HEALTH ACCESS
California's Health Consumer Advocacy Coalition

FACT SHEET

Our Medi-Cal at Risk

Federal Proposals Would Cut Billions from Medi-Cal and Eliminate Coverage for Millions of Californians

Updated February 8, 2017

For 50 years, Medi-Cal, California's Medicaid program, has been a vital lifeline for millions of Californians and a core pillar of the health system on which we all rely. Proposals from the President and Congress would threaten the health coverage that children, working adults, low-income families, senior citizens, and people with disabilities receive from Medi-Cal. This fact sheet assesses the impact of various proposals on California, based on the information available and our best assessment at this time.

Medi-Cal is Important to California's Health and Economy

Medi-Cal provides coverage for health care services to **over 14 million Californians**[1] and provides an important safety-net for all of us when we are incapacitated or in between jobs.

- Over 1/3 of the state's population and 60% of all California children are covered by Medi-Cal.
- Medi-Cal covers 50% of all state births and 2/3 of all nursing home residents.[5]
- Medi-Cal also covers more than 4.1 million low-income working adults, both working parents and adults without children under age 18 at home.
- **Most hospitals and other major health providers rely on Medi-Cal** as a major funding stream, especially in areas where Medi-Cal covers 1/3 to 1/2 of the population, including the Central Valley, the rural north, and much of Southern California.

COUNTY	% OF POPULATION IN MEDI-CAL[2]	ESTIMATED JOB LOSSES[3]	PROJECTED ECONOMIC LOSSES[4]
Fresno	50%	6,000	$516 million
Imperial	51%	n/a	n/a
Kern	45%	5,000	$359 million
Los Angeles	40%	63,000	$53 billion
Madera	45%	700	$56 million
Merced	51%	2,000	$129 million
San Bernardino	41%	n/a	n/a
San Joaquin	41%	4,000	$324 million
Tulare	55%	3,000	$193 million

- California will receive $66.8 billion in federal funding for the $102.6 billion Medi-Cal program per budget year 2017-2018, and will face to lose **$17.3 billion under ACA repeal. Other funding cap proposals could result in the state losing even more funds, amounting to more than half of its federal funding.** Such reductions would force severe cuts to Medi-Cal enrollment and benefits.
- In contrast, the state's General Fund Budget is **$125 billion.**[6] Replacing lost federal funds would require a 20% 25% state tax increase, or deep cuts to general fund spending for K-12 and higher education, corrections, human services, transportation, and environmental protection, or all of the above.
- A repeal would have severe economic impacts for California and could cost the state's economy **$20.3 billion in GDP and lead to 209,000 job losses** – 135,000 of which are in the health care industry.[7]

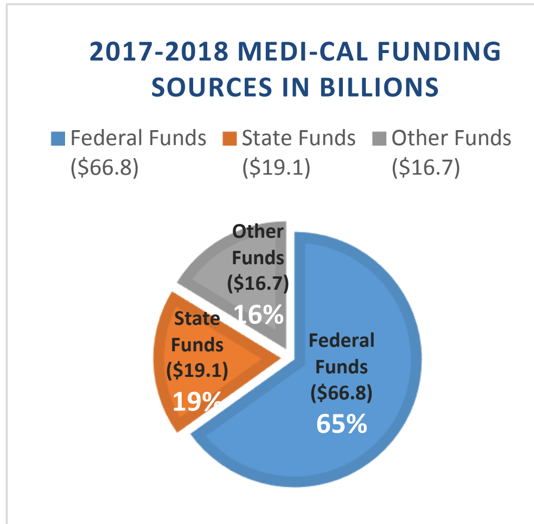
Repealing the ACA Medicaid Expansion Would Cost California Over $16 Billion

The Medicaid expansion allowed over 4.1 million low-income parents and childless adults to become enrolled for Medi-Cal. The federal government currently pays for 95% of this expansion and under the ACA has committed to covering no less than 90% of the cost starting in 2020. California received **$16 billion[8] in federal**

funds for the Medicaid Expansion in the 2016-2017 budget year. The state is estimated to receive $17.3 billion for 2017-2018.

- Repeal of the Medicaid expansion would force drastic state budget cuts in health care and/or other state programs. It would also force dramatic funding reductions for the hospitals and health providers we all rely on.
- In January 2017, GOP leaders plan to pass a "budget reconciliation" package (which requires only 51 Senate votes instead of the standard 60) in order to repeal large components of the ACA with a two-year delay in implementation, with no replacement plan.

Proposals to Cap Medicaid Would Cut Billions More and Eliminate Coverage Guarantees



Speaker Paul Ryan's "Better Way" proposal would **undo Medicaid's federal matching guarantee** to California and other states. Right now, the federal and state governments share the cost of providing health care to those on Medicaid. In general, for every dollar California spends, the federal government matches with another dollar. Under this proposal, the funding guarantee would be eliminated.

Within 10 years, the Ryan proposal would reduce the federal match for the expansion population and cut the remaining funding to states by 1/3 to 1/2.[9] **In California, that would result in a cut of $25 - $33 billion in $102.6 billion Medi-Cal program.**[10] The Ryan proposal would cap the money that states receive for Medicaid by forcing states to choose between a block grant and a per-capita cap. A block grant or per capita cap would likely **eliminate the Medicaid entitlement**, which guarantees a right to health care for everyone who is eligible and applies for coverage. The Ryan proposal would also **eliminate numerous protections** in federal law that ensure consumers get the care they need.

Block grants and per capita caps are simply different ways to limit federal Medicaid funding to states:

- Under a block grant, the state would receive a set amount from the federal government and would be responsible for all costs beyond that amount. **Under the Ryan proposal, a block grant would give the state a third less federal funding than would be given under the current system.** Federal funding would not be adjusted if enrollment or health care costs increase.
- A per-capita cap would limit the funding available per enrollee, which would be adjusted only for general inflation (health care costs rise quicker than the general inflation rate). States would be responsible for all costs that exceed the per-capita cap, including those arise from increased health care costs, an aging population, public health emergencies, natural disasters, or any other reason. Under the Ryan proposal, a per-capita cap would cut overall federal funding in half by limiting the funding available per enrollee.
- Either option would result in the state losing tens of billions of federal dollars for Medi-Cal. In the context of $125 General Fund State Bsudget, backfilling cuts of this magnitude is unlikely.

Medi-Cal Already Faced Tough Cuts Before These New Proposals

Medi-Cal is already an efficient program, with a low per-capita cost (compared to commercial insurance), and little room to squeeze. As a result, these federal proposals would force major cuts to eligibility, benefits, and access to providers. During the Great Recession, California made significant cuts to health, education, and other services. Major cuts were made to an already underfunded Medi-Cal:

- California reduced Medi-Cal provider reimbursement rates by 10% across-the-board. Medi-Cal's provider reimbursement rates were already among the lowest in the nation, even before the 10% cut. As a result, fewer doctors, specialists, and other providers choose to serve Medi-Cal patients, leading to treatment delays and lack of access to care.

- The state also **eliminated important benefits**, including adult dental services, chiropractic services, optician/optical laboratory services, optometry, podiatry, and speech and audiology services. (Adult dental was only partially restored in 2013; acupuncture was restored in 2016).

