# Summary of the Governor's May Revision for the 2014-15 Budget: Impact on California's Seniors and People with Disabilities

On May 13, 2014, California Governor Edmund G. Brown, Jr. released the "May Revision," reflecting updated estimates for the state spending and revenue for the 2014-15 budget. Included in the May Revision are proposals that impact health and human service programs serving California's seniors and people with disabilities.

## Overview

California's fiscal outlook continues to improve, with revenue expected to increase by $2.4 billion through 2014-15. The Governor's May Revision projects resources of approximately $109.3 billion in 2014-15, with total expenditures increasing to $107.8 billion and a general reserve of $528 million.[1,2] Reflecting priorities to pay down liabilities and "save for a rainy day," the governor and legislative leaders have announced a constitutional amendment to develop a strong Rainy Day Fund that will require voter approval. Key components include: 1) 1.5 percent of annual General Funds (GF) set aside annually; 2) Rainy Day Fund deposits made whenever capital gains revenues rise to more than 8 percent GF tax revenue; 3) Rainy Day Fund maximum size set at 10 percent of revenue; and 4) half of each year's deposits for the next 15 years used for supplemental payments to the state's debt or other long term liabilities.[1]

This fact sheet addresses May revision proposals impacting seniors and people with disabilities.

## Long-Term Services and Supports

### *Coordinated Care Initiative*

**Background:** The Coordinated Care Initiative (CCI) outlines changes to the medical care and long-term services and supports (LTSS) systems serving low-income older adults and people with disabilities, and specifies various requirements related to the Dual Eligible Integration Demonstration (renamed "Cal MediConnect"). The CCI is slated for implementation in eight counties (Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara), and began operating on April 1, 2014.[3] The SCAN Foundation developed an update on the CCI in April, including information on enrollment timelines and other key policy changes.

**January Budget Proposal:** The governor's initial proposed budget projected $159.4 million in GF savings for the CCI in 2014-15. The savings were attributed to the sales tax revenue generated from the Managed Care

Organization (MCO) Tax.* Without the tax revenue, the governor estimated that the CCI would have a cost of $172.9 million.[5]

**May Revision:** The May Revision assumes a GF savings of $20.3 million in 2013-14 and $247.8 million in 2014-15 as a result of the CCI.[6] Additionally, there is a proposed increase of $14.1 million GF to implement the updated enrollment policy for the Cal MediConnect (CMC) demonstration in relation to Medicare Advantage or Dual-Eligible Special Needs Plans (D-SNPs).[2] This proposed policy impacts health plans differently, depending on whether the plan operates a CMC plan and a D-SNP. In addition, the policy impacts dual eligible individuals differently, depending on whether they are eligible for CMC.

The following is the proposed policy for health plans that have D-SNP contracts, but do not operate as a CMC plan in the eight CCI counties:

- Contracts for D-SNPs will extend through December 31, 2017.
- Individuals eligible for CMC may enroll in a D-SNP through December 31, 2014. After that time, CMC-eligible individuals may not enroll in a D-SNP operated by a CMC plan.
- Individuals not eligible for CMC may enroll in a D-SNP through December 31, 2017.

The following is the proposed policy for health plans that operate D-SNP contracts, and operate a CMC Plan in the eight CCI counties:

- Contracts for D-SNPs will be extended through December 31, 2017.
- Individuals eligible for CMC but who are enrolled in the D-SNP will be passively enrolled into CMC in January 2015.
- Individuals not eligible for CMC may enroll in the D-SNP through December 31, 2017.

