The Patient Protection and Affordable Care Act and the California Section §1115 Medicaid Demonstration Project

Implications for Expanding Health and Mental Health Care Services and Supportive Housing for Homeless People in Los Angeles

Michael R. Cousineau, Dr.PH

Keck School of Medicine of the University of Southern California

Center for COMMUNITY HEALTH STUDIES

UNIVERSITY OF SOUTHERN CALIFORNIA

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The Center for Community Health Studies
USC Keck School of Medicine
1000 South Fremont Avenue, Unit #80,
Alhambra, California 91803
(626) 457-4010 Cousinea@usc.edu
Cousinea@usc.edu

http://communityhealth.usc.edu
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Executive Summary

The Patient Protection and Affordable Care Act (PPACA) expands access to health care for uninsured Americans including nearly 2 million in Los Angeles County. Beginning 2014, those with family incomes less than 133% of the federal poverty level will become eligible for Medi-Cal. Individuals with higher incomes may choose a plan in the new private Health Insurance Exchange. Some small businesses may also purchase insurance for their employees in the Exchange. Some in the Exchange could obtain a federal subsidy to make premiums affordable with the amount varying based on their income. Undocumented immigrants or recent legal immigrants will be excluded (except for emergency and pregnancy-related benefits). Other insurance reforms are planned. Insurance companies will no longer exclude people based on pre-existing health conditions, and there will be no lifetime caps on benefits. Already, children can remain on their parent’s health plans until age 26. The new law establishes an individual mandate for insurance coverage beginning in 2014.

In addition to insurance expansion, the PPACA encourages changes in the way health care services are delivered. This includes establishing the Patient Centered Medical Home, which moves episodic care delivery to an approach that is comprehensive and integrated and emphasizes primary care and prevention. In addition, PPACA expands federally funded community health centers including Health Care for the Homeless programs, a major source of health care for Los Angeles County’s uninsured population.

The State §1115 Medicaid Waiver. On November 2, 2010, the Center for Medicare and Medicaid Services (CMS) approved the California §1115 Medicaid demonstration or Waiver entitled: California’s bridge to health care reform. The Waiver moves Medi-Cal patients who are eligible as a senior or a person with a disability (SPD) from fee-for-service into a managed care plan. The Waiver also creates opportunities for counties to develop new health programs for uninsured people with family incomes up to 200% of poverty and helps to redesign the delivery of care. Mental health will be an important component of the Waiver.

Impact on homeless people. PPACA will expand access to Medi-Cal and its accompanying array of comprehensive health and mental health services. Flexibility in
the program will allow many of these services to be provided in housing sites and will include mental health and drug and alcohol treatment. Moreover, because it helps to stabilize the private and subsidized health care markets, the PPACA could also prevent people from falling into homelessness and importantly, help to financially stabilize an individual or family escaping homelessness and reduce recidivism through expanded access to job based coverage and public programs. In short, health care reform can help break the vicious cycle of homelessness in the United States and aid in state and local efforts to prevent homelessness.

The §1115 Waiver creates opportunities to move homeless people into housing linked to an integrated health care delivery system. Placing people into permanent housing linked to medical homes can reduce unnecessary hospital emergency room visits and the use of services. This can also improve health and reduce the costs. Because of this, permanent housing can help to achieve the objectives of the Waiver in a cost effective manner.

But these changes are not assured. Serious obstacles stand in the way of execution of many of these provisions both short term and in the long run. The California budget deficit of over $28 billion looms heavy over plans for expansion and threatens to significantly curtail existing services including health care for low income people. In addition, the organizational obstacles to reform include workforce shortages and a lack of experience among providers in establishing delivery teams necessary for working with homeless people.

Recommendations. The PPACA and the §1115 Waiver can provide strategies for financing service-enhanced or supportive housing. The United Way and LA Chamber Business Leaders Task Force on Homelessness can provide a leadership role by identifying strategies and policies for significantly expanding supportive housing units in Los Angeles County. This Task Force can be further informed of opportunities under PPACA and the Waiver through the participation of other key health and mental health care providers in this planning effort. Specific recommendations regarding outreach, service integration, mental health are also included.
Background

The Patient Protection and Affordable Care Act (PPACA) is the most important health care legislation since the enactment of Medicare in 1965. More than 30 million Americans likely will be covered through expansion of public and private health care plans. In addition, PPACA promises significant restructuring of health care delivery and payment systems.¹ It indeed will benefit California, where as many as four million people will become eligible for new health insurance options, either within the public sector or through private health insurance.² In Los Angeles, as many 1.8 million people could gain access to health insurance (see Exhibit 1).³

PPACA is a federal law restructuring different components of the health care financing and delivery system. There are some provisions already implemented and others that will phase in through 2014, though states have the option to implement many of its provisions earlier.⁴ In 2010, the California Legislature was the first state to implement health reform by passing SB 900 (Alquist & Steinberg) and AB 1602 (Perez), authorizing the state to move ahead in establishing the health insurance exchange described below. California has taken other steps to implement the new law despite its massive budget deficit.⁵ In addition, California recently was awarded a section §1115 Medicaid Demonstration Project (known as the Waiver), which will provide significant funding for coverage expansion to the medically indigent adult population (MIAs) and for related system reform. The Waiver is considered a bridge to health care reform.

