WESTERN CENTER ON LAW & POVERTY

State Budget Bulletin - June 17, 2013

Governor and Legislature Agree to Budget Deal that Sets a Framework for Recovery, Expands Healthcare for 1.4 Million Low-Income Californians

The past few weeks have seen intense negotiations between Governor Brown and legislative leadership, leading up to the 2013-14 budget passing out of the Legislature on time on June 15. Despite the Governor's commitment to "no restorations" of the painful cuts made over the past several years, the Legislature was able to craft a deal that includes partial restorations of adult dental services in Medi-Cal, enteral nutrition, extended coverage for foster youth, and increases to CalWORKs grants. In total, the $96.3 billion budget is still lower in critical areas than in 2007, and California has the highest rate of supplemental childhood poverty in the country. Long-term unemployment is still high and the gap in wealth between higher income earners and low-income Californians is widening. The steps taken in this budget represent a recognition of the pain and suffering imposed on Californians living in poverty, as well as the need to push further to restore vital services that help struggling people get by.

The Legislature also passed ABx1 1 (Pérez/Pan) and SBx1 1 (Hernandez/Steinberg), which implement the Medi-Cal components of the Affordable Care Act (ACA). When the Supreme Court ruled a year ago that states would not be penalized should they not extend health care to low-income individuals with no other ties to the program, advocates around the country campaigned their statehouses to expand health care for those who cannot otherwise afford it. Governor Brown ultimately worked with stakeholders and the Legislature to craft a Medi-Cal expansion and simplification package that includes almost all the provisions supported by advocates for the poor. Here is a detailed analysis of the Medi-Cal special session bills.

We anticipate Governor Brown's signature on the budget bills and special session health care bills in the next two weeks. Stay apprised for additional information and developments.

Health Care:

AB 82, the Omnibus Health Trailer Bill, makes several important restorations in Medi-Cal, as well as keeping on Medi-Cal for foster youth who would otherwise age out this year. Key provisions include:

- Partial restoration of dental services for adults in Medi-Cal. The 2009 enacted budget eliminated all dental benefits for adult beneficiaries, with disastrous and heartbreaking consequences. The Legislature approved preventive and diagnostic services, restorative services including amalgams, crowns, and full dentures. This benefit will begin in May 2014.
- Restoration of the enteral nutrition benefit, which was eliminated in the 2011 budget. This covers liquid nutrition for adult Medi-Cal enrollees who cannot chew or swallow easily. This benefit will also begin in May 2014.
- Extending Medi-Cal for former foster youth who turn 21 between July 1, 2013 and December 31, 2014. These foster youth will stay on Medi-Cal without having to reenroll and will stay on coverage until their 26th birthday under the special session legislation.
- Requiring the state Department of Health Care Services (DHCS) to accept $14 million in Medi-Cal Enrollment Assistance from The California Endowment for community based organizations, as well as a federal match of $26.5 million to ensure low-income Californians receive the same assistance and outreach as those who qualify for subsidized Exchange coverage.

- Providing additional transparency for DHCS when they request changes to the state Medicaid plan. DHCS will now have to post on its website proposed State Plan Amendments, waiver amendments, and waiver renewals they submit to the federal government.
- Continuing funding for the Department of Managed Health Care (DMHC) to provide consumer assistance activities. This provides $1 million to DMHC to assist uninsured people get coverage.

MCO Tax
SB 78 reauthorizes the Medi-Cal managed care organization gross premium tax, known as the MCO tax. The MCO tax was initially implemented to place a tax on Medi-Cal managed care plans and draw down a federal match to fund Medi-Cal and Healthy Families. The tax expired at the beginning of this year. The reauthorization of the MCO will be used to fund Medi-Cal managed care health plan rates for children, seniors, persons with disabilities, and dual eligibles. The tax will expire on July 1, 2016.

County Realignment
AB 85 establishes a new mechanism to determine county realignment funding for health care. The Governor assumed savings as many of the currently medically indigent will move to Medi-Cal on January 1, 2014 and initially wanted to sweep most of the 1991 health care realignment dollars back to the state. Counties and advocates pushed back, arguing that 3 to 4 million Californians will remain uninsured after the implementation of the ACA and a county safety net is needed to provide services to them.

A complicated set of negotiations produced a compromise, taking into account some differences between how counties provide care for the uninsured and indigent. Counties will be permitted to choose between two formulas to determine how much of the realignment funding they will keep and how much they will give back to the state. The first option would measure a county's health care revenues and reflect the difference on their costs. That difference would be redirected to the state with any savings being shared 80/20% state/county. This will likely be the option counties with public hospitals choose. Los Angeles County secured some variations to this formula, allowing it to calculate costs based **on** actual total costs, as opposed to actual Medi-Cal and uninsured costs, with other allowances for what the county has historically spent on health care.

The second option allows for a county to keep 40% of their health realignment allocation paired with a Maintenance of Effort requirement for continuing to use that funding for health care to the remaining uninsured and public health. The state would then keep the 60% of the realignment allocation. The 34 counties that participate in the County Medical Services Program (CMSP) will redirect their annual $89 million to their Governing Board, which will then be turned into the 60/40 split between those counties.

Counties can change their mechanism, but only subject to certain stringent circumstances. The budget assumes $300 million from counties back to the state for the 2013-14 budget year. Should the federal government enact immigration reform that includes a pathway to citizenship for immigrants that would leave them without health care coverage, DHCS would be required to analyze impacts on counties and report out that information. Advocates will continue to push for counties to use their realignment dollars and other innovations to create medical-home coverage for those who remain uninsured after the ACA is implemented.

Human Services:

CalWORKs Grant Increase
AB 85 increases CalWORKs grants by 5% beginning March 1, 2014. The maximum grant for a family of three will increase from $638 a month to approximately $670 a month. This will increase the

amount of the grant from 40% of the federal poverty level to 42% of the federal poverty level. This is the first CalWORKs grant increase since the 2004-5 state budget when grants for a family of three were $723 or 55% of the federal poverty level for 2004.

Child Poverty and Family Supplemental Support Sub-Account

AB 85 creates a new method for funding additional increases in CalWORKs grants. It creates a new line item in the state budget called the Child Poverty and Family Supplemental Support subaccount. As part of the state budget the state is reversing a 1991 "realignment" of state funds to counties to pay for certain county programs, as discussed above.

When the state first realigned funds to counties in 1991, it included an "adjustment factor" that effectively provided an annual increase in the amount of funds the counties received each year. AB 85 shifts the funds that would have gone for the adjustment factor into a Family sub-account to provide funding for three new uses:

- CalWORKs Grant Increases
- Mental Health Programs
- County Operated Health Programs

The amount of funds that will go into each of these three accounts will be based on a complicated formula to be determined by the Department of Finance subject to review by the Legislature. CalWORKs grant increases will be further subject to provisions in AB 85. In summary, a CalWORKs grant increase will be provided when the revenue in the subaccount established exceeds the amount of the grant increases provided after adoption of AB 85 plus any adjustments to the CalWORKs caseload.

CalWORKs Auto Resource Rule

AB 74 makes a substantial change to CalWORKs by altering the long standing rule prohibiting eligibility for families with automobiles worth more than $4,650. Instead a family will not have the value of a car count toward the family's resource level unless and until the family's equity in the car exceeds $9,500. In other words a family can keep any car worth less than $9,500 and not have it count toward the resource limit for eligibility purposes. Further, any amount that is owed on the car is not counted towards the $9,500 limit. Thus a family could own a car worth $15,000 but for which it has only made $3,000 in payments and keep the car. The rationale for this change is that it will allow CalWORKs families to retain reliable transportation that will enhance participation in welfare-to-work activities. It will also have the effect of reducing county worker time trying to determine if the family car exceeded the previous cap. This rule takes effect January 1, 2014.

Family Stabilization Program

AB 74 includes a significant change to the 24 month welfare-to-work clock that was adopted in last year's budget. That change allowed families to participate in any welfare-to-work activity that was consistent with their appraisal and assessment for up to 24 months. It eliminated the requirement that an adult recipient had to participate at least 20 hours a week in paid work to avoid a sanction. After 24 months the adult must comply with more rigid federal work participation requirements.

Under AB 74, the 24 month period can be stopped for up to 6 months (though the months are counted towards the 48 month time clock) if a family is experiencing a destabilizing situation that interferes in welfare to work activities. These situations include, but are not limited to, homelessness, domestic violence or behavioral needs. Families in these situations shall receive intensive case management and services to overcome the period of instability. These services, which could include assistance with housing costs to avert or end homelessness, are not counted against the family grant amount or other services received by the family. AB 74 also increases funding for subsidized employment for those who cannot find work.

Early Engagement
AB 74 makes several changes to the welfare-to-work process. Most notably, it expands the elements of a client's appraisal to include a mandatory on-line appraisal tool to assess recipient strengths and barriers to employment. It further allows more discretion by counties and recipients to opt out of job club or job search prior to the development of a welfare to work plan. Western Center will provide a detailed analysis of these changes prior to their implementation on January 1, 2014.

Semi-Annual Reporting Clean-up
The Budget Act includes several pieces of clean-up language following the passage of AB 6 (Fuentes 2011) and prior to the October implementation of the reporting provisions of that act. These include simplifying and clarifying reporting rules by removing a second annual report and instead replacing with a personal call to remind participating families of their annual recertification. It also clarifies that the Heat and Eat provisions of AB 6 should not reduce eligibility for homeless recipients who are eligible for the homeless shelter deduction.

New Judges for State hearings Division
The budget act creates 24 new Administrative Law Judge (ALJ) positions at the DSS State Hearings Division along with administrative support staff. This is in lieu of the Governor's May Revise proposal to fund ALJs by reducing court ordered penalties on late decisions by State Hearing Division.

Priority Registration for CalWORKs Recipients in Education Activities
AB 86 requires that community colleges that utilize a priority registration system for certain students must include CalWORKs recipients. This change is due to the adoption of the 24 month clock for welfare-to-work services that limited how long students can participate in education activities without concern for the core/non-core rules. It will allow CalWORKs students to access classes that often closed under regular registration rules. This provision goes into effect upon the Governor's signing of AB 86.

For more information about Western Center's Budget Advocacy contact:

Health:

Vanessa Cajina,

VCajina@wclp.org, 916-282-5117

Human Services & Fair Hearings:

Jessica Bartholow,

JBartholow@wclp.org, 916-400-1948

Mike Herald,

MHerald@wclp.org, 916-282-5112