

California 5-Year Medicaid Contract With Kaiser

Changes Likely: Congressional Hearings & Approval Needed

- **Last Friday, Gov. Newsom's administration is said to have negotiated a special 5-year Medicaid contract with Kaiser Permanente.** This allows them to expand their reach and continue to select the enrollees. The contract will make KP the only insurer with a statewide Medi-Cal contract and solidify its position before other commercial Medi-Cal plans start in the statewide bidding process, which many plans have spent many months and resources developing their bidding strategies. Seniors at KP argued that doing business directly with the state will eliminate complexity and improve the quality of care for the Medi-Cal patients (full story [here](#)).
- **No Bid contracts are legal in the State of California, but we think that the California legislature will likely ask tough questions as the process moves through Committees.** The Committees of Jurisdiction are the [Committee on Health](#) and possibly the [Governance and Finance Committee](#).
- **The last No Bid Contract from California was for COVID vaccine distribution at the start of COVID.** Gov Newsom awarded Blue Shield a \$15 M, no-bid contract to take over California's efforts to vaccinate its residents ([here](#)). With this contract, counties no longer orchestrated how to allocate doses to clinics countywide as that was Blue Shield's responsibility. the No-Bid Vaccine Contract to Blue Shield. Californians would argue that the vaccine roll out was not well managed. A No Bid health plan contract is extremely unusual and to our knowledge has not been pursued previously.
- **What is the problem that is trying to be solved? Could this be a nod to Unionized workers?** Kaiser workers are unionized. We imagine that the details will come out in the hearing process this spring and summer. Kaiser supports (financially and otherwise) California Governor Newsom. The plan argues that because it operates as a health insurer and a healthcare provider, Kaiser should be treated differently from other commercial health plans that participate in Medi-Cal.
- **Under CalAim, Kaiser would provide social determinants such as meals, housing support.** Other health plans fear the contract could also muddle a massive and expensive initiative called California Advancing and Innovating Medi-Cal, better known as CalAIM, whose goal is to provide social services to the state's most vulnerable patients, including home-delivered meals, housing aid for homeless people and mold removal from homes.
- **The California Medi-Cal program is California's Medicaid program with 14 M people enrolled (CNC, MOH, ANTM, and many regional plans).** It is a public health insurance program which provides needed health care services for low-income individuals. 14.2 M certified eligible in the program as of August 2021 ([here](#)). County-Organized Health Systems (COHS) managed care plans include the following: CalOptima, CenCal Health; Central California Alliance for Health; Gold Coast Health Plan; Health Plan of San Mateo; Partnership HealthPlan of California. Non-COHS Plans include the following: Anthem Blue Cross, Health Net, and Molina Healthcare. Two-Plan/Geographic Managed Care (GMC) plans include the following: Alameda Alliance for Health, Anthem Blue Cross Partnership Plan, Contra Costa Health Plan, Anthem Blue Cross, CalViva Health, Kern Family Health Care, Health Net, LA Care, Inland Empire Health Plan, Molina Healthcare, Kaiser Permanente, Care 1st, Community Health Group, San Francisco Health Plan, Health Plan of San Joaquin, and Santa Clara Family Health Plan. Regional Managed Care Plans include the following: Anthem Blue Cross, California Health and Wellness, Molina Healthcare, Medi-Cal fee-for-service (see [HERE](#) for more details).

- **More than 718,000 Kaiser Permanente members are enrolled in Medi-Cal.** KP's Medi-Cal contract and subcontracts falls into 1 of 3 managed care models: Geographic Managed Care, Two Plan Model, and County Organized Health System. Under this new contract, KP will continue to serve its existing Medi-Cal members in the counties it operates in today ([22 counties](#) in its Northern and Southern California regions) and in [additional counties](#) (Fresno, King, Madera, Stanislaus, and Santa Cruz).
- **Other health issues in CA – California is grappling with a clinical workforce shortage, as many other states are.** With Omicron easing, delayed care will only shoot up. Their labor shortages are mostly on the nursing and therapy side (e.g., respiratory therapists). Workforce training and labor issues are prominently featured and addressed in BBB. Though the future of BBB is unclear, and we think that a small bill is still in the realm of possibility 1H 2022.
- **NEXT STEPS: Cali's legislature will hold hearings this summer and Kaiser's statewide contract will likely be debated.** The Medicaid plan contract starts Jan 1, 2024. California issued its RFP this week with proposals are due in April 11 with awards in August. We could see litigation ensuing if this is finalized as proposed. Plans are furious and will likely not allow this to move forward. We think that the No Bid contract will likely not move forward as unveiled late last week. None of this is carved in stone and it will likely evolve.