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California Fiscal Impact of Overturning the ACA

PRESENTED TO:

Senate Health Committee
Hon. Richard Pan, Chair



LEGISLATIVE ANALYST'S OFFICE

Overview

ACA Made Far-Reaching Changes to Health Care Coverage

Health Insurance Reforms. The Patient Protection and Affordable Care Act (ACA) established major new requirements within the health insurance market. For example, the ACA forbid health insurers from withholding coverage for individuals with preexisting conditions, generally required insurers to extend coverage to a policyholders' dependents until their 26th birthday, and imposed a mandate on individuals to obtain health insurance (the penalty for which was subsequently effectively eliminated by Congress).

Changes to Medicaid, Including the ACA Optional Expansion. The ACA made a number of changes to Medicaid. Among the most significant changes was to expand eligibility to childless adults—ultimately at the option of states—through what became known in California as the ACA optional expansion. California opted into the ACA optional expansion at its first opportunity in 2014.

Subsidized Commercial Coverage Through State Health Benefit Exchanges. The ACA established online marketplaces, known as Health Benefit Exchanges, where small businesses and individuals who do not receive employer-based coverage may purchase commercial health insurance coverage. Through the ACA, coverage purchased through the exchange is eligible for federal subsidies that reduce recipients' premium costs.

Ongoing Funding for Public Health. The ACA established an ongoing federal funding stream—the Prevention and Public Health Fund—to expand and sustain prevention and public health programs.



Overview

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ACA Provides \$25 Billion in Federal Funding to California Annually

ACA Federal Funding to California	
<i>2019-20 (In Millions)</i>	
Medi-Cal	
ACA optional expansion	\$17,104
Enhanced personal care services	398
Subtotal	(\$17,502)
Payments to Health Insurance Policyholders	
Covered California premium subsidies	\$7,662
Prevention and Public Health Funding	
Grants to state and local agencies	\$46
Grand Total	\$25,210
ACA = Patient Protection and Affordable Care Act and Covered California = California Health Benefit Exchange.	



Overview

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Legal Status of the ACA Is Uncertain

In November 2020, the Supreme Court will hear a challenge that the ACA is unconstitutional. A Supreme Court finding in favor of the challenge potentially could result in the ACA being overturned in its entirety or in some components of the ACA being struck down. In order to restore legally permissible components of the ACA, Congress would need to pass alternative legislation.

Overturning the ACA Would Have Major Negative Consequences in California

As the following bullets describe, overturning the ACA in its entirety would result in the loss of tens of billions of dollars in federal funding that currently supports California state health care programs and helps state residents obtain affordable coverage.

- ***Significantly Disrupt the State's Health Care Industry.*** The loss of \$25 billion in funding would have significant negative consequences for the state's roughly \$400 billion health care industry, particularly for providers that form the safety net.
- ***Place at Risk Health Care Coverage for Millions of Californians.*** Millions of Californians could lose their health care coverage if the ACA is overturned. Californians' health could significantly suffer as they lose access to comprehensive coverage.



Medi-Cal and the ACA

ACA Has Transformed and Expanded Medi-Cal. The ACA has transformed Medi-Cal, the state’s Medicaid program, by:

- Expanding eligibility.
- Providing substantial additional funding.
- Streamlining enrollment.
- Increasing benefit levels.

Largely due to ACA, Medi-Cal enrollment has increased from 7.9 million individuals in 2012-13—the year before the ACA generally implemented—to 13 million in 2019-20. Over this same time period, total annual funding for Medi-Cal has roughly doubled from \$50 billion to \$100 billion, with federal funds accounting for over 75 percent of the growth in total funding.

Expanded Coverage Through the ACA Optional Expansion

ACA Expanded Eligibility to Childless Adults. Prior to the ACA, eligibility for Medicaid generally was limited to low-income families with children, seniors, and persons with disabilities. The ACA expanded eligibility—ultimately at the option of states—to low-income childless adults.

California Adopted the ACA Optional Expansion. California adopted the ACA optional expansion, which took effect in 2014. Today, around 3.7 million of the state’s roughly 13 million Medi-Cal beneficiaries are covered through the ACA optional expansion.

Medi-Cal Receives at Least \$17 Billion in Federal Funding to Provide Coverage to the ACA Optional Expansion Population. For most Medi-Cal beneficiaries, the federal government pays 50 percent of the cost of coverage. In contrast, the federal government currently pays 90 percent of the cost of coverage for the ACA optional expansion. We estimate that the state received at least \$17 billion in federal funding through the ACA optional expansion in 2019-20.



