SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Mark Leno

Senator Elaine K. Alquist
Senator Roy Ashburn

March 18, 2010

9:30 a.m. *or*
Upon Adjournment of Session

Room 4203

Committee Staff: Jennifer Troia

<u>**Item**</u>	<u>**Department**</u>
0530	**Health and Human Services Agency - Office of Systems Integration**
4140	**Office of Statewide Health Planning and Development**
4170	**Department of Aging**
5180	**Department of Social Services**

(See Table of Contents on page 2 for More Specific Listing of Issues.)

<u>**Please note:**</u> **The Committee will discuss only the items contained in this agenda at this hearing.** Please see the Senate File for dates and times of subsequent hearings. The Committee will discuss the issues in the order noted in the agenda, unless otherwise directed by the Chair.

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance from the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Agenda

(Vote-Only Items indicated by *)

Vote-Only Agenda

0530 Health & Human Services Agency, Office of Systems Integration (OSI) & 5180 Department of Social Services (DSS)

OSI & DSS Issue 1: Interim Statewide Automated Welfare System (ISAWS) & ISAWS Migration Project

Budget Issue: OSI requests to reduce the budget for the ISAWS Migration project by $75.4 million ($45.2 million GF/TANF) as a result of the completion of implementation activities. In 2009-10, Development and Implementation costs for the ISAWS Migration are budgeted to be $94.9 million, while Maintenance and Operations (M&O) costs are $11.0 million. By contrast, after the Migration is fully implemented in 2010-11, the Governor's budget includes $11.4 million for Development and Implementation (a decrease of $83.5 million) and $19.1 million for M&O (an increase of $8.1 million).

The Governor's budget for 2010-11 also continues $23.9 million ($12.9 million GF/TANF) in full-year funding for ISAWS. OSI has indicated, however, that the ISAWS budget for 2010-11 will be reduced in the May budget revision to instead include a significantly lower amount of closing costs and contingency funding in case of delays in the final stages of the Migration.

Background on ISAWS: ISAWS is one of four consortia within the Statewide Automated Welfare System (SAWS), which is described on page 11 of this agenda. This Migration project is transitioning 35 ISAWS consortium counties to another SAWS consortium called C-IV. After the migration, C-IV will have 13,050 users and include information for approximately 28 percent of clients statewide (according to 2007-08 data). The ISAWS Migration planning phase occurred between July 2006 and June 2008. Implementation began in October 2008, with the actual transition "going live" in three waves during fiscal year 2009-10. The first of these waves took place in November 2009 and the last is scheduled to take place in June 2010. The Migration Project has provided two months of technical support after each of the waves that have happened to date.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the proposed changes to the ISAWS Migration budget for 2010-11. Staff also recommends holding the 2010-11 funding for ISAWS open pending anticipated changes in the May Revision.

OSI & DSS Issue 2: CalWORKs Information Network system (CalWIN)

Budget Issue: OSI requests budget changes and technical adjustments resulting in an increase of CalWIN funding authority by $1.5 million for 2009-10 and $4.2 million for 2010-11. The total proposed 2010-11 budget for CalWIN is $74.3 million ($38.8 million GF/TANF).

Background: Cal-WIN is the automation system that supports the Welfare Client Data System, one of four consortia within the Statewide Automated Welfare System (SAWS). Again, an overview of SAWS is presented on page 11 of this agenda. CalWIN serves 18 counties with approximately 39 percent of the statewide caseload.

The requested adjustments are a result of the following factors:

- As a result of negotiations with the CalWIN vendor in anticipation of contract extension, the price per case increased from $0.67 to $.75. This change accounts for $2.3 million of the requested increase in 2010-11.

- The caseload for the consortium's counties is projected to grow more than previously anticipated (by 5.3 percent, rather than 3.5 percent in the budget year). This accounts for a $1.5 million increase in 2010-11.

- A higher amount of the 2009-10 budget cuts to the aggregate SAWS consortia system were originally allocated to CalWIN than is the case today. Another consortium, C-IV, instead experienced a greater reduction than was originally anticipated. This accounts for the $1.5 million adjustment in the current year.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the proposed budget increases for CalWIN.

4140 Office of Statewide Health Planning

With a total budget of $98.8 million ($126,000 GF) in 2009-10 and a proposed budget of $102.2 million ($75,000 GF) in 2010-11, OSHPD develops plans, policies and programs to assist healthcare systems in meeting Californians' needs (e.g., by ensuring facility safety and investing in professional development).

OSHPD Issue 1: Medical Information Reporting (MIRCal) System

Budget Issue: OSHPD requests budget authority of $343,000 of California Health Data and Planning Special Funds (CHDPF) to transition some of the existing staffing for maintenance and enhancement of the Medical Information Reporting (MIRCal) system from contracted vendor services to three new, permanent state positions. The total CHDPF budget for 2009-10 is $26.2 million (all special fund from health facilities fees). The total MIRCal external contract budget for 2009-10 includes $482,200 of these funds.

Background: OSHPD implemented the MIRCal system in 1998 to collect and disseminate data on patients discharged from California's licensed hospitals, Emergency Departments, and Ambulatory Surgery Centers. Up to five contract staff at a time currently program and administer the system. OSHPD states that it struggles each year with the time it takes to procure and manage a vendor contract and that the state would benefit from a stronger knowledge base among its own staff.

Subcommittee Staff Comments & Recommendation: Staff recommends approval of the requested authority to convert funds for contract staff to three permanent state positions.

OSHPD Issue 2: Song-Brown Program

OSHPD Budget Issue 2: OSHPD requests, for 2010-11, to continue funding the Song-Brown Program with special funds from the California Health Data and Planning Fund (CHDPF), instead of the GF. Total Song-Brown funding is $5 million ($4.7 million for local assistance and $349,000 for state operations). Again, the total CHDPF budget for 2009-10 is $26.2 million (all special fund from health facilities fees).

Background: The Song-Brown Program's goal is to increase the number of family practice physicians, primary care physician assistants, family nurse practitioners, and registered nurses in areas of the state that are medically underserved (e.g., rural and low-income communities). Providers with Song-Brown training and education deliver primary care services through the University of California's teaching hospitals, 61 percent of county facilities, and a number of community health centers.

