

THE GOVERNOR'S PROPOSED CUTS TO MEDI-CAL WOULD SIGNIFICANTLY AFFECT CALIFORNIA'S LOW-INCOME WOMEN AND THEIR FAMILIES

Recent budget actions and proposals currently before the Legislature have targeted the Medi-Cal Program, which provides access to health coverage for many low-income women and their families. Women comprise nearly two-thirds of adults enrolled in Medi-Cal. Consequently, cuts to Medi-Cal disproportionately affect low-income women. State lawmakers made significant cuts to the Medi-Cal Program in 2009. Governor Schwarzenegger's Proposed 2010-11 Budget includes even deeper reductions in order to help close the state's projected \$18.9 billion budget gap. This *Budget Brief* examines the impact of recent and proposed budget cuts on low-income women's access to affordable health coverage.

Medi-Cal Is an Important Source of Health Coverage for Low-Income Women and Their Families

The Medi-Cal Program is California's version of Medicaid, a federal-state health coverage program for approximately 7.2 million low-income Californians who cannot afford or who do not have access to private coverage. Medi-Cal provides comprehensive health coverage, including reproductive and prenatal care, and is a key component of California's safety net for low-income families.¹ Women comprise nearly two-thirds (64.0 percent) of adult enrollees in the program (Figure 1). In addition, more than half (56.5 percent) of women enrolled in the program are in their peak reproductive years (Figure 2). Medi-Cal is also an important source of affordable coverage for unmarried women and their children. Nine out of 10 single parents enrolled in Medi-Cal are women (Figure 3).² Because women make up a large share of adult Medi-Cal enrollees, they are disproportionately affected by reductions to the program.

Women are hit particularly hard when access to medical services is reduced. They generally seek out medical care more frequently than men, particularly during their peak reproductive

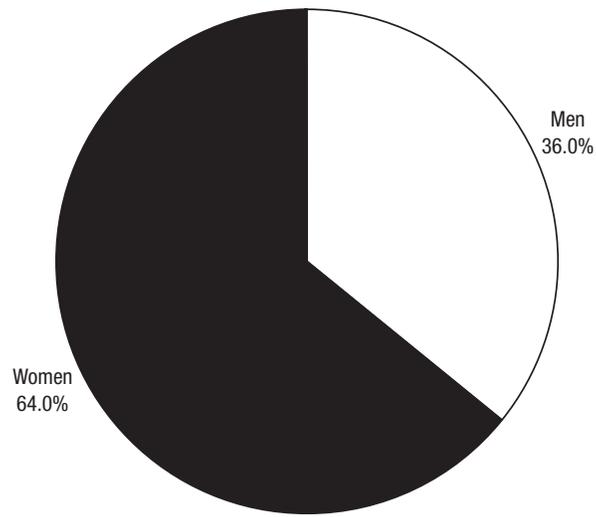
years whether they have children or not.³ Even beyond their reproductive years, women ages 45 to 64 use significantly more services than men.⁴ Consequently, when access to affordable medical care is reduced, women – who tend to have lower incomes than men – are more likely to forgo medical services or become financially vulnerable as a result of seeking care they cannot afford.⁵ Nationally, nearly two out of five nonelderly women report problems paying their medical bills, compared to 29 percent of men.⁶

The Governor Proposes Significant Reductions to Medi-Cal Services

Governor Schwarzenegger proposes a number of reductions to the Medi-Cal Program that would reduce access to providers, reduce services, and result in women losing access to needed care. The Governor proposes to:

- **Reduce women's access to family planning services.** The Governor's Proposed 2010-11 Budget would roll back a 2008 rate increase for family planning services provided through the Family PACT Program, resulting in state savings of \$15.4 million but a loss of \$73.4 million in federal funds in 2010-11. The Family PACT Program provides comprehensive

