Health Services
LOS ANGELES COUNTY

November 15, 2010

Los Angeles County
Board of Supervisors

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Fourth District

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Fifth District

TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.
Interim Director

SUBJECT: **NOTIFICATION OF THE DEPARTMENT OF HEALTH SERVICES' USE OF DELEGATED AUTHORITY TO EXECUTE TWO AMENDMENTS WITH THE CALIFORNIA MANAGED RISK MEDICAL INSURANCE BOARD (MRMIB)**

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Interim Director

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To improve health through leadership, service and education.

This is to advise your Board that the Department of Health Services is exercising its delegated authority approved on October 16, 2007 (Attachment I), to execute amendments A8 to Agreement Nos. 05MHF008 and 05MHF045 with MRMIB. The purpose of these amendments is to provide for the continued funding of the Healthy Families Program administered by the Community Health Plan (CHP).

Amendment No. 8 to Agreement No. 05MHF008 extends the term through September 30, 2011, and adds funding in the amount of $17,384,254, for a total of $112,432,631 in revenue since the inception of the agreement on July 1, 2005 for the Healthy Families Program. The Amendment also provides administrative changes, and specifies the confidential rates of payment.

Amendment No.8 to Agreement No. 05MHF045 extends the term through September 30, 2011, and adds funding in the amount of $2,234, for a total of $22,488 for the State Supported Services of the Healthy Families Program. The Amendment also specifies the confidential rates of payment.

County Counsel and the Chief Executive Office have reviewed and approved execution of the Amendments as to form.

If you have any questions and need additional information, please let me know.

JFS:ls

Attachment

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

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County of Los Angeles
CHIEF EXECUTIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://ceo.lacounty.gov

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Chief Executive Officer

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October 16, 2007

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

14 - OCT 16 2007

SACHI A. HAMAI
EXECUTIVE OFFICER

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

Dear Supervisors:

DEPARTMENT OF HEALTH SERVICES: APPROVAL OF HEALTHY FAMILIES PROGRAM AMENDMENTS WITH STATE MANAGED RISK MEDICAL INSURANCE BOARD (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services or his designee (hereafter Director), to execute Amendment No. 2 to Health Services Agreement No. 05MHF008 (Exhibit I) and Amendment No. 2 to the related State-Supported Services Agreement No. 05MHF045 (Exhibit II) to provide Fiscal Year (FY) 2007-08 funding estimated from the State's Managed Risk Medical Insurance Board (MRMIB) for the Community Health Plan's (CHP) Healthy Families Program (HFP), in the amount of $18,118,062 and $5,689, respectively, effective July 1, 2007 through June 30, 2008.

2. Delegate authority to the Director to accept and execute any future amendments to the above agreements with MRMIB, or replacement agreements and any future amendments thereof, subject to review and approval by County Counsel and the Chief Executive Office and notification to the Board within thirty days after execution.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The Department of Health Services (Department) is recommending approval of these actions to ensure continued funding of the HFP for eligible CHP subscribers.

FISCAL IMPACT/FINANCING

The funding for the HFP is provided by MRMIB on a per-member per-month basis, at a capitated rate for each HFP beneficiary enrolled in CHP. The FY 2007-08 revised rates will be held confidential in accordance with Section 1457 of the California Health and Safety Code, and will be shared with each Board Office, Chief Executive Officer, and County Counsel.

Due to the confidentiality of the rates, OMC's projected expenditures are not being included in this Board letter. However, based on OMC's FY 2007-08 projected HFP expenditures for this Agreement, the FY 2007-08 Adopted Budget is expected to be sufficient. Should additional funding beyond the current FY 2007-08 Adopted Budget amount be needed, up to the maximum State estimated total funding amount of $18,123,751, OMC will request a FY 2007-08 budget adjustment.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The CHP is a full-service State-licensed and federally-qualified Health Maintenance Organization (HMO) publicly operated by the County of Los Angeles and administered by the Department's Office of Managed Care. CHP's core business is the provision of health care to eligible members enrolled under CHP's Medi-Cal Managed Care Program, Healthy Families Program, and PASC-SEIU Homecare Worker Health Care Plan.

Healthy Families Program

HFP provides low-cost health care to uninsured children up to age 19 from low-income working families with income levels too high to qualify for Medi-Cal. HFP is managed by MRMIB, which negotiates agreements with State-licensed health plans and other providers to render health care to eligible HFP subscribers.

MRMIB Funding Agreements

On May 19, 1998, the Board approved the initial HFP Health Services Funding Agreement with MRMIB to reimburse CHP for the provision of covered benefits to eligible HFP beneficiaries, effective May 1, 1998 through June 30, 2000. On subsequent occasions, the Board approved three amendments to this agreement to continue funding and revise certain program requirements through June 30, 2004.

