



Health Matters

A Health Policy Update

May 30, 2008

May Revise Makes Deeper Cuts to Healthcare

Governor Schwarzenegger released the May Revise to the 2008-09 California State Budget on May 14th. With the exception of a few relatively modest fee proposals and borrowing against future lottery proceeds, the budget is balanced by making deep cuts to health and human services with more than 25% of the budget reductions coming from the HHS cuts.

In addition to the reductions suggested in January, the Governor proposes restricting Medi-Cal coverage for low-income parents with children. California has helped families work their way off welfare by allowing parents to work up to 100 hours a month and still maintain healthcare coverage through the Medi-Cal program. The Governor proposes to eliminate health coverage for parents earning between \$13,000 and \$21,200 annually for a family of four, forcing families to choose between health insurance and employment. In its first year, the cut would deny coverage to 39,000 parents; after four years, more than 429,000 parents would be affected.

The Governor's proposal also substitutes health coverage for newly-qualified immigrants and some permanent resident immigrants with limited benefits: emergency and pregnancy-related services, long-term care in a nursing facility and breast and cervical cancer treatment. The cuts will only increase the number of people receiving care at overstressed and expensive emergency rooms and jeopardize care for those who really need emergency services. Unauthorized immigrants will have to meet monthly eligibility requirements for emergency services.

The additional cuts come on top of onerous paperwork burdens and increased premiums and copayments proposed in the budget released in January and the \$544 million in Medi-Cal provider rate cuts already passed. More time and money will be spent processing paperwork, programming data systems and training workers, while families lose healthcare coverage. More than 472,000 children in Medi-Cal will become uninsured as a result of the Quarterly Status Reports, increasing the number of uninsured children in the state by over 60%. The Governor also proposes higher out-of-pocket costs and premiums for the Healthy Families program. Over 60,000 children from working families are expected to lose health

coverage because their families cannot afford increased premiums and copayments for Healthy Families.

The Senate Budget Committee rejected a number of the proposals at their hearing on May 30th, including raising the eligibility level for working parents, immigrant benefit cuts, and emergency medical care monthly eligibility reports for unauthorized immigrants. The Committee compromised on mid-year, rather than quarterly, status reporting for children and accepted quarterly status reports for adults. The Senate Committee also accepted increased premiums, but rejected higher copays, for the Healthy Families program. The Assembly Budget Subcommittee on Health & Human Services also voted to reject the major eligibility cuts in Medi-Cal and the elimination of optional benefits. Health Access reports that the Assembly Subcommittee also voted to restore some of the provider rate cuts made earlier in the year.

It is likely that cuts the Assembly and Senate agree on with the Governor will ultimately pass. The cuts they reject will still be open to negotiation. Community Health Councils is organizing a Legislative Day at the Capitol on Thursday, June 12th to meet with legislators to voice our dismay with the proposed budget cuts to healthcare. Asking children and families of lower-income families to shoulder the burden of the state budget deficit is inequitable. Balancing the budget should be a shared responsibility. The state needs to identify new revenue strategies and close tax loopholes to offset the more detrimental cuts. For more information on the Legislative Day, please contact Catherine Sepulveda via e-mail at catherine@chc-inc.org.

UC to Reconsider Operating MLK Hospital

The University of California has indicated that it is willing to reconsider a limited role in the reopening and ongoing operation of Martin Luther King-Harbor Hospital. The Hospital was closed nine months ago when the county failed to pass its last-chance federal inspection. Pacific Hospital, which had been the leading candidate to operate MLK, pulled out of the negotiations in April.

The *Los Angeles Times* reported that UC President Robert Dynes preferred "a scenario in which the university would play only academic and clinical roles at the hospital" while a third party acted as administrator. LA County

Supervisor Zev Yaroslavsky has said that a partnership between the County and UC is “the last, best hope” for reopening the hospital and offered the following inducements for the partnership:

- The County would lease the hospital and campus to UC on a long-term basis for \$1
- The Board and DHS would cede governance and day-to-day management of the hospital to UC to operate through one of its campuses
- Federal and state funds that normally would be allocated to the County to compensate indigent care at MLK Hospital would be directed to UC as the new operator
- UC could staff the hospital without being subject to the County’s hiring and employment rules
- Two-hundred fifty medical residency slots would be available to help expand UC’s medical education program.

Both State Senator Mark Ridley-Thomas and City Councilman Bernard Parks, candidates for the County’s 2nd Supervisorial District in which MLK Hospital is located, have called on UC to become involved as a partner in operating the hospital and proposed changes to the county’s hospital governance structure. Senator Ridley-Thomas is also pushing for a public-private partnership with an administrative and governance structure that operates outside the county’s political authority and health services bureaucracy and is accountable to the people it serves.

At a Select Committee Hearing held May 22nd on options for re-opening the Hospital chaired by Senator Ridley-Thomas, Community Health Councils recommended that a team be established to negotiate with both public and private entities to reopen the hospital and that a public process be established to ensure transparency and communicate progress. CHC and its Coalition for Health & Justice are also recommending a public-private partnership, new governance structure, stable long-term funding and a healthcare workforce development plan for a reopened MLK Hospital. For more information, contact Korie White Flournoy at korie@chc-inc.org.

Funding Formula for Clinics Lacks Equity

A Working Group of representatives from the Department of Health Services and the Community Clinics Association of Los Angeles was charged by the County Board of Supervisors last September to recommend an equitable, countywide funding method that meets the healthcare needs of the uninsured and underinsured under the County’s Public Private Partner (PPP) clinic program.

The Group recommended that the 2008 Allocation Formula be based 100 percent on unmet need by SPA.

However, the current allocation of funding differs significantly in some SPAs from the percentages in the 2008 formula. For example, SPA 6—South LA—is underfunded by 10.4%, while SPA 4—Downtown/Hollywood—is overfunded by 21.85%. Citing the potential impact to current patients, the Working Group did not recommend that the formula actually be used to redistribute funds equitably. Instead, the Group suggested that any new unallocated funds be distributed to the clinics in the under-equity SPAs. The Group identified only \$1.2 million to be allocated to these clinics initially.

The lack of equal funding for South LA community clinics fuels an escalating healthcare crisis since the closure of MLK Hospital. The county funding provides community clinics in South LA with only \$26 per uninsured person compared to the \$75 received in West LA. If adequately funded, the clinics could help alleviate emergency room overcrowding. SPA 7 (East LA), SPA 3 (San Gabriel Valley) SPA 8 (South Bay) and SPA 1 (Antelope Valley) are also under-equity by -9.8%, -6.8%, -2.4%, and -2.4% respectively. The community clinics in LA County have demonstrated a track record of providing cost effective care to patients, and studies of community clinics throughout the country have shown their effectiveness in reducing uninsured and disease-related visits to the ER.

The county is considering addressing this issue by allocating another \$44.8 million of unspent tobacco tax funds toward the "under-equity" clinics. On June 17th, the LA County Director of Health Services will report back to the Board of Supervisors on redirecting \$40 million of tobacco funds to expand public private partnerships over the next 3 to 5 years and utilizing \$4.8 million of the remaining tobacco funds to expand the clinic infrastructure. However, the county faces a significant budget deficit. The tobacco funds were to be allocated to help fill the DHS budget rather than to equalize the funding formula for community clinics. Community Health Councils has asked that the Board apply the allocation formula recommended by the Work Group to any unallocated funding for the current year and to all subsequent contracts with community clinics. For more information, contact Annie Park at annie@chc-inc.org.

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