

APPENDIX A BUDGET BALANCING REDUCTIONS

FAMILY HEALTH MAY 2008 LOCAL ASSISTANCE ESTIMATE for FISCAL YEARS 2007-08 and 2008-09

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DEPARTMENT OF HEALTH CARE SERVICES BUDGET BALANCING REDUCTIONS
ISSUES #31, #32 AND #35 ARE REQUIRED BY ABX3 5 (CHAPTER 3, STATUTES OF 2008)
ASSUMES STATUTORY CHANGES FOR ISSUES #30, #33 AND #34 ARE ENACTED BY JULY 1, 2008
(Dollars in Millions)

Issue #	Reduction	2008-09		
		TF	GF	FFP
Family Health Local Assistance				
30	Reduction to Hospital Financing--DPH SNCP by 10%	\$0.000	-\$25.377	\$25.377
31	Reduction to CCS Provider Payments by 10%	-\$15.094	-\$5.369	-\$9.725
32	Reduction to GHPP Provider Payments by 10%	-\$4.742	-\$4.742	\$0.000
33	Reduction to CCS Medical Therapy Program by 10%	-\$3.074	-\$3.074	\$0.000
34	Reduction to CCS Case Management Funding for Counties by 10%	-\$1.300	-\$0.483	-\$0.817
35	Reduction to CHDP Provider Payments by 10%	-\$0.200	-\$0.200	\$0.000
	Total - All Reductions	-\$24.410	-\$39.245	\$14.835

**2008-09 Governor's Budget
Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: Increasing the Federal Reimbursement of the State-Funded Programs
through the Safety Net Care Pool

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$25,377	-\$25,377		\$0	
Governor's Budget					

Program Description

The Safety Net Care Pool (SNCP) was established on July 1, 2005, to reimburse hospitals for uncompensated care they provide to the uninsured, as part of the *Medi-Cal Hospital/Uninsured Care Demonstration* (hospital financing waiver). There are 15 positions in the department that are authorized for implementing the program. The SNCP makes \$586 million available to be claimed using the certified public expenditures of designated public hospitals (DPHs) for uncompensated care to the uninsured, and by claiming State expenditures for four State-funded health care programs (called "federalizing"). Those State-funded programs include: the California Children's Services program; the Genetically Handicapped Persons Program; the Medically Indigent Adult – Long Term Care Program; and the Breast and Cervical Cancer Treatment Program. The federalizing of the four State-funded programs allows federal funds to replace

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State General Fund (GF) for up to 50 percent of the health care costs for documented beneficiaries who receive services under these programs. The State GF freed up by the federalizing of the State-funded programs is used to provide stabilization funding for the DPHs, Non-designated Public Hospitals (NDPHs), private hospitals, and distressed hospitals, in addition to reimbursing the State for the \$32.7 million GF increase that resulted from changes to hospital reimbursement under the hospital financing waiver.

The distribution of the SNCP is based on formulas specified in section 14166 et seq. (SB 1100 (Chapter 560, Statutes of 2005)), and as amended by SB 474 (Chapter 518, Statutes of 2007). Additionally, SB 474 requires that \$100 million of the SNCP monies be allocated to the newly created South Los Angeles Medical Services Preservation Fund.

Program Reduction

The DPHs and the South Los Angeles Medical Services Preservation Fund would receive a ten percent reduction in SNCP payments. This ten percent would allow the Department to use more of the four State-funded program expenditures to claim additional Federal Financial Participation to replace GF in these four programs. The Department would not be required to use this additional GF savings for baseline or stabilization payments to the hospitals and instead would use these funds to reduce General Fund expenditures.

Reduction Impacts

In Demonstration Year 2008-09, the DPHs are estimated to receive \$542 million from the SNCP (including the South Los Angeles Medical Services Preservation Fund). The Department would reduce the amount of the SNCP payments to the DPHs and the Los Angeles County by 10 percent or \$54.2 million. The additional federal funds, based on the expenditures of the four federalized State-funded programs, will replace GF in both the Family Health and Medi-Cal budgets.

A reduction in funding to hospitals funded under the hospital financing waiver may impact the hospital safety net delivery system, which could impact Medi-Cal beneficiaries and uninsured individuals' access to services.

Any GF reductions to the State-funded programs will decrease the ability to draw down federal funds. The amount of stabilization to the NDPHs, privates, or

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distressed hospitals would not change.

Timing of Implementation

The reduction will be effective July 1, 2008.

