Agenda Item 7
07/18/12 Meeting

Edmund G. Brown Jr., Governor

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MEMORANDUM

DATE: July 12, 2012

TO: MRMIB Members

FROM: Jeanie Esajian
Deputy Director for Legislation and External Affairs

SUBJECT: MRMIB Media Report for June – July 2012

The last month was a heavy media period with coverage focusing on the following:

- State Budget action regarding the Healthy Families Program
- The U.S. Supreme Court ruling on the Affordable Care Act

During the past month, MRMIB received 11 media contacts on the two topic areas, including multiple contacts from certain media outlets. The reporters represented the following: the CHCF Center for Health Reporting (print); the Sacramento Bee (print); the Watsonville Pajaronian-Register (print); KPIX Channel 5 San Francisco (TV); Southern California Public Radio (radio); Health Leader InterStudy (print); Visalia Times-Delta (print); and La Prensa (print).

Reporters preparing for the June 28 announcement of the U.S. Supreme Court's ruling on the ACA contacted MRMIB for information on interview opportunities with subscribers of the Pre-Existing Condition Insurance Plan and with MRMIB staff in case the ruling led to the elimination of PCIP. Reporters also contacted MRMIB for informaiton on the Healthy Families Program for stories on the transition of HFP to Medi-Cal.

If you have any questions or comments regarding these articles, please feel free to contact me at (916) 324-0571 or at jesajian@mrmib.ca.gov.

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VENTURA COUNTY STAR

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Supreme Court decision on health care will impact California

By Emily Bazar
CHCF Center for Health Reporting

Saturday, June 16, 2012

When President Barack Obama's health care overhaul became law two years ago, California lawmakers jumped into action.

Within months, they adopted several state laws that implement or build on the federal measure, including one to create a state health insurance exchange and another to allow young adults up to age 26 to remain covered by their parents' health insurance policies.

Lawmakers passed even more bills related to the overhaul last year and continue to debate sweeping proposals now.

The difference this year is that the fate of those state laws, and the impact they will have on Californians, hang under what state Sen. Ed Hernandez calls a "cloud of uncertainty."

Before the end of the month, the U.S. Supreme Court is expected to rule on the constitutionality of the federal health law, called the Affordable Care Act. Among the most likely scenarios, the court may leave the law intact, overturn it completely or strike down a key provision that requires most people to purchase health insurance.

Each possibility carries different implications for California, a state that took an early and aggressive approach to implementing the federal law.

"We will have to rethink everything" if the federal law is overturned in part or whole, said Hernandez, a Democrat from West Covina and chairman of the Senate Health Committee.

"We have to reassess all of these measures. Some of them are actually contingent upon the implementation of the Affordable Care Act," he said.

Experts predict up to 3 million uninsured Californians will become eligible for health coverage starting in 2014, when the major provisions of the law kick in, such as an expansion of Medicaid eligibility.

And the Golden State, which already has received more than $1 billion in federal funding, is counting on billions more.

Should the Supreme Court undo the law's provisions or funding, some state lawmakers and consumer advocates say that Californians still will benefit from better health coverage, thanks to the new state laws. Others fear that those new requirements will raise the cost of insurance.

"It will be important for everyone in California to step back and think through how we respond in a way that will work for affordable coverage," said Patrick Johnston, CEO of the California Association of Health Plans.

The list of state bills that implement or expand on the Affordable Care Act is long, and includes:

• A law that created a state health insurance exchange where Californians will be able to buy health coverage and find out whether they qualify for subsidies.

• A law that prohibits insurance companies from denying health coverage to children with pre-existing medical conditions.

• A law that prohibits insurers from setting lifetime caps on benefits.

"There are things that millions of Californians already are benefiting from," said Richard Figueroa, director of health and human services for the California Endowment health foundation.

The Legislature is debating additional measures, such as a proposal that would prohibit insurance companies from denying coverage to anyone — not just children — regardless of pre-existing conditions.

Hernandez, who is the author of that measure and a fervent supporter of the Affordable Care Act, says he will move forward with that bill as long as the federal law stands.

At the same time, his office is scouring existing laws to determine which are tied to the fate of the federal law, and which will remain state law regardless.

Hypothetically, he said, "let's say most of those laws are invalid, we have to start all over and turn those into statutes that are not dependent on the federal government."

But could those measures come at a price to Californians?

"They cost money. There's no doubt about it when you mandate things like expanding coverage to kids or banning lifetime maximums," said Geoffrey Joyce, director of health policy at the Schaeffer Center for Health Policy and Economics at the University of Southern California.

Just who will bear that cost is up for debate.

Figueroa and Kim Belshé believe that insurers already have built into premiums the costs of the new mandates. Belshé, former secretary of the state Health and Human Services Agency, is a California Health Benefit Exchange board member.

"The insurance products being sold last year, this year and next year reflect the changes that have already occurred," she said.

But Johnston, of the health plan association, said the true effect of the state's laws on Californians' pocketbooks will hinge on the Supreme Court's decision.

He describes the critical pieces of the Affordable Care Act as a "three-legged stool" that work together to keep costs down.

One leg of the stool is the billions in federal funding for expanding coverage, he said. The second is the requirement — known as the "individual mandate" — that most people purchase health insurance. The third is called "guaranteed issue," which restricts health insurance companies from denying coverage to people for any reason, including pre-existing conditions.

