

Protect Medi-Cal Funding Series
Medi-Cal Services
Issue Brief #4 in a 12-Part Series

Medi-Cal provides a long-term investment in the health of Californians. Medi-Cal coverage and services are tailored to meet the unique needs of low-income individuals and families, and costs less per beneficiary than employer-based insurance.¹ The American Health Care Act (AHCA) passed by House Republicans would seriously jeopardize the health and financial security of more than 13 million Californians—one third of the state’s residents—who rely on Medi-Cal each year.² The AHCA cuts federal Medicaid spending by \$834 billion over ten years.³ In addition, the recently released White House budget proposes to further cut federal Medicaid spending by as much as \$1.3 trillion over the next decade.⁴ Decimating federal Medicaid funding will substantially shift the cost of coverage to states and invariably lead to cuts in coverage and services. This issue brief highlights the importance of Medi-Cal covered services and how they are threatened by Medicaid funding cuts.

Why Medi-Cal’s covered services are critical:

- **Medi-Cal offers comprehensive services that address the health needs of the populations served.** Medi-Cal beneficiaries have unique health care needs. Low-income individuals and families tend to have worse health than their higher-income counterparts, and are more likely to have chronic health conditions and disabilities.⁵ The [service package](#) offered by the Medi-Cal program was developed to help address those needs. This includes critical categories of benefits required by federal law, such as hospitalization and physician services.⁶ It also includes the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit for children up to age 21, which is specifically targeted to meet the needs of low-income children and is designed to ensure health conditions are diagnosed and treated as early as possible.⁷ Medi-Cal also covers critical benefits such as long-term services and supports for older adults and individuals with disabilities; family planning services; non-emergency medical transportation; and a wide range of mental health and substance use disorder services.⁸ (*For more information on why Medi-Cal is critical to children’s health; women’s health; and older adults and individuals with disabilities, see the previous three [issue briefs](#) of this series.*)

- **Medi-Cal provides coverage of critical “optional” services.** Federal law gives states the flexibility to provide a wide range of optional services. California has opted to cover many of these services including prescription drugs, and home and community-based services, which help older adults and individuals with disabilities remain in their homes by supporting their daily living and preventing unnecessary and costly institutionalization.⁹

How Funding Cuts Threaten Medi-Cal Services:

- **Significant cost shift onto the state.** Medicaid funding is the largest source of federal funding for the state (nearly \$52.5 billion in 2015).¹⁰ Medicaid funding cuts, such as the per capita cap proposal in the AHCA, would limit the amount of federal funding available to California, and shift the cost to the state. As a result, California may be forced to cut Medi-Cal covered services, which would disproportionately impact certain populations, including children, pregnant women, older adults, and individuals with disabilities.
- **The state may reduce or eliminate coverage of optional services.** If the state receives less federal Medicaid funding, it may have to eliminate coverage of critical, yet optional, Medi-Cal services. The prime target will be costly services, such as home and community-based services, which allow older adults and children and adults with disabilities to remain in their home instead of institutional care. In 2013, California had the highest total number of home and community-based service participants (440,841) in the country.¹¹
- **The state may use more utilization controls to restrict or delay access to services.** If a service is not entirely eliminated, the state may enact more barriers, such as service caps or cost-sharing, to reduce access to Medi-Cal services. This could include prior authorization requirements, which delay, and sometimes totally prevent, access to care. Onerous service limits or delays may cause individuals to forgo needed services and result in the deterioration of their medical conditions.
- **The state would bear the cost for services related to new epidemics, technologies, or treatments.** The onset of epidemics, such as the HIV/AIDS or opioid epidemic, cause states to experience significant and unexpected increases in medical costs. Innovations in expensive technology (e.g., MRIs) and new treatments (e.g., Hepatitis C medications) also lead to large, unplanned cost increases. If California received limited or capped federal Medicaid funding, the state would have to bear the cost of new epidemics, technologies, and treatments with no additional federal support. In response, the state would have

to limit these services, cut other Medi-Cal benefits to make up for the new costs, or pay 100% of the additional costs on its own.

ENDNOTES

¹ See TERESA COUGHLIN ET AL., KAISER COMM'N ON MEDICAID & THE UNINSURED, WHAT DIFFERENCE DOES MEDICAID MAKE? 4, 7 (2013), <http://kaiserfamilyfoundation.files.wordpress.com/2013/05/8440-what-difference-does-medicaid-make2.pdf> (Nationally, employer-based coverage would cost 28% more than covering the same individual with Medicaid).

² CAL. DEP'T HEALTH CARE SERVS., MEDI-CAL MONTHLY ENROLLMENT FAST FACTS 1 (2017) (enrollment as of December, 2016 at 13.5 Million), http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_December_2016.pdf.

³ CONGRESSIONAL BUDGET OFFICE, COST ESTIMATE; AMERICAN HEALTH CARE ACT (May 24, 2017), <https://www.cbo.gov/publication/52752>.

⁴ EDWIN PARK, CTR. ON BUDGET AND POLICY PRIORITIES, TRUMP BUDGET CUTS MEDICAID EVEN MORE THAN HOUSE BILL, SHOWING DANGER OF PER CAPITA CAP (May 23, 2017), <http://www.cbpp.org/blog/trump-budget-cuts-medicaid-even-more-than-house-health-bill-showing-danger-of-per-capita-cap>.

⁵ STEVEN H. WOOLF ET AL, URBAN INSTITUTE AND CENTER ON SOCIETY AND HEALTH, HOW ARE INCOME AND WEALTH LINKED TO HEALTH AND LONGEVITY (APRIL 2015), <http://www.urban.org/sites/default/files/publication/49116/2000178-How-are-Income-and-Wealth-Linked-to-Health-and-Longevity.pdf>.

⁶ 42 U.S.C. §§ 1396a(a)(10)(A), 1396d(a).

⁷ *Id.* §§ 1396a(a)(43), 1396d(r).

⁸ See CAL. WELF. & INST. CODE § 14132.

⁹ See, e.g., *id.*; see also 42 U.S.C. §§ 1396d(a), 1396n. While prescription drugs are part of the Essential Health Benefits that states must provide to the Medicaid expansion population as part of the Alternative Benefit Plans, the AHCA would eliminate this obligation.

¹⁰ Medicaid Capped Funding: Findings and Implications for California, State Health Reform Assistance Network (April 5, 2017), http://www.statenetwork.org/wp-content/uploads/2017/04/CA-Fact-Sheet_rev-4.4.17-1.pdf.

¹¹ JUDITH SOLOMON AND JESSICA SCHUBEL, CTR. ON BUDGET AND POLICY PRIORITIES, MEDICAID CUTS IN HOUSE ACA REPEAL BILL WOULD LIMIT AVAILABILITY OF HOME-AND-COMMUNITY-BASED SERVICES, (MAY 18, 2017), [HTTP://WWW.CBPP.ORG/RESEARCH/HEALTH/MEDICAID-CUTS-IN-HOUSE-ACA-REPEAL-BILL-WOULD-LIMIT-AVAILABILITY-OF-HOME-AND-](http://www.cbpp.org/research/health/medicaid-cuts-in-house-aca-repeal-bill-would-limit-availability-of-home-and-)