Assembly Aging and Long-Term Care Committee

Assemblymember Ash Kalra, Chair

Informational Hearing on Consequences of Federal Policy Changes on California's Seniors

Wednesday, November 15, 2017
10:00am – Noon
Sheraton Gateway Los Angeles Hotel
Grand Ballroom Salon D and E
6101 West Century Boulevard, Los Angeles, CA

BACKGROUND

Congress has not yet agreed to a budget for fiscal year, FY 2018, so the government is now operating under a continuing resolution (CR) that Congress passed, and the president signed on Sept. 8. Under the CR, funding for federal agencies remains at similar levels to what was enacted for FY 2017. The spending package is only a short-term measure to fund the government and raise the debt ceiling, so Congress will have to address government spending again before the end of the year, setting up a likely contentious fight over the debt limit and government spending.

The Trump Administration's 2018 budget request, includes deep cuts to Medicaid, the insurance program for low income, elderly, and disabled Americans. Medicaid covers nearly one in four Americans and accounts for $1 out of every $6 spent on healthcare in the country. The budget proposal assumes an additional $610 billion in Medicaid cuts because it allows states to restructure their Medicaid programs, by switching to per capita caps (a set amount of money per enrollee per year) or block grants (a set amount of money each state would receive from the federal government each year). In Medicare funding, policymakers have long proposed converting the program to a premium support system as a way to reduce federal spending. The budget environment for programs, including the Older Americans Act and other aging programs,

is shaping up to be incredibly difficult this year. These federal policy changes will have severe consequences on California's seniors.

Medicare

Medicare was established in 1965 as a federal health insurance program that guarantees access to health care for people who are 65 or older, certain younger people with disabilities, and people with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant), regardless of their income level.

A portion of the payroll taxes paid by workers and their employers cover most Medicare expenses. Monthly premiums, usually deducted from Social Security checks, also cover a portion of the costs. Other sources, like income taxes paid on Social Security benefits, interest earned on the trust fund investments, and Medicare Part A premiums from people who aren't eligible for premium-free Part A also support the program.

Approximately 20 percent of Medicare enrollees are dually eligible for full or partial benefits under Medicaid. Medicare beneficiaries are subject to cost-sharing on certain benefits in the form of deductibles, copayments, and coinsurance. Health services that are not covered by Medicare must be paid for out-of-pocket. These include routine dental care, eyeglasses, hearing aids, and others.

Medicaid/Medi-Cal

Medicaid is a government health and long term care insurance program for persons of all ages whose income and resources are insufficient to pay for health care. Medicaid is the largest source of funding for medical and health-related services for people with low income in the United States. Enacted in 1965, Medicaid is jointly financed by states and the federal government. It is a means-tested program that is managed by the states. While participation in the programs is not required, all states have participated in Medicaid since 1982.

Each state establishes and administers its own Medicaid program and determines the type, amount, duration, and scope of services covered within broad federal guidelines. States must cover certain mandatory benefits and may choose to provide other optional benefits. Federal law also requires states to cover certain mandatory eligibility groups, including qualified parents, children, and pregnant women with low income, as well as older adults and people with disabilities and low income. States have the flexibility to cover other optional eligibility groups and to set eligibility criteria within the federal standards. Medicaid is funded through federal general revenues and other special financing structures that create revenue to support services and benefits.

In California, Medicaid is known as the California Medical Assistance Program (Medi-Cal). It covers a core set of health benefits, including doctor visits, hospital care, immunizations, pregnancy-related services, and nursing home care. The Governor's Budget for fiscal year 2017-18, estimates that more than 14 million Californians will be enrolled in Medi-Cal with a combined federal and state budget of $102.6 billion ($19.1 billion in General Fund).

The Federal Affordable Care Act (ACA) brought sweeping changes to health care coverage in this country, including establishing more generous eligibility rules and federal funding for California's Medi-Cal program. It also provides federally funded premium and cost-sharing subsidies offered through California's Health Benefit Exchange (known as Covered California), and imposes new requirements on health insurers that made it easier for individuals with pre-existing conditions to obtain coverage. The coverage expansions led to 20 million newly insured individuals in this country, including over 5 million Californians. The number of Californians under age 65 without insurance declined from 7.3 million in 2011 to 2.9 million in 2015.

