

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

660



FROM: Executive Office

SUBMITTAL DATE:
May 21, 2014

SUBJECT: Monthly financial and operational performance update from the Health Care Governance Committee and Riverside County Regional Medical Center and Support of SB 1341 reaffirming existing State statute that SAWS is the system of record for Medi-Cal customers. Districts – All; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and File the monthly financial and operational performance update from the Health Care Governance Committee (HCGC) and Riverside County Regional Medical Center (RCRMC)
2. Authorize the Chairman to sign the attached letter of support for SB 1341, as it is currently written, reaffirming existing State statute that SAWS is the system of record for Medi-Cal customers; and
3. Direct the Executive Office to engage our legislative advocates to monitor and advocate our support to SB 1341, consistent with the California State Association of Counties position supporting SB 1341.

Departmental Concurrence

Lowell Johnson

Lowell Johnson
Hospital Director

Debra Cournoyer

Debra Cournoyer
Deputy County Executive Officer

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$	\$	\$	\$	Consent <input type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS:	Budget Adjustment:
	For Fiscal Year:

C.E.O. RECOMMENDATION: APPROVE

BY: *George A. Johnson*
George A. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: 11/26/13 2-12, 12/17/13 2-7, 1/28/14 2-5, 2/25/14 16-3, 3/25/14 2-2, 4/22/14 2-3

District: All

Agenda Number:

2-8

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FORM 11: Monthly financial and operational performance update from the Health Care Governance Committee and Riverside County Regional Medical Center and Support of SB 1341 reaffirming existing State statute that SAWS is the system of record for Medi-Cal customers. Districts – All; [\$0]

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BACKGROUND:

Summary

As of April 30, 2014, nearly \$55 million in annual financial benefits and over \$8.8 million in one-time non-labor and revenue benefits have been launched at RCRMC. Launched initiatives are those that have been vetted by work teams and work steps for process improvements have been identified. Work process improvements – including approved lower-cost contracts, software that supports ideal staffing levels, software that supports optimal billing and collections - are in place for nearly \$38 million of the \$63.5 million of launched activities. These activities are functioning and already generating savings. Once new initiatives are functioning, they are carefully monitored for 1- 3 months to verify success. In this way over \$20 million of the \$38 million mentioned has been “monitored”. Dashboards, graphical representations of key performance indicators, are being finalized that identify the areas being monitored and the trends for each area. Some of the monitored areas include registry expenditures, accounts receivable and supply expenditures per patient day. It is anticipated that dashboards will be presented at the June 16, 2014 Board of Supervisors workshop.

The monthly financial update prepared by RCRMC projects a slight improvement in the year-end cash position up from negative \$83.2 million to negative \$78.7 million.

In addition to the year-end cash position, RCRMC continues to monitor and evaluate budget projections and expects some improvement by FY 13/14 year-end. Through May 13, 2014, as more patients enroll in Medi-Cal, RCRMC has seen a significant change in funding sources with revenue shifting from waiver and realignment funding to patient revenue through Medi-Cal. While some expenditure categories are projected to increase, overall, year-end expenditures are expected to come in nearly \$8 million less than budgeted. Increases in pharmaceuticals and professional services and fees will partially offset a decrease of nearly \$10 million in salaries and benefits.

With regard to the eligibility and enrollment activities, DPSS reports that there were approximately 113,500 Medi-Cal applications received during the open enrollment period of October 1, 2013 through April 15, 2014. Unlike enrollment in the Health Benefit Exchange, individuals who may be eligible for Medi-Cal are able to enroll at any time. As a result, DPSS continues to receive new applications every month.

As reported in the Governor’s May Revise, there has been a significant increase in Medi-Cal enrollment statewide that exceeded most expectations. Due to ongoing technical problems with California’s Health Eligibility and Enrollment Retention System (CalHEERS), counties continue to experience significant delays in processing applications. As of the beginning of May, there was a backlog of over 900,000 cases still pending statewide. In Riverside County, there were more than 70,000 applications pending. Within this backlog, approximately 13,000 applications were received during the period of October and December. DPSS is attempting to process the applications from oldest to newest while also being responsive to customers who may have more time sensitive medical care needs.

There are many technical problems with CalHEERS including system performance issues, inconsistencies in the integrity of the information being transmitted between CalHEERS and the State Automated Welfare System (SAWS) as well as system defects resulting in incorrect eligibility results. As a result, counties are receiving ongoing guidance for how to work around and resolve these discrepancies where possible. In some cases, a system fix has to be implemented before action can be taken.

