



**QUARTERLY UPDATE
TO THE LEGISLATURE**

MEDI-CAL MANAGED CARE PROGRAM

October through December 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.

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 has 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. 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 received 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 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 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.

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, in collaboration with Health Care Options (HCO), has completed the Member Evaluation Tool (MET), which 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. The MET will be incorporated into the choice form packet beginning March 20, 2011, for all new enrollees of Medi-Cal managed care plans, including newly enrolled Seniors and Persons with Disabilities (SPDs) which will begin enrollment starting June 1, 2011.

Staying Healthy Assessment Tool

MMCD and health plan representatives first developed the Staying Healthy Assessment (SHA) in 1999. The current 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 (e.g., diet, exercise, safety) that medical providers can address with appropriate counseling, anticipatory guidance, and/or referral. MMCD continues to work with a 45-member committee, made up of health educators, nurses, and medical directors to update and revise the SHA. The revised SHA will consist of seven pediatric and three adult questionnaires. A new senior assessment questionnaire will focus on screening for behavioral risks associated with aging (e.g., falls, elder abuse, dental issues and nutritional concerns). Testing of the new SHA tools with providers and members began in Winter 2010. DHCS anticipates that testing and preparation of the final draft will be complete in Spring 2011.

Developing Policy for Care Coordination for Seniors and Persons with Disabilities

DHCS and CHCS developed a case management/care coordination survey that was completed by 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 (Steinberg, Chapter 714, Statutes of 2010) and the Section 1115 Demonstration Waiver titled "California's Bridge to Reform," have been incorporated into revised contract language.

Seniors and Persons with Disabilities Provider Training

DHCS has contracted with Western University of Health Science to develop a disability cultural competency and sensitivity training curriculum/manual for use in training Medi-Cal providers that are under contract with managed care health plans. Two train-the-

trainers workshops are scheduled for 2011: one in Northern California and one in Southern California. The Northern California training will be held January 19 and 20, 2011, in Oakland, and the Southern California training will be held in Los Angeles on January 26 and 27, 2011.

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 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 semiannual reconciliation reports will be reconciled with the health plans for the periods prior to the plans accepting the full-risk capitation rate. 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. MMCD is still negotiating with AAH regarding the date the full-risk rate will be implemented.

- HPSM and SCFHP have accepted the upper payment limit and agreed to a full-risk rate retroactive to July 1, 2008, and January 1, 2008, respectively. DHCS has incorporated the rates into the health plan contracts for HPSM and SCFHP and will issue recoupment procedures to the health plans.
- DHCS continues discussions with AAH regarding a full-risk rate. MMCD's efforts to reconcile information provided by AAH have resulted in concerns with the reconciliation data provided by the health plan. Specifically, MMCD identified administrative costs in the AAH data that had already been paid for under the health plan's primary capitation rate resulting in overpayments to the health plan. AAH acknowledged that the excessive amount would need to be recovered by MMCD. MMCD adjusted the interim payment amount effective July 1, 2010, and will continue to work with AAH on negotiating for a full-risk rate. MMCD anticipates that an agreement will be reached during the first quarter of 2011.

- DHCS actuaries developed a full-risk capitation rate for all three health plans and the rates have been sent to CMS for final approval.
2. As required by ABX3 5 (Evans, Chapter 20, Statutes of 2009), effective July 1, 2009, DHCS discontinued the optional Medi-Cal optometry services for adults 21 years of age or older, excluding pregnant women and beneficiaries in nursing facilities. On July 1, 2010, DHCS reinstated optometry services retroactive to July 2009 to comply with federal law, which prohibits the elimination of optometrist services if physicians could still provide them and the State previously funded these services. All Plan Letter (APL) 10-010, dated July 15, 2010, provides updated information about the reinstatement of these services. This APL can be found on DHCS' website at:

<http://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL2010/APL10-010.pdf>

To facilitate a definitive response to the federal policy, DHCS is performing a legal review to determine what steps may be necessary to reinstate the discontinuance of optional optometry services while continuing to comply with the intent of the State Legislature.

3. 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 could have been more appropriately managed by and/or referred to a PCP in an office or clinic setting. This collaborative effort 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 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. DHCS and the health plans developed a member survey to evaluate the impact of campaign materials on members contacting their PCPs for advice prior to seeking care in the ER for earaches, sore throats, cough or flu, or when they are not sure when to visit the ER. The member survey was implemented in April 2010 and completed in August 2010. A total of 875 members responded to the survey from 21 counties, and an analysis of the survey results was completed. Survey limitations resulted in unreliable responses to questions concerning receipt of the campaign materials and the physician's explanation of when to visit the ER. These limitations

included the extended length of time that lapsed between when the member received the campaign materials and when they completed the survey. However, member responses assessing their intent to call their doctor or nurse advice line when they are not sure when to visit the ER revealed the following:

- 88.2 percent of members would call their doctor or nurse advice line when they are not sure when to visit the ER; and
- 90.0 percent of members would call their doctor or nurse advice line if worried about their child’s earache, sore throat, cough, cold or flu.

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 use this data to develop interventions to reduce avoidable ER visits. Health plans submitted an analysis of their hospitals collaborative efforts for calendar year 2009 on October 29, 2010. MMCD is currently reviewing the health plans’ submissions.

4. AB 1422 (Bass, 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 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 to transfer monies among its various funds.

