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AB 2266: Reducing Costs & Improving Health Outcomes Among Frequent Hospital Users

The Problem

Medi-Cal beneficiaries with a combination of chronic medical, mental health, and substance abuse conditions face difficulties accessing care, and incur significant Medi-Cal costs.[1]

- California spends significant Medi-Cal resources on a small group of beneficiaries. In fact, 5% of disabled Medi-Cal beneficiaries drive over 50% of our costs.
- Among this population, people who frequently use hospitals for reasons that could have been avoided through better access to care ("frequent users") incur disproportionate resources; about 1,000 accumulating Medi-Cal costs of over $100,000 in a year.[2]
- Frequent users receiving medical home services generally remain frequent users. Medical homes are unable to address factors that lead to frequent hospital use, such as homelessness or social isolation. Homeless frequent users continue to *increase* their inpatient costs, for example, because they cannot obtain sufficient rest, follow a healthy diet, store medications, or regularly attend appointments so long as they are not housed.[3]
- Two-thirds of frequent users have both medical and behavioral health conditions. Most are homeless[4] and will die, on average, 30 years younger than the average age of death. [5]

The Solution

AB 2266 would tap into an Affordable Care Act option offering 90% federal funding for "health home services"—comprehensive case management, hospital discharge planning, connection to social services—*proven* to reduce high-cost care among the most vulnerable Californians, like frequent hospital users.

- Social services interventions, like connecting participants to existing housing, are a critical step to reducing the costs and improving the care of homeless frequent users.[6]

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[1] California receives less than 11% of federal Medicaid dollars, but has almost 18% of the nation's beneficiaries. Kaiser Family Foundation. State Health Facts: Total Medicaid Enrollment, Total Medicaid Spending. 2009. www.statehealthfacts.org.
[2] 2007 data provided by the California Department of Health Care Services, at the request of Senate President pro Tem Darrell Steinberg.
[3] Linkins, *supra*.
[4] Karen Linkins, J. Brya, J., and D. Chandler. *Frequent Users of Health Services Initiative: Final Evaluation Report.* August 2008. www.frequenthealthusers.org.
[5] Carol Caton Et Al., Nati'l Symposium On Homelessness Research, Characteristics And Interventions For People Who Experience Long-Term Homelessness (2007), *available at* http://aspe.hhs.gov/hsp/homelessness/symposium07/caton/index.htm; Margot Kushel, M.D., Associate Professor of Medicine in Residence, UC San Francisco, Testimony to Legislative Forum on Homelessness in California, Jul. 18, 2007, *available at* http://www.housingca.org/resources/Joint_Ctte_on_Homelessness_Testimony_Kushel.pdf.
[6] Linkins, *supra.*

- Programs offering health home services to frequent users integrate primary and behavioral health care, fostering a "whole person" approach intended in the funding opportunity.[7]

The bill would give the state the authority to apply for the option for populations with chronic conditions, while ensuring the state targets frequent hospital users and chronically homeless individuals among those populations.

A Solution Without Cost

AB 2266 gives the state authority to apply for the ACA option in the most cost-effective way, while ensuring the state targets beneficiaries whose improved health yields savings to the state.

- County investment in frequent user and supportive housing programs, Proposition 63 funds, and philanthropic investment *existing now,* would fund non-federal share of costs of programs serving the most vulnerable Californians.
- The state would also have the authority to create risk sharing pools, social impact bond programs, and other incentives to fund the program should it result in Medi-Cal savings.

A Cost-Savings Approach for Counties and the State

AB 2266 would decrease Medi-Cal costs from dramatic improvements in clinical outcomes.

- Medi-Cal beneficiaries participating in foundation-funded frequent user programs reduced Medi-Cal hospital costs by $3,841 per beneficiary after one year and $7,519 per beneficiary per year after two years over and above the costs of these programs.[8]
- A Washington study showed homeless chronic inebriates connected to intensive case management incurred $2,449 less in Medicaid costs per person, per month than control group participants after six months beyond the costs of the program.[9]
- Two randomized studies of chronically homeless frequent users receiving health home services showed participants decreased hospital inpatient days by a third within a year and 46% after 18 months, and decreased nursing home days by over 60% within a year compared to groups receiving usual care.[10]
- The Massachusetts Office of Medicaid reported decreased costs of over $17,500 per member from a state program offering comprehensive case management in housing.[11]

Without any state investment, Assembly Bill 2266 would Bring More Federal Resources to California, while decreasing costs and improving health among people with chronic and complex health conditions

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[7] Centers for Medicare and Medicaid Services. *Dear State Medicaid Directors Letter Re: Health Homes for Enrollees with Chronic Conditions.* Nov. 16, 2010 ("A whole-person approach to care looks at all the needs of the person and does not compartmentalize aspects of the person, his or her health, or his or her well-being.").

[8] Linkins, *supra*. The calculated costs avoided are based on average reductions in ED visits and inpatient days for Medi-Cal patients at rates the Office of Statewide Health Planning and Development (OSHPD) reported as costs for hospitals connected to frequent user programs. Rates averaged $305 per ED visit and $2,161 per inpatient day. OSHPD 2006 data. www.OSHPD.gov.

[9] Mary Larimer, Daniel Malone. "Health Care and Public Service Use and Costs Before and After Provision of Housing for Chronically Homeless Persons with Severe Alcohol Problems." *Journal Am. Medical Assoc.* 2009; 301(13):1349-1357 (2009).

[10] David Buchanon, Romina Kee. "The Health Impact of Supportive Housing for HIV-Positive Homeless Patients: A Randomized Controlled Trial." *Journal Am. Medical Assoc.* (June. 2009) 99;6; David Buchanan, Romina Kee, Lisa Sadowski, et. al. "Effect of a Housing & Case Management Program on Emergency Department visits and Hospitalizations Among Chronically Ill Homeless Adults: A Randomized Controlled Trial." *Am. Journal Public Health. (May* 2009) 301;17.

[11] Massachusetts Housing & Shelter Alliance. Home & Healthy for Good: Progress Report. Mar. 2012.