

March 21, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

## **STATE LEGISLATIVE UPDATE**

### **State Budget Action**

The **Assembly Budget Subcommittee No. 1 on Health and Human Services** met on March 18, 2002, to discuss a variety of issues facing California's hospitals, including: 1) the Upper Payment Limit (UPL); 2) the DSH Cliff; and 3) the proposed \$55 million increase in the DSH Administrative Fee. The proposed elimination of the Child Health and Disability Prevention Program (CHDP) was discussed as an informational item.

Subcommittee Chairman, Assembly Member Cedillo, stated that California is facing very difficult times, and hopes that the State Budget will be a "fair and just budget for the people of California," and that the State will have the "revenues to do what is needed." He implored advocacy groups to think about ways to increase revenues or recommend cost-saving alternatives to avoid massive cuts in health care services to low-income patients.

#### **UPL, DSH Cliff and the DSH Administrative Fee**

Various hospital groups told Subcommittee members that public and private safety net hospitals face billions of dollars of cuts in Federal Medicaid funds over the next several years and that a \$55 million increase in the DSH Administrative Fee will only compound the fiscal constraints facing these hospitals. Assembly Member Keith Richman made a motion to reject the fee increase and to further reduce it from the current \$29.2 million to \$1.2 million, which is the actual cost for the State to administer the DSH program.

Although no vote was taken on the motion, Assembly Member Cedillo stated his intent to work with Assembly Member Richman on the DSH Administrative Fee. The Subcommittee left the item open and likely will not vote on it until after the release of the May Revision.

### CHDP

The Governor proposes to eliminate the CHDP program which provides low-income and undocumented children with access to preventive health care, including immunizations. The Governor maintains that most of these children are eligible for either the Medi-Cal or the Healthy Families Programs. His proposed budget allocates \$17.5 million to the Expanded Access for Primary Care program for those children who remain ineligible for either program.

Our Sacramento representatives and numerous advocacy groups urged the Subcommittee to reject the Governor's proposal. The County is concerned that the program's elimination would have a devastating impact on the estimated 3,000 public and private CHDP providers which serve these children within Los Angeles County. Further, the Governor's proposal shifts costs from the State to the counties. Children who are ineligible for Medi-Cal or Healthy Families, or who are eligible but do not enroll, will seek care in underfunded county clinics or already financially-strapped and overcrowded emergency departments. The Governor's Office and the State Department of Health Services will continue to meet with various stakeholder groups, and will provide an update in the Governor's May Revision.

On Monday 18, 2002, **Senate Budget Subcommittee No. 3 on Health and Human Services** heard several mental health budget items of interest to the County including: 1) Medi-Cal Specialty Mental Health Managed Care; 2) Early and Periodic Screening, Diagnosis and Treatment; 3) Therapeutic Behavioral Services; 4) Children's System of Care Program; and 5) Community Treatment Facilities. As previously reported, final actions on all budget items considered by the Subcommittee are pending release of the May Revision.

### Medi-Cal Specialty Mental Health Managed Care

The State Department of Mental Health presented a status report regarding Federal approval of the Medi-Cal Specialty Mental Health Managed Care Waiver renewal. This program consolidated Medi-Cal psychiatric inpatient hospital services and Medi-Cal specialty mental health services into one delivery system. The consolidation of the two programs required Federal approval. Final revised regulations, which will significantly alter the current structure of the program, will be available in April. Members adopted the Governor's proposal, increasing the program's budget by \$14.1 million for both inpatient and specialty mental health services.

### Early and Periodic Screening, Diagnosis and Treatment Program

Members adopted the Governor's proposal to increase funding for the Early and Periodic Screening, Diagnosis and Treatment Program by \$133.7 million.

### Therapeutic Behavioral Services

The Committee adopted the Governor's proposal to increase Therapeutic Behavioral Services by \$16.7 million as a Medi-Cal benefit to Seriously Emotionally Disturbed children.

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#### Children's System of Care Program

The Committee rejected the Governor's proposed reduction of \$4.2 million for the Children's System of Care Program and instead augmented it by \$3.8 million.

#### Community Treatment Facilities

The Committee adopted the proposed budget and trailer bill language for the Community Treatment Facilities supplemental rate that includes an augmentation of \$1.2 million to continue the supplemental funding for these facilities.

#### **CalWORKS Single Allocation**

On March 15, 2002, the CWDA Board of Directors unanimously approved the proposal developed by the CWDA Executive Committee for the CalWORKs Employment Services allocation. Under the terms of the proposal, Los Angeles County's FY 2002-03 employment services allocation would be approximately \$73 million more than the level assumed in the proposed DPSS budget for FY 2002-03. DPSS would continue to receive the \$31 million which the department received as part of this year's equity pot, and would receive an estimated additional \$42 million if this proposal is adopted by the Legislature and approved by the Governor. The cost of this additional employment services funding would primarily be covered by State borrowing of unspent county performance incentives, which under current law, the State would be required to pay back to counties in the future. This is only a one-year proposal and it is likely that the State will re-visit the entire program and its funding next year due to TAN re-authorization.

We will continue to keep you advised.

DEJ:GK  
IGR:md

c: Executive Officer, Board of Supervisors  
County Counsel  
All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants