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April 1, 2024

The Honorable Mia Bonta
Chair, Assembly Committee on Health
1020 N St. Ste. 390
Sacramento, CA 95814

RE: AB 2428 (Calderon) Medi-Cal: Community-Based Adult Services - SPONSOR

Dear Chair Bonta:

The undersigned **20** organizations, respectfully request your support for AB 2428 (Calderon), which would require that the Medi-Cal managed care reimbursement for Community-Based Adult Services (CBAS) be in an amount equal to or greater than the Medi-Cal fee-for-service rate. This would create a CBAS provider "rate floor".

Problem:

As a result of budget deficits resulting from the Great Recession, in 2011 the state enacted a series of Medi-Cal cost reduction measures which included 10% across the board provider payment reductions (AB 97) in both fee-for-service and Managed Care. This included reductions to MCO rates for CBAS providers.

The Legislature subsequently restored AB 97 provider rate reductions in the FY 19-20 state budget. Though funding for these restorations were added back into MCO actuarial rates by the state (as cited below), four managed care plans (MCPs)- HealthNet; Blue Shield, Molina, and Kaiser - did not restore rates for CBAS providers in their network. Since 2019, CBAS providers that contract with these MCOs have been/were reimbursed at the reduced rate of **$68.60** per day per recipient instead of the restored rate of **$76.27**. For more detail, please see MCP rate spreadsheet linked here.

The imbalance of negotiating power between CBAS centers and MCPs results in "take it or leave it" contracts, contrary to the presumption that reimbursement rates are derived based on analysis of reasonable cost or mutual agreement.

Solution:

AB 2428 (Calderon) would require that the Medi-Cal managed care reimbursement for Community-Based Adult Services (CBAS) be in an amount equal to or greater than the

Medi-Cal fee-for-service rate. This would create a provider "rate floor" for Community-Based Adult Services (CBAS). Managed Care Plans (MCPs) can pay more - but not less - than the published fee-for-service Medi-Cal rate.

Importantly, this **will not** generate new General Fund costs. As confirmed in the California Department of Aging (CDA) All Center Letter dated Feb 5, 2020 (and in subsequent communications with DHCS), "As part of MCP rate development, DHCS has accounted for anticipated higher reimbursement from MCPs to CBAS facilities impacted by the AB97 rate reduction. Actuarial equivalent rate increases have been provided to MCPs who are paying CBAS providers contracted rates that are lower than the new CBAS FFS rates post AB 97 restoration." DHCS reiterated this again in their Capitation Rate Development and Certification Report from January 2021, saying, "Effective July 1, 2019, Medi-Cal restored CBAS facility payment rates to levels in effect prior to the AB 97 10% rate reduction applied to certain CBAS facilities, which is expected to produce corresponding pricing pressures in managed care. As a result, a unit cost program change adjustment was applied to the CBAS COS line to account for this" (Page 48).

Notably, AB 2428 will not create a precedent as the 2023 health omnibus trailer bill (AB 118) already requires MCPs to reimburse targeted network providers (those receiving rate increases supported by MCO tax revenue) "at least the amount the network provider would be paid for those services in the Medi-Cal fee-for-service delivery system."

Background:

CBAS centers predominantly serve culturally and ethnically diverse populations in a culturally congruent manner to some of California's most vulnerable populations: Medi-Cal eligible frail elders, including those living with dementia, people with chronic disabling conditions, and people with disabilities.

Yet, centers have little to no ability to shift costs to Medicare, private pay, or other payers because Medi-Cal beneficiaries make up more than 98% of all enrollees. This makes the CBAS model reliant on Medi-Cal MCPs for both authorizing services and paying for them. The inherent imbalance of negotiating power between CBAS centers and MCPs results in "take it or leave it" contracts, contrary to the presumption that reimbursement rates are derived based on analysis of reasonable cost or mutual agreement.

A 2024 CAADS survey shows that 76% of respondent centers are operating at a deficit and 22% are at high risk of closure, compared to 9% last year at this time.

Even though need for CBAS greatly exceeds supply as this 2022 UCLA report suggests, centers across California are greatly under-resourced. Centers are barely making ends meet because rates paid by MCPs have lagged far behind the actual cost of doing business. We estimate that catching up to annual cost of living increases since 2009 would result in a 62% higher rate. Significantly higher labor costs in response to severe workforce shortages; drastic increases in transportation and fuel costs; and drops in attendance resulting from mandated Medi-Cal and pandemic related policy changes are creating unsustainable CBAS operating deficits.

In addition, CBAS cash flow has been impacted by MCP authorization delays that create barriers to person-centered access; the 1/1/2024 managed care contract transition leading to eligibility confusion and denials of payment; and reimbursements at 10% less than the Medi-Cal published rates (even for centers whose contracts clearly state the correct rate!).

AB 2428 would remedy this fundamental inequity and prevent future arbitrary rate reductions by MCPs. It would also further the state's stated policy goals of advancing meaningful access to whole person centered care in the community as defined in both the state Master Plan for Aging and California Advancing and Innovating Medi-Cal (CalAIM).

For these reasons, we support AB 2428 and respectfully request your support too.

Sincerely,

California Association of Adult Day Services
Yolo Adult Day Health Center
Senior Services Coalition of Alameda County
Family Caregiver Alliance
California Coalition on Family Caregiving
Reimagine
EL ARCA, INC
HomeAvenue, Inc dba Home Avenue Adult Day Health Care Center
Commonwealth Adult Day Health Care Center
ONEgeneration Adult Day Healthcare Program
SteppingStone Health
Circle of Friends Adult Day Health Care
Hearts & Minds Activity Center
Laguna Adult Day Health Center

C&C Carson Adult Day Health Care Center
Beverly Adult Day Health Care Center
Sunny Cal ADHC
Neighborhood House Association
Golden Castle ADHC Center
El Monte Adult Day Health Care Center

CC: Assemblymember Lisa Calderon, Author
Assembly Health Committee, Members