



The Governor's May Revision Budget Proposal

Fiscal Year 2009-10

CPCA Policy Team

GENERAL OVERVIEW

Months ago, when the worst possible scenario for California's budget was a mere \$14 billion deficit, Sacramento Bee columnist Dan Walter's characterized our plight as nothing short of "Armageddon". Today, the revenues have fallen dramatically short, the special election initiatives have overwhelmingly failed, and the State is teetering on the brink of insolvency. In today's California "Armageddon" there will be no brave crew to save the budget, there will be no self-sacrificing politician and/or interest group willing to crucify themselves for the good of all, and there will be no happy ending to an award-winning title track. There is little doubt that the Governor wishes he were back in movies pretending to save the state from catastrophe, rather than being in the epicenter of it actually happening.

In an effort to scare California voters before the election, the Governor released two versions of his May Revise. The first version assumed all of the initiatives (Prop. 1A-1F) passing, where the State would incur *only* a \$15.4 billion deficit; the second revision assumed an alarming \$21.3 billion shortfall. On May 19th, the voters sharply rebuked the Governor and the Legislature and voted down all but one of the special election initiatives. California is now operating with a \$20+ billion deficit, a re-energized anti-tax, pro-spending cut Republican Caucus, and a national/international financial community that has lost all faith in a State that was once the 5th largest economy in the world just 7 years ago.

As outlined in the "worst case scenario" version, the Governor, in addition to his massive cuts in healthcare, proposes to:

- Cut an additional \$2.3 billion from education and reducing the school year by 7 ½ days
- Cut an additional \$200 million in funding for the state's public university system
- Increase employee tax withholdings by 10% to generate \$1.7 billion in the next fiscal year
- Forcing local governments to lend roughly \$2 billion to the State fund of their property tax receipts
- Laying off another 15,000 state workers in addition to the 5,000 laid off last week

- Releasing 19,000 state prison inmates who are undocumented immigrants to federal authorities and releasing certain low-risk, lower-offending criminals to county jails.
- Selling state landmarks like the Los Angeles Coliseum, the Orange County Fairgrounds and San Quentin State Prison.

Unfortunately, on Tuesday the Governor is scheduled to release another revision to the existing budget that is rumored to include elimination of huge programs such as CalWORKs and Healthy Families.

In now realizing the seemingly insurmountable task before them, the Legislature is wasting little time and has convened their respective Budget Committees less than 12 hours after the initiatives were defeated. There is a tremendous amount of work to be done, and a lot of pain to be spread, especially with the Governor declaring, “We’re going right to work...and finish by June 30th...it’s not going to be a long, hot summer.”

Below is an outline of the relevant reductions to health and human services proposed by Governor Schwarzenegger, as of May 14th. Most unfortunate is the news that continues to come down the pipeline. As mentioned on Tuesday, billions of dollars in additional reductions, which will inevitably include health programs, are likely to be proposed to the Budget Conference Committee for consideration. Additionally, the Legislative Analyst’s Office (LAO) has released their report on the May Revise, which includes their recommendations – many of which differ from the Governor’s proposal, some of which suggest even deeper cuts to clinic related programs.

DEPARTMENT OF HEALTH CARE SERVICES – MEDI-CAL

❖ Federal Medi-Cal Flexibility and Stabilization - Cuts Requiring Federal Waivers

The Administration’s Proposal

The Governor states that in this time of severe financial crisis, flexibility to manage the Medi-Cal program within available state resources is required and that though the federal government has provided the state with significant fiscal relief under the federal stimulus, the current trajectory of Medi-Cal growth is unsustainable, further arguing the state cannot afford its Medi-Cal program as currently structured and governed by federal rules and regulations.

The Governor is proposing a significant reduction to Medi-Cal in the amount of \$750 million, contingent on negotiating a waiver from the federal government. The Schwarzenegger Administration wants to revisit rollbacks in eligibility that are now restricted by the federal government in order for California to accept billions in federal stimulus dollars. Details as to the type of reductions are not specified, though it is likely to include cuts similar to those proposed previously, such as a reduction in Medi-Cal reimbursement rates, the reinstatement of quarterly status reports, and possibly the reduction of additional services.

