
SENATE COMMITTEE ON APPROPRIATIONS

Senator Ricardo Lara, Chair
2015 - 2016 Regular Session

SB 4 (Lara) - Health care coverage: immigration status

Version: April 28, 2015

Urgency: No

Hearing Date: May 28, 2015

Policy Vote: HEALTH 7 - 0

Mandate: Yes

Consultant: Brendan McCarthy

SUSPENSE FILE. AS AMENDED.

Bill Summary: SB 4 would extend Medi-Cal eligibility to individuals who would otherwise be eligible, except for their immigration status. The bill would require the Health and Human Services agency to apply for federal authorization to offer unsubsidized health care coverage through the California Health Benefit Exchange (Covered California) for individuals who are currently prohibited from obtaining coverage due to their immigration status. If federal authorization is not received, the bill would create a parallel health exchange through which such individuals could purchase unsubsidized coverage.

Fiscal Impact (As approved on May 28, 2015): The fiscal estimates below are subject to a great deal of uncertainty. The rates at which undocumented immigrants are likely to apply for either Medi-Cal or unsubsidized coverage are unknown at this time and are likely to be heavily influenced by concerns over coming to the attention of immigration authorities and language barriers. In addition, the age and health status of those who ultimately would enroll in Medi-Cal will have a significant impact on the costs to provide coverage. At this time, there is limited information available to accurately project the cost to provide coverage to this population. Finally, a pending executive action by the President Obama would shield about half of California's undocumented immigrant population from deportation. If that executive action stands, those individuals would be eligible for full-scope Medi-Cal coverage under current law.

The costs for the Medi-Cal expansion below reflect two scenarios. The first scenario does not assume that the courts uphold the President's Executive Action and therefore the state's current undocumented population remains the same. The second scenario assumes that the courts uphold the President's Executive Action, which would make a significant number of undocumented immigrants eligible for full scope Medi-Cal under current law. This would significantly reduce the undocumented population who would be made eligible for full scope Medi-Cal under this bill.

- *Increased Medi-Cal costs for children without the President's Executive Action.* Likely annual increase in Medi-Cal spending between \$7 million and \$135 million per year (General Fund).

Under current law, undocumented immigrants are eligible for limited scope Medi-Cal benefits such as Emergency Medi-Cal and Pregnancy-Only Medi-Cal. Under current practice, the federal government provides funding for those services both in the fee-for-service system and for undocumented immigrants who are enrolled in managed

care. Based on current practice, about 60 percent of Medi-Cal managed care costs for individuals covered by this bill would be eligible for federal matching funds (i.e. about 60 percent of Medi-Cal managed care costs for immigrants are for services such as emergency services and pregnancy-related services). This analysis assumes that on the low end about 50 percent of eligible undocumented immigrants under age 19 would enroll in Medi-Cal under the bill – which is roughly the number of undocumented immigrants under age 19, on average, who access emergency- or pregnancy-related Medi-Cal services each year. On the high end, this analysis assumes that about 60 percent of eligible individuals under age 19 enroll in Medi-Cal – which is equal to the pre-Affordable Care Act enrollment rate for Medi-Cal eligible individuals in the state.

The costs above reflect the annual cost to provide full-scope Medi-Cal coverage to the enrolling individuals, accounting for available federal matching funds, less the current state spending to provide limited scope Medi-Cal services, as the state is already incurring those costs. The analysis assumes that the per member per month cost to provide coverage to children will be similar to such costs for the existing Medi-Cal population.

The analysis also assumes that there will be reductions in state spending on certain state-only health care programs (such as FamilyPACT and the Every Woman Counts programs) due to undocumented immigrants currently receiving services from those programs shifting to full-scope Medi-Cal coverage. Finally, by shifting individuals from fee-for-service Medi-Cal into Medi-Cal managed care and enrolling additional individuals in managed care, the state will receive additional tax revenue under the Managed Care Organization Tax.

- *Increased Medi-Cal costs for children under the President's Executive Action.* Likely increase in Medi-Cal spending between \$4 million and \$83 million per year (General Fund). Based on estimates by the Pew Research Center, the pending Executive Action would protect about 900,000 of the state's 2.5 million undocumented immigrants from deportation. Under current law, those individuals would be eligible for full-scope Medi-Cal. Thus, the cost to provide coverage to those individuals would not be attributable to this bill. The costs above reflect the projected cost to provide full-scope Medi-Cal to the remaining income-eligible undocumented population under 19 years of age who would not be protected from deportation (assuming similar enrollment rates as discussed above).
- Unknown costs to provide full-scope Medi-Cal benefits to undocumented adults (General Fund). Under the amendments, the Department of Health Care Services would be authorized to enroll adults who would otherwise be eligible for Medi-Cal, but for their immigration status, if sufficient funding is available. In practice, the Department would be authorized to enroll adults into full scope Medi-Cal based on the funding that is provided in the annual Budget Act, similar to previous state health care programs such as MRMIP and PCIP.
- Unknown, but potentially significant savings to the state under realignment (General Fund). Under current law, the state has set up a system to direct funds from the counties to the state, under the premise that expansion of Medi-Cal will reduce county expenditures for health care services to the uninsured. This process

is generally governed by formulas that take into account historic and actual expenses by the counties. Under the system, there is a maximum amount of funding that can be redirected to the state. By expanding Medi-Cal coverage, this bill will further reduce county health care expenditures (in counties that are currently providing health care services to the undocumented) and should increase redirected funding to the state. The size of this impact is unknown and would depend on enrollment in Medi-Cal, actual reductions in county spending, and the amount of additional redirections that would be allowed under the current system.

