STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 07/23)

Fiscal Year	Business Unit Number	Department
2025-26	4300	Department of Developmental Services

Hyperion Budget Request Name	Relevant Program or Subprogram
4300-062-BCP-2025-MR	4149001 – Program Administration

Budget Request Title
Increased Reimbursements and Cost Recovery

Budget Request Summary
This proposal seeks to improve processes to increase reimbursements and evaluate options to recoup costs for certain services. To this end, the Department of Developmental Services requests $1.3 million ($1.1 million General Fund) for 5 new positions and consultant support to explore options and obtain payment from public and private health insurers for services purchased by regional centers on behalf of eligible individuals. This request also assumes re-direction of 4 permanent positions currently supporting the Parental Fee Program.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed
Trailer Bill Language ☐ Budget Bill Language ☒ N/A	N/A

Does this BCP contain information technology (IT) components? ☐ Yes ☒ No *If yes, departmental Chief Information Officer must sign*.	Department CIO N/A	Date N/A

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.

Project No. N/A **Project Approval Document:** N/A

Approval Date: N/A **Total Project Cost:** N/A

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By	Date
Jim Knight	5/14/2025	Steven Pavlov	5/14/2025
Department Director	**Date**	**Agency Secretary**	**Date**
Pete Cervinka	5/14/2025	Debra Cooper	5/14/2025

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology

Principal Program Budget Analyst	Date submitted to the Legislature
Christopher Odneal	5/14/2025

A. Problem Statement

Current law (Welfare and Institutions Code [WIC] section 4659) requires regional centers to pursue other funding sources (e.g. health insurance) to support regional center services. To prevent potential service delays, regional centers purchase services that are likely covered by public and private health insurances. Through contracts with the Department of Developmental Services (Department), regional centers coordinate, and purchase needed services for more than 450,000 individuals. The proposed Governor's Budget for 2025-26 includes approximately $16.8 billion for these services, which comes primarily from the State General Fund and the Federal Medicaid program.

The Department requests $1.3 million ($1.1 million General Fund) for 5 new positions and consultant support to explore options that would obtain payments from public and private health insurers for services purchased by regional centers. Additionally, the Department proposes to repeal the Parental Fee Program and redirect positions to support the collection of health insurance payments.

Health Plans and Federal Financial Participation:

In 2023-24, regional centers purchased an estimated $450 million for various therapies (speech, occupational, physical) behavior intervention, and other services that are covered benefits of public and private health insurance plans. It is assumed that a significant amount of these services are the responsibility of other payers; however, the Department does not have a process to recoup the cost of these expenditures, which would lessen the General Fund demand on the Department's budget.

Through various Medicaid (Medi-Cal) authorities, the Department is reimbursed 50 percent of the cost of services for individuals eligible for Medi-Cal. This reimbursement requires verification that the individual is eligible for Medi-Cal. To accomplish this eligibility verification, through a data exchange with the Department of Health Care Services (DHCS), the Department must obtain certain identifying information, including either the individual's social security number or Medi-Cal identification number. The proposed 2025-26 budget projects a growth of approximately 40,000 individuals. As the regional center population continues to grow, additional resources are needed to work with regional centers and obtain the needed information.

Parental Fee Program:

The Parental Fee Program requires the Department to assess a monthly fee to parents of children under 18 if a child is receiving 24-hour out-of-home services. The fee is assessed monthly to parents with an annual gross income at or above 201 percent of the current federal poverty level, and is based on a percentage of income, ranging from 3 percent to 6 percent of the family's income. This fee program was suspended during the COVID-19 Pandemic and resumed after the State of Emergency ended.

Administration of the fee program has included review, analysis, and calculation of 600 to 1,100 fee assessments and fee redeterminations annually, as well as 1,900 to 2,200 billing statements monthly with projected revenue of $700,000 in 2025-26.

Fees collected are deposited into the Developmental Disabilities Program Development Fund (PDF) and can be expended as prescribed by statute to support new programs, expand existing ones, or offset existing General Fund costs.

Developmental Disability Program Development Funded Positions –
Client Financial Services Section, Financial Services Branch

(Dollars in thousands)

Program Budget	2020-21	2021-22	2022-23	2023-24	2024-25
Authorized Expenditures	$374	$380	$392	$397	$452
Actual Expenditures	$381	$386	$490	$569	TBD
Revenues	**$0**	$0	$0	$526	$875
Authorized Positions	4.0	4.0	4.0	4.0	4.0
Filled Positions	3.0	3.0	4.0	4.0	TBD
Vacancies	1.0	1.0	0.0	0.0	TBD

(CFS has 14.5 total authorized positions, of which these 4.0 positions are dedicated to the Parental Fee Program. Authorized Expenditures are based on the approved Enacted Budget for PDF.)

B. Justification

The consultant resources are needed to develop options to implement the applicable third-party liability provisions of Article 2.6 of WIC to recoup funds spent on services that are the responsibility of health insurance carriers. As noted above, it is estimated regional centers purchased various therapies costing approximately $450 million in 2023-24. This amount will continue to increase as the regional center population increases.

Since the restart of the Parental Fee Program, revenue collection has not recovered to historic levels. Redirecting staff towards maximizing recoupment from health plans and Federal Financial Participation would be a more effective General Fund cost avoidance effort.

