



Summary of the Governor's Proposed Budget for FY 2010-2011

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On January 8th, Governor Schwarzenegger released his much-anticipated budget proposal for FY2010-11. The Governor utilizes a combination of cuts, federal contributions, and shifting funds in order to close the \$19.9 billion gap (including this year's \$6.6 billion shortfall). The budget includes no new tax increases, and proposes severe cuts to numerous Health and Human Services (HHS) programs totaling \$2.9 billion. Below is a summary of the health-related cuts, revenue shifts, anticipated federal funds, and the brutal 'trigger' mechanisms if federal aid is not realized.

Health-Related Provisions

Medi-Cal

Nearly \$1.1 billion in savings is expected from numerous cuts to the Medi-Cal Program. Three quarters of the savings will be a result of various cost-containment strategies yet to be specified, including additional limitations on benefits, increased cost-sharing, and various payment authorization requirements. The budget will eliminate full-scope Medi-Cal for legal immigrants who have been in the United States for less than five years (excluding pregnant women), which is expected to save \$118 million. The Adult Day Health Care Program is to be eliminated, affecting nearly 45,000 current beneficiaries and saving \$104 million. The budget plans to defer one weekly payment for institutional providers in order to save \$55 million, and rescinds a 2007 family plan rate increase to save an additional \$28.7 million. A new Anti-Fraud initiative in the Medi-Cal program is expected to save \$26.4 million. In total, state General Funds are cut by \$2 billion or 20% from the prior year's funding.

It should also be noted that the proposal includes a \$54.9 million increase in funding for managed care expansion into Ventura, Mendocino, Lake, Madera, and Kings Counties and expects to realize \$400 million in General Fund savings by 2012-2013 through the 1115 Waiver renewal process.

Healthy Families

The Governor proposes a reduction in program eligibility, from 250% to 200% FPL effective May 1, 2010. Up to 240,000 children could lose coverage, and would save the state \$10.5 million this year and \$63.9 million in 2010-2011. Vision coverage would also be eliminated for the entire program, and a \$14 per child increase in monthly program premiums would be imposed on those beneficiaries between 151-200% FPL to save \$21.7 million. Total General Funds are cut by \$99 million or 44%.

In-Home Supportive Services (IHSS)

Nearly \$950 million in General Fund savings is expected from reduction in the IHSS program; proposed cuts to IHSS workers wages would save \$293 million over the next two years, and elimination of services to those under a functional index score of 4.00 (87% of IHSS recipients, nearly 427,000 people) saves over \$700 million.

First 5 and Mental Health Services

The Governor is proposing diversion of nearly \$1 billion in Prop 10 and Prop 63 funding to be put before the voters in June 2010, moves rejected by voters in last year's ballot initiatives.

California Work Opportunity and Responsibility to Kids (CalWORKS) and Child Care

Reduction in CalWORKS grants by 15.7% accounts for \$68.9 million in General Fund savings, and elimination of the benefit for legal residents in the United States for less than five years saves an additional \$22.5 million. Additional cuts to CalWORKS child care programs and reimbursement rate reduction in its vouched-based programs saves \$200 million.

California Food Assistance Program (CFAP)

The budget proposal eliminates CFAP, the program that provides nutritional benefits to legal immigrants who are ineligible for food stamps, saving the General Fund \$3.8 million.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program

The Governor proposes that the program reduce grants for elderly and disabled individuals to the minimum allowed by federal law and eliminate the Cash Assistance Program for Immigrants (CAPI) that provides assistance to elderly and disabled legal immigrants not eligible for SSI/SSP. The changes would save \$21.8 million this year and \$285.1 million in 2010-2011.

Other Spending and Revenue Changes

Several other provisions are included to reduce General Fund spending. The Governor proposes an alteration to the tax on gasoline, where the sales tax would be replaced by an additional \$0.108 per gallon excise tax that would lower General Fund spending by \$1.8 billion. Following up the Governor's State of the State promise, the budget includes a constitutional amendment that would cap state spending for prisons at 7% of the General Fund. Also included in the proposal is replacing the furlough program with an 'across the board' reduction in state employees' compensation and benefits. The Governor also proposes reauthorization of the Hospital Quality Assurance Fee to fund Medi-Cal health care costs and coverage for children.

Federal Funding Request

As part of the 2010-11 budget, the Governor assumes an increase in federal funding of \$6.9 billion, which includes \$5 billion in health and human services. The budget requests the following federal provisions:

- Enhanced Medi-Cal FMAP to reflect national average from 50% to 57% (Savings of \$1.8 billion)
- Reimbursement for Medi-Cal payments that should have been covered by Medicare for over 30 years (Approximately \$700 million in repayment)
- Medicare Part D flawed formula reimbursement (Savings of \$75 million annually)
- Expand the enhanced ARRA FMAP for the Medicare Part D Clawback (Savings of \$250 million annually)
- Update family income levels for foster care federal funding eligibility (provides additional \$86.9 million annually)

The Governor also calls for the extension of ARRA, allowing for almost \$2 billion in general fund savings, including:

- Extension of enhanced FMAP in Medi-Cal (\$1.2 billion)
- Extension of Individuals with Disabilities Education Act (IDEA) Part C (\$32.9 million)
- Extension of Child Support Services Initiative (\$20.8 million)
- Extension of CalWORKS (\$538 million)
- Extension of enhanced FMAP in IHSS (\$49.8 million)
- Extension of Foster Care and Adoption Assistance program (\$26.8 million)

Trigger Mechanisms

If the above federal funding is not achieved, the Governor proposes an additional \$3.5 billion in cuts to HHS. It is unclear as to the magnitude and order the following cuts would be 'triggered' if only a portion of federal assistance is received. Savings realized by counties as a result of these cuts would generate \$325 million and be re-directed to Food Stamp Administration costs.

Medi-Cal (\$532 million)

Elimination of remaining optional Medi-Cal benefits, including Hearing Aids, PT, Occupational Therapy, Orthotics, Rehab, Outpatient Heroin Detox, Medical Supplies, Prosthetics, and Durable Medical Equipment. Medi-Cal eligibility would be reduced to federal minimums, terminating all optional eligibility categories such as the medically needy program and reducing income thresholds to the federal minimums, resulting in loss of coverage for 575,000 people. The Family

PACT program would also be eliminated, resulting in 1.6 million people losing access to family planning services plus another 9,000 with the elimination of the Breast and Cervical Cancer Treatment Program.

Healthy Families (\$126 million)

The Governor calls for the elimination of the program for the remaining 700,000 children.

CalWORKS Program (\$1.044 billion)

The proposal would eliminate the program, cutting services for 1.39 million people

IHSS Program (\$495 million)

The proposal would eliminate the program, cutting services for the remaining 63,239 recipients who are aged, blind, or disabled.

Prop 99 (\$115 million)

The proposal would shift Prop 99 funds to Medi-Cal, resulting in the elimination of AIM, MRMIP, Breast Cancer Early Detection, Asthma Control, and Expanded Access to Primary Care Clinics. These programs primarily serve low income, underserved, and high-risk individuals.

SOURCES:

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Proposed Budget Summary, Office of the Governor, January 2010 at:
<http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>

California Budget Project, Governor's Proposed Budget Includes Deep Cuts, Assumes More Federal Funds, January 2010 at:
http://www.cbp.org/pdfs/2010/100108_Gov_Budget.pdf