



2022-23 Governor's Budget

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 over 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.
- Primary, Rural, and Indian Health is responsible for coordinating and directing the delivery of health care to Californians in rural areas and to underserved populations through the following programs: Indian Health Program, American Indian Maternal Support Services, and Tribal Emergency Preparedness Program.
- Licensing and certification, monitoring, and complaints for Driving-Under-the-Influence Programs, Narcotic Treatment Programs, and outpatient and residential behavioral health 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) 2022-23, the Governor’s Budget proposes a total of \$138.3 billion, and 4,444 positions for the support of DHCS programs and services. Of that amount, \$1.3 billion funds state operations (DHCS operations), while \$137.0 billion supports local assistance (funding for program costs, partners, and administration). The position count for 2022-23 includes the changes requested via budget change proposals.

Total DHCS Budget

(Includes non-Budget Act appropriations)

Fund Source*	FY 2021-22	FY 2021-22	FY 2022-23
	Enacted Budget	Revised Budget	Governor’s Budget
Local Assistance (LA)			
LA General Fund	\$ 28,344,371	\$ 27,171,548	\$ 35,269,053
LA Federal Funds	\$ 83,799,696	\$ 87,416,219	\$ 84,672,653
LA Special Funds	\$ 14,538,757	\$ 12,970,055	\$ 14,971,161
LA Reimbursements	\$ 1,180,334	\$ 1,346,817	\$ 2,069,891
Total Local Assistance	\$ 127,863,158	\$128,904,639	\$ 136,982,758
State Operations (SO)			
SO General Fund	\$ 311,380	\$ 318,127	\$ 389,381
SO Federal Funds	\$ 568,665	\$ 574,180	\$ 547,855
SO Special Funds	\$ 358,268	\$ 414,960	\$ 328,784
SO Reimbursements	\$ 21,291	\$ 21,506	\$ 25,079
Total State Operations	\$ 1,259,604	\$ 1,328,773	\$ 1,291,099
Total Funds			
Total General Fund	\$ 28,655,751	\$ 27,489,675	\$ 35,658,434
Total Federal Funds	\$ 84,368,361	\$ 87,990,399	\$ 85,220,508
Total Special Funds	\$ 14,897,025	\$ 13,385,015	\$ 15,299,945
Total Reimbursements	\$ 1,201,625	\$ 1,368,323	\$ 2,094,970
Total Funds	\$ 129,122,762	\$130,233,412	\$ 138,273,857
<i>* Dollars in Thousands</i>			

NEW MAJOR BUDGET ISSUES AND PROPOSALS

Expansion of Full-Scope Medi-Cal Coverage to All Adults Regardless of Immigration Status

The Department proposes to expand full-scope Medi-Cal coverage to an estimated over 700,000 undocumented adults aged 26 through 49, effective no sooner than January 1, 2024. This expansion is anticipated to result in costs of \$819 million total funds (\$614 million General Fund) in FY 2023-24 and \$2.3 billion total funds (\$1.8 billion General Fund) at full implementation. With this expansion, full-scope Medi-Cal coverage will be available to all otherwise eligible Californians regardless of immigration status. In order to effect these changes the Department is proposing trailer bill language.

California Advancing and Innovating Medi-Cal (CalAIM)

- **Justice Package.** [CalAIM justice-involved initiatives](#) support justice-involved individuals by providing key services pre-release, enrolling them in Medi-Cal coverage, and connecting them with behavioral health, social services, and other providers that can support their re-entry. California statute mandates that all counties implement pre-release application processes in county jails and youth correctional facilities no sooner than January 1, 2023. In addition to the capacity-building funding described immediately below, the proposed DHCS budget includes \$50 million total funds (\$16 million General Fund) in FY 2022-23 to implement the CalAIM justice-related initiatives. Funding includes resources to support capacity building, technical assistance, collaboration, and planning by county and corrections entities to support the design and launch of key CalAIM justice-related initiatives, including pre-release applications, pre-release “in-reach” services, and coordinated re-entry. Funding is also included to support services and administrative costs associated with these initiatives beginning in January 2023.

Additionally, the Department is proposing trailer bill to extend the duration of suspension of Medicaid benefits when an individual is incarcerated in order to increase the likelihood that coverage is maintained.

- **Providing Access and Transforming Health (PATH).** PATH provides funding to community-based organizations, counties, and other local providers to support capacity building as they begin to implement and scale Enhanced Care Management and Community Supports, in particular increasing resources available to populations and communities that have been historically under-resourced and under-served. In addition, PATH will support justice-involved adults and youth by sustaining the pre-release and post-release services. The proposed budget reflects an expanded scope of activities through PATH as part of the Department’s 1115 waiver renewal, subject to adjustment due to late changes in the final waiver package, finalized at the end of December 2021. The budget includes:
 - \$1.3 billion total funds over five years to support the development of Enhanced Care Management and Community Supports in CalAIM.

- \$561 million total funds over five years to support implementation of CalAIM justice-involved initiatives, described above.
- **Foster Care Model of Care.** An additional goal of CalAIM is to explore a new Foster Care Model of Care. To address the complex medical and behavioral health needs of foster youth, and to build on the Continuum of Care Reforms, a workgroup began meeting in June 2020, and the Administration intends to continue to work with stakeholders in the budget year to explore a new model of care. DHCS and the Department of Social Services will center this effort on establishing an accountability framework across systems, advancing equity, and integrating services and care.
- The Department may propose trailer bill language to codify any needed changes from final waiver negotiations with CMS.

Provider Rates Changes and Transformation Payments

The proposed budget reflects a number of changes to Proposition 56 payments and other provider rates.

- **Certain Proposition 56 Payments Proposed to Transition to Ongoing General Fund Support.** Proposition 56 revenues have declined over time and are insufficient to support current Proposition 56 payments beginning in FY 2022-23. In 2022-23, Medi-Cal supplemental payments funded by Proposition 56 are projected to exceed revenues by \$176 million. The budget proposes to fully transition the following payments, valued at \$147 million, to ongoing rate increases supported by the General Fund, beginning in FY 2022-23:
 - Adverse Childhood Experiences Screenings
 - AIDS Waiver
 - Community-Based Adult Services
 - Developmental Screenings
 - Freestanding Pediatric Subacute
 - Home Health Services
 - Intermediate Care Facilities for the Developmentally Disabled
 - Non-emergency Medical Transportation (by converting the existing Proposition 56 supplemental payment to an ongoing rate increase, costs budgeted with other Proposition 56 changes)
 - Pediatric Day Health Care

In addition, the budget includes an increase of \$29 million from the General Fund to fully fund remaining Proposition 56 payments at their current level in FY 2022-23.

