2022-23 Governor’s May Revision

Department of Health Care Services Highlights

May 13, 2022

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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 14.5 million, or more than 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.

- Office of Tribal Affairs 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 May Revision proposes a total of $141.8 billion and 4,640.5 positions for the support of DHCS programs and services. Of that amount, $1.6 billion funds state operations (DHCS operations), while $140.2 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**	**May Revision**
Local Assistance (LA)			
LA General Fund	$ 28,344,371	$ 25,498,115	$ 37,012,631
LA Federal Funds	$ 83,799,696	$ 86,456,395	$ 86,205,044
LA Special Funds	$ 14,538,757	$ 14,436.413	$ 14,978,354
LA Reimbursements	$ 1,180,334	$ 1,323,172	$ 1,978,609
Total Local Assistance	**$ 127,863,158**	**$127,714,095**	**$140,174,638**
State Operations (SO)			
SO General Fund	$ 311,380	$ 318,248	$ 526,839
SO Federal Funds	$ 568,665	$ 574,309	$ 643,421
SO Special Funds	$ 358,268	$ 413,954	$ 422,459
SO Reimbursements	$ 21,291	$ 21,509	$ 25,079
Total State Operations	**$ 1,259,604**	**$ 1,328,020**	**$1,617,798**
Total Funds			
Total General Fund	$ 28,655,751	$ 25,816,363	$ 37,539,470
Total Federal Funds	$ 84,368,361	$ 87,030,704	$ 86,848,465
Total Special Funds	$ 14,897,025	$ 14,850,367	$ 15,400,813
Total Reimbursements	$ 1,201,625	$ 1,344,681	$ 2,003,688
Total Funds	**$ 129,122,762**	**$129,042,115**	**$141,792,436**
** Dollars in Thousands*			

NEW MAJOR BUDGET ISSUES AND PROPOSAL UPDATES

COVID-19 Public Health Emergency Budget Impact Update

In total, the May Revision reflects overall net costs related to the COVID-19 public health emergency (PHE) of $12.4 billion total funds (General Fund savings of $104 million) in FY 2021-22 and net costs of $11.5 billion total funds (General Fund costs of $1.9 billion) in FY 2022-23. This reflects the recent extension of the federal PHE through July 15, 2022. Major updates to COVID-19 assumptions and projected impacts include:

- **Unwinding the Public Health Emergency.** Many temporary flexibilities and other program changes were put in place in response to the PHE. As we plan for the coming months, the Department is releasing the Medi-Cal COVID-19 PHE Operational Unwinding Plan, a comprehensive view of the Department's plan to unwind or make permanent the flexibilities implemented over the course of the PHE, including programmatic changes in many of Medi-Cal's delivery systems and the resumption of normal Medi-Cal eligibility operations. This plan provides further detail on specific flexibilities, including those that DHCS has already made permanent, seeks to make permanent, or will let expire at the end of the PHE. Not all policies proposed to be made permanent will have a fiscal impact beyond amounts already scored in the budget. However, the May Revision specifically identifies costs related to four policies proposed to be made permanent not previously scored for permanent implementation. The Department is proposing trailer bill language related to some of these proposals.

    - **Separate Billing by Federally Qualified Health Centers (FQHCs) for COVID-19 Vaccine Administration.** The May Revision includes $47 million total funds ($7 million General Fund) in FY 2022-23 to continue separate billing by FQHCs for COVID-19 vaccines.

    - **Presumptive Eligibility for Individuals 65 and older, Blind, or Disabled.** The May Revision includes $73 million total funds ($37 million General Fund) to continue presumptive eligibility for these populations.

    - **Increased Rates for Intermediate Care Facilities for the Developmentally Disabled (ICF/DDs).** The May Revision includes $44 million total funds ($21 million General Fund) to maintain a 10 percent increase to ICF/DD rates.

    - **Oxygen and Respiratory Durable Medical Equipment (DME) to 100 Percent of Medicare.** The May Revision includes $13 million total funds ($6 million General Fund) to maintain oxygen and respiratory DME rates at 100 percent of the Medicare rate.

- **Additional Quarter of Increased Federal Medical Assistance Percentage (FMAP).** Increased FMAP funding under the Families First Coronavirus Response Act (FFCRA) is available through the end of the quarter in which the federal PHE ends. With the most recent PHE extension, increased FMAP is assumed to be available through September

2022, one additional quarter beyond what was assumed in the Governor's Budget. With that additional quarter and other updates to conform to overall expenditure projections, the May Revision reflects $5.4 billion in increased FMAP funding and related General Fund savings of $3.5 billion in FY 2021-22, and $2.1 billion in increased FMAP funding and related General Fund savings of $1.3 billion in FY 2022-23.

- **Caseload and Redeterminations.** As a condition of receiving increased FMAP, regular eligibility redeterminations have been suspended since the start of the PHE, leading to steady growth in caseload. Based on the most recent PHE extension, the budget assumes redetermination activities are assumed to be initiated August 2022, with the first redeterminations completed in October 2022. The first individuals no longer eligible for Medi-Cal would leave the program in November 2022, with redeterminations progressing gradually over the following 12 months. Based on more recent actuals and this updated timeline, the May Revision includes costs of $8.9 billion total funds ($2.5 billion General Fund) in FY 2021-22 and $9.9 billion total funds ($2.8 billion General Fund) in FY 2022-23. Compared to the Governor's Budget, this represents General Fund savings of $487 million in FY 2021-22 and $27 million in FY 2022-23.

New Retention Payments for Hospital and Skilled Nursing Facility Health Care Workers
The May Revision proposes $933 million (approximately $928 million local assistance and $5 million state operations) for one-time payments to approximately 600,000 California hospital and nursing facility workers who have been at the front-lines delivering care to the most acute patients during the COVID-19 Pandemic. The ongoing response to COVID-19 has significantly impacted California's workforce working in hospitals and nursing facilities. Retaining essential workers in these settings is a priority of the Administration and these payments are designed to help retain this critical workforce. To recognize the tireless work of these workers and to support the retention of workers in an environment of high vacancies and turnover, the state will provide a baseline payment and will increase the payment up to $1,500 if employers commit to fully matching the additional amount.

Skilled Nursing Facility Financing Reform – New Workforce and Quality Incentive Program and Accountability Authority
The Department proposes to extend the nursing facility financing methodology from December 31, 2022, to December 31, 2026, while implementing reforms that incentivize quality patient care, emphasize the critical role of workforce, hold skilled nursing facilities accountable for quality of care through both a new Workforce & Quality Incentive Program and new quality sanctions, better balance distribution of annual rate increases, and result in the long-term financial viability of these providers in the Medi-Cal managed care environment. The FY 2022-23 budget includes $213 million total funds ($101 million General Fund) to implement nursing facility financing reform. The Department is proposing trailer bill language related to the skilled nursing facility payment reform.

Medi-Cal Direct Contract with Kaiser Permanente (Kaiser)
DHCS has posted an updated proposal for the Medi-Cal Direct Contract with Kaiser and is proposing the following changes to the trailer bill language:

- Clarify that former foster youth are included in the enrollment provisions related to foster youth.
- Add that default enrollment is part of the growth in Medi-Cal enrollment.
- Specify that Kaiser cannot deny or disenroll any individual that meets the specified enrollment or default criteria.
- Specify that Kaiser is subject to all the same standards and requirements, except those related to beneficiary enrollment, as required for other Medi-Cal managed care plans, including the requirements pursuant to CalAIM.
- Require that DHCS and Kaiser enter into a Memorandum of Understanding (MOU) describing the requirements that are different than those imposed on other Medi-Cal managed care plans. The MOU shall include, but not be limited to, the commitment of Kaiser to increase its enrollment of new Medi-Cal members over the course of the contract term and requirements related to Kaiser's collaboration with safety net providers, including Federally Qualified Health Centers.
- Require that DHCS post this MOU and publish a report describing the implementation of the requirements imposed by the MOU.
- Provide that Kaiser shall implement the California Children Services Whole Child Model in applicable counties.
- Ensure Kaiser maintain Knox-Keene licensure from the DMHC.

Equity and Practice Transformation Payments

For the May Revision, the Department proposes an additional $300 million total funds ($150 million General Fund) for this program ($400 million was proposed in the Governor's Budget), which equals a combined $700 million in total funds. Equity and Practice Transformation Payments will advance equity; address gaps in preventive, maternity, and behavioral health care measures; reduce COVID-19 driven disparities; support upstream interventions to address social drivers of health and improve early childhood outcomes; and prepare practices to accept risk-based contracts and move towards value-based care. Such actions align with the goals of the Medi-Cal Comprehensive Quality and Equity Strategy and the Bold Goals 50x2025 initiative. Funds will support a statewide learning collaborative for grantees ($25 million total funds), support practice-level activities ($25 million total funds) and support equity and practice transformation payments ($650 million total funds). $200 million total funds ($100 million General Fund) from the equity and transformation payments will be used to prepare practices for value-based care, including implementing practice infrastructure such as electronic health record systems, improved data collection and exchange, and implementation of care management systems. Efforts will be focused on areas located in the first and second quartiles of the Health Places Index.

Grants to Support Wellness and Build Resilience of Children, Youth, and Parents

Many young people have been negatively impacted by the trauma, stress, and social isolation of the COVID-19 Pandemic. Supporting them to rebuild connection and regain a sense of belonging is critical to their wellbeing now and in their future. To do so, DHCS would provide additional Children and Youth Behavioral Health Initiative (CYBHI) grants to schools, cities, counties, tribes, and/or community-based organizations. The budget includes $85 million General Fund in the California Health and Human Services Agency (CalHHS) budget. Grants would include the following options:

- **Wellbeing and Mindfulness Programs.** Support programs, provided in K-12 school or community-based settings, that teach wellness and mindfulness practices to teachers and students and support schools and community-based programs to incorporate wellness and mindfulness programs on a regular basis into the school day, before and after school activities, summer school, and community-based settings. Support students and schools to form on-campus clubs for mental health and mindfulness, including NAMI on Campus, Bring Change to Mind High School, and Mindfulness Clubs.
- **Parent Support and Training Programs.** Expand community-based parent support and training programs that build knowledge and capacity of parents to address their children's behavioral health needs, including evidence-based programs such as Triple P, Know the Signs, and Mental Health First Aid Training.

Other CYBHI Updates
The May Revision reflects some updates to the timing of payments in the CYBHI:

- **Student Behavioral Health Incentive Program**. The May Revision assumes $20 million total funds ($10 million General Fund) for the increasing access to student behavioral health services in FY 2021-22, a reduction of $45 million total funds ($23 million General Fund) compared to the Governor's Budget. The amount budgeted for this item in FY 2022-23 has been increased to $194 million total funds ($97 million General Fund), an increase of $65 million total funds ($32 million General Fund). The Department is also proposing to reappropriate these funds through FY 2024-25.

- **School Behavioral Health Partnerships and Capacity.** The May Revision assumes that the $100 General Fund million multiyear appropriation in the FY 2021-22 Budget Act for school behavioral health partnerships and capacity will shift to FY 2023-24.

- **CalHOPE Student Support**. About $3 million General Fund that was previously assumed to be spent in FY 2021-22 has been shifted to FY 2022-23.

CalHOPE Funding Update
The CalHOPE program is currently funded through grants provided by the Federal Emergency Management Agency (FEMA), with the grants currently expiring May 2022. The Department proposes $10.9 million General Fund in FY 2021-22, $80 million General Fund in FY 2022-23, and $40 million General Fund in FY 2023-24 to continue support for CalHOPE after May 2022, through December 2023.

New Tribal Investments
New tribal investments include funding of $15 million General Fund for the Friendship House of American Indians to support the construction cost of The Village San Francisco. Additionally, the Department proposes funding of $15 million General Fund for the Yurok Tribal of California in establishing a Regional Wellness Center.

Doula Benefit Implementation Update

Based on discussions with stakeholders and additional policy development, the Department plans to increase the rate paid for doula services, increasing the estimated average cost per labor from $450 to $1,094. This methodology uses existing Medi-Cal rates for initial and follow-up antepartum visits, postpartum visits, and professional services for doula providers. The implementation date for the doula benefit will be shifted from July 2022 to January 2023. In line with these updated assumptions, the May Revision includes $974,000 total funds ($377,000 General Fund) in 2022-23 for this benefit.

AB 97 Eliminations Update

The May Revision continues to propose the elimination of the AB 97 provider rate reductions on the following provider types and clarifies via trailer bill language the intent to exempt several recent benefits (there is no fiscal impact associated with the trailer bill language because these recent benefits have heretofore been budgeted assuming no AB 97 reductions):

- 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

The following services have been added to the trailer bill language in the May Revision:

- Doula services
- Community health worker services
- Continuous glucose monitoring system or continuous glucose monitoring system supplies and accessories
- Health care services delivered via remote patient monitoring
- Asthma prevention services
- Dyadic services
- Medication Therapy Management

The estimated cost of these eliminations has been revised to $9.6 million total funds ($4 million General Fund) in FY 2022-23 and $11.2 million total funds ($4.7 million General Fund) ongoing. The Department is proposing trailer bill language related to Medi-Cal provider rates.

Continuous Glucose Monitoring (CGM) Reimbursement Methodology Update

As part of the May Revision, DHCS is proposing trailer bill language to amend the definition of medical supplies under the pharmacy benefit to be inclusive of diabetic products, effective July 1, 2022. The change would allow DHCS to implement a revised reimbursement methodology for CGMs from the current estimated acquisition cost, plus the pharmacy professional dispensing fee, to a Maximum Acquisition Cost plus 23 percent. Consistent with this proposal, the May

Revision revises the estimated cost for CGM to $6.1 million total funds ($2.2 million General Fund) in FY 2021-22 and $9.7 million total funds ($3.5 million General Fund) in FY 2022-23.

New General Fund Support for the Dental Transformation Initiative (DTI)
Through the Medi-Cal 2020 waiver, the Department implemented and oversaw the Dental Transformation Initiative (DTI). Under the waiver, DTI was allocated $148 million annually for each of the five program years (calendar years 2016-2020) for a total pool of funding equal to $740 million. During the DTI demonstration, the Department met performance goals and was authorized an additional $5 million. With the COVID-19 Pandemic, an additional $148 million was allotted to DTI during the extension of the Medi-Cal 2020 waiver for calendar year 2021. The Department is projected to surpass its total waiver allotment resulting in a deficit of $31.7 million. Therefore, the Department proposes to support the DTI deficiency with $30.2 million to be paid in FY 2022-23 and $1.5 million to be paid in FY 2023-24.