Though the Schwarzenegger Administration is unclear as to which items they will specifically move forward on, there is a whole list of varying proposals being discussed that will potentially be brought forward to the Obama Administration, others of which may require congressional action. Included on this list, is the exploration around any flexibility to the Prospective Payment System (PPS).

Impact of PPS and Federal Medi-Cal Flexibility and Stabilization Proposal on Community Clinics and Health Centers

As mentioned above, the Schwarzenegger Administration's list of possible proposals which seek to secure the \$750 million in savings from securing flexibility from the federal government in the Medi-Cal program includes an exploration of flexibility in implementing California's Prospective Payment System (PPS) reimbursement. We do not yet know any specific proposals or the scope of what is intended by the Schwarzenegger Administration; however, any changes to the PPS reimbursement process would necessitate statutory changes and therefore, the Legislature would need to agree with the Administration in implementing these changes. In addition, the State would need to seek and win federal approval to waive any current PPS requirements.

In discussing this issue with both Elizabeth Saviano (CPCA legal council) and Roger Schwartz (NACHC), they agree that waiving PPS is currently prohibited under federal law. See 42 USC 1396n(b). However, our vulnerability lies in the state potentially bringing forward an 1115 Waiver, such as the waiver currently being renegotiated for hospital financing and the health coverage initiatives. Secretary Belshe has discussed broadening the scope of this waiver to address health care reform - such a broad waiver could include provisions impacting PPS.

Dawn McKinney, Director of State Affairs at NACHC, recently prepared a State Policy Report that compiles current FQHC-specific language in Medicaid 1115 Waivers and State Plan Amendments as of January 2009. Based on the report, states have sought flexibility in PPS payments through 1115 Waivers by adopting the following provisions:

- Several states (Florida, Hawaii, Oregon, Tennessee) have adopted provisions limiting contracting to FQHCs in Medicaid managed care. "If a plan can demonstrate to the State and CMS that both adequate capacity and an appropriate range of services for vulnerable populations exist to serve the expected enrollment in all service areas without contracting with FQHCs, RHCs, or CHDs, the plan can be relieved of this requirement." (Florida language).
- Several states that have expanded their Medicaid programs beyond Medicaid mandatory populations (Kentucky, Massachusetts, Oklahoma, Vermont) have adopted provisions limiting FQHC contracting, similar to the states mentioned above (Oklahoma and Kentucky) and these states have also waived PPS reimbursement for ***expansion or limited demonstration populations***. The contracting language in Oklahoma and Kentucky parallels the language adopted in Florida, but provides a description of the analysis that is necessary in order to demonstrate "adequate capacity and an appropriate range of services for vulnerable populations" including listing providers and their capacity by geographic region and demonstrating comparable levels of Medicaid services as the FQHC including covered outreach, social support services, and the availability of culturally sensitive services.

According to Dawn and Roger, although states have adopted language in 1115 Waivers (usually in the Terms and Conditions versus the actual Waiver language) limiting contracting for FQHCs in the Medicaid managed care arena, most states have not sought to implement these provisions. CPCA will be exploring the process undertaken by those states that did seek implementation.

As mentioned previously, the Administration would need to secure state statutory changes as well as federal approval if it sought to implement any of the above mentioned provisions and as mentioned,

the waiving of PPS reimbursement has only been secured for expansion or limited demonstration populations.

At this point, the exact impact continues to be unclear because the Administration has not provided any specific proposal to analyze.

With regard to additional reductions to Medi-Cal, it remains unclear as to what the Administration may bring forward to the federal government in their attempt to reach the \$750 million cost savings to the state. The state has made multiple failed attempts to reduce Medi-Cal provider rates, which only failed because injunctive relief was secured from the courts. The Administration may consider this as an option if they are able to secure “flexibility” from the Obama Administration on federal requirements that have been, in part, the arguments forwarded by Medi-Cal providers in the existing lawsuits.

