Health Services
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To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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February 22, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **RECOMMENDATIONS FOR DELEGATED AUTHORITY TO EXECUTE AGREEMENTS FOR HOSPITAL NETWORK EXPANSION REQUIRED FOR THE CALIFORNIA 1115 WAIVER**
(Board Agenda Item A-4, February 22, 2011)

On November 2, 2010, California Department of Health Services (CDHS) and Centers for Medicare and Medicaid (CMS) entered into a new 1115 Waiver, commonly known as the *California Bridge to Reform*, for a five year period, commencing November 1, 2010. This Waiver provides the framework to federal Health Care Reform in 2014 for Medicaid Coverage Expansion (MCE) enrollees who are adults, aged 19-64, with incomes at or below 133% of the Federal Poverty Level (FPL) and who meet citizenship or legal residence requirements. The Waiver will provide health care coverage expansion, continued partial funding of public hospitals' uncompensated costs, new funding for delivery system improvements at public hospitals, Medi-Cal Managed Care for Seniors and Persons with Disabilities, and federal matching funds for various State-only funded programs.

On December 14, 2010, your Board authorized the Department of Health Services (DHS) to submit action items related to the 1115 Waiver to your Board on a standing agenda item designated as A-4. This report provides updated information on the network adequacy requirements for hospitals under the Waiver and requests your Board's approval of three recommendations of delegated authority to execute agreements.

HOSPITAL ACCESS REQUIREMENTS

A key component of the Waiver is access to hospital services for all MCE enrollees. DHS must have in its health care network hospitals

that are geographically accessible to all enrollees or provide appropriate transportation to the nearest network hospital. In three regions of the County, the DHS directly operated hospitals are not geographically proximate. Accordingly, to meet these requirements, DHS is seeking to contract with hospital providers to serve the Antelope Valley, Western (the western edge of the County through Malibu) and Eastern regions (San Gabriel Valley).

Because of the unique requirements of the 1115 Waiver, and the expedited timeline established by CDHS, DHS is currently negotiating sole source agreements with geographically proximate hospitals. In the Antelope Valley region, DHS has determined that Antelope Valley Hospital District would be a viable partner. In the Western region, DHS has determined that the UC Regents, through the University of California at Los Angeles, would be a viable partner. Neither would receive County compensation for their services and would instead fund services through their own certified public expenditures (CPE) or inter-governmental transfers (IGT), and would receive only the federal matching funds as compensation for the services rendered to MCE enrollees. Antelope Valley Hospital District and the UC Regents are the only hospitals in their respective geographic regions that are able to draw down federal funds with the County's involvement, thus making them unique in their ability to leverage funds to augment the provision of services at no direct County cost.

In the San Gabriel Valley area, no hospital qualifies to fund its services through IGTs or CPEs. Therefore, DHS will need to compensate the selected provider for services provided to MCE enrollees. The agreement with the San Gabriel Valley provider will not be solicited, but DHS will consider the ability of hospitals in that region to fulfill all requirements of the 1115 Waiver. DHS anticipates that it will negotiate and execute a standard County agreement with this provider, similar to the impacted hospital agreements put in place under Metrocare.

COVERAGE FOR HOSPITAL-BASED PHYSICIANS

The UC Regents, which is able to employ physicians to staff its hospitals because of its status as a government entity, will obtain physician reimbursement through the IGT process described above. Because the remaining hospitals in the Western and Eastern regions will not be owned and operated by a government entity, these hospitals will not be able to employ physician staff. DHS is seeking to enter into one or more physician agreements to provide inpatient and specialty physician staffing, and reimbursement for these services, at both hospitals.

RECOMMENDATIONS

It is recommended that your Board delegate authority to the Director of Health Services, or his designee, to:

1. Negotiate and execute two no cost agreements, one with Antelope Valley Hospital District and one with the UC Regents, through the University of California at Los Angeles effective upon execution through December 31, 2013, and modify the County's standard contract provisions with respect to mutual indemnification and/or some other standard provisions of value in order to provide legal support for these agreements, upon review and approval by County Counsel and the Chief Executive Office (CEO), and with notice to your Board.

2. Negotiate and execute an agreement, with a hospital provider in the San Gabriel Valley area effective upon execution through December 31, 2013 at an estimated cost of $2.0 million for the term of the agreement, upon review and approval by County Counsel and the CEO, and with notice to your Board.

3. Negotiate and execute agreements for physician services for inpatient care at Antelope Valley Hospital District and the San Gabriel Valley hospital to be identified, effective upon execution through December 31, 2013, not to exceed an aggregate amount of $2.0 million for the term of these agreements upon review and approval by County Counsel and the CEO, and with notice to your Board.

If you have any questions or need additional information, please contact me or your staff may contact John Schunhoff, Chief Deputy Director, at (213) 240-8370.

MHK:JFS:mjj

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors