

## IHSS MOE

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The Coordinated Care Initiative (CCI), created in 2012, is a partnership between Medi-Cal and Medicare to create a three-year project to promote coordinated health care delivery to seniors and people with disabilities who are dually eligible for both of the public health insurance programs, also known as “dual eligible beneficiaries.” For checks and balances, the CCI requires the California Department of Finance to calculate costs and savings related to the CCI each year, and to end the CCI should State costs exceed savings. Under the CCI, In-Home Support Services (IHSS) benefits were incorporated into the managed care delivery system in seven CCI pilot counties (none of which are RCRC member counties), and a Maintenance of Effort (MOE) capping county IHSS costs was put in place for all 58 counties

In January 2017, California Department of Finance Director Michael Cohen indicated that pursuant to his calculations, CCI costs exceeded State savings by \$42.4 million, thereby triggering the unwinding of the CCI, effective January 1, 2018. The county IHSS MOE cost sharing arrangement will terminate on June 30, 2017. 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 counties.

With the elimination of the CCI, the IHSS MOE provisions are automatically repealed, and the counties’ share of the costs for the IHSS program will be reinstated to prior State-county sharing ratios. This increased county share, 35 percent of the nonfederal portion of IHSS program cost, will be compounded by the minimum wage increase, the federal overtime requirement, and eventually, paid sick leave.

The elimination of the county IHSS MOE will result in more than \$592 million in increased county costs above the amount that counties are dedicating to their current MOE obligations in 2017-18, rising to \$1.6 billion in 2022-23, assuming that the seven percent cut to service hours is reinstated when the current Managed Care Organization (MCO) tax expires in 2019-20, as current law requires. 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 wage participation cap remains in place.

The Governor’s May Revision of the proposed 2017-18 State Budget establishes a new MOE with an increased IHSS cost baseline (\$592.2 million) to counties for FY 2017-2018. The MOE cost will increase by five percent in 2018-19, and in future years, the inflation factor will be adjusted on a sliding scale ranging from no annual cost, up to a seven percent inflator. To offset costs to counties, all Vehicle License Fee (VLF) growth from the Health, and the Mental Health Subaccounts, as well as the County Medical Services Program (for three years), will be redirected to lower county MOE costs. In years four and five, 50 percent of the VLF growth will be redirected. Additionally, if a

county is experiencing financial hardship due to the increased IHSS costs, it may apply to the Department of Finance for a low-interest loan.

The Department of Finance has released Trailer Bill language that would establish a new IHSS MOE for all 58 counties. This language must be approved by the Legislature, and signed by the Governor, to stop the action taken in the Governor's 2017-18 revised Budget. Most significantly, the new proposal provides for State General Fund (GF) contributions of \$400 million in the first year to offset the increased county cost of the new MOE. The proposal will also redirect Vehicle License Fee growth for Health, Mental Health and the County Medical Services Program (only for CMSP counties) for five years as additional assistance in bridging the increased IHSS costs.

The Trailer Bill language will be taken up in the Senate and Assembly this week as part of the State Budget package. A full copy of the Administration's IHSS proposal can be accessed [here](#).