



## California Legislature

STATE CAPITOL  
SACRAMENTO, CA 95814



### List of Federal Issues May 2010

#### *HHS/CMS Requests*

##### 1. **Medicaid Section 1115 Waiver**

California seeks to partner with the federal government to establish a new Medicaid Section 1115 waiver. The demonstration project would build on the state's existing safety net and provide the necessary foundation for implementing health reform. Specifically, the waiver proposal would:

- Expand coverage to uninsured adults up to 200% of federal poverty level through existing coverage initiatives;
- Coordinate Medi-Cal services to seniors, persons with disabilities and other populations with costly, complex health needs;
- Strengthen funding to critical safety net hospitals by providing increased and more flexible funding.

The waiver will enable the state to build on its existing health care delivery system and provide the bridge to health reform implementation over the next 36 months.

**Request: California is requesting an additional \$2 billion per year for each of the five years of the waiver.**

## **2. Hospital Quality Assurance Fee**

In 2009, California enacted legislation to authorize a new quality assurance fee on hospitals. This fee would leverage approximately \$2 billion in new federal funds, and allow the state to pay supplemental Medi-Cal payments for inpatient and outpatient hospital services. The additional funding will provide critically needed assistance for both public and private hospitals who serve a disproportionate number of uninsured and Medi-Cal patients. The Governor's 2010-11 budget assumes \$560 million to support children's health care, as allowed by the legislation.

**Request: California seeks approval of the hospital fee and a determination by CMS prior to July 1.**

## **3. State Match for Existing 1115 Waiver**

CMS has tentatively approved \$783.8 million in safety net care pool (SNCP) funding relating to unexpended funds from the state's existing 1115 waiver (\$360 million) as well as applying the enhanced FMAP to the waiver (\$423.8 million). These funds are needed to reduce the budget shortfall in the state's current fiscal year. CMS has not yet approved the state's plan for drawing down the new federal funds through the use of certain Certified Public Expenditures (CPE's).

**Request: California seeks approval of the proposed use of CPE's prior to July 1.**

## **4. Medicare Part D Clawback Methodology**

Currently, the Centers for Medicare and Medicaid Services (CMS) uses 2003 expenditure data to set the baseline for the California's clawback payments and considers states' calendar year 2003 expenses on a cash basis. In 2003, California implemented multiple aggressive prescription drug cost-containment programs, including increased supplemental drug rebates and a significant change in the reimbursement rate paid to pharmacy providers, all of which occurred after 2003.

As a result of CMS' cash budgeting, these cost saving measures were not included in the 2003 clawback calculation, thereby inflating the baseline. An adjustment to this formula would result in \$75 million in savings annually and approximately \$360 million in savings if applied retroactively to the initiation of the Part D benefit.

**Request: Adjust the clawback formula to take into account CA specific savings not reflected in the 2003 base year.**

## **CONGRESSIONAL REQUESTS**

### **1. Extension of Enhanced Federal Medical Assistance Percentage (FMAP)**

The enhanced federal match for the state's Medi-Cal and child welfare programs is set to expire on December 31, 2010. CA receives a 61.59% match, rather than its traditional 50% match. The 6 month extension is CA's highest budget priority.

The Governor's budget assumes General Fund savings of \$1.5 billion in 2010-11 based on extension of the FMAP increase.

**Request: Passage of 6 month extension by July 1.**

### **2. TANF Emergency Contingency Fund (ECF) Extension**

The Temporary Assistance to Needy Families Emergency Contingency Fund authorized by ARRA is set to expire at the end of September 2010. This much-needed 80% enhanced federal funding to California has provided vital services during the prolonged recession to low income children and their families in subsidized employment and training services and support for food and shelter.

Over the past several months, 23 states have successfully used these federal stimulus dollars to create or expand temporary subsidized jobs programs which have proven to be a cost-effective way to create tens of thousands of jobs in local communities. These jobs serve as a way out of the unemployment line for low-income families struggling to find jobs in communities still a long way from economic recovery.

Instructions to draw down the funds were delayed and California's subsidized employment component was not approved until October 2009. Additional time to use the funds is necessary to meet the goal of job training and

employment for the workers who will be essential in rebuilding California's economy.

The Governor's budget assumes General Fund savings of \$538 million in 2010-11 based on extension of the TANF-ECF.

**Request: One year TANF-ECF extension (to September 2011).**

### **3. Medicare Disability Determination**

The Social Security Administration has acknowledged that it incorrectly denied certain Supplemental Security Income (SSI) recipients that were eligible for Social Security Disability Insurance (SSDI) due to computer error. As a result, their health care costs were paid by the state's Medi-Cal program. Congressional action is necessary for states to receive reimbursement, which is estimated at \$700 million in one-time funding.

The Governor's 2010-11 budget assumes receipt of this one-time funding.

**Request: Congressional action to repay the states this year.**

### **4. State Criminal Alien Assistance Program (SCAAP)**

California incurs close to \$1 billion in state expenditures to incarcerate undocumented persons, yet receives less than 10 percent in federal reimbursements for these costs. The CA Congressional delegation has been successful in advocating for federal reimbursement to California.

President Obama's proposed FY11 Budget includes \$330 million nationally for SCAAP, the same as the FY10 level provided by Congress.

The Governor's budget assumes General Fund savings of \$879.7 million in 2010-11 based on full reimbursement of state costs.

**Request: Fully fund SCAAP for FY11.**