An Overview of Health Insurance Coverage and Health Care Financing for Low-Income Populations in California, 1996-2001

Prepared under a grant from the California Wellness Foundation

By

Peter Long
Lucien Wulsin, Jr.
Insure the Uninsured Project

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INTRODUCTION

Given the projected $12 billion budget shortfall for the state of California, there is an increased interest in understanding the funding of health care services for low-income Californians. By far, Medi-Cal continues to be the largest source of coverage and financing, but it is complemented by a number of other health insurance and health care financing programs. In an attempt to map out these funding, coverage, and delivery streams, ITUP compiled this report for state policy makers, advocates, health care providers, and the public. The report details trends in health care financing for low-income and indigent populations in California and provides administrative estimates of participation in publicly funded health insurance programs over the past five years.

The report is divided into three sections. It begins with an overview of enrollment and expenditure trends in the major publicly funded health insurance programs available to low-income Californians. Then, it reviews the multiple and overlapping state funding streams that finance health care services for low-income, uninsured individuals. Finally, it presents an overview of the service delivery systems for these populations, hospitals and community clinics and specialized programs for certain sub-groups.

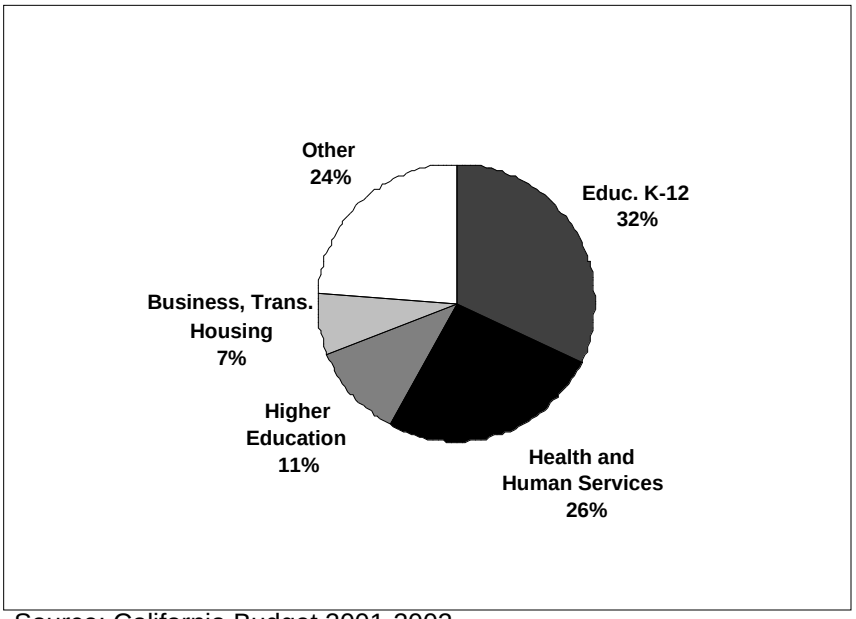
Annually, researchers at the University of California, Berkley and the UCLA Center for Health Policy Research provide estimates of health insurance coverage trends in California using the Current Population Survey (CPS). Their documents provide valuable population-based estimates of health insurance trends in the state. An equivalent summary document, however, is not available that summarizes trends in the financing and delivery of health care services and health insurance for low-income Californians using the state's administrative data.

ITUP would like to thank the various officials from the Department of Health Services (DHS) and the Managed Risk Medical Insurance Board (MRMIB) the California Association of Public Hospitals and the California Primary Care Clinics Association who provided valuable data and reviewed earlier drafts of this report. Unless otherwise noted, the figures reported in this document represent expenditures from the state's budgetary perspective.

OVERVIEW OF STATE HEALTH EXPENDITURES

In aggregate, spending for health and human services accounts for 26 percent of the total state budget (Figure 1). It is the second largest budget category, trailing only spending for kindergarten through 12th grade education.

Figure 1: Health and Human Services Spending as Percentage of the Total State Budget, SFY 2001-02



Source: California Budget 2001-2002.

Within the state's health budget, Medi-Cal, the health and long-term care financing program for low-income individuals and persons with disabilities, represents the largest share by far. After several years of flat growth, Medi-Cal spending is expected to increase to $23.5 billion in the current fiscal year (Table 1). Besides Medi-Cal, In-Home Support Services and Regional Centers for the developmentally disabled (funded in part by Medi-Cal) comprise the next largest health budget items each accounting for $1.8 billion annually.

Table 1: Major Health Expenditures in State Budget, SFY1996-2001

State Fiscal Year	Medi-Cal	In-Home Support Services	Regional Centers for Developmentally Disabled	Realignment Allotments*	State Mental Hospitals
1996-97	$18,372,000,000	$1,084,100,000	$1,046,000,000	$1,063,381,322	$479,400,000
1997-98	$18,311,800,000	$1,195,300,000	$1,167,900,000	$1,114,852,866	$473,700,000
1998-99	$18,494,200,000	$1,397,800,000	$1,400,200,000	$1,159,355,434	$490,200,000
1999-00	$20,492,400,000	$1,628,300,000	$1,617,300,000	$1,239,294,348	$526,800,000
2000-01	$21,450,800,000	$1,784,500,000	$1,763,700,000		$573,900,000
2001-02	$23,500,000,000				

* Please note that realignment funds come from dedicated portion of the sales tax and a portion of the vehicle license fee and not the state General Fund.
Source: Legislative Analyst's Office.

SECTION 1: HEALTH INSURANCE COVERAGE OF LOW-INCOME CALIFORNIANS

THE MEDI-CAL PROGRAM

Medi-Cal Enrollment

Between 1996-97 and 2000-01, total Medi-Cal enrollment declined from 5.5 million to 5.2 million, however, it is projected to grow to 6.1 million in 2001-02 (Table 2). As of November 2001, there were over 5.8 million persons enrolled in the program. By far, the largest decline in Medi-Cal enrollment occurred among welfare families from 2.9 million in 1996-97 to 1.8 million in 2000-01. This decline corresponds with the implementation of Federal welfare reform in California. Although families remained eligible for Medi-Cal after their welfare benefits ended, many families lost categorically linked coverage during the transition and shifted to the new 1931(b) coverage category. Medically needy coverage families and coverage for medically indigent children also declined during this period. Most of these enrollment declines were offset by gains in coverage under section 1931(b). Coverage for undocumented immigrants also declined.

Enrollment for long-term care beneficiaries remained steady at 69,000, accounting for about 1 percent of all Medi-Cal beneficiaries. In 2000-01, long-term care beneficiaries accounted for 15 percent of all Medi-Cal spending due to the extremely high cost for each beneficiary ($40,000+).

Table 2: Overview of Medi-Cal Enrollment, By Eligibility Category, 1996-97 to 2000-01

