



Gavin Newsom, Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
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January 5, 2022

Via eFile

Hector De La Torre
Chairperson, L.A. Care Board of Governors
Local Initiative Health Authority for Los Angeles County
DBA: L.A. Care Health Plan
1055 West 7th Street
Los Angeles, CA 90017

**FINAL REPORT OF ROUTINE EXAMINATION OF LOCAL INITIATIVE HEALTH
AUTHORITY FOR LOS ANGELES COUNTY
DBA: L.A. CARE HEALTH PLAN**

Dear Mr. De La Torre:

Enclosed is the final report (Final Report) of a routine examination of the Medical Loss Ratio Annual Reporting Form (MLR Reporting Form) of Local Initiative Health Authority for Los Angeles County, dba: L.A. Care Health Plan (Plan) for the medical loss ratio (MLR) reporting year ended December 31, 2019. The examination was conducted by the Department of Managed Health Care (Department), pursuant to Section 1382(a) of the Knox-Keene Health Care Service Plan Act of 1975.¹

Section 1382(d) states, "If requested in writing by the plan, the director shall append the Plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

Please indicate within 10 days from the date of the Plan's receipt of this letter whether the Plan requests the Department to append its response to the Final Report. If so, please indicate which portions of the Plan's response should be appended, and electronically file copies of those portions excluding information held confidential pursuant to Section 1382(c). If the Plan requests the Department to append a brief statement summarizing the Plan's response to the Final Report or wishes to modify any information provided to the Department, please provide an addendum no later than 10

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in the California Health and Safety Code, Section 1340, et seq..

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days from the date of the Plan's receipt of this letter. Please file this addendum electronically via the corrective action plan (CAP) system within the Department's eFiling web portal at <https://wpsso.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select "eFiling."
- From the eFiling menu, select "Online Forms."
- From the Online Forms menu, click on "Details" for "DFO Corrective Action Plan S21-F-355."
- Go to the "Messages" tab:
 - Select "Addendum to Final Report" (note this option will only be available for 10 days after the issuance of the Final Report).
 - Select the deficiency(ies) that are applicable.
 - Create a message for the Department.
 - Attach and upload all documents with the name "Addendum to Final Report."
 - Select "Send Message."

As noted in the attached Final Report, no response from the Plan is required.

Questions or problems related to the electronic transmission of the response should be directed to Vijon Morales at (916) 255-2447 or email at Vijon.Morales@dmhc.ca.gov. You may also email inquiries to wpsso@dmhc.ca.gov.

The Department will make the attached Final Report available to the public in 10 days from the Plan's receipt of this letter. The Final Report will be located on the Department's web site at <http://www.dmhc.ca.gov/LicensingReporting/ViewFinancialExaminationReports.aspx>.

If there are any questions regarding this Final Report, please contact me at (916) 255-2426 or via email at Shuzhi.WeiQin@DMHC.CA.GOV.

Sincerely,

Shuzhi Qin

Shuzhi Qin, CPA
Senior Examiner, Supervisor
Office of Financial Review
Division of Financial Oversight

cc: Augustavia J. Haydel, General Counsel, Local Initiative Health Authority for Los Angeles County
Pritika Dutt, Deputy Director, Office of Financial Review
Barbara Yaklin, Supervising Examiner, Division of Financial Oversight
Benbin Feng, Examiner, Division of Financial Oversight
Lorena Meza, Examiner, Division of Financial Oversight
Linda Kam, Attorney III, Office of Plan Licensing
Laura Dooley-Beile, Supervising Health Care Service Plan Analyst, Division of Plan Surveys

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE**

**OFFICE OF FINANCIAL REVIEW
DIVISION OF FINANCIAL OVERSIGHT**

FINAL REPORT OF ROUTINE EXAMINATION

OF

**LOCAL INITIATIVE HEALTH AUTHORITY FOR
LOS ANGELES COUNTY
DBA: L.A. CARE HEALTH PLAN**

FILE NO. 933-0355

DATE OF FINAL REPORT: JANUARY 5, 2022

OVERSIGHT EXAMINER: SHUZHONG QIN

EXAMINER-IN-CHARGE: BENBIN FENG

**BACKGROUND INFORMATION FOR
LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY
DBA: L.A. CARE HEALTH PLAN**

Date Plan Licensed:	April 1, 1997
Organizational Structure:	Local Initiative Health Authority for Los Angeles County, dba: L.A. Care Health Plan (Plan) is an independent local public agency that provides managed health care services to Medi-Cal beneficiaries in Los Angeles County.
Type of Plan:	The Plan is a full service health care service plan providing services to Medi-Cal beneficiaries in accordance with contracts with the Department of Health Care Services. The Plan also participates in the Cal MediConnect program and provides services to members that are dually eligible for both Medicare and Medi-Cal. In addition, the Plan provides health care services to the In-Home Supportive Services (IHSS) workers in Los Angeles County and offers HMO Individual products through Covered California.
Provider Network:	The Plan has direct contracts with various health care providers and subcontracts the delivery of health care through contracts with three licensed health care service plans.
Plan Enrollment:	The Plan reported 74,226 and 51,115 covered lives for the individual market and the large group market, respectively, for the MLR reporting year ended December 31, 2019.
Service Area:	Los Angeles County
Date of Prior Final Routine Examination Report:	August 1, 2018

