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Impact of Health Care Reform Proposals on California Counties

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Introduction

Role of Counties in Providing for the Uninsured

Introduction

- The Blue Sky Consulting Group was engaged by the California HealthCare Foundation to conduct an analysis of the fiscal impact on counties of the health care reform plans proposed by Nunez/Perata and the Governor.

- This presentation is divided into five sections: **Current Role** of Counties, **Impacts** of Reform, **Results**, **Conclusions** and **Methodology.**

Critical Role of Counties in Providing Health Care

- Under state law, counties to care for the "indigent."
- Definition of indigent and extent of service provided varies widely by county, but all counties provide a significant amount of health care services to low-income Californians.
- Many counties have struggled to maintain services in the face of increasing cost obligations.
- Counties currently spend just $267 - $791 per uninsured person per year (depending on the measure of spending used).

Overview of County Health Programs

- 34 smaller counties provide services via CMSP
  - Uniform set of benefits, similar to Medi-Cal for:
    - County residents 21 to 64 years old with incomes at or below 200% FPL.
- 24 larger counties provide services via MISP
  - Programs vary in eligibility requirements, enrollment procedures, and covered health services.
  - Counties contract with local clinics and hospitals and/or utilize county-operated clinics and hospitals to provide care to enrolled individuals.
  - Programs are funded with a variety of funding sources, including realignment, DSH, and county general funds.

County Hospitals

- 14 counties own and operate 19 hospitals statewide.
- 4 counties contract with UC hospitals.
- These hospitals provide 62%of the state's level 1 trauma care
  - available to all Californians
- Public hospitals disproportionately serve the uninsured
  - provide 55% of hospital care and over 50% of hospital-based outpatient visits to the uninsured
  - Represent only 6% of all hospitals

Health Care Reform Proposals

Potential Impact of Coverage Expansion on Counties

Overview of Reform Proposals

- Both plans would :
  - Require some form of “pay or play” which would reduce the number of employed uninsured.
  - Expand subsidized healthcare to all children up to 300% of the FPL
- The Legislature’s plan would:
  - rely on the expansion of employer-provided health insurance
  - offer subsidies to employed low-income adults under 300% FPL
  - seek federal funds to expand public coverage to unemployed resident adults with children under 300% FPL.
- The Governor’s plan would:
  - expand MediCal eligibility to legal residents earning up to 100% of the FPL and offer subsidized care to low-income Californians under 250% FPL regardless of employment status
  - require changes to several funding streams for counties in order to offset increased state costs for indigent care.

How Would The Proposals Affect Counties?

	AB8: Nunez/Perata	Governor's Proposal
Who Leaves County Care? Uninsured individuals currently eligible for county programs or who use county hospital services without payment, including:	• Documented children between 250% and 300% of FPL and undocumented children below 300% FPL. • Part-time and full-time workers, who take-up employer coverage. • Unemployed resident parents below 300% FPL	• Documented children between 250% and 300% of FPL and undocumented children below 300% FPL. • Documented adults below 100% FPL. • Documented adults between 100% and 250% FPL that get pool coverage. • Adults above 250% FPL that privately insure to comply with the mandate.

How Would The Proposals Affect Counties?

	AB8: Nunez/Perata	Governor's Proposal
Who Remains? Uninsured individuals currently eligible for county programs or who use county hospital services without payment, including:	• Unemployed legal resident adults above 300%, unemployed childless residents below 300% FPL. • Unemployed undocumented adults. • Self employed. • Non-participating employed adults.	• Undocumented persons • Non-participating low-income legal residents

How Would The Proposals Affect Counties?

	AB8: Nunez/Perata	Governor's Proposal
What Funding Changes?	• No direct funding changes. • Counties become employers of record for IHSS providers.	•Net total of $717 million in reduced county funds: • Repayments of up to $1 billion in current county funding for the uninsured • Decrease of $316 million in Safety Net Care Pool funds for hospitals • Increase in Medi-Cal reimbursements to county hospitals totaling $599 million • Transfer of 4% of gross revenues from county hospitals • Future loss of $180 million in federal waiver money for county program expansions.

