

Schwarzenegger's May Budget Revision Considers Cuts to SCHIP

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Hampered by a sluggish economy, lower than expected revenues and a worsening budget deficit, California Governor, Arnold Schwarzenegger (D) released two versions of his **May budget revisions** which aim to make responsible and necessary cuts. Five of the measures from his first version were **rejected** by voters May 19, 2009 and now he will begin to consider provisions in the second version that may lead to even deeper cuts. One of the proposed cuts in version two is to the **Healthy Families Program**, which is California's children's health insurance program (CHIP), limiting eligibility to children with incomes at or below the 200% federal poverty level (FPL). Further, the Governor directed the Department of Finance to develop an additional list of potential budget reductions, which includes closing the Healthy Families Program. The proposal has not been formally made and even if it was it would have to go through the legislative budget process for review and consideration. Advocates for CHIP are in an uproar calling the revisions unacceptable and jeopardizing the health of children in the state. The Governor has previously committed to being a champion of children's health, but the budget recommendations take a major step backward.

Limiting Healthy Families Program eligibility from the current 250% of the FPL to 200% is projected to **save** \$54.5 million, dropping approximately 225,000 children from coverage. The Governor is also seeking federal approval to cut \$750 million from Medi-Cal of which 46% are children. These cuts would severely limit access to health insurance for low-income children. The proposal comes at a time when the need for health insurance coverage is at all time high as a result of the loss of employer-based coverage. According to an April 2009 **study** from UC Berkeley Labor Center, as many as 300,000 kids in California have been affected by these economic conditions.

If the state were to reduce eligibility or even eliminate the CHIP program there would be serious implications for children, such as, the loss of coverage and limited access. In addition, there is the potential for a reduction in contracting opportunities because of the possible inability to pay or even delayed payments. However, the crisis could provide opportunities for technology vendors to offer creative information technology (IT) solutions to help the state do more with less, reduce overhead costs and streamline business practices. Finally, in order for states to receive economic stimulus funding for Medicaid they are required to maintain eligibility standards, methods or procedures that have been effective since July 1, 2008. If a state were to implement a more restrictive eligibility policy after the aforementioned date then they would have until July 1, 2009 to reverse these restrictions to receive retroactive increased federal matching percentage (**FMAP**). If California were to not meet this requirement they would not receive much needed money to support health and human services programs and may be forced to make even deeper cuts.