In this paper, we address how the Patient Protection and Affordable Care Act coupled with the Waiver may affect low income and especially homeless people. Of critical concern is whether provisions of law can provide opportunities for expansion of services to homeless people and those at risk for homelessness and also promote permanent

⁴Kaiser Family Foundation, Focus on Health Reform, Summary of the new health reform law April, 2010.
supportive housing. In describing these effects, it is important to know that PPACA and the federal Waiver will not affect all homeless people the same way. The impact will vary based on whether people are currently enrolled in a health plan, whether they have a disability, and also based on their age, health status and their connection to other programs. Also discussed is how these changes will affect hospitals, the county health care system, community health centers, physicians, and others who care for the indigent population. Finally, we address other lingering issues in the implementation of the new policies, as well as make recommendations on moving forward.

Exhibit 1. Estimated Number of People in Los Angeles County Ages 0–64 Eligible for Health Insurance and Subsidies under the Patient Protection and Affordable Care Act

Source: Data obtained from the UCLA Center for Health Policy Research, California Health Interview Survey, 2007. Analysis by the USC Center for Community Health Studies. L.A. County projections for 2009 are based on California data.
Changes in health insurance options

PPACA creates new opportunities for individuals to obtain health insurance based on income and citizenship status. Statewide, regional or federal Health Insurance Exchanges will contract with health plans that will compete for customers based on price and quality. Individuals and small businesses will be eligible to purchase health insurance through the Exchange much like federal employees do now through the Federal Employees Health Insurance Plan (FEHB), or state employees and retirees do through CALPERS.

Expanding Medi-Cal

The Exchange will act as a single point-of-entry for any and all individuals seeking coverage through either Medi-Cal or the Exchange. This approach to Medi-Cal, in which eligibility will be based on modified adjusted gross income (MAGI) with no asset tests, replaces the existing and often criticized Medi-Cal system that determines qualifying based on categorical eligibility. Homeless adults, especially those without children, often are ineligible for Medi-Cal unless determined disabled and linked through the SSI system or some other program. This cumbersome process can require many months and in some cases years to document disability followed by a lengthy process of enrollment.6 The exclusion of childless adults from Medi-Cal in most states is the primary reason so many homeless people lack Medi-Cal in spite of their impoverished conditions.

PPACA expands Medi-Cal by raising the upper income eligibility limit, expand to childless adults, and placing eligibility within the Health Insurance Exchange (among other places) where income and citizenship status are the primary criteria for eligibility. In 2014, all individuals with family incomes less than 133% FPL (approximately $14,400/year for an individual) will become eligible for Medi-Cal.7 Exceptions include undocumented immigrants or new legal permanent residents (LPRs) who are excluded from full-scope coverage, but will still be eligible for emergency and pregnancy-related benefits. The state may choose to offer LPRs these individuals full-scope benefits, as

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7 The federal poverty level (FPL) varies by income and family size. The federal poverty level was $18,310 for a family of three in 2009.
California currently does. Most of the newly eligible will enroll in what is known as a benchmark plan that was set up under the Deficit Reduction Act of 2005. Benchmark plans are similar to Medi-Cal except that the benefit package is somewhat less generous than those of traditional Medi-Cal. However, for those newly insured in a Medi-Cal Benchmark plan, 100% of the cost of their premiums will be paid by the federal government through 2016, gradually increasing the state share for the next four years so that the federal government is covering 90% of the cost after 2020. We estimate that about 800,000 people in L.A. County will become eligible for Medi-Cal through this new program including most homeless people (see Figure 1).

**How will these reforms affect homeless people?** Homeless people will benefit from the expansion of Medi-Cal. While the Center for Medicare and Medicaid Services (CMS) has yet to determine the actual benefit package for expanded Medi-Cal, (the benchmark plan) it will likely include hospitalization, physician office visits, prescription drug coverage, and importantly, mental health and drug and alcohol treatment services. However, individuals with a mental health or substance abuse diagnosis, which includes many homeless people, will be exempt from enrolling in the benchmark plans and instead be enrolled in traditional Medi-Cal. The expansion into Medi-Cal stands out as one of the most significant changes that will positively affect health care for homeless people. Under the PPACA, nearly all will be eligible for Medi-Cal, a significant policy change that eliminates a formidable financial barrier to care for homeless people. A simplified enrollment system is planned for people eligible through this expansion although it has not yet been developed.

While the majority of homeless people will be eligible for Medi-Cal benefits, individuals whose incomes are too high to qualify for Medi-Cal can choose a plan in the Health Insurance Exchange if their employer does not offer a health plan. Small businesses with less than 100 full-time employees may also participate in the Exchange (limited to 50 full-time employees in California for the first few years). Smaller, low-wage businesses will qualify for tax credits for purchasing employer coverage through the Exchange. Some individuals who obtain coverage in the Exchange will be eligible to

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have a portion of their premiums subsidized by the federal government with the amount varying based on income. Subsidies will be available in the form of a tax credit for people whose incomes are between 134% and 400% of FPL. Premiums will be subsidized so that the individual’s monthly premium contribution is capped on a sliding scale between 2% and 9.5% of income. While private coverage through the Exchange may not be an option for most homeless people, it will be important for those transitioning out of homelessness particularly those without access to job-based coverage.

