



**QUARTERLY UPDATE
TO THE LEGISLATURE**

MEDI-CAL MANAGED CARE PROGRAM

April through June 2011

**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.

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 Centers for Medicare and Medicaid Services (CMS);
- Submittal of any federal waiver documents; and
- Applicable key functions related to the effort to expand the Medi-Cal Managed Care Program.

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

II. Key Milestones and Objectives

Collaboration with California HealthCare Foundation

DHCS collaborated with the California Health Care Foundation (CHCF) to develop enhanced performance standards for services provided to persons with disabilities and chronic illnesses through Medi-Cal managed care health plans. On November 21, 2005, DHCS received 53 CHCF recommendations in a report titled "Performance Standards for Medi-Cal Managed Care Organizations Serving People with Disabilities and Chronic Conditions." To determine the applicability of the recommendations to the target population and to assess the feasibility of each recommendation, DHCS conducted an analysis of the 53 recommendations, which included obtaining comments and input from its contracting health plans. The CHCF report and DHCS' responses are available 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 its staff continues to work toward developing care coordination resources.

DHCS is collaborating with California for Health Care Strategies (CHCS) on the following topics highlighted in the CHCF recommendations:

Health Information Form

DHCS collaborated with CHCS to develop a screening tool for new members enrolled in Medi-Cal managed care health plans. This tool, the Health Information Form (HIF), is designed to assist in the identification of members in need of immediate medical evaluations by a Primary Care Provider (PCP) and to assist in referrals to medical care coordination. The HIF also helps identify members who have access or accommodation issues that affect their ability to seek and obtain health care. The HIF is included in the choice form packet for all new enrollees of Medi-Cal managed care health plans, including Seniors and Persons with Disabilities (SPDs).

DHCS transmits all information obtained through the HIF to a beneficiary's health plan choice through a secured File Transfer Protocol (FTP) website. May 1, 2011 through June 30, 2011, DHCS received 42,035 HIFs out of 285,176 mailed to new managed care enrollees.

Staying Healthy Assessment Tool

The Medi-Cal Managed Care Division (MMCD) in conjunction with health plan representatives developed an initial Staying Healthy Assessment (SHA) in 1999. This SHA consists of four pediatric risk assessments and one adult behavioral risk assessment questionnaire that health plan enrollees complete during the Initial Health Assessment (IHA) office visit. Each age-specific questionnaire identifies modifiable behavioral risks such as diet, exercise and safety that medical providers can address with appropriate counseling, anticipatory guidance, and/or referral. MMCD continues to work with a committee, comprised of health educators, nurses, and medical directors to update and revise the SHA. DHCS is currently finalizing an updated version of the SHA that will consist of seven pediatric and two adult questionnaires, including a new senior assessment questionnaire focusing on screening for behavioral risks associated with aging.

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 to present and discuss the CHCS case management/care coordination survey results specific to health plan activities for SPDs.

The workgroup developed standard definitions for basic and complex case management. These definitions, together with new case management and care coordination requirements contained in Senate Bill (SB) 208 (Chapter 714, Statutes of 2010) and the Section 1115 Demonstration Waiver titled "California's Bridge to Reform," were incorporated into health plan contract language.

Seniors and Persons with Disabilities Provider Training

DHCS contracted with Western University of Health Science to develop a disability cultural competency and sensitivity training curriculum/manual for use by contracted health plans in training Medi-Cal providers and staff as well as relevant health plan staff. The Western University of Health Science conducted two train-the-trainers workshops. One was held in Oakland on January 19-20, 2011, and the other was in Los Angeles on January 26-27, 2011. These workshops provided health plan staff with the necessary training and tools to conduct future health plan sensitivity training sessions.

Subsequent to these training sessions, DHCS conducted SPDs sensitivity training to Health Care Options (HCO), Maximus and internal DHCS staff. On May 12, 2011, MMCD provided health plans with MMCD All Plan Letter (APL) 11-010 to provide health plans with guidance on the SPDs sensitivity training requirements.