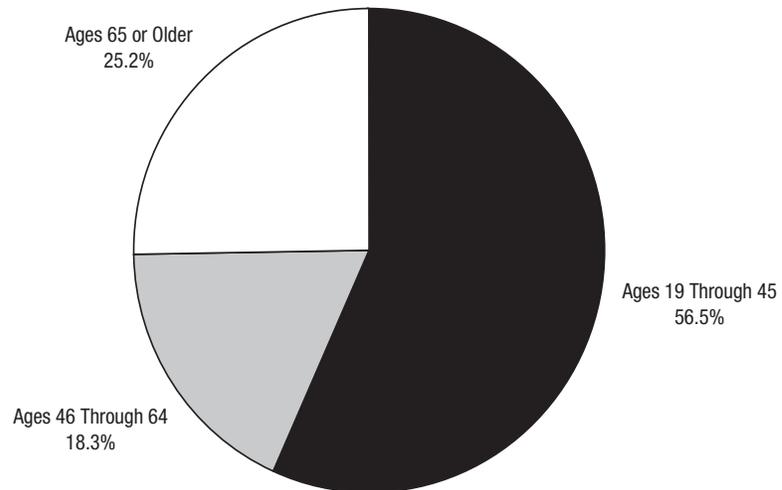
Figure 1: Women Are Nearly Two-Thirds of the Adult Medi-Cal Population



Total Number of Adult Medi-Cal Recipients in April 2009 = 3.5 million

Source: Department of Health Care Services

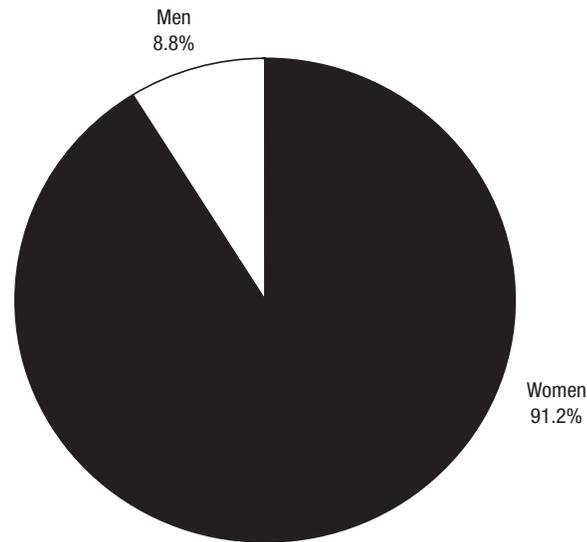
Figure 2: Women of Childbearing Age Represent More Than Half of Women in Medi-Cal



Total Number of Women Medi-Cal Recipients in April 2009 = 2.2 million

Source: Department of Health Care Services

Figure 3: Nine Out of 10 Single-Parent Households With Medi-Cal Coverage Are Headed by Women



Total Number of Single-Parent Households With Medi-Cal Coverage in 2007 = 536,000

Source: UCLA Center for Health Policy Research

family planning services to 1.6 million Californians each year, including low-income adults and adolescents regardless of income. Nearly nine out of 10 clients served by this program are women.⁷ Family PACT aims to reduce unintended pregnancies but does not provide abortions.⁸ For certain family planning services, the state receives a \$9 federal match for every \$1 it spends. Research shows that the savings in social and health costs associated with avoiding unintended pregnancies far outweigh the cost of the program.⁹

- Eliminate state support for Adult Day Health Care (ADHC).** The Governor's Proposed 2010-11 Budget eliminates coverage for ADHC, resulting in state savings of \$134.7 million but a loss of \$216.0 million in federal funds in 2010-11.¹⁰ The reduction would result in 37,000 Medi-Cal recipients, who are typically low-income elderly women, losing access to critical services and placing them at risk of ending up in a nursing home.¹¹ Services provided by ADHC include medical care; nursing and personal care; physical, occupational, and speech therapy; meals and nutritional counseling; and transportation to and from the facility. Discontinuing these services could cause more severely disabled individuals to end up in nursing homes. The total annual cost for ADHC is approximately \$10,480 per Medi-Cal participant, while the total annual cost for a nursing home resident on Medi-Cal is \$51,100.¹²

