



California Medical Association

Physicians dedicated to the health of Californians

April 16, 2012

The Honorable Holly Mitchell
Chair, Assembly Budget Subcommittee #1
State Capitol
Sacramento, CA 95814

Re: CMA Position on Budget Proposals to be Heard at April 16th Hearing

Dear Assemblymember Mitchell:

The California Medical Association (CMA), representing 35,000 physicians throughout California in all specialties and modes of practice, has taken positions on two of the budget proposals that will be discussed by your committee at its April 16th hearing.

While California's physicians are sympathetic to the budgetary state's ongoing budget crisis, we cannot condone the Administration's attempt to make significant—and potentially crippling—changes to the state's safety net in exchange for minor, likely illusory savings.

A number of the proposals before the committee today are in fact fundamental policy changes, not merely efforts to constrain costs or gain efficiencies. The proposals to (1) eliminate the Healthy Families program (HFP) and transfer its nearly 900,000 children enrollees into Medi-Cal, (2) reduce rates paid to HFP health plans to the Medi-Cal rate regardless of what happens with the program itself, and (3) eliminate the Managed Risk Medical Insurance Board in its entirety are inherently problematic. We urge the Committee to exercise the utmost concern and scrutiny in its review of these proposals, and to ultimately reject or modify them in order to spare the safety net irreparable damage at the precise time when we need it the most—at the eve of health reform implementation and amidst an economy that has bottomed out.

Elimination of the Healthy Families and Transfer to Medi-Cal—SUPPORT 'Bright Line' Alternative
CMA believes that the Governor's proposal to eliminate the popular and successful Healthy Families program and force almost 900,000 children into Medi-Cal involves significant risks for those vulnerable children. While there may be advantages in the Medi-Cal program, we feel that the state needs to understand better how this transition will affect health care for children of working class families.

As a result, we would support a compromise effort to restructure Healthy Families by moving only the 'bright line' children—those whose parents earn between 101 and 138% of the Federal Poverty Level (FPL) into Medi-Cal. It makes sense to begin this transition now as a pilot for the wholesale programmatic shift that will be necessary in approximately 18 months. This proposal is supported by analyses recently released by both the Legislative Analyst's Office (LAO) and the Urban Institute.

Reduction to Medi-Cal Rate for Healthy Families Program Participating Plans--OPPOSE

CMA must oppose the proposed rate reduction to Medi-Cal rates for Healthy Families-participating plans. The Administration is attempting to cut the rates to Medi-Cal levels whether or not the HFP program is eliminated and the enrollees are folded into Medi-Cal. This is problematic under both scenarios. Bringing 900,000 children into Medi-Cal, a program that is already severely underfunded and overburdened, will both worsen the situation for existing enrollees and curtail access to care for those transitioning from Healthy Families. Conversely, if the HFP program is maintained wholly or in part, the rates paid by the state to health

plans will be insufficient to cover the benefits required and maintain the provider network levels currently enjoyed by Healthy Families enrollees.

Conclusion

California's physicians appreciate the opportunity to comment on these budget items. The Legislature plays a critical role in protecting and preserving access to care for those most in need. The CMA urges your utmost caution as we move forward during this difficult time, and we would request that you reject or modify the four proposals discussed above as requested, as they are misdirected, unwise and harmful to California's poor.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Carolyn Ginno". The signature is fluid and cursive, with a large initial "C" and "G".

Carolyn Ginno, Associate Director
CMA Center for Government Relations

CC: Members, Assembly Budget Subcommittee #1
Andrea Margolis, Consultant, Assembly Budget Committee
Michelle Baca, Consultant, Assembly Republican Caucus



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April 13, 2012

The Honorable Holly Mitchell, Chair
Subcommittee on Health and Human Services
Assembly Budget Committee
State Capitol
Sacramento, CA 95814

Re: Healthy Families Proposal: OPPOSE

Dear Assemblymember Mitchell,

Health Access California, the statewide health care consumer advocacy coalition, opposes the proposal of the Administration to transfer the Healthy Families Program in its entirety to Medi-Cal and impose a rate cut of almost 27% on the Healthy Families Program.

1. Support of Early Implementation of ACA

Health Access would support early implementation of the provisions of the Affordable Care Act which will require transfer of children below 133%/138% FPL from Healthy Families to Medi-Cal. Federal law requires this in 2014: we support early action on this so long as appropriate consumer protections are in place.

2. Gaps in Coverage and Access?

Any child who is currently enrolled in Healthy Families should not be exposed to a gap in coverage or access due to a transfer of program eligibility from Healthy Families to Medi-Cal. DHCS has failed to meet this standard with respect to mandatory managed care for SPDs. How does DHCS propose to assure this for children?

