



United Domestic Workers of America IHSS Budget Analysis – January 21, 2009



OVERVIEW OF THE GOVERNOR’S FY 09-10 and FY 10-11 STATE BUDGET PROPOSALS FOR IHSS and SSI/SSP

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IHSS BUDGET OVERVIEW

On January 8, 2010, Governor Schwarzenegger proposed a fiscal year 2010-11 budget to close a \$19.9 billion deficit (which includes a \$6.6 billion shortfall in the current 2009-10 fiscal year). The Governor has declared a fiscal emergency and has called the Legislature into special session (pursuant to Proposition 58) to address \$8.9 billion of the overall \$19.9 billion deficit. If, by the 45th day following the issuance of the proclamation the Legislature has failed to pass and send to the Governor legislation addressing the emergency, the Legislature may not: a) adjourn, or b) act on any other legislation until legislation addressing the emergency has been sent to the Governor. The 45-day period ends on February 22, 2010.

Drastic cuts to IHSS along with other health and human services are proposed as part of a scheme that relies on expenditure reductions (\$8.5 billion), additional federal funds (\$6.9 billion), use of alternative funding sources (\$3.9 billion), and fund shifts and other revenue (\$0.6 billion) to close the projected \$19.9 billion budget gap. The proposed cuts to IHSS fall under one of the following categories:

- **“Baseline” cuts** would eliminate 87% of the IHSS consumers from the program, slash state financial participation in IHSS wages and drastically reduce funding for county and Public Authority operations if the State secures \$6.9 billion in additional federal funding; or
- **“Trigger” cuts** that would permanently eliminate the IHSS program if the federal government fails to provide the \$6.9 billion as requested in the Governor’s budget proposal.

The Governor’s budget proposal for IHSS would reduce program funding by approximately \$5 billion when projected reductions for the current fiscal year and the upcoming budget year are combined with estimated savings from the Governor’s

Anti-Fraud Initiative. The cuts being proposed would result in:

- Permanent elimination of IHSS for consumers with Functional Index rankings below 4;
- Reduction in State Participation for IHSS wages to \$8.00 per hour plus .60¢ for health benefits.
- Slashing funds for county social workers and eligibility functions by 91% due to the proposal to eliminate 87% of IHSS consumers from the program.
- Reduction in funding for Public Authority funds by 58%.

Budget Proposal	Fiscal Impact FY 09-10 (in thousands)	Fiscal Impact FY 10-11 (in thousands)	Total Fiscal Impact 09-10 & 10-11 (in thousands)
Reduce State Participation to Minimum Wage	\$ 26,459 <i>All State General Fund</i>	\$ 338,161 <i>All State General Fund</i>	\$ 364,620 <i>All State General Fund</i>
Elimination of IHSS for Consumers with Functional Index Score below of 4.0	\$ 234,258 <i>State = 77,267 Fed = 115,532 County = 41,459</i>	\$3,470,856 <i>State = 1,141,876 Fed = 1,170,341 County = 618,639</i>	\$ 3,705,114 <i>State = 1,219,143 Fed = 1,825,873 County = 660,098</i>
Reduce IHSS County Administration by 91%	\$ 14,993 <i>State = 5,295 Fed = 7,428 County = 2,270</i>	\$ 302,782 <i>State = 106,747 Fed = 150,285 County = 45,750</i>	\$ 317,775 <i>State = 112,1042 Fed = 157,713 County = 48,020</i>
Reduce Public Authority funds by 58%	\$ 37,896 <i>State = 13,318 Fed = 17,416 County = 7,162</i>	\$ 37,896 <i>State = 13,318 Fed = 17,416 County = 7,162</i>	\$ 75,792 <i>State = 26,636 Fed = 34,832 County = 14,324</i>
Projected Anti-Fraud Savings ¹	\$ 329,595 <i>State = 112,446 Fed = 150,825 County = 66,234</i>	\$ 206,060 <i>State = 56,920 Fed = 97,166 County = 51,974</i>	\$ 535,655 <i>State = 169,366 Fed = 247,991 County = 118,298</i>
TOTALS (all fund sources)	\$ 643,201	\$ 4,355,755	\$ 4,998,956

DETAILS ON THE PROPOSED BASELINE IHSS REDUCTIONS

Eliminate IHSS for Consumers with Functional Index Scores Below Level 4

The Governor is proposing to permanently eliminate IHSS services to recipients with a functional index (FI) score below 4.0. Projected savings are \$234.3 million (\$77.3 million GF) in the current year and \$3.5 billion (\$1.1 billion GF) in the budget year. This

¹ The projected Anti-Fraud savings is netted to reflect the proposed appropriations for Anti-Fraud activities.

premise assumes enactment of legislation on March 1, 2010 with a June 1, 2010 implementation date.

A similar proposal, which imposed service reductions based on FI Scores was enacted by the Legislature as part of the 2009-2010 Budget Act. However, implementation was blocked through an injunction issued by United States District Court for the Northern District of California in the case of *V.L. vs. Wagner*.

The Administration reports that 400,665 recipients in the current fiscal year have an FI score of 3.99 or lower and would not be eligible to receive IHSS after June 1, 2010 (which includes an adjustment for successful appeals). A total of 59,376 recipients would remain eligible with an FI score of 4.00 or above for the month of June in 2010.

The Administration reports 426,733 recipients in the fiscal year have an FI score of 3.99 or lower and would not be eligible to receive IHSS (which also includes an adjustment for successful appeals). A total of 63,239 recipients would remain eligible with an FI score of 4.00 or above for FY 10-11. The average monthly hours of this population is 74.4 hours. Budget documents state:

- 20 percent of the reduced cases will appeal.
- 76 percent of the 20 percent of the cases being eliminated will be denied an appeal without a hearing.
- It is assumed that the remaining 24 percent will be reviewed by a county social worker, will receive a full hearing and will get their hours restored.
- Assumes 75 percent of the 20 percent of impacted cases that appeal will call within ten days and receive three months of Aid Paid Pending (APP).

The Administration has included funds in their budget proposal to handle the increased workload associated with the appeals process for social workers and Administrative Law Judges.

On January 12, 2010, the Legislative Analyst's Office (LAO) issued its overview of the Budget. The LAO's report on this specific IHSS budget proposal states, "**A cut of this magnitude could result in increased long-term care costs which could exceed the estimated savings in IHSS.**"

Reduction in State Sharing in IHSS Wages and Benefits

The Governor's budget proposal would decrease state financial participation in IHSS wages and benefits on a statewide basis to the current minimum wage of \$8.00 per hour plus 0.60¢ for health benefits on May 1, 2009. This proposal would cut \$26.4 million in FY 09-10 and \$338.1 million in FY 10-11. This premise assumes a March 1, 2010 enactment of legislation with a June 1, 2010 implementation date.

A similar proposal, which reduced state participation in provider wages to \$9.50 an hour and benefits to \$0.60 an hour was enacted by the legislature as part of the 2009-2010

Budget Act. However, implementation was blocked through an injunction issued by United States District Court for the Northern District of California in the case of *Martinez et. al. v. Schwarzenegger*.

Current law (as re-constituted under the Preliminary Injunction issued in the *Martinez* lawsuit) requires the state to pay 65% of the non-federal costs of IHSS wages up to \$12.10 per hour (\$11.50 for wages plus an additional \$0.60 per hour for individual health benefits) in counties that have an IHSS Public Authority or Non-Profit Consortium. For the counties that have neither a Public Authority nor a Non-Profit Consortium, the law provides for the State to share in the cost of wages only up to the State minimum wage plus 5.31 percent (\$8.42 per hour) with no State share in health benefits. The Governor is proposing to repeal these provisions of current law and the State would only share in the costs of wages at the \$8.00 minimum wage plus \$0.60 per hour in health benefits.

For the counties that have a Contract Mode, current statute provides for state participation in the costs up to maximum allowable contract rate (MACR). The Administration is not seeking any changes in the level of state financial participation for the contract mode.

This proposal will affect the IHSS providers in 46 counties that have negotiated wages above the minimum wage, as follows:

County	Hourly Wage	County	Hourly Wage
Alameda	\$11.50	Plumas	\$8.56
Amador	\$8.50	Riverside	\$10.25
Butte	\$8.15	Sacramento	\$10.40
Calaveras	\$9.75	San Benito	\$10.50
Contra Costa	\$11.50	San Bernardino	\$9.25
Del Norte	\$9.00	San Diego	\$9.50
El Dorado	\$9.00	San Francisco	\$11.54
Fresno	\$10.25	San Joaquin	\$9.45
Glenn	\$8.15	San Luis Obispo	\$10.00
Imperial	\$9.00	San Mateo	\$11.50
Kern	\$9.50	Santa Barbara	\$10.50
Kings	\$9.00	Santa Clara	\$12.35
Lake	\$8.75	Santa Cruz	\$11.50
Los Angeles	\$9.00	Shasta	\$8.85
Madera	\$9.20	Solano	\$11.50
Marin	\$11.55	Sonoma	\$11.50
Mendocino	\$9.90	Stanislaus	\$9.11
Monterey	\$11.50	Sutter	\$8.25
Napa	\$11.50	Tulare	\$9.00
Nevada	\$8.56	Ventura	\$9.50
Orange	\$9.30	Yolo	\$10.50
Placer	\$10.00	Yuba	\$9.50

It has been well established that IHSS consumers are better able to hire and retain their home care workers when sufficient wages and access to health care benefits are available:

- Seniors and people with disabilities who use in-home care to maintain independence deserve quality services provided by reliable workers.
- Better wages and health benefits have meant less turnover and better quality in-home care services.
- 98 percent of workers caring for people with disabilities, including seniors, may be hurt by these proposed cuts.

Reduction of IHSS County Administration Funds

The budget proposes a total of 91% (\$317.8 million) over FY 09-10 and FY 10-11 in reductions to county administration that is attributed to the proposal to eliminate 87% of all IHSS consumers. There are two elements to the proposed reductions:

- (1) Continuation of last year's 5% base cut in county operating costs for IHSS social workers (which is the same level as the cut in FY 09-10 at \$14.993 million reduction, and
- (2) An additional 86% cut by reducing the allocation for county administration from \$333.2 million to \$45.5 million in FY 10-11.

Budget documents indicate that there are 2,250 county social workers in FY 09-10 and only 412 positions would be funded in FY 10-11.

Reduction of Public Authority Funds

The budget maintains the 58% reduction in funds for the operation of Public Authorities in both FY 09-10 and FY 10-11. The total reduction is \$75.8 million which is split evenly at \$37.9 million for both the current year and the upcoming budget year.

Budget documents from the Administration do not contain any information about the impact of these reductions. The California Association of Public Authorities (CAPA) reports that the cuts will result in delays in screening potential providers for consumers seeking referrals, elimination of training for providers and consumers, and a loss of oversight as Public Authorities slash hours and staffing.

