

Health Care Reform: A Safety Net for the Uninsured Could Be a Noose for the Health Care System

By David K. Leatherberry
and Linda Hunt Mullany

Nearly five million uninsured California residents will become eligible for health coverage in January 2014, when health care reform is implemented, according to a recent report by the UCLA Center for Health Policy Research. The vast majority will be insured through Medi-Cal, representing a surge in enrollment at a time when the state is looking for ways to reduce benefits.

The study found that seven million residents, representing over 20 percent of the state's population, were uninsured for all or part of 2009. This figure represents a significant jump due to the loss of employment-based benefits from the 6.4 million who reported being uninsured in 2007. The study also found that two-thirds, or 4.7 million of those residents, will become eligible in January 2014 to obtain health coverage through Medi-Cal, or the new California Health Benefit Exchange, as a result of federal health care reform.

While Medi-Cal's beneficiary population is set to dramatically increase under health care reform, the state is looking to scale back Medi-Cal services.

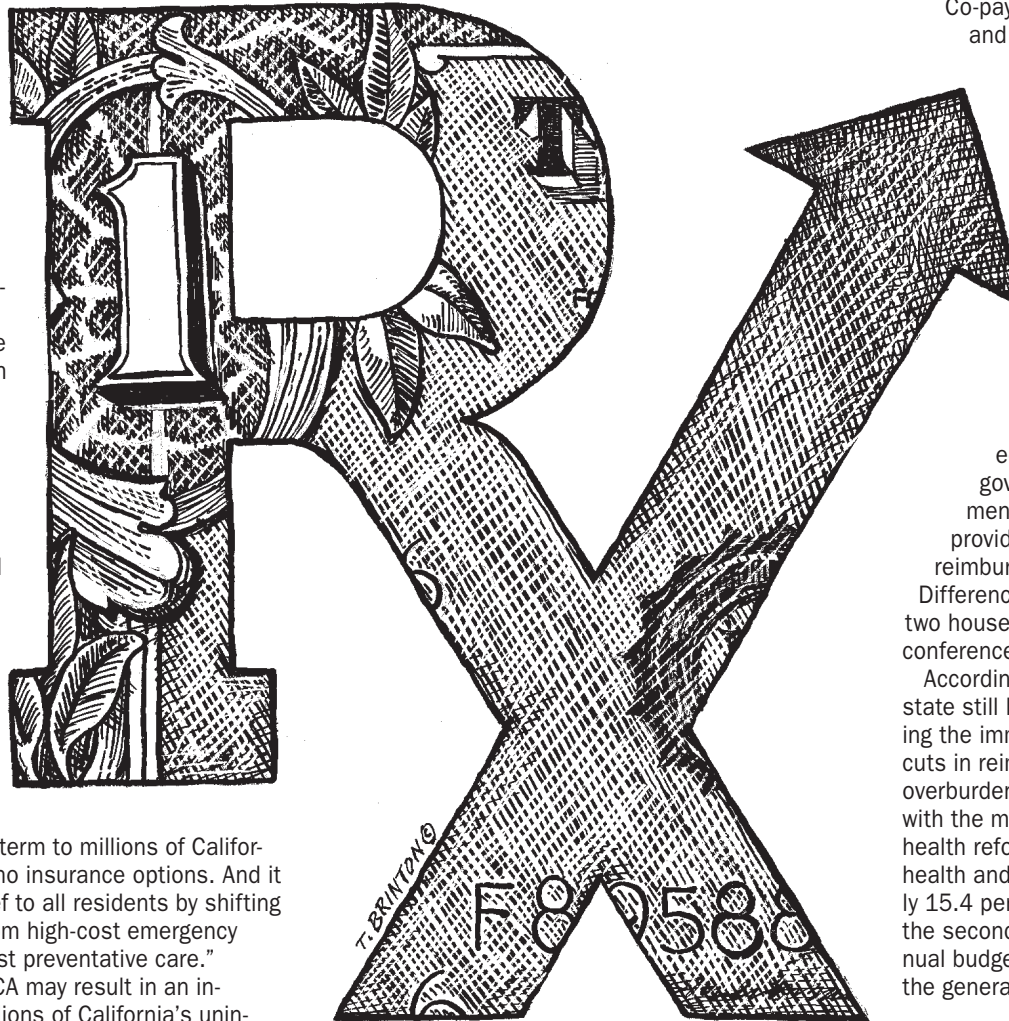
Under the Patient Protection and Affordable Care Act of 2010 (PPACA), Medi-Cal will be expanded to include approximately 2.4 million adults, most of whom are without dependent children who earn up to 133 percent of the federal poverty level. After adding this population to the number of uninsured who are otherwise Medi-Cal eligible but not enrolled, the study found that more than three million uninsured Californians may be added to Medi-Cal's rolls. The number of full-scope Medi-Cal recipients is currently six million, with that figure growing at just under two

