



Renewal of California's Selective Provider Contracting Program (SPCP) Waiver

- ❑ Support renewal of California's existing Medicaid Selective Provider Contracting Program (SPCP) 1915(b) Waiver as submitted by the state of California.

Background

The California Selective Provider Contracting Program (SPCP) operates through a waiver under Section 1915(b) of the Social Security Act. Originally approved in 1982, the 1915(b) waiver allows the California Medical Assistance Commission (CMAC) to negotiate Medi-Cal rates with hospitals and to contract with a select number of hospitals. In addition to the *per diem* rates negotiated with CMAC, the waiver also covers the SB1255 Supplemental Payment program and the Medi-Cal Medical Education Funds. Every two years, the state must apply to renew the waiver. The most recent renewal was approved on December 23, 1998 and covered the period from September 1996 to September 1998. Renewal for the period from December 1998 to December 2001 is currently pending with the Centers for Medicare and Medicaid Services (CMS).

The criteria used for approval of Medicaid waivers are generally based upon policy rather than solely on law. The most significant requirement is that of cost-effectiveness. To be considered cost-effective, Section 1915(b) waivers must not exceed fee-for-service equivalent costs. The waivers do not need to *yield* cost savings to be cost-effective during the waiver period as long as costs do not *exceed* the federal fee-for-service equivalency.

In processing the renewal, CMS requested the Office of Inspector General (OIG) to complete a "rush" audit looking into three key issues:

- ❑ Use of managed care savings in calculating cost-effectiveness
- ❑ Question of whether payments were made in advance of services being delivered
- ❑ Calculation of cost neutrality

Though the California Department of Health Services (DHS) is continuing to work with the OIG and CMS to resolve these questions, an exit conference revealed the following initial findings:

1. Managed Care Savings
 - ❑ OIG has found that it is inconclusive whether CMS ever disallowed managed care savings. OIG found no record of either acceptance or disallowance.
2. Advance payments
 - ❑ OIG audit concludes that because SB 1255 payments (and to some extent Med Ed) are paid in lump sums, the State has been paying for services in advance of delivery.
3. Cost Effectiveness
 - ❑ Audit concludes that CMAC did error in its calculation of 1998 and 1999 cost effectiveness. CMAC concurs an error was made but argues that it does not affect the overall conclusion that the program is cost effective.

Status of Relevant Legislation

Representative David Dreier (R-28th) has agreed to sponsor a “dear California colleague” requesting CMS’ approval of California’s Medicaid Selective Provider Contracting Program Waiver. The letter is currently being circulated to members’ offices and will be delivered to HHS Secretary Thompson and CMS Administrator Scully by July 22, 2002.

Advocacy Message

The waiver is crucial to protecting the viability of California’s health care system. The University of California is concerned that CMS may deny key provisions of the SPCP, in spite of the fact that the program is substantially the same as that approved two years ago.

The potential withholding of federal funds would have a grave impact on California’s entire Medi-Cal program and further strain an already fragile and under-funded health care safety net. This would compromise access to essential health care services for low-income and uninsured Californians that rely on safety net hospital for their care. Further, the potential loss of funds to all Medi-Cal providers would have a ripple effect beyond the safety net to California’s overall health system, impacting access to health services for uninsured and publicly insured, as well as privately insured, Californians.