- Eliminate non-emergency health coverage for certain immigrants.** The Governor's Proposed 2010-11 Budget would cause more than 66,000 immigrants, including legal immigrants who have resided in the US for less than five years, to lose access to routine medical care. The proposal would result in net state savings of \$73.0 million in 2010-11. These individuals would still be eligible for emergency and long-term care services. Pregnant women and children under age 21 would remain eligible for services.
- Eliminate Medi-Cal coverage for essential medical services.** The Governor's Proposed 2010-11 Budget would eliminate Medi-Cal coverage for nine services for adults if California does not receive additional federal funds as assumed by the Governor (Table 1).¹³ The reduction would result in state savings of \$52.2 million but a loss of \$65.8 million in federal matching funds.¹⁴ The reduction would end Medi-Cal payments for services ranging from physical therapy to hearing aids. Recipients who still require such services would have to seek them elsewhere, which could require individuals to pay out of pocket or forgo care. The current proposal comes on top of reductions made as part of the February 2009 budget agreement, which eliminated Medi-Cal coverage for 10 health services beginning in July 2009.¹⁵

Table 1: Medi-Cal Services for Adults Have Been Targeted for Elimination

| Services Eliminated Beginning in July 2009 | Services Proposed for Elimination Beginning in 2010-11 |
|--|--|
| Acupuncture | Durable Medical Equipment |
| Adult Dental | Hearing Aids |
| Audiology | Independent Rehabilitation Facilities |
| Chiropractic | Medical Supplies |
| Incontinence Creams and Washes | Occupational Therapy |
| Optometry and Optician/Optical Lab | Orthotics |
| Podiatry | Outpatient Heroin Detoxification |
| Psychology | Physical Therapy |
| Speech Therapy | Prosthetics |

Source: California Health and Human Services Agency

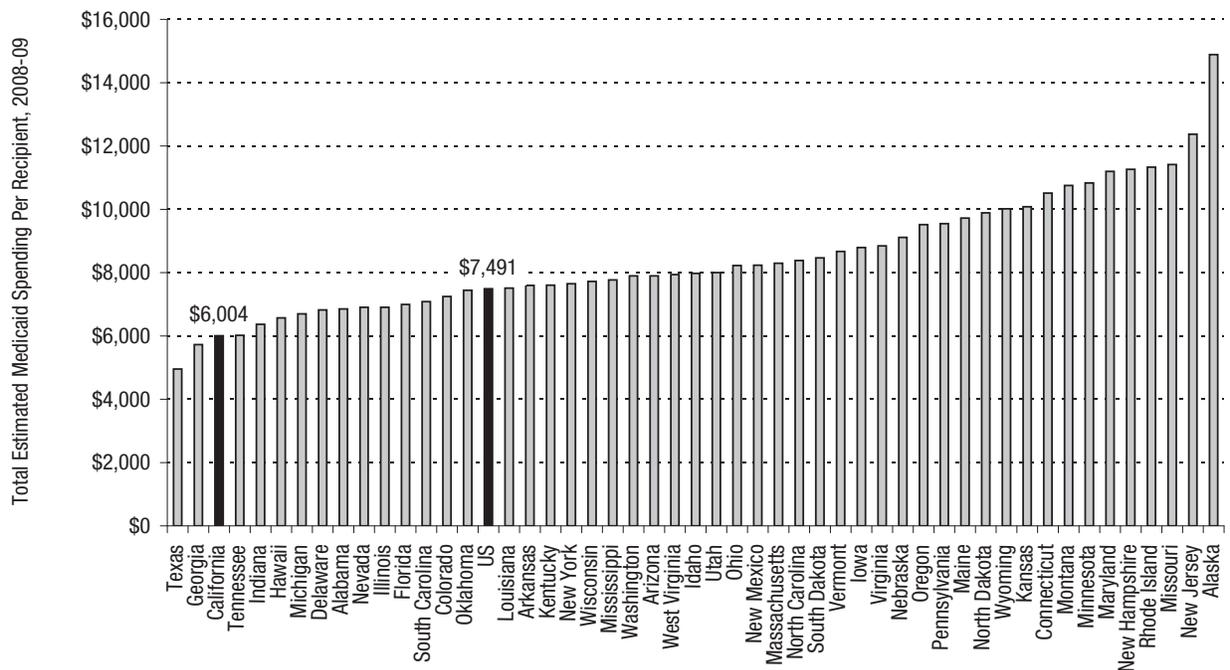
The Governor's Proposal To Reduce Medi-Cal Spending May Be Difficult To Achieve

