



California Dialysis Council

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NEWS UPDATE

State Finances in Crisis - ESRD Benefits Targeted for Cuts

The State of California currently faces a \$21 plus billion budget deficit for the 2009-2010 fiscal year. In addition, the State is in a critical cash flow situation and is expected to run out of money to pay any bills during the first part of July. Thus, the Governor the Chief Legislative Analyst, the Financial Advisor the Legislature, have both produced a series of recommendations for cost cutting measures which are recommended for immediate ado by the Legislature.

A ten person Budget Conference Committee has been appointed by the Legislature. The Conference Committee has been holding hearings this week o proposals developed by the Governor, the LAO (Legislative Analyst's Office) and other parties

Unfortunately, some of the proposals which have been presented to the Legislature have not been fully explained. We have attached a series of 25 recommendations recently produced by the Department of Finance (DOF). The DOF is the Governor's fiscal office. As you will note, Item 11 in this list refers to the elimination of optional benefits provided to Medi-Cal beneficiaries. Optional benefits are those benefits which are not mandated the Federal Medicaid Law (Title XIX). One of the over 30 optional benefits is treatment f end state renal disease (ESRD).

The Governor's proposal reads as follows:

"Medi-Cal - Eliminating Certain State Only Programs-- Services include: Undocumented non-emergency services (breast and cervical cancer treatment and postpartum care, and excluding prenatal and long term care), Institutions for Mental Disease ancillary services payments, dialysis, non-digestive nutrition, and breast and cervical cancer treatment for women over 65, and men." (Emphasis added)

Since dialysis treatment for ESRD is an "optional benefit" under the Medicaid program, it appears that the Governor is proposing to eliminate this benefit for "Medi- Cal only" beneficiaries.

The "Medi-Cal only" reference is to patients who do not qualify for Medicare. We understand that "Medi-Cal only" beneficiaries constitute approximately 10% of the dialysis population in California.

We testified at the Budget Conference Committee hearing held Tuesday, May 26th on the Governor's proposed health care cuts. We made it clear to the committee members, on behalf of the California Dialysis Council, that elimination of dialysis services for ESRD patients who are "Medi-Cal only" would be devastating to patients and ultimately more expensive for the State. If patients do not qualify for dialysis in the clinic setting, they will simply present at hospital emergency rooms to obtain treatment in a much more costly setting. Our comments were referenced in the attached article from the Los Angeles Times.

We are happy to report that after our comments to the Budget Conference Committee, the Chair of the committee, Assembly Member Noreen Evans, noted that her father is on dialysis and that she understands the importance of dialysis as a service for those suffering from ESRD.

We continue to discuss these matters with representatives of the Legislature and the Administration. We shall continue to be fully engaged in these issues on behalf of CDC members and the patients we serve. We shall keep the CDC membership apprised as the situation changes here in Sacramento.

2009-10 MAY REVISION

Workload Budget (estimated on May 26, 2009)

(Dollars in Millions)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11*</u>
Prior Year Balance	\$2,308	-\$6,270	-\$18,208
Revenues and Transfers	<u>\$85,946</u>	<u>\$88,805</u>	<u>\$90,656</u>
Total Resources Available	\$88,254	\$82,535	\$72,448
Non-Proposition 98 Expenditures	\$59,216	\$60,397	\$67,438
Proposition 98 Expenditures	<u>\$35,308</u>	<u>\$40,345</u>	<u>\$40,443</u>
Total Expenditures	\$94,524	\$100,742	\$107,881
Fund Balance	-\$6,270	-\$18,208	-\$35,433
Budget Reserves:			
Reserve for Liquidation of Encumbrances	\$1,079	\$1,079	\$1,079
Special Fund for Economic Uncertainties	-\$7,349	-\$19,286	-\$36,511

* Preliminary

2009-10 MAY REVISION
With all Proposed Solutions
Including Solutions to Backfill RAWs
(Dollars in Millions)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11*</u>
Prior Year Balance	\$2,308	-\$3,146	\$3,168
Revenues and Transfers	<u>\$85,946</u>	<u>\$92,218</u>	<u>\$90,993</u>
Total Resources Available	\$88,254	\$89,072	\$94,161
Non-Proposition 98 Expenditures	\$57,708	\$49,252	\$55,262
Proposition 98 Expenditures	<u>\$33,691</u>	<u>\$36,652</u>	<u>\$36,428</u>
Total Expenditures	\$91,399	\$85,904	\$91,690
Fund Balance	-\$3,146	\$3,168	\$2,471
Budget Reserves:			
Reserve for Liquidation of Encumbrances	\$1,079	\$1,079	\$1,079
Special Fund for Economic Uncertainties	-\$4,225	\$2,090	\$1,392

