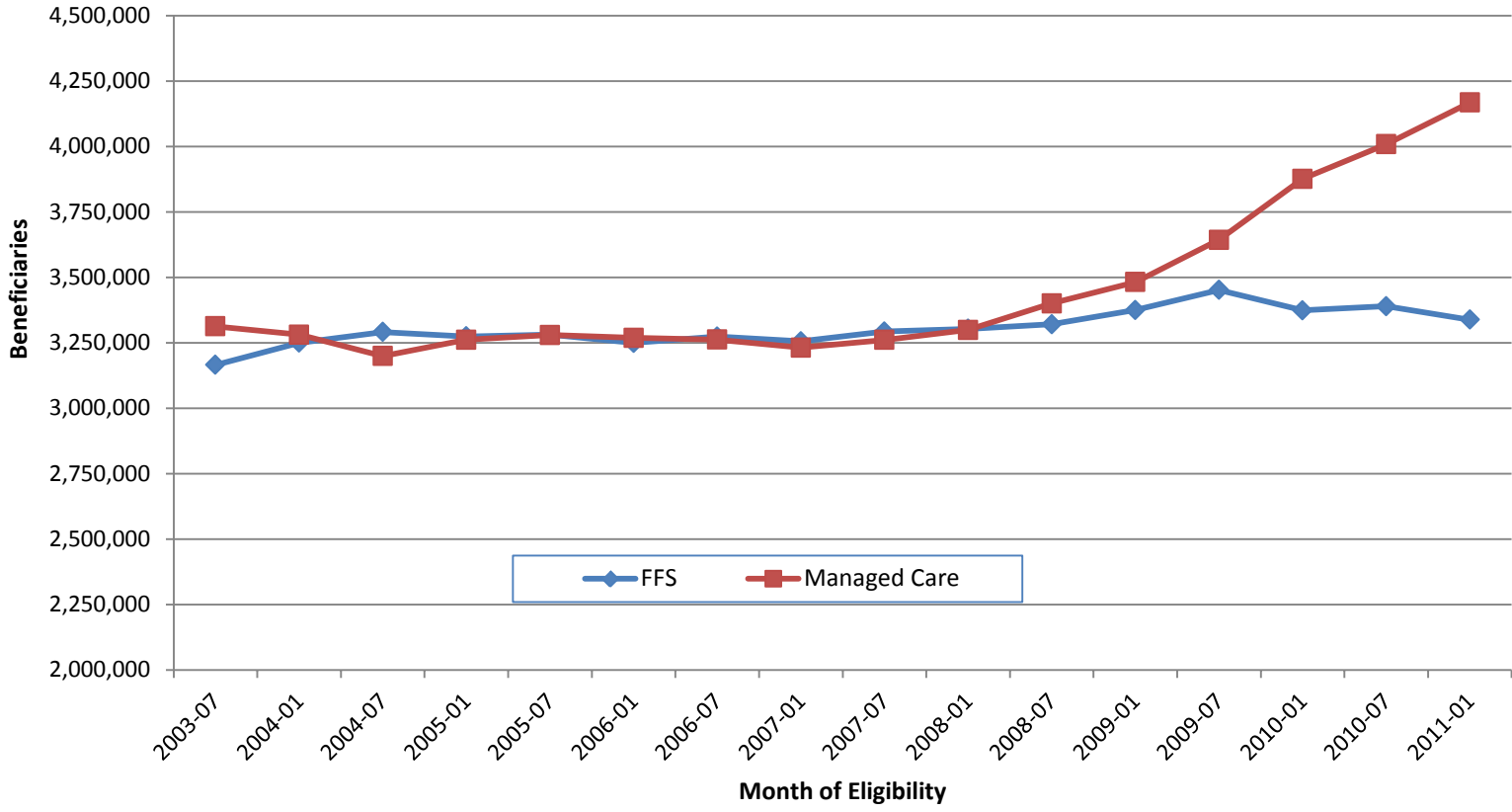


Medi-Cal Managed Care

FSSB

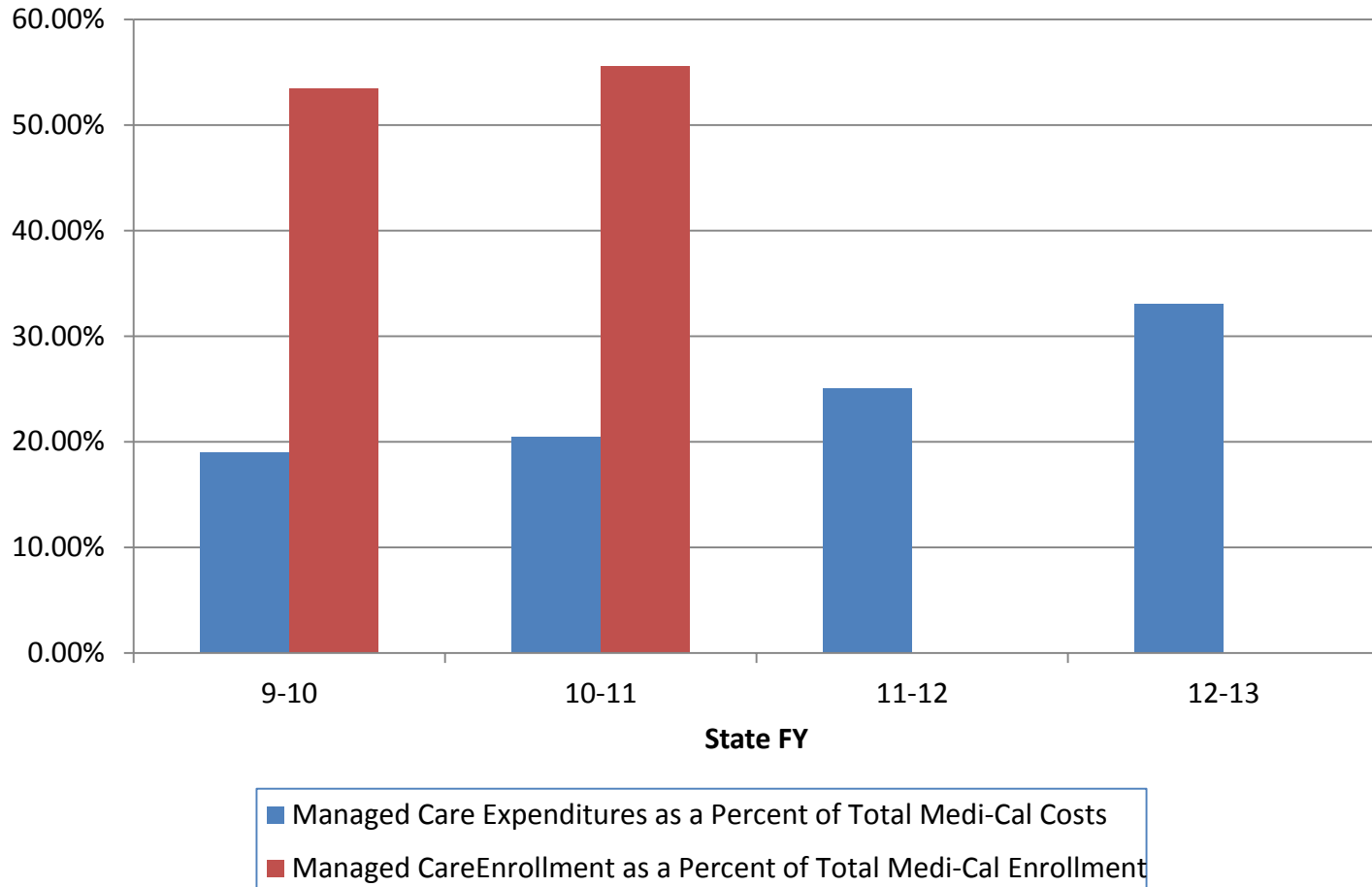
May 10, 2012

Trend in Medi-Cal Program Enrollment by Managed Care Status



Source: DHCS, Trend in Medi-Cal Program Enrollment by Managed Care Status for FY 2003-2010

Managed Care Enrollment and Expenditures as a Percent of Total Medi-Cal Enrollment and Expenditures



Source: DHCS, Trend in Medi-Cal Program Enrollment by Managed Care Status for FY 2003-2010; DHCS Local Assistance Estimate, May 2009, May 2010, May 2011, and November 2011.