DETAILS ON THE PROPOSED TRIGGER REDUCTIONS

The Governor assumes receipt of a total of \$6.9 billion in additional federal funds primarily in 2010-11 in order to help close the state's budget gap. Failure to secure those funds by July 15, 2010 triggers \$4.6 billion of permanent GF spending cuts and \$2.4 billion of one-year GF revenue increases. It is our understanding that this is an "all or nothing" proposal; that is, if all of the \$6.9 billion is not secured, then all of the following trigger reductions and revenues take effect:

Program Reductions	Fiscal Impact
• Eliminate the IHSS Program	\$495 million
• Eliminate the California Work Opportunity and Responsibility to Kids (CaWORKs) Program	\$1.044 billion
• Fund existing mental health services with Proposition 63 fund	\$847 million
• Reduce Medi-Cal eligibility to the minimum allowed under current federal law and eliminate most remaining optional benefits (including medical supplies like diabetic test strips, prosthetic limbs, orthotics, wheelchairs and other durable medical equipment, hearing aids and other benefits).	\$532 million
• Reduce state employee salaries by an additional 5 percent	\$508 million
• Redirect additional county savings associated with CaWORKs and IHSS reductions	\$325 million
• Eliminate non-court required inmate rehabilitation programs, implement banked parole for low-risk serious and violent offenders, expand crimes where convicted felons will serve time in local jails, and increase the number of parolees each agent will supervise.	\$280 million
• Eliminate the Healthy Families Program	\$126 million
• Eliminate funding for enrollment growth at the University of California and the California State University	\$111.9 million
• Eliminate various health services programs funded by Proposition 99	\$115 million
• Make an unallocated reduction to trial courts	\$100 million
• Freeze the level of awards and income eligibility for Cal Grants	\$79 million
• Eliminate funding for the Transitional Housing Placement for Foster Youth-Plus Program	\$36 million
TOTAL	\$4.6 billion
One-Year Revenue Proposals	Fiscal Impact
• Extend suspension of a business's ability to reduce taxable income by applying net operating losses (NOL) from prior years to reduce current income	\$1.2 billion
• Extend reduction in the credit for each dependent on the personal income tax from \$319 to \$102	\$504 million
• Delay use of business credits by unitary groups of corporations and instead retain current law which requires subsidiaries to have their own tax liability to use research and development and other credits	\$315 million
• Delay the change to the single sales factor allocation method for multi-state corporate income and instead retain the double weighted sales, property, and payroll formula	\$300 million
• Lower to 30 percent the first year phase-in of the ability of corporations to carry back losses two years to offset prior tax profits	\$20 million
TOTAL	\$2.4 billion

The Governor is seeking the following funds from the federal government:

Program Area	Fiscal Impact
• Extension of federal American Recovery and Reinvestment Act (ARRA) funding for Health and Human Services	\$2.1 billion.
• Increase of Federal Medical Assistance Percentage to 57% for the Medi-Cal program	\$1.8 billion
• Reimbursement for prison costs of undocumented inmates in California	\$900 million
• Federal special education reimbursement mandate funding	\$1 billion
• "Owed" Medi-Cal for past reimbursement discrepancies	\$1 billion
• Foster Care formula updates	\$94 million
TOTAL	\$6.9 billion

On January 12, 2010, the Legislative Analyst's Office (LAO) issued its overview of the Budget. While the LAO report generally concurs with the Governor's \$19.9 billion estimate of the State Budget deficit, it cautions that the baseline estimate of revenues and expenditures are more optimistic than those projected by the LAO and it also points out that a variety of lawsuits threaten to increase the overall deficit. **The LAO supports the Governor's proposal to seek \$6.9 billion in additional federal funding, but warns that the likelihood of Washington agreeing to all of the Governor's requests is "almost non-existent."**

SIGNIFICANT IHSS BUDGET ISSUES

IHSS Anti-Fraud Initiative

Last year, Governor Schwarzenegger alleged that the IHSS program "is riddled with fraud" and issued a far-reaching Anti-Fraud Initiative that stated, "*There is a large amount of fraud in the fast-growing program –estimated by some to be as much as 25 percent of all dollars expended.*" The legislature enacted all of the components of the Governor's Anti-Fraud Initiative in ABX4 4 (Ch. 4, Statutes of 2009) and ABX4 19 Ch. 17, Statutes of 2009.

The following measures constitute the primary components of the IHSS Anti-Fraud Initiative:

- Related Activities – Includes targeted mailings, fraud training for county staff, notice to the recipient that his or her provider or providers will be given written notice of the consumer's authorized services and full number of services hours allotted to the individual, provider orientations, and reviews of criminal records, subsequent arrest notifications, and appeals of provider terminations.
- 78 county investigators, and unannounced home visits to confirm services are being provided as authorized.
- County anti-fraud plans/activities in collaboration with county District Attorneys.

- Fingerprinting IHSS recipients.
- Face-to-Face provider enrollment.
- Timecard accountability.

Anti-Fraud Initiative Savings & Expenditures

	Fiscal Impact FY 09-10 (in thousands)	Fiscal Impact FY 10-11 (in thousands)	Total Fiscal Impact 09-10 & 10-11 (in thousands)
Projected Anti-Fraud Savings²	\$ 387,102 <i>State = 135,129 Fed = 178,096 County = 73,877</i>	\$ 245,673 <i>State = 70,933 Fed = 116,772 County = 57,968</i>	\$ 632,775 <i>State = 206,062 Fed = 294,868 County = 131,845</i>
Anti-Fraud Expenditures³			
Provider Enrollment Statement Form/Process	\$10,771 <i>State = 3,798 Fed = 5,345 County = 1,628</i>	\$ 473 <i>State = 167 Fed = 234 County = 72</i>	\$ 11,244 <i>State = 3,965 Fed = 5,574 County = 1,700</i>
County DA Activities	\$ 26,446 <i>State = 10,000 Fed = 12,160 County = 4,286</i>	\$ 28,286 <i>State = 10,000 Fed = 14,000 County = 4,286</i>	\$ 54,732 <i>State = 20,000 Fed = 26,160 County = 8,572</i>
County Investigations	\$ 6,712 <i>State = 2,367 Fed = 3,331 County = 1,014</i>	\$ 10,068 <i>State = 3,559 Fed = 4,983 County = 1,526</i>	\$ 16,780 <i>State = 5,926 Fed = 8,314 County = 2,540</i>
Related Activities	\$ 5,378 <i>State = 2,088 Fed = 2,665 County = 625</i>	\$ 786 <i>State = 287 Fed = 389 County = 110</i>	\$ 6,164 <i>State = 2,375 Fed = 3,054 County = 735</i>
Fingerprinting Recipients	\$ 8,200 <i>State = 4,430 Fed = 3,770 County = 0</i>	\$0 <i>State = 0 Fed = 0 County = 0</i>	\$ 8,200 <i>State = 4,430 Fed = 3,770 County = 0</i>
Net Projected Anti-Fraud Savings	\$ 329,595 <i>State = 112,446 Fed = 150,825 County = 66,234</i>	\$ 206,060 <i>State = 56,920 Fed = 97,166 County = 51,974</i>	\$ 535,655 <i>State = 169,366 Fed = 247,991 County = 118,298</i>

