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## **LHPC Response to No-Bid Statewide Medi-Cal Contract**

**SACRAMENTO, CA** -- On behalf of the Local Health Plans of California (LHPC), a group representing 16 of the not-for-profit local health plans that serve more than 70 percent of Californians enrolled in Medi-Cal managed care, CEO Linnea Koopmans offered comment on Kaiser Permanente being awarded a no-bid statewide Medi-Cal contract:

“Offering a statewide, no-bid contract on a silver platter to a commercial plan undercuts the local public health infrastructure while paving a path for large-scale corporate health plan expansion in Medi-Cal. This prioritizes the interests of big businesses over the interests of the safety net Medi-Cal delivery system, that exists only to serve the underserved, is held accountable only to the public and which continuously works to improve the Medi-Cal delivery system because it is the right thing to do, and no other motivation.

“CalAIM’s commitment to equity and transformation stands in stark contrast to the decision to reward a plan who has historically focused on the commercially insured with scarce experience in serving the most vulnerable, high-risk Medi-Cal populations like the unhoused, those with serious mental illness, and the justice-involved population. The interests of the public are not being considered through this arrangement.

“Local plans are a vital component of the public health delivery systems in the counties they serve and, in most cases, serve as the public health care option in their region. They are governed by local members, providers, and partners, and are accountable for ensuring their enrollees have timely access to quality medical and dental care, behavioral health services, and, now under CalAIM, community supports. Local plans embrace this assignment and are committed to the success of CalAIM because they believe it will improve overall health while addressing entrenched health disparities. Awarding a no-bid Medi-Cal contract to a statewide commercial

plan with a track record of limited enrollment, limited access to behavioral health and community support benefits not only conflicts with the intent and goals of CalAIM but undermines publicly organized health care.”

“Kaiser’s claims of capacity limitations rings hollow considering their capacity for Covered California, Medicare, and private industry enrollment. Apparently, in Medi-Cal they just don’t have capacity for the people with the most need. The infirmity of the logic behind this decision is apparent.

“Contrary to what is being said, continuity of care for Kaiser exists today. In areas where Kaiser has chosen to participate in the Medi-Cal delivery system, members who becomes eligible for Medi-Cal have the choice to select Kaiser through their local plan. No change is necessary to preserve continuity of care. Kaiser has had and could continue to have the opportunity to participate in Local Plan networks and should be required to do so.

“If there had been a public process, it would have examined disruption to the existing local public health care infrastructure of medical, behavioral and social supports. It would require the contractor to willingly accept Medi-Cal enrollees regardless of their health care needs.”

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#### **BACKGROUND:**

- Nearly all California’s local Medi-Cal plans are publicly organized, created through local ordinances and governed by public boards. They are subject to a high degree of transparency and public accountability. Most local plans are the public health care option in their region.
- Local plans directly reinvest their revenue in their communities. They were early adopters of the types of social supports required in CalAIM and have advocated for the inclusion of all eligible individuals, regardless of their immigration status.
- Approximately 60% of the total Kaiser subcontracted members are children and adults while less than 4% are seniors and person with disability members without full Medicare benefits, these individuals have some of the highest health care needs and Kaiser has not been willing to serve them equitability across the state. (Note: Kaiser serves more SPDs with full Medicare benefits; no coincidence given that Medicare is a more profitable line of business).

- The closed-door deal that was reached between the state and Kaiser would strip approximately 11% of local plans in the counties in which Kaiser operates, however, in some counties this means stripping 20% to 30% of local plan membership.
- Medi-Cal rates and financing is highly complex, but this approach impacts local plan finances in the following ways:
  - Kaiser's Medi-Cal membership includes individuals who had commercial coverage before their Medi-Cal eligibility or who have a family member with Kaiser coverage. These restrictions on Kaiser's Medi-Cal enrollment leaves them with relatively low-risk, low-cost Medi-Cal enrollment. As a result, local plans will carry an even higher percentage of high acuity enrollees, who need high-cost care and supports.
  - In two-plan counties, Medi-Cal averages rates between each plan. This average rate comprises the vast majority of the rate the plan is paid. This results in plans with higher rates for having enrollees with higher health care expenses transferring funds to the plans with the lower risk enrollment. With Kaiser's enrollment limitations, they are virtually guaranteed that lower risk population and will financially benefit.
- Gov. Newsom has prioritized behavioral health with a record \$13 billion investment and Medi-Cal plays a significant role in supporting that care, particularly through CalAIM. Kaiser's inability to offer adequate access to mental health services is well known.
  - Last fall, Kaiser therapists said in an open letter, "As providers, it is devastating for us to acknowledge that the ethical care and accessibility needed to best serve our patients is not what we are able to provide -- far from it."
- Local plans have had to supplement Kaiser's limited Community Support benefits under CalAIM. Under this direct contracting arrangement, Kaiser will be required to provide Community Supports at the same level as other plans. However, is unclear the extent to which these services will be provided given Community Supports target members with the highest levels of acuity and social needs who will continue to be underrepresented in Kaiser's membership.
- In some regions, Kaiser's network is very limited with clinic locations in only a few cities within the region. Medi-Cal enrollees will be forced to travel farther to get their care.

**About [LHPC](#)**

Local Health Plans of California (LHPC) is a statewide trade association that represents all 16 of the publicly managed, not-for-profit health plans that provide access to critical and comprehensive health care services for low-income populations enrolled in California's Medicaid program, "Medi-Cal," in 36 out of 58 counties in the state. With over 7 million enrollees, our plans serve approximately 70 percent of all Medi-Cal managed care beneficiaries. Our member plans cover more lives than 49 other states' entire Medicaid programs. More [here](#).