

## **Impact of California's 2005-06 Budget on Alameda County Seniors**

On July 11, Governor Schwarzenegger signed California's 2005-06 Budget. The Budget addresses a projected \$4.9 billion shortfall (significantly less than anticipated when the Governor released his original budget proposal back in January). Total General Fund spending in the new Budget is \$90 billion (over \$11 billion more than last year's Budget). The new Budget is balanced using a combination of spending cuts, higher than anticipated revenues, fund shifts and deferrals, and borrowing.

The following summarizes the impact that the new Budget will have on Alameda County's seniors and the programs that serve them.

### **◆ SSI/SSP COLAs Suspended for Two Years:**

California's 2005-06 Budget suspends the state's 4.6% Cost of Living Adjustment (COLA) for SSI/SSP recipients for two years. The federal COLA of 2.3% will be delayed by three months in 2006 and again in 2007. This means that the COLA of \$56/month that was scheduled for January 2006 will not take place. In April 2006 a COLA of just \$18.50/month (for the remaining 9 months of the year) will be passed through to SSI/SSP recipients. In April of 2007 recipients will receive another 2.3% COLA.

Approximately 14,000 seniors in Alameda County survive on Supplemental Security Income/State Supplementary Program income (of a total 51,698 SSI/SSP recipients in the County). SSI is a federal program that provides a monthly cash benefit to eligible seniors, the blind and people with disabilities who meet income and resource criteria. California supplements that benefit. Currently SSI/SSP individual recipients receive \$812 a month; couples receive \$1,439 a month.

California's SSI/SSP recipients are not eligible for food stamps; they can't supplement a loss of income with increased food stamp benefits as recipients in many other states can do. Because recipients spend their benefits locally, the suspension of the state COLA would mean a loss to Alameda County's local economy of over \$20 million a year.<sup>1</sup>

### **◆ In-Home Supportive Services Workers Escape State Wage Cut:**

The 2005-06 Budget does not contain the Governor's proposal to reduce state funding for IHSS workers' pay and benefits to minimum wage (a drop from \$10.10 per hour to \$6.75 per hour). Over 11,000 IHSS workers in Alameda County care for thousands of vulnerable children and adults.

### **◆ Multi-Purpose Senior Services Program (MSSP) Receives No Help:**

A proposal to augment funding for MSSP was rejected by the Senate/Assembly Conference Committee on June 2 and never made it to the final Budget. This in spite of the fact that the \$1.5 million in state funds would have drawn a match of \$1.5 million in federal dollars. Funding for

---

<sup>1</sup> In Contra Costa County, 23,082 recipients would be affected at a loss to that county of over \$10 million in local revenue.

this program has remained flat for years in spite of its cost-effectiveness and success in maintaining participants in the community, and many providers are facing closure. Advocacy efforts are already gearing up for next year, so stay tuned.

◆ **Adult Day Health Care – Rate Increase but Future at Stake:**

The 2005-06 Budget includes a 5.8% rate increase for ADHCs, with half of the designated \$21.9 million from the state's General Fund, the rest from federal Medicaid dollars. The moratorium on Medi-Cal certification of new ADHCs is extended for a second year.

ADHC programs face a more serious threat to their continued viability. The Centers for Medicare and Medicaid Services (CMS) has ordered California to convert the ADHC program from a Medi-Cal "optional benefit" to a benefit offered under a federal waiver. There are two possible waivers that would structure this benefit; one which would force ADHCs to bill separately for all services provided, thus increasing paperwork burdens and decreasing flexibility. Advocates are supporting a second waiver type which they feel aligns better with California's current system of home and community-based services and provides more opportunity for an orderly transition to a waiver. The California Association of Adult Day Services (CAADS) is currently raising funds to fuel this advocacy effort.

◆ **Senior Citizens Property Tax Assistance Programs Untouched:**

The new Budget does not contain the Governor's proposal to eliminate the Senior Citizens Property Tax Assistance Program, which provides annual cash payments to qualified seniors and individuals with disabilities. The Governor rescinded this proposal in his May revise, along with a plan to scale back the Renters Tax Assistance Program.

