



CWDA

COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA

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To: All County Social Service Directors and Fiscal Officers
From: CWDA Staff
Pages: 9
RE: State Budget Update #4 – Legislature Passes 2013-14 Budget

Both the Senate and Assembly completed their work on the 2013-14 budget on Friday and Saturday of last week, passing the main budget bill and over 20 budget trailer bills. The Governor has up to two weeks to sign, veto, or sign with line-item vetoes the budget bill and associated trailer bills. For the third consecutive year, we will begin the 2013-14 fiscal year on July 1 with an enacted budget.

OVERALL BUDGET PICTURE

Although both the Senate and Assembly initially adopted the Legislative Analyst Office's (LAO's) latest revenue assumptions, which estimated General Fund (GF) revenues to be \$3.2 billion higher than the Governor's May Revision, the budget ultimately passed by the Legislature was based on the Governor's lower May Revision revenue estimates. As a result, a number of the restorations and augmentations provided by each house were scaled back or eliminated from the final budget.

HEALTH CARE REFORM

The 2013-14 final budget passed by the Legislature incorporates the agreement reached between the Administration, the Legislature, and the California State Association of Counties (CSAC) related to implementation of the optional Medi-Cal expansion under the Affordable Care Act (ACA) and the sharing of savings between the state and the counties. The major points of that agreement include the following:

- No realignment of additional programs to counties. The savings in 1991 realignment due to the implementation of the Medi-Cal expansion will be achieved via a fiscally-based transaction. Specifically, the resulting savings will be directed to a new subaccount in 1991 realignment that will be used to offset state GF costs in CalWORKs.
- Up to \$300 million in 1991 health realignment savings will be achieved in 2013-14 beginning with implementation of the Medi-Cal expansion in January 2014.

- County-specific savings will be calculated in one of two ways described below. Each county will make a one-time selection of which option for calculating savings the county prefers, except for the County Medical Services Program (CMSP) counties, which will be subject to option 2 below. As mentioned above, the resulting savings to the state will be used to offset GF costs in CalWORKs.
 - Option 1 – A formula based on county costs and revenues to determine actual savings. Savings would then be shared between the state and county, with 80 percent to the state and 20 percent to the county.
 - Option 2 – A 60/40 split of 1991 health realignment funding, with 60 percent to the state and 40 percent retained by the county.
- Provisions to reconsider the impact of federal immigration reform on health care services provided by counties.

Other major fiscal components related to health care reform implementation in the 2013-14 budget passed by the Legislature include:

- The \$1.5 billion (\$21 million GF and \$1.5 billion Federal Funds) proposed in the Governor's May Revision to implement the state option for the Medi-Cal expansion, assuming the benefits are 100 percent covered by the federal government in 2013-14 pursuant to the ACA.
- The \$104 million GF estimated by the LAO as needed for the costs associated with individuals already eligible for Medi-Cal enrolling in the program as a result of eligibility and streamlining provisions of the ACA (the "mandatory" expansion).
- Extension of Medi-Cal coverage to former foster youth up to age 26, including maintenance of coverage for former foster youth reaching their 21st birthday between July 1, 2013 and December 31, 2013 prior to their eligibility under the ACA beginning January 1, 2014.
- The \$240 million total funds (\$120 million GF) provided in the May Revision for county Medi-cal administration for ACA implementation, including hiring staff and other activities for the warm handoff from Covered California, and for other county staffing needs. The \$120 million GF is comprised of the following:
 - \$71.9 million GF (\$143.8 million total funds). This is new GF that was included in the May Revision.
 - \$15.4 million GF (\$30.8 million total funds) that was provided in the January budget for a cost-of-doing business increase.
 - Reappropriation in 2013-14 of unspent county Medi-Cal administration funding from the current year (2012-13). The May Revision estimated the amount of funding that will be unspent in the current year to be \$35 million GF (\$70 million total funds).
 - Reappropriation in 2013-14 of up to \$20 million of unspent CalWORKs Single Allocation from the current year to county Medi-Cal administration. This funding will only be needed to the extent there is not \$35 million GF remaining unspent in county Medi-Cal administration in the current year.

