

DHCS Updates
DMHC Financial Solvency Standards Board
August 14, 2024

Agenda

- » Budget Updates
- » Program Changes
- » MCO Tax / Targeted Provider Rate Increases

BUDGET UPDATES



Select Highlights

- » Behavioral Health Transformation (BHT), supported by the passage of Proposition 1 in March 2024, will improve access to care, increase transparency, and expand treatment facilities.
 - Behavioral Health Services Act (BHSA) ([Senate Bill \(SB\) 326, Ch. 790, Stat. 2023](#)) – modernizes and reforms the Mental Health Services Act, modernizes county allocations, and creates new statewide investments
 - Behavioral Health Infrastructure Bond Act ([Assembly Bill \(AB\) 531, Chapter 789, Statutes of 2023](#)) – includes approximately \$4.4 billion in bonds to support new behavioral health treatment beds as well as outpatient capacity
 - Initial funding for State and County implementation

Select Highlights (cont.)

- » Children and Youth Behavioral Health Initiative (CYBHI)
 - As part of CYBHI, DHCS is required to establish a statewide all-payer fee schedule to reimburse school-linked behavioral health providers who provide services to students at or near a school-site.
 - Effective January 1, 2025, wellness coaches will offer six core services, including: 1) wellness promotion and education; 2) screening; 3) care coordination; 4) individual support; 5) group support; and 6) crisis referral.

Select Highlights (cont.)

- » New or increased directed payments to children's hospitals (\$230 million annually starting July 1, 2024) and public hospitals
- » \$200 million total funds to fund California's Reproductive Health Access Demonstration (CalRHAD), which will:
 - Support access to family planning and related services for Medi-Cal members, as well as other individuals who may face barriers to access.
 - Support the capacity and sustainability of California's reproductive-health safety net.
 - Promote system transformation for California's reproductive-health safety net.

Select Budget Solutions

- » Behavioral Health Bridge Housing (BHBH) Reduction
- » Behavioral Health Continuum Infrastructure Program (BHCIP) reduction
- » Changes to Children and Youth Behavioral Health Initiative
- » Eliminate the Major Risk Medical Insurance Program (MRMIP)
- » Eliminate Health Enrollment Navigator Funding
- » Freeze Medi-Cal County Administration Increases
- » Institute Intergovernmental Transfer (IGT) Administration Fees
- » Reduce Equity and Practice Transformation (EPT) Payments to Providers
- » Reduce Medi-Cal Drug Rebate Fund Reserve
- » Withdraw Buyback of Two-Week Checkwrite Hold
- » Withdrawal from Safety Net Reserve

PROGRAM UPDATES



Final Update: Year of Medi-Cal Redeterminations

- » Continuous Coverage Unwinding officially ended on May 31, 2024.
- » California had over 13.3 million renewals (excludes Medi-Cal members in Presumptive Eligibility, state-only, and federal SSI programs) and is the largest Medicaid caseload in the nation.
- » As of June 2024, 88% or 11,625,200 of 13.3 million renewals have been completed.
- » Most of the 12% remaining renewals are from March-May 2024, which is within the 90-day cure period.

A Year in Reflection

- » Increased Auto-Renewal (Ex Parte) rates from an average 35% (June – November 2023) to an average of 66% (December 2023 to May 2024)
- » Policy flexibilities allowed for a higher auto renewal rate for California's Seniors and Persons with Disabilities (Non-MAGI group) after automation of policy flexibilities
- » Lower Disenrollment Rates with Policy Automation:
 - A drop from 18-22% monthly disenrollment rate (June – Nov 2023) to 8-10% (Dec to May 2024)
 - Approximately 1.9 million individuals were disenrolled during the Continuous Coverage Unwinding

Medi-Cal New Adult Expansion

- » Effective January 1, 2024; members mandatorily enrolled into managed care, consistent with current policy.
- » On August 1, DHCS published age 26-49 adult expansion population [datasets](#) for the months of January through April 2024 on the California Health & Human Services Agency Open Data Portal.
 - *January 2024* 749,328
 - *February 2024* 763,796
 - *March 2024* 773,985
 - *April 2024* 780,129

Eligibility Policy

- » Asset Elimination effective January 1, 2024
- » Sunset Health Enrollment Navigators, effective June 30, 2024
- » Children's Presumptive Eligibility Portal effective July 1, 2024
- » Newborn Gateway Portal effective July 1, 2024
- » Continuous Coverage for Children, age zero up to 5 years of age
- » Eligibility federal flexibilities – zero income; income up to 100 percent of the federal poverty level

**MCO TAX /
TARGETED PROVIDER RATE INCREASES**



MCO Tax

- » [AB 119 \(Ch. 13, Stat. 2023\)](#) reauthorized a managed care organization (MCO) tax for the tax period of April 1, 2023, through December 31, 2026.
 - DHCS obtained federal approval of the tax in December 2023.

- » The tax amounts were subsequently increased by [SB 136 \(Ch. 6, Stat. 2024\)](#) and [AB 160 \(Ch. 39, Stat. 2024\)](#).
 - DHCS is awaiting federal approval of the amended tax.

MCO Tax

- » The MCO tax helps maintain existing services in the Medi-Cal program with \$6.9 billion in 2024-25, \$6.6 billion in 2025-26, and \$5 billion in 2026-27.
- » The MCO tax supports new targeted Medi-Cal provider rate increases and investments in the amount of \$133 million (State funds) in 2024-25, \$728 million in 2025-26, and \$1.2 billion in 2026-27.
 - Additionally, \$40 million one-time is allocated in 2026-27 to strengthen and support the development and retention of the Medi-Cal workforce.
 - If Proposition 35 on the November 2024 ballot is approved by the voters, the 2024 Budget Act MCO Tax package becomes inoperable.

Provider Rate Increases & Investments (2023-24)

- » \$150 million for the Distressed Hospital Loan Program
- » \$50 million for Small and Rural Hospital Relief for Seismic Assessment and Construction
- » Effective January 1, 2024, DHCS increased rates for targeted services to no less than 87.5 percent of the lowest Medicare rate locality in California:
 - Primary care services, including physician and non-physician professional services.
 - Maternal health services, including obstetric and doula services.
 - Non-specialty mental health services

Provider Rate Increases & Investments (2024-25)

- » Emergency Department Physician Services
- » Reproductive Health and Family Planning
- » Community Health Workers
- » Ground Emergency Medical Transportation
- » Emergency Air Medical Transportation
- » Community-Based Adult Services
- » Congregate Living Health Facilities
- » Pediatric Day Health Centers

Provider Rate Increases & Investments (2025-26)

- » Provider rate increases and investments:
 - Additional increases for primary and specialty physician services
 - Clinic Services and Supports
 - Private Duty Nursing
 - Non-Emergency Medical Transportation
- » The 2024 Budget Act also allocates funding to continuous Medi-Cal coverage for children until the age of five and one-time funding to strengthen and support the development and retention of the Medi-Cal workforce.