THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Health Services Agency MOL **BOARD AGENDA #** *B-5

Urgent ☐ **Routine** ■ **AGENDA DATE** July 30, 2013

CEO Concurs with Recommendation YES ☒ **NO** ☐ **4/5 Vote Required YES** ☐ **NO** ■
(Information Attached)

SUBJECT:

Approval to Decline Participation in the California Department of Health Care Services Low Income Health Program

STAFF RECOMMENDATIONS:

Authorize the Health Services Agency (HSA) Managing Director or her designee to decline participation by formally withdrawing the non-binding application for the Low Income Health Program submitted to California Department of Health Care Services on March 21, 2011.

FISCAL IMPACT:

The approved proposed budget for Fiscal Year 2013-2014 for the Indigent Health Care division of the Health Services Agency (HSA) is $13.2 million and is funded by State Realignment from a portion of vehicle license fees and sales tax, and by a required county match. The Medically Indigent Adult Program (MIA) is a County obligation under State law and is one of the required uses of 1991 Health Realignment funding. In Stanislaus County, the required county match for the MIA program is approximately $2.68

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BOARD ACTION AS FOLLOWS:

No. 2013-384

On motion of Supervisor Monteith, **Seconded by Supervisor** Withrow
and approved by the following vote,
Ayes: Supervisors: O'Brien, Withrow, Monteith, De Martini and Chairman Chiesa
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None

1) X **Approved as recommended**
2) ____ **Denied**
3) ____ **Approved as amended**
4) ____ **Other:**

MOTION:

Christine Ferraro

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk**

File No.

FISCAL IMPACT (Continued):

million annually. The Low Income Health Program would impact the Medically Indigent Adult program and if implemented, is projected to require an additional $3-8M to achieve break-even. As the staff recommendation is to decline to participate in this program, there is no fiscal impact.

DISCUSSION:

Background

The State of California entered into a new agreement in 2010 with the Federal government for a Section 1115 Medicaid Waiver under the Social Security Act. Note: Medicaid is known as Medi-Cal in California. Section 1115 waivers allow the U.S. Secretary of Health and Human Services to waive certain requirements to enable State proposed demonstration projects. This project is called the "California Bridge to Reform Demonstration." While there are several areas or programs impacted by the waiver agreement, this staff recommendation is relative to the health care coverage expansion referred to in the waiver agreement as the "Low Income Health Program" (LIHP) and referred to by the State of California as the "Coverage Expansions and Enrollment Demonstration" or CEED. The LIHP was intended to be a short-lived program to provide Medi-Cal-like benefits early to those expected to gain eligibility under the Medi-Cal expansion in January of 2014.

In anticipation of the pending Section 1115 Waiver agreement, the Blue Shield of California Foundation issued a grant proposal opportunity to counties, referred to as the planning grant for purposes of evaluating the CEED opportunity. On December 21, 2010, the Board of Supervisors accepted a planning grant from the Blue Shield of California Foundation (BSCF), and approved a contract with Health Management Associates, an outside consultant funded by the BSCF grant, to assist the Health Services Agency (HSA) with the feasibility study of this LIHP opportunity. The HSA, with assistance from the Health Management Associates consultants, Behavioral Health and Recovery Services and the Community Services Agency, worked collaboratively to complete the feasibility study of the LIHP.

On January 5, 2011, the California Department of Health Care Services (DHCS) notified interested parties of the opportunity for eligible governmental entities to apply for federal funding to implement a Low Income Health Program (LIHP). This program is authorized by Chapter 723 Statutes of 2010 (Assembly Bill 342), Welfare & Institutions Code Sections 15909-15915, and is approved under California Section 1115(a) Medicaid Demonstration, "Bridge to Reform" (Demonstration).

Under the LIHP, for each qualifying local dollar spent, $.50 could be obtained in Federal reimbursement; however, counties are required to spend local dollars at a level at least equal to the local expenditure during the 2009-2010 Fiscal Year for the corresponding eligible population enrolled in each county's MIA program. Local funding can include General Fund contributions and realignment revenue not otherwise matched in other Federal programs.

Counties were urged by the State DHCS to submit a non-binding application to the DHCS in advance of completing the feasibility study. On March 1, 2011, the Board of Supervisors authorized the HSA to prepare and submit the non-binding LIHP application to the State DHCS as part of the California's Section 1115 Medicaid Waiver Proposal. This Stanislaus County application was targeted to serve qualifying applicants with income up to 50% of the Federal Poverty Limits. With funding provided through the Blue Shield of California Foundation, the HSA engaged the professional services of Health Management Associates (HMA) to assist in the feasibility study by performing a needs assessment, financial modeling of programs, facilitating stakeholder meetings and to provide a summary of the benefits and risks of implementing the LIHP.

The LIHP Feasibility Study

In February 2012, HMA presented its report, and staff identified the outstanding elements and planned for internal completion. The HMA analysis was based on an implementation date of July 2012 with an overall program lifespan of 18 months ending on December 31, 2013, which is when the full implementation of the Affordable Care Act (ACA) would transition LIHP enrollees to the Medi-Cal Program. Although many of the MIA program beneficiaries would qualify as LIHP enrollees, some residual obligations would remain with the County such as provision of benefits not included under the LIHP and continued MIA program enrollment for those individuals with incomes exceeding the LIHP income thresholds. The HMA analysis determined that the many variables and uncertainties related to implementation required that HMA develop projections of the fiscal impact ranging from "best case" to "worst case" scenarios, which were based on factors that can reduce or increase County cost. However, both the best and worst case financial projections did not encompass the entirety of potential costs and risks which the County faces. As such, staff identified outstanding elements of the study and completed the work internally to produce the comprehensive analysis. The Executive Summary of this Feasibility Study is attached.