* Preliminary

Additional General Fund Reduction Proposals for 2009-10 May Revision

(Dollars in Millions)

#	Title and Short Description	Impact on GF Reserve		
		2008-09 and Prior	2009-10	2010-11
1	Rural Health Care Equity Program - Eliminate funding for certain health care reimbursements currently provided to state employees who do not have access to health maintenance organizations.	\$0.0	\$15.7	\$15.7
2	Furloughs - Assume savings if the proposed labor agreements with Service Employees International Union Local 1000 are not ratified by the Legislature and a 2-day furlough is maintained for all employees.	60.0	150.0	0.0
3	CaIPERS PPO - Surplus reserves in PPO will fund a premium holiday for 2 months	0.0	100.0	0.0
4	Reduce UC and CSU Budgets --This option further reduces the segments to the Federal State Fiscal Stabilization Fund maintenance of effort level.	415.0	335.0	335.0
5	Phase out Calgrants --This eliminates new awards for the High School Entitlement and Community College Transfer Entitlement programs and CalGrant C program. The amount is the net remaining cost of new CalGrant awards after previous cost containment measures, including proposals to eliminate new awards for the CalGrant Competitive program and lower costs of other new awards for UC, CSU and private colleges.	0.0	173.0	450.0
6	Complete Decoupling of Cal Grant Renewals --This eliminates the increase in award amounts for renewals associated with UC and CSU fee increases. The amount is net of the Partial Decoupling proposal included in the Governor's Budget.	0.0	28.0	28.0
7	Eliminate Funding for Hastings College of Law --Reduces to the minimum level prescribed in statute (EC 92212) without having to pay back to the heirs of S.C. Hastings, with accumulated interest, the original \$100,000 bequest.	0.0	10.3	10.3

Additional General Fund Reduction Proposals for 2009-10 May Revision

(Dollars in Millions)

#	Title and Short Description	Impact on GF Reserve		
		2008-09 and Prior	2009-10	2010-11
8	Eliminate funding for CALFIRE Equipment Replacement --One time elimination of funding for equipment replacement.	0.0	17.0	0.0
9	Eliminate General Fund funding for State Parks --Eliminate all General Fund support and require department to operate on fee revenue and special funding.	0.0	70.0	143.4
10	Special Projects --Eliminate the Multipurpose Senior Services Program and Community-Based Service programs. Funding for Adult Day Health Care will continue in support of the California Department of Aging's responsibility for Medi-Cal certification of program providers.	0.0	24.2	35.3
11	Medi-Cal - Eliminating Certain State Only Programs --Services include: Undocumented non-emergency services (breast and cervical cancer treatment and postpartum care, and excluding prenatal and long term care), Institutions for Mental Disease ancillary services payments, dialysis, non-digestive nutrition, and breast and cervical cancer treatment for women over 65, and men.	0.0	34.4	57.8
12	Medi-Cal--Assume Additional Savings from Federal Flexibility --This policy increases the amount of relief from federal requirements previously proposed to enable California to secure essential program flexibilities to slow the rate of program growth and manage program costs within available resources.	0.0	250.0	500.0
13	Medi-Cal - Skilled Nursing Facility COLA --Suspend an estimated 5.0 percent cost of living increase effective August 1, 2009, for skilled nursing facilities (AB1629 and non-AB1629).	0.0	67.1	109.8

Additional General Fund Reduction Proposals for 2009-10 May Revision

(Dollars in Millions)

