Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

### A. GENERAL INFORMATION

<table>
<thead>
<tr>
<th>1. Date</th>
<th>2. Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-12-14</td>
<td>Health Care Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Organizational Placement (Division/Branch/Office Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitated Rates Development Division</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. CEA Position Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief, Capitated Rates Development Division</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Department of Health Care Services (DHCS/Department) proposes to allocate the position above to the Career Executive Assignment (CEA) category. The proposed CEA Level B, Chief, Capitated Rates Development Division (CRDD), will serve as the principle policy maker for all health plan rate setting and financial oversight activities critical to ensuring access to high quality and cost efficient health care through DHCS' contracted managed care plans (MCP) that provide health care coverage to a growing majority of the Medi-Cal population. In this role, the proposed CEA will work collaboratively with the Deputy Director, Health Care Financing (HCF), and Assistant Deputy Director, HCF, to oversee CRDD. The Chief, CRDD, will provide policy and political leadership in the formulation and administration of DHCS' contracted MCPs financial policy; oversee sound actuarial methods in establishing capitation rates and related statutory and contractual reimbursement for MCPs; direct and oversee program staff to ensure uniform program direction and maximum efficiency of program delivery in accordance with state and federal requirements and agreements; and, direct and evaluate the policy, planning, fiscal, and ongoing performance management activities necessary within the division.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Reports to: (Class Title/Level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEA Level B, Assistant Deputy Director, HCF; and, the Deputy Director, HCF (Exempt Position)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Relationship with Department Director (Select one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.</td>
</tr>
<tr>
<td>☐ Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.</td>
</tr>
</tbody>
</table>

(Explain): |

<table>
<thead>
<tr>
<th>8. Organizational Level (Select one)</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ 1st</td>
</tr>
<tr>
<td>☐ 2nd</td>
</tr>
<tr>
<td>☑ 3rd</td>
</tr>
<tr>
<td>☐ 4th</td>
</tr>
<tr>
<td>☐ 5th (mega departments only - 17,001+ allocated positions)</td>
</tr>
</tbody>
</table>

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The Chief, CRDD, in collaboration with other divisions in DHCS, is responsible for policy development and administration of the managed care program by ensuring that MCPs are appropriately reimbursed for the services they provide to nearly 11 million Medi-Cal beneficiaries today. Under the direction of the Deputy Director, HDF, and Assistant Deputy Director, HDF, the Chief, CRDD, is responsible for planning, organizing, and directing the work of a multi-disciplinary staff of actuaries, research program specialists, program analysts, administrative staff, and managers in the development, interpretation, evaluation, and implementation of highly complex and sensitive policies, legislation, and regulations related to capitation rate development and MCP financial monitoring.

Specific duties include the following:

**Overall Division Oversight and Operations:**
- Providing day-to-day operational management and methodological direction of a growing division comprised of actuaries and contracted resources that support rate setting and two units that provide financial oversight and process rates for plan communications that result in health plan reimbursement totaling tens of billions of dollars annually;
- Leading, organizing, evaluating, supervising, training, and developing division staff;
- Management of a multi-million dollar contract for actuarial work and process including procurement, budget authority, and assessment of cross divisional needs for such resources;
- Advising the directorate on critical issues of financial risk as well as political and legal sensitivity;
- Coordination and response to rate related litigation in collaboration with other divisions as necessary;
- Providing written analysis and responses as well as oral presentation to the media, public, the Legislature, stakeholders, health plans, and control agencies on impacts of budget and policy proposals, legislation, and day-to-day operations and requests for information that involve health plan rate setting and financial oversight as needed.

**Capitation Rate Setting and Processing:**
- Reviewing appropriateness and quality of rates developed by state and contracted actuarial staff;
- Providing technical advice and direction on complex actuarial analysis and computations;
- Evaluating managed care rate setting policy and methodologies to ensure program/service compliance with the Department’s mission as well as state and federal polices, rules, procedures and regulations;
- Directing timelines and processing for annual rate development activities according to DHCS priorities including plan communications and submissions to the federal government for rate approvals;
- Functioning as a policy expert in the development and use of sound actuarial methods in establishing capitation rates and related statutory and contractual reimbursement provisions for health care organizations;
- Researching, reviewing, and making recommendations regarding managed care related efficiencies and opportunities for improving rate setting mechanisms to drive quality of care and cost efficiency;
- Developing new policy and operational strategies, policies, and procedures in response to changing state and federal regulations, statues, and initiatives related to managed care systems, including implementation of Medi-Cal expansion and the Affordable Care Act, as well as existing and future DHCS initiatives such as those proposed under the 1115 waiver renewal, also known as Medi-Cal 2020;
- Developing, interpreting, and issuing policy on Medi-Cal rate setting and reimbursement methodologies for contracted health plans including necessary contractual changes and guidance issued through All Plan Letters that inform and provide instructions and requirements to Medi-Cal managed care plans;
- Collaborating with the federal Centers for Medicare and Medicaid Services (CMS) to ensure timely processing and approval of rates;
- Interfacing with managed care plans regarding the appropriateness of their rates;
- Directing and overseeing health plan rate processing and financial analysis provided to health plans for rate related communications;
- Leading stakeholder meetings and actuarial workgroups related to rate development;
- Coordinating annual and ad-hoc data collection and review for rate development and financial oversight including plans submissions of various required financial reports, utilization, cost and encounter data.

**Health Plan Financial Monitoring:**
- Monitoring health plan fiscal health according to contract, state, and federal requirements;
- Recommending and taking appropriate action on problematic health plan financial status including requiring and reviewing additional health plan financial reports and data and implementing corrective action plans as necessary;
- Collaborating closely and meeting regularly with Department of Managed Health Care (DMHC) on joint health plan financial oversight activities such as monitoring health plan tangible net equity, medical loss ratios, and developing and implementing corrective action plans as needed;
- Advising the directorate and other manage care and program divisions on financial status of health plans.
B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: DHCS’ mission is to preserve and improve the health status of Californians. The Chief, CRDD, will have a significant impact on the Department’s ability to provide health care services to Medi-Cal beneficiaries by providing appropriate reimbursement and financial oversight of managed care plans which are fundamental to the Department’s goal for achieving improved health outcomes and cost efficiency. The incumbent will have responsibility for oversight of actuarial work to ensure health plan reimbursement is sufficient in providing access to health care services. Additionally, the proposed CEA is responsible for monitoring the fiscal health of MCPs to ensure they are financially stable to provide care for over 11 million Medi-Cal beneficiaries. The appropriateness of rate setting and the financial health of the state’s Medi-Cal MCPs is mission critical to ensuring access to high quality health services as well as driving improvements in the State’s health care delivery systems and safety net.
B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

Over the last several years, the number of Medi-Cal beneficiaries who are receiving their health care through enrollment in Medi-Cal managed care plans has increased by 300 percent – from 3.6 million enrollees in July 2009, to nearly 10.9 million enrollees in March 2017. The growth in managed care enrollment continues. Today, nearly 80 percent, or nearly 11 million Medi-Cal beneficiaries, are in a managed care delivery system. This growth is driven by several factors including:

- An overall increase in the number of Medi-Cal beneficiaries;
- The implementation of the federal Affordable Care Act, which increased the number of Californian’s eligible for Medi-Cal,
- Mandatory enrollment of seniors and persons with disabilities into managed care;
- The transition of beneficiaries out of the Healthy Families program and into managed care programs;
- The expansion of Medi-Cal managed care into all 58 counties in the State;
- The integration of more services into managed care plans, including community-based adult services in 2012, mild/moderate mental health services and behavioral health therapy both in 2014, as well as through DHCS’ Coordinated Care Initiative, the integration of most long-term care services and supports in seven counties;
- Other new initiatives undertaken by DHCS to provide Medi-Cal beneficiaries with the opportunity to access organized systems of care, in order to improve health outcomes.

As more beneficiaries and benefits are covered under the Medi-Cal managed care system, it is imperative to have a high level executive position to appropriately manage the day to day political, logistical, and technical aspects of rate setting, processing and health plan financial monitoring. Rate setting has become increasingly complex with rates for multiple categories of aid that include various risk mitigation components and differing rate structures. Additionally, the federal CMS has increased their attention and oversight regarding rate development and process for approvals for federal funds, including adding an additional level of review by the federal Office of the Actuary. CMS continues to issue updated guidance and requirements in this area as Medicaid managed care penetration expands nationally. This additional scrutiny significantly impacts the workload of CRDD in responding to questions and reviews to ensure timely federal approval of MCP rates. Finally, On April 25, 2016, CMS published the Medicaid and the Children's Health Insurance Program (CHIP) Managed Care Final Rule making significant changes to requirements related to rate development and financial oversight of the Medi-Cal managed care system.

