

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Health Services Agency

MAP

BOARD AGENDA # *B-8

Urgent

Routine

D/H

AGENDA DATE August 30, 2011

CEO Concurs with Recommendation YES

NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval to Set a Public Hearing on September 20, 2011 at 6:40 p.m. to Consider the Reduction and/or Elimination of the Direct Provision of Oncology Services by the Health Services Agency

STAFF RECOMMENDATIONS:

1. Set a Public Hearing pursuant to the California Health and Safety Code § 1442.5 on September 20, 2011 at 6:40 p.m. to consider approval to reduce or eliminate the direct provision of Oncology services effective on or about September 30, 2011.
2. Authorize the Health Services Agency Managing Director or her designee to negotiate and enter agreement(s) with Oncology physicians and/or facilities, not to exceed \$400,000.

FISCAL IMPACT:

The approved preliminary budget for Fiscal Year 2011-2012 for the Health Services Agency (HSA) is \$88 million, of which \$46 million is attributable to the Clinic and Ancillary division budget, and \$12.5 million is attributable to the Medically Indigent Adult program budget. Revenues related to the Clinic division of the HSA consist of reimbursement from various payor sources such as Medi-Cal, Medicare, the Medically

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2011-506

On motion of Supervisor Chiesa, Seconded by Supervisor Withrow,
and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to Set a Public Hearing on September 20, 2011 at 6:40 p.m. to Consider the Reduction and/or Elimination of the Direct Provision of Oncology Services by the Health Services Agency

Page 2

FISCAL IMPACT (Continued):

Indigent Adult (MIA) program, patient payments, grant funds and the County General Fund. The Oncology clinic is one of the services provided as part of the Specialty clinics in the HSA's Clinic and Ancillary division.

For Fiscal Year 2010/2011 the Oncology clinic's pre-audit financial result including allocated overhead was a net loss of approximately \$676,000, while the forecasted net loss for Fiscal Year 2011/2012 is \$855,000. The financial impact of the Oncology clinic however is not limited to only its cost center's financial performance. There is cost avoidance incorporated into the Medically Indigent Adult (MIA) program budget based upon the direct provision of these medical services with integrated initiatives related to drug manufacturer programs and early identification of potential medical condition-related Medi-Cal eligibility. The MIA program is a mandate on the County under the Welfare and Institutions Code Section 17000. It is estimated that the present cost avoidance to the MIA program budget annually is in excess of \$1million, offsetting the clinical operation's financial loss. The financial impact related to the consideration of reducing or eliminating the direct provision of Oncology services is preliminarily estimated at this time to be a net loss of \$400,000 annually.

DISCUSSION:

In accordance with California Health and Safety Code section 1442.5, the HSA is requesting that the Board of Supervisors schedule a public hearing in order to consider a policy decision with regard to reducing or eliminating the oncology services currently provided within the HSA's clinic system.

Oncology services have been provided since 2003 through a Personal Services Contracted employee relationship with a board certified Oncologist physician. That contract was to expire on June 30, 2011 and without reaching agreement on a longer term extension, the contract was extended by mutual agreement for three months, through September 30, 2011. The contracted Oncologist has conveyed his intention to establish a private practice in the community following the expiration of the contract.

Unlike other specialty medical care offered by the HSA, which is medically staffed by rotating independent contractor specialist physicians from the community in our clinics, Oncology services have been totally dependent on the contracted employment of a full-time Oncologist. As a result, effective September 30, 2011, and in the absence of another solution not yet identified or secured, the HSA will not have the required medical specialist availability necessary to continue the direct provision of services offered currently.

In the anticipated absence of service availability within the HSA, and the concern for patient care needs and continuity, administrative activities are in various stages of planning and implementation such as patient notifications and alternatives for access to

Approval to Set a Public Hearing on September 20, 2011 at 6:40 p.m. to Consider the Reduction and/or Elimination of the Direct Provision of Oncology Services by the Health Services Agency

Page 3

care. The Medi-Cal managed care health plans also have limited access to other local contracted Oncologists for the patients for whom they are responsible.