- **Equity and Practice Transformation Payments.** The Department proposes to make equity and practice transformation payments to qualifying Medi-Cal providers, to close critical health equity gaps; address gaps in preventive, maternity, and behavioral health care measures; and address gaps in care arising out of the COVID-19 Public Health Emergency (PHE). Such payments are intended to promote patient-centered models of care in pediatric, primary care, obstetrics and gynecology, and behavioral health settings and to align with the goals of the Medi-Cal Comprehensive Quality and Equity Strategy.

The budget includes \$400 million total funds (\$200 million General Fund) in one-time funds to support practice transformation and COVID-19 recovery payments.

- **Elimination of Certain AB 97 Provider Payment Reductions.** The budget includes \$20 million total funds (\$9 million General Fund) in FY 2022-23 and \$24 million total funds (\$11 million General Fund) ongoing to eliminate AB 97 payment reductions for the following providers, in order to address the impacts of COVID-19 and to ensure access to services:
 - Nurses (all types)
 - Alternative birthing centers
 - Audiologists/hearing aid dispensers
 - Respiratory care providers
 - Durable medical equipment oxygen and respiratory services
 - Chronic dialysis clinics
 - Non-emergency medical transportation
 - Emergency air medical transportation

In order to effect these AB 97 changes the Department is proposing trailer bill language.

Medi-Cal's Strategy to Support Health and Opportunity for Children and Families

DHCS is responsible for the health care of over 50 percent of California's children. DHCS takes this responsibility seriously and is committed to improving children's health and opportunities. To this end, DHCS is launching a forward-looking strategy for children and families enrolled in Medi-Cal. The strategy will unify the common threads of existing and newly proposed child and family health initiatives, and solidify DHCS' accountability and oversight of children's services. Providing a comprehensive vision of children's health investments that outlines key policy developments and how they fit together as well as new strategies to establish greater accountability for the care provided to children.

The proposed budget includes the following in FY 2022-23 as part of the Children and Youth Behavioral Health Initiative:

- \$87 million total fund (\$41 million General Fund) to implement Dyadic Services effective January 1, 2023.
- \$429 million General Fund for evidence-based behavioral health practices.
- \$450 million General Fund for school behavioral health partnerships and capacity (on top of the \$100 million provided for FY 2021-22).
- \$230 million General Fund for the Behavioral Health Services and Supports Platform and related e-Consult service and provider training (on top of the \$10 million provided in FY 2021-22).

As part of the 2022-23 Governor's Budget, the Department also proposes the following:

- **Reduce Medi-Cal Premiums to Zero.** The proposed budget includes \$53 million total funds (\$19 million General Fund) in FY 2022-23 and \$89 million total funds (\$31 million General Fund) ongoing and trailer bill language to reduce premiums to zero for programs under the Children's Health Insurance Program (CHIP) and the 250 Percent of Federal Poverty Level Working Disabled Program.

- **Discontinue Child Health and Disability Program (CHDP) and Expand Children’s Presumptive Eligibility (PE).** The Department is proposing to sunset CHDP by July 1, 2023 via trailer bill language. The Department’s proposal preserves presumptive eligibility enrollment activities currently offered through the CHDP Gateway, as well as activities performed by CHDP counties under the Childhood Lead Poisoning Prevention Program (CLPP). Further, this proposal continues the Health Care Program for Children in Foster Care (HCPCFC). As part of this proposal, the Department will launch the Children’s Presumptive Eligibility Program to replace the CHDP Gateway. The Children’s Presumptive Eligibility Program will increase the number of children presumptive eligibility providers to include all Medi-Cal providers. The majority of children and youth under the age of 21 will be enrolled into a MCP, through which they will receive all medically necessary services. This aligns with the Department’s goal under CalAIM to reduce administrative complexities. The proposal will also enhance coordination of care and increase standardization of care across Medi-Cal by consolidating care responsibilities for children/youth under the Medi-Cal managed care plans.

Telehealth

Pursuant to Assembly Bill 133 (Committee on Budget, Chapter 143, Statutes of 2021), DHCS convened a Telehealth Advisory Workgroup for the purposes of informing the 2022-23 Governor’s Budget and the development of post-PHE telehealth policies. AB 133 directed the Telehealth Advisory Workgroup consisting of subject matter experts and key stakeholders to advise DHCS in establishing and adopting billing and utilization management protocols for telehealth to increase access and equity and reduce disparities in the Medi-Cal program. In December 2021, DHCS published its [Telehealth Workgroup Report](#) that reviewed the policy approaches and workgroup deliberations.

As DHCS looks to the future, the Department will release a proposal for changes that continue to allow Medi-Cal covered benefits and services to be provided via telehealth across delivery systems when clinically appropriate.

Short-Term Residential Therapeutic Programs (STRTPs)

Congress enacted the Families First Prevention Services Act (FFPSA) on February 9, 2018. The intent of the FFPSA is to restrict the use of congregate care, unless absolutely necessary, by limiting Title IV-E maintenance payments to specific congregate care setting meeting defined requirements. The FFPSA added Qualified Residential Treatment Programs (QRTP) as one of those congregate care settings that may be used when specific criteria are met. In California, STRTPs are similar to QRTPs and the California Department of Social Services (CDSS) is working to ensure STRTPs meet the requirements of a QRTP. Parts of the definition of a QRTP in Title IV-E overlap with the definition of an Institution for Mental Disease (IMD) in Title XIX. Title XIX prohibits federal reimbursement for covered services provided to beneficiaries who are residents of an IMD. The Centers for Medicare & Medicaid Services (CMS) has required the Department to individually assess each STRTP to determine if it is an IMD.

The proposed budget includes \$7.5 million General Fund in FY 2021-22, appropriated in the Budget Act of 2021, for grants to county mental health plans to maintain capacity while facilities transition to qualify for ongoing funding. The budget proposes an additional \$7.5 million from the General Fund for this purpose in FY 2022-23.

Finally, CMS developed a waiver opportunity for states to receive federal funds for mental services provided to populations with a Serious Mental Illness or Serious Emotional Disturbance (SMI/SED). The Department plans to submit a proposal to CMS for the SMI/SED Demonstration Waiver in the fall of 2022.

Behavioral Health Bridge Housing

The proposed budget includes funding for behavioral health bridge housing, totaling \$1.5 billion General Fund (\$1 billion in FY 2022-23 and \$500 million in FY 2023-24), to address the immediate housing and treatment needs of people experiencing unsheltered homelessness with serious behavioral health conditions by purchasing and installing tiny homes and providing time-limited operational supports in various bridge housing settings, including tiny homes and existing assisted living settings.

