CSAC Issue Brief

Managed Care Organization Fix

Background

The Managed Care Organization (MCO) tax is of critical importance for county funding and state Medi-Cal services, and the Governor's January budget proposal is tailored to enrollment in each health plan, helping the state realize at least $1.1 billion in revenue. Without an MCO fix, counties are at risk of significant statewide and county financial liabilities for critical services.

Time is running out for California, as the current MCO tax expires on June 30, 2016. The Governor convened an Extraordinary Legislative Session on Health Care last June, which remains open as the Administration and health plans negotiate. Any MCO fix will require a two-thirds vote of the Legislature.

MCO funding is vital to all counties. It provides implementation funding for the Coordinated Care Initiative (CCI) and other critical state-level Medi-Cal services. Furthermore, continuation of the CCI is tied to the county In-Home Supportive Services Maintenance of Effort (IHSS MOE) and the eventual plan to transition collective bargaining for IHSS workers from counties to the state. If current MCO funding for the CCI goes away, it jeopardizes the IHSS MOE and eventual transfer of collective bargaining. The loss of MCO funding for other Medi-Cal programs would also result in statewide cuts that could affect counties.

The Governor's January proposal requires all health plans to contribute funds then used by the state to draw down federal funding of at least $1.3 billion. In return, private health plans would receive discounts on their Gross Premium Taxes and Corporate Tax, as well as receive supplemental payments from the federal funds the state draws down, creating a net neutral balance for their participation.

On a county-by-county basis, however, the tax structure proposed in the Governor's proposal will have fiscal consequences for counties that operate local health plans. County health plans will not benefit from changes in the Corporate or Gross Premium Tax structures, and those that provide local health plan coverage to county employees will experience new fiscal impacts. While the net impact of the Governor's proposal on each county will vary, it is clear that counties will bear a larger proportion of the MCO fix upon its passage.

However, CSAC strongly supports the Governor's MCO fix proposal to preserve funding for the CCI project and increase the likelihood that the county IHSS MOE remains in place. Our position also supports the eventual transition collective bargaining for IHSS providers from counties to the state.

Talking Points

- **CSAC strongly supports the Governor's MCO fix proposal**, which would draw down about $1.3 billion in federal funds, preserve funding for the CCI project, and increase the likelihood that the county IHSS MOE remains in place.

- **Counties support the transition of collective bargaining for IHSS providers** from counties to the Statewide IHHS Authority.