



**BEYOND DOLLARS AND CENTS:
ASSESSING THE IMPACTS OF
THE PROPOSED STATE HEALTH AND HUMAN SERVICES
BUDGET ON LOCAL COMMUNITIES**

*Prepared for the
California Endowment*

*by
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PROJECT OVERVIEW AND EXECUTIVE SUMMARY

In April 2008, the California Endowment commissioned the Blue Sky Consulting Group to analyze the proposed state budget and assess its anticipated impacts on low-income communities and county service providers. The California Endowment's project was designed to provide an evaluation of the state budget's proposed changes to health and human service programs, with an emphasis on funding, benefit, and programmatic changes to the California Work Opportunities and Responsibility to Kids (CalWORKs) program, the Cash Assistance Program for Immigrants (CAPI), In-Home Supportive Services (IHSS), Medi-Cal, and the Supplemental Security Income/State Security Payment (SSI/SSP) program. The project included interviews with local officials and non-profit providers from six of the state's counties as a basis for case studies to illustrate the anticipated impacts of the proposed state budget on county service provision and aid recipients. During May and June 2008, Blue Sky Consulting documented the proposed budget changes and sought to capture the real world impact of modifications in funding levels and eligibility for these programs. Notable findings from the study include:

- **The Impact of Proposed State Budget Cuts Is Made Worse By Spending Decisions Made in Prior Years.** There is unanimous agreement among all study participants that the state budget's proposed health and human services changes are unfortunate, painful, and will affect California's most vulnerable populations. Many low-income populations will be unable to avoid the impact of the proposed cuts and are likely to find themselves significantly worse off in terms of access to health care and basic needs such as housing, utilities, and other expenses. With respect to health care services, while some significant expansions in eligibility were enacted earlier this decade, the proposed budget reductions would fall on a system that still provides inadequate access to care for millions of Californians and whose service infrastructure is seriously stressed. In addition, the impact of the changes proposed for 2008-09 is made worse by the state's failure to consistently provide cost-of-living adjustments for the state's health and human services programs, thereby eroding the year-to-year purchasing power of cash grants, provider reimbursements, and administrative support. Over time, deferring these inflationary adjustments can limit program effectiveness and compromise objectives.
- **Some Low-Income Populations Face Multiple Cuts.** Some Californians will feel the combined impact of eligibility changes and budget reductions and limitations in multiple program areas. For example, a disabled senior citizen who receives medical care through Medi-Cal and domestic services through IHSS could experience reductions from both programs. Similarly, a single mother seeking employment under CalWORKs while accessing dental care through Denti-Cal and a blind or disabled citizen who relies on SSI/SSP as a source of income and Medi-Cal for health care could endure multiple aid and service reductions. These and other low-income populations may see *both* the amount of their income *and* their access to services adversely affected in a variety of ways. County officials also point out that cuts in one program can produce undesirable

impacts in other areas, such as poor dental hygiene resulting from the elimination of adult dental services hindering the employability of a CalWORKs beneficiary.

- **Displaced Aid Recipients Will Seek Out Other Public Services.** Broad consensus exists among state policymakers, county officials, stakeholders, and advocates that the health care and income support needs of many sick, disabled, young, and aged individuals will not disappear as a result of the proposed cuts and limitations in state aid and services. While some program beneficiaries may change their behavior to make up for reduced or eliminated assistance, others will be unwilling or unable to adjust to the proposed changes and will seek out grants and services from other public and private sources. Shifting the needs of these individuals to other services will put additional strain on county general assistance, food stamps, emergency rooms, and homeless programs. County officials and advocates also fear that putting additional stresses on fragile populations could result in additional referrals to the child welfare system and, possibly, adult protective services.
- **Current Economic Difficulties are Already Putting Pressure on Private Providers.** California's economy is experiencing a significant slowdown, while at the same time, residents face substantial increases in the cost of basic living expenses such as fuel and food, a substantial decline in the housing sector, and rising unemployment. Counties note recent increases in Medi-Cal and CalWORKs caseloads that they attribute to California's poor economy. The state's overall economic difficulties are also generating increased appeals to private, non-profit and charitable providers of food and social services in many counties. These agencies, many of whom report seeing a rise in first-time aid applicants, including families that are already working and seniors needing assistance beyond their federal and state income support, expressed concerns about their ability to handle new cases while also grappling with increased costs and limited donations. Food banks and social service organizations expect expanding caseloads as a result of the proposed health and human services budget. A listless economy will also make it more difficult for populations subject to state aid reductions to find employment to offset new costs.
- **Counties are Reporting Problems with Services Delivery.** County officials cite existing challenges in administering state health and human service programs in the face of high caseloads and state and federal performance standards. They argue that these difficulties are exacerbated by a lack of adequate reimbursement for administrative costs by the state. County administrators assert that the proposed health and human services budget, with its administrative funding reductions and new administrative duties, asks them to do more with less at a time when chronic under funding of administrative costs over the last seven years has already taken a toll. In an attempt to triage administrative activities under the proposed state budget, many county officials explain that they are likely to focus their resources on initial eligibility and getting aid and services to new applicants, with relatively less attention being given to follow-up, routine reassessments, and eligibility checks for existing beneficiaries. This administrative focus, they worry,

could increase the risk of sanctions and penalties from federal and state agencies as well as undermine efforts to move aid recipients to self sufficiency.

INTRODUCTION

Californians face a \$15 billion state budget deficit for the 2008-09 fiscal year, the largest revenue and spending discrepancy since the \$16 billion disparity the state faced in preparing the 2004-05 budget. After partially working its way out of the massive budget shortfalls experienced during the early part of this decade, the state again faces a multi-billion dollar gap between available revenues and current spending requirements, primarily as a result of the collapse of the housing market and high energy prices. In addition, the solution to the current crisis is made more difficult by the fact that a number of solutions once available to state policymakers to help close the gap are no longer available. For example, Proposition 1A, approved by the voters on the November 2004 ballot, prohibits the state from shifting property tax revenues away from local governments, except in the form of a loan. At the same time, many programs have not recovered fully from reductions imposed as part of closing budget deficits earlier this decade.

To close the gap between revenues and expenditures, the Governor's proposed budget calls for reductions in most departments, as well as eligibility and program changes in many state activities. Because they account for a substantial portion of State General Fund spending, the state's health and human services programs are targeted for significant reductions and numerous eligibility changes. Primarily provided through partnerships of federal, state, and county governments, these programs help millions of low-income, sick and disabled Californians --- including many children and elderly residents --- obtain the financial assistance, health care, and social services they need to survive.

After education, the state's health and human services budget comprises the largest category of state spending, at roughly 29 percent of proposed General Fund expenditures. And while State General Fund spending has increased at an average rate of 7 percent over the last decade, expenditures associated with some health and human services programs have increased by more than twice that amount.¹ Administration officials describe the proposed cuts to health and human service as regrettable, but necessary due to the share of resources devoted to these programs and the severity of California's current financial situation. The Administration explains that the proposed changes are intended to slow the rate of growth of health and human service spending, reduce or eliminate activities that are not federally required, are relatively new, or were added during times of financial surpluses, and prioritize activities to protect services for individuals with the greatest needs.² They contend that the proposed policy and financial changes, though difficult, are designed to strike a balance between essential services needed by sick and disadvantaged residents, and immediate and long-term cost-management.³

As the Legislature and the Governor continue to negotiate the terms of the 2008-09 budget solution, programs for low-income individuals and families face significant and potentially severe budget cuts. These reductions are likely to produce grave consequences for sick, disabled

¹ Legislative Analyst Office. *The 2008-09 Budget: Perspectives and Issues*. February 20, 2008.

² California Health and Human Services Agency, *Stakeholder Briefing Call: Budget – Health and Human Services Community*, Conference Call Transcript, May 14, 2008.

³ California Health and Human Services Agency website.

and low-income individuals and their families, and complicate delivery of these services by counties. Several major programs facing critical eligibility and spending reductions include medical and related care for low-income and disabled populations through the Medi-Cal and In-Home Supportive Services (IHSS) programs, and financial support for disabled and low-income persons through the Supplemental Security Income/State Security Payment program (SSI/SSP), the Cash Assistance Program for Immigrants (CAPI) program, and the California Work Opportunities and Responsibility to Kids (CalWORKs) program. Together, these programs represent more than three-quarters of the \$30 billion State Health and Human Services budget and are proposed to absorb \$2.7 billion of the proposed \$3.4 billion in spending cuts proposed for this budget area.⁴

This report characterizes the anticipated impacts the proposed state budget will have within counties and on low-income communities. Specifically, this document:

- Highlights a variety of significant changes being considered for the CalWORKs, IHSS, Medi-Cal, and SSI/SSP and CAPI programs as part of the proposed 2008-09 state budget;
- Summarizes the anticipated impacts of the proposed budget on low-income populations from state policymakers, county officials, stakeholders and low-income advocates.
- Describes the anticipated local impacts of the state budget's health and human service proposals on counties, private providers, and the low-income communities they serve, as narrated in interviews with county officials and community service providers from Contra Costa, Fresno, Orange, Sacramento, San Bernardino, Tuolumne counties.

⁴ California Health and Human Services Agency. *California Health and Human Services Agency 2008-2009 Budget Facts*. May 2008.

SUMMARY OF PROPOSED CHANGES TO CALWORKS, IHSS, MEDI-CAL, AND THE SSI/SSP AND CAPI PROGRAMS

“The challenges we face are substantial, and the decisions we face are difficult. But if we fail to address them swiftly, the problem will only get larger and the consequences even more severe.”⁵

The proposed 2008-09 state budget includes a variety of significant changes for a number of health and human services programs serving low-income populations who are also sick, disabled, young or aged, or unemployed. These programs include:

- the CalWORKs program, which provides temporary income support, education, employment training, child care, and other services to low income and unemployed parents and guardians and children;
- the IHSS program, which pays for services and assistance that helps aged, blind, and disabled individuals to live safely within their own homes;
- Medi-Cal, California’s version of the federal Medicaid program, which provides public health insurance to low income individuals; and
- the SSI/SSP and CAPI programs, cash grant programs for low-income residents who are elderly, blind, or disabled.

Why We Selected These Programs for Review

The programs identified for review in this report represent the state’s largest health and human service programs. Together, they account for just over three-fourths of the proposed General Fund expenditures within the California Health and Human Services Agency for 2008-09. The proposed budget changes, limitations, and reductions selected for study represent a variety of public assistance activities – from income support, to health care, to other social services – that affect a large number of beneficiaries, have a concentrated impact on specific populations, or involve a substantial amount of state funds. The selection was made in consultation with the California Endowment and following conversations with several individuals who provided us with advice on this project.

⁵ Governor Arnold Schwarzenegger. *Governor’s Budget Message*, January 10, 2008.

