Agenda Item VII: Funding Options for HPD Long Term Sustainability

Today's Topic

- Obtain input to inform legislative report due March 2023
- HPD annual costs
- HCAI's experience with revenue sources
- Options for funding HPD
- Tradeoffs among the funding options

HPD Program Goals

1. Provide **public benefit** for Californians and the state **while protecting individual privacy**.
2. Increase **transparency** about health care costs, utilization, quality, and equity.
3. Inform **policy decisions** on topics including the provision of quality health care, improving public health, reducing disparities, advancing health coverage, reducing health care costs, and oversight of the health care system and health care companies.
4. Support the development of **approaches, services and programs** that deliver health care that is cost effective, responsive to the needs of Californians, and recognizes the diversity of California and the impacts of social determinants of health.
5. Support a **sustainable health care system** and more **equitable access** to affordable and quality health care for all.

What is the value proposition for the HPD System?

Provides a window to California's $400 billion healthcare spend

- Explore variation in price and out-of-pocket cost by condition, service, or procedures.
- Compare payers (e.g. commercial, Medicare, Medi-Cal)
- Identify cost drivers, e.g. prescription drug costs, by setting of care; inform OHCA's efforts

Allows users to identify and act on opportunities to improve California's healthcare system

- Assess the results of health initiatives, tracking changes in utilization, cost and quality
- Learn from the success of high-performing regions, plans, models of care
- Streamline access to cross-payer health care data across CalHHS and other California agencies

Supports healthcare research, including research that directly benefits Californians

- Create one of the largest research databases of its kind, supporting a wide range of projects that align with the HPD's purpose
- Facilitate linkages with other datasets (economic, environmental, social, clinical)
- Example: more robust data for the California Health Benefits Review Program (CHBRP)

Overview

- The Healthcare Payments Data (HPD) System will be a statewide resource, and it will require investment to build and operate.
- The Legislature appropriated $60 million General Fund on a one-time basis to support the HPD initiative, including planning, development, and build. Funds expire June 2025.
- To be successful over the long term, the HPD needs a sustainable funding model that provides predictable revenue.
- HPD enabling legislation specified that General Fund support for the HPD Program would be limited to the funds appropriated in the 2018-19 Budget Act.
- HCAI is required to submit a Legislative Report by March 2023 on options to support ongoing HPD operations.

Stable funding is essential to enable HCAI to:

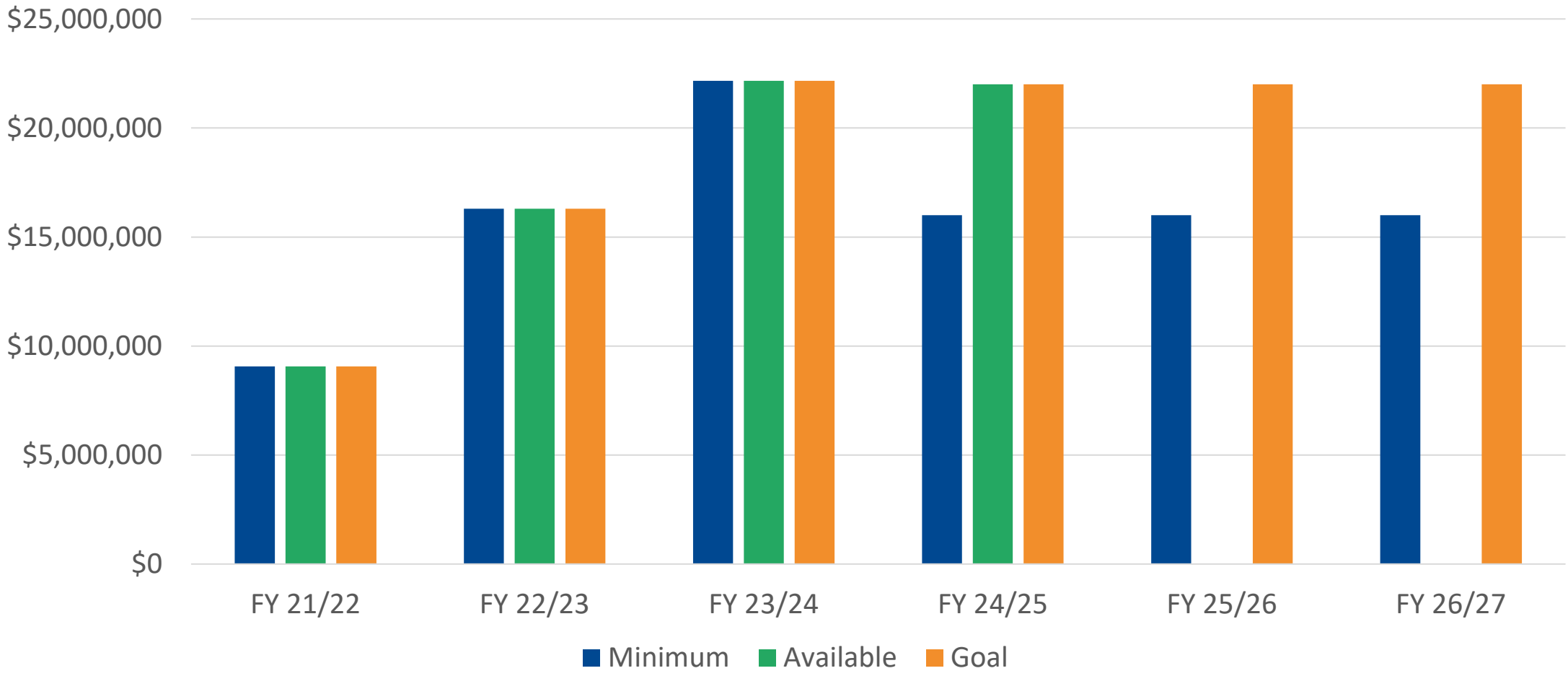
- Conduct consistent data collection, year over year
- Recruit and retain a team that builds deep data and analytic expertise
- Invest in IT infrastructure that meets enterprise needs and maximizes the value of HPD
- Adjust over time to changes in the data, public reporting priorities, and data release program needs

HPD Operating Costs

Background

- HCAI developed a plan and budget to build the HPD System, and operate it for at least one year, using the original $60 million appropriation from 2018.
- Combined with federal Medicaid match, the $60 million appropriation will cover all program spending through June 30, 2025.
- The CDT-approved project budget includes a one-year operations budget of $16 million for July 2023 – June 2024.
- A budget of $16 million would cover technical infrastructure, data collection, program administration, the data request program, and some technical support.
- An annual, ongoing operations budget for after June 30, 2025 (when the appropriation expires) has not been locked in yet.

HPD Budget



HCAi
Department of Health Care Access and Information

HPD Legislative Report

(March 9, 2020)

Exhibit 11. Data and Reporting Through the HPD

	TIER 1: CORE	TIER 2: EXPANSION	TIER 3: MATURITY
Data Categories	• Claims and encounters (medical and pharmacy) • Member enrollment • Provider information	• Capitation: alternative payment models (APMs), pharmacy rebates, pay for performance, etc. • Dental claims, encounters, member enrollment, and provider information	• Lab values and other clinical information through electronic medical records (potentially)
Leveraging Other Data Sources: Examples	• Census data elements (such as race/ethnicity, income, and housing)	• Hospital discharge data (OSHPD)[a] • Vital statistics (birth and death records) • Surveys (e.g., California Health Interview Survey,[b] Behavioral Risk Factor Surveillance System[c]) • CA's open data portal (e.g., air and water quality[d]) • Other public sources[e]	• Immunization registries • Chronic disease registries (e.g., CA Parkinson's[f]) • CA Reportable Disease Information Exchange (infectious disease, CalREDIE[g]) • California Cancer Registry[h] • Controlled Substance Utilization Review and Evaluation System (CURES)[i]
Output Examples	• Web displays, including maps and dashboards • Predefined reports on de-identified aggregate data	• Interactive reports • Access to data by application through a data enclave • Custom datasets (one-time data extracts)	• Web or enclave-enabled data analysis
Reporting Level and Capabilities	Summary statistics, statewide and regional by age, gender, race/ethnicity	By payer (Medi-Cal, Medicare, commercial) and product (HMO, PPO, ACO)	Patterns of care over time, such as episodes of care, longitudinal analyses (e.g., cost in last six months of life)

