

Recent reports have analyzed the effects of federal reform in California, including the extent of coverage expansion¹ and cost and savings estimates for the state.² This report summarizes what reform could mean for California while presenting a county-by-county comparison of the effects of federal reform. These effects include the projected number of individuals newly qualifying for Medi-Cal, the projected number of individuals eligible for federal subsidies to purchase insurance in the Health Insurance Exchange, and the projected amount of those subsidies.

Federal Reform in California

The proposed reform legislation transforms the individual insurance market, improves consumer protections in the group market, extends the solvency of the Medicare program, and begins to bend the cost curve – i.e. slow the rates of growth in public and private spending. The legislation will have extensive effects in California in terms of insurance market reforms, increased federal assistance for those with private individual insurance and the uninsured, and additional funding for primary care, prevention and wellness.

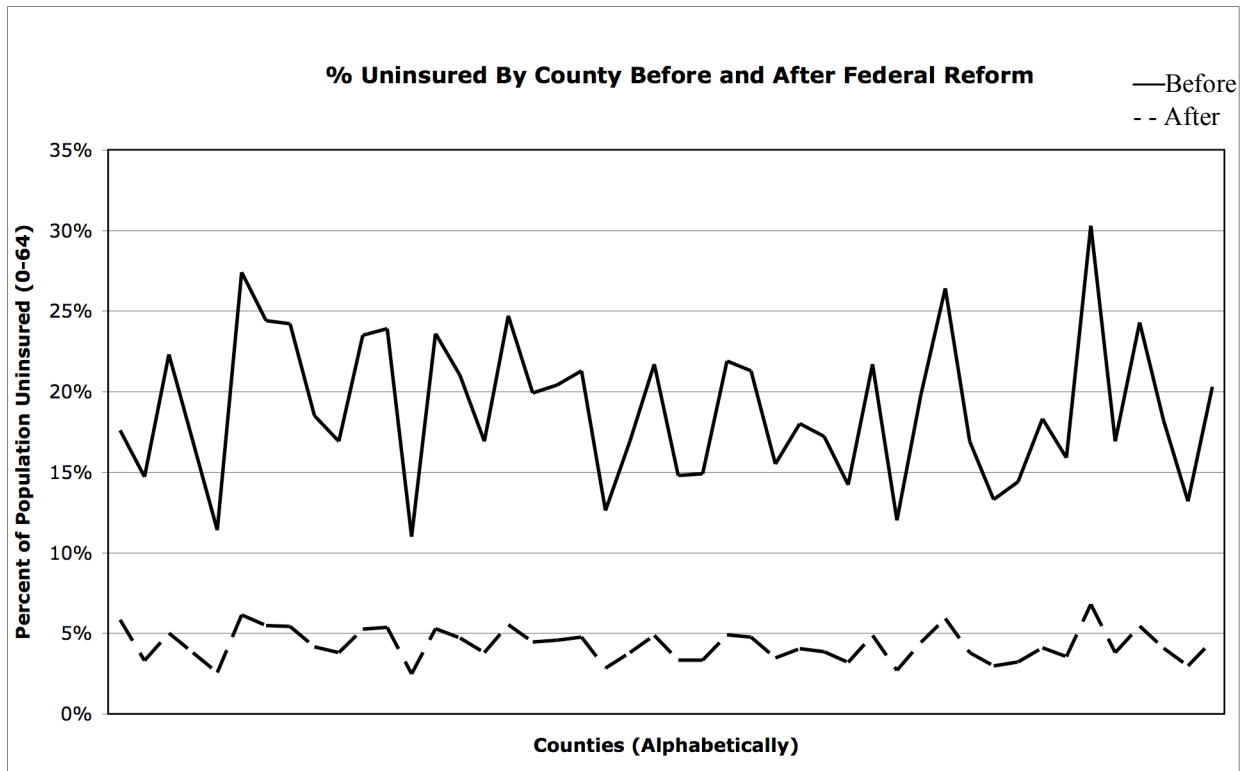
Coverage Expansion

The individual mandate will obligate every Californian to obtain qualified health insurance. In total, nearly 4 million uninsured Californians will be eligible for financial assistance to go towards the costs of their coverage; another 960,000 will be ineligible for financial assistance (incomes above 400% of FPL) but still required to purchase insurance, with the option to do so through the Exchange.³ Over 900,000 Californians with individual private insurance will be eligible for financial assistance to help cover their premium costs.⁴

