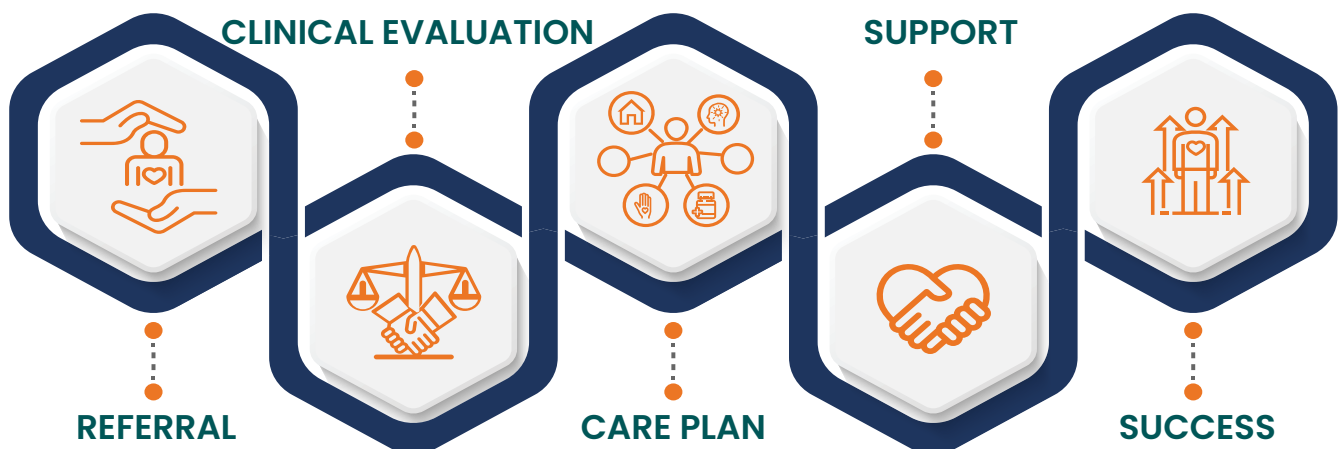
CARE Act

The Community Assistance, Recovery & Empowerment (CARE) Act (SB 1338, Umberg, Statutes of 2022) creates a new pathway to deliver mental health and substance use disorder services to the most severely impaired Californians who too often suffer in homelessness or incarceration without treatment. The CARE Act moves care and support upstream, providing the most vulnerable Californians with access to critical behavioral health services, housing, and support.

Seven counties will begin serving individuals by October 2023, with the

remaining counties launching by December 2024. Funding to support startup costs for counties and courts was included in the 2022 Budget Act.

The Budget includes \$16.5 million General Fund in 2023-24, \$66.5 million General Fund in 2024-25, \$108.5 million in 2025-26 and annually thereafter to support estimated county behavioral health department costs for the CARE Act. The Administration will continue to work with counties and stakeholders to refine the ongoing program cost estimate.





988 Implementation

More than 4,000 individuals died by suicide in California in 2020. There are existing challenges to accessing high quality and equitable crisis behavioral health care – including limited capacity, coordination of services, and coverage for services.

Aligned with the Administration’s commitment to transforming the behavioral health care system for all Californians, significant investments have already been made to build out crisis care capacity, including strengthening the capacity of 988 crisis contact centers and supporting the equipment and technology upgrades needed to transfer calls between the 988 Suicide Crisis Line and the 911 system.

Essential to facilitating and easing access to suicide and crisis supports, the National Suicide Hotline Designation Act of 2020 designated “988” as a three-digit number for the National Suicide Prevention Hotline. This is now known as the 988 Suicide and Crisis Lifeline.

AB 988 (Bauer-Kahan, Statutes of 2022) was signed by the Governor to build a

fully operational and comprehensive 9-8-8 system. Implementing AB 988 represents an unprecedented opportunity to give Californians access to help needed to prevent behavioral health crisis, respond to crisis with trauma-informed practices, and to stabilize crisis compassionately while making connections to on-going care and supports.

The Budget includes \$5.5 million for CalHHS to fulfill duties and responsibilities required by AB 988. CalHHS will convene a state 988 policy advisory group to advise on the development of a comprehensive five-year implementation plan to build out a comprehensive 988 behavioral health crisis prevention, response, and care system.



Opioid and Fentanyl Response

The opioid epidemic continues to evolve, with the overdoses from fentanyl and other synthetic opioids presenting an increasing public health threat.

