



**2009-10
Budget Conference Committee
on SB 61**

**June 5, 2009
Upon Call of the Chair – Room 4203**

HEALTH

**Assemblymember Noreen Evans, Chair
Senator Denise Moreno Ducheny, Vice Chair
Members: Senator Bob Dutton, Senator Mark Leno, Senator Alan Lowenthal, and Senator Mimi Walters
Assemblymember Bob Blumenfield, Assemblymember Kevin De León, Assemblymember Roger Niello, and Assemblymember Jim Nielsen,**

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4120 Emergency Medical Services Authority

Issue	Description	2009 Budget Act	May Revise	Comments
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4120-001-0001 Emergency Medical Services Authority

Elimination of General Fund funding for the California Poison Control System (CPCS)

5,900,000

-5,900,000

In addition to state General Fund, CPCS receives \$2.3 million in federal funding (not a match that requires state funding), funding from LA County, donations from private industry, foundations and individuals, and in-kind assistance from the U.C. The CPCS is exploring with MRMIB the potential of a federal CHIP match for services for approximately 37% of their clients who meet the state’s Healthy Families income eligibility limits. This would require a state plan amendment.

The May Revise proposes to eliminate state support for the CPCS for a savings of \$5.9 million General Fund.

CPCS is a 24-hour toll-free number where both private citizens and medical professionals can receive over-the-phone advice when a person has been exposed to poisonous or hazardous substances.

The Governor expects that this will result in the closure of the CPCS.

The CPCS states that it manages over 300,000 cases, prevents 164,000 emergency room visits, and saves the state \$70 million in health care costs annually. EMSA cites research that found that for every \$1 spent on poison control, \$7 is saved in other health care costs.

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4260-101-0001 Department of Health Care Services: The Medi-Cal Program, Local Assistance

Summary. Medi-Cal provides medical benefits to low-income individuals who have no medical insurance or inadequate medical insurance. Generally, California receives a 50 percent federal match for most Medi-Cal Program expenditures. This federal match will increase to 61.59 percent under the federal American Recovery & Reinvestment Act (ARRA) for a 27-month period (until December 31, 2010).

Medi-Cal is at least three programs in one: (1) a source of traditional health insurance coverage for low-income children and some of their parents; (2) a payer for a complex set of acute and long-term care services for the frail elderly and people with developmental disabilities and mental illness; and (3) serves as a wrap-around coverage for low-income Medicare recipients (such as nursing home coverage). Generally, Medi-Cal eligibles fall into four categories of low-income people as follows: (1) aged, blind or disabled; (2) low-income families with children; (3) children only; and (4) pregnant women. Medi-Cal eligibility is based upon family relationship, family income level, asset limits, age, citizenship, and California residency status. Other eligibility factors can include medical condition, share-of-cost payments (spending down to become eligible) and related factors.

The February Budget for 2009-10 appropriated a total of \$40.5 billion (\$15.4 billion General Fund, \$24.3 billion federal funds, and \$862.5 million in other state funds) for local assistance to serve 7,017,000 Medi-Cal eligibles.

The Governor's May Revision proposes a total of \$40.628 billion (\$11.757 billion General Fund) for 2009-10 which reflects a net increase of \$95.8 million (decrease of \$3.612 billion General Fund) as compared to the February Budget. The number of Medi-Cal eligibles is estimated to be 7,185,700 people.

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4260-101-0001 Department of Health Care Services: The Medi-Cal Program, Local Assistance

VOTE ONLY CALENDAR—Pages 3-13 inclusive

393 & 400	<p>Additional Federal Funds for & Medi-Cal Program.</p> <p>President Barack Obama signed the American Recovery and Reinvestment Act (ARRA) which, among other things, provided a temporary “federal medical assistance percentage” (FMAP) increase for a 27-month period beginning October 1, 2008 through December 31, 2010.</p> <p>As such, California’s current 50 percent FMAP increased by 11.59 percent for a total of 61.59 percent FMAP.</p> <p>(\$4,561,824,000 payable from Item 4260-101-0890.)</p>	-2,849,784,000	<p>California will receive an increase of 11.59 percent under the federal ARRA for a total FMAP of 61.59 percent for the Medi-Cal Program for the 27-month period as noted. Compliance with certain federal requirements must be met in order to receive the enhanced federal funds.</p> <p>The DHCS states this figure reflects the estimated additional federal funds that will be received by the DHCS for the Medi-Cal Program, prior to any adjustments for the Federal Medi-Cal flexibility and stability proposal, as discussed below in the Agenda.</p>
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Issue	Description	2009 Budget Act	May Revise	Comments
<p>Additional Federal Funds for Local Government.</p>	<p>President Barrack Obama signed the American Recovery and Reinvestment Act (ARRA) which, among other things, provided a temporary “federal medical assistance percentage” (FMAP) increase for a 27-month period beginning October 1, 2008 through December 31, 2010.</p> <p>As such, California’s current 50 percent FMAP increased by 11.59 percent for a total of 61.59 percent FMAP.</p> <p>A portion of this federal fund increase will benefit local government in certain program areas which use local funds as a match to draw federal Medicaid funds.</p> <p>(\$469,499,000 payable from Item 4260-101-0890.)</p>			<p>Local government will receive a portion of federal ARRA funds—an additional 11.59 percent. This is because federal Medicaid funds are used to support various health and human services programs operated by both the state and local governments where applicable.</p> <p>This \$469.5 million in additional federal funds for local governments is for Local Education Agencies, Multipurpose Senior Services Program and others who do “certified public expenditures” (CPE) or Intergovernmental Transfers (IGTs) through the Department of Health Care Services.</p> <p>(Reference: Medi-Cal Policy Change # 203.)</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
375	<p>Technical Baseline Medi-Cal Estimate.</p> <p>The May Revision contains a series of technical caseload and cost changes not highlighted in other Medi-Cal issues as designated by the Department of Finance. The Budget Bill adjustments are noted to the right.</p> <p>In addition, a series of Non-Budget Act Items are also adjusted in a conforming manner.</p>	-26,908,000	<p>These series of adjustments are typical with any estimate package at the May Revision. These are baseline adjustments which occur and are listed as follows:</p> <ul style="list-style-type: none"> • Item 4260-101-0080 be decreased by \$45,000 • Item 4260-102-0001 be increased by \$2,594,000 • Item 4260-113-001 be decreased by \$47,265,000 • Item 4260-117-0001 be increased by \$520,000 • Item 4260-101-0890 be decreased by \$478,005,000 • Item 4260-102-0890 be increased by \$2,594,000 • Item 4260-106-0890 be increased by \$2,343,000 • Item 4260-113-0890 be decreased by \$64,815,000 • Item 4260-117-0890 be increased by \$1,349,000 	

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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379	Conform May Revision Adjustments to SB 3X 24 to Obtain Federal ARRA Funds.		91,902,000	
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The May Revision provides a total of \$183.8 (\$91.9 million GF) to fund this law to temporarily restore eligibility and annual status reporting for children enrolled in Medi-Cal. This action ensures California will obtain federal ARRA funds

(\$91,902,000 payable from Item 4260-101-0890.)

Issue	Description	2009 Budget Act	May Revise	Comments
<p>Trailer Bill Language: Changes to Hospital Reimbursement.</p>	<p>The Assembly adopted technical trailer bill language as contained in Assembly Bill 75, as amended on March 26, to correct existing statute regarding the reimbursement of hospitals not participating in the State’s Selective Provider Contracting Program. Specifically it clarifies the intent of the Legislature to exclude State owned and operated hospitals from the calculation and it revises the cost report settlement criteria used in Medi-Cal.</p>			<p>The Assembly adopted technical trailer bill language as noted.</p> <p>Due to the State’s fiscal crisis, it is also recommended to delete the small and rural hospital exemption.</p> <p>Assembly Bill 1183, Statutes of 2008 (trailer bill), provides for the DHCS to reduce the reimbursement rate to certain acute care hospitals for inpatient services, except for small and rural hospitals, that do not participate in the State’s Selective Provider Contracting Program as specified.</p> <p>If the small and rural hospital exemption is removed, a savings of \$21.3 million (\$10.650 million General Fund) can be obtained, assuming an August 1, 2009 implementation date. This level of savings assumes a 10 percent rate reduction for those hospitals that choose not to contract with the state, as specified in the conditions of the statute.</p>
<p>Existing statute excludes small and rural hospitals from being subject to the 10 percent rate reduction as adopted in the Budget Act of 2008 and as contained in AB 75. Due to the fiscal crisis, it is recommended to eliminate this exemption. This action would save \$21.3 million (\$10.650 million General Fund) from the Governor’s May Revision.</p>				

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
380	Adjustment for Disproportionate Share Hospital (DHS) Funding in the State's Hospital Financing Waiver.		5,600,000	
	<p>The May Revision includes federal fund increases to DSH as contained in the federal ARRA. Allocation to hospitals will be based on the existing formula as contained in state law and the federal Waiver. A corresponding increase is required in General Fund support.</p>			
	<p>(\$5,600,000 payable from Item 4260-101-0890.)</p>			

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
384	Court Ordered Rate Adjustment for Medi-Cal Managed Care Plan.		7,300,000	
	<p>The May Revision includes \$14.6 million (\$7.3 million GF) due to a court ruling which resulted in the DHCS having to adjust Medi-Cal Managed Care rates for a health plan from 1997-2002.</p> <p>(\$7,300,000 payable from Item 4260-101-0890.)</p>			

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
385	<p>Electronic Data Match Process with Social Security Administration (SSA).</p> <p>The May Revision recognizes California's option under the federal Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 to establish a monthly data match with the federal SSA to streamline existing citizenship and identity verification processes.</p> <p>This process is expected to streamline existing processing requirements established in 2007 through the federal Deficit Reduction Act.</p> <p>(\$6,626,000 payable from Item 4260-101-0890.)</p>		-6,626,000	<p>The federal SSA would validate the name, SSN, and the citizenship status and identity of each SSN submitted by the state and return results to the state. States must submit the data match at least monthly.</p> <p>CHIPRA establishes a reasonable opportunity period of 90-days for individuals to provide acceptable documentation <i>if</i> the state adopts the SSN verification option and does <i>not</i> receive verification from the federal Social Security Administration for the individual's SSN. CHIPRA also authorizes full-scope Medi-Cal coverage during this period for those who are otherwise eligible for Medi-Cal (meaning income eligible and the like).</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
386	<p>Withdraw Trailer Bill for Aligning FQHC with Adult Day Health Care Rates.</p> <p>The May Revision rescinds the DHCS trailer bill language and estimated savings from the February Budget which the Administration has subsequently concluded is prohibited by federal law.</p> <p>(\$6,206,000 payable from Item 4260-101-0890.)</p>		6,205,000	

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
387	Litigation Related Service Costs. The May Revision requests \$10.1 million (\$6.6 million GF) due to increases in litigation costs due to lawsuits and attorney costs related to the Medi-Cal Program. (\$10,122,000 payable from Item 4260-101-0890.)		6,641,000	The DHCS states it continues to experience significant and increasing litigation costs in defense of the Medi-Cal Program. The number of open legal cases has risen from 757 in 2006 to 1,000 in 2008-09. In addition to the increase in cases, the Department of Justice rates have increased and other costs are incurred in support of litigating the open cases.

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
382	Provider Payment Court Injunction.		68,650,000	
	<p>The May Revision increases by \$137.1 million (\$68.7 million GF) due to the U.S. Court of Appeals injunction on specific provider payment reductions enacted by Chapter 758, Statutes of 2008.</p> <p>This reflects the restoration of Fee-For-Service provider injunctions for Adult Day Health Care, Pharmacy, Distinct-Part-Nursing Facilities, Distinct-Part Subacute, hospital outpatient services and inpatient services for non-contract hospitals.</p> <p>(\$68,452,000 payable from Item 4260-101-0890.)</p>			

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4260-101-0001 Department of Health Care Services: Medi-Cal Program, Local Assistance

DISCUSSION ISSUES

Unspecified Budget Reduction.

-323,297,000

It should also be noted that the Budget Act of 2008 had contained an unspecified budget reduction of \$646.6 million (\$323.3 million General Fund). However, the Governor's May Revision for the current-year deleted this assumption due to a short-fall.

The Governor's May Revision proposes an unspecified reduction to Medi-Cal of \$841.7 million (\$323.3 million GF) in 2009-10.

In signing the Budget Act of 2007, the Governor vetoed \$332 million General Fund from Medi-Cal. His veto message stated the reduction was based on historical data showing that on average over the last three fiscal years, Medi-Cal expenditures have been more than \$400 million General Fund lower than the Medi-Cal estimate.

(\$518,403,000 payable from Item 4260-101-0890.)

(Medi-Cal Policy Change #35.)

