



2021-22 Governor's May Revision

Department of Health Care Services Highlights

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Governor
State of California**

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DEPARTMENT OF HEALTH CARE SERVICES OVERVIEW

The mission of the state Department of Health Care Services (DHCS) is to provide Californians with access to affordable, integrated, high-quality health care including medical, dental, mental health, substance use disorder treatment services, and long-term care. To fulfill its mission, the Department finances and administers a number of individual health care service delivery programs, including the state's Medicaid Program (Medi-Cal), which provides health care services to low-income persons and families who meet defined eligibility requirements. This important state/federal partnership provides vital health care to nearly 14 million or about one in three Californians.

The Department also administers programs for special populations and several other non-Medi-Cal programs, including:

- Genetically Handicapped Persons Program, California Children's Services Program, and Newborn Hearing Screening Program for low-income and seriously ill children and adults with specific genetic diseases.
- Indian Health, the Rural Health Services Development Program, the Seasonal Agricultural and Migratory Workers Program, the State Office of Rural Health, the Medicare Rural Hospital Flexibility Program / Critical Access Hospital Program, the Small Rural Hospital Improvement Program, and the J-1 Visa Waiver Program for Californians in rural areas and for underserved populations.
- Licensing and certification, monitoring, and complaints for Driving-Under-the-Influence Programs, Narcotic Treatment Programs, and outpatient and residential treatment providers. DHCS also oversees and conducts complaint investigations on certified Alcohol and Other Drug counselors.
- Community mental health services and substance use disorder treatment services funded by federal block grants, the Mental Health Services Fund, and other funding sources.
- Public health, prevention, and treatment programs provided via the Every Woman Counts Program, the Prostate Cancer Treatment Program, and the Family Planning Access Care and Treatment Program.

GENERAL BUDGET OVERVIEW

The budget for DHCS supports vital services that reinforce the state's commitment to preserve and improve the overall health and well-being of all Californians while operating within a responsible budgetary structure. For Fiscal Year (FY) 2021-22, the May Revision proposes a total of \$129.2 billion for the support of DHCS programs and services. Of that amount, \$1.3 billion funds state operations (DHCS operations), while \$128.0 billion supports local assistance (funding for program costs, partners, and administration).

Total DHCS Budget

(Includes non-Budget Act appropriations)

Fund Source*	FY 2020-21 Enacted Budget	FY 2020-21 Revised Budget	FY 2021-22 May Revision
Local Assistance (LA)			
LA General Fund	\$ 23,947,370	\$ 21,763,947	\$ 27,974,747
LA Federal Funds	\$ 76,468,585	\$ 79,650,657	\$ 83,744,280
LA Special Funds	\$ 15,818,531	\$ 15,738,563	\$ 15,066,758
LA Reimbursements	\$ 1,795,778	\$ 2,035,128	\$ 1,180,334
Total Local Assistance	\$ 118,030,264	\$119,188,295	\$ 127,966,119
State Operations (SO)			
SO General Fund	\$ 260,410	\$ 251,144	\$ 300,880
SO Federal Funds	\$ 490,874	\$ 476,743	\$ 545,665
SO Special Funds	\$ 187,121	\$ 206,728	\$ 385,658
SO Reimbursements	\$ 21,421	\$ 21,128	\$ 21,291
Total State Operations	\$ 959,826	\$ 955,743	\$ 1,253,494
Total Funds			
Total General Fund	\$ 24,207,780	\$ 22,015,091	\$ 28,275,627
Total Federal Funds	\$ 76,959,459	\$ 80,127,400	\$ 84,289,945
Total Special Funds	\$ 16,005,652	\$ 15,945,291	\$ 15,452,416
Total Reimbursements	\$ 1,817,199	\$ 2,056,256	\$ 1,201,625
Total Funds	\$ 118,990,090	\$120,144,038	\$ 129,219,613
<i>* Dollars in Thousands</i>			

NEW MAJOR BUDGET ISSUES AND PROPOSALS**Significant Investments in Children and Youth Behavioral Health**

In addition to the \$750 million for Behavioral Health Continuum Infrastructure Funding and \$400 million for increased access to student behavioral health services proposed in the Governor's January Budget, the May Revision includes significant investments in behavioral health services for children and youth, under the new Children and Youth Behavioral Health Initiative. These investments include:

- **Statewide Behavioral Health Services and Supports** – The Department will procure a business services vendor to implement an all-payer behavioral health direct service and supports virtual platform to be integrated with screening, app-based supports, and direct behavioral health services for children and youth age 25 and younger. The direct service platform would support regular automated screenings and self-monitoring tools, and would develop age appropriate and culturally competent tools and services to help families navigate how to access help, regardless of payer source. The platform would use a tiered model to deliver and monitor behavioral health treatment so that the most effective, least resource-intensive treatment is delivered first (such as educational resources, app based care, videos, book suggestions, automated cognitive behavioral health therapy, or mindfulness exercises). If the consumer's needs are not met, the care steps up to interpersonal interactions – one-time or a short series of sessions with an age-appropriate trained peer or behavioral health coach. If needed, care is further stepped up to virtual professional counselor sessions or connection to the health plan (or county behavioral health plan for some Medi-Cal services) for more intensive clinical services, using a facilitated hand-off. The business services platform would also facilitate a statewide e-consult service to allow primary care pediatric and family practice providers to receive asynchronous support and consultation to manage behavioral health conditions for their patients in their practices. The budget includes \$83 million Coronavirus Fiscal Recovery Fund (CFRF) for FY 2021-22, \$107 million CFRF for FY 2022-23, \$156 million (\$125 million General Fund and \$31 million federal funds) in FY 2023-24, \$180 million (\$144 million General Fund and \$36 million federal funds) in FY 2024-25, \$224 million (\$179 million General Fund and \$45 million federal funds), and growing in the out years.
- **Capacity and Infrastructure Grants for Behavioral Health Services in Schools** – The May Revision proposes to build infrastructure, partnerships, and capacity statewide to increase access to ongoing behavioral health prevention and treatment services on or near school campuses, by expanding access to BH schools counselors, peer supports, and BH coaches; building a statewide community-based organization network; and connecting commercial insurance plans and Medi-Cal managed care plans, counties, community-based organizations, and schools via data sharing systems. The budget includes \$100 million CFRF for FY 2021-22 and \$450 million CFRF for FY 2022-23.
- **Grants to Support Development and Expand Age-Appropriate and Evidence-Based Behavioral Health Programs for Children and Youth** – The May Revision proposes the development, scale-up, and spread of evidence-based interventions proven to improve outcomes for children and youth. Under this proposal grants would be issued to Medi-Cal behavioral health systems, tribal entities, health care service plans, Medi-Cal managed care plans, community-based organizations, and behavioral health providers to support

implementation of evidence-based behavioral health treatment services for children and youth. Grants for Medi-Cal behavioral health systems would be administered through DHCS' Behavioral Health Quality Improvement Project (BHQIP). Grants and incentives for tribal entities, health care service plans, Medi-Cal managed care plans, community-based organizations, and behavioral health providers would be administered through a third-party grant administrator, obtained through a Request for Proposals by the Department. The budget includes \$10 million CFRF for FY 2021-22 and \$429 million CFRF for FY 2022-23.

