The 2012-13 Budget:

In-Home Supportive Services Budget Update

MAC TAYLOR • LEGISLATIVE ANALYST • MARCH 19, 2012

Summary

The In-Home Supportive Services (IHSS) program—administered at the state level by the Department of Social Services (DSS)—provides in-home care for persons who cannot safely remain in their own homes without such assistance. Since 2009-10, the IHSS program has experienced significant budget-related changes intended to achieve General Fund savings. These program changes have included such things as the implementation of an antifraud program, a reduction in state participation in the payment of provider wages, across-the-board and targeted reductions in service hours, administrative reductions, and methods to secure additional federal funding for the program. This IHSS budget update examines the implementation status of these major budget changes to the program. Specifically, we describe both the changes that have been implemented and those that have not. For those changes that have not yet been implemented, we find the main barriers to implementation fall within three general categories—(1) changes that are awaiting federal approval, (2) changes that have been prevented by the courts, and (3) changes that have experienced start-up delays.

As part of the 2012-13 budget, the Governor proposes significant changes to the IHSS program. First, the Governor proposes to transition IHSS from a fee-for-service benefit to a managed care benefit. This proposed transition presents many issues for the Legislature to consider, which we discuss in our recent report, *The 2012-13 Budget: Integrating Care for Seniors and Persons With Disabilities* (February 17, 2012). In addition, the Governor proposes to eliminate domestic and related care services for most IHSS recipients who live with another person to create General Fund savings of $164 million. We find that this reduction presents significant legal and implementation challenges, and we therefore offer the Legislature two savings alternatives for its consideration. The first alternative is to consider extending a 3.6 percent across-the-board reduction in service hours that is set to expire at the end of the current year. The second alternative is to consider reenacting a reduction in state participation in provider wages to a level, determined by a study, that does not impact recipient access to services. We think that these alternatives pose fewer legal risks and implementation challenges than the Governor's proposal to achieve budget-year savings.

BACKGROUND

The IHSS program—administered at the state level by the DSS—provides in-home care for persons who cannot safely remain in their own homes without such assistance. In order to qualify for IHSS, a recipient must be aged, blind, or disabled and in most cases have income below the level necessary to qualify for the Supplemental Security Income/State Supplementary Program (SSI/SSP). County social workers perform an assessment to determine the number of hours and types of service to authorize an IHSS recipient to receive each month. Recipients are eligible to receive up to 283 hours per month of assistance with tasks such as bathing, housework, feeding, and dressing. The recipient is responsible for hiring and supervising a provider.

This IHSS budget update will (1) provide background information and status updates for prior-year reductions to the program, (2) describe the Governor's budget proposal for IHSS, and (3) outline issues for legislative consideration.

OVERVIEW OF CATEGORIES OF IHSS BUDGET SOLUTIONS

Over the last few years, there have been several attempts to make reductions to the IHSS program. The methods to reduce state costs in the program have generally fallen into the following four categories:

- ***Service Reductions.*** Reducing the number of hours of service IHSS recipients receive each month.
- ***Tightening Eligibility.*** Reducing the number of people actually receiving IHSS services by tightening eligibility requirements.
- ***Provider Payment Reductions.*** Reducing the amount the state pays for each hour of IHSS services.
- ***Increasing Federal Cost Share.*** Increasing the federal share (thereby reducing the state General Fund share) of IHSS expenditures.

The IHSS Program Is a Medicaid Benefit. In California, the federal Medicaid program is administered by the state as the California Medical Assistance Program (Medi-Cal). This program provides health care services to welfare recipients and other qualified low-income persons (primarily families with children and the aged, blind, and disabled). Over 99 percent of IHSS recipients receive IHSS as a Medi-Cal benefit. This means that IHSS is subject to federal Medicaid rules, and changes to the program often require federal approval through a Medicaid state plan amendment.

Legal Risks Associated With Reduction Proposals. Anytime IHSS services are reduced or eliminated, there is risk of litigation asserting that the change puts recipients at risk of institutional placement, which could violate the federal Americans with Disabilities Act (ADA). Additionally, because IHSS is a Medicaid benefit, there is a risk of litigation if any budget reduction violates federal Medicaid rules, such as the requirement that recipients have equal access to care.

Savings Estimates Are Point-in-Time. This budget update provides the estimated savings associated with a particular policy change at the

time the change was enacted. Such estimates may account for interactions with other budget reduction proposals enacted at the same time that affect the level of savings from the policy change. For those reductions that have been successfully implemented, we will provide updated estimates of those savings when available. If the reductions have not yet been implemented, but are implemented in the future, these estimates will need to be updated to account for full-year implementation, interactions with other program changes, and actual data.

