



State of California—Health and Human Services Agency
Department of Health Care Services



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County Managed Care Transition to Local Plan: Letter of Intent Instructions

March 31, 2021, is the deadline for counties, and the corresponding managed care plan, that intend to transition to a model that includes a local plan by January 2024, to indicate this intention to the California Department of Health Care Services (DHCS) via a *Letter of Intent*. This document provides instructions for the county *Letter of Intent*. Submission of a *Letter of Intent* does not guarantee that a county may shift to a local Medi-Cal contracted plan. However, failure to submit a complete *Letter of Intent* will preclude a county from shifting to a local plan model by January 2024.

Purpose

In 2021, DHCS is beginning a statewide procurement of commercial Medi-Cal managed care plans (MCPs). Some counties have expressed interest in transitioning to a model that includes a local plan. If a county transitions to a model that includes a local plan, DHCS may remove that county from the commercial plan procurement (for a single local plan model) or reduce the number of commercial plans procured in the county (for a Two-Plan Model). DHCS's timeline for finalization of the counties included in the procurement Request for Proposal (RFP) is **October 2021**. The purpose of the *Letter of Intent* is for the county to demonstrate understanding of the MCP's obligations as a new local plan, describe county engagement underway, and outline the necessary steps in order to meet the preliminary requirements prior to the finalization of the commercial plan procurement RFP in 2021. The implementation date for commercial plans procured in the RFP, and any new local plans, is January 1, 2024.

State Statutory Authority

While State statutory authority may not be required for a county to transition to a model that includes a local plan, state statute can provide an important public review process. Counties should complete their own assessment of statute that may be needed to authorize specific aspects of the intended model or reverse any conflicting prior statute. DHCS is available to provide technical assistance as the county works with the Legislature on a bill.

Federal Authorization for a New Single Plan Model

Based on guidance from the Centers for Medicare and Medicaid Services (CMS), a plan that has not previously operated as a County Organized Health System (COHS) may act as the only Medi-

Cal plan (similar to a COHS model) in a county with federal authorization through either new federal statute or 1115 waiver expenditure authority. A single plan entity that is authorized only by 1115 waiver expenditure authority would not be a Health Insuring Organization (HIO), and so would be subject to all federal Managed Care Organization (MCO) requirements except plan choice. However, DHCS cannot guarantee CMS approval of the initial 1115 waiver expenditure authority for such a single-plan model, or the subsequent five-year renewals. Only new federal legislation can provide a guarantee of federal authorization.

DHCS Review

DHCS has state statutory authority to determine which, and how many, managed care plans the state contracts with for Medi-Cal services in counties. DHCS's review process will be based on the best interests of Medi-Cal beneficiaries and state goals for the Medi-Cal managed care delivery system, including plan experience, administrative and operational ability, adequate network, financial ability to take on risk, and the ability to meet future expectations of Medi-Cal program. For a county that intends to transition to a model that includes a local plan, DHCS will review information and approve, or deny, the county and plan to proceed at these four points in time:

- 1) After March 2021, DHCS will review the *Letter of Intent* submission. DHCS will also review current Medi-Cal quality performance data for a corresponding plan. This review is only applicable for a corresponding plan that is currently a Medi-Cal managed care plan. DHCS will not require any new information from the plan for the quality performance data review.
- 2) In October 2021, DHCS will verify completion of the county ordinance and any necessary state statute. At this time, DHCS will also request and review evidence of a viable network contracting strategy to support the new local plan responsibility.
- 3) In early 2022, DHCS will request and review information similar to the evaluation and qualification criteria outlined in the future commercial plan procurement RFP.
- 4) Later in 2022, the new local plan will begin the full readiness review process for implementation in January 2024.

Letter of Intent Contents

The *Letter of Intent* must include all of the following information:

County and managed care plan contact information:

1. County primary and secondary contact name, telephone number, mailing address, and email address.
2. Managed Care Plan primary and secondary contact name, telephone number, mailing address, and email address.

Indicate which local plan type the county is proposing:

1. Join an existing COHS plan.
2. Join an existing Local Initiative plan.
3. Develop a new Local Initiative plan.
4. Develop a new COHS plan that is an HIO and requires new federal legislation.
5. Develop a new single-MCP model plan that is not an HIO.

Description, contract model, and partners:

1. Include a short statement describing your county's interest in shifting to a local plan model.
2. List the potential participating entities that would work with your county as part of the formation and administration of the local plan. Address the following:
 - a. Will the new local plan be developed through arrangement with an existing managed care plan? Or, is the county forming a new local plan independent of an existing managed care plan? Please describe intended arrangements for the administration and operation of the new local plan.
 - b. Please explain any direct contract or subcontract/delegation arrangements that are planned. If contracting information is incomplete, please provide all information available at this time.

Attestations:

The county and corresponding plan will attest in the *Letter of Intent* that they have a reasonable expectation that they will meet the following requirements based on their knowledge and intent as of the date of the *Letter of Intent*. No supporting documentation is required at this time other than that noted in the "Required Attachments" section below. To complete items #1 and #2(a) below, please refer to the current [Medi-Cal Managed Care Two-Plan Boilerplate Contract Implementation Plan and Deliverables in Exhibit A, Attachment 18](#) starting on page 148 (hyperlinked). The readiness review process will begin in 2022. Though the 2022 readiness requirements will differ somewhat, the current Two-Plan requirements provide the best current example of the requirements that the local plan will have to meet prior to operation in 2024.

1. Financial:
 - a. The risk-bearing entity (county or corresponding plan) is in good financial standing, has a working capital ratio of at least 1:1, and is able to assume financial risk for Medi-Cal managed care plan services for Medi-Cal members in the county.

- b. The county and/or the local plan will have the ability to self-fund all pre-implementation activities, including readiness requirements, and will not require funding from DHCS related to the cost of these activities.
 - c. The local plan will meet financial readiness requirements that are similar to the example requirements listed at the link above in Section 2 “Financial Information”, Section 8 “Provider Compensation Arrangements”, and Section 20 “Budget Detail and Payment Provisions”.
2. General Readiness Requirements:
- a. The local plan will meet non-financial readiness requirements and timelines that are similar to the example requirements listed at the link above.
 - b. If the local plan is a COHS (or equivalent single-MCP model plan), it will meet network capacity requirements for 100% of the Eligible Beneficiaries in the county. (This requirement differs from what is listed in the Two-Plan model contract.)
 - c. The local plan will implement all applicable Medi-Cal managed care plan requirements that are added through new legislation or other guidance, including but not limited to, all elements of the final CalAIM proposal (California Advancing and Innovating Medi-Cal). The final proposal is available at the [DHCS CalAIM website](#).
3. Network Contracts:
- a. By September 2021, the county and corresponding managed care plan will describe preliminary planning for a network contracting strategy and ongoing negotiations to support the increased capacity necessary for the new local plan responsibility for January 2024.
4. Regulatory Requirements:
- a. New state statute to authorize a shift to a local plan model will be enacted by October 2021.
 - i. Indicate if the county believes this requirement is not applicable.
 - b. New county ordinance to authorize the shift to a local plan model will be enacted by October 2021.

Required Attachments

The following supporting documentation must be included with the *Letter of Intent*:

- 1. A copy of the risk bearing entity’s (county or corresponding managed care plan), most recent annual financial statement and forecast; and

2. A description of any health related financial sanctions or corrective action plans currently in effect, and whether the county, and corresponding managed care plan if applicable, anticipate they will be lifted or completed by January 2024.

Readiness Planning

Included within the LOI, please submit a written response of not more than four pages total for the five following items to answer how the county and/or corresponding plan intend to meet the following readiness requirements (as outlined in W&I 14087.48 (b)), including any milestone dates and benchmarks:

1. Service utilization;
2. Network adequacy;
3. Quality and monitoring including utilization management protocols;
4. Accessibility standards; and
5. Any additional efforts undertaken by the MCP.

Signatures on the *Letter of Intent*:

These signatures indicate that both individuals attest to the accuracy of all information provided in the *Letter of Intent*:

1. County Board of Supervisors Chair(s) – with formal Board of Supervisors approval.
2. CEO of the corresponding managed care plan.

Submission Instructions

Counties that intend to shift to a local plan model by January 2024, shall submit a *Letter of Intent* to the Department of Health Care Services (DHCS) by close of business on **March 31, 2021**. If a group of counties is pursuing a shift to the same local plan, the counties may submit a joint *Letter of Intent* signed by the County Board of Supervisors Chairs, with formal Board of Supervisors approval, for all counties and the CEO of the corresponding managed care plan. The letter should be submitted by email to Brian.Hansen@dhcs.ca.gov and addressed to **Kirk Davis, Deputy Director, Health Care Delivery Systems, Department of Health Care Services**. The *Letter of Intent* should be no more than five pages long, including the Readiness Planning section information noted above.

Questions

Please email any questions to Brian.Hansen@dhcs.ca.gov.