

Medi-Cal and the Affordable Care Act (ACA): Navigating Change

Health Management Associates

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HEALTH MANAGEMENT ASSOCIATES

Discussion Topics

- Medi-Cal Currently
- Transitioning to Health Reform
- ACA: General Concepts & Provisions, Eligibility, & Funding
- Unanswered Questions (a very abbreviated list)
- Some Potential Areas for Concern (an abbreviated list)

Medi-Cal Currently: Overview

- Nation's largest Medicaid program with approximately 6.8 million beneficiaries
- Nation's second largest in terms of dollars spent, \$47 billion
- Source of health care coverage for:
 - One in three California children
 - More than one in ten adults in the state under age 65; and
 - The majority of people living with AIDS

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Medi-Cal Currently: Overview

- Pays for:
 - Forty-six percent of all births in the state;
 - Care supplied to two-thirds of all nursing home residents; and
 - Almost two-thirds of all net patient revenue in California's public hospitals.
- Brings in \$27 billion in federal funds to California's health care providers

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

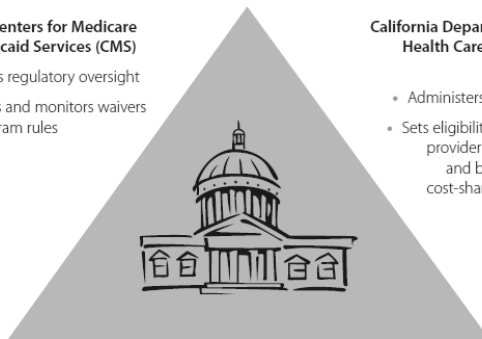
Medi-Cal Currently: Agencies Governing Medi-Cal

Federal Centers for Medicare and Medicaid Services (CMS)

- Provides regulatory oversight
- Reviews and monitors waivers to program rules

California Department of Health Care Services (DHCS)

- Administers Medi-Cal
- Sets eligibility, benefit, provider payment, and beneficiary cost-sharing levels



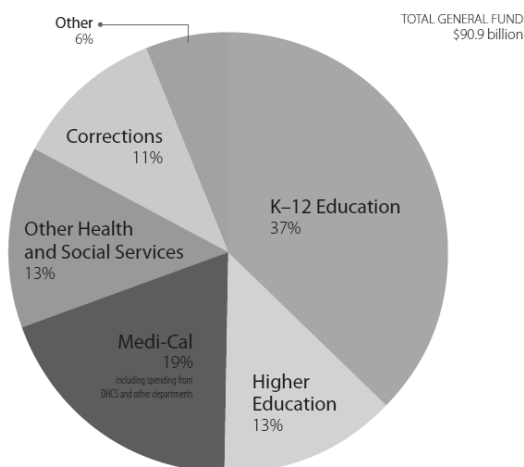
County Health and Social Services Departments

- Conduct eligibility determination
- Oversee enrollment and recertification

Medi-Cal is covered by federal, state, and county agencies

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Medi-Cal Currently: State Budget Distribution FY2008-2009

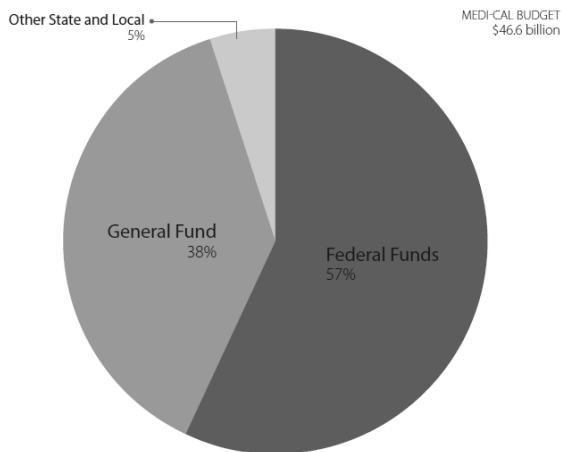


Medi-Cal accounts for the second largest share of the state's General Fund, ranking behind only K-12 education.

Due in part to rising health costs and falling state revenue, Medi-Cal's share of the state budget increased from 17 percent to 19 percent in two years.

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Medi-Cal Currently: Funding Sources FY2008-2009



Federal funds account for more than half of Medi-Cal's budget.

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Medi-Cal Currently: Eligible Groups

MANDATORY	OPTIONAL
<p>States MUST Cover:</p> <ul style="list-style-type: none"> • Low-income families participating in CalWORKS, and those who meet financial standards for Aid to Families with Dependent Children (AFDC) that were in effect in July 1996.* • Seniors and people with disabilities participating in the Supplemental Security Income (SSI) program.[†] • Pregnant women and children with family incomes below specified levels. • Children receiving foster care and adoption assistance. • Certain low-income Medicare beneficiaries. 	<p>States MAY Cover:</p> <ul style="list-style-type: none"> • Other pregnant women, children, seniors, and adults with disabilities, based on income levels and family size. • Individuals who qualify for cash assistance except on the basis of income, and those eligible for cash assistance who choose not to participate, may qualify for Medicaid by "spending down" to specified levels (medically needy). • Pregnant women and children who do not meet medically needy deprivation requirements, and certain nursing facility residents, among others (medically indigent). • Children and pregnant women, while eligibility is being determined (accelerated enrollment and presumptive eligibility).

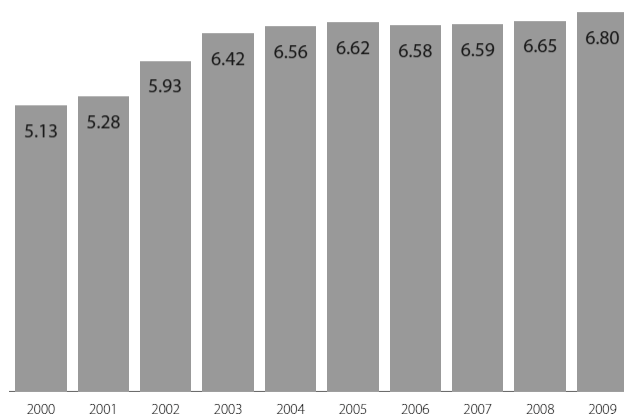
Federal law requires all state Medicaid programs cover (mandatory) groups.

To date, childless adults who are neither elderly nor disabled generally have not been eligible for Medicaid, regardless of income.

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Medi-Cal Currently: Enrollment Trends

AVERAGE MONTHLY ENROLLMENT (IN MILLIONS)

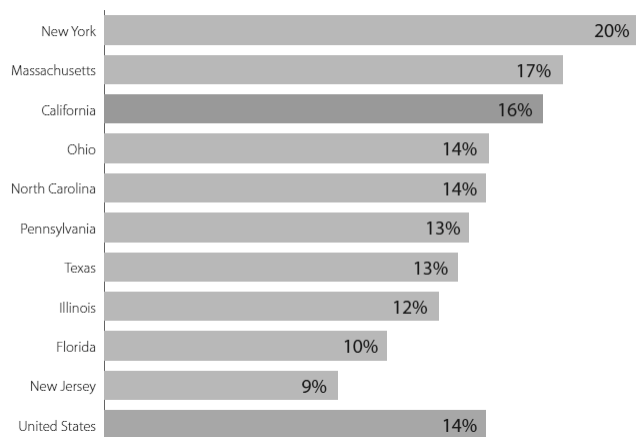


Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Following a period of rapid growth at the start of the decade, Medi-Cal enrollment growth has leveled off in recent years.

Medi-Cal Currently: Enrollment in Other States

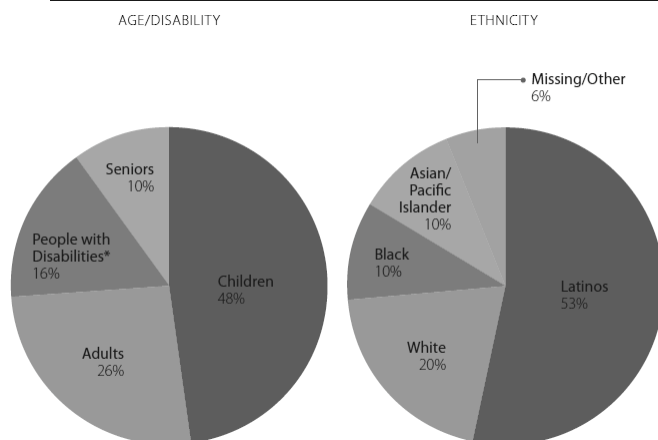
NON-ELDERLY POPULATION COVERED BY MEDICAID



Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

With 16 percent of nonelderly residents enrolled in Medi-Cal, California ranks third among the ten largest Medicaid programs and is just above the national enrollment level of 14 percent.

Medi-Cal Currently: Beneficiary Profile



Children account for nearly half of Medi-Cal beneficiaries. Among ethnic populations, Latinos make up the largest group.

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Medi-Cal Currently: Medi-Cal Benefits (Effective July 2009)

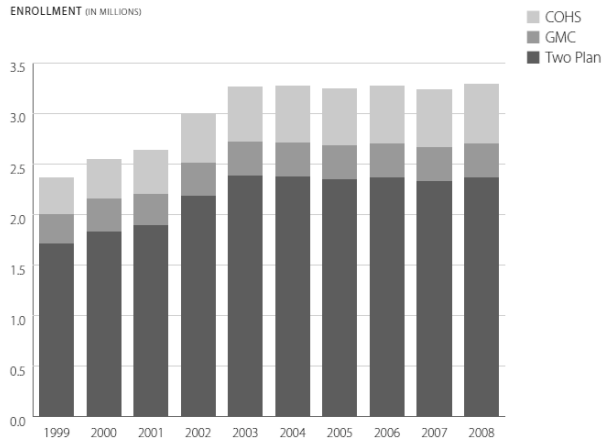
REQUIRED SERVICES	OPTIONAL SERVICES
<ul style="list-style-type: none"> • In/outpatient hospital • Physician visits • Lab tests and x-rays • Early and Periodic Screening, Diagnosis and Treatment (EPSDT) for children under 21 • Family planning and supplies • Federally Qualified Health Centers (FQHC) • Certified midwife • Certified nurse practitioner • Nursing home care for adults over 21 • Home health services¹ • Nurse midwife services • Pregnancy-related services, including 60-days postpartum care 	<ul style="list-style-type: none"> • Prescription drugs • Medical equipment and supplies • Targeted case management • Adult day health • Personal care services • Physical therapy • Intermediate Care Facilities for Mentally Retarded (ICF/MR) • Inpatient psychiatric for children under 21 • Rehabilitation for mental health and substance abuse • Home health care therapies • Hospice • Occupational therapy • Vision services and eyeglasses¹ • Dental care and dentures¹ • Audiology and speech therapy¹ • Chiropractic¹ • Psychology services¹ • Acupuncture¹

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

All state Medicaid programs are federally required to provide specific benefits and may also receive federal matching funds for certain optional benefits.

As of July 2009, Medi-Cal no longer pays for some benefits (e.g., dental, audiology and speech therapy, and optometric and optician services) for most adults.

Medi-Cal Currently: Managed Care Enrollment Trends



MC growth remained fairly steady over the latter half of the decade.

Source: Medi-Cal Facts and Figures, 2009, CHCF, September 2009

Transitioning to Health Reform

- 1115 Waiver: Designed to be the bridge to health care reform in 2014
- Helps prepare the current newly eligible population for transition to Medi-Cal through an expansion of the Health Care Coverage Initiative
- Coverage expansion could potentially prequalify more than 500,000 new eligibles prior to Jan. 1, 2014, for immediate transition into Med-Cal.
- Will provide for the continuation of safety-net care pool

ACA Key Concepts

- ACA will expand access to coverage and make health care more affordable for low- and middle-income Californians
- Two of the major new sources of increased access will be an expansion in Medi-Cal and the creation of health insurance exchanges
- Under the final legislation, the health insurance exchanges will be established and run at the state level, or at the regional level through agreement between states

ACA: Key Medicaid Benefit Provisions

Changes prior to 2014

- Required coverage of smoking cessation programs (2010)
- Established “HealthHome” state plan option for persons with chronic conditions
- Provides a 1% point matching payment increase to states that cover recommended prevention services and eliminate cost sharing (2013)

