



March 15, 2012

The Honorable Mark DeSaulnier
Chair, Budget & Fiscal Review Subcommittee No. 3 – Health and Human Services
State Capitol
Sacramento, CA 95814

RE: Governor's January Budget Proposal – Healthy Families, Annual Enrollment, Value based purchasing

Dear Senator DeSaulnier:

Anthem Blue Cross is a proud partner with the State of California to serve enrollees in several state sponsored health insurance programs, including Medi-Cal, Healthy Families, Aid to Infants and Mothers, Managed Risk Medical Insurance Program, and County Medical Services Program. It is in this spirit that we must weigh in on the Governor Brown's January Budget proposal. While we await further specifics from the Department of Health Care Services and the Managed Risk Medical Insurance Board to conduct a more thorough analysis of impacts of proposals affecting their agencies and our enrollees, we would like to express our concerns with proposed Healthy Families shift and express interest in reforms to Medi-Cal managed care enrollment.

Healthy Families to Medi-Cal Transfer Proposal – Oppose

We continue to have concerns with the Governor's proposal to shift all Healthy Families enrollees into the Medi-Cal program over a nine-month period. Further, we oppose the 25.7 percent managed care rate reduction for Healthy Families.

While we appreciate the fact that children from families with incomes up to 133% of federal poverty level (FPL) will be transitioned into Medi-Cal by January 1, 2014, we do not believe that California should rush to implement the transition of the entire Healthy Families enrolled population. We believe such a drastic transfer will threaten access and continuity of care. Regardless of whether Healthy Families is transitioned into Medi-Cal, a rate cut of nearly 26% jeopardizes the ability for managed care plans or providers to participate in the Healthy Families program, should it survive in its current form.

As a provider of Healthy Families services in 48 counties, including several rural communities in California, we have grave concerns about the impact on continuity of care for our enrollees should this transition be implemented. Anthem Blue Cross estimates that we will experience significant membership loss as a result of transferring Healthy Families enrollees to Medi-Cal. These enrollees will likely revert back to fee for service as opposed to managed care, especially in rural counties. This is counterintuitive to the Department of Health Care Services' efforts to expand managed care into rural counties.

We fear that access to providers will also be compromised by this proposal. Not all physicians in our Healthy Families network participate in the Medi-Cal program. Further, while we operate in 48 counties for Healthy Families, we only participate in 12 counties as a Medi-Cal plan. Thus, we expect material membership disruption will occur should this proposal be implemented. As these children are forced to change their health plan, they may be forced to change doctors which could disrupt their care.

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MCO Tax Extension – Oppose

While Anthem Blue Cross supported the initial passage and one-year extension of the gross premiums tax on managed care plans in 2011, we oppose the elimination of the sunset as proposed in the Governor's January Budget. Medi-Cal Managed Care plans originally agreed to be "double-taxed" back in 2009 and again in 2011 in order to save the Healthy Families program from elimination. With the Governor's proposal to eliminate the Healthy Families program, we see no need to continue the gross premiums tax on managed care organizations (MCOs).

Annual Enrollment for Medi-Cal – Support

A promising proposal in the Governor's January Budget proposal is the effort to establish an annual enrollment period for Medi-Cal enrollees. Existing rules permit enrollees to change plans monthly or up to 12 times annually. This puts a great deal of administrative burden without any real benefit to enrollees. Further, providing certainty for managed care plans that enrollees will remain in their plan for a 12-month period will enable plans to better manage care. This includes the ability to ensure enrollees are obtaining the proper preventative care. For those with chronic conditions, plans will be better able to monitor the management of those conditions, ensuring that enrollees take their medications, for example.

Value Based Purchasing, Efficiency Factors – Oppose

While we are supportive of the Department's underlying goal of finding innovative ways to achieve efficiencies in the Medi-Cal program, expanding the ability for DHCS to utilize "efficiency factors" effectively removes due process for Medi-Cal managed care plans to address issues and challenges between the Department during our contract period, particularly if this is done outside the regulatory process.

Anthem Blue Cross recognizes the challenges facing the Legislature and Governor as you work to secure passage of a balanced budget in these difficult economic times. However, we fear that some proposals, such as transferring Healthy Families to Medi-Cal would damage access to health care for California's low income children. Therefore, we urge you to reject this proposal. However, we encourage you to embrace the Governor's proposal to move Medi-Cal into an annual enrollment period.