DHCS collects the managed care organization tax, totaling approximately \$251 million annually from managed care health plans. These funds are then 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 Q1 Fiscal Year (FY) 2011	ARRA FMAP PROXY FOR Q2 FY 2011	ARRA FMAP PROXY FOR Q3 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 used to reimburse DHCS for the General Fund (GF) portions of managed care rate increases and HFP payments. Federal financial participation 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. State Budget trailer bill SB 208 (Steinberg, Chapter 714, Statutes of 2010) extended the sunset date of AB 1422 from January 1, 2011 to June 30, 2011. 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.

5. 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 managed care under the Two-Plan Model (TPM) and Geographic Managed Care (GMC) models. 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 are risk-adjusted to match each health plan's projected costs to their capitated payments more effectively. Medi-Cal beneficiaries are eligible for services according to specific categories of aid (COA or aid codes). Each COA implies a different amount of financial risk. Capitated rates for managed care health plans were risk-adjusted for their 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 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 plans' relative risk scores. The intent of this adjustment was to recalibrate the health 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 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 year, 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

On September 22, 2010, CMS approved a waiver modification to MMCD's 1915(b) California Children's Services (CCS)/Dental waiver that included a waiver name change from the CCS/Dental waiver to the Two-Plan/GMC waiver, as well as the transition of populations covered under State Plan operating authority to that of 1915(b) federal waiver authority. On November 2, 2010, CMS approved the transition of all MMCD's federal 1915(b) waivers and the Medicaid populations covered under these waivers to the operating authority of DHCS' Section 1115 Demonstration Waiver titled "California's Bridge to Reform."

Due to the incorporation of MMCD's federal 1915(b) waivers into the Section 1115 Demonstration Waiver, State Plan operating authority for the Medi-Cal Managed Care program was no longer necessary. Therefore, on November 15, 2010, DHCS submitted SPA #10-006 to CMS for review and approval to facilitate the deletion of MMCD's Attachment 3.1-F from the State Plan.

IV. Federal Waivers

Prior to approval of the Section 1115 Demonstration Waiver, DHCS operated its managed care programs under the authority of Section 1915(b) of the Social Security Act through four separate federal 1915(b) waivers. Those waivers were titled:

1. Health Plan of San Mateo
2. Santa Barbara San Luis Obispo Regional Health Authority
3. Health Insuring Organizations
4. Two-Plan/GMC Managed Care

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 semiannual basis. Beginning January 1, 2011, and ending January 1, 2014, MMCD will be submitting semiannual updates 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 semiannual updates will 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 1915(b) waivers were incorporated into the Section 1115 Demonstration Waiver, updates regarding SPAs and federal waivers will now be included in the demonstration waiver's semiannual legislative report until otherwise notified.

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, which is 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 Spring 2008, DHCS determined that the timing was not optimal to continue expansion efforts in three counties: Imperial, San Benito, and El Dorado. These counties were subsequently removed 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. With the removal of Imperial, San Benito, and El Dorado counties, the table in Attachment 1 provides the status of each of the ten remaining expansion counties and Fresno.

Recent developments include:

- The expansion of the Medi-Cal Managed Care program into Placer County is on hold because two of the three health plans were unable to participate. Notices were mailed to Placer County beneficiaries in May 2009, informing them that Medi-Cal managed care will not be offered in Placer County at this time.
- Expansion into Ventura County is currently scheduled for May 1, 2011. The Ventura County Managed Care Commission voted to name its new county organized health system health plan the Gold Coast Health Plan and began working with DHCS to submit deliverables, discuss rates, and provide assurances to DHCS regarding the health plan's ability to operate by the scheduled expansion date.
- Partnership HealthPlan of California's expansion into Marin and Mendocino counties is now scheduled for implementation on July 1, 2011.
- DHCS is finalizing work to establish a Regional TPM in Fresno, Kings, and Madera Counties. The three counties established a Commission to serve as the Local Initiative (LI) with representation from each of the counties. The LI has a contract with Health Net to act as its administrative services partner and as a Health Maintenance Organization providing services directly to members enrolled with the LI. The LI will be operating under the name CalViva Health. DHCS originally established October 1, 2010, as the implementation date, but unforeseen circumstances, such as a delay in obtaining a Knox-Keene license from the Department of Managed Health Care, delayed the start date. Although CalViva Health obtained their Knox-Keene license on December 30, 2010, the implementation date has been changed to March 1, 2011, to allow for the timely notification to the affected beneficiaries in the expansion counties. Anthem Blue Cross was awarded a contract through a DHCS Request for Proposal and will begin providing services as the Commercial Plan on March 1, 2011.

**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	3/1/2011	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	3/1/2011	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	3/1/2011	Tri-County Regional Two-Plan (with Fresno and Kings)
Marin	4/01/08	7/1/2011	COHS Joining Partnership HealthPlan of California
Merced	10/1/07	10/01/2009 (Completed)	COHS Joining 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 Joining Partnership HealthPlan
Ventura	4/01/08	5/1/2011	COHS Will become its own COHS

GMC = Geographic Managed Care
COHS = County Organized Health System

Attachment 2

Abbreviations and Acronyms

AAH	Alameda Alliance for Health
AB	Assembly Bill
Agnews	Agnews Developmental Center
APL	All Plan Letter
ARRA	American Recovery and Reinvestment Act of 2009
CCS	California Children's Services
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
DDS	Department of Developmental Services
DHCS	Department of Health Care Services
ER	Emergency Room
FFP	Federal Financial Participation
FMAP	Federal Medical Assistance Percentage
FY	Fiscal Year
GF	General Fund
GMC	Geographic Managed Care (Model of Medi-Cal managed care)
HCO	Health Care Options
HFP	Healthy Families Program
HPSM	Health Plan of San Mateo
IHA	Initial Health Assessment
LI	Local Initiative
MET	Member Evaluation Tool
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)