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
918 & 924	<p>Governor’s Federal Medi-Cal Flexibility and Stabilization.</p> <p>The Governor will petition the federal government to work with California to secure flexibilities for the state to determine eligibility, the adequacy of provider rates and the scope of benefits.</p> <p>In addition, California will seek to resolve longstanding unreimbursed federal claims regarding certain issues, such as some permanent disability cases and Medicare Part D clawback.</p> <p>No trailer bill is being proposed at this time for this change.</p> <p>(\$1,000,000,000 payable from item 4260-101-0890.)</p>	-1,000,000,000	<p>Details regarding the concepts that compose this reduction figure are unknown at this time.</p> <p>However, there are several areas where States have raised concerns with the federal government regarding federal reimbursement for certain Medicaid (Medi-Cal) expenditures. Most notably, for over 30 years, systemic errors by the Social Security Administration resulted in people being denied disability insurance benefits which resulted in their receiving health care from Medicaid (Medi-Cal) rather than Medicare (100 percent federally funded). At the same time States are receiving bills for reimbursement or prior-year Medicare Part B Premiums. As such, California has been paying the Part B Premiums retroactively to the federal government but has not been reimbursed for the health care costs incurred by Medi-Cal when Medicare should have been the payer. The DHCS states that California is owed about \$700 million (federal funds), which is based on an independent analysis.</p> <p>Another example is the DHCS has documented that California’s portion of the Medicare Part D “clawback” paid to the federal government is too high and should be reduced by \$75 million.</p>	

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
914	<p>10 Percent Reduction to “Replacement DSH” for Private Hospitals.</p> <p>The May Revision proposes to reduce by 10 percent certain payments made to Private Hospitals participating in California’s Hospital Financing Waiver within the Medi-Cal Program. This reduction in payments would follow the methodology in effect under the Waiver as specified.</p> <p>A total reduction of \$47.9 million (\$23.9 million GF) would be obtained.</p> <p>(\$23,936,000 payable from item 4260-101-0890.)</p> <p>(Medi-Cal Policy Change #201.)</p>		<p>-23,936,000 TBL</p>	<p>Under California’s Hospital Financing Waiver, there are several designated funds used to reimburse specified Hospitals that provide medical services to Medi-Cal enrollees.</p> <p>In the February Budget, a 10 percent reduction was enacted on Public Hospitals to backfill for General Fund support.</p> <p>The Governor’s May Revision proposal to reduce 10 percent from Private Hospitals is consistent with the Public Hospital reduction.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
381	<p>Adjustments to Medi-Cal Managed Care.</p> <p>The May Revision proposes an increase of \$386.4 million (\$193.2 million GF) for caseload adjustments and estimated capitation payments. Of this total amount, about \$161 million is attributable to caseload and \$27.8 million is identified as a rate change.</p> <p>Further, due to federal law changes, the current assessment to plans of 5.5 percent for the Quality Improvement Fee is discontinued as of September 30, 2009. The DHCS states that this will result in a downward adjustment of capitation rates and a \$182 million loss of General Fund revenue in 2009-2010.</p> <p>(\$193,200,000 payable from Item 4260-101-0890.)</p>		193,200,000	<p>The Medi-Cal Managed Care Program covers 23 counties through three types of contract models—Two Plan Managed Care, Geographic Managed Care, and County Organized Health Systems (COHS). Twenty health plans have contracts with Medi-Cal. About 3.2 million people are enrolled.</p> <p>Federal law requires that capitation rates be actuarially sound and certified by an actuary.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
911A	Therapeutic Category Review of Antipsychotic Drugs.		-1,500,000	<p>Drugs are organized into 114 therapeutic categories for purposes of medical treatment and drug dispensing. Examples of categories include: Vaccines, Antidepressants, and Cancer.</p> <p>Medi-Cal has authority, through Section 14105.37 of Welfare and Institutions Code, to perform annual therapeutic category reviews to add, delete or retain drugs on the Medi-Cal List of Contract Drugs (List). The drug evaluation criteria include determining safety, efficacy, essential need, potential for misuse, and cost of the drug. As required in statute, the DHCS works with the Medi-Cal Contract Drug Advisory Committee prior to making any changes to the Medi-Cal List.</p> <p>Drugs not on the List require prior authorization to be reimbursed by Medi-Cal.</p>
	<p>The May Revision proposes savings of \$3 million (\$1.5 million GF) from conducting a therapeutic category review of antipsychotic drugs administered for the treatment of mental illness.</p>			
	<p>The savings are to be realized in the form of increased rebates from drug manufacturers and possibly a shift to less costly generic drugs where applicable.</p>			
	<p>(\$1,500,000 payable from item 4260-101-0890.)</p>			
	<p>(Medi-Cal Policy Change #188.)</p>			

Issue	Description	2009 Budget Act	May Revise	Comments
911B	Drug Manufacturer Rebates for HIV/AIDS and Cancer Drugs.		-1,250,000 TBL	Since 2002, drug manufacturers have been required to “negotiate” a state supplemental rebate on drugs used to treat HIV/AIDS and Cancer reimbursed in Medi-Cal.
	The May Revision proposes savings of \$2.5 million (\$1.250 million GF) through trailer bill language to mandate drug manufacturer rebates for HIV/AIDS and Cancer drugs effective as of January 1, 2010.			However, according to the DHCS, several manufacturers do not participate in the rebate program and DHCS’ only recourse has been through administrative actions which are difficult to enforce. As such, the DHCS maintains that statutory change is needed to implement a “mandated” rebate.
	The proposed mandatory rebate would be set at 20 percent of the Average Manufacturer Price (AMP) rather than the present “negotiated” rebates for these drugs, <i>unless</i> the manufacturer has a 10 percent or greater rebate in place for all of its HIV/AIDS and Cancer drugs by no later than December 31, 2009. The penalty for not participating in rebates will be mandatory prior treatment authorization. (\$1,250,000 payable from item 4260-101-0890.) (Medi-Cal Policy Change #188.)			The proposed trailer bill language would serve as leverage to encourage drug manufacturers who are not providing drug rebates of 10 percent or greater on all of its HIV/AIDS and Cancer drugs to either agree to such level of rebate (10 percent or greater) or have their drugs placed on prior treatment authorization. Medi-Cal enrollees can still access drugs placed on prior authorization but providers prescribing the drugs may choose to use an equivalent drug on the Medi-Cal List of Contract Drugs (List). It is anticipated that savings will increase in 2010-11.

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
911C	<p>Require Eligible Entities to Use “340B” Drug Pricing for Medi-Cal Enrollees.</p> <p>The May Revision proposes savings of \$7.5 million (\$3.750 million GF) by requiring providers who are eligible entities in federal 340B Public Health Services Drug Pricing to dispense only 340B purchased drugs to Medi-Cal enrollees beginning as of October 1, 2009.</p> <p>(\$3,750,000 payable from item 4260-101-0890.)</p> <p>(Medi-Cal Policy Change #188.)</p>		<p>-3,750,000 TBL</p>	<p>The 340B Public Health Services Drug Pricing is a federal program that allows eligible entities to buy drugs at very low prices. The eligible entities must be certain federal grantees, such as Federally Qualified Health Center (FQHC) Clinics, Indian Health Centers, Migrant Health Centers, certain family planning entities, Disproportionate Share Hospitals and others.</p> <p>Federal rules require entities dispensing 340B purchased drugs to Medi-Cal enrollees to pass the discount on by only billing Medi-Cal the actual acquisition cost plus the dispensing fee as contained in state statute. There are no drug rebates on drugs purchased through federal 340B pricing.</p> <p>Federal rules also allow the 340B eligible entity to carve-out Medi-Cal enrollees by purchasing “non-340B” drugs and dispensing them to Medi-Cal enrollees at a higher reimbursement.</p> <p>Many drugs, primarily generic, are less costly to the Medi-Cal Program through the 340B Program. It is anticipated that savings will increase in 2010-11.</p>

Issue	Description	2009 Budget Act	May Revise	Comments
911D	<p>Pharmacy Providers: Upper Billing Limitation for Medi-Cal Program.</p> <p>The May Revision proposes savings of \$45 million (\$22.5 million GF) by requiring Pharmacies to bill Medi-Cal at a rate that is no higher than the lower of:</p> <ol style="list-style-type: none"> <li data-bbox="216 740 669 954">1. The lowest price reimbursed to Pharmacies by other third-party payers, excluding Medi-Cal Managed Care Plans and Medicare Part D Prescription Drug Plans; <i>or</i> <li data-bbox="216 984 701 1084">2. The lowest price routinely offered to any segment of the general public. <p>(\$22,500,000 payable from item 4260-101-0890.)</p> <p>(Medi-Cal Policy Change #188.)</p>	-22,500,000 TBL	<p>The DHCS contends that private third-party payers have contractual agreements with Pharmacies to limit drug reimbursement, and these reimbursement rates are often lower than the Medi-Cal reimbursement.</p> <p>Therefore, the DHCS is proposing to implement by October 1, 2009, their policy, as specified, to ensure the Medi-Cal Program is billed at a third-party payer rate, and not subsidizing Pharmacies or other payers.</p> <p>It is anticipated that savings will increase in 2010-11.</p>	

Issue	Description	2009 Budget Act	May Revise	Comments
<p>910 912 & 913</p>	<p>Pharmacy Providers: Changes to Estimated Acquisition Costs</p> <p>The May Revision proposes savings of \$73.9 million (\$36.9 million GF) by (1) implementing new MAIC prices beginning June 2010; (2) recognizing a decrease in the value of AWP for about 1,400 drug products pursuant to a federal settlement agreement; and (3) recognizing the federal CMS release of the calculation of FULs for some generic drug prices.</p> <p>The MAIC will save \$2 million (total funds). The AWP adjustment will save \$37.5 million. The FUL changes will save \$34.4 million (total funds).</p> <p>(\$36,962,000 payable from item 4260-101-0890.)</p> <p>(Medi-Cal Policy Change #202.)</p>		<p>-36,963,00 TBL</p>	<p>The DHCS reimburses Pharmacies for drugs at the “Estimated Acquisition Cost” (EAC) and a dispensing fee. The EAC is defined as the <i>lowest</i> of the state “Maximum Allowable Ingredient Cost” (MAIC), the “Federal Upper Limit” (FUL), or the “Average Wholesale Price” (AWP).</p> <p>The EAC for brand name drugs is set at AWP minus 17 percent. The EAC for generic drugs is set at the <i>lower</i> of the FUL, MAIC, or AWP minus 17 percent.</p> <p>The DHCS implements FUL drug prices on generic drugs as they are released by the federal CMS. The new MAIC prices for generic drugs will commence in June 2010.</p> <p>The federal settlement with “First Data Bank”, a primary pricing reference source for many Medicaid programs including California’s, will result in a reduction to the AWP for many brand name drugs—about 1,400—by about 4 percent. These adjustments are to become effective as of October 2009.</p> <p>During budget Subcommittee process, both houses approved the DHCS proposal to implement MAIC changes for generic drugs and adopted draft trailer bill language.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
925	<p>Freeze Reimbursement Rate for Long-Term Care Facilities (Non-AB 1629 & AB 1629).</p> <p>The May Revision proposes savings of \$151.5 million (\$75.8 million GF) by suspending annual cost-of-living adjustments (COLA) effective as of August 1, 2009, for all long-term care facilities, including the following:</p> <ul style="list-style-type: none"> • AB 1629 Nursing B facilities • Nursing Facility Level A • Distinct Part Nursing Facility • Rural Swing Beds • Distinct Part Subacute • Pediatric Subacute • Intermediate Care—DD, DD-N and DD-H <p>(\$75,756,000 payable from item 4260-101-0890.)</p>		<p>-75,756,000 TBL</p>	<p>All of these facilities receive COLAs on an annual basis based on cost reports and calculations conducted by the DHCS.</p> <p>The May Revision would suspend the COLA for one-year. On average, the DHCS estimates the COLA is about 5 percent for 2009-2010.</p>

Issue	Description	2009 Budget Act	May Revise	Comments
TBL	<p>Expand Quality Assurance Fee of AB 1629 Nursing Homes to Include Medicare Revenues.</p> <p>The May Revision proposes trailer bill language to expand the “Quality Assurance Fee” (QAF) paid by AB 1629 facilities to include Medicare revenues, as well as Medi-Cal and private pay revenues.</p> <p>An additional \$18.3 million in QAF revenues would be retained by the state to offset General Fund support. These offsets do not backfill for General Fund support directly in the Medi-Cal Program.</p>		TBL	<p>AB 1629 facilities presently pay a Quality Assurance Fee. These fees are used as revenue by the State to provide certain rate adjustments and to offset General Fund expenditures.</p> <p>AB 1629 facilities include freestanding skilled nursing facilities (Level B) and adult subacute.</p>

Issue	Description	2009 Budget Act	May Revise	Comments
923	<p>Eliminate Certain “State Only” Programs.</p> <p>The May Revision proposes elimination of the following:</p> <ol style="list-style-type: none"> 1. Payment for ancillary health services provided in Institutions for Mental Disease (IMD) for a reduction of \$14.2 million (GF). 2. Elimination of low-income women over 65 years, men and other low-income individuals with partial health coverage from the Breast and Cervical Cancer Treatment Program (BCCTP) for a reduction of \$11 million (GF). 3. Elimination of specific non-emergency services, including the BCCTP and postpartum care, from individuals without documentation status for a reduction of \$8.8 million (GF). 4. Eliminate the dialysis program as administered under Section 14140 of Welfare & Institutions Code for a reduction of \$410,000 (GF). 5. Eliminate IV and non-digestive nutrition for savings of \$47,000. 	<p>-34,368,000 TBL</p>	<p>The State’s Medi-Cal Program provides certain health care services funded solely with General Fund support. Often times these services are provided to a special population or for a certain medical condition.</p>	<p>The elimination of State reimbursement for ancillary health services provided in IMDs is a unique issue since generally individuals in an IMD are not Medi-Cal eligible due to federal law. However, the DHCS has been repaying the federal government for claims because the Department of Mental Health was not properly posting these claims to distinguish for the proper billing, which should be county-operated indigent health care, and not the State. AB 1183, Statutes of 2008 (health trailer bill) provided clarifying language regarding this area.</p> <p>For the BCCTP, this would mean that individuals with breast or cervical cancer could not receive treatment services.</p> <p>The special dialysis program, established in the early 1970s serves a small number of individuals who, without services, would probably become eligible for emergency Medi-Cal services due to dialysis needs.</p> <p>The IV and non-digestive nutrition program provides services to about 5 individuals and is a very unique program.</p>

Issue	Description	2009 Budget Act	May Revise	Comments
915	<p>Reduce Reimbursements Paid for Eight Family Planning Service Codes.</p> <p>The May Revision proposes savings of \$57.4 million (\$14.1 million GF) by reducing rates for eight specified office visit codes billed for family planning services as contained in SB 94, Statutes of 2007.</p> <p>Presently these eight specified office visit codes billed for family planning services are the equivalent of the weighted average of at least 80 percent of the federal Medicare reimbursement rate for the same or similar service. The State receives a 90 percent federal match for these services.</p> <p>(\$43,315,000 payable from item 4260-101-0890.)</p> <p>(Medi-Cal Policy Change #184.)</p>		<p>-\$14,131,000 TBL</p>	<p>Senate Bill 94, Statutes of 2007, provided an increase for eight specified family planning office visits equal to the weighted average of at least 80 percent of the amount that the federal Medicare Program reimburses for these same or similar office visits. The rate adjustment is based on the Medicare rates in effect on December 31, 2007, and the new Medi-Cal rates became effective as of January 1, 2008.</p> <p>The State receives a 90 percent federal match for these eight family planning office visits.</p>