² Source: CDSS Local Assistance Estimates for FY 10-11 Detail Tables

³ Source: CDSS Local Assistance Estimates for FY 10-11 Detail Tables

Anti-Fraud Program Details

Provider Enrollment Form

The Department of Social Services is revising the Provider Enrollment Statement Form (SOC 426) to bring it into compliance with the requirements of Welfare and Institutions Code §12305.81. The new form indicates that a person shall not be eligible to provide or receive payment for providing supportive services for ten years following a conviction for, or incarceration following a conviction for fraud against a government health care or supportive services program. It also states that each person seeking to provide supportive services shall complete, sign under penalty of perjury, and submit to the county their completed SOC 426. This premise also includes costs associated with sending one-time notifications of provider enrollment deadlines to providers as part of the Anti-Fraud Initiative. Lastly, it includes various statements and declarations regarding:

- An applicant's criminal history regarding fraud against a government health care or supportive services program and corresponding penalties for enrollment as a provider, including the inability of supportive services providers to receive payment for providing supportive services,
- An agreement that providers reimburse the state for overpayments,
- Subdivision (a) of Section 273a of the Penal Code and Section 368 regarding crimes which cause harm, death, suffering, pain, or injury to children, elders or dependent adults, and
- A statement that a public authority or non-profit consortium shall exclude a provider from its registry if it is notified by the Department of Health Care Services (DHCS) that a supportive service provider is ineligible to receive payments under this chapter or under Medi-Cal law, and shall report to DHCS any determinations and/or findings that a registry provider is not eligible to provide supportive services.

The budget assumes that 385,000 IHSS providers will be phased-in during the Current Year (CY) and 23,232 IHSS providers will be enrolled during the Budget Year (BY). In addition, the budget projects ongoing enrollment of 15,000 new IHSS providers monthly. *(NOTE: These assumptions do not line up with the projected impact on IHSS provider jobs that would be terminated due to the proposal to eliminate 87% of the IHSS consumers).*

County District Attorney (DA) Activities

This premise reflects the administrative costs associated with the county district

attorney activities to prevent fraud, identify errors and overpayments, pursue collections, and detect and refer suspected incidences of fraud in the IHSS program.

CDSS provided instructions to counties in September 2009 on how to apply for the funding awards. Each county was required to develop a plan in cooperation with their county district attorney and welfare department. Each county's plan also had to be approved by its board of supervisors prior to submission to DSS. In all, DSS received 45 county plans: 29 plans were complete and are being funded. CDSS is working with the remaining 16 counties to help them complete their plans so that funds can be released to them in January 2010.

County Investigations

This component of the Anti-Fraud Initiative funds the costs associated with 78 county program integrity positions that will have the authority to monitor a consumer's receipt of services and investigate fraud in the IHSS program pursuant to the protocols of the IHSS anti-fraud measures. Activities aimed to protect program integrity include unannounced home visits; the review, analysis, and actions related to: criminal background record checks for provider enrollment, facilitation of new and existing provider orientations, tracking and reporting fraud data, and random review of timesheet fingerprints. The monitoring of program fraud in targeted cases may involve the visit of county investigators to the recipient's home to verify the receipt of appropriate services. The exact date and time of a home visit will not be announced to the supportive services recipient or provider.

Related Activities

The Related Activities premise reflects funding for targeted mailing, fraud training for county staff, mandatory orientation for all providers, and the review and processing of criminal records and appeals for terminated providers. As part of the IHSS Anti-Fraud Initiative, all prospective providers must complete a provider orientation at the time of enrollment to be an eligible IHSS provider. The California Department of Social Services (CDSS) will also develop a written appeal process for the current and prospective providers who are determined ineligible to receive payment for the provision of services in the IHSS program.

The Current Year (CY) assumes that 505,000 current and new providers will be impacted by orientation and criminal background check mandates. The Budget Year (BY) assumes that 23,232 new providers will be impacted.⁴

Budget documents also include the following assumptions about the number of IHSS providers with criminal records and the time for county staff to comply with related requirements:

⁴ Source: CDSS Local Assistance Estimates for the 2010-11 Governor's Budget (page 373).

- Assumes 20 percent of the total impacted universe of providers will have a criminal record that will require ten minutes of Social Worker (SW) time for review. Assumes 2.56 percent of the 20 percent of providers will have a non-exemptible crime and, as such, eight minutes of SW time to generate a notice to the provider.
- Assumes 4.1 percent of the total impacted universe of providers will have a follow-up criminal record review with a crime that that will require 10 minutes of SW time for review. Assumes 0.22 percent of the 4.1 percent of providers will have a non-exemptible crime and, as such, eight minutes of SW time to generate a notice to the provider.
- Assumes one hour of SW time for the review of an assumed 4.24 percent of the providers with non-exemptible crimes who will file an appeal.

Fingerprinting Recipients

Welfare and Institutions Code § 12305.73 requires any IHSS consumer whose initial client assessment occurs on or after April 1, 2010, to be fingerprinted at the same time of initial assessment by a social worker. Consumers that are currently receiving IHSS services on April 1, 2010, will be fingerprinted by a social worker during the recipient's next reassessment. Any individual who is a minor or who is physically unable to provide fingerprints due to amputation or other physical limitations is exempt from any requirement to provide fingerprints.

