


 The logo features two overlapping circles: an orange one on the left and a teal one on the right. The text 'Medi-Cal' is in white inside the orange circle, 'Explained' is in white inside the teal circle, and 'FACT SHEET' is in a light blue font to the right of the circles.
 

# Medi-Cal Explained FACT SHEET

## Medi-Cal Explained: Managed Care Plan Procurement

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### Introduction

MEDI-CAL, CALIFORNIA'S MEDICAID PROGRAM, provides health coverage for millions of Californians with low incomes. Over the past decade, the proportion of those enrollees who receive Medi-Cal benefits through managed care plans has increased.<sup>1</sup> Beginning in 2021, the Department of Health Care Services (DHCS), which administers the Medi-Cal program, will engage in a reprocurement process for all commercial managed care plans. This brief explains what that reprocurement process is and what it means for the future of Medi-Cal managed care and the people it serves.

### Medi-Cal Managed Care Plans and Models

Medi-Cal is California's Medicaid program providing health coverage to Californians with low incomes, including approximately 5.4 million children and youth under the age of 21, over a million seniors, about half of all Californians with disabilities, and around one in six workers. In total, Medi-Cal covers more than 13.4 million Californians. Medi-Cal provides a comprehensive set of health care services, including primary/preventive services, specialty care, hospital services, long term services and supports, and behavioral health care.<sup>2</sup>

Managed care plans provide coverage for nearly 84% of Medi-Cal enrollees. Currently, Medi-Cal managed care plans operate in all 58 counties under

six main model types: Two-Plan, County Organized Health Systems (COHS), Geographic Managed Care (GMC), Regional Model (RM), Imperial, and San Benito.<sup>3</sup> There are a total of 24 health plans that operate in one or more of the counties in the state; of these, nine are Local Initiatives, six are COHS, and nine are commercial health plans.

### Medi-Cal Managed Care Plan Procurement

#### Impact on Commercial Plans

Procurement is the process of purchasing goods or services. Medi-Cal managed care procurement is an opportunity for DHCS to evaluate whether to continue its relationships with current Medi-Cal managed care plans, enter into contracts with new plans, reexamine expectations of those plans, or some combination of these. This process includes only commercial plans and is technically not applicable to COHS or Local Initiatives (although the contract changes that accompany the procurement will apply to all Medi-Cal managed care plans).

Prior Medi-Cal managed care plan procurements have been structured in two ways: (1) a request for proposal (RFP) by which the health plans most qualified are selected; or (2) a request for

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application (RFA) by which any qualified health plan may be selected by the state. In this case, DHCS is engaging in an RFP.

If the managed care models remain the same, 36 counties will go through reprocurement.<sup>4</sup> Current enrollment in the existing nine commercial plans across these affected counties is approximately 3.4 million members, with total payments to health plans of more than \$13 billion. While enrollment in commercial plans is smaller than enrollment in the COHS and Local Initiatives combined, the size of the population and revenue are significant for many commercial plans. Therefore, the upcoming procurement is of considerable interest both to plans currently participating in Medi-Cal and to those hoping to enter the Medi-Cal market.

### Impact on DHCS Priorities

Health plan procurement provides an opportunity for DHCS to change the structure and requirements contained in health plan contracts in ways that both complement and are distinct from those available under Medi-Cal waivers or the issuance of All Plan Letters (APLs). The upcoming procurement will uniquely allow DHCS to consolidate existing contract language, strengthen monitoring and oversight provisions, and clarify key policy areas.

Consistent with guidance issued under APLs or emerging as part of California Advancing and Innovating Medi-Cal (CalAIM), the procurement allows DHCS to highlight and strengthen requirements set forth in APLs and the waiver renewal. For example, policy goals pertaining to population health management, National Committee for Quality Assurance (NCQA) accreditation, enhanced care management, and In Lieu of Services stipulated in prior APLs or in CalAIM are likely to be further codified during the procurement.

It is worth noting that the upcoming procurement process will not be used to directly implement changes to payment rates from the state to managed care plans. Changes to those rates are established separately, including through the CalAIM initiative.

