



Medi-Cal Managed Care

Presented To

Assembly Health Committee
Hon. Doris Allen, Chair
Hon. Barbara Friedman, Vice Chair

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LEGISLATIVE ANALYST'S OFFICE



Medi-Cal Managed Care Key Fiscal Issues

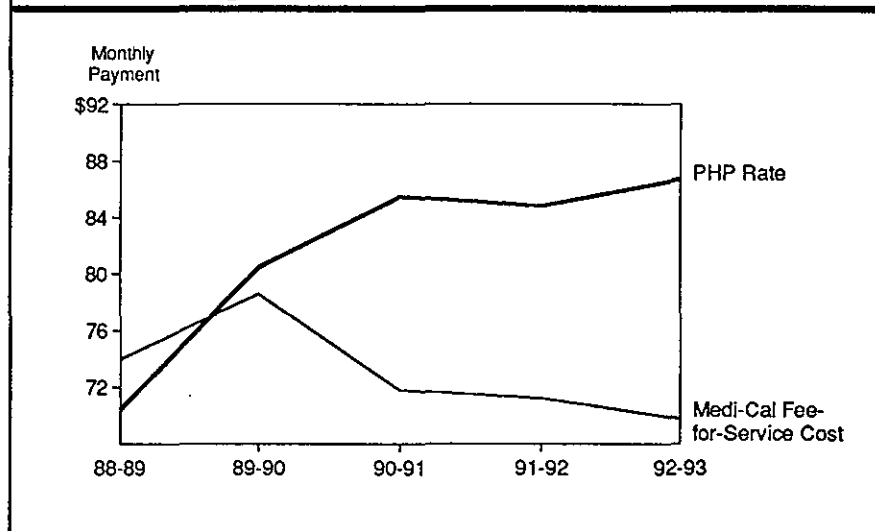
- The administration proposes to enroll nearly half of all Medi-Cal beneficiaries in a managed care arrangement by late 1995-96.
- Growth will be focused in 12 counties.
- In each county, enrollment will be divided between a publicly operated "local initiative" and a single "mainstream plan" operated by a commercial HMO.
- Mandatory enrollment in managed care will be limited to AFDC-linked Medi-Cal beneficiaries and medically indigent children.
- The budget does not propose savings from managed care implementation in the 12 counties. Savings from existing contractors would continue.
- No Medi-Cal savings can be realized under managed care unless they are incorporated in reimbursement rates. *This is true both in the short term and in the long term.*
- Exclusion of SSI/SSP-linked beneficiaries ignores demonstrated savings potential.
- For the 12 counties, Medi-Cal savings have an impact on counties, which are required under state law to provide care to those who have no health coverage.
- A single "mainstream plan" in each county may not achieve meaningful competition.



PHP Rates Versus Medi-Cal Fee-For-Service Costs

Figure 12

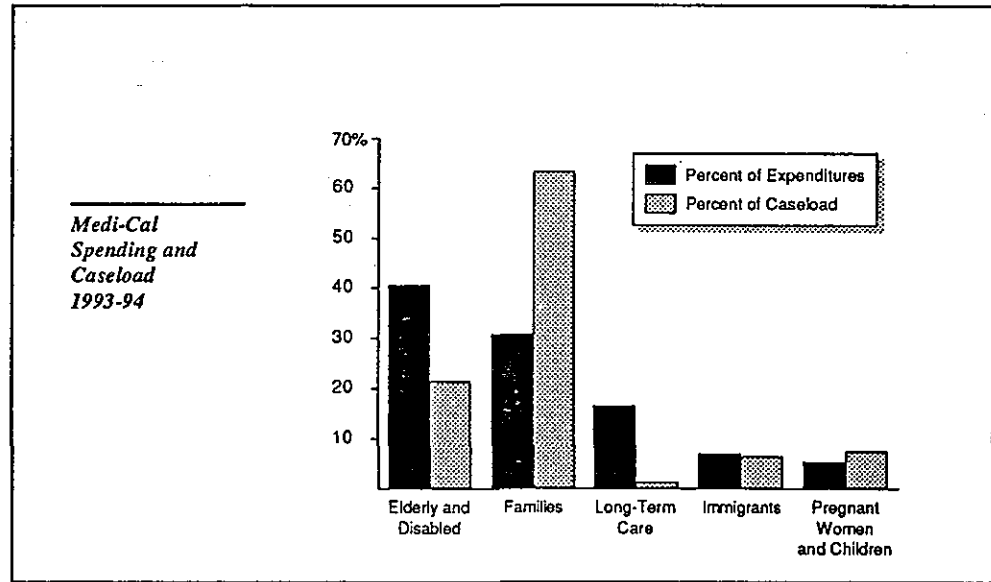
**Payments to Prepaid Health Plans Exceed
Fee-for-Service Medi-Cal Costs
1988-89 Through 1992-93**



- State and federal law require that pre-paid health plan rates not exceed fee-for-service equivalent costs.
- In the late 1980s, reimbursement rates were set at 97 percent of the fee-for-service equivalent. The Legislature reflected this policy in the 1994-95 Budget Act by reducing rates.



A Majority of Medi-Cal Spending Is for the Elderly and Disabled



- ✓ The elderly and disabled account for a majority of Medi-Cal expenditures, even though they represent about one-fifth of the program's caseload.
- ✓ For prescription drugs, the elderly and disabled account for 70 percent of Medi-Cal expenditures.
- ✓ In San Mateo and Santa Barbara Counties, Medi-Cal payments to the county are higher than fee-for-service equivalent costs for AFDC-linked beneficiaries, but savings are achieved for SSI/SSP-linked beneficiaries.