NOTICE OF A
REGULAR MEETING OF THE
CALOPTIMA BOARD OF DIRECTORS'
PROVIDER ADVISORY COMMITTEE

THURSDAY, AUGUST 8, 2019
8:00 A.M.

CALOPTIMA
505 CITY PARKWAY WEST, SUITE 109-N
ORANGE, CALIFORNIA 92868

AGENDA

This agenda contains a brief, general description of each item to be considered. The Committee may take any action on all items listed. Except as otherwise provided by law, no action shall be taken on any item not appearing in the following agenda.

Information related to this agenda may be obtained by contacting the CalOptima Clerk of the Board at 714.246.8806 or by visiting our website at www.caloptima.org. In compliance with the Americans with Disabilities Act, those requiring special accommodations for this meeting should notify the Clerk of the Board's office at 714.246.8806. Notification at least 72 hours prior to the meeting will allow time to make reasonable arrangements for accessibility to this meeting.

I. CALL TO ORDER

Pledge of Allegiance

II. ESTABLISH QUORUM

III. APPROVE MINUTES

A. Approve Minutes of the June 13, 2019 Regular Meeting of the CalOptima Board of Directors' Provider Advisory Committee.

IV. PUBLIC COMMENT

At this time, members of the public may address the Committee on general topics. Public Comment on posted item(s) will follow staff presentation of the item(s) to the Committee. If you wish to speak on an item contained in the agenda, please complete a Public Comment Request Form(s) identifying the item(s) and submit the form to the assistant to the PAC. When addressing the Committee, it is requested that you state your name for the record. Please address the Committee as a whole through the Chair. Comments to individual Committee members or staff are not permitted. Speakers will be limited to three (3) minutes.

V. REPORTS

A. Consider Recommendation of Long-Term Services and Supports Representative

VI. CEO AND MANAGEMENT REPORTS

A. Chief Executive Officer (CEO) Update
B. Chief Operating Officer (COO) Update
C. Chief Medical Officer (CMO) Update
D. Chief Financial Officer (CFO) Update
E. Network Operations Update

VII. INFORMATION ITEMS

A. Health Homes Program Update
B. Annual Healthcare Effectiveness Data and Information Set (HEDIS) Report
C. Primary Care Provider Overcapacity
D. New CalOptima Website Demonstration
E. Federal and State Legislative Update
F. Provider Advisory Committee Member Updates

VIII. COMMITTEE MEMBER COMMENTS

IX. ADJOURNMENT

MINUTES

REGULAR MEETING OF THE
CALOPTIMA BOARD OF DIRECTORS'
PROVIDER ADVISORY COMMITTEE

June 13, 2019

A Regular Meeting of the CalOptima Board of Directors' Provider Advisory Committee (PAC) was held on Thursday, June 13, 2019, at the CalOptima offices located at 505 City Parkway West, Orange, California.

CALL TO ORDER

Teri Miranti, PAC Vice Chair, called the meeting to order at 8:07 a.m. and Dr. Sweidan led the Pledge of Allegiance.

ESTABLISH QUORUM

Members Present: Teri Miranti, Vice Chair; Steve Flood; Junie Lazo-Pearson, Ph.D.; Craig Myers; Mary Pham, Pharm.D., CHC; Jacob Sweidan, M.D.; Dr. Anja Batra (8:16 A.M.); Tina Bloomer, MHNP; Pat Patton, MSN, RN.

Members Absent: Brian Lee, Ph.D.; John Nishimoto O.D., Chair, Donald Bruhns, Theodore Caliendo, M.D, Jena Jensen.

Others Present: Ladan Khamseh, Chief Operating Officer; Michelle Laughlin, Executive Director, Network Operations; Gary Crockett, Chief Counsel; Candice Gomez, Executive Director, Program Implementation; David Ramirez, MD, Chief Medical Officer; Tracy Hitzeman, Executive Director, Clinical Operations; Belinda Abeyta, Executive Director, Operations; Cheryl Simmons, Sr, Program Specialist, Staff to the Advisory Committees, Customer Service; Samantha Fontenot; Program Assistant, Staff to the Advisory Committees, Customer Service.

PAC members welcomed Tina Bloomer, WHNP, as the new Nurse Representative on the PAC. Ms. Bloomer was appointed by the Board at its June 6, 2019 meeting and will fulfill the remaining term of the seat through June 30, 2021. Vice Chair Miranti also updated the PAC on the new Board appointments to the PAC and noted the reappointment of Chair Nishimoto to an additional one-year term as the PAC Chair and herself as the Vice Chair.

MINUTES

Approve the Minutes of the May 9, 2018 Regular Meeting of the CalOptima Board of Directors' Provider Advisory Committee

Action: ***On motion of Member Dr. Sweidan, seconded and carried, the Committee approved the minutes of the May 9, 2019 meeting. (Motion***

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carried 8-0-0; Members Lee, Nishimoto, Bruhns, Caliendo, and Jensen absent)

PUBLIC COMMENTS

There were no requests for public comment

REPORTS

Consider Approval of FY 2018-2019 PAC Accomplishments

The FY 2018-19 PAC Accomplishments were presented for approval. The accomplishments will be presented as an information item to the CalOptima Board of Directors at their August 1, 2019 meeting.

Action: ***On motion of Member Dr. Sweidan, seconded and carried, the Committee approved the minutes of the May 9, 2019 meeting. (Motion carried 8-0-0; Members Lee, Nishimoto, Bruhns, Caliendo, and Jensen absent)***

Vice Chair Miranti reordered the agenda to hear Information Item VII.A Healthy Smiles Presentation, before continuing on with CEO and Management Reports

Healthy Smiles Presentation

Ria Berger, CEO of Healthy Smiles for Kids of Orange County (and CalOptima Board Member), along with Harvey Lee, DDS, Healthy Smiles' Chief Dental Officer, provided a presentation on the mission of Health Smiles for Kids. Ms. Berger noted that one in three children suffer from tooth decay in Orange County. She explained Healthy Smiles' mission of improving the oral health of children in Orange County through collaborative programs directed at prevention, outreach and education, access to treatment and advocacy. She also estimated that over 100,000 children and parents are reached each year and that Healthy Smiles' goal is to treat one million children by the year 2020.

CEO & MANAGEMENT REPORTS

Chief Operating Officer Update

Ladan Khamseh, Chief Operating Officer, provided an update on the Whole-Child Model implementation effective July 1, 2019. She noted that transitioning CalOptima members received automated calls from CalOptima providing information about the transition as part of the 30-day notice which has been completed. Ms. Khamseh also provided information on the Homeless Health Initiative, notifying the committee that CalOptima's clinical field teams are now able to provide services six days a week. She noted that an additional Community Health Center, Families Together, had partnered with CalOptima alongside four other Federally Qualified Health Centers (FQHCs) as part of the pilot. Ms. Khamseh discussed how CalOptima will be partnering with various shelters throughout Orange County to increase the referral sources.

Ms. Khamseh mentioned that that the Board of Directors had authorized a contract with Chapman Consulting to assist the Board in formulating the 2020-23 Strategic plan. She also noted there will be regular updates provided to the Advisory Committees and that Chapman Consulting would be reaching out to the advisory committee chairs and vice chairs to schedule 30-minute conference calls with each. A special joint advisory committee meeting will be held on October 10, 2019 to review the strategic plan before submitting to the Board in December 2019.

Ms. Khamseh noted that Proposition 56 (Tobacco Tax) FY 2018-19 payments had been released to the health networks including the CalOptima Care Network (CCN) providers.

Chief Medical Officer Update

David Ramirez, M.D., Chief Medical Officer, provided an update on Telehealth, noting that CalOptima is looking forward to receiving an All Plan Letter (APL) from the Department of Health Care Services (DHCS) . Once the APL is received, CalOptima will start the planning and implementation process to increase access and provide more options for CalOptima members. Dr. Ramirez noted that the goal was to eventually integrate the Telehealth program with the member portal. Dr. Ramirez also mentioned that the OneCare and OneCare Connect Behavioral Health services that are currently administered by Magellan Health Care would be transitioning to CalOptima effective January 1, 2020. Dr. Ramirez also noted that CalOptima is submitting the quality measure outcomes to the National Committee for Quality Assurance (NCQA) and that the Health Homes Program will be starting in January 2020.