Framework for Public Reporting Priorities
(Advisory Committee, October 2021)

Sooner — "Simple" Statistics

- Initial cost and utilization statistics, statewide and:
  - By geography, age, gender
  - By payer (Medi-Cal, Medicare, commercial)
- Component cost and utilization (e.g., inpatient, outpatient, professional, prescription drug)
- Out of pocket costs
- Chronic condition prevalence by geography and payer, age and gender
- COVID-19 utilization, cost

Next — Increasing Complexity

- Increasingly robust cost and utilization statistics
- Cost for common episodes of care/procedures
- Quality of care
- Health disparities (race/ethnicity Census overlay)
- Low value care: sources volume, cost
- Chronic conditions: costs to treat, utilization
- Prescription drug spending
- Primary care spending
- Behavioral health utilization

Longer-Term — Supplemental Data

- Prevalence of capitation and alternative payment models
- Statewide health system performance
- Total cost of care
- Provider comparisons on cost and quality
- Primary care spending (incl non-claims payments)
- Behavioral health spending (incl non-claims payments)
- Enhancing race/ethnicity/language reporting through linkage to other sources

Looking Ahead

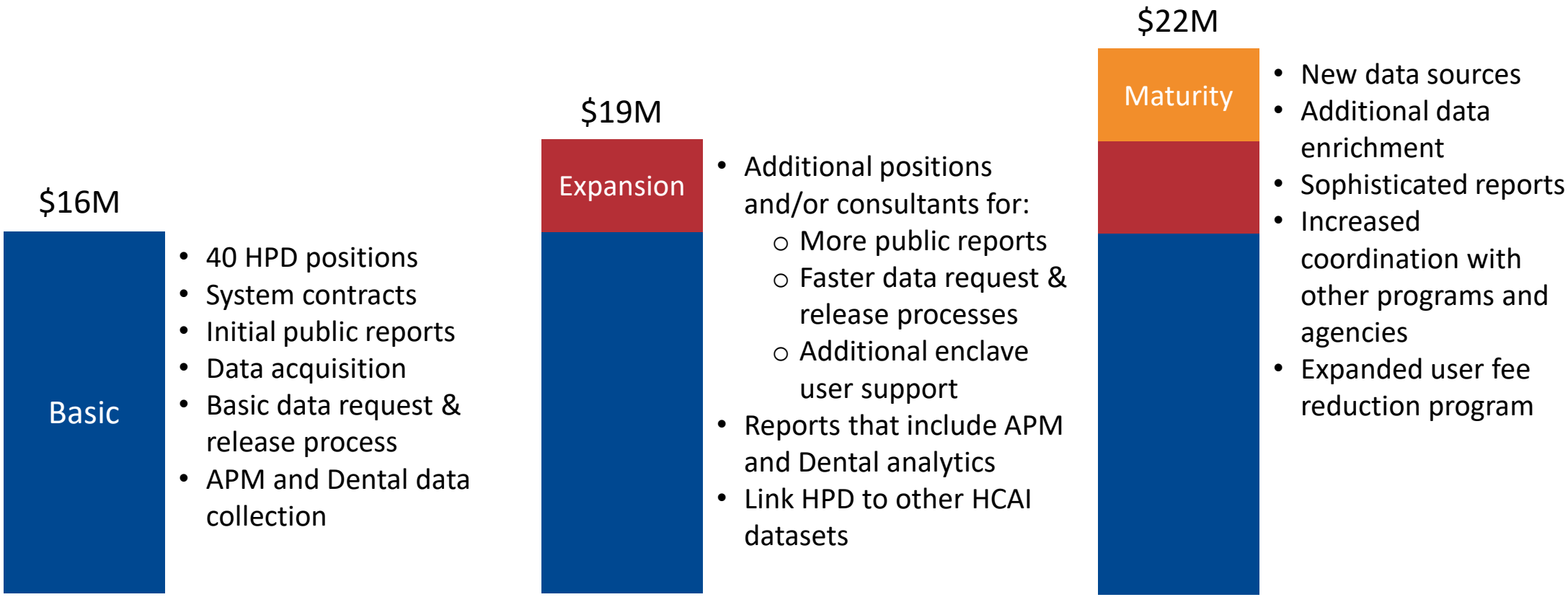
More Linkages

More Access

More Sources

More Reports

HPD Project Operating Costs



HCAI Experience with Revenue Sources

Health Data and Planning Fund Revenue

- Annual Assessment Fees paid by Hospitals and certain Long-Term Care Facilities *(HSC Section 127280)*
- Percentage of operating expenses up to maximum of 0.035% *(CCR Title 22 Section 90417)*
  - Hospital currently 0.027% ($38.3M in Fiscal Year 2022-23)
  - LTC currently 0.025% ($3.2M in Fiscal Year 2022-23)
- Other historical sources:
  - Original Tobacco Tax (1988 Proposition 99)
  - Rx Manufacturer Price Reporting transfers from DMHC ($1.4M) and CDI ($54K)
  - Data sales ($160K)

HCAI's Experience with Assessment Fees

- No impact from California general budget limits (Gann, Prop 98 School)
- Provides stable funding
- Allows flexibility (can be adjusted within statutory limits)