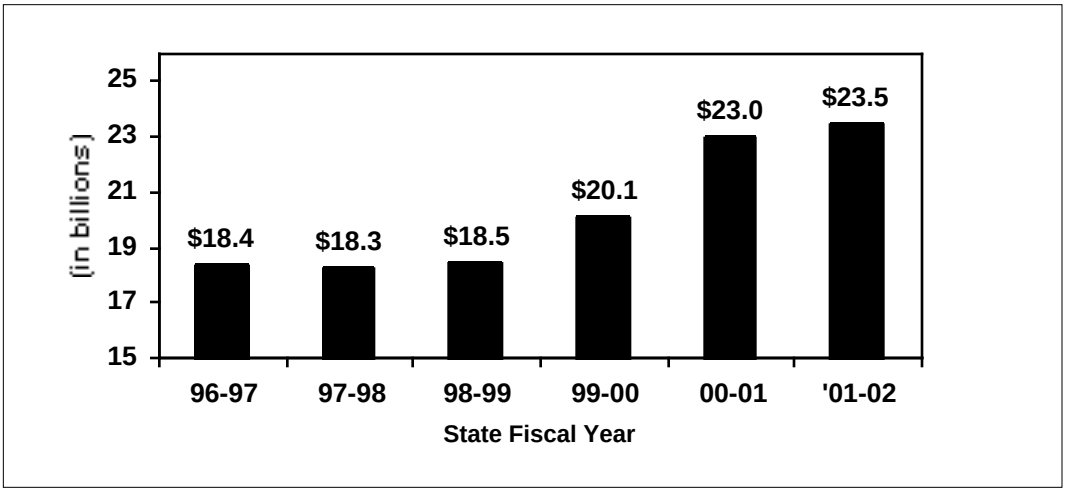
State Fiscal Year	Total	Cat.-Linked	Low-Income Families	SSI/SSP	Cat.-Related	Med. Needy	1931(b)	Long-Term Care	Women/ Children	200% Poverty	133% Poverty	100% Poverty	Med. Indigent	Undoc. Immig.
1996-97	**5,518,000**	**4,056,000**	2,920,000	1,136,000	**614,000**	545,000	-	69,000	**558,000**	128,000	93,000	32,000	305,000	**290,000**
1997-98	**5,089,000**	**3,685,000**	2,582,000	1,103,000	**617,000**	548,000	-	69,000	**552,000**	132,000	93,000	38,000	289,000	**235,000**
1998-99	**5,007,000**	**3,569,000**	2,444,000	1,125,000	**647,000**	579,000	-	68,000	**575,000**	142,000	97,000	57,000	279,000	**216,000**
1999-00	**5,187,000**	**2,935,000**	1,773,000	1,162,000	**1,390,000**	111,000	1,209,000	70,000	**655,000**	167,000	127,000	97,000	264,000	**207,000**
2000-01	**5,209,000**	**2,950,000**	1,768,000	1,182,000	**1,603,000**	140,000	1,394,000	69,000	**513,000**	172,000	103,000	83,000	155,000	**143,000**
2001-02*	**6,100,000**													

* Estimated.
Source: Legislative Analyst's Office

Medi-Cal Spending

After remaining steady from 1996 through 1999 at $18.4 billion, total Medi-Cal expenditures are projected to increase to $23.5 billion in 2001-2002 (Figure 2). Most (55 percent) Medi-Cal expenditures reimburse providers directly for services rendered (fee-for-service payments). Payments to managed care plans comprise the next largest expenditure. These payments more than doubled between 1995-1996 and 1998-99 as more Medi-Cal beneficiaries were enrolled in managed care plans and plan reimbursement rates increased. Federal DSH, SB 1255 and other supplemental payments represent the third largest expenditure at $2.2 billion. Administrative costs account for 5 percent of total Medi-Cal spending.

Figure 2: Total Federal and State Medi-Cal Expenditures, 1996-97 to 2001-02



Source: Department of Health Services.

Retention

Overall, approximately three-quarters (72 percent) of all Medi-Cal beneficiaries remained on the program twelve months after enrollment (Table 3). Retention rates were much lower for low-income families where slightly more than one in three (37 percent) beneficiaries were enrolled after one year. Retention data suggest that those individuals who are most likely to use services are also most likely to remain on the program. Nearly all (91 percent) Medi-Cal beneficiaries who are enrolled through Supplemental Security Income remained covered. The majority of long-term care (73 percent) and AFDC/TANF cash beneficiaries (71 percent) were still enrolled after twelve months. In contrast, very few persons enrolled in share of cost Medi-Cal remain enrolled at the end of a year.

Table 3: Medi-Cal 12-Month Retention Rates for Major Aid Categories, 1994-1998

Starting Year	All	SSI/SSP	LTC	AFDC-Cash	M/C only Families	M/C Only A/B/D	Share of Cost	OBRA	Misc
1994	75%	90%	72%	78%	35%	64%	8%	40%	18%
1995	73%	90%	73%	75%	36%	70%	9%	40%	10%
1996	60%	86%	63%	66%	24%	54%	3%	26%	10%
1997	72%	91%	73%	71%	37%	65%	11%		35%

Source: DHS Annual Reports.

Managed Care

Between 1996 and 2000, enrollment in Medi-Cal managed care doubled from 1.3 million to 2.5 million (Table 4). Reflecting the implementation of the state's "two-plan model" in 12 counties, enrollment in counties operating under this system grew from 130,000 to 1.1 million. The number of enrollees in geographic managed care (GMC) system increased from 145,000 to 315,000 with the implementation of GMC in San Diego County in 1998. The number of enrollees in County Operated Health Systems (COHS) remained level at 400,000. During this period, Prepaid Health Plans (PHPs) and Primary Care Case Management (PCCM) systems were phased out.

Table 4: Medi-Cal Enrollment by Type of Managed Care Plan, 1995-2000

Year	Total	FFS	Managed Care	COHS	GMC	PCCM	PHP	2-PLAN
1995	5,438,606	4,501,479	937,127	138,376	59,021	121,271	618,459	0
1996	5,409,865	4,127,810	1,282,055	338,680	144,726	72,347	538,246	128,056
1997	5,150,737	3,390,978	1,59,759	378,099	143,066	21,987	367,212	849,396
1998	4,970,986	2,825,641	2,145,345	351,656	198,387	8,098	86,817	1,500,387
1999	5,041,134	2,526,944	2,514,190	376,911	324,312	2,132	6,959	1,097,297
2000	5,060,498	2,540,045	2,520,454	401,527	315,001	1,620	956	1,104,443

Source: DHS Annual Managed Care Reports.

MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB) PROGRAMS

Healthy Families

From its inception in June1998, enrollment in Healthy Families grew to 427,000 by 2000-01 (Table 5). Total expenditures for the program in that year were $388 million. If the state's 1115 waiver to expand coverage to parents of low-income children is approved by the Centers for Medicare and Medicaid Systems (CMS) and fully implemented, Healthy Families will cover 683,000 children and adults with total expenditures of $656 million. In November 2001, however, Governor Davis recommended delay of implementation of the waiver until July 2003 even if it is approved by CMS. Thus, these estimates likely overstate projected enrollment in the program. As of November 2001, there were over 496,000 children enrolled.

Table 5: Healthy Families Enrollment and Expenditures, 1998-2001

State Fiscal Year	Enrollment	Expenditures
1998-99	128,000	$59,379,000
1999-2000	297,000	$211,800,000
2000-2001	427,000	$387,742,000
2001-2002*	683,000	$656,227,000

* Projected based on approval of waiver to expand coverage to parents.

Source: California Legislative Analyst's Office.

Managed Risk Medical Insurance Program (MRMIP)

MRMIP offers insurance to individuals with health conditions, who cannot afford private health insurance. In May 2001, 17,700 people subscribed to the program (Table 6). The majority of subscribers (11,795) are enrolled with Blue Cross. Non-hispanic whites comprise a disproportionate share of MRMIP subscribers compared to their percentage of the total state population.

Table 6: MRMIP Enrollment, By Demographic Characteristics, May 2001

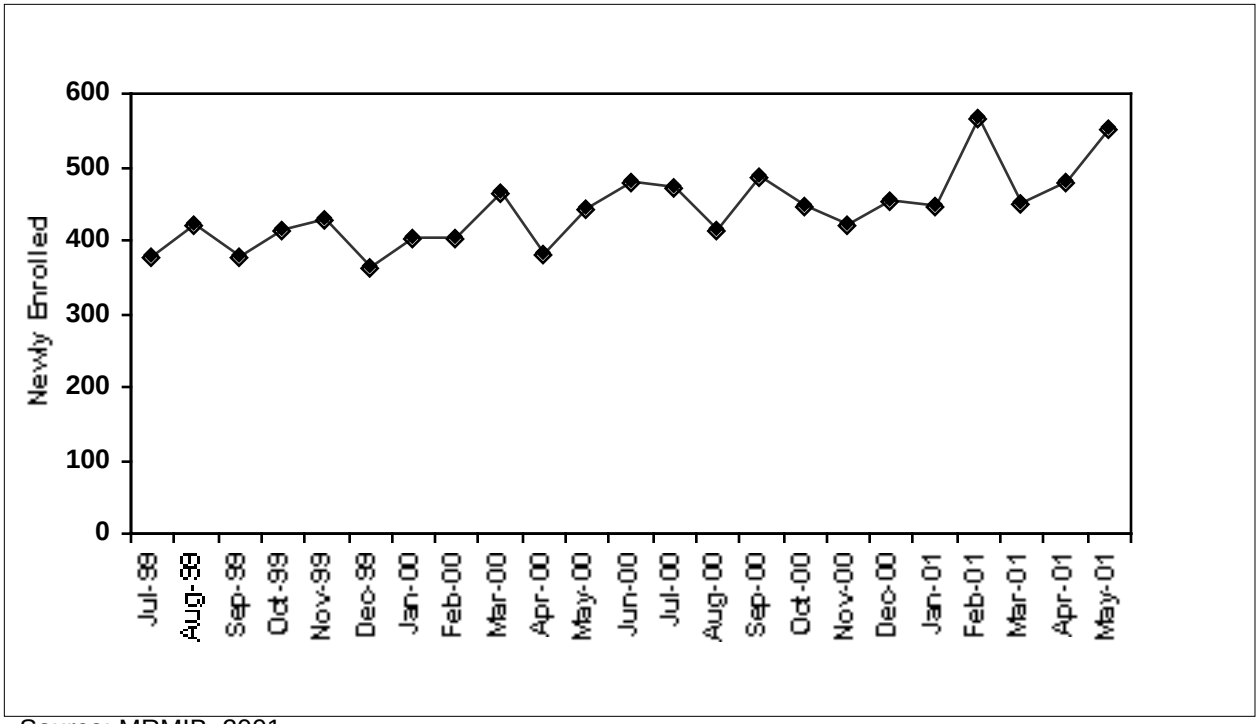
Category	Number
Total	**17,700**
Subscribers	16,583
Dependents	1,117
Health Plans	
Blue Cross	11,795
Kaiser	3,573
Blue Shield	2,308
Contra Costa	24
Total	**17,700**
Race/Ethnicity	
White	12,302
Other	2,230
Latino	1,841
Asian/Pacific Islander	1,062
African American	159

Source: MRMIB, 2001.

Access for Infants and Mothers (AIM)

AIM provides insurance coverage to pregnant women and infants with incomes below 300 who do not qualify for Medi-Cal or Healthy Families. In July 1999, 36,919 women and infants had enrolled in the program. From 1999 to 2001, there were between 375 and 550 new enrollees in the program each month (Figure 3).

Figure 3: AIM Enrollment, by Month 1999-2001



Source: MRMIB, 2001.

PRIVATE HEALTH INSURANCE COVERAGE[1]

Employer Coverage

- In 1999, 18.4 million Californians received health insurance through their employer. Reflecting the robust economy, this figure represents an increase of 2.4 million from 1994.

- 60 percent of California businesses offered health insurance in 2000, a substantial increase from 48 percent in 1999. When offered coverage, most California workers (88 percent) accept it.

- Nearly all employers with more than 200 employees offer health insurance. The offer rate is much lower among small business. Just over half (52 percent) of businesses with 3-9 employees in California offer health insurance.

- Lower wage firms, where more than one in three workers earn less than $20,000 annually, are not likely to offer coverage. Only 21 percent of low-wage firms with less than 200 employees offer coverage to their employees.

- The majority (55 percent) of California workers, who have insurance through their employer, are enrolled in an HMO. One in four workers (25 percent) are enrolled in a PPO.

- Large California employers with more than 200 employees are likely to offer employees a choice in health plans with four in five offering more than one plan. Only one in five small employers in the state offer workers a choice of plans.

Individual Coverage

- In 1999, approximately 1.4 million people in California purchased health insurance directly from health plans. The individual insurance market accounts for about 5 percent of all coverage in the state.

[1] This information was obtained from the Kaiser/HRET Survey of Employer Benefits, 2000.

SECTION 2: STATE FUNDING TO COUNTIES FOR PUBLIC HEALTH AND INDIGENT CARE

In California, counties are responsible for provision of care to indigent individuals. Counties receive a mix of state and federal revenues to fund public health services and medical care for the indigent. In return, counties are required to pay maintenance of effort (MOE). Counties can be grouped into three broad categories based on their size, location, and delivery system: small, rural counties, large counties with public hospitals, and large counties without public hospitals.

Historically, counties relied on property taxes to pay for a portion of health services. After the passage of Proposition 13, the legislature enacted a series of laws to shift responsibility and funding for indigent populations from the state to counties. In 1991, they combined multiple state funding streams into realignment funds that are financed through a portion of state sales taxes and vehicle license fees.[2]

Between 1996-97 and 2000-01, realignment payments to counties increased by 20 percent from $1.0 billion to $1.2 billion (Table 7). All 58 counties and three cities (Berkeley, Long Beach, and Pasadena) receive realignment funds. During this period, all 58 counties and three cities experienced increases in their realignment funds. Allotments are based on historical funding patterns under predecessor programs with equity adjustments for counties that are disadvantaged by the historical formulas.

Table 7: State Realignment Allotments to Selected California Counties, SFY 1995-6 to1999-00

State Fiscal Year	Total	Alameda	Los Angeles	Orange	San Bernardino	Tulare
1995-96	$1,025,879,339	$44,639,651	$367,201,107	$60,822,273	$28,478,342	$8,370,891
1996-97	$1,063,381,322	$45,749,075	$374,957,389	$63,931,539	$31,088,992	$9,033,220
1997-98	$1,114,852,866	$47,324,325	$385,848,093	$67,253,142	$34,839,900	$9,995,525
1998-99	$1,159,355,434	$48,757,843	$395,834,205	$69,192,308	$38,203,971	$10,880,207
1999-00	$1,239,294,348	$51,359,137	$413,945,533	$72,905,924	$43,742,261	$12,470,928

Source: Department of Health Services, Office of County Health Services

[2] For more information about the financing of health care for the uninsured in California, please see Lucien Wulsin and Janice Frates. “California’s Uninsured: Programs, Funding, and Policy Options.” Oakland, CA: California Health Care Foundation. July 1997.

County indigent health care programs finance inpatient, outpatient, and emergency medical services for uninsured residents. In 1998-99, the state and all counties spent a total of $1.38 billion to provide services to 1.25 million patients (Table 8). Spending for inpatient services accounted for $640 million in spending followed by outpatient services at $589 million, and emergency services at $129 million. Hispanics comprised for more than one-half (54 percent) of all indigent patients. Los Angeles County accounted for nearly half of all indigent patients served and more than half of total expenditures for the state.

Table 8: County Indigent Health Care Clients, Utilization and Expenditures for Selected Counties, SFY 1998-99

County	Unduplicated Patients	Hospital Discharges	Primary Care Visits	ER Visits	Total Expenditures
All Counties	**1,246,000**	**85,000**	**3,450,000**	**546,000**	**$1,375,000,000**
Los Angeles	646,000	41,000	1,900,000	251,000	$765,000,000
Orange	102,000	5,800	328,000	9,000	$50,000,000
Santa Clara	68,000	4,000	154,000	31,000	$93,000,000
San Diego	59,000	3,700	133,000	31,000	$42,000,000
Fresno	19,000	2,900	64,000	10,400	$19,000,000
Kern	8,500	1,300	17,000	6,400	$18,000,000
Tulare	8,000	715	25,000	2,000	$6,000,000

Source: Department of Health Services, Office of County Health Services

County Medical Services Program

The County Medical Services Program (CMSP) funds both inpatient and outpatient medical services provided to low-income persons, who are not eligible for Medi-Cal, or medically indigent adults, in 34 small, rural counties. Between 1997-98 and 1998-99, state funding for the C MSP remained level at $184 million, but individual revenue sources changed (Table 9). About two-thirds of funding for CMSP comes from realignment payments. Proposition 99 funds and hospital settlements both declined, but the state's contribution from the general fund (before being eliminated) and county funds remained level, and third-party payments increased.

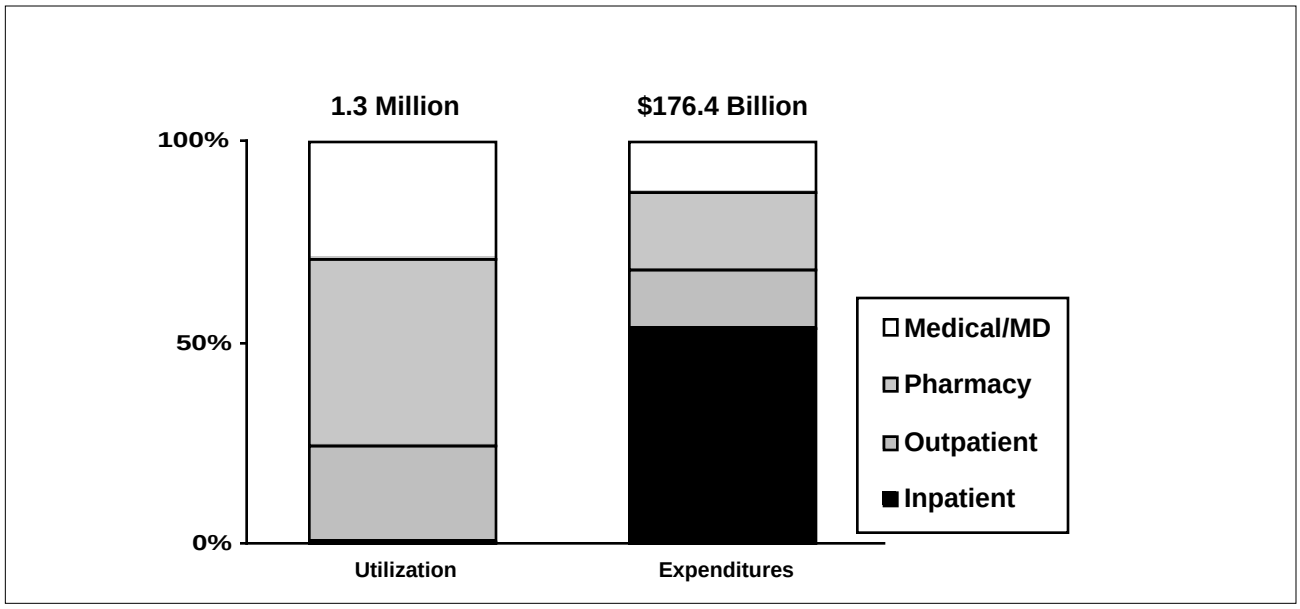
Table 9: Total Funding and Sources of Revenue for County Medical Services Program, 1997/98 and 1998/99

State Fiscal Year	Total	Realignment	General Fund	Hospital Settlements	Proposition 99	County Funds	Third-Party Payers
1997-98	$182,971,000	$ 110,749,000	$ 20,237,000	$27,929,000	$12,514,000	$5,459,000	$2,083,000
1998-99	$184,755,000	$ 124,382,000	$20,237,000	$17,801,000	$9,983,000	$5,459,000	$3,825,000

Source: Legislative Analyst's Office.

In 2000, CMSP provided 1.3 million total visits with total expenditures of $176.4 billion(Figure 4). The majority of CMSP funds paid for hospital care. Although there were only 10,600 hospital discharges, they accounted for more than one-half of total CMSP expenditures. Source: Department of Health Services, County Medical Services Program

Figure 4: Summary of County Medical Services Program (CMSP) Utilization and Expenditures, 2000



California Healthcare for Indigent Program

Financial support for indigent medical services for children and adults in the 24 largest counties is provided through realignment and the California Healthcare for Indigents Program (CHIP) while an additional 32 rural counties receive funds through the Rural Health Services (RHS) program. Revenues from Proposition 99, which levied a $.25/pack tax on tobacco products in 1988 and earmarked the proceeds to pay for coverage or health care for the uninsured, provide the bulk of funds for CHIP. CHIP and RHS funds reimburse providers for uncompensated services for individuals who cannot afford care and for whom no other source of payment is available. In order to receive Proposition 99 funds, counties agree to:

- maintain a financial level of effort;
- report expenditure and utilization data to the Department of Health Services;
- provide follow up medically necessary treatment to eligible children.

State payments to counties under CHIP declined significantly from $163 million in 1996-97 to $85 million in 2000-01 as an increasing portion of Proposition 99 funds were shifted to other health programs (Table 10). There is a wide variation in CHIP allocations among counties with Los Angeles County receiving nearly half ($39 million) of all CHIP payments in SFY 2000-01 while Lake County received less than 0.2 percent of CHIP funds ($128,558).

Table 10: California Healthcare for Indigent Program (CHIP) Allotments to Selected California Counties, SFY 1997-8 to 2000-01

State Fiscal Year	Total	Alameda	Los Angeles	Orange	San Bernardino	Tulare
1997-98	$163,592,000	$7,896,730	$72,932,171	$7,918,094	$6,358,427	$2,121,684
1998-99	$148,730,000	$7,185,202	$66,320,496	$7,181,151	$5,782,076	$1,924,219
1999-00	$74,621,000	$3,719,200	$34,577,987	$3,084,656	$3,013,083	$826,547
2000-01	$84,819,000	$4,100,903	$39,032,943	$3,617,505	$3,437,869	$969,321

Source: Department of Health Services, Office of County Health Services

Rural Health Services (RHS) Program

In total, 32 counties receive appropriations for RHS, which also is administered by the Office of County Health Services within DHS. With the exception of 1998-99 when total funding for the program temporarily doubled, allocations for Rural Health Services remained relatively stable at less than $3 million during this period (Table 11). In 2000-01, the five most populated rural counties received nearly half (48 percent) of RHS funding. The remaining rural counties receive very modest payments under the program such as Alpine County, which receives $1,000/year.

Table 11: Rural Health Services Allocations to Selected Counties, SFY 1997-8 to 2000-01

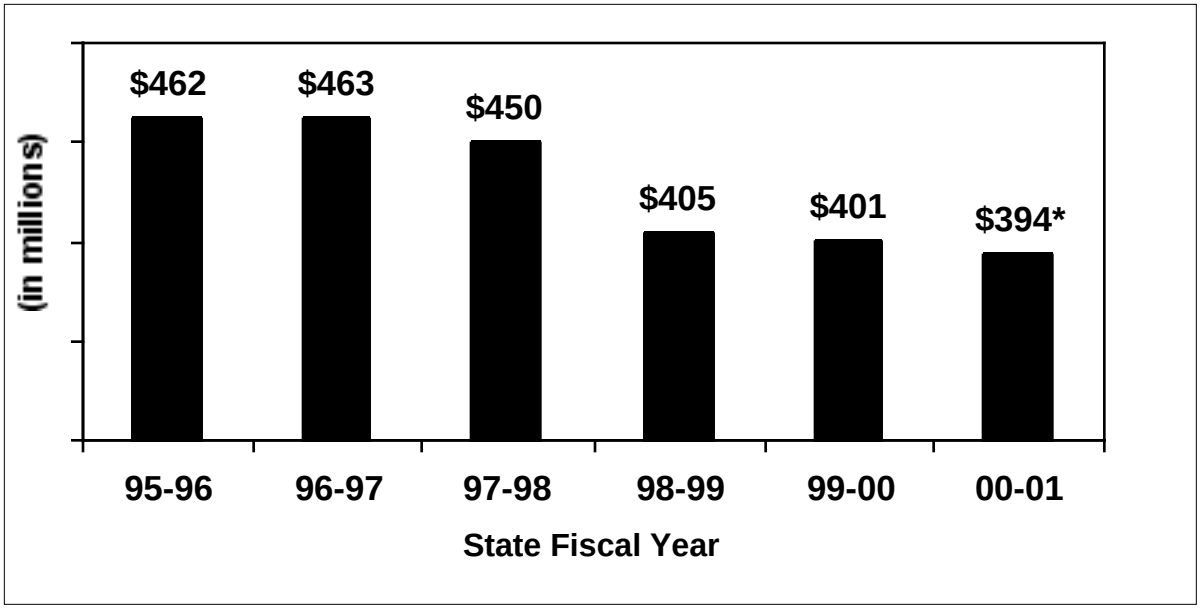
Year	Total	Butte	Humboldt	Shasta	Solano	Sonoma
1997-98	$2,779,000	$255,482	$164,392	$265,260	$317,565	$403,848
1998-99	$6,484,000	$503,066	$328,363	$481,295	$779,724	$943,487
1999-00	$2,456,000	$190,506	$142,516	$238,267	$263,465	$427,157
2000-01	$2,977,000	$217,226	$143,095	$201,256	$370,183	$465,785

Source: Department of Health Services, Office of County Health Services

Tobacco Revenues

Revenues from the taxation of tobacco products are used to support multiple health programs in the state. As noted above, Proposition 99 levied a tax of $.25 per pack of cigarettes, dedicating the revenue to fund the delivery of health care services to the uninsured. Although Proposition 99 revenues have declined from SFY 1995-96 due to reductions in the number of smokers in the state, this tax is expected to produce $394 million in special funds in 2000-01 (Figure 5).

Figure 5: Proposition 99 Revenues, SFY 1995-96 to 2000-01



*Estimated.
Source: Legislative Analyst's Office

Proposition 99 revenues are used for a variety of health programs serving low-income adults and children. These include: Breast Cancer Early Detection Program (BCEDP), grants to community clinics, the Children's Health and Disability Prevention (CHDP) program, CHIP, and RHS. In addition, Proposition 99 funds are used to subsidize two health insurance products: Managed Risk Medical Insurance Program (MRMIP) and the Access to Infants and Mothers (AIM). Finally, Proposition 99 funds the activities of the Office of Statewide Health Planning and Development (OSHPD). CHIP receives the largest, but a sharply declining portion, of Proposition 99 funding (Table 12). In contrast, funding for CHDP increased by 25 percent between 1997-98 and 2000-01 from $48 million to $60 million.

Table 12: Proposition 99 Expenditures, by Health Program, 1997-98 to 2000-01

State Fiscal Year	Total Spending	BCEDP	Clinic Grants	CHDP	CMSP Expansion	CHIP	Rural Health Services	MRMIP	AIM	OSHPD
1997-98	$526,012,000	$0	$17,764,000	$47,878,000	$12,107,000	$161,041,000	$2,779,000	$35,021,000	$39,914,000	$1,899,000
1998-99	$493,018,000	$0	$14,208,000	$49,291,000	$9,983,000	$146,387,000	$6,484,000	$46,033,000	$37,499,000	$1,837,000
1999-00*	$496,825,000	$11,660,000	$7,653,000	$55,160,000	$5,693,000	$83,483,000	$2,456,000	$42,764,000	$45,796,000	$1,047,000
2000-01**	$456,981,000	$9,000,000	$7,653,000	$59,882,000	$5,693,000	$105,806,000	$4,935,000	$40,000,000	$39,059,000	$1,047,000

* Estimated.
** Proposed.
Source: Legislative Analyst's Office.

In 1998, California participated in the national tobacco settlement with 41 other states and several cities. The Legislative Analyst's Office estimates that between $369 million and $446 million will be paid to California as a result of the settlement (Table 13). Thus, the national tobacco settlement will roughly double the amount of tobacco-related funds available to the state for the next 25 years. Counties and cities throughout the state will receive an equivalent amount of revenues as a condition of the settlement.

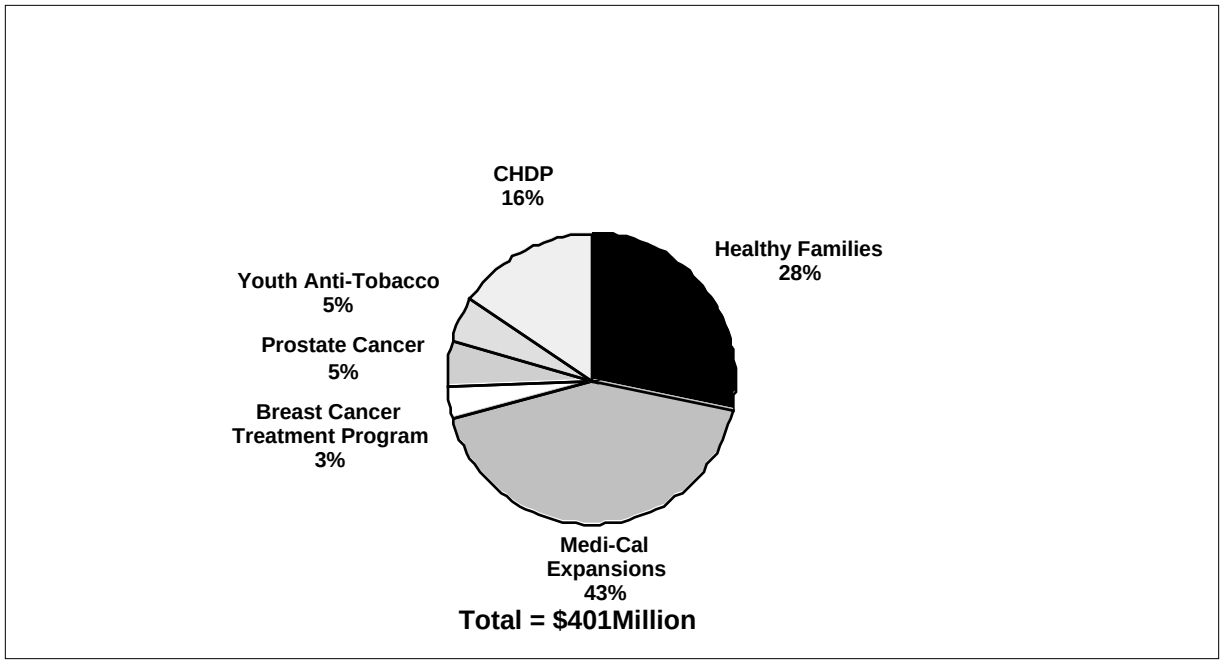
Table 13: Estimated Annual Tobacco Settlement Payments to California, 1998-2025

Year	Revenue
1998	$153,000,000
1999	$0
2000	$409,000,000
2001	$373,000,000
2002	$445,000,000
2003	$446,000,000
2004-07*	$386,000,000
2007-18*	$369,000,000
2018-25*	$441,000,000

* Each year.
Source: Legislative Analyst's Office.

In 2001-02, the majority of these new funds will be used to fund the expansion of Healthy Families to parents (contingent on its approval by the federal government) and the expansion of coverage under Medi-Cal (Figure 6). A portion of the funds will be used for breast and prostate cancer programs, youth anti-tobacco programs, and CHDP.

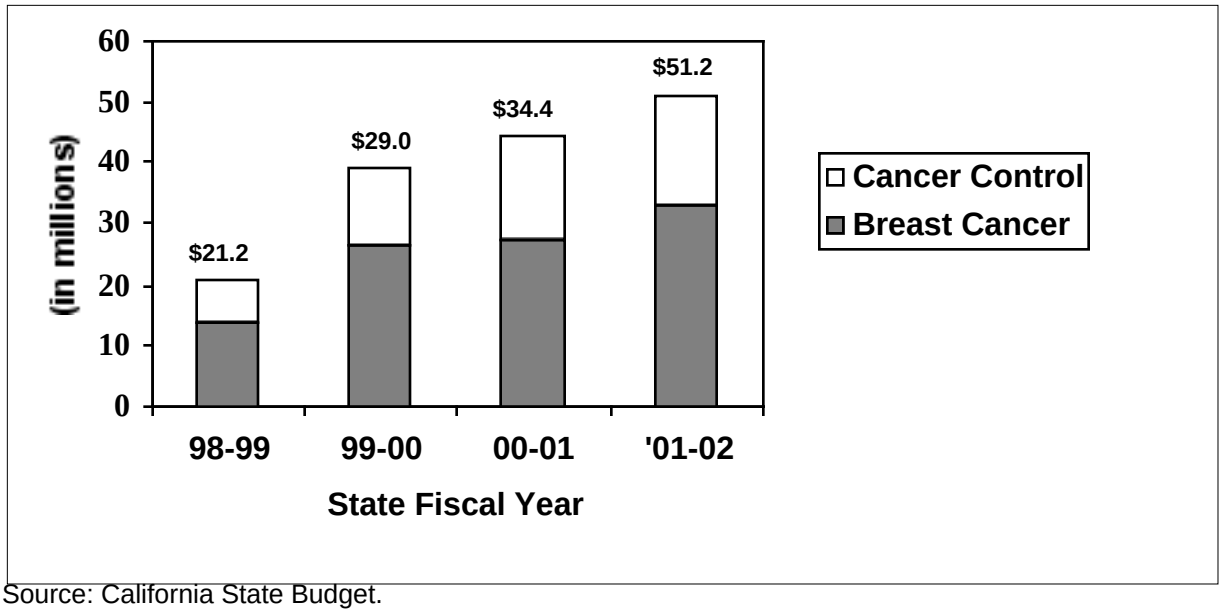
Figure 6: National Tobacco Settlement Expenditures, by Program SFY 2001-02



OTHER STATE HEALTH CARE PROGRAMS

Although they pale in comparison to Medi-Cal in terms of the number of beneficiaries and expenditures, there are many state-funded health programs that address the specific needs of particular populations. State spending for cancer control programs expanded dramatically between 1997-98 and 2001-02. Appropriations for the Breast Cancer Preventive Health Services program increased from $14 million to $33 million (Figure 7). Likewise funding for the cancer control program increased from $7 million to $18 million during this period.

Figure 7: State Expenditures for Breast Cancer and Cancer Control, SFY 1998-99 to 2001-02



Source: California State Budget.

In 2000-01, state programs funded 230,000 breast cancer screens, 63,000 cervical cancer screens and breast cancer treatment for 2,100 women (Table 14).

Table 14: Low-Income Women Receiving Breast and Cervical Cancer Screening in California, 2001-02

Program	Breast Cancer Screens	Cervical Cancer Screens	Breast Cancer Treatment
National Breast and Cervical Cancer Early Detection	23,000	23,000	-
Breast Cancer Early Detection	207,000	-	-
Family Pact	-	40,000	-
Breast Cancer Treatment	-	-	2,100
Totals	**230,000**	**63,000**	**2,100**

Note: Women can receive both breast and cervical cancer screening; so the number of women receiving screening from the three screening programs is 270,000.
Source: Legislative Analyst's Office.

Between 1998-99 and 2001-02, funding for the immunization assistance program increased from $38 million to $46 million (Table 15). During the same period, funding for the state's tuberculosis control program increased from $12.2 million to $13.9 million.

Table 15: Expenditures for Immunization Assistance and Tuberculosis Control Programs, 1998/99 to 2001/02

Year	Immunization Assistance	Tuberculosis Control
1998-99	$38,342,000	$12,216,000
1999-00	$38,012,000	$21,372,000
2000-01	$47,366,000	$13,874,000
2001-02	$46,266,000	$13,874,000

Reimbursements for medical treatment of conditions identified in health screens performed through local Child Health and Disability Prevention programs in small counties are made through the OCHS' Children's Treatment Program. The Children's Health and Disability Prevention (CHDP) program pays for well-child visits for low-income, uninsured children. Despite ongoing efforts to increase the number of children with health insurance, expenditures for CHDP increased by 60 percent from $84 million in 1998-99 to $129 million in 2001-02 (Table 16). It is estimated that CHDP will finance 1.9 million screenings in the current fiscal year at an average cost of $68 per screening. Funding for the Genetically Handicapped Persons Programs increased from $24 million to $36 million.

Table 16: State Expenditures for the Child Health and Disability Program, 1998/99-2001/02

Year	Expenditures	Screens
1998-99	$83,876,000	
1999-00	$84,596,000	
2000-01	$118,251,000	
2001-02	$129,122,000	1,900,000

Source: Legislative Analyst's Office.

California Children's Services

California Children's Services (CCS) provides comprehensive health care and case management services to children with special health care needs. The majority of care provided to these children is funded through Medi-Cal and Healthy Families programs. Enrollment in CCS grew 55 percent from 211,000 in 1996 to 328,000 in 2000 (Table 17). Total expenditures for the program grew from $576 million to $762 million while the average cost per user declined from $2,730 to $2,324.

Table 17: Users and Total Expenditures for California Children's Services, 1996-2000

Year	Users	Expenditures	Cost Per User
1996	210,920	$575,848,844	$2,730
1997	233,182	$562,153,198	$2,411
1998	259,712	$602,297,235	$2,319
1999	305,694	$698,055,244	$2,284
2000	327,527	$761,644,533	$2,324

Source: Department of Health Services.

In addition to payments through Medi-Cal and Healthy Families, the state and counties contribute to CCS. These contributions increased from $57 million to $78 million between 1998/99 and 2001/02 (Table 18).

Table 18: State Only Expenditures for California Children's Services, 1998/99-2001/02

State Fiscal Year	Expenditures
1998-99	$58,567,000
1999-00	$55,888,000
2000-01	$75,767,000
2001-02	$78,367,000

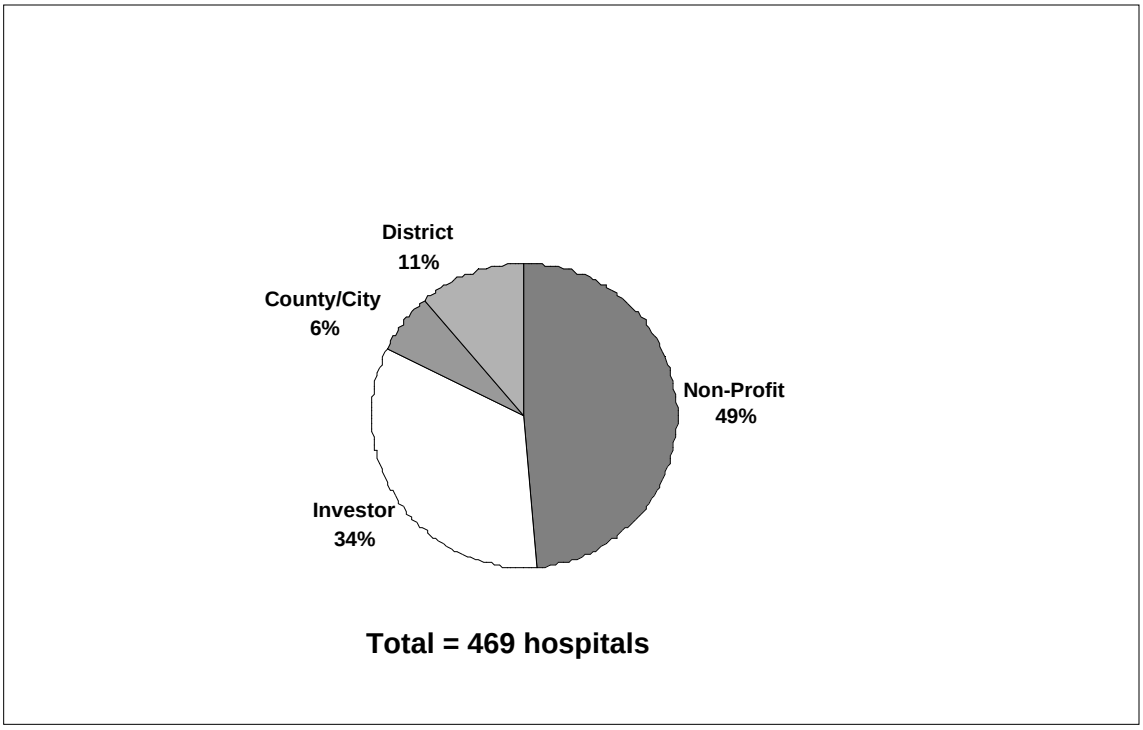
Source: Department of Health Services.

SECTION 3: THE HEALTH CARE SAFETY NET

HOSPITALS

Hospitals comprise a vital component of the safety net health system that provides the majority of health care services to low-income Californians without health insurance. Of the 469 hospitals in California, just under half are non-profit, one-third are investor-owned, and the remaining are county, city or district hospitals (Figure 8).

Figure 8: Distribution of Hospitals in California, By Type of Control, 1997



Source: Office of Statewide Health Planning and Development

In 1997-8, hospitals in California had nearly 16 million patient days (Table 19). Medicare and third party payers each pay for about one-third of all patient days while Medi-Cal pays for one-quarter of days. Overall, county indigent programs accounted for only 3 percent of patient days. The payer mix, however, is different for the four types of hospitals. At city and county hospitals, three-quarters (75 percent of patient days were either Medi-Cal or county indigent programs. In contrast, three-quarters (75 percent) of the patient days at investor-owned hospitals were covered by either Medicare or third party coverage. Non-profit hospitals mirror the distribution for all hospitals in the state. In addition to inpatient services, California hospitals also provided 40 million outpatient visits, of which 8 million occurred in emergency departments.

