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Realignment and County Indigent Health Care Programs

PRESENTED TO: Senate Budget Subcommittee No. 3 on Health and Human Services
Hon. Caroline Menjivar, Chair

LEGISLATIVE ANALYST'S OFFICE

Order of Presentation

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The County Responsibility for Indigent Health Care

- ***County Responsibility Dates Back to 1930s—Welfare and Institutions Code (WIC) Section 17000.*** Counties are required to provide basic health care services to individuals with no other means of receiving care. Since the creation of the Medicaid and Medicare programs, this population has generally been low-income adults without health care coverage.
- ***Eligibility for County Indigent Health Care Services Based Broadly on Lawful Residence and Economic Need.*** Indigent health care programs operate as programs of last resort, so other programs for those with economic need (such as Medi-Cal) must be pursued first as a condition of eligibility. Additionally, counties are not required (but are not precluded from) serving individuals with unsatisfactory immigration status (UIS).
- ***Counties Are Afforded Broad Discretion in Determining the Scope of Benefits and Income-Eligibility Requirements.*** Over the years, court decisions have clarified that indigent health care programs are required to provide only the basic care necessary to prevent serious harm, pain, or infection. Programs are not required to provide specific benefits, so the minimum level of service required is significantly less than what is provided by other public programs (such as Medi-Cal). Counties are also able to set income-eligibility requirements based on subsistence living costs and an individual's ability to pay. These requirements may take the form of cost-sharing arrangements with a sliding scale depending on an individual's income.

Evolution of Funding for County Indigent Health Care

Pre-1991 Realignment

- ***State General Fund Support for Medically Indigent Adult (MIA) Services.*** Counties were primarily responsible for the costs of indigent health programs for most of the programs' existence. In the 1980s, the state established two programs to provide funding support to counties that at that time had resumed responsibility for serving the MIA population under WIC Section 17000. One program (which no longer exists) provided General Fund support through the budget process to larger counties for their MIA programs. The other program—the County Medical Services Program (CMSP), which still exists—provided General Fund support to smaller counties to contract with the state to administer their MIA programs.

1991 Realignment

- ***What Is 1991 Realignment?*** In 1991, the Legislature shifted significant fiscal and programmatic responsibility for many health and human services programs from the state to counties—referred to as 1991 realignment. Due in part to requirements under the State Constitution, the state provides counties dedicated revenues to pay for their share of these costs.
- ***How Was County Responsibility for Indigent Health Care Impacted by 1991 Realignment?*** The scope of the county responsibility for indigent health care largely continued unchanged under 1991 realignment, although the responsibility for administering CMSP shifted from the state to the counties.
- ***How Did 1991 Realignment Affect Funding for County Indigent Health Care?*** Under 1991 realignment, the state eliminated most of its direct funding support for county indigent health care. With fiscal responsibility shifted to counties, counties were given a new dedicated ongoing funding source to support county indigent health care services—local realignment revenues derived from an increase in the state sales tax and Vehicle License Fee. Realignment revenues are allocated to various subaccounts based on a series of complex calculations. Counties may only utilize funds in the Health Subaccount (referred to as "health realignment revenues") for public health and indigent care responsibilities.

Evolution of Funding for County Indigent Health Care

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Chapter 24 of 2013 (AB 85, Committee on Budget)

- ***Redirection of Health Realignment Revenues.*** In 2013, the state revised realignment formulas, redirecting a portion of the health realignment revenues that counties had historically spent on indigent care to offset state General Fund costs for CalWORKs grants. The redirection was prompted by the then-upcoming (2014) expansion of coverage under the Patient Protection and Affordable Care Act (ACA), which was considered to result in county savings (due to decreased demand for indigent care services) and the new state costs associated with the expansion.

Evolution of Funding for County Indigent Health Care

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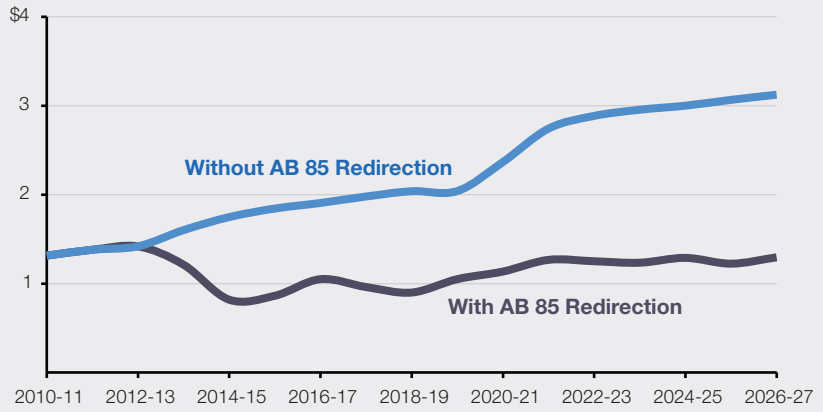
- ***Counties Have Two Options in the Determination of the Redirection Amount.*** Under AB 85, counties can choose one of two options for estimating their savings to determine the annual amount of their health realignment revenue allocation that gets redirected to the state. One redirection option—which most counties have chosen today—is a fixed share of realignment revenue based on historic realignment allocations to the county. The other option is based on a shared savings formula that considers actual county health care costs (including for indigent care) in the calculation. As shown in the figure, the total share of health realignment funds redirected to CalWORKs has grown overtime.

State Redirects Substantial Realignment Funding From County Health Programs

1991 Health Realignment Funds (In Billions)



The Current Landscape of County Indigent Health Care

- ***Indigent Health Care Program Enrollment Is Modest, With Significant Variability Across Counties in Scope of Benefits, Eligibility Requirements, and Administrative Infrastructure.*** Prior to the passage of the ACA, there were an estimated 850,000 enrolled in county indigent health care programs across the state. As the state has expanded Medi-Cal eligibility (to mostly childless adults and undocumented individuals), county indigent health care caseload has decreased, with counties estimating around 10,000 individuals currently enrolled. However, as counties have broad discretion over their programs, the number of enrollees per county can vary widely.
- ***Many Counties Broadened Eligibility and/or Scope of Benefits Following Caseload Declines.*** As enrollment in county indigent health programs declined as access to other health coverage for low-income individuals increased significantly, many counties have broadened their eligibility requirements to include additional participants and/or the scope of the benefits offered by their indigent care programs, as available resources allow. For example, some counties have chosen to accept individuals with UIS or provide certain specialty care beyond the basic level of care required in statute.

H.R. 1 Impacts on County Indigent Health Care

- ***Potential Impacts on County Indigent Health Care Program Caseload and Costs.*** Our office estimates that by 2030, nearly 2 million individuals could be disenrolled from Medi-Cal due to new eligibility requirements (effectively doubling the number of uninsured individuals). Many of these individuals may have difficulty finding other sources of health coverage and may therefore seek care through county indigent care programs. We estimate anywhere between 20 percent and 50 percent (400,000 to 1 million) of these individuals may enroll in county indigent health care programs, though these estimates are highly uncertain.
- ***Realignment Funding Available for Indigent Health Care Generally Not Structured to Account for Significant Increases in Program Demand.*** Counties rely primarily on health realignment funding (around $1.2 billion in 2026-27) to fund public health services as well health care services for any individuals still participating in the indigent health care program. While counties are likely to face a significant increase in costs to grow their indigent health care programs, the structure of the AB 85 redirection of realignment funding affecting most counties does not consider to any extent an increase in costs. Therefore, given that available health realignment funding also supports counties' public health responsibilities, counties are unlikely to have the resources required to meet the increased indigent health care demand without new, additional means of support.
- ***Counties Could Pursue Strategies to Mitigate Costs and/or Raise Revenues, but Face Trade-Offs and Limitations.*** Counties could change their eligibility and benefit rules to mitigate costs to better align with available realignment funding. Even with some mitigation of costs, to the extent counties utilize more health realignment funding for indigent care programs, it would reduce the available funding for public health services (which utilize the same realignment subaccount). Counties may also choose to raise additional revenues, though there are limitations. For example, counties must gain voter approval to levy new taxes or increase existing taxes and the types of taxes that counties may raise are more limited.