Governor Schwarzenegger has proposed to significantly reduce Medi-Cal spending, which would result in state savings of \$917.1 million but a loss of \$1.5 billion federal funds.¹⁶ The

Administration has broadly outlined its intent to increase costs to consumers and reduce access to patients, but has released few details on how its plan would achieve savings that is equivalent to 8.4 percent of Medi-Cal's estimated spending for 2009-10.¹⁷ The Administration's plan would further restrict women's access to care, while requiring women to pay more for the services they receive. Savings of this magnitude may be difficult to achieve. California already has one of the most efficient Medicaid programs in the nation. The state has adopted policies over many years that have limited Medi-Cal spending, including freezing physician and other provider payments, paying hospitals less than the cost of the services they provide, and reducing and freezing funding for county Medi-Cal administration. California ranks among the lowest nationally in Medicaid spending per person enrolled in the program (Figure 4). The Governor's proposal could include:

- Requiring Medi-Cal enrollees to pay more for their health care.** The Governor's Proposed 2010-11 Budget could impose premiums for Medi-Cal coverage and copayments for services. Women are more likely than men to avoid care because of cost, so increasing the cost to receive medical care through premiums and copayments would erect additional barriers, particularly for low-income women.¹⁸ In any event, the state may not be able to institute premiums without putting billions in federal funds at risk. This is because the new federal health reform law requires states

Figure 4: California's Spending Per Medi-Cal Enrollee Is Among the Lowest in the Nation



Note: Number of recipients is for December 2008. Medicaid spending for 2008-09 is estimated.
Source: Kaiser Family Foundation and National Association of State Budget Officers

to maintain their existing Medicaid eligibility standards, a requirement that has been interpreted to include state premium policies.¹⁹ States that violate this requirement would lose all federal funding for their Medicaid Program and their Children’s Health Insurance Program. In contrast, California may be able to impose or increase copayments without jeopardizing federal funding because the requirement to maintain eligibility standards has not been interpreted to include states’ copayment policies.

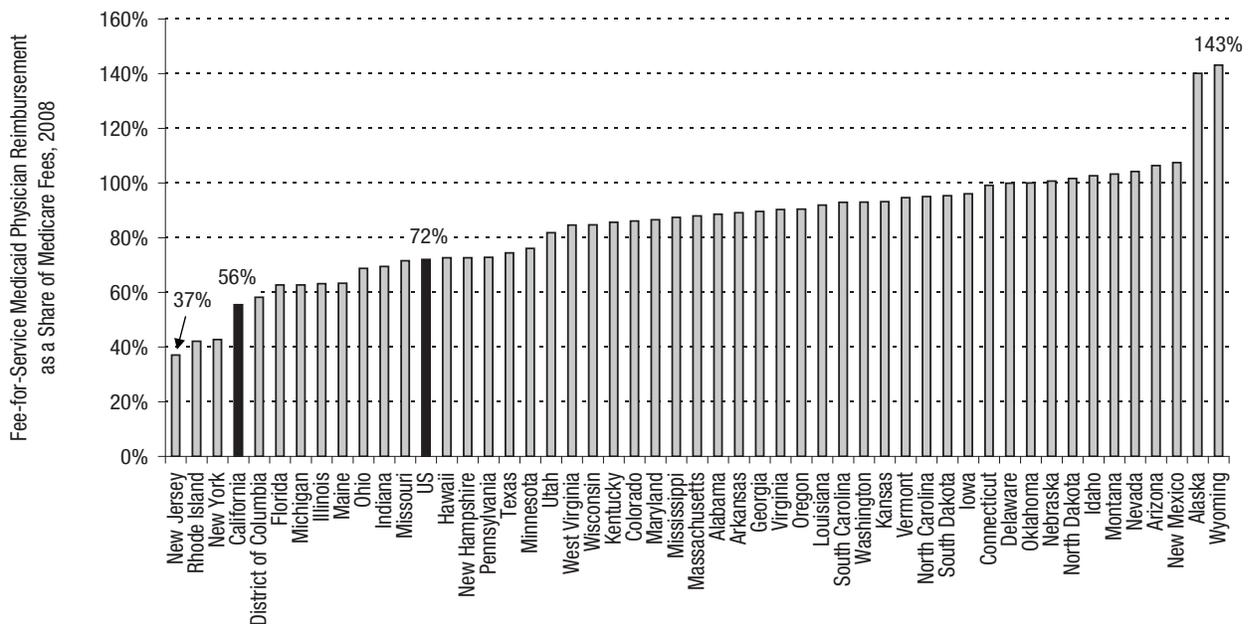
- **Restricting the use of Medi-Cal services.** The Governor’s Proposed 2010-11 Budget could restrict enrollees’ use of Medi-Cal services and could include imposing stricter limits on patients’ access to services and supplies, such as prescription drugs and certain provider services. California already imposes limits on some medical services; the Governor’s proposal could further restrict access to medical care.
- **Reducing payments to Medi-Cal health service providers.** The Governor’s Proposed 2010-11 Budget could reduce reimbursement rates for medical professionals who provide services to Medi-Cal patients. If implemented, this proposal would continue California’s longstanding policy of holding down payments to reduce spending. California’s payments

