



Department of Health Care Services  
**MEMORANDUM**

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**DATE:** February 17, 2015

**TO:** Tribal Chairpersons, California Indian Health Programs and Urban Indian Organizations

**FROM:** Original Signed By  
Sandra "Sam" Willburn, Chief, Primary, Rural, and Indian Health Division

**SUBJECT:** Notice of Proposed Change to the Medi-Cal Program

The purpose of this memo is to provide information regarding a proposed change to the Department of Health Care Services' (DHCS) Medi-Cal Program that will be submitted to the Centers for Medicare and Medicaid Services (CMS). DHCS is forwarding this information for your review and comment.

DHCS is required to seek advice from designees of Indian Health Programs and Urban Indian Organizations on Medi-Cal matters having a direct effect on Indians, Indian Health Programs or Urban Indian Organizations per the American Recovery and Reinvestment Act of 2009 (ARRA). DHCS must solicit the advice of designees prior to submission to CMS of any State Plan Amendment, waiver requests or modifications, or proposals for demonstration projects in the Medi-Cal program.

**Medicaid Section 1115 Waiver Renewal:** DHCS is currently operating a five-year Medicaid Section 1115 Waiver through which much of the Medi-Cal Program now operates, the DHCS Section 1115 Waiver authority expires on October 31, 2015. DHCS is in the process of planning for the renewal of the Waiver program and plans to submit, on or before March 31, 2015, a request to CMS for a five year renewal of California's Section 1115 Waiver. Please see the enclosed summary of the waiver renewal for a detailed description and contact information for questions or comments.

**QUESTIONS AND COMMENTS:**

Indian Health Programs and Urban Indian Organizations may submit written comments or questions concerning this waiver within 30 days from the receipt of this notice. Comments or feedback may be sent by email to [WaiverRenewal@dhcs.ca.gov](mailto:WaiverRenewal@dhcs.ca.gov) or mail to the address below:

**Contact Information:**

Department of Health Care Services  
Waiver Renewal  
Attn: Mari Cantwell, Chief Deputy Director  
Health Care Programs  
PO Box 997413, MS 0000  
Sacramento, CA 95899-7413

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In addition to this notice, DHCS plans to cover this waiver in the next quarterly Medi-Cal Indian Health webinar. Please note that Indian Health Programs and Urban Indian Organizations may also request a consultation on this proposal at any time as needed.

Enclosure

**Department of Health Care Services (DHCS)  
Request for Medicaid Section 1115 Waiver Renewal**

**Background:**

The Centers for Medicare and Medicaid (CMS) permits states to apply for a waiver to test approaches to financing and delivering Medicaid programs (Medi-Cal in California). DHCS is currently operating a five-year Medicaid Section 1115 Waiver through which much of the Medi-Cal Program now operates. Medicaid waivers allow:

- States to “Waive” specified provisions of Medicaid Law
- Allow flexibility and innovation in administering the Medicaid program
- Provide medical coverage to individuals and/or services that may not otherwise be eligible or allowed under regular Medicaid rules
- Approved waivers are for specified periods of time, can be amended, and can be renewed upon expiration

The current DHCS Section 1115 Waiver allows Medi-Cal to operate its managed care program, provide payment for uncompensated care, and provide services or coverage to populations otherwise not eligible. Information on the existing Section 1115 “Bridge to Reform” waiver can be found at: <http://www.dhcs.ca.gov/provgovpart/Pages/1115-Bridge-to-Reform.aspx>. The approval for the existing Section 1115 Waiver expires on October 31, 2015. Therefore, DHCS is in the process of planning for the renewal of the Waiver program as described below.

**Description of Waiver and Proposed Effective Date**

The infrastructure that exists in Medi-Cal today will not change in the proposed Section 1115 Waiver Renewal. DHCS will continue to contract with managed care health plans for the majority of Medi-Cal members, with the remaining members receiving services under a fee-for-service arrangement.

**A summary of the key elements expected to continue in the Section 1115 Waiver Renewal include:**

- 1. Managed Care Authority:** DHCS contracts for health care services through networks of providers organized as managed care systems. The managed care systems are administered by health plans.
- 2. Safety Net Care Pool (SNCP) Expenditure Authorities:** Provides funding to designated public hospital systems and the state for care to the uninsured including, programs that pay for uncompensated care (including the Tribal Uncompensated Care Program (TUCP)); and provides Delivery System Reform Incentive Payments (DSRIP) including funding for improvement activities at Non-Designated Public Hospitals.
- 3. Community Based Adult Services (CBAS) Expenditure Authority:** CBAS offers services to eligible older adults and/or adults with disabilities to restore or maintain their optimal capacity for self-care and delay/prevent inappropriate or unwanted institutionalization. CBAS services include for example; professional nursing services; physical, occupational and speech therapies; mental health services; social services; nutritional counseling; and transportation to a CBAS center. CBAS is a Medi-Cal Managed Care benefit available to eligible Medi-Cal beneficiaries.

- 4. Drug Medi-Cal Organized Delivery System (DMC-ODS) Proposed Authorities:** DHCS has submitted the DMC-ODS to CMS for approval. The proposed DMC-ODS waiver seeks to ensure the quality and availability of substance use disorder (SUD) services for California's Medi-Cal beneficiaries through County participation in the proposed waiver. The proposed waiver requires SUD services to be provided across a continuum of care. This includes all of the following services: non-Medical detox, short term residential services for all Medi-Cal beneficiaries, intensive outpatient care, outpatient services, sober living environment's, and case management services. If approved, it will be included in the Section 1115 Waiver Renewal.

**A summary of the key concepts expected to change or new authorities added in the Section 1115 Waiver Renewal include:**

*NOTE: The below is subject to change as the proposed waiver moves through the CMS approval process or based on feedback received from stakeholders.*

- 1. Federal and State Shared Savings:** Requests authority for DHCS to reinvest waiver savings towards other initiatives proposed in the waiver renewal including plan/provider, system incentives, workforce development and housing and supportive services.
- 2. SNCP/Disproportionate Share Hospital (DSH)-Safety Net Payment Reform:** In addition to the existing SNCP authority for uncompensated care costs, this authority would allow reimbursement for expenditures incurred by health care systems (including affiliated hospitals, providers, and clinics) on behalf of uninsured individuals. DHCS is also requesting authority to implement payment reforms for DSH and SNCP providers.
- 3. DSRIP 2.0:** Will continue the existing DSRIP authority, but will also focus on five key areas including, 1) Delivery System Transformation which focuses on redesigning ambulatory care, improving care transitions, and integrating behavioral health and primary care; 2) Care Coordination for High Risk, High Utilizing Population which focuses on care management, health homes, and palliative care; 3) Resource Utilization Efficiency which focuses on appropriate use of antibiotics, high cost images, and medication; 4) Prevention which focuses on areas such as cardiac health, cancer, and perinatal care; and 5) Patient Safety which focuses on improving provider performance measures related to potentially preventable events and reducing inappropriate surgical procedures.
- 4. Housing-Based Case Management and Supportive Services:** Requests authority to provide reimbursement for housing-based case management and supportive services and incentive payments for qualifying beneficiaries accessing Medi-Cal benefits. This concept proposal would allow for health plan flexibility to provide non-Traditional Medi-Cal services such as discharge planning, care plans, coordination with primary, behavioral health, and social services, etc.
- 5. Workforce Development:** Requests authority to allow for financial incentives to increase provider participation for newly participating providers or providers expanding the number of Medi-Cal beneficiaries served; develop pilot projects for voluntary workforce training programs to target high-need populations (which may include peer providers, In Home Support Services workers, and Community Health Workers); to expand use of telehealth, expand residency programs; and to cross train and use multi-disciplinary care teams for better coordinated physical, behavioral, and long term care needs.

- 6. Plan/Provider/System Incentives:** To allow for reimbursement for select provider, health plan, and/or system incentive payments to the extent not otherwise considered allowable under federal law.

Detailed information on waiver renewal concepts expected to change or new authorities to proposed to be added can be found at:

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

February 2015 update:

[http://www.dhcs.ca.gov/provgovpart/Documents/Waiver%20Renewal/SAC\\_2-11-15.pdf](http://www.dhcs.ca.gov/provgovpart/Documents/Waiver%20Renewal/SAC_2-11-15.pdf)

July 2014 concept paper:

[http://www.dhcs.ca.gov/provgovpart/Documents/Waiver%20Renewal/Initial\\_Concepts\\_for\\_2015\\_Waiver-July\\_2014.pdf](http://www.dhcs.ca.gov/provgovpart/Documents/Waiver%20Renewal/Initial_Concepts_for_2015_Waiver-July_2014.pdf)

DHCS anticipates submission of the Section 1115 Waiver Renewal request to CMS in March 2015 for review and approval. This proposal will be effective upon approval from CMS.

**Impact to Indian Health Programs (IHPs):**

This waiver renewal may impact participating IHPs contracted with managed care health plans in that plans could have additional flexibility to provide non-traditional Medi-Cal reimbursable services to beneficiaries or enter into incentive program arrangements. IHPs may also be able participate in other proposed waiver activities; including delivery system integration, care coordination, prevention projects, work force development incentives, and the TUCP.

This proposal will not impact how IHPs participate in the Medi-Cal managed care program or effect the state and federal managed care protections afforded to IHPs (i.e. right to prompt payment, etc.).

**Impact to Indian Medi-Cal Beneficiaries:**

The proposed Section 1115 Waiver Renewal will impact Indian beneficiaries in that it allows for continuation of the existing Medi-Cal program structure and seeks to improve patient experiences in receiving appropriate, quality, coordinated care, and expanding access within the delivery system. This proposal will not impact how Indian Medi-Cal beneficiaries participate in the Medi-Cal program. Additionally, it does not alter or change the existing state and federal managed care protections afforded to American Indians (i.e. right to receive services from an IHP, etc.). Indian Medi-Cal beneficiaries may also continue to have access to services not currently available in the Medi-Cal program through the TUCP (i.e. podiatry and certain adult dental services).

**Response Date:**

Please submit written comments or questions concerning this waiver proposal within 30 days from the receipt of this letter. Comments may be sent by email to [WaiverRenewal@dhcs.ca.gov](mailto:WaiverRenewal@dhcs.ca.gov) or by mail to:

DHCS Waiver Renewal  
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