2021-22 Governor's Budget

Department of Health Care Services Highlights

January 8, 2021

Gavin Newsom
Governor
State of California

Mark A. Ghaly, MD, MPH
Secretary
California Health and Human Services Agency

Will Lightbourne
Director
Department of Health Care Services

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 approximately 13 million or 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 Governor's Budget proposes a total of $126.3 billion for the support of DHCS programs and services. Of that amount, $1.1 billion funds state operations (DHCS operations), while $125.3 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 Governor's Proposed Budget
Local Assistance (LA)			
LA General Fund	$ 23,947,370	$ 22,775,545	$ 28,762,673
LA Federal Funds	$ 76,468,585	$ 79,584,822	$ 82,082,873
LA Special Funds	$ 15,818,531	$ 16,362,935	$ 13,102,297
LA Reimbursements	$ 1,795,778	$ 2,285,272	$ 1,326,508
Total Local Assistance	**$ 118,030,264**	**$121,008,574**	**$ 125,274,351**
State Operations (SO)			
SO General Fund	$ 260,410	$ 250,029	$ 279,567
SO Federal Funds	$ 490,874	$ 476,743	$ 514,117
SO Special Funds	$ 187,121	$ 208,736	$ 258,276
SO Reimbursements	$ 21,421	$ 21,128	$ 21,291
Total State Operations	**$ 959,826**	**$ 956,636**	**$ 1,073,251**
Total Funds			
Total General Fund	$ 24,207,780	$ 23,025,574	$ 29,042,240
Total Federal Funds	$ 76,959,459	$ 80,061,565	$ 82,596,990
Total Special Funds	$ 16,005,652	$ 16,571,671	$ 13,360,573
Total Reimbursements	$ 1,817,199	$ 2,306,400	$ 1,347,799
Total Funds	**$ 118,990,090**	**$121,965,210**	**$ 126,347,602**
** Dollars in Thousands*			

NEW MAJOR BUDGET ISSUES AND PROPOSALS

COVID-19

The effects of the COVID-19 pandemic are unprecedented in modern times from a public health emergency 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 budget reflects significant fiscal impacts related to COVID-19, including $7 billion in total funds costs ($1.1 billion General Fund savings) in FY 2020-21 and $15.4 billion total funds costs ($2.4 billion General Fund costs) in FY 2021-22. These amounts reflect the net impact of a variety of factors, including:

- Increased Caseload – The Medi-Cal caseload is expected to increase because of the COVID-19 pandemic for two main reasons. First, 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. Observed increases in the Medi-Cal caseload have been less than initially projected as part of the FY 2020-21 Budget Act. However, caseloads are consistently growing, and are anticipated to continue to grow as long as the continuous coverage requirement is in effect, which is assumed to continue through December 2021. The budget assumes that the average Medi-Cal caseload will be about 14 million in FY 2020-21, with associated cost increases of $5.4 billion total funds ($1.7 billion General Fund). In FY 2021-22, the budget assumes that the average Medi-Cal caseload will increase to about 15.6 million, with associated cost increases of $13.5 billion total funds ($4.3 billion General Fund).

- Vaccine Administration Costs – The budget assumes that the federal government will cover the costs of procuring COVID-19 vaccines; however, Medi-Cal will face costs related to reimbursing providers to administer the vaccine for covered populations, which make up a significant share of state residents. The budget includes $31.7 million total funds ($10.8 million General Fund) in FY 2020-21 and $315.7 million total funds ($107.4 million General Fund) in FY 2021-22 to cover vaccine administration costs.

- Other COVID-19 Response Impacts – The budget 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. DHCS is proposing trailer bill language to extend Mental Health Services Act flexibilities and restoration of adult over-the-counter cough/cold and acetaminophen drug benefit.

- Increased Federal Funding – 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 assumes this increased federal funding will be available through December 2021. The budget includes $4.9 billion in increased federal funding, with offsetting General Fund savings in the DHCS budget of $2.9 billion in FY 2020-21. For FY 2021-22, the budget includes $3.3 billion in increased federal funding, with offsetting General Fund savings in the DHCS budget of $2.2 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.)

Health Equity

The COVID-19 pandemic and recent protests for greater racial justice have once again laid bare health the disparities plaguing disadvantaged communities. Equity has been a key focus of the Administration's response to COVID-19. Health equity metrics are one of the indicators in the Blueprint for a Safer Economy framework, which is designed to incentivize counties to address disparities in the levels of COVID-19 transmission particularly in low-income, Black, Latino, Pacific Islander, Native American, and other communities disproportionately impacted by the pandemic. DHCS is committed to advancing diversity, equity, and inclusion both within our organization and on behalf of the Californians we serve. DHCS continues to support efforts toward greater diversity, equity, and inclusion, and all the benefits that these concepts bring to our communities. Furthermore, the Department will support future policy and program efforts work to close health equity gaps, including but not limited to partnership on the agency wide Equity Dashboard, the implementation of the California Advancing and Innovating Medi-Cal (CalAIM) initiative, the upcoming Medi-Cal Managed Care Plan procurement, and payment reform efforts. The DHCS budget builds on these efforts to address our need for a more culturally and linguistically competent and responsive health and social services system. Specifically, the budget includes funding for the following initiatives related to health equity:

- Medi-Cal Coverage of Continuous Glucose Monitors – Communities of color have a higher prevalence of diabetes than the general population; therefore, to improve diabetes management and outcomes, the budget includes $10.9 million total funds ($3.8 million General Fund) to add Continuous Glucose Monitoring systems as a Medi-Cal benefit for beneficiaries ages 21 and older with Type I diabetes, effective January 1, 2022.

