California Advancing and Innovating Medi-Cal (CalAIM) Section 1915(b) Waiver Amendment Overview August 2022

Introduction

This Overview is intended to provide a summary of a planned amendment to the California Advancing and Innovating Medi-Cal (CalAIM) Section 1915(b) waiver.[1] In Fall 2022, the California Department of Health Care Services (DHCS) will submit a request to the Centers for Medicare and Medicaid Services (CMS) to amend its Section 1915(b) waiver to implement county-based model changes in the Medi-Cal Managed Care (MCMC) program. Through the amendment, DHCS plans to add or update language on policies or programs in the approved CalAIM 1915(b) waiver effective January 1, 2024, including to reflect: (1) the plans that will operate in each county subject to the State's MCMC commercial plan re-procurement; (2) MCMC model changes in select counties; and (3) direct contracts with the Kaiser Foundation Health Plan available to certain beneficiary populations in select counties or geographic regions. This Section 1915(b) waiver amendment request will be in conjunction with related changes requested to the CalAIM Section 1115 demonstration to effectuate MCMC model changes.

California's MCMC delivery system consists of multiple managed care models that vary by county. Each county offers one of these models: one plan operated by the county (County Organized Health System (COHS)); one Local Initiative plan operated by the county and one commercial plan (Two Plan); multiple commercial plans (Geographic Managed Care, Regional, and Imperial model); or one commercial plan and a Fee-for-Service option (San Benito model). Today, 22 counties[2] offer one plan operated by the county, all implemented through a COHS model.

Prior to the launch of the State's commercial plan re-procurement process in 2022, counties had the opportunity to request a change to their managed care model. As part of this process, DHCS has conditionally approved model changes in 17 counties;

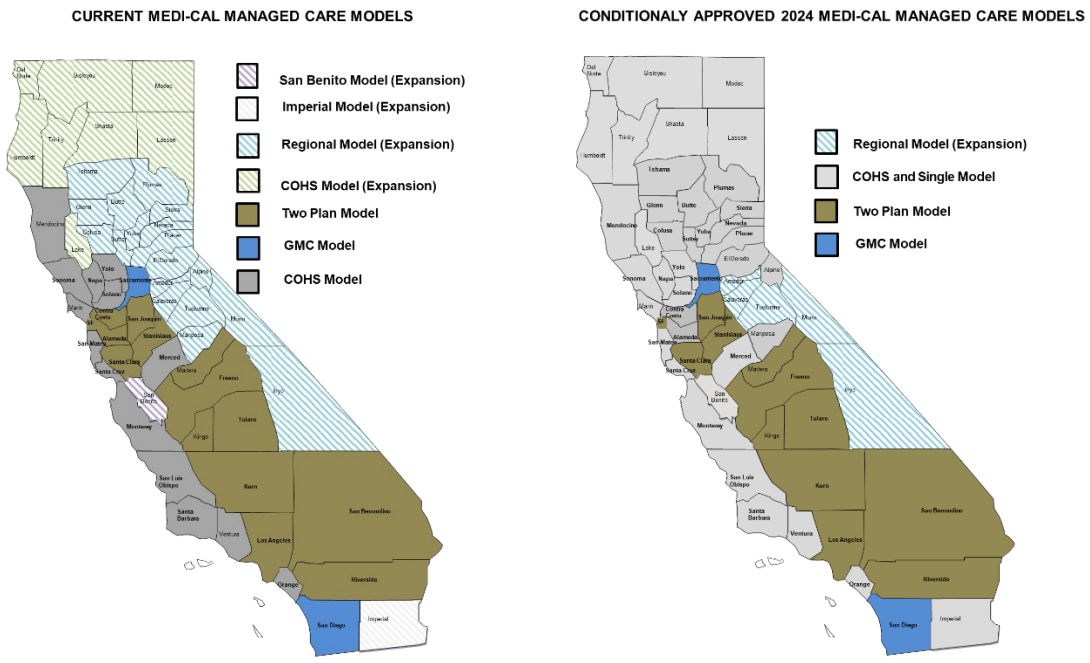
[1] Through the CalAIM Section 1915(b) waiver and Section 1115 demonstration approvals in December 2021, DHCS transitioned authority for California's managed care delivery systems — MCMC, Dental Managed Care (Dental MC), Specialty Mental Health Services (SMHS), and Drug Medi-Cal Organized Delivery System (DMC-ODS) — from the State's longstanding Section 1115 demonstration to authority under the CalAIM 1915(b) waiver to simplify and align the programs, enhance oversight, and standardize benefits and enrollment into Medi-Cal.

