



The 2007 May Revision

Highlights: The Governor's commitment to health and human services

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The Governor's May Revision maintains a strong and responsible safety net for California's most vulnerable residents, builds on the reform proposals and initiatives included in the January 2007 Budget, and increases investments in targeted areas to improve Californians' health and safety. In doing so, the May Revision strikes a balance between the need to provide essential services and controlling program growth.

Major Changes in the Governor's May Revision

Providing Health Care to California's Citizens

- The May Revision reflects total Medi-Cal expenditures of \$35.4 billion in 2006-2007 (\$13.6 billion General Fund), a decrease of \$85.8 million (\$20.7 million General Fund) from the Governor's Budget. General Fund expenditures for Medi-Cal have increased by \$797.5 million, or 6.2 percent over the 2005-06 level. The average monthly Medi-Cal caseload is expected to decrease by 59,500 beneficiaries, to 6,534,600, which is a decrease of 0.9 percent from the level projected in the Governor's Budget. The revised caseload is 0.6 percent lower than the 2005-06 caseload. Major changes include:
 - \$92 million increase to repay the federal government for non-institutional provider over-payments discovered when recording paid claims that had been audited and identified as erroneous due to miscoding of services, claiming errors, or provider errors.
 - \$30.5 million increase resulting from a continued delay in federal approval of the State Plan Amendment (SPA) allowing the separation of physician and non-physician costs from certified eligible expenditures under the Hospital Financing Waiver.
 - \$63.5 million decrease resulting from the Medi-Cal dental fiscal intermediary's repayment of premium costs that exceeded audited expenditures, which were much lower than anticipated due to statutory restrictions on covered benefits and more stringent authorization requirements.
 - \$51.9 million decrease in anticipated capitation payments to County Organized Health Systems due to identification of persons dually eligible for Medi-Cal and Medicare and the impact of federal Medicare Part D Pharmacy benefits.
 - \$27.1 million decrease in the amount previously estimated to be repaid to the federal government for the federal share of non-emergency services provided to qualified aliens who have been in the country for less than five years, based upon revised data.
 - \$21.7 million decrease in county and other administration costs due to lower caseload growth, the final reconciliation of county administrative costs for 2004-05, and a longer-than-expected lag in billing of county outreach costs.
- The May Revision also includes total Medi-Cal expenditures of \$37.7 billion for 2007-08 (\$14.7 billion General Fund), a net total funds increase of \$330.3 million (\$39.4 million General Fund) from the Governor's Budget. General Fund expenditures are expected to increase by \$1.1 billion, or 7.6 percent over the revised 2006-07 level. The net General Fund increase from the Governor's Budget level includes the following significant adjustments:
 - \$107.1 million increase for implementation of new rates for all Medi-Cal managed care plans based on the plan-specific, experience-based rate methodology developed as a result of a recent study.
 - \$39.4 million increase in county and other administration costs due to an update of base costs and funding for the one-time and ongoing costs for implementation of federal Deficit Reduction Act (DRA) citizenship verification requirements.
 - \$20.0 million increase in the Medi-Cal Minor Consent program due to loss of federal financial participation for a portion of the program. To protect the ability of minors to access pregnancy services, the state will not enforce DRA citizenship and identification requirements for minors independently seeking services.
 - \$34.2 million decrease in the amount previously budgeted to be repaid to the federal government for the federal share of non-emergency services provided to qualified aliens who have been in the country for less than five years, based upon revised data.

- \$30.5 million decrease for anticipated repayments from designated public hospitals that were expected in 2006-07 but are now delayed until early 2007-08 when the State Plan Amendment is expected to be approved.
- \$26.1 million decrease in anticipated capitation payments to County Organized Health Systems mainly due to identification of persons dually eligible for Medi-Cal and Medicare and the impact of federal Medicare Part D Pharmacy benefits. When persons are dually eligible, Medi-Cal pays only for services not covered under Medicare.
- \$10.6 million decrease in the Medically Indigent Adult Long-Term Care program resulting from a \$10.6 million increase in federal funds through the Safety Net Care Pool portion of the hospital financing waiver. This fund shift will allow the state to maximize available federal funding for public hospitals as authorized under the hospital financing waiver.

