



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



Date: September 15, 2014
Board Meeting Date: October 21, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Jean S. Fraser, Chief, Health System
Subject: Agreement with Health Plan of San Mateo for services to Medi-Cal expansion population

RECOMMENDATION:

Adopt a Resolution authorizing an agreement with the Health Plan of San Mateo to provide medical and behavioral health services to Health Plan of San Mateo Medi-Cal members.

BACKGROUND:

The County of San Mateo has contracted with the San Mateo Health Commission, doing business as Health Plan of San Mateo (HPSM), since January 1994. Your Board has approved numerous agreements and amendments for the provision of healthcare and behavioral healthcare services to HPSM members, including those enrolled in the Medi-Cal program.

DISCUSSION:

On January 1, 2014, Medi-Cal eligibility expanded to include more low-income California residents. Due to the good work of the Human Services Agency, the Health Coverage Unit, and many community partners, enrollment in Medi-Cal has far exceeded the prediction of 10,000 additional Medi-Cal members in San Mateo County. As of August 1, 2014, HPSM added 29,000 additional Medi-Cal members, for a total Medi-Cal membership of 100,000.

An additional, unexpected change with California's implementation of the Affordable Care Act (ACA) was the addition of treatment for substance use and moderate mental illnesses for adults. Prior to January 1, 2014, Medi-Cal benefits were limited to treatment only for very serious mental conditions.

In late July 2014, HPSM announced that it had funding through the ACA for these new Medi-Cal members and services. HPSM agreed to compensate the San Mateo County Health System (Health System) for these services through a new form of payment called capitation, i.e. a set fee per member per month, rather than a fee for each procedure provided.

In this agreement, HPSM will pay the Health System a rate of \$531 per member per month for each HPSM member in the Medi-Cal expansion group who is assigned to SMMC for their primary care. In exchange, the Health System will provide inpatient and outpatient medical services as well as treatment for mild to moderate mental illness. The capitation payment covers only care provided to assigned HPSM members who receive care at designated Health System facilities; care received by those members at other facilities is not included in this agreement. Also, HPSM and the Health System will confer at least every six months to determine whether the capitation rate payment needs to be adjusted.

The Resolution also gives the Health System Chief authority to amend the agreement, including by increasing the County's fiscal obligations under the agreement by up to \$25,000 in aggregate. The agreement and Resolution have been reviewed and approved by County Counsel as to form.

Approval of the agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing funds to pay for healthcare services to Medi-Cal beneficiaries, resulting in further improved health outcomes and lower costs. It is anticipated that the number of Medi-Cal recipients assigned to SMMC for primary care will increase to a monthly average of 14,000 in FY 2014-15.

PERFORMANCE MEASURE(S):

Measure	FY 2013-14 Actual	FY 2014-15 Projected
Average number of Medi-Cal Expansion participants assigned to SMMC for primary care	11,540	14,000

FISCAL IMPACT:

The term of the agreement is July 1, 2014 through June 30, 2015, with automatic renewal unless either party chooses to terminate the contract, with automatic renewal unless either party chooses to terminate the contract. The precise amount of revenue the Health System will receive from capitation payments is not known. Capitation revenue is quite sensitive to changes in membership. In addition, much of the revenue received from HPSM will offset other sources of revenue that SMMC would have received (approximately \$66 million).

Funds in the amount of \$7 million in net new revenue and expenses have been included in the Health System's FY 2014-15 Adopted Budget. Because of the sensitivity of the revenue to changes in membership, the Health System will be developing a reserve to allow us to backfill any unexpected reductions in revenue. As we learn more about enrollment and utilization of services, the Health System may submit Appropriation Transfer Requests to recognize additional revenue and expenses. Future budget arrangements will be made for future years.

Because the Health System is providing services in this agreement and receiving funds for such services, there is no Net County Cost.