



BUDGET DEAL UPDATE:

What We Know About Health Care Cuts Today

On Monday, July 20th, Governor Arnold Schwarzenegger and legislative leaders announced a budget deal. While there are no publicly available documents as of this writing, this is our best summary of the proposed health care cuts in that package, and their impacts. Check the Health Access website and blog (blog.health-access.org) for the most up-to-date information.

BACKGROUND: In February 2009, the Governor 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. In order to address the emergence of an additional \$26.5 billion General Fund budget deficit, Governor Schwarzenegger had proposed a number of extreme changes to address it, including the elimination of Healthy Families and other key health and human service programs.²

THE CURRENT BUDGET DEAL (AS WE UNDERSTAND IT): After weeks of negotiating between the Governor and legislative leaders, the current \$26.5 billion package of budget “solutions” includes \$15.5 billion in cuts, \$2 billion to health and human services, including significant cuts to CalWORKS, IHSS, and other social service programs.

On health care, the most notable cuts include:

✂ **Denying hundreds of thousands of children health coverage.** The Healthy Families program current covers nearly one million low-income children between 100-250% of the federal poverty level. The proposed cut of \$144 million in state dollars (well above the recommendation of the Budget Conference Committee) would deny well over 500,000 children coverage. First, the newly-imposed wait list would deny over 350,000 children over the course of the budget year. Second, the size of cut would force California to actively disenroll hundreds of thousands additional children. For every dollar we cut in Healthy Families, we are losing two dollars in federal matching funds for our health system, and our economy.

✂ **Making severe cuts to preventative and core health programs.** While rejecting outright eliminations, the Budget Conference Committee made drastic cuts to a series of health care programs and services. We understand the current budget deal increased the cut to Healthy Families, but have not heard of other changes.

Assuming that the budget deal adopted the Budget Conference Committee reductions without significant changes, the deal includes:

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.

- **Cutting mental health**, including reducing by \$92 million of funds for the Mental Health Managed Care Services, and the Early and Periodic Screening, Diagnosis and Treatment program. A \$14 million cut would eliminate state money for ancillary health services in Institutions for Mental Disease.
- **Cutting HIV/AIDS care**, reducing funding by \$33.5 million
- **Cutting Adult Day Health Care**, limiting it three days a week and other changes, a \$26.8 million cut

- **Cutting hospitals**, taking \$23 million from the Distressed Hospital Fund
- **Cutting community clinics**, including many funding streams by around 30%, including Rural Health Services by \$2.2 million; Seasonal Migratory Worker services by \$1.9 million, Indian Health Program by \$1.5 million, and Expanded Access to Primary Care by \$8.4 million.
- **Cutting maternal and child health care** by \$11.5 million, including the Black Infant Health Program by nearly \$1 million; Adolescent Family Life Program by \$1.75 million, local county maternal and child health grants by \$2.1 million, and maternal and child health state support by \$3.5 million.

- **Cutting last-option health coverage for those rejected for “pre-existing conditions”**, reducing the Major Risk Medical Insurance Program by \$6.6 million. MRMIP already has a waiting list, with 7,100 enrollees, despite estimates of over 400,000 eligible “uninsurables.”
- **Cutting health coverage for mothers and newborns babies to get prenatal and post-natal care**, reducing the Access for Infants and Mother program by \$4.9 million. The cut would force a waiting list.

- **Cutting all of the Immunization Program**, for \$18 million
- **Cutting community application assisters** that help enrollment in public coverage like Medi-Cal and Healthy Families, for \$3 million
- **Suspending a children’s dental disease prevention program**, for \$3 million

✂ **Advancing a controversial proposal to privatize county eligibility workers for Medi-Cal and other human services.** As reported in the media, the legislative leaders agreed to a process to consider the Governor’s recent proposal to privatize and replace the current county workers who assist Californians enrolling in Medi-Cal and other social services with a private contractor like Maximus or Halliburton. The reports indicate that the consideration would allow stakeholders to vet the proposal and requires legislative approval.

✂ **Advancing a proposal that may mandate managed care for seniors and disabilities on Medi-Cal.** Consumer advocates have been long concerned about the impact on patients and their access to care and specialists, as well as funding impacts to safety-net institutions. The reports indicate that the proposal would allow stakeholders to vet the proposal and requires legislative approval.

It’s important to note that these and other cuts that are revealed as part of the current budget deal are on top of the cuts made in February 2009. Those cuts included the elimination of 10 benefits, including dental coverage, for the nearly 3 million adults (parents, seniors, and people with disabilities) with Medi-Cal coverage. Those went into effect recently on July 1, 2009.

We will continue to monitor the situation and see what other information is released.