Subcommittee Staff Comments & Recommendation: To continue to offset GF spending for the Song-Brown program, staff recommends approval of this proposal.

OSHPD Issue 3: Vocational Nurse Education Fund

Budget Issue: OSHPD requests an increase in Vocational Nurse Education Fund (VNEF) expenditure authority of $40,000 in 2010-11 and future years to fund additional scholarship and loan repayment awards. The total VNEF revenue is approximately $165,000 annually (all fee based).

Background: The Vocational Nurse Education Program (VNEP) is one of the programs administered by the Health Professions Education Foundation, which is a non-profit foundation housed at OSHPD. The Legislature created the Foundation to encourage individuals from underrepresented communities to become health professionals. The Foundation's programs are supported by grants, donations, licensing fees, and special funds.

The VNEP, in particular, is supported by a $5 license renewal fee that OSHPD collects from the Board of Vocational Nursing and Psychiatric Technicians. Since its inception, VNEP has awarded 62 scholarships and loan repayments to vocational nurses who agree to work in medically underserved areas of the state for two years. The requested spending authority would allow OSHPD to fund approximately 10-14 additional scholarship and loan repayment awards.

Subcommittee Staff Comments & Recommendation: Staff recommends approval of the request for $40,000 in VNEF expenditure authority.

4170 Department of Aging (CDA)

CDA Issue 1: Medicare Beneficiary Outreach and Assistance Program

Budget Issue: CDA requests, in a budget change proposal, 2010-11 federal funding authority of $672,000 for the second year of its Medicare Improvements for Patients and Providers Act (MIPPA) Beneficiary Outreach and Assistance Program. The first half of the $1.3 million total grant was allocated for expenditure in 2009-10. No state matching funds are required.

Background: The federal government has awarded a two-year, non-competitive grant to CDA. The purpose of the funding is to expand enrollment of California's 4.4 million Medicare beneficiaries in the Prescription Drug Benefit Low Income Subsidy Program (LIS) and Medicare Savings Programs (MSP). Local Area Agencies on Aging (AAA), Health Insurance Counseling Programs (HICAP), and Aging and Disability Resource Centers are conducting the grant-funded work, which varies based on local need.

The federal government requires states to submit quarterly data on the number of low-income subsidy applications by beneficiaries as a result of assistance from these organizations. From July 1, 2009 to January 28, 2010, 1,414 applications for California beneficiaries were submitted. This constitutes 22 percent of the state's two-year goal of 6,475 applications. CDA states that it anticipates achieving the statewide performance benchmarks in time to secure second year funding.

Subcommittee Staff Comment & Recommendation: So that the state will be able to draw down these grant funds from the federal government, staff recommends approval of $672,000 in related 2010-11 federal funds authority for CDA.

CDA Issue 2: Federal Grant for Services to Families Impacted by Alzheimer's Disease and Related Dementias

<u>Budget Issue</u>: CDA requests, in a budget change proposal, federal funds authority of $332,000 (of which $17,000 is state operations and the rest is local assistance) in 2010-11, $333,000 in 2011-12 ($17,000 for state operations), and $106,000 in 2012-13 ($4,000 for state operations). The requested authority for these fiscal years, plus additional funds the Department is seeking for the current fiscal year through a letter to the Joint Legislative Budget Committee, totals $996,132 that the federal Administration on Aging has awarded California under a three-year, competitive demonstration grant.

Federal law requires state grantees to provide a match (cash or in-kind) of 25, 35, and 45 percent in the first, second, and third years of the grant period, respectively. According to CDA, California Alzheimer's Association chapters have agreed to provide these required matches. The Department is not requesting any GF resources for that purpose.

<u>Background</u>: The goal of the federal grant is to replicate an evidence-based supportive services program to assist caregivers of persons with dementia that was initially conducted in New York. The program in New York (called the New York University Caregiver Intervention) included individual and family counseling, as well as support groups and ad hoc telephone counseling, for caregiver spouses. These interventions resulted in substantially reduced or delayed nursing home placements (at an average annual cost of $65,000 nationally in 2006) for individuals with dementia.

CDA estimates that 330 California families will directly benefit from the care consultation and referrals provided by Alzheimer's Association chapters and community service organizations as a result of this grant funding.

<u>Subcommittee Staff Comment & Recommendation</u>: To allow CDA to receive and utilize these federal grant funds, staff recommends approval of this proposal.

DSS Issue 1: CalWORKs- Delay of Work Incentive Nutrition/Pre-Assistance Employment Readiness (WINS/PAERS) and Temporary Assistance Program (TAP)

Budget Issue: DSS proposes, in trailer bill language, to delay implementation of WINS and TAP, two CalWORKs-related programs. The Department also proposes to eliminate PAERS requirements. The proposed delays would extend delays enacted last year in ABx4 4 (Chapter 4, Fourth Extraordinary Session, Statutes of 2009). The proposed changes in WINS implementation dates would also push back approximately $2 million GF costs for automation changes. After those automation changes in the first year, the department estimates costs (countable as Maintenance of Effort [MOE] for the federal Temporary Assistance for Needy Families [TANF] program) of $18 million in the second year of WINS and $28.4 million each year thereafter.

If excess-MOE funds are available when it is implemented, TAP is effectively cost-neutral to the state because funds for the program ($220 million in recipient benefits and $5.3 million in automation expenses) are already included in the CalWORKs budget. GF resources that would otherwise be used to meet the MOE would instead be shifted to fund the solely-state funded TAP (which is not countable as MOE).

Background on WINS and TAP: Under WINS, which was originally authorized in 2008 (AB 1279, Chapter 759, Statutes of 2008), the state would pay 100 percent of the costs of a $40 food assistance benefit paid to families receiving food stamps in which at least one parent or caretaker is “work eligible” (as defined in TANF) and meets work participation requirements. The related PAERS working group was created to explore options for offsetting a potential increase in the state’s CalWORKs caseload (and possible resulting decrease in its federal caseload reduction credit) resulting from WINS. As a result of the proposed delays, the Department would be prohibited from paying WINS benefits prior to October 1, 2012, with full implementation required by April 1, 2013 (instead of existing dates of October 1, 2011 and April 1, 2012).

