

Medicaid (Medi-Cal) and CHIP (Healthy Families)

Federal health care reform legislation, HR 3590 and HR 4872, expands Medicaid and safeguards the Children's Health Insurance Program (CHIP), which are known in California, respectively, as Medi-Cal and the Healthy Families Program.

The legislation broadens eligibility for Medi-Cal and increases federal funding for both programs. While this expansion is expected to substantially increase enrollment - and provide health care coverage to many who are presently uninsured - it will also add new burdens to the state budget and could further strain access.

Federal mandates discourage California, and other states, from cutting the programs or reducing eligibility any time in the near future. In addition, the legislation provides grants for demonstration projects designed to improve the programs' efficiency and effectiveness.

Summary of Medicaid (Medi-Cal) Provisions

Eligibility - Beginning in 2014, California will be required to cover all persons up to 133 percent of the Federal Poverty Level (FPL), which is \$14,000 in annual income for an individual or \$29,000 for a family of four. Also, for the first time, the state must cover childless adults, too. That is projected to boost program enrollment from 7 million to nearly 9 million Californians.

Funding - Existing Medi-Cal enrollees will continue to be funded at the current state-federal split - 50 cents of every dollar paid by Washington. The federal government, though, will initially pay the full cost of program expansion with support declining to 90 percent in 2020.

Maintenance of Effort (MOE) - Until the legislation's Health Insurance Exchange is fully functional, California will not be allowed to decrease eligibility or make other cuts to Medi-Cal without losing federal funding. Due to the MOE requirement, no cuts will be allowed for children without jeopardizing federal support until at least October 1, 2019.

Physician Reimbursement Rates - Medi-Cal will substantially raise reimbursement rates in 2013 and 2014, bumping them up to Medicare levels, for primary care physicians. Rates for specialty and other physicians will remain the same.

Summary of Children's Health Insurance Program (Healthy Families) Provisions

Eligibility - Will remain the same as today, up to 250 percent FPL, which is \$27,000 in annual income for an individual and \$55,000 for a family of four. About 1 million California kids are currently enrolled.

Funding - From 2013 to 2019, California will receive a 23-percent increase in the Federal Medical Assistance Percentage (FMAP) in Healthy Families. This means federal funding will increase, paying 88 cents out of every dollar spent on the program.

Maintenance of Effort (MOE) - As with Medi-Cal, Healthy Families will have MOE requirements. Federal funding could be withheld from California if the state decreases eligibility or makes other cuts to the program.

Physician Reimbursement Rates - These are not affected by the legislation.

Other Issues

Under the legislation, states must simplify enrollment for Medicaid and CHIP. Specifically, states will be required to create one electronic application form that will allow potential enrollees to apply for Medi-Cal, Healthy Families and benefits under the Health Insurance Exchange.

California has an existing electronic application (“Health e-App”) for both Medi-Cal and Healthy Families that will likely serve as the template for this requirement.

The bill also creates a new Federal Coordinated Health Care Office for the purposes of better aligning benefits for “dual eligibles” - those who are on both Medicare and Medi-Cal. The office will provide guidance and assistance to states, Medicare Advantage plans and physicians. The idea is to better integrate care for low-income elderly persons.

Finally, the legislation offers an extensive array of federal grants and demonstration projects for states to pursue.

Concerns

While health reform substantially increases reimbursements for primary care physicians, it does so only temporarily and fails to increase rates for other important services.

Unfortunately, the expansion of Medicaid could hamper access to care for all patients served by the program if program improvements are not made. At current reimbursement rates, less than half of California physicians are able to treat Medi-Cal patients and maintain viable practices. Expansion will add more patients to a program with a limited supply of physicians.

Many clinics report that their waiting lists for specialists are as long as six months. Federal health reform will add an estimated 1.7 million new Californians to the Medi-Cal program, without a substantial physician rate increase to expand specialist participation in the program. As a result, there will be even fewer physicians per patient and many of the newly insured persons will not have timely access to a physician but instead will have to seek care in overburdened emergency rooms.

Next Steps for California Lawmakers

1. Clarify the MOE requirements for both programs so state lawmakers know what is required to maintain maximum federal funding.
2. Assess access to care under Medi-Cal and determine whether physician participation needs to be improved or other program adjustments must be made to ensure program participants have access to care and are not forced to visit costly and overburdened emergency rooms, when unnecessary.
3. Aggressively pursue grants and demonstration projects to optimize federal funding for the two programs.