



## MEDICAID SECTION 1115 WAIVER: CALIFORNIA BRIDGE TO REFORM DEMONSTRATION

### OVERVIEW

California and the federal government concluded their negotiations on California's five-year, Medicaid Section 1115 waiver on November 2. The new waiver – effective from November 1, 2010 to October 31, 2015 – is titled, "California Bridge to Reform Demonstration."

California could receive approximately \$10 billion in federal funds over five years. These federal funds will be invested in California's health care delivery system to prepare for national health care reform and to sustain the Medi-Cal program. The waiver offers California the opportunity to expand coverage to childless adults, promote public hospital delivery system improvements, preserve the safety net, and improve care coordination.

#### Timeline

The Bridge to Reform Waiver is considered an extension of the 2005 Medicaid Hospital Financing Waiver. As such, each year of the waiver is identified as follows:

	Start Date	End Date
<b>Demonstration Year 6</b>	November 1, 2010	June 30, 2011
<b>Demonstration Year 7</b>	July 1, 2011	June 30, 2012
<b>Demonstration Year 8</b>	July 1, 2012	June 30, 2013
<b>Demonstration Year 9</b>	July 1, 2013	June 30, 2014
<b>Demonstration Year 10</b>	July 1, 2014	October 31, 2015

#### Key Elements

The waiver includes the following key elements:

- **Coverage Expansion.** The waiver builds on the existing county Coverage Initiatives and expands them to all counties that wish to participate, with new standards and requirements for each program. While the terms and conditions (the legal document governing the waiver) uses different names for coverage of adults with incomes between 0-133 percent and 134-200 percent of the Federal Poverty Level (FPL), it appears the state will be using the term Coverage Expansion and Enrollment Demonstration (CEED) to describe the projects going forward. As part of the CEED projects, counties may enroll persons in state prisons and county jails for inpatient hospital services. Essentially, inmates who leave the grounds of the prison or county jail for an inpatient stay at a community hospital would become eligible for Medi-Cal or a CEED project.
- **Safety Net Care Pool.** A Safety Net Care Pool is continued under the new waiver, with a series of components, including partial reimbursements to public hospitals for uncompensated uninsured care costs; the DSRIP described above; and federal match for designated state programs, for which the state can access up to \$400 million annually.

- **Delivery System Reform Incentive Pool.** The waiver includes the potential for \$3.3 billion in federal funds over five years for public hospitals through the Delivery System Reform Incentive Pool. This funding will be contingent upon public hospitals' achievement of specific milestones and deliverables related to infrastructure development, innovation and redesign, population-focused improvements and urgent improvement in care. The waiver provides the possibility that portions of these funds could be used for incentive payments to private or district Disproportionate Share Hospitals (DSH) if such a program is developed at the State level.
- **Care Coordination.** The waiver requires mandatory enrollment of seniors and persons with disabilities into Medi-Cal managed care. The waiver also includes a pilot program for the California Children's Services (CCS) program.

### Funding Streams

The new waiver continues the funding streams from the 2005 waiver for public hospitals:

- **Medi-Cal Fee-for-Service.** Provides funding for inpatient services provided to Medi-Cal patients enrolled on a fee-for-service basis. Public hospitals draw down the federal matching funds using Certified Public Expenditures (CPEs). As more patients move from fee-for-service into managed care, this funding stream will decline.
- **Medi-Cal Inpatient Fee-for-Service Physician Services.** Provides funding for professional physician services provided to Medi-Cal patients. The Centers for Medicare and Medicaid Services (CMS) specified that physician services are not included in the regular Medi-Cal inpatient fee-for-service reimbursement. Public hospitals draw down the federal matching funds using CPEs. As more patients move from fee-for-service into managed care, this funding stream will decline.
- **Disproportionate Share Hospital (DSH).** Provides funding for hospital-based services – inpatient and outpatient – to uninsured patients, including undocumented immigrants. Public hospitals use a combination of Intergovernmental Transfers (IGTs) and CPEs to draw down DSH payments. Federal DSH funding remains subject to an annual cap, which has historically been approximately \$1 billion.
- **Safety Net Care Pool Uncompensated Uninsured Care.** Provides funding for inpatient, physician and hospital- and non-hospital-based outpatient and other services provided to uninsured patients. However, this pool excludes undocumented immigrants. Public hospitals draw down the federal matching funds using CPEs.
- **Coverage Initiatives.** \$180 million a year, for three years, was included in the 2005 waiver to create health coverage initiatives. This funding is included in the Safety Net Care Pool. Ten counties created these programs. The counties provide the match to draw down the

federal funds using CPEs. The ten programs have expanded coverage to more than 100,000 adults with incomes up to 200 percent FPL. The new waiver provides \$180 million per year for Demonstration Years 6, 7, and 8 and \$90 million for Demonstration Year 9 to continue these projects for persons with incomes between 134 and 200 percent FPL. However, it is unclear whether counties will be able to access this funding to expand coverage for this patient population, due to requirements for the coverage expansion. Enrollees currently in existing CIs who have incomes between 134 and 200 percent FPL are anticipated to be grandfathered into coverage. For any funding not used for grandfathered enrollees or programs covering persons between 134 and 200 percent, it may be possible for the \$180 million to be rolled over to the SNCP for uncompensated uninsured costs or to increase the Delivery System Reform Incentive Pool, subject to CMS approval.

The waiver also includes new funding streams:

- **Coverage Expansions.** Under the waiver, all counties will have the option to expand coverage. Counties that opt to develop and implement CEED projects will be able to draw down federal funds for these projects. The federal funds designated for the CEED projects to cover adults with incomes from 0 - 133 percent FPL are uncapped. Counties may elect to set income eligibility limits at a level within 0-133 percent FPL in order to minimize wait lists. If counties choose to include persons with incomes up to 133 percent FPL, they may also draw down Coverage Initiative funding described above to cover people with incomes between 134 - 200 percent FPL; however, these dollars are capped.
- **Delivery System Reform Incentive Pool.** The waiver makes available \$3.3 billion over five years for the Delivery System Reform Incentive Pool. This pool will be a subset of the Safety Net Care Pool and will be financed using intergovernmental transfers (IGTs). The pool, which will be tied to milestones and achievements, will provide public hospitals with the opportunity to improve and transform their delivery systems. As noted, a portion of this funding could be made available for financing incentive payments to private DSH and district DSH hospitals, if such a program is developed at the State level.

Additionally, please note that public hospitals are continuing to work with the California Department of Health Care Services on the workability of providing IGTs as part of the funding mechanism for payments to health plans for the mandatory enrollment of seniors and persons with disabilities into Medi-Cal Managed care.