Aside from the current system issues, counties have also been challenged by the limited functionality of CalHEERS. For example, within the last month, the system has been able to issue notices to customers to inform them of the status of their application and any documentation that may be required to complete the eligibility determination process. Unfortunately, some customers received incorrect notices and are receiving multiple notices, which adds to the confusion and frustration customers are experiencing. The system does not yet have the functionality to deny a case. As a result, DPSS is unable to terminate or deny a case for lack of

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eligibility. This prevents the department from advising customers of the status of their case and enabling them to access other health care coverage. It is estimated that this functionality will be implemented sometime in June, but it must first pass system testing during the next few weeks. This functionality is also critical for processing Medi-Cal renewal applications, which is described in more detail below.

In addition to these issues, Covered California also has a backlog of paper verifications to scan and link to the pending applications. This documentation is necessary for completing the eligibility determination process. The most recent estimate was that there were over 300,000 verifications to be scanned and linked to applications from January through April. As DPSS has contact with customers, they are advised to send their verifications directly to DPSS to expedite the review process.

Because of these issues, DPSS staff has to touch cases multiple times, continually change their business processes in order to work around system errors and are often unable to complete the eligibility process or give official notice to the customer of the status of his or her application. The system was expected to provide an instant response to verify residency, income and other information related to eligibility. Instead of seconds, the system response has varied from minutes to days. As of May 15, system performance had improved significantly, providing on average a 6-minute response time. Even with these improvements, the process could be much more efficient if counties were able to process cases through our existing SAWS case management system instead of through CalHEERS.

In addition to working through the backlog, the State decided to reinstate the renewal requirement for existing Medi-Cal cases. Existing customers have not received renewal notices since January 2014 and effective in May, the State began issuing the renewal notices to customers retroactive to January. As a result, in May customers with a renewal notice due in January and in June received notice to verify that they continue to be eligible for Medi-Cal coverage. Each month, two months of notices will be issued for the remainder of the year. This is additional work that DPSS staff will be receiving to process in addition to managing the current backlog.

Counties expressed concerns to the State about this decision and the likelihood that this would further delay the processing of new applications, but the State was adamant about issuing the renewal notices. The State has not provided any additional funding to mitigate the exponential increase in workload caused by the system problems, the need to process a year's worth of renewals in six months or the overall increase in caseload. DPSS continues to prioritize the work for staff and are authorizing overtime in an attempt to process these cases as quickly as possible.

Given the significant demand for Medi-Cal services and the challenges experienced by Covered California in developing a system to meet the different health care eligibility rules and requirements, the County Welfare Directors Association, with CSAC as a co-sponsor, sought legislation that reaffirms existing State statute that SAWS is the system of record for Medi-Cal customers. SB 1341 (Mitchell) further commits to having all Medi-Cal eligibility rules and case management functionality reside in SAWS, thereby allowing counties to have the ability to process applications more efficiently. The current process by which SAWS interfaces with CalHEERS is technically complex to build and maintain and has been a significant contributing factor to the ongoing system performance problems. For these reasons, DPSS is requesting that the Board submit a letter of support for SB 1341 to reinforce the importance of having all Medi-Cal eligibility and case management functionality built and maintained in SAWS going forward.

