Transforming California's System of Care for Older Adults and People with Disabilities: A Look at the State's Administrative and Fiscal Organization

This brief describes the existing fiscal and administrative fragmentation in California's system of long-term services and supports (LTSS), consequences of such fragmentation, and recommendations to better align programs and services toward a more efficient, person-centered system of care.

Introduction

California, like other states, assists older adults and people with disabilities through a wide array of programs and services financed through several state agencies, and within them, numerous departments and programs. California's existing LTSS system was created one program at a time, resulting in a highly fragmented arrangement of services that focuses little on the individual's holistic needs but instead on the particulars of what each department or program provides and from where funding originates. There are no incentives nor infrastructure to support a more integrated approach to service delivery in which available resources are organized under a single administrative structure and individual need drives resource allocation. Instead, individuals needing assistance and their caregivers struggle to navigate a complex labyrinth of agencies and regulatory structures in order to access the totality of necessary supports and services, leading to difficulty accessing the right services at the right time and in the right place.

In public and private sector organizational design, form often follows funding. To better understand how California's fragmented system of care functions today, this policy brief outlines the funding allocations for the main departments and agencies that have either direct or indirect action on improving the lives of older adults and people with disabilities.

Background

California's operating budget is comprised of General Fund (GF), federal matching funds, as well state bond funds and other special funds including taxes, licenses, and fees designated by law for specific government activities. GF spending for fiscal year 2010-2011 was $93.5 billion across the state's 10 major agencies, general government operations, and servicing California's debt.[1,2] Activities of three agencies and one department within general government operations described below directly impact the welfare of older adults and people with disabilities, meaning that the agency or departments contained within the agency administer or oversee programs/services that directly serve this population. This cluster comprises over 40 percent of total GF

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expenditures for 2010-11.

- California Health and Human Services Agency ($26.9 billion GF): This agency oversees Medi-Cal (California's Medicaid program), LTSS including an array of home- and community-based services (HCBS) programs, and the licensing of many of the LTSS providers through seven departments within the agency.

- Business, Transportation and Housing Agency ($0.10 billion GF): In this agency, the Department of Housing and Community Development allocates resources toward low-income housing and housing with supportive services for older adults and people with disabilities. In addition The Department of Transportation (CalTrans) oversees funding of critical transportation services for older adults and people with disabilities.

- Corrections and Rehabilitation ($9.1 billion GF): This agency is directly responsible for the health and welfare of its populations, which include prisoners across the age range who have health and/or functional needs.

- General Government Operations ($2.7 billion GF): Within the state budget, the Department of Veterans Affairs operates within general government and state operations; this department administers special benefits and services for California veterans and their caregivers.

In addition, three other agencies indirectly impact the welfare of these individuals and their caregivers. Here, the agency or associated departments facilitate the provision of programs and services for older adults and people with disabilities but are not involved in direct administration or oversight of these programs or services. The three agencies below comprise 12 percent of the total GF expenditures for 2010-11.

- Higher Education ($10.7 billion GF): This agency is responsible for the provision of post-secondary education in the state, which includes education and training for a variety of workers providing health-related services. For example, the state community college system trains the direct-care workforce that provides services to older adults and people with disabilities in the home and in institutions.

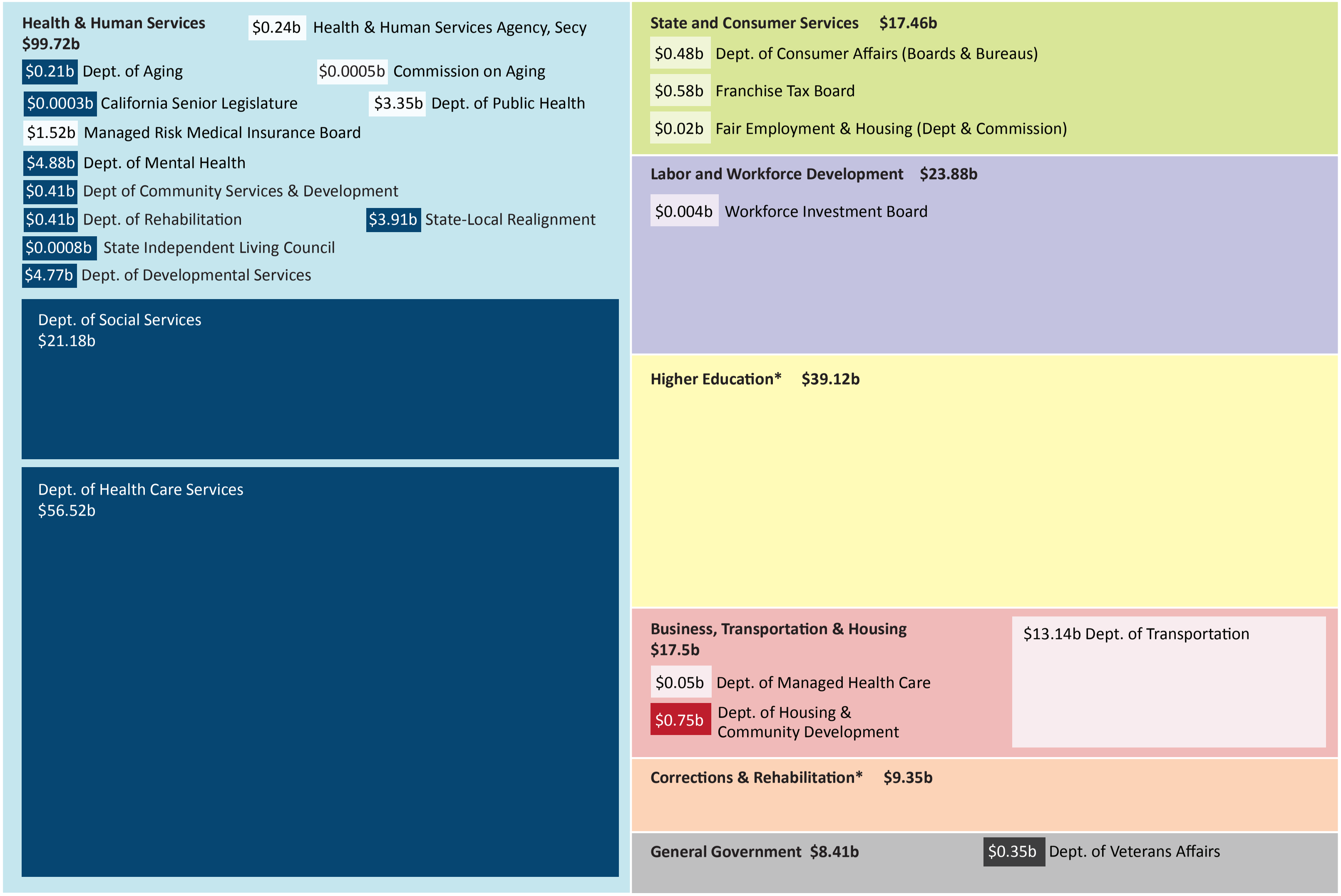
- Labor and Workforce Development ($0.04 billion GF): The Workforce Investment Board inside this agency provides guidance setting workforce policy for the state, including the health care workforce.

- State and Consumer Services ($0.59 billion GF): The Department of Fair Employment and Housing inside this agency protects Californians from employment and housing discrimination, including protections for older adults and people with disabilities.

California's Budget Building Blocks

Considering the six agencies and general government operations that have either direct or indirect touch to services and supports for older adults and people with disabilities and their caregivers, Figure 1 details these "budget building blocks" graphically. Each building block represents one of the state's major agencies and is sized to reflect the relative proportion of

Figure 1. California's Budget Building Blocks: A Closer Look at State and Federal Spending on Aging and Long-Term Care



Note: Dollar amounts reflect FY 2010-11 State and Federal spending for California agencies and departments that, based on a review by The SCAN Foundation, have either a direct or indirect association with aging and long-term care programs or populations. The darker shaded boxes represent entities with a direct association with aging and long-term care programs or populations—one in which the entity administers or oversees a program that directly serves older adults and people with disabilities. The lighter shaded boxes represent entities with an indirect association—one in which the entity facilitates the provision of aging and long-term care services but is not involved in direct service through administration or oversight. The percentages represent the proportion of total spending for each entity that comes from the State General Fund. Spending amounts do not include General Fund expenditures applied to debt service.
*Neither Higher Education nor Corrections & Rehabilitation have a department or program with a specific budget line item that indicates a direct or indirect relationship with aging/long-term care programs or populations. Higher Education funds programs that train the workforce that serves aging/long-term care populations reflecting an indirect relationship; Corrections & Rehabilitation provides health and supportive services to older prisoners and prisoners with physical disabilities, thus reflecting a direct relationship with aging/long-term care programs/populations.

Source: The SCAN Foundation's analysis based on: Department of Finance, "Governor's Budget 2011-12, Proposed Budget Detail" (Available at: http://www.ebudget.ca.gov/agencies/.html).

total spending among these agencies and operations from all sources (GF, federal dollars, and other funding sources) in fiscal year 2010-2011. For example, California Health and Human Services (CHHS) is by far the largest agency detailed with total spending of $99.7 billion in the 2010-11 budget, with general government operations as the smallest building block representing $8.4 billion in total spending.

The next layer of detail shows that within each of the building blocks are a number of departments, commissions, and boards with specific line items in the California budget that make up the landscape of programs, services, and regulatory structures serving older adults and people with disabilities for that agency. These smaller boxes, sized relative to the total budget amount, are also assigned a primary designation of having either a direct or indirect impact to service provision. The darkest shades of the blocks reflect those departments, commissions, and boards with a direct touch to older adults and people with disabilities and the lighter shaded boxes reflect those with an indirect touch.

An Example: California Health and Human Services Agency (CHHS)

CHHS contains 14 separate budget line items that have either a direct or indirect relationship to services for older adults and people with disabilities. The largest share is held by the Department of Health Care Services at $56.5 billion, followed by the Department of Social Services at $21.2 billion. As noted by their darker shade of blue, most of the budget line items have a direct relationship to services for older adults and people with disabilities.

Impact of Fiscal and Administrative Complexity

A quick look at Figure 1 illustrates the fiscal and administrative complexity that drives much of the service fragmentation experienced by California's older adults, people with disabilities, and their caregivers. However, the state budget is not established in isolation given that many LTSS programs and services exist through federal policies, regulations, and associated funding streams. The federal government requires states to follow particular rules and regulations in return for sustainable funding for these programs and services, which ultimately impacts the organization of services at the state level (the "form follows funding" paradigm). In addition, California is a relatively decentralized state whereby counties operate with some level of autonomy even under the auspice of federal and state laws and regulations that drive how services are funded and administered at the local level.

California's current constellation of LTSS was developed one program at a time over many years through a mixture of federal mandates (e.g., Medi-Cal coverage for nursing home care) and state innovation (e.g., the In-Home Supportive Services program). As such, LTSS programs were implemented and funded in a variety of departments that operate independently of each other – not by design but by historical circumstance. California is not alone in this regard as most states operate and budget separately for each program or service including nursing homes, personal care services, Medicaid HCBS waivers, Administration on Aging programs, and other state-funded programs. The

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result is a complex, diffuse, loosely connected network of services and supports that is difficult for older adults, persons with disabilities and their caregivers as well as local service providers to navigate when seeking assistance for those in need. The complexity and lack of coordination across the variety of LTSS programs leads to operational inefficiency at the state level and potentially inappropriate use of available services and supports at the person and provider level.

Recommendations to Transform California's System of Care

In a perfect world, the system of LTSS would center on the needs and preferences of individuals who have met functional and financial eligibility criteria and resource allocation would be aligned with their needs and preferences. People would gain streamlined access to services through a clear and simplified assessment process. Clinical, functional, and demographic information gained through the assessment would be available to providers to create the most appropriate plan of care with the individual and their loved ones and determine how best to execute that plan of care with appropriate quality controls. Information gained through the assessment would be located in a central repository and analyzed regularly to ensure the needs of those served were being met in a person-centered, efficient, and high quality manner and to plan for future use of scarce public resources. This entire process would be centrally housed in as few administrative structures as possible with the financial alignment driving collaborative engagement both within the state and between the state, counties, and federal government.

