

Congress of California Seniors

Sacramento Update

October 26, 2011

This is the quiet time in the Capitol when the Legislature is on recess and the budget controversies are on hold until the first of next year.

Legislation

Media coverage of the legislative process shifted to Governor Brown in the first week of October as deadlines for bill signing or veto left observers wondering where the Governor would land on some controversial bills sent to his desk in early September. In total, 2,381 bills were introduced in the 2011 legislative session and 870 were passed and sent to the Governor for action. He signed 745 bills and vetoed 125, using his veto pen half as often as Governor Schwarzenegger did during his tenure. Governor Brown's use of the veto was close to the historical average of previous governors.

Among the bills approved which provoked some controversy were items to put all referenda and initiatives on a November general election ballot to insure the highest voter turnout possible. He also signed a law granting in-state college tuition and financial aid to undocumented college students. After several attempts in earlier years, the Governor signed legislation to limit overhead and administrative costs in health insurance rates. He also signed a bill to streamline the enrollment in Medi-Cal and other health programs, and signed a bill to mandate insurance companies to provide coverage for autism. He vetoed a CCS backed bill on hospital licensing but signed another CCS-supported bill to eliminate costly fingerprint requirements on homecare workers.

CCS has also released its annual Legislative Report Card showing how members of the Legislature voted on twenty-one key bills affecting seniors and their families. It can be seen at our website www.seniors.org under the heading "What's New".

State Finances and the Economy

In June, the Governor signed the first on-time budget in many years. The budget was completed when lawmakers and the Governor agreed that the state would receive \$4 billion in additional revenue over the fiscal year, allowing spending and revenues to balance. Each month since July, Sacramento policymakers have been closely monitoring state revenues and the economy to see if these optimistic revenue estimates would materialize.

Thus far, total income to the General Fund is \$705 million lower than was hoped to achieve the projected \$ 88.5 billion in total revenues for the year. Not all the economic news, however, was grim. The Controller reported that income and income tax revenues were up slightly as California slowly added new jobs. In August, only five of the state's major economic sectors gained jobs. Year over year, 82,800 more

Californians were working at the end of August, but the unemployment rate remained at 12.1%. There was a slight recovery in the state housing market, with nearly all the growth in multifamily housing, not single family homes.

In early October, State Controller John Chiang reported that September revenues fell short of projections by \$301.6 million. This followed reports for July and August, one lower than estimated and the other higher.

The 2011-12 adopted budget provided for \$2.5 billion of automatic “trigger” cuts to some programs if revenues fall short of projections. The cuts were tiered, depending on the size of the shortfall. These trigger cuts would mean automatic spending cuts in late December 2011 for certain programs, including several affecting seniors and people with disabilities. The calculations and trigger cuts would be administered by the state Department of Finance, working with the state agencies affected.

The trigger cuts include \$110 million in In-Home Supportive Services (with a 20% reduction in the number of care hours) and a \$100 million cut to the Department of Developmental Services. Both university systems would also have cuts of \$100 million each. Other state programs including libraries, Corrections, child care, Medi-Cal, and emergency management would see an additional \$200 million in additional trigger cuts.

If revenues fall even further, public schools would take up to \$1.75 billion in cuts, probably by shortening the school year.

Most observers in Sacramento now believe some trigger cuts will be made, and state agencies such as the Department of Social Services (which oversees the IHSS program) are beginning to prepare for cuts. The Department of Finance would have to notify the Legislature in time for cuts to be made effective on January 1, 2012.

Adult Day Health Care

The important Adult Day Health Care program serving 35,000 frail elderly and disabled people was eliminated in the 2011-12 budget. The cut amounts to a loss of \$350 million for community-based long term care. Dozens of centers have closed with a proposed funding cutoff of December 1st. The centers and other state programs are working to try to match the most vulnerable patients with remaining services, but many are not likely to be served and will end up in nursing homes (with a much higher cost).

The Department of Health Care Services (DHCS) and the Department of Aging have been evaluating the service needs of each patient and notifying patients that their services will be eliminated. The DHCS originally said some patients would be shifted into a care management program called MSSP. But when they recognized the cost and complexity of doing so, they cancelled their plans. Some patients are being referred to Medi-Cal managed care systems in certain counties to receive screenings, but the plans do not offer ADHC-type services, so it is not clear how those patients will receive care.