Mobile Crisis Services

The budget includes \$108 million total funds (\$16 million General Fund), and trailer bill language, to add qualifying 24 hours a day, 7 days a week community-based mobile crisis intervention services, as soon as January 1, 2023, as a mandatory Medi-Cal benefit available to eligible Medi-Cal beneficiaries, statewide. The benefit will be implemented through county behavioral health delivery systems by multidisciplinary mobile crisis teams in the community. Under the American Rescue Plan Act of 2021, this benefit qualifies for 85 percent federal funding.

Opioid Settlement and Abatement Funds for Future Opioid Remediation

As prescription opioid-related overdoses have decreased over time due to successful interventions addressing prescribing patterns, deaths related to synthetic opioids and psychostimulants with abuse potential have increased. Illicit synthetic opioids (primarily fentanyl and fentanyl analogs) and psychostimulants with abuse potential (such as methamphetamine and cocaine) have become increasingly available in the drug supply. Illicit fentanyl, stimulant, and polydrug-related overdoses require new and varied intervention approaches.

A National Opioid Settlement with Distributors, Johnson & Johnson, and others will soon be concluded. We estimate fifteen percent of the total Settlement Fund payments will be allocated to California and used for future Opioid Remediation once cases are settled. The DHCS budget includes \$5 million from the Opioid Settlement Fund. In addition to the \$5 million from the settlement, the state is also investing \$96 million from the General Fund in 2022-23 to expand the medication assistance treatment program.

Cognitive Health Assessments

Chapter 484, Statutes of 2021 (SB 48) makes an annual cognitive health assessment a covered benefit to Medi-Cal beneficiaries who are 65 years of age or older, if they are otherwise ineligible

for a similar assessment as part of an annual wellness visit under Medicare. The budget includes \$341,000 total funds (\$171,000 General Fund), growing over time, to implement cognitive health assessments effective July 1, 2022.

Medi-Cal Dental Policy Evidence-Based Practices

The Department proposes to update coverage requirements via trailer bill language in Medi-Cal to include evidence-based dental practices consistent with the American Association of Pediatric Dentists and the American Dental Association. Specifically, laboratory-processed crowns for posterior teeth will be available for adult Medi-Cal beneficiaries, in place of stainless-steel crowns. The budget includes \$37 million total funds (\$13 million General Fund) in FY 2022-23 to implement this change.

Family Planning, Access, Care, and Treatment (PACT) Human Papillomavirus (HPV) Vaccine Coverage

The budget includes \$8 million total funds (\$5 million General Fund) to expand the Family PACT program to include the HPV vaccine for individuals age 19 through 45.

Home and Community-Based Alternatives (HCBA) Waiver

The Department submitted a waiver renewal application for the HCBA waiver for a new five-year term from January 1, 2022 through December 31, 2026. Under the waiver renewal application, the waiver will:

- (1) Increase the number of slots available under the waiver, beginning January 1, 2024.
- (2) Expand the Community Transition Service, making it available to participants living in the community who require essential goods and/or services to make their community-based residence safe and to keep them out of an institution.
- (3) Add Assistive Technology as a new waiver service.
- (4) Add Paramedical Services as an Extended State Plan Benefit under the Waiver (this is not expected to have an impact on the Medi-Cal budget since it would offset other direct care services).
- (5) Add Pediatric Day Health Centers (PDHCs) licensed to operate a Transitional Health Care Needs Optional Service Unit as a provider type for private duty nursing (PDN) for eligible participants who have turned 21 years of age and as a provider type for Facility-based Respite Services for youth under the age of 21.
- (6) Increase the rate paid to Personal Care Agencies that provide Waiver Personal Care Services, in compliance with increases to the statewide minimum wage.

The budget includes a total of \$304 million total funds (\$152 million General Fund) in FY 2022-23 for the HCBA Waiver, including these changes.

Indian Health Program Grant Restoration

The Department proposes to restore local assistance grant funding in the Indian Health Program in the amount of \$12 million General Fund for FY 2022-23. The funds will be distributed to 45 Tribal and urban Indian health clinic corporations via a competitive grant program in accordance with a “need” and “performance” driven formula.

Federally Qualified Health Center Alternative Payment Model Project

The Department is proposing trailer bill language to update existing law that authorizes the Department to implement an Alternative Payment Model (APM) reimbursement methodology for Federally Qualified Health Centers (FQHCs) to incentivize delivery system and practice transformation at FQHCs through flexibilities available by moving away from a volume-based reimbursement methodology.

Skilled Nursing Facility Payment Reform

AB 1629 (Chapter 875, Statutes of 2004), extended by AB 81 (Chapter 13, Statutes of 2020), requires the Department to implement a facility specific rate methodology on Freestanding Skilled Nursing Facilities Level-B and Freestanding Subacute Nursing Facilities Level-B. Currently, the annual weighted increase across these facilities, not including add-ons, is capped at 2.4 percent. The methodology also imposes a Quality Assurance Fee (QAF) equivalent to approximately 6 percent of all facility revenue, which is used to increase rates and offset a portion of the General Fund cost for the rate increases. Chapter 717, Statutes of 2010 (SB 853), extended by AB 81, further implemented a quality and accountability supplemental payment (QASP) program to incentivize quality of care improvements by providing supplemental payments for facilities that achieve various quality metrics.

The current framework sunsets December 31, 2022. The Department proposes to extend and reform the funding framework to move from a primarily cost-based methodology to one that incentivizes value and quality

Pharmacy Recoupment

The CMS, under the provisions of the Affordable Care Act, required each state Medicaid agency to adopt an actual acquisition cost (AAC) based methodology for Covered Outpatient Drugs (CODs), and to adjust their professional dispensing fee. Under a new methodology adopted by the Department effective April 1, 2017, all COD's are required to be billed at the AAC. Providers continued to be paid using the Average Wholesale Price reimbursement methodology until the AAC methodology was implemented on February 23, 2019. This required retroactive adjustments for the 23-month period, from April 1, 2017 to February 23, 2019, to be implemented.

In June 2019, the Department paused the retroactive adjustments prior to a lawsuit, California Pharmacists Association, et al. v. Kent, et al., being filed in U.S. District Court on June 5, 2019, seeking to enjoin the Department from implementing the retroactive adjustments. Due to factors related to ongoing litigation, the Department is continuing to pause the recoupments until further notice. This pause applies to all pharmacy claims billed through the Medi-Cal fee-for-service fiscal intermediary and includes those claims that were also subject to an alternative payment arrangement. For budgeting purposes only, the retroactive adjustments are assumed to resume January 1, 2022. The budget reflects savings of \$100 million total funds (\$37 million General Fund) in FY 2021-22 and \$110 million total funds (\$49 million General Fund) in FY 2022-23 related to this assumption.

