

## COORDINATED CARE INITIATIVE AND IHSS MOE OVERVIEW

### UCC Budget Brief

February 21, 2017

#### GOVERNOR'S BUDGET 2017-18 – REPEALS CCI AND IHSS MOE

On January 10, 2017, the Director of DOF notified the Legislature that they would be repealing the CCI, as required by statute. This notification does not require any action by the Legislature and therefore, by unwinding the CCI, the IHSS MOE is also repealed as of July 1, 2017 and collective bargaining for the 7 CCI counties is returned to counties effective immediately.

While the 7 CCI counties are the only counties affected related to CCI roles and responsibilities, all counties are affected by the repeal of the IHSS MOE which capped costs at the 2011-12 level with a 3.5 percent COLA. With costs increasing since 2011-12, and recent changes to other benefits and wage increases, the fiscal impact to counties will be significant.

#### Coordinated Care Initiative – Background and History

As part of the 2012-13 State Budget, the Legislature adopted the Coordinated Care Initiative (CCI) which was originally authorized in 8 counties. As part of the CCI legislation, the Administration also agreed to transition IHSS collective bargaining from the CCI counties to the state and this legislation also created the IHSS MOE.

In 2013, the Legislature adopted another budget trailer bill (SB 94) to provide clean-up and made changes to the CCI to address issues over the timelines and concerns from consumer advocates, as well as make changes to the possibility of the unwinding of the CCI.

#### CCI Background

The CCI provides a capitated payment model to provide both Medicare and Medi-Cal benefits through the state's existing network of Medi-Cal managed care health plans. While originally there were 8 counties in the CCI, there are now 7 counties that have enrolled participants in the CCI and shifted collective bargaining to the State:

Los Angeles  
Orange  
Riverside  
San Bernardino  
San Diego  
San Mateo  
Santa Clara

### CCI Unwinding Provisions

As part of the CCI (SB 94, 2013), by January 10 of each fiscal year, the Director of the Department of Finance must estimate the amount of net General Fund savings from the implementation of the CCI. In addition, if the Director determines that the CCI will not generate net General Fund savings, the CCI would become inoperative except as follows:

- The IHSS MOE would become inactive on July 1 of that same calendar year.
- For any agreement that has been negotiated and approved by the Statewide Authority, the Statewide Authority shall continue to retain its authority and shall remain the employer of record for a individual provider covered by the agreement until the agreement expires then the authority of the Statewide Authority shall terminate and the county shall be the employer of record.
- For an agreement that has been assumed by the Statewide Authority that was negotiated and approved by a predecessor agency, the Statewide Authority shall cease being the employer of record and the county shall be reestablished as the employer of records for purposes of bargaining.

### **IHSS Provisions**

#### IHSS Collective Bargaining

The CCI legislation provided that IHSS Collective Bargaining would be shifted to the state once passive enrollment was completed which usually took one year. To date, all of the 7 counties have shifted this responsibility to the State Authority which has not entered into any agreements regarding wages but has made changes to policies in the original agreements. With the decision by the Administration to repeal the CCI, all 7 counties have been notified by the Statewide Authority that as of January 10, 2017, collective bargaining was shifted back to the counties.

#### IHSS MOE

Although collective bargaining is shifting back for those seven counties, the IHSS MOE changed the share of cost for all counties. Prior to these changes, counties funded roughly 35 percent of the non-federal share and the state funded 65 percent. The 2012-13 budget instead required a county Maintenance of Effort (MOE) level of funding for IHSS. As negotiated by the counties, the MOE was calculated based on IHSS expenditures in FY 2011-12 and would only be adjusted for the following reasons:

- A county negotiates an increase in IHSS provider wages and/or benefits after July 1, 2012 and before the state takes over bargaining;
- An inflation factor of 3.5 percent to be applied annually beginning in July 1, 2014, unless there is a decline in Realignment revenues.

Since the Governor has repealed the CCI and the IHSS MOE, the IHSS MOE will be repealed on July 1, 2017 and the sharing ratios will go back to existing law. However, because the state has

made some significant changes to wage rates and benefits the county costs will be significantly higher (see Fiscal Impact).

The Governor’s Budget also proposes to continue with some parts of the CCI including the Cal Medi-Connect and the mandatory enrollment of dual eligibles. However, they only encourage counties to participate and seem to be taking counties out of any responsibility for the CCI going forward.

**IHSS Interaction with 1991 Realignment**

IHSS program costs are funded through 1991 Realignment revenues. Since IHSS is a caseload-driven program and it is an entitlement program, counties do not have control over these costs and these costs often increase at a high rate. Therefore, any increased costs in the IHSS program could affect the future share of growth funding received by Health and Mental Health Subaccounts. There are some specific services that are only funded through this subaccount and it is expected that IHSS costs will use most of the growth which will result in other cuts to core services.

**Fiscal Impact to Counties**

With the repeal of CCI, the IHSS MOE would no longer be active and the previous share of costs will be in effect. In addition, the Administration included a share of cost for counties for the recent increase in the minimum wage, and overtime. In addition, there is a cap in statute of \$12.10 per hour for the state share of wages for IHSS workers. If counties wages are over the cap it is 100% county cost.

The Governor’s January Budget reverts back to the sharing formula but also includes minimum wage in the county share of costs which makes the fiscal impact significant.

**Current IHSS Wages in Urban Counties**

<b>County</b>	<b>Wage Rate</b>	<b>State Cap Differential (\$12.10)</b> + = county pays more - = county pays less
Alameda	\$12.50	+.40
Contra Costa	\$12.25	+.15
Los Angeles	\$11.00	-1.10
Orange	\$10.50	-1.60
Riverside	\$11.50	-.60
Sacramento	\$10.80	-1.30
San Bernardino	\$10.80	-1.30
San Diego	\$10.50	-1.60
San Francisco	\$13.00	+.90

San Mateo	\$12.65	+0.55
Santa Clara	\$13.00	+0.90
Ventura	\$12.50	+0.40

Preliminary Fiscal Impact in Urban Counties

<b>County</b>	<b><u>Fiscal Impact 2017-18</u></b> <b>(in millions)</b>
Alameda	\$40
Contra Costa	\$22.3
Los Angeles	\$220
Orange	\$37.8
Riverside	\$43
Sacramento	\$25
San Bernardino	\$25
San Diego	\$25
San Francisco	\$43
San Mateo	\$6.9
Santa Clara	\$60
Ventura	\$8.2
<b>Total</b>	<b>\$556.2</b>

**Key Timelines:**

July 1, 2017 – IHSS MOE is repealed

December 31, 2017 – CCI is repealed