Medi-Cal and the ACA

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Enhanced Funding for Personal Care Services

Primarily through the In-Home Supportive Services (IHSS) program, Medi-Cal provides personal care services to individuals who require assistance to live safely in their homes. The ACA provides for an enhanced federal share of cost of 6 percentage points for IHSS for slightly more than half of the program's recipients. This increased federal funding for IHSS by \$398 million in 2019-20, resulting in equivalent state savings.

ACA's Medi-Cal Changes Have Increased Access to Care for Vulnerable Populations

Among its many effects on Medi-Cal, the ACA has allowed the state to significantly expand services provided to the formerly uninsured, formerly incarcerated, and to individuals with mental health needs.

- Changes to Medi-Cal eligibility and the streamlining of Medi-Cal enrollment have significantly contributed to a reduction in the number of uninsured Californians.
- Because many incarcerated individuals are childless adults, upon release, many such individuals previously were not eligible for Medi-Cal. Primarily through the ACA optional expansion, many formerly incarcerated individuals gained access to Medi-Cal coverage. Between 2012 and 2016, the percent of individuals released from California Department of Corrections and Rehabilitation institutions who enrolled in Medi-Cal increased from 25 percent to 61 percent.
- The ACA optional expansion, as well as other Medi-Cal changes, has increased access to mental health services for individuals with both relatively mild-to-moderate and severe mental health conditions. For example, in 2019-20, 45 percent more adult Medi-Cal beneficiaries with severe mental health conditions received county services than in 2012-13. Over this same time period, funding for county mental health services increased by 46 percent from \$5.4 billion to \$7.9 billion.



Medi-Cal and the ACA

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Major Coverage and Funding Losses Would Result From an Overturning of the ACA Without Replacement

If the Supreme Court overturns the ACA and it is not largely restored through a subsequent act of Congress, millions of Medi-Cal beneficiaries likely would lose their coverage and the state could lose more than \$17.5 billion in annual federal funding that currently supports the Medi-Cal program.



The ACA and the State's Health Benefit Exchange—Covered California

ACA Established State Health Benefit Exchanges and Subsidizes Coverage

California Created Its Own Health Benefit Exchange. The ACA established online marketplaces known as Health Benefit Exchanges where individuals and small businesses may purchase commercial health insurance coverage. States were given the option of creating their own exchanges or utilizing a platform created by the federal government. California elected to create its own exchange known as Covered California.

Federal Subsidies for Most Coverage Purchased Through Health Benefit Exchanges. Through the ACA, the federal government provides subsidies to relatively low-income individuals and families to help pay for the cost of health insurance coverage that is purchased through the Health Benefit Exchanges. (A relatively small proportion of coverage purchased through the exchanges is unsubsidized.)

Around 1.2 Million State Residents Receive Federally Subsidized Coverage Through Covered California. Around 1.2 million state residents received federal subsidies for Covered California coverage in 2019-20. Total federal subsidies for coverage purchased through Covered California equal about \$7.7 billion in 2019-20. On average, federal subsidies reduce the cost of premiums for subsidy-eligible policyholders by at least 78 percent from \$841 per month to \$184 per month.



The ACA and the State’s Health Benefit Exchange—Covered California

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Overturning the ACA Would Significantly Disrupt Covered California Coverage

Even if the state could—solely under the authority of state law—continue to operate Covered California and impose the same requirements on the insurance products that are offered, the elimination of federal financial support for Covered California coverage would be highly disruptive.

- Policyholders would have to bear much more of the cost of their Covered California insurance premiums.
- Facing such potentially significant premium cost increases, many policyholders likely would choose to drop their Covered California coverage. Many of these individuals likely would become uninsured.
- The ongoing viability of Covered California would be uncertain if many policyholders drop their coverage due to cost increases.



The ACA Established the Prevention and Public Health Fund

The ACA established an ongoing funding stream—the Prevention and Public Health Fund—to expand and sustain prevention and public health programs. These funds generally support the following activities:

- Community prevention activities to improve health and fitness, and reduce chronic disease risk factors, tobacco use, and obesity.
- Clinical prevention activities to improve access to preventive services.
- Behavioral health screening and integration with primary care.
- Public health infrastructure, workforce, and training.
- Public health research and data collection.

Most Recently, California Received About \$46 Million in Funding From the Prevention and Public Health Fund. In recent years, around \$900 million has been provided nationally from the Prevention and Public Health Fund on annual basis. In 2019, the California state government and local agencies received about \$46 million of this annual funding. Funds going to California have been used to support:

- Immunizations.
- Epidemiological and lab capacity.
- Chronic disease prevention.
- Tobacco use prevention and cessation.

Overturning the ACA Would Result in the Elimination of the Prevention and Public Health Fund

The Prevention and Public Health Fund, and the support it provides for public health activities, would be eliminated in the event the Supreme Court overturns the ACA in its entirety.