Table 19: Hospital Utilization, Revenue, and Expenditure Data, by Type of Control, 1997

Type of Utilization	All Hospitals	Non-Profit	Investor	City/County	District
Total Inpatient Days	15,953,787	9,968,302	3,139,965	1,612,415	1,233,105
Medicare	5,588,931	3,608,652	1,387,370	197,077	395,832
Medi-Cal	4,023,858	2,088,544	635,929	846,861	452,524
County Indigent	550,150	166,619	15,599	360,627	7,305
Third-Party	5,011,876	3,618,907	980,023	126,795	286,151
Other	778,972	485,580	121,044	81,055	91,293
Outpatient Visits					
Total Outpatient Visits (including ER)	40,669,226	26,933,043	5,497,260	5,278,457	2,960,466
Emergency Visits	8,026,870	4,896,093	1,283,618	1,110,880	736,279

Source: Office of Statewide Health Planning and Development

In 1997-98, hospitals generated $29 billion in net patient revenues (Table 20). Three-quarters of revenues were generated by inpatient services and one-quarter from outpatient services. Among all hospitals, third-party payments (41 percent) represent the largest source of payments followed by Medicare (31 percent) and Medi-Cal (21 percent).

Once again, the relative importance of funding sources varies considerably across different types of hospital ownership. Non-profit hospitals rely on a mixture of third-party, Medicare, and Medi-Cal revenues, while city/county hospitals rely heavily on Medi-Cal revenues. Majority of inpatient and outpatient revenues for county/city hospitals came from Medi-Cal. DSH funding accounted for one-third of all patient revenue for county/city hospitals. In contrast, more than 90 percent of inpatient revenues of investor-owned hospitals come from Medicare and third-party payers.

Table 20: Hospital Revenues by Type of Hospital, Revenue Source, and Type of Services, 1997-98

Revenues	All hospitals	Non-profit	Investor	City/County	District
Net Inpatient Revenues	**$ 21,324,658,252**	**$ 13,810,098,998**	**$ 3,706,302,109**	**$ 2,742,460,016**	**$ 1,065,797,129**
Medicare	$ 7,337,961,276	$ 4,943,204,730	$ 1,593,671,987	$ 337,127,414	$ 463,957,145
Medi-Cal	$ 4,720,956,046	$ 2,073,807,085	$ 454,980,306	$ 2,069,640,724	$ 122,527,931
County Indigent	$ 256,392,792	$ 136,549,900	$ 3,177,926	$ 108,179,620	$ 8,485,346
Third-Party	$ 8,070,634,900	$ 6,049,794,236	$ 1,427,176,236	$ 182,934,990	$ 410,729,438
Other	$ 938,713,238	$ 606,743,047	$ 227,295,654	$ 44,577,268	$ 60,097,269
Net Outpatient Revenues	**$ 7,906,802,296**	**$ 5,187,564,285**	**$ 1,222,192,278**	**$ 1,013,859,117**	**$ 483,186,616**
Medicare	$ 1,826,256,049	$ 1,285,088,979	$ 315,209,889	$ 107,301,318	$ 118,655,863
Medi-Cal	$ 1,267,467,902	$ 486,724,964	$ 86,026,113	$ 642,952,271	$ 51,774,554
County Indigent	$ 180,568,756	$ 52,769,432	$ 1,006,264	$ 124,358,724	$ 2,434,336
Third-Party	$ 3,771,991,537	$ 2,872,514,768	$ 578,600,819	$ 94,598,436	$ 226,277,514
Other	$ 860,518,052	$ 490,466,142	$ 241,359,193	$ 44,648,368	$ 84,044,349
Net Patient Revenue	**$ 29,231,460,548**	**$ 18,997,663,283**	**$ 4,928,494,387**	**$ 3,756,319,133**	**$ 1,548,983,745**
Total Operating Expenses	**$ 29,026,062,406**	**$ 19,213,246,736**	**$ 4,708,314,780**	**$ 3,511,785,496**	**$ 1,592,715,394**

Source: Office of Statewide Health Planning and Development

Supplemental Hospital Payments

In addition to direct payments for services, California hospitals receive supplemental payments from a number of federal and state sources to compensate them for uncompensated care such as bad debt and charity care provided to the uninsured. The largest supplemental payment to hospitals is the Disproportionate Share Hospital (DSH) program under Medicaid. Overall in 1997-8, hospitals in the state received $1.9 billion in DSH gross payments although they only net about half of this total (Table 21). Under California's Medicaid DSH funding formulas, the state's county, university and district hospitals pay 49 percent of these costs so the net federal payments are equal to slightly more than one-half of the total.

Hospitals reported $1.9 billion in bad debt and charity care charges; the actual cost of bad debt and charity care are $815 million or 2% of hospitals' total operating expenses.

Table 21: Hospital Utilization and Supplemental Payment, by Type of Control, 1997

Category	All Hospitals	Non-Profit	Investor	City/County	District
DSH Funds Received	$1,933,148,334	$565,356,128	$ 97,427,195	$1,268,549,648	$ 1,815,363
Net DSH Funds Received	$966,574,167			$363,493,324	
Bad Debt	$1,267,118,080	$734,224,127	$306,307,523	$119,848,580	$ 106,737,850
Charity Care	$722,105,740	$579,396,313	$27,885,536	$ 92,879,935	$ 21,963,956
Cost of Bad Debt and Charity Care	$815,581,766	$531,720,585	$103,599,848	$131,891,679	$61,767,266

Source: Office of Statewide Health Planning and Development and data from California Association of Public Hospitals.

Federal DSH payments to California hospitals are expected to decline from roughly $1.1 billion in 1999 to $0.9 billion in 2003, as a result of caps established in the Balanced Budget Act of 1997 and amended in the 2000 Budget Act (Table 22). The University of California hospitals receive roughly 10% of public net DSH payments and contribute about 10 percent of intergovernmental transfers (IGT).

Table 22: DSH Payments in California, 1999-2002

Year	Total	Federal	Public net	Private net	County/Public IGT
1999	$2,094,117,647	$1,068,000,000	$617,165,976	$551,467,927	$1,026,117,647
2000	$1,898,039,216	$968,000,000	$503,265,859	$486,993,451	$930,039,216
2001	$2,040,034,000	$1,020,017,000	$503,265,859	$486,993,451	$1,020,017,000
2002	$2,110,415,174	$1,055,207,587	$519,258,646	$506,191,250	$1,055,207,587
2003	$1,814,513,110	$907,256,550	$444,340,426	$433,158,384	$907,256,550

Source: California Association of Hospitals and California Association of Public Hospitals

Beyond DSH, the state of California provides additional state funds to hospitals through a number of mechanisms. In total, these supplemental payments accounted for slightly less than $1 billion in 1996-97. They grew to $1.6 billion in 2000-01 -- net federal revenues of $821 million (Table 23). The largest source of these additional payments is SB 1255, which accounted for more than three-quarters of supplemental payments in each year during this period. Publicly owned facilities contribute the intergovernmental transfers to finance supplemental payments.