Network Operations Update

Michelle Laughlin, Executive Director, Network Operations, provided a verbal update on CalOptima's finalization of the implementation of the Whole-Child Model Network including the educational outreach to providers, the finalization of the Frequently Asked Questions (FAQs) which was sent out to all the health networks, the California Children Services (CCS) panel providers and hospitals. Ms. Laughlin also noted that CalOptima is in the process of re-contracting for the entire provider network. She noted these contracts are amended and restated contracts for CalOptima's Health Networks and CalOptima is asking that the contracts be signed before the end of June 2019. Additionally, these amendments will include language on Proposition 56 (Tobacco Tax).

INFORMATION ITEMS

Whole-Child Model Update

Candice Gomez, Executive Director, Program Implementation, and Tracy Hitzeman, Executive Director, Clinical Operations, provided a verbal update on the Whole-Child Model (WCM) Program Implementation. Ms. Hitzeman discussed how the Personal Care Coordinators (PCCs) in the Case Management Department had begun outreach to the WCM families in May in order to conduct Health Needs Assessments (HNA). Ms. Hitzeman noted that over 1,000 calls had been made by the PCCs to WCM families. CalOptima has forwarded the HNA data along with supplemental information to the member's health networks. Ms. Gomez mentioned that CalOptima has been working closely with the health networks to make sure that their desktop

policies and procedures are updated. She also noted that CalOptima's Provider Relations department has been providing outreach to high volume CCS providers to insure a cohesive transition with provider claims and referrals.

Case Management Update
Tracy Hitzeman, Executive Director, Clinical Operations, and Sloane Petrillo, Director, Case Management, presented on Case Management's role in the Homeless Health Initiative . She noted that CalOptima has also partnered with various health networks in coordination with the County's Outreach and Engagement staff (Blue Shirts) and the FQHCs' Clinical Field teams to offer recuperative care placement for homeless individuals who meet medical criteria. Ms. Hitzeman reiterated to the PAC that CalOptima's role is to provide support and promote engagement between the County's Outreach and Engagement Team, Public Health Nurses, Case Management, and the FQHCs' clinical field teams.

PAC Member Updates
Vice Chair Miranti announced that at the June 6, 2019 Board of Directors meeting, the Board appointed the PAC recommended slate of candidates apart from a seat for a Long-Term Services and Supports Representative. She noted the PAC will need to reconvene the existing nominations ad hoc committee to review the open seat as per the Board's direction. The original ad hoc consisted of Members Myers, Pham and Sweidan. Member Pham's term with the PAC has ended and Member Batra agreed to replace her on the ad hoc.

Vice Chair Miranti also noted that an additional ad hoc needed to be formed consisting of Chair Nishimoto and two members to review and revise the recruitment process for all of the Advisory Committees. The ad hoc would work in conjunction with the Member Advisory Committee (MAC) and the OneCare Connect Member Advisory Committee (OCC MAC). In addition to Chair Nishimoto, Vice Chair Miranti and Member Lazo-Pearson volunteered to be part of this ad hoc.

ADJOURNMENT

There being no further business, Vice Chair Miranti adjourned the meeting at 10:01 a.m.

*/s/ Cheryl Simmons*________
Cheryl Simmons
Staff to the Advisory Committees

Approved: August 8, 2019

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MEMORANDUM

DATE: August 1, 2019

TO: CalOptima Board of Directors

FROM: Michael Schrader, CEO

SUBJECT: CEO Report

COPY: Sharon Dwiers, Interim Clerk of the Board; Member Advisory Committee; Provider Advisory Committee; OneCare Connect Member Advisory Committee; and Whole-Child Model Family Advisory Committee

Active Communication, Collaboration Lead to Smooth Whole-Child Model (WCM) Transition on July 1

CalOptima began providing California Children's Services (CCS) benefits to approximately 11,700 CCS-eligible members under the WCM program on July 1. Ample preparation and frequent communication with members, providers and health networks resulted in a seamless transition. Below are several elements that contributed to the success of this major effort:

- Member Outreach: In advance of the transition, members experienced a high level of outreach. They received a 90-day and 60-day notice prior to July 1, a WCM Member Guide developed by CalOptima, and automated calls during a call campaign that had a 72 percent success rate. Our Case Management department also connected with members to complete Health Needs Assessments. Staff reported that families were eager to engage in conversation and expressed gratitude for the outreach. Additionally, each WCM member was assigned a Personal Care Coordinator from whom they received a welcome letter.
- Member Services and Resources: All eligibility processes are in place and functioning, enabling members to reliably access necessary services, including from out-of-county tertiary care facilities. Members and families who need support with navigation and questions can reach out to a dedicated WCM Member Liaison team at CalOptima or view our member-oriented WCM webpage here. Special thanks to our WCM Family Advisory Committee, which has met bimonthly since 2018 to help guide communication with members and influence our implementation process.
- Engagement: In the months leading up to July, CalOptima, the Orange County Health Care Agency (HCA), providers, health networks and community-based organizations collaborated regularly and became well-oriented to the WCM program. CalOptima partnered with HCA to understand the best practices of the current CCS program and developed processes to continue coordination among HCA, providers, health networks and CalOptima. CalOptima's Provider Relations team held WCM-focused group and individual trainings. A WCM Clinical Advisory Committee, including representatives from HCA, the health networks and CCS-paneled providers, provided critical clinical input. Family Voices, an organization that focuses on children with special health needs, recently acknowledged that our thorough engagement of all affected organizations and members positively contributed to the smooth transition.
- Post-Transition Huddles: In the first few weeks of the transition, CalOptima held separate daily huddle meetings with HCA, health networks and internal staff to ensure any issues

that arose were addressed promptly. The frequency of the meetings was reduced by mid-July when concerns were minimal.
- CCS Advisory Group: On July 24 in Sacramento, leaders from CalOptima and HCA presented an update about Orange County's WCM transition to the advisory group, which is led by DHCS and includes representatives from all counties that have transitioned to WCM. Kristen Rogers, a parent who participates on our WCM Family Advisory Committee, and I are members of the group. Chief Medical Officer David Ramirez, M.D., and Tracy Hitzeman, executive director, clinical operations, presented on CalOptima's recent transition.

There are many individuals and groups responsible for the effective outcome of this project, and CalOptima appreciates everyone's contribution to ensuring that Orange County's CCS-eligible children realize the benefits of integrated care.

Board Makes Allocation Decisions About Homeless Health Initiative; CalOptima Releases Funding for Be Well OC

On June 27, Board members allocated the remaining $60 million of the $100 million Homeless Health Initiative to four distinct areas: clinic health care services in all homeless shelters; mobile health team response to all homeless providers; residential support services and housing navigation; and recuperative care for homeless individuals with chronic physical health issues. The ad hoc committee continues to meet regularly to oversee the effort involved in implementing the new and previously approved activities. Below are two updates of note.

- Be Well OC: CalOptima's partnership with Orange County, St. Joseph Hoag Health and Kaiser Foundation in support of the Be Well OC Regional Mental Health and Wellness Campus moved forward on July 12, when CalOptima released $11.4 million to the County. An item at your August meeting will ratify this action.
- Behavioral Health In-Service: Also on July 12, nearly 30 clinical field team representatives and CalOptima staff participated in a meeting focused on the HCA behavioral health system and services available. The valuable exchange helped the attendees better understand how to work with homeless individuals who have mental health needs.

CalOptima Strategic Planning Session Set for Friday, August 9

CalOptima Board members will begin the strategic planning process for the agency's next three-year plan, setting the course for 2020–22. California Health and Human Services Secretary Mark Ghaly, M.D., has agreed to attend the session on Friday, August 9, to provide an overview of the state's health care landscape. Facilitated by Chapman Consulting, the meeting, scheduled for 9:15 a.m. to 4 p.m. at CalOptima's offices, will be open to the public.

Pharmacy Carve-Out Meeting Allows Health Plans to Air Their Concerns

On July 24, the Department of Health Care Services (DHCS) convened the Pharmacy Carve-Out Advisory Group in Sacramento. It was an important opportunity for Medi-Cal managed care plans to provide feedback regarding the proposed transition of pharmacy to a fee-for-service program. Our state associations were successful in lobbying for a stakeholder process prior to the implementation of the governor's executive order. CalOptima attended, and our message remained the same: We support the idea of lowering pharmacy costs through bulk purchasing and use of a statewide fee schedule but believe care coordination for Medi-Cal members could suffer if the pharmacy benefit is removed from managed care plans. However, the governor

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appears intent on this transition, announcing on July 22 that DHCS will soon begin accepting proposals to implement a consolidated state negotiation and purchasing system.

State Exploring Value-Based Payments for Behavioral Health Integration Projects
DHCS is in the process of developing a value-based payment program for behavioral health. The goal is to improve physical and behavioral health outcomes through better coordination and integration. Under the proposal, providers can implement one of six different types of integration projects for the value-based payment, which would flow through the managed care plan. The California Association of Health Plans provided comments on the department's proposal on behalf of member plans, including CalOptima. While we support the idea of providing incentives for integration, there are some questions about the health plans' role in administering value-based payments. More information about this program will be available after the comments are considered.

Assembly Bill Outlines How State Can Implement Sanctions for Medi-Cal Deficiencies
A state audit released in March found deficiencies in Medi-Cal services for children, leading DHCS to implement new quality requirements and financial sanctions. On July 1, Assembly Bill 1642 became the policy bill vehicle for the sanctions language, which expands the regulator's authority. Both of CalOptima's state associations have taken a stance of "oppose unless amended" on the bill. The bill advanced from the Senate Committee on Health on July 11 and will next travel to the Senate Committee on Appropriations following the Legislature's summer recess. More amendments are expected. Given the potential impact on CalOptima, our state advocates, Edelstein Gilbert Robson & Smith, are also working to ensure reasonable controls.

Presentation to Local Dental Society Is Key Step in Exploring Dental Integration
After collecting community letters of support for exploring dental integration, CalOptima has taken the next step to engage leaders in the Orange County Dental Society (OCDS). On July 23, CalOptima presented an overview about our agency and interest in collaborating to explore integrating physical and dental health for our members. Having grassroots support from OCDS will help pave the way to approach the California Dental Society (CDA) next. If CDA is also amenable to exploration of a dental carve-in, CalOptima will approach DHCS to propose a pilot project for a future state budget. A fellow county organized health system, Health Plan of San Mateo is currently working on a state-approved dental integration pilot.

Longtime Provider Advisory Committee Member Dr. Caliendo Passes Away
A member of our Provider Advisory Committee for nearly a decade, pediatrician Theodore Caliendo, M.D., 77, passed away on June 20. His many CalOptima colleagues and friends appreciated his insights about the physician community and willingness to serve by taking on additional roles within the committee. A celebration of his life was held in July.

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Financial Summary

Unaudited

June 2019

Nancy Huang

Interim Chief Financial Officer

FY 2018-19: Consolidated Enrollment

June 2019 MTD

Overall enrollment was 759,923 members

- Actual lower than budget 22,689 members or 2.9%
  - Medi-Cal unfavorable variance of 22,135 members
    - Whole Child Model (WCM) unfavorable variance of 12,502 members
      - WCM members will remain in their original aid codes until the program begins 7/1/19
    - Medi-Cal Expansion (MCE) unfavorable variance of 9,534 members
    - Temporary Assistance for Needy Families (TANF) unfavorable variance of 2,509 members
    - Long-Term Care (LTC) unfavorable variance of 167 members
    - Seniors and Persons with Disabilities (SPD) favorable variance of 2,577 members
  - OneCare Connect unfavorable variance of 743 members
- 498 decrease from May
    - Medi-Cal decrease of 567 members
    - OneCare Connect increase of 66 members
    - OneCare increase of 2 members
    - PACE increase of 1 member

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FY 2018-19: Consolidated Enrollment (cont.)

June 2019 YTD

Overall enrollment was 9,210,699 member months

- Actual lower than budget 195,677 members or 2.1%
  - Medi-Cal unfavorable variance of 191,396 members or 2.1%
    - WCM unfavorable variance of 75,012 members
      - WCM members will remain in their original aid codes until the program begins 7/1/19
    - MCE unfavorable variance of 72,417 members
    - TANF unfavorable variance of 52,727 members
    - LTC unfavorable variance of 1,274 members
    - SPD favorable variance of 10,034 members
  - OneCare Connect unfavorable variance of 5,697 members or 3.2%
  - OneCare favorable variance of 1,486 members or 9.4%
  - PACE unfavorable variance of 70 members or 1.9%

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FY 2018-19: Consolidated Revenues

June 2019 MTD

- Actual lower than budget $43.6 million or 14.5%
  - Medi-Cal unfavorable to budget $34.7 million or 12.8%
    - Unfavorable volume variance of $7.8 million
    - Unfavorable price variance of $26.9 million
      - $22.9 million of WCM revenue due to delay of program start
      - $11.5 million of prior year (PY) revenue
      - Offset by $4.7 million due to Proposition 56 revenue
      - $3.5 million of Coordinated Care Initiative (CCI) revenue
  - OneCare Connect unfavorable to budget $8.9 million or 33.8%
    - Unfavorable volume variance of $1.3 million
    - Unfavorable price variance of $7.6 million
      - $6.9 million of PY revenue
      - $5.7 million of calendar year (CY) 2015 through 2018 estimated Centers for Medicare & Medicaid Services (CMS) Hierarchical Condition Category (HCC) records adjustment
      - Offset by $6.6 million of PY 2017 Quality Withhold payback

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FY 2018-19: Consolidated Revenues (cont.)

June 2019 MTD

- OneCare favorable to budget $57.6 thousand or 3.6%
  - Favorable volume variance of $259.9 thousand
  - Unfavorable price variance of $202.3 thousand
- PACE unfavorable to budget $91.8 thousand or 3.6%
  - Unfavorable volume variance of $174.8 thousand
  - Favorable price variance of $82.9 thousand

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FY 2018-19: Consolidated Revenues (cont.)

June 2019 YTD

- Actual higher than budget $14.1 million or 0.4%
  - Medi-Cal favorable to budget $28.5 million or 0.9%
    - Unfavorable volume variance of $64.6 million
    - Favorable price variance of $93.1 million due to:
      - $59.0 million of CCI revenue
      - $56.9 million of Proposition 56 revenue
      - $47.0 million of PY revenue
      - $42.8 million Intergovernmental Transfer (IGT) 8 revenue
      - $24.0 million due to favorable rates
      - Offset by unfavorable variance of $137.4 million due to WCM revenue

FY 2018-19: Consolidated Revenues (cont.)

June 2019 YTD

- OneCare Connect unfavorable to budget $16.2 million or 5.2%
  - Unfavorable volume variance of $9.9 million
  - Unfavorable price variance of $6.3 million
- OneCare favorable to budget $1.3 million or 6.5%
  - Favorable volume variance of $1.8 million
  - Unfavorable price variance of $0.6 million
- PACE favorable to budget $0.5 million or 1.8%
  - Unfavorable volume variance of $0.5 million
  - Favorable price variance of $1.0 million

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FY 2018-19: Consolidated Medical Expenses

June 2019 MTD

- Actual lower than budget $26.6 million or 9.4%
  - Medi-Cal favorable variance of $20.3 million or 8.0%
    - Favorable volume variance of $7.4 million
    - Favorable price variance of $12.9 million
      - Professional Claims expenses favorable variance of $10.7 million
      - Provider Capitation expenses favorable variance of $5.3 million
      - Prescription Drug expenses favorable variance of $4.3 million mainly due to delay of WCM program
      - Reinsurance and Other unfavorable variance of $3.8 million
      - Facilities expenses unfavorable variance of $3.0 million

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FY 2018-19: Consolidated Medical Expenses (cont.)

June 2019 MTD

- OneCare Connect favorable variance of $5.1 million or 20.4%
  - Favorable volume variance of $1.2 million
  - Favorable price variance of $3.8 million
- OneCare favorable variance of $0.9 million or 60.7%
  - Unfavorable volume variance of $0.2 million
  - Favorable price variance of $1.2 million
- PACE favorable variance of $256.7 thousand or 11.0%
  - Favorable volume variance of $159.0 thousand
  - Favorable price variance of $97.7 thousand

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FY 2018-19: Consolidated Medical Expenses (cont.)

June 2019 YTD

- Actual lower than budget $72.8 million or 2.2%
  - Medi-Cal favorable variance of $70.5 million
    - Favorable volume variance of $61.4 million
    - Favorable price variance of $9.2 million
      - Professional Claims expenses favorable variance of $44.6 million
      - Prescription Drug expenses favorable variance of $42.9 million
      - Facilities expenses unfavorable variance of $40.4 million
      - Provider Capitation expenses unfavorable variance of $36.6 million
  - OneCare Connect favorable variance of $0.7 million
    - Favorable volume variance of $9.4 million
    - Unfavorable price variance of $8.7 million

Medical Loss Ratio (MLR)

- June 2019 MTD: Actual: 100.3% Budget: 94.6%
- June 2019 YTD: Actual: 92.6% Budget: 95.1%

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FY 2018-19: Consolidated Administrative Expenses

June 2019 MTD

- Actual lower than budget $0.2 million or 1.5%
  - Salaries, wages and benefits: favorable variance of $1.7 million
  - Other categories: unfavorable variance of $1.5 million

June 2019 YTD

- Actual lower than budget $23.1 million or 15.1%
  - Salaries, wages and benefits: favorable variance of $13.4 million
  - Other categories: favorable variance of $9.7 million

Administrative Loss Ratio (ALR)

- June 2019 MTD: Actual: 4.9% Budget: 4.2%
- June 2019 YTD: Actual: 3.7% Budget: 4.4%

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FY 2018-19: Change in Net Assets

June 2019 MTD

- ($8.4) million change in net assets
- $12.4 million unfavorable to budget
  - Lower than budgeted revenue of $43.6 million
  - Lower than budgeted medical expenses of $26.6 million
  - Lower than budgeted administrative expenses of $0.2 million
  - Higher than budgeted investment and other income of $4.5 million

June 2019 YTD

- $171.6 million change in net assets
- $148.6 million favorable to budget
  - Higher than budgeted revenue of $14.1 million
  - Lower than budgeted medical expenses of $72.8 million
  - Lower than budgeted administrative expenses of $23.1 million
  - Higher than budgeted investment and other income of $38.6 million

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Enrollment Summary: June 2019

Month-to-Date					Year-to-Date			
Actual	Budget	Variance	%	Enrollment (By Aid Category)	Actual	Budget	Variance	%
65,454	66,234	(780)	(1.2%)	Aged	773,072	780,018	(6,946)	(0.9%)
579	620	(41)	(6.6%)	BCCTP	7,183	7,440	(257)	(3.5%)
47,558	44,161	3,397	7.7%	Disabled	564,815	547,578	17,237	3.1%
302,498	302,269	229	0.1%	TANF Child	3,684,884	3,713,871	(28,987)	(0.8%)
89,149	91,887	(2,738)	(3.0%)	TANF Adult	1,102,532	1,126,272	(23,740)	(2.1%)
3,402	3,569	(167)	(4.7%)	LTC	40,828	42,102	(1,274)	(3.0%)
235,296	244,830	(9,534)	(3.9%)	MCE	2,843,598	2,916,015	(72,417)	(2.5%)
-	12,502	(12,502)	(100.0%)	WCM*	-	75,012	(75,012)	(100.0%)
743,936	**766,071**	**(22,135)**	**(2.9%)**	**Medi-Cal**	**9,016,912**	**9,208,308**	**(191,396)**	**(2.1%)**
14,123	**14,866**	**(743)**	**(5.0%)**	**OneCare Connect**	**172,775**	**178,472**	**(5,697)**	**(3.2%)**
1,537	**1,324**	**213**	**16.1%**	**OneCare**	**17,374**	**15,888**	**1,486**	**9.4%**
327	**351**	**(24)**	**(6.8%)**	**PACE**	**3,638**	**3,708**	**(70)**	**(1.9%)**
759,923	**782,612**	**(22,689)**	**(2.9%)**	**CalOptima Total**	**9,210,699**	**9,406,376**	**(195,677)**	**(2.1%)**

*Note: WCM members will remain in their original aid codes until the program begins 7/1/19

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Financial Highlights: June 2019

Month-to-Date					Year-to-Date			
Actual	Budget	$ Budget	% Budget		Actual	Budget	$ Budget	% Budget
759,923	782,612	(22,689)	(2.9%)	Member Months	9,210,699	9,406,376	(195,677)	(2.1%)
256,671,533	300,295,343	(43,623,810)	(14.5%)	Revenues	3,474,634,378	3,460,562,644	14,071,734	0.4%
257,444,151	284,033,294	26,589,144	9.4%	Medical Expenses	3,216,699,526	3,289,519,514	72,819,987	2.2%
12,549,309	12,742,712	193,404	1.5%	Administrative Expenses	129,949,196	153,036,387	23,087,191	15.1%
(13,321,926)	**3,519,336**	**(16,841,263)**	**(478.5%)**	**Operating Margin**	**127,985,656**	**18,006,743**	**109,978,913**	**610.8%**
4,884,623	416,667	4,467,957	1072.3%	Non Operating Income (Loss)	43,640,104	5,000,000	38,640,104	772.8%
(8,437,303)	**3,936,003**	**(12,373,306)**	**(314.4%)**	**Change in Net Assets**	**171,625,760**	**23,006,744**	**148,619,017**	**646.0%**
100.3%	94.6%	(5.7%)		Medical Loss Ratio	92.6%	95.1%	2.5%	
4.9%	4.2%	(0.6%)		Administrative Loss Ratio	3.7%	4.4%	0.7%	
(5.2%)	1.2%	(6.4%)		Operating Margin Ratio	3.7%	0.5%	3.2%	
100.0%	100.0%			Total Operating	100.0%	100.0%		

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Consolidated Performance Actual vs. Budget: June 2019 (in millions)

MONTH-TO-DATE				YEAR-TO-DATE		
Actual	Budget	Variance		Actual	Budget	Variance
(10.2)	3.9	(14.1)	Medi-Cal	146.1	27.3	118.7
(4.2)	(0.4)	(3.8)	OCC	(21.4)	(8.7)	(12.7)
0.9	(0.1)	1.0	OneCare	1.0	(0.7)	1.7
0.2	0.1	0.1	PACE	2.3	0.1	2.3
(13.3)	**3.5**	**(16.8)**	**Operating**	**128.0**	**18.0**	**110.0**
4.9	0.4	4.5	Inv./Rental Inc, MCO tax	43.6	5.0	38.6
4.9	**0.4**	**4.5**	**Non-Operating**	**43.6**	**5.0**	**38.6**
(8.4)	**3.9**	**(12.4)**	**TOTAL**	**171.6**	**23.0**	**148.6**

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Consolidated Revenue & Expense: June 2019 MTD

	Medi-Cal Classic	Medi-Cal Expansion	Total Medi-Cal	OneCare Connect	OneCare	PACE	Consolidated
MEMBER MONTHS	508,640	235,296	743,936	14,123	1,537	327	759,923
REVENUES							
Capitation Revenue	$ 129,025,657	$ 105,996,427	$ 235,022,084	$ 17,512,190	$ 1,673,272	$ 2,463,986	$ 256,671,533
Other Income	-	-	-	-	-	-	-
Total Operating Revenue	129,025,657	105,996,427	235,022,084	17,512,190	1,673,272	2,463,986	256,671,533
MEDICAL EXPENSES							
Provider Capitation	39,013,188	52,941,056	91,954,244	7,359,958	453,170		99,767,372
Facilities	23,824,439	23,945,922	47,770,361	4,850,798	(379,810)	256,249	52,497,597
Ancillary	-	-	-	726,876	29,129	-	756,006
Professional Claims	13,298,762	4,317,782	17,616,543	-	-	590,751	18,207,294
Prescription Drugs	17,940,150	20,242,333	38,182,483	5,263,138	483,418	220,519	44,149,558
MLTSS	32,172,633	2,634,653	34,807,286	1,537,284	8,795	51,427	36,404,793
Medical Management	3,664,510	1,171,722	4,836,232	1,113,348	15,552	822,013	6,787,146
Quality Incentives	(3,059,046)	(1,556,156)	(4,615,202)	(1,255,061)		(3,710)	(5,873,973)
Reinsurance & Other	2,019,470	2,332,772	4,352,241	264,492		131,624	4,748,358
Total Medical Expenses	128,874,105	106,030,083	234,904,188	19,860,834	610,255	2,068,874	257,444,151
Medical Loss Ratio	99.9%	100.0%	99.9%	113.4%	36.5%	84.0%	100.3%
GROSS MARGIN	**151,552**	**(33,656)**	**117,896**	**(2,348,644)**	**1,063,017**	**395,112**	**(772,618)**
ADMINISTRATIVE EXPENSES							
Salaries & Benefits			5,450,613	717,288	26,975	119,745	6,314,620
Professional fees			632,389	35,167	24,873	303	692,732
Purchased services			1,336,769	259,337	39,580	61,730	1,697,417
Printing & Postage			683,307	161,792	22,541	35,502	903,143
Depreciation & Amortization			418,926			2,092	421,018
Other expenses			1,975,851	170,838	(294)	(23,275)	2,123,121
Indirect cost allocation & Occupancy			(185,779)	493,059	61,300	28,679	397,258
Total Administrative Expenses			10,312,075	1,837,481	174,975	224,777	12,549,309
Admin Loss Ratio			4.4%	10.5%	10.5%	9.1%	4.9%
INCOME (LOSS) FROM OPERATIONS			(10,194,179)	(4,186,124)	888,042	170,336	(13,321,926)
INVESTMENT INCOME							4,884,574
OTHER INCOME			49				49
CHANGE IN NET ASSETS			**$ (10,194,130)**	**$ (4,186,124)**	**$ 888,042**	**$ 170,336**	**$ (8,437,303)**
BUDGETED CHANGE IN NET ASSETS			3,910,505	(375,363)	(68,394)	52,588	3,936,003
VARIANCE TO BUDGET - FAV (UNFAV)			$ (14,104,635)	$ (3,810,762)	$ 956,436	$ 117,747	$ (12,373,306)