Patients Impacted

The following table illustrates the volume of Oncology patients served and visits provided during the 2010/2011 fiscal year by payor source.

Table 1

Payor Source	# of Unique Patients	# of Visits Provided
Medi-Cal - Anthem Blue Cross	96	693
Medi-Cal - Health Net	34	184
Medi-Cal – non Managed Care	255	1,681
Medicare	227	1,312
Medically Indigent Adult	65	201
Other Insurance	32	185
Personal Pay - Uninsured	25	43
Total	734	4,299

Financial Performance and Projections

During the past two years, changes to Oncology related reimbursement primarily in Medi-Cal reimbursement for drugs including chemotherapy related agents, has had the result of worsening the financial performance of the Oncology clinic. In the fiscal year ending June 30, 2009, the oncology clinic operated at approximately break-even. While the financial statements are not yet closed for Fiscal Year 2010/2011, the preliminary figures for the Oncology clinic indicate a net loss of \$676,000.

To fully consider the annual financial results related to the direct provision of Oncology services, the MIA program service needs and expenses must be considered. As shown in Table 2, two key initiatives more than offset the clinic operation's loss for the HSA. The first initiative involves careful review of the MIA patient's possible entitlement for other health care coverage, including Medi-Cal. The degree of effectiveness with this process is largely reliant on the timeliness of receiving information from the physician. The second initiative is to apply where appropriate for inclusion of MIA patients, for drug manufacturers' free drug programs for low income patients; the success of this initiative is also heavily dependent on written and timely information by the patient's physician.

There is a third financial consideration of reducing and/or eliminating the direct provision of Oncology services which is the cost of alternatively purchasing the services for the MIA patients. For clarification, of the patient populations noted in Table 1, the County is only mandated to provide or arrange for care for the MIA population, which represents

Approval to Set a Public Hearing on September 20, 2011 at 6:40 p.m. to Consider the Reduction and/or Elimination of the Direct Provision of Oncology Services by the Health Services Agency

Page 4

approximately five to nine percent of the operation. This net cost estimate should be based not only upon reimbursement rates for actual services, but also an assumption that the initiatives described above may lose some degree of success as it will no longer be a fully integrated process within the HSA. It is important to note that our region suffers from a shortage of physicians, which may be a factor in the availability and cost of purchasing the services. Staff work continues with regard to assessing availability and securing services for the MIA patients within our county and surrounding counties.

Shown in the following Table 2 are the forecasted figures for Fiscal Year 2011/2012, including the cost avoidance calculations related to the MIA program.

Table 2

Oncology Clinic (based on a full fiscal year of operation)	Forecast for FY 2011/2012
Total Visits Provided	4,300
Net Revenues (after payor deductions from billed charges and AR valuation)	\$3,809,000
Expenses	4,664,000
Net Income (without final closing adjustments)	(855,000)
MIA Integrated Initiatives	
Secured Medi-Cal eligibility due to medical condition – 50% ¹	1,066,000
Drug Manufacturer Free Prescriptions Program – 50% ¹	148,000
Net Cost Avoidance Estimate related to Oncology clinic	1,214,000
Total Estimated Annual Financial Impact - Savings	\$ 359,000

Note 1: The average estimated cost avoidance enjoyed by HSA's MIA program budget during Fiscal Years 2009/2010 and 2010/2011 was discounted by half to acknowledge that some level of this cost avoidance could be sustained in the absence of an HSA operated Oncology clinic and in an effort to avoid possibly overstating the offsetting impact.

With regard to short versus long term planning regarding the provision of Oncology services, staff will be considering the 2014 federal health care reform impact on MIA enrollment, as well as estimated recruitment time to secure another Oncologist physician. It is anticipated that approximately 75% of the MIA eligible population may become Medi-Cal eligible in 2014 under the enacted Affordable Care Act. As a point of reference regarding duration of a successful recruitment, the past Oncologist recruitment effort consumed approximately eighteen months.