The most significant factors that are considered to be barriers to implementation of the LIHP include:

- Additional County funding (beyond the Federal funding) of between $3 million to $8 million would be necessary to reasonably forecast break-even financial results due to the additional program requirements and expanded scope of benefits.
- Unlikelihood of meeting the access standards for timely primary and specialty care, that mandate primary care visits within 20 days of scheduling and specialty care within 30 days, due to significant regional physician shortage.
- Implementation would be inefficient and impractical for so short a duration, given that the LIHP is to be replaced by the Affordable Care Act Medi-Cal Expansion on January 1, 2014.

After careful consideration, staff finds that the Low Income Health Program is not financially viable and would place the County at risk for non-compliance. As such staff is requesting that the Board of Supervisors decline participation in the LIHP and withdraw the previously submitted application.

This recommendation was supported by the Health Executive Committee of the Board of Supervisors on July 23, 2013.

Affordable Care Act Update

The State's Fiscal Year 2013-2014 budget included several items pertaining to the Affordable Care Act implementation. The HSA is currently evaluating these items to determine impacts to the County and will return to the Board of Supervisors at a later date to make the appropriate recommendations.

POLICY ISSUES:

Approval of this staff recommendation is aligned with the Board of Supervisors' priorities of A Healthy Community and Efficient Delivery of Public Services.

STAFFING IMPACT:

There is no new staffing impact associated with these recommendations.

DEPARTMENT CONTACT:

Mary Ann Lee, Managing Director, 209-558-7163.

Executive Summary
Feasibility Study, Low Income Health Program in Stanislaus County
February 2013

On March 1, 2011 the Board of Supervisors authorized the Health Services Agency (HSA) to prepare and submit a Low Income Health Program (LIHP) Preliminary Application to the State Department of Health Care Services (DHCS) as part of California's Section 1115 Medicaid Waiver Proposal. The LIHP allows California counties to take advantage of available federal funding to provide reimbursement of 50% of qualified expenditures provided within the LIHP to its enrollees with the requirement the County continue to incur net expenses equal to their 2009-10 fiscal year.

Stanislaus County submitted a preliminary LIHP application proposal under the Medicaid Coverage Expansion (MCE) Program intended to serve qualifying applicants with income up to 50% of the Federal Poverty Limits. With funding provided through the Blue Shield of California Foundation, the Health Services Agency engaged the professional services of Health Management Associates (HMA) to assist HSA with the feasibility analysis by performing a needs assessment, perform financial modeling of programs with varying structures, facilitate stakeholder meetings and to provide a summary of the benefits and risks of implementing the LIHP.

In February 2012, HMA presented its report, and staff identified the outstanding elements and planned for internal completion. The HMA analysis was based on an implementation date of July 2012 with an overall program lifespan of 18 months ending on December 31, 2013, which is when the full implementation of the Affordable Care Act (ACA) will transition LIHP enrollees to the Medicaid Program. Although many of the MIA program beneficiaries would qualify as LIHP enrollees, some residual obligations would remain with the county such as provision of benefits not included under the LIHP and continued MIA program enrollment for those individuals with incomes exceeding the LIHP income thresholds. The HMA analysis determined that the many variables and uncertainties related to implementation required that HMA develop projections of the fiscal impact ranging from "best case" or "worst case" scenarios, which were based on factors that can reduce or increase County cost. However, both the best and worst case financial projections do not encompass the entirety of potential costs and risks which the County faces. As such, the HMA analysis serves as a portion of the feasibility analysis but not its entirety. Staff has identified outstanding elements of the study and completed the work internally, developing comprehensive analysis including both the HMA data and the Staff data.

Elements not included in the HMA projections:

- Vendor rate increases due to contract changes to attract and retain providers in order to meet Federal/State access requirements.
- Impact of expansion of the medication formulary needed to meet LIHP requirements.

Elements within HMA projections based on partial or incomplete information:

- Pharmacy – The County would have new expenses for medications currently available to MIA enrollees through patient assistance programs and expanded drug formulary through LIHP.
- Emergency and inpatient services – The contract with the local community facility may not extend to LIHP beneficiaries, which according to the HMA analysis footnote, could result in additional County costs of over $3 million.
- Behavioral health costs – Only partial data was captured in the HMA report. This limitation was acknowledged by HMA staff in its report and it remains likely that the mental health projections are understated requiring additional internal forecasting.

The most significant factors that are considered to be barriers to implementation of the LIHP include:

- Additional county funding of between $3 million to $8 million would be necessary to reasonably forecast break-even financial results.
- Unlikelihood of meeting the access standards for timely primary and specialty care mandating primary care visits within 20 days of scheduling and specialty care within 30 days, due to significant regional physician shortage.
- Stanislaus County has not yet completed any of the necessary deliverables required as part of the LIHP approval process.
- Program requirements added by CMS post LIHP implementation
- LIHP is to be replaced by the Affordable Care Act Medi-Cal Expansion on January 1, 2014 making implementation inefficient and impractical for so short a duration.

<u>Recommendation</u>

After careful consideration, staff finds that the Low Income Health Program cannot be supported with the funding that is currently available for health care services nor can the provider access requirements be met, therefore, implementation of a LIHP is not a viable option for Stanislaus County. Based on the combined Health Management Associates and staff analysis, there is significant risk to the county in pursuing a LIHP as it would add significant risk and cost to the county above and beyond the available federal reimbursement.