



LITTLE HOOVER COMMISSION

August 26, 2014

The Honorable Edmund G. Brown, Jr.
Governor of California

Pedro Nava
Chairman

The Honorable Darrell Steinberg
President pro Tempore of the Senate
and members of the Senate

Loren Kaye
Vice Chairman

Katcho Achadjian
Assemblymember

David Beier
Anthony Cannella
Senator

The Honorable Bob Huff
Senate Minority Leader

The Honorable Toni G. Atkins
Speaker of the Assembly
and members of the Assembly

The Honorable Connie Conway
Assembly Minority Leader

Jack Flanigan

Loren Kaye

Don Perata

Dear Governor and Members of the Legislature:

Anthony Rendon
Assemblymember

Richard Roth
Senator

David Schwarz

Jonathan Shapiro

Sumi Sousa

Carole D'Elia
Executive Director

In light of the recent transformation of the state's health care delivery system and the unprecedented numbers of individuals now eligible to enroll in Medi-Cal, the Little Hoover Commission met on June 26, 2014, to follow up with the Department of Health Care Services on its progress implementing recommendations from the Commission's May 2007 report, *A Smarter Way to Care: Transforming Medi-Cal for the Future*.

Before the enactment of the federal Patient Protection and Affordable Care Act in 2010, the Commission recommended the department:

- Transform the Medi-Cal program into a value-driven purchaser of health care by developing a strategic plan to emphasize prevention, designating a team to articulate a long-term strategy for transformation, creating a succession plan and using value-based purchasing that builds incentives for improved health quality outcomes into contracts with providers;
- Ensure all Medi-Cal beneficiaries have access to care, particularly prevention and coordinated care, through the expansion of managed care and creation of new incentives to improve health outcomes;
- Leverage the state's data and analytical capacity to measure health outcomes, plan for the future, prevent fraud and promote the most appropriate and cost-effective health care; and,
- Ensure all Medi-Cal-eligible Californians are enrolled.

Passage of federal health care reform and subsequent action at the state level mandated many aspects of the Commission's recommendations. Still, the Commission was encouraged by testimony provided at the June hearing that described changes that go beyond mandates and have helped strategically position the department to modernize health care delivery, expand programs and continuously emphasize improvement.

"The [Little Hoover Commission] report back in 2007 was a very important guiding post for the state on the direction of the Department of Health Care Services and the Medi-Cal program," director Toby Douglas told Commissioners. "As I sit here before you today, Medi-Cal has transformed." Mr. Douglas described an intense focus within the department to strengthen its internal infrastructure to build the leadership necessary to

help it reorganize and expand the health care delivery system around managed care. He also discussed quality improvement efforts that focus on prevention, coordinated care, cost effectiveness and improved health outcomes, as recommended by the Commission.

None of its recommendations were quick fixes, yet the Commission applauds the spirit of commitment and engagement in which many of these reforms were rolled out. Critical to its transformation was the creation of key leadership positions tasked with setting the department's strategic vision and direction, focused employee engagement through surveys or discussions about organizational improvement and expanded opportunities for employee training. The participation of two of these key leaders in the Commission's June hearing was a testament to the cultural change and the embodiment of the organizational transformation within the department. The Commission is encouraged by these changes, even while recognizing that there are other efficiencies yet to be captured.

New challenges associated with reforming the Medi-Cal program are significant and monitoring should continue. Today, and in the near future, the department must streamline the Medi-Cal enrollment process that has recently made headlines due to a significant backlog, ensure access to quality health care for the roughly 11 million and growing number of Californians in the program and integrate mental health and substance use disorder care with other Medi-Cal-funded programs. The department also must reconsider how best to reimburse providers. These issues were not raised in the Commission's 2007 report and therefore were not discussed at the June hearing. Going forward, the need for oversight will be paramount to ensure that Californians receive high quality, affordable health care.

Additionally, the department is taking steps to build a more robust, comprehensive health data set that will inform its policies and programs. Inevitably, these data resources also will create greater opportunity for the state to explore broader population- and place-based health policy issues. At the June hearing, the Commission also heard from representatives of several departments that have begun exploring ways to use technology to analyze complicated health policy issues or are developing tools to visualize where health hazards occur. The state needs to encourage and support these efforts, while continuing to develop its geospatial information systems infrastructure so that other programs might benefit from such resources. California leaders must begin to consider how to build up the state's data infrastructure so that it is both a useful tool for those responsible for governing the state, but also, where appropriate, becomes available to researchers, the public and others.

Written testimony from the witnesses who participated in the June hearing, as well as a copy of the Commission's 2007 report, is available on the Commission's website at www.lhc.ca.gov.

I look forward to working with you to continue to monitor the state's important Medi-Cal program and am available, as is the Commission's staff, for further discussion.

Sincerely,

A handwritten signature in black ink, appearing to be 'Pedro Nava', written in a cursive style.

Pedro Nava
Chairman