FILE NO. 180926

LEGISLATIVE DIGEST

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

Ordinance amending the Administrative Code to extend the termination date of managed care contracts approved under Section 21A.3 from December 31, 2020, to December 31, 2025

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 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.

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.

In 2016, based on the findings of the DPH and Controller reports, Section 21A.3 was amended to extend the termination date of contracts approved under this section to December 31, 2020, add more accurate language regarding the process and means of comparison, allowing for some flexibility as the industry methods for rate setting evolve due to market forces, and revise the reporting dates by the Controller (from January to February) and Director of Health (July to September) to allow better coordination with the availability of the necessary data, through 2021.

Amendments to Current Law

The termination date of managed care contracts approved under this section is extended to 2025, and revise the corresponding reporting dates to 2026.

Background Information

The federal and state governments continue to increase the proportion of safety net health care services provided under a managed care model. The DPH 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 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 the delivery of health care services, in order to participate as a provider in certain programs, DPH needs to contract 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, counties must 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 needs 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. DPH must be able to meet the timelines expected in the industry in order to retain patients and revenue.

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