

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities such as boards, commissions, councils, and offices that provide health and social services to California's vulnerable and at-risk residents.

The May Revision includes total funding of \$140.5 billion (\$31.6 billion General Fund and \$108.9 billion other funds) for all programs overseen by this Agency, a decrease of \$121 million General Fund compared to the Governor's Budget.

PRESIDENTIAL IMMIGRATION ACTIONS

On November 20, 2014, the President announced executive actions that would allow certain undocumented immigrants to temporarily remain in the United States without fear of deportation. These actions were intended to provide stability to the immigrants' families and boost the economy.

These individuals would be recognized as having Permanent Residence Under Color of Law due to their "deferred action" status, and/or because the U.S. Citizenship and Immigration Services recognizes their presence in the U.S. and does not intend to deport them.

Permanent Residence Under Color of Law status qualifies individuals for state-funded full-scope Medi-Cal, In-Home Supportive Services, and Cash Assistance Payments

for Immigrants. Under federal rules, the status does not allow individuals to qualify for Covered California, CalFresh, CalWORKs, or the California Food Assistance Program.

On February 16, 2015, a federal district court enjoined implementation of these actions. The Obama Administration has appealed and if the Administration prevails, the annual costs to provide the state benefits would be approximately \$200 million General Fund, and grow thereafter. The May Revision includes partial-year 2015-16 costs of \$62 million General Fund, which presumes the courts allow the federal government to proceed with implementing the executive actions. In conjunction with the President's executive actions, the May Revision proposes an additional \$5 million for direct assistance for immigrant applicants and temporary workers.

Significant Adjustments:

- Immigration Application Assistance—The May Revision includes \$5 million General Fund in the Department of Social Services for grants to non-profit organizations to provide application assistance to undocumented immigrants eligible for deferred action under the President's executive actions.
- Temporary Worker Pilot Program—The May Revision includes \$148,000 General Fund and one position for the Labor and Workforce Development Agency to implement a voluntary 2-year pilot program to help prevent abuses in the recruitment of temporary workers. This program will improve coordination, maximize efficiency, and increase the effectiveness of various labor programs that serve and protect more than 800,000 farmworkers.

HIGH-COST DRUGS

The May Revision allocates \$228 million of the \$300 million that was set aside for high-cost drugs in the Governor's Budget to the Department of Health Care Services, the Department of State Hospitals, and the Department of Corrections and Rehabilitation. This amount includes funding for implementing expanded clinical guidelines that are largely consistent with national clinical recommendations for the treatment of Hepatitis C. Additionally, the California Health and Human Services Agency has held several meetings with counties, sheriffs, stakeholders, and state departments to discuss the clinical, procurement, and cost-benefit considerations around the new Hepatitis C treatments and future high-cost drugs.

Going forward, the Agency will convene two workgroups with state departments and local entities to discuss clinical and procurement issues with the goal of developing a proposal for inclusion in the 2016-17 Governor's Budget. The clinical workgroup will discuss high-cost drugs that are pending federal approval and how they could affect existing clinical guidelines. The procurement workgroup will examine aspects of relevant entities' pharmacy benefit manager contracts, the availability of pricing information, and the activities and functions of state entities procuring drugs or negotiating prices and supplemental rebates.

DEPARTMENT OF HEALTH CARE SERVICES

The Department of Health Care Services (DHCS) administers Medi-Cal, California's Medicaid program, which is a public health insurance program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates basic services including physician services, family nurse practitioner services, nursing facility services, hospital inpatient and outpatient services, laboratory and radiology services, family planning, and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, home and community-based services, and medical equipment. DHCS also administers California Children's Services, Primary and Rural Health program, Family PACT, Every Woman Counts, as well as county-operated community mental health and substance use disorder programs.

Significant Adjustments:

- Children's Health Insurance Program (CHIP) Reauthorization—On April 16, 2015, the President signed the Medicare Access and CHIP Reauthorization Act. The Act reauthorizes CHIP through September 2017 and includes enhanced federal funding for the CHIP program effective October 1, 2015. The May Revision includes General Fund savings of \$381 million in 2015-16.
- Health Homes Program—The May Revision includes \$61.6 million in non-state funds for additional payments to health plans that participate in the Health Homes Program beginning January 2016. Chapter 642, Statutes of 2013 (AB 361), permits DHCS to develop a health homes program that would enhance care management and coordination for beneficiaries with complex needs. The program will provide comprehensive care management, care coordination, health promotion,

comprehensive transitional care, individual and family support, and referral to community and social support services. The program will be funded primarily through federal funds, with the non-federal funding coming from non-state sources.

HEALTH CARE REFORM IMPLEMENTATION

California continues its implementation of the federal Affordable Care Act (ACA). Since January 1, 2014, more than 5 million Californians have obtained health insurance, either through the state's new insurance exchange (Covered California) or through Medi-Cal. Total Medi-Cal enrollment is now projected to be 12.4 million in 2015-16, or nearly one-third of California's total population.

The mandatory Medi-Cal expansion simplified eligibility, enrollment, and retention rules that make it easier to get on and stay on the program. The May Revision includes costs of \$2.9 billion (\$1.4 billion General Fund) in 2015-16 related to the mandatory expansion. California will split these costs with the federal government. Mandatory expansion caseload is estimated to be 1.4 million in 2015-16.

The optional expansion extended eligibility to adults without children, and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level. The May Revision includes costs of \$14 billion in 2015-16 for the optional Medi-Cal expansion. The federal government has committed to pay 100 percent of the cost of this expansion for the first three years. California will begin contributing to these costs in 2016-17, and by 2020-21, the state will pay 10 percent of the total costs. By 2018-19, the General Fund share for the optional expansion is estimated to be \$1 billion. The May Revision projects optional expansion caseload to be 2.3 million in 2015-16.

