

**QUARTERLY UPDATE
TO THE LEGISLATURE
MEDI-CAL MANAGED CARE PROGRAM**

January through March 2010

**Department of Health Care Services
Medi-Cal Managed Care Division**

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I. Purpose of the Update

The Budget Act of 2005 authorized the Department of Health Care Services (DHCS) to expand the Medi-Cal managed care program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma, and Ventura.

In addition, DHCS proposed to convert Fresno County from a Two-Plan model to a Geographic Managed Care (GMC) model. Beginning January 1, 2006, DHCS was required to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS' core activities to improve the Medi-Cal managed care program and to expand into the 13 new counties.

The updates shall include:

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

In response to legislative inquiries on the rate setting methodology, DHCS has incorporated this information into the quarterly update report.

This report is not intended to provide updates relative to the ongoing Section 1115 waiver development authorized under ABx4 6.

II. Key Milestones and Objectives

Collaboration with California HealthCare Foundation

DHCS partnered with the California HealthCare Foundation (CHCF) to develop enhanced performance standards for Medi-Cal managed care health plans' services to persons with disabilities and chronic illnesses. DHCS received CHCF recommendations in a report titled, "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions," on November 21, 2005. DHCS requested comments and input from its contracting health plans regarding these recommendations. DHCS completed an analysis of the 53 recommendations to determine the applicability of the recommendations to the target population, and to assess the feasibility of each recommendation. The CHCF report and DHCS' responses can be found on DHCS' website at:

http://www.dhcs.ca.gov/dataandstats/reports/Pages/CHCFRpt_DHCSRspns.aspx

DHCS is taking a proactive approach toward the development of a care coordination program, and staff continues to work on developing care coordination resources within DHCS. DHCS is working with the Center for Health Care Strategies (CHCS) on the following topics highlighted in the CHCF recommendations.

Member Evaluation Tool

DHCS collaborated with CHCS to develop a screening tool for new members enrolled in Medi-Cal managed care health plans. The tool assists in identifying those members in need of immediate medical evaluation by a primary care provider (PCP) and for referral to medical care coordination. The tool also helps identify members who have access or accommodation issues that affect their ability to seek and obtain health care. DHCS and representatives from several health plans developed a draft tool, which was shared with the Medi-Cal Managed Care Division (MMCD) Advisory Group. DHCS anticipates that this Member Evaluation Tool (MET) will be sent to prospective health plan members along with the enrollment package mailed out by Maximus, the enrollment broker for the Medi-Cal managed care program. DHCS is currently working with Health Care Options (HCO) to finalize, pilot-test, and implement the MET.

Staying Healthy Assessment Tool

The Staying Healthy Assessment (SHA) is an age-specific, behavior risk assessment questionnaire that members complete during the Initial Health Assessment (IHA) provider visit to identify behavior risks (e.g., diet, exercise, safety) that can be modified with appropriate counseling, anticipatory guidance, and/or referral from the medical provider. DHCS worked with a 45-member committee, made up of health plan representatives, including health educators, nurses, and medical directors, to update and revise the SHA. The revised SHA includes three (3) additional age-specific pediatric assessments, and two (2) additional adult assessments. A new senior assessment focuses on screening for behavioral risks associated with aging (e.g., falls, elder abuse, dental problems, nutritional concerns, etc). These new assessment tools will be pilot-tested with providers and members during the summer of 2010. The final assessment tools will be completed and released in the fall of 2010.

Developing policy for care coordination for Seniors and Persons with Disabilities

DHCS and CHCS developed a case management/care coordination survey that was administered to Medi-Cal managed care health plans. DHCS convened a stakeholder case management/care coordination workgroup meeting on January 13, 2009, to present and discuss the CHCS case management/care coordination survey results specific to health plan activities for Seniors and Persons with Disabilities (SPDs). The workgroup developed standard definitions for basic and complex case management. DHCS is currently in the process of drafting a policy letter on case management and care coordination for all Medi-Cal managed care members, including the SPD population. The purpose of the case management and care coordination policy letter is to further clarify health plan responsibilities and to better monitor health plan contract compliance in this

area. This policy letter is expected to be completed and released in the fall of 2010.

