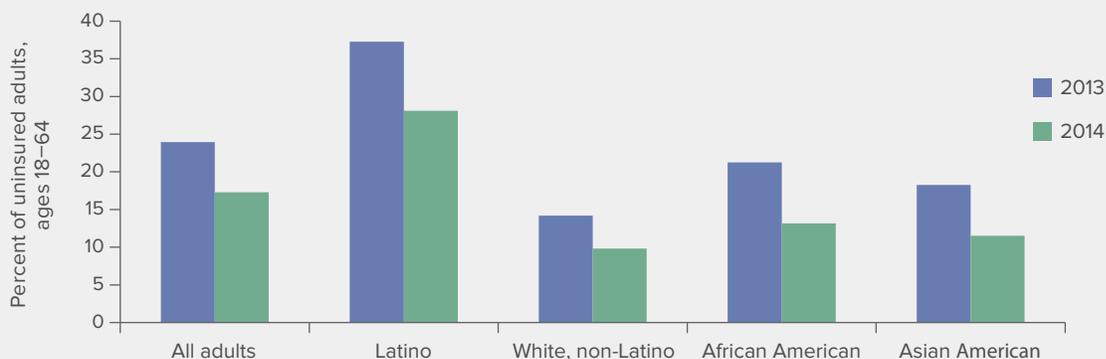


Health care coverage has expanded, but challenges remain

California's embrace of the Affordable Care Act (ACA) has substantially reduced the number of uninsured residents in the state. Large growth in Medi-Cal, the state's Medicaid program, is responsible for a good deal of the gains in coverage. Meanwhile, the state-run insurance marketplace, Covered California, now in its third year, is maintaining its enrollment levels and keeping insurance premium growth low.

These are notable successes, but they come with challenges. Managing Medi-Cal's rapid growth, both in terms of ensuring adequate access to health services and dealing with mounting cost pressures, is a major issue. In addition, maintaining the state's health care safety net—which provides care to those with public insurance as well as millions of Californians who still lack comprehensive health coverage—also calls for a targeted policy effort. Improving the health and well-being of Californians requires a broad range of policy initiatives beyond insurance coverage and access to health care. Differences in environmental quality, neighborhood safety, employment opportunity, and educational quality contribute to observed health disparities across California's diverse communities. Addressing these differences should also be part of the state's health care agenda.

FEWER ADULTS ARE UNINSURED ACROSS ALL RACIAL/ETHNIC GROUPS



SOURCE: American Community Survey, 2014 and 2015, 1-Year Files.

Health coverage posted large gains in the first year of ACA expansion

- Nearly two million fewer Californians lacked health insurance in 2014 compared with a year earlier.**

The number of Californians without health coverage dropped nearly 5 percentage points in the ACA's first year, from 17.2 percent in 2013 to 12.4 percent in 2014. Among adults ages 18 to 64—the group benefiting most—the uninsured rate declined from 24 percent to 17.3 percent. Coverage improved for all racial and ethnic groups. The biggest drop in the percent of uninsured California adults younger than 65 occurred among Latinos (9.2 percentage points), followed by African Americans (8.1 percentage points), and Asian Americans (6.7 percentage points). Latinos continue to have the highest uninsured rates, in part because undocumented immigrants are excluded from ACA coverage expansions. Recent state actions—including providing full Medi-Cal benefits to undocumented children—and ongoing legislative efforts could further expand access to affordable health insurance coverage.
- California is still home to millions of uninsured residents.**

Despite coverage gains, more than four million Californians lacked health insurance in 2014. Uninsured residents often rely on California's health care safety net for medical services. Beyond offering care to the uninsured, traditional safety net providers, such as community clinics and county hospitals, serve as health care access points for Medi-Cal patients, particularly for inpatient and specialty care in the case of public hospital systems.

Medi-Cal now covers nearly one-third of all Californians

Medi-Cal provides comprehensive health insurance to low-income people and is the linchpin of the ACA's expansion of coverage in California. The state chose to expand Medi-Cal under the ACA to cover low-income adults who didn't meet previous eligibility requirements because they did not have a qualifying disability or a dependent child.

- **An expanded Medi-Cal program now provides comprehensive health insurance to more than 12 million Californians.**

Since the Medi-Cal program expanded in 2014, enrollment has increased nearly 50 percent. According to the current budget, Medi-Cal will serve an estimated 12.4 million Californians this fiscal year—about a third of the state's population.

