

# **Center for Health Care Quality**

**2025-26**

**May Revision Estimate**



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## I. Center Overview

The California Department of Public Health (CDPH), Center for Health Care Quality (CHCQ), Licensing and Certification (L&C) Program is responsible for regulatory oversight of licensed health care facilities and health care professionals to assess the safety, effectiveness, and health care quality for all Californians. CHCQ fulfills this role by conducting periodic inspections and complaint investigations of health care facilities to determine compliance with federal and state laws and regulations. CHCQ licenses and certifies over 15,000 health care facilities and agencies in California in 30 different licensure and certification categories.

The U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) awards federal grant monies to CHCQ to certify that facilities accepting Medicare and Medicaid (Medi-Cal) payments meet federal requirements. CHCQ evaluates health care facilities for compliance with state and federal laws and regulations, and contracts with the Los Angeles County Department of Public Health (LAC) to certify health care facilities located in Los Angeles County.

In addition, CHCQ oversees the certification of over 170,000 nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators. These activities are funded by the CDPH L&C Program (Fund 3098), federal funds (Title XVIII and Title XIX Grants), reimbursements associated with interagency agreements with the Department of Health Care Services (DHCS), and General Fund to support survey activities in state-owned facilities.

## II. CHCQ Budget Projections

### **Current Year 2024-25**

CDPH projects a revised expenditure authority of \$441 million, which is a decrease of \$37.3 million from the 2025-26 Governor's Budget. This decrease is due to the government efficiency reduction and vacancy savings adjustments.

### **Budget Year 2025-26**

For 2025-26, CDPH estimates expenditures will total \$462.3 million, which is a decrease of \$23.8 million or minus 4.9 percent compared to the 2025-26 Governor's Budget. This net decrease is due to the government efficiency reduction, vacancy savings adjustments, and the following Budget Change Proposals:

- CHCQ Generative Artificial Intelligence (GenAI) Contract \$8 million

- CHCQ Operation Support: \$1.5 million
- Assembly Bill 3161 Health Facilities: Patient Safety and Antidiscrimination: \$1.1 million
- CHCQ Acute Psychiatric Hospital Investigation Support: \$1 million

**Table 1**  
**Comparison of 2025-26 Governor’s Budget with 2025-26 May Revision Estimate**

Funding Source (\$ in thousands)	CY 2024-25 2025-26 Governor’s Budget	CY 2024-25 2025-26 May Revision Estimate	CY 2024-25 Change from 2025-26 Governor’s Budget to May Revision Estimate	CY 2024-25 Percent Change from 2025-26 Governor’s Budget to 2025-26 May Revision Estimate	BY 2025-26 2025-26 Governor’s Budget	BY 2025-26 2025-26 May Revision Estimate	BY 2025-26 Change from 2025-26 Governor’s Budget to 2025-26 May Revision Estimate	BY 2025-26 Percent Change from 2025-26 Governor’s Budget to 2025-26 May Revision Estimate
State Operations Appropriations Summary:								
0001 - General Fund	\$7,461	\$5,253	-\$2,208	-29.6%	\$4,964	\$4,656	-\$308	-6.2%
0890 - Federal Trust Fund	\$129,647	\$129,647	-\$0	0.0%	\$139,266	\$139,266	\$0	0.0%
0942 - Special Deposit Fund								
Internal Departmental Quality Improvement Account	\$1,565	\$1,559	-\$6	-0.4%	\$4,301	\$12,295	\$7,994	185.9%
State Health Facilities Citation Penalty Account	\$2,144	\$1,400	-\$744	-34.7%	\$2,144	\$1,400	-\$744	-34.7%
Federal Health Facilities Citation Penalty Account	\$577	\$467	-\$110	-19.1%	\$577	\$467	-\$110	-19.1%
0995 – Reimbursements	\$15,613	\$15,613	\$0	0.0%	\$15,648	\$15,648	\$0	0.0%
3098 - Licensing and Certification Program Fund	\$316,565	\$282,066	-\$34,499	-10.9%	\$319,307	\$288,448	-\$30,859	-9.7%
Less Transfer from General Fund 0001	-\$3,700	-\$3,505	\$195	-5.3%	-\$3,700	-\$3,505	\$195	-5.3%
3151 - Internal Health Information Integrity Quality Improvement Account	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%
<b>Total State Operations Appropriations</b>	<b>\$469,872</b>	<b>\$432,500</b>	<b>-\$37,372</b>	<b>-8.0%</b>	<b>\$482,507</b>	<b>\$458,675</b>	<b>-\$23,832</b>	<b>-4.9%</b>
Local Assistance Appropriations Summary:								
0942 - Special Deposit Fund								
Federal Health Facilities Citation Penalty Account	\$8,447	\$8,447	\$0	0.0%	\$3,575	\$3,575	\$0	0.0%
3098 - Licensing and Certification Program Fund	\$45	\$45	\$0	0.0%	\$45	\$45	\$0	0.0%
<b>Total Local State Appropriations</b>	<b>\$8,492</b>	<b>\$8,492</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$3,620</b>	<b>\$3,620</b>	<b>\$0</b>	<b>0.0%</b>
<b>Total Appropriations</b>	<b>\$478,364</b>	<b>\$440,992</b>	<b>-\$37,372</b>	<b>-7.8%</b>	<b>\$486,127</b>	<b>\$462,295</b>	<b>-\$23,832</b>	<b>-4.9%</b>
Headquarters	562.4	562.4	0.0	0.0%	562.4	568.4	6.0	1.1%
Field Operations							0.0	0.0%
Supervisors	163.0	163.0	0.0	0.0%	163.0	163.0	0.0	0.0%
Surveyors*	656.3	656.3	0.0	0.0%	656.3	661.3	5.0	0.8%
Support	170.0	170.0	0.0	0.0%	170.0	170.0	0.0	0.0%
<b>Center Positions</b>	<b>1551.7</b>	<b>1551.7</b>	<b>0.0</b>	<b>0.0%</b>	<b>1551.7</b>	<b>1562.7</b>	<b>11.0</b>	<b>0.7%</b>
Public Health Staff**	8.5	8.5	0.0	0.0%	8.5	10.5	2.0	23.5%
<b>Grand Total Positions***</b>	<b>1560.2</b>	<b>1560.2</b>	<b>0.0</b>	<b>0.0%</b>	<b>1560.2</b>	<b>1573.2</b>	<b>13.0</b>	<b>0.8%</b>

\*Surveyors include (Health Facility Evaluator Nurses, Associate Governmental Program Analysts, Special Investigators, Consultants)  
\*\*Public Health Staff include Information Technology Services Division, Office of Legal Services, and Administration Support for Surveyors

**CHCQ Field Operations Status**

CHCQ has made tremendous efforts in hiring and recruiting surveyors, which has successfully offset staff separations from several factors including the competitive market and early retirements during COVID. In addition to surveyors, CHCQ is successfully hiring and recruiting surveyor supervisors who fill a critical role in licensing and certification activities. With the increase in personnel resources, CHCQ can prioritize addressing urgent workloads while also addressing lower-priority workloads. The overall reduction in staff vacancies is having a positive impact on the timeliness of CHCQ surveys since there are currently more resources to complete the workload.

As of May 2025, the vacancy rate is 5.0 percent for Health Facility Evaluator Nurses (HFENs), which is a considerable decrease from prior years because of effective hiring and recruiting efforts. CHCQ is currently utilizing social media platforms, such as Indeed and LinkedIn, to attract and increase engagement with potential candidates, walking them through the complex state hiring process and the nature of the surveyor role. CHCQ's recruitment teams started attending in-person job fairs to engage with local candidates at hard-to-recruit locations. CHCQ is also promoting all internal employment opportunities with CHCQ staff via email blasts to create vacancy awareness. Finally, CHCQ has an onboarding program to welcome new hires and introduce them to CDPH's culture, mission, and values. These onboarding meetings help new hires to feel engaged, integrated, and part of the team.

CHCQ no longer relies exclusively on the HFEN classification to complete survey and complaint workload and has begun hiring non-Register Nurse (non-RN) surveyors, or Health Facilities Compliance Surveyors (HFCs), to perform certain clinical and non-clinical workload to support the HFEN staff. Supervisors triage workload by determining what tasks require a HFEN's expertise and what tasks will be performed HFCs, which allows CHCQ to fill vacancies quicker and more efficiently while allowing HFENs to focus on the tasks that require their training and expertise. The classifications for this effort are Staff Services Analyst/Associate Governmental Program Analyst (SSA/AGPA). Reclassifying certain vacant HFEN positions to SSA/AGPA positions also allows CHCQ to reduce the vacancy rate even further as these positions are easier to recruit than HFENs.

**Complaint Completion Timelines**

Paragraphs (3), (4), and (5) of subdivision (a) of section 1420 of the Health and Safety Code mandate CHCQ to complete investigations of complaints within specified timeframes. CHCQ must complete all long-term health care facility

complaints received on or after July 1, 2018, within 60 days of receipt of the complaint.

As of Quarter 1 of 2024-25, CHCQ completed 96 percent of long-term health care facility complaints within 60 days of receipt. This represents over a 30 percent improvement in the timeliness of long-term care complaints since Quarter 4 of 2021-22. Furthermore, CHCQ has completed 100 percent of backlogged long-term care complaints that existed as of April 1, 2021.

CHCQ will continue to make every effort to improve compliance with mandated completion timelines for long-term health care facility complaints and remains focused on resolving existing complaints and entity reported backlog. However, regardless of staffing levels, there will always be unanticipated delays to complaint completion timeframes due to criminal investigation holds, obtaining death certificates, witness interview scheduling, and other extenuating circumstances.

### **Los Angeles County Monitoring and Performance**

As of July 1, 2023, LAC and CHCQ renewed another three-year contract, which includes quantity metrics and penalties for failure to meet those metrics. The contract also contains quality and customer service metrics. The current contract will allow LAC to hire the staff necessary to move towards timely completion of 100 percent of the workload.

CHCQ continues to employ a LAC contract manager as a single point of contact for the contractor. The LAC contract manager serves as an official liaison and positive working partner, tracking metrics described in the scope of work, and managing requests for workload changes by either party. The list of activities the contract manager performs includes but is not limited to:

- Monitoring the activities of the Los Angeles State District Office to provide oversight and monitor LAC's performance, which includes conducting on-site review, data analysis, and audits.
- Performing concurrent on-site quality reviews of surveys with LAC staff using a state observation survey analysis process and providing targeted training to address identified issues.
- Performing audits of the quality, prioritization, and principles of documentation for complaint investigations.
- Providing written feedback to LAC's management regarding identified concerns and requiring corrective action plans when appropriate.
- Increasing the frequency of direct meetings between CHCQ's LAC contract manager and LAC Leadership and staff.

**Los Angeles County Supplemental License Fee**

Assembly Bill (AB) 1810 (Chapter 34, Statutes of 2018) adopted an amendment to Health and Safety Code section 1266(g): Commencing in Fiscal Year 2018-19, the department may assess a supplemental license fee on facilities located in the County of Los Angeles for all facility types set forth in this section. This supplemental license fee shall be in addition to the license fees set forth in subdivision (d). The department shall calculate the supplemental license fee based upon the difference between the estimated costs of regulating facility types licensed in the County of Los Angeles, including, but not limited to, the costs associated with the department's contract for licensing and certification activities with the County of Los Angeles and the costs of the department conducting the licensing and certification activities for facilities located in the County of Los Angeles. The supplemental license fees shall be used to cover the costs to administer and enforce state licensure standards and other federal compliance activities for facilities located in the County of Los Angeles, as described in the annual report. The supplemental license fee shall be based upon the fee methodology published in the annual report described in subdivision (d).

