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

Without any state investment, Assembly Bill 2266 would decrease costs and improve health among people who frequently use hospitals for reasons that could have been avoided through better access to care ("frequent users").

The Problem

Frequent users face difficulties accessing appropriate care and incur significant Medi-Cal costs.

- Frequent users suffer from complex conditions and negative social determinants of health. Two-thirds have both medical and behavioral health conditions. Most are homeless.[1]
- Frequent users incur disproportionate resources. Some accumulate costs to Medi-Cal of over $100,000 in a single year.[2]
- Homeless frequent users die, on average, 30 years younger than people who are housed due to an inability to obtain sufficient rest, follow a healthy diet, store medications, and access appropriate care.[3]
- Frequent users receiving medical home services generally remain frequent users due to the inability of medical homes to address factors that lead to frequent hospital use. In fact, homeless frequent users *increase* their inpatient costs despite medical home services. [4]

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 frequent use of hospitals.

- Social services interventions, like connecting participants to existing housing, are a critical step in reducing the costs and improving the care of homeless frequent users.[5]
- Programs offering health home services to frequent users integrate primary and behavioral health care, fostering a "whole person" orientation necessary for federal approval.[6]

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[1] Karen Linkins, J. Brya, J., and D. Chandler. *Frequent Users of Health Services Initiative: Final Evaluation Report.* August 2008. www.frequenthealthusers.org.

[2] 2007 data provided by the California Department of Health Care Services, at the request of Senate President pro Tem Darrell Steinberg.

[3] 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.

[4] Linkins, *supra*.

[5] Linkins, *supra.*

A SOLUTION REQUIRING *NO STATE INVESTMENT*

AB 2266 would rely on federal funding and existing resources.

- Under the bill, the state would apply for a federal ACA option that offers 90% federal funds for two years, and 50% funding thereafter.
- **Designated contractors would identify existing local matching money.** Under AB 2266, the state would designate hospitals, community clinics, or behavioral health care providers to offer health home services. Designated contractors would identify local funding for the non-federal match, such as county investment in frequent user and supportive housing programs, Proposition 63 funds, and philanthropic investment *existing now*.
- 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 federal planning grant California received (with private matching funds) and private investors already interested in this option would fund the administrative infrastructure to implement AB 2266.

A COST-SAVINGS APPROACH FOR CALIFORNIA

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.[7]
- 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, even considering the costs of the program.[8]
- 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.[9]
- The Massachusetts Office of Medicaid reported decreased costs of over $17,500 per member from a state program offering comprehensive case management in housing.[10]

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[6] 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.").

[7] 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.

[8] 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).

[9] David Buchanon, Romina Kee. "The Health Impact of Supportive Housing for HIV-Positive Homeless Patients: A Randomized Controlled Trial." *Journal Am. Medical Assoc.* (2009); David Buchanan, Romina Kee, Lisa Sadowski, et. al. The Health Impact of Supportive Housing for HIV-Positive Homeless Patients: A Randomized Controlled Trial. *Am. Journal Public Health.* June 2009, 99:6.

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