AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR

WEDNESDAY, MARCH 6, 2013
1:30 P.M. - STATE CAPITOL ROOM 444

ITEMS TO BE HEARD

ITEM	DESCRIPTION	
4260	**DEPARTMENT OF HEALTH CARE SERVICES**	**1**
ISSUE 1	THE AFFORDABLE CARE ACT'S MEDI-CAL EXPANSION OPPORTUNITY	1

ITEMS TO BE HEARD

4260 DEPARTMENT OF HEALTH CARE SERVICES

PANELISTS

- Ross Brown, Brian Uhler, Policy & Fiscal Analysts
  Legislative Analyst's Office
- Kelly Brooks-Lindsey, Senior Legislative Representative
  California State Association of Counties
- Mitch Katz, M.D., Director
  Los Angeles County Health Services
- Toby Douglas, Director
- Mari Cantwell, Chief Deputy Director, Health Care Programs
  Department of Health Care Services
- Department of Finance

ISSUE 1: THE AFFORDABLE CARE ACT'S MEDI-CAL EXPANSION OPPORTUNITY

Through the 2013-14 January budget, the Administration proposed to implement the expansion to Medi-Cal that is a major component of the federal Affordable Care Act (ACA). This expansion, which the ACA originally mandated, and which was subsequently made optional by the Supreme Court ruling, increases eligibility to single, childless adults up to 138 percent of the federal poverty level. The Administration proposed that this expansion occur under one of two options: 1) a county-level expansion that shifts costs and risks to counties; or, 2) a state-level expansion, which would be accompanied by the realignment of child care and other human services programs from the state to counties.

Both of these options require significant cost sharing between the state and counties. The Subcommittee would like to understand the reasons that the Administration believes that it is both necessary and justified to make adoption of the Medi-Cal expansion contingent upon sharing the costs of the expansion with counties.

DISCUSSION POINTS

The Administration's proposal to expand Medi-Cal requires contingencies to be met.

The benefits to California of implementing the Medi-Cal expansion are many, and include the following:

- The expansion will insure well over a million very low-income, uninsured Californians;
- The expansion will be funded with 100 percent federal funding for three years, and then ramps up over four more years until the state has a maximum share of cost of ten percent;
- Insuring more people leads to improved public health for the entire population in the state;
- It represents an infusion of millions, and possibly billions, of federal dollars into California's economy; and,
- Consistent with the goals of the ACA, insuring as many people as possible nationally leads to stability in the healthcare market and greater control over health care costs.

This array of benefits to the state begs the question: Why has the Administration proposed that California not implement the Medi-Cal expansion unless and until certain contingencies are met? The Administration's proposed contingencies are based on the notion that county savings must be shared with the state, or that new state costs must be shared with the counties, or perhaps both.

STAFF COMMENTS/QUESTIONS

Full federal funding for the Medi-Cal expansion begins on January 1, 2014, and continues for three years. A delay in adoption or implementation of the expansion will result in, at a minimum, the partial loss of this fully-funded opportunity. For either option, the Administration has yet to provide detailed language, fiscal analysis, or supporting data.

1. What is the reason that the Administration is unwilling to go forward with the Medi-Cal expansion without a cost-sharing agreement between the state and counties in place?
2. Is the Administration amenable to moving forward with developing a cost-sharing arrangement with counties on a slower time-line than the expansion itself, given that the first three years will be fully federally funded?
3. When does the Administration plan to provide a more detailed proposal?

Administration's two contingency options – fiscally challenging for counties and very difficult to implement.

Option 1: Expand Medi-Cal at the local level, thereby shifting costs and risks to counties.

- Many counties and others have indicated that the implementation of the expansion by counties would be extremely complex, yet the Governor has not yet provided a detailed proposal or analysis on how this would be implemented, and how this could be a viable option.

- Although counties could build on existing Low Income Health Programs (LIHPs), an entirely new permanent infrastructure would need to be created at the local level.

- The Administration's proposal assumes that if a county opts out, other nearby counties would fill the gap by extending coverage to the opting-out county's residents; however, it is unclear what would happen if many counties opt out of implementing the expansion, thereby making even regional coverage unrealistic.