If the Supreme Court strikes any one or more of them down, he said, California "can't just ignore the leg of the stool that was removed," he said.

Take the individual mandate, for example. If everyone must purchase insurance, the theory goes, insurance companies will have a large and balanced pool of customers in which risk is spread among the sick and healthy — and so is the cost.

Without the mandate, some healthy people wouldn't buy insurance, which would reduce the size of the pool and boost the price of insurance for others, he said. Plus, the state has passed laws requiring additional coverage from insurance companies, such as bans on lifetime coverage limits."The premise of the mandate is that you're spreading the cost of these kinds of improved coverage across the population. The impact on rates is not as great," said David Lansky, CEO of the Pacific Business Group on Health, a nonprofit coalition of 50 large companies that focuses on health care issues. "But if you don't have that mandate in place, the cost of the required improvement in the benefits is only being shared by those who have coverage."

Hernandez already is considering a statewide individual mandate or other measure, should the Supreme Court strike down the federal one.

But he and others caution that a state individual mandate and insurance exchange can't be successful without federal money.

"A lot of people talked about how the mandate is the heart of health reform," said Anthony Wright, executive director of Health Access California, a consumer advocacy group.

"The mandate is the cherry on top. The heart of health reform is the subsidies."

The subsidies would allow more Californians to afford coverage, he and others said.

"If those federal funds disappeared or were enjoined by the court, California would be back to the drawing board," Belshé said.

Emily Bazar is a senior writer at the California HealthCare Foundation Center for Health Reporting. Attached to the USC Annenberg School for Communication & Journalism, the center reports on health and health policy in California. It is funded by the nonpartisan California HealthCare Foundation.

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latimes.com/health/la-he-health-insurance-gamble-20120620,0,4194325.story

latimes.com

A healthcare risk he hopes he can afford

For a freelance writer, it's a Hobson's choice in reverse: Going uninsured, for now, to qualify for a federal plan that may vanish before the clock stops ticking.

By Randy Dotinga, Special to the Los Angeles Times

2:04 PM PDT, June 20, 2012

When it comes to medicine, I usually do as I'm told.

Take a pill? Sure. Blood test? Absolutely. Surgery? If you think so, Doc.

But I've been acting against medical advice since January, and I'll keep on ignoring it until July. Let me explain.

Last January, I canceled my very expensive individual health insurance coverage through California's state-run high-risk plan and became insurance-free. That means that if I get a cancer diagnosis tomorrow, I'll end up with huge medical bills.

I did this because I want to take advantage of the federal government's efforts to help people like me who have preexisting conditions and no access to a group plan, and this is the only way to become eligible.

Those two words — preexisting condition — explain why I find myself in this circumstance.

Back in 1996, when I was 27, my heart started to beat funny. The diagnosis was lone atrial fibrillation, a kind of irregular heartbeat that appeared for no apparent reason and, in my case, couldn't be fixed. Even getting "cardioverted" didn't help.

A daily beta blocker keeps my heart from pumping too fast, and my risk of any complications is low. Even so, no one will insure me on the individual market.

And since I'm single and self-employed as a freelance writer, I don't have access to guaranteed group coverage, except for a plan for artists and writers that would cost me at least $31,226 a year.

That's why, for the last few years, I have made do with the state's high-risk insurance plan. California, where I live, is one of 35 states that offer health insurance to people with preexisting conditions who otherwise wouldn't be able to get individual coverage.

But for me, access to California's high-risk plan is expensive — the preferred-provider plan would cost me $748 a month this year, close to $9,000 a year — and the coverage is thin. The annual spending limit is just $75,000, hardly enough to cover a major health crisis. And the lifetime benefit limit is a paltry $750,000.

As a result of the 2010 federal health coverage overhaul, I now have another possibility: The federal high-risk plan would cost me just $265 a month ($3,180 a year) and offers unlimited annual and lifetime benefits.

That sounds like a great deal cost-wise, and the lack of coverage limits is much better for me in the long run if I get diagnosed with an expensive disease. But there's a rub: I'm not eligible for the federal plan unless I go six months without any coverage at all.

So that's just what I decided to do. To me, the prospect of affordable and unlimited coverage is worth the risk of going without coverage for the allotted time.

"You're responding in an understandable way," said Harold Pollack, a University of Chicago professor who studies healthcare. "Any program that requires people to be actively uninsured creates a very paradoxical and painful set of incentives and encourages people to do what you're doing."

But I'm taking a major risk by going without insurance for so long. This would be the absolute wrong time to get hit by the proverbial bus. Or, as happened a few weeks ago, hear a dermatologist ask, "Have you had that looked at?" while I lounge at a hotel pool. (Don't worry. I'd previously had it looked at, and it's nothing to worry about.)

My decision to go coverage-free did not go over well up in Sacramento when I mentioned it to staffers at the California Managed Risk Medical Insurance Board, which oversees the state and federal high-risk plans here.

A spokeswoman told me that the agency wouldn't cooperate with me on this story if I planned to embolden other people to make the same decision. Janette Casillas, the agency's executive director, put it this way: Going without insurance in order to get insurance "is not something that we would encourage."