**Federal Civil Monetary Penalties Account Projects**

CMS may impose monetary penalties against skilled nursing facilities (SNFs), nursing facilities (NFs), and dually certified SNF/NF that fail to meet Medicare and Medicaid participation requirements for Long-Term Care Facilities. These penalties are based on the number of days each facility is out of compliance as outlined in the Code of Federal Regulations (CFR) 42 part 488.430. A portion of the collected civil money penalties (CMP) are returned to the states in which CMPs are imposed. State CMP funds may be reinvested into skilled nursing facilities to support CMS approved activities that enhance the quality of life for nursing home residents.

Each state must submit an acceptable CMP fund plan to CMS annually detailing available funds, current obligations, and future project plans. CMS uses data from these states to ensure that federal CMP funds are distributed properly. If a state fails to provide an acceptable plan, CMS may withhold future CMP fund disbursements until compliance is achieved.

The 2024 Budget Act authorized \$5.6 million to fund existing projects and provide funding for new projects to benefit nursing home residents in current and future fiscal years until June 30, 2028. Per Item 4265-115-0942 of the 2024 Budget Act, the Department of Finance (Finance) may augment the budget authority for

the Federal Health Facilities Citation Penalties Account upon request from CHCQ when a project is approved by CMS.

#### Resource Estimate Methodology/Key Drivers of Cost

The CHCQ Estimate projects the workload associated with all programmatic functions and the corresponding number of positions needed to perform these functions.

CHCQ determines workload based on the following cost drivers:

- Facility Count – The number of health care facilities to survey or investigate.
- Activity Count – The number of pending and projected activities for CHCQ staff to perform. CHCQ projects the number of new and renewal licensing and certification surveys, and complaint/Facility Reported Incident (FRI) investigations surveyors will conduct in 2025-26. Some activities must occur at a specified frequency. The Estimate includes the workload associated with the number of pending complaints and facility-reported incidents the program anticipates will remain from prior years that it will complete in the budget year.
- Standard Average Hours – The number of hours needed to complete an activity. CHCQ calculates this number for each activity by facility type based on the actual average time spent on the activity by facility type in the past three years.

To estimate the workload for each activity by facility type, CHCQ uses the following formulae:

- Complaint/FRI and other variable workload hours = (Standard average hours) x (projected activity count)
- Survey workload hours = (Standard average hours) x (facility count) x (required frequency)

CHCQ then calculates the amount of additional time associated with non-survey functions (e.g., federal and state training, meetings, etc.) to calculate the overall time required by surveyor staff. Finally, CHCQ uses the total number of surveyors to calculate the number of supervisors and administrative positions needed to support these staff.

### III. Assumptions

#### **New Assumptions/Premises**

##### **Center for Health Care Quality, Operations Support**

###### Background:

The Informatics Branch (IB) provides accurate data and reports that inform stakeholders, policymakers, and the public on California health facilities' efforts in delivering safe, effective, and quality health care for all Californians in a professional, timely, and meaningful way. IB's contracts with Analytica and Hagerty ended without renewal. IB absorbed the vital Analytica contract work since it ended in 2022, which has taken up 64 percent of 14 staff time encompassing creation, maintenance, and publication of:

- 19 Tableau Dashboards.
- 18 Power Bi Dashboards.
- 52 Data Files.
- 511 variables of daily extraction.
- Extraction, Transformation and loading (ETL) to the Dashboards.

IB's additional work also extends to implementing changes, server architecture development, administration, maintenance, and troubleshooting of any technical issues. In addition to performing existing workload responsibilities. The workload increased to 78.7 percent of additional staff time with new dashboard requests (Power BI and Tableau) and enhancements to the existing dashboards. Furthermore, IB has seen an influx of dashboard requests related to federal, court ordered, and emergency response requirements. Dashboards allow users to access and visualize the data on their own. There are several CHCQ branches waiting for dashboard creation. Some examples of IB's recently published dashboards include:

- Foundation Aiding the Elderly lawsuit compliance dashboard (1,459 total staff hours).
- Medical Breach Encounters dashboard (approximately 1,800 total staff hours).
- Standard Average Hours dashboard (approximately 1,000 total staff hours).

In addition to Dashboard related work, IB receives Ad hoc information requests. Such requests require immediate response, with less than a 24-hour turnaround. Such ad hoc requests are reported to key stakeholders including, but not limited

to Agency, the Governor's Office, Federal partners, the Directorate, and the public. The timeliness and accuracy of these data reports are essential to ongoing CHCQ programs and ensuring proper decision making to protect the patients and residents within CHCQ's facilities.

Medical Breach Enforcement Branch Database System:

On January 1, 2009, Senate Bill (SB) 541 (Chapter 605, Statutes of 2008) legislation went into effect and allowed CHCQ, under California Health and Safety Code section 1280.15, subdivision (a), to investigate and assess fines to any licensed medical facility for any reported breach of their patient's confidential medical information.

On July 1, 2014, SB 857 (Chapter 31, Statutes of 2014) went into effect and replaced the California Office of Health Information Integrity with California Department of Public Health (CDPH), under Health and Safety Code section 1280.17, as the entity authorized to assess an administrative penalty against individuals who negligently release confidential personal medical information. On the same day, the Medical Breach Enforcement Unit (MBEU) became part of the CHCQ program tasked to enforce any violations of Health and Safety Code section 1280.15 - 1280.17 involving the illegal access to, use of, and/or disclosure of patient medical information within CDPH licensed facilities. Since 2009, there have been over 54,000 medical breach incidents reported by over 1,600 licensed health facilities statewide. At the time, these incidents were being reported directly to CHCQ's Field Operations Branches, which is comprised of 17 district offices (DO).

MBEB has completely taken over the responsibility of medical breach investigations throughout the state. MBEB currently has approximately 3,400 open intakes and uses SharePoint (SP) as a case management database, tracking the workflow of cases in various stages. In October 2022, MBEB migrated to a new online SP platform. Since that time, MBEB has experienced many unexpected glitches and bugs that slow the workflow, require additional time and resources, and delay the issuance of Statements of Deficiencies requesting Plans of Corrections and Administrative Penalties. Our SP subject matter expert, who developed and maintains the system, is an Investigative Analyst (IA). This IA dedicates about 80 percent of the time fixing SP issues. CDPH Information Technology Services Division (ITSD) has confirmed that SP is not a platform designed to act as a database to accommodate the necessary workflow, tracking, and processes, nor does it include the required workflows needed to track investigations and penalties involving individuals. Therefore, CHCQ is requesting two permanent Information Technology (IT) positions to help develop and support database system that is capable of tracking investigations

from beginning to end, with the functionality of producing metrics to further improve management oversight and decisions. These positions will be housed in CDPH's ITSD Application Development and Support Branch.

Business Operations Branch:

The Business Operations Branch (BOB) within CHCQ supports the department by consulting, advising, and providing recommendations on the services necessary for regulatory oversight of licensed health care facilities and health care professionals, and acting as the central support hub for CHCQ. BOB is comprised of the Business Operations Support Section and Business Services Section (BSS). BSS serves as primary liaison and facilitator on all asset acquisition, allocation, and tracking requests; the centralized hub for contracts, purchasing, and service order support and effectuation; and is the centralized hub for all facility related services for more than 1,600 CHCQ positions and approximately 300 LA county surveyors and facility lease development/management for 26 leases across 18 CHCQ offices Statewide. BSS is comprised of the Contracts and Procurement Unit and the Facilities, Fleet and Asset Management Unit (FFAMU).

FFAMU is currently charged with management and oversight of assets procurement, distribution as new field staff are hired or separated, tracking, troubleshooting, and surplus (1,000 tablets, 503 laptops, 1,000 mobile phones, 60 iPads, MiFi Devices, and accessories). FFAMU serves as the facilities operations liaison for headquarters and 17 district offices, including management and oversight of 26 lease agreements, building maintenance, space planning/allocation, floorplans/reconfigurations, and Program Administration for Reserve It (CDPH Hoteling Workstation Reservation System). In addition, FFAMU manages and oversees leased vehicle services for 90 State-owned vehicles throughout the State including fleet acquisition, fueling, charging/electric vehicle infrastructure compliance/oversight of electric vehicle infrastructure installations at all CHCQ facilities, vehicle accidents, storage, utilization, and various other administrative services including badge access requests, processing, procurement, and distribution of all business cards/field staff name badges. FFAMU also manages and oversees the Record Retention Schedule for headquarters.

BSS and FFAMU's staff resources have not kept pace with CHCQ's growth in staff and new workload, such as Statewide and Department-level operational mandates that have necessitated a correction course in the business structure. Therefore, the BSS requests one Staff Services Manager (SSM I) and two AGPAs to split the FFAMU and create a new Facilities Management Unit to create a clear separation of the unique parts of FFAMU with two distinct areas of focus: (1) Facilities Management Unit, and (2) Assets and Administrative Services Unit.

These additional positions will allow BOB to refocus the essential functions and bandwidth to dedicated roles with specific deliverables. These positions will be streamlined to allow one unit to focus primarily on facilities work and the other unit to take on the workload exceeding the current bandwidth of the Asset Management Team, Fleet Analyst, and Administrative Services staff.

The separation of duties for FFAMU to have an independent Facilities team will allow change to be more proactive, especially in the areas of space planning and the oversight and management of all 26 CHCQ lease agreements. Both areas show tangible return on investment where proactive effort nets cost savings or unnecessary cost increase mitigation, such as creating bandwidth to explore other sites when lease renewals come due.

Description of Change:

CDPH requests 8 positions and \$1.5 million in 2025-26 and ongoing from Fund 3098.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

CDPH requests 8 positions and \$1.5 million in 2025-26 and ongoing from Fund 3098 to support CHCQ's Operations Support.

Informatics Branch:

With the expiration of an external contract, more dashboard and ad hoc requests, IB has exceeded its capacity to complete the assigned tasks within the existing staff. Therefore, IB requests three new staff members who will form a Data Reporting and Visualization section, allowing IB to meet the research and data needs of Federal and state CHCQ stakeholders. IB requests the following positions:

- 2 Research Data Specialist II.
- 1 Research Data Specialist III.

Hiring three new staff will allow for a more equitable workload, in addition to higher-quality results and mitigating the need for future contractors. The new staff will focus specifically on maintaining current dashboards, evolving work, and innovating new dashboard projects. In addition, the staff will spearhead the

federal Automated Survey Process Environment (ASPEN) to Internet Quality Improvement and Evaluation System (iQIES) database migration, and software transition from desktop Statistical Analysis Software (SAS) to cloud based SAS Viya. This will allow IB's current staff to continue producing Public Records Access (PRA) data reports in line with the responsibilities listed in their duty statements. With these additional staff, IB will hire research data specialists experienced in reporting and visualization platforms (Python, SAS-Viya, R, Tableau, Power BI) who can increase and enhance IB's current capabilities. Having these three new staff will allow IB to better present and display healthcare data while leading national health and health-care research.

Medical Breach Enforcement Branch:

MBEB is responsible for investigating all open and aged medical breach complaints and reported incidents, along with all new incoming breach complaints and reported incidents in California. An increase in completion rates has also led to increasing output of deficiency notices, administrative penalties, and administrative hearings. To continue streamlining workflow processes, it is imperative that MBEB has a complete database that is capable of tracking investigations from beginning to end, with the functionality of producing metrics to further improve management oversight and decisions.

The ongoing failures of the current MBEB SP system creates delays in investigating breaches, substantiating breach allegations, and impedes efforts to reduce the backlog. This prevents violations and administrative penalties from being issued, corrective action plans from being developed, and further abets the unauthorized access, use, or disclosures of patient medical information. CHCQ requests one Information Technology Specialist III (ITS III), and one ITS II positions. These positions will be housed in the ITSD Application Development and Support Branch and will work on the creation and maintenance of a stable case management system. This will help streamline workflow processes, confirm that all intakes are accounted for, and give MBEB the capability to investigate individuals. The two requested positions will provide the following support:

Support to be provided by the one Information Technology Specialist II (ITS II) (1,800 hours):

- Design the database schema and create data flow diagrams.
- Define metadata standards for consistent data entry, storage, and retrieval.
- Develop a security framework, frontend user interface, prototype used interfaces and gather feedback, functional testing for database

operations, security testing, performance testing and underload, and a user acceptance testing with feedback from end users.

- Build backend systems and integrate database with external tools, implement security features, set up production environment, and standardize integration points to streamline data flow and interoperability.
- Migrate data from legacy systems, deploy the system test and live environment, provide training for end users and technical support teams, conduct regular architectural review and audits, monitor system performance and resolve technical issues, apply system updates and implement new features as needed, and perform regular security audits and compliance checks.

Support to be provided by the one Information Technology Specialist III (ITS III) (1,800 hours):

- Define project objectives and compliance requirements.
- Define metadata standards for consistent data entry, storage, and retrieval.
- Build alignment with enterprise Information Technology (IT) goals, identify gaps between current systems and desired state of breach management, highlight limitations in infrastructure, processes, or policies that must be addressed, conduct stakeholder meetings to gather system requirements, develop project scope, milestones, and deliverables, and finalize budget, timeline, and resource allocation.
- Align the database design with other enterprise systems, design the database, create data flow diagrams, develop a security framework, develop prototype user interfaces and gather feedback, build the backend system, develop frontend user interface, integrate database with external tools, and implement security features.
- Design disaster recovery and backup strategies aligned with enterprise policies, standardize integration points to streamline data flow and interoperability, provide training for end-users and technical support teams, conduct regular architecture reviews and audits, and perform regular security audits and compliance checks.

#### Business Operations Branch:

BOB's FFAMU staffing levels have not kept pace with CHCQ's growth in headcount, increased number of space planning needs, market shifts surrounding leases, and assets under management. Recent directives have created additional workload related to space management, cubicle/office hoteling efforts, and hoteling workstation reservation systems for CHCQ and Department staff statewide who are not currently assigned space in an existing

CDPH facility. Recent changes to Agency level processes and Department-level support have also significantly impacted the timelines associated with many facilities specific functions requiring more support over longer project lifecycles. For example:

FFAMU is faced with unresolved shortfalls in workload capacity compounded by new mandates regarding fleet, facilities, and space planning. Two additional AGPA positions would allow development of a new, properly allocated unit that will focus on facilities work within FFAMU. The creation of a dedicated facilities unit is projected to lead to significant cost savings across the 19 upcoming facility lease renewals by adding capacity for proactive space planning and market research.

The FFAMU has already recognized two CHCQ offices that have potential for consolidation, leading to roughly \$589,000 in annual cost savings for CDPH. This will reduce underutilized office space and will be in line with the DGS Telework Acknowledgement Memo and CDPH Space Planning Administration Information Memorandums. With the existing impact of ongoing regular daily facility related work (i.e. building maintenance requests with onsite CHCQ staff and Property Managers/DGS, researching State vendors for service orders needed/processing service orders, oversight on cubicle reconfigurations, managing facility purchase and surplus requests, management of ergo orders for more than 1,600 CHCQ staff statewide and partnering with State contracted ,overs/installers) there is not adequate bandwidth to analyze, plan, and complete the space analyses needed for additional cost savings surrounding CHCQ leases.

A recent example of success with effective market research and space analysis is expected to provide the CHCQ a 40 percent decrease in rent for one location netting an annual savings of approximately \$420,000. Having the separation of duties within FFAMU between the requested Facility Management Unit and the Asset Management Unit would allow full analyses to be done to be able to effectively monitor all current FFAMU responsibilities to provide cost savings to the State. FFAMU staff will be resourced to preform bi-annual reviews on all CHCQ space to be proactive with space management and implement cost-savings where identified.

One Staff Services Manager I (SSM I) for the Business Services Section position is necessary to supervise and manage the new unit.

The requested two Associate Governmental Program Analyst (AGPA) positions will perform the following duties:

- Journey level facilities expertise:
  - Support for DGS-leased facilities.
  - Support for private leased facilities.
  - Reservation system support, analytics, attendance coordination, and applicable reporting.
  - Infrastructure/resource acquisitions, redirections, survey/surplus.
  - Lease renewals: Evaluating cost-savings opportunities given lower commercial real-estate rates and overseeing relocations where warranted.
  - Relocations:
    - Space analysis (square footage, record/file space requirements, infrastructure, office amenities), local/regional market research, existing versus current office layouts, partnership with lessor to enforce compliance with CDPH/Governor mandates.
    - Partnership with local leadership on requirements for public counter window, record retention duration, parking needs, and onsite support required for physical move.
    - Partnership with PSD on required CDPH resources to build out new space and vacate old space (moving contracts, telecom support, surplus/purchase orders, removal/installation of cubicle/office furniture).
    - Partnership with ITSD for any IT equipment that requires move along with completion of server room setup.
    - Partnership with Fiscal Services Branch to perform cost analysis to comply with budgetary constraints.
    - Physical onsite presence of Facility staff required during lifecycle of each relocation (site visit to existing location, site visits to each potential location, multiple visits as project progresses, final walkthroughs for lease agreement compliance as project closes).

The requested one SSM I position will provide the following:

- First line supervisory support
  - Managerial duties.
  - Staff development in alignment with internal protocol and Department specific strategic priorities/road maps.
- Subject matter expertise/task delegation and distribution.

Fiscal Impact (Range) and Fund Source(s):

CDPH requests 8 positions and \$1.5 million in 2025-26 and ongoing from the Fund 3098 to support CHCQ's Operations Support.

### **Assembly Bill 3161 Health Facilities: Patient Safety and Antidiscrimination**

#### Background:

Racial bias in healthcare disproportionately affects communities of color. Structural discrimination and racism in health care leads to limited access to treatment and preventive health care, which in turn, increases risks for morbidity and mortality. Further, Black, Indigenous, People of Color communities experience higher rates of medical misdiagnoses and patient adverse events when compared to white patients. AB 3161 requires specified facilities to update their reporting system for patient safety events to include a process for anonymous reporting. The bill requires that facilities add specified sociodemographic factors to the analysis of patient safety events. The bill also requires that health care facility patient safety plans include a process for addressing racism and discrimination. Specified facilities would be required to develop interventions to remedy known disparities and encourage facility staff to report suspected instances of racism and discrimination. Facilities must submit their patient safety plans to CDPH beginning January 1, 2026, and biannually thereafter. The bill also requires CDPH to publicly post the patient safety plans on the department's website. Collecting and analyzing sociodemographic factors for the patient safety plan may assist facilities in addressing health equity. By informing updates to policies with an understanding of the impacts of discrimination on patient health and safety.

#### Description of Change:

CDPH requests \$1.1 million in 2025-26 from Fund 3098 with provisional language making funds available upon approval by the California Department of Technology (CDT) through the Project Approval Lifecycle (PAL).

#### Discretionary?:

Yes.

#### Reason for Adjustment/ Change:

The California Department of Public Health (CDPH), Center for Health Care Quality (CHCQ) requests \$1.1 million in 2025-26 from the State Department of Public Health Licensing and Certification Program Fund (Fund 3098) with provisional language making funds available upon approval by the California

Department of Technology (CDT) through the Project Approval Lifecycle (PAL) to support the implementation of Assembly Bill 3161: Patient Safety and Antidiscrimination.

To meet the requirements of AB 3161, providers will log into a provider account on the enterprise portal to manage facility data, including safety plans, and will be required to submit their patient safety plans during license renewal. Services implemented in the provider account will support notifications of upcoming renewals, safety plan upload, and financial transactions, including invoicing, payment, and receipt generation. AB 3161 also requires provider information to be presented on public-facing webpages. CDPH will develop dynamic webpages that are updated in near-real time by an integrated secondary provider database. That database is incrementally updated as changes occur in the provider account, thus eliminating most of the webpage programming workload that the department currently maintains for this website.

The AB 3161 solution is well coordinated with the Future of Public Health (FoPH) under initiatives 1 and 2, which address process improvements in licensing and certification, and implementing public health solutions in cloud environments. The features implemented through AB 3161 represent fundamental license management architectures, similar to architectures that will be leveraged in all future licensing projects.

Fiscal Impact (Range) and Fund Source(s):

CDPH requests \$1.1 million in 2025-26 from Fund 3098 with provisional language making funds available upon approval by the California Department of Technology (CDT) through the Project Approval Lifecycle (PAL).

**Center for Health Care Quality, Acute Psychiatric Hospital Investigation Support**

Background:

Acute psychiatric hospitals (APH) are health facilities that provide 24-hour inpatient care for persons with mental health disorders or other patients falling under the Lanterman-Petris-Short Act. APHs must provide the following basic services: medical, nursing, rehabilitative, pharmacy, and dietary services. The medical services in an APH are more focused on the treatment and management of mental disorders. This medical treatment mainly consists of a psychiatric component, a psychological component and incidental medical services.

There are approximately 120 APHs in California with approximately 40 standalone facilities and 80 as a “distinct part” of a General Acute Care Hospital. Excluding State Facilities, there are 115 APHs with 6,620 licensed beds.

Pursuant to Health and Safety code (HSC) section 1279.1(a), general acute care hospitals, APHs, and special hospitals must report an adverse event to the California Department of Public Health (CDPH) no later than five days after the adverse event has been detected, or, if that event is an ongoing urgent or emergent threat to the welfare, health, or safety of patients, personnel, or visitors, not later than 24 hours after the adverse event has been detected. Further, HSC section 1279.1(c) requires the facility to inform the patient or the party responsible for the patient of the adverse event by the time the report is made.

CDPH investigates incidents and takes allegations of abuse, improper restraint, seclusion, assault, and potentially preventable deaths seriously. Allegations are thoroughly reviewed, and appropriate action will be taken in accordance with state and federal regulations. Those actions may include financial penalties for both the incident and/or for failing to report the incident to CDPH.

Description of Change:

CDPH requests 5 positions and \$1 million in 2025-26 and ongoing from Fund 3098 to support the investigations of Acute Psychiatric Hospital complaints.

Discretionary? :

Yes.

Reason for Adjustment/ Change:

Psychiatric hospitals operated by for-profit companies are now the fastest-growing destination for tens of thousands of Californians experiencing mental health emergencies. The number of complaints received by CDPH is increasing as the number of APHs increases. When CDPH receives a complaint, it is prioritized based on the severity of the incident. For immediate jeopardy (IJ), statute requires the investigation be initiated within two business days while non-IJ complaints can take up to 45 days for non-long-term care facilities to investigate.

CDPH onsite investigations include interviews, record reviews, and observations. This information is used to determine whether a violation of state or federal requirements has occurred. If there is a violation, then the facility has 10 days to

submit a plan of correction. If the plan of correction is not acceptable, CDPH will return it to the facility for revisions until it is acceptable. If the violation resulted in harm to the patient, then CDPH has authority to issue administrative penalties. CDPH also has authority to revoke a license.

CDPH imposes penalties on APH as follows:

- Immediate Jeopardy Administrative Penalties – CDPH assesses administrative penalties to hospitals for situations of immediate jeopardy (those cases involving a threat of imminent danger of death or serious bodily harm). The penalty for the first violation would be a maximum of \$75,000, the second would be up to \$100,000 and a third or subsequent penalty would be up to \$125,000.
- Non-Immediate Jeopardy Administrative Penalties – CDPH also assesses administrative penalties of up to \$25,000 to hospitals for non-immediate jeopardy situations (those that violate state law relating to the operation or maintenance of a hospital that affect the health or safety of hospital patients at a higher level than a minor violation but that do not rise to the level of an IJ).
- Failure to Report Adverse Events – Hospitals are required to notify CDPH of adverse events within 48 hours or five days depending on the violation, or risk civil penalties up to \$100 a day for each day the adverse event is unreported. This is in addition to any penalty that might rise to the level of harm for an IJ or non IJ penalty assessment.
- Medical Breach Administrative Penalties – CDPH assesses administrative penalties to facilities that breach patients' confidential medical information under HSC section 1280.15. The maximum penalty is \$250,000.
- Failure to Report – Medical Breaches – Facilities are required to notify CDPH of medical breaches within 15 days, or risk civil penalties of up to \$100 a day for each day medical breach is unreported.

While CDPH is initiating all complaints received within the statutory timeframe, CDPH is completing less than 5 percent in re-licensure workload. Performing re-licensing workload allows CDPH to monitor APH facilities and make sure that they are following the HSC and CDPH regulations. CDPH is requesting 5 HFENs to address the growing number of complaints, perform more re-licensing workload and identify, and hold facilities accountable for any deficient practices. Existing staff cannot be redirected to address this workload because, as of April 2025, the vacancy rate for Health Facility Evaluator Nurses (HFEN) is only 4 percent.

To address the growing number of complaints in APHs, CDPH will augment CDPH enforcement capacity with 5 HFEN positions, with a high priority being APH workload. For 2024-25, CHCQ has 1,468 open cases. A HFEN needs an average

of 13 hours to complete a complaint which may vary based on the complexity of the complaint. These additional resources will assist CHCQ in focusing on addressing immediate jeopardy complaints as well as facilities with multiple lower-level complaints. Furthermore, they will also increase CHCQs ability to perform re-licensure survey workload. CDPH will also embed a data driven approach to identify regulatory impacts/gaps in compliance. CHCQ will be monitoring APH compliance with requirements more closely and prioritizing relicensing visits at facilities as most risk for bad outcomes.

Fiscal Impact (Range) and Fund Source(s) :

CDPH requests 5 positions and \$1 million in 2025-26 and ongoing from Fund 3098.

**Center for Health Care Quality, Generative Artificial Intelligence Contract**

Background:

Health and Safety Code section 1280.15(f) establishes the Internal Departmental Quality Improvement Account (IDQIA) and provides that “moneys in the account shall be expended for internal quality improvement activities in the Licensing and Certification Program.” The account is funded by administrative penalties that the California Department of Public Health (CDPH) imposes on health facilities for violations that cause harm to a patient, or administrative penalties associated with breaches of medical information. Since fiscal year 2010-11, the Legislature has appropriated moneys in IDQIA to be expended for internal quality improvement activities.

CHCQ uses IDQIA to fund both large scale quality improvements requiring the Project Approval Lifecycle (PAL) process as well as small scale improvements such as robotic process automation, implementing use-cases for previously PAL-approved technology such as Microsoft Dynamics, equipment purchases, etc., that are not required to go through the PAL process. These projects directly improve the quality and efficiency of CHCQ's services to providers and the public.

CHCQ conducts thousands of healthcare facility inspections annually. For example, in 2024 CHCQ received nearly 52,000 complaints across all facility types. These inspections demand meticulous documentation of collected evidence and rigorous evaluation of facilities' compliance with state and

federal regulatory standards. With each investigation, the surveyors take extensive investigative notes, compile evidence, and manually write a comprehensive Statement of Deficiencies and Plan of Correction (CMS-2567) for issuance to the surveyed facility or provider. Numerous findings typically result in extensive documentation, reaching upwards of hundreds of pages.

This labor-intensive process places a significant burden on surveyors, leading to potential inconsistencies, delays in moving onto the next survey, and creating challenges for CHCQ to meet increasing workload demand in a time efficient and effective manner. Surveyors must write a rigorous legal document, ensuring that these reports withstand challenges and appeals, and require a level of detail that can be difficult to maintain consistently.

CHCQ recognizes that delays in inspections may result in unresolved quality issues in healthcare facilities, increasing risks to patient safety. Additionally, inconsistent or inadequate documentation can lead to successful citation appeals, undermining the enforcement of healthcare standards and regulations. This document-heavy process also contributes to job dissatisfaction, burnout, and high turnover rates among surveyors, limiting CHCQ's capacity for thorough and timely inspections while increasing recruitment and training costs.

Description of Change:

The California Department of Public Health (CDPH) requests \$8 million in 2025-26 from the Internal Departmental Quality Improvement Account (Fund 0942-222) to support a Minimum Viable Product (MVP) Generative Artificial Intelligence (GenAI) Contract, with provisional language authorizing expenditure of funds upon approval of a Minimum Viable Product by the Department of Technology and the Department of Finance.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

CDPH requests \$8 million in 2025-26 from the Internal Departmental Quality Improvement Account (Fund 0942-222) to support a Minimum Viable Product

(MVP) Generative Artificial Intelligence (GenAI) Contract with provisional language authorizing expenditure of funds upon approval of a Minimum Viable Product by the Department of Technology and the Department of Finance, including approval of the executed contract and project cost breakdown.

The GenAI solution designed during the Proof of Concept (POC) phase of the project has successfully demonstrated an ability to help surveyors produce high quality, accurate reports more quickly. The solution supports the surveyor to sift through collected evidence, and suggests relevant citations that the surveyor can accept, delete, or edit. Once the surveyor is satisfied with the findings, the GenAI tool generates accurate, grammatically correct and well-supported first draft reports that can withstand legal challenges. This reduces the administrative burden while accelerating the process of creating a report draft.

The GenAI tool optimizes the processes while easing operational burdens:

- Surveyors need and want to leverage their expertise:
  - By reducing the burden of trying to remember hundreds of applicable regulations, the time spent on administrative tasks, writing report drafts from scratch, and back and forth edits with a supervisor, surveyors will have more time to spend on aspects of investigations that use their clinical expertise.
- Inconsistent documentation opens the risk of appeals:
  - Lack of standardization in approach and documentation among surveyors can undermine enforcement and lead to successful appeals. CHCQ can greatly reduce the risk of appeals by collecting consistent and relevant documentation.
- A focus on surveyor retention through process efficiency:
  - Surveyor burnout and high turnover rates increase costs and limit CHCQ's capacity to meet inspection demands. Facing the ever-present stresses of a burdensome and extensive report compilation process places enormous pressure on surveyors. Alleviating that pressure by allowing them to compile and produce report drafts more efficiently can reduce burnout and boost retention among surveyors overall.

By leveraging GenAI, CHCQ envisions an oversight process where surveyors are supported by GenAI that accelerates the generation of draft statement of deficiencies reports, and that fosters consistent, high-quality output. Surveyors' clinical experience and professional judgment are irreplaceable, and it is for that reason that the GenAI solution will be designed to reduce the administrative burden while maintaining a "human-in-the-loop" approach, ensuring that surveyors remain in control of the contents and outcome of their investigation. This collaboration between the distinct value of human expertise and the generative power of artificial intelligence (AI) balances the efficiency of automation with the need for accurate and defensible reports that reflect on-the-ground realities.

Additionally, the GenAI solution directly supports CHCQ's mission to protect the quality and safety of health care for all Californians by enabling surveyors to issue their Statements of Deficiency and bring facilities back into compliance faster. By aligning with the operational goals of the Field Operations Divisions, the solution facilitates surveyors are better equipped to conduct thorough evaluations, maintain regulatory compliance, and ultimately improve the standards of care in health facilities across California.

The GenAI solution will provide the following support to CHCQ:

- Accurate and consistent documentation:
  - Together with a human in the loop, the GenAI tool ensures survey findings are thoroughly and accurately documented. By generating comprehensive Report Drafts, the tool can help minimize variability.
- Objective analysis:
  - By reducing inconsistency in survey outcomes, the tool can help reinforce that all facilities are held to the same high standards. This leads to more reliable identification and correction of quality and safety issues in healthcare facilities.
- Efficient survey processes:
  - The GenAI tool accelerates the survey process by automating documentation processing and Report Draft generation. This allows surveyors to complete more inspections in less time, thus enhancing CHCQ's overall regulatory oversight capabilities.
- Regulations compliance:
  - The GenAI tool is designed to help surveyors identify and document

deficiencies related to relevant regulations. This relieves the burden of the surveyor having to remember all applicable regulations and ensures that facilities are thoroughly evaluated for compliance, protecting both public funds and patient safety.

- Detailed citations:
  - The tool can help develop precise and well-supported citations, which are essential for upholding regulatory standards and withstanding challenges or appeals from cited healthcare facilities.
- A Critical Step in a Complex Process:
  - The tool has been designed to enhance surveyor writing, which is one critical step in the broader facility inspection process.

#### Fiscal Impact (Range) and Fund Source(s):

CDPH requests \$8 million in 2025-26 from the Internal Departmental Quality Improvement Account (Fund 0942-222) to support a Minimum Viable Product (MVP) Generative Artificial Intelligence (GenAI) Contract with provisional language authorizing expenditure of funds upon approval of a Minimum Viable Product by the Department of Technology and the Department of Finance, including approval of the executed contract and project cost breakdown.

#### **Existing (Significantly Changed) Assumptions/Premises**

There are no existing or significantly changed assumptions/premises.

#### **Unchanged Assumptions/Premises**

### **Center for Health Care Quality: Public Policy, and Legislative Branch Expansion**

#### Background:

The Public Policy and Legislative Branch researches, analyzes, and communicates CHCQ's policies and legal requirements to internal and external audiences to support safe, effective, and quality health care for all Californians. As of this proposal, CHCQ has a total of 33 pending regulations packages that consist of over 75 topics/subpackages that must be completed. This number has the potential to increase each year with each passing legislative session.

Many CHCQ regulations have not been updated in decades, and some facilities have never had state regulations. Of the existing regulations, many were implemented prior to the use of computers, tablets, smartphones, and modern medical technology; as such, they are severely outdated. In fact, because many regulations are so outdated, CHCQ frequently uses the program flex process to allow facilities to meet regulatory requirements using alternative methods to implement more current technologies or approaches to care. Facilities submit a program flex request to CDPH asking to meet the intent of the specific state regulation(s) using an alternative method. CDPH staff review each request to determine if the facility can still provide services in safe and reliable manner if the request is granted. While facilities operate under federal regulations, there are many instances where state statute is different than federal requirements and thus it is imperative that California has clear regulatory requirements for facilities.

The CHCQ Regulation Section currently consists of the following:

- 1 SSM II to oversee the section
- 2 SSM I to oversee two units
- 5 AGPA regulation writers
- 3 AGPA fiscal staff

On average, an individual regulation package takes three years to complete. This assumes six months to gather relevant data, conduct research, work with subject matter experts, and conduct stakeholder meetings. This also assumes two years to draft the regulations and six months for review, revisions, and signoff. Some packages are of extreme sensitivity (i.e., hospital regulations) and can take longer than three years to complete. Each package has one regulation writer assigned to it and each regulation writer is assigned two packages at a time. A regulation writer will work on a package to a point where review is necessary, then while that package is going through review, they will begin working on the second package.

Assuming CHCQ is consistently fully staffed with five regulations writers, each writing two packages at a time, and each of the pending 33 regulation packages takes three years to complete, it would take roughly 20 years for CHCQ to complete the regulation packages on its current list of necessary regulation updates. Upon completion of the current list of regulation packages, CHCQ would then need to begin work on updates to align with new federal and state laws enacted since their last update. Each legislative session new licensing requirements are enacted and many of these require clarification to be provided and adopted by regulation to ensure effective implementation.

Over the last three years, there have been roughly 11 such bills signed each legislative session.

CHCQ does not have enough staff to complete regulation development in a timely fashion. Since it has been years since many regulations have been updated, the complexity of many of the packages has grown exponentially. These packages require the skill, knowledge, and expertise of Health Program Specialists (HPS) I's to complete. As previously noted, regulation packages take an average of three years to complete. Each time a regulation writer leaves prior to the completion of a package, it can take up to six months to bring a new regulation writer up to speed on the content and policy direction of the package.

