

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

02/19/2019

2. Department

Health Care Services

3. Organizational Placement (Division/Branch/Office Name)

Fiscal

4. CEA Position Title

Chief Financial Officer

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

The Chief Financial Officer (CFO) will be responsible for all fiscal operations of the Department of Health Care Services' (DHCS/Department) more than \$100 billion budget, including more than \$20 billion state General Fund. The CFO will have responsibility for the Department's fiscal policy development and administration as well as serve as the primary advisor internally and externally on DHCS' fiscal forecasting/estimates, budget, and accounting/financial reporting functions. Fiscal integrity and accountability are critical to DHCS' mission to provide Californians with access to affordable, integrated, high-quality health care.

6. Reports to: (Class Title/Level)

Chief Deputy Director, Policy and Program Support (Exempt, Level F)

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The CFO will ensure integrity and accountability of the Department's fiscal operations by providing Deputy Director-level leadership and policy direction to the Department's fiscal forecasting/estimating, budget, and accounting/financial reporting functions; advising the directorate, executive staff, and DHCS programs on fiscal operations; and representing DHCS externally on fiscal matters.

DHCS' largest program is Medi-Cal, which is about a \$100-billion/year state-federal program that provides health care to about 13.2 million or one-in-three Californians. It is a complex program that is estimated biannually per statute via the Medi-Cal Estimate and administered on an ongoing basis (on a cash basis of accounting). Medi-Cal administration includes receiving funds via bi-weekly federal grant requests; distributing funds to other state departments, local governmental agencies, health plans, and providers; and extensive state and federal reporting.

Specifically, the CFO will:

- Maintain oversight and policy responsibility for all fiscal operations of the Department in support of the DHCS mission, vision, core values, and goals. Provide leadership and strategic direction to staff performing fiscal forecasting/estimating, budget, and accounting/financial reporting functions. Interpret and enforce applicable state and federal laws, rules, and regulations.
- Be responsible for the overall policy, strategic planning, and administration of a complex \$100+ billion budget, including \$20+ billion state General Fund, federal funds, and special funds, and provide recommendations to the Director, Chief Deputy Directors, executive staff, and DHCS programs regarding department-wide fiscal strategies, policies, and operations. Responsible for budget forecasting/estimating, development, enactment, and administration; accounting, including state and federal reporting requirements; and cash flow management and reporting.
- Monitor and provide consultation to the directorate and executive staff on the fiscal impact of changing federal Medicaid and state legislative proposals, regulations, and proposed departmental policies and programs.
- Be responsible for the interpretation and application of Budget Act control language and the Department of Finance budget instructions and policies.
- Be responsible for departmental resource allocations; review and analysis of program and departmental budget requests; management of DHCS' various funds; and presentation of the DHCS budget to the Department of Finance and the Legislature in coordination with DHCS directorate and executive staff. The incumbent will provide guidance on budget proposals, evaluating their impact on DHCS and other state departments, and monitor the political and fiscal climate to advise on the best course of action to administer resources.
- Represent the Department on fiscal matters to the California Health and Human Services Agency, Department of Finance, Legislative Analyst's Office, Legislature, State Controller's Office, State Treasurer's Office, and the federal Centers for Medicare and Medicaid Services. In coordination with DHCS directorate and executive staff, respond to requests for fiscal information and testify before the Legislature concerning the Department's budget .
- Be responsible for the administration of the Department's forecasting/estimating, budget, and accounting/financial reporting systems, including but not limited to EMBER, CalSTARS, and FI\$Cal. The incumbent will also lead Fiscal's system modernization initiatives.
- Be responsible for the completion of timely/accurate quarterly federal grant requests and corresponding reporting and the completion of annual state financial statements in accordance with governmental practices and procedures.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: DHCS' vision is to preserve and improve the overall health and well-being of all Californians. The Department is California's single state agency for the federal Medicaid program, known as Medi-Cal in California. The CFO will be responsible for ensuring the integrity and accountability of the annual receipt and disbursement of about \$100 billion for Medi-Cal, including \$20+ billion state General Fund, \$60+ billion in federal funds, and about \$15 billion in special funds. DHCS also oversees county-operated community mental health and substance use disorder programs. Fiscal forecasting/estimating, budgeting, and accounting/financial reporting is critical to departmental operations and meeting the Department's mission of providing Californians with access to affordable, integrated, high-quality health care.

The CFO will also be responsible for the fiscally prudent administration of a \$750+ million departmental operating budget, ensuring resources are utilized effectively and efficiently in carrying out existing, and implementing new, programs. Additionally, the CFO will ensure accurate and timely federal and state financial reporting. The CFO will also provide fiscal analyses for proposed federal and state legislation and regulatory changes.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

During spring 2017 and spring 2018, DHCS found variances in excess of \$500 million between the Medi-Cal Estimate and actual expenditures, and significant fluctuations in monthly cash flow for Fiscal Years (FY) 2016-17 and 2017-18, respectively. DHCS, in partnership with the Department of Finance, initiated a comprehensive, ongoing effort to identify the major programs and factors contributing to the fluctuations in cash flow and Medi-Cal Estimate variances, and the solutions and associated resources needed to improve the accuracy of the Estimates and implement a monthly cash reconciliation process. The proposed CFO CEA will provide heightened, consolidated, Deputy Director-level leadership of DHCS' fiscal operations.

