



April 27, 2022

The Honorable Dr. Richard Pan  
Chair, Senate Health Committee  
1021 O Street, Room 3310, Sacramento, CA 95814

The Honorable Susan Talamantes Eggman  
Chair, Senate Budget Subcommittee #3  
1020 N Street, Room 502, Sacramento, CA 95814

**RE: Support of Administration Budget Proposal for Direct Medi-Cal Contract**

Dear Senator Pan and Senator Eggman:

Kaiser Permanente (KP) supports the Department of Health Care Services (DHCS) budget proposal to adopt trailer bill language to enter into a single direct contract with KP for Medi-Cal as of January 1, 2024. As a nonprofit health care organization with a mission to provide high-quality care and coverage and to improve the health of our communities, KP has proudly participated in Medi-Cal for many years. The Administration's proposal is a carefully balanced approach that will allow KP to increase access to Medi-Cal in our system and improve quality for a broader number of Medi-Cal enrollees, in a way that is intended to support and complement local health plans and the safety net system. This single contract will remove administrative layers to make the Medi-Cal program easier to access and streamline oversight and accountability in the program.

**Background on KP's Medi-Cal Participation.** Today, KP serves approximately 900,000 Medi-Cal members through two Geographic Managed Care (GMC) contracts with DHCS and 12 contracts with Medi-Cal "Plan Partners". Our participation in Medi-Cal supports members when life changes require them to move from KP's other lines of business into Medi-Cal. In these instances, our Medi-Cal participation allows members to keep their same KP doctors, nurses, therapists, and other providers – and in the same KP hospitals, medical offices, labs, and pharmacies they are already familiar with, all connected through KP's integrated electronic medical record system. This allows for both continuity and the highest quality of care from the day KP's members begin their Medi-Cal coverage.

**Key Benefits of the Direct Contract with DHCS.** Transitioning to a single Medi-Cal contract with DHCS will deliver several key benefits.

Improves Medi-Cal access. A single contract will create a more consumer-friendly experience as members enroll in KP coverage. The current subcontracting arrangement adds unnecessary layers and costs in the program that create barriers and confusion for patients. Eligible members will have the ability to access KP in 10 new counties to allow for continuity of care in KP's entire commercial footprint. In addition, members will not face barriers to accessing KP for Medi-Cal where arbitrary enrollment caps have been imposed by Plan Partners.

Reduces unneeded complexity and increases DHCS oversight. This change will reduce the complexities for members, DHCS, and KP's Plan Partners that are associated with KP holding fourteen separate Medi-Cal contracts. It also provides DHCS with greater oversight and visibility into KP outside of the GMC contracts. Oversight by DHCS today is limited by what information Plan Partners pass on to DHCS; approaches vary greatly among KP's Plan Partners.

Increases quality in Medi-Cal. KP's two GMC contracts are the top two performing Medi-Cal managed care plans as measured quarterly on DHCS quality dashboards. KP's approach to quality is region wide, so KP's performance ultimately impacts its Plan Partner's overall quality performance. By removing KP membership from the equation,

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Plan Partners and DHCS will have better insights into the quality of their non-KP providers. This will help drive overall quality improvements in the Medi-Cal program, where needed. DHCS will also be able to use KP as a benchmark to drive better performance for all plans across the state.

**Enhancing KP's Commitments to the Medi-Cal Program.** Transitioning to a single direct contract with DHCS allows KP to make several new commitments to the Medi-Cal Program.

Expands KP's Medi-Cal participation. KP is committed to growth in its Medi-Cal program, with a focus on children in foster care, dually eligible members, and counties where KP has a commercial presence but is unable to participate in Medi-Cal today. Such growth will take into the consideration the needs of other Medi-Cal managed care plans, a balanced risk mix, the safety net, and the capacity within KP's integrated delivery system.

Supports the safety net. KP is committed to investments in the DHCS Population Health Management Initiative, partnering with the California Primary Care Association and community health centers across the state. KP will join in this new collaborative partnership to co-design and implement provider focused solutions and tools that enhance core population health capabilities and support social health practice. In addition, KP is excited to provide non-member access to specialty care where KP has capacity and where gaps in the Medi-Cal program exist. We will be working with Federally Qualified Health Centers (FQHCs) and DHCS to identify the specific specialties, geography, and timing for enhancing specialty access to help meet the unmet needs in Medi-Cal.

Aligned contractual requirements. KP's single contract will be the same as other Medi-Cal managed care plan contracts on January 1, 2024, except with controls on growth to ensure there are no adverse impacts on other Medi-Cal managed care plans, the safety net, or KP's integrated delivery system. KP is committed to meeting all the requirements in the new contract, including without limitation, having a community presence for the new enhanced care management benefit and broad uptake of Community Supports, consistent with other Medi-Cal managed care plans.

This budget proposal allows KP to continue to participate in the Medi-Cal program with manageable growth going forward, improves quality and access in the Medi-Cal program, reduces unnecessary complexity, eliminates excessive administrative costs, and increases oversight. It aligns with the Administration's and the legislature's intent to transform the Medi-Cal program into a high quality, high value, holistic, patient-centered program. We urge your support of this proposal, and welcome further conversation.

Sincerely,



Teresa Stark  
Vice President, State Government Relations

cc: Members, Senate Health Committee  
Members, Senate Budget Subcommittee #3