SENATE BILL No. 311

Introduced by Senator Alquist

February 25, 2009

An act to amend Section 14459.5 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 311, as introduced, Alquist. Medi-Cal: managed care.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services, under which health care services are provided to qualified low-income persons.

Existing law, the Waxman-Duffy Prepaid Health Plan Act, allows the department to contract with prepaid health plans to provide the benefits authorized under Medi-Cal, providing Medi-Cal beneficiaries the opportunity to enroll as regular subscribers in prepaid health plans, as specified.

Under existing law, the department has responsibility for monitoring the quality of all Medicaid services provided in the state.

This bill would require the department to establish minimum quality standards, in accordance with a prescribed timeframe, for the provision of primary, preventive, and acute health care services, as prescribed. It would permit the department to impose penalties for violation of the standards, and would require that any savings derived from these penalties be allocated to plans demonstrating superior performance, as specified.

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

The people of the State of California do enact as follows:

SECTION 1. Section 14459.5 of the Welfare and Institutions Code is amended to read:

14459.5. (a) As delegated by the federal government, the department has responsibility for monitoring the quality of all ~~medicaid~~ *Medicaid* services provided in the state. A key component of this monitoring function is the performance of annual, independent, external reviews of the quality of services furnished under each state contract with a health maintenance organization, as specified by the federal Health Care Financing Administration.

(b) *(1) The department shall establish minimum quality standards for the provision of primary, preventive, and acute health care services provided by the health maintenance organizations under contract with the department. These standards shall be based on the Healthcare Effectiveness Data and Information Set (HEDIS) measures for the External Accountability Set that each plan is required to report annually to the department. The External Accountability Set shall include a sufficient number of measures to adequately monitor the managed care plans' provision of services to its full range of enrollees, including, but not limited to, children, women, individuals with a disability, and adults with chronic conditions. The department shall require the External Quality Review Organization that produces the annual Performance Measures For Medi-Cal Managed Care Members report to prepare the report in full compliance with the conventions of the National Committee for Quality Assurance.*

(2) In implementing this subdivision, it is the intent of the Legislature that the department establish policies that will result in all Medi-Cal managed care plans performing at no less than the 50th percentile level of HEDIS by January 1, 2015, based on the most recent national Medicaid rates for any measure reported to the department.

(3) The minimum standards established by the department shall include, but not be limited to, the following:

(A) Prior to July 1, 2012, managed care plans shall be required to perform at no less than the 25th percentile of HEDIS, based on the most recent national Medicaid rates for all measures reported to the department.

(i) Commencing no later than April 1, 2010, the department shall annually identify plans that perform below the 25th percentile of HEDIS, based on the most recent national Medicaid rates for any measure reported to the department. The department shall require these managed care plans to develop a corrective action plan that identifies specific interventions that will improve performance.

(ii) Commencing January 1, 2012, a Medi-Cal managed care plan that has submitted a corrective action plan and continues to perform below the 25th percentile of HEDIS, based on the most recent national Medicaid rates for any measure reported to the department, shall not be eligible for the assignment of new Medi-Cal enrollees who have not selected a managed care plan and would otherwise be enrolled in that plan by the department through the default algorithm. Additionally, the 10 percent cap that limits the number of defaulted beneficiaries that a plan can lose from the prior year shall be lifted for the managed care plans performing below the 25th percentile of HEDIS.

(iii) Commencing July 1, 2014, the department may impose a financial penalty by withholding up to 5 percent of a Medi-Cal managed care plan's contract rate, if that plan continues to perform below the 25th percentile of HEDIS for any measure reported to the department.

(B) Prior to July 1, 2015, managed care plans shall be required to perform at no less than the 50th percentile of HEDIS, based on the most recent national Medicaid rates for all measures reported to the department.

(i) Commencing no later than April 1, 2013, the department shall annually identify managed care plans that perform below the 50th percentile of HEDIS, based on the most recent national Medicaid rates for any measure reported to the department. The department shall require these managed care plans to develop a corrective action plan that identifies specific interventions that will improve performance.

(ii) Commencing January 1, 2015, a Medi-Cal managed care plan that has submitted a corrective action plan and continues to perform below the 50th percentile of HEDIS, based on the most recent national Medicaid rates for any measure reported to the department, shall not be eligible for the assignment of new Medi-Cal enrollees who have not selected a managed care plan

and would otherwise be enrolled in that plan by the department through the default algorithm. Additionally, the 10 percent cap that limits the number of defaulted beneficiaries that a plan can lose from the prior year shall be lifted for the managed care plans performing below the 50th percentile of HEDIS.

(iii) Commencing July 1, 2017, the department may impose a financial penalty by withholding up to 5 percent of a Medi-Cal managed care plan's contract rate, if that plan continues to perform below the 50th percentile of HEDIS for any measure reported to the department.

(4) The department shall allocate any savings derived from penalties imposed pursuant to paragraph (3) to plans that have demonstrated superior performance, as indicated by either performance above the 75th percentile of, or substantial improvement in, HEDIS, based on the most recent national Medicaid rates for any measure reported to the department.

(c) The Legislature finds and declares that the final report obtained from the external reviews will provide valid and reliable information regarding health care outcomes and the overall quality of care delivered by the managed care plans.

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(d) The department shall make only the final report of each external review available, within 30 calendar days of completion, to the fiscal and health policy committees of the Legislature, and shall make only the final report available for public viewing upon request by any individual or organization.

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