Advancing Innovations in Health Care Delivery for 11 Million+ Californians

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MEDICAID FELLOW PROFILE

IN BRIEF

As the CEOs of the largest health insurers in their states, Medicaid directors are positioned to influence the delivery of higher-quality, more cost-effective services across the health care system. This profile details California's innovative health care transformation process and the critical role of the state's Medicaid director Toby Douglas in the statewide restructuring. It also describes the *Medicaid Leadership Institute*, a unique fellowship program designed to enhance the leadership capacity of Medicaid directors to maximize the potential of publicly-financed health care.

In her many years with the state, Vanessa Baird has never been more impressed with a colleague's achievement than she was in November 2010. That month California won a federal waiver to expand Medicaid coverage with $10 billion in extra funding over five years. She told California Medicaid director Toby Douglas that she was amazed at what he had accomplished, and that he had done a tremendous service for the state.

"We made the case to the feds for doing all these things under the waiver, and I wasn't sure we could pull it off," says Baird, deputy director for health care benefits and eligibility at the California Department of Health Care Services (DHCS), which runs the state's $50 billion Medicaid program, known as Medi-Cal. "He kept people fired up and moving forward. We're all proud of that waiver, and I give him tremendous credit for getting it approved."

Douglas led the drive for the Section 1115 waiver proposal, called Bridge to Reform, while working under Republican Gov. Arnold Schwarzenegger. It allows California to phase in coverage for all legal residents, including childless adults, with incomes under 133 percent of the federal poverty level. That gives the state a head start on the major coverage expansion mandated by the Affordable Care Act. The waiver is expected to insure an additional 500,000 people.

In addition, the waiver shifts more beneficiaries into managed care to save money and help fund the expansion. It makes billions of dollars available to hospitals serving low-income patients to help them better coordinate care. And it enables the state to implement a demonstration program focused on children with severe medical conditions, including cancer, sickle cell, cystic fibrosis, heart disease, and spina bifida.


Toby Douglas

Now Douglas – still the Medi-Cal director but also named director of DHCS by Democratic Gov. Jerry Brown in January 2011 – is busy spearheading ambitious new initiatives to better coordinate care for severely ill children and for low-income, chronically ill adults covered by both Medicare and Medi-Cal.

At the same time, he is presiding over benefit reductions and provider pay cuts as part of the state's daunting effort to close its enormous budget deficit. Not to mention his involvement in legal cases going as far as the U.S. Supreme Court.

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"We're in a very tough time, and it's challenging and emotionally draining," Douglas acknowledges. "I think about the individuals impacted by the decisions we make. I try to focus as much as possible on the good we can do, more effectively using the limited services we have to improve people's health."

"He's doing a tremendous job in a terribly tough budget climate," says California Assembly member Bill Monning, who chairs the health committee. "The federal waiver is one of the saving graces for the state. That's where Toby has definitely shown his leadership."

Indeed, Douglas has succeeded in wresting some good from the bad. He recently negotiated a settlement of a federal lawsuit challenging Medi-Cal's elimination of adult day health benefits for 35,000 elderly and disabled beneficiaries. The November 2011 settlement, which received praise from patient advocates, allows beneficiaries to stay in adult day health care until March 2012. About half will then transition into similar services by enrolling in managed care plans. The other half will receive intensive case management services while remaining in their homes. The changes are projected to save the state $92 million, while facilitating the movement of chronically ill Medi-Cal beneficiaries into better coordinated care programs.

"Having Toby sit at the table made a critical difference because of his substantive knowledge of how these systems work," says Elissa Gershon, senior attorney for Disability Rights California, one of the lead attorneys challenging the termination of the benefit. "We wouldn't have been able to settle the case favorably without his direct involvement."

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During the fellowship, he worked on value-based purchasing as his on-the-job practicum, and also received personal leadership coaching. Douglas had been thinking for a while about how to reorganize care for chronically ill children. Then he learned from Institute faculty member Michael Porter of the Harvard Business School about the concept of providing high-volume, specialized care around specific medical conditions. The goal would be for providers to collaborate in delivering patient-centered care in the most appropriate setting, with payment structured to reward quality outcomes rather than volume of services.

The first area where he and his staff are implementing value-based purchasing is in the California Children's Services (CCS) program. Legislation was needed to allow testing of this new approach within the nearly $2 billion CCS program. To build support, Douglas and his staff met and talked extensively with all the stakeholders, including providers, patient advocacy groups, and county officials. Some expressed fear that the purpose was to ration care to sick children.

But other stakeholders recognized the problems and welcomed new approaches. Providers and patient advocates talked about children not being able to get the right care in the right setting, with too much inpatient care and not enough home care. It was recognized that if there was a bundled payment rather than separate fee-for-service payments for inpatient, outpatient, and home care, barriers to more appropriate care could be overcome. Porter even journeyed from

Harvard and presented the model to leaders and staff at key children's hospitals in California. "It was a very collaborative process, and everyone became enthused about providing and paying for care differently," Douglas says.

