

FEBRUARY 26, 2021

The 2021-22 Budget: In-Home Supportive Services



LEGISLATIVE ANALYST'S OFFICE

Overview of Governor's 2021-22 Budget

- **Total Funding Proposed for IHSS.** The Governor's budget proposes a total of \$16.5 billion (all funds) for In-Home Supportive Services (IHSS) in 2021-22, which is about \$1.5 billion (10 percent) above estimated expenditures in 2020-21.
 - **Primary Cost Drivers for IHSS.** A combination of the three following factors are primarily responsible for growth in IHSS costs:
 - **Caseload.** The number of individuals receiving services. In 2021-22, the administration estimates the IHSS caseload will grow by 3.9 percent.
 - **Cost Per Hour.** The amount providers of IHSS are paid to provide care. The Governor's budget assumes the cost per hour of IHSS will increase by 5.6 percent in 2021-22.
 - **Hours Per Case.** The number of hours of IHSS services (up to a maximum of 283 per month) individuals receive. The 2021-22 budget estimates the average hours per case will increase by 1.1 percent.
- **General Fund Spending Proposed for IHSS Increasing at Faster Rate Than Total Funds.** General Fund costs are estimated to be \$5.3 billion in 2021-22, a net increase of \$1 billion (24 percent) compared to estimated 2020-21 levels.
 - **Main Reasons for Year-to-Year General Fund Cost Increase.** The year-over-year net increase in IHSS General Fund expenditures primarily is due to the following:
 - **Ramp Down of Enhanced Federal Funding.** As a part of federal coronavirus disease 2019 (COVID-19) response legislation, Congress approved a 6.2 percentage point increase in the federal government's share of cost for Medicaid, including IHSS, for the duration of the COVID-19 national public health emergency. The Governor's budget assumes that the enhanced federal funding will remain in place through December 2021. This anticipated ramp down



Overview of Governor's 2021-22 Budget

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in temporary federal funds means that the General Fund would need to increase to cover roughly \$450 million in IHSS costs that were temporarily covered by enhanced federal funding. (The expiration date of the enhanced federal funds ultimately depends on when the federal government declares the COVID-19 emergency is over.)

- ***Growth in Caseload, Cost Per Hour, and Hours Per Case.*** As described above, the Governor's budget assumes that caseload, wage costs (including the state minimum wage), and hours per case will continue to grow in 2021-22, resulting in increasing IHSS program costs.

- ***Items Discussed in Handout.*** In this analysis, we first discuss caseload, wage, and paid hour trends during the COVID-19 period. We then describe the main components of the Governor's proposed budget for IHSS and provide some initial findings and suggestions for legislative consideration.



Primary Cost Driver: IHSS Caseload

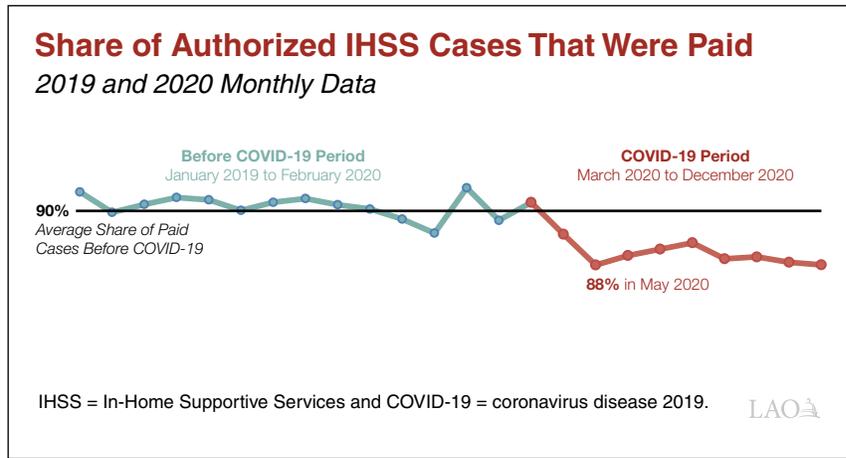
Comparing Authorized Cases to Paid Cases

- ***Not All Authorized IHSS Cases Are Paid Every Month.*** While IHSS recipients may be authorized to receive services, not all authorized IHSS cases receive service payments every month. Specifically, from 2014-15 until the pandemic, about 90 percent of authorized IHSS cases are paid cases any given month. Reasons why an IHSS recipient may not receive IHSS paid services in any given month include:
 - Recipient is still in the process of hiring an IHSS provider.
 - Recipient is temporarily hospitalized or admitted into a licensed care facility.
 - Recipient is temporarily receiving care from someone other than their authorized provider, such as a visiting family member.