Description of Change:

CDPH requests 7 positions, \$1.1 million in 2025-26, and ongoing from Fund 3098 to support the Public Policy and Legislative Branch Expansion.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

CHCQ is requesting to add 7 new staff to the regulations team which are broken down as follows:

- 1 SSM I
- 5 HPS I
- 1 Fiscal Staff AGPA

This change would result in the regulation section having two regulations writing units and would allow for the expansion of the existing regulation fiscal unit for the Policy and Legislation Branch. The additional SSM I would supervise one new unit it that includes the five HPS positions. The regulation fiscal unit would increase from three permanent fiscal staff to four permanent fiscal staff to account for the increase in regulation packages being written.

These additions would increase CHCQ's ability to complete regulation packages in a timely way. The addition of the HPS I positions will bring a higher level of health program expertise to complete the most complex regulation packages. Additionally, the regulation package supporting documents require an economic and fiscal analysis for how the regulations will impact the

regulated community as well as the state including assessing impacts to state and local government operated facilities. This fiscal analysis needs to address both direct and indirect cost impacts. The added position will also bring additional expertise to allow CHCQ to accurately identify the potential costs for proposed regulatory changes. These changes should also greatly increase staff retention resulting in greater consistency in regulation development. In recent years, stakeholders have grown increasingly frustrated with the incremental updates to CHCQ regulations. The additional staff requested will significantly improve CHCQ's ability to update regulations in a timely manner.

Fiscal Impact (Range) and Fund Source(s):

CDPH requests 7 positions, \$1.1 million in 2025-26 and ongoing from Fund 3098 to support the Public Policy and Legislation Branch Expansion.

**Center for Health Care Quality Internal Department Quality Improvement (IDQIA)**

Background:

Health and Safety Code section 1280.15(f) establishes the Internal Departmental Quality Improvement Account (IDQIA) and provides that "moneys in the account shall be expended for internal quality improvement activities in the Licensing and Certification Program." The account is funded by administrative penalties that the California Department of Public Health (CDPH) imposes on health facilities for violations that cause harm to a patient, or administrative penalty associated with breaches of medical information. Since fiscal year 2010-11, the Legislature has appropriated moneys in IDQIA to be expended for internal quality improvement activities.

CHCQ uses IDQIA to fund both large scale quality improvements requiring the Project Approval Lifecycle (PAL) process as well as small scale improvements such as robotic process automation, implementing use-cases for previously PAL-approved technology such as Microsoft Dynamics, equipment purchases, et cetera, that are not required to go through the PAL process. These projects directly improve the quality and efficiency of CHCQ's services to providers and the public.

The Centralized Application Branch (CAB) processes health care facility licensure and certification applications for CHCQ, including all applications for initial facility licenses, changes to existing licenses, licensure renewals, and conducts activities associated with license expiration and license revocation. CAB processes applications on a first-in, first-out basis and often works with applicants to address incomplete or inaccurate application materials. CAB

receives over 15,000 applications annually. Most of the application processing is manual and requires health care facilities to submit various required forms and supporting documentation to CAB via United States Postal Service mail, fax, and/or email.

Assembly Bill 2798 (Chapter 922, Statutes of 2018) requires an automated application system to process licensing applications from General Acute Care Hospitals (GACH) and Acute Psychiatric Hospitals (APH), and it was mandated that the resources necessary to implement the application process would be made available, upon appropriation, from IDQIA. The automated license application submission system was built in Adobe Experience Manager (AEM) and went live in late 2019 for GACHs and APHs. The automated application submission system reduced many cumbersome manual processes for GACH and APH applications, eliminated the ability to submit an incomplete application, reduced back and forth communications around incomplete applications, has proven beneficial for providers and has created a seamless route for application submissions and processing.

Currently, the GACH/APH system receives 1000 applications annually with a maintenance and support model consisting of a business analyst, three developers, two testers, and a software engineer supporting the platform. There are approximately 3,000 end users of the system and an average of 537 technical tickets annually.

For the remaining 33 provider types licensed/certified by the center, the application submission and review process has remained manual and paper based. Manual processes draw on already limited resources and limit the center's ability to improve the customer experience, increase efficiency, reduce errors, and mitigate extended processing timeframes.

The Enterprise Platform Services Branch (EPSB) Development Operation (DevOps) II Section within CDPH's Information Technology Services Division (ITSD) is responsible for platform services including Pega, AEM, and Microsoft Power Platform. EPSB DevOps II has experienced unprecedented growth in workload over the last three years. This growth began with the department's rapid implementation of new systems and services in response to the COVID-19 Pandemic. In just three years, CDPH has seen a 400 percent increase in the number of systems that are managed on low code cloud-based platforms and has increased its adoption of cloud hosting from 20 percent to 70 percent. As CDPH has incorporated the Microsoft (MS) Power Platform as the low code platform of choice, the DevOps II section's workload has increased exponentially. EPSB DevOps II has grown from supporting seven online applications to over 26 applications. There are currently ten new applications

either in the project stage, in development, or waiting to be transitioned to maintenance and operations.

Description of Change:

CDPH requests \$3.1 million in 2025- 26 from the Internal Departmental Quality Improvement Account (Fund 0942-222) to support planning and implementation cost for the Centralized Application Branch (CAB) Online Licensing Application Project.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

The CAB Online project proposes to refresh, enhance, and expand the technology of CAB's original automated license application submission system to enable all 35 healthcare facility provider types to submit applications electronically and have the technological flexibility to add new facility types in the future. Additionally, the technology refresh will integrate the new CAB Online license application submission system with other CHCQ systems, including the center's Electronic Licensing Management System (ELMS) database and enable facilities to pay licensing fees electronically, rather than by paper check.

In addition, CHCQ has a need to reduce errors in submitted applications. Reducing the errors in submitted applications will minimize the number of applications that require corrections or additional documentation. The GACH and APH automated licensing application system has effectively reduced application errors since inception. Prior to AEM, GACH and APH applicants were able to submit incomplete applications with missing documents, which increased processing times. With AEM, application errors have been effectively reduced since applicants are required to submit completed applications which has substantially decreased processing times from 100 days in 2019 to 38 days in 2023 which provided greater efficiency for both the provider and the department. Subsequently, other provider types across the CHCQ regulated universe are requesting the ability to submit forms and payments using the online application system.

CHCQ has a need to create efficiencies in CAB's operations. Analysts manually key information from paper applications into ELMS. The workflow between CAB intake team, managers, analysts, Fiscal Unit, and District Offices includes passing application packets and folders either manually or via email. Analysts manually

look up information in related systems and re-key relevant information into ELMS. Integration of the online application system with ELMS system and other systems will reduce many of the cumbersome manual processes currently in place and will provide a simplified workflow that will contribute to provider satisfaction by creating a seamless route for application submissions and processing.

CHCQ needs to move the online GACH and APH application system to a technology that ITSD can support and that is consistent with the Future of Public Health Department-wide technology enhancement strategy. The online GACH and APH application system was created using AEM software. The AEM was an enterprise standard at CDPH and had been used successfully to automate forms submissions for other CHCQ programs, such as End of Life Drug and Palliative Care Programs. Since the implementation of the GACH and APH application system, ITSD has determined that AEM is no longer an enterprise standard and will not perform new developments using the platform. As a result, CDPH plans to migrate existing applications off AEM platform by December 2024.

This CAB Online project is currently in Stage Three of the PAL process, Procurement Analysis. The project schedule will be re-baselined after the vendor is selected as the start of the implementation phase is delayed from July 2025 through June 2027. Initially, CDPH projects that users will need a high level of assistance with the system, and the need for additional support staff will increase significantly once all facility types go live in the system. As users grow more familiar with using the system, the need for support is projected to diminish.

In addition, CHCQ is requesting one limited term Information Technology Specialist II to support the CAB online project implementation and maintenance. The CAB Online project consists of a large-scale application being built on Microsoft Dynamics and the Microsoft Power Platform. This position will support the completion of the planning stage and will initiate implementation activities. It is expected that the efficiencies realized by this system will lead to cost savings in CHCQ's application processing, thus making this additional position cost-neutral overall.

Fiscal Impact (Range) and Fund Source(s):

CDPH requests \$3.1 million in 2025- 26 from the Internal Departmental Quality Improvement Account (Fund 0942-222) to support planning and implementation cost for the Centralized Application Branch (CAB) Online Licensing Application Project.

**Special Deposit Sub-Funds Conversion to Special Funds (Technical Adjustment)**

Background:

CDPH has four sub-funds with the Special Deposit Fund (Fund 0942). These include:

*Internal Departmental Quality Improvement Account: 0942-222:*

Per Health and Safety Code section 1280.15(f) "All penalties collected by the department pursuant to this section, Sections 1280.1, 1280.3, and 1280.4, shall be deposited into the IDQIA, which is hereby created within the Special Deposit Fund under Section 16370 of the Government Code. Upon appropriation by the Legislature, moneys in the account shall be expended for internal quality improvement activities in the Licensing and Certification Program.

*Skilled Nursing Facility Minimum Staffing Penalty Account 0942-048:*

Per Health and Safety Code section 1276.66(a)(1): "There is hereby continued in the Special Deposit Fund, established pursuant to Section 16370 of the Government Code, the SNF Minimum Staffing Penalty Account. The account shall contain all moneys deposited pursuant to subdivision (b). (2) Notwithstanding Section 13340 of the Government Code or any other law, the SNF Minimum Staffing Penalty Account is hereby continuously appropriated, without regard to fiscal years, to the State

Per Health and Safety Code section 1276.66(a)(1): "There is hereby continued in the Special Deposit Fund, established pursuant to Section 16370 of the Government Code, the SNF Minimum Staffing Penalty Account. The account shall contain all moneys deposited pursuant to subdivision (b). (2) Notwithstanding Section 13340 of the Government Code or any other law, the SNF Minimum Staffing Penalty Account is hereby continuously appropriated, without regard to fiscal years, to the State Department of Public Health to support the implementation of this section."

*State Health Facilities Citation Penalties Account: 0942-601:*

Per Health and Safety Code section 1417.2(a): "Notwithstanding Section 1428, moneys collected as a result of state civil penalties imposed under this chapter shall be deposited into this account that is hereby established in the Special Deposit Fund created pursuant to Section 16370 of the Government Code. This account is titled the State Health Facilities Citation Penalties Account, into which moneys derived from civil penalties for violations of state law shall be deposited."

*Federal Health Facilities Citation Penalties Account: 0942-605:*

Per Health and Safety Code section 1417. 2(a): "Notwithstanding Section 1428, moneys collected as a result of federal civil penalties imposed under federal law shall be deposited into this account that is hereby established in the Special Deposit Fund created pursuant to Section 16370 of the Government Code. This account is titled the Federal Health Facilities Citation Penalties Account, into which moneys derived from civil penalties for violations of federal law shall be deposited."

Description of Change:

CDPH requests the conversion of four special deposit sub-funds to special funds.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

The conversion of the IDQIA Fund (0942-222), Skilled Nursing Facility Minimum Staffing Penalty Account (0942-248), State Health Facilities Citation Penalties Account (0942-601), and Federal Health Facilities Citation Penalties Account (0942-605) sub-funds will provide greater transparency. These sub-funds currently do not have official fund condition statements published in the Budget Act Detail. This makes it more difficult to track revenues, expenditures, and the fund balance. Below are some issues CHCQ is facing:

- Following the passage of AB 186 (2022), CHCQ no longer transfers all revenue from the SNF Minimum Staffing Penalty Account to the California Department of Health Care Services (DHCS). An official fund condition statement for this fund would be appropriate, considering that CHCQ will now keep the revenue and potentially make expenditures from the Account.
- The State Citation Account is shared with the California Department of Aging, and CHCQ has little transparency and communication with them regarding expenditures and transfers. An official published fund condition statement would be helpful for both Departments.
- The State and Federal Citations Accounts are both highly visible with CHCQ often receiving inquiries from stakeholders regarding the balances/expenditures. CHCQ must also complete a complex reconciliation with Dept. of Aging's year-end reports at the conclusion of every fiscal year. Converting these sub-funds to special funds would

eliminate that need, and lessen workload for CHCQ, CDPH Fiscal Management Branch, and Department of Aging.

