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

California
Department of
Health Services

**SANDRA SHEWRY**
Director

**ARNOLD SCHWARZENEGGER**
Governor

DATE September 18, 2006

MMCD All Plan Letter 06007

TO: GEOGRAPHIC MANAGED CARE PLANS
TWO-PLAN MODEL PLANS
COUNTY ORGANIZED HEALTH SYSTEMS
AHF HEALTHCARE CENTERS

SUBJECT: TERMINATION OF SUBCONTRACTING RELATIONSHIPS

**Purpose**

This letter is to clarify Geographic Managed Care (GMC), Two-Plan Model, AHF Healthcare Centers (AHF) and County Organized Health Systems (COHS) health plan notification requirements when terminating subcontracting relationships with Independent Physician Associations (IPAs), medical groups, hospitals, clinics and primary care physicians (PCPs).

**Background**

Title 22, CCR, Sections 53852 and 53911 require Two-Plan Model and GMC plans to obtain written approval from the California Department of Health Services (CDHS) prior to making any substantial change in the availability or location of covered services. These regulations and the Two-Plan Model, AHF and GMC contracts require plans to provide notice to CDHS at least 60 days prior to the proposed effective date of such changes. In addition, GMC, AHF, Two-Plan Model and COHS plans must notify members of changes in the availability or location of covered services at least 30 calendar days prior to the intended effective date of such changes. The member notice is required to be approved by CDHS prior to mailing. In emergencies or other unforeseen circumstances that make compliance with these requirements impossible, plans must provide notice to CDHS of the emergency or unforeseen circumstances as soon as possible.

Title 42 CFR Section 438.10(f)(4) requires Managed Care Organizations to give members written notice of any "significant" changes to information contained in the plan's provider directory, including, at a minimum, information on PCPs, specialists and

Medi-Cal Managed Care Division
1501 Capitol Ave., P.O. Box 997413, MS 4400
Sacramento, CA 95899-7413
Telephone: (916) 449-5000 Fax: (916) 650-0240
Internet Address: www.dhs.ca.gov

hospitals. The written notice is required to be provided to affected members at least 30 days prior to the intended effective date of the change.

California Health & Safety Code Section 1373.65 and California Code of Regulations, Title 28, Section 1300.67.1.3 contain requirements for block transfer filings with the Department of Managed Health Care (DMHC) and member notification requirements when Knox-Keene licensed plans terminate or do not renew contracts with provider groups or general acute care hospitals. Two of the more significant requirements include:

1. Plans must submit to DMHC a block transfer filing at least 75 days prior to the expected termination or non-renewal date of a provider group contract or general acute care hospital contract when enrollees are assigned to the hospital; and
2. Plans must send member notifications of the termination or non-renewal of provider group or hospital contracts at least 60 days prior to the expected termination or non-renewal date, except when the plan does not assign members to the terminating hospital.

## Notification Requirements

Changes in the availability or location of covered services requiring plans to provide notice to CDHS include contract terminations with IPAs, medical groups, hospitals, clinics and PCPs. In the case of terminating hospitals, members do not have to be assigned to the hospital for a termination to constitute a substantial change in the availability of location of covered services requiring notice to CDHS. Plans contracting with CDHS are fully responsible for reporting the changes in the availability or location of covered services for subcontracting plan partners and other entities.

Plans must provide to CDHS at least 60 days prior to the effective date of the expected termination, the member notice for review and approval and a description of how the plan intends to continue to provide covered services to affected members. Plans must adhere to the following guidelines when terminating subcontracting relationships:

### IPA/Medical Groups

All IPA/Medical Group contract terminations constitute a substantial change in the availability or location of covered services that require plans to provide notice to CDHS. At least 60 days prior to the expected date of termination, the plan must submit to CDHS the member notice for review and approval and a description of how the plan intends to continue to provide covered services for

affected members. The member notice is required to be mailed at least 30 days prior to the expected date of the contract termination to members who will have to change their IPA or medical group.

Content of Member Notification

The notice informing members of a change to their IPA/medical group assignment should include, at a minimum:

1 The effective date of the termination;
2 The name of the current IPA/medical group and the name of the new IPA/medical group to which the member will be assigned;
3. A description of how the termination will affect the member's access to covered services, e.g. whether the member has to change their PCP or specialist, how the member will maintain access to services, etc;
4. If the member must change PCPs, the member should be either assigned a new PCP with the option to change PCPs or the Plan can give the member the opportunity to choose a new PCP and assign a new PCP if the member does not choose one;
5. If the member is receiving specialty services on an ongoing basis and must change specialty providers, the member should be notified of the pending transition;
6 All language required by the California Health and Safety Code and the Knox-Keene Act (for Knox-Keene licensed plans); and
7 Language providing the member with the plan's Member Services telephone number and the toll-free telephone number of the CDHS Office of the Ombudsman for questions or concerns.

Provision of Covered Services

A description of how the plan intends to continue to provide covered services to affected members. The description should include:

1. The reason for the IPA/medical group termination;
2. The date the member notice will be mailed;
3. The number of members assigned to the terminating IPA or medical group;
4. A "crosswalk" showing the number of members and the names of the IPA/medical groups to which members are reassigned in order to retain access to their PCP;

5. The number of members who will lose access to their PCP (cannot retain access through reassignment to another IPA/medical group);
6. The number of members who cannot be assigned to a new PCP within CDHS time/distance standards of 10 minutes or 30 miles from the member's residence;
7. The number of members receiving ongoing specialty care that must be transitioned to another specialist; and
8. A copy of the DMHC block transfer filing, if applicable.