percent per year. According to the report's lead author, Shana Lavarreda Ph.D MPP, "The surge in enrollment is potentially huge, bringing the total enrollment to between 9 and 10 million people." Through the exchange, an additional 1.7 million uninsured adults and children will be eligible to purchase federally subsidized health insurance, and another 1.2 million uninsured adults and children will be eligible to purchase unsubsidized insurance. The remaining one million uninsured Californians will not qualify for either the exchange or Medi-Cal due to their citizenship or residency status.

"This expansion will have a huge impact on the number of people without insurance," said Lavarreda. "It will provide relief in the short term to millions of Californians who currently have no insurance options. And it will provide long-term relief to all residents by shifting the taxpayer emphasis from high-cost emergency room services to lower-cost preventative care."

However, while the PPACA may result in an increased safety net for millions of California's uninsured, the long-term effect on the state's provision of health care through its Medi-Cal program remains uncertain.

The report suggests that while California has the largest total number of uninsured residents of any other state in the nation, the actual total may be even higher than reported. The existence of a federal subsidy at the time the study's underlying data was collected enabled laid-off Californians to retain their employer-provided health insurance through COBRA. The subsidy was created in February 2009 as part of the Obama administration's stimulus program, and provided for 65 percent of the monthly premiums for employees who were laid off between Sept. 1, 2008 and May 31, 2010, and who continued their employer-sponsored insurance under COBRA. That subsidy has since expired, and its impact is presently unknown. However, presumably, according to Lavarreda, a percentage of this population may be added to the expected three million new Medi-Cal beneficiaries. In addition, California's population has recently declined by approximately 600,000, due in large part to undocumented residents leaving the state. According to Lavarreda, undocumented residents were the only group to report a decrease, by



Co-payments may be \$1 for most doctor, clinic and pharmacy services and \$5 for emergency room visits. Through a change in state law, and a federal waiver, the proposed budget would make co-payments mandatory, and would require a \$5 co-payment on physician, clinic, dental and certain pharmacy services, and a \$50 co-payment on emergency room services. The proposal would also add a \$100 per day and \$200 maximum co-payment for hospital stays.

However, during votes in both houses on Feb. 19, the Legislature denied the proposed caps on physician visits, prescriptions, and certain durable medical equipment and supplies, while adopting the governor's proposal with respect to co-payments, and the 10 percent reduction in certain provider reimbursement rates, including the reimbursement of skilled nursing facility services. Differences between the changes approved by the two houses are expected to be resolved this week in conference committee.

According to Lavarreda, the vote suggests that "the state still lacks any clear plan or direction for managing the imminent surge in Medi-Cal enrollment." "The cuts in reimbursement rates will result in an already overburdened system becoming unsustainable, even with the matching federal funds provided for under health reform." Medi-Cal represents half of the entire health and human services budget, and approximately 15.4 percent of all general fund expenditures. It is the second largest general fund program, with an annual budget of \$41.6 billion including \$13 billion from the general fund, and \$24.1 billion in federal funds.

approximately 200,000, in the number of uninsured, resulting in the overall reported number of uninsured being lower than it would have otherwise been.

Nevertheless, while Medi-Cal's beneficiary population is set to dramatically increase under health care reform, the state is looking to scale back Medi-Cal services. Changes proposed under the governor's 2011-2012 budget have included limitations on the utilization of services, the requiring of beneficiaries to share in the cost of services, eliminating adult day health care and certain other benefits, the reduction of Medi-Cal provider payments by 10 percent, and the extension of existing law providing for a hospital fee.

Currently, California does not place strict limits on the utilization of physician, clinic, outpatient, pharmacy, or other Medi-Cal services. The governor's 2011-2012 budget proposed establishing annual benefit caps on such things as durable medical equipment, incontinence supplies, urological supplies, and wound care. It also would have limited non-lifesaving prescriptions to six per month, and would have limited the number of doctor visits to 10 per year. Additionally, under current state law, the collection of co-payments from Medi-Cal beneficiaries is voluntary.

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David K. Leatherberry is senior counsel in the Health Care Practice Group of Gordon & Rees LLP, in the firm's San Diego office. He can be reached at dleatherberry@gordonrees.com or (619) 230-7412.



Linda Hunt Mullany is a registered nurse, and partner in the Health Care Practice Group of Gordon & Rees LLP, in their San Diego office. She can be reached at lmullany@gordonrees.com or (619) 230-7412.