



Approval to Designate Health Plan of San Joaquin 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 effective January 1, 2012

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**FISCAL IMPACT (Continued):**

These funding sources would be used to support collaborative efforts and offset Health Services Agency (Agency) expenses for to-be-determined innovative initiatives for such purposes as improving health care effectiveness, patient engagement, and operational capacity and efficiencies. More refined estimates will be made possible through the finalization of the Administrative Agreement and as the transition plan controlled by the State Department of Health Care Services progresses. The Agency anticipates the corresponding budget adjustment request for Fiscal Year 2011-2012 to be submitted to the Board of Supervisors no later than the mid-year budget process.

**DISCUSSION:**

A Request for Proposal (RFP) process was initiated in January of 2011 in an effort to identify a Medi-Cal Managed Care Health Plan to serve as the future Local Initiative health plan for Stanislaus County. The top ranking proposer was Health Plan of San Joaquin (HPSJ).

Background on Medi-Cal Managed Care Two-Plan Model and Local Initiative

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

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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.

#### Request for Proposal Process in 2008

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.

#### Withdraw of Designation

In the fall of 2010, 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 to the Board of Supervisors, the Agency convened a meeting with the major safety net provider stakeholders such as Doctors Medical Center, Golden Valley Health Centers, Scenic Faculty Medical Group and the Agency's Clinic and Ancillary division to seek input. 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. There was unanimous support for re-assessing the health plan market.

On December 7, 2010, the Board of Supervisors approved the Agency recommendation to issue the twelve-month advance notice of withdraw of the Local Initiative designation to Anthem. On December 10, 2010, notification letters were sent to both Anthem and DHCS with a designation withdrawal effective date of December 31, 2011.

#### Request for Proposal – 2011 and Recommendation to Designate

In collaboration with the County's General Services Agency (GSA) and with input by the State DHCS and from safety net provider stakeholders, the Agency developed a new Request for Proposal (RFP) building on lessons learned from the 2008 process. The RFP purposefully did not duplicate the general readiness review subject matters which are required to be reviewed by the DHCS. Rather, the RFP content sought to allow a focused assessment of a proposer's intent, capability and commitment to our

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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 RFP was issued and proposals were due on February 10, 2011. The RFP included the following evaluation criteria upon which each proposal would be ranked:

<b>EVALUATION CRITERIA</b>	<b>MAXIMUM POINTS</b>
Minimum qualifications	25
General Information	10
Administrative Relationship and Reimbursement	15
Structure/Local Commitment/Responsiveness	50
<b>TOTAL POSSIBLE POINTS</b>	<b>100</b>

Three proposals were received and independently reviewed by an evaluation team. The evaluation team consisted of staff from the Health Services Agency, Behavioral Health and Recovery Services, one physician and one member of the Scenic Faculty Medical Group. On March 30, 2011, each of the proposing organizations was interviewed by the evaluation team to enable a deeper understanding of the proposals. Each evaluator scored the proposals and interviews independently and submitted those scores to GSA for tabulation to produce the aggregate rankings. A notice of intended award was provided to the top ranking proposer, Health Plan of San Joaquin (HPSJ) on April 1, 2011. A corresponding notice was sent to the other two proposers on April 1, 2011.

One protest letter was received by the April 8, 2011 deadline. In accordance with the protest and appeals procedures set forth in the RFP, the Purchasing Agent reviewed the protest and subsequently denied it, as the basis for the protest was not applicable to the RFP process. The protest claimed a violation of Public Contract Code sections 10304 et. seq. had occurred; however, that code only applies to Public Works of Construction. As indicated in the protest and appeals procedures set forth in the RFP, the Purchasing Agent's decision may be appealed in writing to the Board of Supervisors prior to the contract award date. As of April 22, no appeals to the Board have been received.

It is the Agency's recommendation that the Board of Supervisors designate HPSJ as the Local Initiative Medi-Cal Managed Care Health Plan for Stanislaus County effective January 1, 2012. Provided this designation is made, the Agency would report the outcome to the DHCS. DHCS would then conduct its readiness review and negotiate a contract with the HPSJ; a process which is estimated by DHCS representatives to require approximately eight months. The Agency would also enter into negotiations with HPSJ for a related contractual arrangement based on the HPSJ submitted Proposal. The actual start date of HPSJ with assigned Medi-Cal Managed Care patients will be

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determined by DHCS, however is targeted for January 1, 2012 to avoid an interruption in a Local Initiative option.

**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 the RFP process and the development of a new collaborative arrangement with a Medi-Cal Managed Care health plan.

**STAFFING IMPACT:**

At this time, existing staff will perform the tasks associated with these recommendations. Staffing adjustments, if applicable, will be requested once the Administrative Agreement is finalized.

**DEPARTMENTAL CONTACT:**

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