



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

March 28, 2016

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To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
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From: Sachi A. Hamai
Chief Executive Officer

MOTION TO DIRECT THE CHIEF EXECUTIVE OFFICER TO CO-SPONSOR SB 1335 (MITCHELL) AND SEND A FIVE-SIGNATURE LETTER TO SENATOR MITCHELL AND THE ENTIRE LOS ANGELES COUNTY DELEGATION URGING PASSAGE OF SB 1335 (ITEM NO. 58-B, SUPPLEMENTAL AGENDA OF MARCH 29, 2016)

Item No. 58-C on the March 29, 2016 Supplemental Agenda is a motion by Supervisors Solis and Ridley-Thomas directing the Chief Executive Officer to: co-sponsor SB 1335 (Mitchell); send a five-signature letter to Senator Mitchell, the Chair of the Senate Health Committee and the entire Los Angeles County delegation urging passage of SB 1335; actively work toward the enactment of this legislation; and provide written updates to the Board noting the status and progress made toward enactment of SB 1335.

Background

Federally qualified health centers (FQHCs) are outpatient clinics that qualify for enhanced reimbursement from Medicare and Medicaid. FQHCs must serve an underserved area or population, offer a sliding fee scale, have an ongoing quality assurance program, and have a governing board of directors. FQHCs provide comprehensive services, either on-site or by arrangement with another provider, including: preventive health services, dental services, mental health and substance use disorder services, and hospital and specialty care. Rural Health Centers (RHCs) are Federally certified clinics that receive special Medicare and Medicaid reimbursement to help increase access to primary health care services for patients living in rural areas.

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On August 14, 2015, the California Department of Health Care Services received Federal approval for an amendment to the 2010 Medicaid Waiver the "Bridge to Reform" for substance use disorder services. This program known as the Drug Medi-Cal Organized Delivery System (DMC-ODS) pilot program will substantially expand access to substance use disorder services for Medi-Cal eligible individuals. Los Angeles County is planning to opt into the pilot program.

Currently, FQHCs and RHCs are reimbursed for services through a pre-defined payment for each patient visit reimbursed through Medicaid. This payment is set at a Prospective Payment System (PPS) rate, which is based on the scope of services each FQHC provides. If an FQHC receives reimbursements in addition to its PPS payments, and those payments are for services that are deemed to be within the FQHC's scope of service for PPS, the State may adjust these payments in a subsequent reconciliation process.

According to the Department of Public Health (DPH), this payment structure very often has implications for Drug Medi-Cal payments to FQHCs. DPH reports that the majority of FQHCs provide a range of behavioral health services and that newly established FQHCs are required to provide behavioral health services. However, FQHCs' behavioral health services often do not include substance use disorder services. DPH notes that many FQHCs report a lack of clear State guidance regarding whether the definition of behavioral health services inherently includes substance use disorder services. DPH indicates that this ambiguity creates a risk of reimbursement for Drug Medi-Cal services being denied or reduced as part of the State's payment reconciliation process for FQHCs. As a result, many FQHCs have declined to participate in the Drug Medi-Cal Program because it presents the possibility of receiving less funding while providing more services.

SB 1335 (Mitchell)

SB 1335 (Mitchell), which as introduced on February 19, 2016, would authorize FQHCs to elect to have Drug Medi-Cal and specialty mental health services reimbursed on a fee-for-service basis. This would carve-out these services from the existing PPS rate and above FQHCs to be fully reimbursed for these services.

The Department of Health Services (DHS) notes that FQHCs are critical to the County's health care safety net. DHS reports that it works very closely with the Community Clinic Association of Los Angeles via the My Health LA Program, and that SB 1335 is crucial to the financial sustainability of these clinics. According to DHS, SB 1335 would help provide certainty that FQHCs are adequately reimbursed for behavioral health services. DHS also notes that support for SB 1335 is consistent with the Health Agency's goal of

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integrating both behavioral and physical health services to produce the best possible health care outcomes for County residents.

The Department of Public Health notes that many FQHCs in Los Angeles County provide a range of integrated and culturally competent services to Medi-Cal eligible individuals including people experiencing homelessness. DPH also indicates that the DMC-ODS pilot program could meaningfully improve health outcomes and the quality of life for many homeless people in the County; however, the current payment rules for FQHCs present a potential financial disadvantage for many FQHCs that would like to participate in the pilot program. SB 1335 would help to remove this obstacle and increase the County's ability to recruit FQHCs to provide substance use disorder service and provide new capacity to deliver integrated services for Medi-Cal eligible individuals.

SB 1335 is co-sponsored by the Community Clinic Association of Los Angeles County and the California Primary Care Association. Currently, there is no registered support or opposition on file for this measure. SB 1335 is scheduled to be heard in the Senate Health Committee on April 6, 2016.

Conclusion

This office, and the Departments of Health Services and Public Health support the Board motion to: co-sponsor SB 1335 (Mitchell); send a five-signature letter to Senator Mitchell, the Chair of the Senate Health Committee and the entire Los Angeles County delegation urging passage of SB 1335; actively work toward the enactment of this legislation; and provide written updates to the Board noting the status and progress made toward enactment of SB 1335. **However, because there is no existing Board-approved policy to co-sponsor legislation to authorize FQHCs and RHCs to elect to have Drug Medi-Cal and specialty mental health services reimbursed on a fee-for-service basis, this item is a matter for Board policy determination.**

We will continue to keep you advised.

SAH:JJ:MR
VE:lm

c: Executive Office, Board of Supervisors
County Counsel