

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

DEPT: Health Services Agency *md*

BOARD AGENDA # \*B-3

Urgent  Routine

AGENDA DATE February 17, 2009

CEO Concur with Recommendation YES  NO   
*prt*  
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Reject All Proposals Relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County

STAFF RECOMMENDATIONS:

1. Approve the rejection of all proposals relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County.
2. Authorize the notification of this rejection to each proposer and to the State of California Department of Health Care Services.

FISCAL IMPACT:

The current administrative contractual arrangement began in 1997 between the Health Services Agency and Anthem Blue Cross (formally Blue Cross of California - referred to herein as 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. During the past three years, this amount has averaged approximately \$750,000 annually. (Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2009-117

On motion of Supervisor Grover ..... , Seconded by Supervisor Monteith .....  
and approved by the following vote,  
Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini .....  
Noes: Supervisors: None .....  
Excused or Absent: Supervisors: None .....  
Abstaining: Supervisor: None .....

- 1) X Approved as recommended
- 2) \_\_\_\_\_ Denied
- 3) \_\_\_\_\_ Approved as amended
- 4) \_\_\_\_\_ Other:

MOTION:

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

## Approval to Reject All Proposals Relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County

Page 2

### **FISCAL IMPACT (Continued):**

In addition to this revenue, the Health Services Agency is to receive fifteen percent (15%) of the surplus earned by 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.

Blue Cross issued a termination notice to the State of California on March 28, 2008 followed by four separate thirty (30) day extensions. The actual termination was to take effect on December 31, 2008. Such termination notices can result in a renegotiation or the actual termination of the relationship. If the termination were to actually become effective, it would result in the automatic and simultaneous termination of the administrative agreement with the Health Services Agency, and the corresponding funding. Recognizing that potential, the Health Services Agency's Fiscal Year 2008-2009 budget included a prorated amount of administrative funding and did not include any surplus sharing.

Blue Cross issued a written rescission of the termination on December 10, 2008, which was accepted and countersigned by the State Department of Health Services on December 16, 2008.

Since Blue Cross has rescinded the termination notice, a rejection of RFP proposals will enable the existing administrative agreement between the Stanislaus County Health Services Agency and Blue Cross, as well as the administrative funding, to continue. The actual revenue for this fiscal year is now anticipated to exceed budgeted projections, which had been prorated.

### **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.

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

## Approval to Reject All Proposals Relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County

Page 3

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 for consideration as its Local Initiative Health Plan Partner. In 1997, the Board of Supervisors passed a resolution that designated Blue Cross 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.

Blue Cross 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 County in the State recently, 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 termination notice dated March 28, 2008 for the Stanislaus County contract would take effect December 31, 2008 if a successful renegotiation was not achieved.

## Approval to Reject All Proposals Relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County

Page 4

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. 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 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 an earlier 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. 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 such protests were received.

## Approval to Reject All Proposals Relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County

Page 5

On December 12, 2008, the Board of Supervisor's agenda for the December 16, 2008 Board meeting was made public. The Health Services Agency had prepared a recommendation requesting that the Board designate Health Net as the new Local Initiative health plan for Medi-Cal Managed Care. Between December 12, 2008 and December 16, 2008, the Health Services Agency was notified by Blue Cross of their rescission of their previously issued contract termination notice with the State. The Health Services Agency verbally confirmed with the State that the rescission was expected but had not yet been received. The State conveyed their intention to accept the rescission if received. Staff respectfully requested then that the Board agenda item to designate Health Net be removed from consideration, until staff could confirm the actual rescission and impact. The Board of Supervisors allowed the removing of the item and no action on the proposed recommendation was taken.

The Health Services Agency has since been provided a copy of the written rescission by Blue Cross, which has been acknowledged and accepted in writing by the State Department of Health Care Services.

In the absence of a termination by Blue Cross to the State Department of Health Care Services, should the County wish to make a change in the designation, the County is obligated to give Blue Cross a twelve month advance notice.

Staff considered that the results from the RFP process determined that the two most qualified plans are the two that are already currently serving Stanislaus County Medi-Cal Managed Care beneficiaries. Health Net is presently the Commercial Medi-Cal Managed Care health plan, and Blue Cross is presently the Local Initiative Medi-Cal Managed Care health plan. Additionally, in considering the most appropriate recommendation staff considered the twelve month notice period obligation held by the County, the relative benefits and challenges in making a change, and the worsening State budget and health funding uncertainties. Staff found that the policy decision with the least financial risk, greatest benefit for Medi-Cal enrollees, and least disruption for the community would be to forego making an award by rejecting all the proposals received and supporting Health Net and Blue Cross to continue in their present Managed Care roles in Stanislaus County.

### Financial Information

The current administrative contractual arrangement began in 1997 between the Health Services Agency and 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. 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 Blue Cross on the

## Approval to Reject All Proposals Relative to the Request For Proposal #08-52-SAS for a Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County

Page 6

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.

Blue Cross issued a termination notice to the State of California on March 28, 2008 followed by four separate thirty (30) day extensions. The actual termination was to take effect on December 31, 2008. Such termination notices can result in a renegotiation or the actual termination of the relationship. If the termination were to actually become effective, it would result in the automatic and simultaneous termination of the administrative agreement and funding with the Health Services Agency. Recognizing that potential, the Health Services Agency's Fiscal Year 2008-2009 budget included a prorated amount of administrative funding and did not include any surplus sharing.

Blue Cross issued a written rescission of the termination on December 10, 2008, which was accepted and countersigned by the State Department of Health Services on December 16, 2008.

Since Blue Cross has rescinded the termination notice, a rejection of RFP proposals will enable the existing administrative agreement between the Stanislaus County Health Services Agency and Blue Cross, as well as the administrative funding, to continue. The actual revenue for this fiscal year is now anticipated to exceed budgeted projections, which had been prorated.

### Local Initiative Designation and the Future

Should Blue Cross issue a subsequent termination notice to the State of California, staff would consider requesting that the Board of Supervisors begin the twelve month process to withdraw the Local Initiative designation to more closely coincide with the termination period between Blue Cross and the State. Depending on when such a termination would occur, would influence whether a new RFP process would be requested or if the recently finished RFP process could be utilized.

### **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, considering the changing external conditions, and relying upon the existing arrangements for Medi-Cal Managed Care for Stanislaus County.

### **STAFFING IMPACT:**

There is no staffing impact associated with this report.