

Medi-Cal Redesign
Fiscal Impact for First Five Years -- Total (Local Assistance and Support)
(\$ in Thousands)

	2004-05			2005-06			2006-07 ^{8/}		2007-08 ^{8/}		2008-09 ^{8/}		Net Impact - 5 Years	
	Total	GF	PYs	Total	GF	PYs	Total	GF	Total	GF	Total	GF	Total	GF
Managed Care Expansion ^{1/}	\$ 159	\$ (11)	4.0	\$ 7,869	\$ 3,412	47.5	\$ 81,240	\$ 40,098	\$ 110,350	\$ 54,653	\$ (169,929)	\$ (85,487)	\$ 29,689	\$ 12,664
Restructure Hospital Financing ^{2/}	\$ -	\$ -	0.0	\$ 1,490	\$ 686	12.0	\$ 1,490	\$ 686	\$ 1,490	\$ 686	\$ 1,490	\$ 686	\$ 5,960	\$ 2,744
Dental Benefit Modification ^{3/}	\$ -	\$ -	0.0	\$ (48,038)	\$ (24,543)	1.5	\$ (50,602)	\$ (26,325)	\$ (50,602)	\$ (26,325)	\$ (50,602)	\$ (26,325)	\$ (199,844)	\$ (103,518)
Financial Participation ^{4/}	\$ -	\$ -	0.0	\$ 14,676	\$ 6,847	3.5	\$ (8,824)	\$ (4,903)	\$ (43,117)	\$ (22,050)	\$ (43,117)	\$ (22,050)	\$ (80,382)	\$ (42,155)
Improved Eligibility Processing for Children ^{5/}	\$ -	\$ -	0.0	\$ 5,667	\$ 976	19.5	\$ (9,007)	\$ (7,097)	\$ (9,007)	\$ (7,097)	\$ (9,007)	\$ (7,097)	\$ (21,354)	\$ (20,315)
County Performance Monitoring Standards ^{6/}	\$ -	\$ -	0.0	\$ 1,595	\$ 612 ^{7/}	2.5	\$ 3,395	\$ 1,512	\$ 3,395	\$ 1,512	\$ 3,395	\$ 1,512	\$ 11,780	\$ 5,148
Total	\$ -	\$ -	4.0	\$ (16,741)	\$ (12,010)	86.5	\$ 17,692	\$ 3,971	\$ 12,509	\$ 1,379	\$ (267,770)	\$ (138,761)	\$ (254,151)	\$ (145,432)

1/ Expands managed care to families and children in up to 13 additional counties; seniors and persons with disabilities in 27 counties; and long-term care integration in 3 counties.

2/ New five-year hospital financing federal waiver to use local funds and unmatched state funds for indigent care services; preserve hospital financing for the uninsured whether Medi-Cal patients are served through fee-for-service or managed care; and create opportunities for increased federal reimbursement.

3/ Aligns benefits for adults with private sector employer-based or public plans, by limiting dental services to \$1,000 per year.

4/ Implements monthly premiums for persons with incomes above the poverty level or the SSI/SSP level. \$4 for children, \$10 for adults, with cap of \$27 per family. Assumes 5% reduction in non-institutional health services costs for beneficiaries who have premiums, excluding dual Medicare/Medi-Cal beneficiaries.

5/ Would have allowed initial Medi-Cal eligibility applications for children received through the Single Point of Entry (SPE) to be processed by the SPE instead of being forwarded to the county for processing. State staff would complete final certifications of the eligibility determinations.

6/ Monitoring by a contractor to verify county performance standards relative to initial eligibility determinations and annual redeterminations in accordance with federal and state statutory requirements.

7/ Local assistance cost of \$600,000 (\$300,000 GF) to be added in May 2005 Estimate.

8/ State staff costs for 2006-07 forward reflect 2005-06 costs as placeholders, and do not reflect staffing changes that may be necessary in those years.

