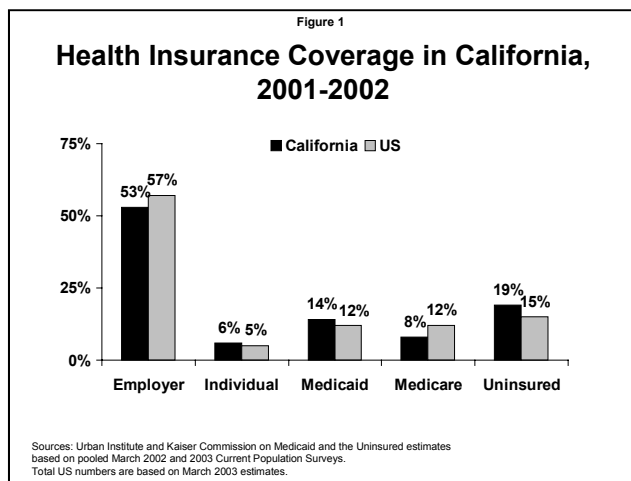


THE CALIFORNIA MEDICAID PROGRAM AT A GLANCE

California's Medicaid program, Medi-Cal, provided health and long-term care coverage to over 8 million individuals in 2000. Medi-Cal is administered by the state and jointly funded by the state and the federal government. In California, Medi-Cal covers nearly one in four children, covers the majority of persons living with AIDS, and fills in gaps in Medicare coverage for low-income elderly and persons with disabilities. The state of California has one of the highest rates of uninsured in the nation and lower than average employer-sponsored health insurance coverage rates (Figure 1). Public programs such as Medi-Cal play a vital role in ensuring health care services to those who are least able to afford health insurance.



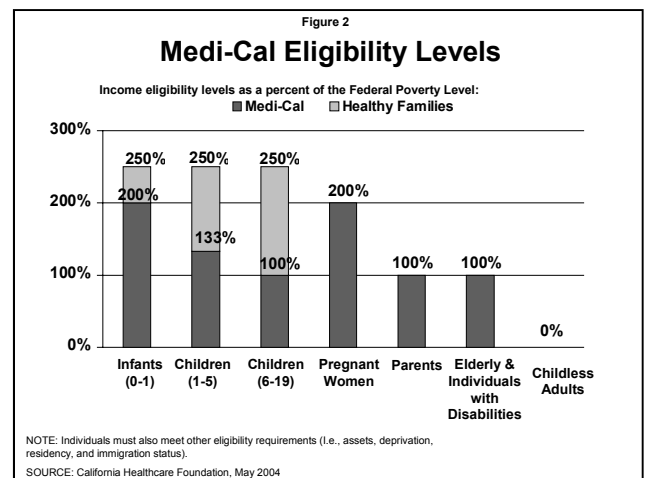
Medi-Cal also plays a major role in California's health care delivery system, paying for \$1 out of every \$6 spent on health care. Medi-Cal pays for two-thirds of all nursing home care and 4 in 10 of all births in the state. Medi-Cal is also the largest source of public funding for mental health care in the state.

WHO IS ELIGIBLE FOR MEDI-CAL?

In 2000, Medi-Cal, provided coverage to over 8 million individuals including 3.2 million children, 3.4

million adults, 772,400 persons with disabilities, and 751,800 seniors. Federal law requires states to cover certain populations at specific income levels (called "mandatory" groups), but gives states the option of covering additional ("optional") individuals with federal matching funds.

Children: Income eligibility requirements for children are based on federal poverty levels and child's age. Infants up to 1 year of age and with household incomes up to 200% FPL; children 1 to 5 years up to 133% FPL; and ages 6-19 up to 100% FPL are eligible (Figure 2). Uninsured low-income children with incomes above Medi-Cal levels up to 250% FPL can qualify for coverage through the State's Children's Health Insurance Program called Healthy Families.



Adults: Medi-Cal provides health coverage for low-income pregnant women up to 200% FPL and low-income parents up to 100% FPL, dependent upon certain work and resource requirements. Over 1 million low-income Californian's are enrolled in Family PACT, a special Medicaid program that provides coverage for family planning services only. Adults without children may qualify for Family PACT, but not for the full range of Medicaid acute and long-term care benefits.