American Rescue Plan (ARP) Act Home and Community-Based Services (HCBS) Spending Plan

The ARP provides funding to enhance, expand, and strengthen HCBS. On July 12, 2021, DHCS formally submitted a plan to CMS outlining proposed expenditures the state would make using enhanced HCBS Funding. On January 4, 2022, CMS approved California's HCBS spending plan. DHCS will begin claiming enhanced HCBS funding, making funds available for the state's spending plan initiatives. The HCBS Spending Plan includes \$3 billion in enhanced HCBS funding and an additional \$1.6 billion in regular federal financial participation across several departments.

COVID-19

The budget continues to reflect significant fiscal impacts related to COVID-19. Based on an assumption of the federal PHE continuing through June 2022, the budget includes \$13.5 billion in total costs (\$45 million General Fund costs) in FY 2021-22 and \$11.1 billion total funds costs (\$2.3 billion General Fund costs) in FY 2022-23. These amounts reflect the net impact of a variety of factors, including:

- **Caseload Impact.** The Medi-Cal caseload continues to increase 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. The budget includes \$10.4 billion total funds (\$2.9 billion General Fund) in FY 2021-22 and \$10 billion total funds (\$2.8 billion General Fund) in FY 2022-23 associated with these caseload costs. This is based on an assumption that cases will continue to grow through June 2022, then gradually decline over 12 months as annual redeterminations resume following the end of the federal PHE.
- **Testing in Schools.** The Budget Act of 2021 included \$575 million total funds (\$265 million General Fund) for COVID-19 testing in schools in FY 2021-22, not accounting for increased FMAP. However, to date, schools have relied on direct federal funding to support testing costs rather than billing Medi-Cal for eligible students. As a result, the proposed budget no longer assumes costs related to COVID-19 testing in FY 2021-22; however, \$405 million total funds (\$102 million General Fund) are included in FY 2022-23, coinciding with the projected end of direct federal funding.
- **Vaccine Administration Costs.** As part of ARP, the federal government assumed full responsibility to cover vaccine administration costs in Medi-Cal beginning April 1, 2021. Based on more recent information about vaccination take-up, claiming, and the payment timing, the budget includes \$348 million total funds (\$38 million General Fund) in FY 2021-22 and \$155 million total funds (\$1 million General Fund) in FY 2022-23 to cover vaccine administration costs, not accounting for increased FMAP. 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 and FY 2022-23, to be recovered in the following fiscal year.)

- **Funding for County Redeterminations.** The budget continues to include \$73 million total funds (\$37 million General Fund) in both 2021-22 and 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 PHE. The Department proposes trailer bill language to align Medi-Cal redeterminations with federal guidelines.
- **Many COVID-19 Response Impacts Assumed to End.** Costs associated with a number of COVID-19 impacts are assumed to end in FY 2021-22 and not continue into FY 2022-23, as a result of the assumed end of the federal PHE. These include temporarily increased rates for various provider types, temporarily expanded sick leave benefits, and temporarily expanded eligibility. Finally, the COVID-19 Vaccination Incentive Program also does not continue into FY 2022-23. The budget includes a \$1.5 billion total funds (\$763 million General Fund) in FY 2021-22 for these COVID-19 impacts, but only \$10 million total funds (\$2 million General Fund cost) in FY 2022-23, associated with payments from FY 2021-22 lagging into FY 2022-23.
- **Increased Federal Funding under the FFCRA.** The FFCRA provides additional federal matching funds for Medi-Cal tied to the federal PHE, which offset what otherwise would be state General Fund costs. The budget now assumes this increased federal funding will be available through June 2022. The budget includes \$5.3 billion in increased federal funding, with offsetting General Fund savings in the DHCS budget of \$3.7 billion in FY 2021-22. For FY 2022-23, the budget includes significantly less impact from increased FMAP—\$1.6 billion in increased federal funding, with offsetting General Fund savings in the DHCS budget of \$641 million. (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.)
- Additionally, the Department proposes trailer bill language to address the following:
 - Align Record Retention Requirements in the Medi-Cal Program with Federal and State Law
 - Extend Dental Managed Care in Sacramento and Los Angeles Counties
 - Expand Medication Assisted Treatment Program

CASELOAD UPDATES

Medi-Cal

This section provides an overview of caseload projections for the Medi-Cal program. Projected caseload levels are summarized in the following tables:

Estimated Average Monthly Certified Eligibles

November 2021 Estimate

	2020-21	2021-22	2022-23	Year over Year Change	
				2020-21 to 2021-22	2021-22 to 2022-23
Seniors	1,056,400	1,130,700	1,168,500	7.03%	3.34%
Persons with Disabilities	1,109,300	1,103,400	1,113,500	-0.53%	0.92%
Families and Children	7,137,300	7,610,700	7,390,200	6.63%	-2.90%
Optional Expansion	4,131,100	4,703,200	4,445,100	13.85%	-5.49%
Miscellaneous	56,900	60,700	60,900	6.68%	0.33%
Total	13,491,000	14,608,700	14,178,200	8.28%	-2.95%

Change from May 2021 Estimate

	Eligibles		Pert	
	2020-21	2021-22	2020-21	2021-22
Seniors	(6,800)	16,600	-0.64%	1.49%
Persons with Disabilities	(1,600)	400	-0.14%	0.04%
Families and Children	(71,600)	4,700	-0.99%	0.06%
Optional Expansion	(28,100)	90,600	-0.68%	1.96%
Miscellaneous	(2,000)	(100)	-3.40%	-0.16%
Total	(110,100)	112,200	-0.81%	0.77%

The overall Medi-Cal caseload is projected to continue to grow steadily through June 2022, consistent with the Medi-Cal Local Assistance Estimate's (Estimate) assumption that the federal PHE, and related restrictions on disenrolling beneficiaries, continue through that time. Consistent with recent actuals, this growth is assumed to be concentrated among the Affordable Care Act (ACA) Optional Expansion population and families with children.

Family Health Programs

California Children's Services (CCS)

	PY	CY	BY	Change from	
	FY 2020-21	FY 2021-22	FY 2022-23	PY to CY	CY to BY
November 2021	10,032	9,311	11,687	-7.19%	25.52%
May 2021	12,569	14,601			
Change from May 2021	(2,537)	(5,290)			
% Change from May 2021	-20.18%	-36.23%			

- CCS caseload is based on average quarterly beneficiaries.
- Beneficiaries began shifting to Medi-Cal in late FY 2019-20 due to the economic impact of the COVID-19 PHE and have continued to shift through the most recent quarter of actual enrollment counts.
- Base caseload projections have been returned to pre-COVID-19 levels. The impact from the PHE is estimated in the COVID-19 Caseload Impact policy change and included in the average quarterly caseload in the table above.

