

**LEGISLATIVE DIGEST**

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

**Ordinance amending the Administrative Code to authorize the Director of Health to enter into managed care contracts for the provision of services to individuals covered under federal and state programs including subsidized health coverage for low income populations.**

Existing Law

Charter Section 9.118 requires the Board of Supervisors to approve, by resolution, all contracts entered into by a department, board or commission having anticipated revenue to the City and County of one million dollars or more, or the modification, amendment or termination of any contract which when entered into had anticipated revenue of one million dollars or more.

Amendments to Current Law

Through this ordinance, the Board will delegate authority 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 rates of reimbursement will be equal to or higher than either:

(1) Fee for Service: the California Department Health Care Services (DHCS) published Medi-Cal fee for service rates, which are updated monthly and posted at <http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>; or

(2) Capitated Rates: the average of per-member-per month rates for Medi-Cal managed care for Aid Codes Family and Medi-Cal Expansion, or successor provisions, set by DHCS as authorized by federal and state law and posted at <http://www.dhcs.ca.gov/dataandstats/reports/Pages/MMCDFinancialReports.aspx>.

These contracts must expire by December 31, 2017. They will reviewed and approved by the Controller. Additionally, by July 2016, the Controller and DPH will conduct an analysis 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 will provide quarterly reports until 2017 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, indentifying the contracts approved and the aggregate amount of reimbursement and revenue generated.

Background Information

The federal government and state government continue to increase the proportion of safety net health care services provided under a managed care model. The DPH's mission includes providing high-quality health care to all San Franciscans, including the uninsured and low-income individuals who access health care through federal and state-subsidized programs. Historically, DPH has fulfilled this mission by providing services through a fee-for-service structure or in partnership with the San Francisco Health Authority, also known as the San Francisco Health Plan, a separate governmental entity.

Under the shift to a managed care-focused system for delivery of health care services, to participate as a provider in certain programs, DPH will need to be a contracted partner with insurers. Otherwise, current and prospective DPH clients will not have the option of selecting DPH as a provider. If DPH cannot offer itself as a contracted provider, continuity of care will be disrupted for those who have long histories with DPH health care providers, and DPH will lose revenue due to reduced patient care.

As the federal and state governments reduce previous forms of health care reimbursement to counties, those counties are expected to replace those revenues by the increasing enrollment of persons newly eligible for managed care insurance programs.

To participate in the new health care markets, DPH will need flexibility to enter into and modify managed care contractual arrangements. Most insurers operate with an annual open enrollment period. Time between these open enrollment periods is limited and health care contracts are often negotiated and executed in a relatively short time period. Under current City procedures for approving such contracts, DPH will struggle to meet timelines expected in the industry, which could limit its ability to retain patients and revenue.

This legislative digest reflects amendments made by the Budget and Finance Committee on November 5, 2014 to require that the term of any contracts approved under this ordinance expire by December 31, 2017.

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