



# The Coverage Initiative

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Presentation to ITUP  
Orange County Workgroup  
April 4, 2006



## Part of 1115 Waiver

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- California's Federal 1115 waiver for hospital financing includes a Healthcare Coverage Initiative (CI).
- The CI is targeted to uninsured individuals.



## Starts in 17 months

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- The Coverage initiative would operate in years 3, 4, and 5 of the waiver.
- It would begin September 1, 2007 and end August 31, 2010.



# Federal Funds = \$540 Million

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- Federal funding of \$180 million would be available for each of the three years.
- The CI requires a waiver amendment and is subject to approval of the federal government prior to implementation.



# No Non-Emergency Alien Care

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- CI funds cannot be used for non-emergency care to unqualified aliens.
- To implement this limitation, 17.79% of claims will be disallowed as having been expended for non-emergency care to unqualified aliens.



# Total CI is \$440 million/year

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- Total Coverage Initiative..... \$440 m.
- less: non-emergency alien care .... \$ 80 m.\*
- Qualified for Federal sharing ..... \$360 m.
  
- 50% State/County match ..... \$180 m.\*
- 50% Federal funding ..... \$180 m.

\*State/County match requirement = \$260 m.



# Funds Can't be Rolled Over

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- The \$180 million of federal CI funds are annual allotments.
- Can only be used for CI services rendered during the applicable year.
- Any unused federal funds cannot be used for any other expense or for services in any other year.



# Source of Matching Funds

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- Expenditures used for the 50% non-Federal match can come from:
  - County/local government expenditures
  - University of California expenditures
  - State general funds



# Guiding Principles

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The California Department of Health Services (CHDS) has proposed guiding principles:

- The CI uses organized delivery systems to manage care of the uninsured
- The CI promotes use of preventive services and early intervention
- The CI promotes personal responsibility for service utilization



## Guiding Principles (cont'd.)

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- The CI is not an entitlement program for the State, beneficiaries, or participating providers
- The CI covers uninsured individuals with no linkage to Medi-Cal or Healthy Families
- The CI is developed in a manner that ensures long term viability within existing safety net health care systems



# Proposed Goals

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CHDS has proposed the following goals:

- Maximize the use of existing relationships between the uninsured and safety net health care systems.
- Do no harm to the existing safety net health care system.
- Provide a medical home to the target population.



## Proposed Goals (Cont'd.)

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- Improve access to care and health outcomes of the uninsured.
- Use the entire \$180 million each year for demonstration years 3, 4 and 5.
- If the State seeks to renew the waiver, the CI should be able to be extended past 2010.



# Proposed Program Elements

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- CHDS proposed at least the following program elements:
  - Enrollment processes with a health coverage card.
  - Use of a medical record that could include electronic medical records.
  - Designation of a “medical home” with the assignment of a primary care physician.



## Program Elements (Cont'd.)

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- Defined benefit packet that includes preventive and primary care services.
- Quality monitoring for health care outcomes.
- Screening and enrollment of all eligible people into Medi-Cal, Healthy Families or local insurance programs.



## Program Elements (Cont'd.)

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- Data reporting elements as required per the Special Terms and Conditions.
- Ability to implement CI activities effective September 1, 2007.



# Stakeholder Involvement

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- The State has held two stakeholder meetings to assist them in planning and developing the CI. I attended both meetings.
- *(My observations from the meetings are in parentheses.)*



# Issue: Claiming Federal Funds

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- What will be the source of the approximately \$260 million in local or state funds needed to claim the available federal funds?
- *(State general funds highly unlikely)*
- *(Certified Public Expenditures (CPE) of counties, including Orange County's MSI costs, could be used for the match)*



# Funding Allocations

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How will entities be selected to develop and implement CI activities?

- Through an allocation based on the number of uninsured and the geographic diversity in the respective counties?
- *(Arguments were made both for allocation based upon formulas and for allocation based upon proposals that would be ranked and selectively funded.)*



## Funding Allocations (Cont'd.)

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- Will interested entities be selected based on their program design? Some other funding allocation?
- *(Depends upon whether based upon formulas or upon proposals; if allocations are based upon proposals, program design would be one factor.)*



## Funding allocations (Cont'd.)

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- How does this program interact with funding allocations made under existing state law?
- *(Recommended that existing state funding inequities, specifically including Realignment, be considered in allocations, whether based upon formulas or upon proposals.)*



# Targeted Populations

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- Only uninsured adults who are not eligible for Medi-Cal?
- *(Nearly unanimous support for funding adult indigents who do not qualify for any Federal cost sharing.)*



## Targeted Populations (Cont'd.)

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- Should upper income threshold be 100% of the Federal Poverty Level? Or should the income level be the same as a county's Medically Indigent Adult program?
- *(Seemed to be consensus that this be left to the discretion of individual counties based upon their evaluations of need.)*



# Program Design

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- Will selected entities be encouraged to test out different solutions, or will all participants be required to implement the same coverage model?
- *(One approach is allow local entities open-ended use of funds within broad guidelines. Another is have strict state guidelines. A third is state establish parameters that leave some local flexibility)*



## Program Design (Cont'd.)

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- Will the program mandate inpatient coverage? Or will participants be able to exclude inpatient care and provide this coverage using safety net hospitals that receive DSH reimbursement?
- *(Apparent consensus that this be left to local discretion.)*



# Participating Providers

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- Who will receive the available CI funds?
- *(Counties, which have legal responsibility for the care of the target population of adult indigents? Public Hospitals including University of California hospitals? Other entities?)*



# Next Steps

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- State legislation needed this summer for the Department to submit waiver amendment in September 2006
- *(State staff informally indicate not planning to sponsor legislation.)*
- *(Through Safety Net Coalition's Revenue Enhancement Project, will develop community position on legislation.)*