

# Editorial: California should maximize federal dollars, not throw them away

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The day California health care experts have long dreaded is at hand. To close the state's \$21.3 billion deficit gap, Gov. Arnold Schwarzenegger and the Legislature must slash health care programs to a degree that will cause irreparable harm to many of California's most vulnerable residents.

But the cuts the governor has proposed so far inflict far more damage than necessary, in part because they needlessly throw away federal dollars. He has better options.

Schwarzenegger is suggesting California eliminate its Healthy Families program and enact a \$750 million cut in Medi-Cal eligibility, both so pound-foolish that we can't even call them penny-wise.

The Healthy Families program provides health coverage to 910,000 California children, including more than 30,000 in Santa Clara County. The cut saves the state \$387 million — but for every dollar California spends on Healthy Families, Washington contributes \$2. Throwing away \$712 million a year in federal matching funds makes no sense while the governor is begging the feds to bail out the state in other ways.

Cutting Medi-Cal eligibility is even worse. The proposal to raise eligibility standards will deny coverage to nearly a million Californians, which on the surface saves \$750 million. But eligibility standards were lowered just last month to qualify for \$8 billion in federal stimulus money, which the state will now lose unless Congress grants a waiver — and experts here and in Washington are saying the governor is "insane" to think that will happen because its goal is to insure more people, not fewer.

There are no good options for California, but some are better. For example, reduce or eliminate the prescription drug program, cut other Medi-Cal benefits that won't affect the stimulus money and reduce payments to hospitals for treating Medi-Cal recipients and the uninsured.

And if the governor regains some leadership instincts, he could revive a proposal from his 2007 health care reform package: Impose a 4 percent fee on hospital revenue. The California Hospital Association at the time actually favored this because a large chunk of the money would come back to hospitals in the form of Medi-Cal reimbursements — and every reimbursement dollar hospitals get from the state is matched by the federal government, in effect doubling the revenue.

Other elements of the governor's 2007 plan deserve a new look. Ideas for cutting costs and generating revenue won broad support from business and unions, Republicans and Democrats at the time. The goal then was universal coverage, but the same strategies could help with the current crisis.

Schwarzenegger should be asking Washington for more money — but not for a Medi-Cal waiver. Instead he should seek stimulus dollars to help rebuild California's hospitals, which are under a legal mandate to meet new seismic standards by 2013. If the feds helped with the construction — an immediate job generator — hospitals could use more of their own money for patient care.

That's the kind of strategy we need, making the most of federal dollars, not throwing them away.