TAP was authorized in the 2006 human services trailer bill (AB 1808, Chapter 75, Statutes of 2006) as a voluntary program to provide cash aid and other benefits with solely state funding to a group of current and future CalWORKs recipients who are exempt from state work participation requirements (previously estimated to apply in 24,000 cases). TAP was intended to allow these recipients to receive the same assistance benefits through TAP as they would have under CalWORKs, but without any federal restrictions or requirements. As a result of TAP, California would improve its TANF work participation rate (WPR). To date, implementation complexities, largely due to challenges with child support automation, have prevented TAP from moving forward. As a result, trailer bill language has been adopted for three years to delay TAP implementation. This proposal would delay TAP implementation by an additional year, to begin no later than October 1, 2012.

TANF Reauthorization: Congress must take action by September 30, 2010 to reauthorize the TANF block grant. It is important to note, however, that President

Obama's February 1, 2010 budget proposed a one-year extension of TANF (which, if enacted, could result in a one-year delay of the larger reauthorization discussion that stakeholders previously anticipated would happen in 2010).

Subcommittee Staff Comment and Recommendation: Given the potential changes on the horizon at the federal level, staff recommends that the Subcommittee approve the proposed delays of WINS/PAERS and TAP. However, consistent with last year's actions, staff recommends rejecting the proposed deletion of Section (g) PAERS language, as pre-assistance programs may be viable and important options for the state to explore before implementing WINS.

DSS Issue 2: CalWORKs State and County Peer Review Process

Budget Issue: DSS proposes to reduce 2009-10 funding for the state and county CalWORKs peer review process to $37,000 (TANF funds) and to de-fund the program entirely in 2010-11. The 2009-10 budget for the program was $221,000 (TANF) in local assistance funding for the counties. DSS also proposes trailer bill language to suspend the statutory requirement for the Department to implement the process statewide by July 2007 and to instead require its implementation only in the year for which a sufficient appropriation is made in the Budget Act.

Background: A 2006 budget trailer bill (AB 1808, Chapter 75, Statutes of 2006) required DSS to establish a state and county peer review process statewide by July 1, 2007. The purpose was to assist counties in implementing best practices and improving their performances in the CalWORKs program. Given the $221,000 appropriation for 2009-10, the Department anticipated that 18 peer reviews would be conducted. Under this proposal, three reviews would be conducted in 2009-10 and none would occur in 2010-11.

Subcommittee Staff Comments & Recommendation: Staff recommends holding this issue open.

Discussion Agenda

0530 Health & Human Services Agency, Office of Systems Integration (OSI) & 5180 Department of Social Services (DSS)

With a total budget of $251.9 million (OSI Fund, transfers from other mixed sources) in 2009-10 and a proposed budget of $271.6 million in 2010-11, OSI procures and manages automation projects for the Departments of Social Services and Employment Development.

Overview of Statewide Automated Welfare System (SAWS)

Overview of SAWS: The total 2009-10 maintenance & operations (M&O) budget for SAWS is $174.7 million ($93.5 million GF/TANF). These figures include costs for each of the four consortia plus the Welfare Data Tracking and Implementation Project and the impact of a combined $11.6 million ($4.5 million GF) reduction that was part of the enacted budget. These figures do not include SAWS statewide project management or upgrade and replacement projects. As a point-in-time snapshot, those additional costs in 2009-10 were $113.7 million ($66.7 million GF/TANF).

OSI provides state-level project management and oversight for SAWS, which automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties, including the CalWORKs welfare-to-work program, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services. There are currently four SAWS consortia. After ISAWS finishes its migration into C-IV (anticipated to occur in June 2010, with some close-out funding for ISAWS remaining in 2010-11; see page 3), there will be three consortia systems that each contain information for roughly one-third of the statewide caseload.

Plan for Centralized Eligibility: As proposed by the Governor, a 2009-10 trailer bill (ABx4 7, Chapter 7, Fourth Extraordinary Session, Statutes of 2009) required DSS and the Department of Health Care Services (DHCS), in consultation with stakeholders, to develop a comprehensive plan for a statewide eligibility and enrollment determination process for CalWORKs, Medi-Cal, and food stamps. The Departments are required to submit the plan to the Legislature at least 45 days prior to requesting an appropriation to fund activities associated with the plan.

Subcommittee Staff Comment and Recommendation: This issue is included for informational purposes, and no action is recommended.

OSI & DSS Issue 1: LEADER Consortium Replacement System (LRS)

Budget Issue: OSI requests an increase of $44.3 million as the planning phase of the LRS project ends and the design, development and implementation phase begins. Including the proposed resources, the 2010-11 budget for LRS would be $45.6 million ($23.3 million GF/TANF). This proposal also includes an additional six-month delay of the beginning of the system's development (beyond a six-month delay enacted in the 2009-10 budget). The 2009-10 LRS project planning budget is $1.3 million ($671,000 GF/TANF).

OSI anticipates total average costs for LRS development and implementation of $102.2 million annually, for a total of $408.6 million over four years ($208.6 million GF/TANF, $173.3 million federal funds and $26.7 million county funds) before reaching the M&O phase of the project after December 2014. Although the differing functionalities of the systems make direct comparison difficult, it is worth noting that OSI estimates higher annual operations costs for LRS than those for LEADER.

Background on LEADER: With 2009-10 and 2010-11 M&O costs of $30.7 million ($15.7 million GF/TANF) each fiscal year, LEADER is one of four consortia within SAWS. Los Angeles (LA) County entered into an agreement for Unisys to develop LEADER in 1995 and completed countywide implementation of the system in 2001. The system has been in its M&O phase since that time, with its latest Unisys contract scheduled to expire April 30, 2011. To accommodate the LRS schedule, OSI will seek approval to again extend that contract for four additional years through April 30, 2015.

Background on LRS Project: The Legislature has appropriated a total of $5.3 million ($2.7 million GF/TANF) between fiscal years (FY) 2005-06 and 2009-10 to support the planning process for a new system to replace LEADER. After the February 2009 budget agreement delayed LRS activities for six months, Los Angeles began negotiations for an LRS contract with a vendor in late 2009. Those negotiations are in progress and could result in lower cost estimates. OSI now expects to conclude planning activities at the end of 2010 and to begin design, development, and implementation of the LRS project in January 2011. OSI anticipates that the project could be completed in December 2014.