Medi-Cal Redesign
Fiscal Impact for First Five Years -- Local Assistance
(\$ in Thousands)

	2004-05		2005-06		2006-07		2007-08		2008-09		Net Impact - 5 Years	
	Total	GF	Total	GF	Total	GF	Total	GF	Total	GF	Total	GF
Managed Care Expansion 1/	\$ (181)	\$ (181)	\$ 300	\$ 150	\$ 73,671	\$ 36,836	\$ 102,781	\$ 51,391	\$ (177,498)	\$ (88,749)	\$ (927)	\$ (554)
Restructure Hospital Financing 2/	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dental Benefit Modification 3/	\$ -	\$ -	\$ (48,203)	\$ (24,602)	\$ (50,767)	\$ (26,384)	\$ (50,767)	\$ (26,384)	\$ (50,767)	\$ (26,384)	\$ (200,504)	\$ (103,754)
Financial Participation 4/	\$ -	\$ -	\$ 12,394	\$ 6,197	\$ (11,106)	\$ (5,553)	\$ (45,399)	\$ (22,700)	\$ (45,399)	\$ (22,700)	\$ (89,510)	\$ (44,755)
Improved Eligibility Processing for Children 5/	\$ -	\$ -	\$ (1,242)	\$ (1,196)	\$ (15,916)	\$ (9,269)	\$ (15,916)	\$ (9,269)	\$ (15,916)	\$ (9,269)	\$ (48,990)	\$ (29,003)
County Performance Monitoring Standards 6/	\$ -	\$ -	\$ 600	\$ 300 7/	\$ 2,400	\$ 1,200	\$ 2,400	\$ 1,200	\$ 2,400	\$ 1,200	\$ 7,800	\$ 3,900
Total	\$ (181)	\$ (181)	\$ (36,151)	\$ (19,151)	\$ (1,718)	\$ (3,171)	\$ (6,901)	\$ (5,762)	\$ (287,180)	\$ (145,902)	\$ (332,131)	\$ (174,166)

1/ Expands managed care to families and children in up to 13 additional counties; seniors and persons with disabilities in 27 counties; and long-term care integration in 3 counties.

2/ New five-year hospital financing federal waiver to use local funds and unmatched state funds for indigent care services; preserve hospital financing for the uninsured whether Medi-Cal patients are served through fee-for-service or managed care; and create opportunities for increased federal reimbursement.

3/ Aligns benefits for adults with private sector employer-based or public plans, by limiting dental services to \$1,000 per year.

4/ Implements monthly premiums for persons with incomes above the poverty level or the SSI/SSP level. \$4 for children, \$10 for adults, with cap of \$27 per family. Assumes 5% reduction in non-institutional health services costs for beneficiaries who have premiums, excluding dual Medicare/Medi-Cal beneficiaries.

5/ Allows initial Medi-Cal eligibility applications for children received through the Single Point of Entry (SPE) to be processed by the SPE instead of being forwarded to the county for processing. State staff will complete final certifications of the eligibility determinations.

6/ Monitoring by a contractor to verify county performance standards relative to initial eligibility determinations and annual redeterminations in accordance with federal and state statutory requirements.

7/ To be added in May 2005 Estimate.

Medi-Cal Redesign
Fiscal Impact for First Five Years -- State Support
(\$ in Thousands)

	2004-05			2005-06			2006-07 ^{7/}		2007-08 ^{7/}		2008-09 ^{7/}		Net Impact - 5 Years	
	Total	GF	PYs	Total	GF	PYs	Total	GF	Total	GF	Total	GF	Total	GF
Managed Care Expansion ^{1/}	\$ 340	\$ 170	4.0	\$ 7,569	\$ 3,262	47.5	\$ 7,569	\$ 3,262	\$ 7,569	\$ 3,262	\$ 7,569	\$ 3,262	\$ 30,616	\$ 13,218
Restructure Hospital Financing ^{2/}	\$ -	\$ -	0.0	\$ 1,490	\$ 686	12.0	\$ 1,490	\$ 686	\$ 1,490	\$ 686	\$ 1,490	\$ 686	\$ 5,960	\$ 2,744
Dental Benefit Modification ^{3/}	\$ -	\$ -	0.0	\$ 165	\$ 59	1.5	\$ 165	\$ 59	\$ 165	\$ 59	\$ 165	\$ 59	\$ 660	\$ 236
Financial Participation ^{4/}	\$ -	\$ -	0.0	\$ 2,282	\$ 650	3.5	\$ 2,282	\$ 650	\$ 2,282	\$ 650	\$ 2,282	\$ 650	\$ 9,128	\$ 2,600
Improved Eligibility Processing for Children ^{5/}	\$ -	\$ -	0.0	\$ 6,909	\$ 2,172	19.5	\$ 6,909	\$ 2,172	\$ 6,909	\$ 2,172	\$ 6,909	\$ 2,172	\$ 27,636	\$ 8,688
County Performance Monitoring Standards ^{6/}	\$ -	\$ -	0.0	\$ 995	\$ 312	2.5	\$ 995	\$ 312	\$ 995	\$ 312	\$ 995	\$ 312	\$ 3,980	\$ 1,248
Total	\$ 340	\$ 170	4.0	\$ 19,410	\$ 7,141	86.5	\$ 19,410	\$ 7,141	\$ 19,410	\$ 7,141	\$ 19,410	\$ 7,141	\$ 77,980	\$ 28,734

1/ Expands managed care to families and children in up to 13 additional counties; seniors and persons with disabilities in 27 counties; and long-term care integration in 3 counties.

