


**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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April 12, 2024

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** April 17, 2024 Budget and Finance Committee Meeting

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<p><b>Item 3</b> <b>File 24-0285</b></p>	<p><b>Department:</b> Department of Public Health (DPH)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would retroactively approve an uncompensated care reimbursement recovery services contract between the Department of Public Health (DPH) and Health Advocates LLC, for a term of five years from January 2024 through December 2028 and an amount not to exceed \$11,391,540, and authorize DPH to enter into further immaterial amendments to the contract.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• DPH uses contract services to assist with Medi-Cal reimbursement of uninsured patients. Services include screening patients for Medi-Cal eligibility, assisting patients with applications, and representing patients during Medi-Cal appeals. In June 2023, DPH issued a Request for Proposals (RFP) for uncompensated care reimbursement services. Health Advocates, which has performed these services for DPH since 2001, was the only proposer and was awarded a contract.</li> <li>• DPH submitted the resolution to the Board of Supervisors retroactively because of details in the contract that were not finalized before services commenced in January 2024. The contract sets a target for Health Advocates to obtain Medi-Cal reimbursement of at least 1,900 bed days per year. Under the existing contract, Health Advocates has consistently exceeded this target.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed contract would have an amount not to exceed \$11,391,540 over five years. Under the contract, Health Advocates would be paid a fixed fee for each type of service, which increases by three percent per year. For paid claims involving third party payers, Health Advocates bills 20 percent of all reimbursements and DPH retains 80 percent.</li> <li>• Based on past reimbursements, we estimate that Health Advocates would recover approximately \$97 million in reimbursements over the proposed five-year contract term. After subtracting costs paid to Health Advocates, the net revenues to DPH would be approximately \$85.6 million.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

**BACKGROUND**

The Department of Public Health (DPH) uses contract services to assist with Medi-Cal reimbursement of uninsured patients. Services include screening patients for Medi-Cal eligibility, assisting patients with applications, and representing patients during Medi-Cal appeals. Services are performed both onsite and offsite.

In June 2023, DPH issued a Request for Proposals (RFP) for uncompensated care reimbursement recovery services. Health Advocates, which has performed these services for DPH since 2001, was the only proposer. An evaluation panel reviewed the proposal and scored Health Advocates 96.75 out of 100.<sup>1</sup> Due to being the only proposer and satisfaction with the ongoing business relationship, DPH awarded a new contract to Heath Advocates.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would retroactively approve an uncompensated care reimbursement recovery services contract between DPH and Health Advocates, for a term of five years from January 2024 through December 2028, an amount not to exceed \$11,391,540, and authorize DPH to enter into further immaterial amendments to the contract. According to Muki Lok Ung, DPH Principal Contracts Analyst, DPH submitted the resolution to the Board of Supervisors retroactively because of details in the contract that were not finalized before services commenced in January 2024.

Under the terms of the RFP, the contract may be extended by four years, for a total term of nine years.

The contract sets a target for Health Advocates to obtain Medi-Cal reimbursement of at least 1,900 bed days per year. Under the existing contract, Health Advocates has consistently exceeded this target.

**FISCAL IMPACT**

The proposed contract would not exceed \$11,391,540 over five years. Under the contract, Health Advocates would be paid a fixed fee for each type of service, which would increase by three percent per year. Projected annual expenditures are shown in Exhibit 1 below.

<sup>1</sup> The evaluation panel included a DPH Patient Accounting Director, a DPH Patient Access Manager, a DPH Nurse Manager, and a University of California San Francisco (UCSF) Operations Manager.

**Exhibit 1: Projected Annual Contract Expenditures**

	<b>Year 1 (2024)</b>	<b>Year 2 (2025)</b>	<b>Year 3 (2026)</b>	<b>Year 4 (2027)</b>	<b>Year 5 (2028)</b>	<b>Total</b>
Projected Fixed Fee Expenditures	\$1,665,659	\$1,788,542	\$1,842,199	\$1,897,465	\$1,954,389	\$9,148,253
Contingency Services for 3 <sup>rd</sup> Party Payers	204,553	204,553	204,553	204,553	204,553	1,022,764
<i>Subtotal</i>	<i>\$1,870,211</i>	<i>\$1,993,095</i>	<i>\$2,046,752</i>	<i>\$2,102,018</i>	<i>\$2,158,941</i>	<i>\$10,171,017</i>
Contingency (12%)						1,220,523
<b>Total Not-to-Exceed</b>						<b>\$11,391,540</b>

Source: Proposed Contract

Most of Health Advocates’ work is to file and obtain Medi-Cal approvals, which is billed on a fixed fee basis for each type of service. For paid claims involving third-party payers, Health Advocates bill 20 percent of all reimbursements, and DPH retains 80 percent.<sup>2</sup>

Over the four-year and six-month period from July 2019 through December 2023, Health Advocates recovered approximately \$79.8 million in reimbursements to DPH, or approximately \$17.7 million per year. Assuming three percent annual escalation, we estimate that Health Advocates would recover approximately \$97 million in reimbursements over the proposed five-year contract term. After subtracting costs paid to Health Advocates, the net revenues to DPH would be approximately \$85.6 million.

**RECOMMENDATION**

Approve the proposed resolution.

<sup>2</sup> Third party payers include veterans’ benefits, victims of crime programs, third party liability, workers compensation, Med-Pay programs, COBRA, continuity of care, commercial insurance, qualified health plans, and other coverage under the Affordable Care Act.