May 17, 2025

To: The Honorable Dr. Akilah Weber Pierson
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

The Honorable Dr. Corey A. Jackson
Chair, Assembly Budget Subcommittee No. 2

Honorable Members
Assembly Budget Subcommittee No. 2

From: Carlos Marquez, Executive Director, CWDA
Justin Garrett, Senior Legislative Advocate, CSAC
Tiffany Whiten, Senior Government Relations Advocate, SEIU
Kim Rothschild, Executive Director, CAPA
Kelly Brooks-Lindsey, Legislative Representative, UCC
Sarah Dukett, Policy Advocate, RCRC

RE: IN-HOME SUPPORTIVE SERVICES (IHSS): MAY REVISE RESPONSE

The County Welfare Directors Association of California (CWDA), Service Employees International Union (SEIU), California State Association of Counties (CSAC), the California Association of Public Authorities (CAPA) for IHSS, the Urban Counties of California (UCC), and the Rural County Representatives of California (RCRC) are strongly opposed to the May Revision proposal to reduce county administrative funding for IHSS social workers as proposed in the May Revision, through the imposition of fiscal penalties in the amount of $81 million annually to counties for failure to meet timely reassessments under the Community First Choice Option (CFCO). We note this funding reduction could jeopardize the jobs of approximately 322 social workers statewide. This cut would be in addition to the continued and significant underfunding of county IHSS social worker staff staffing, despite the Administration's findings from its administrative budget methodology reassessment presented this May Revision (as detailed below), thereby undermining counties' ability to effectively administer the program and putting older adults and persons with disabilities who rely upon the IHSS program at risk.

The Administration acknowledges pursuant to its recently-released IHSS program analysis, and

we concur, that current state funding is severely inadequate and results in high workload for social workers, which undermines timely access to IHSS services that older adults and persons with disabilities are entitled to under the IHSS program (although we note the funding need is likely higher due to shortcomings of the Administration's methodology, as detailed below). Reducing IHSS administrative funding in order to recoup federal fiscal penalties, as the May Revision proposes, while simultaneously failing to provide funding to address social worker workload, is counter-intuitive to improving outcomes for IHSS recipients and their care providers, and puts those individuals at greater risk of institutionalization, homelessness, and other negative outcomes.

We recognize the immense fiscal challenges facing the State and understand that significant and long-needed augmentations to the IHSS budget to reduce social worker caseloads may not be feasible at this time. However, given the critical role county social workers play in supporting IHSS recipients and their IHSS care providers, and the cost avoidance to the State in terms of institutional care and homelessness, reductions in funding for social workers will result in direct harms to IHSS recipients and their care providers. We urge the Legislature to address county social worker workloads beginning in the Fiscal Year (FY) 2025-26 Budget and reject the imposition of penalties to counties, which are directly tied to high social worker workloads.

This memo also provides some initial feedback on other IHSS proposals included in the May Revision.

County-Administered IHSS Program is Essential to Meet the Needs of an Aging Population: The IHSS program is a critical program in achieving the goals and vision as outlined in California's Master Plan for Aging. California's population of older adults aged 65 and older is projected to reach 28 percent of the population, or 11.4 million Californians, by 2040, and demand for IHSS services continues to grow. The 2025-26 May Revision estimates caseload growth of 10.2 percent in FY 2024-25 and 7.8 percent in FY 2025-26, an increase of 2.5 percent and 2.8 percent respectively, compared to the January Governor's Budget—in line with statewide trends of our aging population. Of importance, IHSS enables older adults to age with dignity and independence. The program enhances quality of life by making it easier to live at home, and it reduces the time and financial burden on family and friends of the program recipient. In order to support this independence and reduced burden on recipient families, the IHSS program relies on county social workers to conduct assessments for individuals applying to the program to determine eligibility and level of need for in-home assistance.

Community First Choice Option (CFCO) Late Penalties Undermines Access to IHSS Services: The May Revision proposes to require counties to pay new fiscal penalties (estimated to be $81 million General Fund in FY 2025-26) when counties do not meet the annual reassessment requirements for the Community First Choice Option (CFCO) within the IHSS program. As

noted above, this could jeopardize counties' ability to fund over 300 social worker positions statewide. The undersigned organizations agree that ensuring timely reassessments for IHSS recipients supported by CFCO should be a priority, as CFCO covers services to those with a chronic disabling condition who would otherwise require a skilled nursing level of care, and those recipients are amongst the most vulnerable. The State receives an enhanced federal funding match of 56 percent to provide care for CFCO recipients, and the federal government requires these cases to be reassessed every 12 months. Failure to complete the reassessment within 12 months results in the loss of the 6 percent enhanced federal funding match, dropping the federal match from 56 percent to 50 percent.

The California Department of Social Services (CDSS) monitors counties for timely intakes and reassessments pursuant to its Quality Improvement process. In FY 2024-25, 22 counties were subject to Quality Improvement corrective action plans due to failure to meet the department's requirements for CFCO reassessments. This failure to timely reassess CFCO recipients is a direct result of chronic underfunding of counties' IHSS administrative costs, due to high workloads for IHSS social work staff. As proposed, the May Revision proposes to reduce county IHSS *administrative* funding as the method for recouping the net loss of enhanced *services* funding under CFCO. Cutting administrative funding only serves to decrease funding for social worker staffing, jeopardizing counties' ability to meet all state-mandated administrative requirements, and at worst, it jeopardizes access to IHSS services for recipients.

