



**Health Services**  
LOS ANGELES COUNTY

October 12, 2011

**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

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

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

**SUBJECT: NOTIFICATION OF USE OF DELEGATED AUTHORITY TO EXECUTE AMENDMENTS TO PROVIDER SERVICES AGREEMENTS WITH L.A. CARE HEALTH PLAN**

**Mitchell H. Katz, M.D.**  
Director

**Hal F. Yee, Jr., M.D., Ph.D.**  
Chief Medical Officer

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

This is to advise your Board that the Department of Health Services (DHS) is exercising its delegated authority, approved by your Board on March 1, 2011 and July 26, 2011 (attached) to execute Amendments to the Provider Services Agreements with L.A. Care Health Plan.

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

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

[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

DHS has executed Amendment No. 1, effective May 1, 2011, to provide correction and clarification on the Division of Financial Responsibility (DOFR) between DHS Participating Provider, DHS Hospital and L.A. Care, which have a direct relation to the rates negotiated between DHS and L.A. Care. This Amendment is covered under the March 1, 2011 Board-approved delegated authority.

In addition, the DHS also executed Amendment No. 2, effective October 1, 2011, to include all Medi-Cal Managed Care categories of enrollees, which allows the DHS to receive new Medi-Cal membership assignment from L.A. Care's Direct Medi-Cal Program (i.e., "MCLA"). This Amendment also sets the platform for the full transition of DHS' Community Health Plan (CHP) Medi-Cal Members to L.A. Care effective January 1, 2012. This Amendment is covered under the July 26, 2011 Board-approved delegated authority.

County Counsel participated in the negotiation process, reviewed the Amendments and has approved them as to form. The Chief Executive Office has approved the Amendments.

If you have any questions or require additional information, please let me know.

MHK:JFS:ln

Attachments

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

[www.dhs.lacounty.gov](http://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.*





March 1, 2011

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](http://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.

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: **RECOMMENDATIONS FOR DELEGATED AUTHORITY TO EXECUTE PROVIDER AGREEMENTS FOR SENIORS AND PERSONS WITH DISABILITIES WITH L.A. CARE REQUIRED FOR THE CALIFORNIA 1115 WAIVER (Board Agenda Item A-4, March 1, 2011)**

On November 2, 2010, California Department of Health Services (CDHS) and Centers for Medicare and Medicaid (CMS) entered into a new 1115 Waiver, commonly known as the *California Bridge to Reform*, for a five year period, commencing November 1, 2010. This Waiver provides the framework to federal Health Care Reform in 2014 for Medicaid Coverage Expansion (MCE) enrollees who are adults, aged 19-64, with incomes at or below 133 percent of the Federal Poverty Level (FPL) and who meet citizenship or legal residence requirements. The Waiver will provide health care coverage expansion, continued partial funding of public hospitals' uncompensated costs, new funding for delivery system improvements at public hospitals, Medi-Cal Managed Care for Seniors and Persons with Disabilities (SPDs), and federal matching funds for various State-only funded programs.

On December 14, 2010, your Board authorized the Department of Health Services (DHS) to submit action items related to the 1115 Waiver to your Board on a standing agenda item designated as A-4. This report provides updated information on the conversion of SPDs into managed care and requests your Board's approval of two recommendations of delegated authority to execute agreements.

**MANAGED CARE FOR SPDs**

Starting June 2011, SPDs in fee-for-service Medi-Cal will be mandatorily converted to managed care over a 12-month period. In Los Angeles County, approximately 172,000 enrollees will be converted, including 27,600 who receive the majority of their services in DHS facilities and another 3,700 whose primary care homes are with the community clinics (County-contracted Public/Private Partnerships (PPPs)), but who receive specialty and inpatient services in DHS facilities.