The budget includes funds associated with personnel, networking, training and site maintenance, establishing infrastructure, ongoing circuit costs, portable units on Statewide Fingerprinting Imaging System (SFIS) desktops which transmit data to the central unit, and management of remote stations, fingerprint ink and cards, and Polaroid cameras.

Fingerprint ink, cards and Polaroid cameras will be used as an interim solution until rollout of handheld portable SFIS devices following thorough testing.

The Current Year (CY) assumes 2,250 social workers (SW), and the Budget Year (BY) assumes 412 SW.

Timesheet Changes

Effective July 1, 2011, timesheets will contain designated spaces for both the provider and consumer to place their index fingerprint to be eligible for payment. Exceptions to this requirement are made for minors and individuals who are physically unable to provide an index finger due to amputation or other physical limitations. Documentation of any exemptions must be maintained by the county in the consumer or provider file, as applicable.

Budget documents report that CDSS will work with the CMIPS vendor and

stakeholders to redesign the IHSS timesheet for both the provider and consumer to affix a fingerprint to a specifically designed area on the timesheet. Timesheets will be submitted to the CMIPS II Timesheet Processing Center as verification and approval. The IHSS Systems Program Integrity Unit in CDSS will have lead responsibility to work with the Statewide Fingerprint Imaging System (SFIS) vendor and stakeholders to develop policies and protocols for these fingerprinting mandates.

Budget documents also state, “An aggressive education and outreach effort will be required to train recipients and providers in using the fingerprint transfer tool and its placement on the timesheet. If fingerprints are not recorded on the timesheet, it would be necessary to stop payment and return the timesheet to the provider for completion. Unless an aggressive education and outreach effort is followed, it will be nearly impossible to achieve compliance. It would take approximately two years to record all IHSS recipients’ fingerprints at pre-determined periods.”

Department of Social Services – Additional Positions & Funding

The Administration is proposing to convert six administratively established positions to permanent positions “in order to permanently create the IHSS Systems Program Integrity Unit that will be responsible for conducting system integrity reviews to **validate** [*emphasis added*] the successful implementation of the Governor’s Anti-Fraud Initiatives.

In addition, the Administration is requesting \$500,000 to contract with the CSUS Institute of Social Research to implement the legislative mandates in Welfare & Institutions Code 12305.84. This provision requires CDSS to convene a stakeholder process to develop and issue a report evaluating the implementation of the quality assurance and fraud detection and prevention activities from 2004 to the present. The report is due to the legislature on or before December 31, 2010.

Department of Health Services Anti-Fraud Activities

Effective July 1, 2009, the Department of Health Care Services (DHCS) began conducting statewide program integrity reviews to validate the services billed to the Medi-Cal program by IHSS providers. DHCS budget documents state, “DHCS investigators are partnering with other State staff and with IHSS social workers to conduct unannounced home visits of IHSS recipients and their providers. By partnering, the DHCS investigators, State staff and social workers can jointly evaluate all aspects of the provision of services and propriety of billings for services.”

IHSS Quality Assurance Initiative

The 2004-05 Budget established an IHSS Quality Assurance Initiative pursuant to the enactment of SB 1104 (Chapter 229, Statutes of 2004). This program is comprised of both State and county quality assurance units to achieve savings through use of Hourly Task Guidelines for IHSS needs assessments and authorizations for service and to detect and prevent program fraud and abuse.

SB 1104 mandated ongoing staff training for county social workers and required the California Department of Social Services to collaborate with the California Department of Health Care Services (DHCS) on annual error rate studies and investigations of suspected fraud in the receipt or provision of services. Budget documents state that the “Hourly Task Guidelines Implementation Analysis: Fiscal Year 2006-07” produced by the Institute for Social Research (ISR) at the California State University, Sacramento concluded that there is greater consistency in authorized hours for certain ranks and tasks. Also, the hourly task guidelines (HTGs) have been successful in bringing greater uniformity to the assessment process. The ISR analysis also concluded that there has been a modest decrease in authorized hours for assessments (two minutes) and reassessments (five minutes).”

The FY 09-10 budget contains total expenditures for IHSS Quality Assurance activities at \$32.4 million (\$11.4 million from the state General Fund, \$4.9 million county funds and \$16.1 million from federal funds). The FY 10-11 contains \$31.8 million for IHSS Quality Assurance activities (\$11.2 million from the state General Fund, \$4.8 million from county funds and \$15.7 million from federal funds).

The budget also assumes that 220 county QA staff or additional IHSS workers are working on the QA Initiative.

Enhanced Federal Funding – American Recovery & Reinvestment Act

Due to the American Recovery and Reinvestment Act (ARRA) of 2009, states receive an increase in their Federal Medicaid Assistance Percentage (FMAP) or federal match for Medi-Cal funding for the period of October 1, 2008 through December 31, 2009. Prior to the enactment of ARRA, California received a 50% match from the federal government for IHSS. Due to ARRA, the FMAP increased federal matching to 61.59% for IHSS and other Medi-Cal programs. The nonfederal share of IHSS is split 65% from the state General Fund and 35% from county funds.

The budget assumes that the expiration date of December 31, 2010, will be extended until June 30, 2011. This extension must be approved by the federal government.

IHSS Plus Option to replace IHSS Plus Waiver Revenues



In 2008, the federal Centers for Medicare and Medicaid Services (CMS) informed the California Department of Social Services (CDSS) that it would not renew the IHSS Independence Plus Waiver (IPW) following its July 31, 2009, expiration date. In an effort to continue providing the same services to this same population, as well as draw down federal financial participation (FFP), CDSS worked closely with the Department of Health Care Services (DHCS) to discuss options. As a result of the discussions, the Social Security Act section 1915(j) State Plan Option was identified as the only alternative which allowed for the continuation of services and ability to draw down FFP.