[2] The 1915(b) waiver approved in December 2021 lists 23 counties as COHS in error. DHCS intends to include a technical correction in the 1915(b) amendment to update Stanislaus as a Two-Plan county instead of a COHS.

15 of these counties seek to move to a managed care model that involves one plan per county, either via expansion of an existing COHS model or establishment of a "Single Plan" model. Single Plan models will be expansions of plans currently operating as county-driven Local Initiatives or will otherwise be operating under a county or local authority effective January 1, 2024.

To effectuate the expanded COHS and Single Plan models, DHCS is planning to amend the CalAIM 1915(b) waiver to reflect use of the rural area exemption to limit plan choice for rural counties in existing and expanding COHS as well as rural counties intending to operate a Single Plan, and amendments to reflect the model changes.[3] Through a separate submission, DHCS is planning to amend the CalAIM Section 1115 demonstration to limit choice of managed care plans in non-rural areas operating under the COHS and Single Plan models. For more information on the COHS and Single Plan models, please visit the MCP Model Change website here.

Figure 1: Conditionally Approved Changes to County Medi-Cal Managed Care Models



Beyond the MCMC model changes, DHCS will add or update language on policies or programs in the CalAIM Section 1915(b) waiver to reflect the State's current

[3] The rural exemption authorizes States to not offer Medicaid enrollees a choice of at least two plans as otherwise required by Section 1932(a)(3)(A) of the Social Security Act, so long as the conditions in Section 1932(a)(3)(B) are met.

implementation of managed care, including key operational details of managed care programs and cost effectiveness assumptions and projections. Key changes include updating the identified plans operating in each county, effective January 1, 2024, as a result of the commercial Medi-Cal managed care plan re-procurement, and identifying those counties/regions where the Kaiser Foundation Health Plan will operate under direct contract with DHCS to serve certain eligible Medi-Cal enrollees, effective January 1, 2024.

The purpose of this document is to provide an overview of the State's proposed amendment to the CalAIM 1915(b) waiver so that stakeholders continue to be informed about policy developments and can assess how the 1915(b) waiver will work in tandem with the CalAIM Section 1115 demonstration amendment (also open for public comment) to achieve the MCMC model changes and other updates. Stakeholders can provide feedback on this Section 1915(b) amendment overview and the Section 1115 demonstration amendment from Friday, August 12, 2022 through Monday, September 12, 2022.

DHCS' full 1915(b) waiver amendment submission to CMS will be made through a federally prescribed template, or "waiver pre-print" and will be posted on the CalAIM website upon submission to CMS. Final language for the Section 1915(b) waiver and Section 1115 demonstration amendments are subject to discussions and negotiations between California and CMS.

Proposed Section 1915(b) Waiver Amendment

Through the forthcoming 1915(b) waiver amendment, DHCS is seeking the following changes:

- **New Authority to Implement County-Based Model Changes in Medi-Cal Managed Care:** California is seeking an amendment to reflect use of the rural area exemption to limit plan choice in rural counties in existing and expanding COHS as well as rural counties intending to operate under a Single Plan model. The expansion of the COHS model and new Single Plan model to counties as proposed by DHCS will build on the existing COHS model in the State, which are among California's highest performing plans.[4]

[4] From 2009 – 2018 the COHS model has had higher scores on 28 of 35 HEDIS measures than commercial plans and local initiatives, though local initiatives generally scored higher than commercial plans. These differential quality scores over multiple years suggest better access to services via county-driven plans when compared to commercial models.

Currently, DHCS has authority relating to the existing COHS to limit Medi-Cal managed care plan choice under federal law provisions[5] that exempt them from the otherwise applicable managed care choice requirements set forth in or derived from Section 1903(m)(2)(A) of the Social Security Act. Four of these COHS are health insuring organizations (HIOs) under federal law; their statutory exemption from 1903(m)(2)(A) and associated Medicaid requirements is conditioned on not exceeding a 16% enrollment level in those four COHS as a share of all Medi-Cal enrollees. Once the 16% enrollment level is exceeded, the managed care requirements in 42 CFR Part 438, including choice provisions, would apply to all HIOs currently operating under federal statute. DHCS projects that enrollment will likely be close to or exceed the aggregate 16% level following the expansion of two of those four COHS/HIOs into new counties.