Under the relevant state Health and Safety code requiring the requested hearing, the County is obligated to state the savings to be achieved through the reduction or of an unsuccessful contract extension effort, the full vetting of alternatives and forecasted costs and savings will require further interaction with the medical community and additional analysis. Also, alternatives which could present in the coming weeks or months, could offer a scenario in which only a reduction in the current direct provision of services available would be necessary, rather than an on-going complete elimination.

Approval to Set a Public Hearing on September 20, 2011 at 6:40 p.m. to Consider the Reduction and/or Elimination of the Direct Provision of Oncology Services by the Health Services Agency

Page 5

Such a scenario would necessarily alter financial projections. However, in order to meet the requirements of the code, staff's preliminary estimate of the financial impact to the HSA is a loss of \$400,000 annually.

Given the information known at this time and the State requirement to hold a hearing, staff anticipates requesting the latitude from the Board of Supervisors to reduce or eliminate the direct provision of services on, about or after September 30, 2011.

Should this recommendation to set a public hearing date and time be approved, staff would proceed with the tasks to meet the advance notice requirement as prescribed under the respective California code section.

POLICY ISSUE:

Approval of this item supports the Board of Supervisors' priorities of A Healthy Community and Efficient Delivery of Public Services by responding to changing circumstances, meeting required California Code and arranging for the required level of services.

STAFFING IMPACT:

There is no staffing impact associated with this request to set a hearing or to consider the reduction or elimination of the Oncology clinic operation. There are presently five full-time filled positions budgeted in the Oncology clinic. Each of these employees could be absorbed through funded vacancies in other areas of the Clinic and Ancillary division.

DEPARTMENT CONTACT:

Mary Ann Lee, Managing Director, 209-558-7163.

E

BOARD OF SUPERVISORS

2011 SEP 14 A 10:26

**DECLARATION OF PUBLICATION
(C.C.P. S2015.5)**

**COUNTY OF STANISLAUS
STATE OF CALIFORNIA**

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am a printer and principal clerk of the publisher of

THE MODESTO BEE,

which has been adjudged a newspaper of general circulation by the Superior Court of the County of STANISLAUS, State of California, under the date of **February 25, 1951, Action No. 46453.** The notice of which the annexed is a printed copy has been published in each issue thereof on the following dates, to wit:

SEPTEMBER 10, 2011

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that this declaration was executed at
MODESTO, California on

SEPTEMBER 10, 2011



(Signature)

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that, pursuant to Section 1442.5 of the California Health and Safety Code and other applicable laws, the Board of Supervisors of the County of Stanislaus, State of California, will hold a public hearing regarding the reduction of health and medical services provided by the County. The public hearing will commence on Tuesday, September 20, 2011 at 6:40 p.m., or as soon thereafter as the matter may be heard, in the Board Chambers, 1010 10th Street, Modesto, California, at which time and place all interested persons may appear and be heard.

ADDITIONAL NOTICE IS GIVEN that the services that are proposed for reduction or elimination are as follows:

Description of Reduction or Elimination	Projected Annual Increased Expense	Number of Persons estimated to be impacted if the recommendation is approved.
Elimination or reduction of the direct provision of Hematology/Oncology services by the Health Services Agency	\$400,000	734

NOTICE IS FURTHER GIVEN that at any time prior to the time fixed for the hearing, any interested person may file written comments on the proposed action with the Clerk of the Board of Supervisors of the County of Stanislaus. Both oral and written comments will be considered by the Board of Supervisors at the time and place fixed for the hearing. Additional information regarding this hearing may be obtained by contacting the Stanislaus County Health Services Agency at (209) 558-7163, or by writing the Stanislaus County Health Services Agency, Attention: Administration, P.O. Box 3271, Modesto, CA 95353.

DATED: August 30, 2011

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk of the Board of Supervisors of the County of Stanislaus, State of California

BY: Elizabeth King, Assistant Clerk of the Board

AVISO DE AUDIENCIA PÚBLICA

SE AVISA AL PÚBLICO que, en cumplimiento con la Sección 1442.5 del Código de Salud y Seguridad de California (California Health and Safety Code) y otras leyes correspondientes, el Consejo de Supervisores del Condado de Stanislaus, del Estado de California, llevará a cabo una audiencia pública acerca de la reducción o eliminación de algunos servicios de salud y médicos proporcionados por el Condado. La audiencia pública se efectuará el martes 20 de septiembre 2011, a las 6:40 p.m. en la Cámara del Consejo (Board Chambers), en el 1010 de la Calle 10th (Street), en Modesto, California, en la cual todas las personas interesadas podrán venir y expresar sus opiniones.

