CALIFORNIA MEDICAL ASSISTANCE COMMISSION
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CALIFORNIA MEDICAL ASSISTANCE COMMISSION

State Capitol, Room 112

Sacramento, CA

Minutes of Meeting

January 22, 2004

COMMISSIONERS PRESENT
Nancy E. McFadden, Chair
Thomas Calderon
Teresa P. Hughes
Vicki Marti
Lynn Schenk
Michael R. Yamaki

CMAC STAFF PRESENT
J. Keith Berger, Executive Director
Myrna Allen, R.N.
Enid Barnes
Theresa Bueno
Denise DeTrano
Holland Golec
Vanessa Guerrero
Mervin Tamai
Karen Thalhammer
Donald Wooten, Ph.D.

COMMISSIONER ABSENT
Diane M. Griffiths

EX-OFFICIO MEMBERS PRESENT
Chantele Denny, Department of Finance
Stan Rosenstein, Department of Health Services

I. Call to Order

The open session meeting of the California Medical Assistance Commission (CMAC) on January 22, 2004 was called to order at 10:02 a.m. by Commissioner Thomas Calderon. A quorum was present.

II. Approval of Minutes

The January 8, 2004 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

The Executive Director, Keith Berger, reported that there were no new requests by hospitals or health plans to appear before the Commission in closed session for consideration at this time.

Keith Berger noted that representatives from the California Children's Hospital Association (CCHA) were here to provide their annual update on the achievements and challenges of CCHA member hospitals. The CCHA is on the agenda to present today in open session after the report on the implementation of managed care programs.

The Executive Director announced that the CMAC's website is up and operational. The website address is "www.cmac.ca.gov". Mr. Berger further indicated that the meeting notices along with the minutes of recent Commission meetings and copies of the last two annual reports are available as PDF (Acrobat Reader) files that can be printed or downloaded.

Keith Berger informed the Commission that the notice for the February 5th Commission meeting will be sent out Friday, January 23, 2004, and that CMAC staff will be informing the individuals and institutions on CMAC's mailing list that the notice and minutes are available online. CMAC will also offer them the option of receiving the notices and minutes by e-mail rather than hard copy.

Mr. Berger remarked that the Governor's budget came out on January 9, 2004 and that Stan Rosenstein, Deputy Director of Medical Care Services at the Department of Health Services (DHS), had graciously agreed to provide an overview of some of the key Medi-Cal program proposals outlined in the Governor's Budget Summary.

Stan Rosenstein reported that currently there are 6.8 million Medi-Cal beneficiaries in any given month, or just under one in five Californians. Of those, approximately 3.5 million are enrolled in Medi-Cal managed care plans. Medi-Cal expenditures are estimated to be $29.2 billion ($9.8 billion in State General Fund dollars) in fiscal year (FY) 2003-04 and $31.2 billion ($11.6 billion General Fund) in FY 2004-05.

Mr. Rosenstein explained that the $1.6 billion increase in General Fund expenditures in FY 2004-05 primarily reflects the cost of using one-time savings in FY2003-04 from the accrual-to-cash accounting change within the Medi-Cal program and the enhanced federal Medicaid matching percentage (FMAP) received in FY2003-04 as a result of section 401(a) of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

Mr. Rosenstein then reviewed a number of FY2003-04 mid-year spending reduction proposals and FY2004-05 budget year proposals that were outlined in the Governor's Budget Summary that was issued on January 9, 2004. Among the items mentioned were:

- An additional 10 percent rate reduction is proposed for specified Medi-Cal providers effective January 1, 2004. There is a temporary injunction against the five percent reduction already called for in the current year budget. The temporary injunction applies only to fee-for-service (FFS) providers. Medi-Cal managed care plans are not covered by the injunction. The state is proceeding with implementation of the actuarial equivalent of the five percent rate reductions for all Medi-Cal managed care plans.

- Enhancement of Medi-Cal anti-fraud and audit efforts, including 1) increasing the number of field audits of non-contract hospital cost reports and home office cost reports, 2) instituting a process of confirming receipt of services or products with selected Medi-Cal beneficiaries and 3) delaying Medi-Cal checkwrites by one week to allow the DHS additional time to investigate potentially fraudulent claims before checks are issued.

- A 10 percent reduction of the interim rate of payment effective December 1, 2003, for each non-contract, cost-reimbursed acute care hospital. The hospitals would continue to be cost settled when the DHS has received and audited their cost report.

- A proposal to allow the DHS to assess a six percent quality improvement fee on all lines of business within the Medi-Cal managed care plans as a vehicle for leveraging and receiving additional federal funding. Mr. Rosenstein noted that this had been done successfully in Michigan and that the DHS would be working with the health plans and the federal government to try and make this work in California. Successful implementation of this proposal would generate additional federal funding for the health plans and is estimated to result in savings of $75 million for the state General Fund in FY 2004-05.

Finally, Mr. Rosenstein outlined briefly the key components of the Governor's longer term Medi-Cal Reform proposal and informed everyone that there would be numerous meetings with all stakeholders as the DHS develops the specifics of how the program will be reformed. He mentioned that the first stakeholder meeting is scheduled for the following Monday, January 26, at the DHS Auditorium and invited anyone interested in attending.

IV. Medi-Cal Managed Care Activities

Mr. Berger informed the Commissioners that he had received a letter last week from CalOPTIMA, the County Organized Health System (COHS) operating in Orange County. The letter announced that Richard Chambers has been appointed as CalOPTIMA's new Chief Executive Officer. He is replacing Mary Dewane, who was before the Commission several months ago to make a presentation on behalf of the California Association of Health Insuring Organizations. Mary had been CalOPTIMA's CEO since CalOPTIMA was started 10 years ago.

Mr. Chambers has been CalOPTIMA's Chief Operating Officer for the last 10 months. Prior to that time, he spent over 20 years working for the Federal Department of Health and Human Services. Mr. Berger stated that CMAC and DHS have worked effectively and cooperatively with Mr. Chambers during his time with CalOPTIMA and at the federal level. Mr Berger extended congratulations to Mr. Chambers on behalf of CMAC and indicated he looked forward to working with him in his new capacity.

Keith Berger reported that CMAC is continuing to work with DHS on a number of issues associated with Geographic Managed Care (GMC) and COHS contracts. CMAC has noticed 12 managed care contract amendments to the Commission for action at the next Commission meeting on February 5th and is working on about 15 more that should be before the Commission by early March.

The Executive Director indicated that Marcine Crane, Chief of the GMC, COHS and Other Projects Section, had a status report from the DHS Medi-Cal Managed Care Division for the Commissioners.

Mr. Crane informed the Commission that the Department has been going through an organizational re-structuring to accommodate the new requirements imposed by the Center for Medicare and Medicaid Services (CMS). He has hired a new manager to oversee the processing of contracts. He further indicated that DHS has 50 contracts in process, 28 of which were negotiated by CMAC.

Marcine Crane indicated that about 85 more managed care contract amendments will need to be processed by DHS, in the coming months, with over 30 of those being CMAC.

V. Appearance by California Children's Hospital Association

Susan Maddox, President and Chief Executive Officer, represented CCHA before the Commission. She was accompanied by Michael Arnold and Terri Cowger, both legislative advocates for CCHA.

Ms. Maddox indicated that their eight member hospitals care for the state's sickest and most vulnerable children, train many of California's future pediatricians, and perform critical pediatric research. The CCHA hospitals offer a high volume of comprehensive services. Treating over 550,000 children's injuries and illnesses each year on an inpatient basis and over one million on an outpatient basis.

She stated that the eight CCHA children's hospitals operate one-third of the state's clinics for children with special health care needs and provide a significant proportion of the highly specialized inpatient and outpatient services needed by the 2.8 million Medi-Cal children.

Ms. Maddox pointed out that the financial pillars of children's hospitals are the Disproportioned Share (DSH), SB 1255 and Graduate Medical Education (GME) funds, but that even with these supplemental payments, CCHA's children's hospitals face an annual shortfall of approximately $109 million. Medi-Cal, she said, is on average about 50 percent of the children's hospitals' business, making it a very large and important payor for them.

After describing signs that the pediatric infrastructure is eroding, Ms. Maddox identified some of the challenges ahead, such as proposed state budget cuts and program enrollment caps, continued nursing shortage and state-mandated nursing ratio challenges, reductions in DSH payments, chronically low Medi-Cal outpatient reimbursement rates, the costs of technological and facility improvements and of seismic safety retrofits and, finally, the specter of SB 1255 decreases due to the federal upper payment limits (UPL).

In concluding her presentation Ms. Maddox requested that CMAC continue to support children's hospitals, to support future SB 1255 and GME funding and to work with children's hospitals in creating solutions to provide more support for children's hospital pilots, demonstrations, and other alternative payment options. Ms. Maddox thanked the Commission for allowing her to provide an update on the CCHA member benefits to their communities and the challenges CCHA members face.

Mike Arnold remarked that CMAC has a unique role to play and has the ability to take action in this unique process. He further remarked that CMAC has always been responsive to children's hospitals in the past and is confident that CMAC will continue to do so in the future.

Terri Cowger thanked the Commissioners for allowing CCHA to update the Commission. Ms. Cowger wanted to make the Commission aware of two budget issues that will impact CCHA members, one being the 10% physician rate cut, which, while not directly affecting hospital rates, indirectly it will cause the ERs to be used more frequently than necessary. The second is the proposed cap on enrollment in the Healthy Families program.

Mr. Arnold, in responding to questions brought forward by Commissioner Calderon, stated that while other hospitals may compete with each other, children's hospitals do not. The hospitals are geographically spaced throughout California. He further responded by saying that most children cannot be transferred from one hospital to another due to the child's severe illness and that the children's hospitals do work together for the good of the patients involved.

Commissioner Calderon made a request that CCHA provide a report on the ways children's hospitals are working together.

Ms. Maddox stated that Commissioner Calderon's questions were appropriate and good to ask and that CCHA would prepare information to share with the Commissioners on this issue.

VI. New Business/Public Comments/Adjournment

There being no further new business and no additional comments from the public, Chair Nancy McFadden then recessed the open session at 10:59 a.m. Chair McFadden opened the closed session at 11:02 a.m. Chair McFadden adjourned the closed session at 12:00 p.m. The Commission reconvened in open session. Chair McFadden announced that the Commission had discussed negotiation strategies and issues in closed session. There being no further business, Chair McFadden adjourned the open session at 12:00 a.m.