

Subject: Senate Budget Subcommittee #3 - Overview

Dear Board Members,

The Senate Budget Subcommittee #3 on Health and Human Services (“Sub 3”) met today in a 6 hour, 45 minutes hearing to discuss funding issues related to (sequentially) the Department of Rehabilitation, the State Council on Developmental Disabilities. The developmental services component was broken down into [an agenda covering 13 issues](#), edited to provide their most salient points. Not all panelists’ comments are noted here, particularly insofar as they may have been factual descriptions of a known status quo, or a reiteration of a previously-understood perspective (*e.g.*, statements of support for the Lanterman Coalition’s funding reform push). For those who wish to watch the hearing in its entirety, it will soon be [found online here](#), labeled as “Senate Budget Subcommittee on Health and Human Services.” It is not yet available as of 7:14pm Thursday March 12th.

Note: Participant Acronyms

Department of Developmental Services (DDS), Disability Rights California (DRC), the California Health and Human Services Agency (HHS), the Legislative Analyst’s Office (LAO)

Issues one and two: Budget year increase – Governor’s proposal; Current year deficiency and Budget year increase – Governor’s proposal

- The current state of the developmental services system was presented in brief overview by Santi Rogers (DDS), with John Doyle (DDS) describing the previously-anticipated changes to the Budget to address increased service utilization and a prior year deficiency.

Issue 3: Core-staffing formula – oversight issue

- Eileen Richey (ARCA) provided an overview of the history of chronic underfunding and cuts, as presented in ARCA’s recent [Regional Center Operations report](#). She also highlighted the disjunct between labor costs and the core staffing formula, as well as caseload ratios.
- John Doyle (DDS) noted departmental recognition of the risk to federal funding due to caseload ratios, but advised the Committee that the Centers for Medicare and Medicaid Services (CMS) has not contacted the state on the matter. Additionally, HHS has convened a workgroup focused on Operations, which has prioritized the issue. DDS expects the workgroup’s eventual product to provide a way forward. Committee chair Senator Holly Mitchell expressed her interest in ensuring the product is generated in a timely manner.
- Joe Meadours (People First) spoke to the challenges of continuity and meeting IPP expectations against the backdrop of high turnover, as he experienced by having three different service coordinators over four years.
- Catherine Blakemore (DRC) described how the increased complexity of the developmental services system requires more specialized skill sets from service coordinators. The potential solutions she suggested were increased Operations funding coupled with outcome measures, as well as adding specialized skill sets (*e.g.*, dental access) to regional centers.

Issue 4: Current year deficiency and Budget year increases – Governor’s proposal

- John Doyle (DDS) described the funding increases as being driven primarily by services to individuals recently departed from developmental centers, as well as increased caseloads. He also noted that the increase in expenditures not matched by federal funds remains imprecisely identified, but may be due to prior Budget cuts that, in retrospect, affected services with associated federal matching funds.

- Rashi Kesarwani (LAO) said they anticipate a significant increase in costs in unmatched spending, particularly in certain residential settings.

Issue 5: *Sick leave – Governor’s proposal*

- John Doyle (DDS) reported that the Department made use of an Assembly analysis of AB 1522 (passed last year, and mandating paid sick leave for most employees) that indicated 39% of employees statewide would be affected by the bill. That number thus drove Budget estimates of costs on regional centers.
- Senator Mitchell requested that DDS examine the impact on providers as well.

Issue 6: *Minimum wage increase – Governor’s proposal*

- John Doyle (DDS) reports that funding will be provided for the upcoming minimum wage increase, as well as additional costs (e.g., workers’ compensation), but **only** for employees receiving an hourly wage.
- Will Sanford (Futures Explored), after expressing appreciation of the Governor’s coverage of the cost increases for the minimum wage hike, noted a trio of still-unaddressed concerns around wage compression, salaried employees (who must make twice the minimum wage), and local minimum wage increases.
- In response to a request from Senator Jeff Stone, the LAO will examine both wage compression and the salaried employee issue.

