

## ASSEMBLY THIRD READING

AB 1900 (Arambula)

As Introduced February 9, 2022

Majority vote

**SUMMARY**

Expands eligibility for Medi-Cal for individuals with income above Medi-Cal eligibility levels by reducing the Medi-Cal share of cost (SOC) amounts (also known as the "spend down" amount) for medically needy people and families in the community with too much income to qualify for free Medi-Cal. This bill does this by increasing the maintenance need income level (MNIL) to be equal to the income limit for Medi-Cal for individuals who are 65 years of age or older or are disabled who do not have a SOC (effectively, 138% of the federal poverty level [FPL]), instead of the current amount, which is approximately 50% of the FPL. Implements this change to the extent that any necessary federal authorization is obtained.

**COMMENTS**

Individuals whose income exceeds the income eligibility levels for no-cost Medi-Cal can qualify as medically needy individuals. The medically needy program extends Medi-Cal eligibility to individuals who do not qualify for no-cost Medi-Cal, such as those with high medical expenses in a month(s), but whose income is too high to meet the income eligibility threshold for no-cost Medi-Cal limit (for example, individuals with incomes above 138% of the FPL). These medically needy individuals with income higher than the Medi-Cal eligibility may qualify for the Medi-Cal program if they pay (or agree to pay) a portion of their income on monthly medical costs. This is called a SOC. Individuals eligible with a SOC must pay or take responsibility for a portion of their medical bills (their "SOC") each month before they receive Medi-Cal coverage. Medi-Cal then pays the remainder once the person is "certified" for Medi-Cal coverage. SOC Medi-Cal works much like an insurance deductible, except it must be met each month, instead of once a year the way an insurance deductible works. SOC functions as a last resort for those whose incomes are modest and are surpassed by their significant medical expenses. SOC is typically used for catastrophic medical expenses (medical expenses for a major health event such as an injury or accident) or for coverage of costly chronic conditions (for health care services for an illness that is costly and/or chronic enough to generate high monthly medical expenses).

The amount of a person or couple's SOC is equal to the difference between the "maintenance need income level" and the individual or family's net non-exempt monthly income. State law sets a MNIL for individuals residing in the community (as opposed to a long-term care (LTC) facility) based on a formula in statute. The MNIL is the amount of income a person or family is allowed to retain for living expenses and the dollar amounts have not been changed since 1989. The current MNIL of \$600 represents 53% of the FPL in 2022 for an individual, \$750 is equivalent to 49% of the FPL for an adult and one child, \$934 is equivalent to 48.6% for two adults. The MNIL amounts vary by family size and are shown in the chart below:

Family Size	MNIL	Family Size	MNIL
1	\$600	6	\$1,417

<b>2 (1 adult, 1 child)</b>	\$750	<b>7</b>	\$1,550
<b>2 adults</b>	\$934	<b>8</b>	\$1,692
<b>3</b>	\$934	<b>9</b>	\$1,825
<b>4</b>	\$1,100	<b>10</b>	\$1,959
<b>5</b>	\$1,259		

A beneficiary's SOC is calculated each month, so a Medi-Cal beneficiary can meet (or not meet) the SOC depending on their health care expenses. Under existing law, a person with a monthly income \$1 above 138% of the FPL in 2022 (\$1,564 is 138% of the FPL + \$1 = \$1,565) would have a SOC of \$965 (\$1,565 monthly income minus \$600 MNIL = \$965). This \$965 amount is the amount the beneficiary must pay or take responsibility for a portion of their medical bills (their "SOC") each month before they receive Medi-Cal coverage. This is referred to as the "SOC cliff."

Under this bill, in the scenario described above of an individual with a monthly income \$1 above 138% of the FPL, such an individual would instead have a SOC of \$1 (instead of \$965 under existing law) that month. Rather than being fixed at the 1989 amount, under this bill, the MNIL would increase with annual increases in the FPL. In January 2021, there were 4,089 individuals in the non-LTC population category who met their SOC, and 87,586 individuals who had an unmet SOC.

