

Governor Newsom's Proposed FY 2019/20 Budget: Impacts on Alameda County Seniors and Services

On January 10, 2019 Governor Newsom released his inaugural budget proposal for California's 2019/20 fiscal year. The proposal projects a \$21.4 billion surplus by the end of the current fiscal year, driven by continued economic growth and a drop in claims for Medi-Cal – a projection that is almost \$6.5 billion more than the Legislative Analysts' Office reported in November.ⁱ The Governor lays out a \$209 billion state spending plan that increases state spending by 4 percent over the prior year, making about 84% of new investments in the form of one-time expenditures, and still paying down debts and building up reserves.ⁱⁱ

The proposal includes a range of significant expansions – most notably in education, health, and housing – that will support low- and middle-income Californians who are struggling to make ends meet. Many of the proposals will benefit older adults, including doubling the state's Earned Income Tax Credit, expanding Medi-Cal, helping middle-income Californians better afford premiums in Covered California and moving the individual insurance market closer to universal coverage, tackling the rising cost of prescription drugs, and proffering a mix of policies and investments to address housing needs and homelessness.

In spite of these positive proposals, the budget from our new Governor is tremendously disappointing. It is silent on the deepening poverty of older Californians, their growing numbers, and the urgent need to build capacity and shore up a faltering aging services ecosystem. It proposes flat funding for programs in the Department of Aging; a course that amounts to yet another reduction as the cost of doing business rises. We thought that Governor Newsom understood the pressing need to invest in the aging services that can improve life and health outcomes for older Californians. Clearly, he doesn't.

The following pages summarize the items in the Governor's proposed budget that could have direct impacts for seniors and senior services in Alameda County. (For a deeper analysis of the entire proposal, check out www.CalBudgetCenter.org.)

A DULT DAY SERVICES

The Governor's proposed 2019/20 budget continues the state's historic neglect of Adult Day Services. It does not increase Medi-Cal's CBAS rate, in spite of the fact that current rate levels are unsustainable and continue to force Adult Day Health Care providers across the state to close their doors or turn away from serving Medi-Cal beneficiaries. CBAS could have easily been included in the Governor's proposed Prop 56 investments in Medi-Cal, but it was not (see Medi-Cal section). The proposal lacks any increases in funding for Adult Day Care, and does not restore the funding for the Alzheimer's Day Care Resource Centers that was eliminated in 2009.ⁱⁱⁱ

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

C ALIFORNIA COMMUNITY TRANSITIONS

The 2018/19 Budget failed to fund Community Care Transitions, and the Governor's proposal for 19/20 does not include any funding. CCT has transitioned over 3,600 Californians with disabilities, including older adults, out of nursing homes to live in the community. The program had been funded by the federal Money Follows the Person but that funding lapsed last year. Just last week the House and Senate passed a 3-month extension of the MFP in the Medicaid Extenders Act of 2019. Now concerted advocacy is needed at both the federal and state level to reinstate the program.

E ARNED INCOME TAX CREDIT

Governor Newsom proposes to extend the CalEITC to a total of 2.4 million tax filers – up from the 2.0 million tax filers who are expected to benefit from the credit this year – and to increase the size of the credit available to many families and individuals. These two changes combined are expected to more than double the total amount of credits provided to Californians, from around \$400 million this year to \$1 billion next year.

Last year, policy makers extended the CalEITC to low-earning older and younger adults who were ineligible for the credit starting with tax year 2018. They also made modest increases to the income limits to qualify for the credit, and provided funding to support community-based efforts to promote the benefit. These CalEITC changes will help increase economic security for older adults and those who are working beyond what was once the traditional retirement age.

In Alameda County, 17.7 percent of people who are age 65 and older are employed, many in part-time and low-wage jobs that help them to make ends meet. 26% of low-wage workers are age 55-64 (UC Berkeley).

H OUSING & HOMELESSNESS

The Governor's budget boldly proposes significant investments and policy changes to address California's housing crisis. His proposal includes revamping policy to spur regions and jurisdictions towards more ambitious housing production goals; \$500 million in ongoing

expansion of tax credits that finance affordable housing development; \$500 million in one-time funding to support the construction of housing for moderate-income households; and making excess state property available for affordable and mixed-income housing demonstration projects.

Similarly, the Governor proposes a mix of investments and policy changes to address the needs of our state's homeless residents. His budget would support the expansion of shelters and supportive housing by streamlining the review process; allow emergency shelters to be developed on CalTrans land; and accelerate Propositions 1 and 2 funding awards for supportive housing and other development projects.^{iv} Proposed investments include \$300 million in one-time funding to develop or expand emergency shelters and navigation centers for jurisdictions that establish joint regional plans, plus additional \$200 million for those that demonstrate concrete progress; \$25 million in ongoing funding to continue the Housing and Disability Advocacy Program, which provides outreach and assistance to connect homeless individuals with benefits like SSI; and \$100 million for Whole Person Care Pilot programs that include housing services – like Alameda County's AC3.

