



March 07, 2022

RE: Impact of Proposed DHCS/Kaiser Permanente Statewide Agreement

Dear Partnership HealthPlan of California County Partner,

I wanted to make you aware of a significant issue impacting the integrity of the County Organized Health System (COHS) model and Partnership HealthPlan of California's (PHC) opposition to such action.

Anytime there are significant changes in state policy, it is imperative to have a deliberative and transparent process, especially when working with the state's Medi-Cal program, which supports those most disadvantaged and vulnerable in our communities. This is a core principle of California's local, public health plans and the process that all fourteen of our counties, providers, consumers and other stakeholders undertook when they created PHC.

That open and transparent process has not taken place as we learned that the California Department of Health Care Services (DHCS) has proposed a direct contract with Kaiser Permanente (Kaiser). It is of no surprise that this proposed agreement directly negatively impacts the health care safety net delivery system and Medi-Cal recipients across California. A good deal for Kaiser is not necessarily a good deal for the people of California.

Following is the background on this important matter, as well as next steps for voicing opposition should your organization support the integrity of the Medi-Cal program model as established between the county and PHC that best services the Medi-Cal population.

**Local health plans were created by the community, for the community.** PHC like other local Medi-Cal health plans was created under state statute and local county ordinances, beginning 29 years ago. Today, we serve 630,000 Medi-Cal recipients across fourteen Northern California counties. Ten additional Northern California counties have worked for the last eight years to affiliate with us and we were recently granted conditional approval to join PHC in 2024. As a county organized health system ("COHS") plan that is publicly governed, we were developed to meet and improve the publicly-funded health care safety net delivery system – including hospitals and health systems, community health centers, skilled nursing facilities, and independent physicians, among others. We have a proven track record of reinvesting savings back into the community – such as increasing provider reimbursement and improving access, to enhancing member benefits, and funding housing projects. In addition to robust consumer and provider advisory committees, County Board of Supervisors appoint individuals to serve on the PHC Board of Commissioners.

**The trailer bill language stands to end the county organized health system.** If passed, the bill would authorize DHCS to enter into a direct, no-bid contract with a private, commercial entity in any geography of the state's choosing, to operate alongside an existing local health plan, which is charged with serving all Medi-Cal



recipients, regardless of health status and without question. We are charged with maintaining a delicate balance among all of the health care providers in the Medi-Cal ecosystem, and this shift in Medi-Cal managed care model would significantly stifle that ability. **The only health plan that meets criteria to be an “Alternative Health Care Services Plan” (AH CSP) is Kaiser Permanente.** The trailer bill language that reflects a deal between the Newsom Administration and Kaiser, was developed behind closed doors without discussion of its impact to the current safety net infrastructure or the nearly 900,000 Medi-Cal beneficiaries assigned to Kaiser through local Medi-Cal health plans. This no-bid contract would result in nearly \$5 billion of combined Medi-Cal and Medicare revenue for Kaiser.

**Kaiser is unable to meet Medi-Cal contract requirements.** This agreement bypasses the recently released DHCS Medi-Cal Procurement RFP process and will make Kaiser the only commercial health plan in California that enjoys a statewide, no-bid Medi-Cal contract – in this case an estimated \$5 billion contract. Kaiser has argued due to its business structure that it cannot meet the requirements of Medi-Cal procurement RFP that DHCS is requiring of other commercial plans, which includes the Medi-Cal 2024 Medi-Cal Contract. Instead, proposed bill language prioritizes a private commercial entity, thus creating a two-tiered Medi-Cal delivery system: one of a commercial entity, and one to serve the needs of the traditional, safety net delivery system that has steadfastly served the low-income community in a public and transparent manner for nearly three decades.

**Local clinics, health centers, and hospitals will disproportionately care for the sickest members.** Kaiser will have the ability to choose which members it wants in its plan and which it does not including those with behavior health needs, those who are unhoused, or justice-involved. That means that Kaiser can choose members who are healthier, forcing local health plans like PHC – and our safety net providers and community clinics – to disproportionately care for those who are more ill and complex. This is especially concerning with Kaiser’s well-documented history of restricting access to mental health and behavioral health care. The agreement runs contrary to our collective role in actually strengthening and supporting *all* of the safety net.

**Fragmenting CalAIM and engraining inequalities.** The deal runs counter to the spirit of *integrating* the Medi-Cal program through CalAIM. This proposal emphasizes competition over a long-standing and successful collaborative delivery system that we have collectively worked to build and has the potential to restrict access to limited community resources to address social drivers of health. Addressing social drivers of health requires removing obstacles to health and shifting practices and policies that have traditionally benefitted some and left others out. An action which primarily seeks to protect a commercial entity’s interests over the interests of the public delivery system and the people it serves further engrains inequity.

**We ask that you:**

- 1. Inform your board of this issue and that your board adopt a resolution to oppose the legislation.**
- 2. Communicate that opposition to your statewide trade and/or advocacy association(s).**



**3. Share your opposition with your state and federal representatives.**

**If the legislation passes it creates an impermissible precedent of State action in concert with private commercial entities to materially alter significant State policy regarding public programs without the kind of public process historically relied upon to protect the public interest.**

For additional details, please read the article published by California Healthline ([here](#)), and the *Los Angeles Times* ([here](#)).

PHC will continue to advocate for the health of our members, and the communities we serve. We will continue to identify innovative solutions to lift up all members of our community regardless of life circumstances and will continue to welcome all.

Thank you for your continued partnership and support. Please feel free to reach out if you have any questions.

Best regards,

Elizabeth Gibboney  
Chief Executive Officer