



City and County of San Francisco
London Breed
Mayor

MEMORANDUM

DATE: June 1, 2023

TO: Chair Connie Chan and Members of the Board of Supervisors Budget and Appropriations Committee

THROUGH: Grant Colfax, Director of Health
Naveena Bobba, Deputy Director

FROM: Greg Wagner, Chief Operating Officer
Jenny Louie, Chief Financial Officer
Stella Cao, Director, Office of Managed Care

RE: Request for BOS Approval to Amend the Managed Care Ordinance

The purpose of this memorandum is to explain our rationale behind the proposed amendment to the San Francisco Administrative Code Section 21A.3, which set forth criteria for managed care contracts that require review of the Controller's Office.

The Controller's Office (CON), Department of Public Health (DPH), and City Attorney's Office (CAT) agree that contracts using rates that are set by the California Department of Health Care Services (DHCS) (i.e. Medi-Cal rates) should be excluded from said review as the benchmark used for the rate review are those rates set by DHCS. And as such these Medi-Cal contracts by definition already reflect the DHCS benchmark rates.

Similarly, contracts using rates set by internal City processes (i.e. Health Workers HMO) should be excluded from aforementioned rate review since they are determined by the actual costs of DPH rendering medical and mental health services and San Francisco Health Plan (SFHP), the pharmacy, plus the latest cost inflator as published by the Centers for Medicare & Medicaid Services (CMS). These Healthy Workers HMO rates are then reviewed and agreed upon by San Francisco Human Services Agency (HSA), DPH, DHCS, the California Department of Social Services (CDSS) and SFHP. In sum, there is no relevant DHCS benchmark by which to compare these Healthy Workers rates.

CON has been performing rate reviews of DPH contracts under the ordinance since 2016. It has worked with DPH and CAT annually. 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 contract with Anthem Blue Cross, and iii) Medi-Cal contract with Health Plan of San Mateo, which are typically amended annually. CON 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.