Given enrollment will be close to or in excess of the aggregate 16% level following the expansion of the COHS model, DHCS is requesting an amendment to the CalAIM 1915(b) waiver to reflect use of the rural area exemption for rural counties in existing and expanding COHS as well as rural counties intending to operate under the Single Plan model, and to include language memorializing the model changes. Through a separate submission, DHCS is also seeking an amendment to its CalAIM Section 1115 Demonstration to secure authority to limit plan choice in non-rural areas operating under the COHS or Single Plan models, effective on January 1, 2024.

- **Updates to Policies and Program Descriptions Memorialized in the CalAIM 1915(b):** Through the 1915(b) waiver amendment, DHCS is proposing to add or update language in the CalAIM Section 1915(b) waiver to reflect upcoming changes to the MCMC program. Key updates include:

[5] SSA 1932(a)(3): requires choice of at least two MCOs, with specific exceptions including:

- COHS / HIOs that became operational prior to Jan 1, 1986, so long as a choice between at least two providers;
- HIOs as described in Sec. 9517(c) of the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended by Section 4734 of the Omnibus Budget Reconciliation of 1990, Section 704 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, and Section 205 of the Medicare Improvements for Patients and Providers Act of 2008, subject to certain conditions including that total membership in those HIOs is under 16% of Medi-Cal enrollees; and
- Rural areas if >2 physicians or case managers (if available in the area) and may go out-of-network in appropriate circumstances.

- **MCMC Re-procurement, Model Changes, and Direct Contracts with Kaiser Foundation Health Plan**: DHCS is in the process of re-procuring commercial Medi-Cal managed care plan (MCP) contractors. As part of the re-procurement process, DHCS restructured and developed a more robust contract, with the goal of enhancing how care is delivered to Medi-Cal members by advancing health equity, quality, access, accountability, and transparency of the health care delivery system. DHCS will issue notices of intent to award to chosen MCP contractors in August 2022, and all MCPs will undergo a rigorous review period in late 2022 and 2023 to demonstrate readiness, including their ability to comply with the new MCP contract provisions effective on January 1, 2024.

  While this re-procurement is for commercial MCPs, DHCS will implement the new MCP contract across all plan model types, including COHS, Local Initiatives in the Two-Plan model, and the new Single Plan model. In parallel with the commercial MCP procurement, DHCS has provided conditional approval to 17 counties to change the type of managed care model in which they participate (including 15 transitioning to the COHS and Single Plan models).

  DHCS is also proposing to enter into direct MCP contracts with the Kaiser Foundation Health Plan in 32 counties, where Kaiser Foundation Health Plan currently operates as a commercial plan.[6] Pursuant to recent state legislation,[7] the following beneficiary populations residing in affected counties will be eligible to enroll with Kaiser Foundation Health Plan under these direct contracts:

  - A beneficiary previously enrolled with Kaiser Foundation Health Plan as their MCP at any point during calendar year 2023;
  - A beneficiary who is an existing Kaiser Foundation Health Plan member upon transition into MCMC;

[6] DHCS is proposing to enter into direct MCP contracts with the Kaiser Foundation Health Plan in the following 32 counties: Alameda, Amador, Contra Costa, El Dorado, Fresno, Imperial, Kern, Kings, Los Angeles, Madera, Marin, Mariposa, Napa, Orange, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Sutter, Tulare, Ventura, Yolo, and Yuba.

[7] See Assembly Bill No. 2724 (Chapter 73, Statutes of 2022); Cal. Welfare and Institutions Code section 14197.11.