There are four different parts to the Medicare program and they offer coverage for specific services:

i) **Part A:** Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care services. Individuals are automatically enrolled in Part A at age 65 if they (or their spouse) contributed payroll taxes for at least 10 years.

ii) **Part B:** Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services. Medicare beneficiaries who choose to participate in Part B must enroll and pay monthly premiums. Premiums are set such that the aggregate amount paid by beneficiaries will cover roughly 25% of expenditures. In 2014, beneficiaries paid a standard monthly premium of $104.90 (individuals with annual incomes greater than $85,000 and couples with annual incomes greater than $170,000 pay a higher, income-related premium that ranges from $146.90 to $335.70 per month.)

iii) **Part C:** Part C (Medicare Advantage Plans) is a type of Medicare health plan offered by private insurance companies that contract with Medicare to provide all the Part A and Part B benefits. Medicare Advantage Plans include health maintenance organizations, preferred provider organizations, private fee-for-service plans, special needs plans, and Medicare Medical Savings account plans. Most Medicare services are covered through a Medicare Advantage Plan and are not paid for under original Medicare. Most Medicare Advantage Plans offer prescription drug coverage.

iv) **Part D:** Part D added prescription drug coverage to the original Medicare plan. These plans are offered by insurance companies and other private companies approved by Medicare. Part D coverage requires a separate premium and these premiums range from $12.50 to $174.50 depending on income level.

The Older Americans Act

The Older American Act (OAA) is a federal law that promotes the well-being of Americans 60 years old and above through services and programs designed to meet the specific needs of older citizens. Services provided under the Older Americans Act include:

- Home-delivered and communal meals
- Family caregiver support

- Health services home assistance for the elderly
- Job training and volunteer opportunities
- Protections from elder abuse

Objectives of the Older Americans Act

Congressional concern about the lack of community-based support services for older people helped spur the passage of the Older Americans Act. Like Medicare and Medicaid the Older Americans Act was passed in 1965 as part of Lyndon Johnson's Great Society reforms. The Act seeks to ensure that retirement income, physical and mental health, suitable housing, employment, protection from age-based discrimination and efficient community services for older individuals. The OAA works to accomplish these goals through direct funding to states and state services and the creation of federal agencies designed to implement the Act.

The Administration on Aging

The Older Americans Act (OAA) created the Administration on Aging the main federal agency tasked with carrying out the objectives of the Act. The Administration on Aging provides services and programs designed to help aging individuals live independent lives in their homes and communities. Perhaps the most well-known of these programs is the communal and home delivered meals program, sometimes referred to as "Meals on Wheels." In addition to meals, this program focuses on health and nutrition education.

The Administration's Office of Elder Rights Protection focuses on protecting older individuals from elder abuse, neglect, and exploitation through strategic planning and research. The Long Term Care Ombudsmen program provides full-time ombudsmen, or public advocates, to help represent the interests of people in long-term care environments, such as assisted living facilities. Finally, the OAA funds employment and training programs for low-income, unemployed people 55 years old and above to help enter or re-enter the workforce.

State and Area Agencies on Aging

The Older Americans Act funds many programs for the elderly through direct grants to states. Each state receives OAA funds based on the percentage of people 60 or above in the state. OAA funding, while small compared to programs such as Medicaid, provides an important safety-net for older individuals who might be at risk of hunger, food insecurity or loss of independent living.

As part of the Older Americans Act, each state must create a State Agency on Aging. State Agencies in turn manage Area Agencies on Aging, which plan, develop, and coordinate community services for older people. There are over 620 Area Agencies. These agencies connect older individuals to the important services provided through the Older Americans Act. Each state establishes its own eligibility criteria for receiving services under OAA programs. Generally, no one age 60 or above can be denied services from Older American Act programs unless the state establishes one. States are prohibited from denying anyone services because of their income. That means that someone who might earn too much to qualify for services directed at low income individuals would still be able to receive services provided under OAA state programs.