Primary Cost Driver: IHSS Caseload

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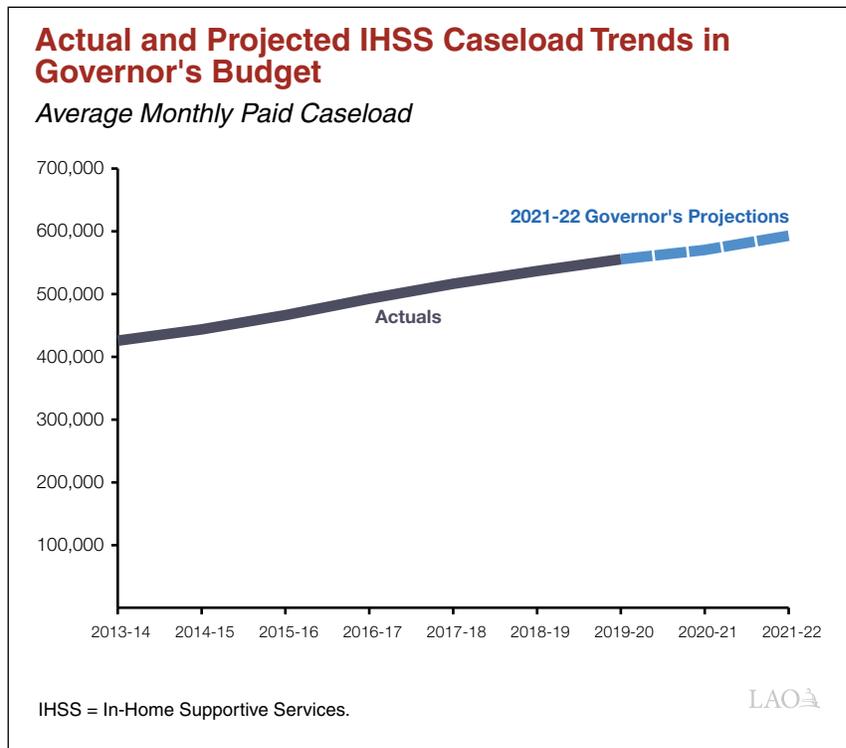
- **Share of Authorized Cases That Are Paid Cases Slightly Lower Than Past Levels.** Since the start of COVID-19, the average share of authorized cases that were paid every month slightly decreased and has remained at 88 percent. This translates to roughly 10,000 fewer paid IHSS cases every month relative to 2019 levels.
 - **Possible COVID-19 Connection.** While the reasons why a slightly smaller share of IHSS cases are paid for services every month are unclear, it may be partially attributed to recipients with non-live-in providers and/or non-live-in providers themselves being hesitant to interact face to face with individuals outside of their household due to COVID-19 public health concerns. We are working with the department to get additional data on IHSS paid caseload trends and will provide further comments at the time of the May Revision if necessary.



Primary Cost Driver: IHSS Caseload

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Actual and Projected Total IHSS Paid Caseload



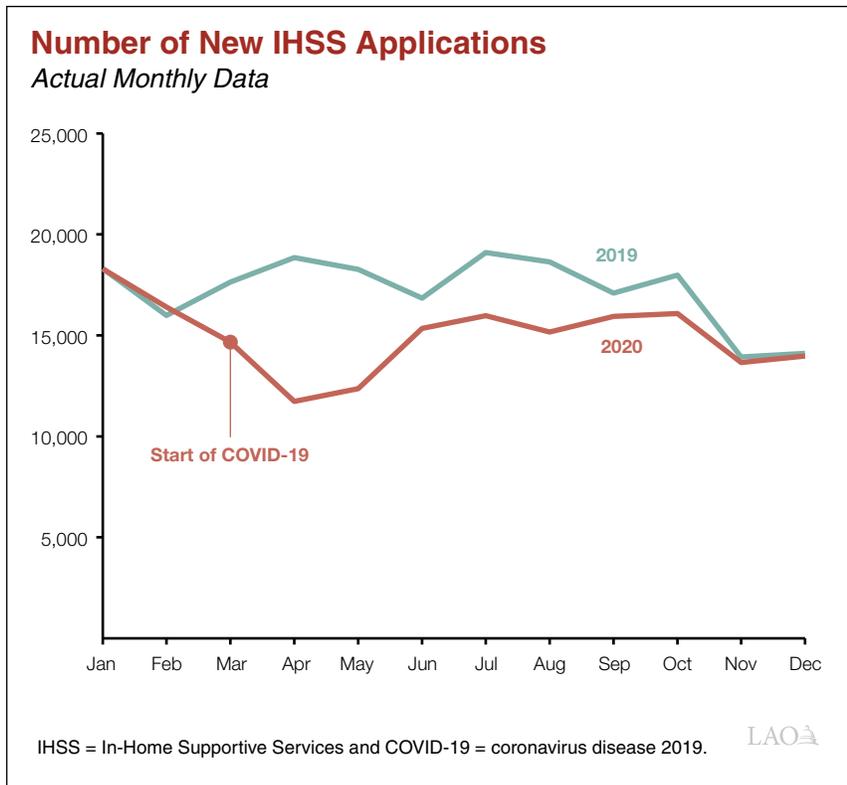
- **Continued Growth in IHSS Paid Caseload.** Since 2014-15, IHSS paid caseload has grown at an average of about 4 percent year to year. The Governor's budget estimates that IHSS caseload will grow by 2.7 percent in 2020-21 and 3.9 percent in 2021-22.
- **Slower Than Expected Annual Growth in Paid IHSS Caseload During COVID-19.** In May 2020, the administration estimated that IHSS caseload would increase by 4.1 percent in 2020-21. However, the Governor's budget estimates a growth rate of 2.7 percent in 2020-21, which is below recent annual averages. This slower growth is primarily due to the number of paid cases reflecting a slightly lower share of total authorized cases, as described above.



