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June 12, 2012

The Honorable Mark Leno
Chair, Senate Budget Committee
State Capitol Room 5100
Sacramento, CA 95814

RE: Budget Item: COUNTY MEDICAL SERVICES PROGRAM LOAN

Dear Chair Leno:

On behalf of the Solano County Board of Supervisors, I urge your SUPPORT for the trailer bill language regarding County Medical Services Program Loan (CMSP). Solano County is a member of CMSP, and this item would help the CMSP Governing Board address cash flow needs associated with Path2Health, the Governing Board's Low Income Health Program (LIHP), as well as CMSP.

CMSP, administered by the Governing Board, provides health coverage for low-income, indigent adults in thirty-four, primarily rural, California counties. Path2Health is a Low Income Health Program, authorized by the State of California's Section 1115 Medicaid Waiver, and was established by the Board on January 1, 2012 as a 2-year pilot project. The Governing Board was established by California law in 1995 and is charged with overall program and fiscal responsibility for CMSP and associated pilot programs.

This trailer bill language would permit the Director of Finance to approve no more than $100 million General Fund in cash flow loans in fiscal years 2012-13 and 2013-14 for the CMSP Governing Board expenditures associated with a Low-Income Health Program operated by the CMSP Governing Board. Any cash flow loans made would be considered short term and would not constitute General Fund expenditures. The loans and their repayment would not affect the General Fund reserve.

This trailer bill language is intended to help the Governing Board fund the cash flow needed to make timely payments to health care providers for services provided to indigent adults under Path2Health, along with CMSP. Federal Medicaid matching funds for the LIHP and the cycle of payments under Realignment provide the revenues 5-8 months after expenditures are made. In the absence of this loan authority, the Governing Board will be required to seek loan financing solely through the commercial financial markets, which will be time consuming and potentially quite costly, depending on the financial instruments that are utilized.

Over a period of years prior to the 2008 recession, the Governing Board, through careful management and changes to the CMSP health care delivery system, built a Contingency Reserve of approximately $250 million to fund program costs in excess of revenues and to address cash flow needs. However, since 2008 that Contingency Reserve has been depleted due a 50% increase in CMSP enrollment driven by the recession. Current projections show the Board's Contingency Reserve will have a balance of approximately $20 million by June 30, 2012.

While the Governing Board has sufficient total revenues, composed of Realignment revenues and federal Medicaid matching funds, to support CMSP and Path2Health, the Board faces a timing problem with the receipt of the revenues versus when payments for health care services are made. Because the Contingency Reserve has been depleted by recession driven CMSP enrollment growth, the Board no longer has the ability to utilize the Reserve to fund this cash flow. Borrowing will be required.

In simple terms, this trailer bill language will assist the Governing Board with this borrowing and specify that the authority granted to the Department of Finance applies not only to CMSP, but also to a LIHP operated by the Governing Board.

For the reasons described above, the Solano County Board of Supervisors is pleased to support this trailer bill language. Thank you for your consideration of this proposal.

Sincerely,

Linda Seifert
Chair, Solano County Board of Supervisors

CC: The Honorable Edmund G. Brown, Jr.
Members and Consultants of the Senate Budget Committee
The Honorable Lois Wolk
The Honorable Noreen Evans
The Honorable Mariko Yamada
The Honorable Michael Allen
The Honorable Susan Bonilla