



S. KIMBERLY BELSHÉ
SECRETARY

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MEDI-CAL REDESIGN UPDATE

In January, Governor Schwarzenegger announced his intent to redesign Medi-Cal, a publicly funded program that provides health care coverage to more than 6.7 million low-income children and their parents, seniors and disabled Californians. The impetus for this complex undertaking is both clear and compelling. In the past five years, program expansions and rising health care costs have caused Medi-Cal expenditures to grow by more than \$3 billion, a 41% increase. In order to ensure continued access to health care coverage for California's most vulnerable residents, the state must contain costs through programmatic reforms and operational efficiencies.

Since the Governor's January announcement of a planned Medi-Cal redesign, the California Health and Human Services Agency (CHHSA) engaged in a thoughtful public input process designed to ensure that the views of beneficiaries, providers, counties and advocacy groups informed our thinking on elements of reform. In addition, CHHSA worked through issues related to the financing of public and private hospitals that provide services to Medi-Cal beneficiaries and the uninsured, issues that have implications for the overall redesign effort. Our plan was to present a redesign proposal to the Legislature in early August; however, a few key issues still need to be resolved.

The Administration remains firmly committed to restructuring Medi-Cal, and the Governor plans to present a restructuring proposal as part of the January budget. Meanwhile, CHHSA and the Department of Health Services will:

- Refine components of the redesign that will ultimately be included in the January proposal.
- Continue working with federal officials and safety net hospitals (those serving Medi-Cal recipients and the uninsured) to resolve outstanding issues on hospital financing.
- Review and analyze Medi-Cal program improvement ideas coming out of the California Performance Review for possible inclusion in the restructuring proposal.

California has a long and proud tradition of making access to health care a reality for those most in need. We want to maintain that tradition; however, in order to do so, we must provide Medi-Cal coverage in a more rational and affordable manner. With these goals in mind, our redesign proposal may include components that would:

- Expand the use of organized systems of care that increase access, improve outcomes and contain costs.
- Revise the Medi-Cal eligibility and enrollment process to make it more efficient and improve customer service.

- Tailor benefits to the needs of distinct Medi-Cal populations.
- Incorporate beneficiary cost sharing that promotes personal ownership and responsibility, aligns Medi-Cal with other publicly funded health programs and encourages appropriate utilization of services.
- Stabilize financing of the state's safety net to ensure that hospitals have the resources to care for low-income and uninsured Californians.

Redesigning a program as complex as Medi-Cal is no simple task, and we want to do it right. Toward this end, the Administration intends to work closely with the Legislature and stakeholders as the redesign proposal is further developed.

BACKGROUND:

Medi-Cal is an essential source of health care for California's most vulnerable residents, promoting the health and well being of low-income children, supporting the ability of their parents to become self-sufficient and providing critical services to seniors and disabled persons. Today, more than 6.7 million low-income Californians - 15.3 percent of the state's population - rely on Medi-Cal for health care services.

Since 1999, Medi-Cal State General Fund (GF) costs have grown by more than \$3 billion, a 41% increase. Much of this increase stems from program expansions and reforms that have added 1.7 million new beneficiaries over the past five years, a 32% increase.

Medi-Cal is the primary funding source for the state's mental health program and system of care for the developmentally disabled. Additionally, Medi-Cal provides significant funding for California's health care safety net, including the public and private hospitals that serve Medi-Cal beneficiaries and the uninsured. Even with one of the lowest per capita costs of any Medicaid program in the nation, it is estimated that Medi-Cal will cost roughly \$31 billion in total funds and \$13.4 billion in GF dollars in 2004-05. Medi-Cal is now the third largest component of the GF budget (14%).