



United Domestic Workers of America



MEMO

To: IHSS Stakeholders
From: Karen Keeslar, UDW Consultant
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Re: Governor's FY 08-09 May Revision State Budget Proposal on IHSS

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IHSS Budget Overview

The Governor's FY 08-09 Budget proposal includes a total of \$4.967 billion in IHSS expenditures, which represents a 7% increase over the amount appropriated in the FY 07-08 budget. State General Fund expenditures are proposed at \$1.505 billion for the IHSS program and the remaining funds come from federal and county sources. There are four significant cuts proposed by the Governor in his May Revision to IHSS that would reduce program funding by a total of \$395.8 million (\$274.1 million from the State General Fund). The cuts being proposed would result in:

- Permanent elimination of IHSS Domestic and Related Services for Consumers with Functional Index Levels Below 4
- Permanent increase in the Share of Cost Buy-Out for many consumers
- Rollback State Participation in IHSS wages and benefit to the minimum wage of \$8.00 per hour
- 10% reduction in county administrative costs for IHSS.



Eliminate IHSS Domestic & Related Services for Consumers Below Functional Index Level 4

The Governor has replaced his January proposal to reduce domestic and related services by 18 percent. The new proposal would permanently eliminate domestic and related services for consumers with average functional index scores below 4 to take effect on October 1, 2008. The functional index score provides a measure of the consumer's independence and need for human assistance for performance of IHSS tasks as authorized under Welfare and Institutions Code § 12309. The total amount of this reduction is \$159.5 million (\$52 million from the state General Fund).

"Domestic and related services" include preparing food, doing laundry, cleaning, dusting, changing linens, taking out garbage, grocery shopping, planning menus, setting a table and washing and putting dishes away.

The Administration reports that approximately 84,000 recipients, or 20% of IHSS recipients, would see their monthly hours of IHSS services reduced by 21.6 hours, from 73.8 hours to 52.2 hours – a reduction of 30% in homecare services to these consumers. The elimination of domestic and related services for all consumers with a functional index (FI) ranking of less than 4 would be made automatically by the Case Management Information & Payrolling System (CMIPS) on October 1, 2008.

Under current law, any consumer who believes that they are at serious risk of out-of-home placement may appeal the reduction. Consumers must request an appeal within 10 days of the date of the cutback notice or before the reduction takes effect. Budget documents state:

- 20 percent of the reduced cases will appeal.
- 75 percent of the 20 percent of the cases being reduced will be denied an appeal without a hearing.
- 25 percent of the 20 percent of the cases being reduced will go to a hearing.

The Administration states that the estimated savings of \$159.5 million was adjusted for the estimated number of appeals, the cost of hearings associated with the appeals including an associated county administrative cost, and the cost associated with restored hours from successful appeals.

Increase Share of Cost for Many IHSS Consumers

While most IHSS recipients receive Medi-Cal services at no personal cost because of their low income, some IHSS recipients with higher family income may also be eligible by paying a share of cost for the services. When the federal government approved the IHSS Plus Waiver, there were additional people who would have been required to pay a share of cost in order to receive IHSS. In keeping with the Governor's commitment that implementation of the federal IHSS Plus Waiver would be seamless and transparent to IHSS consumers, California elected to hold these individuals harmless and pay their share of cost (SOC) out of the State General Fund.

The original SOC buyout was enacted in 1998. After the federal government approved the IHSS Plus Waiver, Senate Bill 68 was enacted which extended the SOC buy-out to IHSS Plus Waiver (IPW) program participants. The eligibility income adjustment is the difference between a recipient's SSI/SSP SOC and Medi-Cal SOC and applies to recipients who receive services under the Personal Care Services Program (PCSP) or the IPW program for whom a Medi-Cal eligibility determination has been completed.

The revised 2008-09 budget proposes to cut \$27.7 million by requiring individuals with a functional index score below four to pay their own Medi-Cal share of cost, if they have one. Approximately 7,100 IHSS recipients would be required to pay a new monthly share of cost, averaging \$427 out of their own pockets. If these IHSS consumers can't afford the cost, they could lose home care services.

Reduction in State Sharing in IHSS wages and benefits

The Governor's May Revision proposal would roll-back 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 October



1, 2008. The revised budget proposal assumes a total of \$186.6 million in State General Fund savings associated with wage and benefit roll-backs. The estimated savings associated with rolling back state participation in wages and benefits was adjusted down by the Administration to correspond to their proposal to limit domestic and related services to consumers with a functional index score below 4.

Current law 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. 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 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.

The Legislative Analyst's Office reported earlier this year that the county combined wages and benefits range from \$8 per hour to \$14.43 per hour (using data from January 2008). As of January 2008, the average statewide IHSS wage and benefit level was about \$9.98 per hour. Fourteen counties (which comprise approximately 2% of the statewide caseload) had hourly wages at \$8.00 per hour: Alpine, Colusa, Humboldt, Inyo, Lake, Lassen, Madera, Mariposa, Modoc, Mono, Shasta, Siskiyou, Trinity and Tuolumne. Forty-four counties had wages and benefits that were more than \$8.00 per hour.

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.

10% Reduction in County Administration for IHSS

The Governor's May Revision maintains his proposal to reduce county administrative costs for the IHSS program by \$21.9 million (\$7.8 million from the State General Fund) effective on October 1, 2008. In order for the counties to accommodate this reduction, the Administration is proposing a "workload reduction" for county social workers. The counties would be authorized to delay all reassessments for non-IHSS waiver consumers up to 18 months. These reassessments are currently required every 12 months.

