

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** November 3, 2003

**FROM:** CYNTHIA J. KURTZ, CITY MANAGER

**SUBJECT: APPROVAL OF CONTRACT WITH ASSOCIATED HISPANIC PHYSICIANS OF SOUTHERN CALIFORNIA, IPA**

## **RECOMMENDATION:**

It is recommended that City Council:

- 1) Authorize the City Manager to enter into a contract with Associated Hispanic Physicians of Southern California, IPA (AHPSC) for the provision of pediatric services to Medi-Cal Managed Care and Healthy Families clients at Medi-Cal fee-for-service reimbursement rates. Competitive bidding is not required pursuant to the City Charter Section 1002(F), contracts for professional and unique services; and
- 2) Authorize the City Manager to extend the proposed contract for an additional three years without further City Council approval; and
- 3) Exempt the proposed contract from the competitive selection process of the competitive bidding and purchasing ordinance pursuant to Section 4.08.049(B), contracts for which the City's best interests are served.

## **BACKGROUND:**

For more than 29 years the Pasadena Public Health Department's Child Health Clinic has provided pediatric services to Child Health and Disability Prevention (CHDP) eligible children and the Medi-Cal fee for service population. The CHDP program assures that eligible children and youth receive periodic health assessments and have access to ongoing health care from a medical home. "Medi-Cal," California's Medicaid program, is the federally and state-funded program providing access to medical care and services for those meeting certain income guidelines.

In the mid-90's, the California Department of Health Services implemented Medi-Cal managed care in an effort to control costs, while assuring quality care for clients. The Department of Health Services utilizes a "two-plan" model to

administer Medi-Cal managed care benefits in most California counties. One plan is organized and administered locally by a quasi-governmental entity (the "local initiative"), and one is administered by a "commercial" health plan. In LA county, LA CARE administers the local initiative and Health Net was selected to administer the commercial plan.

Health Net of California, a subsidiary of Health Net, Inc., is one of the largest network-model health plans in the state, serving nearly 2.5 million members. Health Net currently provides Medi-Cal benefits to more than 625,000 members in Fresno, Los Angeles, Riverside, Sacramento, San Bernardino, San Diego, and Tulare Counties. Approximately 510,000 of the beneficiaries reside in Los Angeles County. Health Net also covers approximately 45,000 Healthy Families' clients in Los Angeles County. It contracts with more than 44,000 physicians, nearly 400 hospitals, and more than 4,300 pharmacies, giving its members greater choice and more convenient access to care. Associated Hispanic Physicians of Southern California, IPA (AHPSC) is one of Health Net's contracted physician groups.

As clients are placed into Medi-Cal managed care and enrolled in Healthy Families, they must select from the pool of providers who participate in these programs. These providers agree to accept a monthly capitation rate as reimbursement for the enrolled clients who are assigned to them and to comply with the administrative requirements. Clients agree to seek care from their designated provider in order to have services covered. In the last few years, the number of providers who accept Medi-Cal managed care and Healthy Families clients has been diminishing due to the low reimbursement rates and the arduous paperwork. In Pasadena, the number of Healthy Families providers has decreased by approximately 25% in the last three years.

Since the Public Health Department has not been a provider option under Medi-Cal managed care or Healthy Families, the number of clients using the City Public Health Department's Child Health Clinic has declined in the last four years. Some clients, however, insist on continuing their care at the Public Health Department clinic even though they have been enrolled into a managed care plan. It is not uncommon for these clients to pay out of pocket. Other clients may enroll in Medi-Cal managed care or Healthy Families, but underutilize their preventive and treatment benefits due to inaccessibility of or dissatisfaction with their providers.

