



KERN HEALTH SYSTEMS

SPECIAL MEETING OF THE BOARD OF DIRECTORS

Thursday, January 16, 2025

at

8:00 A.M.

At

**Kern Health Systems
2900 Buck Owens Boulevard
Bakersfield, CA 93308**

The public is invited.

For more information - please call (661) 664-5000.

AGENDA

BOARD OF DIRECTORS

KERN HEALTH SYSTEMS
2900 Buck Owens Boulevard
Bakersfield, California 93308

Special Meeting
Thursday, January 16, 2025

8:00 A.M.

All agenda item supporting documentation is available for public review on the Kern Health Systems website: <https://www.kernfamilyhealthcare.com/about-us/governing-board/>
Following the posting of the agenda, any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available on the KHS website.

PLEASE SILENT CELL PHONES AND OTHER ELECTRONIC DEVICES DURING THE MEETING

BOARD TO RECONVENE

Directors: Watson, Thygerson, Patel, Elliott, Acharya, Alva, Bowers, Hoffmann, Ma, McGlew, Meave, Singh, Tamsi, Turnipseed
ROLL CALL:

ADJOURN TO CLOSED SESSION

CLOSED SESSION

- 1) **CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**
(Government Code § 54956.9 (e)(3).) Number of cases: Five (5)
Significant exposure to litigation in the opinion of the Board of Directors on the advice of legal counsel, based on the receipt of a claim pursuant to the Government Claims Act or some other written communication from a potential plaintiff threatening litigation, which non-exempt claim or communication is available for public inspection.

8:15 A.M.

BOARD TO RECONVENE

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY KERN HEALTH SYSTEMS STAFF. THE "CA" REPRESENTS THE CONSENT AGENDA. CONSENT ITEMS WILL BE CONSIDERED FIRST AND MAY BE APPROVED BY ONE MOTION IF NO MEMBER OF THE BOARD OR AUDIENCE WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS

PUBLIC PRESENTATIONS

- 2) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Also, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THE MEETING FACILITATOR WILL INDICATE WHEN THERE IS 15 SECONDS REMAINING TO YOUR PRESENTATION TIME!**

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 3) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2))

DEPARTMENTAL MATTERS

- 4) Proposed D-SNP Administrative Services Agreement with Universal Healthcare MSO from March 1, 2025 through December 31, 2028 with a Not-to-Exceed amount of \$16,800,000 for the term of the contract (Fiscal Impact: \$16,800,000; Budgeted) – **APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN**

- 5) Proposed New Agreement and Retroactive Approval with e360 for the VMWare vSphere Enterprise Licenses, Software, and Maintenance and Support, from January 1, 2025 through December 31, 2027 with a Not-to-Exceed amount of \$591,197 for the term of the contract (Fiscal Impact: \$591,197; Budgeted) –
APPROVE; RETROACTIVE APPROVAL FOR CHIEF EXECUTIVE OFFICER TO SIGN AGREEMENT

ADJOURN TO FEBRUARY 20, 2025 AT 8:00 A.M.

**AMERICANS WITH DISABILITIES ACT
(Government Code Section 54953.2)**

The meeting facilities at Kern Health Systems are accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the Board of Directors may request assistance at the Kern Health Systems office, 2900 Buck Owens Boulevard, Bakersfield, California 93308 or by calling (661) 664-5010. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.



MEMORANDUM

TO: Kern Health Systems Board of Directors
FROM: Melissa McGuire, Senior Director Delegation Oversight
SUBJECT: D-SNP Administrative Services Contractor
DATE: January 16, 2025

Background

As Kern Health Systems (KHS) prepares to launch its Medicare Dual Special Need Plan (D-SNP), partnering with an Administrative Services Contractor (Contractor) who possesses in-depth knowledge of CMS regulatory requirements is critical to ensure efficient health plan operations. The services being provided by the selected Contractor are areas where KHS cannot easily replicate the expertise demonstrated by the Contractor and the arrangement also ensures cost savings, operational efficiencies and regulatory compliance.