- Permanent Telehealth Flexibilities – As part of the Governor's Budget, the Department proposes to make permanent and expand certain telehealth flexibilities put in place during the COVID-19 pandemic focusing on improving equitable access to providers, and addressing inequities and disparities in care to every member. Among the telehealth proposals, the budget includes $94.8 million total funds ($34.0 million General Fund) to implement remote patient monitoring services as an allowable telehealth modality in fee-for-service (FFS) and managed care delivery systems. DHCS is proposing trailer bill language for expansion of telehealth for certain Medi-Cal services.

California Advancing and Innovating Medi-Cal (CalAIM)

The Governor's Budget again proposes 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 result in long-term cost

savings/avoidance. In October 2019, DHCS released a framework for the upcoming waiver renewals that encompassed broader delivery system, program, and payment reform across the Medi-Cal program, which was not included in the FY 2020-21 budget due to the impacts of the COVID-19 pandemic on the state budget. DHCS is proposing trailer bill language to implement CalAIM.

For further details on the CalAIM initiative please see the DHCS website.

CalAIM has three primary goals:

- Identify and manage member risk and need through whole person care approaches and addressing social determinants of health.

- Make Medi-Cal more consistent and seamless by reducing complexity and increasing flexibility.

- Improve quality outcomes, reduce health disparities, and drive delivery system transformation and innovation through value-based initiatives, modernization of systems, and payment reform.

Our vision is that people served by our programs should have longer, healthier, and happier lives. There will be a whole-system, person-centered approach to health and social care, in which services are only one element of supporting people to have better health and well-being throughout their whole lives. It will be an integrated "wellness" system, which aims to support and anticipate health needs, to prevent illness, and to reduce the impact of poor health. The whole system, person centered approach will be equitable. Services and supports will deliver the same high quality of care and achieve more equal health outcomes, across the entire continuum of care. It will improve the physical, behavioral, developmental, oral, and long-term services and supports, throughout their lives, from birth to a dignified end of life.

To implement the initiative effective January 1, 2022, the Budget proposes $1.1 billion total funds ($531.9 million General Fund) for FY 2021-22, growing to $1.5 billion total funds ($755.5 million General Fund) in FY 2022-23. This investment will provide for enhanced care management and in lieu of services, promote necessary infrastructure to expand whole person care approaches statewide, build upon existing dental initiatives, and promote greater consistency in the delivery systems where beneficiaries receive services. Beginning in FY 2024-25, the Administration proposes to phase out incentive funding, resulting in ongoing costs of $846 million total funds ($423 million General Fund).

The amounts above include additional positions and expenditure authority for DHCS to implement CalAIM. Please see the State Operations Budget Adjustments section for additional information.

CalAIM Proposal	**FY 2021-22**	
	Total Funds	**General Fund**
Enhanced Care Management	$187.5	$93.7
In Lieu of Services	$47.9	$24.0
Incentives	$300.0	$150.0
Transitioning Populations	$401.6	$174.7
Dental Preventive Services	$59.4	$30.0

Dental Continuity of Care	$43.5	$21.7
Dental Caries Risk Assessment	$9.0	$4.5
Dental Silver Diamine Fluoride	$1.6	$0.8
Behavioral Health Quality Improvement Program	$21.8	$21.8
Carve Organ Transplant into Managed Care	$4.7	$1.3
Carve Multipurpose Senior Services Program Out to FFS	$1.6	$0.8
Carve Specialty Mental Health Services Out of Managed Care Statewide	-$4.8	-$2.3
State Operations Funding	$23.9	$11.0
Totals	**$1,097.7**	**$531.9**

**Dollars in Millions*

Behavioral Health Continuum Infrastructure Funding

California's behavioral health community-based continuums have worsened progressively over the years, leading to a significant infrastructure deficit. As a result of insufficient infrastructure, outpatient treatment options are scarce and oversubscribed and counties are often left without appropriate step down options to less restrictive, community-based, residential settings of care. The Budget proposes to capitalize on a potentially unique moment in time to efficiently and cost-effectively acquire real estate assets to expand the community continuum of behavioral health treatment resources, allowing individuals to live and be treated in a stable environment which leads to better health and behavioral health outcomes. As the state builds up the service spectrum through approaches like CalAIM and pursuit of the Serious Mental Illness/Serious Emotional Disturbance Institutions for Mental Disease (IMD) Waiver, DHCS aims to reduce homelessness, incarceration, unnecessary hospitalizations, and inpatient days by appropriately utilizing community-based models of care.

The Budget proposes $750 million General Fund, available over three years, for DHCS to invest in critical gaps across the community-based behavioral health continuum, including the addition of at least 5,000 beds, units, or rooms to expand such capacity. These resources would provide a comprehensive continuum of services to address short-term crisis stabilization, acute needs, peer respite, and other clinically enriched longer-term treatment and rehabilitation opportunities for persons with behavioral health disorders, in the least restrictive and least costly setting. Funding would be made available to counties via a competitive application process and could be used for acquisition and/or rehabilitation. Counties would be required to provide a match of local funds.

Increased Access to Student Behavioral Health Services

The consequences of not addressing child and adolescent mental health conditions often extend to adulthood. According to the World Health Organization, half of all mental health conditions start by 14 years of age, but most cases are undetected or untreated. Child and adolescent mental health hospitalizations and suicide rates over the last decade have increased. COVID-19, stay-at-home orders, and school closures have impacted children and adolescents in an unprecedented manner, causing additional stress and anxiety. It is imperative to enhance access to behavioral services to improve the mental well-being of children and adolescents.

The budget proposes one-time funds of $400 million total funds ($200 million General Fund) to implement an incentive program through Medi-Cal managed Care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase the number of students receiving preventive and early intervention behavioral health services. This funding would be available over multiple years. Details related to the DHCS request for additional state operations resources for this proposal can be found in the State Operations Budget Adjustment section of this document. DHCS will be proposing trailer bill language to increase access to student behavioral health services.

Master Plan for Aging

Recognizing that California's over-65 population is projected to grow to 8.5 million by 2030, Governor Newsom issued an executive order calling for the creation of a Master Plan for Aging. The Master Plan will serve as a blueprint that can be used by state government, local communities, private organizations, and philanthropic organizations to build environments that promote an age-friendly California. The Governor's Budget and the Master Plan for Aging include many cross-cutting strategies, to improve the systems of care and address ageism, ableism, and systemic racism. For DHCS, the Master Plan includes initiatives to bridge health care and home and community-based services, promote care planning for patients with Alzheimer's and related dementias, improve nursing home quality, support caregivers and providers, and increase access to telehealth and remote care.

Key components of the Master Plan for Aging related to DHCS include:

- Through CalAIM, implement enhanced care management, in lieu of services, and innovative models to provide Long-Term Services and Supports options, and increase access to integrated care, for dual-eligible and Medi-Cal only beneficiaries.
- Establish an Office of Medicare Innovation and Integration to lead innovative models for dual eligibles and Medicare only individuals.
- Request a federal planning grant to develop a Medi-Cal Home and Community-Based Services Roadmap.
- Permanently expand access to telehealth across Medi-Cal delivery systems.
- Expand opportunities to include family caregivers in assessments and expand respite care.
- Support efforts to improve nursing home quality and stability.

Medi-Cal Rx

Given the ongoing challenges and constantly evolving health care landscape associated with the unprecedented COVID-19 public health emergency, DHCS, after careful consideration and in close partnership and collaboration with Magellan Medicaid Administration, Inc., decided to lengthen the transition time to the full implementation of Medi-Cal Rx by three months, to April 1, 2021. Because of changes in the timing of payments due to the lengthened transition period, the Medi-Cal Estimate assumes less savings from Medi-Cal Rx in FY 2020-21, such that the pharmacy carve-out reflects temporary net costs during the current fiscal year. However, the net cost is temporary as savings have shifted into FY 2021-22. Under revised estimates, Medi-Cal Rx is projected to result in net savings of $612 million total funds ($238.1 million General fund) in FY 2021-22.

Drug Medi-Cal Parity

The budget includes $4.4 million total funds ($1.5 million General Fund) for local assistance to support work by counties to perform utilization review and quality assurance activities related to parity requirements for State Plan Drug Medi-Cal. Effective July 1, 2021, the Department will standardize and align requirements for State Plan Drug Medi-Cal services with the requirements for medical/surgical health services to ensure parity across all delivery systems.

Electronic Visit Verification (EVV)

EVV is a telephone and computer-based method that electronically verifies in-home service visits. EVV systems must verify the type of service performed, the individual receiving the service, the date of the service, the location of service delivery, the individual providing the service, and time the service begins and ends. Pursuant to federal law, all states must implement EVV for Medicaid-funded Personal Care Services (PCS) and Home Health Care Services (HHCS) that require an in-home visit by a provider. In California, EVV will impact all PCS and HHCS provided under the Medi-Cal state plan and under several Medicaid waiver programs.

States must require EVV use for all Medicaid-funded PCS by January 1, 2020 and HHCS by January 1, 2023. Otherwise, a state is subject to incremental FMAP reductions. California's request for a one-year good faith effort exemption for PCS was approved by the federal Centers for Medicare and Medicaid Services (CMS) on October 22, 2019. States with good faith effort exemptions will not be subject to FMAP reductions in 2020; however, they will be subject to incremental FMAP reductions beginning at 0.5 percent starting January 1, 2021. The budget includes a reduction of federal funding of $20.7 million in FY 2020-21 and $21.9 million in FY 2021-22 to reflect penalties for noncompliance with federal timelines for meeting EVV requirements. These penalties require General Fund dollars, budgeted across various state departments, to backfill lost federal funding. DHCS is proposing trailer bill language related to EVV and additional information on the state operations resources requested can be found in the State Operations Budget Adjustments section of this document.

State Only Claiming

The DHCS is actively working to implement changes to how it claims federal financial participation (FFP) for state only full-scope Medi-Cal services to individuals without satisfactory immigration status. This includes updates to claiming systems to identify individuals for whom FFP should not be claimed, as well as the development of new proxy percentages to apply to managed care payments. The budget reflects a General Fund cost of $249.8 million in FY 2020-21, (reduced by $418 million compared to the enacted budget) and a General Fund cost of $279.1 million in FY 2021-22 related to state only claiming.

