

Date of Hearing: March 22, 2022

ASSEMBLY COMMITTEE ON HEALTH

Jim Wood, Chair

AB 1900 (Arambula) – As Introduced February 9, 2022

SUBJECT: Medi-Cal: income level for maintenance.

SUMMARY: Reduces 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 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]), to the extent that any necessary federal authorization is obtained.

EXISTING LAW:

- 1) Establishes the Medi-Cal program, administered by the Department of Health Care Services (DHCS) and under which qualified low-income individuals receive health care services.
- 2) Requires DHCS, to the extent federal financial participation is available, to exercise its option under federal law to implement a program for individuals who are 65 years of age or older or are disabled, without a SOC, if they meet certain financial eligibility criteria, including not exceeding 138% of the FPL in their countable income or as specified.
- 3) Makes certain medically needy persons with higher incomes eligible for Medi-Cal with a SOC, if they meet specified criteria.
- 4) Defines “SOC” pursuant to regulation to mean a person's or family's net income in excess of their maintenance need that must be paid or obligated toward the cost of health care services before the person or family may be certified and receive Medi-Cal cards.
- 5) Requires DHCS to establish income levels for maintenance at the lowest levels that reasonably permit a medically needy person to meet their basic needs for food, clothing, and shelter, and for which federal financial participation will still be provided under applicable federal law, and establishes a formula for how the MNIL is calculated.

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) **PURPOSE OF THIS BILL.** 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. It's time to ditch the deductible and make California a leader in Medi-Cal affordability for seniors and people with disabilities

- 2) **MEDI-CAL SOC.** Individuals whose income exceeds the income 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 but whose income is too high to meet the income eligibility threshold for no-cost Medi-Cal. The program functions as a last resort for those whose incomes are modest and are surpassed by their significant medical expenses. State law sets a "maintenance need income level" for individuals residing in the community (as opposed to a LTC facility) based on a formula in statute.

Individuals whose net monthly income is higher than the Medi-Cal eligibility limit (for example, above 138% of the FPL) 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, provided the Medi-Cal program covers the services. 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. 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. For example, 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 is referred to as the "SOC cliff."

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. 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 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 have not changed since 1989, and vary by family size and are shown in the chart below:

Family Size	MNIL	Family Size	MNIL
1	\$600	6	\$1,417
2 (1 adult, 1 child)	\$750	7	\$1,550
2 adults	\$934	8	\$1,692
3	\$934	9	\$1,825
4	\$1,100	10	\$1,959
5	\$1,259		

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.

- 3) **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.
- 4) **RELATED LEGISLATION.** AB 2077 (Calderon) increases the personal needs allowance (PNA) amount, which is the amount of money a Medi-Cal beneficiary in a medication institution, nursing facility or receiving services from a Program of All-Inclusive Care for Elderly plan is allowed to retain, from \$35 to \$55 per month. AB 2077 is scheduled for hearing in the Assembly Health Committee on March 22, 2022.
- 5) **PREVIOUS LEGISLATION.**
- a) AB 969 (Chan) of 2001 would have changed the maintenance need levels for the medically needy program. For an aged, blind, or disabled person and a child in foster care or receiving adoption assistance, the maintenance need level would have been set at 120% of the federal poverty level. For a medically needy family person that includes a parent or caretaker relative who meets the deprivation requirement, the maintenance level would have been set at 100% of the FPL. AB 969 was held in the Senate Appropriations Committee suspense file.
 - b) AB 1863 (Gallegos) of 2000 would have increased the maintenance need levels for medically needy persons, and have increased the maintenance need levels by the consumer price index (CPI), or 10%, for three consecutive years beginning January 1, 2001. AB 1863 was held on the Senate Appropriations Committee suspense file.

- c) AB 2500 (Ashburn) of 2000 would have increased the maintenance need levels for medically needy persons by a percentage equal to 20% or the increase in the California CPI between August 22, 1996 and January 1, 2001, whichever was greater. AB 2500 was held in the Assembly Health Committee.

REGISTERED SUPPORT / OPPOSITION:**Support**

Bet Tzedek (co-sponsor)
California Advocates for Nursing Home Reform (co-sponsor)
Disability Rights California (co-sponsor)
Justice in Aging (co-sponsor)
Senior and Disability Action SF (co-sponsor)
Western Center on Law & Poverty (co-sponsor)
AARP
Alameda County Homeless Action Center
Asian Law Alliance
Bay Area Legal Aid
California Association of Health Facilities
California Council of The Blind
California Dental Association
California Health Advocates
California Pan-Ethnic Health Network
California Physicians Alliance
California PACE Association
Coalition of California Welfare Rights Organizations
County Behavioral Health Directors Association
Desert AIDS Project
Friends Committee on Legislation of California
Health Access California
Legal Aid Society of San Mateo County
Marin Center for Independent Living
Maternal and Child Health Access
Meals on Wheels Orange County
National Association of Social Workers, California Chapter
National Health Law Program
National Multiple Sclerosis Society
Public Law Center
Senior Advocates of The Desert
Senior Services Coalition of Alameda County
Urban Counties of California
AARP
Bay Area Legal Aid
California Council of The Blind
California Physicians Alliance
California PACE Association
Coalition of California Welfare Rights Organizations
County Behavioral Health Directors Association

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Opposition

None on file.

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