



COUNTY WELFARE DIRECTORS ASSOCIATION OF
CALIFORNIA

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CWDA

February 25, 2008

To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 2

RE: Budget Update #6 – More on the LAO Budget Alternative

In addition to their annual budget analysis that evaluates the Administration's proposed budget, the LAO took the unusual step of proposing an entire alternative to the January Budget. The LAO's budget alternative includes a number of recommendations presented in their annual budget analysis as found in budget update #5. However, the budget alternative also includes recommendations not included in their budget analysis, and, in some cases, which run counter to the specific budget analysis recommendations.

As a follow-up to budget update #5, here are some additional details about the LAO's budget alternative. Please note that these proposals are in addition to the recommendations in the LAO budget analysis.

Medi-Cal Cost-of-Doing-Business. The LAO recommends adopting the Administration's proposal to eliminate cost-of-doing-business increases for revised savings of \$32.3 million (up from \$22 million). The estimated savings are higher due to higher than anticipated growth in the California Necessities Index (CNI). Note that in budget analysis the LAO indicated that the savings from eliminating CODB may erode due to an unfunded increase in workload resulting from reinstating quarterly reporting.

Medi-Cal Quarterly Reporting and Continuous Eligibility for Children. The LAO recommends adopting the Administration's proposal to reinstate quarterly reporting and eliminate continuous eligibility for children. However, the LAO reduces the savings estimate to \$69 million GF from \$92.1 million due to projected increased costs caused by eligible beneficiaries reentering the program when services are needed.

Medi-Cal Citizenship Verification. The LAO proposes to reduce funding for citizenship verification by \$6 million in the budget year based on an assumption that counties complete verifications in a more timely manner than projected by the Administration. In addition, the LAO proposes to apply the citizenship verification requirements to minor consent beneficiaries to enable federal financial participation resulting in GF savings of \$18.9 million.

Medi-Cal Eligibility Determination. The LAO proposes to centralize eligibility determinations at the state level for projected savings of \$75 million beginning in 2009-10. The savings would be based on the assumption that a centralized system would open the door to more simple and expedited processing of applications and that efficiencies would be created due to computer programming costs for one system instead of 58 county systems. The LAO's assumptions appear to be based on the belief that centralizing eligibility determination for Medi-Cal would reduce costs to a level similar to those in the Healthy Families Program. However, unlike Healthy Families, Medi-Cal eligibility is highly complex, with 122 separate eligibility aid codes compared to just one, regulations that have not been updated in 15 years, and includes confusing and, in some cases, contradictory rules. The LAO initially proposed to transfer responsibility of processing Medi-Cal applications from counties to the state in the 2003-04 budget analysis. At the time, the LAO noted that the transfer would be complex, would need to be phased in over time, and would require a temporary *increase* in resources, which is not included in this budget proposal.

Medi-Cal Self-Certification Pilot (SB 437). The LAO proposes to delay implementation of SB 437 (Escutia, 2006) for two years for budget year savings of \$18.5 million.

Medicare Part B. The LAO recommends adopting the Administration's proposal to discontinue payments for Medicare Part B premiums for beneficiaries who have share of cost requirements for savings of \$5.5 million GF in the current year and \$65.5 million GF in the budget year.

TANF Reserve. The LAO proposes to reduce the TANF reserve by \$47 million to \$40 million in the budget year and then gradually restoring the reserve over the next few years to generate additional savings.

Adoption Assistance Program (AAP). The LAO recommends reducing the maximum grant to 75 percent of the basic foster care rate, narrowing the circumstances for grant increases based on the age of the child to only those cases with physical, mental, emotional, or medical problems directly tied to their birth parents or pre-adoptive situation, and eliminating the consideration of a child's adverse parental background as a factor in determining special needs for combined budget year savings of \$2 million. These proposals would apply to prospective AAP cases only.

Repeal AB 2488 (Disclosure of Sibling Contact Information). The LAO recommends adopting the Administration's proposal to repeal AB 2488 (Leno, 2006) for GF savings of \$1.2 million. This bill lowers the age of consent to disclose contact information between adoptees and their siblings from 21 to 18.

Senior Legal Hotline. The LAO recommends eliminating state GF support for savings of \$300k.