Managed Care Extended File Correction

The Department is in the process of running and processing payments based on what is known as an "extended file" in the state's capitation payment system, known as CAPMAN. The extended file allows for the processing of enrollments and disenrollments in CAPMAN back to January 2014. This extended file process is needed to identify required corrections to capitation payments previously paid for beneficiaries incorrectly placed in an incorrect aid code or an

incorrect category of aid. These corrections are currently expected to result in a total one-time net cost of $300 million total funds (net cost of $335 million General Fund).

Proposition 56

Beginning in FY 2021-22, the General Fund is projected to be needed to partially support supplemental payment programs at current levels funded by Proposition 56 due to program costs that exceed declining tobacco tax revenues, primarily due to the assumed implementation of the ban on flavored tobacco and vaping products pursuant to Chapter 34, Statutes of 2020 (SB 793).

Additionally, current law requires that a number of DHCS Proposition 56 expenditure items be suspended, unless certain conditions related to revenues and expenditures in the state budget are met. Specifically, most Proposition 56 payments are subject to suspension effective July 1, 2021. Additionally, certain adult optional benefits, a recent expansion of post-partum care eligibility, and additional screening for substance use in primary care settings to beneficiaries over 21 years of age are subject to suspension after December 31, 2021.

The Governor's budget proposes to delay the suspension dates by one year. For Proposition 56 payments for Intermediate Care Facilities for the Developmentally Disabled (ICF/DDs), freestanding pediatric subacute facilities, and Community-Based Adult Services, suspension is delayed 18 months to align with the managed care rate year. Suspension is no longer proposed for Proposition 56 payments for HIV/AIDS waiver providers, home health providers, or pediatric day health care facilities, because it is assumed such suspensions would not be approved by the federal government. For expansion of screening for additional substances, no suspension is proposed because this became a mandatory benefit due to a recent United States Preventive Services Task Force (USPSTF) recommendation (proposing trailer bill language).

Operational Efficiencies and Reductions

Consistent with the Department of Finance's Budget Letter (BL) 20-37, DHCS is working to identify operational efficiencies resulting in an ongoing 5-percent reduction when compared to the enacted FY 2020-21 budget in its operating expense and equipment budget in FY 2021-22.

Long-Term Health Care Facility Penalties for Improper Discharges

The Department is proposing trailer bill language to assess monetary penalties against a long-term health care facility (nursing facility or skilled nursing facility) for noncompliance with a hearing decision issued by DHCS that orders the readmission of a resident after a finding that the facility improperly transferred, discharged, or failed to readmit a resident.

The proposed penalty amounts are $1,000 for each day the facility fails to comply with the hearing decision, beginning on the sixth day after the date of service of the hearing decision, and up to $100,000 in the aggregate for each hearing decision. The proposal authorizes DHCS to waive a portion or all penalties upon a facility's successful demonstration of hardship. The proposal would also authorize DHCS to collect the proposed penalties from Medi-Cal participating facilities by offsetting those amounts from any Medi-Cal payment made to the facility.

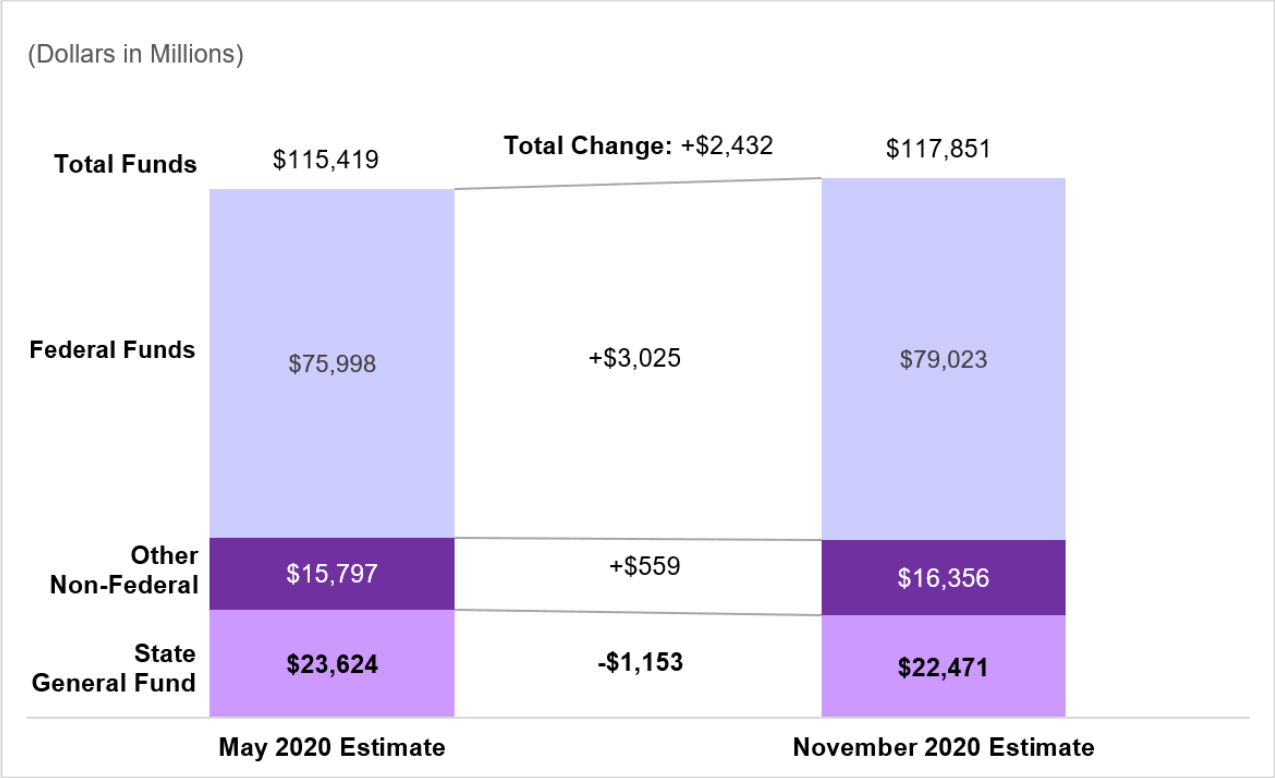
Strengthen Coordination of Benefits and Post-Payment Recovery for the Medi-Cal Program