The Legislature also passed on Saturday two Extraordinary Session bills, ABX1 1 and SBX1 1, that implement key aspects of eligibility policy related to the health care expansion, primarily related to Medi-Cal. While the bills had been identical while moving through the legislative process, they were amended on June 14 to focus on different areas, and are no longer identical. The amendments reflect negotiated agreements between the Legislature and Administration on major items that had been unresolved in the prior versions of the bills. Both bills now await the Governor's signature, which is expected. Below is a partial summary of the bills. More detailed section guides for each bill are forthcoming.

ABX1 1 primarily focuses on eligibility issues, including the following:

- Expands Medi-Cal to adults who are under 65, not pregnant, and not otherwise currently eligible for Medi-Cal coverage, with incomes up to 133 percent of the Federal Poverty Level (FPL) plus a 5 percent standard income disregard, effective January 1, 2014, and provides the expansion population with full-scope Medi-Cal benefits supplemented with mental health and substance-use disorder benefits. There is no asset test for this program.
- Provides for the transition of Low-Income Health Program (LIHP) enrollees into Medi-Cal and sets forth requirements for how the transition will occur with regard to managed care enrollment.
- Converts existing Medi-Cal eligibles (primarily families and children eligible under an existing program such as 1931(b) or the percent programs) into the new MAGI-based income standard effective January 1, 2014, except for individuals over 65 years of age and persons who are eligible on the basis of blindness or a disability. Eliminates the asset and deprivation tests for the conversion population, repeals the mid-year status report requirements, and establishes a minimum MAGI eligibility level at 133 percent of FPL plus the standard 5 percent income disregard.
- Makes numerous additional changes to the application, eligibility determination and redetermination processes for Medi-Cal that will be detailed in the section guide.

SBX1 1 primarily focuses on benefits issues, including the following:

- Requires DHCS to provide mental health and substance use disorder services included in the essential health benefits package adopted by the state as Medi-Cal services, and requires a state plan amendment be filed with the federal government to effectuate this. The state has adopted the Kaiser Small Group Product as its essential health benefits package. Requires Medi-Cal managed care plans to provide these services if not otherwise provided by county mental health plans under the Specialty Mental Health Services Waiver.
- Requires DHCS to seek federal approval to provide adults eligible for the Medi-Cal expansion with an alternative benefit package that will include full-scope Medi-Cal benefits. Provides that these benefits will include long-term care services, with an asset test that is tied solely to those benefits.
- Makes recent legal immigrants who do not have minor children eligible for Medi-Cal, who would be eligible for Medi-Cal but for the five-year bar under federal law, and who are enrolled in Covered California with a tax credit, also eligible for Medi-Cal benefits not covered by their Covered California plan, and requires DHCS to pay the premium

costs and cost sharing. This structure will be referred to as a “Medi-Cal wrap.” State-only Medi-Cal benefits would be available for those recent legal immigrant adults who cannot enroll in a Covered California program due to the timing (outside the open enrollment period). Recent legal immigrants with Medi-Cal eligible children would remain eligible for state-only Medi-Cal benefits as currently exists.

- Provides Medi-Cal coverage for former foster youth who were in foster care in any state up to age 26.
- Takes the recently announced federal option to seek a waiver to use the eligibility information of individuals enrolled in CalFresh to determine Medi-Cal eligibility.
- Takes the recently announced federal option to seek a waiver to automatically enroll parents in Medi-Cal if they have one or more children eligible for Medi-Cal who have been determined to be at or below the applicable income standard for eligibility.

