



County of Santa Cruz

HEALTH SERVICES AGENCY

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HSA Administration

September 12, 2002

AGENDA: September 24, 2002

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

REPORT BACK ON FINANCIAL & PROGRAM IMPACTS ON COMMUNITY CLINICS & MEDICRUZ AND RELATED ACTIONS

Dear Members of the Board:

Background:

On November 20th, 2001 the Health Services Agency (HSA) reported on the impacts of a significant and unexpected rate reduction in the County Clinic's Federally Qualified Health Centers (FQHC) Medical reimbursement and took related actions. Due to FQHC funding, the Clinics enjoyed a long period of stability in reimbursement and operations. This FQHC reimbursement structure also allowed MediCruz to pay less of the Clinics' operation costs for indigent care thus benefiting the MediCruz program. A rate reduction of \$125 per visit went into place during last year retroactive to July 1, 2001. Because of reduced revenues and health inflation costs, the budget for 2002-03 was very difficult and included reductions in care capacity for the MediCruz program. Because the Medical program is an entitlement and defined by State and Federal statute, the County does not have the option of reducing any of these services.

Activities to Improve Clinic/MediCruz Finances and Services:

Clinic and MediCruz staff have been working intensively to identify mechanisms to reduce costs and improve revenues. These activities have included:

- (1) Changes in the Pharmacy program and services;
- (2) Improvements in obtaining health insurance benefits and options for clients who are currently uninsured;
- (3) Obtaining professional consultation related to clinic efficiency and productivity; and
- (4) Evaluating new clinic computer software for billing and care management.

Pharmacy Costs: Since pharmaceutical cost increases have been a significant problem related to the County Clinic and MediCruz budgets, a number of steps have been taken to try to contain the growth in pharmacy costs. These actions included:

- (1) Closing the Watsonville Pharmacy and using a centralized mailing service for medications;
- (2) Review of the formulary and prescribing patterns of the Clinics to identify any areas where less expensive medications could be used with the same or better clinical outcomes;
- (3) Addition of a \$2 co-payment was implemented in January 2002 for prescriptions, with medical waiver options for patients who need critical medications and cannot pay;
- (4) Evaluation and implementation of free and low cost medication programs for indigents provided by the pharmaceutical companies whenever possible. A pharmacy technician was retained in the budget to work on the applications for these medications; and
- (5) Addition of new pharmacy reports for doctors and managers, which include monthly prescriptions by patient and their associated costs.

From our experience in the last 8 months, these strategies appear to be achieving their goal. However, management of pharmacy costs will require ongoing diligence because of the many new expensive drugs being developed and directly advertised to consumers.

Health Benefits and Enrollment Services: Currently the Clinics provide approximately 30% of their services to individuals with Medical and the majority of the remaining clients are uninsured. The 2002-03 budget provides an allocation to Clinics for uninsured patients through the MediCruz program. The following actions have been taken to improve enrollment of eligible people in other funded programs including Medical, Medicare, Veteran's Administration (VA) health services, and Healthy Families in order to conserve MediCruz funds for those without any alternative funding source:

- (1) In conjunction with ECG Management Consultants and the Human Resources Agency (HRA), the current systems for identifying and enrolling patients in Medical, Healthy Families and Veteran's Health Services are being re-evaluated throughout HSA;
- (2) A Social Security Disability advocate was added to the benefits screening staff for Clinics and MediCruz. This person has a significant workload of individuals with health disabilities that should qualify them for Social Security Disability benefits and Medical.
- (3) A Health Benefits Policy Committee has been formed with HRA to discuss and evaluate ways to expand eligibility for uninsured patients presenting for care. This committee has redesigned the application process for MediCruz and integrated it into the Medical and Healthy Families application. MediCruz staff have begun screening for military service to identify individuals eligible to utilize VA health services in Capitola, San Jose and Palo Alto. This committee has also developed data reports listing high cost clients and clients with qualifying diagnoses that need to be worked to obtain benefits. The committee is also reviewing State changes and identifying

systems to prevent individuals from “falling off Medical due to annual reviews or changes. This Committee includes the leadership of the Health Care Outreach Coalition.

