



Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

September 5, 2006

Gloria Molina
First District

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Second District

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Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors,

**APPROVAL OF REPLACEMENT AGREEMENT WITH
MOLINA HEALTHCARE OF CALIFORNIA
(All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to sign a replacement Agreement, substantially similar to Exhibit I, with Molina Healthcare of California (Molina), under which the Department of Health Services will provide hospital and professional emergency, inpatient, and outpatient services to Molina's Medi-Cal Managed Care members at County hospitals, comprehensive health centers, and health centers, effective upon Board approval through June 30, 2008, with automatic annual renewals for three years through June 30, 2011, unless earlier terminated by either party with at least 90 calendar days written notice of non-renewal prior to the end of any Agreement year.

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

William Loos, MD
Acting Senior Medical Officer

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www.ladhs.org

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

*To improve health
through leadership,
service and education.*

In approving this action, the Board is ensuring the continued provision of health care by Department of Health Services' (DHS or Department) facilities to Molina's Medi-Cal Managed Care members.

Implementation of Strategic Plan Goals

The action meets the County's Strategic Plan Goals of Fiscal Responsibility and Organizational Effectiveness by increasing revenue to DHS and increasing the utilization of DHS facilities.

FISCAL IMPACT/FINANCING:

During Fiscal Year (FY) 2005-06, DHS facilities collected approximately \$2.4 million under the existing Agreement with Molina for various dates of service. The recommended replacement Agreement will provide the



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Department with the potential ability to increase its Medi-Cal Managed Care hospital revenue, which is critical to its mission of providing care to the indigent. The potential increase in revenue relates to the fee-for-service rate increases effective upon Board approval.

The Department will be reimbursed at fee-for-service rates.

The reimbursement rates are on file with DHS and kept confidential in accordance with Health and Safety Code Section 1457. The rates have been shared with each Board Office, the Chief Administrative Office, and County Counsel.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On November 16, 1995, the Board approved Agreement No. H-205093 with Molina, effective upon Board approval and continued thereafter with automatic renewals for successive one-year periods, under which DHS provided primary, hospital and professional emergency, inpatient, and outpatient services to Molina's Medi-Cal Managed Care members. The Department was reimbursed at fee-for-service rates since no Molina members were assigned to DHS facilities.

Effective upon Board approval, the recommended Agreement with Molina provides the following: a) DHS facilities will provide all covered services to Molina's Medi-Cal Managed Care members on a fee-for-service basis; b) fee-for-service rates will be increased; c) Molina will not compete with DHS' Community Health Plan (CHP) as the Community Provider Plan in Los Angeles County without prior written consent of the County (CHP has been designated by the State's Managed Risk Medical Insurance Board as the Community Provider Plan since the inception of the program in 1998); and d) the termination provision for prior written notice has been increased from 60 days to 90 days.

Attachment A provides additional information.

County Counsel had approved Exhibit I as to use and form.

CONTRACTING PROCESS:

DHS facilities are the service providers under this Agreement, so it is inappropriate to advertise this Agreement on the Los Angeles County Online Website.

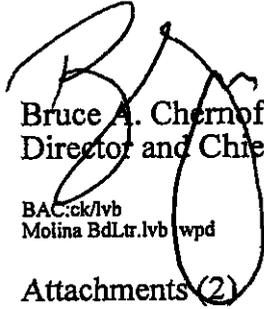
IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of the Agreement will maximize revenue to DHS for Molina's Medi-Cal Managed Care members who utilize DHS facilities.

The Honorable Board of Supervisors
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When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



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

BAC:ck/lvb
Molina BdLtr.lvb wpd

Attachments (2)

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

SUMMARY OF AGREEMENT

1. TYPE OF SERVICE:

The Agreement allows Molina Healthcare of California to refer its Medi-Cal Managed Care members to Department of Health Services' facilities for the provision of hospital and professional emergency, inpatient, and outpatient services.

2. AGENCY NAME AND CONTACT PERSON:

Molina Healthcare of California
One Golden Shore Drive
Long Beach, California 90802
Attention: John C. Molina, J.D., President
Telephone: (562) 435-3666

3. TERM:

The Agreement is effective upon Board approval through June 30, 2008, with automatic annual renewal for three years through June 30, 2011, unless earlier terminated by either party with at least 90 calendar days written notice of non-renewal prior to end of any Agreement year.

4. FINANCIAL INFORMATION:

County will be reimbursed on a fee-for-service basis.

5. GEOGRAPHIC AREAS SERVED:

All areas.

6. ACCOUNTABLE FOR MONITORING AND EVALUATION:

DHS Facility Administrators.

7. APPROVALS:

Clinical and Medical Affairs: -John Cochran, III, Chief Deputy Director

Contracts and Grants: Cara O'Neill, Chief

County Counsel: Robert E. Ragland, Senior Deputy Counsel