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 residing at Agnews, who required specialized health care as they moved into community homes. On March 27, 2009, DDS indicated that the last Agnews resident had transitioned into the community and that the facility had closed. Medi-Cal managed care remains 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 still in process include:
 - DHCS continues to work with the health plans on the claims reconciliation process and to provide clarification on appropriate costs. The six-month semi-annual reconciliation reports will be reconciled with the health plans for the periods prior to the plans accepting the full-risk capitation rate. MMCD requested updated enrollment from the health plans involved in order to finalize the semi-annual reconciliation reports. HPSM's reports will be reconciled for the period of July 1, 2007 through June 30, 2008. SCFHP's reports will be reconciled for the period of July 1, 2007 through December 31, 2008.
 - SCFHP and HPSM accepted the upper payment limit and agreed to a full-risk rate retroactive to January 1, 2008 and July 1, 2008, respectively. DHCS incorporated the rates into the health plan contracts for SCFHP and HPSM and will issue recoupment procedures to the health plans. On January 6, 2011,

DHCS received the final approval of the contracts from CMS (approval letter from CMS dated December 22, 2010).

- In June 2011, AAH accepted a full-risk capitation rate retroactive to January 1, 2008. DHCS incorporated the rates into a contract change order (pending CMS approval) and will issue recoupment procedures to the health plan.
2. DHCS is working collaboratively with the Medi-Cal managed care health plans to reduce avoidable visits to the Emergency Room (ER). An avoidable ER visit is a visit that is more appropriately managed by and/or referred to a PCP through an office or clinic setting. This collaborative effort will run through October 2011. To avoid the need for episodic care in the ER, the health plans implemented health plan specific and statewide interventions to improve the continuity of care between the member and PCP. Health plans have worked collaboratively to implement two 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 surveys of health plan members and providers, and health plan specific ER claims. The health education campaign targets members from one to 19 years of age with diagnoses that should not have required ER visits; these diagnoses are limited to upper respiratory infections, otitis media, and acute pharyngitis. Posters and brochures titled, "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 office visits on the appropriate use of the ER.

In addition to the health education campaign targeting members seen in PCP offices, health plans 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 use this data to develop interventions to reduce avoidable ER visits. Interventions were rolled out in May 2009. Member and provider surveys were administered during calendar year (CY) 2010 to assess the effectiveness of the collaborative interventions. Survey results indicated that providers discussed avoidable ER use with their patients and found the health education materials helpful when talking with their patients. Member survey results revealed that those members who read the health education materials reported that they reconsidered using the ER for avoidable conditions.

Baseline (August 2008), Interim (2008-2009), and CY 2008 ER reports published by the External Quality Review Organization (EQRO) are available on the MMCD website at:

<http://www.dhcs.ca.gov/dataandstats/reports/Pages/MMCDQualPerfMsRpts.aspx>

The most recently released report for CY 2008, released in November 2010, showed county-level rates for avoidable ER visits decreased in 34 percent of the counties and increased in 66 percent of the counties.

CY 2009 ER collaborative reports are scheduled for release by the EQRO in the summer of 2011. MMCD is reviewing CY 2009 plan-specific reports to determine the status of interventions, hospital collaboration results, and challenges encountered during CY 2009. The health plans CY 2010 reports, which are due to MMCD in October 2011, will be the final reports due for this collaborative. An analysis of CY 2008 data combined with CY 2009 and CY 2010 data will provide sufficient information to identify patterns of success and interventions that had significant impact on reducing avoidable ER visits.

3. 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, or Managed Care Organization (MCO) tax, a 2.35 percent tax on health insurance plans serving low-income Californians. The proceeds from this tax are 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 increases premiums paid by HFP enrollees, and allows the California Children and Families Commission (CCFC) to transfer monies among its various funds.

