

## **Changes to Medi-Cal and Other Low-Income Health Programs in the 2016-17 State Budget**

July 5, 2016

The Governor signed SB 826, the Budget Act of 2016, as well as SB 833, the Health Omnibus Trailer Bill, on June 27, 2016. The signed budget builds on the state's recent steps to reduce poverty and increase opportunity for poor Californians. In recent budgets, the Legislature and the Governor have expanded health care to all children and implemented the Affordable Care Act. This budget repeals the Maximum Family Grant rule in CalWORKs, limits Medi-Cal estate recovery which is an enrollment barrier and contributes to intergenerational poverty, and includes funding for supportive housing with details still being negotiated. Regrettably, the budget does not make other critical health investments, including raising the Medi-Cal Aged & Disabled income eligibility threshold.

State funding spending for Health and Human Services comprises over 31% of the budget or \$53.8 billion, an increase of over \$1.5 billion from last year. The budget, which goes into effect on July 1, 2016, enacts the following changes affecting low-income health care consumers:

- **Limits Medi-Cal Estate Recovery.** Estate recovery is basically asset seizure of the home and savings of low-income individuals who have received health care coverage through Medi-Cal and are 55 or older or permanently institutionalized. The federal government requires estate recovery for long-term services such as nursing home, but California goes beyond the federal requirement. The budget limits estate recovery for individuals who pass away after January 1, 2017. Specifically, for those persons the budget:
  - Limits estate recovery to long-term care services such as nursing home. California will no longer recover for basic health care services.
  - Limits recovery to probate estates, meaning living trusts, joint tenancies, Transfer on Death (TOD), etc. will not be subject to recovery.
  - Eliminates recovery from surviving spouse or domestic partner.
  - Exempts recovery on “homestead of modest value” meaning that the state cannot recover against homes that are valued at less than half of the average price of the home in the county where the home is located.
  - Limits the interest rate for voluntary liens to the Surplus Money Investment Fund interest rate or 7%, whichever is lower. The current Surplus Money Investment Fund interest rate is less than 1%.
  - For individuals subject to recovery interested in knowing the cost the state can recover against, reduces the billing request from \$25 to \$5<sup>1</sup>
- **Delays Implementation of the Newly Qualified Immigrant (NQI) Wrap.** The budget delays implementation of the Newly Qualified Immigrant (NQI) wrap program by one year to January 2018. The NQI wrap program would transition Medi-Cal expansion adults who have less than five years in a “qualified immigration status” to Covered California with

wraparound Medi-Cal benefits and no cost sharing. Currently, these individuals are eligible for full-scope Medi-Cal.

- **Restores Acupuncture as a Medi-Cal Benefit.** The budget restores acupuncture as a Medi-Cal benefit, effective July 1, 2017.<sup>ii</sup> This will increase state General Fund spending by \$3.7 million in 2016-17. Unfortunately, other benefits that were cut in 2009, including audiology, chiropractic, incontinence cream & washes, optician/optical lab, podiatry, speech therapy and certain adult dental services, were not restored.
- **Multi-County Pilot Project for In-Person Medi-Cal Interpreters.** The budget provides \$3 million for a one-time fund to establish a “medical interpreters pilot project, study, or both”. Expenditure is contingent on future authorizing legislation and approval by the Department of Finance.
- **Mental Health Crisis Services.** The budget provides \$30 million (\$16M General Fund and \$14M Mental Health Services Act Funds) to build facilities for mental health crisis services geared toward children under 21 through a competitive grant process. Specific objectives include adding 200 mobile crisis support teams, 120 crisis stabilization services and beds and crisis residential treatment beds, and triage personnel to provide intensive case management and linkage to services.<sup>iii</sup>
- **Behavioral Health Treatment (BHT) Case Management Contract.** The budget authorizes the Department of Health Care Services to make available to specified individuals whom the Department identifies as no longer eligible for Medi-Cal solely due to the transition of BHT coverage from Regional Centers to Medi-Cal managed care plans, contracted services to assist the individuals with health insurance enrollment effective March 2017.<sup>iv</sup>
- **Reinstates school-based dental services.** The budget provides \$3.2 million General Fund to re-establish the California Children’s Dental Disease Prevention Program. The program was cut in 2009.
- **Extends the Hospital Quality Assurance Fee.** The budget extends the Hospital Quality Assurance Fee to January 1, 2018, pending federal approval. This fee applies to certain acute care hospitals, with some of the proceeds offsetting the state’s General Fund cost for children’s health care. Extending the fee by one year, to January 1, 2018, will provide a projected General Fund offset of \$845 million in 2017-18.
- **Coordinated Care Initiative.** The budget continues the Coordinated Care Initiative (CCI) through 2017, but the Governor’s January proposal threatened to end the program effective January 2018 if beneficiary participation does not improve by January 2017. Taking stakeholder comments into consideration, the administration will not continue with passive enrollment this year. Western Center will continue to monitor this program.
- **Program of All-Inclusive Care for the Elderly (PACE).** The PACE program is a Medicare and Medicaid program that helps people meet their health care needs in the community instead of going to a nursing home or other care facility. The budget allows the Department of Health Care Services to develop and pay capitation rates to contracted PACE organizations based on standardized rate methodologies for similar populations, with

adjustments, instead of the current rate floor of no less than 95% of the fee-for-service equivalent cost. The budget also deletes the requirement that contracts for implementation of the PACE program be entered into with organizations that are nonprofit.<sup>v</sup>

- **Funding for primary care residency slots and newly accredited primary care residency programs.** The budget provides \$31.3 million General Fund to support primary care residency slots and newly accredited primary care residency programs. This funding is contingent upon federal approval of the Hospital Quality Assurance Fee extension.
- **Covered California Regulatory Authority.** The budget makes technical amendments to extend Covered California’s current emergency regulations rulemaking authority for two additional years until January 1, 2019 related to implementing the eligibility, enrollment, and appeals processes for the individual and small business exchanges, changes to the small business exchange, or any act that amends this title that is operative on or before December 31, 2016.<sup>vi</sup>

The federal government released guidance indicating that California’s Managed Care Organization (MCO) tax structure would be impermissible under federal Medicaid regulations starting in 2016-17 - a shift that would have resulted in the loss of more than \$1 billion in federal funding. The MCO tax dominated the conversation last year, but was resolved prior to budget negotiations earlier this year with the signature of SBX2\_2 in March. The federal government approved the restructured MCO tax, which Western Center supported, in May, bringing in nearly \$1.4 billion a year to fund Medi-Cal.

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<sup>i</sup> Cal. Welf & Inst Code §14009.5.

<sup>ii</sup> Cal. Welf & Inst Code § 14131.10.

<sup>iii</sup> Cal. Welf & Inst Code §5848.5.

<sup>iv</sup> Cal. Welf & Inst Code §14132.56.

<sup>v</sup> Cal. Welf & Inst. Code §14301.1.

<sup>vi</sup> Cal. Government Code §100504.