

# Daniel Weintraub: Governor doesn't have appetite for starvation

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Arnold Schwarzenegger says his goal as governor is to starve the "monster" that he believes California's public sector has become. But he doesn't really mean it.

If he did, he wouldn't be giving big budget increases to the two largest expenditures in state government: the public schools and the Medi-Cal health care program for the poor. The governor's treatment of those programs in his latest budget proposal shows that, despite his occasional tough talk, Schwarzenegger is more interested in slowing the growth in government than truly shrinking its size.

The governor's proposal for the schools has been well documented in these columns and elsewhere: a 6 percent increase - nearly \$3 billion - in state and local funds. That's a lot of money, even if it is less than what he promised the education lobby a year ago and what they believe the schools deserve.

But Schwarzenegger's ideas for Medi-Cal are perhaps more revealing, mostly for what he is not proposing. He is not asking the Legislature to cut benefits or to remove anybody from the rolls. And without those options, his ability to slow the steady expansion of that massive program is severely curtailed.

Medi-Cal now serves 6.6 million people, nearly one of every five Californians. Since 1998-99, the program has grown by nearly a third, adding 1.6 million beneficiaries, while the state's cost of providing that service has grown more than twice as fast, or 60 percent. In the coming year, the program is expected to cost California taxpayers about \$13 billion, and more than \$33 billion when federal funds are included.

A year ago, Schwarzenegger asked his Health and Human Services secretary, Kim Belshe, to undertake a comprehensive review of the program and to recommend an overhaul that could

save money while not significantly reducing services. Earlier this month she delivered her plan. It was hardly dramatic.

While some of what Belshe is recommending will prove to be controversial, none of it will save much money. Her best estimate is that when fully implemented in five years, the proposals embraced by the governor would trim about \$145 million annually off a budget that by then will be well over \$15 billion. That's less than 1 percent.

Why the meager savings? For starters, California's health care program for the poor is already the cheapest of any major state, measured on a cost per person served. Health care costs in California are lower generally, and the state has been aggressive in implementing managed care to keep costs down. It also has innovative purchase plans that squeeze hospitals and drug providers, two of the major players in health care inflation.

Beyond that, Schwarzenegger asked Belshe to try to trim costs without reducing eligibility.

"That was an important policy priority for him," Belshe told me in an interview. "The governor has been very clear about not wanting to contribute to the state's problem in terms of the number of people who are uninsured, to further strain an already fragile health care system."

But it's difficult to reduce costs without reducing the number of people served. One way to do it would be to trim the benefit package. California offers the full range of benefits in its program, including many that the federal government, which pays more than half the costs, considers optional. After studying that issue, however, Belshe recommended almost no changes beyond aligning the program's dental benefit with what most people get from private insurance.

She concluded that doing more wouldn't be cost-effective. The state could stop providing chiropractic care, for instance, but people with back pain would then simply go to a physician, which would actually cost more. Eliminate wheelchairs and other

durable medical equipment, and more people go to nursing homes, which are a lot more expensive.

"We are going to end up paying for it one way or another," Belshe said.

In the end, the only major change that Belshe proposed and Schwarzenegger endorsed was the idea of moving about 800,000 people from fee-for-service care into managed-care plans. Many of those clients are disabled, and Belshe believes their health will be better under managed care, and it will be easier for them to see a doctor. As a side benefit, the taxpayers would save about \$89 million a year.

Belshe's modest plan is evidence that Schwarzenegger isn't as bloodthirsty as he sometimes seems to want people to believe. If there's a creature in the public sector gobbling up taxpayers' dollars, clearly it's Medi-Cal. And the governor has hardly found a way to tame it, much less starve it.