Health Services
LOS ANGELES COUNTY

October 3, 2011

Los AngelesCounty Board of Supervisors

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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: **STATUS REPORT ON NEGOTIATIONS WITH L.A. CARE**

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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.

On April 13, 2010, your Board approved, in concept, the report and recommendations by Health Management Associates (HMA) on its evaluation of the Department of Health Services (DHS) Office of Managed Care (OMC)/Community Health Plan (CHP) and its readiness for pending health reform changes. In addition, your Board approved the Chief Executive Office (CEO) convening DHS and L.A. Care Health Plan (L.A. Care) representatives to engage in negotiations to determine whether the new relationship, as outlined in the HMA report, could be developed.

Since then, the CEO and DHS have provided reports on the L.A. Care negotiations, on the ambulatory care transformation, and on the new 1115 Waiver. This is to provide you with an update specific to the L.A. Care negotiations.

Background and Key Board Actions

On March 1, 2011, your Board approved a recommendation to negotiate and execute Medi-Cal Managed Care provider agreements with L.A. Care for Seniors and Persons with Disabilities (SPDs), effective March 1, 2011 through September 30, 2014, upon review and approval by County Counsel and the CEO, and with notice to your Board. Two provider agreements were negotiated and executed, effective May 1, 2011.

On March 29, 2011, your Board approved my policy recommendation that DHS transition the CHP staff to serve as the Medical Service Organization (MSO) for DHS, concentrate DHS resources on being the key provider of health care for Medi-Cal and uninsured populations in Los Angeles County, and transition all lines of business from the CHP to L.A. Care to assume all health plan functions, such transition occurring gradually, over the next year.

On July 26, 2011, your Board approved delegated authority for contractual actions necessary to transition the Medi-Cal Managed Care and Healthy

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Families enrollees from CHP to L.A. Care, with the transition scheduled for January 1, 2012.

Transition of SPDs to Managed Care

SPDs are the first group for which the new relationship between DHS and L.A. Care was established. In this relationship, L.A. Care performs the health plan functions and DHS is a key safety net provider for the health plan. According to the State 1115 Waiver plan, the SPDs are being moved from fee-for-service to managed care over a twelve month period, starting June 1, 2011. Each month, L.A. Care receives an assignment of new patients and each month L.A. Care assigns a portion of those to DHS as their care provider. In the first four months of assignments, the net SPDs assigned to DHS (net of those who have subsequently transferred to other providers) is 12,200. This is 41% of the 30,000 target established in the agreement with L.A. Care.

The most challenging part of this has been the default assignments. At the State level, for enrollees who choose a health plan and/or provider, the State honors that choice. Enrollees who do not make a choice, are assigned by the State based on information about prior Medi-Cal fee-for-service provider use, family assignments, and geographic location. Unfortunately, over 60 percent of those enrolled to date state-wide have been simply default assigned to one of the health plans, in the absence of any useful information on the enrollee. When L.A. Care, in turn, assigns new enrollees to contracting health plans and physician groups, or to the County through L.A. Care's direct plan, a large percentage of the enrollees are default assigned, which means that DHS has been receiving members with no prior association with DHS.

L.A. Care and DHS have worked through the difficulties of the high percentage of default assignments. DHS asked L.A. Care to change its algorithm to lower the number of defaults to DHS. This is being closely monitored month to month. L.A. Care has also worked with DHS to reassign those members who, when they come to DHS, indicate that they want to continue to receive their care from a provider who is in another plan or physician group under L.A. Care.

Medi-Cal Managed Care

DHS and L.A. Care completed the negotiations concerning amendments to the SPD provider agreements, necessary to transition existing Medi-Cal managed care enrollees from CHP to L.A. Care on January 1, 2012. The amendments were signed September 30, 2011, effective October 1, 2011, and L.A. Care has begun to assign non-SPD new Medi-Cal enrollees to DHS as a provider in October, rather than CHP as a health plan. Existing Medi-Cal managed care enrollees in CHP will be transitioned to L.A. Care on January 1, 2012.

Healthy Families

DHS and L.A. Care met with the California Major Risk Medical Insurance Board (MRMIB) to discuss the transition. MRMIB staff strongly recommended that the transition of the CHP

Healthy Families enrollees to L.A. Care occur on September 30, 2012, because CHP has the preferred community provider plan designation for the contract year starting October 1, 2011, and there is no established mechanism for transferring it mid-year to L.A. Care. This designation gives CHP's Healthy Families enrollees a discount on their premiums. L.A. Care can apply for this designation in the Spring of 2012, competing with other plans, and would likely receive this designation effective October 1, 2012, given the role of DHS in its network. This means that CHP must continue as an operating Knox-Keene licensed health plan through September 30, 2012.

In the meantime, in order to facilitate the transition of CHP staff to an MSO function, we will negotiate an interim agreement for L.A. Care to do the administrative health plan functions for CHP from January through September 2012. We plan to bring this agreement to your Board for approval in October.

In Home Supportive Services

The CEO, DHS, the Department of Public Social Services (DPSS), L.A. Care and the Personal Assistance Services Council (PASC) have held several meetings to discuss the transition of the IHSS health plan from CHP to L.A. Care, effective January 1, 2012. Delegated authority for contractual actions necessary to transition the IHSS enrollees is contained in a separate forthcoming Board letter, which we expect to file for your consideration in October.

The IHSS health plan is currently structured and organized through a complex set of inter-related agreements and MOUs and financial transactions which must be amended. Most of the care is provided in DHS facilities. The transition should be nearly transparent to IHSS enrollees, as their providers and network will not change.

Long-Term Financial Relationship

The negotiators are completing negotiations for the terms of an agreement which will serve as the long-term framework of the financial relationship between L.A. Care and the County, as the key safety net provider in the County. This agreement, which will be recommended in a separate Board letter, will include the ongoing use of cost-savings from the transition of all health plan functions from DHS (CHP) to L.A. Care to support the County safety net system. We will file this Board letter concurrent with the IHSS Board letter.

If you have any questions or need additional information, please contact me at (213) 240-8101.

MHK:JFS:jp

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Public Social Services