- (4) HSA together with other partners has continued to pursue grants to expand health insurance enrollment. A working group was created from the Summit on the Uninsured, held on June 29th, to explore alternative financing and care delivery strategies for the uninsured. If existing patients can obtain alternative benefits, this will significantly improve the financial stability of both Clinics and MediCruz.
- (5) HRA and HSA are negotiating placement and funding of 3 outstationed Medical workers who could immediately enroll patients with necessary paperwork into Medical or Healthy Families. These workers would assist current clients of California Children’s Services, Public Health, Mental Health and Substance Abuse Services. as well as Clinics and MediCruz.

Evaluation of Clinics Systems: HSA obtained consultation through ECG Management Consultants on Clinic finances and operations to improve both services and finances. These health consultants work with both public and private health providers to improve care, billing, and efficiency of health services. ECG staff found opportunities for improvements in efficiency as well as in quality and made numerous recommendations for change. In order to avoid further reductions to clinical services, it is critical that HSA works closely with ECG, Clinic and MediCruz staff to implement these changes as quickly as possible. Highlights of the recommended changes include the following actions:

- (1) Implement “open access” scheduling to reduce patient no-show rates and allow for access to appointments on the same day and/or within **48** hours;
- (2) Implement Provider Treatment Teams with dedicated support staff and patient caseloads. Through these treatment teams, patients can develop ongoing therapeutic relationships with their providers and support staff. Continuity of care is important for both quality and efficiency. Treatment staff can be more efficient in that they will see the same patients over the course of their treatment and require less time to assess the medical condition of the patient;
- (3) Implement operational changes in phones, appointment scheduling and reminders, registration/check-in, benefits assessment, business office practices, and billing in order to streamline patient and paper flow through the Clinics;
- (4) Improve coordination and communication between health benefits staff and clinical staff related to health issues, disability, and benefits for specific health disorders;
- (5) Address inadequate information systems and reporting which contribute to high administrative overhead and operational costs;
- (6) Reduce inefficient use of clinical staff through automation of some of their work processes, and different deployment of support staff and duties;
- (7) Re-organize space utilization to improve provider productivity and, when possible, add examination and treatment rooms to reach benchmark health clinic standards of three examination rooms per provider;
- (8) Re-structure the Clinic organization chart to provide a core leadership group at each clinic and reduce the number of direct reports to Chief of Clinics; and
- (9) Evaluate different job classifications for medical billing and medical support staff to maximize productivity of physicians and increase revenues.

HSA has formed working groups to implement these recommendations. Some of the changes, such as the data system, will take 1-2 years to fully implement, but for the Clinics

to be financially viable, these efficiency and clinical changes are very important. In addition, HSA is working with the safety net clinics and the Central Coast Alliance for Health to better define the roles and areas of specialization for each of the clinics so we do not duplicate efforts and waste critical health resources.

Computer Software Enhancements: In coordination with other community clinics and health providers, HSA has been evaluating new software for billing, practice management, and medical records. The current software was purchased in 1983 and has many limitations that impact efficiency, revenues, clinic productivity, and care management. The selection process is in a final stage. There are two potential vendors who could meet the needs of the County Clinics and also serve the needs of other community clinics. In partnership with the community clinics, HSA submitted an application for a federal access to care grant which would provide funding for such computer systems, and also for health planning and benefits advocacy. Site visits and reference checks continue on the two final vendors and funding information on this joint venture should be available soon. It is hoped that a recommendation can be brought to your Board by November 1.

Visit and Lab Co-pays:

Co-payments for services are used by virtually all health systems in order to assure that patients and providers seek and prescribe the most cost-effective services. Co-payments of \$2 per medication prescription were instituted earlier this year. In addition, most over-the-counter drugs were eliminated from the pharmacy formulary, and patient education pamphlets have been distributed to assist patients in self-care for minor ailments.

Co-payments of **\$5** per provider visit and \$2 per laboratory test were authorized to begin in July 2002. There are waiver provisions for all of these co-payments in case of medical necessity, but very few waivers have been requested.

Medical Eligibility for Services and Triaging

Primary Care/Outpatient Services

Financial and residency eligibility screening provide the first of two gateways for services to be paid by MediCruz. Once determined to be eligible by these criteria, the second gateway is a medical screening examination that determines whether the patient's medical problem is of such severity as to require ongoing care through MediCruz.

Some health conditions are either self-limited or can be treated symptomatically using over-the-counter products. Patients with these problems are medically screened, and are provided with health education and self-help materials. Patients with such conditions who still request services are on a self-pay basis.

