

CALIFORNIA BUDGET PROJECT

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Expanding Horizons:

Key Facts About the Medi-Cal Program as California Implements Health Care Reform

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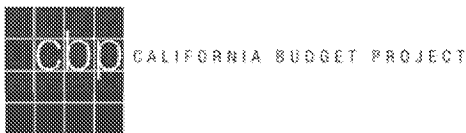
THE CALIFORNIA BUDGET PROJECT
April 2013

Acknowledgments

- Scott Graves prepared this chartbook with initial research assistance from Connor Cole.

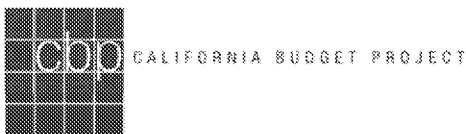
California Budget Project

- The CBP was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.



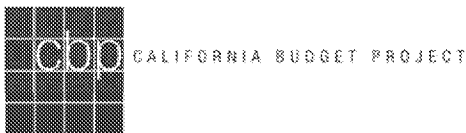
Introduction

- Over the past three years, California has taken a leading role in implementing the federal health care reform law enacted in March 2010 – the Patient Protection and Affordable Care Act (ACA).
- Under the ACA, millions of Californians will gain access to affordable coverage beginning in January 2014 through a new health insurance marketplace called Covered California.
- In addition, more than 1 million low-income Californians will be newly eligible for Medi-Cal under a program expansion that state policymakers have said they will adopt. The federal government will pay 100 percent of the cost of this expansion from 2014 to 2016, gradually reducing the federal share to a still-high 90 percent of the cost by 2020.



Introduction (continued)

- While Governor Brown and most lawmakers support the Medi-Cal expansion, significant differences have emerged. For example, the Governor suggests that counties could lead the expansion, but bills moving through the Legislature envision a state-led expansion.
- In addition, the Governor has linked the Medi-Cal expansion to a proposal to “capture,” for the state’s benefit, some funding that counties now use to provide health care to low-income, uninsured Californians — many of whom would become eligible for Medi-Cal under the expansion. The Governor’s proposal has raised significant concerns among counties and health advocates.
- This chartbook provides an overview of Medi-Cal, examines key issues concerning the Medi-Cal expansion, and highlights the need for a well-funded county health care safety net in 2014 and beyond.



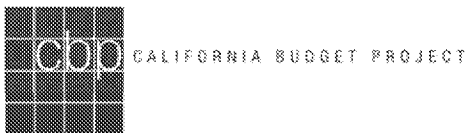
Outline

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Part 1 Summary: What Is Medi-Cal, Who Is Enrolled, and What Services Are Covered?

- Medi-Cal – the Medicaid Program in California – provides health care coverage for well over 7 million low-income Californians, primarily children, youth, and women.
- Medi-Cal enrollment is projected to rise substantially in 2013 as up to 853,000 children shift from the Healthy Families Program.
- Most Medi-Cal enrollees are children or parents, but seniors and people with disabilities account for most program spending.
- A majority – and a growing share – of Medi-Cal enrollees receives health care services through managed care plans.
- Medi-Cal covers many essential health care services, although policymakers eliminated several services for adults in 2009.

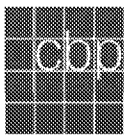


Part 2 Summary: Following the Money


- The Medi-Cal Program accounts for the single-largest share of federal dollars spent through the state budget.
- The federal government pays for the majority of Medi-Cal costs.
- State spending on Medi-Cal has been relatively flat as a share of the California economy since the mid-1990s.
- Total spending per Medi-Cal enrollee has increased relatively slowly over the past decade and was the lowest in the US in 2009.
- California's payments to doctors who participate in Medicaid are among the lowest in the US.
- California aims to cut payments for a range of Medi-Cal services in 2013, even as the federal government provides funding under the ACA to boost payments to primary care doctors.

Part 3 Summary: Medi-Cal in 2014 and Beyond

- California is in the process of implementing federal health care reform, including expanding Medi-Cal coverage to low-income adults who currently are not eligible.
- The Governor has proposed state- and county-based approaches to expanding Medi-Cal. He also has linked the expansion to a “realignment” of certain services from the state to the counties.
- Expanding Medi-Cal would provide substantial benefits and should be led by the state, according to the Legislative Analyst’s Office (LAO).
- The Governor’s proposal to link the Medi-Cal expansion to a major fiscal and programmatic realignment raises concerns.
- Millions of Californians will lack coverage even after the state expands Medi-Cal, highlighting the need for a well-funded county health care safety net.




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Part 1:

What Is Medi-Cal, Who Is Enrolled, and What Services Are Covered?



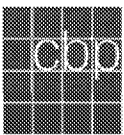
Medi-Cal — the Medicaid Program in
California — provides health care coverage
for well over 7 million low-income
Californians, primarily children, youth,
and women.

Medi-Cal Covers Millions of Californians

- Medi-Cal is California's version of Medicaid, a health care coverage program for low-income individuals that is jointly funded by the states and the federal government.
- Medi-Cal covered 7.6 million low-income Californians in February 2012, the most recent month for which complete data are available. Californians enrolled in the program include children, parents, pregnant women, seniors, and people with disabilities.
- More than four out of five enrollees are children, youth, or women, and Latinos comprise over half of the caseload.

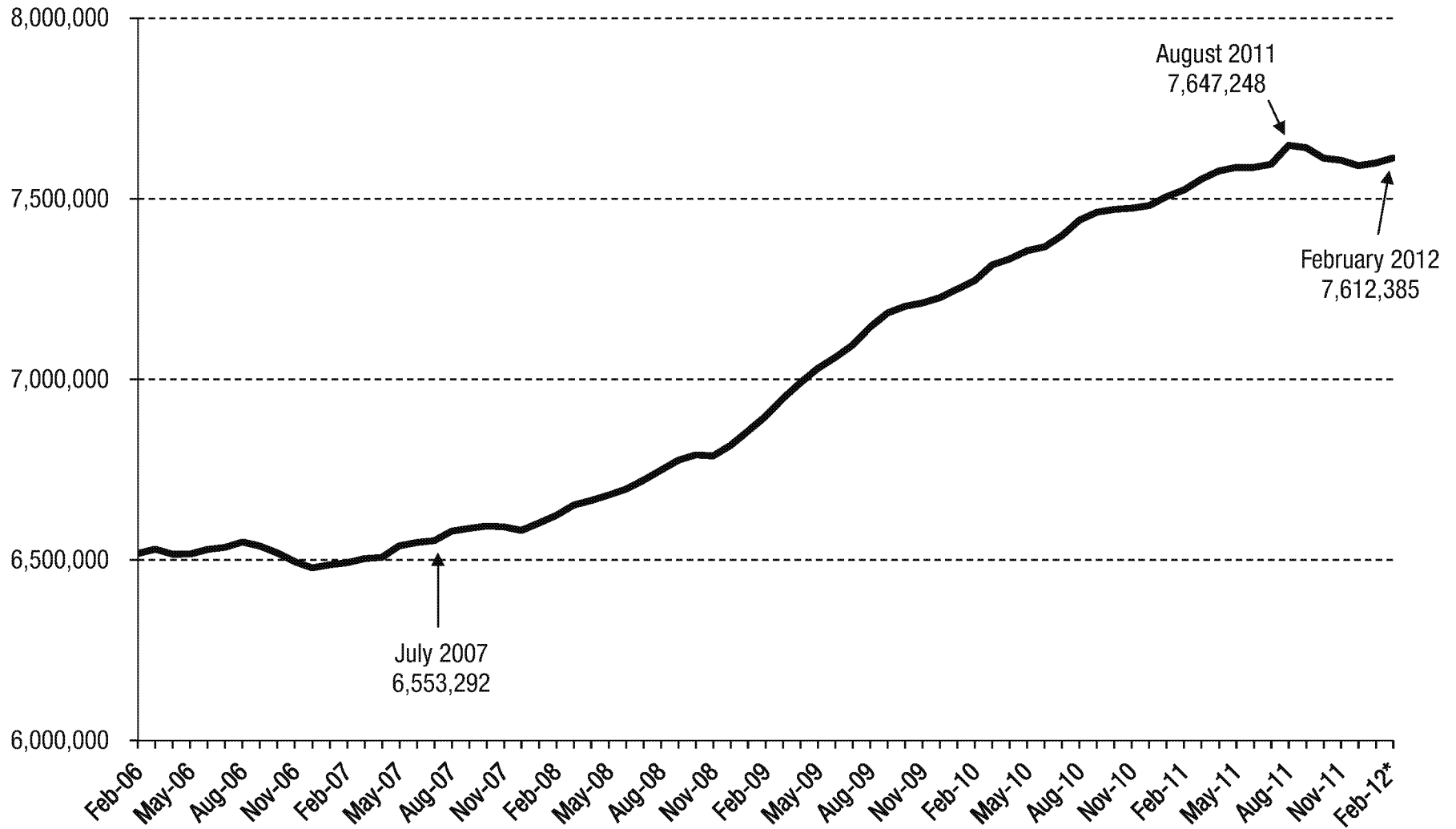
Many Low-Income Adults Are Excluded From Medi-Cal

- “Childless adults” – those who are not seniors, do not have a disability, and do not have dependent children – are not eligible for Medi-Cal.
- Working parents lose eligibility when their income slightly exceeds the federal poverty line (\$19,530 for a family of three in 2013).
- In contrast, children are eligible for Medi-Cal as long as their family income does not exceed 250 percent of the poverty line (\$48,825 for a family of three in 2013). The income eligibility limit for children was recently increased to reflect the transfer of children from the Healthy Families Program to Medi-Cal that is occurring during 2013 (see next section).

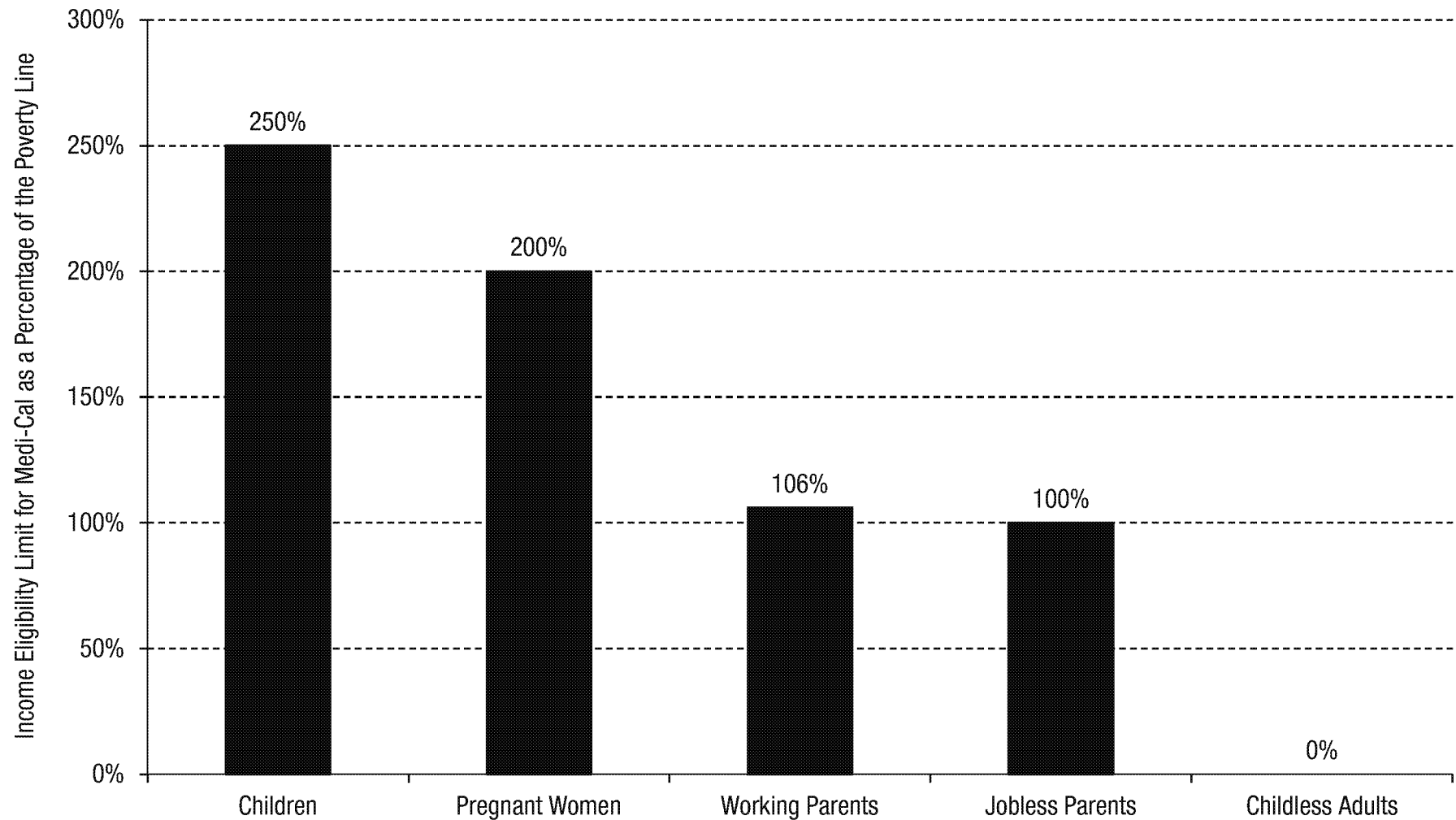


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Medi-Cal Enrollment Increased by More Than 1 Million After the Great Recession Began in California in July 2007

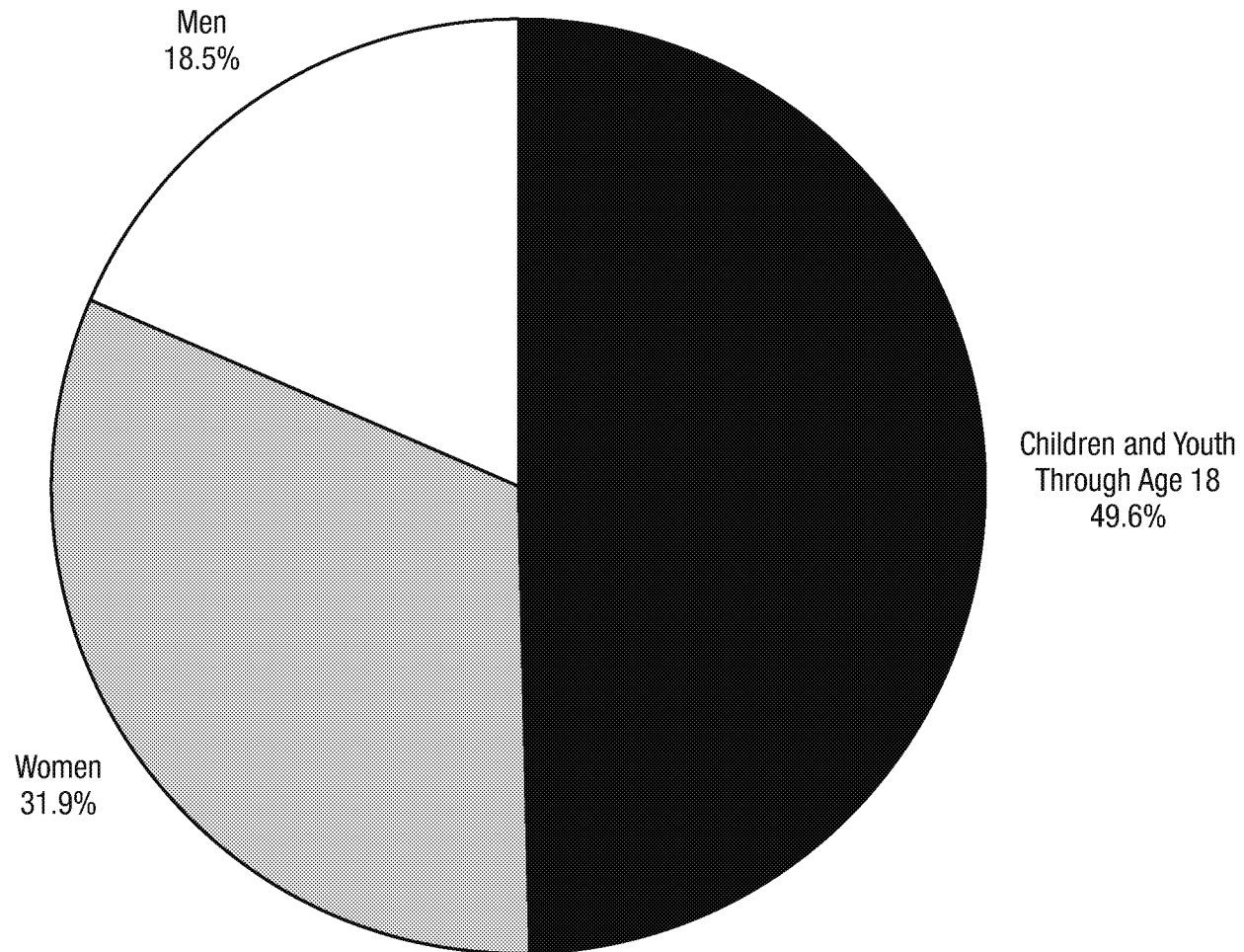


Currently, Childless Adults Are Not Eligible for Medi-Cal, and Parents Lose Eligibility When Their Incomes Reach or Slightly Exceed the Federal Poverty Line

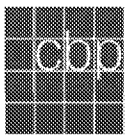


Note: In 2013, the federal poverty line is equal to \$19,530 for a family of three. Income eligibility limits for seniors and people with disabilities are not shown.
Source: Department of Health Care Services and Kaiser Family Foundation

Children, Youth, and Women Comprise More Than 80 Percent of Californians Enrolled in Medi-Cal



Number of Californians Enrolled in the Medi-Cal Program in January 2012 = 7.6 Million

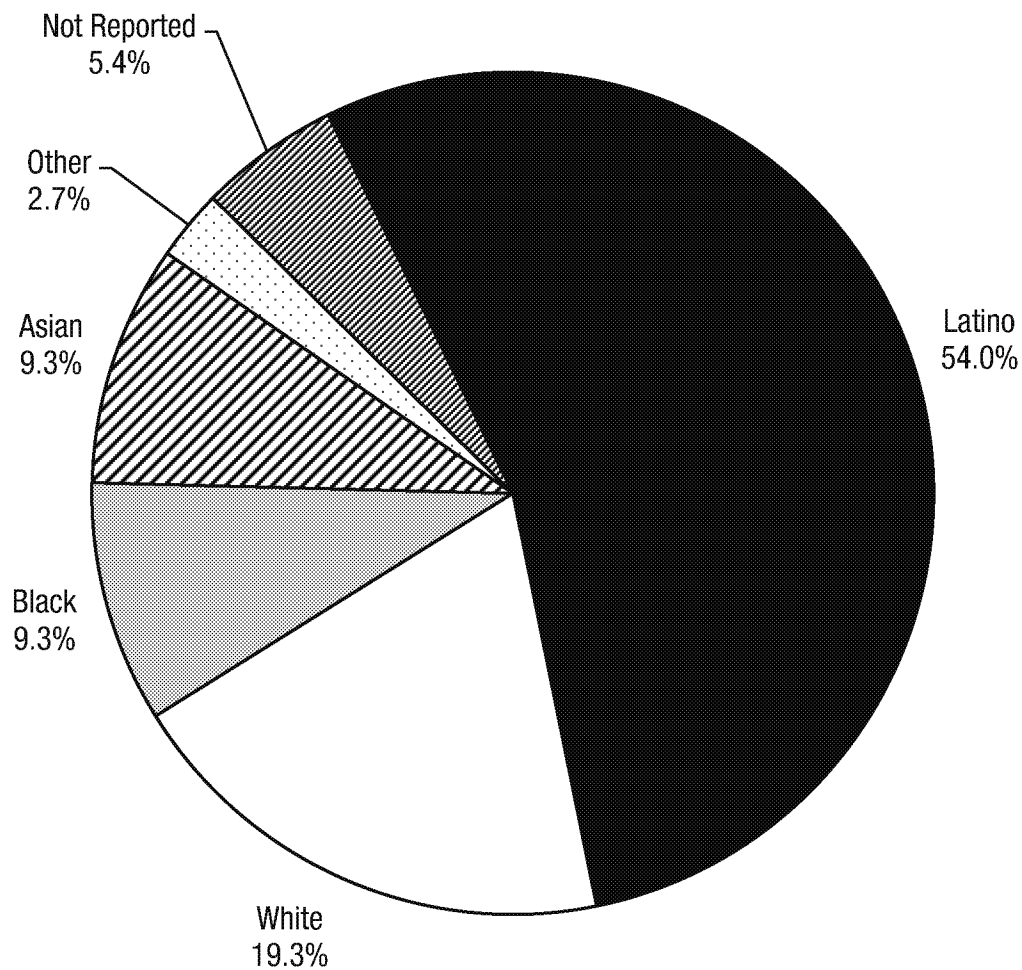


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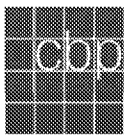
Source: Department of Health Care Services

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Latinos Comprise a Majority of Californians Enrolled in Medi-Cal




Number of Californians Enrolled in the Medi-Cal Program in January 2012 = 7.6 Million

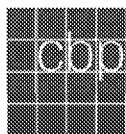


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Source: Department of Health Care Services



Medi-Cal enrollment is projected
to rise substantially in 2013 as
up to 853,000 children shift from
the Healthy Families Program.



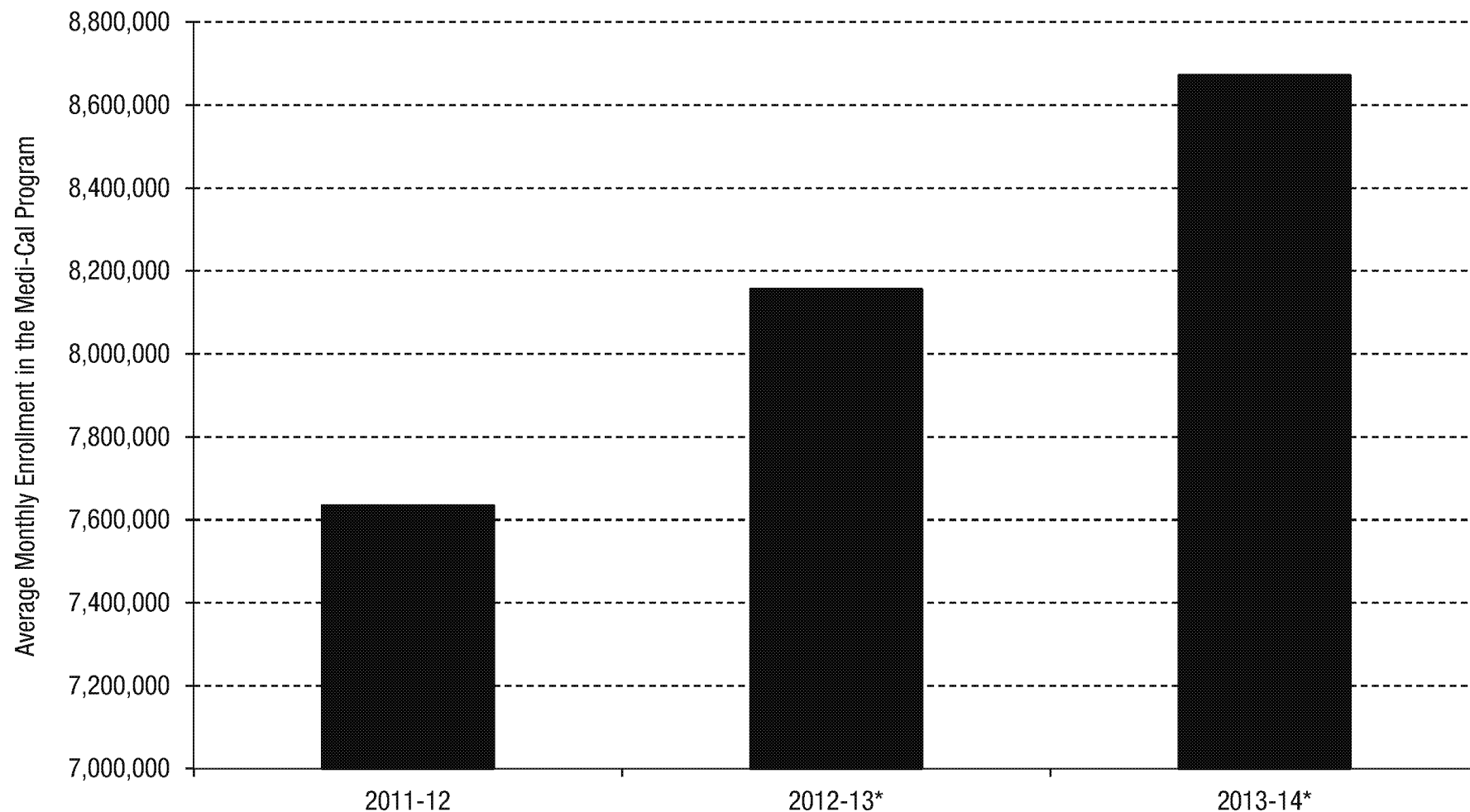
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Healthy Families Children Are Shifting to Medi-Cal

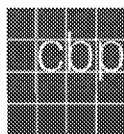
- Healthy Families, a state-federal health care program for low-income children, is being phased out, as required by legislation included in the 2012-13 state budget agreement.
- Healthy Families stopped accepting applications in December 2012, ending the year with 852,600 children enrolled. These children are scheduled to shift to Medi-Cal in several phases during 2013. This transition started in January, with the final phase set to begin no earlier than September 1. Federal approval is required before California may implement each phase.
- In addition to providing coverage for transitioning children, Medi-Cal will cover all newly enrolling children who were previously eligible for Healthy Families, up to 250 percent of the poverty line.

Medi-Cal Enrollment Is Estimated to Increase Substantially in 2012-13 and 2013-14


Increases Primarily Reflect the Transfer of Nearly 853,000 Children From the Healthy Families Program to Medi-Cal



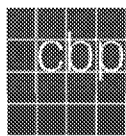
* 2012-13 estimated and 2013-14 proposed.
Note: The increase in 2013-14 does not reflect any enrollment attributable to the implementation of federal health care reform in January 2014.
Source: Department of Health Care Services and Legislative Analyst's Office



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Most Medi-Cal enrollees are
children or parents, but seniors
and people with disabilities
account for most program spending.

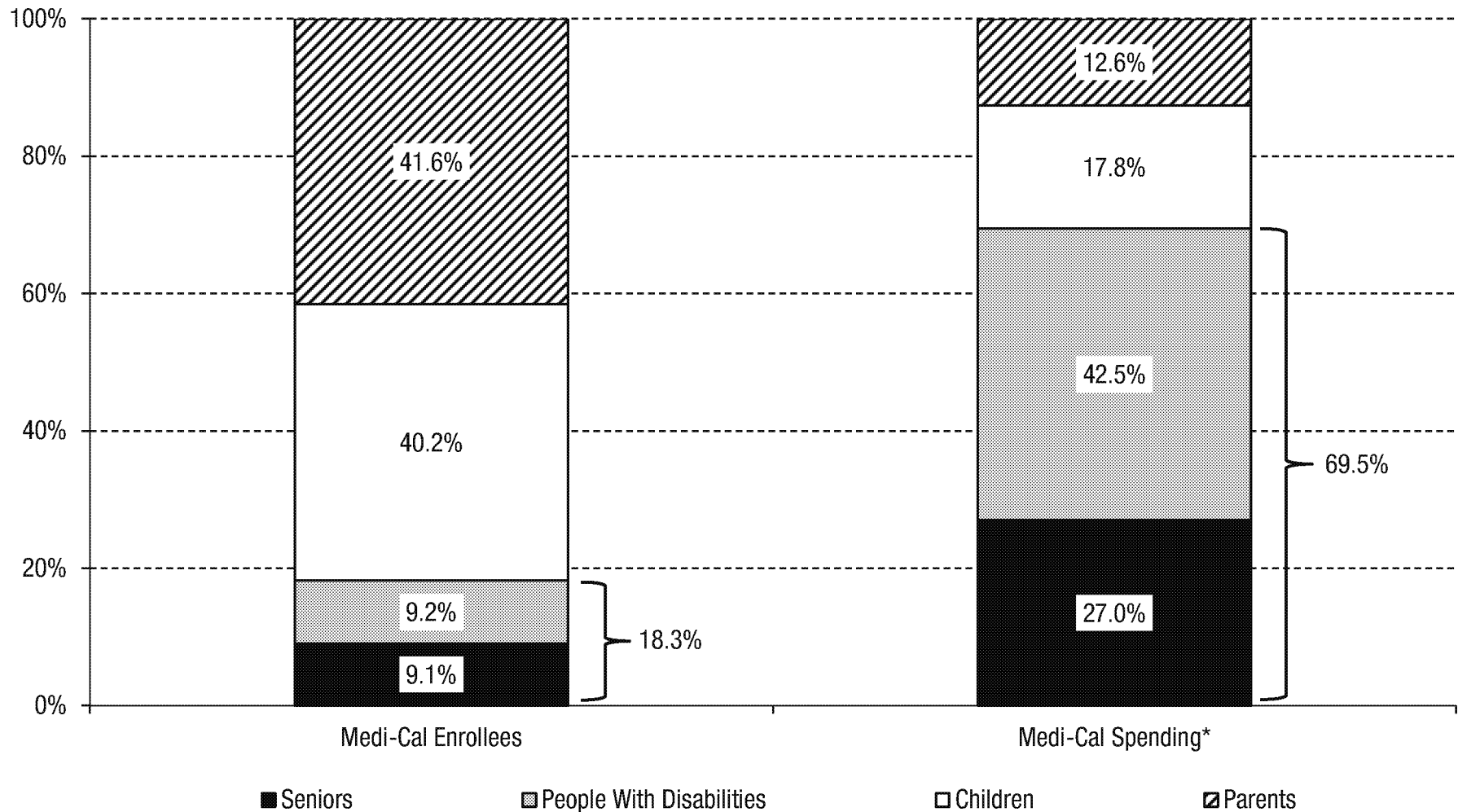


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Seniors and People With Disabilities Account for a Disproportionate Share of Medi-Cal Spending

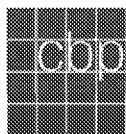
- Most Medi-Cal spending is attributable to seniors and people with disabilities, even though these groups comprise less than 20 percent of Medi-Cal enrollment.
- Seniors and people with disabilities are more likely to suffer from chronic illnesses and to require more costly services and medical treatments.
- These groups also are more likely to require long-term care services, including care provided in skilled nursing facilities.

Seniors and People With Disabilities Comprise Fewer Than One Out of Five Medi-Cal Enrollees, But Account for More Than Two-Thirds of Medi-Cal Spending





A majority — and a growing share — of
Medi-Cal enrollees receives health care
services through managed care plans.

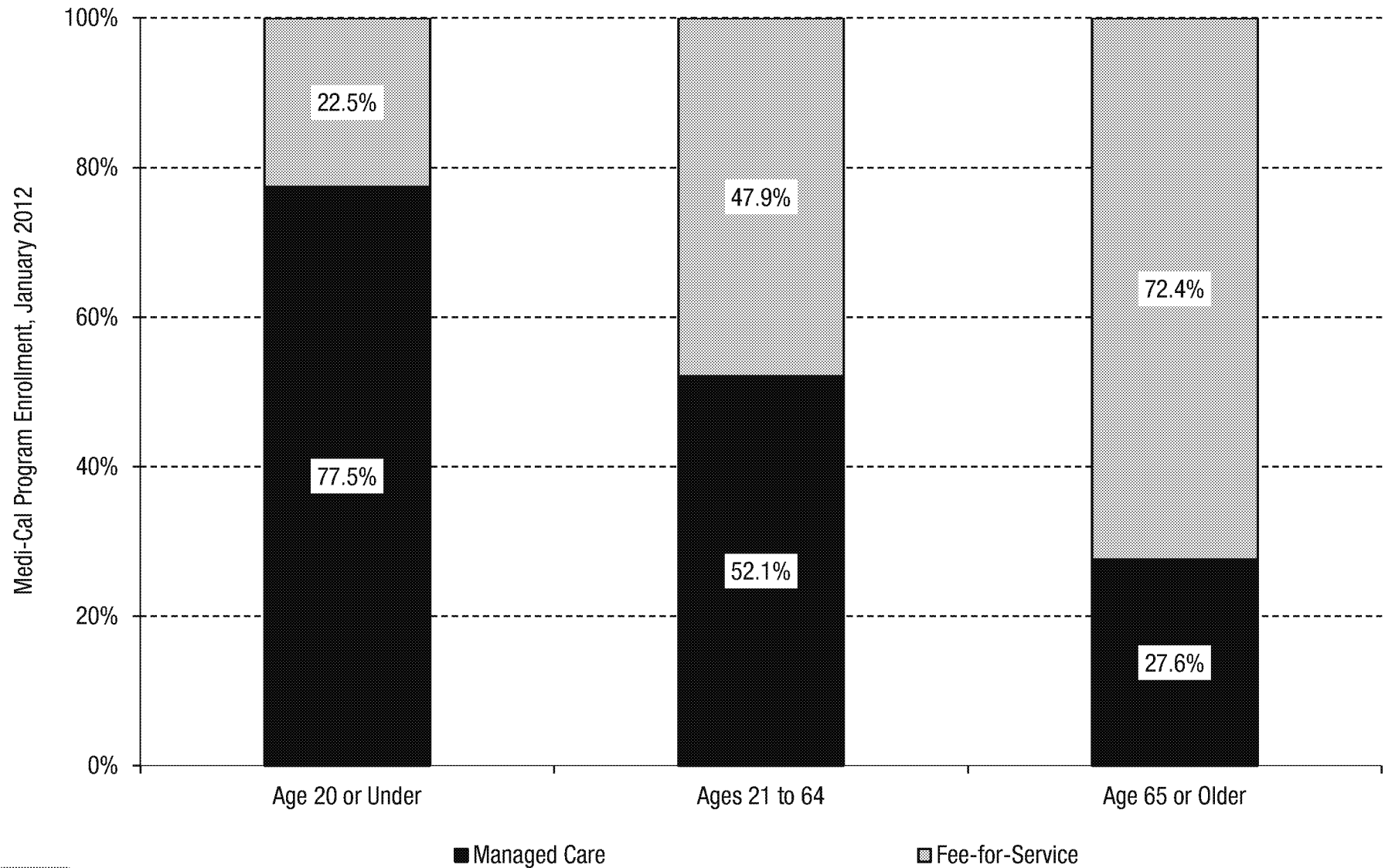


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Two Systems: Fee-for-Service and Managed Care

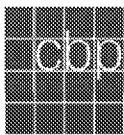
- Medi-Cal provides health care services through two systems: fee-for-service (FFS) and managed care.
 - Under FFS, the state pays providers for each service delivered. This model exists in all 58 counties.
 - Under managed care, the state pays a fixed rate per person to a health plan, through which enrollees access doctors and other providers. This model exists in 30 counties.
- Since the mid-1990s, children and parents have been required to enroll in Medi-Cal managed care if a plan is available in their county. Until recently, seniors and people with disabilities were required to enroll in managed care in only 14 of the 30 counties with that system. Enrollment was voluntary in the other 16 counties.

