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Governor's May Revision

On May 16th, Governor Jerry Brown released his May revision for the 2011-12 State Budget, an update of revenues and expenses that replaces the estimates in the Governor's January budget proposal (see www.ebudget.ca.gov). California faced a \$25.4 billion budget deficit at the start of 2011 that quickly grew to \$26.6 billion. In March, the legislature approved a package of budget cuts that closed this gap by \$13.4 billion.

The May revisions are based on higher than forecasted revenue of \$6.6 billion offset by budget delays and mandated spending, reducing the budget deficit to \$9.6 billion. The Governor's revised budget proposal closes that gap and provides a \$1.2 billion state reserve. The overall plan is based on \$26.6 billion in solutions: 42% in program cost reductions, 13% in unanticipated revenue, 37% in additional revenue solutions and 8% in other solutions. The revised plan includes \$23.2 billion in solutions:

- \$12.4 billion in cuts and program changes already approved in March excluding the \$1 billion in funding from Prop 10, currently in litigation
- \$10.8 billion in new cuts, program changes, and revenue solutions, which incorporates \$2.3 billion in cuts and \$9.3 billion in additional revenues reduced by \$745 million in borrowing and transfers.

The May Revise raises funding to several agencies over FY 2010-11 including Education (K-12), Corrections, Business and General Government.

However, Health & Human Services (see www.ebudget.ca.gov/pdf/Revised/BudgetSummary/HealthandHumanServices.pdf) would receive a total cut of \$1.6 billion in state funds.

State Agencies	2010-11 Total State Funds*	2011-12 Proposed May Revise State Funds*
K thru 12 Education	\$36,844,236	\$39,715,734
Higher Education	12,620,743	11,629,298
Health and Human Services	37,677,456	36,039,743
Corrections and Rehabilitation	8,980,291	9,792,760
Business, Transportation & Housing	12,502,736	14,024,487
Natural Resources	5,384,035	5,253,030
Environmental Protection	1,472,156	1,379,801
State and Consumer Services	1,370,119	1,388,907
Labor and Workforce Development	440,899	747,096
General Government	1,504,021	6,635,171
Legislative, Judicial, and Executive	6,458,261	5,924,107
TOTALS	\$125,254,953	\$132,530,134

*Dollars in Thousands

Source: Department of Finance

Program Changes for Health & Human Services

Within Health & Human Services, the departments hardest hit this year are Health Care Services (\$2.1 billion in state funds), Managed Risk Medical Insurance Board (\$125 million) and Mental Health (\$173 million). In March, the legislature approved and the Governor signed legislation with \$6 billion in Health & Human Service cuts. Those cuts and the newly proposed changes include the following:

Medi-Cal

- Limits on utilization of Medi-Cal services including doctor visits to 7 per year unless medically approved
- Increased cost sharing in Medi-Cal:
 - \$5 copayment on physician, clinic, and dental services
 - \$3/\$5 copayment on prescriptions
 - \$50 copayment on emergency room services

- \$100 a day for hospital stays, up to a \$200 maximum
- Elimination of over-the-counter medicines for Medi-Cal and annual caps on hearing aid purchases
- Medi-Cal provider payment reductions of 10%.

Newly Proposed: Medi-Cal Managed Care program changes that would only allow Medi-Cal managed care beneficiaries to switch plans during an open enrollment period annually. However, they will still be able to switch plans during the first 2 months of coverage.

Healthy Families

- Increased cost sharing in Healthy Families:
 - Emergency room copayment increase from \$15 to \$50
 - Hospital stay copayments of \$100 per day to a \$200 maximum per stay.
- Increased Healthy Families premiums:
 - 150-200% FPL: premium increase from \$16 to \$30 per month per child
 - 201-250% FPL: premium increase from \$24 to \$42 per month per child.

Newly Proposed: Shift the Healthy Families and AIM programs that represent nearly 900,000 children from the Managed Risk Medical Insurance Board (MRMIB) to the Department of Health Care Services with eligibility determined by county Medi-Cal offices. Read MRMIB's open letter that expresses their concerns about the proposal at http://www.mrmib.ca.gov/MRMIB/An_Open_Letter_regarding_the_2011-12_May_Revision_Proposal.pdf.

Other Reductions

- CalWORKs reductions in time limit and monthly grants
- Changes to In Home Health Services including requiring doctor certification for receipt of services

Newly Proposed:

- Reduced expenditures in the AIDS Drug Assistance Program by providing coverage to individuals with HIV/AIDS through the Pre-Existing Condition Insurance Program
- A net decrease of \$7.2 million in funding for the state's *Cancer Detection Program Every Woman Counts* based on savings resulting from a 10% reduction in provider fees
- Abolishing and consolidating over 40 boards and departments including MRMIB, the Redevelopment

Agency, and the California Medical Assistance Commission (CMAC) and departments impacted by the realignment proposal, such as the Department of Mental Health (DMH) and the Department of Alcohol and Drug Program (DADP) to eliminate 5,500 state staff positions

- Shifting all mental health services to local counties and school districts with the responsibility of state hospitals under a new Department of State Hospitals.

Program Changes for Parks & the Environment

- Reducing expenditures for the Department of Parks and Recreation by \$11 million in 2011-12 resulting in the closure of 70 state parks, 25% of the total
- Increasing the Oil, Gas, and Geothermal Administrative Fund by \$4.7 million in 2011-12 to address additional workload requirements and enhance oversight of oil and gas development in California.

Proposed Revenue Solutions

- *Mandatory Single Sales Factor Apportionment:* This would require corporations to use sales in and out of California to apportion income for tax purposes, taking away incentives for California companies to move their headquarters out of state and encouraging out-of-state companies to move into California to avoid higher tax rates here.
- *Enterprise Zones:* The May Revision no longer calls for the repeal of enterprise zones but tightens the rules for job-creation tax credits.
- *Temporary Tax Increases:* The proposal asks for a 5-year extension on sales and vehicle taxes, but shrinks the income tax extension to 4 years (eliminating in 2011 but extending from 2012-2015).

Community Health Councils will continue to monitor and provide updates on the state budget. For more information, contact Sonya Vasquez, CHC Policy Director, at sonya@chc-inc.org.

Upcoming Events

2011 REACH US California & Beyond Conference: REACHing for Health Equity—Keeping Our Eye on the Prize. Wednesday, June 1st and Thursday, June 2nd, 8:30am-4:30pm. Brochure and registration information available at www.chc-inc.org/che.

**FOR MORE INFORMATION ... CONTACT
COMMUNITY HEALTH COUNCILS,
323.295.9372. INFO@CHC-INC.ORG.**