STATUS OF RECENTLY ENACTED BUDGET REDUCTIONS

Below, we provide updates on the status of previously enacted, significant changes to the IHSS program intended to create budget savings. Specifically, we describe both the changes that have been implemented and those that have not yet been implemented since the enactment of the 2009-10 budget. For those changes that have not been implemented, we describe the main barriers to implementation. We note that there have been other changes to the IHSS program, such as a change in the types of crimes that, if committed, could prevent a person from becoming a provider, that are not directly linked to budget savings and therefore are not included in this update.

Some IHSS Changes Have Been Implemented

Elimination of Share of Cost (SOC) Buy-Out Program. As previously noted, to qualify for IHSS, recipients generally have income at or below the SSI/SSP grant level. However, when an IHSS recipient has income in excess of the SSI/SSP grant levels, that recipient may still be eligible to receive services with a SOC. An IHSS recipient with a SOC must make an out-of-pocket monthly payment towards the receipt of IHSS services. For example, if an IHSS recipient has monthly income that is $200 above the SSI/SSP grant level, that recipient will pay about $200 towards their IHSS services each month before the IHSS program pays the remainder of the cost of their services. Some recipients with an IHSS SOC may, based on their income, also have a Medi-Cal SOC that is higher. These recipients are subject to meeting the higher Medi-Cal SOC before the IHSS program pays the remainder of the costs of their services. This is because IHSS is a Medi-Cal benefit for these recipients.

Because the IHSS program was going through a transition in 2004 that made some recipients subject to a Medi-Cal SOC that had previously only been subject to an IHSS SOC, the SOC Buy-Out program was created as a way to hold those recipients harmless. The SOC Buy-Out program used state funds to pay the difference between the IHSS SOC and the higher Medi-Cal SOC. This way recipients would only have to meet the lower IHSS SOC before the IHSS program paid the remaining costs of their services. For example, for a recipient with an IHSS SOC of $200 and a Medi-Cal SOC of $500 per month, the state would pay the difference between the IHSS SOC and the Medi-Cal SOC ($300) while the recipient would be obligated to meet the lower IHSS SOC ($200).

As part of the 2009-10 budget, the IHSS SOC Buy-Out program was eliminated. This means that IHSS recipients now have to meet the higher Medi-Cal SOC on their own before the IHSS program pays for the remaining costs of their services. At the time, this program elimination was estimated to save about $43 million General Fund.

Implementation of Antifraud Activities. In

2009-10, the Legislature adopted several antifraud activities for the IHSS program. These activities included fingerprinting of IHSS providers, unannounced home visits to verify the delivery of services, and a new provider enrollment process. Altogether, these activities were expected to reduce program costs by about 10 percent ($162 million General Fund) on an ongoing basis. Although not all components of the original antifraud initiative have been implemented, several significant changes have been made. It is difficult to tell whether the antifraud activities have actually resulted in avoided IHSS costs. Although the caseload in the program is no longer growing at the rate it was prior to the initiative, there could be factors other than a reduction in fraud that contribute to this slower growth, such as the enactment of program reductions that may make the program less desirable to people who may have otherwise qualified.

Reduction in Public Authority Administrative Rate. For purposes of collective bargaining over IHSS provider wages and terms of employment, all but two counties in the state have established entities known as "Public Authorities" (PAs). (Other counties have established different entities for this purpose.) The PAs essentially represent the county in provider wage negotiations. Besides collective bargaining, the primary responsibilities of the PAs include (1) establishing a registry of IHSS providers who have met various qualification requirements, (2) investigating the background of potential providers, (3) establishing a system to refer IHSS providers to recipients, and (4) providing training for providers and recipients. The 2009-10 budget reduced public authority administrative funding by about $13 million General Fund.

A 3.6 Percent Across-the-Board Reduction in IHSS Hours. As part of the 2010-11 budget, the Legislature reduced IHSS service hours generally for all recipients by 3.6 percent. Recipients are able to determine which of their services will be impacted by the reduction. This reduction is scheduled to sunset in June 2012. When first adopted, this reduction was estimated to save $35 million in 2010-11 (partial-year impact). For 2011-12, it is estimated that this proposal will save about $65 million General Fund. Because this reduction is expiring at the end of 2011-12, there are no savings associated with this budget reduction in the budget year.