Furthermore, imposing penalties onto counties, without addressing social worker workloads, will also result in difficult and undesired trade-offs in the program. To avoid penalties, which would further constrain already stressed staffing resources, counties would likely need to shift their staffing resources to reassessments, which then will reduce staffing available to process new applications and intakes, thus delaying IHSS services for those who need assistance. We also note that the approach proposed in the May Revision is contrary to those taken in other programs. For example, in the Medi-Cal program, counties are only assessed a penalty after they fail to meet performance standards, and penalties are suspended in years when no cost-of-living adjustment is provided for Medi-Cal staffing. Tying performance metrics with staff funding is a more reasonable approach.

We therefore urge the Legislature to reject this proposal, restore $81 million General Fund for county IHSS administration.

Further, to address county IHSS administrative needs while recognizing the challenging Budget environment, we request that the Legislature:

- Hold counties harmless for any administrative reductions due to proposed budget solutions ($5.8 million General Fund estimated).
- Adopt placeholder trailer bill language to reduce county desk reviews and home

visits as part of the Quality Assurance Program by 50 percent, and cease quality assurance and improvement plan activities imposed by CDSS once a county has come into compliance ($8.2 million General Fund estimated savings to counties).

- Direct the CDSS to engage with counties, labor organizations, and stakeholders on approaches to further reduce county administrative workload, and to report to the Legislature in January 2026.

CDSS Reassessment of IHSS Administrative Funding Methodology Confirms Counties are Underfunded, but Likely Understates the True Gap: CDSS reassessed the budget methodology for administration of the IHSS program, consistent with the Budget Act of 2024, and the results of this reassessment were reported at the 2025-26 May Revision. This reassessment revealed a significant need for additional funding of current operations. CDSS estimates that $246.1 million ($124.8 million General Fund) is needed to fully fund county IHSS administration. Unfortunately, the Administration did not include an augmentation associated with the need as identified by the reassessment of the budget methodology, and we also have questions and concerns about the methodology utilized, although we continue to learn more.

As we understand it, CDSS' review was based on a regional cost analysis using publicly posted salary data. The review found that the cost per hour for administrative activities should be increased to $107.47 per hour from the current cost of $86.23 per hour, resulting in an additional county funding need of $210 million ($106.4 million General Fund). CDSS also examined the funding needed to fully fund administrative costs for authorized-only cases. Currently, counties are not funded for the administrative costs of cases in which recipients have had their applications processed and approved but are not yet receiving IHSS. Funding authorized-only cases would result in additional county funding of $36.1 million ($18.4 million General Fund). In total, CDSS revealed that counties are underfunded by at least $246.1 million. The CDSS assessment clearly supports the need for additional administrative funding for the IHSS program.

While the Administration acknowledges that counties are underfunded for IHSS administrative costs, we believe that there are some flaws in the CDSS analysis, and therefore, the dollar amount needed is significantly higher than what CDSS estimates. Based on our initial review and understanding of the methodology, the reassessment released by CDSS unfortunately appears to use similar methods that are used in the existing flawed budget methodology for county administration. Specifically, it continues to rely on a regional approach, potentially masking the true cost of administering the program. The existing budget methodology does not fully fund actual IHSS worker costs, due to a regional estimate approach that only applied costs from a handful of counties. Moreover, instead of using actual cost data from all counties (known as fully loaded cost data) for the analysis—as submitted, approved, and audited by CDSS via county claims for program expenditures—CDSS used cost data from the most

populous counties within each region and relied on publicly posted wage information. Of significant concern, this deviates from the recent CalWORKs reassessment and CalFresh rebase efforts, which relied on this validated fully loaded cost data and on a different annual "Productive Work Hours" rate (a recommendation of 1,410 hours per year, which takes into account vacation, sick leave, etc; instead CDSS relied on a higher estimate of 1,776 hours per year in the IHSS reassessment).

We believe this shorts the hourly worker cost by upwards of at least $70 per hour. Additionally, we note the CDSS reassessment assumes that the average annual hours per case remains unchanged at 12.24 hours and the Department did not reevaluate whether adjustments were needed. Lastly, while the reassessment does include costs for processing authorized applications, it excludes the workload associated with processing denied applications, such as conducting the 1-2 hour in-home assessment. This means the current funding gap for county IHSS staffing will continue to worsen each year as the population of IHSS consumers increases, due to population growth.

Ultimately, we believe the reassessment of the budget methodology underestimates true county costs for Administering the program. This results in high caseloads for existing county IHSS staff (500-600 clients per social worker in some counties), which in turn hampers counties' ability to ensure IHSS applications are processed on a timely basis and that reassessments occur at least every 12 months, as required under state and federal law. This in turn contributes to counties' inability to recruit and retain staff, and directly impacts the population that IHSS serves as staff are unable to keep up with the growing caseload, leading to delays and service challenges.