HEALTH AND HUMAN SERVICES

Specific major pieces of the 2013-14 final budget passed by the Legislature related to health and human services include the following:

CalWORKs

Single Allocation – The 2013-14 budget passed by the Legislature includes significant new funding for the CalWORKs Single Allocation, which will result in an estimated \$244 million more available for allocation in 2013-14 over 2012-13. Most of the new funding is provided for employment services, including the adoption of the \$142.8 million in additional funding provided in the Governor’s January Budget for employment services, which included costs associated with programmatic changes to the CalWORKs program enacted by SB 1041 and the reengagement of those cases that had previously been exempt under the short-term young child exemption.

In addition, there is a total of \$48.3 million as provided in the Governor’s May Revision for implementation of the three major components of the CalWORKs early engagement proposals: a new robust appraisal tool, enhanced case management and services for family stabilization and barrier removal, and an expanded subsidized employment program. Highlights of each of these components include:

- Appraisal
 - A standardized, statewide tool will be used.
 - Mandatory staff training will encompass the administration of the tool as well as rapport building and interviewing techniques.
 - Counties will be required to exempt an individual if the appraisal indicates that an individual qualifies for any exemption.
- Family Stabilization
 - Available subsequent to appraisal or whenever a county determines that an individual meets the criteria.
 - Will not tick the 24-Month Time Clock if the individual is granted a good cause exemption. This is limited to six cumulative months.

- Counties will be required to prepare and submit a plan for Family Stabilization to California Department of Social Services (CDSS).
- Expanded Subsidized Employment
 - Counties that expand their subsidized employment program will be expected to maintain their level of spending in the 2012-13 fiscal year on AB 98 subsidized employment. The expansion is intended to supplement rather than supplant existing subsidized employment programs.
 - This Maintenance of Effort will not apply in any year when the CalWORKs caseload is projected to increase by five percent above the actual caseload in 2012-13.
 - Placements are limited to six months but may be extended in three month increments up to 12 total months, provided certain criteria are met.
 - Counties will be required to prepare and submit a plan for Expanded Subsidized Employment to CDSS.

Vehicle Asset Limit Increase – The Vehicle Asset Limit will be increased to \$9,500 equity value per vehicle. Equity value equals the fair market value minus the amount owed on the vehicle. Recipients will self-attest to any amount owed. Any balance over \$9,500 will be counted toward the resource limit. The vehicle asset limit will be adjusted upward annually based on the updated United States Transportation Consumer Price Index.

Grant Increase – The budget passed by the Legislature includes \$50.9 million in 2013-14 to provide a five percent grant increase effective March 1, 2014, as well as the possibility for additional grant increases on October 1 of each fiscal year beginning in 2014-15. The five percent grant increase in 2013-14 and future grant increases will be funded through the redirection of 1991 realignment general growth revenues from social services and health to a new 1991 subaccount created for this purpose. As a result of the general growth redirection, social services will not receive any general growth, but health will continue to receive the same amount of growth that it has historically received. Counties will not have a share of cost for grant increases provided from funding in the new subaccount.

Future grant increases will be provided automatically as long as there is enough general growth funding in the new grant subaccount to fully fund all grant increases that have already been provided from funding in the subaccount. The amount of future grant increases will be based on the amount of general growth funding available in the new subaccount. In any fiscal year in which there is not enough general growth funding in the subaccount, the GF will cover the shortfall.

Caseload growth will still have first call on 1991 realignment growth revenues, so county cost increases in the realigned social services programs (including IHSS) will continue to be funded through caseload growth as they always have been.

Child Care

CalWORKs Child Care – The 2013-14 final budget passed by the Legislature includes the following funding for CalWORKs Child Care.

- Stage One – Adopted of the proposed May Revision level of funding of \$332.8 million for Stage One, including \$278.9 million for Stage One child care services and \$53.9 million for administration.

