

California Readies to Pay \$1.3B for State's Share of Medicaid Expansion



Everything's relative. When it comes to budgeting, five percent might sound like

small change, practically an afterthought. But when the budget is the state of California's, and when the five percent is the state's share of the cost to cover Medi-Cal enrollees eligible under the Affordable Care Act (ACA), that five percent amounts to \$1.3 billion...in a healthcare budget that was already feeling growing pains.

Under the ACA, the federal government funded the Medicaid expansion at 100%...until this year, when states would need to start to kick in a relatively small share. This marks a divergence in how the federal government pays for traditional Medicaid enrollees (around 50%). Federal assistance to the states for new ACA Medicaid beneficiaries is set to keep to its downward trend until 2020, when states will be required to contribute 10% of the cost. However, from this vantage point in time, it's difficult to make healthcare predictions with certainty.

What will Medicaid look like after the AHCA?

Undeniably, there is much anxious uncertainty in the healthcare industry with the passage of the American Health Care Act (AHCA) in the House of Representatives, a bill which, if left intact and passed by the Senate, would strip the ACA of many of its essential health benefits and guarantees, allow insurers to treat consumers with pre-existing conditions differently (and many say unfairly), and, in 2020, halt the Medicaid expansion that allowed millions of uninsured individuals to obtain coverage.

This uncertainty has led California lawmakers to explore the idea of extricating the state from the federal upheaval via universal, single-payer coverage for all residents of the Golden State, though the knottiest issue in the current discussion remains how the state would fund that vision.

And while the discussion of universal healthcare in California is still very much in the what-if stage, the \$1.3 billion the state will have to pay this year for its share of Medi-Cal new enrollees is very much a reality.

Medi-Cal expansion net sweeps up 4 million previously uninsured

California's Department of Health Care Services (DHCS) reports that around 4 million state residents enrolled in Medi-Cal under the ACA's Medicaid expansion (which raised the eligibility income ceiling to 138% of the federal poverty level, or around \$16,000 for one person, and also widened eligibility to include individuals who do not have



children). The number of new beneficiaries alone outweighs many other states' Medicaid rosters in their entirety (traditional and new enrollees).

Stan Rosenstein is a Sacramento healthcare consultant and former Medi-Cal director. "It was expected, but it's still money that has to come from somewhere," he told [California Healthline](#). "It puts budget strain on the state."

The state's Legislative Analyst's Office estimates that the federal government will send California over \$17 billion for the fiscal year 2017-18 for the Medicaid expansion. If the House AHCA bill clears the Senate without revisions, that would mean the loss of coverage to millions of new ACA Medi-Cal beneficiaries post-2020, not only because of the drastic changes in federal funding, but also due to the natural pattern of weaving in and out of eligibility and a new requirement for expansion enrollees to renew coverage twice as frequently (bi-annually instead of annually).

Looking ahead: fewer enrollees = fewer federal dollars

A plunge in the number of enrollees wouldn't solve the state's funding issues, however, because federal contributions would plunge accordingly.

Deborah Kelch is executive director of the Insure the Uninsured Project. She told *California Healthline* that in the absence of sufficient federal backing, at that point the state might find itself in the position of not being able to keep the expanded eligibility doors open. "It's a lot for the state to absorb," she said. "It's not going to be easy to make up that kind of revenue when you think of the total state budget."

Tobacco tax revenue not enough to cover estimated costs

Governor Jerry Brown recently released revisions to his \$183 billion state budget, but even those don't include a slam-dunk to cover the anticipated Medi-Cal amount due. Brown proposed funneling \$1.2 billion in tobacco tax revenue toward covering the state's share of Medi-Cal growth, but that alone won't cover the estimated \$1.3 billion needed. And also, that idea has not been universally accepted.

The California Medical Association — along with some consumer advocates — have expressed the need for the tobacco tax money (which is in play thanks to the passage of Proposition 56 last November) to be diverted toward more specific healthcare needs; for instance, increasing reimbursement rates for Medi-Cal providers.

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