Lawfully residing immigrants in the United States for at least five years can purchase coverage through the Exchange and also be eligible for federal subsidies on the same basis as citizens. However, the federal government will not pay the match for full-scope benefits for their first five years in the United States (states may choose to provide and pay for full-scope benefits to this population). On the other hand, undocumented immigrants are not eligible for any of the insurance expansions and are not allowed to purchase from the Exchange with their own funds. Because of the growing number of undocumented immigrants in the homeless population, many homeless people in Los Angeles will remain outside the insurance pools that will expand under PPACA; they will continue to be dependent on safety net services.

**Other insurance reforms**

There are several provisions in the new law that will affect private health insurance. They include the elimination of an insurance company practice that has excluded people based on a pre-existing health condition. As of September 23, 2010, PPACA prohibits insurance plans from excluding children with pre-existing conditions, and this prohibition will expand to adults in 2014. There will be other changes affecting private health insurance. The new law already allows young adults to remain on their parent’s health insurance policies until age 26, regardless of income, marital status, or geographical location. In addition, insurance companies can no longer limit what they will pay for an individual over the course of the lifetime of an insurance policy. PPACA

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also eliminates the practice of rescissions, whereby a health insurance company cancels a policy because the insurer believes a person had a condition that was not properly disclosed at the time of application for coverage.\textsuperscript{10}

Among the more controversial elements of the new law is a requirement that all individuals purchase a minimum benefits health insurance plan. The “individual mandate” will be enforced through the income tax system with fines for not participating ranging from $695 to $2,085 per family but not exceeding 2.5% of household income. There are exceptions for religious reasons, financial hardship, for those who cannot find an affordable plan where they live and for those looking for work. This provision will take effect in 2014 unless successfully challenged in the courts. The individual mandate is important because it is linked to other provisions particularly the pre-existing condition clause described above.\textsuperscript{11} Without it, some might wait until they are either old or sick to purchase health coverage, thereby skewing the risk pool and leading to adverse selection.

\textit{How will these reforms affect homeless people?} Because of the higher morbidity among homeless people, these provisions are likely to affect positively not only homeless people but also those at risk of becoming homeless and well as those who are transitioning out of homelessness and into stable housing and jobs. An individual mandate is likely to have little impact on the currently homeless because they are of very low income and therefore exempt from the mandate but eligible for Medi-Cal. However, these provisions may affect those at risk for becoming homeless. For example, an individual with ongoing chronic health problems will no longer be discriminated against in their efforts to secure health care themselves or their families.

Fewer will be denied coverage and thus fewer will face the financial consequences of being uninsured, which often contributes to family bankruptcy and homelessness.\textsuperscript{12} Moreover, as people transition out of homelessness, it will be easier for a person with ongoing health and mental health problems to gain access to health coverage without

\textsuperscript{10} Rescission of plan can occur if insurer identifies health insurance fraud conducted on behalf of the client
\textsuperscript{11} Kaiser Family Foundation. \url{http://healthreform.kff.org/scan/2010/december/brief-examines-health-reform-without-the-individual-mandate.aspx}
fear that they will be denied benefits if they have a health problem or are users of the health care system. Also, because Medi-Cal is an important source for paying for services in housing, the expansion of the program opens the door for a much wider deployment of housing-based services which promote housing stability and improve health outcomes for vulnerable populations.

**Employment and private health insurance**

Many provisions encourage businesses to provide coverage to workers. Beginning in 2010, small employers (with fewer than 25 employees and average annual wages of $50,000 or less) became eligible for an up to 35% tax credit if they pay for 50% or more of employee health premiums. As of 2014, that tax credit will increase to 50% and will only be available through the Exchange. Starting in 2014, larger employers (50 or more full-time employees) will face fines if they do not provide affordable coverage for their employees and one or more employees receives subsidies through the Exchange.

*How will these reforms affect homeless people?* During this transition to full implementation, homeless people who work may gain access to insurance if their employers take advantage of the tax credit. After full implementation, the new provisions will have a more significant effect on those who are transitioning to economic stability and employment.

**Changing the delivery of health care**

While many provisions affect health insurance coverage, other parts of the law encourage the transformation of how medical care is delivered. These include changing the financing of care, moving toward a team approach, bundling payments based on performance, and expansions of community health or FQHC center sites.

