

**Changes to Medi-Cal and Other Low-Income Health Programs
in the 2017-18 State Budget**
July 11, 2017

The Governor signed AB 97, the Budget Act of 2017, as well as AB 120 related to Proposition 56 (Tobacco Tax) Fund on June 27, 2017. SB 97, the Health Omnibus Trailer Bill, was signed July 10, 2017. Despite the uncertainty at the federal level, the signed budget builds upon the Affordable Care Act (ACA) and makes some important investments in the Medi-Cal program. Notably, adult dental restoration is fully restored beginning January 1, 2018. Regrettably, the budget does not make other critical health investments, including raising the Medi-Cal Aged & Disabled income eligibility threshold or expanding coverage for young adults up to age 26, regardless of immigration status.

State funding, including General Fund (GF) and Special Funds, for Health and Human Services comprises over 32% of the budget or \$60.3 billion, an increase of over \$6.4 billion from last year. The budget, which went into effect on July 1, 2017, enacts the following changes affecting low-income health care consumers:

Full Adult Dental Restoration and Adult Eyeglasses Restoration: The budget fully restores adult dental benefits, which were cut in 2009, and partially restored in 2014. Beginning January 1, 2018 or the effective date of any necessary federal approvals, partial dentures, gum treatment, and rear root canals will be covered Medi-Cal benefits.¹ Estimated cost is \$34.8 million GF in 2017-18 and \$73 million GF in 2018-19. The budget also restores eyeglass coverage for adults, contingent on funding from Legislature, beginning January 1, 2020 at a cost of \$12.5 million GF in 2019-20 and \$26.3 million GF ongoing.² Other benefits that were cut in 2009, including audiology, chiropractic, incontinence cream & washes, podiatry, and speech therapy, were not restored.

Elimination of Newly Qualified Immigrant (NQI) Affordability and Benefit Program: The budget adopts language for the elimination of the NQI Affordability and Benefit Program.³ This allows newer immigrants to remain in full-scope Medi-Cal, instead of shifting to Covered California with Medi-Cal covering the difference after drawing down tax credits. This arrangement would have created potential tax liabilities and continuity of care issues. Language also requires DHCS to seek federal Minimum Essential Coverage designation for the existing state-only full-scope Medi-Cal programs so that these Medi-Cal enrollees could satisfy the ACA's individual mandate.⁴ The health omnibus bill also strikes the pregnancy wrap from statute, which would have similarly required certain pregnant women currently eligible for Medi-

¹ Cal. Welf. & Inst. Code § 14131.10.

² Ibid.

³ Repeals existing Cal. Welf. & Inst. Code § 14102 and 14148.67.

⁴ Cal. Welf. & Inst. Code § 14102.

Cal to enroll dually in Covered California in order to receive all covered benefits.⁵ The pregnancy wrap was never implemented, so this is a technical change.

Provider Rate Increases and Proposition 56: The budget approves up to a total of \$546 million for supplemental Medi-Cal provider rate increases in 2017-18 and up to \$800 million in 2018-19 using Proposition 56 (Tobacco Tax) Funds. Specifically for 2017-18, \$325 million for physicians, targeted at specific specialist and geographic regions, \$140 million for dentists, \$50 million for family planning services, \$27 million for Intermediate Care Facilities for the Developmentally Disabled, and \$4 million for the AIDS Waiver Program. DHCS “shall develop the structure of these provider payments and post those parameters on its Internet Web site by July 31, 2017.” The increase to Denti-Cal providers is significant, representing an over 25% increase to Denti-Cal budget as a whole. The Denti-Cal budget is about \$1.3 billion and with the federal draw down, this represents an over \$350 million increase to Denti-Cal providers.

Coordinated Care Initiative (CCI): The budget adopts trailer bill to reauthorize and continue the key components of the Coordinated Care Initiative (CCI), including the duals demonstration project, mandatory managed care for duals, and long-term services and supports as managed care benefits. The budget terminated the IHSS maintenance of effort and reinstated the historical state-county IHSS cost-sharing ratios. Roughly \$600 million of state costs is expected to shift back to counties in fiscal year 2017-18 but the budget mitigates some of the fiscal impact to counties.

