



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 19-511

Board Meeting Date: 6/4/2019

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise F. Rogers, Chief, San Mateo County Health
Chester J. Kunnappilly, MD, Chief Executive Officer, San Mateo Medical Center

Subject: Rate Increases in the San Mateo Medical Center Charge Description Master Fee Schedule

RECOMMENDATION:

Adopt a resolution authorizing:

- A) An increase in the daily room rates for inpatient services at SMMC; and
- B) An increase in the evaluation and management rates for the Emergency Department at SMMC; and
- C) The Chief of San Mateo County Health or her designee to implement increases to the Charge Description Master up to six percent annually; and
- D) The Chief of San Mateo County Health or her designee to negotiate discounts with non-federal, non-state, non-contracted third-party health care insurance carriers and self-pay individuals.

BACKGROUND:

The Charge Description Master (CDM) is a fee schedule that contains the prices of all services, supplies, and procedures for medical services provided at San Mateo Medical Center (SMMC). Pursuant to government regulations and SMMC's commitment to price transparency, SMMC posts its CDM on its website and with the California Office of Statewide Health Planning and Development.

SMMC reviews its CDM periodically to ensure that charges for services, supplies, and procedures are reasonably related to both the cost of the service and meeting the community's health care needs.

SMMC charges the same price to all patients regardless of their insurance program or coverage. The

charges, however, do not reflect the actual amounts SMMC receives, because each insurance program (e.g. Medicare, Medi-Cal, Blue Cross, etc.) has established or negotiated rates they will pay for services.

SMMC accepts all insurance. In general, if a patient has commercial insurance coverage and receives care at SMMC, the hospital will work with the payor to negotiate the rate to be paid. SMMC accepts the insurance payment and bills patients the same cost sharing amount (deductibles, copayments, coinsurance) as they would pay for services received from a contracted, participating provider within the patient's insurance plan network. In some circumstances, SMMC provides charity care or financial assistance to assist with out-of-pocket costs for patients who qualify for such assistance. SMMC does not bill patients for amounts in excess of their cost sharing obligations required by their insurance carrier (a practice known as balance billing).

SMMC's "safety net" mission is to provide health care to low-income and uninsured patients of San Mateo County regardless of ability to pay. As such, SMMC offers charity care or other financial assistance programs to support access to care for patients who qualify for these programs on the basis of their income and County residency status, and the County's Health Coverage Unit assists low-income residents in enrolling in available public insurance programs. Patients whose incomes are above the eligibility threshold for these programs and are uninsured are billed for SMMC services.

Federal law prohibits the Medi-Cal program from making aggregate payments that exceed the total charges for services set forth in a hospital's CDM. In the event that aggregate payments exceed CDM charges, the federal government will recoup the amounts over and above the CDM charge ceiling.

DISCUSSION:

At this time, a rate increase is recommended to: 1) allow SMMC to participate in any expansion of reimbursement from the Medi-Cal program that enables recovery of our full costs for serving Medi-Cal insured patients; and 2) cover the rising cost of providing health care services.

In order to revisit the CDM, SMMC conducted a charge analysis and found that its current room rates are 45% lower than the average room rate of three County public hospitals in the area: Zuckerberg San Francisco General, Santa Clara County, and Alameda County hospitals (see Exhibit A). In addition, SMMC's current medical-surgical room rate is below the State reimbursement rate and needs to be increased to accurately reflect the actual cost of care and maximize reimbursement. Even with implementation of the proposed rates, SMMC's prices for these services remain below the local public hospital average, which is reflective of SMMC's lower cost structure as a non-trauma facility.

The inpatient daily room rates for SMMC were last increased in September 2007. This resolution would increase SMMC's bed rates as follows:

Inpatient Facility	Current Price	Proposed Price	Local Public Hospital Average
ICU	\$3,939	\$7,000	\$14,963
Medical-Surgical	\$1,843	\$4,700	\$6,056

Psychiatry	\$1,398	\$4,000	\$4,250
Skilled Nursing	\$635	\$985	\$2,062

This resolution would increase SMMC’s evaluation and management rates for Emergency Department services as follows:

Evaluation and Management Level	CPT Code	Current Price	Proposed Price	Local Public Hospital Average
ER Level 1	99281	\$128	\$300	\$472
ER Level 2	99282	\$235	\$450	\$1,010
ER Level 3	99283	\$353	\$600	\$1,967
ER Level 4	99284	\$588	\$750	\$3,174
ER Level 5	99285	\$980	\$1,000	\$5,666

In addition, this resolution would authorize the Chief of San Mateo County Health to approve rates increases up to an additional 6 percent per year, and to negotiate discounts with non-state, non-federal, non-contracted third-party insurance carriers and self-pay individuals. These changes will allow greater flexibility to capture revenue associated with the services SMMC provides.

Updating SMMC’s inpatient and emergency department rates to better reflect its current costs to provide medical services will increase revenue by approximately \$727,000 in FY 2019-20. This change will not increase co-pays, deductibles, or annual fees for patients enrolled in the Access to Care for Everyone Program, nor will it impact payors that currently reimburse patient services using fixed per-diems or case rates, such as Medicare and Medi-Cal. However, it will impact payors that use a percent-of-charge reimbursement, such as non-contracted third-party payors and self-pay patients. Self-pay patients who qualify will be afforded the opportunity to participate in various SMMC financial assistance programs.

The resolution has been reviewed and approved by County Counsel as to form.

The resolution contributes to the Shared Vision 2025 outcome of a Healthy Community by making it possible for SMMC to maintain competitive pricing for its services and increase its revenue in order to meet the community’s health care needs. Under this agreement, it is anticipated that the budgeted net revenue will be increased by one percent.

PERFORMANCE MEASURE:

Measure	FY 2018-19 Actual	FY 2019-20 Projected
Percentage of increase to budgeted net revenue	n/a	1%

FISCAL IMPACT:

The rate increase is expected to net an estimated \$727,000 in additional annual revenue. This estimated additional revenue was not anticipated in the SMMC FY 2018-19 Adopted Budget, but will be included in the FY 2019-20 Recommended Budget.