◆ **Local Governments Get their VLF Backfill Early, but No COLA:**

The 2004-05 State Budget created an additional \$20.3 million shortfall for Alameda County, and at least \$15 million shortfall in FY 2005-06, as well as shortfalls for cities and special districts. This "gap" was structured as a loan. The new 2005-06 Budget fully repays the first year of the VLF (Vehicle License Fee) gap, a total repayment to all counties of \$1.2 billion.

Using his line-item veto, the Governor cut an operating expense increase for county-run social services programs. This is the fourth year that the state has withheld the operating increase, continuing to stretch county resources thin in a time of increasing caseloads.

## Medi-Cal Redesign

Components of the Governor's Medi-Cal Redesign moved through the legislative process in Sacramento, most of them contained within the proposed 2005-06 Budget Bill. The final 2005-06 Budget that the Governor signed on July 11 Here is a summary of where four of the key proposals stand:

Proposal	Impact on Alameda County Seniors	Status
Impose monthly premiums on Medi-Cal recipients. Disenrollment after two months of non-payment.	Seniors with Medi-Cal only and incomes above FPL would pay \$10 monthly premium (those with share-of-cost would not pay a premium). Projected to cause 20% of recipients to fall off Medi-Cal.	Rejected by both Senate and Assembly Budget Committees. Not in the 2005-06 Budget.
Limit dental benefits to \$1,000 in a 12-month period	Estimated 55% in aged/blind/disabled category would face significant out of pocket expenses: a disincentive to seek dental care essential to nutrition, socialization, and health.	2005-06 Budget includes a cap on dental benefits of \$1,800 in a 12-month period, and additional exemptions.
Mandatory enrollment in Managed Care Plans	Initially affects only seniors with Medi-Cal but not Medicare. Could restrict access to geriatric specialists and providers experienced with senior issues.	<p>Y New Budget includes \$5.1 million (half of it federal) to expand manage care for families and children in select counties.</p> <p>Y During the negotiation of the Safety-net Hospital financing waiver, the federal government made \$360 million in funding contingent on adoption of mandatory enrollment in managed care. Legislators are currently debating the waiver.</p>
Restructure how public and private safety net hospitals are paid by Medi-Cal	The new federal waiver would draw an additional \$671 million in federal funds into the program. The waiver would allow California to continue contracting with 230 hospitals for Medi-Cal services, would cut the number hospitals that could participate in the funding, and	On June 22 Governor announced waiver agreement with Bush Administration. The legislation that would allow the new waiver to go forward is being debated in Sacramento, and must be passed and signed by the September 11 deadline.

The proposed safety-net hospital waiver agreement would have the effect of freezing funding for safety net hospitals (that serve a disproportionately high number of low-income uninsured patients), thereby shifting risk from the state to counties. California Hospital Association and a broad range of other advocates predict that the waiver as structured will diminish access to care and limit critical services (trauma, emergency and doctor training).

Over 35,000 seniors in Alameda County have Medi-Cal. If you want to preserve health care access for these extremely low-income and vulnerable people and ensure that Medi-Cal will be available to future seniors, write or call your state legislators now. Contact information is included at the end of this Update.

## **Medicare in 2006**

When Medicare Part D begins providing prescription drug coverage on January 1 2006, dual eligibles – those with both Medicare and Medi-Cal (without a share of cost) – will no longer be able to purchase their drugs with their Medi-Cal cards. This instant shut-off threatens the most vulnerable dual eligibles with real and potentially life-threatening interruptions in the continuity of their medication regimens.

◆ The new 2005-06 Budget includes \$93.6 million in funding (\$47 million of it from California's general fund, the rest federal) to allow Medi-Cal to continue covering those categories of drugs that Medicare has banned from Part D coverage: benzodiazapines, barbiturates and over-the-counter medications. The Budget also apparently provides funding for emergency Medi-Cal coverage of prescription drugs for dual eligible, but at this time it is not known how this will be implemented.