

# Evaluating State Fiscal Implications of the Affordable Care Act



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## Overview

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- **Where to Start?**
- **California Context**
- **Evaluating the Fiscal Implications of ACA**
  - Near-Term
  - Longer-Term
- **California: Preliminary Fiscal Estimates**



## Where to Start?

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- **Understand Your State's Baseline**
  - What is your state's fiscal picture?
  - What are you spending now on health care administration, coverage, etc?
  - How are health insurance and care regulated?
- **Understand the ACA**
  - What is required and what opportunities exist?
- **Understand That Your State's Implementation Approach Will Impact Costs/Savings**
  - Will you simply meet federal requirements or make transformative changes?



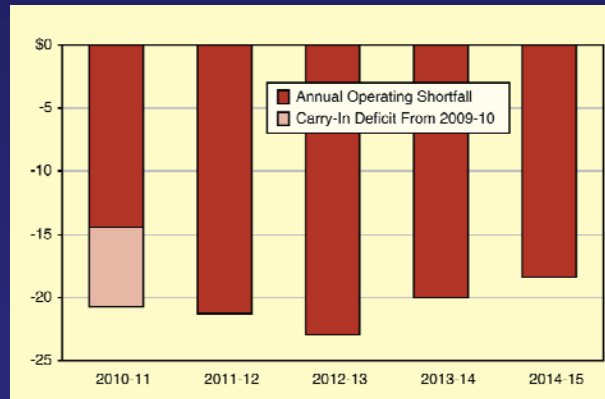
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## California Context



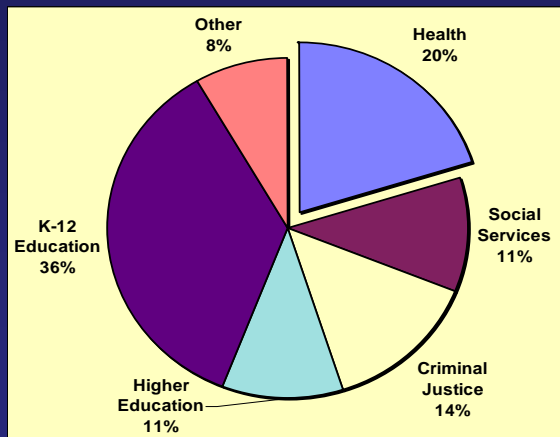
## California Context: Dire State Budget Situation

General Fund Operating Deficits (In Billions)



## California Context: Health is 20 Percent of State Budget

State General Fund Spending



## California Context: State Health Coverage Programs

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- Medicaid (Medi-Cal): 7 million enrollees, \$47 billion
- CHIP (Healthy Families): 900,000 enrollees, \$1.2 billion
- State High Risk Pool: 7,000 enrollees, \$34 million
- County health programs for uninsured
- Others



## California Context

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- Income eligibility for state programs varies
- Provision of publicly subsidized health care is a state-local partnership
- Significant regional variation
- Fairly high regulatory bar for health plans



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## Near-Term and Long-Term Fiscal Implications: Questions to Consider

### Near-Term Fiscal Implications (next 1-2 years)

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- How might federal MOE/other requirements restrict state budget flexibility?
- How might state insurance laws and regulatory structures need to change?
- What administrative and systems changes may be necessary?
- What other major policy changes are in play?
- What do you need to do to maximize federal dollars and chose strategic projects?

## Longer-Term Fiscal Implications (2014 and beyond)

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- How will mandatory coverage expansions affect your state?
- What might take-up rates be of various coverage options?
- How might the implementation and design of exchange impact enrollment?
- How extensive is the woodwork effect?
- What are long term capacity and access issues?
- Are cost savings identifiable?
- Who is left out, and how are their needs addressed?



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## California: Preliminary Fiscal Estimates



## Implications for State Health Programs in the Near Term

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- Federal MOE requirements restrict budget flexibility
- Prescription drug rebates could be reduced
- Federal waiver could expedite expansion of Medicaid coverage
- New programs will generate additional federal health care funds
  - High-risk pool
  - Public health and prevention
  - Demonstration projects



## Implications for State Health Programs in the Longer Term

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- State Medicaid costs will increase
  - Eligibility expansion
  - Woodwork effect
  - Provider rates
  - Eligibility processing changes
- Cost savings from scaling down or eliminating state programs
- Fiscal implications of new insurance exchange depend on federal requirements and state choices
- Certain populations will continue to be uninsured



## Contact us

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