Protect Medi-Cal Funding
Substance and Opioid Use Disorders
Issue Brief #10 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 people, but still costs less per beneficiary than employer-based insurance.[1] The Better Care Reconciliation Act (BCRA) under consideration by the Senate, like the American Health Care Act (AHCA), passed by House Republicans in May, 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] California estimates the bill, if passed, would cost the state more than $30 billion over the next ten years.[3] The recently released federal budget by the current administration further eviscerates funding for Medicaid. This issue brief explains why Medi-Cal is so critical to ensuring that individuals with opioid use disorders (OUD) have access to evidence-based, life-saving prevention and treatment services. The brief also explores how Medi-Cal funding cuts would worsen the opioid epidemic in California.

Why Medi-Cal is important for people with and at risk of OUD:

- **Medi-Cal plays an important role in preventing OUD.** Early interventions to identify and prevent OUD and other substance use disorders (SUD) save money and lives.[4] Under Medicaid's Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit, individuals under age 21 enrolled in Medicaid must be provided with periodic mental health assessments and substance use screening.[5] Over 54% of California children and youth receive Medi-Cal, providing the opportunity to identify and prevent SUD by ensuring that problems are identified and treated early.[6] In many cases, these screenings, which are instrumental in identifying individuals at risk of OUD and connecting them with appropriate medical and behavioral interventions, are also covered for adults.[7]

- **Medi-Cal is an important source of health insurance coverage for individuals with OUD.** Preliminary data show that over 4,600 Californians died of a drug overdose in 2016.[8] Reducing the number of these preventable deaths requires ensuring that people with OUD have access to evidence-based treatment, including medication assisted treatment (MAT). Unfortunately, OUD treatment services are expensive and, without insurance coverage, low and middle-income individuals with OUD would be unable to afford them. As such, Medi-Cal is an important source of coverage for low-income adults and children with OUD. Since 2014, 1.1 million Americans with SUD have gained access to

affordable and comprehensive coverage of OUD services in states that expanded Medicaid, like California.[9]

- **Medi-Cal provides comprehensive coverage of OUD treatment.** Medicaid coverage of mental health and substance abuse services is generally more comprehensive than private plan coverage.[10] Medi-Cal covers all three medications approved for the treatment of SUD and pays for 16% of all buprenorphine prescriptions in the state.[11] The program also covers SUD counseling services for fee-for-service enrollees.[12] The Medicaid expansion has also led to an increase in the availability of SUD treatment providers, including a significant increase in physicians holding a waiver to prescribe buprenorphine.[13] The number of physicians waivered to prescribe buprenorphine in California has increased 34% since the state expanded Medicaid, from 1,460 physicians in 2013 to 2,214 physicians in 2017.[14] Medi-Cal is also an important source of coverage for the overdose-reversal medication naloxone. In 2016, Medicaid-covered naloxone helped save 6,692 lives at the national level, including 705 lives saved by Medi-Cal in California.[15]

- **Medi-Cal provides integrated care for individuals with OUD when they most need it.** Medi-Cal is an open-ended entitlement. Eligible individuals with OUD can enroll in the program when they most need to access treatment and overdose-prevention services without fear that eligibility will be terminated or covered services eliminated because of limited federal funding. Under the current Medi-Cal financial structure, if California increases coverage due to public health emergencies like the opioid epidemic, federal funding to the state is equally increased. Thus, Medi-Cal has become a major source of funding for California's fight against the epidemic. Medi-Cal also provides integrated care to enrollees with OUD who are more likely to have co-occurring physical and mental conditions.[16] Through Medi-Cal, enrollees with OUD not only receive treatment for their opioid dependence, but also get the care they need for other disabilities or diseases.

How funding cuts would harm Californians with and at risk for OUD:

- **Funding cuts would limit access to prevention and treatment of OUD.** BCRA's cuts to Medi-Cal's federal funding would severely impact OUD prevention and treatment services, with much of the impact falling disproportionately on individuals hardest hit by the overdose epidemic. As a result of federal funding cuts, California may seek to reduce or eliminate eligibility for low-income Medi-Cal expansion adults with OUD. California may also elect to eliminate coverage of optional OUD prevention and treatment services, some of which are essential to reduce the number of overdose deaths and the burden of the opioid epidemic in the state. To make up for these funding cuts, BCRA

proposes a $45 billion opioid fund to be distributed among states from 2018 to 2026. However, this funding would be wholly inadequate to address the epidemic. In 2026, for example, California would need an estimated $3.86 billion for OUD treatment, but will only get $468 million from the BCRA opioid fund.[17]

- **Funding cuts might lead California to impose onerous requirements for beneficiaries to access OUD services.** To reduce Medicaid spending, California would likely seek to impose burdensome utilization controls on coverage of OUD prevention and treatment services. For example, the state might require prior authorization before Medi-Cal covers buprenorphine and methadone treatment, which may require the enrollee's mental health provider to certify that the treatment is medically necessary to improve the patient's condition. California may also impose simultaneous counseling requirements on Medi-Cal's MAT coverage, which require beneficiaries with OUD to provide documentation that they are receiving or have received counseling for their OUD. Finally, California may impose quantity limits on MAT coverage and may subject beneficiaries to "lock-in" programs, which require beneficiaries to obtain all OUD services from particular providers. These utilization controls and cost-containing mechanisms would serve as a barrier for Californians with OUD to access the care they need.