Genetically Handicapped Persons Program (GHPP)

GHPP State Only	PY	CY	BY	Change from	
	FY 2020-21	FY 2021-22	FY 2022-23	PY to CY	CY to BY
November 2021	580	647	649	11.55%	0.31%
May 2021	598	670			
Change from May 2021	(18)	(23)			
% Change from May 2021	-3.01%	-3.43%			

- GHPP caseload is based on average monthly beneficiaries.
- In early FY 2020-21, GHPP cases were closed due to an effort on the part of the Department to address outstanding renewals and applications. The closed cases that were subsequently re-opened and extended to the end of December 2021 or until the end of the PHE, whichever date is later. Beneficiaries will continue to receive coverage through the end of the PHE.
- Base caseload has returned to pre-COVID-19 levels and is estimated to remain relatively flat between fiscal years.

Every Woman Counts (EWC)

EWC	PY	CY	BY	Change from	
	FY 2020-21	FY 2021-22	FY 2022-23	PY to CY	CY to BY
November 2021	20,895	24,103	27,405	15.35%	13.70%
May 2021	21,409	24,602			
Change from May 2021	(514)	(499)			
% Change from May 2021	-2.40%	-2.03%			

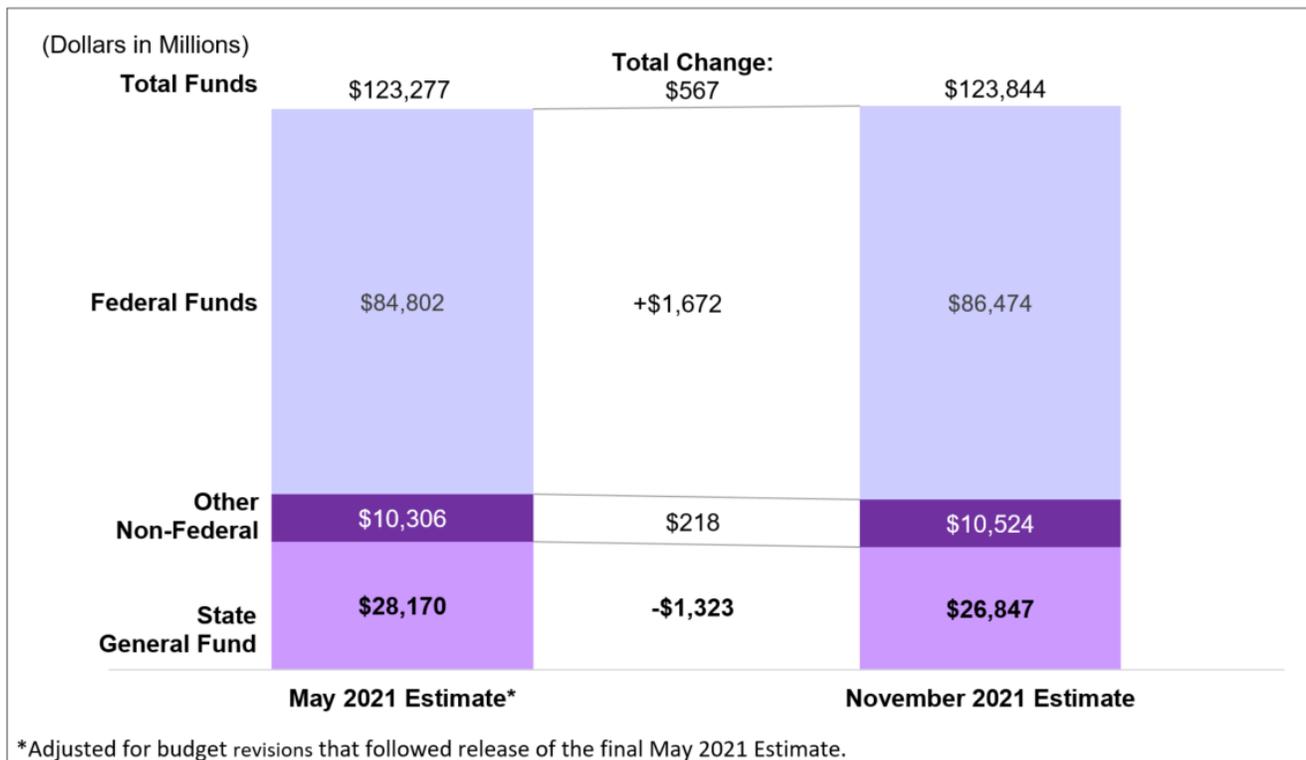
- EWC caseload is based on average monthly users by date of payment.
- There is a slight increase in users from the May 2021 Estimate for FY 2021-22 due to actuals coming in higher than initially projected. The statewide stay at home order pursuant to Executive Order N-33-20) triggered overall reductions in caseload estimates for the EWC program.
- The projected users for FY 2022-23 is estimated absent COVID-19 impact and retroactive reprocessing, as FY 2020-21 and FY 2021-22 include reprocessing of claims.

SUMMARY OF MEDI-CAL LOCAL ASSISTANCE ESTIMATE INFORMATION

Funding in the Medi-Cal Estimate makes up the vast majority of local assistance spending in the DHCS budget. Other local assistance funding includes support for programs in the Family Health Estimate (described in the next section), Mental Health Services Act funding, and a number of other local assistance items primarily consisting of federal behavioral health grants.

DHCS estimates Medi-Cal spending to be \$123.8 billion total funds (\$26.8 billion General Fund) in FY 2021-22 and \$132.7 billion total funds (\$34.9 billion General Fund) in FY 2022-23. This does not include Certified Public Expenditures of local governments or General Fund of other state departments.

