

California Section 1115 Comprehensive Demonstration Project Waiver A Bridge to Reform

Vision for 2014

Vision Statement

By January 1, 2014, California will have made significant strides in implementing key components of the Patient Protection and Affordable Care Act (PPACA) including coverage expansion to the newly eligible Medicaid populations, expansion of Medicaid benefits for new and existing populations, delivery system reform, administration simplification, and payment reform. This document describes how the components of California's Section 1115 Waiver proposal will enable the State to achieve this vision.

I. Medicaid Eligibility Expansion

PPACA expands mandatory Medicaid eligibility on January 1, 2014 to all individuals under age 65 with incomes up to 133% of the federal poverty level (FPL) based on modified adjusted gross income. California envisions enrolling a significant portion of the "newly eligible" adults through county-based coverage initiatives prior to 2014. Through the Section 1115 Waiver proposal, California proposes to immediately begin phasing in coverage for the newly eligible adults aged 19-64 with incomes up to 133% of FPL. California will build on its current county-based Health Care Coverage Initiative (HCCI) so that in 2014, this population can become fully enrolled in Medi-Cal statewide. California estimates that approximately 851,000 currently uninsured children and adults will become eligible for Medicaid coverage through the expansion of Medicaid eligibility to 133% of the federal poverty level (FPL) in 2014. The current HCCI serves uninsured individuals in 10 counties with incomes up to 200% of FPL, and more than 130,000 Californians are currently enrolled in their local HCCI program. California envisions that at least 56 of the State's 58 counties, representing 98 percent of the State's population, will participate in the second generation HCCI. Through expansion of the HCCI, enrollment is estimated to grow to 512,000 individuals under the new waiver of which 385,000 will have incomes below 133% which represents coverage of roughly 45 percent of the uninsured population that will be covered in Medi-Cal in 2014.

II. Medicaid Benefits

Benchmark Benefits for "Newly Eligible" Adults

To prepare the HCCI population for Medi-Cal or for coverage in the statewide health insurance exchange in 2014, California proposes to establish a minimum HCCI benefits package, for which California seeks designation by the Secretary of Health and Human Services as a benchmark-equivalent plan as defined in Section 1937 of the Social Security Act for implementation. The HCCI benchmark plan will provide a basis for transition to meet the essential health benefits package that will be developed by the Secretary of Health and Human Services for implementation beginning January 1, 2014. Almost all of the services generally identified as requirements in an essential health benefits package are already provided by HCCIs and would be included in a minimum benefits package for the next coverage expansion. These services include, for example, hospital inpatient, outpatient, primary and preventive care, and a wide

range of specialty care services in in-network providers. Exceptions include non-emergency medical transportation, out-of-network emergency room services, comprehensive mental health/substance abuse services (limited services will be offered), and EPSDT for the small number of young adults (19 and 20 year olds) covered under the HCCI (roughly 3 percent of the population).

New Mandatory Medicaid Benefits

California is pleased to note that the Medi-Cal program already offers several new mandatory Medicaid benefits including coverage for freestanding birth centers; comprehensive tobacco cessation services for pregnant women; and coverage of barbiturates, benzodiazepines, and tobacco cessation drugs. In addition, California currently provides family planning services for low income individuals through a waiver and is planning to convert the waiver to the new state plan option.

III. Delivery System Reform

Medical Homes and Care Coordination

PPACA promotes primary care and care coordination through a variety of initiatives including the establishment and funding of a program to provide a health home for Medicaid beneficiaries with chronic conditions. The medical home is a central component of California's proposed delivery system reform efforts under the Section 1115 Waiver proposal. California envisions that, by 2014, it will significantly expand access to medical homes and care coordination to populations that are currently served in the unmanaged fee-for-service system. This objective will likely lead to more expansive delivery system reform by 2014 as it will drive Medi-Cal managed care plans and providers to incorporate the use of medical homes into their delivery of care for existing Medi-Cal managed care members, newly eligible Medicaid beneficiaries (e.g. childless adults), and their commercial insurance market members. As a result, by 2014 Medi-Cal will better position the State to implement more systematic efforts to improve the quality and reduce the cost of health care.

