Initial Impact Analysis: Potential Repeal of the Affordable Care Act

November 23, 2016

The County Behavioral Health Directors Association (CBHDA) represents the behavioral health directors from each of California's 58 counties and two cities. As a result of the outcome of the 2016 presidential election and anticipated changes to the Affordable Care Act (ACA), the Association is beginning to identify areas of concern and assess possible impacts if certain provisions in the ACA are substantially changed or defunded. For more information, contact Linnea Koopmans at lkoopmans@cbhda.org or (916) 556-3477.

Potential Areas of Direct Impact to California's Behavioral Health System

Medicaid Expansion (MCE) Population. As a part of California's ACA implementation in January 2014, the state opted to expand Medi-Cal coverage to specified adults meeting income eligibility requirements. The MCE population is primarily single childless adults who were previously ineligible for Medi-Cal. To date, more than 3.7 million Californians have enrolled in Medi-Cal under MCE. The MCE population now represents more than one quarter of the total Medi-Cal enrollees.[1] To support states that opted to expand Medicaid coverage, the federal government provides enhanced federal financial participation (FFP) for services provided to this population. One hundred percent (100%) FFP is provided from 2014-2016. The FFP rate begins to decrease in 2017 to 95%, eventually decreasing to 90% in 2020 and beyond.

County behavioral health departments are serving a significant number of MCE beneficiaries. In the first six months of ACA implementation, January-June of 2014, there were 69,191 MCE beneficiaries that received Medi-Cal specialty mental health services (SMHS) administered by counties, totaling approximately $177 million in approved claims at 100% federal match. As the newly eligible population continues to enroll in Medi-Cal, counties are delivering an increasing volume of mental health services to this population. In FY 2015-16, the estimated total cost of SMHS provided to the expansion population is approximately $600 million at 100% FFP. These numbers are expected to increase in FY 2016-17, with a reduced federal match of 95% beginning in January 2017.

The Drug Medi-Cal program funds specific treatment services delivered to Medi-Cal beneficiaries with substance use disorders (SUD). Services provided to the MCE beneficiaries during FY 2015-16 totaled approximately $70 million at 100% FFP. The volume of services provided under Drug Medi-Cal are expected to increase significantly in the coming years as MCE beneficiaries access the expanded SUD benefits and California counties implement the Drug Medi-Cal Organized Delivery System (DMC-ODS) waiver. The expanded benefit and DMC-ODS waiver are discussed further in following pages. There is evidence for the need for additional SUD service access in California, as it is estimated that approximately 12% (450,000 individuals) of the MCE eligible population have a substance use disorder.

[1] California Health Care Foundation. Facts and Figures on the ACA in California: What We've Gained and What We Stand to Lose. November 2016.

A significant number of vulnerable populations are now eligible for Medi-Cal as a result of MCE in California: Adults transitioning from the jails or state prisons (including the AB 109 population); Adults being diverted out of the criminal justice system; and Individuals who are chronically homeless. These populations, many of whom have a high level of need for health and behavioral health services, have gained health coverage due to the ACA and California's optional MCE. If changes are made to the ACA that affect the MCE population's eligibility for coverage, these populations could become indigent. Under current law, county behavioral health systems are only responsible for serving indigent populations to the extent resources are available. If federal matching funds for the MCE population are decreased, or defunded altogether, local resources to provide services to this population will be extremely limited.

Medicaid Expanded Benefits. The ACA explicitly includes MH and SUD services, including behavioral health treatment, as one of ten categories of service that must be covered as essential health benefits. These benefits must be included in all qualified health plans and alternative benefit plans (i.e. individual and small group market and Medicaid expansion).[2]

Expanded mental health benefits include a number of services that are provided by the Medi-Cal managed care plans to beneficiaries with mild-moderate mental health needs: psychotherapy, psychological testing, specific outpatient services and labs, and psychiatric consultation. If changes are made to the expanded benefits that reduce the mental health services available to Medi-Cal beneficiaries, counties could see an increase in individuals seeking specialty mental health services and their untreated or undertreated conditions would mean more costly mental health service interventions. Without the expanded mental health benefits provided by the managed care plans, specific vulnerable populations such as the child welfare population and youth that will be provided services under the Continuum of Care Reform could be disproportionately impacted.