Seniors Are the Least Likely to Be Enrolled in Medi-Cal Managed Care



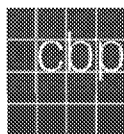
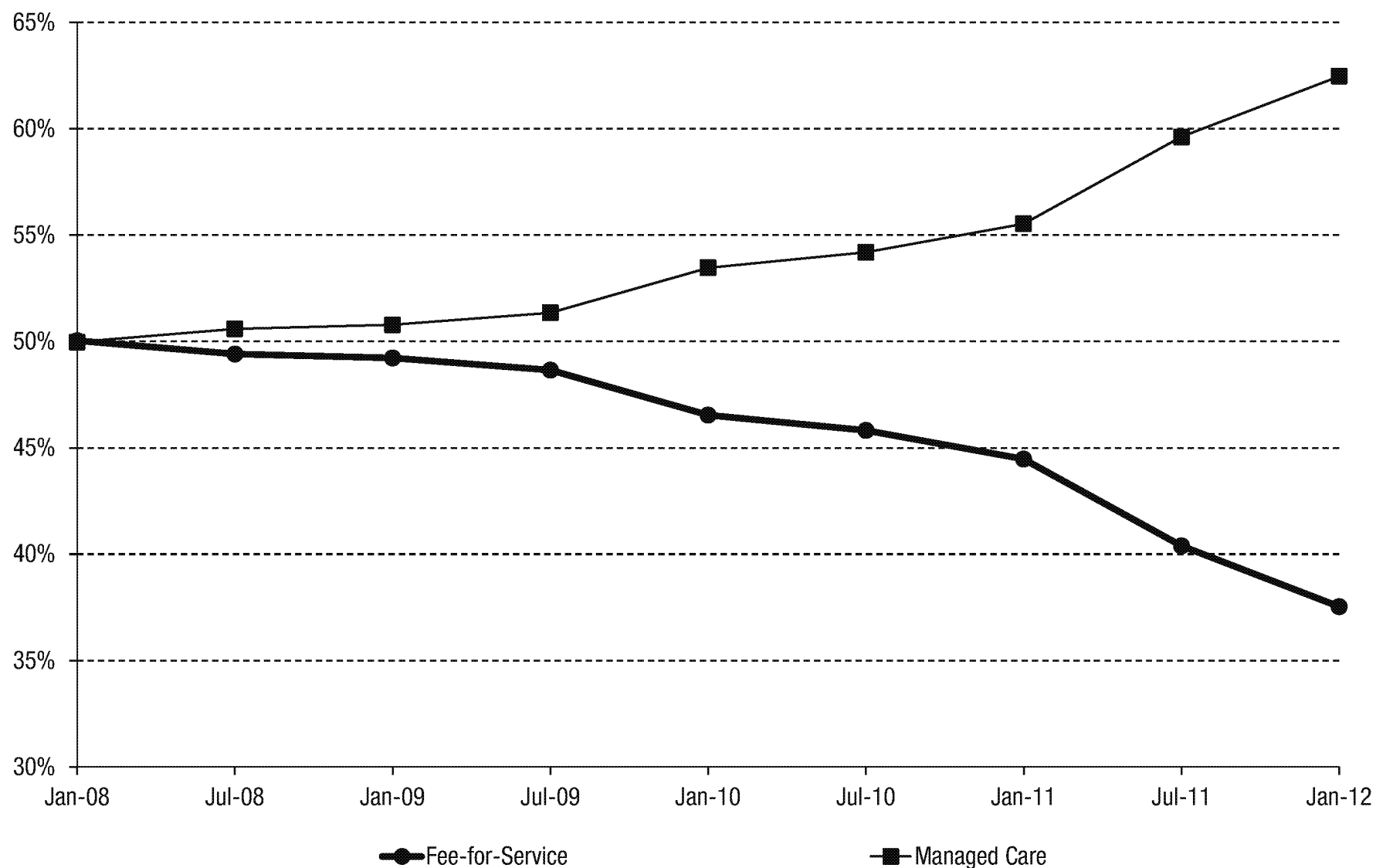
The Share of Enrollees in Managed Care Has Increased

- In January 2008, Medi-Cal beneficiaries were equally likely to be enrolled in the managed care or FFS systems. Within four years, the share enrolled in managed care had jumped to 62.5 percent.
- This increase is partly due to a recent policy change requiring many seniors and people with disabilities to enroll in Medi-Cal managed care for medical services in the 16 counties where enrollment had been voluntary. (This change excludes “dual eligibles” – those who are enrolled in both Medi-Cal and the federal Medicare Program.)
 - The state shifted 240,000 seniors and people with disabilities from FFS to managed care over a 12-month period beginning in June 2011. Another 140,000 seniors and people with disabilities who were already voluntarily enrolled in managed care in these 16 counties lost the option of shifting to FFS Medi-Cal.



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The Share of Medi-Cal Beneficiaries Enrolled in Managed Care Has Increased in Recent Years

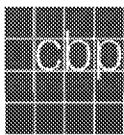


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Source: Department of Health Care Services

The Share in Managed Care Could Keep Rising

- The share of Medi-Cal enrollees in managed care could continue to increase due to two significant policy changes included in the 2012-13 state budget agreement. Specifically, state policymakers:
 - Authorized a three-year pilot project in eight counties, called the Coordinated Care Initiative (CCI). A key CCI component – which the federal government approved in March 2013 – will allow up to 456,000 dual eligibles in those counties to enroll in a managed care plan for both their Medi-Cal and Medicare benefits. This change will be phased in starting no earlier than October 1, 2013.
 - Authorized the expansion of Medi-Cal managed care to the 28 counties where it does not yet exist. Mandatory enrollment in managed care in these counties could begin in June 2013. Some enrollees, such as dual eligibles, can remain in the FFS system.



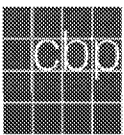
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Medi-Cal covers many essential health care services, although policymakers eliminated several services for adults in 2009.

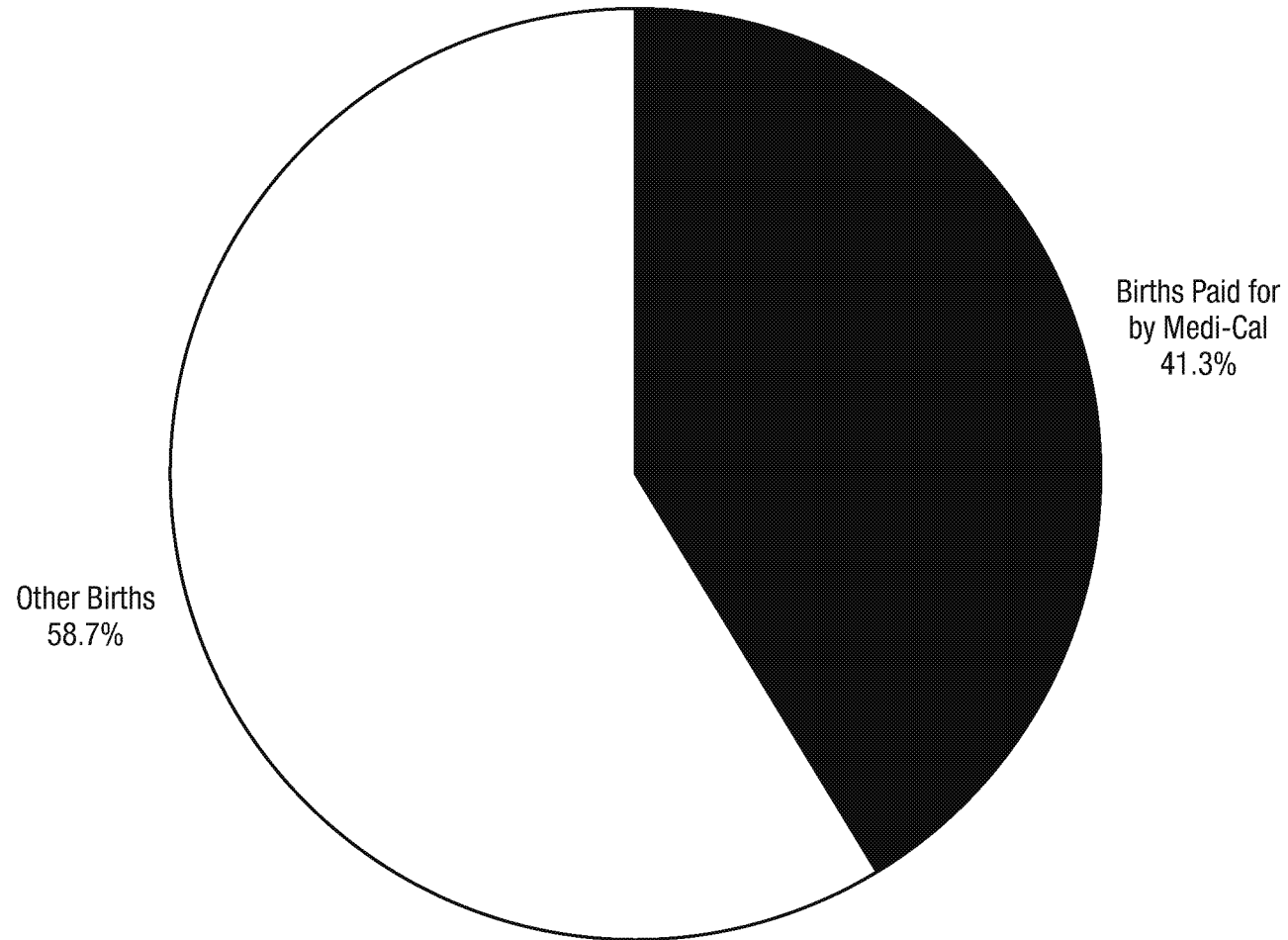
Medi-Cal Covers Many Essential Health Care Services

- As required by federal law, Medi-Cal covers a core set of services, including doctor visits, hospital care, and pregnancy-related services, as well as nursing home care for individuals age 21 or older.
- California also provides a number of services that are considered to be “optional” under federal Medicaid law.
 - Optional services for which both children and adults are eligible include prescription drugs, medical equipment and supplies, and personal care services provided through the In-Home Supportive Services Program.
 - Dental care, vision services, speech therapy, and other services are generally available only to children and youth under age 21.
- In surveys, most Medi-Cal enrollees agree that the program provides access to high-quality care.



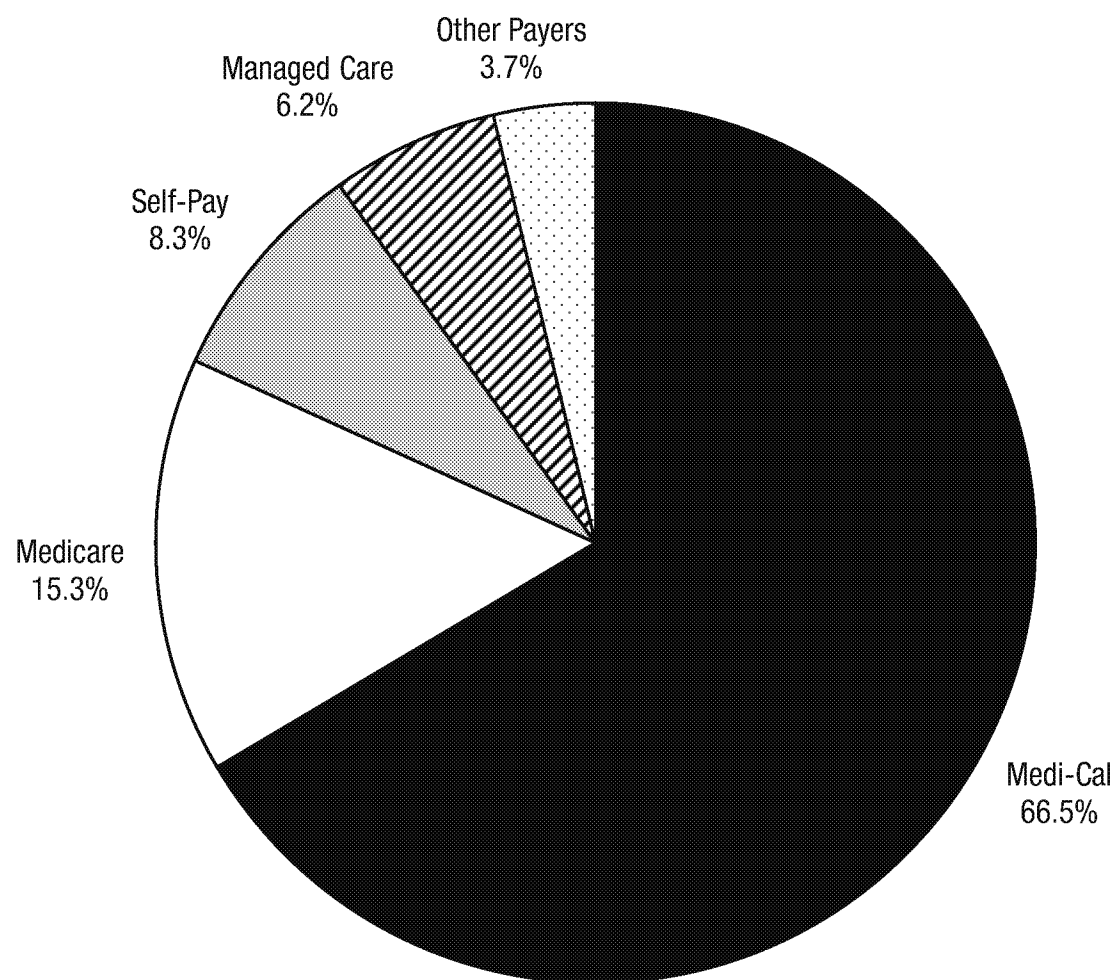
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Medi-Cal Paid for More Than 40 Percent of Births in California in 2006

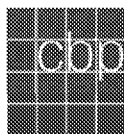


Total Number of Births to California Residents in 2006 = 562,157

Medi-Cal Pays for Two-Thirds of Skilled Nursing Care in California



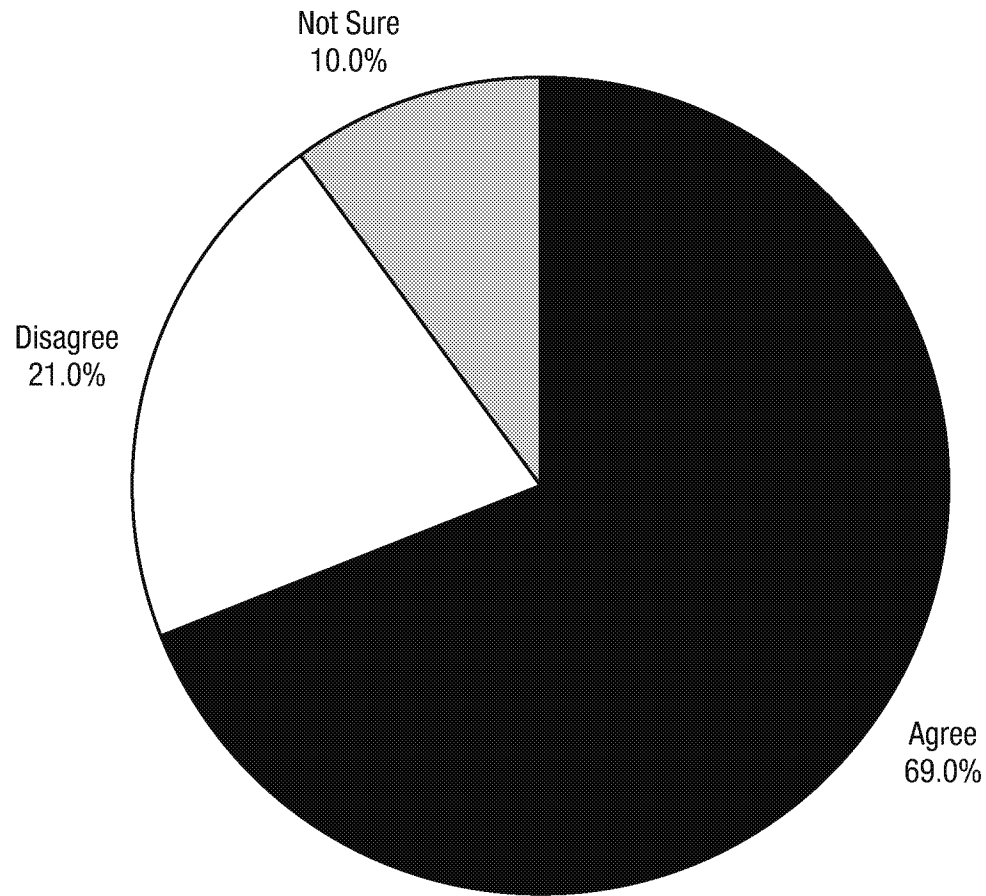
Number of Patient Days at Skilled Nursing Facilities in 2011 = 29.5 Million



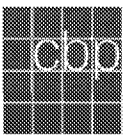
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Source: Office of Statewide Health Planning and Development

In 2012, More Than Two-Thirds of Medi-Cal Enrollees Agreed That the Program Provides Access to High-Quality Care



Response to the Question: Do You Agree or Disagree That Medi-Cal Provides Access to High-Quality Medical Care?

