

Health Care Impacts of Governor's May Revision of the Post COVID-19 California 2020-21 State Budget

Governor Gavin Newsom's May Revision of the California 2020-21 State Budget announced on May 14, 2020 includes significant cuts to health, education, and other vital services in order to address the budget deficit caused by the COVID-19 crisis. After starting the year with a surplus and significant investments proposed in health and human services, the revised budget seeks to close the now estimated \$54 billion state deficit with a combination of rainy day funds, deferrals, and deep cuts to programs.

During a pandemic when new investments in coverage, care, testing, and treatment are needed to get out of this public health emergency, the revised state budget proposal could lead to tens of thousands of Californians losing access to affordable comprehensive coverage, and millions of Californians losing benefits and access to doctors, clinics, and other providers. Governor Newsom proposed that some of the cuts could be "triggered off" with passage of state aid from the federal government, such as the pending HEROES Act. Health advocates are also advocating for revenues and other budget alternatives to these cuts. The State Legislature will now hold hearings on this budget proposal, with a June 15 constitutional deadline for passage.

Health Coverage Commitments Undone, Especially for Seniors

The budget estimates that Medi-Cal enrollment will increase dramatically, peaking at about 14.5 million in July 2020 and representing an increase of around two million due people to Californians losing employer-based coverage during the pandemic. Despite the increased demand and overall cost of \$112.1 billion (\$23.2 billion general fund) for Medi-Cal, the budget outlines widespread cuts to the program and its services, all of which will have significant impacts on vulnerable consumers who are relying on our social safety net during these difficult times. Some cuts would "trigger off" if federal funds become available to offset state costs by July 1, 2020—but others will be in place if this budget is adopted as is.

SENIORS FACING BARRIERS TO MEDI-CAL COVERAGE

Californians, especially tens of thousands of low-income seniors and people with disabilities, will have less affordable coverage options, or have no coverage at all, under this proposal. The revised budget not only pulls back new expansions, but also rolls back already-approved Medi-Cal eligibility for seniors—the most at-risk population in this COVID-19 crisis. The proposed budget would:

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- **Reinstate the “senior penalty” in Medi-Cal by lowering the income eligibility for seniors and people with disabilities**, thus denying over 20,000 low-income Californians comprehensive coverage who are between 123% and 138% (\$17,200/year) of the federal poverty level. Those over age 65 would have a lower income eligibility than those under 65. Policy passed as part of the 2019 state budget (*\$67.7 million general fund savings*).
- **Allow additional seniors to fall off full-scope Medi-Cal**, which would happen depending on whether Medi-Cal income counting rules considers Medicare Part B premiums. Policy passed in 2019 as AB 1088 (Wood). (*\$300K general fund savings*)
- **Discourage seniors from signing up for Medi-Cal by reinstating estate recovery** for those over age 65, leading many to not enroll in Medi-Cal in order to not endanger the family home. The state policy to limit estate recovery to long term care only was passed in the 2016 budget. (*\$16.9 million general fund savings, if not triggered off*)
- **Continue to exclude income-eligible seniors due to immigration status**, denying at least 22,000 Californians comprehensive coverage in Medi-Cal. This was proposed in the Governor’s 2020 January budget. (*\$87 million general fund savings*)

Other proposed cuts (described further below) to benefits and providers will also disproportionately impact seniors, from the elimination of community-based adult services and multipurpose senior services as alternatives to nursing homes, to a dozen benefits like hearing aids.