Seniors and Persons with Disabilities Provider Training

DHCS has hired a contractor to develop a disability cultural competency and sensitivity training curriculum/manual for training managed care health plan providers. At a minimum, two (2) train-the-trainer workshops will be conducted in California; one (1) each in northern and southern California. The contractor will start the project in April 2010.

General Program Activities

DHCS is currently undertaking or has completed the actions listed below to enhance and improve the Medi-Cal managed care program.

1. DHCS finalized its work with the Department of Developmental Services (DDS), Bay Area Regional Centers, Agnews Developmental Center (Agnews), Alameda Alliance for Health (AAH), Santa Clara Family Health Plan (SCFHP), and Health Plan of San Mateo (HPSM) to complete the transition of approximately 230 patients formerly at Agnews, who required specialized health care, as they moved into community homes. On March 27, 2009, DDS indicated the last Agnews resident had been transitioned into the community and that the facility is now closed. Medi-Cal managed care is a preferred option for these former residents because of their extremely complex and medically fragile health conditions, and their need for intense coordination of services among many agencies and providers to support them in the community. Activities that are still in process include:
 - DHCS continues to work with the health plans on the claims reconciliation process, and to provide clarification on appropriate costs.
 - HPSM and SCFHP have accepted the upper payment limit developed, and agreed to a full-risk rate retroactive back to July 1, 2008, and January 1, 2009, respectively. DHCS continues discussions with AAH regarding a full risk rate. DHCS discussed with CMS the full-risk rates and retroactive reimbursement to the health plans. Although formal approval is pending, CMS' response was positive. DHCS is in the process of incorporating the rates into the health plan contracts for HPSM and SCFHP. Once completed, DHCS will issue recoupment procedures to the plans.
 - DHCS actuaries are reviewing data sources to develop a full-risk capitation rate for 2010, and anticipate having one developed in mid-July 2010.

2. DHCS is conducting outreach and awareness activities to encourage the voluntary enrollment of SPDs, including persons who are disabled as a result of AIDS, into Medi-Cal managed care.

DHCS and the University of California, Berkeley, School of Public Health, Health Research for Action (HRA) continue their joint work on SPD outreach activities. HRA developed a comprehensive SPD guide, "What Are My Medi-Cal Choices?" which was tested in a phone survey and pilot study in Alameda, Riverside, and Sacramento counties in 2008. Initial findings from the studies provided strong evidence that the SPD guide is an effective way to improve beneficiary knowledge, confidence, and intentions about making more informed Medi-Cal choices. Ninety-eight percent of the tested population found the information in the SPD guide to be useful, and eighty-three percent found the guide to be easy to understand. The pilot guide was revised based on findings from these evaluations.

HRA analyzed enrollment data for the six (6) months following the dissemination of the pilot SPD guide and found that beneficiaries in pilot counties were more likely to change to managed care and less likely to change back to Fee-For-Service (FFS). The analysis showed a significant difference between the comparison and pilot counties.

The HRA translated the SPD guide into the remaining threshold languages and it became available online in March 2010. The county-specific information will also be available for managed care counties that do not use the County Organized Health Systems (COHS) model of managed care. DHCS is exploring funding options for on-going printing and dissemination of the SPD guide, including designing and mailing a flyer to SPDs in FFS, encouraging them to call and request a guide for more information about managed care.

The current phase of the project is focusing on developing complementary interventions to enhance outreach efforts to SPDs. HRA is conducting a detailed review of HCO's website to determine its accessibility and usability for Medi-Cal SPD beneficiaries, a phone survey to identify barriers to enrollment, as well as motivators and complementary interventions needed to encourage and facilitate SPDs to enroll in managed care. DHCS anticipates completing both complementary interventions by June 2010.

The SPD guide mentioned above can be found on DHCS' website at: <http://dhcs.ca.gov/MediCalChoices>.

