HEALTH ACCESS CALIFORNIA

February 28, 2018

The Honorable Richard Pan
Chair, Senate Budget Subcommittee 3 on Health and Human Services
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Joaquin Arambula
Chair, Assembly Budget Subcommittee 1 on Health and Human Services
State Capitol, Room 6026
Sacramento, CA 95814

RE: Proposed 2018-2019 Budget

Dear Senator Pan and Assemblymember Arambula:

Health Access California, the statewide health care consumer advocacy coalition working for quality health care for all Californians, respectfully offers the following comments and recommendations on the Governor's proposed 2018-2019 budget.

California's work to implement and improve the Affordable Care Act (ACA) has brought our state's uninsured rate to a historic low of 7%, and we applaud the Governor for maintaining funding for Medi-Cal, which covers one-third of Californians. While we must continue to be vigilant and fight against proposed federal cuts to health programs, California must finish the job of covering all Californians while continuing to implement the ACA and make key restorations and investments in Medi-Cal.

HEALTH ACCESS BUDGET PRIORITIES

ADVANCING TO UNIVERSAL COVERAGE AND INCREASING AFFORDABILITY

Although four million Californians have gained coverage thanks to the ACA, eligibility and affordability remain a major barrier for the 3 million people who remain uninsured. California can take meaningful steps toward universal coverage, without changes to federal law or federal waivers, by investing state dollars toward covering more people. These steps include:

- making low-income undocumented adults eligible for Medi-Cal;
- increasing affordability in our individual market, fixing the "family glitch" in Covered California, and enacting a California alternative to the federal individual mandate penalty; and
- equalizing income limits for the Medi-Cal Aged and Disabled Program

Health4All: Expand Medi-Cal to Low-Income Adults Regardless of Immigration Status

Health Access urges the Legislature to expand Medi-Cal to all income-eligible adults, regardless of immigration status, to ensure that every low-income Californian has health coverage.

Our health care system works better when all California residents, regardless of immigration status, have access to health care. Of the nearly 3 million Californians who remain uninsured, 58% are undocumented adults.[1] Under current law, low-income undocumented adults are eligible for emergency-only Medi-Cal but not for primary or preventive care, or even comprehensive hospital care, offered through full-scope Medi-Cal. As a result, undocumented and uninsured Californians live sicker, die younger, and are one emergency away from financial ruin because they do not have access to comprehensive health coverage. Though some California counties provide some care to undocumented adults through their safety-net systems, many do not.[2] This reality has tremendous health and economic impacts on families and our state where 1 in 6 of all California children have at least one undocumented parent.[3]

California already provides near-universal coverage for children, thanks in large part to the Health4All Kids program, which was implemented on May 16, 2016 and provides undocumented children an opportunity to get affordable health coverage. Over 200,000 undocumented children have received comprehensive care under Health4All Kids.[4]

Health Access urges the Legislature to support Health4All by expanding full-scope Medi-Cal to all income-eligible adults above the age of 19, whose incomes are at or below 138 percent of the federal poverty level, regardless of immigration status. Providing health coverage for low-income undocumented adults, who are a fundamental part of our workforce and our communities would move California closer to universal coverage.

Improve Affordability in the Individual Market

Health Access urges the Legislature to improve affordability for Californians who purchase health coverage in the individual market:

Over 2.3 million Californians purchase coverage in the individual market. Of these, over 1.5 million Californians get coverage through Covered California, and 90% of them receive federal financial assistance to help them afford their premiums. While ACA subsidies have helped many people afford health coverage, they are not enough for some consumers, particularly those who earn too much to qualify for a subsidy but too little to pay the premiums, or people who cannot afford the premiums even with a subsidy. Increasing affordability assistance through additional subsidies will help consumers who still find coverage to be unaffordable:

- Consumers who earn more than 400% FPL ($48,240 for an individual to $98,400 for a family of four), even by $1, do not qualify for any federal subsidies and must pay full price

