Los Angeles Moves To Managed Care for Medi-Cal

Los Angeles County's 1.2 million Medi-Cal recipients will soon enter a managed care program that may serve as a model for programs in other states. Nationwide, the Medicaid program—called "Medi-Cal" in California—serves more than 37 million Americans.

In a unique public-private partnership, the Los Angeles program offers Medi-Cal beneficiaries who receive Aid to Families with Dependent Children two managed care plans to choose from. They may select the commercial plan, Foundation Health, or a not-for-profit plan administered by the Local Initiative Health Authority for Los Angeles County. The health authority is currently negotiating with several private health maintenance organizations (HMOs) to participate in its program, which will begin enrolling Medi-Cal members in December 1996. The state of California decided to offer two plans to encourage competition in the marketplace. How the plans, as well as other providers, will fare is as yet unclear.

Board Oversight

Sr. Margaret Keaveney, DC, president and chief executive officer, St. Francis Medical Center, Lynwood, CA, has been a member of the Local Initiative's board of governors since it was established in 1994. The board's 13 members represent consumers, hospital and clinic providers, county leaders, the medical society, children's services, the county health department, and Knox-Keene licensed health plans (i.e., plans that meet licensing requirements of the Knox-Keene Act, a California law regulating entities that arrange or provide healthcare services for a prepaid charge).

The state created the two-plan model for Medi-Cal to ensure that the program balances cost-effectiveness and quality, Sr. Keaveney said in an interview with *Health Progress*. "The board is responsible for making certain the plan provides an excellent level of care. As board members, we ask if we ourselves would utilize the plan. We put ourselves in the place of the consumer in making decisions. If we would be happy with the healthcare provided, then we feel we've made an ethical decision."

Managed care offers advantages to health plan members, says Sr. Margaret Keaveney, DC.

In the first year of the program, each plan will be assigned a guaranteed percentage of the Medi-Cal population (approximately 45 percent will be in the commercial plan; 55 percent, the Local Initiative plan), but after the first year, recipients will choose freely between the two plans.

Local Initiative Plan

The state began the Medi-Cal managed care program to control escalating Medi-Cal costs. The Local Initiative will return any savings its plan generates to the community by improving the healthcare infrastructure and conducting community outreach programs.

Sr. Keaveney said Medi-Cal members have special educational needs, and the program's personnel and educational materials must communicate to them in language they comprehend. "There has been a real emphasis on being ethnically sensitive and linguistically appropriate" for the many cultural groups the program serves, she said. The Local Initiative is preparing materials in nine languages.

Medical Center's Readiness

St. Francis Medical Center has contracts with all the major HMOs in Los Angeles. Sr. Keaveney says the hospital's experience with managed care and with the 91 percent of its patients who receive Medi-Cal or Medicare benefits has prepared it well for participating in the new Medi-Cal program.

Located in southeast Los Angeles County, St. Francis serves Lynwood, Watts, Compton, and South Central Los Angeles. The medical center has built a trusting relationship with its community over 50 years of operation. It was the busiest area hospital during the 1992 riots, treating the injured and opening its doors to anyone who needed food and a safe place to stay. Physicians have strong relationships with patients and are

Continued on page 24

MEDI-CAL

Continued from page 13

dedicated to serving the population in the institution's service area, according to Sr. Keaveney.

Lessons Learned

Sr. Keaveney offered the following advice for providers, board members, and government agencies that are adopting managed care for Medicaid recipients:

- Know the people you will serve and respect their needs. Make decisions that provide the kind of healthcare you yourself would want.
- Provide new services as needed. The Medicaid population needs transportation and other support services that help people follow through with their care. Providers should develop partnerships with other organizations to provide these services.
- Designate a specific date on which all beneficiaries will convert to managed care. If people enter the program a few at a time, the per capita payment to a single agency or solo practitioner will not be enough to cover catastrophic care or other costly treatments, and providers will have severe cash flow problems.

Managed Care's Promise

Sr. Keaveney believes managed care for Medi-Cal offers strong advantages besides cost savings. "Fee-for-service Medi-Cal covered only the sickest patients," she said. "Managed care offers a greater opportunity for improving the health of the population by covering primary care, prevention, and education."

She noted, however, that managed care holds the potential for underutilization and lack of access. "We will have to monitor the program to be sure recipients are getting the care they need," she said. *—Judy Cassidy*

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FOR-PROFITS

Continued from page 17

healthcare institutions, with records of long and faithful service in their communities, have a unique moral authority and credibility that enable them to serve and advocate for the common good. If this presence is diminished and these voices silenced, who will speak for the voiceless and the vulnerable whom the market neglects?

Rather than allowing our institutions to be co-opted by the for-profit sector, it is imperative that we collaborate more within the not-for-profit sector, renewing the sector's commitment to serving the public good. We must, in the words of a recent British report, participate in the creation of an effective civil society, "the other invisible hand . . . the invisible hand of generosity, help and moral commitment that sustains a sense of community and mutual responsibility."[9] □

NOTES

1. Peter Drucker, *Managing Nonprofit Organizations*, HarperCollins, New York City, 1990, p. 107.
2. Paul Starr, *The Social Transformation of American Medicine*, Basic Books, New York City, 1982, pp. 448.
3. See Pope John Paul II, "Centesimus Annus," *Origins*, May 16, 1991.
4. Lester M. Salamon, "The Crisis of the Nonprofit Sector," presentation at the Annual Conference of Independent Sector, Boston, October 24, 1995.
5. Salamon, pp. 5-6.
6. Salamon, p. 7
7. Salamon, pp. 8-18.
8. See Joseph Bernardin, "Making the Case for Not-for-Profit Healthcare," Catholic Health Association, St. Louis, 1995.
9. Geoff Mulgan and Charles Landry, *The Other Invisible Hand: Remaking Charity for the 21st Century*, Demos, London, 1995.

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