Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

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First District

Mark Ridley-Thomas
Second District

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Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

John F. Schunhoff, Ph.D.
Chief Deputy Director

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www.dhs.lacounty.gov

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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October 18, 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: **NOTIFICATION OF USE OF DELEGATED AUTHORITY TO EXECUTE AGREEMENT WITH MCKESSON HEALTH SOLUTIONS LLC**

This is to advise your Board that the Department of Health Services (DHS) has exercised its delegated authority, approved by your Board on March 29, 2011 (attached), which authorized the Director of Health Services, or his designee, to negotiate and execute a consulting agreement with McKesson Health Solutions LLC (McKesson) to fully implement InterQual at DHS facilities. Pursuant to the agreement, McKesson will validate DHS business needs and requirements; develop best practices recommendations for utilization review, workflows and organizational policies to transition DHS facilities off the Treatment Authorization Request (TAR) process to InterQual. The maximum amount of the agreement is $650,000 as approved by your Board.

County Counsel reviewed and approved the Agreement as to form. The Chief Executive Office also reviewed and approved the Agreement.

If you have any questions or need additional information, please let me know.

MHK:kh

Attachment

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

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March 29, 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: **RECOMMENDATION FOR DELEGATED AUTHORITY TO EXECUTE SOLE SOURCE AGREEMENT WITH MCKESSON HEALTH SOLUTIONS, LLC FOR INTERQUAL IMPLEMENTATION AT DEPARTMENT OF HEALTH SERVICES FACILITIES AS REQUIRED FOR THE CALIFORNIA 1115 WAIVER**
(Board Agenda Item A-4, March 29, 2011)

On November 2, 2010, the 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 requests your Board's approval of a recommendation of delegated authority to execute an agreement that will enable DHS to maximize continued funding of public hospitals' uncompensated costs, as well as new funding for delivery system improvements at public hospitals under the 1115 Waiver health coverage expansion.

MEDI-CAL REVENUE MAXIMIZATION, AND COST EFFECTIVE CARE AND DELIVERY SYSTEM COORDINATION

A vital source of DHS Medi-Cal funding under the 1115 Waiver is inpatient fee-for-service reimbursement based upon a Treatment Authorization Request (TAR) approved by CDHS. If a TAR day is denied, the County

loses reimbursement, and this loss is compounded because of revenue sharing. In order to minimize Medi-Cal denied days, DHS is recommending a sole source agreement with McKesson Health Solutions LLC (McKesson) for consulting services to fully implement InterQual at DHS facilities. InterQual is McKesson's proprietary set of evidence-based criteria for evaluating medical necessity of admission and continued stay. InterQual provides guidance for determining whether a designated level of patient care is appropriate and supports ongoing efforts by DHS hospital Utilization Review management programs to improve quality of care and generate revenue from all payers. Approximately 70% of hospitals in California use InterQual and some public hospitals have opted to use InterQual in place of a TAR. The Medicare program currently utilizes InterQual as its evidenced based criteria for admissions and continued stay, as well as its contracted Recovery Audit Contractor (RAC), and the Medi-Cal program plans to transition public hospitals from the TAR process to InterQual over the next couple of years.

DHS intends to implement InterQual department-wide in the hospitals for (1) all admissions, including Medicaid Coverage Expansion (MCE) admissions, and (2) the Office of Managed Care/Community Health Plan, to enable prior authorization of admission of Seniors and Persons with Disabilities enrolled in managed care. The project scope of this engagement includes: validation of business needs and requirements; development of recommendations for best practice for utilization review, workflows, organizational polices required to transition off the TAR process, etc. This objective would support compliance with an 1115 Waiver requirement that DHS ensure that inpatient medical care provided is necessary and that financial resources are conserved.

RECOMMENDATION

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

1. Negotiate and execute an agreement with McKesson Health Solutions LLC effective upon execution through December 31, 2013, at an amount not to exceed $650,000 for the term of the agreement, upon review and approval by County Counsel and the Chief Executive Office, 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:kh

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