

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Health Services Agency *ms*

BOARD AGENDA # \*B-5

Urgent  Routine

AGENDA DATE December 16, 2008

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Designate Health Net as the Local Initiative Health Plan in Stanislaus County for Medi-Cal Managed Care Patients in accordance with the State of California's Two-Plan Model for Medi-Cal Managed Care

STAFF RECOMMENDATIONS:

1. Approve the designation of Health Net as the Local Initiative Health Plan in Stanislaus County for Medi-Cal managed care patients in accordance with the State of California's two-plan model for Medi-Cal managed care.
2. Authorize the Health Services Agency Managing Director or her designee to negotiate and sign the Administrative Agreement with Health Net and to notify the State of California Department of Health Care Services of the designation.

FISCAL IMPACT:

The current administrative contractual arrangement began in 1997 between the Health Services Agency and Anthem Blue Cross. This arrangement allows Blue Cross to serve as the Local Initiative Health Plan for the County and provides revenue to the Agency for certain administrative and outreach services. The funding rate is based on enrollment and as such, the amount varies from year to year. During the past three years, this amount has averaged approximately \$750,000 annually.

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BOARD ACTION AS FOLLOWS:

No. 2008-865

THIS ITEM WAS REMOVED FROM THE AGENDA. NO VOTE WAS TAKEN.

**FISCAL IMPACT (Continued):**

In addition to this revenue, the Health Services Agency is to receive fifteen percent (15%) of the surplus earned by Anthem Blue Cross on the Medi-Cal business in Stanislaus County. Since the beginning of this operation in 1997, the Health Services Agency has received a total of \$3,124,869 in surplus sharing; however, no surplus has been earned to allow for sharing since 2001. In comparison, the recommended arrangement with Health Net would afford the Health Services Agency similar terms. The actual revenue would vary based on enrollment and utilization.

The Health Services Agency Fiscal Year 2008-2009 budget did not include any surplus sharing and anticipated the potential for interruption of the Anthem Blue Cross Administrative Agreement revenue due to this strategic initiative to explore alternatives. Staff anticipates that a decrease in administrative funding will occur due to the transition of health plans during this Fiscal Year. The impact would come in two ways. First, there would likely be a period of an estimated one to three months in which there would not be a Local Initiative Health Plan and thus, no Administrative funding. Secondly, once Health Net was implemented by the State as the Local Initiative Health Plan, there would be an expected incremental increase of enrollment starting below the rate currently enjoyed by Anthem Blue Cross. It is possible that it will take longer than the remainder of Fiscal Year 2008-2009 to build enrollment to the level of the existing Local Initiative Health Plan. This timing will be influenced by the timing of some of the State required activities, which are out of the County staff control.

The implementation of a health plan contract to serve in this capacity is considered a long-term arrangement as over time, staff anticipates that the benefits, both financial and in services outweighs the short-term decrease in funding. Additionally, Anthem Blue Cross is currently in a termination period with the State of California and although verbally Anthem has conveyed a willingness to rescind the termination if awarded the continuing designation, the duration of this commitment is unclear, and as such risk of lost revenue remains even if the Agency were to recommend no change.

**DISCUSSION:**

History

In 1993, the California Department of Health Services (DHCS) issued its strategic plan for expansion of managed care in the Medi-Cal program. This plan targeted thirteen (13) counties in which DHCS contracted with two licensed health maintenance organizations (HMOs) to take care of all Medi-Cal recipients within three primary aid categories. Of these two HMOs, one was to be an existing commercial plan while the Counties were given the option to develop the other plan called the Local Initiative.

Stanislaus County was one of the thirteen counties given the option to develop a Local Initiative.

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In 1994, the Stanislaus County Board of Supervisors (BOS) began the process of authorizing the establishment of the Stanislaus County Local Initiative. With the State DHCS approval, the County decided to pursue a contract relationship rather than develop a County operated health plan. The County released a Request for Information (RFI) from interested health plans for the purpose of identifying an appropriate vendor to serve as the Local Initiative health plan for Stanislaus County and to develop a subcontract relationship with the Health Services Agency.