Issue	Description	2009 Budget Act	May Revise	Comments
<p>902 917 929</p>	<p>Eliminate Adult Day Health Care (ADHC) Benefits to Medi-Cal Enrollees.</p> <p>The May Revision proposes to eliminate ADHC services from Medi-Cal for a savings of \$341.1 million (\$170.6 million GF). Under federal law ADHC services are “optional” for states to provide.</p> <p>ADHC services are a community-based day program providing health, therapeutic, and social services designed to serve those at risk of being placed in a nursing home. There are 320 active ADHC providers in Medi-Cal.</p> <p>Initially, the Administration proposed to limit ADHC services to 3 days per week and to increase DHCS Audit & Investigations staff by an additional 15 positions. These proposals were rescinded to simply eliminate it.</p> <p>The DHSC states ADHC providers are at high risk for fraud and payment error.</p>	<p>-170,562,000</p>	<p>The DHCS states there are 37,000 average monthly Medi-Cal enrollees and the average monthly cost per user is about \$960 (all inclusive/bundled rate). The ADHC rates were tied at 90 percent of Nursing Home Level-A rates beginning in 1997 per a State settlement. Generally, cost-of-living adjustments provided to nursing homes are also provided to ADHCs.</p> <p>Issues regarding the ADHC Program have been discussed over the years. In 2003 the federal CMS notified the DHCS that our program needed modification in order to continue to receive federal funds. Another federal CMS report in 2008 also expressed continued concerns with the program’s structure.</p> <p>In 2004, the State placed a moratorium on the expansion of these providers, which is still in place. SB 1755, Statutes of 2006, required certain reforms to occur, including unbundling rates, performing post payment reviews, and other policy changes. However, most of these changes will not occur until Fall of 2010.</p> <p>Other options exist in lieu of elimination. One is to limit eligibility to individuals most in need of services. Another is to limit services to 3 days per week for savings of \$36.6 million (\$18.3 million General Fund).</p> <p>If it is eliminated, additional savings can be identified in DHCS State operations related to the program.</p>	

Issue	Description	2009 Budget Act	May Revise	Comments
916	<p>Restrict Medi-Cal Services for “Newly Qualified Legal Immigrants” (less than 5 years) and “PRUCOL” Individuals.</p> <p>The May Revision proposes net savings of \$57.7 million (reduction of \$125.5 million GF and an increase of \$67.3 million federal funds) by eliminating full-scope Medi-Cal for “Newly Qualified Legal Immigrants” in the U.S. for less than five years, and individuals “Permanently Residing Under the Color of Law (PRUCOL)”.</p> <p>Effective July 1, 2009, these individuals would only receive emergency services, including prenatal care, pregnancy, long-term care, and tuberculosis care.</p> <p>The DHCS states that 70 percent of the cost for services would shift to emergency services and would then be partially reimbursed by the federal government. Therefore, they assume receipt of \$67.3 million in federal funds for this purpose.</p>	-125,478,000	TBL	<p>California law has always provided legal immigrants with full-scope Medi-Cal services if they otherwise meet all other Medi-Cal eligibility requirements, including individuals with PRUCOL status.</p> <p>About 65,000 adults are presently eligible in these Medi-Cal categories. Of these, about 49,000 people are newly qualified legal immigrants and about 17,000 are PRUCOL. Medi-Cal provides these services using only General Fund support.</p> <p>Due to federal law changes enacted in 1996, federal matching funds are not provided for non-emergency services for these categories of individuals. Federal law does require states to provide emergency services and will reimburse for these services if they are identified as being an emergency medical service.</p> <p>It should be noted that the federal Children’s Health Insurance Program Reauthorization Act (CHIPRA) includes a provision which gives states the option to provide full-scope Medi-Cal to eligible Newly Qualified Legal Immigrants who are children or pregnant women, effective April 1, 2009. The Medi-Cal Program has incorporated this option and will save \$6.6 million General Fund in 2009-10.</p>

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Issue	Description	2009 Budget Act	May Revise	Comments
<p>Potential State Transition Costs for Medi-Cal Management Information System (CA-MMIS).</p>	<p>The May Revision proposes an increase of \$7.7 million (\$1.9 million General Fund) in the event a new fiscal intermediary contractor is awarded this contract and additional costs are incurred by the DHCS to support two vendors (existing and new) during any transition of the existing system.</p> <p>(\$7,716,000 payable from Item 4260-101-0890.)</p> <p>(Medi-Cal Policy Change #21 Other Administration.)</p>	1,929,000	<p>CA-MMIS is the claims processing system used for Medi-Cal. The current fiscal intermediary contract is ending on June 30, 2010 and a Request for Application is currently in progress to establish a new fiscal intermediary.</p> <p>The DHCS states they have budgeted these additional costs in the event there are any unforeseen transition costs from the existing vendor to the new vendor (if the existing contractor is not successful).</p> <p>Are these contingency expenditures necessary at this time, particularly with the existing contract being operational through June 30, 2010?</p>	

Issue	Description	2009 Budget Act	May Revise	Comments
TBL	<p>Trailer Bill Language: Mental Health Services Supplemental Payments Program</p> <p>A Spring Finance Letter proposes to implement a Mental Health Services Supplemental Payment Program to be administered by the DHCS.</p> <p>This program would be modeled after other existing DHCS “supplemental payment” programs in that it would authorize County Mental Health Plans to submit “certified public expenditures” (CPEs) for the purpose of claiming federal funds to reimburse counties for the cost of mental health services provided to Medi-Cal enrollees that exceed their current payment levels.</p>			<p>TBL This issue was discussed during Subcommittee deliberations and the trailer bill was left “open” in order to have the County Mental Health Plans and providers further discuss the structure of the language.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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DISCUSSION ISSUES—Trailer Bill Language Not Related to Funding Issues

**TBL-1 Stand-alone Trailer Bill Issue:
Special Need Trust Recovery.**

The May Revision states the Administration will be seeking to propose trailer bill language to bring state law into compliance with federal law, and thereby improve Medi-Cal cost recoveries and reduce litigation costs, regarding Special Needs Trusts.

TBL This is a new issue raised by the Administration at the May Revision.

As of this writing, no trailer bill language has been provided to the Legislature for review.

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
TBL-2	<p>Stand-alone Trailer Bill Issue: In-Home Supportive Services Plus.</p> <p>The May Revision states the Administration will be seeking to propose trailer bill language to authorize the DHCS to convert the existing IHSS Plus Waiver (a federal Section 1115 Waiver) to a 1915(j) Waiver because the federal CMS has informed the DHCS they are no longer renewing or approving self-directed personal assistance service programs under Section 115 Waiver authority.</p> <p>The DHCS states there are 28,000 enrollees presently in this program.</p>			<p>TBL This is a new issue raised by the Administration at the May Revision.</p> <p>As of this writing, no trailer bill language has been provided to the Legislature for review.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
TBL-3	<p>Stand-alone Trailer Bill Issue: Technical Cleanup for Safety Net Care Pool 10 Percent Reduction.</p> <p>The May Revision states the Administration will be seeking to propose trailer bill language to technically correct language provided previously for this reduction.</p> <p>The February Budget reduced by 10 percent the amount provided through the Safety Net Care Pool for Designated Public Hospitals, as provided through California’s Hospital Financing Waiver.</p> <p>The DHCS states that technical clean-up language is necessary to their original language.</p>		TBL	<p>As of this writing, no trailer bill language has been provided to the Legislature for review.</p>

Issue	Description	2009 Budget Act	May Revise	Comments
<p>4260-101-Various CONFORMING ISSUES</p>	<p>Department of Health Care Services: (Issues to conform to actions taken in other areas.)</p>			<p>Medi-Cal Program, Local Assistance</p>
<p>920</p>	<p>Shift Proposition 99 Funds From Clinics & Other Departments to Fund Medi-Cal Program.</p>			<p>(This issue will conform to other actions.)</p> <p>Presently, about \$45.1 million in Proposition 99 Funds (various indigent health care accounts) are used to aid in the funding of Medi-Cal outpatient services, including for the Orthopaedic Hospital Settlement which increased outpatient hospital rates between 2001 to 2004 (a total of 43.4 percent).</p> <p>The May Revision would shift Proposition 99 Funds from other programs as follows:</p> <ul style="list-style-type: none"> • \$22.3 million from Uncompensated Care for Emergency Physicians. • \$13.9 million from the Expanded Access to Primary Care Clinics. • \$2.5 million from Rural Health Services • \$800,000 from Managed Care County Allocation • 17 percent reduction from the following State-operated programs: (1) Access for Infants and Mothers; (2) Asthma Prevention; (3) Managed Risk Medical Insurance Program; and the (4) Breast Cancer Early Detection Program. <p>These programs are discussed under their separate Items as noted.</p>
	<p>(This issue will conform to actions regarding this funding source in various Items.)</p>			
	<p>The May Revision proposes to offset \$60 million in Proposition 99 Funds (Hospital Services Account) for General Fund support in Medi-Cal. These funds would be used to aid in the funding of Medi-Cal outpatient services. These funds can statutorily be used to obtain federal matching funds.</p>			
	<p>(Increase by \$74,301,000 payable from Item 4260-101-0232.)</p>			
	<p>(Decrease by \$14,301,000 from Item 4260-101-0236.)</p>			
	<p>(Medi-Cal Policy change # 191.)</p>			

Issue	Description	2009 Budget Act	May Revise	Comments
IHSS Program:	(1) Proposed Reduction in Share-of-Cost Buyout and Medi-Cal Share-of-Cost.	-3,883,000	(This issue <i>will conform</i> to Item 5180, Department of Social Services.)	Currently there is a “buy-out” program administered by the Department of Social Services (DSS) for IHSS recipients who are Medi-Cal eligible with a share-of-cost that is higher than their IHSS share-of-cost.
	(This issue <i>will conform</i> to Item 5180, Department of Social Services.)			Under this program, the DSS transfers funds for these applicable individuals to the DHCS to pay the difference between the IHSS share-of-cost and the Medi-Cal share-of-cost for the IHSS recipients. Presently, 9,250 IHSS recipients are in this “buy-out” program. The DSS May Revision would reduce this to be only 1,800 enrollees.
	The May Revision proposes to restrict the IHSS “buy-out” program.			(Medi-Cal Policy change # 197.)
	This DSS proposal would affect the Medi-Cal Program by reducing the number of people in the “buy out” program from 9,250 enrollees to about 1,800 enrollees or 80 percent less.			
	This reduces the transfer of funds from the DSS to the DHCS to provide for the buy-out (i.e., reduction of \$3.9 million General Fund). In turn, the DHCS repays the federal government for the services that should have been paid by the IHSS recipient as part of meeting their Medi-Cal share-of-cost.			
	(\$3,883,000 payable from Item 4260-101-0890.)			

Issue	Description	2009 Budget Act	May Revise	Comments
IHSS Program:	(2) Proposed Reduction in Share-of-Cost Buyout and Medi-Cal Share-of-Cost.	-8,897,500	(This issue <i>will conform</i> to Item 5180, Department of Social Services.)	Currently there is a “buy-out” program administered by the Department of Social Services (DSS) for IHSS recipients who are Medi-Cal eligible with a share-of-cost that is higher than their IHSS share-of-cost.
	(This issue <i>will conform</i> to Item 5180, Department of Social Services.)			Under this program, the DSS transfers funds for these applicable individuals to the DHCS to pay the difference between the IHSS share-of-cost and the Medi-Cal share-of-cost for the IHSS recipients. Presently, 9,250 IHSS recipients are in this “buy-out” program. The DSS May Revision would reduce this to be only 1,800 enrollees.
	The May Revision proposes to restrict the IHSS “buy-out” program within the DSS and assumes 80 percent of the current IHSS recipients, who also have Medi-Cal eligibility through a share-of-cost, will no longer be eligible to have their share-of-cost paid for by the DSS.			Medi-Cal has a share-of-cost requirement whereby a person’s countable income is too high to otherwise qualify for an eligibility category. As such, the person must meet a share-of-cost requirement in any month they want to use services before Medi-Cal will reimburse for any services. The share-of-cost requirement is based on a sliding-scale monthly payment based on the income above the no cost Medi-Cal income level.
	As such, the DHCS assumes these 7,432 individuals will no longer meet their share-of-cost requirement in Medi-Cal and will discontinue enrollment in the program for a reduction of \$11.8 million (\$8.9 million General Fund)			Without the DSS buyout program for existing IHSS recipients, the DHCS anticipates that these individuals will not pay their share-of-cost for Medi-Cal and will terminate their eligibility.
	(\$11,819,000 payable from Item 4260-101-0890.) (Medi-Cal Policy change # 196.)			

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
<p>CalWORKs Elimination: County Administration of Medi-Cal Only Enrollees.</p>	<p>(This issue <i>will conform</i> to Item 5180, Department of Social Services.)</p> <p>The May Revision in the Department of Social Services proposes to eliminate the CalWORKs Program for low-income women and children.</p> <p>The DHCS May Revision does not address this issue due to the timing of the Administration’s changes.</p>		<p>Unknown but considerable General Fund</p>	<p>(This issue <i>will conform</i> to Item 5180, Department of Social Services.)</p> <p>The May Revision in the Department of Social Services proposes to eliminate the CalWORKs Program for low-income women and children. If this occurs, these families will still be eligible for Medi-Cal services and would have to be processed for Medi-Cal eligibility by county human services departments as required by federal law.</p> <p>The May Revision for the Medi-Cal Program did not include funding, which would be considerable, for this purpose.</p> <p>However the May Revision for Medi-Cal does include an increase of \$3,101,000 (total funds of which 50 percent is General Fund) for County Administration if the CalWORKs program is retained and the DSS implements certain cost-containment measures as of October 1, 2009. These funds would be used to process eligibility for 95,363 CalWORKs cases.</p> <p>(Medi-Cal Policy # 20 County Administration.)</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
<p>Reduction of SSI/SSP Grants. County Administration of Medi-Cal Only Enrollees.</p>	<p>(This issue <i>will conform</i> to Item 5180, Department of Social Services.)</p> <p>The May Revision for the Department of Social Services proposes to reduce SSI/SSP maximum monthly grants to the federally allowed levels for individuals and couples effective as of September 1, 2009.</p> <p>An estimated 18,000 Medi-Cal enrollees would potentially lose SSI/SSP-based Medi-Cal services and would need to be processed by county human services departments to see if they qualify for other categories of Medi-Cal eligibility, such as blind and disabled (i.e., SB 87 reviews).</p> <p>(\$1,717,000 payable from Item 4260-101-0890.) (Medi-Cal Policy Change # 21 County Administration).</p>		858,500	<p>(This issue <i>will conform</i> to Item 5180, Department of Social Services.)</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
921	<p>Impact of Proposed Reductions on Federal ARRA and General Fund Savings.</p> <p>The May Revision proposes an increase of \$269.1 million (\$134.5 million GF) to serve as a “balancer” to make adjustments to the fiscal estimate since all technical solutions are contained at the 50 federal medical assistance percentage (FMAP) and 50 percent of the State General Fund savings amount.</p>		134,548,000	

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4260-111-0001 Department of Health Care Services—Family Health Programs & Clinics

VOTE ONLY CALENDAR

340 Update the CA Children’s Services Program.

7,058,000 The CCS Program provides specialized, pediatric health care services to low-income children and young adults, aged 21 years and under, who have CCS-eligible medical conditions.