Budget documents state, "Expanding the 18 month variable assessment option to the full PCSP and Residual populations will provide county flexibility upon completing all reassessments. Additionally, expanding the existing 18 months for variable reassessment to PCSP and Residual populations should have limited risk to IHSS recipient safety and well being. This proposal does not impair the ability of a county to conduct a reassessment more frequently than 18 months when a recipient has experienced a change in circumstanced affecting his/her service needs.

Statutory changes and amendments to existing state regulations will be required to implement this proposal to change the timeframe for variable reassessments. An amendment to the Medi-Cal State Plan would also be required.

SSI/SSP Cost of Living Adjustment

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. About 1.3 million people with disabilities and seniors rely on payments received from the SSI/SSP program to meet basic living needs. The Governor proposes to eliminate the October 2008 and June 2009 State Cost of Living Adjustments (COLAs) and withhold the 2009 federal SSI COLA.



In March 2008, the Legislature passed and the Governor signed a bill delaying the 3.7 percent COLA from June 2008 to October 2008. This resulted in savings of \$22.2 million in the current year and \$66.1 million in savings in 2008-09, for total savings of \$88.3 million.

The Governor's revised budget proposal for 2008-09 would produce additional savings of \$344.2 million by freezing SSI/SSP rates at their current level, including:

- \$198.3 million savings in fiscal year 2008-09 (SSP October 2008 3.7 percent COLA suspension).
- \$108.8 million savings from not passing through the 2.7 percent federal COLA scheduled to take effect in January 2009; and
- \$37.1 million savings by suspending the 5.26 percent state COLA scheduled for June 2009.

These cuts are proposed on top of the elimination of the 2006 and 2007 state SSP COLAs which provided \$650 million in ongoing budget savings. The Western Center on Law & Poverty has estimated that SSI recipients will have sacrificed at least \$1.3 billion since the 2005-6 if these new cuts are approved.

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 May Revision proposes total expenditures for IHSS Quality Assurance activities at \$32.6 million (\$11.6 million from the state General Fund, \$4.975 from county funds and \$16.0 million from federal funds). This proposal is unchanged from the January 10th budget proposal.

Public Authority Administrative Costs

The revised FY 08-09 budget proposal does not recommend any reductions to state financial participation in Public Authority administrative costs. The revised budget proposes \$57.9 million (total funds) for Public Authority administrative expenditures in FY 08-09 – which reflects an increase (up from \$53.9 million appropriated in FY 07-08) to reflect current PA administrative rates. The Public Authority rate cannot exceed 200 percent of the state's minimum wage in order to qualify for federal financial participation.

IHSS Advisory Committees

The revised budget proposal does not contain any reductions in county IHSS Advisory Committees. The proposed appropriation of \$3,072 million in FY 08-09 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 percent 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 May Revision to the state budget assumes 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 \$17.3 million in FY 08-09.
- The revised budget proposes \$1.1 million in FY 07-08 and \$1.6 million in FY 08-09 to implement the Provider Direct Deposit (PDD) system as required under UDW's sponsored legislation: AB 1808 (Chapter 75, Statutes of 2006). The estimate assumes that 30 percent of all IHSS providers will utilize the direct deposit system.
- CMIPS Enhancements to implement the federal Waiver & Quality Assurance Initiative are estimated to cost a total of \$1.8 million FY 08-09. The enhancements include a new interface with the California Medicaid Management Information System to identify fraudulent activities, as well as provision of statewide registry and enrollment data for eligible IHSS Plus waiver recipients and Medi-Cal Provider Point of Sale capabilities.
- CMIPS II Contract Procurement expenditures are estimated to total \$114.3 million (\$46.9 million GF) in FY 08-09.

IHSS Caseload Estimate

The IHSS caseload growth rate peaked in Fiscal Year (FY) 1991-92, reaching 8.1 percent. The next year, this program had its lowest growth rate of the last decade, increasing by only 1.4 percent. 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 three years, with caseloads rising by 5.9 percent in FY 2004-05, 4.6 percent in FY 2005-06, and 5.5 percent in FY 2006-07.

In November 2007, the Administration forecasted that the IHSS caseload for FY 2007-08 would average 390,010, an increase of 5.1 percent over the previous fiscal year, and that the caseload in FY 2008-09 would average 407,897, an increase of 4.6 percent. The Administration is now forecasting that the average monthly caseload for FY 2007-08 will be 396,612, an increase of 6.8 percent from the previous fiscal year, and that the caseload will be 415,589 in FY 2008-09, an increase of 4.8 percent.

Criminal Background Checks (SB 868)

One of the functions of the Public Authorities is to investigate the qualifications and backgrounds of potential IHSS registry providers. SB 868 (Chapter 447, Statutes of 2007) was sponsored by UDW and specifies that for registry applicants employed on or after January 1, 2008, the background check may include criminal background checks conducted by the Department of Justice (DOJ). SB 868 also allows Public Authorities to request criminal background checks for non-registry IHSS providers on behalf of IHSS recipients. State law prohibits any fee to be charged to the IHSS consumer or provider for processing of the criminal background check. SB 868 also allows for state participation in the cost of DOJ criminal background checks when at least 50 percent of the PA/NPC registry applicants have completed a DOJ criminal background check.

SB 868 contains language that says the major provisions of the bill do not go into effect until an appropriations is made in the annual Budget Act or in another statute. The Governor's May Revision to his budget proposal does not contain any appropriation to implement the provisions of SB 868.

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