Affordable Care Act: Implications for Medi-Cal

Brian Hansen
Special Assistant to the Director

April 2010 Governor's Message

- "The time for comprehensive health care reform is now. We're ready to roll up our sleeves, to work with the federal government and to get this done" – Governor Arnold Schwarzenegger
- The Governor's vision for California's implementation of ACA:
    1. Prevention and wellness
    2. Coverage for all
    3. Affordability and cost containment
- Ensure that the State receives federal resources and flexibility

Governor's Taskforce

1. Preexisting Condition Insurance Plan
2. Insurance Conformity
3. Health Insurance Exchange
4. Public Program Expansion and System Reform
5. Eligibility Systems Integration/On-line Enrollment
6. Prevention and Wellness
7. Workforce Development

Medi-Cal and HCR

- Mandated expansion of the Medicaid program in 2014
- DHCS is using an 1115 Waiver to begin early expansion and organize systems of care

CA Department of Health Care Services (DHCS)

- DHCS finances and/or administers several programs, such as:
  - Medi-Cal
  - California Children's Services program
  - Child Health and Disability Prevention program and
  - Genetically Handicapped Persons Program.
- Coverage for low-income individuals; pregnant women; elderly, blind, or disabled persons, and others
- DHCS funding helps hospitals and clinics that care for uninsured populations

The Medi-Cal Program

- Enrollment of 7.5 million
- Approximately $45 billion per year in funding ($20 billion in state general fund)
- 51% of the population in Managed Care
- 49% in fee-for-service

ACA Medicaid Expansion

- Expands mandatory Medicaid eligibility on January 1, 2014, to childless adults up to 133% of the federal poverty level (FPL)
- Requires "Essential Benefits" for newly eligible beneficiaries in 2014
- Allows early expansion

What is a Section 1115 Waiver?

- Federal HHS authorizes experimental projects with additional state flexibility to test new approaches:
  - Expand eligibility to individuals not otherwise eligible
  - Provide services that are not typically covered
  - Use innovative service delivery systems
- Cost neutrality is required, but flexibility is provided for savings beyond this

The New Waiver – A Bridge to HCR

- Begin early enrollment of the new Medicaid eligibility group through the HCCI
- Prepare the safety net and county systems for Medicaid expansion
- Provide better organized systems of care for vulnerable populations
- Incorporate ACA goals for payment and delivery system reform

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Health Care Coverage Initiative

- Offer enrollment of non-disabled, childless adults up to 200% of the federal poverty level
- Gradually align the eligibility, benefits, cost sharing, and immigration status rules for this newly covered population (2011-2014)
- Prepare for seamless enrollment into mandatory Medi-Cal coverage or transition into the Exchange in 2014

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Health Care Coverage Initiative

California will build on its current county-based Health Care Coverage Initiative (HCCI)

- Current Program
  - 10 Counties
  - 130,000+ Enrolled
- Proposed Program
  - All willing Counties
  - Up to 512,000

HCCI Program Expansion

- The newly-eligible Medicaid population is estimated at 851,000 as of 2014 in CA
- Through expansion of the HCCI, enrollment is estimated to grow to 512,000 individuals, of which 385,000 will have incomes below 133%
- This represents early coverage of 45% of the 2014 newly eligible Medicaid population

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New Organized Systems of Care

- HCCI – improvements to expand and better organize and standardize
- Senior Persons with Disabilities (SPDs) – moving this complex population into managed care – over 300,000 SPDs
- Children with Special Health Needs – pilots to test better systems of care
- Duals – pilots to gradually provide full integration of funding and benefit packages

Payment Reforms - Value Based Purchasing

- Transition away from FFS and cost-based care towards risk-based payments that include incentives for providing high-quality care. Examples:
  - SPDs into capitated payment system
  - Risk-Based Payments in the HCCI
  - DRGs for Public Hospital inpatient

Waiver Timeline

- January 2012:
  - Complete enrollment of SPDs into existing managed care plans
- 2012 – 2014:
  - Ongoing program expansion and standardization for HCCI

MAGI

- Currently counties determine income and apply other factors to the eligibility determination
- In 2014, Medicaid must use Modified Adjusted Gross Income, from the IRS, to determine income eligibility
- Prohibits the use of income or expense disregards, asset tests, except for a standard 5% income disregard
- States must ensure currently eligible individuals are not disadvantaged by the new eligibility methodologies

Shifts in Authority and Financing

- Examples of shifts in funding:
  - Newly eligible population will be funded with federal/state funds instead of federal/county
- Examples of federal reduction in State flexibility:
  - Federal standardization of eligibility
  - Standardization of Benefits for newly eligible

Maintenance of Effort (MOE)

- ACA requires that States maintain their current eligibility standards for Medicaid and the Children's Health Insurance Program (CHIP)
  - Medicaid adults until 2014
  - Children until September 30, 2019
- During the MOE periods, States are also barred from imposing new eligibility paperwork and other barriers

ACA Delivery System Reforms

- Non-payments for Health Care Acquired Conditions (HCAC)
- Payments to Primary Care Physicians
- Community First Choice Option

Exchange Eligibility Systems

- ACA mandates interaction of Medi-Cal and CHIP eligibility systems with the Health Benefit Exchange
- Will require significant planning and implementation efforts to develop a new eligibility system, or modify current systems

Population shift to Managed Care

- Medi-Cal has developed managed care infrastructure
- To serve Medi-Cal families and children
- To transition SPDs to managed care
- And likely for the “newly eligible” adults

ACA Cost Drivers for Medi-Cal

- Eligibility expansion
- Primary care rate increases (100% of Medicare)
- Coverage of eligible but unenrolled – projected at over 850,000
- Outpatient rate increases (80% of Medicare)
- Federal retention of increase in federal rebates (20% of rebates)

ACA Costs and Savings

- Managed Care Drug rebate savings
- General Fund savings from 23-percentage point increase in CHIP match rate
- Bright Line Savings – some parents over 133% FPL will no longer be Medi-Cal eligible – shift to the Exchange
- State Program Savings – elimination/ federalization of state programs
- Bottom Line - $2-3 Billion additional State costs in 2019

Medi-Cal Next Steps

- Governor's Office is continuing its HCR Implementation process to leave a Roadmap for the next administration
- DHCS is engaged in a Project Management planning process
- Health and Human Services Agency HCR Website at www.healthcare.ca.gov

DHCS
California Department of
HealthCareServices

QUESTIONS

Service - Accountability - Innovation

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