

Date of Hearing: June 25, 2024

ASSEMBLY COMMITTEE ON HUMAN SERVICES

Alex Lee, Chair

SB 1112 (Menjivar) – As Amended May 16, 2024

SENATE VOTE: 38-0

SUBJECT: Medi-Cal: families with subsidized childcare

SUMMARY: Requires the California Department of Health Care Services (DHCS) to authorize Medi-Cal managed care plans to enter into a memorandum of understanding (MOU) with an alternative payment agency (Alternative Payment Program or APP agency) to facilitate enrollment of children in Medi-Cal and referral of children to developmental screenings administered by Medi-Cal managed care plans. Requires DHCS to develop a model template for this purpose. Specifically, **this bill:**

- 1) Requires DHCS to authorize Medi-Cal managed care plans to enter into a MOU with APPs. Requires the MOU to include, at a minimum, the provisions included in the model developed pursuant 4) below.
- 2) Requires, in accordance with the MOU, and for purposes of children of families receiving subsidized childcare services through an APP, the Medi-Cal managed care plan and alternative payment agency to collaborate on both of the following upon the consent of the corresponding parent or guardian:
 - a) If the child is eligible for coverage under the Medi-Cal program but is not a Medi-Cal beneficiary, informing and directing the family on how to enroll the child into the Medi-Cal program; and,
 - b) If the child is already a Medi-Cal beneficiary, or if the child is newly enrolled in Medi-Cal through the assistance described in a) above, referring the child to developmental screenings that are available under early and periodic screening, diagnostic, and treatment (EPSDT) services, and that are administered through the Medi-Cal managed care plan.
- 3) Authorizes, in accordance with the MOU, an alternative payment agency to address the systems of care coordination gap and serve as the primary prevention coordination partner with expanded navigation and training functions, for the purpose of implementing 2) above.
- 4) Requires DHCS, in consultation with the California Department of Social Services (CDSS), to develop a model template MOU to be used by Medi-Cal managed care plans and alternative payment agencies.
- 5) Defines the following terms:
 - a) “Alternative payment agency” to mean an agency that operates APPs under the Child Care and Development Services Act, as described; and,
 - b) “Medi-Cal managed care plan” to mean an individual, organization, or entity that enters into a contract with the department to provide services to enrolled Medi-Cal beneficiaries pursuant to specified existing law.

- 6) Requires DHCS to seek any necessary federal approvals to implement this section.
- 7) Requires this section to be implemented only to the extent that any necessary federal approvals have been obtained and federal financial participation is available.

EXISTING LAW:

State law:

- 1) Establishes the Child Care and Development Services Act, administered by CDSS, to provide childcare and development services as part of a coordinated, comprehensive, and cost-effective system serving children from birth to 13 years of age and their parents, including a full range of supervision, health, and support services through full- and part-time programs. (Welfare and Institutions Code [WIC] § 10207 *et seq.*)
- 2) Defines the following terms:
 - a) “Childcare and development services” to mean services designed to meet a wide variety of children’s and families’ needs while parents and guardians are working, in training, seeking employment, incapacitated, or in need of respite and states that these services may include direct care supervision, instructional activities, resource and referral programs, and alternative payment arrangements. (WIC § 10213.5(j))
 - b) “Alternative payments” to include payments that are made by one childcare agency to another agency or childcare provider for the provision of childcare and development services, and payments that are made by an agency to a parent for the parent’s purchase of childcare and development services.
 - c) “APP” to mean a local government agency or nonprofit organization that has contracted with CDSS, or a migrant APP, to provide alternative payments and to provide support services to parents and providers. (WIC § 10213.5(a-b))
- 3) Authorizes, upon the approval of CDSS, the use of childcare and development funds to be used for APPs to allow for maximum parental choice in selecting an appropriate childcare setting, and establishes requirements for APPs, as specified. (WIC § 10225)
- 4) Requires CDSS to contract with local contracting agencies for APPs so that services can be provided throughout the state, as specified (WIC § 10225.5(b))
- 5) Requires childcare and development services programs, if a child exhibits persistent and serious behaviors, to consider completing a comprehensive screening to identify the needs of the child, including, but not limited to, screening the child’s social and emotional development, referring the child’s parents or legal guardians to community resources, and implementing behavior supports within the program (Education Code [EDC] § 8489.1(2)(B)(ii))
- 6) Defines “persistent and serious behaviors” to mean repeated patterns of behavior that significantly interfere with the learning of other children, or interactions with peers and adults that are not responsive to the use of developmental appropriate guidance. (EDC § 8489(e))

