



# DHCS Update

Financial Solvency  
Standards Board Meeting  
October 2018



# Overview

- Adult Expansion Medical Loss Ratio Risk Mitigation
- Directed Payment Proposals



# Adult Expansion Medical Loss Ratio Risk Mitigation

- Applies to contracts from January 2014 to June 2016
  - First period January 2014 to June 2015
  - Second period July 2015 to June 2016
  
- CMS notified DHCS in June 2018 that requirement will extend to contract period of July 1, 2016 to June 30, 2017 as well



# Adult Expansion Medical Loss Ratio Risk Mitigation

- If MLR is calculated to be less than 85%, MCP returns difference between 85% and actual
- If MLR is calculated to be between 85% and 95%, there is no adjustment
- If MLR is calculated to be more than 95%, DHCS pays difference between 95% and actual



# Adult Expansion Medical Loss Ratio Risk Mitigation

- CMS approved the Methodology December 2017
- DHCS provided Supplemental Data Request to MCPs in January 2018
- MCPs submitted data April 2018
- DHCS will be sending Determination Letters to MCPs September through October 2018
- MCPs remit funds to DHCS and DHCS remit funds to CMS by end of 2018



# Proposed Directed Payments

## Pass-Through Payments (§438.6(d))

- Impermissible under the Final Rule, subject to a 10-year phasedown
- DHCS will continue to administer the following Pass-Through Payment arrangements in SFY 2018-19:
  - SB 239 (Hospital Quality Assurance Fee (HQAF) \$1.8 Billion
  - SB 857 (Martin Luther King Jr. Community Hospital Payments) \$18 Million

## Allowable Directed Payments (§438.6(c))

- Value-based purchasing models
- Delivery system reform and/or performance improvement initiatives
- Minimum or maximum fee schedules, and uniform dollar or percentage increases



# Proposed Directed Payments

## Hospital Directed Payments

- Designated Public Hospital (DPH) Directed Payment Program
- DPH Quality Improvement Program
- Private Hospital Directed Payment Program

## Physician Directed Payments

- Prop 56 Physician Directed Payments
  - FY 2017/18 for 13 E/M codes
  - FY 2018/19 for 13 E/M codes + 10 Preventive Codes

## Goals

- Maintain/improve quality of and access to care
- Improve encounter data reporting



# Designated Public Hospital Directed Payment Program

## Providers Subject to Directed Payment

- DPHs and University of California (UC) systems
- 5 separate classes of providers

## Uniform Dollar or Percentage Increase

- Pooled amount
- Proxy PMPM will be developed based on projected expenditure levels in SFY 2017-18
- Proxy PMPM will be adjusted and paid based on actual utilization (as reported in encounter data)

## Proposed Amount

- \$1.5 Billion Total Funds





# Designated Public Hospital Quality Incentive Program (QIP)

## Providers Subject to Directed Payment

- DPHs and UCs (1 class of providers)

## QIP

- Pooled amount
- Participating DPHs and UCs must report on at least 20 of 25 quality measures
- Proxy PMPM will be developed based on projected expenditure levels
- Proxy PMPM will be adjusted and paid based on actual achievement of quality measures

## Proposed Amount

- SFY 2017-18 \$640 Million Total Funds
- SFY 2018-19 \$668 Million Total Funds



# Private Hospital Directed Payment Program

## Providers Subject to Directed Payment

- Private hospitals (1 class of providers)

## Uniform Dollar Increase

- Pooled amount
- Proxy PMPM will be developed based on projected expenditure levels
- Proxy PMPM will be adjusted and paid based on actual utilization (as reported in encounter data)

## Proposed Amount

- \$2.1 Billion Total Funds in SFY 2017-18
- \$2.3 Billion Total Funds in SFY 2018-19



# Physicians (Proposition 56) Directed Payment Program

## Providers Subject to Directed Payment

- Primary Care Physicians (PCPs), Specialty Physicians, Mental Health Outpatient Providers (MHOPs)
  - Providers ineligible to receive directed payments:
    - FQHCs, RHCs, IHS/MOAs, and CBRCs.

## Uniform Dollar Increase for 23 Codes

- Risk-based for Managed Care Plans
- 20 PCP/Specialty and 3 MHOP procedure codes
- Rate add-on will be developed based on projected utilization of the 23 procedures

## Proposed Amount

- \$325 Million Total Funds in SFY 2017-18 (13 codes)
- \$1.3 Billion Total Funds in SFY 2018-19



## Questions & Open Discussion