

2019-20 Governor's Budget

Highlights

Department of Health Care Services



**GAVIN NEWSOM
GOVERNOR
State of California**

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CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES PROGRAM OVERVIEW

The California Department of Health Care Services' (DHCS) mission is to provide Californians with access to affordable, integrated, high-quality health care including medical, dental, mental health, substance use treatment services, and long-term care. Our vision is to preserve and improve the overall health and well-being of all Californians.

DHCS helps provide Californians access to quality health care services that are delivered effectively and efficiently. Its programs integrate all spectrums of care, primarily via Medi-Cal, California's Medicaid program. Medi-Cal is a federal/state partnership providing comprehensive health care to individuals and families who meet defined eligibility requirements. Medi-Cal coordinates and directs the delivery of important services to approximately 13.2 million Californians. On January 1, 2014, California implemented the Medi-Cal expansion which extended eligibility to adults without children and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level. This expansion and other program changes since 2013 have increased Medi-Cal enrollment by 5 million individuals.

The Department also offers programs to special populations and administers several other non-Medi-Cal programs:

- Low-income and seriously ill children and adults with specific genetic diseases receive services through various programs including the Genetically Handicapped Persons Program, California Children's Services Program, and Newborn Hearing Screening Program.
- Programs for Californians in rural areas and for underserved populations include Indian Health, the Rural Health Services Development Program, the Seasonal Agricultural and Migratory Workers Program, the State Office of Rural Health, the Medicare Rural Hospital Flexibility Program / Critical Access Hospital Program, the Small Rural Hospital Improvement Program, and the J-1 Visa Waiver Program.
- Licensing and certification, monitoring, and complaints for Driving-Under-the-Influence Programs, Narcotic Treatment Programs, and outpatient and residential treatment providers. DHCS also oversees and conducts complaint investigations on certified Alcohol and Other Drug counselors.
- Community mental health services and substance use disorder treatment services are funded by federal block grants, the Mental Health Services Act and other funding.
- Public health, prevention, and treatment programs provided via the Every Woman Counts Program, the Prostate Cancer Treatment Program and the Family Planning Access Care and Treatment Program.

GENERAL BUDGET OVERVIEW

The budget for DHCS supports vital services that reinforce the State’s commitment to preserve and improve the overall health and well-being of all Californians while operating within a responsible budgetary structure. For Fiscal Year (FY) 2019-20, the Governor’s Budget proposes a total of \$104.2 billion for the support of DHCS programs and services. Of that amount, \$744.1 million funds state operations, while \$103.5 billion supports local assistance.

Total DHCS Budget

(Includes non-Budget Act appropriations)

Fund Source*	2018-19 Approved Budget	2018-19 Revised Budget	2019-20 Proposed Budget
General Fund	\$23,408,652	\$21,215,355	\$23,405,017
Federal Funds	\$68,143,762	\$63,689,469	\$66,234,871
Special Fund & Reimbursements	\$16,098,932	\$17,228,907	\$14,600,085
Total Funds	\$107,651,346	\$102,133,731	\$104,239,973

*Dollars in thousands

State Operations

State Operations by Fund Source *			
Fund Source	2018-19 Approved Budget	2018-19 Revised Budget	2019-20 Proposed Budget
General Fund	\$236,579	\$246,958	\$237,675
Federal Funds	\$457,020	\$467,752	\$448,476
Special Funds & Reimbursements	\$57,086	\$60,973	\$57,914
Total State Operations	\$750,685	\$775,683	\$744,065

*Dollars in thousands

Local Assistance

Local Assistance by Fund Source *			
Fund Source	2018-19 Approved Budget	2018-19 Revised Budget	2019-20 Proposed Budget
General Fund	\$23,172,073	\$20,968,397	\$23,167,342
Federal Funds	\$67,686,742	\$63,221,717	\$65,786,395
Special Funds & Reimbursements	\$16,041,846	\$17,167,934	\$14,542,171
Total Local Assistance	\$106,900,661	\$101,358,048	\$103,495,908

*Dollars in thousands

MAJOR ISSUES AND PROPOSALS

Full-Scope Medi-Cal Expansion to Undocumented Young Adults

Building on the expansion to provide full-scope Medi-Cal to undocumented children up to age 18, the Governor's Budget proposes to provide the full scope of Medi-Cal benefits to individuals from age 19 to 25 who meet all other eligibility criteria, including income standards, regardless of documentation status. Currently, those without satisfactory immigration status are limited to emergency and pregnancy-related services. The Department will propose trailer bill language to implement this expansion, which will begin no sooner than July 1, 2019 and will be dependent on systems changes and network readiness approvals being in place. By the end of the first year of implementation, the Department estimates 138,000 individuals will be receiving full-scope benefits at a cost of \$194 million General Fund.

Changes to AB 85 Redirection

As the state takes new responsibility for providing care to these newly eligible individuals, county costs are expected to decrease. To reflect this shift, starting in 2019-20, the Budget assumes changes to the AB 85 redirection amount for the County Medical Services Program (CMSP) and any other non-formula based AB 85 counties. Proposed trailer bill language will modify the realignment redirection for CMSP and non-formula based AB 85 counties to be 75%/25%. These adjustments will result in the availability of additional realignment funds to offset General Fund costs in the CalWORKS program.

Proposition 56

The Governor's Budget continues to include supplemental payments for physicians, dentists, women's health services, intermediate care facilities for the developmentally disabled (ICF/DD) providers, and HIV/AIDS Waiver services. In addition, there are Proposition 56-funded ongoing rate increases for home health agencies, private duty nursing, and pediatric day health care programs. The total FY 2019-20 Proposition 56 funding for these providers is \$769.5 million. The Department estimates the total funding (both federal and Proposition 56) in FY 2018-19 for these payments is \$2.297 billion and in FY 2019-20 is \$3.174 billion.

For FY 2019-20, the Governor's Budget proposes three new programs funded with Proposition 56 revenues.

- A Value-Based Payment Program (VBP) will be established through Medi-Cal managed care plans that will provide incentive payments to providers for meeting specific measures aimed at improving care for certain high-cost or high-need populations. These risk-based incentive programs will be targeted at physicians that meet specific achievement on metrics targeting areas such as behavioral health integration; prenatal/post-partum care and chronic disease management. This program is funded with \$180 million in Proposition 56 funds. The Department will propose trailer bill language to implement this program.
- Proposition 56 funding will support the provision of both developmental and trauma screenings for all children ages 0-21, as well as support trauma screenings for all adults with full-scope coverage in Medi-Cal. These screenings will be billed and reimbursed in both the managed care and fee-for-service delivery systems. These payments will be in addition to the amounts paid generally for the office visit in fee-for-service scenarios or capitation paid by managed care plans. The budget estimates that these screenings will spend \$52.5 million of Proposition 56 funding.

- An additional family planning supplemental payment program targeted specifically at Medi-Cal family planning services in both fee-for-service and managed care. This program will provide additional fiscal support of family planning services in the Medi-Cal program. While \$50 million of Proposition 56 is allocated to this program, with federal funding, this is expected to result in up to \$500 million in supplemental payments.

Whole Person Care Housing Services

California's 1115 Medicaid waiver includes the Medi-Cal Whole Person Care Pilots, which coordinate health, behavioral health, and social services needs of Medi-Cal beneficiaries. A majority of these Pilots specifically target the homeless and mentally ill population. The Governor's Budget includes a one-time augmentation of \$100 million to provide counties or local entities with funding for supportive housing services for individuals who are homeless or are at risk of becoming homeless, with a focus on people with mental illness. The funds will be available for expenditure through June 30, 2025.

