

What Would the State Health Budget Cuts Mean for L.A. County?

Overview	
Children	<ul style="list-style-type: none"> Over 60,000 children – <i>more than enough to fill Dodger Stadium</i> – would lose coverage next year because of burdensome reporting alone. Many more would lose eligibility for coverage under the May Revise rollbacks¹ Low-income children with chronic diseases such as cystic fibrosis, hemophilia, and cerebral palsy will have less access to treatment² Caps on dental care will force more than 12,000 children to endure painful tooth problems, leading to more missed school days; dental problems are already the number one cause of absenteeism at LAUSD³
Workers with private health insurance	<ul style="list-style-type: none"> Insurance premiums could rise as the cost of public program cuts are shifted to private employers and employees⁴ ER wait times to receive care will get longer – local hospital wait times can already be as high as 12 hours⁵
Hospitals	<ul style="list-style-type: none"> ER overcrowding and costs will increase – at a time when 10 local ERs have closed in just the last five years⁶ Funding to treat the nearly <i>one-in-four</i> county residents without insurance will be cut⁷
Clinics	<ul style="list-style-type: none"> 15% program funding cut and delayed payments to clinics will force many to turn away patients and some to close altogether⁸ Medi-Cal eligibility restrictions and rollbacks will cause the number of uninsured to rise, placing more burdens on local clinics.
Low-income working families	<ul style="list-style-type: none"> New Medi-Cal eligibility restrictions will prevent 43,000 working parents from receiving coverage in 2008-09, and within three years the number will reach 157,000⁹ Access to primary and specialty care will drop as fewer doctors will accept Medi-Cal patients¹⁰ Some preventative benefits will be cut – leading to costly care later¹¹
County health system	<ul style="list-style-type: none"> \$37 million will be cut on top of a shortfall that could already reach \$262 million¹² – <i>that's the equivalent of funding nearly 400,000 community clinic visits</i>
Elderly and disabled	<ul style="list-style-type: none"> 5,600 vulnerable elderly, blind and disabled legal immigrants in L.A. County would be placed at risk of hunger and homelessness due to elimination of the Cash Assistance Program for Immigrants (CAPI) 35,000 disabled L.A. County residents would see a nearly 30% reduction in monthly In Home Supportive Service hours¹³

On May 14th, Governor Schwarzenegger released his Revised Budget that now projects a deficit of \$15.2 billion, up substantially from the \$8 billion gap estimated in February. As part of his deficit reduction plan, the governor proposes massive increases to the health and human services cuts contained in his January budget, which are primarily aimed at low-income working families, the disabled, immigrants and seniors. In particular, the May Budget Revision proposes an additional \$627 million in health and human services cuts, bringing the total proposed cuts in those areas to \$2.9 billion – accounting for *more than a quarter* of all budget cuts.¹⁴

While these cuts target some of the most vulnerable members of our local communities, their effects will be felt across the entire health system, especially in ERs across the county. Proposals such as implementing new restrictions on Medi-Cal eligibility, eliminating program benefits and cutting funding to community clinics will force more patients to use the ERs for basic medical care and to treat deteriorated health conditions. These trends will create longer wait times and higher costs, and could push our already overburdened emergency system to the brink of collapse.

■ Cuts in Payments to Health Care Providers

The governor and legislature have already approved a 10% cut in payments to health providers, including managed care plans, that treat low-income families enrolled in Medi-Cal:

- California already ranks last in total Medicaid spending per enrollee among the 50 states and the District of Columbia.¹⁵ Further slashing reimbursement rates to health providers could drive down the number of physicians willing to treat Medi-Cal patients, forcing more patients to seek care at costly and overcrowded emergency rooms.¹⁶
- Medi-Cal revenue goes to pay the salaries of thousands of health care workers, helping to drive the local economy. If all of the governor’s proposed cuts were enacted, the lost local revenue for doctors, hospitals, clinics and managed care plans would be more than \$475 million – critical funding for a region suffering a serious economic downturn.¹⁷
- Since Medicaid is a state and federal matching program (California receives \$1 from the federal government for each \$1 it spends), any cuts at the state level are doubled. Statewide, over \$1 billion dollars in federal funding would be left on the table.¹⁸

NET IMPACT

- ‡ Longer wait times in the ER
- ‡ Less access to care
- ‡ Higher private insurance premiums
- ‡ \$475 million in lost revenue for the local economy

■ New Layers of Government Red Tape

The governor has also proposed creating more administrative burdens for children and families to keep their health coverage under Medi-Cal:

- Currently, children’s eligibility is determined annually. The Administration has proposed rolling back this streamlined application process, now requiring families to report four times a year.

In addition, immigrants not eligible for full Medi-Cal would have to apply monthly to get ER services covered.

- Compared to other states, California would take a huge step backwards in efficiency – 44 other states have shifted to annual renewal to streamline the process and to ensure that children do not suffer from lapses in coverage.¹⁹
- Quarterly reporting, monthly applications and similar red tape make it harder for families to stay enrolled in Medi-Cal, resulting in the loss of health coverage for thousands of eligible children and families. When families are forced to reenroll, taxpayers and private hospitals are saddled with millions of dollars in wasteful administrative expenses and uncompensated care costs.

NET IMPACT

- ‡ Over 60,000 low-income children in L.A. County could lose health coverage because of new quarterly reporting requirements
- ‡ Increased paperwork and more administrative processing costs
- ‡ More uncompensated ER visits for hospitals

■ Cuts to County Health System

Several of the governor's proposed cuts would have a significant impact on the L.A. County health system, resulting in *over 100,000 fewer patient visits next year.*²⁰

- \$14.4 million would be cut from hospitals that provide significant care to the uninsured in communities across L.A. County.²¹
- \$10 million would be cut from the South L.A. Preservation fund, which was specifically created to boost health services in a community suffering from some of the worst mortality and disease rates *in the nation*.
- \$12.7 million would be cut from county clinics and other county health providers.
- These cuts would come at a time when the L.A. County Department of Health Services is already struggling to close a budget deficit that could reach *\$262 million*.

NET IMPACT

- ‡ \$37.1 million in cuts to county health care providers
- ‡ Less access to care for low-income residents
- ‡ Spillover of ER visits to private hospitals

■ Elimination of Important Medi-Cal Benefits

The elimination of several benefits has also been proposed by the governor with the majority of the savings coming from ending dental services for adults, including pregnant women and individuals with developmental disabilities. Other benefits set for elimination include optometry, podiatry, psychology and speech therapy:²²

- The cuts are penny wise and pound foolish – timely and preventive dental care saves \$4 for every \$1 spent.²³ Further, periodontal disease in pregnant women has been associated with low birth weight babies.
- For populations with chronic illnesses, preventive services are critical in treating conditions before they become severe. For example, podiatry care is crucial for diabetes patients so doctors can detect infections early and avoid painful and costly amputations.

NET IMPACT

- ‡ Preventable health problems become more severe, resulting in more costly care
- ‡ More families foregoing needed care

■ Medi-Cal Eligibility Rollbacks and Restrictions

The governor has proposed rolling back eligibility for low-income parents applying for Medi-Cal coverage. Under the proposal, an annual income above \$10,736 for a family of three will be considered too high to qualify for Medi-Cal coverage.

- A four person family living at the poverty level (\$1,767 a month) could only get coverage if they first paid a nearly \$670 *monthly* Medi-Cal deductible. With average rent for a two bedroom apartment in Los Angeles at \$1,300 this would be impossible.²⁴
- Another proposed Medi-Cal rule change could mean families earning as little as \$800 a month could lose their Medi-Cal benefits.²⁵
- The May Revise also proposes to eliminate full-scope Medi-Cal eligibility for lawfully admitted PRUCOL immigrants and to bar certain other legal immigrants from full-scope Medi-Cal eligibility for five years.²⁶

NET IMPACT

- ‡ 43,000 parents in L.A. County will be denied coverage next year because of new Medi-Cal eligibility restrictions – 157,000 over the next three years
- ‡ Monthly application requirements for immigrants would result in higher costs – states with similar policies have experienced costs *four and five times* the current levels in California²⁹
- ‡ Greater strain on private and public ERs as families and children delay care until conditions become life-threatening
- ‡ Increased uncompensated care costs for hospitals

- Most of the immigrants who would be hurt by the Governor's proposal to *eliminate* full-scope Medi-Cal coverage for qualified immigrants and PRUCOL immigrants are green card holders. These lawful immigrants would only have access to emergency services, and many would need to apply and reapply for emergency Medi-Cal every month.
- The May Revise would also restrict emergency Medi-Cal eligibility for immigrants not eligible for full-scope Medi-Cal to the month in which the emergency occurs, except for pregnancy related services. Each new application would create \$140-160 in administrative costs²⁷ while forcing thousands of immigrants to postpone care until conditions reach severe stages and require treatment in local ERs.

- The governor has also proposed increasing Healthy Families premiums and copayments. For example, families earning between 151 percent and 200 percent of the poverty line would see a more than *77% increase* in monthly premiums.²⁸

■ Cuts to Community Clinics

The governor's budget also targets clinics for significant cuts, including a proposed 15% cut to a key program for low income uninsured patients. The cut could mean *nearly 5,000 fewer patient visits* next year.³⁰ Also, the new Medi-Cal restrictions and eligibility rollbacks would certainly increase the number of uninsured and place further strain on clinics across L.A.:

NET IMPACT

- ‡ Greater strain on ER system
- ‡ Less prevention and more costly treatment through ERs
- ‡ Fewer treatment options for the uninsured

- Community clinics are one of the cornerstones of our local health system, serving almost one million low-income, uninsured individuals across our county.³¹
- Clinics that provide primary care to the uninsured in our communities take pressure off our overburdened ER

system. Given the rising number of uninsured, clinics are already operating at levels straining their capacity.

- The proposed cuts and delayed state payment to clinics will push many to the financial brink, forcing thousands of patients to forego care or seek expensive treatment through emergency room visits.

■ Cuts to Programs Serving the Elderly and Disabled

- The governor's proposal would end the Cash Assistance Program for Immigrants (CAPI), a program started under Governor Wilson that provides benefits to aged, blind, and disabled legal immigrants. For a single disabled person, that would mean a loss of \$860 in monthly benefits; their only alternative is to complete the burdensome General Assistance application which would yield just \$221 per month³² – a cut of *nearly 75%*.
- The In Home Supportive Services (IHSS) Program, which provides in-home assistance to nearly 400,000 low-income disabled children and adults statewide, would also face significant cuts.³³ The governor's proposed budget would sharply decrease domestic services to 20% of IHSS recipients.
- The May Revise also proposes to cap the amount of hourly wages paid to IHSS workers by the state – instead shifting huge cost burdens to local counties to make up the difference.

NET IMPACT

- 35,000 disabled L.A. County residents will see their access to hourly domestic homecare workers cut by nearly 30% each month
- In total, L.A. County would lose *three quarters of a million hours* of IHSS services each month.
- L.A. County would be left to cover nearly \$49 million in home worker wages, as the county already faces a deficit of up to \$262 million³⁴

Conclusion / Recommendations

We urge the governor and legislators to consider the severe, long-term repercussions that these cuts would have on L.A. County given the frailty of our local health care system, and seek alternative ways to balance the budget. Addressing the current state deficit is a daunting task, but a "cuts only" approach does not make sense. The health care savings the governor seeks today will inevitably show up as greater costs tomorrow, whether through more crowded ERs, higher private insurance premiums or more severe medical conditions from lack of preventive care.

Therefore, we make the following recommendations to the state's legislative leaders:

- Prioritize non-service-related cuts and avoid those that inflict harm on low-income working families – such as the proposed Quarterly Status Reports.
- Avoid cuts to programs that draw matching federal revenue and reverse the 10 percent provider rate cut.
- Examine options to increase revenue, including closure of tax loopholes and the rollback of recent tax cuts.

- ¹ California Budget Project, "Who in Los Angeles County Would Be Affected by the Governor's Proposed Budget?" February 28, 2008.
- ² William T. Fujioka, L.A. County CEO, Sacramento Update, February 1, 2008. Refers to cuts in the California Children's Services program.
- ³ MRMIB estimates that 5% of Healthy Family Plan enrollees will reach the proposed \$1,000 cap on dental benefits (Totals 12,461 in L.A. County based on CBP estimates of HF enrollees in L.A. County in June 2009).
- ⁴ Office of Gov. Schwarzenegger, "Governor's Health Care Proposal," 2007. Seven percent of private premiums can currently be attributed to Medi-Cal underfunding and 10% to the cost of treating the uninsured.
- ⁵ Dr. Bruce Chernof, Director Chief Medical Officer, "Update on the Emergency Department at Harbor-UCLA Medical Center," February 19, 2008.
- ⁶ Daniel J. Wall, County of Los Angeles Chief Legislative Advocate, letter to the Honorable Elaine Alquist, April 3, 2008.
- ⁷ William T. Fujioka, L.A. County Chief Executive Office, Sacramento Update, March 21, 2008 and 2005 California Health Interview Survey.
- ⁸ Community Clinic Association of L.A. County, "Impact of the Governor's Proposed Budget Cuts On L.A. County Community Clinics," January 2008. "Delayed state payments to clinics have already been approved and the governor has proposed cutting the Expanded Access to Primary Care Program (EAPC) by 15 percent.
- ⁹ Bill Taylor, L.A. County Department of Public Social Services, email communication, May 19, 2008.
- ¹⁰ Legislative Analyst's Office, "Analysis of the 2008-09 Budget Bill," February 20, 2008.
- ¹¹ California Department of Finance, FY 2008-09 Budget, Proposed Budget Detail. The governor has proposed eliminating certain Medi-Cal optional benefits including incontinence creams and washes, acupuncture, adult dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy.
- ¹² L.A. County Department of Health Services, Budget Presentation to the L.A. Health Collaborative, April 15, 2008. Estimate of community clinic visits calculated using the \$94 per visit reimbursement rate from the county to contracted clinics.
- ¹³ Bill Taylor, L.A. County Department of Public Social Services, email communication, May 19, 2008.
- ¹⁴ California Budget Project, "Governor's May Revision Borrows Against Future Lottery Revenues, Makes Deep Cuts to Health and Human Services," May 19, 2008.
- ¹⁵ Kaiser Family Foundation, "Medicaid Payments by Enrollee FY 2005."
- ¹⁶ Legislative Analyst's Office, "Analysis of the 2008-09 Budget Bill," February 20, 2008.
- ¹⁷ California Budget Project, "The Governor's Proposed Budget Would Cut Payments to Health Care Providers in Local Communities Across California," February 14, 2008.
- ¹⁸ Assembly Budget Committee, "Highlights of Governor's Proposal for the Special Session Fiscal Emergency & 2008-09 State Budget," January 10, 2008.
- ¹⁹ Donna Cohen Ross, et al., "Health Coverage for Children and Families in Medicaid and SCHIP: State Efforts Face New Hurdles," Kaiser Family Foundation, January 2008.
- ²⁰ Los Angeles County Department of Health Services, "Impact of Governor's 10% Cut Fiscal Year 2008-2009," April 11, 2008.
- ²¹ William T. Fujioka, L.A. County Chief Executive Office, Sacramento Update, February 1, 2008.
- ²² California Assembly Budget Committee, Agenda for Sub. No. 1 on Health and Human Services, March 10, 2008.
- ²³ California Association of Dental Plans, "Facts about adult dental benefits," January 2008.
- ²⁴ California Budget Project, "Locked Out 2008: The Housing Boom and Beyond," February 2008.
- ²⁵ The May Revise would prohibit a family's "principal wage earner" from working more than 100 hours a month. (Minimum wage of \$8.00 x 100 hours = \$800 a month.)
- ²⁶ PRUCOL or "permanently residing in the U.S. under color of law" is not an immigration status but a benefits term that includes several types of immigrants. It generally means that immigration authorities know that the individual is in the US and do not intend to deport the individual. Examples include spouses and children of U.S. citizens who have filed an application to adjust their status and who have permission to live and work in the U.S., elderly immigrants who have been in the U.S. before 1972 and who are eligible for green cards and certain domestic violence survivors.
- ²⁷ Gerry Fairbrother and Joseph Schuchter, "Stability and Churning in Medi-Cal and Healthy Families," March 2008.
- ²⁸ California Budget Project, "Governor's Proposed Health Cuts Would Increase Ranks of the Uninsured, Reduce Access," May 2008.
- ²⁹ Leighton Ku, Analysis of Average 2002 Annual Medicaid Expenditure per Restricted Benefit Immigrant, May 21, 2008.
- ³⁰ Community Clinic Association of L.A. County, "Impact of the Governor's Proposed Budget Cuts on L.A. County Community Clinics," January 2008.
- ³¹ Ibid.
- ³² L.A. County Department of Public Social Services, "Cash Assistance Program for Immigrants (CAPI) Supplemental Security Income Advocacy Program (SSIAP) Fact Sheet," May 19, 2008.
- ³³ California Health and Human Services Agency, "2008-2009 Budget Facts," May 2008.
- ³⁴ William Fujioka, L.A. County CEO, "Sacramento Update – Governor's May Budget Revision," May 15, 2008.