

**Department of Managed Health Care**  
**ICE CONFERENCE**  
 San Francisco, *NOVEMBER 17, 2011*  
*Brent Barnhart, Director*  


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**DMHC Overview**

- Created by consumer-sponsored legislation in 1999 – and is the only stand-alone government agency regulating HMOs in the U.S.
- 364 personnel – 214 at the downtown Sacramento offices, 11 in LA, and 139 at the FTB campus (including about 100 at the Help Center)
- Oversees 124 full service and specialized health plans serving 21 million enrollees
- Ensures financially stable and affordable access to managed care
- Funded by health plan assessments, not the General Fund

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**DMHC in Transition**

- New leadership
- New direction → CHHS Agency + Exchange
- Philosophy/mission

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**DMHC Leadership Team**

**Brent Barnhart, Director**

**Shelley Rouillard, Chief Deputy Director**

**Deputy Directors**

<b>Plan &amp; Provider Relations</b>	<b>Maureen McKennan</b>
<b>FSSB</b>	<b>Dennis Balmer</b>
<b>General Counsel</b>	<b>Holly Pearson</b>

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**DMHC Key Managers**

<b>Help Center</b>	<b>Andrew George</b>
<b>Enforcement</b>	<b>Debra Denton</b>
<b>Legal Services</b>	<b>Sherrie Lowenstein</b>
<b>Provider Oversight</b>	<b>Lora Gilmore</b>
<b>Licensing</b>	<b>Amy Krause</b>
	<b>Gary Baldwin</b>
<b>Financial Oversight</b>	<b>Suzanne Goodwin-Stenberg</b>

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**California's Dual Regulators**

<b>DMHC regulates:</b>	<b>CDI regulates:</b>
➤ All HMO products	➤ Most PPOs
➤ PPO products (Blue Shield and Blue Cross)	➤ EPOs
➤ Specialized plans	➤ Most indemnity products
➤ Prescription drug plans	➤ No HMOs

*Plans regulated by the DMHC must cover all medically necessary basic health care services.*

*The Insurance Code does not contain comparable requirements regarding quality standards and provider contracts.*

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**What Triggers Knox-Keene Act Jurisdiction?**

- Any person who undertakes to arrange for the provision of health care services to subscribers or enrollees, or to pay for or to reimburse any part of the cost for those services; *and*
- Is compensated based on a prepaid or periodic charge paid by or on behalf of the subscribers or enrollees.

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**DMHC Oversight Functions**

- Licensing health plans
- Financial oversight of plans
- Financial oversight of risk-bearing organizations (RBO)
- Enforcement
- Help Center

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**RAND Study: Results of IM and GI - 2016 Projections**

- Population with health coverage – 80-96%
- Number of new insured -- 6 Million
- Insurance through exchange -- 17% (6M)
- Increase in Medi-Cal enrollment -- 58% (3.6M)
- Increase in annual state HC spending -- \$2B
- Increase in annual state HC spending -- \$4B (2020)

4/5/11 RAND Study -- How Will HCR Affect Cost & Coverage: Examples from Five States. Does not include undocumented immigrants - which would increase the number covered and costs by at least 23%.


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## The Cost of Care in the U.S.

According to a January 10, 2010 *National Geographic* article by Michelle Andrews:

“ The United States spends more on medical care per person than any country, yet life expectancy is shorter than in most other developed nations and many developing ones.”

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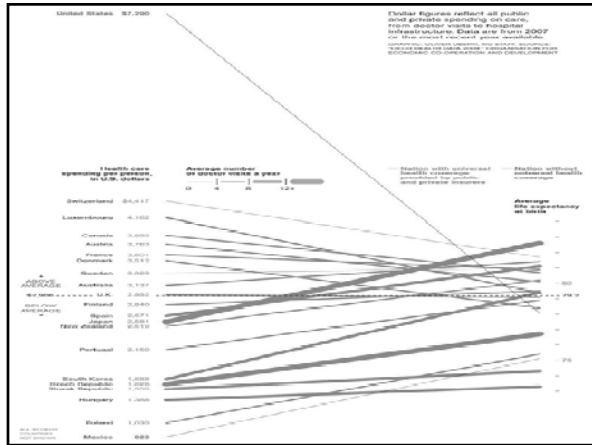
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## Health Care Reform Implementation

- Provided input re: federal regulations
- Implemented ACA and California legislative changes
- Received federal grants to implement rate review, improve IT, consumer assistance, contracts with community-based organizations

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**ACA Implementation**

- Comments on federal regulations to avoid conflict with Knox-Keene Act
- Examples:
  - Balance billing
  - Federal essential health benefits vs. Knox-Keene basic health care benefits
  - Service areas

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**2010-2011 Recap Health Care Reform**



- Rate review
- No pre-ex for kids under 19
- Dependent coverage up to age 26
- Rescissions limited to fraud and or intentional misrepresentations
- Preventive services – No cost sharing
- Lifetime limits – None on essential health benefits (EHB)
- Grievance and external review changes
- California Health Benefit Exchange established

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**Health Care Reform 2012 What's Next?**

- Essential Health Benefits regulations
- 3 Rs (Risk Corridor, Risk Adjustment, and Reinsurance)
- California Health Benefits Exchange
- California legislation, e.g, individual coverage, small group coverage

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## California Exchange

- California is the first state to create a health benefits exchange
- Peter Lee, new Executive Director, began October 17
- DMHC and the Exchange need to develop a consistent/coordinated and comprehensive health care delivery system

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## Major New California Legislation Effective January 1, 2012

- AB 922 – DMHC/ OPA to CHHS
- SB 866 – Prescription drugs/uniform prior authorization form
- SB 946 – Autism mandate
- SB 51 – Medical loss ratio
- AB 415 – Telehealth

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## AB 922

- DMHC transferred from BTH to CHHS
- OPA transfers to CHHS as well
  - 7/01/12: OPA a stand-alone entity under CHHS, responsible for consumer inquiries about health coverage
  - 1/01/13: OPA must be on line
- Some controversy over monies transferred from Managed Care Fund and Insurance Fund to support OPA

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**SB 866 – Uniform Prior Authorization Form for Outpatient Treatment**

- By 7/01/12, DMHC and CDI must jointly develop a prior authorization form for use by every plan/insurer that provides outpatient treatment benefits
- By 1/01/13 (or 6 months after a form is developed) every prescribing provider requesting prior authorization must submit the form to the plan, and the plan must use/accept the forms
- If the plan fails to respond within two business days to provider, the prior authorization request is deemed granted
- Allows exemption if the health plan/delegated medical group does not use a prior authorization process for treatment drugs.

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**Autism (SB 946)**

- **Mandate to cover applied behavioral analysis (ABA) by July 1, 2012**
- **Criteria specified for prescribing, treatment plan requirements, and network of qualified autism service providers**
- **Mandate, but may not exceed essential health benefits**
- **Sunsets July 1, 2014**

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**Legislatively Mandated Autism Advisory Task Force**

2/01/12: DMHC in consultation with CDI, other departments/agencies, advocates, health plan/insurers representatives, and autism experts must convene an Autism Advisory Task Force to develop recommendations re:

1. Behavioral health treatments that are medically necessary to treat autism, including measurable outcomes, patient selection, duration of therapy, etc.
2. Provider education, training, experience necessary for state licensure or state oversight/requirements for currently unlicensed providers.

12/31/12 : Report with recommendations due to the Governor's Office and the Legislature

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 Welcome to California

### Minimum Medical Loss Ratio

- ACA requires that in the individual and small group markets, insurers must spend 80% of their customers' premium dollars on providing health services or improving quality
- In the large group market, 85% must be spent on health care services or improving quality
- Insurers who do not meet those targets must pay pro rata rebates to customers
- SB 51 implements the federal MLR requirements in CA
- DMHC and CDI will be issuing regulations
- Rebates due 8/01/12, if 80 and 85% thresholds not achieved

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### AB 415 – Telehealth Advancement

- Effort to address barriers to access in rural and other medically underserved areas
- Promotes telehealth as a tool to expand/advance health care delivery system
- Allows providers to verbally inform patient and obtain patient's verbal consent to telehealth, and document verbal consent in the patient's medical record
- Health plans and insurers prevented from limiting the type of setting in which telehealth may be provided, or requiring in-person contact for covered services appropriately provided through telehealth
- Addresses hospital privileges to providers rendering telehealth services

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### DMHC Implementation for Autism

- Workgroup with DMHC staff to streamline filing process
- DMHC will draft filing checklist
- Filings likely include changes to Evidence of Coverage, provider contracts, and provider networks to include qualified autism service providers
- Anticipate plans to file by end of April 2012

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## Emerging Issues

- Multi-state plans
- Small self-insured groups with stop-loss – low attachment point
- 2012 Election
- US Supreme Court decision on ACA

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## Questions?

Help Center  
1-888-466-2219

Website  
[www.dmhc.ca.gov](http://www.dmhc.ca.gov)

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