AVISO ADICIONAL: Los servicios que se proponen para reducir o eliminar son los siguientes:

Descripción de Reducción o Eliminación	Proyección anual de incremento en gastos	Estimación de número de personas que serán impactadas si la recomendación es aprobada.
La reducción o eliminación del suministro de los servicios Hematología / Oncología por parte de Health Services Agency	\$400,000	734

OTRO AVISO ADICIONAL: En cualquier momento antes del tiempo fijado para la audiencia, cualquier persona interesada puede presentar sus comentarios sobre la acción propuesta por escrito con la Secretaría del Consejo de Supervisores del Condado de Stanislaus (Clerk of the Board of Supervisors of the County of Stanislaus). Tanto los comentarios orales y por escrito serán considerados por el Consejo de Supervisores en el lugar y hora fijados para la audiencia. Información adicional sobre esta audiencia puede ser obtenida al contactar a Stanislaus County Health Services Agency al (209) 558-7163, o por escrito a Stanislaus County Health Services Agency, Attention: Administration, P.O. Box 3271, Modesto, CA 95353.

DATED: Agosto 30, 2011

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk of the Board of Supervisors of the County of Stanislaus, State of California

BY: Elizabeth King, Assistant Clerk of the Board

DECLARATION OF PUBLICATION (C.C.P. S2015.5)

COUNTY OF STANISLAUS
STATE OF CALIFORNIA

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am a printer and principal clerk of the publisher of **THE MODESTO BEE**, which has been adjudged a newspaper of general circulation by the Superior Court of the County of STANISLAUS, State of California, under the date of **February 25, 1951, Action No. 46453**. The notice of which the annexed is a printed copy has been published in each issue thereof on the following dates, to wit:

SEPTEMBER 17, 2011

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that this declaration was executed at **MODESTO, California** on

SEPTEMBER 17, 2011



(Signature)

NOTICE OF CANCELED PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the Board of Supervisors of the County of Stanislaus, State of California, has canceled the previously scheduled September 20, 2011 public hearing regarding the Hematology/Oncology services by the Health Services Agency. These services will be continued through the Valley Cancer Medical Group. For additional information regarding the provision of Hematology/Oncology services by the Health Services Agency, contact the Stanislaus County Health Services Agency at (209) 558-7163, or by writing the Stanislaus County Health Services Agency, Attention: Administration, P.O. Box 3271, Modesto, CA 95353.

DATED: September 13, 2011. ATTEST: Christine Ferraro Tallman, Clerk of the Board of Supervisors of the County of Stanislaus, State of California. BY: Elizabeth King, Assistant Clerk of the Board.

AVISO DE CANCELACION DE AUDIENCIA PUBLICA

POR EL PRESENTE AVISO el Consejo Directivo del Condado de Stanislaus, Estado de California, ha cancelado la audiencia pública previamente programada para el 20 de Septiembre del 2011 referente a los servicios de Hematología/Oncología por la Agencia de Servicios de Salud, Health Services Agency. Estos servicios continuarán a través de Valley Cancer Medical Group. Para información adicional referente a los servicios de Hematología/Oncología por la Agencia de Servicios de Salud, Health Services Agency, llame al Condado de Stanislaus, Health Services Agency al (209) 558-7163 o escriba a el Condado de Stanislaus, Health Services Agency, Atención: Administración, P.O. Box 3271, Modesto, CA 95353.

FECHA:13 de Septiembre de 2011. ATESTIGUA: Christine Ferraro Tallman, empleada del Consejo Directivo del Condado de Stanislaus, Estado de California. Por: Elizabeth King, Asistente del Consejo Directivo.
Pub Date: Sept. 17, 2011
MOD-7089
