

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

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| (1) DEPARTMENT Behavioral Health | (2) MEETING DATE 3/19/2013 | (3) CONTACT/PHONE Jeff Hamm, Health Agency Director 788-2855 | |
| (4) SUBJECT Consideration of a Report on the State and Local Implications of Implementation of the Federal Patient Protection and Affordable Care Act. | | | |
| (5) RECOMMENDED ACTION It is recommended that your Board receive and file this report, and provide any related policy direction to staff your Board deems appropriate. | | | |
| (6) FUNDING SOURCE(S) N/A | (7) CURRENT YEAR FINANCIAL IMPACT \$0.00 | (8) ANNUAL FINANCIAL IMPACT \$0.00 | (9) BUDGETED? N/A |
| (10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ___) { x } Board Business (Time Est. ___) | | | |
| (11) EXECUTED DOCUMENTS { } Resolutions { } Contracts { } Ordinances { x } N/A | | | |
| (12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A | | (13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A { } 4/5th's Vote Required { x } N/A | |
| (14) LOCATION MAP N/A | (15) BUSINESS IMPACT STATEMENT? No | (16) AGENDA ITEM HISTORY { x } N/A Date: _____ | |
| (17) ADMINISTRATIVE OFFICE REVIEW | | | |
| (18) SUPERVISOR DISTRICT(S) All Districts - | | | |

County of San Luis Obispo



TO: Board of Supervisors

FROM: Jeff Hamm, Health Agency Director

DATE: 3/19/2013

SUBJECT: Consideration of a Report on the State and Local Implications of Implementation of the Federal Patient Protection and Affordable Care Act.

RECOMMENDATION

It is recommended that your Board receive and file this report, and provide any related policy direction to staff your Board deems appropriate.

DISCUSSION

Background

Under the Patient Protection and Affordable Care Act (ACA, or “federal health care reform”), states have the option to expand their Medicaid Programs—known in California as Medi-Cal. In states choosing to participate, beginning in January of 2014, the federal government will pay almost all the costs of the program’s expansion.

In the Governor’s FY 2013-14 State Budget, released in January, he confirmed his commitment to California’s participation in the Medi-Cal expansion. However, at the same time he proposed that the state consider the following two alternative methods to implement the expansion: 1) a state-based approach in which the state would expand its existing Medi-Cal program to include the expansion population, and 2) a county-based approach in which the counties would assume fiscal and programmatic responsibility for the provision of health services to the expansion population.

The Governor asserts that in either alternative the counties collective responsibility to provide health care services to indigent adults will be reduced as those individuals become eligible for and enroll in Medi-Cal. Consequently, he further proposes that either 1) some portion of the funds counties receive for that purpose (’91 Realignment Health Trust Account revenues) be redirected to the state, or 2) the counties keep those funds and use them to pay for an increased share of cost in an unnamed human service program such as Child Care or CalWORKs.

The California Legislative Analyst’s Office recently published a comprehensive report on this topic, titled *Examining the State and County Roles in the Medi-Cal Expansion*. The report is attached hereto, and the author of this memo strongly encourages anyone taking the time to read this memo to take the time necessary to read the report. Here is a link to the report as well:

<http://www.lao.ca.gov/analysis/2013/health/ACA/medi-cal-expansion-021913.aspx>

Pending Policy Issues

The Governor’s proposals present two significant policy issues on which counties might choose to take a position. The first is whether the state should administer the Medi-Cal expansion or delegate/force counties to assume that responsibility. The second is how much money, if any, the state should redirect/realign from counties in either of the two Medi-Cal expansion alternatives.

State-based Expansion or County-based Expansion

Pages 24 through 28 of the attached LAO's Report contain an analysis of the advantages of the state-based expansion alternative, and the disadvantages of the county-based alternative. In his recommendations on pages 35 and 36 of the Report, the LAO recommends that the Legislature adopt a state-based approach. Staff agrees completely with both the points of the LAO's analysis and with his conclusion.

Realignment of Indigent Health Care Funding

Pages 28 through 34 of the attached LAO's report describe the statewide financial implications of the proposed Medi-Cal expansion.

The following describes the financial implications for San Luis Obispo County.

Since 1982, SLO County has run a Medically Indigent Services Program, called the County Medical Services Program (CMSP). From its inception to 1991-92 it was funded by a block grant allocation from the State, the amount for which was initially set at 70% of what the State had been spending on care for the same population. Funding for that program, along with several other health and human services, was "realigned" from State General Fund block grants to a formula driven share of state sales tax and Vehicle License Fees (VLF) receipts. In the last couple of years prior to '91 Realignment, the State reduced all counties' block grants substantially. San Luis Obispo County's CMSP block grant was reduced from \$3.0 million in FY 1989-90, to \$2.5 million in FY 1990-91, to \$1.5 million in FY 1991-92. That became the base amount for indigent medical care funding under the '91 realignment legislation.

For the FY 2013-14 budget, we are projecting total revenues to the '91 Realignment Health Account to be approximately \$5.9 million. Of that amount, approx. \$2.4 million (41%) is directed to the CMSP budget, and \$3.5 million (59%) is directed to Public Health programs. Over the 13 years since its enactment, '91 realignment funding for indigent medical care has increased from \$1.5 million to the current level of \$2.4 million.

The 2013-14 CMSP budget includes approx. \$7.0 million of expenses, financed by the above mentioned \$2.4 million of '91 Realignment Health Trust Account revenues, \$4.3 million of General Fund support, and \$300K of other miscellaneous revenues. These expenses are associated with the delivery of medical care to 3,245 indigent adults.

The Medi-Cal expansion provided for by the ACA will allow coverage for previously ineligible adults with incomes up to 138% of the federal poverty level (FPL). Data suggests there are as many as 19,000 residents of our County in that cohort, including the 3,245 individuals mentioned above who we project would continue to be CMSP-eligible if there were no Medi-Cal expansion. While the CMSP estimate of 3,245 includes individuals up to 250% of the FPL, over 3/4ths are below 138%. Our CMSP enrollment is so significantly below the Medi-Cal eligibility expansion estimate of 19,000 because one must also have an existing medical condition (medical necessity) to be eligible for CMSP, while there is no such requirement in Medi-Cal. (As a side note, both programs do exclude undocumented residents such that the 19,000 estimate for new Medi-Cal eligibles is likely inflated.)

One might initially conclude post January 1, 2014 there would be no one in the County that would fall through the newly expanded health care safety net and end up as the County's legal responsibility under Section 17000 of the Welfare and Institutions Code. One might base that conclusion on the following two facts: 1) Medi-Cal is being expanded to include all previously ineligible adults up to 138% FPL, and 2) the ACA's individual mandate provision and the availability of subsidized coverage for individuals from 139% to 400% FPL via the Health Benefit Exchange. However, staff is now of the opinion that the County may continue to be legally responsible to ensure health care access for the following categories of individuals:

- Legal permanent residents (LPRs/green card holders) in US less than 5 yrs.
- Citizens or LPRs (> 5yrs) who cannot enroll because there is no "affordable" plan available, as acknowledged by a waiver obtained from the state's exchange
- Citizens or LPRs (> 5yrs) 138-250% FPL who cannot enroll because they missed the open enrollment period

Our CMSP data suggests that as many as 15 to 20%, or between 500 and 650 of our projected CMSP-eligible population, may fall into one of the exemption categories.

Current cost data indicate the County spends \$2,150 per enrollee per year on its CMSP obligation. It is reasonable to assume that per enrollee annual cost will continue to be the same. If that is the case, the County's post Medi-Cal expansion residual obligation will be between \$1.1 and \$1.4 million. Since the County receives \$2.4 million in '91 realignment Health Trust Account receipts for the delivery of indigent medical care (with the \$3.5 million balance committed to financing Public Health programs), and its residual indigent medical care obligation post Medi-Cal expansion is expected to require \$1.4 million, it would be reasonable for the County to take the position that the state should realign no more than \$1.0 million, or approximately 17%, of its '91 Health Trust Account receipts.

In either expansion option, there is much work to be done in transitioning from the current design of the CMSP, to a greatly reduced scope. These efforts have ramped up considerably in recent months, and pertain not only to those for whom the County will retain legal responsibility and the future 19,000 Medi-Cal eligible persons, but also to another 15,000 uninsured county residents who will be eligible for the State's health benefits exchange, known as Covered California.

OTHER AGENCY INVOLVEMENT/IMPACT

California's implementation of the Medicaid (Medi-Cal) expansion component of the ACA will have significant implications for many health care delivery system stakeholders besides the County Health Agency. Among them are the County Department of Social Services, CenCal Health, Community Health Centers of the Central Coast, all four hospitals and all members of the medical community. All are represented on an ad hoc group meeting to ensure regular communication and coordination of local issues related to the pending Medi-Cal expansion.

FINANCIAL CONSIDERATIONS

The possible financial considerations for the County and others associated with the pending Medi-Cal expansion are significant.

RESULTS

This report is intended to provide the Board with an overview of the state and local issues associated with California's implementation of the Patient Protection and Affordable Care Act, and to give the Board an opportunity to establish any appropriate policy positions or to provide any necessary direction to staff.

ATTACHMENTS

1. Attachment 1 - LAO Report Regarding Medi-Cal Expansion