



BUDGET UPDATE: Health Care Cuts in the Ongoing Budget Crisis

In February 2009, Governor Schwarzenegger signed a budget for 2009-10 that included \$15 billion in spending cuts to health and other vital services, as well as a spending cap plus five other proposals subject to a special election.¹ On May 19, 2009, California voters rejected the spending cap and defeated other propositions that would divert funding away from mental health services and health and social services for young children.

California now faces a \$24 billion General Fund budget deficit and Governor Schwarzenegger has proposed a number of extreme changes to address it.² The proposals include cuts to health and other vital services. Health cuts total over \$2.4 billion, many of which have already been rejected by the Legislature as too severe. In addition, there are billions of dollars worth of spending cuts from the significant reduction or elimination of the In-Home Support Services (IHSS) program, SSI grants, CalWORKS, and cash and food assistance for legal immigrants.

Specifically related to the \$2.4 billion in health care cuts, the Governor's proposals would result in over 2 million Californians, including about 1 million children, losing health insurance coverage; reduced access to certain health care services for many more Californians; and the elimination or significant reduction of critical local health and prevention programs. For example, the Governor's proposal includes:

- ✂ **Negotiating a \$1 billion federal waiver to reduce Medi-Cal eligibility** and make other unspecified changes. Without federal action, these proposed eligibility cuts would endanger billions of dollars of funds through the American Recovery and Reinvestment Act (ARRA) signed by President Obama in February. The stated effort to rollback eligibility levels to 1999 would mean eventually denying coverage to nearly 1 million Californians, including many low-income working parents under the poverty level; seniors and people with disabilities; and low-income children and parents who fall off due to the burden of quarterly status reports.
- ✂ **Permanently eliminating the Healthy Families Program**, which will result in 1 million children being denied coverage. This is a step backwards for California, which will miss out on significant federal funds and new opportunities available via the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA).
- ✂ **Decreasing health spending on CalPERS members, and reducing coverage for legal immigrants.** In addition, the budget proposes the elimination of certified application assistors who help families enroll in coverage and the elimination of important health programs at community clinics and for rural state employees.
- ✂ **Reducing access by limiting payments or coverage for Medi-Cal or other health services and providers**, such as private hospitals, mental health care, prescription drugs, family planning services, substance abuse treatments, skilled nursing facilities, dialysis, and emergency services for undocumented.
- ✂ **Eliminating or significantly reducing critical health and prevention programs**, specifically focusing on adult day health care, AIDS drugs, HIV education and prevention, maternal and child health, and children's dental disease prevention.

¹ See Health Access, "[Understanding California's Budget: Implications for Health Reform](#)," (February 22, 2009).

² Department of Finance, "[2009-10 May Revision General Fund Proposals](#)" (May 15, 2009); and further detail released May 26, 2009 and May 29, 2009.

Proposed Policy Change	General Fund Savings (FY 09-10)	Non-Budgetary Impact
<p>Rollback Medi-Cal eligibility levels, contingent on negotiating a waiver of federal requirements. This could include:</p> <ul style="list-style-type: none"> denying coverage for working parents under the poverty level; imposing burdensome quarterly paperwork on children, resulting in many becoming un-enrolled; eliminate eligibility or significantly increase cost-sharing for seniors and people with disabilities. 	\$1,000.0m	Unknown, but potentially over 1 million people could lose coverage, and many more impacted by lower provider rates or decreased benefits.
Eliminate the Healthy Families Program on July 30, 2009.	\$366.0m	Over 1 million children will be denied coverage. (Over 940,000 are on Healthy Families coverage now.)
Eliminate the Medi-Cal adult day health services benefit, the Multipurpose Senior Services Program (MSSP) and Community-based Service programs.	\$166.7m	Reduced access to adult day health services and other home and community-based services.
Decrease spending on CalPERS health benefits beginning in January 2010 by negotiating for lower cost health coverage.	\$132.2m	Some of the 1.6 million CalPERS members could see reduced health benefits and/or increased costs.
Limit health services for legal immigrants over age 20 (except pregnant women) to emergency services only, effective Oct. 1, 2009.	\$125.0m	Over 80,600 people will lose basic coverage.
Reduce mental health managed care services and Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) services.	\$92.0m	Reduced access to mental health services.
Suspend cost-of-living adjustment for skilled nursing facilities.	\$67.1m	Reduced access to skilled nursing facilities.
Offset Medi-Cal costs by redirecting Proposition 99 tobacco tax funds that currently fund other important health-related programs like county health clinics, Breast Cancer Early Detection Program, Asthma, MRMIP high-risk pool, Access for Infants and Mothers (AIM) programs, and rural health and consumer assessment projects.	\$60.0m	Reduction or elimination of important health programs, county resources, and demonstration projects.
Reduce support for AIDS programs , including the AIDS Drug Assistance Program (ADAP), by increasing cost-sharing, limiting formulary, and reducing or eliminating programs.	\$55.5m	Reduced access to life-saving AIDS drugs and support programs.
Reduce Medi-Cal rates for family planning services to pre-January 2008 levels.	\$36.8m	Reduced or eliminated access to family planning services for Medi-Cal beneficiaries.
Eliminate certain “state-only” Medi-Cal services , including non-emergency services, post-partum care, dialysis, non-digestive nutrition, and breast and cervical cancer treatment.	\$34.4m	Reduced or eliminated access to life-saving health care services and treatments.
Eliminate funding for various community clinic programs , including Indian Health, Seasonal and Agricultural and Migratory Workers, Rural Health Services Development, and Expanded Access to Primary Care.	\$34.2m	Reduced access to basic health care services for the uninsured and other vulnerable populations.
Reduce funding for HIV education and prevention to prevent HIV transmission, change attitudes and behaviors related to HIV, and promote risk-reduction skills.	\$24.6m	Reduction or elimination of local health programs aimed at HIV education and prevention.
Eliminate maternal, child, and adolescent health grants to local health jurisdictions for services and programs to improve the health of mothers, infants, children, adolescents, and families.	\$20.2m	Reduction or elimination of local health programs aimed at maternal and child health.
Reduce Medi-Cal payments to private hospitals by 10 percent, commensurate with the cut to public hospitals.	\$20.0m	Reduced access to private hospitals in Medi-Cal, and potential cost shift to privately insured patients.
Eliminate the Rural Health Equity Program for state employees without access to an HMO	\$15.7m	Reduced access to care for rural state workers.
Reduce Medi-Cal rates for certain substance abuse treatment services by 10 percent.	\$8.8m	Reduced access to substance abuse treatment services for the 3 million adults with Medi-Cal.
Suspend a comprehensive, school-based dental disease prevention program for preschool and elementary-age children that operates in 31 counties.	\$2.9m	Approximately 300,000 preschool and elementary school children annually will no longer receive dental prevention services through the program.
Eliminate certified application assistors who help individuals enroll and remain in children’s health insurance coverage.	\$2.7m	Elimination of jobs and reduction in assistance for low-income people enrolling in health coverage.
Find other savings, through new drug purchasing policies , and anti-fraud efforts targeted at providers.	\$75.0m \$47.9m	
TOTAL	\$2.4 billion	On top of major health consequences, lost federal funds for our health system and our economy.