Health Care Certification. Pursuant to 2011-12 budget-related legislation, in order to be eligible for IHSS, recipients are now required to obtain a certificate from a licensed health care professional that indicates that without IHSS, the recipient would be at risk of out-of-home placement. After accounting for administrative implementation costs, at the time this reduction was enacted it was estimated to save $67 million in 2011-12. The DSS has since updated their estimate of the savings in 2011-12 to be about $52 million. (Through February 2012, DSS indicates that 2,931 IHSS recipients were terminated and 7,342 applicants were denied services for not securing a health certificate.) For 2012-13, the budget assumes full-year savings of $150 million from this reduction. Our initial analysis of the available data indicates that the potential savings from this proposal are likely significantly overstated by the administration in the current and budget years. This is mainly because the average monthly hours of IHSS for those who have been eliminated from the program so far (33 hours) is lower than the number of hours assumed in the administration's estimate (over 85 hours). In other words, those who are not able to secure the health certification were, on average, lower utilizers of IHSS. We will continue to monitor the savings as more data become available.

Several IHSS Policy Changes Have Not Yet Been Implemented

Start-Up Activities Have Delayed Implementation of Pilot Project to Create Savings

Medication Dispensing Machine Pilot Project. The 2011-12 budget assumed savings of $140 million from the implementation of a medication dispensing pilot project. Additionally, the budget included an across-the-board reduction in IHSS service hours in 2012-13 if it was determined that the medication dispensing pilot project did not achieve savings of $140 million in the current year. Due to significant start-up activities, this pilot project has not yet begun to be implemented in the current year. (As discussed later in this report, the *2012-13 Governor's Budget* proposes to cancel this pilot project and the associated across-the-board reduction.)

Still Awaiting Federal Approval for Some IHSS Program Changes

Provider Tax and Supplemental Payment. As part of the 2010-11 budget, a change was made to the IHSS program to obtain additional federal funds and create General Fund savings. To achieve these savings, the state sales tax would be applied to IHSS services. The tax would be paid by IHSS providers and deposited in a special fund. The revenue from this tax would be used to pay for IHSS program costs and result in additional federal matching funds. The legislation authorizing this tax requires a supplemental payment be made to the providers to reimburse them for the cost of the tax. Because the cost of this supplemental payment would be shared by the state and federal government, net General Fund savings would be achieved. At the time this policy was adopted, it was estimated to save the General Fund $190 million annually. The state is currently awaiting federal approval of this change.

Additional Federal Funding Through Affordable Care Act. As part of the 2011-12 budget, it was assumed that the state would qualify for additional federal funding available to states under the federal Affordable Care Act (ACA). This additional federal funding would be used to offset the General Fund costs of IHSS. Specifically, if California meets specific federal regulations still under development, the federal share of costs in the IHSS program could increase by 6 percent (from 50 percent to 56 percent). At the time the budget was enacted, it was assumed that this would save $128 million in 2011-12. At this point, the federal government is reviewing the state's application for this funding. We note that there is a maintenance of effort (MOE) associated with accepting this additional federal funding. The department indicates that this MOE requires that the state's spending on IHSS and other home-and community-based waivers cannot be less in the first year of implementation than in the previous year. It is unclear whether the state would be meeting this MOE if other proposed reductions are implemented at the same time this additional federal funding is received. The budget assumes the state will begin receiving these additional federal funds retroactively to December 2011 (the submission date of the application for the funds).

Some IHSS Reductions Have Been Prevented by Lawsuits

Reduction in State Participation in Provider Wages and Benefits. As part of the 2009-10 budget, the Legislature reduced state participation in IHSS provider wages and benefits from a combined total of $12.10 per hour to $10.10 per hour. For 2009-10, this reduction was estimated to save $98 million. However, a federal judge issued an injunction preventing the state from implementing

this change. Subsequent legislation suspended this reduction until a court issues an order upholding the validity of the reduction, but no sooner than July 2012. The legal challenges to this reduction have not yet been resolved.

Functional Index Score Service Reductions and Eliminations. When an IHSS social worker conducts an assessment, he/she ranks the recipient's impairment to perform activities of daily living on a five-point scale known as the functional index ranking. A functional index ranking of 1 is the lowest impairment level while a 5 is the highest. The weighted average of the functional index rankings are used to create a functional index score. As part of the 2009-10 budget, the Legislature used these functional index rankings and scores to eliminate domestic and related care services for all but the most impaired IHSS recipients. Additionally, all IHSS services were eliminated for recipients with the lowest functional index scores. Together, these reductions were estimated to save $102 million in 2009-10. These changes were enjoined by a federal judge. Subsequent legislation suspended this reduction until a court issues an order upholding the validity of the reduction, but no sooner than July 2012. The legal challenges to this reduction have not yet been resolved.