LA County intends for LRS to replace not only LEADER, but also the Greater Avenues for Independence (GAIN) Employment and Reporting System (GEARS) for its welfare-to-work program, as well as its General Relief Opportunities for Work (GROW) system, and to contain options for other functionalities. GEARS is currently funded with $9.2 million TANF funds, while GROW is funded with $2 million county-only funds.

Need for LRS: According to OSI and LA County, LEADER technology is outdated and cumbersome. LRS will streamline LA's business practices, eliminate duplicative data entry, and minimize errors. OSI also indicates that LRS will expand clients and service providers' ability to apply for benefits or report case changes online. In addition, LRS will minimize the state's dependency on one vendor's proprietary hardware and software components to run LEADER. The federal government has previously expressed concerns about the state and county's continued non-competitive use of the same vendor; and OSI has indicated that no other qualified vendors have been willing to enter a bid to operate the LEADER system.

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open.

Question for OSI/DSS:

1. Please briefly describe the functions of LEADER and GEARS today, and how those functions would change or be streamlined in LRS as you envision it.

2. What is the current status of negotiations with the LRS vendor? (E.g., When do you anticipate that you might have updated cost estimates for the system's development and maintenance? What have you discussed with the vendor about upgrades or changes that may be required in the future?)

OSI & DSS Issue 2: Child Welfare Services/Web (CWS/Web) Project

Budget Issue: OSI requests $1.8 million ($827,000 GF) for 10 new positions to support the continuing development of CWS/Web, a replacement system for the existing CWS/CMS. These 10 positions would be in addition to 12 existing OSI positions and up to another 6 OSI-contract staff currently supporting this phase of the project.

The 2009-10 budget for CWS/Web is $7.1 million ($3.2 million GF). Including the requested funds for OSI staff (and other staff requested by DSS), the 2010-11 budget for the project would increase to $9.4 million ($4.3 million GF). OSI estimates a total cost of $202.8 million ($91.9 million GF) between 2012 and 2014 to complete the implementation of CWS/Web and enter into its M&O phase.

Background on CWS/CMS and CWS/Web: California's CWS system includes a variety of state-supervised, county-administered interventions designed to protect children. Major services consist of emergency response to reports of suspected abuse and neglect, family maintenance or reunification and foster care. CWS/CMS is an automated system that provides case management capabilities for CWS agencies, including the ability to generate referrals, county documents, and case management and statistical reports. The total 2009-10 CWS/CMS project budget is $83.3 million ($38 million GF).

The CWS/CMS system was implemented statewide in 1997, and OSI states that CWS/Web is necessary because the CWS/CMS technology is outdated. In addition, OSI and DSS state that the CWS/Web system is needed to increase efficiency and to comply with federal system requirements (which are tied to federal funding). The CWS/Web project is currently in a planning stage, preparing for a full implementation after development ends in 2014. When CWS/Web is completed, the system will rely on a more modern, web-based technical architecture.

Stated Rationale for Additional Resources: According to OSI, the amount and complexity of work related to the CWS/Web Request for Proposal process is greater than initially anticipated. The requested positions would focus on database administration, security management, development, testing, training, quality assurance, operations and configuration management requirements. Without these resources, OSI states that "the risk that the CWS/Web would ultimately fail to be delivered on time, within budget and in accordance with established requirements would be significantly increased."

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open.

(Questions on next page)

<u>Questions for OSI/DSS</u>:

1. Please briefly explain the need for 10 additional staff at OSI to support the planning process for CWS/Web.

2. How will these positions fit in with the project's needs as it moves into development and implementation?

4170 Department of Aging (CDA)

With a total budget of $209.7 million ($33 million GF) in 2009-10 and a proposed budget of $176.4 million ($12.3 million GF) in 2010-11, CDA administers programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities.

CDA Issue 1: Implementation of Vetoed Funds for Community Based Services Programs (CBSP)

CBSP Update: As outlined below by program, the 2009-10 budget reduced or eliminated, as of October 1, 2009, GF spending for several CBSPs. Through his veto actions, the Governor then eliminated all of the remaining GF resources for these programs, as well as state and local administration funds, as of that same date (also shown below).

Impact of 2009-10 Community Based Services Program Reductions

Program	Original 09-10 GF Allocation	Legislative Action	Governor Veto	Total 09/10 GF Reduction*	Total 10/11 Funding
Alzheimer's Day Care Resource Center	**3,787,000**	-1,200,000	-1,640,000	**-2,840,000**	**0**
Brown Bag	**541,000**	0	-405,000	**-405,000**	**0**
Linkages	**7,935,000**	-2,421,000	-3,958,000	**-6,379,000**	**0**
Respite	**317,000**	-238,000	0	**-238,000**	**0**
Senior Companion	**317,000**	-238,000	0	**-238,000**	**0**
Local Admin. for these CBSPs	**935,000**	-117,000	-157,000	**-274,000**	**0**
State Admin. for these CBSPs	**211,000**	0	-106,000	**-106,000**	**0**

** Note that these numbers reflected nine months of funding reductions because of anticipated time for programs to ramp-down.*

Linkages: Prior to the elimination of its funding, Linkages was expected to serve as a case management program for approximately 5,500 elderly and younger adults who had functional impairments and were at-risk of institutionalization. In May, 2008, the program waiting list included approximately 2,100 people.

Alzheimer's Day Care Resource Centers (ADCRC): Prior to the elimination of this funding, 57 ADCRCs received infrastructure support so that Adult Day Care and Day Health Care Centers could serve 3,200 individuals with dementia.

<u>Brown Bag Program</u>: Prior to the elimination of its funding, the Brown Bag program relied on the assistance of 3,900 volunteers and 600 sites to provide free surplus and donated fruits, vegetables, and other foods to 27,000 low-income seniors. The program's $541,000 local assistance budget was supplemented by $13 million in local matching funds.

<u>Respite Purchase of Services (POS)</u>: Prior to the elimination of its funding, the Respite POS program provided temporary relief to caregivers of frail elderly or impaired adults who were at risk of institutionalization.