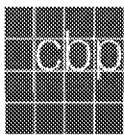


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Note: Reflects Medi-Cal enrollees and parents of enrollees.
Source: California HealthCare Foundation

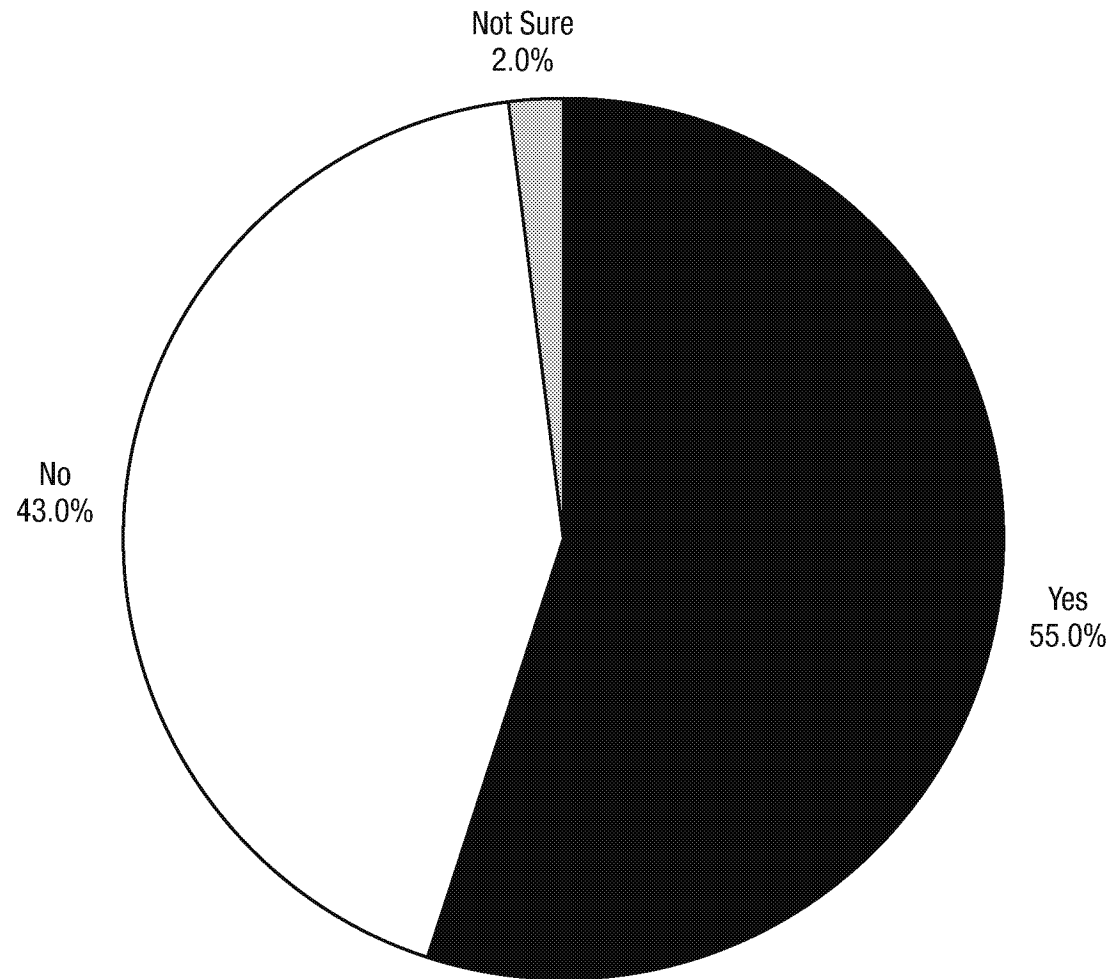
State Policymakers Eliminated Several Medi-Cal Services for Adults in 2009

- In order to help close a substantial state budget shortfall, policymakers eliminated nine optional Medi-Cal services for most adults, effective July 2009.
- Policymakers, for example, eliminated dental care for adults. This includes services to prevent tooth decay and restorative services, such as fillings and dentures.
- Policymakers also eliminated the following services: acupuncture, audiology, chiropractic, incontinence creams and washes, optician services, podiatry, psychology, and speech therapy.
- Some adults may continue receiving these nine services, including pregnant women and adults living in skilled nursing facilities.

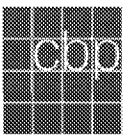


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In 2012, More Than Half of Adults Enrolled in Medi-Cal Reported Delaying Dental Care Due to Cost




Response to the Question: Did You Delay Dental Care in the Past 12 Months Due to Cost?



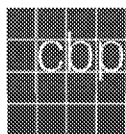
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Source: California HealthCare Foundation


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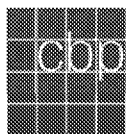
Part 2: Following the Money



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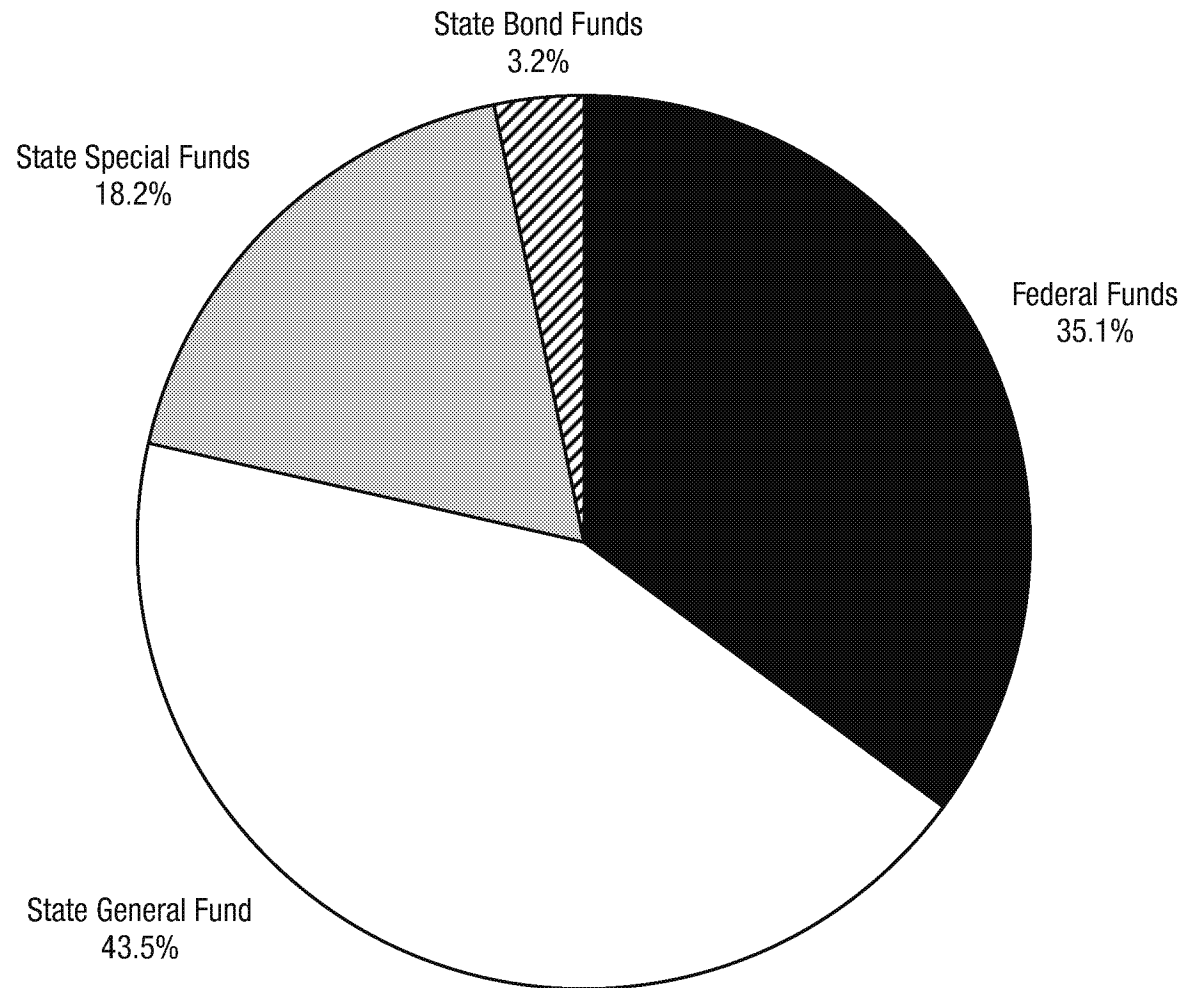


The Medi-Cal Program accounts for the
single-largest share of federal dollars
spent through the state budget.



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Federal Dollars Account for More Than One-Third of California's State Budget

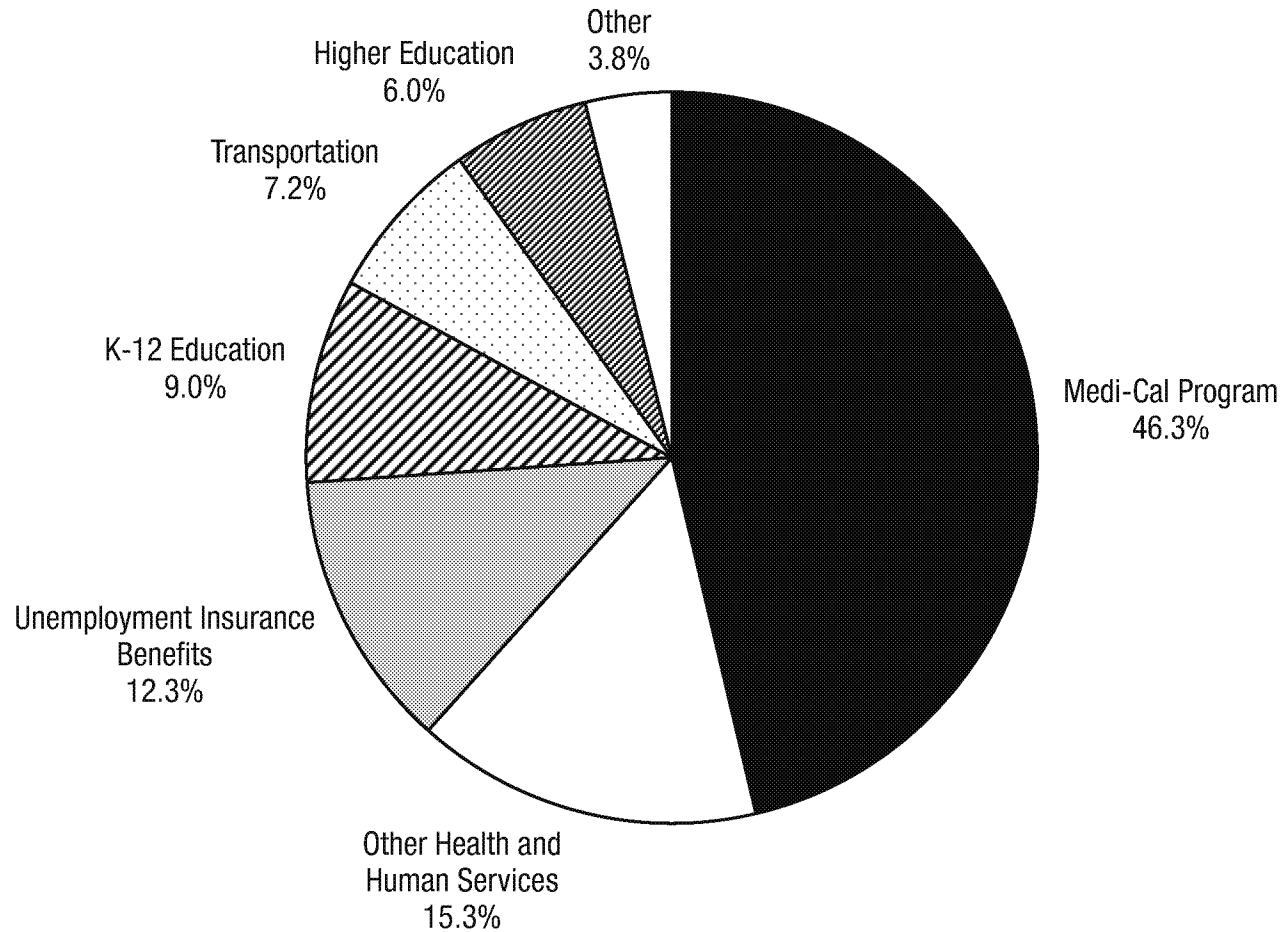


Proposed 2013-14 Expenditures = \$224.7 Billion



Source: Department of Finance

Medi-Cal Is Projected to Account for More Than 40 Cents Out of Every Federal Dollar Spent Through the State Budget in 2013-14



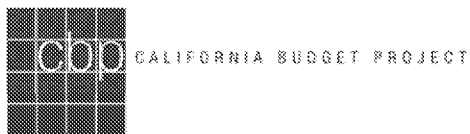
Projected Federal Expenditures Through the State Budget in 2013-14 = \$78.8 Billion



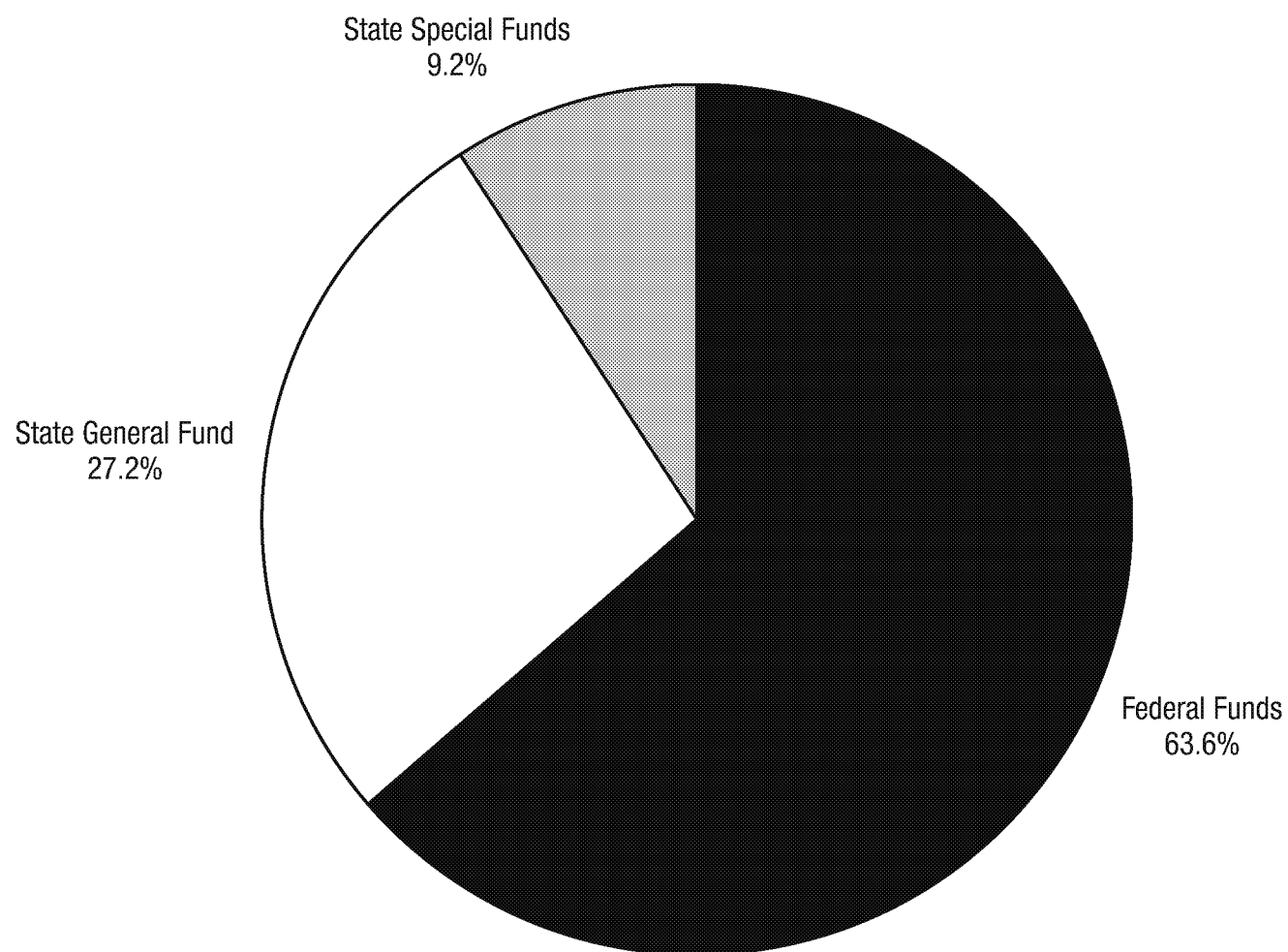
Note: Percentages do not sum to 100 due to rounding.
Source: Department of Finance



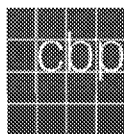
The federal government pays for
the majority of Medi-Cal costs.



Federal Dollars Are Projected to Account for More Than 60 Percent of Medi-Cal Spending in 2013-14



Proposed 2013-14 Medi-Cal Program Expenditures = \$57.4 Billion

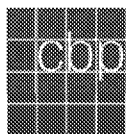


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Source: Department of Finance

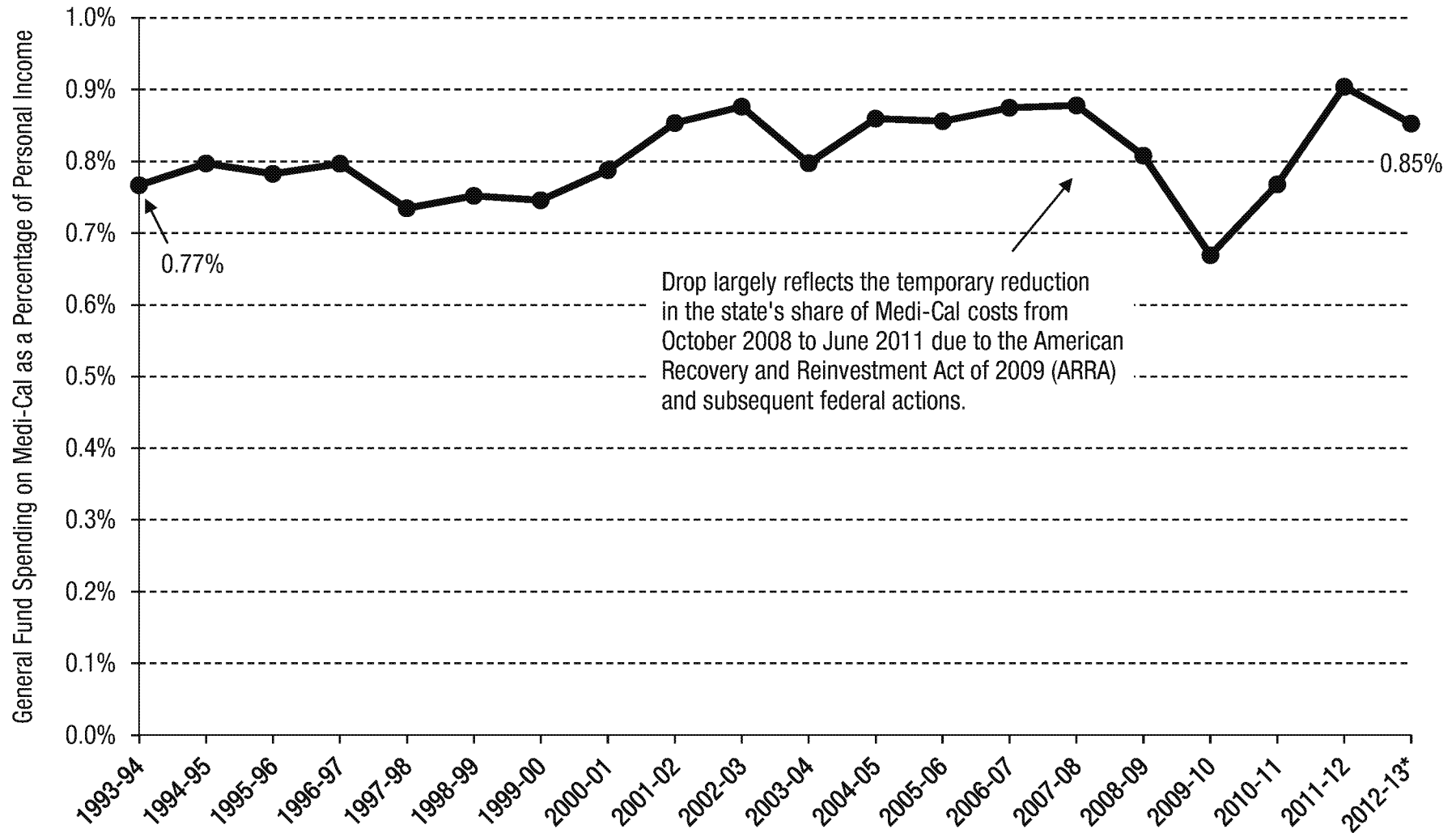


State spending on Medi-Cal has been
relatively flat as a share of the
California economy since the mid-1990s.



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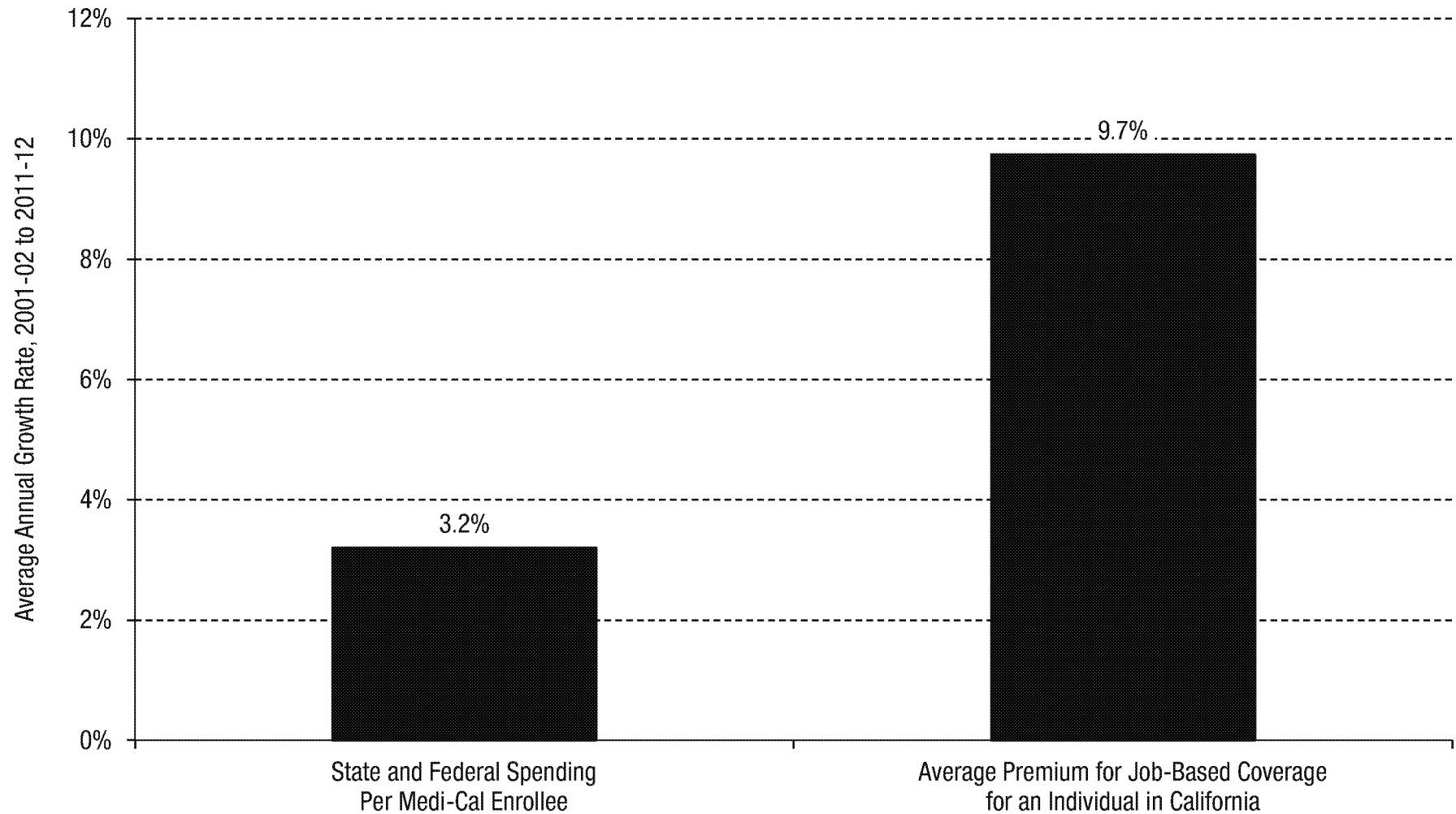
General Fund Spending on Medi-Cal as a Share of the California Economy Has Remained Relatively Flat Since the Mid-1990s



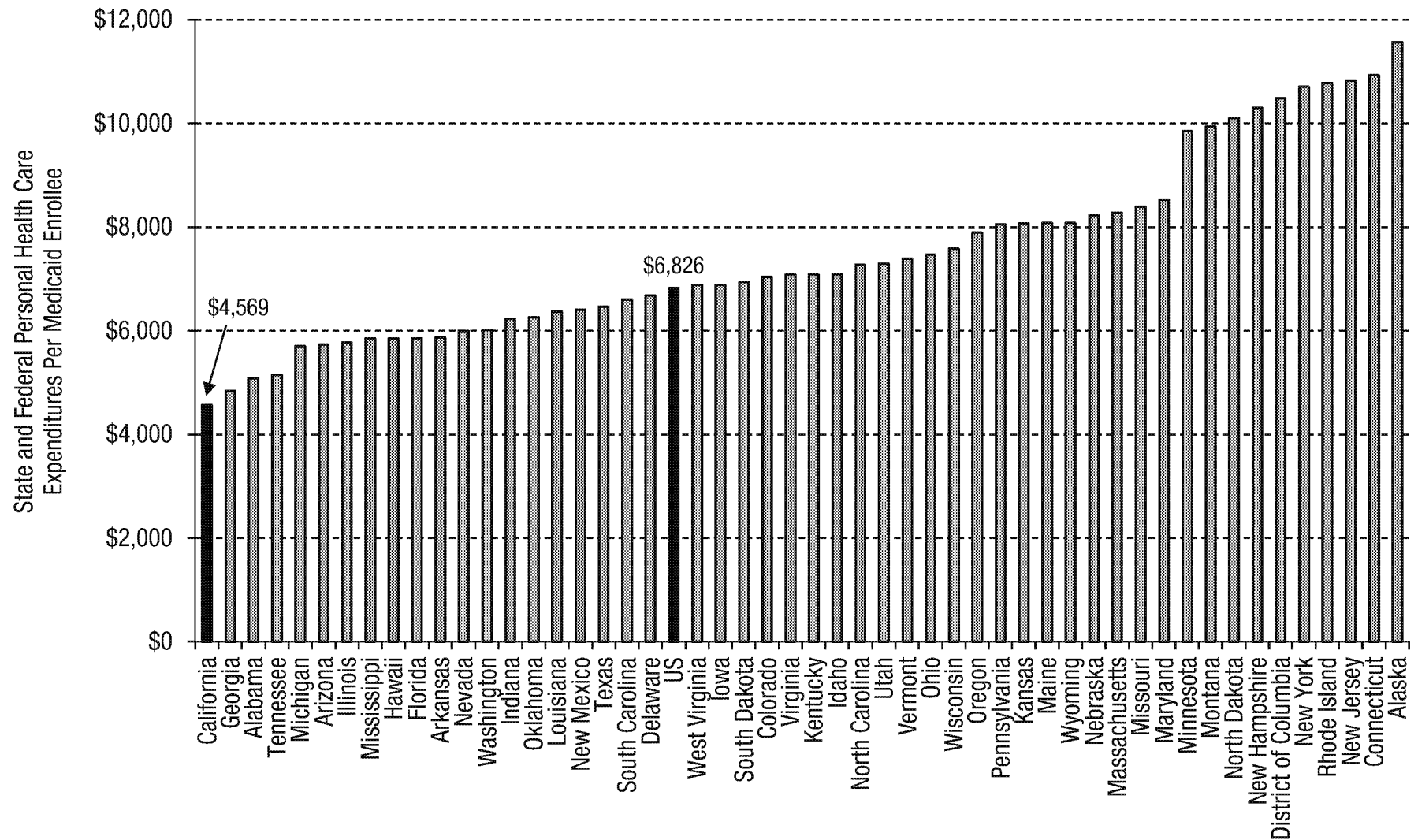


Total spending per Medi-Cal enrollee has increased relatively slowly over the past decade and was the lowest in the US in 2009.

Over the Past Decade, the Average Job-Based Premium Increased Three Times Faster Than Medi-Cal Spending Per Enrollee

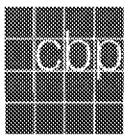


California's Spending Per Medicaid Enrollee Was the Lowest in the Nation in 2009





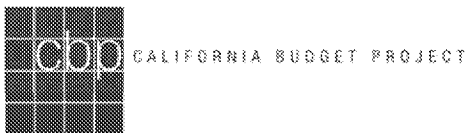
California's payments to doctors who
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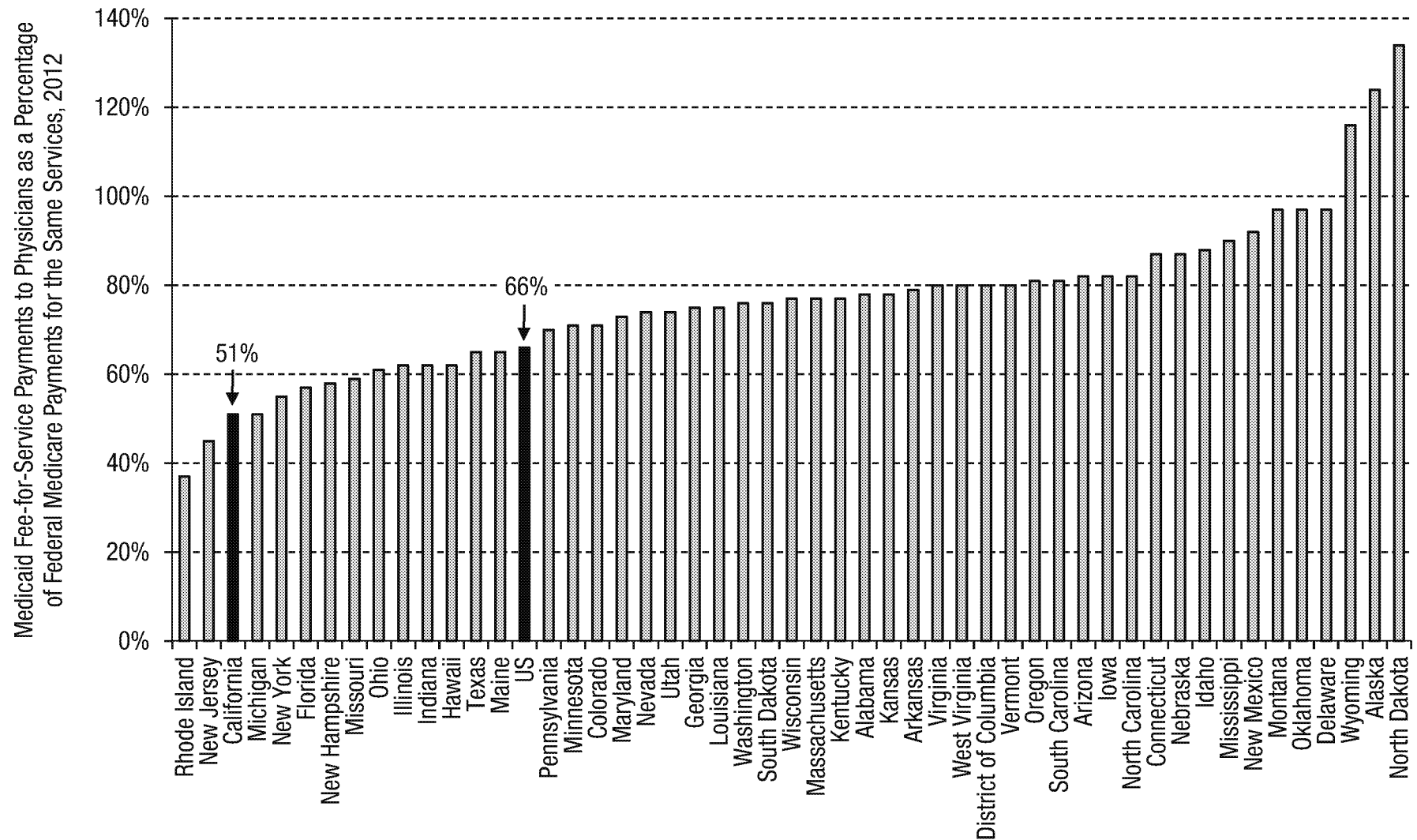
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California's Medicaid Payments Rank Near the Bottom

- California's payments to Medicaid physicians for primary care and other services were the third-lowest in the US in 2012 when measured as a percentage of federal *Medicare* payments for similar services.
- Research shows that payment levels affect doctors' willingness to accept Medicaid patients. In fact, less than 60 percent of office-based physicians in California accepted new Medicaid patients in 2011, the second-lowest rate in the nation.
- Medi-Cal enrollees report having greater difficulty accessing primary care providers and specialists compared to Californians with other types of health care coverage. This may be one reason why Medi-Cal enrollees – regardless of their health status – report greater use of emergency rooms than do other Californians.



