

## **Mechanisms for Determining County Savings and Maintaining County Safety Net**

### **Summary**

Given the increased coverage that will occur under the ACA, county responsibilities and costs for indigent health care are expected to decrease. In recognition of the ongoing role of counties in delivering services to Medi-Cal and the uninsured, and the difficulty in projecting the specific impact of ACA, a mechanism will be established to determine the level of county savings resulting from implementation of the ACA based on actual experience.

This mechanism will determine savings on a county by county basis for all county types. Under this mechanism, each county's savings will be determined by measuring actual county costs for providing Medi-Cal and uninsured services and the revenues received for such services, including federal funds, as well as an established baseline of health realignment and other county contribution to health services. To the extent that the combination of revenues for services and realignment/county contribution exceeds the county's costs, the amount of that excess will be considered savings and will be redirected to human services programs.

Given the cost-basis of this mechanism, it must include appropriate incentives for cost containment and maximizing enrollment into coverage for counties. Therefore a cap on cost growth will be included in the determination of county costs used in this calculation; this cap will be based on historical county cost trends. Additionally, the intention of this mechanism is that the counties maintain funding for services to the uninsured at today's level of service and reimbursement, since other support for the safety net will be provided for through the coverage expansion at the state level. Therefore the mechanism must also account for this construct.

This mechanism is intended to be time-limited until such point that stability has occurred with respect to the shifting health care costs and responsibilities between the counties and the state at which time the shift of county fiscal and programmatic responsibility for human services will be finalized.

The State has an interest in maintaining a strong public safety net to ensure access to health care services, particularly in the Medi-Cal program. As a part of the optional Medi-Cal expansion, the State will work with the county safety net in an effort to ensure that those providers have a viable patient base of beneficiaries as well as adequate rates for services provided to that population. In addition, the State will seek to maximize federal funding through the development and procurement of a future Medicaid Waiver to replace the existing Waiver that expires in 2015.

The Administration currently estimates savings will be \$300 million in 2013-14, \$900 million in 2014-15, and \$1.3 billion in 2015-16. These estimates will be revised based on the best available data prior to the start of any year.

### **Detail on Mechanism for Determining County Savings**

#### Key Overall Elements

- Formulaic mechanism based on components described below.
- The mechanism will be used to project county savings as well as to calculate savings through a true-up mechanism using actual data. The first year or two of the mechanism may need to have interim true-up components given the availability of data. Additionally, the estimated savings for the first year or two may need to be based on best available data if all data for the calculation according to the mechanism is not yet available.
- State will retain 100% of savings determined under mechanism through redirection of 1991 health realignment dollars to support local human services programs.
- Mechanism will be in place for 8-10 years, starting with FY13-14.
- Mechanism would be extended, if necessary, until such time that the true-up for the prior 2 years was within 10% of interim projections.
- At conclusion of the mechanism, a permanent redirection will occur.

Formula Components

- A. *Medi-Cal and uninsured costs incurred by the county, excluding mental health and substance use disorder.*
1. Costs will be calculated using existing cost determination mechanisms for public hospital counties (e.g. cost claiming protocols developed for the Waiver)
  2. Costs for other counties will be calculated using existing cost determination mechanisms for the Low Income Health Program (e.g. contract payments cost reporting and cost claiming protocols for county clinics).

Additional consideration and formula components must be included to ensure that the mechanism appropriately determines the expected cost decreases a county would experience as the number of individuals that would otherwise have been covered through the county indigent program at today's level of service and reimbursement decreases due to increased coverage through the ACA.

- B. *Medi-Cal and uninsured actual revenue, excluding mental health and substance use disorder*
1. Medi-Cal FFS net reimbursement (excludes any IGTs if applicable)
  2. Medi-Cal managed care net reimbursement (excludes any IGTs if applicable)
  3. Medi-Cal DSH net funding (excludes any IGTs if applicable)
  4. Medi-Cal Waiver net funding (includes all Waiver funds, including any funding created in a new Waiver, excludes any IGTs if applicable)
  5. Any other Medi-Cal reimbursement or supplemental payments that may be in place
  6. Any other reimbursement from uninsured patients (such as self-pay payments)

*Note: The exclusion of IGTs refers to the IGT itself, not the associated federal funding.*

- C. *Calculated Value of Health Realignment and County Contribution*
1. Predetermined percentage of 1991 health realignment for the county:
    - a. Percentage as agreed upon for each county by the State based on verifiable information from prior years that is identifiable and auditable from specific budget or other similar documents.
    - b. If verifiable/auditable information for prior years is not provided, the percentage will be assumed to be 100% of 1991 health realignment for the county.

Percentage will remain static and therefore the dollar value of the realignment component will change as 1991 health realignment dollars grow.

2. Calculated and predetermined amount of net county contribution
  - a. Net county contribution baseline: Calculated based on a four-year historical average by using cost data (A) subtracting revenue (B), and subtracting predetermined realignment amount (C.1). Four year-average will be based on FY08-09 through FY11-12
  - b. Net county contribution baseline (C.2.a) will be trended forward by four-year average cost trend (D.1).

*D. Cost Containment Cap*

1. Cost trend: A county specific historical four-year average total Medi-Cal/uninsured cost trend will be calculated using same protocols described used for calculating actual county costs described above.
2. Cost baseline: A baseline for total Medi-Cal/uninsured cost for each county will be established for FY11-12 using the same protocols.
3. Cost cap: A county specific total cost cap will be calculated for each year under this mechanism by trending the cost baseline (D.2) by the cost trend (D.1).

Formula Calculation

- The mechanism will calculate county savings to be Medi-Cal and uninsured revenue (*B*) plus County/realignment revenue (*C*) minus the lessor of Medi-Cal and uninsured costs (*A*) or county specific cost containment cap (*D*).
- If the resulting number is positive, that is the county savings number, otherwise it is 0.

Interim & True-up

- An interim calculation will be made using most recently available data and assumptions to project the estimated savings for a particular year and projections for subsequent years. Projected interim amounts will be updated annually for future years as more recent data is available.
- Data will be due from counties 12 months after the conclusion of the fiscal year and the true-up calculation will be conducted and reconciliation done within 6 months after submission, with a chance for county appeal/additional data, with final true-up after appeal occurring within 12 months of submission.
- The true-up is intended to be done on a prospective basis in a manner that accounts for any difference between projected savings and actual savings for the prior period.

**Maintaining County Safety Package**

Full-Scope Optional Expansion Population

- Health plan rates will include sufficient federal funding for public hospital systems to be paid at 100% of cost. Health plans will be required to provide that level of reimbursement.
- Public hospital systems will receive at least 50% of the available managed care “rate range” room for the optional expansion population.
- Statutory mechanisms will be put in place to help ensure an adequate patient base of the optional expansion population in county public hospital systems.

Future 1115 Waiver (2015)

- A successor waiver to the current 1115 will be sought and successfully negotiated with SNCP and DSRIP components.
- Such a Waiver may include a component that would transform DSH and potentially SNCP or other funding in some way to help ensure California’s ability to maximize federal funding and encourage cost effectiveness and improved access/care delivery through the use of per capita or global budget concepts.

Hypothetical Example Calculation

Hypothetical Example of Calculation of Net County Contribution		
<b>Costs</b>		
	Medi-Cal	350
	Uninsured	475
<b>A</b>	<b>Total</b>	<b>825</b>
<b>Revenue</b>		
	Medi-Cal	265
	Uninsured	5
	Waiver/DSH	380
<b>B</b>	<b>Total</b>	<b>650</b>
<b>C.1.</b>	<b>Realignment</b> (County Specific Predetermined to be 80%)	<b>100</b>
<b>=A-B-C.1.</b>	<b>Net County Contribution</b>	<b>75</b>

Hypothetical Examples of Mechanism Calculation: FY14-15

Baseline Formula Parameters		
<b>Determination of Realignment Amount for Calculation</b>		
	County Specific Realignment %	80%
	Total 1991 Health Realignment Account for County	150
<b>c.1</b>	<b>Realignment Amount for Calculation</b>	<b>120</b>
<b>Determination of County Contribution for Calculation</b>		
<b>c.2.a</b>	Baseline County Contribution (FY11-12)	75
<b>d.1</b>	County Specific Cost Trend	3%
<b>c.2</b>	<b>County Contribution Amount for Calculation</b>	<b>82</b>
<b>Determination of County Cost Containment Cap for Calculation</b>		
<b>d.1</b>	County Specific Cost Trend	3%
<b>d.2</b>	Baseline County Total Medi-Cal/Uninsured Cost	825
<b>d.3</b>	<b>County Cost Containment Cap for Calculation</b>	<b>901</b>

		<b>Example A</b>	<b>Example B</b>
<b>Costs</b>			
	Medi-Cal	371	394
	Uninsured	504	534
	Total Actual Costs	875	928
<b>A</b>	<b>Costs for Calculation</b> (lesser of actual or cap)	<b>875</b>	<b>901</b>
<b>Revenue</b>			
	Medi-Cal	353	374
	Uninsured	3	3
	Waiver/DSH	360	360
<b>B</b>	<b>Total</b>	<b>716</b>	<b>737</b>
<b>Realignment &amp; County Contributions</b>			
	Realignment	120	120
	County Contribution	82	82
<b>c</b>	<b>Total</b>	<b>202</b>	<b>202</b>
<b>Savings</b>			
<b>=B+C-A</b>	<b>Calculated Savings</b>	<b>42</b>	<b>37</b>