The Administration has spent more than \$1 billion since 2019 to combat opioid abuse and overdose, including:

- Providing Medication Assisted Treatment for opioid use disorders, including through the Medi-Cal program and in jails and prisons.
 - Harm reduction strategies to reduce the risks of accidental overdose.
 - Distribution of overdose reversal agents such as Naloxone, to prevent fatal opioid overdoses.
 - Distributing fentanyl test strips, to prevent inadvertent fentanyl exposure and overdoses.
 - Education campaigns to increase awareness of the risks of opioid misuse, particularly the growing risk of fentanyl.
 - Focusing law enforcement efforts on those who distribute opioids, as opposed to users.
- The budget allocates \$167 million in federal funds, Opioid Settlement Funds, and State General Fund to address the opioid epidemic. This includes \$42 million in Opioid Settlement Funds in the Budget Year and \$103 million over four years to combat the opioid epidemic by investing in:
- The Naloxone Distribution Project – \$32 million in the Budget Year and \$79 million over four years – to expand the distribution of Naloxone to first responders, law enforcement, community-based organizations, schools, and county agencies.
 - Fentanyl Program Grants – \$10 million over four years – pursuant to AB 2365 (Patterson, Statutes of 2022), grant funding will be provided to increase local efforts in education, testing, recovery, and support services.
 - Improved Access to Fentanyl Test Strips and Naloxone – \$4 million over four years – to establish new, low-cost supplies of Naloxone to prevent opioid overdoses and fentanyl test strips to help to avoid inadvertent fentanyl exposure.



Additional Targeted Investments

In addition to the investments in the state's behavioral health system, the Budget includes targeted investments in a number of programs that aim to support the state's most vulnerable residents, such as children and families living in poverty, homeless individuals and families, and those with limited access to reproductive health care.

Designated State Health Program (DSHP) and Medi-Cal Rate Increases

The Budget anticipates federal approval to authorize state claiming for Designated State Health Programs, under the Medi-Cal program. This will allow existing state spending to cover a portion of the non-federal share of the cost of the Providing Access and Transforming Health funding (to expand access to Enhanced Care Management and Community Supports statewide) and the CalAIM Justice initiative (to pay for start-up and implementation costs).

The Budget reflects \$40.4 million General Fund savings in 2022-23 and \$161.6 million General Fund savings in 2023-24 through

2026-27, for total General Fund savings of \$646.4 million over five years.

As a condition of approval, DHCS is required to demonstrate compliance with minimum reimbursement levels for specific service categories. The budget includes an increase to provider rates for Primary Care and an increase for obstetric rates. These rate increases will begin to close the gap between Medi-Cal and Medicare rates for these services. The Budget includes \$22.7 million in 2023-24 and \$57.1 million ongoing for primary care and obstetric care provider rate increases.

The Administration will continue to evaluate the need for additional targeted provider rate increases at the May Revision.

CalAIM Justice Involved Waiver

People who are now, or have spent time, in jails and prisons experience disproportionately higher rates of physical and behavioral health diagnoses and are at higher risk for injury and death as a result of trauma, violence, overdose, and suicide than people who have never been incarcerated. Addressing the unique and considerable health care needs of justice-involved populations—who are disproportionately people of color, and of whom at least 80 percent are eligible for Medi-Cal—will help to improve health outcomes, deliver care more efficiently, and advance health equity. Key to this is ensuring that eligible individuals are enrolled in Medi-Cal prior to release, providing targeted Medi-Cal services immediately prior to release, and ensuring continuity of coverage and services after incarceration as part of coordinated re-entry planning.

The Governor’s Budget includes an estimated \$109.7 million total funds for 2023–24 for pre-release activities. In

addition, DHCS is awarding \$151 million in PATH funding to support correctional agencies to collaborate with county social services departments to support planning and implementation of pre-release Medi-Cal enrollment processes.

DHCS continues to seek federal approval of the proposed section 1115 CalAIM demonstration to cover a targeted set of Medi-Cal services during a 90-day period prior to release to support successful community re-entry. These targeted services include care coordination; physical and behavioral health clinical consultation services including behavioral health referrals/linkages; medications for addiction treatment (MAT); medications; associated laboratory/radiology services; and a supply of medication and necessary durable medical equipment for use post-release into the community. DHCS also continues to seek approval for \$410 million in additional PATH funding that will support planning and implementation of pre-release and re-entry planning services in the 90 days prior to release.

CalAIM Transitional Rent Waiver Amendment

To improve the well-being and health outcomes of Medi-Cal members during critical transitions, DHCS will seek an amendment to the CalAIM waiver to authorize an additional Community Support for use by Medi-Cal Managed Care Plans. The new Community Support would allow the provision of up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and transitioning out of institutional levels of care, a correctional facility, or the foster care system and who are at risk of incurring other Medicaid state plan services, such as inpatient hospitalizations or emergency department visits.

