

The Governor's budget continues health reform but fails to restore >\$15 billion in recession-era cuts to health and human services. California has made dramatic progress under the Affordable Care Act, maximizing federal funds to cover more than half of the state's uninsured. The 2015 budget should continue that momentum, by removing barriers to coverage, ensuring those covered in Medi-Cal get access to care, and extending coverage to the remaining uninsured. Here is a summary of the Governor's health and Medi-Cal budget with analysis of its implications for realizing longer term health reform goals. Debate will continue in budget hearings and on bills like SB4 to cover the remaining uninsured and SB33 to limit Medi-Cal estate recovery.

► In the Governor's Budget: ISSUES Cited in the Budget

Item	Governor's Proposal & Rationale	Health Access Analysis
Medi-Cal Enrollment	The Budget assumes that caseload will increase by 2% from 2014-15 to 2015-16 (from 11.9 million to 12.2 million), largely because of the continued implementation of federal health care reform.	The budget allows for higher enrollment in Medi-Cal under ACA expansion, but does not budget for those newly eligible under President Obama's order to extend "deferred action" immigration status. The Governor did not propose to change eligibility criteria, so it implicitly continues California's long history of covering certain immigrant groups that are excluded from federal Medicaid. California can take a further step with SB4, covering all Californians under 138% of poverty level, regardless of immigrant status.
Limited Benefit Programs	The Budget proposes to require individuals in limited benefit programs (Medi-Cal Access Program, California Children's Services, the Genetically Handicapped Persons Program, and Every Woman Counts) to seek comprehensive coverage offered through Covered California or Medi-Cal in order to maintain eligibility for these programs.	A worthy general goal to get people enrolled but programs should be continued for people and services not eligible for comprehensive coverage--including as "wrap around" benefits for services not covered through Medi-Cal or Covered CA.
Annual Open Enrollment	The Budget proposes to institute an annual 90-day time period when certain non-disabled Medi-Cal beneficiaries enrolled in managed care plans can change their health plan. The Governor asserts this change results in General Fund savings of \$1.6 million in 2015-16.	This limits the ability of Medi-Cal patients to change managed care plans outside the open enrollment period (enrolling in Medi-Cal would continue year round). This could limit choice or restrict access for some Medi-Cal enrollees--for example those trying to change plans because of access or still unresolved network issues.
Medi-Cal 1115 Waiver Renewal	The Budget includes the adoption of a Medicaid Waiver negotiated between the state and federal governments ("to support ACA implementation, drive significant delivery system transformation, and provide long-term fiscal stability of the Medi-Cal program"). These assumptions will be updated in the May Revise after DHCS submits the waiver renewal to the federal government.	The waiver is a key vehicle to transform care delivery and re-align incentives in the entire Medi-Cal program, and make other Medi-Cal investments.
County Medi-Cal Administration	The Budget includes an additional \$150 million (\$48.8 million General Fund) in 2014-15 for county administration of the Medi-Cal program. The Administration will continue to monitor county workload to determine if additional resources are also warranted in 2015-16. In the interim, the Budget continues the increase of \$240 million (\$78 General Fund) in 2015-16 that counties received the last two years.	The influx of enrollments and renewal, dealing with new IT systems, confronting a major backlog, and other issues was a monumental effort that continues.
Managed Care Organization (MCO) Tax	The MCO tax, in place since 2013, is used for the non-federal share of supplemental payments to Medi-Cal and managed care plans, as well as increased capitation rates for Medi-Cal managed care. Recent federal guidance indicates that California's tax on MCOs is inconsistent with federal regulations and will not be allowed after its expiration in 2016. The Administration is proposing a new managed care tax to comply with federal law, as well as fund a restoration of the 7-percent reduction to IHSS (In-Home Supportive Services) hours.	The federal government requires restructuring the MCO tax, an essential part of the financing of our Medi-Cal program.

► NOT in the Governor's Budget But Should Be

Budget Item or Category	Description
Full Scope Medi-Cal for new PRUCOL Immigrants	The Governor's proposed budget does not seek to change eligibility for undocumented persons covered under the President's executive action. California has a long history and policy of covering immigrants with "deferred action" status. The budget summary states that those under the President's "deferred action" order are "potentially" qualified for state-funded full-scope Medi-Cal, In-Home Supportive Services, and Cash Assistance Program for Immigrants. The Governor says, "covering eligible immigrants under these programs could cost hundreds of millions of dollars annually." No specific dollar amount is budgeted.
Health Care Coverage Regardless of Immigration Status	Immigrants are an essential part of California's economy, a key presence in our communities. They should therefore be fully included in our health care system. We all benefit when all Californians have access to primary and preventive care and affordable health care coverage. For this reason, Health Access California, together with a broad and diverse coalition, has made SB4 (Sen. Ricardo Lara) a top priority for the 2015 Legislative Session. Our health care system and economy work better when everyone has coverage, providing access to primary and preventive care and preventing families from facing severe medical debt. One way the new insurance marketplaces keep costs down is by pooling the risk of enrollees. Since immigrants tend to be younger and healthier, including them in our health care system helps lower the average premium costs of the whole insurance pool
Provider Reimbursement Rates	The Governor's Budget maintains the 10% Medi-Cal provider rate cut that was eventually adopted in AB 97 (2011). Part of this reduction was rolled back--but most of it is still in place. Some Medi-Cal patients face access challenges that are likely related to low reimbursement rates--some of the lowest in the nation. ACA-related boosts in primary care reimbursement rates expired in January 2015, making this issue more urgent.
Limiting Medi-Cal Estate Recovery	California is only one of 10 states that extend Medicaid estate recovery beyond long-term care--thus unfairly penalizing low-income families with modest savings and homes, and discouraging families from enrolling and meeting the mandate to get covered. Last year, the Governor vetoed a bill to limit Medi-Cal estate recovery, arguing the policy change should be done in the budget instead. A new bill (SB33 by Sen. Hernandez) would limit Medi-Cal estate recovery so enrolling in Medi-Cal managed care won't mean potentially risking losing family home.
Medi-Cal Benefits	The Governor's budget continues the cuts made in 2009, the depth of the recession: acupuncture, audiology, chiropractic, incontinence creams and washes, optician and optical labs, podiatry, and speech therapy. These "optional" services don't cost very much, and yet for the populations that depend on them they can make a difference, in facilitating integration in the community or in the workforce--or preventing more serious illness or disability.
Public Health Programs	The Governor's budget does not restore funding or invest in the Early Mental Health Initiative, Drug Overdose Grant Program, School-Based Health Centers, Public Health Laboratory Training Program, Dental Disease Prevention Program, Asthma Public Health Initiative, Syringe Access Programs, and worthy initiatives like Adolescent Family Life, STD Prevention, Teen Pregnancy, Injury Control, and the Office of AIDS. These programs, known to improve health outcomes and population health, have a tremendous return on investment.