The 2008-09 Budget Proposals

In February, the Legislature and the Governor adopted certain health and human services cuts to in an effort to help close the budget gap. These cuts included reduced payment to health care providers, delayed cost-of-living increases for aged, blind, and disabled residents, and reduced funding for services for the developmentally disabled.⁶ And though the Legislature initially rejected a number of the proposed health and human services budget proposals for the 2008-09 fiscal year, a final budget agreement has not been reached and could include the following proposed limitations, eligibility changes, and reductions:

Program/ Anticipated State Savings	Current law	Proposed Changes for 2008-09/ Estimated number of recipients affected⁷
<p>CalWORKs - \$784 million in total spending reductions and limitations, including \$689 million in state savings from eligibility changes, grant reductions, and the suspension of COLAs.</p>	<ul style="list-style-type: none"> Family grants are awarded for up to five years if CalWORKS adults comply with work participation requirements; child only and safety net grants are awarded to children, with no time limit, where adults are ineligible for aid or have exceeded their five-year aid limit. A COLA increase is scheduled for October 2008. 	<ul style="list-style-type: none"> Family grants will be eliminated if the adult does not comply with work- participation requirements for a one-year period; safety net and child only grants will be eliminated after five years of aid. (70,000 families) All grants levels will be reduced by 5%. (475,000 families) The scheduled October 2008 COLA increase for CalWORKs grants will be suspended. (475,000 families) For some recipients, grants will become contingent on biannual meetings with county workers. (29,000 children estimated to lose aid)
<p>IHSS - \$274.1 million in total spending reductions, including \$79.7 million in state savings from changes to eligibility and share-of-cost payments.</p>	<ul style="list-style-type: none"> IHSS recipients can qualify for domestic and related services (laundry, house-keeping, errands, etc.). If an IHSS recipient's income exceeds Medi-Cal limits, the state pays for the recipient's share-of-cost for domestic and related services. 	<ul style="list-style-type: none"> Only recipients that score a four or five (indicating the greatest need) according to statewide testing will be eligible for domestic and related services. (84,000 beneficiaries) The state will no longer pay the Medi-Cal share-of-cost for higher-income IHSS recipients. (7,100 beneficiaries) Additional changes include a 10% reduction to county administration funding and a limit of \$8.60 an hour for state payments to IHSS providers.
<p>Medi-Cal - \$1.1 billion in total spending reductions, including \$924.9 million in state savings from</p>	<ul style="list-style-type: none"> Low income individuals can qualify for health and dental services under this federal-state health care program. Federal rules prescribe certain minimum coverage levels; California 	<ul style="list-style-type: none"> Eligibility for Medi-Cal would be eliminated for families earning more than 61 percent of the federal poverty level. (430,000 recipients by Aug. 2011) Medi-Cal benefits for certain legal immigrants would be limited to emergency and pregnancy-related services, long-term nursing care, and

⁶ California Budget Project, *Legislature Approves Mid-Year Cuts*, February 15, 2008.

⁷ Since recipients may be affected by more than one proposed change, figures should not be added.

eligibility changes, discontinuing optional services, and reductions to provider reimbursement rates.	<p>opts to provide additional coverage beyond the federal minimums.</p> <ul style="list-style-type: none"> • Children and adults are required to report changes in income and assets annually and semi-annually, respectively. 	<p>breast and cervical cancer treatment.</p> <ul style="list-style-type: none"> • Undocumented immigrants would be required to apply monthly for emergency medical services (11,000 recipients estimated to lose aid) • Coverage for adult dental care, psychology, podiatry, and other services not required by federal rules will be eliminated. (8.5 million Denti-Cal clients) • Medi-Cal provider reimbursement rates will be reduced by 10%. • Children and adults would be required to report changes in income quarterly. (500,000 recipients would lose aid)
SSI/SSP - \$414.6 million in spending limitations.	<ul style="list-style-type: none"> • Three state and federal COLA increases are scheduled for 2008-09. 	<ul style="list-style-type: none"> • All COLA increases for SSI/SSP grants will be suspended. (1.3 million recipients)
CAPI - \$111.2 million in state spending reductions.	<ul style="list-style-type: none"> • CAPI grants provide cash assistance to legal immigrants who do not qualify for SSI/SSP. 	<ul style="list-style-type: none"> • CAPI grants would be eliminated. (10,300 recipients)

Before assessing the likely impacts of the proposed 2008-09 state budget changes, it is important to understand the parameters of the individual programs and the populations they serve, as well as the history and context under which these changes are being considered. For more on the background, history, and the specifics of the budget’s proposed changes for each of these programs, please see Appendix A: “The Budget’s Proposed Reductions to Health and Human Services: CalWORKs, IHSS, Medi-Cal, and SSI/SSP and CAPI.”

IMPACTS OF THE PROPOSED STATE BUDGET: WHAT POLICYMAKERS, PROVIDERS, AND ADVOCATES PREDICT

“These reductions are very difficult and painful given the nature of the services and the population served.”⁸

Across California, state policymakers, county officials, advocates for low-income populations, and stakeholders are gauging the likely impact of the proposed state budget changes on local service recipients and county providers. Some of the proposed budget changes would discontinue all aid to certain individuals and families; other provisions would maintain programs, but reduce available services; and additional proposals preserve existing benefits but eliminate adjustments designed to keep pace with inflation. Other proposals will affect how counties administer and deliver services. The impact of these proposals on low-income Californians will vary in severity. Generally as CalWORKs, IHSS, Medi-Cal, SSI/SSP and CAPI are frozen, scaled back, or eliminated, some beneficiaries will change their behavior to eliminate the need for aid or in an effort to maintain eligibility for services; other recipients will seek out other public and private assistance for basic food, clothing, shelter, and medical care. Some will likely go without services.

I. Aid elimination proposals: CalWORKs, IHSS, and CAPI. State budget proposals that would eliminate aid to certain populations include eligibility reductions under CALWORKs, IHSS and the CAPI program. (Medi-Cal aid elimination proposals are discussed in the section of “aid reductions” below).

CalWORKs. The elimination of aid under the CalWORKs program is expected to move some families into productive work activities and to remove others from state assistance. For example, state health and human services officials anticipate that of the 42,000 CalWORKs families currently being sanctioned for lack of compliance with work-participation requirements, 28 percent will avoid the proposed full family sanction by coming into compliance with federal and state requirements and 72 percent would incur the full family sanction.⁹ The Legislative Analyst found these assumptions reasonable.¹⁰ Increased work-participation and decreased caseloads under the proposed budget is anticipated to bring California into compliance with federal work-participation requirements, which it currently fails to meet, and which contain sanctions and penalties for nonconformity.¹¹ Stakeholders and advocates warn that 42,000 children may be affected by the imposition of the full family sanction, with an additional 154,000 children affected by the eligibility changes proposed for safety-net and child-only grants.¹² The

⁸ California Health and Human Services Agency, *Stakeholder Briefing Call: Budget – Health and Human Services Community*, Conference Call Transcript, May 14, 2008.

⁹ Legislative Analyst’s Office. *Analysis of the 2008-09 Budget Bill*. February 20, 2008.

¹⁰ Legislative Analyst’s Office. *Analysis of the 2008-09 Budget Bill*. February 20, 2008.

¹¹ Legislative Analyst’s Office. *Analysis of the 2008-09 Budget Bill*. February 20, 2008.

¹² California Budget Project, *The Governor’s proposed Budget Would Drop More than 225,000 Children from the CalWORKs Programs*, May 29, 2008.

Legislative Analyst predicts that proposed CalWORKs eligibility changes may result in hardship on children with parents that cannot or will not comply with work-participation requirements.¹³ Advocates note that California's weak economy could prevent recipients from finding employment even if they want to avoid the proposed sanctions and hardships.¹⁴ Individuals who lose their CalWORKs eligibility and do not secure employment are likely to seek services from the county or private providers (see discussion below).

IHSS. State health and human services officials predict that 16,800 (20 percent) of the IHSS population would lose eligibility for domestic and related services under the budget proposal to limit this aid to those individuals with the most severe needs as identified in statewide testing.¹⁵ Because these services include laundry, meal preparation, and running errands and are often provided by family members, state health and human services officials expect that there will not be a substantial impact to IHSS clients. IHSS advocates, on the other hand, contend that lack of services or providers for this population could threaten the ability of recipients to stay in their homes and force them into more expensive nursing homes and institutionalized care.¹⁶ The Legislative Analyst expressed skepticism over the total number of people that would be affected by this change, noting that appeals by recipients and functional score reassessments by social workers could limit the population affected by these proposals.¹⁷

CAPI. Elimination of the CAPI program will affect all 11,419 recipients by discontinuing their income support. State officials say that former CAPI recipients could turn to family members and the sponsors who pledged to support these immigrants and when they agreed not to rely on public services. Advocates contend that elimination of CAPI will leave former beneficiaries without support for basic needs, including food and housing.¹⁸

When low-income residents and former service recipients are no longer eligible for aid under the CalWORKs, IHSS or CAPI programs, many will seek assistance from other county and private sources. California law requires counties to "relieve and support all incompetent, poor, indigent persons, and those incapacitated by age, disease, or accident..." [Welfare and Institutions Code §17000]. As providers of last resort, counties have instituted general assistance (GA) programs to provide modest, temporary cash grants, service vouchers, and/or in-kind aid to cover basic life necessities for the destitute. CalWORKs, IHSS, and CAPI beneficiaries who are no longer eligible for aid or services may seek county GA grants.¹⁹ However, county GA benefits may not fully offset lost aid because aid amounts are usually lower and may be subject to certain restrictions (such as willingness to take a job) or finite benefit timelines (such as being provided only three months each calendar year). If individuals can't qualify for GA, or exceed their time

¹³ Legislative Analyst's Office. *Analysis of the 2008-09 Budget Bill*. February 20, 2008.

¹⁴ Western Center on Law and Poverty. *Re: Governor's 2008-9 May Revise CalWORKs, SSI, CAPI and Food Stamps Proposals*, Letter to The Honorable Denise Moreno Ducheny, May 21, 2008.

¹⁵ California Health and Human Services Agency. *California Health and Human Services Agency 2008-2009 Budget Facts*. May 2008.

¹⁶ Disability Action Coalition, *Critical State Budget Cuts Affecting People with Disabilities*.

¹⁷ Legislative Analyst's Office. *Analysis of the 2008-09 Budget Bill*. February 20, 2008.

¹⁸ Protection and Advocacy, Inc. *PAI Positions On FY 2008-09 State Budget and May Revision Issues Affecting People with Disabilities*.

¹⁹ California State Association of Counties, and the Urban Counties Caucus, *Re: Cash Assistance Program for Immigrants (Item 5180) – Oppose*, Letter to the Honorable Denise Moreno Ducheny, May 20, 2008.

limit for receiving these benefits, they would likely pursue aid and services from private, religious, or charitable organizations. Other county programs that will likely experience additional demands by destitute, distressed, or displaced individuals or families as a result of the state budget cuts include the food stamps program, meals on wheels, homeless assistance programs, and possibly, adult and child protective services.²⁰ State officials downplay the likelihood of significant increases in adult protective cases, noting that adult protective service caseloads were not dramatically affected by past changes in IHSS service or funding levels.

II. Aid reductions and limitations: CalWORKs, SSI/SSP, and Medi-Cal. The proposed budget reduces cash grants under CalWORKs, eliminates COLAs from the CalWORKs and SSI/SSP programs, and changes eligibility and services available through Medi-Cal.

CalWORKs grant cuts. If the Legislature and the Governor approve the proposed budget, CalWORKs cash grants will decline 5 percent, or \$36 a month for a family of three receiving the highest grant level. Advocates point out that the new grant level of \$687 per month would be \$7 less than the actual grant level twenty years ago and thus does not account for inflation during the intervening period.²¹ They say that some recipients and their families will be able to absorb this decrease, while others will struggle, especially in light of a poor economy and increased food, housing and gas prices.²² State health and human service officials point out that though cash grants have been reduced (and are proposed for additional cuts and limits in 2008-09), comparisons to cash grants from two decades ago are not relevant because the current CalWORKs program is far more comprehensive than its predecessor (Aid to Families with Dependent Children), which did not include a wide variety of CalWORKs benefits, including allowing recipients to retain their income without losing aid and providing for child care, transportation, education, employment services, and other expenses.