Sincerely,



Natalie Cárdenas
Regional Director of Government Relations

cc: Members, Senate Committee on Budget and Fiscal Review
Michelle Baass, Consultant, Senate Committee on Budget & Fiscal Review
Seren Taylor, Senate Republican Caucus
Ana Matosantos, Director, Department of Finance
Diana Dooley, Secretary, Department Health and Human Services
Toby Douglas, Director, Department of Health Care Services
Janette Casillas, Executive Director, Major Risk Medical Insurance Board

February 14, 2012

The Honorable Chairman, Cliff Allenby
Managed Risk Medical Insurance Board (MRMIB)
Sacramento, CA 95814

Re: Budget Proposal to Transition the Healthy Families Program (HFP)

Dear MRMIB Chairman Allenby and Board Members:

The HFP Advisory Panel has profound concerns that the 2012/13 Budget Proposal to transition the HFP will compromise the health of California's most vulnerable young children. If HFP can't negotiate the provider rate cut and maintain statewide coverage, California is at risk of potentially losing billions in federal funding by violating maintenance of effort requirements for the Children's Health Insurance Program.

Examples of how the HFP children will be adversely impacted include the following:

- Reduced subscriber access to providers
- Limited access to comprehensive oral health services
- Reduced or eliminated continuity of care in receiving comprehensive health, dental and vision care coverage
- Potentially increase the need for urgent acute care services because of provider access issues

We are also concerned by the rush to eliminate a successful program that provides access to affordable, comprehensive and high quality health, dental and vision coverage in an efficient and cost effective model. With the current multiple transformations of the existing California health care system that are proceeding based on the requirements of the Affordable Care Act, now is not the time to be transitioning the HFP and risking the health of nearly 900,000 children.

Sincerely,



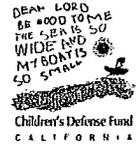
Jack Casillas

HFP Advisory Panel Chair and Members

Cc: Janette Casillas, MRMIB Executive Director
Ernesto A. Sanchez, MRMIB Deputy Director



CHILDREN NOW



January 27, 2012

The Honorable Mark DeSaulnier
Chair, Senate Budget Subcommittee on
Health & Human Services
State Capitol, Room 5019
Sacramento, CA 95814

Re: Healthy Families to Medi-Cal Shift (Item 4260)

Dear Senator DeSaulnier:

Our children's health coalition is writing to express our opposition to the governor's budget proposal to transition children in the Healthy Families Program (HFP) into Medi-Cal.

We have serious concerns and thus do not support the proposed shift of all 875,000 HFP children into Medi-Cal. Instead, we recommend the state limit any such shift to "bright-line" children (those with family income below 133% of the federal poverty level), only **after assessing** access issues, implementing a transition and monitoring plan, as well as several other critical safeguards. We recommend keeping children above the "bright-line" in HFP until, at least, January 2015 when the state can evaluate the monitoring data on access and transition issues from this "bright-line" population.

Concerns with Shifting All Healthy Families Children

Our California children's health coverage coalition – comprised of the 100% Campaign (a collaborative of The Children's Partnership, Children Now and Children's Defense Fund-California), California Coverage & Health Initiatives, United Ways of California and PICO California – believes that any decision about the future of children in the HFP must prioritize the needs of children and ensure that their access to care will not be disrupted. While there are advantages to transitioning the bright-line HFP children into Medi-Cal, there must be assurances that children will not be adversely impacted. Significant monitoring and access improvements would need to be assured for the existing Medi-Cal children, as well as for any transitioned children. The Department of Health Care Service's (DHCS) own access analysis, completed last year to assess the impact of the proposed provider rate reductions on Medi-Cal beneficiary access, identified some potential areas of concern for Medi-Cal access for children. For example, California's Medi-Cal children were well below the national average on measures such as percentage of children having at least one physician or clinic visit in the year. Only 56% of Medi-Cal children under age 20 received at least one physical or clinic visit during 2009, compared to the national average of 90%. As a result of this access analysis, DHCS did not move forward with the proposed 10% rate reduction to physician and clinic services for children in Medi-Cal. Therefore, we would request that DHCS provide a report on last year's analysis and any continuing access issues as they affect children, as well as their plan for addressing these access challenges. Additionally, before any consideration of the proposed full

HFP transition, it is our view that a thorough evaluation of the impacts to children on the proposals to expand Medi-Cal managed care into the 23 counties that are currently Medi-Cal fee-for-service must also be undertaken. For example, the transition to Medi-Cal managed care in rural counties should occur prior to any transition of HFP children to avoid multiple shifts in health plans.

Rationale for Shifting the “Bright-line” Children First

Following last year’s similar budget proposal, the 100% Campaign commissioned a study by the Urban Institute in order to assess the implications of potentially moving HFP children into other coverage options. Consistent with Urban Institute’s recommendations, at this time we would support a transition of children enrolled in HFP with family income up to 133% FPL. Transitioning only children with family income up to 133% FPL to Medi-Cal is in line with the Affordable Care Act (ACA), which requires the “bright-line” children between 100% and 133% FPL to be enrolled in Medi-Cal by 2014. These children are also the most likely to benefit from Medi-Cal’s advantages, such as no co-pays or premiums. Carefully managing the shift of this population will also provide an important opportunity to build a path toward the coordinated, seamless enrollment system required by the ACA prior to the full scale roll out of enrollment in 2014. Additionally, transitioning these children in 2013 would provide an opportunity to leverage the full federal funding available for increases in Medi-Cal rates for primary care, which could increase access for these and other Medi-Cal children.

