PPIC

Health Care

CALIFORNIA'S FUTURE

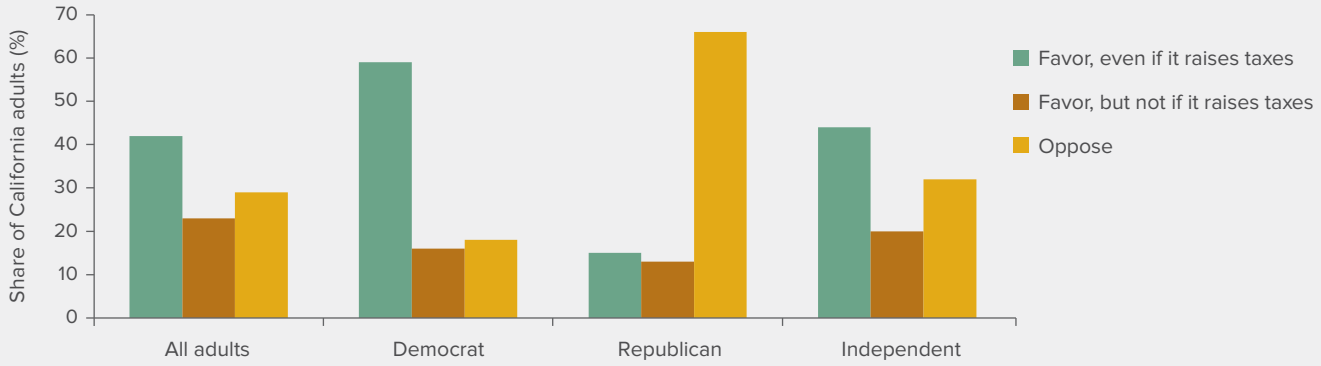
JANUARY 2018

Uncertainty about federal health policy has California exploring state options

California has seen dramatic declines in the number of uninsured residents since 2014, when major coverage expansions under the Affordable Care Act (ACA) were implemented. About 93 percent of Californians now have health insurance coverage, up from 82.5 percent in 2013; this translates to about 5 million fewer uninsured state residents. Medi-Cal, the state's Medicaid program, is responsible for much of the coverage gain, while Covered California, the state's insurance marketplace, continues to see robust enrollment.

The state's expansion of health coverage faces an uncertain future. The president and congressional Republicans have pledged to dismantle the ACA and to fundamentally alter the Medicaid program. A rollback of federal funding would substantially reduce California's ability to continue its current level of coverage. With federal policy still uncertain, the state has been exploring options for maintaining current coverage levels and expanding health insurance to all Californians. Recently, the legislature proposed a state single-payer health system as an option for achieving universal coverage. The plan lacks important details—including how it would be financed. There is support for such a plan, but opinions may shift once details on funding are introduced, particularly since there is a large partisan divide.

MOST SUPPORT A STATE SINGLE-PAYER HEALTH PLAN, BUT THERE IS A PARTISAN DIVIDE



SOURCE: PPIC Statewide Survey, May 2017.

Most uninsured Californians live in low-income households

- **Expanding coverage to those who remain uninsured could be challenging.**
  Despite coverage gains, about 2.8 million Californians lacked health insurance in 2016. Absent a single-payer system, achieving universal coverage may require innovative strategies, since many who remain uninsured are not connected to traditional enrollment conduits such as employers and/or are not eligible for public insurance programs due to their immigration status. Almost two-thirds (65%) of those who are uninsured are Latino, and about 45 percent are noncitizens. About 40 percent worked full-time throughout 2016, and another 33 percent worked part-time, but nearly 30 percent were not in the labor force. More than half of uninsured Californians live in low-income households, with earnings under 200 percent of the federal poverty line (about $48,000 for a family of four).

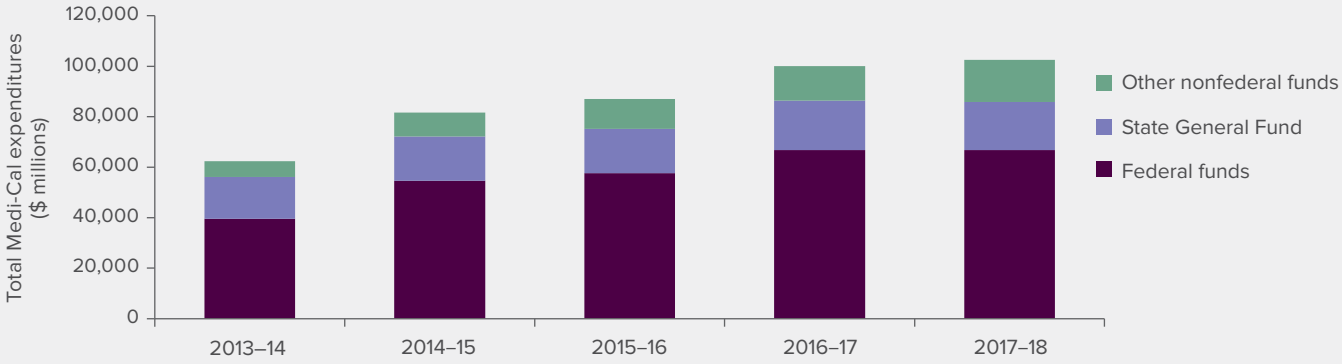
- **The health care safety net will continue to be essential.**
  Uninsured residents often rely on California's health care safety net for medical services. Beyond offering care to the uninsured, traditional safety net providers such as community clinics and county public hospitals serve as key access points for Medi-Cal patients, particularly for inpatient and specialty care. California's public hospital system, in counties where it exists, is also a critical component of the state's emergency medical system, as well as its provision of trauma care and capacity to train physicians. Whether or not the state moves toward universal coverage, it will be important to preserve the long-standing role of the health care safety net in providing care to California's diverse low-income communities.

