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March 3, 2016

The Honorable Holly Mitchell
Chair, Senate Budget Subcommittee 3 on Health and Human Services
State Capitol, Room 5080
Sacramento, CA 95814

The Honorable Tony Thurmond
Chair, Assembly Budget Subcommittee 1 on Health and Human Services
State Capitol, Room 5150
Sacramento, CA 95814

RE: Governor's Proposed 2016-17 Budget

Dear Senator Mitchell and Assemblymember Thurmond:

Health Access California, the state health care consumer advocacy coalition working for quality and affordable health care for all Californians, offers the following comments on the Governor's Proposed 2016-17 budget. The state budget is a reflection of California's values and priorities, and Health Access seeks to ensure that it invests in the health of all our residents.

BUDGET CONTINUES HEALTH REFORM IMPLEMENTATION

California's robust implementation of the Affordable Care Act (ACA) has reduced the ranks of the uninsured by more than half, and we've had the fifth largest drop in uninsurance of any state. These successes occurred because California implemented Medi-Cal expansion, which now covers more than 13 million (one in three) Californians, and created Covered California, the healthcare marketplace through which 88 percent of enrollees receive federal subsidies to obtain coverage.

Federal funding for Medi-Cal increased alongside its enrollment growth. ACA implementation and the Medi-Cal expansion has been a boon, not a burden, to the state's general fund and to the health system we all rely on. The state's net cost for Californians who enroll in Medi-Cal due to health reform implementation is minimal when federal dollars and offsetting savings are taken into account. Federal dollars are covering the full cost for those newly eligible for Medi-Cal through the end of this year. Although the federal government's share will phase down to 90 percent of the cost by 2020, a 9-to-1 match provides a substantial infusion of federal dollars, which will be a substantial benefit to the Californians who receive coverage through Medi-Cal and to the health system on which we all rely. In sum, continuing Medi-Cal expansion is a worthy investment in the health and well-being of the one-in-three Californians who rely on this critical program.

MCO Tax. We applaud the passage of a revised managed care organization (MCO) tax that meets new federal guidelines. The MCO tax provides a stable source of

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funding for Medi-Cal by allowing California to draw down \$1.1B in federal funds and offsetting state spending on the program by the same amount. In addition to avoiding deep cuts to Medi-Cal and other critical programs supported by the General Fund, the revenues gained from the restructured MCO tax creates opportunities to make targeted investments in health and human services programs.

County Medi-Cal Administration. We support providing county welfare departments with the resources to conduct Medi-Cal eligibility work as a result of the increase in Medi-Cal caseload associated with ACA implementation and the delays in automating the eligibility process.

#HEALTH4ALL AND COVERING THE REMAINING UNINSURED

In spite of the significant strides we've made in implementing the Affordable Care Act and reducing the rate of uninsured, more than 3 million Californians continue to live without health care because they lack satisfactory immigration status. Health Access is committed to working with the Legislature and the Administration to ensure all Californians have coverage.

#Health4AllKids. Health Access deeply appreciates the work the Governor and the Legislature did last year to extend full-scope Medi-Cal to all children under age 19, regardless of immigration status, which will cover an estimated 170,000 children who do not have comprehensive health coverage. We support the Governor's inclusion of \$182 million (\$125 million GF) to implement #Health4Kids, and have been actively engaged in DHCS' implementation efforts. We note that 70,000 undocumented children are currently receiving coverage through Kaiser Permanente who will be entitled to full-scope Medi-Cal as a result of last year's budget action. It is possible that assuring a successful transition for these children may require passage of a budget trailer bill this year to assure continuity of care and coverage so that these children may benefit from the Medi-Cal expansion without losing their Kaiser coverage.

#Health4All. More work, however, needs to be done to achieve the vision of health care for all by providing comprehensive coverage to undocumented and uninsured adults. We are proud that California provides state-funded health coverage to legal immigrants, including when implemented, parents that have "Deferred Action for Parents and Lawful Permanent Residents (DAPA)" and children and young adults that have "Deferred Action for Childhood Arrivals (DACA)" status. We are hopeful the United States Supreme Court will soon uphold President Obama's executive actions on immigration, which will allow DAPA and expanded DACA to be implemented and provide parents, young adults, and children access to health coverage.

Health Access requests the Legislature to prioritize providing state-funded Medi-Cal coverage to low-income adults who meet income qualifications but are currently denied full-scope Medi-Cal because of their immigration status. We also believe the state should seek a federal Section 1332 waiver to allow undocumented people to purchase nonsubsidized health coverage through Covered California.

REQUESTS FOR RESTORATIONS AND POLICY CHANGES TO HEALTH PROGRAMS

Health Access California believes restoring cuts and investing in Medi-Cal, as the Legislature has proposed in the last couple of years, would improve access to care, and bring in enhanced federal matching funds into our health system and economy.

Limit Medi-Cal Estate Recovery. We urge the Legislature to limit Medi-Cal estate recovery to Long Term Services and Supports (LTSS) costs only, consistent with minimum federal requirements. California is one of only seven states that goes beyond federal requirements by seeking recovery for the cost of providing all medical services (not just LTSS) to Medi-Cal beneficiaries aged 55 or older. As a result, the state recovers the total amount spent on Medi-Cal for these beneficiaries, including the monthly capitation payments (over \$500 per member per month) to managed care plans, regardless of whether the beneficiary receives care. Higher income individuals who receive subsidized coverage from Covered California are not subject to estate recovery, making this policy particularly unfair and punitive to those who have lower incomes or are unable to earn income.

Two years ago, the Governor vetoed Senator Hernandez's SB 1124, which unanimously passed the Legislature and would have limited Medi-Cal estate recovery to LTSS costs, the minimum required by federal law. In his veto message, the Governor stated that changes to the estate recovery policy should be considered in the budget process. Limiting estate recovery was on discussed, but not resolved, in the 2015-16 budget. Senator Hernandez's SB 33 is pending in the Legislature and we urge the Budget Committees to prioritize this issue as it crafts the 2016-17 budget. Low-income Californians should not have to make a trade-off between seeking health care coverage and keeping their family home.

Restore Cuts Made in the 2009-10 Budget. Health Access urges restoration of cuts to Medi-Cal benefits and rates that were made during the state's fiscal crisis:

- Non-federally mandated but critical Medi-Cal benefits. A number of Medi-Cal benefits, including acupuncture, audiology, chiropractic, incontinence cream and washes, optician/optical lab, podiatry, and speech therapy were eliminated for budgetary, not policy reasons, during the state's fiscal crisis. Providing these services for a modest cost saves the Medi-Cal program more money in the long run because providing these services can avoid more expensive health care costs. For example, diabetics may be forced to get costly amputations and utilize expensive wheelchairs or other mobility tools if they do not have access to podiatry services. We urge restoration of these services, which the Legislature previously estimated would cost a mere \$13 million.
- Full adult dental coverage. Partial restoration of adult dental in the 2013-14 budget has given Medi-Cal recipients access to preventive care, restorations and full dentures. However, some important dental services, such as gum treatment and partial dentures or implants, are still not covered in Medi-Cal. The omission of these services is particularly important given that tooth extraction is among the most common type of service provided under Federally Required Adult Dental Services (FRADS), which offered very limited dental care for adults in Medi-Cal after California eliminated most dental services during the recession. Because most adult Medi-Cal beneficiaries have some, but not all their teeth pulled, they need partial dentures or bridgework following the

extractions. California's current policy of only providing full denture replacement leaves a large portion of Medi-Cal recipients without access to dentures and implants, which has a negative impact on their health and their efforts toward economic-self-sufficiency. It is harder to get work when some of your teeth are missing. The Legislature previously estimated it would cost an additional \$69.5 million to fully restore adult dental benefits in Medi-Cal.