Both the Assembly and the Senate have held informational hearings asking state officials to provide updates on the transition out of ADHC. In both hearings, legislators

expressed concern over the process and misgivings about the actions taken earlier this year. Several dozen legislators have co-signed a letter to the Brown administration to delay closures but have received no response from state officials.

The Federal court has scheduled a hearing in a case to prevent the closure of ADHCs but the hearing will be in November, which will be too late for many operators to remain open.

Dual Eligibles

One issue receiving a good deal of attention from administration officials and advocates is the implementation of a pilot project on reforming care and support to “dual eligibles.” These are individuals who are low income and qualify for Medi-Cal but also old or disabled enough to qualify for Medicare.

California has the largest number of duals of any state by far... 1.2 million. They are the most expensive patients to serve since many have the high medical costs associated with aging, and many have multiple chronic conditions. Both the state and federal governments have sought ways to improve care and hold down the very high costs of serving this group. Another challenge is that hospital and doctor care is paid by Medicare while home care and nursing home care are paid by Medi-Cal, often with little coordination between the two insurance programs.

The state has undertaken a pilot program working with the federal government to design several models to coordinate care, improve the quality of outcomes, and manage costs. The pilot includes four demonstration systems with no limit on the size or number of participants. If one site is in Los Angeles County, it could involve hundreds of thousands of frail elderly and disabled people.

Because of their scale and the importance they hold for making dramatic changes in quality and cost, many organizations have been involved in the planning for the dual eligibles pilot programs. This includes CCS, along with AARP and a number of disability advocacy groups. SCAN Foundation has been working with providers, advocates and government to create a comprehensive planning and project development process.

We have been meeting with state and federal officials to discuss the services, to talk about stakeholder accountability, to create uniform systems to assess patients, identify data and reporting needs, and to share views on the location, size and scope of the pilot projects. This work will continue into 2012 when the pilots are scheduled to begin.

Federal Budget and Super Committee

While it is not happening in Sacramento, many in state government are keeping a close eye on what is transpiring in Washington DC to develop proposals to reduce the long term federal deficit. After a contentious year in which major policies and legislation were held hostage to budget cutting, the Congress created the United States Congress Joint Select Committee on Deficit Reduction (known as the Super Committee).

The August 2011 federal Budget Control Act increased the U.S. debt ceiling by \$400 billion after a protracted standoff within the Congress and between the House of Representatives and the President. It also requires the federal government to make \$917 billion in spending cuts over the next ten years.

The Congress created a twelve-member Super Committee which is charged with making recommendations for \$1.5 trillion in additional deficit reductions over ten years. It is charged with issuing its recommendations to Congress by Nov. 23, 2011. Recommendations may include tax changes, defense cuts, and changes to Medicare, Medicaid, and Social Security. "Everything is on the table." The Committee's recommendations would then be put to a simple up or down vote by Congress by December 23, 2011. This vote is not subject to amendments, House "majority of the majority" blocks, or Senate filibuster, thus guaranteeing a pure majority vote in both chambers.

If the Super Committee fails to agree on a recommendation or the full Congress fails to pass it, a so-called "trigger mechanism" would enact \$1.2 trillion in automatic spending cuts to serve as the second installment of deficit reduction measures. These automatic "trigger" cuts would be split between national security (defense) and domestic spending; but Medicare, Medicaid, and Social Security would be excluded from these automatic cuts. However, up to a two percent cut in Medicare provider rates could be included in the cuts.

A second debt ceiling increase of \$500 billion, authorized by the August 2011 federal Budget Control Act, is slated to go into effect regardless of whether Congress passes the Super Committee's proposal.

Members of Super Committee include:

Sen. Patty Murray (D) WA	Co-Chair	Cong. Jeb Hensarling (R) TX	Co-Chair
Sen. Max Baucus (D) MT		Cong. Xavier Becerra (D) CA	
Sen. John Kerry (D) MA		Cong. Jim Clyburn (D) SC	
Sen. John Kyl (R) AZ		Cong. Chris Van Hollen (D) MD	
Sen. Rob Portman (R) OH		Cong. Fred Upton (R) MI	
Sen. Pat Toomey (R) PA		Cong. Dave Camp (R) MI	

California receives billions in federal funds, so the work of the Super Committee could have a profound effect on future state programs. CCS has been speaking out to Super Committee members. We were also asked to testify before an Assembly Budget Committee hearing about how proposed federal cuts would affect seniors. CCS Resolutions on Social Security and Medicare passed at our 2011 Convention can be found on our website www.seniors.org under the heading "What's New."