It is essential that the transfer is better managed than the unfortunate handling of the enrollment of Seniors and Persons with Disabilities into mandatory managed care. As is now well-established, that program shift has resulted in some people going without needed care, including dialysis and scheduled surgeries. The lack of continuity of care, despite clear statutory protections, speaks to the failure of DHCS and of contracting plans to comply with the provisions of law.

3. Network Adequacy of Medi-Cal Managed Care?

The Administration proposal to transfer over 900,000 children from one program to another would constitute the largest block transfer of persons with managed care in the history of the Department of Managed Health Care. In proposing this



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transfer, has the Administration asked the Department of Managed Health Care to do a full review of network adequacy similar to what was done when CalPERS proposed a narrow network that eliminated the use of Sutter hospitals? If not, why not?

The review done by DHCS of the overlap of networks is of modest usefulness:

- DHCS excluded Kaiser enrollees which constitute a substantial share of the Healthy Families enrollees
- The overlap of providers does not take into account whether providers would be willing to continue to see the same patients while being paid 25% less.
- The rhetorical reliance by DHCS on the Knox-Keene protections has proven sadly misplaced, as evidenced by the experience of children with pediatric dental managed care in Sacramento County. The prior Administration appears to have systematically failed to enforce the Knox-Keene Act with respect to Medi-Cal managed care.
- Until this Administration demonstrates otherwise through enforcement action by the Department of Managed Health Care, we are deeply skeptical about the assertions of DHCS about consumer protections for those in managed care. Has the Department of Managed Health Care and the Department of Health Care Services demonstrated that the Knox-Keene protections recited by DHCS Director Douglas are functionally meaningful? Or are the protections of timely access, adequate access to specialists, and network adequacy an illusion?

4. Real Cost Savings?

As the DHCS analysis notes, the per member per month rate for Medi-Cal managed care does not include the CCS carve-out or the carve-out for mental health. After taking these carve-outs into account, what are the true cost savings, if any?

5. Administrative Simplification?

We also question the failure of the Administration to create greater administrative simplification in this program transfer. As we read the Administration's background material, they propose to keep in place the use of Maximus for children in the Healthy Families income range. If the point of the Administration's proposal is to simplify and streamline, why keep Maximus? Why not use the same eligibility and enrollment system used for other children in Medi-Cal?

6. Alternative Proposal: Healthy Families to the Exchange?

We would encourage exploration of transfer of Healthy Families/CHIP to be operated as a third program by the California Health Benefits Exchange. MRMIB has operated a number of programs (AIM, CHIP, PCIP, MRMIP and in the past a small business purchasing pool). The Exchange is already tasked with operating two separate programs (the individual exchange and a small business exchange).

Adults above 133%/138%FPL will be served by the Exchange: it makes sense that children of the same income range be served by the Exchange. This proposal would also accomplish a number of the goals stated by the Administration.

7. Public Oversight: Medi-Cal versus Healthy Families

Public oversight of the Medi-Cal program is plainly insufficient for a program that will serve 10 million Californians. The only public oversight of the Medi-Cal program occurs in budget subcommittee hearings and the occasional policy committee hearing. There is a Medi-Cal managed care advisory committee but its meetings are not publicly noticed and it is merely advisory. It is so little known that advocates for seniors and persons with disabilities were not aware of it even after the implementation of the transfer of seniors and persons with disabilities to mandatory managed care.

In contrast, Healthy Families has been subject to public oversight in monthly meetings of the Managed Risk Medical Insurance Board. The Board meets in public session. It votes on changes to the program. While Health Access has often disagreed with the actions of that Board, including its decision to freeze enrollment in Healthy Families several years ago, we recognize the value of public oversight and public debate. Simply requiring that major policy decisions be made in a public forum has value in terms of the quality of the debate.

Where is the public oversight and reporting on the transfer of SPDs? What public accountability will occur for whichever children are transferred from Healthy Families to Medi-Cal?

8. Summary

For these reasons, we oppose the proposal to transfer the Healthy Families program to Medi-Cal. We would support early implementation of the Affordable Care Act if the Administration is able to demonstrate that there will not be disruptions of the care and coverage for children transferred.

Sincerely,



Anthony Wright
Executive Director

CC: Members and staff of the Assembly Budget Subcommittee on Health and Human Services
Health and Human Services Secretary Diana Dooley
Department of Health Care Services Director Toby Douglas
Department of Managed Health Care Director Brent Barnhart
Cliff Allenby, Chair, Managed Risk Medical Insurance Board