to Medi-Cal providers, including obstetricians, are among the lowest in the nation (Figure 5). Research suggests that California’s low payments discourage providers from serving Medi-Cal patients. In 2008, 62 percent of obstetrician-gynecologists participated in Medi-Cal, compared to 77 percent in Medicare, and only 56 percent of obstetricians were accepting new Medi-Cal patients.²⁰ In addition, a survey of Medi-Cal recipients found that 56 percent had difficulty finding a doctor who would accept Medi-Cal patients.²¹

Conclusion

California once again faces a substantial budget gap that presents state lawmakers with difficult choices. In 2009, lawmakers made major budget reductions to the Medi-Cal Program, an important source of affordable health coverage for women and their children. Rising enrollment in Medi-Cal points to the need to preserve and maintain public coverage programs during an economic recession.²² Meanwhile, lawmakers are weighing the Governor’s proposal to make even deeper reductions to Medi-Cal in 2010-11. If implemented, these reductions would result in a significant loss of access to medical coverage and care and would disproportionately jeopardize the well-being of low-income women and their families.

Figure 5: Medi-Cal Physician Reimbursement Rates Are Among the Lowest in the Nation



Note: Tennessee is not included because it does not have a fee-for-service component in its Medicaid program.
Source: Kaiser Family Foundation

Hanh Kim Quach prepared this Budget Brief. Support for this Budget Brief is provided by a grant from the Women's Foundation of California (WFC). The WFC identifies and invests in emerging women leaders who are improving California, community by community through a unique model for driving systemic change focused on four key areas: strategic grantmaking, movement building, strengthening organizations, and policy advocacy. For the past seven years, the WFC has run the Women's Policy Institute (WPI), which trains women to be agents of change for policies that impact the lives of women of all ages, their families, and their communities. WPI fellows have advocated for legislation for safer cosmetics, increased measures addressing violence in the workplace, and an expansion of protections for noncitizen victims of trafficking, domestic violence, and other serious crimes. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at www.cbp.org.

