

State Budget Proposed Medi-Cal Budget



L.A. Care
HEALTH PLAN[®]

For All of L.A.

Budget Summary

- The Administration projects a \$54B budget deficit.
- In accordance with state law, the Legislature has until June 15th to submit its budget to the Governor for final review and enactment by July 1st.
- The Administration has proposed substantial cuts to the Medi-Cal program to accommodate the budget deficit.
- The cuts are categorized in two buckets:
 - Some cuts are ‘triggered’ - in the event of federal aid in another COVID related stimulus or relief package directed to states, these cuts will be restored.
 - Cuts not labeled as ‘triggered’ are assumed to be unaffected by any federal aid related to COVID.
- The Medi-Cal budget is \$99.5B in 2019-20 and \$112.1B in 2020-21.



Medi-Cal Budget Proposal Highlights

- Expansion of Medi-Cal enrollment
 - Pre pandemic 12.9M enrollees
 - July 2020 estimate 14.5M - *this is highly unlikely until later based on Medi-Cal applications at County DPSS offices.*
- Medi-Cal rate reductions
 - 1.5% reduction in Medi-Cal Managed Care Plans (MMP) rates retroactive to July 2019 through December 2020 - the bridge period. CA is moving to a calendar fiscal year for Medi-Cal rating from a July to June fiscal year.
 - Reduction applies to **major** aid categories - Adult, Child, Optional Expansion, and SPD. Maternity, behavioral health, and Hepatitis C supplemental payments are not impacted. Also, CCI is not impacted.
 - The State is implementing a risk corridor, both upside and downside, for the entire bridge period across all categories of aid excluding CMC. It will be symmetrical with tiered risk bands calculated using the medical portion of the rate.
 - Beginning 1/2021, the profit/risk margin in the DHCS capitation rates will be reduced from 2% to 1.5%.
- L.A. Care has determined there will be no retroactive provider reimbursement cuts to accommodate the 1.5% plan retroactive rate reduction



Future Rate Calculation Changes

Hospitals: *the following cuts are NOT triggered*

- Beginning 1/1/2021 implementation of an inpatient maximum fee schedule for Managed Care Plans equal to FFS inpatient rates (APR DRG).
 - Applicable to all private and district municipal hospitals
 - Does not apply to County or UC hospitals
 - No impact on directed payments or IGTs
- Implement a Low Acuity Non-Emergent (LANE) Services Efficiency Adjustment - focus is on ER visits that could have been avoided if effective outreach, care coordination, and access to preventive care, had been available.
- Healthcare Common Procedure Coding System (HCPCS) Efficiency Adjustment
 - The HCPCS efficiency adjustment identifies opportunities for MCP savings by identifying historical contracting/payment levels that can be reduced in future prospective periods. This efficiency adjustment promotes improved contracting with providers for clinician-administered drugs billed via HCPCS codes. Medicare payment rates serve as the benchmark.



Future Rate Calculation Changes

Doctors: *The following cuts are triggered*

- Redirection of Prop 56 supplemental payments and programs
 - Eliminates \$1.2B in Prop 56 supplemental payments for physician, dental, family health services, developmental screenings, non emergency medical transportation, value based payments and loan repayments for physicians and dentists.
 - Funds will be shifted to fund increased Medi-Cal enrollment from high unemployment.
 - Maintains \$67M for home health providers, pediatric day health care facilities, pediatric sub acute facilities, AIDS waiver supplemental payments, already awarded physician and dental loan repayments and trauma screenings.
- Certain specialty services are entirely eliminated (see slide 10)



Future Rate Calculation Changes

- **Skilled Nursing Facilities**

- Effective 3/1/2020, a 10% rate increase for SNFs and ICF-DDs during the pandemic.
- Increase will apply to all contracted SNF providers whose payment rates are currently paid as a percent of Medi-Cal FFS.
- We are expecting increased revenue from DHCS to cover the FFS rate increase for the duals, but not for the non-duals.

- **FQHCs**

- ***this cut is NOT triggered:*** Withdraw of supplemental payment pool for non-hospital 340B clinics
- ***this cut is triggered:*** Eliminate the FQHC's ability to carve out some services such as dental and pharmacy out of their rates.

- **IHSS:** *this cut is triggered*

- Service hours to IHSS beneficiaries will be cut by 7%.



Community Based Adult Services (CBAS) & Multipurpose Senior Services (MSSP) Programs

These cuts are triggered

- CBAS eliminated 1/1/2021
 - CBAS offers services to eligible older adults and/or adults with disabilities to restore or maintain their optimal capacity for self-care and delay or prevent inappropriate or undesirable institutionalization.
- MSSP eliminated 7/1/2020
 - MSSP provides Home and Community-Based Services to Medi-Cal eligible individuals who are 65 years or older and disabled as an alternative to nursing facility placement.



Benefits Eliminated For Adult Medi-Cal Beneficiaries

These cuts are triggered

- Physical therapy
 - Occupational therapy
 - Speech therapy
 - Audiology
 - Optometry
 - Incontinence creams and washes
 - Podiatry
 - Acupuncture
 - Diabetes prevention program
 - Nurse anesthetist services
 - Intervention and referrals for opioid treatment
 - Some dental services
- These do NOT apply to children, beneficiaries in long term care, beneficiaries receiving pregnancy related services, or those who receive services in FQHC or RC settings.



CalAIM

This proposal is NOT triggered

- The ambitious program proposed to begin 2021 has been postponed indefinitely. New benefits on hold:
 - Enhanced care management
 - In Lieu of Services
 - Population Health Management
- Health Homes is still set to expire on 12/31/21 – the originally intended timeline.
- Whole Person Care may be continued through 2021 pending CMS approval of 1115 waiver extension request.
- The Prescription Drug Carve Out will be implemented as planned 1/1/2021



L.A. Care Action To Date

- Accelerated claims payments to hospitals and Skilled Nursing Facilities
- Advanced incentive payments to providers for P4P for 2020
- Community Health Investment Fund (CHIF)
 - Advanced payments for previously awarded grants to clinics and CBOs
 - Targeted grants to support programs for homelessness and hunger
- L.A. Care has determined there will be no retroactive provider reimbursement cuts to accommodate the 1.5% plan retroactive rate reduction
- L.A. Care has taken a leadership role in advocating for another federal stimulus or relief funding advocating for:
 - Up to \$190B in funding to State Medicaid programs for recession relief
 - Elimination of Medicaid Fiscal Accountability Regulation (MFAR) proposed rules
 - Presumptive eligibility for Medi-Cal enrollees at point of application
 - Rollback of Public Charge rules that went into effect 2/24/20





Financial Update

Board of Governors Meeting

June 4, 2020



Agenda

Financial Performance

- Membership
- Consolidated Financial Performance
- Operating Margins by Segment
- Key Financial Ratios
- Tangible Net Equity & Days of Cash On-Hand Comparison
- **Other Financial Updates**
 - Investment Transactions

Membership

for the 7 months ended April 2020

Sub-Segment	April 2020			Year-to-Date		
	Actual	4+8 FCST	Variance	Actual	4+8 FCST	Variance
Plan Partners	962,910	958,887	4,023	6,734,883	6,743,438	(8,555)
SPD/CCI	224,134	219,614	4,520	1,544,683	1,544,136	547
TANF/MCE	831,146	820,776	10,370	5,757,763	5,754,894	2,869
CMC	16,531	16,336	195	114,326	113,800	526
Commercial	138,849	131,143	7,706	915,474	898,426	17,048
Consolidated	2,173,570	2,146,756	26,814	15,067,129	15,054,694	12,435



Consolidated Financial Performance

for the 7 months ended April 2020

April 2020		Year-to-Date		
Actual	(\$ in Thousands)	Actual	4+8 FCST	Variance
2,173,570	Member Months	15,067,129	15,054,694	12,435
\$698,909	Total Revenues	\$4,865,048	\$4,864,796	\$251
\$621,364	Total Healthcare Expenses	\$4,520,163	\$4,551,136	\$30,972
\$77,545	Operating Margin	\$344,885	\$313,661	\$31,224
\$41,199	Total Admin Expenses	\$264,831	\$261,430	(\$3,402)
\$36,346	Income from Operations	\$80,053	\$52,231	\$27,822
\$5,645	Non-Operating Income (Expense)	\$7,705	\$1,508	\$6,196
\$41,991	Net Surplus (Deficit)	\$87,758	\$53,739	\$34,019

Operating Margin by Segment

for the 7 months ended April 2020

(\$ in Thousands)

	Medi-Cal Plan Partners	Medi-Cal SPD/CCI	Medi-Cal TANF/MCE	CMC	Commercial	Total
Revenue	\$1,754,540	\$1,197,090	\$1,447,311	\$155,778	\$310,329	\$4,865,048
Healthcare Exp.	\$1,669,419	\$1,133,595	\$1,302,235	\$142,075	\$272,840	\$4,520,163
Operating Margin	\$85,122	\$63,495	\$145,076	\$13,702	\$37,489	\$344,885
MCR %	95.1%	94.7%	90.0%	91.2%	87.9%	92.9%
Forecast MCR%	95.0%	95.6%	91.0%	98.3%	86.5%	93.6%