Medi-Cal AID Categories

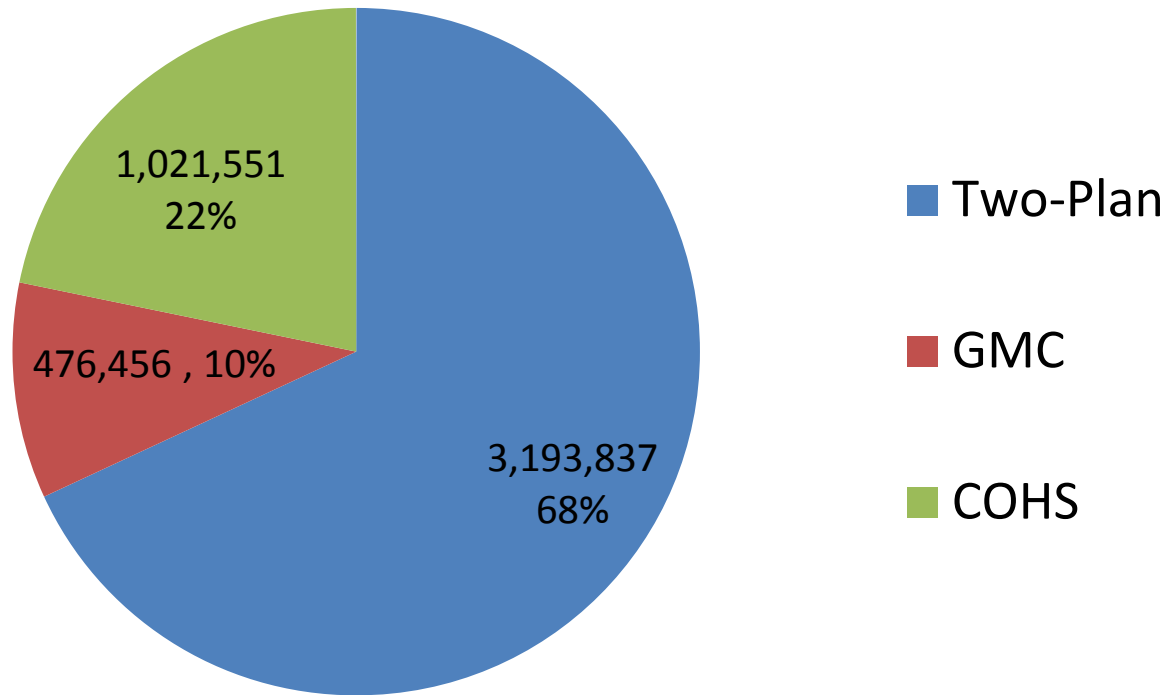
- Adult and Family
 - Majority of beneficiaries
 - Mostly moms and kids
 - Medi-Cal is the source of coverage for one in three California children and pays for forty-six percent of all births in California¹
 - Traditional managed care member
 - Majority subject to mandatory managed care enrollment
- Seniors and Persons with Disabilities (SPD's), Medi-Cal only
 - Older, less healthy
 - Traditionally only 3-8% of membership
 - Previously - voluntary managed care enrollment
 - All being transitioned to managed care

¹Source: Medi-Cal Facts and Figures, September 2009, California HealthCare Foundation

Medi-Cal AID Categories

- Duals (Medicare/Medi-Cal)
 - Few current members
 - Will be transitioned to Managed Care
- Few other AID categories such as Share of Cost – not enrolled in Managed Care

Medi-Cal Managed Care Enrollment (Dec 2011)



Managed Care Models

- Two-Plan

- Beneficiaries offered a choice of 2 plans
- Majority of managed care beneficiaries
- State contracts with 2 plans
 - Local Initiative – locally organized, established by county Board of Supervisors
 - Commercial Plan such as Health Net or Anthem Blue Cross
- 14 Two-Plan counties

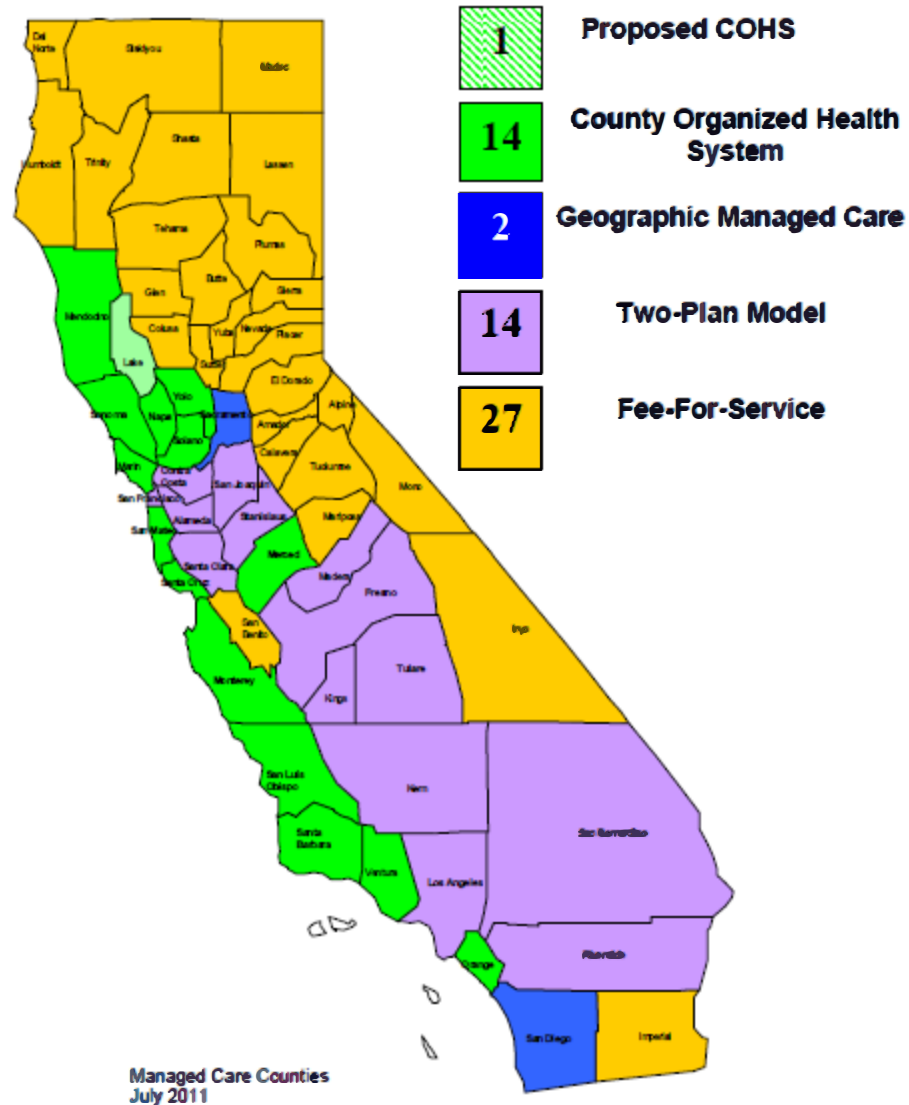
Managed Care Models

- GMC
 - Multiple commercial plans permitted to operate in the county
 - Exists in 2 California Counties – Sacramento and San Diego
 - Beneficiaries offered a choice of 4 plans in Sacramento and 5 plans in San Diego

Managed Care Models

- County Organized Health System (COHS)
 - Local agencies created by the County Board of Supervisors
 - All Medi-Cal beneficiaries in the county are enrolled in the COHS
 - Responsible for, and at risk for, providing more services than Two-Plan and GMC models
 - 6 COHS operating in 14 counties (some COHSs operate in multiple counties).

