



FACT SHEET

THE VALUE OF MEDI-CAL MANAGED CARE

Medi-Cal provides health care through either fee-for-service (FFS) or managed care with 52 percent of all Medi-Cal beneficiaries enrolled in FFS and the remaining in managed care.^{1,2} Medi-Cal FFS presents a paradox: the program, which serves nearly all the Medi-Cal beneficiaries with the most serious and costly health care needs, is plagued by inefficient and uncoordinated care, barriers to enrollment and poor access.

“Managed care has proven to offer some significant advantages over fee-for-service coverage in regard to coordination of patient care, quality and access to care, and containment of program costs.”

-Legislative Analyst’s Office

Research has consistently shown that, compared to Medi-Cal fee-for-service, Medi-Cal managed care:

- ◆ **Improves Access to Care:** Unlike Medi-Cal FFS, Medi-Cal managed care guarantees beneficiaries access to a primary care physician and a coordinated network of specialists and hospitals.
- ◆ **Provides Significant Cost Savings:** Medi-Cal managed care saves the state an estimated \$150 million a year, with an additional \$100 million in savings possible.
- ◆ **Improves Quality of Care:** Medi-Cal managed care enrollees have lower rates of preventable hospitalizations and higher rates for preventative health screenings and chronic disease management.

Managed Care Improves Access to Care

Medi-Cal FFS beneficiaries – over 75 percent of whom are seniors and persons with disabilities (SPDs) – must navigate through layers of fragmented, uncoordinated services for which there is no single accountable entity.

About five times more FFS beneficiaries have problems accessing care than those in Medi-Cal managed care.³ Further, in some counties, 20 times more FFS beneficiaries report problems finding a primary care physician than managed care beneficiaries.⁴ Also, SPD populations in FFS wait longer and travel further for appointments.⁵

FFS beneficiaries experience difficulty accessing care in part because the provider payment rates in Medi-Cal FFS are so low.

AT A GLANCE...

Just 9 percent of Medi-Cal managed care’s enrollees are seniors and persons and disabilities - a population that would most benefit from the coordinated care and improved access managed care provides.

Managed care brings relief to these issues because access to care is guaranteed. Managed care health plans must assign beneficiaries a primary care physician and ensure the beneficiary receives a medical evaluation within 90 days. The physician provides the beneficiary with access to a coordinated network of hospitals and specialists.

California ranks 42nd in the nation on provider reimbursement rates, when adjusted for cost of living.⁶

15 to 18 percent of all fee-for service beneficiaries report being without a usual source of care.⁷

Just 6 percent of managed care beneficiaries report being without a usual source of care.⁵

AT A GLANCE...

Managed care can reduce costs anywhere from 2 to 19 percent compared to fee-for-service, with savings even higher for some groups.

-Little Hoover Commission

Managed Care Provides Substantial Cost Savings

- ◆ County-run managed care models in California **save the state \$150 million per year.**²
- ◆ Shifting about 310,000 of the SPD population into managed care would likely save the state an additional \$100 million.⁸

Managed care achieves the cost savings, in part, by providing better care coordination, which results in better preventative care and decreased utilization of unnecessary medical services. In contrast, while FFS patients can receive care from any provider as frequently as they wish, there is no process to ensure that the services patients receive are medically necessary. According to the Legislative Analyst’s Office, FFS “lacks incentives to contain costs” because FFS providers “make more money” the more services they provide.⁸

Managed Care Improves Quality of Care

No state entity monitors or measures the quality of care delivered by Medi-Cal FFS providers. In contrast, Medi-Cal managed care health plans are reviewed annually by both the Department of Health Services and the Department of Managed Health Care. Managed care has been demonstrated to improve:

- **CANCER SCREENING RATES:** The rates of all cancer screenings combined are higher in Medi-Cal managed care than in Medi-Cal fee-for-service.⁹
- **PREVENTABLE HOSPITALIZATIONS:** Managed care has a dramatically lower rate of preventable hospitalizations than fee-for-service. For example, for the largest group of non-elderly beneficiaries (CalWORKS), the average annual preventable hospitalization rate is more than 1/3 lower in managed care.¹⁰
- **CHRONIC DISEASE MANAGEMENT:** Utilization of appropriate disease management practices is higher in managed care than in fee-for-service overall, most notably among Latinos and Asian and Pacific Islanders.⁹
- **PATIENT SATISFACTION:** In 1999, Oklahoma enrolled its entire Medicaid population of special program, seniors and persons with disabilities into managed care. Subsequent surveys revealed that 80 percent of the new managed care beneficiaries rated their overall satisfaction as “very good” or “good.” Further, prior to enrollment, just 38 percent of juveniles reported good health. After enrollment, 69 percent of juveniles reported “good” or even better health.⁶

AT A GLANCE...

Avoidable hospitalizations are one-third lower in managed care than fee-for-service, which amounts to 7,000 fewer hospitalizations and \$66 million in costs avoided.

-Little Hoover Commission

SOURCES:

1 “Medi-Cal Managed Care: Background and Enrollment,” California Association of Health Plans, www.calhealthplans.org.
 2 “A Smarter Way to Care: Transforming Medi-Cal for the Future,” Little Hoover Commission (May 2007).
 3 “Sacramento Geographic Managed Care: Eight Years Later,” Sacramento County Commission on Geographic Managed Care (Oct. 2003).
 4 Health Rights Hotline, 2001.
 5 “Serving the Special Program/Aged, Blind, and Disabled Population Through Managed Care,” Center For Health Care Strategies, Inc. (Apr. 2002).
 6 “Physician Participation in Medi-Cal, 2001,” University of California San Francisco for the Medi-Cal Policy Institute (May 2003).
 7 “Medi-Cal Facts and Figures: A Look at California’s Medicaid Program,” California HealthCare Foundation (May 2007).
 8 “Major Issues Facing the Legislature: Better Care Reduces Health Care Costs for Aged and Disabled Persons,” *The 2004-05 Budget: Perspectives and Issues*, Legislative Analyst’s Office.
 9 “Policy Implications of Racial and Ethnic Differences in Managed Care v. Fee-For-Service Service Utilization Disparities in California,” CA. Program on Access to Care, CA Policy Research Center (Oct. 2004).
 10 “Preventing Unnecessary Hospitalizations in Medi-Cal: Comparing Fee-For-Service with Managed Care,” California HealthCare Foundation (Feb. 2004).

See companion fact sheet “Medi-Cal Managed Care: Background and Enrollment” at www.calhealthplans.org.

Please contact Maral Farsi at mfarsi@calhealthplans.org or 916.558.1545 with any questions about this fact sheet.