HEALTH ACCESS
Issue Brief

February 4, 2015

GOVERNOR'S BUDGET CONTINUES HEALTH REFORM IMPLEMENTATION *AND* RECESSION-ERA HEALTH & HUMAN SERVICES CUTS

The Governor's proposed budget for the 2015-16 fiscal year totals $113.3 billion in state general fund dollars, reflecting a 1.7% increase from the current budget, and includes $47.2 billion for elementary and secondary education, $14.1 billion for higher education, $24.1 billion for health, $7.8 billion for human services, and $10.2 billion for corrections.

Released on January 9, the proposed budget continues California's current commitments on health care and health reform, but also maintains cuts to public health programs and Medi-Cal rates and benefits made during the recession. In addition, the budget fails to make the investments needed to reduce barriers to coverage, increase access for Medi-Cal patients, or cover the remaining uninsured. Health Access believes the state budget should invest in efforts to:

- Finish the job of health reform by continuing to **expand access to Medi-Cal, regardless of immigration status** (such as proposed in SB 4 by Senator Lara);
- **Limit estate recovery in Medi-Cal**. The current policy unfairly penalizes low-income homeowners for getting needed health care and discourages them from enrolling.
- **Increase access for Medi-Cal** patients by restoring or augmenting provider rates;
- **Restore other cuts**, to Medi-Cal benefits, and to public health programs that support prevention and wellness.
- **Invest in health and human services** that combat poverty and spur our economy.

Highlights of Governor's Proposed Health Budget

MEDI-CAL

The Governor's budget continues health reform implementation and Medi-Cal expansion with no major restorations to cuts made in recent years. Enrollment in California's Medi-Cal program has increased, thanks to the Medi-Cal expansion under the Affordable Care Act and to the elimination of the Healthy Families Program, which resulted in hundreds of thousands of kids being moved into Medi-Cal. The Governor's proposed budget assumes the Medi-Cal caseload will increase a modest 2.1 percent from 2014-15 to 2015-16 (from 11.9 million to 12.2 million). His budget proposes $94.6 billion in spending for Medi-Cal, of which just $18.6 billion is contributed from the state general fund.

With regard to the Medi-Cal expansion, $14.3 billion would come from the federal government to pay for 100% of those newly eligible under the Affordable Care Act. In contrast, the state's portion of that cost accounts for just under $1 billion ($943.2 million) to cover those previously eligible but newly enrolled--which in turn is matched by additional federal dollars. The state's investment in Medi-Cal ensures the lowest-income Californians--mostly those who fall under 138% of the federal poverty level ($16,243/year for an individual, $33,465 for a family of 4)—have health coverage while leveraging valuable federal dollars for the health system on which we all rely.

THE CONTINUED CUTS

The Governor's proposed budget leaves in place cuts made during the recession. Below are some of the cuts proposed for restoration in recent years (with fiscal estimates from those budget years):

- ***Key public health programs*** supporting prevention, clinic care, treatment, and other small but effective health interventions, including STD Prevention ($2 million), Teen Pregnancy ($5 million), Dental Disease Prevention Program ($3.5 million), School-Based Health Centers ($3 million), and Syringe Access Programs ($3 million). Last year, the final 2014-15 budget restored the Black Infant Health Program ($4 million) and HIV prevention demonstration projects ($3 million) but not other programs that are critical to both prevention and treatment efforts.
- ***Medi-Cal benefits*** that were cut in 2009. These benefits were eliminated for budgetary, not policy, reasons in response to the state's fiscal crisis. Restoring these benefits, which include acupuncture, audiology, chiropractic, incontinence cream and washes, optician/optical lab, podiatry, and speech therapy would cost about $13 million in general fund dollars. Adult dental coverage, which had been eliminated in 2009, was partially restored in the 2013-14 budget, giving Medi-Cal recipients access to preventive care, restorations and full dentures ($85 million general fund). Some important dental services, such as gum treatment and partial dentures or implants, are still not covered. It would cost an additional $69.5 million (general fund) to fully restore all dental benefits.
- ***Medi-Cal provider rates*** are among the lowest in the nation, making access to doctors, specialists and other providers harder for some of the 12 million Californians with Medi-Cal coverage. The 2011 budget cut provider rates by 10%, and the proposed budget maintains this cut. The Governor's budget does include $130 million to fund exemptions to provider rate cuts that were approved last year, including high-cost drugs, certain specialty physician services, and other particular services. It does not seek to restore the other cuts, which last year amounted to $244 million. The ACA provided an increase in primary care reimbursements, but those expired January 2015. This "primary care bump" pegged primary care rates to Medicare, rather than Medi-Cal, levels—nearly doubling the payment for these services. A number of states are continuing this worthy investment in access to health care.[i]

Health Access California believes restoring and investing in Medi-Cal, as the Legislature proposed last year, would improve access to care, and bring in enhanced federal matching funds into our health system and economy.