<u>Local Actions</u>: Local Area Agencies on Aging (AAAs), which administered these programs in the past, have flexibility to continue these or similar programs if they can use federal Older Americans Act and/or other funds. For the Linkages program, AAAs may also be eligible to continue receiving a limited amount of funding from local handicap parking fines. AAAs electing to continue programs similar to these CBSPs using non-state funds are <u>not</u> required to meet state standards for the programs. According to a CDA survey conducted in November 2009:

- 25 AAAs planned to continue some form of ADCRC programs and eight discontinued the program.
- 17 AAAs continued Brown Bag programs and seven discontinued them.
- 17 continued Linkages programs and 16 discontinued them.
- Seven continued Respite programs and 21 discontinued them.
- Three continued Senior Companion programs and 12 discontinued them.

<u>Subcommittee Staff Comment & Recommendation</u>: This Issue is included for oversight and informational purposes.

<u>Questions for CDA</u>:

1. Please describe how the Department has implemented the Governor's vetoes within these programs and how local agencies have responded to date.

2. What, if any, continuing oversight does the Department have over these programs to the extent that they are still operated locally?

3. What data does the Department have on how the programs' former beneficiaries are faring today? Do you know how many clients were referred to other state programs that may provide similar services? How many may have entered institutional care in part because of the loss of these services?

CDA Issue 2: Multi-Purpose Senior Services Program (MSSP)

Budget Issue: CDA requests, in a budget change proposal, the permanent transfer of $20.1 million GF for MSSP from CDA's budget to the budget for the Department of Health Care Services (DHCS). The 2009-10 budget for MSSP state operations and local assistance included a total of $46.6 million ($18.6 million GF).

CDA states that this technical change is necessary because the current division of funds for the program between CDA and the Department of Health Care Services (DHCS) makes its funding unclear to the general public and to legislative entities. In addition, CDA states that the funding split creates unnecessary duplication of work by CDA and DHCS (e.g., the preparation of budget requests).

Background on MSSP: MSSP assists elderly Medi-Cal recipients to remain in their homes. Clients must be at least 65 years old and must be certified as eligible to enter a nursing home. The services that may be provided with MSSP funds include: Adult Day Care, Housing Assistance, Personal Care Assistance, Protective Supervision, Care Management, Respite, Transportation, Meal Services, and other Social and Communications Services. The program, which began in 1977 with eight sites, now has 41 sites and serves up to nearly 12,000 clients per month.

CDA oversees the operations of the MSSP program statewide and contracts with local entities that directly provide MSSP services. As the single state agency authorized to administer the state's Medicaid program, DHCS also has an integral role because the program operates under a federal Medicaid Home and Community-Based, Long-Term Care Services Waiver. In 2006, the Legislature transferred the resources at issue to the CDA budget to enhance the Legislature's ability to oversee the program and to align the program's GF funding with its management. Several other state programs that receive Medicaid funding are overseen by and also have resources budgeted under departments or agencies other than DHCS.

Subcommittee Staff Comment & Recommendation: The continued alignment of the funding and management of MSSP under CDA will best meet the Legislature and public's needs for information about and oversight of the program. Therefore, staff recommends rejecting this proposal. However, staff recommends adopting an alternative technical fix developed by DoF and the Departments. Under this alternative, a new program would be created within CDA's budget for Medi-Cal program funding and Budget Bill Language (for Provision 2 of Item 4170-101-0001) would be revised to authorize the transfer of funds from that new program to DHCS.

(Questions on next page)

<u>Questions for CDA</u>:

1. Please briefly explain the rationale for this request, including a description of CDA and DHCS's respective roles in the operations of the MSSP program.

2. If the requested transfer of funds was approved, would CDA continue to provide the main programmatic oversight of MSSP programs?

5180 Department of Social Services (DSS)

With a total budget of $20.7 billion ($8.7 billion GF) in 2009-10 and a proposed budget of $16.6 billion ($6.9 billion GF) in 2010-11, DSS is responsible for programs that provide aid, service, and protection to children and adults in need of assistance. The Department employs more than 4,000 individuals who oversee the administration of programs like SSI/SSP, CalWORKs, IHSS, child welfare services, and the licensing of community care facilities.

DSS Issue 1: Overview of Trigger Proposals

Budget Issue: The Governor's budget anticipates $6.9 billion of new federal funding across program areas, including health and human services, corrections, and education. If the Director of Finance determines that the federal government has failed to authorize the magnitude of additional funding that the Governor anticipates on or before July 15, 2010, then the Governor proposes to trigger the complete elimination of funding for the CalWORKs, In-Home Supportive Services (IHSS), and Transitional Housing Program Plus (THP+) human services programs, in addition to making other major expenditure reductions and initiating some revenue increases (the rest of which will be discussed during other hearings of the Committee or its relevant Subcommittees). According to the Administration's estimates, if these three human services program trigger proposals took effect for 2010-11, the state would save a total of $2.4 billion GF and forego $4.8 billion federal funds as a result.

Assuming the enactment of the three human services trigger proposals mentioned above, the Governor also proposes to trigger an additional "redirection" of county savings. This trigger proposal, which is in addition to the proposal for other redirections that the Committee discussed on February 2, 2010, would lower the state's and raise the counties' shares of non-federal costs for the Food Stamp program.

According to the LAO, it is reasonable to assume the state will secure some new federal funding and flexibility, but "the chances that the state will receive all of what the Governor seeks from Washington are almost non-existent…The Legislature should assume that federal relief will be billions of dollars less than the Governor wants…"

Subcommittee Staff Comments & Reccomendation: Comments and recommendations for all trigger proposals are consolidated on page 26.

Questions for DOF and LAO:

1. Please briefly outline the Governor's overall trigger proposal.

2. What is your current assessment of the likelihood that the state will (or will not) receive all $6.9 billion in new federal funds that the Governor is seeking?

DSS Issue 2: Trigger Proposal to Eliminate IHSS Program

<u>Budget Issue</u>: The Governor's trigger proposals include the complete elimination of the IHSS program, effective 90 days after notice from the Director of Finance that sufficient federal funds were not authorized. According to the Administration, if this trigger proposal took effect for nine months of 2010-11, the state would save $1.2 billion GF and forego $1.8 billion federal funds.