- Stage Two – Provided a total of \$358 million for Stage Two as a result of updated caseload estimates since the May Revision, resulting in total funding about \$40 million lower than that included in the May Revision.
- Stage Three – Adopted the LAO’s recommended adjustment to Stage Three caseload resulting in total funding of \$200 million, which is about \$43 million higher than the funding included in the May Revision.
- Adopted budget bill language that allows the Department of Finance to adjust expenditures in the CalWORKs Stage 2 and Stage 3 programs if caseload estimates assumed in the budget are insufficient to cover the true caseload.

Non-CalWORKs Child Care and Child Care and Development – The budget passed by the Legislature includes the following on non-CalWORKs child care and child development funding:

- An additional \$30 million for approximately 8,100 new part-day slots in the State Preschool Program.
- An additional \$25.6 million for approximately 3,300 full-day child development slots in capped programs (General Child Care and Alternative Payment Programs)
- \$15.8 million to backfill federal fund reductions to child care programs due to federal sequestration.

In-Home Supportive Services

IHSS Settlement Agreement – The 2013-14 final budget passed by the Legislature includes the \$444.3 million (\$176.4 million GF) in savings and changes to conform to the IHSS settlement agreement that was incorporated into a bill (SB 67) passed by both houses of the Legislature and signed by the Governor, which include:

- An eight percent across-the-board reduction to begin July 1, 2013 for one fiscal year;
- A seven percent across-the-board reduction beginning in 2014-15 and each fiscal year thereafter unless it is partially or fully “triggered off” by the state obtaining federal approval for an assessment on home care services that draws down additional federal funds; and
- Repeal of the prior eligibility reductions that were the subject of the settlement, which include the 20 percent across-the-board reduction, the reduction in state participation in provider wages, and the eligibility reductions based on Functional Index scores.

Coordinated Care Initiative – The final budget passed by the Legislature included the revised GF savings of \$119 million included in the May Revision and the positions requested for the Departments of Social Services, Health Care Services, and Managed Health Care.

There was also CCI trailer bill language initially released by the Administration after the May Revision that was not discussed or adopted by the Budget Committee in either house, nor was it discussed or adopted by the Budget Conference Committee. However, as part of final budget negotiations between the Administration and Legislative leadership it was agreed to incorporate an updated version of that trailer bill language as part of the final budget package.

The language delinks the CCI from the mandatory enrollment of seniors and persons with disabilities into Medi-Cal Managed Care in order to receive long-term care services and supports (including IHSS) so that the latter can be implemented even if the CCI does not go forward. The trailer bill language also revises the “poison pill” (or “trigger”) language that exists in current law that would trigger off the shift of collective bargaining to the state (and shift the responsibility back to the counties) and the IHSS MOE if the CCI does not move forward. The new “poison pill” language will enable the Department of Finance to stop the CCI either before implementation or in any fiscal year after implementation if the Department of Finance finds that the CCI will not generate net GF savings, which will also trigger off state collective bargaining and the IHSS MOE as well.

The CCI trailer bill language was passed by the Assembly on Saturday. The Senate Budget Committee held a hearing on the bill this morning and is expected to vote to pass the bill today.

Child Welfare Services and Foster Care

Because most funding for Child Welfare Services and Foster Care programs is now realigned to counties, the Legislature no longer approves caseload or funding levels. However, the Legislature continues to exercise oversight of the programs and approves trailer bill language and requests for state-level resources.

Congregate Care Reform – As part of the 2013-14 final budget, the Legislature adopted trailer bill language to clarify from the Legislature’s perspective some of the concrete reforms that should take effect in the shorter term, including:

- Limitations on and/or levels of review needed for placements in group homes, particularly for children as young as six to twelve years old;
- A requirement for CDSS to update the Legislature regarding the outcomes of the assessments and planning regarding transitions to family settings for children and youth who have been in group homes for longer than one year; and
- Encouragement for CDSS to ensure that educational qualifications and training requirements for direct-care staff in group homes are consistent with the intended role of group homes as short-term placements focused on crisis intervention and behavioral stabilization.