The federal government could change everything by getting rid of that six-months-without-coverage rule. But if it did, it would need to find another way to limit coverage for high-risk patients so it doesn't cost more than the budgeted amount, Pollack said.

"They'd have to have some other rationing requirement that would also create problems, since it's such a small program for such a huge need," he said. "Almost every deficit of this program comes down to the fact that Congress has not appropriated enough money to meet the need that is there."

Even if I do land in the federal high-risk plan as of July 1 — if space is available — it's not a long-term fix for me or anyone else. The good news, for me at least: In 2014, the federal health law is scheduled to take full effect, including provisions that protect consumers who have preexisting conditions from being denied coverage. The high-risk pool coverage won't be needed anymore.

But what if the Supreme Court nixes the healthcare law? What happens next? Is it possible that funding for the federal program might disappear before 2014?

Sandy Praeger, commissioner of the Kansas Insurance Department, thinks funding for the federal high-risk pools will vanish if the Supreme Court entirely overturns healthcare reform.

In Kansas, she said, the federal high-risk plan serves about 400 people, some of whom are quite ill. But it's pricey. For each $1 in premiums in Kansas, she said, the program pays out $10 in claims.

For now, state insurance officials nationwide are making contingency plans for what they'll do if the federal high-risk plan disappears, said Amie Goldman, who oversees Wisconsin's high-risk plans.

In Wisconsin, she said, officials have already decided that residents who lose the federal coverage will be able to join the state high-risk plan and retain continuous coverage. "We wanted to be ready because we know people are going to call immediately and be very concerned. We have a lot of people who are relying on this coverage for sometimes-lifesaving treatments. We have nine people in our [federal plan] who have been approved and are on waiting lists for transplants."

Ultimately, she said, the future of the high-risk programs in Wisconsin will depend on the Supreme Court opinion and, if necessary, on legal analysis regarding the breaking of insurance-related contracts that are already in place.

Here in California, my health insurance future is uncertain. If the health law is overturned, I may have no choice but to go back to paying about $9,000 a year for California's paltry high-risk plan.

There's one tiny bit of good news. A state legislator is pushing a bill to eliminate the annual and lifetime benefit caps from

California's high-risk plan, which is known by the adorable term "Mr. Mip." (That stands for MRMIP, or Major Risk Medical Insurance Program). The bill's chances may not be adorable. It would require more state spending, after all.

For now, I'm just hoping nothing goes wrong until I get insurance again.

Dotinga writes for Kaiser Health News, an editorially independent news service and a program of the Kaiser Family Foundation, a nonpartisan healthcare policy research organization. Neither Kaiser Health News nor the foundation is affiliated with Kaiser Permanente.

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U-T San Diego

State providers preparing to comply with Affordable Care Act

By Janet Lavelle

Thursday, June 28, 2012

After months of high-octane waiting, California's health-care providers, insurers and state officials say Thursday's Supreme Court ruling upholding the Affordable Care Act finally gives them the signal to fully implement the law.

The individual insurance mandate that was the heart of the court challenge will start in 2014, expanding coverage to about 5 million Californians who now don't have any health coverage.

About half will get coverage through Medicaid — called Medi-Cal in California — in an expansion aimed at people with incomes just above the federal poverty line or below.

And about half will get coverage through a state-run exchange where businesses and middle-income individuals can comparison shop and buy insurance at group rates with federal subsidies for those who need help with the premiums.

California has so far spent $40 million in federal funds on its nascent Health Benefit Exchange and applied Wednesday for $196 million to develop its online enrollment system, said exchange executive director Peter V. Lee.

"We want that shopping experience to be as easy as buying a book on Amazon," Lee said. "We are moving full-speed ahead to expand options that will make affordable care available to more than 5 million Californians currently without insurance."

James Hay, an Encinitas physician and president of the California Medical Association, said his group supports much of the law but sounded a warning note.

"Providing insurance doesn't mean you're providing access to a doctor," he said. The country already faces a growing physician shortage, and the law does not address Medicare and Medicaid payments low enough to discourage some doctors from seeing those patients, he said.

The law does provide some valuable financial incentives and loan-forgiveness programs for new doctors to practice in rural and underserved areas, he noted. But reimbursements also need to be raised, Hay said. "Clearly, we need more doctors, especially primary care doctors," he said.

While that's a concern, community clinics are ramping up staffing plans to handle the influx of Medi-Cal patients, said Gary Rotto, spokesman for the Council of Community Clinics in San Diego. Clinics will use teams of nurses, nurse practitioners, case managers, and others in addition to the physician to provide care, he said.

The federal government has spent $1.9 billion to expand community clinics nationwide, plus $512 million to train doctors, physician assistants and nurse practitioners.

The court's ruling "reassures us that the significant amount of time and resources we've spent and the planning we've done has been worth it," Rotto said.

The court's decision upholding the individual insurance mandate resolves the law's most contentious issue. And with that mandate expanding the pool of healthy policyholders, insurers said Thursday they expect to be able to fulfill another mandate — that starting in 2014, they must cover adults with pre-existing medical conditions and do it without charging them higher rates.

