QUARTERLY UPDATE

MEDI-CAL MANAGED CARE PROGRAM

For the Reporting Period
April through June 2013

Department of Health Care Services
Medi-Cal Managed Care Division

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A. PURPOSE OF THE REPORT

Pursuant to Assembly Bill (AB) 131, (Committee on Budget, Chapter 80, Statutes of 2005) Section 34, the Department of Health Care Services (DHCS), since January 1, 2006, has been required to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS's core activities to improve the Medi-Cal managed care program as they relate to the 13 expansion counties of El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma and Ventura.

The quarterly updates include, when applicable:

- Progress or key milestones and objectives to implement changes to the existing program.
- Submittal of State Plan Amendments to the Centers for Medicare and Medicaid Services (CMS).
- Submittal of any federal waiver documents.
- Applicable key functions related to the effort to expand the Medi-Cal managed care program.

The purpose of this report is to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS's core activities to improve the Medi-Cal managed care program relative to the 13 expansion counties listed above. The expansion effort into the counties of Kings, Madera, Marin, Merced, Mendocino, San Luis Obispo, Sonoma, and Ventura is now complete. The expansion effort into the remaining counties of El Dorado, Imperial, Lake, Placer and San Benito will continue under the Medi-Cal Managed Care Rural County Expansion. (See the update regarding this expansion provided below.)

Updates to this report are *italicized* for ease of review.

B. MEDI-CAL MANAGED CARE RURAL COUNTY EXPANSION

AB 1467 (Committee on Budget, Chapter 23, Statutes of 2012) the health budget trailer bill, authorized the expansion of Medi-Cal managed care to Medi-Cal beneficiaries residing in 28 rural California counties. Currently beneficiaries in these counties are receiving their Medi-Cal on a Fee-For-Service (FFS) basis. On September 1, 2013, approximately 400,000 Medi-Cal beneficiaries will begin to transition from FFS to Medi-Cal managed care in these rural counties.

The 28 Medi-Cal managed care rural expansion counties are Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Lake,

Lassen, Mariposa, Modoc, Mono, Nevada, Placer, Plumas, San Benito, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne and Yuba.

Previously, the Budget Act of 2005 authorized expansion of Medi-Cal managed care into 13 new counties. The counties of El Dorado, Imperial, Placer, Lake and San Benito were part of this 13 county expansion effort; however, these counties to date still remain FFS counties. As a result, these counties are part of the 28 rural county expansion efforts.

In March 2012, DHCS issued a Request for Information to solicit health plan interest in providing health care services to Medi-Cal beneficiaries in the remaining rural FFS counties. In November 2012, a Request for Application (RFA) was issued inviting interested health plans to submit formal applications to DHCS.

On February 27, 2013, DHCS released an administrative bulletin excluding the following seven counties from the RFA: Del Norte, Humboldt, Lassen, Modoc, Shasta, Siskiyou, and Trinity. Pursuant to Welfare and Institutions Code, Section 14087.98(b) and authorized under AB 1467, DHCS chose to enter into an exclusive health plan contract with an existing county organized health system (COHS) for these seven counties.

Also on February 27, 2013, DHCS announced Anthem Blue Cross Partnership Plan, and California Health and Wellness Plan as the selected plans in the following 18 counties: Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Inyo, Mariposa, Mono, Nevada, Placer, Plumas, Sierra, Sutter, Tehama, Tuolumne and Yuba. Final health plan contracts are contingent upon all the plans' completion of state and federal plan-readiness activities. Additionally, DHCS will contract with Kaiser Foundation Health Plan in three of these counties (Amador, El Dorado and Placer) to assure continuity of care given Kaiser's closed network.

DHCS, in collaboration with the Imperial County Public Health Department participated in a community meeting that was publically noticed for stakeholders in Imperial County on December 6, 2012. Local providers and Medi-Cal managed care health plans (MCPs) attended and participated in the meeting. The purpose of this meeting was to discuss the managed care model options with stakeholders and to answer questions and obtain information about the geography of Imperial County and its effect on access to services. Imperial County selected a plan model and DHCS approved their operation as a single plan model, using a passive enrollment process.

San Benito County, originally planned as a COHS, will instead operate as a single plan model, similar to Imperial County. *As DHCS and Lake County decided* during the 13 county expansion effort, Lake County will become a COHS county.

In the eight new COHS counties of Del Norte, Humboldt, Lake, Lassen, Modoc, Shasta, Siskiyou and Trinity, the following populations will be mandatorily enrolled into Medi-Cal managed care beginning September 1, 2013: Temporary Assistance for Needy Families (TANF), seniors and persons with disabilities (SPDs), dual-eligibles (individuals eligible

for Medicare and Medi-Cal), and the transitioning Healthy Families Program (HFP) population. Beneficiaries receiving Community-Based Adult Services (CBAS) benefits will be enrolled in the COHS, but will continue to receive CBAS benefits through Medi-Cal FFS. The CBAS benefit will convert to a managed care benefit sometime in 2014. Lastly, although dual-eligibles will be enrolled in the COHS, they will only receive Medi-Cal covered services from the COHS and will continue to receive Medicare services from Medicare.

In the remaining 20 rural counties of Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Imperial, Inyo, Mariposa, Mono, Nevada, Placer, Plumas, Sierra, San Benito, Sutter, Tehama, Tuolumne, and Yuba, the transition from FFS to Medi-Cal managed care will begin on November 1, 2013. In these counties, the HFP and the TANF populations will be mandatorily enrolled into Medi-Cal managed care. Dual-Eligibles and SPDs will be voluntary populations; however, SPDs will be mandatorily enrolled into managed care sometime in 2014. Similar to the eight new COHS counties mentioned above, beneficiaries in these counties will initially receive CBAS through Medi-Cal FFS. The CBAS benefit will convert to a managed care benefit sometime in 2014.

Additional information on Medi-Cal managed care expansion activities can be found on the DHCS Medi-Cal Managed Care Expansion Page at this link: http://www.dhcs.ca.gov/provgovpart/Pages/Medi-CalManagedCareExpansion.aspx

C. MEDI-CAL MANAGED CARE DASHBOARD

DHCS is in the process of creating a Medi-Cal managed care dashboard through funding from the California Healthcare Foundation (CHCF). DHCS and CHCF have engaged a vendor, Navigant, to help facilitate the dashboard *development* process. The first internal iteration of the dashboard will be *completed by the end of July* 2013. The dashboard will be used to monitor MCPs to gain a better understanding of what is occurring at individual MCPs, as well as assess the MCPs on a statewide aggregate level. The dashboard will report on measures including enrollment, appeals and grievances, network adequacy, quality *of* care, and financial standing. In addition, the data will include breakouts of subsets of the Medi-Cal population, for example, SPDs and HFP populations. While the initial version will be *completed* in *July* 2013, DHCS intends to continue to expand and evolve the dashboard following completion of the initial version based on stakeholder feedback and an assessment of the initial measures.

A Medi-Cal Managed Care Dashboard Technical Advisory Group (TAG) has been created to ensure that the dashboard reflects stakeholder input. This group is comprised of DHCS and CHCF staff, legislative staff, health plan representatives and a group of key stakeholders representing the broad range of beneficiaries who access care through Medi-Cal managed care. The TAG met *initially via conference call on March 13, 2013,* and again in person *on May 8, 2013. At the on-site meeting, the TAG provided input about which proposed measures to include or exclude from the*

dashboard. The next meeting of the TAG will be held on August 8, 2013, and will be conducted via WebEx.

D. *ENCOUNTER DATA IMPROVEMENT PROJECT*

DHCS initiated the Encounter Data Improvement Project (EDIP) in late 2012 with the goal of improving the current state of DHCS's encounter data as well as establishing policies and procedures to monitor the quality of encounter data submitted by MCPs in the future. In early 2013, EDIP established the Encounter Data Quality Unit (EDQU) within the Medi-Cal Managed Care Division (MMCD), which is primarily responsible for implementing and maintaining the Encounter Data Quality Monitoring and Reporting Plan. EDQU has taken some initial steps towards this end by identifying specific MCPs with missing encounter data and working with them to resolve the deficiencies. EDQU has also started to develop metrics that will objectively measure the quality of MCP submitted encounter data in the dimensions of completeness, timeliness, reasonability and accuracy.

