Medi-Cal Policy Institute

Medi-Cal for Seniors

Medicare is typically thought of as the health insurance program for people age 65 and older. Yet nearly one in four of California's seniors are covered by Medi-Cal, the state's version of Medicaid. Medi-Cal provides many of the state's poorest seniors with vital health insurance coverage, including wrap-around coverage for medical services Medicare does not cover. It also provides a safety net for seniors requiring long-term care who have exhausted their own financial resources.

Eligibility and Enrollment

As of January 2003, there were almost 764,000 people age 65 and older enrolled in Medi-Cal. Nearly two-thirds (65 percent) of these beneficiaries are "categorically eligible" because they receive Supplemental Security Income/State Supplementary Payment (SSI/SSP), a state-supplemented federal cash assistance program for low-income people who are elderly, blind, or have a disability. As of June 1, 2003, elderly SSI/SSP beneficiaries in independent living situations generally receive a maximum of $778 per month ($1,382 per month for an elderly couple), and they may have assets worth up to $2,000 ($3,000 for a couple). Another 2 percent of Medi-Cal seniors are categorically eligible because they receive In-Home Support Services (IHSS), a federal/state program that pays for personal assistance with everyday activities such as bathing.

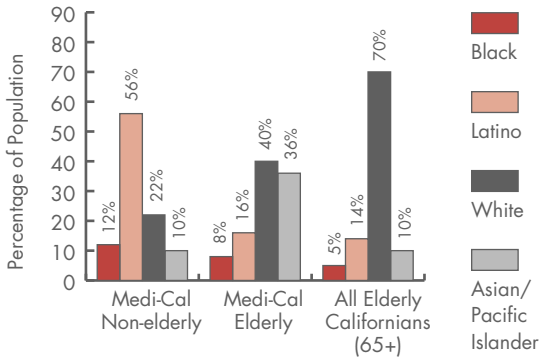
Just over 20 percent of elderly Medi-Cal beneficiaries qualify under one of the program's medically needy categories, which extend Medi-Cal eligibility to people who have too much income or too many assets to qualify as categorically needy. At least 63 percent of these medically needy beneficiaries are enrolled without a "share of cost." Those who have a share of cost must incur health care expenses each month before Medi-Cal begins to provide assistance.

Another 7 percent of elderly Medi-Cal beneficiaries are enrolled under the Aged and Disabled Federal Poverty Level program that began in January 2001. As of June 2003, these beneficiaries must have "countable income" (individual earnings minus certain exceptions and deductions) no greater than $979 per month ($1,382 for a couple), an amount equal to the sum of 100 percent of the federal poverty level plus a $230 supplemental amount (or $310 for a couple).

Finally, 5 percent of seniors enrolled in Medi-Cal qualify under one of the program's other categories, such as people with disabilities or caretaker relatives of minor children.

The demographic characteristics of elderly Medi-Cal beneficiaries are different than those of other Medi-Cal beneficiaries and of California's elderly population overall. For example, among those for whom race or ethnicity is known, elderly Medi-Cal beneficiaries are nearly four times more likely than non-elderly Medi-Cal beneficiaries to be Asian/Pacific Islander.

Figure 1. Medi-Cal Elderly and Comparison Groups, by Race, 2003*



Sources: Calif. Dept. of Health Services and Calif. Dept. of Finance.
*Where race or ethnicity is known

Medi-Cal and Medicare

Seniors who receive health insurance coverage under both Medicare and Medi-Cal are known as "dual eligibles." About 87 percent of elderly Medi-Cal beneficiaries fall into this category. The remaining 13 percent have Medi-Cal only, often because

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Number 14
September 2003

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they lack sufficient, countable Social Security work time or immigration requirements for Medicare eligibility. For dual eligibles, Medi-Cal will pay the premiums, deductibles, and copayments required by Medicare. Medi-Cal also covers the cost of certain items that Medicare does not cover, such as prescription drugs and custodial care at a nursing home.

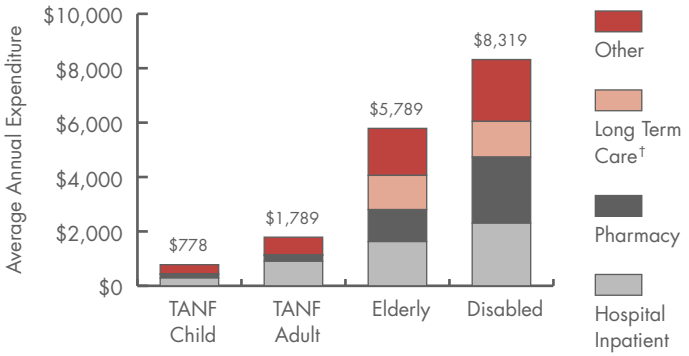
In addition to these dual eligibles, there are also elderly Medicare beneficiaries who do not qualify for full Medi-Cal coverage, but for whom Medi-Cal only provides limited assistance with Medicare premiums and/or copayments and deductibles. These include Qualified Medicare Beneficiaries (QMBs) with incomes up to 100 percent of poverty, Specified Low-Income Medicare Beneficiaries (SLMBs) with incomes up to 120 percent of poverty, and Qualified Individuals (QI-1) with incomes up to 135 percent of poverty.

Service Use and Expenditures

Most elderly Medi-Cal beneficiaries receive the full range of Medi-Cal benefits, except for a very small number of elderly beneficiaries who are only able to receive emergency services or long-term care due to their immigration status; and those Medicare beneficiaries for whom Medi-Cal only pays Medicare cost sharing amounts. If both Medicare and Medi-Cal cover a service, Medicare is the primary payer.

Despite the fact that Medicare is the primary payer for nearly nine of every ten seniors enrolled in Medi-Cal, elderly beneficiaries account for a disproportionate share of Medi-Cal spending. Seniors account for 12 percent of all Medi-Cal beneficiaries, but 22 percent of Medi-Cal spending for health care services in 2002. Medi-Cal fee-for-service expenditures for elderly beneficiaries averaged $5,789 per person in 2001, more than seven times as much as Medi-Cal spends for each child enrolled in the program. The leading costs for elderly people are prescription drugs and long-term care, which are generally not covered benefits under Medicare, and inpatient hospital expenses. Medi-Cal is the primary payer source for two-thirds of California's 89,500 nursing facility residents.

Figure 2. Average Annual Expenditures per Medi-Cal Beneficiary, 2001*



Source: Analysis of 20% sample of Medi-Cal FFS claims from 2001; Todd Gilmer, Ph.D.
*Fee-for-service expenditures only †Skilled nursing and intermediate care facilities

Health Care Delivery

The vast majority (86 percent) of elderly beneficiaries receive care through Medi-Cal's fee-for-service system, a much greater proportion than for the Medi-Cal population overall (48 percent). Except in County Organized Health Systems, enrollment in Medi-Cal managed care is voluntary where it is offered.

California offers some managed care programs specifically designed to meet the needs of the elderly. The Program of All Inclusive Care for the Elderly (PACE) is an optional program for dual eligibles who meet the state's criteria for nursing home care. SCAN is a Medicare+Choice health plan that provides personal services to the elderly to remain independent and that includes prescription drug coverage. These programs operate on a small scale: taken together, they serve fewer than 5,000 Medi-Cal enrollees and only cover certain geographical areas.

Looking Ahead

Medi-Cal faces considerable short-term and long-term challenges in serving its elderly beneficiaries. As part of the 2003-04 budget, the state cut reimbursements to most providers by five percent and imposed restrictions on adult dental care, hearing aids, and durable medical equipment, such as wheelchairs. The state is also seeking ways to reduce the prices it pays for prescription drugs. Nursing homes will receive an average rate increase of just under four percent.

One-time federal fiscal relief totaling $2.2 billion helped the state avoid making deeper cuts to the Medi-Cal program in 2003, but continuing fiscal shortfalls will force hard choices for the program in future years. Proposals for Medi-Cal program cuts, such as reductions in the income eligibility levels for the Aged and Disabled Federal Poverty Level program, are likely to resurface again next year. Even without these changes, however, Medi-Cal eligibility levels for seniors and people with disabilities have not kept pace with the cost of living.

In the longer term, California's growing elderly population will increase the demand for expensive long-term care unless the state is able to develop cheaper alternatives such as assisted living facilities for the elderly.

Finally, several changes are being debated at the federal level that could affect Medi-Cal spending for elderly beneficiaries, such as whether to add a prescription drug benefit to the Medicare program. With tight state budgets and rising health care costs, lawmakers are facing difficult decisions that will have tremendous impact on the health care of seniors.

Prepared by the National Health Law Program.