Under the waiver, medical home services will be expanded to all seniors and persons with disabilities enrolled in organized delivery systems of care, dual eligibles, and all newly eligible individuals enrolled in HCCIs. Accordingly, medical homes and care coordination will be hallmarks of the HCCI programs and Medi-Cal managed care plans as well as any County Alternative Options (CAO) developed under the waiver. These entities will use a consistent definition of a medical home for all populations they serve (i.e., SPDs, duals, and HCCI). Members will choose a single provider or community health center to serve as their medical home provider who will be responsible for providing and coordinating care. The medical home provider will offer care management and member supports including disease and medical management and community-based care coordination. CAOs will also provide beneficiaries a medical home and be responsible for care coordination.

Through the Section 1115 Waiver, California will continue development of a strategy that provides full integration of funding and benefits for dual eligible beneficiaries by the third year

of the waiver. The core components of an integrated model must include strong person-centered care based in accountable primary care homes and multi-disciplinary care teams that coordinate the full range of medical, behavioral and supportive service needs. California will provide a medical home and care coordination by enrolling duals in organized systems of care

Through expansion of organized delivery systems of care under California's proposed Section 1115 Waiver, approximately 2 million Medicaid beneficiaries will be enrolled in a medical home over the course of the waiver, including 380,000 SPDs and 1 million duals, and approximately 500,000 HCCI enrollees. This number will increase through amendments to the Section 1115 Waiver in years 2 and 3 which will test strategies for providing integrated care to children with special health care needs and people with behavioral health disorders and/or substance abuse issues.

Safety Net Delivery Systems

Expansion of health insurance coverage through PPACA will fundamentally shift the focus of the safety net delivery system from provision of uncompensated care for the uninsured and change the role of counties in providing that care. The Section 1115 Waiver will preserve and strengthen California's safety net system and will position safety net providers to successfully participate in organized delivery systems of care that will provide coverage to nearly 1 million newly eligible beneficiaries through Medi-Cal in 2014. Similar to the provisions in PPACA that recognize the essential role that community health centers play in ensuring the success of health care reform, California must preserve and strengthen the role of our safety net providers in advance of 2014. Without these essential providers, in particular public and private hospitals, the State will not have sufficient capacity to serve the large volume of newly insured in 2014.

Through the Section 1115 Waiver, safety net hospitals will expand their capacity to provide outpatient services including a medical home and care coordination. This will occur through expansion of the HCCI and CAOs developed to serve SPDs in organized delivery systems of care. In addition, Medi-Cal managed care plans will contract with safety net providers including public hospitals, private community hospitals, physicians, and community health centers to serve as medical homes for SPDs. By 2014, it is anticipated that safety net providers will have developed integrated, coordinated, and sustainable delivery systems that will be ready to serve the newly eligible population Medi-Cal population in 2014.

The Section 1115 Waiver will establish a Delivery System Investment Pool (DSIP) that will support the public hospital systems in strengthening and improving safety net health care delivery systems. As greater demands are placed on the health care system, particularly by those patients with multiple chronic conditions who will be managed in a more comprehensive way through this waiver, it is critical that the public hospital systems prepare for reform by expanding their capacity and creating greater efficiencies in providing care to high needs populations. In addition, as we look ahead to the expansion of Medicaid and the establishment of health insurance exchanges as part of national reform in 2014, investment is needed for these delivery system improvements to be more systemic, across public hospital systems. Without this investment, public hospital systems will be unable to respond to patient demand for high quality services in 2014.

To receive DSIP funds, all public hospital systems will be required to develop and implement a plan to build and improve coordinated systems of care for vulnerable populations, including the indigent and Medi-Cal enrollees within one or more of three targeted categories for investment:

1. Strengthening coordinated systems of care: Investments in this category could support expanding and strengthening the use of patient-centered medical homes, expansion of chronic disease management, and investment in health information technology.
2. Enhanced access to care: Investments in this category could include primary care access improvements, outpatient specialty care access improvements, emergency room improvements and reductions in utilization, and improvements in access to language services.
3. Improved quality of patient care: Investments in this category could include reducing readmission rates, preventing admissions for ambulatory sensitive conditions, and ensuring equitable care outcomes through efforts to identify and address health care disparities.