New Additional Funding for Health Enrollment Navigators
Starting July 2022, the Department proposes to add $60 million total funds ($30 million General Fund) to the Health Enrollment Navigators Project through FY 2025-26 and continue project activities with an emphasis on COVID-19 PHE related activities. Specifically, helping beneficiaries retain Medi-Cal coverage by assisting with annual renewals, reporting updated contact information, and engaging in outreach, application assistance, enrollment, and retention of difficult-to-reach target populations and support more focused targeted outreach and enrollment for Medi-Cal program and benefit expansions, including the expansion of full-scope Medi-Cal to all income-eligible individuals aged 26-59, regardless of immigration status.

Los Angeles County Misdemeanor Incompetent to Stand Trial (IST) Services and Supports
The Department proposes to provide $100 million General Fund to Los Angeles County for capital costs to construct, acquire, or rehabilitate treatment and housing facilities and rental subsidies to support placement of individuals found IST on misdemeanor charges in residential settings.

California Advancing and Innovating Medi-Cal (CalAIM) Updates
The May Revision makes a number of updates to funding for CalAIM. In total, the May Revision includes $1.1 billion total funds ($459 million General Fund) in FY 2021-22 and $3.1 billion total funds ($1.2 billion General Fund) in FY 2022-23. The May Revision updates to CalAIM include:

- **Intermediate Care Facilities for the Developmentally Disabled (ICF/DD) and Subacute Carve-in Delay**: The Department proposes to delay the transition of ICF/DDs and Subacute Care Facilities into managed care from January 1, 2023 to July 1, 2023 in order to provide more time to adequately prepare for the transition, while the remainder of long-term care facility benefits for skilled nursing facilities will transition to managed care on January 1, 2023.

- **Population Health Management Service:** The Population Health Management Service is now anticipated to go live statewide in July 2023, with additional PHM Service capabilities incrementally phased in thereafter. DHCS intends to launch the PHM Service with a subset of key target partners from January 2023 to June 2023 to optimize

functionality before the statewide launch, as recommended by numerous stakeholders who were interviewed. Since there will be a period of time between the launch of the PHM Program (January 2023) and the launch of the PHM Service (July 2023), DHCS will clarify expectations for PHM for two distinct time periods: before and after the PHM Service is available.

- **Transitions to Managed Care**: Under CalAIM, various populations are shifting to managed care as their primary delivery system. Some populations transitioned in January 2022 (beneficiaries with other health care coverage, beneficiaries in rural zip codes, and others), while other populations are scheduled to transition in January 2023 (dual and non-dual individuals eligible for long-term care services and all remaining partial and full dual eligibles except those with a share of cost).

  While implementing these transitions, DHCS identified additional individuals subject to transition to mandatory managed care that were initially assumed to already be subject to mandatory managed care. The Department continues work to carefully identify which additional individuals will need to transition. Once that work is completed and proper noticing is provided to both the Medi-Cal managed care plans and members, the additional populations will transition to mandatory managed care in January 2023.

- **Justice Package**: The estimated cost of inmate pre-release has been updated to reflect the inclusion of expanded pharmacy services as part of the package of benefits provided up to 90 days pre-release. Specific to pharmacy services, the previous estimate only included the cost of medication-assisted treatment and psychotherapeutic medications during the pre-release period and a supply of medications post-release. Now, the Department is proposing to cover medications consistent with the full scope of covered outpatient drugs under Medi-Cal State Plan as part of the 90-day pre-release services.

- **Designated State Health Programs:** The federal Centers for Medicare and Medicaid Services has not yet approved the Department's request to reinstate federal reimbursement for certain Designated State Health Programs (DSHP). While negotiations continue, the Department has replaced CalAIM DSHP funding with General Fund support in the May Revision in order to ensure sufficient funding authority to implement CalAIM. Future budgets will be updated as needed upon federal approval of DSHP funding.

The Department is proposing trailer bill language to 1) align the federal approvals received for CalAIM; 2) authorize DHCS to seek federal approval for an 1115 Serious Mental Illness/Serious Emotional Disturbance Waiver; and 3) delay the transition of ICF-DDs and Subacute Care Facilities into Medi-Cal managed care from January 1, 2023 to July 1, 2023.

Behavioral Health County Recoupment Update

The Governor's Budget assumed that $61 million General Fund would be recouped from counties in FY 2022-23 for psychiatric inpatient hospital claims and overpayments related to beneficiaries with unsatisfactory immigration status. The May Revision updates the county recoupment amount for both issues based on updated claims data and delays these recoupments by one year, resulting in the loss of $61 million in General Fund savings in FY

2022-23. The May Revision assumes recoupments related to an Office of Inspector General audit settlement will continue to be recouped from county realignment funds in FY 2021-22 through FY 2024-25.

New Opioid Settlements Fund State-Directed Program Proposal
The Department requests $39.1 million one-time Opioid Settlements Fund (OSF) in FY 2022-23 to support distribution of naloxone to homeless service providers and substance use disorder (SUD) provider workforce training. Specifically, DHCS proposes to augment the FY 2022-23 Governor's Budget proposal to enhance the Medication Assisted Treatment Expansion Project's Naloxone Distribution Project to distribute naloxone to homeless service providers, by $10 million (from $5 million to $15 million). Additionally, DHCS proposes to augment the SUD provider workforce training proposed in an April 1 Finance Letter, by $29.1 million (from $22 million to $51.1 million). The Department is proposing trailer bill language related to the opioid settlement proposals.

New Crisis Continuum Planning Proposal
CalHHS is launching a stakeholder planning process to create a long-term plan for the crisis continuum of care. To support the Department planning efforts specific to DHCS, the Department entered into a $1.5 million contract in FY 2021-22 supported by federal funds. The federal funds are not available in the budget year. The Department proposes $1.5 million General Fund in FY 2022-23 to continue the contract to support planning for the crisis continuum of care.

Health Plan Monetary Sanctions
The May Revision proposes budget bill language to use monetary sanctions collected in the budget year to award grants to qualifying non-profit legal aid programs and organizations that serve Medi-Cal managed care enrollees in Los Angeles County or other impacted counties as determined by the Department, for purposes of improving access to care in the Medi-Cal program.

Home and Community-Based Services (HCBS) Spending Plan Update
The 2021 Budget Act appropriates funding made available pursuant to the American Rescue Plan Act of 2021 to enhance, expand, and strengthen Home and Community-Based Services (HCBS). The HCBS Spending Plan includes 27 initiatives across six departments. CMS provided approval of California's HCBS Spending Plan on January 4, 2022. The May Revision proposes adjustments to the HCBS Spending Plan based on revised claiming and expenditure estimates. The May Revision reflects the following baseline adjustments:

- The projection of available enhanced HCBS funding has decreased by $161 million based on revised claiming data.

- Expenditures for the DHCS Assisted Living Waiver have increased by $22 million HCBS Fund and decreased $60,098,000 Federal Fund due to updated projections and a revised estimate of federal financial participation.

- Expenditures for Department of Social Services In-Home Supportive Services Care Economy payments have decreased by $8 million HCBS Fund and increased by $29

million Federal Fund reimbursements due to a higher estimate of federal financial participation partially offset by a revised estimate of the number of eligible providers.

- Expenditures for DHCS Contingency Management have decreased by $79,000 HCBS Fund and increased by $27 million Federal Fund due to a revised estimate of federal financial participation partially offset by the addition of a care manager component to the program.
- $12.5 million HCBS Fund for Department of Developmental Services Enhanced Community Integration for Children and Adolescents has shifted from state operations to local assistance.

