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Overview of County Indigent Health Care

PRESENTED TO: Assembly Budget Subcommittee No. 7 on Accountability and Oversight
Hon. Gregg Hart, Chair

LEGISLATIVE ANALYST'S OFFICE

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Summary

- ***Expansions in Health Care Coverage Reduced Need for Indigent Health Care Programs.*** Over the past decade, state and federal policy changes, most notably including expansions to the state's Medicaid program, have resulted in a substantial decline in the number of Californians without health insurance. As a result, county indigent health care programs (basic health care programs of last resort for uninsured individuals) experienced a decline in the number of individuals enrolled to the point that the infrastructure currently supporting these programs is very limited in most counties.
- ***In Response, State Redirected Indigent Health Care Funding.*** Reflecting this reduction in program demand, the state redirected a significant portion of the dedicated, ongoing funding available for county indigent health care and public health programs (health realignment revenues) to offset state General Fund costs in the California Work Opportunity and Responsibility to Kids (CalWORKs) program.
- ***Recent Policy Changes, However, Are Expected to Increase Need for Indigent Health Care Services.*** Recent federal policy changes enacted in H.R.1 and state policy changes are estimated to increase significantly the number of uninsured individuals, likely increasing the demand for indigent health care services. Remaining state funding for indigent health care, however, does not adjust based on caseload or demand. As a result, counties would need to redirect existing state funds or use local resources to respond to increased indigent health care needs, absent additional support from the state or other resources.
- ***More Information Is Needed as Legislature Faces a Number of Key Considerations.*** Tracking the impacts of recent federal and state changes on the number of uninsured and demand for indigent health care services, along with attaining county-by-county baseline information on their existing programs, will put the Legislature in a better position to make future policy and funding decisions.

The County Responsibility for Indigent Health Care

- ***County Responsibility Dates Back to 1930s—Welfare and Institutions Code (WIC) Section 17000.*** Counties are required to provide basic health care services to individuals with no other means of receiving care. Since the creation of the Medicaid and Medicare programs, this population has generally been low-income adults without health care coverage.
- ***Eligibility for County Indigent Health Care Services Based Broadly on Lawful Residence and Economic Need.*** Indigent health care programs operate as programs of last resort, so other programs for those with economic need (such as Medi-Cal) must be pursued first as a condition of eligibility. Additionally, counties are not required (but are not precluded from) serving individuals with unsatisfactory immigration status (UIS).
- ***Counties Are Afforded Broad Discretion in Determining the Scope of Benefits and Income-Eligibility Requirements.*** Over the years, court decisions have clarified that indigent health care programs are required to provide only the basic care necessary to prevent serious harm, pain, or infection. Programs are not required to provide specific benefits, so the minimum level of service required can be significantly lower than what is provided by other public programs (such as Medi-Cal). Counties are also able to set income-eligibility requirements based on subsistence living costs and an individual's ability to pay. These requirements may take the form of cost-sharing arrangements with a sliding scale depending on an individual's income.

Evolution of Funding for County Indigent Health Care

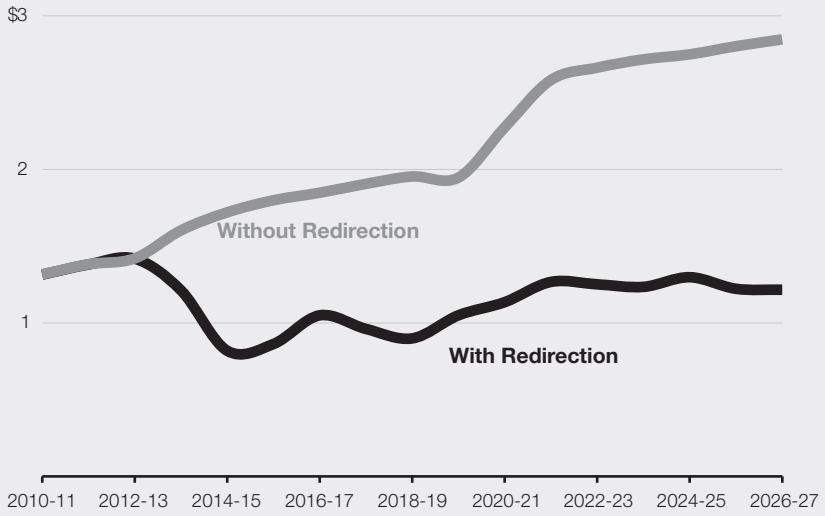
- ***Counties Have Been Primarily Responsible for the Costs of Indigent Health Care Programs for Most of the Programs' Existence.*** Following the establishment of the Medi-Cal program, the state (in partnership with the federal government) took on a larger role in providing health care to low-income Californians, which reduced the number of uninsured individuals. However, following major changes to the Medi-Cal program in the 1980s, the state began providing General Fund support (which was subject to annual appropriation) to counties that at that time had resumed responsibility for serving the uninsured individuals under WIC Section 17000.
- ***In 1991, State Ended General Fund Support for Indigent Health Care Programs and Provided Dedicated Ongoing Funding Source.*** In 1991, the Legislature shifted significant fiscal and programmatic responsibility for many health and human services programs from the state to counties—referred to as 1991 realignment. The scope of the county responsibility for indigent health care largely continued unchanged under 1991 realignment, but the state eliminated most of its General Fund support for county indigent health care. Instead, counties were given a new dedicated, ongoing funding source to support county indigent health care services and other "realigned" services. Counties use the same funding allocation for both indigent health care services and their public health responsibilities.
- ***Beginning in 2013, State Redirected a Large Share of Certain Realignment Revenue as Indigent Health Care Enrollment Decreased.*** In 2013, the state revised how counties received funding for realigned services, redirecting a portion of the revenue that counties had historically spent on indigent health care to offset state General Fund costs for CalWORKs grants. The redirection was prompted by the then-upcoming (2014) expansion of coverage under the Patient Protection and Affordable Care Act (ACA), which was estimated to result in county savings (due to decreased demand for indigent health care services) and the new state costs associated with the expansion. As shown in the figure, the total share of funds redirected to CalWORKs has grown over time due to growth in the associated revenue sources. The amount of funding remaining for county health programs is about $1.2 billion in 2026-27.

