



January 27, 2016

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327.7500

Faximile
916.441.5507

To: County Supervisors
County Administrators and Executives
County Legislative Coordinators
Members of the Health and Human Services Policy Committee

From: DeAnn Baker, Deputy Executive Director of Legislative Affairs
Farrah McDaid Ting, Legislative Representative

RE: Governor's Revised MCO Fix Proposal and Impact on Counties

Call to Action! The Managed Care Organization (MCO) tax is of critical importance for county funding and other Medi-Cal services, and the Governor's proposal in the January Budget would spare health plans any net costs or losses while realizing \$1.3 billion for critical Medi-Cal services. **Counties are at risk of significant statewide and county financial liabilities for critical services in the absence of a MCO fix. CSAC is urging counties to contact their local legislative delegations to explain their specific potential local impacts and urge passage of the Governor's MCO fix as soon as possible.**

County Impact. MCO funding is vital to all counties. It provides implementation funding for the Coordinated Care Initiative (CCI), as well as other critical state-level Medi-Cal services. Furthermore, continuation of the CCI is tied to the county In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) and the eventual plan to transition collective bargaining for IHSS workers from each county to the state. **If the current MCO funding for the CCI is not continued, it could jeopardize 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.**

Political Landscape. Despite the Governor's efforts to date, achieving the two-thirds vote necessary in the Legislature to provide the fix has remained elusive as it is framed as a "tax." However, there is no net increase to the health plans in the Governor's January Budget proposal. The Special Session on Health Care remains open, but the Legislature has not yet taken up the Governor's plan. Counties need to weigh in with legislators on the importance of adopting the MCO fix as soon as possible.

Background. One of the Governor's top priorities is to authorize a new MCO "tax" that complies with federal standards and provides at least \$1.3 billion in funding to the state for Medi-Cal costs. The current MCO tax expires June 30, 2016, and the Brown Administration is seeking a two-thirds vote of the Legislature on a fix as soon as possible.

The Governor's MCO funding plan requires all health plans to participate as required by federal law. In return, health plans would incur lower Gross Premium Taxes and Corporate Taxes and become eligible for supplemental payments – creating a net neutral balance for the plans. While it is called the MCO "tax," the proposal protects participating plans from net costs and losses while preserving Medi-Cal services. Specific details of the proposal continue to be refined and negotiated, and CSAC is in close communication with select stakeholders.

*For more information and documents related to the MCO fix, the CCI, and the IHSS MOE, please visit CSAC's online resources page for the Special Session on Health Care:
<http://www.counties.org/post/health-special-session>.*