



THE GOVERNOR'S HEALTH CARE PROPOSAL: A LOW-INCOME PERSPECTIVE

On January 8, 2007, Governor Schwarzenegger released a health coverage proposal aimed at covering the 6.7 million uninsured Californians. HCA's first impression of the Governor's plan is that it is bold and comprehensive. We believe that providing coverage for those individuals and families with the least ability to pay is crucial and long overdue. However, to truly ensure access to health care for these individuals, any health care proposal must provide coverage that is affordable, accessible, and culturally and linguistically appropriate. In addition, any coverage expansion must not harm current Medi-Cal eligible individuals who have been deemed to be among the neediest Californians. While the Governor's health proposal rightly aims to cover all Californians, in its current form it does not provide affordable coverage and cuts services and eligibility for some Medi-Cal beneficiaries.

HCA partners developed "Standards to Ensure Low-Income Californians Access to Affordable Quality Care" to inform and educate policy makers regarding the impact of health care coverage expansions on low-income communities. These standards focus on eligibility, affordability, scope of benefits, financing, procedural protections, access, quality of care, choice and portability. The following analysis addresses specifics of the Governor's proposal as it applies to low-income Californians and HCA standards.

Cover All Californians

Coverage for All Children: The Governor's proposal covers all children below 300% of the Federal Poverty Level (FPL) regardless of immigration status. HCA standards specify that "All low-income individuals and families, regardless of immigration status, with income up to at least 300% FPL should be included in any coverage expansion." HCA agrees with this element of the Governor's proposal.

Bright Line Rule – 100% FPL: The Governor proposes a "bright line rule" for public health programs which would put all children at or below 100% FPL in the Medi-Cal Program and all children above 100% FPL (about \$16,000 a year for a family of three) in the Healthy Families program. HCA standards specify that "any coverage expansion must include all low-income individuals and retain coverage for those currently eligible for public programs." The Governor's own estimate is that 680,000 children currently enrolled in Medi-Cal would be moved to Healthy Families. This change would create a new financial barrier to care as it requires children moved to Healthy Families to pay premiums they currently do not have to pay in Medi-Cal. In addition, it would jeopardize procedural protections for children who are Medi-Cal eligible. While the administration has stated that children moved from Medi-Cal to Healthy Families would receive Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) wrap-around coverage, it is unclear how such a program would work.

The Governor also proposes applying the bright line test to adults and moving those beneficiaries above 100% FPL out of Medi-Cal and into a new state purchasing pool. His proposal would move 215,000 seniors and persons with disabilities who are currently covered by Medi-Cal into the state purchasing pool. Because 100% FPL is so low (\$817 a month for a single adult), many individuals receiving SSI and other low-income beneficiaries would lose Medi-Cal. These individuals who are already struggling financially would have new costs imposed on them – both premiums and co-pays. They would lose benefits such as vision and dental care and would no longer have procedural protections afforded by Medi-Cal. This change would be catastrophic for these individuals who live on a fixed income and have higher than average health care costs. Those currently eligible for Medi-Cal should remain eligible under any new health coverage plan. While the HCA supports efforts to streamline public health programs, setting a "bright line" at an income level where almost 900,000 people would lose Medi-Cal is

too great a hardship on low-income consumers.

Coverage for Uninsured Adults: The Governor proposes to move 630,000 indigent, childless adults into no-cost Medi-Cal. HCA standards specify that “All Californians should have health coverage, regardless of immigration status.” The Governor’s proposal would add many low-income adults to the Medi-Cal program who are not currently eligible. This aspect of the Governor’s proposal is a giant policy step forward which HCA wholeheartedly supports. Unfortunately, the Governor does not go as far for adults as for children and would require that adults have satisfactory immigration status to qualify for Medi-Cal. As with children, HCA urges the Governor to cover all low-income adults regardless of immigration status.

Expand and Simplify Public Programs: The Governor proposes expansion of the Medi-Cal Program to include indigent childless adults. HCA standards state: “Publicly-funded health programs should be expanded to the maximum extent allowable under federal law in order to maximize all federal dollars available to fund health coverage.” HCA supports the public program expansion and encourages the Governor to further expand Medi-Cal as suggested below.

To achieve the Governor’s stated goal of universal coverage, public programs must also be simplified to allow all eligible persons to get and stay enrolled. In keeping with this, HCA standards state “Policies that result in a lapse or loss of coverage or that discourage people from applying for Medi-Cal or other public health programs should be eliminated.” HCA standards further specify that, “complex rules and requirements should be reduced and/or simplified so that enrollment, retention, documentation and reporting requirements are not unnecessarily burdensome and are no more restrictive than required by federal law.” The following is a list of specific mechanisms to simplify and maximize the Medi-Cal program.

1. Eliminate the deprivation test and 100 hour rule;
2. Eliminate the assets test;
3. Raise the Medically Needy Income level to the federal maximum;
4. Expand the 1931(b) program to the federal maximum;
5. Seek federal reimbursement for language access services;
6. Allow self-verification at both application and renewal;
7. Simplify renewal (e.g. adopt “passive renewal,” use pre-populated forms showing what the recipient reported last time, allow phone in renewal, and eliminate the signature requirement at renewal);
8. Eliminate the Mid-Year Status Report; and
9. Accept other programs’ determinations and renewals, such as those made for Food Stamps, CalWORKS, subsidized childcare and school lunch.

Affordability

Cost Sharing – “Shared Responsibility”: Under the notion of shared responsibility, the Governor proposes that all individuals be required to purchase insurance. HCA standards specify that “Health care for low-income individuals and families must be affordable – including premiums, cost sharing and any other out-of-pocket costs. Financial barriers must not impede access to necessary care.” The HCA has considerable experience working with low-income individuals and families and recognizes that “cost-sharing and premiums should not be imposed for individuals and families below 200% FPL as they do not have the resources to afford these costs.” HCA further asserts that “Healthy Families Program standards should apply for co-payments and premiums for individuals and families who fall within 200-300% FPL. Deductibles should not apply to low-income individuals because they create barriers to care. In addition, any new health insurance program must ensure that low-income individuals are not denied services based on their inability to pay.”

Most low-income individuals have little to no disposable income and even small increases in costs for health insurance could leave them facing an eviction or going without food. If low-income individuals are unable to afford the mandated insurance, they will fall further into medical debt, have health conditions worsen because of inability

to access care, or go without other life-sustaining necessities. In addition, the health care system will continue to be taxed by individuals who are unable to get preventive care and who end up in emergency rooms with no other place to go. Under the notion of shared responsibility, the Governor's plan will require cost sharing that low-income Californians do not have the ability to pay.

Subsidies: The Governor's proposal includes subsidies for low-income Californians below 250% FPL. While HCA is pleased to see that subsidies are included in the Governor's health care plan, the proposed subsidies are inadequate to make health coverage affordable for low-income individuals and families. The subsidy only applies to those up to 250% FPL and expects these families to contribute up to 6% of their gross income to pay for insurance (up to \$250 a month for a family of four in premium costs for the adults in the family in addition to the Healthy Families premiums for the children and co-pays for services). Those individuals with incomes even one dollar above 250% FPL are expected to pay market rate with no limits on health plan costs.

To ensure that low-income individuals have access to health insurance and are not penalized for their financial inability to purchase coverage, any plan must include truly affordable coverage and adequate subsidies. As stated above, HCA standards specify that "cost sharing and premiums should not be imposed for individuals below 200% FPL as they do not have the resources to afford these costs. Healthy Families Program standards should apply for co-payments and premiums for individuals and families who fall within 200-300% FPL."

Benefits Package: The Governor's plan provides for current levels of Medi-Cal benefits for those who will remain Medi-Cal eligible. For those in the purchasing pool (including current Medi-Cal beneficiaries with incomes between 100% and 250% FPL), plan offerings will, at a minimum, provide Knox-Keene required benefits and prescription drug coverage. Dental and vision coverage will not be subsidized, but will be available through the pool. HCA standards specify that "Any coverage expansion must provide comprehensive benefits for low-income individuals. Expansions must preserve the existing amount, duration, and scope of benefits for Medi-Cal and Healthy Families beneficiaries in order to preserve meaningful access to care." HCA urges that dental and vision care offered through the purchasing pool also be subsidized.

