



Proposed Cuts to California's Public Hospitals: A Step in the Wrong Direction During Historic Economic Crisis

Summary

As we experience one of the most serious economic crises in decades, thousands more Californians are finding themselves in need of the critical services provided by our state's public hospital systems. Despite the increased demand for these services, the Governor's proposed budget would cut \$54 million of Safety Net Care Pool funding for the uninsured from 21 public hospital systems. The Governor's budget proposal would also reduce eligibility and benefits to Medi-Cal beneficiaries. Reducing support for public hospital systems and the Medi-Cal program, especially during this sharp economic downturn, will reduce Californians' access to health care and should be rejected by the Legislature.

Background

The Safety Net Care Pool (SNCP) is a capped source of federal dollars that is part of the 2005 Medi-Cal Hospital/Uninsured Waiver. A stated goal of the Waiver was to stabilize the financing of safety net hospitals. The SNCP in particular was created to assist in treating the large number of uninsured who use public hospital systems. The SNCP is the *only* source of Waiver funding that public hospital systems can access for reimbursement for physician services and many outpatient services provided to the uninsured.

The Governor has proposed to take \$54 million in federal SNCP funds away from just 21 public hospital systems in order to backfill State General Fund expenditures. The Governor proposed this cut last year, and the Legislature recognized the harmful impact it would have on California and rejected it.

Public hospital systems represent the core of the health care safety net in California. Though just six percent of all hospitals statewide, they provide roughly half of the hospital care to the state's 6.5 million uninsured. They also operate 57 percent of all top-level trauma centers and 43 percent of all burn units, deliver 10 million outpatient visits a year and train nearly half of all new doctors in California.

SNCP Cut Will Hurt Californians

The SNCP is an extremely important source of funding for care to the uninsured seen in public hospitals. For example, it is used for primary and preventive care, including the management of chronic diseases. These cost-effective services help keep patients healthy and out of the hospital and emergency room. A cut to the SNCP would

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It is important to note that SNCP funds reimburse only a portion of public hospitals' care to the uninsured. Under the Waiver, public hospitals receive roughly 50 cents from the federal government for every dollar expended. In fact, public hospital systems are providing more than \$2.3

billion in care to Medi-Cal beneficiaries and the uninsured for which they receive no federal or state reimbursement, and that amount is growing during this economic downturn.

Moreover, this proposed cut does not represent a reduction of State expenditures to public hospitals, which, under the Waiver, are funded almost entirely through federal and county dollars. This proposal would redirect *federal* funding for the uninsured from public hospitals to backfill *State* General Fund expenditures. Public hospitals already receive virtually no reimbursement from the State for services provided to their low-income patients. To take funds from this non-State source is unjust and unwise.

Economic Crisis Exacerbates Problem

During this economic crisis, newly unemployed people are losing their health insurance and many are now relying on the services provided at public hospitals and their clinics – whether to receive treatment for pre-existing conditions such as cancer or diabetes, to get help for new serious health conditions, for primary and preventive care or for life-saving trauma services. As of October 2008 public hospital systems saw a 10% increase in the uninsured coming to them for care compared

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to a year ago. These thousands of new patients join the nearly 2.5 million Californians who already seek care at public hospitals and their clinics.

At the same time that the demand for public hospital services is increasing, the local governments that help support them are facing extraordinary budget crises of their own. Counties are

grappling with vastly reduced revenues from sources such as local property taxes and realignment revenue from the State. Even before the current crisis, over two-thirds of public hospitals were facing budget deficits. The worsened fiscal situation is forcing counties to make significant budget cuts to their public hospital systems.

Other Medi-Cal Proposals Will Result in Further Harm

Proposals to reduce or eliminate Medi-Cal eligibility and benefits will reduce timely access to care, which in turn will further exacerbate fiscal strains on public hospitals and will likely result in reduced access and poorer health outcomes. Additionally, these proposals will decrease federal Medicaid dollars for California.

Lowering the number of enrollees eligible for Medi-Cal coverage or eliminating benefits will not reduce these individuals' need for services. But it will lead them to delay care that will result in more serious and costly health problems and will simply increase the number of uninsured who seek care in public hospital systems. Not only will public hospitals lose the Medi-Cal revenue they received previously to care for these patients, but they also will likely see increased costs as a result of greater demand. Cutting public hospitals' funding for the uninsured, while also increasing the number of uninsured seeking services in our systems, is a step in the wrong direction.

Recommended Action

The Legislature should again reject the proposed cuts to the Safety Net Care Pool and the Medi-Cal program. Protecting these funding sources would help safeguard the access to health care for the millions of Californians who rely on their public hospital systems. The severe economic crisis gripping our state and the nation is a time to maintain and strengthen our health care safety net. Cuts to the SNCP and to Medi-Cal would do just the opposite.