California also increased the mental health and substance use disorder benefits available through Medi-Cal, at a General Fund cost of \$341 million in 2015-16.

The May Revision also includes \$125 million General Fund for managed care rate increases in 2015-16.

Due to the continuing workload associated with implementing eligibility changes at the county eligibility offices, the May Revision includes an additional \$150 million (\$48.8 million General Fund) in 2015-16 for ACA-related eligibility determination workload. The ACA implementation has necessitated manual system workarounds that require additional resources. As the state and counties gain experience with the new processes

and the eligibility system stabilizes, the state and counties will reevaluate the Medi-Cal county administration budget pursuant to Chapter 442, Statutes of 2013 (SB 28).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services administers programs that provide services and assistance payments to needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment, Child Welfare Services, Community Care Licensing, and Disability Determination.

Significant Adjustments:

- IHSS Caseload—An increase of \$147.6 million General Fund in 2014-15 and \$179.1 million General Fund in 2015-16 associated primarily with increases in caseload, hours per case, and costs per hour.
- CalWORKs Caseload—Decreased General Fund and federal Temporary Assistance for Needy Families block grant expenditures of \$97 million in 2015-16 to reflect revised caseload projections since the Governor's Budget. Overall CalWORKs caseload continues to decline, as caseload is projected to be approximately 539,000 in 2014-15 and 525,000 in 2015-16.

FAIR LABOR STANDARDS ACT RULE

In January 2015, a federal court vacated the United States Department of Labor rule that required overtime pay for IHSS workers under the Fair Labor Standards Act. The federal government appealed this decision but in the interim, the state has halted implementation of the rule until the legality of the rule is determined. A final court decision is unlikely before the end of fiscal year 2014-15. If the rule is upheld, implementation could begin right away.

The Governor's Budget included \$184 million General Fund in the Department of Social Services' budget for implementation in 2014-15 and \$316 million in 2015-16. To date, none of the 2014-15 funds have been spent. Chapter 29, Statutes of 2014 (SB 855), includes a provision requiring any unspent FLSA-related funding in the current year resulting from delayed federal implementation of the rule be used for other purposes within the IHSS program. The May Revision uses these one-time unspent

funds to partially offset the \$326.7 million in increased IHSS costs described above. The May Revision continues to assume full-year funding in 2015-16 for implementation of the federal rule.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides consumers with developmental disabilities a variety of services and supports that allow them to live and work independently, or in supported environments. The Department serves approximately 290,000 individuals with developmental disabilities in the community, and 1,035 individuals in state-operated developmental centers. The May Revision includes \$5.9 billion (\$3.5 billion General Fund) in 2015-16 for support of the Department and community services.

THE FUTURE OF STATE DEVELOPMENTAL CENTERS

The Plan for the Future of Developmental Centers in California, issued in January of 2014, recommended that in the future, the state should operate a limited number of smaller, safety-net crisis and residential services. Since then, portions of the Sonoma Developmental Center were found to be in violation of federal requirements and the state was notified that federal funds for those units would cease. The state is in the process of negotiating a settlement with the federal government to continue federal funding for Sonoma for a limited amount of time.

Consistent with the recommendations in the Plan for the Future of Developmental Centers in California, the May Revision proposes to initiate closure planning for the remaining developmental centers.

The Department will provide a closure timeline for the Sonoma Developmental Center with the goal of closing this developmental center by the end of 2018. As part of this closure process, the Department will convene stakeholders to discuss alternative uses for the Sonoma campus. The May Revision also proposes the future closure of the Fairview Developmental Center and the non-secure treatment portion of the Porterville Developmental Center, with the last closure completed in 2021. The closure of each developmental center will require significant resources to develop placement options and services for the developmental center residents who will transition into other placements.

Significant Adjustment:

- Transition of Sonoma Residents—In anticipation of the closure of the Sonoma Developmental Center, the May Revision includes \$49.3 million (\$46.9 million General Fund) to begin development of resources to support the transition of Sonoma residents. These resources will fund the initial development of homes to support consumers, provide additional training for providers, and develop additional programs such as supported living services, crisis services, and transportation support and services. This funding will also be used for coordination of the closure.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed and voluntary patients. The May Revision includes \$1.7 billion (\$1.6 billion General Fund) in 2015-16 for support of the Department. The patient population is projected to reach a total of 7,165 in 2015-16.

Significant Adjustments:

- Restoration of Competency Expansion—The May Revision includes \$10.1 million General Fund to expand the Restoration of Competency Program by up to 108 beds to address the existing placement waitlist. The program provides for treatment of certain Incompetent to Stand Trial patients in county jails rather than inpatient treatment at a state hospital. Treating these patients at the county jail is more cost-effective than inpatient treatment at a state hospital. This expansion should help reduce the waitlist for Incompetent to Stand Trial defendants. Including these new beds, the total number of Restoration of Competency beds is expected to be approximately 148 by the end of 2015-16.
- *Coleman* Housing—The May Revision includes \$4.6 million General Fund to activate 30 beds at the California Medical Facility in Vacaville to add sufficient capacity for the Department to serve *Coleman* patients. The Special Master over the *Coleman* case has been critical of the waitlist for intermediate and acute beds within the psychiatric programs. There is a need to activate this unit and increase the inpatient capacity within the psychiatric programs to respond to changing patient needs.

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