STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
DF-46 (REV 08/15)

Fiscal Year	Business Unit	Department	Priority No.
2016-17	4265	California Department of Public Health	

Budget Request Name	Program	Subprogram
4265-015-BCP-DP-2016-GB	4050010 – Health Facilities	

Budget Request Description
Licensing and Certification Program Quality Improvement Projects

Budget Request Summary

The California Department of Public Health (Public Health), Center for Health Care Quality (Center), requests expenditure authority of $2 million in fiscal year 2016-17 from the Internal Departmental Quality Improvement Account to execute two contracts to implement recommendations from the Hubbert Systems Consulting report. One contract will support the redesign of the Central Applications Unit IT systems, and the other will support the redesign of the Health Facilities Consumer Information System.

Requires Legislation	Code Section(s) to be Added/Amended/Repealed
☐ Yes ☒ No	

Does this BCP contain information technology (IT) components? ☒ Yes ☐ No *If yes, departmental Chief Information Officer must sign.*	Department CIO	Date
	Ghodsine	1/6/16

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

☐ FSR ☐ SPR Project No. S1BA Date: Sent to Department of Technology on 10/23/2015

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
Jean Lucas	1/6/16	[signature]	1/6/16
Department Director	**Date**	**Agency Secretary**	**Date**
[signature]	1/6/16	[signature]	1/7/16

Department of Finance Use Only

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

BCP Type: ☐ Policy ☒ Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature
Barbara J. Ivy	1/8/2016

A. Budget Request Summary

Public Health requests expenditure authority of $2 million in 2016-17 from the Internal Departmental Quality Improvement Account to execute two contracts to implement recommendations from the Hubbert Systems Consulting report. One contract will support the redesign of the Central Applications Unit IT systems, and the other will support the redesign of the Health Facilities Consumer Information System.

B. Background/History

The Center is responsible for regulatory oversight of licensed health care facilities and health care professionals to ensure safe, effective, and quality health care for all Californians. The Center fulfills this role by conducting periodic inspections and complaint investigations of health care facilities to ensure they comply with federal and state laws and regulations. The Center is primarily funded by a grant from the federal Centers for Medicare and Medicaid Services and by licensing fees paid by health care facilities. The Center licenses and certifies over 7,500 health care facilities and agencies in California in 30 different licensure and certification categories.

Chapter 605, Statutes of 2008 (SB 541) established the Internal Departmental Quality Improvement Account. The account is funded by administrative penalties Public Health imposes against health facilities for violations that meet the definition of Immediate Jeopardy of death or serious harm to a patient. As required by statute, the Center has used the funds to contract, develop, and maintain program quality improvement activities.

In a June 20, 2012 letter, the Centers for Medicare and Medicaid Services required Public Health to "conduct a comprehensive assessment of Public Health's entire survey and certification operations at not only its headquarters but also at each of the District Offices and the offices covered by its contractual agreement with Los Angeles County. The assessment must identify concerns, issues, and barriers related to Public Health's difficulty in meeting performance expectations."

The Center contracted for this assessment and received the contractor's final report in August 2014. The report contained 21 recommendations to "allow for meaningful, measurable improvements in the Center's performance." The Center created a plan to implement the 21 recommendations, and is tracking the progress made toward fully implementing the recommendations.

In fiscal year 2014-15, the Center received expenditure authority of $1.4 million from the Internal Departmental Quality Improvement Account and used these funds to hire consultants from The Results Group to conduct business process reengineering projects for its Central Applications Unit and Professional Certification Branch. The Center also contracted with a project manager and change consultant to facilitate and coordinate the multi-year implementation of the Hubbert Systems Consulting's 21 remediation recommendations.

The 2015 Budget Act includes $2 million expenditures authority from the Internal Departmental Quality improvement Account for the Center to execute two contracts in 2015-16 to further implement recommendations from the Hubbert Systems Consulting's report. One contract will evaluate the Center's recruitment efforts, and design and implement a comprehensive recruitment plan. The other contract will evaluate the Center's employee onboarding and

employee retention efforts, and implement changes to existing onboarding and retention practices as necessary.

As demonstrated in the Resource History chart below, the Center's authorized and actual expenditures have consistently been significantly less than the revenues received. As a result, the Internal Departmental Quality Improvement Account fund balance has continued to increase. As of December, 2015, the Internal Departmental Quality Improvement Account fund balance is near $16 million.