❖ **Medi-Cal - Reducing Services for Newly Qualified Legal Immigrants and for those Permanently Residing under Color of Law (PRUCOL)**

The Administration’s Proposal

Effective October 1, 2009, this proposal would limit benefits for newly qualified immigrants and immigrants permanently residing under the color of law (PRUCOL) to emergency services only, resulting in \$125 million cost savings to the state. Pregnant women are excluded from the proposal, as are children under the age of 20.

The previous proposal called for the elimination of full scope Medi-Cal for newly qualified immigrants and PRUCOL (including children) by limiting benefits to these populations to the same level as provided to undocumented immigrants. Benefits retained included emergency services, pregnancy-related services, long-term care in a nursing facility, and breast and cervical cancer treatment. The current proposal parallels the January version; however immigrant children and pregnant women are excluded.

Impact on Community Clinics and Health Centers

The remaining benefits for newly qualified immigrants and PRUCOL immigrants that are not children or pregnant women are the minimum required by the federal government. The reduction of Medi-Cal coverage for preventive care services may have a significant impact on clinics. Many legal immigrants currently receiving preventative care at CCHCs will no longer come in for visits, and those that continue to be seen will now be uninsured, resulting in a non-Medi-Cal reimbursable cost for the clinic.

The state intends to preserve services for populations eligible for federal financial participation (FFP), including children and pregnant women who are “lawfully residing in the US.” However, the term “lawfully residing” when applied to the PRUCOL category has not yet been defined by CMS. Immigration advocates are working with CMS to ensure the definition is as broad as possible, and hopefully will go so far as to encompass some, if not all, PRUCOLs. Although the Administration has mentioned that it intends to exclude children and pregnant women, they have also stated that this proposal is intended to preserve services for populations for which federal financial participation can be secured. According to immigrant advocates, some PRUCOL children and

pregnant women may not be included in the groups eligible for federal financial participation. CPCA will continue to monitor this issue.

Background: After the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 legal immigrant eligibility for Medicaid, and in 1997 for SCHIP, was restricted. Eligibility for full-scope Medicaid is tied to length of residency, five years or more, and is dependent on the type of immigrant status an individual has. States could decide to cover legal immigrants with their own resources. Historically, California has been one of only a few states providing full-scope Medi-Cal to legal permanent residents. Prior to PRWORA legal immigrants were eligible for Medicaid on the same basis as U.S. citizens if they met the requirements.

Because of the provisions in H.R. 2 (CHIP Reauthorization) which expanded federal matching funds to cover newly qualified immigrant children and pregnant women, California would receive a 2/3 federal match to cover these groups. California would receive more federal funds per beneficiary to cover new immigrant children and pregnant women than any other Medicaid populations.

The provisions of the American Recovery and Reinvestment Act (ARRA) provide California with the ability to secure an enhanced federal match of 61% as long as the state meets the maintenance of effort (MOE) requirements. The MOE provisions require California to maintain its eligibility to Medicaid/Medi-Cal populations. Unfortunately, these provisions do not cover the “new legal immigrant group” targeted for reduction in eligibility because these populations are covered using state-only funds. Unfortunately, California can reduce eligibility to new legal immigrants and PRUCOL immigrants and continue to secure the enhanced federal match for Medi-Cal.

❖ **Medi-Cal—Roll back Rate Increase for Family Planning Services**

The Administration’s Proposal

The May Revision includes \$36.8 million in savings by reducing the rates for family planning services to the pre-January 2008 level. Chapter 636, Statutes of 2007, increased the reimbursement rates for services by approximately 90.9 percent. Prior to SB 94 (Kuehl) being signed into law, family planning providers had not received a significant augmentation from the state in 20 years. The roll-back of family planning services will impact the eight Family PACT procedure codes that were augmented by the passage of SB 94.

