

Oversight and Accountability of Managed Care Plans

Recommendation: The California Department of Health Care Services (DHCS) can ensure Medi-Cal Managed care plan (MCP) oversight and accountability for successful implementation of new population health management (PHM) requirements proposed under the “Medi-Cal Healthier California for All” framework, by providing financial incentives and encouraging MCPs to engage in regional, multi-payer governance structures to develop and implement strategies and interventions to improve health care quality, advance equity and address the social determinants of health.

Background: The proposed “Medi-Cal Healthier California for All” (formerly known as Cal-AIM) framework involves a significant increase in the programmatic responsibilities for California’s Medi-Cal managed care plans (MCPs). MCPs will now be responsible for population health programs, new enhanced care management benefits and “in lieu of” services, and coordination between Medi-Cal MCPs and “external entities” including social services agencies. If and when California implements this shift of more responsibility to plans, how can California’s Department of Health Care Services make sure plans follow through?

Governor Newsom’s administration has noted the need for increased oversight and accountability of Medi-Cal MCPs under the Medi-Cal Healthier California for All framework:

In order to hold Medi-Cal Managed Care plans accountable for the activities proposed here, DHCS will increase its oversight and assessment of the plans, including changes to our audit procedures and our imposition of corrective action plans and financial sanctions, when appropriate. DHCS recognizes that

through this and the other proposals contained within the initiative that the responsibility of the Medi-Cal Managed Care plans is increasing, and therefore DHCS oversight to hold the plans accountable must also grow and change in conjunction with these proposals. To assist with such large change, DHCS is committed to providing Medi-Cal managed care plans technical assistance through such changes.ⁱ

– Medi-Cal Healthier California for All proposal Oct. 2019

The proposal thus places a major emphasis on tools associated with basic plan compliance as a way to assure implementation of new benefits and programs: audit, corrective action plans, and financial sanctions. However, we have concerns about the approach of using audit/compliance tools to ensure implementation of new plan responsibilities tied to equity and social determinants of health.

California lacks the leverage to ensure proper oversight and accountability over plans for implementation of the new population health management, whole person and enhanced care management requirements under the Medi-Cal Healthier for All proposal. As discussed by a recent California Health Care Foundation (CHCF) report, the difficulty of overseeing plans and plan compliance issues are closely tied to California’s size and unique plan contracting structure.ⁱⁱ Because most Medi-Cal plans are county-affiliated plans which do not face competitive procurement, and because of the large and diverse number of plans operating in the state, many of the tools that most states use to improve plan performance are difficult or impossible to implement in California.ⁱⁱⁱ

There are other more fundamental plan performance issues which require increased attention in the MCP audit/corrective action plan/sanction process.

The Medi-Cal program has had issues with managed care plan performance and compliance in fundamental aspects of plan operations, such as accurate provider directories and children's access to care.^{iv} State lawmakers have proposed legislation to strengthen the state's contracting and procurement process. CPEHN recently conducted focus groups around the state with a significant focus on Medi-Cal beneficiaries.^v Results of the focus groups pointed to the importance of strong networks, plan standards around after hours care, non-emergency transportation, and interpreter availability. Medi-Cal has put in place important new network adequacy standards partly in response to these types of concerns.^{vi}

The Department of Managed Health Care (DMHC), another California state regulatory body, has parallel and concurrent jurisdiction for MCP oversight and accountability. However, given the significant issues that fall under DMHC jurisdiction regarding MCP network adequacy and beneficiary access, it is unrealistic to expect that DMHC's audit and sanctioning would focus on how well MCPs are implementing new benefits and program priorities.

If California's goal is more aspirational in terms of requiring plans to meet new plan responsibilities tied to equity and social determinants of health an alternative approach would be to combine financial incentives with local multi-stakeholder governance structures.

Withholds and bonuses as a financial incentive for plan implementation

The financial incentive structure described in the Healthier California for All framework involves a combination of incentives for quality and performance improvements that effectively serve as capacity investments. DHCS is proposing to institute this type of financial incentive

program for plans that meet defined milestones and metrics tied to implementation of the enhanced care management and in lieu of services requirements.

Establish plan incentives linked to delivery system reform through an investment in enhanced care management and in lieu of services infrastructure. The incentive payments would also be based on quality and performance improvements and reporting in areas such as long-term services and supports and other cross-delivery system metrics. The target of incentive payments is to drive change at the provider level and so DHCS would be looking for plans to partner and share incentive dollars with on the ground providers including our critical partners that operate Federally Qualified Health Centers, Rural Health Centers, Indian Health Service clinics, public hospital safety net systems, and county behavioral health systems and providers.