Managed Care Counties



Managed Care Enrollment Dec 2011

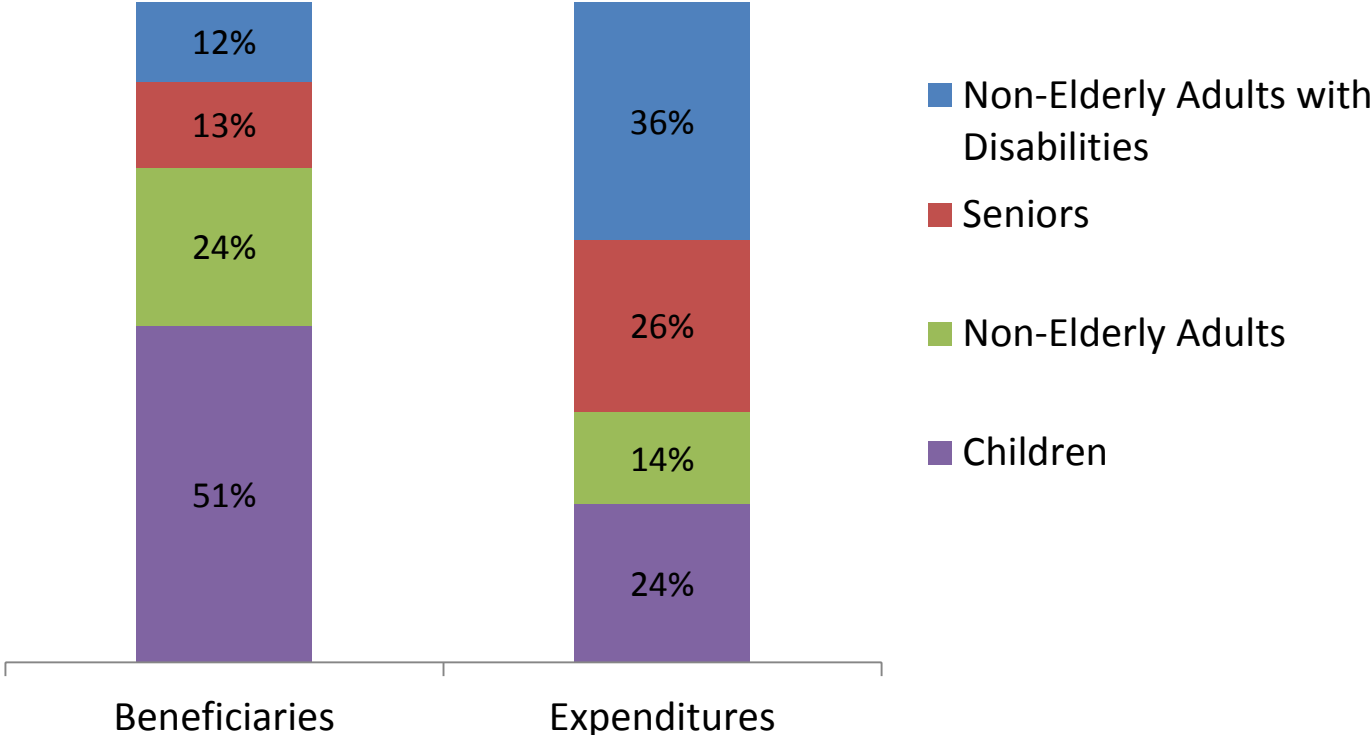
Model	County	Plan	Enrollment
Two-Plan	Alameda	Alameda Alliance for Health	118,863
		Anthem Blue Cross	33,798
	Contra Costa	Contra Costa Health Plan	72,497
		Anthem Blue Cross	12,315
	Fresno	CalViva Health	146,370
		Anthem Blue Cross	76,758
	Kern	Kern Family Health	114,385
		Heath Net	38,658
	Kings	CalViva Health	13,311
		Anthem Blue Cross	10,431
	Los Angeles	LA Care	956,239
		Health Net	472,361
	Madera	CalViva Health	17,934
		Anthem Blue Cross	10,839
	Riverside	Inland Empire Health Plan	220,353
		Molina Healthcare	42,177
	San Bernardino	Inland Empire Health Plan	249,809
		Molina Healthcare	57,609
	San Francisco	San Francisco Health Plan	50,819
		Anthem Blue Cross	13,523
	San Joaquin	Heath Plan of San Joaquin	92,845
		Anthem Blue Cross	28,952
	Santa Clara	Santa Clara Family Health	112,348
Anthem Blue Cross		34,459	
Stanislaus	Anthem Blue Cross	55,125	
	Health Net	26,551	
Tulare	Anthem Blue Cross	70,862	
	Health Net	43,646	
Total Two-Plan Enrollment			3,193,837

Model	County	Plan	Enrollment	
GMC	Sacramento	Anthem Blue Cross	95,391	
		Health Net	61,197	
		Kaiser Foundation	28,107	
		Molina Healthcare	34,023	
	San Diego	Care 1st Health Plan	25,487	
		Community Health Group	115,733	
		Health Net	35,489	
		Kaiser	13,862	
			Molina Healthcare	67,167
	Total GMC Enrollment			476,456
COHS	Marin	Partnership Health Plan of CA	17,371	
	Mendocino		20,334	
	Napa		14,459	
	Solano		62,747	
	Sonoma		54,566	
	Yolo		26,899	
	Merced	Central California Alliance for Health	74,108	
		Monterey		73,029
	Santa Cruz		35,023	
	Santa Barbara	CenCal	64,513	
	San Luis Obispo		28,903	
	Orange	CalOptima	382,644	
	San Mateo	Health Plan of San Mateo	62,055	
Ventura	Gold Coast Health Plan	104,900		
Total COHS Enrollment			1,021,551	
Subtotal for Two-Plan, GMC and COHS			4,691,844	

Managed Care Enrollment

- Subcontracting Relationships
 - LA Care
 - Anthem Blue Cross
 - Care1st
 - Kaiser
 - Health Net – LA
 - Molina
 - Molina – Riverside and San Bernardino
 - Health Net

Beneficiaries and Cost



Source: Medi-Cal Facts and Figures, September 2009, California HealthCare Foundation

Medi-Cal Managed Care

- Managed care carve outs (FFS risk)
 - CCS services
 - Mental Health
 - Long Term Care
 - Certain transplants

Medi-Cal Managed Care

- Delivery Networks
 - Variety of reimbursement methods
 - Areas such as LA
 - Majority of professional services are delegated (capitated) to full risk medical groups and IPA's
 - Large amount of delegated full risk hospital capitation
 - Risk share agreements between groups and hospitals
 - Global subcontracting
 - Areas such as the Central Valley
 - Some capitation, mostly FFS (plans at full risk)

