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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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November 8, 2012

TO: Each Supervisor

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

SUBJECT: **PHYSICIAN SERVICES FOR INDIGENTS PROGRAM (PSIP) AUDIT FOLLOW-UP REPORT**

On October 25, 2011, your Board instructed the Department of Health Services (DHS), with assistance from the Chief Executive Officer and the Auditor-Controller (A-C), to implement the remaining recommendations in the A-C's March 11, 2011 PSIP Report, initiate further improvements as appropriate, and report progress every six months.

As of March 29, 2012, the A-C verified that of the 11 recommendations identified in the A-C's report, DHS had implemented ten and partially implemented one of the recommendations. As of July 17, 2012, DHS has implemented the last remaining recommendation.

DHS' implementation status report of the identified recommendations is attached.

If you have any questions, please contact me or Tobi L. Moree, Audit and Compliance Division Chief, at (213) 240-7901.

MHK:tlm:eg

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Chief Executive Office
Auditor-Controller
Emergency Medical Services Commission
Cathy Chidester, EMS Director

County of Los Angeles - Department of Health Services
Physician Services for Indigents Program (PSIP)
Audit Follow-Up Report
November 2, 2012

Auditor-Controller Recommendation #1

Department of Health Services (DHS) management continue to work with the Board of Supervisors (Board) and the Chief Executive Officer (CEO) to support the efforts of physician organizations, hospital associations, other counties, and business and labor organizations to restore, or replace, State California Healthcare for Indigents Program and Emergency Medical Services Appropriation funding.

Current Status: IMPLEMENTED

In October 2011, a five signature Board Letter was sent to each State Assembly Member and Senator representing Los Angeles County urging their support to restore PSIP funding. In addition to this effort, in March 2012, the Physician Reimbursement Advisory Committee (PRAC), consisting of physicians representing such organizations as the Los Angeles County Medical Association, the California Association of Certified Emergency Physicians, the County's Trauma Hospital Advisory Committee, the Los Angeles Radiological Society and California Emergency Physicians America, sent a letter to the same State legislators urging their support to restore Program funding.

DHS, the County, and PRAC have made significant efforts to restore State funding. The Auditor-Controller (A-C) agrees that this recommendation has been implemented.

Auditor-Controller Recommendation #2

DHS management ensure PSIP funding is based on 12 months of collections.

Current Status: IMPLEMENTED

DHS' PSIP annual funding is based on 12 months of SB 612/1773 collections for Fiscal Years (FY) 2009-10 and 2010-11, and 12 months of estimated SB 612/1773 collections for FY 2011-12, which has been verified by the A-C. As a result, this recommendation has been implemented.

Auditor-Controller Recommendation #3

DHS management document their actual SB 612/1773 administrative costs, and verify that SB 612/1773 funds are only used to pay for documented costs.

Current Status: IMPLEMENTED

DHS created a schedule to document actual SB 612/1773 administrative costs starting in FY 2010-11. The A-C reviewed the FY 2010-11 schedule and noted that they have correctly allocated 10% of SB 612/1773 collections to administrative costs and have appropriately documented these costs. As a result, this recommendation has been implemented.

Auditor-Controller Recommendation #4

DHS management further evaluate the feasibility of using Measure B and South Los Angeles Medical Services Preservation Fund (South LA) funds that are allocated to PSIP to directly benefit physicians at impacted hospitals, and pay physicians accordingly.

Current Status: IMPLEMENTED

DHS has evaluated the feasibility of using Measure B and South LA funds that are currently allocated to PSIP to directly benefit physicians at impacted hospitals, and pay physicians accordingly, and determined that it is not feasible to implement the proposed funding allocation changes. This would reduce the reimbursement rate for physicians working at non-Impacted Hospital Program (IHP) hospitals and may create a disincentive for physicians to work at these facilities with a large uninsured population. This could lead to closure of emergency rooms and could destabilize the fragile LA County Emergency Care Network. In addition, PRAC is opposed to the further reduction of the reimbursement rate.

Auditor-Controller Recommendation #5

DHS management consider implementing a multi-year PSIP enrollment policy (e.g., biennial enrollment, etc.).

Current Status: IMPLEMENTED

In November 2010, the Board approved a three-year enrollment period covering FYs 2010-11 through 2012-13 (Board Agenda November 16, 2010, Item 11). The A-C has reviewed the enrollment documents and verified that it covers the three-year period. As a result, this recommendation has been implemented.

Auditor-Controller Recommendation #6

DHS management consider implementing one of the following methods to establish reimbursement rates earlier:

- Initially paying physicians a lower provisional reimbursement rate, and establishing deadlines for physicians to submit claims based on service dates.

- Calculating reimbursement rates using claim information from earlier fiscal years.

Current Status: IMPLEMENTED

DHS will continue to implement the reimbursement rate based on projected revenues and expenditures, using claims, statistical and revenue collection data from previous fiscal years. DHS will also continuously monitor the program and propose rates when sufficient data is available. Due to the cost associated with processing multiple payments, DHS will not initially pay physicians a lower provisional reimbursement rate.

DHS established reimbursement rates for FYs 2010-11 and 2011-12 three months into the FY (September 2010 and September 2011, respectively), compared to over six months into the FY for FY 2009-10 (January 2010). In addition, the Board approved the FY 2011-12 reimbursement rate in October 2011. The FY 2010-11 reimbursement rate did not require Board approval since it did not change. The issuance of the program enrollment packets was delayed until November 2010, when the Board approved a three-year enrollment period covering FYs 2010-11 through 2012-13.

The A-C reviewed the calculation of FY 2010-11 and 2011-12's rates and found that they were based on claim information from current and prior FYs. In addition, the A-C has verified that the rates are being established earlier than in previous FYs. As a result, this recommendation has been implemented.

Auditor-Controller Recommendation #7

The Board consider giving DHS delegated authority to approve reimbursement rate changes.

Current Status: IMPLEMENTED

DHS' initial November 2010 request for the Board to provide delegated authority to DHS to approve reimbursement rate changes was not approved and was referred back to the Department. In October 2011, the request for delegated authority was approved by the Board (Board Agenda October 25, 2011, Item 7). The Board's approval of delegated authority also requires that before any

changes are made to the interim payment rate or any other substantive aspect of PSIP, a widely-advertised public hearing with reasonable and clear advance notice to impacted physicians, hospitals, labor unions, the general public and the Board must be held. The A-C has verified that the recommendation has been implemented.

Auditor-Controller Recommendation #8

DHS management consider requiring physicians to bill patients a reduced settlement amount, at least as much as what PSIP would pay, before submitting claims to PSIP.

Current Status: IMPLEMENTED

DHS revised their enrollment policy and procedures for FY 2010-11 through 2012-13 to include the requirement that physicians bill patients a reduced settlement amount before submitting claims to PSIP. The A-C reviewed the enrollment policy and procedures and verified that the recommendation has been implemented.

Auditor-Controller Recommendation #9

DHS management consider using collection agencies to collect up to the full amount billed by physicians from patients or responsible third-parties.

Current Status: IMPLEMENTED

DHS had preliminary discussions with USCB Inc., the secondary Delinquent Account Collection Services contractor for DHS, regarding the referral/collection of accounts on a pilot basis. Legal issues surfaced during this meeting and DHS sought advice from County Counsel regarding the legality of collecting from patients or responsible third-parties. As of April 3, 2012, the A-C verified that the recommendation was partially implemented.

On July 17, 2012, DHS received an opinion from County Counsel that it would not be appropriate to use collection agencies to collect from County responsible patients. DHS has evaluated the feasibility of this recommendation and determined that it is not appropriate to use collection agencies to collect from patients.

Physicians must refund monies to the County when patient or third-party payments are made after reimbursement has been received. After receiving payment from the County, if a provider becomes aware of Medicare, Medi-Cal, or Healthcare Insurance, the provider is required to bill the identified coverage and refund the County. If the County becomes aware of potential third-party liability (TPL), such as auto or homeowners insurance, for a paid account, the account is

referred to a County contracted vendor to file a lien and pursue collection from any settlement.

Auditor-Controller Recommendation #10

DHS management identify whether any additional funding is available for auditing PSIP claims, and consider using the funds to either hire additional staff or contract for audit services. The reassignment of existing County staff should also be considered.

Current Status: IMPLEMENTED

DHS had preliminary discussions with the A-C's Administrative Services Division, Master Agreements Team, regarding the process and costs of contracting for audit services and determined not to pursue a contract due to fiscal constraints. In addition, in February 2012, DHS filled the vacant Contract Program Auditor item assigned to PSIP. The A-C agrees that this recommendation has been implemented.

Auditor-Controller Recommendation #11

DHS management submit semiannual status reports to the Board on PSIP information.

Current Status: IMPLEMENTED

The first, second, and third semiannual status reports were submitted to the Board in July 2011, February 2012, and July 2012 respectively. The A-C reviewed the status reports submitted and verified that this recommendation has been implemented.