Estimating the Fiscal Impact

To estimate the fiscal impact of each proposal, we followed three basic steps:

1. Estimate the fraction of the population eligible for county-provided indigent care services that would obtain insurance under each of the plans.
2. Weight the results to reflect how sick “leavers” and “stayers” are, and calculate the percent reduction in acuity-weighted population.
3. Apply the percent reduction in acuity to the total county expenditures to estimate costs avoided (i.e. county savings).

A complete discussion of the study methodology is found at the end of this presentation.

Study Results

Discussion and Implications for Policy

Results Subject to Uncertainty

- The size of fiscal impact depends on extent to which populations obtain health insurance as envisioned by proponents
  - Depends on the enforcement mechanism for employer and individual mandates.
  - And, for the Governor's plan, on the method for determining citizenship eligibility for Medi-Cal.
- Data limitations necessarily result in imprecision
  - CHIS sample not adequate for accurate county-by-county estimates.
  - County expenditure data widely believed to be imprecise.
  - Cost information not adequately broken down by documented/undocumented or child/adult classifications.

Preliminary Results

- The Governor's plan would result in estimated county savings of $471 - $928 million
  - Includes adjustment for county repayments and Medi-Cal rate changes
  - Assumes that amounts transferred would be in proportion to actual patients obtaining insurance
- The Nunez/Perata plan would result in estimated county savings of $288 - $475 million
  - Assumes coverage for unemployed parents up to 300% FPL.

What the Results *Do Not* Show

- Fiscal impact on county hospitals
  - Does not model the change in payer mix on county hospitals and clinics.
  - Does not incorporate the effect of provider fee payments
- Fiscal impact on specific counties
  - For example, some counties may have substantial savings while others have net costs.
- Estimated cost savings for services to children.

Changes to County Indigent Program Costs

	Governor's Plan		Legislature's Plan	
	Upper Bound	Lower Bound	Upper Bound	Lower Bound
County Costs	$1,847,182,434	$1,847,182,434	$1,847,182,434	$1,847,182,434
Percent of $ Moved	89.0%	33.7%	25.7%	15.6%
Total Money Saved	$1,644,533,873	$622,887,485	$474,610,876	$288,244,003
Payment Adjustments	$717,000,000	$151,806,192	$0	$0
Net Money Saved	$927,533,873	$471,081,293	$474,610,876	$288,244,003

- Note that under lower bound assumptions, the estimated impact of the Governor's plan would be a net ***loss*** if the $1 billion county payment to the state is not adjusted for patient movement

Provider Fee Payment

General Acute Care County Hospitals, 2007 Dollars
Gross Patient Revenue $ 11,166,167,631
4% Fee $ 446,646,705
Uncompensated Care Costs Charity-Other + Bad Debt + CIP Cont. Adj. $ 1,255,335,252
Break Even Take-Up 35.58%

- Under the Governor's proposal, county hospitals will have to pay the state 4% of their Gross Patient Revenue
- The rational: hospitals will experience a decrease in uncompensated care costs and some of these savings can be used to fund the plan.
- If 36% of uncompensated care is relieved by increased insurance, county hospitals will break even
    - Based on 2005 OSHPD data for county acute care hospitals
    - Uncompensated care is the sum of charity-other, bad debt, and county indigent program contractual adjustments

Conclusions

Conclusions

- Both health care reform proposals can potentially have a significant, positive fiscal impact on counties.
- Because of the extent of uncertainty surrounding both specific plan provisions and the response of individuals, employers and providers to these provisions, a careful, phased implementation approach should be followed.
- The governor's plan has the potential to offer broader coverage to a vulnerable population, but has higher risks for counties.

Conclusions, cont.

- Policy tools should be used to lessen potential risks, especially in the short-term:
  - Data resources to track insurance take-up and movement from county care
  - County funding reductions should be linked to actual patient reductions and cost savings
  - County-by-county impacts should be calculated and payments to state adjusted to ensure that no county experiences a net loss
  - Insurance network agreements to stabilize patient and payer mixes at county hospitals

Methodology

Estimating the Fiscal Impact

To estimate the fiscal impact of each proposal, we followed three basic steps:

1. Estimate the fraction of the population eligible for county-provided indigent care services that would obtain insurance under each of the plans.
2. Weight the results to reflect how sick “leavers” and “stayers” are, and calculate the percent reduction in acuity-weighted population.
3. Apply the percent reduction in acuity to the total county expenditures to estimate costs avoided (i.e. county savings).

