

California Deal Leaves More Kids Uninsured

By RYAN KNUTSON

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California's budget deal is expected to nearly double the state's number of uninsured children and puts a spotlight on a key provision in the health-care bills in Congress.

Gov. Arnold Schwarzenegger this week signed a revised annual budget to close California's \$24 billion shortfall, including a \$1.4 billion cut to Medi-Cal, the state's version of Medicaid. In addition, California slashed \$178.6 million from Healthy Families, its version of the Children's Health Insurance Program.

In all, California's cuts could raise the number of uninsured children in the state to two million, up 915,000 from about 1.1 million in 2007, estimated the Children's Defense Fund, an advocacy group that backs coverage for uninsured children. The UCLA Center for Health Policy Research, a nonpartisan research organization, called the estimates reasonable.

Gov. Schwarzenegger said lawmakers had no choice but to make the cuts in the programs that provide health insurance to the needy, because the state is out of money.

Health-care advocacy groups are pointing to California's cuts as another reason they believe a national overhaul needs to happen soon. "California was already the poster child of why we need health reform," said Anthony Wright, executive director of Health Access California, an advocacy group in Sacramento, citing the state's large percentage of uninsured residents and other factors. "This budget crisis and consequential health-care cuts magnify the urgency for reform."

The cuts also throw into question some aspects of the federal health-care bill now winding its way through Washington. The Senate bill calls for states to expand their health-care programs to more of the uninsured, even as the federal government would start scaling back funding for such state programs in 2015. California's predicament suggests some states could only afford to expand coverage with 100% federal funding, said Gerald F. Kominski, associate director of the UCLA Center for Health Policy Research.

"What's happening in California and other states makes a [set end date] on federal support for expanded Medicaid benefits a questionable strategy and a risky strategy," Mr. Kominski said.

H.D. Palmer, a spokesman for the California Department of Finance, which administers California's financial plan, said the state already has been efficient in operating Medi-Cal, yet "California cannot currently afford its Medi-Cal program." For those inside the state programs, the cuts are "very challenging for all of us," said Ginny Puddefoot, a spokeswoman at the Managed Risk Medical Insurance Board, which administers the Healthy Families program.

California officials are hoping to blunt some of the pain. The \$1.4 billion cut to Medi-Cal -- which amounts to about 11% of what the program received from the state in the 2008-09 fiscal year -- would be offset with \$1 billion the program says it is owed by the federal government in overdue Medicaid payments. But that leaves \$400 million of trims, which will be achieved by lowering payments to private and rural hospitals, scaling back in-home adult care and expanding antifraud efforts, according to the state budget.

Meanwhile, any cuts to the Healthy Families program are likely to be magnified. Because the federal CHIP pays \$2 for every \$1 California spends, the cuts mean the state program will lose an additional \$357 million in federal funding. In all, the program is losing almost half of its annual funding, said Ms. Puddefoot.

That reduced funding is already hitting children of low-income parents. New applicants to the program -- about 33,000 children a month -- are being placed on a waiting list until at least June 2010, Ms. Puddefoot said. Hundreds of thousands of other children are likely to be booted off Healthy Families' rolls starting in October, as families begin applying for re-enrollment, she added.

Laura Mendez is one parent whose two children could be removed from Healthy Families when she reapplies in October. "I'm scared," said the 46-year-old stay-at-home mom in Long Beach, Calif. Her 16-year-old daughter has asthma, and her

15-year-old son has a medical condition that she declined to detail that requires \$170 of medication each month. Her Healthy Families insurance pays for everything but a \$5 co-payment.

Neither Ms. Mendez nor her husband, a factory worker who makes \$23,000 a year, have other health insurance. Recently, their son needed plastic surgery after being bitten in the face by a dog. "I don't know what would have happened if we didn't have [Healthy Families] insurance at that time," she said.

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