

Senate Committee Fails California

The Senate Health Committee failed California on January 28th when it blocked the passage of ABX1 1, the healthcare reform bill crafted over the past year that would have provided near universal coverage to the state's residents. ABX1 1 would have given about 3.6 million uninsured Californians, including nearly 800,000 children, access to health coverage.

What the bill did—

The bill would have required all residents in California to maintain a minimum level of health coverage. Most coverage would have come through employer plans or through a state pool. The plan would have prohibited insurers from denying coverage regardless of pre-existing conditions and required that 85 cents of every premium dollar be spent on health benefits. Businesses would be obliged to offer health insurance or pay into a state pool to provide coverage. The plan would have expanded eligibility for public coverage to ensure that the lowest-income Californians have insurance.

Financing concerns—

Opponents cited concerns about the current state budget deficit and the recent Legislative Analyst report citing a potential funding shortfall. However, others point out that passage of the bill with its four financing components could have helped the state weather a decline. Funding for the proposal included a \$1.75 per pack tobacco tax, minimum employer contributions, and a hospital provider fee of 4%, which in turn would leverage matching federal funds. Health Access argues that the LAO overstated the risks and understated the benefits of ABX1 1, and presents a persuasive analysis on their website at www.health-access.org/advocating/docs/LAORESP012708.pdf.

The rejection of ABX1 1 comes at a time when the state is preparing 10% cuts in healthcare reimbursements and benefits to the Medi-Cal program. CHC calls upon the state LAO to prepare a companion report that calculates the larger impact to the state and local economy (job loss, loss of federal and local revenue, and uncompen-

sated care) in the absence of health reform within the current budget crisis.

Medi-Cal & Healthy Families Budget Cuts

Governor Schwarzenegger released his proposed 2008-09 budget for California on January 10. The Governor is calling for sweeping cuts across all programs.

Medi-Cal

The proposal calls for a 10% reduction in Medi-Cal provider rates that would significantly reduce access to doctors, hospitals and specialists. California already has one of the worst reimbursement rates in the country and over half the state's doctors do not take Medi-Cal. The 10% rate cut also affects all healthcare plans participating in the Medi-Cal Managed Care Program.

There are several reductions in payments to hospitals participating in Medi-Cal: \$30 million General Fund by reducing Medi-Cal reimbursement rates to non-contracting hospitals; \$24 million GF in payments to private hospitals and \$7.8 million GF in payments to Public Hospitals through the state's Hospital Financing Waiver. These cuts contribute to the economic crisis and translate into less healthcare, increasing health costs, and potential loss of jobs, physicians and more hospital closures.

While the budget proposal does not directly cut eligibility to public programs, it imposes paperwork burdens that would likely result in over 100,000 Californians falling off coverage. Currently children enroll in Medi-Cal on an annual basis, while adults enroll for six months. The reinstatement of Quarterly Status Reports (QSR) would act as a barrier to continuous coverage. The reinstatement, if passed, would result in significant administrative cost increases.

The proposed budget also eliminates ten optional Medi-Cal benefits. These include adult dental services, speech therapy, audiology, and psychology services.

Healthy Families

The Governor proposes a total reduction of \$41 million GF to the Healthy Families Program in 2008-09. These reductions would be accomplished by increasing subscriber premiums (by \$7 per month per child for families 150-200% of FPL and by \$4 for those 200-250% FPL) and copayments for non-preventive services (to \$7.50 for those 150-250% FPL), capping the dental benefit to \$1000 per child annually, and reducing rates paid to healthcare plans. \$22.4 million in savings would be achieved by reducing payments to the managed care plans that enroll Healthy Families children.

Early Criticism

In their report released on January 14th, the Legislative Analyst's Office recommended that in lieu of across the board reductions, the Legislature should weigh the impact of the program cuts on higher priority programs and eliminate or reduce funding for low-priority programs. The LAO also recommended that the Legislature identify additional revenue solutions, such as eliminating or modifying tax credits and raising user fees for some state services (see www.lao.ca.gov). The California Budget Project estimates that the \$1.126 billion reduction in state spending for Medi-Cal would cost the state \$1.139 billion in lost federal matching funds (see www.cbp.org).

The latest shortfall is just one in a long history of crises fueled by changes in the economy and a structural deficit. California needs to be more nimble and build fiscal flexibility through the elimination of the two-thirds requirement for tax legislation and through revenue strategies such as increasing vehicle license fees and eliminating tax loopholes for corporations and the wealthy.

The Governor has declared a fiscal emergency, meaning that the Legislature has until February 23rd to cut spending before they can move to other issues or adjourn.

House Fails to Override President's SCHIP Veto

House Democrats were unsuccessful in their attempts to gather enough to support to override the President's second veto of a SCHIP expansion bill. The two vetoed bills would have advanced enrollment in the health

coverage program from 6 to 10 million children over the next five years. Funding to support the enrollment expansion would have come from a 61 cent per pack federal tax on cigarettes and similar tobacco taxes. The vote taken on January 23 was 15 votes shy of the two-thirds majority needed to override the President's veto.

In late December, President Bush did sign a bill to extend SCHIP until March 2009 with enough money to sustain the program at its current level. The bill will keep the 6 million children on SCHIP from losing their coverage but not cover additional eligible, unenrolled children. The compromise legislation gives California the money it needs so that it will not have to cut enrollments or institute a wait list for the Healthy Families Program. The bill did not address the August 17th CMS policy directive that states must enroll 95% of children in families with incomes up to 250% of the federal poverty level before expanding eligibility.

Free & Discount Hospital Care

While consumers wait for California to pass health reform, OSHPD—the Office of Statewide Health Planning and Development—has launched a new online database that will allow consumers to search and compare the charity care and discount policies of hospitals across California. State law requires every hospital to have a charity care or discount program. While each hospital has a different policy, consumers may qualify for discount care if their income is less than 350% of the federal poverty level (approximately \$36,000 annually for individuals; \$72,000 for a family of four) and they do not have health insurance or they have health insurance but their medical expenses are more than 10% of family income. Other discounts may apply for consumers with incomes higher than 350% FPL. Policies for about 82% of the state's 405 acute care hospitals are on the site, which can be accessed at www.oshpd.ca.gov/fairpricing.

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