Elderly and Persons with Disabilities: The most common way for persons with disabilities to qualify for Medi-Cal is by meeting the requirements of the federal Supplemental Security Income (SSI) cash assistance program for the aged and persons with disabilities. Medi-Cal provides coverage to individuals with disabilities and the elderly up to 100% FPL. For this group, Medi-Cal coverage provides prescription drugs and long-term care as well as paying for Medicare premiums, deductibles and cost-sharing. A small share of low-income Medicare beneficiaries (called SLMBs or QMBs) receive Medi-Cal assistance with Medicare cost-sharing only and not drugs or long-term care.

Medically Needy

Some individuals, who otherwise meet Medi-Cal’s categorical eligibility criteria but have higher incomes, qualify through Medi-Cal’s “medically needy” pathway, which covers individuals with incomes up to 83% FPL and couples up to 97% FPL. This eligibility pathway qualifies individuals that “spend down” into Medicaid eligibility after incurring high medical expenses.

Immigrants

Citizens, lawful permanent residents and certain other immigrants who meet other eligibility requirements may qualify for full Medi-Cal services. However, undocumented immigrants and other immigrants without satisfactory immigration status can qualify for limited Medi-Cal coverage (such as Emergency Medi-Cal covering prenatal care, long-term care, and certain other services), which are paid for using state only funds.

WHAT SERVICES DOES MEDI-CAL COVER?

To address the complex health and long-term care needs of the diverse population it serves, Medi-Cal covers a broad range of services. The Medi-Cal program is required to cover “mandatory” services such as:

- inpatient and outpatient hospital care,
- physician and other medical provider services,
- skilled nursing facility care,
- laboratory and x-ray services, and

- early and periodic screening, diagnosis, and treatment (EPSDT) for children under age 21.

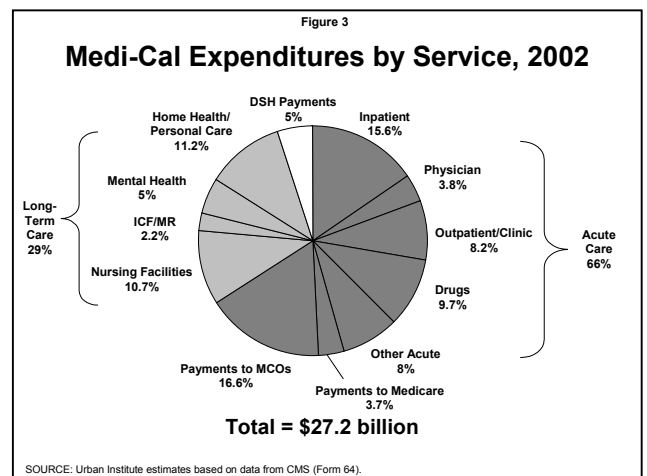
States can also cover additional “optional” services, that are important to medical and long-term care, with federal matching funds. California covers optional services such as:

- prescription drugs,
- dental care,
- vision care,
- hospice care,
- inpatient psychiatric care and,
- rehabilitation and therapy services.

Medi-Cal services are delivered either through traditional fee-for-service or through managed care. In 2002, 53 percent of Medi-Cal enrollees were in managed care, slightly less than the national average of 57 percent. All Medi-Cal children, pregnant women, and non-disabled parents are enrolled in managed care in the 25 counties where managed care is available. Elderly and disabled Medi-Cal enrollees, in contrast, get their care in fee-for-service arrangements, with 86% of elderly and 79% of non-elderly beneficiaries with disabilities in fee-for-service.

MEDI-CAL SPENDING

In 2002, federal and state Medi-Cal spending totaled \$27.2 billion (Figure 3). Medi-Cal enrollees represent nearly 1 in 5 Medicaid enrollees nationwide and account for about 11 percent of total Medicaid spending.

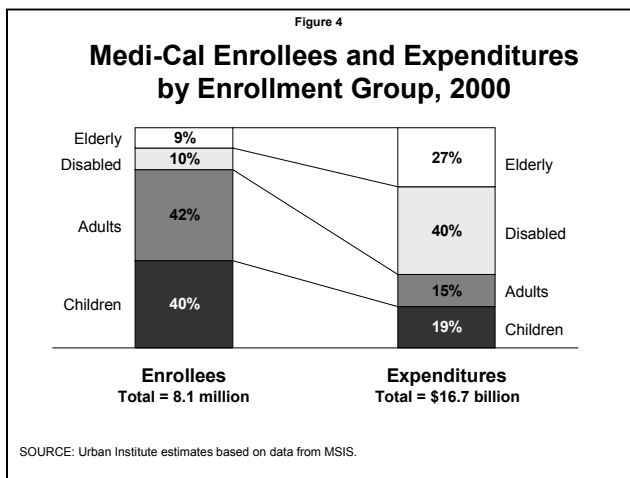


In 2002, the two-thirds of Medi-Cal spending (66%) was for acute care services which includes inpatient and outpatient services as well as prescription drugs, including 17 percent through managed care organizations. Long-term care services made up nearly a third of spending. California spends slightly less on long-term care services and more on acute care services compared with the national average.

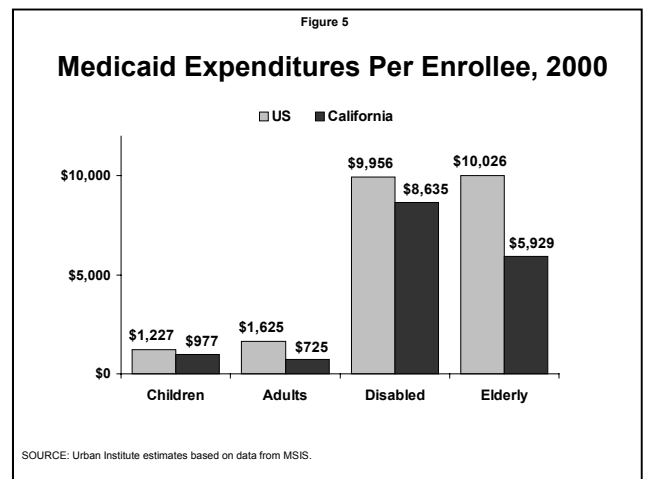
Nearly 4 percent of spending was for premiums to Medicare for “dual eligibles” who are enrolled in both Medi-Cal and Medicare. However dual eligibles account for 30 percent of Medi-Cal spending overall, including payments for prescription drugs and long-term care services not covered by Medicare.

Meanwhile, DSH payments, which are supplemental Medicaid payments to aid hospitals serving a disproportionate share of indigent patients, represented about 5 percent of total spending on services. In FY 2004, California will receive an estimated \$1.03 billion in federal DSH funds.

Although low-income children and their parents make up over 80 percent of Medi-Cal beneficiaries, they account for only 34 percent of Medi-Cal spending (Figure 4). Medi-Cal spending, like Medicaid spending nationally, is heavily weighted toward the elderly and persons with disabilities, who account for just 19 percent of beneficiaries but almost 70 percent of Medi-Cal spending, reflecting the intensive use of acute and long-term care services by these populations.



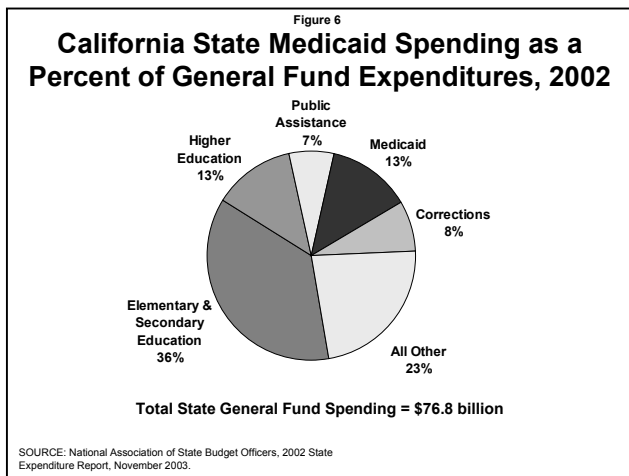
Compared with national Medicaid spending on a per person basis, California spends less per enrollee largely due to lower provider payment rates and a higher proportion of children and adult enrollees relative to other states. California ranks 42 out of 50 states in physician reimbursement rates. In 2000, estimated Medi-Cal spending per child was \$977, compared with \$1,227 nationally (Figure 5). Estimated spending per elderly enrollee was \$5,929 compared with \$10,026, because California spends less on long-term care services than almost all states nationwide.