The Budget includes \$17.9 million in 2025–26 increasing to \$116.6 million per year at full implementation.

Enhancing California's Reproductive Health Safety Net

California has long prioritized the goal of providing access to contraceptives and other reproductive health services. Since the Supreme Court's June 2022 decision in *Dobbs v. Jackson Women's Health Organization*, California's providers have seen an influx of patients traveling from other states to access abortion and other reproductive health services.



DHCS will develop an 1115 demonstration waiver that would advance the following goals:

- Support access to family planning and related services for Medi-Cal enrollees, as well as other individuals who may face barriers to access.
- Support the capacity and sustainability of California's reproductive-health safety net.
- Promote system transformation for California's reproductive-health safety net.

The Budget includes \$200 million (\$15 million General Fund) in 2024-25 for this Demonstration.

Electronic Benefit Transfer (EBT) Fraud Mitigation

Beginning October 2021, California along with states across the country, has seen a substantial increase in EBT theft of CalWORKs and CalFresh benefits via electronic means. To protect clients and prevent theft of EBT benefits, DSS has responded with a variety of theft mitigation strategies, including pursuit of significant security upgrades and EBT card technology enhancements.

Modernization through chip/tap pay technologies will help protect clients from benefit theft and make California the first state in the nation to utilize these enhanced security features for EBT. The Budget includes \$50 million in 2023-24, \$23 million in 2024-25, and \$3.5 million in 2025-26 for these upgrades.

The Budget also includes \$84 million General Fund in 2022-23 and \$114 million General Fund in 2023-24 for reimbursement of cash and food benefits to clients that have been victims of electronic benefit theft. In addition, the Budget includes \$1 million for automation to streamline the process for replacement of food benefits.



CalWORKs Maximum Aid Payment Increase

The Budget projects a 2.9 percent increase to CalWORKs Maximum Aid Payment (MAP) levels, effective October 1, 2023, which is estimated to cost \$87 million in 2023-24. This increase will bring the non-exempt MAP level from \$1,130 to \$1,163 per month for an assistance unit of three residing in a high-cost county, which equates to 61 percent of the 2022 Federal Poverty Level.

Supplemental Security Income (SSI)/ State Supplementary Payment (SSP)

An 8.8-percent federal SSI cost-of-living adjustment and 10.3-percent SSP increase took effect on January 1, 2023, bringing the maximum SSI/SSP grant levels to \$1,135 per month for individuals and \$1,929 per month for couples.

The Budget reflects \$146 million General Fund in 2023-24 and \$292 million ongoing for an additional SSP increase of approximately 8.6 percent, effective January 1, 2024.



Child Care Rate Structure Recommendations

A Joint Labor Management Committee (JLMC) consisting of the State and the Child Care Providers United Union – California submitted recommendations for a single rate reimbursement structure to the Department of Finance on November 15, 2022. The JLMC’s recommendations were informed by those of a stakeholder workgroup convened by the Department of Social Services, in consultation with the California Department of Education, in the summer and fall of 2022.

The single rate structure will be informed by the recommendations of the JLMC, which include:

- The use of an alternative methodology that considers a cost estimation model (rather than a market rate survey),
- Revised base rates,
- Incentives and/or enhancement to rate-setting metrics, and
- An evaluation of the rate structure.

In addition, the Budget includes an annual Cost of Living Adjustment of 8.13 percent for applicable Child Care and Development Programs and the Child and Adult Care Food Program (CACFP). In 2023–24, the estimated cost of the adjustment is \$301.7 million General Fund for child care and \$1.5 million for CACFP.

Department of Developmental Services Safety Net Plan Update

The Budget includes \$28.7 million to expand safety net services to further support individuals with complex needs. The updated Safety Net Plan includes the development of a residential program in the community, conversion of two Stabilization Training Assistance Reintegration (STAR) homes to ICF-licensed homes, and expansion of supports for foster youth who are eligible for regional center services.

Department of Developmental Services Autism Services Branch

The Budget includes the establishment of an Autism Services Branch to support a statewide focus on addressing the needs of the growing population of individuals with autism spectrum disorder. These


additional resources further support the continuum of safety net services.

Department of State Hospitals Electronic Health Record

The Budget includes \$21.5 million General Fund in 2023-24 and \$22.3 million General Fund ongoing to complete the planning phase and begin implementation of the enterprise Continuum Electronic Health Records project.

COVID-19 Response

The Budget includes \$176.6 million General Fund in 2023-24 for the Department of Public Health to continue the state's efforts to protect the public from the impacts of COVID-19.

 For more information, visit the [Department of Finance's California Budget website](#).