



February 27, 2017

TO ALL COUNTY BOARD OF SUPERVISOR CHAIRS, COUNTY ADMINISTRATIVE OFFICERS, AND COUNTY WELFARE DIRECTORS:

**Expiration of the County In-Home Supportive Services Maintenance-of-Effort**

The Coordinated Care Initiative (CCI), including the Cal MediConnect demonstration project, allows persons eligible for both Medicare and Medi-Cal to receive medical, behavioral health, long-term services and supports, and home and community-based services, including In-Home Supportive Services (IHSS), coordinated through a single health plan. This pilot was implemented through a federal demonstration project and currently operates in seven counties—Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara.

As part of the implementing CCI legislation (Chapter 45, Statutes of 2012), the county share of IHSS costs previously established by 1991-92 State-Local Realignment legislation was replaced by a county maintenance-of-effort (MOE) requirement for all 58 counties beginning in fiscal year 2012-13. Each county's initial MOE amount was set at actual IHSS expenditures incurred by the county during fiscal year 2011-12. Increases to a county's MOE are limited to: (1) the incremental increase of costs locally negotiated, mediated, or imposed in IHSS provider wages and benefits before the Statewide Authority assumed IHSS provider collective bargaining responsibilities in the county, and (2) an annual 3.5-percent inflation factor, first applied to the MOE in fiscal year 2014-15. The 2017-18 Governor's Budget estimates total county IHSS MOE costs would have been \$1.156 billion.

Pursuant to Chapter 37, Statutes of 2013 (SB 94), the CCI demonstration project becomes inoperative if the Director of Finance determines that it is not cost-effective. Current law also stipulates that upon such a determination, the county IHSS MOE becomes inoperative on the first day of the following fiscal year, at which time the county share of IHSS costs returns to the amounts established in 1991-92 Realignment. The Department of Finance estimated CCI will result in costs of more than \$278 million in 2016-17 and \$42 million in 2017-18. Therefore, on January 10, 2017, the Director of Finance notified the Legislature that CCI is no longer cost effective and will be discontinued in 2017-18. As such, effective July 1, 2017, the state-county share of cost arrangement for the IHSS program that existed prior to implementation of CCI will be reinstated.

By eliminating the IHSS MOE and reinstating the prior county share of costs, a total of \$622.7 million in IHSS costs will shift from the state to counties in 2017-18, based on current projections of program costs. Counties primarily rely on 1991 Realignment revenues to fund their share of IHSS costs. However, growth in 2017-18 realignment revenues alone will not be sufficient to cover the increased IHSS costs to counties. We are aware of the potential financial hardship and cash flow problems that counties may incur as a result of these new county costs, and we intend to work with counties to mitigate, to the extent possible, the impact of returning the 35-percent share of non-federal costs for IHSS to counties.

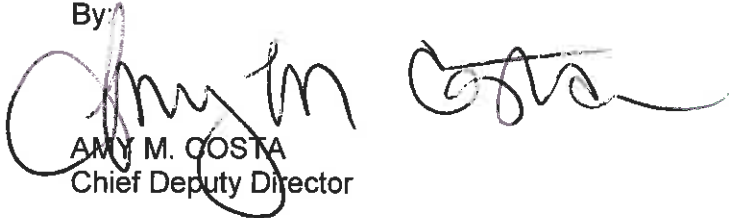
We are currently working with the Department of Social Services to determine the 2017-18 fiscal impact to each county resulting from the statutorily-required termination of the IHSS MOE. This information will be provided to you upon completion of the analysis.

If you have any questions or need additional information regarding this matter, please call Jay Kapoor, Assistant Program Budget Manager, at (916) 445-6423.

MICHAEL COHEN

Director

By:

Handwritten signature of Amy M. Costa in black ink, written over a printed name and title.

AMY M. COSTA  
Chief Deputy Director

- cc: Mr. Matt Cate, Executive Director, California State Association of Counties  
Mr. Frank J. Mecca, Executive Director, County Welfare Directors Association of California  
Ms. Karen Keeslar, Executive Director, California Association of Public Authorities  
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency  
Ms. Jennifer Kent, Director, Department of Health Care Services  
Mr. Will Lightbourne, Director, Department of Social Services  
Mr. Pete Cervinka, Chief Deputy Director, Department of Social Services  
Ms. Lilia Young, Chief, Financial Management and Contracts Branch, Department of Social Services