In Alameda County, over 10% of homeless people are age 65+, and the median age of the homeless population is rising as more seniors become homeless for the first time. Housing cost burden is high for seniors: over 30% of senior homeowners pay over 30% of their income for housing, and 66% of senior renters pay over 30% of their income (US Census).

N-HOME SUPPORTIVE SERVICES

The Governor's budget proposes to increase funding for the IHSS program by 15.2 percent, bringing the total funding to \$12.7 billion (\$4.3 billion General Fund). This increase reflects an estimated 4.5 percent increase in the monthly caseload, to 564,000 people, as well as the permanent restoration of the 7% reduction in IHSS hours. The reduction was originally enacted during the Great Recession, then temporarily restored for the last three years through the Managed Care Organization (MCO) tax. That tax is set to expire on June 30, 2019, and instead of continuing the tax, the Governor proposes to cover the 7% restoration with \$342.3 in General Fund dollars.

In Alameda County, over 22,000 seniors, children and people with disabilities rely on over 21,000 IHSS workers to help them live safely in the community.

The Governor's plan also includes adjusting the inflation factor for the Revised County IHSS Maintenance-of-Effort – which sets the base for counties' share of program costs – to reduce the amount that counties will be required to pay for IHSS in 2019/20. In addition, the Governor proposes an ongoing increase of \$15.4 million General Fund for county administration.

M EDI-CAL AND COVERED CALIFORNIA

Governor Newsom proposes major initiatives that would increase access to health care for Californians. His plan includes spending \$196.5 million to expand full scope Medi-Cal to qualifying young adults 19-25 regardless of immigration status; increasing subsidies for individuals between 250%-400% of the federal poverty level who purchase insurance through

Covered California; expanding eligibility for Covered California subsidies to individuals between 400-600% FPL; and reinstating the individual mandate, making California the first state to do so since the ACA individual mandate was repealed in the tax bill of December 2017. The Governor includes a \$53 million increase in funding for county eligibility determination activities based on the 2.63 percent growth in the California Consumer Price Index.

The Governor also proposes steps to use the state's purchasing power to achieve a single-payer system for prescription drugs in California. These steps include transitioning all pharmacy services for Medi-Cal Managed Care to a fee-for-service benefit. This would increase drug rebate savings and help the state secure better pricing by allowing California to negotiate directly with pharmaceutical manufacturers. Annual savings are expected to be in the hundreds of millions, starting in fiscal year 2021-22.

Governor Newsom proposes to funnel \$180 million of Medi-Cal's funding to a value-based payment program established through Medi-Cal managed care plans. The program would give providers incentive payments for meeting certain measures aimed at improving care for high-need populations. The Governor proposes that the program focus on behavioral health integration, prenatal/post-partum care, and chronic disease management.

Together, these initiatives are important steps to move California toward universal health coverage, but they don't ensure equal access to health care coverage for individuals age 65 and older. To do that, the Governor must

eliminate Medi-Cal's senior penalty, an inequity that causes low-income seniors on Medi-Cal to become ineligible when they turn 65, in spite of there being no change in their income.^v In addition, California must restore Medi-Cal's "optional benefits" – audiology, podiatry, incontinence creams and washes and speech therapy.^{vi} And to make the value-based payment program impactful, the Governor should include California's highest need populations – people who are dually eligible for both Medicare and Medi-Cal.

In Alameda County, over 52,000 people age 65+ rely on Medi-Cal coverage. Over 9,500 of them are not covered by Medicare.

MULTI-PURPOSE SENIOR SERVICES PROGRAM

The Governor's proposed budget does not increase funding for MSSP. A rate increase is long overdue and is urgently needed to keep MSSP programs viable, as well as to expand capacity for the program. MSSP's case management model (nurse/social worker/purchase of services) is highly effective in helping older adults who are eligible for Medi-Cal covered nursing home care remain safely at home at a fraction of the cost of a SNF. For years providers and advocates statewide have sought increased funding. In 2018, Providers sought \$5.1 million for a rate increase for the Medi-Cal waived program, a request that was approved by the Senate and Assembly Budget Committees, but was scrapped by the Conference Committee.

In Alameda County we face a critical shortage of MSSP slots – only 380 between the two MSSP providers in Oakland and Fremont. Eligible seniors may die or enter nursing homes while waiting for a slot to open.

