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RECOMMENDATIONS ON HEALTH CARE: MEDI-CAL REFORM

CALIFORNIA WORKING FAMILIES POLICY SUMMIT JANUARY 7, 2005

Introduction

A primary goal of the State of California should be to assist families, children, adults, seniors, and the disabled thrive by supporting basic provisions of health care. When members of society have health care, they become active, thriving and productive contributors to society. California has participated in the federal Medicaid program since 1965. California's Medicaid program, called Medi-Cal, is the largest health care program in the state, serving over 6.5 million people. Medicaid is a joint federal-state partnership where most of the program costs are shared on a roughly equal basis for the provision of health care for certain low-income individuals.

Medi-Cal offers a comprehensive benefits package and is the primary funding source for the state's mental health program and the system of care for the developmentally disabled. Additionally, Medi-Cal provides significant funding for California's health care safety net, including the public and private hospitals that serve Medi-Cal beneficiaries and the uninsured.

In the upcoming year, the State of California is facing a projected \$8 billion budget deficit, and it is feared that health and human services programs, including Medi-Cal, will be targeted for cuts. When evaluating budget cuts, it is important for California policymakers to consider that the Medi-Cal program already has the lowest per beneficiary cost in the nation (51st in the Nation),¹ and cuts to this program will be harmful to low-income people who need health care in order to thrive and participate as productive individuals.

Sweeping Medi-Cal reforms proposed last year are expected to reappear in the proposed state budget or will be unveiled near the release of the budget. Last year's budget contained a conceptual framework to redesign the Medi-Cal program by increasing costs to beneficiaries, expanding organized delivery systems, and making changes to Medi-Cal program processes and procedures. These changes would be accomplished by means of a section 1115 waiver, which refers to section 1115 of the federal Social Security Act. An 1115 waiver allows the federal government to waive (or disregard) certain provisions of Medicaid law and might subject all or large parts of the Medi-Cal program to a budget cap. Such a waiver would result in harmful cuts to the Medi-Cal program.

It is also anticipated that changes to the Medi-Cal program will be proposed based on a report generated by the California Performance Review (CPR) commission. Taken together, the recommendations in the health and human services section of the CPR report propose a profound shift in the way that the state would deliver health care services to low-income persons. Some of these proposals could be valuable efforts to cut red tape, but others could have the effect of reducing access to or quality of services.

While both of these efforts – the Redesign and CPR – announce some goals like simplification and efficiency, we are concerned that at the detail level these efforts could cause harm to low-income Californians who rely on Medi-Cal for their health, their lives, and their ability to thrive in society.

A diverse set of advocacy groups and other stakeholders have proposed affirmative principles or guidelines that the Governor, the Legislature, and others can use as a framework to evaluate proposed reforms of the Medi-Cal program, including changes proposed through a 1115 demonstration waiver, the

Governor's budget, the May Revise of the Budget, the CPR Report, or any other method. These guidelines were developed with broad stakeholder input and outline basic criteria to make certain there is access to health coverage for low-income families. The guidelines are available in full at www.wclp.org and are reflected in the policy objectives and recommended actions below.

POLICY OBJECTIVE #1

Ensure that any Medi-Cal reforms or other health coverage proposals maintain or improve access to health coverage and benefits for adults and all populations in Medi-Cal.

Background

Some Medi-Cal reforms previously proposed by the Administration have recommended Medi-Cal co-payments, premiums, and coinsurance. These proposals would have exceeded fee limitations established by the Medicaid Act and its implementing regulations. It is also possible that the Administration might recommend that people with disabilities and the elderly be required to enroll in Medi-Cal managed care.

Recommended Actions

A. Uphold Congressional intent.

The Legislature and the Governor should not adopt reform proposals unless proposed reforms uphold Congress' clearly stated objectives of the Medicaid Act to: 1) furnish medical assistance to limited income families with dependent children and the aged, blind, and disabled, and 2) furnish rehabilitation and other services to help them attain/retain independence or self care.

B. Streamline eligibility without restricting access.

The Legislature and the Governor should adopt necessary components of true reform that streamline eligibility requirements without causing a loss of coverage and that improve program quality and efficiency. Similarly, the Legislature and Governor should reject policies that would result in a lapse or loss of coverage, restrict access, or make access more cumbersome or difficult for those eligible for Medi-Cal or other public health programs.

C. Ensure that added costs for recipients do not impede access.

The Legislature and the Governor should not adopt reform efforts that impose increased cost sharing on eligible individuals. Increased cost-sharing requirements for those individuals who can least afford it should be rejected, as current studies and data consistently indicate that cost sharing impedes their access to medically necessary services.²

D. Preserve the safety net.

The Legislature and the Governor should not adopt reform efforts that would destabilize the state health safety net. Any effort to reform the state health care system must ensure that safety net services are preserved and must not shift the burden of providing care to safety net providers.

E. Protect vulnerable and special needs populations, including preserving EPSDT for children.

The Legislature and the Governor should not adopt reform efforts unless such reforms preserve protections for vulnerable and special needs populations and reject proposals that erode them. Children's access to existing Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT) services must be preserved. Coverage of immigrants, elderly, pregnant women, and persons with disabilities must be maintained.

F. Preserve Medi-Cal recipients' due process rights.

The Legislature and the Governor should reject any reform efforts that undermine existing due process rights and protections of beneficiaries. Individuals must retain the right to a fair hearing and to written notice of any adverse action effecting health coverage, services, and health care access. Individuals must retain the right to retain Medi-Cal benefits until they are found ineligible for all Medi-Cal categories.

