

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: 10-06-09  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: 4/5

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**TO:** Board of Supervisors

**FROM:** Department Michele Mickiewicz, MPH, Interim Director  
Director(s) Public Health Department  
Contact Info: Suzanne Jacobson, Chief Financial Officer, 681-5183

**SUBJECT:** **Agreement with CenCal and Hospital Entities for an Intergovernmental Transfer of Local Public Funds (Provided by the Tobacco Master Settlement Agreement)**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** RISK MGMT

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

Consider recommendations regarding the Agreement with CenCal and Hospital Entities for an Intergovernmental Transfer of Local Public Funds, as follows:

- a) Approve and authorize the Chair to execute the Intergovernmental Transfer Agreement regarding the transfer of public funds (provided by the Tobacco Master Settlement Agreement) between the County of Santa Barbara and the State of California Department of Health Care Services for Fiscal Year 2009-10.
- b) Approve and authorize Public Health Department Director to execute an Agreement by and between the County of Santa Barbara, Public Health Department, CenCal Health, Cottage Health System, Catholic Healthcare West, and Lompoc Valley Medical Center for the use of the funds provided by the Intergovernmental Transfer Agreement for Fiscal Year 2009-10.
- c) Approve Budget Revision Request # BJE 0000468 to amend the Fiscal Year 2009-10 Tobacco Settlement budget to allow for the transfer of the Hospital and Emergency Department Tobacco Settlement allocation to the State Department of Health Care Services instead of to the hospital entities.

**Summary Text:**

Due to state funding and budget challenges, and at the suggestion of the California State Department of Health Care Services (DHCS), CenCal Health (CenCal) approached the Public Health Department (PHD) with the proposal for an Intergovernmental Transfer or "IGT". DHCS made this suggestion after being approached by CenCal for additional funding to raise inpatient hospital rates to area hospitals. Although the state was unable to provide additional state funds to CenCal, they are in a unique position to be able to act as a conduit to provide additional federal funding. Therefore, this IGT is a means to accomplish both ends: 1) access additional federal funding because no additional state funds are available and 2) provide enhanced (federal) funding for the increase of Medi-Cal inpatient hospital rates. These rates are paid by CenCal for the services provided to Medi-Cal eligible patients that are hospitalized at the area hospitals operated by Cottage Health System, Catholic Healthcare West (Marian Medical Center), and Lompoc Valley Medical Center.

An IGT is an elective transfer of eligible unmatched local funds to the State Department Health Care Services in support of the Medi-Cal program and in accordance with Section 14164 of the Welfare and Institutions Code. If the state accepts the transfer, they shall obtain Federal Financial Participation (FFP) to the full extent permitted by federal law. Since these funds must be used in support of the Medi-Cal program, the original and matched funds must be returned to the local County Organized Health System Medi-Cal intermediary: CenCal. As mentioned earlier, CenCal will use the funds to increase inpatient rates for the area acute care hospitals. The hospitals assert that they currently provide care for reimbursement that is less than their costs for the Medi-Cal patients that they serve. The IGT will assist them in covering more of their costs.

In researching the availability of eligible local funds that could be used for an IGT, the use of local Tobacco Settlement (TS) funds was identified. Since 2000, the Board of Supervisors has allocated the funds received from the Master Settlement Agreement between the States and the Tobacco Companies to *health needs*. A portion of the annual TS funds have historically been allocated in set amounts to the area acute care hospitals for reimbursement of a portion of their care to the indigent and uninsured. The hospitals currently submit uniform billing documents to support the amount of care that they provide to the uninsured and to substantiate the amount of TS funding that they receive. The FY 2009-10 budgeted allocation from the TS funds is \$908,214.

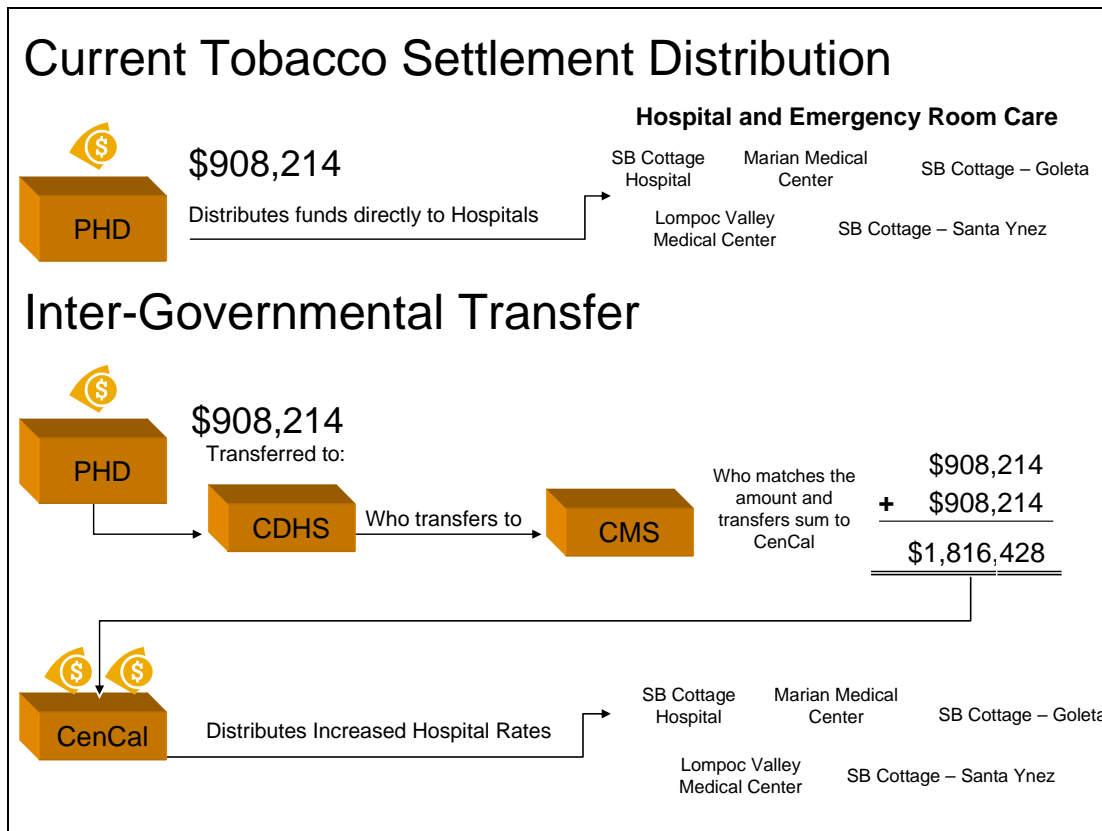
The opportunity to participate in an IGT and use these funds in a new way will allow for the leveraging of local dollars to increase the amount made available for local hospitals to continue to care for both the Medi-Cal eligible and uninsured populations of the County. The hospitals will continue to provide their set amount of care to the uninsured in order to receive their TS funds and instead of receiving reimbursement out of TS funds, they will receive much higher reimbursement for their care to Medi-Cal eligible patients. The hospitals are supportive of the agreement and feel that this is a positive partnership to get more funding into the local system for medical care.

