

Summary of the Governor's May Revision for the 2011-12 California Budget: Impact on Older Adults and People with Disabilities

On May 16, 2011, California Governor Edmond G. Brown, Jr., released the May Revision for the 2011-12 budget reflecting updated estimates for state spending and revenue. Included in the May Revision are proposals that impact the health and human services programs serving older adults and people with disabilities.

Understanding the Problem and Recent Budget Actions

When Governor Brown released the 2011-12 proposed budget in January, the Department of Finance projected a General Fund (GF) shortfall of approximately \$25.4 billion for 2011-12. At that time, the governor proposed \$12.5 billion in spending reductions as well as taxes and other budget solutions to close the budget gap, which included significant cuts to programs that serve older adults and people with disabilities. In February, the Department of Finance reported that the 2011-12 budget deficit grew to \$26.6 billion. In March, the Legislature approved, and Governor Brown signed into law, a series of budget-related measures (referred to as “trailer bills”) that reduced the budget deficit by \$11 billion through spending reductions and other modifications. However, the main budget bill (SB 69) was never sent to or signed by the governor, as Democrats and Republicans could not agree on how to close the remaining budget deficit - whether through additional reductions, tax extensions and other revenue enhancements or further program changes.

The May Revision and the New Budget Picture

The May Revision of the 2011-12 budget reflects higher-than-anticipated revenues, which resulted in a \$6.6 billion revenue gain for the state. Based on these figures, and accounting for the reductions adopted by the Legislature in March, California's current budget deficit stands at \$9.6 billion.¹

To close the remaining budget deficit and create a \$1.2 billion reserve, Governor Brown is calling for \$10.8 billion in further spending reductions, revenues and other modifications. The governor maintains that a balanced approach – including spending reductions as well as tax extensions or other revenue enhancements – is needed to avoid an “all cuts” budget, which would devastate many health and human services programs that serve vulnerable populations.

What's Next in the Process

The governor's proposals require approval by the Senate and the Assembly. The Legislature will deliberate the proposals contained in the governor's May Revision through a series of budget committee hearings. By law, the Legislature must approve the 2011-12 budget by June 15 in order for the governor to sign it by July 1.

The 2011-12 Budget and May Revision: Enacted Items and New Proposals Impacting Older Adults and Persons with Disabilities

The following items of importance to older adults and persons with disabilities reflect proposals that the Legislature adopted as part of the March budget actions as well as proposals contained in the May Revision.

Adult Day Health Care (ADHC)

ADHC is a community-based day care program that provides health, therapeutic, and social services to persons at-risk of nursing home placement. ADHC serves approximately 35,000 individuals in 309 centers across California.²

Previous Budget Actions: ADHC

In March, ADHC was eliminated as a Medi-Cal State Plan Option Benefit for \$170 million GF savings in 2011-12.³ The Legislature intended to create a new, more narrowly-defined Medi-Cal waiver program called "Keeping Adults Free from Institutions" (KAFI) with \$85 million GF. However, the Legislature provided only the "intent" to create a new program, and did not establish a mandate for the KAFI program. In addition, the \$85 million in funding for KAFI authorized by the Legislature remained in the main budget bill (SB 69), which was never sent to the governor for signature. Therefore, funding for KAFI has not been authorized or appropriated at this time. AB 96 (Blumenfeld) would authorize the state to seek federal approval to implement a new Medi-Cal waiver program that replaces the current ADHC program, bringing in matching federal dollars, and providing sufficient funding for a redesigned program. At the time this fact sheet was printed, AB 96 remains in the Legislature for consideration through the legislative policy process.

May Revision: ADHC Proposal

The governor's May Revision does not address the KAFI program nor does it provide any funding for its development and implementation. The May Revision provides \$25 million in 2011-12 for short-term transition services to assist ADHC participants in the transition to other Medi-Cal services that otherwise are not available in the community. The Department of Health Care Services has not specified what these transition services might be, who will determine what services are needed for which individuals, and for what length of time the transition service will be rendered.

In-Home Supportive Services (IHSS)

IHSS provides in-home assistance to low-income adults who are over 65 years of age, blind, or disabled, and to children who are blind or disabled. County social workers assess individuals using a standardized assessment to determine need and then authorize service hours per month based on functional scores of one to five (1=lowest need; 5=highest need). For 2011-12, it is projected that there will be an average monthly enrollment of 438,000 individuals.

Previous Budget Actions: IHSS

In March, the following IHSS proposals were adopted:⁴

- *Eliminate IHSS Hours for Recipients without Physician Certification:* The provision of IHSS services will be conditioned upon a physician's written certification that personal care services are necessary to prevent out-of-home care, providing GF savings of \$67.4 million in 2011-12.
- *Eliminate State Funding for IHSS Advisory Committees:* IHSS Advisory Committees maintain responsibility for submitting program recommendations to county boards of supervisors. Counties are no longer mandated to establish these committees, providing a savings of \$1.5 million GF in 2011-12. Counties will have the option of continuing advisory committees, with \$3,000 provided for each advisory committee.
- *Caseload Savings:* It is assumed that, on average, fewer individuals per month will enroll in IHSS than had originally been projected for both the remainder of 2010-11 as well as for 2011-12, for a combined savings of \$83.2 million GF.
- *Community First Choice Option:* The legislature scored a savings for IHSS under the assumption that the state will apply for and receive the new federal Community First Choice State Plan Option. This new Medi-Cal State Plan Option would provide community-based attendant services and supports to IHSS consumers who meet nursing facility eligibility criteria. This program would include a six percent increase in California's Federal Medical Assistance Percentage (FMAP), the amount that the state is reimbursed for the costs of services as part of its participation in the Medicaid program, for an anticipated savings of \$128 million GF in 2011-12.
- *Pilot Project for Medication Management:* A new pilot project will utilize automated medication dispensing machines to monitor and assist Medi-Cal recipients with taking prescribed medications. It is assumed that this pilot project will lead to \$140 million GF in savings for 2011-12 by preventing unnecessary hospital and nursing home admissions that result from individuals not taking medications as prescribed. To the extent that the pilot project and/or other savings proposals enacted by the Legislature do not achieve a combined savings of \$140 million, enacted legislation requires an across-the-board reduction in authorized hours for IHSS recipients beginning October 1, 2012 to account for the shortfall.