The May Revision proposes technical caseload adjustments and contains no new policy changes.

(\$2,602,000 payable from Item 4260-111-0890.)

(\$5,100,000 payable from Item 4260-601-7503 Non-Budget Act Item which pertains to the Safety Net Care Pool Funds.)

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
341	<p>Update the Child Health Disability Prevention (CHDP) Program.</p> <p>The May Revision proposes technical caseload adjustments and contains no new policy changes.</p> <p>(Reduce by \$3,000 Item 4260-111-0080.)</p>		62,000	<p>The Child Health Disability Prevention (CHDP) Program provides comprehensive health screens, developmental assessments, and immunizations for low-income children, and serves as an entry point for referral to more comprehensive programs such as Medi-Cal for Children or the Healthy Families Program.</p>
342	<p>Update the Genetically Handicapped Persons Program.</p> <p>The May Revision proposes technical caseload adjustments and contains no new policy changes.</p> <p>(\$219,000 payable from Item 4260-601-0995.)</p> <p>(\$6,943,000 payable from Item 4260-601-7503 Non-Budget Act Item which pertains to the Safety Net Care Pool Funds.)</p>		2,065,000	<p>The Genetically Handicapped Persons Program (GHPP) provides comprehensive health care coverage for persons with specified genetic disease including Cystic Fibrosis, Hemophilia, Sickle Cell Disease, Huntington’s Disease, Metabolic diseases and others.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4260-111-0001 Department of Health Care Services—Family Health Programs & Clinics

DISCUSSION ISSUES

LAO Additional Savings in the GHPP by accelerating.

-400,000 LAO The DHCS already has significant experience in this area as it has been operating similar programs for many years (such as the Medical Health Insurance Premium Payment Program).

The LAO’s proposal seems reasonable.

The February Budget proposed savings by enrolling eligible persons with Hemophilia in employer sponsored insurance plans and having the State pay the monthly premiums for insurance coverage that will reimburse a person enrolled within the GHPP.

The LAO proposes that the DHCS can enroll two persons per month, instead of one person per month as proposed earlier. As such, a savings of \$400,000 (General Fund) could be achieved.

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
926	Eliminate General Fund Support for Clinic Programs.		-34,200,000	California has a network of community-based clinics which serve low-income, uninsured, or under insured individuals and families.
	The May Revision proposes to eliminate all General Fund support for community clinic programs, including the following:			The cost-benefit of clinic provided health care services has been well documented in several studies. These clinics provide assistance to rural areas and urban areas, and often serve special populations in need of primary care, public health nursing, and dental services.
	<ul style="list-style-type: none"> • Rural Health Services Clinics at \$8.2 million • Seasonal Migratory Worker Clinics at \$6.9 million • American Indian Health Clinics at \$6.5 million • Expanded Access to Primary Care (EAPC) Clinics at \$13.5 million. (See Issue 920, below too.) 			The DHCS clinic programs have been in existence for decades and generally have been flat funded. Based on updated figures from the DHCS, elimination of funding for clinics would actually result in a reduction of \$35.1 million (GF), or about \$900,000 (GF) more than identified in the May Revision.
	These funds are used to provide about 2.3 million visits annually (medical, dental and nutritional).			The LAO notes that many of the clinics participating in these programs also receive federal grant funding, and that the federal ARRA provided a considerable increase for some California clinics. Further, many of these clinics are FQHCs or Rural Health Centers and receive cost-based reimbursement. Therefore, the LAO recommends to temporarily suspend funding for two-years. Further the LAO recommends eliminating associate State staff in the clinic program area.
	These community clinic program funds are used for low-income, uninsured or under insured populations who are not eligible for Medi-Cal or Healthy Families.			

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
920	<p>Eliminate Proposition 99 Funds from EAPC Clinics to Backfill GF in Medi-Cal.</p> <p>The May Revision proposes to eliminate \$13.9 million (Proposition 99 Funds) from the Expanded Access to Primary Care Clinics. This action, coupled with Issue 926, above, would eliminate all State support for this clinic program, established in 1988.</p> <p>(Reduce Item 4260-111-0236 by \$14,301,000; and Reduce Item 4260-111-0233 by \$774,000).</p>			<p>The cost-benefit of clinic provided health care services has been well documented in several studies. These clinics provide assistance to rural areas and urban areas, and often serve special populations in need of primary care, public health nursing, and dental services.</p> <p>The EACP clinics are focused on serving low-income individuals who are uninsured or underinsured. The EAPC Clinic Program was one of the originally funded programs when Proposition 99, Statutes of 1988 was enacted.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
4260-001-0001 Department of Health Care Services—State Support				
358	State Staff for Medi-Cal.		207,000	First, the proposed establishment of an Incentive Program under the HITECH Act would enable California to expand the use of electronic health records and to obtain additional federal funds in future years. There would be no General Fund impact for this piece. It should also be noted that a total of \$10 million (\$9 million federal funds and \$1 million foundation funds) is in the Medi-Cal local assistance budget and will be available for awards in 2009-2010.
354	The May Revision requests seven positions for an increase of \$812,000 (\$207,000 GF) to:			Second, the four staff requested to automate capitation payments and generally improve and standardize financial data used for capitation payments within the Medi-Cal Managed Care Program would be beneficial for program operations if funds were available.
353		1. Implement an Incentive Program for providers who use electronic health records as directed in federal Health Information Technology for Economic and Clinical Health (HITECH) Act. The three positions would be funded using foundation and federal funds for a total of \$399,000. No GF cost.		There may be resources available for redirection to address higher priority needs within the Medi-Cal Managed Care Program.
		2. Automate capitation payment processes in Medi-Cal Managed Care and analyze data to further enhance the accuracy of payments. The two positions would cost \$193,000 (\$97,000 GF).		
	3. Conduct financial audits of health plans in Medi-Cal Managed Care. The two positions would cost \$220,000 (\$110,000 GF).			

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
352	<p>Extend Clinical Positions for ICF-DD Nursing Pilot Program.</p> <p>The May Revision requests an increase of \$190,000 (\$81,000 GF to extend 1.5 limited-term positions another two years to transform the existing Intermediate Care Facility for Developmentally Disabled-Nursing Pilot Program into a more comprehensive federal Waiver.</p> <p>(\$109,000 payable from Item 4260-001-0890.)</p>		81,000	<p>The existing ICF-DD Nursing Pilot Program established in 2000, provides services to medically fragile, disabled infants, children and adults in a community setting. The purpose of this pilot is to have a more flexible and effective service delivery model that would provide continuous skilled nursing care in the least restrictive environment. This project has been cost-effective as determined by the DHCS.</p> <p>The existing pilot operates under a limited federal Waiver and is set to expire in Fall 2009. The federal CMS is interested in having California submit a more comprehensive federal Waiver for this specialized area. Therefore, the DHCS is seeking to extend the positions.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
355	Medi-Cal Provider Enrollment Automation Project.		501,000	The DHCS is responsible for enrolling and re-enrolling Medi-Cal Fee-for-Service providers into the Medi-Cal Program and maintaining provider-related data. Each year the DHCS receives about 30,000 Medi-Cal provider applications for enrollment or re-enrollment.
	The May Revision proposes to reappropriate \$2 million (\$501,000 General Fund) from the current-year to 2009-10 for the Provider Enrollment Automation Project due to delays in implementation.			The purpose of this automation project is to acquire a commercial off-the-shelf system and modify it to meet DHCS intake, workflow and data processing requirements for the provider enrollment process.
	Of the amount requested \$1.2 million (total funds) is for contract services for software customization, project oversight and independent validation. The remaining \$800,000 is to purchase the off-the-shelf software.			In 2008, the DHCS received \$2.4 million (total funds) for this project and spent \$373,000. Due to delays affecting the procurement schedule, the DHCS is requesting to re-appropriate \$2 million in 2009-10.
	(\$1,503,000 payable from Item 4260-001-0890. Reappropriate in Item 4260-490.)			Due to continued concerns from providers regarding DHCS processing of applications, AB 1226, statutes of 2008, requires the DHCS to process these applications within 90 days of receipt or be automatically enrolled without a thorough review or background check.

Issue	Description	2009 Budget Act	May Revise	Comments
<p>365 state and 917 local</p>	<p>Increased Staff for Audits & Investigations Branch For ADHC, Physician and Pharmacy Anti-Fraud Efforts.</p> <p>The May Revision requests an increase of \$8.3 million (\$2.9 million GF) to hire 62 staff within DHCS Audits & Investigations.</p> <p>In addition, the May Revision proposes a reduction of \$133.6 million (\$66.8 million General Fund) to Medi-Cal due to increased investigation efforts. About 67 percent of the proposed savings would be obtained from oversight of Physicians.</p> <p>Staff would be used to: (1) conduct compliance-focused sweeps of suspicious Physician providers; (2) institute a “report card” to highlight Physician payment patterns and billing errors; (3) provide training for Physicians on billing; and (4) use data mining to identify Pharmacies involved in suspicious activities.</p>		<p>state support 2,899,000</p> <p>local assistance -66,832,000</p>	<p>The DHCS annually produces a Medi-Cal Payment Error Study (Study). The purpose of this Study is to: (1) have a systematic approach to detect, identify, and prevent fraud and abuse in Medi-Cal; (2) gauge the seriousness of the problem; and (3) develop fraud control strategies.</p> <p>The 2007 Study, released in May 2009, states there is about \$400 million (\$200 million General Fund) in billing that showed potential characteristics of fraud. Currently, the study identifies Physician Services, Pharmacies, and Adult Day Health Care providers at highest risk for payment error and potential fraud.</p> <p>The LAO notes the DHCS’ A&I Branch has 734 positions to ensure the integrity of the program, and the Department of Justice has 254 positions related to Medi-Cal fraud and patient abuse.</p> <p>The LAO recommends providing a total of four new positions, to focus efforts on Physician Services, for total overall savings from anti-fraud efforts of \$35.9 million (GF). This savings level assumes the DHCS captures savings from existing efforts related to oversight of ADHCs, provider enrollment and Physicians.</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
366	<p>Additional Medi-Cal Anti-Fraud Efforts—IHSS Program.</p> <p>(This issue will conform to discussions in Item 5180, Department of Social Services.)</p> <p>The May Revision proposes an increase of \$3.4 million (\$1.7 million General Fund) to hire an additional 30 staff to develop a “Program Integrity and Anti-Fraud Prevention Unit” within the Medi-Cal Program to focus solely on the In-Home Supportive Services Program (IHSS).</p> <p>(\$1,682,000 payable from Item 4260-001-0890.)</p>		1,682,000	<p>(This issue will conform to Item 5180, Department of Social Services.)</p> <p>The DSS administers the IHSS Program and has several proposals regarding IHSS Program structure, operations and integrity.</p> <p>The February Budget for the DHCS provided an additional 6 positions to focus on IHSS anti-fraud efforts for a total of 8 existing positions at the DHCS presently for this purpose.</p> <p>The LAO recommends denying this request completely.</p> <p>(Note: The May Revision for the Medi-Cal Program, local assistance, assumes a reduction of \$62,136,000 in federal funds in Item 4260-101-0890. This DHCS state support proposal has no General Fund impact to the Medi-Cal Program within the DHCS.)</p>

4260 Department of Health Care Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4260-495 Department of Health Care Services—Reversion of 2008-09 Funding

495	Reversion Language: Assisted Living Waiver Pilot.			BBL The DOF states this language is needed to correct for a technical error.
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The May Revision proposed Budget Bill Language to revert funds reappropriated in the Budget Act of 2008 for the National Cooperative Bank Development Corporation Contract within the Assisted Living Waiver Pilot.

The project has been completed and the item will return unneeded funds.

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-001-0001 Department of Public Health--State Support

VOTE ONLY CALENDAR **Pages 51-56, inclusive**

**002 Award of Collaborative
Federal Grant for Health
Promotion.**

The May Revision increases by \$1.6 million (federal funds) to reflect a federal grant focused on health promotion and activities to reduce morbidity and premature mortality as a result of chronic diseases.

Funds are to be used for healthy community grants, the tobacco control program, diabetes control, and behavioral risk factor surveillance.

(Increase Item 4265-001-0890 by \$1,606,000.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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**003 State Support for Safe
Drinking Water State
Revolving Fund and
Federal ARRA.**

The May Revision requests an increase of \$5 million (special funds) to establish 15 positions, primarily Sanitary Engineers, for two-year limited-terms to oversee and administer the increased Safe Drinking Water Funds made available through the federal ARRA.

Of the total amount, \$3.2 million would be used for one-time contracts to provide technical assistance to Small Water Systems.

(\$5,150,000 payable from Item 4265-116-0890.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
060	ICF-DD Nursing Pilot Program. The May Revision requests an increase of \$67,000 (special funds) to continue a Health Evaluator for two years for clinical licensing purposes. (\$21,000 payable from Item 4265-001-3098.) (\$46,000 payable from Item 4265-001-0995.) Capital Outlay: Modifications at Richmond Laboratory The February Budget appropriated \$3.1 million (GF) to modify the Laboratory to meet newly established federal guidelines for “enhanced” biosafety Level III laboratories.			It is recommended to eliminate this \$3.1 million (GF) augmentation from February due to the fiscal crisis and potential reductions to core health programs.

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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099 Reduce Contract Costs due to Decline in Proposition 99 Funds.

The May Revision reduces by \$573,000 (special funds) to reflect elimination of 5 contract positions funded by the Proposition 99 Research Account due to a decline in revenues.

(Reduce by \$573,000 Item 4265-001-0234.)

