FIRST 5 CENTER FOR
CHILDREN'S POLICY

BRIEF
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Medi-Cal Financing Overview

Understanding the basics of how Medi-Cal, California's Medicaid program, is financed is essential for building relationships and working with Medi-Cal managed care plans. This brief provides a brief overview of the relationship between federal and state Medicaid funding, financing structures in Medi-Cal managed care, and other considerations for First 5 commissions and advocates interested in children's health care delivery.

THE FEDERAL/STATE RELATIONSHIP

The Medicaid program is jointly financed by states and the federal government. The federal government guarantees matching funds to states for their Medicaid expenditures. The match rate is called the Federal Medical Assistance Percentage or FMAP. This financing structure is not capped and federal funds can flow to states based on actual costs and needs as economic circumstances change. The FMAP is calculated annually using a formula based on a state's average personal income relative to the national average. In California the FMAP is 50% for the vast majority of Medicaid spending.

To receive federal Medicaid funding, California must provide match funding from state or local sources. This is called the non-federal share. States have flexibility in determining the sources of funding for the non-federal share, but the primary source is state general funds.[1]

MANAGED CARE AND CAPITATED PAYMENT

The State contracts with managed care plans in every county to provide services for people with Medi-Cal insurance. Members enroll into a managed care plan in their county and are assigned a primary care provider who is part of the managed care plan's network.

Managed care plans are paid a flat per-member per-month fee, or capitated rate, by the Department of Health Care Services. Plans then negotiate payment rates with each of their contracted providers, and most primary care physicians also receive a capitated payment. This rate is fixed and providers must provide care to plan members, regardless of the type, value, or frequency of services provided.

SUPPLEMENTAL PAYMENTS FOR SCREENINGS

In return for the per-member-per-month capitated rate, Medi-Cal managed care primary care providers are responsible for providing children a comprehensive set of preventive, diagnostic, and treatment services, including developmental screening and case management. This set of benefits is an entitlement for children under federal law through the Medicaid Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit.[2]

As a means of boosting rates of early detection, California allows providers to bill for supplemental payments for completing developmental and Adverse Childhood Experiences (ACEs) screening. On top of their capitated rate, providers can receive $59.90 for each qualifying developmental screening and $29.00 for each qualifying ACEs screening. A qualified developmental screen is provided by a managed care network provider, in accordance with the American Academy of Pediatrics/Bright Futures periodicity schedule, using a standardized tool. A qualifying ACEs screen is provided by a managed care network provider, using either the PEARLS tool or a qualifying ACEs questionnaire.

The funding for these supplemental payments comes from Proposition 56 revenue; the continuation of these supplemental payments is currently subject to annual renewals in the state budget.[3]

OTHER TYPES OF MEDI-CAL FUNDING SOURCES

Some First 5 commissions have leveraged Targeted Case Management (TCM) and Medi-Cal Administrative Activities (MAA) funding to support their priorities. These funding streams are separate from Medi-Cal managed care and are reserved for specific activities.

Targeted Case Management refers to services that help individuals access needed medical, social, educational, and other services. The TCM program pays for case management services provided to specific target populations including children.[4] TCM specific case management services include:

- Comprehensive Assessment and Periodic Reassessment
- Development and Periodic Revision of Specific Care Plan
- Referral and Related Activities
- Monitoring and Follow-up Activities

Medi-Cal Administrative Activities are efforts to identify and enroll potentially eligible individuals into Medi-Cal. Reimbursement is a function of staff salary and percent time spent on Medi-Cal activities.[5] Allowable activities under MAA include:

- Medi-Cal Outreach
- Facilitating the Medi-Cal Application
- Arranging for Non-Emergency and Non-Medical Transportation
- Translation

- Program Planning and Policy Development
- MAA Coordination and Claims Administration
- Training and General Administration

Counties or other approved public entities, including First 5s, provide the local matching funds to draw down the federal share of costs (typically 50%). MAA and TCM programs are administered by a county Local Governmental Agency (LGA), typically a county public health department, and require staff time studies. The LGA tracks TCM- and MAA-related services administered by its staff or contracted staff at other agencies, and then bills for the federal match. The federal payment is usually made a year after services are administered.

Some First 5s use MAA to support aspects of their Help Me Grows and health insurance enrollment efforts. Fewer have been able to leverage TCM, although there is alignment between TCM activities and the services Help Me Grow and home visiting offer. Administrative and local political complexity can be a barrier to setting up these billing arrangements.

NOTES

1. Snyder, L. & Rudowitz, R. (2015, May 20). *Medicaid Financing: How Does it Work and What are the Implications?* Kaiser Family Foundation. **https://www.kff.org/medicaid/issue-brief/medicaid-financing-how-does-it-work-and-what-are-the-implications/**
2. Department of Health Care Services. (2020, June 19). *Early and Periodic Screening, Diagnostic, and Treatment Services*. **https://www.dhcs.ca.gov/services/Pages/EPSDT.aspx**
3. Department of Health Care Services. (2020, December 31). *Directed Payments - Proposition 56*. **https://www.dhcs.ca.gov/services/Pages/DP-proposition56.aspx**
4. Department of Health Care Services. (2021, March 23). *Targeted Case Management (TCM)*. **https://www.dhcs.ca.gov/provgovpart/Pages/TCM.aspx**
5. Department of Health Care Services. (2021, March 23). *County-Based Medi-Cal Administrative Activities (CMAA)*. **https://www.dhcs.ca.gov/provgovpart/Pages/CMAA.aspx**