To satisfy the individual mandate included in the Governor's proposal, only "minimum" health insurance benefits are required. A plan meets this "minimum" threshold if it has a \$5,000 deductible and maximum out of pocket expenses of \$7,500 for an individual and \$10,000 for a family. Such high-deductible health plans (HDHPs) are of little use to the people who need them the most. While these plans might work for healthier, wealthier consumers who can afford the risk of paying \$5,000 in cost-sharing in addition to premiums, they are not a good option for lower or middle-income adults. HDHPs do not encourage consumers to have a "medical home," coordination of care or lower cost disease management programs. HDHPs do not prevent medical debt or bankruptcy. In fact, they may contribute to it because \$5,000 is an insurmountable price for some consumers.

Medi-Cal Provider Rates

The Governor proposes significant increases in Medi-Cal provider rates – bringing them in line with Medicare rates. The HCA partners are acutely aware of the difficulty many Medi-Cal beneficiaries face in trying to get care, in large part because of the very low current rates paid by Medi-Cal. We commend the Governor for recognizing this grave access problem and proposing the necessary increases which are long overdue.

Insurance Market Reforms

The Governor proposes a requirement that insurers guarantee coverage as well as requiring community rating. This provision coincides with HCA's standards that all Californians should have access to necessary care and will diminish health disparities. For these reforms to be meaningful, caps on what plans can charge are needed.

The Governor's health care proposal is a welcome first step in tackling our state's health care crisis. To ensure that this plan increases access to care for low-income individuals the plan must be truly affordable and must ensure that eligibility, services, and procedural protections for current Medi-Cal beneficiaries are maintained.



Health Consumer Alliance

The Health Consumer Alliance is a collaboration of nine local health consumer centers that cover thirteen counties and are home to over three-fifths of California's low-income residents. HCA offices cover both urban and rural counties providing a broad picture of the health care needs of individuals in different settings and systems. The local HCA offices are supported by two statewide support centers, the National Health Law Program and Western Center on Law and Poverty.

Fresno County

Fresno Health Consumer Center
Central California Legal Services
1999 Tuolumne Street, Suite 700
Fresno, CA 93721
(800) 300-1277

Imperial County

Health Consumer Center of Imperial Valley
California Rural Legal Assistance, Inc.
449 Broadway Avenue
El Centro, CA 92243
(800) 935-9288

Kern County

Kern Health Consumer Center
Greater Bakersfield Legal Assistance
615 California Avenue
Bakersfield, CA 93304
(800) 906-3982

Los Angeles County

Health Consumer Center of Los Angeles
Neighborhood Legal Services of Los Angeles
13327 Van Nuys Blvd.
Pacoima, CA 91331
(800) 896-3203

Orange County

Orange County Health Consumer Action Center
Legal Aid Society of Orange County
2101 N. Tustin Avenue
Santa Ana, CA 92705
(800) 834-5001

Sacramento, El Dorado, Placer & Yolo Counties

Health Rights Hotline
Legal Services of Northern California
519 12th Street

Sacramento, CA 95814
(888) 354-4474

San Diego County

Consumer Center for Health Education & Advocacy
Legal Aid Society of San Diego County
1475 Sixth Avenue, 4th Floor
San Diego, CA 92101
(877) 734-3258

San Francisco & Alameda Counties

Community Health Advocacy Project
Bay Area Legal Aid
50 Fell Street, 1st Floor
San Francisco, CA 94102
(415) 354-6360 for San Francisco and
(510) 250-5270 for Alameda

San Mateo County

Health Consumer Center of San Mateo County
Legal Aid Society of San Mateo
521 East Fifth Avenue
San Mateo, CA 94402
(800) 381-8898 and (650) 558-0915

Statewide Support

National Health Law Program
2639 South La Cienega Blvd.
Los Angeles, CA 90034
(310) 204-6010

Western Center on Law and Poverty

3701 Wilshire Blvd., Suite 208
Los Angeles, CA 90010
(213) 487-7211 and
1107 9th Street, Suite 801
Sacramento, CA 95814
(916) 442-0753