



**Health Services**  
LOS ANGELES COUNTY

**Los Angeles County  
Board of Supervisors**

**Gloria Molina**  
First District

**Yvonne B. Burke**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

**Bruce A. Chernof, MD**  
Acting Director and Chief Medical Officer

**John R. Cochran III**  
Chief Deputy Director

**William Loos, MD**  
Acting Senior Medical Officer

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

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

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



[www.lahhs.org](http://www.lahhs.org)

March 30, 2006

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 DELEGATION OF DUTIES AND ASSIGNMENT  
OF RIGHTS OF AGREEMENT NOS. H-211224 AND  
H-210040 FROM UNIVERSAL CARE, INC. TO  
HEALTH NET OF CALIFORNIA, INC.  
(All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Delegate authority to the Acting Director of Health Services, or his designee (collectively hereafter "Acting Director"), to sign an Approval of Delegation of Duties and Assignment of Rights of Agreement No. H-211224 from Universal Care, Inc. (Universal Care) to Health Net of California, Inc. (Health Net) for the continued provision of health care by Health Net's provider network to Healthy Families Program subscribers enrolled under the Community Health Plan, effective on or after March 31, 2006 through June 30, 2008, contingent upon prior review and approval by County Counsel and the Chief Administrative Office and notification to the Board within 30 days after execution.
2. Delegate authority to the Acting Director to sign an Approval of Delegation of Duties and Assignment of Rights of Agreement No. H-210040 from Universal Care to Health Net for the continued provision of health care by the Department of Health Services facilities to Medi-Cal members enrolled under Health Net, effective on or after March 31, 2006 through September 30, 2006, with provisions for automatic renewal for successive one-year periods, contingent upon prior review and approval by County Counsel and the Chief Administrative Office and notification to the Board within 30 days after execution.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

In approving these actions, the Board is ensuring the continued provision of health care by: a) Health Net's provider network for Healthy Families Program (HFP) subscribers enrolled under the Community Health Plan (CHP), and b) Department of Health Services (DHS or Department) facilities for Medi-Cal members enrolled under Health Net.

FISCAL IMPACT/FINANCING:

There is no fiscal impact as a result of this action. There is a remaining balance due County from both contractors.

Universal Care: On January 14, 2003, County Counsel filed a Notice of Initiation of Arbitration for unpaid compensation for services performed by County to Universal Care's Medi-Cal members under Agreement H-210040. Universal Care and the County are aggressively adjudicating the outstanding claims for dates of service (DOS) through December 31, 2005. Payments of approximately \$1,748,806 have been made to County. There is a remaining balance of \$2,255,608.

Health Net: Health Net and the County have reached an agreement on all non-contract claims for DOS through March 31, 2004, for health care services provided to Health Net members in the amount of \$2,703,918. Health Net is actively adjudicating claims for DOS beginning April 1, 2004 through September 30, 2005 (outstanding balance of \$1,861,547). The Health Net medical review process for these claims is targeted for completion by approximately April 17, 2006. The County will have approximately two weeks to review Health Net's medical review findings. Both parties have agreed to complete the adjudication process for DOS through September 30, 2005, by May 1, 2006. Immediately following agreement, the adjudication process for DOS beginning October 1, 2005 forward will commence.

Additional details were provided to the Board in the quarterly progress report titled "Improving Managed Care Plan Collections" dated March 15, 2006.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Healthy Families Program Agreement. On June 20, 2000, the Board approved Agreement No. H-211224 with Universal Care to provide health care to HFP subscribers enrolled in the CHP through Universal Care's network of primary and specialty providers, hospitals, and pharmacies, effective July 1, 2000 through June 30, 2003. On subsequent occasions, the Board approved extensions of the Agreement through June 30, 2008. Universal Care currently serves nearly 16,000 out of the total of 25,000 HFP subscribers enrolled in the CHP.

Medi-Cal Agreement. On November 16, 1995, the Board approved an Agreement with Universal for the provision of primary, specialty, and inpatient services by DHS facilities to Medi-Cal members enrolled in Universal Care, effective upon Board approval for one year, with provisions for automatic renewal for successive one-year periods, unless earlier terminated by either party with a 180-day notice. On February 16, 1999, the Board approved a replacement Agreement to recognize the State's Two-Plan Model Medi-Cal capitation rate structure and other revisions effective retroactively to October 1, 1998. The DHS facilities currently serve approximately 900 Medi-Cal members enrolled in Health Net and assigned to DHS facilities.

On January 5, 2006, Health Net issued a press release that announced that it has entered into a definitive agreement to acquire certain health plan assets and contracts of Universal Care, which includes services provided under the Agreements described herein. Health Net and Universal Care anticipate that the transaction will close on or after March 31, 2006. Board approval is required to delegate the duties and assign the rights of the Agreements from Universal Care to Health Net.