These estimates assume that current laws governing the IHSS program are still in effect at the time the trigger is pulled (i.e. they do not include the impacts of other IHSS proposals that the Committee discussed on February 2, 2010). These GF savings are also net of $55 million GF costs (growing to $78 million for a full-year) for providing alternative services through the regional centers for the approximately 9 percent of IHSS recipients who have developmental disabilities. The foregone federal funds are predicated on extension through the state's fiscal year of the enhanced Federal Medical Assistance Percentage (FMAP) rate for federal financial participation available for IHSS under ARRA. After expiration of the enhanced FMAP, the Administration estimates $1.8 billion GF savings and $2 billion foregone federal funds annually.

The Administration has not accounted for any potential cost shifts from serving IHSS recipients who would no longer receive in-home supports in Skilled Nursing Facilities (SNFs). According to the LAO, however, if at least 32 percent of non-developmentally-disabled IHSS recipients would enter a SNF in the absence of IHSS (which the LAO states is "very possible"), the proposed elimination of IHSS would result in GF <u>costs</u>, rather than savings. The LAO also estimates that the GF cost shift for replacing IHSS services with other services for recipients with developmental disabilities is significantly greater than the Administration's estimate and would likely be higher than $300 million.

<u>Other 2010-11 Proposals Previously Heard by the Committee</u>: In the absence of the trigger for the proposed elimination of IHSS being pulled, the Governor's Budget proposes to eliminate services to approximately 87 percent of IHSS recipients and to reduce the state's participation in IHSS providers' wages to the state's share of the minimum wage ($8 per hour plus $.60 for benefits). The Committee held a hearing on those proposals on February 2, 2010.

<u>Background on IHSS</u>: The IHSS program has its roots in a 50-year-old cash grants program for individuals who are blind, aged, or who have disabilities and a 30-year-old "homemaker" program that offered domestic help to recipients. Today, the IHSS program provides in-home personal care services to roughly 460,000 qualified individuals who are blind, aged (over 65), or who have disabilities. These individuals usually have income at or below the SSI/SSP grant level ($845 per month for an individual as of October 2009) and assets, except their homes or cars, worth less than $2,000. County social workers determine eligibility for the program after conducting in-home assessments.

IHSS services can include tasks like meal preparation, feeding, bathing, paramedical care, and domestic services. On average, the state spends roughly $12,000 per year for IHSS services (although may also spend other funds for some services that a nursing home resident would not utilize). These services frequently assist program recipients to avoid or delay more expensive and less desirable institutionalizations. According to the LAO, the state spends an average of about $55,000 per year for each nursing home resident who uses Medi-Cal (based on 2006-07 figures).

Impacts & Economic Consequences: This proposal would eliminate supportive services to all of the approximately 460,000 individuals who currently receive them through the IHSS program. For many individuals, the loss of these services could result in immediate need for more expensive institutional placements, such as SNFs. For others, such an institutional placement may occur faster than it would have if they had continued to receive supportive services. Some may remain in their homes and receive continued support from non-IHSS sources, and others may live with unmet needs that place them at risk.

In addition, approximately 385,000 IHSS care providers would lose their IHSS employment. Many of these providers already live in low-income households. The Governor's budget forecasted the state's 2010 unemployment rate to be 12 percent. According to the LAO, job losses of this magnitude could increase that unemployment rate by more than 1 percent. In addition, the LAO estimates that about 60 percent of affected IHSS workers (or 231,000) may qualify for unemployment insurance benefits. Approximately 2,000 to 3,000 county and 80 state staff positions could also be eliminated.

Questions for DSS or DoF:

1. When and how would you anticipate that the IHSS program would be ramped down in the event of the trigger being pulled? When and how would recipients and providers receive notice of the program's elimination?

2. If this trigger proposal took effect, what impacts on IHSS recipients and providers would you anticipate?

3. How do you respond to the LAO's analysis that it is "very possible" that there are a sufficient number of IHSS recipients who would enter a SNF in the absence of IHSS services (32 percent) to indicate that the program's proposed elimination could in fact cost the state GF resources?

4. How do you respond to the LAO's analysis that state cost shifts for serving individuals with developmental disabilities will be significantly higher ($300 million versus the $55 million the Administration estimated)?

DSS Issue 3: Trigger Proposal to Eliminate CalWORKs

Budget Issue: The Governor's trigger proposals also include complete elimination of the CalWORKs program, effective 90 days after notice from the Director of Finance that sufficient federal funds were not authorized. If this proposal took effect in 2010-11, the Administration estimates that the state would save $1.2 billion GF (growing to $2.3 billion GF annually) and forego $3 billion federal funds (growing to $3.8 billion TANF funds annually after the expiration of federal stimulus funds described below).

These estimates assume that current laws governing the CalWORKs program are still in effect at the time the trigger is pulled (i.e., they do not include the impacts of other CalWORKs proposals that the Committee discussed on February 2, 2010). The estimated GF savings also rely on the assumption that the federal TANF Emergency Contingency Fund (ECF) from the American Recovery and Reinvestment Act (ARRA) (currently authorized through September 30, 2010) will be extended with respect to basic assistance costs through the state's 2010-11 fiscal year. They are also net of $590.5 million GF to annually backfill funding for non-welfare programs that would otherwise have benefited from TANF resources.

The federal funds foregone would include California's entire Temporary Assistance to Needy Families (TANF) block grant. The state would also become ineligible for any benefits that would otherwise be available under ECF. During the period of ECF, the federal government pays 80 percent of the costs of certain welfare-to-work expenditures. Under current federal law, California could receive up to $1.8 billion total in ECF funds during federal fiscal years 2009 and 2010. Absent this trigger proposal and other proposed reductions in the Governor's budget and assuming the extension of ECF, DSS estimates that the state would receive $742.5 million ECF funds in 2010-11.

Other 2010-11 Proposals Previously Heard by the Committee: In the absence of the trigger for the proposed CalWORKs elimination being pulled, the Governor's Budget proposes to reduce monthly grant payments to families by 15.7 percent, to reduce the level at which the state reimburses child care providers, and to eliminate the Recent Noncitizen Entrants program as of June 1, 2010. The Committee held a hearing on these proposals February 2, 2010.