May Revision Funding Cuts Will Worsen Current Understaffing Issues and Impede Timely Access to IHSS Services: The May Revision includes multiple proposals that will contribute to underfunding and limit timely access to services in counties. These proposals will add additional and unnecessary workload to county staff, place cost pressures on counties, and restrict access to needed and essential services. We note that the Administration proposes items that will reduce administrative funding and create additional workload for county staff while also acknowledging that counties are underfunded for those administrative activities.

Below we comment on the Administration's proposed budget solutions:

- *Elimination of IHSS Benefits for Undocumented Adults 19 and Older:* The May Revision also proposes eliminating IHSS for undocumented adults age 19 or older and equates to a $158.7 million General Fund cut for this vulnerable population. We note this policy change in the IHSS program differs from the Administration's May Revision proposal in the Medi-Cal Program, which would freeze new enrollments into Medi-Cal for the expansion populations (which include undocumented adults 19 and older), while

allowing those enrolled in Medi-Cal as of January 1, 2026 to continue receiving Medi-Cal services. Historically, individuals who are eligible for full-scope Medi-Cal are also eligible for IHSS services. The May Revision proposes separate eligibility criteria for IHSS undocumented populations only.

Further, we are unclear of the timing of this change. The May Revision includes no funding for services or administration related to this expansion population from July 1, 2025, to January 1, 2026. This suggests that these policy changes would take effect on July 1, 2025—six months prior to the changes proposed in the Medi-Cal program for the expansion population. If this provision implements July 1, 2025, it would not provide counties with adequate time to provide notice to IHSS recipients, resulting in the sudden loss of IHSS services for this population.

- *Auto-Termination of IHSS Recipients When Medi-Cal is Discontinued:* The May Revision proposes to auto-terminate IHSS recipients when their Medi-Cal is discontinued due to a failure to complete the annual Medi-Cal redetermination. Currently, when a Medi-Cal case is discontinued, the IHSS recipient falls into the IHSS Residual program and payments to their provider can continue until the county takes action to discontinue Medi-Cal. County IHSS social workers, in many counties, will engage recipients to encourage them to come into Medi-Cal compliance, rather than immediately terminate their benefits. Once the individual comes back into Medi-Cal, the IHSS social worker will receive a task notification in CMIPS to rescind the discontinuance and reinstate the recipient in IHSS. Reinstatement can create extra workload for county IHSS staff. Our greater concern is that the near immediate removal from IHSS, as proposed, will cause a lapse in pay to IHSS provider, until Medi-Cal is restored, which will cause hardship for both recipients and their care providers. <u>For these reasons, we urge the Legislature to reject this proposal.</u>

- *Capping Overtime and Travel Time:* We have concerns with the Administration's May Revision proposal to reduce IHSS provider overtime and travel time. Current law permits IHSS providers to work up to 66 hours if working for two or more recipients. Current law also provides exceptions to that rule, allowing IHSS providers to deliver care for up to 90 hours per workweek, not to exceed 360 hours per month, if certain conditions are met and upon county approval. Those conditions include when a recipient has a complex medical and/or behavioral need, lives in a rural or remote area, or the recipient is unable to hire a provider who speaks the same language. Current law also provides for paid travel time when the provider is travelling directly from one recipient to another on the same day, up to seven hours per work week. To address the budget shortfall, the May Revision would cap overtime and travel time to 50 hours total, for total proposed savings of $707.5 million General Fund beginning January 1, 2026. Taking such drastic

action will put the onus onto IHSS recipients to find additional IHSS providers to provide additional care—an expectation that will be difficult to meet due to existing and widespread care provider shortages in the IHSS program. This workforce shortage was noted in the report provided for CDSS by the UC Berkeley Labor Center, *Analysis of the Potential Impacts of Statewide or Regional Collective Bargaining for In-Home Supportive Services Providers Final Report to California Department of Social Services (December 2024)*. This cut is also likely to result in additional workload for county IHSS staff as a result of the need to increase provider recruitment efforts through public authorities and enrollment and training of new providers, should they be found.

- **Roll back of the asset limit test:** This proposal is part of the Administration's proposed Medi-Cal budget solutions and would result in the loss of IHSS services for approximately 1,900 recipients. This loss of services could result in increased costs for nursing home care for the state, as many who lose IHSS services may move into nursing homes.

Conclusion

While the May Revision brings difficult decisions for the Administration and Legislature, we must not turn our backs on our older adults and persons with disabilities who rely on IHSS to remain safe in their own homes and communities. Cuts to the IHSS program will have spill over effects to other areas, including our Adult Protective Services Program, regional centers, homelessness services, hospitals, and nursing homes. High workloads for IHSS social workers will reduce timely application processing and reassessments, resulting in reduced access to the services that individuals need to remain home safely.

The undersigned organizations urge the Legislature and Administration to maintain its promise to this vulnerable population as outlined in California's Master Plan on Aging. Thank you.

Sincerely,

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Justin Garrett, Senior Legislative Advocate, CSAC
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