A second group of patients are those who present with a minor acute problem for which one or possibly two medical visits are necessary. Care is usually provided during the medical screening visit, and a return appointment is authorized only if the condition does not resolve. Examples are simple sprains and strains, seasonal allergies, scabies, and viral upper respiratory illnesses. Such patients are responsible for applicable co-payments for these types of visits. If these patients develop new medical problems at a future time, they must be re-evaluated for both financial and medical eligibility. Service is not denied, but those wishing services beyond those medically authorized are self-pay.

The third group of patients are those who have a qualifying acute or chronic medical condition for which on-going medical care is necessary. Examples are heart failure, diabetes, acute fractures, cancers and some tumors, some neurological conditions, etc. These patients will be authorized for an appropriate number of monthly, quarterly or annual visits under MediCruz, depending upon their conditions.

Consultations, Referrals, Elective Hospitalizations

All requests for these types of services from both County Clinic providers and those who serve in the community safety net clinics are subject to review by the respective medical directors of each clinic. There is a list of conditions for which "presumptive medical eligibility" has been established, and requests for consultations, laboratory tests, CT or MRI scans, ultrasound examinations, etc., related to these conditions may be approved by any of the medical directors.

Requests for services that are not on the "presumptive medical eligibility" list are subject to review by the Medical Decision Board, which consists of all of the HSA and community safety net clinic medical directors and invitees from the two hospitals. The Medical Decision Board's review is advisory. The HSA Health Officer/Medical Services Director makes the final decision to authorize MediCruz payment for requested services. It is emphasized that neither the medical directors, Medical Decision Board nor the Health Officer/Medical Services Director deny any care. Rather, they determine whether MediCruz will pay for such care. If coverage is denied, patients may still obtain services as self-pay.

The Medical Decision Board and HSA Health Officer may deny payment for a requested service. The request may be re-submitted with additional information. The Medical Decision Board also may defer decisions until the end of the quarter or until funds are available.

Health Planning and Long Term Options:

For a long-term solution with these reduced levels of reimbursement, HSA recommends consultation with community health stakeholders, patients and providers. The primary mission of the services of HSA is oriented towards public health protection in the area of communicable diseases and health issues that threaten the community. In light of the lower level of funding, a community discussion of the priorities of HSA relative to other health programs seems appropriate. Through this type of process, HSA can make better recommendations to your Board on program changes at budget hearings.

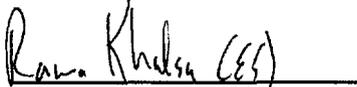
HSA convened the Community Clinic Safety Net Coalition late in 2001 to begin the planning process for better-integrated services to low income populations. Numerous opportunities for system-wide improvement have been identified. This Coalition helped in the conceptualization of two major grant applications to assist in the further development and implementation of opportunities for systems re-engineering. One of these grants has been approved, and will not only expand medical care coverage for homeless persons under the Homeless Persons Health Project, but also offers significant opportunities for safety net clinics to obtain FQHC status, as previously reported to your Board. This in turn will expand the capacity of the entire safety net system. The second grant application awaits final approval and will substantially further the planning process.

Obviously, planning processes to change services must also take into account State and Federal funding changes that should be more fully understood later in 2002 when the various State departments implement the approved budget and makes further anticipated adjustments after the November election. Meetings with health stakeholders are continuing. Their input will be part of the solutions proposed to your Board.

It is, therefore, RECOMMENDED that your Board:

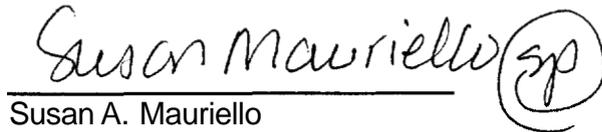
1. Accept and file this report on Clinic and Medicruz finances; and
2. Direct the Health Services Agency to report back in 2002-03 Budget Hearings with recommendations for health services program and finance changes.

Sincerely,



Rama Khalsa, Ph.D.
Health Services Agency Director

RECOMMENDED



Susan A. Mauriello
County Administrative Officer

- cc. County Administrative Office
County Counsel
Auditor-Controller
HSA Administration
Public Health Commission
Central Coast Alliance for Health
EMCC
LMHAB
HRA Administration