Medi-Cal covers more than one-third of all Californians

Medi-Cal, which provides comprehensive health insurance to low-income people, is the linchpin of the ACA's expansion of coverage in California. Under the ACA, the state has expanded Medi-Cal to cover low-income adults who do not have a qualifying disability or responsibility for a dependent child. The federal government currently covers 94 percent of the cost of this newly eligible group of about 3.8 million adults. However, recent federal health care proposals include dramatic cuts to Medicaid funding.

- **The federal government provides two-thirds of total Medi-Cal funding.**
  Enrollment growth has increased program costs, which are projected to be more than $100 billion in 2017–18. The federal government is expected to contribute two-thirds of total program funding (about $69 billion). But nearly $20 billion will be covered by the state General Fund. Even in the absence of major federal funding cuts, Medi-Cal is the second-largest General Fund expenditure, behind K–12 education.

IN RECENT YEARS, THE SHARE OF FEDERAL FUNDS SUPPORTING THE MEDI-CAL PROGRAM HAS GROWN

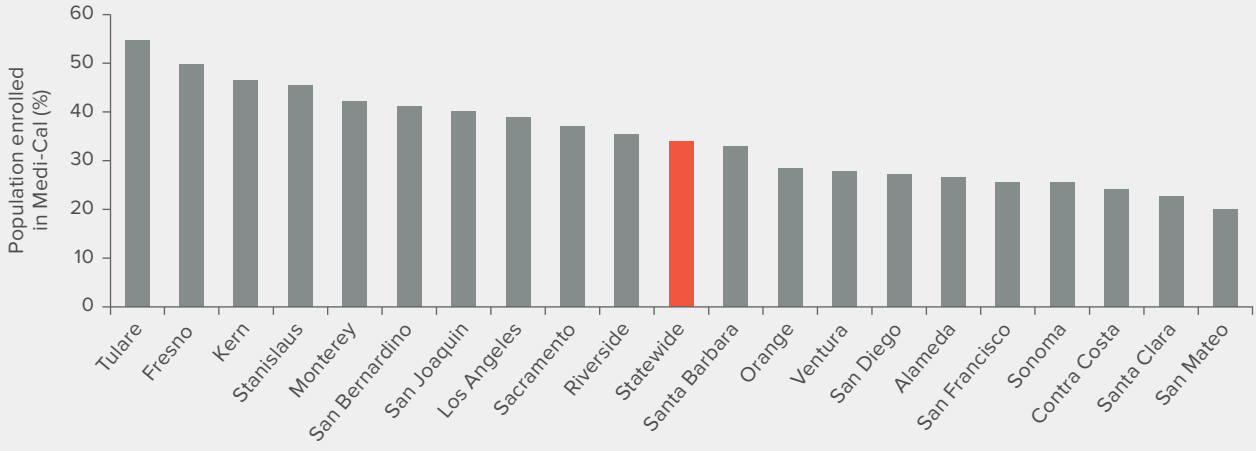


SOURCE: California Department of Health Care Services, Medi-Cal Local Assistance Estimates.

NOTE: Other nonfederal funds include provider fees and transfers from local governments.

- **Medi-Cal provides health insurance to more than 13 million Californians.**
  Since the Medi-Cal program expanded in 2014, enrollment has increased nearly 60 percent. Medi-Cal currently serves about 13.5 million Californians—more than a third of the state's population. In some counties, half of all residents are enrolled in the Medi-Cal program.

MEDI-CAL PROVIDES COVERAGE TO HALF OF ALL RESIDENTS OF SOME LARGE COUNTIES



SOURCES: California Department of Health Care Services, Research and Analytic Studies Division, Medi-Cal Certified Eligibles, Summary Pivot Table, Most Recent 48 Months, August 2017. California Department of Finance E-1 Population Estimates for Cities, Counties, and the State with Annual Percent Change.

NOTE: The share of residents enrolled in Medi-Cal is calculated using the average total Medi-Cal certified eligibles from the first five months of 2017 and the total population for January 2017 from the Department of Finance.

