



**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: Board of Supervisors
Department No.: 011
For Agenda Of: 12/5/2006
Placement: Set Hearing
Estimate Time: 15 minutes on
1/09/2007
Continued Item: NO
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Board Member(s) Salud Carbajal
Contact Info: Lyle Luman, CEO, Santa Barbara Regional Health Authority
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SUBJECT: REQUEST FOR BOARD OF SUPERVISORS RESOLUTION FOR THE SANTA BARBARA REGIONAL HEALTH AUTHORITY TO EXPAND INTO SAN LUIS OBISPO COUNTY

County Counsel Concurrence:

As to form: Yes No N/A

Auditor-Controller Concurrence:

As to form: Yes No N/A

Other Concurrence: N/A

As to form: Yes No N/A

Recommended Action(s):

That the Santa Barbara County Board of Supervisors:

Set a hearing on January 9, 2007 on the Departmental Agenda (ESTIMATED TIME: 15 minutes) to consider the following recommendations:

1. Adopt a resolution authorizing the creation of a Santa Barbara/San Luis Obispo County Regional Health Authority to administer the Medi-Cal program in both counties, upon satisfaction of certain conditions, effective January 1, 2008.
2. Authorize development of State legislation that allows the creation of a 13 member Board of Directors with eight (8) members being appointed by the Santa Barbara County Board of Supervisors and five (5) members being appointed by the San Luis Obispo County Board of Supervisors.

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Summary:

For the past year the Santa Barbara Regional Health Authority has been in discussions with San Luis Obispo County to form a regional County Organized Health System (COHS) serving the Medi-Cal populations in both Santa Barbara and San Luis Obispo counties. Management at both the Health Authority and San Luis Obispo County has come to agreement on the structure of a two-County COHS, including the composition of the expanded Health Authority's Board of Directors. The process is at a point in development where both the Santa Barbara and San Luis Obispo County Boards of Supervisors need to officially authorize the formation of a two-county COHS to allow the necessary statutory changes to take place in 2007. The projected implementation date for the two-county COHS is January 1, 2008.

This action would be contingent upon the receipt of adequate revenue from the State of California to ensure the financial viability of the two-county system; and necessary changes in statute being approved by the Legislature and signed into law by the Governor.

Background:

In 2004, Governor Schwarzenegger proposed a significant redesign of the State's Medi-Cal program – one component of that proposal was the expansion of the Medi-Cal managed care program, of which the Authority is a part. The two statistics cited by the Schwarzenegger Administration that best sum up its desire to expand Medi-Cal managed care are as follows:

- Since the 1998-99 fiscal year, State general fund expenditures for Medi-Cal have grown by 60% or approximately \$4.5 billion – with a total Medi-Cal budget exceeding \$34 billion per year in combined federal and state funding.
- 50% of the State's Medi-Cal population are in its fee-for-service system and 50% are in its Medi-Cal managed care system. The 50% in the fee-for-service system account for 77% of total program expenditures, and managed care 23%.

Besides the obvious interest in promoting cost savings in the Medi-Cal program, the State also pointed to the ability of Medi-Cal managed care plans to provide better access to and quality of care to Medi-Cal beneficiaries. In analyzing the Governor's proposal, the non partisan Legislative Analyst Office provided the following observations:

“During its period of steady expansion over the past decade, Medi-Cal managed care has proven to offer some significant advantages over fee-for-service coverage in regard to coordination of patient care, quality and access to care, and containment of program costs”

“Under program rules, Medi-Cal patients enrolled in managed care must be ensured access to a network of primary care and specialist health care providers. Health plans licensed by the state are required to comply with various state standards to ensure timely patient access to care. Federal law further requires that Medicaid managed care plans take specific steps to help potential enrollees in Medicaid to understand their health care benefits.”

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Much of the Governor's proposed Medi-Cal redesign is still considered controversial and has met stiff resistance in the state Legislature – with one exception. The State Legislature has specifically authorized expansion of existing County Organized Health Systems (including SBRHA) into neighboring counties. Further, the Administration has specifically targeted San Luis Obispo County as one of the larger remaining fee-for-service counties that could most readily partner with an existing County Organized Health System.

San Luis Obispo County Review

San Luis Obispo County is fully aware of both the Administration's desire to have it partner with a County Organized Health System (specifically the Health Authority) as well as the converse potential to have another type of organized delivery system otherwise mandated upon it. Therefore, in the spring of 2005, the County created a Managed Care Medi-Cal Advisory Committee to make recommendations to the County Board of Supervisors as to the most preferable course of action for the County to take in relation to the establishment of an organized Medi-Cal delivery system. This Advisory Committee was composed of County officials, local physician and hospital providers and member advocates. The Committee met every three weeks for approximately six months and explored all available options in relation to the best course for San Luis Obispo County to pursue. At the conclusion of this effort the Director of the SLO County Health Services Agency (and Chair of the Committee) recommended the following to the SLO County Board of Supervisors:

“It is recommended that the Board direct the Health Agency Director and County Administrative Office to begin the negotiation process for implementation of a County Organized Health System (COHS) with the Santa Barbara Regional Health Authority (SBRHA).”

“With the establishment of a COHS, the primary care providers (physicians, specialists) would favor local offices to address their questions and concerns. Under this structure, they would receive assistance with member issues such as dealing with difficult patients, or addressing eligibility problems. The plans also provide extensive training to the providers and employ an automated eligibility system designed specifically for Medi-Cal Managed Care patients.