Clarification of the proposed passive enrollment in CMC for D-SNP members:

- Individuals enrolled in a health plan with CMC and D-SNP contracts will be passively enrolled into CMC as of January 2015.
- Individuals who are enrolled in a D-SNP without a CMC contract or any other Medicare Advantage health plan as of December 31, 2014 will not be passively enrolled in CMC.[7,8]

## *In Home Supportive Services (IHSS)*

**Background:** The IHSS program provides in-home personal care assistance to low-income adults who are over 65 years of age, blind, or disabled, and to children who are blind or disabled. Services include assistance with bathing, feeding, dressing, and/or domestic services such as shopping, cooking, and housework so that individuals can remain safely in their own homes. County social workers assess individuals using a standardized assessment to determine need and then authorize service hours per month based on functional scores. The average monthly caseload for IHSS is estimated to be 453,000 recipients in 2014-15, a 1.2 percent increase from 2013 projected levels.[5]

Beginning January 1, 2015, new federal regulations will take effect, requiring overtime pay for domestic

* In 2013, the MCO Tax was reauthorized through 2015-16. From 2013-14 through 2015-16, the rate will be equal to the state sales and use tax rate (3.9375 percent). Half of these total funds will draw down federal matching funds and reimburse Medi-Cal managed care plans for the incurred taxes. The other half of the funds will offset GF expenditures for Medi-Cal managed care rates for children, seniors and persons with disabilities, and dual eligible individuals.[4]

workers. Additional new requirements call for compensating providers for travel between multiple consumers, medical appointment wait time, and mandatory trainings. The governor estimated that, in total, these regulations could increase IHSS program costs by over $600 million by fiscal year 2015-16.[5] In response, the governor proposed to prohibit IHSS providers from working overtime as the primary mechanism to control spending. The administration proposed establishing a Provider Backup System to assist recipients in obtaining an attendant for continued care when their regular IHSS provider would exceed the limitations on hours worked.

**January Budget Proposal:** The governor indicated that the Provider Backup System will cost $99 million GF in 2014-15 and $153.1 million GF thereafter.[5] Additionally, the 2013-14 enacted budget implemented an eight percent across-the-board reduction effective July 1, 2013 through June 30, 2014, and a seven percent across-the-board reduction annually thereafter.[9] The Governor's proposed 2014-15 budget maintains the seven percent across-the-board reduction.

**May Revision:** The governor's budget was adjusted to reflect an increase of $107.9 million GF in 2013-14 and $134.4 million GF in 2014-15 to address caseload, hours per case, and costs per hour increases.[1] The seven percent across-the-board reduction remains.

The May Revision also includes an increase of $17.5 million to update the Case Management Information and Payrolling System II. This increase is in response to Federal Labor Standards Act changes to increase the state's minimum wage, and enhancements to accommodate IHSS recipients with low vision or who are blind.[2]

## Other Medi-Cal Proposals

### *Medi-Cal Provider Payment Issues*

**Background:** The 2011-12 enacted budget (AB 97, Chapter 3, Statutes of 2011) reduced provider payments for physicians, pharmacy, clinics, medical transportation, home health, family health programs, certain hospitals, and skilled nursing facilities by 10 percent. The 2013-14 enacted budget maintained the 10 percent reduction, although the state exempted specified provider categories from the AB 97 provider reductions to maintain access to services (non-profit dental pediatric surgery centers, rural district part nursing facilities Level B, and certain prescription drugs).[4,10]

**January Budget Proposal:** The governor maintained the Medi-Cal provider rate reductions in the proposed 2014-2015 budget, estimated to result in GF savings of $282.8 million in 2014-15. The governor plans to forgive retroactive recoupments for specified Medi-Cal providers and services (physicians/clinics, certain drugs that are typically high cost and used to treat serious conditions, dental, intermediate care facilities for the developmentally disabled, and medical transportation) related to a previously-pending lawsuit, resulting in an increase of $5.8 million GF in 2013-14 and $36.3 million GF in 2014-15, with a total cost of $217.7 million GF over the next several years.[5] CMS must approve the retroactive forgiveness before the state can proceed.