AIDS Drug Assistance Program

- The May Revision includes \$288.9 million to fully fund the AIDS Drug Assistance Program (ADAP) in 2007-08, which is 3.5 percent below the \$299.4 million identified in the Governor's Budget.

Early and Periodic Screening, Diagnosis and Treatment Program

- The May Revision proposes a decrease of \$24.3 million for the Early and Periodic Screening, Diagnosis and Treatment Program (EPSDT) (\$12.2 million General Fund and \$12.1 million in federal fund reimbursements) due to a lower estimate of EPSDT claims than included in the Governor's Budget.

Developmental Centers

- The May Revision includes a decrease of \$89,000 General Fund and an increase of \$2.2 million reimbursements for the Department of Developmental Services development centers.
- The May Revision includes a net increase of \$31.1 million in 2007-08 (an increase of \$33.3 million General Fund and a decrease of \$2 million other funds) for Regional Centers and a projected decrease in the Regional Center community caseload of 1,370 consumers.

Emergency Funding for Food Banks

- The May Revision includes an additional \$4.45 million General Fund for food banks and the Foodlink in addition to the \$4.7 million General Fund allocation that was made earlier this year in response to last winter's freeze.

Supplemental Security Income/State Supplementary Payment Program

- The May Revision proposes to suspend the January 2008 state COLA in the Supplemental Security Income / State Supplementary Payment program. This will result in a savings of \$184.7 million in 2007-08 and ongoing savings of \$369.5 million in future years. California provides the first highest SSI/SSP payments for low-income seniors, blind and disabled individuals in the nation, and the second-highest payments for SSI/SSP eligible couples.

Alcohol and Drug Programs

- The May Revision includes an increase of \$17.2 million in 2007-08 for the Department of Alcohol and Drug Programs (\$8.6 million General Fund), or 2.6 percent, above the \$662.8 million provided in the Governor's Budget, reflecting the following major adjustments:
 - Regular Drug Medi-Cal - Expenditures are projected to increase by a total of \$8.0 million General Fund. Caseload is projected to increase by 11,876, or 6.3 percent, and the May Revision includes a total of \$7.4 million General Fund for provider rate increases (an increase of \$5.3 million above the \$2.1 million in rate increases proposed in the Governor's Budget).
 - Perinatal Drug Medi-Cal - Expenditures are projected to increase by \$620,000 General Fund. Caseload is projected to increase by 535, or 5.6 percent, and the May Revision includes \$603,000 General Fund for provider rate increases (an increase of \$30,000 above the \$573,000 in rate increases proposed in the Governor's Budget).
 - Proposition 36 - The 2006 Budget Act reauthorized \$120 million in funding for Proposition 36 and included program reforms sought by the Administration to improve the program, but these reforms have been suspended by judicial injunction.

Children and Families

- The May Revision includes \$4 billion (\$1.6 billion General Fund) to provide assistance payments and services to children and families for Child Welfare Services, Child Abuse Prevention, Foster Care and Adoption Assistance. This is a \$16.5 million (\$17.8 million General Fund) increase for 2007-08 from the Governor's Budget. The May Revision also includes projected savings of \$7.1

million resulting from efforts to ensure the state is not paying twice for the same services related to child welfare.

- The May Revision projects an overall expenditure increase of \$23.8 million for the Healthy Families Program in 2007-08 (\$8.2 million General Fund), to \$1.1 billion (\$400.4 million General Fund), from the level anticipated in the Governor's Budget. The increase in General Fund is primarily due to a 3.1-percent increase in the average monthly capitation payment for health, dental and vision services.
- The May Revision projects an overall expenditure decrease of \$5.5 million in 2007-08 for the Access for Infants and Mothers program from the level anticipated in the Governor's Budget. This decrease of 4 percent in total funds is largely due to federal fund changes resulting from corrections to the way subscriber contributions are budgeted.
- The Family Health May Revision Estimates includes a net decrease of \$3.0 million in 2007-08 (an increase of \$50.4 million General Fund and a decrease of \$53.4 million other funds), from the \$290.0 million provided in the Governor's Budget, due to adjustments in caseload and health care costs in the California Children's Services (CCS), Child Health and Disability Prevention (CHDP), and Genetically Handicapped Persons Program (GHPP) programs. General Fund expenditures will increase in the CCS and GHPP programs by \$46.8 million to reflect a proposed redirection in federal Safety Net Care Pool funding.

