



**COUNTY OF SAN LUIS OBISPO  
BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

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|---|--|--|--|--|--|
| (1) DEPARTMENT<br>Behavioral Health   |  | (2) MEETING DATE<br>3/21/2017            |  | (3) CONTACT/PHONE<br>Jeff Hamm<br>781-4719   |  |
| (4) SUBJECT<br>Request to approve a new FY 2017-18 agreement with the State Department of Healthcare Services to establish a Medi-Cal County Inmate Program, allowing local hospitals that provide services to Medi-Cal enrolled jail inmates to bill the state directly for those services. All Districts.                   |  |  |  |  |  |
| (5) RECOMMENDED ACTION<br>It is recommended that the Board approve a new FY 2017-18 agreement with the State Department of Healthcare Services to establish a Medi-Cal County Inmate Program, allowing local hospitals that provide services to Medi-Cal enrolled jail inmates to bill the state directly for those services. |  |  |  |  |  |
| (6) FUNDING SOURCE(S)<br>General Fund savings   |  | (7) CURRENT YEAR FINANCIAL IMPACT<br>\$0 |  | (8) ANNUAL FINANCIAL IMPACT<br>\$0   |  |
| (9) BUDGETED?<br>N/A  |  |  |  |  |  |
| (10) AGENDA PLACEMENT<br><input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)   |  |  |  |  |  |
| (11) EXECUTED DOCUMENTS<br><input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A  |  |  |  |  |  |
| (12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)<br>N/A  |  |  |  | (13) BUDGET ADJUSTMENT REQUIRED?<br>BAR ID Number: N/A<br><input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A |  |
| (14) LOCATION MAP<br>N/A  |  | (15) BUSINESS IMPACT STATEMENT?<br>No    |  | (16) AGENDA ITEM HISTORY<br><input checked="" type="checkbox"/> N/A Date _____   |  |
| (17) ADMINISTRATIVE OFFICE REVIEW<br>Morgan Torell  |  |  |  |  |  |
| (18) SUPERVISOR DISTRICT(S)<br>All Districts  |  |  |  |  |  |



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Jeff Hamm, Health Agency Director

DATE: 3/21/2017

SUBJECT: Request to approve a new FY 2017-18 agreement with the State Department of Healthcare Services to establish a Medi-Cal County Inmate Program, allowing local hospitals that provide services to Medi-Cal enrolled jail inmates to bill the state directly for those services. All Districts.

### **RECOMMENDATION**

It is recommended that the Board approve a new FY 2017-18 agreement with the State Department of Healthcare Services to establish a Medi-Cal County Inmate Program, allowing local hospitals that provide services to Medi-Cal enrolled jail inmates to bill the state directly for those services.

### **DISCUSSION**

The County is responsible for the provision of medical care services to inmates in the County Jail. Those services are provided through the Health Agency's Fund Center 184—Law Enforcement Medical Care (LEMC). For many years, federal and state statutes have precluded the County from seeking compensation from the state for services to Medi-Cal enrolled jail inmates, or from allowing hospitals and other off site medical care providers to bill and be compensated by Medi-Cal directly when Medi-Cal enrolled jail inmates require acute or specialty care away from the jail facility. When jail inmates require hospitalization, the hospital bills the County under the terms of agreements the County has maintained with all four of the County's hospitals for many years. The vast majority of hospital inpatient services to jail inmates are provided by Sierra Vista Regional Medical Center, due to its proximity to the jail.

Those federal and state statutes have been amended, and, effective July 1, 2017, the State Department of Healthcare Services (DHCS) is allowing counties that choose to do so to participate in a new program referred to as the Medi-Cal County Inmate Program (MCIP). The MCIP provides for hospitals to be compensated directly by DHCS for inpatient services hospitals provided to Medi-Cal enrolled jail inmates. The counties' responsibilities under the MCIP are to reimburse the state for the state's share of the expense, which is also referred to as the non-federal share. For a Medi-Cal enrollee eligible under the pre-Affordable Care Act (ACA) Medi-Cal guidelines the state share is 50%. For a beneficiary eligible under the expanded guidelines created by the ACA, the state share is 5% of the cost.

This new arrangement is expected to result in a relatively small decrease in total compensation received by the hospitals, for inpatient services they provide to County Jail inmates, and a larger but still relatively small amount of savings to the County. Over the past several years almost all the inpatient hospital services provided to jail inmates have occurred at Sierra Vista Regional Medical Center. These expected changes are addressed in more detail in the Financial Considerations section below.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

The Chief Financial Officer at Sierra Vista Medical Center has been consulted on the establishment of the Medi-Cal County Inmate Program.

### **FINANCIAL CONSIDERATIONS**

The compensation terms in the existing contracts with Sierra Vista Regional Medical Center (SVRMC), and the other three hospitals in the County, require the County to pay a fixed amount per day for each day an inmate spends in their hospital, referred to as a per diem rate. For FY 2017-18 that rate will be \$1,557 per day. It is difficult to predict the number of inmates who will require hospitalization in any given year, or what the length of their hospital stay will be. Over the past couple of years, between 35 and 45 inmates have required hospitalization, and their average length of stay has been around four (4) days, resulting in costs between \$200,000 and \$300,000. The LEMC FY 2016-17 budget includes \$211,680 for inmate hospital services.

Under the MCIP, inmates not on Medi-Cal will continue to be the responsibility of the County. Those inmates enrolled in Medi-Cal will be the responsibility of State DHCS, which will pay the hospital on the basis of a "diagnostic related group," or DRG, scale. Unlike a per diem rate, a DRG based payment methodology pays a hospital on the basis of the patient's diagnosis upon admission, regardless of how long the patient stays in the hospital. Once DHCS pays the hospital, it will bill the County for the non-federal share of the payment, which will be either 50% for individuals who are eligible under the pre-ACA criteria, or 5% for individuals who became eligible under the Medi-Cal expansion brought about by the ACA.

As summarized above, there are several hard to predict variables that will affect the financial consequences of implementation of the MCIP, including the percentage of admitted inmates who are or are not enrolled in Medi-Cal, the individual medical circumstances requiring their admission, and the percentage that are in the Medi-Cal "expansion" population vs. those who are eligible under the pre-ACA eligibility criteria. Several scenarios have been run, and staff has come to the conclusion that it is reasonable to expect the hospitals (primarily SVRMC) to receive a relatively small decrease in total compensation for inpatient services they provide to County Jail inmates, and a larger but still relatively small amount of General Fund savings to the County. Throughout FY 2017-18, Health Agency staff will work closely with SVRMC management to track the financial implications of this new program, and will use that information to inform a decision about whether to recommend continuation of the program into subsequent fiscal years or not.

### **RESULTS**

The program established by the recommended agreement is expected to reduce the County's cost of providing inpatient hospital medical services to jail inmates, but will not affect the delivery of those medical services to jail inmates in any other way. Providing inpatient hospital services to jail inmates when medically necessary ensures

the County is in compliance with its legal obligations. Doing so in a more cost effective way helps preserve discretionary funds for other uses.

**ATTACHMENTS**

1. MCIP DHCS Agreement FY 2017-18