



California Association of Public Hospitals and Health Systems

April 17, 2015

Andy Slavitt, Administrator

Centers for Medicare & Medicaid Services (CMS)

Department of Health and Human Services

Room 445-G, Hubert H. Humphrey Building

200 Independence Avenue SW

Washington, D.C. 20201

Subject: California's Section 1115 Medicaid Waiver

Dear Administrator Slavitt,

On behalf of the members of the California Association of Public Hospitals and Health Systems (CAPH) and the millions of patients we serve, we thank you for your leadership and commitment to ensuring that all patients have access to quality health care. As you know, more than 12 million low-income Californians rely on Medicaid (Medi-Cal) for their health coverage. But we know coverage is only the first step. Significant payment and delivery system reform are also needed to advance and achieve the Triple Aim of improving patients' care experience; improving the health of populations; and reducing costs. For this reason, and for California to maintain the momentum that has helped lead the nation's Affordable Care Act implementation efforts, we urge CMS to approve the renewal of the state's 1115 Medicaid Waiver.

California's 21 public health care systems include county-owned and operated facilities and University of California medical centers. Together we are the core of the state's health care safety net, delivering care to all who need it, regardless of ability to pay or circumstance. Though just six percent of all hospitals statewide, public health care systems serve 2.85 million Californians each year, and provide nearly 40% of all hospital care to the state's uninsured. These systems deliver 10 million outpatient visits per year and operate more than half of the state's top-level trauma centers and two-thirds of the state's burn centers, while training 57% of all new doctors in the state. To a large extent, our patient population has complex and multiple medical needs. Public health care systems have a profound impact on the health of millions of Californians.

The current "Bridge to Reform" waiver has been critical to the state's early success with expanding coverage under the Affordable Care Act. Thanks to the programs implemented under the 2010 waiver, California enrolled 3 million people into Medicaid - nearly half of its eligible population (second highest rate in the nation) and California alone accounts for 25% of all the new enrollees nationwide.

A significant contributor to California's coverage expansion was the current waiver's early coverage expansion program, the Low Income Health Program (LIHP). Public health care systems served as the linchpin to connect low-income uninsured individuals with coverage, and address their health needs. Altogether, the Low Income Health Program enrolled more than 700,000 individuals prior to January 2014; 73% of those enrolled were in counties with a public health care system. In 2014,

individuals in the LIHP were also seamlessly transitioned to Medi-Cal – California’s Medicaid program – where they could continue to receive care from public health care systems that benefited from the system improvement made possible by the DSRIP.

The Bridge to Reform waiver also enabled California’s public healthcare systems to lead the nation in delivery system transformation, through the country’s first of its kind pay-for-performance incentive program, the Delivery System Reform Incentive Payment (DSRIP) program. The DSRIP launched California’s 21 public health care systems on an ambitious journey to transform their systems to more integrated, cost effective and patient-centered. On average, each public health care system implemented 15 projects simultaneously, with an average of 217 performance-based milestones reached per system over five years. We are proud that thus far in the journey, we are seeing dramatic initial improvements across their systems—from primary and specialty care, to emergency and inpatient services.

CAPH believes that the next 1115 Medicaid waiver offers California an historic opportunity to again lead the nation in meeting the challenge and promise of health care reform, by testing payment and delivery system reforms that can help both the state and federal government achieve success. A renewed waiver is needed in 2015 in order to best leverage California’s coverage expansion with significant payment reforms and delivery system improvements that will help patients utilize their coverage in cost-effective, patient-centered settings.

For these reasons, CAPH strongly supports California’s proposal to renew the 1115 Medi-Cal waiver, especially:

1. A Public Safety Net Transformation and Improvement Program that Rewards Continued Improvement, Health and Value

The current DSRIP has helped public health care systems lay a sturdy and stable groundwork. The next five years are critical for these essential systems to build on this foundation and more fully transform our PHS into high performing health systems that provide everyone with timely access to safe, high-quality, and effective care. Taking into account the vast improvements that have been made thus far through the DSRIP, it is clear—both from the extensive work being done by these systems and from the experience of other healthcare organizations across the country that have embarked on system-wide change efforts—that the journey of transformation is one not of just several years hard work, but rather one that requires a decade or more of continuously focused, intentionally aligned efforts by every member of each public health care system.

Building on the foundation and lessons learned from the current DSRIP, a successor pay-for-performance program should be more standardized, with a significantly heavier emphasis on outcomes. By 2020, the Public Safety Net Transformation and Improvement Program will have resulted in the wide-spread adoption and sustainability of system-wide transformations that will help ensure the effective delivery of high-quality, accessible care to millions of Medi-Cal beneficiaries.

2. Public Safety Net System Global Payment for the Remaining Uninsured.

We strongly support the state’s proposed Public Safety Net System Global Payment for the Remaining Uninsured, which would reform uncompensated care payments to public health care

systems, to support access to more cost effective care for the remaining uninsured. A more flexible payment structure would improve access and quality, especially for the uninsured who seek services in California’s public health care systems, by more efficiently using federal and county/public health care system dollars that would otherwise pay for emergency and inpatient services. Such a pilot would create incentives for PHS to redirect funds to lower-cost and more patient-friendly outpatient and primary care settings, and utilize alternate modalities that make health care friendlier and more convenient for the patient.

3. Regional Integrated Whole Person Care Pilots

Regional Integrated Whole Person Care pilots would provide comprehensive services to high-risk Medi-Cal beneficiaries, seeking to support each “whole person” through the integration of physical and behavioral health services, along with robust care coordination with social, housing, vocational training and other services that are critical to holistically and comprehensively addressing the needs and care of high-risk patients. This model of care seeks to acknowledge the upstream causes of high health care utilization. It would allow for higher value use of limited resources; contain costs, and coordinate care beyond traditional health services.

4. A Federal Investment that Supports California’s 2020 vision

The “Bridge to Reform” waiver positioned California to help lead the national efforts to prepare for and implement the Affordable Care Act. Over the last five years, the state has built a strong foundation for coverage expansion, moved the vast majority of its Medicaid enrollees into managed care, and has begun working with public health care systems on transforming their health care delivery systems. However, much more work is needed to build upon this foundation and ensure that the Affordable Care Act can be sustained for the long-term. Public health care systems embrace the challenge of meeting ambitious delivery system performance milestones, and the opportunity to re-configure important safety net funds to move from volume-based to value-based care. We believe that these innovative, ambitious payment and delivery system reforms will help us achieve our vision of becoming truly integrated, competitive, cost-effective models of care. Achieving this goal will require a renewed investment at the same level as the existing waiver, and will allow California’s Medi-Cal population the opportunity for improved health, not just coverage.

A renewed waiver with these elements will improve the health care services – and as a result, the overall health – of the Medi-Cal and remaining uninsured populations in California, while continuing to support the success of the Affordable Care Act in California.

For these reasons, we strongly support the state’s proposal for a renewed Section 1115 Waiver.

Sincerely,



Erica Murray
President and CEO