[1] http://www.itup.org/wp-content/uploads/2017/09/Remaining-Uninsured_Fact-Sheet-11-21-17.pdf
[2] Health Access California, Re-Orienting the Safety Net for the Remaining Uninsured, March, 2015. http://www.health-access.org/images/pdfs/county_safety_net_survey_reportupdate_march15final.pdf
[3] http://dornsife.usc.edu/csii/undocumentedca/
[4] Department of Health Care Services. (2017). SB 75 Transitions and New Enrollees by County. Retrieved from: http://www.dhcs.ca.gov/services/medi-cal/eligibility/Documents/SB75/SB75_Enrollees_County_120417.pdf

for their health coverage. In San Francisco, for example, the cheapest Bronze plan available for a 60-year-old person is an HMO for $730/month, with a $6300 deductible, which comes out to $8760 in premiums. The premiums alone are 13% of income. And to get care, the bronze plan requires the consumer to pay the full cost of every service, except for three doctor visits, up to $6,300 out-of-pocket. In every region in California, people who are over age 50 and over 400%FPL pay more than 10% of their income just on premiums for a bronze plan. The Legislature should help consumers who earn too much to qualify for federal subsidies and still struggle to afford health coverage.

- Consumers with incomes between 138% and 400% FPL ($16,643 for an individual and $33,948 for a family of four to $48,240 for an individual to $98,400 for a family of four) currently receive subsidies on a sliding scale to help them afford their monthly premiums and out-of-pocket costs. Federal tax subsidies still require those making as little as $17,000 a year to spend 2% of income on premiums and those making $36,000-$48,000 to spend 9.6% of income, or $3500-$4800 a year, on premiums. Too many people who get federal subsidies are still buying bronze plans with deductibles of $6,300 for all services aside from three doctor visits. The Legislature can help these consumers better afford coverage by supplementing federal subsidies for premiums and cost-sharing. Other states such as Vermont and Massachusetts have already taken steps to improve affordability as has San Francisco.

Ensure Coverage for Spouses and Children of Workers by Fixing the "Family Glitch"

Health Access requests the Legislature to fix the "Family Glitch" for Californians who cannot access affordable dependent coverage from employers.

Another group of consumers who are unable to get affordable coverage are the spouses and some children of people who are offered health coverage through their workplace but cannot afford it. Whether the coverage is considered affordable is based only on the cost of the employee's plan and many employers charge family members more for coverage, sometimes full price. Many spouses who fall into the ACA's "family glitch" have incomes low enough to qualify for subsidized Covered California plans, but aren't eligible because they have access to other insurance – even though they can't afford it. The children often, but not always, qualify for Medi-Cal. In the absence of federal action, California should fix the family glitch and provide the same level of subsidies that the federal government would otherwise provide to the family members who cannot afford the insurance offered by employers, so they are not left without coverage.

Enact a California Alternative to the ACA's Individual Mandate Penalty

Health Access requests the Legislature to create a California alternative to the ACA's Individual Mandate Penalty that improves affordability.

The Republican tax plan that was signed into law in December zeroed out the federal penalty for the ACA's individual mandate. Starting in tax season in 2020, people who were uninsured the previous year will no longer pay penalties on their federal income tax returns. Various estimates, including from the Congressional Budget Office, predict that up to a one million more Californians will become uninsured in the absence of an individual mandate. In addition, Covered

California has estimated that premiums would increase an additional 8%-10% in year one, resulting in double digit increases due to the lack of a mandate. Numerous national estimates indicate that in the out-years, premium increases due to lack of an individual mandate will climb higher as healthier individuals drop coverage because of increased premium costs.

Health Access requests the Legislature to protect its residents by replacing the federal individual mandate penalty with a California alternative that raises money from penalty payments that are used, along with other state resources, to improve the affordability help individuals get for purchasing coverage. In addition, the Legislature should ensure consumers paying the penalty are connected to coverage by ensuring the Franchise Tax Board refers consumers to Covered California.

Equalize Income Limits for Medi-Cal Aged & Disabled (A&D) Program

Health Access urges the Legislature to equalize income limits for the A&D program to 138% of FPL – the same threshold that applies to other adults in the Medi-Cal program.

