Medi-Cal 1115 Demonstration Waiver

Stakeholder Advisory Committee
January 7, 2010
What is an 1115 waiver?

- Authorized by Section 1115 of the federal Social Security Act
- Can make small changes or can include large portions of program
- Some provisions cannot be waived under any circumstances
- Often used to advance federal priorities
Key Features of an 1115 Waiver

• Budget neutrality
  – Costs under waiver are less than costs would have been without the waiver

• Opportunity for funding for costs not otherwise matchable
  – Ability to provide medical coverage to individuals who may not otherwise be eligible; and/or
  – Provide services that may not otherwise be allowed under the regular Medicaid rules
Essential Waiver Ingredients

• Compelling reform concept
  – Worthwhile reform
  – Prospect for real savings
  – Match with federal priorities
  – Reasonable implementation timeframe

• Note: Any additional federal funds that the waiver makes available require a nonfederal match
Historical Context for Our Current Waiver

- End to 10 years of indigent care funding in Los Angeles County
- Federal concerns about intergovernmental transfer (IGT) funding
Existing 1115 Waiver

- Allowed restructuring of hospital financing
- Provides continuation of federal funding for indigent care
  - Support for public hospital costs for providing indigent care
  - Support for more organized care for uninsured individuals through health care coverage initiatives
  - Provides some General Fund relief
- Contained essential features, but was narrowly focused

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Drivers for a Comprehensive Waiver Approach

• Long-term budget challenges
• Financial challenges in safety net system
• Opportunity for real reform
  – Well-recognized problems
  – Stimulate the creative process
  – Constructive stakeholder engagement
• Potential to capture federal savings to support reforms
Key Question

• How can California maximize these federal resources under budget neutrality?
  – Propose meaningful reforms
  – Improve the delivery of services to our beneficiaries
  – Make a strong case for program savings
  – Make effective use of available federal resources
Key Reform Elements Proposed for Our Waiver

- Expand enrollment in organized systems of care
- Improve the delivery of care for children with special needs
- Better integrate care for dual eligibles
- Better integrate care for persons with behavioral health needs
- Build on safety net financing approaches established in the current waiver
- Expand on value-based purchasing

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Expand Enrollment in Organized Systems of Care

• Opportunities to offer better care coordination for those most at risk
  – Seniors and persons with disabilities
  – Families who live where managed care is not offered

• Offers the prospect of:
  – Greater use of preventive care
  – Better overall outcomes
  – Lower cost

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Seniors and Persons With Disabilities

- Monthly average of 1.5 m Medi-Cal beneficiaries, of whom 650,000 are Medi-Cal only
- Medi-Cal only disabled adults number about 360,000 and
  - Overall annual average cost of $8,700
  - The most expensive 10% cost an annual average of $50,600
- 25% of all seniors and persons with disabilities in managed care counties are served by managed care plans including
  - 296,000 in County Organized Health Systems
  - 35,000 in counties with Geographic Managed Care
  - 157,000 in counties with the Two-Plan Model

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Improve the Delivery of Care for Children with Special Needs

• Opportunity to rethink our care coordination model for children
  – Complex system
  – Expensive care
  – Multiple coordination responsibilities
## 2008-09 CCS Experience

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<thead>
<tr>
<th></th>
<th>Enrollment</th>
<th>Expenditures</th>
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<tbody>
<tr>
<td>Medi-Cal</td>
<td>76%</td>
<td>88%</td>
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<tr>
<td>Healthy Families</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>CCS Only</td>
<td>10%</td>
<td>3%</td>
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Additional CCS Program Elements

- Administrative Expenditures
  - $160 m

- Medical Therapy Program
  - $110 m

- About 60% of CCS-Medi-Cal children are also enrolled in a Medi-Cal managed care health plan.
Better Integrate Care for Dual Eligibles

- Includes most seniors and many persons with disabilities
- Barriers to coordination arise from separate funding streams
- Many beneficiaries with high needs
Medicare/Medi-Cal Eligibles

• In California
  – 1.1 million individuals were dually eligible in 2007
  – Accounted for $8.6 b in Medi-Cal expenditures
    • Including $3.2 b in long term care costs (75% of Medi-Cal’s total LTC expense)

• In the US
  – Dual eligibles account for 24% of Medicare costs and 35% of Medicaid costs
  – 40% of dual eligibles have either a cognitive or mental impairment

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Medicare/Medi-Cal Eligibles

- 77,000 dual eligibles are enrolled in managed care plans
- Plan capitation payments account for 8% of all Medi-Cal dual eligibles’ expenditures
- Of Medi-Cal Duals, 51% are under the “Aged” eligibility aid code, 40% are under “Disabled,” and 6% are under “LTC”
- Duals under the “Disabled” aid code, annual average cost was $24,841 per person
Integration of Care for Persons with Behavioral Health Needs

- Bifurcated system of care
  - Care settings, finance, administration
- Beneficiaries with complex care needs
- Potential to improve outcomes

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Medi-Cal Beneficiaries with Behavioral Health Needs

• In CY 2006, 500,000 Medi-Cal beneficiaries were treated for psychiatric diagnoses.
  – Medi-Cal costs for these beneficiaries totaled $5.3 billion
• 80% were in Medi-Cal for full 12 months, of whom:
  – 12.5% were dual eligibles;
  – 30% were in managed care plans
  – 45% were in FFS
• 131,000 seniors and person with disabilities on Medi-Cal have serious mental illness
• Medi-Cal beneficiaries with serious mental illness have 23% more non-psychiatric hospital admissions compared to Medi-Cal beneficiaries without serious mental illness

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Build on Safety Net Financing

- Coverage initiatives show promise.
- Safety net providers have yet to fully participate in providing organized care.
- Infrastructure needed to support expanded delivery of care under health reform.
Current Safety Net Support

- Coverage Initiative programs in ten counties
  - Safety Net Care Pool payments for health care services costs to 160,558 eligible individuals enrolled in: $116 m (excluding a pending payment to LA County of $54 m)

- FY 2008-09 supplemental payments to safety net hospitals and counties to help cover their uncompensated costs
  - Disproportionate Share Hospital payments to private and public hospitals: $1.61 b
  - Supplemental payments to public and private hospitals: $239 m
  - Safety Net Care Pool payments to designated public hospitals for uninsured care costs: $367 m
Expand on Value-Based Purchasing

- Better monitoring of care
- Simplification of payment systems
- Payments approaches to encourage the desired outcomes
- Better alignment of payment to the cost of providing quality care
Questions