**Community Health Centers and FQHCs**

One important provision in the program is the expansion of federally funded community health centers including Health Care for the Homeless projects. Los Angeles has approximately 211 community and free clinic sites operated by 97 organizations.\(^\text{13}\)Of

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\(^{13}\)Information obtained by the Community Clinic Association of Los Angeles County, May 2010.
these, 39 are Federally Qualified Health Centers (FQHCs).\textsuperscript{14} There also are more than 15 federally funded sites for health care for the homeless sites Los Angeles County. These health centers are a major source of health care for the county’s uninsured population, providing more than one million patient visits each year. They are also an important source of care for those covered by Medi-Cal. There are other benefits; Community Health Centers employ clinicians who provide low-cost and culturally appropriate health care to the city’s low-income communities. PPACA expands Community Health Centers by authorizing $11 billion through 2015 to meet new national demand for health care services by the nation’s currently uninsured and to prepare for the newly insured in 2014. These funds, along with annual appropriations made through Congress, will support an expansion of health care for the homeless programs in Los Angeles County.

\textbf{How will these reforms affect homeless people?} Community Health Centers will be the source of health care for many of the newly insured as well as those who continue to be uninsured. Health Centers are expected to double the number of patients they are seeing from 20 million in 2010 to 40 million by 2015. They will also continue to play an important role as the source of medical care for homeless people many of whom may not immediately gain access to insurance based health care available through the PPACA. Some may choose not to enroll, and some may be unaware of the programs that can benefit them. Others, including the undocumented immigrant population, will be simply be ineligible for the new insurance programs.

Therefore, many homeless people will continue to depend on CHCs for their care. It is not clear how much of the $11 billion for CHCs will come to Los Angeles, but some funds have already flowed into these health centers and several new projects have been proposed for Los Angeles County, including the possibility of adding dental care, medical respite, mental health care, and drug and alcohol addiction treatment. Importantly, while these new clinic sites along with existing health centers will become important for those who remain uninsured, they also will serve as an important source of

\textsuperscript{14}FQHC is a designation that allows some health centers to receive cost-based reimbursement for Medi-Cal patients and, in some cases, federal grants under Section 330 of the Public Health Act to help pay for the uninsured and underserved populations.
care for those who gain access to health insurance particularly Medi-Cal. Indeed, these same health centers will gain financial stability as more of their patients obtain health coverage for which they can bill or receive capitations under managed care arrangements.

**Primary care and the Patient-Centered Medical Home**

Among the more important changes is the expansion of efforts to improve the quality of care by developing the concept of the Patient Centered Medical Home (PCMH). This model incorporates key elements of primary care but goes farther by encouraging physicians and clinics to redesign their practices to be more patient-centered. This concept moves care delivery from a predominantly episodic approach to one that is longitudinal, comprehensive, integrated, and emphasizes primary care and prevention. PCMH emphasizes four key ingredients: 1) the integration of services based on a patient’s needs, 2) a patient-centered approach focusing on the broader health and social issues beyond the patient’s presenting health conditions, 3) care provided using a team approach, and 4) an emphasis on coordination and evidence-based quality of care. PPACA provides funding and sets out requirements to move towards the PCMH for all providers, particularly those in Medicare and Medi-Cal. It will accompany payment reform that increasingly ties payment based on outcomes and savings.

New payment systems will be established to encourage physicians, hospitals, pharmacies, and other provider groups to form alliances called Accountable Care Organizations (ACO). These both vertically and horizontally integrated systems of care are designed to provide a more coordinated approach and hold providers collectively accountable for achieving good health outcomes for patients while reducing health care costs. Reimbursements will be bundled rather than dispersed among different provider types such as hospitals, physicians, and pharmacies.

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Expansion of mental health services under PPACA

With more people covered by Medi-Cal, changes in funding for local mental health treatment are on the horizon. Those low income uninsured with diagnosed mental illness will go into traditional Medi-Cal.\textsuperscript{18} Currently, nearly half of state and local mental health funding is derived from non-Medicaid sources including state and local general funds and programs (and other federal programs); 43\% of the patients served under the state programs are uninsured.\textsuperscript{19} Such changes might help alleviate the shortage of mental health services funded through state and county programs for the uninsured. New recipients without a diagnosed mental health problem will enroll in benchmark Medi-Cal plans which must include mental health and substance abuse services. PPACA also applies the 2008 Mental Health Parity and Addictions Equity Act to benchmark plans, which means mental health care must be offered at parity with medical benefits. And because of the requirement for mental health services, the expansion of housing and other non-clinical settings for mental health services is increasingly likely as communities attempt to provide integrated services in a lower-cost community-based settings in lieu of more costly institutional care.

The State §1115 Medicaid Demonstration Project

On November 2, 2010, the Center for Medicare and Medicaid Services (CMS) approved the California §1115 Medicaid demonstration or Waiver, considered “California’s bridge to health care reform.”\textsuperscript{20} The Waiver has restructures funding sources for public hospitals and develops new allocation methods for Medi-Cal.\textsuperscript{21} It also continues and enhances some important programs started under previous waivers including the county’s Healthy Way LA, which provided support for indigent uninsured patients with chronic health conditions and who are under the care of county DHS and Public Private

\textsuperscript{18}Rachel L. Garfield, Ph.D., M.H.S., Judith R. Lave, Ph.D., and Julie M. Donohue, Ph.D. Health Reform and the Scope of Benefits for Mental Health and Substance Use Disorder Services. Psychiatric Services, Vol. 61, No. 11, November 2010.

