

1 - MEDICAL SERVICES INITIATIVE (MSI) ENROLLEE INCREASE

1. Program Area:

COMMUNITY SERVICES

2. Identify agencies and departments involved.

Health Care Agency (HCA)

3. Is the Strategic Priority new or previously identified in an earlier Strategic Financial Plan; if previously identified, indicate what has changed and why; identify any progress made in reaching the goals/expectations of the previously identified priority; and identify dollar amounts, by major object category, for any funding related to the Strategic Priority that is included in the FY 10-11 Budget.

Previously identified

Requested increase to reimbursement levels have changed, based upon an additional year of data now available.

Strategic Priority funding included in the FY 2010-11 Budget:

\$2,000,000 (one-time funding)

4. Provide a description of the project/program – what it is and what it will achieve. Identify how the strategic priority aligns with the mission, values, strategic initiatives and goals of the County and, if applicable, how it relates to the health and/or safety of the community.

The Medical Services Initiative (MSI) program provides medical care services for indigent persons who are between 21 and 64 years of age, have incomes at or below 200 percent of the Federal Poverty Level, are legal residents of both the United States and the County of Orange, and have no other private or governmental health insurance.

During the last year, the MSI program has experienced a significant, unanticipated increase in the number of persons becoming eligible for the program. For the 2008-09 program year, an average of 29,262 persons was eligible for MSI each month. This number increased to 36,567 per month during program year 2009-10 – an increase of 25 percent over the prior year.

Corresponding increases in community clinic and physician claims for reimbursement have been received by the MSI program. Claims from community

clinics increased 40 percent between program years 2007-08 and 2009-10. Physician claims went up from 219,871 in program year 2008-09 to approximately 270,000 in program year 2009-10, a 23 percent increase. Hospital utilization has also increased, but by a smaller percentage of about 11 percent.

Because the MSI program has fixed pools of funds, the result of the increases in amounts claimed has been a reduction in reimbursement levels. Physicians have been reduced from 70 percent of national Medicare rates to 50 percent of those rates. Community clinics have been reduced from 85 percent to 60 percent. Hospitals, which were already being reimbursed at very low levels, are seeing their payments drop even further. These declines in reimbursement levels affect the willingness of medical providers to serve MSI patients.

The net effect of the increase in MSI eligibles could ultimately be de-stabilization of the network of providers caring for these persons. The requested \$7.5 million would partially restore MSI reimbursement levels during program year 2011-12.

Medical Services Initiative supports the County of Orange's Mission to make Orange County "a safe and healthy place to live, work, and play today and for generations to come." This is done through timely and appropriate quality medical services to the MSI population, as mandated by Section 17000 of the California Welfare and Institution Code.

The increased number of enrollees and claims has resulted in reduced reimbursement for providers of care. If uncorrected, this could reduce access to providers with ensuing negative consequences for the medical status of MSI eligible persons.

5. Identify personnel – will the program/project require additional staffing? If so, estimate the number of positions by classification.

N/A

6. Identify cost – estimate and identify separately one-time (e.g., equipment purchases) and ongoing costs (e.g., maintenance contracts).

The current Coverage Initiative within the MSI Maintenance of Effort (MOE) is \$57.2M.

This request for discretionary NCC would increase funding in FY 2011-12 by \$7,500,000 growing to \$8,034,188 by FY 2013-14. Beginning in FY 2014-15, it is currently forecasted that the additional NCC will not be required due to potential changes related to the Health Care Reform Act. If the act is not passed or is modified from the current legislation, these amounts may change.

7. Identify potential funding sources (e.g., State, Federal, General Fund, fees) and any possible limitations on those sources.

Federal Coverage Initiative funds will be available to assist with the expense of the increased number of MSI Eligibles. While the Centers for Medicare Studies is currently considering a new 1115 Waiver, the actual date of approval is unknown and it could be sometime before reimbursement funds are available.

A large portion of the current MSI population is anticipated to receive coverage under national health care reform, as currently approved by Congress, beginning in FY 2013-14.

Please refer to the attached spreadsheet for funding information.

8. Identify community awareness (stakeholders).

The Hospital Association of Southern California, Orange County Medical Association, and Coalition of Orange County Community Clinics are very much aware of the increased number of MSI eligibles and have expressed concern about the impact upon their members. They may approach the Board of Supervisors regarding these concerns.

9. Is the program/project mandated or discretionary?

The MSI program is mandatory; however, the requested Strategic Priority increase is discretionary.

10. Identify the implementation period if funding were available.

Implementation would occur in FY 2011-12.