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Consolidated Revenue & Expense: June 2019 YTD

	Medi-Cal Classic	Medi-Cal Expansion	Total Medi-Cal	OneCare Connect	OneCare	PACE	Consolidated
MEMBER MONTHS	6,173,314	2,843,598	9,016,912	172,775	17,374	3,638	9,210,699
REVENUES							
Capitation Revenue	$ 1,743,278,470	$ 1,390,903,148	$ 3,134,181,617	$ 292,428,410	$ 20,613,605	$ 27,410,747	$ 3,474,634,378
Other Income	-	-	-	-	-	-	-
Total Operating Revenue	1,743,278,470	1,390,903,148	3,134,181,617	292,428,410	20,613,605	27,410,747	3,474,634,378
MEDICAL EXPENSES							
Provider Capitation	455,697,333	630,340,812	1,086,038,145	141,354,378	5,774,092		1,233,166,615
Facilities	275,458,203	292,315,446	567,773,649	45,925,050	4,919,665	5,368,134	623,986,499
Ancillary	-	-	-	8,088,427	524,281	-	8,612,708
Professional Claims	209,561,209	83,962,682	293,523,892	-	-	5,774,943	299,298,835
Prescription Drugs	209,268,165	236,453,192	445,721,357	64,052,573	5,742,787	2,221,894	517,738,612
MLTSS	391,632,656	34,326,241	425,958,897	16,703,851	559,510	220,592	443,442,850
Medical Management	27,288,516	12,090,764	39,379,280	13,552,984	715,070	7,807,851	61,455,186
Quality Incentives	5,343,268	2,951,181	8,294,449	1,929,919		29,400	10,253,768
Reinsurance & Other	7,885,948	6,606,011	14,491,959	2,340,280	37,298	1,874,919	18,744,456
Total Medical Expenses	1,582,135,299	1,299,046,330	2,881,181,629	293,947,462	18,272,702	23,297,733	3,216,699,526
Medical Loss Ratio	90.8%	93.4%	91.9%	100.5%	88.6%	85.0%	92.6%
GROSS MARGIN	**161,143,170**	**91,856,818**	**252,999,988**	**(1,519,052)**	**2,340,902**	**4,113,013**	**257,934,852**
ADMINISTRATIVE EXPENSES							
Salaries & Benefits			73,345,063	9,006,984	382,445	1,273,933	84,008,424
Professional fees			2,700,775	273,473	186,207	7,164	3,167,619
Purchased services			9,735,234	2,032,332	198,182	214,722	12,180,470
Printing & Postage			4,163,448	828,461	111,430	109,325	5,212,665
Depreciation & Amortization			5,242,522			24,975	5,267,497
Other expenses			15,289,802	676,063	789	47,027	16,013,682
Indirect cost allocation & Occupancy			(3,532,455)	7,046,462	496,713	88,120	4,098,839
Total Administrative Expenses			106,944,388	19,863,775	1,375,766	1,765,267	129,949,196
Admin Loss Ratio			3.4%	6.8%	6.7%	6.4%	3.7%
INCOME (LOSS) FROM OPERATIONS			146,055,600	(21,382,827)	965,137	2,347,747	127,985,656
INVESTMENT INCOME							43,639,175
OTHER INCOME			928				928
CHANGE IN NET ASSETS			**$ 146,056,528**	**$(21,382,827)**	**$ 965,137**	**$ 2,347,747**	**$ 171,625,760**
BUDGETED CHANGE IN NET ASSETS			27,336,740	(8,702,531)	(725,086)	97,621	23,006,744
VARIANCE TO BUDGET - FAV (UNFAV)			$ 118,719,788	$ (12,680,296)	$ 1,690,223	$ 2,250,126	$ 148,619,017

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Balance Sheet:
As of June 2019

CalOptima
Balance Sheet
June 30, 2019

ASSETS	
Current Assets	
Operating Cash	$347,627,784
Investments	573,706,297
Capitation receivable	302,964,503
Receivables - Other	48,977,264
Prepaid expenses	5,782,878
Total Current Assets	**1,279,058,726**
Capital Assets	
Furniture & Equipment	37,086,365
Building/Leasehold Improvements	5,559,034
505 City Parkway West	50,464,989
	93,110,388
Less: accumulated depreciation	(46,485,498)
Capital assets, net	46,624,889
Other Assets	
Restricted Deposit & Other	300,000
Homeless Health Reserve	60,000,000
Board-designated assets:	
Cash and Cash Equivalents	12,711,832
Long-term Investments	547,433,575
Total Board-designated Assets	560,145,408
Total Other Assets	620,445,408
TOTAL ASSETS	**1,946,129,023**
Deferred Outflows	
Pension Contributions	686,962
Difference in Experience	3,419,328
Excess Earning	-
Changes in Assumptions	6,428,159
TOTAL ASSETS & DEFERRED OUTFLOWS	**1,956,663,472**

LIABILITIES & NET POSITION	
Current Liabilities	
Accounts Payable	$42,690,862
Medical Claims liability	744,669,961
Accrued Payroll Liabilities	11,007,473
Deferred Revenue	58,675,755
Deferred Lease Obligations	44,512
Capitation and Withholds	108,903,140
Total Current Liabilities	**965,991,703**
Other (than pensions) post employment benefits liability	26,041,634
Net Pension Liabilities	23,602,064
Bldg 505 Development Rights	-
TOTAL LIABILITIES	**1,015,635,400**
Deferred Inflows	
Change in Assumptions	4,747,505
Excess Earnings	156,330
Net Position	
TNE	84,931,166
Funds in Excess of TNE	851,193,072
TOTAL NET POSITION	936,124,237
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	**1,956,663,472**

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Board Designated Reserve and TNE Analysis As of June 2019

Type	Reserve Name	Market Value	Benchmark		Variance	
			Low	High	Mkt - Low	Mkt - High
	Tier 1 - Payden & Rygel	153,492,886				
	Tier 1 - Logan Circle	152,452,411				
	Tier 1 - Wells Capital	152,773,091				
Board-designated Reserve						
		458,718,387	311,302,029	481,116,256	147,416,358	(22,397,868)
TNE Requirement	Tier 2 - Logan Circle	101,427,020	84,931,166	84,931,166	16,495,854	16,495,854
	Consolidated:	**560,145,408**	**396,233,195**	**566,047,421**	**163,912,213**	**(5,902,014)**
	Current reserve level	*1.98*	*1.40*	*2.00*		

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HN Enrollment Summary - Medi-Cal