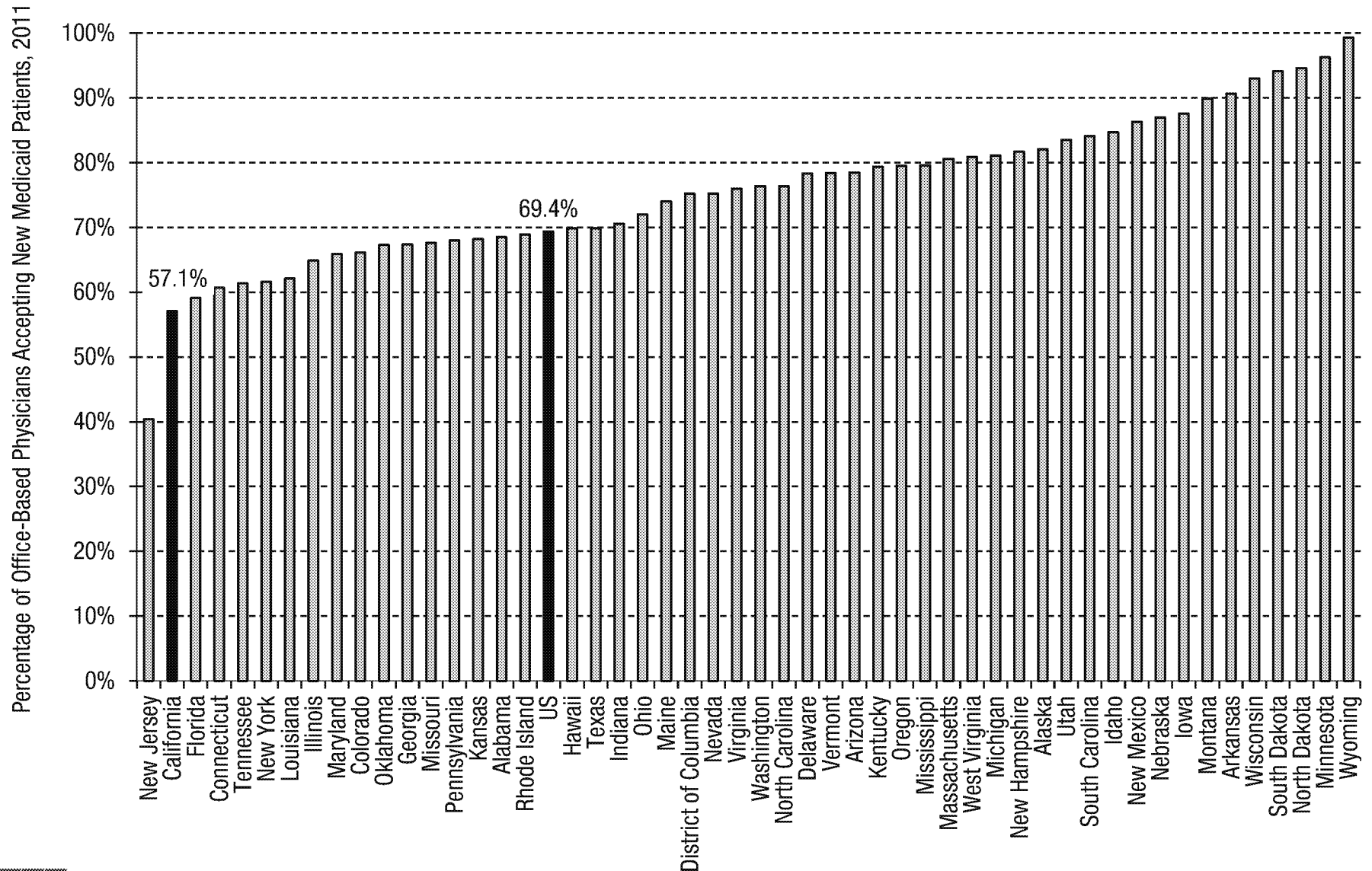
California's Medicaid Payments to Doctors Are Among the Lowest in the Nation



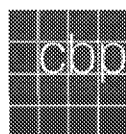
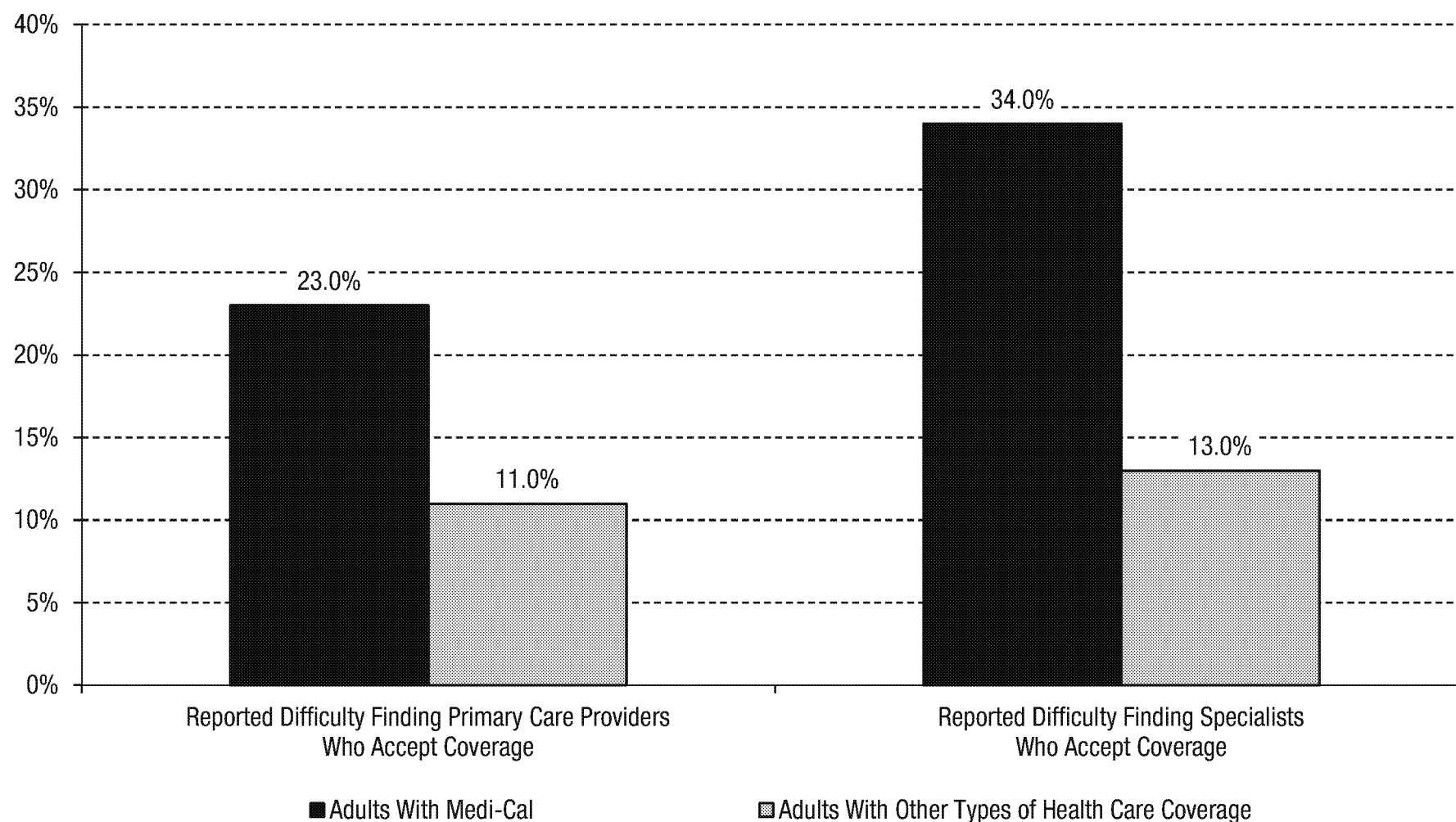
Note: Data reflect fees for primary care, obstetric care, and other services. Tennessee is excluded because its Medicaid program does not have a fee-for-service component.

Source: Kaiser Family Foundation

California Has the Second-Lowest Share of Doctors Accepting New Medicaid Patients



Medi-Cal Enrollees Report Having Greater Difficulty Accessing Health Care Providers Compared to Adults With Other Types of Coverage

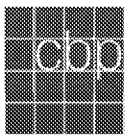
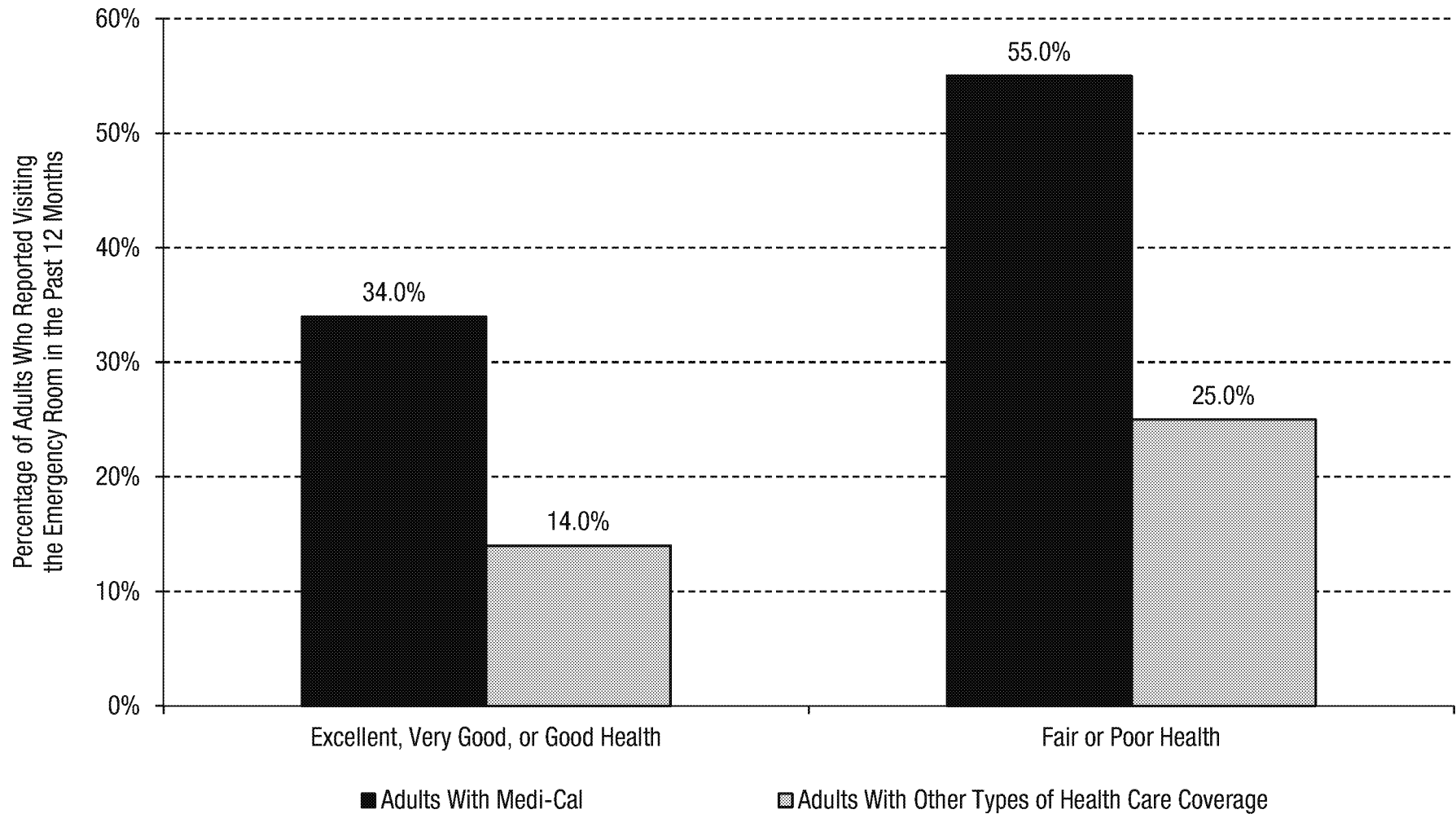


CALIFORNIA BUDGET PROJECT

Note: "Other" includes job-based plans, individually purchased plans, and Medicare. This category reflects adults of all income levels. Respondents were surveyed in 2011 or 2012.

Source: California HealthCare Foundation

Medi-Cal Enrollees Report Greater Use of the Emergency Room Compared to Adults With Other Types of Coverage, Regardless of Health Status

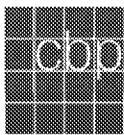


CALIFORNIA BUDGET PROJECT

Note: "Other" includes job-based plans, individually purchased plans, and Medicare. This category reflects adults of all income levels. Respondents were surveyed in 2011 or 2012.

Source: California HealthCare Foundation

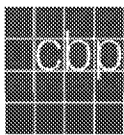
California aims to cut payments for
a range of Medi-Cal services in 2013,
even as the federal government provides
funding under the ACA to boost payments
to primary care doctors.



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A Federal Court Will Decide Whether California Can Implement a Provider Payment Reduction

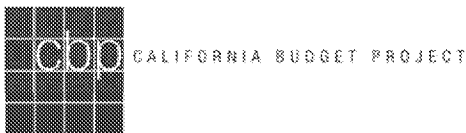
- In 2011, state policymakers approved a 10 percent cut to Medi-Cal fee-for-service payments for doctors, dentists, pharmacists, and a range of other providers. Managed care rates were to be reduced by an “actuarially equivalent” amount.
- The federal government approved this cut. However, health provider associations filed several lawsuits, and a federal district court blocked the state from implementing the reduction. These cases remain on appeal before the US 9th Circuit Court of Appeals.
- Governor Brown assumes the state will prevail and will be able to move ahead with the reduction during 2013. However, as discussed below, the ACA prevents California from applying this cut to payments for certain primary care services in 2013 or 2014.



CALIFORNIA BUDGET PROJECT

Provider Payment Cut Would Be Retroactive to 2011

- If the 10 percent provider payment reduction is upheld, Brown Administration officials have indicated that the state would have to apply the cut retroactive to June 1, 2011 – the date on which it was intended to take effect. California’s agreement with the federal government regarding the reduction would not allow the state to “retrospectively unwind” the cut, one Administration official testified at a March 18, 2013, Assembly committee hearing.
- The Administration suggests the state would retroactively “recoup” payments from providers by imposing an additional 5 percent cut, for a total reduction of 15 percent. This additional 5 percent cut would be in effect until the full amount owed retroactively is repaid.
- Lawmakers at the March 18 hearing expressed concern that a cut of that size could create access problems for Medi-Cal enrollees.



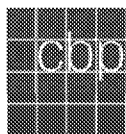
Medicaid Payments for Many Primary Care Services Will Rise in 2013 and 2014 Under the ACA

- Under the ACA, the federal government will provide temporary funding to boost Medicaid payments for nearly 150 primary care services provided by family doctors, internists, and pediatricians.
 - States must increase their Medicaid payments to the federal *Medicare* levels for the same services in 2013 and 2014.
 - Doctors will receive this increase whether they provide care on a FFS basis or through Medicaid managed care plans.
- On average, California's fees for primary care services will rise by 136 percent in 2013, according to the Kaiser Family Foundation.
- This unprecedented increase could help to boost physician participation in Medi-Cal as enrollment rises in 2014 and beyond.



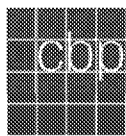
Part 3:

Medi-Cal in 2014 and Beyond



CALIFORNIA BUDGET PROJECT

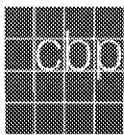
California is in the process of implementing federal health care reform, including expanding Medi-Cal coverage to low-income adults who currently are not eligible.



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The Medicaid Expansion Is a Key Component of Federal Health Care Reform

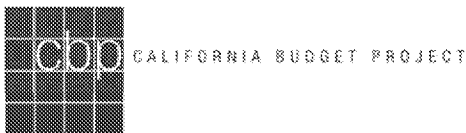
- The ACA is transforming how health care is delivered, who is eligible for care, and how care is paid for – both in California and throughout the nation.
- Health care reform authorizes states to expand Medicaid – effective January 1, 2014 – to many low-income individuals under age 65 who are currently ineligible for coverage. For states that implement this expansion, the ACA establishes a new Medicaid income eligibility limit of 138 percent of the federal poverty line (a limit equal to \$15,856 for an individual in 2013).
- The federal government will pay the entire cost of the expansion for the first three years, subsequently phasing down to no less than 90 percent of the cost in 2020 and beyond.