Key Financial Ratios

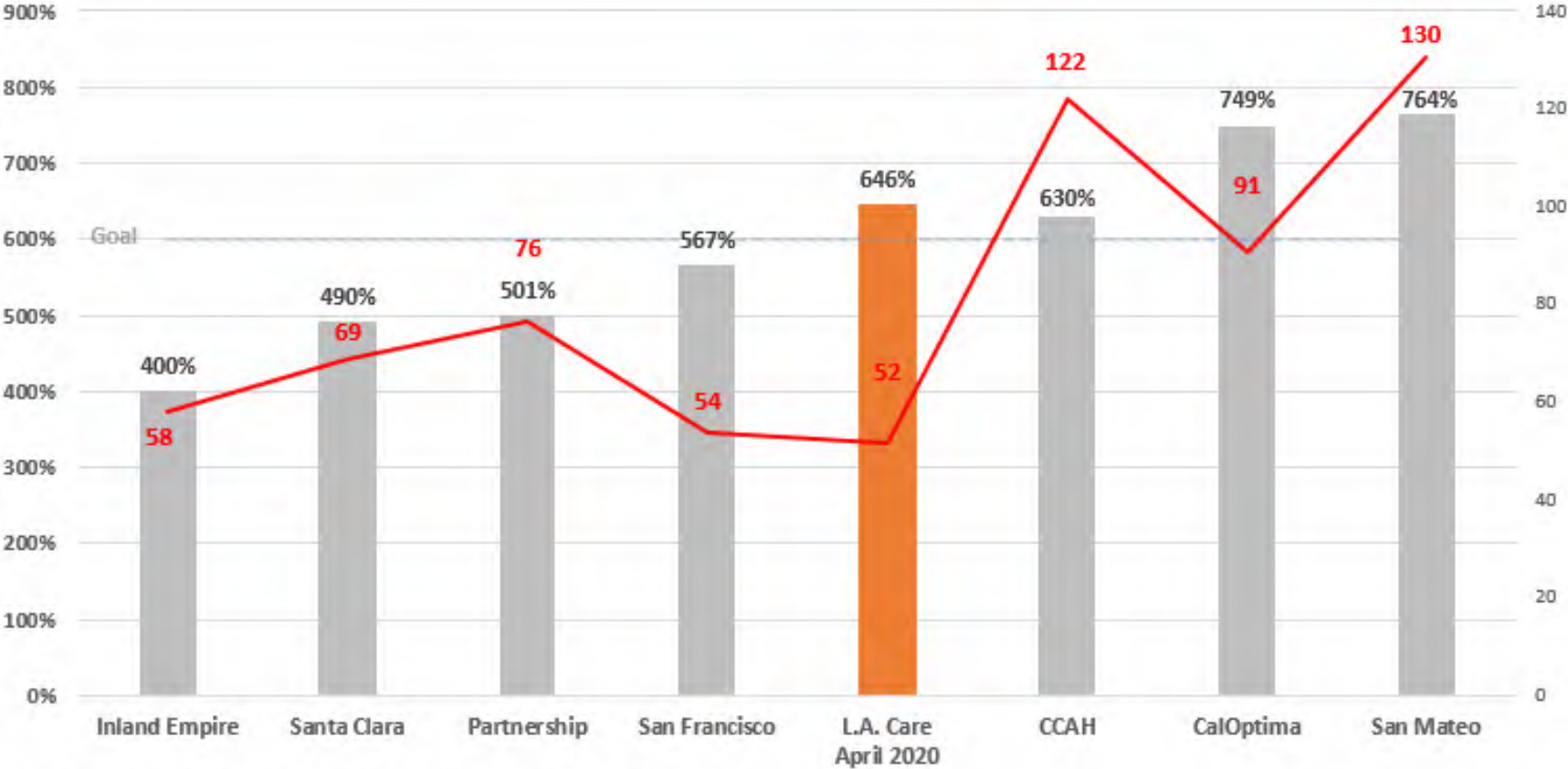
for the 7 months ended April 2020

	Actual	Forecast	
MCR	92.9%	vs. 93.6%	✓
Admin Ratio	5.4%	vs. 5.4%	✓

	Actual	Benchmark	
Working Capital	1.29	vs. 1.00+	✓
Cash to Claims	0.71	vs. 0.75+	✗
Tangible Net Equity	6.46	vs. 1.30+	✓

Tangible Net Equity & Days of Cash On-Hand

for the 7 months ended April 2020



• As of March 2020 Quarterly filings, unless noted otherwise.

Questions & Consideration

Motion FIN 103

- To accept the Financial Reports for the seven months ended April 30, 2020, as submitted.

Informational Items

Investment Transactions

- As of April 30, 2020, L.A. Care's total investment market value was \$2.0B
 - \$1.7B managed by Payden & Rygel and New England Asset Management (NEAM)
 - \$72M in Local Agency Investment Fund
 - \$176M in Los Angeles County Pooled Investment Fund