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**DATE:** July 25, 2014

ALL PLAN LETTER 13-022  
(REVISED)

**TO:** ALL MEDI-CAL MANAGED CARE HEALTH PLANS

**SUBJECT:** MEDI-CAL MANAGED CARE HEALTH PLAN IMPLEMENTATION OF  
PRIMARY CARE PROVIDER ASSIGNMENT AND REIMBURSEMENT  
FOR NEW ADULT EXPANSION MEMBERS

**PURPOSE:**

The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care health plans (MCPs) with relevant information pertaining to the implementation of Welfare and Institutions (W&I) Code Sections (§§) 14199.1, 14199.2, and 14301.5, as enacted in Assembly Bill (AB) 85 (Chapter 24, Statutes of 2013) and amended by Senate Bill (SB) 98 (Chapter 358, Statutes of 2013).

*For ease of reference, the Department of Health Care Services (DHCS) is reflecting its deletions to the previously released April 23, 2014 version of this APL in strike-out below.*

**BACKGROUND:**

The Affordable Care Act (ACA) allows states to expand Medicaid programs to 138 percent of the Federal Poverty Level, and California has elected to implement this optional Medicaid expansion. Pursuant to this expansion, effective January 1, 2014, many low-income individuals will become eligible for Medi-Cal coverage. Much of this expansion population is presently served through Low Income Health Programs (LIHPs) and county indigent programs. As members transition from county health care coverage programs to Medi-Cal, California has prioritized three goals: 1) maintain the critical role of the county public hospital health systems that have traditionally served Medi-Cal and uninsured members; 2) ensure adequate access to care for the new Medi-Cal members; and 3) preserve the policy goal to support and strengthen traditional safety net providers who treat a high volume of uninsured and Medi-Cal patients.

To maintain the critical role of county public hospital health systems, W&I Code §§ 14199.1, 14199.2, and 14301.5 require a specific Primary Care Provider (PCP) assignment and reimbursement process for MCP “Newly Eligible Beneficiaries” (New Adult Expansion Members) as defined in W&I Code § 14199.1(b)(6), who reside in one of 12 public hospital health system counties. The 12 public hospital health system counties are: Alameda, Contra Costa, Kern, Los Angeles, Monterey, Riverside, San Bernardino, San Francisco, San Joaquin, San Mateo, Santa Clara, and Ventura. This

APL does not apply to MCPs that cover service areas other than these 12 designated counties.

**MEDI-CAL MANAGED CARE HEALTH PLAN PCP ASSIGNMENT PURSUANT TO W&I CODE §§ 14199.1, 14199.2, and 14301.5:**

For the three-year period beginning on January 1, 2014, and ending on December 31, 2016, at least 75 percent of New Adult Expansion Members (in the M1 and 7U eligibility aid codes), and on January 1, 2017, at least 50 percent of the New Adult Expansion Members who do not select a PCP shall be assigned by each MCP to PCPs within the county public hospital health system, until the county public hospital health system either: 1) meets its Enrollment Target, as defined in W&I Code § 14199.1(b)(3); or 2) notifies the MCP that it is at capacity to accept assignment of default members.

This requirement applies only to “Newly Eligible Beneficiaries” (New Adult Expansion Members) as defined in W&I Code § 14199.1(b)(6)), who are enrolled in MCPs and who do not affirmatively select a PCP as part of the enrollment process. For purposes of this process, New Adult Expansion Members will be identified with the M1 and 7U eligibility aid code. Information will be forthcoming regarding whether New Adult Expansion Members will be further defined, within those aid codes, with another eligibility data indicator to specify the 100 percent Federal Medical Assistance Percentages population to which this process applies. This provision does not apply to any other aid codes enrolled in the Medi-Cal managed care program.

Nothing in this APL requires a MCP to contract with county public health hospital systems as part of its network. This APL applies only when a MCP contracts with a county public health hospital system as part of its network.

**COUNTY PUBLIC HOSPITAL HEALTH SYSTEM ENROLLMENT TARGETS:**

Pursuant to W&I Code § 14199.1(b)(3), the Enrollment Target is defined as the number of New Adult Expansion Members assigned to PCPs within a county public hospital health system, not to exceed the number of unduplicated LIHP and uninsured patient counts in the county public hospital health system. The Department of Health Care Services (DHCS) developed a standardized protocol for determining the Enrollment Target in consultation with the public hospital health system counties. The county public hospital health systems have provided to DHCS: 1) point-in-time, certified unduplicated patient counts, and 2) their Enrollment Targets.