Achieving this vision may seem too big of a task given the variety of policy, budgetary, and political challenges the state is currently facing. However, California can take decisive steps toward achieving this vision through the fiscal and administratiive re-organization of those building blocks that have the greatest role in serving older adults and people with disabilities. The list below includes recommendations for the state, federal government, and the interaction between the state and county governments.

- Promote Administrative and Fiscal Re-Organization at the State Level
  - Create a LTSS global budget. Where finances cannot be aligned, better align the information about who uses which services across agencies/departments, what their needs are, and identify opportunities to minimize duplication of services.
  - Better organize the administration of publicly-financed LTSS. At a minimum, combine relevant programs, services, and regulatory structures in CHHS that impact LTSS into a single department. Where alignment under one roof is not feasible, create intentional alignments through better intra- and inter-departmental communication and flow of information.
  - Establish a core set of questions that all programs using an assessment process to determine eligibility and level of need must use. This will enable the needs of individuals who receive services from different programs to be evaluated in a uniform way. Analysis of this information will shed light on both the functional levels of individuals across programs and population-level understanding of service use to monitor quality and support future planning.

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  - Improve the flow of information across programs and between counties and the state – build an integrated information system that across programs using uniform assessment, and support policy making that is close to "real time."

- Realign the financing requirements for IHSS back to the state level.

  - The In-Home Supportive Services (IHSS) program creates a fiscal disincentive to provide HCBS for eligible individuals who might require a nursing home level of care. Counties currently pay 17.5 percent of the cost of IHSS, while the state pays 32.5 percent, and the federal government pays 50 percent share-of-cost.* For nursing facility services, the state pays 50 percent of the costs, the federal government pays the other 50 percent, and counties have no share of cost. Therefore, counties have no fiscal incentive to enroll functionally limited individuals in IHSS (a community-based service) if they are eligible for a nursing home level of care.

  - Realigning this critical community-based service back to the state would pave the way for greater centralization of all LTSS, both fiscally and administratively.

- Explore opportunities put forth by the federal government to streamline the landscape of LTSS funded through Medicaid waivers.

  - Currently, California operates seven HCBS waivers that serve older adults and people with disabilities through four departments in CHHS. Each waiver has its own funding stream and implementation requirements to which state staff and the providers who ultimately deliver services must adhere. Each waiver also operates independently and without overlap due to existing restrictions on individuals being enrolled in more than one waivered service.[3] Existing waivers are targeted to support specific vulnerable populations to live in the community who would otherwise require care in an institution. As a result, each waiver may serve a different population, lending to the existing fragmentation in service provision across the state. Recently, the Centers for Medicare and Medicaid Services (CMS) released a proposed rule to revise the regulations on Medicaid HCBS waivers under Section 1915(c) of the Social Security Act, which would allow a state to combine multiple target groups into a single waiver.[4] With this opportunity, California could design a more person-centered approach to delivering waiver services and create a more efficient system that eliminates a portion of the existing system fragmentation simultaneously.

Conclusion

In summary, what this brief, and in particular, the budget building blocks graphic (Figure 1) demonstrate is how fragmented and siloed services are for vulnerable older adults and for people with disabilities in California. Most importantly, for that vulnerable

* As part of the American Recovery and Reinvestment Act, the state is receiving an enhanced federal matching rate with the federal government paying 61.59 percent, and the remaining 38.41 percent is split in the same proportion between the state and counties. This enhanced match will terminate on June 30, 2011.

individual and their caregivers, there is no person, program, or entity that is fully responsible for assessing needs and coordinating across all the programs and services that may be available to them. In this time of substantial fiscal challenge and constraint in California, now is the opportunity to break down these silos so that we have a more efficient, effective and person-centered network of care.

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