In the Chief Executive Office's (CEO) status report of December 22, 2010, the CEO and the Interim Director of Health Services recommended that the County and the Local Initiative Health Plan of Los Angeles County, dba L.A. Care Health Plan (L.A. Care) complete negotiations by March 1<sup>st</sup> and present to your Board a



[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

provider agreement with L.A. Care for the Medi-Cal SPDs. In this agreement, the County will be a network provider for L.A. Care, who will assign these beneficiaries directly to County facilities. The CEO's January 31, 2011 status report on the proposed plan to implement the 1115 Medicaid Waiver Initiative reiterated this intention.

The County negotiating team [composed of representatives from CEO, DHS, and County Counsel] has been meeting weekly with the L.A. Care team. The teams have agreed on the components of the "Division of Financial Responsibility [DOFR]", and very soon, will have the initial four-month contract period rates negotiated. Additional agreements [or amendments to these agreements] will be needed between the State and the County for the intergovernmental transfers (IGTs) to fund inpatient care, and possibly a three-party agreement among the State, the County and L.A. Care for risk sharing. These cannot be completed until discussions with the State on these issues are completed later this year.

Three provider agreements are planned: 1) professional services, 2) facility (hospital) services, and 3) specific specialty services provided to L.A. Care enrollees who are not assigned to DHS for primary care, where capacity exists.

These provider agreements must be approved and executed now, so that L.A. Care can include the County facilities and providers in its direct network listings for patients to choose. Those enrollees whose birthday occurs in June will start receiving enrollment materials for managed care in March.

The agreements will also need to be amended when rates for the year beginning October 1, 2011 are negotiated. However, it is important to get them in place now and we are proposing an initial term of March 1, 2011 through September 30, 2014, with the mutual expectation that the agreements will be amended multiple times during the initial term.

## **RECOMMENDATION**

It is recommended that your Board delegate authority to the Director of Health Services, or his designee, to:

Negotiate and execute Medi-Cal managed care provider agreements with L.A. Care for Seniors and Persons with Disabilities, effective March 1, 2011 through September 30, 2014, upon review and approval by County Counsel and the CEO, and with notice to your Board.

If you have any questions or need additional information, please contact me or your staff may contact John F. Schunhoff, Ph.D., Chief Deputy Director of Health Services, at (213) 240-8370.

MHK:JFS:jp

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



Los Angeles County  
Board of Supervisors

July 26, 2011

Gloria Molina  
First District

Mark Ridley-Thomas  
Second District

Zev Yaroslavsky  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
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:

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](http://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*

**RECOMMENDATION FOR DELEGATED AUTHORITY TO EXECUTE AMENDMENTS AND CONTRACT ASSIGNMENTS/DELEGATIONS AND GIVE TERMINATION NOTICES UNDER AGREEMENTS WITH THE CALIFORNIA MANAGED RISK MEDICAL INSURANCE BOARD, L.A. CARE HEALTH PLAN AND CHP PROVIDERS (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**SUBJECT**

Request delegated authority for contractual actions necessary to implement the next stage of the policy direction approved by your Board to transition the Community Health Plan staff to serve as the Medical Service Organization function 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.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Delegate authority to the Director of Health Services, or his designee, to execute amendments to existing provider agreements with L.A. Care Health Plan, to include all Medi-Cal Managed Care categories of enrollees and all Healthy Families categories of enrollees, effective August 1, 2011, subject to review and approval by County Counsel and the Chief Executive Office and notification to your Board

2. Delegate authority to the Director of Health Services, or his designee, to



[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

execute amendments and contract assignments/delegations to L.A. Care, and give appropriate notices, including termination, under existing Community Health Plan (CHP) agreements with L.A. Care and the California Managed Risk Medical Insurance Board (MRMIB), to transition the enrollees in CHP Medi-Cal Managed Care and Healthy Families, respectively, to L.A. Care with varying effective dates, necessary to transition enrollees effective January 1, 2012, subject to review and approval by County Counsel and the Chief Executive Office and notification to your Board.

