Implementing the ACA: Medi-Cal Expansion

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Los Angeles Area Chamber of Commerce
February 1, 2012
Insure the Uninsured Project

• ITUP is a non-partisan, non-profit health policy research organization based in Santa Monica, CA.

• Our mission is to work with state policy makers, counties, health plans, employers, unions, community groups, providers and other public and private entities to increase coverage of California’s uninsured.

• This mission is achieved through reports, data, regional workgroups, issue workgroups, an annual conference and technical assistance.

• We are funded by generous grants from The California Wellness Foundation, The California Endowment, Blue Shield of California Foundation, Kaiser Foundation Hospitals, California HealthCare Foundation and L.A. Care Health Plan
Medicaid Expansion

Pre-Reform:

- Medicaid (Medi-Cal in California) is the nation’s health coverage program for parents, dependent children, seniors, and disabled persons with low incomes (up to 100% FPL or $11,170/year for an individual in California).

January 1, 2014

- Medicaid (Medi-Cal) coverage may be extended to all individuals (citizens and legal permanent residents) between ages 19 and 64 with incomes up to 133% of the federal poverty level ($14,856 for an individual and $30,657 for a family of four).
Medicaid Expansion

Enrollment:

- ACA helps to **streamline and modernize the enrollment process** for those applying for Medicaid by:
  - Accepting and processing applications electronically (online, telephone, through assisters)
  - Simplifying income and eliminating asset standards—e.g. MAGI without asset test
  - **Consolidating eligibility categories** (adults, children, parents and pregnant women)
  - Improving renewal process—automated, streamlined data-sharing

Financing:

- **Federal government will pay 100% of the cost** of covering parents and adults without minor children living at home for three years, 95% in 2017, 94% in 2018, 93% in 2019 and 90% thereafter.

Medicaid Expansion

Exhibit 1. Californians under Age 65 Newly Eligible for Medi-Cal by Income (Federal Poverty Level) with Expansion

<table>
<thead>
<tr>
<th></th>
<th>Less than 100% FPL</th>
<th>100–138% FPL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>690,000</td>
<td>720,000</td>
<td>1,420,000</td>
</tr>
<tr>
<td>2016</td>
<td>700,000</td>
<td>730,000</td>
<td>1,430,000</td>
</tr>
<tr>
<td>2019</td>
<td>720,000</td>
<td>740,000</td>
<td>1,460,000</td>
</tr>
</tbody>
</table>

Source: UC Berkeley–UCLA CalSIM model, Version 1.8

Exhibit 2. Predicted Increase in Medi-Cal Enrollment of Californians under Age 65 with Expansion

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Newly eligible</th>
<th>Already eligible</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>480,000</td>
<td>200,000</td>
<td>680,000</td>
</tr>
<tr>
<td>Enhanced</td>
<td>780,000</td>
<td>440,000</td>
<td>1,220,000</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>630,000</td>
<td>230,000</td>
<td>860,000</td>
</tr>
<tr>
<td>Enhanced</td>
<td>880,000</td>
<td>490,000</td>
<td>1,370,000</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>750,000</td>
<td>240,000</td>
<td>990,000</td>
</tr>
<tr>
<td>Enhanced</td>
<td>910,000</td>
<td>510,000</td>
<td>1,420,000</td>
</tr>
</tbody>
</table>

Source: UC Berkeley–UCLA CalSIM model, Version 1.8

Source: Lucia et al. 2013. Medi-Cal Expansion under the Affordable Care Act: Significant Increase in Coverage with Minimal Cost to the State. UC Berkeley, UCLA.
LA County Residually Uninsured

TODAY:
2.2 million uninsured (under age 65)

Full Medicaid Expansion by State

Covered California Exchange

2019:
1.3 million ‘Residually’ uninsured

Not eligible: Immigrant status

Eligible, but not enrolled: Medi-Cal

Eligible, but not enrolled: Exchange

Source: Katz MH. January 2013. Our Future under the Affordable Care Act. Presentation to the L.A. County Board of Supervisors.
# LA County New Medicaid Revenues

