kaiser commission on MEDICAID FACTS

medicaid and the uninsured

THE HENRY J. KAISER FAMILY FOUNDATION

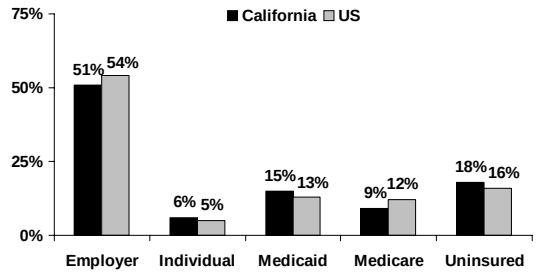
June 2005

THE CALIFORNIA MEDICAID PROGRAM AT A GLANCE

California's Medicaid program, Medi-Cal, provides health and long-term care coverage to over 10 million individuals. 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. California has one of the highest uninsured rates in the nation and lower than average employer-sponsored health insurance coverage rates (Figure 1). Public programs such as Medi-Cal help provide health care services to those who are least able to afford health insurance.

Figure 1

Health Insurance Coverage in California, 2002-2003



Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on pooled March 2003 and 2004 Current Population Surveys.
Total US numbers are based on March 2004 estimates.

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.

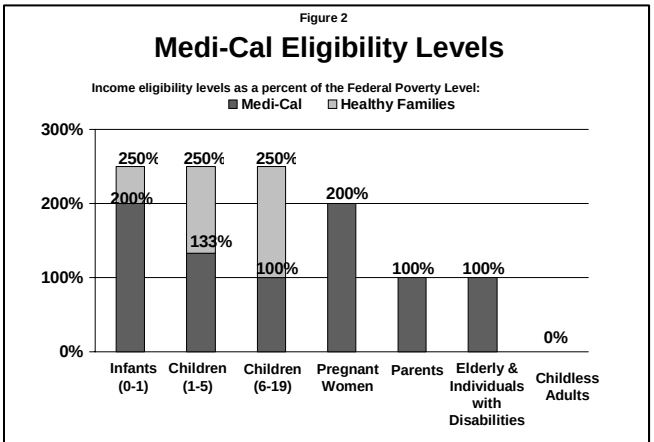
WHO IS ELIGIBLE FOR MEDI-CAL?

In 2003, Medi-Cal provided coverage to over 10 million Californians. Children and adults make up the majority of Medi-Cal beneficiaries (39% and 44% respectively) while persons with disabilities represent about 10 percent of enrollees and seniors account for another 7 percent. 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 a child's age. Infants up to 1 year with household incomes up to 200% FPL, children 1 to 5 years up to 133% FPL, and children ages 6 to 19 up to 100% FPL are eligible (Figure 2). Uninsured children with incomes above Medi-Cal eligibility levels but below 250% FPL can qualify for coverage through the State's Children's Health Insurance Program called Healthy Families.

Figure 2

Medi-Cal Eligibility Levels



NOTE: Individuals must also meet other eligibility requirements (I.e., assets, deprivation, residency, and immigration status).
SOURCE: California Healthcare Foundation, May 2004

Adults: Medi-Cal provides health coverage for pregnant women up to 200% FPL and parents up to 100% FPL, dependent upon certain work and resource requirements. Over 1 million low-income Californians 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 extends eligibility beyond minimum requirements for 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 and/or premiums but 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. This eligibility pathway qualifies individuals that "spend down" into Medicaid eligibility, with incomes up to 83% FPL and couples up to 97% FPL, after incurring high medical expenses that reduce their income.

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

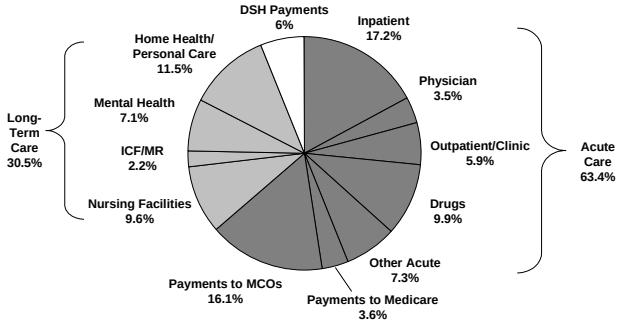
Medi-Cal services are delivered either through traditional fee-for-service or managed care arrangements. In 2003, 51 percent of Medi-Cal enrollees were in managed care, less than the national average of 60 percent. All Medi-Cal children, pregnant women, and non-disabled parents are enrolled in managed care in the 22 counties where managed care is available. Most elderly and disabled Medi-Cal enrollees, in contrast, get their care in fee-for-service arrangements, with 86 percent of elderly and 79 percent of non-elderly beneficiaries with disabilities in fee-for-service.

MEDI-CAL SPENDING

In 2003, federal and state Medi-Cal spending totaled $30.4 billion (Figure 3). Medi-Cal enrollees

Figure 3

Medi-Cal Expenditures by Service, 2003



Total = $30.4 billion

SOURCE: KCMU and Urban Institute estimates based on data from CMS (Form 64).

represent about 20 percent of Medicaid enrollees nationwide and account for about 11 percent of national Medicaid spending. In 2003, nearly two-thirds of Medi-Cal spending (63%) was for acute care services which includes inpatient and outpatient services as well as prescription drugs. Sixteen percent of overall spending was for payments to managed care organizations. Long-term care services made up a third of spending. California spends slightly less on long-term care services and more on acute care services compared with the national average.

