



## **Health and Human Services Policy Committee**

**Wednesday, February 18 • 4:00 – 5:00 p.m.**

**Via Conference Call**

**Dial In: (800) 867-2581 • Passcode: 7500559#**

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### **Supervisor Ken Yeager, Santa Clara County, Chair** **Supervisor Hub Walsh, Merced County, Vice Chair**

- 4:00 p.m.      **I.      Welcome and Introductions**  
*Supervisor Ken Yeager, Santa Clara County*
- 4:05 – 4:45      **II.     1115 Medicaid Waiver Update**  
*Kelly Brooks-Lindsey, Hurst Brooks Espinosa Advocacy*
- 4:45 – 5:00      **III.    Budget and Legislative Update**  
*Farrah McDaid Ting, Legislative Representative*  
*Michelle Gibbons, Legislative Analyst*
- 5:00              **IV.    Adjournment**

#### **NOTES:**

#### **Please note new passcode digits! 7500559#**

For those who wish to attend the meeting, it will be held in CSAC's Peterson Conference Room (1<sup>st</sup> floor, 1100 K Street, Sacramento).

The conference call number is noted above for those who wish to call in.

#### **Conference Call Etiquette**

1. Place your line **on mute** at all times until you wish to participate in the conversation.
2. **DO NOT PLACE THE LINE ON HOLD.**
3. Please identify yourself when speaking.



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February 6, 2015

To: Supervisor Ken Yeager, Chair, CSAC Health & Human Services Policy Committee  
Supervisor Hub Walsh, Vice Chair, CSAC Health & Human Services Policy Committee  
Members, CSAC Health & Human Services Policy Committee

From: Farrah McDaid Ting, Legislative Representative  
Michelle Gibbons, Legislative Analyst

Re: Federal Medicaid Waiver Renewal Financing Update

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On January 30, the Department of Health Care Services (DHCS) convened a stakeholder workgroup to unveil their financing proposal for renewal of California's Medicaid Section 1115 "Bridge to Reform" Waiver.

CSAC has contracted with Kelly Brooks-Lindsey to represent CSAC on the many facets concerning the waiver renewal. In the attached memo, Mrs. Brooks-Lindsey provides an overview of DHCS' financing proposal as it relates to counties.

For more information about the state's proposal, please visit the Department of Health Care Service's Section 1115 Waiver Renewal page at:  
<http://www.dhcs.ca.gov/provgovpart/Pages/WaiverRenewal.aspx>

Staff contacts:

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February 2, 2015

TO: Supervisor Ken Yeager, Chair, CSAC Health & Human Services Policy Committee  
Supervisor Hub Walsh, Vice Chair, CSAC Health & Human Services Policy Committee  
Members, CSAC Health & Human Services Policy Committee

FROM: Kelly Brooks, Partner,  
Hurst Brooks Espinosa, LLC

**Re: Financing for California's Next Medicaid Section 1115 Waiver**

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The Department of Health Care Services (DHCS) provided an overview of their financing proposal for the renewal of California's "Bridge to Reform" Medicaid Section 1115 waiver on January 30. The current waiver has provided approximately \$10 billion in federal funds over the five-year life of the waiver. **The Brown Administration unveiled a \$17 billion federal waiver renewal proposal last week.**

DHCS is proposing to continue a number of elements from the current budget neutrality calculation into the 2015 waiver renewal, which assists in California's case for \$7 billion in additional federal funds.

Funding details include:

- **Delivery System Reform Incentive Program (DSRIP) successor:** \$750 million in federal funds each year for five years (\$3.75 billion total). The current waiver contains approximately \$3.3 billion for DSRIP. DHCS is proposing to include non-designated hospitals, or district hospitals, in the DSRIP successor in the 2015 waiver. Currently DSRIP is available only to designated public hospitals.
- **State designated health programs:** \$400 million in federal funds each year for five years (\$2 billion total) for state designated health programs. The current waiver contains \$2 billion for state designated health programs.
- **Former Safety Net Care Pool (SNCP):** \$236 million each year in federal funds for five years to transform SNCP payments into global budgets (\$1.18 billion total). The current waiver includes \$236 million in SNCP funds in the final 16-months of the waiver.