- **Funding cuts would reduce the effectiveness of the parity requirement.** Under the Affordable Care Act's (ACA) mental health parity requirement, Medi-Cal programs are generally prohibited from imposing financial requirements and treatment limitations on OUD treatment benefits that are more restrictive than those on medical and surgical benefits.[18] At the national level, this requirement is expected to improve access to OUD services for over 23 million Medicaid beneficiaries enrolled in Medicaid managed care plans or Alternative Benefit Plans (ABP).[19] Because over 80% of Medi-Cal beneficiaries are enrolled in a managed care plan, the mental health parity requirement is an essential tool for low-income Californians to access SUD services.[20] However, since the rule only prohibits Medi-Cal programs from imposing limitations on OUD services that are more onerous than limitations on medical and surgical benefits, if coverage of medical and surgical benefits is reduced as a result of federal funding cuts, California could also reduce the array of OUD services currently covered.

- **Funding cuts would reduce the effectiveness of the Medi-Cal 2020 Waiver.** Through Medi-Cal 2020, California's section 1115 demonstration waiver, the state is seeking to expand access to OUD treatment services for its low-income population. The demonstration includes expanded coverage of inpatient services, improved care coordination and case management for Medi-Cal enrollees, and expanded MAT coverage.[21] To be effective, section 1115 demonstrations require increased federal funding during the first years of a demonstration. These

expenditures are then offset by savings resulting directly from the demonstration in the later years. Republicans have proposed capping the amount of federal funding that states receive for implementation of section 1115 projects. Capping federal contribution would make it harder for California to increase access to OUD services through Medi-Cal 2020 and to achieve the demonstration's intended savings.

ENDNOTES

[1] *See* TERESA COUGHLIN ET AL., KAISER COMM'N ON MEDICAID & THE UNINSURED, WHAT DIFFERENCE DOES MEDICAID MAKE? 4, 7 (2013), https://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; *see* also, *e.g.*, KIM LEWIS, NAT'L HEALTH LAW PROG., TOP 10 CHANGES TO MEDICAID UNDER THE SENATE'S ACA REPEAL BILL: IMPLICATIONS FOR CALIFORNIA (2017), http://www.healthlaw.org/publications/search-publications/10-changes-to-medicaid-under-senate-aca-repeal-bill-implications-for-ca#.WW-TSojyuUk.

[3] Letter from Jennifer Kent, Cal. Dep't Health Care Servs., to Diana Dooley, Cal. Dep't Health & Hum. Servs. (June 27, 2017), http://www.dhcs.ca.gov/Documents/3.21.17_AHCA_Fiscal_Analysis.pd.pdf.

[4] SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMIN., PREVENTION OF SUBSTANCE ABUSE AND MENTAL ILLNESS, https://www.samhsa.gov/prevention (last visited July 19, 2017).

[5] CENTERS FOR MEDICARE AND MEDICAID SERVICES, EARLY AND PERIODIC SCREENING, DIAGNOSTIC, AND TREATMENT, https://www.medicaid.gov/medicaid/benefits/epsdt/index.html (last visited July 19, 2017).

[6] KAISER FAMILY FOUNDATION, MONTHLY CHILD ENROLLMENT IN MEDICAID AND CHIP (2016), *available at* http://kff.org/medicaid/state-indicator/total-medicaid-and-chip-child-enrollment/?

[7] CENTERS FOR MEDICARE AND MEDICAID SERVICES, BEHAVIORAL HEALTH SERVICES, https://www.medicaid.gov/medicaid/benefits/bhs/index.html (last visited July 19, 2017). Under the Affordable Care Act, Medicaid must cover a wide range of preventive medical services for all beneficiaries. Because the mental health parity rule requires plans to offer SUD benefits that are no more restrictive than medical and surgical benefits, Medicaid programs are expected to significantly improve access to SUD screening and preventive services for their adult enrollees as well.

[8] Josh Katz, *Drug Deaths in America are Rising Faster than Ever*, The New York Times, June 5, 2017, https://www.nytimes.com/interactive/2017/06/05/upshot/opioid-epidemic-drug-overdose-deaths-are-rising-faster-than-ever.html (last visited July 17, 2018).