Early Psychosis Outreach, Detection, and Intervention

The Governor's Budget proposes a one-time, General Fund augmentation in FY 2019-20 to provide grants to support projects that demonstrate innovative approaches to detect and intervene when young people have had, or are at risk of, psychosis. The Department will seek competitive applications from entities, including but not limited to, county mental health plans, nonprofit organizations, behavioral health providers, or academic institutions to identify and support appropriate interventions for California youth experiencing the signs of early psychosis. The grants cannot supplant existing financial or resource commitments by a county or county mental health plan. Successful applicants may be required to provide a matching contribution to access larger grant awards over \$1 million. The total amount available under this proposal is \$25 million General Fund and includes administrative resources for the Department to administer the program.

Medical Fiscal Intermediary

The new medical fiscal intermediary contractors assume operations in October 2019. The FY 2019-20 funding proposed for the new Business Operations and Information Technology Maintenance and Operations contracts are \$104.1 million (\$26.9 million General Fund.)

Fiscal Year 2018-19 Estimated Savings

The November 2018 Medi-Cal Estimate projects 2018-19 savings of approximately \$2.3 billion General Fund. Among the major factors contributing to the savings are:

- Successful resolution of federal Centers for Medicare and Medicaid Services (CMS) deferrals and a lower amount of projected deferrals (\$-418 million GF)
- Long-Term Care Quality Assurance Fund offsets to the General Fund increase due to transfers of prior year withholds from providers who didn't pay the fee (\$-307 million GF)
- Hospital Quality Assurance Fee payments for children's health care increased due to a prior year adjustment and changes in timing (\$-428 million GF)
- Drug rebate projections increased based upon more recent data and drug rebate timing shifts (\$-390 million GF)
- Base managed care projections decreased primarily because of reduced eligible projections (\$-248 million GF)

Drug Rebates Fund

The Governor's Budget proposes a new special fund, the Medi-Cal Drug Rebates Fund, beginning July 1, 2019. The newly established Medi-Cal Drug Rebates Fund will fund health care services for Medi-Cal beneficiaries. The fund will enhance management of drug rebate accounting and transparency.

Transition of Pharmacy Services and Standardization of Medi-Cal Managed Care Benefits

The Governor's Budget also includes proposed changes to the provision of pharmacy benefits in Medi-Cal. Starting no sooner than January 2021, the Department will carve out all pharmacy benefits from Medi-Cal managed care and return them to a fee-for-service benefit statewide.

This proposal will accomplish several goals including:

- Strengthening and reasserting California's market dominance in negotiating supplemental rebates with pharmaceutical manufacturers as the nation's largest Medicaid program.
- Improving pharmacy services and maintaining quality and outcomes as 97 percent of pharmacies in the state currently serve as Medi-Cal fee-for-service providers, while managed care plans typically have more narrow pharmacy networks.
- Standardizing the Medi-Cal pharmacy benefit statewide. Currently, drugs are carved in or out of specified managed care models across the state and plan formularies even within the same county can differ. By fully carving out the payment for drugs to the fee-for-service delivery system, the Department will standard the benefit and reduce confusion for beneficiaries who may change counties or managed care plan assignment.

BUDGET ADJUSTMENTS

Budget Change Proposals

The Governor's Budget proposes the establishment of 108.0 permanent new positions and the conversion of 8.0 existing limited-term resources to permanent positions.

4260-001-BCP-2019-GB: Private Hospital Directed Payment and Quality Incentive Pool

General Fund:	\$ 595,000
Federal Fund:	\$ 864,000
Special Fund:	\$ 270,000
TOTAL:	\$1,729,000

(4.0 permanent positions and five-year limited-term expenditure authority equivalent to 8.0 positions)

DHCS, Capitated Rates Development Division and Office of the Medical Director, requests resources to implement the Hospital Quality Assurance Fee (HQAF) directed payment model, known as the Private Hospital Directed Payment (PHDP) program, and the new workload for the Quality Incentive Pool (QIP) program as defined by Title 42, Code of Federal Regulations (CFR), part 438.6(c).

4260-002-BCP-2019-GB: Cybersecurity Program Augmentation

General Fund:	\$ 591,000
Federal Fund:	\$ 591,000
TOTAL:	\$1,182,000

(3.0 permanent positions and permanent expenditure authority for security infrastructure tools)

DHCS, Enterprise Innovation and Technology Services Division, requests permanent expenditure authority for staffing and recurring annual costs of additional enterprise security infrastructure tools. These resources are needed to address cybersecurity risks identified by two independent assessments conducted in 2017 by the State of California Military Department's Cyber Network Defense and California Office of Health Information Integrity.

4260-003-BCP-2019-GB: Program of All-Inclusive Care for the Elderly Expansion

General Fund:	\$ 140,000
Federal Fund:	\$ 139,000
TOTAL:	\$ 279,000

(2.0 permanent positions)

DHCS, Integrated Systems of Care Division, requests permanent expenditure authority to allow the Program of All-Inclusive Care for the Elderly (PACE) to continue to operate effectively under federal and state regulations as the program expands. The resources will

conduct timely review and execution of contract, contract amendments and maintain compliance functions pursuant to PACE contracts which includes federally mandated annual onsite audits for the first three years for new PACE Plans and biennial audits for established PACE Plans.

4260-004-BCP-2019-GB: Unusual Occurrence-Complaint Investigations and Disaster Response

General Fund:	\$ 858,000
Federal Fund:	\$ 719,000
TOTAL:	\$1,577,000

(8.0 permanent positions and two-year limited-term expenditure authority equivalent to 2.0 positions)

DHCS, Mental Health Services Division and Office of Legal Services, requests resources to: effectively respond to requests regarding investigations of violations against facilities licensed and certified by the Mental Health Services Division; address complaints and unusual occurrences that affect the health, safety and treatment of clients in facilities; and support the disaster behavioral health response during a natural disaster and emergency incidents.

4260-009-BCP-2019-GB: Electronic Health Record Incentive Program Audits (Health Technical BCP)

General Fund:	\$ 29,000
Federal Fund:	\$ 265,000
TOTAL:	\$ 294,000

(Three-year limited-term expenditure authority equivalent to 2.0 positions)

DHCS, Audits and Investigations Division, requests to extend limited-term funding for staff resources to continue supporting program workload relating to the Medi-Cal Electronic Health Record Incentive Program.

4260-010-BCP-2019-GB: Every Women Counts Program Staffing (Health Technical BCP)

Special Fund:	\$ 175,000
TOTAL:	\$ 175,000

[1.0 permanent positions (converted from limited-term)]

DHCS, Benefits Division, requests to convert limited-term resources to permanent to perform ongoing critical data management, programming and data analyses for the Every Woman Counts program to fulfill mandated state and federal requirements.

4260-011-BCP-2019-GB: Statewide Transition Plan Extension (Health Technical BCP)

General Fund:	\$ 288,000
Federal Fund:	\$ 287,000
TOTAL:	\$ 575,000

(Three-year limited-term expenditure authority equivalent to 5.0 positions)

DHCS, Integrated Systems of Care Division, requests to extend limited-term funding for staff resources to support the implementation and ongoing monitoring and oversight functions related to the Statewide Transition Plan.

4260-012-BCP-2019-GB: Office of Legislative and Governmental Affairs Staffing (Health Technical BCP)

General Fund:	\$ 124,000
Federal Fund:	\$ 123,000
TOTAL:	\$ 247,000

[2.0 permanent positions (converted from limited-term)]

DHCS, Office of Legislative and Governmental Affairs (LGA), requests to convert limited-term resources to permanent to support ongoing workload to maintain LGA's increased workload.

4260-015-BCP-2019-GB: Whole Child Model Evaluation Contract Funding (Health Technical BCP)

General Fund:	\$ 800,000
Federal Fund:	\$ 800,000
TOTAL:	\$ 1,600,000

(Two-year expenditure authority for evaluation contracts)

DHCS, Managed Care Quality and Monitoring Division, requests \$1,600,000 to be used over two fiscal years (FY 2019-20 and FY 2020-21) to secure a contractor for independent evaluations of the Whole Child Model implementation. This increase is offset by current year savings from dollars initially appropriated for this purpose.

4260-016-BCP-2019-GB: California Dental Medicaid Management Information System Contract Management Staffing

General Fund:	\$ 175,000
Federal Fund:	\$ 526,000
TOTAL:	\$ 701,000

[4.0 permanent positions (converted from limited-term)]

DHCS, Medi-Cal Dental Services Division, Enterprise Innovation and Technology Services Division, and Office of Legal Services, requests to convert limited-term resources to permanent to support ongoing workload associated with the transition from one dental Fiscal Intermediary (FI) contract to two separate contracts, an FI and an Administrative Service Organization (ASO) contract. The two contracts are needed to support ongoing workload in policy and system initiatives.

4260-018-BCP-2019-GB: Drug Medi-Cal Chaptered Legislation (SB 823, SB 1228 & AB 2861)

General Fund:	\$ 1,723,000
Federal Fund:	\$ 135,000
<u>TOTAL:</u>	<u>\$ 1,858,000</u>

(16.0 permanent positions)

DHCS requests resources to address the new workload resulting from the passage of the following chaptered legislation:

- Senate Bill (SB) 823 (Hill, Chapter 781, Statutes of 2018) - Alcohol and Drug Treatment Abuse Recovery and Treatment Facilities.
- Senate Bill (SB) 1228 (Lara, Chapter 792, Statutes of 2018) - Alcoholism or Drug Abuse Recovery and Treatment Services.
- Assembly Bill (AB) 2861 (Salas, Chapter 500, Statutes of 2018) - Medi-Cal: Telehealth: Alcohol and Drug Use Treatment.

4260-019-BCP-2019-GB: Childhood Lead Poisoning Prevention (SB 1041)

General Fund:	\$ 72,000
Federal Fund:	\$ 72,000
<u>TOTAL:</u>	<u>\$ 144,000</u>

(1.0 permanent position)

DHCS, Information Management Division, requests 1.0 permanent position to implement the requirements of Senate Bill (SB) 1041 (Leyva, Chapter 690, Statutes of 2018). SB 1041 requires DHCS to collaborate with the California Department of Public Health to collect and analyze data on blood lead level screening tests for children enrolled in Medi-Cal. The data will be used to monitor appropriate case management efforts, to advance lead testing of children enrolled in Medi-Cal, and for public reporting.

4260-022-BCP-2019-GB: Foster Youth: Trauma-Informed Systems of Care (AB 2083)

General Fund:	\$ 219,000
Federal Fund:	\$ 219,000
<u>TOTAL:</u>	<u>\$ 438,000</u>

(3.0 permanent positions)

DHCS, Mental Health Services Division, requests permanent resources to implement requirements in Assembly Bill (AB) 2083 (Cooley, Chapter 815, Statutes of 2018). AB 2083 requires DHCS to participate on a newly-established, state-level joint interagency resolution team that is responsible to provide guidance and technical assistance to counties. Furthermore, DHCS will report information to the Legislature, which includes recommendations pertaining to development of processes for centralized entry, authorization, and access to services; a multiyear plan for increasing the capacity and delivery of trauma-informed care to foster children and youth with intensive needs; and recommendations for a statewide, pooled financing structure.

4260-023-BCP-2019-GB: Strengthening Fiscal Estimates and Cash Flow Monitoring

General Fund:	\$1,814,000
Federal Fund:	\$1,998,000
TOTAL:	\$3,812,000

(25.0 permanent positions)

DHCS requests resources to improve the Medi-Cal and Family Health Estimates and the oversight and monitoring of cash flow. The additional staff will enhance monitoring of actual expenditures versus estimated expenditures, and use that information to provide more accurate projections of Medi-Cal expenditures. In addition, DHCS requests statutory changes via budget trailer bill language to establish a special fund for Medi-Cal drug rebates, effective July 1, 2019.

4260-024-BCP-2019-GB: Mental Health Services Act (MHSA) Oversight and Policy Development

Special Fund:	\$0
TOTAL:	\$0

(12.0 permanent positions and the conversion of 1.0 LT to permanent from redirected contract resources of \$1,919,000)

DHCS, Mental Health Services Division, requests permanent expenditure authority from a redirected portion of the external contract resources to support activities related to implementation of the MHSA and to provide oversight and monitoring for the use of MHSA funds.

4260-025-BCP-2019-GB: Substance Abuse Prevention and Treatment Block Grant (SABG) Compliance and Audit Enhancement

Federal Fund:	\$1,916,000
TOTAL:	\$1,916,000

(14.0 permanent positions)

DHCS requests permanent expenditure authority to comply with the Corrective Action Plan requirements from deficiencies identified in the Federal Core Technical Review and Single

State Audit findings by enhancing the oversight and monitoring of the Substance Abuse Prevention and Treatment Block Grant.

4260-027-BCP-2019-GB: Full-Scope Expansion for Undocumented Adults 19-25

General Fund:	\$ 237,000
Federal Fund:	\$ 387,000
<u>TOTAL:</u>	<u>\$ 624,000</u>

(2.0 permanent positions and one-time expenditure authority for system changes)

DHCS, Medi-Cal Eligibility Division and Enterprise Innovation and Technology Services Division, requests permanent positions and one-time expenditure authority for system changes to direct, plan, implement, and monitor the implementation of Medi-Cal coverage to immigrants regardless of citizenship and immigration status, through age 25, if they meet all other Medi-Cal eligibility requirements.

4260-028-BCP-2019-GB: Proposition 56 Staffing

General Fund:	\$1,500,000
Federal Fund:	\$1,500,000
<u>TOTAL:</u>	<u>\$3,000,000</u>

(18.0 permanent positions and expenditure authority for implementation of the Value-Based Payments)

DHCS requests permanent resources to support the implementation of the new Value-Based Payments initiative.

4260-019-ECP-2019-GB: Early Psychosis Research and Treatment

General Fund:	\$25,000,000
<u>TOTAL:</u>	<u>\$25,000,000</u>

DHCS requests one-time resources and 2019-20 Budget Bill language for projects that demonstrate innovative approaches to detect and intervene when young people have had, or are at high risk of experiencing, psychosis. The resources will be awarded as grants to qualified grantees to identify and support appropriate interventions for California youth experiencing the signs of early psychosis. Of the resources requested, 2019-20 Budget Bill language would allow for up to \$1,000,000 to be available for the administrative costs associated with the distribution of the Early Psychosis Research and Treatment grant funds.

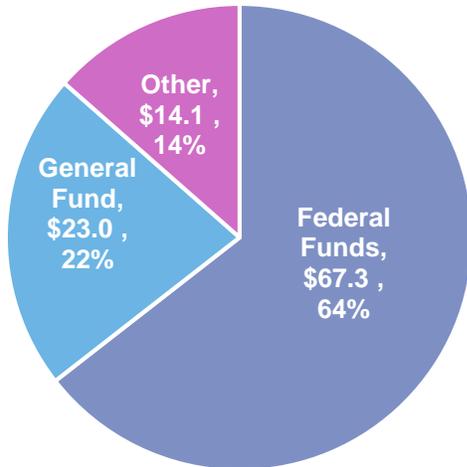
ESTIMATE ADJUSTMENTS

Medi-Cal spending is estimated to be \$98.5 billion in FY 2018-19 and \$100.7 billion in FY 2019-20. This does not include Certified Public Expenditures of local governments or General Fund of other state departments.

FY 2018-19

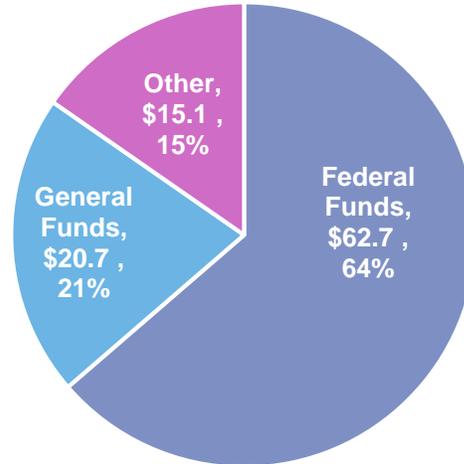
Appropriation

*Dollars in Billions,
Rounded*



Nov. 2018

*Dollars in Billions,
Rounded*



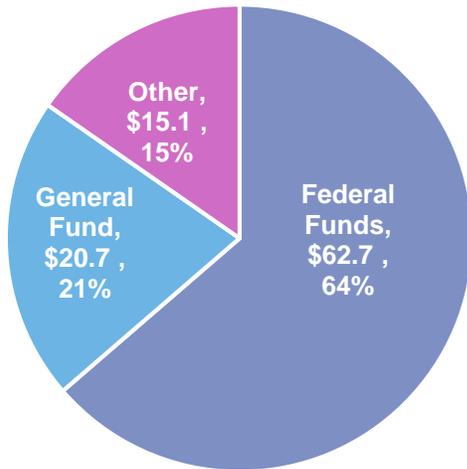
The November 2018 Estimate for FY 2018-19 projects savings of \$2.3 billion General Fund compared to the FY 2018-19 Budget Appropriation.

	FY 2018-19, General Fund		
	Appropriation	Nov 2018	Change
Medical Care Services	\$ 21,622.5	\$ 19,695.7	\$ -1,926.8
County Administration	\$ 1,229.7	\$ 808.4	\$ -421.3
Fiscal Intermediary	<u>\$ 112.8</u>	<u>\$ 175.3</u>	<u>\$ 62.5</u>
Total	\$ 22,965.0	\$ 20,679.3	\$ -2,285.7

(Dollars in Millions, Rounded)

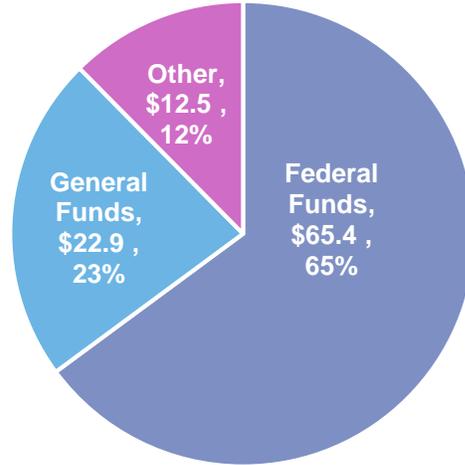
FY 2018-19

Dollars in Billions,
Rounded



FY 2019-20

Dollars in Billions,
Rounded



The Medi-Cal General Fund costs are estimated to increase by \$2.2 billion between FY 2018-19 and FY 2019-20.

Nov. 2018, General Fund

	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Change</u>
Medical Care Services	\$ 19,695.7	\$ 21,851.2	\$ 2,155.5
County Administration	\$ 808.4	\$ 906.8	\$ 98.4
Fiscal Intermediary	\$ 175.3	\$ 119.0	\$ -56.3
Total	\$ 20,679.3	\$ 22,877.0	\$ 2,197.7

(Dollars in Millions, Rounded)

The following pages briefly describe the significant changes in FY 2018-19 and FY 2019-20.

Caseload

The Medi-Cal Caseload continues a gradual decline experienced since 2016 of -1.2 percent from FY 2017-18 to FY 2018-19. The lower caseload correlates with California's lower unemployment and a recovering economy, as the decline is mainly within Medi-Cal's Families and Children caseload. After incorporating the impact of the minimum wage increase, the decline in the Families and Children caseload continues into FY 2019-20, although at a slower pace.

Medi-Cal's second largest eligibility group continues to be the Affordable Care Act (ACA) Optional Expansion aid category (adults ages 19 to 64) and is also expected to experience some decline with the minimum wage increase.

The Seniors and Persons with Disabilities caseload has experienced increased growth, mainly correlating with the senior population's continuing historic growth. Both the Seniors and Persons with Disabilities categories have experienced slower growth or declines in the eligibles receiving public assistance, mainly SSI/SSP.

SIGNIFICANT ITEMS

<i>Dollars in Millions</i>		Change from May 2018			Change from FY 2018-19	
		FY 2018-19			FY 2019-20	
Name	PC	TF	GF	TF	GF	
County Health Initiative Matching (CHIM)	5, 200	\$15.8	\$1.9	(\$12.2)	(\$0.5)	
<p>This PC estimates the costs for the County Health Initiative Matching (CHIM) fund for the County Children's Health Initiative Program (CCHIP). For CY, the increase is due to shifting funds from prior year to the CY. Additionally, Santa Clara will begin submitting claims from April 2016 forward. For BY, the decrease is due to the prior year funds that are being paid in CY. Also, in July 1, 2019, these beneficiaries will be integrated into the Medi-Cal managed care delivery system.</p>						
Non-OTLICP CHIP	7	\$0.0	(\$30.5)	\$0.0	(\$330.9)	
<p>This PC estimates the technical adjustment in funding for the Non-OTLICP population of CHIP. Expenditures are adjusted from Title XIX funding to the various enhanced CHIP FMAs. For CY, the decrease is due to changes made to the FY 2018-19 proxy adjustments. For BY, the decrease is due to the prior payments being made in FY 2018-19.</p>						
Minimum Wage Increase – Caseload Savings	15	\$207.0	\$48.5	(\$61.6)	(\$15.4)	
<p>In CY, there is an overall reduced savings based on a revised estimating methodology. The increase in BY savings is a result of an increase in caseload reduction, updated PMPM costs, and an increase in incremental savings as a result of the minimum wage increasing to \$13 per hour.</p>						
Undocumented Young Adults Full Scope Expansion	204	\$0	\$0	\$257.1	\$194.0	
<p>This is a new policy change that reflects the provision of full scope benefits to individuals age 19-25 regardless of immigration status. This change will be effective no sooner than July 1, 2019.</p>						
ACA DSH Reduction	22	\$0.0	\$0.0	(\$603.2)	(\$75.4)	
<p>The Affordable Care Act (ACA) requires the aggregate, nationwide reduction of the federal Disproportionate Share Hospital (DSH) allotments beginning October 1, 2019. Scheduled reductions for each fiscal year are expected to continue through Federal Fiscal Year 2025. This policy change estimates the DSH allotment reductions that offset the DSH Payment, Private DSH Replacement, and Global Payment Program policy changes in FY 2019-20.</p>						
Behavioral Health Treatment	25	\$38.3	\$15.3	\$112.6	\$56.9	
<p>Medi-Cal covers Behavioral Health Treatment (BHT) services for children under age 21. Beginning February 1, 2016, the Department, in collaboration with the Department of Developmental Services (DDS), transitioned responsibility for BHT services provided to existing Medi-Cal-eligible DDS Regional Center clients to Medi-Cal. In the current BHT estimate, managed care supplemental capitation payments are estimated to increase in FY 2018-19 based on updated payment data. The change from FY 2018-19 to FY 2019-20 is due to the increased FY 2019-20 capitation rate.</p>						

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Behavioral Health Treatment – BIS DDS Transition	30	(\$7.5)	(\$3.7)	\$48.6	\$23.1
<p>This policy change estimates costs for additional DDS Regional Center (RC) clients with a diagnosis other than Autism Spectrum Disorder (ASD) transitioning to Medi-Cal. The FFS transition occurred in March 2018. The managed care transition was phased-in beginning July 2018. In the current estimate, the FY 2018-19 estimate decreased due to the extension of the managed care phase-in schedule to December 2018 and a decrease in the BHT BIS transition population. The increase from FY 2018-19 to FY 2019-20 is due to an increase in the FY 2019-20 capitation rate and the full phase-in by FY 2019-20.</p>					
Drug Rebates	49, 50, 53, 54, 113, 202	(\$492.0)	(\$389.9)	\$1,159.9	\$134.8
<p>The Department proposes to establish the Medi-Cal Drug Rebates Fund, effective July 1, 2019. The non-federal share of the Medi-Cal drug rebate collections will be deposited into the Medi-Cal Drug Rebates Fund. The newly established Medi-Cal Drug Rebates Fund will fund health care services for Medi-Cal beneficiaries. The current estimate budgets the transfers in the Medi-Cal Drug Rebates Fund policy change beginning in FY 2019-20.</p> <p>Rebate estimates were updated based on actual pharmacy drug rebate collections data through June 2018. In addition, the current estimate includes the funding adjustment for the quarter ending March 2018 that was completed in August 2018, resulting in \$239.2 million GF savings in FY 2018-19. The increase from FY 2018-19 to FY 2019-20 is due to no prior year funding adjustment in FY 2019-20.</p>					
Pharmacy Reimbursement & Dispensing Fee	52	\$18.0	\$7.6	(\$150.0)	(\$54.5)
<p>This policy change estimates the savings from reimbursing pharmacy drugs based on the Actual Acquisition Cost (AAC) for Covered Outpatient Drugs and the cost associated with adopting the new Professional Dispensing Fee (PDF) methodology, effective April 1, 2017. In the current estimate, FY 2018-19 savings have decreased due to the delay of the implementation date to April 1, 2019. The Erroneous Payment Correction (EPC) for the retroactive period is assumed to be implemented beginning July 2019. The increased savings from FY 2018-19 to FY 2019-20 results from including 12 months of the EPC and a full year of the prospective implementation in FY 2019-20.</p>					
Drug Medi-Cal Organized Delivery System (DMC-ODS) Waiver	55	(\$529.7)	(\$97.7)	\$107.9	\$10.2
<p>This policy change estimates the cost of the Drug Medi-Cal Organized Delivery System (DMC-ODS) waiver program for opt-in counties to provide Substance Use Disorder (SUD) services. A total of 39 opt-in counties are estimated to provide DMC-ODS waiver services in FY 2018-19. In the current estimate, the estimated FY 2018-19 DMC-ODS waiver costs have decreased based on actual paid claims data, an updated county implementation schedule, updated county interim rates, and updated assumptions for the cash-basis payments. The increase from FY 2018-19 to FY 2019-20 is due to including the costs for all opt-in counties in FY 2019-20.</p>					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Drug Medi-Cal Base		(\$57.9)	(\$2.4)	\$0.9	\$2.1
Narcotic Treatment Program	56	(\$48.0)	(\$2.8)	\$0.4	\$1.7
Outpatient Drug Free Treatment	57	(\$7.8)	(\$0.2)	\$0.3	\$0.2
Intensive Outpatient Treatment	58	(\$1.7)	\$0.6	\$0.2	\$0.1
Residential Treatment	59	(\$0.5)	(\$0.0)	\$0.0	\$0.0
The four Drug Medi-Cal (DMC) base modalities estimates now use 36 months of cash-basis data. The primary reason for the decrease is the shifting of costs to the DMC-ODS Waiver.					
SMHS Base	61, 62	\$34.9	\$37.2	\$230.7	\$26.7
The Specialty Mental Health Services (SMHS) Base policy changes have been updated for the estimated ACA and regular utilization based on paid claims data as of June 2018. In addition, the current estimate for the SMHS for Children policy change includes the estimated General Fund costs for SMHS services provided to full-scope undocumented children.					
Global Payment Program (GPP)	71	(\$64.2)	\$0.0	\$11.8	\$0.0
GPP payments are authorized under the California Medi-Cal 2020 Section 1115(a) Medicaid Demonstration (Medi-Cal 2020). In the current estimate, the decrease in FY 2018-19 is due to updated payment data for Program Year (PY) 2017-18 and PY 2018-19 payments. The increase from FY 2018-19 to FY 2019-20 is due to the updated Disproportionate Share Hospital (DSH) allotments for the different PYs.					
Public Hospital Redesign & Incentives in Medi-Cal	72	\$163.0	\$0.0	(\$355.8)	\$0.0
Public Hospital Redesign and Incentives in Medi-Cal (PRIME) payments are authorized under the California Medi-Cal 2020 Section 1115(a) Medicaid Demonstration (Medi-Cal 2020). Remaining payments from Demonstration Year (DY) 2016-17 and additional high performance pool payments for DY 2017-18 are estimated to be paid in FY 2018-19. From FY 2018-19 to FY 2019-20, the phase down of the annual allocations for DY 2018-19 and DY 2019-20 result in decreased payments in FY 2019-20.					
Medi-Cal 2020 Dental Transformation Initiative	74	(\$39.8)	(\$19.9)	\$33.9	\$16.9
The Dental Transformation Initiative (DTI) is part of the Medi-Cal 2020 Waiver. These costs include the estimated incentive payments for the provision of preventive services, caries risk assessment and disease management, continuity of care, and funding for the Local Dental Pilot Projects (LDPPs). The change from the prior estimate, for FY 2018-19, is a net decrease due to lower than estimated usage in Domain 2, a change in methodology in calculating Domain 3 incentive payments, and some LDPPs not executing their contracts. The change from FY 2018-19 to FY 2019-20, in the current estimate, is due to anticipated increased participation in the DTI for the remaining program years.					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Medi-Cal 2020 Designated State Health Program (DSHP)	81	\$0.0	\$37.3	\$0.0	\$37.7
This policy change estimates the additional federal financial participation (FFP) received for Certified Public Expenditures (CPEs) using programs in other departments under the California Medi-Cal 2020 Section 1115(a) Medicaid Demonstration (Medi-Cal 2020). General Fund savings realized under this program will be used as the state share to fund the Dental Transformation Initiative (DTI). The annual limit the State-Only programs may claim for Medi-Cal 2020 DSHP is \$75 million in FFP each Demonstration Year (DY) for a five year total of \$375 million FFP. In the current estimate, only \$37.727 million FFP will be claimed in FY 2018-19. Medi-Cal 2020 DSHP claiming is not estimated to occur in FY 2019-20.					
MH/UCD – Stabilization Funding	75	\$55.4	\$55.4	(\$110.9)	(\$110.9)
This policy change estimates the cost of stabilization funding under the Medi-Cal Hospital/Uninsured Care Section 1115(a) Medicaid Demonstration (MH/UCD). In the current estimate, FY 2018-19 stabilization funding costs have increased due to the delay of the Demonstration Year (DY) 2008-09 final reconciliation to FY 2018-19. No further costs are estimated in FY 2019-20.					
Whole Person Care Housing Services	208	\$0.0	\$0.0	\$100.0	\$100.0
Medi-Cal's current Whole Person Care pilots provide funding to integrate sustainable services for high-risk, high-utilizing beneficiaries. The new Whole Person Care Housing Services policy change would provide supportive housing services for individuals who are homeless or at risk of becoming homeless, with a focus on people with mental illness. The funds will be available for expenditure until June 30, 2025.					
CCI Managed Care Payments	88	(\$129.9)	(\$65.0)	\$276.5	\$138.3
This policy change estimates the capitation payments for dual eligible and Medi-Cal only beneficiaries transitioned from fee-for-service into Medi-Cal managed care health plans for their Medi-Cal LTC institutional and community-based services and supports benefits. There is an overall net decrease from the prior estimate for FY 2018-19 due to lower eligibles in the Full Dual Opt-In, Non-Full Dual Non Institutional, and Home and Community Based Services (HCBS) categories. FY 2019-20 costs increased from FY 2018-19 in the current estimate due to slightly higher projected eligibles in the Opt-Out/Excluded and Non-Full Dual Non Institutional categories and the addition of two new health care plans, Aetna and United, in San Diego County. Additionally, there is an expected increase in FY 2019-20 budget rates.					
MCO Enrollment Tax Mgd. Care Plans	112	\$0.0	(\$16.2)	\$0.0	\$1,283.2
This policy change estimates the transfer of funds collected from the enrollment tax on managed care organizations (MCOs) to the General Fund (GF) to be retained by the Department beginning July 1, 2016. The change for FY 2018-19 is a result of revised funding estimates. The change from FY 2018-19 to FY 2019-20 is due to MCO Enrollment tax ending as of June 30, 2019.					
CCI IHSS Reconciliation	170	(\$197.0)	\$0.0	\$57.7	\$0.0
This policy change estimates the reimbursement of In-Home Supportive Services (IHSS) overpayments and underpayments to the California Department of Social Services (CDSS) and the managed care plans. The change from the prior estimate, for FY 2018-19, is due to updated reconciliation payment data for CY 2015 and CY 2016 that will be paid in FY 2018-19. The change from FY 2018-19 to FY 2019-20, in the current estimate, is due to updated reconciliation payment data for CY 2017 that will be paid in FY 2019-20.					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
ACA Optional Expansion MLR Risk Corridor	24	(\$400.0)	\$0.0	\$2,400.0	\$0.0
This policy change budgets additional federally funded payments to and recoveries from managed care health plans (MCPs) related to the Medical Loss Ratio (MLR) risk corridor calculations for ACA Optional Expansion (ACA OE) members. The change from the prior estimate for FY 2018-19 is due to finalizing recoupment calculations. The change from FY 2018-19 to FY 2019-20 is due to anticipation of completing all recoupments for the 30-month MLR period in FY 2018-19.					
Retro MC Rate Adjustments	92	\$391.0	\$247.4	(\$620.2)	(\$291.6)
This policy change estimates retroactive managed care capitation rate adjustments. The change from the prior estimate for FY 2018-19 is due to a cost shift from FY 2017-18 to FY 2018-19. Calendar year 2017 full dual rates were updated. The change from FY 2018-19 to FY 2019-20 is due to updated payments and recoupment timeframes.					
Managed Care Public Hospital EPP	93	\$835.0	\$249.0	\$678.2	\$208.5
This policy change is new to this Estimate. The Managed Care Enhanced Payment Program (EPP) provides directed payments for Designated Public Hospitals (DPHs) including University of California Health Systems (UCs). The change from FY 2018-19 to FY 2019-20 is due to payment timing. Capitated sub-pool amounts are budgeted in both current and budget year, while fee-for-service amounts are only budgeted in budget year.					
Managed Care Reimbursements to the General Fund	110	\$0.0	\$499.7	\$0.0	(\$1,066.5)
This policy change budgets reimbursements to the GF by Intergovernmental Transfers (IGTs) from allowable public entities for Medi-Cal payment contributions and administration and processing fees. The change from the prior estimate for FY 2018-19, and the change from FY 2018-19 to FY 2019-20, is due to a shift in reimbursements (and costs) from FY 2018-19 to FY 2019-20 in the current estimate.					
Managed Care Health Care Financing Program	104	(\$1,461.7)	(\$443.5)	\$1,754.6	\$556.2
This policy change estimates increased payments to managed care plans (MCPs) designed to provide additional support for counties and/or public entities serving Medi-Cal beneficiaries. The change from the prior estimate for FY 2018-19, and the change from FY 2018-19 to FY 2019-20, is due to an updated expected CMS approval date of February 2020 for the FY 2018-19 rating period.					
Mgd. Care Public Hospital Quality Incentive Pool	105	(\$640.0)	(\$191.4)	\$640.0	\$190.8
This policy change estimates managed care directed payments from the Quality Incentive Pool (QIP) to Designated Public Hospitals (DPHs) including the University of California Health Systems (UCs), based on their performance on designated metrics. The change from the prior estimate for FY 2018-19, and the change from FY 2018-19 to FY 2019-20, is due to an implementation delay pending CMS approval. Approval is expected September 2019.					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Capitated Rate Adjustment for FY 2019-20	106	\$0.0	\$0.0	\$384.0	\$183.4
The policy change estimates the 2.86% average increase for the Managed Care capitation rates for FY 2019-20, excluding optional expansion rates. FY 2018-19 base rates are kept constant for FY 2019-20 in the Managed Care Base PCs.					
Managed Care IGT Admin & Processing Fee	109	\$0	\$13.9	\$0.0	\$102.6
This policy change estimates the savings to the General Fund due to the rate range intergovernmental transfers (IGTs) administrative and processing fees assessed to the counties or other approved public entities. The change from the prior estimate for FY 2018-19 is due to updated GME IGT payment methodology calculations. The change from FY 2018-19 to FY 2019-20 is due to the discontinuation of the managed care IGT administration and processing fee program. Fees associated with graduate medical education (GME) IGTs will continue to be budgeted in this PC.					
Managed Care Private Hospital Directed Payments	160	\$0.0	\$0.0	\$2,100.0	\$0.0
This policy change estimates the managed care Private Hospital Directed Payments (PHDP) to private hospitals through enhanced capitation payments to managed care plans (MCPs). Payments for the FY 2017-18 rating period are estimated to begin in FY 2019-20. The state share of these payments are funded by the Hospital Quality Assurance Revenue Fund.					
Two Plan Model	85	(\$489.9)	(\$202.7)	\$411.5	\$284.1
This policy change estimates the managed care capitation costs for the Two-Plan model. The change from the prior estimate for FY 2018-19, is due to lower than previously projected eligibles and rates. The change from FY 2018-19 to FY 2019-20 is due to expected eligible growth while the GF increases due to the change in federal matching rates for Title 21 and Optional Expansion. Also, there are no Healthcare Treatment Fund expenditures in FY 2019-20.					
County Organized Health Systems	86	(\$73.0)	(\$15.9)	\$21.0	\$82.1
This policy change estimates the managed care capitation costs for the County Organized Health Systems model. The change from the prior estimate for FY 2018-19 is due to lower than previously expected eligibles and rates. The change from FY 2018-19 to FY 2019-20 is due to expected eligible growth while the GF increases due to the change in federal matching rates for Title 21 and Optional Expansion,					
Geographic Managed Care	87	(\$48.3)	(\$22.3)	\$14.1	\$38.7
This policy change estimates the managed care capitation costs for the Geographic Managed Care model plans. The change from the prior estimate for FY 2018-19, is due to lower than previously projected eligibles, rates and mental health costs. The change from FY 2018-19 to FY 2019-20 is due to higher expected eligible growth while the GF increases due to the change in federal matching rates for Title 21 and Optional Expansion.					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Regional Model	91	(\$17.3)	(\$6.9)	\$11.3	\$16.3
<p>This policy change estimates the managed care capitation costs for the Regional model plans. The change from the prior estimate for FY 2018-19, is due to lower than previously projected eligibles, rates, and decreased Hep C costs due to lower than previously expected average monthly users. The change from FY 2018-19 to FY 2019-20 is due to higher expected eligible growth while the GF increases due to the change in federal matching rates for Title 21 and Optional Expansion.</p>					
AB 1629 Annual Rate Adjustment	118	\$52.9	\$26.4	\$66.2	\$33.1
<p>This policy change estimates the cost of the AB 1629 rate increases and add-ons for Freestanding Skilled Nursing Facilities, Level-B (FS/NF-B) and Freestanding Subacute Nursing Facilities, Level-B (FSSA/NF-B). In the current estimate, the increase in FY 2018-19 is due to an updated methodology used to estimate the costs for FSSA/NF-Bs, which are facilities that have higher reimbursement rates compared to FS/NF-Bs. The change from FY 2018-19 to FY 2019-20 is due to the full year implementation of the rate year (RY) 2018-19 rate adjustments and slightly higher add-on costs in FY 2019-20.</p>					
Long Term Care Quality Assurance Fund Expenditures	129	\$0.0	(\$439.7)	\$0.0	\$396.5
<p>Effective August 1, 2013, the revenue generated by the Long Term Care (LTC) Quality Assurance (QA) fees are collected and deposited into the Long Term Care Quality Assurance Fund (LTCQAF). This policy change budgets the funding adjustment from the LTCQAF to the General Fund (GF). In the current estimate, fund transfers from the LTCQAF to the GF are estimated to increase based on the LTC QAF withhold amounts from previous years being transferred into the LTCQAF in FY 2018-19. The fund transfers from FY 2018-19 to FY 2019-20 are estimated to decrease due to the reduction in prior year withhold transfers in FY 2019-20.</p>					
Graduate Medical Education Payments to DPHs	136	(\$559.3)	\$0.0	(\$517.1)	\$0.0
<p>This policy change estimates direct and indirect GME payments to the Designated Public Hospitals (DPHs). The non-federal share of the payments will be funded with intergovernmental transfers (IGTs). In the current estimate, the GME payment methodology was revised which decreased the annual total computable estimate from \$950 million TF to \$345.1 million TF. In addition, from the prior estimate, four additional quarters (for a total of ten quarters) are estimated to be paid in FY 2018-19. The change from FY 2018-19 to FY 2019-20 is due to fewer quarters of GME payments estimated in FY 2019-20.</p>					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Hospital Quality Assurance Fee (HQAF)	134, 135, 192	(\$416.5)	(\$427.7)	(\$3,665.9)	\$309.9