- On an annual basis, CMS requires CHCQ to submit the fund balance for the Federal Citation Account with the Civil Money Penalty State Plan. It is difficult for CHCQ to report this information without an official fund condition statement.

CHCQ requests that these four sub-funds be abolished, and any fund balance should be transferred as follows:

- The balance in the IDQIA sub fund shall be transferred to IDQIA fund.
- The balance in the SNF Minimum Staffing Penalty Account sub fund shall be transferred to the SNF Minimum Staffing Penalty Account fund.
- The balance in the State Health Facilities Citation Penalties Account sub fund shall be transferred to the State Health Facilities Citation Account fund.
- The balance in the Federal Health Facilities Citation Penalties Account sub fund shall be transferred to the State Health Facilities Citation Account fund.

There will be no changes to revenues or expenditures for these funds. Revenues will be received from the same citation types as were received by the predecessor funds. Expenditures will be made for the same purposes as the predecessor funds. This request is purely administrative in nature.

#### Fiscal Impact (Range) and Fund Source(s):

There is no fiscal impact to the funds listed. CHCQ requests a technical adjustment to convert four special deposit sub-funds to special funds.

### **Implementation of SB 1354: Long-Term Healthcare Facilities: Payment Source and Resident Census**

#### Background:

Older adults on California Medical Assistance Program (Medi-Cal) have struggled to find SNFs willing to accept them because providers want higher reimbursement rates from private pay residents and Medicare beneficiaries. Low-income seniors are often forced to move away from family, friends, and their healthcare support team because they are denied access to a local facility due to the lower Medi-Cal reimbursement rates. Residents, families of residents, and the public have been demanding greater accountability of SNFs for many years now. SNFs receive funds from DHCS to accommodate both

Medicare and Medicaid residents for their voluntary participation that requires an agreement certifying under penalty of perjury they will adhere to all state and federal laws, which include a prohibition against Medi-Cal discrimination. Despite these laws, for decades, nursing homes have found numerous ways of discriminating to reduce their Medi-Cal population and free beds up to make way for more lucrative private pay or Medicare residents.

SB 1354 strengthens and enhances the rights of residents by aligning laws with regulations related to the administration of agreements between residents and providers' operations of their facilities and informing residents of their possible eligibility for Long-Term Care (LTC) Medi-Cal benefits. SB 1354 requires all SNFs to make their current daily resident census and nurse staffing data available to the public by either posting it on the facility's internet website or by responding to telephonic requests, as specified. SB 1354 requires that LTC health facilities certified by Medi-Cal must provide the same care, services, and benefits to Medi-Cal beneficiaries as they do to the public, regardless of payment source, among other things.

Description of Change:

CDPH requests 1.25 positions and expenditure authority of \$307,000 in 2025-26 and ongoing from Fund 3098 to implement SB 1354 regarding LTC Facilities, Payment Source and Resident Census.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

SB 1354 requires each LTC health facility certified for Medi-Cal to provide the same care, services, and benefits to Medi-Cal beneficiaries as to the public, regardless of payment source. The bill requires each LTC health facility include a specific statement that details a resident's rights as a Medi-Cal or Medicare enrollee in the notice a resident or their representative must receive if the facility intends to involuntarily transfer or discharge the resident. All SNFs would be required to make their current daily resident census and nurse staffing data available to the public by either posting it on the facility's internet website.

*Daily Resident Census and Nurse Staffing Information*

Pursuant to federal regulations, certified SNFs must already gather their current daily resident census and nursing staffing data and post it daily in a prominent place accessible to residents and visitors.

The bill would require every Medi-Cal certified SNF to post the data on its website, or provide the information in response to a telephonic request in the manner preferred by the requester:

- By telephone, within 24 hours, or
- By email, within two business days. (If by email, the SNF may send a photograph of the currently posted information).

Compliance with this provision will likely minimally affect the operational costs of a facility. However, if a state court, federal court, or CMS make a judgement/finding that reimbursement by the Medi-Cal program to LTC health care facilities for costs associated with this section is required by state or federal law or regulation, this bill makes this data access provision operative only upon appropriation by the Legislature.

#### *Discrimination Based on Payer Source*

The facility must have identical policies and practices to all residents, regardless of a resident's payment source which is mandated by federal and state law. In December 2023, CDPH sent an All Facilities Letter (AFL 23-37) to all SNFs, reminding them of the applicable federal and state laws relating to admissions, discharges, and transfers, because the Department was receiving an annual average of 1,100 complaints relating to SNF discharges and transfers.

CDPH currently investigates complaints relating to SNF discharges and transfers. This bill expands transparency requirements regarding SNF daily resident census and its nursing staffing levels by requiring every Medi-Cal certified SNF post the data on its website or provide the information in response to a telephonic request in the manner preferred by the requester. With this bill's additional transparency requirements, CDPH assumes there will be a 10 percent increase over the current annual average of 1,136 complaints relating to SNF discharges and transfers, which will result in 114 additional complaints per year. The average amount of time to investigate a complaint and determine whether to issue a citation and civil penalty is 19 hours. Each full-time equivalent (FTE) HFEN completes an average of 1,800 hours of work annually.

This bill will require 1.25 FTE HFENs to accomplish the 2,166 hours of additional complaint workload resulting from this bill. Since SB 1354 takes effect on January 1st, 2025, CHCQ will absorb the increased workload in 2024-25 with existing

resources. CHCQ requests 1.25 positions and expenditure authority of \$307,000 in 2025-26 and ongoing to implement SB 1354.

Fiscal Impact (Range) and Fund Source(s):

CDPH requests 1.25 positions and expenditure authority of \$307,000 in 2025-26 and ongoing from Fund 3098 to implement SB 1354 regarding LTC Facilities, Payment Source and Resident Census.

**Implementation of Assembly Bill 3030: Health Care Service: Artificial Intelligence**

Background:

Across the state, pilot programs are testing the use of GenAI as a tool to assist clinicians with patient communications. As artificial intelligence (AI) becomes increasingly integrated in health care systems, it is important to maintain the trust between a patient and their provider, while ensuring the accuracy of information being communicated to patients. AB 3030 requires specified entities that use GenAI to generate verbal or written patient communications pertaining to patient clinical information to ensure those communications include both a disclaimer that GenAI generated the communication and clear instructions describing how the patient may contact a human health care provider or other appropriate person. This bill requires healthcare providers who use this technology to provide a disclaimer that the communication was AI-generated, along with clear instructions for how a patient can directly communicate with a healthcare provider. This bill allows health care providers to benefit from the increased efficiencies offered by GenAI tools while simultaneously providing recourse to patients who are not satisfied with GenAI-generated responses.

Description of Change:

CDPH requests 3 positions and expenditure authority of \$672,000 in 2025-26 and ongoing from Fund 3098 to provide resources to implement the provisions of AB 3030, which deals with health care services and AI.

Discretionary?:

Yes.

Reason for Adjustment/ Change:

AB 3030 requires a health facility, clinic, physician's office, or office of a group practice that uses GenAI to generate written or verbal patient communications pertaining to patient clinical information to ensure that those communications include a disclaimer and clear instructions describing how a patient can communicate with a human health care provider, or other appropriate person. The disclaimer must indicate the communication was generated by GenAI and must comply with the following formatting requirements:

- For written communications involving physical and digital media, including letters, emails, and other occasional messages, the disclaimer must appear prominently at the beginning of each communication.
- For written communications involving continuous online interactions, including chat-based telehealth, the disclaimer must be prominently displayed throughout the interaction.
- For audio communications, the disclaimer must be provided verbally at the start and end of the interaction.
- For video communications, the disclaimer must be prominently displayed throughout the interaction.

This bill clarifies that if a communication is generated by GenAI and read and reviewed by a human licensed or certified health care provider, then a disclaimer described above is not required. Based on the increasing accessibility of GenAI, CDPH estimates that 40 percent of facilities will use AI tools in patient communication. This results in the following range of costs:

- HFEN 3.0 FTE: There are currently 15,000 open health facilities and clinics with active licenses under CDPH's purview. Assuming 40 percent of these facilities use some form of GenAI in their patient communications, CDPH will need to review 6,000 facilities for compliance with the disclaimer requirements of AB 3030. Assuming a HFEN requires on average two hours to review each facility or clinic's various GenAI communication platforms during relicensing surveys, including written, audio, video, and online interface communications, this will generate an additional 12,000 hours of work each license renewal cycle. Clinics and health facilities have varying license renewal periods, but assuming CDPH conducts a relicensing survey every two years on average, it is estimated that this will generate an additional 6,000 hours of work annually. Since a HFEN can complete 1,800 hours of work each year, CDPH will require approximately 3.0 permanent FTE HFENs to complete the new workload. This would result in costs of \$390,000 in the second half of 2024-25 that will be absorbed, and annual, ongoing costs of approximately \$672,000 beginning in 2025-26.

Fiscal Impact (Range) and Fund Source(s):

CDPH requests 3 positions and expenditure authority of \$672,000 in 2025-26 and ongoing from Fund 3098 to provide resources to implement the provisions of AB 3030, which deals with health care services and AI.

**Discontinued Assumptions/Premises**

There are no discontinued assumptions/premises.

IV. Appendix A: Fiscal Summary

Comparison of 2025-26 Governor's Budget to 2025-26 May Revision Estimate  
(\$ in thousands)

	2025-26 Governor's Budget	2025-26 May Revision Estimate	Request
<b>A. Headquarters</b>			
1. Headquarters	70,096	70,096	
2. CHCQ Expansion of Operation Support	-	1,499	1,499
3. CHCQ GenAI Contract	-	8,000	8,000
4. AB 3161 Patient Safety & Antidiscrimination	-	1,112	1,112
5. CHCQ APH Support		1,029	1,029
<b>Headquarters Sub-total</b>	<b>\$70,096</b>	<b>\$81,736</b>	<b>\$11,640</b>
<b>B. Field Operations</b>			
1. Licensing & Certification (L&C)	189,087	189,087	-
2. Los Angeles County (LAC)	132,710	132,710	-
3. State Facilities Unit (SFU)	14,147	14,147	-
<b>Field Operations Subtotal</b>	<b>\$335,944</b>	<b>\$335,944</b>	<b>-</b>
<b>C. Adjustment to Baseline Cost</b>	75,972	38,547	(37,425)
<b>D. Statewide Cost Allocation Plan</b>	4,115	6,068	1,953
<b>E. Grand Total</b>	<b>\$486,127</b>	<b>\$462,295</b>	<b>\$(23,832)</b>

