

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

April through June 2010

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

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Attachment 1: Timeline for Managed Care Expansion

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's 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's responses can be found on DHCS's 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) was first developed by MMCD and health plan representatives in 1999. The current SHA consists of four pediatric risk assessments and one adult behavioral risk assessment questionnaire that Members complete during the Initial Health Assessment (IHA) office visit. Each age specific questionnaire identifies modifiable behavioral risks (e.g., diet, exercise, safety, etc.) that medical providers can address with appropriate counseling, anticipatory guidance, and/or referral. MMCD is working with a 45-member committee, made up of health plan 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, nutritional concerns, etc). These new SHA tools will be pilot-tested with providers and Members during the summer/fall 2010 and completed in the fall/winter 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 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 to clarify the health plan responsibilities on case management and care coordination for Medi-Cal managed care members, including the SPD population. The policy letter is expected to be released in the fall of 2010.

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 training managed care health plan providers. At a minimum, two (2) train-the-trainer workshops will be conducted in California; one in northern California and one in southern California. The contractor started the project in April 2010 and will conduct the training in January 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 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 discussed with CMS the full risk rates and retroactive reimbursement to the health plans. Although formal approval is pending, CMS's 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 continues discussions with AAH regarding a full risk rate. AAH had initially agreed to a full risk rate for its Agnews population beginning January 1, 2011, but then retracted their agreement to continue with the

cost based reconciliation. MMCD efforts to reconcile information provided by AAH have resulted in concerns with the reconciliation data provided by the plan. Specifically, administrative costs were identified that were already covered in the plan's primary capitation rate. The current payment arrangement has resulted in an excessive cash flow to the plan, as the initial interim rates were substantially higher than reported costs. AAH acknowledged that the excessive amount will need to be recovered by MMCD. MMCD is adjusting the interim payment amount effective July 1, 2010.

- DHCS actuaries have developed a full-risk capitation rate for 2010 and the rates have been sent to CMS.
2. The California Medical Assistance Commission (CMAC) has finalized negotiations of the January 1, 2010 through December 31, 2010 and the January 1, 2011 through December 31, 2011 capitation rates for Molina Healthcare of California, a Geographic Managed Care Plan located in San Diego County. The contract will be presented at a future Commission meeting for approval. CMAC is still in negotiations with KP Cal (Kaiser Permanente) in Sacramento and San Diego counties.
 3. As required by ABX3 5 (Chapter 20, Statutes of 2009), effective July 1, 2009, the Department discontinued the optional Medi-Cal optometry services for adults 21 years of age or older, excluding pregnant women, who are not in nursing facilities. Effective July 1, 2010, the Department 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. The Department is performing a legal review to determine what steps are necessary to allow the Department to reinstate the discontinuance of optional optometry services.
 4. 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 on 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. In June 2010, the DHCS received the results of the HCO website review and the phone survey. The reported results are currently being reviewed by DHCS to determine the next steps in improving the outreach efforts to SPD.

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

5. 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 and parents of these children during an office visit about the appropriate use of the ER.

DHCS and the health plans developed a survey to target PCP's who used the health education campaign materials in order to evaluate the implementation of the campaign. The results of the survey were released during the ER Collaborative's annual meeting in May 2010. There were a total of 519 PCP responses. As a result of the campaign, the survey responses indicated the following:

- 50% of patients asked questions about appropriate ER use,
- 87% of providers initiated discussion about appropriate ER use,
- 87% of PCP indicated the poster was helpful and,
- 88% of providers indicated the brochure was helpful.

DHCS and the health plans 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 was implemented in April 2010 and scheduled to be completed in August 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.

