

March 17, 2009

# Federal Economic Stimulus Package: Fiscal Effect on California Health Programs

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LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Health Committee  
Hon. Dave Jones, Chair





## Medi-Cal: Increase in the Federal Medical Assistance Percentage (FMAP)

- FMAP Savings Estimate.** The FMAP is the share of Medi-Cal funding provided by the federal government. The table below summarizes our estimates of the federal funds increase that the state and local entities will receive from October 2008 through December 2010.

*(In Millions)*

	2008-09	2009-10	2010-11	Total
<b>State Departments</b>				
Health care services	\$1,973	\$2,838	\$1,482	\$6,293
Social services (IHSS)	282	389	206	876
Developmental services	234	313	163	710
Other departments	143	200	106	449
Subtotals	(\$2,631)	(\$3,740)	(\$1,957)	(\$8,327)
<b>Other Entities</b>				
Local government	\$305	\$408	\$203	\$916
Public hospitals <sup>a</sup>	293	361	179	833
Subtotals	(\$598)	(\$769)	(\$382)	(\$1,749)
<b>Total Federal Fund Relief</b>	<b>\$3,229</b>	<b>\$4,508</b>	<b>\$2,339</b>	<b>\$10,077</b>

<sup>a</sup> Includes University of California hospitals.  
IHSS = In-Home Supportive Services.

### Analyst's Recommendations

- In order to be eligible for the increased federal funds, California needs to reverse the children's midyear status report requirement enacted as part of the *2008-09 Budget Act*. The federal deadline for such action is July 1, 2009, but we recommend that the Legislature reverse this policy as soon as possible. Once that occurs, the Department of Health Care Services indicates the state can begin to access the increased funds by mid March.



## Other Key Medicaid Provisions

Provision	Fiscal Effects	
	Nationwide	California
Health information technology	\$2 billion appropriated for grants, \$15 billion estimated spending for Medicaid incentive payments, and \$22 billion for Medicare incentives.	Unknown.
Disproportionate Share Hospital (DSH) funding	Estimated \$548 million.	Direct increase of \$54 million in federal DSH funds for public hospitals. Also results in increase of \$9 million (General Fund) for other hospitals.
Transitional Medi-Cal expansion	Estimated \$1.3 billion.	Costs of \$59 million (General Fund) if California implements optional expansion.
Delay in various Medicaid regulations	Potential savings.	Potential savings.



### Analyst's Recommendations

- **Health Information Technology (HIT).** We recommend that the state seek to identify non-state sources of funding from private health care organizations or provider organizations in order to participate in the proposed HIT programs to the extent possible.
- **Transitional Medi-Cal.** Given the state's severe fiscal problems, we would recommend that the Legislature not expand this program.



## Other Major Health-Related Provisions

Provision	Fiscal Effects		Available to Offset General Fund Spending?
	Nationwide	California	
Grant money for public health centers	\$2 billion for construction, certain technology, and general purposes.	Unknown.	No
Health workforce funding	\$500 million for health workforce development.	Unknown.	No
Additional federal grants for Early Start program	\$500 million for the federal Individuals with Disabilities Education Act Part C grants.	About \$50 million for the Early Start Program.	Yes
Prevention and Wellness Fund	\$1 billion for various prevention and wellness programs.	\$34 million for vaccinations. Unknown for other programs.	Unknown
Supplemental funding for Women, Infants, and Children	\$500 million for nutrition assistance programs, including \$100 million for information systems.	Unknown.	No
Safe Drinking Water State Revolving Fund	\$2 billion.	\$160 million to the state for drinking water projects that can begin construction before February 17, 2010.	No
Continuing employer-sponsored health coverage (COBRA)	Unknown.	Unknown.	No

COBRA = Consolidated Omnibus Budget Reconciliation Act.



### Analyst's Recommendations—Other Health-Related Provisions

- **Grants for Public Health Centers.** No specific recommendation; grants will be distributed directly to health centers.
- **Health Workforce Funding.** Ensure department meets any federal requirements for additional funding.
- **Early Start Program.** Recognize savings in budget deliberations.



## Other Major Health-Related Provisions

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- ***Prevention and Wellness Fund.*** Ensure department pursues competitive grants if they become available.
- ***Women, Infants, and Children (WIC) Supplemental Funding.*** Ensure department meets any federal requirements for additional funding.
- ***Safe Drinking Water State Revolving Fund.*** Ensure federal timelines and other requirements are met. Additionally, the Department of Public Health states that a statutory change is necessary to increase the maximum grant amount under this program.