FY 2021-22 Comparison



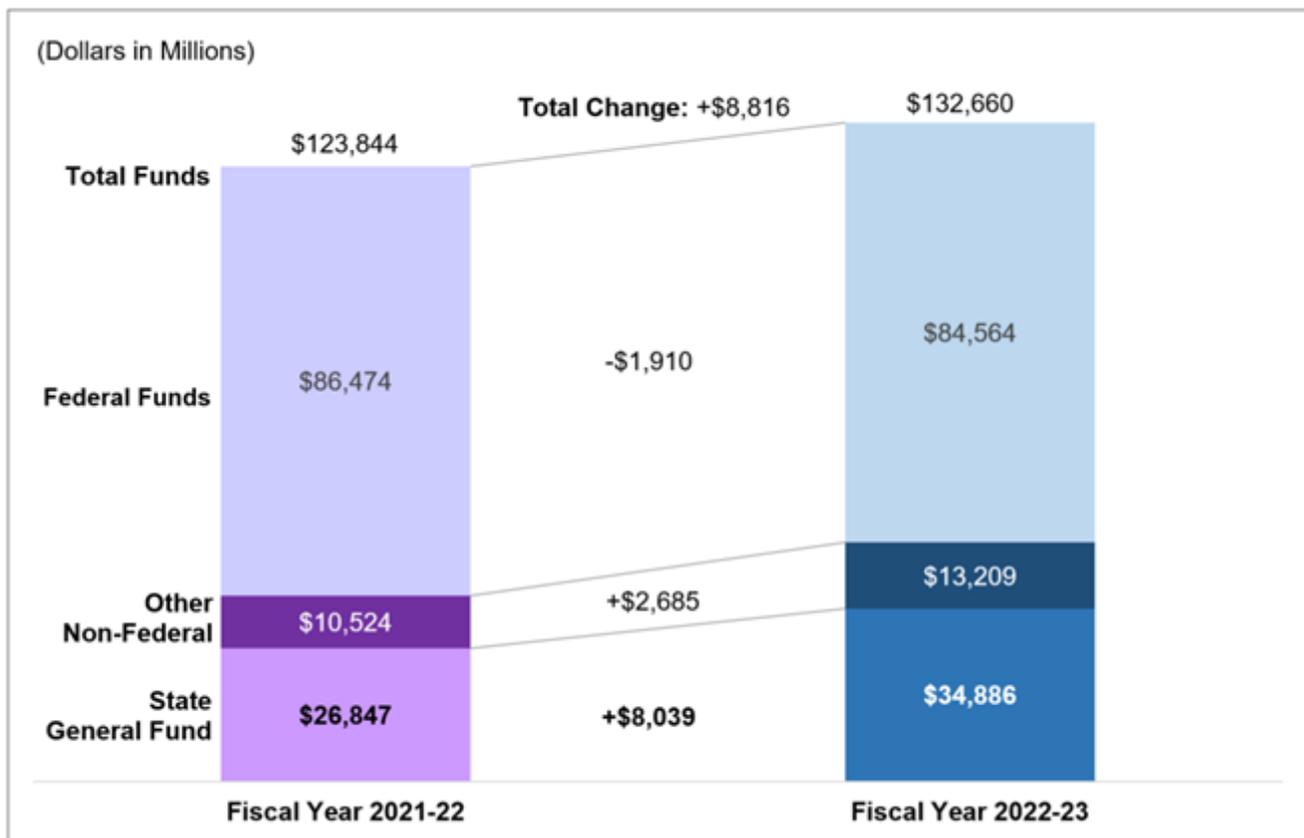
The November 2021 Medi-Cal Local Assistance Estimate for FY 2021-22 projects a \$567 million increase in total spending and a \$1.3 billion decrease in General Fund spending compared to the final FY 2021-22 Budget Act appropriation. Excluding revisions to the 2021-22 appropriation, the General Fund decrease is \$1.1 billion. This reflects a 0.5 percent increase in estimated total spending and a 4.7 percent decrease in estimated General Fund spending for FY 2021-22.

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

- -\$1 billion related to COVID-19 impacts.
- -\$553 million related to the shift of multiyear spending into later years.
- -\$189 million related to increased funding from the Hospital Quality Assurance Fee for children’s health coverage.
- -\$170 million related to reduced projected costs for CalAIM transitioning populations.
- \$548 million related to state only claiming.

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

Year-Over-Year Change from FY 2021-22 to FY 2022-23



After the adjustments described previously, the November 2021 Medi-Cal Local Assistance Estimate projects that total spending will increase by \$8.8 billion (7.1 percent) and General Fund spending will increase by \$8 billion (30 percent) between FY 2021-22 and FY 2022-23.

Following are the major drivers of changes in estimated General Fund spending in FY 2021-22 and FY 2022-23:

- -\$478 million related additional drug rebates.
- -\$415 million related to deferrals.
- -\$327 million related to full implementation of Medi-Cal Rx.
- \$5 million for HPV vaccine coverage in Family PACT.
- \$9 million to eliminate certain AB 97 provider rate reductions.
- \$13 million for Medi-Cal dental policy evidence-based practices
- \$16 million to implement a mobile crisis benefit.
- \$19 million to reduce Medi-Cal premiums to zero.
- \$46 million to implement nursing facility financing reform.
- \$77 million related to the expiration of the managed care organization (MCO) tax.
- \$134 million for a full year of postpartum care extension costs.
- \$176 million in General Fund support for Proposition 56 payments.
- \$200 million for equity and practice transformation payments.
- \$309 million to discontinue the end-of-year two-week checkwrite hold.
- \$340 million related to normal growth in managed care costs.

