



HURST+BROOKS+ESPINOSA

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FROM: Kelly Brooks
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Re: Medicaid Section 1115 Waiver Renewal

Work continues to finalize California's renewal of its Medicaid Section 1115 Waiver. The existing "Bridge to Reform" Waiver was extended to December 31, 2015 on October 31 when the state and federal governments came to a conceptual agreement on a waiver renewal, "Medi-Cal 2020."

Currently, the Department of Health Care Services (DHCS) and the Centers for Medicare and Medicaid Services (CMS) are developing the Special Terms and Conditions (STCs), the legal document governing the waiver. Both parties are drafting documents and discussing the details of the core elements agreed to in October. CMS and DHCS are anticipated to conclude writing the STCs by December 31, 2015. They have begun exchanging drafts and scheduled meetings to discuss the document.

Core Elements. The conceptual agreement between CMS and DHCS includes the following core elements:

Global Payment Program (GPP). The GPP will provide funding for services to the uninsured in designated public hospital systems (DPH) by combining existing funding streams – Disproportionate Share Hospital (DSH) funds and Safety Net Care Pool (SNCP) funding – into a single global payment system. The global payments are intended to incentivize the provision of primary and preventive care and to move away from the hospital-focused and cost-based structures on which the funding is currently based. The estimated total funds (DSH, SNCP and match) available in the first year is \$2.871 billion, with \$236 million of SNCP funds.

The authority to implement the GPP is contingent upon CMS review and approval of the specific factors and parameters to be used in establishing "points" for the types of services provided to the uninsured. Funding for the GPP in years 2-5 related to the SNCP portion of the funds is undefined and contingent upon a report. CMS is requiring California to submit a report by May 15, 2016 focusing on the providers currently receiving payments through the SMCP and will help the state and CMS to determine the appropriate level of SNCP funding at those providers in Years 2-5.

The report will review the impact of the SNCP on those providers who participate in the SMCP with

respect to:

- Uncompensated care provided
- Medicaid providers payment rates
- Medicaid beneficiary access, and
- Role of managed care plans in managed care

Additionally, CMS is requiring two evaluations of the GPP – the first using 24 months of data and the second at the end of Year 4. Evaluations, at a minimum, will look at the number of uninsured individuals served, the number and types of services provided, the provider expenditures associated with the services provided, and the provide expenditures avoided due to the GPP. CMS is interested in an assessment of the effects of the GPP on care delivery and costs.

Public Hospital Redesign and Incentives in Medi-Cal (PRIME). PRIME will be the successor to the existing Delivery System Reform Incentive Payments (DSRIP) program. California will use the PRIME pool to fund projects that will “change care delivery and strengthen those systems’ ability to revive payment under risk-based alternative payment models. California has committed to adopting alternative payment middles that align with the federal government’s delivery system reform goals where the provider is accountable for quality and cost of care. A required evaluation of PRIME will include metrics and data related to the quality of care and health outcomes of Medicaid beneficiaries.

PRIME funding for delivery system transformation and alignment incentive program will be available for DPHs and district/municipal hospitals (DMPH). The funding will be allocated as follows:

	Designated Public Hospitals	District/Municipal Hospitals	TOTAL
Year 1	\$700 million	\$100 million	\$800 million
Year 2	\$700 million	\$100 million	\$800 million
Year 3	\$700 million	\$100 million	\$800 million
Year 4	\$630 million	\$90 million	\$720 million
Year 5	\$535.5 million	\$76.5 million	\$612 million
5-Year Total	\$3.2655 billion	\$466.5 million	\$3.732 billion

Whole Person Care Pilot (WPC). The WPC program would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations. The funding of this program would be up to \$1.5B in federal funds over 5 years.

Dental Transformation Incentive Program. The funding of this program is \$750M in total funding over 5 years. California proposed to improve dental health for Medi-Cal members, particularly children, by focusing on high-value care, improved access, and utilization of performance measures to drive delivery system reform.

Independent assessment of access to care and network adequacy for Medi-Cal managed care beneficiaries. California will be comprehensively addressing the question of network adequacy and access to care for Medi-Cal beneficiaries. The assessment will include at a minimum an analysis of compliance with network adequacy and access requirements under California state law that apply to

Medi-Cal as well as commercial plans. The assessment will also include a comparison of Medi-Cal plans with commercial plans in the same geographic services areas.

Independent studies of uncompensated care and hospital financing. This report will examine the following factors with respect to all Medicaid hospital providers in the state:

- Uncompensated care provided
- Medicaid providers payment rates
- Medicaid beneficiary access, and
- Role of managed care plans in managed care

Additionally, the report will include a comparable examination of provider financing for those providers who serve the Medicaid population and the low-income uninsured. This report will include the role of the PRIME program for designated public hospital systems.

Total Funding. The total initial federal funding in the renewal is \$6.218 billion, with the potential for additional federal funding in the global payment program to be determined after the first year. Funding details are summarized in the chart below.

	Year 1	5-Year Total
Global Payment Program	\$236 million	\$236 million*
Public Hospital Redesign and Incentives in Medi-Cal	\$800 million	\$3.732 billion
Whole Person Care	\$300 million	\$1.5 billion
Dental Incentives	\$150 million	\$750 million
TOTAL	1.486 billion	\$6.218 billion

**The Global Payment Program may increase in Years 2-5 based on a study to be completed in 2016.*