File No. 120630

Committee Item No. 7
Board Item No. 29

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Sub-Committee Date 7/18/12

Board of Supervisors Meeting Date 7/31/12

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Completed by: Victor Young Date July 13, 2012
Completed by: Victor Young Date

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

Amendment of the Whole
in Committee. 7/18/12

FILE NO. 120630 RESOLUTION NO.

[Contract between the Department of Public Health and the San Francisco Community Health Authority to Provide Provider Payment Services for the Healthy San Francisco Program - $30,940,000]

Resolution retroactively authorizing the Director of Public Health and the Director of the Office of Contract Administration/Purchaser to contract with the San Francisco Community Health Authority to provide Provider Payment services for the Healthy San Francisco Program in an amount not to exceed $30,940,000 for a term of July 1, 2012, through June 30, 2014.

WHEREAS, the Department of Public Health desires to provide payments to non-Department health care providers in the Healthy San Francisco provider network; and

WHEREAS, the Department of Public Health contracts with the San Francisco Community Health Authority to provide such payments; and

WHEREAS, the amount of said contract exceeds ten million dollars ($10,000,000); and

WHEREAS, Section SEC. 9.118.B of the San Francisco Charter requires that such contracts be approved by the Board of Supervisors; and

WHEREAS, the Department of Public Health has previously entered into a contract with the San Francisco Community Health Authority to perform this service; and

WHEREAS, the Department of Public Health is satisfied with the performance of the San Francisco Community Health Authority in the provision of these services; and

WHEREAS, the San Francisco Community Health Authority Board operates in accordance with the Joint Powers Agreement approved by the Board of Supervisors through Resolution 237-05; now, therefore; be it

RESOLVED, That the Board of Supervisors hereby authorizes the Director of Public Health and the Director of the Office of Contract Administration/Purchaser, on behalf of the City and County of San Francisco, to retroactively contract with the San Francisco Community

Health Authority (commonly referred to as the San Francisco Health Plan) for an amount of $30,940,000 to provide Provider Payment Services under the Healthy San Francisco program for the term of July 1, 2012 though June 30, 2014; a copy of the contract to be placed in the Clerk's file, and be it

FURTHER RESOLVED, That the Department of Public Health submit a report to the Budget and Finance Committee of the Board of Supervisors on the impact of the Affordable Care Act on the Healthy San Francisco Program participation prior to December 31, 2013; and be it

FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director of Public Health and the Director of the Office of Contract Administration/Purchaser to make further amendments to this contract, if needed.

APPROVED:

Barbara Garcia, MPA
Director of Health

APPROVED:

Health Commission

Item 7 File 12-0630	Department: Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a new two-year sole-source agreement between the Department of Public Health (DPH) and the San Francisco Community Health Authority (SFCHA), a nonprofit subsidiary of the San Francisco Health Authority, for provider payment services for the Healthy San Francisco Program. The proposed agreement is for the period from July 1, 2012 through June 30, 2014, in an amount not-to-exceed $31,940,000.

Key Points

- The Healthy San Francisco Program provides universal, comprehensive, affordable health care to residents of San Francisco who are uninsured adults, through a network of nonprofit and for-profit health care clinics and DPH-operated public clinics. The San Francisco Community Health Authority (SFCHA) is a nonprofit organization approved by the Board of Supervisors on March 29, 2005 (File 05-0514) to (a) increase access to health care for low and moderate income San Francisco residents and (b) provide third-party administration of various public health insurance programs to San Francisco residents.
- DPH negotiates monthly per participant rates with for-profit and non-profit health care providers providing health services to Healthy San Francisco Program participants. Monthly payments to providers are based on the negotiated rates and the number of program participants enrolled with each provider. SFCHA pays the program providers on behalf of DPH.
- The Board of Supervisors has previously approved four one-year sole-source agreements to SFCHA for provider payment services. DPH is now requesting retroactive approval of a new fifth agreement between SFCHA and DPH for provider payment services for the two-year period from July 1, 2012 through June 30, 2014, in an amount not-to-exceed $31,940,000.

Fiscal Impact

- Funding for the proposed two-year agreement totals $31,940,000, of which $15,960,790 is included in the DPH FY 2012-13 budget, and $15,979,210 is included in the DPH FY 2013-14 budget. These General Fund expenditures are subject to final appropriation approval by the Board of Supervisors.

