

California governor prepares implementation of Obama health care bill

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While falsely trumpeting the commitment of state funds to provide limited medical coverage for families living in poverty, California Governor Jerry Brown and the ruling establishment are building the case for cuts to Medi-Cal (California's Medicaid welfare program) in the coming years.

The vehicle of this plan is President Obama's Affordable Care Act (ACA), also known as ObamaCare, which, beginning January 2014, requires most Americans to buy health insurance or pay a penalty. Democratic politicians have made every effort to sell the health care overhaul as a progressive achievement.

Under the ACA, California would have the option of extending medical benefits to families living at between 100 percent and 138 percent of the federal poverty line, abysmally set at about \$22,000 per year for a family of four. The federal government would subsidize the additional cost for the first three years, then scale down its subsidy to 90 percent of such cost by 2020.

At its core, the ACA is aimed at a further privatization and gutting of the health care for ordinary Americans, concealed behind an adequate extension of benefits to poor and working class families.

Medi-Cal serves nearly 9 million people, almost one in four California residents, who depend on the program for access to any kind of health service. The expansion being currently discussed would bring in 1.2 million new enrollees by 2017. While Governor Brown, a Democrat, touts the expansion of Medi-Cal coverage for this layer, the state has the option of withdrawing such coverage at any time. Brown has already made clear that the long-term costs for implementing the coverage are unknown and may undermine California's precarious budget. There is also the possibility that the federal government may shift costs to the state.

In the next few years, federal support for Medi-Cal will run out, while health care costs will continue to grow rapidly. Given that state funding for medical benefit programs will remain optional, it is reasonable to assume that the option of reducing payments will be exercised. Republican Governor Tom Corbett of Pennsylvania, for instance, has already "opted out" of the expanded Medicaid payments, a decision that will leave between 482,000 and 683,000 adults uninsured.

Retiree health care costs are also projected to vastly outstrip state revenues in the coming decades. Over the next 30 years, according to California Healthline, public retiree health care costs will be \$63 billion more than the funds allocated by California for this purpose.

Across the board cuts of \$85 billion resulting from "sequestration" will entail a reduction in Medicare of \$9.9 billion. Reductions in federal support for California health care will include \$12.4 million in substance abuse funds; \$2.6 million in public health; \$1 million in vaccine funds.

Under the ACA, California health care purchasers will "choose" between Platinum, Gold, Silver, Silver HSA, and Catastrophic and Bronze coverage options. The obvious implication is that wealthy purchasers will have access to cutting-edge health care while many working class families who cannot afford to purchase the higher-end plans will receive substandard, inferior coverage.

A *Los Angeles Times* article cites Brown's claim that funding for education has "lost ground to the growing costs of salaries and retirement benefits for public employees." According to Brown's budget report, health care costs increased from "13 percent to 20 percent of the state budget in the last six years." Costs for the state could grow quickly after that. By 2021, the state could be spending as little as \$300 million

annually to pay for the Medi-Cal expansion—or as much as nearly \$1.4 billion. At work is an effort to establish well in advance a rationale for ceasing payments to Medi-Cal.

The *Times* describes the ACA as involving a “massive expansion of the state’s public insurance program for the poor.” The *Times* acknowledges, however, that the governor’s report contains “language that stipulates the state will only expand its coverage if the federal government makes good on its promise to pick up most of the costs.”

For the next few years, California will receive federal money for health care services. Once these funds run out, however, the state, not being required to extend coverage, will likely slash payments to Medi-Cal in the name of cost-cutting.

Health Care Finance News recently reported that cuts of \$22 billion in Medicare payments to hospitals will result from ACA provisions and fiscal cliff negotiations, cranking up the fiscal pressure on California’s hospitals, which are operating on “razor-thin margins.” Hospital costs resulting from “charity care” and “bad debt” went up 50 percent from 2001 to 2010, for a total increase of \$2.4 billion. According to the Advisory Board Company, “the typical hospital will see its margins collapse by as much as 20 percent over the next 10 years as reimbursements [from Medicare] drop.”

Efforts to legitimize further cuts based on claims of waste, inefficiency and redundancy are well under way. According to the Institute of Medicine, the California health care system is the “worst managed in America,” wasting “\$765 billion a year due to inefficiencies, mistakes, duplicative and unnecessary services and fraud.”

The School of Public Health at the University of California-Berkeley claims along similar lines that in California “the same routine joint replacement costs between \$15,000 and \$130,000 for the same procedure depending on the hospital, with no correlation between quality and price.”

While the ACA places restrictions on variations in premiums due to pre-existing conditions, it allows insurers to vary their rates based on geographic regions. The federal government has recommended that states limit such regions to 7, to prevent the charging of excessive rates in certain areas, yet California is set to

create a system with 19 separate regions.

Under this plan, rural, low-income, and lower health areas will certainly see higher premiums. Opponents of the larger number of regions claim that many regions will facilitate “insurance company game-playing” while fewer regions will allow for “more transparency and simplicity.”

The public is deeply opposed to further cuts in health care spending. According to a recent Pew Research poll, 82 percent oppose cuts to Medicaid.



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