



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 20-738

Board Meeting Date: 9/29/2020

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: Operations Management Agreement with Brius, LLC

RECOMMENDATION:

Adopt a resolution authorizing an Operations Management Agreement with Brius, LLC relating to the operation of Burlingame Skilled Nursing for the term of October 1, 2020 through September 30, 2025.

BACKGROUND:

In July 2012, San Mateo County Health entered into an Operations Management Agreement ("Original Agreement") with Brius, LLC to manage the Burlingame Long Term Care facility, a skilled nursing facility ("SNF") now known as Burlingame Skilled Nursing ("Facility"), on behalf of San Mateo Medical Center ("SMMC"). The County had previously entered into a Lease Agreement for the Facility and had been operating the Facility at a loss of revenue. The Original Agreement with Brius allowed for the operation of the Facility under San Mateo Medical Center's license, preserved in the County 281 skilled nursing beds devoted to Medi-Cal beneficiaries, as well as many union jobs. Brius has performed well under the Original Agreement: the quality of patient care as rated by external auditors has improved and patients move smoothly from SMMC to the Facility.

The Original Agreement is set to expire on September 30, 2020. The parties have negotiated extensively to put a new agreement in place to address the ongoing management of the Facility and to ensure the highest level of patient care.

DISCUSSION:

SMMC has negotiated an agreement with Brius, LLC to manage the Facility for the next five years (from October 1, 2020 through September 30, 2025), with an option to renew for another five years, which, if exercised, would take the term of the Agreement to 2030 ("New Agreement"). San Mateo County leadership is gravely concerned about the erosion of SNF resources in San Mateo County and the Bay Area for people who are publicly insured through Medi-Cal and Medicare. This is a national trend, but it is particularly pronounced in San Mateo County, where demographic trends

show that the population is aging faster than in the rest of California. The population of residents over the age of 65 in the County is projected to increase by 57%, from 91,447 in 2015 to 160,366 in 2030. San Mateo County's In Home Support Services ("IHSS") Medi-Cal population is already 26% over the age of 85, compared to 15% in the rest of California.

Under the New Agreement with Brius, LLC the management fees to Brius are paid by the amount received from third party payors at no cost to the County. Moreover, the management fee is linked to overall reimbursement from third party payors and the County is entitled to a percentage of that reimbursement when it exceeds a certain threshold. For SNF beds at the Facility, the current Medi-Cal per diem rate is \$327. The County has been further negotiating with State regarding its cost reports through the audit process and the settlement reached through this process will determine future per diem reimbursement rates. Under the terms of the New Agreement, as was the case with the Original Agreement, Brius, LLC is required to accept all otherwise eligible publicly insured recipients referred by SMMC.

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

The resolution contains the County's standard provisions allowing amendment of the County fiscal obligations by a maximum of \$25,000 (in aggregate).

PERFORMANCE MEASURE:

Measure	FY2019-20 Actual	FY2020-21 Projected
Submit any regulatory required Plan of Correction (POC) to SMMC at least 5 days before the due date to the regulatory agency	New Measure	100%

FISCAL IMPACT:

The term of Operations Management Agreement will extend through September 30, 2025. The management fee paid to Brius is covered by reimbursement through direct billing to third-party insurance payors, primarily Medi-Cal and Medicare. The reimbursement rates paid by the State for the Medi-Cal population served in this facility were renegotiated and are adequate to fully cover the operating costs of this facility without requiring Net County Cost. In addition, SMMC retains 50% of any revenue above a certain Medi-Cal base rate to cover its costs related to its governance over the Operations Management Agreement, which is anticipated to be approximately \$4 million annually and is included in the FY20-21 Adopted Budget.