



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Health
Department No.: 041
For Agenda Of: Set Hearing on 10/07/14
for 10/21/14
Placement: Admin -
Set Hearing 10/07/14;
Departmental,
10/21/14;
Admin, 11/04/14
Estimated Tme: 20 Minutes 10/21/14
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Takashi Wada, MD MPH, Director and Health Officer
Director(s) Public Health Department
Contact Info: Suzanne Jacobson, Deputy Director/Chief Financial Officer

SUBJECT: Proposed Ordinance to adjust County Health Care Center Medical Services Fees and Sliding Fee Scale

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: Select_Concurrence

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors consider the following recommendations amending the County Health Care Center Medical Services Fees and Sliding Fee Scale:

On October 07, 2014, set a hearing for October 21, 2014 to consider the introduction (first reading) of adjustments to the Public Health Department (PHD) Health Care Center Medical Services Fees, to increase fees for medical services to 180% of the established Medicare Physician Fee Schedule and to amend the sliding fee scale discounts for indigent and uninsured patients under 200% of federal poverty level.

On October 21, 2014, your Board's actions should include the following:

- A. Receive a presentation regarding PHD Health Care Center Medical Services fees and Sliding Fee Scale;

- B. Approve the introduction (first reading) of the Ordinance (Attachment 1) to increase fees for medical services to 180% of the established Medicare Physician Fee Schedule for Santa Barbara County and to amend the sliding fee scale discounts for indigent and uninsured patients under 200% of federal poverty level;
- C. Read the title and waive further reading of the Ordinance;
- D. Set a hearing for October 21, 2014 on the Administrative Agenda, to consider adoption (second reading) of the PHD Medical Services Ordinance to increase fees and amend the Sliding Fee Scale discounts;

On November 04, 2014, your Board's actions should include the following:

- A. Adopt (second reading) the Ordinance to increase PHD Medical Services fees and amend the Sliding Fee Scale discounts;
- B. Allow the Public Health Director to establish any new or additional services at either the lesser of the internally calculated fees (which is based on actual costs) or 180% of the Medicare Physician Fee Schedule; and
- C. Determine that these activities are exempt from California Environmental Quality Act review per CEQA Guideline Section 15378(b)(4), as a governmental funding mechanism or fiscal activity which does not involve any commitment to a specific project which may result in a potentially significant effect on the environment.

Summary Text:

As a grantee under Section 330 of the Public Health Service Act, the Federally Qualified Health Centers (FQHC) operated by the PHD must adhere to certain Federal regulations, which in part have been recently amended and clarified. This clarification, along with the following related considerations, has prompted the PHD to re-evaluate and propose changes to its medical fees and charges to self-pay patients (those individuals that have no health coverage):

- A change in State philosophy and direction that most indigent and uninsured individuals will qualify for and will enroll in the expanded benefit programs as a result of the Affordable Care Act (ACA).
- The 1991 Health Realignment funding reductions imposed on the PHD by the State as a result of the implementation of the ACA.
- A change in Medicare FQHC reimbursement (set to take effect for the PHD on July 1, 2015) that will reimburse health centers at the Medicare FQHC rate or the lower of charges.
- Ongoing increases in costs to provide health center medical services.

The proposed fees and charges are consistent with the full cost recovery principles of Santa Barbara County as well as the Section 330 requirements that:

- a) The fees and charges must be set so as to cover the reasonable costs of providing the service, and
- b) The fees and charges must be consistent with prevailing rates or charges for the service.

(42 U.S.C. § 254b(k)(3)(G)(i).)

In addition, Section 330 requires that a separate, corresponding schedule of discounts of the charges – a sliding fee scale – be established and maintained in order to discount the charges based upon the patient’s ability to pay. Thus, an amendment to the PHD’s sliding fee scale is also being proposed. This will increase the discount available to the lowest income patients to keep the increase in office visit charges to a very manageable level (approximately 5% or \$2.50) and will actually reduce the cost for any procedures that are performed from current levels to comply with clarified Federal guidance. The guidance further dictates that no discounts on office visits or procedures are available to individuals with a family income of over 200% of Federal Poverty Level (FPL) – approximately less than one-half of one percent (0.3%) of the patient population. All patients presenting to the PHD Health Centers will continue to be encouraged to apply for the expanded medical benefit programs available under the ACA, hopefully providing the majority of patients (except for those not qualified or that meet one of the exemption categories) with coverage and a payment source for their services.

Background:

The PHD Health Care Centers operate under several tenets regarding the provision of services to those that lack health benefit coverage:

- *Public Health Service Section 330* regulations state that health centers must assure access to care without regard to a person’s ability to pay, while revenue from all available sources must be maximized.
- *Welfare and Institutions Code Section 17000* states that counties must meet the health care needs of those who have no other source of receiving care.

Currently, indigent and uninsured self-pay patient visits currently represent 15.6% of all services performed. Of the 15.6%, the overwhelming majority will qualify for sliding scale discounts to their fees or pay nominal fees. After January 1, 2014 most self-pay patients qualify for the new ACA benefit expansion programs. Thus, it is important to ensure that the health center charges and fees are set at a level that not only are consistent with Federal regulations and County direction, but do not serve as a disincentive for a patient to enroll in a coverage program.