MEDICAL SERVICES INITIATIVE (MSI) ENROLLEE INCREASE

	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
I. Cost											
Services & Supplies	2,000,000	7,500,000	7,762,500	8,034,188	0	0	0	0	0	0	0
Agency Expense Total	2,000,000	7,500,000	7,762,500	8,034,188	0	0	0	0	0	0	0
II. Non-General Fund Revenue											
No Revenue	0	0	0	0	0	0	0	0	0	0	0
Agency Revenue Total	0	0	0	0	0	0	0	0	0	0	0
III. General Fund Requirement	2,000,000	7,500,000	7,762,500	8,034,188	0	0	0	0	0	0	0
IV. Staffing											
No Positions	0	0	0	0	0	0	0	0	0	0	0

1 - 15G Affordable Housing

- 1. Program Area:**
COMMUNITY SERVICES
- 2. Identify agencies and departments involved.**
OC Community Resources/OC Community Services - 15G
- 3. Is the Strategic Priority new or previously identified in an earlier Strategic Financial Plan; if previously identified, indicate what has changed and why; identify any progress made in reaching the goals/expectations of the previously identified priority; and identify dollar amounts, by major object category, for any funding related to the Strategic Priority that is included in the FY 10-11 Budget.**

Yes, this Strategic Priority was previously identified in Strategic Financial Plans for Fiscal Years 2001 thru 2009. No general funds were allocated. With the approval of 60 acres dedicated to the County through the Rancho Mission Viejo (RMV) Development Agreement, there is an additional need for the County to continue to identify on-going, long-term financing for affordable housing. Additional financing sources to fund the \$50,000 to \$100,000 per affordable unit will need to be identified in order not to jeopardize the development of this 60 acres in the future.

Strategic Priority funding included in the FY 2010-11 Budget:

0500 Intergovernmental Revenues	7,637,344
0600 Charges For Services	2,053,622
0800 Other Financing Sources	40,299,455
3000 Other Charges	49,107,229
2000 Services & Supplies	883,192

- 4. Provide a description of the project/program – what it is and what it will achieve. Identify how the strategic priority aligns with the mission, values, strategic initiatives and goals of the County and, if applicable, how it relates to the health and/or safety of the community.**

- In August 2010, the median price of all homes in Orange County was \$438,500.
- In April 2010, the average rent in Orange County was \$1,475.

During the 2001 Strategic Financial Plan Cycle, the Board of Supervisors identified the affordable housing crisis as its number two Strategic Priority and committed general funds over a four-year period beginning in FY 02/03. Unfortunately, in FY 02/03 the Board was faced with serious fiscal problems that necessitated the reallocation of the Affordable Housing funding to operational needs. Although general funds have not been committed, the Board's on-going support for affordable housing as a Strategic Priority has been instrumental in keeping the issue at the forefront.

Not only does this climate impact the residents of Orange County, it also has an impact on the business community. The lack of affordable housing in the County has a direct negative impact on attracting and retaining skilled employees for numerous corporations.

To address the issue, the 2006 – 2014 Regional Housing Needs Assessment (RHNA) goals call for the development of 7,978 additional housing units in the unincorporated area of Orange County, of which 1,445 units are needed for low-income households at or below 80% of the Area Median Income (AMI) and 1,777 are needed for very low-income households at or below 50% AMI.

The difficulty in developing projects that focus on meeting 50% AMI is the need for deeper subsidies to fill the development financing "gap". Traditionally, 75-80% of the total development costs for affordable housing projects are funded through low-income housing tax credits, HUD SuperNOFA grants, tax-exempt bonds, conventional financing, State of California affordable housing financing programs, and equity. The 20-25% unfunded "gap" in affordable housing projects must be covered by other resources such as local funding, or other means of financing.

In the past 5 years, an average of \$39,497 per unit subsidy could be achieved due to the County's ability to effectively partner with Cities and developers to leverage funding; however, the County is focusing on developments in unincorporated areas, which will require substantially more subsidy per unit from the County.

Through legislative efforts AB 661 became law in 2002. This County-sponsored legislation allows County Redevelopment housing funds to be invested in affordable housing projects anywhere in the County if specific conditions are met; however, the AB 661 legislation also requires the County to make diligent efforts in using redevelopment funds for affordable housing in unincorporated areas first.

Since 2000, OC Community Services has issued NOFA's that have resulted in the Board of Supervisors approving 2,269 new units for financing, leveraging over \$503 Million.

OC Community Services has aggressively pursued additional leveraging opportunities to fill the gap. OC Community Services entered into a Memorandum of Understanding with the Health Care Agency (HCA) to utilize \$9.4 million in Mental Health Services Act (MHSA) one-time housing funds and \$33 million in CalHFA MHSA Housing Program funds to address the housing needs of the homeless mentally ill.

The Housing Assistance Division of OC Community Services provides rental assistance for up to 9,623 households in the Housing Choice Voucher program and administers rental assistance for over 1,000 households who relocated to its jurisdiction from other housing agencies. This Division has also expanded the Shelter Plus Care Program to assist over 550 homeless families or persons with disabilities. In addition, up to 100 Housing Choice Vouchers are available to be reserved on a project-based basis to support on-going operations of deeply affordable special needs housing units.

