

2016-17 Governor's Budget

Highlights

Department of Health Care Services



**EDMUND G. BROWN JR.
GOVERNOR
State of California**

**Diana S. Dooley
Secretary
California Health and Human Services Agency**

**Jennifer Kent
Director
Department of Health Care Services**

January 10, 2016

CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES PROGRAM OVERVIEW

The California Department of Health Care Services' (DHCS) mission is to provide Californians with access to affordable, high-quality health care including medical, dental, mental health, substance use treatment services, and long-term care. Our vision is to preserve and improve the physical and mental health of all Californians.

DHCS helps ensure that Californians have access to quality health care services that are delivered effectively and efficiently. Its programs integrate all spectrums of care primarily via Medi-Cal, California's Medicaid program. Medi-Cal is a federal/state partnership providing comprehensive health care to individuals and families who meet defined eligibility requirements. Medi-Cal coordinates and directs the delivery of important services to approximately 13.3 million low-income individuals.

On January 1, 2014, California implemented the Affordable Care Act (ACA) which expanded Medi-Cal in two ways:

- Simplified eligibility, enrollment and retention rules making it easier to get on and stay on the program.
- Extended eligibility to adults without children and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level.

In addition to Medi-Cal, the Department offers programs to special populations:

- Low-income and seriously ill children and adults with specific genetic diseases. The various programs include the Genetically Handicapped Persons Program, California Children's Services Program, and Newborn Hearing Screening Program.
- Californians in rural areas and to underserved populations including the Indian Health Program, the Rural Health Services Development Program, the Seasonal Agricultural and Migratory Workers Program, the State Office of Rural Health (CalSORH), the Medicare Rural Hospital Flexibility Program / Critical Access Hospital Program, the Small Rural Hospital Improvement Program, and the J-1 Visa Waiver Program.
- Community mental health services and substance use disorder services funded by federal block grants and the Mental Health Services Act;
- Public health prevention and treatment programs. These services are provided via the Every Woman Counts Program, the Prostate Cancer Treatment Program and the Family Planning Access Care and Treatment (PACT) Program.

GENERAL BUDGET OVERVIEW

The budget for DHCS supports actions and vital services that reinforce the State's commitment to protect and improve the health of all Californians. For Fiscal Year (FY) 2016-17, the Governor's Budget presents a total of \$87.7 billion for the support of DHCS programs and services. Of that amount, \$594.7 million funds state operations, while \$87.1 billion supports local assistance. The proposed budget attempts to affirm the State's commitment to address the health care needs of Californians while operating within a responsible budgetary structure.

Total DHCS Budget

(includes non-Budget Act appropriations)

Governor's Budget Fund Source	2015-16 Approved Budget	2015-16 Revised Budget	2016-17 Proposed Budget
General Fund (GF)	\$18,477,649	\$18,055,382	\$19,556,037
Federal Funds (FF)	\$59,583,834	\$61,730,867	\$54,721,670
Special Fund & Reimbursements	\$15,597,603	\$15,237,049	\$13,428,389
Total Funds	\$93,659,086	\$95,023,298	\$87,706,096

*Dollars in thousands

State Operations

State Operations by Fund Source *			
Governor's Budget Fund Source	2015-16 Approved Budget	2015-16 Revised Budget	2016-17 Proposed Budget
General Fund	\$183,289	\$187,940	\$189,096
Federal Funds	\$350,557	\$357,333	\$355,925
Special Funds & Reimbursements	\$57,051	\$49,958	\$49,688
Total State Operations	\$590,897	\$595,231	\$594,709

*Dollars in thousands

Local Assistance

Local Assistance by Fund Source *			
Governor's Budget Fund Source	2015-16 Approved Budget	2015-16 Revised Budget	2016-17 Proposed Budget
General Fund	\$18,294,360	\$17,867,442	\$19,366,941
Federal Fund	\$59,233,277	\$61,373,534	\$54,365,745
Special Funds & Reimbursements	\$15,540,552	\$15,187,091	\$13,378,701
Total Local Assistance	\$93,068,189	\$94,428,067	\$87,111,387

*Dollars in thousands

MAJOR NEW POLICY PROPOSALS

Renewal of the Medi-Cal 1115 Waiver

Throughout 2015, California was in negotiations with the federal government to replace the Medi-Cal Section 1115 “Bridge to Reform” Waiver, which was fundamental to the successful implementation of the Affordable Care Act. California received approval for the Waiver renewal, called Medi-Cal 2020, effective January 1, 2016 through December 31, 2020. The total initial federal funding in the renewal is \$6.2 billion over five years, with the potential for additional funding in the global payment program outlined below.

Medi-Cal 2020 will enable California to continue the delivery system transformation of public hospital systems begun under the Bridge to Reform Waiver as well as begin new efforts to further drive transformation across the Medi-Cal program, including in the Medi-Cal dental program and in the treatment of high-risk, vulnerable populations.

The Medi-Cal 2020 Waiver includes the following elements:

- Public Hospital Redesign and Incentives in Medi-Cal (PRIME) — This program builds on the success of the state’s Delivery System Reform Incentive Program (DSRIP) Under PRIME, Designated Public Hospital (DPH) systems and District Municipal Public Hospitals (DMPHs) will be eligible to receive incentive payments for meeting certain performance measures. Over the course of the five-years, federal funding for PRIME for DPHs is \$3.27 billion, and for DMPHs is \$466.5 million.
- Global Payment Program (GPP) — GPP transforms traditional hospital funding for DPHs from a system that focuses on hospital-based services and cost-based reimbursement into a value-based payment structure. The federal funding for GPP will be a combination of the DSH funding for participating DPHs and \$236 million in federal funding for the first year from the prior SNCP. The non-DSH funding for years two through five will be determined following an independent assessment of uncompensated care due to be completed in the spring of 2016.
- Dental Transformation Initiative (DTI) —The DTI provides incentive payments to Medi-Cal dental providers who meet certain requirements and benchmarks. Over the course of the waiver, up to \$750 million in annual funding is available under DTI. The non-federal share for DTI will be funded through State General Fund savings achieved through limited continuation of Designated State Health Program (DSHP) funding.
- Whole Person Care (WPC) Pilots — WPC allows for county-based pilots to target high-risk populations and integrate physical and behavioral health along with other critical social services. The waiver renewal authorized up to \$1.5 billion in federal funding over the five-years; WPC Pilot lead entities will provide the non-federal share.
- The renewal also contains several independent analyses of the Medi-Cal program and evaluations of the waiver programs, including an assessment of access in the Medi-Cal managed care program and studies of uncompensated care in California hospitals.