- Annual, fee-supported costs in the tens of millions per year to provide coverage through Covered California (special fund). The bill authorizes undocumented immigrants to purchase health care coverage, without subsidy, through Covered California or a parallel exchange. Individuals who purchase such coverage would pay for the administrative costs of the Exchange, via a participation fee that Covered California assesses on qualified health plans. Because coverage through Covered California would be unsubsidized and because undocumented immigrants tend to be low-income, enrollment rates through Covered California are not likely to be high. If 20% of undocumented immigrants who are not income eligible for Medi-Cal enroll through Covered California, the administrative costs and the fees collected to pay those costs would be about \$25 million per year.

Background: Under state and federal law, the Department of Health Care Services operates the Medi-Cal program, which provides health care coverage to pregnant women, children and their parents with low incomes, as well as blind, disabled, and certain other populations. Generally, the federal government provides a 50 percent federal match for state expenditures.

Pursuant to the federal Affordable Care Act, California has opted to expand eligibility for Medi-Cal up to 138 percent of the federal poverty level and to include childless adults. The Affordable Care Act provides a significantly enhanced federal match for the Medi-Cal expansion. Under the law, the federal government will pay for 100 percent of the cost of the Medi-Cal expansion in 2013-14, declining to a 90 percent federal match in the 2020 federal fiscal year and thereafter.

With the exception of certain populations (for example, individuals eligible for limited scope Medi-Cal benefits or individuals dually eligible for Medi-Cal and Medicare in most counties), managed care is the primary system for providing Medi-Cal benefits. Currently, there are about 12.2 million Medi-Cal beneficiaries, more than 80 percent of whom are enrolled in Medi-Cal managed care.

Federal law generally prohibits the use of federal matching funds for services provided to undocumented immigrants (with certain exceptions such as emergency coverage or pregnancy-only coverage).

Under the federal Affordable Care Act states are required to establish American Health Benefit Exchanges. If a state does not create an Exchange, the federal government will do so. Within the Exchanges, individuals will be able to purchase health care coverage with standardized benefit packages and actuarial values. In addition, individuals with incomes between 100 percent and 400 percent of the federal poverty level will be eligible for subsidies for coverage purchased in the Exchanges.

California has established its own California Health Benefit Exchange (referred to as “Covered California”). In order to establish eligibility for subsidies, Covered California operates call centers, contracts with counties, and works with other groups to help consumers navigate the eligibility and enrollment process.

The Affordable care act prohibits undocumented immigrants from purchasing coverage through health benefit exchanges set up with federal grant funds or from receiving federal tax subsidies through the exchanges.

Proposed Law: SB 4 would extend Medi-Cal eligibility to individuals who would otherwise be eligible, except for their immigration status. The bill would require the Health and Human Services agency to apply for federal authorization to offer unsubsidized health care coverage through the California Health Benefit Exchange (Covered California) for individuals who are currently prohibited from obtaining coverage due to their immigration status. If federal authorization is not received, the bill would create a parallel health exchange through which such individuals could purchase unsubsidized coverage.

Specific provisions of the bill would:

- Require the Secretary of the Health and Human Services agency to apply to the federal government for a waiver of federal law to allow the state to offer health care coverage through Covered California, without any premium subsidies or cost sharing reductions;
- If federal approval is not received, the bill would authorize in statute the creation of the California Health Exchange Program for All Californians, governed by the Covered California board and subject to most of the requirements governing the operation of Covered California;
- Authorize the California Health Exchange Program for All Californians to provide health care coverage to individuals who would otherwise be eligible to purchase coverage through Covered California, but for their immigration status;
- The bill does not authorize premium subsidies or reduced cost sharing for coverage through the California Health Exchange Program for All Californians;
- Create a new, continuously appropriated special fund to pay for the operations of the California Health Exchange Program for All Californians, to be supported by fees assessed on coverage provided through the new exchange;
- Make individuals who would be eligible for full-scope Medi-Cal benefits, but for their immigration status, eligible for those services;
- Require the Department of Health Care Services to adopt regulations to implement the necessary changes to Medi-Cal by July 1, 2018, but also allow the Department to implement the bill through other means until regulations are adopted;
- Require the Department of Health Care Services to transition individuals receiving limited scope Medi-Cal benefits to full-scope coverage.

Related Legislation: SB 1005 (Lara, 2014) was substantially similar to this bill, except that bill required coverage provided through Covered California or a parallel exchange to include premium subsidies, to be paid with state funds. That bill was held on this committee’s Suspense File.

Staff Comments: Under current practice, counties perform a significant amount of the enrollment and caseload management for the Medi-Cal program. By expanding Medi-Cal eligibility, this bill will significantly increase county enrollment costs. Those costs are paid through the Medi-Cal budget process.

Under current law, the state imposes a 3.9% tax on Medi-Cal managed care plans, which is used to draw down federal funding and support the Medi-Cal program. Recent federal guidance indicates that the state's existing tax on Medi-Cal managed care plans is not allowed under federal rules, because it does not apply to managed care plans in general. The Governor has proposed to replace the existing tax with a tax on all managed care plans. This analysis assumes that managed care tax revenues would be about 1 percent of premiums.

Committee amendments (as adopted May 28, 2015): Would limit automatic eligibility for full scope Medi-Cal to individuals under the age of 19. The amendments would authorize the Department of Health Care Services to enroll adults in full-scope Medi-Cal, if sufficient funding is available.

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