3. DHCS is working collaboratively with the Medi-Cal managed care health plans to reduce avoidable visits to the Emergency Room (ER). An avoidable visit is defined as a visit that could have been more appropriately managed by and/or referred to a PCP in an office or clinic setting. This collaborative will run through October 2011. The health plans implemented health-plan-specific and statewide interventions to improve the continuity of care between the member and PCP to avoid the need for episodic care in the ER. Health plans have worked collaboratively to implement two (2) statewide interventions: a health education campaign and a health plan collaboration with a selected network hospital.

The health education campaign was developed using data extracted from health plan member and provider surveys, and health-plan-specific ER claims data. The health education campaign targets members 1–19 years of age with diagnoses considered as avoidable ER visits, and are limited to Upper Respiratory Infections, Otitis Media, and Acute Pharyngitis. Posters and brochures entitled, “Not Sure It’s An Emergency?” in English and Spanish were designed and distributed to PCP offices. Health plans instructed their providers on how to use the materials to educate patients during an office visit about the appropriate use of the ER.

DHCS and the health plans developed a survey to target PCPs who used the health education campaign materials in order to evaluate the implementation of the campaign. The preliminary analysis of the survey results indicates that 70 percent of provider respondents felt the materials were helpful and 84 percent initiated a discussion with patients about when to use the ER either sometimes, often, or always.

DHCS and the health plans have also developed a member survey to evaluate the impact of campaign materials on members contacting their PCP for advice prior to seeking care in the ER for earaches, sore throats, cough or flu, or when they are not sure when to go to the ER. The member survey implementation will begin in April 2010.

In addition to the health education campaign targeting members seen in PCP offices, health plans have collaborated with selected network hospitals to receive timely information on managed care members seen in the ER. Hospitals send ER data to the health plans or directly to PCPs. The health plans and providers will use this data to develop interventions to reduce avoidable ER visits. As part of the hospital collaboration, health plans developed and agreed on several measures to use in evaluating the collaboration between the health plans and hospitals for the timely exchange of ER data.

4. Starting in March and continuing through May 2010, DHCS is conducting the ***Consumer Assessment of Healthcare Providers and Systems (CAHPS)*** survey for members of all contracted Medi-Cal managed

care plans. This survey measures member satisfaction with the care provided by their personal doctors, including specialists, and the customer service provided by their health plan.

Health Services Advisory Group (HSAG), DHCS' External Quality Review Organization, is administering the CAHPS survey in accordance with specifications established by the National Committee for Quality Assurance. In early March, HSAG mailed over 100,000 surveys in both English and Spanish to a random sample of adults and children enrolled in each health plan. In March and April, the contractor will conduct extensive telephone and mail follow-up to assure a statistically significant response rate.

A summary report of the survey findings is targeted for release in early 2011 and will include information about the survey methodology, demographics of respondents, detailed plan-specific findings, and recommendations for addressing areas where results indicate improvement is needed. HSAG will provide detailed survey results to each plan, and the summary report will be available on the DHCS website at: <http://www.dhcs.ca.gov/dataandstats/reports/Pages/MMCDQualPerfMsrRpts.aspx>.

5. Assembly Bill (AB) 1422 (Chapter 157, Statutes of 2009) added Medi-Cal managed care health plans to the list of insurers subject to California's gross premiums tax, a 2.35 percent tax on health insurance plans serving low-income Californians. The proceeds from this tax will be appropriated to DHCS for the Medi-Cal managed care program and to the Managed Risk Medical Insurance Board (MRMIB) for the Healthy Families Program (HFP). The bill also increases premiums paid by HFP enrollees, and allows the California Children and Families Commission (CCFC) to transfer monies among its various funds. The bill took effect retroactively to January 1, 2009, and will sunset January 1, 2011. DHCS is proposing trailer bill language to extend the sunset date to June 30, 2011.