COVERED CALIFORNIA

While preserving the program of offering state subsidies started this year for middle-income Californians buying individual insurance, the Governor’s budget would **cut the original allocations made to augment affordability assistance in Covered California**. (*\$250 million general fund savings for the current and budget year*)

- The budget suggests the Administration plans to continue providing state subsidies above the federal ACA affordability assistance for Covered California enrollees in the income range of 200% to 600% FPL (\$25,000 to \$75,000/year for an individual), so these Californians don’t spend more than a percent of their income on coverage, based on a sliding scale up to 18%.
- In the 2019-20 State Budget, Covered California received roughly \$500 million/year for three years for state subsidies. Cautious estimates led to unspent funds. Rather than putting these dollars back into the program in order to further increase premium subsidies for Californians struggling during these difficult economic times, or to anticipate a surge in enrollment from the Californians who have lost employer-based coverage this year, the budget proposes to take back the unspent funds for general fund savings. (*\$164.2 million in 2020 and \$90.3 million in 2021*)
- Seniors ages 50-65 who face higher premiums are the ones who benefit the most from these state subsidies, and who lose out the most if the already-allocated funds are cut.

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OTHER MEDI-CAL ROLLBACKS

Another proposed Medi-Cal eligibility rollback is to not continue coverage for above-poverty mothers getting **post-partum care** in Medi-Cal that were diagnosed with a maternal mental health condition. This was passed in the 2019 budget. (*\$34.3 million general fund savings*)

Other rollbacks from the 2019 budget include removing programs that provide **emergency department health counselors, enrollment navigators and interpreters** that help immigrant and non-English-speaking households who already experience disproportionate health burdens as they navigate our Medi-Cal system. (*\$25 million in general fund savings*)

Trigger Cuts to Medi-Cal Benefits and Access to Providers

The 14 million Californians with Medi-Cal coverage—a third of the state—may have less access to benefits and to providers under these cuts.

CUTS TO KEY BENEFITS

The budget proposes **drastic cuts to medically necessary benefits for the millions of adults with Medi-Cal coverage**. (*\$54.7 million general fund savings*) These include, and in some cases go beyond, many of the benefits cut during the 2009 Great Recession, which have been slowly restored over the past decade, some just in January 2020.

The benefits eliminated in 2009 and now proposed to be eliminated again include:

- **Audiology**
- **Speech therapy**
- **Vision including optometry, optician, and optical lab services**
- **Podiatry**
- **Incontinence creams and washes**
- **Acupuncture**

Other benefits eliminated in this budget include:

- **Physical therapy**
- **Occupational therapy**
- **Pharmacist delivered services**
- **Nurse anesthetist services**
- **Screening, brief intervention & referral to treatment for opioids & other drugs**
- **Diabetes prevention program**

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Also cut would be **some dental coverage**, for gum treatments, rear root canals, and partial dentures—going back to the “partial restoration” of Denti-Cal from 2013-2017.

- Other benefit cuts include:
 - **Developmental screenings**
 - **Non-emergency medical transportation**
 - **Hearing aids** (*\$5 million general fund*)
- **Community Based Adult Services (CBAS) and Multipurpose Senior Service Program (MSSP)** would also be eliminated, which help keep seniors and adults with disabilities independent and in their own homes. This cut may have the unintended consequence of pushing more seniors into institutionalized group care settings, where COVID-19 cases have been particularly prevalent. (*\$106.8 million in general funds savings in the budget year, \$255.8 million in out years*)

Under the revised budget proposal, these cuts would only be “triggered off” if sufficient federal funds are provided. Many of these services help prevent worse outcomes and more expensive interventions later on.

OTHER MEDI-CAL CHANGES

Perhaps the biggest programmatic Medi-Cal change is the delay of **the implementation of CalAIM, the sweeping initiative to reform the state’s Medi-Cal program**, which proposed to provide expanded services, especially targeted to vulnerable populations including the homeless. CalAIM would have integrated a variety of successful pilot programs, including Whole Person Care and Health Homes, reformed payment models, and streamlined the health safety net as a whole. The Department of Health Care Services (DHCS) will continue to seek CMS approval for extension of the current 1115 waiver needed to continue Whole Person Care and other Medi-Cal programs that will remain in effect while CalAIM is delayed. (*\$347.5 million in general fund savings*)

In his budget proposal, the Governor did propose to continue a series of emergency orders to augment Medi-Cal directly related to the COVID-19 crisis (*costing \$118.4 million in general fund in the 2019-20 and \$99.1 million in 2020-21*). This includes **covering uninsured Californians for COVID-19 testing and treatment at no cost to the patient**, through a new emergency eligibility category. While reimbursement for testing is 100% federally funded, California is seeking a waiver to get emergency treatment 100% federally funded as well. Other improvements include the elimination of cost-sharing for COVID testing and treatment, hospital presumptive eligibility, improved reimbursement rates for COVID-19 lab tests, and a time-limited rate increase to skilled nursing facilities.

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CUTS TO PROVIDERS

Beyond specific benefits, **major cuts to Medi-Cal doctors, clinics, providers and plans will have an impact on patients' ability to access care.** These cuts include:

- **Over \$1 billion in cuts to Medi-Cal health care providers.** Unless federal funds trigger these cuts off, the budget proposes to eliminate all the various supplemental payments and value-based incentive programs to pay Medi-Cal providers, including doctors, dentists, clinic, family health services, and others, by redirecting money dedicated to Medi-Cal from the Proposition 56 tobacco tax. This would also cut money for loan repayments for doctors and dentists who commit to serve the Medi-Cal program. (*\$1.13 billion in general fund savings*).
- **Cuts to community clinics,** major providers of care to Medi-Cal patients, including Federally Qualified Health Center (FQHC) payment adjustments to eliminate certain carve-outs (*\$50 million general fund savings*), and as the state reclaims savings from centralizing prescription drug purchasing under the 340B supplemental payment pool. (*\$26.3 million general fund savings the first year, \$52.5 million in out years*)
- **Cuts to Medicaid managed care plans,** including a 1.5% rate reduction (*\$182 million in general fund savings*) and additional cost containment adjustments. (*\$91.6 million in general fund savings in the budget year, and \$179 million in the next year and growing*)
- **Cuts to county administration,** even as caseloads are expected to go up due to issues related to the pandemic. (*\$11 million general fund savings*)

Public Health

California has had to address specific issues raised from the pandemic, from the securing of **personal protective equipment**, to the **presumptive eligibility in Medi-Cal** to cover testing and treatment. Here's how other related public health investments fared:

- **California Department of Public Health's disease surveillance and workforce program** gets funds to be used to support COVID-19 related items such as testing labs and epidemiological surveillance. The \$5.9 million general fund cost is significantly less than what was requested by public health officials.
- **Funding for other infectious diseases** is still included in the budget, with STDs, HIV, and Hepatitis C programs funded at \$5 million each.
- **Other public health programs are facing cuts.** The budget shows that the Home Visiting and Black Infant Health program will be withdrawn, resulting in negative impacts given the challenges faced by Black communities that already experience egregious disparities in infant health, and are now particularly impacted by COVID-19. (*\$4.5 million general fund savings*)

Health Care Cost Accountability

- **Healthcare Payments Database:** In order to better track health care costs, a longstanding effort to set up a database within the Office of Statewide Health Planning and Development will continue to advance. Funds needed to implement the database were previously allocated in 2018. AB 2830 (Wood), a parallel effort, will also continue to advance in the Legislature.
- **Office of Health Care Affordability:** Governor Newsom has delayed his proposal for an Office of Health Care Affordability for one year. A parallel bill, AB 2817 (Wood), is not expected to move in this legislative session.
- **Prescription Drugs:** Some of the several efforts to use the state's purchasing power to get better prices for prescription drugs are moving forward. This includes the Medi-Cal Rx program to centralize the prescription drug benefit at DHCS and out of Medi-Cal managed care, and the effort to seek the Medicaid best price not just nationally, but internationally.

Conclusion

A pandemic is a time to make investments in health and human services – not to make cuts. Our budget should not only seek federal funds to trigger off some cuts, but other alternatives, including revenues, to prevent health cuts during a public health emergency.

For more information, visit our website at www.health-access.org.

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