Policy Issues

- DPH developed the estimates of participation in Healthy San Francisco for the two-year period from July 1, 2012 through June 30, 2014 assuming no implementation of federal health care reform, pending the Supreme Court's decision on the Affordable Care Act. According to Ms. Brigham, the department is presently researching the impacts of the June 28, 2012 decision by the Supreme Court. Ms. Brigham indicates that the department may see a reduction in Healthy San Francisco participation as newly eligible individuals are transitioned to insurance under Medi-Cal or the new California Health Benefits Exchange as part of the Affordable Care Act implementation. According to Ms. Brigham, as of the writing of this report, DPH is unable to precisely estimate the impact of the Affordable Care Act on Healthy San Francisco Program participation, as there is considerable uncertainty about the timing of the transition for newly-eligible participants that will begin on January 1, 2014.
- Because Healthy San Francisco enrollment may decline in FY 2013-14 when the Affordable Care Act is fully implemented and because the not-to-exceed amount in prior agreements has not been fully expended, the Budget and Legislative Analyst recommends that the agreement not-to-exceed amount be reduced by $1,000,000, from $31,940,000 to $30,940,000. DPH should also submit a report to the Budget and Finance Committee of the Board of Supervisors on the impact of the Affordable Care Act on the Healthy San Francisco Program participation prior to December 31, 2013.

Recommendations

- Amend the proposed resolution for retroactive approval of the proposed agreement between DPH and SFCHA to July 1, 2012.
- Amend the proposed resolution to reduce the agreement not-to-exceed amount by $1,000,000, from $31,940,000 to $30,940,000 to reflect the estimated reduction in participation in FY 2013-14 due to implementation of the Affordable Care Act.
- Approve the proposed resolution as amended.
- Request that DPH submit a report to the Budget and Finance Committee of the Board of Supervisors on the impact of the Affordable Care Act on the Healthy San Francisco Program participation prior to December 31, 2013.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

San Francisco Charter Section 9.118 provides that all agreements of $10,000,000 or more,or for a term greater than ten years, be subject to Board of Supervisors approval.

Background

Healthy San Francisco

The Healthy San Francisco Program, administered by the Department of Public Health (DPH), provides universal, comprehensive, affordable health care to uninsured adults, who are residents of San Francisco, irrespective of the person's employment status, immigration status, or pre-existing medical conditions. The Healthy San Francisco Program defines qualifying adults as being between the ages of 18 and 64, who earn an income less than 500 percent of the Federal Poverty Level. Under the Healthy San Francisco Program, health care services are provided to participants through the participant's chosen "medical home," which functions as the participant's primary health care provider. Medical homes include (a) facilities which are operated directly by DPH, or (b) nonprofit and for-profit health care providers.

San Francisco Community Health Authority

The San Francisco Community Health Authority (SFCHA) is a nonprofit organization, previously approved by the Board of Supervisors on March 29, 2005 (File 05-0514) to (a) increase access to health care for low and moderate income residents of San Francisco, and (b) provide third-party administration of various City public health insurance programs.[1] The SFCHA serves as the third-party administrator for the Healthy San Francisco Program.

Services Rendered Under Healthy San Francisco by Private Providers

The Healthy San Francisco Program is structured as a public-private partnership because DPH alone does not have the clinical capacity to be the sole provider for all uninsured adults in San Francisco, and because several providers already had relationships with many of the uninsured now receiving care under the program. Since 2008, the program has maintained the same network of DPH and San Francisco Community Clinic Consortium clinics, but has added additional nonprofit and for-profit private providers. Table 1 below summarizes the private providers, consisting of nonprofit and for-profit organizations that offer services for Healthy San Francisco.

[1] According to Ms. Tangerine Brigham, DPH Deputy Director of Health, and Director of Healthy San Francisco, the San Francisco Community Health Authority (SFCHA) is considered a subsidiary of the San Francisco Health Authority, which was created by the Board of Supervisors in 1994, as codified in Chapter 69 of the Administrative Code, to provide third-party administration for various public health programs.

