

**QUARTERLY UPDATE
TO THE LEGISLATURE**

**IMPLEMENTATION OF THE FEDERAL
AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009**

**Quarterly Update #4
April 1, 2010 through June 30, 2010**

Department of Health Care Services

**DEPARTMENT OF HEALTH CARE SERVICES
QUARTERLY UPDATE TO THE LEGISLATURE**

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I. PURPOSE OF THE UPDATE

Under the State Budget Act of 2009, the State Department of Health Care Services (DHCS) is to provide the Legislature with a quarterly update regarding the implementation of the federal American Recovery and Reinvestment Act of 2009 (ARRA) in the Medi-Cal program. The updates shall reflect key issues and fiscal data. This is the fourth quarterly update, which covers the period from April 1, 2010, through June 30, 2010. Updates, as well as a brief description of ARRA requirements, are provided below on each section of ARRA that impacts the Medi-Cal program.

The documents referenced below, as well as prior quarters' ARRA updates, are available in a companion document entitled "ARRA Overview" available on DHCS' ARRA website: <http://www.dhcs.ca.gov/Pages/A.aspx>.

II. TEMPORARY FEDERAL MEDICAL ASSISTANCE PERCENTAGE (FMAP) INCREASE – *ARRA Division B Section 5001*

For the recession adjustment period (October 1, 2008, through December 31, 2010), ARRA provides states an across-the-board FMAP increase of 6.2 percentage points and an additional FMAP increase based on states' unemployment rates. For the period October 1, 2008, through June 30, 2010, California will receive an 11.59 percent FMAP increase which includes the 6.2 percent across-the-board increase and a 5.39 percent increase for unemployment. California's increased FMAP may be adjusted for the period July 1, 2010, through December 31, 2010, if the state's unemployment rate declines significantly from its current level.

The federal Centers for Medicare & Medicaid Services (CMS) authorize state Medicaid expenditures on a quarterly basis. Each state is notified of its authorization through a grant award letter, which is sent to the state at the start of each quarter. The expenditures authorized through grant award letters are based on a projection of quarterly Medicaid expenditures and can be increased if a state's actual expenditures exceed projected expenditures. Because the grant award amount is based on an estimate of quarterly spending, it will not equal actual expenditures. Typically the Medi-Cal program does not fully expend its quarterly grant award. During the recession adjustment period, CMS is issuing two separate grant award letters – one for regular FMAP and one for increased FMAP under ARRA.

Key Fiscal Data:

April 1, 2010 through June 30, 2010:

- DHCS' ARRA grant for the quarter April 2010 through June 2010 authorized expenditures of \$1,697,168,868.
 - DHCS claimed \$1,271,211,860 in increased FMAP during the quarter April 2010 through June 2010.

In total, DHCS claimed \$7,352,307,293.18 in increased FMAP during the period October 2008 through June 2010.

Status Update:

- By September 30, 2011, states will have to report to the Health and Human Services Secretary regarding how additional federal funds were spent.

Prompt Payment for FMAP Increase: Temporarily extends federal requirements for prompt payments to nursing facilities and hospitals, effective June 1, 2009. Prompt payments must be met on a daily basis for the applicable providers.

Status Update:

- DHCS has been compliant with the prompt payment requirements all days during the period April 1, 2010 through June 30, 2010.

III. TEMPORARY INCREASE IN DISPROPORTIONATE SHARE HOSPITAL (DSH) ALLOTMENT – ARRA Division B Section 5002

ARRA provides a temporary increase of 2.5 percent in FFY 2009 (\$26,950,333) and 2.5 percent in FFY 2010 (\$54,574,424) of additional federal funding to the existing DSH Allotment, which is distributed to public and private hospitals that meet certain criteria for the available funding.

Key Fiscal Data:

- California's increased Medicaid DSH allotment for FFY 2010 equals \$54,574,424
- As of June 2010, DHCS has not claimed any ARRA DSH funds for FFY 2010 as the "regular" DSH allotment must be expended before the ARRA DSH can be distributed.

Status Update:

- No updates for the period April 1, 2010 through June 1, 2010.

IV. EXTENSION OF MORATORIA ON CERTAIN MEDICAID FINAL REGULATIONS – ARRA Division B Section 5003

ARRA extends through June 30, 2009, the moratorium on four finalized Medicaid regulations pertaining to targeted case management, school-based services, health care provider taxes, and outpatient hospital services. On June 30, 2009, CMS published a final rule rescinding in full the school-based services regulation and the outpatient hospital services regulation and partially rescinding the targeted case management regulation. ARRA also expresses intent that CMS should not promulgate final regulations for graduate medical education, cost limits for public providers, and rehabilitative services. Finally, ARRA bars enforcement of the Outpatient Hospital Services regulation retroactive to December 8, 2008.

Status Update:

- No updates for the period April 1, 2010 through June 30, 2010.

**V. EXTENSION OF TRANSITIONAL MEDICAL ASSISTANCE (TMA) – ARRA
Division B Section 5004**

ARRA extends the TMA program, known as Transitional Medi-Cal (TMC) in California, until December 31, 2010. TMA provides a period of continuing coverage for families who lose Medi-Cal eligibility due to increased earned income. ARRA also provides states two new eligibility options: (1) change the initial 6 month eligibility period to 12 months; and (2) waive the requirement that beneficiaries have to have received Medicaid in at least 3 of the last 6 months period to qualify for TMA.

