

To: ITUP Board members, Regional Workgroup members and Conference participants
From: Lucien Wulsin, ITUP
Re: ABX1 1 Cost Estimates
Date: 1/24/08

I assume many of you attended or watched the extraordinary Senate hearing on AB X1 1 yesterday. These are our thoughts and observations on the issue of program costs and revenues.

The first part of the hearing focused on the numbers. The pool offers coverage for adults between 100% and 250% of FPL. The Speaker and the Administration said the pool would cost no more than \$250 pmpm with annual increases thereafter. There was agreement that at that level the pool's anticipated revenues matched its expected expenditures for at least the first five years of the program.

The Legislative Analyst (LAO) posed several scenarios in which the program's revenues would not match expenses. The first was if the pool cost more than \$250 pmpm, e.g. \$300 pmpm.

The administration's \$250 pmpm was based on current Medi-Cal managed care rates, adjusted up for adult only coverage, adjusted up for the reimbursement increase to Medicare levels, and then adjusted up another \$60 pmpm to account for possible higher costs. Based on what we have seen in actuarial analyses in both Los Angeles and San Francisco, the administration estimate seemed very reasonable.

Others later pointed to the average cost of employer coverage or to the cost of CalPERS as being even higher than the LAO's scenarios, that comparison is not applicable to the pool as employer coverage is for an entirely different demographic – an insured population that is much older than the uninsured adults to be covered in the pool – and a different type of coverage.

The second scenario was what happens if the projected revenue estimates were too high - - for example if the federal match did not materialize because the federal hospital waiver prohibits a hospital tax. The waiver for the hospitals does prohibit a hospital tax; however that waiver expires in 2010, and hospital taxes are permissible under federal law. The bill's proposal to shift some DSH and Safety Net Pool funding into coverage has been repeatedly approved in waivers by the federal government.

To view the LAO analysis, check the web site at www.lao.ca.gov.