

## Governor's Budget Proposals: Myths and Facts

As William O. Douglas said, "The way to combat falsehoods is with truth." In the past week, Governor Schwarzenegger has begun to repeatedly use the provocative terms "waste, fraud and abuse" to describe the CalWORKs and IHSS programs, in an attempt to justify and gain public support for his proposals in these program areas. His July 3 op-ed in the Los Angeles Times was riddled with myths, inaccuracies, and grossly overstated savings estimates for his proposals. In this document, we provide the facts that rebut the Governor's claims.

### CALWORKS

**MYTH:** "Of the approximately 525,000 cases that currently involve cash assistance from CalWORKs, only 22% are meeting minimum program requirements. That means 78% aren't trying to get on their feet at all. They're not working, not looking for work, not seeking job training, not performing community service and not pursuing an education." (Op Ed, 7/3/09)

### FACT

- 50% of work-required adults have employment earnings, and 65% of work-required adults participate in some type of work or education activity.
- The Governor references a flawed measure, the federal Work Participation Rate (WPR), which does not reflect client participation or program success. Among its many flaws:
  - *The WPR excludes part-time work, and ignores the reality of low-wage jobs.* The WPR is an "all or nothing" measure that does not give any credit for partial participation. Many clients work part-time, or in retail, and have little control over work hours and schedules. They may not get enough hours from their employer to consistently meet the WPR every month.
  - *The WPR is only a point-in-time measurement; viewing participation over time shows the overwhelming majority of clients are engaged in activities to help them move to work.* Just because a client is not participating in a given month does not mean they are disengaged; that client could be employed the very next month. For example, over a nine-month period Riverside County found 87 percent of clients participated.
  - *Bush Administration changes to the WPR give no credit for the substantial caseload declines since the Program's inception.* CalWORKs caseload declined by 50% from 1997 to 2007, yet states get little credit for such declines, due to 2006 federal changes.
- The Governor cites WPR data from 2007—more recent data indicates the WPR is now significantly higher, despite the increase in families receiving assistance due to the recession. For example, the most recent data from Los Angeles shows a WPR of over 40 percent.
- ***The Administration has repeatedly and consistently acknowledged the WPR is a flawed measure and as recently as September 2008, noted the "successful efforts that have moved over 400,000 cases beyond public assistance in California since 1996."***

**MYTH:** Making every CalWORKs recipient participate in “self sufficiency reviews” twice a year will save \$850 million over the next two budget years, and ultimately \$1.5 billion per year. (Op Ed, 7/3/09)

#### FACT

This statement is simply wrong. The Administration’s own May Revision indicated the self sufficiency reviews would save about \$185 million over two years, and \$100 million annually. However, ***the Governor does support cutting current grant levels and slashing welfare-to-work services in ways that would further impoverish children, increase homelessness and decimate the very programs that have been so successful in moving clients in to the workforce.***

**MYTH:** The CalWORKS Program is fast growing and contributing to the budget deficit. Therefore, it should be cut.

#### FACT

CalWORKs is not a “budget problem” for the state, and should not be a budget target. Since its inception, CalWORKs has contributed over *\$12 billion* to the state General Fund. This savings has been achieved by shifting federal TANF and state Maintenance of Effort funds to non-CalWORKs programs, enabling the state to spend less General Fund. Further, CalWORKs brings \$3.9 billion in federal funds to the state, and provides an important boost to the state’s economy, generating \$7.1 billion in economic output, 137,000 private and public-sector jobs, and \$130 million in sales tax revenues.

### ELIGIBILITY OPERATIONS

**MYTH:** The current eligibility process for Medi-Cal is “pen-and-paper” and handled by 27,000 workers “scattered” throughout the state’s 58 counties. (Op Ed, 7/3/09)

#### FACT

- After 20 years of repeated and failed attempts by the State to bring automation to the Medi-Cal, CalWORKs and Food Stamps programs, California counties successfully developed and implemented automation in all 58 counties.
- Counties and the state are already working to use technology to streamline application for programs. For example, individuals can already apply for Food Stamps online in five counties, expanding to all counties over the next year. Concurrently, on-line integrated access to Medi-Cal, CalWORKs, and the County Medical Services Program (CMSP) will be added for 39 counties. Counties will continue to add on-line services as funding permits.
- Counties and the Administration are working on a project to allow on-line application for a whole variety of health and human services programs. The Governor curiously fails to acknowledge this fact in his OpEd.

- The staffing number used by the Governor includes not just eligibility, but also employment services workers who help people move from welfare to work.

**MYTH:** Centralizing and modernizing eligibility would save \$500 million a year. (Op Ed, 7/3/09)

**FACT**

- The savings figures are overstated, as they have been every time this proposal or a variant of it has been put forth, ***and an accounting of the upfront costs and likely actual savings of this proposal has never been provided.***
  - Eligibility costs are driven by complex program rules, not the counties.
  - The Administration’s math assumes that Medi-Cal, Food Stamps, and CalWORKs can be compared to the Healthy Families program, which is a nonsensical, apples-to-oranges comparison.
  - The Governor’s proposal would substantially add the budget deficit, as it would duplicate existing automation and would likely not be eligible for federal funding.
- ***Based on the experiences of other states, these savings will not materialize.***
  - Projects in Texas, Indiana, Wisconsin, Ohio, and the District of Columbia, to name a few, provide recent examples of cost overruns and overcharges across multiple human services programs.
  - In Texas alone, the state was promised \$600 million in savings that never materialized. The Texas Comptroller advised the Legislature that “this project has failed the state and the citizens it was designed to serve” and called the plan a “perfect story of wasted tax dollars, reduced access to services and profiteering at taxpayers' expense.”
- California spends less than other states to administer these programs. The most recent federal claims data shows that California’s Medicaid administrative cost per recipient is well below Pennsylvania and Tennessee, and is right in line with Illinois and New York.

**MYTH:** A centralized, statewide eligibility automation system is a “simple fix.” (Op Ed, 7/3/09)

**FACT**

- The Administration’s ability to implement a large, complex welfare automation project is highly questionable. The current successful multi-consortia, county-led approach was developed and enacted by the Legislature after 20 years of failed state attempts. The only successful welfare automation ever achieved in the State resulted from the county-led efforts. State attempts to automate similar services have either failed or taken extended periods of time to complete, at a substantially greater cost than originally estimated. There is no reason to believe that the proposed effort would be any different.

- The Administration contends that automation of these programs could be accomplished in 3 years, but complex automation projects, such as the one proposed, typically take at least five years and often much longer. As an example, the state-run CMIPS II project began nine years ago and will not begin implementation until spring 2010 – and this is a simple project in comparison to the one proposed. Experiences in other states, such as Texas, reinforce the complexity, time, and expense involved in such an endeavor.

**MYTH:** The programs being considered for centralized, privatized eligibility are fraught with errors.

#### FACT

The State is not penalized for Medi-Cal errors, and the current error rate is low. Food Stamp error rates have been low for a number of years following collaborative efforts between the state and counties to reduce errors. The state actually received bonuses from the USDA in recent years based on its improved Food Stamp performance. There is no national error rate for CalWORKs, but a recent review of a sample of states found California to make fewer errors than the other large states that were studied.

**MYTH:** Centralizing and privatized eligibility is good for clients and will improve customer service.

#### FACT

- There is no evidence that centralized, privatized eligibility improves customer service, which is why ***every major client advocacy organization has come out in opposition to the proposal.*** In fact, the results in other states show *worse* customer service. In just the first four months of the Texas project, more than 100,000 children lost their health coverage. In Indiana, the most recent example of failed privatization, major media outlets and many legislators have called for a halt to the process and the state has responded by voluntarily stopping implementation in a majority of counties.
- Failed privatization continues to harm clients. After Texas terminated its contract with the Texas Access Alliance, it had difficulty staffing back up to meet demand, with people seeking benefits bearing the brunt of the problem. Offices were understaffed and calls went unanswered, leading the Fort Worth Star-Telegram to conclude “the ringing phones are fallout from a major experiment in state government that nearly everyone involved calls a disaster.”