Statutory and/or Regulatory Change

Any change in the amount to be allocated to the hospitals or a change in the calculation of SNCP funds would require legislation including notice to the federal government of this funding change.

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(Dollars in Thousands)**

**4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: CCS 10% Provider Payment Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$5,369	\$9,724		\$15,094	
Governor's Budget					

Program Description

The CCS program was established in 1927. The CCS program provides case management and authorization of services for approximately 170,000 children up to 21 years of age with an eligible medical condition, who are residents of the county in which they apply for service and are either Medi-Cal beneficiaries, Healthy Families subscribers or whose families' income is \$40,000 or less. These conditions range from prematurity, hemophilia, cancer, cerebral palsy, to trauma. A wide range of health care services are reimbursable to approved providers. Such services include inpatient hospital care, physician services, pharmaceuticals and durable medical equipment. CCS reimburses providers at Medi-Cal rates as mandated by Section 14105.18 of the Welfare and Institutions Code. There have been no recent program expansions.

The majority of the CCS program is funded by Medi-Cal. However, about 45,000 CCS children who are ineligible for Medi-Cal are funded by the CCS State Only and CCS-Health Families programs.

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Program Reduction

Fee-for-service provider payments will be reduced by 10%. The reductions will be applied to non-contract hospital and all other provider types except for certain long term care facilities.

Reduction Impacts

This proposal would conform CCS to the proposed Medi-Cal 10% provider payment reductions.

The proposed provider payment reductions may have a negative impact on provider participation in the CCS program. Certain types of pediatric specialty and subspecialty physicians are already scarce in California. Many other providers of services, such as respiratory and rehabilitative durable medical equipment (DME) and home health agency (HHA) services already refuse to provide care to CCS clients because of low reimbursement rates.

There would be a proportionate decrease in county CCS expenditures. Counties would not be supplementing provider payments.

Timing of Implementation

The reduction will be effective July 1, 2008, as required by ABX3 5 (Chapter 3, Statutes of 2008).

Statutory and/or Regulatory Change

Will require emergency regulations.

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Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

**4260 Department of Health Care Services (DHCS)
Children’s Medical Services (CMS) Local Assistance
Title: Genetically Handicapped Persons Program (GHPP) 10% Provider
Payment Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor’s Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$4,742			\$4,742	
Governor’s Budget					

Program Description

The Genetically Handicapped Persons Program (GHPP) was established in 1975. The GHPP provides comprehensive health care to persons diagnosed with certain genetically handicapping conditions, e.g., Hemophilia, Cystic Fibrosis, Sickle Cell Disease. There are approximately 1,550 clients in the GHPP program, of whom 313 are full scope Medi-Cal beneficiaries. GHPP currently has no financial eligibility limits. However, persons with incomes over 200 percent of the federal poverty level are required to pay an enrollment fee based on a sliding scale. There have been no recent program expansions.

Program Reduction

Fee-for-service provider payments will be reduced by 10%. The reductions will be applied to non-contract hospital and all other provider types except for long term care facilities.

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Reduction Impacts

The proposal would conform GHPP to the proposed Medi-Cal 10% provider payment reductions and would be implemented for provider claims adjudicated subsequent to June 30, 2008.

These payment reductions may have a impact on provider participation in the GHPP program. Certain types of specialty and subspecialty physicians are already scarce in California and this proposal may add to the challenge to find physicians to participate in the program. Some other providers of services, such as respiratory and rehabilitative durable medical equipment (DME) and home health agency (HHA) services already refuse to provide services to GHPP clients because of low reimbursement rates.

Timing of Implementation

The reduction will be effective July 1, 2008, as required by ABX3 5 (Chapter 3, Statutes of 2008).

Statutory and/or Regulatory Change

Will require emergency regulations.

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Budget-Balancing Reduction Proposal
(Dollars in Thousands)**

**4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: CCS 10% Medical Therapy Program Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$3,074			\$3,074	
Governor's Budget					

Program Description

The Medical Therapy Program (MTP), established in 1947, serves approximately 27,000 children and provides physical therapy and occupational therapy and Medical Therapy Conference (MTC) services to children who meet specific medical eligibility criteria. These services are provided by county employed therapists in a outpatient clinic settings known as a Medical Therapy Units (MTUs) that are located on a public school site. The CCS program works in conjunction with Special Education to deliver medically necessary therapy services. There is no financial eligibility limits for children receiving therapy services in the school. The therapy is considered part of the "related services" delivered through a child's Individualized Education Program (IEP) and are governed by the Federal Individuals with Disabilities Education Act and regulations, as well as state interagency statute and regulations.

There has been no recent program expansion.

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CCS State Only MTP expenditures in FY 2008-09 are expected to be \$51,238,000.

Program Reduction

There will be a total reduction of \$3,074,000 (\$3,074,000 GF) for the MTP, resulting in a layoff of a number of CCS county program therapy staff.

Reduction Impacts

The reduction and concomitant decrease in the level of therapy services available will severely impact the Local Education Agencies (LEAs) and Special Education Local Planning Areas (SELPAs) and create waiting lists for services. If the medically necessary occupational and physical therapy services 'prescribed' by the CCS MTC physician are identified in the child's IEP for delivery by CCS and CCS is unable to provide the services, then the LEA or SELPA must provide them and will bill the county CCS program for the cost of the services (at a rate that the schools pay for the services, which is in excess of the current cost to CCS). If there are no statutory changes, this proposal may result in a net increase of the cost of the MTP.

There will be an increase in requests for Fair Hearings if therapy is neither available or its provision is delayed. There would be no impact on state revenues or fees.

There will be no direct impact on the Governor's Health Care Reform Proposal.

Timing of Implementation

The reduction will be effective July 1, 2008.

Statutory and/or Regulatory Change

Will require a statute change and emergency regulations to restructure the responsible agency for the delivery and payment of therapy services identified in an IEP.

Impact on Clients/Consumers/Providers

The largest percentage of children receiving MTP services are those with cerebral palsy. Many of the children also have varying degrees of developmental

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disabilities and delays.

There will be fewer staff to provide therapy services to the same number of eligible children.

The result of this will be waiting lists for services and demands from families that CCS authorize occupational and physical therapy services for their to private sector therapy practitioners which would increase the cost of these services.

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**4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: CCS 10% Case Management Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$483	\$817		\$1,300	
Governor's Budget					

Program Description

The CCS program, established in 1927, provides case management and authorization of services for approximately 170,000 children up to 21 years of age with complex and/or chronic medical conditions. County CCS programs receive funding for support of administrative case management activities for CCS State Only and CCS-Healthy Families children in their caseloads. This funding is allocated to individual counties in conjunction with CCS/Medi-Cal federal funds.

There has been no recent program expansion.

The funding for approximately 1,700 county FTEs (statewide) is provided based on county administrative budgets approved by the CCS State Only program. The

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budgets are based uniform staffing standards and current caseload projections for the budget period.

Program Reduction

Fee-for-service provider payments will be reduced by 10%. The reductions will be applied to non-contract hospital and all other provider types except for certain long term care facilities.

Reduction Impacts

This reduction will likely impact CCS programs processing time for eligibility determinations, determining medically necessary services, and authorizing services. There will be no direct impact on other health care programs. If counties reduce staffing levels in response to this reduction, they could face challenges depending on the provisions of their collective bargaining agreements with employee unions.

Timing of Implementation

The reduction will be effective July 1, 2008.

Statutory and/or Regulatory Change

This proposal will not require a statute change or the adoption of regulations.

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(Dollars in Thousands)**

**4260 Department of Health Care Services (DHCS)
Children's Medical Services (CMS) Local Assistance
Title: CHDP 10% Provider Payment Reduction**

	GF	FF	Other	Total Reductions	PY Reduction
<u>2007-08</u>					
Workload Budget					
Reductions					
Governor's Budget					
<u>2008-09</u>					
Workload Budget					
Reductions	\$200			\$200	
Governor's Budget					

Program Description

The CHDP Program, established in 1975, provides periodic health assessments, laboratory screenings and immunizations for children not eligible for Medi-Cal or Healthy Families and whose family's income is 200% of the Federal Poverty Level or less. The local (county or city) CHDP programs are required to provide care coordination, linking children identified with problems at the time of a health assessment with necessary follow-up care.

Program Reduction

CHDP State Only provider service expenditures will be reduced by 10%.

Reduction Impacts

The provider payment reduction could result in decreased access to CHDP health assessments and immunizations for children who meet program eligibility requirements. CHDP programs will have reduced ability to do the necessary follow-up to ensure children get the treatment necessary to address conditions

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detected during their health assessments.

There will be no direct impact on other programs or on state revenues or fees. If counties need to reduce staffing levels, they may face challenges depending on the requirements of labor bargaining agreements.

Timing of Implementation

The reduction will be effective July 1, 2008.

Statutory and/or Regulatory Change

This proposal will not require a change in state statute or emergency regulations.