The Department is proposing trailer bill language to update the data required from third-party commercial health insurance carriers for post-payment recovery and coordination of benefits activities. DHCS seeks to clarify state law in order to strengthen its ability to perform cost avoidance and pursue post-payment recovery. This proposal also improves DHCS' coordination of benefits and allows DHCS to obtain the data required to act as a payer of last resort.

SUMMARY OF MEDI-CAL LOCAL ASSISTANCE ESTIMATE INFORMATION

DHCS estimates Medi-Cal spending to be $117.9 billion total funds ($22.5 billion General Fund) in FY 2020-21 and $122.2 billion total funds ($28.4 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



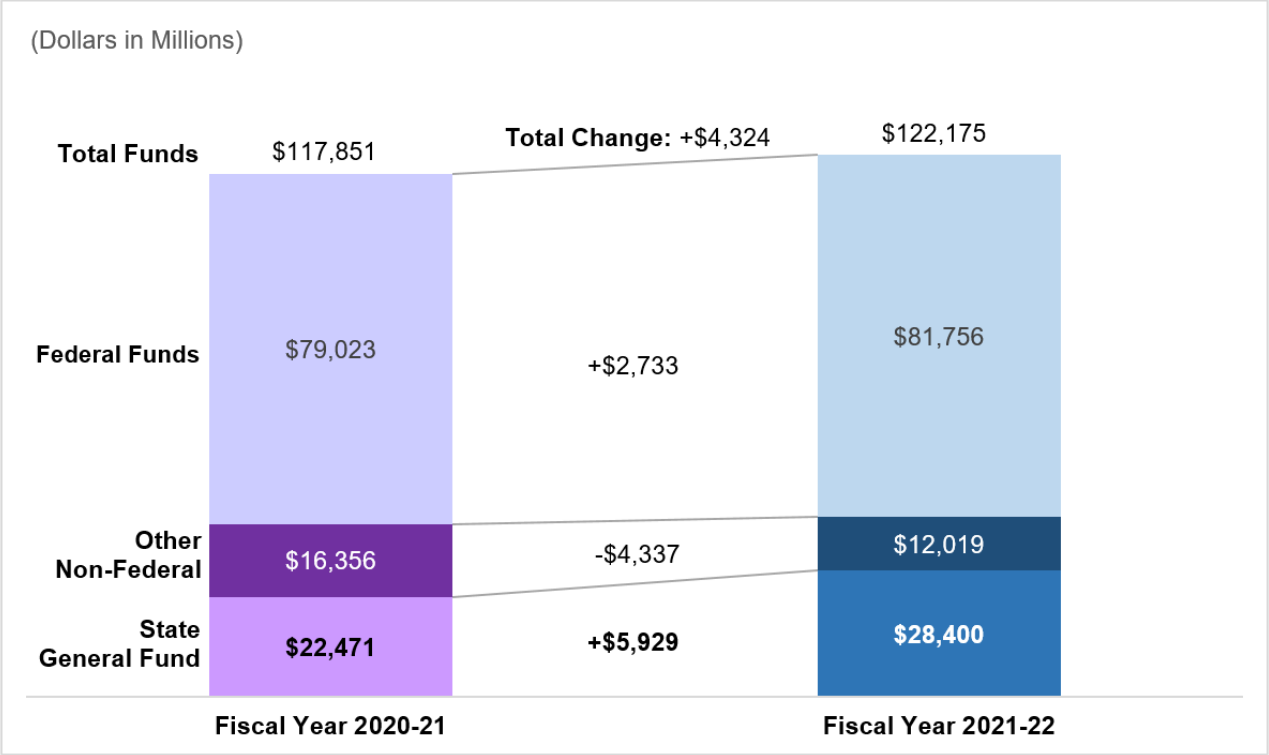
As displayed above, the November 2020 Estimate for FY 2020-21 projects a $2.4 billion increase in total spending (a $1.2 billion decrease in General Fund spending) compared to the May 2020 Estimate (the FY 2020-21 Budget Act). This reflects a 2.1 percent increase in estimated total spending and a 4.9 percent decrease in estimated General Fund spending for FY 2020-21.

The major drivers of the change in estimated General Fund spending are listed below:

- -$1.1 billion related to COVID-19 impacts.
- -$418 million related to state only claiming.
- -$176 million from additional estimated Hospital Quality Assurance Fee (HQAF) revenue available to fund children's health care.
- $121 million in costs related to the longer transition period for Medi-Cal Rx.
- $322 million in increased withholding of federal payments.
- $335 million related to the managed care extended file correction.

For more information on the major drivers of changes in estimated General Fund spending in FY 2020-21, see the November 2020 Medi-Cal Estimate.