That was great news for Beth Ann Levendoski, 57, who has suffered with a degenerative spinal condition since she was 17. The court's decision "will change my life," said Levendoski, who lives in San Carlos. "For 40 years I was dropped and denied insurance because of my pre-existing condition. For the first time in my adult life I will be able to shop for health insurance. I won't have to worry about being under a mountain of debt and I won't have to hide things from my employer."

The ruling got mixed reviews among some people without insurance, however.

University of San Diego student Matthew Donnellan, 24, resents being told to buy insurance. Donnellan is state chairman of the California College Republicans and works as a consultant on political campaigns.

"I've chosen not to buy insurance," he said. "I'm healthy, eat well and exercise. I may well get insurance as I get older but, quite frankly, I want the choice. It's my money, and I don't think the federal government should decide how I spend it."

In contrast, Brittany Bailey said she worries about not having health insurance now that she's just graduated from UC San Diego and her job with a property management company doesn't offer it.

"In the last year or so it's been on my mind a lot," she said. Bailey, 26, grew up in a family without insurance and understands people who oppose a mandate but disagrees.

"I understand that it's infuriating for the government to tell you what to do, but it's certainly not novel," she said. "And if people are forced to buy insurance then they're going to be forced to take responsibility for their own health."

Businesses with more than 50 employees also face a mandate in 2014 to provide insurance to employees or face a $2,000 penalty.

"The smaller the company, the harder it is to pay for insurance. So for those, it may be much easier to tell employees to go to the exchange," said Linda Keller, vice president of Intercare Insurance Solutions, a commercial insurance brokerage in San Diego. But after calculating the full costs, including the need to attract top employees, many companies will decide to provide insurance but try to keep the premiums down by encouraging healthy lifestyles, she said.

"Companies are going to have to focuos more on controlling health care costs and they haven't really done that before," she said.

latimes.com/news/local/la-me-state-budget-20120622,0,1663653.story

latimes.com

Jerry Brown, Democratic legislative leaders reach budget deal

The agreement calls for reductions in welfare rolls and cuts in other social services but leaves education relatively untouched.

By Chris Megerian, Los Angeles Times

5:27 PM PDT, June 21, 2012

SACRAMENTO — Gov. Jerry Brown and Democratic legislative leaders have reached an agreement to reduce California's welfare rolls and cut back other social service funding, a deal that enables them to enact a state budget on time and focus on persuading voters to authorize tax hikes in November.

The agreement announced Thursday averts a potential showdown between Brown and members of his own party, who sought to soften some of his demands for steep cuts. It also paves the way for the governor to sign the budget lawmakers passed last Friday.

Democratic leaders and Brown spent this week negotiating their lingering disagreements, and agreed to split the difference on various budget-cutting proposals.

For example, the deal calls for stricter work requirements and tighter time limits for welfare recipients, as Brown wanted. But monthly checks would not be reduced, and there could be exemptions made for those close to finishing job training programs.

"This agreement strongly positions the state to withstand the economic challenges and uncertainties ahead," Brown said in a statement. "We have restructured and downsized our prison system, moved government closer to the people, made billions in difficult cuts and now the Legislature is poised to make even more difficult cuts and permanently reform welfare."

The final spending plan will probably be slightly smaller than the $92.1-billion budget approved by the Legislature last week. But even with a final deal in place, the state budget faces hurdles.

The spending plan hinges on voters approving more than $8 billion in tax increases. Brown's initiative, which qualified for the November ballot Wednesday, would raise the state sales tax by one-quarter of a cent for four years and hike income taxes on California's wealthiest residents by one to three percentage points for seven years.

If voters reject the taxes, billions of dollars would be cut from California schools, and the academic year could be shortened by three weeks.

The nonpartisan legislative analyst's office also has cast doubt on calculations involving property tax money that once funded community redevelopment agencies, which are being dissolved this year. The office said there probably would be much less money available than Brown and lawmakers are counting on to help plug the state's $15.7-billion deficit.

The budget also assumes California will rake in $1.9 billion in tax revenue related to Facebook's public offering. But that calculation is based on a $35 share price, and the stock stood at just under $32 per share as of Thursday. Overall stock market fluctuations could lead to multibillion-dollar swings in California tax revenue.

Passing the budget last week, without a single Republican vote, allowed lawmakers to meet a June 15 constitutional deadline and continue receiving their paychecks. However, several critical issues — welfare, child care, college scholarships and healthcare — remained unresolved until Thursday's announcement.

"In each of these areas we were able to find a middle ground with the governor that we believe minimizes the impact on people in need, while at the same time assures significant ongoing savings," Senate President Pro Tem Darrell Steinberg (D-Sacramento) told reporters.

Democratic lawmakers ceded to Brown's proposal to eliminate the Healthy Families program, which provides health insurance to almost 900,000 poor children. Under the compromise, children will be shifted into Medi-Cal over the course of a year.

To assuage concerns that it will be harder to find healthcare in the Medi-Cal program, administration officials guaranteed that there would not be a gap in coverage for any child.

However, healthcare advocates blasted the decision.

"What the governor has proposed will undoubtedly ensure that those kids now have a harder time getting access to care," James Hay, president of the California Medical Assn., said in a statement.

Funding for state-supported child care would be cut 8.7%, more than the 5% Democratic lawmakers had wanted. The budget also calls for stricter standards for Cal Grants, the state's college scholarship program. Newly awarded Cal Grants would be valid only at colleges that graduate a sufficient number of their students.