Medi-Cal. Reductions in Medi-Cal dental and optional services, according to advocates, are likely to force some recipients to seek out more expensive care options such as emergency rooms and long-term care facilities. County officials also point out that delayed medical and dental care can lead to more serious medical and dental complications as well as producing barriers to employment. The reduction of services for 520,000 low-income working families, recent immigrants, and immigrants with PRUCOL status will create “ripple effects throughout the entire health care system.”^{23,24} The same goes for the elimination of optional services like adult dental care. Without preventative coverage, individuals will go without health care until they have no choice but to show up at an emergency room with more severe and costly problems. The burden on these safety net providers will increase at a time when their own direct funding is

²⁰ California State Association of Counties, and the Urban Counties Caucus, Re: Cash Assistance Program for Immigrants (Item 5180) – Oppose, Letter to the Honorable Denise Moreno Ducheny, May 20, 2008.

²¹ Western Center on Law and Poverty. Re: Governor’s 2008-9 May Revise CalWORKs, SSI, CAPI and Food Stamps Proposals, Letter to The Honorable Denise Moreno Ducheny, May 21, 2008.

²² Western Center on Law and Poverty. Re: Governor’s 2008-9 May Revise CalWORKs, SSI, CAPI and Food Stamps Proposals, Letter to The Honorable Denise Moreno Ducheny, May 21, 2008.

²³ Population estimates are from Kiskan, Tom. “Response Mixed to Proposal to Limit Medi-Cal Benefits.” *Ventura County Star*. June 23, 2008. ; Quach, Hanh Kim and Anthony Wright. *Not Just a One-Time Cut*. Health Access. June 25, 2008.

²⁴ Quach, Hanh Kim and Anthony Wright. *Not Just a One-Time Cut*. Health Access. June 25, 2008.

being cut. In addition, the community will feel the burden of higher uninsured costs and the economic effects of a sicker population and burgeoning medical debt. Advocates point out that what may appear to be optional services and populations in the view of the state budget does not feel optional to those who need care.²⁵

COLAs suspensions. The elimination of CalWORKs and SSI/SSP COLAs means that recipients' spending power will not keep pace with annual inflation increases. Advocates note that food, gas, housing, and other costs have risen as much as 25 percent to 32 percent in the last three years.²⁶ Advocates point out that this year's SSI/SSP COLA elimination would be the 14th time the state COLA has been eliminated (or the grant reduced) in the last 19 years, and that it has eroded the value of the SSI grant to its 1990 value.²⁷ However, the Legislative Analyst notes that due to federal COLAs provided in prior years, both individuals and couples receiving SSI/SSP grants remain above federal poverty guidelines. Because current grant levels already prevent recipients from falling below federal poverty guidelines, the Legislative Analyst recommends the elimination of the state's June 2008 and 2009 SSI/SSP COLA, given the state's fiscal situation.²⁸

III. Cumulative budget impacts. Policymakers and advocates agree that a number of the budget's proposals would have a cumulative impact on individuals and families who rely on two or more public services. For example, under the proposed budget, a disabled person currently on IHSS could lose domestic and related care services while simultaneously finding the purchasing power of their SSI/SSP benefits reduced due to the elimination of COLAs. Similarly, a single mother could lose both her CalWORKs grant (if, for example, her part-time job does not provide a sufficient number of hours) as well as her dental benefits through the Medi-Cal cuts. In another scenario, a higher-income Medi-Cal recipient who fails to comply with the new quarterly reporting requirements will lose aid when he reapplies for coverage under the budget's proposed new rules and could find himself unable to pay for domestic and related services under the imposition of an IHSS share-of-cost.²⁹ Because all CalWORKs recipients and many IHSS and SSI/SSP beneficiaries are eligible for Medi-Cal, the budget's impact on one individual or family will likely be affected by a multiplicity of budget changes and reductions.³⁰ These changes may reduce a family's ability to access food and housing, medical care, and in-home support services simultaneously. Under the proposed budget's benefit eliminations, many children and legal immigrants will lose all basic survival support they previously received from CalWORKs grants and the CAPI program, respectively. A lack of basic food, shelter, and clothing could result for children, elderly and disabled residents who are likely unable to avoid or mitigate this loss.

²⁵ Espinoza, Martin. "State Budget Would Cut Health Care for Poorest." *The Press Democrat*. June 12, 2008.

²⁶ Western Center on Law and Poverty. *Re: Governor's 2008-9 May Revise CalWORKs, SSI, CAPI and Food Stamps Proposals*, Letter to The Honorable Denise Moreno Ducheny, May 21, 2008.

²⁷ California Welfare Directors Association. *Medi-Cal Operations Cuts and Eligibility Rollbacks – Oppose*. Letter to Letter to The Honorable Denise Moreno Ducheny. May 17, 2008.

²⁸ Legislative Analyst's Office. *Analysis of the 2008-08 Budget Bill*. February 20, 2008

²⁹ California Welfare Directors Association. *Medi-Cal Operations Cuts and Eligibility Rollbacks – Oppose*. Letter to Letter to The Honorable Denise Moreno Ducheny. May 17, 2008.

³⁰ California Welfare Directors Association. *Across the Board Cuts Disproportionately Hurt Families and Special Needs Populations*.

IV. Service delivery and management. County officials and other stakeholders note that the proposed state budget includes both *internal* administrative challenges for counties trying to qualify and oversee service delivery for clients as well as *external* difficulties associated with finding the services that are authorized. These internal and external pressures can affect county workers, aid recipients, and the community at large.

Internal impacts. County officials say that the proposed budget will likely result in increased stress on county administrative processes. Though counties' costs to administer health and human service programs increase each year due to caseload growth, cost-of-living adjustments, and new directives from the state, state reimbursement of these costs has remained fixed since 2000-01. Over time, counties estimate a cumulative "human services funding deficit" (the amount they contend the state owes them for providing CalWORKs, IHSS, and many other services) totals nearly \$1 billion.³¹ County officials say that this deficit – ranging from \$300,000 in Sierra County to \$320 million in Los Angeles – is causing them fiscal distress, putting pressure on caseworkers to do more with less, threatening their ability to effectively provide services to at-risk residents, and making it more difficult to avoid federal and state penalties associated with performance targets and eligibility compliance. State officials take issue, to some degree, with the notion of a "human services funding deficit." They explain that a limited amount of state support is allocated to counties for their administrative activities. However, despite being aware of this fixed state funding, counties sometimes choose to negotiate more generous employment contracts, salary rates, and benefits for their employees. If these agreements exceed the amount of state funds available for program administration, counties must cover the additional costs.

County officials argue that the proposed state health and human services budget will compound their administrative challenges by imposing new administrative duties, such as biannual face-to-face meetings with certain CalWORKs recipients and a requirement to process Medi-Cal eligibility four times a year instead of once. They foresee longer wait times for people in need of food and basic medical care, and less time and follow-up for potentially threatened and abused children and seniors as social worker caseloads grow. With these threats looming, county officials predict greater triaging of caseloads with more effort focused on immediate and potentially life-threatening needs of new applicants, reducing or eliminating resources and manpower for routine client follow-ups, reassessments of need, and other activities focused on ensuring the right level of care and cost-savings.³² They fear that this response will expose them to state and federal financial penalties that will further exacerbate these problems.³³ State health and human services officials contend that the state budget's caseload reductions (including those in the Medi-Cal and CalWORKs programs) as well as time extensions, in the case of IHSS reassessments, will offset many costs.

³¹ California State Association of Counties, *Human Services Funding Deficit Educational Effort*. February 6, 2008.

³² California State Association of Counties, et al, County Administration of Health and Human Services Budget Items (Medi-Cal, In-Home Supportive Services, Food Stamps, and CalWORKs), Letter to Members of the Budget Conference Committee, June 12, 2008.

³³ California State Association of Counties, *Health and Human Services Programs: 2008-09 State Budget Actions Prior to the May Revise*, May 13, 2008

Even if counties succeed in absorbing the proposed financial and administrative changes, significant caseload growth in these service populations is anticipated over the next few years. California's population is expected to increase by 1.3 percent annually, resulting in three million new residents over the next five years. The largest increases will occur in the age 65 and older cohort (3.3 percent annual growth for a total increase of 892,000 persons) and those ages 45-64 (2.2 percent annual growth for a total of 1.2 million new residents).³⁴ A relatively older population will put additional pressures on caseloads and costs, particularly for the IHSS, Medi-Cal, and the SSI/SSP programs. Additional clients will also further strain county delivery systems.

External impacts. In addition to the internal challenges to county administration under the proposed state budget, observers note the external complications to service delivery from the new, lower reimbursement rate for Medi-Cal providers. Physicians are free to refuse to serve Medi-Cal patients, and they do. Currently, California has only 46 primary care providers for every 100,000 Medi-Cal beneficiaries, which is below the federal minimum standard of 60 to 80. Medi-Cal reimbursement rates for physicians have not been increased since 2000-01, though physician costs to provide the care have increased during the last eight years. The Legislature and Governor have already acted to reduce Medi-Cal reimbursement rates for providers by 10 percent as of July 1st, a move the Legislative Analyst says may further discourage many doctors from taking Medi-Cal patients. Left without medical practitioners willing to serve them, Medi-Cal patients are likely to travel long distances to find care or seek services through more costly emergency treatment and already strained public hospitals.³⁵ Moreover, some medical facilities that rely on Medi-Cal reimbursements could be forced to close, particularly hospitals and skilled nursing facilities in rural areas, while pharmacies and adult day health care centers would also face dire consequences.³⁶ Clinic closures could also adversely affect the larger, non-Medi-Cal community.³⁷

The precarious situation of medical providers and facilities is echoed in the dental care field. Currently, less than half of dental practices accept Denti-Cal patients, and access to specialty care, such as pediatric dentistry and orthodontics, is very limited.³⁸ Some counties are already without any dentists willing to serve Medi-Cal patients. A reduction in the reimbursement rate for dental care under Medi-Cal, as well as the elimination of Medi-Cal dental services for adults, may exacerbate these shortages.³⁹ If dental clinics and practices shut down, entire communities could suffer from lack of care.⁴⁰

³⁴ Legislative Analyst's Office. *California's Fiscal Outlook: LAO Projections 2007-08 through 2012-13.*

³⁵ California Welfare Directors Association. *RE: Medi-Cal Service Eligibility Changes (Budget Item 4260) & Safety Net Care Pool Funding (times 4260-111-001) – Oppose, Letter to Letter to The Honorable Denise Moreno Ducheny.* May 20, 2008.

³⁶ Fernandez, Elizabeth. "Suit Filed to Block Medi-Cal Rate Cuts." *San Francisco Chronicle.* May 6, 2008.

³⁷ KNBC.com, Governor's Budget Cuts Education Funds, Releases Prisoners, January 10, 2008.

³⁸ California Health Care Foundation. *Denti-Cal Facts and Figures: A Look at California's Medicaid Dental Program.* May 2007.Ibid.

³⁹ California State Association of Counties, *Health and Human Services Programs: 2008-09 State Budget Actions Prior to the May Revise,* May 13, 2008

⁴⁰ The California Endowment. *Dental Health Services for Low-Income Bay Area Residents in Jeopardy.* May 19, 2008.

COUNTY OFFICIALS AND PRIVATE PROVIDERS FORECAST STATE BUDGET IMPACTS IN THEIR COMMUNITIES

*"The county's service population is the most vulnerable: the sick, the elderly, the indigent, the incarcerated and the dead."*⁴¹

Federal and state agencies set the rules for safety net programs and pay for the majority of the costs, but county governments are on the front lines assessing individual and family needs, processing applicants, dispensing aid and services, and managing cases. County officials have responsibility to respond to the needs of low-income, sick, disabled, and vulnerable individuals and families seeking access to services that will keep them safe and healthy. Because the proposed state budget would change both the type and amount of health and human services available, as well as the manner in which county employees deliver the services, county officials are eager to share their perspective on what the proposed state changes mean for low-income populations and the county workers who serve them. The following case studies are based on conversations with six counties about the likely impact of the proposed state budget in their communities.

