From the CEO

Be Aware and Beware: PPACA Changes Are Coming to Medi-Cal

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So many elements of the health care reform act are troubling, and for California one of the most alarming is the broad expansion of Medi-Cal to cover populations not currently eligible for benefits. The Affordable Care Act (ACA) requires that all states phase in the expanded Medi-Cal/ Medicaid coverage by 2014, opening enrollment to a large segment of uninsured persons who, by virtue of their incomes, currently do not qualify. Additionally, if the individual mandate stands, then it is expected that more than 500,000 currently qualified uninsured persons will be added to the Medi-Cal population.

In the interim, Section 1115 of the Social Security Act allows the Secretary of Health and Human Services to approve state demonstration projects that may not fully meet Medicaid requirements, yet allows the states to use funds that otherwise are not permitted under federal rules. These project waivers are intended to promote development of new approaches to program design and administration. Under Section 1115, states have broad discretion to modify eligibility, benefits, cost sharing and provider payments.

The Henry J. Kaiser Foundation recently published a document, "Five Key Questions and Answers about Section 1115 Medicaid Demonstration Waivers," which reports on how states are beginning to prepare for full implementation of ACA, only three years away. The Executive Summary can be found at http://www.kff.org/medicaid/upload/8196.pdf. In addition, a companion piece, "Key Facts on California's Bridge to Reform Medicaid Demonstration Waiver," focuses on the California experience and plan (http://www.kff.org/medicaid/upload/8197-FS.pdf). California received waivers in 2005 to develop alternatives to traditional fee-for-service payment. In 2010, at the five-year renewal point, the "Bridge to Reform" was approved. A precursor to transitioning to full Medi-Cal expansion in 2014, this California waiver allows for expansion to Medi-Cal low-income individuals who previously failed to qualify for Medi-Cal. However, because Section 1115 waivers mandate budget neutrality, the federal government will not pay more than it would have in the absence of a waiver. The state takes on the considerable risk for costs that exceed the amount allocated for the life of the waiver.

The "Bridge to Reform" has adopted a new set of acronyms coined in the ACA. The Limited Income Health Program (LIHP) includes two models: 1) Medicaid Coverage Expansion (MCE), which will cover nonpregnant adults ages 19–64 whose family incomes are less than 133 percent of the federal poverty level (FPL), currently $14,484 for an individual; and 2) the Health Care Coverage Initiative (HCCI), which will cover nonpregnant adults ages 19–64 whose family incomes are between 133 percent and 200 percent (currently $21,780 for an individual) of the FPL.

The state is preparing for implementation of Medi-Cal expansion with laws that enable it to comply with the new federal requirements. SB 208 (Steinberg) authorized pilot projects in which seniors and persons with disabilities can be shifted from Medi-Cal fee-for-service to Medi-Cal managed care plans as of June 1, 2011. AB 342 (Perez) permits counties to implement coverage for nonpregnant adults ages 19–64 whose incomes are less than 200 percent of FPL. AB 1629 (Perez) established the California Health Insurance Exchanges as an independent public entity. Pending is AB 43 (Monning), which will expand coverage to persons who are below 133 percent of the FPL. Given the condition of California's budget and efforts to reduce Medi-Cal payments, many stakeholders are wondering how, when programs and funding are in place, all the newly covered beneficiaries will receive health care. Because physicians already are limiting and reducing their Medi-Cal caseloads due to current dismal payments, access to care will become an even more critical issue. Indeed, this is the elephant in the room that the ACA does not address; instead, it relies on the already economically beleaguered states to find solutions.