

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

2011 ANNUAL REPORT TO THE LEGISLATURE

OVERVIEW

The California Medical Assistance Commission (CMAC) was established by the Legislature in 1983 and is governed by Welfare and Institutions Code sections 14165 et seq., and the California Code of Regulations, title 22, sections 100501 et seq. CMAC is the agency established for negotiating contracts with hospitals and certain managed care plans on behalf of the State for specific services under the Medi-Cal program. The goal of CMAC is to promote efficient and cost-effective Medi-Cal programs through a system of negotiated contracts fostering competition and maintaining access to quality health care for Medi-Cal beneficiaries.

Through CMAC, the State selectively contracts, on a competitive basis, with those hospitals in California that prefer to be reimbursed under the terms of a Medi-Cal Selective Provider Contracting Program (SPCP) contract for services provided to Medi-Cal beneficiaries. The SPCP has operated successfully for over 28 years. Competitive contracting has assured continued hospital access for Medi-Cal beneficiaries while, at the same time, saving the state and federal governments substantial funds.

In fiscal year 2010-11, the SPCP has realized estimated State General Fund program savings of \$551.0 million as a result of negotiating Medi-Cal acute inpatient per diem rates of reimbursement with hospitals. Over the 28 years of the SPCP, the State General Fund has realized accumulated estimated savings of \$12.0 billion.

In addition to the savings resulting from SPCP hospital per diem negotiations, an estimated savings of \$1.6 billion has accrued through negotiated rates with various DHCS managed care programs for the time that these programs' contract negotiations were under the responsibility of CMAC. As of July 1, 2010, new legislation has shifted the responsibility of negotiating the rates and all contract terms for managed care plans to DHCS.

In summary, the SPCP activities of CMAC continue to: (1) ensure access for Medi-Cal beneficiaries to hospital inpatient services, and (2) remain cost-effective programs for delivering and paying for those services in the year 2011. As described above, total savings resulting from CMAC negotiations over the life of its existence is roughly \$13.6 billion.