

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

DEPT: Health Services Agency *max*

BOARD AGENDA # *B-3

Urgent

Routine

AGENDA DATE December 7, 2010

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Issue a Notice of Withdrawal of the Designation as the Medi-Cal Managed Care Local Initiative to Anthem Blue Cross, Formerly Blue Cross of California

STAFF RECOMMENDATIONS:

1. Withdraw the Designation of Anthem Blue Cross, formerly Blue Cross of California, as the Local Initiative for Stanislaus County effective December 31, 2011.
2. Approve the issuance of twelve month advance notices of the designation withdrawal to Anthem Blue Cross and to the State Department of Health Care Services.
3. Approve the issuance of a termination notice of the Administrative Services Subcontract Agreement with Anthem Blue Cross as the Local Initiative Medi-Cal Managed Care Health Plan for Stanislaus County, effective December 31, 2011.

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FISCAL IMPACT:

There is no fiscal impact directly associated with issuing the recommended termination notice. The current relevant contractual arrangement between the Health Services Agency (Agency) and the Anthem Blue Cross (formerly Blue Cross of California), which serves as the Local Initiative Health Plan 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

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BOARD ACTION AS FOLLOWS:

No. 2010-736

On motion of Supervisor O'Brien, Seconded by Supervisor Monteith
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

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:

ATTEST:


CHRISTINE FERRARO TALLMAN, Clerk

File No.

STAFF RECOMMENDATIONS (Continued):

4. Direct the Chief Executive Officer, or his designee and the Managing Director of the Health Services Agency to prepare a designation recommendation to the Board of Supervisors based on the outcome of a Request for Proposals process, of a health plan to serve as the Local Initiative Medi-Cal Managed Care Health Plan for Stanislaus County effective on or about January 1, 2012.

FISCAL IMPACT (Continued):

averaged approximately \$730,000 annually. In addition to this revenue, the Agency is contractually due fifteen percent (15%) of the profits earned by Anthem Blue Cross on the Medi-Cal business in Stanislaus County. Since the beginning of this operation in 1997 through 2001, the Agency received a total of \$3,124,869 in shared profits; however, since 2001 Anthem Blue Cross has reported annual operating losses related to its Stanislaus County Medi-Cal business.

DISCUSSION:

In 1993, the California Department of Health Services, now known as the Department of Health Care 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, Stanislaus County 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 following year, the County developed a Request for Information (RFI) 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 Agency and sent it to interested health plans. In 1996, a consultant was retained to evaluate the proposals received from the RFI and make recommendations to the Board of Supervisors (BOS). Later the same year, the BOS authorized the Agency to enter into negotiations with Blue Cross of California (hereafter referred to as "Anthem") for consideration as its Local Initiative Health Plan Partner. In 1997, the BOS passed a resolution that designated Anthem 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

for the provision of medical services, although the local Board of Supervisors retains the discretion to choose the health plan. DHCS finalized arrangements with Anthem, while the Agency finalized the State approved-Administrative Services Subcontract, and the Local Initiative Medi-Cal Managed Care Health Plan in Stanislaus County began operations in October of 1997.

Anthem has been Stanislaus County's Local Initiative Medi-Cal Managed Care health plan since 1997. In 2008, the Agency issued a Request for Proposals primarily prompted by a termination notice from Anthem to DHCS. Although the process progressed to the point of a developed staff recommendation, the recommendation was not considered by the BOS, as Anthem rescinded the termination notice with DHCS.

Recently, Agency staff met with DHCS representatives and confirmed that the current agreement between Anthem and DHCS expires on December 31, 2011. The corresponding Administrative Subcontract Agreement between the Agency and Anthem requires a twelve (12) month advance termination notice (or automatically terminates upon the termination of the Anthem/DHCS agreement).

Prior to forming a recommendation and to seek input from the major safety net stakeholders regarding not only the Local Initiative but also longer term safety net planning, the Agency recently convened a meeting with leadership from Doctors Medical Center, Golden Valley Health Centers, Scenic Faculty Medical Group and the Health Services Agency Clinic and Ancillary division. Attendees demonstrated a high level of interest in working together toward a model which better aligns incentives and pursues a new level of locally engaged integrated care delivery for access and outcomes improvement. Acknowledging the current timetable of existing federal health reform initiatives and the potential for modifications, this stakeholder group acknowledged the need for a collaborative and flexible relationship with a health plan interested and committed to our community and the improvements that are possible with increased local involvement.

To further that effort and in consideration of the related DHCS contractual period ending December 31, 2011, the Agency is interested in pursuing a Request for Proposals process in the coming months. Correspondingly, to synchronize County decisions with the DHCS contract negotiation timetable in an effort to achieve uninterrupted health plan activity and related Agency revenue, the Agency is recommending that the twelve month advance notices of designation withdrawal and contract termination be issued no later than December 31, 2010 to be effective at the close of December 31, 2011. Note: Issuance of the designation withdrawal and termination notices would not prevent Anthem from responding to an RFP and being among the health plans considered for the future designation.

Acknowledging lessons learned from 2008, the intended Request for Proposals (RFP) will seek to prevent duplication of the due diligence protocol evaluation that DHCS would subsequently perform as a prerequisite to a health plan contract, but rather to

conduct a more focused assessment of a proposer's intent, capability and commitment to our community and to our safety net healthcare delivery system's desire for systems change to result in more prevention, effective and integrated care, improved access, improved utilization rates of appropriate care, and improved health outcomes for our patients. The Agency will seek an effective relationship with a Knox-Keene licensed health plan that combines its experience with a commitment to collaborate to achieve meaningful results for the delivery system and those patients to be served by it. On the basis of information provided in response to this request, the Agency intends to conduct interviews of finalists.

Once a formal RFP is issued and subsequent qualified proposals are received and evaluated, staff would return to the Board of Supervisors with a recommendation, and would then report that outcome to the DHCS. DHCS would then initiate their readiness review and negotiate a contract with the new health plan; a process which is estimated by DHCS representatives to require approximately eight months. The Agency would also enter into negotiations with the selected health plan for a related contractual arrangement.

POLICY ISSUE:

Approval of this recommendation is consistent with the Board of Supervisors' priorities of A Healthy Community, Efficient Delivery of Public Services, and Effective Partnerships by supporting collaborative efforts and allowing the Health Services Agency to assess the market for opportunities regarding Medi-Cal Managed Care health plans.

STAFFING IMPACT:

Existing Health Services Agency staff will prepare the required notices and work with the General Services Agency to develop and issue the Request for Proposals.

DEPARTMENTAL CONTACT:

Mary Ann Lee, Managing Director, 209-558-7163.