



HEALTH SERVICES AGENCY
ADMINISTRATION

0217
COUNTY OF SANTA CRUZ

HEALTH SERVICES AGENCY

P.O. BOX 962, 1080 EMELINE AVENUE
SANTA CRUZ, CA 95061
(408) 454-4066 FAX: (408) 454-4770
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AGENDA: August 1, 2000

July 18, 2000

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

SUBJECT: REPORT BACK ON CENTRAL COAST ALLIANCE FOR HEALTH

Dear Members of the Board:

Background:

At the June budget hearings, your Board requested an analysis and report back on the issues raised by physicians about the Healthy Families Program. Your Board had received many letters from the physician community in June prior to the budget hearings. The concerns raised by the physicians were as follows:

- Healthy Families Reimbursement is too low
- Physicians who serve Medical patients should not be required to serve Healthy Family patients
- Families will drop regular health insurance for their children and move them to Healthy Families because the monthly payments are cheaper
- The Alliance should not get a Knox-Keene license and become an Health Maintenance Organization (HMO)

Analysis:

The Alliance Finance Committee was informed of the reimbursement concerns of the physicians and voted to recommend to the Alliance Board that up front reimbursement would be increased to all physicians to 80% of Medicare rates which was slightly lower than payments from Blue Cross in its Healthy Families program. However, with careful case management of treatment, costs of the program may be lower than State reimbursement. This will result in Alliance physician risk settlement payments at the end of the year as well. Last year the total average physician's payments were 147% of Medicare reimbursements for the Healthy Families program. This reimbursement level was based on a small number of participants, however, and could change. This recommendation to increase up front reimbursement was adopted by the full Alliance Board. In addition, the Alliance Board voted to pay physicians their risk settlements twice per year, instead of the current annual settlement structure.

The Alliance Board and Alliance administration are very concerned overall with Medical and Healthy Families reimbursement. It was decided that joint advocacy with the State and Federal governments was an important part of improving the program's funding. The Alliance Board will be discussing this advocacy at a retreat on July 26th, 2000 and developing specific plans for follow up on this important issue.

One of the physician concerns was that families would drop employer provided coverage for their children in favor of less expensive healthy family's premiums. Staff from the health department and its contract agencies are very involved in outreach and enrollment to the Healthy Families program. In discussing this concern with the benefits staff, they were not able to identify any cases of this type of approach by families. They said that the families were universally uninsured. We are carefully reviewing new applications we take to inquire about this. In addition, the Alliance has written the State to see what safeguards there are in the program to prevent this from happening.

The final concern of the physicians was that the Alliance had obtained a Knox-Keene license. This license was required by State legislation to participate in Healthy Families. The Alliance has always maintained it's model of partnering with physicians and providers to deliver care with its shared-risk payment system. There is no interest from the Alliance or the Board to move to full capitation systems which have been very detrimental to physician practices.

The attached letter to the physicians from the Alliance staff provides additional details on their concerns. Your representatives on the Alliance Board, Supervisor Wormhoudt and myself will maintain close communication with Board of Supervisors on these important concerns.

It is therefore RECOMMENDED your Board take the following action:

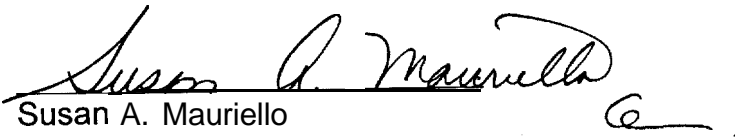
1. Accept and file the report on the Central Coast Alliance for Health and its participation in the Healthy Families Program.

Sincerely,



Rama Khalsa, Ph.D.
Health Services Agency Administrator

RECOMMENDED:



Susan A. Mauriello
County Administrative Officer


Attachment: July 5 letter from Alan McKay

Cc: CAO
County Counsel
Auditor-Controller
HSA Administration
Central Coast Alliance for Health

CENTRAL COAST ALLIANCE FOR HEALTH
375 Encinal Street ~ Suite A ~ Santa Cruz ~ CA ~ 95060
(831) 457-3850 ~ FAX (831) 466-4310

DATE: July \$2000

TO: Rosalind Shorenstein, MD, President Elect, SCCMS
 Laurie Draughon, MD
Martina Nicholson, MD
 Elliot Light, MD
 Ms. Jill Foley, Executive Director, MCMS

FROM: Alan McKay, Executive Director (ext. 4300) 

RE: FOLLOW UP ON HEALTHY FAMILIES PROGRAM

On behalf of the Alliance's governing board, I want to thank you for your public testimony regarding the Healthy Families (**HF**) program at the board meeting last week. In the interest of working together to resolve concerns, I have attached a letter to the Managed Risk Medical Insurance Board (MRMIB) on issues of I-IF program funding, and the risk of insurance conversion. I will be sure to share back with you **MRMIB's** response, and would like to work with you and other concerned physicians further to resolve concerns.

The Alliance and HF. I believe the Alliance's board views the **HF** program as imperfect, yet "here to stay" due to its statewide implementation, and the local participation of several corporate, for-profit health plans. The Alliance participates in **HF** because its mission is to improve health care access for lower income community members. Our analysis shows that the Alliance's **HF** reimbursements are quite competitive, and are enhanced by surplus sharing and low administrative overhead. Last week, the board also took action to increase "**upfront**" FFS payments for **HF** services, which will better balance surplus sharing payments. The board also added a mid-year settlement for more timely risk-sharing payments in both the Medi-Cal and **HF** programs. Regarding the "hassle factor", the board directed staff to further research and address physician concerns regarding Alliance paperwork.

