

ANALYSIS: 2008-09 Health Services Budget

In his May revision, Gov. Arnold Schwarzenegger made deeper health cuts on top of what he had proposed in January. Earlier in the year, Schwarzenegger sought to narrow a multi-billion and growing budget shortfall with 10% across-the-board reductions. But as the state's income continued to lag, leaving the total deficit – so far – at \$17.2 billion the governor further devastated social and health programs for the poor.

Schwarzenegger's budget revisits familiar fiscal territory, proposing cuts that both he and former Gov. Gray Davis had proposed earlier in the decade, but were rejected by lawmakers as too extreme. In addition, Schwarzenegger re-proposed an administrative power grab, which would allow automatic, across-the-board cuts to programs when spending grows ahead of revenues. This proposal was rejected by voters in 2005.

MOST PROMINENT PROPOSED HEALTH CUTS: These cuts would devastate families' ability access to care and covered benefits. It would force millions of low-income California children, parents, seniors and people with disabilities, with limited resources, to pay more. The largest cuts include:

- **DENIES COVERAGE TO WORKING CALIFORNIANS: (\$31.2 million)** (grows to \$342.5 million once fully implemented.) Parents earning wages above \$975 for a family of three, or work more than 100 hours a month, would no longer qualify for Medi-Cal.
 - **Status: Newly proposed in May.**
- **PROVIDER REIMBURSEMENT RATES (\$614 million):** Cuts to provider rates would significantly reduce access to doctors, hospitals, and specialists for the more than six million Californians with Medi-Cal coverage, and many others. California already has among the worst reimbursement rates in the nation, and over half of the state's doctors don't take Medi-Cal.
 - **Status: Approved,** delayed start date to July 1, 2008. Total reduction was \$614 million. The Legislature's fiscal adviser recommended against this cut.
- **BENEFIT CUTS, INCLUDING ADULT DENTAL (\$85.4 million):** Millions with Medi-Cal coverage will also lose several essential health benefits. One million low-income parents, seniors, and people with disabilities will lose dental coverage under this proposal.
 - **Status: Pending.** The Legislature's fiscal adviser has recommended that lawmakers approve this cut.
- **MORE PAPERWORK LEADING TO LOWER ENROLLMENT (\$43.3 million):** While the proposal does not seek to directly cut eligibility to public programs, it imposes paperwork burdens--so-called "quarterly status reports" (QSRs) on low-income families with the purpose of having over one hundred thousand Californians fall off coverage.
 - **Status: Pending.** The Legislature's fiscal adviser has recommended that lawmakers approve this cut.

HEALTH BUDGET CUTS: THE NITTY GRITTY: Following is a rundown of major health programs in California and the cuts sustained. To view the budget, visit www.ebudget.ca.gov.

MEDI-CAL, which serves the state's poorest Californians, with incomes up to \$17,600 for a family of three, would be reduced by \$1.1 billion, reducing benefits and making it harder to access care.

2007-08: \$37 billion (\$14.1 billion general fund)

2008-09: \$36 billion (\$13.6 billion general fund)

- *DENIED COVERAGE TO LOW-INCOME WORKING PARENTS (08-09: \$31.2 million; Full Implementation: \$342.5 million)*: Parents earning wages of between \$14,000 to \$21,000 a year (100% of poverty), would no longer be eligible for Medi-Cal Coverage. A family of three, for instance, could earn no more than \$891 a month and work fewer than 100 hours.
- *BUREAUCRATIC BARRIERS THAT REDUCE ENROLLMENT (08-09: \$43.3 million)*: Requires Medi-Cal recipients to file paperwork every three months to determine eligibility for the program. The Governor's office expects this alone would result in a decreased enrollment of 73,900 children and adults falling off of Medi-Cal. Currently, children who qualify are insured for an entire year. Parents need to file semi-annually.
- *PROVIDER RATE CUTS (08-09: \$614 million)* – Reductions would be divided as follows.
 - *-\$531.7 million*: Doctors, hospitals, managed care plans, other providers
 - *-\$49.2 million*: Long-term Care facilities
 - *-\$27.1 million*: Non-contract hospitals
 - *-\$6 million*: Public hospitals
 - Noted: Nursing home provider rates were not reduced because of a 6% nursing home fee increase imposed in 2004.
- *BENEFITS CUTS (08-09: \$85.4 million)*: Proposal would reduce benefits that the federal government considers "optional."
 - *-\$73.8 million*: Adult dental benefits
 - *-\$11.6 million*: Chiropractic care, incontinence creams and washes, acupuncture, audiology, optometry, opticians and optical labs, podiatry, speech therapy and psychology.
- *SCALED DOWN BENEFITS TO IMMIGRANTS(08-09: \$86.7 million)*: Low-income legal immigrants, who currently receive comprehensive Medi-Cal benefits, would lose all but four services: emergency, pregnancy-related, some long-term care and some cancer treatments.
- *ELIMINATE DRUG DISCOUNT PROGRAM FOR UNINSURED (08-09)*: Uninsured Californians who pay the sticker price for prescription drugs will not get any relief. This program was signed into law in 2006. At full implementation, it could have saved at least 5 million patients up to 60 percent on their needed medications.
- *OTHER CUTS (08-09: \$271 million)*
 - *-\$22.6 million*: Reduction to private hospitals which incur uncompensated care costs. These hospitals care for high numbers of uninsured patients and Medi-Cal recipients.
 - *-\$34.4 million*: Reduction to public hospitals, which operate 60% of the top-level trauma centers, and 45% of the burn centers in California.
 - *-\$53.8 million*: Medicare Part B premiums for elderly who do not qualify for Medi-Cal share of cost.
 - *-\$42 million*: Impose monthly eligibility requirements for undocumented immigrants to access emergency care.
 - *-\$13 million*: Delay in implementing streamlined and fast-tracked enrollment for children into Healthy Families.
 - *-\$12 million*: Hospitals that do not contract with Medi-Cal would face a rate cut -- either 5 percent below rates of hospitals in the region, or 90% of cost, whichever is lower.
 - *-\$12 million*: Shifting dollars away from program that monitors safety, cost and quality data for providers and hospitals.
 - *-\$79.5 million*: County, administrative and other reductions.

HEALTHY FAMILIES, which provides coverage to low- to middle-income children on a sliding scale for families up to 250% of poverty (\$51,625 for a family of three) will also see changes. Families would have to pay higher premiums and co-pays, which vary by income.

2007-08: \$1.1 billion (\$393.6 million general fund), 888,450 enrollees

2008-09: \$1.1 billion (\$387.8 million general fund), 954,252 enrollees

- *-\$3.1 million*: Limiting dental benefits to \$1,000 annually
- *-\$1.9 million*: Increasing co-pays for non-preventative services from \$5 per visit to \$7.50 per visit for families with incomes higher than 150% of poverty (\$25,758 for a family of three)
- *-\$11.1 million*: Increasing premiums for families with incomes higher than 150% of poverty. Premiums would range from \$9 to \$19 per child. One family would pay no more than \$57/month in premiums.
- *-\$14.6 million*: A 5% reduction in payments to health plans that participate in Healthy Families