Critical Safeguards

Before “bright-line” children are transferred, the state should be required to implement various safeguards to ensure that Medi-Cal is able to provide quality coverage, with minimal disruption in access to care to both currently-eligible children and children who would be transitioned from Healthy Families. In particular, the state should address the following:

- **Access Issues.** The state should use this partial transition as an opportunity to improve access in Medi-Cal for both currently enrolled children and children who would be transitioning into Medi-Cal. The state must ensure that Medi-Cal health plans maintain a meaningful and sufficient provider network of primary and specialty care providers (including dental, mental health, and vision providers) capable of ensuring children get prompt access to needed care. The state must also implement a plan to further identify access problems and improve access to care for children in rural areas and underserved areas.
- **Maintain Investment.** At the very least, a large portion of any savings created by the transition must stay invested in the children’s health care system, in order to ensure that existing and newly-transitioned Medi-Cal children have meaningful access to care. The funds could be used, for example, to increase reimbursement rates for specialty care providers serving Medi-Cal children, especially in fee-for-service and rural areas.
- **Monitoring System.** The state must work closely with stakeholders to develop and implement a monitoring and reporting system, as well as a regular mechanism through which DHCS can communicate important information about the transition to the Legislature, children’s health advocates, certified application assistants, and other stakeholders. While DHCS implemented an access monitoring plan last year related to provider reimbursement rate reductions, this plan does not address children’s access to physician and clinic services in Medi-Cal. Accompanying any transition, a monitoring system should include the ability to track:
 1. The progress of transitions, such as the number of children successfully transitioned into Medi-Cal within the month, the number of children who experienced a difficulty in transitioning, and any barriers that were encountered.

2. Wait times for children in accessing services, including primary care and specialty services (including dental, mental health, and vision services).
 3. Provider participation rates in order to track whether the provider network is sufficient to meet the needs of enrollees.
 4. Utilization of services among transitioned children, including frequency of primary care visits and well-child visits.
 5. The number of children who changed plans and/or providers.
 6. County by county data, where possible, on many of these elements to ensure vulnerable access areas are not missed.
- **Transitional Issues.** For this proposal to best serve HFP children, the state needs to carefully and deliberately transition children in a manner that informs their families appropriately and does not disrupt coverage. We recommend that the state undertake the following strategies:
 - Provide clear notification, public education and consumer assistance to help families navigate through the transition successfully;
 - Educate and inform the helping agencies, both public and non-profit, and providers, who will serve those families;
 - Provide counties authorization to accept the data from HFP cases in order to provide as seamless an enrollment transition as possible to Medi-Cal; and
 - Regardless of when the transition occurs – at annual renewal or on a fixed date – the transition should happen gradually over an extended period so that no child loses access to care. For example, the state of New York recently transitioned their CHIP children into Medicaid over a two month period during which at a child’s renewal they continued to be served under CHIP as their Medicaid application was being processed. An extended time period will ensure that transitioning children can retain access to current plans and providers to the greatest extent possible, assuring a continuity of care for children in treatment.
 - **Special Focus and Oversight on Children’s Issues at DHCS.** The state should create a child-focused unit at the DHCS to act and report on the transition of HFP children into Medi-Cal, as well as other children’s enrollment, coverage and access issues. The unit should hold regular, substantive meetings with children’s advocates and other stakeholders regarding the status of the transition, including meaningful updates on access data. If MRMIB is eliminated, it will be crucial not to sacrifice the focus MRMIB places on these critical children’s issues.

Seek Further Information

Before moving forward with any transition, there are several areas where more information is needed. First, how does the state intend to access time-limited federal funding for a Medi-Cal primary care rate increase in 2013 and 2014? DHCS and other stakeholders should explore that potential funding to evaluate how California can take advantage of those federal dollars to enhance access to quality primary care for children. Second, additional data is needed from DHCS and MRMIB, including information about how many children would have to change plans and/or providers during the transition from HFP to Medi-Cal.

As noted above, we recommend that the remaining HFP children continue to be served in a HFP administered by MRMIB. Any future consideration of a transition of the remaining HFP children should be based on:

- The adequacy of access for children in Medi-Cal, and monitoring results of the transitioned children; and

- An assessment of whether HFP children could benefit from transitioning coverage to the California Health Benefit Exchange (HBEX), based on an evaluation of Exchange plans, costs and enrollment success after 2014.