- 7) Establishes the Medi-Cal program, administered by DHCS under which low-income individuals are eligible for medical coverage. (WIC § 14000 *et seq.*)
- 8) Establishes a schedule of benefits under the Medi-Cal program, which includes benefits required under federal law and benefits provided at state option, but for which federal financial participation through Medicaid is available. The schedule of benefits includes EPSDT for individuals under 21 years of age. (WIC § 14132)
- 9) Requires Medi-Cal managed care plans to include developmental screening services for individuals zero to three years of age that comply with the periodicity schedule and standardized and validated developmental screening tools established by the Bright Future Guidelines and Recommendations for Preventive Pediatric Health Care. (WIC § 14132.195)

Federal law:

- 10) Requires state Medicaid plans to cover any clinical preventive services that are assigned a grade of A or B by the United States Preventive Services Task Force. Requires coverage for individuals under 21 years of age of all necessary health care, diagnostic services, treatment, and other measures to correct or ameliorate defects and physical and mental illnesses and conditions discovered by the screening services, whether or not such services are covered under the State plan, known as the EPSDT benefit. (42 USC § 1396(d))

FISCAL EFFECT: According to the Senate Appropriations Committee on May 16, 2024:

- Unknown costs for the Department of Health Care Services (DHCS) for state administration (General Fund and federal funds).
- Unknown General Fund costs for the California Department of Social Services (CDSS) for state administration.

COMMENTS:

Background: *Subsidized Childcare.* California's subsidized childcare is made up of a system of voucher-based and direct service programs serving children from birth through 13 years of age and children with exceptional needs up to 21 years of age. Funded through a mix of federal and state dollars, subsidized childcare is administered through a mixed delivery system by local educational agencies, community-based providers, and family childcare providers.

A family may be eligible for childcare if they are: a) either a current aid recipient; b) income eligible; c) homeless; d) one whose children are recipients of protective services or have been identified as being, or at risk of being, abused, or neglected, as specified; or, e) one who has a member of its household who is certified to receive benefits from a means-tested government program such as Medi-Cal, CalFresh, or Early Head Start. For families who are eligible based on income, each family cannot earn more than 85% of the state median income. As of July 1, 2023, that amount is \$6,931 per month for a family of three.

Alternative Payment Program. An APP is a voucher-based program that manages the distribution of state and federal funds to support the childcare needs of low-income families. CDSS contracts with APP agencies, which serve as intermediaries between the state and families, ensuring that funds allocated for childcare are administered directly to childcare

providers as subsidy payments on behalf of families across the state. Alternative payment agencies facilitate access to affordable childcare for eligible families, including full-day, part-day, and before-and-after-school care options in licensed centers, family childcare homes, or license-exempt settings.

In addition to facilitating access to childcare services, alternative payment agencies offer resources and support to families, including connecting families with additional community resources. Among the 73 alternative payment agencies, 49 are nonprofit community-based organizations, 13 are county offices of education, nine are county welfare departments, one is a school district, and one is a city government. In the fiscal year 2022-23, 92,428 children were participating in APPs. Given their close interaction with families, alternative payment agencies are uniquely positioned to identify children who may benefit from additional health services, including those offered by Medi-Cal.