Estimate Fraction of Population to Obtain Insurance

a) Estimate the size of the uninsured population eligible for county-provided services based on
   a) county eligibility rules: poverty threshold, citizenship, age
   b) adjusted to include homeless
   c) adjusted to reflect those employed in the cash economy (not likely to be covered by employer-based insurance expansions)
b) Estimate upper and lower bound take-up rates
   - Governor's proposal: by income and reason uninsured
   - Legislature's proposal: by income and employment status
c) Calculate fraction of county population that will obtain insurance.

$$\frac{\text{Take up rate}_n * \text{Eligible Population}_n}{\text{Eligible Population}_N} = \text{Percent obtaining insurance}$$

Basis for Take-Up Rates

- Upper Bound: Optimistic, culture of care
  - Based on Governor's 95 % assumption
- Lower Bound: Pessimistic, weak mandate, primarily an economic response
  - Based on multiple factors, including:
    - Lewin Group analysis of price elasticity
    - Rand information effects
    - Massachusetts experience
    - SSI enrollment rates
    - MRMIP survey
- Real world results are not likely to be at the extremes, but in between.

Governor's Plan Estimated Take-Up Rates

Upper Bound Assumptions						
Type of Uninsured & Take-Up Category	**< 100%**	**100-133%**	**133-200%**	**200-250%**	**250-300%**	**300-500%**
Citizen Eligible: Can't Afford	95%	95%	95%	95%	95%	95%
Citizen Elgible: Pre-existing Condition	95%	95%	95%	95%	95%	95%
Citizen Eligible Unwilling	95%	95%	95%	95%	95%	95%
Citizen Eligible Temporarily Uninsured	95%	95%	95%	95%	95%	95%
Homeless	95%					
Undocumented Immigrants	20%	20%	20%	20%	20%	20%

Lower Bound Assumptions						
Type of Uninsured & Take-Up Category	**< 100%**	**100-133%**	**133-200%**	**200-250%**	**250-300%**	**300-500%**
Citizen Eligible: Can't Afford	55%	39%	37%	29%	5%	5%
Citizen Elgible: Pre-existing Condition	55%	48%	48%	48%	48%	48%
Citizen Eligible Unwilling	55%	30%	28%	20%	5%	5%
Citizen Eligible Temporarily Uninsured	55%	9%	9%	9%	9%	9%
Homeless	28%					
Undocumented Immigrants	10%	10%	10%	10%	10%	10%

Categories are based on response to CHIS questions regarding reason uninsured.

Legislature's Plan Estimated Take-Up Rates

Upper Bound Assumptions

Type of Uninsured & Take-Up Category	**< 100%**	**100-133%**	**133-200%**	**200-250%**	**250-300%**	**300-500%**
Employed Citizen Eligible	95%	95%	95%	95%	95%	95%
Employed Undocumented Eligible	30%	30%	30%	30%	30%	30%
Unemployed Eligible Parents	74%	31%	31%	31%	31%	0%
Unemployed Ineligible Citizens	0%	0%	0%	0%	0%	0%
Unemployed Ineligible Undocumented	0%	0%	0%	0%	0%	0%
Homeless	0%					

Lower Bound Assumptions

Type of Uninsured & Take-Up Category	**< 100%**	**100-133%**	**133-200%**	**200-250%**	**250-300%**	**300-500%**
Employed Citizen Eligible	74%	31%	31%	31%	31%	14%
Employed Undocumented Eligible	15%	15%	15%	15%	15%	15%
Unemployed Eligible Parents	55%	22%	22%	22%	22%	0%
Unemployed Ineligible Citizens	0%	0%	0%	0%	0%	0%
Unemployed Ineligible Undocumented	0%	0%	0%	0%	0%	0%
Homeless	0%					

Estimated Fraction of County-Eligible Population to Obtain Insurance

Percent of County Service Eligible Populations Obtaining Insurance			
Governor		Nunez/Perata	
Upper Bound	Lower Bound	Upper Bound	Lower Bound
85%	37%	36%	21%

- Results show estimated (unweighted) percent of those eligible for county services obtaining insurance under each plan.