By adopting the first recommendation, the County shall enter into an IGT Agreement regarding the transfer of public funds with the DHCS, pursuant to Section 14164 of the Welfare & Institutions Code. For this purpose, the PHD has identified the eligible amount of \$908,214 of TS funds currently allocated to area acute care hospitals. After review and approval by the Federal Center for Medicare and Medicaid (CMS), DHCS will seek federal matching fund participation in the amount of \$908,214 as additional supplemental funding for the Term of the Agreement. CenCal has determined that these

funds do qualify for enhanced federal matching under the American Recovery and Reinvestment Act (ARRA). The total amount projected to be returned to CenCal is \$1,816,428, however this figure could be higher if the funds are matched at the maximum allowed rate of 61.59%. The IGT agreement is clear to allow for the federal match “at the maximum allowable by law”, so that any ARRA funding could be maximized and passed through to the hospitals.

By adopting the second recommendation, the County shall enter into a five-way Hospital Services Funding Agreement with all parties (CenCal and the three local area hospital entities) to set terms and conditions regarding the use of IGT funds. This second agreement clarifies the roles and responsibilities of all of the entities and it will be reviewed and approved by DHCS and CMS prior to the release of any funding.

The following diagram illustrates the current use of, and the proposed new IGT use of, TS funds to still meet the spirit of the TS allocation (for uninsured care) and to allow for higher hospital inpatient Medi-Cal rates:



The Hospital Services Funding Agreement outlines the allocation methodologies for both the local Tobacco Settlement funds and the enhanced federal match funds. Both streams of funding will be used to supplement the per diem inpatient rates paid to the hospitals for services provided to CenCal members during the term. Each hospital shall be allocated a portion of the federal funds based on the total annual number of CenCal member bed days for each hospital as calculated by CenCal Health. The local Tobacco Settlement funds will be allocated to the rate supplement in the percentages already used and accepted by the hospitals. The hospitals will still be required to provide (and submit claim forms for) a

commensurate amount of care to the uninsured as required as a provision of the receipt of Tobacco Settlement funds. Because the TS funds will now be sent directly to DHCS, instead of being paid directly to the hospitals, a Budget Revision Request will be necessary to amend the adopted Fiscal Year 2009-10 TS budget to allow for this direct payment.

**Background**

Since 1983, CenCal Health, the Medi-Cal managed care plan for Santa Barbara County, has entered into a contract with DHCS to arrange and pay for the provision of covered health care items and services to Medi-Cal eligible beneficiaries residing in Santa Barbara County. The hospital entities: Cottage Health System, Catholic Healthcare West, and Lompoc Valley Medical Center, are party to several Service Agreements with CenCal Health wherein the hospitals provide CenCal members clinical and other medical care covered by Medi-Cal, at rates specified in the Agreements.

The County and the hospitals are parties to Agreements for which the County provides annual hospital and emergency room funding for each of the hospitals using Tobacco Settlement funds. These funds are provided in exchange for the hospitals' commitments to use Tobacco Settlement funds to provide care to medically uninsured County residents.

**Performance Measure:**

1. Provide an estimated 500 patient days using Medi-Cal per-diem rates for hospital inpatient care for adults and children who are uninsured and not eligible for publicly-funded programs.
2. Provide outpatient hospital services to 200 unduplicated patients who are uninsured, indigent, and not eligible for publicly-funded programs.

**Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

The recommended agreements will generate additional Medi-Cal revenue in the amount of \$1,816,428 to CenCal Health that will be used to increase area hospital inpatient Medi-Cal rates.

**Staffing Impacts:**

There are no staffing impacts as a result of this action.

**Special Instructions:**

Please return two (2) original signatures of the executed Agreement between County of Santa Barbara and Department of Health Care Services to PHD Contracts Unit, 300 North San Antonio Road, Bldg 8, Santa Barbara, CA 93110. Please return one (1) certified Minute Order to the PHD Contracts Unit.

**Attachments:**

1. Agreement between County of Santa Barbara and the California Department of Health Care Services for Intergovernmental Transfer
2. Budget Revision Request # BJE 0000468
3. Agreement between County of Santa Barbara, Public Health Department and Hospital Entities for Hospital Services Funding

**Authored by:**

Suzanne Jacobson, Chief Financial Officer