Specifically, the State will collect this Managed Care Organization tax totaling approximately \$156 million annually from managed care health plans and then divide the funds as follows:

- 38.41 percent of the tax funds (approximately \$60 million annually) will be allocated to the General Fund (GF) for associated managed care rate increases, and the remaining 61.59 percent of the managed care increases will be funded by Federal Financial Participation (FFP).
- 61.59 percent of the tax funds (approximately \$96 million), will be allocated as the GF portion of HFP payments. Because HFP is reimbursed by the federal government at a 65 percent federal medical assistance percentage (FMAP), this will result in an additional 65 percent in FFP to HFP (\$178 million).

The net result is that the tax funds collected will be used to reimburse the State for the GF portions of managed care rate increases and HFP payments. FFP will be drawn down to fully reimburse the managed care health plans and provide the federal funding to HFP. The managed care health plans will be fully reimbursed for the taxes paid, and the State will be reimbursed for all GF expenditures related to passage of this bill.

The requirements of AB 1422 have been implemented by DHCS working jointly with the California Department of Insurance, the State Controller's Office, and the Board of Equalization.

6. For rate years beginning in 2009/10, DHCS implemented maternity supplemental payments and risk adjusted capitation rates for health plans contracting in the Two-Plan Model and GMC counties. The maternity supplemental payments are in addition to the health plan's monthly capitation payment and are paid based on the health plan's reporting of a delivery event.

Capitation rates are risk adjusted to better reflect the match of a plan's expected costs to compensation. Capitation rates were risk adjusted in the Family/Adult and Aged/Disabled/Medi-Cal Only Categories of Aid (COA). Rates for other COAs were not risk adjusted.

The Medicaid Rx model developed by researchers at UC San Diego was selected to be used for risk adjusting capitation rates. The model utilizes pharmacy data to classify individuals into disease conditions in order to measure a population's anticipated health risk. There were some adjustments made to the model to better match California's managed care population.

To ensure that the risk adjustment application would not result in unintended reductions or increases in total capitation payments, the raw health plan risk scores were adjusted by the population's (i.e., county's) average risk score. This produces the health plans' relative risk scores. The intent of this adjustment is to recalibrate the plans' risk scores to maintain the budget neutrality of the managed care program. To calculate the population average used within the budget neutrality calculation, each health plan's raw score was weighted by the number of total enrolled members, including scored and unscored recipients. Budget neutrality calculations were performed separately for each county and each risk adjustment rating category.

To calculate the final capitation rates, the final adjusted risk scores are applied to the developed county average capitation rates. For the first year, risk adjustment was phased in utilizing a rate blending 20 percent of the risk adjusted county average rates and 80 percent of the "plan specific" rates.

III. State Plan Amendments

- MMCD did not submit any SPAs for the Medi-Cal managed care program during the January through March 2010 quarter.

IV. Federal Waivers

- On October 21, 2009, DHCS submitted a modification to CMS for the HPSM waiver to include long term care as a covered service. CMS approved the waiver modification on January 7, 2010, with an effective date of February 1, 2010.
- On March 21, 2010, DHCS submitted a modification to CMS for the HPSM waiver to include coverage of Child Health and Disability Prevention services and pharmacy and laboratory mental health services beginning July 1, 2010. HPSM will assume the responsibility of coordinating care and claims payment for these services.

V. Key Activities on Medi-Cal Managed Care Expansion

Information to Health Plans and Expansion Counties

DHCS provides expansion updates to health plans on a quarterly basis through meetings with health plan Chief Executive Officers and Medical Directors. DHCS provides similar updates to the MMCD Advisory Group.

Interactions with Expansion Counties

Eleven of the 13 expansion counties and Fresno County, an existing managed care county affected by the current expansion efforts, have endorsed a managed care model believed to best suit the needs of each county. In the spring of 2008 DHCS determined that the timing was not optimal to continue expansion efforts in four (4) counties: Imperial, San Benito, Marin, and El Dorado, and removed them from the list of expansion counties. DHCS determined that Imperial, San Benito, and El Dorado Counties were not ready for expansion based on consultation with the counties and local stakeholders. Partnership Healthplan of California (PHC) was planning to expand its COHS into Marin County in 2008, but determined that it was not able to do so using DHCS's proposed capitation rates, which by law could not exceed what would have been paid under the Medi-Cal FFS delivery system. However, PHC and Marin County have expressed renewed interest in managed care, and a new implementation date is being established. With the removal of Imperial, San Benito, and El Dorado counties, the table in Attachment 1 provides the current status of each of the ten remaining expansion counties and Fresno.

