

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 4260	Department Health Care Services	Priority No.
Budget Request Name 4260-008-BCP-DP-2016-GB		Program 3960010	Subprogram

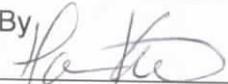
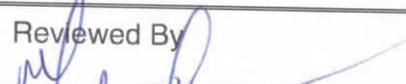
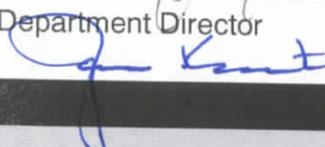
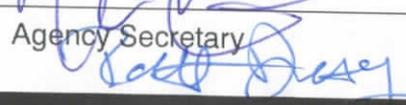
Budget Request Description
 Health Home Program Activities

Budget Request Summary

The DHCS, Managed Care Quality and Monitoring Division (MCQMD), requests three-year limited-term expenditure authority of \$1,031,000 (\$516,000 Federal Fund / \$515,000 Special Deposit Fund), in support of the Health Homes Program (HHP), beginning July 1, 2016. Within the expenditure authority request is a total of \$775,000 (50% Federal Fund/50% Special Deposit Fund) in three-year, limited-term contract expenditure authority.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

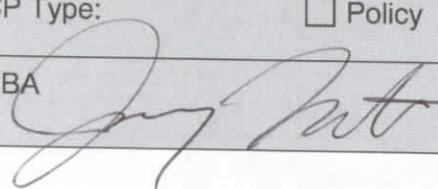
If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By 	Date 1/5/2015	Reviewed By 	Date 1/6/15
Department Director 	Date 1/6/16	Agency Secretary 	Date 1/7/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA 	Date submitted to the Legislature 1-8-16
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BCP Fiscal Detail Sheet

BCP Title: Health Home Program Activities

DP Name: 4260-008-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Temporary Help	0	405	405	405	0	0
Total Salaries and Wages	\$0	\$405	\$405	\$405	\$0	\$0
Total Staff Benefits	0	195	195	195	0	0
Total Personal Services	\$0	\$600	\$600	\$600	\$0	\$0
Operating Expenses and Equipment						
5301 - General Expense	0	36	24	24	0	0
5302 - Printing	0	12	12	12	0	0
5304 - Communications	0	12	12	12	0	0
5320 - Travel: In-State	0	30	30	30	0	0
5322 - Training	0	6	6	6	0	0
5324 - Facilities Operation	0	54	54	54	0	0
5340 - Consulting and Professional Services - External	0	275	275	225	0	0
5344 - Consolidated Data Centers	0	6	6	6	0	0
Total Operating Expenses and Equipment	\$0	\$431	\$419	\$369	\$0	\$0
Total Budget Request	\$0	\$1,031	\$1,019	\$969	\$0	\$0
Fund Summary						
Fund Source - State Operations						
0890 - Federal Trust Fund	0	516	510	485	0	0
0942 - Special Deposit Fund	0	515	509	484	0	0
Total State Operations Expenditures	\$0	\$1,031	\$1,019	\$969	\$0	\$0
Total All Funds	\$0	\$1,031	\$1,019	\$969	\$0	\$0
Program Summary						
Program Funding						
3960010 - Medical Care Services (Medi-Cal)	0	1,031	1,019	969	0	0
Total All Programs	\$0	\$1,031	\$1,019	\$969	\$0	\$0

Personal Services Details

Salaries and Wages

VR00 - Various (Eff. 07-01-2016)(LT 06-30-2019)

Total Salaries and Wages

Staff Benefits

5150350 - Health Insurance

5150600 - Retirement - General

Total Staff Benefits

Total Personal Services

	CY	BY	BY+1	BY+2	BY+3	BY+4
	0	405	405	405	0	0
Total Salaries and Wages	\$0	\$405	\$405	\$405	\$0	\$0
	0	98	98	98	0	0
	0	97	97	97	0	0
Total Staff Benefits	\$0	\$195	\$195	\$195	\$0	\$0
Total Personal Services	\$0	\$600	\$600	\$600	\$0	\$0