Status Update:

- No updates for the period April 1, 2010, through June 30, 2010.
- States must complete and submit a data collection document for TMA by the end of July 2010.

**VI. EXTENSION OF THE QUALIFYING INDIVIDUAL (QI) PROGRAM – ARRA
Division B Section 5005**

ARRA extends the QI program one year through December 31, 2010, and provides additional funding for calendar year 2010. The QI program is one of the Medicare Savings Programs developed to pay all of the Medicare Part B premiums for eligible individuals. Certain low-income individuals who are aged or have disabilities, as defined under the Supplemental Security Income (SSI) program, and are eligible for Medicare, are also eligible to have their Medicare Part B premiums paid for by Medicaid under the Medicare Savings Program (MSP). Eligible groups include Qualified Medicare Beneficiaries (QMBs), Specified Low-Income Medicare Beneficiaries (SLMBs), and Qualifying Individuals (QIs). QMBs have incomes no greater than 100 percent of the federal poverty level (FPL) and assets no greater than \$4,000 for an individual and \$6,000 for a couple. SLMBs meet QMB criteria except that their incomes are greater than 100 percent of the FPL but do not exceed 120 percent of the FPL. QIs meet the QMB criteria except that their income is between 120 percent and 135 percent of the FPL. Further, they are not otherwise eligible for Medicaid.

Status Update:

- No updates for the period April 1, 2010, through June 30, 2010.

**VII. PROTECTIONS FOR INDIANS UNDER MEDICAID – ARRA Division B Section
5006**

Premiums and Cost Sharing: ARRA prohibits the use of premium or cost sharing provisions for Indian beneficiaries who receive Medicaid services directly from

Indian Health Service, an Indian Tribe, a tribal organization, urban Indian organization or through referral under contract health service. ARRA also prohibits the reduction of payments due to these providers by the amount of cost sharing that would have otherwise applied to an Indian.

Status Update:

- No updates for the period April 1, 2010, through June 30, 2010.

Eligibility Provisions: ARRA exempts four classes of property from resources in determining Medicaid eligibility determinations under Medicaid for Indians.

Status Update:

- No updates for the period April 1, 2010 through June 30, 2010.

Managed Care Provisions: ARRA requires that Indians enrolled in a non-Indian Medicaid managed care entity (MCE) with an Indian provider participating as a primary care provider within the plan network be allowed to choose the Indian provider as the primary care provider when the Indian is otherwise eligible to receive services from the provider and the Indian provider has the capacity to provide the primary care services.

Status Update:

- No updates for the period April 1, 2010 through June 30, 2010.

Solicitation of Advice under Medicaid: ARRA requires states to seek a state plan amendment (SPA) to include the requirement to seek advice from designees of Indian Health Programs and Urban Indian Organizations prior to any SPAs, waiver requests and proposals for demonstration projects likely to directly impact Indians, Indian Health Programs or Urban Indian Organizations. This provision may include the appointment of an advisory committee and of a designee of such Indian Health Programs and Urban Indian Organization to the medical care advisory committee advising the state on its state plan. This provision is effective July 1, 2009.

Status Update:

- No updates for the period April 1, 2010, through June 30, 2010.

VIII. HEALTH INFORMATION TECHNOLOGY INCENTIVES FOR MEDICAID PROVIDERS – ARRA Division B Section 4101

The Health Information Technology for Economic and Clinical Health (HITECH) Act, a component of ARRA, provides investments in HIT infrastructure and Medicare and Medicaid incentives to encourage providers to use Health Information Technology (HIT) and electronic health information exchange. The federal government is working to develop requirements and guidance for the incentive program.

Status Update:

- The Lewin Group and McKinsey & Company delivered the final initial strategic, campaign and implementation plans for the Medi-Cal Electronic Health Record Initiative on May 4, 2010.
 - The strategic plan frames DHCS' approach to promoting adoption and meaningful use of electronic health records to improve health and wellness among Medi-Cal beneficiaries. The major approach involves the direct and rapid engagement of stakeholders such as the Regional Extension Center(s), Cal eConnect, managed care plans (MCPs), beneficiaries, medical and trade associations, internal DHCS Divisions and staff, and public health-related partners.
 - The State's Campaign Plan is critical to the success of the Incentive Program. Providers should receive messages about stimulus funding, the costs and benefits of Electronic Health Record (EHR), and how to plan for and implement an EHR. Beneficiaries should receive messages about what an EHR is, the benefits of EHR to their own personal health and well being, and how to engage with the technology.
- On June 23, 2010, DHCS submitted a request to CMS for approvals to fund the work necessary to complete the State Medicaid HIT Plan, a requirement to operationalize the Medi-Cal Electronic Health Record Incentive Program.

IX. INCOME DISREGARDS - *ARRA Division B Sections 2002 (UI Increase), 2201 (SSI Increase), 2202 (Special Government Employee Credit), 6432 (COBRA Benefit)*

ARRA provides a one-time emergency payment of \$250 to Supplemental Security Income (SSI) recipients, Railroad Retirement recipients, and Veterans compensation or pension recipients. Payments are disregarded for the purpose of determining Medi-Cal eligibility. DHCS issued ACWDLs to provide counties with guidance for implementing various payments and credits provided to individuals through ARRA.

Status Update:

- No updates for the period April 1, 2010, through June 30, 2010.