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An act to add Article 5.8 (commencing with Section 14188) to Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, relating to Medi-Cal.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 5.8 (commencing with Section 14188) is added to Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, to read:

Article 5.8. Value-Based Incentives in Medi-Cal Managed Care

14188. (a) The Legislature finds and declares both of the following:

(1) Value-based payment (VBP) strategies offer financial incentives to health care providers that improve their performance on predetermined measures or meet specified targets that focus on quality and efficiency of care.

(2) Funding pursuant to the California Healthcare, Research and Prevention Tobacco Tax Act of 2016, or Proposition 56, which was approved by voters at the November 8, 2016, statewide general election, is intended, in part, to supplement payments to Medi-Cal providers to ensure quality care in the Medi-Cal program.

(b) In accordance with Proposition 56 and subject to an appropriation by the Legislature, Proposition 56 funding may be used, pursuant to Section 14188.2, for directed payment programs in Medi-Cal managed care, including VBPs required of Medi-Cal managed care plans as designated by the department and as described in this article. The purpose of the VBPs shall be to help improve care for some of the most vulnerable or at-risk populations in the Medi-Cal managed care delivery system.

(c) Effective no earlier than July 1, 2019, and for a period no shorter than three fiscal years, the department shall implement the VBP programs described in Section 14188.1, only to the extent that federal financial participation is available and that any necessary federal approvals have been obtained. The department shall develop the structure and parameters of the VBP programs, including designation of those Medi-Cal managed care plans that are required to participate in VBP programs. The department may modify the VBP programs to the extent it deems necessary to obtain or maintain federal approval, if needed to target spending in a manner that furthers the purpose of the programs, or based on evaluation of the programs.

(d) (1) The department shall require the designated Medi-Cal managed care plans to make VBPs to network providers that meet the requirements of the VBP programs implemented pursuant to Section 14188.1, in the amounts, form, and manner as directed by the department.

(2) The department shall not require a county mental health plan contracted with the department pursuant to Chapter 8.9 (commencing with Section 14700), or a county Drug Medi-Cal organized delivery system authorized in the California Medi-Cal 2020 Demonstration pursuant to Article 5.5 (commencing with Section 14184) or a successor demonstration or waiver as applicable, to participate in any VBP program described in Section 14188.1.

(3) VBPs made pursuant to this article shall be in addition to any other payments made by the designated Medi-Cal managed care plans to applicable network providers for services or other performance-based incentives.

(e) For purposes of this article, "VBP" means value-based payment.

14188.1. Subject to Section 14188, the department shall develop all of the following VBP programs:



(a) A VBP program that is aimed at improving behavioral health integration in Medi-Cal managed care.

(1) Designated Medi-Cal managed care plans shall make incentive payments to qualified network providers that adopt a team-based care approach for individuals with serious mental health conditions or other chronic health conditions.

(2) Qualified network providers may be eligible for different levels of incentive payments, depending on the level of integration, using either a coordination or colocation approach. The qualified network providers may be eligible for partial incentive payments for meeting above-minimum standards.

(3) The requirements for receiving an incentive payment and the methodology for determining the value of the payment shall be determined by the department, in accordance with this article.

(b) A VBP program that is aimed at improving prenatal and postpartum care in Medi-Cal managed care.

(1) Designated Medi-Cal managed care plans shall make incentive payments to qualified network primary care or appropriate specialist providers that meet achievement levels on selected prenatal and postpartum care measures, as determined by the department.

(2) Qualified network primary care or appropriate specialist providers may be eligible for maximum incentive payments if they meet the designated high-performance standards, and partial incentive payments for meeting above-minimum standards.

(3) The requirements for receiving an incentive payment and the methodology for determining the value of the payment shall be determined by the department, in accordance with this article.

(c) A VBP program that is aimed at improving chronic disease management in Medi-Cal managed care.

(1) Designated Medi-Cal managed care plans shall make incentive payments to qualified network providers that meet achievement levels on selected chronic disease care measures, as determined by the department. The measures shall be in chronic disease care areas, including, but not limited to, diabetes care and control of hypertension, using measures currently recognized for those areas in the Healthcare Effectiveness Data and Information Set (HEDIS) or other nationally recognized measures that the department deems appropriate.