IMMIGRANT HEALTH CARE

President Obama's recent executive order on immigration permits certain undocumented immigrants to obtain "deferred action" status, allowing them to temporarily remain in the country without fear of deportation. Under existing California law, immigrants with "deferred action" status are eligible for state-funded Medi-Cal coverage if they otherwise meet income eligibility guidelines. The Governor's proposed budget does not make *any* eligibility changes to Medi-Cal, and thus implicitly maintains California's longstanding tradition of providing health coverage to certain immigrant populations who are otherwise excluded from federal programs, including recent legal immigrants who have arrived in the last five years, and DREAM Act students.

The Governor's proposed budget references the President's executive order, stating that deferred action status "potentially qualifies individuals for state-funded full-scope Medi-Cal." However, the Governor's proposed budget also states "there is a great deal of uncertainty about the scope, timing and effect of these actions" and covering eligible immigrants "could cost hundreds of millions of dollars annually." The Governor's proposed budget does not include a specific dollar amount dedicated for covering immigrants with deferred action status who meet Medi-Cal's income eligibility requirements.

With no action by the Governor to change eligibility, we expect Californians who receive "deferred action" status through the President's executive action, and meet income requirements, to be covered by Medi-Cal. Once granted "deferred action" later this year, these individuals will be able to go through the Medi-Cal enrollment process.

However, more work needs to be done to achieve our vision of health care for all by extending coverage to the remaining undocumented and uninsured who are not getting immigration relief from the President's executive action. SB 4 (Lara) proposes to expand Medi-Cal without regard for immigration status, as well as to set up a "mirror marketplace" aligned with Covered California to allow undocumented immigrants to purchase coverage. The cost of expanding Medi-Cal regardless of immigration status is modest, according to a recent academic study.[ii]

PROPOSED POLICY CHANGES IN THE GOVERNOR'S BUDGET

The proposed budget includes specific budget-related adjustments based on policy decisions made last year, including funding to reflect the county administration workload in enrolling new Medi-Cal

recipients ($78 million), and another allocation for behavioral health treatment for autism ($151 million).

The budget also proposes new policy changes, including:

- ***Encouraging or requiring those in limited benefit programs to seek enrollment in full coverage programs.*** Limited benefit programs, which provide health services that do not qualify as comprehensive coverage, include FamilyPACT, Every Woman Counts (breast and cervical cancer), the program for men with prostate cancer, and the Genetically Handicapped Persons Program. The Governor proposes to encourage or require people enrolled in a limited benefit program to get their health care through a full coverage program such as Medi-Cal or Covered California if they are eligible. The precise approach varies by program. Health Access California and other consumer advocates support this policy, with the caveat that those programs should continue for folks not eligible for comprehensive coverage and for those services not covered under comprehensive coverage such as confidential reproductive services.
- ***Imposing an open enrollment in Medi-Cal plans.*** Currently, individuals enrolled in Medi-Cal managed care plans can change health plans at any time. The Governor's budget seeks to limit enrollees' ability to change plans to an annual 90-day open enrollment time period. This proposal is projected to save the state $1.6 million a year. Health Access California and other advocates oppose a mandatory open enrollment policy that will restrict access and limit choice for those eligible for Medi-Cal—even as the health plans are free to change their networks at any time.
- ***Revamping/broadening the managed care organization (MCO) tax*** that currently funds Medi-Cal to meet federal guidelines and support a restoration for In-Home Supportive Services. In 2013, the state established a temporary tax on Medi-Cal managed care plans that will expire in June 2016. The Governor's budget follows federal guidelines by broadening the MCO tax to all managed care plans, dedicating the revenues raised to fund Medi-Cal and restore the 7-percent reduction to In-Home Supportive Services hours.
- ***Seeking ways to improve participation in the Coordinated Care Initiative*** (CCI) for those low-income seniors and people with disabilities in both Medi-Cal and Medicare. The Governor's proposed budget assumes CCI's continued implementation, shifting these patients into managed care, will result in $174 million in savings, assuming MCO tax revenue. (Without this revenue, CCI could have a General Fund cost of $399 million in 2015-16.) The Governor's budget lays out several factors that may lead CCI to incur net costs to the state in the future, including a higher than projected opt-out rate, exemptions provided to specific populations, increased IHSS costs, and fewer counties participating in the demonstration project. If cost savings are not realized, CCI's enabling statute requires the program to cease operating in January 2017. The Governor's proposed budget further expresses a commitment to continuing CCI if it generates savings to the state.

- ***Pursuing a renewed five-year Medicaid waiver*** to "support ACA implementation, drive significant delivery system transformation, and provide long-term fiscal stability of the Medi-Cal program." California's current "Bridge to Reform" waiver ends in October 2015. Health Access California has been an active participant in multiple workgroups currently meeting to craft this waiver proposal to the federal government. We expect the Governor's May Revise to include details about the fiscal implications of the proposed waiver.

ANOTHER ISSUE NOT INCLUDED: LIMITING MEDI-CAL ESTATE RECOVERY

Last year's final budget left a number of health budget policy issues unresolved, and these issues are not addressed in the Governor's proposed budget. They include restoring the Medi-Cal provider rate cut and covering the remaining uninsured, as proposed in Senator Lara's SB 4.

The Governor's proposed budget also does not fix the current estate recovery policy that discourages patients from signing up for Medi-Cal coverage out of fear that their family home and assets could later be seized to recoup the cost of their benefits. Last year, the Governor vetoed Senator Hernandez's SB 1124, which would have limited Medi-Cal estate recovery to Long Term Services and Supports (LTSS) costs, the minimum required by federal law. California is one of only ten states that currently goes beyond federal requirements by seeking recovery for the cost of providing all services (not just LTSS) to Medi-Cal beneficiaries aged 55 or older. The policy unfairly penalizes low-income families that have managed to save, and it also discourages Californians from enrolling and fulfilling the mandate to get coverage.

The Governor's veto message stated changes to the estate recovery policy should be considered in the budget process. Advocates will continue to vigorously pursue this change through the budget process and through Senator Hernandez's SB 33. Low-income Californians should not have to make a trade-off between seeking health care coverage and keeping their family home.

WHAT'S NEXT?

The Governor's budget proposal is just that—a proposal or starting point for a months-long discussion about state priorities and ultimately values. It will be up to the California Legislature to craft the final budget for signature (or unlikely veto) by the Governor. Here is a general timeline:

March – May: The Senate and Assembly budget subcommittees will begin reviewing the Governor's budget in early March. The subcommittees will also begin crafting their versions of the budget.

May: By mid-May, the Governor will release his "May Revise" of the budget, which includes an updated revenue forecast and propose changes to the January budget proposal.

Mid-May to early June: Budget subcommittees review the Governor's May Revise and finalize their versions of the budget. A budget conference committee may be called to resolve differences between the proposals of the two houses.

Early June: Legislative leaders and the Governor meet and work out final details, including revenue projections and spending. The legislature must pass a balanced budget by June 15.

Mid-late June: The Governor can sign or veto the budget. The Governor may also use the line-item veto to reduce or eliminate individual appropriations in the budget.

Health Access California will provide updates throughout the budget process. You can receive updates by signing-up for email alerts on our website at www.health-access.org or visiting our blog at: blog.health-access.org.

[i] Kaiser Health News (2014). *Six States Extending Medicaid Pay Raise Next Year to Primary Care Doctors.* Retrieved from http://kaiserhealthnews.org/news/6-states-extending-medicaid-pay-raise-next-year-to-primary-care-doctors/.
[ii] UCLA, USC, San Diego State University (2014). Ensuring California's Future by Insuring California's Undocumented. http://healthpolicy.ucla.edu/publications/Documents/PDF/2014/ensuringundocbrief-may2014.pdf

HEALTH ACCESS
1127 11th Street, Suite 234
Sacramento, CA 95814
Phone: 916-497-0923
www.health-access.org
blog.health-access.org