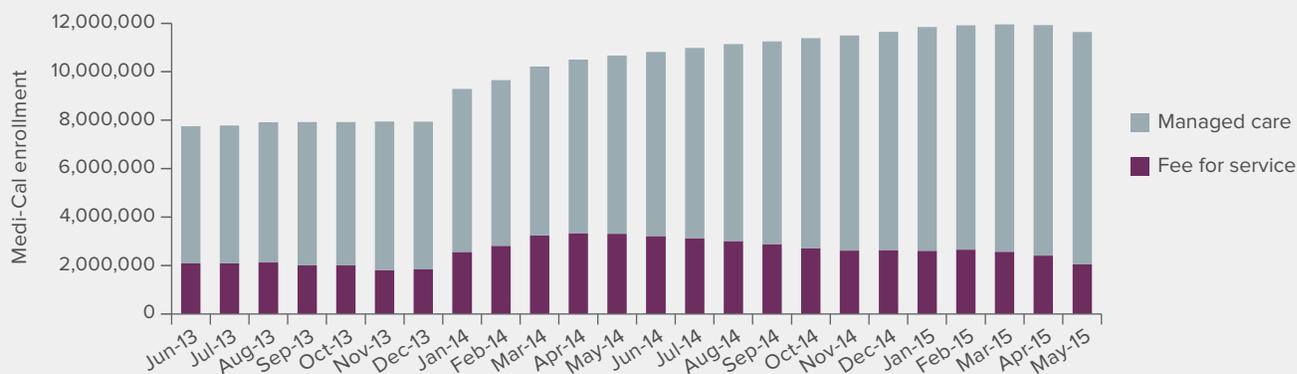
- **Medi-Cal is the state's second-largest General Fund expenditure after K–12 education.**

Enrollment growth has increased program costs, which are projected to be more than \$90 billion according to the 2015–16 budget—up nearly 50 percent from the 2013–14 fiscal year, which included the first six months of the ACA Medi-Cal expansion. The federal government is providing the vast majority of additional funds, although an estimated \$18.2 billion will come from the state's General Fund. Starting in 2017, the state's financial responsibility will increase for those newly eligible under the ACA from 0 to 5 percent, gradually increasing to 10 percent starting in 2020.

- **Nearly 80 percent of Medi-Cal beneficiaries are in managed care plans.**

Nearly all new Medi-Cal enrollees go into managed care plans, which receive a set payment rate for coordinating health services delivery to beneficiaries. All California counties now have some type of Medi-Cal managed care plan. To better coordinate services and control costs, some high-need Medi-Cal beneficiaries, including children with special health care needs and people eligible for both Medi-Cal and Medicare, are being transitioned from fee-for-service arrangements to managed care.

MEDI-CAL ENROLLMENT INCREASED RAPIDLY IN 2014



SOURCE: California Department of Health Care Services, Research and Analytic Studies Division, Medi-Cal Certified Eligibles, Summary Pivot Table, Most Recent 24 Months, May 2015.

NOTE: Figure includes certified eligible Medi-Cal beneficiaries who are not in aid codes with limited-scope coverage because of immigration status.

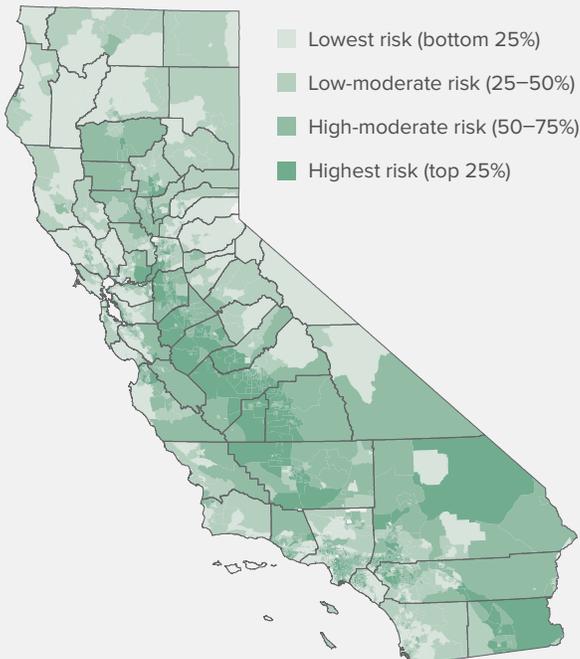
- **Medi-Cal mental and behavioral health coverage has broadened.**

Coverage for mental health and substance use disorder services is required in all ACA health plans, adding new services for Medi-Cal beneficiaries. Mental health conditions and substance use disorders are associated with heavy health care use and high costs. New Medi-Cal policy initiatives seek to improve care coordination for patients with mental and behavioral health conditions, as well as addressing social services and housing needs.

Health care access, quality, and results are uneven across the state

Health can be measured in a number of ways, including health status, access to care, quality of care, personal behavior, and social and physical environments. Significant differences exist among socioeconomic, racial, ethnic, and regional groups.

POLLUTION HEALTH HAZARDS ARE WORST IN THE CENTRAL VALLEY AND LOS ANGELES AREA



SOURCE: California Office of Environmental Health Hazard Assessment, CalEnviroScreen Version 2.0.

NOTE: All census tracts are assigned a CalEnviroScreen score to create a relative measure with which to compare communities across California. The higher the score (and darker the shading), the more a community faces potential negative health effects from pollution as measured by air quality, pesticide use, toxic releases, traffic density, and other factors. The four levels of risk used in the shading for the map are based on quartiles.

- **Some communities face greater health risks from environmental pollution.**

Many Californians live in places where they are exposed to multiple sources of pollution. Some individuals and communities are more vulnerable than others. To help identify vulnerable communities, the California Office of Environmental Health Hazard Assessment developed a screening tool incorporating geographic, socioeconomic, public health, and environmental hazard criteria. This tool is used to designate communities disproportionately exposed to pollution as disadvantaged, which makes them eligible for funds from California's cap-and-trade program to reduce greenhouse gases.

Covered California

Covered California, California's health insurance marketplace created under the ACA, allows individuals and small businesses to compare and enroll in health plans. Individuals and some small businesses can get federal tax credits to offset the cost of health insurance purchased through Covered California.

- **In Covered California's third year, insurance premiums have increased modestly.**

All health plans that participated in Covered California in previous years are continuing and have negotiated relatively modest premium increases. Two new plans are slated to offer coverage during the 2016 open-enrollment period. Statewide, the average rate for coverage rose 4 percent. However, premium changes differ from one region to another, from Los Angeles County, which saw a 0.5 percent decrease, to Monterey, San Benito, and Santa Cruz Counties, where premiums climbed 12.8 percent. Overall, coverage costs and annual rate increases are higher in Northern California than in Southern California.

Looking ahead

- **Access to care under Medi-Cal and Covered California must be monitored.**

Providing insurance coverage is just a first step. That coverage must translate into meaningful and continued access to health care. Concerns about limited provider networks under Medi-Cal and Covered California health plans prompted the most recent policy action to ensure accurate provider directories. State law requires health plans to provide timely access to care. Another recently enacted law strengthens existing standards and increases oversight of Medi-Cal managed care plans. It is important to monitor the ability of health plans to meet these standards.

- **Support health care safety net providers.**

The state's safety net providers, including public hospital systems, primary care clinics, and comprehensive health centers, are important sources of care for low-income people—both those who gained coverage through Medi-Cal and those who remain uninsured. Policymakers must continue to monitor the effectiveness and financial condition of these safety net providers—particularly county-operated public hospital systems—to ensure they remain viable.

- **Reform payment and delivery systems to control costs and better coordinate care.**

As the state moves forward with its expanded Medi-Cal program, it is important to develop strategies that provide sustainable cost-effective care. California plans to develop health homes for patients with complex needs. The state has also created pilot programs to provide comprehensive case management for better integrating physical, mental, and long-term supportive services, and improving connections to social services and housing. A concerted effort is

needed for these initiatives to succeed. In particular, the state must expand mental and behavioral health provider networks and create incentives for coordination among managed care plans, counties, and social service organizations.

- **Improve data systems.**

Effective assessment of health care access, quality, costs, and performance requires improved data systems. Recent legislative activity has focused on broadening data accessibility. The California Health and Human Services Agency continues to improve its Open Data Portal, which provides data on a wide range of health-related topics. These efforts must expand to increase transparency and provide essential information for consumers, purchasers, health care providers, and policymakers.

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