



THE 2009-10 BUDGET: Huge Hits to Health Care

On July 28th, Governor Arnold Schwarzenegger signed a package of cuts that revised the budget for the 2009-2010 fiscal year, which began on July 1st.¹ On top of billions in earlier cuts to health care and other services, including the elimination of ten Medi-Cal benefits,² the newly revised budget includes more than \$2 billion additional cuts to health care. As a result, hundreds of thousands of children will be denied health coverage and millions of Californians will face greater problems accessing and affording the health care they need.

BACKGROUND: In February 2009, the Governor signed a fiscal package that included a budget for FY09-10, to close a \$42 billion deficit, including some tax increases and \$15 billion in spending cuts. The February package also put on the ballot a spending cap plus five other proposals (including ones to divert funding away from mental health services and health and social services for young children) that voters rejected in a May special election.³

A new \$24 billion deficit emerged, largely due to the continued deterioration of the economy, and the Governor and Budget Conference Committee proposed their own solutions for the growing budget deficit.⁴ The final budget, negotiated by the Governor and legislative leaders,⁵ was passed by the legislature in late July. When signing the budget, the Governor also included nearly \$500 million in unilateral line-item cuts (almost \$400 million from health and human services), which are being contested in court as overstepping the Governor's authority. Combined, the February and July solutions signed by the Governor close a \$60 billion budget gap between the 2008-09 and 2009-10 budget of the state's General Fund.

The July budget solutions to close a \$24 billion shortfall disproportionately (about two-thirds) come from program spending cuts. The budget includes some short-term borrowing, but not any tax increases. Not only are health care and other vital services targeted in this budget, but other sweeping changes/reforms to health care programs are included that will not achieve savings for at least two years.

THE FINAL BUDGET: Specifically, the final budget:

- **Cuts over \$2 billion from California's health care system**, primarily by cutting or eliminating services for low-income patients and providers, community clinics, children, rural residents, communities of color, HIV/AIDS-related programs, and domestic violence programs. This means that health care-related cuts alone accounted for over 12 percent of all expenditure reduction solutions in the July budget.
- **The elimination of coverage and benefits for millions of California. Cuts included eliminating dental and other major benefits for over two million adults with Medi-Cal coverage, and cutting coverage altogether for others. Another cut almost eliminated coverage for 900,000 children** due to a \$194 million shortfall of state funds in the Healthy Families Program (HFP), until emergency measures were put in place—including a contribution by the First Five Commission, increased premiums and cost-sharing by families, and a revamped fee on insurers to better draw down federal funds.
- **Allows for far-reaching changes to Medi-Cal eligibility, enrollment, and payment systems that could make it harder for patients to get coverage but that do NOT address the current budget shortfall** (\$1.8 billion in total savings would not be realized until fiscal year 2012-2013, if at all), and would result in a significant loss of federal funds. These proposals – like that to privatize and replace county workers who assist Californians in enrolling in Medi-Cal and other social services with a private contractor – represent major policy changes that deserve a broader conversation in the Legislature and were inappropriately inserted at the last minute.

CUTS TO PUBLIC COVERAGE PROGRAMS

The FY09-10 budget makes a number of significant changes to public health care programs through the following funding cuts:

DIRECT CUTS TO COVERAGE AND BENEFITS

- **\$194 million** by **reducing funding for the Healthy Families Program**, which provides coverage for children in families with incomes under 250% of the federal poverty level. As a result, over 900,000 children were at risk of losing coverage.⁶ This has been prevented by emergency measures, including a First Five Commission contribution, increased premiums and cost-sharing by families, and a revamped fee on insurers to better draw down federal funds.
- **\$129.4 million** by **eliminating 10 Medi-Cal benefits** (which passed in February and became effective on July 1, 2009), and include dental care, audiological services, speech therapy, acupuncture, chiropractic services, optometry, optician services, podiatry, psychological services, and incontinence creams and washes. These cuts affect over 2 million Californians.⁷
- **\$6.6 million** by **reducing Proposition 99 (tobacco tax) funding for the Major Risk Medical Insurance Program (MRMIP)**, the state's high-risk pool for individuals who are unable to get private coverage.
- **\$4.9 million** by **reducing Proposition 99 (tobacco tax) funding for the Access for Infants and Mothers (AIM) program**, which provides prenatal care for low-income pregnant women.