Issue	Description	2009 Budget Act	May Revise	Comments
<p>Lead-Related Construction Program.</p>	<p>Assembly adopted the Governor’s Finance Letter to appropriate \$500,000 (GF) to support five new positions within this program.</p> <p>Senate denied Finance Letter and instead, did the following:</p> <ul style="list-style-type: none"> • Eliminated \$500,000 GF augmentation. • Adopted technical language to provide a loan of \$500,000 from the Occupation Lead Poisoning Prevention Account on a one-time basis; and • Established a special fund to collect the fees under the LRC beginning July 1, 2010. 			<p>It is recommended to adopt the Senate version in order to save \$500,000 (GF), establish a special fund to collect the fees and to continue the program through a one-year loan from a lead-related special fund..</p> <p>The Lead-Related Construction (LRC) Program was created in 1993 to protect children, families and workers by preventing lead exposure from housing and public buildings. The LRC accredits training providers that teach others. Individuals pay a \$75 fee to the State to receive the certification, resulting in revenue to the State General Fund</p> <p>About \$1 million (General Fund) was vetoed from the LRC in 2008 and the Administration now recognizes that about \$500,000 is annually deposited into the General Fund from fees collected through this program.</p> <p>The LRC Program is needed because it enables the State to receive \$22 million (federal funds) annually in the Department of Community Services and Development.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
Revenue	<p>Increase to Small Water Systems Fee.</p> <p>The May Revision proposes to increase fees on Small Water Systems, which would raise an additional \$1.5 million in annual revenue.</p>			<p>TBL The DPH administers a Small Drinking Water Program to ensure that consumers are protected from waterborne disease and chemical contamination. About 7,000 of the public water systems in California have less than 1,000 service connections, and pay flat fees.</p> <p>The fees have not been adjusted since 1993 when the program was created. State law requires the fees to raise sufficient revenue to cover the state costs of regulating them, and no more. If the State does not fulfill its mandate to protect public health in this way, the State risks losing its primacy in this area, as well as over \$70 million in federal funds.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-111-0001 Department of Public Health-- Local Assistance
VOTE ONLY CALENDAR Pages 57- 63 inclusive

004 Breast Cancer Early Detection
& One-Time Augmentation.
100

The May Revision requests a one-time only augmentation of \$13.8 million (Breast Cancer Control Account) for this program. These funds are unspent funds from prior years. These funds will be used to offset \$9.3 million in existing expenditures associated with breast cancer screening services for uninsured women and men, and as an offset to the program's reduced funding from the Proposition 99 shifts (i.e., reduction of \$4.5 million).

In addition, Budget Bill Language is requested to allow up to \$6.3 million of the appropriated amount to be available for costs incurred during 2008-09.

(Increase by \$13,800,000 Item 4265-111-0009.) (Decrease by \$4,497,000 Item 4265-111-0236.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
010	Increased Federal Funds For Women, Infants and Children Program. The May Revision increases by \$58 million (federal funds) to reflect additional funds from the U.S. Department of Agriculture for this program. (Increase by \$58,000,000 Item 4265-111-0890.)			

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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057 First Time Motherhood & Parents Federal Grant.

The May Revision provides an increase of \$500,000 (federal funds) to recognize receipt of this federal grant for California. The grant award is \$500,000 for two years.

Funds will be used to support a preconception and interconception health social marketing campaign targeting African American and Latina women of childbearing age, addressing pregnancy risk factors within two existing social marketing campaigns.

(Increase by \$500,000 Item 4265-111-0890.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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**003 Local Assistance:
Safe Drinking Water State
Revolving Fund and
Federal ARRA**

The May Revision provides an increase of \$74.9 million (federal funds) made available through the federal ARRA for various Safe Drinking Water Program purposes, including local grants and loans for water projects..

(Increase by \$74,905,000 Item 4260-115-0890.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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050 Increase Proposition 50 Bond Expenditure Authority.

The May Revision increases by \$164.7 million (special funds) to ensure sufficient expenditure authority is available for drinking water infrastructure and protection grants and loans.

The May Revision also requests to increase by \$15.5 million (special funds) to provide sufficient transfer authority of Proposition 50 bonds to the Safe Drinking Water State Revolving Fund.

(Increase by \$164,671,000 Item 4265-111-6031.)

(Increase by \$15,499,000 Item 4265-115-6031.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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084 Reduce Proposition 84 Bond Expenditure Authority.

The May Revision requests to eliminate Item 4265-111-6051 to reflect the fact that there is sufficient carryover expenditure authority (i.e., \$106.8 million) to support safe drinking water grants and loans. As such, the \$36.2 million provided in the February Budget is unnecessary. Proposition 84 bond funds are authorized by the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006.

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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058 Increase Federal Ryan White CARE Act, Part B Grant.

The May Revision reflects an increase of \$3.8 million (federal funds) which represents California's share of this grant.

The DPH notes that the total amount of the grant award is \$6.2 million (federal funds) but only \$3.8 million of additional appropriation authority is necessary for the to expend the full grant award.

(Increase by \$3,848,000 Item 4265-111-0890.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-111-0001 Department of Public Health-- Local Assistance

DISCUSSION ISSUES

LAO One-time Elimination of Support for the Immunization Assistance Program

-18,000,000
LAO

The Immunization Assistance program supports immunization registries and provides grant funding to local health departments for immunizations. California will be receiving \$23 million in new federal ARRA funds in 2009 specifically for immunizations.

The Legislative Analyst's Office (LAO) proposes to eliminate \$18 million (GF) on a one-time basis in light of the impending receipt of new federal ARRA funds.

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
702	<p>Proposed Elimination of State Support for Domestic Violence Shelter Program</p> <p>The May Revision proposes to eliminate all General Fund support of Domestic Violence Shelters for a reduction of \$20.4 million (GF). This proposal requires trailer bill to enact.</p>		-20,421,000 TBL	<p>The Battered Women Protection Act of 1994 created a grant program for Domestic Violence Shelters and related services, including prevention and outreach. There are 94 entities that receive grants. Direct services include emergency shelter, 24-hour crisis line, counseling, transitional housing, legal assistance, and emergency food and clothing. The DPH estimates this reduction would reduce services to 105,000 people.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
701	<p>Proposed Elimination of Maternal, Child, and Adolescent Health (MCAH) Programs.</p> <p>The May Revision proposes to eliminate \$16.8 million (GF) from MCAH programs including:</p> <ul style="list-style-type: none"> • Black Infant Health Program • Adolescent Family Life Program • Birth Defects Monitoring • Local County MCH • Human Stem Cell Activity <p>(A corresponding reduction to State Operations is proposed under Item 4265-001-001, Issue 701.)</p>		-16,760,000	<p>The Black Infant Health Program identifies “at risk”, pregnant and parenting African-American women and provides them assistance in using appropriate medical care and other family support services. The program provides assistance to ensure appropriate pediatric care through the first years of an infant’s life.</p> <p>The Adolescent Family Life Program has enrollment of 17,000 teens up to age 18 for females and age 20 for males and their children. The program provides assistance in completing school, parenting, case management and other services.</p> <p>The Birth Defects Monitoring Program is high efficacious in its data analysis and surveillance and strives to gather data on core group conditions in large representative samples of births.</p> <p>The local county grants are designed to improve the health of California’s women of reproductive age, infants, children, adolescents and their families.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
700	<p>Suspends Children’s Dental Disease Prevention Program</p> <p>The May Revision proposes to suspend the Children’s Dental Disease Prevention Program for a reduction of \$2.9 million (GF).</p> <p>Under this program, funds are allocated to 32 programs in 30 counties serving approximately 300,000 school children annually. The program provides fluoride supplementation, dental sealants, oral health education, and brushing and flossing instruction.</p>		<p>-2,938,000 TBL</p>	<p>The program contracts with UCSF School of Dentistry for 3.5 positions to oversee and manage the program. The CCDDPP has applied for an ARRA grant of \$500,000; it is anticipated that these ARRA grants will be issued by September 1, 2009. The Administration states that should California be awarded this ARRA grant, the funding could be used for an oral health purpose, but not for the CCDDPP (if this reduction is approved), as this program would lack the necessary infrastructure.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
99	<p>Eliminate Proposition 99 Funds for County Health Services.</p> <p>The May Revision proposes to eliminate \$25.6 million (Proposition 99 Funds) from County Health Services to backfill for General Fund support within the Medi-Cal Program to fund the Orthopaedic Hospital Settlement which increased outpatient hospital rates between 2001 to 2004 (a total of 43.4 percent).</p> <p>Counties utilize these Proposition 99 Funds for uncompensated care at the local level.</p> <p>(Reduce by \$21,106,000 Item 4265-111-0232.). (Reduce by \$3,470,000 Item 4265-111-0233.) (Reduce by \$1,027,000 Item 4265-111-0236.)</p>			<p>The Proposition 99 Funds eliminated from these programs would be used to backfill for General Fund support in the Medi-Cal Program, under Item 4260-101-0001, Issue 920.</p> <p>The programs proposed for elimination are as follows:</p> <ul style="list-style-type: none"> • \$22.3 million from reimbursement to Emergency Physicians. • \$2.5 million from Rural Health Services • \$800,000 from Managed Care County Allocation

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
101	<p>Reduce Proposition 99 Funds for the Asthma Program</p> <p>The May Revision proposes to reduce by \$438,000 (Proposition 99 Funds), or by 17 percent, the Asthma Program in order to backfill for General Fund support to fund the Orthopaedic Hospital Settlement in the Medi-Cal Program.</p> <p>(Reduce by \$438,000 Item 4265-111-0236.)</p>			<p>This program partners with local, state, and national organizations as well as health care providers, foundations, and academic institutions.</p>
LAO	<p>Eliminate General Fund Support for Alzheimer’s Research Centers.</p> <p>The Legislative Analyst’s Office (LAO) proposes to eliminate funding for the Centers for a reduction of \$6.2 million (GF)</p>		<p>-6,200,000 LAO</p>	<p>There are ten Centers which, in addition to research, provide some direct services to families including: training health care professionals, medical students, family caregivers, support groups and community groups; using unique technology to diagnose Alzheimer’s disease and related dementias; and translating research on treatment and disease management to the primary care medical community.</p> <p>State dollars act as seed funding. The loss of State funding may result in some Centers closing and the others terminating various services.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
001 704	AIDS Drug Assistance Program (ADAP)		-12,300,000 TBL	<p>ADAP is a subsidy program for low and moderate income persons with HIV/AIDS. Under the program, eligible individuals receive drug therapies through participating pharmacies under subcontract with the state's pharmacy benefit manager. The state provides reimbursement for drug therapies listed on the ADAP formulary. Both federal and state laws require that ADAP funds be used as the payer of last resort.</p> <p>Drug rebates constitute a significant part of the annual ADAP budget. The ADAP Drug Rebate Fund captures all drug rebates associated with ADAP, including both mandatory and supplemental rebates. The May Revision estimates a reserve of \$47.7 million for 2009-2010.</p> <p>Studies consistently show that early intervention and treatment adherence with HIV/AIDS-related drugs prolongs life, reduces more costly treatments, and increases an HIV-infected person's health and productivity.</p>
	<p>The May Revision proposes a reduction of \$12.3 million (GF) by:</p> <ol style="list-style-type: none"> 1. Reducing the ADAP Formulary to achieve a reduction of \$10 million. This reduction would require consultation with the ADAP Medical Advisory Committee. The DPH presently has statutory authority to modify the ADAP formula after consultant with the Committee. 2. Requiring premium payments for ADAP clients who earn more than 200 percent of poverty. This program modification will result in increased program revenue of \$2.3 million. <p>(Reduce by \$6,426,000 Item 4265-601-3080.) (Increase by \$2,300,000 Item 4265-601-3080)</p>			

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
705A	<p>Office of AIDS: Therapeutic Monitoring Program (TMP).</p> <p>The May Revision proposes to eliminate all \$8 million (GF)</p>		-8,000,000	<p>Therapeutic Monitoring provides assays for HIV positive individuals who cannot otherwise afford them. Viral load and resistance testing is done to measure how much an individual's HIV has become resistant or less sensitive to anti-retroviral drugs. Approximately 20,000 clients in this program are also enrolled in ADAP.</p>
703	<p>Eliminate State Support for HIV Education and Prevention.</p> <p>The May Revision proposes to eliminate all \$24.6 million (GF) for HIV Education and Prevention programs.</p>		-24,600,000	<p>The HIV Education and Prevention Services Programs focus on preventing HIV transmission, changing individual attitudes about HIV and risk behaviors, promoting the development of risk-reduction skills, and changing community norms.</p> <p>These funds are distributed to local health jurisdictions that provide health education and risk-reduction interventions to California's population at highest risk for contracting or transmitting HIV.</p>

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
705B	<p>Office of AIDS: Local Assistance Programs.</p> <p>The May Revision proposes to eliminate all remaining \$31.7 million (GF) support for the following programs:</p> <ul style="list-style-type: none"> • HIV Counseling & Testing at \$8,225,000. • Early Intervention Projects (EIP) at \$7,433,000. • Home & Community-Based Care at \$6,327,000. • Epidemiologic Studies and Surveillance at \$8,651,000. • Housing at \$1,093,000 	<p>-31,729,000 TBL</p>	<p>HIV Counseling and Testing includes prevention, counseling, standard and rapid HIV testing, counselor training and other activities.</p> <p>The 36 EIP clinics serve 8,000 clients. The goals of the program are to prolong health and productivity and to interrupt the transmission of HIV. The services include client assessments, case conferencing, and individual services plans.</p> <p>The Home & Community-Based Care administers AIDS case management services to clients who would otherwise require hospitalization. These are direct care services that serve as an alternative to nursing facility care or hospitalization.</p> <p>The Epidemiologic Studies and Surveillance conducts a variety of epidemiologic studies, evaluates the efficiency and effectiveness of publicly funded HIV/AIDS prevention and care programs, and maintains California’s HIV/AIDS Case Registry which facilitates the receipt of federal funds.</p> <p>The Office of AIDS allocates HOPWA funds annually through a formula process to eligible counties to be used for short-term emergency rent, mortgage, and utility payments to prevent homelessness. Housing is funded in part through the federal HUD as well</p>	

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-001-0001 Department of Public Health-- State Support

DISCUSSION ISSUES

703 State Operations for the Office of AIDS. -3,427,000

The May Revision proposes to eliminate all State General Fund support for the Office of AIDS (OA) for a reduction of \$3.5 million (GF).