Discussion

To ensure KHS is able to effectively launch a new line of business, KHS contracted with Rebellis Group in 2023. Rebellis Group is a consultant firm with decades of experience in health plan operations in Medicare Advantage and Part D. KHS worked with Rebellis Group to develop the request for proposal (RFP) for delegation of administrative services.

To ensure a fair and equitable evaluation of all proposals, the RFP process included:

- Detailed review and analysis of all submissions
- Rigorous assessment of each vendor's abilities and experience to provide all services included in scope
- Detailed financial review
- Cybersecurity assessment
- Evaluation of the submitters ability to provide an integrated member experience
- Credit for experience serving the Kern County area

KHS and Rebellis completed a thorough review of all proposals received and scored each area of the proposal based on responses. Detailed questions were drafted and sent out to obtain clarification of proposal content as needed.

Following a thorough RFP review, KHS proposes selection of Universal Healthcare MSO (UHCMSO) to provide essential administrative services, including:

- Appeals Management
- Prospective and Current Member Services Call Center
- Claims - Core System
- Enrollment/Disenrollment - Member Management
- Fulfillment and Related Mailings
- Member Grievances
- Member Experience
- Healthcare Effectiveness Data and Information Set (HEDIS)
- Mailroom Functions
- Quality Management
- Risk Adjustment
- STARS
- Utilization Management
- Regulatory Reporting
- Data Sharing
- Clinical Care Coordination
- Population Health Management and Complex Care Management Services

With a CMS filing deadline of February 12, 2025, it is imperative to execute the agreement promptly to ensure compliance and timely implementation of the new Medicare line of business.

The contract term will be effective March 2025 in preparation to welcome new D-SNP members as early as October 2025 during annual enrollment.

Financial Impact

The term of the Agreement shall commence on March 1, 2025, or upon the approval of all applicable Regulatory Agencies, whichever is later. Total contract not to exceed amount of \$16,800,000. Contract consists of \$500,000 for implementation fees to be paid during calendar year 2025 and a service term for the period of 2026-2028 at a cost of approximately \$16,300,000.

Requested Action

Approve; Authorize Chief Executive Officer to sign and enter into the D-SNP Administrative Services Contract agreement with UHCMSO, not to exceed \$16,800,000 for D-SNP administrative service functions. Term to begin March 1, 2025, through December 31, 2028.

D-SNP Administrative Services Contractor

January 16, 2025

Melissa McGuire
Senior Director of Delegation and Oversight



Agenda

- Background
- Key Differences Between D-SNP and Medi-Cal
- D-SNP Timeline
- Request for Proposal (RFP) Process
- Contractor Selection Scoring Criteria
- Management's Recommendation
- Board of Directors Request



Background

In compliance with DHCS required CalAIM initiative, KHS will be adding a Dual Special Needs Plan (D-SNP) line of business, where integrated care will be delivered across both Medicare and Medi-Cal programs.

As Kern Health Systems (KHS) prepares to launch its Medicare D-SNP plan, partnering with an administrative services Contractor who possesses in-depth knowledge of CMS regulatory requirements is critical to ensure efficient health plan operations. Following a thorough RFP process, a Contractor has been selected to provide essential administrative services, including:

Appeals	Call Center
Claims	Case Management/Care Coordination
Enrollment	Fulfillment
Grievance	HEDIS
Quality	Risk Adjustment
STARS	Supplemental Benefits
Utilization Management	



Key Differences Between D-SNP Product and Medi-Cal

Quality Ratings: Stars (Medicare)

- Plans are evaluated using **CMS Stars Ratings** which measure member experience, clinical quality, and operational performance.

Risk Adjustment Factor (RAF) Methodology

- Effective documentation and coding of chronic conditions are critical for maximizing revenue under Medicare. Poor RAF management could lead to financial loss.

Member Benefits and Coverage Complexity

- Plans must integrate Medicare and Medi-Cal benefits, including **supplemental benefits** (e.g., dental, meals, and vision) and coordinate wrap-around services.

