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## **Finance May Look at Continuing Costs Left by ADHC**

by David Gorn

Senate members at a budget subcommittee hearing on Friday raised the notion of involving the Department of Finance in tracking the costs involved in eliminating adult day health care as a Medi-Cal benefit.

The state is scheduled to end the ADHC benefit on Dec. 1.

The deadline was extended by the Department of Health Care Services from its original elimination date of Sept. 1. The extra three months are designed to give the department time to move roughly 36,000 ADHC patients to alternative services, and to conduct health assessments of those patients to determine exactly what those services will be.

At Friday's hearing, the timeline of that transition was questioned, as well as the ability of the state to find appropriate alternative services.

Diana Dooley, director of the Department of Health and Human Services, said the legislative decision to end the optional Medi-Cal benefit is part of a continuing struggle in HHS to deal with the grim reality of a shrinking budget.

"We are not going to do more with less," Dooley said. "We are going to do less with less."

Most ADHC recipients are dual eligibles, meaning they qualify for both Medi-Cal and Medicare. The state is hoping that much of their care can be taken over by managed care plans. Since dual eligible also means this population is extremely vulnerable and a small step away from going to nursing homes, the state will add incentive money for the managed care plans to take on this medically challenged population.

Right now, that capitated rate will be about \$60 per person, according to Toby Douglas, the DHCS director. But the rate could go higher, and the state will incur additional annual expense after the ADHC transition, with expanded use of two federal waiver programs, additional use of In-Home Supportive Services and other alternative services.

"We have recognized that we aren't going to know how far the \$85 million will go in the ongoing operation," Douglas said. "If we need more money we'll ask for it. We will let you know what the ongoing money will be."

The Legislature has appropriated \$85 million for adult day health care -- which was originally budgeted to launch a stepped-down version of ADHC services, but which is now being used to fund the transition.

Those ongoing expenses worried budget chair Mark DeSaulnier (D-Concord), who said that, if the state approaches spending \$85 million annually, then it will have made no sense to veto the scaled-down version of the program.

"I'm not certain the administration will realize the type of savings it hopes to realize," DeSaulnier said. "It seems like it's more just transfers. So as the budget committee, we should know the budget at the earliest opportunity."

An exact budget will be difficult to pin down, given that the transition hasn't been completed, Douglas said. Until the assessments of those patients are made, the state won't know how many hours of IHSS will be expanded, how many waiver spots will be assigned, if that \$60 capitated enhancement will be enough -- all of those ongoing costs are up in the air, Douglas said.

"The budgeting gets very complicated," Douglas said. "We are going to do this [transition] right, and we know it's going to be less than what we're paying now for adult day health care."

When committee member Bill Emmerson (R-Hemet) continued to ask how the currently budgeted \$85 million will be spent, Douglas said that the three months of ADHC premiums from the deadline extension would eat up about half of that -- \$42 million, or about \$14 million a month.

"I think we're going to exceed the \$85 million [during the transition]," Douglas said. "We're making sure we do the transition right, and given the decision to extend the benefit, we're using a lot of that up just on premiums."

But ongoing costs, Douglas said, wouldn't be as high as transition costs. "I expect we would stay within that \$85 million over the long haul," he said.

Later in the hearing, Assembly member Mariko Yamada (D-Davis) lamented the loss of federal matching funds by not implementing the scaled-back ADHC program, but Douglas said, "The \$85 million will be matched federally on all of this."

"That's the first we've heard of anything like that," Yamada said.

DeSaulnier said that this transition and its aftermath need a budget. It's impossible for the budget subcommittee to do its oversight job without one, he said.

"But we might discuss requesting the Department of Finance to put this on paper, in a responsible budgetary fashion," DeSaulnier said.

"If we come out the other side and see there's likely not savings we imagined, then why are we going through all this?" he said. "The Department of Finance owes us at least that."