

GOVERNOR'S 1999-00 BUDGET PROPOSAL FOR: HEALTH

DEPARTMENT OF HEALTH SERVICES

The Department of Health Services (DHS) proposed budget for 1999-00 is about \$23.5 billion (all funds). This represents an increase of \$881 million, or 3.9 percent, over estimated current year expenditures. The budget proposes \$7.86 billion from the General Fund, which is \$112 million below estimated current year expenditures. Most of these funds, approximately 90 percent, support the Medi-Cal program, and the remainder supports public health activities including disease control and prevention, environmental hazard control, and health care services.

MEDI-CAL PROGRAM

The Medi-Cal program provides comprehensive health coverage, including inpatient/outpatient care, skilled nursing care, and dental care to welfare recipients and other low-income families. The state and federal governments jointly fund the program, with each contributing roughly 50 percent. For 1999-00, the Medi-Cal caseload is projected to be about 4.9 million eligible persons, approximately 1 percent lower than the revised current year caseload.

The budget proposes Medi-Cal expenditures of \$20.9 billion (local assistance) in 1999-00, which represents an increase of \$987 million, or 4.9 percent, over estimated current year expenditures. The General Fund portion (\$7.3 billion) is proposed to decrease by about \$69 million, or .9 percent. Table 1 below shows how these funds are distributed.

Table 1

1999-00 ESTIMATED MEDI-CAL EXPENDITURES				
(Dollars in thousands)				
	General Fund	Federal Funds	Other Funds	Total
Eligibility	\$355,670	\$592,996	--	\$948,666
Payment Systems	69,483	123,128	--	192,611
Benefits	6,904,677	11,058,615	\$1,783,968	19,747,260
TOTAL	\$7,329,830	\$11,774,739	\$1,783,968	\$20,888,537

MAJOR PROPOSALS

The major proposals for the Medi-Cal Program include:

- **Full Year Funding of Prenatal Care Services for Undocumented Persons:** The budget includes \$63.76 million (General Fund) to fully fund prenatal care for undocumented women in 1999-00.
- **Full Year Funding of Long Term Care Services for Undocumented Persons:** The budget includes \$16.55 million (General Fund) to fully fund long term care for undocumented persons in 1999-00.
- **An Increase in the Federal Matching Rate:** The Medi-Cal estimate reflects an increase in the federal matching rate (from 51.67 percent to 53.36 percent), which results in a General Fund savings of \$210 million in 1999-00.
- **New Federal Funding For Family PACT:** The budget assumes new federal funding of \$122 million (via a federal waiver) for currently state funded Family PACT services, thus reducing General Fund expenditures by the same amount.

MEDI-CAL

Prenatal Care and Long Term Care Services for Undocumented Persons: California has provided prenatal and long-term care services as state-only funded programs since 1987. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was interpreted by the Wilson Administration to mean that states were prohibited from providing non-emergency services to unqualified immigrants, unless state law is subsequently enacted to allow the provision of such services. Accordingly, Governor Wilson proposed to eliminate funding for these services through the implementation of regulations. The Legislature subsequently passed legislation re-enacting these programs, but the Governor vetoed the bills.

Meanwhile, in response to the regulations, several lawsuits have been filed against the state. The result of this litigation has been to enjoin the implementation of the regulations, thus forcing the Wilson administration to continue to fund the programs. In each of the key outstanding cases, the state has appealed the court's decision and remains in litigation on these issues. *Yvette Doe v. Belshe* is scheduled to be heard before the court of Appeal on January 21, 1999. In the case of *Milagro Doe v. DHS*, a trial setting conference has been scheduled for February 2, 1999. In the case of *Krespin v. Kizer*, an appeal hearing date has not been set. In the 1999-00 budget Governor Davis proposes to fully fund prenatal and long-term care services, as the Administration considers how to proceed with the pending litigation.

Increased Federal Matching Rate: The percentage of Medi-Cal costs covered by the federal government is based on a calculation of state income per capita. According to the Department of Finance, the federal government uses U.S. Bureau of the Census population estimates, which understate California's population, thus resulting in a higher income per capita and a lower federal matching rate. The underestimate is the result of using income tax data, which do not reflect more recent population trends.

The Davis administration is working with the federal government to secure an appropriate increase in federal funding.

New Federal Funding for Family PACT: The Family PACT program offers family planning services (i.e., reproductive health information, education and counseling, STD/HIV prevention services, and preconception counseling) to persons at or below 200 percent of the federal poverty level, who have no other source of health insurance. These services are currently 100 percent state-funded. The state is seeking federal approval of a Medicaid demonstration project that would allow the state to claim these expenses through the Medi-Cal program. Similar demonstration project waivers have been granted in Florida, Oregon, and New Mexico.