Contra Costa County

*"The most vulnerable children, adults, and families in Contra Costa County will be hit the hardest."*⁴²

Case Study Summary:

- *State of the County:* Contra Costa County's per capita income approximates the state average, but its unemployment and poverty rate are slightly better than that of California at large. The County's General Fund resources supplement state health and human services, but anticipated local revenue declines, as well as Medi-Cal caseload increases, are putting pressure on County funds. In the recent past, County officials have consolidated services and health facilities to achieve greater efficiency.
- *Biggest concerns:* Cuts to County administration for child welfare and adult protective services could hinder the County's ability to assess and respond to reports of abuse.
- *Anticipated state budget impacts:* Nearly 3,000 children and immigrants will lose aid under CalWORKs eligibility changes and elimination of CAPI and 900 IHSS recipients will lose access to services. Increases in applications for County GA benefits, food stamps, and emergency room visits as well as increased demands on private service providers are expected.
- *Coping strategies:* Officials will focus efforts on triaging cases according to the most life-threatening needs, increasing outreach to aid recipients, and seeking opportunities to partner with private providers.

⁴¹ Peter Detwiler, Senate Local Government Committee.

⁴² Cullen, John. *Potential Impacts of the 2008-09 May Revision on Contra Costa County*. Memorandum to the County Board of Supervisors, June 3, 2008.

Contra Costa County, one of the nine counties comprising the San Francisco Bay Area, represents an urbanized area of over 1 million residents. The County's residents enjoy a per capita personal income of \$41,868 (compared to \$39,262 for the state) with a median household income of \$69,400 (compared to \$62,000 statewide). The County's unemployment rate is 5.3 percent (less than the current statewide rate of 6.8 percent) and just over 8 percent of the County's population lives in poverty (as opposed to 13.3 percent statewide). In the past, the County has used its General Fund revenues to "overmatch" administrative and spending requirements associated with state health and human services programs, and they will likely continue to do so. This year, the County's proposed budget anticipates a 4 percent reduction in overall spending accomplished by increasing workload, reducing staff, and lengthening response times. The County is also in the process of closing two mental health facilities.

While County officials expressed concern about many of the proposed state budget changes to administration and programs for low-income populations, their preeminent concerns involved proposed cuts to child welfare and adult protective services, Medi-Cal, CalWORKs, and IHSS.

Child welfare services. County child welfare services (CWS) protects children from abuse and neglect through prevention, remediation, and out-of-home care placements. County CWS social workers are responsible for receiving and investigating complaints regarding child abuse or neglect. In Contra Costa, County officials currently receive about 7,000 child welfare referrals each year. Each of these referrals require follow-up: certain types of complaints within 72 hours and other complaints within 10 days. The County reports that its CWS caseloads are already twice as large as optimal. County officials calculate that the proposed state budget's 11.4 percent cut in administration for this program will swell its already too large caseload by causing the loss of 10 County social workers assigned to CWS. The County is particularly alarmed by the possibility of CWS caseload increases because it has experienced child fatalities within recent years. Overall, the proposed state budget's cuts are likely to further weaken the County's ability to identify, assess, and quickly respond to abused and neglected children, resulting in more harm, and possibly, additional deaths. Increased caseloads and reduced staff will also open up the County to federal penalties for response delays.

Additional state budget proposals for CWS will affect the County's foster care system, including a 10 percent rate cut for providers. County officials report that the proposed foster care cuts jeopardize the oversight of 1,400 children currently placed in out-of-home care. They also predict that provider rate reductions will result in the loss of willing foster families and group homes, forcing the County to rely on more expensive private or group settings. County officials note that a lack of local foster families and the high cost of alternative settings may force them to place additional children outside of the County or out of state.

Adult protective services. Mirroring the proposed CWS cuts, the proposed 10 percent cut to adult protective services administration means that County officials will have a harder time assessing, investigating, and responding to crimes against elderly populations. Currently, County workers triage their investigations, focusing most of their resources on potentially life-

threatening situations. Other crimes against seniors, including financial malfeasance, are less likely to be investigated or remedied. The proposed 10 percent reduction in county administration comes at a difficult time, as the County is experiencing explosive growth in adult protective services complaints, partially due to new mandates on banks to report potential financial malfeasance. The County fears that the increased demands and reduced resources will leave reports of financial mischief uninvestigated, resulting in more seniors being defrauded of their life savings.

Medi-Cal. County officials report concern over the impact of the proposed 10 percent cut in provider reimbursements. They explain that existing Medi-Cal clients already have a difficult time finding willing providers within the County, particularly for dental services. The County has attempted to increase access to dental services by coordinating an annual pro-bono dental health fair. They also note that eliminating dental care services for adults is likely to decrease their employability and produce other health problems.

County officials note that the recent economic slowdown has resulted in an increase in the Medi-Cal caseload, a trend that is likely to continue due to current economic conditions. The proposed state budget would reduce both the base rate and COLA for county Medi-Cal administration, equaling 45 fewer positions in Contra Costa County. Loss of these resources will mean longer wait times for low-income residents to qualify for Medi-Cal and more delays in following up on problems associated with medical care.

CalWORKs & CAPI. County officials expressed concern about the proposed state budget's elimination of aid under the CalWORKs program. Particularly, they cited the potential difficulties faced by families trying to avoid being cut off as a result of mandated work-participation requirements, while at the same time facing a lack of preschool and child care slots, which are also proposed for reduction in the budget. The County anticipates that more than 2,600 Contra Costa children will lose their aid under the proposed budget's CalWORKs grant elimination proposals. They also note that the five percent grant reductions proposed for the remaining 9,000 CalWORKs recipients will result in an aid level lower (in actual dollars) than it was 20 years ago. Similarly, County officials note that more than 200 aged, blind, and disabled immigrants within the County will lose all assistance under the elimination of the CAPI program.

IHSS. County officials expect that about 900 aged, blind, and disabled County residents will see their aid reduced or eliminated under the proposed state budget's IHSS changes. County officials worry that impaired seniors who lose their IHSS aid but need some assistance to safely stay in their homes may end up hospitalized or institutionalized. In response to the proposed IHSS administration cut, the County expects to lose social workers, resulting in increased caseloads for existing workers. County officials note that seniors, who make up a large portion of the County's IHSS caseload, represent the fastest growing population within the County. Larger caseloads mean that those in need of aid will need to wait as long as two months to receive services.

Additional impacts. County officials point out that though individual proposed budget cuts will harm families in need, the combined impact of CalWORKs, food stamps, Medi-Cal and other program cuts can be devastating. County officials expect that low-income populations who lose their aid and/or receive reduced benefits under the proposed state budget changes will likely apply for other aid programs, including county GA, food stamps, and local food banks. But because GA grants are smaller and time-limited, and private programs are stretching their donations further and further, this assistance may be delayed or insufficient to make up for lost aid. Health related problems, no longer covered by Medi-Cal, or without providers to attend them, will be handled by the County hospital in Martinez. County officials expect that these and other reductions in aid will bring additional stress on low-income families that will translate into additional child welfare referrals, health and academic problems, violent offenses, and other problems.

Coping strategies and best practices. Contra Costa County has consolidated its community services into a Department of Employment and Human Service to improve service collaboration and lower costs. It also consolidated three mental health clinics into one regional mental health center. If the Legislature and the Governor approve the state budget as proposed, County officials will focus on triaging services and prioritizing activities. They will focus their efforts on addressing and averting the most immediate and life-threatening situations, addressing other issues as finances and staffing allow. They will look for ways to increase outreach to let low-income residents know what programs they are eligible for, and will work with community-based organization to most effectively provide a safety net for County residents as well as pathways out of poverty.

Private provider perspective. The Contra Costa County Contractors' Alliance, representing 26 private agencies that provide health and social services within the County, says its members have expressed concern that the proposed state changes to County programs will drive low-income residents to seek services from private non-profit agencies, who will not be reimbursed for providing those services. Alliance members raise specific concerns with the state budget's proposed cuts to subsidized child care, which will eliminate 124 slots in the County, as well as the potential loss of foster care families and Medi-Cal providers due to reductions within those programs.⁴³

The Alliance recently reached out to the local business community, creating a joint task force to assess the impact of County budget proposals on community needs and quality of life issues and coordinate efforts and speak with one voice on policy and fiscal issues of mutual concern. The Alliance hopes to utilize this model in the future to study and respond to state budget issues.

Fresno County

*"We are the bread basket but we are forgotten."*⁴⁴

⁴³ Interview with the Contra Costa County Contractors' Alliance

⁴⁴ Interview with Dayatra Latin, Director of Operations at the Community Food Bank in Fresno County.

Case Study Summary:

- *State of the County:* A fast-growing, high-poverty county, Fresno faces a growing CalWORKs caseload and local budget difficulties due to drought and agricultural job losses.
- *Biggest concerns:* Proposed CalWORKs reductions.
- *Anticipated state budget impacts:* CalWORKs eligibility changes will leave former recipients with no means of support, leading to increased demands on local food banks; changes to the Medi-Cal program will leave 14,000 adults uninsured and exacerbate the current need to travel outside the County for people seeking Medi-Cal health care services; IHSS reductions are not expected to produce a significant impact.
- *Coping strategies:* Officials have already cut services across all departments and have contracted out for indigent services.

Fresno County is one of the largest, fastest-growing, and most diverse counties in California. Located near the center of the San Joaquin Valley, the County is one of the most productive agricultural counties in the nation, but also contends with extremely high poverty rates. Per capita personal income in the County is only \$25,573 and the poverty rate is double the national average at 21 percent.⁴⁵ The County, which has 1 in 3 children on Medi-Cal and 26,000 families on CalWORKs, distributes \$13 million in food stamps and \$500 million in Medi-Cal payments to vendors annually. Last year, the County cut services across all departments, eliminating immunization and dental programs for poor children as well as a screening program for infectious disease.⁴⁶ Today, the County faces plummeting sales tax revenues, stagnant property tax revenue growth, and shortages in county realignment funds at the same time that the economic downturn is being compounded by emergency drought conditions.

With low-paying jobs and high unemployment (up to 33 percent in some communities), Fresno County is especially concerned about CalWORKs reductions. Unlike other counties, Fresno may be facing an influx of low-income residents; County officials are concerned that budget cuts in other high-cost counties will cause financially stretched families to flee to the San Joaquin Valley and further tax its safety-net system.

CalWORKs. Fresno County officials note that their CalWORKs caseloads have been increasing at a significant rate (four percent) since November 2007. Of its 26,000 cases, twenty percent are safety-net cases and would face aid elimination under the proposed state budget. With exposure to environmental and economic stressors, seasonal unemployment, and some of the highest poverty in the nation, County officials dislike the lack of a COLA and find the five percent grant reduction egregious. In addition, given that most safety-net families are working and sanctioned

⁴⁵ Public Policy Institute of California. *Just the Facts: Poverty in California*. Nov. 2006.

⁴⁶ Portillo, Ely. "Fresno County OKs Lean Budget – Department Heads Brace for Impact of Spending Cuts, Including Fewer Services." *The Fresno Bee*. July 21, 2007.

families are already the focus of re-engagement efforts, County officials are worried that these policy changes will simply leave entire families with no visible means of support.

IHSS. When asked about the effect of the function score criteria for domestic care services, County officials responded that they do not expect hours to be drastically reduced because “dust-bunny” cases, or domestic service-only consumers, no longer exist in the program. Instead, consumers are likely to appeal for reassessment, get a doctor’s help in overstating their need, or simply get hours in another activity area. However, the appeals will take a toll on a program already prioritizing changes in care levels over renewals and reassessments. County officials expect 20 percent of the IHSS population to appeal their functional score index with a 25 percent success rate.

