CALIFORNIA STATE ASSOCIATION OF COUNTIES

COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA

CALIFORNIA ASSOCIATION OF PUBLIC AUTHORITIES

COUNTY HEALTH EXECUTIVES ASSOCIATION OF CALIFORNIA

COUNTY BEHAVIORAL HEALTH DIRECTORS ASSOCIATION

URBAN COUNTIES OF CALIFORNIA

RURAL COUNTY REPRESENTATIVES OF CALIFORNIA

CALIFORNIA ASSOCIATION OF PUBLIC HOSPITALS AND HEALTH SYSTEMS

March 3, 2017

The Honorable Joaquin Arambula
Chair, Assembly Budget Subcommittee #1
State Capitol, Room 5155
Sacramento, CA 95814

RE: Dismantling the CCI, Eliminating the County IHSS MOE, and Shifting IHSS Collective Bargaining to Counties – OPPOSE

Dear Assembly Member Arambula,

The California State Association of Counties (CSAC), the County Welfare Directors Association of California (CWDA), the California Association of Public Authorities (CAPA), the County Health Executives Association of California (CHEAC), the County Behavioral Health Directors Association (CBHDA), the Urban Counties of California (UCC), the Rural County Representatives of California (RCRC), and the California Association of Public Hospitals and Health Systems (CAPH) oppose the cessation of the Coordinated Care Initiative, the elimination of the county In Home Supportive Services (IHSS) Maintenance of Effort (MOE) cost sharing arrangement, the dissolution of the Statewide IHSS Authority, and the shift of collective bargaining for IHSS workers from the Statewide IHSS Authority to the seven CCI counties.

The CCI and its associated components were created by legislation in 2012 (SB 1036, Chapter 45, Statutes of 2012 and AB 1471, Chapter 439, Statutes of 2012). Subsequent legislation (SB 94, Chapter 37, Statutes of 2013), required the Department of Finance Director to perform an annual calculation regarding the costs and savings related to the CCI, and to end the CCI should state costs exceed savings, with notification within the January Budget Proposal.

On January 10, Director Cohen indicated that pursuant to his calculations, CCI costs will exceed state savings by $42.4 million in 2017-18, thereby triggering the unwinding of the CCI. This means that the state-funded health care side of the CCI ends by January 1, 2018, while the county IHSS MOE cost sharing arrangement ends this calendar year on June 30, 2017. The Department sent letters this week notifying counties of the "expiration" of the county IHSS MOE. The statute further requires the dissolution of the Statewide IHSS Authority and the return of collective bargaining for IHSS workers from the Statewide IHSS Authority to the counties. These latter two statutory requirements have already occurred, with the CCI counties receiving notification on January 19, 2017, of the return of collective bargaining to the local Public Authority.

All 58 counties currently contribute to the IHSS MOE, and seven counties with CCI pilots – Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara – had transferred their IHSS collective bargaining responsibilities to the Statewide Authority.

This cascade of events will cause a devastating cost shift to counties – $623 million in 2017-18 alone – and imperils funding for critical county health, mental health, and public safety programs. While the current statute requires the dismantling of the CCI based upon the calculation made by the Department of Finance, the Legislature and the Governor must act to prevent these serious and far-reaching county fiscal consequences.

Massive Cost Shift

According to the state, the demise of the county IHSS MOE will result in more than $623 million in increased county costs *above* the amount that counties are dedicating to their current MOE obligations in 2017-18. Please note that the Department has not issued any other data related to CCI impacts as of this writing. In the absence of Department data, CWDA currently estimates that these costs rise to $1.6 billion in 2022-23. This figure also assumes that the elimination of the IHSS MOE requires the reapplication of existing statutory sharing ratios for the nonfederal share of the IHSS program (65 percent state and 35 percent county) and that the current $12.10 per hour state cap for IHSS wages and benefits remains in place.

Why the huge number for the budget year, and especially in the out years? The estimate above represents five years of cost increases in the IHSS program shifted to counties. The IHSS cost increases since 2012 are based on normal program growth as well as the suite of new costs recently enacted by the state – the minimum wage increase up to $15 per hour by 2022 and the extension of three paid sick leave days to IHSS workers (SB 3, Chapter No. 4, Statutes of 2016) – as well as recent federal overtime regulations for home care workers. The 2015-16 Budget Act also restored a seven percent across-the-board cut in IHSS hours using temporary Managed Care Organization (MCO) tax revenue, further increasing the costs of the program above 2012 levels.

The state approved these new costs while it had the responsibility for the program under the IHSS MOE cost sharing structure. In fact, the state has budgeted in the current year for the $0.50 minimum wage increase that took effect on January 1 (more than $17 million General Fund for six months) and the costs of providing federal overtime pay ($443.8 million General Fund in the current year). In addition, DOF provided out-year estimates when SB 3 was under consideration in the legislature – which implied the state was prepared to pay the full non-federal share of these costs.

The end of the CCI means that all of these new state-imposed costs, on top of the normal program growth costs, will be shifted to the counties in one lump sum. Our members indicate that they are unable to bear these significant new costs for the IHSS program, even with some 1991 Realignment revenues, and that this cost shift will reverberate across other critical county programs and services.

