



Governor's #CABudget Continues CA's Commitment to Medi-Cal—While Congressional Cuts Loom

On January 10, 2017, Governor Jerry Brown released his proposed 2017-18 Budget of about \$125 billion, which includes continued support for the Medi-Cal program which 14.3 million Californians rely on.

POTENTIAL CONGRESSIONAL CUTS:

Potential federal cuts loom for Medi-Cal, which is budgeted for \$102.6 billion in 2017-18, including \$19.6 billion from the general fund, and \$66.8 from federal funds that are threatened by Congressional proposals to repeal the Affordable Care Act, and to cap Medicaid funding through block grants or per-capita caps. We should all be concerned with Congress' rush to repeal coverage without any replacement in place—not just for the 4.1 million people in Medi-Cal, but for the health system and the state as a whole.

The U.S. Senate is expected to vote on budget resolutions to end health coverage and financial assistance to over five million Californians through a simple majority repeal vote of the Affordable Care Act. The ACA repeal, if in effect for 2017-18, would result in a cut of \$17.3 billion to Medi-Cal and the state budget (more than what the state budget spends on all of higher education), as well as another \$5 billion for the financial assistance provided through Covered California to help families afford health insurance. Medicaid per-capita caps or block grants would further cut Medi-Cal by an additional tens of billions of dollars.

OTHER HEALTH BUDGET ITEMS:

Despite the threat of Congressional cuts, the Governor's proposed budget includes no major cuts to Medi-Cal, but also not the investments that Californians might have expected after voting for three different ballot measures to support Medi-Cal. We expect there will be a vigorous conversation this year about not just defending Medi-Cal, but also making targeted improvements, in areas from dental care to women's health. Other notable items in the health budget include:

* The budget includes continued funding for **#Health4AllKids**, which provides full-scope Medi-Cal to all income-eligible children regardless of immigration status, with a projected enrollment of 185,000 children.

* Resources are budgeted from **Proposition 56**, passed by California voters in November to increase the tobacco tax and raises at least \$1.3 billion a year. Medi-Cal is booked to receive 82% of the revenue, transferred to the Healthcare Treatment Fund to support new growth in Medi-Cal expenditures. No augmentations to benefits, rates, or programs are proposed in the Governor's budget.

* The budget proposes to end the **Major Risk Medical Insurance Fund**, which provides assistance to individuals with pre-existing conditions remaining in this high-risk pool and transfer the money to another fund to support their coverage and expenses. Although the ACA's prohibition against denying coverage to people with preexisting conditions has largely eliminated the need for high-risk pools, advocates will look to see if this program should be continued if Congress repeals the ACA.

* The Governor's budget proposes implementation of the **Newly Qualified Immigrant (NQI) Benefits and Affordability Program Wrap** in 2018. The NQI wrap was envisioned to save the state general fund money by moving newly-qualified immigrants from Medi-Cal to Covered California and providing Medi-Cal wraparound services for benefits that are not available through Covered California plans. The new proposal would expand the population from roughly 60,000 to 120,000 who would be shifted into Covered California with this "wrap." Health consumer and immigrant advocates have expressed strong concerns about the NQI wrap because of the enrollment and benefit complications that are likely to arise.

* As part of the **Implementation of Medi-Cal Managed Care Regulations**, the proposed budget includes \$4.5 million to continue implementation of the federal regulations, which address, among other things, provider network adequacy.

* The Governor's budget proposes to end some aspects of the **Coordinated Care Initiative (CCI)**, specifically detaching in-home support services (IHSS) from CCI. Key elements of the CCI will continue, including CalMediConnect and mandatory enrollment of dual eligible, and integration of long term support services LTSS (minus IHSS) into managed care.

* The budget also assumes the renewal of the federal **Children's Health Insurance Program (CHIP)**, a key funding stream for many children in Medi-Cal (former the Healthy Families program before it was folded in). CHIP is now set to expire in September 2017. The budget assumes renewal, but at a non-enhanced federal share of 65%—thus costing the general fund \$536.1 million—a middle budgeting position between no renewal at all, or a renewal at a higher federal share set by the ACA at 88%.

We anticipate changes to the fiscal landscape and Congressional actions will change between now and the Governor's May Revision.