



August 11, 2014

Diana Dooley, Secretary
California Health and Human Services
1600 Ninth Street, Room 460
Sacramento, CA 95814
(916) 654-3454

Re: CAPH Proposal for California's 1115 Medicaid Waiver Renewal

Via e-mail: ddooley@chhs.ca.gov

Dear Secretary Dooley,

The California Association of Public Hospitals and Health Systems (CAPH) thanks you for your leadership in improving the health of all Californians through your commitment to a full implementation of the Affordable Care Act (ACA) in California, expanding coverage to over 3 million Californians, and through the effort to renew California's 1115 Medicaid waiver, which is critical to California's core safety net providers. CAPH appreciates the opportunity to provide input to the State's waiver concept proposal. On behalf of our members, we respectfully submit our proposal for components of the waiver that impact California's public health care systems.

As you know, California's 21 Designated Public Health Care Systems (PHS) play a central role in California's safety net and health care landscape. Under California's 2010 "Bridge to Reform" waiver, PHS have served as drivers of coverage expansion through the Low-Income Health Program (LIHP); as leaders of local delivery system reform through the Delivery System Reform Incentive Program (DSRIP); and as a significant source of public financing for payments that support Medi-Cal and uninsured care provided by PHS. These multiple roles, along with our strong partnership with the State, helped lay the groundwork to prepare for the Affordable Care Act.

We share your pride in this work, which has helped enroll more than 650,000 low-income Californians into coverage and assign them to a medical home, with 89% of total LIHP enrollment in counties with a public health care system. In addition, through the DSRIP, California's PHS have collectively achieved over 2,100 DSRIP milestones across 64 different projects covering massive improvements throughout their systems. In particular, with PHS' focus on effective primary care and patient-centered medical homes, California PHS have made

important progress in the journey to fundamentally change the way care is delivered, shifting the paradigm to one that proactively manages the health of complex patient populations.

We also share your commitment to ensuring that ACA implementation continues to succeed in California, making the 2015-2020 time period under a renewed waiver an especially critical one for the State and for PHS. With a renewed waiver, California has the opportunity to advance the health of all Californians by further ensuring that low income, Medi-Cal and uninsured patients have access to high quality care.

A closely related and central hallmark of successful ACA implementation is a strong health care safety net. For public health care systems, this goal means ensuring that they can retain their three-pronged mission of 1) continuing to evolve into competitive providers of choice; 2) serving as core providers of care to Medi-Cal and residually uninsured patients; and 3) providing essential community services such as trauma, burn, and teaching. Ultimately, our vision is to become models of integrated systems of care that are high value, high quality, patient-centered, efficient, equitable, with great patient experience and demonstrated ability to improve health care and health status of populations. Despite our best coverage expansion and delivery system reform efforts, it is likely that more than 3 million Californians could remain uninsured. Although dollars would be increasingly tied to ambitious outcomes, the 2015-2020 Medicaid 1115 waiver must represent an investment in PHS that is equivalent to the existing waiver's Delivery System Reform Incentive Program (DSRIP), Safety-Net Care Pool Uncompensated Care Pool (SNCP) (as of 2014-15) and California's Medicaid Disproportionate Share Hospital (DSH) allotment (taking into account scheduled reductions, per the ACA). This support will ensure PHS have the resources necessary to continue the path of transformation to expand access and contribute to California's long term success of the ACA.

With this in mind, we were pleased with the ideas proposed in the State's waiver concept paper and provide comments here on several of those ideas. We especially appreciate the inclusion of a PHS successor DSRIP as a core concept to help the state advance the Triple Aim and the ACA. CAPH believes we have an opportunity to strengthen the DSRIP through a successor program that is more standardized, with a heavier emphasis on outcomes. We have collaborated closely with DHCS leadership throughout the current DSRIP, and have incorporated lessons learned to inform possibilities for a successor program, which we discuss in more detail in our waiver proposal. We look forward to continuing to develop the parameters of the successor DSRIP in close partnership with DHCS to ensure the programs, activities, and metrics are designed to advance the Triple Aim and our vision.