Medi-Cal Managed Care Ombudsman Call Center Staffing: The budget approves increased staffing for the Medi-Cal Managed Care Ombudsman Call Center for a total of 15 permanent positions (conversion of 9 limited-term positions to permanent and 6 new permanent positions). The budget also adopts language to require DHCS to collect and report data on callers and calls received.⁶

Department of Managed Health Care (DMHC) Help Center Staffing: The budget approves \$3.4 million (special funds) and 11 permanent positions to address the DMHC Help Center case backlog workload attributed to ACA implementation and consultation services for independent medical review processing.

50% Rule and Personal Injury Lien: The budget adopts third party liability language that clarifies the formula that defines the state’s portion of litigation costs and ability to recover in multiple settlement cases.⁷ The language rejects proposed revisions to the fifty percent rule, which would have allowed the department to collect all fees from third party injuries leaving the harmed beneficiary with nothing in some cases.

California Children’s Services: The budget rejects trailer bill to clarify that in the California Children’s Services program, DHCS will only cover occupational therapy and physical therapy services when medically necessary.

Child Health and Disability Program: The budget rejects trailer bill to eliminate the state-only eligibility for the Child Health and Disability Program (CHDP), which provides periodic health

⁵ Repeals Cal. Welf. & Inst. Code § 14148.65.

⁶ Cal. Welf. & Inst. Code § 14043.1.

⁷ Cal. Welf. & Inst. Code §§§§§§ 14124.70, 14124.71, 14124.72, 14124.73, 14124.74, 14124.785.

assessments and services to children and youth up to age 19 with family income up to 200% of the FPL.

Children’s Mental Health Crisis Services: The budget rejects the elimination of \$17 million for children's mental health crisis services grants to build facilities for mental health crisis services geared toward children under 21. This was approved in the 2016 Budget Act and replaces General Fund with MHSA State Administration funds.

Performance Outcomes System for EPSDT Mental Health Services: The budget approves \$10.2 million (\$5.1 million GF; \$5.1 million federal funds) in 2016-17 to reimburse mental health plans for the costs of capturing and reporting functional assessment data as part of the Performance Outcomes System for EPSDT mental health services. The budget also approves \$6.2 million GF for the implementation of functional assessment tools for the system.

Consumer Participation Program: The budget adopts language to extend the sunset for six years on the Consumer Participation Program to 2024 that awards advocacy and witness fees to consumer advocates who represent consumer interests in regulatory proceedings at DMHC.⁸

Graduate Medical Education: The budget adopts language to implement a Graduate Medical Education program that would reimburse designated public hospitals for the costs of training health care providers.⁹ No language was included to address lack of access to UC hospitals for Medi-Cal beneficiaries.

Medicaid Managed Care Rule Implementation: The budget approves 15 permanent positions and associated cost to support workload associated with implementation of the new Federal Managed Care Rules for DHCS. There was a corresponding decrease of 18.5 positions to reflect ending DMHC inter-agency agreements with DHCS which will assume workload in response to the federal rule and other changes.

Major Risk Medical Insurance Fund: The budget adopts language to abolish the Major Risk Medical Insurance Fund and transfers the fund balance and ongoing Managed Care Administrative Fines and Penalties Fund revenue to the newly established Health Care Services Plans Fines and Penalties Fund, with prioritized funding for the Major Risk Medical Insurance Program (MRMIP).¹⁰

Diabetes Prevention Program: The budget approves \$38,000 GF in 2017-18 and \$5 million GF in 2018-19 and on-going for Medi-Cal coverage of the Diabetes Prevention Program, an intervention program for certain Medicare enrollees.¹¹

Medically Tailored Meals Pilot Program: The budget creates \$6 million medically tailored meals pilot program for three years, or until funds no longer are available, to provide medically tailored meal to approximately 2,500 Medi-Cal participants with complex, chronic conditions residing in Alameda, Los Angeles, Marin, San Diego, San Francisco, San Mateo, Santa Clara, and Sonoma.¹²

⁸ Cal. Health & Safety Code § 1348.9.

⁹ Cal. Welf. & Inst. Code § 14105.29.

¹⁰ Repeals Cal. Welf. & Inst. Code § 15893.5; Cal. Health & Safety Code § 1341.45; Cal. Welf. & Inst. Code §§ 15893, 15894.

¹¹ Cal. Welf. & Inst. Code § 14149.9.

¹² Cal. Welf. & Inst. Code § 14042.1.