Analysis of Problem

A. Budget Request Summary

The Department of Health Care Services (DHCS), Managed Care Quality and Monitoring Division (MCQMD), requests three-year limited-term expenditure authority of \$1,031,000 (\$516,000 Federal Fund / \$515,000 Special Deposit Fund), in support of the Health Homes Program (HHP), beginning July 1, 2016. Included in the request is three-year, limited-term contract funding for a total of \$775,000 (50% Federal Fund/50% Special Deposit Fund): Year 1 \$275,000, Year 2 \$275,000, and Year 3 \$225,000.

B. Background/History

Health Homes Optional Medicaid Benefit Program (HHP)

Assembly Bill (AB) 361 (Mitchell) (Chapter 642, Statutes of 2013, Welfare & Institutions Code (WIC) 14127 et seq.) authorizes DHCS to implement the Affordable Care Act (ACA) Section 2703 optional Medicaid HHP Services benefit for members with chronic conditions with the goal of improved health outcomes from Medi-Cal's most vulnerable beneficiaries. The HHP will provide enhanced care coordination benefits. The authorization to implement is permissive, is not time-limited, and may be based on DHCS's determination of program fiscal and operational viability. DHCS began further analysis and development work on AB 361 in the Spring of 2014. The earliest possible program implementation will be in 2016. Under ACA Section 2703, states may adopt the HHP benefit and receive a 90% federal match for program services for two years. After two years, the federal match converts to 50%. There is no deadline to submit a State Plan Amendment (SPA) for a HHP or to receive the two years of 90% federal funding. Eligible individuals must have one or more chronic conditions. HHP services must be provided by a designated HHP provider, a team of health care professionals operating with such a provider, or a health team, defined in 42 United States Code (USC) Section 256a-1 as a community-based interdisciplinary, interprofessional team. HHP services include comprehensive care coordination and patient and family support.

AB 361 specifies that DHCS may only implement the HHP if prior and ongoing projections show no additional General Fund monies will be used to fund the program's administration, evaluation, and services. DHCS may use General Fund monies to operate the program if ongoing General Fund costs for the Medi-Cal program do not result in a net increase. In January 2013, The California Endowment (TCE), Board of Directors approved a \$25 million commitment in each of the first two years to provide the 10% non-federal match for program services. TCE has not only agreed to provide funding for program services, but also funding for state operations activities (at a 50% FF /50% SDF rate). In addition, TCE is currently providing the non-federal matching funds for an ongoing \$500,000 Title XIX grant from CMS for ACA Section 2703 Health Homes planning, received in 2011.

The California Health Care Foundation (CHCF) is fully funding the Center for Health Care Strategies (CHCS) to assist DHCS with technical assistance on national health home best practices, CMS policy, and a roadmap for program development and decision points.

Senate Bill 75 (Chapter 18, Statutes of 2015) Section 51 established the Health Home Program Account in the Special Deposit Fund within the State Treasury in order to collect and allocate non-General Fund public or private grant funds to be used for HHP implementation.

Per Senate Bill 75 (Chapter 18, Statutes of 2015) Section 52: "The sum of fifty million dollars (\$50,000,000) is appropriated from the Health Home Program Account to the State Department

Analysis of Problem

of Health Care Services for the purposes of implementing the Health Home Program established pursuant to Article 3.9 (commencing with Section 14127) of Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code. Notwithstanding Section 16304 of the Government Code, this appropriation shall be available for encumbrance or expenditure until June 30, 2020.”

**Managed Care Quality and Monitoring Division
Resource History
(Dollars in thousands)**

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15
Authorized Expenditures	21,376	21,376	16,932	20,278	22,336
Actual Expenditures	15,139	15,622	14,647	20,278	22,336
Revenues	N/A	N/A	N/A	N/A	N/A
Authorized Positions	166.9	186.5	156.5	163.0	177.0
Filled Positions	127.6	153.8	135.4	142.4	177.0
Vacancies	39.3	32.7	21.1	20.6	0.0

Workload History

Workload Measure	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16

*This section was intentionally left blank as this BCP creates a new program.

