

# Department of Health Care Services

Fiscal Year 2012-2013 Budget Proposals

February 15, 2012



# State Budget- (Dollars in Millions)

- Fiscal Year (FY) 2012-2013 Budget is \$210,400\*
- FY 2012-2013 Proposed Expenditures
  - \$92.6 billion State General Fund
  - \$39.8 billion State Special Fund
  - \$5.0 billion bond fund
  - \$73 billion federal funds (assumed)
- Projected \$9.2 billion budget deficit
  - FY 2011 -2012 projected shortfall \$4.1 billion
  - FY 2012-2013 projected shortfall \$5.1 billion

\*Combines Federal and State Funds of \$137,328 Billion and \$73 Billion

Source: Governor's Budget Summary,  
Legislative Analyst's Office

# State Budget

- Health and Human Services proposed FY 2012-2013 funding is \$100.1 billion (47% of budget)
- DHCS proposed budget is \$61 billion (29% of budget)
- Medi-Cal proposed budget is \$60 billion (28% of budget)

Source: Governor's Budget Summary,  
Legislative Analyst's Office, DHCS  
Governor's Budget Highlights

# FY 2012-2013 Proposed Budget Highlights

- \$4.2 billion in spending reductions
- \$6.9 billion in additional revenues, primarily from a ballot measure to impose new income tax rates on wealthy Californians and an increase in the state sales tax of ½ cent
- \$1.4 billion in fund shifts
- \$347.2 million reserve for litigation (FY 2011-2012 \$86.8 million, and FY 2012-2013 \$260.2 million)
- Build \$1.1 billion reserve
- Trigger cuts of \$5.4 billion to education and public safety is on table if cost reductions fail to meet the proposed savings.

Source: DHCS Governor's Budget Highlights, DHCS Budget Talking Points

# Health & Human Services Reductions

- Proposed \$842.3 million in Medi-Cal reductions through consolidation and better coordination of services.
- Eliminate Managed Risk Medi-Cal Insurance Board (MRMIB)
- Eliminate the Department of Mental Health (DMH)
- Eliminate the Department of Alcohol and Drug Programs (ADP)

Source: DHCS Governor's Budget Highlights

# Medi-Cal Program

- Medi-Cal (California's version of Medicaid) is a state/federal public health insurance program serving low-income families, seniors, persons with disabilities, children in foster care, pregnant women, and certain low-income adults.
- An average of 7.7 million recipients per month were covered by the Medi-Cal program in 2011-12, and 8.3 million are expected to be covered in 2012-13, mostly from households with incomes that are below 100 percent of the federal poverty level (\$18,530 for a family of three).
- More than 400 hospitals and approximately 130,000 doctors, pharmacists, dentists, and other health care providers participate in the Medi-Cal program to provide necessary services to beneficiaries.

Source: DHCS Budget Talking Points

# Medi-Cal Forecast FY 2012-2013

- Caseload will increase approximately 7.9 percent from FY 2011-12 to FY 2012-13 (from 7.7 million to 8.3 million), which is due primarily to shifting Healthy Families children to Medi-Cal.
- Costs are increasing for providing medical services, including prescription drugs and inpatient and outpatient services.
- Disabled and elderly persons represent a small percentage of the population, but use most of the program budget. Just 7 percent of Medi-Cal beneficiaries account for 75 percent of program costs, largely due to costs from institutionalization.
- The proposed FY 2012-13 budget contains \$15.1 billion (GF) for Medi-Cal, down from \$15.4 billion in FY 2011-12.

Source: DHCS Budget Talking Points

# Budget Savings Erosions

- Additional shortfall of \$778.2 million in FY 2011-12 and \$235.3 million in FY 2012-13 because of delayed federal approval of budget savings proposals, litigation related to elimination of the adult day health care benefit and a portion of the provider payment reductions approved by the federal government, and a portion of the provider payment reductions not being approved by the federal government.

Source: DHCS Budget Talking Points



# The Medi-Cal Budget Proposals FY 2012-2013

# DHCS Budget Proposals

- Promote Coordinated Care: The budget proposes to improve care coordination for dual eligible beneficiaries by transitioning them to managed care phased in over a three-year period starting January 1, 2013.
  - Transition to managed care for Medi-Cal benefits will occur in the first year, with the benefits becoming a more integrated managed care plan responsibility over the subsequent two years.
  - Transition of Medicare benefits to managed care will occur over a three-year period starting first with eight to ten counties that already have the capacity to coordinate care for these individuals.
  - Beneficiaries in counties in which Medi-Cal managed care plans may not yet have the capacity to take on additional beneficiaries will begin to transition six or twelve months later.