2/ New five-year hospital financing federal waiver to use local funds and unmatched state funds for indigent care services; preserve hospital financing for the uninsured whether Medi-Cal patients are served through fee-for-service or managed care; and create opportunities for increased federal reimbursement.

3/ Aligns benefits for adults with private sector employer-based or public plans, by limiting dental services to \$1,000 per year for all adults.

4/ Implements monthly premiums for persons with incomes above the poverty level or the SSI/SSP level. \$4 for children, \$10 for adults, with cap of \$27 per family. Assumes 5% reduction in non-institutional health services costs for beneficiaries who have premiums, excluding dual Medicare/Medi-Cal beneficiaries.

5/ Allows initial Medi-Cal eligibility applications for children received through the Single Point of Entry (SPE) to be processed by the SPE instead of being forwarded to the county for processing. State staff will complete final certifications of the eligibility determinations.

6/ Monitoring by a contractor to verify county performance standards relative to initial eligibility determinations and annual redeterminations in accordance with federal and state statutory requirements.

7/ State staff costs for 2006-07 forward reflect 2005-06 costs as placeholders, and do not reflect staffing changes that may be necessary in those years.

MEDI-CAL REDESIGN
Local Assistance Impact

Summary of Proposal: Managed Care Expansion

Expand managed care to families and children in up to 13 additional counties; seniors and persons with disabilities in 27 counties; and long-term care integration projects in 3 counties.

Summary of Local Assistance Impact:

Fiscal Year	TF	GF	Avg. Mo. Eligs.
2004-05*	(\$181,000)	(\$181,000)	0
2005-06**	\$300,000	\$150,000	0
2006-07***	\$73,671,000	\$36,835,500	61,001
2007-08	\$102,781,000	\$51,390,500	538,785
2008-09	(\$177,498,000)	(\$88,749,000)	820,239

*Transfer to Support to fund positions. ** HCO costs. ***Based on varying implementation dates.

Assumptions/Calculations:

1. Covered aid codes are consistent with the Two-Plan Model (excluding SOC and LTC).
2. Expanded GMC counties are El Dorado, Fresno, Imperial, Kings, Madera, Merced, and Placer.
3. Expanded COHS counties are Lake, Marin, Mendocino, San Benito, San Luis Obispo, Sonoma, and Ventura.
4. LTCI counties are Contra Costa, San Diego, and Orange.
5. In existing GMC and Two-Plan counties, seniors and persons with disabilities will be phased in over 12 months.
6. Beneficiaries will be mandatory in expanded counties in the first month (no phase-in period). (Excludes 15% for medical exemptions, timing of the eligibility process, and current managed care enrollment in Two-Plan and GMC.)
7. Beneficiaries with dual eligibility will be excluded from mandatory enrollment except in COHS & LTCI counties.
8. Potential additional enrollment is based on September 2003 eligible files. An annual growth rate of 1% was assumed for the family population and 3.6% for SPDs through 2008-09.
9. For purposes of calculating savings the Two-Plan Model 2003-04 fee-for-service equivalent costs were used.
10. The above analysis is based on paying capitation rates at 95% of fee-for-service equivalent costs for the expansion counties.
11. If the overall managed care rates increase due to litigation or policy changes, the savings resulting from this proposal will significantly decline or be eliminated.

Note: As Medi-Cal FFS beneficiaries are enrolled into Medi-Cal managed care there will be a transition period during which there will be an overlap of the costs for services already rendered but not yet paid under FFS and the costs that must immediately be paid under capitation. Capitation payments are made without any payment lags. In FFS there is a lag between the time service was rendered and the point that the provider bills and is paid. The payment lags used in this analysis approximate the anticipated flow of payments throughout the year. There are different monthly lags for each aid category.

Other Impacts

	TF	GF	
County Administration			
Fiscal Intermediaries/HCO	Yes	Yes	HCO costs are included in the above figures.
Other Contracts			
State Support	\$7,569,000	\$3,262,000	2005-06 cost (may change in out years)

MEDI-CAL REDESIGN

Local Assistance Impact

Summary of Proposal: Medi-Cal Benefit Options

\$1,000 cap on dental services for all adults.

