Executive Director's Watch

March 22, 2010

Health Reform and California

After more than a year of debate, the House late last night adopted a historic health reform bill. With the California delegation voting along party lines, the bill was passed 219-212, with 34 Democrats joining all Republicans in opposition. The bill will be sent to President Obama for his signature. A bill 'fixing' some of the Senate provisions that House members did not want will be considered in the Senate this week under reconciliation which cannot be filibustered and does not need the 60 vote supermajority.

The bill was adopted only days after a new report from UCLA's Center for Health Policy Research which reported that nearly 1 in 4 Californians under age 65 had no health insurance last year. The state's uninsured population jumped to 8.2 million in 2009, up from 6.4 million in 2007. As county officials know all too well, a significant number of them depend on our services when they have nowhere else to turn.

What will the new federal law mean for California's counties and their provision of health care to millions of the uninsured in the state? There will be further details as the legislative dust settles, but a few key provisions affecting counties were resolved in the last few days.

Beginning in federal fiscal year 2014, all individuals with incomes at 133 percent of the federal poverty level or lower will be eligible for coverage under Medicaid. The federal government will cover the costs of benefits at 100 percent for the first three years, through 2016. That reimbursement rate will fall to 95% in 2017 and phase down to 90% in 2020 and thereafter. The state and local cost of administering the program, however, will continue to be reimbursed at the normal 50% federal match.

Primary care services provided under Medicaid will be reimbursed at the higher Medicare rate and will also be funded with 100% federal dollars in 2013 and 2014.

Funding for the disproportionate share payment (DSH) program to hospitals serving the poor will be reduced, but not as much as initially proposed. Despite the estimates that the bill would cover 32 million new individuals, another 23 million would remain uninsured in 2019, according to the Congressional budget Office. Approximately one-third of the remaining uninsured would be undocumented immigrants. Under the bill, DSH cuts were reduced from $18.1 billion to $14.1 billion beginning in 2014 and through 2019. The bulk of the cuts ($12.4 billion) would occur beginning in 2017. The HHS Secretary will have the discretion to determine how to allocate the cuts, depending on how well the payments are targeted to low-income facilities and the actual reduction in the numbers of the uninsured within a state.

Other new investments include $15 billion in mandatory funding for prevention and wellness activities, including a significant new competitive grant investment in state and local public health departments.

In other actions affecting counties, the 40 percent tax on the value of so-called "Cadillac" benefit plans was paired back significantly. Under the bill, the tax will not become effective until 2018 and the tax will be applied to family plans exceeding $27,500 and $10,200 for individuals.

A related posting can be found on our blog, "The County Voice." Additional details on the legislation and implementation timelines will be provided in future CSAC updates.

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