

Executive Summary

Since 2011, California has been taking steps towards expanding Medicaid under the Affordable Care Act (ACA) by implementing Low Income Health Programs (LIHPs) in most California counties. Under the "Bridge to Reform" Medicaid §1115 waiver, just over 500,000 California adults are currently enrolled in coverage in advance of ACA implementation using federal and county funds. The vast majority of these LIHP enrollees can become eligible for Medi-Cal coverage under the ACA beginning January 1, 2014, and the remainder will be eligible for subsidies through Covered California (the California Health Benefit Exchange).

In early 2013, California legislators will consider bills to implement a key provision of the ACA that would expand Medi-Cal to low-income adults under age 65, including those without children living at home. Lawfully-present childless adults with income up to 138 percent of the Federal Poverty Level and parents with income between 106 percent and 138 percent of the Federal Poverty Level will be newly eligible. Some unenrolled children and parents who are already income-eligible for the program under existing eligibility rules could also enroll due to the minimum coverage requirement to obtain insurance created by the ACA, improved eligibility, enrollment and redetermination processes, and enhanced awareness of coverage options.

In this report, we estimate the growth in Medi-Cal enrollment among both the newly and already eligible using the UC Berkeley/UCLA California Simulation of Insurance Markets (CalSIM) model. We discuss the broader impact of the Medi-Cal Expansion in terms of health outcomes, providers and the economy. We estimate the federal and state spending on increased Medi-Cal enrollment, along with the state tax revenues generated by new federal Medi-Cal spending and potential savings in other areas of the budget.

With the adoption of the Medi-Cal Expansion, we predict that:

Medi-Cal eligibility and enrollment will increase significantly.

- More than 1.4 million Californians will be newly eligible for Medi-Cal, of which between 750,000 and 910,000 are expected to be enrolled at any point in time by 2019.

- About 2.5 million Californians are already eligible for Medi-Cal but not enrolled. Between 240,000 and 510,000 of these already eligible but not yet enrolled Californians are expected to be enrolled in Medi-Cal coverage at any point in time by 2019. The increase in enrollment is due to the minimum coverage requirement for individuals; simplified Medicaid eligibility determinations and enrollment processes; annual redetermination processes that are more data-driven and automatic; the establishment of "no wrong door;" and statewide outreach and education about new coverage options. Most of the increased enrollment of those already eligible but not yet enrolled will occur as a result of these mandatory provisions of the ACA whether or not California expands Medi-Cal to cover the newly eligible.

Expanding Medi-Cal will have far-reaching benefits for the health outcomes of Californians, providers, and the California economy.

- Research has shown that Medicaid coverage is associated with decreased mortality and increased use of preventive care.
- The Medi-Cal Expansion will make funding more stable for providers that currently care for the uninsured and low-income communities.
- Health coverage is associated with improved educational outcomes and improved worker productivity.
- The Medi-Cal Expansion will create jobs in the state.

Of the new Medi-Cal spending, 85 percent or more will be federally-paid.

- The Medi-Cal Expansion and enrollment growth among those already eligible is predicted to bring between \$2.1 and \$3.5 billion in new federal Medi-Cal dollars to California in 2014, growing to between \$3.4 and \$4.5 billion in 2019.
- Overall, the federal government will pay for at least 85 percent of the total new Medi-Cal spending between 2014 and 2019, including:
 - 100 percent of the health care spending for the newly eligible for the first three years (and no less than 90 percent in 2017 and after);
 - 50 percent for those already eligible for Medi-Cal but not enrolled; and
 - 88 percent for children already eligible for Healthy Families but not enrolled in 2015 through 2019, and 65 percent in 2014.

In initial years, most new state Medi-Cal spending results from required Medicaid changes and will occur whether or not the Expansion is implemented.

- New state General Fund spending for Medi-Cal will be between \$188 and \$453 million in 2014 and only slightly higher in 2015 and 2016.
- Most of the new state spending in 2014 through 2016 will occur whether or not the Expansion is implemented because it is mostly due to increased enrollment of those currently eligible but not enrolled. The federal government will pay all of the medical costs for the

newly eligible enrollees during these years. Administrative costs for the newly eligible are estimated at 5 percent of medical costs: the state will be responsible for half of that, or 2.5 percent.

- In 2019, the new state General Fund spending for Medi-Cal will be between \$443 and \$788 million, which includes spending for both the newly eligible and those eligible today but not enrolled.

New state Medi-Cal spending will be largely offset by increased state tax revenues and savings. Failure to implement the Expansion reduces most savings.

- Billions in new federal dollars will result in new state General Fund (GF) tax revenue which will offset some or most of new state spending, depending on the year.
- As uninsured Californians enroll in Medi-Cal under the Expansion, the state could incur substantial savings in other areas of the budget, including other state health programs, mental health services, and state prisons. Most of these General Fund savings result from the expansion of Medi-Cal coverage and will be considerably less if the Expansion is not implemented.
- With the Expansion, the magnitude of these anticipated savings would likely be more than enough to offset the \$46 to \$381 million in annual state General Fund spending for the newly eligible population through 2019.