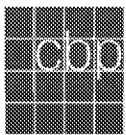
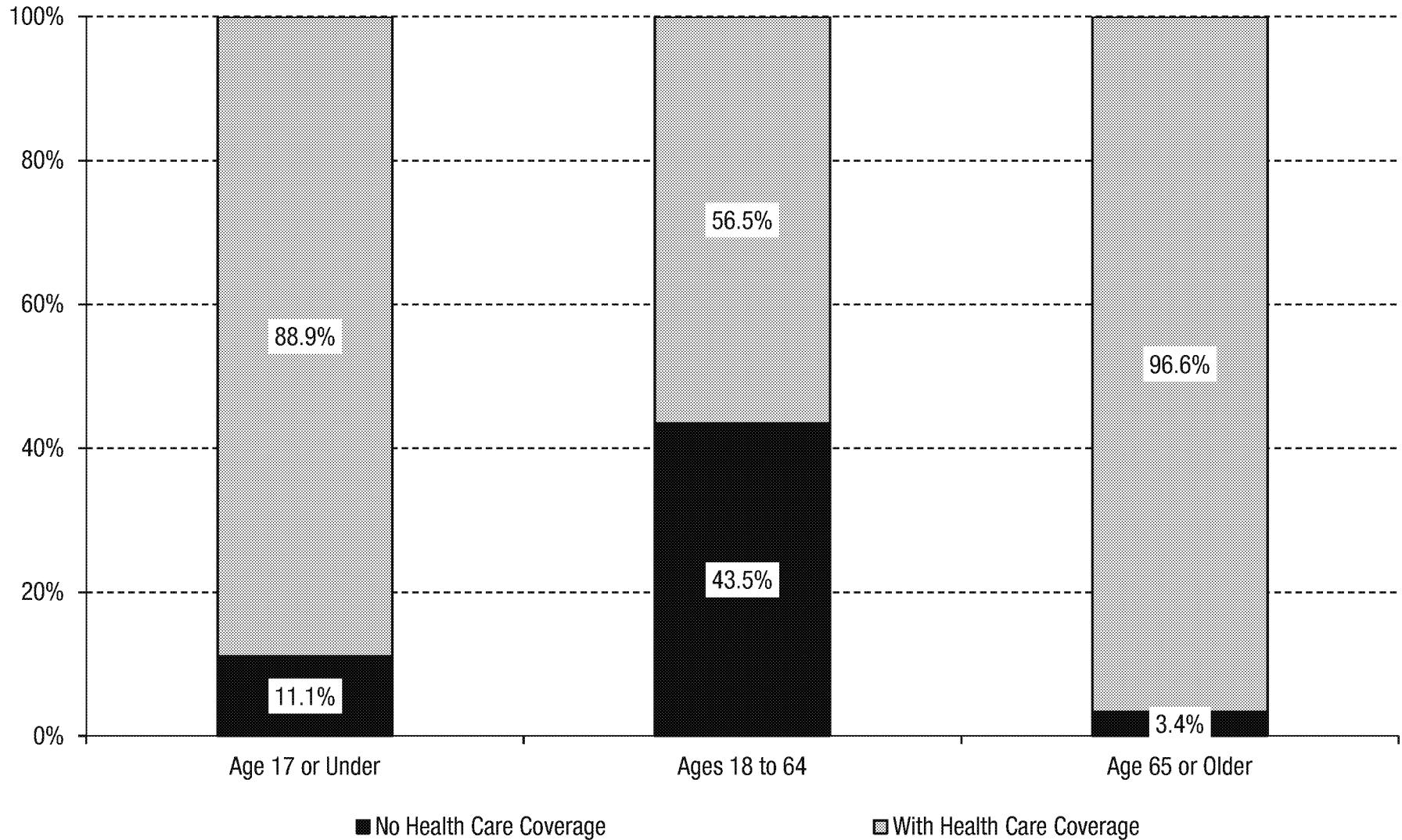
CALIFORNIA BUDGET PROJECT

Expanding Medi-Cal Would Benefit Low-Income Parents and Childless Adults

- Low-income, nonelderly adults in California are much more likely to lack health care coverage than are children or seniors.
- The Medi-Cal expansion will allow the state to increase health care coverage among nonelderly adults by:
 - Extending Medi-Cal eligibility to childless adults, and
 - Increasing Medi-Cal eligibility for parents, who currently lose access when their incomes slightly exceed the poverty line.
- Approximately 1.4 million Californians under age 65 would be newly eligible for Medi-Cal in 2014 under the program expansion, according to analysts from UC Berkeley and UCLA.



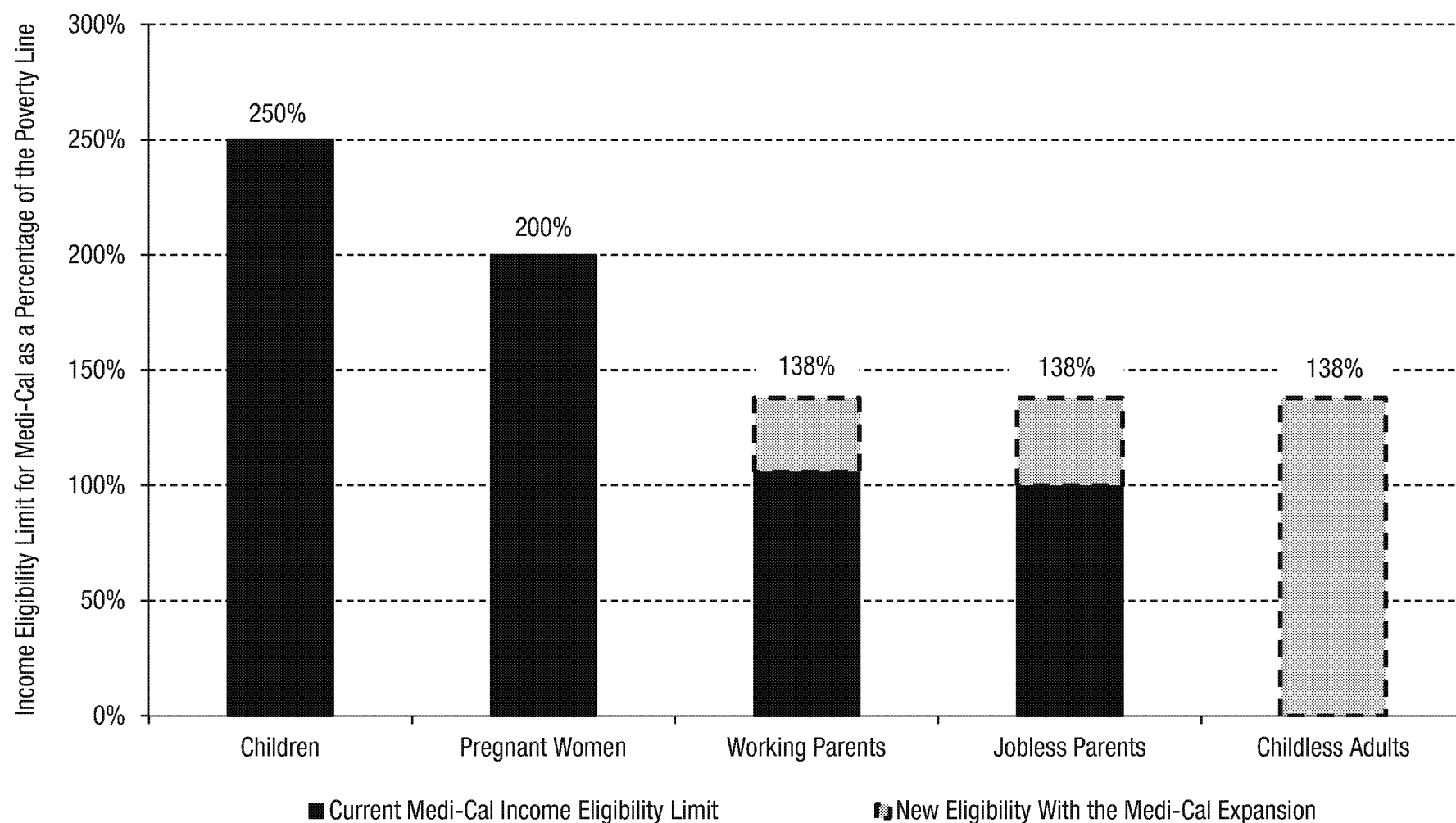
More Than Four Out of 10 Low-Income Californians Ages 18 to 64 Lack Health Care Coverage
Californians With Incomes Below 138 Percent of the Federal Poverty Line, 2011



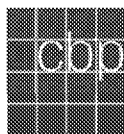
CALIFORNIA BUDGET PROJECT

Source: US Census Bureau

The Income Limit for Parents and Childless Adults Will Rise to 138 Percent of the Federal Poverty Line in 2014 Under the Medi-Cal Expansion



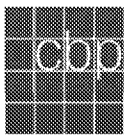
Note: In 2013, 138 percent of the federal poverty line is equal to \$26,951 for a family of three. Income eligibility limits for seniors and people with disabilities are not shown.
Source: Department of Health Care Services and Kaiser Family Foundation



CALIFORNIA BUDGET PROJECT

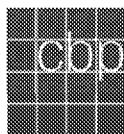
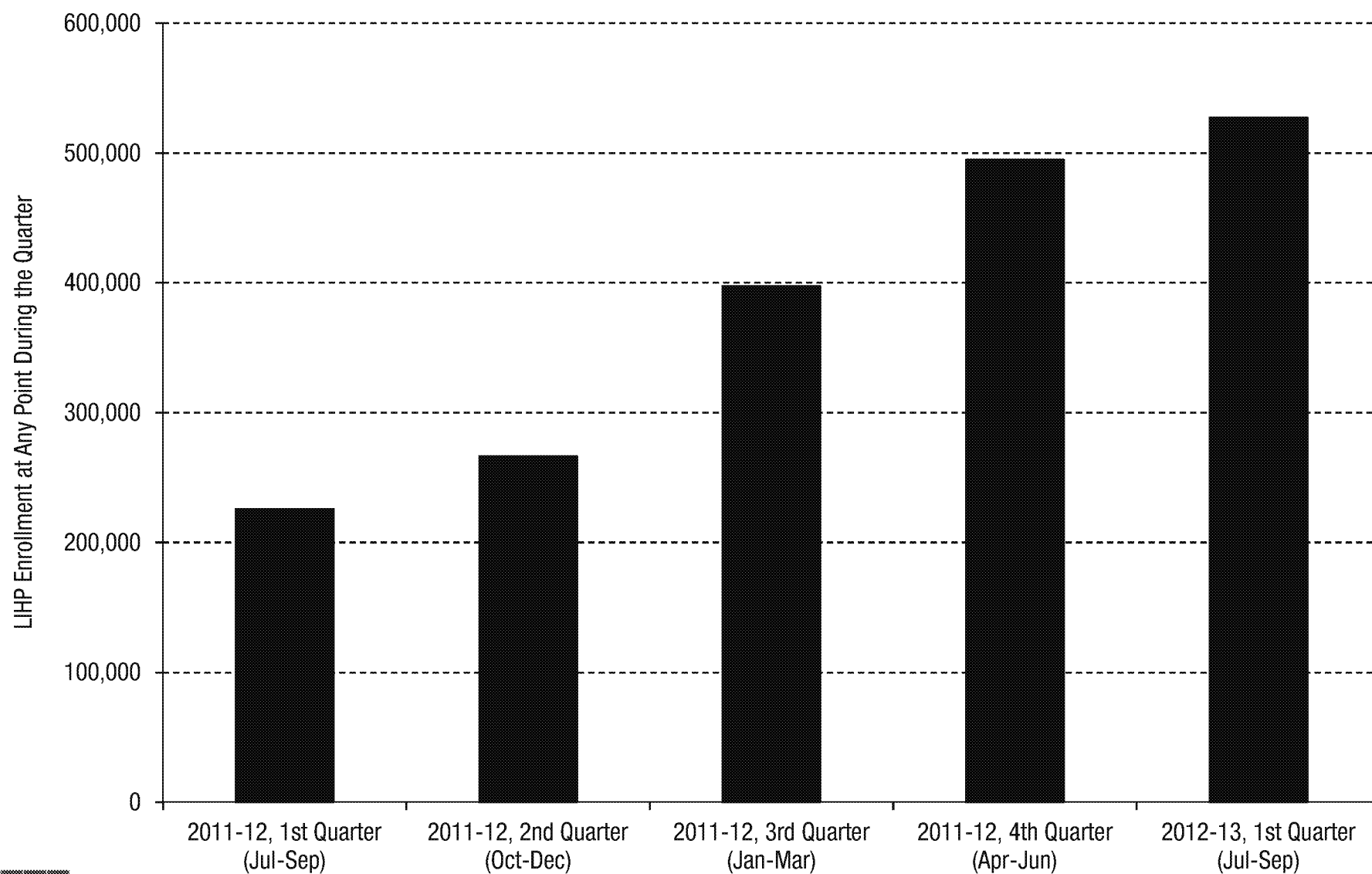
California Got a Head Start on the Medi-Cal Expansion by Implementing the Low Income Health Program

- Under a 2010 agreement with the federal government, California created a temporary, county-based Low Income Health Program (LIHP) that is intended to build a bridge to the Medi-Cal expansion. All but five out of 58 counties participate in, or plan to join, LIHP.
- The program provides health care coverage – through December 31, 2013 – to many low-income adults ages 19 to 64 who are not eligible for Medi-Cal. Counties and the federal government share the costs.
- More than 527,000 Californians were enrolled in LIHP during the first quarter of 2012-13. Most LIHP enrollees will be eligible to transfer to Medi-Cal when the program expansion takes effect. However, if the expansion is delayed beyond January 1, 2014, these enrollees would temporarily be left without health care coverage.



CALIFORNIA BUDGET PROJECT

The Number of Californians Enrolled in the Low Income Health Program (LIHP) Has Increased Steadily

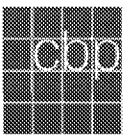


CALIFORNIA BUDGET PROJECT

Source: Department of Health Care Services

The ACA Requires States to Simplify Their Medicaid Rules by 2014

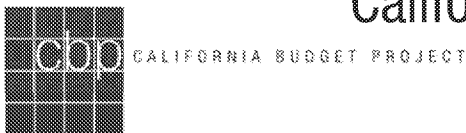
- The ACA requires states to make a number of changes – effective January 1, 2014 – that are intended to simplify Medicaid’s complex eligibility and enrollment rules. For example, California must:
 - Adopt a simpler standard for determining family income and eliminate the asset test for most Medi-Cal enrollees;
 - Allow Californians to apply for Medi-Cal through a website being developed by the California Health Benefit Exchange (also known as Covered California); and
 - Adopt eligibility verification procedures that rely to the greatest extent possible on electronic data sources instead of paper documents.



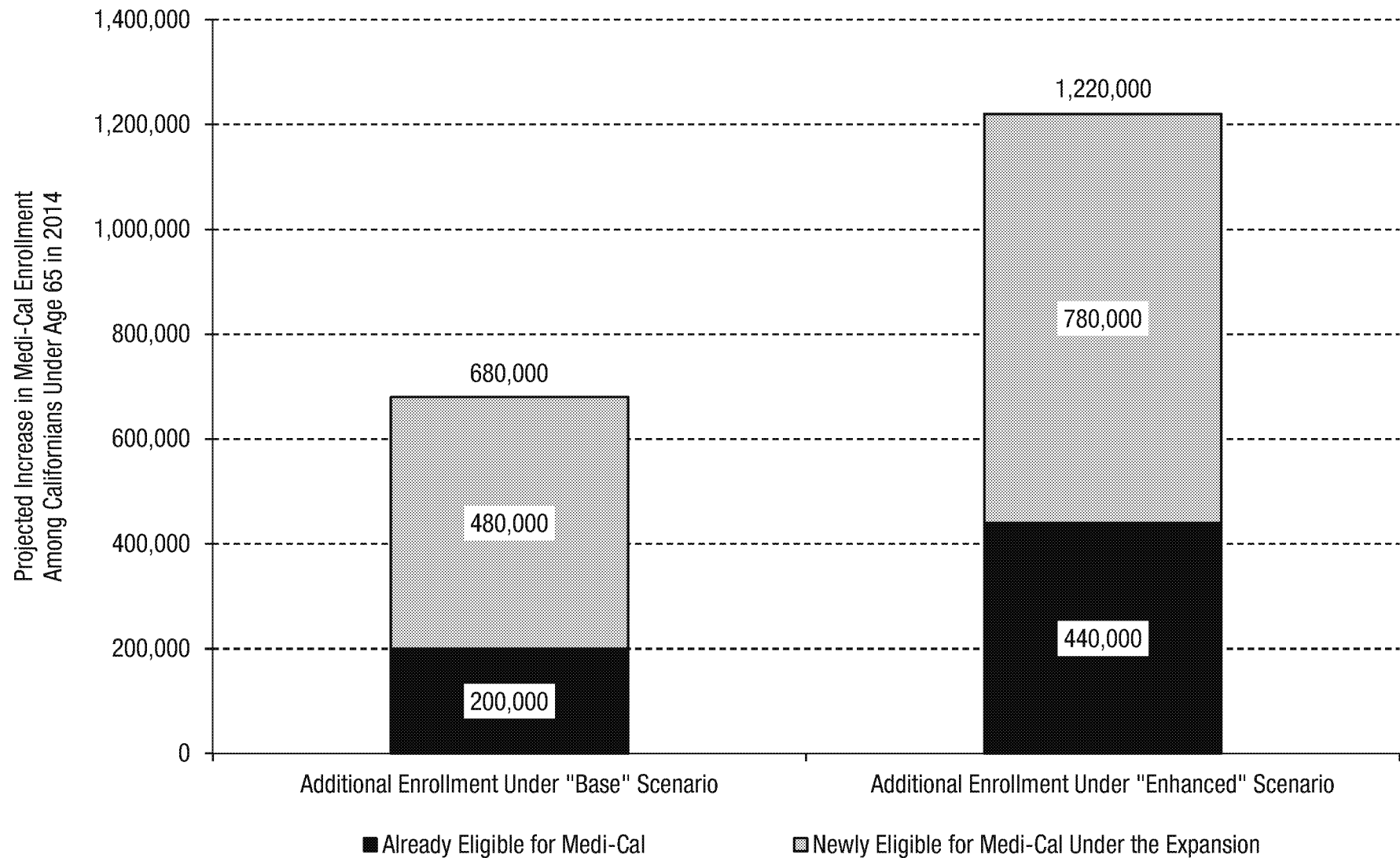
CALIFORNIA BUDGET PROJECT


Expanded Eligibility + Simpler Program Rules = Significant Boost to Medi-Cal Enrollment

- UC analysts project that Medi-Cal enrollment will rise significantly for a number of reasons, including the program expansion, the simplified program rules, and a new federal requirement that states conduct outreach in order to reduce the number of uninsured.
- These analysts developed both a “base” (conservative) scenario and an “enhanced” scenario to assess the potential impacts of federal health care reform. For 2014, the UC researchers project a Medi-Cal enrollment increase of:
 - 680,000 under the base scenario, including 480,000 Californians who would be newly eligible for Medi-Cal.
 - 1.2 million under the enhanced scenario, including 780,000 Californians who would be newly eligible.