Managed Care Organization Tax

Chapter 33, Statutes of 2013 (SB 78), authorized a tax on the operating revenue of Medi-Cal managed care plans based on the state sales tax rate. Nearly half of this revenue is used for the non-federal share of supplemental payments to Medi-Cal managed care plans. The remainder of the revenue is used to fund increased capitation rates for Medi-Cal managed care plans that would otherwise be paid by the General Fund, which offsets General Fund spending in the Medi-Cal program. The Budget includes a General Fund offset from the tax of \$1 billion in 2015-16 and \$160 million in 2016-17.

The federal government released guidance in 2014 indicating that this tax is likely impermissible under federal Medicaid regulations because it only applies narrowly to Medi-Cal managed care plans. The current form of the tax, therefore, could not be extended.

The 2015 Governor's Budget proposed to amend the scope of the tax to comply with federal requirements, to continue the offset of General Fund expenditures and to restore the 7 percent reduction in hours for recipients of In-Home Supportive Services. The 2015 Budget Act restored the 7 percent reduction in the In-Home Supportive Service program for one year, but did not include the Administration's proposed tax. The issue was not resolved in the special session, which has not yet adjourned.

The tax remains a critical component of Medi-Cal program funding, so the Budget assumes a three-year replacement tax, and continues the restoration of the In-Home Supportive Services 7 percent reduction (\$236 million annually) using tax proceeds. The remaining proceeds will be reserved in a special fund pending its passage. Accordingly, the replacement tax is not reflected in the Medi-Cal budget.

Other Department of Health Care Services Program Modifications

SB 75 (Chapter 18, Statutes of 2015) requires the expansion of full-scope Medi-Cal benefits to children under the age of 19 regardless of immigration status, essentially shifting this population from the California Children's Services State-Only and Child Health and Disability Prevention (CHDP) programs to Medi-Cal. This will result in administrative and benefits savings for both programs. When this expansion is implemented, the Administration is proposing the sunset of the income and age eligibility for the CHDP program; however, the functions applicable to Medi-Cal will continue as part of the Early and Periodic Screening, Diagnosis and Treatment program.

BUDGET ADJUSTMENTS

Budget Change Proposals

The Governor's Budget proposes the establishment of 67.0 new positions, including the conversion of 18.0 existing limited-term positions to permanent.

4260-001-BCP-DP-2016-GB: Every Women Counts Program Staffing

Federal Fund:	<u>\$399,000</u>
TOTAL:	\$399,000

(Three-year limited-term expenditure authority)

DHCS, Benefits Division, requests the expenditure authority to perform critical programming, data analysis, and data management functions for the Every Woman Counts (EWC) program to continue to fulfill state and federal requirements. EWC provides free breast and cervical cancer screening and diagnostic services to California's low-income uninsured and underinsured women using funds from the federal Centers for Disease Control and Prevention (CDC) National Breast and Cervical Cancer Early Detection Program (NBCCEDP) grant; the Breast Cancer Control Account (BCCA); and Proposition 99, Unallocated Account.

4260-003-BCP-DP-2016-GB: Electronic Records Staffing - Monitoring and Oversight

General Fund:	\$ 41,000
Federal Fund:	<u>\$362,000</u>
TOTAL:	\$403,000

(Three-year limited-term expenditure authority)

DHCS, Office of Health Information Technology (OHIT) within the Information Management Division, requests the expenditure authority to provide extensive data analysis, policy analysis, enrollment and eligibility support, and pre and post payment audits and investigations for program eligible managed care and fee for service providers. Additionally, continuous and unanticipated incentive program changes initiated by the Centers for Medicare and Medicaid Services (CMS) have required the dedication of significant resources to modify the enrollment portal to accommodate said changes. The resources are needed to provide continuous support and compliance oversight of the program as required by CMS.

4260-004-BPC-DP-2016-GB: HIPAA Compliance and Monitoring

General Fund:	\$240,000
Federal Fund:	<u>\$962,000</u>
TOTAL:	\$1,202,000

(8.0 permanent positions)

DHCS, Office of Health Insurance Portability and Accountability Act (HIPAA) Compliance, requests the conversion of 8.0 limited-term positions to permanent effective July 1, 2016. The positions are necessary to continue existing efforts, maintain compliance with current federal and state regulations, address new HIPAA rules, provide support for the growth in the Capitation Payment Management System (CAPMAN), and continue to strengthen oversight of privacy and security protections for members served by DHCS programs.

4260-005-BCP-DP-2016-GB: California Community Transitions Demonstration Project

Federal Fund:	\$941,000
TOTAL:	\$941,000

(Five-year limited-term expenditure authority)

DHCS, Long Term Care Division, requests five-year limited-term expenditure authority. The 5-year term coincides with the grant and close out reporting to the U.S. Centers for Medicare and Medicaid Services (CMS). The expenditure authority will provide for the extension of an equivalent 8.0 positions to continue the Money Follows the Person (MFP) work. The funding will be 100 percent federally funded through the MFP grant no. 1LICMS300149. The resources are necessary to maintain the current program, meet MFP benchmarks, build the capacity of the Home and Community-Based Services (HCBS) delivery system and providers to sustain institution-to-community transitions beyond the expiration of the MFP grant, and to adequately implement MDS 3.0 Section Q to comply with the U.S. Supreme Court’s Olmstead Decision.

4260-006-BCP-DP-2016-GB: Statewide Transitions Plan - Long Term Care Waivers

General Fund:	\$491,000
Federal Fund:	\$621,000
TOTAL:	\$1,112,000

(Three to four year limited-term expenditure authority)

DHCS, Long Term Care Division (LTCD) and Managed Care Quality Monitoring Division (MCQMD), requests resources to assist on maintaining California’s compliance with the Centers for Medicare and Medicaid Services (CMS) Federal Regulations (2249-F and 2296-F) on Home and Community-Based Settings Final Rule for existing Home and Community-Based Services (HCBS) providers and beneficiaries; the Assisted Living Waiver (ALW); and compliance of Community-Based Adult Services (CBAS) providers. Implementation of resources will be phased-in with 3 or 4 year funding periods. The ALW and CBAS positions are currently limited-term positions that are set to expire June 30, 2016.

4260-008-BCP-DP-2016-GB: Health Homes Program Activities

Other Fund:	\$515,000
Federal Fund:	\$516,000
TOTAL:	\$1,031,000

(Limited-term expenditure authority)

DHCS, Managed Care Quality and Monitoring Division (MCQMD), requests expenditure resources to support the Health Homes Program (HHP). The request includes a three-year, limited-term contract to complete an HHP evaluation. The resources will be responsible for implementing Affordable Care Act (ACA) Section 2703 optional Medicaid HHP Services benefit for members with chronic conditions with the goal of improved health outcomes from Medi-Cal’s most vulnerable beneficiaries. This request provides sufficient resources to effectively implement a program that addresses chronic and complex health conditions through a “whole person” approach, while achieving the department’s triple aim goals of improved patient care, improved health, and reduced per person total costs thereby resulting in a cost savings to the state Medi-Cal program.

4260-009-BCP-DP-2016-GB: Outreach and Enrollment Extension

Other Fund:	\$217,000
Federal Fund:	<u>\$218,000</u>
TOTAL:	\$435,000

(Two-year limited-term expenditure authority)

DHCS, Medi-Cal Eligibility Division (MCED), requests continued expenditure authority for the Outreach and Enrollment (O&E) Unit within MCED. The requested resources are equivalent to the current three-year limited-term positions that were previously established on July 1, 2013, set to expire on June 30, 2016. These resources are needed to support the implementation, maintenance and oversight of the Medi-Cal outreach, enrollment, and renewal assistance work that must be carried out to meet the requirements as specified in Assembly Bill (AB) 82, Chapter 23, Statutes of 2013, Sections 70 and 71, and Senate Bill (SB) 18, Chapter 551, Statutes of 2014.

4260-010-BCP-DP-2016-GB: Medi-Cal Eligibility Systems

General Fund:	\$1,788,000
Federal Fund:	<u>\$1,895,000</u>
TOTAL:	\$3,683,000

(4.0 permanent positions and three-year limited-term expenditure authority)

DHCS requests the expenditure authority to support the ongoing policy and system initiatives as required by the various statutory requirements of Assembly Bill (AB) X1 1, Chapter 3, Statutes of 2013, the Patient Protection and Affordable Care Act (Pub. L. 111-148) and the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152), commonly referred to as the Affordable Care Act (ACA). Impacted Divisions: Medi-Cal Eligibility Division (MCED) and the Enterprise Innovations and Technology Services Division (EITS).

4260-011-BCP-DP-2016-GB: Medi-Cal Dental Program Integrity

General Fund:	\$222,000
Federal Fund:	<u>\$281,000</u>
TOTAL:	\$503,000

(4.0 permanent positions)

DHCS, Med-Cal Dental Division, requests positions to address current and increased workload associated with the findings and recommendations of the California State Auditor (CSA) and Office of Inspector General (OIG) audits. Pursuant to the CSA audit recommendations, MDSD plans to implement additional tangible measurements to more effectively oversee and monitor the Fiscal Intermediary's (FI) contractual obligations and plans to increase monitoring of beneficiary utilization and provider network adequacy to ensure adequate access to care.

4260-013-BCP-DP-2016-GB: Specialty Mental Health Services Oversight and Monitoring

General Fund:	\$ 866,000
Federal Fund:	<u>\$1,059,000</u>
TOTAL:	\$1,925,000

(13.0 permanent positions with a staggered implementation)

DHCS, Mental Health Services Division (MHSD), requests 13.0 permanent positions. The requested resources, including \$400,000 for contracted clinicians, will work to meet the Special Terms and Conditions (STCs) required by the Centers for Medicare and Medicaid Services (CMS). CMS placed this as a condition of the renewal of DHCS' Medi-Cal Specialty Mental Health Services (SMHS) Waiver authorized under Section 1915(b) of the Social Security Act. The 13.0 permanent positions will address the increased workload related to oversight and monitoring of the 56 County Mental Health Plans (MHPs).

4260-014-BCP-DP-2016-GB: Family Planning Contract Conversion

General Fund:	\$637,000
Federal Fund:	<u>\$821,000</u>
TOTAL:	\$1,458,000

(10.0 permanent positions and a contract conversion)

DHCS, Office of Family Planning (OFP), requests 10.0 permanent positions and expenditure authority to replace existing contracted staff with state staff. This will ensure adequate staffing levels are available to meet state OFP requirements and comply with Government Code Section 19130, which prohibits contracting out for services that can be performed by state civil servants.

The current contract funding is built within the Medi-Cal Local Assistance Estimate. DHCS proposes to discontinue the policy change in order to build the expenditure authority in the State Operations budget. The current contract is annually budgeted at \$2,861,000 (\$1,430,000 General Fund/\$1,431,000 Federal Fund). With the contract conversion to state civil service positions, there is an anticipated cost savings of approximately \$1,403,000 (\$793,000 General Fund/\$610,000 Federal Fund) in Year 1 and \$1,493,000 (\$834,000 General Fund/\$659,000 Federal Fund) in Year 2 and on-going.

4260-015-BCP-DP-2016-GB: AB 85 Health Realignment

General Fund:	\$423,000
Federal Fund:	<u>\$422,000</u>
TOTAL:	\$845,000

(Three-year limited-term expenditure authority and 1.0 permanent position)

DHCS requests resources to address the ongoing administration of AB 85 (Chapter 24, Statutes of 2013), as amended by Senate Bill (SB) 98 (Chapter 358, Statutes of 2013). Resources will 1) continue calculating county redirection amounts, 2) assist in the development and maintenance of the necessary AB 85 Realignment financing structure, contract documents, and certifications, 3) develop and maintain the formula based approach to calculation the redirected realignment amount for specified stakeholders, 4) monitor and provide oversight associated with network adequacy, and 5) audit P-14 workbooks.

4260-016-BCP-DP-2016-GB: Substance Use Disorders Health Care Reform Implementation

General Fund:	\$729,000
Federal Fund:	<u>\$727,000</u>
TOTAL:	\$1,456,000

(11.0 permanent positions)

DHCS, Enterprise, Innovation, and Technology Services (EITS) and the Substance Use Disorders (SUD) Prevention, Treatment, and Recovery Services Division (PTRSD), requests to convert 10.0 limited-term positions to permanent, and the Office of Legal Services (OLS) requests 1.0 new permanent position. The resources are necessary to continue to support the requirements set forth in the Affordable Care Act (ACA) and enacted in SBX1 1 as part of the 2013-14 Budget Act for enhanced Medi-Cal substance use disorder services. The additional position for OLS will address litigation workload associated with both SBX1 1 and Assembly Bill (AB) 848, Chapter 744, Statutes of 2015.

4260-017-BCP-DP-2016-GB: Third Party Liability Recovery Workload

General Fund:	\$284,000
Federal Fund:	<u>\$852,000</u>
TOTAL:	\$1,136,000

(10.0 permanent positions)

DHCS, Third Party Liability and Recovery Division (TPLRD), requests 10.0 permanent positions to address Medi-Cal recoveries in personal injury cases involving third parties. Federal and State laws and regulations mandate that Medi-Cal recover expenditures in personal injury cases involving liable third parties so that Medi-Cal is the payer of last resort.

Chaptered Legislation Proposals

4260-018-BCP-DP-2016-GB: Foster Care Training Requirements on Psychotropic Medications (SB 238)

General Fund:	\$ 67,000
Federal Fund:	<u>\$ 67,000</u>
TOTAL:	\$134,000

(1.0 permanent position)

DHCS requests 1.0 permanent position to implement the requirements of Senate Bill (SB) 238 (Chapter 534, Statutes of 2015). SB 238 requires data sharing agreements between DHCS and the Department of Social Services (CDSS) as well as between DHCS, CDSS and county placing agencies.

