



JANUARY 8, 2010

A First Look at the 2010-11 Health Care Budget Proposal

On January 8, 2010, Governor Schwarzenegger proposed a fiscal year 2010-11 budget that closes a \$19.9 billion deficit (which includes a \$6.6 billion shortfall from the current 2009-10 fiscal year). The proposal specifically cuts \$2.9 billion from the Health and Human Services General Fund Expenditures, plus an additional \$3.5 billion in health and human service cuts if federal funding is not provided.

CUTS TRIGGERED IF FEDERAL DOLLARS ARE NOT PROVIDED

The Governor's FY 2010-11 budget proposes significant cuts to and elimination of health care programs if federal funds are not forthcoming. That is, if the state does not receive \$6.9 billion in federal funds as part of the base budget, the proposal calls for a trigger of an *additional* \$4.5 billion of cuts. Of those "triggered" cuts, \$3.5 billion are in health and human services, which would:

- **Eliminate coverage and benefits for millions in Medi-Cal** (\$532 million), including to:
 - **Reduce Medi-Cal eligibility** to the minimum allowed under current federal law (about 72% of the federal poverty level for most adults and 133% of the federal poverty level for children and pregnant women). For example, this would reduce income eligibility for low-income parents from a \$18,310 for a family of three to around \$13,000. While this cut would not be allowed under the stimulus package until January 1, 2011, it would eliminate coverage for 250,000 Californians in the first six months, 450,000 adults in the year after that, and hundreds of thousands more adults in future years. The cut would also scale back no-cost Medi-Cal coverage for some seniors and people with disabilities just over the SSI/SSP level.
 - **Eliminate many Medi-Cal programs** (including the Family PACT program for family planning services, the CHDP Gateway for transitional children's coverage, Breast and Cervical Cancer Treatment Program, and the Medically Indigent long-term care program); and
 - **Eliminate most remaining benefits not required by federal law** (including medical supplies like diabetic test strips, prosthetic limbs, orthotics, wheelchairs and other durable medical equipment, hearing aids and other benefits).
- **Eliminate the Healthy Families Program**, affecting all 874,762 children currently enrolled (\$126 million);
- **Eliminate various health services programs**, (including Access for Infants and Mothers, MRMIP's high-risk pools for those denied coverage for pre-existing conditions, Every Women Counts cancer screening, Asthma Control Program, and Expanded Access to Care Program), funded by Proposition 99 (tobacco tax) funds, subject to voter approval (\$115 million);
- **Eliminate current services funded by Proposition 63** (Mental Health Services Act) to redirect the \$847 million to fund existing mental health services;
- **Eliminate CalWORKS**, the state's welfare-to-work program (\$1.044 billion); and
- **Eliminate the In-Home Supportive Services** programs that provides home care to those not able to assist themselves (\$495 million).
- **Make other reductions to state workers, counties, courts, human services, etc.**

However, even if there were to be a massive infusion of federal dollars, the Governor still proposes to make cuts that would eliminate coverage for hundreds of thousands of Californians, and scale back services to millions more. Details on the other side:



BASE BUDGET, EVEN IF FEDERAL DOLLARS PROVIDED:

Specifically, as described below, the budget proposal makes a number of cuts to health and human services programs (\$2.9 billion), redirects funding from other sources to health care programs (\$1.8 billion), and relies on significant receipt of federal funds (\$5.0 billion).

Cuts to Medi-Cal:

- \$750 million in **cuts to Medi-Cal** by placing limits on services and utilization controls, increasing cost sharing for Medi-Cal beneficiaries, and making “other programmatic changes,” potentially affecting the 7 million Californians on Medi-Cal;
- \$118 million to **eliminate Medi-Cal coverage for recent legal immigrants**, effective March 1, 2010, affecting about 90,000 legal immigrants;
- \$104 million to **eliminate the Medi-Cal adult day health care benefit**, effective March 1, 2010, affecting about 35,000 frail adults;
- \$55 million to **delay payment to Medi-Cal institutional providers**, requiring doctors and hospitals to “float” the state;
- \$26.4 million from **aggressive elimination of fraud in Medi-Cal**; and
- \$28.7 million to **rescind a rate increase for Medi-Cal family planning services**.

Cuts to the Healthy Families Program:

- \$85.3 million (including \$10.5 million for the current fiscal year) from **reducing eligibility for the Healthy Families Program from 250% of the federal poverty level (FPL) to 200% of the FPL**, effective May 1, 2010, affecting roughly 225,000 children, plus an additional corresponding \$3.9 million cut to the California Children’s Services program for Healthy Families-eligible children;
- \$21.7 million by **eliminating vision coverage** from the HFP benefit package and **increasing monthly premiums in families 151-200% of the FPL**, effective July 1, 2010, affecting 167,000 children.

Other cuts to Health and Human Services programs:

- \$950.5 million in reducing eligibility, payments and services in the IHSS program;
- \$146.1 million by reducing benefits for CalWORKS recipients;
- \$306.9 million by reducing benefits for recipients of SSI/SSP;
- \$60 million by eliminating the California Food Assistance Program;
- \$200 million by reducing support for Regional Centers;
- \$18 million by eliminating the Substance Abuse Offender Treatment Program.

A redirection of funding to avoid more health care cuts:

- Reduce \$240 million from children’s coverage to be replaced by newly enacted hospital fees;
- Reduce \$36 million from Medi-Cal to be replaced by one-time Proposition 99 reserve funds;
- Reduce \$25 million from the Access for Infants and Mothers (AIM) program to be replaced by one-time use Proposition 99 (tobacco tax) reserve funds;
- Reduce \$550 million in General Fund health and social programs serving children to be replaced by state and local Prop 10 (First Five) funding, subject to voter approval; and
- Reduce \$452.3 million in General Fund EPSDT services for children and mental health managed care to be replaced by Proposition 63 (Mental Health Services Act) funds, subject to voter approval.

A reliance on federal funding to avoid more health care cuts:

- \$1 billion from federal funds owed to the state for disabled Medicare-eligible individuals and the rate of Medicare Part D coverage
- \$1.8 billion from increasing the standard federal matching assistance percentage (FMAP) for Medi-Cal from 50 to 57 percent;
- \$1.5 billion from continuation of an increased FMAP (through June 30, 2011) as part of ARRA, the economic recovery act.