

Researchers find minimal state cost from Medicaid expansion in California

January 8 2013, by Kathleen Maclay

(Medical Xpress)—As the California Legislature prepares to consider bills relating to implementing the Affordable Care Act (ACA) and expanding Medicaid, the state has the opportunity to significantly increase health insurance coverage at minimal cost to the state budget, according to a joint study by the University of California, Berkeley's Center for Labor Research and Education and the UCLA Center for Health Policy Research.

According to the report, new state spending directly related to the expansion is likely to be largely offset by savings from reduced expenses in other state health programs, [mental health services](#) and state prisons.

"This is a historic juncture for California: the state has the chance to improve the health of its residents by greatly expanding [health care coverage](#) at a relatively minimal cost," said Laurel Lucia, policy analyst at the UC Berkeley Center for Labor Research and Education and the study's lead author. "And this expansion also would translate into much-needed new jobs for many Californians."

The report comes as the California Legislature is about to begin a special session to consider [health care legislation](#) related to implementing the ACA. Medicaid eligibility expansion was effectively made optional for states by a U.S. Supreme Court decision last June, and California legislators have not formally approved such a change.

Under the expansion, more than 1.4 million California adults under age

65 will be newly eligible for Medi-Cal (the state's [Medicaid program](#)), of which between 750,000 and 910,000 are expected to enroll by 2019. Researchers estimate new state spending on these enrollees at between \$46 million and \$75 million in 2014, growing to between \$309 million and \$381 million in 2019.

The federal government will pay all medical costs for the newly-eligible enrollees from 2014 to 2016 and no less than 90 percent in future years. The minimal state spending from 2014 to 2016 reflects the state's share of administrative expenses, which are equivalent to 2.5 percent of medical costs, according to the new report.

Another 240,000 to 510,000 Californians who are already eligible but not yet enrolled are expected to take-up Medi-Cal coverage by 2019. This is because of greater awareness of coverage options and ACA provisions that require individuals to obtain insurance coverage and require [states](#) to simplify Medicaid enrollment and renewal processes, changes taking place regardless of any expansion.

Most of the new annual state Medi-Cal spending from 2014 to 2016 – projected at between \$188 million and \$471 million, depending on how many people sign up for health insurance – will be related to increased enrollment among Californians who are already eligible.

Billions of dollars in new federal Medi-Cal funds will pay for at least 85 percent of the total costs of the eligibility expansion and increased take-up among those already eligible through 2019.

California has been working towards implementing this Medicaid expansion since 2011 by enrolling 500,000 California adults in coverage prior to ACA implementation through county-based, Low -Income Health Programs, said the researchers, and these Californians will transition to Medi-Cal in 2014.

The report's enrollment projections were made using the California Simulation of Insurance Markets (CalSIM) model, a micro-simulation developed by researchers at the two centers with support from The California Endowment. CalSIM uses a range of official data sources, including the California Health Interview Survey, to estimate the impact of the ACA on employer decisions to offer insurance coverage and individual decisions to get coverage in California.

To estimate federal and state Medi-Cal spending, the authors calculated average per-member, per-month costs for new enrollees by analyzing data from the state Department of Health Care Services and by applying assumptions based in part on the CalSIM model.

The study was funded by The California Endowment.

The California Legislative Analyst's Office (LAO) so far has released only very high-level estimates of the impact of state spending under the Medi-Cal expansion.

Lucia added that while the non-profit Urban Institute think tank in Washington, D.C., has issued a report on the impacts of the [health](#) insurance expansion report that provides a state-by-state analysis using national data sources, the UC Berkeley/UCLA report used California-specific data sources and explores the particulars of the California budget.

More information: Read the report: "Medi-Cal Expansion under the Affordable Care Act: Significant Increase in Coverage with Minimal Cost to the State" [online](#).

Provided by University of California - Berkeley

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