- Medi-Cal Provider Rates. Health Access applauds last year's restoration of the 10 percent rate reduction for Medi-Cal dental providers. A state audit of the Denti-Cal program revealed extreme access issues because of low reimbursement rates for dental providers. We request the Legislature rescind the 10 percent Medi-Cal provider rate cut, which will help increase access for those in Medi-Cal. California's Medi-Cal provider reimbursement rates are among the lowest in the nation, making access to doctors, specialists, and other providers more challenging for some of the 13 million Californians with Medi-Cal coverage. The 2011 budget cut provider rates by 10 percent, and the proposed budget continues to maintain this cut.
- Key Public Health Programs. A number of important public health programs were suspended or eliminated during the state's fiscal crisis. We welcomed the restoration of the Black Infant Health Program and HIV prevention demonstration projects in the 2014-15 budget and appreciate the investments in the State Syringe Exchange, Hepatitis C Linkage to Care Projects, and Pre-Exposure Prophylaxis (PrEP) Access and Outreach Programs in the 2015-16 budget. Health Access urges the Legislature to build on these investments and support additional public health and prevention programs that tackle health concerns before they become expensive conditions.
- Health and Human Services Programs. Although California has, and continues to, enjoy an improved economic outlook, many low-income Californians are still struggling to make ends meet. Programs and services that help families put food on the table and a roof over their head were drastically cut during the recession and most of those cuts have not been restored. We urge the Legislature to make reducing poverty a major priority in the 2016-17 budget.

BUDGET CHANGE PROPOSALS

Health Access supports Budget Change Proposals (BCPs) for implementing legislation we sponsored. We are in the process of reviewing other BCPs and will submit comments on them in the coming weeks.

Department of Managed Health Care

- Limitations on Cost Sharing: Family Coverage (AB 1305): Health Access sponsored AB 1305, which ensures that no individual in a family would have more out-of-pocket medical costs than the individual limit of \$6,600 set by federal law or the individual limit for that product, whichever is lower. This change will make cost sharing more reasonable and fair for families that have one or more family members facing serious illness. We support DMHC's request for resources to implement this law.
- Outpatient Prescription Drug Formularies (AB 339): Health Access sponsored AB 339, which protects Californians with chronic conditions like asthma, hepatitis, HIV/AIDS, multiple sclerosis, or other conditions for which require high-cost specialty medications. The law requires health plans and insurers to: cap cost sharing for prescription drugs at

\$250 or \$500 per prescription; cover medically necessary prescription drugs; prohibits placement of most or all drugs to treat a specific condition on the highest cost tiers of a formulary; and requires formularies to be based on clinical guidelines and peer-reviewed scientific evidence as well as cost. We support DMHC's request for resources to implement this law.

- Provider Directories (SB 137): Health Access co-sponsored SB 137, which sets standards for provider directories and establish more oversight on accuracy so consumers know whether their doctor and hospital are in network when they shop for coverage, change coverage, or try to use their coverage to get care. We support DMHC's request for resources to implement this law.
- Large Group Rate Review (SB 546): Health Access supported SB 546, which establishes new rate review requirements for the large group market and encourages rate increases in the large group market to be more aligned with rates for large purchasers and active negotiators such as CalPERS and Covered California, and with the individual and small employer markets where rate review has already been implemented. We support DMHC's request for resources to implement this law.

Health Access California looks forward to working with you this session to craft a state budget that invests in the health and well-being of Californians. We will submit additional comments on budget issues at budget subcommittee hearings. Please contact Tam Ma, Policy Counsel, at (916) 497-0923 x. 201 or tma@health-access.org if you have any questions about our position on the state budget.

Sincerely,



Anthony Wright
Executive Director

Cc: Marjorie Swartz, Office of the Senate President Pro Tem
Agnes Lee, Office of the Assembly Speaker