PUBLIC HEALTH PROGRAMS

The budget proposes total public health funding of about \$2.3 billion for 1999-00, a decrease of \$93 million, or 3.9 percent, from estimated current year expenditures. These funds support a range of public health programs, including disease control and prevention, environmental hazard control, and health services programs.

MAJOR PROPOSALS

The major proposals for the Public Health Programs include:

- **Increased Funding for the AIDS Drug Assistance Program (ADAP):** The budget includes a net increase of \$14.6 million for the AIDS Drug Assistance Program, bringing total program funding to \$140.5 million. This increase includes \$18.7 million in new federal funds and rebates, offset by General savings of \$4.1 million.
- **Continued Decline in Proposition 99 Revenues:** For 1999-00, the budget projects total Proposition 99 tobacco tax revenues of about \$390 million, a 28 percent decline from estimated current year revenues. This decline reflects the impact of the new Proposition 10 tobacco tax initiative, as well as an estimate of the effect of price increases initiated by the tobacco industry.
- **Increased Funding for the Breast Cancer Early Detection Program (BCEDP):** The budget includes a \$1.5 million increase over the current year adjusted funding

level, bringing total program funding to \$27.9 million. This increase is driven by the increasing demand for breast cancer screening services among low income women.

- **A Decrease in General Fund for the County Medical Services Program (CMSP).** Recognizing the substantial reserves available to the County Medical Services Program in the local County Medical Services Program Account, the budget eliminates \$20.2 million General Fund.

PUBLIC HEALTH

AIDS Drug Assistance Program (ADAP): This program provides AIDS drugs to HIV-infected persons with (1) incomes below 400 percent of the federal poverty level, (2) valid prescriptions from a California licensed physician, and (3) no coverage under Medi-Cal or other insurance. Persons with incomes between 400 percent of poverty and \$50,000 may also receive drugs through the ADAP at a share of cost. The ADAP is supported by the state (General Fund) and the federal government (Ryan White Care Act).

Studies have shown that early treatment with HIV/AIDS drugs prolongs life, reduces the need for more costly treatments, and maximizes the HIV-infected persons vitality and productivity. In recognition of these findings, the National Institutes of Health recently released treatment guidelines encouraging the use of combination drug therapy.

Currently, approximately 83 percent of the ADAP caseload are using combination drug therapy. Program costs are expected to continue to increase as more ADAP patients shift to combination therapy, but should begin to slow down and level off as the proportion of patients on combination drug therapy starts to reach 100 percent.

Proposition 99: This proposition created a 25 cent surtax on cigarettes and other tobacco products, established six accounts within the Cigarette and tobacco Products Surtax fund, and specified percentages of revenues to be allocated to each account. For 1999-00, the budget projects tobacco tax revenues of about \$390, a decrease of \$150 million from estimated current year revenues, and proposes to allocate revenues among the accounts within the fund in accordance with the percentages specified in the Proposition.

Proposition 99 funding for DHS programs is reduced by about \$86.4 million, or 27 percent from the current year estimate. Table 2 below shows the proposed change in DHS' Prop 99-funded programs from revised 1998-99 amounts.

Table 2

Proposed Changes in Prop 99-Funded DHS Programs (Dollars in millions)	
Programs	Change from 1998-99
Breast Cancer Early Detection Program	\$13.54
Clinic Grants—Expanded Access to Primary Care (EAPC)	-5.42
Comprehensive Perinatal Outreach	-1.27
Child Health and Disability Prevention (CHDP) Screens	5.42
Children's Hospitals	-.45
Managed Care Counties	-1.05
County Medical Services Program (CMSP) Expansion	-3.81
California Healthcare for Indigents Program (CHIP)	-58.30
Rural Health Services/CMSP	-1.82
Media Campaign	-5.66
Competitive Grants	-17.78
Committee and Evaluation	-1.12
Local Lead Agencies	-5.36
State administration	-3.33
Total Change	-\$86.4

Breast Cancer Early Detection Program (BCEDP): Established by the Breast Cancer Act of 1993, this program provides breast cancer screening and diagnostic services to low income women. It has been funded by the Breast Cancer Fund—also established by the Breast Cancer Act of 1993. However, this fund cannot remain solvent, and continue to support the rapidly increasing demand for BCEDP services. The budget, therefore, proposes to shift part of the cost of the program (\$13.5 million) to the Cigarette and Tobacco Products Surtax Fund (Proposition 99—Unallocated Account). The budget assumes nearly 192,000 women will receive BCEDP services in 1999-00, a 13.5 percent increase over the revised current year caseload, at a cost of \$27.9 million.

