

Benefits of Coordinated Care

DHCS Fact Sheet

Managed care done well is good care. Nationally, frail, older adults with multiple chronic conditions and complex health care needs too often receive services that are “fragmented, incomplete, inefficient, and ineffective” in the fee-for-service system.ⁱ This can reduce health outcomes and increase costs.ⁱⁱ Indeed, significant research shows that, in comparison to the fee-for-service system, care coordinated through managed care plans improves access and quality and delivers high value.ⁱⁱⁱ At the same time, there are researchers who have raised questions about whether or not the government has paid too much for managed care.^{iv}

This national debate has played out in California. Research on Medi-Cal managed care has showed both the successes and challenges of the program. For example, a 2005 report on Medi-Cal managed care, using data collected almost 20 years ago during the initial program expansion, showed that in some cases plans received overpayments.^v Such research has helped DHCS refine the program by pointing out needed changes. In the years since this research was conducted, California’s Medi-Cal managed care program and the health plans have acquired significant experience and sophistication in coordinating beneficiaries’ services — to the benefit of beneficiaries and the budget.

Specific issues in the 2005 report

Because Medi-Cal costs are heavily skewed (a few individuals account for the vast majority of total spending) small changes in enrollment (or disenrollment) can hugely impact costs. As the managed care program began, issues around exempting certain high-need beneficiaries and carving out benefits led to overpayments to health plans. This was particularly true of seriously ill children qualifying for the California Children Services (CCS) program. The study also cited overpayments related to births, which were likely overstated, but DHCS addressed those payment issues, as well.

Managed Care Can Improve Access

- Managed care enrollees have access to a primary care physician and a coordinated network of specialists and hospitals. In contrast, people in fee-for-service must navigate on their own a complex web of providers and services.
- In a 2011 survey, seniors and disabled Medi-Cal beneficiaries enrolled in managed care reported their access to care was equal to or better than when they were in fee-for-service for prescription drugs, primary care, specialty care, and disability access.^{vi}
- Managed care helps reduce racial disparities in access to care.^{vii}

Managed Care Can Improve Value and Quality

- The 2011 survey found that senior and disabled Medi-Cal beneficiaries in managed Medi-Cal were more likely to be “very satisfied” with their benefits than those in fee for service.^{viii}
- Medicaid managed care is associated with a substantial reduction in hospital utilization compared to fee-for-service, reflecting health benefits from improved access and coordinated care.^{ix}
- County Operated Health Systems collectively save California \$300 million annually and the cost for beneficiaries with disabilities in these plans was 13% less than in fee-for-service.^x

Medi-Cal Managed Care Payment Has Improved Over Time

- The Medi-Cal managed care program has refined its payment methodologies to account for selection biases that may have resulted in overpayments in some cases to health plans early in the program.
- Additionally, several new initiatives aim to improve further the program’s efficiency. These include but are not limited to: 1) adopting risk-adjusted payment methodology, 2) launching the California Children’s Services and Dual Eligibles Demonstrations, and adopting a performance, risk-based payment model for Federally Qualified Health Centers (FQHCs).

Works Cited

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