



## What Governor Brown's 2013-14 Proposed Budget Means for Health Care in California

**THE GOOD NEWS: NO DEFICIT, NO CUTS:** On January 10, 2013 Governor Jerry Brown announced the first budget in many years that projects no deficit. Thanks to Governor Brown's leadership and the voters of California, Prop 30 prevented cuts to education and other vital services by providing needed revenues to balance the billions in budget cuts made last year and previously.

So, for the first time in many years, the budget did not proposed multi-billion cuts to health care or other vital services. Governor Brown also endorsed California's implementation of the Affordable Care Act, and made the historic commitment for the state to go ahead with the ACA's Medi-Cal expansion to 1.4 million low-income Californians, bringing in \$2-4 billion in federal funds into our health system.

**THE BAD NEWS: NO RESTORATIONS:** But at a time when our economy is still struggling, there were no proposed restorations to health and human services to provide help to California families and our economic recovery. Such health and human services took over \$15 billion in severe cuts in recent years. In just the past few budgets, California has lowered provider payments in Medi-Cal to some of the lowest rates in the nation, eliminated benefits like dental coverage for three million adults in Medi-Cal, and shut down whole programs like Healthy Families and Adult Day Health Care. Under the Governor's proposal, *all those cuts will remain in place.*

**SPECIFIC HEALTH CHANGES:** The budget explicitly proposes the following health policy changes:

- Continues the provider rate cuts approved in 2011, for a savings of \$488.4 million; and implementing unspecified "efficiencies" in Medi-Cal managed care for a savings of \$135 million.
- Extends the "hospital fee," which currently sunsets in Dec 2013 for savings of \$310 million; and reauthorizes the fee on Medicaid managed care plans (MCO) that expired last year, for a savings of \$85.9 million in 2012-13 and \$217.3 million in 2013-14.
- Delays the timeline for the Coordinated Care Initiative (CCI) changes adopted in 2012, so that the transition for seniors and people with disabilities into managed care goes from March 2013 to September 2013, with adjusted savings of \$170.7 million in 2013-14 and \$523.3 million in out years.
- Proposes open enrollment and "lock-in" for those in Medi-Cal for a savings of \$1 million.

**A COMMITMENT TO THE HEALTH REFORM AND MEDICAID EXPANSION:** Beyond health care specifics, the biggest news was the Medicaid expansion, which would cover all legally residing Californians under 138% of the poverty level, or around \$15,000 in annual income for an individual. The current Medi-Cal program covers children, parents, seniors, and people with disabilities, but not adults without kids, and it mostly doesn't go over 100% of the poverty level.

Governor Brown has committed to the federal health reform and the historic expansion of Medicaid coverage to around a million Californians, and bringing in potentially over 4 billion in federal dollars into our health system, according to a University of California report released on Monday. California has led in implementing "Obamacare"—implementing key consumer protections early, being first to set up an Exchange where people can easily and affordably buy coverage, and implementing an early expansion of Medicaid to over a half-million Californians—the largest in the nation by tenfold.

**A "GOOD PARTNER" ON HEALTH REFORM:** Governor Brown stated at the press conference unveiling his budget that he stands committed to work with counties and the legislature to tackle the complex challenge of implementing the Affordable Care Act. "We are committed to expanding Medi-Cal," he said, "we are committed to bringing more people into the health care system but there are big costs out there, big unknowns. So we will move carefully, but we will move with commitment. Because I believe that



people do need decent healthcare. And I think what President Obama did was historic, it was heroic, and I will do everything I can to be a good partner to making sure his plan works."

**NEGOTIATING WITH COUNTIES:** The Governor's commitment to the Medi-Cal expansion also means a revised role for counties.

The budget commits to the simplification of eligibility rules to make it easier to enroll in and stay on Medi-Cal, which will mean several hundred thousand Californians who were already eligible for coverage may sign up. Since the financing of these already-eligible will be shared 50-50 between the state and federal governments, the proposed budget allocates \$350 million in state costs in 2013-14 for this part of the Medi-Cal coverage expansion.

For those who will be newly-eligible for Medi-Cal, the Governor looks to counties to share in the responsibility (and the potential costs) of this expansion. While there are no such costs in the first three years, the ACA does ask states for a 5% of the cost of coverage in 2017, and 10% in 2020 and beyond—at worst a 9:1 match. The budget cites that the counties have historically provided (wildly varying) levels of care to the indigent and uninsured, and "implementing health reform will require an assessment of how much funding currently spent by counties should be redirected to pay for the shift in health care costs to the state." The budget starts a negotiation with the counties by proposing two alternatives:

- A state-based expansion would offer a "standardized, statewide benefit package comparable to that available today in Medi-Cal," with long-term care services separated under different eligibility rules. Under this proposal, the state would seek savings (in the hundreds of millions of dollars) by having counties accept responsibility of a similar-sized human service program, under a new round of realignment.
- A county-based expansion would leave the responsibility for the "medically indigent adults" at the county level, and thus the expansion there to, using the current Low-Income Health Programs (LIHPs). LIHPs are currently in 51 of 58 counties (with two more possibly adding on shortly), with varying levels of eligibility and enrollment. All counties would need to start and scale up their LIHPs to eligibility and benefits standards under the ACA, and this proposal would need federal waivers.

As stated by Administration officials on Thursday, these proposals are meant to start negotiations with counties and other stakeholders. The main concern by counties and health advocates is to ensure that resources are left for public hospitals and other safety-net health providers that will still be needed. Even if California is successful in reducing the number of uninsured by two-thirds, they point out that California will still have 3-4 million uninsured, and all of us will need a safety-net that survives and thrives.

**MORE WE CAN AND SHOULD DO:** While pleased with the announcement about the Medi-Cal expansion, consumer and health advocates argued California can and should go further, and make smart targeted investments in health care than more fully take advantage of the historic opportunities of the Affordable Care Act, bring in even more federal matching funds and improve our health system and economy. The legislature is like to investigate opportunities to invest in Medi-Cal outreach and enrollment, benefits (like Denti-Cal), and provider rates, which will yield huge benefits to our health system, and more federal matching funds than previously available.