Health Network Name	JULY 2019	% of Total MCAL	% of HN Enrollment
CHOC Health Alliance (PHC20)	144,681	19.7%	22.6%
Monarch Family HealthCare (HMO16)	77,991	10.6%	12.2%
CalOptima Community Network (CN)	76,652	10.4%	12.0%
Arta Western Health Network (SRG66)	61,830	8.4%	9.7%
Alta Med Health Services (SRG69)	48,313	6.6%	7.5%
Family Choice Health Network (PHC21)	44,854	6.1%	7.0%
Kaiser Permanente (HMO04)	44,473	6.0%	6.9%
Prospect Medical Group (HMO17)	34,029	4.6%	5.3%
United Care Medical Network (SRG67)	32,979	4.5%	5.2%
Talbert Medical Group (SRG65)	24,319	3.3%	3.8%
AMVI Care Health Network (PHC58)	21,767	3.0%	3.4%
Noble Mid-Orange County (SRG64)	21,601	2.9%	3.4%
Heritage - Regal Medical Group (HMO15)	6,709	0.9%	1.0%
Total Health Network Capitated Enrollment	**640,198**	**87.0%**	**100.0%**
CalOptima Direct (all others)	95,583	13.0%	
Total Medi-Cal Enrollment	**735,781**	**100.0%**	

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HN Enrollment Summary – OneCare Connect

Health Network Name	JULY 2019	Percentage
Monarch HealthCare (HMO16DB)	4,585	32.3%
Prospect Medical Group (HMO17DB)	2,369	16.7%
Family Choice Medical Group (SRG81DB)	1,796	12.7%
CalOptima Community Network (CN)	1,699	12.0%
Talbert Medical Group (SRG52DB)	1,041	7.3%
Arta Western Health Network(SRG66DB)	570	4.0%
Alta-Med (SRG69DB)	536	3.8%
United Care Medical Group (SRG67DB)	522	3.7%
AMVI Care Health Network (PHC58DB)	431	3.0%
Noble Mid Orange County (SRG64DB)	431	3.0%
Heritage - Regal Medical Group (HMO15)	204	1.4%
Total OneCare Connect Enrollment	**14,184**	**100.0%**

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HN Enrollment Summary - OneCare

Health Network Name	JULY 2019	Percentage
Monarch HealthCare (PMG53DE)	716	46.6%
AMVI/Prospect Medical Group (PMG27DE)	288	18.8%
Talbert Medical Group (PMG52DE)	136	8.9%
Arta Western Health Network (PMG66DE)	124	8.1%
Alta-Med (PMG69DE)	95	6.2%
Family Choice Medical Group (PMG21DE)	89	5.8%
United Care Medical Group (PMG67DE)	49	3.2%
Noble Mid Orange County (PMG64DE)	38	2.5%
Total OneCare Enrollment	**1,535**	**100.0%**

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OneCare (HMO SNP)
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OneCare Connect
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Health Homes Program (HHP): Update

Board Advisory Committees
August 2019

Pallavi Patel
Director, Process Excellence/Business Integration

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HHP Background/Authorization

- HHP is an **ongoing** initiative to develop a network of providers that will integrate and coordinate primary, acute and behavioral health services for the highest risk Medi-Cal enrollees
- Authority:
  - Federal: Authorized under Section 2703 of the Affordable Care Act (ACA)
    - State option to implement; may be in phases and in specific geographies
    - 90 percent funding for eight quarters and 50 percent thereafter
    - Must be available to dual eligibles
  - State: California's AB 361 (2013) authorizes HHP participation
    - Implementation permitted if no General Funds used
    - Requires DHCS evaluation within two years of initial implementation

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DHCS Approach for HHP in California

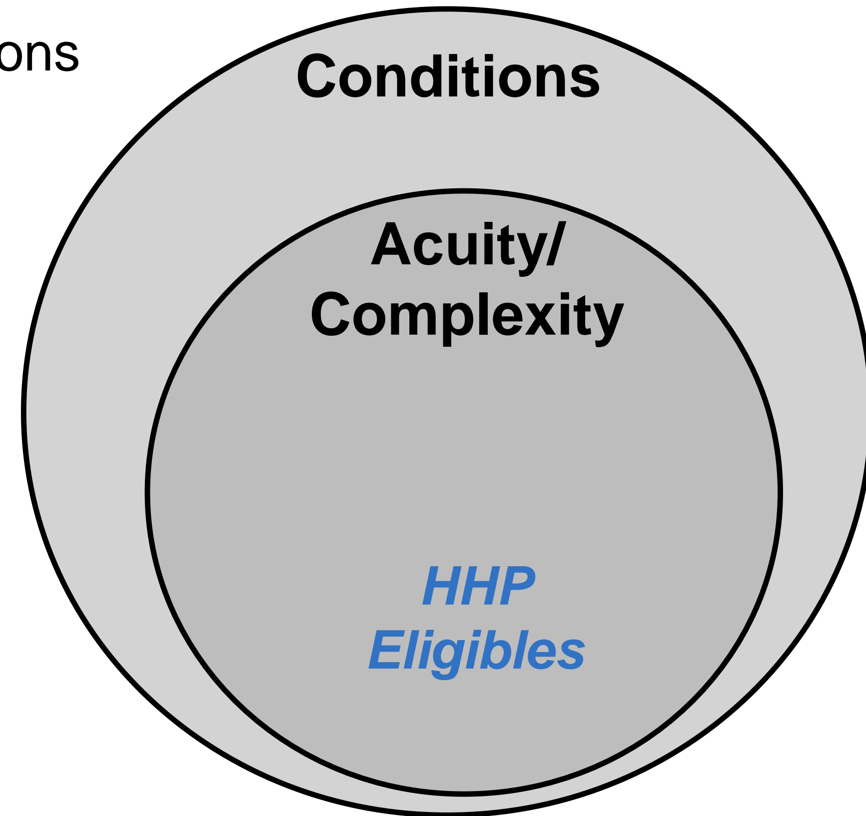
- Geographic Phasing Considerations
  - CCI counties are being targeted as dually eligible individuals are already enrolled in managed care plans, and providers in those counties already have experience with:
    - Higher care coordination standards and enhanced coordination with behavioral health
    - Community-based LTSS, and an established Medicare shared savings arrangement
  - Remaining California counties will be phased in as readiness allows
- In Orange County, CalOptima anticipated go-live date
  - January 1, 2020, for members with chronic conditions (CC) only
  - July 1, 2020, for those with serious mental illness (SMI), with or without chronic condition

DHCS HHP Member Eligibility

- Medi-Cal members eligible for HHP
  1. Conditions/combination of conditions specified by DHCS
     - § Chronic physical conditions; or
     - § Substance use disorder; or
     - § Serious mental illness

  Ø Member must have at least two separate services on different dates within 16 months for the identified condition

  2. Acuity/complexity (**one** of the below):
     - § Three specified conditions; or
     - § One inpatient stay; or
     - § Three ED visits in year; or
     - § Chronic homelessness



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HHP Service Requirements

Enhanced Core Service Categories	New Services
• Provide comprehensive care management • Conduct health assessments and develop action plans • Provide comprehensive transitional care • Offer care coordination and health promotion • Offer individual and family support • Make referrals to community and social support services	• Follow up on referrals to ensure services are offered and accessed • Accompany highest risk participants to critical appointments (risk tier criterion determined by MCP) • Assist homeless members with housing navigation • Manage transitions from non-hospital or nursing facility settings, such as jail and residential treatment programs • Assess family/caregiver support • Develop trauma informed care standards

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DHCS Objectives/Goals for HHP

- Ensure sufficient provider infrastructure and capacity to implement HHP as an entitlement benefit.
- Ensure HHP providers appropriately serve members experiencing homelessness.
- Increase integration of physical and behavioral health services.

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HHP Expectations

- The HHP will utilize the Medi-Cal Managed Care infrastructure.
- Managed care plans (MCPs) will be responsible for the overall administration of the HHP.
- The HHP will be structured as an HHP network including MCP, one or more community-based care management entities (CB-CMEs), linkages to Medi-Cal specialty mental health plans, community and social support services.

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HHP Lead and Participating Entities

Department of Health Care Services

Lead Entities

Qualifying Medi-Cal managed care plans
Orange County: CalOptima

CB-CMEs

Sample organizations include PCPs, FQHCs, physician groups, hospitals and behavioral health entities

Community and Social Support Services

Sample organizations include supportive housing providers, food banks, employment assistance and social services

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Exploration of Model With DHCS

- Initial model approach:
  - CalOptima acts as CB-CME for all health networks (HN) and CalOptima Direct/CalOptima Community Network (COD/CCN) members
    - Exception: Health networks may elect to provide CB-CME services for their assigned members.
    - Members electing to participate in HHP will move to CCN or elect a participating HN.
    - CalOptima to "buy" select "new" services that may be leveraged by health networks, e.g., housing-related services and accompaniment
  - Vetted with health networks, advisory committees and DHCS
  - DHCS provided feedback that required modifications to network and care delivery models

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DHCS Feedback on the Model

- Plan **cannot** require member to change PCP or health network.
- Plan must support care management at point of care in the community.
- DHCS requested additional clarification regarding how CalOptima will ensure:
  - Face-to-face care coordination in the community, where appropriate
  - Strong direct connection and coordination with member's PCP

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Modified Network Delivery Model

- All health networks will participate as CB-CMEs for its assigned members.
  - Members selecting to participate in HHP are able to keep their PCP and other providers to receive services, including their HHP services.
  - Health networks will have visibility to all medical records to plan out appropriate care.
- CalOptima will have a vendor for selected services (e.g. accompaniment and housing navigation/sustainability):
  - Vendor contract will require the selected vendor to extend the same terms regarding vendor performance, duties and obligations and rates to health networks for their assigned members.

