



CALIFORNIA
HOSPITAL
ASSOCIATION



P.E.A.C.H., INC.
Private Essential Access Community Hospitals

CALIFORNIA ASSOCIATION OF
PUBLIC HOSPITALS AND HEALTH SYSTEMS

ALTERNATIVE COVERAGE INITIATIVE PROPOSAL

Prepared by the DSH Task Force
June 6, 2006

Overview

The DSH Task Force is pleased to present its unified proposal for health care services to uninsured Californians under the Hospital Financing Waiver's Health Care Coverage Initiative (CI).

The CI proposal is the result of an intensive, three-month development process among DSH Task Force members that are the predominant providers of care to the uninsured in California. Task Force members include the California Hospital Association, California Association of Public Hospitals and Health Systems; Private Essential Access Community Hospitals, Inc.; Los Angeles County; the California Children's Hospital Association; the University of California; and the Association of California Healthcare Districts.

The Task Force proposal reflects the CI commitment to improving access and service delivery among at-risk, uninsured residents statewide. Just as importantly, it demonstrates a critical component of program planning in this new era of safety-net hospital finance—cooperation and consensus between public and private sector providers in the development of a thoughtful, workable proposal that meets State Waiver Program goals.

Program and Structure

1. Entities eligible to participate in the CI:
 - A. 22 designated public hospitals (or affiliated governmental entities).
 - B. Private or district DSH hospitals eligible in the prior project year, located in the same county as the 22 designated public hospitals and those located in Fresno County.
 - C. All Children's DSH hospitals eligible in the prior project year.
2. The CI would be implemented through an application process that would be completed before the beginning of each CI year.

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3. Mandatory approval of complete applications that comply with statutory programmatic requirements under #4 and with #5 application requirements.
 4. Programmatic requirements:
 - A. *Eligibility*: Uninsured adults ages 18-64 up to 100 percent of the federal poverty level, and uninsured children who are patients of safety net hospitals, shall be eligible to enroll in a coverage initiative if they are not otherwise eligible for Medi-Cal, Healthy Families, or Access for Infants and Mothers, have satisfactory immigration status, and fall within the scope of the particular CI project. (For public hospitals, the immigration status requirement will be implemented through a cost adjustment as provided under the terms and conditions.) Participating DSH hospitals shall have the flexibility to target subset populations of the uninsured that fit within these general parameters, such as the chronically ill and frequent users of the emergency room. Eligibility for enrollment would *not* constitute an entitlement and program enrollment would be based on available funding.
 - B. *Enrollment Process*: Each approved coverage initiative program shall include an enrollment process that utilizes a coverage card as an identification system to identify an individual as enrolled in the initiative program. Each enrollee shall have a designated medical home that includes an assignment to a single primary care provider or facility. Each coverage initiative program shall use a medical record system. Prior to enrollment into the coverage initiative program, potential enrollees shall be screened to assess qualification for enrollment into Medi-Cal, Healthy Families, and Access for Infants and Mothers.
 - C. *Benefits*: The benefit package included in an approved coverage initiative program shall consist of preventative and primary care services, hospital inpatient and outpatient services, prescription drug services and care management services, as appropriate for the particular CI program. Benefit packages may also include home health care services, or other health care services.
 - D. *Delivery System/Provider Network*: The program shall be delivered through a designated provider network designed to serve enrollees and which has been identified as a participating CI hospital through the application process. The provider networks may be comprised of qualified public and private DSH hospitals with outpatient clinics and may include other

comprehensive ambulatory care providers under arrangements with eligible DSH hospitals.

5. Each application shall demonstrate compliance with #4 and specifically include:
 - A. A description of the proposed coverage initiative program, including eligibility criteria and screening and enrollment processes.
 - B. A description of quality and utilization measures.
 - C. A description of the population to be served.
 - D. A description of the health care delivery system, including a list of health care providers who have agreed to participate in the program.
 - E. A list of the benefits to be provided.
 - F. A calculation of the average cost per individual served.
 - G. The estimated number of individuals to be served.
 - H. The estimated total annual budget.
 - I. A description of how the project will strengthen the local health care safety net system.
 - J. A declaration that the applicant agrees to provide the requested data elements as required under the Special Terms and Conditions.

Funding

6. The estimated Net Benefit of CI funding in each CI year will be allocated: 70 percent to public DSH hospitals and 30 percent to private DSH hospitals. For purposes of this allocation, participating district DSH hospitals shall be treated as private DSH hospitals.
7. For purposes of allocation between public and private DSH hospitals, the net benefit shall be determined prospectively, before the beginning of the CI year and shall include:
 - A. The \$180 million Federal funds designated in the Terms and Conditions as available for the CI.
 - B. Any additional estimated net benefit brought by private hospitals.

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- C. Any State General funds committed to the CI, including those made available through federalization.
8. The potential source of funds for private DSH hospitals may include:
- A. State general funds from “federalization” or any other available State general funds;
 - B. IGT from any public entity that does not operate a designated public hospital;
 - C. Voluntary CPE from designated public hospitals (or affiliated public entity);
 - D. Excess public hospital CPEs as described in #11;
 - E. Any other source authorized under the project terms and conditions.
9. Prior to the beginning of the CI year, the State will allocate available CI funding (first, between public and private DSH hospitals 70/30 and then, among participating hospitals within each category) based on the State’s estimate of net benefit, which will be developed based on information provided in the application process.
10. Public and private DSH organizations will each develop internal distribution formulae, which will be included in the legislation. Each participating hospital will receive an allocation of CI funds according to their respective distribution formula.
11. To the extent that public hospitals have CPEs in excess of what they need to achieve their 70 percent allocation, and which are not required to claim the full amount of stabilization and baseline, the FFP received by the State based on these excess CPEs will go into “New Fund” to be distributed in accordance with #11, below. In determining the amount of FFP to be deposited into New Fund, the State will ensure that:
- A. The use of excess CPEs does not affect OBRA caps to the extent that their use prevents the public hospitals from drawing down the federal DSH allotment;
 - B. A certain percentage of the excess CPEs are excluded from the New Fund to protect the designated public hospitals in the event that the federal government disallows a portion of CPEs as the result of an audit, using the existing statutory provisions to determine the percentage on an individual hospital basis (See Section 14166.20(d)(1).)

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12. Dollars in the New Fund will be allocated in the following priority:
 - A. To private hospitals as necessary to achieve the 30 percent allocations
 - B. The remainder to public (70 percent) and private (30 percent) hospitals that participate in the CI.
 13. If before the beginning of the CI year, the State determines that DSH hospitals cannot reach baseline through other demonstration project payments, then CI payments shall be applied to baseline before the 70/30 allocation is determined.

Payment Process

14. Coverage Initiative payments shall be made for CI services rendered to CI enrollees by public DSH hospitals and providers within each public DSH network based on allowable costs and in accordance with the methodology developed under paragraph 14 of the Terms and Conditions. Public providers receive FMAP x cost (50 percent).
15. Coverage Initiative payments shall be made by the state for CI services rendered to CI enrollees by private DSH hospitals and providers within each private DSH network on the basis of individual services rendered to the uninsured and also may include CI payments to private CI providers by public DSH hospitals (or their affiliated governmental entities) for services rendered to CI enrollees. Private DSH CI payments may also include additional Medi-Cal inpatient hospital payments that are expressly identified in the statute as CI payments to ensure coordination and continuity of care between Medi-Cal and the uninsured; however, as a condition to receiving such payments, the private DSH hospital will provide a specified amount of care to the uninsured.