Under the Drug Medi-Cal Organized Delivery System Waiver, counties may opt-in to providing expanded substance use benefits (intensive outpatient treatment and residential SUD services, which was previously limited to pregnant/postpartum beneficiaries). In addition, medically necessary inpatient detoxification was added as a required benefit under Medi-Cal Fee-for-Service provided in acute care hospitals. All of these SUD benefits are at risk if changes are made to MCE in California.

State Programs That Leverage Medi-Cal. Many statewide grants and funding opportunities rely on counties' ability to leverage Medi-Cal and federal financial participation to fund behavioral health service delivery. Examples include revenues from the Mental Health Services Act (MHSA), which funds the local share of Medi-Cal services delivered to individuals that participate in MHSA programs. No Place Like Home, which will utilize MHSA revenue to make payments on housing bond debt service, will provide housing and supportive services for individuals who are chronically homeless or at-risk of chronic homelessness and have a serious mental illness. Many of the services that will be provided to individuals that receive housing under this program are Medi-Cal SMHS services. Grants administered by the California Board of State and Community Corrections (BSCC) provide funding to deliver services to justice-involved populations with the ability to leverage Drug Medi-Cal services and Medi-Cal SMHS. BSCC grant programs serve a significant number of individuals who gained Medi-Cal coverage through MCE. Current budgeting for these programs uses the assumption of the ACA's expanded coverage and enhanced federal match rates. If changes are made to federal provisions for MCE coverage or match rate, the ability to leverage Medi-Cal funding to support these programs will be significantly impacted.

[2] Harbage Consulting. Presentation to CBHDA Governing Board. March 9, 2016.

Children's Health Insurance Program (CHIP). CHIP is a federal-state program that provides health coverage to low-income children but with incomes too high to qualify for Medicaid[3]. In California, coverage for this population is provided through Medi-Cal. Under the ACA, there is an enhanced match of 88% (versus 65%) through September 30, 2019. However, funding for CHIP is only appropriated through September 30, 2017. The estimated two-year cost of extending funding for CHIP through September 2019 is $7.0 billion[4].Any reduction of funding appropriated to CHIP or changes made to the federal match rate would impact California counties.

Health Homes Program. Section 2703 of the ACA provides a Medicaid state plan option that allows states to implement specific services aimed at coordinating and managing care for beneficiaries with multiple chronic conditions. California Assembly Bill 361 (2013) authorized the state Department of Health Care Services to submit an application for a health homes state plan amendment (SPA). California received federal approval for the SPA and plans to implement the supplemental health homes Medi-Cal services in a phased approach beginning in mid-2017. The health homes option in the ACA includes an enhanced match rate of 90% for the first eight quarters of service. Any changes to this section of the ACA would impact services available to Medi-Cal beneficiaries and the federal funds to support those services.

Other Areas of Potential Impact: Waivers and Funding Subject to Federal Approval

1915(b) Waiver. Since 1995, California counties have delivered specialty mental health services (SMHS) through a 1915(b) Freedom of Choice waiver granted by CMS. This waiver grants counties the authority to be the providers of all specialty mental health services for Medi-Cal beneficiaries. In FY 2015-16, California received approximately $2.4 billion in federal matching dollars for SMHS delivered by counties. This waiver is subject to CMS approval, and the current waiver period ends in 2020. Changes to the ACA, and to Medicaid more broadly, could impact the current specialty mental health system.

Substance Abuse and Prevention Treatment (SAPT) Block Grant. Through the federal SAPT block grant, California counties receive funding for substance use disorder prevention and treatment services. In FY 2015-16, the state received approximately $226 million in SAPT funds to support county service delivery. If any changes are made to the federal SAPT block grant or Drug Medi-Cal services, there would be significant impact to county SUD services.