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Care Delivery Model

- CalOptima and health networks
  - May leverage existing high-risk care coordination resources
  - Will provide face-to-face care coordination by meeting members at a mutually agreed upon location
  - Will enhance coordination with member's PCP
- All health networks required to have policy and procedures in place to support care management at point of care in the community.
- As part of CalOptima's plan responsibilities, CalOptima will provide oversight for all HHP services.
- CalOptima will collaborate with other programs, such as Whole Person Care (WPC), to ensure appropriate services are provided but not duplicated.

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WPC Collaboration

- CalOptima partnering with County's WPC pilot program to:
  - Develop criteria and systematic approach to identify HHP-eligible members within WPC population.
  - Develop training for WPC providers to proactively identify members who are meeting HHP eligibility criteria and refer them to CalOptima for HHP eligibility approval.
  - Ensure that WPC member enrolled in HHP receives HHP services such as intensified case management, accompaniment and housing-related services.

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Members Experiencing Homelessness

- Once enrolled in HHP, member will have access to:
  - Resources for housing, food security and nutrition, employment counseling, child care, community-based LTSS, school and faith-based services, and disability services, as needed and desired by the member
  - Referrals to the needed resources, access to care, and engagement with other community and social supports
  - Individual housing navigation services
  - Tenancy sustaining services, including services that support the individual in being a successful tenant in their housing arrangement and thus able to sustain tenancy
  - Individual housing transition services, including services that support an individual's ability to prepare for and transition to housing

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Members Experiencing Homelessness

HHP = HHP eligible (NOT HHP enrolled)

Year-Month of Report: 07-2019

Analysis by Member CIN Count of High Risk Homeless Members

	WPC			Not WPC			Grand Total
Health Network Name	**Not HHP**	**HHP**	**Total**	**Not HHP**	**HHP**	**Total**	
CCN Complex	1	9	10		2	2	12
CCN General	373	513	886	565	171	736	1,622
COD Admin	197	186	383	694	50	744	1,127
AMVI	76	25	101	273	24	297	398
CHOC	20	13	33	391	27	418	451
Family Choice	60	65	125	322	32	354	479
HPN–Regal Medical Group	17	16	33	63	7	70	103
Kaiser	21	22	43	134	42	176	219
Monarch	258	302	560	488	106	594	1,154
Prospect	93	86	179	345	54	399	578
AltaMed	233	199	432	948	121	1,069	1,501
Arta Western	220	234	454	833	109	942	1,396
Noble	100	89	189	392	55	447	636
Talbert	67	65	132	272	37	309	441
United Care	44	41	85	216	30	246	331
Grand Total	**1,774**	**1,857**	**3,631**	**5,693**	**866**	**6,559**	**10,190**

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HHP Eligible Members (As of July 2019)

Health Network	Member CIN	DHCS Opt-In Projection (25%)	Opt-In Rate (20%)	Opt-In Rate (15%)	Opt-In Rate (10%)
	22,254	5,564	4,451	3,338	2,225
CCN Complex	139	35	28	21	14
CCN General	5,637	1,409	1,127	846	564
COD Admin	80	20	16	12	8
AMVI	432	108	86	65	43
CHOC	922	231	184	138	92
Family Choice	1,285	321	257	193	129
HPN–Regal Medical Group	285	71	57	43	29
Kaiser	1,013	253	203	152	101
Monarch	3,769	942	754	565	377
Prospect	1,570	393	314	236	157
AltaMed	1,767	442	353	265	177
Arta Western	2,536	634	507	380	254
Noble	918	230	184	138	92
Talbert	1,083	271	217	162	108
United Care	905	226	181	136	91

Not Included: ESRD, LTC, California Children's Services (CCS) Aged-Out, CCS Eligible, Regional Center of Orange County (RCOC), Medi-Medi, Multipurpose Senior Services Program (MSSP), Hospice and HIV.

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Work Efforts To Date

- DHCS' 'revised' HHP Program Guide (July 1, 2019) — provided through regular weekly communication
- DHCS deliverables are in progress and on track for September 1, 2019, submission to DHCS
  - Including CalOptima's Policy GG.1331: Health Homes Program (HHP) Services and Care Management
- Vendor for select services
  - Request For Proposal — submission closed on July 31, 2019
  - Proposal review process initiated following conclusion of the bid process.

Next Steps

- HHP program and approach to BOD — in September 2019
- CalOptima to submit DHCS deliverables on September 1, 2019
- Continue implementation efforts for HHP go-live on January 1, 2020
  - Build and complete CB-CME networks by November 1, 2019, for DHCS network deliverable submission
  - HN workgroup meeting every other week starting in September 2019 and weekly beginning in December 2019

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Next Steps (cont.)

- HHP rates are in review by CalOptima's Finance team
  - Methodology will be presented in September Health Network Forum
- HN readiness assessment targeted to start early-mid November
  - Process, policies and desktop procedures
  - Staffing ratios, job descriptions and HHP organizational structure

CalOptima's Mission

To provide members with access to quality health care services delivered in a cost-effective and compassionate manner

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2019-20 California State Budget
Enacted Budget: Analysis and CalOptima Impacts

July 2019

Overview

On 6/28/19, Governor Newsom signed Assembly Bill (AB) 74 into law, California's fiscal year (FY) 2019-20 state budget bill. AB 74 will enact a $214.8 billion spending plan for FY 2019-20, with General Fund (GF) spending at $147.8 billion.[1]

Senate Bills (SB) 78 and 104 are health trailer bills designed to implement policy changes referenced in the budget bill. SB 78 was signed into law by the Governor along with the budget, and SB 104 was signed into law on 7/9/19. Government Affairs (GA) has been closely following several health policy changes that the Governor proposed in January as part of his initial budget proposal and updated in the May Revise. SB 78 and SB 104 contain many of these policy changes and the table below presents issues addressed in each bill that will impact the Medi-Cal program.

SB 78	SB 104
■ Prop 56 Value Based Payment (VBP) Behavioral Health integration program ■ Pharmacy carve-out fiscal impact study ■ Optional benefit restoration (audiology, speech therapy, podiatry, and incontinence creams) ■ Managed Care Organization (MCO) tax intent language ■ Health Homes Program (HHP) extension until 7/1/24 ■ Expansion of Screening, Brief Intervention, and Referral to Treatment (SBIRT) to include drug screenings	■ Expansion of full-scope Medi-Cal to undocumented immigrants ages 19-25 ■ Eligibility expansion for low income seniors (122% FPL to 138% FPL) ■ Extension of pregnancy-related Medi-Cal coverage (60 days to 12 months) ■ Implementation of a PACE rates adjustment

These and other major issues pertinent to CalOptima are addressed below.

Medi-Cal Budget

The Budget Act includes a spending plan of $106.5 billion for Medi-Cal, which includes $23.6 billion GF and $67.1 billion from federal funds, as well as $15.8 billion in special funds. Overall, this represents a $2.1 billion increase in Medi-Cal funding as compared to FY 2018-19.[2]

Proposition 56 Medi-Cal Funding

California voters approved Proposition 56 in November 2016, which increased state taxes on tobacco products. A large portion of the revenue raised through this ballot initiative is designated for supplementing the state's Medi-Cal budget. The FY 2019-20 Budget allocates $1.26 billion in Proposition 56 funds for: supplemental payments and rate increases for Medi-Cal providers; value-based payments related to behavioral health services; developmental screenings for children; trauma screenings for children and adults; provider training for trauma screenings; family planning services in Medi-Cal; and the provider loan repayment program, among other allocations. Please see the table below for funding details regarding each of these payment programs.

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Proposition 56 Investments in Medi-Cal[3]
(Dollars in Millions)

Category		2019-20
Supplemental Payments	Physician Services	$454.2
	Dental Service	$195.7
	Women's Health and Family Planning	$43.5
	Intermediate Care Facilities for the Development Disabled	$13.0
	AIDS Waiver	$3.4
	Community-Based Adult Services	$13.7
	Non-Emergency Medical Transportation	$5.6
	Free-Standing Pediatric Subacute Facilities	$4.0
	Hospital-Based Pediatric Physicians Services	$2.0
Rate Increases	Home Health Providers	$31.2
	Pediatric Day Health Care Facilities	$6.9
Other	Physician and Dentist Loan Assistance	$120.0
	Value-Based Payments Program	$250.0
	Trauma Screenings	$13.6
	Developmental Screenings	$23.1
	Provider Training for Trauma Screenings	$25.0
	Additional Funds for Women's Health	$50.0
	Total	**$1,254.9**

These funds flow through Medi-Cal managed care plans to individual providers that deliver certain services. The Department of Health Care Services (DHCS) recently released a draft program design document for the Behavioral Health Value Based Payment (VBP) program. Several other Proposition 56 payment programs have been submitted to the Centers for Medicare & Medicaid Services (CMS) and are pending approval before DHCS can provide further details regarding their implementation.

The physician and dental services supplemental payment programs will continue at the same payment levels as the previous fiscal year. Of note, the final budget includes contingency language suspending all Proposition 56 funding on 12/31/21, pending analysis of the state's future revenue outlook by the Department of Finance (DOF). The Governor's budget summary states that the "suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years."[4] This contingency is attached to several spending measures included in the FY 2019-20 budget.

Coverage Expansion for the Undocumented

The budget expands full-scope Medi-Cal coverage to undocumented individuals ages 19 to 25, no sooner than 1/1/20. According to DHCS, by the end of the first year of implementation, the expansion will result in an estimated 90,000 individuals receiving full-scope benefits at a cost of $74 million to the state's General Fund ($98 million total). Nearly 75 percent of these individuals are currently enrolled in restricted scope Medi-Cal, which covers emergency and pregnancy related services.[5] DHCS reported to its Stakeholder Advisory Committee on 7/10/19 that, similar to the transition of undocumented children ages 0-19 into full-scope Medi-Cal under the terms of SB 75 (Chapter 18, Statutes of 2015), DHCS will work with counties to notify potential beneficiaries.

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Of note, SB 29 is a policy bill that would further expand full scope Medi-Cal to cover undocumented seniors. Please see the chart below for a comparison between the expansion enacted through the state budget and the expansion proposed in SB 29.

FY 2019-20 Medi-Cal Expansion for the Undocumented

	Enacted State Budget	SB 29*
Age Range	19 to 25	65+
Estimated Enrollment Increase	90,000	25,000
Estimated Cost	$74 million GF ($98 million total)	$94.5 million GF ($115 million total)
Implementation Date	No sooner than 1/1/20	1/1/20

Sources: California State Budget 2019-20 Summary and Assembly Committee on Health Analysis of SB 29

*Enrollment and cost estimates based on bill language as of August 6, 2019

Pharmacy Benefit Carve-Out Advisory Group

As required by the language of SB 78, DHCS recently announced that it will convene an advisory group to receive feedback from managed care plans, hospitals, clinics and consumer advocates, among others, on the Governor's executive order to carve the pharmacy benefit out of Medi-Cal managed care.[6] The first advisory group meeting was held on 7/24/19 in Sacramento.

The May Revise provided an estimate of the state's savings from the carve-out — $393 million, beginning in fiscal year 2022-23. It is not clear, however, where these savings would come from and how much increased administrative cost the state would incur related to this transition. Also, given the data available from other states that have implemented a carve-out of pharmacy services from managed care, it is not clear whether such a policy would generate net savings for the state in the long-term. As such, the legislature required that DHCS convene the advisory group and provide more detailed fiscal assumptions – especially savings estimates – as part of the Governor's budget proposal for FY 2020-21, which is due to be released in January 2020.[7]

Benefit and Eligibility Expansions Effective No Sooner than January 1, 2020

The enacted budget appropriates $56.3 million to restore the following optional benefits, effective no sooner than 1/1/20: audiology and speech therapy services, incontinence creams and washes, optician and optical lab services, and podiatric services.[8] Currently, CalOptima covers audiology and speech therapy as well as podiatric services for members without receiving reimbursement. Also effective no sooner than 1/1/20, the budget allocates $63 million to expand eligibility for the Medi-Cal Aged, Blind, and Disabled population from 123 percent to 138 percent of the federal poverty level.[9] This would allow seniors and persons with disabilities to avoid paying a share of cost before becoming eligible to receive Medi-Cal benefits. Like Proposition 56 spending, both of these funding commitments will be suspended on 12/31/21, pending analysis of the state's revenue outlook by the DOF.

Benefit and Eligibility Expansions Scheduled for FY 2020-21

Several policy changes that were authorized through the FY 2019-20 budget are expected to actually be implemented in FY 2020-21, including:

- The expansion of Screening, Brief Intervention, Referral and Treatment (SBIRT) services to include opioid and other drug screenings; and
- The extension of Medi-Cal maternal mental health benefits from 60 days to one year for pregnant women diagnosed with a maternal mental health condition.[10]

Currently, DHCS requires that managed care plans provide adult members 18 years of age or older with one alcohol misuse screening per year.[11] Both of these funding commitments will be suspended on 12/31/21, pending analysis of the state's revenue outlook by the DOF.

Managed Care Organizations (MCO) Tax

In the January Budget proposal and the May Revise, the Governor had assumed the sunset of the MCO tax at the end of fiscal year 2018-19. The enacted budget package, specifically SB 78, contains language indicating the Legislature's intent to enact an MCO tax, contingent on CMS approval. Since this is intent language, with any description of tax structure, there are no MCO tax revenue estimates included in the bill.

As presently structured, the MCO Tax generates approximately $1 billion for the Medi-Cal program per year, as well as $300 million in funding to support services for individuals with developmental disabilities.[12] The current iteration of the MCO tax, which became effective in July 2016 via a CMS waiver, was valid through 6/30/19. Medi-Cal managed care plans have consistently supported participation in the MCO tax, as it has resulted in substantial revenue streams for the program.

Response to the Homelessness Crisis

The FY 2019-20 budget allocates $1 billion to support local governments and other community stakeholders in addressing homelessness issues, including $275 million for large cities and $175 million for counties to expand emergency shelters and navigation centers, rapid rehousing programs, and permanent supportive housing, among other initiatives.[13] The budget also allocates an additional $100 million for county whole person care pilot programs that "coordinate health, behavioral health, and social services focused on individuals who are experiencing homelessness, or who are at risk of becoming homeless, and have a demonstrated medical need for housing and/or supportive services."[14]

Next Steps

Staff will continue to track policies enacted through the budget, especially policy discussions related to the pharmacy benefit carve-out and MCO tax, among other topics, and provide updates regarding issues that have a significant impact on the agency.

Endnotes

[1] California State Budget, 2019-20, p. 11, available at: http://www.ebudget.ca.gov/2019-20/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf

[2] Department of Health Care Services, Department Report/Budget Detail, available at: http://www.ebudget.ca.gov/2019-20/pdf/Enacted/GovernorsBudget/4000/4260.pdf

[3] Ibid, p. 55

[4] Ibid, p. 57

[5] Ibid, p. 56

[6] Department of Health Care Services, "2019-20 Governor's Budget Highlights," p. 6, available at: https://www.dhcs.ca.gov/Documents/Budget_Highlights/FY_2019-20_MR_Highlights.pdf

[7] Assembly Floor Analysis, SB 78, p. 6, available at: http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201920200SB78

[8] California State Budget 2019-20, p. 57, available at: http://www.ebudget.ca.gov/2019-20/pdf/Enacted/BudgetSummary/FullBudgetSummary.pdf

[9] Ibid, p. 54

[10] Ibid., p. 57

[11] DHCS, All-Plan Letter 18-014, p. 2, available at: https://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL2018/APL18-014.pdf

[12] Governor's Budget Summary 2019-20, p. 70, available at: http://www.ebudget.ca.gov/budget/2019-20/#/BudgetSummary

[13] Ibid, p. 67

[14] Ibid, p. 57