Children with Developmental Disabilities in Childcare Settings. Early childhood is a period of rapid development across physical, cognitive, social, and behavioral domains. Sometimes, however, this development may deviate from the typical trajectory, resulting in a diagnosis of disability or delay for some children. These children represent an estimated 15% of the United States' (U.S.) childhood population. Most developmental disabilities begin before a baby is born, but some happen after birth due to injury, infection, genetics, and parental health and behavior, among other factors. Examples of developmental disorders include autism spectrum disorder, cerebral palsy, attention-deficit/hyperactivity disorder (ADHD), and Tourette syndrome.

Many children with developmental delays or behavior concerns are not identified until they are in school or childcare. As a result, significant delays may occur, and chances for timely treatment may be missed. Existing law requires childcare and development services programs to conduct a comprehensive screening to assess the needs of the child. This includes, but is not limited to, screening the child's social and emotional development, referring the child's parents or legal guardians to community resources, and incorporating behavior supports within the program if a child exhibits persistent and serious behaviors. These behaviors are defined as repeated patterns of behavior that significantly disrupt the learning of other children or interactions with peers and adults who do not respond to the use of developmentally appropriate guidance.

Identifying children as early as possible for early intervention services can help children from birth to three years of age in developing crucial skills. However, according to a 2022 University of California, Riverside study of parents with autistic children, one in six had reported that their child had been expelled from a childcare program due to behavioral issues that were linked to an undiagnosed disability. Additionally, data shows that young children of color and young children with developmental disabilities are disciplined with suspension and expulsion more often than their White or nondisabled peers. Expulsion and suspension of children in any academic setting, like childcare, has negative long-lasting effects, ranging from dropping out of high school to an increased risk of incarceration.

Medi-Cal Managed Care. Medi-Cal, California's Medicaid program, serves as a critical safety net for low-income individuals and families, providing comprehensive health coverage to millions of residents. Medi-Cal offers a wide array of health services, including medical, dental, mental health, and long-term care services. Eligibility for Medi-Cal is determined based on income, residency, and other criteria, with specific provisions for different populations, such as children, pregnant women, elderly adults, and people with disabilities.

Medi-Cal managed care plans provide care to the vast majority of Medi-Cal beneficiaries compared to Medi-Cal fee-for-service. DHCS contracts with both private and public, locally governed managed care plans to deliver Medi-Cal services. The model of managed care varies by county, with one to four plans delivering care in each county. According to DHCS, as of December 2017, 4.9 million children – about half of all children in California – were covered through Medi-Cal managed care plans.

Early and Periodic Screening Diagnostic and Treatment Services & Developmental Screenings. Required by federal law, Medi-Cal managed care plans offer EPSDT for children under 21 years of age, which provides comprehensive and preventive healthcare services. For enrollees under 21s years of age, Medi-Cal managed care plans are required to use the current Bright Futures periodicity schedule and guidelines developed by the American Academy of Pediatrics. States must inform all Medicaid-eligible families about the benefit, screen children at reasonable intervals, diagnose and treat any health problems found, and report certain data regarding EPSDT participation annually to the Centers for Medicare & Medicaid Services. Under federal Medicaid law, EPSDT services include screening, vision, dental, hearing, other necessary health care, diagnostic services, and treatment. The purpose of EPSDT is to ensure that eligible children receive early detection and preventive care in addition to medically necessary treatment services so that health problems are averted or diagnosed and treated as early as possible.

As previously noted, developmental screenings during early childhood are essential to identify possible delays in growth and development, and are required for children enrolled in Medicaid. Developmental screening uses a standardized screening tool to identify risk of developmental, behavioral, and social delays. The American Academy of Pediatrics recommends developmental screening at well-child visits to occur at nine months, 18 months, 24 months, and 30 months of age. Therefore, infants and toddlers should be screened in the first, second, and third year of their lives.

According to Medi-Cal data from 2021, 71% of children did not receive their recommended developmental screening before their third birthday. Despite 97% of children in California having health insurance, the state ranks 46th out of all 50 states and the District of Columbia in providing preventative care visits for children aged five and under, as reported by a Los Angeles Times article.