<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>State % Share of Costs</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>State Dollar Cost for LA County*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$62</td>
<td>$81</td>
<td>$97</td>
<td>$143</td>
</tr>
<tr>
<td>Increase in DHS Revenue due to FMAP increase**</td>
<td>$108</td>
<td>$111</td>
<td>$115</td>
<td>$118</td>
<td>$122</td>
<td>$125</td>
<td>$129</td>
</tr>
</tbody>
</table>

*All dollar figures in millions

**Baseline is current 50% Federal pay rate for HWLA Program

This table represents increased revenue from expansion population and does not account for any impact of a new waiver or the reduction of DSH revenues

Source: Katz, MH. January 2013. Our Future under the Affordable Care Act. Presentation to the L.A. County Board of Supervisors.
June 2012 Supreme Court Decision

Individual Penalty

- The SCOTUS decided that the small *individual penalty (tax)* for individuals who choose not to buy health coverage is **constitutional**.

- **Individual penalty** takes effect in 2014. Penalties for not purchasing adequate health coverage is $95 or 1% of income in 2014, $395 or 2% of income in 2015 and $695 or 2.5% of income in 2016 and thereafter.

Medicaid Expansion

- **Medicaid Expansion** (which will be funded 100% by the federal government) is **optional** for states
  - However they must expand fully to 133% FPL to receive enhanced match

- States that do not choose to accept the federal match and expand Medicaid will not lose their existing Medicaid program funding.
Governor Brown’s FY 2013-14 Budget Proposal

• Budget is balanced for the first time since the Great Recession began

• California will move forward with the ACA Medicaid expansion
  • Mandatory Expansion: Currently eligible but not enrolled
    • Enhanced outreach
    • Streamlined eligibility, enrollment, redeterminations
  • Optional Expansion: Newly eligible through the ACA
    • Realignment funding redirected to the state

• Governor presents two options for optional expansion:
  • Statewide option
    • Builds on current program by contracting with Medi-Cal managed care plans
    • Standardized Statewide benefit package, excluding long-term services and supports (LTSS)
  • County-based option
    • Builds on county Low-Income Health Programs (LIHPs)
    • Minimum essential health benefits must be provided and eligibility thresholds maintained
    • Counties could offer additional benefits, excluding LTSS without a federal match
    • Counties would develop provider networks, rates, process claims
Considerations for Implementation

• Statewide Option
  - Builds on existing program and managed care plan model
  - State anticipates county savings from federally funded coverage expansion
  - State plans to re-appropriate funds previously used for indigent health

• County-Based Option
  - As many as 58 programs with wide variability in design and performance
  - Counties are not prepared to develop high-performing managed care systems
  - Adds to an already complex patchwork of Medi-Cal’s multiple eligibility categories and Covered California—divides families
  - Federal waiver approval required
The 1991 Realignment Funds are dedicated to health, mental health, and social services through a portion of the state sales tax and vehicle license fees.

The state-county financial relationship will likely change with coverage expansion and addition of federal funds.

Outdated funding formulas should be revised to reflect the changing distribution of the residually uninsured and the county’s assumption of responsibility and accountability for their care.

Counties roles in paying for care to the residually uninsured will vary:

- **Payer counties**
  - Responsibility is likely to be entirely transferred to private providers

- **Provider counties**
  - Responsibility will remain with public facilities, along with community clinics and private hospital emergency departments
What options exist for redirecting counties’ realignment funding?

- Leave realignment in counties with a transparent process for identifying local priorities
- Reallocate funds to counties that care for residually uninsured
- Shift funds directly to providers that delivery care to the uninsured
- Use county savings to fund Medi-Cal improvements, such as provider payment increases or enhancing behavioral health benefits, or providing an adult dental benefit
- Direct indigent care savings to county public health programs that promote wellness and prevention
Medicaid Expansion

Additional Questions for California:

- How will California make distinctions between currently and newly eligible groups?

- What will the Benchmark benefit package be for new eligibility groups, and what will be the scope of essential health benefits?

- How will it be different from the current benefit package?

- How will California’s behavioral health and substance abuse benefits evolve in the context of parity laws?

- What about eligibility for legal permanent residents with less than five years of residency?
For resources and additional information we are available at:

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