- Behavioral Health Continuum Infrastructure Program – Funding is allocated to provide competitive grants to qualified entities to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. The Budget includes \$2.455 billion total funds over three years for the Behavioral Health Continuum Infrastructure Program. Of this amount, a minimum of \$255 million total funds is available for increased infrastructure targeted to individuals age 25 and younger (and is considered part of the Children and Youth Behavioral Health Initiative) and a minimum \$250 million General Fund is available for individuals with a serious mental illness who are deemed Incompetent to Stand Trial (IST).
- Provider Training – The Children and Youth Behavioral Health Initiative includes \$50 million one-time CFRF for pediatric, primary care, and other health care provider training in FY 2022-23.
- Dyadic Services Benefit in Medi-Cal – This is a new statewide benefit that provides integrated physical and behavioral health screening and services to the whole family. This model of care has been proven to improve access to preventive care for children, rates of immunization completion, coordination of care, child social-emotional health and safety, developmentally appropriate parenting, and maternal mental health. The budget includes \$200 million total funds (\$100 million General Fund) ongoing.

The Department has proposed trailer bill language as part of the May Revision related to the Children and Youth Behavioral Health Initiative and the Behavioral Health Continuum Infrastructure program.

In addition, the Department will continue CalHOPE Student Support after current federal funding expires. Specifically, the CalHOPE Student Support program provides training to give teachers and staff the skills to prepare a healthy learning environment for children, to be able to easily identify signs of stress and poor functioning, provide support for children and youth, and refer to more intensive services where needed. The Department previously partnered with the California Mental Health Services Authority to subcontract with the Sacramento County of Education (SCOE) and provided \$6.8 million to SCOE to establish the CalHOPE Student Support program. The budget includes \$45 million one-time CFRF for FY 2021-22.

Health Equity

The COVID-19 pandemic and movement for greater racial justice have once again laid bare the health disparities plaguing disadvantaged communities. Equity has been a key focus of the Administration's response to COVID-19. DHCS is committed to advancing diversity, equity, and inclusion both within our organization and on behalf of the Californians we serve. The

Department will support future policy and program efforts to close health equity gaps, including but not limited to, partnership on the California Health and Human Services Agency-wide Equity Dashboard, the implementation of the California Advancing and Innovating Medi-Cal (CalAIM) initiative including establishing a Quality and Population Health Management program, the upcoming Medi-Cal Managed Care Plan procurement, payment reform efforts, and coverage of continuous glucose monitors and permanent telehealth flexibilities as proposed in the Governor's January Budget. The May Revision builds on these efforts and includes funding for the following initiatives related to health equity:

- Expand Medi-Cal Coverage for Older (60+) Undocumented Adults – California currently provides full scope Medi-Cal benefits to eligible individuals under 26 years of age, regardless of immigration status. Additionally, for the upcoming year, existing law requires the expansion of Medi-Cal full scope coverage to individuals who are 65 years of age and over who do not have satisfactory immigration status be prioritized for inclusion in the upcoming FY 2021-22 budget. Because of the health benefits, including improving health outcomes for immigrants, DHCS proposes to expand full scope Medi-Cal coverage for adults 60 years and over regardless of immigration status, after the DHCS Director determines that systems have been programmed for implementation, but no sooner than May 1, 2022. The budget includes costs of \$68 million total funds (\$50 million General Fund). The Department has proposed trailer bill language as part of the May Revision related to the expansion of Medi-Cal to older (60+) undocumented adults.
- Doula Benefit – DHCS proposes to add doula services as a preventive benefit in Medi-Cal. Doula services include personal support to pregnant individuals and families throughout pregnancy, labor, and the postpartum period. Research suggests that the doula benefit can result in offsetting savings, due to avoidance of preterm births and cesarean deliveries. The May Revision does not assume cost savings; however, such savings could accrue as reductions in base expenditures materialize over time. The budget includes \$402,584 total funds (\$152,043 General Fund) in FY 2021-22 for the doula benefit, implementing January 1, 2022.
- Community Health Workers (CHWs) – DHCS proposes to add CHWs to the class of skilled and trained individuals who are able to provide clinically appropriate Medi-Cal covered benefits and services. CHWs are skilled and trained health educators who work directly with individuals and families who may have difficulty understanding and/or interacting with health care providers due to cultural and/or language barriers and can assist those individuals by helping them navigate the relationship with their health care providers, assist them in accessing health care services, provide vital health education, and connect individuals and families with other community-based resources. CHWs can bridge gaps in communication and reduce health and mental health disparities experienced by vulnerable communities in California. The budget includes costs of \$16.3 million total funds (\$6.2 million General Fund) in FY 2021-22 for CHWs, implementing January 1, 2022.

California Advancing and Innovating Medi-Cal (CalAIM)

The Governor's January Budget proposed a significant General Fund investment for the California Advancing and Innovating Medi-Cal (CalAIM) initiative to reform the Medi-Cal delivery, program, and payment system to improve beneficiary health outcomes and create long-term

cost savings/avoidance. The May Revision continues support for CalAIM, with \$1.6 billion total funds (\$673 million General Fund) proposed for FY 2021-22, growing to \$1.5 billion total funds (\$746.6 million General Fund) in FY 2022-23. Amounts proposed for CalAIM, with minor changes from the Governor's Budget, are listed below.

CalAIM Proposal	FY 2021-22		FY 2022-23 ^a	
	Total Funds	General Fund	Total Funds	General Fund
Enhanced Care Management	\$187.5	\$93.8	\$466.7	\$233.3
In Lieu of Services	\$47.9	\$24.0	\$115.0	\$57.5
Incentives	\$300.0	\$150.0	\$600.0	\$300.0
Transitioning Populations	\$401.6	\$174.7	\$0	\$0
Dental Preventive Services	\$59.5	\$29.8	\$119.1	\$59.5
Dental Continuity of Care	\$43.5	\$21.7	\$87.0	\$43.5
Dental Caries Risk Assessment	\$12.1	5.0	\$24.2	\$9.9
Dental Silver Diamine Fluoride	\$1.1	\$0.5	\$2.1	\$1.0
Behavioral Health Quality Improvement Program	\$21.8	\$21.8	\$32.1	\$32.1
Carve Organ Transplant into Managed Care	\$4.7	\$1.4	\$0.9	\$0.3
Carve Multipurpose Senior Services Program Out to FFS	\$1.6	\$0.8	\$0	\$0
Carve Specialty Mental Health Services Out of Managed Care Statewide	-\$4.8	-\$2.3	-\$5.3	-5.2
Population Health Management ^b	\$300.0	\$30.0	\$0	\$0
Medi-Cal Providing Access and Transforming Health (PATH) ^b	\$200.0	\$100.0	\$0	\$0
Medically Tailored Meals Augmentation	\$9.3	\$9.3	\$0	\$0
State Operations Funding	\$38.9	\$12.5	\$43.2	\$14.7
Totals	\$1,624.7	\$673.0	\$1,485.0	\$746.6

*Dollars in Millions

a. Only reflects impacts of CalAIM policies proposed to implement in FY 2021-22.

b. Proposed to have multiyear expenditure authority.

The May Revision adds key new components to the CalAIM proposal as noted below and The Department has proposed revised trailer bill language as part of the May Revision related to CalAIM.