Primary Cost Driver: IHSS Caseload

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New IHSS Applications



- ***Decrease in New IHSS Applications at the Start of COVID-19, but Applications Seem to Be Rebounding.*** Prior to COVID-19, the average number of new IHSS applications received in any given month was around 17,000. However, the number of new applications decreased to a low of about 12,000 in April 2020. In recent months, the number of new IHSS applications has been increasing and is beginning to reflect pre-COVID-19 levels.

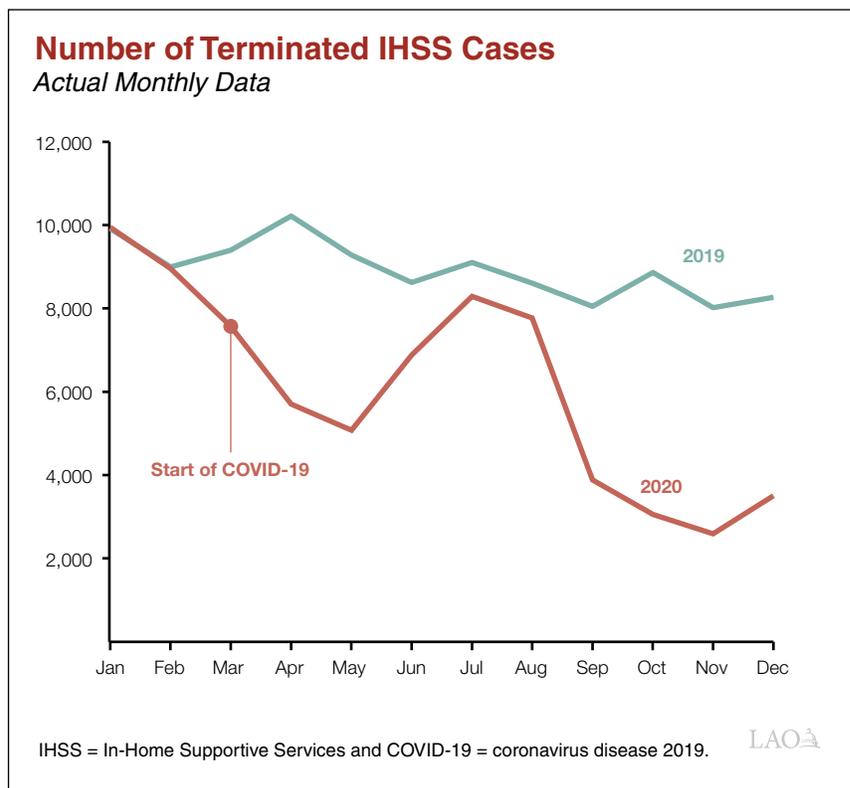


Primary Cost Driver: IHSS Caseload

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IHSS Denials and Terminations

- ***IHSS Application Denials Remained Relatively the Same.*** In 2019, roughly 7,000 IHSS applications were denied every month. The average number of monthly denials generally remained the same during COVID-19.
- ***Overall Decline in IHSS Terminations During COVID-19.*** The average number of recipients terminated from IHSS in any given month has decreased significantly from about 9,000 individuals per month to about 5,000 individuals per month since the start of COVID-19.