Since June 2009, OC Community Services has applied for additional funding that has resulted in 220 VA Supportive Housing (VASH) Vouchers and additional 37 Family Unification Vouchers, \$1 million in CalHome grant funding for the Mortgage Assistance and Neighborhood Preservation Programs, and \$7 million in Neighborhood Stabilization Program (NSP) funds that will help increase the supply of affordable housing in Orange County.

Additionally, the Board of Supervisors approved housing opportunities overlay zone regulations in January 2006, which allows the development of affordable housing on industrial/commercially-zoned property. The implementation of the overlay zone regulations was an obligation set forth in the County's Housing Element.

5. Identify personnel – will the program/project require additional staffing? If so, estimate the number of positions by classification.

At this time, this program will not require additional staffing.

6. Identify cost – estimate and identify separately one-time (e.g., equipment purchases) and ongoing costs (e.g., maintenance contracts).

The ongoing costs for this Strategic Priority are \$7,144,530 beginning in FY 2011-12, rising to \$7,319,381 by FY 2020-21.

There are no General Funds requested in this Strategic Financial Plan. In previous Strategic Financial Plan narratives, OC Community Services has indicated that the need for additional “gap” financing from the County will be reevaluated on an “annual basis”. To date, OC Community Services has used local Redevelopment set-aside, Housing Authority Operating Reserves, Single Family Bond refinancing funds, Mental Health Services Act (MHSA), and HOME Investment Partnership Act (HOME) funds to fill the financing “gap” in affordable housing without the use of general funds. OC Community Services will continue to pursue these funding opportunities.

The development of the 60 acres through the Rancho Mission Viejo (RMV) Development Agreement for rental affordable rental housing is estimated to need additional financing once sites are identified. This increased demand for “gap” financing will require either additional Redevelopment (an increase in the 20% set-aside), and/or other financing sources to supplement the existing MHSA, HOME, and Redevelopment funding.

7. Identify potential funding sources (e.g., State, Federal, General Fund, fees) and any possible limitations on those sources.

OC Community Services currently has approximately \$18.9 million in uncommitted housing funds available for the construction of affordable housing from HOME and Redevelopment set-aside funds (currently budgeted). The annual allocation of funds distributed to the County for affordable housing development is approximately \$1.5 million in HOME funds and approximately \$4,000,000 to \$5,000,000 in Redevelopment set-aside funding. Additionally, under the Mental Health Services Act (MHSA) program, \$33 million has been allocated for Orange County developments, however, these funds are targeted to serving the seriously mentally ill. To date, the County has \$28.8 million in MHSA funding available for allocation.

Many State and Federal programs require leverage or matching funding from the local jurisdiction. The County’s ability to match or fund part of the gap affects how the County leverages these resources to provide more affordable units in the County. OC Community Services receives federal funding from a number of different federal programs such as the Section 8 Rental Assistance program and community development programs (e.g. CDBG, HOME, ESG). More recently, the county has received economic stimulus funding through the Neighborhood Stabilization Program (NSP) that is being utilized for affordable housing activities.

OC Community Services also receives local funding from the Orange County Development Agency (OCDA) for the administration and disbursement of local redevelopment dollars.

Please refer to the attached spreadsheet for funding information.

8. Identify community awareness (stakeholders).

OC Community Services, Orange County residents, OC business community, and developers

9. Is the program/project mandated or discretionary?

Discretionary. The County's Housing Element which is required under state law provides strategies for the County to accomplish meeting the regional housing needs assessment goals.

10. Identify the implementation period if funding were available.

OC Community Services is not requesting any general funds at this time; however, the Board's continued support for affordable housing as a Strategic Priority has been instrumental in keeping the issue at the forefront and in leveraging other resources.

15G AffHsing CYC

	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
I. Cost											
Services & Supplies	883,192	903,058	914,854	934,736	955,954	968,468	979,837	1,000,132	1,021,136	1,042,876	1,065,376
Other Charges	49,107,229	6,241,472	6,246,887	6,244,733	6,241,774	6,248,068	6,256,070	6,255,728	6,255,275	6,254,703	6,254,005
Agency Expense Total	49,990,421	7,144,530	7,161,741	7,179,469	7,197,728	7,216,536	7,235,907	7,255,860	7,276,411	7,297,579	7,319,381
II. Non-General Fund Revenue											
Intergovernmental Revenues	7,637,344	1,570,820	1,570,820	1,570,820	1,570,820	1,570,820	1,570,820	1,570,820	1,570,820	1,570,820	1,570,820
Charges For Services	2,053,622	0	0	0	0	0	0	0	0	0	0
Other Financing Sources	40,299,455	5,573,710	5,590,921	5,608,649	5,626,908	5,645,716	5,665,087	5,685,040	5,705,591	5,726,759	5,748,561
Agency Revenue Total	49,990,421	7,144,530	7,161,741	7,179,469	7,197,728	7,216,536	7,235,907	7,255,860	7,276,411	7,297,579	7,319,381
III. General Fund Requirement	0	0	0	0	0	0	0	0	0	0	0
IV. Staffing											
No Positions	0	0	0	0	0	0	0	0	0	0	0