- Medi-Cal Population Health Management** – The Department will procure a business solution that will utilize administrative and clinical data and information for the Department, Managed Care Plans, counties, providers, beneficiaries, and other partners to use in support of the delivery of care for all Medi-Cal beneficiaries. Throughout the Medi-Cal program, many of the services are provided and maintained through individual administrative functions and there is no single process to bring these services together and provide a holistic approach to delivering Medi-Cal to Californians. The PHM service would provide, at a high-level:

- Standardized, statewide risk stratification and indicate a risk tier (e.g., low, medium, rising, and high) as outlined in CalAIM to guide service delivery and case management services.
- Support the identification of gaps in care based on a standardized approach, which include the use of quality metrics, U.S. Preventive Services Task Force (USPSTF) recommendations, disease management and clinical protocols for plans, providers and beneficiaries to help optimize preventive care and chronic care disease management and drive clinical outcomes.
- Support the identification of gaps in beneficiary referrals (e.g., pregnant women not on WIC) to help optimize enrollment in eligible programs and address social determinants of health.
- Flag candidates for potential case management and indicate levels (e.g., basic, complex, or Enhanced Case Management) to result in improved care coordination, more appropriate health care utilization, and reduced low-value/high cost care.
- Provide beneficiary specific care manager and contact information and promote collaboration across program and administrative silos.
- Support information sharing among Medicare and Medi-Cal health plans and providers, to meet federal requirements and provide better, more coordinated care for dually eligible beneficiaries.
- Contain all Medi-Cal standard assessments to streamline impact to beneficiaries being provided multiple assessments. Support the initial and annual maintenance of assessments.
- Provide information about social determinates of health.
- Allow for population health analytics to help guide local interventions as well as inform DHCS policy.
- Provide health education and tips to beneficiaries and empower beneficiaries to be owners of their own health care and information.
- Allow beneficiaries to access a comprehensive longitudinal patient record.
- Allow longitudinal information about beneficiaries to be available to health care providers, plans, and other DHCS programs such that care can still be optimized even as beneficiaries may switch providers, plans or counties of residence.

This new service will provide access to necessary information for many different parties, utilizing standard policies in an effort to limit the burden on beneficiaries when receiving services and support the many programs in Medi-Cal through a standardized approach. The budget includes \$300 million total funds (\$30 million General Fund) for local assistance funding and \$15 million total funds (\$1.5 million General Fund) for state operations. The Department has proposed trailer bill language as part of the May Revision related the CalAIM initiative.

- **Providing Access and Transforming Health (PATH)** – This will support a multi-year effort to shift delivery systems and advance the coordination and delivery of quality care of services authorized in the Department’s Section 1115 and 1915(b) waivers. The budget provides funding for justice-involved initiatives within the PATH supports. Justice focused

PATH supports are intended to provide on-the-ground capacity support to facilitate the justice-involved initiatives, enabling coordination among justice-involved agencies, Medi-Cal, plans, and providers to ensure effective pre-release care for justice-involved populations. The budget includes \$200 million total funds (\$100 million General Fund).

- **Medically Tailored Meals Pilot Program Augmentation** – The budget includes \$1.7 million General Fund in FY 2020-21 and \$10.6 million General Fund in FY 2021-22. For 2021-22, this reflects the Department receiving an additional one-time budget allocation of \$9.3 million to provide the medically tailored meal intervention services available through the Pilot to a broader population. The one-time budget allocation is separate from the funds allocated to the previous Medically Tailored Meals Pilot and will not be included in the Pilot evaluation report. The one-time budget allocation expands the eligible population to include Medi-Cal participants with diabetes, chronic obstructive pulmonary disease, renal disease, chronic kidney disease, cancer, and malnutrition. The one-time budget allocation also adds Fresno, Kings, Madera, Santa Cruz, and Tulare counties to the Pilot program service area. The Department has proposed trailer bill language as part of the May Revision related to medically tailored meals.

Accelerated Enrollment for Adults

The Department proposes to expand accelerated enrollment to adults, ages 19 through 64, using the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) at the time of application. Accelerated enrollment for adults provides immediate and temporary benefits while income verifications are pending. The budget includes costs of \$14.3 million total funds (\$7.2 million General Fund) in FY 2021-22.

American Rescue Plan Act (ARPA) of 2021

On March 11, 2021, the President signed the ARPA, which included funding to state and local governments. The funds are distributed to states, tribes, and territories based on a formula that considers the state's share of the nation's unemployment. The ARPA funds can be used for specific purposes including addressing public health impacts, negative economic impacts, and water, sewer, and broadband. State and local governments have until December 31, 2024 to expend the funds. DHCS has included several proposals in the May Revision utilizing the ARPA funds received by California to fund various programs.

- Medi-Cal Eligibility Extension for Postpartum Individuals – The May Revision includes \$90.5 million total funds (\$45.3 million General Fund) to adopt a new federal option under ARPA to provide postpartum benefits for an additional 12 months following the last day of pregnancy, effective April 1, 2022. (Adopting this policy reduces costs by \$11 million in FY 2021-22 for the state's existing provisional postpartum care extension item due to the overlap in covered populations.) The Department has proposed trailer bill language as part of the May Revision related to the Medi-Cal extension for postpartum individuals.
- Increased Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant Funding – ARPA included funding for a variety of mental health and substance use disorder services. Funding is included for prevention and treatment services, training, workforce development, and community-based services. DHCS expects to receive ARPA funding through SAMHSA for behavioral health prevention, treatment, and recovery

service expenditures due to the impacts of COVID-19. At the time of this publication, DHCS has not received notification of an allocation, but the Department expects that the funding will be available for at least two years. DHCS is currently awaiting further guidance from SAMHSA and has not included an estimate of additional SAMHSA funds in the May Revision.

- Increased Federal Funding for Home and Community-Based Services (HCBS) - The ARPA provides for the federal share of cost for certain HCBS (including behavioral health services) to be increased by 10-percent. Federal guidance on this policy is pending; however, this ARPA provision could provide billions of dollars of additional federal assistance for HCBS programs. The Administration plans to continue discussions with federal partners and stakeholders on how to utilize the funds once more details are provided by the Centers for Medicare and Medicaid Services (CMS). The Department has not included an estimate of ARPA funding related to HCBS in the May Revision.
- Changes to Disproportionate Share Hospital (DSH) Payments – The May Revision assumes an increase in payments to disproportionate share hospitals (through the traditional DSH program, through the private hospital DSH replacement program, and the Global Payment Program) of \$1.1 billion total funds (\$105 million General Fund) in FY 2021-22 due to changes to federal allotments for disproportionate share hospitals under ARPA changes related to safety net care pool funding for the Global Payment Program.

Optional Benefits, Proposition 56, and Provider Rates

The May Revision proposes to permanently remove all suspensions of Proposition 56 payments and optional benefits currently in law.

The May Revision includes the costs of eliminating the AB 97 (Chapter 3, Statutes of 2011) rate freeze for Intermediate Care Facilities for Developmentally Disabled (ICF/DD) ICF/DD-Habilitative, ICF/DD-Nursing, and Freestanding Pediatric Subacute facilities (FS-PSA). Increased reimbursement rates for these facilities shall account for and be inclusive of Proposition 56 supplemental payments. The budget includes \$24 million total funds (\$11 million General Fund) for this purpose.

