



# **Special Session Budget Update Proposed Healthcare Spending Cuts**

**As of December 10, 2008**

**Source:**

**Subcommittee No 3**

**Health, Human Services, Labor & Veterans Affairs**

**December 10, 2008 Meeting**

**Senate Budget and Fiscal Review Subcommittee #3 (Health)  
December 10, 2008**

Program Reduction	Gov Proposal		LAO Options		November Alternative		Senate Republican Alternatives	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
	Total		Total		Total		Total	
<b>Health and Developmental Services</b>								
1 Medi-Cal Program--Rollback Age, Blind and Disabled Eligibility. This program provides no-cost, full-scope Medi-Cal to low-income people who are either over age 65 or are disabled. In 2001 the income level threshold was increased from 69 percent of poverty to 133 percent (it's presently at 127 percent). The Administration proposes to rollback this expansion to the SSI/SSP income level threshold of \$870 per month. This results in 73,000 people either being dropped from Medi-Cal or paying a share-of-cost in order to maintain coverage when currently they have no share-of-cost. The proposed income threshold would create a share-of-cost range from \$271 to \$497 for individuals above the \$870 per month income level (i.e., \$871 per month income = \$271 monthly share-of-cost to maintain Medi-Cal).	14.3	185.8	200.1				0.0	
2 Medi-Cal Program--1931 b Eligibility. Over 2.5 million children and working families receive healthcare under this eligibility category created in 1996 by federal Welfare Reform Law. Beginning February 2009, the Administration would rollback the allowable income level for "1931 b" applicants from 100 percent of poverty for eligibility to 72 percent of poverty. They would also reinstate the "100-hour rule" without regard to income; therefore any wage earner working more than 100 hours per month would not be eligible for Medi-Cal. Reinstating the 100-hour rule would eliminate both recipient and applicant parents in two-parent families from being eligible regardless of how low the family's income. The savings level assumes that (1) 26,000 people are dropped from Medi-Cal in 2008-09, (2) 182,000 people are dropped in 2009-2010, and (3) over 430,000 people are eliminated when fully implemented (within 33 months). The Legislature rejected this proposal during 2008-09 budget deliberations.	2.6	88.2	90.8				0.0	
3 Medi-Cal Program--Newly Qualified Immigrants and PRUCOL Eligibility. There are two aspects to this proposal. First, it would limit Medi-Cal services for "newly qualified immigrants" (about 73,400 people) who have been in the country for less than five years to "restricted-scope" services (mainly emergency services and pregnancy-related) versus full-scope services as presently provided. Second, it would implement "restricted-scope" services for individuals "permanently residing under the color of law (PRUCOL) immigrants and "Amenity Alien" immigrants who are not defined as eligible "Qualified Aliens" any more under federal law. Further, these PRUCOL individuals (about 17,200 people) would be limited to the month or months during which emergency services are received, unless the individual is receiving pregnancy-related services. California has always provided legal immigrants, including PRUCOLs, with full-scope Medi-Cal services if they otherwise meet all other eligibility requirements. Due to federal law changes enacted in 1996, federal matching funds are not provided for non-emergency Medi-Cal services for immigrants in the U.S. for less than five years. A total of 90,600 people are presently eligible in California and about \$125 million (General Fund) is expended for full-scope services. The Legislature rejected this proposal during 2008-09 budget deliberations.	14.2	211.1	225.3				0.0	



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8 <b>Medi-Cal Program--Eliminate Over-the-Counter Drugs.</b> The LAO proposes to eliminate reimbursement for specific over-the-counter drugs, including: analgesics (pain relief); prenatal vitamins; antihistamines; gastrointestinal; cough/cold preparations; smoking deterrents; and sedatives. Currently, a Medi-Cal enrollee must have a physician's prescription in order to receive reimbursement for these drugs. The LAO savings level assumes that two-thirds of the cost for the eliminated drugs will be borne by the individual (or go without), and one-third of the cost will still be paid by Medi-Cal because physicians will switch to a prescription drug (versus over-the-counter drug) for which Medi-Cal would reimburse.			2.9	15.0					17.9	0.0
9 <b>Medi-Cal Program--Reduce Rates Paid for Family Planning Services.</b> The LAO proposes to retract one-half of the January 2008 rate increase for family planning services. The state raised these rates through policy legislation (SB 94, Statutes of 2007). It should be noted that the state receives a 90 percent federal match for most family planning services. The Legislature has previously rejected rate reductions for these services due to the cost-benefit to the state for these services, and the enhanced federal funding amount.			1.7	21.6					23.3	0.0
10 <b>Medi-Cal Program--Delay Implementation of SB 437, Statutes of 2006.</b> This law provides for the pilot testing of self-certification of income and assets of Medi-Cal applicants to streamline enrollment. The Legislature delayed implementation of this pilot program for one-year in the Budget Act of 2008. The LAO option would delay implementation of this new program for an additional year (2009-2010).			0.0	13.0					13.0	0.0
11 <b>Medi-Cal Program--Minor Consent.</b> This program provides access to certain confidential Medi-Cal services, such as family planning, for which minors are authorized to provide their own consent. The program is funded using 100 percent General Fund support. The LAO proposes to require participants in the program to complete federal Deficit Reduction Act (DRA) requirements regarding documentation and identification in order to obtain federal matching funds. Existing state law, as proposed by the Governor and adopted by the Legislature, exempts the Minor Consent Program from federal DRA requirements since these requirements are particularly burdensome for minors and would be a barrier to services.			1.5	18.9					20.4	0.0
12 <b>Medi-Cal Program--Suspend County Eligibility Processing COLA.</b> The Budget Act of 2008 reduced funding provided to counties for Medi-Cal Program eligibility processing by 7% or \$106.8 million (\$53.4 million General Fund). This reduction included elimination of the cost-of-doing-business adjustment for 2008-09. The LAO proposes to suspend the cost-of-doing-business adjustment for one more year (2009-2010).			0.0	24.6					24.6	0.0

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	Total	Total	Total	Total	Total	Total	Total	Total
13			0.0	7.0	7.0			
14			0.0	26.0	26.0			0.0
15							11.0	22.0
16							11.0	96.0
17		20.0	48.0	68.0	24.1	60.2		84.3
18		4.6	12.2	16.8	4.6	12.2		16.8