20 Percent Across-the-Board Hour Reduction. The 2011-12 budget package contained a mechanism, or trigger, for further reducing General Fund program expenditures if General Fund revenues were re-estimated to fall short of the amount assumed in the *2011-12 Budget Act*. One of these reductions was a 20 percent across-the-board reduction in IHSS service hours estimated to save $100 million General Fund in 2011-12. Ultimately, the trigger was pulled. However, a federal judge issued a preliminary injunction preventing the state from implementing the IHSS-related reduction.

Summary of Status of Recent IHSS Savings Measures

Figure 1 (see next page) provides a summary of the implementation status of major IHSS budget changes.

THE 2012-13 IHSS BUDGET PROPOSAL

Budget Overview

Total Budget. The 2012-13 budget provides about $5.3 billion ($1.2 billion from the General Fund) for the support of IHSS. This is a total decrease of about 5 percent compared to estimated expenditures for 2011-12.

Estimated Caseload. The Governor's budget assumes the average monthly caseload for IHSS will be 422,993. This is a decrease of 2.5 percent compared to the most recent estimates of the caseload for 2011-12.

Major Budget Savings Proposals and Assumptions

Assumes Successful Implementation of Certain Previously Enacted Policies

Increased Federal Funding to Create General Fund Savings. The Governor's budget assumes that the state will receive approval from the federal government to implement the provider tax and the additional federal funding made available under ACA in time to achieve savings in the current and budget years. Specifically, the assumed savings in the current and budget years from these proposals are $166 million and $241 million, respectively. As

previously noted, the state is still awaiting federal approval of these proposals.

Implementation of 20 Percent Across-the-Board Reduction With Contingency Funding. The budget assumes the state will save about $39 million in the current year and $179 million in the budget year from the implementation of the 20 percent across-the-board trigger reduction in IHSS hours. As previously noted, a federal judge has issued an injunction preventing the state from implementing this reduction. In case the state is not ultimately able to implement this reduction, the budget sets aside funding in the current and budget years to cover the eroded savings.

Makes IHSS a Managed Care Benefit

Currently, IHSS is a benefit that is provided through the Medicaid fee-for-service system. The Governor proposes to make the IHSS program a Medicaid managed care benefit beginning in January 2013. By moving IHSS and other community-based long-term services and supports into managed care plans, it is assumed that care will be more coordinated and that managed care plans will have an incentive to provide care in the community rather than in institutional settings. For the budget year, it is our understanding that the managed care plans will not have the ability to reduce IHSS utilization or change the program in any significant way. However, how IHSS will work as a managed care benefit after the first year creates many issues for legislative consideration, as discussed later. We note that the proposal to make IHSS a managed care benefit is part of a larger Care Coordination Initiative (CCI) proposed by the Governor to expand the number of people enrolled and types of services included in managed care. The Governor assumes out-year savings of about $1 billion from the implementation of the CCI.

Figure 1

Recent Major IHSS Savings Measures: Implementation Status

General Fund (In Millions)

		Implemented?			
		Yes	No		
Policy Change	Estimated Solution Value[a]		Pending Federal Approval	Enjoined by Court	Start-Up Delays
2009-10					
Implementation of antifraud activities	$162	X			
Functional index service reductions and eliminations	102			X	
Reduction in state participation in provider wages	98			X	
Elimination of Share of Cost Buy-Out program	42	X			
Public Authority reduction	13	X			
2010-11					
Provider tax and supplemental payment	190		X		
3.6 percent across-the-board reduction in hours	35	X			
2011-12					
Medication dispensing pilot project	140				X
Implementation of additional federal funding available under Affordable Care Act	128		X		
Triggered 20 percent across-the-board reduction in hours	100			X	
Elimination of IHSS for recipients without a health certificate	67	X			

[a] We note that these values reflect the estimated savings from the policy at the time it was enacted. Once implemented, these values could change to account for a full year of savings, interactions with other program changes, and actual data.

IHSS = In-Home Supportive Services.

