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# Medi-Cal Restructuring

**Recommendations from ITUP**

June 6, 2009

Health reform not only requires California to make notable changes to the Medi-Cal program, it also offers our state the opportunity to radically simplify coverage and allow Med-Cal to become the cornerstone of a more streamlined, system-wide approach to covering low income citizens and legal permanent residents.

First, there are certain things California must do. By January 1, 2014, there will be clear bright line of eligibility at 133% of the federal poverty level (roughly $14,000 for an individual); all the uninsured with incomes below this level would go into Medi-Cal, and all above will find coverage in the Exchange. In addition, Medi-Cals outdated assets test will be eliminated, and its complicated rules for determining income eligibility replaced by the far simpler adjusted gross income test of the federal tax system.

While implementing these mandatory simplifications, California can also develop a more modern Medi-Cal system. To do so, we should:

- Drop Medi-Cal's complex and unnecessary aid codes, income disregards and exemptions. Eliminating all the vestiges of the welfare-based eligibility system, we can make Medi-Cal an employee-friendly system, easier to understand for both subscribers and program administrators;

- Modernize and streamline Medi-Cal's eligibility determination and enrollment systems. There should be "no wrong door" to enrollment; applications should be taken in provider's offices, in community settings, by mail, on line or in-person at any government office. Certified Application Assisters and insurance brokers should be encouraged to provide enrollment assistance, thereby reducing errors, mistakes and avoidable delays in enrollment. Eligibility should be processed centrally, and computerized cross-checks should be used to verify income, wages, and immigration status;

- Ensure seamless transitions of eligibility between Medi-Cal, the Exchange and employment-based coverage. As incomes change, lay-offs and rehires occur, people marry and divorce, and children are born, it is most efficient to move away from the need to apply and verify, then re-apply and re-verify, then apply yet again for the maze of state, federal and private programs that we all struggle to understand and into a fully integrated system of the 21st century; and

- Implement Medi-Cal "wrap around" coverage for working families with limited coverage through employers. Low-income working families with high co-pays and limited benefits in employment-based coverage should have the opportunity for supplemental Medi-Cal coverage.

Medi-Cal began as "fee-for-service" with choice of providers, low- or no co-pays, and reimbursement based on provider's reasonable and necessary costs – concepts that were well accepted in the 1960's when the program was created, but largely out of date today. Health reform offers the opportunity for Medi-Cal to evolve into fully integrated care for all subscribers.

Rather than maintaining the artificial system of county boundaries, we can design locally- or regionally-administered systems that correspond to the provider networks where subscribers actually receive care. Mental and physical health services should be integrated, rather than carved apart. We have successfully used SHMOs, like OnLok and SCAN to deliver fully integrated care for long-term care services. This regionally integrated network approach should be expanded statewide.

Let's also make the system more incentive- and outcome-based. Plans and providers should be paid based on "pay-for-performance" linked to improvements in quality, patient outcomes and effectiveness. Wherever possible, reimbursements in Medi-Cal should be designed to improve outcomes and effectiveness of treatment, corresponding to those in Medicare and private insurance.

Finally, Medi-Cal's financing system needs to be modernized. Instead of cutting benefits and coverage in times of need, our system should be designed to reduce required state match when the economy is in distress (i.e. when our citizens use Medi-Cal the most) and increase the match during economic good times. To do so, state financing can be partially linked to fees on tobacco, alcohol and other substances that increase the societal use of health services. Like other states already do, we should lower the state sales tax on goods and apply the sales tax to most services. Also, counties should be released from Elizabethan "poor law" obligations to pay for indigent health care; this should be a shared responsibility of states, the federal government and individuals and families.

If California truly takes advantage this once-in-a-generation opportunity and significantly streamlines and modernizes our health system – including the enormous complexities of the Medi-Cal program – we can achieve a more efficient, higher quality system of care and better health for all Californians.

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June 7, 2010