**FINAL REPORT OF A ROUTINE EXAMINATION OF
LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY
DBA: L.A. CARE HEALTH PLAN**

This is the final report (Final Report) of the routine examination of the Medical Loss Ratio Annual Reporting Form (MLR Reporting Form) of Local Initiative Health Authority for Los Angeles County, dba: L.A. Care Health Plan (Plan) for the medical loss ratio (MLR) reporting year ended December 31, 2019. The examination was conducted by the Department of Managed Health Care (Department), pursuant to Section 1382(a) of the Knox-Keene Health Care Service Plan Act of 1975.¹

The Department performed this routine examination to verify the Plan's representations in the MLR Reporting Form for the MLR reporting year ended December 31, 2019 in accordance with Rule 1300.67.003(c).

The Department conducted this routine examination to ensure the Plan's compliance with the MLR provisions and reporting instructions then in effect, namely those set forth in 45 Code of Federal Regulations part 158 (2019). Accordingly, the Department performed a detailed review of the documents and data that were used by the Plan in completing the MLR Reporting Form.

The Department's findings are presented in the accompanying attachment, as follows:

Part I.	Medical Loss Ratio Annual Reporting Form
Part II.	Calculation of Medical Loss Ratio and Rebate
Part III.	Compliance Issues

The Department's examination did not result in any adjustments or reclassifications to the Plan's MLR Reporting Form for the MLR reporting year ended December 31, 2019. No response is required from the Plan regarding this Final Report.

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in the California Health and Safety Code, Section 1340, et seq. References to "Rule" are to regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act of 1975 contained within title 28 of the California Code of Regulations.

PART I. MEDICAL LOSS RATIO ANNUAL REPORTING FORM

The Department’s examination did not result in any adjustments or reclassifications to the Plan’s MLR Reporting Form for the MLR reporting year ended December 31, 2019 filed with the Department. A copy of the Plan’s MLR Reporting Form can be viewed by selecting “Local Initiative Health Authority for Los Angeles County” from the Health Plan drop-down menu and “Annual Medical Loss Ratio” from the Statement Type drop-down menu available on the Department’s website at <http://wpsso.dmhca.ca.gov/fe/search>.

No response is required to this Part.

PART II. CALCULATION OF MEDICAL LOSS RATIO AND REBATE

Section 1367.003(a) states that each health care service plan that issues, sells, renews, or offers health care service plan contracts for health care coverage, including grandfathered health plans, must provide an annual rebate to each enrollee under such coverage, on a pro rata basis, if the ratio of the amount of premium revenue expensed by the plan on the costs for reimbursement for clinical services provided to enrollees under such coverage and for activities that improve health care quality to the total amount of premium revenue, excluding federal and state taxes and licensing or regulatory fees and after accounting for payments or receipts for risk adjustment, risk corridors, and reinsurance, is less than the following:

- (1) With respect to a health care service plan offering coverage in the large group market, 85 percent.
- (2) With respect to a health care service plan offering coverage in the small group market or in the individual market, 80 percent.

The specific requirements of the MLR provision are addressed in 45 Code of Federal Regulations part 158 (2019). The Plan’s MLR and rebate calculations from the MLR Reporting Form for the MLR reporting year ended December 31, 2019, are as follows:

MLR Components	Individual	Large Group
MLR Numerator <i>Note 1</i>	\$736,726,678	\$560,522,148
MLR Denominator <i>Note 1</i>	\$919,458,104	\$553,169,233
Preliminary MLR before Credibility Adjustment	80.1%	101.3%
Credibility Adjustment Factor	0.0%	0.0%
Credibility-Adjusted MLR <i>Note 2</i>	80.1%	101.3%
MLR Standard	80.0%	85.0%

Note 1: The federal MLR regulation requires the Plan to use three years accumulated data to calculate the medical loss ratio. Thus, the MLR Numerator and Denominator represent data from 2019, 2018, and 2017 for the MLR reporting year ended December 31, 2019.

Note 2: Rounded to the nearest one tenth of one percent.

The Department's examination did not result in any adjustments or reclassifications to the Plan's MLR Reporting Form for the MLR reporting year ended December 31, 2019 filed with the Department.

No response is required to this Part.

PART III. COMPLIANCE ISSUES

The Department's examination did not result in any adjustments or reclassifications to the Plan's MLR Reporting Form for the MLR reporting year ended December 31, 2019 filed with the Department.

No response is required to this Part.