

Governor's May Revise FY 2016-17 Budget Proposal: Impact on Alameda County Seniors and Services

On May 11th Governor Jerry Brown released the “May Revise” of his proposed budget for 2017-18. The revised spending plan forecasts higher revenues over the next three years, and, while it continues with the Governor’s cautious approach to the state’s finances, it makes several improvements over the January budget proposal, including funding to offset a large portion of the IHSS costs that are being shifted to counties.

Still mindful of possible federal actions that could have dire fiscal impact on California – including a repeal of the Affordable Care Act and changes to Medicaid and other federal programs – the Governor nonetheless assumes current federal policies and funding levels. For a deeper analysis of the budget proposal, check out www.CalBudgetCenter.org.

What’s next? The State Assembly and Senate Budget Subcommittees will wrap up hearings by the end of next week.ⁱ Then a budget conference committee will be formed with members from both houses to resolve differences between the Assembly and Senate budgets. The final budget plan will be voted on by both houses by June 15.

The following summarizes the items in Governor Brown’s revised 2017-18 budget proposal that would directly impact seniors and senior services in Alameda County.

A **DULT DAY SERVICES**
The Governor’s May Revise 2017-18 budget maintains the 2011 cut to Medi-Cal’s CBAS rate, a rate level that is unsustainable and continues to force Adult Day Health Care providers across the state to close their doors or turn away from serving Medi-Cal beneficiaries. The budget does not include any increases in Older Californians Act funding for Adult Day Care, nor does it restore the funding for the Alzheimer’s Day Care Resource Centers that was eliminated in 2009.ⁱⁱ

In Alameda County, Adult Day programs provide care for over 1,700 frail older adults and people with disabilities each year.

C **OORDINATED CARE INITIATIVE**
The Governor’s May Revise continues his plans for addressing the end of the Coordinated Care Initiative (CCI) in fiscal year 2017/18.

The Coordinated Care Initiative (CCI) implemented managed care enrollment for dual Medi-Cal/Medicare beneficiaries in seven counties (Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara) and is meant to reduce cost and improve care over the long term. At the beginning of 2017, the Governor discontinued the CCI, an action required by statute and triggered by the Department of Finance’s annual review that found the initiative was not cost-effective.

The CCI includes several elements, and the Governor's May Revise continues his January proposal to:

- Continue the Cal MediConnect program in the seven counties through December 31, 2019 as allowed under federal law, gaining the state a \$20 million General Fund savings.
- Remove IHSS benefits from the capitated rates that are paid to the Cal MediConnect Plans. (We've addressed the fiscal impact of this removal in the IHSS section below.)
- Continue the requirement in most non-demonstration counties, including Alameda County, that dually eligible beneficiaries enroll in Medi-Cal managed care plans in order to receive their Medi-Cal benefits, including long-term services and supports such as Adult Day Health Care.

HOUSING & MENTAL HEALTH SERVICES

The Governor's May Revise continues to highlight California's housing crisis as a key threat to the state's economy over the next few years. He notes that California's lack of affordable housing means that many people have less income to spend on taxable goods, thus weakening a key revenue source for the state budget. High and rising housing costs make it harder for employers to attract skilled workers, potentially stalling the state's job growth.

Yet the May Revise includes no new funding to address the problem. Instead, it eliminates \$400 million set aside for affordable housing programs in the 2016-17 budget agreement.ⁱⁱⁱ The proposal also eliminates \$45 million for the Housing and Disability Advocacy Program, established in the 2016-17 budget agreement to help people who are homeless or at risk of homelessness and who have a disability to access appropriate benefits.

The Governor affirms that he is committed to working with the Legislature on a legislative package to address the state's housing crisis, but makes clear that he is unwilling to provide resources through the state General Fund to finance any solutions. Instead, he outlines several principles for housing policy, which include reducing local barriers that prevent, slow down, or drive up the cost of housing developments.

The "No Place Like Home" initiative signed into law last year will still provide \$2 billion in bond funds to build, rehabilitate, or preserve permanent supportive housing for people with a mental illness who are homeless or at risk of chronic homelessness. The California Department of Housing and Community Development is currently drafting framework to determine how cities and counties will compete for the available funds starting in 2018.

In Alameda County there is a 58,680 unit shortfall for homes affordable to very low-income households (California Housing Partnership Report, May 2016). Housing cost burden is high for seniors: over 30% of senior homeowners pay over 30% of their income for housing; 66% of senior renters pay over 30% of their income for housing (US Census, ACS).