The Department has proposed trailer bill language as part of the May Revision related to program suspensions, adult optional benefits and elimination of the AB 97 rate freeze as described above.

COVID-19

The effects of the COVID-19 pandemic are unprecedented in modern times from a public health and economic perspective and continue to impact the State of California. In particular, the COVID-19 pandemic has had significant impacts on Medi-Cal. The May Revision reflects significant fiscal impacts related to COVID-19, including \$5.6 billion in total costs (\$1.7 billion General Fund savings) in FY 2020-21 and \$12.1 billion total funds costs (\$598 million General Fund costs) in FY 2021-22. These amounts reflect the net impact of a variety of factors, including:

- Reduced Estimated Caseload Impact – The Medi-Cal caseload is increasing because of the COVID-19 pandemic. The federal Families First Coronavirus Response Act (FFCRA) requires that the state implement a “continuous coverage requirement” under which Medi-Cal beneficiaries may be disenrolled only under very limited circumstances. Reducing the number of disenrollments causes the caseload to grow. Second, difficult labor market conditions related to the pandemic result in individuals experiencing the loss of income, employment, and health coverage, leading to additional individuals qualifying for and enrolling in Medi-Cal. With additional months of data on actual caseload growth, the May Revision continues to assume sustained caseload growth through December 2021 due to the pandemic, but at lower levels than assumed at the time the Governor’s January Budget was released. The May Revision assumes that the average Medi-Cal caseload will be about 13.6 million beneficiaries in FY 2020-21, with associated cost increases of \$4.2 billion total funds (\$1.1 billion General Fund). In FY 2021-22, the budget assumes that the average Medi-Cal caseload will increase to about 14.5 million beneficiaries, with associated cost increases of \$9.4 billion total funds (\$2.5 billion General Fund). This reflects a reduction in costs of \$5.4 billion total funds (\$2.5 billion General Fund) across FY 2020-21 and FY 2021-22, compared to the Governor’s January Budget.
- Testing in Schools – The May Revision includes \$209.6 million total funds (\$96 million General Fund) in FY 2020-21 and \$575.5 million total fund (\$265 million General Fund) to pay for COVID-19 tests administered to Medi-Cal enrolled children in schools. These amounts are adjusted to avoid double counting the impact of the increased federal medical assistance percentage (FMAP) available under the FFCRA.
- Vaccine Administration Costs – As part of ARPA, the federal government assumed full responsibility to cover vaccine administration costs in Medi-Cal beginning April 1, 2021. In light of this change, and revised assumptions about the pace of vaccination among Medi-Cal beneficiaries, the budget includes \$104 million total funds (\$24 million General Fund) in FY 2020-21 and \$730 million total funds (\$12 million General Fund) in FY 2021-22 to cover vaccine administration costs. These amounts are adjusted to avoid double counting the impact of increased FMAP available under the FFCRA. (Note that manual processes to claim 100-percent federal funding for vaccine administration will lag behind payments, such that some General Fund costs are budgeted in FY 2021-22, to be recovered in the following fiscal year.)
- Funding for County Redeterminations – The May Revision includes \$73 million total funds (\$37 million General Fund) in each FY 2021-22 and FY 2022-23 to support increased county workload to redetermine eligibility for individuals that remained enrolled in Medi-Cal due to the continuous coverage requirement during the COVID-19 public health emergency.
- Other COVID-19 Response Impacts – This reflects a number of other costs and savings related to COVID-19, including savings from reduced utilization in the FFS delivery system and costs related to various flexibilities put in place to respond to the pandemic, such as temporarily increased provider rates. The budget includes a net savings of \$53.7 million total funds (\$77.3 million General Fund savings) in FY 2020-21 and a net cost of \$711.5 million total funds (\$143.0 million General Fund cost) in FY 2021-22.

- Increased Federal Funding under the FFCRA – The FFCRA provides additional federal matching funds for Medi-Cal tied to the federal public health emergency, which offset what otherwise would be state General Fund costs. The budget continues to assume this increased federal funding will be available through December 2021. The budget includes \$4.4 billion in increased federal funding, with offsetting General Fund savings in the DHCS budget of \$2.6 billion in FY 2020-21. For FY 2021-22, the budget includes \$3.6 billion in increased federal funding, with offsetting General Fund savings in the DHCS budget of \$2.3 billion. (The difference between increased federal funding and General Fund savings reflects offsetting savings to special funds, local funds, and General Fund in other departments' budgets.)
- Support for Public Safety Net Hospitals from ARPA Funds – During the COVID-19 pandemic, designated public hospitals (DPHs) have been integral to the public health response effort, including their efforts to increase surge capacity, rapidly expand and deploy testing, assist in the development and distribution of vaccines, and serve vulnerable populations and communities of color. The May Revision includes \$300 million from ARPA funds to pay direct grants to DPHs in support of their health care expenditures. The Department has proposed trailer bill language as part of the May Revision related to American Rescue Plan Act grants for DPHs.
- Telehealth - As part of the Administration's proposal to extend telehealth flexibilities utilized during the pandemic, while providing assurances of appropriate access to in-person care, DHCS will establish rates for audio-only telehealth that is set as 65% of the Medi-Cal rate for the service rendered in fee-for-service, and comparable alternative to prospective payment system (PPS) rates for clinics to maintain an incentive for in-person care. Only providers located in California or border communities and able to provide in-person services to each client served by synchronous and audio-only telehealth can claim Medi-Cal reimbursement for the service. DHCS will consult with subject matter experts to establish utilization management protocols for all telehealth services prior to implementation of post-pandemic telehealth services. The Department has proposed trailer bill language as part of the May Revision related revised telehealth policy.

Medi-Cal Rx

In January 2021, Centene Corporation announced that it plans to acquire Magellan Health, the state's contracted vendor to transition pharmacy from managed care to fee-for-service pursuant to Executive Order N-01-19. The proposed acquisition was unexpected and requires additional time for exploration of acceptable conflict avoidance protocols to ensure there will be acceptable firewalls between corporate entities to protect the pharmacy claims data of all Medi-Cal beneficiaries and other proprietary information. A revised timeline for the pharmacy benefit transition has not yet been determined. In light of this uncertainty, the May Revision assumes that the transition will take place January 1, 2022, for budgeting purposes only. Under these placeholder estimates, Medi-Cal Rx is expected to result in ongoing annual savings of \$859 million total funds (\$309 million General Fund). Due to the timing various Medi-Cal Rx impacts, the May Revision assumes temporary costs of \$32 million total funds (\$14 million General Fund) in FY 2020-21 and \$363 million total funds (\$134 million General Fund) in FY 2021-22.

Medication Therapy Management (MTM) Program

The May Revision includes \$12 million total funds (\$4 million General Fund) to implement a Medication Therapy Management (MTM) Program for Specialty Pharmacy Services, effective July 1, 2021. MTM is a distinct service or group of services provided by pharmacists, and is especially effective for patients with complex medication therapies, high prescription costs, or having other risk factors that may result in impediments to patient compliance and adherence. A comprehensive MTM service model contains five key elements: a medication therapy review of the beneficiary's current medications, creation of a personal medication record, development of a medication-related action plan, ongoing interventions and/or referrals to other appropriate health care providers, and documentation of all actions provided by the pharmacy and the associated follow-ups. The Department has proposed trailer bill language as part of the May Revision related to the MTM program.

Out-of-State Foster Youth

In late 2020, the California Department of Social Services discontinued certification of all out-of-state facilities for foster youth placements due to patterns of failures to meet California standards. As a result, approximately 130 youth in foster care returned to California from out-of-state placements in January 2021. These returning youth have a higher level of need and require more intensive specialty mental health services than the typical youth in foster care. The May Revision includes \$5 million total funds (\$2 million General Fund) in FY 2020-21 and \$18 million total funds (\$9 million General Fund) in FY 2021-22 to provide specialty mental health services to foster youth returning from out of state and other youth with similar level of needs that otherwise would have been placed out of state.

Restoration of Dental Fee-For-Service (FFS) in Sacramento and Los Angeles Counties

DHCS is committed to increasing Medi-Cal beneficiary utilization of dental services statewide. The May Revision includes transitioning to an entirely fee-for-service environment allowing DHCS to implement more effective and uniform provider and beneficiary outreach on a statewide basis. The restoration of FFS in Sacramento and Los Angeles counties would occur January 1, 2022. The budget includes net savings of \$20 million total funds (\$8 million General Fund.) The Department has proposed trailer bill language as part of the May Revision related to the elimination of dental managed care.

Health Information Exchange (HIE) Interoperability

In February 2016, CMS notified states of opportunities to draw down enhanced federal funding to implement activities to promote HIE and encourage the adoption of certified Electronic Health Record (EHR). This program was known as Cal-HOP and approved by CMS in February 2020. The Cal-HOP program was constructed based on the CMS guidance and will support Health Information Organizations (HIO) onboarding and technical assistance as well as establish interfaces between HIOs and Controlled Substance Utilization Review and Evaluation System (CURES). The Cal-HOP program and associated federal funds approval ends in September 2021, and the Department will request federal approval for enhanced federal funds to use the unspent General Fund to support other interoperability and data exchange efforts for Medi-Cal beneficiaries. The budget includes costs of \$4 million total funds (\$0.5 million General Fund) in FY 2020-21 and \$47 million total funds (\$5 million General Fund) in FY 2021-22.

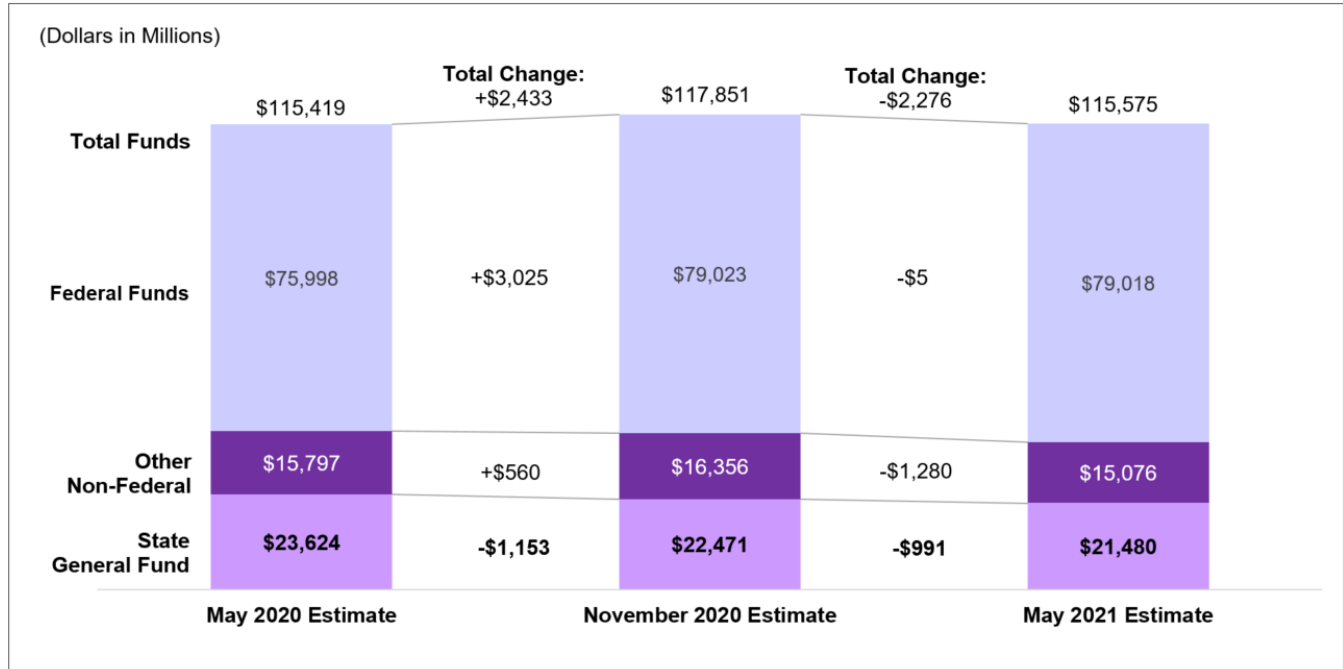
Office of Statewide Health Planning and Development Recast and Modernization

In order to support the proposed recast and modernization of the Office of Statewide Health Planning and Development, the Department requests a decrease of 4.0 positions and a reduction of \$1.9 million total funds (\$690,000 General Fund) in FY 2021-22 and ongoing to shift the State Office of Rural Health and J-1 Visa Waiver Program from DHCS to the Office of Statewide Health Planning and Development, proposed to be renamed the Department of Health Care Access and Information.

SUMMARY OF MEDI-CAL LOCAL ASSISTANCE ESTIMATE INFORMATION

DHCS estimates Medi-Cal spending to be \$115.6 billion total funds (\$21.5 billion General Fund) in FY 2020-21 and \$123.8 billion total funds (\$27.6 billion General Fund) in FY 2021-22. This does not include Certified Public Expenditures of local governments or General Fund of other state departments.

FY 2020-21 Comparison



The May 2021 Estimate for FY 2020-21 projects a \$2.3 billion decrease in total spending and a \$991 million decrease in General Fund spending compared to the November 2020 Estimate. This reflects a 1.9-percent decrease in estimated total spending and a 4.4-percent decrease in estimated General Fund spending for FY 2020-21.

Compared to the May 2020 Estimate (the FY 2020-21 Budget Act), the May 2021 Estimate is up \$155 million total funds and down \$2.1 billion General Fund for FY 2020-21.

