



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Third District
Department No.: 011
For Agenda Of: 04/05/2022
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Board Member(s) Supervisor Joan Hartmann 805-568-2192
Contact Info: Gina Fischer 805-568-2192

SUBJECT: **Opposition to the State's Alternative Health Care Service Plan Proposal / The Kaiser No-Bid Contract**

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: No

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions: That the Board of Supervisors

- a) Adopt a resolution opposing Governor Newsom's Alternative Health Care Service Plan (AHCSP) proposal, which would give authority to Kaiser Permanente (Kaiser) through a no-bid process, to enter into the publicly governed, Medi-Cal managed care marketplace model as currently exists in Santa Barbara and San Luis Obispo Counties.
- b) Direct the County's state and federal lobbyists to advocate the County's position to our legislative delegation informing our legislators of the potential impact of the AHCSP proposal.
- c) Determine that the above actions are organizational or administrative activities of government that will not result in direct or indirect physical changes in the environment and are not a project under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(5) of the CEQA Guidelines.

Summary Text:

In March 2022, Supervisor Hartmann, the Santa Barbara County Board appointee to the CenCal Health (CenCal) Board of Directors, co-signed a letter, along with five other counties (Ventura, San Mateo, Monterey, Santa Cruz, and Sonoma) to the Legislature objecting to the Governor's unilateral proposal to

allow Kaiser to provide Medi-Cal managed care services without going through the request for proposal (RFP) bidding process (Attachment B).

The action proposed for the Board of Supervisors to adopt a resolution aligns with the adopted 2022 Legislative Platform policy plank for advocacy for Health and Human Services and ensuring access to quality health services. The platform plank articulates that an important piece of supporting the health of Santa Barbara County residents is to ensure their access to health care coverage and health care services. For Medi-Cal recipients in Santa Barbara and San Luis Obispo Counties, CenCal is the sole County Organized Health Systems (COHS).

Today's recommended action formalizes the County's opposition to the AHCSF proposal and brings attention to the impact that this unilateral action can have on the County's safety net Medi-Cal Health Plan, CenCal.

Background: California's Medi-Cal health services (the health insurance program for low-income residents) are provided throughout the state by a mix of local COHS and commercial health plans (there are six different types of Medi-Cal managed care organizations or marketplaces statewide). These Medi-Cal Managed Care organizations oversee contracting with local doctors, hospitals, pharmacies and other types of health providers who provide medical health care to individuals with Medi-Cal health insurance coverage. The COHS model, which has been operational in California for almost forty years, is a unique and time-tested model of publicly accountable managed care. In Santa Barbara and San Luis Obispo Counties, CenCal serves as the only Medi-Cal COHS health plan provider approved through federal and state statutes in our two counties. CenCal is a public non-profit that is governed by a board of directors.

On a periodic basis, commercial health plans submit proposals and bids to the State of California Department of Health Care Services (DHCS) to provide managed health care for Medi-Cal recipients in certain counties alongside the local health plans through a formal RFP process.

In the beginning of February 2022, just as the state was opening the new RFP process for commercial health plans to prepare bids, Governor Gavin Newsom announced that Kaiser would be allowed to operate as a Medi-Cal Health Plan to deliver Medi-Cal managed care starting on January 1, 2024 in counties in which they have operations established in as of January 1, 2022, without having to participate in the RFP bidding process. The AHCSF proposal is subject to federal approvals and the California Legislature is in the process of adopting trailer bill language in the Governor's 2022-2023 proposed budget (Attachment A) allowing Kaiser to become a managed care organization without going through the RFP bidding process.

While Kaiser does not currently have health care programs in Santa Barbara and San Luis Obispo Counties, the Governor's proposal grants unilateral contracting authority to the state and establishes precedent that changes the COHS model and gives a significant unfair advantage to Kaiser by fast-tracking them to participate in the Medi-Cal managed health care marketplace without participating in the RFP bidding process.

This opposition is not related to the question of whether or not Kaiser should or can provide medical health care services (like doctor visits) directly to Medi-Cal enrollees in Santa Barbara County, but rather, objects to their non-competitive, no-bid entrance into the managed health care (insurance)

marketplace, currently maintained by CenCal in Santa Barbara County. The state has significant flaws in its current process of adopting trailer bill budget language to formalize this action.