Privatizing Medicare Would Also Shift Costs to States, Shift More Costs to Medi-Cal

Speaker Paul Ryan's "Better Way" proposal would also privatize Medicare, which would end traditional Medicare and shift it to a voucher program, wherein seniors would use that voucher to buy private health plans. **The vouchers would only cover some of the costs, forcing seniors to make up the difference with their own limited funds.** This proposal saves the federal government money because it shifts the cost of health care to seniors, and to the states. Of the over five million California seniors who receive coverage through Medicare, more than one million of them have incomes low enough to be "dual-eligibles" who are enrolled in both Medicare and Medi-Cal. Medi-Cal fills in the gaps of cost-sharing and benefits for low-income seniors. By covering what Medicare does not, **California would face increased costs because of Medicare privatization.**

Proposed Cuts Will Have Deep Impact on California's Health and Economy

Repealing the Medicaid expansion, capping the program through block grants or per capita caps, and privatizing Medicare—would cut tens of billions of dollars from California's $90 billion Medi-Cal program, would force catastrophic budget cuts and eliminate health for millions of Californians.

- Medi-Cal coverage is a crucial lifeline for **over 14 million Californians**, including children, parents, seniors and people with disabilities, and other working adults. Medi-Cal helps these families get the care they need, and prevent financial ruin due to emergency or ongoing medical costs.
- Medi-Cal is a major source of revenue for almost every hospital in the state. Cuts to the program undermine these hospital providers and the capacity of the health system as a whole. A repeal would have severe economic impacts and could cost the state's economy **$20.3 billion in GDP and lead to 209,000 job losses** – 135,000 of which are in the health care industry.[11]
- Studies suggest that underpayments in Medi-Cal contribute to a **"cost-shift"** or a **"hidden tax"** to private commercial insurance, where those insurers are forced to increase premiums to make up the cost difference.[12]
- $25 billion - $33 billion in cuts to Medi-Cal and California's health system would lead to economic impacts far beyond health care. This includes the loss of thousands of health care jobs (a hospital is often the largest employer in a community) to the fiscal impacts of having more uninsured people facing financial instability and living with the risk of bankruptcy, home foreclosure, and more.

Covered California Subsides for Premiums and Cost Sharing

In addition to the threats to Medi-Cal, proposals to repeal the ACA would affect the federal financial assistance Californians rely on to purchase affordable coverage:

- **More than 90% of the 1.4 million Californians** who get their health insurance through Covered California get federal assistance in paying for their premiums. Many also get financial help with lower copays, deductibles and other cost sharing. The federal financial assistance amounts to another **$5 billion to $6 billion a year** in addition to the federal funding for Medi-Cal.

About Health Access California
Health Access California is the statewide health care consumer advocacy coalition, advocating for the goal of quality, affordable health care for all Californians. We represent consumers in the legislature, at administrative and regulatory agencies, in the media, and at public forums. For more information, please visit www.health-access.org.

[1] DHCS, 2017-2018 Governor's Budget Highlights, January 2017.
[2] California Budget & Policy Center, Medi-Cal Factsheet, November 2016.
[3] UC Berkeley Labor Center and UCLA Center for Health Policy Research, Fact Sheets: What do California Counties Stand to Lose Under ACA Repeal? January 2017.
[4] Ibid.
[5] DHCS Research and Analytic Studies Division, The Aging Population: A Medi-Cal Perspective, October 2016
[6] May Revise Budget Summary, 2016-17 Budget.
[7] UC Berkeley Labor Center, California's Projected Economic Losses Under ACA Repeal, December 2016.
[8] Governor's Enacted Budget 2015-16, Health and Human Services, pages 25-26.
[9] Center for Budget Policy and Priorities, The Congressional 2016 Budget Plan: An Alarming Vision Ryan Proposal, June 8 2016. Also, Center for Budget Policy and Priorities http://www.cbpp.org/research/health/per-capita-caps-or-block-grants-would-lead-to-large-and-growing-cuts-in-state June 22 2016.
[10] Exactly how the ACA expansion is treated varies in different proposals: this proposal uses the 2016 base year spending but first reduces the federal match from 90% to 50% and then reduces total funding for the entire Medicaid program by a third to a half.
[11] UC Berkeley Labor Center, California's Projected Economic Losses Under ACA Repeal, December 2016.
[12] Institute of Medicine, Shaping the Future for Health – Hidden Costs, Value Lost: Uninsurance in America, June 2003.