\textsuperscript{19}Stan Dorn and Matthew Buettgens. Net Effects of the Affordable Care Act on State Budgets. The Urban Institute. December 2010

\textsuperscript{20}California Department of Health Services. California Bridge to Reform: A Section 1115 Waiver Fact Sheet, November, 2010

Partnership (PPP) providers. The §1115 Waiver mandates that currently enrolled Medi-Cal patients eligible as a senior or as a person with a disability (SPD) move from fee-for-service Medi-Cal into a managed care plan. The Waiver also creates opportunities for counties to develop new health programs for uninsured people with family incomes up to 200% of FPL, the often-called Medically Indigent Adult or MIA population.

This Waiver is anything but a bail out of federal funds for a beleaguered safety net system. It requires a substantial reorganization of the financing and delivery of health care services in public hospitals and health centers. Nor is it free; counties must provide some matching dollars by identifying county certified public expenditures (CPEs) eligible to be matched by federal funds. If successful, these projects could generate up to $10 Billion in new federal funds over the next five years.

**SPD to managed care enrollment**

An important provision under the Waiver is the transition of the currently Medi-Cal enrolled adult population, who are eligible because they are seniors or persons with disabilities (SPD), from a fee-for-service arrangement to managed care. As many as 20,000 people may be affected by this transition. These individuals qualify for Medi-Cal because of a physical or mental disability. Because they are enrolled in fee-for-service Medi-Cal, they currently have a choice of physicians who are then reimbursed a specific fee for services they provide. Under the new system, SPD patients will be enrolled in a managed care plan organized under the Los Angeles County two-plan model choosing either the LA Care Health Plan or Health Net. LA Care will their use their existing contracted delivery system, augmented with new providers who will then be responsible for caring for this population for a specific monthly fee or capitation. Currently, a partnership between LA Care and the Los Angeles County Department of Health Services is being developed that will provide new roles for DHS and private PPP providers to offer a primary care-approach that is comprehensive and based on the concept of the Patient Centered Medical Home.

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22 The Public Private Partnership Program is county program which contracts with private providers to care for uninsured people up to 133% of FPL.
Low Income Health Programs (LIHP)

The §1115 Waiver will provide to Los Angeles and other participating counties an option to expand coverage to the uninsured population through these programs. There are two components to the LIHP: the Medicaid Coverage Expansion (MCE) and the Health Care Coverage Initiative (HCCI). MCE will provide a health plan for individuals with incomes under 133% FPL (about $14,400 for a single individual) who are not eligible for Medicare or Medi-Cal under current regulations. Undocumented immigrants will be excluded. Those eligible under the LIHP are nearly identical to the population that will be eligible for Medi-Cal beginning in 2014. There is no limit to federal financial participation to this program, enabling counties to establish a program with a broad range of services consistent with Medi-Cal. Importantly, this will include mental health services. A second program is called the Health Care Coverage Initiative (HCCI). This program will target higher income people, those with family incomes between 133% and 200% FPL but not eligible for Medicare or Medi-Cal. These individuals will be eligible for subsidies in the Exchange once it is established in 2014.

Each county that chooses to participate will be required to submit a detailed plan about how they will implement one or both of components of the Waiver. Each county must also provide 50% of the cost of the program which will then be used as a match to draw down federal funds. There is no limit to matching federal funds for MCE. HCCI has a federal matching fund statewide of $600 million, but again these funds require a local match.

In Los Angeles County, those individuals who meet the income and citizenship criteria and are currently in the DHS health care system will be enrolled in the county’s Healthy Way LA, their previously organized coverage initiative and the vehicle for organizing the care. However, this program will require substantial redesign to meet the terms and conditions of the renewed §1115 Waiver. Because Los Angeles County must provide part of the funds for this program, county leaders estimate they can only afford to enroll those already in the system either as DHS patients or patients in a PPP clinic. Mental health will be an important component of the State Medicaid §1115 Waiver. Mental health services are recognized as core benefits for the Medicaid Coverage Expansion Program, and the county must provide a minimum level of mental health benefits to
enrollees including hospitalization (minimum 10 days inpatient, 12 days outpatient), medications, and counseling. Counties and the state must submit a plan to CMS by 2012 describing how they will meet benchmarks for mental health and substance abuse parity by 2014.

The state Waiver also provides new opportunities for health care delivery reform through the Delivery System Reform Incentive Pool (DSRIP). These funds will enable public systems of care, particularly public hospitals, to improve the experience of care delivery, reduce costs, and improve population health. These funds could help restructure the systems of care delivery using innovation and cost savings approach to care. Of particular importance is the expansion of medical respite programs that attempt to manage the care of recently discharged homeless patients that have been shown to reduce costs and rehospitalizations. To become eligible for these funds, public hospitals must undertake multiple delivery systems improvements including increased access to primary and specialty care, better care coordination, chronic disease management, and achieving quality and clinical outcomes.

