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2009-2010 MAY REVISION PROPOSAL

IMPACT OF GOVERNOR'S PROPOSALS ON CHILDREN & FAMILIES

The Governor's May Revise to the 2009-10 State budget calls for an additional \$2.4 billion in cuts to health and human services beyond the \$15 billion in cuts to health and other vital services that were made in February through the final 2009-10 budget. The Governor has proposed a new round of deep cuts to the Medi-Cal and Healthy Families programs in the May Revise including:

- \$1 billion in unspecified cuts to reduce Medi-Cal eligibility
- \$366 million reduction with the elimination of the Healthy Families Program
- \$2.7 million cut with the elimination of Certified Application Assistance to help enroll and retain children in Medi-Cal and Healthy Families.¹

Low-income children and families are once again being asked to shoulder the burden of the State budget deficit. At a time when states across the country are struggling with a loss of revenue, there has never been a greater demand for public healthcare coverage. With mounting job losses, more than 300,000 children in California became uninsured between November 2007 and February 2009. Currently, nearly 4.3 million children in California depend on public healthcare coverage to keep them healthy, allow them to go to school and be productive. The economic recession has dramatically increased demand for coverage through Medi-Cal and Healthy Families, as job losses and the cost of private insurance increase. Healthy Families, the State health coverage program for children, reached the second highest monthly enrollment in its history, with nearly 35,000 children signing up for insurance in March 2009.

Healthcare is one of the largest industries in California and represents a key economic driver for local economies. The savings produced by the Governor's May Revise proposals are a mirage. Funding from Medi-Cal not only creates jobs within the healthcare field but also in a wide network of ancillary businesses and suppliers. These dollars represent not only health coverage, but jobs and tax revenue.

The cuts would also result in a significant loss of federal matching funds: nearly \$560 million for Healthy Families and \$1.6 billion for Medi-Cal under the economic stimulus agreement's enhanced matching rate.² The proposed \$1 billion in proposed cuts to reduce Medi-Cal eligibility would have a domino effect on local economies with more than \$2.5 billion in lost business activity; 19,840 jobs lost and a reduction of \$900 million in salaries and wages, exacerbating the current situation.³ The State cannot afford to leave federal dollars on the table or undercut local economies.

California is taking one hundred steps back, while the White House is trying to ensure comprehensive health reform. Instead of cutting healthcare, we should be making sure all children are covered and using our healthcare dollars to create jobs and improve health in California.

ELIMINATING THE HEALTHY FAMILIES PROGRAM

The Governor is proposing to eliminate the State's Children's Health Insurance Program, Healthy Families. For the nearly one million children in California covered by Healthy Families, this represents a serious threat to their health and development.

Impact of the Governor's proposal

- Drops nearly 1 million children from the program forcing families to make costly emergency room visits or go without care altogether. This proposal is worse than the original plan to cut 225,000 children from coverage with a rollback of the program to 200% of the federal poverty level.

¹ Health Access Budget Update: Health Care Cuts in the Ongoing Budget Crisis (June 1, 2009).

² The California Budget Project. More than 1.9 Million Californian's Could Lose Access to Health Coverage Under the Governor's May Revision. (Updated June 1, 2009).

³ Medicaid Calculator, Families USA at <http://www.familiesusa.org/issues/medicaid/other/medicaid-calculator/medicaid-calculator.html?state=California> (accessed June 1, 2009).

- The elimination of the Healthy Families program will shift the financial burden of care onto local community clinics and county facilities that are struggling to serve their own consumers. According to a local community clinic in Los Angeles, the average cost of a pediatric medical visit is \$139 dollars. The average child seeks care four times a year. Therefore, it would cost the clinic \$556 dollars per child/year to provide basic healthcare. This doesn't include any specialty care, prescriptions or major procedures. If this Los Angeles clinic took on just 200 of the kids who fall off Healthy Families, the clinic would incur over \$100,000 dollars annually in charity care.⁴
- Families will be forced to delay care for their children and those with chronic or serious illness or injury will go without necessary medical services.
- There will be a likely increase in net public health expenditures. Studies have shown a 6 percent increase in public health expenditures when 10 percent of SCHIP children disenroll.
- Eliminating the Healthy Families Program will not only take away needed healthcare for a million children but further undermine the healthcare safety net and the State's economy.
- If Healthy Families is not funded, our future CHIP funding may get redirected to other states.

MEDI-CAL ELIGIBILITY CUTS

The Governor is seeking a \$1 billion waiver from the federal government that would allow the State to cut Medi-Cal spending. While not specifying what these reductions might be, in the past they have included onerous paperwork requirements on children in Medi-Cal to renew coverage and denying coverage to parents earning more than \$22,056 for a family of four. A decision to cut \$1 billion from Medi-Cal while we receive billions of dollars in federal assistance is counter to the intent of the Economic Stimulus package passed earlier this year. The stimulus was intended to help save jobs and put more dollars immediately into stressed economies. It was intended to reduce pressure on state budgets so that cuts to important programs such as Healthy Families and Medi-Cal could be avoided.

Impact of the Governor's proposal

- Implementing these changes could result in the loss of health coverage for nearly one million Californians. Many more could be impacted by lower provider rates or decreased benefits.
- This proposal risks the loss of billions of federal Medicaid dollars. The \$1 billion in proposed Medi-Cal cuts would have a domino effect on our economy and only exacerbate the current situation. Funding from Medi-Cal fuels the healthcare industry. The State cannot afford to leave federal dollars on the table.
- Cutting Medi-Cal will only make the crisis that Governor Schwarzenegger was trying to resolve in his 2007 healthcare reform plan worse.

ELIMINATING APPLICATION ASSISTANCE

The Governor has proposed eliminating Certified Application Assistance (CAA) fees in the Medi-Cal and Healthy Families programs. Today, California has over 20,000 individuals trained as certified application assistants.⁵ The small investment the State has made in CAA reimbursements has successfully enrolled and retained hundreds of thousands of children in Medi-Cal and Healthy Families. Approximately 120,737 children in FY 2007-08 were successfully enrolled or retained with assistance and approximately 35% of all applications processed monthly are assisted by CAAs.⁶

Impact of the Governor's proposal

- Many families will lose the one-on-one assistance CAAs provide that help children and families obtain and maintain healthcare and use the healthcare delivery system.
- According to the Managed Risk Medical Insurance Board who manages the program, when reimbursements for CAAs were eliminated in the past, there was an increase in incomplete

⁴ Data was collected from Venice Family Clinic in Los Angeles County. All information is based on internal clinic data.

⁵ MRMIB data as of April 2009 for Certified Application Assistants.

⁶ Managed Risk Medical Insurance Board. Quarterly Application Assistance Reimbursement Update (4/22/09) and data collected from MRMIB staff (May 2009).

applications. Incomplete applications slow processing time for families and require the State to make additional follow-up calls with families to collect missing information.⁷

- CAAs help families retain their healthcare coverage. Many families will likely churn on and off public healthcare programs without the consistent communication of CAAs. This leaves eligible families without vital coverage, and results in the State having to pay for a re-application. According to a 2005 report, California is spending over \$120 million to re-process 18% of the more than 3 million eligible Medi-Cal children who were disenrolled only to be re-enrolled in a three-year period.⁸

A CUTS ONLY APPROACH IS NOT THE SOLUTION!

The proposed cuts are unacceptable. Our elected officials must protect the health and well-being of our most vulnerable children and families. According to a recent study, a majority (57%) of Californian voters believes that not cutting healthcare programs is more critical than preventing all tax increases.⁹ Voters are seeking a balanced approach. A cuts only proposal is a band aid on our structural budget deficit. Critical federal dollars will be left on the table under the Governor's proposals. A cuts only proposal threatens the future health of California's children and creates future fiscal problems.

The State needs to identify new revenue strategies to offset the most detrimental cuts. We urge the legislature and Governor to fully explore all revenue options in order to achieve the necessary amount to prevent the proposed budget reductions. We ask you to re-assess and consider the following options:

- Repealing the September 2008 and February 2009 Tax Cuts
- Reinstating the 10% and 11% Personal Income Tax Rates for Top Earners
- Oil Severance Tax
- A "Nickel a Drink" Tax or Fee on Alcoholic Beverages
- Broadening the Sales Tax
- Limiting Mortgage Interest Deductions to Primary Residences
- Restoring the Vehicle License Fee to 2% of value.

CHILDREN AND FAMILIES' HEALTHCARE MUST BE PROTECTED ~ TELL THE GOVERNOR AND LEGISLATURE:

Ask the Governor and legislature to eliminate these harmful cuts to California's healthcare coverage programs and healthcare system and seek additional revenue to offset the most detrimental cuts.

Specifically:

- Protect and fully fund the Healthy Families Program and reject any proposal that reduces eligibility to Healthy Families and funding for contractors who enroll eligible children in Medi-Cal and Healthy Families
- Do not move forward on any eligibility changes to Medi-Cal that would jeopardize federal funding and children's healthcare coverage.

⁷ Assembly Bill 1396 Bill Analysis (April 12, 2005).

⁸ Gerry Fairbrother, Ph.D. Cincinnati Children's Hospital Medical Center. How Much Does Churning Cost in Medi-Cal? The California Endowment (April 2005).

⁹ David Binder Research. Reasons Prop 1A Failed. (May 2009).