



California Budget Seeks to Limit Access to Health Care

On May 14, 2010, Governor Schwarzenegger revised his fiscal year 2010-11 budget proposal to address California's \$19.1 billion budget deficit. The Governor's approach to the state deficit relies primarily on \$12.4 billion in spending cuts (64% or nearly two-thirds of the total "solution"), plus \$3.4 billion in federal funds and another \$3.4 billion in "alternative funding," fund shifts and other revenues.¹

Despite the magnitude of the deficit and calls for a balance of cuts and revenues, the Governor asserts that he will not seek taxes to help balance the budget to prevent such drastic cuts. However, many of the spending cuts will increase the cost of food, healthcare, education and other basic needs for low- and moderate-income families. This will harm California's economic recovery, depressing consumer spending more than comparable revenue options would do.

The Governor proposes a 6.3% cut to health and human services, on top of continuing cuts from previous years and despite increased demand. The cuts include both wholesale elimination of some programs, such as the state's welfare-to work program and state funding for child care assistance, and drastic reductions in others, like in-home support services.

In health care, the budget proposal seeks significant cuts of \$900 million in general fund dollars from **Medi-Cal**, which provides coverage to over 7 million Californians, largely low-income children, parents, seniors and people with disabilities, and around \$16.5 million to **Healthy Families**, which covers 900,000 children in working families who earn too much for Medi-Cal.² Cuts to both programs seek to limit benefits below previously accepted standard of "medically necessary" care and to reduce enrollment by raising costs.

Because the federal government matches state spending on Medi-Cal and Healthy Families programs, the dollar amount lost to our health system will actually be over twice the size of the General Fund "savings" scored, for a total loss to California's health care system of well over \$1 billion. A cut of this magnitude in Medi-Cal spending is estimated to result in over 30,000 lost public and private sector jobs,³ further harming California's economic recovery.

CUTS TO MEDI-CAL:

- **Limit care and coverage** for 7 million Californians including millions of seniors and people with disabilities and chronic illness, to save \$90 million, including:
 - **Limit doctor/clinic visits to 10/year** to save \$69 million.
 - **Limit prescription drugs to 6 per month** (except for life-saving drugs) to save \$4 million.
 - **Eliminate coverage for over-the-counter drugs** to save \$13 million.
 - **Establish maximum benefit dollar caps** on medical supplies (e.g., diabetes management test strips & lancets, wound care, incontinence supplies) and durable medical equipment (e.g., wheelchairs and hearing aids) to save \$3.8 million.
- **Raise the cost of care** for Medi-Cal patients, the vast majority of whom are under the poverty level and have monthly incomes below \$1,000, to save \$218.8 million, including:
 - **\$100/day for a hospital stay**, up to a maximum of \$200, to save \$59 million.
 - **\$50 copayment for emergency room visits** to save \$41.5 million.
 - **\$5 copayment for doctor visits and prescriptions** to save \$118 million.
- **Eliminate Medi-Cal coverage for recent legal immigrants** to save \$118 million, affecting about 90,000 legal immigrants who have resided in the US for less than five years;



- **Eliminate the Medi-Cal adult day health care benefit** to save \$104 million, affecting about 35,000 frail adults;
- **Move seniors and people with disabilities from their current doctors into mandatory managed care** to save \$137 million. This proposal is being discussed as California's Medicaid waiver (Section 1115) renewal negotiation;
- **Eliminate coverage of Medicare Part B premiums** for beneficiaries whose income exceeds the Medi-Cal eligibility threshold by less than \$500 per month to save \$1 million;
- **Freeze Medi-Cal rates for hospitals** at current levels to save \$65 million;
- **Reduce Medi-Cal rates for radiology** to 80% of the Medicare rate to save \$10.5 million;
- **Reduce Medi-Cal rates for family planning services;**

CUTS TO HEALTHY FAMILIES

- **Increase monthly premiums** for families between 200 and 250 percent FPL by \$18 per child, an increase of 75%, (with a family maximum of \$126). \$13.3 million General Fund reduction. An earlier proposal would also increase premiums for children from 150-200% FPL by \$14/child. Many believe such premium increases violate federal health reform by changing enrollment procedures.
- **Raise emergency room co-payments from \$15 to \$50** (\$2.5 million) and **raising hospital inpatient services co-payments of \$100 per day** with a \$200 maximum (\$0.7 million), for an overall reduction of \$3.2 million General Fund.
- **Eliminate vision care for children**, including coverage for eyeglasses.

THE BUDGET AND FEDERAL HEALTH REFORM

The federal health reform law of 2010, which seeks to expand care and coverage, includes a "Maintenance of Effort" (MOE) requirement that explicitly prevents states from cutting eligibility or enrollment in programs like Medi-Cal and Healthy Families. (A similar MOE was also included in the economic stimulus package, tied to additional Medicaid dollars.) The penalty for violating these MOEs is the loss of federal Medicaid matching dollars—in California, over \$26 billion. For this reason, **the Governor has retracted his earlier proposals to eliminate Healthy Families altogether and roll back Medi-Cal eligibility** to reduce the rolls by over 1.5 million people.

Instead, the Governor now seeks to cut Medi-Cal and Healthy Families by going around these restrictions. The MOE applies only to eligibility and enrollment, not to benefits; last year, the Governor succeeded in cutting a large chunk of basic benefits from Medi-Cal, including dental, podiatry, and psychology. **This year, the Governor continues to seek changes that will limit access to basic care and increase enrollee costs.** While these cuts may not technically violate the MOE, they violate the spirit of the MOE by reducing care and coverage. In fact, **some proposals, such as increasing premiums for Healthy Families, are likely to violate federal health reform**, by causing eligible Californians to drop off coverage altogether.



This factsheet was prepared by Health Access, a statewide coalition of consumer, labor, ethnic, senior, faith, and other organizations that has been dedicated to achieving quality, affordable health care for all Californians for over 20 years. Please visit our website and read our daily blog at www.health-access.org

¹ CA Department of Finance, 5/14/10

² Legislative Analyst's Office, 5/18/10

³ Based on data from K. Jacobs, et al. "Budget Solutions and Jobs," UC Berkeley Labor Center, (March 2010); A \$1.075 billion cut to Medi-Cal spending will result in 38,592 lost jobs and a \$96 million cut to Healthy Families spending will result in 3,792 lost jobs