



The Governor's Revised May Revision Budget Proposal

Fiscal Year 2009-10

CPCA Policy Team

GENERAL OVERVIEW

Last week, the Governor announced that new reductions would be proposed because the Administration would be withdrawing the portion of his original May Revise plan that called for significant borrowing. On Tuesday, the Administration announced more than \$5 billion in additional proposed spending reductions. The cuts came on top of other severe spending reductions in the Governor's original May Revise, which totaled \$16-billion. The Governor's aides said he would propose another \$3 billion in cuts by the end of the week to address a projected \$24.3-billion budget shortfall.

In the Governor's original May Revise, he proposed a significant reduction to Medi-Cal in the amount of \$750 million, contingent on negotiating a waiver from the federal government. As reported previously, the Schwarzenegger Administration wants to revisit rollbacks in eligibility and other requirements that are now restricted by the federal government. Details as to the type of reductions are still not specified; however, the new proposals include an additional \$250 million in relief from federal requirements previously proposed to the Medi-Cal program. The Administration is now proposing to eliminate \$1 billion in unspecified Medi-Cal expenditures.

As reported previously, there is a list of varying proposals being discussed by the Administration 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).

ADDITIONAL PROPOSED REDUCTIONS

Proposed Elimination of the Clinic Programs

The Administration's Proposal

In the revised version of the May Revise the Administration proposes to eliminate \$34.2 million (General Fund) in funds from community clinic programs, including ALL the funding for Indian Health, Seasonal Agricultural and Migratory Workers (SAMW), Rural Health Services Development (RHSD), and the general fund portion of the Expanded Access to Primary Care (EAPC) programs.

In the first iteration of the May Revise, the Administration proposed 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 EAPC program receives resources from the General Fund (\$13.5 million) and from Proposition 99 (\$13.9 million). As mentioned, the revised May Revise additionally eliminates the General Fund portion of the EAPC program.

The Governor's Proposal eliminates all funding to the traditional clinic programs: EAPC (\$27.4 million), RHSD (\$8.2 million), SAMW (\$6.8 million), and IH (\$6.4 million).

Impact on Community Clinics and Health Centers

The proposal to eliminate all funding for the traditional clinic programs will have a devastating impact on community clinics and health centers across the state. The economic downturn during 2008 and its continuing ripple effects have resulted in marked increases in uninsured patients seeking care at clinics. While not nearly enough to cover the cost of uncompensated care, EAPC funding provided some respite for clinics with high uninsured rates. The other traditional clinic programs (RHSD, SAMW, IH) provided clinics with some of the necessary resources to meet the needs of their complex patient populations. Without these funds, clinics will be forced to reevaluate the level of services they offer and the staffing costs to provide care at a time when these services and staff are most needed.

Expanded Access to Primary Care (EAPC) Program

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 2007, EAPC reimbursed CCHCs for 668,000 patient encounters, but another 1.8 million went unreimbursed (OSHDP). 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.

The Rural Health Services Development (RHSD) Program

The objective of the RHSD program is to improve and increase accessibility to comprehensive primary and preventive health care services for geographically-isolated rural and frontier populations. The RHSD program allocates \$8.2 million to 122 CCHCs located in rural areas throughout California. In 2007-08, the RHSD program covered 340,000 encounters at CCHCs. The

funding available under the RHSD program represents the only reliable source of state funds to deal with the unique costs of providing care in rural and frontier California.

The Seasonal Agricultural Migratory Worker (SAMW) Program

The objective of the SAMW program is to improve and increase accessibility to comprehensive primary and preventive health care for the farmworker population. The SAMW program currently allocates \$6.8 million to 79 clinics. In 2007-08, the SAMW program covered 250,000 farmworker encounters at CCHCs. Of the current grant programs sponsored by the Department of Health Care Services, the SAMW is considered the most critical to migrant health centers and other providers serving the farmworker population.

Indian Health (IH) Program

The mission of the IH program is to improve the health status of American Indians/Alaska Natives living in urban, rural, and reservation or rancheria communities throughout California. The 2007-08 allocation to the IH program was \$6.4 million funding 32 primary care corporations to provide comprehensive medical/dental primary care and public health nursing to American Indians in 75 clinic sites.

Healthy Families Elimination

Administrative Proposal

Currently the Administration has proposed the full elimination of the Healthy Families Program, which is estimated to save the state \$247.8 million. If enacted approximately one million children currently enrolled would no longer be eligible to receive health coverage through this program. Further, the elimination of the program will result in a loss of federal funding estimated at \$1.5 billion, which currently provides a 2-to-1 match for the state costs.

Impact on Community Clinics and Health Centers

The elimination of the Healthy Families program will have a significant impact on CCHCs. Roughly ten percent of CCHCs patients under the age of 19 are covered through the Healthy Families Program (HFP), resulting in over 300,000 encounters a year. The complete elimination of the Healthy Families program would not only result in nearly one million children becoming uninsured including over 100,000 CCHC patients, but will add further strain to California's clinic safety net, which is already over burdened by the rapid increase in the uninsured due to the rise in the state's unemployment rate.

The elimination of the Healthy Families program will also result in FQHCs losing one of the few opportunities for revenue enhancements. H.R. 2, the reauthorization of the Children's Health Initiative Program, included a provision requiring states to implement the Medicaid prospective payment reimbursement for the Healthy Families population.

Medi-Cal – Elimination of Certain State Only Programs

Services include: Undocumented non-emergency services (breast and cervical cancer treatment and postpartum care, and excluding prenatal and long term care), Institutions for Mental Disease ancillary services payments, dialysis, non-digestive nutrition, and breast and cervical cancer treatment for women over 65, and men.

Reduce Funding for AIDS Drug Assistance Program (ADAP) and for other Office of AIDS program

Specific proposals include: expanding client cost sharing and limiting the formulary in the AIDS Drug Assistance Program; and reducing and eliminating other HIV/AIDS programs such as HIV Counseling and Testing, Epidemiologic Studies/Surveillance, Therapeutic Monitoring Program and Home and Community Based Care.

Reduce Mental Health Managed Care Services and Early and Periodic Screening, Diagnosis, and Treatment Services (EPSDT)

Mental health managed care services retained include acute inpatient services and prescription drug for Medi-Cal enrollees only. EPSDT savings result from eliminating general fund support for county programs identified as new programs in 2007-08 and 2008-09.

Eliminate Remaining General Fund in Maternal, Child, and Adolescent Health

This is in addition to the general fund reduction included in the original May Revise.