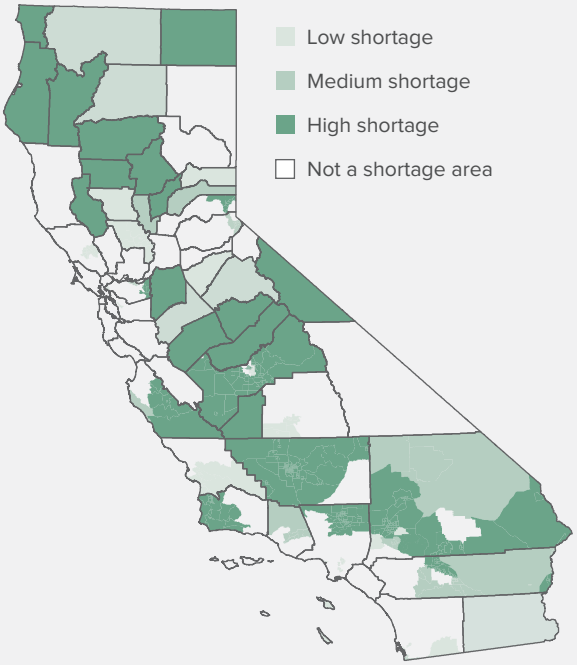
Covered California has maintained its enrollment levels and its roster of health plans

Covered California allows individuals and small businesses to shop for and enroll in health plans. Enrollment has remained steady, and all 11 health insurance companies that offered coverage in 2017 will continue to participate in the marketplace in 2018.

- **Covered California relies heavily on federal subsidies.**
  Nearly 1.2 million (85%) of Covered California enrollees receive federal subsidies to help cover the cost of monthly insurance premiums. These subsidies average $346 per month. In addition to premium assistance, nearly half (48%) of Covered California enrollees also benefit from cost-sharing reductions that lower out-of-pocket costs such as co-payments and deductibles. These reductions are designed to prevent low-income individuals (with incomes that are 100% to 250% of the federal poverty line) from delaying care because of the cost. Federal proposals—including the elimination of cost-sharing reductions or repeal of the individual mandate (the requirement that nearly all US residents have comprehensive insurance coverage or pay a tax penalty)—could increase premiums significantly.
- **Coverage costs have been growing in recent years.**
  Covered California has seen increasing premium costs in the past two years. This is partly due to federal actions to dismantle the ACA but also because providing care to enrollees has been costlier than expected. Covered California has implemented sound policies that have allowed it to maintain its selection of health plans and enrollment levels, but it is difficult to see how it can maintain its current size and scope if federal funding is cut.

Health care access, quality, and results are uneven across the state

MANY AREAS FACE SHORTAGES OF MENTAL HEALTH PROVIDERS



SOURCE: US Department of Health and Human Services, Health Resources and Services Administration, Data Warehouse.

NOTES: Health professional shortage areas (HPSAs) can be defined as entire counties or groups of census tracts. Mental health HPSAs are based on a psychiatrist-to-population ratio of 1:30,000. Scores are based on a number of different criteria including provider-to-population ratios, percent of population in poverty, and travel distance to nearest source of care. The higher the score, the greater the shortage. In the map above, low-shortage areas have a score of 5–12, medium-shortage areas have a score of 13–15, and high-shortage areas have a score of 16–20. HPSA designation updated through October 2017.

- **Health can be assessed in a variety of ways.**

Health can be measured by looking at health status, access to and quality of care, personal behavior, and social and physical environments. According to most of these measures, there are significant differences among socioeconomic, racial, ethnic, and regional groups.

- **Several regions in California are experiencing shortages of health providers.**

Many Californians live in areas where the supply of health care providers is not adequate to ensure access to care. The federal government has developed criteria to designate certain geographic areas, populations, or health care facilities as health professional shortage areas (HPSAs), which confer access to certain federal programs and benefits. For example, HPSAs designating a shortage of mental health providers are located throughout California but are especially prevalent in the Central Valley and northern regions of the state.

Looking ahead

The Affordable Care Act brought widespread changes to health care coverage and delivery in California. These reforms now face an uncertain future under the current federal administration.

Uninsured Californians. California's uninsured rate in 2016 reached an historic low of 7.3 percent—indicating that almost 5 million fewer people lack health insurance than just a few years ago. If the federal government reduces its level of financial support for Medi-Cal and/or coverage purchased through Covered California, many people who gained coverage under the ACA will likely be unable to afford health insurance.

Medi-Cal program. The possibility of large federal funding cuts raises many questions for the Medi-Cal program. If the federal government shifts to a capped funding system, states may gain more flexibility in program administration, eligibility, and benefits. In this scenario, budgetary issues would be a major concern, but it would also be important to consider the importance of the program to provide health services to some of California's most vulnerable residents.

Covered California. Health plans and hospital systems played a substantive role in the development and implementation of the ACA. As key health care purchasers and providers, they will undoubtedly be involved in future discussions. Covered California invested heavily in technology and infrastructure to create a robust marketplace.

Health care safety net. Now more than ever, policymakers must monitor the effectiveness and financial condition of the state's health care safety net to ensure that its providers—including public hospital systems, emergency departments, primary care clinics, and comprehensive health centers—can continue to provide care to all Californians.

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