The State will work with public hospital system to develop and monitor plan-specific milestones and deliverables to ensure that DSIP payments result in improved systems of care during the transition to Medi-Cal expansion in 2014. Under the DSIP, each public hospital system will be held accountable to those milestones, returning federal funds if they are not achieved.

IV. Administrative Simplification - Eligibility Systems

A standardized eligibility and enrollment process is a critical step to ensure the smooth transition of HCCI enrollees into Medi-Cal or the statewide health insurance exchange in 2014. Existing HCCI eligibility rules already do not allow an asset test and require that enrollees meet the Medicaid citizenship and identity documentation requirement. Over time, HCCI eligibility rules will be further synchronized so that in 2014, the enrollees will be screened and enrolled into Medi-Cal based on Medi-Cal eligibility standards consistent with the new eligibility rules under PPACA. At the same time, California will be working to meet new requirements for eligibility and enrollment into public coverage through the health insurance exchange. Significant development work will be required to meet the vision for 2014, and California will work with the federal government to develop an appropriate transition plan and related milestones.

V. Payment Reforms

Through the Section 1115 Waiver, California will implement several payment reforms and value based purchasing strategies, consistent with PPACA, that will transition the Medi-Cal program and safety net system away from fee-for-service and cost-based care towards risk-based payment structures that include incentives for providing high-quality care in the most efficient setting.

Global Payment System Demonstration Project. Using the Global Payment System Demonstration Project model authorized under PPACA, California will realign incentives and drive public hospital providers to offer more cost effective, high quality care. Under the Global Payment Project, the network of public hospital safety net systems in the State will move from fee-for-service Medi-Cal payments to a global capitated payment model. Each public hospital safety net system will receive a global payment for each unique Medi-Cal beneficiary who

receives services in the system, if their services would otherwise have been paid on a fee-for-service basis. Under this global capitated payment model, public hospitals will be at risk for providing all of the services within the public hospital system to those beneficiaries who are not enrolled in a fully capitated managed care plan. By creating a single per-person global payment, the public hospital systems will be better able to manage the services provided and ensure that the patient is receiving the right care, at the right time, in the right setting without regard to the widely varied reimbursement mechanisms currently in place in the fee-for-service setting.

Value Based Purchasing. California seeks the opportunity to pilot methods of incorporating value based purchasing into safety net provider-based coverage through the HCCIs. The State will develop methods of creating incentives for providers to improve process and health outcomes; patient and provider satisfaction; and greater integration and efficiencies. The value-based purchasing component will be developed and implemented by the end of waiver year 1.

Risk Based Payments in The Coverage Initiative. In order to help transition local safety net systems to health care reform, California proposes to consider a shift in reimbursement structure for the HCCI from the current direct CPE structure to an actuarial-based payment method. This structure would introduce an element of financial risk to the HCCIs and provide further incentives to ensure appropriate use of services.

Transition Reimbursement for Care In Public Hospital Systems to More Risk and Population-Based Financing Arrangements. Managed care will allow many public hospital systems to receive reimbursement through capitated or DRG based payments for managing the care of SPDs. This new financing arrangement will shift their reliance away from cost-based reimbursement which was required under the past waiver and has the unintended affect of incentivizing high cost, inefficient care to a system that complements delivery system improvements and innovations with payment incentives, including financially rewarding the provision of cost effective care. Some public hospital systems will be ready to immediately move away from cost-based reimbursement for SPDs while other public hospitals will transition from cost-based reimbursement by implementing alternative approaches such as outpatient managed care models.

Under the outpatient managed care model, an SPD can elect to receive their outpatient services through a public hospital clinic system and continue to receive inpatient services through the FFS inpatient system. If an SPD elects this benefit option, the health plan will sub-capitate outpatient based on an actuarial rate to the public hospital system. The actuarial rate paid to the public hospital system would be a combination of general fund, Intergovernmental Transfers, and federal financial participation.