Following a CMS approved extension of the IPW until September 30, 2009, a Social Security Act section 1915(j) State Plan Option, titled the IHSS Plus Option (IPO), was implemented on October 1, 2009. The new IPO absorbed the IPW caseload and provides the same services plus an enhanced support system. The 1915(j) State Plan Option is based on person-centered planning and concepts of self-direction. It includes enhanced development of service plans and risk management, and a supports-broker/consultant component.

The budget includes \$5.3 million (\$1.9 million from the state General Fund) in FY 09-10 and \$1.5 million in FY 10-11 (\$549,000 from the state General Fund) for activities necessary to maintain compliance with 1915(j) requirements. Implementation of the IPO requires social workers (SWs) to be trained in the concepts and methods of being a supports-broker. SWs must also complete “assessments of a risk management process for all recipients to be able to identify, mitigate and assume unmitigated risks”.

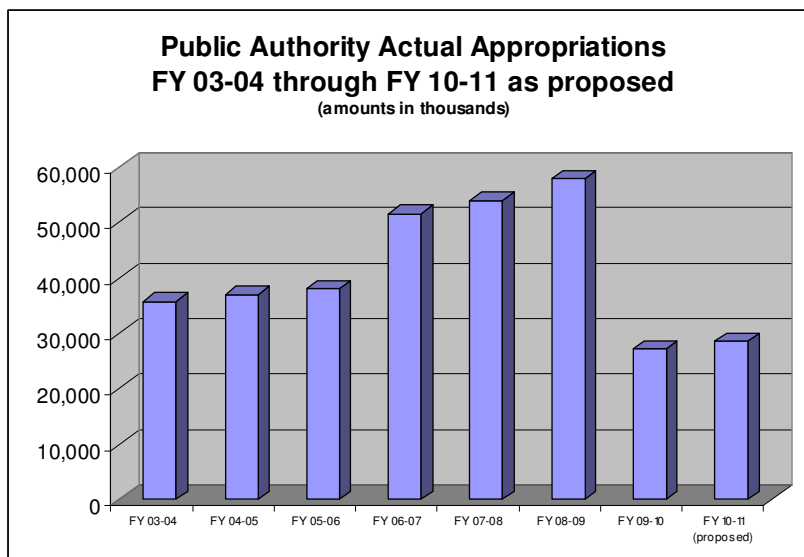
Risk Management and “Supports Broker” Training

- Assembly Bill X4 4, (Chapter 4, Statutes of 2009-10, Fourth Extraordinary Session), Section 42, required the CDSS to develop a risk management form, with input from the counties and stakeholders representing recipients and providers, and to commence testing of the form in three representative counties no later than 90 days from the date of approval of the 1915(j) State Plan Option to assess the actual implementation costs of this program. To the extent that the actual implementation costs differ from the amount estimated in the budget, CDSS shall submit a revised budget to the Legislature based on actual costs to support statewide implementation.
- For the Risk Management Process, the estimate assumes twenty minutes of Social Worker (SW) time to complete the initial assessment of the risk management process for all current and new PCSP/IPO and Residual program recipients. A phase-in of the initial assessment will occur over Fiscal Year (FY) 2009-10 and FY 2010-11 for all current IHSS recipients. For all ongoing assessments, 15 minutes of SW time is allotted to review and update the risk management process.
- The estimate assumes 252,992 of current recipients will receive their first risk management assessment during nine months of the Current Year (CY), and 63,293 in the Budget Year (BY), with no ongoing assessments.
- For “Supports Broker” Training, the estimate assumes three hours of

supports-broker training for each SW. Four training sessions will be needed in the CY at an assumed cost of \$15,000 per session. Four training sessions will be needed in the BY at an assumed cost of \$2,000 per session. One-time training development costs assumed at \$30,000 in the CY. The estimate assumes a total of 2,250 active SWs statewide in the CY and 412 in the BY, with ten percent of SWs requiring training as part of ongoing requirement starting in the BY.

Public Authority Administrative Funds

The FY 10-11 budget proposal maintains the 58% reduction in funding for Public Authority operations as per FY 09-10. The FY 10-11 budget has a modest augmentation for Public Authorities of \$1.4 million. The Public Authority rate cannot exceed 200 percent of the state's minimum wage in order to qualify for federal financial participation.



Public Authority Budget Act Appropriations			
(amounts in thousands)			
	Appropriation	\$ diff	% diff
FY 03-04	35,760		
FY 04-05	37,005	1,245	3%
FY 05-06	37,978	973	3%
FY 06-07	51,593	13,615	36%
FY 07-08	53,969	2,376	5%
FY 08-09	57,919	3,950	7%
FY 09-10	27,126	-37,896	-58%
FY 10-11 (proposed)	28,535	1,409	5%

IHSS Advisory Committees

The budget proposal does not contain any reductions in county IHSS Advisory Committees. The proposed appropriation of \$3,072 million in FY 10-11 is identical to the appropriation in the current year. The budget estimates that the average annual cost for advisory committees is \$52,974 per county and that all counties will have established and operate advisory committees in the current and budget years. Title XIX reimbursement represents 47% of the total advisory committee budget in the current and budget years and the remaining 53% of funded with 100% State General Funds.