Impact on Community Clinics and Health Centers

California’s Family PACT program is extremely cost effective. For every dollar California spends on family planning, the state receives a \$9 match. And for every total dollar spent on family planning, California saves \$5.33 in future medical and social service costs. The Family PACT program is one of the few Medi-Cal programs for which all CCHCs receive fee-for-service reimbursement. All CCHCs will be adversely impacted by the proposed reduction to Family PACT rates. With a quick look at the numbers, one CPCA member anticipates an annual loss in revenue of \$180,000-190,000 as result of the proposed rate reduction. If this is any indication of what can or will be experienced by CCHCs throughout the state, the impact of this cut will be significant.

❖ **Medi-Cal - Reduction to Adult Day Health Care Program**

The Administration's Proposal

The Administration proposes to reduce the Adult Day Health Care (ADHC) optional benefit by limiting benefits to three days per week.

Most ADHC services require the submission of a *Treatment Authorization Request* (TAR) to the local Medi-Cal field office for each Medi-Cal recipient to establish ADHC regular days of attendance, except if the services are provided by a Federally Qualified Health Center (FQHC) or a Rural Health Clinic (RHC). The Medi-Cal office approves the regular days of attendance for beneficiaries based on a review of medical necessity. TARs can be submitted for more than three days per week as long as medical necessity exists and is approved by the state. FQHCs and RHCs can provide ADHC services for more than 3 days as long as the patient's file clearly documents the medical necessity for services.

The proposal will limit regular days of attendance to three days per week regardless of whether medical necessity exists for more extended services. This limitation would apply to all ADHCs, including FQHC and RHC ADHCs.

Impact on Community Clinics and Health Centers

The reduction to the ADHC benefit will impact FQHCs and RHCs that operate ADHCs. While the average number of participant visits per week is three at FQHC ADHCs,¹ there are still a high percentage of participants who require additional days of service. In some cases, a third of participants at FQHC ADHCs require 4 to 5 days of care. Clinics may be forced to absorb some of the costs of additional days of service, or may limit days of service and assist the participant in finding additional services. Additionally, clinics could lose up to or more than a third of their revenues from this reduction. While restricting the number of days participants may receive the benefit is far less damaging to FQHC/RHC ADHCs than the Administration's previous proposal to reduce FQHC/RHC ADHC reimbursement rates, it will still have a severe financial impact on these ADHCs.

Though specifics are not yet known, in meeting with key budget subcommittee staff CPCA has been informed that the ADHCs are working to submit a revised reduction proposal in place of the three day per week limitation that would achieve the same cost savings to the state. The potential revised reduction to ADHCs is not yet known. CPCA will be working with the ADHC Association to better understand their proposal and its potential impact on FQHC/RHC ADHCs.

❖ Medi-Cal Pharmacy Reforms

The Administration's Proposal

The Governor's revised May budget proposal includes Medi-Cal Pharmacy reforms for a savings of \$75 million. This includes the implementation of new federal and state drug pricing policies aimed at lowering costs and retaining quality care. Effective October 1, 2009, these reforms would require federal Drug Pricing providers to dispense only drugs purchased through the program, would require manufacturers of HIV/AIDS/cancer drugs to pay particular rebates subject to a penalty of non-compliance, establish upper billing limits for drugs, and would require the state to perform

¹ CPCA FQHC ADHC Survey, February 4, 2009

therapeutic category review of antipsychotic drugs. This item was not included in previous budget proposals.

Impact on Community Clinics and Health Centers

Although the Governor's budget proposal does not provide many details regarding the pharmacy reforms proposed, clinic pharmacy experts predict that this item could potentially have a negative impact on patient's access to care, although it would not necessarily be harmful to clinics directly. According to some clinics, under this proposal, clinics would not be able to provide drugs off the formulary or for a price that is less than what the clinics pay. Clinics do think that having the state perform therapeutic category review of antipsychotic drugs may reduce waste with county run mental health clinics that receive state funding for prescription costs for patients.

