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RECENT CUTS TO THE MEDI-CAL PROGRAM HAVE IMPAIRED ACCESS TO SERVICES

In response to sizeable budget shortfalls, lawmakers have repeatedly cut state spending in recent years. The Legislature reduced General Fund spending from \$103.0 billion in 2007-08 to \$87.3 billion in 2009-10 – a drop of 15.3 percent – as policymakers responded to the dramatic decline in revenues caused by the most severe economic downturn since the 1930s. In 2010-11, General Fund spending is estimated to be lower as a share of the state's economy than in 33 of the prior 40 years, and expenditures will fall further under the spending plan approved by the Legislature in March. Recent cuts have reversed longstanding policies and have left public systems and programs ill-equipped to cope with the ongoing impact of the Great Recession and the challenges of a growing population and an ever-more-competitive global economy.

This fact sheet examines recent cuts to the Medi-Cal Program. Medi-Cal, California's Medicaid Program, is the state-federal health insurance program for low-income children, families, seniors, and persons with disabilities. During the Great Recession, as private coverage declined, Californians increasingly turned to public programs to provide assistance. From May 2007 to May 2010, enrollment in Medi-Cal increased by 12.5 percent to 7.4 million Californians. In contrast, enrollment during the preceding three-year period increased by 1.1 percent.

In spite of the rising demand for services in Medi-Cal, the state has made multiple cuts to the program. A CBP analysis of state data shows that the cumulative impact of these cuts amounts to \$2.7 billion between 2008-09 and 2011-12. These cuts require Californians with Medi-Cal coverage to pay more out of pocket for health services, reduce patients' access to health services, and require seniors and persons with disabilities to enroll in managed care plans. Since 2008-09, for example, the state has:

- **Eliminated coverage for adult dental care and other benefits.** Beginning in 2009-10, the Legislature eliminated 10 Medi-Cal benefits from coverage, including adult dental care, podiatry, and psychology services.¹ In subsequent years, the Legislature also eliminated coverage for over-the-counter Tylenol for adults and cough and cold medications for both adults and children.
- **Required Medi-Cal enrollees to pay more for health services.** In March 2011, the Legislature imposed copayments ranging from \$3 to \$100 for health care services, including for prescription drugs and hospitalizations. This reduction takes effect in 2011-12 and requires federal approval.

¹ Adult optometry, which was one of the 10 benefits originally eliminated from Medi-Cal coverage as part of the 2009-10 budget agreement, was subsequently restored as required under federal law.

- **Reduced payments to medical providers by 10 percent.** In March 2011, the Legislature cut payments to physicians and other Medi-Cal providers beginning in 2011-12. The cuts mirror similar reductions in previous years that were rejected by the courts. The state appealed those rulings, and the US Supreme Court agreed to weigh in on the matter this year. The current reduction assumes that the US Supreme Court will reverse lower court rulings during its Fall 2011 term.
- **Required seniors to pay Medicare premiums.** In the 2008-09 and 2010-11 budgets, the Legislature eliminated funding to pay Medicare Part B premiums for certain seniors who are eligible for Medi-Cal coverage.² As a result, these seniors may now be required to pay Part B premiums of \$115.40 per month to maintain Medicare coverage for medically necessary services, such as doctor's office visits and outpatient health services.
- **Eliminated state support for community clinics.** Actions by the Legislature and former Governor Schwarzenegger eliminated community clinic funding in 2009-10. The Legislature partially restored the funding in 2010-11, but that amount was subsequently vetoed by the Governor. The elimination of funding for clinics has reduced access to primary care services for Californians, particularly those in rural communities.
- **Reduced funding that counties use to operate the Medi-Cal Program.** Counties determine Californians' initial and ongoing eligibility for Medi-Cal. Actions taken by the Legislature and former Governor Schwarzenegger between 2008-09 and 2010-11 have reduced state funding for counties' Medi-Cal operating costs by \$193.4 million as of 2010-11, which represents 22.7 percent less than what counties would have otherwise received that year. These cuts have hindered counties' ability to maintain adequate staffing levels needed to keep up with increased Medi-Cal applications and enrollment.

² This reduction applies to seniors who are eligible for Medi-Cal with a "share of cost," but who do not meet that share of cost in a given month. Californians with share-of-cost Medi-Cal must spend a predetermined amount on health care each month before Medi-Cal begins to cover their medical expenses. Due to the changes implemented in 2008-09 and 2010-11, seniors who are eligible for Medi-Cal with a share of cost must meet that share of cost before the state will pay their Medicare Part B premium each month.