

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/25/2012
POSITION: Oppose

BILL NUMBER: AB 2266
AUTHOR: Mitchell, Holly

BILL SUMMARY: Medi-Cal: Enhanced Health Homes for Frequent Hospital Users with Chronic Conditions.

This bill would require the Department of Health Care Services (DHCS) to seek federal approval and funding to develop a program to provide health home services to certain at-risk groups of Medi-Cal beneficiaries and potentially Low Income Health Program (LIHP) beneficiaries.

FISCAL SUMMARY

This bill would require DHCS to seek non-state funds to cover the state match for the creation, implementation, administration, and service costs during the first eight quarters of implementation. Based on similar projects, program evaluation costs will be \$1 million to \$5 million. Although the bill’s intent is for these costs to be reimbursed with non-state funds, it is not clear that DHCS could secure such reimbursement, which would result in a General Fund pressure. After eight quarters, the enhanced federal funding for services would be reduced from 90 percent to 50 percent, significantly increasing General Fund pressure in out-years or otherwise jeopardizing the long-term viability of the program.

The fiscal impact, including any potential long-term savings to the state from reduced utilization of services, is unknown at this time and depends on how many providers or counties elect to participate in the program, and whether the program could be effective in reducing long-term use of emergency and inpatient services. However, there may be significant General Fund pressure if this bill fails to limit avoidable adverse health events and reduce unnecessary hospitalizations for at-risk populations.

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- It could result in increased General Fund expenditures if DHCS is unable to find non-state funds to support the evaluation process and if the health home services are provided without a significant change in service utilization.
- DHCS does not have data to identify the populations specified in this bill, which makes it difficult to determine whether the program has been successful and claim enhanced federal dollars for the populations served.
- This bill limits the providers eligible to participate in the program and does not give DHCS the flexibility to build on the managed care system.

The author’s office notes that the homeless and other targeted at-risk groups face significant difficulties accessing regular or preventive care and complying with treatment protocols, which results in frequent emergency room visits and poor health outcomes. This bill attempts to address this problem by taking advantage of federal funding to provide intensive case management and care coordination through health homes.

Analyst/Principal (0544) A.Dorsey	Date	Program Budget Manager Ken DaRosa	Date
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Department Deputy Director	Date
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Governor’s Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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ANALYSIS

1. Programmatic Analysis

The federal Affordable Care Act allows states to submit a Medicaid State plan to receive additional federal funds (90 percent federal match) for the enhanced integration and coordination of primary, acute, behavioral health (mental health and substance use), and long-term services and supports for persons across the lifespan with chronic illness. States have the flexibility to determine which chronic condition(s), acuity levels, and geographic areas. Health Home participants must have two chronic conditions (at least one at-risk condition or one chronic condition if it is a serious mental illness).

In addition to the evaluation process, this bill requires DHCS to develop a payment methodology other than a fee-for-service payment and requires services provided under the program to include the following:

- a. Comprehensive and individualized case management.
- b. Care coordination and health promotion.
- c. Comprehensive transitional care from inpatient to other settings.
- d. Individual and family support, including authorized representatives.
- e. Referral, if relevant, to other community and social services supports.
- f. Health information technology to identify eligible individuals and link services, if feasible and appropriate.

2. Fiscal Analysis

The state would have a 10 percent non-federal match for these services to individuals with two or more chronic conditions during the first eight quarters of the program and a 50 percent match ongoing. In addition to the costs of \$1million to \$5 million for program evaluation, DHCS could face increased costs to the extent that non-state funding is available for the state-match. The actual cost of the non-federal share is unknown and depends on the system of care. Depending on how these services are provided, the preliminary estimates of the non-federal share for the following fee-for-service systems of care are:

- Federally qualified health centers (FQHCs): \$23.8 million to \$35.8 million;
- Fee-for-service only counties: \$5.6 million to \$8.4 million;
- Residents of skilled nursing facilities, most of whom are dually eligible for Medi-Cal and Medicare (dual eligible): \$3.7 million to \$5.6 million; and
- Approximately 300,000 dual eligibles outside of DHCS' dual integration pilot areas: \$22 million.

The total fiscal impact from this bill is difficult to determine due to overlap between service areas and because the details about how this bill would be implemented cannot be determined at this time. However, the General Fund impact would likely be significant.

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)						Fund Code
		PROP 98	FC	2012-2013 FC		2013-2014 FC		
(Dollars in Thousands)								
4260/Hlth Care	SO	No	A	0	A	1,000-5,000	A	0 0001
4260/Hlth Care	LA	No		----- See Fiscal Analysis -----				0001
4260/Hlth Care	LA	No		----- See Fiscal Analysis -----				0995
4260/Hlth Care	LA	No		----- See Fiscal Analysis -----				0890
<u>Fund Code</u>		<u>Title</u>						
0001		General Fund						
0890		Trust Fund, Federal						
0995		Reimbursements						