6. On April 20, 2010, DHCS, in coordination with the State-contracted External Quality Review Organization, Health Services Advisory Group, sponsored its annual Medi-Cal Managed Care Quality Conference in Sacramento. This conference fulfills the federal obligation for the state Medicaid agency (DHCS) to provide ongoing "technical assistance" to Medi-Cal managed care plans related to quality assurance and quality improvement and is funded with 75 percent Federal Financial Participation. The theme of the 2010 conference was "Growing Medical Home Partnerships in Medi-Cal Managed Care." Speakers focused on various aspects of the patient-centered medical home, such as supporting the medical home at the practice level, customizing the medical home for individuals with disabilities and chronic illness, using health technology for the medical home, and funding the medical home. During the conference, DHCS presented Quality Awards to Medi-Cal managed care plans with outstanding results in the required quality of care performance measures and for noteworthy contributions to quality improvement in the

Medi-Cal Managed Care Program. Conference materials, including the list of plans that received 2010 Quality Awards, are available on the DHCS website at:

<http://www.dhcs.ca.gov/services/Pages/2010MMCDAnnualConf.aspx>

7. In June 2010, DHCS released the *2009 HEDIS Aggregate Report for the Medi-Cal Managed Care Program*. In accordance with federal requirements, this report presents the annual plan-specific and program results for the Healthcare Effectiveness Data Information Set (HEDIS) performance measures used by DHCS to assess and evaluate the quality and appropriateness of care and services provided to Medi-Cal plan members. The 2009 report, prepared by the Health Services Advisory Group, DHCS's contracted External Quality Review Organization (EQRO), noted that the Medi-Cal Managed Care program as a whole demonstrated average performance for most measures with strengths in some areas and room for improvement in others. The program performed above the national 75th percentile in Childhood Immunization Status and Well-Child Visits in the 3rd, 4th, 5th and 6th Years of Life measures. Some plans demonstrated high performance (above the national 90th percentile) in many of the required measures. Plans that score below DHCS's minimum performance level (below the national 25th percentile) must submit corrective action plans. The report acknowledged the Medi-Cal Managed Care Program's "commitment to monitor and improve the quality of care" and "a variety of mechanisms to support improvement efforts of plans." The report is available on the DHCS website at:

http://www.dhcs.ca.gov/dataandstats/reports/Documents/MMCD_Qual_Rpts/HEDIS_Reports/HEDIS2009.pdf.

8. 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 the 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.

9. 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

DHCS did not submit any SPAs for the Medi-Cal managed care program during the April through June 2010 quarter.

IV. Federal Waivers

On June 1, 2010, DHCS submitted a waiver renewal to CMS to continue operation of the 1915(b) federal waiver for HPSM. Included in the renewal were the changes necessary to include coverage of Child Health and Disability Prevention (CHDP) services, and pharmacy and laboratory Mental Health services. HPSM will assume the responsibility of coordinating care and claims payment for these services. The current HPSM waiver is scheduled to expire on September 30, 2010.

On June 24, 2010, DHCS submitted a modification request to its 1915(b) waiver currently titled California Children’s Services/Dental (CCS/Dental) waiver. This waiver modification, once approved, will change the name of the waiver from the CCS/Dental waiver to the Two-Plan/GMC waiver. This modification request will facilitate the changes necessary to expand the Medi-Cal managed care Two-Plan model into the counties of Kings and Madera, effective October 1, 2010. Fresno County, an existing Two-Plan model county, will join with the counties of Kings and Madera to form a Tri-Counties Regional Two-Plan model. This Regional Two-Plan model will replace Fresno County’s current Two-Plan model beginning October 1, 2010. Lastly, included in this modification request are the changes necessary to facilitate mandatory enrollment of the SPDs population into Medi-Cal managed care effective February 1, 2011.

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 January 2011. On March 16, 2010, the Ventura County implemented the Ventura County Managed Care Commission. 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. 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. The LI will be operating under the DBA CalViva Health (CalViva) and have been working with Department of Managed Health Care to obtain their Knox-Keene license. 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. The first notice was sent to Medi-Cal eligibles in all three counties on June 22, 2010. Additional informing material will be mailed in early August 2010. DHCS continues to work with Anthem and the LI in preparation for October 1, 2010 implementation. CalViva is concerned about the data used in establishing their rates and DHCS is working with them to resolve the issues.

**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