IN-HOME SUPPORTIVE SERVICES (IHSS)

The Governor's May Revise budget includes a plan to mitigate the impact of changes to In-Home Supportive Services funding that are a result of the CCI's discontinuation (see above). The end of the CCI would restore the state-county arrangement for splitting the non-

federal share of the cost of the IHSS program that existed prior to the implementation of the CCI. The cost share will have a significant impact on Alameda and other counties, as they would be asked to assume a much larger share of the cost for IHSS beginning July 1 (the hit to Alameda County is estimated at \$42 million in FY 2017-18).

In his May Revise proposal, the Governor has reduced the total fiscal impact to counties from \$626.2 million to \$141 million in FY 2017-18. His plan would 1) maintain an MOE structure for sharing IHSS costs between the state and counties (instead of returning to the 35/65 county-state cost splitting arrangement), 2) provide \$400 million in state General Funds to cover the non-county cost, 3) and redirect to IHSS all Vehicle License Fee growth for three years from the County Medical Services Program (CMSP) and Mental Health Subaccount for three years.

In future years, the Governor proposes to decrease the use of General Fund dollars to offset county costs: support would be \$330 million in FY 2018-19; \$200 million in 2019-20; and \$150 million in 2020-21 and each year thereafter. The redirected funds would be cut in half after three years (in FY 2020-21). Counties would face additional ongoing costs for IHSS, but not much higher than anticipated under the CCI.

The Governor's May Revise budget still includes funding for an 8.2% increase in IHSS caseloads statewide. It continues the full restoration of the 7% cut to IHSS consumers' hours of care to July 1, 20120.^{iv} It also continues to use general fund dollars to cover the cost of overtime pay for home care workers, which started February 1, 2016.^v

In Alameda County, over 21,000 seniors, children and adults with disabilities rely on about 21,000 IHSS workers to help them live safely in the community.

M EDI-CAL
The proposed 2017/18 budget does not restore the 10% Medi-Cal provider rate cuts that went into effect in 2011. Low rates continue to discourage many health care providers from contracting with Medi-Cal, thus limiting access to care for many beneficiaries.

The May Revise does not provide funding to fully restore Medi-Cal's adult dental services so that beneficiaries have access to important interventions such as gum treatment and partial dentures.^{vi} Nor does the proposal restore any other "optional" benefits. In 2009 the state budget eliminated services such as audiology, podiatry, incontinence creams and washes and speech therapy – all interventions that are essential for many people living with chronic conditions.

The May Revise budget contains \$1.3 million in state funding for the 2017-18 implementation of the Palliative Care Services Program, which will serve adult Medi-Cal beneficiaries with certain eligible conditions with no more than a one-year life expectancy. The program will provide one-time grants to Medi-Cal Managed Care Plans of up to \$50,000 for provider network development, data analysis and other program development costs.

In Alameda County, over 40,000 older adults age 65+ have full scope Medi-Cal. In spite of having coverage, over 9% of these seniors do not have a regular health care provider to turn to when sick. Since the Medi-Cal optional benefits were eliminated, community-based organizations in Alameda County have been hard-pressed to find alternatives, and many people go without.

M **ULTI-PURPOSE SENIOR SERVICES PROGRAM (MSSP)**
The MSSP program was scheduled to transition to Medi-Cal managed care at the end of 2017.^{vii} With the discontinuation of CCI (see above), however, the Governor proposes to delay the full transition of MSSP into managed care an additional two years.

The Governor's May Revise budget proposes to continue the same funding level for MSSP as in the current fiscal year, with no caseload growth.

In Alameda County we face a critical shortage of MSSP slots – only 380 between the two MSSP providers in Oakland and Fremont. Hundreds of eligible seniors wait, and often die or enter nursing homes while on the wait list.

O **LDER CALIFORNIANS ACT PROGRAMS**
The May Revise budget proposes no additional state funding to programs in the California Department of Aging, but at the same time it doesn't appear to reflect recent mid-year changes to the federal FY 17 budget.^{viii} The one-time increases included in the budget for fiscal year 2016-17 that benefited nutrition, ombudsman, and caregiver resource centers would not be continued under the Governor's proposal for 2017-18.

Ignored yet again are small but indisputably important Older Californians Act programs that have not seen restoration since a series of devastating state cuts starting in 2008: Alzheimer's Day Care Resource Centers, Brown Bag, Respite Services, Linkages, Foster Grandparents, Senior Companions, and Senior Employment Program.

In Alameda County the impact of eliminating so much funding for Older Californians Act programs has meant a loss of over \$549,000 in supportive services funding per year for each of the last nine years.^{ix} The 2008/2009 state cuts caused the loss of over 200 case management slots for seniors and people with disabilities, the closure of the Foster Grandparents program, and reduced service capacity for other programs that can be felt today.

S **UPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP)**
The Governor's May Revise budget proposes nothing new for SSI/SSP recipients, for whom individual grant levels remain at just 90% of the federal poverty level. Last year's budget included a small Cost of Living Adjustment (COLA) to the SSP – the state's portion of the program – an increase which went into effect in January this year. The Governor's 2017/18 budget does not provide an SSP COLA in 2018, thus further eroding the purchasing power of the SSI grant.

During the Great Recession, state support for SSI/SSP grants – which are funded with both federal (SSI) and state (SSP) dollars – was reduced substantially. Policymakers eliminated the annual state COLA and cut the SSP portion of the monthly grant to the minimum allowed by

federal law (grant levels went from \$233 to \$156 for individuals). Without a COLA or any additional increase to SSP grant levels, the Governor's proposed budget does nothing to meaningfully address the reality of basic living costs in California.^x

The proposed budget assumes a 2.6% increase in the cost of living adjustment for the federal SSI portion of the grant in 2018, and confirms that California will pass through that entire increase to recipients.

In Alameda County about 52,000 seniors and adults with disabilities rely on SSI/SSP. The 2017 maximum grant level for individuals is \$896 a month, putting their incomes at 90% of the federal poverty level and far below the Elder Economic Security Standard for Alameda County Seniors. The 2017 SSI/SSP grant level for a couple is \$1,510/month. Translation: many SSI recipients struggle to meet their most basic needs.

The Senior Services Coalition of Alameda County is a coalition of nonprofit and public organizations that provide health care and supportive services to seniors. We are committed to establishing an easily accessible, coordinated system of social, medical and supportive care for seniors in Alameda County.

ⁱ Schedules are posted on the Daily File: <http://senate.ca.gov/dailyfile>

ⁱⁱ Elimination of ADCRC funding in 2009 combined with cuts in prior years resulted in a total loss of \$120,000 in annual funding for services in Alameda County.

ⁱⁱⁱ The \$400 million was to be allocated only if lawmakers modified the local review process for certain housing developments, as proposed by the Governor last year. The Legislature did not adopt the Governor's so-called "by-right" proposal, and so these funds will not be available for affordable housing.

^{iv} The cut was the result of a settlement of two lawsuits – one filed in 2011 that blocked the state from implementing a 20% across-the-board reduction in IHSS hours, the other filed in 2009 that blocked the termination or reduction of IHSS for many recipients based on their functional index score. Under the settlement, the state instituted a temporary 8% cut starting in July 2013. The settlement included plans to adjust to a 7% cut in July 2014.

^v New federal regulations mandate overtime pay for home care workers, and require that workers be paid for time spent in transit between multiple consumers and for medical appointments. IHSS providers will be paid overtime for working more than 40 hours per week, but are limited to a 66-hour work week. Exemptions will be available for live-in family care providers who, as of January 31, 2016, reside in the home of two or more minor or adult children or grandchildren with disabilities for whom they provide services. A second type of exemption will be considered for recipients with extraordinary circumstances and granted on a case-by-case basis. Under either exemption the maximum number of hours a provider may work cannot exceed 360 hours per month.

^{vi} Adult dental was partially restored in the 2013-14 budget, giving Medi-Cal beneficiaries access to preventative care, restorations, and full dentures.

^{vii} For background on MSSP in CCI, go to http://www.calduals.org/wp-content/uploads/2013/08/FAQ-MSSP-05_02_2013-final.pdf

^{viii} The FY 2017 federal budget act signed on May 5 kept most aging programs with level funding, added moderate increases for nutrition and supportive services, and made significant cuts to HICAP and Senior Employment. The FY 2017 budget runs through September of 2017. Normally these mid-year changes would hit local programs in the fiscal year that starts July 2017.

^{ix} Partial annual loss to Alameda County calculated based on local impact of elimination of Respite (\$10,000), Brown Bag (\$40,000), Alzheimer's Day Care Resource Center (\$120,000), Linkages (\$228,000), Senior Companion Program (\$21,000) and Ombudsman (\$130,000).

^x 2017 Federal Poverty Guidelines are \$990/month for an individual, \$1335/month for a couple. The Elder Economic Security Standard Index for Alameda County seniors is \$2,170/month for a single renter, \$2,888/month for a couple who rent rather than own their home.