



**Health Services**  
LOS ANGELES COUNTY

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July 19, 2016

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

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

**Christina R. Ghaly, M.D.**  
Chief Operations Officer

**MANAGED CARE CONTRACTING FOR THE COUNTY OF LOS ANGELES  
DOING BUSINESS AS COMMUNITY HEALTH PLAN  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request delegated authority for licensure and contractual actions necessary for County of Los Angeles dba Community Health Plan to assume all responsibilities and obligations associated with the provision of health care services to In-Home Support Services workers enrolled in the PASC-SEIU Homecare Workers Health Care Plan.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Delegate authority to the Director of Health Services (Director), or his designee, to officially file with the California Department of Managed Health Care (DMHC) a material modification and/or any necessary paperwork to convert the Knox-Keene license for the County of Los Angeles dba Community Health Plan (CHP) from a full-service health plan to a restricted health plan, subject to prior review and approval by the County Counsel and with notification to the Board of Supervisors (Board) and Chief Executive Office (CEO).
2. Delegate authority to the Director or his designee, to assign and delegate the PASC-SEIU Homecare Workers Health Care Plan (PASC-SEIU) component of the existing capitated Participating Provider Group Agreement and Hospital Services Agreement (collectively referred to as "Provider Services Agreements") between the Local Initiative Health Authority for Los Angeles

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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.*



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County dba L.A. Care Health Plan (L.A. Care) and the County of Los Angeles, Department of Health Services (DHS) dated April 1, 2015 to County of Los Angeles dba Community Health Plan (CHP) and the Local Initiative Health Authority for Los Angeles County dba L.A. Care Health Plan Joint Powers Authority (JPA), and/or execute one or more new Plan Services Agreements between CHP and the JPA for PASC-SEIU, under the substantially similar terms and conditions as the existing Provider Services Agreements and with the addition of provisions required by law, and/or take all other necessary contract actions, amendments, new agreements, etc. to effectuate the assignment of PASC-SEIU members with L.A. Care/JPA to DHS/CHP for the provision of health care services, with an effective date no later than 60 days after DMHC's approval of CHP's application for a material modification of its Knox-Keene licensure from full-service health plan to restricted health plan, subject to review and approval by the County Counsel and with notification to the Board and CEO.

3. Delegate authority to the Director, or his designee, to negotiate and execute amendments to the Plan Services Agreements between CHP and the JPA as described in Recommendation Number 1 above to: (a) reflect new and/or adjusted rates as the State releases new rates and/or adopts new rate setting methodology, (b) adjust existing rates due to transfer between the parties of the financial responsibility to provide for or pay for medical and other covered services, changes in assumption of delegated functions (e.g., utilization management, credentialing, claims processing), and/or change in financial risk arrangement (e.g., full risk, shared risk, modified or combination, risk pool arrangements); with any services to be performed/provided, as arranged by the JPA, with reimbursement from the CHP to be at no more than cost (actual cost, or estimated cost if calculated and paid through an adjustment to CHP's per member per month capitation payment) taking into account the overall financial impact of these changes to CHP's fiscal viability, (c) add provisions related to State and/or federal funding mechanisms, (d) update and/or incorporate new State/Federal law and regulations, County provisions and other regulatory/contractual requirements, (e) make appropriate changes to contract language for clarity and efficiency (administrative, programmatic, and operational), and (f) add other health insurance product lines that JPA provides, such as, but not limited to Medicare Advantage and Covered California at negotiated prevailing market rates, subject to prior review and approval by the County Counsel and with notification to the Board and CEO.

4. Delegate authority to the Director, or his designee, to enter into a Memorandum of Understanding (MOU) between CHP and DHS, under the same terms and conditions as the existing Provider Services Agreements, for the provision of health care services to PASC-SEIU, with an effective date no later than 60 days after DMHC's approval of CHP's application for a material modification of its Knox-Keene licensure from full-service health plan to restricted health plan, and subsequent amendments to this MOU, subject to review and approval by the County Counsel and with notification to the Board and CEO.