4260-020-BCP-DP-2016-GB: Robert F. Kennedy Farm Workers Medical Plan (SB 145)

General Fund:	<u>\$220,000</u>
TOTAL:	\$220,000

(Five-year limited-term expenditure authority)

DHCS, Third Party Liability and Recovery Division (TPLRD), requests five-year limited-term expenditure authority to implement provisions of Senate Bill (SB) 145 (Chapter 712, Statutes of 2015). SB 145 requires DHCS to reimburse the Robert F. Kennedy Farm Workers (RFK) Medical Plan for

claim payments that exceed \$70,000 on behalf of an eligible employee or dependent for a single episode of care up to \$3,000,000 annually.

4260-022-BCP-DP-2016-GB: Residential Treatment Facilities (AB 848)

Other Fund:	\$478,000
<u>TOTAL:</u>	<u>\$478,000</u>

(4.0 permanent positions - phased in)

DHCS, Substance Use Disorders/Compliance Division, requests 4.0 permanent positions to implement Assembly Bill (AB) 848, Chapter 744, Statutes of 2015. AB 848 requires DHCS to review applications from facilities requesting to amend their licenses to include incidental medical services, and establish and collect an additional fee from participating facilities, in an amount sufficient to cover the department's reasonable costs of regulating the provision of those services.

4260-023-BCP-DP-2016-GB: Short-Term Residential Treatment Center Licensing (AB 403)

General Fund:	\$175,000
<u>Federal Fund:</u>	<u>\$175,000</u>
TOTAL:	\$350,000

(1.0 permanent positions and three-year limited-term expenditure authority)

DHCS, Mental Health Services Division, requests 1.0 permanent position and expenditure authority to implement Assembly Bill (AB) 403, Chapter 773, Statutes of 2015. AB 403 establishes Short-Term Residential Treatment Centers (STRTC) as new category of community care licensure. The bill requires DHCS or its Mental Health Plan (MHP) to certify mental health programs for STRTCs. In addition to the increased certification requirements, AB 403 requires DHCS to develop program standards to ensure that intensive mental health treatment services are provided to children housed in STRTCs.

4260-025-BCP-DP-2016-GB: Federal Quality Health Centers Pilot (SB 147)

General Fund:	\$120,000
<u>Federal Fund:</u>	<u>\$120,000</u>
TOTAL:	\$240,000

(Three-year limited-term expenditure authority)

DHCS requests resources to support the implementation, administration, and evaluation of an alternative payment methodology (APM) pilot for select California Federally Qualified Health Centers (FQHCs). One-time contract authority is also requested to prepare an evaluation of the pilot. Under the pilot, the payor of FQHC services would transition from the state to Medi-Cal managed care plans. The objective of the pilot is to transition the delivery of care at FQHCs from its current volume-based system to one that better aligns the financing and delivery of health services.

Joint BCP (Other Departments)

0530-006-BCP-DP-2016-GB: Medi-Cal Eligibility Data Systems Modernization Multi-Departmental Planning Team

General Fund:	\$ 350,000
Federal Fund:	<u>\$3,365,000</u>
TOTAL:	\$3,715,000

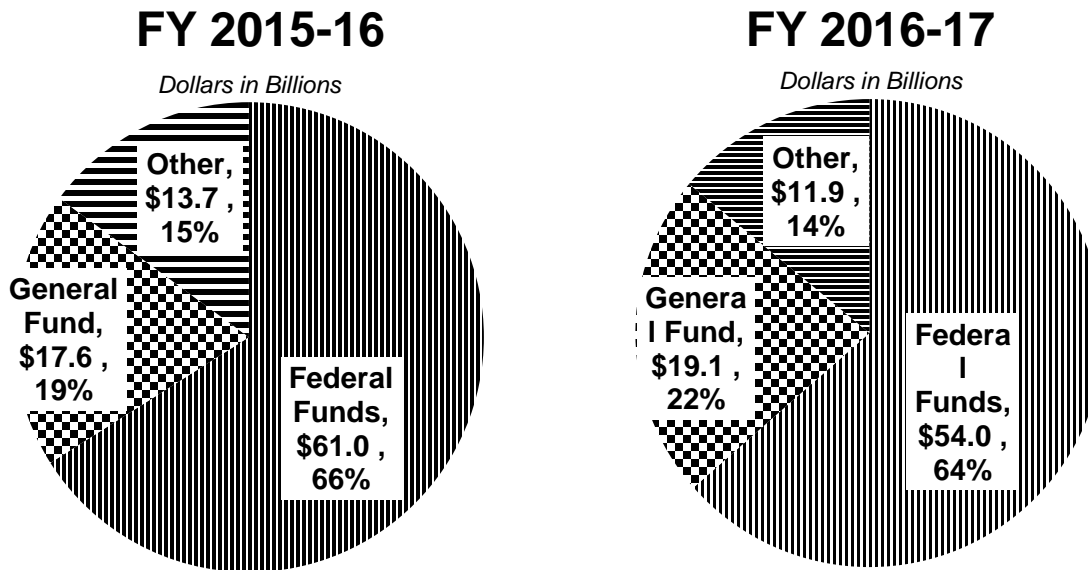
(One-year limited-term expenditure authority)

This proposal requests resources for the successful Agency-wide planning effort for Medi-Cal Eligibility Data System (MEDS) Modernization.

DHCS requests \$3.7M, for FY 2016-17, to provide reimbursement of costs to the Office of Systems Integration (OSI) and the California Department of Social Services (CDSS), and to support 3.0 of the 18.0 positions. Of the 18.0 positions, CDSS requests 2.0 positions and \$249,000 in associated funding. Of the 18.0 positions, OSI requests 13.0 positions and \$5,472,686 in expenditure authority, of which \$2.9M funding is included in DHCS Local Assistance.

ESTIMATE ADJUSTMENTS

Medi-Cal spending is estimated to be \$92.4 billion in FY 2015-16 and \$85.0 billion in FY 2016-17. This does not include Certified Public Expenditures of local governments or General Fund of other state departments.



The November 2015 Estimate for FY 2015-16 is \$394 million General Fund less than the FY 2015-16 Budget Appropriation.

FY 2015-16			
	Appropriation	November 2015	Change
Medical Care Services	\$ 17,078.2	\$ 16,680.2	\$ (398.0)
County Administration	\$ 805.6	\$ 799.9	\$ (5.7)
Fiscal Intermediary	\$ 156.1	\$ 165.8	\$ 9.7
Total	\$ 18,039.9	\$ 17,645.9	\$ (394.0)

*Dollars in millions, rounded

The Medi-Cal General Fund costs in FY 2016-17, as compared to updated FY 2015-16, are estimated to increase by \$1,438.3 million.