Medi-Cal eligibility will cover children and adults with incomes up to 133% of the federal poverty level (FPL), or \$24,400 for a family of four. Healthy Families (California's version of CHIP) eligibility will increase to 250% FPL (\$45,950 for a family of four). UCLA Center for Health Policy Research projects Medi-Cal expansion will expand coverage to nearly 1.7 million uninsured Californians. This equates to a 25% increase in enrollment in the current Medi-Cal program, while doubling Medi-Cal managed care enrollment. In total, it is projected that the legislation provides California with more than a \$6.8 billion federal match in 2018.⁵ The recent compromise proposal by President Obama gives states an even higher match -- 100% match for the first three years, 95% for the next two years and a 90% match for subsequent years.

Californians between 133%-400% FPL (\$24,400 to \$88,200 for a family of four) will be eligible for subsidies on both their premiums and out-of-pocket costs through the Exchange. These subsidies are referred to as refundable tax credits and are offered on a sliding scale basis for premiums in excess of 3%-9.8% of family income. Over 2.3 million uninsured Californians will be eligible for these subsidies, as would an additional 900,000 persons and families currently purchasing insurance through the individual market.⁶ Benefits through the Exchange will cover hospital, doctor and prescription drug costs. Consumers can select among coverage options of

70%, 80% or 90% of the covered medical costs, or they can keep their existing coverage, whichever they prefer. All coverage is guaranteed issue and guaranteed renewal with no pre-existing condition exclusions. It is projected that \$11.1 billion in federal subsidies would be available to Californians through the Exchange.⁷ Small businesses will also be eligible for subsidies to provide coverage for their workers from which we project a benefit of over \$600 million annually for the 638,000 small businesses with less than 20 employees in California.⁸



State and Local Budget Deficits and Program Simplification

In the wake of ongoing budget cuts in California’s health programs, additional federal funding through reform will be of significant benefit. The California Department of Health Care Services estimates that successful passage of the Senate bill could result in nearly \$600 million in General Fund savings in fiscal year (FY) 2018-2019⁹ for individuals in current state programs whose coverage will transition to the federally subsidized Exchange or the Medi-Cal expansion. Similarly, there are up to \$1.4 billion in savings in county health programs’ costs of care to those uninsured who will qualify for Medi-Cal and the Exchange.¹⁰ These estimates assume 100% enrollment of newly eligible individuals in Medi-Cal and in the Exchange as a result of the individual mandate, and that 80% of state and local program expenditures are for citizens and legal permanent residents.