Please recall that the Administration is proposing to combine SNCP and Disproportionate Share Hospital (DSH) funds into global budgets as part of its safety net payment reforms. Currently DSH and SNCP are only available for designated public hospitals; the global budgets proposal funding source would only be available for designated public hospitals in the 2015 waiver.

The current waiver does not include DSH payments in the budget neutrality calculation. The Administration is assuming that the federal DSH allotment that California would otherwise receive will be part of the global budgets. It is anticipated

DSH payments will be approximately \$1.1 billion in 2016. DSH payments will decline over the life of the waiver due to cuts slated to occur at the federal level. DSH payments are included in the 2015 waiver budget neutrality calculation on both the “without” and “with” waiver.

- **Delivery system incentive payments:** \$2 billion each year for five years in federal funds (\$10 billion total) for the delivery system changes under discussion in the various workgroups, including workforce, housing and supportive services, and plan/provider incentive payments. DHCS has no detail regarding how the \$2 billion would be allocated across the various proposals that will be developed to address workforce, housing/supportive services, regional partnerships through managed care incentives and fee-for-service quality improvement initiatives. The \$2 billion figure assumes that the federal government agrees to allow California to keep the state and federal shares of savings associated with the budget neutral calculation.

**California's 2015 Waiver Financing Proposal Summary Chart**

	Each Year	5-Year Total	Comparison to 2010 Waiver
<b>Delivery System Reform Incentive Program (DSRIP)</b>	\$750 million	\$3.75 billion	Slightly more than the \$3.3 billion in the 2010 waiver. However, DSRIP will include non-designated public hospitals (district hospitals).
<b>State designated health programs</b>	\$400 million	\$2 billion	The same as the 2010 waiver.
<b>Former Safety Net Care Pool (SNCP):</b> transform SNCP payments into <u>global budgets</u>	\$236 million	\$1.18 billion	The 2010 waiver included \$236 million in the last 16-months of the waiver for SNCP.
<b>Delivery system incentive payments:</b> workforce, housing and supportive services, and plan/provider incentive payments	\$2 billion	\$10 billion	There is not a similar element in the 2010 waiver.
<b>TOTAL</b>	<b>\$3.386 billion</b>	<b>\$16.93 billion</b>	<b>\$10 billion</b>

**Budget Neutrality Background.** Part of the budget neutrality calculation requires states to calculate their costs without the waiver and then to update those costs with the waiver. The difference between the “without” waiver and “with” waiver costs is the basis for budget neutrality. States use the budget neutrality calculation to inform how they approach CMS in asking for additional federal funds.

California's current waiver uses fee-for-service (FFS) costs in its budget neutrality calculation. The movement of seniors and persons with disabilities into Medi-Cal Managed Care occurred in the existing waiver. In the 2010 waiver, DHCS's budget neutrality calculation included a comparison of per member per month costs of Medi-Cal beneficiaries in FFS and in Medi-Cal managed care.

DHCS is proposing to continue to calculate budget neutrality by using a comparison of FFS costs with managed care costs. DHCS staff acknowledged that CMS will likely raise questions with the continued assumption of FFS for the "without" waiver calculation. Counties should anticipate that this will likely be a negotiation point between the state and federal governments.

Additionally, DHCS is proposing to add the new Medi-Cal enrollees (the 2014 expansion population) into the "without" and "with" waiver calculation. However, DHCS's calculations provided on Friday did not include the FFS per member per month costs for the expansion population. More work will be done on this for the budget neutrality calculation.

In addition, the Drug Medi-Cal Organized Delivery System is not included in the budget neutrality calculation. The Drug Medi-Cal costs will be included both in the "without" and "with" waiver sides. DHCS is still working on developing its methodology for estimating costs for the Drug Medi-Cal waiver amendment.

The budget neutrality calculation for 2015 also includes the estimated certified public expenditures for the FFS payments for designated public hospitals (aka separate limit B), as it does today.