Health Services
LOS ANGELES COUNTY

Los Angeles County Board of Supervisors

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Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Mitchell H. Katz, M.D.
Director

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

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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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June 7, 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 AGREEMENTS FOR TRANSPORTATION SERVICES AND INPATIENT HOSPITAL SERVICES AS REQUIRED FOR THE CALIFORNIA 1115 WAIVER**
(Board Agenda Item A-4, June 7, 2011)

On November 2, 2010, California Department of Health Services (CDHS) and Centers for Medicare and Medicaid Services (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. In order to obtain federal funding, the Waiver requires county Low Income Health Programs to provide certain services to enrolled individuals who meet these requirements (MCE enrollees), including inpatient hospital and medical transportation services.

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 hospital network expansion and requests your Board's approval of delegated authority to execute agreements.

HOSPITAL ACCESS REQUIREMENTS

Under the terms and conditions of the Waiver, DHS must obtain approval from DHCS and CMS that its network provides appropriate access to inpatient hospital services for MCE enrollees. Appropriate

access to hospital services can be established either through a network of hospitals that meet certain geographic accessibility standards for MCE enrollees, or through the provision of medically appropriate patient transportation to the nearest available network hospital.

On February 22, 2011, your Board delegated authority to the Director of Health Services, or his designee, to negotiate hospital agreements for three regions of the County where DHS does not have hospital facilities, i.e., Antelope Valley, the Westside, and the San Gabriel Valley. That included a delegation to contract for related physician services. For the Antelope Valley area, Antelope Valley District Hospital has responded positively and a draft agreement has been provided for its review and approval. For the Westside, Santa Monica-UCLA Medical Center has also responded positively and it is currently reviewing a draft contract. However, for the San Gabriel Valley, although negotiations are in process, it is uncertain whether an agreement can be reached with a hospital in that area.

To ensure that the network can be certified by the June 30, 2011 CMS deadline, it is imperative that DHS enter into agreements to ensure that the transportation option described above is put in place as soon as possible. The Department intends to include transportation to access hospital care for all three areas, and other areas if necessary, as a prudent back-up plan in case the need arises. Such an arrangement will ensure that MCE enrollees requiring transportation to a network hospital are accommodated timely.

In addition, MCE enrollees are entitled to receive medical transportation when medically necessary to access non-hospital care. Such transportation must receive prior authorization and may be provided by the lowest cost mode available. DHS believes that it may need to supplement existing resources to meet this requirement.

DHCS just issued instructions on May 31, 2011 to counties on how they need to demonstrate network adequacy. Responses are due June 7, 2011. Because of the press of time, DHS has not had the opportunity to inventory its existing agreements, nor has it had the opportunity to reach out to other departments, to determine whether existing agreements may be amended to provide this service. DHS will explore these alternatives to a new agreement and, therefore, also is requesting authority to amend any existing transportation agreements as appropriate to meet its needs.

The Department believes it would be more prudent to ask for delegated authority from your Board to enter into agreements with other hospitals and physicians should the need for further network coverage arise. Therefore, the Department is also requesting delegated authority to negotiate and execute contracts with hospitals other than Antelope Valley District Hospital and Santa Monica-UCLA Medical Center and with

additional physicians providing hospital care, as necessary to ensure hospital coverage is provided for MCE enrollees and there are no service gaps.

Neither Santa Monica-UCLA Medical Center nor Antelope Valley District Hospital will receive county funding for hospital services if they become part of the County's network as they have the ability to provide the non-federal share of funding for services through their own certified public expenditures (CPEs) or intergovernmental transfers (IGTs). However, there are no other hospitals in the County able to obtain federal match through CPEs or IGTs. If agreements for hospital services with hospitals unable to provide the non-federal share of funding are necessary, DHS will provide compensation for these services, as well as related physician services, provided to MCE enrollees at the best negotiated rates possible.

The Department must submit its response to the State demonstrating network adequacy on June 7, 2011. Final approval by CMS of the DHS network must be obtained by June 30, 2011. Based on this very short time-frame, the Department is requesting approval of delegated authority to execute agreements with medical and non-medical transportation providers on a patient-by-patient, as-needed only basis and with hospital providers as necessary, in order to ensure the network can be certified by the deadline.

Meeting the June 30, 2011 certification date will have a positive fiscal impact on the Department because these costs will fall under the Waiver's early implementation of MCE as an entitlement program.

RECOMMENDATIONS

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

1. Negotiate and execute agreements for (1) non-medical and medical patient transportation services for MCE enrollees on an as needed only basis, at a total cost not to exceed $300,000 from the period date of execution through June 30, 2012; and (2) with hospitals and/or related physicians, other than those listed in my February 22, 2011 memorandum to your Board, to provide inpatient services to MCE enrollees should the need for additional network coverage arise, on condition that DHS is able to negotiate compensation at the best rates possible, effective upon execution through June 30, 2012, at a total net County cost not to exceed $1.5 million for the term of these agreements. County Counsel and the Chief Executive Office are to review all agreements prior to execution, and DHS will provide notice to your Board, which notice will include specific details concerning all agreements, including but not limited to the identity of the contractors, a description of the work to be performed as well as the final, negotiated rates and/or cost of all agreements.

2. In the event that transportation contracts currently exist under DHS or another County department that may be expanded to provide medical or non-medical transportation services to MCE enrollees, delegate authority to the Director to amend any existing agreements, as appropriate, to enable the provision of medical and non-medical transportation services, at a total cost not to exceed $300,000, effective for the period from execution through June 30, 2012. County Counsel and the Chief Executive Office are to review all agreements prior to execution, and DHS will provide notice to your Board, which notice will include specific details concerning all agreements, including but not limited to the identity of the contractors, a description of the work to be performed as well as the final, negotiated rates and/or cost of all agreements.

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

MHK:JFS:aw

Attachment

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

ATTACHMENT

Health Services
LOS ANGELES COUNTY

REVISED
FEBRUARY 17, 2011

Los Angeles County Board of Supervisors

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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: for 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~~ Antelope Valley and ~~Eastern~~ San Gabriel Valley 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