November 2015			
	FY 2015-16	FY 2016-17	Change
Medical Care Services	\$ 16,680.2	\$ 18,079.0	\$ 1,398.8
County Administration	\$ 799.9	\$ 851.1	\$ 51.2
Fiscal Intermediary	\$ 165.8	\$ 154.1	\$ (11.7)
Total	\$ 17,645.9	\$ 19,084.2	\$ 1,438.3

*Dollars in millions, rounded

The following paragraphs briefly describe the major changes in both FY 2015-16 and FY 2016-17.

NEW ITEMS

Dollars in Millions

Name	PC	Change from Appropriation		Change from FY 2015-16	
		FY 2015-16		FY 2016-17	
		TF	GF	TF	GF
BASE PCs					
REGULAR PCs					
Beneficiary Outreach and Education Program	46	\$0.2	\$0.1	\$0.6	\$0.2
End of Life Services	199	\$0.0	\$0.0	\$2.3	\$2.3
SRP Prior Auth. & Preventive Dental Services	203	-\$0.1	\$0.0	-\$0.1	\$0.0
Orkambi Benefit	52	\$18.1	\$8.6	\$38.7	\$18.3
ADAP Ryan White MEDS Data Match	53	\$2.4	\$1.2	-\$1.8	-\$0.9
Residential Treatment Services Expansion	65	\$14.6	\$5.1	\$76.3	\$27.4
MHP Costs for Children and Youth in Foster Care	211	\$0.0	\$0.0	\$0.4	\$0.2
Public Hospital Redesign & Incentives in Medi-Cal	205	\$800.0	\$0.0	\$800.0	\$0.0
Global Payment Program	206	\$2,603.1	\$0.0	-\$110.5	\$0.0
Waiver 2020 Designated State Health Program	207	\$0.0	-\$37.5	\$0.0	-\$37.5
Waiver 2020 Whole Person Care Pilots	208	\$0.0	\$0.0	\$900.0	\$0.0
Waiver 2020 Dental Transformation Initiative	209	\$75.0	\$37.5	\$75.0	\$37.5
Inland Empire Health Plan Settlement	119	\$36.7	\$18.4	-\$36.7	-\$18.4
Former Agnews' Beneficiaries Recoupment	131	-\$5.7	-\$2.8	\$5.7	\$2.8
Palliative Care Services Implementation	202	\$0.0	\$0.0	\$9.4	\$4.7
Capitated Rate Adjustment for FY 2016-17	204	\$0.0	\$0.0	\$327.5	\$154.7
Medicare Part B Premium Increase	134	\$152.2	\$85.3	\$204.7	\$114.7
GDSP Newborn Screening Program Fee Increase	143	\$ 0.0	\$0.0	\$ 1.9	\$ 1.0
DP-NF Capital Project Debt Repayment	200	\$ 57.2	\$57.2	\$ -57.2	\$ -57.2
FFP Repayment for CDDS Costs	210	\$ 0.0	\$0.0	\$ 0.0	\$ 0.0

Dollars in Millions

Name	PC	Change from Appropriation		Change from FY 2015-16	
		FY 2015-16		FY 2016-17	
		TF	GF	TF	GF
COUNTY ADMINISTRATION PCs					
-no new items-					
OTHER ADMINISTRATION PCs					
PAVE System	12	\$14.6	\$1.9	-\$0.6	\$0.3
Actuarial Costs for Rate Development	18	\$9.1	\$4.4	\$7.8	\$3.8
Performance Outcomes System	99	\$0.0	\$0.0	\$23.7	\$11.9
Dental FI-Beneficiary Outreach & Ed Program - Admin	100	\$1.0	\$0.4	\$2.0	\$0.9

BASE PCs

REGULAR PCs

BENEFITS

Beneficiary Outreach and Education Program (PC 46)

This outreach and education program seeks to increase utilization of dental services, particularly in counties where utilization levels are lowest.

End of Life Services (PC 199)

The End of Life Option Act, ABX2 -15 (Chapter 1, Statutes of 2015), allows a terminally ill adult patient, who meets certain qualifications, the legal right to obtain a prescription for an aid-in-dying drug from his/her attending physician to be self-administered with the intent of hastening his/her own death. The Act sunsets on January 1, 2026.

SRP Prior Authorization and Preventive Dental Services (PC 203)

Prior Authorization requirements will be implemented for Registered Dental Hygienists in Alternative Practice for scaling and root planing (SRP) services. Additionally, there is an increase in the frequency of prophylaxis and fluoride treatments allowed for residents of Skilled Nursing Facilities or Intermediate Care Facilities.

PHARMACY

Orkambi Benefit (PC 52)

The FDA approved drug, Orkambi, helps people with cystic fibrosis ages 12 and older who have specific defective or missing proteins resulting from mutations in a specific gene.

ADAP Ryan White MEDS Data Match (PC 53)

The cross-match will identify CDPH's Ryan White clients who are enrolled in Medi-Cal. Once identified, the clients will be unenrolled from ADAP and Medi-Cal will pay the HIV medication costs.

DRUG MEDI-CAL

Residential Treatment Services Expansion (PC 65)

The November Estimate anticipates 22 counties would participate in providing Residential Treatment Services to the non-perinatal population in FY 2015-16. In FY 2016-17, 31 additional counties are anticipated to opt-in. The implementation plan assumes counties will phase in based on provider network and readiness. In the Appropriation, both the base and expansion costs for the Residential Treatment Services were included in PC 65 Residential Treatment Services. In the November 2015 Estimate, the base costs are reflected in PC 67 Residential Treatment Services and the expansion costs are in PC 65 Residential Treatment Services Expansion.

MENTAL HEALTH

MHP Costs for Children and Youth in Foster Care (PC 211)

AB 403 (Chapter 773, Statutes of 2015) established a new community care licensure category that is a short-term residential treatment center (STRTC), licensed and regulated by the California Department of Social Services (CDSS). This policy change budgets the reimbursement to counties for participating in a child and family team (CFT) and providing assessments for seriously emotionally disturbed (SED) foster children.

1115 WAIVER

Medi-Cal 2020 Waiver (PC 82, 83, 87, 205, 206, 207, 208, 209)

On October 31, 2015, CMS announced a conceptual agreement with the Department on the major components of the Medi-Cal 2020 Section 1115 Waiver renewal. The Bridge to Reform (BTR) Section 1115 Waiver was temporarily extended to December 31, 2015 while the Medi-Cal 2020 Special Terms and Conditions (STCs) were finalized. The Medi-Cal 2020 Waiver renewal includes total initial federal funding of \$6.218 billion with the potential for additional federal funding in the Global Payment Program to be determined after the first year. The major components are:

- **Public Hospital Redesign & Incentives in Medi-Cal (PRIME) (PCs 83, 205)**
PRIME is a redesigned delivery system transformation and alignment incentive program for Designated Public Hospitals (DPHs) and District/Municipal Hospitals (DMPHs). Total federal funding for PRIME is \$3 billion for DPHs and \$466.5 million for DMPHs over five years. This Estimate shifts funding from the existing BTR- DPH Delivery System Reform Incentive Pool policy change to the new PRIME policy change.
- **Global Payment Program (GPP) (PCs 82, 87, 206)**
The GPP converts existing Disproportionate Share Hospital (DSH) and Safety Net Care Pool (SNCP) uncompensated care funding from a hospital-focused, cost-based system to one that is focused on value and improved care delivery. The funding includes five years of DSH funding that would have been allocated to DPHs along with \$236 million for one year of the SNCP component. SNCP component funding for years two through five would be subject to an independent assessment of uncompensated care. This Estimate shifts funding from the existing MH/UCD & BTR – DSH Payments and BTR- Safety Net Care Pool policy changes to the new GPP policy change.
- **Waiver 2020 Dental Transformation Initiative (DTI) (PCs 207, 209)**
The DTI program consists of three domains: preventive services, Caries Risk Assessment and management, and continuity of care. Incentive payments will be made to participating fee-for-service (FFS) or Dental Managed Care (DMC) providers that qualify for the incentive payments. Federal claiming from the Waiver 2020 Designated State Health Program will provide for an offset to the GF costs for the DTI. Total federal funding is \$750 million over five years.

- Waiver 2020 Whole Person Care (WPC) Pilots (PC 208)
The WPC pilots will be country-based, voluntary programs that will allow a county or group of counties to integrate care for their high-risk vulnerable populations. Total federal funding is \$1.5 billion over five years.

MANAGED CARE

Inland Empire Health Plan Settlement (PC 119)

The Department reached a settlement agreement with Inland Empire Health Plan regarding managed care rates for the 2013-14 rate year.

Former Agnews' Beneficiaries Recoupment (PC 131)

This is a recoupment of supplemental payments made to health plans for the former Agnew beneficiaries who had transitioned into managed care plans.

Palliative Care Services Implementation (PC 202)

SB 1004 mandates the Department to provide guidance, training, and technical assistance on palliative care services for Medi-Cal managed care and fee-for-service delivery systems.

Capitated Rate Adjustment for FY 2016-17 (PC 204)

Managed care capitation rates will be rebased in FY 2016-17 as determined by the rate methodology based on more recent data. This policy change shows the increase in capitation rates from FY 2015-16 to FY 2016-17.

PROVIDER RATES

Medicare Part B Premium Increase (PC 134)

The Centers for Medicare and Medicaid increased the Medicare Part B premiums for 2016 by 16.1%. The Department is estimating premiums will increase again in 2017. Medi-Cal pays the Part B premiums for dual eligibles.

GDSP Newborn Screening Program Fee Increase (PC 143)

The California Department of Public Health's (CDPH) Genetic Disease Screening Program (GDSP) is expanding statewide screening of newborns to include screening for adrenoleukodystrophy (ALD) pursuant to the requirements of AB 1559 (Chapter 565, Statute of 2014). CDPH's GDSP will add ALD to the Newborn Screening Program (NSP) resulting in an estimated \$11 per patient fee increase to the NSP. Medi-Cal costs associated with the NSP fee increase are budgeted in FY 2016-17.

SUPPLEMENTAL PAYMENTS

DP-NF Capital Project Debt Repayment (PC 200)

SB 1128 (Chapter 757, Statutes of 1999) authorized Medi-Cal reimbursements to certain Distinct Part Skilled Nursing Facilities (DP-NF) for debt service incurred for the financing of eligible capital construction projects. The Department uses certified public expenditures to claim federal funds for this program. The Centers for Medicare and Medicaid Services (CMS) has deferred \$57.2 million in payments for ineligible costs for Laguna Honda Hospital and Rehabilitation Center and Edgemoor Geriatric Hospital. The Department will repay the deferred amounts to the federal government in FY 2015-16 and the affected facilities will repay the State for these costs.

OTHER: REIMBURSEMENTS

FFP Repayment for CDDS Costs (PC 210)

Audit findings identified \$42.5 million (GF) are due to CMS in FY 2015-16. The overpayment is related to audit findings in FY 2008-09, 2009-10, and 2010-11 for Medi-Cal services provided in intermediate care facilities for the developmentally disabled. The Department has included \$3.8 million (Reimbursements) for FY 2016-17, to reflect the estimated costs for the 2011-12 audit. The Department will receive reimbursement from the Department of Developmental Services (DDS).

COUNTY ADMINISTRATION PCs

OTHER ADMINISTRATION PCs

PAVE System (OA 12)

The Provider Application and Validation for Enrollment (PAVE) system is an enterprise-wide enrollment portal to automate provider management activities to comply with provider integrity mandates under the Affordable Care Act (ACA). The Department is contracting with a new contractor for completing the design, development, and implementation (DDI) and ongoing maintenance and operations (M&O) of the PAVE system.

Actuarial Costs for Rate Development (OA 18)

The Department entered into a contract with an actuarial services consultant to meet our responsibility to develop actuarially sound capitation rates.

Performance Outcomes System (OA 99)

W&I Code, Section 14707.5 requires the Department to develop a Performance Outcomes System for Early, Periodic Screening, Diagnosis, and Treatment mental health services that will improve outcomes at the individual and system levels and to inform fiscal decision-making related to the purchase of services.

Dental FI – Beneficiary Outreach & Education Program – Admin (OA 100)

This outreach and education program seeks to increase utilization of dental services, particularly in counties where utilization levels are lowest. These costs are for implementation by the dental fiscal intermediary (FI).

SIGNIFICANT ITEMS

Dollars in Millions

Name	PC	Change from Appropriation		Change from FY 2015-16	
		FY 2015-16		FY 2016-17	
		TF	GF	TF	GF
BASE PCs					
Managed Care Base	105, 106, 107, 110	\$15,248.6	-\$78.7	-\$2,589.8	\$414.9
REGULAR PCs					
Undocumented Children Full Scope Expansion	7, OA 66	-\$6.4	-\$15.9	\$148.0	\$120.9
1% FMAP Increase for Preventive Services	24	\$0.0	\$33.2	\$0.0	\$15.4
Behavioral Health Treatment	35	-\$124.4	-\$67.3	\$101.9	\$43.4
Drug Rebates	32, 60, 61, 62	-\$482.2	-\$234.2	-\$188.7	-\$83.6
MH/UCD & BTR - DSH Payments	82	-\$1,525.8	\$5.7	-\$150.4	-\$3.3
BTR - DPH Delivery System Reform Incentive Pool	83	-\$607.4	\$0.0	-\$786.1	\$0.0
BTR - Safety Net Care Pool	87	-\$206.5	\$0.0	-\$19.7	\$0.0
BTR - Designated State Health Programs	94, 101, 103	-\$14.7	-\$19.0	-\$3.5	\$147.2
CCI	108,109, 132, 173, 193	-\$380.2	\$303.7	-\$393.1	-\$333.5
MCO Tax	111, 129, 130	\$682.7	\$155.1	-\$1,744.8	\$691.7
Mgd. Care Retro Mgd Care Adjustment	133	-\$1,094.5	-\$18.1	-\$2,415.9	\$200.6
AB 1629 Facilities	137, 139	-\$16.3	-\$7.1	\$158.6	\$79.3
AB 97 Rate Reduction and Rate Freeze	145, 146, 148	\$63.1	\$31.5	-\$37.9	-\$19.0
Laboratory Rate Methodology Change	147	\$27.4	\$13.7	-\$10.4	-\$5.2
Martin Luther King Jr. Community Hospital Payments	156	-\$25.7	\$2.0	\$1.6	-\$13.8
Extend Hospital QAF - Children's Health Care	194	\$0.0	\$0.0	\$0.0	\$140.0

COUNTY ADMINISTRATION PCs					
ACA Funding Augmentation	2	\$0.0	\$0.0	\$169.9	\$85.0
Enhanced Federal Funding	7	\$0.0	-\$3.3	\$0.0	-\$31.2
OTHER ADMINISTRATION PCs					
Postage and Printing	39	\$12.3	\$6.2	-\$12.2	-\$6.2

BASE PCs

Managed Care Base (PC 105, 106, 107, 110)

The Managed Care Base PCs estimate the managed care capitation costs of the four managed care models. These PCs, where appropriate, now include the ACA expansion population, Title XXI 88/12 funding, and the impact of CCI. Additionally, in BY, these PCs include the ACA 95/5 funding.

REGULAR PCs

ELIGIBILITY

Undocumented Children Full Scope Expansion (PC 7, OA 66)¹

SB 75 (Chapter 18, Statutes of 2015) directs the Department to provide full-scope Medi-Cal coverage to eligible children under the age of 19, regardless of immigration status beginning May 1, 2016. Currently the Department provides limited-scope Medi-Cal coverage for emergency and pregnancy related issues only. The Department estimates a GF impact of \$20.4 million in FY 2015-16, and \$142.8 million in FY 2016-17.

AFFORDABLE CARE ACT

1% FMAP Increase for Preventive Services (PC 24)

The Affordable Care Act (ACA) provides states with the option to receive an additional 1% in FMAP for providing specified preventive services. In the November Estimate, the managed care estimate was revised using a more accurate methodology and updated capitation data; resulting in a savings decrease.

BENEFITS

Behavioral Health Treatment (PC 35)

SB 870 (Chapter 40, Statutes of 2014) directs the Department to implement Behavioral Health Treatment (BHT) services to the extent it is required by the federal government. The Department has implemented BHT for Early Periodic Screening, Diagnostic and Treatment (EPSDT) services for children under age 21, effective September 15, 2014. The Department is working with the Department of Developmental Services (DDS) and stakeholders on a plan to transition existing Medi-Cal eligibles who are currently receiving BHT services through Regional Centers. Medi-Cal costs are not included for these eligibles because the transition plan is not complete. The Department anticipates the transition of responsibility from DDS regional centers will begin February 1, 2016. The Estimate assumes a decrease of \$67.3 million GF in FY 2015-16 due to updated capitation rates (from \$3,750 to

¹ In the Appropriation both benefits and administrative costs were included in one Policy Change.

\$1,640). The member months increase from 4,650 to 9,979 will increase the FY 2016-17 estimate by \$43.4 million GF.

PHARMACY

Drug Rebates (PCs 32, 60, 61, 62)

More recent drug rebate reports reflect an increase in the estimated savings.

1115 WAIVER

MH/UCD & BTR – DSH Payments (PC 82)

Funding previously budgeted in the MH/UCD & BTR – DSH Payments policy change shifted to the new Global Payment Program (GPP) policy change 206. There was no impact to the GF from this shift. Refer to the new Medi-Cal 2020 Waiver policy changes for discussion on the GPP.

BTR – DPH Delivery System Reform Incentive Pool (PC 83)

Funding previously budgeted in the BTR- DPH Delivery System Reform Incentive Pool policy change shifted to the new Public Hospital Redesign & Incentives in Medi-Cal (PRIME) policy change 205. There was no impact to the GF from this shift. Refer to the new Medi-Cal 2020 Waiver policy changes for discussion on the PRIME program.

BTR – Safety Net Care Pool (PC 87)

Funding previously budgeted in the BTR- Safety Net Care Pool policy changes shifted to the new Global Payment Program (GPP) policy change 206. There was no impact to the GF from this shift. Refer to the new Medi-Cal 2020 Waiver policy changes for discussion on the GPP.

BTR –Designated State Health Programs (PCs 94, 101, 103)

The California Bridge to Reform (BTR) Section 1115(a) Medicaid Demonstration allows the Department to claim federal financial participation using the certified public expenditures (CPEs) of approved Designated State Health Programs (DSHP) and Designated Public Hospitals (DPHs) to achieve \$400 million in annual GF savings. The BTR was temporarily extended to December 31, 2015. The BTR DSHP savings are not assumed to continue in the Medi-Cal 2020 Waiver, however final reconciliations from the program will continue to be budgeted. In FY 2015-16, GF savings increased by \$19 million GF due to updated reimbursement to the California Department of Public Health, program expenditures, and final reconciliations. In FY 2016-17, costs are estimated to increase by \$147.2 million GF due to the end of the BTR DSHP.

MANAGED CARE

Coordinated Care Initiative (CCI) (PCs 108,109, 132, 173, 193)

These PCs estimate the impact from recasting blended managed care capitation payments to Medi-Cal managed care plans participating in the CCI. Rates were developed utilizing enrollment projections separated into four groupings representing differing levels of risk. Caseload projections were updated to include actual eligibles. Although rates are unchanged, the average weighted rate for all counties decreased due to shifts in the risk groupings.

MCO Tax (PCs 111, 129, 130)

In May, the estimated impact in FY 2015-16 from the MCO tax was calculated from the MCO Enrollee Tax model. While the 2015-16 proposal was not adopted in the 2015-16 budget, the proposal is still being considered in a special session; therefore, the Department is reverting back to the original revenue-based model for FY 2015-16. The cost impact has been revised to incorporate the revenue-based model and includes current revenue projections. Also, this estimate does not assume the MCO tax offsets to support the Medi-Cal programs in FY 2016-17. However, the tax continues as a major component of Medi-Cal program funding, so the Governor's Budget assumes a three-year replacement tax, and continues the restoration of the In-Home Supportive Services 7 percent reduction using tax proceeds. However, the remaining proceeds will be reserved in a special fund pending its passage.

Retro Managed Care Adjustment (PC 133)

This policy change includes rate adjustments for the FY 2015-16 base rates, the CCI IHSS reconciliation and CY 2014 recasting for full dual eligibles, the recoupment for the ACA Optional Expansion January-June 2015 rates, the MLK adjustment, and the primary care physician (PCP) retro adjustment.

PROVIDER RATES

AB 1629 Facilities (PCs 137, 139)

AB 119 (Chapter 17, Statutes of 2015) extends, for five years, the AB 1629 facility-specific rate methodology, Quality Assurance Fee (QAF), and Quality and Accountability Supplemental Payments Program (QASP) through July 31, 2020. Beginning rate year 2015-16, the annual weighted average rate increase is 3.62%, and the QASP will continue at FY 2014-15 levels, rather than setting aside a portion of the annual rate increase. This Estimate updates rate implementation dates, program expenditures, and add-on costs.

AB 97 Rate Reduction and Rate Freeze (PCs 145, 146, 148)

AB 97 (Chapter 3, Statutes of 2011) enacted provider rate reductions and rate freezes to certain long term care facilities. This Estimate updates the retroactive recoupment implementation dates and schedules for Pharmacy and Distinct Part Nursing Facilities – Level B (DP/NF-B) providers. Additionally, the costs of the AB 97 exemption to Dental providers were adjusted from these policy changes and now included in the Dental policy changes.

Laboratory Rate Methodology Change (PC 147)

AB 1494 (Chapter 28, Statutes of 2012) required the Department to implement a new rate methodology for clinical laboratories and laboratory services. The Department received federal approval for the new rate methodology, effective July 2015. In addition to the 10% payment reductions pursuant to AB 97 (Chapter 3, Statutes of 2012), payments for clinical laboratories and laboratory services will also be reduced by 10% for dates of service on and after July 1, 2012 through June 30, 2015. This Estimate updates the savings estimate and implementation dates for the new rate methodology and retroactive recoupments.

Martin Luther King Jr. Community Hospital Payments (PC 156)

SB 857 (Chapter 31, Statutes of 2014) requires specific funding requirements to facilitate the financial viability of the new private nonprofit, Martin Luther King, Jr. Community Hospital (MLK Jr.). Pursuant to W&I Code 14165.50, the cost-based reimbursement methodology for Medi-Cal FFS and managed care payments to the new MLK Jr. Hospital will provide compensation at a minimum of 100% of the

projected costs for each fiscal year (FY) as long as the county transfers the necessary public funds to the State for this purpose. The Department is seeking federal approval to enable MLK Jr. to receive Medi-Cal supplemental payments to the extent necessary to meet minimum funding requirements and additional reimbursement exceeding the 100% minimum funding requirement. This Estimate updates the hospital's projected costs, delays the implementation date, and adds funding for the ACA optional population. In addition, Managed care costs are now included the managed care capitation rates and removed from this policy change.

SUPPLEMENTAL PAYMENTS

Extend Hospital QAF – Children's Health Care (PC 194)

SB 239 (Chapter 657, Statutes of 2013) extended the Hospital Quality Assurance Fee (QAF) program for the period January 1, 2014 through December 31, 2016. Due to the sunset of the Hospital QAF, funding for children's health care coverage is assumed to end resulting in an increase of \$140 million GF in FY 2016-17.

COUNTY ADMINISTRATION PCs

Implementation of ACA (CA 2, CA 7)

Due to steady increases in enrollment in Medi-Cal, churn in the program's population, and the ongoing development of CalHEERS, the program and its administration have not reached a "steady state" by which the State can accurately assess and budget for this workload. Based on discussions with the counties and Finance, the Department is continuing to recommend a budget augmentation for FY 2016-17 until an agreed-upon methodology can be developed. The Centers for Medicare and Medicaid Services (CMS) does allow enhanced federal funding at 75% for certain eligibility determination costs including application, on-going case management and renewal functions. The enhanced funding is available to help fund the additional county administrations costs included in the Implementation of the ACA policy change.

OTHER ADMINISTRATION PCs

Postage and Printing (OA 5, 39)

Under the Affordable Care Act, as a health coverage issuer, the Department is required to provide a Form 1095-B Proof of Minimum Essential Coverage (MEC) to Medi-Cal beneficiaries by January 31, 2016, for tax filing purposes. Pursuant to Federal Regulations, a reporting entity must furnish the 1095-B statement by sending it by first class mail to an individual's "last known permanent address, or if no permanent address is known, the temporary address." We have received first class mail cost estimates from the Department of General Services, Office of State Publishing for both the outreach notification letter and the Form 1095-B.

General Information

This estimate is based on actual payment data through July 2015. Estimates for both fiscal years are on a cash basis and include a two-week hold on weekly Fee-for-Service payments at the end of June and a one-month hold on Managed Care June payments. All held payments are anticipated to be paid in July of the following state fiscal year.

The Medi-Cal Program has many funding sources. These funding sources are shown by budget item number on the State Funds and Federal Funds pages of the Medi-Cal Funding Summary in the Management Summary tab. The budget items, which are made up of State General Fund, are identified with an asterisk and are shown in separate totals.

The Miscellaneous Non-Fee-For-Service Category includes expenditures for Home and Community Based Services -- DDS, Case Management Services -- DDS, Personal Care Services, HIPP premiums, Targeted Case Management, and Hospital Financing—Health Care Coverage Initiative.

The estimate aggregates expenditures for five sub-categories under a single Managed Care heading. These sub-categories are Two Plan Model, County Organized Health Systems, Geographic Managed Care, Regional Model, and PHP/Other Managed Care. The latter includes PCCMs, PACE, SCAN, Family Mosaic, Dental Managed Care, and the new Managed Care Expansion models –Imperial and San Benito.

Should a projected deficiency exist, Section 14157.6 of the Welfare and Institutions Codes authorizes appropriation, subject to 30-day notification to the Legislature, of any federal or county funds received for expenditures in prior years. At this time, no prior year General Funds have been identified to be included in the above estimates as abatements against current year costs.

There is considerable uncertainty associated with projecting Medi-Cal expenditures for medical care services, which vary according to the number of persons eligible for Medi-Cal, the number and type of services these people receive, and the cost of providing these services. Additional uncertainty is created by monthly fluctuations in claims processing, federal audit exceptions, and uncertainties in the implementation dates for policy changes which often require approval of federal waivers or state plan amendments, changes in regulations, and in some cases, changes in the adjudication process at the fiscal intermediary. Provider payment reductions, injunctions, and restorations add to this uncertainty as it affects the regular flow of the FI checkwrite payments.

A 1% variation in total Medi-Cal Benefits expenditures would result in an \$879 million TF (\$176 million General Funds) change in expenditures in FY 2015-16 and \$804 million TF (\$191 million General Funds) in FY 2016-17.