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Lawsuit filed on the elimination of 9 “optional” benefits in Medicaid

The Gray Panthers of San Francisco, represented by Lynn Carman of the Medicaid Defense Fund, filed suit against the State of California in U.S. District Court in Novato to restore the 9 Medi-Cal optional benefits that the state terminated July 1st.

Plaintiffs argue that eliminating these benefits is in violation of the American Recovery and Reinvestment Act (“Stimulus Bill”) which states, in part:

- Purposes ... To protect and maintain state Medicaid programs during a period of economic downturn, including by helping to avert cuts to provider payment rates and benefits or services ... (PL- 115-5, §5000(a)(2))
- A state is not eligible for an increase in FMAP ... if eligibility standards, methodologies, or procedures under its State plan ... are more restrictive than the eligibility standards, methodologies, or procedures respectively under such plan (or waiver) as in effect on July 1, 2008. (§5001(f)(1)(A))
- A state is not eligible for an increase in its FMAP ... if any amounts attributable (directly or indirectly) to such increase are deposited or credited into any reserve or rainy day fund of the state. (§5001(f)(3))

The Panthers argue that the state’s refusal to use the savings from the increased FMAP payments for the 9 “optional” Medicaid benefits is in violation of the federal Stimulus Bill. They claim the state is:

- Violating its duty to “protect and maintain its Medicaid program at the same level and inclusions of services as existed on July 1, 2008” that would have “enabl[ed] the state to avert cuts to Medicaid benefits or services.”
- Violating the Act’s express prohibition on restricting procedures (e.g. restricting services) that were in effect on July 1, 2008.
- Violating the Act’s express proscription against depositing or crediting any funds attributable to the increased FMAP payments to a rainy day account. Attorneys for the Plaintiff wrote, “here, the savings from the extra FMAP funds ...sink unidentified into the General Fund of the State of California, for use by the Legislature as a real but unidentified source of funds for non-Medicaid purposes.”

The suit claims that these policies and actions “defeat and prevent wholly and in substantial part the full accomplishment of the purposes of Congress in enacting these provisions of the Stimulus Act.”

August 1, 2009