Summary of Local Assistance Impact:

Fiscal Year	Benefits		Fiscal Intermediary		Net Impact	
	TF	GF	TF	GF	TF	GF
2004-05	\$0	\$0	\$0	\$0	\$0	\$0
2005-06*	(\$50,203,000)	(\$25,101,500)	\$2,000,000	\$500,000	(\$48,203,000)	(\$24,601,500)
2006-07	(\$54,767,000)	(\$27,383,500)	\$4,000,000	\$1,000,000	(\$50,767,000)	(\$26,383,500)
2007-08	(\$54,767,000)	(\$27,383,500)	\$4,000,000	\$1,000,000	(\$50,767,000)	(\$26,383,500)
2008-09	(\$54,767,000)	(\$27,383,500)	\$4,000,000	\$1,000,000	(\$50,767,000)	(\$26,383,500)

*Assumes savings will be reflected in reduced capitation rates eff. 8/1/05.

Assumptions/Calculations:

Costs over \$1,000 - (Delta Dental Ad Hoc Report):

	TF	GF
Aged, Blind and Disabled Adults	\$29,467,000	\$14,733,500
Non-ABD Adults	\$25,300,000	\$12,650,000
All Adults	\$54,767,000	\$27,383,500

Average Monthly Eligibles:

	Total Eligs.	Eligs. Impacted by Cap
ABDs	1,446,500	52,900
Non-ABD Adults	1,552,000	42,000
Total Adults (ABD + Non-ABD)	2,998,500	94,900

Other Impacts

	TF	GF
County Administration	No	No
Fiscal Intermediaries	\$4,000,000	\$1,000,000
Other Contracts	No	No
State Support	\$165,000	\$59,000

Manual system (phone volume) or automated syst.

MEDI-CAL REDESIGN Local Assistance Impact

Proposal: Financial Participation of Medi-Cal Beneficiaries

Require monthly premiums, using the Healthy Families Program minimums of \$4 for children and \$10 for adults, with a cap of \$27 per family.

Summary of Local Assistance Impact:

Fiscal Year	TF		GF	
	Savings			
	2% cost reduction	5% cost reduction	2% cost reduction	5% cost reduction
2004-05	\$0	\$0	\$0	\$0
2005-06	\$0	\$0	\$0	\$0
2006-07	-\$24,747,511	to -\$29,858,511	-\$12,373,756	to -\$14,929,256
2007-08	-\$53,002,000	to -\$68,443,000	-\$26,501,000	to -\$34,221,500
2008-09	-\$53,002,000	to -\$68,443,000	-\$26,501,000	to -\$34,221,500

Cost				
2004-05	\$0	\$0	\$0	\$0
2005-06*	\$12,394,000	\$12,394,000	\$6,197,000	\$6,197,000
2006-07	\$18,753,000	\$18,753,000	\$9,376,500	\$9,376,500
2007-08	\$23,044,000	\$23,044,000	\$11,522,000	\$11,522,000
2008-09	\$23,044,000	\$23,044,000	\$11,522,000	\$11,522,000

Net Impact				
2004-05	\$0	\$0	\$0	\$0
2005-06*	\$12,394,000	\$12,394,000	\$6,197,000	\$6,197,000
2006-07	-\$5,994,511	-\$11,105,511	-\$2,997,256	-\$5,552,756
2007-08	-\$29,958,000	-\$45,399,000	-\$14,979,000	-\$22,699,500
2008-09	-\$29,958,000	-\$45,399,000	-\$14,979,000	-\$22,699,500

* Does not include start-up costs for contractor.

Assumptions/Calculations:

- Beneficiary and dollar estimates are based on the time period July 2002 - June 2003.
- American Indians/Alaskan Natives are excluded from paying premiums, but they are not excluded from this analysis, since the impact to their services could not be estimated.
- The following exemptions apply: beneficiaries with income below 100% FPL or SSI/SSP, infants under age 1, and SOC eligibles.
- 20% of Medi-Cal beneficiaries with premiums are expected to drop off due to a premium requirement. However, the benefits impact is limited to a 2% to 5% reduction in non-institutional health services costs for beneficiaries who have premiums, since people will come on and off the program as they need services. (Source: PriceWaterhouse, "Impact of Premium on Participation and Costs," June 24, 2004.) Dual Medicare/Medi-Cal eligibles are not assumed to drop off due to the premium, since their Part A and B premiums are paid by Medi-Cal.
- Assume implementation in January 2007, to allow 18 months for contracting for the collection of the premiums and development time for the contractor.
- Assume premiums will be determined at application or redetermination during 2005-06 so that everyone can begin paying the premium in January 2007 when the contractor is ready to begin collections.