ENDNOTES

- ¹ The California Work Opportunity and Responsibility to Kids (CalWORKs) Program, the Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program, and the In-Home Supportive Services (IHSS) Program are three other major components of California's safety net. The impact of cuts to these three programs on low-income women and their families is discussed in a companion CBP *Budget Brief*, also released in May 2010.
- ² UCLA Center for Health Policy Research, California Health Interview Survey data.
- ³ Elizabeth M. Patchias and Judy Waxman, *Women and Health Coverage: The Affordability Gap* (The Commonwealth Fund: April 2007), p. 4.
- ⁴ Median per capita health care expenses in 2006 for insured women in this age group were approximately 55 percent higher than for men in the same age range. Steffie Woolhandler and David U. Himmelstein, "Consumer Directed Healthcare: Except for the Healthy and Wealthy It's Unwise," *Society of General Internal Medicine* (March 2007), p. 2.
- ⁵ Nationally, 13.1 percent of nonelderly women had incomes below 100 percent of the federal poverty line in 2008 – \$10,400 for an individual – compared to 9.9 percent of men. CBP analysis of US Census Bureau, Current Population Survey data.
- ⁶ Elizabeth M. Patchias and Judy Waxman, *Women and Health Coverage: The Affordability Gap* (The Commonwealth Fund: April 2007), p. 5.
- ⁷ California Department of Public Health, *Fact Sheet on Male Services* (December 2008).
- ⁸ From 1998-99 to 2005-06, the program helped avert 84,770 unintended pregnancies. Bixby Center for Global Reproductive Health, *Decline in Unintended Pregnancies in California: California Congressional Districts* (March 2009).
- ⁹ Center for Reproductive Health Research and Policy, *Cost-Benefit Analysis of the California Family PACT Program for Calendar Year 2002* (prepared for the California Department of Health Services, Office of Family Planning: January 2005).
- ¹⁰ Estimates assume that the enhanced federal Medicaid match of 61.59 percent, which was included in the American Recovery and Reinvestment Act of 2009 (ARRA), will be extended through June 30, 2011. Assembly Budget Committee, Subcommittee No. 1 on Health and Human Services, agenda for March 24, 2010 hearing.
- ¹¹ Tanya Alteras, *Adult Day Health Care Services: Serving the Chronic Health Needs of Frail Elderly Through Cost-Effective, Non-Institutional Care* (Health Management Associates: June 23, 2007), p. 6.
- ¹² Legislative Analyst's Office, *Considering the State Costs and Benefits: In-Home Supportive Services Program* (January 21, 2010), p. 12.
- ¹³ The Governor's Proposed 2010-11 Budget contains "trigger" provisions that would occur if California does not receive \$6.9 billion in additional federal dollars. The Governor's trigger provisions would make significant spending reductions, continue certain tax increases, and delay implementation of certain tax cuts. In addition to eliminating medical services, the Governor's trigger proposal would also restrict Medi-Cal enrollment to the minimum required by federal law. This second proposal, however, would violate the new federal health reform measures enacted in March 2010. The Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010 require states to maintain eligibility standards for their Medicaid Program and their Children's Health Insurance Program (CHIP) or forgo all federal funding for those programs.
- ¹⁴ Assembly Budget Committee, Subcommittee No. 1 on Health and Human Services, agenda for March 24, 2010 hearing.
- ¹⁵ Two benefits, optometry services and optician/optical lab services, are listed together in Table 1.
- ¹⁶ Legislative Analyst's Office, *The 2010-11 Budget: How the Special Session Actions Would Affect Health Programs* (January 2010), p. 3.
- ¹⁷ Department of Finance, *Governor's Budget Summary 2010-11* (January 10, 2010).
- ¹⁸ One study found that 67 percent of low-income women avoided medical care, such as filling prescriptions, follow-up visits to a doctor, or visits to a specialist, because of cost, compared with 57 percent of men. Sheila D. Rustgi, Michelle M. Doty, and Sara R. Collins, *Women at Risk: Why Many Women Are Forgoing Needed Health Care* (The Commonwealth Fund: May 2009), pp. 3-4.
- ¹⁹ As noted above, the federal health reform measures now require states to maintain eligibility standards for their Medicaid and CHIP programs or forgo all federal funding for those programs. This provision was also included in the ARRA with respect to Medicaid. In August 2009, the US Centers for Medicare and Medicaid Services interpreted the "eligibility standards" requirement to include "instituting or increasing premiums that may restrict, limit, or delay eligibility under the Medicaid program for otherwise eligible individuals." See US Department of Health and Human Services, Center for Medicare and Medicaid Services, letter to state Medicaid directors (August 19, 2009).
- ²⁰ Kevin Grumbach and Andrew B. Bindman, *Physician Participation in Medi-Cal, 2008* (California HealthCare Foundation: March 26, 2010).
- ²¹ Medi-Cal Policy Institute, *Speaking Out: What Beneficiaries Say About the Medi-Cal Program* (March 2000).
- ²² Enrollment in Medi-Cal rose by 7.2 percent between May 2007 and May 2009, compared with a slight decline in the preceding two-year period. For further discussion of the safety net for low-income Californians during the recession, see California Budget Project, *Proposed Budget Cuts Come at a Time of Growing Need* (February 2010).