In-Home Support Services

- The May Revision includes Total General Fund expenditures for the In-Home Supportive Services (IHSS) program are \$1.5 billion in 2006-07 and \$1.6 billion in 2007-08, including an increase of \$30.4 million in 2006-07 and \$85.6 million in 2007-08 compared to the Governor's Budget, which includes:
 - An increase of \$8.2 million in 2006-07 and \$35.7 million in 2007-08 to fund IHSS provider wage and/or health benefit increases provided in 19 counties since the Governor's Budget, partially offset by lower-than-projected caseload growth.
 - An increase of \$33.2 million in 2006-07 and \$48.5 million in 2007-08 to reflect a lower level of savings resulting from the IHSS Quality Assurance program.
 - A decrease of \$11 million in 2006-07 due to a delay in implementation of the Case Management Information and Payrolling System II.

Mental Health Services

- Funding for long-term care and state hospitals is anticipated to decrease by a net \$12.4 million (a decrease of \$12.6 million General Fund and an increase of \$176,000 Realignment reimbursement) in 2007-08. The change is comprised of the following adjustments:
 - State Hospital Population - A net decrease of \$10.4 million (a decrease of \$10.6 million General Fund and an increase of \$176,000 in Realignment reimbursement):
 - An increase of \$4.4 million General Fund to reflect an anticipated increase in the Judicially Committed/Penal Code population.
 - A decrease of \$28.2 million General Fund to reflect full-year impact of the current year reduction in the state hospital population of 487 patients. This decrease is in addition to the \$21.7 million General Fund reduction previously requested in an April Finance Letter.
 - An increase of \$5.9 million (\$5.8 million General Fund and \$144,000 in Realignment reimbursement) to provide funding for salary increases. This request funds salary increases ranging from 66 to 74 percent for psychiatrists and senior psychologists and salary increases ranging from 10 to 40 percent for all other impacted mental health classifications.
 - An increase of \$1.6 million (\$1.6 million General Fund and \$32,000 in Realignment reimbursement) to provide all budgeted Department of Mental Health dental staff with salary increases ranging from 36 to 58 percent.
 - An increase of \$4.3 million General Fund to contract for competency restoration services. Contracting for local beds will expedite services, reduce the average length of stay, and address state hospital capacity issues. Additionally, the May Revision includes \$696,000 General Fund for four Level-of-Care positions and associated costs to run an 18 bed unit at the Salinas Valley Psychiatric Program for IST patients too dangerous to reside within state hospitals.
- The May Revision includes the following savings in the current year for the Department of Mental Health Long Term Care Programs and State Hospitals:
 - The decrease across commitment categories is primarily due to staffing shortages within the state hospitals and a re-estimation of the impact of Chapter 337, Statutes of 2006 (SB 1128) and Jessica's Law, resulting in a reduction of 50 percent in the number of SVP commitments estimated in the Governor's Budget.

- SVP Evaluations and Court Testimony - A decrease of \$366,000 General Fund for SVP evaluation services, based on actual data from implementation of SB 1128 and Jessica's Law, and a decrease of \$527,000 General Fund for headquarters positions and consultant services in the Sex Offender Commitment Program.
- The May Revision includes a net increase of \$65.6 million (\$31.1 million General Fund and \$34.5 million in federal fund reimbursement) for community mental health services relative to the Governor's Budget. The major adjustments include the following:
 - Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program - The May Revision includes an increase of \$67.4 million (\$32.1 million General Fund and \$35.3 million in federal fund reimbursement) in 2007-08.
 - Mental Health Managed Care Program - The May Revision includes a decrease of \$1.9 million (\$926,000 General Fund and \$926,000 in federal fund reimbursement from the Department of Health Services), primarily due to a decrease in the number of Medi-Cal eligibles receiving psychiatric inpatient hospital services and specialty mental health professional services.

