

# SANTA BARBARA COUNTY BOARD AGENDA LETTER



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

**Agenda Number:**  
**Prepared on:** 3/13/06  
**Department Name:** Public Health  
**Department No.:** 041  
**Agenda Date:** 4/4/06  
**Placement:** Departmental  
**Estimate Time:** 15 minutes – 05/02/06  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

**FROM:** Elliot Schulman, MD, MPH, Director and Health Officer  
Public Health Department

**STAFF CONTACT:** Carol Millage, PharmD, 681-5164  
Pharmacy Director

**SUBJECT:** Pharmacy Program Fee Schedule

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## **Recommendation(s):**

That the Board of Supervisors:

Set Hearing on May 2, 2006 for 15 minutes to consider the Public Health Department Pharmacy program sliding fee schedule for prescriptions, as follows:

- A. Adopt a Fee Resolution implementing the Public Health Department Pharmacy Usual and Customary fees and the Public Health Department Pharmacy Sliding Scale Fees effective June 1, 2006.
- B. Authorize the Department to automatically adjust the Public Health Department Sliding Scale Fees to conform to the Federal Poverty level when future changes are made.

## **Alignment with Board Strategic Plan:**

Goal #1: An Efficient Government Able to Respond Effectively to the Needs of the Community.

Goal #2: A Safe and Healthy Community in Which to Live, Work, and Visit.

**Executive Summary and Discussion:** The Public Health Department (PHD) is requesting that the Board set a hearing to consider revisions to the fee resolutions for patient prescription services provided by its Pharmacy Programs.

## Background

Effective January 1, 2006, the Public Health Department's Pharmacy Program participated in the Medicare-Part D prescription program. Public Health Department patients want the Pharmacy Programs to contract with the 47 Medicare prescription plans because it provides a continuity of care to have the pharmacy provider and the medical provider working as a team to provide quality medical care. This also allows the patient the convenience of being able to pick up their prescriptions after their doctor's appointment. Many patients contacted the Pharmacy Programs before and after January 1, 2006 to indicate their need for the Public Health Department Pharmacy Programs to continue to provide medications by contracting with Medicare Plans.

In order to continue to offer patients affordable medications and accept Medicare contract, the prescription fee schedule needs to be updated to reflect a “Sliding Scale Fee” and a “Usual and Customary” price.

The contracts for Medicare require that the contracting pharmacy bill Medicare at the lowest price, either the contracted Medicare price or the entity’s Usual and Customary price. In addition, as a safety net provider, the PHD is obligated to provide services to the indigent regardless of ability to pay. In order to ensure access to pharmaceuticals, the Public Health Department offers discounts to uninsured patients who are able to pay in cash at the time of service. Therefore, a conflict arose with the Medicare contracts because:

- Without a Sliding Scale Fee and a Usual and Customary fee in place, the County would not be able to offer the discounts to the indigent patients *and* take Medicare contracts,
- Because the PHD would also have to offer Medicare the Department’s discounted rates if the Sliding Scale fee is not differentiated from the Usual and Customary fee.

The overwhelming majority of the Part D prescriptions were previously covered under Medi-Cal contracts for dual eligible patients (patients that are eligible for both Medi-Cal and Medicare). These patients are now required to get their prescriptions through the Medicare Part D Pharmacy Benefit managers. The loss of revenue that shifted from Medi-Cal to Medicare would be significant if the County didn’t participate in the Medicare Part D Programs. The Medicare revenue is very important and needs to be used to offset the loss of Medi-Cal revenues and, if adequate, to offset the losses that are generated by MIA (Medically Indigent Adults) and homeless patients.

Therefore, the Board is requested to set a Usual and Customary price that will maximize Medicare reimbursement and also propose to set a Sliding Fee scale to preserve Pharmacy cash discounts to indigent patients. To this end, it is recommended that the “Sliding Scale Fee” be published for patients according to financial status. Publishing the fees will differentiate between the “Usual and Customary Price” versus the “Sliding Scale Fee” set for the indigent patients of Santa Barbara County. This will allow the County of Santa Barbara Public Health Department continue to provide services for the dual eligible Medi-Cal/ Medicare patients, as well as continue to offer substantial savings to indigent, uninsured patients.