**Impact on homeless people.** The Waiver promises several opportunities and challenges for homeless people and homeless service providers. Because so many Medi-Cal-enrolled adults become eligible by nature of a disability, a sizeable number of the currently homeless single adult population is likely to be affected by the SPD shift to managed care. Those who become eligible under Healthy Way LA will equally benefit because they will become enrolled in a managed care like plan and will be able to obtain access to a broader range of services such mental health. Moreover, the provisions in the Waiver will require the new plan to meet certain benchmark requirements such as timely access to specialty care which has been a formidable challenge to homeless childless adults dependent on county and other safety net systems. Additionally, the Waiver may help facilitate a transition of the county’s current General Relief population into health care by transitioning them into Healthy Way LA, and into SSI and Medi-Cal.

Still, there are some potential problems as well as benefits for homeless people. Many homeless people may face challenges in navigating the health care system in a
managed care environment. The Los Angeles County Departments of Health Services and Mental Health are developing plans for identifying those individuals who are in the current DMH system to prioritize their enrollment in the Healthy Way LA project. Many are homeless or at high risk for becoming homeless. This plan will deploy case workers who can assist clients obtain the documents and other items needed to facilitate their enrollment into Healthy Way LA. Once enrolled, these same navigators could help people understand how to use the health care system and obtain the care they need.

Since many homeless people have multiple chronic illnesses, they will represent the higher cost end of the spectrum of patients in the SPD managed care population. These will require a broader set of services, as well as considerable follow up and assistance to manage their health conditions effectively. Many may fall through the cracks caused by an already fragmented system now offering few providers and more barriers to certain types of services consistent with the rules of managed care. In addition, homeless people have many non-health related or social needs, which are important to address but may not be included in the capitated set of benefits. On the other hand, managed care is governed by a set of rules that each health plan must comply with for its patients. Managed care plans must achieve quality standards, meet access protocols, and are responsible for effective care management. Traditional providers of health care for the homeless have long histories of managing these complex patients. Moreover, many of the patients are being treated by these providers, and once the change to managed care occurs, there is no assurance that they will be part of the contracted delivery system, forcing homeless people to other providers who may not have the experience that HCH providers have in managing their care. Every effort should be made to include these providers in the LA Care contracting processes so that care will not be disrupted by this change.

Los Angeles County Department of Health Services Strategic Plan
The Los Angeles County Department of Health Services has released a strategic plan that provides a road map to restructure its health care system and ensure “access to

high quality, patient centered, cost-effective health care through direct services at DHS facilities and through collaboration with community and university partners.24 The plan with five strategic goals includes a transformation from an episodic, hospital-based system to an integrated high-quality system that is community-based and focuses on prevention and primary care. This is an ambitious plan that builds on many aspects of the current system (including the Public Private Partnership program, Healthy Way LA, and LA Care Health Plan), but also incorporates the funding mechanisms of the State’s §1115 Medicaid Waiver and the provisions of PPACA described above. The restructuring plan is a vital component of the insurance expansions because it helps close the gap in access and move the safety net system to embrace a more integrated approach to care based on outcomes and cost savings. Although the plan is ambitious, other large systems have adapted organizational changes of this magnitude with success.

**Impact on homeless people.** Many homeless people depend on the Los Angeles County Department of Health Services, community health centers, and other PPP providers for their care. This includes their array of comprehensive health centers, hospital outpatient clinics, and inpatient services. The Waiver provides a strong incentive, indeed a requirement for the county DHS to restructure its health care system eliminating many of the barriers to quality care that have been traditionally faced by homeless people. These include access to specialty care and procedures needed by those who are chronically ill. The strategic plan calls for the expansion of primary care and the medical home, the integration of health and behavioral health services, the expansion of Health IT, better chronic disease management, the expansion of specialty care for eligible patients, and streamlined enrollment and referral system. Many other changes proposed in this plan include new IT systems, web-based reporting and enrollment systems, improved accountability and finance systems, and improvements in communication tools across provider type. The new programs also provide opportunities for aligning new services in housing sites and expanding the benefits of permanent supportive housing to a larger pool of recipients.

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24 Los Angeles County Department of Health Services, Office of the Director, Draft Strategic Plan, December 2010.
Permanent supportive housing

As the number of FQHCs expands, along with an expansion in the number of homeless people covered by Medi-Cal, patients will be able to get access to care provided in a continuous quality fashion. FQHCs are already able to obtain reimbursement from Medi-Cal for these patients but also receive negotiated supplemental payments based on a modified cost-reimbursement basis. New state options available through the PPACA could support the expansion of innovative health-delivery models for people who are experiencing homelessness such as permanent supportive housing. Many FQHC-qualified services provided in supportive housing sites might be reimbursable, providing a solid incentive for FQHC sites to develop housing-based health and mental health programs and a way to organize them in a financially sustainable fashion. These services will be important in linking recently housed people to critical resources that can enhance health, reduce unnecessary public expenditures, and reduce crime. Several projects, such as Los Angeles’ Project 50, have been bolstered by findings in scientific studies that show the benefit of service enriched permanent supportive housing as a way to reduce the use of unnecessary services, reduce ED visits and criminal activity, and enhance mental health and addiction services. Thus a plan to expand this approach could be a cost effective strategy for better managing the care of homeless and formerly homeless people and reduce costs. The United Way and LA Chamber Business Leaders Task Force on Homelessness could play a key role in developing a strategic plan for expanding supportive housing in Los Angeles. The work of this Task Force could be informed by the opportunities for developing new approaches to organize and finance supportive housing available under the PPACA.
Figure 2. Summary of Projected Impact on Homeless People of Health Reform Provisions of PPACA and the §1115 Medicaid Waiver on Health Plan eligibility

