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State Budget & Children's Healthcare Coverage

The California Legislature's *Conference Committee*, a group of three members from each house appointed to consider budget matters when the two houses disagree, recently passed their version of the 2008-09 state budget. The compromise budget rejected many of the cuts in healthcare, which would have resulted in over one million *more* Californians not getting health coverage. However, the Conference Committee budget relies on over \$9 billion in new revenues to prevent additional cuts to healthcare and other key state programs. Thousands of children are still at risk.

The cuts approved in the Conference Committee that would impact children's health coverage include:

- **Semi-Annual Status Reporting:** Would lead to over 250,000 California children losing their health insurance by 2011 according to the Administration's own estimates. This devastating loss in coverage would increase the number of California's uninsured children by more than 35 percent. The proposal also calls for a study assessing the impact of semi-annual reports on children, but not until 2010.
- **Healthy Families Premium Increases:** Increases premiums in the Healthy Families program, which would lead to tens of thousands of children falling off coverage. The Committee approved a \$3 monthly premium increase for children between 151-200% of the federal poverty level (\$26,400-\$35,200 for a family of 3) and a \$2 increase for children 201-250% (up to \$44,000).

- **Medi-Cal Provider Rate Cuts:** Would restore many of the 10% provider rate cuts proposed by the Governor in January 2008. Physicians would receive a 0.8% rate cut effective September 1st rather than the 10% cut in effect since July 1st; pharmacists and long-term care providers, 5%; and other providers, 1%. Non-contract hospitals would still be reduced by at least 10%.

Prior to the Conference Committee meeting, both the Assembly and Senate approved the Governor's proposal to suspend implementation of Senate Bill 437 (Escutia). SB 437 would have streamlined children's enrollment systems for Medi-Cal and Healthy Families. The approved cuts to children's health coverage will affect an estimated quarter-million children if the Conference Committee budget is fully implemented. Because no cut or restoration is final until a budget is approved, all cuts and revenue sources are still up for negotiation.

While California's leadership continues negotiations, children's advocates are equally concerned about the potential harm to children's health from Semi-Annual reporting and increased premiums. CHC and our partners continue to urge legislators and the Governor to pass a balanced and fair budget that is not at the expense of California's children.

SCHIP Reauthorization

Last year, Congress failed to reauthorize the State Children's Health Insurance Program (Healthy Families in California) as scheduled and merely extended the program until March 2009. As a result, the SCHIP program is now slated to expire on March 31, 2009.

California's administrator of SCHIP/Healthy Families—the Managed Risk Medical Insurance Board (MRMIB)—has reported that California

currently has adequate SCHIP funding to continue serving eligible children and pregnant women through March 2009. However, swift action by Congress in early 2009 to address the “unfinished” business of SCHIP reauthorization will be critical to provide states with the financial certainty necessary to operate their programs.

As Congress goes into recess in August, many are utilizing the opportunity to educate their representatives about the numerous success stories from children enrolled in Healthy Families and the potential risk if a strong and early SCHIP reauthorization is not forthcoming in 2009.

CMS August 17th SCHIP Directive

On August 17, 2007 the Centers for Medicare and Medicaid Services (CMS) issued a directive to State Children’s Health Insurance Program (SCHIP) directors bypassing the legislative process and altering the practices that have governed SCHIP for the last ten years. The Directive introduced eight new restrictions and conditions on states’ abilities to cover children over 250% FPL and limits the flexibility states have to design their programs effective August 17, 2008.

Recent efforts to overturn the Directive included two vehicles, both in the Senate. A Resolution of Disapproval was introduced by Senator Rockefeller that challenged the Directive on procedural grounds as a violation of the Congressional Review Act. Unfortunately, the Resolution was not considered for mark-up to move forward. According to the Senate Parliamentarian, consideration of the Resolution was not protected under the Congressional Review Act.

Another vehicle is a possible legislative attempt to overturn the August 17th Directive in a second appropriations supplemental bill. Movement for the appropriations bill has stalled in Congress and it is not clear whether it will be taken up in the fall. The only other potential vehicle would be a SCHIP reauthorization bill in the fall, but it is unclear whether policymakers will address this after their August recess.

Educating the community and decision-makers on the Administration’s authority to assert these policy changes, including that the August 17th Directive is illegal, and the impact of the changes on families enrolled in the Healthy Families program is critical. Both GAO and CRS have said that the Administration violated the law in issuing the August 17th letter. If we fail to overturn this Directive, we are allowing an illegal policy that harms children to remain in effect indefinitely.

