



Health Services
LOS ANGELES COUNTY

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May 15, 2006

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D. 
Director and Chief Medical Officer

SUBJECT: **IMPROVING MANAGED CARE PLAN COLLECTIONS**

As referenced in my March 15, 2006 memo to you, this is to provide an update on our progress in improving Managed Care and Health Care Plan (HCP) billing and collections during the first quarter of Calendar Year 2006.

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

William Loos, MD
Acting Senior Medical Officer

- The Ad Hoc Committee, comprised of County Counsel, facility designated physicians, Patient Financial Services (PFS) Directors, Chief Financial Officers (CFOs), and Utilization Review (UR) Directors, continues to meet on a monthly basis to review the current facility procedures, identify ways to improve the authorization process, develop revised policies and procedures, and enrich the knowledge base of physicians and other designated facility personnel through a training program.
- The committee implemented a universal face sheet; this face sheet is used to notify health care plans via fax of their member's admission to the hospital. The new face sheet is currently being utilized by all Department of Health Services (DHS) hospitals.
- The lawsuit filed by Maxicare against one of their creditors has been tentatively settled pending bankruptcy court approval. DHS was notified on January 4, 2006, that the final approval by the court has been delayed until the summer of 2006. DHS should anticipate receipt of the final settlement of \$1.4 million by the end of calendar year 2006; this payment will bring our settlement total to \$2.6 million.
- On April 4, 2006, your Board approved the delegation of duties and assignment of rights of Agreement Nos. H-211224 and H-210040 from Universal Care, Inc. to Health Net of California, Inc.

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The delegation and assignment of the UC agreement to Health Net enables the UC members to continue receiving care from their assigned DHS providers.

UC and Revenue Management (RM) are aggressively adjudicating the outstanding claims for dates of services through March 31, 2006. The goal for completion has been extended until June 30, 2006, to allow DHS facilities time to provide requested documentation to assist in the adjudication process.

- On May 31, 2005, Watts Health Foundation, Inc. dba UHP Healthcare (UHP) filed a petition under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court. As a result of this filing, the tentative settlement of emergency services claims was nullified and DHS had to submit its "proof of claim" to the bankruptcy court with all other creditors.

The "bar date" was set for January 31, 2006. RM filed the County's "proof of claim" for \$4.2 million on January 26, 2006. RM represents DHS along with County Counsel on the Watts Creditors Committee.

On April 14, 2006, the UHP Board agreed to accept the sale offer from Care 1st Health Plan to purchase several lines of their HMO business. A hearing was held on May 4, 2006, where the bankruptcy judge accepted and approved the motion for the sale procedures of the debtor's (UHP) lines of business. A second hearing is scheduled for June 7, 2006, to allow for opposition and over-bids. If there is no opposition or over-bids, Care 1st Health Plan's goal for completion of sale is September 1, 2006.

- On May 31, 2005, your Board approved an amendment to extend the term of the existing Blue Cross Medi-Cal Managed Care Agreement effective July 1, 2005 through December 31, 2005, and delegated authority to the Director to extend the term on a month-to-month basis through June 30, 2006, upon written mutual agreement of the parties. DHS and Blue Cross are currently negotiating the terms for a new agreement. DHS and Blue Cross have exercised its month-to-month contract extension provision to extend the Blue Cross Agreement until June 30, 2006. Due to protracted negotiations between Blue Cross and DHS, a second month-to-month extension was approved by your Board on May 2, 2006 through December 31, 2006. It is expected that the negotiations will be completed and an agreement will be presented to your Board prior to December 31, 2006.
- Health Net and RM have reached settlement for the remaining calendar year (CY) 2003 and first quarter CY 2004 outstanding claims. On the advice of County Counsel the settlement agreement for \$50,000 was signed by DHS on

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February 1, 2006. DHS received its check on February 16, 2006. Health Net and RM are continuing to adjudicate the remaining CY 2004 outstanding claims and the first, second, and third quarter CY 2005 outstanding claims. Estimated date for completion has been extended to June 2006.

- On November 3, 2005, Molina and RM reached a settlement for \$1.2 million for all outstanding claims for dates of services through December 31, 2004. On the advice of County Counsel the settlement agreement for \$1.2 million was signed by DHS on February 3, 2006. DHS received its check on February 23, 2006.

As a result of this settlement, DHS and Molina are continuing contract negotiations for a new Medi-Cal Managed Care agreement. A meeting is scheduled in late May 2006, with Molina representatives, DHS and Olive View/UCLA Medical Center administrative staff to discuss rates and authorization procedures for outpatient specialty services to be included in the new agreement for Molina members who reside in the Sylmar and surrounding areas.

The Department will continue to provide quarterly reports to the Board on our progress in improving managed care plan billing and collection. The next report will be provided in August 2006.

If you have questions, please let me know.

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c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors