

Proposed Statewide, No-Bid Commercial Contract

SUMMARY

- Proposed statewide, no-bid contract with Kaiser **effective January 1, 2024**
- **Commitment to grow Kaiser's Medi-Cal membership by at least 25%, including competing with local plans for Medi-Cal enrollment.** Limits KP enrollment to:
 - Previous Kaiser enrollees
 - Dual eligible for Medi-Cal and Medicare individuals
 - Foster youth
- **Kaiser Medi-Cal enrollment allowed to expand** into any areas KP has commercial business, including areas where Kaiser does not currently participate in Medi-Cal
- Contract to result in nearly **\$5 billion of combined Medi-Cal and Medicare revenue** for Kaiser

PROBLEMATIC PROCESS & POLICY

- **Developed behind closed doors** without any input from Legislature or impacted stakeholders
- **Undercuts local public health care infrastructure** & expands the reach of a large commercial plan
- Expansive **trailer bill language that grants DHCS unilateral decision making** to contract with Kaiser in any geographic area
- **Codifies Kaiser's enrollment limitations** that exclude enrollment of members with the most complex needs
- Will have **unintended consequences on access, the Medi-Cal safety net, and local plan finances**

SPECIFIC CONCERNS & IMPACTS

Inequitable Enrollment Rules

- **Continuity of care** upholds Kaiser's existing policy and endorses their enrollment of healthier beneficiaries
- **Kaiser is not equipped to meet needs of the foster care population**, with needs primarily related to social determinants and behavioral health rather than high-cost medical conditions
- **Overly broad authority to expand footprint** with limited oversight
- **Integrating care for duals happens without this agreement** under CalAIM. Growing Kaiser's duals' population could increase their **annual Medicare revenue by \$1.6 billion**
- State **guaranteeing minimum enrollment levels** for private business, without a cap on overall growth

Excludes Acute Populations

- **Medi-Cal members with complex health and social conditions will not be served by Kaiser**, including those who are unhoused, are re-entering the community from incarceration, or have a serious mental illness
- **Local plans will continue to serve the highest acuity Medi-Cal members** as they do today. Currently, Kaiser's population is disproportionately children and families, with low enrollment of members with higher levels of acuity
- **Kaiser's enrollment limitations effectively push the more medically complex patients outside their system.** For local plans that subcontract with Kaiser, seniors and persons with disabilities enrolled in local plans have nearly 50% higher acuity (more intensive needs) than similar Kaiser enrollees. In some counties, the acuity levels of these local plan enrollees are virtually two times higher

Adversely Impacts the Safety Net

- Kaiser's need to leverage contracts with safety net providers would **shift resources and reduce access for non-Kaiser members**
- Safety net providers will serve fewer but more acute members, **destabilizing the carefully balanced local safety net**

Local Plan Financial Impacts

- Local plans will **cover an even higher percentage of high acuity enrollees** who need high-cost care and supports
- Losing significant revenue due to a shift of healthy members would result in **fewer resources to invest in CalAIM implementation**
- Most local plans contracting with Kaiser, **pass 98% of premium** to Kaiser. The remaining 2% does not fully cover local plans' oversight and administrative costs
- The 2% funding withheld from Kaiser's rates helps fund services that **Kaiser does not provide or does not provide as robustly** as local plans, such as community supports

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 8 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](#).