Modifications to the budget passed last week are expected to be vetted during a committee hearing Monday and voted on by the full Legislature Tuesday.

Brown's office did not say when he would sign the budget. But Thursday's deal meant an end is in sight for a process marked in previous years by delays and drama.

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latimes.com

Key provisions of the state budget agreement

Spending on welfare, child care, home care, Medi-Cal, prisons, courts and state employees would be reduced. For now, education is relatively untouched.

5:32 PM PDT, June 21, 2012

Gov. Jerry Brown and top Democratic lawmakers announced Thursday that they had reached a deal on state spending. Here are some key elements of the budget agreement:

Social services

Spending on welfare, child care and home care for the elderly and disabled would be reduced. There would be stricter requirements and time limits placed on welfare recipients, but those close to finishing job-training programs could get exemptions. Monthly welfare checks would not be reduced. State-supported child care would be sliced 8.7%. In-Home Supportive Services, which allow some elderly and disabled residents to avoid being moved into nursing homes, would be reduced by about $90 million. That cut means beneficiaries would receive 3.6% fewer hours of care.

Health programs

The budget includes more than $1 billion in cuts to Medi-Cal — the insurance program for the poor — and other state health programs. The bulk of the savings, $663 million, would come from a plan to move 1.4 million low-income seniors and people with disabilities who receive benefits from both Medicare and Medi-Cal into managed care. The budget also is banking on an improving economy to lower the state's healthcare costs. It assumes hundreds of thousands of people will go off Medi-Cal as they or family members return to work. Since 2008, Medi-Cal rolls have swelled to nearly 8 million people, up from about 6 million before the recession began. The budget also includes about $88 million in reduced reimbursements to private hospitals and nursing homes. Although the federal government has rejected most of the Brown administration's requests to have the poor pay a share of their healthcare costs, the budget does include patient co-pays for a few services, including non-emergency visits to an emergency room and certain prescription drugs. It also calls for poor patients with AIDS to pay more for their medication. Lastly, the budget phases out the Healthy Families program for children, shifting them into Medi-Cal.

Prisons and courts

To save billions over the next few years, officials want to close a prison, end contracts with private out-of-state facilities and cancel some construction projects. They also plan to shift staff to reduce costs, hold inmates in less expensive housing and continue sending low-level offenders to county jails instead of state prisons.

As for the state court system, the budget would slice $300 million from the trial courts. Up to 38 construction projects would be halted because of an additional $240 million in cuts. California Supreme Court Chief Justice Tani Cantil-Sakauye has said the cuts could lead to more courtroom closures, depriving residents of access to the judicial system.

State workers

The budget aims to cut compensation for 182,000 state workers by 5%, saving $402 million. That includes nurses, engineers, administrative workers and Highway Patrol officers. Brown has pledged to negotiate the cuts with public employee unions, and so far has reached agreements with six of the 21 bargaining units that represent state workers.

Education

The governor and lawmakers have opted to leave the financial fate of the state's public schools, community colleges and universities in the hands of voters. Brown hopes to place an initiative on the November ballot that would hike sales taxes and upper-income taxes. The measure would raise $8 billion in the next budget year, according to administration figures, and leave schools relatively untouched by this year's budget ax. If those taxes are rejected, a series of trigger cuts would go into effect, including a $5.5-billion reduction to public schools and community colleges. The trigger cuts include $250-million reductions each to the California State University and University of California systems. Education leaders say tuition increases would be likely if Brown's initiative were rejected. Lawmakers also have proposed eliminating dozens of earmarks for specific programs within the state's public K-12 system, deciding instead to send block grants from Sacramento.

State parks

To prevent dozens of state parks from closing July 1, lawmakers shifted money within the budget to keep natural and historic sites open to the public. The budget would increase park funding by tapping federal funds for water improvements and motor vehicle registration fees. It also encourages the state to collect entrance fees at more parks and seek additional contracts with private companies to operate things like concession stands.

— *Chris Megerian and Anthony York*

Advocates angered by Healthy Families elimination

Posted By Dan On June 21, 2012 @ 2:44 pm In Associated Press,California Health Report | 3 Comments

By Daniel Weintraub
California Health Report

Advocates for California children were outraged Thursday when Democrats in the Legislature disclosed that they had accepted Gov. Jerry Brown's proposal to eliminate the Healthy Families insurance program next year.

Brown included the proposal in his January budget, but until Thursday Democrats had resisted it. The agreement between legislative leaders and the governor calls for the program to be phased out during 2013.

Most of the nearly 900,000 children in the program will eventually be served by Medi-Cal, the state's larger and better known subsidized health insurance program.

But advocates say Healthy Families is a better deal for low-income families, and many children might fall through the cracks as the state makes the transition.

Medi-Cal and Healthy Families are both joint state and federal programs offered to low-income families, but they serve different populations in different ways.

Medi-Cal serves adults and children from families at or below the poverty level. Some of those children get their care through managed care plans and others see doctors or go to hospitals that are reimbursed from a fee schedule set by the state. Families are not required to pay any premiums for their coverage.

Healthy Families is aimed at children up to 19 years old in families that don't qualify for Medi-Cal and have incomes up to 250 percent of the poverty level, or about $46,000 for a family of three. Families are given private insurance and pay premiums on a sliding scale, according to their income.

