Health Services
LOS ANGELES COUNTY

Los Angeles County Board of Supervisors

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Mitchell H. Katz, M.D.
Director

John F. Schunhoff, Ph.D.
Chief Deputy Director

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

www.dhs.lacounty.gov

March 29, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **RECOMMENDATION FOR BOARD POLICY DECISION CONCERNING RELATIONSHIP WITH LA CARE (*Board Agenda Item A-4, March 29, 2011*)**

RECOMMENDATION

This is to request that your Board approve the following policy direction for the Department of Health Services (DHS):

1. Transition the Community Health Plan (CHP) staff to serve as the Medical Service Organization [MSO] function for DHS,
2. Concentrate DHS resources on being the key provider of health care for Medi-Cal and uninsured populations in Los Angeles County, and
3. Transition all lines of business from the CHP to L.A. Care for administrative functions, such transition occurring gradually, over the next year.

The reason for setting this policy direction now is 1) to allow DHS to focus its efforts on the transition of CHP to perform the MSO functions necessary for DHS to provide medical homes and continuity of care for patients enrolled in Medi-Cal managed care and in Healthy Way L.A, 2) to relieve concerns among CHP employees about their future, and 3) to avoid unnecessary expenses that will be required by CHP unless we are clear that we are transitioning our lines of business to L.A. Care.

This policy direction would not involve lay-offs of CHP staff and will include appropriate and necessary workforce re-training for the staff. Overall, this change will decrease administrative expenses (for example, software licenses, audit and actuary expenses) and allow scarce health dollars to be used for health services. It will not decrease the number of lives we are caring for under managed care.

This policy direction will also move in the direction of much closer collaboration between the County and its Local Initiative Health Plan, which

although a separate legal entity, was established by ordinance of the Board in accordance with State code and to which the Board nominates and appoints four of the thirteen members of the Governing Body and approves the other nine.

BACKGROUND

On April 13, 2010, your Board approved, in concept, the report and recommendations by Health Management Associates (HMA) on its evaluation of the DHS Office of Managed Care (OMC)/CHP and its readiness for pending health reform changes. In addition, your Board approved the CEO convening: 1) DHS and L.A. Care representatives to engage in negotiations to determine whether the new relationship, as outlined in the HMA report, can be developed, and 2) workgroups to develop an implementation plan, with specific timeslines and projected costs, to address the recommendations in the HMA report. The CEO has provided you with regular updates on the L.A. Care Negotiations and the Ambulatory Care Restructuring.

In the December 22, 2010 status report, the CEO and the Interim Director of Health Services recommended that the negotiations with LA Care proceed in the following order:

1) By March 1, 2011, complete negotiations on a provider agreement between LA Care and DHS for the Seniors and Persons with Disabilities (SPDs) who are transitioning into Medi-Cal managed care starting June 1,
2) By May 1, 2011, complete negotiations on an agreement to transfer the current Medi-Cal managed care population from CHP to L.A. Care, if sufficient financial support to the County system is provided, with implementation projected for late in 2011, and
3) Then evaluate the advisability of negotiating for the remaining two CHP product lines, Healthy Families and In-Home Supportive Services (IHSS).

The February 14, 2011 status report on the L.A. Care negotiations transmitted the financial review of CHP performed by Macias, Gini and O'Connell LLP, consistent with one of the recommendations of the HMA report.

Negotiations with LA Care for the SPD conversion are nearly finished and on March 1, 2011, your Board approved delegated authority to complete negotiations and execute the resulting agreements with L.A. Care for this population, effective March 1.

Although we are proceeding along the negotiations time-line proposed in December, I recommend that your Board approve the policy direction now for the reasons stated above.

If you have any questions or need additional information, please contact me.

MHK:jp

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