The net impact of these baseline changes would result in a deficiency of $175 million in the HCBS Fund. In order to prevent this deficiency, the Administration proposes the following adjustments to the HCBS Spending Plan:

- Elimination of $110 million HCBS Fund ($297 million Total Fund) for Community Based Residential Continuum Pilots for Vulnerable, Aging and Disabled Populations. DHCS intends to support the goals related to a community-based residential continuum as it implements other major statewide initiatives such as CalAIM. Specifically, scaling up Community Supports and Enhanced Care Management statewide as well as implementing the Housing and Homelessness Incentive Program under the HCBS Spending Plan. Given the complexity and workload involved with these statewide efforts, DHCS will focus on ensuring their success rather than implementing new pilots. Additionally, although DHCS has engaged in some early planning, DHCS has not engaged with stakeholders or potential pilots, such that eliminating this item would not be disruptive to stakeholders.
- Decrease of $65 million HCBS Fund for the Developmental Services Rate Model Implementation resulting in an equivalent increase in General Fund costs in 2023-24.

Proposition 56 Payments

The Governor’s Budget proposed to transition several Proposition 56 payments to General Fund-supported rate increases on an ongoing basis. The May Revision includes General Fund costs of $148 million related to these payments in FY 2022-23 and ongoing. Additionally, because Proposition 56 revenues are limited and will not fully cover the costs of remaining Proposition 56 payments (including the need to set aside sufficient Proposition 56 funding for remaining previously approved payments for the Physicians and Dentists Loan Repayment Program), the May Revision provides an additional $295 million from the General Fund in FY 2022-23.

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

The May Revision (in the DHCS Budget) includes approximately $67 million total funds ($53 million General Fund) in FY 2021-22 and $745 million total funds ($628 General Fund) in FY 2022-23 benefit costs to expand full-scope Medi-Cal benefits to older adults. This represents an increase of $15 million total funds ($12 million General Fund) and $155 million total funds ($132 million General Fund) respectively and is due to an increase in estimated eligibles for this

population based on more recent data on enrollment by this population in restricted scope coverage.

At the same time, the May Revision includes (in the DHCS budget) $287 million total funds ($197 million General Fund) in FY 2021-22 and $334 million total funds ($226 million General Fund) in FY 2022-23 for the undocumented young adult population, reflecting about $10 million in General Fund savings in each year. This is due to slightly lower estimated caseload for the undocumented young adults.

For the proposed expansion to the 26-49 population, the May Revision assumes costs of $834 million total funds ($625 million General Fund) in FY 2023-24 for a January 1, 2024 implementation, gradually growing to an ongoing cost of $2.6 billion total funds ($2.1 billion General Fund), including In-Home Supportive Services costs budgeted with the Department of Social Services.

New Conform Coverage of Clinical Trials in the Medi-Cal Program to Federal Law

The Department proposes to conform the coverage and reimbursement of routine patient costs associated with participation in qualifying clinical trials in the Medi-Cal program with federal law. Currently, federal law defines clinical trials more broadly than current state law and the Department is proposing to update state statute to come into compliance with this new federal requirement. The May Revision includes $4.3 million total funds ($1.6 million General Fund) in FY 2022-23, and the Department is proposing related trailer bill language.

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 table:

Estimated Average Monthly Certified Eligibles
May 2022 Estimate

	FY 2020-21	FY 2021-22	FY 2022-23	Year over Year Change FY 2020-21 to FY 2021-22	FY 2021-22 to FY 2022-23
Seniors	1,055,400	1,121,200	1,170,400	6.23%	4.39%
Persons with Disabilities	1,109,400	1,096,400	1,090,200	-1.17%	-0.57%
Families and Children	7,132,000	7,490,800	7,457,600	5.03%	-0.44%
Optional Expansion	4,127,600	4,606,100	4,681,900	11.59%	1.65%
Miscellaneous	57,000	59,500	63,400	4.39%	6.55%
Total	**13,481,400**	**14,374,000**	**14,463,500**	**6.62%**	**0.62%**

Change from November 2021 Estimate

	Eligibles			Percent		
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2020-21	FY 2021-22	FY 2022-23
Seniors	(1,000)	(9,500)	1,900	-0.09%	-0.84%	0.16%
Persons with Disabilities	100	(7,000)	(23,300)	0.01%	-0.63%	-2.09%
Families and Children	(5,300)	(198,600)	(22,300)	-0.07%	-2.58%	-0.30%
Optional Expansion	(3,500)	(97,100)	236,800	-0.08%	-2.06%	5.33%
Miscellaneous	100	(1,200)	2,500	0.18%	-1.98%	4.11%
Total	**(9,600)**	**(313,400)**	**195,600**	**-0.07%**	**-2.13%**	**1.37%**

The overall Medi-Cal caseload is projected to continue to grow steadily through October 2022, consistent with the Estimate's assumption that the federal PHE will continue through July 15, 2022, and the first individuals to leave the Medi-Cal caseload as a result of redeterminations will do so in November 2022. Consistent with recent actuals, continued growth, and later decline (due to redeterminations) is projected 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	
CCS State Only	FY 2020-21	FY 2021-22	FY 2022-23	PY to CY	CY to BY
May 2022	10,032	9,206	12,812	-8.23%	39.17%
November 2021	10,032	9,311	11,687		
Change from November 2021	-	(105)	1,125		
% Change from November 2021	0.00%	-1.13%	9.63%		

- 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 continued to shift through the end of FY 2020-21. Additional months of enrollment remained relatively flat through December 2021.
- Base caseload projections have been returned to pre-COVID-19 levels. The impact from the PHE is estimated in the CCS COVID-19 Caseload Impact policy change and included in the average quarterly caseload in the table above.
- FY 2022-23 COVID-19 Caseload projections have been revised for the May 2022 estimate to assume a 12-month redetermination period through October 2023, following the end of the PHE.

Genetically Handicapped Persons Program (GHPP)

	PY	CY	BY	Change from	
GHPP State Only	FY 2020-21	FY 2021-22	FY 2022-23	PY to CY	CY to BY
May 2022	580	652	655	12.41%	0.46%
November 2021	580	647	649		
Change from November 2021	-	5	6		
% Change from November 2021	0.00%	0.77%	0.92%		

- 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 were subsequently re-opened, extended through the end of the public health emergency.
- Caseload projections are expected to remain relatively flat between fiscal years.