CMIPS & Provider Direct Deposit

The budget proposes the following in expenditures for Case Management Information and Payrolling System (CMIPS):

- Basic payrolling, including the operation and maintenance of CMIPS as well as the State Controller and State Treasurer functions, are estimated to cost a total of \$21.2 million in FY 10-11.
- In the current year and budget year, there are no new costs associated with implement the Provider Direct Deposit (PDD) system as required under UDW's sponsored legislation: AB 1808 (Chapter 75, Statutes of 2006).
- CMIPS Legacy Enhancements are estimated to cost a total of \$1.950 million FY 10-11. This covers programming, implementation and ongoing costs for enhancements, systems operation and maintenance, monthly outreach mailing, Help Desk staffing and forms processing for Provider Direct Deposit (PDD) and Conlan. It also includes programming and implementation costs for the Share of Cost (SOC) Buyout Program, IHSS Cost Containment implementation, IHSS Cost Containment reversal (V.L. v. Wagner), Provider Enrollment Statement Form/Process, IHSS Plus Option (IPO) – Administration, and IHSS Anti-Fraud Initiative.
- CMIPS II Contract Procurement expenditures are estimated to total \$115.6 million in FY 09-10.

Lawsuits – V.L. versus Wagner

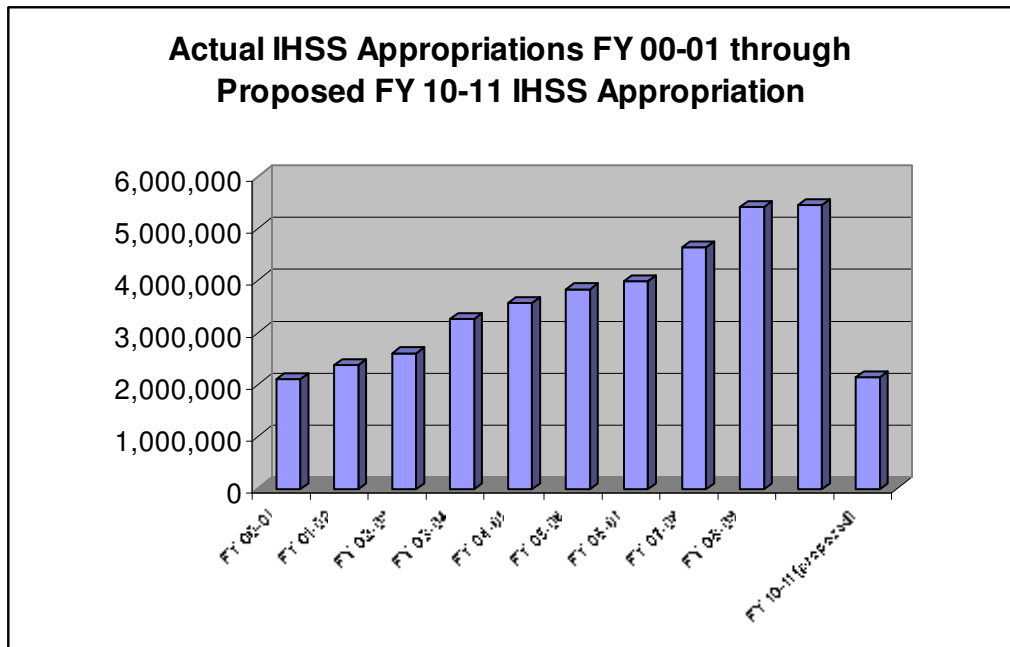
The budget provides \$3.1 million (\$1.6 million GF) in the current year to reimburse counties for the cost of complying with a court injunction from the case of *V.L., et al, v. John A. Wagner, et al.*, to halt implementation of the IHSS Cost Containment reduction, previously scheduled to go into effect on November 1, 2009.

On October 19, 2009, the United States District Court for the Northern California District of California issued a Preliminary Injunction that directed CDSS to halt implementation of the IHSS service reduction provisions of Assembly Bill X4 4 (Chapter 4, Statutes of 2009, Fourth Extraordinary Session) in Welfare and Institutions Code Sections 12303 (e) and 12309.2. These provisions of law intended to eliminate consumers with an FI score below 2.00 entirely from the IHSS program and limit Domestic and Related services to consumers with an FI rank of 4 and 5. These baseline thresholds, however, did not apply to consumers with protective supervision or paramedical services.

In order to implement this change as soon as possible prior to November 1, 2009, counties had to manually rescind the terminations on terminated cases and restore reduced hours on reduced cases.

IHSS EXPENDITURES

The Governor's FY 10-11 budget proposal includes a total of \$2,140 billion in IHSS expenditures, which represents a 61% decrease from the appropriated in the FY 09-10 budget (which was \$5,453 billion). Expenditures grew an average of 11.45% between FY 00-01 and FY 09-10.



IHSS CASELOAD INFORMATION

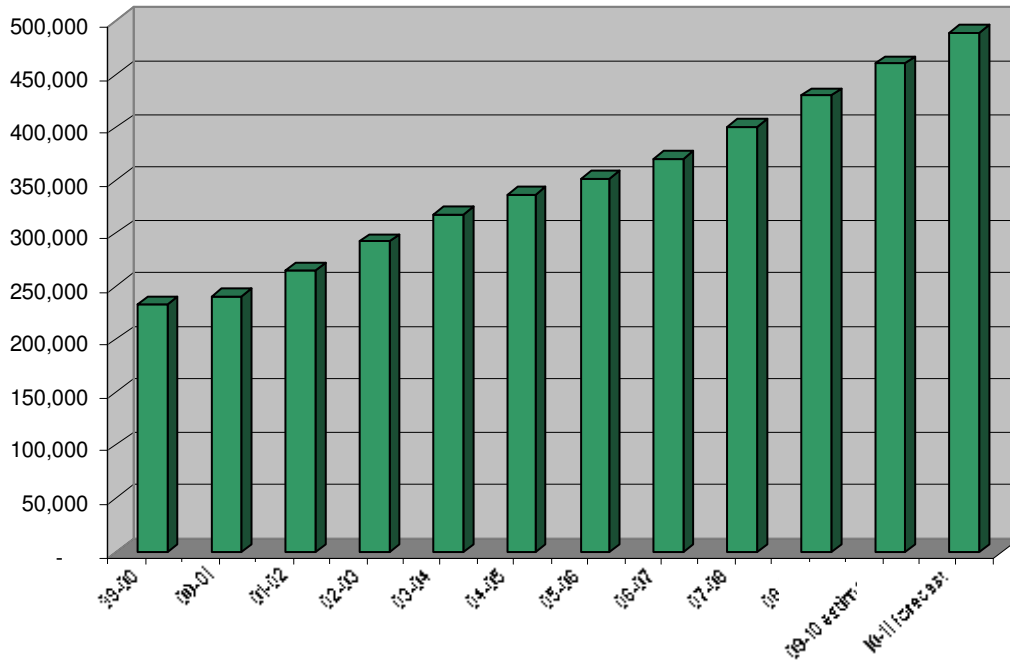
The IHSS caseload growth rate peaked in Fiscal Year (FY) 1991-92, reaching 8.1%. The next year, this program had its lowest growth rate of the last decade, increasing by only 1.4%. In the six years following FY 1992-93 caseload growth increased annually between three and ten percent. The growth rate has increased in the past four years, with caseloads rising by 5.9% in FY 2004-04, 4.6% in FY 2005-06, 5.5% in FY 2006-07, and 7.8% in FY 2007-08.