❖ **Medi-Cal – Anti-Fraud Initiative**

The Administration's Proposal

The Administration intends to more aggressively target fraud in adult day health care centers, pharmacy, physicians, durable medical equipment, and transportation. These efforts would require 62 new positions and \$3.4 million General Fund in 2009-10. The Administration projects that these efforts, after startup, would lead to subsequent savings of some \$87.0 million in the out years.

Impact on Community Clinics and Health Centers

Community clinics and health centers will be impacted by this increased surveillance and regulation by the Department of Health Care Services on services paid for by the Medi-Cal Program to the extent that the Department chooses to focus efforts and resources on clinics and health centers. Early informal conversations with the Department indicate that clinics and health centers will be only a small component of the overall efforts. However, clinics and health centers should continue to be vigilant in the area of compliance in light of such a trend by the state to increase efforts in the area of fraud investigation. CPCA will continue to work with the membership to provide meaningful support to member clinics and health centers on compliance issues, specifically around services billed to the Medi-Cal Program.

❖ **Reduction to Drug Medi-Cal Rates**

The Administration's Proposal

The Governor proposes a 10 percent rate reduction for all Drug Medi-Cal treatment modalities, for a savings of \$8.8 million.

Impact on Community Clinics and Health Centers

Drug Medi-Cal (DMC) provides medically necessary substance abuse treatment services to Medi-Cal eligible beneficiaries. Treatment modalities include: Narcotic Treatment Program, Outpatient Drug Free Program, Naltrexone medication for opioid addicts, counseling in residential settings for perinatal clients, and Day Care Rehabilitative Program for perinatal clients or those eligible for Early Periodic Screening Diagnosis and Testing (EPSDT). The California Department of Alcohol and Drug Programs (ADP) contracts with counties and some direct service providers for the provision of DMC services under an Inter-Agency Agreement with the Department of Health Care Services. Individual counties provide these services directly or through contracts with local providers. Any CCHCs with county contracts will be impacted by this proposal.

DEPARTMENT OF HEALTH CARE SERVICES – CLINIC PROGRAMS

❖ Proposed Reduction to the Expanded Access to Primary Care Program

The Administration's Proposal

Because the ballot measures failed in the special election, the Administration is proposing to redirect \$60 million in Proposition 99 funds from county health, clinic, Breast Cancer Early Detection, Asthma, Major Risk Medical Insurance, and Access for Infants and Mothers programs, and rural health demonstration project to offset costs in the Medi-Cal Program. The Expanded Access to Primary Care (EAPC) program receives resources from the General Fund (\$13.5 million) and from Proposition 99 (\$13.9 million). The proposed redirection of \$60 million from Proposition 99 includes the following components:

- \$13.9 million of EAPC funding, or the entire Prop 99 allocation for the program;
- \$24.8 million from the physician fund / Maddy fund for emergency room physicians;
- \$800,000 from the rural health demonstration projects;
- The rest would come pro rata reductions from AIM, MRMIP, asthma and breast cancer detection.

The EAPC program is not proposed to be eliminated entirely because there is no proposed reduction to the general fund portion of EAPC, but according to the Administration, at jeopardy is a decrease in the program's total Proposition 99 funding amount, a \$13.9 million reduction. This would reduce the program by half.

The Administration has NOT proposed to reduce any of the other clinic programs including the Seasonal Agricultural Migratory Worker, Rural Health Services Development or Indian Health programs.

Impact on Community Clinics and Health Centers

The EAPC Program has experienced a number of fluctuations in funding since its inception in 1989. In its first year of funding over \$19 million dollars were distributed. The latest year of funding, FY 2008-09, now totals \$27 million dollars. Unfortunately, FY 2008-09 saw a drop in over \$3 million, a result of California's budget crisis. However, the number of corporations funded has increased over the years, from 170 in 1999 to 204 in 2007. Nearly 100 additional clinics received funding from EAPC between 2005 and 2007.

The EAPC Program has and continues to be significantly underfunded. While the EAPC Program provides much needed funds to CCHCs, the Program allocations cover a miniscule proportion of the uninsured visits. In 2006, EAPC reimbursed CCHCs for 320,000 patient visits, but another one million went unreimbursed. (OSHPD data) Current funding levels are not sufficient to cover the cost of care that clinics provide to the uninsured. Already stretched to the limit, CCHCs are experiencing significant increased demand for their services due to the rising number of unemployed and uninsured. The latest estimates predict that unemployment could reach 11 percent, and the number of Americans in poverty will increase by 7.5-10.3 million. The proposed reduction to the EAPC program will put a greater strain on CCHCs at a time when California's medically vulnerable need a stable clinic safety-net. Some CCHCs experiencing significant growth in their uninsured patient population are being forced to reduce staff because of the financial strains created by the

changing patient demographics. The Administration's proposed reduction to EAPC will exacerbate an increasingly desperate situation.

MANAGED RISK MEDICAL INSURANCE BOARD

❖ Healthy Families—Roll Back Eligibility to 200 percent of Federal Poverty Level

Administrative Proposal

Currently, the Administration has proposed to roll back eligibility for Healthy Families to 200 percent of the federal poverty level (or the 1999-2000 level), which is estimated to save the state \$54.5 million. Approximately 225,000 children (of the 906,000 currently enrolled in Healthy Families) will no longer be eligible to receive health coverage through the program.

Impact on Community Clinics and Health Centers

The eligibility roll back for Healthy Families from 250% FPL to 200% FPL will have a noticeable impact on CCHCs. Roughly ten percent of CCHCs patients under the age of 19 are covered through the Healthy Families Program (HFP). The children at risk of falling off of Healthy Families will continue to get sick and seek treatment, but the payer source for these services will be absent.

❖ Healthy Families - Eliminate Certified Application Assistance

Administrative Proposal

For \$2.7 million in savings for the state, the Governor has proposed the elimination of certified application assistance, which provides up to \$60 to contractors for helping individuals enroll and remain in the subsidized children's health insurance coverage.

Impact on Community Clinics and Health Centers

Taking into account only the single point of entry system, Certified Application Assistants are responsible for approximately thirty-five percent of enrollment into the Healthy Families Program. In addition to the decrease in enrollment that will likely be experienced, CCHCs will lose valuable CAAs that contribute to the day-to-day effectiveness and efficiency of clinic operations.

DEPARTMENT OF PUBLIC HEALTH

❖ HIV Education and Prevention

The Administration's Proposal

The Office of AIDS, part of the California Department of Public Health, manages programs that provide local assistance funding for HIV education and prevention services, HIV counseling and testing, housing, home and community-based care, HIV/AIDS drug assistance and other services to low-income individuals with HIV/AIDS in California.

The HIV Education and Prevention Program is slated to be cut by \$24.6 million. The \$24.6 million savings is achieved by eliminating programs that prevent HIV transmission, change attitudes and behaviors related to HIV, and promote risk-reduction skills.

Impact on Community Clinics and Health Centers

Clinics or Health Centers that subcontract with the county through the HIV Education and Prevention Services Branch will see a decrease in the availability of these programs. This in turn will place an additional financial stress on the clinic and county systems that plan to continue these programs.

❖ **Maternal, Child and Adolescent Health Grants**

The Administration's Proposal

This program will be cut by \$10 million, which funds services and programs to improve the health of mothers, infants, children, adolescents, and families.

Impact on Community Clinics and Health Centers

Providers who are able to continue as grantees may need to amend work plans to reflect a reduction in the quantity and frequency of activities and deliverables to correspond with the reduced funding in the grant budget.

❖ **Children's Dental Disease Prevention Program**

The Administration's Proposal

The Governor's proposal recommends suspension of the Children's Dental Disease Prevention Program (D2P2), to achieve a savings of \$2.9 million. This comprehensive school-based prevention program operates in 31 counties serving approximately 300,000 California preschool and elementary school children annually. Need is based on the proportion of Free and Reduced School Lunch Program participation for each county. This item was not included in previous budget proposals.