State Auditor Report Findings. In March 2019, the State Auditor released a report on DHCS' oversight of preventive services for children in Medi-Cal. The audit revealed that about 2.4 million children enrolled in Medi-Cal did not receive all required preventive services, ranking California 40th among all states. This issue is partly attributed to a lack of awareness among families about the availability of preventive services and a lack awareness among Medi-Cal managed care plans that children should be receiving these mandatory services. Additionally, DHCS requires Medi-Cal managed care plans to report on performance measures for only a portion of the required preventive services. The auditor's report highlighted significant deficiencies in children's access to preventive care, including both the number and location of providers offering these services. Finally, data shows that utilization rates of preventative services vary significantly across ethnicity and language. For example, the utilization rate was highest among Vietnamese populations at nearly 60%, while utilization rates for Samoan children were lowest at around 37%. Research suggests that patients use preventative services and have higher levels of trust and satisfaction with providers of similar racial, linguistic, and social backgrounds.

In September 2022, the State Auditor released a follow-up report to the 2019 audit, finding that DHCS had not succeeded in increasing the percentage of children receiving the preventive services required by Medi-Cal. From fiscal years 2018-19 through 2020-21, less than half of the children in Medi-Cal received these services, which is a decline from the 2019 report finding. The provision of required preventative care remained particularly low for certain age groups over the recent three fiscal years. For instance, almost three-quarters of two-year-olds in Medi-Cal did not receive the necessary preventative services, such as blood lead testing and developmental disorder screening. Additionally, the follow-up report noted that in the three years since the initial recommendations, DHCS had fully implemented only six of 14 recommendations. The report specifically criticized DHCS for failing to distribute outreach materials during the pandemic, not ensuring the accuracy of provider directories, and not increasing the number of available providers, among others.

Medi-Cal Managed Care Plan Memorandums of Understanding. According to the Assembly Health Committee, the current contract between Medi-Cal managed care plans and DHCS requires plans to form partnerships with numerous third-party entities to ensure coordinated care and access to community-based resources, supporting whole-person care. These entities include local health departments, social services, child welfare departments, First 5 programs and providers, and Women, Infants, and Children Supplemental Nutrition Program, among others.

MOUs are designed to clarify roles and responsibilities between the plans and third parties, support local engagement, and facilitate care coordination and information exchange necessary for effective referral processes. Additionally, MOUs aim to enhance transparency and accountability by outlining the existing requirements for each parties related to service or care delivery and coordination, ensuring mutual awareness of each other's obligations.

To streamline this process, DHCS has developed MOU templates for plans and third-party entities. These templates ensure that all plan contract provisions for MOUs are included and provide standardization in reporting. *This bill* requires DHCS, in consultation with CDSS, to develop a model template MOU to be used by Medi-Cal managed care plans and APPs.

This bill further allows Medi-Cal managed care plans and alternative payment agencies to enter into MOUs. Without a formal mechanism for collaboration, alternative payment agencies may not have the means to facilitate necessary health screenings and referrals for children in their care. Consequently, developmental delays or health issues may go undetected until they become more serious. As such, a formal partnership could enable alternative payment agencies to assist families enroll eligible children in Medi-Cal, ensuring they receive the health coverage they need. Collaboration might provide for alternative payment agencies and healthcare providers in Medi-Cal managed care plans to better ensure that children receive timely developmental screenings, leading to early detection, and intervention for any issues.

Author's Statement: According to the Author, "The early years of a child's life are pivotal points for future success. Developmental screening and early intervention programs offered during these early stages promote the growth and prosperity of youth, families, and communities. It is estimated that 1 in 6 children in the United States has a developmental disability. However, only 3% of infants and toddlers relative to California's population receive early intervention services. Research shows that low-income families and communities of color face additional difficulties in accessing screening, leading to delayed diagnosis and support.

“While California has made historic investments to expand our health, mental health, and developmental services, data shows that California lags in providing these screenings with a rate of 26% and is ranked one of the lowest in providing access. With [this bill], we can leverage a clear pathway for eligible families to access these screenings and services through existing programs and relationships formed at the local level. Childcare agencies can support enrollment in Medi-Cal and refer youth to their primary care physician for a screening. Ultimately bridging the gap in administering these timely developmental screenings and referrals to support services for better care coordination. We cannot continue to lag behind, letting youth fall between the cracks of receiving timely support and intervention.”