For Medi-Cal, the federal government matches California's spending with roughly a dollar for every dollar the state spends. For Healthy Families, the federal government provides $2 for each dollar the state spends.

Because Medi-Cal rates are lower than what the state pays in the Healthy Families program, Brown was hoping to save about $64 million next year by cutting rates paid to the managed care plans under Healthy Families in October and then shifting all of the children into Medi-Cal by the middle of 2013.

But one potential problem with the governor's proposal is that the managed care plans serving Healthy Families children now might not agree to a 25 percent reduction in their fees that Brown is counting on. That would leave those children without coverage until they could be transitioned into Medi-Cal.

But even once the affected kids are shifted to Medi-Cal, there might not be enough doctors to serve them. In many counties without managed care where Medi-Cal clients see individual doctors on a fee-for-service basis, there is already a shortage of participating doctors, which makes it difficult for people to get an appointment. Adding still more potential patients to that program could overwhelm it.

"The Governor and legislative leaders have struck a short-sighted deal that unnecessarily puts the health of California children at risk," Wendy Lazarus, Founder and Co-President of The Children's Partnership, said in a statement. "While we understand that hard budget choices had to be made, those choices should not fall on the backs of our children and their ability to get the care they need to stay healthy and succeed in life."

Peter Manzo, Presidenta nd CEO of United Ways of California, said the governor and lawmakers were "experimenting" with the health of nearly 900,000 children.

"Shifting all of those
children out of a popular, successful program, with no guarantee that guarantee that they'll actually
have access to providers, is an unprecedented and reckless move."

A coalition of children's advocates had proposed an alternative that would have shifted from Healthy Families only those children who are already due to be placed into Medi-Cal in January 2014 as part of the federal health reform.

Among a series of budget cuts to help California Gov. Jerry Brown close that state's budget deficit is a cut to a health care program for 880,000 low-income kids, who will be shifted to Medi-Cal after the state shutters its "Healthy Families" program.

The Associated Press: California's Budget Deal Cuts Welfare, Health Care
California will close its projected $15.7 billion budget deficit by restructuring the state's welfare program, streamlining health insurance for low-income children, and reducing child care coverage and college aid, as part of a deal Gov. Jerry Brown and Democratic leaders announced Thursday. The governor and lawmakers provided only broad outlines of the cuts and few hard dollar figures, but Brown said the deal met his demand for permanent welfare reform and is enough that he now is willing to sign the main budget bill Democratic legislators sent him last week (Lin, 6/22).

Los Angeles Times: Key Provisions Of The State Budget Agreement
Spending on welfare, child care, home care, Medi-Cal, prisons, courts and state employees would be reduced. For now, education is relatively untouched (6/21).

Bay Area News Group/San Jose Mercury: Democrats, Gov. Jerry Brown Arrive At California Budget Deal
Setting the stage for a tough campaign to raise taxes, Democrats and Gov. Jerry Brown on Thursday announced a budget deal with "more difficult cuts," squeezing another $1 billion from the state's safety-net for the poor. Most welfare-to-work recipients will get cut off state assistance after two years -- instead of four -- if they are not meeting tough federal work requirements. And the state will eliminate the Healthy Families medical program that serves low-income children. Instead, nearly 1 million youths will be shifted over the next three years to Medi-Cal to help close a $15.7 billion deficit and eliminate future shortfalls with the permanent changes to safety-net programs (Harmon, 6/21).

Sacramento Bee: Gov. Jerry Brown, Democratic Leaders Agree On Welfare Changes In California Budget
One of the deal's biggest surprises was that Democrats agreed to shift all 880,000 lower-income children in the Healthy Families program to Medi-Cal. Healthy Families serves otherwise uninsured children whose parents earn above the federal threshold for poverty. Children's advocates consider Healthy Families a higher quality program, in part because it pays providers better rates. Democrats last week agreed to shift only 187,000 children barely above poverty to Medi-Cal because the federal health care overhaul requires them to move by 2014. But Brown wanted to dissolve Healthy Families and move the entire population to Medi-Cal. The governor argued that it would be more efficient to serve all children in one program. Most health care advocates voiced opposition because they said the change would reduce access for Healthy Families children and force many to leave their current pediatricians (Yamamura, 6/22).

California Healthline: Heat Over Healthy Families Compromise Plan
Yesterday's state budget compromise between legislative leaders and the governor includes a provision that 880,000 children in the Healthy Families program will complete the shift to Medi-Cal managed care within a year, beginning Jan. 1. State officials, who had been using an enrollment figure of 875,000, now say the Healthy Families programs serves 880,000 California children. ... According to state officials, the new deal provides a more gradual transition than the original plan by the governor -- the new transition will go over one year, instead of nine months, as the governor proposed. [One health care advocate] said the plan basically experiments with children's lives (Gorn, 6/22).

HealthyCal: Advocates Angered By Healthy Families Elimination
Advocates for California children were outraged Thursday when Democrats in the Legislature disclosed that they had accepted Gov. Jerry Brown's proposal to eliminate the Healthy Families insurance program next year. ... Most of the nearly 900,000 children in the program will eventually be served by Medi-Cal, the state's larger and better known subsidized health insurance program. But advocates say Healthy Families is a better deal for low-income families, and many children might fall through the cracks as the state makes the transition (Weintraub, 6/21).