Primary Cost Driver: IHSS Caseload

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- **Reduction in the Number of IHSS Terminations Likely Due to Temporary Program Flexibilities.** In an attempt to reduce in-person interactions and maintain services levels for existing recipients during COVID-19, the state and federal government temporarily waived and modified certain IHSS and Medi-Cal program requirements. These program changes likely are the reason why IHSS terminations during COVID-19 have been lower than prior years. Some examples of these flexibilities are:
 - **Medi-Cal Program Flexibilities Resulted in Fewer Terminations Than Usual.** Federal COVID-19-related legislation effectively requires the state to suspend most eligibility redeterminations in Medi-Cal for the duration of the national public health emergency declaration. As a result, the number of IHSS recipients terminated due to noncompliance with Medi-Cal eligibility rules significantly decreased from about 2,000 individuals in January 2020 to 43 individuals in December 2020.
 - **Temporary Suspension of IHSS Reassessments and Adverse Actions.** In March 2020, the Governor issued an executive order which suspended any scheduled IHSS reassessments through June 2020. Additionally, the state postponed the enforcement of adverse actions, including termination from IHSS, as a result a reassessments through June 2020. During the time in which these program flexibilities were in place, the number of IHSS terminations due to noncompliance with IHSS reassessments and other eligibility rules declined from over 1,500 in January 2020 to about 500 in May 2020.
 - **Public Health-Related Program Flexibilities Resulted in Increased Compliance and Reduced Termination.** While counties are still required to conduct initial IHSS eligibility assessments and reassessments, they may do so by video call or telephone (only available for reassessments) as an alternative to in person when appropriate. Remote assessments likely make it easier for recipients to connect with the county social worker and comply with IHSS eligibility rules. Since the implementation of this



Primary Cost Driver: IHSS Caseload

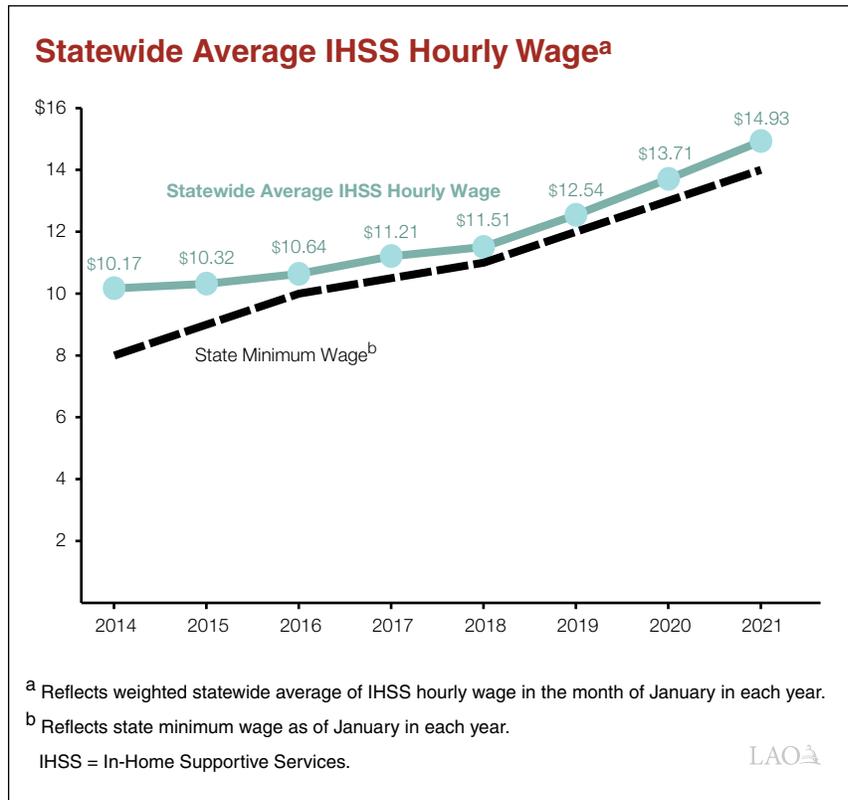
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program flexibility in July 2020, the number of IHSS terminations due to noncompliance with IHSS eligibility rules declined from about 2,000 to 221 in December 2020.

- ***Spike in IHSS Terminations Between June 2020 and August 2020 Likely Due to Expiration of Some Program Flexibilities.*** Counties were required to complete any postponed reassessments and process IHSS terminations from completed reassessments following the expiration of the program flexibilities mentioned above in June 2020. As a result, the number of IHSS terminations due to failure to comply with IHSS reassessment and other eligibility rules peaked at 2,000 in July 2020 (up from 500 in May 2020), which coincides with the spike in total IHSS terminations between June 2020 and August 2020. Although total IHSS terminations spiked, they still remained below pre-COVID-19 levels.



