



Agenda Date: 4/1/2008
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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Howard Siegel - Director
Community and Intergovernmental Affairs Division
REPORT BY: Celeste Buckley, Analyst - 253-4477
SUBJECT: Partnership Health Plan

RECOMMENDATION

The Legislative Subcommittee requests approval and authorization for the Chair to sign one or more letters of support for the Partnership Health Plan's Medi-Cal rate increase. (Unanimous vote required).

EXECUTIVE SUMMARY

The Partnership Health Plan of California (PHP) is the three-county "county operated health program" which provides managed healthcare services to qualified Napa County residents. PHP has received only one adjustment in its Medi-Cal reimbursement rate from the state in the last six years. During this time, healthcare costs have risen steadily and the plan has exhausted its capital surplus. The Legislative Subcommittee recommends support of the plan's rate increase request currently pending with state regulatory authorities and approval of the attached support letter.

FISCAL IMPACT

Is there a Fiscal Impact? No

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

The Partnership Health Plan of California (PHP) was created in 1993 pursuant to a statute that authorized counties to create county operated health plans to provide managed healthcare services to Medi-Cal beneficiaries and other county residents. Today, PHP provides these services in Napa, Solano, and Yolo Counties. In addition to Medi-Cal, the plan also offers managed healthcare to individuals who are enrolled in both Medi-Cal and Medicare; and to children covered through the Children's Health Initiative. The goals of PHP are to improve access, quality, and cost effectiveness through a managed care system. PHP links each member with a primary care provider and has been successful in reducing inappropriate emergency room usage, providing an appropriate level of inpatient care, developing innovative case management programs and providing more services locally. PHP is the health plan for more than 12,000 Napa County residents.

PHP is regulated by both the Department of Healthcare Services and the Department of Managed Care. Applicable regulations require managed care organizations to maintain a minimum level of capital reserves, referred to in regulations as "tangible net equity." For many years PHP's reserves exceeded this regulatory minimum. Over the past few years, however, the state has for the most part provided rate increases to the five county operated health plans on an anecdotal or "as needed" basis. As state finances have become more problematic, the process for obtaining rate adjustments has become more challenging. As a result, the general reserves of PHP have fallen from almost \$40 million to approximately \$17 million, which is also the approximate level of the minimum required tangible net equity. Plan expenditures currently exceed revenues by more than \$1 million per month.

The state has just completed a review of the fiscal and administrative functions at PHP utilizing an impartial, expert consulting firm. The outcome of such reviews can include directives to make changes in fiscal or administrative practices, fines for dipping below tangible net equity, imposition of monitoring plans, or appointment of a receiver to take over management of the plan. In this case, no changes were directed, nor was fiscal monitoring required. This effectively confirms that the current fiscal situation is the result of the level of funding received for Medi-Cal services, rather than the result of operating practices or other controllable causes. In this regard, PHP's administrative costs are consistently less than five percent, which is extremely low for a managed care organization.

PHP's rate request currently pending with state regulators seeks to have rates adjusted to levels that will result in the plan being able to stabilize for the next year at a tangible net equity level of 130 percent, which is the industry standard for a safe operating reserve. The plan's annual budget runs in the neighborhood of \$300 million per year. The requested rate increase will result in additional revenue in the current year of approximately \$18 million, of which half is state funding and the remainder federal matching funds. A comparable amount is being requested for the fiscal year commencing July 1, 2008.

The current situation has been brought to the attention of the Governor's office. Staff there have indicated that they will issue a recommendation regarding the rate request within the next week. On the basis of that advice, the PHP board has deferred action on the plan's financial situation until no earlier than April 2, 2008. The plan has requested counties and other interested constituencies to provide input to the Governor's office and legislators regarding the plan's needs.

SUPPORTING DOCUMENTS

A . Letter of Support

CEO Recommendation: Approve

Reviewed By: Maiko Klieman