

ANALYSIS: 2008-09 Health Services Budget

Gov. Arnold Schwarzenegger unveiled an austere \$141 billion budget in early January, which seeks to address a massive budget deficit with 10% across-the-board reductions. Schwarzenegger has also called a fiscal emergency and spurred lawmakers to begin deliberating midyear cuts to help address the \$14.5 billion shortfall over the current and 2008-09 fiscal years.

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 a so-called budget "reform," which had twice failed in previous years: automatic, across-the-board cuts to programs when spending grows ahead of revenues.

MOST PROMINENT HEALTH CUTS

The health cuts would reduce access to care, cut covered benefits, and raise costs for millions of low-income California children, parents, seniors and people with disabilities. The largest cuts include:

- **PROVIDER RATE CUTS (\$720.9 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.
- **BENEFIT CUTS, INCLUDING ADULT DENTAL (\$133.9 million):** The millions with Medi-Cal coverage will also lose several health benefits. Three million low-income parents, seniors, and people with disabilities will lose dental coverage under this proposal.
- **MORE PAPERWORK LEADING TO LOWER ENROLLMENT (\$92.2 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.

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)

- **PROVIDER RATE CUTS (\$720.9 million)** – Reductions would be divided as follows.
 - -\$602.4 million: Doctors, hospitals, managed care plans, other providers
 - -\$56.8 million: Rates to long-term Care facilities
 - -\$30 million: Non-contract hospitals
 - -\$34.4 million: Funding reductions to public hospitals
 - Noted: Nursing home provider rates were not reduced because of a 6% nursing home fee increase imposed in 2004.
- **BENEFITS CUTS (\$133.9 million)**: Proposal would reduce benefits that the federal government considers "optional."
 - -\$115 million: Adult dental benefits
 - -\$19 million: Chiropractic care, incontinence creams and washes, acupuncture, audiology, optometry, opticians and optical labs, podiatry, speech therapy and psychology.
- **BUREAUCRATIC BARRIERS THAT REDUCE ENROLLMENT (\$92.2 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.
- **OTHER CUTS (\$157 million)**
 - -\$24 million: Reduction in pay to hospitals which incur uncompensated care costs. These hospitals care for high numbers of uninsured patients and Medi-Cal recipients.
 - -\$50.1 million: Medicare Part B premiums for elderly who do not qualify for Medi-Cal share of cost.
 - -\$83.1 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 endure changes. Families who are enrolled will have to pay higher premiums and co-pays, which will 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

- -\$6.3 million: Limiting dental benefits to \$1,000 annually
- -\$3.4 million: Increasing co-pays for non-preventative services from \$5 per visit to \$7.5- 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.
- -\$22.4 million: A 5% reduction in payments to health plans that participate in Healthy Families

MRMIP, (Managed Risk Medical Insurance Program), provides health coverage for high-risk, medically uninsurable individuals who are denied health care in the private, individual market. The program currently has 339 Californians on a waiting list to obtain coverage and more than 8,000 enrollees, according to the director Lesley Cummings on Thursday.

2007-08: \$40 million

2008-09: \$36 million