Every Woman Counts (EWC)

	PY	CY	BY	Change from	
EWC	FY 2020-21	FY 2021-22	FY 2022-23	PY to CY	CY to BY
May 2022	20,895	23,899	24,321	14.38%	1.77%
November 2021	20,895	24,103	27,405		
Change from November 2021	-	(204)	(3,084)		
% Change from November 2021	0.00%	-0.85%	-11.25%		

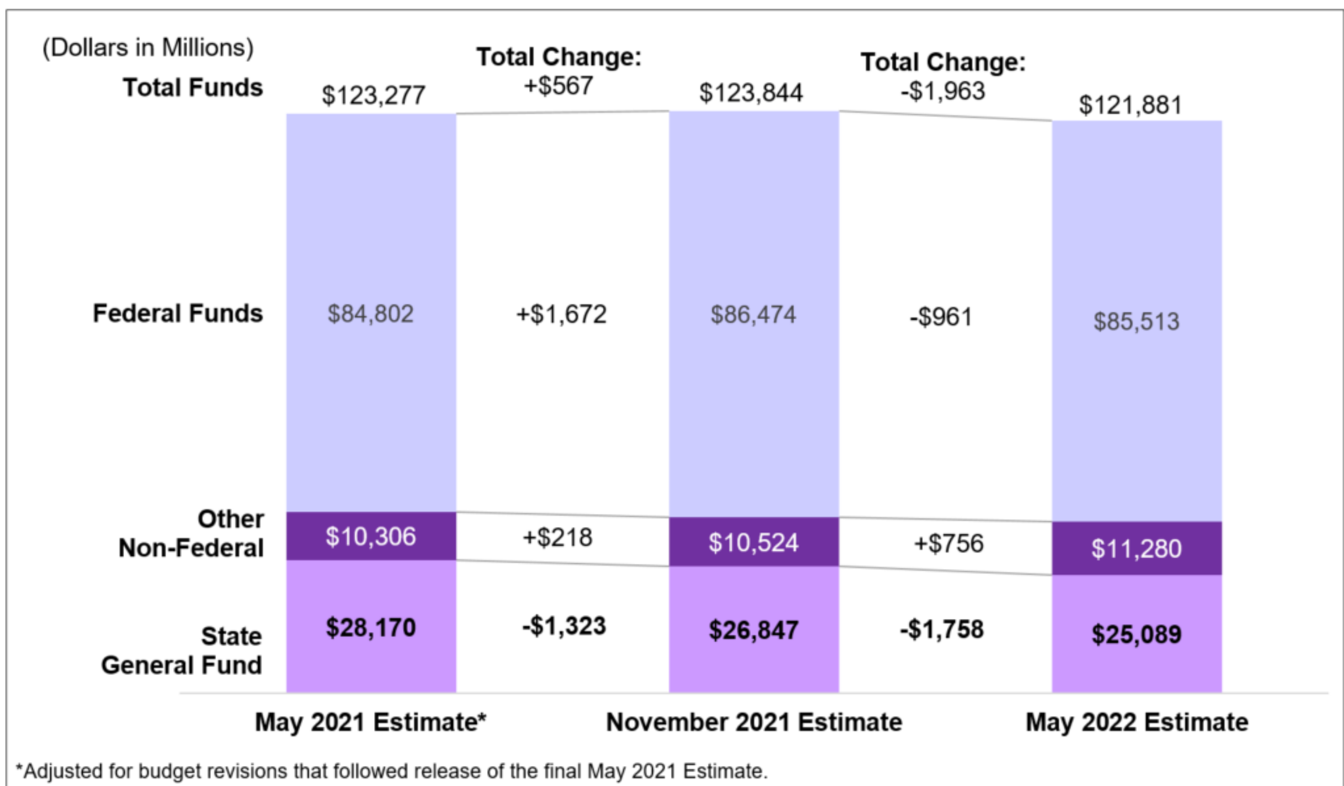
- EWC caseload is based on average monthly users by date of payment.
- Base caseload projections have been returned to pre-COVID-19 levels. The impact from the public health emergency is estimated in the EWC COVID-19 Caseload Impact policy change and included in the average monthly caseload in the table above.
- There is a slight decrease in users from the November 2021 Estimate for FY 2021-22 and FY 2022-23 due actuals coming in lower than initially projected.
- The projected users for FY 2022-23 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 $121.9 billion total funds ($25.1 billion General Fund) in FY 2021-22 and $135.5 billion total funds ($36.6 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 May 2022 Medi-Cal Local Assistance Estimate for FY 2021-22 projects a $2 billion decrease in total spending and a $1.8 billion decrease in General Fund spending compared to the November 2021 Estimate. This reflects a 1.6 percent decrease in estimated total spending and a 6.5 percent decrease in estimated General Fund spending for FY 2021-22.

Compared to the FY 2021-22 Budget Act Appropriation, the May 2022 Medi-Cal Estimate reflects a reduction of $1.4 billion total funds ($3.1 billion General Fund).

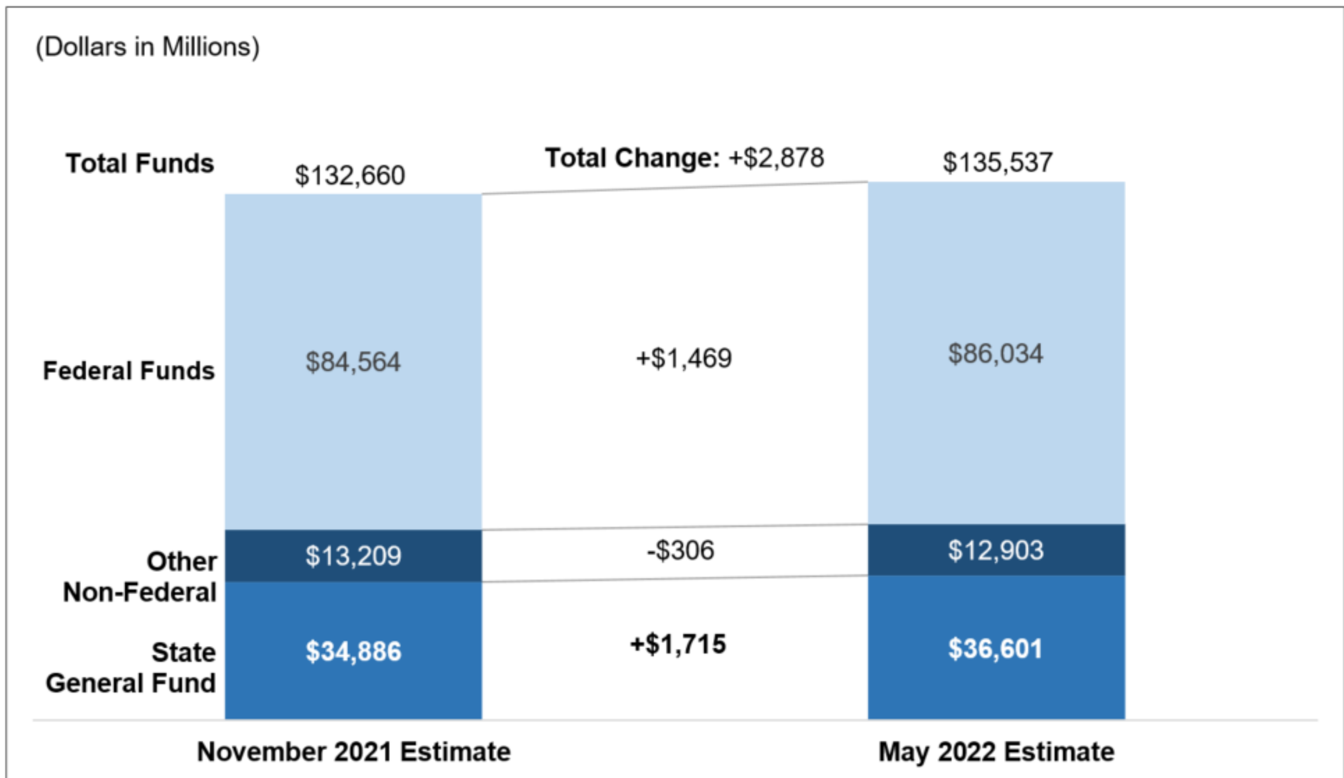
Following are the major drivers of the change in estimated General Fund spending in FY 2021-22 between the November 2021 and May 2022 Estimates:

- -$713 million related to state only claiming impacts shifting to FY 2022-23.
- -$654 million related to lower base spending than previously projected.
- -$313 million related to increased deferral releases and other changes in deferral assumptions.
- -$150 million related to various changes in COVID-19 impacts.
- -$133 million in multiyear items shifting out of FY 2021-22 into later years.