C. State Level Considerations

The HHP is aligned with California Health and Human Services Agency (CHHS) initiatives, which incorporate a Let’s Get Healthy California goal area of Living Well: Preventing and Managing Chronic Disease. One of the recommendations that has come out of these initiatives is to create health homes for persons with multiple chronic conditions.

The initiative focuses on the promotion and sustainability of health homes designed to manage medically complex patients with patterns of high utilization and multiple chronic conditions, who are not in institutions, and could benefit from intensive primary care services. The CHHS initiative is similar to other Health Homes efforts across the country - especially those that focus on high utilizers - and in particular is similar in design to a CMMI-funded California demonstration focused on Medicare beneficiaries (the Intensive Outpatient Care Program).

A primary objective of the HHP and the initiative is successful advancement of the Triple Aim, one of the DHCS’s leading goals: better health, better care, and lower costs. By implementing health homes, the HHP focuses on care coordination, the elimination of negative health outcomes, and effective use and integration of available resources. In the context of the department’s strategic plan, the HHP directly operationalizes the commitments to the people it serves by treating the whole person by integrating care, and by improving prevention and early intervention services. In addition, successful HHP implementation represents a commitment to the public by demonstrating prudent and responsible fiscal stewardship. HHP is to be implemented in the most effective manner possible so it can achieve cost effectiveness, which is required by AB 361 for program continuation.

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D. Justification

It is anticipated that implementing the HHP will reduce state Medi-Cal costs by decreasing avoidable emergency department and inpatient stays, and improving health outcomes for vulnerable Californians. Implementation addresses potential root causes of frequent hospital utilization that could have been avoided with earlier or primary care. Implementation provides state access to 90% enhanced federal funding for eight quarters for health home optional benefits services provided to Medi-Cal beneficiaries. Administrative costs will be funded at current federal medical assistance percentage (FMAP) rate of 50%.

Contract Funding: \$775,000 (50% Federal Fund/50% Special Deposit Fund) total over three-year term

- HHP evaluation
AB 361 Section 14127.5 requires DHCS complete an HHP evaluation within two years after implementation, submit a report to the Legislature, and allow stakeholders to participate in the process to design the evaluation. ACA Section 2703(b) provides federal evaluation requirements, including state reporting on processes that have been developed and lessons learned regarding provision of coordinated care through a health home for Medicaid beneficiaries with chronic conditions under such option.

Current staff classifications and levels do not possess the expertise or experience to perform the HHP evaluation. This would add increased workload resulting in need for more staff and the addition of classification with the appropriate specifications resulting in increased staffing costs. It also may be difficult to find individuals within the new classifications with actual experience performing this type of program evaluation in MCQMD. Hiring an independent auditor provides more objective results and adds credibility to the evaluation. With the high profile nature of this program and interest of stakeholders, including funders, already exhibited, it will be important to have an independent evaluation performed outside of the Department responsible for implementing and monitoring the actual program. UCLA already has experience with program evaluations, working with Medi-Cal programs, and has staff with the appropriate credentials, expertise and experience.

Limited-Term Expenditure Authority Workload:

The requested resources will support the ongoing review and development of operational decisions including program model research, design, implementation; contract development, management and amendments; managing sensitive external relationships with federal government agencies, other state agencies, health care providers, advocates, contracted entities, and other key stakeholder groups. MCQMD is responsible for ensuring the program evaluation is conducted in compliance with federal and state requirements, and for developing any necessary regulations, or SPAs, and obtaining CMS approval for waiver amendments and SPAs.

