Health Homes Program Funding Summary

The Medicaid program is jointly funded by the federal government and states. The Federal Medical Assistance Percentage (FMAP) is used to determine the share of the cost of covered services that the federal government pays in each state. In California, the federal government typically pays 50% of the cost of services and the state pays the other 50%. Medi-Cal beneficiaries who became newly eligible under the 2014 Medicaid expansion for low-income adults currently qualify for a federal matching rate of 93 percent; in 2020 the federal match reduces to 90 percent indefinitely.

The HHP is an optional Medicaid State Plan benefit established by the Affordable Care Act. California added the HHP for qualified Medi-Cal beneficiaries enrolled in a Medi-Cal managed care plan. Federal funding is available for the HHP for as long as California maintains the HHP benefit in its Medicaid State Plan.

To support states in launching the HHP, federal funding is provided at an enhanced rate for the first two years of each phase of implementation. This means that 90 percent of the HHP is funded by federal Medicaid dollars for eight quarters, starting on the implementation date for each of the two HHP phases. These phases are based on two state plan amendments (SPAs) – one for members with chronic conditions and substance use disorders and the other for members with serious mental illness. See Table 1 below for information on when the 90 percent federal funding is available for managed care plans by group. During this time period, the 10 percent non-federal share will be provided by The California Endowment.

After eight quarters, the federal portion will be the regular California Medicaid funding match for Medi-Cal beneficiaries (50% for most members and 90% for the Medicaid expansion adult group members) for as long as California chooses to maintain the HHP State Plan benefit. State General Funds will be used to pay for the non-federal share of providing HHP services.

California's legislation AB 361, which authorizes the implementation of the HHP, specifies that there should be no net cost to the state General Fund in operating the HHP. California is permitted to finance the non-federal share to the extent that the HHP generates cost avoidance from reduced avoidable utilization, such as hospital visits. It is the state's expectation that the HHP will achieve state General Fund cost neutrality through cost avoidance, generated by improved health outcomes and reduced utilization, that is at least equal to the state General Fund cost of providing HHP services.

Table 1. Federal Enhanced HHP Funding Schedule

Group	Phase 1: Enhanced Federal Funding - Members with Chronic Conditions & Substance Use Disorders	Phase 2: Enhanced Federal Funding - Members with Serious Mental Illness
Group 1	July 1, 2018 – June 30, 2020	Jan. 1, 2019 – Dec. 31, 2020
Group 2	Jan. 1, 2019 – Dec. 31, 2020	July 1, 2019 – June 30, 2021
Group 3	July 1, 2019 – June 30, 2021	Jan. 1, 2020 – Dec. 31, 2021