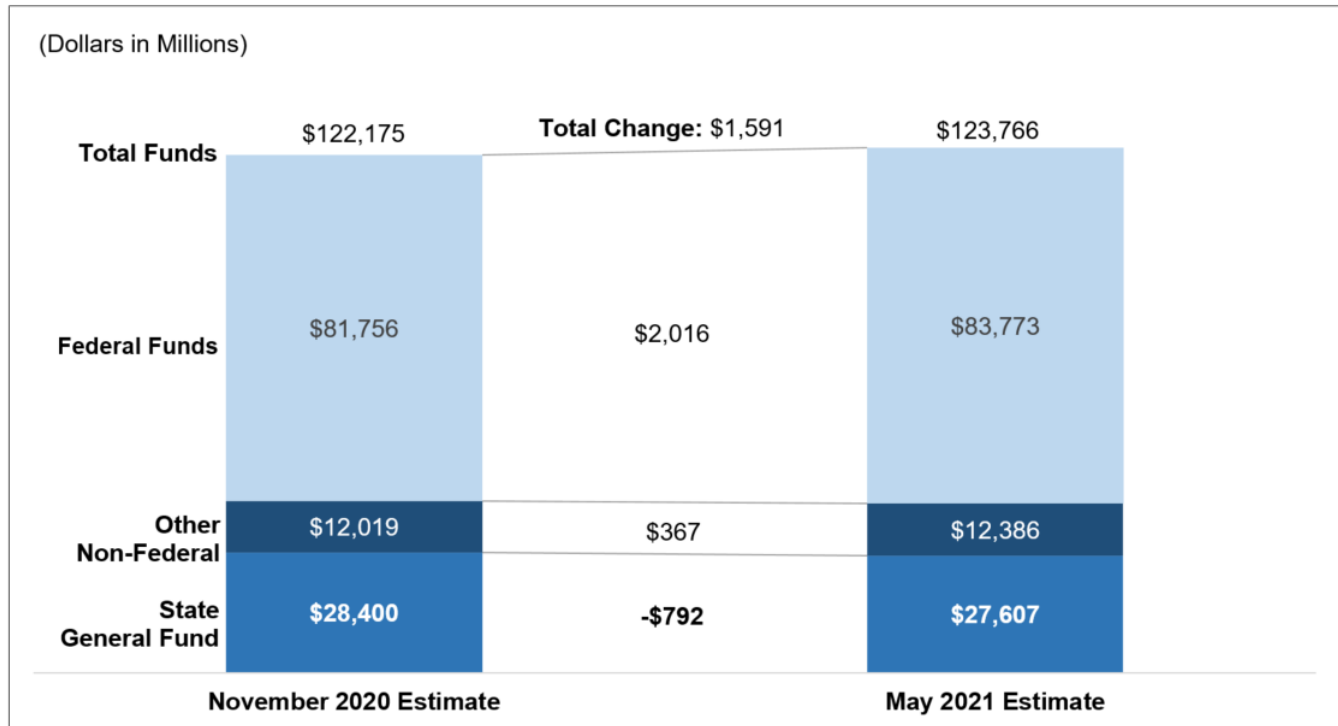
Following are the major drivers of the change in estimated General Fund spending in FY 2020-21 between the November 2020 and May 2021 Estimates.

- -\$541 million related to changes in deferred claims.
- -\$520 million related to changes in payments related to state only claiming.
- -\$435 million related to COVID-19 impacts.
- -\$112 million related to accelerated claiming of Designated State Health Program funds.
- -\$47 million related to the change in the Medi-Cal Rx implementation timeline.
- \$33 million to remove caseload savings due to minimum wage increases.
- \$49 million due to the delay in implementation of pharmacy retroactive adjustments.
- \$62 million from the shift of audit settlements from FY 2021-22 to FY 2020-21.
- \$79 million from the delay of the Affordable Care Act (ACA) DSH reduction.

- \$118 million due to a reduced transfer from the Long-Term Care Quality Assurance Fee to the General Fund.
- \$222 million to create a reserve in the Medi-Cal Drug Rebate Fund.

For more information on the major drivers of changes in estimated General Fund spending in FY 2020-21, see the May 2021 Medi-Cal Local Assistance Estimate available on the DHCS website.

FY 2021-22 Comparison



For FY 2021-22, the May 2021 Estimate projects a \$1.6 billion increase in total funds expenditures and a \$792 million decrease in General Fund expenditures compared to the previous Estimate. This reflects a 1.3-percent increase in estimated total funds and a 2.8-percent decrease in General Fund costs.

Following are the major drivers of changes in estimated General Fund spending in FY 2021-22 between the November 2020 and May 2021 Estimates:

- \$183 million related to various May Revision proposals.
- -\$1.8 billion related to COVID-19 impacts.
- -\$236 million primarily due to increased availability of Proposition 56 revenues to cover supplemental payment costs.
- -\$99 million related to changes in payments related to state only claiming.
- -\$60 million related to the shift of audit settlement payments from FY 2021-22 to FY 2020-21.
- -\$42 million due to the delay in implementation of pharmacy retroactive adjustments.
- \$116 million from increases in retroactive managed care rate adjustments
- \$126 million to remove caseload savings due to minimum wage increases.

- \$159 million related to accelerated claiming of Designated State Health Program funds.
- \$189 million from the delay of the Affordable Care Act (ACA) DSH reduction.
- \$240 million related to changes in deferred claims.
- \$372 million related to changes in the Medi-Cal Rx implementation timeline.

In FY 2021-22, the Medi-Cal Estimate also includes \$828 million from the Coronavirus Fiscal Recovery Fund of 2021, to support a variety of new proposals, including the following items described in previous sections:

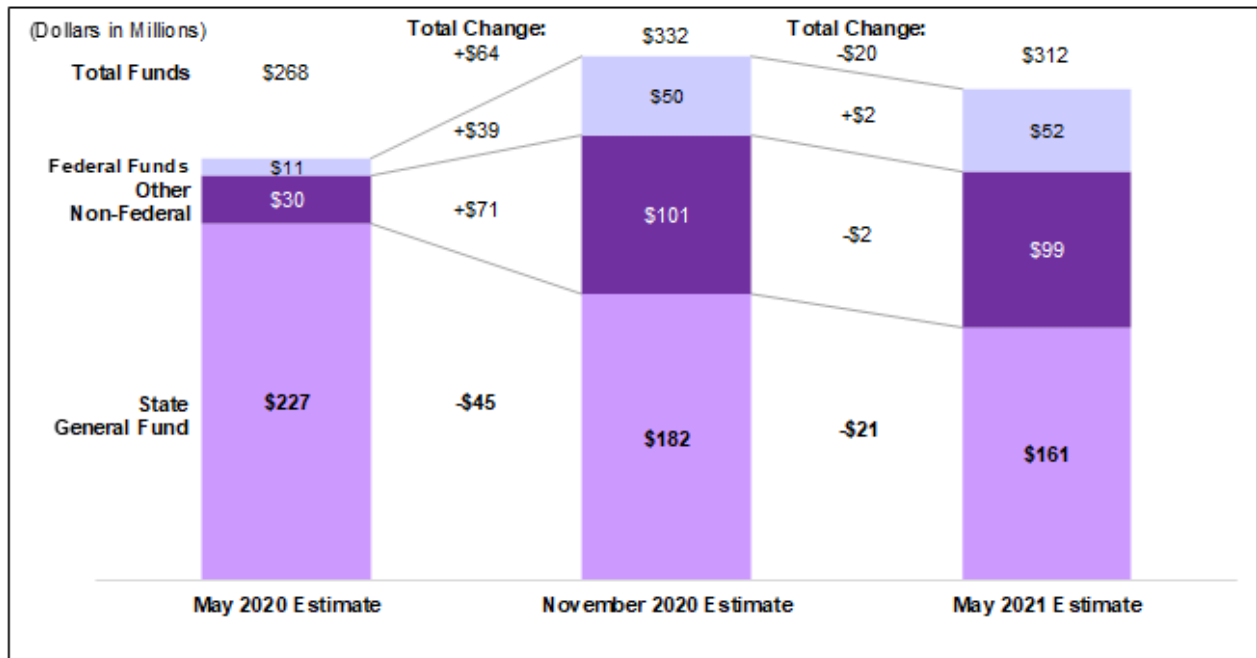
- \$300 million to support the Behavioral Health Continuum Infrastructure program.
- \$300 million for grants to designated public hospitals.
- \$100 million for capacity and infrastructure grants for school behavioral health.
- \$83 million for a behavioral health services and supports platform.
- \$45 million to continue to the CalHOPE Student Supports program.

For more information on the major drivers of changes in estimated General Fund spending in FY 2021-22, see the May 2021 Medi-Cal Local Assistance Estimate available on the DHCS website.

SUMMARY OF FAMILY HEALTH LOCAL ASSISTANCE ESTIMATE INFORMATION

Family Health spending is estimated to be \$312 million (\$161 million General Fund) in FY 2020-21 and \$266 million (\$217 million General Fund) in FY 2021-22. This does not include funds spent by county health departments on these programs.

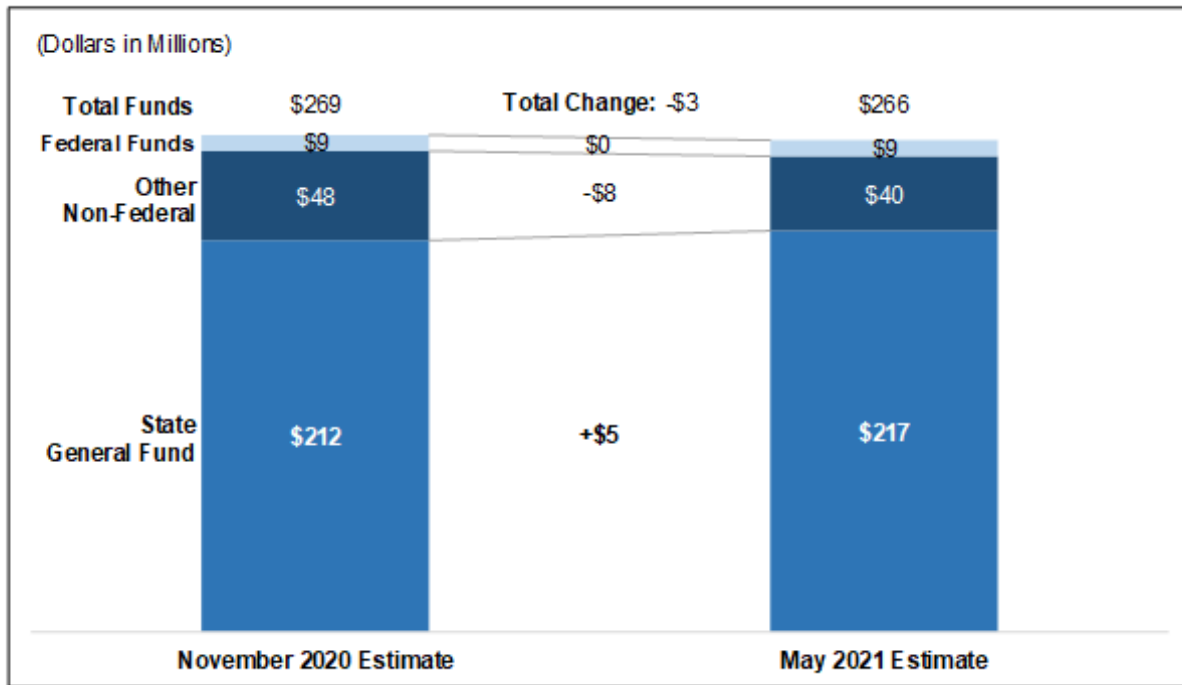
FY 2020-21 Comparison



The May 2021 Family Health Estimate for FY 2020-21 projects a \$20 million decrease in total funding (\$21 million decrease in General Fund spending) compared to the November 2020 Estimate. This reflects a 6-percent decrease in estimated total funds spending and an 11.5-

percent decrease in estimated General Fund spending for FY 2020-21. For more information, see the May 2021 Family Health Local Assistance Estimate available on the DHCS website.

FY 2021-22 Comparison



The May 2021 Family Health Estimate for FY 2021-22 projects a \$3 million decrease in total funding (a \$5 million increase in General Fund spending) compared to the November 2020 Estimate. This reflects a 3-percent decrease in estimated total funds spending and a 2.4-percent increase in estimated General Fund spending. For more information, see the May 2021 Family Health Local Assistance Estimate available on the DHCS website.

STATE OPERATIONS BUDGET ADJUSTMENTS

The May Revision proposes additional expenditure authority of \$59.5 million total funds (\$14 million General Fund) for 103 positions (78 permanent positions and resources equivalent to 25 limited-term (LT) positions). Combined, April 1 and May Revision budget change proposals total \$84.9 million total funds (\$23.2 million General Fund) for 139 positions (100 permanent positions and resources equivalent to 39 LT positions).

Budget Change Proposal Number	Budget Change Proposal (BCP) Title	Positions	Total Funds*	General Fund*
May Revision Proposals				
4260-304-BCP-2021-MR	CalAIM Population Health Management Service	25 Limited-Term**	\$15.0	\$1.5
4260-314-BCP-2021-MR	Behavioral Health Continuum Infrastructure Program (May Revision)	-	\$22.5	\$12.5

Joint BCPs

May Revision Proposals				
4260-251-BCP-2021-MR	Office of Statewide Health Planning and Development Recast and Modernization	(4 Permanent)	(\$1.4)	(\$0.7)
4260-301-BCP-2021-MR	Addressing Behavioral Health Impacts of COVID-19 on Children and Youth	78 Permanent	\$22.0	\$0

April 1 Proposals				
4260-167-BCP-2021-A1	Medi-Cal Program Integrity Data Analytics	-	\$6.9	\$1.2
4260-168-BCP-2021-A1	Interoperability Federal Final Rule Compliance	-	\$2.9	\$0.8
4260-169-BCP-2021-A1	Managed Care Plan Statewide Procurement	11 Permanent 7 Limited-Term**	\$2.7	\$1.4
4260-171-BCP-2021-A1	Provider Application and Validation for Enrollment (PAVE)	-	\$7.2	\$1.8
4260-172-BCP-2021-A1	Local Educational Agencies Medi-Cal Billing Option Program Expansion	8 Permanent	\$2.2	\$1.1
4260-173-BCP-2021-A1	Office of Medicare Innovation and Integration	4 Permanent	\$0.6	\$0.4
4260-174-BCP-2021-A1	Behavioral Health Quality Improvement Program	3 Limited-Term**	\$0.9	\$0.5
4260-175-BCP-2021-A1	Behavioral Health Continuum Infrastructure Program	4 Limited-Term**	\$2.2	\$2.2
Joint BCPs				
April 1 Proposals				
4260-176-BCP-2021-A1	Statewide Verification Hub Staff Resources	1 Permanent	\$0.9	\$0.4
4260-177-BCP-2021-A1	Annual Health Care Service Plan Health Equity and Quality Reviews	2 Permanent	\$0.2	\$0.1
	Total All Proposals	100 Permanent 39 Limited-Term**	\$84.9	\$23.2

*Dollars in Millions

** Resources equivalent to limited-term positions

DHCS May Revision Proposals

CalAIM: Population Health Management (PHM) Service requests limited-term positions and expenditure authority for contract resources to administer the PHM service. The PHM aligns with the CalAIM Population Health Management Strategy and would utilize the Medi-Cal administrative and clinical data/information for DHCS, managed care plans, counties, providers, beneficiaries, and other state department partners to use in support of care for all Medi-Cal beneficiaries. The service will provide standardized risk stratification, assessments, and identify gaps in care allowing a holistic approach to delivering care.

Behavioral Health Continuum Infrastructure Program (BHCIP) requests limited-term resources and expenditure authority for contract resources to administer the program including providing training and technical assistance to counties on real estate acquisition and rehabilitation, to conduct outreach and education activities, and to develop and manage the contracting process. This funding is shifted from the \$750 million one-time General Fund in local assistance proposed in the FY 2021-22 Governor's Budget for the first focus area which was to increase infrastructure of the broad behavioral health continuum of adult services to ensure all Californians have access to sufficient treatment resources. The revised proposal requests an additional \$18.2 million (\$12.5 million GF; \$10 million ARPA) in FY 2021-22 in order to support the second and third focus areas. The second focus area is to provide grants to support implementation of the Children and Youth Behavioral Health Initiative. The third focus area is to increase county capacity to divert individuals to treatment with serious mental illness incompetent-to-stand trial population (IST) and promote alternatives to arrest and incarceration and reduce the growing rate of IST commitments in California. DHCS has also requested provisional language related to this BCP.

Joint May Revision Proposals (Other Departments Are Lead)

Office of Statewide Health Planning and Development (OSHPD) Recast and Modernization is a proposal to recast OSHPD as the Department of Health Care Access and Information. DHCS requests a decrease in resources and expenditure authority in FY 2021-22 and ongoing to shift the State Office of Rural Health and J-1 Visa Waiver Program from DHCS to OSHPD. This would allow OSHPD to provide a centralized and targeted approach to working with rural communities on their health care infrastructure and workforce needs and do so with fewer staff by leveraging OSHPD's existing Primary Care Office infrastructure and they would be well-suited to administer the J-1 Visa Waiver Program given their expertise with workforce shortage areas.

Children and Youth Behavioral Health Initiative requests permanent positions and expenditure authority CFRF in FY 2021-22 to implement the initiative, which will transform California's children's behavioral health system into a world-class, up-stream, focused ecosystem where all children and youth are routinely screened, supported and served for emerging and existing BH needs. Services are statewide evidence-based, culturally competent, and equity-focused. This BCP is a multi-year appropriation request.

DHCS April 1 Proposals

Medi-Cal Program Integrity Data Analytics (MPIDA) requests one-year extension of expenditure authority to continue funding contracted services including development of new data models that specifically target two heightened risk areas: COVID-19 services and pharmacy

claims transitioning from managed care to fee-for-service as well as case management functionality.

Interoperability Federal Final Rule Compliance requests expenditure authority to address critical planning workload associated with compliance with the Centers for Medicare & Medicaid Services (CMS), the Office of the National Coordinator for Health Information Technology's (ONC) Interoperability Rule, and Patient Access Rule (CMS-9115-F). This rule places specific requirements on state Medicaid agencies, Medicaid managed care plans, Children's Health Insurance Program (CHIP) agencies, and CHIP managed care entities. Implementation of the final rule was required by July 1, 2021; however due to the impact of COVID-19, DHCS will not meet this required implementation date and will be submitting a planned approach to CMS.

Managed Care Plan (MCP) Statewide Procurement requests resources to support the development of a statewide procurement affecting 36 counties where commercial health plans currently operate and provide services to Medi-Cal beneficiaries. With an overall focus on quality outcomes and reducing health disparities, the MCP procurement, in alignment with the CalAIM initiative, also aims to restructure and update all managed care plan contracts. Additionally, the procurement will focus on requirements and evaluation criteria highlighting increased access to care and care coordination and will aim to drive delivery system transformation. DHCS will establish a robust and thorough approach to evaluating potential proposers and to ensure a readiness review process that leads to contracting with Managed Care Health Plans that meet the overall needs of Medi-Cal beneficiaries statewide.

Provider Application and Validation for Enrollment (PAVE) requests expenditure authority for enhancements (change requests) to the PAVE system that include functionality to support provider enrollment activities within DHCS. These change requests include ones related to Family-Planning Access Care and Treatment, Diabetes Prevention Program, Dental Providers and Program Integrity. In addition, DHCS intends to make program integrity enhancements to the provider enrollment process allowing the system to collect information from providers regarding their affiliations with other providers that have been sanctioned by Medicare and/or other Medicaid programs.

Local Educational Agencies (LEA) Medi-Cal Billing Option Program (BOP) Expansion requests permanent positions and expenditure authority for the expansion and improvement of school based health care. Due to the CMS approval of State Plan Amendment (SPA) 15-021 retroactively to July 1, 2015 expanding the LEA BOP to all Medi-Cal enrolled children and significantly expands the services and practitioners allowable, DHCS has been asked by the LEAs for increased support. The requested resources will provide additional technical assistance, trainings and more guidance concerning the successful administration of the program.

Office of Medicare Innovation and Integration requests new permanent positions and expenditure authority to establish a new DHCS Office of Medicare Innovation and Integration (OMII). Currently, the Medicare and Medi-Cal programs operate independently and under different funding streams. For dually eligible individuals with high rate of chronic conditions and functional impairments, streamlined access to services is critical, but the current fiscal arrangement does not incentivize providers and payers to effectively invest in service to meet individual's needs and preferences. DHCS has taken steps to address integration for dually eligible beneficiaries through the Cal MediConnect (CMC) demonstration. This new Office would

provide leadership and expertise to lead innovative models for Medicare beneficiaries in California, including both Medicare-only beneficiaries, individuals dually eligible for Medicare and Medi-Cal.

Behavioral Health Quality Improvement Program requests limited-term resources and expenditure authority for contract resources to assist county Mental Health Plans and county Drug Medi-Cal programs prepare for opportunities through CalAIM. This includes payment reform, updating county information technology systems to meet changes in medical necessity determinations, incorporate managed care and other utilization data from DHCS into county information technology systems of care and automate data reporting and/or electronic health record systems as needed.

Joint April 1 Proposals (Other Departments Are Lead)

Statewide Verification Hub Staff Resources (Multi-Departmental) requests resources to continue planning and implementation of the Statewide Verification Hub. The multi-departmental effort will see design, development and implementation of a service hub, able to be securely called by eligibility systems and provide real-time verification data. The early efforts will focus on CalFresh, CalWORKs, and Medi-Cal.

Annual Health Care Service Plan Health Equity and Quality Reviews (Multi-Departmental) requests permanent positions and expenditure authority to coordinate with the Department of Managed Health Care on the establishment and enforcement of health equity and quality standards and to perform related data analysis.