E. REDUCING HOSPITAL READMISSIONS COLLABORATIVE

In July of 2011, DHCS met with MCPs and DHCS's External Quality Review Organization, Health Services Advisory Group, Inc. (HSAG), to begin a new statewide collaborative Quality Improvement Project (QIP). *The All Cause Readmissions (ACR) Collaborative QIP focuses on reducing hospital readmissions due to all causes within 30 days of an inpatient discharge among Medi-Cal managed care beneficiaries.*

Over the next three years *(calendar years (CYs 2013, 2014, and 2015),* the goals of the ACR Collaborative QIP are to: 1) understand the *root causes (barriers)* of why Medi-Cal members 21 years of age and older are readmitted to the hospital, and 2) identify and implement effective strategies to *significantly* reduce hospital readmission rates.

In 2012, MCPs submitted their ACR Collaborative QIP proposals on reduced hospital readmissions, which included their historical CY 2011 data, to MMCD. The MCP proposals were reviewed by MMCD and validated by HSAG. In January and February 2013, all 23 full scope MCPs and one specialty plan participated in individualized technical assistance calls to discuss the required barrier analyses and design interventions with DHCS and HSAG and to receive feedback to optimize their ability to achieve improved outcomes. Six MCPs were required to revise and resubmit their barrier analyses and interventions in May 2013. Follow-up technical assistance calls were held with each of these MCPs between May and the end of June 2013.

HSAG conducted a National Committee for Quality Assurance Healthcare Effectiveness Data and Information Set (HEDIS) Compliance Audit from February to April 2013 of the MCPs' CY 2012 measurement period rates which included the ACR Collaborative QIP outcome measure. All MCPs will submit their ACR QIPs CY 2012 baseline data to HSAG in September 2013.

In June 2013, HSAG submitted an interim report that detailed the activities of the ACR Collaborative through the study design phase of the QIP. Appendix D on page 29 contains a fishbone diagram of potential barriers that could result in a readmission. The report is available at this link: http://www.dhcs.ca.gov/dataandstats/reports/Documents/MMCD_Qual_Rpts/EQRO_QIPs/CA2012-13_QIP_Coll_ACR_Interim_Report_F2.pdf

F. RISK-ADJUSTED CAPITATION RATES

For rate years beginning in State Fiscal Year 2009-10, DHCS implemented risk-adjusted capitation rates for Two-Plan Model and *Geographic Managed Care* MCPs. Capitation rates were risk-adjusted to match each MCP's projected costs to their capitated payments more effectively. To calculate the final capitation rates, the final risk-adjusted scores were applied to the developed county average capitation rates. For the first and second years, risk-adjustments were phased in using a rate comprised of 20 percent risk-adjusted county average rates and 80 percent plan-specific rates. For the third year, risk-adjustments were phased in using a rate comprised of 25 percent risk-adjusted county average rates and 75 percent plan-specific rates. For the fourth year, risk-adjustments are being phased in using a rate comprised of 35 percent risk-adjusted county average rates and 65 percent plan-specific rates.

For rate years in 2013/2014 the county average rate will increase to 40 percent and the plan-specific rate will decrease to 55 percent. A quality factor will be introduced to account for the remaining five percent, to the extent possible, otherwise the remaining five percent will be plan specific.

Rates have been developed to reflect the effects of SB 208 (Steinberg, Chapter 714, Statutes of 2010), AB 97 (Committee on Budget, Chapter 3, Statutes of 2011), SB 335 (Hernandez, Chapter 286, Statutes of 2011), the Patient Protection and Affordable Care Act, and adjustments for the Genetically Handicapped Persons Program, Community Based Adult Services, and HFP. The rates were retroactive back to July 2011.

G. *MEDI-CAL MANAGED CARE PLAN TAXES*

SB 78 (Committee on Budget and Fiscal Review, Chapter 33, Statutes of 2013) reinstated a tax on Medi-Cal managed care organizations for which revenue and General Fund (GF) savings are included in the Budget Act of 2013. SB 78 extended the sunset date for the gross premiums tax (GPT) imposed on MCPs from July 1, 2012, until June 30, 2013, then replaced it with a permanent managed care organization (MCO) tax commencing July 1, 2013.