County Public Hospital Health System Enrollment Targets –

1. Alameda.....78,361
2. Contra Costa.....39,768
3. Kern.....26,460
4. Los Angeles.....532,591
5. Monterey.....11,512
6. Riverside.....72,801
7. San Bernardino.....68,192
8. San Francisco.....62,668
9. San Joaquin.....21,652
10. San Mateo.....53,269
11. Santa Clara.....71,251
12. Ventura.....65,765

**ASSIGNMENT PROCESS:**

By the 15<sup>th</sup> of each month (provided the county public hospital health systems receive enrollment information from all the MCPs by no later than the 10<sup>th</sup> of such month), county public hospital health systems will report to DHCS and the MCP(s) that operate in the county where the county public hospital health system operates, actual enrollment numbers for all New Adult Expansion Members (as defined above to include aid code M1 and 7U) and LIHP-transition beneficiaries (aid code L1). This reporting will also indicate if the county public hospital health system is open or closed to assignment of additional adult beneficiaries from the MCP(s).

**SUSPENSIONS:**

The MCP shall suspend the enhanced assignment process noted above, beginning the first day of the following month, when the county public hospital health system meets or exceeds its applicable Enrollment Target or has notified the MCP in writing that it is closed to the assignment of New Adult Expansion Members.

If the county public hospital health system is within three percent of meeting its Enrollment Target, the MCP(s) may suspend the enhanced assignment process for that following month and work directly with the county public hospital health system to meet the Enrollment Target as mutually agreed upon.

When a county public hospital health system notifies a contracted MCP in writing that it has met or exceeded the Enrollment Target, the MCP shall suspend the enhanced assignment process beginning the first day of the following month. When the enhanced assignment process is suspended, New Adult Expansion Members who do not

affirmatively select a PCP as part of the enrollment process shall be assigned to PCPs in the same manner as other MCP members who do not affirmatively select a PCP.

Once the county public hospital health system notifies an MCP in writing that it has capacity for assignment of additional New Adult Expansion Members and is under its Enrollment Target (as defined above), the MCP will restart the enhanced assignment process on the first day of the month following receipt of that notice.

**EXCEPTIONS:**

An MCP shall not assign New Adult Expansion Members to a PCP within the county public hospital health system if that PCP has notified the MCP that it does not have capacity to accept new patients.

The assignment process described above shall not apply to LIHP enrollees who administratively transition directly to Medi-Cal managed care pursuant to W&I Code § 14005.61 (Transitioning LIHP beneficiaries are required to be assigned to their current LIHP PCP, if possible, through a separate process).

Nothing in these requirements precludes a beneficiary from changing PCPs. An MCP shall not modify its assignment procedures due to the default assignment process requirements of this APL with respect to PCPs within the county public hospital health system.

An MCP may reduce the default assignment to less than 75 percent if the county public hospital health system approves. The county public hospital health system will need to submit a letter, signed by the individual(s) authorized to sign on behalf of the county public hospital health system, to [AB85@dhcs.ca.gov](mailto:AB85@dhcs.ca.gov), notifying DHCS of the agreed upon assignment percentage. Upon receipt, DHCS will notify each MCP in the county of the approved reduced default assignment percentage.

**REQUIRED NOTICE TO DHCS:**

MCPs must notify DHCS, through a reporting process to be established by DHCS, and receive approval from DHCS, prior to suspending this enhanced assignment process for any reason other than the county public hospital health system has met its Enrollment Target or enrollment capacity for New Expansion Adult Members. MCPs may only suspend or reduce the enhanced assignment process for reasons set forth in this APL. Any approved suspension or reduction due to Knox-Keene compliance issues shall only be granted after an MCP has demonstrated that a violation has occurred that cannot be resolved through existing MCP-provider processes under current regulations; constitution of a violation will be detailed in later guidance. Any suspension or reduction shall be immediately lifted following successful remediation of the reported problems.

**DHCS ASSESSMENT OF COMPLIANCE:**

DHCS shall assess an MCP's compliance with the enhanced default assignment process on a semi-annual basis and, to that end, will issue a reporting template which collects from each MCP: 1) the total population for default in the whole county; 2) the total population for default in only the county public hospital health system geographic area; and 3) the actual number of individuals defaulted to the county public hospital health system.

If an MCP is not compliant with any of the aforementioned requirements pursuant to AB 85 and SB 98, default assignment into the MCP for all Medi-Cal beneficiaries will be reduced by 25 percent, to the extent that the other MCP(s) in the county are able to take on the additional default MCP-assignment beneficiaries.