### History and Current Goals

In the 1970s, California was the first state to introduce Medicaid managed care. The upcoming procurement will be the first statewide procurement of all Medi-Cal commercial plans in decades. There have been smaller, localized instances of procurement conducted in recent years, including an expansion of managed care into the Regional Model and the Imperial and San Benito models in 2012, and an expansion in the number of managed care plans in the two Geographic Managed Care model counties beginning in 2017.

The department's overarching goal for statewide procurement is to improve quality of care for more than 11 million Californians who access their care through the managed care delivery system. Policymakers are also looking to make some changes to the structure of managed care in California. Notably, in Geographic Managed Care counties, the number of plans has fluctuated. Some observers believe that there are too many plans (five in Sacramento and seven in San Diego), and it is likely that DHCS will decrease the total number of plans in both counties.<sup>5</sup>

### Managed Care Plan Procurement Process

DHCS has indicated it intends to release the final RFP by the end of calendar year 2021, most likely in the final quarter of the year. The RFP will include the newly revised Medi-Cal managed care plan contract itself and will also include a series of questions to which interested health plans will need to respond. Generally, RFPs focus on the following areas: member and provider services, benefits and service delivery, provider network and access to care, reporting and monitoring, clinical quality, and business and operations. These categories are then broken down further into detailed areas, such as benefits and service delivery focusing on population health management or social determinants of health. Each of these respective sections include questions for response, several of which may include care scenarios for the health plan to specify how care coordination and transitions of

care would be handled. The RFP will be scored by DHCS staff members so that each plan is assigned specific points for each area. The scoring framework will be described in the RFP release.

### Draft Request for Information

DHCS released a draft Medi-Cal Managed Care Plan Request for Information (RFI) in September 2020 allowing for one month of public comment. The document was intended to gather information from the public, including stakeholders, advocates, health plans, providers, and others, about the direction that DHCS was headed with respect to the RFP, and more specifically, the contract revision.

The RFI identified the following 10 issue areas for consideration: quality, access to care, continuum of care, children's services, behavioral health services, coordinated/integrated care, reducing health disparities, increased oversight of delegated entities, local presence and engagement, and emergency preparedness and ensuring essential services. The RFI consisted of eight feedback questions, all applicable to the 10 issue areas.

More than 75 entities responded to the initial RFI. DHCS highlighted the following themes across all comments:

1. Improve and standardize data collection, sharing, and reporting
2. Provide greater regulation and oversight of delegated entities and services
3. Enhance community coordination, collaboration, and engagement
4. Increase managed care plan incentives/penalties
5. Allow greater managed care plan flexibility

Furthermore, stakeholders highlighted the need to use the procurement to reduce health disparities and advance health equity, improve access to care and care coordination, increase usage of children's preventive care, and improve quality outcomes and innovative approaches.

### Draft RFP for Public Comment

A draft RFP will be released for public comment in

June 2021. The RFP may ask questions of respondents or may simply put the contract out for comment. At this time, DHCS has indicated that it will post the draft RFP for a 30-day comment period.

### Final RFP

The final RFP will be released by the end of 2021. The Request for Proposal will include the revised contract and a series of questions for health plans to respond to. Health plans will have 60 days to respond to the final RFP.

#### Procurement Process: Estimated Time Line

**June 2021** – DHCS releases draft RFP for comment

**July 2021** – Public comments on draft RFP due

**November–December 2021** – Final RFP release

**February–March 2022** – Plan responses to RFP due (60 days postrelease)

**By end of 2022** – DHCS awards RFP contracts to selected plans

**2023** – Plan readiness process

**January 2024** – New contracts begin

### Plan Selection and Appeals

After the final RFP is issued and health plans complete their submissions, DHCS will begin the confidential review and scoring process, an intensive undertaking that will likely take several months. DHCS will issue an intent to award to selected plans, notifying them of their selection and of the county or counties in which the plans will operate. There will be a mandated period for appeals from plans that were not successful; it is rare that a procurement occurs without a protest.