Additional Safety Net Funding

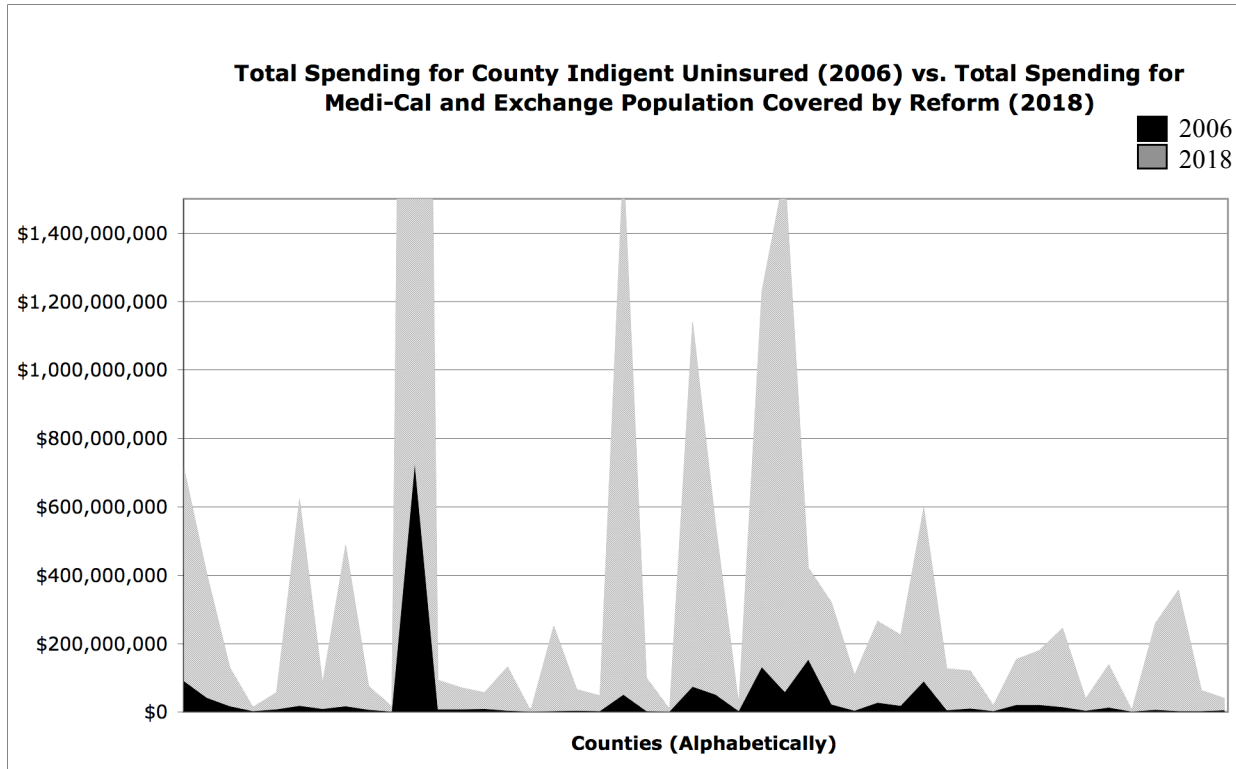
California will be eligible for additional federal funding through reform. Specifically, Californians could receive:

- A temporary high-risk pool for two to three years until reform is fully implemented, which would allow nearly 200,000 medically uninsurable Californians to obtain coverage, making available to California nearly \$375 million in federal aid.
- Additional §330 funding for federally-qualified health centers (FQHCs), bringing \$1 billion over 5 years to California clinics beginning in 2010.
- The closure of the Medicare Part D donut hole will provide \$200 million to California's seniors.
- A reinsurance program for retirees between the ages of 55-64 will provide up to \$1 billion over 2 years.

County-by-County Comparison

Counties constitute a vital role in the safety net, as they have been responsible for providing care to California's lower income uninsured individuals that have no other source of care. As such, counties will need to understand how to adapt and evolve, as federal health reform will have extensive effects on the financing and delivery of care for the newly insured and those who will remain uninsured. The absence of federal assistance for undocumented and newly legal immigrants will affect some counties and communities disproportionately. As there is wide variation among county safety net systems policies towards care for immigrants, it is important to understand the rules governing specific financing streams (i.e., realignment, tobacco, disproportionate share hospital—DSH, Safety Net Care Pool—SNCP, and county match funds) and the policies towards immigrants and geographic locations of different delivery systems (e.g., public hospitals, private hospitals, county, community, and free clinics, and private providers).

In the county-level estimates, we used our annual county reports from 2008, which report county data from 2006.¹¹ Although we recognize that populations and financing will surely fluctuate by 2018, we believe the analyses represent a useful snapshot of the effects of reform at the county level before and after reform. See the attached spreadsheet for county level impacts.