Financial and Operational Oversight

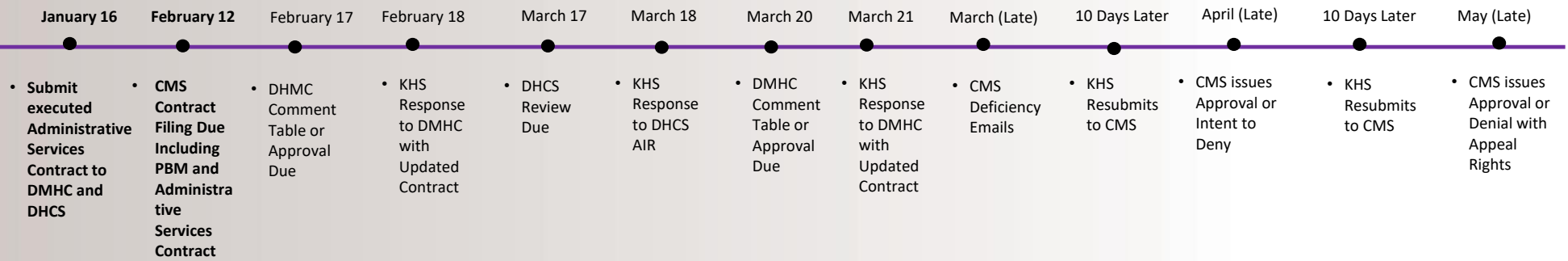
- Requires **extensive regulatory oversight** and reporting to both CMS and DHCS, including compliance with marketing guidelines, network adequacy, and financial solvency.

Pharmacy Medicare Part D

- Plans must adjudicate pharmacy claims through CMS-approved systems and pharmacy benefit managers (PBMs).



D-SNP Timeline



Administrative Services Contract Agreement is subject to DMHC and DHCS approval. If approval is not received, KHS will have to delay D-SNP implementation to January 1, 2027.

1/14/2025



Request for Proposal (RFP) Process

- **Engaged Consultant Support:** Partnered with Rebellis to define requirements and support the RFP process.
- **Developed and Published RFP:** Created a comprehensive RFP for administrative services, posted it on the KHS' website, and notified ten targeted companies.
- **Vendor Engagement:** KHS received a total of nine responses to the RFP, although one was received after the deadline and was disqualified leaving a total of eight proposals for evaluation.
- **Thorough Analysis:** Conducted a detailed review and analysis of submissions to ensure alignment with organizational needs and goals.
- **Board Recommendation:** Prepared a final recommendation for the Board of Directors based on the evaluation outcomes.



Administrative Contractor Selection Scoring Criteria

KHS conducted a thorough review of all proposals. To ensure a thorough and fair evaluation of proposals, the scoring criteria below was designed to prioritize key areas critical to the success of our Medicare D-SNP product. Each proposal was scored across the following weighted categories:

1. Services Covered (50%): Assessed the contractor's ability to provide requested administrative functions, adhere to regulatory requirements, and execute a seamless implementation process.
2. Financial Stability and Pricing (30%): Reviewed financial stability, financial models, and overall cost-effectiveness.
3. Security and IT Assessment (10%): Focused on the commitment to cybersecurity.
4. Integrated Medicare and Medi-Cal Experience and experience in Kern County (10%): Considered the vendor's expertise and experience in managing integrated Medicare/Medi-Cal products and ability to handle both lines of business for KHS D-SNP population. Also factored in experience in Kern County

This weighted scoring approach ensured a balanced evaluation of technical, financial, and strategic factors to identify the best-fit administrative contractor for our needs.

Based on the review and the scoring of each proposal, KHS selected three finalists.



Administrative Contractor Selection Scoring

RFP Selection/Category	Weight	Finalist A	Finalist B	UHCMSO
		Score	Score	Score
Assessment of the contractor's ability to provide requested administrative functions, adherence to regulatory requirements, and ability to execute a seamless implementation process.	50%	8.8	9.0	9.2
Pricing / Financial Stability	30%	5.0	6.5	9.6
Security and IT Assessment	10%	10	5	10
Integrated Medicare and Medi-Cal Experience and Experience in Kern County	10%	10	5	10
Total Points	100%	6.9	7.2	8.7
0 = Lowest 10 = Highest				



Management's Recommendation

After a team of KHS cross functional senior leaders held extensive interviews with the three finalists to review their RFP responses in greater detail, KHS was able to make a final selection.