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Budget Cuts Threaten Health Care Access to California's Kids

New America Media, Commentary, Mike Odeh, Jun 22, 2012
No Comments

Gov. Jerry Brown's announcement to eliminate the Healthy Families program and move kids enrolled in it to Med-Cal will deny hundreds of thousands of them health care access.

Yesterday, Governor Jerry Brown and legislative leaders announced a budget deal that unnecessarily jeopardizes the health of California's children. The deal includes the administration's original proposal to eliminate the Healthy Families Program, and shift nearly 900,000 childrenenrolled in it to Medi-Cal next year.

Given the state's fiscal climate and sluggish economy, it's clear that policymakers need to make difficult budget choices. But it is short-sighted to shift all of those children out of a popular and successful program, with no guarantee that they'll actually be able to access the care they need in their new coverage. Finding timely medical care will especially be a challenge for children in rural areas, more so if they speak languages other than English. Getting dental care will be even more difficult.

It has long been a challenge to ensure that all children in Medi-Cal find an appropriate primary care provider or a specialist in their area and get an appointment in a timely fashion.So what will happen when hundreds of thousands of additional children also try to access the same care and providers?

As a state, we should be improving health coverage for the 4.5 million California children who currently rely on Medi-Cal and Healthy Families, not put them at risk by balancing the budget on their backs. Make no mistake. Such strategies will only create wider budget gaps in the future if kids aren't able to get the preventive care they need to stay healthy and succeed in life.

That's why health care providers and consumer advocates are extremely disappointed in this unprecedented and reckless budget decision. We think there are better choices that don't risk children's health: A coalition of more than 40 organizations have endorsed an alternative proposal that would have transitioned a smaller group of children and provided strong protections and safeguards to improve children's access to care.

California needs to get its priorities straight. We should be putting children first and finding "pro-kid" budget solutions that invest in our children and their future.

Mike Odeh is a health policy advocate at Children Now in Oakland, Calif.

Photo from New America Media.

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June 22, 2012 - Capitol Desk

Heat Over Healthy Families Compromise Plan

by David Gorn

Yesterday's state budget compromise between legislative leaders and the governor includes a provision that 880,000 children in the Healthy Families program will complete the shift to Medi-Cal managed care within a year, beginning Jan. 1. State officials, who had been using an enrollment figure of 875,000, now say the Healthy Families programs serves 880,000 California children.

The timing of the shift ticks off Suzie Shupe, executive director of California Coverage and Health Initiatives (formerly known as the Children's Health Initiative).

"We are really outraged over this deal that was struck," Shupe said. "Despite both houses of the Legislature supporting the notion of transitioning just the bright-line kids, I can't believe they decided to eliminate a popular and successful program in one fell swoop like this."

According to state officials, the new deal provides a more gradual transition than the original plan by the governor -- the new transition will go over one year, instead of nine months, as the governor proposed.

Shupe said the plan basically experiments with children's lives.

"Medi-Cal already has significant access problems that have yet to be addressed," Shupe said. "So putting so many additional children into that program is just inviting serious problems for those kids."

Shupe and other advocates had pushed for the state to start the transition with roughly 200,000 "bright line" children -- beneficiaries who are at or below 133% of federal poverty level -- and then evaluate that process before expanding the program to the other Healthy Families children.

"When you put 875,000 children into that already-strained system all at once, it's a real impact for these children," Shupe said. "It's a big strain on the system, and it'll impact children."

Still up in the air with the new plan is the status of the managed care organization tax extension, which is due to sunset in July. Managed care insurers in California pay the state a tax of 2.35% on premiums. Reauthorization of the tax would take an urgency measure, which means two-thirds approval by the Legislature. Republicans have said they won't back the extension if Healthy Families is eliminated. That tax is estimated to bring in about $400 million over the next two years in federal matching money.

The state plan estimates overall savings of $13 million the first year by moving Healthy Families children to Medi-Cal managed care plans.

The transition will need CMS approval, and state officials said they were uncertain whether that would come in the form of a waiver or a state plan amendment (SPA).

Toby Douglas, director of the Department of Health Care Services, issued a written statement yesterday:

"This compromise ensures high quality care for Healthy Families children under one program, Medi-Cal. We will provide a coordinated, efficient and consumer-friendly delivery system with a wider array of health care benefits than is currently available under Healthy Families. Nearly all of the managed care plans in the Healthy Families network also contract with Medi-Cal, meaning most children will be able to keep their current plan and health care providers. This is an important step toward solving the state's budget crisis,

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June 28, 2012 - Capitol Desk

Health Programs Take a Hit in Legislature

by Mari Edlin (Guest Contributor)

The California Legislature yesterday passed two budget trailer bills calling for relatively rapid changes in California's Healthy Families program.

Although many organizations and health advocates opposed the two bills, most Democratic legislators voted for them. The bills call for a four-phase, one-year transition of enrollees in the Healthy Families Program to Medi-Cal managed care plans. Children's health advocates lobbied unsuccessfully for a slower transition.

The Healthy Families changes are part of the state's plan to cut more than $1 billion from health related programs to pare down a $15.7 billion deficit.