3. Delegate authority to the Director of Health Services, or his designee, to execute Amendments and contract assignments/delegations to L.A. Care, and give appropriate notices, including termination, under CHP agreements with health care providers (e.g. physician groups and hospitals) for Medi-Cal Managed Care and Healthy Families enrollees to transition the CHP enrollees in Medi-Cal Managed Care and Healthy Families to L.A. Care, with varying effective dates necessary to transition enrollees effective January 1, 2012, subject to review and approval by County Counsel and the Chief Executive Office and notification to your Board.

4. Delegate authority to enter into one or more Letters of Agreement (LOAs) to continue necessary treatment of Seniors and Persons with Disabilities (SPDs) or other Medi-Cal Managed Care or Healthy Families enrollees to provide those unique healthcare services not offered by DHS to ensure patient continuity of care, with reimbursement at or near market rates, subject to review and approval by County Counsel and the Chief Executive Office and notification to your Board.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On March 1, 2011, your Board approved a recommendation to negotiate and execute Medi-Cal Managed Care provider agreements with L.A. Care for SPDs, effective March 1, 2001 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.

Since the completion of the SPD provider agreements, the County negotiating team (composed of representatives from CEO, DHS and County Counsel) has continued regular meetings with L.A. Care, concentrating on the implementation of the provider agreements for the SPDs, the coordination of behavioral health benefits, and beginning negotiations for the other CHP product lines, including In Home Supportive Services, with a target of transitioning these lines by the end of 2011. A task force of the negotiating teams has developed a detailed list of actions needed and a proposed time-line to accomplish this by January 1, 2012.

Transition of the Medi-Cal Managed Care and Healthy Families enrollees will require three basic categories of contractual and regulatory actions:

1. Amendment of the provider agreements with L.A. Care to include all Medi-Cal

Managed Care and Healthy Families enrollees. The negotiators propose to use the same contracts, but specific Divisions of Financial Responsibility (DOFRs) and pricing will apply to each line of business or enrollment category.

2. Notification of State agencies (MRMIB, CDHCS, and CDMHC, as appropriate) of the intended transfer.
3. Notification and contract termination or assignment/delegation of CHP sub-contracted providers and other contractors, as needed.

Transitioning the IHSS enrollees will have the added step of negotiating an agreement between the Personal Assistance Services Council (PASC) and L.A. Care and phasing out the existing agreement between PASC and CHP. We will return to your Board with a separate and subsequent recommendation for delegation concerning that product line.

The negotiators are also discussing 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 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 return to your Board with this agreement, prior to full execution of the delegated authority from this Board Letter.

Under the new SPD agreements assigning L.A. Care SPDs to DHS as the primary and hospital care provider, and the contemplated expansion to other L.A. Care Medi-Cal and Healthy Families enrollees, DHS is seeking authority to enter into LOAs to offer those limited and specialized necessary medical services that are not offered by DHS.

### **Implementation of Strategic Plan Goals**

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

The agreements will include targets for assignments of Medi-Cal Managed Care and Healthy Families enrollees to DHS providers, sufficient to maintain the revenues needed to support the County as a safety net provider.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Transition of each of the CHP product lines to L.A. Care requires a different set of contractual notifications, amendments, and terminations. This Board Letter contains all of the actions necessary to transition the Medi-Cal Managed Care and Healthy Families enrollees.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Successful implementation of these agreements, consistent with the policy recommendations approved by the Board on March 31, 2011, is part of the overall restructuring of DHS ambulatory care, as part of DHS' plan to reallocate resources and attention (e.g. to have CHP staff focus solely

The Honorable Board of Supervisors

7/26/2011

Page 4

on performing the MSO function for DHS providers) to meet the needs under the 1115 Waiver.

Respectfully submitted,

A handwritten signature in black ink that reads "Mitchell Katz". The signature is written in a cursive, slightly slanted style.

Mitchell H. Katz, M.D.

Director

MHK:JFS:jp

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