

# California State Senate

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February 28, 2020

The Honorable Holly Mitchell  
Senate Budget Committee  
State Capitol Building, Room 5019  
Sacramento, CA 95814

The Honorable Philip Ting  
Assembly Budget Committee  
State Capitol Building, Room 6026  
Sacramento, CA 95814

Dear Chairs Mitchell and Ting:

We write to you today united to ensure that the individuals with intellectual and developmental disabilities (I/DD) can obtain high-quality services in their communities, as promised five decades ago through California's Lanterman Act. Similar to the request from The Lanterman Coalition, our caucus seeks approval of sufficient funds and a strategic, multi-year implementation of the 2019 developmental services provider rate study. Specifically, for the 2020-21 budget, our caucus recommends the following:

1. A multi-year approach to implementing the rate models and closing the \$1.4 billion funds gap--with one-third of the funding approved in fiscal year 2020-21, and the rest split between fiscal years 2021-22 and 2022-23 (General Fund cost of approximately \$850 million ongoing, ramped up over three years).
2. Restoration of benefits removed in the recession, such as social recreation and camp services and the removal of the sunset on the suspension of the uniform holiday schedule. (General Fund amount of \$14.8 million and \$31 million respectively).
3. Use of client-focused data such as the National Core Indicators to incentivize quality and prioritize outcomes that are meaningful to individuals with developmental disabilities and their families.

**California Shortchanges Services by More Than \$1 Billion Each Year.** Adequate payments to providers are critical to ensuring quality community services for individuals with I/DD. For years, the Legislature heard anecdotal reports from providers who have closed programs, reduced capacity, and sacrificed quality because of stagnant rates and illogical rate-setting mechanisms. Last year, the Administration's own provider rate study, which cost the state \$3 million and took three years to complete, confirmed what providers had reported—the system was chronically and tragically underfunded. **The study revealed that California was underfunding I/DD community-based services by \$1.2 billion General Fund (\$1.8 billion total funds).**

The 2019-20 Budget included \$400 million total funds for increased provider rates. However, the supplemental rate increases were not accompanied with implementation of the new rate models. Therefore, the DD provider payment structure persists in being illogical, inequitable, and confusing for providers moving forward. Furthermore, while \$400 million is a worthy investment, there remains a \$1.4 billion funding gap.

Given this gap, our caucus is deeply disappointed that Governor Newsom's January Budget only proposes \$18 million for supplemental rate increases and does nothing to implement the new rate models. Furthermore, the budget does not present a timeline for future rate model implementation, nor does it have placeholder language or funds that would signal an intent to implement the rate models. This is the case even though the Governor proposed more than \$1.8 billion in ongoing General Fund spending in other areas. Senate Republicans know that we can do better in closing the funding gap.

**Restoration of Cut Benefits.** Adequately compensated providers are critical to providing quality community services for individuals with intellectual and developmental disabilities (I/DD). However, even the best providers cannot deliver services that the state refuses to authorize. Until the recession, social recreation and camp services were a beneficial option for I/DD individuals and families. These services are important for children and adults to enjoy their lives, make friends, have physical activity such as gymnastics and swimming, and participate in cultural activities such as theater, music, or art. These services have been used by underserved Latino, African-American, and Asian families in the past, and restoring these services would help reduce disparities within the system. For two years, both houses have included this restoration in their budgets, only for it to be removed last-minute in the final budget negotiated with the Governor. Finally, Senate Republicans call for permanently repealing the Uniform Holiday Schedule which forces providers to take unpaid holidays and reduces options for consumers.

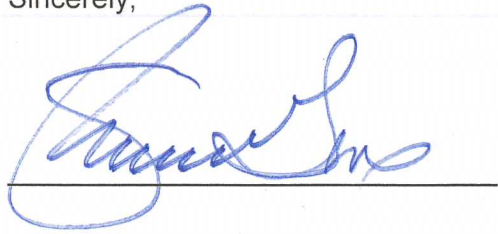
With the new HCBS federal regulations in place, it is even more urgent and important to stabilize the community-services program. These new regulations promote full-integration of I/DD consumers into the community and will require innovative approaches from providers—many of whom are already stretched thin to serve consumers. California must be in compliance by 2022, or else it will lose critical federal funding.

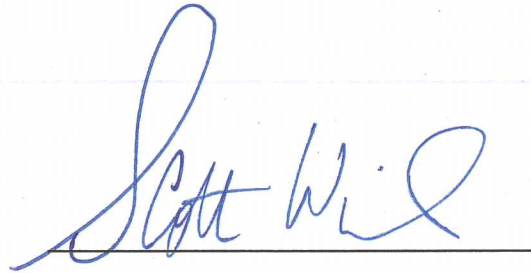
**Incentivizing Quality.** Senate Republicans see rate reform as a necessary step to reshaping a system that prioritizes outcomes over compliance. Our caucus supports measures that improve quality, accountability, and transparency and were pleased to see a performance incentive program proposed in the Governor's Budget. However, it is imperative that any incentive program prioritizes outcomes that are meaningful to people with developmental disabilities. We recommend using data obtained directly from individuals and families utilizing the DD system—such as the National Core Indicator Survey as a benchmark for regional center improvement and success.

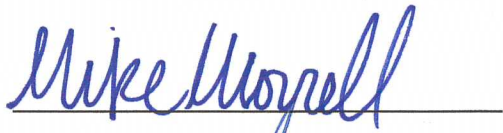
**Summary.** Now that the rate study has been out for almost a year, Senate Republicans believe it is past time for the Governor to prioritize the needs of the developmentally disabled by presenting a concrete timeline for implementation of the new rate models. In order to honor our commitment to our neighbors, friends, and families with I/DD, we must ensure that the work does not end with still more conversations, workgroups, and reports about the rate study, but

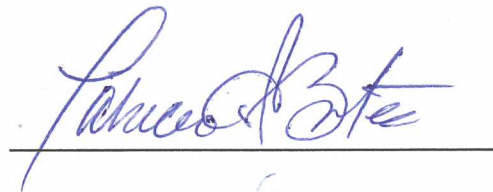
instead results in a concrete and actionable multi-year plan to implement appropriate rates for I/DD providers

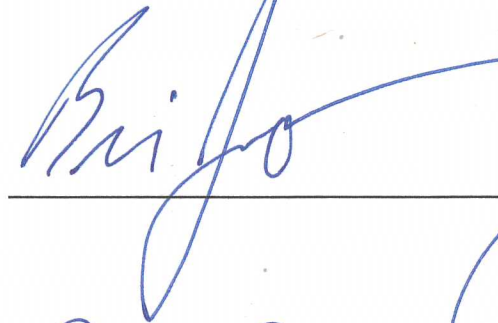
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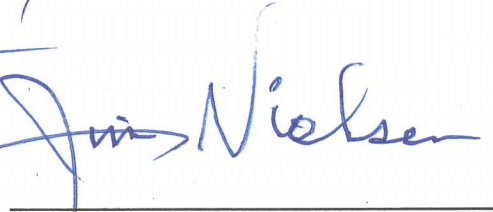
  
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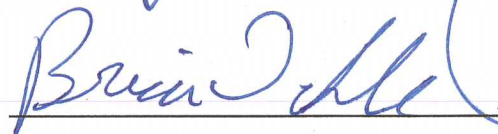
  
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