Additionally, the May 2022 Medi-Cal Estimate includes $928 million (local assistance) from the California Emergency Response Fund for Provider Retention Payments.

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

FY 2022-23 Comparison



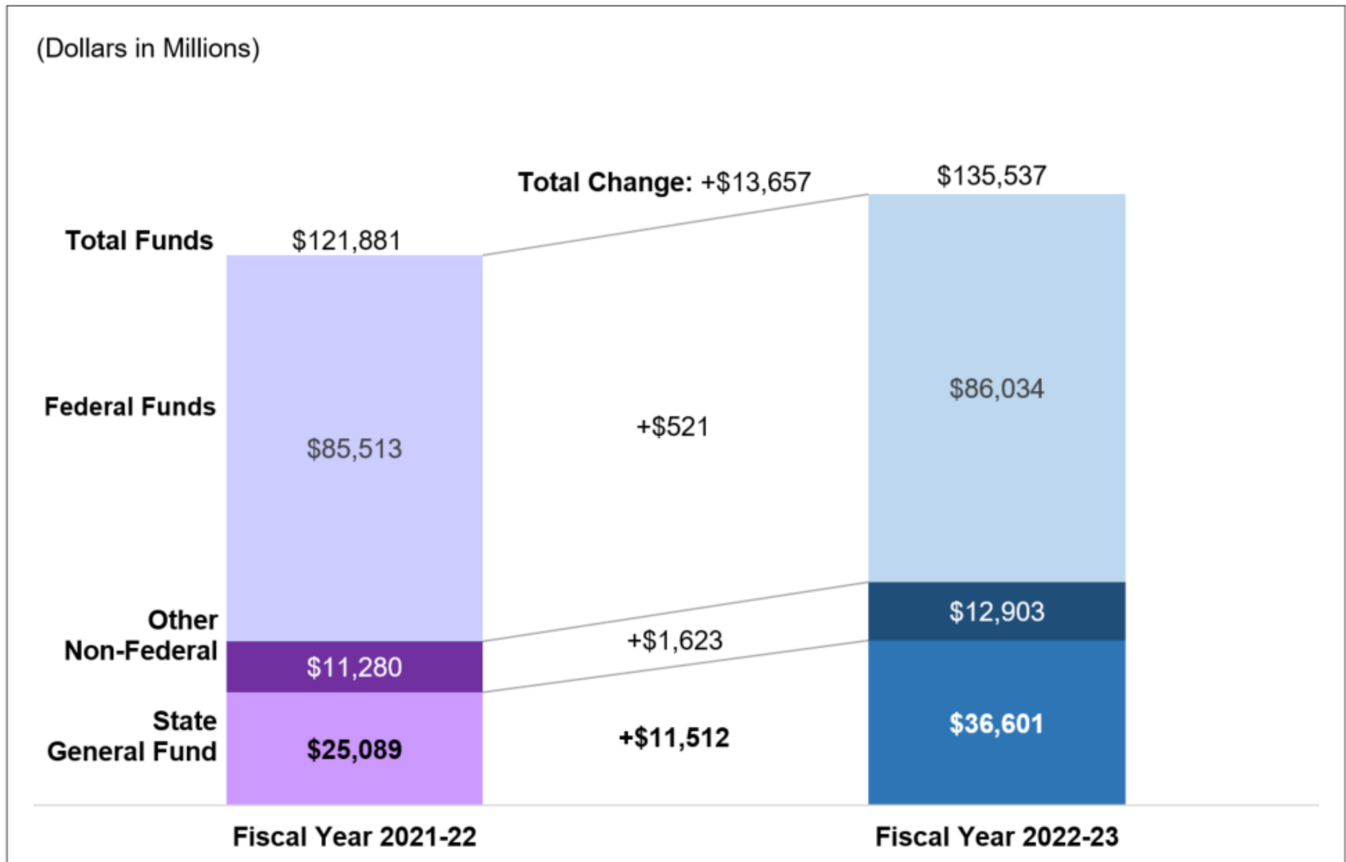
The May 2022 Medi-Cal Local Assistance Estimate for FY 2022-23 projects a $2.9 billion increase in total spending and a $1.7 billion increase in General Fund spending compared to the November 2021 Estimate. This reflects a 2.2 percent increase in estimated total spending and a 4.9 percent increase in estimated General Fund spending for FY 2021-22.

Following are the major drivers of the change in estimated General Fund spending in FY 2022-23 between the November 2021 and May 2022 Estimates:

- $723 million related to the shift of state only claiming costs from FY 2021-22.
- $460 million related to revised projections for deferrals and the shift of deferral payments from the prior fiscal year.
- $268 million related to additional General Fund support for Proposition 56 payments.
- $123 million from no longer assuming federal funding from Designed State Health Programs.
- $122 million related to increased projected costs for expansions to undocumented populations.
- $100 million for the Los Angeles County Misdemeanor IST proposal.
- $80 million to support CalHOPE.
- $61 million from delaying county behavioral health recoupments.
- $55 million related to changes in the Nursing Facility Financing Reform proposal.
- $43 million related to the shift of multiyear spending from FY 2021-22 to FY 2022-23.
- $30 million for Health Enrollment navigators.
- $30 million to backfill federal funding in the Dental Transformation Initiative.
- -$130 million related to Equity and Practice Transformation payments (increased compared to the Governor's Budget but spread over multiple years).
- -$431 million related to changes in COVID-19 impacts.

For more information on the major drivers of changes in estimated General Fund spending in FY 2022-23, see the May 2022 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 May 2022 Medi-Cal Local Assistance Estimate projects that total spending will increase by $13.7 billion (11.2 percent) and General Fund spending will increase by $11.5 billion (45.9 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:

- $2.5 billion related to the Children and Youth Behavioral Health Initiative and Behavioral Health Continuum Infrastructure Program.
- $2.2 billion related to state only claiming.
- $2 billion related to COVID-19 impacts, including the assumed end of increased FMAP after September 2022.
- $958 billion for Behavioral Health Bridge Housing (reflecting only local assistance portion).
- $794 million related to growth in managed care costs.
- $717 million for a full year of implementation of CalAIM.
- $604 million to reflect ongoing implementation of expanded eligibility for undocumented populations.
- $431 million in General Fund support for Proposition 56 payments.
- $357 million related to increased deferral payments.