Regulatory Appeals. Since Health Net and Universal Care are State-licensed health plans that provide services under State contracts, the proposed transaction also requires approvals from various State regulatory agencies, including the Managed Risk Medical Insurance Board (MRMIB), the State Department of Health Services (SDHS), and Department of Managed Health Care (DMHC). MRMIB regulates the HFP, SDHS regulates Medi-Cal, and DMHC regulates and licenses health plans.

On February 27, 2006, DMHC approved a material modification of Health Net's health plan license to acquire certain Universal Care assets, and the State Department of Health Services approved the acquisition as it relates to Medi-Cal. On March 1, 2006, MRMIB approved the transaction as it relates to the HFP.

As additional safeguards for the CHP after completion of the transaction, Health Net and Universal Care have agreed to the following:

Healthy Families Program Agreement Contractor's Steps to Ensure Smooth Transition - Terms and Effect of the Assignment and Delegation

- Universal Care and Health Net will seek to obtain 100% overlap between their respective HFP provider networks, which will include Universal Care's staff model clinics, to ensure continuity of care and minimal service disruption.
- During the open enrollment period from April 15 to May 31 of each year, HFP subscribers may choose new health plans. Since the projected Universal Care-Health Net transaction date of March 31, 2006 is close to the open enrollment period, Universal Care has advised MRMIB that it will continue to administer the Agreement on a transitional basis through such period so as not to create unnecessary confusion among CHP members.

Medi-Cal Agreement

- Health Net will not compete against the CHP for Community Provider Plan (CPP) status in Los Angeles County under specific conditions for the 2006-2007 and 2007-2008 HFP contract years. The CHP has been designated by MRMIB as the CPP in Los Angeles County since the inception of the program in 1998, which allows the CHP to offer the lowest HFP premiums in Los Angeles County. Further, since both Health Net and the CHP have agreements with MRMIB to provide HFP services in Los Angeles County, neither party will solicit HFP members from the other party to switch health plans during the term of the Agreement. The details, once negotiated, will be incorporated in the Delegation of Duties and Assignment of Rights of Agreement.
- Health Net has advised that it would not accept liability and responsibility for payment to the County of health care services provided to Universal Care's members prior to the effective date of the Assignment and Delegation. In that case, the County would continue to seek payment from Universal Care.

- Approval of the Assignment and Delegation will permit the County to retain the approximately 900 members assigned to DHS facilities. In addition, the County may seek reimbursement at the appropriate contract rate up to 342,747 Medi-Cal members enrolled in Health Net.

Attachment A provides additional information.

CONTRACTING PROCESS:

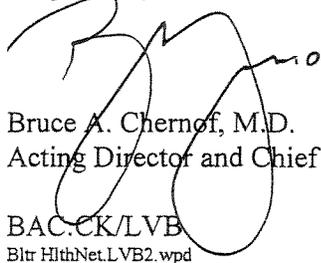
It is not appropriate to advertise assignment of agreement actions on the Los Angeles County Online Web Site.

IMPACT ON CURRENT SERVICES (OR PROJECT):

Approval of the recommended actions will allow services to continue uninterrupted.

When approved, this Department requires three signed copies of the Board's actions.

Respectfully submitted,



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

BAC:CK/LVB  
Bltr HlthNet.LVB2.wpd

Attachment (1)

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Office of Managed Care

**SUMMARY OF AGREEMENT  
HEALTHY FAMILIES PROGRAM SERVICES**

1. TYPE OF SERVICES:

Primary, and specialty care, inpatient care, and pharmaceutical services provided by Health Net for Healthy Families Program subscribers enrolled in the Community Health Plan, and primary, specialty, and inpatient care provided by Department of Health Service facilities for Medi-Cal members enrolled in Health Net.

2. TRANSFER OF OWNERSHIP:

FROM:

Universal Care, Inc.  
1600 East Hill Street  
Signal Hill, California 90755  
Attention: Jay B. Davis  
Telephone: (562) 981-4028

TO:

Health Net of California, Inc  
11931 Foundation Place, GPD1  
Rancho Cordova, California 95670  
Attention: Dave Meadows, Vice President,  
State Health Programs  
Telephone: (916) 935-1435

3. TRANSFERRED AGREEMENT AND TERM:

Agreement No. H-211224: July 1, 2005 through June 30, 2008.  
Agreement No. H-210040: October 1, 1998 for one year, with provisions for automatic renewal for successive one-year periods, unless earlier terminated by either party with a 180-day prior written notice.

4. FINANCIAL INFORMATION:

There is no fiscal impact for both Agreements. There is a remaining balance due County from both contractors.

5. GEOGRAPHIC AREA TO BE SERVED:

All Supervisorial Districts.

6. ACCOUNTABILITY FOR PROGRAM MONITORING AND EVALUATION:

Dave Beck, Acting Director, Office of Managed Care

7. APPROVALS:

Office of Managed Care

Dave Beck, Acting Director

Contracts and Grants Division

Cara O'Neill, Chief

County Counsel (approval as to use):

Edward A. Morrissey, Deputy