<table>
<thead>
<tr>
<th>Population</th>
<th>§1115 Waiver</th>
<th>PPACA</th>
<th>comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uninsured homeless single adults without <strong>serious</strong> mental health</td>
<td>Possibly Eligible for LIHP (HealthyWay</td>
<td>Expanded Medi-Cal (Benchmark Plan)</td>
<td>The number people to be enrolled in the LIHP will not be unlimited and will be based on funding and capacity <strong>Current uninsured providers (LADHS &amp; clinics) will work to retain this population once insured. The HWLA benefits do not constitute a benchmark plan.</strong></td>
</tr>
<tr>
<td>diagnoses <strong>under 133% FPL</strong></td>
<td>LA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeless adults currently covered by Medi-Cal as a <strong>Fee For Service</strong></td>
<td>Transition to Medi-Cal managed care</td>
<td>Medi-Cal managed care</td>
<td>Will have choice of Health Net or LA Care <strong>Current FFS providers (LADHS &amp; clinics) will work to retain this population once they transition to managed care.</strong></td>
</tr>
<tr>
<td>Uninsured low income and homeless single adults with mental health</td>
<td>Traditional Medi-Cal but now in Managed</td>
<td>Traditional Medi-Cal</td>
<td>Will have choice of Health Net or LA Care <strong>LADHS efforts at Behavioral Health Home—integrating Primary Care into BH site for the more acute mental health patients</strong></td>
</tr>
<tr>
<td>diagnoses</td>
<td>Care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low income homeless families <strong>under 133% FPL</strong></td>
<td>Traditional Medi-Cal</td>
<td>Traditional Medi-Cal</td>
<td>Will have choice of Health Net or LA Care.</td>
</tr>
<tr>
<td><strong>Working Poor</strong></td>
<td>Medi-Cal or Exchange based on income</td>
<td>Medi-Cal or Exchange based on income</td>
<td>Those employed will be able to gain access to employment based plans</td>
</tr>
<tr>
<td>Undocumented immigrants</td>
<td>Not eligible</td>
<td>Not eligible except for emergency Medi-Cal</td>
<td><strong>Continued FQHC 330 funding and local indigent care programs (PPP) may support some of this care.</strong></td>
</tr>
</tbody>
</table>
PPACA, the State §1115 Medicaid Waiver and other changes promise sweeping shifts in health care affecting Los Angeles County but particularly its low income population. Nearly 1.8 million people in Los Angeles County are likely to benefit from these programs. The PPACA and the Waiver provide significantly new opportunities for expanding access to health insurance for most homeless people. Figure 2 summarizes the projected impact of the Waiver and the PPACA on eligibility for health plans for homeless people. They include the following:

- Most prominently, for people who currently are homeless, the new law will expand access to Medi-Cal and therefore a broad range of comprehensive health and mental health services.
- The Waiver moves many homeless people into managed care either through the Managed care SPD or through Healthy Way LA.
- PPACA also will promote innovation and quality in care delivery. Flexibility in the program will let many of these services be provided in housing sites, promote home based care or other innovation, and include mental health and drug and alcohol treatment.
- PPACA also helps stabilize the private and subsidized health care markets, helping to prevent people from falling into homelessness and helping to financially stabilize an individual or family transitioning out of homelessness.
- As the number of FQHCs expands along with expansion in the number of homeless people covered by Medi-Cal, patients will be able to get care provided in a continuous quality fashion. FQHCs in the short run will be able to bill and receive reimbursement from Medi-Cal but also receive negotiated supplemental payments based on a modified cost reimbursement basis for these patients.
- As delivery systems are modified, programs will become more comprehensive and integrated to better meet the complex needs of this most vulnerable group. Moreover, delivery system changes will make care more focused and less
fragmented and likely offer important benefits to homeless people trying to navigate the system.

- As insurance expands and other barriers to care are reduced, the homeless will gain access to an important array of services that can help them move toward economic and housing stability.

- Importantly, while PPACA and other changes are likely to benefit homeless people, these changes can help prevent a person or family from becoming homeless, particularly those for whom a health problem has led to financial difficulties, bankruptcy, and losing employment and housing. Moreover, these changes will increase the stability of a person transitioning out of homelessness and into the job market.

**PPACA and permanent supportive housing**

The §1115 Waiver provides enormous opportunities to move homeless people into an integrated delivery system that will link them with needed services. The LHIP in particular, provides opportunities for developing specific plans for expanding health and mental health services into housing while simultaneously linking homeless people to medical homes that can reduce unnecessary ED visits and promote the stabilization of those who have transitioned into permanent housing. Such expansion would necessarily require the deployment of care managers and system navigators that can help people navigate the complex health care system, obtain a broader array of needed services, and avoid costly ED visits and inpatient admissions. This approach may be cost effective as the costs avoided through supportive housing can offset the costs of expanding housing-based services that can help end chronic homelessness in communities. Moreover, the expansion of housing-based services can help achieve many of the goals of the Waiver, including reduced inpatient and ED costs, improved patient care outcomes, and better management of chronic health conditions.