Analysis of Problem

E. Outcomes and Accountability

The requested resources will enable DHCS to conduct new work efforts with the following expected outcomes:

1. Provision of effective care management and coordination services for an appropriate population of 100,000 to 500,000 Medi-Cal managed care members;
2. Reduction of health care cost by improving the health of program enrollees and reducing negative health outcomes, such as inpatient stays, readmissions, and emergency department utilization;
3. Achievement of fiscal sustainability beyond the two years of enhanced federal funding;
4. Access to federal and other grant funding for DHCS work activities in support of the above outcomes;
5. Alignment with the Triple Aim;
6. Medi-Cal members will potentially experience better health outcomes; and
7. The public health system will realize health care cost savings.

DHCS will utilize ongoing best practices for tracking, measuring, and reporting to the state and CMS on the progress of efforts and their impact on the health care delivery system. DHCS will be responsible for reporting all expenditures as appropriate and required.

Given that the program is not expected to begin implementation until the middle of FY 2016-17, it is premature to provide HHP projected outcomes for the table below. However, the following deliverables are identified for the period prior to implementation:

Required consultation with the Substance Abuse and Mental Health Services Administration, Approved State Plan Amendment, and Medi-Cal Managed Care Contract Amendments.

Projected Outcomes

Workload Items	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21

F. Analysis of All Feasible Alternatives

Alternative 1: Approve three-year limited-term expenditure authority of \$1,031,000 (\$516,000 Federal Fund / \$515,000 Special Deposit Fund) and contract funding.

Pros:

- Will potentially reduce state Medi-Cal costs by decreasing avoidable emergency department and inpatient stays for vulnerable Californians with multiple chronic conditions and patterns of high utilizations and cost.
- Provides more federal funding and results in timely general fund savings through the implementation of the program by reducing overall Medi-Cal utilization and cost.
- Provides the necessary resources to implement the best and most effective program possible, which is critical to achieving cost effectiveness.
- Provides the state resources required to ensure comprehensive and meaningful required stakeholder engagement and participation.

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- Will augment staffing to allow for the development of metrics and validation of the success of the program which aims to improve public health.
- Align with the Triple Aim of improving outcomes, providing better patient care, and lowering costs.
- The requested resources have no general fund impact. The resources are fully funded with federal and state match provided by various foundations.

Cons:

- Creates a new program in state government.
- Increase state staffing levels.

Alternative 2: Establish expenditure authority to be used for contract services only.

Pros:

- Meets Administration goal of implementation of program.
- Achieves program planning and implementation work activities without the establishment of ongoing state program infrastructure.

Cons:

- Limits ability of the department to provide program oversight, evaluation, and reporting.
- Any contractor activities not completed must be absorbed by redirected state staff.
- DHCS may not be able to comply with time requirements of Assembly Bill 361
- Would result in increased cost of the program due to increased contract service costs.
- Would result in reduced geographic implementation in California and/or narrowing of eligibility criteria to decrease the number of Medi-Cal beneficiaries served to operate within budgetary constraints of increased contract service costs.

Alternative 3: Do not approve additional expenditure authority.

Pros:

- No additional state infrastructure would be created to implement HHP.

Cons:

- DHCS may not be able to comply with requirements of Assembly Bill 361.
- Lost opportunity to obtain allowable FFP for eligible Medi-Cal beneficiaries with high service utilization and costs.
- Loss of potential savings to state Medi-Cal costs through the implementation of the health homes program and enhanced care coordination for vulnerable Californians with multiple chronic conditions and patterns of high utilizations and cost.
- Loss of additional private foundation funding for positions and consultants.
- Existing MCQMD staff will carry heavy workloads and will be unable to adequately perform or complete existing workload or other assigned high-priority projects.

G. Implementation Plan

The following are the general DHCS work activity milestones for this project:

- August/November 2014, April/July-November 2015: Develop and conduct processes to ensure stakeholder engagement and participation. It is anticipated that stakeholder engagement will continue throughout the SPA development and initial phases of implementation in each geographic area. AB 361 allows for stakeholder participation in

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the department's design process for the required program evaluation, and requires the department to consider consultation with stakeholders on the development of the geographic criteria, beneficiary eligibility criteria, and provider eligibility criteria for any related SPAs.

