



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: March 06, 2012  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Takashi Wada, MD, MPH, Director and Health Officer, Public  
Director(s) Health Department  
Contact Info: Dan Reid, Assistant Deputy Director, 681-5173

**SUBJECT: CenCal Health Systems Provider Agreement First Amendment**

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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management

As to form: Yes

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As to form: Yes

**Recommended Actions:**

- a) Approve and authorize the Chair to execute a First Amendment to the Physician Services Provider Agreement [for] Federally Qualified Health Center with CenCal Health for payment of revised fees for healthcare services rendered to Medi-Cal members who are the responsibility of CenCal Health.
- b) Determine that these activities are exempt from California Environmental Quality Act review per CEQA Guideline Section 15061(b)(3), since it can be seen with certainty that there is no possibility that the activities may have a significant effect on the environment.

**Summary Text:**

This item is on the Agenda for execution of a First Amendment to the Provider Agreement between CenCal Health and the County. CenCal Health Systems is authorized as the local Medi-Cal fiscal intermediary for Santa Barbara and San Luis Obispo counties. The Physician Service Provider Agreement was recently executed by your Board on January 10, 2012. This Amendment replaces Exhibit A, Attachment A-2 to establish new capitation rates for CenCal patients paid to the Public Health Department (PHD).

**Background:**

PHD and CenCal Health recently completed a lengthy negotiation period and executed a new Physician Services Provider Agreement effective January 1, 2012. During these negotiations, the State of California, approved Assembly Bill 97 (AB 97) in March 2011 which significantly modified the Medi-Cal program. In October 2011, the Centers for Medicare & Medicaid Services (CMS) approved the State of California Medi-Cal program changes included in AB 97 and authorized capitation rate reductions of 10% for Medi-Cal managed patients. On January 18, 2012, the CenCal Health Systems Board authorized these State imposed capitation rate reductions and directed their staff to incorporate these new rates into existing provider agreements. Authorization by your Board will amend the current Agreement to replace Exhibit A, Attachment A-2 with these new rates.

Under current State law, Federally Qualified Health Centers (FQHCs) in California are guaranteed their prospective payment system (PPS) rates for services provided to their Medi-Cal patients. These reductions approved in AB97 for Medi-Cal patients do not impact these PPS rates for FQHCs. Currently, the CenCal Health System capitation rates for CenCal patients for provided medical services at the PHD are lower than the State FQHC PPS rates. As a result, PHD is able to invoice the State of California Medi-Cal program for the difference between the CenCal capitation rate and its FQHC PPS rate. As a result, although this First Amendment incorporates a 10% reduction in capitation rates paid by CenCal Health to PHD for CenCal patient services, the net revenue loss to PHD is essentially zero as PHD has the ability to be made whole by invoicing the State of California Medi-Cal program for this loss in revenue up to our existing FQHC rate which has not been altered by AB 97.

**Performance Measure:**

N/A

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:** Approval of this contract will not impact the total amount of Medi-Cal revenue generated and received by the Public Health Department. Although PHD's primary care capitation revenues received from CenCal Health will be reduced by 10%, PHD will be able to bill the State Medi-Cal program for the difference, estimated at approximately \$100,000.

**Staffing Impacts:**

There are no staffing impacts associated with this Agreement Amendment.

**Special Instructions:**

Please execute two (2) original Agreement Amendments and retain one original Amendment and one Minute Order for pick up by PHD. Please email Rose Davis when available for pickup.

**Attachments:**

CenCal Health Systems Physician Provider Agreement First Amendment

**Authored by:**

Dan Reid, Assistance Deputy Director, PHD Primary Care and Family Health, 681-5173