

Medi-Cal 101: Managed Care vs. Fee-for-Service

With over 14 million Californians enrolled, Medi-Cal is the nation's largest Medicaid program – covering nearly 3 in 8 California adults and half of the state's children. How that coverage is delivered has major implications for cost, quality of care, and access.

There are two primary models for delivering Medi-Cal services: Managed Care and Fee-for-Service (FFS).

What is Medi-Cal Managed Care?

Medi-Cal beneficiaries are enrolled in a health plan that coordinates care through a primary care physician and a network of hospitals and specialists. Monthly premiums are covered by the State, and the State pays the managed care plan a set monthly capitation rate per enrollee, creating built-in cost predictability.

What is Fee-for-Service?

Medi-Cal beneficiaries independently navigate provider lists to find physicians and specialists who accept Medi-Cal. The State pays providers directly for each individual service rendered, with no cap on total spending and no mechanism to coordinate care across providers.

Medi-Cal Managed Care provides critical health care benefits and protections. Legislators must reject the May Revise proposal that removes vulnerable immigrant communities from Managed Care.

| | Medi-Cal Managed Care | Fee-for-Service |
|-------------------------------|--|---|
| How Care is Delivered | Coordinated care through a primary care physician and network of hospitals and specialists | Beneficiaries independently navigate provider lists for physicians and specialists willing to accept Medi-Cal |
| Care Coordination | Includes proactive care coordination and whole-person care benefits such as Enhanced Care Management and Community Supports. | Limited care coordination, no access to Enhanced Care Management or Community Supports |
| Cost Savings Mechanism | Capitated payments provide built-in cost savings; California Medi-Cal costs trend below the national average | Incentivizes volume over value with few cost savings mechanisms beyond provider reimbursement rates; |
| Budget Predictability | Yes, the State pays a set monthly rate per enrollee, enabling predictable budgeting | No, the State pays directly per service rendered, with no cap on total spending |

The Cost Case: Why Fee-for-Service Is Not a Sustainable Path

Fee-for-Service is not simply a different delivery model from Medi-Cal Managed Care – it is a significantly more expensive one. Fee-for-Service incentivizes quantity of care over quality.

- ✗ Providers bill and are paid by the state per service, creating financial pressure to over-utilize
- ✗ No built-in cost savings
- ✗ No care coordination

With most Medicaid enrollees covered under a Managed Care Plan, taxpayers save more than \$7 billion every year.

- ✓ A 2023 analysis report from Medicaid Health Plans of America found that Medi-Cal spending grew by less than the national average, even though California serves the largest Medicaid population in the nation. At the same time, quality is improving, with stronger performance in key health indicators.
- ✓ Managed Care Plans actively identify and address fraud, waste, and abuse - reducing improper payments that would otherwise fall to the State.
- ✓ Cost savings under Managed Care do not come at the expense of quality: performance on key health indicators has continued to improve.

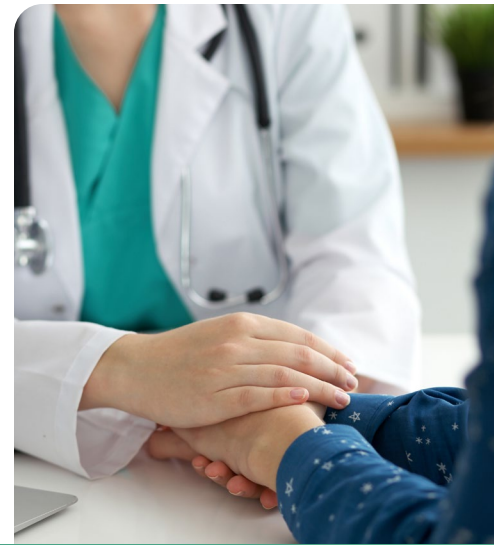
Medi-Cal Managed Care Enrollee Benefits

Unlike in the fragmented Fee-for-Service system of health care delivery, Medi-Cal enrollees receive the following benefits under Medi-Cal Managed Care:

- ✓ Guaranteed Access to a Network of Providers
- ✓ Timely Appointments and 24/7 Advice Lines
- ✓ Extra Benefits, Including:
- ✓ Language Assistance
- ✓ Coordinated Care

Enhanced Care Management (ECM)

A statewide Medi-Cal managed care plan benefit that provides equitable, person-centered, and community-based care management for members with complex needs. Members enrolled in ECM receive comprehensive care management and coordination from a single lead care manager that meets them wherever they are – in a doctor’s office, shelter, or at home.



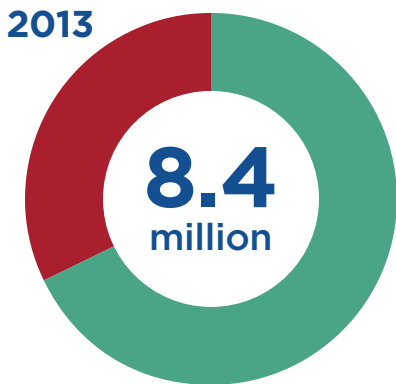
Community Supports

The California Department of Health Care Services has preapproved 15 services that Medi-Cal Health Plans may voluntarily offer based on the needs of the communities in which they serve, which include:

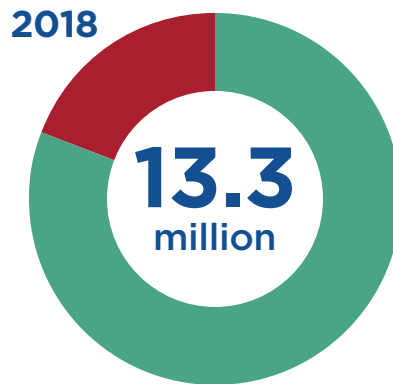
- Housing Transition Navigation Services
- Housing Deposits
- Transitional Rent
- Short-Term Post-Hospitalization Housing
- Day Habilitation Services
- Recuperative Care (Medical Respite)
- Housing Tenancy and Sustaining Services
- Asthma Remediation
- Respite Services
- Nursing Facility/ Assisted Living Facility Transitions
- Community or Home Transition Services
- Personal Care and Homemaker Services
- Medically Tailored Meals
- Sobering Centers
- Environmental Accessibility Adaptations

Enrollment Trends: A Decade of Growth

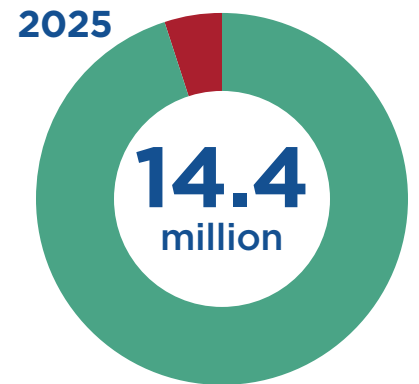
California’s shift toward Managed Care has been consistent and significant. As coverage has expanded and care quality has improved, more Medi-Cal beneficiaries have moved into Managed Care plans. Today, out of the 14+ million people enrolled in Medi-Cal, Managed Care delivers coverage to **95.3%** of enrollees, while **4.7%** fall under Fee-for-Service.



67.9% 5.7 million managed care
32.1% 2.7 million fee-for-service



81.2% 10.9 million managed care
18.8% 2.4 million fee-for-service



95.3% 13.7 million managed care
4.7% 807,000 fee-for-service