Eliminates Domestic and Related Care Services for Recipients Residing With Others

The Governor proposes to eliminate domestic and related care services for most IHSS recipients who live with other people, effective 90 days after the enactment of the budget. Recipients who live with other IHSS recipients are exempt from this proposal. This is estimated by the administration to result in savings of $164 million in 2012-13.

Who Receives Domestic and Related Care Services? About 95 percent of all IHSS recipients are authorized to receive domestic and related care services each month. Specifically, domestic and related care services include housework, shopping for food, meal preparation and cleanup, and laundry. On average, IHSS recipients currently receive about 21 hours of domestic and related care services each month.

Process for Hour Restoration. The budget assumes that some recipients will have their hours restored through an appeal process or by evidence that demonstrates that due to a physical or mental impairment there is no member of the household able to provide the service. Reliable evidence of such an impairment could include social worker observation or medical certification of the impairment.

Who Is Impacted by This Proposal? After accounting for those recipients who have their hours restored, the budget assumes that 254,000 recipients who live with another person will lose some level of domestic and related care service hours as a result of this reduction. On average, those who lose domestic and related care services will lose between 9 and 14 hours per month. (We note that this is after services are first assumed to be reduced by 20 percent.)

Cancels Medication Compliance Pilot Project and Associated Across-the-Board Reduction

For the budget year, the Governor is proposing to rescind the Medication Compliance Pilot project and the associated across-the-board reduction. This decision is based on the results of a study that indicates that the medication dispensing project would not be a cost-effective policy to implement. Cancelling this program and the across-the-board reduction results in a General Fund savings erosion of $140 million in the budget year.

ISSUES FOR LEGISLATIVE CONSIDERATION

In considering the Governor's or other proposals to achieve savings in the IHSS program, the Legislature will face the difficult challenge of adopting solutions that can be implemented (that is, avoid legal challenge and/or achieve federal approval) and avoid added institutionalization of program recipients. As with any budget reduction under consideration, the Legislature will need to weigh the trade-offs of the reduction in terms of programmatic impacts against the budget-wide requirement to achieve General Fund savings. If the Legislature is favorably inclined towards the Governor's proposal to make the program a managed care benefit, it will have the added challenge of developing a plan to implement such a complex proposal.

The Legislature Should Consider the Future of IHSS

Legislature Should Evaluate Managed Care Proposal. The Governor's budget is proposing to make IHSS a managed care benefit. In doing so, it is assumed that managed care plans will rely on community-based services, such as IHSS, to provide for care for recipients in the community rather than in institutions. The budget assumes that

this type of care coordination will lead to overall savings by preventing or delaying more costly hospitalizations and nursing home placements. Although we believe that there are aspects of this proposal that have merit, there are many decisions that need to be made regarding how IHSS would work as a managed care benefit. For example, some questions the Legislature will need to consider are:

- How much control will managed care plans have in the short and long run to determine IHSS program design and utilization?
- What will be the ongoing role of the counties and PAs in administering the IHSS benefit?
- How will wages and benefits of the IHSS providers be determined?
- How will the county share of cost in IHSS be treated?
- How will state agency oversight of IHSS as a managed care benefit be conducted?

These are only a sample of some of the questions the Legislature will have to answer when evaluating the Governor's proposal to make IHSS a managed care benefit. We think this type of long-term planning for IHSS is necessary prior to making decisions about whether to make IHSS a managed care benefit. For more detail on key IHSS managed care integration issues, please see our recent report, *The 2012-13 Budget: Integrating Care for Seniors and Persons With Disabilities* (February 17, 2012).

Considering Program Reductions to Achieve General Fund Savings

In considering any reductions to the program, the Legislature should take into account (1) the impact of the proposal on recipients, (2) the legal risk associated with the proposal, and (3) how the proposal will be implemented.

Domestic and Related Care Services Reduction Raises Several Issues. Below, we describe some of the key concerns we have with adopting the Governor's proposal to eliminate domestic and related care services for most recipients in shared living arrangements.