County Medical Services Program. This program provides health care to medically indigent adults in the smaller rural counties. It is operated by the counties, and is funded primarily with county funds. The state has traditionally contributed \$20.2 million from the General Fund. However, due to the substantial reserves in the local County Medical Services Program, the state budget proposes to eliminate the \$20.2 million General Fund share. The Administration has indicated that it will work the CMSP Governing Board to ensure that a prudent reserve is maintained and the program is managed cost-effectively.

MANAGED RISK MEDICAL INSURANCE BOARD

The budget proposes total expenditures of approximately \$289 million for the Managed Risk Medical Insurance Board (MRMIB) for 1999-00, an increase of \$135 million, or 88 percent. Most of this increase is related to implementation of the Healthy Families program.

MRMIB administers several programs that provide health insurance to individuals and groups who traditionally have had difficulty obtaining health coverage in the private insurance market. Specific groups served by these programs include individuals who have been denied coverage due to pre-existing conditions, low-income families (primarily women and infants) who do not qualify for Medi-Cal, and small businesses.

MAJOR PROPOSALS

The major proposals for Managed Risk Medical Insurance Board include:

- **Healthy Families Program:** The budget includes a total of \$199.4 million (\$67.5 million General Fund) for the Healthy Families program, an amount sufficient to enroll a projected 304,000 children by the end of 1999-00. In addition, the administration has set-aside \$2.7 million (General Fund)—and proposed legislation—to expand the Healthy Families program through the use of Medi-Cal income deductions.
- **Access for Infants and Mothers Program:** The budget includes an increase of \$3.4 million, for a total of \$37.4 million from the Cigarette and Tobacco Products Surtax Fund (Proposition 99).

HEALTHY FAMILIES PROGRAM

The Healthy Families program provides comprehensive health coverage, including health, dental and vision benefits, to children below 200 percent of the federal poverty level who do not qualify for Medi-Cal. The state and federal governments share the costs of the program, with the federal government covering approximately 66 percent.

Under the program, families of enrolled children may choose among the health plans in their region, and must pay monthly premiums ranging between \$7 and \$27. The family contribution is based upon the family income and the number of children in the program.

It was originally estimated that approximately 250,000 children would enroll in the program by the end of the current fiscal year—the first year of implementation. However, enrollments have fallen far short of this estimate, with only 60,000 children enrolled to date. Studies have indicated that low enrollment is the result of several factors. Foremost among these is the fear among immigrant parents that enrolling their citizen children will jeopardize their efforts to seek citizenship. Other noted factors contributing to low enrollment include the burdensome application form and a poorly targeted media/outreach campaign.

The Davis administration has set aside \$37.3 million for health care reform and indicated a willingness to consider the following policy options for expanding the Healthy Families program:

- Expanding the program to 250 percent of the federal poverty level;
- Providing coverage to recent legal immigrant children;
- Simplifying the application form; and
- Giving families the choice of enrolling in Healthy Families or Medi-Cal.

ACCESS FOR INFANTS AND MOTHERS (AIM) PROGRAM

The AIM program provides health insurance coverage to women who have no coverage for their pregnancy and who have incomes between 201 percent and 300 percent of the federal poverty level. The program covers women during pregnancy and 60 days postpartum, and covers their infants up to two years of age. The budget includes a total of \$37.4 million for this program, an amount sufficient to cover an estimated 330 new women per month.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides a range of services and supports for individuals (of all ages) with disabilities. The department is responsible under the Lanterman Act for ensuring that persons with disabilities receive the support they need to lead more independent, normal lives. Services are administered through 21 contracted regional centers and five state operated developmental centers. While some regional center services, such as case management and diagnosis, are provided directly, most services are purchased from community providers. The department will serve an estimated 156,000 clients in 1999-00.

The budget proposes \$2.1 billion for 1999-00, an increase of 11 percent over estimated current year projections. Of this amount, \$836.4 million is from the General Fund, which is \$117.6 million or 16.4 percent over the General Fund estimate for the current

year.

MAJOR PROPOSALS

The major proposals for the Department of Developmental Services include:

Regional Centers

- ***Rate Increases for Community Care Facilities.*** The budget includes \$22.7 million to provide training and wage increases for direct care staff in community care facilities.
- ***Increase for Supported Living Services.*** The budget includes \$5.1 million to continue the supported living services increase pursuant to SB 1038 (Thompson) Chapter 1043, Statutes of 1998.
- ***Increase for Population Adjustments.*** The budget includes \$121.5 million for increased population and purchase of service costs.

Developmental Centers

- ***Increase for Staffing Levels in Developmental Centers.*** The budget includes \$19.4 million and 470 positions for the second year of the four-year plan to increase staffing levels in the developmental centers.