- Sometimes insulates from budget cuts (not always i.e., furloughs)
- Surplus rolls over to next year
- Requires fund monitoring
- Requires regulations to adjust assessment fee

HPD Revenue Sources

Review Committee Recommendations

33. Special Fund for the HPD Program: A special fund should be created for the HPD Program, and revenue to support the HPD Program should be directed to that fund. Any funds not used during a given year will be available in future years, upon appropriation by the Legislature.

34. Pursue CMS Medicaid Matching Funds: Maximum possible CMS Medicaid matching funds, or other federal funds, should be pursued to support the HPD Program.

35. Establish User Fee Schedule to Support the HPD Program: Develop a fee schedule and charge data user fees for data products to support the HPD Program and stakeholder access to data.

36. Explore Other Revenue Sources: For the remainder of HPD Program operational expenditures, other revenue sources should be considered in collaboration with stakeholders.

Source: HPD Program Report to the Legislature, 2020. For details on the discussion, see the minutes from the January 2020 Review Committee.

Medicaid Match from CMS

- Collaboration with DHCS on agreement with CMS described in Advance Planning Document (APD), updated annually
  - APD for 90% federal match of system implementation costs approved through September 2023
  - 75% match for system operation costs are contingent on an outcomes-based system certification process (50% match until certification review)
- Certification review planned for 8/15/24 on these outcomes:
  - Longitudinal Eligibility report, to improve DHCS' calculation of CMS Adult and Child Health Care Quality Measures
  - Evaluate Patient Load for Medi-Cal Providers report, to improve access to care for Medi-Cal beneficiaries by evaluating the full patient load across providers
  - Coordination of Care of Dual-Eligibles report, to improve care coordination for Dual Eligible Medi-Cal members

Assuming system certification is approved, ongoing match rate is 75% on Medi-Cal share of enrollment – so, approximately 25% of operating cost.

