NATIONAL HEALTH LAW PROGRAM

Protect Medi-Cal Funding Series
Older Adults & Individuals with Disabilities in California
Issue Brief #3 in a 12-Part Series

Medi-Cal provides a long-term investment in the health of Californians. Medi-Cal coverage and services are tailored to meet the unique needs of low-income people, but still costs less per beneficiary than employer-based insurance.[1] The American Health Care Act (AHCA) recently passed by House Republicans would seriously jeopardize the health and financial security of more than 13 million Californians—one third of the state's residents—who rely on Medi-Cal each year.[2] The recently released federal budget by the current Administration further eviscerates funding for Medicaid. This fact sheet explains why Medi-Cal is so critical for older adults and individuals with disabilities and how they would be harmed by Medicaid funding cuts.

Why Medicaid is important for older adults and individuals with disabilities:

- **Medi-Cal provides health coverage to more than 2 million older adults and individuals with disabilities.[3]** Federal law requires California to provide Medicaid coverage to low-income older adults and people with disabilities.[4] California elects to provide Medi-Cal benefits to older adults and individuals with disabilities who are medically needy, and certain individuals with disabilities who are working.[5] California also expanded Medi-Cal under the Affordable Care Act, which covers more people with disabling conditions based solely on their low-income status."[6] Currently, California receives federal Medicaid funding to help cover the actual cost of providing care to these populations regardless of how health care costs change.

- **Medi-Cal helps older adults and individuals with disabilities receive vital health care services, including long-term care.** Medi-Cal is tailored to meet the needs of low-income populations and thus covers many services that are not covered, or not adequately covered, by Medicare.[7] Most notably, Medi-Cal covers a range of long-term care services, including nursing home care. Medi-Cal is the primary source of funding for California nursing home residents, funding 65 percent of nursing home care.[8] California has also implemented federal Home and Community Based Services (HCBS) waivers to ensure access to community-based long-term care services for low-income seniors and persons with disabilities who would otherwise require nursing facility or hospital care.[9] Similarly, California's Community-Based Adult Services (CBAS) program provides community-based health, therapeutic and social services for over

31,000 managed care enrollees at risk of nursing home placement.[10] California has also undertaken other efforts, like integrating Long-Term Supports and Services (LTSS) into Medi-Cal managed care, to improve health outcomes for seniors and persons with disabilities.[11]

- **Medi-Cal makes coverage affordable for recipients.** Key protections in Medi-Cal limit cost-sharing such as co-pays, premiums, and deductibles for all program recipients.[12] Medi-Cal also makes Medicare coverage more affordable for older adults and individuals with disabilities through "Medicare Savings Programs," where *Medi-Cal* pays for some or most of an individual's *Medicare* out-of-pocket costs.[13] Medi-Cal currently helps 1.3 million Californians pay for Medicare cost-sharing.[14]

How funding caps would harm older adults and persons with disabilities:

- **Funding caps threaten Medi-Cal eligibility.** The American Health Care Act's per capita cap proposal would dramatically reduce federal Medicaid funding to California. Already, the number of low-income older adults and individuals with disabilities in California is growing faster than the national average. California's over-65 population is expected to be 87 percent higher in 2030 than in 2012, an increase of more than 4 million people.[15] The cost of health care services, on average, doubles between age 70 and age 90.[16] Thus, as California's population lives longer, it will be difficult for California to keep its costs under the capped amount, resulting in deeper cuts to Medicaid over time. As California receives 62.5 percent in federal funding to help pay for Medi-Cal, the state would likely restrict Medi-Cal eligibility or cap enrollment to recoup losses.[17] The state may consider reducing Medi-Cal coverage for older adults and people with disabilities since these populations have higher needs and higher costs. Today, almost two-thirds of all Medi-Cal spending is for older adults and individuals with disabilities.[18] Funding caps could result in California's eliminating the Medi-Cal expansion program, which provides vital coverage for low-income older adults and individuals with disabilities who are not otherwise eligible for Medi-Cal.[19]

- **Funding cuts result in service cuts.** Services for older adults and individuals with disabilities tend to be expensive and therefore, if per capita caps and further Medicaid funding cuts are implemented, California may be forced to cut a wide-range of critical yet optional home care support services, like the Multi-Purpose Senior Services Program (MSSP) and the Nursing Home/Acute Hospital waiver that provides personal care services, meal delivery, assistance for family caregivers, and home modifications.[20] The state could also reduce services that allow older adults and individuals with disabilities to stay in their home, such as In-Home Supportive Services and Community Based Adult Services (CBAS). Due to the severity of the funding cuts in California, the state may attempt to limit

all Medi-Cal services, even those that are currently mandatory, like hospital inpatient, outpatient services, and nursing home services.[21] California may try to place strict limits on the amount and frequency of accessing services or simply restrict enrollment in these programs.