Medi-Cal. The 10 percent provider rate cuts will exacerbate the low provider supply and high provider demand problem faced by Fresno County. Medi-Cal providers have indicated to County officials that they do not know how they will deal with the provider rate reduction as they can barely meet their overhead now. Some may close their practices to new patients and the County will continue to be unable to attract new providers, especially in specialty services, where the disproportionate share of Medi-Cal revenue in the payer mix has proved to already be a deterrent to attracting doctors, particularly children’s specialty doctors. Local residents already travel outside the area to become non-priority patients on other providers’ waiting lists for these services. In addition, the one regional trauma center located between Los Angeles and Sacramento will experience an even greater struggle to maintain its trauma center status because of specialist and surgeon retention problems.

County officials also indicate that nearly 14,000 adults will be left uninsured due to the 1931(b) eligibility changes. In addition, the new work hour rules will mean that many employed but poor workers will not be eligible, giving them a disincentive to work enough hours to keep off of CalWORKs. Since most adults will not be eligible for the county’s indigent care program, parents may make the choice to quit their job in order to keep Medi-Cal coverage. Even if they can qualify for the indigent program, the County will not be increasing the funding available to meet the surge in the uninsured, having already contracted out indigent services to the Community Regional Medical Center for a set yearly amount.

Additional Impacts. County supportive services are at bone marrow level and unlike in other counties, no additional County or community based funds exist to financially aid those in need. Local service organizations cannot be relied upon to pick up the slack in services as they are unable to meet even current needs. The community food bank already cannot meet the unmet food needs of the community and does not have the luxury of large corporate donors like other California regions. For those on SSI/SSP, who cannot qualify for food stamps, there will be an increased use of food bank services at a time when even relatively better off families are utilizing the food bank to help them with the food-or-gas conundrum. In addition, even County experts predict there will be more homeless and hungry due to a perfect storm of bad economic conditions. With emergency drought restrictions already in effect, Fresno expects a \$73.5 million

local economic loss and farm laborer layoffs. These hardships are on top of the housing market and economic downturns being experienced across California.

Private provider perspective. When asked about the impact of state budget cuts, the Fresno Food Bank replies simply that more people will be in need. For example, SSI recipients are ineligible for food stamps but the price of food is already on the rise. If the proposed budget cuts take effect, they will not be able to buy as much as they used to and will need the food bank's help in order to make up the difference. In addition, the food bank's clients are changing. A 2005-06 hunger study showed that 40 percent of food bank clients were actually working part or full time in minimum wage jobs. But now, many recipients are employed in higher-paying jobs; people coming in to the food bank are from middle income families facing a layoff or the choice between gas and food. As an organization, the food bank perpetually suffers from a lack of donations (especially corporate) and the strain of competition to feed people in bigger regions. Given the economic downturn and the budget crunch, they now face increased demand for their food donations and higher fuel bills to corral them.

Orange County

*"We have people who are not getting their basic needs met."*⁴⁷

Case Study Summary:

- *State of the County:* Orange County is a relatively high wealth, low unemployment county with a large immigrant population and a steadily growing local budget.
- *Biggest concerns:* Administrative cuts to child welfare services and benefit reductions under CalWORKs, CAPI, and Medi-Cal.
- *Anticipated state budget impacts:* CalWORKs recipients who lose aid and SSI/SSP recipients who lose COLAs in this high-cost housing market may become homeless; lack of preventative care under Medi-Cal will increase emergency room usage and lead to more serious personal and community health threats; IHSS and CAPI reductions will be mitigated by reliance on family members to provide assistance; dental services will be partially alleviated by existing partnerships with local dental clinics.
- *Coping strategies:* Will triage cases to ensure services for children, vulnerable populations, and the most severe needs first.

Orange County occupies 950 square miles of land and coastline directly south of Los Angeles County. The County's strong economy, driven by tourism, manufacturing, and the service industry, is larger than most of the world's countries.⁴⁸ The County's relatively wealthy residents enjoy a median family income of \$84,100, more than \$20,000 higher than the state's median family income. Due to its proximity to Mexico, and migration from Southeast Asia, the County contains a large number of immigrants. The County's unemployment rate is a relatively

⁴⁷ Orange County Interview, June, 2008

⁴⁸ Orange County, 2008-09 Budget Workbook.

modest 4.4 percent, reflective of its large number of lower-skilled service industry jobs. Approximately nine percent of County resident live in poverty.

The County's budget reflects slower growth in revenues due to a downturn in the housing sector, lagging retail sales, and increased costs. The County's proposed budget is \$6.6 billion, representing an increase of nearly 12 percent from the prior year, with General Fund spending increasing 3.5 percent from 2007-08. The County chooses to "overmatch" a number of state programs, including IHSS and child welfare.

The County's primary concerns regarding the proposed state budget include administrative reductions, particularly in child welfare, and benefit changes in CalWORKs, CAPI, and Medi-Cal.

CalWORKs. The County's CALWORKs program provides comprehensive intake assessments that pair clients with a broad array of services, including emergency housing assistance and voluntary child abuse prevention programs. Currently, the County CalWORKs caseload has at least 1,500 cases at risk of losing eligibility under the proposed state budget. County officials say that many of their CalWORKs families work, just not enough hours to exit the system. If aid is eliminated, they will end up living with friends or family or become homeless. A few years back, County officials say it was very unusual to see an entire family that was homeless; now, it's more commonplace for a family to descend into "true homelessness." They fear that state budget reductions will encourage this trend.

IHSS. Orange County has approximately 14,000 IHSS clients, 80 percent of whom receive domestic and related services from relatives. The proposed state budget will eliminate eligibility for approximately 25 percent of the cases due to their lower ranking on the statewide assessment of need. But because family members are providing these services in most cases, County officials believe that the impacts of eligibility changes for certain IHSS recipients' domestic and related services will be less severe than elsewhere. However, the County acknowledges that some of these family members may be under their own stresses.

Medi-Cal. County officials believe that eligibility changes and service reductions in this program will result in increased reliance on emergency rooms. In some cases, individuals may delay treatment until their condition is far worse, resulting in longer recoveries or lasting health effects. The County also worries about the outbreak of public health threats since it has battled tuberculosis among its residents in the past.

Orange County's Medi-Cal caseload is handled through CalOptima, a managed care program. County officials fear that quarterly eligibility changes for Medi-Cal patients will result in a revolving door where clients drop off (and their capitated payments disappear) during periods of health, returning to the system only when they are sick. They fear this cycle threatens the financial stability of their health care delivery system.

Though County officials believe access to Medi-Cal providers is currently adequate, they indicate that the state budget's 10 percent cut to Medi-Cal reimbursement rates will make recruiting new providers more difficult. The proposed state budget cuts affecting dental services may have less of an impact because the County has dedicated other sources of local revenue and collaborated with local clinics to ensure access to dental care.

CAPI. Orange County's CAPI program has 400 recipients. If the state budget eliminates this program, officials expect that beneficiaries will seek out County GA benefits and food stamps. They also expect that in some cases, the family members and sponsors who vouched to support these clients and keep them off public assistance during the immigration process will step forward and provide help.

SSI/SSP. Eliminating COLAs under the SSI/SSP program concerns County officials who note the high cost of local housing. They fear that seniors, many of whom already share rents with roommates, could end up homeless or institutionalized.

Administration. Though the proposed state budget appears to offer administrative relief to IHSS workers by lengthening the time between client reassessments from every twelve months to eighteen, County staff is already having difficulty meeting the statutory twelve-month deadline. Thus, this change will provide limited relief to the County. County officials note that some counties meet the current deadline by conducting phone interviews, but that Orange County is unwilling to give up face-to-face assessments.

Coping strategies and best practices. Like other counties, Orange County officials say that when triaging cases, they will place first priority on intake of new clients, with less focus going to follow up and review of existing cases. They will also focus on the needs of children and other vulnerable populations. But with less time and attention to devote to follow up on clients, County officials worry about self-neglect in some at-risk populations. County officials also say they will work hard to get people all of the benefits for which they are eligible. For example, they will make an effort to see if any former CAPI recipients are qualified for SSI/SSP.

Sacramento County

*“It's high time for the state and counties to look at what we do
and where we allocate our time .”⁴⁹*

Case Study Summary:

- *State of the County:* Sacramento County is currently grappling with a \$123.7 million County budget deficit with many County health and social service programs slated for reductions.

⁴⁹ Sacramento County Interview, June 5, 2008.

- *Biggest concerns:* Cuts to county administration and reductions under CalWORKs and Medi-Cal.
- *Anticipated state budget impacts:* Current county workforce will not be able to absorb the state budget's new county administrative requirements combined with proposed funding cuts for administration; CalWORKs caseload is large and growing fast, so cuts will produce more applicants for County GA, which is up 30 percent from last year, and other programs currently serving different low income populations; displaced CAPI recipients will put pressure on County meals on wheels, food stamps, and senior nutrition programs; Medi-Cal recipients are not currently experiencing difficulties accessing providers.
- *Coping strategies:* Unlike past years, County budget problems will preclude the use of General Fund revenues to offset state losses in health and human services programs. The County will respond to growing caseloads by reviewing staffing patterns, triaging service delivery, and partnering with private providers.

Sacramento County's 1.4 million residents inhabit 1,000 square miles extending from the Sacramento-San Joaquin delta lowlands to the foothills of the Sierra Nevada Mountains. County residents have an average per capita income of \$31,987. Workforce expansion is primarily concentrated within lower paying jobs and, combined with hiring freezes and slower wage growth in the government employment sector, is leading to a widening disparity between the County's rich and the poor.⁵⁰ Fourteen percent of County residents currently live in poverty.

Sacramento County is currently grappling with a \$123.7 million deficit in its proposed \$2.1 billion County spending plan. Significant increases in labor costs, coupled with slower rates of growth for property and sales tax revenues, are largely to blame for the shortfall.⁵¹ The County's proposed budget calls for utilizing \$55 million in County reserves and imposing \$68 million in cuts, three-fourths of which affect health and social service programs.

Sacramento County officials are worried about how the proposed state budget will affect County program administration and service delivery, as well as low-income populations in CalWORKs, Medi-Cal, and other public services.

Administration. County officials say that the proposed 2008-09 state budget, combined with the existing human services funding deficit and increasing caseloads, asks them to do more with less. County officials believe that some of the proposed state budget changes, including biannual meetings with certain CalWORKs recipients and quarterly Medi-Cal reporting cannot be absorbed by current staff and funding levels. Other areas, like foster home inspections, will see routine inspections and follow up occurring every four years instead of annually.⁵² Officials say that while reducing administrative expenditures saves money in theory, in practice it is likely to bring on federal sanctions.

⁵⁰ Reese Phillip and Dale Kasler, *Sacramento County Incomes Dropped Amid Housing Boom*, *Sacramento Bee*, May 5, 2008.

⁵¹ *Sacramento County's Struggle to Close \$123.7 Million Budget Gap Leaves Workforce Mostly Untouched*, *Sacramento Bee*, June 21, 2008.

⁵² Fletcher, Ed. *County Poised to Pass Ugly Budget*. *Sacramento Bee*, June 18, 2008.

CalWORKs. Sacramento County has 30,000 CalWORKs cases. Its program is growing quickly, up 7 percent from last year, and represents one of the top five largest caseloads in the state. County officials say that some people who become ineligible for CalWORKs aid under the proposed state budget are likely already working but neglecting to report their income. These individuals may simply choose to forgo the additional aid provided through CalWORKs. Other displaced CalWORKs recipients will seek out County GA grants and homeless assistance. The County's GA program is already growing at an alarming rate, up 30 percent from last year. New pressure on these programs from former CalWORKs recipients may crowd out other populations trying to access this and other aid. They worry that people no longer involved in CalWORKs education and work training won't become taxpayers who can support these and other public programs. If left idle, County officials also fear that some of these displaced individuals may seek out other, less-productive activities within the community. Officials are also worried that shrinking the CalWORKs system may just shift some of the same cases and costs to the child welfare system.

As previously noted, County staff do not have sufficient resources to meet the proposed state requirement to interview each affected CalWORKs recipient every six months. Because of this limitation, officials fear that recipients who are denied aid will successfully appeal their loss of aid or obtain judicial rulings in their favor.

Medi-Cal. Sacramento County has a Medi-Cal caseload of 60,000 persons. Because of the urbanized nature of the County, Medi-Cal recipients are not currently experiencing problems with access to providers. But County officials believe that the state budget's proposed rate cut for providers may have some impact on the number of willing medical providers. If providers leave the system, recipients will be forced to use local emergency rooms.

CAPI. If the state budget eliminates the CAPI program, County officials expect that recipients will seek out aid in other County programs, including meals on wheels, food stamps, and senior nutrition. But County officials note that serving former CAPI recipients, even when they are eligible for these and other services will be difficult due to language barriers.

Coping strategies and best practices. Officials explain that in the past, they have been able to backfill state losses with County funds, but due to significant local budget pressure, they won't be able to offset these losses. In 2008-09, County officials plan to respond to growing caseloads and administrative cuts by triaging aid and service delivery, and redirecting staff to the most critical cases. They will review existing service delivery structures to assess staffing patterns, lengthen response times, and seek outside grants. They will also intensify intervention efforts with high-risk beneficiaries. For example, in CalWORKs, County social workers will try hard to help beneficiaries avoid sanctions and the loss of aid by visiting them at home. County officials will also seek ways to refine state oversight and review of Medi-Cal, food stamps, and other programs, including eliminating optional and documentation requirements. County officials may also look into privatizing certain employment services currently provided by County staff. In addition, officials will also work with community service providers to fill in the gaps for low-income service recipients affected by state budget cuts.

Private provider perspective. Due to the larger economic slowdown, private non-profit health and human service providers in Sacramento County have already reported caseload increases of 40 to 50 percent from last year, and service request increases of up to 25 percent.⁵³ Charitable organizations attribute these new demands, which are affecting more working families, to increased food prices, unemployment, and other economic problems. At the same time, non-profit organizations report that the economy has caused them to trim their own budgets and service offerings.⁵⁴ River City Community Services (RCCS), which provides food and other services, notes an increase in service requests from seniors, immigrants, and people at or below the poverty line. RCCS officials worry about state budget cut impacts on the basic food and health needs of low-income and fragile elderly populations.

⁵³ Cynthia Hubert. *Charities Grapple with Rising Needs*. *Sacramento Bee*, June 25, 2008.

⁵⁴ Cynthia Hubert. *Charities Grapple with Rising Needs*. *Sacramento Bee*, June 25, 2008.

San Bernardino County

“There seems to be more sympathy for us this time around.”⁵⁵

Case Study Summary:

- *State of the County:* A large, fast-growing county with a high rate of poverty, the County is committed to using its County General Fund revenues to avoid workforce reductions in the areas of child welfare services and IHSS.
- *Biggest concerns:* State budget reductions and new administrative requirements under Medi-Cal will result in lost staff even as Medi-Cal caseloads grow; cuts in CalWORKs grants and eligibility will impact low-income populations.
- *Anticipated state budget impacts:* The low percentage of CalWORKs recipients meeting work requirements will leave many of them ineligible for aid and without any means of support and the COLA suspension and 5 percent grant reduction will make it even harder for recipients to make ends meet. If former recipients can't qualify for County GA or food stamps, child welfare and foster care cases may rise.

San Bernardino is the largest county by area in the United States and a part of California's Inland Empire, a fast-growing and economically powerful region known for being more affordable than California's coastal counties. Despite, and in part because of the lower cost of living, San Bernardino County has a 15 percent poverty rate and a per capita personal income of \$25,108. Unemployment rates are in the middle of the pack for California, at 6.6 percent.

The sheer size of San Bernardino County makes the cost of doing business more expensive and rapid population growth has made for steady increases in service caseloads. For example, the relatively less expensive cost-of-living has played a part in the approximately five percent yearly increases in Medi-Cal cases and the 10,000 case increases in IHSS over the last eight years. Despite strong reserve funds, the County generally deals with state budget cuts in programs by passing along the cuts in proportional staff reductions. However, this year, the Board of Supervisors made a commitment to avoid layoffs and use local money from social service realignment and the County General Fund to overspend on Child Welfare Services and IHSS, programs that have open-ended federal participation. County social service representatives noted the unprecedented nature of this response and the increased sympathy for the stresses being faced by County social service programs.

Medi-Cal. The County reports being most worried about the Medi-Cal administrative cuts in the current proposed budget. In total, 10 percent will be cut from the administrative budget, through the elimination of the annual increase for caseload growth and for the actual cost of operating programs as well as by lowering the base funding level by 2.5 percent. As a result of these reductions, they not only will not be able to hire staff to meet the growth in their Medi-Cal caseload, but will lose staff. Yet, at the same time quarterly status reports will double the workload of existing Medi-Cal staff. In addition, it will increase the workload of the intake

⁵⁵ San Bernardino County Interview.

Medi-Cal staff when those taken off the rolls inevitably reapply for coverage. In all, San Bernardino County will have 101,716 cases with quarterly reporting requirements.

CalWORKs. For service recipients, County administrators worry most about the decreases in CalWORKs grants through the COLA suspensions and the 5 percent grant reductions. County officials say that it is difficult for CalWORKs recipients to get by on their existing benefit levels. In addition, only 11 percent of safety-net families met work-participation requirements in March 2008, meaning the remaining 2,776 cases would be at risk of grant loss. The County expects that former CalWORKs recipients who have lost their aid will seek out food stamps. And, as with almost every other county, San Bernardino expects that child protective services and foster care caseloads will increase if the full-family sanction is implemented. It is not clear, however, how many former CalWORKs recipients would qualify for county general assistance, leaving some without any foreseeable means of financial support.

Private provider perspective. Rancho Cucamonga Community Services is a City-run organization that provides space and services to other non-profit providers within the community. Employees say that the proposed state budget cuts are likely to take their toll on families that are already suffering under the economic downturn and are struggling to get back on their feet. Non-profit service organizations are already reducing the number of services they provide due to their own funding shortfalls.

Tuolumne County

“We’ve done a good job of preparing for budget cuts.”⁵⁶

Case Study Summary:

- *State of the County:* Though providing services across this rural county involves some challenges, County officials have helped protect themselves from state budget cuts by choosing not to use County General Fund resources to supplement state programs or offset state funding reductions.
- *Biggest concerns:* IHSS reductions and, under Medi-Cal, both provider impacts and new county administrative activities.
- *Anticipated state budget impacts:* Twenty-six families (including 63 children) are likely to lose aid with CalWORKs eligibility changes, leading to increased demands on private service providers and, possibly, referrals to the child welfare system; 80-90 percent of IHSS recipients are expected to lose eligibility for services, threatening their ability to remain in their own homes; Medi-Cal providers, already lacking the County, could decrease; suspension of SSI/SSP COLAs is not expected to create significant impacts.
- *Coping strategies:* Possible privatization of the County’s Groveland health care facility.

A rural territory adjacent to the Sierra Nevada Mountains and including Yosemite National Park, Tuolumne County contains 57,000 residents. Government and the tourism industry are the County’s main employers, with County residents garnering an average per capita income of \$26,578, well below the state level of \$41,571. The County’s unemployment rate is 7.6 percent and approximately 12 percent of its population lives in poverty. The County’s local revenues are generally flat or declining, with the exception of its transient occupancy tax (hotel/motel tax) revenues, which remain strong and are projected to increase in 2008-09.

Tuolumne County officials say they have worked hard to prepare for state budget cuts by aggressively managing county employees, cutting workforce positions, and not filling vacancies. They have also eliminated duplicative expenditures by closing their county hospital and curtailing spending. Tuolumne County’s budget is also relatively insulated from state budget proposals because County officials have chosen not to “overmatch” state health and human services programs with County General Fund revenues, instead choosing to cut back County expenditures in the face of state reimbursement shortfalls.

Delivering services to Tuolumne’s low-income population is particularly challenging due to the relatively sparse population and rural nature of the community. One County service area experiencing stress is the health care delivery system. The Board of Supervisors is in the process of reorganizing its acute psychiatric care facilities, is considering privatization of its Groveland health care facility, and is looking at options to keep its adult day health center operational.

⁵⁶ Tuolumne County Interview, June 19, 2008.

The County's primary concerns with the proposed state budget involve the cumulative impact of the budget's changes and the overall contraction of government services. County officials cited changes and cuts to IHSS beneficiaries, Medi-Cal providers, and county administration as specific concerns.

CalWORKs and CAPI. County officials expect that 26 families (including 63 children) will lose CalWORKs aid under the proposed state budget's grant eligibility changes. Officials expect that children who are no longer eligible for CalWORKs will seek aid from non-profit agencies and worry that they be at risk for referral to the child welfare system. The County has no CAPI recipients.

IHSS. County officials expect that 80-90 percent of its IHSS caseload will lose eligibility for domestic and related services under the proposed state budget. Loss of these services will put additional strain on families to help these program participants manage safely within their own homes. If loss of these services results in additional demand on long-term care facilities, recipients will likely need to look outside the County, which has a very limited number of beds.

Health care. County officials are in the process of closing down their acute psychiatric services unit, partially due to a lack of providers. The County's small size and rural nature mean that if even a single practitioner ceases to provide services, residents may be forced to seek care outside the County's boundaries. For dental care, residents already must travel out of county. County officials believe that the state budget's proposed 10 percent cut in provider rates will exacerbate their difficulties finding health care providers.

County administration. County officials are very concerned with the proposed Medi-Cal quarterly reporting requirement. They note that processing these reports, which require manual activities, will double their workload. Combined with the state budget's proposed administrative reductions, these changes will strain the county administrative activities. Officials also expressed concerns about their ability to detect fraudulent activities, noting that over the last few years, they have reduced the number of fraud investigators in their CalWORKs program from three to one. So far, the County has not been subject to sanctions or penalties.

Other concerns. While the County does not have any CAPI recipients and does not expect significant impacts from suspending COLAS to the SSI/SSP recipients, officials did express a desire to protect allocations from Proposition 42 for roads and subventions for schools under the Secure Rural Schools Act.

Private provider perspective. The Amador-Tuolumne Community Action food bank feeds 4,000 families a month in addition to supplying food to regional food closets and providing other social services. Due to increasing food prices, the agency has noticed sharp increases in the number of:

- clients requesting services at its main food bank;
- first time aid recipients who have never sought agency services before; and
- meals requested by each aid recipient.

In addition to serving more food and additional clients, the agency notes the increased significance its food plays in the nutrition of recipients. In past years, the agency's food resources were primarily a supplementary source of nutrition, providing fruits and vegetables to round out a recipient's diet. Today, the agency reports that its food often provides the primary proteins and nutrients that form the basis of a healthy, life-sustaining diet.

Agency officials note that they get service requests from many seniors who already receive social security or SSI/SSP benefits, as well as people affected by the housing downturn, including realtors, mortgage brokers, and furniture store employees. The agency is concerned about the state's proposed cuts to income support and increased costs for health and social services, noting that when costs for health care and life supporting services increase, people of limited means decrease their food budgets to offset these costs.

Though the agency is managing to provide the services its clients demand currently, it is worried about how it will absorb additional caseloads, coupled with the increased cost of food and gas (a particular concern in this rural county with widely spaced population centers).

CONCLUSION

In this report we attempted to assess the impact on local communities of the 2008-09 state budget's proposed reductions in several health and human service programs. Conversations with county officials and private service providers reveal a number of common themes and similar insights regarding the expected impact of the proposed state health and human services budget changes.