**Concerns and challenges for providers and advocates**

It’s important to note that these changes are not assured. Serious obstacles stand in the way of execution of many of these provisions both in the short term and in the long run. The California budget deficit of over $25 billion looms heavy over plans for
expansion, threatening to curtail services including health care for low-income people. In addition, there are organizational obstacles to reform including workforce shortages and a lack of experience in establishing delivery teams with the commitment and experience in working with homeless people. On-going monitoring of the implementation of these policies will be needed to ensure that programs are working as planned and to make corrections in specific aspects of the implementation plan. We note the following questions:

- Will resources be available to help identify homeless individuals, particularly chronically homeless who will need assistance in navigating the complex enrollment system for programs under the Waiver and in the future, for Medi-Cal expansion programs?
- Will existing HCH programs continue to be funded under PPACA? The current delivery system is key to protecting and indeed expanding health and mental health care to this population. But there are no assurances that these teams of providers and clinics will be included in integrated delivery systems or in decisions to expand the community health center network in LA County.
- Will HCH providers caring for the transitioned SPD populations remain in the system and preserve continuity of care? Many homeless people fall into this Medi-Cal group, and as these patients are transitioned into managed care, they may be assigned different providers and HCHC providers may not have a contract with the managed care plan.
- How will services available through the expanded health insurance plans and the Waiver be integrated into housing sites? As plans for the Waiver and the expansion of PPACA unfold, it is not assured that housing-based services will be eligible for reimbursement. Efforts should be put in place to ensure that these, particularly behavioral health services, are an approved set of services and allowed under the plan.
- Will new SPD providers who, under the new managed care system, must care for homeless individuals, have the resources, the training, and the will to meet the complex needs of this population? Homeless people have extraordinary needs, and new providers must have the training to properly treat these new populations.
Moreover, protections should be in place to ensure that providers are accountable to meet the needs of homeless people who are assigned to their practice

- What will be established to serve the undocumented homeless population and indeed all of those who remain outside of insurance and other programs being established under reform?
- Will mental health services be integrated with other health care services? There are enormous challenges and opportunities for integration. Innovative approach and regulatory reform are both necessary to achieve this important goal
- As new programs unfold, how will we reach out and engage and enroll the homeless population into the new health insurance programs? Just because a program is in place does not ensure that people will enroll. An extensive effort needs to be deployed to identify homeless people eligible for new programs and assist them in enrolling in new plans and learning how to use the health care delivery system.
- Will funding be available for the capital improvements needed for service based housing? If not, how else can health service delivery be integrated into permanent housing short of actual locating clinic service on site, a costly alternative to more decentralized approaches?

**Recommendations**

The first critical step is to develop a plan for how PPACA and the §1115 Waiver can be used to address the needs of homeless people and those at risk for homelessness, particularly the chronically homeless for whom supportive housing can be a cost effective strategy. Because of the importance of housing, the United Way and LA Chamber Business Leaders Task Force on Homelessness can provide a leadership role by identifying strategies and policies for significantly expanding supportive housing units in Los Angeles County. This Task Force can be informed and augmented by the participation of other key players particularly in health including the Corporation for Supportive Housing, the Community Clinic Association of Los Angeles County, the Los Angeles County Departments of Health Services, Mental Health and Public Health, United Homeless Health Care Providers, and selected health/mental health care and housing providers. This group could work collaboratively to develop specific policies as
well as pilot projects for demonstrating the ways services and housing can be linked for homeless people in Los Angeles County. These could include the following:

1. Develop outreach plans and enrollment programs targeting homeless people who may benefit most from Waiver projects and insurance expansion projects. These specifically could include identifying how existing programs can be linked to efforts at enrollment of homeless people into health insurance programs, and include GR, housing assistance such as Section 8, and even admission to short-term shelters and transitional housing programs, as well as outreach centers.

2. Develop specific programs to identify those homeless individuals with co-morbidities including mental illness and prioritize their enrollment into the §1115 Waiver Healthy Way LA Project. This should in particular, focus on the GR population who can be streamlined into the new program and eventually linked to Medi-Cal through SSI.

3. Identify elements of the Waiver that could be used for expanding permanent supportive housing units including on-site health and mental health care, system navigators and case managers, and IT systems for managing chronically homeless patients.

4. Develop an approach for integrating health and behavioral health care services prioritizing frequent ED users, those with two or more chronic health or mental health conditions, and those being cared for under the county’s full service partnership, as well as other county programs.

5. Conduct an inventory of existing county programs targeting homeless people that could be linked with expanded programs under the Waiver and for which county expenditures could be used to match federal funds.

6. Establish new partnerships between hospitals, community health centers, mental health providers, private physicians, and housing providers, targeting a team approach for health and health-related services to homeless people and those at risk for homelessness.