The Administration states this is a corresponding action to the Governor's proposal to eliminate all State General Fund support for various education, prevention, and early treatment programs except for the ADAP. Specific position reductions are to be determined.

(See corresponding issues # 703 and #705, above, within Item 4265-111-0001.)

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
701	State Operations for Maternal & Child Health Programs.		-3,554,000	
	The May Revision proposes to eliminate all State General Fund for MCAH Programs			
	The Administration states this is a corresponding action to the Governor's proposal in local assistance.			

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-495 Department of Public Health-- Reversion of Drinking Water Infrastructure (Proposition 50)

VOTE ONLY CALENDAR

Reversion.

The May Revision proposes to revert unspent Proposition 50 funds from prior year appropriations through 2008-09, effective June 30, 2009.

These funds were previously allocated for drinking water infrastructure grants and loans as authorized by Proposition 50.

Reversion authority is necessary to align actual and estimated expenditures and to maintain cumulative appropriations within the authorized bond allocation.

BBL

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-496 Department of Public Health-- Reversion of Safe Drinking Water & Water Quality Projects

VOTE ONLY CALENDAR

496 Reversion. BBL

The May Revision proposes to revert \$35.6 million in unspent Proposition 84 funds, appropriated in the Budget Act of 2007, effective June 30, 2009.

These funds were previously allocated to provide grants for small community drinking water system infrastructure improvements. Reversion authority is necessary to align actual and estimated expenditures and to maintain cumulative appropriations within the authorized bond allocation.

4265 Department of Public Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4265-497 Department of Public Health-- Reversion of Breast Cancer Early Detection

VOTE ONLY CALENDAR

497 Reversion. BBL

The May Revision proposes to revert unspent Breast Cancer Control Account funds, appropriated in the Budget Act of 2007, effective June 30, 2009. These funds were previously allocated to the Breast Cancer Early Detection Program. Reverting these unspent funds provides additional funding for the program on a one-time basis.

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
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4280-101-0001 and Various Managed Risk Medical Insurance Board

VOTE ONLY PAGES 78 - 80

502	<p>May Revise Estimate for the Access for Infants and Mothers (AIM) Program</p> <p>The May Revise estimates a decrease of \$85.6 million in total funds in the AIM program. This reflects the following:</p> <ul style="list-style-type: none"> • Caseload decrease of 547; • A 5.7 percent average increase in provider rates; • A 17 percent Prop 99 reduction as part of a \$60 million shift to Medi-Cal (see item 599); • A new provider payment methodology for Prop 99 savings of \$28.5 million; and • Offsetting decrease in federal funds due to a decrease in state funds. <p>AIM provides health care to 13,656 pregnant women between 200 and 300 percent FPL. Once born, their babies are enrolled in Healthy Families.</p>			<p>AIM is funded with Prop 99 and federal CHIP funds (that are a 2-1 match with state Prop 99 funds), and receives no General Fund.</p> <p>The new provider payment methodology involves paying providers on a monthly basis, which replaces the current methodology which pays providers one up-front lump sum payment.</p> <p>This new proposed monthly payment methodology can be expected to reduce costs due to the fact that a percentage of pregnancies terminate prematurely or women voluntarily leave the program during their pregnancy.</p> <p>This estimate, including the \$28.5 million savings from the change in payment methodology, is payable from the following:</p> <p>Federal funds: 4280-101-0890 -\$47,458,000 Prop 99: 4280-111-0232 -\$44,035,000 (Hosp. Services) 4280-111-0233 -\$7,951,000 (Physician Service) 4280-111-0236 \$18,543,000 (Unallocated)</p>
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4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
503	<p>Decrease in County Health Initiative Matching Fund</p> <p>The May Revise estimates a lower caseload in this program and therefore a decrease in total funds of \$321,000 (county funding of \$113,000).</p> <p>Since these county funds are matched with federal dollars, this will result in a decrease of \$208,000 in federal funds.</p> <p>(\$113,000 payable from Item 4280-103-3055 and \$208,000 payable from Item 4280-103-0890)</p>			<p>The County Health Initiative Matching Fund allows counties to use county funding to receive federal matching dollars to provide health coverage for children between 250 and 300 percent of the federal poverty level and who meet federal eligibility criteria.</p> <p>MRMIB states that overall caseload has decreased by 239 individuals, including 90 individuals due to natural attrition and 149 individuals as a result of Santa Cruz County withdrawing from the program.</p>

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
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**596 Increase in Managed Care
Penalty Fees for MRMIP**

The May Revise reports an increase in funding for the MRMIP program from managed care penalties of \$274,000.

(\$274,000 is payable from Item 4280-112-3133)

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
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DISCUSSION ITEMS

4280-101-0001 Managed Risk Medical Insurance Board: The Healthy Families Program

HEALTHY FAMILIES PROGRAM OVERVIEW

The Healthy Families Program (HFP) is California’s version of the federal Children’s Health Insurance Program (CHIP) and was created in 1997-98. The HFP provides health, dental and vision coverage through managed care arrangements to children (up to age 19) in families with incomes up to 250 percent of the federal poverty level, who are *not* eligible for Medi-Cal but meet citizenship or immigration requirements. The HFP directly contracts with participating health, dental and vision care plans. Participation from these plans varies across the state but historically consumer choice has been available. Children in the HFP also have access to the California Children’s Services (CCS) Program if they have a CCS-eligible medical condition. California receives a 66 percent federal match for each state dollar provided. Federal CHIP funding is an “*allotment*,” and as such, this program is not an entitlement. In addition to the federal allotment and State General Fund support, premium payments received from families for the enrollment of their children (i.e., subscribers) are used to offset expenditures. The Budget Act of 2008 contained several cost saving reforms to the HFP as follows:

Premium Increases: Effective February 1, 2009, the Managed Risk Medical Insurance Board (MRMIB), which oversees the program, began applying premium increases. For families with incomes between 150 and 200 percent of the federal poverty level (FPL), the premiums were increased from \$9 to \$12 per child per month. For families with incomes over 200 percent FPL, the premiums were increased from \$15 to \$17 per child per month. MRMIB reports seeing some families disenrolling due to insufficient or non-payment of premiums.

Dental Cap: Effective July 1, 2009, MRMIB will proceed with an annual benefit limit of \$1,500 for dental coverage. MRMIB estimates that about 5 percent of the HFP enrolled children *may* hit this limit in 2009-10.

Rate Reduction: Effective February 1, 2009, MRMIB implemented an overall 5 percent rate reduction for plans participating in the HFP. Three plans dropped HFP coverage in certain geographic regions because of the rate reduction, resulting in 81,000 children needing to change plans. This year, prior to the Governor proposing to eliminate the Healthy Families Program altogether, the MRMIB Board approved a rate increase for participating plans for 2009-10 and made this contingent on the availability of non-state funding.

In this year's initial May Revisions, the Governor proposed to reduce eligibility from 250 to 200 percent of the federal poverty level and to eliminate Certified Application Assistance. Subsequently, the Governor replaced these proposals with one proposal to fully eliminate the program. All of these proposals are outlined in the following pages of this agenda.

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
501	Elimination of Healthy Families Program	403,900,000	-368,786,000	The Healthy Families Program is California’s federal “CHIP” program and receives a 66-34 federal-state match.
	The May Revise proposes to eliminate the Healthy Families Program for a total funds reduction of \$1.018 billion (\$368.8 million General Fund), and is payable as follows:			This program provides health insurance, through private HMOs, to children up to 250 percent of the federal poverty level (FPL). The February package included \$403.9 million General Fund dollars for this program and assumed enrollment of 941,786 as of June 30, 2010. All 941,786 children would lose comprehensive health coverage as a result of this program.
	4280-101-0001 -\$344,268,000			
	4280-102-0001 -\$24,518,000			
	Total GF -\$368,786,000			
	4280-101-0236 -\$175,000			
	4280-104-0236 -\$729,000			
	Total Prop 99 -\$904,000			
	4280-101-0890 -\$606,608,000			
	4280-102-0890 -\$36,794,000			
	4280-104-0890 -\$1,354,000			
	Total FF -\$644,756,000			
	4280-602-0995 -\$3,695,000			
	Reimbursements			

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
<p>Reduces eligibility for the Healthy Families Program from 250 percent to 200 percent of the federal poverty level</p>	403,900,000	-54,500,000	<p>Of an estimated 941,786 enrollees, 240,276 are between 200 and 250 percent FPL and would lose coverage under this proposal. This program is supported by a 66 percent federal match.</p>	
<p>The May Revise proposes to reduce eligibility in the Healthy Families Program from 250 to 200 percent of the federal poverty level (FPL) for a reduction in total funds of \$163.5 million (\$54.5 million General Fund).</p>				

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
Elimination of Certified Application Assistance	<p>The May Revise proposes to eliminate Certified Application Assistance for a reduction in total funds of \$8.1 million (\$2.7 million General Fund).</p> <p>Certified Application Assistants (CAAs) work for community organizations and help families fill out the joint Medi-Cal/Healthy Families application.</p>	2,700,000	-2,700,000	<p>CAAs get paid \$50 for each assisted enrollment and an additional \$10 for using the online Health-e-app. Eliminating funding for CAAs would result in an estimated reduction of approximately 56,000 enrollees in the Healthy Families Program.</p>

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
4280-101-0001	Managed Risk Medical Insurance Board:			Access for Infants and Mothers (AIM)
	<p>AIM Program Coverage of Private Coverage High Deductibles</p> <p>The Legislative Analyst's Office (LAO) proposes covering high deductibles, rather than providing comprehensive coverage, for participants of the AIM program who have private insurance with high deductibles.</p> <p>The LAO estimates annual savings of \$11 million in Proposition 99 funds.</p> <p>The Access for Infants and Mothers (AIM) program provides health care to pregnant women between 200 and 300 percent of the federal poverty level.</p>			<p>AIM is funded with Prop 99 and federal CHIP funds and receives no General Fund. Federal funds are only available for women who have no insurance at all. Out of a total caseload of 13,656, approximately 10 percent of participants have private insurance coverage but have such high deductibles that realistically they cannot afford to use their insurance to access prenatal care. Therefore, they are eligible for AIM under a state-only program. The LAO proposes the state pay the deductible rather than enrolling these women in AIM. In terms of precedent, the state pays for private insurance premiums through the HIPP program, and the Administration is proposing a similar policy in the Genetically Handicapped Persons Program (GHPP).</p>

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
599	<p>Reduction in Proposition 99 funding for the Access for Infants and Mothers (AIM) Program - fund shift to Medi-Cal</p>			<p>AIM provides health care to 13,656 pregnant women between 200 and 300 percent of the federal poverty level. Once born, their babies are enrolled in Healthy Families. AIM is funded with Prop 99 and federal CHIP funds, and receives no General Fund.</p>
	<p>The May Revise reduces \$60 million in Proposition 99 funding from various state programs and shifts these funds to General Fund support of Medi-Cal.</p>			
	<p>This particular proposal reduces \$4.9 million in Prop 99 funds from the AIM program, which leads to a loss of \$7.8 million federal funds.</p>			

4280 Managed Risk Medical Insurance Board

Issue	Description	2009 Budget Act	May Revise	Comments
4280-101-0001	Managed Risk Medical Insurance Board:			Major Risk Medical Insurance Program (MRMIP)
595	Reduction in Proposition 99 support for the Major Risk Medical Insurance Program (MRMIP) - fund shift to Medi-Cal			MRMIP is supported by revenue from fees on managed care companies imposed by the State, Proposition 99 funds, and program participant premiums. There is no General Fund support for this program. MRMIP has 7,100 individuals and a waiting list of approximately 200-300 people.
	The May Revise reduces \$6.6 million in Prop 99 support for the MRMIP program and shifts these funds to General Fund support of Medi-Cal.			The Administration states that this reduction equates to a potential decrease in caseload of up to approximately 1,900 individuals.
	MRMIP is a health coverage program for individuals who do not have employer-sponsored coverage and are considered uninsurable in the individual health care market, usually due to a "pre-existing condition."			
	(\$6.6 million payable from Item 4280-112-0232)			

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4300-003-0001 Department of Developmental Services—State Developmental Centers

Summary. The State’s Developmental Centers (DCs) are licensed and federally certified as Medi-Cal providers. They provide direct services which include the care and supervision of all residents on a 24-hour basis, supplemented with appropriate medical, health maintenance activities, assistance with activities of daily living and training.

The Department of Developmental Services (DDS) operates five DCs—Agnews (warm-shut down), Fairview, Lanterman, Porterville and Sonoma. Porterville is unique in that it provides forensic services in a secure setting. In addition, the DDS leases Sierra Vista, a 54-bed facility located in Yuba City and Canyon Springs, a 63-bed facility located in Cathedral City.

The population of the DCs has continued to decrease over time. The development of community services as an alternative to institutional care mirrors national trends that support integrated, community-based services. Implementation of the Coffelt Settlement agreement resulted in a transition of more than 2,320 persons between 1993 and 1998. This was accomplished by creating new community living arrangement, developing new assessment and individual service planning procedures. The U.S. Supreme Court decision in Olmstead (1999) stated that services should be provided in community settings when it has been determined that community placement is appropriate.

The May Revision proposes total expenditures of \$675.3 million (\$295.7 million General Fund) which reflects a reduction of \$14.2 million (decrease of \$74.7 million General Fund) for 2009-2010, as compared to the February Budget. This decrease reflects a reduction of 184 residents, primarily due to the Agnews Developmental Center closure, for a total of 2,220 residents. The May Revision also reflects the availability of the federal American Recovery and Reinvestment Act (ARRA) funds for the DCs at the enhanced federal fund rate of 61.59 percent which reduces General Fund support.

The DDS states the average cost for a resident living in a DC is \$299,000, with Sierra Vista being the most costly at \$318,000 per resident.

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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VOTE ONLY CALENDER

201	<p>Reduction to Out-Patient Clinic at Agnews DC</p> <p>The May Revision proposes to reduce by \$1.9 million (\$192,000 General Fund) to reflect a reduction in specific outpatient clinic services as the Agnews DC continues warm-shutdown. This reduction reflects a decrease of 14 positions, which leaves 10 positions to continue to provide services.</p> <p>The clinic would continue providing primary care, psychiatry, and dental services through the warm-shutdown.</p> <p>(\$1,699,000 payable from Item 4300-503-0995.)</p>		-192,000	<p>State statute requires the DDS to operate a primary care clinic at Agnews DC until the DDS is no longer responsible for the property and it's declared surplus. This was done to provide clinical services to individuals residing in the community and to better utilize existing medical resources at Agnews for a temporary period.</p> <p>Though all residents have been transitioned from Agnews (as of late April), the DDS notes that "warm-shut" activities need to occur, such as transferring medical records, furniture and other state resources as surplus and related functions. This warm-shut down is to utilize minimum staff and is expected to continue until the Department of General Services transfers possession and control of the property from the DDS. The DDS is obligated to properly maintain the property until such time as DGS transfers possession.</p>
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4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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DISCUSSION ITEMS

202	Adjustments for State		-73,767,000	
203	Developmental Centers (DCs).			The May Revision primarily reflects the effects of the Agnews DC closure, and receipt of the enhanced federal ARRA funds.
214	The May Revision proposes a series of adjustments for the DCs. Key adjustments are as follows:			
	1. Decrease of \$12.3 million (\$6.3 million GF) to reflect a decrease of 184 residents and corresponding staff adjustments.			
	2. Decrease of \$67.7 million (GF) to reflect the enhanced federal funds available from ARRA.			
	3. Technical adjustment to restore Lottery Education Fund for state special schools. (Non-Budget Act Item, issue 205)			
	(Reduce by \$218,000 Item 4300-004-0001.)			
	(\$73,464,000 payable from Item 4300-503-0995 for caseload and federal ARRA adjustments).			

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4300-101-0001 Department of Developmental Services—Community Services & Regional Centers

Summary. The DDS contracts with 21 Regional Centers (RC) (not-for-profit) which have designated catchment areas for service coverage throughout the state. The RCs are responsible for providing a series of services, including case management, intake and assessment, community resource development, and individual program planning assistance for consumers.

RCs also “purchase services” for consumers and their families from various approved vendors and coordinate consumer services with other public entities. Generally, RCs purchase services only if an individual does not have private insurance or they cannot refer an individual to so called “generic” services that are provided at the local level by the State, counties, school districts and other agencies (such as Medi-Cal and IHSS).

RCs purchase services such as: (1) residential care provided by Community Care Facilities; (2) support services for individuals in supported living arrangements; (3) Day Programs; (4) transportation; (5) respite; and (6) some health care, in addition to others.

Services and supports provided to individuals with developmental disabilities (consumers) are coordinated through the Individualized Program Plan (IPP). The IPP is prepared jointly by an interdisciplinary team. Services included in the consumer’s IPP are considered to be entitlements (court ruling). To be eligible for services, the disability must begin before the consumer’s 18th birthday, be expected to continue indefinitely, present a significant disability, and be attributable to certain medical conditions, such as mental retardation, autism and cerebral palsy.

The May Revision proposes total expenditures of \$3.933 billion (\$2.160 billion General Fund) which reflects a decrease of \$163.8 million (decrease of \$170.7 million General Fund) over the February Budget. These funds will be appropriated to serve 242,495 people with developmental disabilities living in the community.

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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VOTE ONLY CALENDAR (Pages 92 - 96 inclusive)

305	<p>Regional Centers: Restore Funding for Early Start Program.</p> <p>The May Revision increases by \$265 million (GF) to reflect the decision of the voters in not approving Proposition 1D.</p> <p>(Reduce by \$265,000,000 Item 4300-101-3148.)</p>	265,000,000	<p>Proposition 1D would have allowed \$265 million in funds obtained through Proposition 10, Statutes of 1998 --California Children and Families First Trust Funds—to be used to support the Early Start Program.</p> <p>The Early Start Program, administered by the DDS through Regional Centers, provides coordinated early intervention services to infants and toddlers (aged 0 to 3 years) and their families with, or at-risk of, developmental delays or disabilities.</p>	
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4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
207	<p>Regional Centers: Baseline Purchase of Services.</p> <p>The May Revision increases by \$138.5 million (\$82.4 million GF) to reflect baseline caseload adjustments and service utilization, and the later implementation date of the Self Directed Services Program.</p> <p>(Reduce Item 4300-103-0001 by \$1,175,000.) (\$57,048,000 payable from Item 4300-601-0995). (Increase Item 4300-101-0890 by \$268,000.)</p>		82,383,000	<p>The DDS states that baseline expenditures are increasing primarily due to the increased utilization of services and some caseload adjustments.</p>

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
209	<p>Regional Centers: Federal ARRA Offset for GF in Purchase of Services.</p> <p>The May Revision decreases by \$231.5 million (GF) to reflect the enhanced federal ARRA funds, including both the Federal Medicaid Assistance Participation (FMAP) funds and Early Start Program funds.</p> <p>(\$204,894,000 payable from Item 4300-601-0995). (Increase by \$26,616,000 Item 4300-101-0890.)</p>	-231,510,000	<p>California will receive an increase of 11.59 percent under the federal ARRA for a total FMAP of 61.59 percent for the Medi-Cal Program for the 27-month period. Compliance with certain federal requirements must be met in order to receive the enhanced federal funds.</p> <p>The DDS administers the Home and Community-Based Waiver and receives federal FMAP funds through this Waiver.</p> <p>The DDS will also receive an increase of \$26.6 million (federal funds) for the Early Start Program.</p>	

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
210	<p>Regional Centers: Provide Funds for Medi-Cal Optional Services.</p> <p>The May Revision increases by \$12 million (\$8.2 million GF) to provide certain Medi-Cal Optional services, such as Adult Dental, for eligible individuals receiving Regional Center services.</p> <p>(\$3,746,000 payable from Item 4300-601-0995.)</p>		8,226,000	<p>Certain Medi-Cal Optional services were not included in the February Budget, including Adult Dental Services, psychologist services, incontinence creams and washes, podiatry, audiologist, Optical Labs, Opticians and others.</p> <p>Without the availability these generic services, Regional Centers will need to purchase them for eligible individuals receiving Regional Center services.</p>

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
211	Regional Centers:		-38,620,000	The DDS budget provides funds for Regional Center “Operations” and for the “Purchase of Services”.
212	Baseline Adjustments and Federal ARRA Offset for GF in Operations.			Operations funds are used for intake and assessment, case management and service coordination, development of Individual Program Plans (IPPs), community resource development and administration.
	The May Revision adjusts baseline Regional Center’s Operations to reflect the following:			
	<ol style="list-style-type: none"> 1. Shifts \$35.9 million in expenditures to federal funds due to the enhanced federal ARRA funds. 2. Decreases expenditures by \$8.5 million (\$2.7 million GF) to reflect a series of baseline adjustments related to caseload and enrollment. 			
	(\$150,000 payable from Item 4300-101-0496.) (\$41,963,000 payable from Item 4300-601-0995.)			

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4300-101-0001 Department of Developmental Services: Community Services & Regional Centers

DISCUSSION ISSUES

**208 Regional Centers:
Plan to Reduce by \$100 million
(GF) Reduction.**

The May Revision includes the \$100 million (GF) reduction identified from February budget deliberations. The Workgroup Plan to obtain this reduction includes:

1. Transportation Reforms
2. Uniform Holiday Schedule
3. New program for seniors
4. Custom Endeavors Option
5. Maximizing Generic Resources in Supported Living
6. Amend Supported Living
7. Utilization of local Preschools
8. Early Start—private insurance
9. Early Start—restrict eligibility
10. Change respite services
11. Cap Operations one-time costs
12. Eliminate RC Triennial Review
13. Update Parental Fee
14. Consolidate Quality Assurance
15. Use Group Instruction-behavioral

TBL In the February Budget, trailer bill directed DDS to submit a Plan to the Legislature to identify specific cost containment measures to achieve a reduction of \$100 million (General Fund) in services and administration. Since this time, a comprehensive Workgroup has been convening and has crafted comprehensive proposals to achieve this level of reduction during this fiscal crisis.

A total of 15 proposals were identified through this process and draft trailer bill language has been developed.

This Plan, including draft trailer bill language, was vetted during the Subcommittee process. The draft trailer bill language can soon be presented to the Conference Committee for adoption.

The total reduction is \$118.9 million (total funds). (\$19,800,000 payable from Item 4300-601-0995. Reduce Item 4300-101-0172 by \$900,000.)

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
213	<p>Regional Centers: Additional Reduction of \$234 million (GF) Proposed.</p> <p>The May Revision proposes an additional reduction of \$234 million (GF) to services provided through the Regional Centers.</p> <p>The Administration’s May Revision does not provide specific proposals for this additional reduction, and instead, intends to use the expertise of the Workgroup to craft proposals for the Conference Committee to consider.</p>	-234,000,000	TBL	<p>The DDS is continuing discussions using the expertise of the members of the Workgroup. It is the intent of the DDS to continue to use this consensus building process to identify additional cost-containment proposals across the system.</p> <p>It is very likely that most of these additional proposals will require trailer bill changes, and some may involve adjustments to the Developmental Centers.</p>

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
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4300-101-0001 Department of Developmental Services—Community Services & Regional Centers

CONFORMING ISSUES (Issues to conform to actions taken in other areas.)

216	Impacts from Other Department Reductions to Services (Generics) Used by Consumers in DDS.		37,000,000	(These issues will conform to issues in Item 5180, DSS, and issues in Item 4260, DHCS.)
	(Issues will conform to Item 5180, DSS, and Item 4260, DHCS.)			Generally, Regional Centers purchase services only if an eligible individual does not have private insurance or they cannot refer an individual to so called “generic” services that are provided at the local level by the State, counties, school districts and other agencies (such as IHSS). When these generic services are not available, Regional Centers would need to purchase them from various vendors. Therefore, the DDS budget would need to be increased.
	The May Revision increases by \$47.1 million (\$37 million GF) to reflect the impact to DDS of other department’s proposed reductions to services, including:			
	<ol style="list-style-type: none"> 1. \$4.8 million (\$4 million GF) to limit IHSS services to most functionally impaired. 2. \$20.4 million (\$12.2 million GF) by reducing SSI/SSP grants to the federal minimum. 3. \$15.4 million (GF) from IHSS cost containment. 4. \$6.5 million (\$5.4 million GF) by reducing Adult Day Health. 			
	(\$10,100,000 payable from Item 4300-601-0995)			

4300 Department of Developmental Services

Issue	Description	2009 Budget Act	May Revise	Comments
217	<p>Restore General Fund in TANF.</p> <p>(This issue will conform to Item 5180, DSS.)</p> <p>The May Revision increases by \$42 million (GF) to backfill for the loss of funds provided through the Temporary Assistance for Needy Families (TANF) federal grant funds due to the proposed elimination of CalWORKS within the DSS.</p> <p>(\$42,000,000 payable from Item 4300-601-995.)</p>		42,000,000	<p>(This issue will conform to Item 5180, DSS.)</p> <p>This is a fund shift to account for the proposed elimination of CalWORKS within the Department of Social Services (DSS). Federal TANF grant funds have been used for several years as an offset for General Fund support within the DDS.</p>

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4440-Various Department of Mental Health

VOTE ONLY CALENDAR—Pages 101 - 105 inclusive

**280 Additional Federal Funds:
& Projects for Assistance in
281 Transition from Homelessness
(PATH).**

984,000
(federal funds)

California began receiving federal PATH grants in 1992 and has allocated most of the funds to counties for services to individuals with mental illness. Funds can be used for housing services, service coordination, alcohol and drug treatment, outreach, community mental health services, supportive services in residential settings and related functions.

The May Revision proposes an increase of \$966,000 (federal funds) to reflect additional federal PATH grant funds.

Of this amount, \$984,000 would be allocated to counties and \$18,000 would be used to support State administrative costs.

(Increase Item 4440-101-0890 by \$966,000, and Item 440-001-0890 by \$18,000.)

Adoption of the May Revision would provide a total of \$8.5 million (federal funds) for PATH in 2009-10.

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
282	<p>Additional Federal Funds: Substance Abuse & Mental Health Services Grant.</p> <p>The May Revision proposes an increase of \$268,000 (federal funds) in Substance Abuse and Mental Health Services Administration Community Services grant funds. This increase is to be allocated to counties to provide mental health services to adults and children with serious emotional disturbances.</p> <p>(Increase Item 4440-101-0890 by \$268,000.)</p>		<p>268,000 (federal funds)</p>	<p>These federal block grant funds are allocated to counties by the DMH. The DMH maintains oversight of these funds through annual reviews of county applications, and through program performance and peer review activities. The funds support more than 160 projects statewide.</p> <p>Approval of the May Revision would provide a total of \$55.4 million (federal funds) for efforts pertaining to dual diagnosis and diverse mental health treatment services.</p>

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
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300	Technical Adjustment for Lottery Education Fund.		138,000 (Lottery)	
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The May Revision proposes a technical adjustment to reflect an increase of \$138,000 (Lottery Education Fund) for certain education services provided in the State Hospitals.

This technical adjustment is needed to reflect the denial of the Lottery Modernization Act.

(Increase Item 4440-511-0814 by \$138,000.) (Decrease Item 4440-511-0001 by \$153,000 as a Non-Budget Act Item.)

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
Fee	Licensing and Certification Fee Increase.		63,000 (fee revenue)	The DMH is responsible for assuring compliance with laws related to facility licensing and program certification (required by federal law) of a range of 24-hour psychiatric and rehabilitation care facilities. In addition, DMH conducts investigations of incidents and unusual occurrences in facilities.
	The May Revision proposes to increase licensing and certification fees paid by Psychiatric Health Facilities (PHF) and Mental Health Rehabilitation Centers (MHRCs).			Psychiatric Health Facilities (PHF) are licensed by the DMH to provide in-patient services to people with acute major mental disorders. There are 21 licensed PHFs with a total of 450 beds but only eleven are charged licensure fees. Licensure fees are waived for any facility operated by a local hospital district, city or county. In the May Revision, the eleven PHFs would have their fees increased by \$480 per facility (total fees would be \$3,200 for 16-bed facilities).
	The DMH states that this 18 percent fee increase would generate ongoing additional revenues in the amount of \$63,000 annually. The DMH contends the fee increase is necessary to meet statutory obligations for licensing, investigation responsibilities, criminal background clearance activities, and health and safety.			Mental Health Rehabilitation Centers (MHRCs) provide intensive support and rehabilitation services to assist persons, 18 years and older, to develop skills to become self-sufficient. There are twenty MHRCs and their fees would be increased from \$170 per bed to \$200 per bed.
	(Increase Item 4440-001-3099 by \$63,000.)			

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
250 & 251	Technical Adjustments for the San Mateo Pharmacy and Laboratory Program.		830,000 (134,000 GF)	The San Mateo Mental Health Plan is responsible for pharmacy services prescribed by its psychiatrists to treat mental illness and for related laboratory services when these services were carved out of the contract between the Department of Health Care Services and the Health Plan of San Mateo in 1999.
	The May Revision proposes a net increase of \$830,000 (\$134,000 GF) to reflect adjustments to pharmacy and laboratory claims, an increase in clients, and adjustments to reflect enhanced federal funds under the federal American Recovery and Reinvestment Act (ARRA).			Adoption of the May Revision would provide a total of \$3.2 million (total funds) for this program that serves individuals with severe mental illness.
	(Increase Item 4440-101-0001 by \$134,000.) (\$696,000 payable from Item 4440-601-0995.)			

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4440-011-0001 Department of Mental Health—State Hospitals

Summary. The February Budget appropriates \$1.268 billion (\$1.175 billion General Fund) for the State Hospital system, including operation of five State Hospitals—Atascadero, Metropolitan, Napa, Patton, and Coalinga—and two acute psychiatric programs at the California Medical Facility in Vacaville, and Salinas Valley State Prison. Patients admitted to the State Hospitals are generally either civilly committed, or judicially committed. County Mental Health Plans contract with the DMH to purchase beds, when applicable, for civilly committed patients. Counties reimburse the DMH for these beds using county realignment funds. Generally, reimbursement under federal Medicaid law (Medi-Cal) is not available for State Hospital services.

Judicially committed patients are treated solely using State General Fund support. About 95 percent of the patients are judicially committed. Judicially committed patients include individuals who are classified as: (1) Sexually Violent Predators; (2) Mentally Disordered Offenders; (3) Not Guilty by Reason of Insanity; (4) Incompetent to Stand Trial; (5) other miscellaneous categories. Under *Coleman v. Schwarzenegger*, patients must be accepted by the DMH for treatment as required by the federal court. Generally under this arrangement, the DMH must have State Hospital beds available for these California Department of Corrections and Rehabilitation (CDCR) patients as required by the Special Master. If a DMH bed is not available, the inmate remains with the CDCR and receives mental health treatment by the CDCR.

The May Revision proposes a current-year reduction of \$39.2 million (\$28.9 million General Fund) due to a reduction of 180 patients and related technical adjustments for a revised appropriation of \$1.214 billion (\$1.131 billion General Fund) for 2008-09.

The May Revision for 2009-10 proposes expenditures of \$1.274 billion (\$1.90 billion General Fund) for a *net* increase of \$5 million (General Fund) over the February appropriation for the budget year. Most of this adjustment is due to two changes, a lower project of the patient population as compared to January, and a \$25 million (General Fund) increase due to the *Coleman v. Schwarzenegger*. The patient population is estimated to be 6,202 patients.

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
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4440-011-0001 Department of Mental Health—State Hospitals

DISCUSSION ISSUES

**221 Patient Caseload, Staffing and
& Related Adjustments.
222**

-7,080,000

The May Revision typically proposes adjustments to patient population estimates, corresponding staffing ratios and applicable operating expenses.

The May Revision reduces by a net \$15.6 million (\$7.1 million GF) for the State Hospitals to reflect adjustments as follows:

The May Revision estimates a total patient population of 6,202, including the psychiatric programs at Vacaville and Salinas.

1. Net increase of 113 judicially committed patients.
2. Decrease of 71 civil commitment patients.
3. Adjustment for current-year population decrease which affects the baseline staffing ratio for 2009-10.
4. Various adjustments to reflect clinical staffing needs related to the population.

(\$8,573,000 payable from Item 4440-101-0995 which are county reimbursements.)

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
225	<p>Coleman v. Schwarzenegger Bed Capacity Options.</p> <p>The May Revision proposes an increase of \$25.3 million (GF) to address four short-term proposals to meet immediate “Coleman” needs of 162 beds, mainly at the acute-psychiatric and Intermediate Care levels.</p> <p>The \$25.3 million is for 250 positions, including clinical staff and security personnel, to provide mental health services and security over the course of the year.</p> <p>It should be noted that the DMH assumes full implementation of this plan within 12 months.</p> <p>The DMH states that the CDCR is responsible for any and all physical plan modifications that may be required in this bed expansion plan. It is unknown at this time if any additional expenditures will be incurred for physical plant changes.</p>	25,325,000	<p>On March 30, 2009, the Coleman Court ordered the DMH to develop proposals to meet the remaining short-term, intermediate, and long-range bed needs of the plaintiff class. This May Revision represents the DMH’s plan to provide inpatient mental health treatment beds to the Coleman population that have been clinically determined to require DMH inpatient care.</p> <p>The DMH states it would be most effective to expand already existing programs. Therefore, these four proposals increase capacity at Salinas Valley Psychiatric Program and Vacaville Psychiatric Program. All of the proposals pertain to converting existing space into clinical bed space and then providing appropriate staffing ratios and security.</p> <p>The DMH presented this plan to the Court on May 26th and the Court is expected to conduct a hearing on this plan in mid-June.</p> <p>The LAO has raised issues regarding the feasibility of implementing the plan within 12-months, as well as the level of funding. They further note that the plan has not yet been approved by the Court.</p>	

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
4440-101-0001 Department of Mental Health—Community-Based Mental Health Services				
230	Early & Periodic Screening, 231 Diagnosis and Treatment Program 232 (EPSDT) for 2009-10.		65,252,000	EPSDT provides mental health services to adolescents under age 21 who are diagnosed with severe emotional disturbance. It is federally mandated and provides mental health services that are medically necessary. Several settlement agreements have further defined the mandate for services. Cost-containment measures have been enacted over several years, including increased DMH monitoring and establishment of performance improvement measures. The Special Master for the Emily Q. Settlement has a nine-point plan which the DMH and County MHPs are required to implement per a December agreement.
233	The May Revision proposes to:			
235 & 299	<ol style="list-style-type: none"> 1. Reduce by \$53.4 million (GF) to reflect elimination of State support for county programs developed using Mental Health Services Act (MHSA) funds that DMH contends increased services within EPSDT. 2. Increase by \$226.7 million (GF) to reflect the lack of passage of Proposition 1E and use of Mental Health Services Act Funds. 3. Increase by \$19 million (GF) to reflect court order (Emily Q.) requiring DMH to implement a nine point plan regarding certain services. 4. Decrease by \$4.9 million (GF) to reflect revised caseload and expenditures. 5. Decrease of \$122.1 million (GF) to reflect enhanced federal funds under the federal ARRA. 6. Make technical adjustments to reimbursements for above actions. 			<p>The reduction of \$53.4 million (GF) is the amount the DMH attributes to expenditures within the EPSDT that are related to new county programs established using MHSA Funds. About \$28 million of this amount the DMH states is due to new programs from 2007-08 and 2008-09 and the remaining amount of \$25.4 million is baseline costs attributed to MHSA children's programs.</p> <p>Adoption of the May Revision would provide a total of \$1,038,886,000 (\$364.8 million General Fund and \$674.1 million federal reimbursements) for the EPSDT. This reflects a reduction of \$14.6 million (General Fund) as compared to the current year.</p>

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
234	<p>Prior Year Cost Settlement Claims for EPSDT.</p> <p>The May Revision proposes an increase of \$34.9 million (\$15.8 million GF) for the DMH to reimburse prior year cost settlement claims for the EPSDT Program.</p> <p>(\$19,101,000 payable from Item 4440-101-0890.)</p>		15,796,000	<p>The DMH and County Mental Health Plans have a cost settlement process which is used to complete claims from prior years.</p>

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
260	<p>Adjust Healthy Families Program for CHIRPA.</p> <p>The May Revision provides an increase of \$1.4 million (federal funds) to reflect the enactment of the federal Children’s Health Insurance Program Reauthorization (CHIRPA) of 2009. This action results in a reduction of \$704,000 (GF)</p> <p>Among other things, CHIRPA provides states the option to obtain federal funds for legal immigrant adolescents (under age 20) residing in the U.S. for less than five years. As such, no General Fund support is needed for these supplemental mental health services provided to Healthy Families Children when applicable. County funds are used to obtain the federal match.</p> <p>(This May Revision proposal is applicable if program not eliminated.)</p> <p>(\$1,406,000 payable from Item 4440-601-0995.)</p>		-704,000	<p>The enabling Healthy Families Program statute linked the insurance plan benefits with a supplemental program to refer children who have been diagnosed as being seriously emotionally disturbed (SED).</p> <p>The supplemental mental health services provided to Healthy Families children who are SED can be billed by County Mental Health Plans to the state for a federal match (Children’s Health Insurance Reauthorization Act funds at a 65 percent match). County Mental Health Plans use County Realignment Funds for this purpose.</p> <p>State General Fund support was also used in this program for legal immigrant children residing in the U.S. for less than five years. However, with the federal CHIRPA, State General Fund support is no longer needed since a federal match is now provided.</p>

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
261	Proposal to Eliminate Healthy Families Program Services. (This will conform to Issue 501, Item 4280-101-0001.) The May Revision proposes to eliminate the Healthy Families Program, including funding for supplemental mental health services. (Decrease Reimbursements in Item 4440-101-0001 as transferred from the Managed Risk Medical Insurance Board.)			0 (This will conform to Issue 501, Item 4280-101-0001, Managed Risk Medical Insurance Board.)

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
270	<p>Proposal to Eliminate the Caregiver Resource Centers Program.</p> <p>The May Revision proposes to eliminate all State General Fund support for the Caregiver Resource Centers for a reduction of \$10.5 million (GF).</p>		-10,547,000	<p>The DMH allocates funds to eleven Caregiver Resource Centers (CRCs). CRCs provide services and supports to caregivers of family members with a cognitive impairment to enable those adults to remain in their homes for as long as possible. Some of the assistance provided includes respite care, consultation and care planning, counseling and support planning groups, education and training, and legal and financial assistance. The DMH states that the availability of this family assistance helps to delay if not eliminate the admission of family members to long-term care institutions.</p> <p>CRCs also receive some funding from other sources, including some portion of federal funds.</p>

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
4440-103-0001 Department of Mental Health—Mental Health Managed Care Program				
240 241 & 242	<p>Restrict State Funding to Federally Required Services.</p> <p>The May Revision proposes three changes, including elimination of State support for mental health services other than federally required inpatient hospitalization and medication services. The proposals are as follows:</p> <ol style="list-style-type: none"> 1. Eliminate State support for mental health services other than federally required inpatient hospitalization and medication services for a reduction of \$166.6 million (\$64 million GF). No changes to the existing federal Waiver are necessary. 2. Provide an increase of \$9.2 million (\$4.1 million GF) for increases to patient caseload and technical adjustments. 3. Adjustment to recognize increased federal funds as provided in ARRA for a reduction of \$53.5 million GF, and a corresponding increase in federal funds. 	-113,380,000	<p>Under Mental Health Managed Care, psychiatric inpatient hospital services and outpatient specialty mental health services are the responsibility of County Mental Health Plans (County MHP). This program operates under a federal Medicaid Waiver. Medi-Cal recipients must obtain their mental health services through the counties. The DMH is responsible for oversight of the counties and administration of the federal Waiver, along with the DHCS.</p> <p>County MHPs use county realignment funds (Mental Health Services Account) to obtain federal fund reimbursement where applicable. An annual State General Fund allocation is also provided and is updated to reflect some adjustments as contained in state statute, such as for caseload. The State’s allocation is contingent upon appropriation through the annual Budget Act.</p> <p>The DMH states that under federal Medicaid requirements, inpatient hospitalization and medications are entitled services for Medi-Cal enrollees, whereas other outpatient mental health services are not an entitlement. Further, they contend the \$64 million proposed for reduction represents the amount County MHPs expended for outpatient mental health services (non-hospital) that were not federally reimbursable. The DMH notes that County MHPs can choose to provide these services on their own.</p>	

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
4440-104-0001	Department of Mental Health— AB 3632 Services & Mandates			
271	Defer AB 3632 Mandate to Counties.	-52,000,000 BBL	Federal law requires that children with special education needs are to receive services to benefit from a free and appropriate public education. Among other things, these services include mental health services.	Assembly Bill 3632, Statutes of 1984, shifted responsibility for providing mental health treatment services to special education pupils from Local Education Agencies to County Mental Health Plans. However, appropriate funding was not shifted to counties for this purpose at the time.
<p>The May Revision defers 50 percent of the State’s payment for county claims for providing mental health services to students with serious emotional disturbances who are enrolled in special education for a reduction of \$52 million (General Fund). Budget Bill Language requires that first priority of these funds be used to offset the mandate reimbursement claims for 2006-07. Remaining funds may be used to offset the mandate for 2007-08, 2008-09, and 2009-10.</p>	Presently the State reimburses approved claims submitted by County Mental Health Plans through the State Mandate process.			
<p>The February Budget appropriated a total of \$104 million (General Fund) for approved claims from County Mental Health Plans for this purpose.</p>		Adoption of the May Revision would appropriate a total of \$52 million (General Fund) for AB 3632 claims as noted, versus \$104 million (General Fund) as provided in the February Budget.		

4440 Department of Mental Health

Issue	Description	2009 Budget Act	May Revise	Comments
4440-001-0001	Department of Mental Health— State Support			
223	Decrease in Evaluations and Court Testimony in Sex Offender Commitment Program. The May Revision proposes a decrease of \$5.3 million (GF) to reflect lower than projected expenditures for evaluations to identify Sexually Violent Predators and related court testimony. Specifically, mid-year caseload adjustments project year-end expenditures to be less than initially estimated. (Reduce Item 4440-001-0001 by \$5,281,000.)		-5,281,000 GF	Existing state statute requires the Department of Mental Health to perform psychological evaluations on inmates, referred from the California Department of Corrections and Rehabilitation through the Board of Parole Hearings, who meet screening criteria as potential Sexually Violent Predators (SVP). A total of \$30.3 million (General Fund) is appropriated in the February Budget. Adoption of the May Revision request would provide a total appropriation of \$25 million (GF), or about \$5.3 million less. The LAO has raised issues regarding the proposed savings level and believes that an additional reduction of \$6 million (GF) can be achieved (i.e., \$3 million current-year and \$3 million budget year.)