### IN-HOME SUPPORTIVE SERVICES

**MYTH:** “Grand juries in six counties have found that the program has no safeguard against fraud. Care providers are able to collect state checks under aliases, and some providers bill the state for far more hours than they worked – with no oversight.” (Op Ed, 7/3/09)

**FACT**

- The IHSS Program has numerous safeguards against fraud, including a state and county-level IHSS Quality Assurance (QA) Initiative enacted in a bi-partisan agreement in 2004. Counties have dedicated QA staff performing desk reviews and home visits of recipients and providers, according to state-established guidelines, looking specifically for potential fraudulent activity and adequacy and quality of care issues. In addition to these reviews, the counties perform more in-depth or “targeted” case reviews that focus on specific issues or cases which may be problematic or signal potential fraud.
- In addition to the QA activities, IHSS providers must complete an enrollment process that requires the provider to submit a valid social security number and in some cases undergo a criminal background check for enrollment as a registry provider. Timesheets are signed by both the consumer and the provider verifying that services were rendered. The service hours can never exceed the amount authorized by an IHSS social worker to meet the client’s needs for care. Additional efforts to combat fraud through the use of technology are planned with the release of CMIPS II, beginning in Spring 2010.

**MYTH:** “Requiring background checks of providers and hiring more fraud investigators could save the state hundreds of millions of dollars this year alone.” (Op Ed, 7/3/09)

**FACT**

- This statement is wrong. The Administration’s own May Revision estimates savings to be \$100 million, and even this figure is grossly overstated.
- The incidence of IHSS fraud is overstated. According to 2007-08 results of state/county QA efforts, of the nearly 24,000 total cases reviewed, only 523 were referred for further investigation for potential fraud – just 2%. County data of actual fraud referrals shows even fewer potentially fraudulent cases, including Los Angeles County with less than 1% of cases over a three-year period referred for fraud.
- The Governor’s proposal would add a new bureaucratic layer to state government at a taxpayer cost of over \$3.4 million to combat an exaggerated problem. ***Building on successful current efforts and investing into local QA programs is a more cost-effective and efficient way to enhance program integrity.***

**MYTH:** The IHSS Program pays unscrupulous people to provide substandard care, endangering clients, even leading to death. “In San Luis Obispo County, a 20-year-old drug abuser who was the sole caretaker for his seriously disabled father provided such poor care that, according to the grand jury in that county, the father frequently had bedsores, he was not properly cleaned, adult protective services had to be called in and, ultimately, he died before he was 60 years old. Incredibly, the son was being paid by the state, through the In-Home Supportive Services Program, for this substandard care.” (Op Ed, 7/3/09)

**FACT**

- Catching unscrupulous providers in the IHSS program requires good case management by trained social workers. Unfortunately, ***the Governor has consistently grossly underfunded the case management oversight in the program throughout his tenure.*** His budgets fund less than the bare minimum of case oversight -- just over 8 hours per year per client to perform a number of activities, including client intake, assessment, provider enrollment, timesheet processing, and overall case monitoring. IHSS social workers often can't get out to see their clients more than once a year. To make matters worse, the Governor permanently cut county IHSS budgets by another \$15 million in 2008-09.
- Elder and dependent adult abuse is a crime and is not tolerated in the IHSS Program. IHSS staff works closely with county Adult Protective Services (APS) programs to help keep elderly and disabled adults safe. However, county APS programs are critically depleted, ***and the Governor has made the situation worse.*** APS was never fully-funded, and despite the fact that reports of abuse and neglect have grown by nearly 40% since 2000, The Governor has never increased the funding to keep up with the workload. He has vetoed legislative augmentations to the program, slashing another \$11.4 million in 2008-09.