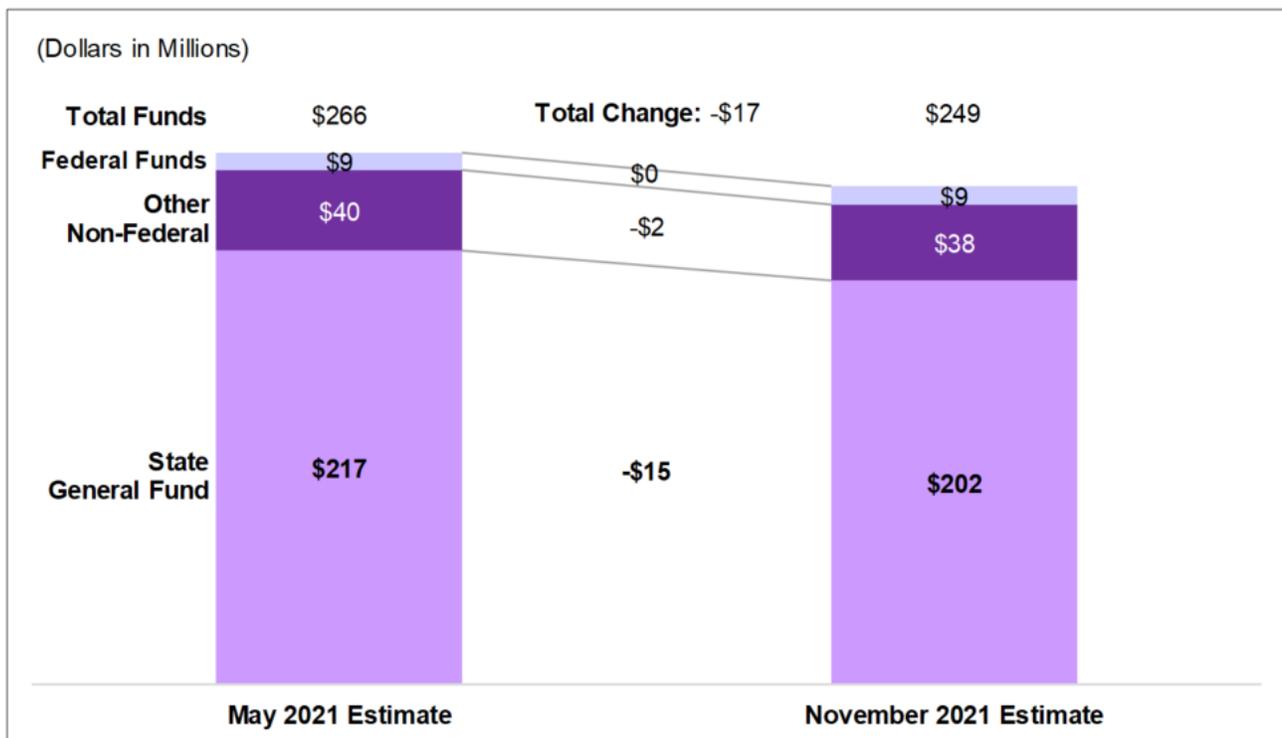
- \$348 million related to normal growth in Medicare costs.
- \$454 million to reflect a full year of implementation of coverage for undocumented older Californians.
- \$547 million for a full year of implementation of CalAIM.
- \$813 million related to state only claiming.
- \$1 billion for Behavioral Health Bridge Housing.
- \$2.3 billion related to COVID-19 impacts.
- \$2.4 billion related to the Children and Youth Behavioral Health Initiative and Behavioral Health Continuum Infrastructure Program.

For more information on the major drivers of changes in estimated General Fund spending between FY 2021-22 and FY 2022-23, see the November 2021 Medi-Cal Local Assistance Estimate available on the DHCS website.

SUMMARY OF FAMILY HEALTH LOCAL ASSISTANCE ESTIMATE INFORMATION

DHCS estimates Family Health spending to be \$249 million total funds (\$202 million General Fund) in FY 2021-22 and \$265 million total funds (\$213 million General Fund) in FY 2022-23.

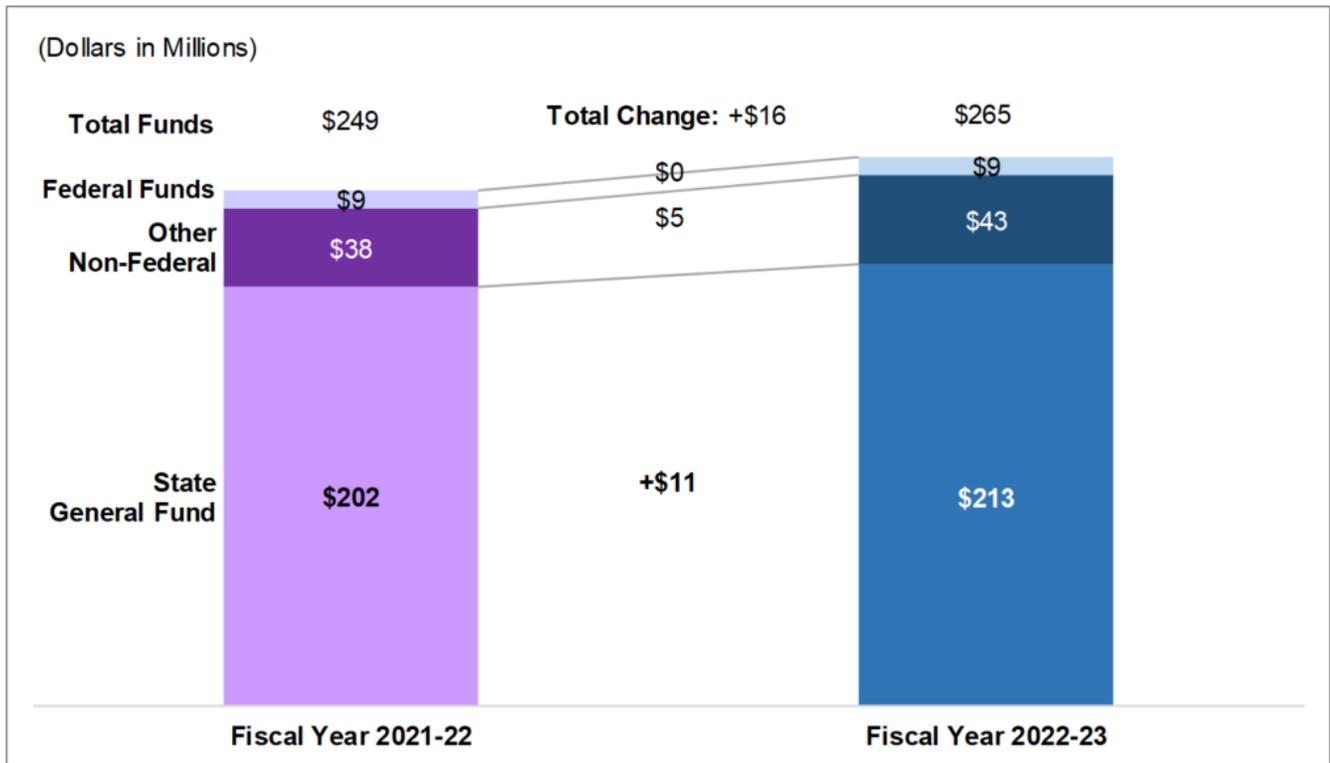
FY 2021-22 Comparison



As displayed above, the November 2021 Estimate for FY 2021-22 projects a \$17 million decrease in total spending (\$15 million General Fund) compared to the May 2021 Estimate. This reflects a 6.4 percent decrease in estimated total spending and a 6.9 percent decrease in

estimated General Fund spending. For more information, see the November 2021 Family Health Local Assistance Estimate available on the DHCS website.

FY 2021-22 Comparison to FY 2022-23



Family Health spending is estimated to increase by \$16 million total spending (\$11 million General Fund) between FY 2021-22 and FY 2022-23. This reflects a 6.4 percent increase in total spending and a 5.4 percent increase in General Fund spending. For more information, see the November 2021 Family Health Local Assistance Estimate available on the DHCS website.

STATE OPERATIONS AND NON-ESTIMATE LOCAL ASSISTANCE BUDGET ADJUSTMENTS

The Governor’s Budget proposes additional expenditure authority of \$183.4 million total funds (\$128.4 million General Fund) for 151.5 positions (111.5 permanent positions (Perm), 19.0 limited-term (LT) to Perm, and resources equivalent to 21.0 LT positions).