#	Title and Short Description	Impact on GF Reserve		
		2008-09 and Prior	2009-10	2010-11
14	Reduce General Fund for AIDS Drug Assistance Program (ADAP) and for other Office of AIDS program. Specific proposals include: expanding client cost sharing and limiting the formulary in the AIDS Drug Assistance Program; and reducing and eliminating other HIV/AIDS programs such as HIV Counseling and Testing, Epidemiologic Studies/Surveillance, Therapeutic Monitoring Program, and Home and Community Based Care.	0.0	55.5	58.9
15	Eliminate Healthy Families Program --This option eliminates remaining funding for the program (see related reductions proposed previously). Estimate assumes that the program phases out as quickly as possible after providing notice to beneficiaries and providers.	0.0	247.8	322.4
16	Reduce Mental Health Managed Care Services and Early and Periodic Screening, Diagnosis, and Treatment Services (EPSDT). Mental Health Managed Care services retained include acute inpatient services and prescription drugs for Medi-Cal enrollees only. EPSDT savings result from eliminating GF support for county programs identified as new programs in 2007-08 and 2008-09.	0.0	92.0	92.0
17	Eliminate California Work Opportunity and Responsibility to Kids Program	0.0	1,309.1	1,765.2
18	Eliminate State Funding for Community Care Licensing --This reduction in expenditures would be partially offset by a fee increase to maintain critical health and safety standards.	0.0	19.5	39.0

Additional General Fund Reduction Proposals for 2009-10 May Revision

(Dollars in Millions)

#	Title and Short Description	Impact on GF Reserve		
		2008-09 and Prior	2009-10	2010-11
19	Offset GF Highway bond debt service with local share of gas tax--Reduce local share from \$1.05 billion to \$300 million and redirect \$750 million to pay current and prior year debt service on highway bonds. The amount is 25 percent of total fuel tax revenues as allowed under Article XIX, Sec. 5.	0.0	744.0	745.0
20	Reduce GF Support for Courts by Another 10 percent and Require Electronic Court Reporting	0.0	181.6	190.8
21	Additional Reduction to Prison Population--Commute sentences of nonviolent, non-serious, non-sex offenders one year early.	0.0	120.5	0.0
22	Reduce Corrections Contract Expenditures, Reduce Rehabilitation Program and Make Other Reductions to CDCR. Impacted programs include a range of rehabilitative services, such as substance abuse counseling, vocational training, and educational programs. In addition, funding for building maintenance is being eliminated on a one-time basis in 2009-10 and other operational savings will be achieved.	0.0	788.5	914.4
23	Eliminate Funding for Various Community Clinic Programs-- This proposal eliminates funding for Indian Health, Seasonal and Agricultural and Migratory Workers, Rural Health Services Development, and Expanded Access to Primary Care.	0	34.2	34.2
24	Eliminate Remaining General Fund in Maternal, Child, and Adolescent Health-- This is in addition to the General Fund reduction included in the "Contingency Reductions" in the May Revision.	0	10.2	10.2

Additional General Fund Reduction Proposals for 2009-10 May Revision

(Dollars in Millions)

#	Title and Short Description	Impact on GF Reserve		
		2008-09 and Prior	2009-10	2010-11
25	Reduce Financing Costs by Implementing Additional Cash Solutions--Reduce size of external financing by adopting cash solutions that would reduce the imbalance in timing of receipts and disbursements throughout the fiscal year.	0	210.0	210.0
	Totals	\$475.0	\$5,087.6	\$6,067.4
	Total of 2008-09 and 2009-10		\$5,562.6	

Healthcare cuts would mean higher costs and possibly deaths, officials warn

Cuts in funding would end medical insurance for 2 million Californians, health officials and patients tell a legislative panel. They say some at-risk residents might not survive the loss of programs.

By Eric Bailey
2:55 PM PDT, May 27, 2009

Reporting from Sacramento -- She had been born with AIDS, lived with it all her 24 years. She credits her survival to the state program that provides the expensive antiviral drugs she takes daily.

Now, with that HIV-prevention program facing the ax as California grapples with a \$24-billion deficit, she came before a legislative panel today to plead for life.

"If these cuts take place, you're not just cutting money from the program -- you're cutting my life," said the woman, who gave lawmakers only her first name, Linnea.

"I choose to live," she said, her voice shaking and tears falling. "Please don't make me die. My choice is life."

Public health officials warned that Gov. Arnold Schwarzenegger's effort to resolve the yawning budget deficit would halt medical insurance for more than 2 million Californians, sending them streaming into emergency rooms and costing the state billions of dollars for the more expensive care -- and potentially causing deaths.

Scores of patients and healthcare advocates told a 10-person legislative committee on the budget that in many cases the loss of state funding would mean an even bigger loss of federal dollars. A proposal to cut funding for family planning, for instance, would mean the loss of \$9 in federal money for every \$1 spent by the state, advocates testified.