Background on CalWORKs: California has had a welfare program in some form since the enactment of the Aid to Dependent Children program in 1911. Today, CalWORKs provides not only temporary cash assistance, but also education, training, child care, and employment programs to families who are unable to meet basic needs (i.e. shelter, food, clothing) on their own. In 2009-10, the average monthly assistance grant for a family of three in high-cost counties is $694. The monthly grant was also $694 twenty years ago in 1989. The maximum allowable CalWORKs and food stamp grants are currently the equivalent of 78 percent of the Federal Poverty Level (FPL) in high-cost counties and 77 percent of FPL in low-cost counties.

Impacts on Families, Counties and the Economy: This proposal would eliminate benefits to all of the 500,000 to 600,000 families (including more than 1 million children) who receive assistance from the program. Counties and advocates project that the elimination of CalWORKs could result in dramatic increases in unemployment, poverty and homelessness among recipient families, as well as costs in other state and local services (e.g. the child welfare, foster care, and education systems). Again, the Governor's budget forecasted an unemployment rate of 12 percent during 2010. According to the U.S. Census Bureau, California had an overall poverty rate of 13.3 percent of the state's population in 2008. The poverty rate was already even higher, at 18.5 percent, for children under 18 years of age.

If the trigger proposal takes effect and the CalWORKs program is eliminated, former CalWORKs recipients may become eligible to apply for county-funded General Assistance (GA) programs for indigent families. As an example, the maximum GA grant in Los Angeles County (called General Relief) for a family of 3 is $450 per month. In some counties, GA offers lower-value vouchers and no cash assistance. The County Welfare Directors Association (CWDA) estimates the potential overall costs to counties if all former CalWORKs recipients could become eligible for GA as $1.9 billion.

It is also well-established that the lowest-income individuals and families spend a higher percentage of their income locally and immediately than do individuals with more disposable income. In addition to these effects on recipient families and their economic activities, as well as local governments, below are examples of others who would be directly impacted by elimination of CalWORKs:

- Employers who might otherwise avert layoffs or expand their workforce via up to 15,000 ECF-supported subsidized employment slots.

- Tens of thousands of local child care providers who provide child care to children whose care is subsidized by the CalWORKs program; and

- An estimated 14,000 county and 170 state employees who work within the state's CalWORKs program.

TANF Reauthorization: Congress must take action by September 30, 2010 to reauthorize the TANF block grant. It is important to note, however, that President Obama's 2010 budget proposed a one-year extension of TANF (which, if enacted, could result in a one-year delay of the larger reauthorization discussion that stakeholders previously anticipated would happen in 2010).

Questions for DSS:

1. When and how would you anticipate that the CalWORKs program would be ramped down in the event of the trigger being pulled? When and how would recipients and providers receive notice of the program's elimination?

(Continued on next page)

2. If this trigger proposal took effect, what would you anticipate would be the impacts on jobs and unemployment? On homelessness among families with children? On their rates of poverty? On other state services and costs? On the overall economy?

3. Are you aware of any other Governor or Legislature in the United States that has proposed the complete elimination of their TANF program?

DSS Issue 4: Trigger Proposal to Eliminate Transitional Housing Program Plus (THP+) for Former Foster Youth

Budget Issue: The Governor's trigger proposals also include the elimination in 2010-11 of all $35.9 million for the THP+ housing and supportive services program. The THP+ program is currently funded with 100 percent GF. The proposed elimination of funding would take effect immediately upon notice from the Director of Finance that sufficient federal funds were not authorized. (The estimate of $35.9 million GF savings assumes that such notice would occur on or before July 1, 2010.)

Background on THP+: THP+ provides up to two years of transitional housing and supportive services to help former foster youth achieve self-sufficiency. There are approximately 1,400 young adults and 168 of their children living in THP+ placements in 52 California counties. Participants receive support from THP+ staff to work toward their county-approved self-sufficiency (e.g., employment or education-related) goals and may live alone or with roommates. The THP+ monthly rate is up to 70 percent of the county's average group home grants for 16 to 18-year-old foster youth.

The federal Fostering Connections to Success Act of 2009 (P.L. 110-351) opened the door for federal financial participation in the costs of foster care services and placements for youth between the ages of 18 and 21. However, THP+ is currently designed to serve foster youth who have emancipated from care (i.e., for whom a judge has terminated the state's jurisdiction); thus, the program is not currently eligible for these federal funds.

Impacts: It is well-documented that foster youth who emancipate from care without continued support at the age of 18 experience higher rates of arrest, incarceration, pregnancy, homelessness, unemployment and a lack of educational achievement (i.e., receipt of a high school diploma) than their peers. In a 2008 survey by the John Burton Foundation, the interviewed THP+ participants experienced a 19 percent gain in employment and a 13 percent increase in hourly wages, in addition to advances in education, health, and housing stability.

Advocates state that many of the 1,400 youth and 168 children currently living in THP+ settings would face immediate homelessness if program funding was eliminated as of

July 1, 2010. In the longer term, the elimination of THP+ funding could also impinge on progress toward reducing the critical challenges faced by former foster youth and result in increases in other state costs (e.g., public assistance and corrections costs).

Questions for DSS:

1. When and how would you anticipate that THP+ would be ramped down in the event of the trigger being pulled? When and how would THP+ providers and participants receive notice of the program's elimination?

2. If this trigger proposal took effect, what would you anticipate would be the impacts on the former foster youth currently living in THP+ settings? On foster youth who emancipate from care in the future? On THP+ providers and staff?

3. What would you anticipate to be the effects on other state services and costs (e.g. public assistance, corrections)?

Subcommittee Staff Comment & Recommendation on Human Services Trigger Proposals: Given the potential for significant state and local government cost shifts, negative impacts on the state's economy and rate of unemployment, and devastating consequences to many of the state's particularly vulnerable children and adults, staff recommends that the Subcommittee reject the Governor's proposals to authorize a trigger for the outright eliminations of the IHSS, CalWORKs, and/or THP+ Programs.

DSS Issue 5: IHSS Anti-Fraud / Program Integrity

Budget Issue: DSS requests $528,000 ($264,000 GF) for six permanent positions to carry out IHSS-related anti-fraud and program integrity activities, and $500,000 ($264,000 GF) for a contract with California State University (CSUS) to assist in the development of a required report to the Legislature. The Department has administratively established these six new positions in 2009-10, and is now seeking 2010-11 authority to continue them permanently. These six positions would be on top of the 42 new IHSS anti-fraud positions authorized by the 2009-10 budget (12 positions at DSS in 2009-10 and 30 positions at DHCS across 2009-10 and 2010-11).

