# Mandatory Medi-Cal Expansion Fiscal Assumptions

## Background

The Affordable Care Act (ACA) requires a Medicaid expansion to currently eligible populations through eligibility and enrollment simplifications. Currently, Medicaid eligibility is based on several factors, including linkage to a specific coverage group, income eligibility (including allowable deductions), assets, residency status, and citizenship status. Childless adults currently are not eligible for Medi-Cal unless they are disabled or aged. Major changes include the following:

- Establishing a new standard for determining income eligibility, based on Modified Adjusted Gross Income (MAGI), consistent with the standard used to determine eligibility for premium tax credits.
- Eliminating the asset test for individuals whose eligibility determination is based on MAGI.
- Conducting an "ex parte" review when making a redetermination of eligibility. Redeterminations must be made based on available information with a primary reliance on electronic data. The number of individuals who currently lose eligibility at the time of renewal is estimated to be in the range of 20 percent to 35 percent. While many of these individuals re-enroll in the program, under these changes, they would remain in the program for a longer period of time.

Due to a number of factors, including the requirement that most individuals obtain coverage, enrollment and eligibility simplifications, and marketing and outreach activities, Medi-Cal enrollment will increase. It is noted that census data shows that about 9 million persons in families, of which about 63 percent are tax filers, are at or below 100 percent FPL. Because this figure excludes childless adults, it does not account for those who are disabled or aged in that population—thus, this estimate undercounts the total number of individuals who are currently income eligible for Medi-Cal. For comparison purposes, total average monthly caseload for the Medi-Cal program is about 8 million.

The 2013-14 Governor's Budget includes $350 million General Fund as a placeholder for the costs of the mandatory expansion.

## Mandatory Expansion Cost Estimate

The Administration estimates that the General Fund costs of the mandatory expansion will be $188.7 million in 2013-14, $659.6 million in 2014-15, and $729.1 million in 2015-16, when costs are fully phased in. These costs do not reflect General Fund pressures to backfill primary care rate increases that are currently funded through federal funds until December 2014. This estimate is based on a simulation of the effects of the simplification provisions under the ACA on Medi-Cal retention and caseload.

Generally, individuals discontinue enrollment due to a loss of eligibility, acquisition of other health insurance, or due to incomplete renewal of eligibility. Using Medi-Cal eligibility data, the Administration evaluated the level of turnover in the Medi-Cal program for the Section 1931(b)-non-CalWORKs population and percent of poverty programs (about 2.6 million individuals), which would be most impacted by simplification changes, to estimate the proportion of individuals who would remain enrolled in the program. While it is not possible to isolate the

number of individuals who leave due to failure to complete the renewal process, it is assumed that those who return to the program within six months were otherwise eligible to remain enrolled.

The Administration classified individuals who discontinue enrollment into three categories of leavers: (1) short-term leavers (1-6 month gap); (2) longer-term leavers (7-12 month gap); and (3) non-returners (13-18 month gap). Within these three categories, the Administration assumes that 100 percent of short-term leavers, 75 percent of longer-term leavers, and 40 percent of non-returners will retain continuous coverage. The total caseload was also adjusted by 33 percent to attempt to capture currently eligible but unenrolled individuals, given that marketing and outreach activities conducted by Covered California and the requirement that most individuals obtain health coverage are likely to result in additional enrollment among this population. Based on these assumptions, it is estimated that Medi-Cal enrollment would increase by a total of 809,000.

Given the inability to isolate those individuals who discontinue enrollment but were otherwise eligible for the program, and the interactions between various policy changes underlying health care reform, it is difficult to estimate the impact of simplification on enrollment with any degree of certainty. In an attempt to verify the estimate, the Administration reviewed data on the impact of previous simplification efforts that took effect between 2000 and 2003 as follows:

- The percentage growth in caseload between 2000 and 2003 was about 32 percent (1.2 million people) reflecting changes in unemployment as well policy changes related to expanding the 1931(b) program and simplification.
- During that time period, unemployment increased by 2 percent, which would have impacted Medi-Cal enrollment. To isolate the impact of that change, the Administration assumed that for every 1 percent increase in unemployment, enrollment would increase by 0.8 percent for children and by 0.2 percent for adults, based on a study conducted by the Urban Institute.
- The impact of expanding eligibility for 1931(b) adults to 100 percent FPL was estimated at 495,000 in the Budget Act of 2002. Accounting for the effects of unemployment and 1931(b) policy changes, the remaining caseload growth from that period is nearly 800,000. This number would need to be trended forward to estimate the universe of individuals that would be impacted by simplification under the ACA.
- Alternatively, applying the percentage increase in the caseload of the largest one-year spike in growth during this period to today's caseload for children and families results in an increase of about 820,000 (15 percent).

Another means of verification is to apply the Gruber model assumption for take-up in enrollment among the currently eligible but unenrolled (75 percent) to the CalSIM estimate for that population. An additional roughly 800,000 individuals would enroll in Medi-Cal under this approach. The Gruber model was used by the Administration, Legislature, and validated by the Legislative Analyst's Office, when estimating the impact of the 2007 health care reform proposal.