



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



DATE: October 18, 2011
BOARD MEETING DATE: November 15, 2011
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Jean S. Fraser, Chief, Health System
Susan Ehrlich, MD, MPP, Chief Executive Officer
San Mateo Medical Center

SUBJECT: Amendment No. 4 to Agreement with San Mateo Health Commission

RECOMMENDATION:

Adopt a Resolution authorizing the President of the Board to execute Amendment 2011-12 (Amendment No. 4) to the Agreement with San Mateo Health Commission for the provision of Medi-Cal Services for Health Plan of San Mateo clients, and amending conditions for receipt of supplemental payments for the term of July 1, 2011 through June 30, 2012.

BACKGROUND:

The County of San Mateo through San Mateo Medical Center (SMMC) has contracted with San Mateo Health Commission, doing business as Health Plan of San Mateo (HPSM), since January 1994. The current Agreement started with a three-year term, January 1, 2007 through December 31, 2009. This Agreement automatically renews for successive twelve month periods with the same terms and conditions, subject to any subsequent amendments, and SMMC has since amended the Agreement to allow it to continue.

The Agreement provides for the care of inpatient, outpatient, emergency services, and long term care to patients who are eligible to receive Medi-Cal benefits. HPSM reimburses SMMC for providing such care. By way of Resolution 071130, your Board approved a payment increase to a new total of \$28,000,000 for FY 2010-11.

DISCUSSION:

SMMC is the only disproportionate share hospital in San Mateo County and is the largest provider of adult (non-obstetric) inpatient hospital service to HPSM members.

HPSM makes supplemental quarterly payments to SMMC. The amount of those payments will remain \$28,000,000 for FY 2011-12. HPSM will make a supplemental quarterly payment to SMMC in the amount of \$7,000,000 each for September 30, 2011,

and thereafter on December 31, 2011, March 31, 2012, and June 30, 2012.

The funds from HPSM for these services include federal matching funds, which in turn are matched based on a County contribution to the California Department of Health Care Services. Amounts for both the County contribution and the anticipated revenue from HPSM were included in the 2011-12 budget approved by your Board earlier this year. The Federal Medical Assistance Percentages (FMAP) percentage drives the amount the County contributes. For fiscal year 2012 the County will contribute 50% and received a 50% match due to the FMAP. Earlier this year your Board authorized the County Manager to enter into an Intra-Governmental Transfer (IGT) to facilitate the County contribution.

The conditions upon which the supplemental payments are made continue to include: working with HPSM medical staff to reduce hospital readmissions from the skilled nursing facility; agreeing not to terminate the Agreement; agreeing not to close the Emergency Department at SMMC; and exploring medical management collaborative initiatives.

County Counsel has reviewed and approved this Amendment and Resolution as to form.

This Amendment contributes to the Shared Vision 2025 outcome of a Healthy Community by providing care to inpatient, outpatient, emergency services, and long term care to patients who are clients of HPSM. It is anticipated that 29,399 Medi-Cal recipients will be treated at SMMC.

Performance Measure:

Measure	FY 2010-11 Actual	FY 2011-12 Projected
Number of Medi-Cal recipients treated at SMMC	27,735	29,399

FISCAL IMPACT:

The initial term of the Agreement was January 1, 2007 through December 31, 2009. Pursuant to its terms, the Agreement automatically renews for successive twelve month periods with the same terms and conditions, subject to any subsequent amendments. This Amendment has a positive fiscal impact on SMMC. Of this amount, the County must contribute \$14,000,000 to receive \$28,000,000, for a net influx of \$14,000,000. The revenue from this Amendment is included in SMMC's FY 2011-12 Adopted Budget.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * *

ADOPT A RESOLUTION AUTHORIZING THE PRESIDENT OF THE BOARD TO EXECUTE AMENDMENT 2011-12 (AMENDMENT NO. 4) TO THE AGREEMENT WITH SAN MATEO HEALTH COMMISSION FOR THE PROVISION OF MEDI-CAL SERVICES FOR HEALTH PLAN OF SAN MATEO CLIENTS, AND AMENDING CONDITIONS FOR RECEIPT OF SUPPLEMENTAL PAYMENTS FOR THE TERM OF JULY 1, 2011 THROUGH JUNE 30, 2012

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, San Mateo Health Commission doing business as Health Plan of San Mateo (HPSM) and the County have entered into an Agreement, effective January 1, 2007, as previously amended, whereby HPSM reimburses the County for providing inpatient, outpatient and emergency services to HPSM members; and

WHEREAS, both parties wish to amend the Agreement to provide for additional supplemental payments to the Health Plan of San Mateo as a result of intergovernmental transfers from the County of San Mateo to the California Department of Health Care Services (DHCS) to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries; and

WHEREAS, this Board has previously authorized the County Manager to execute the intergovernmental transfer agreement whereby the County will provide \$14,000,000 to DHCS in support of this program; and

WHEREAS, in return, federal funds will match the County's contribution and San Mateo Medical Center (SMMC) will receive a total of \$28,000,000 this fiscal year (FY 2011-12) from HPSM by way of four equal payments in consideration of the services SMMC will provide through the present Amendment to the Agreement with HPSM; and

WHEREAS, the Board has considered the Amendment to the Agreement, has approved it as to both form and content, and desires to enter into it.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the President of the Board of Supervisors be and is hereby authorized and directed to execute said Amendment 2011-12 (Amendment No. 4) for and on behalf of the County of San Mateo, and the Clerk of this Board shall attest the President's signatures thereto.

* * * * *

HOSPITAL AGREEMENT

AMENDMENT 2011-12 (Amendment No. 4)

This Amendment is made this ___ day of _____, by and between the *San Mateo Health Commission, dba Health Plan of San Mateo, a public entity*, hereinafter referred to as "PLAN", and *the County of San Mateo, dba San Mateo Medical Center*, hereinafter referred to as "HOSPITAL".

RECITALS:

WHEREAS, PLAN and HOSPITAL have previously entered into an Agreement effective January 1, 2007;

WHEREAS, Article XIV.C. of such Agreement provides for amending such Agreement;

WHEREAS, PLAN is a County Organized Health System formed pursuant to Welfare and Institutions Code section 14087.51 and Sections 2.68.010, 2.68.020, and 2.68.030 of the San Mateo County Ordinance Code;

WHEREAS, Hospital is the only disproportionate share hospital (DSH) as defined in Welfare and Institutions Code Section 14105.98, in the County of San Mateo, and historically has been the largest DSH provider of adult (non-obstetric) inpatient service days to PLAN's members; and whereas hospital operates a distinct part skilled nursing facility and is the largest provider of Medi-Cal long term care bed days; and

WHEREAS, PLAN and HOSPITAL desire to amend the Agreement to provide for supplemental payments to PLAN as a result of intergovernmental transfers from County of San Mateo to the California Department of Health Care Services ("State DHCS") to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and HOSPITAL hereby agree as follows:

Paragraph One-Exhibit 2, Reimbursement Addendum

- I. Section C, which was previously added to Exhibit 2 of the agreement by Amendment 2009-01, and modified by Amendments 2009-02, 2010-01 and 2011-01, is further amended to read:

MANAGED CARE SUPPLEMENTAL PAYMENT

1. Supplemental Payments to PLAN

A. Payment

Should PLAN receive any Medi-Cal managed care capitation rate increases from State DHCS where the nonfederal share is funded by the County of San Mateo specifically pursuant to the provisions of the Intergovernmental Agreement Regarding Transfer of Public Funds (“Intergovernmental Agreement”) effective for the period July 1, 2011 through June 30, 2012 for , Special Medi-Cal Managed Care Rate Increases (“SMCRIs”), PLAN shall pay to HOSPITAL the amount of the SMCRIs received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Local Medi-Cal Managed Care Supplemental Payments (“LMSPs”). LMSPs paid to HOSPITAL shall not replace or supplant any other amounts paid or payable to HOSPITAL by PLAN.

B. Health Plan Retention

1) Managed Care Organizations (MCO) Tax

The PLAN shall be responsible for any Managed Care Organization (“MCO”) tax due pursuant to the Revenue and Taxation Code Section 12201 relating to any SMCRIs. If the PLAN receives any capitation rate increases for MCO taxes based on the SMCRIs, PLAN may retain an amount equal to the amount of such MCO tax that PLAN is required to pay to the State DHCS, and shall pay, as part of the LMSPs, the remaining amount of the capitation rate increase to HOSPITAL.

2) PLAN will not retain any other portion of the SMCRIs received from the State DHCS other than those mentioned above.

C. Conditions for Receiving Supplemental Payments

As a condition for receiving LMSPs, HOSPITAL shall, as of the date the particular supplemental payment is due:

- (1) remain a participating HOSPITAL in the PLAN and not issue a notice of termination of the Agreement;
- (2) maintain its current emergency room licensure status and not close its emergency room;
- (3) Work with PLAN medical staff to reduce hospital readmissions from the skilled nursing facility.

D. Schedule and Notice of Transfer of Non-Federal Funds

The funds shall be transferred in accordance with a mutually agreed upon schedule between the County of San Mateo and DHCS, in the amounts specified.

E. Form and Timing of Payments

PLAN agrees to pay LMSPs to HOSPITAL in the following form and according to the following schedule:

(1) PLAN agrees to pay the LMSPs to HOSPITAL using the same mechanism through which compensation and payments are normally paid to HOSPITAL (e.g., electronic transfer).

(2) In addition to any other payments made to HOSPITAL pursuant to this Agreement, and in consideration of services provided to PLAN's Members and HOSPITAL's agreements, PLAN will pay the LMSPs to HOSPITAL in supplemental quarterly payments to HOSPITAL in the amount of \$7,000,000 on each of September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012.

F. Consideration

(1) As consideration for the LMSPs, HOSPITAL shall use the LMSPs for the following purposes and shall treat the LMSPs in the following manner:

(a) The LMSPs shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by HOSPITAL and shall represent compensation for Medi-Cal services to Medi-Cal PLAN members during the State fiscal year to which the LMSP apply.

(b) To the extent that total payments received by HOSPITAL in any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by HOSPITAL during that fiscal year, any remaining LMSP amounts shall be retained by HOSPITAL to be expended for health care services. Retained LMSP amounts may be used by the HOSPITAL in either the State fiscal year received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the LMSPs are not used by HOSPITAL in the State fiscal year received, retention of funds by HOSPITAL will be established by demonstrating that the retained earnings account of HOSPITAL at the end of any State fiscal year in which it received payments based on LMSPs funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of LMSPs received, but not used. These retained HOSPITAL funds may be commingled with other County funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either County of San Mateo or federal matching funds, will be recycled back to the County general fund, the State, or any other intermediary organization.

2. **Term**

The term of this Amendment shall commence on July 1, 2011 and shall terminate on June 30, 2012.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

HEALTH PLAN: _____ Date: _____

By: Title: Chief Executive Officer, _____

Hospital: _____ Date: _____

Susan Ehrlich, MD, MPP
Chief Executive Officer
San Mateo Medical Center

Board: _____ Date: _____

President, Board of Supervisors, San Mateo County

Attest: _____

Clerk of Said Board