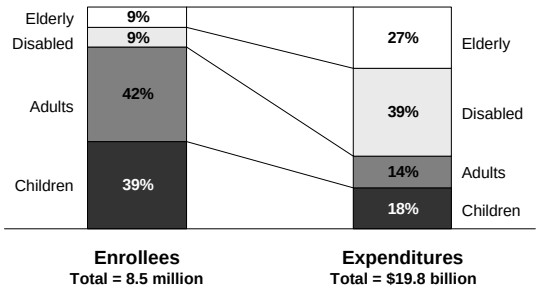
Nearly 4 percent of spending was for premiums to Medicare for "dual eligibles" who are enrolled in both Medi-Cal and Medicare. However dual eligibles account for 27 percent of Medi-Cal spending overall, including payments for prescription drugs and long-term care services not covered by Medicare.

DSH payments, which are supplemental Medicaid payments to aid hospitals serving a disproportionate share of indigent patients, represented about 6 percent of total spending on services. In FY 2005, 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 32 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 18 percent of beneficiaries but almost 70 percent of Medi-Cal spending, reflecting their intensive use of acute and long-term care services.

Figure 4

Medi-Cal Enrollees and Expenditures by Enrollment Group, 2001

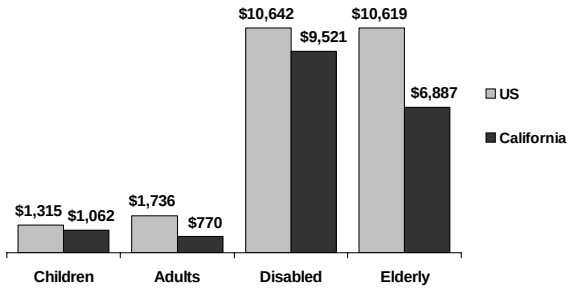


SOURCE: KCMU and Urban Institute estimates based on data from MSIS. NOTE: 2 percent of spending unknown.

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 is one of 20 states that cover both children and parents up to 100% FPL. California ranks 42nd among states in physician reimbursement rates. On average, Medi-Cal pays physicians about two-thirds of Medicare rates. In 2001, estimated Medi-Cal spending per child was $1,062, compared with $1,315 nationally (Figure 5). Estimated spending per elderly enrollee was $6,887 in California compared with $10,619 nationally, because California spends less on long-term care services than almost all other states.

Figure 5

Medicaid Expenditures Per Enrollee, 2001



SOURCE: KCMU and Urban Institute estimates based on data from MSIS.

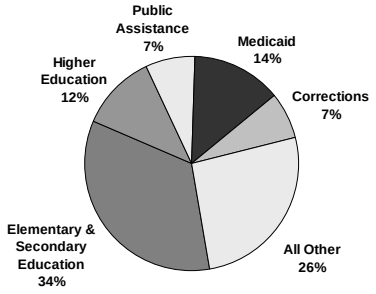
MEDI-CAL IS FINANCED BY THE STATE AND THE FEDERAL GOVERNMENT

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 13.6 percent of its own funds on Medi-Cal, compared to an average of 16.5 percent nationally, making it the second largest program in the general fund budget after 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 32 percent of all federal grants to California in 2003.

Figure 6

California State Medicaid Spending as a Percent of General Fund Expenditures, 2003



Total State General Fund Spending = $77.5 billion

SOURCE: National Association of State Budget Officers, 2003 State Expenditure Report, November 2004.

A steep decline in state tax revenues (especially capital gains) over the past several years led to a severe budget crisis in California. The state is facing an estimated $8.6 billion deficit in FY 2006. While many other states are facing similar budget shortfalls, California's shortfall in dollar terms is the largest in the nation. Recently, revenues have rebounded to some extent, but not enough to offset annual budget shortfalls that are predicted for the remainder of the decade.

As California has grappled with its budget situation, the state has chosen to rely heavily on short-term solutions such as selling $15 billion in deficit financing bonds. The state also reduced planned spending in many programs, including Medi-Cal. California has recently taken action to reduce Medicaid spending by: cutting provider payment rates (which are already significantly lower than provider rates in Medicaid in other states), scaling back benefits such as dental services, and restricting eligibility.

CHALLENGES FACING MEDI-CAL TODAY

In January 2005, the Governor released a proposal to restructure the Medi-Cal program with the goal of maintaining health coverage for eligible populations while containing program costs. The Governor's budget proposed to undertake a major restructuring of the Medi-Cal program by seeking waivers of some of the federal rules and beneficiary protections under which the Medicaid program operates. In addition to federal permission, the Medi-Cal redesign plan will require state legislative approval. Key elements include:

- **Expand Managed Care:** expanding managed care enrollment for children, parents, the elderly and persons with disabilities;
- **Financing Safety Net Hospitals:** restructuring the state's safety net hospital financing system through a new waiver that would shift payments from intergovernmental transfers (IGTs) to a cost-based reimbursement methodology based on certified public expenditures (CPEs);
- **Increase Premiums:** adding monthly premiums for certain populations above 100% FPL including children, the elderly and persons with disabilities;
- **Reduce Benefits:** capping the adult dental benefit;
- **Change Eligibility Process:** shifting the processing of Medi-Cal applications for children from the county to a centralized contractor.

Although state fiscal conditions have improved modestly in California, health care costs continue to rise rapidly, and the pressure to reduce spending on the Medi-Cal program will likely continue into FY 2006 and beyond. This will have implications not only for the 10 million Californians enrolled in Medi-Cal but also for the 6.4 million Californians who are uninsured.

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