Management is recommending Universal Healthcare MSO (UHCMSO) based on having the **highest score** and **lowest cost**. Management believes UHCMSO is the best selection given it's demonstrated local experience in Kern County managing integrated Medicare and Medi-Cal benefits. UHCMSO successfully passed a cybersecurity assessment, aligning with KHS's robust security posture.

With a CMS filing deadline of February 12, 2025, it is imperative to execute the agreement promptly to ensure compliance and timely implementation of the new Medicare line of business.



Board of Directors Request

Approve; Authorize Chief Executive Officer to sign and enter into the D-SNP Administrative Services Contract agreement with UHCMSO, with a not to exceed amount of \$16,800,000 for D-SNP administrative service functions. Term to begin March 1, 2025, through December 31, 2028.



You + Us = a better day!

Questions

Please contact:

Melissa McGuire
Senior Director of Delegation and Oversight
661-617-2642
Melissa.mcguire@khs-net.com





MEMORANDUM

TO: Kern Health Systems Board of Directors

FROM: Cesar Delgado, Deputy Chief Information Officer

SUBJECT: Request for Retroactive Approval for new Contract with e360 for VMWare vSphere Enterprise

DATE: January 16, 2025

Background

Kern Health Systems (KHS) utilizes VMware vSphere software, which is essential for running all virtual servers and critical to core IT operations, including backups and disaster recovery. On November 22, 2023, Broadcom completed its \$61 billion acquisition of VMware, introducing significant changes that impacted customers. As part of the acquisition, Broadcom has discontinued perpetual licensing and support for perpetual licenses, transitioning exclusively to subscription or term-based models. While KHS can continue using its existing perpetual licenses, support renewal is no longer available under this model. To maintain ongoing support and receive updates, KHS must transition to a subscription-based license.

Discussion

In response to industry dissatisfaction with Broadcom's changes to perpetual licenses, the company introduced a middle-tier subscription option to balance service, support, and cost predictability. The increased costs have led KHS to explore alternatives like Microsoft and Nutanix. However, transitioning away from VMware would require significant resources and time due to KHS's critical reliance on VMware for operations.

Broadcom's one-year contract is cost-prohibitive, at nearly half the price of a three-year term. Given the 24-month minimum required for migration, a three-year term allows KHS to maintain operational stability, align existing contracts, and develop a comprehensive transition strategy.

Due to the urgency of the expiring support agreement and the late receipt of the vendor's quote on December 10, 2024, the renewal of VMware vSphere licenses was approved by the internal Contracts Committee to avoid disruption to critical IT operations. Retroactive approval is now being sought to formalize this renewal, ensuring uninterrupted service.

Financial Impact

Cost for a three-year (3) term is not to exceed \$591,197 in budgeted expenses.

Requested Action

Approve; Retroactive approval for the Chief Executive Officer to sign a new agreement for a three (3) year term with e360 for VMWare vSphere Enterprise Licenses, Software, and Maintenance and Support in an amount not to exceed \$591,197 for the entire term of the contract.



AGREEMENT AT A GLANCE

Department Name: IT

Department Head: Cesar Delgado



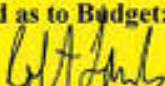
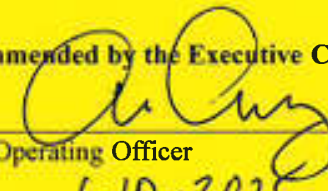
Vendor Name: e360

Contact name & e-mail: Steve Casey, steve.casey@e360.com

What services will this vendor provide to KHS? e360 will provide KHS with licenses and support for VMware vSphere Enterprise Licenses, Software, and Maintenance and Support for a three-year (3) term.

