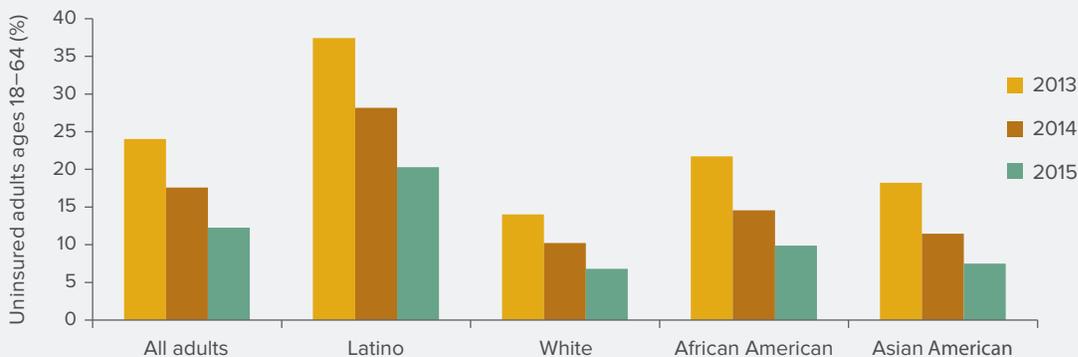


## California's coverage gains face an uncertain future

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 most gains in coverage. Meanwhile, the state-run insurance marketplace, Covered California, has maintained steady enrollment levels since its inception.

The state's success in extending health coverage to a large share of residents faces an uncertain future under the new federal administration, which has pledged to dismantle the ACA. Rolling back federal financing would substantially impact California's ability to continue its expanded coverage programs. While federal changes are still unknown, the state will likely have to make some difficult decisions about how to handle substantially lower federal funds. Californians have shown support for expanded health coverage, voting in November to pass three initiatives that will bolster Medi-Cal funding. But these new state funds will not be enough to bridge the gap if federal funds are reduced substantially. If many Californians lose coverage, the state's health care safety net system will experience more pressure to provide services to more residents.

### FEWER ADULTS ARE UNINSURED ACROSS ALL RACIAL/ETHNIC GROUPS



SOURCE: American Community Survey, 2014, 2015, 2016 1-Year PUMS files.

NOTE: The white, African American, and Asian American racial categories do not include individuals who also reported that they were not of Hispanic ethnicity. Latinos include all individuals who reported they were of Hispanic, Latino, or Spanish origin regardless of race.

## California continues to see large declines in uninsured rates

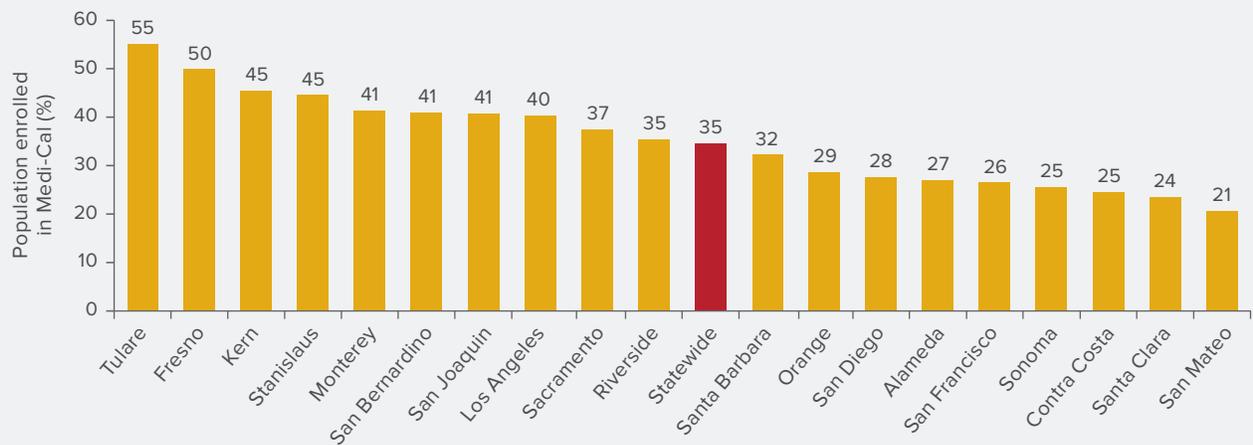
- More than 1 million fewer Californians lacked health insurance in 2015 compared with a year earlier.**  
 The number of Californians without health coverage dropped nearly another 4 percentage points in the second year of ACA coverage expansions, from 12.4 percent in 2014 to 8.6 percent in 2015—this represents a nearly 9 percentage point decline in the number of uninsured Californians since ACA implementation. Among adults ages 18 to 64—the group benefiting most—the uninsured rate declined from 17.5 percent in 2014 to 12.3 percent in 2015. Coverage improved for all racial and ethnic groups. The biggest drop in the percent of uninsured California adults younger than 65 occurred among Latinos (7.8 percentage points), followed by African Americans (4.7 percentage points), and Asian Americans (3.9 percentage points).
- California is still home to millions of uninsured residents.**  
 Despite coverage gains, more than 3 million Californians lacked health insurance in 2015. 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 more than 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. Under the ACA, the state has expanded Medi-Cal to cover low-income adults who didn't meet previous eligibility standards requiring either a qualifying disability or responsibility for a dependent child. The federal government currently covers 95 percent of the costs of this new group, which in the current budget amounted to about \$15 billion and covered about 3 million adults. Most proposals to dismantle the ACA include plans to cut federal Medicaid funding. These cuts could take different forms, including changing federal Medicaid financing to block grants, imposing per-capita funding caps, or changing the health services for which federal funds can be used.

- **An expanded Medi-Cal program now provides comprehensive health insurance to about 13.5 million Californians.** Since the Medi-Cal program expanded in 2014, enrollment has increased nearly 60 percent. According to the current budget, Medi-Cal will serve an estimated 14.1 million Californians this fiscal year—more than one-third of the state's population. In some counties, half of all residents are enrolled in the Medi-Cal program.

### MEDI-CAL PROVIDES COVERAGE TO HALF OF ALL RESIDENTS IN MANY LARGE COUNTIES



SOURCE: California Department of Health Care Services, Research and Analytic Studies Division, Medi-Cal Certified Eligibles, Summary Pivot Table, Most Recent 24 Months, March 2016. California Department of Finance E-4 Population Estimates for Cities, Counties, and the State, 2011–2016, May 2016.

NOTE: The share of residents enrolled in Medi-Cal is calculated using the average total Medi-Cal certified eligibles from the first three months of 2016 and the total population for January 2016 from the Department of Finance.

- **Medi-Cal is the state's second-largest General Fund expenditure after K–12 education.** Enrollment growth has increased program costs, projected to be about \$90 billion in fiscal year 2016–2017. The federal government is expected to contribute almost 65 percent of total program costs or about \$58 billion. Still, an estimated \$17.7 billion will come from the state's General Fund, which has also increased in recent years. Major federal changes could result in the Medi-Cal program losing upward of \$20 billion in federal funds.
- **Most Medi-Cal beneficiaries are enrolled 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 for beneficiaries. All California counties have some type of Medi-Cal managed care plan. In recent years, some high-need Medi-Cal beneficiaries, including children with special health care needs and people eligible for both Medi-Cal and Medicare, have been transitioned from fee-for-service arrangements to managed care.
- **Medi-Cal behavioral health coverage has broadened.** Coverage for mental health and substance use disorder (SUD) services is required in all ACA health plans, adding new services for Medi-Cal beneficiaries. If major changes to the ACA are enacted, certain benefits—including behavioral health services—that were mandated by the law could be pared back.

## Covered California relies heavily on federal subsidies

Covered California, California's health insurance marketplace created under the ACA, allows individuals and small businesses to compare and enroll in health plans. Ninety percent of individuals who purchase plans receive federal subsidies, making it difficult to see how the marketplace would function in the absence of federal financial support.

- **Covered California's insurance premiums will increase substantially in 2017.**

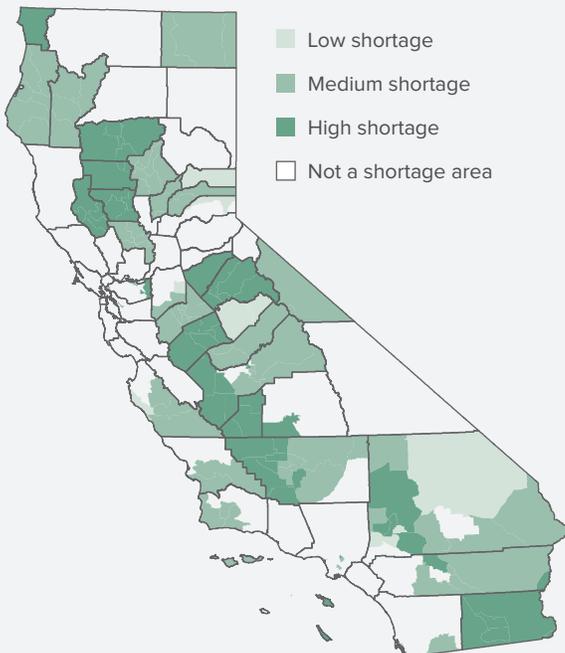
Nearly all health plans that participated in Covered California in previous years are continuing to offer coverage in the marketplace. After three years of very moderate growth, the average cost for coverage in 2017 rose more than 13 percent statewide. However, premium changes differ from one region to another—from Los Angeles County, which saw a 0.5 percent decrease, to Monterey, San Benito, and Santa Cruz Counties, where premiums climbed 28 percent. Subsidies should insulate many from these premium increases if they stay at current levels.

- **Several factors influence the large jump in costs.**

The costs of providing care to enrollees in Covered California have been higher than expected and are now reflected in the increased insurance premiums. What's more, some federal financial protections provided to insurance companies in the first years of the ACA are being phased out. In addition, health care costs, most notably the cost of specialty drugs, have increased considerably in the past few years. Federal policy changes will affect how state insurance marketplaces created under the ACA work in the future. Still, Covered California has implemented sound policies that would allow it to withstand some change.

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

### MANY AREAS FACE SHORTAGES OF MENTAL HEALTH PROVIDERS



SOURCE: California Office of Statewide Health Planning and Development, Healthcare Workforce Development Division.

NOTES: Health professional shortage areas (HPSAs) can be defined as entire counties or groups of census tracts. Mental health HPSAs are based on a psychiatrist-to-population ratio of 1:30,000. Scores are based on a number of different criteria including provider-to-population ratios, percent of population in poverty, and travel distance to nearest source of care. The higher the score the greater the shortage. Low-shortage areas have a score of 4–10, medium-shortage areas have a score of 11–15, and high-shortage areas a score of 16–18.

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.

- **Several regions in California are designated as having a shortage of mental health providers.**

Many Californians live in areas where the supply of health care providers is not adequate to ensure access to care. The federal government has developed criteria to designate certain geographic areas, populations, or health care facilities as health professional shortage areas (HPSAs), which confer access to certain federal programs and benefits. HPSAs designating a shortage of mental health providers are located throughout California but are especially prevalent in the Central Valley and northern regions of the state.

## Looking ahead

Federal health reform has brought widespread change to California's health care systems. And many of these changes now face an uncertain future under the new federal administration.

**Uninsured Californians.** California's current uninsured rate is at a historic low of 8.5 percent—indicating that more than 4 million fewer people lack health insurance than just a few years ago. Some people who gained coverage under the ACA will undoubtedly be unable to afford health insurance if the federal government reduces its level of financial support for Medi-Cal or coverage purchased through Covered California.

**Medi-Cal program.** The potential for large federal funding cuts raises many questions for the Medi-Cal program. If the federal government shifts to a block grant funding system, states will likely

be given considerable flexibility as to how the program will be run, who will be eligible, and what level of benefits will be provided. While many of these decisions will likely center around budgetary issues, it will be important for state leaders to assess the role of the program in providing services to some of California's most vulnerable residents.

**Covered California.** Health plans and hospital systems played a substantive role in the development and implementation of the ACA. As the key purchasers and providers of health care, they will undoubtedly be involved in policy discussions related to any proposed changes. Covered California invested heavily in technology and infrastructure to create a robust marketplace. And while consumers were able to purchase coverage through the marketplace for the upcoming year, if federal subsidies cease it is not clear how many people will be able to afford that coverage.

**Health care safety net.** The state's safety net providers, including public hospital systems, emergency departments, primary care clinics, and comprehensive health centers, are the primary sources of care for low-income people, especially those that are uninsured. Now more than ever, policymakers must monitor the effectiveness and financial condition of the state's health care safety net system to ensure that they remain viable and able to provide care to all Californians.

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