



May Revisions to the Governor's Budget (FY2010-2011)

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Insure the Uninsured Project

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Summary of Significant Health Changes

The state still has an estimated \$20 billion deficit¹. The Governor's proposed May revise relies mostly on \$12.4 billion in program cuts to reduce the deficit, \$2.9 billion of which are proposed to health and human services; some are new, and some continue the \$2.9 billion in cuts proposed by the January budget. Child care, CalWORKs and mental health took particularly severe cuts. If approved, state spending would fall well below its 1999-2000 levels, adjusted for inflation and population growth.

While the economy is recovering and new jobs are being created, income tax revenues primarily based on last year's recession-lowered incomes were lower than expected in April, sales tax revenues are weak and property tax revenues have fallen as home values fell. The Governor's and legislative leaders' efforts to engage Washington DC policy makers are anticipated to produce \$4.1 billion in increased federal revenues.

Overall, the state's General Fund Spending is expected to decline by 3.5% compared to last year; Health and Human Services would fall by 6.3%, and K-12 education would decline 2.1%. Higher Education General Fund spending would rise by 11.6%, and Corrections would increase by 9.7%

Medi-Cal

The Governor proposed cost containment measures totaling \$523 million. Measures include the elimination of over-the-counter drug coverage (including acetaminophen, cough/cold medications); maximum annual cap on hearing aids (\$1,510), medical equipment (\$1,604), incontinence supplies (\$1,659), urological supplies (\$6,435), and wound care supplies (\$391); limitation of prescriptions to six per month; limitation of physician/clinic visits to 10 per year; \$3/\$5 copayments on physician/clinic/dental/pharmacy visits; \$50 copayments for emergency room visits; \$100 per day copayments for hospital inpatient services (\$200 maximum); enrollment of seniors and disabled persons into managed care; freeze on hospital rate increases, and radiologist rates reduced to 80% of Medicare rates. Children and pregnant women are exempt from most of these cuts. The May revise does not include the wholesale elimination of eligibility categories as proposed in January in part because the federal health reform requires states to maintain eligibility until 2014. Since federal law requires that copayments be nominal, the copayment proposal will require a waiver from the federal government. The elimination of Adult Day Health Care is still proposed. The Drug Medi-Cal program, which helps those trying to kick severe substance abuse, will be eliminated with the exception of the Perinatal and Minor Consent programs.

¹ <http://www.time.com/time/nation/article/0,8599,1952768,00.html>

Healthy Families

The revise does not eliminate any Healthy Families eligibility as proposed in January, in part because the federal reform requires maintenance of eligibility. It will instead increase monthly premiums by \$18 from \$24 to \$42 for families between 200-250% FPL, with a family maximum of \$126. The \$14 increase for families with incomes between 150 and 200% of FPL proposed in January is still part of the mix. Copayments would also be increased from \$15 to \$50 for emergency room visits and \$100 per day for hospital inpatient services (\$200 maximum).

Mental Health Services

Funding for county mental health services will be severely reduced from \$1.03 billion to \$435 million, as the majority of realignment funding for county mental services will be shifted from county mental health to county social services. Funding for only the federally mandated mental health services are preserved. Chapter 1747 of Statutes of 1984 (AB 3632) is suspended, which provides necessary mental health services so children with disabilities will benefit from their education. The Governor's earlier proposal to divert over \$400 million in Prop 63 funding is dropped.

IHSS

This program that pays for in home support services to the seniors and disabled so that they are able to stay in their own homes, rather than becoming institutionalized at far higher costs, would be cut by over 40% -- \$637 million in 2010-11 and annualized savings of \$750 million thereafter.

Immigrant services

The Cash Assistance Program for Immigrants (CAPI), California Food Assistance Program (CFAP) for new legal immigrants would be eliminated. Medi-Cal coverage for new legal immigrant adults would be restricted to emergency and maternity coverage only.

CalWORKs

The Governor proposes to eliminate this program that pays for temporary cash assistance to unemployed families for a savings of \$1.6 billion. This would disqualify California from receiving future federal TANF (Temporary Assistance to Needy Families) funds of over twice this amount on an annual basis.

Child Care

The May revise would eliminate all state funding for child care assistance -- \$1.2 billion. Preschool and after school programs would be exempt.

K-12 and Higher Education

No new cuts above those proposed in the Governor's January budget.

Corrections

No new cuts above those proposed in the Governor's January budget.

What could/should be done?

1. Increases in taxes, such as cigarettes, alcohol, gambling, medical marijuana; lower the sales tax on goods and apply a sales tax to services
2. Institute provider and plan fees, such as those the hospital, nursing home and managed care industries have already agreed to
3. Identify all potential state and local matches for medical, mental health and public health care to the MIAs and uninsured parents, and seek a federal match through the §1115 waiver, and the new federal option for covering care to the MIAs retroactive to April 2010.

References:

Revised Budget Summary, May 2010, at:

<http://www.ebudget.ca.gov/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>

Proposed Budget Summary, Jan 2010, at:

<http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf>

Summary of the Governor's Proposed Budget for FY 2010-2011, Jan 2010, at:

http://itup.org/Reports/Budget/Budget_Jan_2010.pdf

Connecting the Dots on Financing, Jan 2010, at:

http://itup.org/Reports/Budget/Thoughts_on_Financing_1_22.pdf