As with the Medicaid regulations, CMS should not be allowed to undermine the authority of Congress or the statutory requirements for public rulemaking. Hundreds of thousands of children could become uninsured. Some states are subject to the August 17th requirements now, but all states covering children above 250% gross income, including California, will have to fulfill the requirements as of this August. Children will lose coverage if this directive is applied. We have already seen the effects of August 17th in Indiana, Ohio, Louisiana, Oklahoma, Wisconsin and New York.

Other Important News from DC

The US House of Representatives is working on a second economic stimulus package that would include an increase in the federal Medicaid match, potentially up to 3%. California stands to gain around \$1.4 billion in additional federal funding that could then offset the need for some of the proposed budget cuts in Medicaid. The state received about \$1.3 billion in the 2003 stimulus package.

Healthy Food Legislation

California

State Bans Use of Trans Fats (corrected)

Governor Schwarzenegger signed AB 97 into law making California the first state in the country to ban the use of artificial trans fats in restaurant cooking and retail baked goods. Use of oil, shortening, or margarine containing artificial trans fats will be phased out of restaurant cooking by the year 2010 and baked goods by 2011. Trans fats are linked to high cholesterol rates that lead to heart disease, strokes, Type 2 diabetes and other health conditions. Adoption of this law is an important step toward

improving public health in the State and may stimulate similar activity by states nationwide.

SB 1420 vs. AB 2572

Don't be fooled by these two competing bills. AB 2572 is touted by its proponents as a "compromise" bill, but it isn't. AB 2572 would permit chain restaurants to provide nutritional information to consumers in formats such as brochures, tray liners and electronic kiosks. It would pre-empt local government from enacting local menu labeling ordinances and would also invalidate any existing menu labeling ordinances. Public health advocates oppose this bill, which is scheduled for a Senate Appropriations hearing on August 4. SB 1420 requires chain restaurants to provide nutritional information as part of their menu. This proposal would allow consumers to make informed decisions at the time of their menu selection. The bill is now in Assembly Appropriations.

City of Los Angeles

Fast Food Moratorium

Los Angeles City Council unanimously approved a proposal that would prohibit new fast food restaurants in South Los Angeles (Councils Districts 8 & 9) for at least one year with the possibility of two six-month extensions. The time would give city officials and community stakeholders the opportunity to give thoughtful consideration to alternatives that expand nutrition resource options in a geographic area where chronic diseases are more prevalent than anywhere else in the county. This interim ordinance is a significant move to help reduce disease incidents. Examples of alternatives might be sit-down restaurants with wider menu selections, food cooperatives, farmers' markets, community gardens, or other innovative concepts that increase access to fresh, whole foods.

Greater Baldwin Hills Alliance Mobilizes Around Environmental Health

The Greater Baldwin Hills Alliance formed after Plains Exploration and Production (PXP) announced plans to expand drilling operations in the Baldwin

Hills by 1,000 new wells. The Alliance is a collaborative effort of Community Health Councils, the City Project, neighborhood associations and block clubs representing more than 50,000 households working to protect the health, safety, quality of life and environment of the Baldwin Hills neighborhood of South Los Angeles.

The Baldwin Hills Oil Field has operated since 1924 without community oversight or an Environmental Impact Report (EIR) to assess its impact on community health and safety. In 2006, the LA County Board of Supervisors placed a temporary restriction on drilling new oil wells or deepening existing wells. That restriction expired on June 28, 2008 just as a [Draft EIR](#) was released by the County.

Public hearings will be held to comment on the draft EIR that will be used to establish a Community Standards District (CSD) for the area (see below for schedule). Both the draft EIR produced by the County and based on the oil company's CSD and the Alliance's draft CSD are available on our website at www.chc-inc.org. The EIR evaluates existing and future oil operations in the Baldwin Hills and will help determine what additional development standards and regulations should be included in the CSD to mitigate the impact of drilling on the surrounding communities.

Community members are encouraged to attend GBHA meetings and public hearings to learn about efforts for a clean and green oil field. For more information on the Alliance, please contact Gwendolyn Flynn, Policy Director, at gwen@chc-inc.org.

Last Hearing: *October 1 at 9am.* County Commission Planning Hearing Room, 320 West Temple Street, Los Angeles 90012.

**FOR MORE INFORMATION ... CONTACT
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