Equity Implications: California’s subsidized childcare system enrolled 231,400 low-income children statewide in 2022, with Black and Latinx children having the greatest need for subsidized childcare. Additionally, children from low-income families often face multiple challenges that can affect their health and development, including economic instability, limited access to nutritious food, inadequate housing, and exposure to toxic stress. Such adverse conditions can contribute to developmental delays, behavioral issues, and long-term health problems.

Research shows significant economic and racial disparities in developmental screening and early intervention referrals. For example, ZERO TO THREE State of Babies Yearbook 2021 reported that in 2020, 35.7% of White families received development screenings, compared to 27.9% of Hispanic families, 27.2% of Black families, and 26.2% of Asian families. Furthermore, a 2023 report by the UNC Equity Research Action Coalition and the Early Childhood Technical Assistance Center found that 36% of families above low income (200% of the federal poverty line) reported their child had received a developmental screening in the past year, compared to 27.2% of low-income parents. Additionally, the researchers highlighted that Black children were less likely than their White and higher-income peers to be referred to early intervention services.

In light of these disparities, this bill seeks to enhance coordination between the healthcare and early childhood education systems by facilitating collaboration between Medi-Cal managed care plans and alternative payment agencies. This bill aims to improve health outcomes for children from low-income families by streamlining the enrollment process for eligible children to ensure they receive timely access to Medi-Cal benefits, including developmental screenings.

Double referral: This bill was previously heard in the Assembly Committee on Health on June 11, 2024, and was approved on a 16-0 vote.

RELATED AND PRIOR LEGISLATION:

SB 635 (Menjivar) of the current legislative session, would have required state preschool programs, childcare programs, and home visiting programs, with consent from a parent, to screen each enrolled child with a validated developmental screening tool. *SB 635 was amended on June 8, 2023, and no longer fell under the jurisdiction of this committee.*

AB 2806 (B. Rubio), Chapter 915, Statutes of 2022, expanded the existing prohibition on expelling children from state preschool programs to also prohibit the suspension of children enrolled in state preschool programs, and extended the prohibition on suspension and expulsion of children to include those enrolled in childcare programs, with exception.

AB 1361 (B. Rubio) of 2021, would have prohibited a childcare facility from expelling or suspending a child, unless specified expulsion and suspension guidelines were followed. *AB 1361 was held on the Assembly Appropriations Committee suspense file.*

AB 1004 (McCarty), Chapter 387, Statutes of 2019, required EPSDT screening services to include developmental screening services for Medi-Cal beneficiaries ages zero to three.

AB 11 (McCarty) of 2018, would have required that screening services available under the EPSDT Program, consistent with federal law, include developmental screening services for individuals zero to three years of age, inclusive. *AB 11 was vetoed by Governor Brown.*

AB 2698 (B. Rubio), Chapter 946, Statutes of 2018, amongst other things, established the early childhood mental health consultation service in California to serve infants, toddlers, and children in a general childcare and development program or family childcare home education network.

AB 340 (Arambula), Chapter 700, Statutes of 2017, required DHCS, in consultation with specified entities, to convene an advisory working group to update, amend, or develop, if appropriate, tools and protocols for the screening of children for trauma, within the EPSDT benefit, consistent with existing law.

SB 1466 (Mitchell) of 2016, would have required screening services provided under the EPSDT Program to include screening for trauma, as defined, at all screenings. *SB 1446 was vetoed by Governor Brown.*

REGISTERED SUPPORT / OPPOSITION:

Support

Child Care Resource Center (Sponsor)
Association of Regional Center Agencies
CleanEarth4Kids.org
Early Care and Education Consortium
EveryChild California
First 5 California
Our Voice: Communities for Quality Education
Thriving Families California

Opposition

None on file.

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