5. Delegate authority to the Director, or his designee, to enter into and

terminate sub-contract agreements, including any subsequent amendment(s), between CHP and health care providers and other entities, for ancillary services and other services that are not available at DHS facilities in order to meet DMHC requirements, subject to review and approval by the County Counsel and with notification to the board and CEO.

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

Under California's implementation of the federal Patient Protection and Affordable Care Act (ACA), the majority of Medi-Cal beneficiaries and participants in Covered California receive health care services through managed care delivery systems. The County of Los Angeles, through DHS, has a Knox-Keene licensed full-service health plan known as the CHP. Since early 2012, DHS has maintained the CHP full-service license, but has had no membership in the health plan. A 2010 consultant assessment recommended that DHS close CHP as full-service health plan and transform the infrastructure of its health care delivery system to focus singularly on being a provider of health care services.

However, full implementation of the ACA has changed the health care landscape and DHS has determined that it would be beneficial for the County to maintain its CHP Knox-Keene licensed health plan and transition it from a full-service health plan to a restricted health plan. This would enable DHS to have both "provider-to-plan" contracts (i.e., DHS as a health care provider contracting with L.A. Care as a health plan) and "plan-to-plan" contracts (i.e., DHS dba CHP as a health plan contracting with L.A. Care as a health plan). Plan-to-plan contracting occurs for both full-service health plans and restricted health plans. Plan-to-plan contracting existed within DHS prior to 2012 through CHP as a full-service health plan. The primary difference between a full-service health plan license and a restricted health plan license is that a restricted health plan does not have health plan members and is not a health care insurer. DHS is not recommending that CHP resume having health plan members or become a health care insurer. More importantly, DHS would not abandon its strategic goal of being a provider of choice.

The County of Los Angeles dba CHP anticipates having the PASC-SEIU under the requested restricted license. There are approximately 43,000 PASC-SEIU managed care members with a DHS medical home. The Plan Services Agreements between the CHP and JPA for the PASC-SEIU line of business will be executed under the Director's delegated authority and is intended to maximize the ability for CHP to efficiently obtain and control ancillary services (e.g., home health) contracts and costs. As ancillary service utilization is dependent on the PASC-SEIU members' need to access such services, the total cost and volume of services generated from these contracts cannot be determined. As much as possible, ancillary services contracts will be paid using a capitated model, except where fee-for-service or other payment methodology arrangements are most favorable to CHP.

Approval of the first recommendation will allow DHS to submit necessary documentation to the State Department of Managed Health Care (State DMHC) to convert the County's existing CHP Knox-Keene licensed health plan from a full-service health plan to a restricted health plan.

Approval of the second recommendation will allow both L.A. Care/JPA and DHS/CHP to reflect legal entities and responsibilities associated with the provision of healthcare services to PASC-SEIU members. This will enable CHP to be a contracted capitated provider with a network of hospitals, outpatient facilities and health centers in the JPA's PASC-SEIU Homecare Workers Health Care Plan. This change will not affect any of the DHS' existing contracts with L.A. Care for the Medi-Cal line of business.

Approval of the third recommendation will permit CHP to participate in the JPA's other insurance programs and products, such as Medicare Advantage, Cal Medi-Connect, and Covered California. Approval of this recommendation will also permit CHP to amend the Plan Services Agreements in a timely manner for new/adjusted capitation rates, changes in financial arrangements and delegated activities, provision of funding mechanisms between CHP, L.A. Care and State, changes in State and/or Federal laws and regulations, County and other regulatory or contractual requirements, clarification of contract language and other contract terms and conditions to ensure CHP's continued operational, administrative and programmatic efficiency.

Approval of the fourth recommendation will allow CHP to enter into a Memorandum of Understanding (MOU) with DHS facilities and clinics, and execute any future amendments to the MOU.