Knox-Keene license. As you may know, the Alliance (and every participating local health plan in the State) was required by legislation to obtain a **HF**-specific Knox Keene license. This license in no way mandates the use of full scope **capitation** systems that have contributed to the downfall of many physician organizations. In fact, the Alliance's board remains committed to its original shared-risk payment system, which has produced over \$10M in surplus payments to providers since 1996.

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Physician Participation. The Alliance's board **affirmed** its interest in providing local, non-profit health plan services to HP-eligible children. However, the board directed staff to clarify again that: a) any physician may choose to **not** participate in the Alliance's **HF** network, and b) any physician that chooses **to** participate in **HF** may set their member volume, or accept referrals, exactly as they so choose - there is no required level of participation, and c) the Alliance has included in its **HF** network **only** those physicians whose contracts or amendments include the **HF** program specifically.

The process of local health care reform is complex, ever changing, and beset with both opportunities and threats. I believe we share a great opportunity for self-determination. Thank you again for participating in that process. The board and staff of the Alliance look forward to working with you to make the most of our collective opportunity.

Enclosure: Letter to **MRMIB** re: HP concerns

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Mr. John Geesman, Chair
California Managed Risk Medical Insurance Board
1000 G Street, Suite 450
Sacramento, CA

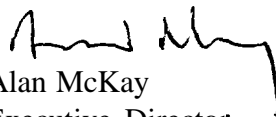
RE: QUESTIONS REGARDING THE HEALTHY FAMILIES PROGRAM

Dear Mr. Geesman:

The board and staff of Central Coast Alliance for Health (the Alliance) have recently heard important concerns from local physicians regarding the Healthy Families program. These concerns have focused on program financing, and the perceived risk of conversion **from** other health insurance. The Alliance has responded to these concerns based on our understanding of the Healthy **Families** program, but would appreciate your assistance in further addressing the enclosed list of issues. The Alliance shares your board's commitment to improving health care access for lower income children. Your assistance will facilitate our local efforts.

Thank you for your attention to this request. Please call me at (831) 457-3850 ext. 4300 with any questions or comments about this letter. I look forward to hearing from you.

Sincerely,



Alan McKay
Executive Director

Enclosure

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Questions and Concerns regarding the Healthy Families Program
as presented to the Alliance by
Physicians in Santa Cruz and Monterey Counties

1. Health plan premiums. What actuarial assumptions are used by MRMIB in setting target health plan premiums for Healthy Families, or in assessing whether the premium rates paid to health plans are adequate to cover the cost of health services?
2. Physician payments. We understand the California Medical Association is surveying its members regarding provider payments and referral access in the Healthy Families program, and **will** publish their results in aggregate. Likewise, **MRMIB** is conducting a survey of health plan payments to providers, to which the Alliance has responded. Will MRMIB publish findings **from** its survey that would assist us in evaluating the Alliance's Healthy Families payments compared to the aggregate of other health plans' payments?
3. Conversion from other insurance. Local physicians have voiced concerns regarding the perceived risk of parents converting their children's' coverage **from** employer-based insurance to Healthy Families. This concern is based on the physicians' assumption that employer-based insurance payments for services are likely to be higher than payments received through Healthy Families. The Alliance has responded to concerns regarding insurance conversion as follows:

At the recent "California Health Care Symposium 2000" in San Francisco, panel experts on the uninsured reported that the "working poor" are rarely provided health benefits by their employers. However, if an employer did offer employee insurance to low wage workers, but did not make a contribution to premium for dependent coverage, the estimated cost to the employee for two dependent children (based on the Alliance's local health insurance premium experience for its employees) would cost about \$485 per month (for health, vision and dental, as per HF benefits). children of workers earning from about \$17,000 to about \$42,000 annual income for a family of four, legislators have determined that this cost presents a considerable barrier to access, even in the rare instances where low wage workers are offered dependent coverage.

Notwithstanding, the HF program requires any child previously covered by employer-sponsored health insurance to have a three month period of continuous non-coverage to qualify for HF, unless the employer has discontinued coverage to all of its employees' dependents. Therefore, in order for an employer to "convert" employees' dependent

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children from employer-sponsored insurance to HF, the employer would have to discontinue coverage for all employees' dependents, including higher paid workers whose children would be ineligible for HF. Also, among those employers that do offer health insurance to low wage workers, it is uncommon that coverage is extended to dependents. Therefore, the potential for employers to cost shift part their health benefit costs (if health coverage is offered at all) to HF is quite small.

Does MRMIB have information that addresses concerns regarding insurance conversion? What is the average income of Healthy Families subscribing families? Are there data on the prevalence and out-of-pocket cost of any employer-based insurance offered to subscribing families? How does MRMIB ensure that employers are not inappropriately shifting health insurance costs to the Healthy Families program? Does MRMIB have data on the prevalence of Healthy Families subscribing families that may have dropped employer-based insurance for three months in order to qualify for Healthy Families?

Thank you once again for your attention to these questions and concerns.