Consumer health advocates expressed frustration over jeopardizing children's health coverage in order to balance the budget.

"Our health system in California has taken a wallop," said Anthony Wright, executive director of Health Access California, a statewide health care consumer advocacy coalition. "The cut to Healthy Families was not wise or appropriate and might not even save money in the long run." While Wright recognizes the constraints on the budget, he points a finger at Republicans who are not supporting tax increases.

At the root of the debate are growing pressure on Medi-Cal, which already provides health care services to 4.5 million children, and concerns that there will not be an adequate number of providers to treat the influx of new Medi-Cal members.

The bills call for all 880,000 Healthy Families children to shift to Medi-Cal coverage within a year, starting Jan. 1. State officials estimate the move will save the state about $13 million in general fund savings in 2012-2013 and $58 and $73 million during the following two years, respectively.

Wendy Lazarus, founder and co-president of The Children's Partnership, a bipartisan, non-profit organization, said it is difficult to understand the logic in closing down a "highly successful" health program at the expense of sacrificing $200 million from the Managed Care Organization Assessment – a tax that might expire this month.

"Now it's up to our governor and legislative leaders to follow through on what they pledged to kids -- making sure not a single child is transferred from Healthy Families into Medi-Cal until there is an appropriate provider for that child nearby," she said.

Sixty four organizations signed a letter to the governor and Legislature opposing the Healthy Families transition, citing a lack of access as a major sore spot.

While Healthy Families cost much less to administer than Medi-Cal

($50 per recipient compared to $395 for Medi-Cal enrollees) and reimburses providers at a higher rate, bill supporters emphasized that there is no waiting list for Medi-Cal and that it covers children until age 21, compared to 18 in Hrealthy Families.

Sen. Mark Leno (D-San Francisco), who presented the Senate trailer bill on the Senate floor, assured his colleagues that a transition to Medi-Cal would not start until "there is a certainty of adequate medical services; otherwise, we keep children in Healthy Families."

creating a better experience for beneficiaries, and laying important groundwork for health care reform in 2014."

THE SACRAMENTO BEE sacbee.com

Don't eliminate Healthy Families program

Published Saturday, Jun. 23, 2012

Re "Brown merges health plans, takes big risk" (Editorials, June 22): The governor's budget deal to eliminate the Healthy Families program is disastrous for California's children.

The Medi-Cal program already has serious problems providing care for its enrollees. The deal struck is bad policy for California and will endanger the health of as many as 4.5 million children -- those already on Medi-Cal and the children on Healthy Families.

The editorial was right - from a budget standpoint this deal is flawed. It would save $17 million in year one but jeopardize federal funds of nearly $200 million per year. How does this math help the state's bottom line? This is unsound policy and makes no budget sense for California.

Our leaders in Sacramento need to rethink this deal and protect our children. The Legislature and the governor need to remove the Healthy Families elimination and transfer plan from the budget deal.

-- Suzie Shupe, Sacramento, executive director of California Coverage & Health Initiatives

He stressed the importance of readiness and preparation as key to the bill's success, adding that the legislature will monitor the transition monthly and make adjustments as needed.

Sen. Anthony Cannella (R-Ceres), an opponent the budget trailer bill, acknowledged that children might "technically" have an opportunity to see a physician under Medi-Cal but if they are not seen, they will not receive proper care. "Medi-Cal is overworked and understaffed and provides low reimbursement (15% to 20% less than in Healthy Families) to providers," he said.

Sen. Elaine Alquist (D-Santa Clara) who supported the bill, concurred that one of the biggest barriers is whether there will be sufficient providers to serve the new Medi-Cal members. "We need to conduct due diligence to ensure the transition is done correctly," she said, emphasizing Leno's earlier remarks.

Assembly members had much the same reactions as their colleagues in the Senate.

"There must be other ways to save money than transferring children to an inferior program (Medi-Cal)," said Sen. Tony Strickland (R-Thousand Oaks).

"If we need $13 million to support Healthy Families, we'll find it," said an adamant Assembly member Sandré Swanson (D-Oakland), one of the few Democrats to oppose the Assembly trailer bill.

"It's a problem of revenue, not one of spending," said Assembly member Gilbert Cedilla (D-Los Angeles).

(*David Gorn is on vacation.*)

THE SACRAMENTO BEE sacbee.com

Healthy Families cuts disproportionately affect Latinos

Published Thursday, Jun. 28, 2012

Re "Brown merges health plans, takes big risk" (Editorials, June 23): The last minute deal made behind closed doors between the governor and legislative leadership to eliminate the Healthy Families program in no way supports the will of the Legislature or the mass coalition of providers and children's advocates who strongly oppose it.

Shifting 900,000 children into Medi-Cal will flood existing provider networks unnecessarily, putting children, specifically Latinos, at risk. Nearly 50 percent of Healthy Families children are Latino. This shift would impact more than 400,000 Latino families across California, with greater impacts in areas such as Los Angeles with 82 percent (about 165,000) Latino children in the program.

Since Latino legislators spearheaded the creation of the program and the disproportionate impact this would have on their communities, there is hope that California's children might rely on their support and strength to protect Healthy Families and the nearly million children that rely on it.

-- Serena Kirk, Sacramento, Senior Policy Associate, Children's Defense Fund