Visits performed for Medi-Cal and Medicare patients, as well as individuals qualified for other public programs and support and private insurance represent the other 84.4% of the Health Center patient population. Currently, there is no direct impact on the reimbursement from these other programs from the established fees and internally calculated charges for self-pay patients because the reimbursement is either based on set allocations or separate fee schedules, usually established by the State or Federal Governments. However, this will also be changing with the ACA, beginning in July of 2015, for Medicare patients where reimbursement will be set at the lower of charges or a set national rate. Therefore, it is important that medical services charges be updated to reflect our current costs or a loss of Medicare revenue of up to \$180,000 is projected.

The PHD worked with BKD CPAs and Advisors (a consulting firm specializing in FQHC financing) in determining the methodology used in developing the proposed fees and charges, which were last updated in 1994, although they have been reviewed more recently. The proposed fees include all direct and indirect costs applicable to the services provided, take into consideration the Relative Value Unit (RVU) of the services as a measure of the acuity or effort involved with its provision, and are aligned to a percentage of the Medicare Physician Fee structure for Santa Barbara County. Expressing fees and

charges as a *percentage of Medicare* is the industry standard and, while based on costs, is a simpler way to associate fees and charges to an established and widely recognized charge structure.

In addition, other local facilities and benchmark counties were surveyed and the proposed fees and charges are well within the range of prevailing rates for the services:

Fee/Charges Comparison Chart	Expressed as a Percentage of Medicare
Average of Benchmark/Peer Counties	206%
Average of Local Prevailing Fees/Charges	184%
Average of National FQHC Fees/Charges	180%
Proposed Santa Barbara County Fees/Charges	180%

Because of the increase in fees and the Section 330 requirement to discount fees for those below 100% of FPL to “nominal fees”, the proposed amendment to the sliding fee scale will keep the proposed increase in charges and fees to a minimal level for the indigent. The chart below highlights the proposed changes in the visit codes – with the applicable proposed sliding fee discount - which make up more than 90% of all services provided to our unique patient population of approximately 30,000 and our current self-pay population of approximately 4,680 (although the number *continues to decrease* with the implementation of the ACA):

% of Federal Poverty Level (FPL)	0%-100%	100%-150%	150%-200%	Over 200%
Current Sliding Fee Scale	50%	30%	30%	10% (to250%)
Proposed Sliding Fee Scale	72%	60%	45%	0%
% of Patients:	8.0%	4.1%	3.1%	0.3%
Approximate Number of Patients:	2,430	1,230	930	90
Current Average Net Charge:	\$49.49	\$69.29	\$89.08	\$98.98
Proposed Average Net Charge:	\$51.95	\$74.21	\$102.04	\$185.53
Average Increase:	\$2.46	\$4.92	\$12.96	\$86.55
Average Percentage:	5%	7%	15%	87%

Since the procedures are also now subject to discounting through the sliding fee scale, any increase in visit fees and charges may be offset by a corresponding decrease for any procedure performed.

The PHD will continue to regularly review, evaluate, and adjust fees and charges as necessary to ensure adherence to Federal and local guidelines and appropriate cost recovery for services from patients and fiscal intermediaries provided by the Health Care Centers.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

Revising the schedule of fees or charges does not increase or decrease the costs of the PHD to provide primary and specialty care services. Adjusting the schedule of charges and discounts in accordance with Federal regulations is a requirement of the FQHC status and should only impact the indigent and uninsured patients (self-pay) that either do not qualify for the expanded benefit programs under the Affordable Care Act, or choose not to participate. Based on projections, approximately \$78,000 annually in increased revenue from self-pay patients may be received.

Conversely, if the charge structure is not updated, the PHD could experience decreases in Medicare revenues of approximately \$80,000 annually as reimbursement will be made on the basis of the lower of the new Medicare Prospective payment rate or charges. In addition, the PHD will not be able to take advantage of *new* revenues from the Medicare rate increase in the amount of approximately \$100,000.

There may be a small financial impact to other county departments that use the PHD Health Care Centers for services to their clients. The amount of this impact is considered to be negligible and is accounted for in the FY 14-15 budget.

Staffing Impacts:

There are no staffing impacts

Special Instructions:

After the Set Hearing on October 07, 2014, direct the Clerk of the Board to:

1. Publish notice of this hearing, as set forth in the attached Notice of Public Hearing.
2. Send a copy of the minute order and a signed copy of the Notice of Public Hearing to the Public Health Department, attn. Suzanne Jacobson.

After the second reading, direct the Clerk of the Board to:

1. Submit a certified copy of the adopted Ordinance to the Public Health Department, attn. Suzanne Jacobson
2. Publish a copy of the ordinance or summary thereof, with names of the members of the Board of Supervisors voting for or against the approval/non-approval within 15 days of the Board hearing.

Attachments:

Proposed Ordinance
Notice of Public Hearing
Medical Services Fees Presentation

Authored by:

Suzanne Jacobson, Deputy Director/Chief Financial Officer