If the MCP does not agree with DHCS's finding of non-compliance, the MCP may appeal that decision and present evidence to demonstrate the MCP has been improperly found out of compliance. DHCS will enforce the provisions of this APL, pending the disposition of the MCP's appeal.

**DEFAULT MODIFICATIONS:**

Starting from January 1, 2014 to December 31, 2016, MCPs must assign at least 75 percent of New Adult Expansion Members (as defined above), or 50 percent of New Adult Expansion Members beginning January 1, 2017 and thereafter, who do not select a PCP, to PCPs within the county public hospital health system, if they have not been notified by the county public hospital system that it is at capacity or has met its Enrollment Target. An MCP may meet this 75 percent requirement in aggregate across the county where it operates.

MCPs may assign higher percentages to the county public hospital health system in certain geographic areas in a county and lower in others, as determined by the MCP, as long as it meets the 75 percent requirement in aggregate across the county. In addition, if after defaulting 95-100 percent of New Adult Expansion Members (as defined above) that reside or work within the geographic access standards set forth in the MCP's Medi-Cal managed care contract with DHCS or Title 28, Managed Health Care Regulations, whichever is more stringent, in the county where the county public hospital health system operates, and the MCP does not meet the county wide 75 percent requirement, the MCP will not be penalized.

**KNOX-KEENE:**

The Knox-Keene Act of 1975 (Knox-Keene) and accompanying laws regulate managed care plans. Health and Safety Code § 1367.03(a)-(f) requires the Department of Managed Health Care (DMHC) to develop regulations setting standards of timeliness of

access to care, availability of physicians, specialists, and other health care. DMHC has established time and distance standards related to MCP assignment of members to PCPs in the MCP's network. A PCP must be no more than 15 miles or 30 minutes from the place of residence or place of work of the member unless the member chooses a different provider outside of this geographic area within the MCP's service area. This geographic standard is applied not just with respect to the physical location of the county public hospital, but with regard to all locations of where county public hospital systems have PCPs and clinics located throughout their counties.

MCPs must comply with the Knox-Keene standards and the 75 percent requirements in tandem with each other. MCPs will not be penalized for failure to comply with the 75 percent assignment requirement set forth in this APL if they submit information for approval (see Required Notice to DHCS Section above) to DHCS that demonstrates that the MCP has attempted to meet the enhanced default assignment standard but is unable because of the need to meet Knox-Keene geographic standards.

**REVIEW OF PROCESS:**

Before October 31, 2014, DHCS shall meet with the county public hospital health systems and MCPs to discuss the default process and Enrollment Targets. At that time, the default process shall be reviewed and revisions shall be considered to meet the intent of the law.

**MEDI-CAL MANAGED CARE HEALTH PLAN CONCERNS:**

If an MCP is concerned that it will not be able to meet the 75 percent default for any reason, or the 50 percent Enrollment Target after the end of 2016, the MCP should notify DHCS at [Sarah.Brooks@dhcs.ca.gov](mailto:Sarah.Brooks@dhcs.ca.gov).

**COMPLIANCE WITH ADDITIONAL W&I CODE SECTIONS:**

MCPs must also comply with the MCP requirements listed in W&I Code §§ 14199.2 and 14301.5, in addition to complying with W&I Code § 14199.1 as addressed in the sections above.

**~~CALFRESH EXPRESS LANE AID CODE ADJUSTMENTS:~~**

~~In April 2014, DHCS began coordination with county State Automated Welfare Systems (SAWS) to identify current aid code 7U enrollees who are parents. DHCS will change the aid code for parents from 7U, an "Expansion" capitation rate category aid code, to a different aid code(s) in the "Family" capitation rate category. DHCS will adjust eligibility retroactively to the start date of 7U Medi-Cal enrollment, up to 13 months (eligibility can only be adjusted for the month of the determination and an additional 12 months back, for a total possible retroactivity of 13 months). DHCS will provide future updates to MCPs regarding the timeline for completion of this process.~~

~~If a 7U enrollee's eligibility is adjusted retroactively as noted above, DHCS will recoup the capitation rate difference in funding from MCPs for the months of adjusted eligibility, and MCPs may recoup the difference in funding from their contracted providers for services provided during the months of adjusted eligibility. The time period for retroactive recoupment of funding is linked to the retroactive eligibility adjustment that, as noted above, can be up to 13 months.~~

For additional information about this APL, please contact your Medi-Cal Managed Care Division contract manager.

Sincerely,

*Original Signed by Margaret Tatar*

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Health Care Delivery Systems