Drug Medi-Cal and the Drug Medi-Cal Organized Delivery System (DMC-ODS). Through California's Drug Medi-Cal program, the state receives federal matching dollars for Medi-Cal SUD treatment services. In FY 2015-16, the state received approximately $141 million in federal matching dollars for Drug Medi-Cal services. Drug Medi-Cal services have continued to increase in response to the opioid epidemic. In California last year, hospitals treated more than 11,500 patients suffering an opioid or heroin overdose. By far the biggest increase in Drug Medi-Cal services has been in the Narcotic Treatment Programs, with caseloads more than doubled in some counties.

California's 1115 Demonstration Waiver grants the authority for a number of demonstration programs, one of which is the DMC-ODS. The waiver program expands on the current Drug Medi-Cal program. Counties that opt-in to the DMC-ODS waiver will expand the continuum of care available to individuals with substance use disorders. California has also made a commitment of state general funds to support the DMC-ODS waiver. In FY 2015-16, $1.2 million in State General Funds was provided for waiver

[3] California Legislative Analyst's Office. The 2017-2018 Budget: California's Fiscal Outlook. November 16, 2016.
[4] TRP Health Policy. Issue Brief: Potential Components of ACA Repeal & Replace Legislation. November 10, 2016.

implementation. Changes in federal policy may negatively impact the number of counties that choose to participate in the waiver and the success of the demonstration project.

Whole Person Care (WPC) Pilot Programs. The state's 1115 Demonstration Waiver also includes the WPC Pilot Program. The pilot provides up to $1.5 billion in federal matching funds over the five-year waiver period to support local programs designed to deliver integrated or highly-coordinated care to Medi-Cal beneficiaries who are high-utilizers of multiple systems. County behavioral health systems are a partner in local WPC programs, and WPC target populations may include high-utilizing beneficiaries with mental health or SUD diagnoses. Any changes made to federal Medi-Cal eligibility or match rates could impact the counties ability to support the WPC programs.

Possible System-Wide Impacts

The impacts of the ACA to California's behavioral health system have been profound. Both the expanded eligibility for Medi-Cal and expanded behavioral health benefits have granted coverage and care to populations who had not previously been eligible. Many of the new state programs, including those in California's 1115 waiver, shift the paradigm of care to more organized and coordinated healthcare for the vulnerable groups served by Medi-Cal. In the past, care for populations living with multiple chronic conditions – including behavioral health diagnoses – received care that was often expensive and ineffective.

If changes are made that reduce eligibility or federal funding for the Medi-Cal population, there will be both direct and indirect impacts on the behavioral health system. Though this paper primarily addresses the possible direct impacts, there are many additional services currently provided by county behavioral health systems are not funded by Medi-Cal dollars. Such ancillary services may include job training, transitional housing, and other supportive services. These services are grounded in the behavioral health recovery model, which supports individuals living with serious mental illness or SUD in living healthy and meaningful lives. Federal Medi-Cal matching dollars support the direct service interventions provided under the state program, which in turn allows non-Medi-Cal dollars to be invested in other recovery-oriented services.

If Medi-Cal funding or eligibility for coverage is decreased, California behavioral health systems may be unable to support many of the additional services currently being provided that promote whole health and wellness. The complete impact of this is currently unknown, but it could mean fewer and less coordinated services available to highly vulnerable populations. County response to federal changes would also vary based on local availability of funds to support a full continuum of services.

Areas for Further Analysis

There are several areas that need additional analysis in order to determine possible impact on the behavioral health system if significant changes are made to the ACA. CBHDA seeks to quantify the impacts of MCE on specific populations not previously covered, such as justice-involved adults or homeless individuals. The Association is also exploring ways to measure the economic impact of the ACA in California, including job creation and workforce development by county behavioral health systems. Economic impacts could result in an increase to the unemployment rate directly affecting the quality of health and living standards. Some of the cascading effects would be an increase in demand for behavioral health and physical health services and decreasing sales tax revenues (and Realignment revenues). Over the coming months, CBHDA will continue to update this Impact Statement with additional information as it becomes available.