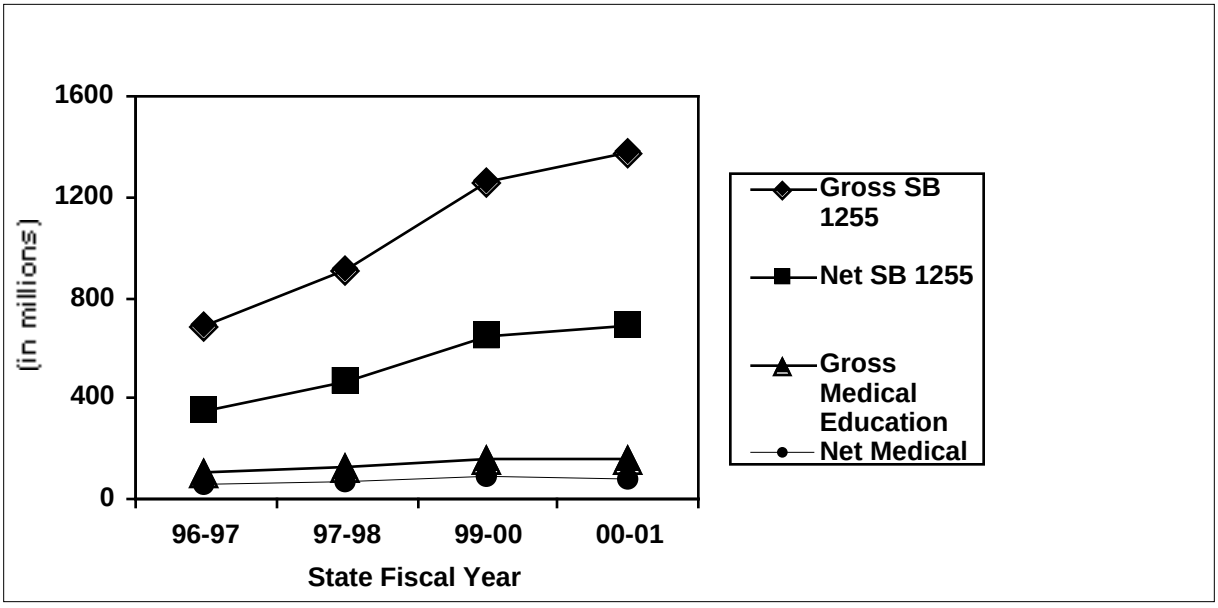
Table 23: State Supplemental Payments to California Hospitals, 1996/97-2000/01

Year	Total Payments	SB 1255	SB 1732	1115 Waiver	Medical Education	AB 761
1996-97	$ 971,149,000	$ 684,321,000	$ 29,828,000	$152,000,000	$ 105,000,000	$ -
1997-98	$ 1,098,400,000	$ 909,620,000	$ 59,700,000	$ 152,000,000	$ 129,080,000	$ -
2000-01	$ 1,641,148,000	$1,377,555,000	$108,943,000	$ -	$ 154,650,000	$ 650,000

Source: California Medical Assistance Commission Annual Reports andCalifornia Association of Public Hospitals.

Because of the complex matching requirements for hospitals to participate in these programs, they net only half of the payments under these programs (Figure 9).

Figure 9: Net Supplemental Payments to California Hospitals, 1996/97-2000/01



Source: California Medical Assistance Commission Annual Reports and data from California Association of Public Hospitals

FREE AND COMMUNITY CLINICS

Another important component of the health care safety net are the free and community clinics. In 1999, they provided health care services to more than 2.7 million patients in 1999, about 10 percent of the total state population (Table 24). According to data from OSHPD, clinics experienced a significant increase in the number of children ages 1 to 19 they served from 857,000 in 1996 to 979,000 in 1999. The number of middle-aged adult patients between 45 and 64 also increased from 258,000 to 338,000 during this period.

Table 24: Number of Patients Visiting Private Primary Care Clinics*, By Age, 1996-1999

Year	Total Patients (a)	Ages 0-1	Ages 1-19	Ages 20-44	Ages 45-64	Ages 65+
1996	2,518,425	116,006	857,007	1,172,005	257,699	115,708
1997	2,431,446	100,244	832,463	1,125,137	266,269	107,333
1998	2,690,905	106,757	925,084	1,211,728	326,579	120,757
1999	2,769,659	115,315	979,104	120,770	337,606	126,864

* Includes both community and free clinics.
(a) Unduplicated patient counts.
Source: Office of State Health Planning and Development, Annual Report of Primary Care Clinics 1990-1999.

Between 1996 and 1999, the total number of patient visits remained level at 9.3 million (Table 25). In 1999, Medi-Cal beneficiaries accounted for just over one-quarter (28 percent) of all encounters while encounters by patients who paid for care out of pocket or who did not pay for care accounted for 17 percent of all visits. The number of encounters under the Expanded Access to Primary Care (EAPC) program, other county programs, CHDP, private insurance, and other payers all increased during this period. Clinics experienced a sharp decline in the number of encounters paid by the patient and an increase in the number of encounters where the patient did not pay.

Table 25: Number of Encounters at Private Primary Care Clinics, By Payment Source, 1996-1999

Year	Total	Medi-Cal	Self-Pay/ No Pay	Managed Care	Medicare	CHDP	EAPC	Other State	CMSP	MISP	Other County	Private Insurance	Other Payers
1996	9,328,789	2,717,302	1,961176	1,279,944	511,906	371,631	271,541	923,362	160,584	26,291	452,629	437,841	213,678
1997	9,096,542	2,526,761	1,672279	1,363,783	444,585	407,988	363,339	745,912	156,453	169,546	544,423	490,388	211,085
1998	9,419,500	2,597,030	1,737,311	1,339,613	499,291	409,974	391,211	836,022	159,875	57,864	707,307	426,482	251,929
1999	9,284,807	2,611,675	1,612,603	1,095,396	436,956	416,636	430,948	870,608	171,197	51,570	742,033	502,162	314,547

* Includes both community and free clinics.
Source: Office of State Health Planning Development, Annual Report of Primary Care Clinics 1990-1999.

In 1999, free and community clinics received revenues totaling $920 million, a 22 percent increase from 1996 (Table 26). Clinics receive funds through grants, contracts, health insurance, and direct payments for services. Grants and contracts accounted for just over a third (38 percent) of clinic revenues while Medi-Cal accounted for 24 percent. Grant funding increased from $284 million in 1996 to $355 million in 1999 while MediCal was flat. County and state program funding for clinics increased significantly.

Table 26: Revenues at Private Primary Care Clinics, By Payment Source, 1996-1999

Year	Total Revenues	Grants	Medi-Cal	Total State	Total County	Self-Pay	Donations	Medicare	Private Insurance	HMOs
1996	$756,027,994	$284,427,539	$208,707,510	$62,954,249	$28,210,137	$48,007,269	$38,738,975	$31,234,167	$21,675,992	$19,906,703
1997	$795,257,344	$302,058,522	$196,522,918	$72,808,258	$43,621,074	$48,219,208	$40,295,434	$29,309,860	$26,398,867	$22,701,876
1998	$842,285,778	$304,550,473	$211,427,273	$83,322,916	$48,001,106	$52,111,550	$43,754,721	$33,518,257	$25,763,174	$27,000,513
1999	$920,162,903	$355,302,716	$223,902,191	$95,615,763	$50,491,693	$49,235,482	$47,229,783	$33,616,476	$29,134,833	$22,457,109

* Includes both community and free clinics.
Source: Office of State Health Planning Development, Annual Report of Primary Care Clinics 1990-1999.

The average payment for each encounter differs considerably across payers. Reflecting the cost-based reimbursement received by Federally Qualified Health Centers (FQHCs), Medi-Cal produced the highest average revenue per visit at $86 in 1999 (Table 27). Programs such as EAPC, and CHDP only paid between $40 and $50 per encounter. Each CMSP visit generated $75 for clinics in rural counties suggesting that CMSP was a significant source of payment for clinics' care to the uninsured in rural counties. Each MISP visit only generated $23 for clinic in urban counties suggesting that MISP was not a significant source of payment for care to the uninsured in urban counties. County contracts appear to be a significant funding source for clinic care to the uninsured in urban counties.

Table 27: Average Revenues Per Visit at Private Primary Care Clinics, By Payment Source, 1996-1999

Year	Average FFS	Medicare	Medi-Cal	CHDP	MISP	CMSP	EAPC	Other State	Private Insurance	Self-Pay
1996	$51	$61	$77	$48	$41	$53	$40	$37	$50	$29
1997	$56	$66	$78	$46	$48	$58	$41	$53	$54	$36
1998	$58	$67	$81	$42	$34	$69	$43	$59	$60	$36
1999	$60	$77	$86	$46	$23	$75	$42	$67	$58	$41

* Includes both community and free clinics.
Source: Office of State Health Planning Development, Annual Report of Primary Care Clinics 1990-1999.