Description of Contract	
<p>Type of Agreement: Software</p> <p><input checked="" type="checkbox"/> Contract</p> <p><input type="checkbox"/> Purchase</p> <p><input checked="" type="checkbox"/> New agreement</p> <p><input type="checkbox"/> Continuation of Agreement</p> <p><input type="checkbox"/> Addendum</p> <p><input type="checkbox"/> Amendment No. _____</p> <p><input type="checkbox"/> Retroactive Agreement</p>	<p>Background: Kern Health Systems (KHS) utilizes VMware vSphere software, which is essential for running all virtual servers and critical to core IT operations, including backups and disaster recovery. On November 22, 2023, Broadcom completed its \$61 billion acquisition of VMware, introducing significant strategic changes that impacted customers. As part of the acquisition, Broadcom has discontinued perpetual licensing and support for perpetual licenses, transitioning exclusively to subscription or term-based models. While KHS can continue using its existing perpetual licenses, support renewal is no longer available under this model. To maintain ongoing support and receive updates, KHS must transition to a subscription-based license.</p> <p>Brief Explanation: <u>e360 will provide KHS with licenses and support for VMware vSphere Enterprise Licenses, Software, and Maintenance and Support for a three-year (3) term.</u></p>
<p><input checked="" type="checkbox"/> Summary of Quotes and/or Bids attached. Pursuant to KHS Policy #8.11-1, KHS will secure competitive quotes and bids to obtain the maximum value from the expenditures. Electronic (e-mail/fax) solicitation may be used for purchases of up to One Hundred Thousand Dollars or more if not budgeted (\$100,000.00) and Two Hundred Thousand Dollars or more if budgeted (\$200,000.00) but must be documented on the RFQ form (Attachment A). Actual bid, sole or single source justification and/or cost price analysis documents are required for purchases over One Hundred Thousand Dollars or more if not budgeted (\$100,000.00) and Two Hundred Thousand Dollars or more if budgeted (\$200,000.00). Request for Proposal (RFP) shall be used to solicit bids for professional services over Two Hundred Thousand Dollars (\$200,000). Lowest bid price not accepted must be fully explained and justified in writing. All bids will be treated as a not to exceed amount with "change orders" used to track any changes.)</p>	
<p>Brief vendor selection justification: _____</p> <p><input checked="" type="checkbox"/> Sole source – no competitive process can be performed.</p> <p>Brief reason for sole source: <u>Our platforms are built on VMware, and migrating to a different solution would take years, incurring significant time, cost, and operational disruptions, making VMware the only viable option.</u></p>	

Form updated 6/12/23

<input type="checkbox"/> Conflict of Interest Form is required for this Contract	
<input type="checkbox"/> HIPAA Business Associate Agreement is required for this Contract	
<input type="checkbox"/> Subcontractor Disclosure of Ownership and Control form is required for this Contract	
Fiscal Impact	
KHS Governing Board previously approved this expense in KHS' FY 2024 Administrative Budget	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Will this require additional funds?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES
Capital project	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES
Project type: _____	
Budgeted Cost Center 225	GL# 5406
Maximum cost of this agreement not to exceed: \$591,197 for three years	
Notes:	
Contract Terms and Conditions	
Effective date: 1/1/2025	Termination date: 1/1/2028
Explain extension provisions, termination conditions and required notice:	
Approvals	
Compliance DMHC/DHCS Review:	Legal Review:
_____	
Chief Compliance and Fraud Prevention Officer or Director of Compliance and Regulatory Affairs	Legal Counsel
_____	12/20/24
Date	Date
Contract Owner:	Purchasing:
Approved by Cesar Delgado	
Department Head	Director of Procurement and Facilities
per contract meeting 12/17/24	12/20/2025
Date	Date
Reviewed as to Budget:	Recommended by the Executive Committee:
	
Chief Financial Officer or Controller	Chief Operating Officer
12/18/24	1-10-2025
Date	Date



**VMware vSphere Enterprise
Plus 3YR Annual Payments**

#648090 V2

Prepared for:

Kern Health Systems



Year 1: Invoiced upon fulfillment

#	Item	Description	Qty	Price	Ext Price
1	VCF-VSP-ENT-PLUS	VMware vSphere Enterprise Plus 1-1-2025 to 12-31-2025	1716	\$114.84	\$197,065.44
Subtotal:					\$197,065.44

Year 2: Invoiced 12 months after initial PO

#	Item	Description	Qty	Price	Ext Price
2	VCF-VSP-ENT-PLUS	VMware vSphere Enterprise Plus 1-1-2026 to 12-31-2026	1716	\$114.84	\$197,065.44
Subtotal:					\$197,065.44

Year 3: Invoiced 24 months after initial PO

#	Item	Description	Qty	Price	Ext Price
3	VCF-VSP-ENT-PLUS	VMware vSphere Enterprise Plus 1-1-2027 to 12-31-2027	1716	\$114.84	\$197,065.44
Subtotal:					\$197,065.44

Summary

Year 1: Invoiced upon fulfillment	\$197,065.44
Year 2: Invoiced 12 months after initial PO	\$197,065.44
Year 3: Invoiced 24 months after initial PO	\$197,065.44
Total:	\$591,196.32



Quote Information

VMware vSphere Enterprise Plus 3YR Annual Payments Quote #: 648090	Bill To: Bill:CC:contracting@khs- net.com;itcoordinators@khs apinvoice@khs-net.com Bakersfield, CA 93308	Ship To: Main 2900 Buck Owens Boulevard Bakersfield, CA 93308	Prepared By: Steve Casey (949)-278-2152 steve.casey@e360.com
Creation: 11/22/2024 Expiration: 12/22/2024	Accounts Payable2 (661) 664-5000 apinvoice@khs-net.com	James Glenn (661) 808-1761 james.glenn@khs-net.com	e360 1855 Gateway Blvd, Ste 730 Concord, CA 94520



Agreement

Terms and Conditions

This quote is valid for 30 days
All freight, handling charges and taxes will be added to the final invoice.

Invoices are due and payable Net 30 days of invoice date. Invoices paid after that time will be subject to a 1.5% per month finance charge

"Customer" will be invoiced annually for this quote. "Customer" will be invoiced for Year 1 upon fulfillment, Year 2 12-months after initial PO and Year 3 24-months after Initial PO.

Early Termination

The term of this agreement is part of the inducement and consideration for entering into this Agreement, including pricing reductions based on the length of the Agreement. No party may terminate this agreement before the expiration of the term, except in the following circumstances:

- 1. If a party breaches any term under this Agreement, the non-breaching party shall send written notice to the breaching party, and the breaching party shall have thirty (30) days to cure. In the event that the breaching party is unable or unwilling to cure, the non-breaching party may immediately terminate the Agreement without further obligation.
- 2. If either party files for protection under bankruptcy laws, makes an assignment for the benefit of creditors, appoints or suffers appointment of a receiver or trustee over its property, files a petition under any bankruptcy or insolvency act or has any such petition filed against it which is not discharged within sixty (60) days of the filing thereof, then the non-breaching party may terminate this Agreement effective immediately upon written notice to such party.

Return and Warranty Policies

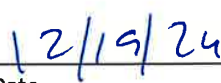
All hardware products that are supplied by Entisys360 are returnable for up to fifteen days from delivery for a full refund, as long as products have not been opened. Should client open any products within this period, they will be subject to all open box policies of the manufacturer. This could mean full refund, restocking fee or no return, depending on the manufacturer. Licensing is not returnable unless authorized in advance by the manufacturer. Dead on arrival (DOA) and defective returns are valid only for exchange. Beyond twenty-five days from the date of sale, you must contact the manufacturer directly to initiate a warranty claim. You must have the original boxes, documentation, accessories and packing materials for all returns. Incompatible is not defective. Entisys360 will test all DOA/Defective returns. Any product deemed not defective or DOA will be returned to customers at their expense.

All returns are subject to manufacturer specific return guidelines, which may deviate from Entisys360's standard return policy. All returns require a valid RMA#. The product must be shipped in order to arrive at Entisys360 within 15 days from the invoice date.

Signature



Signature



Date