– Medi-Cal Healthier California for All proposal Oct. 2019

However, given how much new responsibility California is placing on plans, DHCS should be sure that financial incentives provide real accountability - with real risk - for strong implementation of the new whole person and enhanced care management benefits.^{vii}

Like most California plans, New York Medicaid managed care plans do not go through a competitive procurement process. Unlike California, however, New York has a well-established financial incentive structure based on plan performance on measures of quality, member satisfaction and compliance. Arrangements in which a percentage of plan capitations is withheld and then distributed as a bonus tied to measures of plan performance are widespread in the Medicaid managed care sector.

This step - financially incentivizing plans for their performance - has been a consistent recommendation of national and state experts looking at the Medi-Cal managed care program for several years.

Most recently, the previously cited CHCF report put forward as its first option the use of bonus payments that are funded by a withhold from plan capitations of between 1-5%.^{viii} Withholds are particularly well-suited to incentives tied to compliance with contract terms, as they involve an inherent penalty structure if the bonus is not received. DHCS is proposing to use this structure to pay for financial incentives for the enhanced care management benefit which will serve just 1% of the Medi-Cal population. ***DHCS should expand its proposed financial incentive program and tie it to successful implementation of the new population health management initiative which will benefit the entire Medi-Cal population.***

While DHCS encourages MCPs to include contracted providers in any financial incentives, there is no requirement to do so, and no guidance on how such financial incentives might be structured. Another key complication in implementing MCP withholds in Medi-Cal is the widespread practice of sub-capitating to Independent Practice Associations (IPAs) and to other managed care organizations. This is especially the case for LA Care. Medi-Cal should structure a withhold program to have both the withhold and any potential positive incentives flow down to sub-capitated IPAs and managed care organizations.

Local Multi-Stakeholder Governance Structures:

The Newsom administration proposal calls for MCPs both to work directly with human services organizations and to work with medical providers to help them make social service referrals and to coordinate “whole person care.” DHCS should encourage MCPs to participate in regional or county multisector organizations that would both facilitate operational connections between plans, medical providers and human services agencies, and

also provide an accountability mechanism for plan implementation of the new benefit package. Other states - including Oregon, Massachusetts, Washington State, Rhode Island, and Minnesota - trying to implement better integration and coordination of Medicaid benefits with housing and other services have generally created a “table” where human services organizations, physical health, behavioral health, and payers can work together to make policy decisions and implement interventions.

A regional or county organization working with MCPs could be a good fit for California in multiple ways:

- First, a multi-stakeholder approach aligns with the multi-stakeholder process the Newsom administration has put in place in 2020 for health care reforms more broadly.
- Second, community participation would be an opportunity to keep lived community concerns and problems at the center of implementation of new Medi-Cal benefits. These may include issues like wait times, availability of interpreter services, and network adequacy, that do not fall under contemporary hot topics but are critically important at the community level.
- Third, a local or county coordinating body can also set up communication protocols between multiple service providers regarding individual beneficiaries, a critical undertaking in support of MCPs.

Recommendations

To improve health care quality and advance health equity, DHCS should:

- Establish a financial incentive where a percentage of plan capitations is withheld and then distributed as a bonus tied to measures of plan performance on the Administration’s new population health management proposal that is tied to equity and the social determinants of health.

Recommendations (cont.)

- Encourage MCPs to partner with DHCS recognized local, multi-payer governance structures where human services organizations, physical health, behavioral health and payers can work together to develop and implement population health management interventions that will help to improve health care quality, reduce disparities and address the social determinants of health.

Sources:

ⁱ. <https://www.dhcs.ca.gov/provgovpart/Documents/6422/Medi-CalHealthierCA-forAllProposal.pdf>, page 36.

ⁱⁱ. <http://www.bailit-health.com/publications/2019-0429-chcf-raising-the-bar.pdf>

ⁱⁱⁱ. <http://www.bailit-health.com/publications/2019-0429-chcf-raising-the-bar.pdf>, p. 15

^{iv}. For recent examples, see, California State Auditor "Millions Of Children Are Not Receiving And Have Limited Access To Preventive Health Services They Are Entitled To Through Medi-Cal" at <https://www.auditor.ca.gov/reports/2018-111/chapters.html> and "Improved Monitoring of Medi-Cal Managed Care Health Plans Is Necessary to Better Ensure Access to Care" at <https://www.auditor.ca.gov/reports/summary/2014-134>

^v. <https://cpehn.org/page/health-equity-forum-october-2019-hest-focus-group-update>

^{vi}. <http://www.bailit-health.com/publications/2019-0429-chcf-raising-the-bar.pdf>

^{vii}. <https://www.dhcs.ca.gov/provgovpart/Documents/6422/Medi-CalHealthierCA-forAllProposal.pdf>, p. 49.

^{viii}. Ibid.