The total budget for IHSS Quality Assurance and Anti-Fraud efforts by DSS and the Counties is $88.3 million ($34.2 million GF), with approximately $3.1 million ($1.6 million GF) for state operations and $85.1 million ($32.6 million GF) for local assistance. Of this total, $54.2 million ($21.9 million GF) were new funds in the 2009-10 budget, including $8.2 million ($4.4 million GF) for the costs of fingerprinting IHSS recipients. These figures do not include the additional costs of IHSS fraud investigations by DHCS.

Background on 2009-10 Program Integrity Provisions: The 2009-10 budget made vast and significant changes in the IHSS program, including expansion of anti-fraud/ program integrity activities. (See the Agenda from the October 28, 2009 Oversight Hearing of Recent Changes in the IHSS Program by the Assembly Budget Committee & Senate Budget Subcommittee #3 for a more comprehensive list.) According to the Administration, these changes will result in an estimated $162 million GF savings. The changes, which included requirements for stakeholder collaboration in their implementation, were:

1. **Criminal background checks** and appeals processes for IHSS providers;
2. The requirement for providers to attend an **orientation**;
3. Authorization to send **targeted mailings** to providers and recipients and to conduct **unannounced home visits**, pursuant to developed protocols and in targeted cases, when there is cause for concern about program integrity;
4. Limits on the use of **P.O. boxes** by providers to receive paychecks;
5. **Training** for social workers on fraud prevention;
6. **Notification** to providers about their clients' authorized hours and service levels;
7. **Fingerprinting** of IHSS program recipients; and
8. **Changes to timesheets**, including fingerprinting and certification after notice of possible criminal penalties for fraud.

These changes were anticipated to take effect at varying points in time over 2009-10 and 2010-11. This Subcommittee has held, jointly with the Assembly Budget Committee, two oversight hearings to address major challenges in the implementation of these changes to date.

DSS State Operations Staff: Not including the requested positions and resources, DSS's total state operations staff for IHSS Quality Assurance and Anti-Fraud efforts consists of 28 positions. Twelve of these positions are new as of 2009-10. According to DSS, all of these 12 new positions have been filled. Six of these 12 staff members are assigned to a variety of program integrity activities (e.g., developing protocols for home visits and targeted mailings, social worker fraud training and data collection). The other six are assigned to the new provider enrollment appeals process. As of early March, 2010, there were approximately 31,000 providers enrolled under the new enrollment procedures. Another 72,137 were in "pending" enrollment status. Finally, 117 had been denied eligibility to enroll in the program. Also as of early March, 14 of the 117 providers who were denied eligibility had appealed that determination.

Also according to DSS, the six additional staff requested in 2010-11 would focus on program changes related to the inclusion of provider and recipient fingerprint information on timesheets.

Background on Required Report: The 2009-10 budget additionally required the Department to convene a stakeholder group to develop a report, by December 31, 2010, to evaluate quality assurance and fraud prevention and detection activities implemented from 2004 to the present. The stakeholder group is required to review annual error reports, information regarding referrals of suspected fraud and subsequent investigations (including cost-benefit information), and information regarding final convictions for fraud. The resulting report must also provide recommendations for early detection and for prevention of errors and fraud.

Subcommittee Staff Comment & Recommendation: Staff recommends rejecting the Administration's proposal for six new positions and holding open the request for $500,000 in authority to contract for support in developing the required report.

Questions for DSS:

1. How is the Department prioritizing the assignments of the 12 new staff authorized in 2009-10 to be dedicated to IHSS program integrity? How much of their work is one-time in nature?

2. What is the current workload for the six of these new staff (out of the 12 authorized in 2009-10) who are assigned to provider enrollment appeals? How many appeals have been filed to date?

(Questions continue on next page)

3. Please briefly describe the current and anticipated functions of the six additional requested positions (on top of the 12 referenced above).

4. How did the Department fund its administrative establishment of these six positions in 2009-10?

5. How did the Department arrive at its estimate of $500,000 as the contract costs for support in providing the required report on anti-fraud efforts to date?

DSS Issue 6: IHSS - *Conlan II* Claims

<u>Budget Issues:</u> DSS requests, in a BCP, $113,000 ($56,000 GF) to establish one new position to review claims filed by IHSS recipients under the *Conlan II* court decisions. DSS also requests to permanently extend one limited-term manager position that would otherwise expire in June 2011 (at an annual cost of $128,000 [$64,000 General Fund]). If these requests are granted, the *Conlan II* unit at DSS would consist overall of one Staff Services Manager and three permanent AGPA positions. DSS states that all of these positions are necessary to meet the provisions of the *Conlan II* court order.

In 2009-10, the Legislature approved DSS's request for the creation of one new position and extension of two additional positions, but rejected the request for a fourth position, to review recipients' claims for reimbursement under *Conlan II.*

<u>Background on *Conlan II* and DSS Workload:</u> *Conlan II* was a series of lawsuits that resulted in court decisions regarding the reimbursement of IHSS recipients for specified out-of-pocket, medically-necessary expenses they paid beginning in 1997. The court approved the state's plan for implementing the decisions in 2006. Under this plan, there are two time periods for which recipients can claim expenses: 1) claims for services received between 1997 and November 16, 2006, which must have been filed by November 16, 2007, and 2) claims for services received after November 16, 2006, which must be submitted within one year of service receipt.

According to DSS, as of January, 2009, the department was out-of-compliance with the 120-day processing timeframe required by the *Conlan II* court order. DSS has stated that the *Conlan II* cases have resulted in an increasing and permanent workload. In 2009, the Department estimated that the workload could include up to 400 claims per year. The Department now estimates that the annual total may be even higher. The Department estimates that most claims take 12 hours to review (with some taking up to 20 hours).

<u>Subcommittee Staff Comment & Recommendation:</u> Staff recommends holding this issue open.

<u>Questions for DSS:</u>

1) Please briefly summarize the need for the requested staff, including the number and nature of the *Conlan II* claims that are currently awaiting processing by the department and the timeframe in which the department generally processes these claims.