FY 2020-21 to FY 2021-22 Year-Over-Year Comparison



Medi-Cal spending is projected to increase by $4.3 billion total funds ($5.9 billion General Fund) between FY 2020-21 and FY 2021-22. This reflects a 3.7 percent increase in total spending and a 26.4 percent increase in General Fund spending.

The main drivers of the change in estimated General Fund spending are listed below:

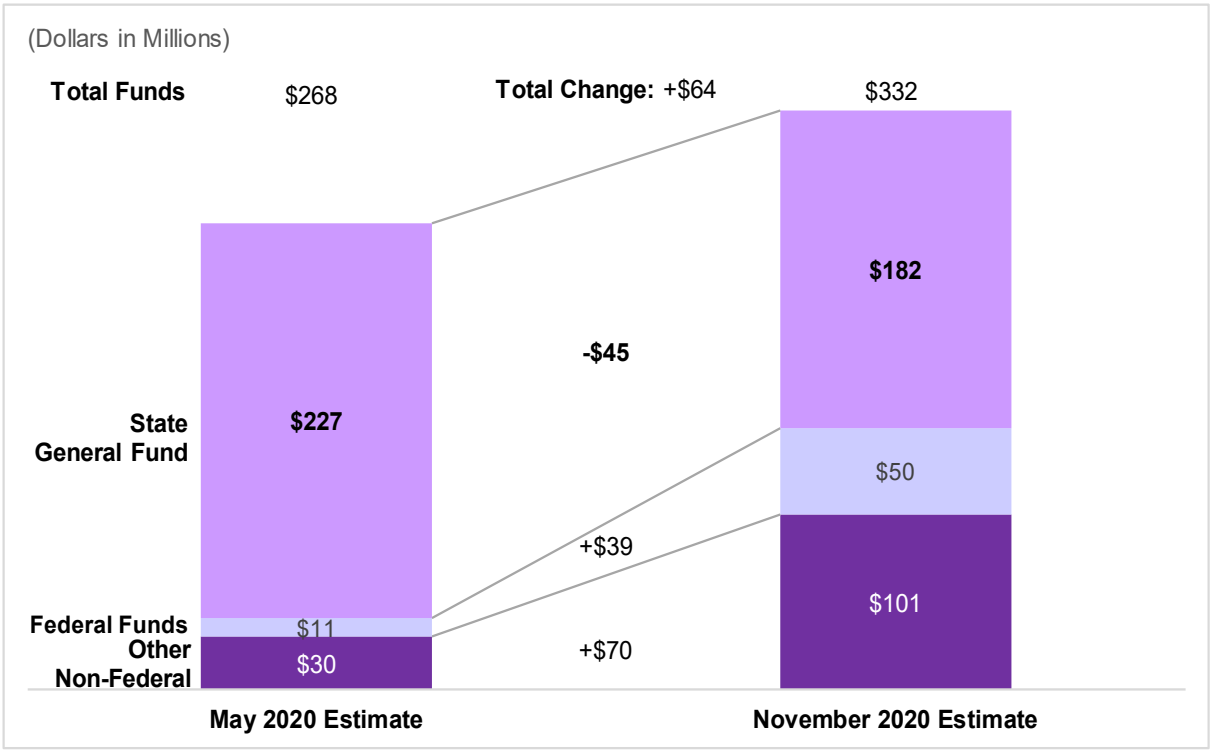
- $3.6 billion in net costs related to COVID-19.
- $1.1 billion from underlying cost growth.
- $750 million for Behavioral Health Continuum infrastructure funding.
- $521 million for CalAIM implementation.
- $390 million in costs from reduced HQAF revenue available to fund children's health care.
- $275 million in costs to cover Proposition 56 payments not paid for with Proposition 56 revenues.
- $194 million for the student behavioral health services incentive program.
- $186 million related to the bridge period capitated rate adjustment.
- $34 million for the remote patient monitoring benefit.
- $4 million for the continuous glucose monitoring benefit.
- -$317 million in additional net savings from a full year of implementing Medi-Cal Rx.
- -$335 million to remove one-time costs related to the managed care extended file correction.
- -$768 related to the assumed resolution of withheld federal payments.

For more information on the major drivers of changes in estimated General Fund spending in between FY 2020-21 and FY 2021-22, see the November 2020 Medi-Cal Estimate.