As such, the Department proposes to repeal the Parental Fee Program effective July 1, 2025, and redirect positions to identify and implement options to maximize collection from public and private health insurance.

The redirected staff would expand oversight and follow-up as needed to gather information required for Medi-Cal eligibility verification. Due to staffing limitations, information gathering efforts have not been consistent. In 2023-24, approximately $150 million General Fund in purchase of service expenditures were made for 32,000 individuals for whom the Department does not have record of their social security number. Assuming Medi-Cal eligibility could be verified for 20 percent of these individuals, the resulting increase in federal Medicaid reimbursement would be approximately $25 million.

Additional requested positions below would support the following activities:

Research (2.0 Research Data Specialists I): Coordinate data sharing with other state programs and prepare analysis of individuals receiving regional center services and other public support.

Waiver and Rates (3.0 Community Program Specialists II): Work with regional centers to increase claims for federal reimbursement and identify third party payors for eligible health services.

C. Departmentwide and Statewide Considerations

As the regional center population continues to grow, the cost of various therapies covered by public and private health insurers will also grow and increase pressure on the General Fund. The Department will need to continue efforts to maximize federal reimbursements and recoup the costs of services that are the responsibility of other payers.

D. Outcomes and Accountability

This effort supports the identification of steps needed to develop and implement a process to:

1) identify services that are covered by private/public health insurance and benefits and 2) recover funds from these entities expended on covered services. The work of the redirected and requested staff would result in a higher percentage of individuals with verified Medi-Cal eligibility and a resulting increase in federal Medicaid reimbursement.

E. Implementation Plan

Upon approval, the Department will source the contract and hire staff to support the contracting resources and maximize recoupment from third party payors.

F. Supplemental Information (If Applicable)

N/A

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Increased Reimbursements and Cost Recovery

BR Name: 4300-062-BCP-2025-MR

Budget Request Summary

Personal Services

Personal Services	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Positions - Permanent	0.0	5.0	5.0	5.0	5.0	5.0
Total Positions	**0.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**
Salaries and Wages Earnings - Permanent	0	419	419	419	419	419
Total Salaries and Wages	**$0**	**$419**	**$419**	**$419**	**$419**	**$419**
Total Staff Benefits	0	224	224	224	224	224
Total Personal Services	**$0**	**$643**	**$643**	**$643**	**$643**	**$643**

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5301 - General Expense	0	10	10	10	10	10
5302 - Printing	0	5	5	5	5	5
5304 - Communications	0	5	5	5	5	5
5306 - Postage	0	5	5	5	5	5
5320 - Travel: In-State	0	15	15	15	15	15
5322 - Training	0	5	5	5	5	5
5324 - Facilities Operation	0	40	40	40	40	40
5340 - Consulting and Professional Services - External	0	500	500	500	500	500
5346 - Information Technology	0	45	45	45	45	45
Total Operating Expenses and Equipment	**$0**	**$630**	**$630**	**$630**	**$630**	**$630**

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Budget Request	**$0**	**$1,273**	**$1,273**	**$1,273**	**$1,273**	**$1,273**

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0001 - General Fund	0	1,118	1,118	1,118	1,118	1,118
0995 - Reimbursements	0	155	155	155	155	155
Total State Operations Expenditures	**$0**	**$1,273**	**$1,273**	**$1,273**	**$1,273**	**$1,273**
Total All Funds	**$0**	**$1,273**	**$1,273**	**$1,273**	**$1,273**	**$1,273**

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
4149001 - Program Administration	0	1,273	1,273	1,273	1,273	1,273
Total All Programs	**$0**	**$1,273**	**$1,273**	**$1,273**	**$1,273**	**$1,273**

Personal Services Details

Positions

Positions	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5742 - Research Data Spec I (Eff. 07-01-2025)	0.0	2.0	2.0	2.0	2.0	2.0
8352 - Community Program Spec II (Eff. 07-01-2025)	0.0	3.0	3.0	3.0	3.0	3.0
Total Positions	**0.0**	**5.0**	**5.0**	**5.0**	**5.0**	**5.0**

Salaries and Wages

Salaries and Wages	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5742 - Research Data Spec I (Eff. 07-01-2025)	0	182	182	182	182	182
8352 - Community Program Spec II (Eff. 07-01-2025)	0	237	237	237	237	237
Total Salaries and Wages	**$0**	**$419**	**$419**	**$419**	**$419**	**$419**

Staff Benefits

Staff Benefits	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5150350 - Health Insurance	0	35	35	35	35	35
5150500 - OASDI	0	32	32	32	32	32
5150630 - Retirement - Public Employees - Miscellaneous	0	110	110	110	110	110
5150800 - Workers' Compensation	0	7	7	7	7	7
5150820 - Other Post-Employment Benefits (OPEB) Employer Contributions	0	13	13	13	13	13
5150900 - Staff Benefits - Other	0	27	27	27	27	27
Total Staff Benefits	**$0**	**$224**	**$224**	**$224**	**$224**	**$224**

Total Personal Services

Total Personal Services	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
Total Personal Services	**$0**	**$643**	**$643**	**$643**	**$643**	**$643**