Data User Fees

- As discussed in July, user fees could contribute an **estimated 5-15%** of Program funding on an ongoing basis
- Range in other states is 0-17%; higher end of range requires sales team
- Share in early years will be near zero as data release program ramps up
- User fees are variable, somewhat unpredictable

- Assume **5% of operating revenue from user fees** (including application fees)
- Ongoing need to **balance between revenue-generation and affordable access** to a wide range of approved users

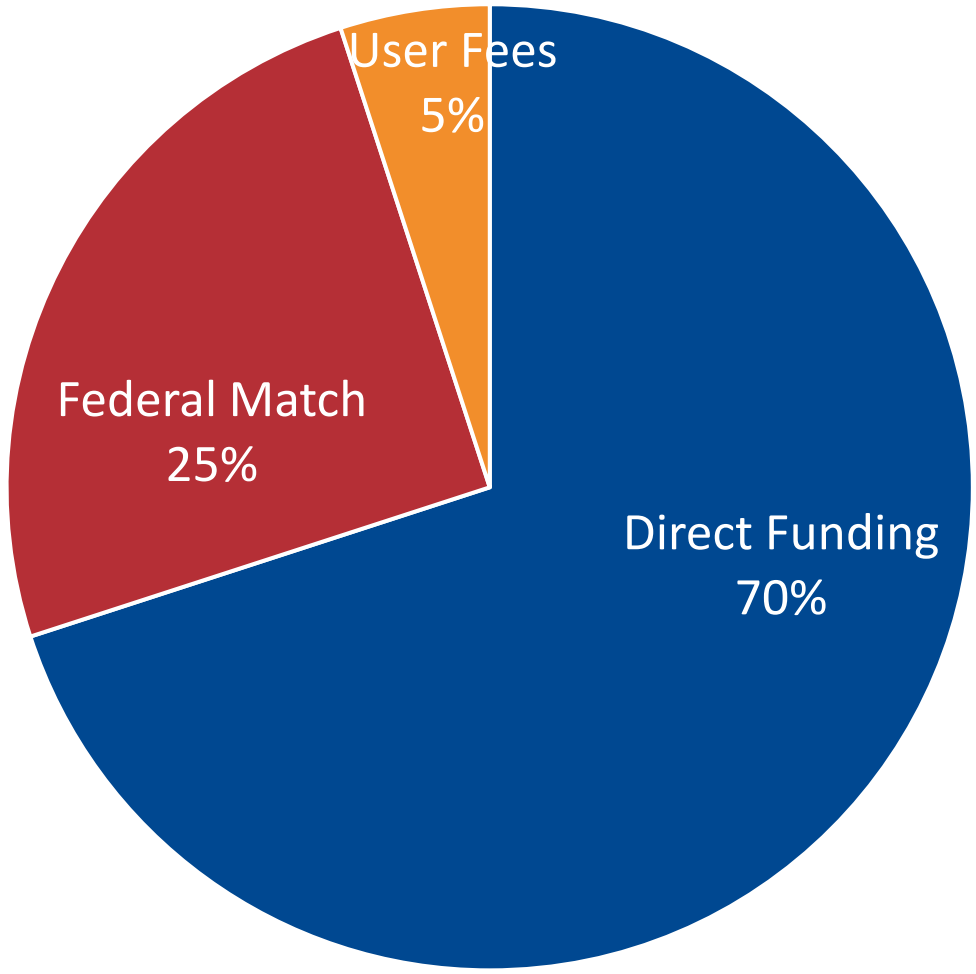
Grant Funding for State APCDs

- Federal grants have come from CMMI initiatives (e.g. State Innovation Model) and from agencies such as CMS' CCIIO
- Federal grants of up to $2.5 million per state APCD have been approved - but no appropriation to date
- Private foundations have also contributed to state APCDs, e.g. for start-up or for specific topics/analyses
- However, grant funding:
  - has not been a major source of funding for state APCDs
  - is not a sustainable source of operational funding

- **Assume zero funding from grants** for annual operating expenses
- Any funds obtained through grants will be committed to one-time investments rather than annual operations