The federal Centers for Medicare & Medicaid Services approved the CCS pilots in November 2010 as part of the state's Section 1115 Medicaid waiver. Then in October 2011, DHCS subsequently awarded contracts to five health care organizations in six counties – including children's hospitals and Medicaid managed care plans – to improve care for up to 20,000 children on Medi-Cal with serious health conditions. The positive results of these pilot projects could lead to improved care for all 185,000 children enrolled in CCS.

Each contractor will use different organizational models to eliminate fragmentation and create a seamless system of care. Some sites will receive full bundled payment, while others will receive modified bundled payments due to their uncertainty about the full cost of care for the enrolled group of pediatric patients. The different models will be evaluated, and Douglas wants to expand the most successful ones across the CCS program.

Beyond that, he wants to use those lessons as a roadmap for rolling out value-based purchasing and coordinated care across the entire Medi-Cal system. He is particularly looking at reorganizing care for chronically ill adults who are dually eligible for Medicare and Medi-Cal. As with the CCS program, he wants to provide incentives for centers of excellence to provide high-quality outpatient care to keep these beneficiaries healthier and out of the hospital and emergency department.

Under his leadership, California is one of 15 states that received a $1 million federal grant in 2011 to study ways of integrating benefits and care for its 1.1 million beneficiaries who are eligible for Medicaid and Medicare. Care for this dually eligible population costs the state and federal government $21 billion a year. DHCS is examining both a capitated model – paying managed care plans a per-beneficiary-per-month fee – and a managed fee-for-service model.

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Douglas' agency began gathering input from stakeholders on dual eligible integration last year, commissioning a series of in-depth interviews followed by public meetings and technical work group sessions. The Legislature then passed a law mandating DHCS to implement integrated pilots for dual eligibles in four counties. Those will start in January 2013 and include both long-term care services and behavioral health services. Douglas' agency plans to enroll up to 150,000 dual eligibles in integrated care over the next two years, then expand the program statewide based on successful models by 2015.

Besides dealing with budget and care integration issues, Douglas spends a lot of time preparing for the federal health reform provisions that take effect in 2014. He and his staff are busy planning for how the state health insurance exchange, mandated by the federal law and by a 2010 state enabling legislation, can be used to simplify Medi-Cal enrollment. "It's very exciting because it will dramatically change our eligibility process from a very complicated system based on different categories of eligibility to a simple one based just on income," he says.

He also spends more time than he would like on the case that recently went before the U.S. Supreme Court that bears his name, *Douglas v. Independent Living Center of Southern California*. The state is challenging lower federal court decisions blocking implementation of certain 2008 and 2009 Medi-Cal payment cuts. The key issue is

whether private parties can sue to enforce Medicaid's so-called equal access provision, which requires states to set rates that are adequate to enlist enough providers to ensure beneficiary access to care. The state and the Obama administration contend the law allows enforcement only by the federal government.

In late February 2012, the Supreme Court sent the case back to a U.S. appeals court based in California. A potential ruling for the government could have a sweeping impact on essential programs for people who are poor and individuals with disabilities across the country. Douglas feels conflicted about the case. "I believe strongly in the need for these types of decisions to work through the federal-state relationship," he says. "But clearly, the ability of individuals to sue and ensure their voices are heard," he pauses, then adds, "it's way bigger than just about Medicaid."

He credits the leadership training and personal coaching he received through the Institute for helping him greatly through this time of enormous change and stress. He still talks occasionally to his coach, Ed O'Neil, director of the Center for the Health Professions at University of California, San Francisco.

The leadership training, he says, "helped me move from being just a doer to being a change agent, a visionary, understanding the issues and working with staff so they are in sync with my vision." In particular, he learned how to use his staff more effectively. "Before, I would feel I had to be involved in everything. But working with my coach, I really have moved to setting direction and letting the staff execute those decisions."

Vanessa Baird, who has worked with Douglas since 2005, agrees. "Toby recognizes each staffer's strengths and assigns work to them based on those strengths," she says. He's also brought in talented new blood from outside state government, and is constantly looking for people with promise, because he's preparing future agency leaders, she adds. But he does more than just managing DHCS and Medi-Cal well. "Toby takes it a lot of steps further," she says. "He wants to make sure we're abreast of the science and technology, and have a long-term focus on improving the quality of services and the outcomes for beneficiaries. Everything we do with Toby, he weaves in those elements, keeping an eye toward the future and continuing to make things better."

Author Harris Meyer is a Washington State-based freelance journalist who has been writing about health care policy and delivery since 1986.

About the Medicaid Leadership Institute

The *Medicaid Leadership Institute* is a unique opportunity for Medicaid directors to participate in an intensive leadership development curriculum designed to cultivate the skills necessary to transform their Medicaid programs into national models for high-quality, cost-effective care. The Institute is an initiative of the Robert Wood Johnson Foundation directed by the Center for Health Care Strategies, a nonprofit health policy resource center dedicated to improving health care quality for low-income children and adults, people with chronic illnesses and disabilities, frail elders, and racially and ethnically diverse populations experiencing disparities in care. For more information, visit www.MedicaidLeaders.org.