- ***Legal Risk: Medicaid Rules.*** Washington State previously implemented a similar domestic and related care services reduction. The Washington State Supreme Court ultimately ruled that this rule violated Medicaid requirements that all recipients have equal access to care.
- ***Legal Risk: ADA.*** As previously noted, in order to qualify for IHSS services, recipients must now secure documentation from a health care provider that indicates that without IHSS they are at risk of placement in a facility. If recipients have a signed document from a doctor indicating that IHSS services are needed, it may be legally difficult to eliminate a portion of those services without some risk of litigation asserting that the elimination may put recipients at risk of institutionalization—a potential violation of ADA.
- ***Roommates May Have No Obligation to Provide Services.*** In shared living arrangements, IHSS recipients may (1) live with family or friends or (2) live with someone unrelated to them for purposes of affordable rent. In cases where the recipient may not closely know their roommate, it is unclear why the roommate would have any obligation to provide IHSS services.
- ***Potential Need for Additional Social Worker Training.*** Under the Governor's proposal, social workers will have the

ability to make an observation that, due to a physical or mental impairment, no member of the recipient's household is able to provide the domestic and related care services. This type of evaluation may not be something the social worker is currently trained to do. Additionally, at this time the methodology the social worker will use to evaluate the physical and mental impairment of a roommate is unclear.

- ***Depending on Decisions About Managed Care, Reduction May Not Make Sense.*** If the Legislature decides to make IHSS a managed care benefit, it may not make sense to make permanent changes to the program at this time. As we have pointed out, there are many decisions that need to be made regarding how IHSS would function within managed care. One of those key issues is the amount of control the plans will have to scope the IHSS benefit. If the Legislature is going to give plans some control over the types of services offered through the program, it would not make sense to eliminate one of those services at this time.

An LAO Savings Alternative: Extend 3.6 Percent Across-the-Board Reduction in Hours

The Legislature may wish to consider a one-year extension of the 3.6 percent across-the-board reduction in hours that is set to expire in July 2012. We estimate that, if implemented on its own, this could save about $60 million General Fund in 2012-13. (However, if other reductions and savings proposals are successfully implemented at the same time, this estimate would need to be updated.) Additionally, the Legislature could draft the legislation so that the 3.6 percent reduction is only implemented if certain other reductions, such as the 20 percent across-the-board reduction, are not implemented.

This approach allows for some short-term General Fund savings without significantly changing the program in a time when the Legislature is evaluating significant long-term changes to IHSS. Additionally, since this reduction has already been implemented, implementation and legal challenges should be limited. If the extension of the reduction is implemented before July 2012, the original 3.6 percent reduction will still be in place, and the recipients would not experience a net decrease in their monthly service hours.

An LAO Savings Alternative: Reenact Reduction in State Participation in Wages Based on the Results of a Study

As previously mentioned, as part of the 2009-10 budget, a reduction in state participation in IHSS provider wages was implemented. This reduction was ultimately enjoined by a federal judge and has not been implemented. One of the reasons the reduction was enjoined was because the state had not first evaluated whether the wage reduction would have an impact on the supply of available providers, which could ultimately impact a recipient's ability to access services. In 2009-10, DSS received funding to conduct a study that evaluated how this reduction could impact the availability of providers and recipient access to services. The department indicates that the results of this study are not yet available. To achieve General Fund savings, the Legislature could consider reducing IHSS wages to a level, determined by the study, that does not impact recipient access to services. Additionally, the Legislature could direct the department to continue monitoring the utilization of IHSS after the wage reduction to ensure that recipients are continuing to utilize services at a comparable rate. We believe that making the

amount of the reduction conditional on the results of the wage study could potentially address the concerns of the federal courts. The level of savings associated with this reduction would depend on the amount of the reduction in state participation in wages that is supported by the findings of the study. When state participation in wages was reduced from $12.10 to $10.10 in 2009-10, it was estimated that the reduction would save $98 million (General Fund).

CONCLUSION

Over the last few years, the Legislature has attempted to make many changes to the IHSS program. In some cases, those changes have been implemented, and in other cases they have not, largely due to legal challenges. In all cases, these reductions have been difficult decisions for the Legislature, and have had significant impacts on recipients, providers, and administrators. The Governor's proposal to make IHSS a Medi-Cal managed care benefit creates an opportunity for the Legislature to consider the future of the program. In the meantime, the Legislature should consider opportunities for General Fund budget savings in the IHSS program. We find that the Governor's proposal for budget-year savings—the elimination of domestic and related care services for most IHSS recipients who live with other people—raises significant policy and legal concerns. We therefore offer the Legislature two savings alternatives—the extension of the 3.6 percent across-the-board reduction in hours and the reenactment of the reduction in state participation in provider wages—to achieve some General Fund savings in the budget year. We think that our alternatives pose less legal risks and implementation challenges than the Governor's proposal to achieve budget-year savings.

LAO Publications

This brief was prepared by Ginni Bella Navarre and reviewed by Mark C. Newton. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This brief and others, as well as an e-mail subscription service, are available on the LAO's website at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.