MCO and CCI and the IHSS MOE: It's All Connected
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Coordinated Care Initiative (CCI)

The Governor spends a significant amount of space in the January 2015-16 budget proposal to warn that the state's federal demonstration project known as either the Coordinated Care Initiative (CCI) or Cal Medi-Connect is in danger of failing.

This is significant to counties for several reasons, as the success of the CCI is directly tied to the continuation of the In Home Supportive Services (IHSS) Maintenance of Effort (MOE) negotiated between the Administration and counties in 2012.

First, the Governor outlines a number of troubling statistics and events related to CCI:

- When the CCI was approved by the Legislature, the state expected to share savings 50-50 with the federal government. However, the federal government notified the state that it would only be allowed to retain 25 percent of any savings.
- Much lower participation is being realized, including the exemption of more than 100,000 potential participants and an extremely high opt-out rate (initial projections estimated a 33 percent opt-out rate, but data as of November 1, 2014 shows a 69 percent opt-out rate, including a whopping 80 percent opt-out rate for IHSS participants). Further, enrollment delays have occurred in each of the 7 remaining participating counties.
- The state's Managed Care Organization tax (MCO tax) helps fund the CCI and allows for a 4-percent tax on managed care organizations through June 30, 2016. However, the federal government recently informed the state that the tax was inconsistent with Medicaid regulations and would not be allowed to continue past the 2016 date. This blows a significant hole in funding for the CCI project and could be the death knell for the project if the MCO tax is not continued.

Which brings us to the IHSS MOE.

In Home Supportive Services Maintenance of Effort (IHSS MOE)

Counties negotiated the IHSS MOE with the state in 2012. In 2013-14, the county share of the MOE is nearly $1 billion. The implementation of the IHSS MOE was directly tied to the success of the CCI project, i.e. the state required savings through the CCI to guarantee the continuation of the county MOE. The California Department of Finance (DoF) is required to report each January on whether the CCI is cost effective. If the DoF determines that it is not, the CCI automatically ceases operation.

Further, the loss of the MCO tax as outlined in the previous section is not the only fiscal emergency threatening the operation of the CCI and the continuation of the IHSS MOE. According to the Governor, the current federal interpretation of Federal Labor

Standards Act overtime regulations for IHSS workers also increases the state's exposure to costs for the IHSS program.

While the IHSS overtime costs are currently stayed under a federal court order, the state continues to be cautious and budget for increased costs in IHSS overtime in 2015-16 .

From the state's perspective, the potential loss of the MCO tax, coupled with increased costs for IHSS overtime, increase the state's costs and make the continuation of the CCI less tenable. If the CCI ceases operation, the move of IHSS collective bargaining to the State, and the County IHSS MOE, would end. The Administration proposes that unless factors are improved, the CCI trigger could be pulled in January 2016, which would trigger off the County IHSS MOE the following fiscal year, July 2017.

CSAC is concerned about any changes to IHSS MOE as negotiated and outlined in current statute. We note that it would be a complex fiscal nightmare to "unwind" the MOE and a negotiated deal. Counties also vow to continue efforts with the state, federal government, and health plans to implement the CCI and support the continuation of the MCO tax or a modified version that provides the necessary revenue to balance CCI implementation and preserve the IHSS MOE.