Table 1- Private Providers for Healthy San Francisco

BAART Community HealthCare	Nonprofit
Brown & Toland Physicians Group	For-profit
Chinese Community Health Care Association	Nonprofit
Kaiser Permanente[2]	For-profit
North East Medical Services	Nonprofit
San Francisco Community Clinic Consortium, representing: • Glide Health Services • Haight-Ashbury Free Medical Clinic • Lyon Martin Health Services • Mission Neighborhood Health Center • Native American Health Center • Saint Anthony Free Medical Clinic • South of Market Health Center	Nonprofit
Sister Mary Philippa Clinic	Nonprofit

The number of Healthy San Francisco Program participants receiving services from private providers has increased in each of the program's first three years, and according to Ms. Tangerine Brigham, DPH Deputy Director of Health, and Director of Healthy San Francisco,the increasing share of participants electing private providers as their medical home results from the program's several eligibility expansions while the number of DPH clinics have not increased since 2008. Therefore, the program has accommodated these new participants by adding new private providers.

History of Agreements with SFCHA for Provider Payments

Since July of 2008, DPH has awarded four consecutive one-year sole-source agreements to the SFCHA under which the SFCHA provides payment services for nonprofit and for-profit providers for health care services to Healthy San Francisco participants. According to Ms. Tangerine Brigham, DPH Deputy Director, because SFCHA has been awarded a separate sole-source agreement to serve as the third party administrator for the Healthy San Francisco Program, using a competitive selection Request for Proposals (RFP) process for the agreements to provide provider payment services under the Healthy San Francisco Program, instead of awarding the provision of such services to SFCHA on a sole-source basis, would have been inefficient.

Table 3 below shows the three completed agreements for FY 2008-09 through FY 2010-11. The fourth agreement for FY 2011-12 was for $15,970,000 but DPH does not yet have final expenditure and participation data for this agreement. The expenses incurred under these agreements are General Fund expenses.

[2] Kaiser Permanente includes for-profit and nonprofit entities.

Table 2 – Agreement Amount and Actual Expenditures For Three Completed Agreements

Term	Agreement Budget	Actual Expenditures	Expenditure Surplus	Percent	Actual Participants[1]	Cost per Participant per Month
Jul 1, 2008 to Jun 30, 2009	$7,940,617	$6,683,671	$1,256,946	15.8%	196,369	$34.04
Jul 1, 2009 to Jun 30, 2010	13,306,000	11,516,867	1,789,133	13.4%	305,693	$37.67
Jul 1, 2010 to Jun 30, 2011	15,970,000	14,396,117	1,573,883	9.9%	354,565	$40.60
Total	**$37,216,617**	**$32,596,655**	**$4,619,962**	**12.4%**	**856,627**	**$38.05**

Source: DPH

[1] Months of enrollment with private providers

The proposed resolution authorizes DPH to enter into a fifth consecutive agreement with the SFCHA for provider payments for Healthy San Francisco. The term of the proposed agreement is two years, retroactive from July 1, 2012 through June 30, 2014, in an amount not-to-exceed $31,940,000. According to Ms. Brigham, the department is proposing a two-year agreement to follow the City's two-year budgeting process and in response to input from the Board of Supervisors.

Negotiations with Providers

Healthy San Francisco negotiates a separate monthly per participant rate with each provider based on the array of services they provide. The SFCHA pays the providers based on the negotiated rate for each provider and the number of Healthy San Francisco Program participants enrolled in the provider's clinic for the given month. According to Ms. Brigham, the monthly per participant rates paid to providers are negotiated rates and are based on the range of services provided by each provider and the providers' clinical capacity. The rates are not publicly disclosed consistent with standard practice. According to Ms. Brigham, the agreements with the providers have the same start and end dates as the proposed agreement between DPH and the SFCHA.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize the Director of Public Health to execute a new two-year sole-source agreement between DPH and the SFCHA for Healthy San Francisco provider payment services for the period from July 1, 2012 through June 30, 2014, in an amount not-to-exceed $31,940,000.

The not-to-exceed amount of $31,940,000 for the proposed agreement only covers reimbursements to nonprofit and for-profit health care providers, and does not cover the costs of the Healthy San Francisco Program participants that use the public health care facilities operated by DPH, which are separately funded in the department's annual budget.

