

**2019-20 Governor's May Revision**

**Highlights**

**Department of Health Care Services**



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## **CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES PROGRAM OVERVIEW**

The California Department of Health Care Services' (DHCS) mission is to provide Californians with access to affordable, integrated, high-quality health care including medical, dental, mental health, substance use treatment services, and long-term care. Our vision is to preserve and improve the overall health and well-being of all Californians.

DHCS helps provide Californians access to quality health care services that are delivered effectively and efficiently. Its programs integrate all spectrums of care, primarily via Medi-Cal, California's Medicaid program. Medi-Cal is a federal/state partnership providing comprehensive health care to individuals and families who meet defined eligibility requirements. Medi-Cal coordinates and directs the delivery of important services to approximately 13 million Californians. On January 1, 2014, California implemented the Medi-Cal expansion which extended eligibility to adults without children and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level. This expansion and other program changes since 2012-2013 have increased Medi-Cal enrollment by 5 million individuals.

The Department also offers programs to special populations and administers several other non-Medi-Cal programs:

- Low-income and seriously ill children and adults with specific genetic diseases receive services through various programs including the Genetically Handicapped Persons Program, California Children's Services Program, and Newborn Hearing Screening Program.
- Programs for Californians in rural areas and for underserved populations include 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.
- 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 are funded by federal block grants, the Mental Health Services Act, and other funding.
- 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) 2019-20, the Governor's May Revision includes a total of \$106.3 billion for the support of DHCS programs and services. Of that amount, \$872.8 million funds state operations, while \$105.5 billion supports local assistance.

### Total DHCS Positions

	2018-19 Budget Act <sup>1</sup>	2019-20 Governor's Budget <sup>2</sup>	2019-20 May Revision <sup>3</sup>	% Change from Budget Act
Permanent Authorized	3,681.0	3,694.0	3,749.0	1.85%
Temporary Help	238.2	199.7	237.7	-0.21%
<b>Total Authorized Positions</b>	<b>3,919.2</b>	<b>3,893.7</b>	<b>3,986.7</b>	<b>1.72%</b>

<sup>1</sup>FY 2019-20 Salaries and Wages Supplement

<sup>2</sup>January 10 Budget Change Proposals (BCPs)

<sup>3</sup>Including Proposed FY 2019-20 April 1 Letters and May Revision Letters

### Total DHCS Budget

*(Includes non-Budget Act appropriations)*

Governor's Budget Fund Source*	2018-19 Budget Act	2019-20 Governor's Budget	2019-20 May Revision	% Change from Budget Act
General Fund	\$23,408,652	\$23,405,017	\$23,574,874	0.71%
Federal Funds	\$68,143,762	\$66,234,871	\$66,983,117	-1.73%
Special Fund & Reimbursements	\$16,098,932	\$14,600,085	\$15,782,342	-1.97%
<b>Total Funds</b>	<b>\$107,651,346</b>	<b>\$104,239,973</b>	<b>\$106,340,333</b>	<b>-1.22%</b>

\*Dollars in thousands

### State Operations

State Operations by Fund Source *				
Governor's Budget Fund Source*	2018-19 Budget Act	2019-20 Governor's Budget	2019-20 May Revision	% Change from Budget Act
General Fund	\$236,579	\$237,675	\$272,962	13.33%
Federal Funds	\$457,020	\$448,476	\$534,875	14.56%
Special Funds & Reimbursements	\$57,086	\$57,914	\$64,967	12.13%
<b>Total State Operations</b>	<b>\$750,685</b>	<b>\$744,065</b>	<b>\$872,804</b>	<b>13.99%</b>

\*Dollars in thousands

**Local Assistance**

<b>FY 2018-19 Local Assistance by Fund Source *</b>				
<b>Governor's Budget Fund Source*</b>	<b>2018-19 Budget Act</b>	<b>2018-19 Revised Governor's Budget</b>	<b>2018-19 Revised May Revision</b>	<b>% Change from Budget Act</b>
General Fund	\$23,172,073	\$20,968,397	\$19,975,413	-16.00%
Federal Funds	\$67,686,742	\$63,221,717	\$60,328,744	-12.20%
Special Funds & Reimbursements	\$16,041,846	\$17,167,934	\$16,299,048	1.58%
<b>Total Local Assistance</b>	<b>\$106,900,661</b>	<b>\$101,358,048</b>	<b>\$96,603,205</b>	<b>-10.66%</b>