HPD Annual Funding Sources – Estimates Based on Projected Operating Costs

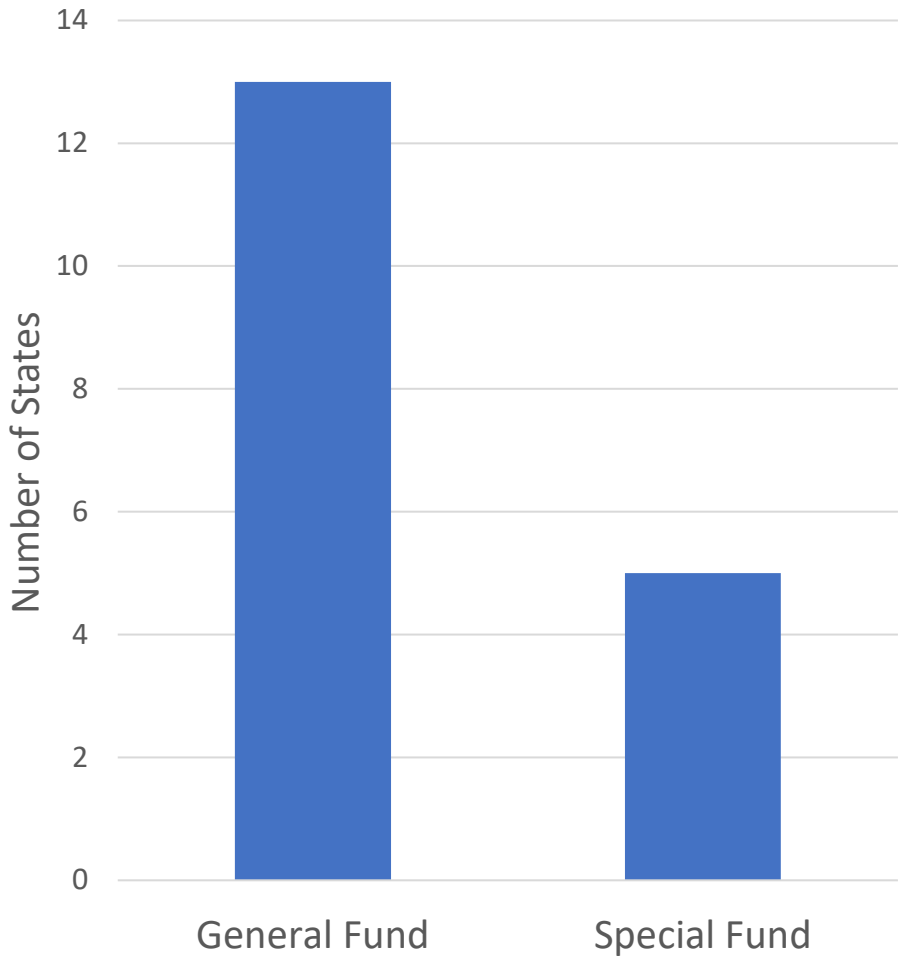
	Medicaid atch	User Fees	Direct Funding
Core ($16M)	$4 M	$0.8 M	$11.2 M
Expansion ()	$4.75 M	$0.95 M	$13.3 M
Maturity ($2M)	$5.5 M	$1.1 M	$15.4 M



