

File No. 100925

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub-Committee: BUDGET AND FINANCE

Date: July 28, 2010

BOARD OF SUPERVISORS MEETING

Date: _____

Cmte Board

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OTHER

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Completed by: Andrea S. Ausberry

Date Friday, July 23, 2010

Completed by: _____

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Contract with the San Francisco Community Health Authority to Provide Provider Payment
2 Services for the Healthy San Francisco Program]

3 **Resolution authorizing the Director of Public Health and the Director of the Office of**
4 **Contract Administration/Purchaser to contract with the San Francisco Community**
5 **Health Authority to provide Provider Payment services for the Healthy San Francisco**
6 **program for the term of July 1, 2010, through June 30, 2011.**

7
8 WHEREAS, the Department of Public Health desires to provide payments to non-
9 Department health care providers in the Healthy San Francisco provider network; and

10 WHEREAS, the Department of Public Health contracts with the San Francisco
11 Community Health Authority to provide such payments; and

12 WHEREAS, the amount of said contract exceeds ten million dollars (\$10,000,000); and

13 WHEREAS, Section SEC. 9.118.B of the San Francisco Charter requires that such
14 contracts be approved by the Board of Supervisors; and

15 WHEREAS, the Department of Public Health has previously entered into a contract
16 with the San Francisco Community Health Authority to perform this service; and

17 WHEREAS, DPH is satisfied with the performance of the San Francisco Community
18 Health Authority in the provision of these services; and

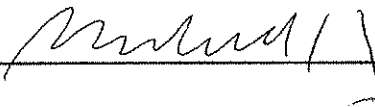
19 WHEREAS, the San Francisco Community Health Authority Board operates in
20 accordance with the Joint Powers Agreement approved by the Board of Supervisors
21 (Resolution 237-05); now, therefore; be it

22 **RESOLVED**, That the Board of Supervisors hereby authorizes the Director of Public
23 Health and the Director of the Office of Contract Administration/Purchaser, on behalf of the
24 City and County of San Francisco, to contract with the San Francisco Community Health
25 Authority (commonly referred to as the San Francisco Health Plan) for an amount of

1 \$15,970,000 to provide Provider Payment Services under the Healthy San Francisco program
2 for the term of July 1, 2010 through June 30, 2011; a copy of the contract to be placed in the
3 Clerk's file, and be it

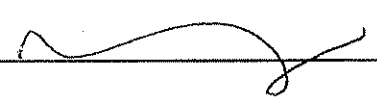
4 FURTHER RESOLVED, That the Board of Supervisors hereby authorizes the Director
5 of Public Health and the Director of the Office of Contract Administration/Purchaser to make
6 further amendments to this contract, if needed.
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9 APPROVED:

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13 Mitch Katz, M.D.
14 Director of Health

APPROVED:

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18 Health Commission
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Item 3 File 10-0925	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
Legislative Objectives • A resolution retroactively authorizing an agreement between the Department of Public Health (DPH) and the San Francisco Community Health Authority (SFCHA) for the SFCHA to reimburse private healthcare providers for services delivered to Healthy San Francisco participants for the period between July 1, 2010 and June 30, 2011, in an amount not-to-exceed \$15,970,000. Key Points • The Healthy San Francisco Program provides universal, comprehensive, affordable health care to uninsured adults through a network of private health care clinics and DPH-operated clinics. Third-party administration of the Healthy San Francisco Program is provided by the San Francisco Community Health Authority (SFCHA), a non-profit governmental entity created by the City and County of San Francisco, as approved by the Board of Supervisors on March 29, 2005 (File 05-0514), to (a) increase access to health care for low and moderate income San Franciscans and (b) provide third party administration of various public health insurance programs to San Franciscans, such as the Healthy Workers Program and the Healthy Kids Program. • DPH pays SFCHA for the health care services provided to the Healthy San Francisco Program participants by private health care providers through an agreement for reimbursement services with SFCHA. According to Ms. Tangerine Brigham, Director of Healthy San Francisco, the subject agreement with SFCHA essentially acts as a pass-through mechanism which allows DPH to make payments to the SFCHA, which, in turn, reimburses the private health care providers. • DPH awarded the first agreement to SFCHA for reimbursement services in July of 2008, in an amount not-to-exceed \$7,940,617, for a one-year term to coincide with FY 2008-2009. The Board of Supervisors subsequently approved (File 09-1016) a second consecutive agreement with SFCHA for reimbursement services, in an amount not-to-exceed of \$13,306,000, for a one-year term to coincide with FY 2009-2010. • DPH is now requesting approval of a third one-year agreement between SFCHA and DPH for the SFCHA to continue providing reimbursement services to private health care providers in FY 2010-2011, in an amount not-to-exceed \$15,970,000. • According to Ms. Brigham, the costs under the proposed agreement with SFCHA are increasing by \$2,664,000 or 20 percent, from \$13,306,000 in FY 2009-2010 to \$15,970,000 in FY 2010-2011 primarily because of increasing enrollment in the Healthy San Francisco Program. • Because the SFCHA has not been subject to independent oversight by either the Board of Supervisors or the Controller, the Budget and Legislative Analyst recommends that the Controller consider performing a "review of the fiscal condition" of the SFCHA, as permitted under California Welfare and Institutions Code Section 14087.36(ab).	

Fiscal Impact

- A total not-to-exceed amount of \$15,970,000 is included in DPH's proposed FY 2010-2011 budget, including (a) \$13,731,400 in participant employer contributions, and (b) \$2,238,600 in fees paid by participants, to fund the proposed agreement with SFCHA in an amount not-to-exceed \$15,970,000.

Recommendations

- The Budget and Legislative Analyst recommends that the Controller consider performing a "review of the fiscal condition" of the SFCHA.
- Approve the proposed resolution.

MANDATE STATEMENT & BACKGROUND**Mandate Statement**

The proposed agreement in an amount not-to-exceed \$15,970,000 is subject to Board of Supervisors approval pursuant to San Francisco Charter Section 9.118, which states that all contracts in an amount over \$10,000,000, or for a term of more than ten years, are subject to Board of Supervisors approval.

Background

The Healthy San Francisco Program provides universal, comprehensive, affordable health care to uninsured adults, irrespective of the person's employment status, immigration status, or pre-existing medical conditions. The Healthy San Francisco Program defines qualifying adults as being between the ages of 18 and 64, who earn an income less than 500 percent of the Federal Poverty Level¹. Health care services are delivered to participants through the participant's chosen "Medical Home", which functions as the participant's primary health care provider. Medical Homes include (a) facilities which are operated directly by DPH, or (b) private (non-DPH) health care providers (such as the San Francisco Community Clinic Consortium, Kaiser Permanente, and Chinese Community Health Care Association).

In addition to the proposed agreement with the San Francisco Community Health Authority (SFCHA), the SFCHA, under a separate agreement with the DPH, in an amount of \$6,547,110 for FY 2010-2011², also provides third party administration services for the Healthy San Francisco Program. Under that separate agreement, the SFCHA provides for various administrative services including, but not limited to, (a) enrollment of participants, (b) community outreach, (c) billing and collection, and (d) customer service.

¹ According to Ms. Tangerine Brigham, Director of Healthy San Francisco, 500 percent of the current Federal Poverty Level is \$54,150 for a single person and \$110,250 for a family of four.

² That separate agreement was not subject to Board of Supervisors approval because the not-to-exceed amount of \$6,547,110 did not exceed the \$10,000,000 threshold established in Charter Section 9.118.

The San Francisco Community Health Authority (SFCHA) is a non-profit governmental entity created by the City and County of San Francisco in 2005³, as approved by the Board of Supervisors on March 29, 2005 (File 05-0514), to increase access to health care for low and moderate income San Franciscans and provide third party administration of various public health insurance programs to San Franciscans, such as the Healthy Workers Program and the Healthy Kids Program.

In order to reimburse private Medical Homes for health care services delivered to Healthy San Francisco participants, in July of 2008, DPH awarded, on a sole-source basis, an additional agreement with the San Francisco Community Health Authority (SFCHA) for reimbursement services in an amount not-to-exceed \$7,940,617 for a one year term from July 1, 2008 to June 30, 2009⁴. According to Ms. Tangerine Brigham, Director of Healthy San Francisco, this agreement was necessary because each private health care Medical Home enters into agreements directly with SFCHA, not with DPH, such that the payments to the private Medical Homes for health care services provided to Healthy San Francisco participants must flow from SFCHA. According to Ms. Brigham, this agreement with SFCHA essentially acts as a pass-through mechanism which allows DPH to make payments to the SFCHA, which, in turn, reimburses the private health care providers.

On September 22, 2009, the Board of Supervisors approved a second consecutive one-year agreement to the SFCHA, to allow for the continued reimbursement of private health care providers, for a one-year term from July 1, 2009 through June 30, 2010, in an amount not-to-exceed \$13,306,000.

DPH is now requesting the third consecutive, one-year agreement with SFCHA, to provide for ongoing reimbursements to private health care providers for health care services delivered to Healthy San Francisco participants, for the one-year term from July 1, 2010 through June 30, 2011, in an amount not-to-exceed \$15,970,000.

According to Ms. Brigham, DPH awards a new agreement annually, instead of one multi-year agreement, because (a) the network of private health care providers has expanded each year since the inception of Healthy San Francisco, and (b) the number of Healthy San Francisco participants has grown significantly, such that it is not possible to reliably predict, in advance, the not-to-exceed needed amount of the agreement in future years.

³ According to Ms. Brigham, the SFCHA is considered to be a subsidiary of the San Francisco Health Authority, which was created by the City and County of San Francisco in 1994 (as codified in Chapter 69 of the Administrative Code) in order to provide third party administration of various public health programs. Ms. Brigham stated that the SFCHA was created in 2005 in order to comply with State incentives to separate the third party administration of the Medi-Cal program, which would be administered by the San Francisco Health Authority, from other City programs which would be administered by SFCHA (such as Healthy Workers, Healthy Families, and, subsequently, Healthy San Francisco). The Governing Board for both the SFCHA and the San Francisco Health Authority, which meets monthly in meetings open to the public, consists of 19 persons, including (a) 14 persons appointed by the Board of Supervisors, (b) the Director of the DPH (who is currently the chair of the Governing Board), (c) the Director of Mental Health, (d) the Chancellor of the University of California at San Francisco, (e) 1 person appointed by the Mayor, and (f) 1 person appointed by the Health Commission.

⁴ The first agreement for reimbursement services was not subject to Board of Supervisors approval because it did not meet the \$10,000,000 threshold established in Charter Section 9.118.

Table 1 below shows that the number of eligible adults between the ages of 18 and 64 who are participants in the Healthy San Francisco Program has increased by (a) 78.5 percent from FY 2008-2009 to FY 2009-2010, and (b) 23.6 percent from FY 2009-2010 to FY 2010-2011. At the same time, participants who opted for private health care providers has increased by (a) 122.8 percent from FY 2008-2009 to FY 2009-2010, and (b) 31.5 percent from FY 2009-2010 to FY 2010-2011.

Table 1: Healthy San Francisco Participants

Medical Home Type	FY 2008-2009	FY 2009-2010		FY 2010-2011	
	Participants	Participants	Percentage Increase Over Previous Year	Participants	Percentage Increase Over Previous Year
DPH Medical Home (medical facilities operated by DPH)	14,751	22,154	50.2%	25,719	16.1%
Private Medical Home (privately operated health care providers)	9,459	21,071	122.8%	27,709	31.5%
Total	24,210	43,225	78.5%	53,428	23.6%

Ms. Brigham notes that the provider network will become more predictable with the full implementation of Federal health reform in January 2014 which will expand health insurance to many insured residents, including some Healthy San Francisco participants.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively authorize the Director of Public Health to execute a new one-year agreement between the Department of Public Health (DPH) and the San Francisco Community Health Authority (SFCHA) in order for DPH to make payments to the SFCHA, which, in turn, reimburses private health care providers, for services delivered to Healthy San Francisco participants for the period retroactive to July 1, 2010 through June 30, 2011, in an amount not-to-exceed \$15,970,000.

According to Ms. Brigham, the not-to-exceed agreement for \$15,970,000 includes (a) an estimated \$6,450,000 in reimbursements to full-service private health care providers which provide, in addition to the primary care functions of a Medical Home, a full scope of medical services including specialty care, inpatient services, and pharmacy services, and (b) an estimated \$9,520,000 to limited-service health care providers which offer only primary and some specialty care (with additional medical service provided separately through DPH facilities), as shown in Table 2 below.

Table 2: Cost of the Previous and Proposed Agreements With SFCHA

Row	Private Health Care Providers Type	FY 2008-2009 (Expired First Agreement - Actual Costs)	FY 2009-2010 (Expired Second Agreement - Estimated ⁵ Costs)	FY 2010-2011 (Proposed Third Agreement - Estimated Costs)
	Private Full Service Health Care Providers			
A	Total Annual Cost	\$889,440	\$4,377,990	\$6,450,000
B	Total Participant Months ⁶	5,288	30,242	49,200
C	Average Monthly Cost Per Participant (A÷B)	\$168.20	\$144.77	\$131.10
	Private Limited Service Health Care Providers			
D	Total Annual Cost	\$5,794,231	\$8,927,367	\$9,520,000
E	Total Participant Months	191,081	275,451	335,616
F	Average Monthly Cost Per Participant (D÷E)	\$30.32	\$32.41	\$28.37
	All Types of Private Health Care Providers			
G	Total Annual Cost (A+D)	\$6,683,671	\$13,305,357	\$15,970,000
H	Total Participant Months (B+E)	196,369	305,693	384,816
I	Average Monthly Cost Per Participant (G÷H)	\$34.04	\$43.53	\$41.50

According to Ms. Brigham, and as shown in Table 2 above (row G), the total annual cost of private health care services reimbursed through SFCHA is forecasted to increase from FY 2008-2009 to FY 2009-2010, and from FY 2009-2010 to FY 2010-2011 because of increasing number of participants who are choosing private Medical Homes.