(Dollars in millions)

Budget Change Proposal Number	Budget Change Proposal Title	Positions	Total Funds	General Fund
4260-059-BCP-2022-GB	Short-Term Residential Therapeutic Program (STRTP) Mental Health Program Approval, Oversight, and Monitoring	9.0 LT to Perm	\$1.3	\$0.6
4260-060-BCP-2022-GB	Further Strengthen Fiscal Functions and Outcomes	10.0 Perm 5.0 LT	\$2.3	\$1.1
4260-061-BCP-2022-GB	Encounter Data Improvement Support	3.0 LT *	\$17.4	-
4260-062-BCP-2022-GB	Medi-Cal Enterprise Systems Modernization: Federal Draw and Reporting – Operations	-	\$4.5	\$2.2
4260-064-BCP-2022-GB	Behavioral Health Workload	34.0 Perm 5.0 LT*	\$21.2	\$9.7
4260-066-BCP-2022-GB	Increased Program Workload	31.5 Perm 4.0 LT to Perm	\$5.6	\$2.5
4260-067-BCP-2022-GB	Transforming Quality Outcomes and Health Equity in Medi-Cal	19.0 Perm	\$4.6	\$2.3
4260-080-BCP-2022-GB	Compliance Oversight of Insurance Policies for Licensed Alcohol and Drug Abuse Recovery or Treatment Facilities (AB 1158)	4.0 Perm	\$0.6	\$0.6
4260-081-BCP-2022-GB	Maternal Care and Services (SB 65)	2.0 LT*	\$0.5	\$0.2
4260-090-BCP-2022-GB	Behavioral Health Timely Access to Care Oversight (SB 221)	8.0 Perm	\$1.3	\$0.6
4260-174-BCP-2022-GB	Indian Health Program Grant Restoration	3.0 LT*	\$12.0**	\$12.0
4260-175-BCP-2022-GB	Medication Assisted Treatment Expansion Program	5.0 Perm	\$101.0**	\$96.0

Joint BCPs				
4260-068-BCP-2021-GB	Electronic Visit Verification Phase II	6.0 LT to Perm 3.0 LT*	\$10.6	\$0.7
	Total	111.5 Perm 19.0 LT to Perm 21.0 LT*	\$183.4	\$128.4

* Resources equivalent to limited-term positions

**Resources include Non-Estimate Local Assistance items

Chart totals may not match due to rounding.

Short-Term Residential Therapeutic Program (STRTP) Mental Health Program Approval, Oversight, and Monitoring requests the conversion of limited-term resources to permanent to meet the ongoing workload associated with the ongoing STRTP, Mental Health Program Approval (MHPA), and Children’s Crisis Residential Program oversight, monitoring, and annual onsite reviews of MHPA.

Further Strengthen Fiscal Functions and Outcomes requests new positions and limited-term funding for positions to build upon the FY 2019-20 BCP relating to efforts to strengthen fiscal estimates and cash flow monitoring and to provide resources for increasing and complex workloads.

Encounter Data Improvement Support requests limited-term expenditure authority to advance improvements in data quality in managed care and county behavioral health. The requested resources will be used to extend encounter data quality improvement work that will assist DHCS in meeting the Transformed Medicaid Statistical Information System (T-MSIS) requirements.

Medi-Cal Enterprise Systems Modernization: Federal Draw and Reporting – Operations requests limited-term funding to support the Federal Draw and Reporting system operations as part of its Medi-Cal Enterprise Systems (MES) Modernization.

Behavioral Health Workload requests new positions, the conversion of limited-term resources to permanent positions, and expenditure authority to design, implement, and oversee several critical behavioral health projects in California. The workloads include:

- 90-day justice-involved in-reach program
- Implementation of the new federal 988 hotline
- New mobile crisis services
- Managing new federal behavioral health grant opportunities
- Intensifying oversight of county behavioral health systems
- Support of the Children’s Crisis Continuum pilot
- Support of the Family First Prevention Services Act.

Increased Program Workload requests new positions, the conversion of limited-term resources to permanent positions, and expenditure authority to address increased workloads in the following areas:

- Benefits Division
- Local Governmental Financing Division (Behavioral Health Financing Policy)

- Medi-Cal Dental Services Division
- Administration

Transforming Quality Outcomes and Health Equity in Medi-Cal requests new positions and expenditure authority to administer and lead quality improvement and health equity efforts for the Medi-Cal program.

Compliance Oversight of Insurance Policies for Licensed Alcohol and Drug Abuse Recovery or Treatment Facilities (AB 1158) requests new positions that will allow DHCS to monitor the compliance of insurance policies for licensed alcohol and other drug recovery or treatment facilities and the promulgation of regulations to enable the enforcement of AB 1158 (Chapter 443, Statutes of 2021) specifications.

Maternal Care and Services (SB 65) requests limited-term funding to implement the requirements as outlined in SB 65 (Chapter 449, Statutes of 2021) and to track benefit implementation and manage the stakeholder process.

Behavioral Health Timely Access to Care Oversight (SB 221) requests new positions and expenditure authority to implement and maintain the new workload resulting from additional Timely Access requirements for substance use disorder (SUD) providers; non-urgent follow-up appointments with mental health/SUD providers; and specialty referrals, as well as to provide technical assistance to Medi-Cal managed care plans (MCPs), county Mental Health Plans (MHPs), and Drug Medi-Cal Organized Delivery System (DMC-ODS) counties; develop the necessary monitoring tools; and conduct ongoing monitoring activities pursuant to Chapter 724, Statutes of 2021.

Indian Health Program Grant Restoration requests limited-term expenditure authority to restore local assistance grant funding in the Indian Health Program that is established by Health and Safety Code section 124585. The funds would be distributed to 45 Tribal and urban Indian health clinic corporations via a competitive grant program in accordance with a “need” and “performance” driven formula as required by statute and regulation.

Medication Assisted Treatment Expansion Program requests new positions and expenditure authority to oversee the continuation of the Medication Assisted Treatment Expansion Program through general project administration, contract and grantee monitoring, data collection, reporting, stakeholder engagement, training, and technical assistance.

Joint BCP (Other Departments Are Lead)

Electronic Visit Verification Phase II (Multi-Departmental) requests permanent positions and limited-term funding for positions to ensure the Electronic Visit Verification (EVV) Phase II Project’s continued progress towards implementation and operation of an EVV solution for California required by the federal 21st Century Cures Act while avoiding further federal penalties for failure to meet federal implementation deadlines.