- 10/1/15 – 3/31/16: Develop and obtain approval for any necessary waiver amendment or SPA. Submit the first proposed SPA, for implementation in a specified initial geographic region(s). Additional SPA submissions may be needed for each additional geographic program implementation.
- 10/1/15 – 6/30/16: Establish a contract and parameters for program evaluation. Per AB 361, DHCS must complete a HHP evaluation within two years after implementation, submit a report to the Legislature, and allow stakeholders to participate in the process to design the evaluation.
- January 2016: Ongoing rate development activities over at least three annual rate development cycles, depending on staging of geographic implementations; liaising with contractor as necessary.
- Mid FY 2016-17: Implementation of the health home optional benefit.
- Calendar year 2019: Adopt emergency regulations no later than two years after implementation of the HHP.

H. Supplemental Information

DHCS requests expenditure authority for one contract in support of the HHP from 7/1/2016-6/30/2019. The contract began in FY 2015-16 based on funding authorization established in SB75. This BCP requests expenditure authority for the remainder of the contract terms:

- \$775,000 (50% Federal Fund/50% Special Deposit Fund) in HHP evaluation funding. The state share will be provided by The California Endowment, a non-profit foundation.

I. Recommendation: Alternative 1

Approve the limited-term expenditure authority and contract services. This alternative is the best option for the most efficient use of available grant funding (reimbursement from non-profit foundation) for state resources and contracts to accomplish the development and implementation of HHP pursuant to AB 361 and ACA Section 2703. This option makes use of funding (reimbursement from non-profit foundation) to provide sufficient resources to effectively implement a program that addresses chronic and complex health conditions through a "whole person" approach, while achieving the department's triple aim goals of improved patient care, improved health, and reduced per person total costs thereby resulting in a cost savings to the state Medi-Cal program.

WORKLOAD STANDARDS
Managed Care and Quality Monitoring Division
Policy and Medical Monitoring Branch, HHP Section
Three-Year Limited-Term Expenditure Authority (7/1/2016 - 6/30/2019)

Activities	Number of Items (Annual)	Hours per Item	Total Hours
Provides program and administrative direction to first level management staff and contract activities.	12	45	540
Directs the development program planning, program policies and procedures in collaboration with Division Chief. Negotiates with CMS on waiver, SPA development, and implementation of the program.	12	15	180
Conducts workgroups with internal and external stakeholders, including providers, managed care plans, state agencies, and CMS.	12	15	180
Directs the preparation of issue memos, discussion documents, reports, federal audits, and amendments to the federal control documents for the program, waiver and SPA development.	12	10	120
Participates in recurring teleconferences and meetings with internal and external stakeholders, Stakeholder Advisory Committee, advocate groups, provider associations, state agencies, and federal agencies.	12	10	120
Directs and reviews legislative bills and provides operational input, providing consultation to legislative staff as necessary.	12	10	120
Manages and monitors the recruitment process and level of staff resources, training opportunities of staff, employee performance evaluations, and overall staff development.	12	9	108
Directs development of procedures and goals necessary for implementation of the HHP which involves new federal funding methodologies, performance measuring systems and evaluation process, integrity checks, progress reporting, and monitoring with federal and state requirements.	12	10	120
Consults with legal staff and other divisions as necessary, on development, implementation and interpretation of program requirements.	12	12	144
Oversees development of implementation timelines and objective measures of success.	12	10	120
Serves as DHCS' representative at meetings, hearings, and conferences with stakeholders.	12	2	24
Communicates regularly with Executive Staff on issues and implementation progress of HHP.	24	1	24
Total hours worked			1,800

WORKLOAD STANDARDS
Managed Care and Quality Monitoring Division
Policy and Medical Monitoring Branch, HHP Section
Three-Year Limited-Term Expenditure Authority (7/1/2016 - 6/30/2019)

Activities	Number of Items (Annual)	Hours per Item	Total Hours
Collaborates with internal and external State and federal entities related to implementation of HHP.	12	10	120
Consults with and provides technical assistance to stakeholders.	12	10	120
Oversees and directs all activities associated with project management, contract management, consultant management, stakeholder engagement.	12	16	192
Oversees and directs program model research and design, waiver and SPA amendment development, program evaluation;	12	20	240
Coordinates ongoing consultation with CMS to ensure compliance with all applicable statutes and regulations.	12	5	60
Monitors and develops program process to ensure compliance, including with statutes and deadlines.	12	6	72
Assists in development and implementation of stakeholders/advocates process for gathering input on the program implementation activities.	12	5	60
Consults with and advises other program and management staff on HHP policy and issues.	12	8	96
Develops program policy recommendations and memoranda.	45	5	225
Directs and reviews budget development related to HHP; BCC's, BCPs Budget Drills, MC Estimates, Policy Changes.	12	15	180
Reviews and interprets state and federal documents related to HHP, and review staff interpretation and implementation of changes to controlling documents. Directs and reviews legislative bills and provides operational input, providing consultation to legislative staff as necessary.	20	8	160
Presents major program issues/recommendations to management for discussion and decision.	24	5	120
Oversees and directs all activities associated with CMS periodic reporting requirements.	4	10	40
Performs all supervisory responsibilities including the recruitment, training and evaluation of staff, assignment and prioritization of work, review and approval of completed staff work.	12	10	120
Total hours worked			1,805

WORKLOAD STANDARDS
Managed Care and Quality Monitoring Division
Policy and Medical Monitoring Branch, HHP Section
Three-Year Limited-Term Expenditure Authority (7/1/2016 - 6/30/2019)

Activities	Number of Items (Annual)	Hours per Item	Total Hours
Research, analyze, and develop program model research and design, draft waiver and SPA amendments, draft requirements, policies, and procedures to develop and implement HHP, including include statutes, regulations, provider bulletins, policy letters, manuals, and other instructions and communications to stakeholders.	13	100	1,300
Monitor HHP programs for compliance with applicable state and federal requirements; review reports generated by programs to determine compliance.	10	30	300
Develops contracts and contract amendments for HHP.	10	30	300
Communicate with, and provide ongoing technical assistance and support to stakeholders.	52	9	468
Respond to email inquiries from internal and external parties regarding the HHP.	48	10	480
Review, track, and provide guidance to stakeholders on necessary revisions to all deliverables that are required by CMS as part of the HHP implementation process.	220	10	2,200
Write quarterly progress reports.	4	14	56
Acts as liaison with entity chosen to evaluate HHP.	26	2	52
Facilitate the provider technical assistance (TA) for in depth individual primary care practice transformation assistance.	12	20	240
Total hours worked			5,396

WORKLOAD STANDARDS
Managed Care and Quality Monitoring Division
Policy and Medical Monitoring Branch
Three-Year Limited-Term Expenditure Authority (7/1/2016 - 6/30/2019)

Activities	Number of Items (Annual)	Hours per Item	Total Hours
Research and independently plan and perform complex and comprehensive analysis to improve program policy. Independently research and analyze State and federal laws and policies related to HHP. Gather information and data, evaluate alternative strategies, and provide reports and recommendations.	12	40	480
Monitor, recommend, and develop policies and procedures for optimal program functionality. Draft policy letters and notices.	12	4	48
Develop processes and procedures necessary to implement HHP and deliverables necessary for federal approvals and ongoing requirements. Work closely with stakeholders and managed care plans (MCPs).	1	500	500
Participate in discussion with eligible government entities and stakeholders regarding the implementation and ongoing administration of the HHP related to federal claiming and compliance with federal Medicaid law.	4	4	16
Develop processes and procedures for submitting requests for a waiver amendment(s) and SPA(s) for HHP.	4	125	500
Develop contractor requirements and contract language in consultation with legal staff and other internal partners in addition to MCPs.	4	40	160
Participate in the selection process for the independent evaluator. Collaborate with the independent evaluator, stakeholders, and MCPs in developing the program evaluation and assists in the development of quantifiable, measureable tools and processes to ensure accurate and streamlined reporting.	48	2	96
Total hours worked			1,800