The calculations and policies and procedures regarding the Usual and Customary fee and the Sliding Fee scale have been reviewed and approved as to form, methodology, and reasonableness of assumptions by the Auditor-Controller’s office.

Current Request

The resolution before the Board represents a “Sliding Scale Fee” and the “Usual and Customary Fee:”

**1. PHD Pharmacy Usual and Customary fees**

Usual and Customary (U&C): AWP (Average Wholesale Price) – 12 % +12.00 DP (Dispensing Fee)

**2. PHD Pharmacy Sliding Scale Fees.**

- Financial Class 1a: Cost + 9% + \$12.00 Dispensing Fee
- Financial Class B: Cost + 6% + \$12.00 Dispensing Fee
- Financial Class C: Cost + 3% + \$12.00 Dispensing Fee
- Financial Class D: Cost + \$12.00 Dispensing Fee

**Current Financial Classes are illustrated in the chart below:**

Family Size	% Of Poverty: Discount	0-100% 50%	100-200% 30%	200-250% 10%	Over 250% None	250-500% None
People in Family Unit		<b>D Step</b> Monthly	<b>C Step</b> Monthly	<b>B Step</b> Monthly		<b>1a</b> Monthly
1		798	799 - 1,595	1,596 - 1,994	1,995	
2		1,069	1,070 - 2,138	2,139 - 2,674	2,675	
3		1,341	1,342 - 2,682	2,683 - 3,352	3,353	
4		1,613	1,614 - 3,225	3,226 - 4,032	4,033	
5		1,884	1,885 - 3,768	3,769 - 4,710	4,711	
6		2,156	2,157 - 4,312	4,313 - 5,391	5,392	
7		2,428	2,429 - 4,855	4,856 - 6,069	6,070	
8		2,699	2,700 - 5,398	5,399 - 6,749	6,750	
9		2,971	2,972 - 5,942	5,943 - 7,427	7,428	
10		3,243	3,244 - 6,485	6,486 - 8,107	8,108	
For family units with more than 10 add \$272 to sliding scale D Step for each additional person.						

The Board is request to authorize the Department to automatically adjust the Public Health Department Sliding Scale Fees to conform to the Federal Poverty level when future changes are made.

**Fiscal Impact:** Adoption of these actions will not increase the use of general fund by the Public Health Department. In fact, the proposal to establish a Usual and Customary fee at a reasonable basis for insured patients and then provide for sliding scale discounts for the uninsured should align the department’s efforts at revenue maximization with the Department’s mission to provide care for the indigent. In addition, although the department is interested in contracting with as many Medicare Part D carriers as possible for continuity of medical care and patient convenience, it also has the fiscal impact of retaining these Medicare revenues in the department to help cover the costs of the pharmacy operations. Prior to the implementation of Medicare Part D, the amount of revenue that the department received from the dually eligible Medi-Cal/Medicare population was approximately \$700,000. Without these Medicare Part D contracts in place, these patients would use outside pharmacies for their prescriptions. Because the revenue received from these contracts is higher than the costs of the pharmaceuticals, it is estimated that the department may lose between \$200,000 to \$300,000 in revenues that covered the fixed costs of the pharmacy due to the migration of some Medicare patients to outside pharmacies. It is hoped that these patients will return as the department gets more Part D contracts in place.

Also, although the department is hopeful that cash collections from self-pay patients will improve by providing the sliding fee scale cash discount, the amount of additional revenue generated is conservatively estimated at approximately \$25,000 annually.

There are no facilities impacts.

**Special Instructions:** Publish the attached legal notice in a newspaper of general circulation in Santa Barbara County 10 days prior to the hearing and again 5 days prior to the hearing.

Please return one full executed copy of the resolution along with a copy of the minute order to PHD Contracts Unit, 300 North San Antonio Road, Building 8, Santa Barbara, CA 93110 Attention: Margaret Granger (805) 681-5367.

**Concurrence:** None required.