The following year, the RFI was developed and sent to interested health plans. In 1996, a consultant was retained to evaluate the proposals and make recommendations to the Board of Supervisors. The same year, the Board of Supervisors authorized the Stanislaus County Health Services Agency (the Agency) to enter into negotiations with Blue Cross of California (BCC) for consideration as its Local Initiative Health Plan Partner. In 1997, the Board of Supervisors passed a resolution that designated BCC as the Local Initiative Health Plan Partner and conveyed that decision to DHCS. Under the State's Medi-Cal Managed Care program, the State negotiates, enters the contract with and provides the funding to the health plan, although the local Board of Supervisors retains the discretion to choose the health plan. DHCS finalized arrangements with Blue Cross and the Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County began operations in October of 1997.

Anthem Blue Cross (Blue Cross of California) has been Stanislaus County's Local Initiative Medi-Cal Managed Care health plan since 1997. The County has not sought alternatives since the 1997 launch.

Basis for Recommendation

When the Health Services Agency clinic division Strategic Plan was adopted by the Board of Supervisors in September of 2005, one of the activities approved was to explore Medi-Cal Managed Care alternatives. In terms of timing, the Agency sought initiatives which could stabilize the financial condition of the clinic system before embarking upon a strategy for Medi-Cal Managed Care, as the role and interest of the Agency could differ depending upon the resulting composition and structure of the clinic system. The Agency sought and received the Federally Qualified Health Center Look-Alike designation effective in September of 2007, and began implementing various other cost saving or revenue enhancing initiatives.

For several months the Agency has been working with the State Department of Health Care Services regarding the Local Initiative arrangements. Through these communications, the Agency learned that as part of an industry routine to renegotiate reimbursement rates, Blue Cross has issued a termination notice to the State Department of Health Care Services, of their contract as the Local Initiative of Stanislaus County. This has happened before relative to Stanislaus County but the State and Blue Cross reached agreement such that the termination notice was essentially transparent to the community. This was not the case however in another

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County in the State in which Blue Cross actually terminated the contract with the State and ceased to participate in the Medi-Cal business. According to the State DHCS, the current termination notice for the Stanislaus County contract would take effect December 31, 2008 if a successful renegotiation is not achieved.

Regardless of the outcome of those negotiations, the County Board of Supervisors continues to have the authority to determine which health plan has been selected to negotiate with the State. The State Department of Health Care Services has assured the Agency of their support to implement changes if the Board of Supervisors decides to direct a change.

Working with the General Services Agency, the Health Services Agency developed a Request for Proposals (RFP), in accordance with the 2005 Strategic Plan as a matter of due diligence, and to explore marketplace opportunities which may offer new, unique and/or improved services in our community. In order to assure that the criteria developed for the RFP effectively included matters of importance to both providers and Medi-Cal beneficiaries, a community stakeholder meeting was held on June 17, 2008. Approximately 35 participants attended and provided their input. Participants included representatives from each of the hospitals, physicians and managers from the County clinics and Golden Valley Health Centers, representatives from the Community Services Agency and Behavioral Health and Recovery Services, an Independent Practice Association (of community physicians), Public Health nurses and the Public Health Officer, and a Community Health Center Board member who is a Medi-Cal beneficiary. A long list of items of importance to these participants was created and incorporated into the RFP. The Board of Supervisors approved the release of that RFP on September 9, 2008. Prior to seeking approval from the Board of Supervisors to release the RFP on September 9, 2008, the Agency had briefed the Health Executive Committee of the Board of Supervisors of this strategic initiative at its meetings of December 4, 2007 and May 6, 2008.

The purpose of the RFP (RFP No. 08-52-SAS) was to assess interest and intent as well as to evaluate the experience, capabilities, and philosophy of Health Maintenance Organizations (HMOs) that may be interested to participate in a business relationship with the Stanislaus County Health Services Agency and to serve as the Local Initiative in Stanislaus County. On the basis of information provided in response to this request, the Agency received four responses:

- Anthem Blue Cross
- Cen-Cal
- Health Net
- Health Plan of San Joaquin

A panel comprised of Agency management, a Scenic Faculty Medical Group Administrator, a member of the Community Services Agency management and a member of the County Chief Executive Office reviewed and scored the proposals

individually. Three health plans – Anthem Blue Cross, Health Net and Health Plan of San Joaquin, met the qualifying score and interviews were then arranged with all three. Following the interviews the panel made a determination based on the plans' infrastructure, policies, systems, commitment and finances and developed the final rankings. The outcome of that determination then formed this recommendation to designate Health Net as the Local Initiative Medi-Cal Managed Care Health Plan for Stanislaus County. The General Services Agency provided the written notice of Intent to Award and the Notices of Non-Award on November 26, 2008 of the recommendation being made to the Board of Supervisors during the December 16, 2008 Board meeting. In accordance with the Protest and Appeal Procedures in the Request for Proposal, the deadline for submission of protests was December 5, 2008, and no protests were received.

#### Financial Information

The current administrative contractual arrangement began in 1997 between the Health Services Agency and Anthem Blue Cross, allows Blue Cross to serve as the Local Initiative Health Plan, and provides revenue to the Agency for certain administrative and outreach services. The funding rate is based on enrollment and as such the amount varies year to year. It is estimated that between 70,000 individuals are currently covered by Anthem Blue Cross and the commercial Medi-Cal Managed Care Health Plan. During the past three years, this amount has averaged approximately \$750,000 annually. In addition to this revenue, the Health Services Agency is to receive fifteen percent (15%) of the surplus earned by Anthem Blue Cross on the Medi-Cal business in Stanislaus County. Since the beginning of this operation in 1997, the Health Services Agency has received a total of \$3,124,869 in surplus sharing; however, no surplus has been earned to allow for sharing since 2001. In comparison, the recommended arrangement with Health Net would afford the Health Services Agency similar terms. The actual revenue would vary based on enrollment and utilization.

The Health Services Agency Fiscal Year 2008-2009 budget did not include any surplus sharing and anticipated the potential for interruption of the Anthem Blue Cross Administrative Agreement revenue due to this strategic initiative to explore alternatives. Staff anticipates that a decrease in administrative funding will occur due to the transition of health plans during this Fiscal Year. The impact would come in two ways. First, there would likely be a period of an estimated one to three months in which there would not be a Local Initiative Health Plan and thus, no Administrative funding. Secondly, once Health Net was implemented by the State as the Local Initiative Health Plan, there would be an expected incremental increase of enrollment starting below the rate currently enjoyed by Anthem Blue Cross. It is possible that it will take longer than the remainder of Fiscal Year 2008-2009 to build enrollment to the level of the existing Local Initiative Health Plan. This timing will be influenced by the timing of some of the State required activities, which are out of the County staff control.

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The implementation of a health plan contract to serve in this capacity is considered a long-term arrangement as over time, staff anticipates that the benefits, both financial and in services outweighs the short-term decrease in funding. Additionally, Anthem Blue Cross is currently in a termination period with the State of California and although verbally Anthem Blue Cross has conveyed a willingness to rescind the termination if awarded the continuing designation, the duration of this commitment is unclear, and as such risk of lost revenue remains even if the Agency were to recommend no change.

Designation and Implementation

It is recommended that Health Net be selected as Stanislaus County's Local Initiative Health Plan. Provided the Board of Supervisors designates Health Net as the Local Initiative Health Plan and authorizes the Health Services Agency to negotiate the administrative agreement, the Health Services Agency would then notify the State Department of Health Care Services of the designation and the State will begin their contracting and implementation process. In this particular case, Health Net is already serving as the Commercial Medi-Cal Managed Care Health Plan in Stanislaus County, so the implementation phase is expected to be short. This decision does however mean that instead of the State having to conduct the estimated six – nine month readiness review, the State will need to begin the procurement process to replace Health Net as the Commercial Plan in Stanislaus County, consistent with the two-plan model.

**POLICY ISSUE:**

Approval of this recommendation is consistent with the Board of Supervisors' priorities of *A healthy community*, *Effective partnerships* and the *Efficient delivery of public services*, by supporting the RFP process and engaging an interested, capable and viable health plan to serve as the Local Initiative Medi-Cal Managed Care health plan for Stanislaus County.

**STAFFING IMPACT:**

There is no staffing impact associated with this report.