According to Ms. Brigham, the fluctuations in the overall average monthly cost per participant as shown in Table 2 above (row I) are due to the changing proportion of participants who are choosing more full-service private health care providers that receive a higher level of reimbursement as compared to limited-service private health care providers that receive a lower level of reimbursement.

FISCAL IMPACTS

A total not-to-exceed amount of \$15,970,000 is included in DPH's FY 2010-2011 budget, including (a) \$13,731,400 in participant employer contributions, and (b) \$2,238,600 in fees paid by participants, to fund the proposed agreement in the not-to-exceed amount of \$15,970,000.

⁵ Ms. Brigham noted that the actual FY 2009-2010 expenditures will not be known until October due to the end of year budget reconciliation process. Ms. Brigham also noted that the FY 2009-2010 not-to-exceed amount of the second agreement was rounded from the estimated amount of \$13,305,357 (from row G in Table 1 above) to \$13,306,000.

⁶ Participant Months is equal to the sum of the number of months each participant of Healthy San Francisco was enrolled in the program.

The contributions by employers are one method for employers to conform to the Health Care Security Ordinance previously approved by the Board of Supervisors on July 25, 2006 (File 05-1919), which requires that employers with more than 20 employees make some form of contribution⁷ towards employee health care costs.

POLICY CONSIDERATION

The proposed agreement is a sole source agreement.

The proposed agreement was originally awarded on a sole-source basis to the SFCHA and has never been competitively bid. According to Ms. Brigham, a competitive request for proposals process is not appropriate for this agreement because the SFCHA, through a separate agreement, provides the third party administration of the Healthy San Francisco Program, such that using another firm or party to provide reimbursement services would be inefficient.

The Budget and Legislative Analyst notes that the SFCHA is separate and distinct from the City and County of San Francisco, and as such, the SFCHA has not been subject to independent oversight by either the Board of Supervisors or the Controller. Therefore the Budget and Legislative Analyst recommends that the Controller consider performing a "review of the fiscal condition" of the SFCHA, as permitted under California Welfare and Institutions Code Section 14087.36(ab).

The proposed agreement is retroactive to July 1, 2010.

According to Ms. Brigham, the proposed agreement's effective date is retroactive back to July 1, 2010 because, although DPH began working on renewal of the SFCHA agreement prior to the June 30, 2010 expiration date, two factors impacted the timing of the renewal. Ms. Brigham notes:

"The Department was required to negotiate provider payment rates with each of the non-Department delivery systems providing services to Healthy San Francisco participants. There were five such systems to negotiate with which resulted in more time being needed to finalize the contract between the Department and SFCHA. While there is one contract with SFCHA, this contract is based on negotiating and reaching agreements with five separate health care delivery systems.

"Funding for the provider payment rates is contingent upon revenues from Healthy San Francisco and the Department had more complete information on those revenues toward the end of the 2009-2010 fiscal year."

⁷ According to Ms. Brigham, qualifying employer contributions towards employee health care costs include (a) providing traditional health insurance, (b) creating Health Spending Accounts for employees, (c) direct reimbursements of medical costs, (d) direct delivery of medical services, or (e) contributions to Healthy San Francisco.

Ms. Brigham stated that since the current agreement expired on June 30, 2010, DPH has continued to reimburse private health care providers for services provided in FY 2009-2010, but has not reimbursed any providers for expenses incurred subsequent to June 30, 2010.

RECOMMENDATIONS

1. The Budget and Legislative Analyst recommends that the Controller consider performing a "review of the fiscal condition" of the SFCHA.
2. Approve the proposed resolution.



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *FW* Mayor Gavin Newsom *NW*
RE: Contract Between the Department of Public Health and the San Francisco Community Health Authority to Provide Provider Payment Services for the Healthy San Francisco Program
DATE: July 13, 2010

Dear Madame Clerk:

Attached for introduction to the Board of Supervisors is a resolution retroactively authorizing the Director of Public Health and the Director of the Office of Contract Administration/Purchaser to contract with the San Francisco Community Health Authority to provide Provider Payment services for the Healthy San Francisco program for the term of July 1, 2010 through June 30, 2011.

I request that this item be calendared in Budget and Finance Committee on July 21, 2010.

Should you have any questions, please contact Nicole Wheaton at (415) 554-7940.

100925