

The Department has made additional changes to the FSOR as noted below.

Additional changes were made due to the withdrawal of the repeal of Section 53820 as follows:

The following existing subsections have been deleted because the terms are specific to Section 53830, which are proposed for repeal in this regulatory action:

- (j) defining "Contract maximum",
- (kk) defining "Transition period."

As necessary, some additional subsections of Section 53810 have been re-designated to accommodate the proposed amendments to this section:

- (d) has been re-designated to (f)
- (e) has been re-designated to (g)
- (f) has been re-designated to (h)
- (g) has been re-designated to (i)
- (h) has been re-designated to (j)
- (i) has been re-designated to (k)
- (k) has been re-designated to (l)
- (l) has been re-designated to (m)
- (m) has been re-designated to (n)
- (n) has been re-designated to (o)
- (o) has been re-designated to (p)
- (p) has been re-designated to (q)
- (q) has been re-designated to (r)
- (r) has been re-designated to (s)
- (s) has been re-designated to (t)
- (t) has been re-designated to (v)
- (v) has been re-designated to (w)
- (w) has been re-designated to (x)
- (x) has been re-designated to (y)
- (y) has been re-designated to (z)
- (z) has been re-designated to (aa)
- (aa) has been re-designated to (bb)
- (bb) has been re-designated to (cc)
- (cc) has been re-designated to (dd)
- (dd) has been re-designated to (ee)
- (ee) has been re-designated to (ff)
- (ff) has been re-designated to (gg)
- (gg) has been re-designated to (hh)
- (hh) has been re-designated to (ii)
- (ii) has been re-designated to (jj)

- (jj) has been re-designated to (kk)

In addition to re-designation as noted above, subsection (l) has been amended to include the term “Care” in the definition of the “Department.”

In addition to re-designation as noted above, subsection (r) the definition of “Federally qualified health centers” has been amended to correct a transposition of words, removing “means.”

Subsection (ll) “Two-plan model,” which has been re-designated subsection (ii), is amended to reflect that it is defined by Section 53800.

In addition to the changes noted above, the Department has updated the economic impact analysis to address concerns raised in the public comments. Specifically this update will address comments on pages 12, 19, 53 and 79 of the FSOR Addendum 2, Responses to Comments.

The Department determined that the proposed regulations will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

The Department has determined that the proposed regulations would not significantly affect the following:

- The creation or elimination of jobs within the State of California.
- The creation of new businesses or the elimination of existing businesses within the State of California.
- The expansion of businesses currently doing business within the State of California.

The proposed regulatory amendment does not require that the Department directly contract with an AHCSF in each Two-Plan Model county. Rather, it merely provides the Department with the limited authority to directly contract with an AHCSF when necessary to promote continuity of care for a narrowly defined group of beneficiaries. If the local plan subcontracts with an AHCSF, there will be no need for the Department to directly contract with an AHCSF. Most of the local plans have subcontracted with an AHCSF, therefore the beneficiaries will not have to disenroll from their current plan to maintain continuity of care with their AHCSF.

The Medi-Cal program is in the midst of a major transformation, as it shifts most enrollees to managed care and prepares for a major expansion due to the Patient Protection and Affordable Care Act (ACA). Enrollment in the program will surge over the next few years, in 2013 more than 850,000 children transitioned to Medi-Cal from the Healthy Families Program. Additionally, Medi-Cal will see an estimated total increase of one million or more enrollees due to the ACA, including an estimated

680,000 people in 2014. The significant number of new enrollees will more than adequately cover any losses of beneficiaries due to choosing to remain with the AHCSF in the event there is no subcontract between the AHCSF and the local plan.

The Department has determined that the proposed regulations will not affect worker safety or the State's environment. However, the proposed regulations will benefit the health and welfare of California residents by maintaining the continuity of the Medi-Cal managed care program through the provision of comprehensive health care services at low cost to low-income individuals such as families with children, seniors, persons with disabilities, children in foster care and pregnant women.