Issue 7: *Statewide self-determination program – Governor’s proposal*

- Nancy Bargmann (DDS) reported that DDS will soon be reposting the self-determination program proposal for a mandatory 30-day public comment period. Afterwards, it will be submitted to CMS for a review (of up to 90 days). The proposal, previously submitted to CMS, had been returned to California for more public comment.

Issue 8: *Stability of community-based services and supports system oversight issue* [note: This is the issue of broadest concern to the community]

- Rashi Kesarwani (LAO) provided an overview of the rate cuts, freezes, and cost containment measures undertaken by the state in recent years. Termed “Budget solutions,” their full report has [just been made available online](#).
- Eileen Richey (ARCA) gave a top-level review of ARCA’s most recent report, “On The Brink Of Collapse.” She highlighted the shortfalls in California’s rate structures, both against the arc of inflation and the contemporaneous efforts of other states. She also made note of the number of program closures, driven mostly by rates.
- Catherine Blakemore (DRC) overviewed the Home and Community-Based Services waiver changes, as well as its potential impacts on the philosophy of residential care.
- Kristopher Kent (HHSA) briefly described a workgroup that is focused on service provider rates.
- Tony Anderson, in his capacity as chair of the Lanterman Coalition, described the critical importance of the Coalition’s 10% + Reform proposal for stabilizing and rebuilding the developmental services system.
- Senator Bill Monning, recognizing the importance of various services either cut or eliminated, noted that programs such as respite and camp are (were) essential for many recipients, not ancillary.

Issue 9: *Disparities in service delivery – oversight issue*

- Gloria Wong (ELARC/ARCA) described the impacts of service cuts on minority populations, particularly the extent to which caseload ratios reduce the ability of regional centers to provide the needed time and support to monolingual or limited English proficiency families/clients. She also noted the study ARCA is commencing, via the Equity Committee and a partnership with Childrens Hospital Los Angeles.
- Marty Omoto (California Disability-Senior Community Action Network) underscored the importance of ongoing oversight to control and reduce purchase of service variances.
- Catherine Blakemore (DRC) noted the continued existence of disparities, as evidenced by (but not limited to) demographics or locations with higher-than-average numbers of clients with zero purchase of service expenditures (*i.e.*, case management only). She suggested that the ARCA study process may warrant adjustment to include a stakeholder process.

Issue 10: *Early Start program – oversight issue*

- Panelists spoke on the positive movement over the past few weeks since Early Start was officially restored, the merits of family resource centers, and federal compliance concerns (driven by administrative, not outcome-based matters).

Issue 11: *Parental fees – oversight issue*

- Rashi Kesarwani (LAO) noted the recent, [adverse findings of the State Auditor](#) concerning the Parental Fee Program.
- Eileen Richey (ARCA) described the Association’s opposition to the Annual Family Fee Program, and the cost inefficiencies of its administration.

Issue 12: *Insurance co-pays and deductibles – oversight issue*

- Panelists described both the positive impact of increased access to behavioral health programs under SB 946 and the challenges that various insurance payments (significantly alleviated last year) posed to accessing said programs.

Issue 13: *Behavioral health treatment – Governor’s proposal*

- Panelists described the ongoing work related to transitioning Medi-Cal eligible individuals who are receiving behavioral health treatment (BHT) paid for by regional centers onto the Medi-Cal payment system. Continuity of care and network adequacy remain a focus.
- Rick Rollens (ARCA) noted a trio of experiences during the roughly analogous transition effected by SB 946 that may warrant consideration by DDS and the Department of Health Care Services during their development of transition plan.

All issues were held open, and will not be voted on until after the Governor issues his “May Revise,” when the Governor updates the Budget as originally released in January.

After the panel discussions, public comment was taken, with dozens of individuals representing diverse facets of the community services system testifying. While each brought their own perspective forward, the Lanterman Coalition’s 10% + Reform priority was a common refrain.

Your local advocacy remains a critical component of the community’s ongoing push to see real change and funding reform in our system. You can expect updates soon as to how to continue to help!