

Budget Update: March 18, 2011

Both houses of the Legislature convened Wednesday afternoon to take up the budget package that emerged from conference committee. Governor Brown is saying he still does not have an agreement with Republicans that would allow the tax extensions to go to the voters. However, if the tax extensions were to reach the ballot, a new Field/UC Berkeley poll suggests voters are inclined to support the governor's proposal. It seems that those polled understand what a failure to adopt revenue package would mean: catastrophic cuts to essential services. This is particularly true of health and human services programs, which constitute approximately 37% of General Fund Spending but represent 50% of the proposed cuts to General Fund expenditures. Without revenue, this will be far worse, particularly for Latinos, who rely on many of the programs already slated for cuts.

The following are health and human services actions taken by the Conference Committee last week and are the substance of several budget bills being considered by the Legislature in their budget vote deliberations.

Medi-Cal:

- Adopted a "Soft Cap" of seven office visits per year, effective October 1, 2011, for state savings of \$44.9 million
- Adopted a Hard Cap of six prescription drugs per month (exceptions for unspecified "life-saving" drugs);
- Eliminated Medi-Cal coverage of ADHC for state savings of \$90 million. Proposes to create an alternative, narrowly defined program under a new federal waiver and provides \$85 million in state funds for that purpose;
- Adopted Mandatory co-pays of \$5 for physician, clinic, dental, and pharmacy services (\$3 for lower-cost preferred drugs); \$50 for ER visits; and \$100 a day with a \$200 maximum for hospital stays. Requires federal waiver;
- Approved a ten percent reduction in provider rates;
- Approved a maximum annual dollar cap on durable medical equipment, hearing aids, medical supplies
- Eliminated Medi-Cal coverage of nutritional supplements except for those with feeding tubes.
- Eliminated coverage for over-the-Counter Cough and Cold Medicine

Healthy Families:

- Approved an increase in premiums for families with income between 150-200% of FPL, premiums would rise from \$16 to \$30 per month per Child. Families between 201-250% FPL would see their premiums rise from \$24 to \$42 per child per month.
- Approved an increase in copayments of \$50 per ER visit and \$100 per day for inpatient hospital stays up to a maximum of \$200 per visit.
- Approved \$3 million reduction to the Healthy Families vision benefit.

Proposition 10:

- Adopted the 2011-2012 a redirection of \$1 billion from state and local reserves to fund Medi-Cal. Rejects ongoing shift of half of future Prop. 10 funds.

In Home Support Services:

- Approved a \$128.3 million State general fund reduction to the program, in addition to what was previously approved, but left open for later final action on how that reduction will actually be achieved. (Data courtesy of Allison Ramey at the California Primary Care Association)

CalWORKS:

- Reducing the 60-month time limit to receive services to a 48-month time limit;
- Reducing grants by 13%; and
- Reducing county block grants for unemployment and childcare, and removing exemptions for those grants.

The following bills enact the above mentioned Conference Committee actions:

AB 97 (Assembly Committee on Budget) & **SB 73** (Senate Committee on Budget and Fiscal Review): These bills affect the following health care programs: make the proposed changes to the Healthy Families Program and the make proposed changes to the Medi-Cal Program. As well they establish the State Emergency Services Fund.

AB 96 (Assembly Committee on Budget) & **SB 72** (Senate Committee On Budget and Fiscal Review): These bills affect the following health and human services programs: Confidential Intermediary Program for Sibling Contact, Child Support Services, CalWORKS, CalLearn, In Home Support Services, the Community First Choice Medicaid Option, the Long Term Care Ombudsmen Program, the Supplementary Security Income/ State Supplementary Payment Program.

The National Picture

The Republican lead House approved a short-term spending bill on Tuesday but only after dozens of Republicans rejected the measure, forcing party leaders to rely on Democrats to achieve passage. Approval of this measure will help in avoiding a possible government shutdown. The House voted 271 to 158 on the stopgap measure that would cut \$6 billion over the next three weeks, largely by eliminating programs Obama had already identified for termination or reduction, as well as specially earmarked congressional projects. The Senate is expected to vote on the bill before Friday, when government funding to keep agencies operating runs out. One of the key points of contention is ACA funding. Republican defectors have voted to support this version even though top Republican policy priorities had been dropped from the bill. Shelved for now are attempts to defund the healthcare overhaul law enacted last year, gut Planned Parenthood and eliminate the power of the Environmental Protection Agency. As a result, Speaker of the House John Boehner appears to have his hands full with managing Republican members of the House. Talks continue toward a solution that would keep the Government funded through to September 30, the end of the Federal fiscal year. We need to stay vigilant as the primary path to de-funding the ACA is by depriving the Agencies of the funds and thus the ability to implement the ACA. LCHC will continue to monitor both State and Federal budgets and keep you apprised of new developments.

Sources: State Budget

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