SUMMARY OF FAMILY HEALTH LOCAL ASSISTANCE ESTIMATE INFORMATION

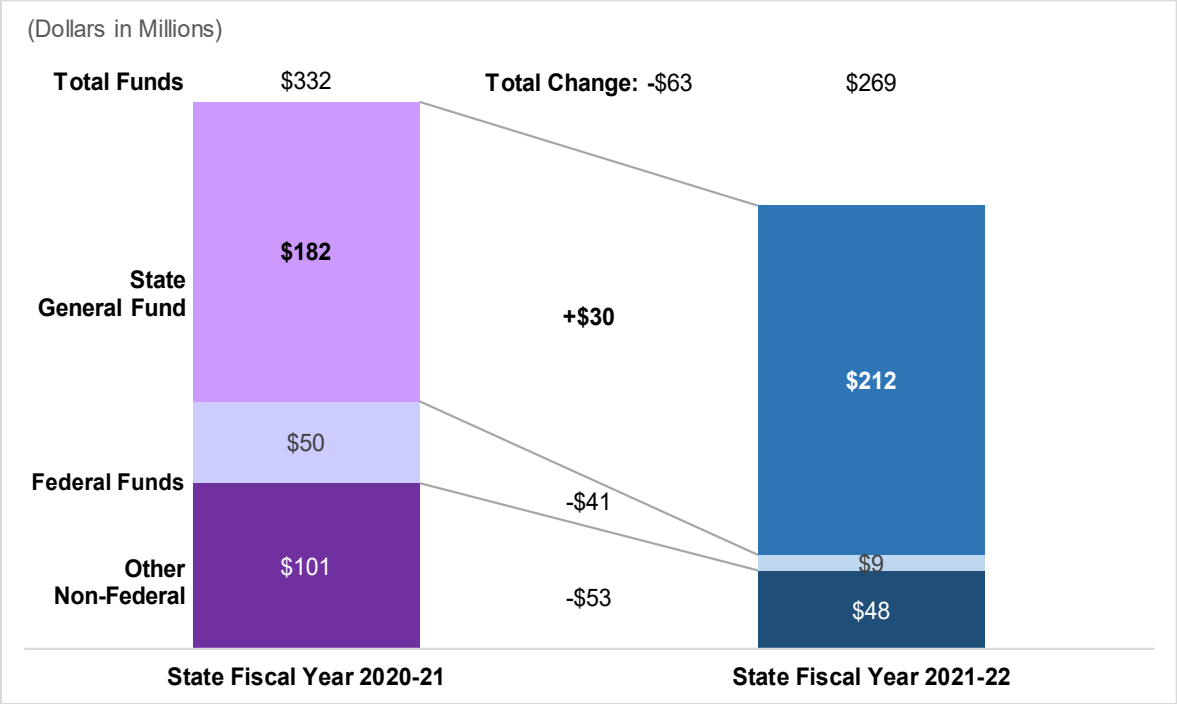
Family Health spending is estimated to be $268 million ($227 million General Fund) in FY 2020-21 and $332 million ($182 million General Fund) in FY 2021-22. This does not include funds spent by county health departments on these programs.

FY 2020-21 Comparison



As displayed above, the November 2020 Estimate for FY 2020-21 projects a $64.4 million increase in total spending ($44.9 million decrease in General Fund spending) compared to the May 2020 Estimate (the 2020-21 Budget Act). This reflects a 24-percent increase in estimated total spending and a 20-percent decrease in estimated General Fund spending for FY 2020-21. Drug rebates are the largest factor driving the change in estimated spending. For more information, see the November 2020 Family Health Local Assistance Estimate.

FY 2020-21 to FY 2021-22 Year-Over-Year Comparison



Family Health spending is estimated to decrease by $63.1 million total funds ($30.4 million increase General Fund) between FY 2020-21 and FY 2021-22. This reflects a 19-percent decrease in total fund spending and a 17-percent increase in General Fund spending. Drug rebates are the largest factor driving the change in estimated spending. For more information, see the November 2020 Family Health Local Assistance Estimate.

STATE OPERATIONS BUDGET ADJUSTMENTS

The Governor's Budget proposes additional expenditure authority of $99.5 million total funds ($30.5 million General Fund) for 255.5 positions (145.5 permanent positions and resources equivalent to 110.0 limited-term (LT) positions). This equates to a net increase of 152 new positions (80 permanent and 72 LT) and continuation of 103.5 current positions (65.5 permanent and 38 LT).

Budget Change Proposal Number	Budget Change Proposal Title	Positions	Total Funds	General Fund
4260-052-BCP-2021-GB	Medi-Cal Enterprise System Modernization	-	$22.3	$4.0
4260-053-BCP-2021-GB	AB 1705 GEMT Public Provider Intergovernmental Transfer	5.0 Permanent	$0.7	-
4260-054-BCP-2021-GB	Behavioral Health Plan 274 Expansion	-	$1.1	$0.1
4260-056-BCP-2021-GB	Limited-Term Workload Extension	38.0 Limited-Term**	$8.7	$3.0

Budget Change Proposal Number	Budget Change Proposal Title	Positions	Total Funds	General Fund
4260-057-BCP-2021-GB	Conversion Limited-Term to Permanent	62.5 Permanent	$9.5	$3.2
4260-068-BCP-2021-GB	California Advancing and Innovating Medi-Cal (CalAIM) Initiative	69.0 Permanent 46.0 Limited-Term**	$23.9	$11.0
4260-071-BCP-2021-GB	Mental Health Services Assisted Outpatient Treatment (AB 1976)	2.0 Limited-Term**	$0.3	$0.3
4260-072-BCP-2021-GB	California Community Transitions (SB 214)	3.0 Limited-Term**	$0.4	$0.4
4260-073-BCP-2021-GB	Substance Use Disorder Recovery Residences (SB 406)	4.0 Permanent	$0.6	$0.6
4260-162-BCP-2021-GB	Increased Access to Student Behavioral Health Services	12.0 Limited-Term**	$11.0	$5.5
Joint BCPs				
4260-058-BCP-2021-GB	Electronic Visit Verification Phase II	9.0 Limited-Term**	$20.1	$1.8
4260-153-BCP-2021-GB	Equity Dashboard	5.0 Permanent	$1.0	$0.5
	Total	**145.5 Permanent 110.0 Limited-Term****	**$99.5**	**$30.5**

**Dollars in Millions*
*** Resources equivalent to limited-term positions*

Medi-Cal Enterprise System Modernization requests expenditure authority to fund continued support of critical information technology modernization efforts including the Federal Draw and Reporting, California Automated Recovery Management, and Comprehensive Behavioral Health Data System Modernization projects as well as new funding to develop the Medi-Cal Enterprise System Modernization Strategy and Architecture.

AB 1705 Ground Emergency Medical Transportation (GEMT) Public Provider Intergovernmental Transfer (IGT) Program requests new positions and expenditure authority to implement the new GEMT Public Provider IGT Program pursuant to AB 1705 (Chapter 423, Statutes of 2019). Currently, in the FFS delivery system, DHCS uses the collected fees to claim federal financial participation (FFP) to increase the Medi-Cal payment rates for FFS providers of GEMT services by providing a rate add-on to the Medi-Cal FFS base payment schedule. In the managed care delivery system, DHCS uses the collected fees to claim FFP to increase capitation payments to Medi-Cal managed care health plans (MCPs) to provide actuarially appropriate funding for MCPs to issue supplemental payments to noncontract providers of GEMT services. AB 1705 suspends the existing GEMT supplemental payment program for public providers as noted above and establishes a Public Provider IGT program.

Behavioral Health Plan 274 Expansion Project requests expenditure authority to support contract costs for the provision of technical assistance to counties during the implementation of the X12 274 Health Provider Directory standard expansion to behavioral health plans (mental

health plans, Drug Medi-Cal Organized Delivery System counties, and State Plan Drug Medi-Cal counties).

Limited-Term Workload Extension requests continued limited-term funding to address the following workloads:

- California Community Transitions (CCT) Demonstration Project
- Federal Managed Care Regulations
- 1115 Waiver Extension for Medi-Cal 2020
- Drug Medi-Cal Organized Delivery System Renewal and Policy Improvements
- Medi-Cal Health Enrollment Navigators
- Robert F. Kennedy Workers Medical Plan

Conversion of Limited-Term Resources to Permanent Positions requests funding and permanent positions to address the following ongoing workloads:

- Federal Managed Care Regulations
- Legal Support for Ongoing Waiver Activities
- Health Care Reform Financial Reporting
- Private Hospital Directed Payment (PHDP) Program
- Medi-Cal Eligibility Systems Staffing

California Advancing and Innovating Medi-Cal (CalAIM) Initiative requests new positions and expenditure authority to implement the comprehensive set of proposals that encompass DHCS' CalAIM initiative. It provides for the critical successes of waiver demonstrations such as Whole Person Care, the Coordinated Care Initiative, public hospital system delivery transformation, and the coordination and delivery of quality care to continue and be expanded to all Medi-Cal beneficiaries.

Mental Health Services Assisted Outpatient Treatment (AB 1976) requests limited-term funding for positions to implement the Assisted Outpatient Treatment (AOT) program pursuant to Chapter 140, Statutes of 2020 (Assembly Bill 1976). Under existing law, DHCS is statutorily mandated to provide training and technical assistance (TTA), provide an annual data analysis, track AOT program implementation for all 58 California counties, and submit an annual legislative report.

California Community Transitions (SB 214) requests limited-term funding for positions to implement and operate a temporary state-funded California Community Transitions program, pursuant to Chapter 300, Statutes of 2020 (Senate Bill 214), to facilitate the transition of individuals from an inpatient facility who have resided in that setting for fewer than 90 days in an effort to reduce the transmission of COVID-19 during the current Public Health Emergency.

Substance Use Disorder Recovery Residences (SB 406) requests new positions and expenditure authority to implement Chapter 302, Statutes of 2020 (Senate Bill 406), by taking action on complaints against disclosed recovery residences, associated with a licensed residential substance use disorder treatment facility or certified program, that provide licensable services without first obtaining licensure or certification from DHCS.

Increased Access to Student Behavioral Health Services requests new limited-term funding for positions to address the workload for Increased Access to Student Behavioral Health Services. Schools are a critical point of access for preventive and early-intervention behavioral health services, as children are in school for many hours a day, for approximately half the days of the year. Early identification and treatment through school-affiliated behavioral health services can reduce emergency room visits, crisis situations, inpatient stays, and placement in high-cost special education settings, and/or out of home placement.

Joint BCP (Other Departments Are Lead)

Electronic Visit Verification Phase II (Multi-Departmental) requests limited-term funding for positions for the Electronic Visit Verification Phase II implementation efforts across multiple departments under the California Health and Human Services Agency. EVV is a telephone and computer-based method that electronically verifies in home service visits. EVV systems must verify type of service performed, individual receiving the service, date of the service, location of service delivery, individual providing the service and time the service begins and ends. States are required to implement EVV for all Medicaid-funded personal care services by January 1, 2020 and for home health care services by January 1, 2023. Otherwise, the state is subject to incremental FMAP reductions from 0.25-percent up to one-percent. California requested a good faith extension to implement EVV for personal care services and will not have FMAP percentages reduced for 2020. DHCS is proposing trailer bill language related to EVV.

Equity Dashboard (Multi-Departmental) requests new position and expenditure authority to address the health equity workload for an Equity Dashboard. The Equity Dashboard will identify data (race/ethnicity, Sexual Orientation Gender Identity (SOGI), etc.) completeness, disparities, disproportionalities, and program participation for DHCS programs and includes multiple departments under the California Health and Human Services Agency.