Should DHCS receive any appeals, an internal process occurs in which an individual who was not involved in the review or oversight of the procurement process reviews the appeal and makes a determination as to its merit. This process can be time-consuming depending on the complexity of an appeal and the number of items on which it is based. In addition, multiple appeals may be received, and each will need to be responded to by DHCS. If a plan is not satisfied with the appeal

determination, it is possible to further appeal to the superior court, which would extend the time lines for moving forward with the contract awards. Following the resolution of any appeals, which could result in changes in the final plan selections, the final notice of award will be announced. The process could thus stretch well into 2022.

After the final plans are selected in 2022, DHCS will begin the readiness review process for each selected plan in each county. The readiness process will take up the remainder of 2022 and part of 2023 and will include reviews of the plans' networks, models of care, policies and procedures, and member services.

The official start of the new contracts is scheduled for January 2024, but whether contracts start on that date will ultimately depend on the selected plans meeting the readiness requirements.

## Managed Care Plan Procurement Opportunities in California

The procurement process provides a key opportunity for stakeholders interested in understanding and improving the Medi-Cal managed care program.

The RFP process will provide DHCS with the explicit ability to select health plans that best align with DHCS's priorities. For example, DHCS would be able to include scoring methodologies that would reward plans that have demonstrated a commitment to and experience in improving health equity, providing health care that is geographically and physically accessible to Medi-Cal members as well as culturally competent. This result can be achieved by asking specific and targeted questions in these areas and having significant weight associated with these questions. DHCS could also provide greater weight and higher scoring for plans that commit to provide a broader set of the proposed CalAIM In Lieu of Services. Since DHCS is able to decide how and what it intends to score in the RFP, the department can ensure selection of plans that are most aligned with DHCS's vision of better care for Medi-Cal enrollees.

As noted earlier, DHCS has solicited an initial set of feedback through the RFI released in 2020. However, an even greater opportunity for public insight and input into the Medi-Cal managed care program and the areas of importance will come with the release of the draft RFP. The draft RFP will reveal both the revised and new content of the managed care plan contract and also the key areas that DHCS intends to use to assess the strength of health plans. Interested stakeholders will be able to identify and suggest changes to the areas of focus on the RFP questions and suggest changes to the contract content itself. This will provide a significant opportunity to indicate key priorities of stakeholders such as how plans will be held accountable for health care quality and outcomes and how they will be required to drive improvement in areas of particular interest, such as network capacity, preventive services, care coordination and management, and health equity.

## Conclusion

Although a reprocurement of this size and manner has not taken place in California in years, DHCS has indicated that it will conduct these reprocurements more frequently in the future, though the exact cadence is unknown.

What is known is that many eyes will be on California as the state moves forward with the current reprocurement. There is significant interest in which health plans will operate in the state, what changes the department is making to its contracts, and how the state will roll out its overall implementation if any health plans change in a geographic area because of the reprocurement. For all those interested in Medi-Cal, this procurement offers a unique opportunity to understand and influence critical issues such as access, quality, and equity.

## About the Authors

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## Endnotes

1. L. Finocchio et al., "Medi-Cal Facts and Figures, 2019 edition," California Health Care Foundation (CHCF), February 25, 2019.
2. Please see CHCF's Medi-Cal explained series for further detail on the Medi-Cal population and benefits.
3. Please see CHCF's Medi-Cal explained series for further detail on the Medi-Cal managed care model structures.
4. DHCS recently allowed counties to indicate whether they were interested in changing Medi-Cal managed care models. As of April 2021, 18 counties had expressed an interest in a model change. If DHCS approves any model shifts, the number of counties subject to commercial plan procurement could be reduced.
5. L. Finocchio and J. Paci, "Sacramento Area: Large Health Systems Grow in Pricey and Tumultuous Market," CHCF, February 26, 2021; and C. Davis and K. Connolly, "San Diego: Competing, Collaborating, and Forging Ahead with Population Health," CHCF, February 26, 2021.

Medi-Cal Explained is an ongoing series on Medi-Cal for those who are new to the program, as well as those who need a refresher. To see other publications in this series, visit [www.chcf.org/MC-explained](http://www.chcf.org/MC-explained).