



Overview – On May 14th, Governor Schwarzenegger released his May Revise to the proposed 2010-11 California state budget. The state faces a \$17.9 billion shortfall, which the Governor resolves through steep cuts to California's fragile healthcare system and without any measures to increase revenues to ease the budget crisis. Overall, the Revise seeks \$12.4 billion in spending reductions. The national health reform bill's Maintenance of Efforts (MOE) provisions prevented the Governor from making major cuts to Medi-Cal and Healthy Families eligibility by requiring states to uphold current healthcare coverage or forfeit Medicaid funding. However, the Governor proposes to make it even harder for families to access the care they need by placing limits on coverage and increasing cost-sharing. Below are key changes and new reductions to health and human services programs.

Healthy Families Program

- Increases premiums and cost sharing in Healthy Families, a budget reduction of **\$16.5 million**
 - Increases premiums for families with incomes from 200%-250% FPL by \$18 per child (\$24-\$42 per child)
 - Adds \$100 hospital inpatient copayments per day, not to exceed \$200
 - Increases emergency room copayment from \$15 to \$50
- Drops the January proposal to completely eliminate or roll-back HFP eligibility from 250% FPL to 200% FPL. However, the proposals to eliminate vision coverage and increase premiums by \$14 per child (from \$16 to \$30 per child) for families with incomes from 150 to 200% FPL remain on the table.

Medi-Cal

- Cuts Medi-Cal by limiting or placing financial barriers to care
 - Limits prescriptions to six per month, except for life-saving drugs (**\$4.2 million reduction**)
 - Eliminates certain over-the-counter drugs (**\$13 million**)
 - Limits physician or clinic visits to 10 per year, excluding children (**\$69.2 million**)
 - Establishes a maximum annual benefit dollar cap on hearing aids, durable medical equipment, incontinence supplies, urological supplies, and wound care supplies (**\$3.8 million**)
 - Increases cost sharing with \$5 copayments on physician/clinic/dental and certain pharmacy visits, \$50 copayment for ER visits, \$100 per day copayment and \$200 maximum for hospital stays (**\$218.8 million**)
- Shifts seniors and people with disabilities into managed care (**\$137.3 million**)
- Freezes hospital rates at current levels (**\$64.9 million**)
- Reduces the rates for family planning services through FPACT yet protects the program from full elimination. Additionally, the Breast and Cervical Cancer Treatment Program and the Child Health and Disability Prevention Program were protected from full elimination.
- Maintains January proposal to include full elimination of coverage for 90,000 legal immigrants
- Maintains January proposal to delay payments for Medi-Cal institutional providers
- Drops the January proposal to reduce Medi-Cal eligibility to the minimum required by federal law and restores optometry services for adults

Other Significant Changes and Spending Reductions

- Eliminates CalWORKs program (**\$1.1 billion reduction**)
- Eliminates state funding for need-based subsidized child care (**\$1.2 billion**)
- Drops the January proposal for In-Home Supportive Services (IHSS) and instead reduces IHSS services to highest members of need and reduces state participation in wages of IHSS workers to the state's minimum wage (**\$637.1 million**)
- Diverts Prop 99 dollars from Expanded Access to Primary Care clinics and the asthma education program to backfill Medi-Cal (**\$11.3 million**)
- Proposes the Managed Risk Medical Insurance Board (MRMIB) consider increasing cost sharing from 1.5 to 2.0 percent in the AIM Program
- Drops the January proposal to divert Proposition 10 dollars (First 5) to the General Fund each year through 2014-15

A summary of the Governor's proposed 2010-11 May Revision by the Department of Finance can be found at:
<http://www.dof.ca.gov/budget/historical/2010-11/governors/documents/FullBudgetSummary.pdf>