### **According to the Author**

Despite our high cost of living, California trails behind several states in how much people in certain Medi-Cal programs must pay for their own health care before Medi-Cal kicks in. Today, older adults and people with disabilities who are just \$1 over the free Medi-Cal limit are forced to survive on just \$600 to pay for rent, food, utilities, and all other expenses. The program hasn't been updated since 1989 and older adults and people with disabilities are paying the price. This is simply a matter of fairness for Californians who are struggling to make ends meet and need access to health care. By making this much-needed adjustment with this bill, we can help ease their financial burdens, so that people are not choosing between the need for medical attention and the need to pay rent and buy food. The author concludes that it is time to ditch the deductible and make California a leader in Medi-Cal affordability for seniors and people with disabilities.

### **Arguments in Support**

This bill is jointly sponsored by Bet Tzedek, the California Advocates for Nursing Home Reform, Disability Rights California, Justice in Aging, Senior and Disability Action SF, and Western Center on Law & Poverty. The sponsors state the MNIL has been frozen at \$600 for an individual since 1989, is well below even the FPL, and argue it is impossible to pay rent, food, and other expenses and actually live off of \$600 in California. For example, if an individual earns \$1,500 a month, their monthly SOC is \$900. This means that Medi-Cal will not cover any of their health care services until they have incurred \$900 of medical costs that they are responsible for paying. This forces individuals to live below the poverty level in exchange for Medi-Cal services. This level of cost sharing is irreconcilable with other efforts in California to make health care affordable, including efforts to lower the cost of Covered California plans. For example, an individual earning that same \$1,500 a month on Covered California would be paying \$1 a month in premiums and have a one-time (not monthly) deductible of \$75, with the maximum out-of-pocket cost per year at \$1,000, rather than the annual \$10,800 (\$900 x 12 months) amount that the person would pay with a Medi-Cal SOC. Unlike in Covered California,

individuals with SOC Medi-Cal are expected to pay over 60% of their income to access Medi-Cal services. This high SOC forces aging adults, people with disabilities, and their families to make impossible choices—between health care and paying rent and having food on the table. For the vast majority that do not meet their SOC, the current policy denies low-income people with disabilities of all ages from accessing needed supports to remain living in their homes and communities. Without those supports, the risk of institutionalization increases. In addition, the SOC cliff has the perverse incentive that keeps seniors and people with disabilities in nursing homes rather than returning to the community. People could return to the community with Medi-Cal services and supports, but are unable to survive off of \$600 a month so they are forced to remain institutionalized.

### **Arguments in Opposition**

There is no known opposition.

### **FISCAL COMMENTS**

According to the Assembly Appropriations Committee, in response to a request from the author, the Legislative Analyst's Office estimated increased annual costs of \$53 million to \$151 million in total funds, of which half would be General Fund and half would be federal funds, from:

- 1) Increases in Medi-Cal payments for health care expenditures of enrollees who already reach the existing SOC requirements, because Medi-Cal would be paying a portion of the SOC these enrollees currently pay.
- 2) New Medi-Cal payments for health expenditures for enrollees who do not currently reach the existing SOC requirements but would reach the lower SOC requirements under the provisions of this bill.

Some of the costs could be offset to the extent that some Medi-Cal beneficiaries stay in skilled nursing facilities when they become ill because they are unable to maintain their homes in the community with the current MNIL, and subsequently lose their homes. In May 2021, the Department of Health Care Services estimated the average monthly cost in a skilled nursing facility was \$10,736. Advocates contend that people could return to the community with Medi-Cal services and supports, but cannot survive on the current MNIL of \$600 per month for an individual.

The author is supporting a budget request for this bill, but the amount of the request has not yet been determined.

### **VOTES**

#### **ASM HEALTH: 12-0-2**

**YES:** Wood, Waldron, Aguiar-Curry, Arambula, Carrillo, Flora, Maienschein, McCarty, Nazarian, Luz Rivas, Rodriguez, Santiago

**ABS, ABST OR NV:** Bigelow, Mayes

#### **ASM APPROPRIATIONS: 15-0-1**

**YES:** Holden, Bryan, Calderon, Carrillo, Megan Dahle, Davies, Mike Fong, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Wilson  
**ABS, ABST OR NV:** Bigelow

## **UPDATED**

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