Resource History
Internal Departmental Quality Improvement Account – 0942-222
(Dollars in thousands)

Program Budget	2011-12	2012-13	2013-14	2014-15	2015-16*
Authorized Expenditures	$393	$744	$1,810	$3,412	$2,303
Actual Expenditures	$393	$150	$1,038	$2,552	$2,303
Revenues	$3,401	$3,657	$4,112	$4,306	$4,217
Fund Balance**	$8,254	$11,709	$14,188	$15,945	$17,859

* Projections based on the proposed 2016-17 Governor's Budget.
** Year end fund balances include prior year adjustments, and actual fines and penalties in 2014-15.

C. State Level Considerations

This proposal supports Public Health's mission of optimizing the health and well-being of the people in California, and the strategic objectives to promote compliance with health and safety laws and make information available, transparent, and useful.

The Center's activities, as outlined in this proposal, align with the following objectives described in Public Health's Strategic Map, which sets forth the Department's mission, vision, and strategic direction:

- Strategic Priority A: Strengthen the Department as an organization.
  - Objective A-4: Improve decision making processes through ensuring that decision-making is rooted in the Department's core values, are based on best available evidence, and respond timely to emerging needs and adapt to rapid changes in the external environment.
- Strategic Priority B: Communicate and promote the value of public health.
  - Objective B-3: Make information available, transparent and useful by providing information in ways that are accessible and meaningful to our partners and the public.
- Strategic Priority C: Strengthen prevention and control of disease and injury.
  - Objective C-4: Promote compliance with Health and Safety Laws by utilizing the Department's regulatory authority to promote compliance that protects public health and well-being.

Health and Safety Code Section 1280.15(f) mandates the Internal Departmental Quality Improvement Account be used for the sole purpose of quality improvement activities in the Licensing and Certification Program. The planned activities are consistent with that purpose.

D. Justification

This proposal requests one-time authorization to expend $2 million from the Internal Departmental Quality Improvement Account in 2016-17 to implement recommendations made by The Results Group and Hubbert Systems Consulting. The first project the Center proposes is to redesign the Central Applications Unit IT systems. This project would entail replacing substantially paper-based processes with information technology solutions that will allow recording and tracking of multi-level facility ownership structures, as well as on-line applications and reporting features. This redesign will also enable the Center to be compliant with Affordable Care Act requirements, while also improving the quality and timeliness of services provided to facilities. Once complete, the redesign will enable the Center to provide more accurate and timely information on facility ownership and compliance history. Further, the redesign will enable the Central Applications Unit to achieve greater staff efficiencies by fully centralizing all ownership tracking activities that currently take place in the Central Applications Unit, district offices, and Los Angeles County.

The second project the Center proposes is to redesign the Health Facilities Consumer Information System. Established in 2008, the Health Facilities Consumer Information System provides consumers and patients access to information about the Center's licensed long-term care facilities and hospitals throughout the state. The website provides profile information for each facility, as well as performance history including complaints, facility self-reported incidents, state enforcement actions, and deficiencies identified by Public Health staff; the system also allows consumers to submit complaints to Public Health electronically. The current system is outdated and not as user-friendly or accessible as many other public facing consumer centric websites. The redesign of the Health Facilities Consumer Information System is aligned with the Department's broader data sharing initiatives. The redesign will help the public make well informed decisions regarding health care facilities, by ensuring easy access to greater amounts of health facility related data.

Many of the quality improvement initiatives recommended in the Hubbert Systems Consulting report require knowledge, skills, expertise, and/or capacity the Center lacks internally. The Remediation Recommendations report notes, "Some recommendations may require a temporary infusion of resources to initiate the major changes identified." The Center seeks assistance implementing the following remediation recommendations in 2016-17:

- Standardizing data entry processes and identifying and resolving data quality issues (recommendation 19);
- Deploying information technology hardware and software updates (recommendation 19);
- Improving communication, collaboration, and sharing of best practices (recommendation 17);
- Acquiring expertise in business process improvement to assess Licensing and Certification Program functions to maximize the efficient use of resources and improve the functionality of the licensing and certification activities and standard operating procedures (recommendation 18);
- Restructuring the Licensing and Certification Program for increased efficiency and accountability (recommendation 5); and
- Expanding external stakeholder engagement (recommendation 3).

E. Outcomes and Accountability

The Center will use deliverables-based contracts to ensure the contractors complete all requirements of the scopes of work. As a result of implementing these quality improvement projects, the Center will:

- Track and report health facility ownership
- Improve efficiency and quality of critical work processes
- Increase stakeholder engagement and customer satisfaction

The Center will continue to report its progress implementing the recommendations of the assessment report via stakeholder meetings held semiannually as required by budget trailer bill language in Chapter 31, Statutes of 2014 (SB 857).

F. Analysis of All Feasible Alternatives

Alternative 1: Approve this request for expenditure authority of $2 million from the Internal Departmental Quality Improvement Account to fund the two quality improvement projects.

Pros:

- Facilitates the Center's implementation of assessment report recommendations to make meaningful, measurable improvements in the Center's performance.
- Replaces substantially paper based processes with information technology solutions that will allow recording and tracking of multi-level facility ownership structures.
- Enables the Center to be compliant with Affordable Care Act requirements, while also improving the quality and timeliness of services provided to the facilities.
- Enables the Central Applications Unit to achieve greater staff efficiencies by centralizing all ownership tracking activities.
- Helps the public make well informed decisions regarding health care facilities.
- Uses Internal Departmental Quality Improvement Account funds for purposes aligned with the intent of the fund.

Cons:

- Reduces funding that would be available for future quality improvement projects by $2 million.
- $2 million may not be sufficient to implement all phases of these projects.
- Execution and oversight of two contracts may create workload pressure on existing staff.

Alternative 2: Approve expenditure authority of $1.5 million from the Internal Departmental Quality Improvement Account to fund the redesign of the Central Applications Unit IT systems.

Pros:

- Facilitates the Center's implementation of some of the assessment report recommendations to make meaningful, measurable improvements in the Center's performance.
- Replaces substantially paper based processes with information technology solutions that will allow recording and tracking of multi-level facility ownership structures.
- Enables the Center to be compliant with Affordable Care Act requirements, while also improving the quality and timeliness of services provided to the facilities.
- Enables the Central Applications Unit to achieve greater staff efficiencies by centralizing all ownership tracking activities.

- Uses Internal Departmental Quality Improvement Account funds for purposes aligned with the intent of the fund.

Cons:
- Does not allow the Center to begin implementation of some of the assessment report recommendations in a timely manner.
- The public will not have access to information that will help them make well informed decisions regarding health care facilities.
- Reduces funding that would be available for future quality improvement projects by $1.5 million.

Alternative 3: Approve expenditure authority of $500,000 from the Internal Departmental Quality Improvement Account to fund the Health Facilities Consumer Information System redesign.

Pros:
- Facilitates the Center's implementation of some of the assessment report recommendations to make meaningful, measureable improvements in the Center's performance.
- Helps the public make well informed decisions regarding health care facilities.
- Helps the Center make partial performance improvements to the Licensing and Certification Program as required by the Centers for Medicare and Medicaid Services.

Cons:
- Does not allow the Center to begin implementation of some of the assessment report recommendations in a timely manner.
- The Center will not be compliant with Affordable Care Act requirements.
- Reduces funding that would be available for future quality improvement projects by $500,000.

Alternative 4: Do not approve this proposal.

Pros:
- No cost to the Internal Departmental Quality Improvement Account.

Cons:
- Does not enable the Center to address the intent of the assessment report or implement its recommendations.
- Does not help the Center make performance improvements to the Licensing and Certification Program as required by the Centers for Medicare and Medicaid Services.

G. Implementation Plan

The Center will develop the scopes of work, contract terms, and requests for offers to solicit bids from private contractors in July 2016 for both projects. The contracts will be executed by September 2016.

I. Supplemental Information

N/A

I. Recommendation

Approve Alternative 1: Provide expenditure authority of $2 million in fiscal year 2016-17 from the Internal Departmental Quality Improvement Account for Public Health to implement quality improvement projects recommended in Hubbert Systems Consulting's August 2014 "Initial Assessment & Gap Analysis Report and Remediation Recommendations."

BCP Fiscal Detail Sheet

BCP Title: Licensing & Certification: Program Quality Improvement Projects

DP Name: 4265-015-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5340 - Consulting and Professional Services - External	0	2,000	0	0	0	0
Total Operating Expenses and Equipment	**$0**	**$2,000**	**$0**	**$0**	**$0**	**$0**
Total Budget Request	**$0**	**$2,000**	**$0**	**$0**	**$0**	**$0**

Fund Summary

Fund Source - State Operations						
0942 - Special Deposit Fund	0	2,000	0	0	0	0
Total State Operations Expenditures	**$0**	**$2,000**	**$0**	**$0**	**$0**	**$0**
Total All Funds	**$0**	**$2,000**	**$0**	**$0**	**$0**	**$0**

Program Summary

Program Funding						
4050010 - Health Facilities	0	2,000	0	0	0	0
Total All Programs	**$0**	**$2,000**	**$0**	**$0**	**$0**	**$0**