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Redesigning California's Medi-Cal Program: Examining the Potential for Cost Savings and Program Improvements

Briefing Paper

This hearing has been scheduled in the wake of the release by the Department of Health Care Services (DHCS) of a concept paper that contemplates significant changes in the state's Medi-Cal program. The concept paper proposes improved management and coordination of care and strengthening the state's safety net. It focuses on the following four groups within Medi-Cal who are the most seriously ill and who do not have a specific method to organize or coordinate their care within Medi-Cal:

- Seniors and persons with disabilities (SPDs)
- Dual eligibles (Those eligible and enrolled in both Medi-Cal and Medicare)
- California Children's Services (CCS)
- Those requiring specialty mental health care.

The concept paper proposes that the state seek federal approval for a new Section 1115 waiver. By way of background, under the federal Medicaid program, certain laws and rules can be waived to grant states greater program flexibility. Medi-Cal is California's version of the federal Medicaid program.

Medicaid waivers

Section 1115 of the Social Security Act allows the Secretary of Health and Human Services to authorize pilot or demonstration projects that can help promote the objectives of the Medicaid programs. Section 1115 waivers are generally used to allow states to institute demonstration projects and provide federal funding that would not normally be eligible under federal law. To avoid Congressional approval, these waivers must be budget neutral over the life of the waiver, meaning that they cannot cost the federal government more than it would normally pay under Medicaid in the absence of the waiver. All waivers are subject to approval by the Centers for Medicare and Medicaid Services (CMS), the Office of Management and Budget and the Department of Health and Human Services.

Waivers allow states more flexibility in their programs. Under waivers, states have instituted new systems of care delivery, expanded service eligibility for non-Medicaid eligible populations and provided services that may not be a covered benefit under Medicaid. States such as Indiana, Massachusetts and Vermont have reformed their health care systems using federal Medicaid waivers. A common element in these state programs has been expansion of eligibility for each state's Medicaid program. However, states have gone beyond eligibility expansions and have combined expansions with additional programs such as investments in prevention, care coordination and management and quality improvements.