In the worst cases, cuts from, or elimination of, some health programs -- such as Healthy Families and the state's poison control program -- would strip the state of its healthcare safety net and could result in the deaths of some patients who would not be able to get proper and timely treatment.

Michael Arnold, a representative of the California Dialysis Program, said the potential loss of that program would have two results for patients: "Either they die, or they show up at an emergency room for treatment."

David Welch, a California Nurses Assn. board member, said the results of the governor's proposed budget cuts would be "perfectly predictable": more people without care. More showing up at emergency rooms. And more dying.

If it eliminates healthcare for some its most vulnerable residents, he said, California will become "a contemptible society -- and a society that history will not judge kindly."

Schwarzenegger, a Republican, contends that the state's declining economy and plummeting tax revenues have boxed him into a corner, and that deep cuts are needed in health and welfare programs that have been the backbone of California's social safety net. Without those tough measures, the governor says, the state will cartwheel toward insolvency.

Some who testified pleaded for more revenue, ignoring the exhortations from Republican lawmakers to stand fast against tax increases as the state toils in coming weeks to balance its books.

"What I suggest is: Let's raise some revenue," said John Malone of the California Alliance of Retired Americans, adding that the state needs to boost taxes on alcohol, tobacco and residents with high incomes, and impose them on oil pumped from California soil.

Some simply pleaded from the heart.

James Nuñez, who has a developmental disability, told lawmakers that he worried about surviving without government help.

"I'm a human being like you," he said. "And I'm very, very scared."

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and the optional services covered by the state.

Medicaid Mandatory Benefits

Acute care

- Inpatient hospital care (440.10)
- Outpatient hospital care (440.20)
- Rural Health Clinic services (440.20)
- Federally Qualified Health Center services (SSA, sec. 1905(a)(2) and 1905(1)(2))
- Laboratory and x-ray services (440.30)
- Physicians services (440.50)
- Family planning services and supplies (440.40 and 441.20)
- Early and Periodic Screening, Diagnostic and Treatment services for individuals under age 21 (EPSDT) (440.40)
- Nurse-midwife services to the extent allowed by state law (440.165 and 441.21)
- Pediatric and family nurse practitioner services (440.50 and 166)
- Medical and surgical dental services (440.50)
- Vaccines for children (SSA, sec. 1928)
- Early and periodic screening, diagnostic and treatment services (SSA, subsec. 905(r))

Long-term care

- Nursing facilities for individuals age 21 or older (440.40)
- Home health services for persons eligible for nursing facility services (440.70 and 441.15)

States can choose to cover as many optional benefits as it wants, but the optional benefits generally must be covered for all covered population groups and in all areas of the state.

Medicaid Optional Benefits

- Licensed practitioners' services (e.g., podiatrists, psychologists, nurse anesthetists) (440.60)
- Private duty nursing (440.80)
- Nurse practitioner (440.166 and 441.22)
- Clinic services (440.90)
- Dental services (440.100)
- Physical therapy (440.10)
- Occupational therapy (440.10)
- Speech, hearing and language therapy (440.10)
- Prescribed drugs (440.120)
- Prosthetic devices (440.110)
- Eyeglasses (440.120)
- Diagnostic services (440.130)
- Screening services (440.130)
- Preventive services (440.130)
- Rehabilitative services (440.130)
- Transportation (440.170) *
- Abortion (Subpart E)
- Sterilizations (Subpart F)
- Optometric services (441.30)
- End stage renal disease (441.40) *

Long-term care

- Intermediate Care Facility for the Mentally Retarded (ICF/MR) services (440.150 and 483)
- Inpatient hospital services to individuals age 65 or older in an Institution for Mental Diseases (440.10 and Part 441)
- Nursing facility services to individuals age 65 or older in an Institution for Mental Diseases (440.140)
- Inpatient psychiatric services for individuals under age 21 (440.60)
- Nursing facility services for individuals under age 21 (440.40 and 155)
- Case management services (SSA, sec. 1915(g))
- Respiratory care services (440.185)
- Hospice care services (440.202)
- Personal care services (440.167)
- Home and Community-Based Services (HCBS) Waivers if cost-neutral (440.180 and 441 Subpart G and H)