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Local Health Plans Support MCO Tax for Medi-Cal ***Potentially generating \$7 billion to protect our health care safety net***

SACRAMENTO -- The [Local Health Plans of California](#) (LHPC), a group representing [16](#) of the not-for-profit local health plans that serve nearly 70 percent (over seven million) of the 10.3 million Californians enrolled in Medi-Cal managed care, today announced support for [AB 115](#), which provides for a restructured Managed Care Organization Provider Tax (MCO tax) for the state's Medicaid program, Medi-Cal.

"Through the nearly \$7 billion that could be generated by this restructured MCO tax, we are preserving hospital care, doctors' visits and mental health treatment for millions of Californians," said LHPC CEO Brianna Lierman. "Without a new MCO tax, we would face such a significant hit to the program that losses could not be absorbed without creating substantial uncertainty and volatility for Medi-Cal and all the people who rely upon it for their health care needs."

First passed in 2009, managed care plans have supported all iterations of the tax because it has consistently provided critical and stable funding for Medi-Cal. Local plans and other stakeholders worked collaboratively with the Newsom Administration and Legislature on this renewed, equitable taxing framework to provide continuing support for Medi-Cal while addressing ongoing, federal requirements. This new structure aligns with other states' similar taxes that received federal approval.

It is estimated that this tax could generate \$6.9 billion in net revenue over the next three-and-a-half years, broken down as \$1.7 billion in 2019- 20, \$1.9 billion in 2020-21, \$2.1 billion in 2021-22, and \$1.2 billion for the first six months of 2022-23.

"These funds provide an opportunity to dedicate dollars toward improving the quality of care for Medi-Cal enrollees by focusing on incentives like pay for performance. Local health plans stand behind this new framework because of its critical importance to Medi-Cal," said Lierman.

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[Local Health Plans of California](#) (LHPC) is a statewide trade association that represents all 16 of the publicly managed, not-for-profit health plans that provide access to critical and comprehensive health care services for low-income populations enrolled in California's Medicaid program, "Medi-Cal," in 36 out of 58 counties in the state. With over 10 million enrollees, our plans serve approximately 70 percent of all Medi-Cal managed care beneficiaries. Our member plans cover more lives than 49 other states' entire Medicaid programs. More [here](#).