- **Funding cuts would make coverage less affordable.** Under the American Health Care Act's per capita cap proposal, California will have strong incentives to shift costs onto Medi-Cal recipients. Current law allows recipients to retain a home, car, and burial funds.[22] These financial protections could disappear under the proposed per capita cap and budget funding cuts. California may seek to add premiums and co-payments that would reduce access to necessary services and saddle older adults and individuals with disabilities with unaffordable bills.[23] Further, with increased state discretion under the proposed per capita cap, California could seek to tighten eligibility standards for Medicare Savings Programs, making it harder for older adults and individuals with disabilities to become eligible, resulting in drastically increased Medicare costs.

- **Funding cuts put California's budget at risk.** Currently, California receives a guaranteed Medi-Cal funding stream, which allows the state to finance health care regardless of how costs and needs change. Under the proposed per capita cap, federal funding is determined ahead of time and California is not guaranteed additional financial support to address increased costs as the elderly population lives longer.[24] California would have to raise taxes or cut other parts of its budget by $45 billion over ten years to maintain Medi-Cal.[25] Health care costs for older adults and individuals with disabilities are projected to sharply increase, as more people need resources for nursing facilities and home and community based services. The loss of federal funding, coupled with a growing population of older adults and individuals with disabilities, means that California will be faced with a Hobson's choice of cutting services and eligibility for this population, or absorbing the costs with state funds.

ENDNOTES

[1] *See* TERESA COUGHLIN ET AL., KAISER COMM'N ON MEDICAID & THE UNINSURED, WHAT DIFFERENCE DOES MEDICAID MAKE? 4, 7 (2013), http://kaiserfamilyfoundation.files.wordpress.com/2013/05/8440-what-difference-does-medicaid-make2.pdf (Nationally, employer-based coverage would cost 28% more than covering the same individual with Medicaid).
[2] CAL. DEP'T HEALTH CARE SERVS., MEDI-CAL MONTHLY ENROLLMENT FAST FACTS 1 (2017) (enrollment as of December, 2016 at 13.5 Million), http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_December_2016.pdf
[3] *Id.* at 2.
[4] 42 U.S.C. § 1396a(a)(10)(A)(i)(II); 42 C.F.R. § 435.120; CAL. CODE REGS., tit. 22, §§ 50145(a), 50227(a)(2) (Medicaid must cover seniors and persons with disabilities participating in the Supplemental Security Income (SSI) program); *See* KAISER FAMILY FOUND., MEDICAID: AN OVERVIEW OF SPENDING ON "MANDATORY" VS. "OPTIONAL" POPULATIONS AND SERVICES (2005), http://www.kaiserfamilyfoundation.files.wordpress.com/2013/01/medicaid-an-overview-of-spending-on.pdf.
[5] 42 U.S.C. § 1396a(a)(10)(A)(ii)(XIII) (Federal law gives states the option of providing Medicaid benefits to individuals with family income below 250% FPL who would be entitled to SSI but for the fact that their income is too high to qualify for SSI); 42 U.S.C. § § 1396a(a)(10)(A)(ii)(XIII), 1396a(m) (Allowing states the option to adopt a program for seniors and individuals with disabilities); WELF. & INST. CODE § 14005.40; *id.* § 14007.9(a)(1) (California's 250% Working Disabled Program).
[6] MARYBETH MUSUMECI, KAISER FAMILY FOUND., THE AFFORDABLE CARE ACT'S IMPACT ON MEDICAID ELIGIBILITY, ENROLLMENT, AND BENEFITS FOR PEOPLE WITH DISABILITIES (2014), http://kaiserfamilyfoundation.files.wordpress.com/2014/04/8390-02-the-affordable-care-acts-impact-on-medicaid-eligibility.pdf
[7] ERIC CARLSON *ET AL.*, JUSTICE IN AGING, MEDICAID FUNDING CAPS WOULD HARM OLDER AMERICANS (2017), www.justiceinaging.org/wp-content/uploads/2017/02/Medicaid-Funding-Caps-Would-Harm-Older-Americans.pdf.
[8] LAUREL BECK *ET AL.*, PUB. POLICY INST. OF CAL., PLANNING FOR CALIFORNIA'S GROWING SENIOR POPULATION 6 (2015), www.ppic.org/content/pubs/report/R_815LBR.pdf
[9] 42 U.S.C. § 1396n(c)(1) (Section 1915(c) of the Social Security Act allows states to provide long term care services in community settings to prevent hospitalization and nursing facility utilization); DEP'T HEALTH & HUMAN SERVICES, CTR. FOR MEDICARE & MEDICAID SERV., HOME AND COMMUNITY BASED WAIVER STATE PLAN AMENDMENT RENEWAL (2016), www.dds.ca.gov/waiver/docs/spa16_016.pdf
[10] 42 U.S.C. § 1315(a)(1) (Section 1115 of the Social Security Act allows states to create innovations in the Medicaid program); MARGARET TATER *ET AL.*, KAISER COMM'N ON MEDICAID & THE UNINSURED, MEDI-CAL MANAGED CARE: AN OVERVIEW AND KEY ISSUES 8 (2016), files.kff.org/attachment/issue-brief-medi-cal-managed-care-an-overview-and-key-issues
[11] See CAL. DEP'T HEALTH CARE SERVS., MEDI-CAL MANAGED CARE: COORDINATED CARE INITIATIVE 9 (2013), www.calduals.org/wp-content/uploads/2013/03/1-CCI-Overview.pdf (explaining the Coordinated Care Initiative (CCI) was enacted through SB 1008 and SB 1036 in 2012).
[12] DAVID MACHLEDT, NAT'L HEALTH LAW PROGRAM, MEDICAID AND MEDICARE: AGING, ACCESS AND AFFORDABILITY, ISSUE 3 (2014), http://www.healthlaw.org/issues/medicaid/dual-eligible-beneficiaries/mediciad-medicare-aging-access-affordability-issue-3#.VN5cpfnF9Zu.
[13] 42 U.S.C. §§ 1396a(a)(10)(E)(i); 1396d(p)(3)(the Qualified Medicare Beneficiary Program pays Medicare premiums , as well as Medicare co-payments and deductibles); 42 U.S.C. §§ 1396a(a)(10)(E)(iii);1396d(p)(3)(A)(i) (the Specified Low-Income Medicare Beneficiaries Program provides Part B premiums for Medicare beneficiaries); 42 U.S.C. §§ 1396a(a)(10)(E)(iv);1396d(p)(3)(A)(ii) (The Qualified Individual Program covers Part B premiums for Medicare beneficiaries); 42 U.S.C. §§ 1396a(a)(10)(E)(ii), Welf. & Inst. Code § 14005.11 (the Qualified Disabled and Working Individual Programs pay Medicare Part A premiums).
[14] JUSTICE IN AGING, MEDICAID FUNDING CAPS WOULD HARM OLDER ADULTS IN CALIFORNIA 3 (2017), http://www.justiceinaging.org/wp-content/uploads/2017/02/Medicaid-Funding-Caps-Would-Harm-Older-Adults-in-California.pdf.
[15] BECK & JOHNSON, *supra,* note 8 at 2.

