

ALAMEDA COUNTY
HEALTH CARE SERVICES

AGENCY

DAVID J. KEARS, Director



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February 1, 2009

The Honorable Board of Supervisors
County Administration Building
1221 Oak Street
Oakland CA 94612

Dear Board Members:

Subject: Approval of Expanded Intergovernmental Transfer Agreements with the State of California to Support the Alameda County Medical Center and St. Rose Hospital of Hayward

RECOMMENDATIONS:

1. Approve the use of existing and budgeted Health Care Services funds to leverage Federal Medicaid participation revenue via the State Department of Health Intergovernmental Transfer Agreements for purposes of enhancing revenue to the Alameda County Medical Center;
2. Approve the use of existing and budgeted Health Care Services funds to leverage Federal Medicaid participation revenue via the State Department of Health Intergovernmental Transfer Agreements for purposes of enhancing revenue to St. Rose Hospital of Hayward; and,
3. Authorize the Health Care Services Agency Director to execute and sign those agreements on behalf of the County of Alameda.

Discussion/Summary:

Beginning in FY07/08 and throughout this fiscal year the Health Care Services Agency (HCSA) in conjunction with the Alameda County Medical Center (ACMC), the Alameda Alliance for Health (AAH), St. Rose Hospital of Hayward (SRH), and relevant State Agencies have been working collaboratively to explore options to draw down on additional Federal Medicaid participation funds. These efforts are essential to the ACMC mission of providing critical medical services to the county's indigent and MediCal population, and to secure a viable re-financing of SRH acute care facility critical to its continued operations and the stabilization of acute hospital care in mid to south Alameda County. Both ACMC (public) and SRH (private) are State designated Disproportionate Service Hospitals, and through their mission and population served are eligible to participate in State/Federal Medicaid revenue enhancement waivers.

In June 2008, my office was approached regarding the County's interest in supporting a potential new State/Federal Medicaid waiver that would allow the County's local Medicaid Managed Care Plan (AAH) to draw down on additional Federal Medicaid funds. The amount available would be based on the differential between ACMC documented costs of care for Alliance members served and the Alliance's reimbursement rates for the last fiscal year, and requires that the County of Alameda provide the State's 50% match via an Intergovernmental Transfer Agreement (IGT). The combined County match funds plus the matching Federal funds would then be sent to AAH through a contract amendment, who, in turn and also through a provider contract amendment, would distribute the County match plus an previously agreed upon percentage of the additional Federal funds to ACMC.

The State/Federal waiver does not require the County to commit additional revenue, only to provide documentation that funds match for this waiver are not used in other County/State/Federal matching waivers. My office is proposing that we utilize funds earmarked in HCSA/ACMC trauma subsidy contract in this fiscal year for this IGT. ACMC and the AAH have reached agreement on the amount and method of disbursement of both the County and Federal funds, and the waiver requires that their signed agreement accompany the County's commitment. Nothing in this agreement changes ACMC obligation under our existing Trauma subsidy contract nor does it require the County to send the required match until all State/Federal agreements are finalized.

My office has received correspondence from the State (see attachment A) requesting a formal letter of commitment by February 6 2009, and a signed and completed documentations by the end of February 2009 (see attachment B for State template). My office is recommending that your Board approve this IGT and authorize my office to execute and sign the requested documentation.

Concurrent with these efforts, my office has worked in collaboration with St. Rose Hospital of Hayward (SRH) and relevant State Agency officials in a multi-component approach to assist SRH in securing a Cal Mortgage Loan. The loan is needed to re-finance the acquisition of their current acute hospital facility from their former parent company, to address State seismic requirements, and to add 30 Medical Surgical beds. SRH is one of only two adult Disproportionate Service Hospital in Alameda County and its continued operations is critical to the availability of services to the Medicaid populations in mid to south Alameda County. Direct grants, received or committed, from other community hospitals, coupled with assistance provided by your Board, and the use of IGTs paved the way for SRH to receive conditional approval of a Cal Mortgage loan by the State OSHPD in May 2008. Regrettably, the rapid deterioration of the credit market, the near collapse of the Nation's and State's economy, and the failure of the State of California to promptly address its growing deficit have resulted in significant increases

Honorable Board of Supervisors

Page 3

in interest rates, exceeding the parameters set in the SRH conditional approval by the State Cal Mortgage Commission.

My office has been asked by State OSHPD officials to explore other options to reduce SRH overall debt obligation while the State pursues efforts to secure a more reasonable interest rate. My office is recommending that the County commit to \$1.5 million of funds held in HCSA SB12 fine and forfeiture account, utilizing the State IGT mechanism to leverage matching Federal funds, and reduce SRH overall debt obligation. In recent meetings with SRH and State officials, assurances were given that with these commitments, the loan agreement could proceed.

The importance of SRH both in serving the indigent and Medicaid population of mid and south Alameda County cannot be overstated. As noted it is the only non public adult DSH hospital in the County and its presence and mission are essential to stabilizing all acute care hospitals south of Oakland. Sufficient reserves exist within the SB12 account to meet this request and the SB12 funds were specifically established to address issues of this nature. As with the requested support for ACMC IGT, no funds will be transferred until agreement is reached that with this added support, SRH Cal Mortgage loan can proceed.

FINANCING:

Funds are available within HCSA approved budgets and SB12 reserves to support these recommendations. There is no impact on the County's general fund.

Sincerely,



David J. Kears
Health Care Services Agency

CC: County Administrator
Auditor-Controller
County Counsel



DAVID MAXWELL-JOLLY
Director

State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

January 29, 2009

Dear County Partner:

Subject: Medi-Cal Managed Care Intergovernmental Payment for the Period October 1, 2008 through September 30, 2009

Please find attached a schedule showing the maximum amount of Intergovernmental Transfer (IGT) funds available to your county through a capitation rate enhancement from the Medi-Cal Managed Care Program for the period of October 1, 2008 through September 30, 2009. The County's contribution to obtain the IGT funding will be 50% of the desired total funding level not to exceed the amount reflected in the attached schedule. Please note that pursuant to Section 14164 of the Welfare and Institutions Code, the county contributed funds will be used as the non-federal share of the Medi-Cal managed care capitation rate increases for the County's health plan partner(s).

If your county desires to participate in this IGT, then the Department requests a formal written affirmation of participation within 7 calendar days from the date of this correspondence. We also ask that the County submit a draft copy of a completed IGT Agreement using the template provided by the Department of Health Care Service (DHCS) no later than February 28, 2009. The County will also need to submit the agreement(s) between the health plan partner(s) and the County hospital(s). Both documents will need to be submitted to the Centers for Medicare and Medicaid Services as part of the waiver modification that is required to implement the IGTs.

Should you have any questions, please feel free to contact Christina Rodriguez-Moreno, Chief of the Policy and Contracts Section, at (916) 449-5039 or via email at Christina.RodriguezMoreno@dhcs.ca.gov.

Sincerely,

Catherine Halverson, Deputy Director
Health Care Operations

Attachment

Medi-Cal Managed Care Intergovernmental Payment for the Period October 1, 2008 through September 30, 2009

Health Plan Name Two Plan Model Plans	County	Lower Bound (LB)	Upper Bound (UB)	Dollar Difference LB vs. UB
Alameda Alliance for Health	Alameda	\$155,771,618	\$167,525,231	\$11,753,613
Blue Cross/Alameda	Alameda	50,940,315	54,779,332	3,839,017

DRAFT TEMPLATE

**INTERGOVERNMENTAL AGREEMENT REGARDING
TRANSFER OF PUBLIC FUNDS**

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the COUNTY OF _____, CALIFORNIA, (the "County") with respect to the matters set forth below.

RECITALS

- A. This Agreement is made pursuant to the authority of Division 9, Part 3, Chapter 7, Article 5 of the Welfare & Institutions Code, section 14164.
- B. The [HEALTH PLAN NAME] is a [describe type of plan] formed pursuant to Welfare and Institutions Code section [] and [insert reference to local ordinance as applicable]. [HEALTH PLAN NAME] is a party to a Medi-Cal managed care contract with DHCS, entered pursuant to Welfare and Institutions Code section 14087.3, under which [HEALTH PLAN NAME] arranges and pays for the provision of covered health care services to eligible members residing in the County.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County shall transfer funds to DHCS pursuant to section 14164 of the Welfare and Institutions Code, up to a maximum total amount of [] dollars (\$ []), to be used as the nonfederal share of Medi-Cal managed care capitation rate increases for [HEALTH PLAN NAME] for the period [], through [], as described in section 2.2 below. The funds shall be transferred in accordance with a mutually agreed upon schedule between the County and DHCS, in the amounts specified therein.

1.2 The County shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the County pursuant to this Agreement as intergovernmental transfers, to use for the purpose set forth in section 2.2 below.

2.2 The funds transferred by the County pursuant to this Agreement shall be used to fund the nonfederal share of increases in Medi-Cal managed care capitation rates and shall be paid (together with the related federal financial participation) by DHCS to [HEALTH PLAN NAME] as part of [HEALTH PLAN NAME] capitation rates for the period [] through []. The rate increases paid under this section 2.2 shall be in addition to (and shall not replace or supplant) all other amounts paid or payable by DHCS or other State agencies to [HEALTH PLAN NAME] including but not limited to: (a) any periodic, special or annual rate increases payable to [HEALTH PLAN NAME] by DHCS for Medi-Cal managed care services; (b) any rate increases that may result from the implementation of changes to [HEALTH PLAN NAME] Medi-Cal service obligations; and/or (c) any and all other rate increases or amounts payable by DHCS or any other State agency to [HEALTH PLAN NAME] for any reason relating to health care or other services provided for or arranged by [HEALTH PLAN NAME] at any time.

2.3 DHCS shall seek federal financial participation for the rate increases specified in section 2.2 to the full extent permitted by federal law.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties and approved by the California Department of General Services, if required.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in section 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the County:

NAME AND TITLE
County of
[ADDRESS]

With copies to:

NAME AND TITLE
County of
[ADDRESS]

To DHCS:

Kevin Melrose
California Department of Health Care Services
Medi-Cal Managed Care Division
1501 Capitol Ave., Suite 71-4002
MS 4402
P.O. Box 997413
Sacramento, CA 95899-7413

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate increases for [HEALTHPLAN NAME] described in section 2.2 and supercedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the [County of] and the California Department of Health Care Services. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The nonenforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Section 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties, and approved by the California Department of General Services, if required.

8. Term. This Agreement shall be effective as of [DATE], and shall expire as of [DATE] unless terminated earlier by mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

[THE COUNTY OF _____]

By: _____

Date: _____

[PRINTED NAME AND TITLE]

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____

Date: _____

[PRINTED NAME AND TITLE]