The California Department of Insurance collects the MCO tax, which is based on the taxes collected from the Medi-Cal managed care plans, totaling approximately \$225 million annually. These funds are distributed according to the Federal Medical Assistance Percentage (FMAP) applicable under the American Recovery and Reinvestment Act of 2009 (ARRA) for each fiscal quarter, as shown in the following table:

STATE	ARRA FMAP PROXY FOR Quarter 1 Fiscal Year (FY) 2011	ARRA FMAP PROXY FOR Quarter 2 FY 2011	ARRA FMAP PROXY FOR Quarter 3 FY 2011
MRMIB (at FMAP)	61.59%	58.77%	56.88%
DHCS (100% - FMAP)	38.41%	41.23%	43.12%

The tax funds collected are then utilized to reimburse DHCS for the General Fund (GF) portions of managed care rate increases and HFP payments. Federal Financial Participation (FFP) is drawn down to fully reimburse the managed care health plans and provides the federal funding to HFP. The managed care health plans are fully reimbursed for the taxes paid and DHCS is reimbursed for all GF expenditures related to passage of this bill.

The bill took effect retroactively to January 1, 2009. SB 208, (Chapter 714, Statutes of 2010), extended the sunset date of AB 1422 from January 1, 2011 to June 30,

2011. State Budget trailer bills ABx1 21 and SBx1 9, if enacted, will extend the sunset date from June 30, 2011 to January 1, 2013.

4. For rate years beginning in State FY 2009-10, DHCS implemented maternity supplemental payments and risk-adjusted capitation rates for health plans contracting in counties that provide health care under the Two-Plan Model (TPM) and Geographic Managed Care (GMC) model of managed care. The maternity supplemental payments to health plans were in addition to monthly capitated payments and were based on health plan reports of delivery events.

Capitation rates were risk-adjusted to match each health plan's projected costs to their capitated payments more effectively. Medi-Cal beneficiaries were eligible for services according to specific Categories of Aid (COA). Each COA implied a different amount of financial risk. Capitated rates for managed care health plans were risk-adjusted for members who were enrolled under the Family/Adult COA and the Aged/Disabled/Medi-Cal Only COA. Rates for other COAs were not risk-adjusted.

The Medicaid RX model, developed by researchers at UC San Diego, was selected for risk-adjusting capitation rates. This model uses pharmacy data to classify individuals by diagnosis categories in order to measure a population's anticipated health risk. Additional adjustments were made to the Medicaid RX model to better match risk to California's managed care population.

To ensure that the application of the risk-adjustment would not result in unintended reductions or increases in total capitation payments, the raw health plan risk scores were adjusted by the average risk score of each county's population. This produced the health plan relative risk score. The intent of this adjustment was to recalibrate the risk score to maintain the budget neutrality of the managed care program. To calculate the population average within the budget neutrality calculation, each health plan's raw score was weighted by the total number of enrolled members, including scored and unscored health plan enrollees. 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 were applied to the developed county average capitation rates. For the first and second years, risk adjustment was phased in using a rate comprised of 20 percent risk-adjusted county average rates and 80 percent health plan-specific rates.

III. State Plan Amendments

Effective November 1, 2010, CMS approved the transition of MMCD's federal 1915(b) waivers and the Medicaid populations covered under these waivers to the operating authority of DHCS's Section 1115 Demonstration Waiver titled "California's Bridge to Reform."

As part of the requirements for the Section 1115 Demonstration Waiver Program, DHCS is required to submit a legislative report to the fiscal and policy committees of the Legislature on a semi-annual basis. Beginning January 1, 2011, and ending January 1, 2014, MMCD began submitting semi-annual updates to the Legislature regarding its activities within the Demonstration Waiver Program in a report titled "Mandatory Enrollment of Seniors and Persons with Disabilities into Med-Cal Managed Care." These semi-annual updates include key milestones, progress toward the objectives of the program, relevant or necessary changes to the program, submittal of SPAs to CMS, submittal of any federal waiver documents, and other key activities.

Since all of MMCD's previous 1915(b) waivers were incorporated into DHCS's Section 1115 Demonstration Waiver, updates regarding MMCD SPAs and federal waivers will now be included in the Demonstration Waiver's semi-annual legislative report until otherwise notified.