Medi-Cal Managed Care

- Delivery Networks
 - Generally – More cap in S. Calif and more FFS in N. Calif
 - PCP cap only with risk sharing – mostly N. Calif and Central Valley
 - Delegated group compensation to providers varies
 - Plan to Plan subcontracts
 - FQHC's starting to request capitation

Seniors and Persons w/Disabilities (SPDs)

- Close to 400,000 high cost, high acuity SPDs transitioned to managed care from June 2011 to May 2012
- High dollar exposure – 4 to 5 times the standard family member
- Most plans appear to be experiencing MLRs in excess of 100% on the new transitioning SPDs
- Many delegated providers are beginning to experience losses on transitioning SPDs

Seniors and Persons w/Disabilities

- Rates were based on FFS base costs adjusted for anticipated managed care efficiencies
- Risk score acuity adjusted, based on current SPD managed care risk relative to FFS SPD risk
 - Ranged from .905 in San Diego (FFS acuity approximately 10% higher than existing managed care) to 1.126 in Tulare (existing managed care acuity approximately 13% higher than FFS)
 - In rural counties, higher risk SPDs supposedly already in managed care

Seniors and Persons w/Disabilities

- Costs for SPD beneficiaries were anticipated to decrease over time with implementation of managed care policies and procedures
- Taking much longer than anticipated for plans and providers to assess and develop care plans for new SPDs
- Not yet experiencing anticipated cost reductions

Managed Care Factors Applied to SPD FFS Costs to Determine Managed Care Rates

	Utilization	Unit Cost
Inpatient Hospital	0.750	1.069
Outpatient Hospital	0.875	0.851
ER	0.750	1.091
LT Care	0.400	1.391
Primary Care	1.250	0.793
Specialty	1.050	0.965
FQHC	1.000	0.523
Other Medical Prof	1.250	1.053
Pharmacy	1.100	0.650
Lab and Radiology	1.050	1.050
Transportation	0.750	1.050
All Other	1.000	1.000

Financial Pressures on Medi-Cal Managed Care Plans and Providers

- Transitioning from traditional moms and kids to an older and less healthy population
- Absorbing the SPD population
- Transition of ADHCs (CBAS) to managed care
- Transition of Medi-Medis to managed care
- Potential transition of Healthy Families to Medi-Cal (approximately 26% reduction in funding)
- Fewer managed care carve outs (for example – no CCS carve out for higher acuity adults)

Financial Pressures on Medi-Cal Managed Care Plans and Providers

- AB 97 cuts – 10% reduction, copays, benefit limits
- Health Exchange and/or Basic Health Plan(BHP) impact on Medi-Cal managed care plans
- FQHC reimbursement change
- Preparing for the 133% (ACA impact will be to add approximately 2 million new Medi-Cal beneficiaries with unknown costs)
- Transition of remaining 28 California counties to managed care

Medi-Cal Managed Care Rate Development Process

- Rate set by DHCS
 - Mercer certifies as actuarially sound
- Detailed rate development template filed by each plan
 - Base data – prior fiscal year
 - Details utilization and unit cost by category of service, for each AID category
 - Expected trends
- Anticipated program changes
- Efficiency adjustments
- Maternity kick payment
- Admin/profit

Medi-Cal Managed Care Rate Development Process

- Mercer Low, Mid, High actuarial range
 - Plans paid at low range
- Risk adjusted county average rate
 - Medicaid Rx
 - Assigns risk scores to beneficiaries based on pharmacy data
 - Aggregate risk score applied to county average rate
 - Blend plan specific (75%) and risk adjusted county average rate (25%)

Medi-Cal Managed Care Rate Development Process

- Efficiency adjustments
 - Potentially preventable admissions (PPA)
 - MAC pharmacy pricing
 - Low Acuity non emergent visit (LANE)
- Timing
 - 2 year lag from base data
 - For example, Two-Plan 2010 calendar year base data filed late in 2011 and is then used to determine rates for the rate period October 2012 to September 2013

Medi-Cal Managed Care Rate Development Process

- Flow thru add-ons to rates -
 - Rates can appear to be much higher than they really are
 - MCO (premium tax)
 - Intergovernmental Transfers (IGTs)
 - Hospital taxes

Appendix

- Sample RDT and DHCS rate development documents

RDT Base Cost Format

Medi-Cal Managed Care

Contract Year 11/12 Rate Development

Utilization Cost Experience January 2009 through December 2009

Fill out one for each COA group and county (if applicable)

Plan Name _____ County _____ Family _____
 COA Group _____

Medi-Cal Member Months January 2009 - December 2009 - (Enter Member Months information in Schedule 1-C)

