



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: January 7, 2014
Placement: Admin
Estimated Tme:
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, Chief Financial Officer, Public Health
Department 681-5183
SUBJECT: Affordable Care Act: Final Adoption of 60/40 Formula Choice for Realignment
Redirection

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: N/A

Recommended Actions:

That the Board of Supervisors consider the following recommendations:

- a) Approve and adopt the attached Resolution declaring to the State of California, by the established deadline of January 22, 2014, that Santa Barbara County intends to utilize the 60/40 Formula for determining the amount of the 1991 Health Realignment redirection.
- b) Determine that these activities are exempt from California Environmental Quality Act review per CEQA Guideline Section 15378(b)(4), since the recommended actions are government fiscal activities which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

The Public Health Department (PHD) continues to face great change and unique challenges as a result of the ACA and its effect on the Governor's approved FY 2013-14 State Budget. This report provides a follow up to the *Affordable Care Act (ACA) and State Budget Actions Implications for the Public Health Department* report brought before your Board on September 17, 2013, specifically for the purpose of satisfying the State's requirement that a final option, declared via Resolution, be chosen regarding the redirection of 1991 Health Realignment for Santa Barbara County.

The redirection of 1991 Health Realignment, even with the implementation of the ACA benefit expansions, is anticipated to increase the PHD's budget gap. PHD continues to look at alternatives and strategies for effective budget gap mitigation.

Background:

The Governor's approved FY 2013-14 Budget made statutory changes to implement the ACA in California. The significant elements of the State's actions are:

- Establish a new Medi-Cal benefit package for the expanded ACA population;
- Simplify the eligibility, enrollment, and renewal processes for all Medi-Cal;
- Modify the 1991 Health Realignment funding structure, redirecting \$300 million to the State in FY 2013-14, of which Santa Barbara County's share of this reduction of funds will be approximately \$2.3 million;
- Implement an option for Santa Barbara County for FY 2013-14 and following years for the amount of Realignment redirection based either as a *60/40 Formula* or a *Savings Share Formula*.

Final Choice and Resolution for Realignment Redirection

The decision by Santa Barbara County (made on September 17, 2013) to tentatively select the 60/40 Formula to determine the amount of 1991 Health Realignment redirected to the State, was communicated to the State Department of Health Care Services (DHCS) by the deadline of November 1, 2013. In the meantime, due diligence has continued on the analysis of the Savings Share Formula versus the 60/40 Formula in order to ensure that the final decision is communicated to DHCS by the deadline of January 22, 2014 pursuant to Welfare and Institutions Code (WIC) section 17600.50(b).

Given the known issues with the Savings Share Formula, the general risk and uncertainty inherent in its lengthy true-up and audit process, and the potential for unfavorable policy changes in the future, PHD is recommending final adoption of the 60/40 Formula as it provides greater budgetary certainty and flexibility. Three of the other five clinic counties (these are counties that still run clinics, although they don't run public hospitals – there are six in total), have all taken Board action to tentatively select the 60/40 Formula: Sacramento, Stanislaus, and Placer counties. Yolo and the other County Medical Services Program (CMSP) counties (34 in total) have also opted for the 60/40 Formula.

The final choice of the 60/40 Formula is estimated to redirect approximately \$2.3 million in FY 2013-14 and \$7.3 million in FY 2014-15 ongoing, of an anticipated \$10.5 million currently received. A preliminary projection on the amount of new Medi-Cal that can be generated to offset the loss of Realignment and the cost avoidance from the greatly reduced WIC Section 17000 obligation is approximately \$4.3 million, leaving an approximate \$2.9 million budget gap, for the implementation of the ACA specifically, for FY 2014-15.