Changes in 2014

- Provides all newly eligible adults with a benchmark benefit package that meets the minimum essential health benefits available in the HIE
- States can define the benchmark to provide full Medicaid benefits to those who are newly eligible

Source: Kaiseredu.org. 2010

ACA: Key Medicaid Payment Reform Provisions

- Medicaid payments for primary care are increased to 100% of Medicare rates for 2013 and 2014 with 100% federal financing for the increase
- Demonstration programs and grants related to delivery system and payment reform funded
- Disproportionate Share Hospital (DSH) payments starting in 2014
 - Requires Secretary to develop a methodology to distribute reductions with the largest reductions for states with the lowest uninsured

ACA: Medi-Cal Expansion, Eligibility

- Beginning in 2014, California will be required to cover all persons up to 133 percent of the Federal Poverty Level (FPL)
 - FPL= \$14,000 in annual income for an individual or \$29,000 for a family of four
- For the first time, the state must cover childless adults, too
- Program enrollment anticipated to increase from 7 million to nearly 9 million Californians

ACA: Medi-Cal Expansion, Eligibility

Table 1.
Eligibility for Benefits for Californians: Combined Uninsured, Individual Market and Unaffordable Employer-Sponsored Insurance in 2016 (ages 0–64)

	Affordable Care Act
Medi-Cal eligible	2,010,000
Eligible for premium or cost-sharing subsidies in exchange	2,370,000
Eligible for exchange with no subsidies	2,150,000
Total	6,530,000

Source: California Health Interview Survey 2007. Population growth estimates from the U.S. Census Bureau.

ACA: Medi-Cal Expansion, Funding & Reimbursement

- Existing Medi-Cal enrollees will continue to be funded at the current state-federal split - 50 cents of every dollar paid by Washington
- Feds will initially pay the full cost of program expansion with support declining to 90 percent in 2020
- Medi-Cal will raise reimbursement rates in 2013 and 2014 to Medicare levels, for primary care physicians
 - Rates for specialty and other physicians will remain the same

ACA: Medi-Cal Expansion, MOE

- California will not be allowed to decrease eligibility or make other cuts to Medi-Cal without losing federal funding until the legislation's HIE is fully functional
- Due to the MOE requirement, no cuts will be allowed for children without jeopardizing federal support until at least October 1, 2019

ACA: Medi-Cal Expansion, Eligibility & Streamlining Enrollment

- CA has the opportunity to implement the Exchange and revise current Medi-Cal and Healthy Families eligibility and enrollment processes
- States will be required to create one electronic application form that will allow potential enrollees to apply for Medi-Cal, Healthy Families and benefits under the HIE

ACA Medi-Cal Expansion: Some Unanswered Questions

- What entities can determine Medi-Cal eligibility?
 - Does the authority vested with the HIE override the Title 19 requirements
- How will family composition be defined?
 - Medi-Cal Healthy Families and IRS define family composition differently
- How will verification of applicant income be determined- based on what source?
 - IRS, ERR, pay-stub (verification process?)

ACA Medi-Cal Expansion: Some Unanswered Questions

- What are the rules for pre-ACA eligibility vs new eligibility?
 - Will new and old eligibility systems need to be operated side by side?
 - How will we ensure that people currently eligible for Medi-Cal do not lose coverage under new eligibility and income standards?

Areas of Potential Concern

- Health reform increases reimbursements for primary care physicians, but it is only temporary
- The expansion of Medicaid could hamper access to care for all patients
 - Expansion will add more patients to a program with a limited supply of physicians.
 - Insured persons will not have timely access to a physician and may need to seek care in overburdened ERs

Areas of Potential Concern

- In 2013 CA will have to show the federal government that it will be ready to meet requirements for HIE by 2014
- Coverage status is likely to change over time. CA needs to ensure that there is smooth transition between programs, e.g. Medi-Cal, Healthy Families
- How can costs be controlled?
 - CA could receive \$45B in support for 2014-2019 for new eligibles, but starting in 2018, Medi-Cal will incur an estimated \$2-\$3 billion annually

Questions?

If you have questions please feel free to
contact me at:

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