Fee-For-Service								Capitation			Total Cost	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
Description of Units (e.g., days, claims, units of service)	Total Gross Cost	Total Units	Annual Units per 1000 Members	Gross Cost per Unit	Total Copays	Net Cost per Unit	Net Cost PMPM	Total Cost	Total Encounters Units of Service	Cost PMPM	Total Net Cost	Cost PMPM

All State-Plan Health Care Services⁽¹⁾

Inpatient Hospital	Days		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Outpatient Facility	Visits		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Emergency Room Facility	Visits		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Long-Term Care Facility	Visits		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Physician Primary Care	Visits		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Physician Specialty	Services		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
FQHC	Scripts		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Other Medical Professional	Procedures		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Pharmacy	Visits		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Laboratory and Radiology	Days		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Transportation	Trips		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Other	Services		-	\$ -		\$ -	\$ -			\$ -	\$ -	\$ -
Global Subcapitation Expenditures								\$ -		\$ -	\$ -	\$ -
Hospital Incentive Payments												\$ -
Professional Incentive Payments												\$ -
Other Incentive Payments												\$ -
Net reinsurance costs												\$ -
UM/QA Costs												\$ -
TPL Recoveries (enter recoveries as negative values)												\$ -
Total Costs Including Provider Incentive Payments											\$ -	\$ -
Total Provider Incentive Payments											\$ -	\$ -
Total Costs Excluding Provider Incentive Payments											\$ -	\$ -

RDT Trends

**Medi-Cal Managed Care
Contract Year 11/12 Rate Development
Trend and Other Adjustments**

Fill out one for each COA group and county

Plan Name _____ County _____ Family _____
COA Group _____

Months of Trend (should be 33 if data from 2009 calendar year used as the base):

33

If different than 33, please explain: _____

	Fee-For-Service Annualized Trend Rates				Fee-For-Service Trend Factors				Fee-For-Service Other Adjustments		Capitation Trend Rates	Capitation Trend Factors
	Utilization	Gross Unit Cost	Copay / Unit	Gross PMPM	Utilization	Gross Unit Cost	Copay / Unit	Gross PMPM	Factors	Description		
All State-Plan Health Care Services												
Inpatient Hospital				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Outpatient Facility				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Emergency Room Facility				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Long-Term Care Facility				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Physician Primary Care				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Physician Specialty				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
FQHC				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Other Medical Professional				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Pharmacy				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Laboratory and Radiology				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Transportation				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Other (Utilization & Unit Cost Trends for Other)				0.00%	1.000	1.000	1.000	1.000	1.000			1.000
Global Subcapitation Expenditures												1.000
Hospital Incentive Payments										1.000		
Professional Incentive Payments										1.000		
Other Incentive Payments										1.000		
Net reinsurance costs										1.000		
UM/QA Costs										1.000		
TPL Recoveries										1.000		

RDT Projected Costs

Medi-Cal Managed Care
Contract Year 11/12 Rate Development
Projected Health Care Costs
Based on Medi-Cal Experience Projection

Plan Name	County	Family					COA Group	MMs
		(A)	(B)	(C)	(D)	(E)		
Fee-For Service					Capitation	Total		
Annual Units per 1000 Members	Gross Cost per Unit	Copay per Unit	Net Cost per Unit	Cost PMPM	Cost PMPM	Cost PMPM		
<u>All State-Plan Health Care Services</u>								
Inpatient Hospital	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Outpatient Facility	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Emergency Room Facility	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Long-Term Care Facility	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Physician Primary Care	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Physician Specialty	-	\$ -	\$ -	\$ -	\$ -	\$ -		
FQHC	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Other Medical Professional	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Pharmacy	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Laboratory and Radiology	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Transportation	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Other	-	\$ -	\$ -	\$ -	\$ -	\$ -		
Global Subcapitation Expenditures						\$ -		
Hospital Incentive Payments							\$ -	
Professional Incentive Payments							\$ -	
Other Incentive Payments							\$ -	
Net reinsurance costs							\$ -	
UM/QA Costs							\$ -	
<u>TPL Recoveries (enter recoveries as negative values)</u>							\$ -	
Total Costs Including Provider Incentive Payments							\$ -	
Total Provider Incentive Payments							\$ -	
Total Costs Excluding Provider Incentive Payments							\$ -	

RDT Projected Rate

Medi-Cal Managed Care
 Contract Year 11/12 Rate Development
 Administrative Cost and Total Rate Projections