(2) Qualified network providers may be eligible for maximum incentive payments if they meet the designated high-performance standards, and partial incentive payments for meeting above-minimum standards.

(3) The requirements for receiving an incentive payment and the methodology for determining the value of the payment shall be determined by the department, in accordance with this article.

(d) A VBP program that is aimed at improving quality and outcomes for children in Medi-Cal managed care.

(1) Designated Medi-Cal managed care plans shall make incentive payments to qualified network providers that meet achievement levels on selected childhood health care quality measures, as determined by the department. The measures shall be developed using measures currently recognized for those areas in HEDIS or other nationally recognized measures that the department deems appropriate.



(2) Qualified network providers may be eligible for maximum incentive payments if they meet the designated high-performance standards, and partial incentive payments for meeting above-minimum standards.

(3) The requirements for receiving an incentive payment and the methodology for determining the value of the payment shall be determined by the department, in accordance with this article.

14188.2. (a) The VBP programs described in Section 14188.1 shall be funded using moneys appropriated to the department for purposes of those programs in the Budget Act of 2019, or a Budget Act in a subsequent fiscal year, from the Healthcare Treatment Fund established pursuant to subdivision (a) of Section 30130.55 of the Revenue and Taxation Code.

(b) The Legislature finds and declares that the expenditures authorized by this article are all of the following:

(1) Made in accordance with the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Article 2.5 (commencing with Section 30130.50) of Chapter 2 of Part 13 of Division 2 of the Revenue and Taxation Code).

(2) Based on criteria developed and periodically updated as part of the annual state budget process, in accordance with subdivision (a) of Section 30130.55 of the Revenue and Taxation Code.

(3) Consistent with the purposes and conditions of expenditures described in subdivision (a) of Section 30130.55 of the Revenue and Taxation Code.

14188.3. (a) To implement this article, the department may enter into exclusive or nonexclusive contracts, or amend existing contracts, on a bid or negotiated basis. Contracts entered into or amended pursuant to this subdivision shall be exempt from Chapter 6 (commencing with Section 14825) of Part 5.5 of Division 3 of Title 2 of the Government Code, Section 19130 of the Government Code, and Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code, and shall be exempt from the review or approval of any division of the Department of General Services.

(b) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement, interpret, or make specific this article, in whole or in part, by means of plan letters or other similar instructions, without taking regulatory action.



LEGISLATIVE COUNSEL'S DIGEST

Bill No. _____
as introduced, _____.
General Subject: Medi-Cal managed care: value-based payments.

Existing law establishes the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income individuals receive health care services. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions.

Existing law, the California Healthcare, Research, and Prevention Tobacco Tax Act of 2016, or Proposition 56, which was approved by voters at the November 8, 2016, statewide general election, increases taxes imposed on distributors of cigarettes and tobacco products and allocates a specified percentage of those revenues to the department to increase funding for the Medi-Cal program, in a manner that, among other things, ensures timely access, limits specific geographic shortages of services, or ensures quality care. Existing law establishes the Healthcare Treatment Fund for this purpose.

This bill would require the department to develop value-based payment (VBP) programs that would require designated Medi-Cal managed care plans to make incentive payments to qualified network providers, aimed at improving behavioral health integration, prenatal and postpartum care, chronic disease management, and quality and outcomes for children, for the purpose of improving care for some of the most vulnerable or at-risk populations in the Medi-Cal managed care delivery system. The bill would require the department to implement the VBP programs for a period no shorter than 3 fiscal years, effective no earlier than July 1, 2019.

The bill would condition program implementation on receipt of any necessary federal approvals, availability of federal financial participation, and an appropriation of moneys to the department in the annual Budget Act from the Healthcare Treatment Fund in accordance with Proposition 56.

The bill would authorize the department to implement these provisions by means of plan letters or other similar instructions, and by entering into exclusive or nonexclusive contracts, or amending existing contracts, on a bid or negotiated basis.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