In 2013-2014 and beyond, the tax will be equal to the state sales and use tax rate (3.9375 percent), half of which will be used to draw down federal Medi-Cal funds and used to pay back MCPs. The other half of these funds will be used to offset GF expenditures for Medi-Cal managed care rates.

H. HEALTHCARE EFFECTIVENESS DATA INFORMATION SET

In April 2013, DHCS released the 2013 annual update to the quality and performance improvement program requirements. The requirements can be found in All Plan Letter 13-005 on the MMCD website at: *http://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL2013/APL13-005.pdf.*

DHCS requested, and is currently in the process of analyzing stakeholder input into the selection of the 2014 HEDIS measures and has begun the annual update of the quality and performance improvement program requirements for 2014.

DHCS is in the process of implementing the Consumer Assessment of Healthcare Providers and Systems survey for 2013. The survey *closed* in May 2013 and the final report with be published in January 2014.

I. HEALTHY FAMILIES PROGRAM TRANSITION

AB 1494 (Committee on Budget, Chapter 28, Statutes of 2012), as amended by AB 1468 (Committee on Budget, Chapter 438, Statutes of 2012), provides for the transition of HFP subscribers to Medi-Cal commencing January 1, 2013. The HFP, administered by the Managed Risk Medical Insurance Board, provides children with health, dental and vision coverage. By the conclusion of 2013, DHCS intends to transition children enrolled in the HFP to the Medi-Cal program under a newly created Targeted Low-Income Children's (TLIC) Program, from which these children will continue to receive their health, dental and vision benefits, as well as mental health and substance use disorder services.

The transition of the HFP children will occur throughout 2013, in four primary phases (see schedule of the four phases below). In the first two phases, HFP children were linked with a MCP that was also the child's HFP health plan, either through direct assignment or assignment to a plan that subcontracted with the MCP. In phase three, children will be given a choice of MCPs available in their county of residence, with the exception of COHS counties where the child will be assigned to the only available MCP, the COHS plan. In phase four, children will be transitioned into MCPs that are implemented pursuant to the Medi-Cal Managed Care Rural County Expansion authorized by AB 1467.

Additionally, effective January 1, 2013, MCPs began servicing newly eligible children under the TLIC Program.

A schedule of the four phases:

Phase 1, Part A: Effective January 1, 2013, children transitioned into Medi-Cal MCPs in the following counties: Alameda, Orange, Riverside, Santa Clara, San Bernardino, San Diego, San Francisco and San Mateo (with the exception of *HFP children in Health Net in San Diego*). This phase included approximately 178,643 children.

Phase 1, Part B: Effective March 1, 2013, children transitioned into Medi-Cal MCPs in the following counties: Contra Costa, Fresno, Kern, Kings, Los Angeles, Madera, Monterey, Napa, Sacramento, Santa Barbara, Santa Cruz, San Luis Obispo, Solano, Sonoma, Tulare, and Yolo (*with the exception of HFP children in Health Net in Kern, Los Angeles, Sacramento and Tulare*). This phase included approximately 92,352 children.

Phase 1, Part C: *Effective* April 1, 2013, children *transitioned* into Medi-Cal MCPs in San Joaquin and Stanislaus counties, and children in Health Net in Kern, Tulare and Sacramento counties transitioned to Medi-Cal MCPs on April 1, 2013. Children in Health Net in Los Angeles and San Diego counties *transition*ed into Medi-Cal MCPs on May 1, 2013. This phase *included* approximately 98,577 children, *of which* approximately 62,557 of those children *transitioned* on May 1, 2013.

Phase 2: *Effective* April 1, 2013, children enrolled in a HFP health plan that was also a subcontractor of a Medi-Cal MCP in the child's county of residence, to the extent possible, *were* enrolled into a MCP that *included* the child's HFP plan. This phase *included* approximately 228,194 children.

Phase 3: Will begin no sooner than August 1, 2013 - children enrolled in a HFP health plan that is not a Medi-Cal MCP, and does not contract or subcontract with a Medi-Cal MCP in the child's county of residence, will be enrolled in a Medi-Cal MCP in that county. Enrollment shall include consideration of the child's primary care providers pursuant to the requirements of state statute. This phase includes approximately *101,837* children.