\*Dollars in thousands

<b>FY 2019-20 Local Assistance by Fund Source *</b>				
<b>Governor's Budget Fund Source*</b>	<b>2018-19 Budget Act</b>	<b>2019-20 Governor's Budget</b>	<b>2019-20 May Revision</b>	<b>% Change from Budget Act</b>
General Fund	\$23,172,073	\$23,167,342	\$23,301,912	0.56%
Federal Funds	\$67,686,742	\$65,786,395	\$66,448,242	-1.86%
Special Funds & Reimbursements	\$16,041,846	\$14,542,171	\$15,717,375	-2.02%
<b>Total Local Assistance</b>	<b>\$106,900,661</b>	<b>\$103,495,908</b>	<b>\$105,467,529</b>	<b>-1.34%</b>

\*Dollars in thousands

## **MAY REVISION MAJOR ISSUES AND PROPOSALS**

### **Proposition 56**

The May Revision continues to include supplemental payments for physicians, dentists, women's health services, intermediate care facilities for the developmentally disabled (ICF/DD) providers, and HIV/AIDS Waiver services. In addition, there are Proposition 56-funded rate increases for home health agencies, private duty nursing, and pediatric day health care programs. The total FY 2019-20 Proposition 56 funding for these providers is \$748.0 million. The Department estimates the total funding (both federal and Proposition 56) in FY 2018-19 for these payments is \$2.315 billion and in FY 2019-20 is \$2.163 billion.

The May Revision proposes additional investments that include the following:

- \$120 million additional one-time funding for the CalHealthCares Loan Repayment program for eligible physicians and dentists who agree to specified terms and conditions in exchange for up to \$300,000 in educational debt. Of this one-time amount, \$100 million will be for physicians and \$20 million will be for dentists. This brings the total allocation for CalHealthCares to \$340 million, including the \$220 million from the 2018 Budget Act.
- \$70 million in additional one-time funding for the Value-Based Payments, specifically targeting behavioral health integration. This is in addition to the \$180 million proposed in the Governor's January Budget and brings the total allocation for Value-Based Payments to \$250 million starting in 2019-20.
- A one-time \$60 million allocation for provider training and technical assistance to support the Governor's proposal for pediatric and adult trauma screenings. This allocation will be provided over three fiscal years: \$25 million in 2019-20, \$20 million in 2020-21 and \$15 million in 2021-22.
- \$11.3 million to restore optician and optical lab services for adult beneficiaries in the Medi-Cal program, effective no sooner than January 1, 2020.

The May Revision proposes all Proposition 56 investments will sunset December 31, 2021. Starting January 1, 2022, Proposition 56 revenue will be used to fund growth in the Medi-Cal program compared to the 2016 Budget Act.

### **Additional Support for Whole Person Care**

The May Revision includes a one-time \$20 million allocation from the Mental Health Services Fund for counties that do not currently participate in the Whole Person Care pilots, as authorized under California's Section 1115 Medicaid Waiver. With this funding, counties will be able to develop and implement programs focused on coordinating health, behavioral health, and critical social services, such as housing. Like the counties currently participating in Whole Person Care, these funds will be used by counties to target at-risk populations such as those with mental illness or homeless. The Department expects to award funds to interested counties by March 2020.

### **Peer Run Mental Health Warm Line**

The Department intends to provide \$3.6 million from the Mental Health Services Fund over the next three fiscal years (2019-2022) to support phone and instant messaging to callers across California using peer counselors with lived experience of mental health challenges. The

California Peer-Run Warm Line will offer accessible peer support to Californians on a 24/7 basis. These services are expected to decrease unnecessary emergency room visits, avoid public safety involvement and other types of crisis services. The Department of Health Care Services will effectuate a contract with the Mental Health Association of San Francisco to implement the California Peer-Run Warm Line, upon approval of the Legislature and effective July 1, 2019.

#### **Proposition 64**

Proposition 64 directs the Department of Health Care Services to establish interagency agreements with the Department of Public Health and the Department of Education. The May Revision includes \$119 million in spending from the Youth Education, Prevention, Early Intervention and Treatment Account. The Department will provide \$12 million to the Department of Public Health for surveillance and education activities. The Department will also provide the Department of Education with \$80.5 million to fund up to 9,600 slots for income-eligible families for afterschool and summer care for school-age children up to 13 years old through the General Child Care program. With funding of \$21.5 million, DHCS will support local programs that emphasize prevention, education and early intervention for youth through a competitive grant program and informed through a stakeholder process. Lastly, \$5.3 million will be provided to the California Natural Resources Agency to fund youth community access grants that support natural or cultural resources, with a focus on low-income and disadvantaged communities for positive programming to discourage substance use.