CAPH was also pleased to see the State propose payment reforms for the remaining uninsured. California's public health care systems are deeply committed to their mission to provide care to all, regardless of ability to pay, including the roughly 3 million who will remain uninsured. Historically, PHS have received important supplemental payments to support this work – including DSH and SNCP funds – but these payments have been largely cost-based and have not evolved with the changing landscape of health care. CAPH supports efforts to modernize these funds. As we discuss in more detail in our proposal, we believe that these goals can be achieved with some slight variations to what the State has proposed, and we look forward to working together to achieve our shared goals for this patient population.

Recognizing that a patient's health care needs often extend beyond the reaches of the health care system itself, CAPH strongly supports the State's proposal to test options for funding shelter through Medicaid. In fact, CAPH believes even more robust pilots that go beyond shelter should be tested in the waiver renewal. As described in our proposal, CAPH supports voluntary county pilots that would integrate physical and behavioral health services, and provide robust coordination with social, housing, vocational training and other services critical to holistically addressing the needs and care of targeted high-risk patients. We believe such pilots could be an exciting opportunity for innovation at the local level for counties that are prepared to take this next step. Successful pilots will require a strong collaboration among county partners to further develop this concept. CAPH envisions a state-level collaboration among organizations such as the California State Association of Counties, the County Health Executives Association of California, the California Welfare Directors Association, the California Behavioral Health Directors Association, plans, and others, alongside the state, to advance the Triple Aim for the neediest of our patients.

Regarding the PPS pilot for Federally Qualified Health Centers (FQHCs), CAPH has been working in partnership with the State, the California Primary Care Association, and managed care plans to advance alternatives to FQHC PPS payments in a way that transforms payments while expanding access to services. Though we appreciate that the inclusion of this pilot in the waiver offers an example of potential cost savings, we believe it is critical to emphasize and ensure that the requirements around PPS or Alternative Payment Methodologies themselves are not being waived.

In addition to these four concepts, we would appreciate clarification around other areas of the State's paper. First, while we know that the State must demonstrate the savings projected under the demonstration in order to accomplish the concepts outlined in the paper, it is not clear how much total room the State believes would

be available for these transformative projects. During our conversations with DHCS in 2013 around Health Realignment, one of the key factors included in the agreement was a commitment from DHCS to maximize federal funding for public health care systems and include components in a waiver renewal to maintain a comparable level of support for delivery system reform. CAPH believes this commitment is vital to the future success of PHS under health reform and therefore would seek additional details on the total size of the waiver.

In addition, as noted in the recent webinar on the concept paper, the State will need a source of non-federal share to draw down these waiver funds. The concept paper seems to identify two main sources of non-federal share: one provided by public health care systems to self-finance programs like the DSRIP and DSH/SNCP, and another that would be financed with federal funding through the shared savings concept. CAPH would appreciate a clear distinction about which sources of non-federal share will be used for which waiver elements. We would note the significant contribution PHS already make today through self-financing, and would be very concerned about the use of such financing structures for other purposes.

Lastly, CAPH is interested in understanding more broadly how the waiver will relate to California's efforts to obtain a State Innovation Model (CalSIM) testing grant. For instance, how are the accountable care-like program or risk-based delegated health home models different from the Accountable Care Communities proposed in the CalSIM? How will savings projected through CalSIM efforts tie into estimated savings from the waiver?

Collaboration and dialogue over the next several months will be key to ensuring these proposals are fully developed for a successful launch in November 2015. The stakeholder process over the coming months will be an important forum for receiving regular updates and discussing important waiver developments. CAPH appreciates the opportunity to provide feedback through these forums and, for proposals with direct implications for PHS, through close, direct dialogue with DHCS.

We also strongly recommend giving sufficient time for the negotiation process with CMS in 2015 and submitting a proposal no later than January 2015, in order to avoid negotiations and policy development slipping into the first waiver year. Having fully agreed upon and developed waiver programs that are "shovel ready" by November 2015 - including final Special Terms and Conditions - is essential for a seamless and successful renewal of California's 1115 waiver. Experience in the last waiver underscored the need to develop the details as early as possible for an on-time renewal.

We appreciate your consideration of CAPH's waiver proposal for public health care systems, and welcome the opportunity to discuss them with you further. We stand ready to partner with DHCS in support of an innovative and ambitious waiver proposal that will keep California on the cutting edge of health care reform.

Sincerely,

Signed by Erica Murray

Erica Murray
President & CEO
California Association of Public Hospitals and Health Systems

DUPLICATE LETTER PROVIDED TO TOBY DOUGLAS, DIRECTOR, CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES