

**Department of Health Care Services  
Proposed Trailer Bill Legislation**

**Conform Statutory Estimate Requirements to Recent Program Changes**

**FACT SHEET**

**Issue Title: Conforming Statutory Estimate Requirements to Recent Program Changes.**

The Department of Health Care Services (DHCS) proposes to update and conform statutory requirements related to the Medi-Cal Local Assistance Estimate (hereafter “Medi-Cal Estimate”) with recent program changes in Medi-Cal and reorganize the estimate and budget act information.

**Background:** Existing law establishes requirements for how the Medi-Cal Estimate should be organized and how fiscal information will be displayed (Welfare & Institutions Code (WIC) section 14100.5). These requirements were developed in 1984, when the program looked very different from its current form and had a much greater reliance on the fee-for-service (FFS) delivery system than is the case today. For example, among other things, current law requires that individual FFS rate increases be budgeted separately and that fiscal intermediary management spending and county administration have their own schedules in the Budget Act. Additionally, current law places disproportionate emphasis on county administration compared to the larger amount of other administrative funding currently budgeted in the Medi-Cal Estimate.

Specifically, this proposal would:

- Remove the requirement that FFS rate increases be separately displayed.
- Starting with the 2024-25 fiscal year, consolidate all local assistance administration costs, including county administration, fiscal intermediary management, and other local assistance administration, under a single budget line item referred to as “County and other local assistance administration.”
- Remove the requirement for Department of Finance to produce a range of estimates of Medi-Cal spending, to reflect current practice.
- Remove the requirement for county-by-county administrative cost projections, to reflect current practice.

**Justification for the Change:** DHCS proposes to align requirements in law with how the Medi-Cal program is currently funded and budgeted. Specifically, the changes will streamline the display of information in the Budget Act and simplify the information displayed in the Medi-Cal Estimate, while maintaining much of the same information and transparency that is provided today.

The justification for the proposed changes includes:

- Today, the “county administration” item in the annual budget act includes all local assistance administrative spending (other than spending related to fiscal

intermediaries), not just spending on county administration. For example, this line item includes funding for a number of contracts that are budgeted as local assistance because of their tie to enrollment levels and other major local assistance items. In light of the growing significance of these non-county items, a broader administration designation would make more sense in state law than the currently required “county administration” item.

- Fiscal intermediary funding is not fundamentally different from other administrative funding budgeted in the Medi-Cal Estimate and makes up a small share of the overall funding. Specifically, in the May 2022 Medi-Cal Estimate, fiscal intermediary spending made up only 7.5 percent of total administrative dollars. Fiscal Intermediaries and the FFS delivery system play a less significant role in the program going forward with the implementation of California Advancing and Innovating Medi-Cal (CalAIM) and the increasing and dominant role of the managed care delivery system. In light of this, statutory changes are proposed to eliminate a separate line item for fiscal intermediary management. Combining authority for fiscal intermediary management with other local assistance administrative spending in a single line item would also improve budget administration and minimize the need for mid-year budget revisions.
- FFS rate increases are less central to the Medi-Cal program now than they once were due to the increased use of managed care.
- The Medi-Cal Estimate no longer features county-by-county projections of administrative spending and has not included this information for more than 10 years.

**Summary of Arguments in support:**

- The proposal updates state law to reflect how cost estimates in the Medi-Cal program are currently developed, in alignment with recent programmatic changes.
- The proposal creates efficiencies for the Administration and the Legislature in ongoing administration of the Department’s budget authority as well as the Medi-Cal Estimate development process.