- G. Provide services that are culturally and linguistically appropriate.
The Legislature and the Governor should not adopt reform efforts unless they 1) ensure that services are delivered in a culturally and linguistically appropriate manner to Limited English Proficient populations; and 2) eliminate or reduce racial and ethnic health disparities.
- H. Provide consumer protections for Medi-Cal managed care.
The Legislature and the Governor should not adopt reform efforts that require mandatory managed care. Any expansion of managed care must be voluntary, based on informed choice, and contain consumer protections guaranteed in the Knox-Keene Act, as well as retain federal and state standards for health benefits, services, and timeliness of care. The needs of special populations, including persons with disabilities or those who are located in rural areas, must be addressed.
- I. Hold full and fair public budget and/or policy hearings.
The Legislature should exercise its authority to hold full and fair public budget and policy hearings prior to State approval or submission of any Medi-Cal redesign waiver. Any significant or substantive change to Medi-Cal must be deliberated and approved through the regular legislative process.
- J. Ensure an open and deliberative public process for any 1115 waiver proposals.
The Legislature should require that the 1115 waiver application contain details with regard to changes in eligibility, benefits, patient cost sharing, and other provisions. Also, the waiver application and any implementing legislation should specify how much federal money will be added or lost as a result of each proposed change, what specific costs or cost savings will result, as well as the impact of the waiver on eligibility, benefits, and other indicators. Any final financing arrangements under the waiver between the State and the Federal government must be approved by the Legislature.

POLICY OBJECTIVE #2

Streamline Medi-Cal program processes for all populations without decreasing eligibility levels or medical benefits.

Background

For years, a variety of health advocates and stakeholders have worked collaboratively on efforts to streamline the complex procedural requirements and substantive program rules in the Medi-Cal program so that low-income people can more easily access health coverage in California. Simplification in the Medi-Cal program means removing unnecessary paperwork barriers, eliminating cumbersome eligibility rules and procedures, and, wherever possible, consolidating program rules to minimize confusion for applicants, recipients, eligibility workers, and others.

The CPR Report recommends that the different program eligibility processes for Medi-Cal, CalWORKs, and Food Stamps programs be streamlined, simplified, and coordinated. Achieving this goal will require the concerted attention of state and county leaders and legislative advocates. Advocates are recommending and will be supportive of legislative proposals that streamline eligibility and improve coordination, as long as access to care is protected.

Recommended Actions³

- A. Simplify Medi-Cal processes and aid categories, while preserving eligibility.
The Legislature and Administration should adopt reforms that simplify Medi-Cal eligibility requirements without jeopardizing any eligibility categories. Reform should not add to the complexity of the Medi-Cal program. Simplifying aid categories by “leveling up” could significantly

reduce administrative costs and help low-income people access Medi-Cal. Complex rules and requirements should be minimized or reduced so that enrollment and retention documentation and reporting requirements are not unnecessarily burdensome to recipients and are no more restrictive than required by federal law.

B. Eliminate the “Assets Test” in Medi-Cal.

The Legislature should pass legislation and the Governor should sign legislation that would eliminate the “Assets Test” in Medi-Cal. The rules calculating the value of various assets are very complicated and time-consuming for applicants and eligibly workers. Most applicants do not have disqualifying assets, and this test is burdensome and time-consuming and prevents many very-low income persons from accessing Medi-Cal.

C. Remove unnecessary questions and requirements from required forms.

Legislation should be adopted that requires all questions not required by federal law to be removed from state Medi-Cal application and renewal forms and other required paperwork. The federal Administration through the Centers for Medicare and Medicaid Services has urged states to omit all unnecessary questions from the application and renewal forms and to make them more user-friendly so recipients are more likely to understand them, submit them, and successfully obtain and retain coverage.

D. Improve coordination between Medi-Cal, CalWORKs, and Food Stamps Programs.

The Legislature should pass legislation and the Governor should sign legislation that improves cross-program coordination and better customer service. Typically, county Medi-Cal, CalWORKs, and Food Stamp programs each require separate intake, eligibility assessment, renewal and verification processes. Improved coordination of these functions through cross-program coordination would improve customer service and decrease administration costs. Similarly, improved sharing of case information and coordination of computer systems and staff training would not only assist effectiveness and efficiency of these programs within counties, but also coordination of benefits across counties.

E. Eliminate the “Deprivation Test” in Medi-Cal.

The Legislature should pass legislation and the Governor should sign legislation that would eliminate the “Deprivation Test.” The Medi-Cal program uses an antiquated welfare rule that treats some families as “deserving” when a parent is unemployed, incapacitated, absent, or deceased, but makes other families ineligible because there are two able-bodied working adults, even though both families are low-income and meet the income, resource, and all other Medi-Cal requirements. Eliminating this rule would treat all low-income families equally.

ENDNOTES

¹ Kaiser Family Foundation: StateHealthFacts.Org, “Total (Federal and State) Medicaid Spending Per Enrollee, FFY 2000.

² Charging the Low income More for Health Care: Cost Sharing in Medicaid By Leighton Ku, Center on Budget and Policy Priorities, May 7, 2003.

³ This section was adapted from a document titled, “Removing Unnecessary Barriers to Medi-Cal Eligibility is Smart Reform” which was authored by Katie Murphy, Staff Attorney, Western Center on Law and Poverty. April 28, 2004.