Other Impacts

	TF	GF	
County Administration	\$14,462,000	\$7,231,000	Identify who will pay premium (incl. above).
Fiscal Intermediaries			
Other Contracts	\$8,582,000	\$4,291,000	Premium collection cost (incl. above).
State Support	\$2,282,000	\$650,000	

MEDI-CAL REDESIGN

Local Assistance Impact

Summary of Proposal: Improved Eligibility Processing for Children

Allows Medi-Cal eligibility applications for children received through the Healthy Families Single Point of Entry (SPE) vendor to be processed by the SPE instead of being forwarded to the county for processing. State staff will complete final certifications of the eligibility determinations.

The SPE will determine all eligibility within 2 months, rather than the 3 to 12 months it takes in some cases now. Therefore, there will be a savings due to ineligible cases being discontinued sooner than they currently are.

Summary of Local Assistance Impact:

Fiscal Year	TF	GF	Avg. Mo. Eligs.
2004-05	\$0	\$0	
2005-06	(\$1,242,000)	(\$1,196,000)	(1,005)
2006-07	(\$15,916,000)	(\$9,269,000)	(8,042)
2007-08	(\$15,916,000)	(\$9,269,000)	(8,042)
2008-09	(\$15,916,000)	(\$9,269,000)	(8,042)

Note: Estimates do not include GF SPE costs to determine eligibility. They are included in MRMIB's budget.

Assumptions/Calculations:

1. Per SPE data, there are 9,600 cases are referred to the counties each month.
2. Per SPE data, there are 1.7 children per case.
3. The average cost per case for EDS services is \$45.88.
4. The average cost for dental services is \$10.58, the current Delta Dental cap rate.
5. 56% of 8E eligibles become ineligible in the month following their 8E eligibility. Many of these become eligible in later months. After 3 months 27% remain ineligible.
7. The average number of months for persons who remain eligible for more than 2 months on aid code 8E is 5, 3 months average above the expected period of eligibility with an SPE determination.
8. Since 1/2 of the persons discontinued after they are eligible for 8E come back on within 3 months, assume that the savings will be an average of 2 months.
9. Assume the contractor will be ready to start determining eligibility in March 2006.

County Administration:

1. County administrative intake costs of \$164.78 will be saved for each case.
2. County administrative clerical costs of \$15.84 per case will be incurred to set up the ongoing cases.

Contract Costs: There will be additional costs for the SPE contractor. The GF cost will be paid by the Managed Risk Medical Insurance Board, and the FFP will be paid by DHS. Start up costs are expected to be \$552,000 and annual costs \$5,244,000.

State Staff Costs: There will be additional costs for state staff to certify the eligibility determinations.

Other Impacts

	<u>TF</u>	<u>GF</u>	
County Administration	(\$13,089,000)	(\$6,544,500)	These costs are included in the above figures.
Fiscal Intermediaries			
Other Contracts	\$5,244,000	\$2,622,000	The FFP for these costs is included above.
State Support	\$6,909,000	\$2,172,000	

MEDI-CAL REDESIGN
Local Assistance Impact

Issue Memo Title: County Performance Standards Monitoring

Summary of Proposal:

Monitoring by a contractor to verify county performance standards relative to initial eligibility determinations and annual redeterminations in accordance with federal and state statutory requirements.

Summary of Local Assistance Impact:

Fiscal Year	TF	GF	Avg. Mo. Eligs.
2004-05	\$0	\$0	
2005-06	\$600,000	\$300,000 1/	
2006-07	\$2,400,000	\$1,200,000	
2007-08	\$2,400,000	\$1,200,000	
2008-09	\$2,400,000	\$1,200,000	

1/ To be added in May 2005 Medi-Cal Estimate.

Assumptions/Calculations:

- No additional savings have been assumed from the performance monitoring. The Medi-Cal Estimate already reflects a flattening in the caseload due to redeterminations, and significant savings from Mid-Year Status Reporting (\$265 million TF, \$132.5 million GF in 2005-06). It would not be reasonable to assume additional savings above these amounts. The county performance monitoring activities would assure that the counties maintain this level of compliance.

Other Impacts

	<u>TF</u>	<u>GF</u>	
County Administration			
Fiscal Intermediaries			
Other Contracts	\$2,400,000	\$1,200,000	Monitoring contract (included in above costs)
Support	\$995,000	\$312,000	