CUTS TO ENROLLMENT AND ADMINISTRATION

- **\$85.3 million** by **reducing payments to counties for Medi-Cal administration** (including a \$24.7 million reduction passed in February), for the important job of reviewing applications and determining eligibility.
- **\$4.6 million** by **eliminating support for certified application assistors (CAAs)**, which help families properly complete and submit the Medi-Cal/Healthy Families application.

OTHER MEDI-CAL REDUCTIONS

- **\$1.0 billion** by **negotiating additional federal Medicaid funds**, such as those that are "past due" to the state and "should have been funded by the federal government".
- **\$323.2 million** by making an "**unallocated**" cut to Medi-Cal.
- **\$66.0 million** by **implementing new drug pricing policies in the Medi-Cal program** aimed at "lowering costs and retaining quality care," effective October 1, 2009.
- **\$46.8 million** by **expanding Medi-Cal anti-fraud efforts**, especially targeted at adult day health care, physician services, and pharmacy.

In addition to the cuts to public programs listed above, the FY09-10 budget calls for a number of longer-term programmatic changes that do NOT have an impact on the current budget, specifically:

- **Centralizing Eligibility and Enrollment for Public Assistance Programs**, like Medi-Cal, CalWORKS, and Food Stamps, by contracting those operations out to a private contractor – a practice that in other states has shown to have detrimental effects and not achieve savings; and
- **Improving Care Coordination and Controlling Long-Term Care Costs** by negotiating for a waiver or demonstration project from the federal government to utilize managed care and other delivery systems for long-term care services.

CUTS TO HEALTH CARE AND COMMUNITY PROVIDERS ON WHICH WE ALL RELY

The FY09-10 budget accounts for the following reductions in payments to hospitals and health care providers:

CUTS TO NURSING HOMES AND LONG-TERM CARE PROVIDERS

- **\$96.4 million** by **charging a fee to skilled nursing facilities** that serve Medi-Cal patients.
- **\$75.8 million** by **suspending a cost-of-living adjustment for certain long-term care facilities** that had been set to take effect on August 1, 2009.
- **\$28.1 million** by **limiting Adult Day Health Care coverage** to 3 days per week beginning in September, however, implementation was stopped by ruling of a federal judge on September 10, 2009.⁸

CUTS TO HOSPITALS

- **\$54.2 million** by **reducing Medi-Cal payments to public hospitals** by 10 percent, affecting all 19 public hospitals in the state,⁹ and passed as part of the February package.
- **\$23.9 million** by **reducing Medi-Cal payments to private safety net hospitals** by 10 percent.
- **\$23.9 million** by **shifting funding away from the Distressed Hospital Fund** that helps offset the cost of uncompensated care provided to the uninsured.
- **\$7.0 million** by **reducing payments to small and rural hospitals**, which are often the only source of emergency care and other services in the communities they serve.

CUTS TO MENTAL HEALTH SERVICES AND PROVIDERS

- **\$384 million** by **reducing funding for Regional Centers** overseen by the Department of Developmental Services.
- **\$64 million** by **reducing funding for the mental health managed care program**, plus at least \$53 million in reduced federal funding.
- **\$28 million** by **reducing funding for county mental health programs** developed using the Mental Health Services Act, which increased services under the Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT).
- **\$14.2 million** by **eliminating coverage of ancillary medical services** (like X-rays and laboratory services) for Medi-Cal patients in Institutions for Mental Disease.
- **\$8.8 million** by **reducing payments to Medi-Cal substance abuse treatment drug providers**.

