

MEDI-CAL REDESIGN FACT SHEET

Governor Schwarzenegger is proposing to redesign the Medi-Cal program in order to maintain health care coverage to eligible Californians while containing costs and maximizing operating efficiencies.

Medi-Cal provides medical services for 6.6 million low-income individuals. In addition to providing services to these individuals, Medi-Cal is a critical funding source for hospitals and clinics serving Medi-Cal beneficiaries and the uninsured. Program expenditures for 2005-06 will exceed \$34 billion (\$12.9 billion in State General Fund). Medi-Cal is the second largest expenditure in the State budget behind K-12 education.

While Medi-Cal is one of the most cost-effective Medicaid programs in the nation, continuing and increasing fiscal demands threaten the program's long-term financial viability and jeopardize the State's ability to fund other programs.

Since 1998-99, General Fund expenditures in Medi-Cal have grown by 60 percent (\$4.5 billion). These costs are the result of several factors, including:

- ✓ Program expansions and reforms have added 1.2 of the 1.6 million new beneficiaries since 1998-99, a 32 percent increase in the number of people receiving health care services through the Medi-Cal program.
- ✓ Demographic trends have increased the number of people eligible for Medi-Cal.
- ✓ Health care costs have risen at rates above the general inflation rate.
- ✓ Medical advances have improved outcomes and increased the cost of treatment.
- ✓ Medi-Cal provides beneficiaries with a comprehensive range of benefits, exceeding the scope of benefits of other states and employer-based programs.

Medi-Cal Redesign - Initiatives

Increase Access to Care & Improve Health Outcomes Through Managed Care Expansion

California provides Medi-Cal benefits via managed care in 22 counties to 3.2 million beneficiaries including families, children, seniors and people with disabilities. Managed care delivers better quality care and greater beneficiary access at a lower cost than the Medi-Cal fee-for-service program. Redesign seeks to build upon this success by:

- ✓ Enrolling 262,000 parents and children in managed care in 13 additional counties. The expansion will involve beneficiaries in El Dorado, Imperial, Kings, Lake, Madera, Marin, Mendocino, Merced, San Benito, San Luis Obispo, Sonoma, Placer and Ventura counties.
- ✓ Enrolling 554,000 seniors and disabled individuals into managed care in all counties in which managed care is available (these population groups are already enrolled in managed care in the 8 counties with an existing County Organized Health System).
- ✓ Implementing Acute and Long Term Care Integration projects in Contra Costa, Orange and San Diego counties to test innovative approaches for enabling more individuals to receive care in settings that maximize community integration.

The managed care expansion will be achieved through a phased-in process over a twelve- to eighteen-month period commencing in January 2007.

Stabilize the Financing of California's Safety Net Hospitals

To strengthen the state's health care safety net, a new five-year hospital financing waiver is being negotiated with the federal government. This new waiver will allow California to continue contracts with selected hospitals serving low-income and vulnerable populations and will replace current funding methods with new systems that create opportunities to draw down additional federal dollars.

Modify the Medi-Cal Benefit Package

The Medi-Cal dental benefit package provided to approximately 3 million adults will be aligned with private employer-based and public sector health coverage programs by placing an annual limit of \$1,000 on dental services provided to adults. The majority of the dental needs of the approximately 3 million Medi-Cal adult beneficiaries, including the cost of dentures, is expected to be covered by the \$1,000 benefit limit. The limit will not apply to federally mandated dental services provided by a physician, emergency dental services, and hospital costs associated with dental treatment.

Beneficiary Cost Sharing

Medi-Cal beneficiaries with incomes above the federal poverty level will pay a small premium to maintain their Medi-Cal coverage. These beneficiaries include 460,000 families and children in households with incomes above 100 percent of the Federal Poverty Level and 90,000 seniors and persons with disabilities with incomes above the Supplemental Security Income/State Supplemental Payment level. Premiums will be \$4 per month for each child under the age of 21 and \$10 per month for adults, with a maximum of \$27 per month per family. The required premium payments represent approximately 1-2 percent of the total annual income for affected individuals.

Improved Eligibility Processing for Children

Medi-Cal eligibility determination for the 120,000 children whose Medi-Cal application is submitted to the State's centralized Single Point of Entry vendor will be processed before being forwarded to the child's county of residence. This will speed enrollment of children and eliminate redundant processing.

Additional Program Improvements

Additional program innovations will help contain Medi-Cal costs and increase program efficiencies: a vendor will be employed to monitor county compliance with federal and state standards for eligibility determinations and improvements will be made to the provider enrollment process to reduce the processing time of providers' applications.

Implementation Overview

The redesign of Medi-Cal requires an investment of time and resources from state and county staff, health plans, the provider community and a broad array of stakeholders. Experience to date underscores the importance of a deliberate and gradual implementation so that systems and providers are ready and beneficiaries fully informed to understand the changes that will occur. For these reasons, implementation of the proposed reforms will take place over several years.

When fully implemented, Medi-Cal Redesign will maintain and improve Medi-Cal coverage for eligible individuals and will reduce annual Medi-Cal expenditures by \$287,180,000 (\$144,902,000 GF). Savings over the first 5 years are expected to total \$332,000,000 (\$171,000,000 GF).