

LEGISLATIVE DIGEST

[Administrative Code - Department of Public Health Managed Care Contracts]

Ordinance amending the Administrative Code to extend the Board of Supervisors' delegation of authority under Charter, Section 9.118, to the Department of Public Health to approve managed care contracts to include contracts ending on December 31, 2028; and to exclude from the requirement of Controller review those managed care contracts that are based on rates set by the California Department Health Care Services or on actual healthcare delivery costs.

Existing Law

In 2014, the Board of Supervisors delegated authority under Charter Section 9.118, to the Director of Health to enter into managed care contracts where the City will be reimbursed for health care services provided at Department of Public Health ("DPH") facilities by insurance companies and other health care providers. It is anticipated that these reimbursements will exceed one million dollars.

The Controller and DPH conduct analyses of health care services payment rates to ensure that the rates in the DPH contracts are within a reasonable range of the industry standard or that of comparable health systems, and identify opportunities to improve contract terms.

The Director of Health provides quarterly reports to the Health Commission regarding the contracts approved under this ordinance and the aggregate amount of reimbursement and revenue generated, and an annual report to the Mayor and the Board of Supervisors, identifying the contracts approved and the aggregate amount of reimbursement and revenue generated.

The termination date of contracts approved under this section is currently December 31, 2025.

Amendments to Current Law

This amendment excludes from the Controller's Office review of managed care contracts those using rates that are set by the California Department of Health Care Services ("DHCS") (i.e. Medi-Cal rates) because the benchmark used for the rate review are those rates set by DHCS. As such, these Medi-Cal contracts by definition already reflect the DHCS benchmark rates.

This amendment also excludes from the Controller's Office review of managed care contracts those using rates determined by the actual costs of DPH rendering medical and mental health services and San Francisco Health Plan ("SFHP"), plus the latest cost inflator as published by

the Centers for Medicare & Medicaid Services because there is no relevant DHCS benchmark by which to compare these rates.

The termination date of managed care contracts approved under this section is extended to 2028, and the corresponding reporting dates are revised.

Background Information

The Controller's Office has been performing annual rate reviews of DPH contracts under the ordinance since 2016, working with DPH and the City Attorney's Office. Historically, contracts based on Medi-Cal or City-generated rates have been included in scope for rate review. This rate review has included: i) Medi-Cal and Healthy Workers HMO contracts with SFHP, ii) Medi-Cal contracts with Anthem Blue Cross, and iii) Medi-Cal contracts with the Health Plan of San Mateo, which are typically amended annually. The Controller's Office has found that all previous contracts based on Medi-Cal rates have faithfully and accurately presented the DHCS set rates, and DPH was not reimbursed at rates lower than Medi-Cal rates. As such, there is no anticipated risk to ceasing these reviews.

Except for the amendment to the Medi-Cal and Healthy Workers rates proposed and discussed above, all other provisions in Section 21A.3 remain unchanged.