FISCAL IMPACTS

The proposed agreement includes funding for:

- Payments to full-service nonprofit and for-profit health care providers which provide a full scope of medical services including specialty care, inpatient services, and pharmacy services to Healthy San Francisco Program participants.
- Payments to limited-service nonprofit and for-profit health care providers which provide only primary and some specialty care to Healthy San Francisco Program participants.
- Funding for additional costs, including:
  - Emergency Medical Transportation by private ambulance;
  - Additional nonprofit and for-profit health providers that may be added during the fiscal year;
  - Increased clinic capacity, as needed; and
  - Potential increased enrollment.

The budget for the proposed two-year agreement of $31,940,000 is shown in Table 3 below:

Table 3 – Agreement Budget

	FY 2012-13	FY 2013-14	Total (not-to-exceed amount)
Full Service Providers	$7,200,000	$7,200,000	$14,400,000
Limited Service Providers	8,024,579	8,042,999	16,067,578
Subtotal Providers	15,224,579	15,242,999	30,467,578
Emergency Medical Transportation	300,000	300,000	600,000
Increase Clinic Capacity	96,211	96,211	192,422
Increased Enrollment	75,000	75,000	150,000
Additional Medical Homes	265,000	265,000	530,000
Subtotal	736,211	736,211	1,472,422
Total Use of Funds	**$15,960,790**	**$15,979,210**	**$31,940,000**

Source: DPH

The source of the payments made by SFCHA to the health providers under the proposed agreement is General Fund monies which are included in the DPH FY 2012-13 and FY 2013-14 budgets, subject to final Board of Supervisors appropriation approval.

POLICY CONSIDERATIONS

Implementation of the Affordable Care Act may impact participation in the Healthy San Francisco Program.

DPH developed the estimates of participation in Healthy San Francisco for the two-year period from July 1, 2012 through June 30, 2014, assuming no implementation of federal health care reform, pending the Supreme Court decision on the Affordable Care Act. According to Ms. Brigham, the department is presently researching the impacts of the June 28, 2012 decision by the Supreme Court.

Ms. Brigham indicates that the department may see a reduction in Healthy San Francisco participation as newly eligible individuals are transitioned to insurance under Medi-Cal or the new California Health Benefits Exchange as part of the Affordable Care Act implementation. According to Ms. Brigham, DPH is unable to precisely estimate the impact of the Affordable Care Act on program participation, as there is considerable uncertainty about the timing of the transition for newly-eligible participants that will begin on January 1, 2014.

Because Healthy San Francisco enrollment may decline in FY 2013-14 when the Affordable Care Act is fully implemented and because the not-to-exceed amount in prior agreements has not been fully expended, the Budget and Legislative Analyst recommends that the agreement not-to-exceed amount be reduced by $1,000,000, from $31,940,000 to $30,940,000.

DPH should also submit a report to the Budget and Finance Committee of the Board of Supervisors on the impact of the Affordable Care Act on the Healthy San Francisco Program participation prior to December 31, 2013.

RECOMMENDATIONS

1. Amend the proposed resolution for retroactive approval of the proposed agreement between DPH and SFCHA to July 1, 2012.

2. Amend the proposed resolution to reduce the agreement not-to-exceed amount by $1,000,000, from $31,940,000 to $30,940,000 to reflect the estimated reduction in participation in FY 2013-14 due to implementation of the Affordable Care Act.

3. Approve the proposed resolution as amended.

4. Request that DPH submit a report to the Budget and Finance Committee of the Board of Supervisors on the impact of the Affordable Care Act on the Healthy San Francisco Program participation prior to December 31, 2013.

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: for Mayor Edwin M. Lee

RE: Contract between the Department of Public Health and the San Francisco Community Health Authority to provide Provider Payment services for the Healthy San Francisco program

DATE: June 5, 2012

Attached for introduction to the Board of Supervisors is the resolution authorizing the Director of Public Health and the Director of the Office of Contract Administration/ Purchaser to contract with the San Francisco Community Health Authority to provide Provider Payment services for the Healthy San Francisco program for the term of July 1, 2012 through June 30, 2014.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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SAN FRANCISCO
2012 JUN -5 PM 2:15
BY

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

City and County of San Francisco
Office of Contract Administration
Purchasing Division
City Hall, Room 430
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4685

Agreement between the City and County of San Francisco and the

SAN FRANCISCO COMMUNITY HEALTH AUTHORITY

This Agreement is made this first day of May , 2012, in the City and County of San Francisco, State of California, by and between: San Francisco Community Health Authority, 201 Third Street, Seventh Floor, San Francisco, CA 94103, hereinafter referred to as "Contractor," and the City and County of San Francisco, a municipal corporation, hereinafter referred to as "City," acting by and through its Director of the Office of Contract Administration or the Director's designated agent, hereinafter referred to as "Purchasing."

Recitals

WHEREAS, the Department of Public Health, Central Administration ("Department") wishes to secure Provider Payment Services for the Healthy San Francisco Program ("Healthy San Francisco Program" or "Program"); and,

WHEREAS, Contractor represents and warrants that it is qualified to perform the services required by City as set forth under this Contract; and,

WHEREAS, approval for this Agreement was obtained when the Civil Service Commission approved Contract number 4113-11/12 on April 16, 2012;

Now, THEREFORE, the parties agree as follows:

1. **Certification of Funds; Budget and Fiscal Provisions; Termination in the Event of Non-Appropriation.** This Agreement is subject to the budget and fiscal provisions of the City's Charter. Charges will accrue only after prior written authorization certified by the Controller, and the amount of City's obligation hereunder shall not at any time exceed the amount certified for the purpose and period stated in such advance authorization. This Agreement will terminate without penalty, liability or expense of any kind to City at the end of any fiscal year if funds are not appropriated for the next succeeding fiscal year. If funds are appropriated for a portion of the fiscal year, this Agreement will terminate, without penalty, liability or expense of any kind at the end of the term for which funds are appropriated. City has no obligation to make appropriations for this Agreement in lieu of appropriations for new or other agreements. City budget decisions are subject to the discretion of the Mayor and the Board of Supervisors. Contractor's assumption of risk of possible non-appropriation is part of the consideration for this Agreement.

THIS SECTION CONTROLS AGAINST ANY AND ALL OTHER PROVISIONS OF THIS AGREEMENT.

** Complete copy of document is located in

File No. 120630

File No. 120630

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL

(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information *(Please print clearly.)*	
Name of City elective officer(s): San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors

Contractor Information *(Please print clearly.)*	
Name of contractor: **San Francisco Community Health Authority**	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract, and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. Please see attached.	
Contractor address: 201 Third Street, 7th Floor, San Francisco, CA 94103	
Date that contract was approved:	Amount of contract: $31,940,000
Describe the nature of the contract that was approved: Provider Payment services for the Healthy San Francisco program	
Comments:	

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form

☑ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board

☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

_____
Print Name of Board

Filer Information *(Please print clearly.)*	
Name of filer: Angela Calvillo, Clerk of the Board, Board of Supervisors	Contact telephone number: (415) 554-5184
Address: Board of Supervisors, City Hall, Room 244	E-mail: Angela Calvillo@sfgov.org

_____ _____
Signature of City Elective Officer (if submitted by City elective officer) Date Signed

_____ _____
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk) Date Signed

Board of Directors:

- **Susan Currin, RN, MS**
  Governing Board Chair
  CEO, San Francisco General Hospital
- **Randall Low, MD**
  Governing Board Vice-Chair
  Participating Provider
- **Reece Fawley**
  Governing Board Secretary & Treasurer
  Executive Director, UCSF Medical Center
- **Maria Luz Torre**
  Parent Voices
  Member Advisory Committee Co-Chair
- **Tracey Faulkner**
  Member Advisory Committee Co-Chair
- **Dale Butler**
  Field Representative, SEIU, United Public Employees Local 790
- **John Gressman**
  CEO, San Francisco Community Clinic Consortium
- **Grant Davies**
  Senior Vice President, California Pacific Medical Center
- **Barbara Garcia**
  Director of the San Francisco Department of Public Health
- **Catherine Waters, RN, Ph.D., FAHA**
  San Francisco Health Commission
- **Steven Fugaro, MD**
  Medical Society
- **Eddie Chan, PharmD**
  President & CEO of North East Medical Services
- **Steve Fields**
  Executive Director, Progress Foundation
- **Edwin Batongbacal**
  Director of Adult and Older Adult Service for the Community Behavioral Health Services
- **Brenda Yee**
  Chief Executive Officer for Chinese Hospital