#### **Pharmacy Benefit Transition to Fee-for-Service**

The transition of pharmacy services from Medi-Cal managed care to a fee-for-service benefit is expected to increase California's negotiation for supplemental rebates as well as lower costs in the Medi-Cal program. Savings from the transition are estimated to reach \$393 million General Fund by 2022-23. These savings will not be realized immediately upon the transition in January 2020 due to timing of drug rebates and managed care payments.

#### **Full-Scope Expansion Implementation Shift**

The May Revision includes \$96.1 million (\$72.4 million General Fund) to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25 regardless of immigration status, starting no sooner than January 1, 2020. The assumed implementation date is six months later than assumed at the Governor's Budget. This expansion will provide full-scope coverage to approximately 90,000 individuals in the first year. Nearly 75% of these adults are currently in the Medi-Cal program and receiving limited scope benefits.

## BUDGET ADJUSTMENTS

### **May Revision Letters**

The Governor's May Revision proposes the establishment of 18.0 permanent new positions and the conversion of 13.0 existing limited-term resources to permanent positions.

### **4260-400-BCP-2019-MR: Medi-Cal Eligibility Systems Staffing**

General Fund:	\$ 910,000
Federal Fund:	\$ 2,058,000
<b>TOTAL:</b>	<b>\$ 2,968,000</b>

*(13.0 permanent positions converted from limited-term and two-year limited-term expenditure authority equivalent to 7.0 positions)*

DHCS, Medi-Cal Eligibility Division and Enterprise Innovation and Technology Services Division, requests resources to continue oversight, support, and infrastructure stabilization initiatives of the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS).

### **4260-401-BCP-2019-MR: CA-MMIS Oversight to Ownership and Modernization Projects**

General Fund:	\$ 15,270,000
Federal Fund:	\$ 34,401,000
<b>TOTAL:</b>	<b>\$ 49,671,000</b>

*(11.0 permanent positions and \$7,385,000 General Fund one-year limited term expenditure authority reappropriation and corresponding increased Federal Fund of \$15,515,000 in 2019-20 for contract costs related to Turnover and Takeover)*

DHCS, California Medicaid Management Information Systems Division, requests resources to further its strategic Oversight to Ownership, Fiscal Intermediary Turnover and Takeover, and Modernization objectives. The resources requested are to meet DHCS' obligation to cover the remaining Turnover and Takeover costs and continue to develop the O2O capability model and framework as contracts have now been awarded and assumptions have been validated. In addition, DHCS will continue with the implementation of the modernization approach which includes the continuation of the development of procurements for design, and the development and implementation of new systems modules.

### **4260-402-BCP-2019-MR: SUD Emerging Epidemics, Disaster Response, and Licensing Workload**

General Fund:	\$ 100,000
Special Fund:	\$ 1,060,000
<b>TOTAL:</b>	<b>\$ 1,160,000</b>

*(7.0 permanent positions and one-time expenditure authority to address the increase workload and web-based reporting migration)*

DHCS, Substance Use Disorder Compliance Division, requests resources to address the increased workload responding to: 1) natural disasters and other State Emergencies; 2) the opioid epidemic; 3) the resurgence of methamphetamine abuse; and 4) the rise in number of treatment facilities. In addition, DHCS requests a one-time expense for NC4 database migration.

**4260-407-BCP-2019-MR: Peer-Run Mental Health Warm Line**

Special Fund:	\$ 3,600,000
TOTAL:	\$ 3,600,000

*(Three-year limited-term expenditure authority)*

DHCS, Mental Health Services Division, requests limited-term resources to support phone and instant messaging to callers across California using peer counselors with lived experience of mental health challenges.

**4260-450-ECP-2019-MR: Mental Health Services Fund (MHSF) for Non-Whole Person Care Counties**

Special Fund:	\$ 20,000,000
TOTAL:	\$ 20,000,000

*(One-year limited-term expenditure authority)*

DHCS, Mental Health Services Division, requests limited-term resources to help build on and support California’s intention of providing Whole Person Care services on a statewide basis after the pilot’s expiration on December 31, 2020. DHCS will provide start-up funding to counties that are not currently participating in the state’s Whole Person Care Pilot program based on a county’s demonstration of interest and support from multiple local partners within the county.

**Joint BCP (Other Departments)**

**4260-405-BCP-2019-MR: State Verification Hub Planning Activities (Multi-Departmental)**

General Fund:	\$ 78,000
Federal Fund:	\$ 77,000
TOTAL:	\$ 155,000

*(Two-year limited-term expenditure authority equivalent to 1.0 position)*

This Agency-wide proposal requests two-year limited-term resources to support one position to begin planning activities for a State Verification Hub to enhance eligibility verifications in public assistance programs.