ACA Budget Gap Mitigation Actions/Strategies

Beyond the known loss of 1991 Health Realignment revenue, the total financial impact of the ACA is unknown. PHD has made preliminary projections of new Medi-Cal revenues and cost-avoidance in the Medically Indigent Adults (MIA) program based on estimates of new enrollees in the benefit expansion programs and anticipated changes to the number of MIAs:

	FY 13-14	FY 14-15
Projected Loss of 1991 Health Realignment	(\$2,385,000)	(\$7,271,000)
Projected Revenue from <i>New</i> Medi-Cal Patients	\$334,000	\$2,056,000
Cost Avoidance From Decrease in MIA Obligation	\$300,000	\$2,250,000
Total Projected Deficit from ACA/AB85	(\$1,751,000)	(\$2,965,000)

The table above uses the PHD's original projections of gaining new Medi-Cal enrollees in the total amount of 3,000 over the period of 1/1/2014 to 6/30/2016. Thus, for FY 2013-14, 640 new enrolled Medi-Cal patients are projected, growing to 1,967 by the end of FY 2014-15. As the table indicates, the number of new enrollees at 3,000 is inadequate to cover the projected loss of 1991 Health Realignment - even with some cost prevention measures already underway. Therefore, the PHD has a broader target of 6,000 new enrollees that it is working toward. However, because of the continuing number of unknowns and highly publicized delays in the enrollment of individuals into programs, the original projections will continue to be used until the data supports increasing those projections. New reports have been developed to track the number of Medi-Cal patients gained monthly versus the number who remain uninsured. These reports will also detail PHD's efforts and success at increasing the number of patients with health coverage, while decreasing the number of indigent and uninsured.

PHD was already in the process of working to mitigate a structural deficit (as outlined in the FY 2013-15 budget process) in the amount of approximately \$1.5 million for FY 2013-14 (approximately \$2.8 million projected for FY 2014-15). As a result, the additional impacts outlined above have been a catalyst in the development and implementation of strategies and actions to maximize the new opportunities under the ACA in order to maintain a sufficient population of Medi-Cal patients to cover our costs.

The key to ensuring that our Medi-Cal revenues are sustained and optimized is to maintain our current level of Medi-Cal patients, as well as enroll and see high numbers of the newly-eligible. PHD sees this as a very high priority and as such is taking the following steps:

- Leading aggressive outreach and enrollment efforts to currently indigent and uninsured County Health Care Center patients in order to get them connected to a program;
- Working closely with CenCal Health on the assignment of the County Health Care Centers as the medical home for those newly Medi-Cal eligible members that are already being seen by the County as indigent and uninsured patients;
- Developing a *Benefits Center* to work with patients and lead retention efforts to ensure that patients remain continually enrolled in programs;
- Working with the Department of Social Services to outstation eligibility workers at all County Health Care Centers.

While these strategies are important financially for PHD, they are also essential to the continuity of care to our patients.

In addition, PHD continues to analyze and pursue other actions, for the current year and as part of the FY 2014-16 Recommended Budget preparation process, that involve:

- Increasing revenue where possible and appropriate;
- Reassessing non-mandated programs and service levels;
- Pursuing program streamlining and reorganizing;
- Assessing savings and efficiencies with greatly reduced WIC Section 17000/Medically Indigent Adult (MIA) obligation.

Uncertainties Moving Forward

PHD remains very concerned about the “residually uninsured” population which will include undocumented residents and possibly those individuals who choose not to enroll in any program or purchase insurance. Because of the federal requirement to see all patients that present regardless of the ability to pay in our Federally Qualified Health Centers, PHD has a particular exposure of risk for seeing a disproportionate share of the residually uninsured for which funding has been greatly reduced through the Realignment redirection.

PHD will continue to monitor and assess all aspects of pending ACA changes on its patients, Health Care Centers and service providers, and its finances.

Fiscal and Facilities Impacts:

Staff continue to analyze and monitor the implications of the State’s implementation of the ACA in order to understand and develop specific actions for mitigating the existing and anticipated budget deficits of approximately \$1.8 million for FY 2013-14 and \$3 million for FY 2014-15 and ongoing, as a result of the 1991 Health Realignment redirection.

Special Instructions:

Please retain one certified Minute Order and one adopted original Resolution for immediate pick-up. Email PHDCU@SBCPHD.ORG immediately upon availability for submission to the State by the 1/22/2014 deadline.

Attachments:

Resolution

Authored by:

Suzanne Jacobson, Chief Financial Officer