



**Contra
Costa
County**

To: Board of Supervisors
From: William Walker, M.D., Health Services Director
Date: January 14, 2014

Subject: Redirection of 1991 Health Indigent Realignment Funds pursuant to Implementation of the Affordable Care Act

RECOMMENDATION(S):

Adopt Resolution 2014/14 authorizing the Health Services Director or his designee to inform the State of California that Contra Costa County selects the County Savings Determination methodology to calculate the amount of Indigent Care Realignment funds to be redirected to the State effective in Fiscal Year 2013-14 and forward.

FISCAL IMPACT:

This action will result in a redirection of Health Realignment funding to the State of California as a result of increased Local funding generated by the Affordable Care Act. The actual amount to be redirected will be determined based on a retrospective cost accounting process. The approximate maximum amount to be redirected is \$20 million.

BACKGROUND:

The 2010 Patient Protection and Affordable Care Act (ACA) redefined requirements and payment for healthcare services in the United States. For California, this Act is being implemented through the expansion of Medi-Cal for residents with incomes below 138% of the Federal Poverty Level and the purchase of subsidized health insurance through the State's Covered California insurance exchange. This Medi-Cal expansion will shift fiscal

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **01/14/2014** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Mary N. Piepho, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: January 14, 2014

David Twa, County Administrator and Clerk of the Board of Supervisors

By: Stephanie L. Mello, Deputy

Contact: William Walker,
957-5410

responsibility for a portion of the local medically indigent population to the State in January 2014. Due to the shift in patients to new health coverage the State estimates counties will realize significant cost savings. Accordingly, the State intends to redirect Health Indigent Care Realignment revenues currently used to fund the pending newly eligible ACA patients. The California legislature adopted Assembly Bill (AB) 85, which Governor Brown signed into law on June 27, 2013 authorizing the redirection of the Realignment funding from the Counties to the State.

Provisions of AB 85 allow counties the choice of two redirection options. Specifically, counties were given a choice to: 1) accept a formula based reduction or 2) show that a lesser reduction would be appropriate by using a methodology that allows counties to use their cost experience associated with uninsured programs in their county.

BACKGROUND: (CONT'D)

Option 1 – 60/40 Formula

Under this option, counties may elect to have 60 percent of the amount of their Health Realignment funds, including an equivalent to their statutory Maintenance of Effort (i.e. the County General Fund contribution to Health Realignment) redirected to the State. This option would result in approximately \$21 million returned to the State annually for a ten year time period regardless of the amount of benefit derived from the ACA.

Option 2 – County Savings Determination Process

Under this option, counties may choose an alternate methodology that redirects revenues based on documented costs, actual revenues, and medical care savings. This cost based driven determination process is done on an annual basis and adjusts for the net benefit of the ACA. Under this option the approximate maximum exposure for redirection is \$20 million annually. The key difference between this option and the 60/40 Formula is this option is experienced based. It takes into account the actual revenue generated by the ACA in addition to other funding sources. If changes occur to the health care financing landscape over the next decade this option provides the flexibility to adjust or eliminate the amount of redirected realignment funds.

The Health Services Department has determined that the County Savings Determination Process option reduces the risk and dollar amount of the Realignment funding to be returned to the State. Therefore, it is recommended that the County of Contra Costa inform the State of California that it selects the County Savings Determination Process option set forth in Welfare and Institutions Code Section 17600.50(c)(1) as the methodology by which the amount of funds to be redirected to the Family Support Subaccount will be determined.

Adoption of this resolution by the Board of Supervisors of the County of Contra Costa will allow the Health Services Director, or his/her designee, to advise the State Department of Health Care Services of this decision prior to the January 22, 2014 notification deadline.

CONSEQUENCE OF NEGATIVE ACTION:

If this resolution is not approved the State has the option under AB 85 to impose an automatic take back based on 62.5% of the Realignment Funds and 62.5% of the statutory Maintenance of Effort.

CHILDREN'S IMPACT STATEMENT:

Not applicable.

ATTACHMENTS

Resolution No. 2014/14