The Aged & Disabled (A&D) program provides no-cost, comprehensive Medi-Cal services to people who are either over the age 65, or have a serious disability. When this program was created nearly a dozen years ago, the income limit was set at 133% of FPL. However, this limit has declined to 123% of FPL because the program's "income disregards" — which help to determine individuals' eligibility — have not been adjusted for inflation. A&D enrollees whose incomes exceed this limit must pay a share of their health care costs, potentially amounting to hundreds of dollars per month, before Medi-Cal begins to pay for services. As a result, nearly 60,000 Californians face high Medi-Cal share of costs that are unaffordable to them. The income disregards should be adjusted in order to increase the income limit for no-cost Medi-Cal to 138 of FPL, the same threshold that applies to other adults.

ADDITIONAL BUDGET PRIORITIES

Restore Remaining "Optional" Medi-Cal Benefits Cut During the Great Recession

The Legislature should restore all remaining "optional" Medi-Cal benefits that were eliminated in 2009.

California eliminated a number of non-federally mandated Medi-Cal benefits during the Great Recession. In recent years, full adult dental, acupuncture, and optical (in 2020) have been restored. The Legislature should finish the job by restoring audiology, chiropractic, incontinence creams and washes, podiatry, and speech therapy. Covering these benefits in Medi-Cal will lead to better care, reduce health complications and increase cost-savings to the state. For example, in 2016, it was projected that the inclusion of podiatric medical services in Medi-Cal can reduce amputations by 10%, helping improve patient care and reduce costs to the state.[5]

[5] https://www.ncbi.nlm.nih.gov/pubmed/27269971

Fund Optical Benefit in Medi-Cal, to Ensure Benefit is Available January 1, 2020

Health Access urges the Legislature to include funds for Medi-Cal optical benefits in the state budget process.

Last year, the Legislature approved trailer bill language to restore Medi-Cal optical benefits, beginning on January 1, 2020, subject to "an action by the Legislature to include funds for this purpose in the state budget process." We urge the Legislature to include funding for this restoration in the state budget process so Medi-Cal beneficiaries are able to access these services beginning January 1, 2020.

We also support the following requests from other organizations:

- Access to Asthma Services for Medi-Cal Beneficiaries: We support the California Pan-Ethnic Health Network's proposal that will allow California to better deliver care for Medi-Cal beneficiaries with asthma by adopting policies to expand access to cost-effective preventative care and provide healthcare workforce opportunities for communities of color.
- WIC Express Lane Eligibility to Medi-Cal for Children: We support the request from Children Now and The Children's Partnership for funding to implement expedited Medi-Cal enrollment for WIC children by using WIC eligibility information and federal Express Lane Eligibility authority, and provide a presumptive eligibility to pregnant women applying for WIC.
- Outreach and Enrollment Funding: We support Maternal and Child Health Access' request for replacement funds for outreach and enrollment for health coverage programs for low-income Californians.

GOVERNOR'S BUDGET PROPOSAL

Children's Health Insurance Program (CHIP) Reauthorization

The General Fund will have a total of $900 million in savings over 2017-18 and 2018-19 because CHIP was reauthorized at a higher federal match (88 percent) than was assumed in the Governor's budget proposal (65 percent). These lower General Fund expenditures should allow for improvements to be made to the Medi-Cal program by restoring benefits or providing more people with health coverage.

Ensure Proposition 56's Physician Supplemental Payments Increase Access to Care

Proposition 56, the tobacco tax initiative passed by California voters in November 2016, dedicates most of the new revenue generated by the tobacco tax to Medi-Cal. Health Access was one of the organizational supporters of Proposition 56, helped draft the initiative, and actively campaigned for the measure. Proposition 56 allows for broad use of the Medi-Cal monies to increase funding for Medi-Cal programs, treatment, and services, which includes new investments in Medi-Cal eligibility, benefits, and provider rates.

Last year, $325 million of the Proposition 56 dollars was allocated to increase physician rates on top of standard reimbursement rates for the affected services. The Legislature must require the Administration to evaluate whether and how these higher rates affect access to care—to inform

policy decisions about the best methodology for using these funds to improve access. For example, do the rate increases result in more full-time equivalent doctors participating in plan networks? Are providers (particularly specialists) seeing more new Medi-Cal patients, and are patients able to get appointments sooner than previously possible as a result of these rate increases? Going forward, these allocations and any additional investments in increasing provider rates must be directed toward specific providers, services, or geographic regions that will yield substantial, demonstrable gains in patients' access to care and improve the quality of care provided to Medi-Cal beneficiaries.