Plan Name _____ Family
 COA Group _____
 County _____

Administrative Costs

	Cost PMPM	Percent of Total Cost PMPM
Compensation		0.00%
Interest Expense		0.00%
Occupancy, Depreciation and Amortization		0.00%
Management Fees		0.00%
Marketing		0.00%
Affiliate Administration Services		0.00%
Other Administration (Details below)		0.00%
Profit		0.00%
Total administration/risk/profit	\$ -	0.00%
Total health care costs from Schedule 3	\$ -	0.00%
Total health care costs plus administration/risk/profit	\$ -	0.00%

MMs

Supplemental Payment Per Delivery

Projected cost per delivery	\$ -	0.00%
Administration/risk/profit	\$ -	0.00%
Health care costs plus Administration/risk/profit	\$ -	0.00%
AB 1422 tax	\$ -	2.35%
Supplemental Payment Per Delivery	\$ -	

Health Care Services Excluding State Funded Services (excluding delivery services)

Health care costs from Schedule 3	\$ -	
<u>Less supplementary delivery health care costs pmpm</u>	\$ -	
Health care costs net of supplemental maternity	\$ -	0.00%
Administration/risk/profit	\$ -	0.00%
Health care costs plus Administration/risk/profit	\$ -	0.00%
AB 1422 tax	\$ -	2.35%
PMPM capitation rate	\$ -	

Health Care Services - State Funded Services Only

Health care costs from Schedule 3	\$ -	0.00%
Administration/risk/profit	\$ -	0.00%
Health care costs plus Administration/risk/profit	\$ -	0.00%
AB 1422 tax	\$ -	2.35%
PMPM capitation rate	\$ -	

Rate Development Summary

Plan:															LOWER BOUND											
Model Type: Two-Plan															RATE DETAIL											
County:																										
Category of Aid: Adult & Family																										
<table border="1"> <tr> <th colspan="3">Managed Care Rate</th> </tr> <tr> <td colspan="3" style="text-align: center;">October 01, 2011 - September 30, 2012</td> </tr> <tr> <th>Lower Bound</th> <th>Midpoint</th> <th>Upper Bound</th> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>															Managed Care Rate			October 01, 2011 - September 30, 2012			Lower Bound	Midpoint	Upper Bound			
Managed Care Rate																										
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<table border="1"> <tr> <th colspan="3">Member Months</th> </tr> <tr> <th>Base</th> <th>Projected</th> <th>Change</th> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>															Member Months			Base	Projected	Change						
Member Months																										
Base	Projected	Change																								
<table border="1"> <tr> <th colspan="3">Time Periods</th> </tr> <tr> <th>Base Data Midpoint</th> <th>Contract Midpoint</th> <th>Trend Months</th> </tr> <tr> <td>July 1, 2009</td> <td>April 1, 2012</td> <td>33.0</td> </tr> </table>															Time Periods			Base Data Midpoint	Contract Midpoint	Trend Months	July 1, 2009	April 1, 2012	33.0			
Time Periods																										
Base Data Midpoint	Contract Midpoint	Trend Months																								
July 1, 2009	April 1, 2012	33.0																								
Base Data			Adjustments				Projected MC			MC Adjustments		Managed Care														
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)										
Category of Service	Util/1,000	Unit Cost	PMPM	Utilization Trend	Unit Cost Trend	Util Program Changes	U.C. Program Changes	Util/1,000	Unit Cost	PMPM	Util/1,000	Unit Cost	Util/1,000	Unit Cost	Pre-MAT PMPM	MAT carve-out	Post-MAT PMPM									
Inpatient Hospital		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Outpatient Facility		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Emergency Room		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Long-Term Care		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Physician Primary Care		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Physician Specialty		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
FQHC		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Other Medical Professional		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Pharmacy		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.09		\$ -	\$ -	\$ -	\$ -									
Laboratory and Radiology		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
Transportation		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
All Other		\$ -	\$ -	0.0%	0.0%	0.0%	0.0%		\$ -	\$ -	1.00	1.00		\$ -	\$ -	\$ -	\$ -									
All Services			\$ -	0.0%	0.0%					\$ -				\$ -	\$ -	\$ -	\$ -									
Administration (Applied as a % of premium)													\$ -	\$ -	\$ -											
Underwriting Profit/Risk/Contingency (Applied as a % of premium)													\$ -	\$ -	\$ -											
Total Admin/Underwriting Profit/Risk/Contingency Adjustments													\$ -	\$ -	\$ -											
Administration (Percentage Value)													8.00%	4.00%	8.50%											
Underwriting Profit/Risk/Contingency (Percentage Value)													2.00%	2.00%	2.00%											
Total Admin/Underwriting Profit/Risk/Contingency (Percentage Value)													10.00%	6.00%	10.50%											
Lower Bound Premium													\$ -	\$ -	\$ -											