First, county officials uniformly agree that proposals to eliminate cash aid will leave some children, elderly, and blind and disabled individuals within their communities without any apparent means of basic support and minimal opportunities of replacing lost income, due to age, infirmity, and a poor economy. Consequently, local officials from every county are bracing for increased caseloads in county general assistance, homeless programs, food stamps, meals on wheels, and other services. However, eligibility and funding limitations for these programs will leave some individuals with limited assistance and others without access to aid. Nearly all counties believe that these and other financial stresses will lead to additional referrals to child welfare and foster care systems. Some counties also predict that eliminating in-home support services for seniors will lead to increased institutionalization and a rise in the number of senior self-neglect and adult protective service cases; other counties predict more modest impacts, believing that seniors will turn to family support networks or will successfully appeal service reductions.

As with other aid reductions that cause a shift in service usage, state budget cuts to regular and preventative health care will result in increased visits to emergency rooms, according to many county officials. Counties worry that reliance on emergency rooms for non-urgent care will clog an already over-burdened critical care delivery system; one county noted that it may also cause clients to develop more severe or permanent health conditions or create public health threats. Most counties expressed concern that reductions in available physicians could result from a change in Medi-Cal reimbursement rates. Most large, urbanized counties report that their access to medical providers is currently adequate, while rural and suburban counties relate that some patients must already travel outside the county for services.

Most county officials lament that increased procedural requirements, coupled with reduced administrative funding and the lack of a COLA for county administration will complicate the local delivery of state programs. Unwieldy caseloads, long wait times to qualify for or access service, and an inability to properly follow-up or reassess cases were cited as examples. Some counties already report difficulty meeting their *current* administrative duties. Many county officials report that they will work harder to triage client requests; other counties will improve their service delivery efforts through privatization, contacting-out, and partnerships with the private sector.

Public and private service providers note that implementation of state budget proposals will take place in a slack economy where jobs, county revenues, and private donations are in short supply.

Due to higher fuel and food costs, non-profit service providers already report increases in both new clients and new service requests, and describe an increasing number of first time clients, including persons who are currently employed or are already receiving public assistance. As clients shift from state aid to county programs, and finally, from county assistance to private aid, non-profit and private providers do not know how they will meet these new needs.

**APPENDIX A:
THE BUDGET’S PROPOSED REDUCTIONS TO HEALTH AND HUMAN
SERVICES:
CALWORKS, IHSS, MEDI-CAL and SSI/SSP and CAPI**

The proposed 2008-09 state budget changes the eligibility, service levels, grant payments, and other aspects of dozens of state health and human services programs delivered in collaboration with the federal government and counties. Some proposals will affect a substantial number of low-income residents in large or small ways; others affect smaller populations, but more severely. The following appendix provides background information on the Administration’s proposed budget changes for several critical cash assistance and public service programs for low-income Californians.

I. CALWORKS. The California Work Opportunities and Responsibility to Kids (CalWORKs) program provides cash grants as well as education, employment training, child care, and other services other to approximately 1.2 million people (475,000 families).⁵⁷ The CalWORKs program is intended to provide temporary assistance for meeting basic survival needs, including housing, utilities, and other expenses. CalWORKs beneficiaries include unemployed adults, children with absent or unemployed parents, and pregnant women in their last trimester, mothers who are minors, and non-parental caregivers.⁵⁸

CalWORKs eligibility determinations and aid are provided by county welfare departments.

Adults in the CalWORKs program can receive aid for up to five years, but children of ineligible adults continue receiving aid indefinitely. The CalWORKs program requires most adults to participate in “work-related” activities, including job training, education, and job search activities, at least 32 hours a week. CalWORKs benefit amounts are based on adult compliance with work-participation requirements, length of time on aid, and other factors, creating the following three aid categories:

- A *full family grant* (including adult and child-only/safety net portions) provides a maximum of \$723 each month for a family of three. Allocated to nearly half of all CalWORKs families, this grant is for families who have received aid for less than five years and where the adult is in compliance with federal work-participation requirements.
- A *child-only grant* of \$584 per month for a family of three is allocated to families that have received aid for less than five years but have been sanctioned for lack of participation in work activities, or for families headed by an adult who is ineligible for aid due to their status as a felon, undocumented resident, or as an SSI/SSP recipient. Approximately 45 percent of CalWORKs families qualify for a child-only grant.

⁵⁷ California Department of Social Services, *California Work Opportunity and Responsibility to Kids (CalWORKs) Cash Grant Caseload Movement Report*, March 2008 (Version 1).

⁵⁸ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, May 2008.

- A *safety net-only* grant of \$584 per month is allocated to approximately 9 percent of CalWORKs families that have received aid for more than five years.⁵⁹

Under the proposed state budget, State General Fund spending on CalWORKs would be reduced by \$784 million through a combination of grant reductions and limitations, changes in eligibility, and new administrative and other changes.

Grant limitations and reductions. Under the proposed state spending plan, all CalWORKs grants would be reduced by 5 percent (approximately \$36 per month for a family of three). CalWORKs grant reductions would impact all aid recipients and will generate \$110 million in state savings.⁶⁰ The proposed state budget also eliminates a scheduled \$38 monthly COLA for CalWORKs grants. The COLA reductions would also affect all CalWORKs recipients and will yield \$111 million in state savings. Taken together, the 5 percent grant reduction and the suspension of the CalWORKs COLA would result in 2008-09 CalWORKs grants that are \$74 a month less than they would be under scheduled COLA adjustments. In the last five years, the Legislature and the Governor have suspended CalWORKs COLAs three times, including a 3.7 percent COLA in 2007 (\$124 million in state savings), a two-year COLA suspension in 2005 (\$274 million in state savings), and in 2003 (\$121 million in state savings). In 2004, the Legislature and the Governor also delayed approval of a \$19 CalWORKs COLA by three months (\$25.3 million in state savings).⁶¹

Eligibility changes. The proposed state budget also proposes to eliminate *all* CalWORKs aid (including the child-only and safety net-only grant amounts) for the following groups:

- families placed on sanction status for 12 months or more for failing to comply with work-participation requirements (50 percent of the grant would be reduced after six months of sanction status, while the remaining 50 percent would be eliminated after 12 months of sanctions).
- families receiving the safety net-only grant, if the adult does not participate in work-participation requirements, after five years of aid;
- families receiving the child-only grant, after five years of aid, where the adult is an undocumented resident or certain type of felon.

The Department of Social Services estimates that approximately 16.5 percent of all CalWORKs recipients (70,000 families) will lose all cash assistance under the proposed eligibility changes.⁶² Enacting these eligibility changes are expected to generate a total of \$486 million in state savings.⁶³

⁵⁹ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, May 2008.

⁶⁰ California Budget Project, *Governor's May Revision Borrows Against Future Lottery Revenues, Makes Deep Cuts to Health and Human Services*, May 19, 2008.

⁶¹ Legislative Analyst's Office, *California Spending Plan 2004-05: The Budget Act and Related Legislation*, September 2004.

⁶² California Department of Social Services, *Highlights of the 2008-09 Governor's Budget*, January 10, 2008.

⁶³ Legislative Analyst's Office. *Analysis of the 2008-09 Budget Bill*, February 20, 2008.

Administrative and other changes. The proposed state budget also imposes additional changes on CalWORKs eligibility, funding, and aid levels, including requiring recipients who do not comply with work-participation rules to meet with county workers every six months to assess their barriers to employment. Failure to attend these meetings, without good cause, would result in the elimination of aid.

II. In-Home Supportive Services (IHSS). The In-Home Supportive Services Program (IHSS) provides assistance to low-income individuals who are aged, and also to seniors and children who are blind or disabled.⁶⁴ The goal of the IHSS program is to provide financial support for people who are capable of living independently so that they may continue to reside within their own homes, avoiding placement in more costly board and care facilities.⁶⁵ Services provided under the IHSS program include *non-medical services*, such as feeding, bathing, and transportation to medical appointments, and *domestic and related services*, including housekeeping, meal preparation, laundry, and running errands. One of the fastest growing General Fund programs with caseload increases of 14 percent a year, the IHSS program currently provides services to approximately 400,000 people a month.⁶⁶ On average, IHSS recipients qualify for 87 hours a month of services (roughly 50 hours for non-medical services and 37 hours of domestic and related services).⁶⁷

IHSS eligibility is determined by county employees. To qualify for IHSS services, applicants must meet specific eligibility criteria under the SSI/SSP program (see below), and undergo an assessment of their needs and function level by a county social worker using a statewide assessment tool. The functional needs assessment recurs each year, and an individual may appeal the county's determination of his or her assessment to the State Department of Social Services.⁶⁸

Under the proposed state budget, IHSS benefits and administration would experience a \$274 million reduction based on a combination of benefit eligibility reductions, cost-shifting, and administrative cuts.

Eligibility for domestic and related services. Currently, all IHSS recipients can qualify to receive domestic and related services, regardless of their ranking on the statewide assessment test. In January, the Governor's proposed budget included an 18 percent across-the-board cut to all IHSS beneficiaries' domestic and related services. After stakeholders expressed concerns about this reduction, the Administration withdrew its proposal and substituted a plan to target cuts based on level of need. Under the current proposed budget, only IHSS beneficiaries with a functional needs assessment score of 4 or 5 (representing the greatest needs) will qualify for domestic and related services; those with a ranking of 1, 2, or 3 will no longer be eligible for these services.

⁶⁴ California Health and Human Services Agency. *California Health and Human Services Agency 2008-2009 Budget Facts*. May 2008.

⁶⁵ California Health and Human Services Agency. *Stakeholder Briefing Call: Budget – Health and Human Services Community*. Conference Call Transcript. May 14, 2008.

⁶⁶ Legislative Analyst's Office. *In-Home Supportive Services: Background on Budget, Providers, and Registries*. Presented to Assembly Budget Committee No. 1. October 16, 2007.

⁶⁷ Legislative Analyst's Office. *Analysis of the 2008-08 Budget Bill*. February 20, 2008.

⁶⁸ Legislative Analyst's Office. *Analysis of the 2008-08 Budget Bill*. February 20, 2008.

This change is expected to affect 84,000 beneficiaries (20 percent of IHSS recipients) with lower needs assessment scores. Affected beneficiaries would see their total IHSS services reduced by an average of 21.6 hours a month, from 73.8 hours to 52.2 hour, saving the state \$52 million.⁶⁹ Medical and non-medical services under the IHSS program would not be affected.

Beneficiary cost-sharing. Low-income IHSS recipients are not required to pay for their services because IHSS activities are covered by Medi-Cal. But some higher-income IHSS recipients have incomes that exceed Medi-Cal's qualification limits. In 2004, the state decided to pay for the Medi-Cal share-of-cost for these IHSS beneficiaries. The proposed budget includes a provision requiring individuals with higher incomes to pay their own share-of-cost under Medi-Cal. Shifting this share-of-cost from the state to higher income beneficiaries will require about 7,100 recipients to pay average of \$427 per month, saving the state \$27.7 million.⁷⁰

Provider wages and benefits. The wages of IHSS service providers are negotiated by county government (or their designated authorities) and local providers or their representatives. The state pays a fixed share of the non-federal costs associated with IHSS workers and counties pay any additional sums based on their local agreements. Over the last seven years, the state share of IHSS wages has increased from an hourly maximum of \$8.10 to its current hourly cap of \$12.10. The proposed budget reduces the state's cap on IHSS provider payments to \$8.60 an hour. Reducing the state's wage cap for IHSS providers is expected to generate \$187 million in state savings.