Primary Cost Driver: IHSS Hourly Wages



- **Historical Growth in IHSS Hourly Wages.** The average IHSS hourly wage has increased by 6 percent annually since 2014.
 - **Growth Due to State Minimum Wage and Locally Negotiated Wage Increases.** The growth in IHSS hourly wages partially is due to increases to the state minimum wage—from \$8 per hour as of January 1, 2014 to \$14 per hour as of January 1, 2021. Additionally, counties may establish IHSS hourly wages above the state minimum wage through local wage ordinances or, more commonly, collectively bargained agreements. As of January 2021, 45 counties have IHSS hourly wages above the state minimum wage (\$14 per hour).



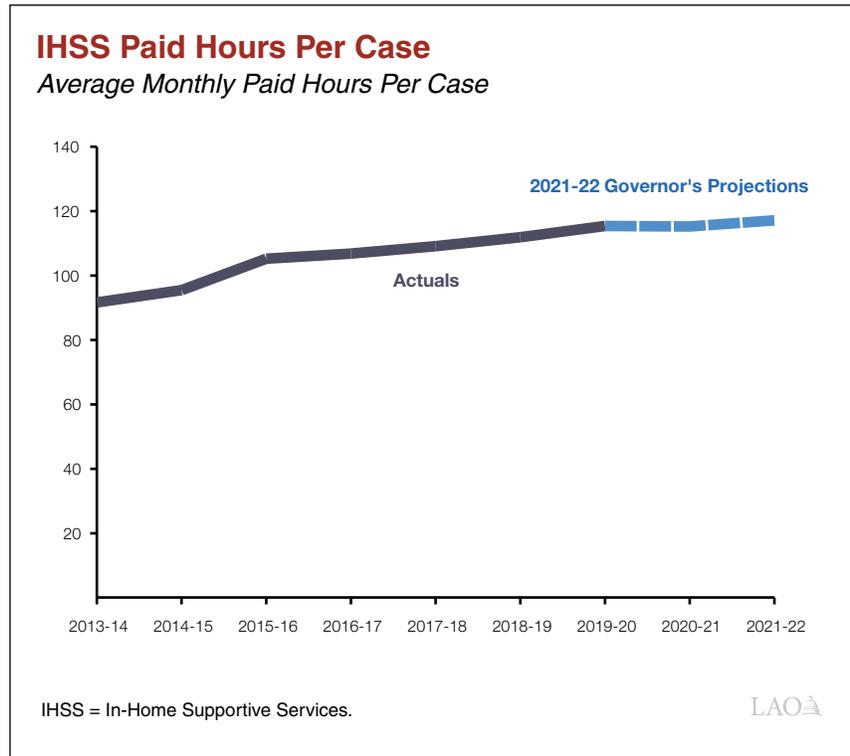
Primary Cost Driver: IHSS Hourly Wages

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- ***IHSS Hourly Wages Expected to Increase in 2021-22.*** The Governor's budget includes \$560 million General Fund (\$1.2 billion total funds) in 2021-22 for increases in IHSS hourly wages. The wage increases are in part due to the anticipated cost of the January 2021 state minimum wage increase (\$13 to \$14 per hour) and costs of the January 2022 state minimum wage increase (\$14 to \$15 per hour). Additionally, as of January 2021, 40 counties have an active collectively bargained agreement, most of which include IHSS wage increases in 2022 that would place local IHSS hourly wages above the state minimum wage (\$15 per hour in 2022).



Primary Cost Driver: IHSS Paid Hours Per Case



- **Historical Growth in IHSS Paid Hours Per Case.** Since 2016-17, the number of IHSS paid hours per case increased by about 2 percent annually.
- **IHSS Paid Hours Per Case Decreased in the Early Months of COVID-19, but Seem to Have Rebounded.** IHSS paid hours per case decreased from 117 hours per case in March 2020 to 115 hours per case in April and May 2020. However, IHSS paid hours per case began to steadily increase in June 2020 at an average monthly rate similar to pre-COVID-19 rates (about 1 percent).
 - **We Expect IHSS Paid Hours Per Case to Increase in 2020-21.** Despite the continued steady growth in hours per case in recent months, the Governor’s budget estimates that the average paid hours per case will be roughly the same in 2020-21 as they were in 2019-20 (115 hours). Based on recent growth trends, we expect



Primary Cost Driver: IHSS Paid Hours Per Case

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that the average paid hours per case in 2020-21 likely will be higher than (as opposed to remain roughly the same as) actual 2019-20 average paid hours per case. We will continue to monitor the data related to IHSS paid hours per case and provide further comments at the time of the May Revision if necessary.

- ***IHSS Paid Hours Per Cases Expected to Increase in 2021-22.*** The Governor’s budget estimates that the average paid hours per case will increase by over 1 percent (from 115 hours to 117 hours) in 2021-22, which generally aligns with historical annual growth trends.



Other Major IHSS Budget Proposals

Seven Percent Restoration of IHSS Service Hours

Subjects Restoration of IHSS Service Hours by 7 Percent to New Budget Bill Suspension Language. The 2021-22 Governor's Budget includes \$450 million General Fund to continue the restoration of IHSS service. Additionally, the Governor's budget proposes to subject the continuation of the restoration beyond 2021-22 to new budget bill suspension language with the possible suspension date of December 31, 2022.

- ***Under Current Law, IHSS Service Hour Restoration Likely to Continue in Future Years.*** Under current law, the continuation of the restoration is subject to possible suspension on December 31, 2021 if estimated revenues from the 2021 May Revision are not sufficient to fund total state expenditures in 2021-22 and 2022-23. In our [The 2021-22 Budget: Governor's Suspension Proposal](#) report, we found that because the state has a significant windfall in 2021-22, estimated revenues should be sufficient to fund expenditures including all suspension items. This would result in the continuation of the IHSS service hour restoration permanently.
- ***Recommend Rejecting New Budget Bill Suspension Language.*** Funding to restore IHSS service hours supports the core program goal of providing recipients with the assessed amount of personal care services to remain in their own home and avoid institutionalized care. The proposed suspension language treats IHSS ongoing costs as temporary, which fundamentally understates the true ongoing cost of the state's policy commitments. Additionally, automating the suspension of funding for certain programs hinders the Legislature from weighing the trade-offs of all possible options when considering how to manage a projected budget shortfall. Thus, we recommend the Legislature reject the Governor's proposal to create new budget bill suspension language. Additionally, we recommend the Legislature repeal the outdated [statute](#) that links the restoration of IHSS services hours to the first Managed Care Organization tax adopted in 2016.



Other Major IHSS Budget Proposals

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Automation of Certain IHSS Terminations

Proposes to Automate IHSS Termination for Recipients Who Are Terminated From Medi-Cal Program. The Governor's budget proposes to automate the termination process for IHSS recipients who are terminated from Medi-Cal due to a failure to comply with Medi-Cal eligibility rules, including not completing the annual Medi-Cal redetermination (referred to as Medi-Cal noncompliance). While the automation change initially was proposed by the administration in May 2020, the 2020-21 budget deferred action on the proposal with an agreement between the Legislature and administration to work together to consider (1) how the automation process would work, (2) how the change would impact IHSS recipients, and (3) how the process would impact the IHSS program.

- ***IHSS Is Predominantly Provided to Recipients as a Medi-Cal Benefit.*** The vast majority of recipients are eligible for Medi-Cal and receive IHSS as a Medi-Cal benefit. Providing IHSS through the Medi-Cal program allows the state to draw down federal funds to offset state IHSS costs. The state also operates the IHSS-Residual program, which provides services to individuals not eligible for federally funded Medi-Cal benefits. Costs for the IHSS-Residual program are fully covered by the state.
- ***Administration's Interpretation of IHSS-Residual Eligibility Rules.*** Under current [statute](#), individuals eligible for federally funded Medi-Cal benefits are ineligible for the IHSS-Residual program. Only individuals not eligible for federally funded Medi-Cal benefits are eligible to receive services through the IHSS-Residual program. The administration's interpretation of statute is that individuals who were once eligible for federally funded Medi-Cal benefits, but were terminated from Medi-Cal due to noncompliance, are ineligible for the IHSS-Residual program.



Other Major IHSS Budget Proposals

(Continued)

- **Currently, IHSS Recipients Who Do Not Comply With Medi-Cal Eligibility Rules May Be Treated Differently.** The consequences for IHSS recipients terminated from Medi-Cal due to Medi-Cal noncompliance currently varies.
 - **Some Cases are Manually Terminated From IHSS.** If a recipient terminated from Medi-Cal is manually terminated from IHSS, the recipient needs to reinstate their Medi-Cal eligibility first to receive paid services through the IHSS program again. As a result, a recipient's provider will not receive payments for services until the recipient reinstates their Medi-Cal eligibility. Once the recipient reinstates their Medi-Cal eligibility, they are eligible to return to IHSS. Additionally, the state can retroactively draw down federal funds and pay IHSS providers for services provided during the gap in IHSS and Medi-Cal eligibility.
 - **Some Cases Get Transferred to the IHSS-Residual Program.** If a recipient terminated from Medi-Cal is not manually terminated from IHSS, by default, the recipient is enrolled into the IHSS-Residual program until the county worker updates the case. While this means that a recipient's provider continues to receive service payments in real time, the state is responsible for covering all costs and cannot draw down federal funds until the recipient is reenrolled into Medi-Cal. Currently, there is no limit to how long an IHSS case may remain in the IHSS-Residual program. Additionally, we understand that the state cannot retroactively draw down federal funds for payments made through the IHSS-Residual program during the recipient's gap in Medi-Cal eligibility.