Weight Populations by Acuity

- Using MEPS data, the eligible population in each sub-group was weighted for acuity.
  - No chronic diseases = 1/3 avg. cost/person
  - 1 chronic disease = 2x avg. cost/person
  - 2 chronic diseases = 4x avg. cost/person
  - 3 or more chronic diseases = 6x avg. cost/person
- Acuity for homeless not included in CHIS was estimated:
  - Using number of homeless ER visits relative to the average number of ER visits.
  - Adjusting for the higher cost of psychiatric ER visits
  - Homeless acuity weight = 6.7x avg. cost/person.

Impact of Weighting

	Governor		Legislature	
	Upper Bound	**Lower Bound**	**Upper Bound**	**Lower Bound**
Unweighted	85%	37%	36%	21%
Weighted	89%	34%	26%	16%

- Populations were weighted for acuity using MEPS data.
- Results show average unweighted (i.e. percent of people) and weighted (taking into account acuity) percent of population obtaining insurance.

Estimate Cost Impact

- Using CMSP and MICRS data, estimate total county spending.
- Apply calculated changes in population weighted by acuity to total cost data to estimate county savings.

$$\frac{\text{Pop eligible for coverage} * \text{take up rate} * \text{acuity weight}}{\text{Total pop eligible for county services} * \text{acuity weight}} * \text{Total county spending}$$

$$= \text{Reduction in county costs}$$

Estimate Cost Impact, cont.

- For Governor's plan, offset savings by amount of county payments to state (estimated at $717 million for upper bound, $152 million for lower bound).
- For both plans, estimate amount of county savings from care provided to adults in county indigent programs.

Data Sources

- Population Estimates:
  - California Health Interview Survey (CHIS), 2005 results
  - HUD Unduplicated Homeless Count 2005
  - Urban Institute analysis of weighted 1996 National Survey of Homeless Assistance Providers and Clients (NSHAPC) client data in Burt, Aron, and Lee 2001
  - Minicucci Associates' Medically Indigent Service Program Profiles by County
- Take-up Rates:
  - The Lewin Group: Summary Description of the Health Benefits Simulation Model
  - RAND's Consumer Decision-making in the Insurance Market
  - California's Major Risk Medical Insurance Program's (MRMIP's) 2006 Fact Book
  - San Francisco Plan to Abolish Chronic Homelessness
  - GAO: States Reported That Citizenship Documentation Requirement Resulted in Enrollment Declines for Eligible Citizens and Posed Administrative Burdens
  - LAO's Potential Fiscal Risks to the State in the Governor's Health Care Coverage Plan
  - Governor's Health Care Proposal
- Acuity Scores:
  - CHCF's Chronic Disease in California, based on 2002 Medical Expenditure Panel Survey
  - Kushel, Margot B et. Al. "Factors Associated with the Health Care Utilization of Homeless Persons." *Journal of the American Medical Association*. Vol. 285. No. 2 Jan. 2001
  - Proscio, Tony. *Supportive Housing and Its Impact on the Public Health Crisis of Homelessness.* Corporation for Supportive Housing. June 2000
- Cost Estimates
  - Medically Indigent Care Reporting System (MICRS) 2002-2003
  - California Medical Services Program (CMSP) 2004-2005

Abbreviation Guide

CHIS	California Health Interview Survey
CMSP	County Medical Services Program
DSH	Disproportionate Share Hospital
FPL	Federal Poverty Level
MEPS	Medical Expenditure Panel Survey
MICRS	Medically Indigent Care Reporting System
MISP	Medically Indigent Services Program
MRMIP	Major Risk Medical Insurance Program
OSHPD	Office of Statewide Health Planning and Development
SSI	Supplemental Security Income