Also, the specialists would receive the same responsiveness, assistance, and training under a COHS. Because of primary care physician availability, the numbers of referrals that go to a specialist would be reduced based on the experience of the two adjacent COHS's. In essence, the primary care physicians triage the patients so only those requiring a higher level of care are referred on to the specialists. Additionally, the COHS approves Treatment Authorization Requests (TARs) in a more timely manner, from 10 days down to between one and three days. The specialist therefore gets timely notification on whether they will be paid for the services being requested. Specifically, the rate which physicians are compensated at is 120% of the Medi-Cal rate and some specialists receive higher rates based on the availability of service.

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Hospitals receive many of the same benefits addressed above. They appreciate the responsiveness, assistance, and training they receive from the plans. The hospitals have a close working relationship with utilization management staff and receive faster TAR processing than from the State. The rates that the hospitals are paid are greater than the California Medical Assistance Commission (CMAC) amount.”

On December 13, 2005, the SLO County Board of Supervisors accepted the Advisory Committee’s recommendation.

Benefits to Santa Barbara Health Authority and San Luis Obispo County

For any partnership to be truly successful, it must serve the interests of all parties involved – in this instance SLO County, SB County and the Health Authority itself. The above reference from the SLO Managed Care Advisory Committee adequately summarizes the advantages to SLO County in partnering in a regional COHS. For Santa Barbara County, it would serve to expand the health care safety net to include a greater number of physicians, hospitals, pharmacies and ancillary providers available to provide services to SB County residents irrespective of the County line. Further, the flow of people and commerce across the SB/SLO county line has traditionally been heavy. Therefore expanding and fully integrating the health care safety net in this area would provide for its greater effectiveness and efficiency, as well as the ability to better serve residents of both counties. For the Santa Barbara Regional Health Authority, there is a need to mature as an organization, expand its mission, and diversify its resources to ensure its long term viability. There is also a natural pull on the Health Authority to move in the direction of SLO County to fulfill its mission of serving the community – as a vacuum currently exists in SLO County in relation to the organized delivery of publicly-sponsored health care programs. For example, the Health Authority has traditionally had a number of contracted providers in SLO County to provide better access to northern SB County Medi-Cal beneficiaries. Further, the Health Authority recently implemented a Healthy Kids programs in SLO County (providing health coverage to previously uninsured low income children) to meet a significant community need (SB County also has a Health Kids program). SLO County had no other delivery options available to serve this population as commercial health plans have no interest in such a small number of covered lives.

An Efficient Use of Resources

The current climate of limited public resources to match obligations necessitates that the value of each taxpayer dollar be maximized to the greatest extent possible. A regional administration of the Medi-Cal program is one way to achieve greater economies of scale, avoid duplication of services, and eliminate artificial barriers raised by political boundaries.

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The incorporation of Santa Barbara and San Luis Obispo counties into a single region for the purposes of Medi-Cal administration has several financial advantages, including, but not limited to:

- The entire COHS program is already in place and time tested, so a viable managed care program would not have to be developed from scratch in SLO County.
- The infrastructure of the centralized program functions are already in place (IT, Finance), and the costs of expanding capacity would be reasonable.
- Adding San Luis Obispo County's Medi-Cal population to Santa Barbara County's Medi-Cal population would make the region's total approximately 80,000. This larger population would allow the program's financial risk to be spread more effectively.
- A large service area and financial base would provide a regional plan with significant leverage in contracting with vendors for support services (banking, equipment, etc.).

Next Steps

If all three bodies (SB BOS, SLO BOS, SBRHA BOD) approve of the formation of a SB/SLO Regional Health Authority, then legislation would be drafted to make the required changes in state law. The draft legislation would be reviewed and approved by both county counsels. This legislation would then be introduced in January 2007. If this legislation was passed and signed by the Governor, official implantation of a SB/SLO Regional Health Authority would take place January 1, 2008.

It should be again noted that the power to dissolve the Health Authority would remain the sole province of the SB County Board of Supervisors. (SLO County could conceivably dissolve its partnership with Santa Barbara County and the Health Authority, but not dissolve the Health Authority itself). It should also be noted that if a partnership between SB and SLO counties were formed and then later dissolved, all assets of the Health Authority prior to the implementation date of the partnership would fully remain with the Health Authority.

A Proposed composition of SB/SLO RHA Board of Directors

SB County appointees:

- 1 Member of Board of Supervisors
- 2 Local government representatives
- 1 Physician
- 1 Hospital Administrator
- 1 Medi-Cal Beneficiary
- 1 Non-Physician Medi-Cal provider
- 1 Business representative not affiliated with Health Care

SLO County appointees:

- 1 Member of Board of Supervisors
- 1 Local government representative
- 1 Physician
- 1 Hospital Administrator
- 1 Medi-Cal Beneficiary

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Performance Measures:

N/A

Fiscal and Facilities Impacts:

Budgeted: Yes No

Fiscal Analysis:

Narrative: There are no fiscal impacts to the County associated with this resolution.

Staffing Impact(s):

Legal Positions:

0

FTEs:

0

Special Instructions:

None

Attachments:

Resolution Authorizing Expansion of the Santa Barbara Regional Health Authority into San Luis Obispo County

Authored by:

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cc:

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