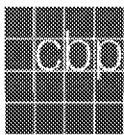


Up to 1.2 Million Additional Californians Could Enroll in Medi-Cal in 2014 Due to Federal Health Care Reform





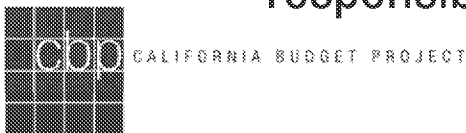
The Governor has proposed state- and county-based approaches to expanding Medi-Cal. He also has linked the expansion to a “realignment” of certain services from the state to the counties.



CALIFORNIA BUDGET PROJECT

The Governor Proposes to Expand Medi-Cal in 2014 — But With Certain Contingencies

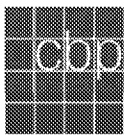
- The Governor proposes two options to expand Medi-Cal: directly enrolling newly eligible Californians in Medi-Cal (the “state-based” approach) or building on counties’ current health care systems (the “county-based” approach).
- The Governor suggests that expanding Medi-Cal would substantially reduce counties’ costs for serving medically indigent (low-income, uninsured) individuals, since many of the adults who currently rely on the county health care safety net would shift to Medi-Cal.
- The Governor calls for “an assessment of how much funding currently spent by counties should be redirected” to the state. He suggests the state could “capture county savings” by shifting responsibility for “various” human services programs to counties.



Expanding Medi-Cal would provide substantial benefits and should be led by the state, according to the Legislative Analyst's Office (LAO).

LAO: Expansion Has Major Policy and Fiscal Benefits

- Expanding Medi-Cal would provide major policy benefits, the LAO concludes in a February 2013 report. The expansion, for example, could help improve health outcomes as well as reduce medical debt as more low-income adults obtain health care coverage.
- Expanding Medi-Cal also would bring substantial federal matching funds into California. Using “moderate-cost assumptions,” the LAO projects that California would receive \$3.5 billion in additional federal funding in 2014-15, rising to \$6.2 billion by 2022-23.
- California’s annual share of costs for the expansion would be \$0 for the first three years, rising to roughly \$700 million after a decade. These costs likely would be partly offset by savings in other areas, including in programs that address specific illnesses, as some people enrolled in these programs shift to Medi-Cal under the expansion.



CALIFORNIA BUDGET PROJECT

LAO: Adopt a State-Based Expansion of Medi-Cal


- The LAO argues that a state-based expansion “makes the most sense,” primarily because such an approach would be more effective and efficient than the county-based option.
 - Unlike the counties, the state can “leverage” Medi-Cal’s managed care delivery system to organize and coordinate care for adults who newly enroll in the program.
 - A state-based expansion potentially would be simpler to administer and would reduce the fragmentation of health care coverage options available to Californians.
 - A state-based expansion “has a much greater likelihood of being successfully implemented by January 1, 2014.”



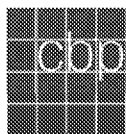
The Governor's proposal to link the Medi-Cal expansion to a major fiscal and programmatic realignment raises concerns.

LAO: Realignment Proposal Raises Concerns

- The LAO raises several concerns with the Governor's proposal to realign fiscal and programmatic responsibility for human services programs to the counties. Under the Governor's proposal, counties would pay for these new costs with existing state funds that they use to provide indigent health care services – dollars that presumably would be “freed up” by the Medi-Cal expansion.
- According to the LAO, the Governor's proposal would add complexity to an already complicated decision and would be difficult to revise or reverse in the future. The Governor's proposal also could expose the state to county “mandate” claims if funds provided for counties' new responsibilities failed to cover their costs.
- However, as discussed below, the LAO supports the concept of shifting to the state *some* county savings attributable to expanding Medi-Cal.



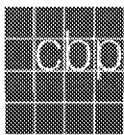
Millions of Californians will lack coverage
even after the state expands Medi-Cal,
highlighting the need for a well-funded
county health care safety net.



CALIFORNIA BUDGET PROJECT

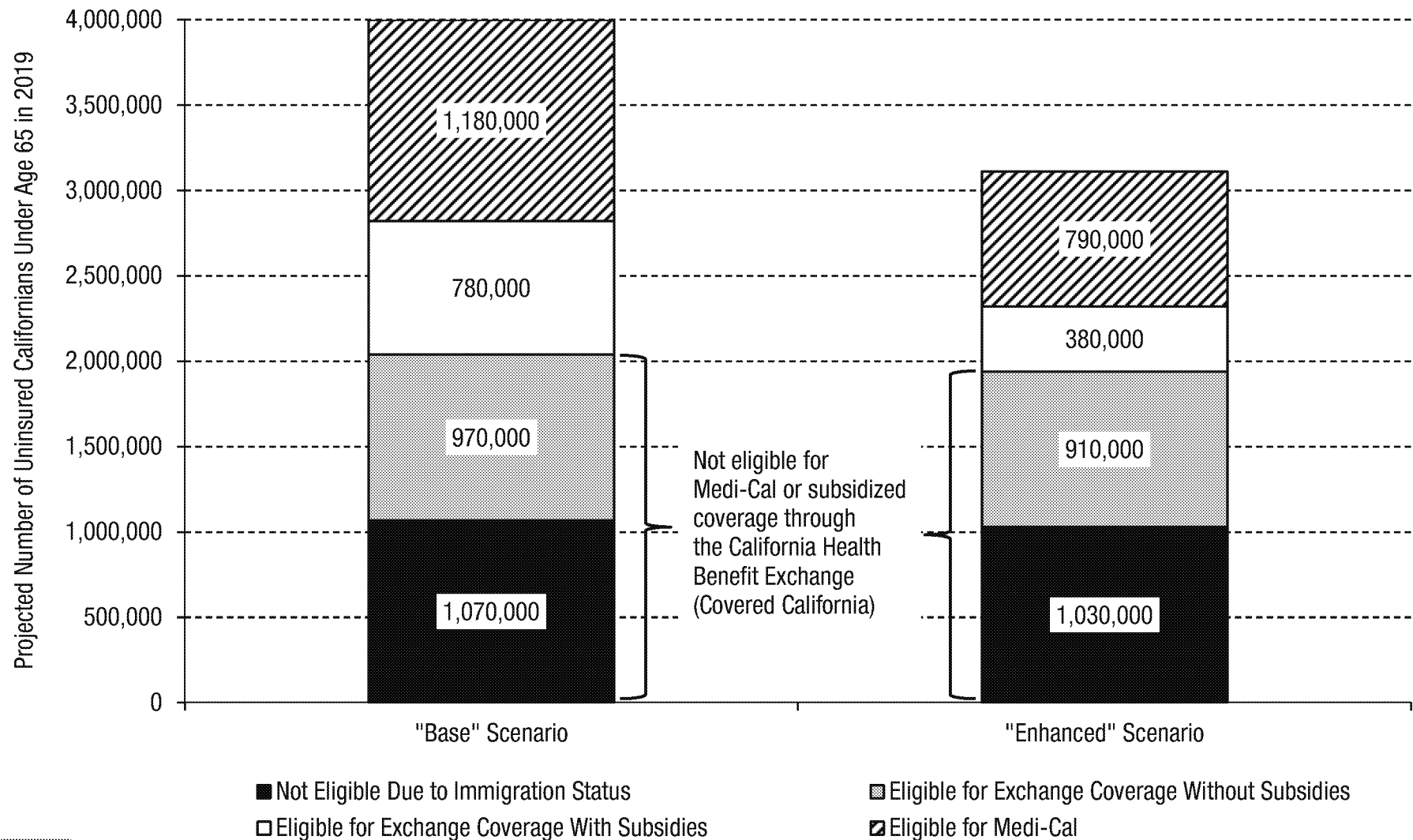
Up to 4 Million Californians Could Lack Coverage Even With Full ACA Implementation

- UC analysts project that 3 million to 4 million Californians could lack coverage in 2019, even after health care reform is fully implemented.
- This group is expected to include 1 million undocumented immigrants who are not eligible for any type of health care coverage.
- This group is also expected to include eligible Californians who:
 - Continue to lack access to affordable private insurance, even with federal subsidies available through Covered California.
 - Fail to apply for coverage during limited enrollment periods.
 - Do not know about or understand their coverage options, including eligibility for Medi-Cal if their incomes are at or below 138 percent of the federal poverty line.

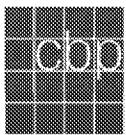
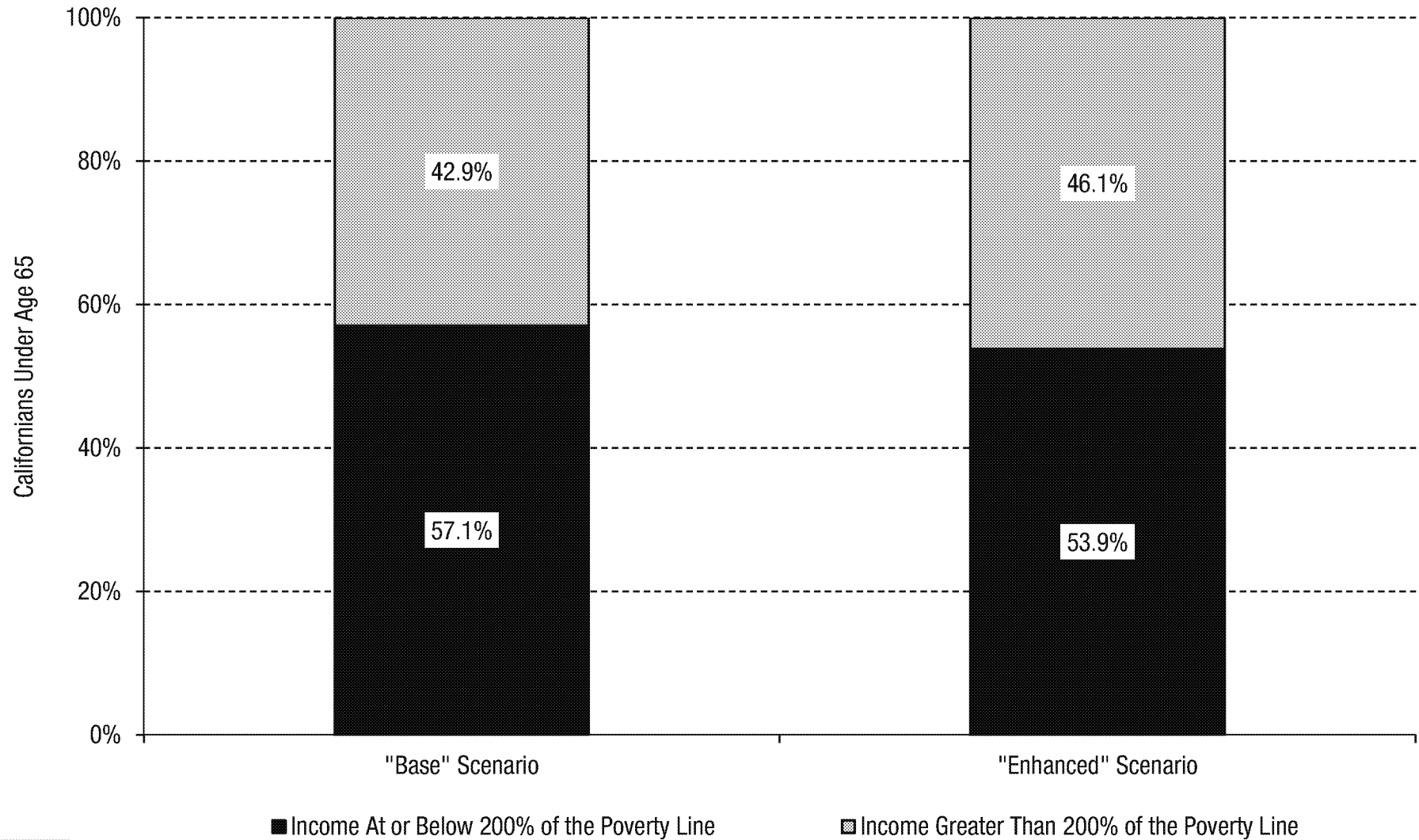


CALIFORNIA BUDGET PROJECT

Even With Full Implementation of Federal Health Care Reform, 3 Million to 4 Million Californians Are Projected to Be Uninsured in 2019



Under Either of Two Scenarios, More Than Half of Californians Projected to Be Uninsured in 2019 Have Incomes At or Below 200 Percent of the Federal Poverty Line

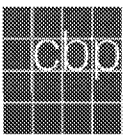


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Source: UC Berkeley Labor Center and UCLA Center for Health Policy Research

Counties Are Health Care Providers of Last Resort

- Under state law, counties are the health care providers of last resort for medically indigent individuals – low-income Californians who lack access to private or public coverage. This population is composed mainly of childless adults.
- Counties generally provide indigent health care services either through their own hospital systems (12 counties) or by contracting with private entities and/or University of California hospitals.
- Financial support for county health care safety net services comes from a range of sources, including county general fund dollars and dedicated state funding provided as part of the 1991 realignment of certain health care services to the counties.



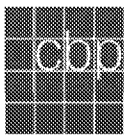
CALIFORNIA BUDGET PROJECT

Governor and LAO: Shift County Savings to the State

- Both Governor Brown and the LAO suggest that the Medi-Cal expansion will generate substantial savings for counties, and argue that all or some of those savings should be shifted to the state.
- The Governor has not provided an estimate of county savings.
- The LAO estimates that counties annually spend about \$700 million of 1991 realignment dollars on health care services for childless adults. The LAO recommends that lawmakers redirect some portion of that amount to offset the state's cost for cash assistance provided to families in the CalWORKs welfare-to-work program.
 - The LAO implies that the Legislature should implement such a funding shift concurrent with the Medi-Cal expansion, even though the state's cost for the expansion would be \$0 through 2016.

Counties and Health Advocates: Leave State Dollars With the Counties for Now

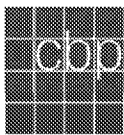
- County officials and health advocates argue that it is unnecessary and potentially ill-advised to link the Medi-Cal expansion to an immediate decision regarding the appropriate level of state funding for county indigent health care services.
- In a recent letter to the Brown Administration, several county health services directors argued that “it is critical that we not let a discussion of how the costs four years away are funded derail the Medicaid expansion that is only eight months away.”
- Moreover, a recent California State Association of Counties memorandum argues that redirecting funding from counties before the impacts of the ACA are understood “has the potential to undermine” counties’ health care delivery systems.



CALIFORNIA BUDGET PROJECT

Counties and Health Advocates: Leave State Dollars With the Counties for Now (continued)

- Counties and health advocates also argue that:
 - The county health care safety net has been underfunded for years, so counties' current spending may not accurately reflect the health care needs of the uninsured in their communities.
 - Any savings that counties do realize, at least in the near term, should be reinvested in local health services, including public health programs, the expansion of primary and outpatient care, and other efforts that can help reduce state and county health care costs over the long run.



CALIFORNIA BUDGET PROJECT

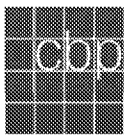
Conclusion

- California is in the “home stretch” of its years-long effort to make the promise of health care reform a reality. Expanding Medi-Cal is a key component of that effort.
- Policymakers should move quickly to adopt a state-led expansion of Medi-Cal, an approach that has significant advantages over the Governor’s county-based option. In particular, the state is ideally positioned to implement this momentous change by the end of 2013.
- Federal funding for the full cost of the expansion becomes available on January 1, 2014. Starting the expansion after that date would leave federal dollars on the table and delay the extension of coverage to hundreds of thousands of Californians.



Conclusion (continued)

- It is unclear how the Medi-Cal expansion will affect the use and the cost of the county health care safety net. The true fiscal impact of this major policy change – on counties as well as on the state – will come into focus in the next few years. Therefore, policymakers may wish to adopt a “wait and see” approach regarding the appropriate level of state funding for county health care services.
- Moreover, California’s improving fiscal situation provides an opportunity for policymakers to reconsider recent reductions to Medi-Cal. This includes the deep cut to provider payments that could be implemented this year – on the eve of the Medi-Cal expansion – if upheld by the federal courts.



CALIFORNIA BUDGET PROJECT