Direct Funding for State APCDs

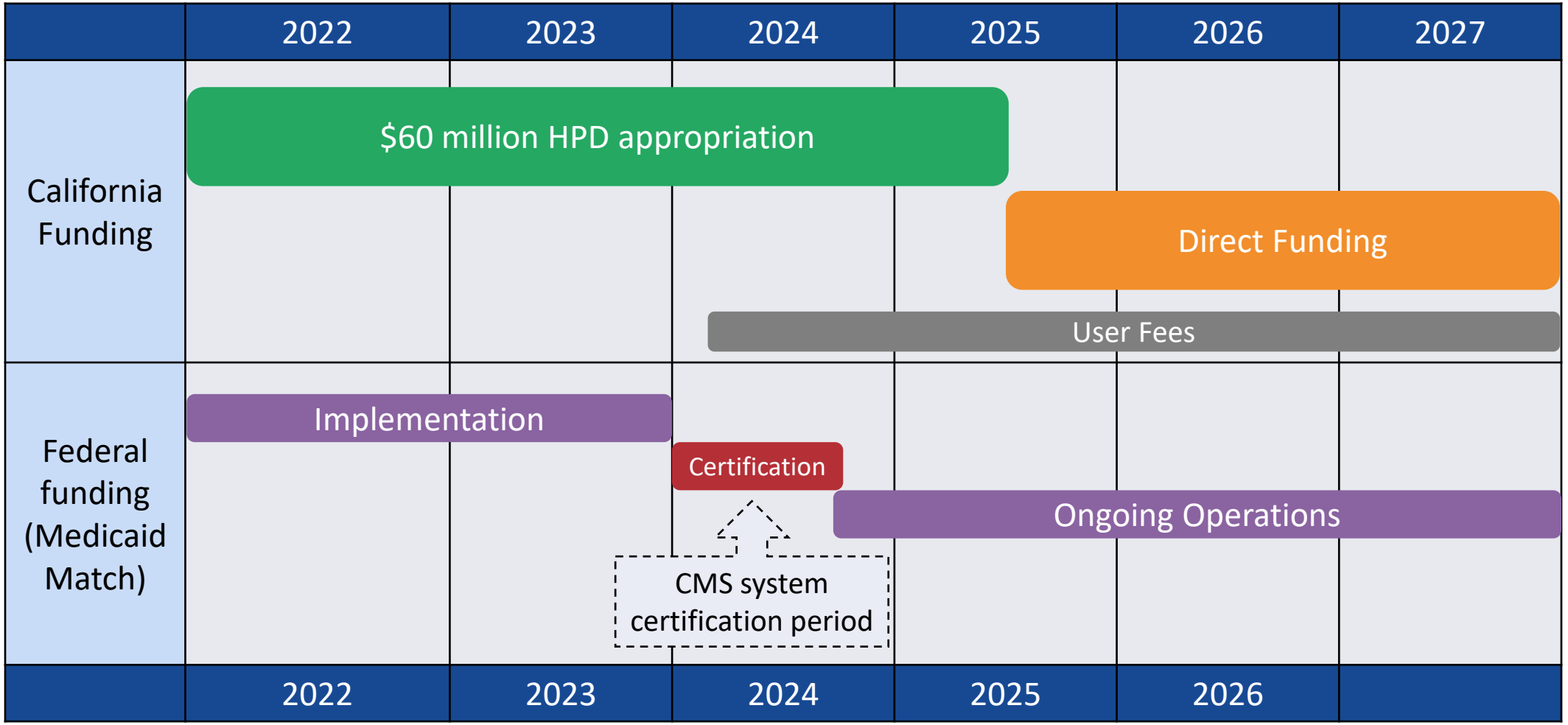
- Most state APCDs receive state appropriations to support APCD operations, in full or in part.
- States with special fund revenues are raised from industry assessments on health care entities.

Target for Direct Funding: ~70% of HPD operating costs = $11.2-15.4M (based on $16-22M op cost)



Source: HPD Program Report to the Legislature, 2020 (exhibits 33 and 34)

HPD Funding Timeline



Direct Funding Options: Overview and Tradeoffs

General Fund

- Most common source of state APCD funding
- Avoids assessments
- Subject to fluctuations in tax revenue and competes with most other government programs
- Requires legislative change (Legislature would need to reverse its previous prohibition on use)

Special Fund

- Less commonly used for state APCD funding
- New revenue generation authority requires legislative change (Fund itself already exists)
- Not subject to fluctuations in tax revenue, but may be subject to fluctuations in revenue mechanism (such as monies that are assessed)
- Impacts those that are assessed (in health care, may trickle down to consumers)

Input for HCAI in considering these options and tradeoffs? Other options for revenue?