Preparing for Health Reform:
The Renewal of Medi-Cal’s Hospital Financing 1115 Waiver

California Mental Health Policy Forum
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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 the program
- Some provisions cannot be waived under any circumstances
Key Features of an 1115 waiver

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

- 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.
What does the hospital financing waiver do?

- Restructures hospital financing and reimbursements, particularly for public hospitals
- Provides federal funding of $766 million annually to:
  - Supports public hospital costs for providing indigent care;
  - Supports more organized care for uninsured individuals through health care coverage initiatives;
  - Provides some General Fund relief.
What opportunities does the waiver renewal present?

- Preparation for national health reform
- Potential for expanding on existing waiver financing
  - Potential to increase federal funds available to support reforms
  - Further development and expansion of health care coverage initiatives
  - Proposed real reforms in the Medi-Cal fee-for-service delivery system
What have we been doing to prepare for the waiver renewal?

- Exploring opportunities for reform
- Discussions with stakeholders
- Collaboration with Legislature
Article 5.4. Health Care Coordination, Improvement, and Long-Term Cost Containment Waiver or Demonstration Project

Goals

- Strengthen California’s health care safety net.
- Maximize opportunities to reduce the number of uninsured individuals.
- Optimize opportunities to increase federal financial participation and maximize financial resources to address uncompensated care.
- Promote long-term, efficient, and effective use of state and local funds.
- Improve health care quality and outcomes.
- Promote home- and community-based care.
Key elements of the renewed 1115 waiver

- Restructure Medi-Cal fee-for-service delivery system
- Establishment of organized health care delivery systems
  - Enhanced medical home
  - Care and disease management
  - Incentives that reward providers and beneficiaries for achieving desired clinical, utilization, and cost-specific outcomes
Who are the Medi-Cal fee-for-service beneficiaries?

- Seniors and persons with disabilities
  - Dual eligibles
  - Persons with behavioral health care needs

- Children with special health care needs
Questions specific to beneficiaries with behavioral health needs

- How do we establish medical homes and effective care management systems for persons with behavioral health needs?
- How can we promote care integration?
Questions specific to beneficiaries with behavioral health needs (cont)

- How to design medical homes for the range of beneficiaries with behavioral health problems?
- Where do we establish medical homes: in behavioral health delivery settings; integrated settings?
- Can new financing arrangements promote better care integration?
Opportunities for the mental health community

- Participate in the stakeholder efforts
- Rethink how we organize care
- Promote integration of care
- Prepare for coming health reform
- Rethink the carve-out
The Road Ahead

October 2009
- Draft concept paper

Nov 2009 to Aug 2010
- Consultation with the federal Centers for Medicare & Medicaid Services
- Further refinement of approaches
- Stakeholder consultation

Jan to June 2010
- Development of operational waiver documents (standards, RFP, draft contracts)

Aug 2010
- Finalization of waiver
Link to DHCS waiver resources

http://www.dhcs.ca.gov/provgovpart/Pages/WaiverRenewal.aspx