Administrative reductions. The proposed budget lengthens the timeframe for IHSS client reassessments, requiring them every 18 months instead of every 12 months. Because reassessment will occur less often, the budget includes a 10 percent cut in county administration for the IHSS program, for a \$7.8 million state savings.⁷¹

III. Medi-Cal. Medi-Cal is a federal-state health insurance program that covers 6.6 million low-income children, parents, seniors, and people with disabilities in California. Almost one in five Californians under age 65 are covered by Medi-Cal, as are one in three of the state's children and the majority of residents living with AIDS. Moreover, Medi-Cal pays for 46 percent of all births, two-thirds of all nursing home care, and supplies public hospitals with nearly two-thirds of all net patient revenue. The state and federal government each pay about 50 percent of most Medi-Cal costs, the state sets eligibility, benefit levels, and provider payment amounts, and counties conduct eligibility determinations and oversee enrollment for their residents.⁷²

In the past, California has voluntarily expanded its programs to cover larger populations and optional services, but has proposed retracting this coverage when revenues decline. At a minimum, California and other states are required to cover the following populations:

⁶⁹ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, May 2008.

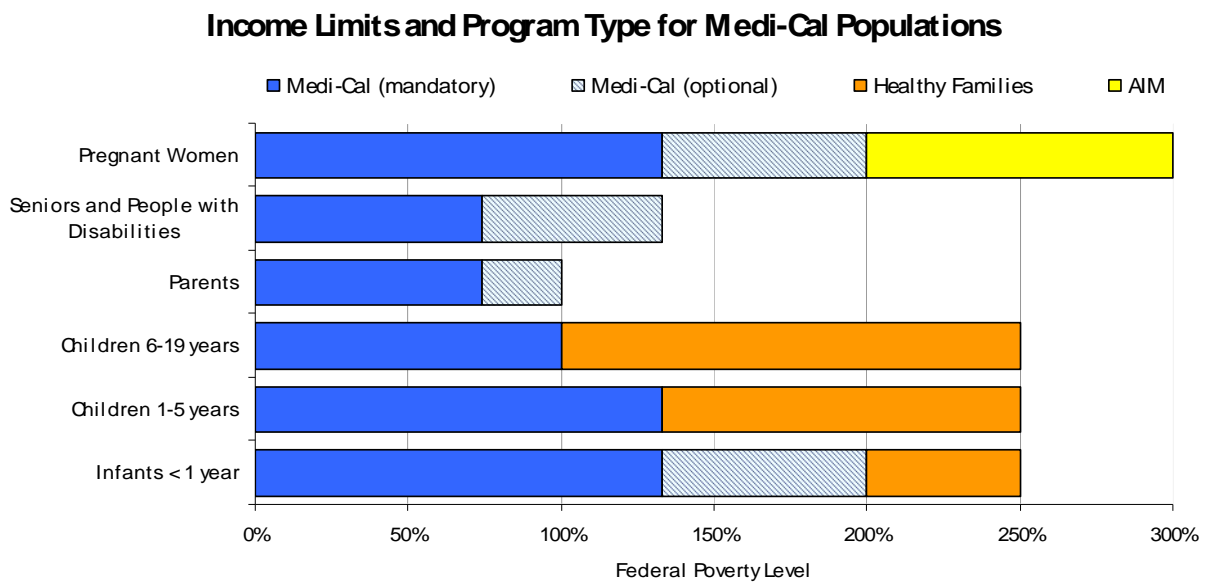
⁷⁰ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Fact*, May 2008.

⁷¹ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, May 2008.

⁷² California Budget Project, *Governor's Proposed Health Cuts would Increase Ranks of Uninsured, Reduce Access*, May 2008; California Health Care Foundation, *Medi-Cal Facts and Figures: A Look at California's Medicaid Program*, May 2007.

- Low-income families participating in CalWORKs, and those who meet financial standards for Aid to Families with Dependent Children (AFDC) that were in effect in July 1996;
- Seniors and people with disabilities participating in the Supplemental Security Income (SSI) program;
- Pregnant women and children with family incomes below specified levels;
- Children receiving foster care and adoption assistance; and
- Certain low-income Medicare beneficiaries

Currently, California uses the following mix of optional and mandatory coverage to provide health care to low-income residents:



Source: California Health Care Foundation

The proposed state budget would reduce the scope and amount of the state’s Medi-Cal program in a variety of ways, including: eliminating eligibility for certain families, limiting services offered to certain populations, discontinuing optional services, reducing the rates paid to participating providers, and instituting new administrative requirements.

Eliminating eligibility. Medi-Cal Section 1931(b) allows families at 100 percent of the federal poverty level (FPL) to protect their earnings while still qualifying for Medi-Cal services. Medi-Cal 1931(b) beneficiaries currently make up 75 percent of the entire Medi-Cal clientele.

The proposed state budget reduces eligibility under Medi-Cal Section 1931(b) by lowering the maximum qualifying family income from 100 percent of the federal poverty level to 61 percent (\$13,000 for a family of four). The proposed changes roll back an increase in eligibility that was

made in 2000 when eligibility was expanded from 74 percent to 100 percent of the FPL. The proposed budget also disallows principal wage earners working more than 100 hours per month, regardless of the amount of their income. The proposed changes would apply to new applicants and would be phased-in leading to decreased enrollment in Medi-Cal of low-income families. By August 2011, the Medi-Cal population would be reduced by a projected 430,000.⁷³ The Section 1931(b) changes are expected to generate \$31.2 million in state savings in 2008-09, growing to \$340 million by 2011-12.

Limiting service options. Currently, California provides full Medi-Cal benefits to documented immigrants and immigrants with Permanent Residence Under Color of Law (PRUCOL) status, which means they are not legally documented but the federal government knows of and does not plan to remove them. Medi-Cal benefits for these populations are supported by state-only funds.

The proposed budget treats immigrants documented within the last 5 years and PRUCOL immigrants similar to undocumented immigrants, limiting benefits received to emergency services, pregnancy-related services, long-term care in a nursing facility, and breast and cervical cancer treatment. Limiting the Medi-Cal services available to these immigrants is expected to generate \$86.7 million in state savings.

Discontinuing optional services. In addition to decreasing eligibility for certain Medi-Cal subgroups, the proposed budget would eliminate certain services designated as optional under federal rules. Specifically, the 2008-09 budget proposal would eliminate Medi-Cal coverage for adults for dental services, audiology, optometry, podiatry, speech therapy, psychology, chiropractic care and other non-mandatory services. The elimination of optional Medi-Cal services for adults is expected to save the state \$139 million, primarily from the elimination of adult dental services.

Denti-Cal is the primary public provider of dental care for some 8.5 million low-income, elderly, and disabled people in California. Currently, every Californian eligible for Medi-Cal is eligible for a comprehensive range of dental services including diagnostic and preventative dental services, emergency treatment for pain and infections, fillings and tooth extractions, root canals, prosthetic appliances, and orthodontics for qualifying children. A \$1,800 annual cap applies for adult dental services and co-pays are \$1 for dental office services and \$5 for non-emergency care in emergency rooms.⁷⁴

Provider Rate Cut. The proposed state budget includes a 10 percent cut to reimbursement rates for health care providers, which was approved by the Legislature for implementation July 1st. This cut will affect all providers in health plans and fee-for-service arrangements, long-term care providers and public and non-contract hospital rates and is expected to generate \$668 million in

⁷³ California Budget Project, *Governor's May Revision Borrows Against Future Lottery Revenues, Makes Deep Cuts to Health and Human Services*, May 19, 2008.

⁷⁴ California Health Care Foundation, *Denti-Cal Facts and Figures: a Look at California's Medicaid Dental Program*, May 2007.

state savings.⁷⁵ The last *increase* to Medi-Cal provider reimbursement rates was approved by the Governor and the Legislature in 2000-01.⁷⁶

Additional administrative requirements. In 2001, California eliminated the requirement to report changes in income and assets quarterly, instituting annual and semi-annual requirements for children and adults, respectively. The proposed state budget reinstates quarterly income reporting requirements. Reinstating this requirement is expected to result in up to 500,000 families becoming ineligible for Medi-Cal, yielding a total state savings of \$43.3 million.⁷⁷ The budget also proposes to require undocumented immigrants to reapply monthly for emergency medical services, which is estimated to result in 11,000 of these individuals losing access to these services.

IV. SSI/SSP. The Supplemental Security Income/State Security Payment program (SSI/SSP) represents two separate, but related programs. SSI, a federal program, provides monetary assistance to low-income residents who are aged, blind, or disabled. SSP, a state program required by the federal government, supplements the SSI cash grants with additional income support. The state's SSP grants currently exceed the minimum amount required by the federal government. The combined SSI/SSP program provides income support to 1.3 million low-income Californians who are aged, blind, and disabled.⁷⁸ Within this caseload, approximately 30 percent of the recipients are elderly, 70 percent have a disability, and 2 percent are blind. The federal government administers the SSI/SSP program in California.

A typical SSI/SSP beneficiary receives \$870 a month, with typical SSI/SSP couples receiving \$1,524 a month. SSI/SSP recipients are not eligible for food stamps, but many SSI/SSP recipients also qualify for Medi-Cal and IHSS services.⁷⁹

The proposed state budget would eliminate the following federal and state COLAs currently scheduled for SSI/SSP recipients:

- a 3.7 percent state COLA for SSI/SSP grants scheduled for October 2008;
- a 2.7 percent federal COLA for SSI grants scheduled for January 2009; and
- a 5.3 percent state COLA scheduled for SSI/SSP grants scheduled for June 2009.

Eliminating the scheduled state and federal COLAs for SSI/SSP freezes benefit payments at their current level and would provide a total of \$414.6 million in state General Fund savings.⁸⁰ Over the last nineteen years, the Legislature and the Governor have suspended or delayed SSI/SSP COLAs (or cut grant levels outright) on fourteen occasions.⁸¹ In recent years, the Legislature and the Governor have suspended or delayed SSI/SSP COLAs several times, including the delay of a

⁷⁵ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, May 2008.

⁷⁶ Legislative Analyst's Office, *Analysis of the 2008-09 Budget Bill*, February 20, 2008.

⁷⁷ California Budget Project., *Governor's Proposed Health Cuts Would Increase Ranks of Uninsured, Reduce Access*, May 2008.

⁷⁸ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, January 2008.

⁷⁹ California Health and Human Services Agency, *California Health and Human Services Agency 2008-2009 Budget Facts*, January 2008.

⁸⁰ Legislative Analysts Office, *Analysis of the 2008-09 Budget Bill*, February 20, 2008; *Overview of the 2008-09 May Revision*, May 19, 2008.

⁸¹ California Budget Project. *Governor Proposes to Suspend State COLAs for SSI/SSP recipients*, March 2008.

COLA scheduled for June 2008 until October 2008 (\$88.3 million in state savings), a three-month COLA delay in 2007 (\$123 million in one-time state savings), and the suspension of a 2006 COLA (\$130.9 million in state savings).⁸² Cumulatively, advocates estimate that these SSI/SSP COLA suspensions and grant reductions have eroded the value of the SSI grant to 77.4 percent of its 1990 value.⁸³

Though the federal government does not provide SSI/SSP assistance to certain legal immigrants, the state provides cash grants to over 10,300 of these individuals through California's Cash Assistance Program for Immigrants (CAPI). State CAPI grants, administered by counties, provide recipients with a cash grant of \$860 a month for an individual and approximately \$1,500 for couples. The proposed state budget discontinues the CAPI program for a state savings of \$111.2 million.⁸⁴

⁸² Legislative Analyst's Office, *Major Features of the 2007 State Budget*, August 31, 2007.

⁸³ Western Center on Law and Poverty. *Re: Governor's 2008-9 May Revise CalWORKS, SSI, CAPI and Food Stamps Proposals*, Letter to The Honorable Denise Moreno Ducheny, May 21, 2008.

⁸⁴ California Health and Human Services Agency. *California Health and Human Services Agency 2008-2009 Budget Facts*. May 2008.

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