Other Major IHSS Budget Proposals

(Continued)

- **Proposed Automation Process Would Ensure Recipients Terminated From Medi-Cal Are Not Enrolled in IHSS-Residual Program.** The proposed automation change would ensure recipients who are terminated from Medi-Cal due to Medi-Cal noncompliance also are automatically terminated from IHSS. This effectively would eliminate the possibility of recipients entering and receiving services through the IHSS-Residual program while they are ineligible for Medi-Cal.
 - **Governor’s Budget Assumes All Terminated Cases Would Reinstate Medi-Cal and IHSS Eligibility.** Under the administration’s automation proposal, recipients would be automatically reenrolled into IHSS if they reinstate their Medi-Cal eligibility within 90 days. (Recipients would be manually reinstated into IHSS if they reinstate their Medi-Cal eligibility after 90 days.) The Governor’s budget assumes all recipients would be reinstated into Medi-Cal and IHSS.
 - **Associated General Fund Savings From Recipients No Longer Receiving Services Through IHSS-Residual Program.** The administration assumes all recipients would continue to receive services during the gap in eligibility and providers would be retroactively reimbursed once the recipient is reenrolled into Medi-Cal and IHSS. Rather than paying for all service costs through the IHSS-Residual program, the state would be able to draw down federal funds to cover a portion of these service costs. As a result, the Governor’s budget includes \$84 million General Fund savings in 2021-22.
 - **About Half of the General Fund Savings Likely Would Happen Regardless of Automation Changes.** As previously mentioned, most eligibility redeterminations in Medi-Cal are postponed for the duration of the COVID-19 emergency declaration, which the 2021-22 budget assumes will be in effect through December 31, 2021. This effectively means that no recipient would be terminated from Medi-Cal or IHSS due to Medi-Cal noncompliance. As a result, about half of the estimated \$84 million General Fund



Other Major IHSS Budget Proposals

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savings likely would occur since existing recipients would continue to receive IHSS through Medi-Cal, not the IHSS-Residual program.

- ***Current Statute Is Not Clear on Whether Recipients Terminated from Medi-Cal Are Ineligible for IHSS-Residual Program.*** As previously mentioned, the administration interprets current statute as rendering recipients terminated from Medi-Cal ineligible for the IHSS-Residual program. We question the administration's interpretation. Specifically, current statute mentions that individuals ineligible for federally funded Medi-Cal benefits are eligible for the IHSS-Residual program. If an individual is terminated from Medi-Cal due to noncompliance, technically that means the individual is ineligible for federally funded Medi-Cal benefits. Consequently, it is unclear to us whether that individual could be eligible for the IHSS-Residual program.
- ***Recommend Legislature Clarify IHSS-Residual Eligibility Rules in Statute to Ensure Statewide Consistency.*** Regardless of whether the Legislature adopts the proposed automation change, we recommend amending statute to clarify whether individuals ineligible for federally funded Medi-Cal benefits due to Medi-Cal noncompliance are or are not eligible for the IHSS-Residual program. Such clarification will increase the likelihood that the policy is implemented consistently throughout the state.
 - ***Additional Issues for Consideration if Legislature Adopts Governor's Proposal.*** While the administration assumes all recipients would continue to receive services during the gap in Medi-Cal and IHSS eligibility and providers would be retroactively reimbursed for those services once the recipient is reenrolled into Medi-Cal and IHSS, some recipients may experience a disruption in care and not return to Medi-Cal and IHSS. Thus, the Legislature may want to consider asking the administration to monitor and report back on (1) how long it takes recipients to reinstate their Medi-Cal and IHSS eligibility, (2) the extent to which recipients experience a disruption in care, and (3) the number of recipients who ultimately do not return to Medi-Cal or IHSS.