In recent years, several new challenges have emerged in managing the Medi-Cal Estimates and associated budget items (the Medi-Cal budget) each year:

- The increased size of the Medi-Cal budget, due to the Affordable Care Act (ACA) Medicaid expansion, and increased use of Intergovernmental Transfers (IGTs), has increased the magnitude of current year adjustments. In FY 2011-12, the Medi-Cal local assistance expenditures were estimated at \$47 billion. The current budget is about \$100 billion.
- The increase in IGTs and supplemental payments, as well as enhanced federal funds under the ACA, has resulted in increased complexity for accounting transactions and cash management, as well as more complex policy changes in the Medi-Cal budget.
- The shift to managed care as the primary Medi-Cal delivery system, with payments to managed care plans instead of Fee-for-Service (FFS) providers, results in significantly more funding concentrated in relatively fewer payments. In FY 2011-12, managed care was 26 percent of total expenditures but grew to 48 percent for FY 2018-19. Unanticipated changes in those payments can result in large changes in current year expenditures.
- As Medicaid programs across the U.S. have increased participation in managed care models, the federal Centers for Medicare and Medicaid Services has implemented a more complicated Medicaid rate review process. This process requires increased development and review time at the state and federal level and as a result, managed care rate packages may need to be implemented retroactively by several months or longer.
- Beginning in FY 2004-05, the Medi-Cal program has been budgeted on a cash basis, rather than an accrual basis like most state programs. While a cash accounting basis aligns with federal reporting, it causes complexity in managing year-end resources and budgeting for programs in other state departments that rely on federal Medicaid funding.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

Under the general direction of the Chief Deputy Director, Policy and Program Support, the CFO will be responsible for managing the organization's fiscal strategies and policies. The incumbent will develop, recommend, and implement DHCS fiscal strategies, policies, and procedures in support of the Department's mission to provide Californians with access to affordable, integrated, high-quality health care. The incumbent will also serve to enhance DHCS' fiscal operations and outcomes.

The CFO will be responsible for the oversight of and policy direction for DHCS' fiscal forecasting/estimating, budget, and accounting/financial reporting functions for \$100+ billion in state, federal, and special funds, including \$20+ billion state General Fund, which represents about 16 percent of total state General Fund spending thus is of material importance to the state's overall financial planning and reporting.

The CFO will provide expert consultation on DHCS' fiscal matters internally to DHCS directorate, executive staff, and DHCS programs as well as externally to the California Health and Human Services Agency, the Department of Finance, the Legislative Analyst's Office, the Legislature, State Controller's Office, State Treasurer's Office, and the federal Centers for Medicare and Medicaid Services.

The CFO will ensure compliance with state and federal laws, rules, and regulations governing fiscal operations.

DHCS is California's single state agency for the federal Medicaid program (known as Medi-Cal in California); the CFO will be responsible for the receipt, distribution of, and accounting/reporting on about \$100 billion state and federal Medicaid funding annually. These responsibilities are critical to California maximizing Medicaid federal funds as well as providing medical, dental, mental health, substance use treatment services, and long-term care to about 13.2 million or one-in-three Californians. DHCS also oversees county-operated community mental health and substance use disorder programs.

The CFO will be responsible for the fiscally prudent administration of a \$750+ million departmental operating budget, ensuring resources are utilized effectively and efficiently. The CFO will develop annual budget allotments to programs; lead development of budget proposals for additional resources; and interpret and administer budget drills and instructions issued by the Department of Finance.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The CFO will serve as the primary advisor to DHCS directorate, executive staff, and DHCS programs on departmental fiscal operations. The incumbent will be responsible for the overall planning, organizing, and oversight of all DHCS fiscal functions, including: Medi-Cal and Family Health Estimates biannual development and ongoing administration; state operations annual budget development and ongoing administration; accounting; cash flow; and state and federal financial reporting. These functions require leadership and policy direction for 182 professional and administrative staff. The incumbent will represent DHCS on fiscal matters with other state and federal agencies, including the California Health and Human Services Agency, Department of Finance, Legislative Analyst's Office, Legislature, State Controller's Office, State Treasurer's Office, and the federal Centers for Medicare and Medicaid Services.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The CFO will be responsible for both developing and implementing new fiscal policy for DHCS and its programs (e.g., Medi-Cal and Family Health Estimates/Local Assistance budgets, State Operations budget/annual allotments to programs, cash management, DHCS fiscal policy) as well as interpreting and implementing existing and/or new state or federal fiscal policy (e.g., budgeting and accounting/financial reporting practices) issued by the Department of Finance, State Controller's Office, State Treasurer's Office, and/or federal Centers for Medicare and Medicaid Services.