Note: The Budget separately proposes to expand Medi-Cal managed care statewide starting in June 2013. Beneficiaries in these managed care expansion counties will transition in 2014-15.

# Federally Qualified Health Center (FQHC) and Rural Health Center (RHC) Payment Reform

- Reform the payment methodology for FQHCs and RHCs to create a performance, risk-based payment model that will allow, and reward clinics for providing more efficient and better care.
- Payments made to FQHCs and RHCs participating in Medi-Cal managed care plan contracts would change from a cost- and volume-based payment to a fixed payment to provide a broad range of services to its enrollees.
- A waiver of current operating restrictions would empower FQHCs to follow efficient best practices, such as group visits, telehealth, and telephonic disease management.

Source: DHCS Budget Talking Points

# Healthy Families Program to Med-Cal

- Healthy Families Program would transition to DHCS as part of the broader Medi-Cal program beginning in October 2012
- Reduce payments to Healthy Families managed care plans by 25.7% effective October 2012
- Eliminate MRMIB effective 7/1/13
  - This proposal eliminates MRMIB and transfers its programs and responsibilities to DHCS in preparation for California's implementation of federal health care reform.
  - Programs proposed to transfer to DHCS: Access for Infants and Mothers, County Children's Health Initiative Program, Major Risk Medical Insurance Program, Pre-Existing Conditions Insurance Plan, and Healthy Families Program

Source: DHCS Budget Talking Points

# Expand Managed Care to Rural Counties

- Expand managed care into rural counties beginning in June 2012
- Currently, Managed Care Plans are in 30 of the 58 counties in California

Source: DHCS Budget Talking Points,  
DHCS Managed Care Division

# Medical Therapy Program Means Test

- The Medical Therapy Program (MTP) is a special program within California Children's Services that provides physical therapy (PT), occupational therapy (OT) and medical therapy conference (MTC) services for children who have handicapping conditions, generally due to neurological or musculoskeletal disorders.
- Implement income eligibility requirements, or means testing, for the California Children's Services (CCS) Medical Therapy Program. Currently, there is no financial test for eligibility.
- The proposed means test is consistent with the eligibility requirements already in place for all other CCS benefits.

Source: DHCS Budget Talking Points

# Require Annual Open Enrollment Periods for Medi-Cal Enrollees

- Annual open enrollment will provide beneficiaries the opportunity to select their Medi-Cal health plan each year and receive care through that health plan for the entire year.

Source: DHCS Budget Talking Points

# Creation of Office of Health Equity

- Consolidate DHCS' Office of Women's Health, Department of Public Health (DPH) Office of Multicultural Health, Health in All Policies Task Force, the Health Places Team, and Department of Mental Health (DMH) Office of Multicultural Services into the new Office of Health Equity (OHE) within DPH.

Source: DHCS Budget Talking Points

# Transfer of Medical Services from DPH

- Transfer of Medical Service Programs from DPH to DHCS:
  - Every Women Counts
  - Prostate Cancer Treatment
  - Family Planning, Access, Care and Treatment (FPACT)
- The transfer of these programs is consistent with the Administration's goal of placing direct health care service programs with DHCS to improve service delivery.

Source: DHCS Budget Talking Points

# Transfer of Departments of Alcohol and Drug Programs (ADP) & Mental Health (DMH) Programs

- Eliminate both DMH and ADP
- This proposal reorganizes behavioral health programs. With the elimination of the DMH and the ADP, major community mental health programs and remaining non-Drug Medi-Cal programs and associated funding will be shifted.
- Remaining non-health related functions would be transferred to various Departments such as licensing to the Department of Social Services.

Source: DHCS Budget Talking Points

# Other DHCS Budget Proposals

- Increases Medi-Cal managed care rates by 3.61 percent (May 2012)
- Eliminates the sunset date of the Gross Premiums Tax on Medi-Cal managed care plans
- A one-time redirection of private and non-designated public hospital stabilization funding that has not yet been paid for fiscal years 2005-06 through 2009-10 to provide GF savings and avoid direct service reductions.
- Nursing Home Fee Program - Proposes funding to restore the 10 percent provider rate reductions and includes supplemental payments based upon prior reductions.

Source: DHCS Budget Talking Points

# Other DHCS Budget Proposals

- Extends for two years the sunset date for the rate methodology and nursing home fee initially established by AB 1629.
- Proposes a value-based purchasing process that will incorporate stakeholder input and determine cost-effectiveness before implementing changes in benefit design, and includes a post-implementation assessment to assure that changes achieve the intended results.

Source: DHCS Budget Talking Points



# Questions & Answers