[16] MARIACRISTINA DE NARDI *ET AL.,* MEDICAL SPENDING OF THE U.S. ELDERLY 1 (2015), http://arno.uvt.nl/show.cgi?fid=139768.
[17] JUSTICE IN AGING, s*upra,* note 14, at 1; CARLSON *ET AL.*, s*upra,* note 7, at 2; KAISER FAMILY FOUND., FEDERAL AND STATE SHARE OF MEDICAID SPENDING (2016), www.kff.org/medicaid/state-indicator/federalstate-share-of-spending/?currentTimeframe=0
[18] JUSTICE IN AGING, s*upra,* note 14, at 1. (65% of all Medi-Cal spending is for older adults and persons with disabilities);
[19] CARLSON *ET AL.*, s*upra,* note 7.
[20] JUSTICE IN AGING, s*upra,* note 14, at 2.; 42 U.S.C. § 1396(n); (MSSP provides Home and Community-Based Services (HCBS) to Medi-Cal eligible individuals who are 65 years or older and disabled as an alternative to nursing facility placement).
[21] JUSTICE IN AGING, s*upra,* note 14, at 2.
[22] *Id.*
[23] CARLSON *ET AL.*, s*upra,* note 7.
[24] CONG. BUDGET OFFICE, OPTIONS FOR REDUCING THE DEFICIT: 2014-2023, 187 (2013), https://www.cbo.gov/budget-options/2013/44687; CONG. BUDGET OFFICE, COST ESTIMATE: AMERICAN HEALTH CARE ACT 10 (2017), https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628aspassed.pdf (Analyzing the bill as passed by the House of Representatives on May 4, 2017).
[25] JOHN HOLAHAN, ET AL., URBAN INST., THE IMPACT OF PER CAPITA CAPS ON FEDERAL AND STATE MEDICAID FUNDING 10, (2017), www.urban.org/sites/default/files/publication/89061/2001186-the_impact-of-per-capita-caps-on-federal-spending-and-state-medicaid-spending_2.pdf