Foster Youth Services Program – The final budget passed by the Legislature pulled the Foster Youth Services Program out of the Local Control Funding Formula as it was proposed by the Governor and left it as a categorical program, with separate funding, to be operated through the county offices of education and the six core school district programs, as the program currently operates. In addition with respect to foster youth and education, the final budget also requires:

- School districts to develop and implement plans specifying how the district will improve the educational outcomes of foster youth. The plans must include goals, actions, and a budget.
- The California Department of Education (CDE) and CDSS to share data so that CDE knows which students are in foster care as well as child welfare related information helpful to meeting the educational needs of students in foster care. CDE is required to all such information to school district and county offices of education on a weekly basis.

- CDE to track and report, at the district, county and state level, the academic achievement, truancy rates, attendance rates, dropout rates, suspension rates and expulsion rates of students in foster care to the Governor and Legislature to ensure increased state oversight for students in foster care.

Resource Family Approval Project – The final budget passed by the Legislature includes \$171,000 GF to provide CDSS adequate resources to continue implementation of the Resource Family Approval Project.

CalFresh

The 2013-14 final budget passed by the Legislature includes \$621 million GF for CalFresh Administration as proposed in the May Revision, which will result in an estimated \$61 million GF more available for allocation in 2013-14 over 2012-13. The budget also includes the extension of the county CalFresh match waiver for one more year, with direction that the full county match be restored in the near future.

Medi-Cal Administration

See also the Health Care Reform section for additional detail on the proposed county Medi-Cal administration budget.

The 2013-14 final budget passed by the Legislature includes \$1.3 billion (\$651.3 million GF) included in the May Revision for base administrative funding. It also includes the level of funding provided in the May Revision for the transition of Healthy Families children into Medi-Cal, which is \$33.7 million (\$11.8 million GF) for 2013-14. This funding level was down a net \$26.1 million (\$9.1 million GF) from the proposed January budget. The changes in May included a \$10 million (\$3.5 million) increase for intake of new cases and a \$36.1 million decrease due to the reversal of a shift in funding from CCS to Medi-Cal Admin for existing Healthy Families cases.

Supplemental Security Income/State Supplementary Payment (SSI/SSP)

The 2013-14 final budget passed by the Legislature does not include a reinstatement of the annual state cost-of-living adjustment for SSI/SSP beginning January 1, 2014. Such a restoration had been proposed by the Assembly.

Automation

The 2013-14 final budget passed by the Legislature includes the adequate funding levels for automation projects as proposed in the May Revision. Adopted funding for the SAWS systems includes resources for the SAWS/CalHEERS interface, development of the customer service center networks to take the warm hand-off, creating an option for clients to receive electronic NOAs, and a number of other system specific improvements. Adopted CMIPS II funding levels are designed to continue the rollout as planned. Funding for continuation of the New CWS/CMS system effort has also been adopted at the same level as proposed in the Governor's January budget and the May Revision, which is sufficient to move procurement forward as planned.

BUDGET AND TRAILER BILLS

Following is the list of health and human services related budget and trailer bills passed by the Legislature with links to each:

AB 110 – Main Budget Bill

http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_0101-0150/ab_110_bill_20130614_enrolled.pdf

AB 74 – Human Services Trailer Bill

http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_0051-0100/ab_74_bill_20130614_enrolled.pdf

AB 82 – Health Trailer Bill

http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_0051-0100/ab_82_bill_20130614_amended_sen_v96.pdf

AB 85 – Medi-Cal Expansion/County Savings Calculations/1991 Realignment Changes

http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_0051-0100/ab_85_bill_20130613_amended_sen_v98.pdf

SB 94 – Coordinated Care Initiative Trailer Bill

http://www.leginfo.ca.gov/pub/13-14/bill/sen/sb_0051-0100/sb_94_bill_20130613_amended_asm_v98.pdf