OLDER CALIFORNIANS ACT PROGRAMS

The new Governor's proposed budget perpetuates policy makers' chronic neglect of Older Californians Act programs. The programs in the Department of Aging have not seen increases in state funding – other than occasional one-time bumps – since a series of devastating state cuts and eliminations in 2008-09 that hit Alzheimer's Day Care Resource Centers, Senior Nutrition (congregate meals and meals on wheels), Caregiver Resource Centers, Long Term Care Ombudsman, Brown Bag, Respite Services, Linkages, Foster Grandparents, Senior Companions, HICAP and Senior Employment.^{vii}

Alameda County currently receives approximately \$6 million a year in mostly federal funding through the Older Americans Act to provide services to over 65,000 county residents.

California's aging services ecosystem is in crisis, and the state's failure to recognize and address the needs of older people is alarming. Governor Brown and the legislature continuously ignored the pressing need to adequately fund the aging services. Now we are at an inflection point. California must invest in the aging services infrastructure that will give Californians the support they need to live safe and healthy lives in their communities, or watch the ecosystem crumble.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT

The Governor's budget proposal touches lightly on the joint federal/state program that provides monthly cash assistance for 1.3 million extremely low-income Californians who are aged, blind or disabled. He does not propose to increase grant levels or hasten the reinstatement of the Cost of Living Adjustment (COLA) to the state's portion of the grant levels – still set to kick in in July of 2022.^{viii} However, he does propose to make permanent the "hold harmless" programs created as part of the 2018/19 budget's repeal of "cash-out."

In Alameda County over 49,000 seniors and adults with disabilities rely on SSI/SSP. The 2019 maximum grant level for individuals is \$931.72 a month, putting individual recipients' incomes more than 10% below the federal poverty level and far below the Elder Economic Security Standard. As a result, SSI recipients struggle to meet their most basic needs.

Cash-out is the decades-old state law that makes SSI/SSP recipients ineligible for federal SNAP (CalFresh) benefits in exchange for a \$10 increase in the SSP grant amount. When "cashout" ends in June 2019, SSI recipients will be able to apply for CalFresh. The repeal established two new programs to "hold harmless" the SSI/SSP recipients who may be adversely affected by the end of cash-out,^{ix} but provided only one-time funding for the programs.

Two years is a long time to wait for the state COLA, and living below the federal poverty level is impossible in California and threatens the safety of recipients. While CalFresh eligibility is a meaningful step in addressing the reality of basic living costs in California for SSI recipients, we still have a long way to go.^x

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 In his January 10 press conference the Governor attributed the increased surplus to a drop in claims for Medi-Cal as more Californians are working and covered through employment or Covered California.

ⁱⁱ The \$209 billion breaks out as \$144 billion General Fund, \$59.5 billion from special funds, and \$5.3 billion from bond funds. This does not include Federal funding, which in FY 2018/19 added another \$105.9 billion to the state's total expenditures, 74% of it in Health & Human Services.

ⁱⁱⁱ Elimination of ADCRC funding in 2009 combined with cuts in prior years has resulted in an ongoing loss of \$120,000 annually for services in Alameda County.

^{iv} In 2018 California voters passes Prop. 1, the Veterans and Affordable Housing Act, and Prop. 2, the No Place Like Home Act.

^v The senior penalty is the difference in Medi-Cal income eligibility levels for younger adults vs. people age 65 and older. In 2018, removing the "senior penalty" was supported by both the Senate and Assembly and advanced to the Conference Committee, where it was ignored.

^{vi} Dental, enteral nutrition, acupuncture and psychology benefits were restored over the last three budget cycles. Medi-Cal's optometric and optical services for adults are scheduled to be restored starting January 1, 2020 (part of the FY 17-18 budget legislation).

^{vii} The Foster Grandparent, Linkages and Brown Bag programs were eliminated; other programs were cut deeply. The annual loss to Alameda County of the State's Great Recession cuts is \$549,000 – calculated based on local impact of elimination of Older Californians Act funding for 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).

^{viii} Federal COLA's continue to kick in every year, based on the current Consumer Price Index growth factors. Since a series of draconian cuts a decade ago, state policymakers have provided only one COLA for the state's SSP portion of the grant — a 2.76% boost that took effect in January 2017, resulting in monthly state SSP grant levels of \$160.72 for individuals and \$407.14 for couples, which remain in effect today.

^{ix} The State Nutritional Benefits Program will provide a monthly supplement to the CalFresh amount to an estimated 70,000 households that would otherwise see a decrease in CalFresh benefits. The Transitional Nutrition Benefits Program will assist households that will lose all eligibility for CalFresh when cashout ends.

^x 2019 Federal Poverty Guidelines are \$1,040.83/month for an individual, \$1,760.83/ month for a couple. The 2015 Elder Economic Security Standard Index for Alameda County seniors was \$2,273/month for a single renter, \$2,991/month for a couple who rent rather than own their home.