**V. Appendix B: Position Summary**

Comparison of 2025-26 Governor's Budget to 2025-26 May Revision Estimate

	<b>2025-26 Governor's Budget</b>	<b>2025-26 May Revision Budget Change Proposals</b>	<b>2025-26 May Revision Estimate Total</b>	<b>Request</b>
<b>TOTAL CENTER POSITIONS</b>	<b>1,551.7</b>	<b>11.0</b>	<b>1,562.7</b>	<b>11.0</b>
<b>Headquarters Total</b>	<b>562.4</b>	<b>6.0</b>	<b>568.4</b>	<b>6.0</b>
<b>Field Operations Total</b>	<b>989.3</b>	<b>5.0</b>	<b>994.3</b>	<b>5.0</b>
Bakersfield District Office	49.3	-	49.3	-
Chico District Office	42.0	-	42.0	-
East Bay District Office	63.0	-	63.0	-
Fresno District Office	65.0	-	65.0	-
Life Safety Code Section	31.0	-	31.0	-
Los Angeles State District Office	29.0	-	29.0	-
Medical Consultant Section	20.0	-	20.0	-
Nutrition Consultant Section	14.0	-	14.0	-
Orange District Office	81.0	2.0	83.0	2.0
Pharmaceutical Consultant Section	20.0	-	20.0	-
Riverside District Office	75.0	-	75.0	-
Sacramento District Office	90.0	1.0	91.0	1.0
San Bernardino District Office	66.0	-	66.0	-
San Diego District Office	63.0	1.0	64.0	1.0
San Francisco District Office	38.0	-	38.0	-
San Jose District Office	48.0	1.0	49.0	1.0
Santa Rosa District Office	40.0	-	40.0	-
State Facilities Section	69.0	-	69.0	-
Stockton District Office	33.0	-	33.0	-

	<b>2025-26 Governor's Budget</b>	<b>2025-26 May Revision Budget Change Proposals</b>	<b>2025-26 May Revision Estimate Total</b>	<b>Request</b>
Ventura District Office	53.0	-	53.0	-

	<b>2025-26 Governor's Budget</b>	<b>2025-26 May Revision Budget Change Proposals</b>	<b>2025-26 May Revision Estimate Total</b>	<b>Request</b>
<b>Public Health Staff Total</b>	<b>8.5</b>	<b>2.0</b>	<b>10.5</b>	<b>2.0</b>
Administration	4.0	-	4.0	-
Information Technology Services Division	4.5	2.0	6.5	2.0
Office of Legal Services	-	-	-	-
<b>TOTAL CENTER-FUNDED POSITIONS</b>	<b>1,560.2</b>	<b>13.0</b>	<b>1,573.2</b>	<b>13.0</b>

## VI. Appendix C: Detailed Assumptions

### 1. Methodology:

To estimate the workload for each facility type, CHCQ uses the following general formulae:

- Planned workload = Standard average hours x facility count x required frequency (if applicable).
- Unplanned workload = Historical data and applying linear regression to project unplanned workload with possible adjustments from subject matter experts knowledgeable of the specific workload.

CHCQ continues to analyze ratios of survey to follow-up/revisits to accurately project workload demand. CHCQ then estimates the positions needed to accomplish the workload. Specifically, the formulas for estimating positions are:

Surveyor positions (for complaints, facility-reported incidents, and other non-periodic workload):

- Surveyor = ([standard average hour x activity count]/non-survey factor)/1,800 hours.

Surveyor positions (for surveys):

- Surveyor = ([standard average hour x facility count x mandated frequency rate]/non-survey factor)/1,800 hours.

Supervisor and support staff positions:

- Supervisors = One supervisor to six Surveyors.
- Support staff for state and federal workload = One support staff to six Surveyors and supervisors.

### 2. Health Care Facility Counts:

A health care facility means any facility or building that is organized, maintained, and operated for the diagnosis, care, prevention, and treatment of human illness, physical or mental, including convalescence and rehabilitation

and including care during and after pregnancy, or for any one or more of these purposes, for one or more persons, to which the persons are admitted for a 24-hour stay or longer.

- CHCQ counts health care facilities by facility type (e.g., SNFs, general acute care hospital, home health agency, etc.), and facilities opened as of a point-in-time of the current fiscal year as reported by the CMS ASPEN for certified facilities, and facilities open as of June 2024 as reported in the Electronic Licensing Management System.
- CHCQ counts only active and open main facilities and skilled nursing distinct part facilities for purposes of this Estimate.
- For some facility types, there may be a difference in the number of licensed facilities versus the number of certified facilities. This is because some facilities are licensed only or certified only. Additionally, there may be minor discrepancies due to the use of different data sources required by the CMS, and/or the timing of data reconciliation activities.

CHCQ updated facility counts as of March 2025.

### **3. Health Care Facility List:**

- Adult Day Health Centers
- Alternative Birthing Centers
- Acute Psychiatric Hospitals
- Chronic Dialysis Clinics
- Chemical Dependency Recovery Hospitals
- Congregate Living Health Facilities
- Community Clinic/Free Clinic/Community Mental Health Center
- Correctional Treatment Centers
- General Acute Care Hospitals
- Home Health Agencies
- Hospice

- Hospice Facilities
- Intermediate Care Facilities
- Intermediate Care Facilities–Developmentally Disabled (DD):  
DD–Habilitative; DD–Nursing
- Pediatric Day Health/Respite Care
- Psychology Clinics
- Referral Agencies
- Rehabilitation Clinics
- Skilled Nursing Facilities
- Surgical Clinics

#### **4. Survey Activities:**

CHCQ bases licensing survey activities on state mandated requirements. Surveyors perform the following state licensing activities:

- Re-licensure
- Re-licensure – Follow-up
- Initial Licensure
  - Including outstanding pending initial licensure applications
    - Initial Licensure – Follow-up
    - Complaint Investigations Facility-Reported Incident  
Investigations – State
    - Field Visits
  - Including Change of Ownership, Change of Location, Bed Change,  
Services Change
    - Review Medical Error Plan

CHCQ bases certification survey activities on the federal Centers for Medi-Cal tiered activity requirements. Surveyors perform the following federal certification activities:

- Re-certification
- Re-certification – Follow-up

- Initial Certification
- Initial Certification – Follow-up
- Life Safety Code
- Life Safety Code – Follow-up
- Complaint and Facility-Reported Investigations – Federal
- Complaint Validation
- Validation
- Validation – Follow-up
- Informal Dispute Resolution
- Federal Hearings
- Pre-Referral Hearings
- Monitoring Visits

## **5. Time Entry and Activity Management:**

The provisions of Health and Safety Code section 1266(e) require CHCQ to capture and report workload data by category (survey activity and facility type). The Time Entry and Activity Management system captures data on the number of survey counts and the total hours spent for each survey activity to determine the standard average hours that it takes to accomplish specific workload.

## **6. Survey Workload:**

Survey workload is either state mandated (ex: licensing survey) or federally mandated by CMS (ex: certification survey).

## **7. Standard Average Hours:**

Standard average hours are the average hours each survey activity takes to complete. CHCQ used closed complaints and exited survey data from July 1, 2021, through June 30, 2024, to calculate standard average hours for this Estimate.

**8. Open Complaints and Facility-Reported Incidents:**

CHCQ bases the open complaints and facility-reported incidents count on all open complaints and facility-reported incidents as of June 30, 2024.

**9. Received Complaints and Facility-Reported Incidents:**

CHCQ bases the received complaints and facility-reported incidents count by excluding intakes with no event/time association as of June 30, 2024.

**10. Annualized Workload Hours:**

CHCQ determines annualized workload by the corresponding state or federal mandated survey requirements, multiplied by the standard average hours, adjusted to include non-survey administration hours.

**11. Surveyor Positions:**

Surveyor positions consist of HFENs, Associate Governmental Program Analysts, Special Investigators, medical, pharmacy, dietary consultants, and life safety code analysts. CHCQ uses 1,800 functional hours per position per year for state field operations staff, as well as Los Angeles County surveyor staff.

**12. Staffing Ratios:**

State Ratios:

- CHCQ computes the allocation of the Health Facilities Evaluator II Supervisor positions using a (1:6) ratio: one Health Facilities Evaluator II Supervisor for every six surveyors.
- CHCQ computes the allocation of the Health Facilities Evaluator Manager I positions using a (1:6) ratio: one Health Facilities Evaluator Manager I for every six Health Facilities Evaluator II Supervisors.
- CHCQ computes the allocation of the Program Technician II positions using a (1:6) ratio: one Program Technician II for every six of the combined surveyors and supervisors.
- CHCQ computes the allocation of the CHCQ administrative positions using a (1:10) ratio: one CHCQ administrative position

for every ten of the combined requested positions for field-based staff.

**13. CHCQ updated federal grant workload to reflect the 2024 grant.**

**14. Fund Sources:**

- General Fund (0001)
- Federal Trust Fund (0890):
  - Title XVIII Long Term Care
  - Title XVIII Non-Long-Term Care
  - Title XVIII Hospice Care
  - Title XIX Long Term Care
  - Title XIX Non-Long-Term Care
    - Special Deposit Fund (0942)
  - Internal Departmental Quality Improvement Account
  - SNF Minimum Staffing Penalty Account
  - State Health Facilities Citation Penalties Account
  - Federal Health Facilities Citation Penalties Account
    - Reimbursements (0995)
    - CDPH L&C Program Fund (3098)

**15. Contract costs are included for executed contracts only.**

**16. Miscellaneous:**

- CHCQ has implemented a systematic method of securing the data within the Estimate workbook and documenting management review.

**Changes to Detailed Assumptions from the 2025-26 May Revision Estimate**

There are no changes to Detailed Assumptions from the 2025-26 May Revision Estimate.

VII. Appendix D: Revenue and Transfer Summaries

2024-25 Current Year Revenue and Transfer Summaries

Fiscal Year 2024-25 \$ in thousands	Fi\$CAL Account Code	L&C Program Fund 3098	Special Deposit Fund 0942	Federal Fund 0890	Reimbursement 0995	General Fund 0001	Total
<b>State Department of Public Health Licensing and Certification Program Fund 3098</b>							
Other Regulatory Licenses and Permits	4129400	\$242,822					<b>\$242,822</b>
Other Regulatory Licenses and Permits (Los Angeles County Supplemental)	4129400	\$21,743					<b>\$21,743</b>
Miscellaneous Services to the Public	4143500	\$6					<b>\$6</b>
Income from Surplus Money Investments	4163000	\$5,573					<b>\$5,573</b>
Loans/Repayments to Other Funds	6230000	-\$70,000					<b>-\$70,000</b>
Loans/Repayments from Other Funds	6530000	\$0					<b>\$0</b>
<b>Special Deposit Fund 0942</b>							
<b>Internal Departmental Quality Improvement Account</b>							
Fines & Penalties - External - Private Sector	4172220		\$5,267				<b>\$5,267</b>
Income from Surplus Money Investments	4163000		\$620				<b>\$620</b>
<b>Federal Health Facilities Citation Penalties Account</b>							
Fines & Penalties - External - Other	4172220		\$2,651				<b>\$2,651</b>
Income from Surplus Money Investments	4163000		\$506				<b>\$506</b>
<b>State Health Facilities Citation Penalties Account</b>							
Fines & Penalties - External - Private Sector	4172220		\$6,537				<b>\$6,537</b>
Income from Surplus Money Investments	4163000		\$258				<b>\$258</b>
<b>Skilled Nursing Facility Quality and Accountability</b>							
Fines & Penalties - External - Private Sector	4172220		\$7,962				<b>\$7,962</b>
<b>Federal Fund 0890</b>							
Title 18 Survey & Certification (S&C) Medicare	4400000			\$60,750			<b>\$60,750</b>
Title 19 Survey & Certification (S&C) Medicaid	4400000			\$58,897			<b>\$58,897</b>
Unscheduled	4400000			\$10,000			<b>\$10,000</b>
<b>Reimbursements 0995</b>							
Reimbursements 0995	4810000				\$7,258		<b>\$7,258</b>
Unscheduled	4810000				\$8,355		<b>\$8,355</b>
<b>General Fund 0001</b>							
General Fund Transfer State Facilities Section Allocation	6210000					\$3,505	<b>\$3,505</b>
<b>Revenue Projection by Fund Totals</b>		<b>\$200,144</b>	<b>\$23,801</b>	<b>\$129,647</b>	<b>\$15,613</b>	<b>\$3,505</b>	<b>\$372,710</b>

2025-26 Budget Year Revenue and Transfer Summaries

FY 2025-26 \$ in thousands	Fi\$CAL Account Code	L&C Program Fund 3098	Special Deposit Fund 0942	Federal Fund 0890	Reimbursement 0995	General Fund 0001	Total
State Department of Public Health Licensing and Certification Program Fund 3098							
Other Regulatory Licenses and Permits	4129400	\$248,604					\$248,604
Other Regulatory Licenses and Permits (Los Angeles County Supplemental)	4129400	\$21,743					\$21,743
Miscellaneous Services to the Public	4143500	\$6					\$6
Income from Surplus Money Investments	4163000	\$5,573					\$5,573
Loans/Repayments to Other Funds	6230000	\$0					\$0
Loans/Repayments from Other Funds	6530000	\$20,000					\$20,000
Special Deposit Fund 0942							
Internal Departmental Quality Improvement Account							
Fines & Penalties - External - Private Sector	4172220		\$5,267				\$5,267
Income from Surplus Money Investments	4163000		\$620				\$620
Federal Health Facilities Citation Penalties Account							
Fines & Penalties - External - Other	4172220		\$2,651				\$2,651
Income from Surplus Money Investments	4163000		\$506				\$506
State Health Facilities Citation Penalties Account							
Fines & Penalties - External - Private Sector	4172220		\$6,537				\$6,537
Income from Surplus Money Investments	4163000		\$258				\$258
Skilled Nursing Facility Quality and Accountability							
Fines & Penalties - External - Private Sector	4172220		\$7,962				\$7,962
Federal Fund 0890							
Title 18 Survey & Certification (S&C) Medicare	4400000			\$64,659			\$64,659
Title 19 Survey & Certification (S&C) Medicaid	4400000			\$62,686			\$62,686
Unscheduled	4400000			\$10,000			\$10,000
Reimbursements 0995							
Reimbursements 0995	4810000				\$7,383		\$7,383
Unscheduled	4810000				\$8,265		\$8,265
General Fund 0001							
General Fund Transfer State Facilities Section Allocation	6210000					\$3,505	\$3,505
Revenue Projection by Fund Totals		\$295,926	\$23,801	\$137,345	\$15,648	\$3,505	\$476,225

**Descriptions:**

**General Fund – 0001.** Government Code sections 16300-16315. The General Fund has existed since the beginning of the State as a political entity. It is the principal operating fund for the majority of governmental activities and consists of all money received in the Treasury that is not required by law to be credited to any other fund.

**Reimbursements – 0995.** This is a fund for budgetary purposes only. It is set up separately as a General Fund Special Account and is used in the schedule of appropriation for reimbursements. Reimbursement Fund 0995 is used in this purpose to capture the funding source.

**General Fund for State Facilities Section – 0001.** General Fund is the funding source to recoup fees for survey costs incurred in fee exempt state-owned facilities, including the state match cost of surveys performed in certified only facilities. Funding is specifically appropriated from the General Fund in the annual Budget Act or other enacted legislation.

**Federal Trust Fund – 0890.** Chapter 1284, Statutes of 1978. Government Code sections 16360-16365. Section 16361 of the Government Code appropriates the fund, "...without regard to fiscal year, for expenditure for the purposes for which the money deposited therein is made available by the United States for expenditure by the state."

- Title XVIII - Social Security Act, 1864(a). Medicare health insurance for the aged and disabled.
- Title XIX - Social Security Act, 1902(a)(33)(B). Medicaid low-income program that pays for the medical assistance for individuals and families of low income and limited resources.

**Special Deposit Fund – 0942.** Government Code sections 16370-16375, and 16377 provide that the fund is appropriated to fulfill the purposes for which payments into it are made. The fund was created by Statute in 1880 and codified by the Statutes of 1907 as Section 453a of the Political Code.

**State Department of Public Health Licensing and Certification Program Fund – 3098.** Chapter 483, Statutes of 2007 (SB 1039), Health and Safety Code section 1266.9. This fund is created in Chapter 528, Statutes of 2006. Original Administrative Organization Code 4260 was changed to 4265 when the Department of Health Services split into two departments effective July 2007 in accordance with Chapter 241, Statutes of 2007 (SB 162). This fund, originally titled the State Department of Health Services Licensing and Certification Program Fund, was retitled to the State Department of Public Health Licensing and Certification Program Fund in Chapter 483, Statutes of 2006 (SB 1039). Its purpose is to support the Licensing and Certification Program's operation.

**VIII. Appendix E: Fund Condition Statements****3098 State Department of Public Health Licensing and Certification Program Fund**

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26*</b>
BEGINNING BALANCE	\$136,893,000	\$172,144,000	\$75,515,000
Prior year adjustments	\$25,259,000	\$0	\$0
Adjusted Beginning Balance	\$162,152,000	\$172,144,000	\$75,515,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4129400 - Other Regulatory Licenses and Permits (125700)	\$312,305,000	\$264,565,000	\$270,347,000
4143500 - Miscellaneous Services to the Public (142500)	\$500	\$6,000	\$6,000
4163000 - Investment Income - Surplus Investments (150300)	\$10,481,000	\$5,573,000	\$5,573,000
4171400 - Escheat of Unclaimed Checks and Warrant (161000)	\$196,000	\$0	\$0
4170700 - Civil and Criminal Violation Assessment (164400)	\$0	\$0	\$0
Transfers and Other Adjustments:			
Loan from Licensing & Certification FD, CDPH (3098) to the General Fund (0001)	\$0	-\$70,000,000	\$0
Repayment to Licensing & Certification FD, CDPH (3098) from the General Fund (0001)	\$0	\$0	\$20,000,000
Total Revenues, Transfers, and Other Adjustments	\$322,983,000	\$200,144,000	\$295,926,000
Total Resources	\$485,135,000	\$372,288,000	\$371,441,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0840 State Controller's Office (State Operations)	\$0	\$0	\$0
4170 Department of Aging (Local Assistance)	\$400,000	\$4,650,000	\$400,000

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
4265 Department of Public Health (State Operations)	\$311,490,000	\$282,066,000	\$288,448,000
4265 Department of Public Health (Local Assistance)	\$0	\$45,000	\$45,000
8880 Financial Information System for CA (State Operations)	\$0	\$0	\$0
9670 Equity Claims of California Victim Compensation and Governmental Claims Board (State Operations)	\$0	\$0	\$0
9892 Supplemental Pension Payments (State Operations)	\$3,179,000	\$2,591,000	\$2,591,000
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	\$1,622,000	\$10,926,000	\$16,000,000
Total Expenditures and Expenditure Adjustments	\$316,691,000	\$300,278,000	\$307,484,000
Less Funding Provided by the General Fund	-\$3,700,000	-\$3,505,000	-\$3,505,000
Total Expenditures	\$312,991,000	\$296,773,000	\$303,979,000
FUND BALANCE	\$172,144,000	\$75,515,000	\$67,462,000

**3151 Internal Health Information Integrity Quality Improvement Account**

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
BEGINNING BALANCE	\$1,000	\$1,000	\$1,000
Prior year adjustments	\$0	\$0	\$0
Adjusted Beginning Balance	\$1,000	\$1,000	\$1,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
Transfers and Other Adjustments:			
Total Revenues, Transfers, and Other Adjustments	\$0	\$0	\$0
Total Resources	\$1,000	\$1,000	\$1,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (State Operations)	\$0	\$0	\$0
Total Expenditures and Expenditure Adjustments	\$0	\$0	\$0
FUND BALANCE	\$1,000	\$1,000	\$1,000

**0942-222 Special Deposit Fund - Internal Department Quality Improvement Account**

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
BEGINNING BALANCE	\$19,552,000	\$25,863,000	\$30,191,000
Prior year adjustments	\$0	\$0	\$0
Adjusted Beginning Balance	\$19,552,000	\$25,863,000	\$30,191,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4172220 Fines and Penalties - External - Private Sector	\$5,885,000	\$5,267,000	\$5,267,000
4163000 Investment Income - Surplus Money Investment	\$892,000	\$620,000	\$620,000
Transfers and Other Adjustments:			
Total Revenues, Transfers, and Other Adjustments	\$6,777,000	\$5,887,000	\$5,887,000
Total Resources	\$26,329,000	\$31,750,000	\$35,078,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (State Operations)	\$466,000	\$1,559,000	\$12,295,000
Total Expenditures and Expenditure Adjustments	\$466,000	\$1,559,000	\$12,295,000
FUND BALANCE	\$25,863,000	\$30,191,000	\$23,783,000

**0942-248 Special Deposit Fund - Skilled Nursing Facility Minimum Staffing Penalty Account**

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
BEGINNING BALANCE	\$2,295,000	\$6,480,000	\$14,442,000
Prior year adjustments	\$0	\$0	\$0
Adjusted Beginning Balance	\$2,295,000	\$6,480,000	\$14,442,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4172220 Fines and Penalties - External - Private Sector	\$4,185,000	\$7,962,000	\$7,962,000
Transfers and Other Adjustments:			
Revenue Transfer from Special Deposit Fund (0942) to Skilled Nursing Facility Quality and Accountability Special Fund (3167) per Welfare and Institutions Code 14126.022 (g)	\$0	\$0	\$0
Total Revenues, Transfers, and Other Adjustments	\$4,185,000	\$7,962,000	\$7,962,000
Total Resources	\$6,480,000	\$14,442,000	\$22,404,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4265 Department of Public Health (State Operations)	\$0	\$0	\$0
State Operations (Operating Transfers-out)	\$0	\$0	\$0
Total Expenditures and Expenditure Adjustments	\$0	\$0	\$0
FUND BALANCE	\$6,480,000	\$14,442,000	\$22,404,000

**0942-601 Special Deposit Fund - State Health Facilities Citation Penalties Account**

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
BEGINNING BALANCE	\$14,369,000	\$11,456,000	\$10,000,000
Prior year adjustments			
Adjusted Beginning Balance	\$14,369,000	\$11,456,000	\$10,000,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4172220 Fines and Penalties - External - Private Sector	\$6,023,000	\$6,537,000	\$6,537,000
4163000 Investment Income - Surplus Money Investment	\$567,000	\$258,000	\$258,000
Transfers and Other Adjustments:			
6240000 Revenue Transfers to Other Funds	-\$7,360,000	-\$3,627,000	-\$2,171,000
Total Revenues, Transfers, and Other Adjustments	-\$770,000	\$3,168,000	\$4,624,000
Total Resources	\$13,599,000	\$14,624,000	\$14,624,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4170 Department of Aging			
State Operations	\$138,000	\$130,000	\$130,000
Local Assistance	\$2,005,000	\$3,094,000	\$3,094,000
4265 Department of Public Health			
State Operations	\$0	\$1,400,000	\$1,400,000
Total Expenditures and Expenditure Adjustments	\$2,143,000	\$4,624,000	\$4,624,000
FUND BALANCE	\$11,456,000	\$10,000,000	\$10,000,000

**0942-605 Special Deposit Fund - Federal Health Facilities Citation Penalties Account**

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
BEGINNING BALANCE	\$14,716,000	\$19,307,000	\$13,550,000
Prior year adjustments			
Adjusted Beginning Balance	\$14,716,000	\$19,307,000	\$13,550,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4172240 Fines and Penalties - External - Federal	\$6,618,000	\$2,651,000	\$2,651,000
4163000 Investment Income - Surplus Money Investment	\$732,000	\$506,000	\$506,000
Transfers and Other Adjustments:			
Total Revenues, Transfers, and Other Adjustments	\$7,350,000	\$3,157,000	\$3,157,000
Total Resources	\$22,066,000	\$22,464,000	\$16,707,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4170 Department of Aging			
4265 Department of Public Health			
State Operations	\$56,000	\$467,000	\$467,000
Local Assistance	\$2,703,000	\$8,447,000	\$3,575,000
Total Expenditures and Expenditure Adjustments	\$2,759,000	\$8,914,000	\$4,042,000
FUND BALANCE	\$19,307,000	\$13,550,000	\$12,665,000