



Financial Solvency Standards Board

November 18, 2020



California Advancing and Innovating Medi-Cal (CalAIM)



CalAIM Update

- On September 16, 2020, DHCS officially submitted a request to extend the 1115 waiver through December 31, 2021.
- On October 1, 2020, CMS [notified](#) DHCS that the extension was determined to meet completeness requirements.
- The extension request has been [posted](#) on the Medicaid.gov website for a 30-day federal public comment period ending November 1, 2020.
- DHCS will continue to work with CMS on the 1115 and 1915(b) waiver extension requests, and to develop applications for new waivers that would become effective on January 1, 2022.



COVID-19 Updates



Medi-Cal COVID-19 Update

The federal public health emergency (PHE) declaration:

- On October 2, 2020, U.S.HHS issued a renewal of the PHE for a full 90-day extension through January 21, 2021.
- Previous extensions of the COVID-19 PHE only came within days of the expiration date.
- On September 15, 2020, CA's State Medicaid Director, Jacey Cooper, formally wrote to HHS Secretary Azar requesting at least three to six months notice prior to ending the PHE.



Medi-Cal COVID-19 Update

The federal PHE declaration:

- DHCS has already obtained more than 50 programmatic flexibilities through CMS—many of which expire at the end of the PHE and some have explicitly approved waiver periods.
- These flexibilities impact Medi-Cal eligibility, healthcare service delivery (e.g., telehealth), provider reimbursement, and many other aspects of the program.
- DHCS has communicated these flexibilities to Medi-Cal managed care plans through various All Plan Letters. However, these flexibilities are subject to the timeframes of the PHE and state executive orders, and will expire at the end of the PHE.



Financial Updates

Adult Expansion MLR Risk Corridor

- The Adult Expansion (AE) Medical Loss Ratio (MLR) Risk Corridor results in:
 - Recoveries from Medi-Cal managed care plans (MCPs) with a MLR below 85% for their enrolled AE population; and
 - Additional payments to MCPs with a MLR above 95% for their enrolled AE population.
- The Risk Corridor was first implemented for the service period of January 1, 2014 through June 30, 2016.
- At the direction of the Centers for Medicare & Medicaid Services (CMS), DHCS extended the Risk Corridor to cover SFY 2016-17 and SFY 2017-18.

Adult Expansion MLR Risk Corridor (cont.)

For SFY 2017-18, the average MCP-reported MLR is ~90%.

- DHCS anticipates recovering significantly less than in prior years.
- Calculations are on track to be completed by December 31, 2020.

	Jan 2014 – Jun 2016	Jul 2016 – Jun 2017	Jul 2017 – Jun 2018 ²
Average MLR¹	74.60%	82.38%	90.74% ³
Net Recoupments	\$2,562 million	\$403 million	TBD

¹ Average MLR is a plan-level and unweighted.

² Two new MCPs (Aetna and United) are included in the 2017-18 AE MLR.

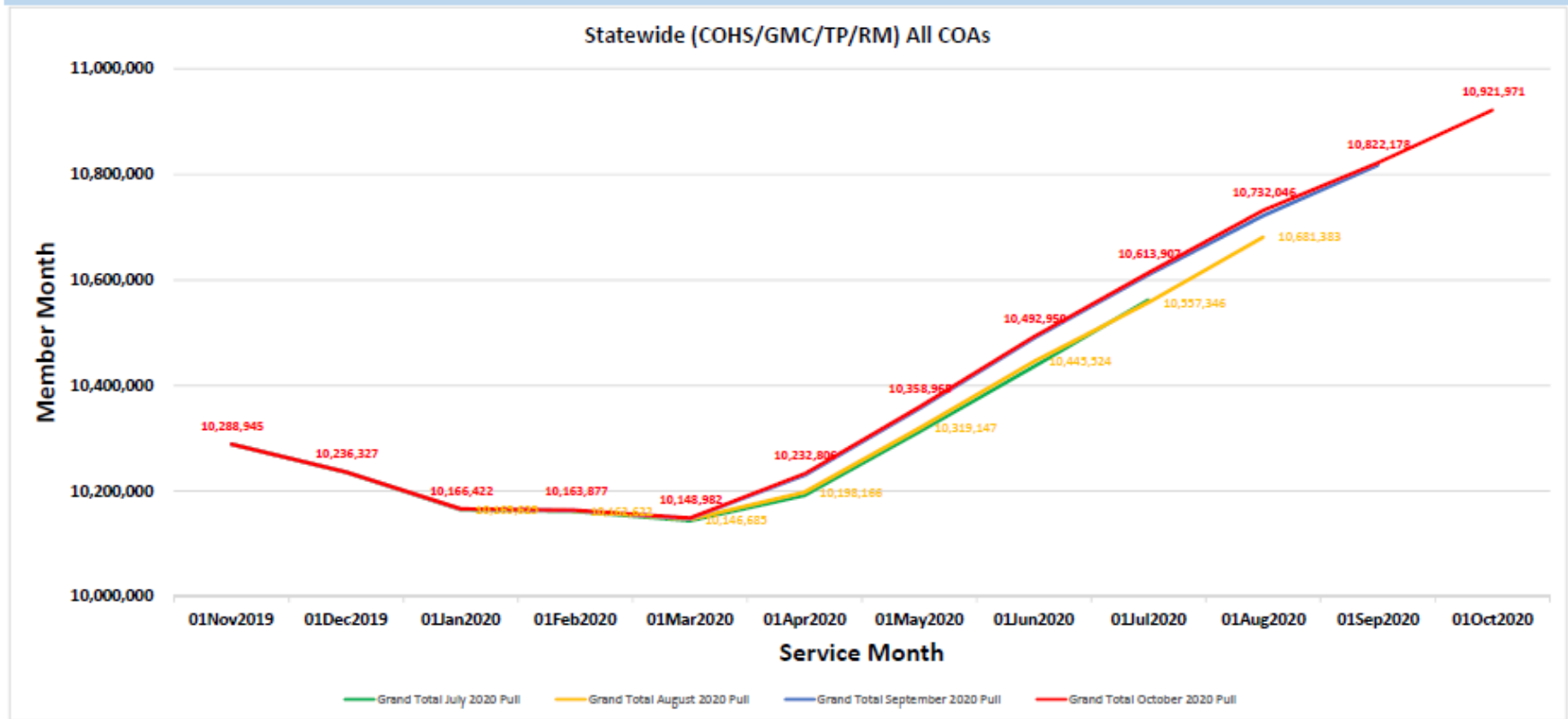
³ Based on a mix of plan-reported calculations and DHCS final calculations for reviews that have been finalized.

COVID-19 Impacts to Managed Care

- Sharp decreases in utilization of hospital (inpatient/outpatient/ER) and professional services beginning in March 2020
 - Anecdotally, MCPs have reported a bounce-back of utilization close to pre-pandemic levels by the summer months.
- Higher managed care enrollment, mainly due to fewer disenrollments
 - See graph on the next slide
- Financial adjustments ([AB 80, Chapter 12, Statutes of 2020](#))
 - 1.5% reduction to the Gross Medical Expense (GME) component of the Child, Adult, Adult Expansion, and Seniors and Persons with Disabilities rates
 - Two-sided symmetrical risk corridor

COVID-19 Impacts to Managed Care (cont.)

Managed Care Enrollment Changes (November 2019-October 2020)



COVID-19 Risk Corridor

- A two-sided risk corridor that is symmetrical with respect to gains and losses will be in place for the rating period of July 1, 2019 through December 31, 2020.
 - The purpose is to mitigate potentially significant upward or downward risks associated with the COVID-19 pandemic and its impacts, consistent with the [May 2020 guidance from CMS](#) on responding to COVID-19.
- The final structure of the risk corridor is being finalized, and will be submitted to CMS for review and approval.
- The risk corridor calculations will begin no sooner than 12 months following the end of the rating period, i.e., January 1, 2022.

COVID-19 Risk Corridor (cont.)

- The calculation will be performed at the MCP level (statewide), not at the county or rating region level.
- The calculation will apply across all aid category groupings (except Cal MediConnect) and supplemental payments (Behavioral Health Treatment, Hepatitis C, Maternity, HCBS High, and Health Homes Program).
- The risk corridor will exclude revenues and expenses related to:
 - Proposition 56 Directed Payments, which are subject to distinct corridors
 - Pass-through payments
 - Pooled directed payments
- DHCS will require MCPs to provide and certify medical expense data necessary for the risk corridor calculation.
 - MCP-reported data will be subject to review and adjustment by DHCS.

