

What the Patient Protection and Affordable Care Act (ACA) Means for California

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:

Assembly Budget Subcommittee No. 1

On Health and Human Services

Hon. Joaquin Arambula, Chair

Assembly Health Committee

Hon. Jim Wood, Chair





Overview of the ACA

- ☑ **Major Provisions of the ACA.** The ACA made substantial changes to how health care services and health insurance coverage are provided nationwide. Major provisions include (1) insurance market changes, (2) enhanced federal funding, and (3) new federal revenues.

- ☑ **Enhanced Federal Funding Under the ACA.** Our presentation focuses on the three major components of enhanced federal funding under the ACA and highlights the fiscal and programmatic impacts of these components in California:
 - Federal funding for an expansion of program eligibility in state Medicaid programs.
 - Subsidized coverage for qualifying individuals through federal and state Health Benefit Exchanges.
 - Additional federal financial participation in other health care programs and services.

| ACA Federal Funding to California | |
|--|-----------------|
| <i>(In Millions)</i> | |
| Payments to the State Government—2017-18 | |
| Medi-Cal optional expansion funding | \$17,335 |
| Other enhanced federal financial participation in Medi-Cal | 918 |
| Prevention and Public Health Fund grants | 60 |
| Subtotal | (\$18,313) |
| Payments for Insured Individuals—Calendar Year 2017 | |
| Covered California premium subsidies | \$4,600 |
| Subtotal | (\$4,600) |
| Payments to Insurers—Calendar Year 2017 | |
| Covered California cost-sharing reductions | \$800 |
| Subtotal | (\$800) |
| Grand Total | \$23,713 |
| <small>ACA = Patient Protection and Affordable Care Act.</small> | |



Significantly Reduced Uninsured Rate Under the ACA.

Under ACA, (in particular its provisions enhancing federal funding to California) there has been a substantial reduction in the number of Californians without health insurance. Our presentation provides the number of Californians who gained coverage under the ACA, the types of coverage in which they enrolled, and how coverage varies by county.



Enhanced Federal Funding for the ACA Optional Medicaid Expansion

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The ACA Provision. States that opted to expand eligibility for their Medicaid programs to individuals under age 65 (children, parents, and childless adults) with household incomes at or below 138 percent of the federal poverty level (FPL) (commonly referred to as the ACA optional expansion population) receive enhanced federal funding for this population. (In 2017, 138 percent of FPL for an individual is \$16,394, and for a family of four is \$33,534.) The federal share of costs (referred to as the federal medical assistance percentage, or FMAP) over time for the ACA optional expansion population is shown in the figure below.

| Federal Share of Costs for ACA Optional Expansion Population | |
|---|--|
| Calendar Year | Federal Medical Assistance Percentage ^a |
| 2014 | 100% |
| 2015 | 100 |
| 2016 | 100 |
| 2017 | 95 |
| 2018 | 94 |
| 2019 | 93 |
| 2020 and thereafter | 90 |

^a Determines federal share of costs for covered services in state Medicaid programs.
ACA = Patient Protection and Affordable Care Act.

- ☑
Impact on California. Nearly three-quarters of the federal funding that California is expected to receive under the ACA in 2017-18 (\$17 billion) pays for the bulk of the costs of covering Medi-Cal’s ACA optional expansion population. The amount of federal funding for the ACA optional expansion is high because the federal government pays 95 percent of the ACA optional expansion population’s Medi-Cal costs in 2017. In 2017-18, Medi-Cal’s ACA optional expansion caseload is projected to be approximately 4 million enrollees.



Federally Subsidized Health Benefit Exchange Coverage

- The ACA Provision.*** Citizens and legal residents with incomes between 100 percent (or 138 percent for states opting into the ACA optional Medicaid expansion) and 400 percent of FPL, and for whom alternative forms of affordable health insurance coverage are not available, are eligible for federal tax credits and cost-sharing reductions to help pay for health coverage through the Health Benefit Exchanges.

- Impact on California.*** Much of the remaining federal funding that California is expected to receive under the ACA in 2017 (\$4.6 billion) will pay for premium subsidies provided to most low-income Californians who purchase health insurance coverage through Covered California. Health insurers in California also receive \$800 million in federal funding as cost-sharing reductions for eligible individuals with the lowest incomes. As of June 2016, more than 1 million Californians were enrolled in health insurance coverage through Covered California. Of those, nearly 90 percent received premium subsidies from the federal government.



Enhanced Federal Funding for Other Health Care Programs

- ☑ ***The ACA Provision.*** States receive enhancements to their existing FMAP for certain health care programs and services in a state's Medicaid program, including the Children's Health Insurance Program (CHIP) and the Community First Choice Option (CFCO). States may also apply for grants from the Prevention and Public Health Fund, created by the ACA.