The May 2009 caseload, the Administration forecasted that for FY 2009-10 would average 462,198, an increase of 7.2 percent over the previous fiscal year. The Administration is now forecasting that the average monthly caseload for FY 2009-10 will be 460,041, or an increase of 7.0 percent from the previous fiscal year, and that the caseload will be 489,972 in FY 2010-11, or an increase of 6.5 percent.

The lowest caseload growth in IHSS in the last decade was in FY 00-01 at 3% and the highest caseload growth occurred in FY 02-03 at 10.4%. The average year-to-year change is 7%.

IHSS Caseload Growth

FY 99/00 through FY 10-11



IHSS Caseload per Estimates Caseload Data			
Fiscal Year	Caseload	Difference	% difference
99-00	233,422		
00-01	240,347	6,925	3.0%
01-02	264,822	24,475	10.2%
02-03	292,341	27,519	10.4%
03-04	317,550	25,209	8.6%
04-05	336,443	18,893	5.9%
05-06	352,026	15,583	4.6%
06-07	371,244	19,218	5.5%
07-08	400,156	28,912	7.8%
08-09	429,786	29,630	7.4%
09-10 estimate	460,041	30,255	7.0%
10-11 forecast	489,942	29,901	6.5%
Average year-to-year			7.0%

THE GOVERNOR'S JOBS PACKAGE & IHSS

The Governor says his theme for 2010 is “jobs, jobs, jobs” and has made several proposals to increase the number of jobs in California. The budget proposal includes \$500 million in new funding to create 100,000 jobs and re-train another 140,000 to re-enter the job market.

However, by proposing to eliminate the IHSS program, the Governor would eliminate the jobs of 385,000 IHSS providers and 1,868 county social workers.

The Governor can not have it both ways. If California is going to recover economically it needs to hold onto to every existing job and add jobs. Adding jobs with one hand while subtracting jobs with the other hand is incoherent policy and unlikely to bolster the state economy.

SSI/SSP BUDGET OVERVIEW

Supplemental Security Income/State Supplementary Payment (SSI/SSP) is a federal/state income program that provides a monthly cash benefit to low-income aged, blind, or disabled individuals or couples who depend on SSI/SSP grants for their subsistence.

The target populations for the Cash Assistance Program for Immigrants (CAPI) are aged, blind, and disabled individuals who not eligible for Supplemental Security Income/State Supplementary Payment (SSI/SSP) due to their immigration status.

The Governor proposes two changes that would result in total savings of \$21.8 million in 2009-10 and \$285.1 million in 2010-11. Specifically, the Governor proposes to:

- Reduce maximum SSI/SSP grants for elderly and disabled individuals from \$845 per month to \$830 per month, the minimum allowed by federal law, effective June 1, 2010, for savings of \$13.7 million in 2009-10 and \$177.8 million in 2010-11. Previously, the February and July 2009 budget agreements cut the maximum SSI/SSP grant for individuals from \$907 to \$845 between May 1 and November 1, 2009, and cut the maximum grant for couples from \$1,579 to \$1,407 during the same period. The grant for couples is already at the minimum level permitted by federal law, and therefore the state cannot cut it further.
- Eliminate the Cash Assistance Program for Immigrants (CAPI) effective June 1, 2010 for savings of \$8.1 million in 2009-10 and \$107.3 million in 2010-11. CAPI provides state-funded cash assistance to elderly and disabled legal immigrants who are not eligible for SSI/SSP grants solely due to their immigration status.

SSI/SSP Caseload Information: The Administration is estimating an average monthly caseload of 1,266,351 SSI/SSP recipients in FY 09-10 and 1,290,473 in FY 10-11. 85% of all IHSS consumers receive SSI/SSP.

CAPI Caseload information: The Administration is estimating an average monthly caseload of 9,029 CAPI recipients in FY 09-10 and 10,886 in FY 10-11. 5.25% of CAPI recipients are IHSS consumers.

The Governor's proposal would affect some of California's poorest residents, reducing their ability to meet basic needs. For example, SSI/SSP grants have failed to keep up with California's cost of housing. The Fair Market Rent (FMR) for a studio apartment

exceeds half the SSI/SSP grant for individuals in all 58 counties and exceeds the entire grant in 12 counties.

COUNTY REALIGNMENT FUNDS

The Administration projects about a five percent shortfall for the current and budget year Realignment base which would result in the fourth straight year of funding below the base. However, for 2010-11 the budget projects growth funding of \$175.3 million, including \$146.5 million in sales tax. The County Welfare Directors Association reports that counties are currently owed \$285 million in unfunded caseload growth from the past three years.

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