CY 2021 Rate Efficiencies

- Two (2) new efficiency adjustments were implemented for the CY 2021 rating period:
 - **Healthcare Common Procedure Coding System (HCPCS)**
 - Identifies top 50 HCPCS in total statewide spend, removes outlier data, and compares to Medicare Part B unit price (Average Sales Price + 6%)
 - Rates are reduced if the MCP's payments exceed the Medicare benchmarks
 - Total estimated impact (statewide): 0.3% of capitation revenues
 - **Low Acuity Non-Emergent (LANE)**
 - Identifies potentially preventable Emergency Room (ER) visits for conditions that should have otherwise been addressed in a lower level setting.
 - Removes avoidable ER costs, and adds replacement costs (Physician, Laboratory, and Radiology)
 - Excludes ED events that result in IP or observation stay
 - Total estimated impact (statewide): 0.3% of capitation revenues

CY 2021 Rate Efficiencies (cont.)

- Underwriting gain included in the CY 2021 rates is slated to be reduced by 0.5%.
 - At the lower bound, it will be decrease from the historical 2.0% level to 1.5%.



Medi-Cal Rx Project Update



Medi-Cal Rx Project Update

- DHCS/Magellan are just over two months from “go-live”.
- The project is currently in a “green” status, which means all major milestones and deliverables are on track.
- As of October 23, the overall project implementation is 76% complete
- Requirements and validation phase complete.
- DHCS/Magellan are well into testing those requirements and our policy build through three stages of testing.



Helpful Information & Resources

DHCS encourages all stakeholders to **STAY INFORMED!**

- Sign up for [Medi-Cal Rx subscription service](#), to receive Medi-Cal Rx updates in near real-time by email.
- The dedicated Medi-Cal Rx secure Web Portal has launched the registration page for Medi-Cal provider access, including but not limited to physician prescribers and pharmacies.
 - <https://medi-calrx.dhcs.ca.gov/home/>
- For detailed registration and training instructions, access the *Medi-Cal Rx Web Portal and Training Registration* article located on the Pharmacy News Page
 - <https://medi-calrx.dhcs.ca.gov/provider/pharmacy-news>



Helpful Information & Resources (Cont.)

- For more information about Medi-Cal Rx, please visit DHCS' dedicated Medi-Cal Rx Transition website: [Medi-Cal Rx: Transition](#)
- The Resources and Reference Materials section contains links to helpful information:
 - Medi-Cal Rx Frequently Asked Questions (FAQs)
 - Medi-Cal Rx Complaints and Grievances
 - Medi-Cal Rx Website and Pharmacy Portal Policy
 - Medi-Cal Rx Clinical Liaison Policy
 - Medi-Cal Rx Scope
- For questions and/or comments regarding Medi-Cal Rx, DHCS invites stakeholders to submit those via email to RxCarveOut@dhcs.ca.gov



Medi-Cal Managed Care Plan (MCP) Procurement



MCP Procurement Timeline

Key Event	Date
1. RFI	Released - September 1 Webinar - September 10 Requested information due on October 10 DHCS is currently assessing feedback
2. Draft RFP Release	Targeting Early 2021
3. Final RFP Release	Targeting Late 2021
4. Proposals Due	Targeting Late 2021 – Early 2022
5. Notice of Intent	Targeting Early 2022 – Mid 2022
6. MCP Operational Readiness	Targeting Mid 2022 – Late 2023
7. Implementation	Targeting January 2024



Planned Updates for MCP Contract

1. Update requirements to reflect CalAIM and Program policies, new State and Federal statutes and regulations, and all published All Plan Letters (APLs).
2. Update to include Value Based Purchasing requirements.
3. Strengthening language regarding Network Adequacy and Quality.
4. Update Contract language to address California State Auditor (CSA) and Medical Audit findings.
5. Review and update Contract to ensure consistency across citations, acronyms, and terminology.
6. Resolve outdated, duplicative and conflicting Contract language.
7. Update based on RFI feedback and Draft RFP.



DHCS Stakeholder Advisory Committee Meeting

MCP Procurement Process/Timeline

DHCS is looking for Managed Care Plans that demonstrate their ability to deliver services that align with DHCS' Priorities

<ul style="list-style-type: none">• Reducing health disparities	<ul style="list-style-type: none">• Children services
<ul style="list-style-type: none">• Value-based Purchasing	<ul style="list-style-type: none">• Behavioral health services
<ul style="list-style-type: none">• Increased oversight of delegated entities	<ul style="list-style-type: none">• Addressing Social Determinants of Health (SDOH)
<ul style="list-style-type: none">• Access to care	<ul style="list-style-type: none">• Local presence and engagement
<ul style="list-style-type: none">• Continuum of care	<ul style="list-style-type: none">• Emergency preparedness and ensuring essential services
<ul style="list-style-type: none">• Coordinated/integrated care	<ul style="list-style-type: none">• CalAIM
<ul style="list-style-type: none">• Quality	<ul style="list-style-type: none">• Administrative efficiency



Thank you!