

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

2012 ANNUAL REPORT TO THE LEGISLATURE

OVERVIEW

The California Medical Assistance Commission (CMAC) was established by the Legislature in 1983 and governed by Welfare and Institutions Code sections 14165 et seq., and the California Code of Regulations, title 22, sections 100501 et seq. CMAC was established to negotiate contracts with hospitals, and for many years 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, 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 has selectively contracted, on a competitive basis, with 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 29 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 2011-12, the SPCP has realized an estimated State General Fund program savings of \$770.8 million, as a result of negotiating Medi-Cal acute inpatient per diem rates of reimbursement with hospitals. Over the 29 years of the SPCP, the State General Fund has realized accumulated estimated savings of \$12.7 billion. In addition to these savings, an estimated savings of \$1.6 billion has accrued through negotiated rates with various Department of Health Care Services (DHCS) managed care programs for the time that these programs' contract negotiations were under the responsibility of CMAC. As of July 1, 2010, the responsibility of negotiating the rates and contract terms for all Medi-Cal managed care plans had shifted to DHCS.

In summary, the SPCP activities of CMAC have continued 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 fiscal year 2011-12. As described above, total savings resulting from CMAC negotiations over the life of its existence is roughly \$14.3 billion.

As part of the fiscal year 2011-12 budget process, AB 102 (Chapter 29, Statutes of 2011) enacted law to dissolve CMAC on June 30, 2012, and to transfer CMAC's powers, duties, and responsibilities to DHCS until the new diagnostic-related groups (DRG) hospital reimbursement methodology that replaces the SPCP is implemented by DHCS, which is currently proposed to be July 1, 2013.