- ☑ ***Impact on California.*** The impact varies by program, as follows:
 - **CHIP:** California's base-level FMAP for CHIP is 65 percent. With the ACA's 23 percentage-point enhancement that started in October 2015, California's CHIP FMAP is currently 88 percent. This enhanced CHIP rate will generate an estimated \$600 million in additional federal funding for Medi-Cal in 2017-18.

 - **CFCO:** Most in-home supportive services provided to Medi-Cal beneficiaries shifted into the CFCO effective December 2011. The FMAP enhancement of 6 percentage points over the base FMAP of 50 percent for services provided through the CFCO will generate an estimated \$300 million in additional federal funding for Medi-Cal in 2017-18.

 - **Public Health Grants:** Though federal grant amounts vary year to year, grants to the California Department of Public Health and other state agencies from the Prevention and Public Health Fund are projected to total \$60 million in 2017-18.



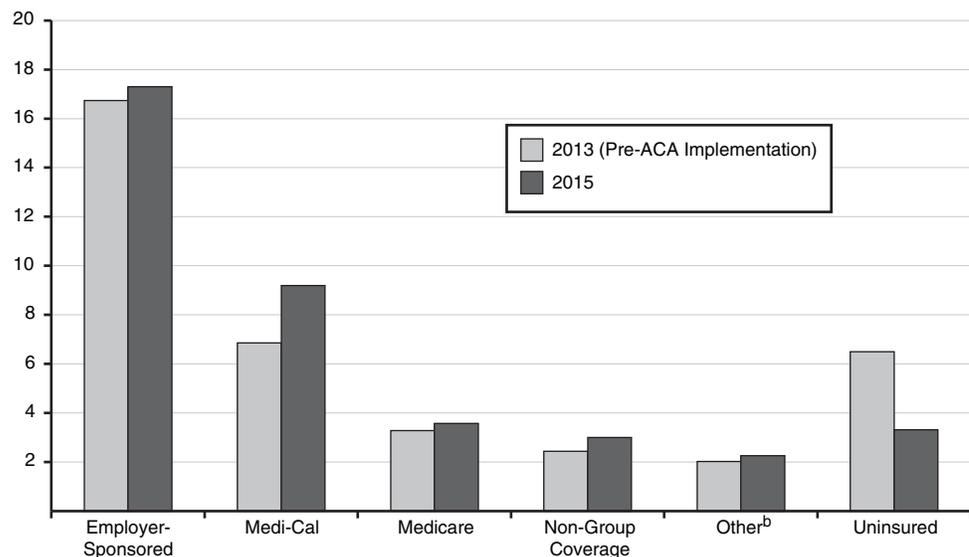
Reduction in the Number of Uninsured Californians Under the ACA



The ACA Reduced California's Uninsured Population by 50 Percent. Under the ACA, California has reduced the number of individuals without health insurance by the largest amount of any state. Over 6 million Californians (17 percent of the population) were uninsured in 2013, prior to the full implementation of the ACA beginning in 2014. By 2015, around 3 million Californians (just over 8 percent of the population) lacked health insurance coverage, a decrease of 50 percent from 2013. The ACA optional expansion and subsidized coverage through Covered California, in conjunction with the individual mandate and streamlined enrollment and outreach efforts, were the primary drivers of California's significant gains in coverage.

ACA: Major Reductions in Uninsured; Major Increases in Medi-Cal and Non-Group Coverage^a

Number of Enrollees, by Type of Insurance Coverage (In Millions)



^a 2013 and 2015 American Community Surveys.

^b Includes, among other coverage types, public health plans available to current and former military members. ACA = Patient Protection and Affordable Care Act.



Impact on ACA-Related Health Care Coverage Varies by County



California Counties Have Experienced Varying Impacts

Under the ACA. As of fall 2016, 4.6 million residents (12 percent) statewide had obtained ACA-funded coverage, which we define as coverage obtained either through the ACA optional expansion or through a subsidized plan from Covered California. The state's smaller and more rural counties, on average, have experienced the highest proportional increases in the number of individuals who receive ACA-funded health care coverage. Despite low total numbers, Trinity, Mendocino, and Humboldt Counties have the highest percentage of residents with ACA-funded coverage—each with 17 percent or more of their populations. Among the larger counties that have experienced particularly significant shifts in coverage under the ACA, around 13 percent of Fresno, San Bernardino, and Los Angeles Counties' residents are enrolled in ACA-funded health care coverage. The figure on the next page illustrates the variation in ACA-funded coverage by county.

Impact on ACA-Related Health Care Coverage Varies by County

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