CUTS TO HIV/AIDS PROGRAMS AND PROVIDERS

- **\$59.1 million** by **eliminating support for HIV/AIDS programs** administered by the Office of AIDS, including HIV education and prevention programs, HIV counseling and testing, therapeutic monitoring, housing, and home- and community-based care.

CUTS TO COMMUNITY CLINICS

- **\$35.1 million** by **eliminating community clinic programs** on June 30, 2009, including:¹⁰
 - **Expanded Access to Care Program**, that expands preventive care to low-income individuals without access to other primary or dental care, operated in 535 clinics statewide last year;
 - **Rural Health Services Development Program**, that develops and maintains primary care services in rural areas, operated in 109 clinics statewide last year;
 - **Seasonal Agricultural and Migratory Workers Program**, that develops/maintains primary care services serving agricultural and other workers, operated in 74 clinics last year;

- **Indian Health Program**, with the mission to improve the health status of the more than 600,000 American Indians/American Natives, operated in 75 clinics last year.

CUTS TO BATTERED WOMEN'S SHELTERS

- **\$20.4 million** by **eliminating support for the California Domestic Violence Program**, which operates 94 shelters in the state and also provide transitional housing, legal advocacy and support, counseling, and other services.

REDUCED FOCUS ON PREVENTION

The FY09-10 budget reduces funding for the following programs that focus on prevention and avoiding more costly health conditions and care:

- **\$32.8 million** by **eliminating Proposition 99 (tobacco tax) funding for local health and wellness programs**, including County Health Services (\$25.6m), the Tobacco Control Program (\$6.8m), and the Asthma Program (\$438k).
- **\$18.5 million** by **eliminating Maternal, Child, and Adolescent Health (MCAH) grants** that funded the Black Infant Health Program and the Adolescent Family Life Program, as well as local grants and state operations.
- **\$18 million** by **eliminating funding for the Immunization Program**.
- **\$3.1 million** by **reducing funding for Alzheimer's Research Centers** by half.
- **\$2.95 million** by **reducing funding for the California Poison Control System (CPCS)** by half. The CPCS consults on approximately 900 poison-related cases each day, and with full funding helps avert over 60,000 emergency room visits each year and is estimated to save the state's health care system \$70 million.¹¹
- **\$2.9 million** by **suspending the California Children's Dental Disease Prevention Program**, a comprehensive school-based program designed to "assure, promote, and protect the oral health of California's school children," which served over 300,000 pre-school and elementary school children in 31 counties last year.¹²

REFERENCES

¹ For more information on the FY09-10 budget, see <http://www.ebudget.ca.gov/> and California Budget Project, "[How Do the Budgets Compare?: A Comparison of the Governor's May Proposals, the Budget Conference Committee Proposals, and the July Budget Agreement](#)," (August 10, 2009).

² Health Access, "[Real Cuts, Real Pain: Vital Medi-Cal Benefits Eliminated for Over 2 Million Californians](#)," (June 30, 2009).

³ See Health Access, "[Understanding California's Budget: Implications for Health Reform](#)," (February 22, 2009).

⁴ Health Access, "[The Worst Prescription for California's Economy](#)," (June 19, 2009).

⁵ Health Access, "[Budget Deal Update: What We Know About Health Care Cuts Today](#)," (July 21, 2009).

⁶ See more from the 100% Campaign at <http://www.100percentcampaign.org/>.

⁷ Health Access, "[Real Cuts, Real Pain: Vital Medi-Cal Benefits Eliminated for Over 2 Million Californians](#)," (June 30, 2009).

⁸ California Department of Health Care Services.

⁹ California Association of Public Hospitals.

¹⁰ Primary and Rural Health Division, California Department of Health Care Services, "California Rural Health Update" presentation to California State Rural Health Association (December 3, 2008).

¹¹ California Poison Control System, *2009 Annual Report*.

¹² California Department of Public Health.

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.