**May Revision:** The 10 percent Medi-Cal provider rate reductions and plan to forgive retroactive

recoupments for specified providers remains in the governor's proposed budget. However, the May Revision did propose $187.2 million GF for managed care rate increases.[1]

## Other Program Changes

### *Supplemental Security Income/State Suplementary Payment*

**Background:** The federal Supplemental Security Income (SSI) program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State Supplementary Payment (SSP) grant. The federal Social Security Administration (SSA) administers the SSI/SSP program, making eligibility determinations and grant computations, and issuing combined monthly checks to recipients. Approximately 27 percent of the SSI/SSP caseload are aged, two percent are blind, and 71 percent are disabled persons.[5] The 2011-12 enacted budget reduced the SSI/SSP benefit to the federal minimum required.[11]

**January Budget Proposal:** The proposed 2014-15 Budget includes $2.8 billion GF for the SSI/SSP program, representing a 1.2 percent increase ($34 million) from the 2013-14 budget.[5] SSA applies an annual cost of living adjustment to the SSI portion of the grant equivalent to the year-over-year increase in the Consumer Price Index (CPI). This budget item is automatically passed through in payments to SSI/SSP recipients and does not require specific approval in the budget process.

**May Revision:** The SSI cost of living adjustment remains as indicated in the January budget proposal.

### *Department of Developmental Services*

**Background:** On January 13, 2014, the Secretary of the California Health and Human Services Agency released a required plan for the future of Developmental Centers. This plan included the Future of Developmental Centers Task Force recommendation that the role of state-operated facilities should be to provide secure treatment services; smaller, safety net crisis and residential services; and specialized health care resource centers.[12]

**January Budget Proposal:** Specific budget proposals were not outlined in the proposed 2014-15 budget.

**May Revision:** The governor's budget revision includes funding to develop resources in the community to support individuals transitioning from developmental centers. The proposal includes $13 million for an enhanced community-based behavioral support home model pilot; $3.2 million and 43.1 positions for short-term crisis services at Fairview and Sonoma Developmental Centers; and $458,000 and four redirected positions to improve support to individuals moving from developmental centers to the community. Additionally, $1.5 million is included to bring select developmental centers into compliance with federal requirements, and a reduction of $1.4 million related to closure of the Lanterman Developmental Center.[1]

### *Mental Health and Substance Use Disorder Services*

**Background:** Public funding for mental health and substance use disorders (SUD) traditionally covered services to low-income individuals with severe mental illness and SUD who met specified eligibility criteria.[13] Beginning January 1, 2014, California expanded Medi-Cal coverage of mental health services to all individuals eligible for Medi-Cal.[14] Additional funding for community mental health comes from 2011 realignment funds generated from a state special fund sales tax and vehicle license fees.[13] In July 2013, Department of Health Care Services (DHCS) temporarily suspended the certification of 177 drug treatment facilities and submitted 68 providers to the Department of Justice after reports of fraud and abuse. DHCS conducted a review of internal operations to improve oversight of drug treatment programs and coordination with county programs.[5]

**January Budget Proposal:** The governor's January budget proposal included funding for 21 positions and $1.1 million GF to continue the state's work recertifying all drug treatment providers in the state in an effort to improve program integrity and expand drug treatment services.[5] Additionally, the 2011 Realignment Behavioral Health Services Growth Special Account was reported to have $27.9 million from 2012-13 revenue, with Medi-Cal Specialty Mental Health Services and Drug Medi-Cal as the identified funding priority.[5]

**May Revision:** The May Revision includes $191.2 million GF in 2014-15 to cover costs for the expanded coverage of the mental health and SUD services in Medi-Cal.[1]

## What's Next In The Budget Process

The governor's proposed 2014-15 budget, including the May Revision, requires approval by the Senate and the Assembly. The Legislature continues to deliberate the governor's proposals through a series of budget subcommittee hearings in each house, extending through the end of May. Each subcommittee votes on its respective issue area(s) in the budget and submits a report to the full budget committee for a vote. Next, the budget bill will be sent to the full membership of the Senate and Assembly for a vote. From the floor, each house's budget bill is referred to a joint budget conference committee where differences between the houses can be resolved. The conference committee votes on the proposed version, which, if passed, is sent to the floor of each house simultaneously. By law, the Legislature must approve the budget by June 15 in time for the governor to sign it by July 1. Finally, the governor has the authority to "blue pencil" (reduce or eliminate) any appropriation contained in the budget.[15]

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