Impact on Community Clinics and Health Centers

The elimination of the D2P2 program will not have a direct impact on CCHCs, as the program is operated by the state and conducted in schools. However, the program serves a valuable function of prevention of dental problems in children, by providing education on oral health and tooth-brushing, as well as providing toothbrushes and sealants to program participants. In the 2007-2008 school year, 307,800 children participated in the program in 1, 112 schools around the state. The D2P2 program placed 46,223 sealants on 14,318 of participating children. Without the prevention efforts offered by the D2P2 program, CCHCs may experience an increase in children with dental health problems.

OTHER ISSUES CRITICAL TO CCHCs

❖ **Medi-Cal Checkwrite Delays**

Although the May Revise does not include any specific additional Medi-Cal checkwrite delays, there is always a strong chance that providers, including CCHCs, will be subject to another budget impasse this summer, which will lead to delayed payments after the Medi-Cal Providers Interim Payment (MPIP) fund is exhausted. Last year, the MPIP fund was exhausted by late July and providers endured nearly eight weeks of no Medi-Cal payments. The prior year, providers endured six weeks of no Medi-Cal payments. Last year's budget instituted a permanent checkwrite delay that occurs the last two weeks of June. Luckily, DHCS has informed CPCA that there will only be one payment delay during the last week of June. Whether or not there will be a budget impasse, and how

long it might last, is unclear at this point. However, CPCA continues to maintain the Emergency Loan Fund in case of another severe budget impasse.

❖ Rural Health Services Development Program and Seasonal Agricultural Migratory Worker Program

As mentioned previously, no reduction was proposed by the Administration for either program.

LEGISLATIVE ANALYST OFFICE REPORT – REDUCTION OPTIONS

As mentioned, the LAO released their report on the Governor's May Revision of the state budget. To our dismay, the proposals recommended by the LAO include some significant reductions and even the elimination of entire programs, including our traditional clinic programs. The LAO provides these options for the Administration and the Legislature to consider in the budget discussions. The LAO report includes the following options for consideration:

- Suspend grants (Seasonal Agricultural and Migratory Workers Program, Indian Health Program, Rural Health Services Development Program) to primary care clinics.
- Suspend state-only funding for the Expanded Access to Primary Care program (This is the \$13.5 million referred to earlier – half of the Program's total funding.)
- Implement a pilot program to contract with a broker for Medi-Cal non-emergency medical transportation
- Implement copays for nonemergency medical transportation.
- Apply Federal Deficit Reduction Act eligibility requirements to Minor Consent Program to obtain federal funds.
- Shift eligibility determinations from the counties to the state.
- Reduce benefits to the federal minimum-eliminate payment for over the counter drugs in the Medi-Cal Program.
- Eliminate Medicare Part B payments for all beneficiaries who have not met their Medi-Cal share-of-cost.
- Use the Public Assistance and Reporting Information System to disenroll beneficiaries no longer in CA.
- Reduce several HIV/AIDS programs: 1) expand client cost-sharing and limit the formulary in AIDS Drug Assistance Program; and 2) reduce other HIV/AIDS programs.
- Suspend General Fund support for immunization assistance to local agencies.

IN SUMMARY

Earlier this year, the state's \$14 billion deficit and the harsh reductions faced were termed "Aramageddon", yet here we are just months later and about to endure additional slashes that cause even more severe pain when inflicted on top of still open wounds. Community Clinics and Health Centers still await a final determination of our lawsuit seeking to preserve some critical Medi-Cal services (adult dental, podiatry, optometry and chiropractic) from scheduled elimination on July 1, 2009. The aftermath of the elimination of nine critical Medi-Cal "optional" services for any Medi-Cal provider will be devastating and threaten the ability to continue to provide access and quality care to Medi-Cal patients and families. It is critical that the Governor and leadership understand the severity of the proposed reductions and the repercussions they will have on the clinic safety-net, therefore all out mobilization and intense advocacy will be necessary in the coming weeks in order to avoid the catastrophe these reductions will cause.