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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Shelli Brobst for Randolph F. Snowden - Director
Health & Human Services
REPORT BY: Shelli Brobst, Contracts Analyst, 253-4720
SUBJECT: Public Hearing-Mental Health Fee Schedule and Billing Rates for Fiscal Year 2005-2006

RECOMMENDATION

Director of Health and Human Services requests the following actions:

1. Discussion and possible adoption of a resolution establishing a mental health fee schedule for Fiscal Year 2005-2006; and
2. Approval of mental health billing rates for Fiscal Year 2005-2006.

EXECUTIVE SUMMARY

The requested actions provide for Board approval of a mental health fee schedule and mental health billing rates for Fiscal Year 2005-2006. The fee schedule will add a required element to the HHSA mental health program structure—specifically, a schedule of stated fees for each mental health service that HHSA provides. If this action is approved, mental health fees for Fiscal Year 2005-2006 will be set at the level of the Fiscal Year 2005-2006 Schedule of Maximum Allowances (SMA) rate published by the State. The fee schedule also will serve as the County's Fiscal Year 2005-2006 billing rates for Medicare, Medi-Cal and private insurance.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	Yes
Where is it budgeted?	Behavioral Health
Is it Mandatory or Discretionary?	Mandatory
Is the general fund affected?	Yes

Future fiscal impact:	None. Each year, HHSA will review, update and correspondingly seek Board approval for the mental health fee schedule and the mental health billing rates for the Fiscal Year.
Consequences if not approved:	If this action is not approved, HHSA will not have a Board-approved mental health fee schedule or Board-approved billing rates for Fiscal Year 2005-2006 which the department can use to bill Medicare, Medi-Cal and private insurance .
Additional Information:	None

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Today's action will provide Board approval of a schedule of stated fees for mental health services provided by HHSA in Fiscal Year 2005-2006 and the County's mental health billing rates for Fiscal Year 2005-2006. In order to complete the agency's billing obligations, HHSA needs to:

1. obtain Board approval for a stated schedule of mental health fees;
2. fully implement client billing;
3. bill private insurance for services provided to eligible clients; and
4. obtain Board approval for alcohol/drug fees.

Today's action will allow HHSA to accomplish the first three goals. A proposal to approve alcohol/drug fees will follow, and then HHSA will have completed its billing obligations.

Mental Health Fees and Billing Rates

The proposed fees add a required element to the HHSA mental health program structure - specifically, a schedule of stated fees for each mental health service which HHSA provides. There are two reasons for establishing a fee schedule:

1. The County is required to charge fees based on the client's ability to pay. The established fees provide a basis for determining how much each client must pay. While the actual revenue which HHSA expects to receive from client fees will be lower, HHSA nevertheless is required to set and charge fees.
2. The fee schedule also serves as the billing rates which HHSA will use to obtain reimbursement from Medicare, Medi-Cal and private insurance for services which HHSA provides.

Several rules govern mental health fees:

1. State law requires that counties use a sliding scale called the "Uniform Method for Determining the Ability to Pay" or "UMDAP." UMDAP provides the means to determine exactly what portion of HHSA's published fees each client must actually pay. Few clients will have to pay the published fees out of pocket, since most clients seeking mental health services have some type of third party coverage - Medicare, Medi-Cal or occasionally private insurance - which helps to pay for the services they receive. The UMDAP process is

used to calculate an annual liability - that is, an annual cap on the amount that a client must pay for all services received during a year. A client must pay for services provided by HHSA up to that cap, regardless of any other coverage the client may have. HHSA estimates that most clients' yearly UMDAP liability will be less than \$50.

- | Federal pay sources require that the County adopt uniform fees for services, which means that HHSA cannot bill Medi-Cal or Medicare more than HHSA charges other pay sources. Therefore, HHSA's published fees also are the billing rates that HHSA uses to bill all non-client pay sources - Medicare, Medi-Cal and private insurance - for reimbursement.

Medi-Cal Fees

Several factors make Medi-Cal fee-setting different from fee-setting for other County programs:

1. The County's goal in setting fees is to maximize the County's reimbursement for cost of services provided. The State's goal, on the other hand, is to reduce overpayments by the State to counties. If HHSA sets fees too high (meaning that the rate HHSA bills to Medi-Cal is higher than can be supported by actual costs), HHSA will have to reimburse the State for the overage after the year closes (a "payback"). On the other hand, if HHSA sets fees too low, HHSA will not recover the full cost of the services provided.
2. The rate-setting above is difficult because HHSA must set fees prospectively (for the coming year). However, HHSA does not know what the final costs will be until the staff complete the State-required Mental Health Cost Report after the fiscal year is over. Unpredictable factors - including unplanned staff vacancies and the number of units of service actually delivered during the year - all have an effect on the Agency's final costs. These factors make it impossible to state with exact certainty what the actual costs will be in the coming year. Yet HHSA must set fees ahead of time.
3. In many of the other program areas for which HHSA is required to set fees, the typical fee calculation methodology includes administrative costs in determining the cost of providing a service. In mental health, however, Medi-Cal reimburses administrative costs separately. Therefore, administrative costs cannot be included in the fee calculations.

To calculate proposed fees, HHSA performs the following basic calculation:

- | Staff calculates Adjusted Costs (using costs from the most recent Cost Report updated to reflect recent cost increases).
- | Staff compares the Adjusted Costs to the Current Rates.
- | If the Current Rates are higher than the Adjusted Costs, no fee change is recommended.
- | If the Current Rates are lower than the Adjusted Costs, a fee increase is recommended.
- | In no case can the increased fee exceed the Schedule of Maximum Allowances or SMA (the maximum rate the State will pay for each mental health service).

HHSA performed this calculation for Fiscal Year 2005-2006 and found that the Adjusted Costs are higher than the Current Rates. (The Adjusted Costs also are higher than the SMA, which they cannot exceed.) Based on this analysis, HHSA is requesting Board approval to establish the mental health fee schedule for Fiscal Year 2005-2006 at the Fiscal Year 2005-2006 SMA (i.e., at the State's maximum rates). These fees will also be the Fiscal Year 2005-2006 billing rates for Medicare, Medi-Cal and private insurance.

Note: On October 26, 2004, the Board gave HHSA approval to adopt the SMA as the billing rate to be used by HHSA in billing the State for Medi-Cal reimbursement and gave HHSA permission to automatically adjust the Medi-Cal billing rates annually to match the SMA each year. Today's action expands upon that action by: (1) setting a schedule of fees and (2) setting the Fiscal Year 2005-2006 billing rates for Medicare and private insurance, as well as for Medi-Cal.

HHSA believes that it is preferable to set higher fees in order to fully recover costs (and risk a payback), rather than to risk undercharging and not recover all costs. In setting fees at the Fiscal Year 2005-2006 SMA, HHSA believes that the agency will be able to maximize its reimbursement and hopefully avoid any paybacks. HHSA will return each year to ask the Board to approve mental health fees and to set the billing rates for Medi-Cal, Medicare and private insurance.

Medicare Fees

Currently, Napa County bills Medicare only for Medication Support services provided in HHSA's Medication Clinic. Fees are based on actual costs using the same methodology as for Medi-Cal. Therefore, the fee schedule is the same as for Medi-Cal.

Private Insurance Fees

Fees are based on actual costs using the same methodology as for Medi-Cal and Medicare. Therefore, the fee schedule is the same as for Medi-Cal and Medicare.

A detailed description of the methodology used to determine the proposed fees is on file with the Clerk of the Board.

SUPPORTING DOCUMENTS

A . Resolution

CEO Recommendation: Approve

Reviewed By: Lorenzo Zialcita