Other Major IHSS Budget Proposals

(Continued)

- **Additional Issues for Consideration if Legislature Does Not Adopt Governor’s Proposal.** If the Legislature does not adopt the Governor’s proposal, the state likely would continue to provide services to some recipients who were terminated from Medi-Cal due to noncompliance through the IHSS-Residual program. The Legislature may want to consider whether the IHSS-Residual program should serve as a temporary safety net for *all* recipients who are terminated from Medi-Cal and can no longer receive IHSS as a Medi-Cal benefit. Additionally, the Legislature may want to consider how long recipients would be permitted to remain in the IHSS-Residual program and whether recipients would be manually or automatically terminated from the IHSS-Residual program if the recipient does not reinstate their Medi-Cal eligibility within the specified time line.

COVID-19 Back-Up Provider System

Temporarily Extends Duration of COVID-19 Back-Up Provider System. The 2021-22 budget includes \$5.3 million one-time General Fund (\$4 million for county administration and \$1.3 million for additional service costs) to extend the duration of the IHSS back-up provider system within counties from December 31, 2020 to December 31, 2021.

- **Structure of COVID-19 Back-Up Provider System.** Under the IHSS back-up provider system, providers are assigned to IHSS recipients when their regular provider cannot work due to circumstances related to COVID-19. Additionally, IHSS back-up providers are paid an additional \$2 per hour above the current county wage rate.
- **Utilization and Service Costs of COVID-19 Back-Up Provider System Below 2020-21 Budget Estimates.** The *2020-21 Budget Act* initially appropriated \$10 million General Fund for 220,000 providers to provide back-up services between April 2020 and December 2020. However, as of December 2020, about 2,200 recipients received back-up service hours, resulting in less than \$1 million General Fund service costs. (The *2020-21 Budget Act* also appropriated \$10 million General Fund for counties to create and administer



Other Major IHSS Budget Proposals

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COVID-19 back-up provider systems. How much of this funding has been spent thus far is unclear.)

- **Governor's Budget Estimates Based on Actual Utilization Trends.** In the *2021-22 Governor's Budget*, the administration adjusted its COVID-19 back-up provider system cost estimate to reflect recent utilization trends. We will continue to monitor actual utilization and costs and provide updates at the May Revision if needed.
- **Consider Benefits and Trade-Offs of Maintaining a Back-Up Provider System After COVID-19.** Under the Governor's budget, the back-up provider system will end on December 31, 2021 (same as the assumed end date of the national public health emergency declaration). Given that IHSS providers may be prevented from performing work for illnesses other than COVID-19, the Legislature may wish to consider the benefits and trade-offs of maintaining some form of an IHSS back-up provider system after COVID-19.

Other Key IHSS Budget Items

- **Aligning IHSS Administration With Caseload Growth Makes Sense.** In January 2020, the administration proposed to increase 2020-21 IHSS administration funding levels based on estimated caseload growth. However, the 2020-21 budget ultimately did not provide the funding increase, resulting in IHSS administration funding levels remaining at 2019-20 levels. The *2021-22 Governor's Budget* proposes to increase IHSS county and public authority administration funding levels from \$325 million General Fund in 2020-21 to \$343 million General Fund in 2021-22. This increase is based on estimated caseload growth since 2019-20. Overall, we have no concerns with the proposed IHSS administration funding increase.
- **Electronic Visit Verification (EVV) Penalty Costs.** The Governor's budget includes \$15 million General Fund in 2020-21 and \$16.6 million General Fund in 2021-22 to pay federal penalties due to the state not complying with EVV system requirements by December 31, 2020. Recently, the federal government notified



Other Major IHSS Budget Proposals

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California that its initial EVV plan for IHSS did not comply with the requirement to electronically capture a non-live-in IHSS provider's location at the start and end of every work day. The Department of Social Services is working, in consultation with stakeholders, to identify how the state will comply with these requirements and expects to be fully compliant by December 31, 2021.

- **Proposed Trailer Bill Language Clarifies Undocumented Adult Medi-Cal Cases Are Eligible for IHSS-Residual Program.** In recent years, the state has expanded eligibility for Medi-Cal to undocumented adults aged 19 to 25 (referred to as state-only Medi-Cal cases). The costs associated with this Medi-Cal expansion are fully covered with the state General Fund.
 - **Administration Proposes to Align IHSS-Residual Program Eligibility Rules With Current Practices.** Currently, state-only Medi-Cal beneficiaries eligible for IHSS services receive them through the IHSS-Residual program. However, if these cases are technically eligible for the IHSS-Residual program under current law is unclear. The administration proposes to modify statute to explicitly allow state-only Medi-Cal cases to receive services through the IHSS-Residual program.
 - **LAO Recommendation.** We have no concern with the proposed language change given that it largely codifies current program practices. However, as discussed earlier, we recommend the Legislature expand the proposed trailer bill to also clarify whether IHSS recipients terminated from Medi-Cal due to Medi-Cal noncompliance are eligible for the IHSS-Residual program.