Evolution of Funding for County Indigent Health Care

(Continued)

State Redirects Substantial Realignment Funding From County Health Programs

1991 Realignment Funds for Health Programs (In Billions)



The Current Landscape of County Indigent Health Care

- ***Indigent Health Care Program Enrollment Is Modest, With Significant Variability Across Counties in Scope of Benefits, Eligibility Requirements, and Administrative Infrastructure.*** Prior to the passage of the ACA, there were an estimated 850,000 individuals enrolled in county indigent health care programs across the state. As the state has expanded Medi-Cal eligibility (to mostly childless adults and undocumented individuals), county indigent health care caseload has decreased, with counties estimating around 10,000 individuals currently enrolled. However, as counties have broad discretion over their programs, the number of enrollees per county can vary widely.
- ***Many Counties Broadened Eligibility and/or Scope of Benefits Following Caseload Declines.*** As enrollment in county indigent health care programs declined as access to other health coverage for low-income individuals increased significantly, many counties have broadened their eligibility requirements to include additional participants and/or the scope of the benefits offered by their indigent health care programs, as available resources allow. For example, some counties have chosen to provide services to individuals with UIS or provide certain specialty care beyond the basic level of care required in statute and case law.

Impact of Recent Federal and State Changes on County Indigent Health Care

- ***Number of Uninsured Californians, and Therefore Demand for Indigent Health Care Programs, Expected to Increase Substantially.*** As of June 2026, the administration estimates that nearly 1.3 million individuals could be disenrolled from Medi-Cal due to the impacts of recent state and federal changes to the Medi-Cal program by 2029-30 (almost doubling the number of uninsured individuals). (There will be additional uninsured due to federal changes affecting Covered California enrollment.) Many of these individuals may have difficulty finding other sources of health coverage and may therefore seek care through county indigent health care programs. We estimate anywhere between 20 percent and 50 percent (about 300,000 to 700,000) of these individuals may enroll in county indigent health care programs, though these estimates are highly uncertain.
- ***Realignment Funding Available for Indigent Health Care Generally Not Structured to Account for Significant Increases in Program Demand.*** Counties rely primarily on realignment funding (around $1.2 billion for health programs in 2026-27) to fund public health services as well health care services for any individuals still participating in the indigent health care program. While counties are likely to face a significant increase in costs to grow their indigent health care programs, the current funding structure of realignment funding affecting most counties does not adjust based on increases in costs. As a result, counties would need to redirect existing realignment funds supporting public health or use local resources to respond to increase indigent health care needs, absent additional support from the state or other resources.

Key Questions for Legislative Consideration

- ***More Information Is Needed as Legislature Faces a Number of Key Considerations.*** Estimates of the number of newly uninsured Californians and the related change in demand for indigent health care services resulting from recent state and federal changes are subject to substantial uncertainty. Understanding the scope of these changes—before making ongoing fiscal and policy changes—would allow the Legislature to better respond to actual needs. Similarly, having county-by-county "baseline" information on existing indigent health care programs (caseload totals, program benefits and eligibility requirements, program infrastructure, funding sources/level) would provide needed context to the impacts of the recent changes and help guide future policy and funding decisions.
- ***Key Decision Points.*** With this information at hand, there are a number of key decision points for the Legislature to consider in its response to the increasing number of uninsured Californians, including:
  - With understanding of the landscape of current programs and the newly uninsured population, what is the range of fiscal implications to indigent health care services?
  - What options are there to provide additional state resources given underlying budget constraints?
  - Does the Legislature wish to continue funding indigent health care programs through realignment? Under realignment, counties maintain discretion for the scope and parameters of local programs.
  - Does the Legislature wish to consider program structures outside of realignment? Or consider broader changes to the state-county partnership?