MEDI-CAL IS FINANCED BY THE STATE AND THE FEDERAL GOVERNMENT

Medi-Cal is administered by the California Department of Health Services and county human services offices and jointly financed by the state and the federal government. California’s federal matching rate, known as the federal medical assistance percentage (FMAP), is 50 percent, meaning for every \$1 the state spends on Medi-Cal the state receives \$1 of federal matching funds.

California spends about 13 percent of its own funds on Medi-Cal, compared to an average of 16 percent nationally, making it the second largest program in the general fund budget next to education (Figure 6). Medi-Cal’s size and matching payments mean that Medi-Cal is the major source of federal grant funds to the state, representing about 33 percent of all federal grants to California in 2001.



A steep decline in state tax revenues (especially capital gains) over the past several years has led to a severe budget crisis in California and to an estimated \$15 billion deficit in the state for FY 2005. While many other states are facing similar budget shortfalls, California's shortfall has been the biggest in the nation. California is one of about 30 states projecting budget shortfalls for FY 2005.

As California has grappled with its budget situation, the state has reduced planned spending in many programs, including Medi-Cal. California has recently taken action to reduce Medicaid spending by: reducing provider payment rates (which are already significantly lower than provider rates in Medicaid in other states), reducing benefits, and restricting eligibility.

The \$20 billion in temporary federal fiscal relief enacted by Congress in May 2003 has also helped many states, including California, ease budget pressures. California received an estimated \$1.3 billion in federal payments as a result of the temporary 2.95% increase in the federal matching rate. The federal fiscal relief helped California resolve a Medicaid budget shortfall and avoid or postpone making additional Medi-Cal cuts. This fiscal relief expired in June 2004.

CHALLENGES FACING MEDI-CAL TODAY

The state is currently discussing ways to address its budget shortfall for FY 2005, and as part of its budget balancing efforts, is also discussing the future of the Medi-Cal program. In January 2004, the governor's budget proposed to undertake a major restructuring of the Medi-Cal program by seeking a waiver of some of the federal rules and beneficiary protections under which the Medicaid program operates.

Key elements included alignment of eligibility standards between Medi-Cal and the states other cash-assistance program, the development of tiered benefit structure and the addition of premiums and copayments for certain populations, and the expansion of managed care to elderly and disabled Medi-Cal populations. In addition, if a waiver is secured, the result may be a cap on the federal share of Medi-Cal financing that could have serious consequences for the program's ability to keep up with costs in the future. Discussions about the goal and scope of such a waiver are currently underway in the state.

With state fiscal conditions improving at a slow rate in California and other states and the expiration of temporary federal fiscal relief, pressure to reduce spending on the Medi-Cal program will likely continue into FY 2005 and beyond. This will have implications not only for the 8 million Californians enrolled in Medi-Cal but also for the 6.5 million Californians who are uninsured.

Additional resources from the Kaiser Commission:

- Medicaid at a Glance fact sheet
<http://www.kff.org/medicaid/2004-04.cfm>
- The Medicaid Resource Book
<http://www.kff.org/medicaid/2236-index.cfm>
- Medicaid Basics Reference Library
<http://www.kaiseredu.org/ReferenceLibraries/Medicaid/index.cfm>
- Medicaid Spending and Enrollment: State and National Data Update
<http://www.kff.org/medicaid/kcmu031104pkg.cfm>
- Health Insurance Coverage in America: 2002 Data Update
<http://www.kff.org/uninsured/4154.cfm>

For additional free copies of this fact sheet (#7138) visit www.kff.org/kcmu.