Sample County: Alameda

2006

Of the 1.45 million residents in Alameda County, 17.6% were uninsured in 2006 totaling 229,252 persons. County health spending per uninsured resident equaled \$395.45 that year -- a total of \$90.6 million.¹²

2014 -- First Year of Reform

After the first year of reform in 2014, Alameda residents newly eligible under Medi-Cal would account for \$87 million in federal matching for care to the county's lowest income uninsured. Alameda residents eligible for subsidies to purchase private, individual insurance through the Exchange would account for \$80 million in federal subsidies.

2018 – Full Implementation of Reform

Assuming full implementation in 2018, Alameda would see a 94% insurance rate, with only 93,000 individuals remaining uninsured.¹³ After full implementation of reform in 2018, 56,200 Alameda residents will be newly eligible under Medi-Cal with nearly \$227 million in federal matching for care to the county's lowest income uninsured. We estimate that 107,547 Alameda residents will be eligible for subsidies to purchase private, individual insurance through the Exchange, with a countywide share totaling \$370.5 million in federal subsidies.

¹ Lavaredda and Brown, National Health Care Reform Will Help Four Million Uninsured Adults and Children in California (UCLA Center for Health Policy Research, October 2009)

<http://www.healthpolicy.ucla.edu/pubs/Publication.aspx?pubID=382>

² California Department of Health Care Services, Health Care Reform Cost and Savings Estimate: Full Implementation (December 4, 2009), HR 3590 Patient Protection and Affordable Coverage Act (November 23, 2009 version) and HR 3962 Affordable Health Care for America Act (November 6, 2009 version); Council on Economic Advisors, The Economic Case for Reform (December 14, 2009) and The Impact of Health Insurance Reform on State and Local Governments (September 15, 2009) at

<http://www.whitehouse.gov/administration/eop/cea/factsheets-reports>

³ Lavaredda and Brown, National Health Care Reform Will Help Four Million Uninsured Adults and Children in California. Exemptions from the mandate will be available based on financial hardship (i.e. more than 8% of income) and religious beliefs.

⁴ We asked CHIS for the numbers of Californians with individual private insurance by income, their answer is 887,000 (45% of individuals with private individual insurance) had incomes below 400% of FPL. See Reckling and Wulsin, Improving Affordability under Federal Reform (November 13, 2009) at www.itup.org/reports

⁵ California Department of Health Care Services, Health Care Reform Cost and Savings Estimate: Full Implementation (December 4, 2009), HR 3590 Patient Protection and Affordable Coverage Act (November 23, 2009 version)

⁶ Lavaredda and Brown, National Health Care Reform Will Help Four Million Uninsured Adults and Children in California and ask CHIS as discussed in footnote 4.

⁷ Assuming that California with over 15% of the nation's uninsured receives 14% of the Exchange subsidies, that amounts to \$11 billion annually under the Senate bill. See CBO Analysis of HR 3590, Letter to Senator Harry Reid, March 11, 2010. The letter to Senator Reid projects a cost for the premium subsidies through the Exchange at \$76.6 billion annually over the three fiscal years 2017-2019. We averaged the first three years of 100% implementation and assigned a 72% share to the uninsured and a 28% share to those with private individual insurance.

⁸ We estimated that California's small lower wage businesses would receive 15% of the projected \$4 billion in annual costs of this provision. CBO Analysis of HR 3590, Letter to Senator Harry Reid, November 18, 2009.

⁹ California Department of Health Care Services, Health Care Reform Cost and Savings Estimate: Full Implementation (December 4, 2009), HR 3590 Patient Protection and Affordable Coverage Act (November 23, 2009 version)

¹⁰ We assumed that 80% of county spending for the medically indigent uninsured is for US citizens and legal permanent residents

¹¹ See ITUP county reports at <http://itup.org/regional-workgroups.html>

¹² See ITUP, Alameda County Overview of the Uninsured 2007 (December 2008) at <http://itup.org/workgroups/regionalworkgroups/BayArea/pastbayare.html>

¹³ Those who remain uninsured would be comprised of the undocumented and those with exemptions due to either religious beliefs or financial hardship. This estimate has been increased based on a population growth rate of 1% per year.