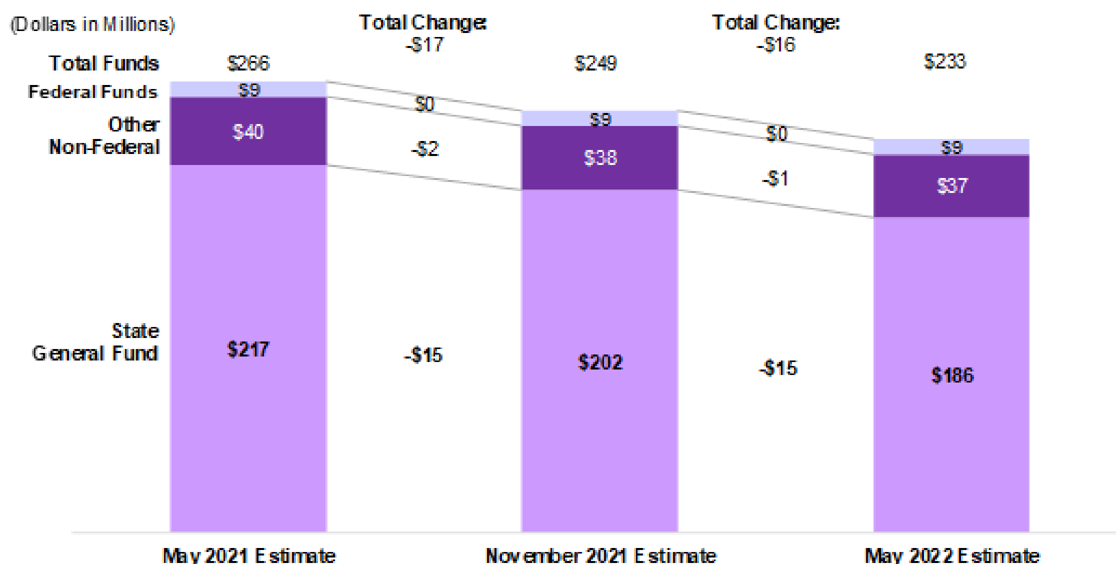
- $309 million to discontinue the end-of-year two-week checkwrite hold.
- $196 million related to normal growth in Medicare costs.
- $101 million to implement nursing facility financing reform.
- $100 million for the Los Angeles County Misdemeanor IST proposal.
- $84 million for implementation of postpartum care extension.
- $70 million for the FY 2022-23 portion of Equity and Practice Transformation funding.
- $69 million to support CalHOPE over a full year.
- $60 million related to the expiration of the managed care organization (MCO) tax.
- $30 million for Health Enrollment navigators.
- $30 million for the Dental Transformation Initiative.
- $20 million to reduce Medi-Cal premiums to zero.
- $16 million to implement a mobile crisis benefit.
- $13 million for Medi-Cal dental policy evidence-based practices
- $5 million for HPV vaccine coverage in Family PACT.
- $4 million to eliminate certain AB 97 provider rate reductions.
- -$315 million related to full implementation of Medi-Cal Rx.

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

SUMMARY OF FAMILY HEALTH LOCAL ASSISTANCE ESTIMATE INFORMATION

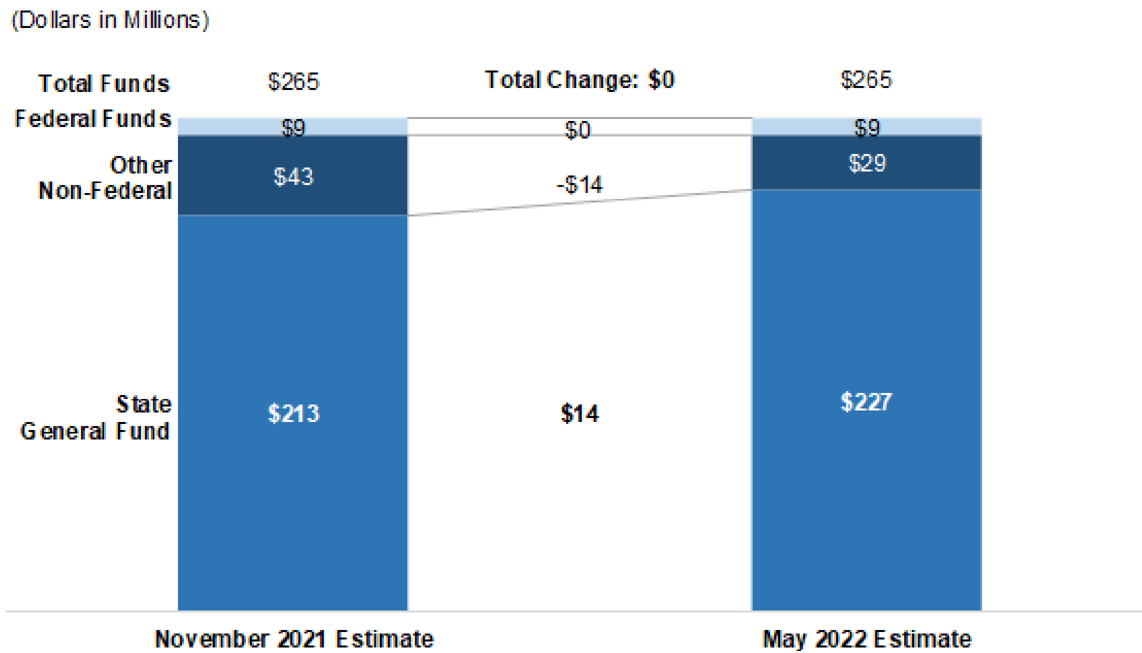
DHCS estimates Family Health spending to be $233 million total funds ($186 million General Fund) in FY 2021-22 and $265 million total funds ($227 million General Fund) in FY 2022-23.

FY 2021-22 Comparison



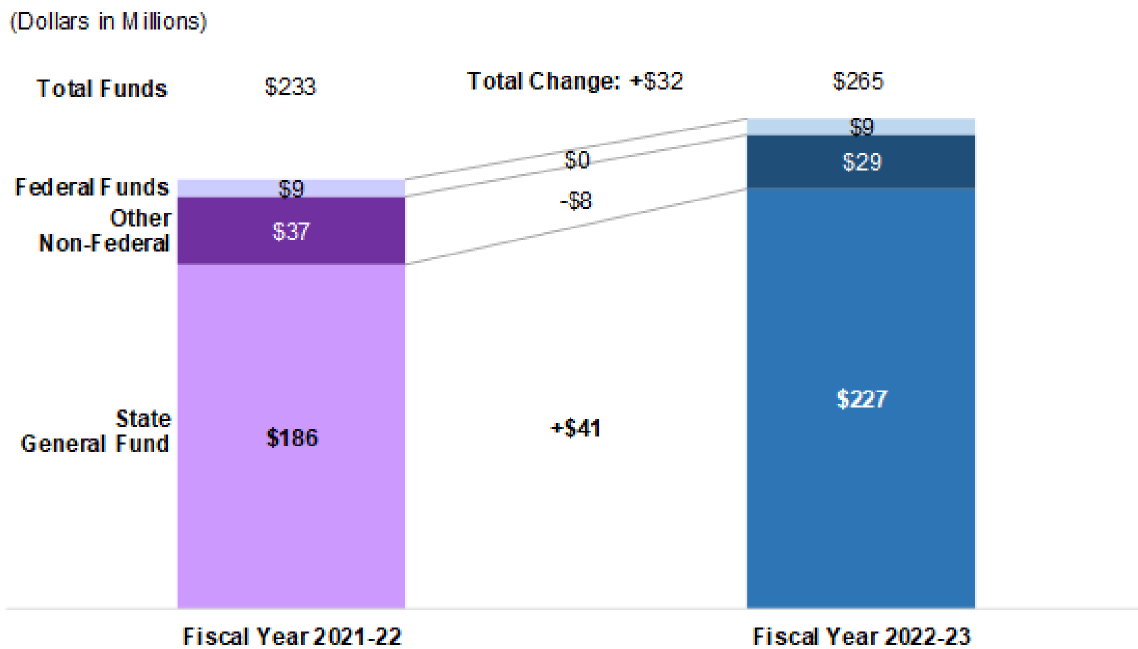
As displayed above, the May 2022 Family Health Local Assistance Estimate for FY 2021-22 projects a $16 million decrease in total spending ($15 million General Fund) compared to the November 2021 Estimate. This reflects a 6.4 percent decrease in estimated total spending and a 7.4 percent decrease in estimated General Fund spending. For more information, see the May 2022 Family Health Local Assistance Estimate available on the DHCS website.