The LAO estimates that an additional $523 million in total Proposition 56 funding is available for additional provider payment increases beyond those structured in the 2017-18 budget agreement. In addition to making targeted provider rate increases, the Legislature should consider using these funds to augment the Medi-Cal program in other ways, such as restoring optional benefits and expanding coverage to undocumented adults.

Proposition 56 Supplemental Payments for Dental Services Should Include Preventive Services and Periodontal Treatment

The 2017-18 budget agreement includes funding for supplemental dental provider rates, which have been directed toward restorative, endodontic, and diagnostic services, among others. In July 2017, we along with other health consumer advocates asked DHCS to include preventative services and periodontal treatment among the services that would qualify for supplemental rates. For example, prophylaxis for adults (D1110) and topical application of varnish (D1208) are among the top ten utilized dental procedures among Denti-Cal patients but are currently not designated for supplemental payments.[6] In addition, gum treatment is one of the benefits restored for adults in last year's budget and periodontal treatment should be subject to supplemental payments in order to ensure the restored services are actually utilized. We urge the Legislature to make preventive services and periodontal treatment eligible for supplemental dental payments going forward.

BUDGET CHANGE PROPOSALS (BCPs)

Office of Statewide Health Planning and Development: SB 17

Health Access Supports OSHPD's BCP to implement SB 17 (Chapter 603, Statutes of 2017).

Health Access, which co-sponsored SB 17, supports the Office of Statewide Health Planning and Development's (OSHPD) BCP for staff and administrative support to implement the law, which requires advance notice of significant price increases to public and private purchasers and the reporting of additional information about pricing and impacts on insurance premium rates and cost sharing. Effective December 1, 2017, purchasers, both public and private, were able to sign up to receive the 60-day notice advance notice, which began January 1, 2018. We appreciate the Administration's efforts to implement this measure and are pleased to see the timely

[6] http://www.dhcs.ca.gov/services/Documents/AdultDentalRestoration.pdf

establishment of a website for stakeholders and the public and a sign-up portal for purchasers. We look forward to continue working with the Administration to implement SB 17.

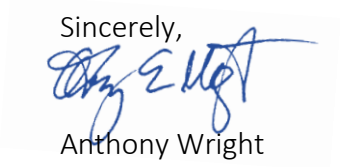
Department of Managed Health Care: SB 17

Health Access Supports DMHC's BCP to implement SB 17 (Chapter 603, Statutes of 2017).

Health Access, which co-sponsored SB 17, supports the Department of Managed Health Care's (DMHC) budget change proposal for staff and administrative support to implement SB 17, which requires health plans to report to DMHC cost information for all covered prescription drugs, including the 25 most frequently prescribed drugs, 25 most-costly drugs by total annual plan spending, and the 25 drugs with the highest year-over-year increase in total annual spending. DMHC is also required to compile this information and report for the public the overall impact of drug costs on health care premiums. The DMHC regulates the majority of health coverage in California, including 95 percent of commercial and public health plan enrollment, covering over 26 million enrollees.

We look forward to working with you this legislative session to craft a state budget that supports the continued implementation of the Affordable Care Act, takes steps towards universal coverage, and ensures the health and well-being of all Californians. We will submit additional comments on budget issues at the budget subcommittee hearings. Please contact Tam Ma, Legal and Policy Director [tma@health-access.org or (916) 497 – 0923 x. 808], or Myriam Valdez, Policy and Legislative Advocate [mvaldez@health-access.org or (916) 497-0923 x. 804], if you have any questions about our position on the state budget.

Sincerely,



Anthony Wright
Executive Director

Cc: Senator Holly Mitchell, Chair, Senate Budget Committee
Assemblymember Phil Ting, Chair, Assembly Budget Committee
Donna Campbell, Office of the Governor
Marjorie Swartz, Office of the Senate President Pro Tempore
Agnes Lee, Office of Speaker of the Assembly
Staff, Assembly and Senate Health Committees