1991 Realignment Impacts
Counties use dedicated 1991 Realignment revenues to contribute their current MOE amounts, and previously used these funds for normal IHSS program costs. However, the significant new added costs that shift to counties on July 1 far exceed the revenue mechanics of the 1991 Realignment structure. According to initial analysis by CWDA, the gap between the estimated revenues provided through 1991 Realignment and the amount of these new costs is $484 million in 2018-19, increasing to a $1 billion chasm in 2023-24. This estimate assumes the state enjoys steady economic growth and all current policies remain in place. In the event of a recession—even a mild one—or changes to health or human service programs, such as the repeal of the Affordable Care Act, the gap between local needs and revenues would increase tremendously.

Because 1991 Realignment also funds indigent health, mental health services, child welfare programs, and local public health activities – including public hospitals – the impact of this cost shift will negatively affect other critical services. Since IHSS is a state-level entitlement and a caseload-driven program within 1991 Realignment, any increase in IHSS costs will reduce the future share of growth funding received by the Health and Mental Health Subaccounts. Because of this, the size and scope of the IHSS cost shift back to counties will strangle the funding available for other 1991 Realignment-funded services at the county level.

The magnitude of the cost shift also threatens county General Fund spending, most of which is currently applied to public safety, elections, and other state and local priorities. We are also concerned that while 1991 Realignment revenues during the years in which the MOE was in effect were generally sufficient to cover the county share of costs for the program, these revenues are currently less stable and subject to decline due to slowdowns in parts of the economy, and, as our analysis above indicates, are at the very least insufficient to cover the additional state-imposed IHSS program costs enacted since 2012.

Collective Bargaining
The CCI deal also included a provision to transfer IHSS collective bargaining from counties participating in the CCI to the state and intent language to eventually expand the CCI to all 58 counties while also transferring their collective bargaining responsibilities to the IHSS Statewide Authority.

The CCI calculation as required by statute within the January 10 budget sets in motion the return of collective bargaining from the Statewide Authority to the seven CCI pilot counties. These counties were notified in January of the official transfer of collective bargaining and the resumption of their responsibility to bargain with IHSS workers for wages and benefits. The notification letters state that the counties, through their Public Authorities, are responsible for the terms of the county-bargained contracts at the time they had been transferred to the Statewide Authority, rather than any new contract changes approved by the Statewide Authority in the intervening time; however, both counties and IHSS workers are unclear about the timeline for resuming bargaining.

Further, the magnitude of the program cost shift and the fiscal uncertainty faced by each county as a result may severely constrain their ability to offer any additional wage or benefit changes to all local government workers, not just IHSS providers. Crucial questions must be resolved before counties can attempt to absorb a $623 million unanticipated cost shift and move forward for local Public Authorities to re-engage in bargaining new agreements for our IHSS workers.

Coordinated Care

The Governor's January 10 Budget Proposal preserves components of the Cal MediConnect program. Counties that have implemented CCI do note improvements in care coordination and communication between health providers and IHSS staff. However, Director Cohen's calculation of the cost savings within the CCI also includes the "costs" of the IHSS MOE. We support taking another look at the CCI as a whole, which has only been in effect for 2 years in some CCI counties, making changes where necessary, and giving the entire program more time to achieve the state's savings goals.

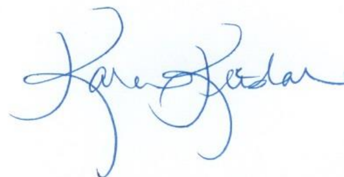
Also, on behalf of our members, we have worked hard with health plans, consumers, and labor organizations to urge the continuation of the CCI, and played a key role in supporting last year's Managed Care Organization (MCO) tax to provide additional funding for the CCI. Counties have remained committed to all aspects of the CCI and believe the Governor and the Legislature have a role to play to improve the CCI and avert this devastating cost shift to counties.

Conclusion

Counties have proudly administered the IHSS program since 1973 and fulfilled their financial obligations since the state/county fiscal relationship for the program was changed in the 1991 realignment. County social workers, Public Authority staff, and IHSS providers are the backbone of this social services program, which has proven to reduce care costs while also allowing seniors and disabled people to remain in their own homes rather than placement in more expensive institutional levels of care. The transfer of state-imposed IHSS program costs to counties will have detrimental impacts on the Californians in need of public health and mental health services that are funded by 1991 Realignment, only a few short years after 1991 Realignment growth had again become available, in addition to other county services.

Our opposition to the cessation of the CCI and the transfer of new state IHSS program costs – minimum wage increases, paid sick leave, overtime costs, and restorations of pre-2012 program cuts – onto counties is based on both the staggering local fiscal impacts and our belief that CCI can be reinvented to more effectively and efficiently help the most vulnerable Californians while achieving cost savings for the state. We ask the Legislature to work with counties and other stakeholders to arrive at a fair solution to IHSS program funding and responsibilities and work to ensure the stability and sustainability of IHSS – and other critical county services – for years to come.

Thank you,



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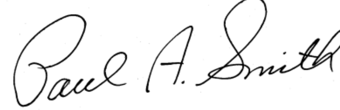

Paul Smith
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cc: The Honorable Speaker Anthony Rendon, California State Assembly
The Honorable Philip Ting, Chair, Assembly Budget Committee
The Honorable Matthew Harper, California State Assembly
The Honorable Devon Mathis, California State Assembly
The Honorable Blanca Rubio, California State Assembly
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