Phase 4: Will begin no sooner than September 1, 2013 - children residing in a county that is not currently a Medi-Cal managed care county will be transitioned into Medi-Cal MCPs upon the successful completion efforts to expand Medi-Cal managed care statewide. Pursuant to AB 1467, DHCS is in the process of expanding Medi-Cal managed care into the 28 rural counties that do not currently have managed care. *DHCS intends to complete this expansion in the eight northern California counties of Del Norte, Humboldt, Lake, Lassen, Modoc, Shasta, Siskiyou, and Trinity by September 1, 2013. Expansion into the remaining 20 rural counties of Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Imperial, Inyo, Mariposa, Mono, Nevada, Placer, Plumas, Sierra, San Benito, Sutter, Tehama, Tuolumne and Yuba will be complete by November 1, 2013. This phase includes approximately 35,000 children, of which approximately 8,000 children will transition on September 1, 2013 and approximately 27,000 children will transition on November 1, 2013*.

J. STATE PLAN AMENDMENTS AND FEDERAL WAIVERS

On May 5, 2013, DHCS submitted a waiver amendment to CMS titled, "California Bridge to Reform Demonstration (No. 11-W-00193/9) Amendment Medi-Cal Managed Care Rural County Expansion." AB 1467, authorized the expansion of Medi-Cal managed care to Medi-Cal beneficiaries residing in 28 rural California counties. Currently beneficiaries in these counties are receiving their Medi-Cal on a FFS basis. In these counties, Medi-Cal beneficiaries will transition from FFS to Medi-Cal managed care. The waiver Amendment is pending review by CMS.

Nothing to report for State Plan amendments for the April through June 2013 quarter.

Attachment A Medi-Cal Managed Care Division Update of Rural Expansion Dates Managed Care Models and Plans			
County	**Implementation Date**	**Managed Care Model**	**Plan Name(s)**
Del Norte	9/1/2013	County Organized Health System (COHS)	Partnership HealthPlan of California
Humboldt	9/1/2013	COHS	Partnership HealthPlan of California
Lake	9/1/2013	COHS	Partnership HealthPlan of California
Lassen	9/1/2013	COHS	Partnership HealthPlan of California
Modoc	9/1/2013	COHS	Partnership HealthPlan of California
Shasta	9/1/2013	COHS	Partnership HealthPlan of California
Siskiyou	9/1/2013	COHS	Partnership HealthPlan of California
Trinity	9/1/2013	COHS	Partnership HealthPlan of California
Alpine	11/1/2013	Regional Model (RM)	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Amador	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Butte	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Calaveras	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Colusa	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
El Dorado	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Glenn	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Inyo	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Mariposa	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Mono	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Nevada	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Placer	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Plumas	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Sierra	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan

Attachment A Medi-Cal Managed Care Division Update of Rural Expansion Dates Managed Care Models and Plans			
County	**Implementation Date**	**Managed Care Model**	**Plan Name(s)**
Sutter	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Tehama	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Tuolumne	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Yuba	11/1/2013	RM	Anthem Blue Cross Partnership Plan California Health and Wellness Plan
Imperial	11/1/2013	Imperial Model	California Health and Wellness Plan
San Benito	11/1/2013	San Benito Model	Anthem Blue Cross Partnership Plan

Attachment B

Abbreviations and Acronyms

AB	Assembly Bill
ACR	All Cause Hospital Readmissions
CHCF	California Healthcare Foundation
CBAS	Community-Based Adult Services
CMS	Centers for Medicare & Medicaid Services
COHS	County Organized Health System
CY	Calendar year
DHCS	Department of Health Care Services
EDIP	Encounter Data Improvement Project
EDQU	Encounter Data Quality Unit
FFS	Fee-For-Service
GF	General Fund
HEDIS®	Healthcare Effectiveness Data and Information Set
HFP	Healthy Families Program
HSAG	Health Services Advisory Group, Inc.
MCP	Medi-Cal Managed Care Health Plan
MMCD	Medi-Cal Managed Care Division
QIP	Quality Improvement Project
RFA	Request for Application
RM	Regional Models
SB	Senate Bill
SPD	Seniors and Persons with Disabilities
TAG	Technical Advisory Group
TANF	Temporary Assistance for Needy Families
TLIC	Targeted Low-Income Children