The Counties of Ventura, San Mateo, Santa Barbara, Monterey, Santa Cruz, and Sonoma formally expressed opposition to the AHCSPP proposal (i.e., the Kaiser no-bid contract) in March 2022 (Attachment B). The counties requested the state's reconsideration of the proposal, based on considerations of the impacts it could cause to the safety net health systems and the Medi-Cal beneficiaries served.

Pursuant to federal, state, and local authority, the COHS plan organizes the local delivery system, complies with all requirements set forth in the DHCS contract, and is governed by a public commission operating pursuant to the requirements of California's Brown Act. COHS plans and their partner counties exemplify transparent and accountable governance that directly leads to optimal outcomes for the vulnerable populations they serve.

Currently, Medi-Cal recipients in these six counties receive their services through a COHS local public health plan. Collectively, these counties believe the proposed AHCSPP contract with Kaiser will be disruptive to local safety net networks and potentially harmful to our critical county health systems. Local COHS have spent years building strong and trusted community partnerships, working with local community-based organizations to respond directly to emerging needs at the neighborhood level, and plan with the community for solutions that meet the unique health care needs of diverse residents.

It is unclear how the AHCSPP proposal will impact current Medi-Cal patients served by these counties, but it is presumed that some portion of the patients currently served by a COHS may choose Kaiser as their managed plan provider (health insurer) if they meet the criteria outlined in the state's draft trailer bill language (Attachment A). There is concern that the trailer bill may not prevent Kaiser from choosing not to enroll patients with higher acuity levels and with more complex physical, behavioral, and socio-economic needs and leave them to be absorbed by the existing safety net COHS plans, who by law do not exclude these populations. A system serving mostly working and healthy beneficiaries is quite different than a system serving historically underserved members experiencing complex physical health, mental health, and social conditions including individuals experiencing homelessness, individuals with serious mental health conditions, individuals with multiple co-morbidities and complex care needs, and individuals and families involved with the justice system, as the current COHS providers serve.

The value of the COHS model is that a single entity is coordinating care for the entire Medi-Cal population. Introducing multiple entities into the managed care marketplace will lead to duplicative contracting, member and provider confusion, and runs counter to the state's integration and standardization goals through the California Advancing Innovation in Medi-Cal (CalAIM) transformation. Local COHS have spent decades cultivating strong and trusted relationships with community-based organizations that serve our most vulnerable Medi-Cal members. Further, the intention of the legislature has been to support a single model that can best meet member needs locally in a health plan that is publicly governed and directly accountable to the communities it serves.

Additionally, as enrollment is diverted away from COHS plans, it will reduce the Medi-Cal supplemental payments that public providers receive – thereby impacting future funding for public hospitals, clinics, and public health departments necessary to sustain critical public health systems that responded so well to the pandemic. Currently, Medi-Cal supplemental payments are used to bolster low

Medi-Cal rates for public providers and are based on enrollment in COHS plans. These counties anticipate that local COHS systems could lose millions of dollars in supplemental funding if this proposal was to be implemented.

For the reasons described above, Ventura, San Mateo, Santa Barbara, Monterey, Santa Cruz, and Sonoma counties have joined to oppose the AHCSPP proposal and uphold the integrity of the COHS model. The state should offer reconsideration of the AHCSPP proposal, based on these considerations of the impacts it could cause to the safety net health systems in our counties, and the Medi-Cal beneficiaries served.

Fiscal and Facilities Impacts: No

Budgeted: No

Special Instructions:

Attachments:

- a) ATTACHMENT A - Updated Trailer Bill Language for Kaiser No-Bid Contract
- b) ATTACHMENT B - Kaiser Oppose Letter Final Letter to Assembly Budget Committee from Six Counties
- c) ATTACHMENT C - CenCal Policy Concerns with Kaiser No-Bid Contract
- d) ATTACHMENT D - Local Health Plan Organization Opposition to Kaiser No-Bid Contract
- e) ATTACHMENT E - No-Bid Contract Fact Sheet from Local Health Plans of California
- f) ATTACHMENT F – Resolution

Authored by: Gina Fischer, District Representative, Office of Supervisor Joan Hartmann

cc:

Terri Maus-Nisich, Assistant County Executive Officer
Dr. Van Do-Reynoso, Public Health Director Santa Barbara County
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