Recent developments are summarized as follows:

- The Medi-Cal managed care expansion into Placer County is on hold due to two (2) of the three (3) health plans being unable to participate. Notices were mailed in May 2009, informing beneficiaries that, at this time, Medi-Cal managed care will not be offered in Placer County.
- Sonoma County partnered with an existing COHS health plan, PHC. Implementation was completed on October 1, 2009.
- PHC's expansion into Lake and Mendocino counties is currently in the process of being established. In addition, PHC and Marin County have renewed their interest in managed care and an implementation date is being established.
- Merced County partnered with an existing COHS health plan, Central Coast Alliance for Health, which was recently renamed Central California Alliance for Health, effective July 1, 2009. Implementation was completed on October 1, 2009.
- Expansion into Ventura County was scheduled for October 2010. In June 2009, the Ventura County Board of Supervisors (BOS) authorized the Ventura County Public Health Department to take steps toward the development of a COHS, and to return to the BOS for final approval. On December 29, 2009, the BOS approved the establishment of the Ventura County Medi-Cal Managed Care Commission as the COHS for Ventura County. Ventura County implemented the Commission on March 16, 2010. On April 29, 2010, DHCS received a letter from the Ventura Commission stating the intent of the health plan to commence operations six to nine months from the date the capitation rates are finalized and received by DHCS. DHCS projects furnishing the capitation rates to the Ventura County Medi-Cal Managed Care Commission in July 2010, and as a result, the October 1, 2010, implementation date is not feasible for the Commission. DHCS continues to work with Ventura County representatives on a revised timeline for this expansion.
- DHCS continues to work with representatives from Fresno, Kings, and Madera counties in an effort to establish a Regional Two-Plan Local Initiative (LI). The counties established a Commission to serve as the LI with representation from each of the counties. The LI has a contract with Health Net to act as their administrative services partner and as an HMO providing services directly to members enrolled with the LI. DHCS and the counties have established October 1, 2010, as an implementation date. DHCS released a Request for Proposal on June 17, 2009, to procure a Commercial Plan (CP) contractor for this region. On December 10, 2009, DHCS announced the Notice of Intent to Award Anthem Blue Cross Partnership Plan (Anthem) as the CP for these

counties. No appeals were filed and the contract was officially awarded to Anthem on December 21, 2009. DHCS continues to work with Anthem and the LI in preparation for October 1, 2010, implementation.

**Attachment 1
Medi-Cal Managed Care Division (MMCD)
Update of Expansion Implementation Dates
and Managed Care Models**

County	Original Implementation Date	Revised Implementation Date	Managed Care Model
Placer	3/01/07	On hold	GMC
Fresno	10/1/07	10/01/2010	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	10/01/2010	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	10/01/2010	Tri-County Regional Two-Plan (with Fresno and Kings)
Marin	4/01/08	Being Re-established	COHS Joining Partnership Health Plan of California
Merced	10/1/07	10/01/2009 (Completed)	COHS Joining Central California Alliance for Health
Lake	4/01/08	In the process of establishing a new date	COHS Joining Partnership HealthPlan of California
Mendocino	4/01/08	In the process of establishing a new date	COHS Joining Partnership HealthPlan of California
San Luis Obispo	4/01/08	03/01/2008 (Completed)	COHS Joined Santa Barbara Regional Health Authority (dba CenCal Health)
Sonoma	4/01/08	10/01/2009 (Completed)	COHS Joining Partnership HealthPlan
Ventura	4/01/08	1/01/2011	COHS Will become its own COHS

GMC = Geographic Managed Care
COHS = County Organized Health System