Hospitals

All hospital contract terminations constitute a substantial change in the availability or location of covered services that require plans to provide notice to CDHS. At least 60 days prior to the expected date of termination, plans must submit to CDHS the member notice for review and approval and a description of how the plan intends to continue to provide covered services for affected members. The member notice is required:

1. To be mailed 30 days prior to the termination to members who will have to change PCPs or specialists; and
2. To be mailed 30 days prior to the termination to members who are assigned exclusively to the terminating hospital.

Content of Member Notification

The member notice informing members of a hospital termination should include, at a minimum:

1. The effective date of the termination;
2. The name of the terminating hospital;
3. If applicable, the name of the member's current PCP and the name of the PCP to which the Plan intends to assign the member;
4. A description of how the termination will affect the member's access to covered services, e.g. whether the member has to change their PCP or specialist, how the member will maintain access to services, etc;
5. If the member has to change PCPs, the member should be assigned a new PCP with the option to change, or the Plan can give the member the opportunity to choose a new PCP and assign a new PCP if the member does not choose one;

6 If the member is receiving specialty services on an ongoing basis and must change specialty providers, the member should be notified of the pending transition;
7 If applicable, the name of another hospital the member is assigned to or can access in the service area;
8 All language required by the California Health and Safety Code and the Knox-Keene Act (for Knox-Keene licensed plans); and
9 Language providing the member with the Plan's Member Services telephone number and the toll-free telephone number of the CDHS Office of the Ombudsman for questions or concerns.

Provision of Covered Services

A description of how the plan intends to continue to provide covered services to affected members. The description should include:

1. The reason for the hospital termination;
2. The date the member notice will be mailed;
3. The number of members who will need to change PCPs due to the terminating hospital having a primary care clinic or having a PCP with admitting privileges only at the terminating hospital;
4. The number of members who do not need to change PCPs, but will rely on hospitalists to access hospital services;
5. The number of members who will need to change PCPs and cannot be reassigned to another PCP within the CDHS time/distance standard of 30 minutes/10 miles;
6. The number of members who must change specialists due to the termination;
7. The number of members who must change specialists due to the termination and do not have access to another appropriate specialist within 30 miles;
8. A list of specialty services available at the terminating hospital not available at other hospitals within 15 miles or 30 minutes from the terminating hospital;
9. A list of contracted hospitals within 15 miles or 30 minutes of the terminating hospital; and
10. A copy of the DMHC block transfer filing, if applicable.

Clinics/PCPs

At least 60 days prior to the expected date of termination, plans must submit to CDHS, the member notice and a description of how the plan intends to continue to provide covered services for affected members. The member notice must be mailed to affected members at least 30 days prior to the expected date of contract termination with the clinic or PCP. This applies only when the contract termination will result in more than 500 members having to change their PCP or if there are members that cannot be reassigned to PCPs within CDHS time/distance standards of 30 minutes or 10 miles.

In cases where the contract termination would result in less than 500 members having to change PCPs and all affected members can be reassigned to PCPs within CDHS time/distance standards, plans may obtain CDHS approval of a boilerplate member notice that may be used without notice to CDHS each time such a termination occurs.

Content of Member Notification

The notice informing members of a change to their clinic or PCP assignment should include, at a minimum:

1 The effective date of the termination;
2 The name of the terminating clinic or PCP;
3 A description of how the termination will affect the member's access to covered services;
4 The member should be assigned a new PCP with the option to change, or the plan can give the member the opportunity to choose a new PCP and assign a new PCP if the member does not choose;
5. All language required by the California Health and Safety Code and the Knox-Keene Act (for Knox-Keene licensed plans); and
6 Language providing the member with the plan's Member Services telephone number and the toll-free telephone number of the CDHS Office of the Ombudsman for questions or concerns.

Provision of Covered Services

A description of how the plan maintains the ability to continue to provide covered services to affected members. The description should include:

1 The reason for the clinic or PCP termination;

2. The date the member notice will be mailed;
3. The number of members assigned to the terminating clinic or PCP;
4. The number of members who cannot be assigned to a new clinic or PCP within CDHS time/distance standards; and
5. A copy of the DMHC filing, if applicable.

**Notice of Non-Termination**

If, prior to contract termination, plans successfully negotiate an agreement with a subcontracting IPA, medical group, hospital, clinic or PCP after sending a notice of termination to affected members, plans must send another notice informing the members of the continuation of the contractual relationship. Plans must immediately inform CDHS and submit the notice to CDHS for review and approval. The notice should include, at a minimum:

1. An explanation that an agreement has been reached with the subcontracting entity;
2. An explanation of the member's options for remaining with or changing providers;
3. All language required by the California Health and Safety Code and the Knox-Keene Act (for Knox-Keene licensed plans); and
4. Language providing the member with the plan's Member Services telephone number and the toll-free telephone number of the CDHS Office of the Ombudsman for questions or concerns

Should you have any questions or require additional information regarding the content of this letter, please contact your contract manager.

Sincerely,

Vanessa M. Baird, MPPA, Chief
Medi-Cal Managed Care Division