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January 15, 2010

The Honorable Harry Reid
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

Dear Senator Reid:

The California State Association of Counties (CSAC) thanks you for your tireless efforts to craft a health reform package providing health access and coverage to millions of currently uninsured individuals and families. California's counties are responsible for serving the medically indigent and protecting the overall health of the community through our public health departments. As such, we have a particular interest in ensuring a strong federal, state and county partnership in administering and delivering Medicaid services as well as providing stable support for other health activities administered by counties.

Below are our positions on key provisions affecting counties and the populations we serve.

Medicaid

Federal Financial Participation: California's Medi-Cal and Children's Health Insurance Program (Healthy Families) currently cover about seven million residents. The expansion will provide one million new individuals with coverage, as well as enroll about 500,000 individuals already eligible but not receiving benefits.

CSAC supports a 100 percent federal match for newly eligible populations. Given California's historic budget problems, the state has made every effort to raid county budgets to fund state programs. Alternatively, the state has threatened to eliminate safety net programs, which would leave counties with the sole governmental responsibility to provide certain services. Given the Governor's recent statements that he does not believe the state will be able to fund an expansion of Medicaid, CSAC believes that every effort will be made to shift the new costs to counties that are already reeling from the recession.

CSAC supports the six-month House extension of the increased federal financial contribution to Medicaid under the American Recovery and Reinvestment Act (ARRA). If enacted, the provision would provide an additional $2.5 billion in support for California's Medi-Cal program and would continue the requirement that the state not restrict eligibility standards, methodologies or procedures.

Federal Pass-Through: CSAC supports strongly the Senate provision (Section 10201(c)) requiring states to pass to counties their commensurate share of their financial contribution to the non-federal share of Medicaid for services provided to newly-eligible individuals. In California, counties' share in the financing of In-Home Supportive Services (IHSS), which has already been cut at the state level, is a target for additional future cuts.

Reimbursement Rates: CSAC supports the House provision (Section 1721) that raises Medicaid primary care reimbursement rates to the rate paid for those services under Medicare. Nationally, Medicaid primary care rates are 66 percent of what is reimbursed via Medicare. Without an increase, a significant underpinning of reform is at risk of failing, due to the inability of providers to operate practices receiving very low reimbursements for services.

Disproportionate Share Payments: CSAC urges Congress to minimize the cuts slated for the Medicaid disproportionate share hospital payment program (DSH), due to the continued role safety net hospitals will assume after reform. The Congressional Budget Office estimates that between 18 million to 25 million individuals will remain uninsured even after health reform's full implementation.

According to the California Association of Public Hospitals and Health Systems (CAPH), the state's 19 public hospitals provide nearly 70 percent of their care to persons receiving Medicaid or who are uninsured. They are also the foundation of the State's trauma and burn care system, operating more than half of the top-level trauma centers and 43 percent of California's burn centers.

County hospitals will continue to depend on DSH funding to serve those who remain uninsured. Those individuals often have complex and costly health conditions and may comprise an even higher percentage of our public hospitals' patient mix since they will not have other health services alternatives. Additionally, reform does not address Medicaid's low reimbursement rates for such care. County taxpayers should not be shouldered with funding DSH shortfalls that may result from a combination of the factors mentioned above.

Public Health Activities

CSAC supports the House bill's Core Public Health Infrastructure provision (Section 3161) that would assist county health departments in building and sustaining a robust system of population-based prevention activities protecting the health of entire communities. We urge the House and Senate to work to craft a funding mechanism that provides direct and automatic funding over the 10 years contemplated by the overall legislation. Such a sustained, stable and reliable funding stream for local health department efforts, coupled with the prevention trust fund and workforce provisions included in both the House-passed and Senate merged bill, will help to sustain the work of county health departments and population-based prevention activities that should reduce demands on medical care. These provisions represent an unprecedented opportunity to strengthen the public health system by building a stronger foundation of wellness and health promotion activities administered by county health departments nationwide.

Health Benefits in Jails

CSAC supports legislation introduced last year entitled Restoring the Partnership for County Health Care Costs Act of 2009 (H.R. 2209). Under the legislation, persons awaiting trial would not lose their health coverage. Health insurance for persons in pre-trial custody and, therefore presumed innocent, should not be withdrawn without due process. Only upon conviction should that occur. While neither the House nor the Senate bill includes the provisions of H.R. 2209, the following two provisions make useful steps in the right direction and should be retained:

- Section 1729 of the House bill requires states to suspend, rather than terminate, Medicaid coverage for youths under 18 and ensure that they are enrolled on or before release if they are still eligible.

- Section 1312 (f)(1)(B) of the Senate bill exempts individuals in custody pending disposition of charges from the incarceration disqualification for enrolling in insurance coverage on the exchange.

Excise Tax on High Benefit Plans

CSAC urges the Senate to drop the provision instituting a tax or fee on public employee self insured health plans. Imposing an excise tax on so-called "Cadillac" plans without an exemption for state and local governments would represent a significant burden for public employers already struggling with rising healthcare costs. Increased costs on employer-sponsored plans may force self-insured plan sponsors to drop coverage; pass increased costs on to plan beneficiaries; lower wages; reduce benefits; and terminate workers to offset the imposed tax.

Insurance Premium Revenue Tax

CSAC urges the Senate to drop or modify the provision instituting a tax on fully-insured health plans. The tax falls disproportionately on state and local governments, which have a much higher share of fully insured products than other large employers. In addition, Californians would pay over one-third more than the average state on a per capita basis. This due to the fact that 77 percent of the commercially enrolled population in California is enrolled in fully-insured health plans. In the nation as a whole, more than half are enrolled in self-funded plans, not subject to the tax.

Thank you for considering our views. If you have any questions, please do not hesitate to contact me at 916.327.7500.

Sincerely,

Paul McIntosh
Executive Director