[9] MIR M. ALI ET AL., STATE PARTICIPATION IN THE MEDICAID EXPANSION PROVISION OF THE AFFORDABLE CARE ACT: IMPLICATIONS FOR UNINSURED INDIVIDUALS WITH A BEHAVIORAL HEALTH CONDITION, November 18, 2015, https://www.samhsa.gov/data/sites/default/files/report_2073/ShortReport-2073.pdf (last visited Jan, 13, 2017).

[10] CANNON, K., BURTON, J., & MUSUMECI, M., KAISER FAMILY FOUNDATION, ADULT BEHAVIORAL HEALTH BENEFITS IN MEDICAID AND THE MARKETPLACE (2015), *available at* http://kff.org/medicaid/report/adult-behavioral-health-benefits-in-medicaid-and-the-marketplace/.

[11] KAISER FAMILY FOUNDATION, MEDICAID'S ROLE IN ADDRESSING THE OPIOID EPIDEMIC (2017), *available at* http://kff.org/infographic/medicaids-role-in-addressing-opioid-epidemic/. KAISER FAMILY FOUNDATION, MEDICAID'S ROLE IN ADDRESSING THE OPIOID EPIDEMIC (2017), *available at* http://kff.org/infographic/medicaids-role-in-addressing-opioid-epidemic/.

[12] RINALDO, S. G., & RINALDO, D. W., AMERICAN SOCIETY OF ADDICTION MEDICINE, STATE MEDICAID COVERAGE AND AUTHORIZATION REQUIREMENTS FOR OPIOID DEPENDENCE MEDICATIONS (2013), *available at* http://www.asam.org/docs/default-source/advocacy/aaam_implications-for-opioid-addiction-treatment_final.

[13] Relatedly, with many more people seeking treatment for SUD, the Medicaid expansion may greatly increase job opportunities for substance use professionals. California has initiated several ambitious health professional training programs to meet the expected increased need from increased access to care provided by the ACA. Spetz, J. et al., *The Impact of the Affordable Care Act on New Jobs* (2012),

available at https://healthforce.ucsf.edu/sites/healthforce.ucsf.edu/files/publication-pdf/Spetz_Lee_Final.pdf.

[14] *See* CALIFORNIA MEDICAL ASSOCIATION, CMA COMMENDS REGULATIONS TO INCREASE ACCESS TO MEDICATION ASSISTED TREATMENT FOR OPIOID USE DISORDERS, http://www.cmanet.org/news/detail?article=cma-commends-regulations-to-increase-access-to; SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMIN., BUPRENORPHINE TREATMENT PHYSICIAN LOCATOR, https://www.samhsa.gov/medication-assisted-treatment/physician-program-data/treatment-physician-locator?field_bup_physician_us_state_value=CA (last visited July 18, 2017).

[15] THE COMMONWEALTH FUND, MEDICAID EXPANDS ACCESS TO LIFESAVING NALOXONE, July 5, 2017, http://www.commonwealthfund.org/publications/blog/2017/jul/medicaid-helps-expand-lifesaving-naloxone (last visited July 20, 2017).

[16] SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMIN., CO-OCCURRING DISORDERS, https://www.samhsa.gov/disorders/co-occurring (last visited July 18, 2017).

[17] CENTER FOR AMERICAN PROGRESS, SENATE'S OPIOID FUND CANNOT SUBSTITUTE FOR HEALTH COVERAGE, June 20, 2017, https://www.americanprogress.org/issues/healthcare/news/2017/06/20/434708/senates-opioid-fund-cannot-substitute-health-coverage/ (last visited July 20, 2017).

[18] 42 C.F.R. §§ 438, 440, 456, 457 (2016). For the language of the rule extending the parity requirements to Medicaid managed care plans, *see* 42 C.F.R. §§ 438.900–438.930. *See also* ELIZABETH EDWARDS, NATIONAL HEALTH LAW PROGRAM, *MENTAL HEALTH PARITY AND ADDICTION EQUITY ACT OF 2008 FINAL REGULATIONS AND FEDERAL GUIDANCE* (2014).

[19] CENTERS FOR MEDICARE AND MEDICAID SERVICES, CMS FINALIZES MENTAL HEALTH AND SUBSTANCE USE DISORDER PARITY RULE FOR MEDICAID AND CHIP, https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2016-Press-releases-items/2016-03-29.html (last visited July 18, 2017).

[20] KAISER FAMILY FOUNDATION, TOTAL MEDICAID MANAGED CARE ENROLLMENT, *available at* http://kff.org/medicaid/state-indicator/total-medicaid-mc-enrollment/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

[21] CAL. DEP'T HEALTH CARE SERVS., MEDI-CAL 2020 DEMONSTRATION, http://www.dhcs.ca.gov/provgovpart/Pages/medi-cal-2020-waiver.aspx (last visited July 18, 2017).