In an effort to improve access to health care and respond to unmet client needs in the managed care environment, Health Net facilitated development of a unique public/private partnership between the Pasadena Public Health Department's Child Health Clinic and the Associated Hispanic Physicians of Southern California, IPA (AHPSC). Health Net is the only managed care organization that considered a public-private partnership of this kind. Independent physicians associations (IPAs) typically partner with private health care providers; however,

AHPSC is willing to collaborate in this first-of-a-kind program to reimburse a public health-based health care provider for services to Health Net's enrolled Medi-Cal and Healthy Families members. This partnership will enable the Pasadena Public Health Department to provide pediatric preventive health and primary care services to Medi-Cal Managed Care and Healthy Families beneficiaries who choose the Pasadena Public Health Department as their "medical home." The result will be increased access and continuity of care for these clients in Pasadena and services coordinated by Child Health Clinic, which has been selected by the family as their "primary care provider."

Through this pilot contract, the Pasadena Public Health Department will be reimbursed for services provided to Medi-Cal Managed Care and Healthy Families clients according to the Medi-Cal fee-for-service schedule, rather than a capitated rate or a set monthly payment for each client. AHPSC and Health Net will reimburse the Public Health Department at the current fee-for-service rate for individual health services provided each time the child is seen. This will allow the Public Health Department to recoup its cost for providing services. Health Net has committed to maintaining the current Medi-Cal fee-for-service rate and will not reduce reimbursement by 5% in January 2004 as is currently projected by the State budget.

The Pasadena Public Health Department's Child Health Clinic is one of twenty health care providers in the City of Pasadena that participate in the CHDP program. Established in 1974, the Clinic was the first CHDP provider in the City of Pasadena. Staffed by a family practice physician, a family practice nurse practitioner, and other clinical and support staff, the Clinic provides follow-up and referral services within 24 hours after the initial office visit. The Clinic currently operates 10 four-hour sessions per month at the Pasadena Community Health Center and has recently initiated an additional weekly four-hour session at Villa Parke Community Center. The Pasadena Public Health Department anticipates a gradual increase of eligible clientele, which will be managed by the current staffing. The Clinic averages 25 clients each clinical session and estimates an increase of four to five children per session. Currently there is a waiting list of clients who have developed a trusting relationship with PPHD and are requesting to transfer their care once the AHPSC contract has been approved.

Under the terms of this contract, the Pasadena Public Health Department will provide medical services to clients, from birth through the eighteenth year, who are eligible for the Medi-Cal Managed Care Program and the Healthy Families Program. Clients eligible for Medi-Cal Managed Care and Healthy Families are at or below the 200<sup>th</sup> and 250<sup>th</sup> percentile of the federal poverty level respectively.

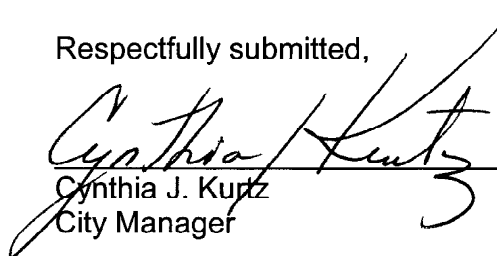
The duration of the contract is for an initial period of one year commencing on the date the document is signed, unless an earlier termination is requested by either party, as provided in the contract. Thereafter, this agreement may be renewed for

successive one-year terms as evidenced by amendments to the original agreement.

**FISCAL IMPACT:**

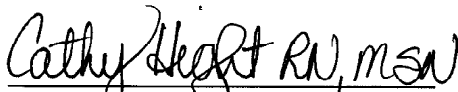
The recommended action was included in the FY 2004 adopted Health Fund budget under the Maternal and Child Health Budget Account #564000. No additional appropriations are anticipated. All of the responsibilities to be addressed in the contract are to be satisfied by existing staff included in the current FY 2004 budget.

Respectfully submitted,



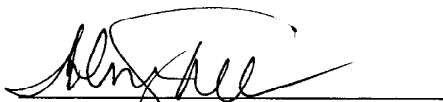
Cynthia J. Kurtz  
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Prepared by:



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