FY 2022-23 Comparison



As displayed above, the May 2022 Family Health Local Assistance Estimate for FY 2022-23 projects no change in total spending but a $14 million increase in General Fund spending compared to the November 2021 Estimate. This reflects a 6.6 percent decrease in estimated General Fund spending. For more information, see the May 2022 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 $32 million total spending ($41 million General Fund) between FY 2021-22 and FY 2022-23. This reflects a 13.7 percent increase in total spending and a 22 percent increase in General Fund spending. For more information, see the May 2022 Family Health Local Assistance Estimate available on the DHCS website.

STATE OPERATIONS AND NON-ESTIMATE LOCAL ASSISTANCE BUDGET ADJUSTMENTS

The May Revision proposes additional expenditure authority of $169.4 million total funds ($30.3 million General Fund) and 7.0 permanent (Perm) positions. Combined, April 1 and May Revision budget change proposals total $321.1 million total funds ($152.5 million General Fund) for 239.0 positions (193.0 Perm, 4.0 limited-term (LT) to Perm, and resources equivalent to 42.0 LT positions).

(Dollars in millions)

Budget Change Proposal Number	Budget Change Proposal Title	Positions	Total Funds	General Fund
May Revision Proposals				
4260-217-BCP-2022-MR	Community Assistance, Recovery and Empowerment Court	7.0 Perm	$15.2	$15.2
4260-224-BCP-2022-MR	Village San Francisco and Yurok Tribe of California Regional Wellness Center		$30.0**	$30.0**
4260-286-BCP-2022-MR	Opioid Settlements Fund State-Directed Programs		$39.1**	
Joint BCPs				
4260-214-BCP-2022-MR	Transfer Caregiver Resource Centers Expenditure Authority to California Department of Aging		($14.9)**	($14.9)**
April 1 Proposals				
4260-192-BCP-2022-A1	Data Analytics and Management Support	13.0 Perm 2.0 LT to Perm 4.0 LT*	$7.6	$3.7
4260-193-BCP-2022-A1	Interoperability Federal Rule Implementation	21.0 LT*	$4.5	$2.3
4260-194-BCP-2022-A1	California Medi-Cal Enterprise Systems Modernization	5.0 Perm	$20.8	$2.7
4260-195-BCP-2022-A1	Office of Compliance	12.0 Perm	$2.1	$1.0
4260-196-BCP-2022-A1	Behavioral Health Bridge Housing Program	16.0 Perm	$42.1	$42.1
4260-198-BCP-2022-A1	California Advancing and Innovating Medi-Cal (CalAIM) Implementation	95.0 Perm 2.0 LT to Perm 9.0 LT*	$107.8	$53.9

4260-199-BCP-2022-A1	COVID-19 Public Health Emergency-Resuming Regular Operations	8.0 LT*	$26.2	$13.1
4260-200-BCP-2022-A1	Managed Care Plan Compliance and Oversight Program	13.0 Perm	$3.2	$1.6
4260-201-BCP-2022-A1	Managed Care Program Annual Report (MCPAR)	21.0 Perm	$3.5	$1.8
Joint SFL				
4260-197-BCP-2022-A1	Opioid Settlements Fund Oversight and State-Directed Programs	11.0 Perm	$33.9	
	Total	**193.0 Perm** **4.0 LT to Perm** **42.0 LT***	**$321.1****	**$152.5****

** Resources equivalent to limited-term positions*
***Resources include Non-Estimate Local Assistance items*
Chart totals may not match due to rounding.

DHCS May Revision Proposals

Community Assistance, Recovery and Empowerment (CARE) Court requests new positions and expenditure authority to support the implementation of the CARE Court. DHCS is responsible for the training, technical assistance, data collection, reporting, and the independent evaluation for CARE Court.

Village San Francisco and Yurok Tribe of California Regional Wellness Center requests funding for the Friendship House of American Indians to support the construction cost of The Village San Francisco and to support the Yurok Tribe of California in establishing a Regional Wellness Center.

Opioid Settlements Fund State-Directed Programs requests expenditure authority to support the distribution of naloxone to homeless service providers and substance use disorder provider workforce training.

Joint May Revision Proposals (Other Departments Are Lead)

Transfer Caregiver Resource Centers Expenditure Authority to California Department of Aging requests expenditure authority for Caregiver Resource Centers Program to be transferred from DHCS to the California Department of Aging.

DHCS April 1 Proposals

Data Analytics and Management Support requested resources and expenditure authority to address increased workload related to departmental data analytics, data provisioning, and data reporting functions to improve data management and transparency.

Interoperability Federal Rule Implementation requested resources and expenditure authority to implement and additionally plan for the new interoperability rules required by the Centers for Medicare and Medicaid Services.

California Medi-Cal Enterprise Systems Modernization requested permanent positions and expenditure authority to support current and future Medi-Cal Enterprise Systems modernization efforts.

Office of Compliance requested permanent positions and expenditure authority to enhance internal audit functions, federal compliance monitoring, and enterprise risk management activities.

Behavioral Health Bridge Housing Program requested permanent positions and expenditure authority to provide immediate housing and treatment needs for people experiencing unsheltered homelessness with serious behavioral health conditions, including mental health and/or substance use disorders.

California Advancing and Innovating Medi-Cal (CalAIM) Implementation requested resources and expenditure authority to further support the implementation of the comprehensive set of proposals that encompass DHCS' CalAIM initiative, including external evaluations and assessments as required by CalAIM waiver Special Terms and Conditions, implementation of the CalAIM Justice Package, Dual Eligible Special Needs Plan plans and new reporting requirements, and the Serious Mental Illness/Serious Emotional Disturbance waiver.

COVID-19 Public Health Emergency – Resuming Regular Operations requested resources and expenditure authority to unwind the array of program policy and system-related changes that were put in place during the course of the COVID-19 Public Health Emergency.

Managed Care Plan Compliance and Oversight Program requested permanent positions and expenditure authority to monitor, oversee, and enforce the new and enhanced contract provisions for the 2024 Medi-Cal managed care plan (MCP) contract. While DHCS is currently procuring its commercial MCP contracts, all MCPs will be subject to the new and enhanced model contract. DHCS is imposing bold new requirements and expectations of the Medi-Cal MCPs, which in turn, necessitates the department to have more robust compliance and oversight mechanisms.

Managed Care Program Annual Report (MCPAR) requested permanent positions and expenditure authority to lead reporting and monitoring requirements for the MCPAR in response to new federal requirements, including providing technical assistance to all impacted contracted plans, performing monitoring and network certification activities specific to the MCPAR, and analyzing and reporting results to Centers for Medicare and Medicaid Services.

Joint April 1 Proposals (Other Departments are Lead)

Opioid Settlements Fund Oversight and State-Directed Programs requested permanent positions and expenditure authority to support the oversight of two of California's provisions of national opioid settlements.