- A beneficiary who was a member of Kaiser Foundation Health Plan at any time during the 12 months preceding the effective date of their Medi-Cal eligibility;
- A beneficiary with "family linkage" to Kaiser Foundation Health Plan whereas one or more of the following individuals are a current member of Kaiser Foundation Health Plan upon the effective date of that beneficiary's Medi-Cal eligibility: a beneficiary's spouse or domestic partner; a beneficiary's dependent child, foster child or stepchild under 26 years of age; a beneficiary's dependent who is disabled and over 21 years of age; a parent or stepparent of a beneficiary under 26 years of age; or a grandparent, guardian, foster parent, or other relative with appropriate documentation of a familial relationship of a beneficiary under 26 years of age;
- A beneficiary previously enrolled in a primary MCP other than Kaiser Foundation Health Plan, but was assigned to Kaiser Foundation Health Plan under a subcontract with that primary MCP at any time during calendar year 2023;
- A beneficiary dually eligible for Medi-Cal and Medicare in select counties in which Kaiser Foundation Health Plan operates as a MCP;
- A beneficiary who is in foster care or is a former foster care youth that elects to enroll in MCMC; and
- A beneficiary not listed above who is assigned to Kaiser Foundation Health Plan according to DHCS' default enrollment process for beneficiaries that fail to select a MCP during the plan choice period, subject to an annual cap based on projected capacity.

The county-level model changes, direct contracts with Kaiser Foundation Health Plan, and MCP changes resulting from the procurement will provide a different mix of MCPs available to Medi-Cal enrollees across California beginning in 2024. These changes will be reflected in the planned update to the 1915(b) waiver.

- **Revisions to Other Policies and Program Descriptions in the CalAIM 1915(b):** Through the 1915(b) waiver amendment, DHCS is updating other language in the 1915(b) waiver to reflect updated policy and program descriptions across delivery systems..

Federal Authorities Requested Under the 1915(b) Waiver Amendment

The following is a technical summary of the additional federal waiver authority that DHCS is seeking through the Section 1915(b) waiver amendment described above.

- The State seeks an exception for rural area residents under section 1932(a)(3)(B) of the Act and 42 CFR 438.52(b) to allow DHCS to limit choice of managed care plans in existing and expanding COHS and rural counties intending to operate under the Single Plan model.

Cost Effectiveness

In order to be granted the Section 1915(b) waiver, the State must demonstrate the waiver is cost-effective, meaning the waiver must not cause expenditures to be higher than they would have been without the waiver.[8] To demonstrate cost effectiveness, states "trend forward" their historic Medicaid costs, and compare these costs to the projected costs of the managed care program. To account for amendments and other program changes that are projected to materially impact cost-effectiveness, the State will revise the cost-effectiveness calculations for the CalAIM 1915(b) waiver approved by CMS in December 2021.

Monitoring Approach

The State must actively monitor the effect of the Section 1915(b) waiver amendment on the accessibility and quality of services as well as the anticipated impact on the State's Medicaid program. DHCS will document and maintain data, and report results across the following updates:

- **Medi-Cal Managed Care Model Changes:** DHCS is committed to ensuring a smooth transition among plans for members transitioning to a new plan following the planned model changes, with particular attention to those members most vulnerable to disruptions in care. Member noticing, outreach and continuity of care policies and procedures are being carefully considered and will be included in a Transition Plan developed with substantial input from plans, providers, consumer advocates and other stakeholders. DHCS will design and implement monitoring and oversight standards and processes. DHCS will communicate the standards and processes through a variety of mechanisms including, but not limited to, policy guidance, contract amendments, All Plan Letters, and FAQs, as well as provide ongoing training and technical assistance. DHCS will issue reporting and monitoring requirements to ensure MCP oversight of access and member rights. Throughout 2022, DHCS has engaged with relevant stakeholder and advocacy groups and will continue to do so to keep them informed with timely information about the transition.

- **Direct Contracts with Kaiser Foundation Health Plan in select counties:** Under the direct contracts effective January 1, 2024, Kaiser Foundation Health

[8] See 42 CFR 431.55.

Plan will be subject to the same standards and requirements as all other contracted MCPs, except that enrollment in Kaiser Foundation Health Plan will be limited to the beneficiary populations listed above. This will include network adequacy and timely access requirements in approved zip codes where Kaiser Foundation Health Plan is licensed under the California Knox-Keene Health Care Service Plan Act of 1975, as amended. DHCS will include Kaiser in its network adequacy and access monitoring activity for the 32 counties in which DHCS contracts with Kaiser Foundation Health Plan as an MCP.