<p>The HQAF program assesses a fee on applicable general acute care hospitals and matches the fee with federal financial participation providing fee-for-service (FFS) and managed care supplemental payments to hospitals. The HQAF also provides additional funding for children's health care coverage. In the current estimate:</p> <ul style="list-style-type: none"> • PC 134 FFS payments: HQAF FFS payments are estimated to increase in FY 2018-19 due to the addition of HQAF IV reconciliation payments, HQAF V reconciliation payments, additional UPL repayments to CMS, and subacute payments to be paid in FY 2018-19. The decrease from FY 2018-19 to FY 2019-20 is due to fewer prior year HQAF FFS payments in FY 2019-20. • PC 135 Managed Care payments: HQAF managed care payments are estimated to decrease in the current year due to shifting the HQAF V payments for the FY 2018-19 rating period to FY 2019-20. The decrease from FY 2018-19 to FY 2019-20 is due to fewer prior year payments in FY 2019-20. • PC 192 Children's Health Care: HQAF Children's Health Care savings have increased in FY 2018-19 due to the timing of a \$263.7 million technical funding adjustment for HQAF IV in July 2018. In addition, HQAF IV reconciliations were shifted to FY 2019-20 and are estimated to result in \$107.8 million GF savings. The decrease from FY 2018-19 to FY 2019-20 is due to lower estimated Children's Health Care payments for HQAF VI. 					
QAF Withholds	167	(\$45.9)	(\$22.9)	(\$442.0)	(\$221.0)
<p>This policy change budgets for withheld Fee-for-Service payments (FFS) associated with the Hospital Quality Assurance Fee (HQAF) and the AB 1629 Quality Assurance Fee (QAF) assessed on Skilled Nursing Facilities (SNF) and the QAF assessed on Intermediate Care Facilities for the Developmentally Disabled (ICF/DDs). In the current estimate, the net Hospital QAF withhold transfers have decreased based on revised data. This decrease in FY 2018-19 is offset by the addition of the net SNF and ICF/DD QAF withhold transfers estimated to be paid in FY 2018-19. The decrease from FY 2018-19 to FY 2019-20 is due to reduced prior year withhold transfers occurring in FY 2019-20.</p>					
Prop 56 – CBAS	40	\$0.0	\$0.0	(\$2.0)	(\$0.0)
<p>This PC estimates the one-time Prop 56 funds allocated to qualifying CBAS programs. For CY, there is no change from the previous estimate. For BY, the decrease is a result of the one-time funds being used entirely in CY.</p>					
Prop 56 – Home Health Rate Increase	120	(\$0.1)	(\$0.0)	\$8.2	\$0.0
<p>Effective for dates of services on and after July 1, 2018, the Department will increase rates for certain fee-for-service (FFS) home health agency and Private Duty Nursing (PDN) services by 50%. Proposition 56 revenue will be used to fund the non-federal share of these rate increases. In the current estimate, FY 2018-19 costs have decreased due to updated payment lags and funding assumptions. The increase from FY 2018-19 to FY 2019-20 is due to a full year of the rate increase reflected in FY 2019-20.</p>					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Prop 56 – Pediatric Day Health Care Rate Increase	124	(\$2.5)	(\$0.0)	\$2.5	\$0.0
Effective for dates of services on and after July 1, 2018, the Department will increase Pediatric Day Health Care (PDHC) services rates by 50%. Proposition 56 revenue will be used to fund the non-federal share of these rate increases. In the current estimate, FY 2018-19 costs have decreased due to updated payment lags and updated utilization assumptions. The increase from FY 2018-19 to FY 2019-20 is due to a full year of the rate increase reflected in FY 2019-20.					
Prop 56 – Physician Services Supplemental Payments	137	\$49.4	(\$0.0)	\$87.7	\$0.0
The Proposition 56 physician supplemental payments pertain to 13 specific Current Procedural Terminology (CPT) codes for FY 2017-18 and 23 CPT codes for FY 2018-19 and FY 2019-20. The change in the FY 2018-19 estimate is due to updated payment lags and updated funding assumptions. The increase from FY 2018-19 to FY 2019-20 is due to higher prior year FFS and managed care costs included in FY 2019-20.					
Prop 56 – Supplemental Payments for Dental Services	140	(\$14.9)	(\$0.0)	\$36.6	\$0.0
This policy change estimates the expenditures related to providing supplemental payments for specific dental services. The change from the prior estimate, for FY 2018-19, is a decrease due to updated procedure and expenditure data used to project future years. The change from FY 2018-19 to FY 2019-20, in the current estimate, is an increase due to caseload growth.					
Prop 56 – Women’s Health Supplemental Payments	150	\$19.8	\$0.0	(\$43.4)	\$0.0
For CY, the increase is due to lower utilization; however, there are EPCs occurring that contribute to the overall increase. For BY, the decrease is a result of the EPCs only occurring in CY.					
Prop 56 – ICF/DD Supplemental Payments	152	\$2.9	\$0.0	(\$1.6)	(\$0.0)
In the current estimate, the FY 2018-19 Proposition 56 ICF/DD supplemental payments have increased due to updated fee-for-service (FFS) and managed care costs based on payments lags and managed care payment timing. In addition, the FY 2018-19 total managed care payments have increased to include payments to Coordinated Care Initiative (CCI) plans. The change from FY 2018-19 to FY 2019-20 is due to lower CCI payment amounts in FY 2019-20.					
Prop 56 – FS-PSA Supplemental Payments	157	(\$1.8)	(\$0.0)	(\$4.4)	(\$0.0)
This policy change estimates the cost of providing one-time Proposition 56 supplemental payments to Freestanding Pediatric Subacute facilities for the 2018-19 rate year (RY). These payments were budgeted in the LTC Rate Adjustment policy change in the prior estimate. In the current estimate, the FY 2018-19 costs have decreased due to the application of payment lags and reflecting only 11 months of payments. The change from FY 2018-19 to FY 2019-20 is due to completing the remaining RY 2018-19 payments for one month in FY 2019-20.					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
Prop 56 – Value-Based Payment Program	205	\$0.0	\$0.0	\$360.0	\$0.0
Beginning in FY 2019-20, a Value-Based Payment (VBP) Program will be implemented in managed care through a directed payment program. DHCS will develop specific measures and targets to determine the amount of the incentive payments. This incentive program is targeted at providers that meet specific achievements on certain metrics.					
Prop 56 – Trauma and Developmental Screenings	206	\$0.0	\$0.0	\$105.0	\$0.0
Beginning in FY 2019-20, the budget includes \$60 million (\$30 million Proposition 56 funds) to increase developmental screenings for children and \$45 million (\$22.5 million Proposition 56 funds) for trauma screenings for children and adults.					
Prop 56 – Medi-Cal Family Planning	207	\$0.0	\$0.0	\$500.0	\$0.0
The Estimate reflects a supplemental payment starting in FY 2019-20 for any office-based family planning service billed under specific CPT codes. These supplemental payments for Medi-Cal family planning services are intended to help support the larger Medi-Cal population accessing and using family planning services as well as the providers delivering such services in the Medi-Cal program.					
Prop 56 – Physicians & Dentists Loan Repayment Program	--	(\$220)	\$0.0	\$0.0	\$0.0
This policy change estimated the cost of the Proposition 56 Medi-Cal Physicians and Dentists Loan Repayment Act Program. The Estimate does not assume expenditures for the loan repayment program as the Department is working to develop cost estimates for the first round of funding. This PC was withdrawn for the November 2018 Estimate and is captured in Information Only.					
Dental Managed Care (Other M/C)	95	(\$42.5)	(\$15.3)	(\$13.7)	(\$4.7)
The policy change estimates the cost of dental capitation rates for the Dental Managed Care (DMC) program. The change from the prior estimate, for FY 2018-19, is a decrease due to changes in rate payment timing, updated eligibles, and changes in HIPF payment timing. The change from FY 2018-19 to FY 2019-20, results from no HIPF payments scheduled in FY 2019-20.					
Dental Services	166	(\$588.2)	(\$213.3)	\$507.4	\$177.6
The policy change estimates the cost of dental services. The change from the prior estimate, for FY 2018-19, is a decrease due to a change in methodology to project using actual check write data, a shift of HIPF payments, and an underwriting gain to be returned to the Department. The change from FY 2018-19 to FY 2019-20, is a net increase due to no underwriting gain return in FY 2019-20.					
Periodontal Maintenance Reimb Rate Adj	127	\$6.0	\$3.0	(\$6.0)	(\$3.0)
This new policy change estimates the adjustment to the Periodontal Maintenance rate for Skilled Nursing Facilities or Intermediate Care Facilities because of a Centers for Medicare & Medicaid Services (CMS) policy. An erroneous payment correction (EPC) will be issued for the period of July 1, 2016, through May 15, 2018. The change from FY 2018-19 to FY 2019-20, in the current estimate, is a decrease as all adjustment payments are expected to be paid in FY 2018-19.					

<i>Dollars in Millions</i>		Change from May 2018		Change from FY 2018-19	
		FY 2018-19		FY 2019-20	
Name	PC	TF	GF	TF	GF
School-Based Medi-Cal Administrative Activities (SMAA)	OA 1	\$105.2	(\$108.4)	(\$110.7)	(\$28.0)
<p>The SMAA program reimburses Local Educational Agencies (LEAs) or school districts for the federal share of certain costs for administering the Medi-Cal program. Under the 2014 CMS agreement, deferred SMAA claims from FY 2009-10 through FY 2014-15 (Quarters 1 and 2) are subject to backcasting, using a Random Moment Time Study (RMTS) methodology. In the current estimate, the FY 2018-19 repayments have decreased significantly based on actual backcasting invoices. The Department assumes CMS repayments will be completed in FY 2018-19.</p>					
Medical Fiscal Intermediary (FI) PCs	OA 32, 49-56	(\$13.4)	(\$4.8)	(\$69.5)	(\$18.9)
<p>The policy changes for the current Medical FI contract have decreased in FY 2018-19 due to a portion of the FY 2018-19 payments shifting to FY 2019-20. The budget year includes remaining payments through the end of contract period.</p>					
Medical FI BO & IT M&O PCs	OA 57-65	\$0.0	\$0.0	\$104.1	\$26.9
<p>The Assumption of Operations for the new Medical FI Business Operations and Information Technology Maintenance and Operations (IT M&O) FI contracts is October 2019. The current estimate includes payments for the Medical FI BO and IT M&O contracts starting November 2019, the next month.</p>					
Enhanced Federal Funding	CA 6	\$0.0	(\$95.5)	\$0.0	\$77.2
<p>This PC estimates the savings from enhanced federal funding for certain eligibility determination functions. For CY, the decrease is due to the timing of claiming and a change in methodology. In CY, there will be five quarters of payments. For BY, the increase is due to only four quarters of payments.</p>					
CMS Deferrals and Negative Balances	83, 193, CA 7, OA 103	\$0.0	(\$417.7)	\$0.0	(\$165.5)
<p>The Centers for Medicare and Medicaid Services (CMS) reviews claims submitted by Medicaid agencies and may defer payment on claims requiring additional information or claims CMS interprets as not meeting all federal funding requirements. Upon receiving a deferral, the state must promptly return the federal funds to CMS. In the current estimate, CMS deferral estimates are lower than previously estimated based on actual deferrals issued through the September 2017 quarter (Federal Fiscal Year 2018 Quarter 1). In addition, The Department reclaimed \$179.5 million for released deferrals in August 2018.</p> <p>As part of the California Medi-Cal 2020 Demonstration Waiver, the Department must settle all outstanding deferrals and negative balances with CMS. The Department estimates to repay \$108.2 million GF, related to negative balances, to CMS in FY 2018-19.</p>					