

Economic Stimulus Package Provides State & Local Fiscal Relief

President Obama signed the American Recovery and Reinvestment Act (ARRA) of 2009 on February 17th. The bill is far reaching, providing funding for education, healthcare, transportation, energy and more than \$144 billion for state and local fiscal relief.

Specific healthcare and public health provisions in the bill include:

- \$10 billion for the National Institutes of Health
- \$19 billion to fund health IT to implement electronic medical records
- \$87 billion to increase Medicaid funding to states (all states are eligible to receive a minimum 6.2% increase to their current match rate for the next 27 months; states with higher unemployment rates may be eligible for even higher match rates)
- \$25 billion to help recently unemployed workers pay for COBRA with a 65% federal subsidy
- \$2 billion for community health centers
- \$500 million for training programs for primary care providers, including pediatricians, dentists and nurses
- \$1 billion for the Prevention and Wellness Fund, which includes \$300 million for the CDC 317 immunization program, \$650 million to carry out community-based strategies to reduce chronic disease rates and \$50 million to reduce healthcare associated infections
- \$300 million for the National Health Service Corps.

The White House has created www.recovery.gov to provide transparency on the funding process. The website features information on how the Act is working, tools to help hold the government accountable and up-to-date data on the expenditure of funds.

Impact on California

According to the Legislative Analyst's Office (www.lao.ca.gov), California is expected to receive \$31 billion in direct federal assistance from the American Recovery and Reinvestment Act and is eligible for

billions more in competitive grants. One of the largest sources of funding is a temporary increase of 11.6% in the Federal Medical Assistance Percentage (FMAP). The FMAP increase boosts the federal share of state Medicaid expenses and would result in an additional \$7.8 billion of FMAP funds flowing into the State for fiscal years 2008-09 and 2009-10.

The stimulus act also increases the Disproportionate Share Hospital (DSH) funding that supplements Medicaid reimbursements to hospitals treating a large share of Medicaid and low-income patients. The ARRA increases DSH funding by 2.5 per cent a year for two years, which the LAO estimates could result in \$54 million in additional federal payments to public hospitals in California.

Impact on LA County

On March 4th, the LA County CEO released an initial analysis of how the American Recovery and Reinvestment Act would benefit the County. The bill's largest impact will be on the federal match for Medicaid costs. The County could receive an estimated \$149.2 million savings in Medi-Cal costs under the Hospital Financing Waiver from October 1, 2008 to December 31, 2010. In addition the County DHS estimates it will obtain a total of \$11.3 million from the one-time increase in Medi-Cal Disproportionate Share Hospital payments.

The County can also secure additional matching funds through provider fees, intergovernmental transfers, and certified public expenditures as allowed by existing regulation. It is not clear whether the stimulus funding will satisfy the State's need to plug at least \$10 billion in general fund costs by June 30th to roll back cuts to certain programs. This includes \$30 million in health funding for the County.

The County will also qualify for incentive payments under Medicare and Medicaid to acute care hospitals to implement Health IT but the specific funding amount cannot be estimated until HIT standards are developed and the federal government decides guidelines and

methods for distributing the funding. Additional funding will be available through competitive grants for health professions workforce development under the existing National Health Service Corps and loan repayment programs. State and local government will also be able to access discretionary grant funding to provide immunizations and implement clinical and community-based strategies to prevent chronic disease.

DOF & Treasurer Weigh Sufficiency of Stimulus Funds to Restore State Budget Cuts

On March 17th, the State held a hearing to discuss the sufficiency of federal funds to reverse proposed budget cuts. \$947.7 million in spending cuts and \$1.8 billion in tax increases were included in the final 2008-09 State budget that will not take effect if the State determines it will receive sufficient federal funds to offset \$10 billion in General Fund spending before the end of the 2009-10 budget period.

Among the cuts that could be triggered off are:

- \$129.4 million in reductions to Medi-Cal optional benefits
- \$54.1 million by reducing public hospital reimbursement rates by 10 percent
- \$267.8 million in reductions to SSI/SSP grants
- \$78 million by capping state participation in In-Home Supportive Services
- \$146.9 million in CalWORKs grants reductions
- \$100 million in reductions to higher education funding.

Although California is projected to gain about \$31 billion in federal stimulus funding, preliminary reports from the state Department of Finance and the Legislative Analyst Office (LAO) indicated that only about \$8 billion would be available to offset the state general fund.

Many advocacy groups believe the State is interpreting the budget trigger language narrowly and urged California officials to ensure the State has not left critical federal dollars on the table. Community Health Councils asks the DOF and Treasurer to maximize and take full advantage of all available federal funds through the federal Economic Recovery Package and other federal legislation including the CHIP Reauthorization bill and recently passed federal legislation as they make their final determination.

Tentative Agreement to Reopen MLK

Los Angeles County, the Board of Regents for the University of California, and the State of California are nearing a tentative agreement to move forward with the resurrection of Martin Luther King, Jr Hospital by 2012. The closure of the facility in August of 2007 was a devastating loss of healthcare resources to our community and left South LA residents with even fewer resources in a region with fewer medical services than anywhere else in Los Angeles County. Under the broad framework developed so far, the hospital would have 120 beds and an emergency department, would be structured as a non-profit independent from the County. The University of California would deliver medical care, while LA County would assume full fiscal responsibility for the indigent and publicly insured.

Community stakeholders seek the County's leadership in preserving public funding for the region's healthcare system through the South LA Preservation Fund, which expires in 2010, to ensure no gap in services before the hospital reopens. The nearly \$100 million annually in funding currently supports impacted hospitals, the MLK Multi-Service Ambulatory Care Center and community clinics in the region to provide care to patients of the MLK service area.

Upcoming Events

Food Desert to Food Oasis

Wednesday, April 8th & Thursday, April 9th.

Join advocates, retailers, labor, and consumers in this day-and-a-half summit to examine options and opportunities to bring healthy food retailers to South Los Angeles. Day One will feature success stories in community redevelopment and growth from around the country. Participants will learn about community involvement; hear retailers' perspectives and their creative solutions; and debate the perceptions and realities of South Los Angeles. Day Two will conclude with a discussion of two case studies, solutions to the food desert and a networking lunch. Sponsored by CHC, LISC, and PolicyLink at the Centers for Healthy Communities at The California Endowment, Los Angeles. For more information, contact Mia Boykin at 323.295.9372 ext. 216 or mia@chc-inc.org.

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