IV. Federal Waivers

See semi-annual report titled "Mandatory Enrollment of Seniors and Persons with Disabilities into Med-Cal Managed Care" for updates on MMCD federal waiver activity.

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

Ten of the original 13 expansion counties, including Fresno County, that were affected by the legislative expansion efforts, endorsed a managed care model believed to best suit the needs of each county. In spring 2008, DHCS determined that the timing was not optimal to continue expansion efforts in three counties: Imperial, San Benito, and El Dorado. DHCS determined that Imperial, San Benito, and El Dorado Counties were not ready for expansion based on consultation with the counties and local stakeholders. Therefore, these three counties were removed from the list of expansion counties. Additionally, in May 2009, Placer County was removed since two of the three interested health plans were unable to participate. With the removal of Imperial, San Benito, El Dorado, and Placer counties, the table in Attachment 1 provides the status of each of the ten remaining counties.

Recent developments include:

- Partnership HealthPlan of California (PHC) will expand its operations into both Marin and Mendocino counties July 1, 2011 under the County Organized Health Systems (COHS) model.
- The Gold Coast Health Plan (named by the Ventura County Managed Care Commission), will implement a new COHS health plan in Ventura County on July 1, 2011.
- PHC continues discussions with DHCS regarding expansion into Lake County. With the two expansions for PHC scheduled for Marin and Mendocino on July 1, 2011, and the expansion into Sonoma County on October 1, 2009, PHC requested time to stabilize operations before taking on another expansion effort. Therefore, the Lake County expansion is on hold and a revised expansion date is yet to be determined.

**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
Fresno	10/1/07	3/1/2011 (Completed)	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	3/1/2011 (Completed)	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	3/1/2011 (Completed)	Tri-County Regional Two-Plan (with Fresno and Kings)
Marin	4/01/08	7/1/2011	COHS Joining Partnership Health Plan of California
Merced	10/1/07	10/01/2009 (Completed)	COHS Joined Central California Alliance for Health
Lake	4/01/08	To Be Determined	COHS Joining Partnership HealthPlan of California
Mendocino	4/01/08	7/1/2011	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 Joined Partnership HealthPlan
Ventura	4/01/08	7/1/2011	COHS Gold Coast Health Plan (New COHS plan)

GMC = Geographic Managed Care
COHS = County Organized Health System

Attachment 2

Abbreviations and Acronyms

AAH	Alameda Alliance for Health
AB	Assembly Bill
ABX	Assembly Bill, Extraordinary Session
Agnews	Agnews Developmental Center
APL	All Plan Letter
ARRA	American Recovery and Reinvestment Act of 2009
CCFC	California Children and Families Commission
CHCF	California Health Care Foundation
CHCS	Center for Health Care Strategies
CMS	Centers for Medicare and Medicaid Services
COA	Categories Of Aid – Medi-Cal Eligibility Category
COHS	County-Operated Health System (Model of Medi-Cal managed care)
CY	Calendar Year
DDS	Department of Developmental Services
DHCS	Department of Health Care Services
EQRO	External Quality Review Organization
ER	Emergency Room
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
FTP	File Transfer Protocol
FY	Fiscal Year
GF	General Fund
GMC	Geographic Managed Care (Model of Medi-Cal managed care)
HCO	Health Care Options
HFP	Healthy Families Program
HIF	Health Information Form
HPSM	Health Plan of San Mateo
IHA	Initial Health Assessment
MCO	Managed Care Organization
MMCD	Medi-Cal Managed Care Division
MRMIB	Managed Risk Medical Insurance Board
PHC	Partnership HealthPlan of California
PCP	Primary Care Provider
SB	Senate Bill

SCFHP	Santa Clara Family Health Plan
SHA	Staying Healthy Assessment
SPAs	State Plan Amendments
SPDs	Seniors and Persons with Disabilities
TPM	Two-Plan Model (Model of Medi-Cal managed care)