Items Largely Unchanged from the Governor's January 2007 Budget Proposal

- For the Managed Risk Medical Insurance Board, self-certification of income at the annual eligibility review will be implemented by January 1, 2008, and is expected to increase HFP enrollment by 13,237 children in the first six months.
- There is no change to the Governor's CalWORKs proposal since January. The May Revision includes savings of \$9.9 million since the Governor's Budget, based on caseload adjustments.
- The Governor's Budget includes \$11.3 million (\$5.6 million General Fund) in 2007-08 to provide Human Papillomavirus Vaccinations (HPV) to approximately 52,000 Medi-Cal-eligible women ages 19 through 26. The United States Food and Drug Administration recently approved this new vaccine, which has been shown to reduce the risk of getting cervical cancer by up to 70 percent.
- The Budget provides \$8.8 million to implement the California Discount Prescription Drug Program to deliver prescription drugs at prices up to 40 to 60 percent below retail for generic and brand name drugs to eligible individuals and seniors.
- The Budget includes \$2.1 million to enhance the state's response capabilities to foodborne illnesses such as E. coli by establishing trained investigator teams to investigate foodborne illnesses and outbreaks and enhance the state's capacity to test food and environmental samples. Considering recent E. coli and other foodborne illness outbreaks, and given the health and economic impact of these incidents, the Administration believes it is important to secure adequate resources to quickly respond to and investigate the source of future outbreaks.
- \$2 million to provide additional local assistance funding to increase surveillance staff for HIV reporting activities and help California retain critical federal funding. This funding will accelerate the conversion process necessitated by new data collection systems and reporting requirements to support the state's continued receipt of \$50 million in federal grants.
- The Budget earmarks \$2 million to implement the Hospital Infectious Disease Control Program, which will provide the Department of Public Health (DPH) with resources to develop infection control guidelines, provide consultation with health care facilities to implement the guidelines, conduct epidemiological and statistical support on health care infection data and perform laboratory analysis of hospital-associated infections, illnesses and outbreaks. Infectious diseases in hospitals are estimated to cost the state \$3.1 billion annually.
- \$1.2 million for the California Department of Public Health (created when Governor Schwarzenegger signed SB 162 in September 2006) to begin implementation of an environmental contaminant biomonitoring program. This funding will support a contract to develop a sampling design and establish parameters for this program.
- This proposal is a collaborative effort that also includes \$0.2 million for the Office of Environmental Health Hazard Assessment and \$0.1 million for the Department of Toxic Substances Control.

Licensing and Certification

The Licensing and Certification program promotes the highest quality of medical care in community settings and facilities by enforcing state licensing and federal certification requirements. The program encourages provider-initiated compliance and quality of care improvement activities, initiates licensing and certification changes to improve cost-effectiveness, promotes partnerships between public and private health care providers to improve quality of care and access to new technologies and responds to California's changing demographics.

- The Budget includes \$84.2 million (\$6.3 million General Fund) for Licensing and Certification, which reflects a net increase of \$19.3 million (a decrease of \$10.1 million General Fund) above the Budget Act of 2006. The Governor's Budget includes:
 - Accelerated implementation of the statutory requirement for the program to become fee-supported, resulting in General Fund savings of \$7.2 million in 2007-08 and \$3.6 million in 2008-09.
 - \$7.2 million to implement SB 1301, which the Governor signed in 2006 to increase patient safety, improve oversight, and help mitigate significant health care costs associated with medical errors by requiring reporting of serious medical errors to the Department of Public Health and establishing time frames for both the reporting and follow-up investigations.
 - \$2.5 million to conduct periodic licensing surveys of long-term care facilities