On December 2, 2003, the Board approved the initial State Supported Services Agreement to provide supplemental State funding for certain HFP services (e.g.

abortions that are not the result of incest or rape, and are not necessary to save the life of the mother) pursuant to federal regulations prohibiting the use of federal funds for such services, effective July 1, 2003 through June 30, 2004.

On June 15, 2004, the Board approved limited delegated authority to the Director to execute amendments to the MRMIB agreements to continue funding and revise program requirements, effective July 1, 2004 through June 30, 2005.

On July 7, 2005, the Department exercised its Board-delegated authority, and executed replacement HFP Health Services Funding Agreement No. 05MHF008 and State Supported Services Agreement No. 05MHF045 to provide FY 2005-06 funding in the amount of $22,490,000 and $5,000, respectively. The term of both agreements became effective July 1, 2005 through June 30, 2008, with future funding to be processed through an amendment to these agreements during each subsequent fiscal year.

On August 15, 2006, the Board approved Amendments No. 1 to Agreement Nos. 05MHF008 and 05MHF045 to provide FY 2006-07 funding in the amount of $20,756,209 and $7,609, respectively, effective July 1, 2006 through June 30, 2007.

Approval of Amendments No. 2 to Agreement Nos. 05MHF008 and 05MHF045 will provide FY 2007-08 funding in the amount of $18,118,062 and $5,689, respectively, effective July 1, 2007 through June 30, 2008.

Enhanced Delegated Authority

On August 15, 2006, the Board delegated authority to the Director to execute future amendments to the MRMIB agreements, or replacement agreements thereof, for the period July 1, 2006 through June 30, 2008, in amounts not less than 90 percent of the prior fiscal year award, following review and approval by County Counsel, Chief Executive Officer, and notification to the Board within thirty days after execution.

In comparison to previous years where CHP received capitation rate increases, CHP will be receiving an 11 percent rate reduction for FY 2007-08 resulting from a highly defined and strict bidding process where all health plans, including CHP, must bid within the two lowest bids in order to continue participating in the HFP. As a result of this rate reduction, CHP is slightly short of the 90 percent award percentage amount based on the prior fiscal year award, as approved by the Board in order for the Department to exercise the delegated authority to enter and execute the Amendments.

To ensure continued funding of the HFP, the Department is requesting an expansion of delegated authority to accept and execute any future amendments to the above

agreements with MRMIB, or replacement agreements and any future amendments thereof, subject to review and approval by County Counsel and the Chief Executive Office and notification to the Board within thirty days after execution.

Attachment A provides additional information.

Exhibits I and II have been approved as to form and use by County Counsel.

CONTRACTING PROCESS

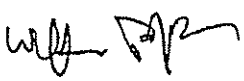
It is not appropriate to advertise funding agreements or amendments on the Los Angeles County Online Website.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Agreements with MRMIB provide funding for the County's continued participation in the State's HFP.

When approved, this Department requires four signed copies of the Board's action.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:SAS
DJ:AT:bjs

Attachments (3)

c: County Counsel
Director and Chief Medical Officer, Department of Health Services
Office of Managed Care, Department of Health Services

ATTACHMENT A

SUMMARY OF AMENDMENTS

1. Types of Services:

   The Agreements with the State's Managed Risk Medical Insurance Board (MRMIB) provides funding for the Community Health Plan (CHP) to provide covered benefits to eligible members enrolled in CHP's Healthy Families Program. These services are delivered under the CHP's provider network consisting of: 1) County facilities; 2) primary/specialty care contractors affiliating with private hospital contractors; 3) network providers; and 4) subcontracted pharmaceutical service providers under the pharmacy benefit management contractor.

2. Agency Name:

   State of California
   Managed Risk Medical Insurance Board
   1000 G Street, Suite 450
   Sacramento, CA 95814
   Attention: Don Minnich
   Telephone: (916) 327-7978

3. Term:

   The term of Amendment No. 2 to Agreement No. 05MHF008 and Amendment No. 2 to the related State Supported Services Agreement No. 05MHF045 is July 1, 2007 through June 30, 2008.

4. Financial Information:

   Due to the confidentiality of the rates, OMC's projected expenditures are not being included in this Board letter. However, based on OMC's FY 2007-08 projected expenditures for this Agreement, the FY 2007-08 Adopted Budget is expected to be sufficient. Should additional funding beyond the current FY 2007-08 Adopted Budget amount be needed, up to the maximum agreement amount of $18,123,751, OMC will request a FY 2007-08 budget adjustment.

5. Geographic Area to Be Served:

   Countywide

6. Accountable for Program Monitoring:

   Office of Managed Care

7. Approvals:

   Office of Managed Care: Teri Daly Lauenstein, Director

   Contract Administration: Cara O'Neill, Chief

   County Counsel: Edward Yen, Deputy County Counsel