As advocates for children, we cannot support the proposal to transfer all HFP children into Medi-Cal. Rather, we strongly recommend the state consider our recommendation to shift only the "bright-line" children (those with family income below 133% of the federal poverty level), *after* implementing the aforementioned critical safeguards. We further urge the state to keep children above the "bright-line" in HFP until, at least, January 2015 when the state can evaluate the monitoring data on access and transition issues from this "bright-line" population.

We look forward to working with the Administration, DHCS, and MRMIB staff to learn more about this proposal and to ensure that any impacts on children's health are positive. If we can provide you with any additional information, please feel free to contact us at nshort@childrennow.org or (916) 443-1680.

Sincerely,



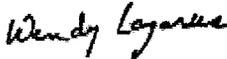
Ted Lempert
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Corey Timpson
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PICO California



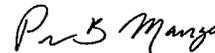
Suzie Shupe
Executive Director
California Coverage & Health Initiatives



Wendy Lazarus
Founder and Co-President
The Children's Partnership



Kim Brettschneider
California State Coordinator
Children's Defense Fund California



Peter Manzo
President & CEO
United Ways of California

March 15, 2012

Honorable Mark De Saulnier
Chair, Senate Budget Subcommittee #3 on Health and Human Services
State Capitol, Room 5035
Sacramento, CA 95814

RE: Item 4280 – Healthy Families Program Shift to Medi-Cal -- OPPOSE

Dear Senator De Saulnier:

The Kaiser Permanente Medical Care Program must respectfully oppose the Governor's January Budget Proposal to move 875,000 children enrolled in the Healthy Families Program to the Medi-Cal Program.

Kaiser Permanente, with 6.8 million members in California, is committed to universal access to high quality, affordable health care. Kaiser Permanente currently cares for 189,000 children in the Healthy Families Program. We have several significant policy and fiscal concerns with the Governor's proposal.

Proposal threatens continuity of care. Kaiser Permanente, along with several provider groups and children's advocates, is concerned about access to and continuity of care related to this proposal. Network adequacy and provider participation in Healthy Families and Medi-Cal differ in many communities statewide. Kaiser Permanente, for example, has a single statewide contract for Healthy Families, but is a subcontractor for care in many, but not all, counties in which Medi-Cal managed care is available. Moving more than 875,000 enrollees to Medi-Cal is certain to disrupt care for many of these children. Furthermore, effective January 1, 2013, in counties where Medi-Cal managed care does not exist, the proposal would shift 43,000 Healthy Families children currently in managed care into Medi-Cal fee-for-service, severely disrupting their care and likely presenting serious access problems.

Proposal burdens provider networks with low rates, which will lead to access problems. According to initial estimates by the Administration last year, this proposal could reduce rates paid to managed care plans by up to 30% as compared to current Healthy Families rates. Many physicians refuse to participate in Medi-Cal as a result of ongoing reimbursement reductions. We recognize these rate differentials are borne of difficult fiscal realities long in the making. However, the Governor's proposal simply shifts 875,000 children from a program with barely adequate funding into one for which funding is plainly inadequate and access is a challenge.

Furthermore, the proposal generates relatively minor state savings while imposing major plan and provider cuts. The Administration assumes this proposal (in conjunction with a

rate cut in the Healthy Families program) will yield \$64 million in General Fund savings in 2012-2013 and full year annual savings of \$91 million in 2013-14. This relatively minor state savings imposes a major, disproportionate burden on health plans and providers, which will lead to negative impacts on these young patients and their families.

Proposal creates concerns about a robust California Health Benefits Exchange.

Kaiser Permanente is committed to universal coverage and is working assiduously to ensure successful implementation of the federal health law at both national and state levels. The Governor's proposal does not adequately explore the critical policy question of where the 875,000 children currently in Healthy Families should access health care when federal health reform is fully implemented.

To establish and maintain affordable premiums, a stable risk mix, and to allow low-income children access to the same health plans and providers as their parents, Kaiser Permanente supports policies that will ensure children with family incomes in excess of 133% FPL can access coverage in California's Exchange. The Administration's proposal would move in the opposite direction – rather than mainstreaming these children into the Exchange, the Governor's proposal moves them into the struggling Medi-Cal program, segregating the risk pool, and requiring that these children obtain care through different networks than their parents.

The Administration's proposal to move children who have been well served in the Healthy Families program into the Medi-Cal program is premature, risky and could be at the expense of access to critical medical care for California's low-income children. It undermines, rather than strengthens, the implementation of health care reform in California. For these reasons, we ask you to join us in opposing the Governor's proposal.

Sincerely,



Teresa Stark
Director, State Government Relations

cc: Senator Mark Leno, Chair, Senate Budget Committee
Senator Bill Emmerson, Vice Chair, Senate Budget Committee
Senator Elaine Alquist
Michelle Baass, Consultant, Senate Budget Committee
Diane Van Maren, Senate President Pro Tem Steinberg's Office
Kirk Feely, Senate Republican Caucus