State Budget Bulletin - May 14, 2013

Governor Calls for Statewide Medi-Cal Expansion, But Could Imperil Health Care Safety Net and Social Services

After years of cuts to vital services to low-income Californians, Governor Jerry Brown's May Revision to the 2013 budget calls for the full implementation of the federal Affordable Care Act, but does so with a complicated funding mechanism, the details of which we do not yet have. Advocates have called on the Governor to alleviate the pain and indignities endured by low-income Californians as a result of the compounding impact of several years of budget cuts by restoring basic services. This includes helping CalWORKs families by reinstating Cost of Living Adjustments (COLAs), restoring cuts to monthly grants, and restoring dental services and other benefits for adult Medi-Cal beneficiaries. Yet this budget maintains the austerity of previous years, failing to take action necessary to reverse the upward trend in poverty and child poverty which has earned us the "Top Spot," as the state with the highest poverty rates in the country.

The Western Center on Law and Poverty will continue to advocate for a budget that helps low-income residents get back on their feet and secure a dignified life. The next six weeks will be a sprint to the end of the fiscal year, with additional policies being developed to pass the budget. The Legislature, which will enjoy a super-majority through the end of June, is expected to pass the budget on time this year, as they did last year. Western Center will keep advocates apprised of negotiations

Health Care

• **Medi-Cal Expansion:** The Governor's May Revision makes several important and positive steps towards the full expansion of Medi-Cal for childless adults with incomes up to 138 percent of the federal poverty level. The updated proposal would extend full-scope Medi-Cal to low-income childless adults. It would maintain the same benefits between currently eligible adults and the newly eligible, and would require beneficiaries to undergo an assets test in order to access long term care services. The Administration would also incorporate a "mechanism" to maintain some level of safety net funding based on measuring actual county costs for providing services to Medi-Cal and uninsured patients The savings on the health care side would be made up by requiring counties to assume responsibility for a greater share of CalWORKs, CalWORKs-linked child care, and Cal Fresh administration costs, with state mandated eligibility rules and grant levels.

The May Revision proposes to allow pregnant women with income between 100 to 200 percent of the federal poverty level to be enrolled in both Covered California and pregnancy-related Medi-Cal with Medi-Cal paying the Covered California premiums and cost sharing. Similarly, the proposal would move Newly Qualified Immigrants (both the expansion population as well as those who are currently eligible but not enrolled) into Exchange coverage with total cost sharing provided by the state to ensure affordability.

Western Center continues to have strong concerns about the amount of savings the Administration is attempting to score from counties as a result of the Medi-Cal expansion. In three years, the state estimates $2.5 billion in savings as a result of its supposedly decreased obligation to the uninsured ($300 million in 2013-14, $900 million in 2014-15 and $1.3 billion in 2015-16). Though many indigent people currently served by county health programs will enroll in Medi-Cal, the need for a strong and

Further, the federal government will pay 100 percent of the costs of the expansion adult population. Western Center will continue to push for maintenance of the safety net and the requirement that counties use remaining funding to support health care for the remaining uninsured. We will also work to ensure that attempts to require increased county responsibility for social services truly maintain benefits, eligibility, and protections, and are not done under the guise of realignment-embedded cuts.

- **Managed Care Organization (MCO) tax:** The May Revise proposes a tax on Medi-Cal managed care plans, which have experienced drastic enrollment increases over the past two years. The MCO tax was originally devised in 2009 as a tax on the health plans' gross premium amounts, but lapsed in August 2012. The Legislature would need to reenact the tax, and to recoup the lost revenues, the Administration is proposing to reset the tax rate from gross premiums to a sales tax in 2013, an overall increase.

- **Coordinated Care Initiative changes:** In the 2012-13 budget, the Legislature approved to merge the health benefits, long term services and supports, and home and community-based services for people enrolled in both Medi-Cal and Medicare. Following extensive negotiations with the federal government, the state settled on eight counties to participate in the demonstration, which are reflected in the May Revise. These changes include capping the number of participants in Los Angeles County to 200,000 total and using a different phase in and enrollment period there, starting the demonstration in January 2014 and phasing it in over twelve months in all other counties, and enrolling San Mateo County beneficiaries in three months. Further trailer bill language is expected.

- **Removal of "Managed Care Efficiencies" proposal:** DHCS has dropped its proposal from the January budget to cut $135 million from Medi-Cal managed care plans from the implementation of efficiency factors. This proposal never had detail or trailer bill language associated with it. However, DHCS will continue to monitor Medi-Cal health plan rates with the hopes of scoring more savings. This will likely be done through an administrative process, and Western Center will continue to provide advocates with updates and points to influence any decisions or changes.

- **Maintains Medi-Cal provider rate cuts:** The AB 97 10% across the board fee for service provider rate cuts is maintained in the Governor's May Revise.

- **Managed Risk Medical Insurance Program:** The Governor's budget would retain the Managed Risk Medical Insurance Program (MRMIP) which we support.

- **Infants born to AIM Mothers.** The May Revision proposes to move infants born to mothers in the AIM program with income between 250 and 300 percent of the federal poverty level to DHCS.

Human Services Programs: CalWORKs and SSI

During the past five years of deep budget cuts, the number of poor families in California increased seven times faster than the rest of the nation. This budget does nothing to reverse this trend or to reduce child poverty rates in California, now the worst in the nation.

While 30 percent of Californians (8.7 million people) live below the federal poverty line, just over 3 percent participate in CalWORKs - the program that offers basic needs cash grants that average about 29% of the Federal Poverty Line and provides welfare-to-work employment services for a 24-month lifetime limit. Still, the program prevents hunger, homelessness and countless indignities for just over one million children in the Golden State.

The Governor's May Revision proposes $48 million for enhanced upfront engagement and subsidized jobs for CalWORKs recipients. While this is a welcome change after years of unrelenting cuts to CalWORKs, this funding will not help most families participating in the program. Families who have reached lifetime limits on assistance, which have been reduced drastically by the past two budgets, Administration proposals of targeting resources to families with relatively lesser needs over families living in deep poverty. Across the board, grant increases would be a fairer way to spend new CalWORKs funds and would go farther to reduce harm among our poorest children.

As discussed above, the Administration is proposing realignment of CalWORKs, child care and CalFresh administration costs to counties from the savings counties will theoretically get from expanding Medi-Cal to indigent adults who are required to be served by county health programs under current law. As with previous proposals, whether this is meritorious depends on the specific beneficiary protections that would be built into the proposal. The actual funding levels that might be available would be subject to future cost analysis based on the cost of counties providing residual indigent health care services. The Legislature should be extremely cautious about approving any cost shifts or legal mandates on counties until there is a more complete understanding of funds available. When the analysis is available the first priority for surplus funds should be restoration of basic CalWORKs grants.

The budget continues to underfund the TANF Maintenance of Effort by $924 million and makes up for this shortfall by redirecting federal TANF funds to the Cal-Grant program and reducing General Fund support for Cal-Grants. This shell game has undercut funding for the program, allowing for continued deep cuts to CalWORKs grants and county single allocation funds during the worst recession of our lifetime.

The budget does not propose restoring basic needs grants for elderly and disabled who rely on Supplemental Security Income (SSI) to meet their basic needs and whose grants were cut to the federal minimum over the past decade.

Western Center leads the fight
in the courts, counties and capital
to secure housing, healthcare and a strong safety net
for low-income Californians.