The depth and breadth of the managed care delivery system financing and rate setting workload has become too immense, complex, and sensitive for appropriate management under the historical organizational structure. Until recently, CRDD was led by a Supervising Life Actuary (SLA) and not a CEA. The SLA is a highly specialized position, applicable only to certain individuals, intended to provide management and supervision of actuary professionals and not necessarily provide leadership for a division with multiple professional and non-professional staff. The specialized nature of the SLA also presented significant challenges in recruiting and hiring. Further, the SLA does not necessarily have the skills to appropriately navigate the legal and political sensitivities and challenges required for leading a growing division that continues to assume increasing responsibility that comes with significant financial implications and risk. The establishment of a CEA position in CRDD will provide consistency of skills and abilities among all division chiefs in the department and will enable the hiring of qualified individuals for this position in the future.
C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

Managed care has become the primary health care delivery system in the State for nearly 80 percent of California’s Medi-Cal beneficiaries, and exists in all 58 counties. The Chief, CRDD, will serve as the Department’s principal policymaker for all rate setting and financial monitoring activities related to Medi-Cal MCPs and related risk-based contracted arrangements, such as for accountable care organizations.

Examples of the proposed CEA’s policy setting responsibilities include developing and implementing rate development and financial policy for existing and future DHCS initiatives and activities for the following:

• General rate setting and monitoring such as:
  - Overseeing and monitoring actuarial work to ensure appropriate reimbursement to health plans;
  - Directing research and recommending appropriate action when rate setting issues arise, such as when a health plan indicates potential inadequate reimbursement;
  - Strategizing on order and content of various rate package submissions to CMS to ensure timely rate approvals in collaboration with the Chief, Managed Care Operations Division;
  - Coordinating and reviewing responses to federal reviews of health plan rates, methodology, and data;
  - Increasing the transparency of rate setting process and methodology for health plans and the public;
  - Providing policy direction on efforts to move rate setting towards a more prospective basis;
  - Developing necessary rate related health plan contract language, guidance, and other key communications.

• Coordinated Care Initiative such as:
  - Providing recommendations and direction regarding continued implementation and process for rate development to encourage beneficiary care in the most appropriate community based setting under this pilot program, consistent with DHCS goals and mission;
  - Developing health plan policy guidance regarding implementation of risk mitigation strategies including implementation of statutorily required risk corridors.

• Populations new to managed care such as:
  - Development and implementation of rates for California Children’s Services (CCS) pilot programs, including providing recommendations related to risk mitigation approaches;
  - Providing recommendations and policy direction on capitation rate development for risk based organizations serving CCS children under DHCS efforts for CCS program redesign.

• Benefits new to managed care such as:
  - Overseeing implementation of supplemental rate methodology and fiscal policy for additional services and benefits provided to Medi-Cal children in managed care with autism including recommending direction on duration and nature of supplemental payment structure in the future;
  - Collaborating with other divisions on the implementation of health home services to ensure feasible and appropriate policy direction for related capitation;
  - Providing recommendations on policy action in response to health plan requests for benefit inclusions/exclusions like high cost drugs in collaboration with other DHCS divisions to ensure consistency in policy and alignment with DHCS mission and goals.

• Payment reform such as:
  - Providing policy input and recommendations regarding payment reform efforts for capitation to health plans and contracted Federally Qualified Health Centers;
  - Providing policy input and direction on various reforms including proposals contained in the 1115 waiver renewal such as incentives and associated rate development to account for managed care shared savings to drive quality and efficiency;
  - Directing implementation of value based purchasing reforms and managed care rate setting efficiencies and improvements such as for risk adjustment;
  - Leading actuarial workgroups and directing improvements for the Program of All-Inclusive Care for the Elderly (PACE) rate setting to better align with other managed care rate setting practices and more appropriately match payments to health plan risk.
C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position’s scope and nature of decision-making authority?

The proposed CEA position’s actual scope and nature of decision-making authority is significant and expansive, as it relates to managed care rate setting and financial oversight. In this role, the proposed Chief, CRDD, will establish, implement, monitor, evaluate and adjust policies and processes, as necessary, to provide appropriate reimbursement and ensure financial stability of DHCS’ contracted MCPs and like organizations. Medi-Cal Managed Care plan reimbursement is estimated to be more than $53 billion in State Fiscal Year 2017-18. If the Chief, CRDD, does not make proper policy decisions regarding MCP rate setting and related financial oversight there could be significant fiscal and legal implications for the State.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The proposed CEA position will both be developing and implementing new and existing managed care financing policy. Increasingly, Medi-Cal programmatic changes have growing impacts on the managed care system that most often include financing and rate implications as more and more beneficiaries are enrolled and additional populations and benefits are covered. For example, the incumbent would be responsible for continued implementation of the managed care financing components of the Hospital Quality Assurance Fee authorized by SB 335 (Chapter 286, Statutes of 2011) which requires interfacing with health plans and hospitals and appropriately incorporating statutory requirements into capitation for contracted MCPs. Additionally, bringing financing arrangements in compliance with the new requirements under the Medicaid and CHIP Managed Care Final Rule which requires significant changes to the states ability to direct payments under the Medi-Cal managed care system.