Approval of the fifth recommendation will allow CHP to enter into sub-contracts with non-DHS service providers to deliver services to PASC-SEIU members or any other health insurance program added to the Plan Services Agreements between the JPA and CHP, in accordance with the scope of services offered to members. CHP receives capitation for services provided to PASC-SEIU and with a restricted license it will be able to enter into capitated service agreements with non-DHS providers who will deliver services to PASC-SEIU that are not provided directly by DHS and/or expand its provider network with non-DHS providers in its PASC-SEIU service area.

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

The recommended actions support Goal 2, Fiscal Sustainability and Goal 3, Integrated Services Delivery of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

The JPA will increase the capitation rate paid to CHP for the PASC-SEIU line of business to offset the cost of any additional delegated ancillary services. It is expected that the trending of costs and revenues over the first year of implementation will provide CHP with the ability to predict overall fiscal impact. Funding will be included in the FY 2016-17 budget and will be requested for future years as needed. At this time, CHP does not anticipate additional financial requirements or provisions from State DHMC as a result of converting the CHP license from full-service health plan to a restricted health plan.

The contracted capitation rates paid by the JPA to CHP are confidential and subject to Section 6254.22 of the Government Code. This information will be provided to your Board under a separate confidential memorandum.

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

CHP became a full-service licensed health plan owned by the County of Los Angeles and operated by DHS on December 30, 1985. In 1988, CHP obtained Federal health maintenance organization qualification. CHP is a Knox-Keene licensed health plan regulated by the State Department of Managed Health Care (State DMHC). The service area for CHP was limited to Los Angeles County and its delivery system included DHS network and contracted medical groups, hospitals and other providers. In 1996/1997, CHP became a plan partner of L.A. Care for the Medi-Cal Managed Care program and entered into a plan-to-plan contract. CHP was also the health plan for the Los Angeles

County In-Home Support Services Health Benefits Plan (now known as PASC-SEIU Homecare Workers Health Care Plan).

In 2010, the Board approved a policy recommendation to no longer operate CHP as a full-service licensed health plan. As a result, CHP terminated its plan contracts and sub-contracts, and transitioned members, including the transition of CHP's PASC-SEIU members to L.A. Care. CHP submitted the required documentation to State DMHC terminating the health insurance product lines that were overseen by CHP. After that point, DHS began providing services as a provider within the L.A. Care's network through the Provider Services Agreements.

In 2012, the Board authorized: (1) creating the Local Initiative Health Authority for Los Angeles County dba L.A. Care Health Plan Joint Powers Authority (JPA) that would establish a new Knox-Keene licensed health plan to administer and operate L.A. Care's non-Medi-Cal programs and any new programs which might be developed by the JPA, (2) transitioning the provision of health services of PASC-SEIU Homecare Workers Health Care Plan from L.A. Care to JPA as the health plan and (3) allowing DHS and the Department of Public Social Services to undertake the necessary contract actions to transition the PASC-SEIU Homecare Workers Health Care Plan and other managed care programs from L.A. Care to the JPA.

While the CHP no longer operates a full-service licensed health plan, it has maintained its license, and has notified State DMHC of its intent to convert the CHP full-service license to a restricted license. As noted above, CHP anticipates having the PASC-SEIU under the requested restricted license.

### **CONTRACTING PROCESS**

Delegated authority to enter into JPA Plan Services Agreements does not require CHP to undergo a competitive contracting process to determine which health plan CHP enters into agreements with or provider network participation. As funding for the PASC-SEIU Homecare Workers Health Care Plan is partly provided by the County, the L.A. Care provider network for this program will continue to be comprised mainly of the DHS provider network.

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

Successful implementation of recommendations will allow CHP to retain existing patients, ensure flexibility to appropriately respond strategically to any future changes in health care delivery or managed care, and continue support to the DHS safety net system.

The Honorable Board of Supervisors

7/19/2016

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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:tb

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