Option 2: Expand the existing Medi-Cal program at the state level, while requiring the realignment of child care and other human services programs to counties.

- This option asserts that, in order for Medi-Cal to be expanded, counties should assume additional fiscal and programmatic responsibilities.

- In past years, the Legislature has expressed particularly strong objections to realigning programs such as child care from the state to counties.

- Requiring the acquisition of accurate county savings, and the sharing of those savings and/or state costs, puts the Medi-Cal expansion in peril, as discussed below.

Realignment Proposal: county savings, state costs, or both?

It is not clear, if the priority of the Administration's realignment proposal is for the state to be able to capture the savings that counties will experience, or if it is to ensure that counties share in future costs of the expansion, or perhaps both.

County Savings

Currently, counties are responsible for "indigent medical care," health care for the uninsured. This responsibility exists through Welfare & Institutions Code Section 17000. The Medi-Cal expansion will extend Medi-Cal coverage to many, but not all, of the people, whose care is currently a county responsibility, thereby shifting the cost of this care from counties to the state. However, although a foreseeable, not-yet-quantified county savings may be realized, several issues should be considered:

- Counties have the responsibility for providing care to the medically-indigent population, however this does not mean that all necessary care is provided to all individuals all of the time. There are significant access issues for the medically-indigent who often do not receive the care they need.

- Counties lack the resources to provide care to all who need it. Even with a Medi-Cal expansion, health policy experts predict that a substantial population will remain uninsured, thereby maintaining the demand for whatever limited health care services counties are able to provide.

- In addition to medical services that fall short of meeting local demand, local public health (disease prevention and control) infrastructure in California has suffered greatly as a result of the recent recession. The scale and scope of the work of county public health departments has been reduced dramatically over the past several years.

- The savings that counties will realize, as a result of the Medi-Cal expansion, is close to impossible to estimate. As stated above, many of these individuals do not in actual fact access care from counties, but might once they are enrolled in Medi-Cal. Yet, no one knows how many and to what degree people will increase their use of health services. Moreover, counties do not utilize a uniform funding formula for indigent care; every county funds indigent health care services differently, and few if any seem to collect clear cost data on providing this care.

State Costs

It would be considerably more feasible to estimate state costs associated with the expansion, as compared to county savings. However, perhaps it should not be automatically assumed that counties should bear even partial responsibility for that cost, particularly given that the vast majority of fiscal responsibility for this expansion will be the federal government's. The expansion is fully federally funded for three years, followed by four years of ramp up to a maximum of a ten percent share of cost for states. State costs are three years away, as follows:

CALENDAR YEAR	STATE SHARE OF COST
2014	0%
2015	0%
2016	0%
2017	5%
2018	6%
2019	7%
2020 and on-going	10%

STAFF COMMENTS/QUESTIONS

Regardless of how minimal, it is true that expanding Medi-Cal in California will increase costs beginning in 2017. However, given the myriad of cost variables, it is difficult to estimate the costs with certainty. The LAO projects the future state costs of the Medi-Cal expansion to be over $600 million annually when the state would become responsible for 10 percent of the costs, but there is significant uncertainty and therefore state costs may range from as low as $300 million to as high as $1.4 billion. The LAO also states that the likely savings to the state as a whole (state and local governments) will outweigh the likely costs for at least a decade.

1. For what reasons does the Governor believe it is necessary to agree to a savings or cost-sharing proposal with counties now, rather than in at least three years when the state begins to incur costs?

2. Does the Governor want the state and counties to share costs, savings, or both?

Option 3: Two Separate Issues

Recognizing both the urgency and extraordinary opportunity, that California faces, both houses of the Legislature are aggressively seeking to implement the Medi-Cal expansion through policy bills, in the special session on health care. The Subcommittee may wish to further consider the fiscal impacts of implementing the ACA, however over a significantly longer time-frame. State costs are not projected to increase significantly for a minimum of three years, and potentially for as long as a decade or more. Should the Medi-Cal expansion be derailed or even delayed as a result of self-imposed hurdles, a truly historic opportunity will have been lost.