May Revision: IHSS Proposals

Reductions to Public Authorities:⁵ The May Revision contains no new cuts to IHSS hours or wages for IHSS workers. However, the May Revision proposes further reductions to the Public Authorities of \$2.2 million GF, for a total reduction of \$3.1 million GF from 2010-11 funding levels.

In-Home Supportive Services (IHSS) - Continued	
<ul style="list-style-type: none"> • IHSS Public Authority Reduction: IHSS Public Authorities are established in statute to perform a number of functions for the IHSS program including acting as an employer of record for IHSS workers, maintaining provider registries, providing training for consumers and providers, and other functions. Due to slower estimated caseload growth, lower projected service hours, and the 3.6 percent across-the-board reduction in hours assessed for IHSS recipients,*Public Authority administration funding was decreased by \$0.889 million GF. 	
Multipurpose Senior Services Program (MSSP)	
<p>MSSP provides case management services for seniors age 65 and older who are Medi-Cal eligible and who qualify for placement in a nursing facility but who wish to remain in the community. In addition to case management services, MSSP funds can purchase adult day care, housing assistance, chore and personal care assistance, protective supervision, respite, transportation, meal services, social services, and communications services. In 2008-09, MSSP served approximately 13,600 individuals.⁶</p>	
<p>Previous Budget Actions: MSSP</p> <p>The Legislature reduced MSSP funding by \$2.5 million GF, or 13 percent of current program funding, and directed the administration to consult with the federal government about how to achieve the savings operationally and minimize any impacts on the number of individuals served.[†]</p>	<p>May Revision: MSSP Proposals</p> <p>The May Revision included no additional funding reductions to MSSP.</p>
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	
<p>SSI/SSP is a federal/state income program that provides a monthly cash benefit to low-income aged, blind, disabled individuals or couples. In California, the SSI payment is augmented with a State Supplementary Payment (SSP) grant. These cash grants assist recipients with basic needs and living expenses.</p>	
<p>Previous Budget Actions: SSI/SSP Proposals⁴</p> <p>SSP grants for individuals have been reduced to the federally required minimum payment standard. Specifically, the maximum monthly SSI/SSP cash grant for individuals has been reduced by \$15 per month (from \$845 to \$830), for \$178.4 million GF savings in 2011-12.</p>	<p>May Revision: SSI/SSP Proposals</p> <p>The May Revision included no additional funding reductions to SSI/SSP.</p>

*The 3.6 percent reduction was included in the 2010-11 enacted budget.

† This program reduction was included in the main budget bill (SB 69). However, the legislation was never sent to the governor

Medi-Cal Reductions

Previous Budget Actions: Medi-Cal

- **Utilization Controls:** There will be a maximum annual benefit dollar cap for hearing aides of \$1,510, for a savings of \$229,000 in 2011-12. In addition, the number of doctor visits will be limited to seven per year, for a savings of approximately \$41 million in 2011-12. The utilization controls are scheduled to take effect October 1, 2011. This proposal is subject to federal approval, which has not yet been secured.
- **Other Benefit Changes:** Restrictions will be placed on the use of supplemental nutrition products (\$13.8 m GF savings), and coverage will end for over-the-counter cough and cold medications (\$2.1m GF savings).
- **Co-Payments:** There will be a \$5 copayment for physician, clinic, and dental services, for a \$157.3 million GF savings in 2011-12. There will be a \$50 copayment for emergency room services, for a \$96.8 million GF in 2011-12. There will be a \$100/day and \$200 maximum copayment for hospitals, for a \$128.7 million GF savings in 2011-12. There will be a \$3 or \$5 copayment for pharmacy (based on drug status), for a \$128.4 million GF savings in 2011-12. These new co-payments are scheduled to take effect on November 1, 2011. This proposal is subject to federal approval, which has not yet been secured.
- **Provider Rate Reductions:** Provider payments will be reduced by 10 percent for physicians, pharmacy, clinics, medical transportation, home health, family health programs, certain hospitals, and skilled nursing facilities, for a \$423 million GF savings in 2011-12. These rate reductions are scheduled to take effect on June 1, 2011. This proposal is subject to federal approval, which has not yet been secured.

May Revision: Medi-Cal Proposals

- **Skilled Nursing Facility Rate Adjustment:** The 10 percent provider rate reduction that was recently adopted will be terminated effective August 1, 2012 for AB 1629 skilled nursing facilities.⁷ The sunset date for the Quality Assurance Fee will be extended by one additional year to July 31, 2013. In addition, a one-time supplemental payment in 2012-13 will be provided to nursing facilities that is equivalent to the 10 percent reduction applied from June 1, 2011 to July 31, 2012.^{7,8}
- **Medi-Cal Managed Care Plan Enrollment:** Medi-Cal only beneficiaries, including seniors and persons with disabilities, will be prohibited from switching managed care plans more than once annually (\$1.7m GF savings).

⁷ AB 1629 Facilities are those that participate in the “Quality Assurance Fee” rate setting methodology.

References

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