



May 20, 2010

Governor's May Revise: A Windfall for Large Corporations, A Tsunami for Families

Overview: Once again, the Governor proposes draconian cuts to critical health and other human services programs in order to balance the budget. At the same time, the May Revise would give large corporations another \$2.4 billion in tax breaks and fails to offer any real structural reforms for addressing the State's chronic budget deficits. The non-partisan Legislative Analyst's Office has concluded that California's \$17.9 billion deficit cannot be solved with cuts alone but must include ways to generate revenues. Fair methods for generating income from wealthy corporations and individuals must be considered-- yet "cut, baby, cut" is the dominant theme of the Governor's May Revise, which includes proposals to:

Access for Infants and Mother's (AIM) Program

- Increase premiums for low and working income women from 1.5% to 2% of family income to make up for declining cigarette tax funds. AIM is funded by CHIP; this means that the federal "maintenance of effort" (MOE) rules that apply in Healthy Families will apply in AIM as well. Federal guidance on MOE in CHIP is expected soon.
- A MRMIB hearing on regulations allowing for an enrollment freeze and imposing a wait list is set for July 8, 2010, 1:30 PM, 1000 G. St., Suite 450 in Sacramento. See MCHA website for more information. This would violate MOE in federal health reform.
- May Revise is silent on plan rescissions (disenrollment) for any reason other than fraud or intentional misrepresentation. Federal health care reform expressly bans such practices but AIM currently allows plans to retroactively disenroll women for "failure" to report the end of the pregnancy to the State (despite the doctor's or a hospital's knowledge) within 30 days.

Medi-Cal

- Impose mandatory co-pays for doctor visits and dental services (\$5), emergency room visits (\$50), and hospital stays (\$100 up to \$200 max).
- Cap the number of physician or clinic visits to 10 per year. Pregnant women, children under 21, and persons in long term care (LTC) exempt.
- Eliminate coverage for certain common over-the-counter drugs.
- Establish caps for adults on hearing aids (\$1,510), durable medical equipment (\$1,604), incontinence supplies (\$1,659), urological supplies (\$6,435) and wound care supplies (\$391).
- Cap prescription drugs to six prescriptions per month (excluding HIV/AIDS and hemophilia medications and other life-saving drugs). Pregnant women and LTC residents exempt.
- Mandate managed care enrollment for seniors, and adults and children with disabilities.
- Allow counties to draw down federal funds for childless adults up to 133% of poverty, but with little or no standards for benefits or cost sharing.

- Expand mandatory Medi-Cal managed care for all recipients to five more counties: Ventura, Mendocino, Lake, Madera, and Kings Counties (\$54.9 million increase).

The above proposals would all require waivers (i.e., special permission) from the federal government.

Other items in the May Revise that do not require waivers include proposals to:

- Eliminate full-scope Medi-Cal for lawful immigrants residing in the U.S. for less than five years, except pregnant women, immigrants Permanently Residing Under the Color of Law (PRUCOL), and Amnesty Immigrants.
- Eliminate adult day health care benefits. Last year’s proposal was enjoined by a federal court; issues in the case include the Medicaid Act (the federal version of Medi-Cal), the Americans with Disabilities Act, and the 2009 federal stimulus law’s MOE requirement.
- Cut \$637 million from IHSS. Work group to identify cost-containment mechanisms in six weeks. Last year’s cuts were enjoined by two federal courts; among the claims were stimulus MOE.
- Eliminate Medi-Cal subsidies for Medicare Part B premiums for “dually eligible” persons whose Medi-Cal share of cost is less than \$500 per month. Part B covers some of the gaps in physician and other services under Part A, so without the Medi-Cal subsidy to help pay for Part B premiums, these individuals will be out of pocket \$500 or more each month for care in Medicare Part A’s gaps.
- Eliminate alcohol and drug treatment services for adults (Drug Medi-Cal) except for pregnant women. Currently, these Medi-Cal services are administered by the State Department of Alcohol and Drug Programs (DADP). Minor Consent (under 21) would be retained. Presumably, Medi-Cal EPSDT benefits for alcohol and drug treatment services for persons under 21 would also be retained, as EPSDT is mandated by federal law—but how these services would be implemented without the Drug Medi-Cal program under DADP is unclear.
- Freeze hospital rates and reduce radiology and family planning services rates. Earlier rate cuts/freezes have been enjoined in four provider cases, some of which are heading to the U.S. Supreme Court. “Friend of the court” briefs have been filed by 22 other states on the State of California’s side.
- Commitment to last year’s legislation creating a framework for designing a centralized process for determining eligibility for Medi-Cal, Healthy Families and other public benefits programs. Governor estimates savings of up to \$1 billion a year (\$500 million General Fund) by 2012-13. Federal health care reform requires an Internet-based enrollment process for Medi-Cal, Healthy Families and the private insurance “Exchange” by 2014. MCH Access has been monitoring pilot projects that may serve as the foundation for these mandated Internet-based applications and is very concerned about widespread problems and lack of State oversight to ensure that eligible people are not screened out or denied benefits.

Key changes to the Governor’s original Medi-Cal budget proposal in January:

- Proposal to cut Healthy Families and California Children’s Services eligibility withdrawn. The 2010 federal health care reform law prohibits such cuts.
- Proposed “trailer bill” would provide for enrollment options, including through the fee-for-service payment approach, in counties where only one Healthy Families plan is available at present. The change is required by the CHIP Reauthorization Act of 2009.
- Optometry services for adults restored as required by federal law.
- 3.7% rate increase to Medi-Cal managed care plans (\$174 million).

Healthy Families

- The May Revise proposes to increase monthly premiums, starting September 1, for Healthy Families recipients with family incomes from 201-250% of poverty from \$24 per child to \$42, and the family maximum from \$72 to \$126. This is in addition to maintaining the January proposal to increase the premium for families between 151% -200% FPL from \$16 per child to \$30, and the family maximum from \$48 to \$90. The State views its MOE obligation under the federal health care reform law as limited to eligibility and as not including cost-sharing that results in an individual not being able to use benefits. Clarification from the federal government is anticipated.
- Increase co-payments for emergency room visits from \$15 to \$50.
- Impose \$100 a day copayments for hospital inpatient services, with a \$200 maximum.
- Eliminate vision coverage for Healthy Families recipients.

Key changes to the Governor's original Healthy Families budget proposal in January:

- Proposal to cut Healthy Families and California Children's Services eligibility withdrawn. The 2010 federal health care reform law prohibits such cuts.
- Proposed "trailer bill" would provide for enrollment options, including through a fee-for-service payment approach, in counties where only one Healthy Families plan is available at present. The change is required by the CHIP Reauthorization Act of 2009.

Other Vital Safety-Net Programs

- Eliminate Extended Access to Primary Care (EAPC clinic funding)
- Eliminate the Cash Assistance Program for Immigrants (CAPI)
- Eliminate the California Food Assistance Program (CFAP)
- Cut \$206 million from Supplemental Security Income (SSI) Program for low-income seniors and disabled people. Grants for individuals would be reduced \$15 a month (monthly grant reduced to \$830 from \$845). This would be the fourth cut in a year for SSI recipients.
- Eliminate all of CalWORKs starting October 1, 2010, OR:
 - Reduce CalWORKs grants by 15.7% (\$109 a month for a family of 3); and
 - Cut rates and eligibility for state-subsidized child care, except for pre-schoolers
 - Eliminate the recent Non-Citizen Entrants Program in CalWORKs
- Shift \$602 million, i.e., 60%, of county mental health realignment funding to pay for county social services programs, limiting county mental health services to federally-required services
- Corresponding \$602 million cut in funding to Food Stamp and Child Welfare Services Programs.