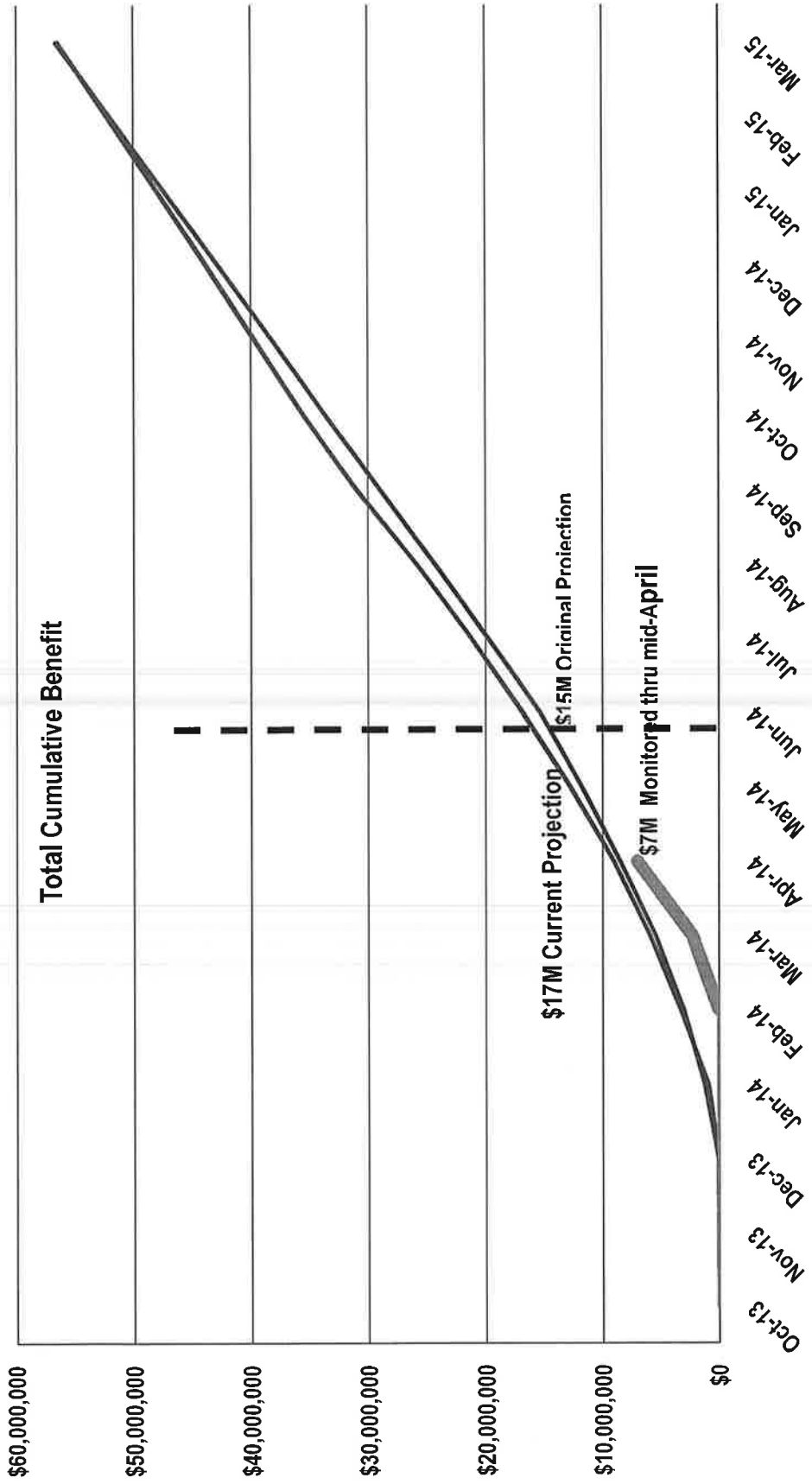
Financial Benefit – “Big Board”



Solution	Annual Benefit					
	Low	Mid	High	Launched	Implemented	Monitored
Non-Labor	\$13,185,000	\$16,630,000	\$20,075,000	\$28,751,245	\$23,020,945	\$18,519,136
Labor	\$8,948,000	\$11,017,000	\$13,086,000	\$11,652,927	\$3,255,559	\$2,003,125
HR	\$4,000,000	\$5,500,000	\$7,000,000	\$5,712,500	\$207,000	
Physician Solutions	\$9,600,000	\$11,300,000	\$13,000,000	\$3,586,360		
Revenue Cycle	\$5,000,000	\$6,000,000	\$7,000,000	\$5,000,000	\$5,000,000	
CDI	\$650,000	\$675,000	\$700,000			
Clinical Operations	\$3,600,000	\$4,400,000	\$5,200,000			
Total Recurring	\$44,983,000	\$55,522,000	\$66,061,000	\$54,703,032	\$31,483,504	\$20,522,261
Non-Labor				\$1,872,145	\$934,512	\$51,538
RC ICB	\$6,000,000	\$7,000,000	\$8,000,000	\$7,000,000	\$6,000,000	
Total Benefit	\$50,983,000	\$62,522,000	\$74,061,000	\$63,575,177	\$38,418,016	\$20,573,799

*\$3.1M of HR Launched benefit is related to the MOU

Benefit Projection



* Includes One-Time Benefit
 — Total Cumulative Benefit — Original Projection
 — Monitored to Date Benefit

**RRCMC MONTHLY FINANCIAL UPDATE
FISCAL YEAR 2013/14**

	FY11/12 Actuals	FY12/13 Actual	FY13/14 BOS Approved Budget	FY13/14 Budget 05/13/14	FY 13/14 Budget Variance
Waiver/Realignment Revenues	165,089,149	239,798,301	226,527,928	181,621,881	(44,906,047)
Patient Revenues	203,155,468	198,716,364	184,051,098	224,987,809	40,936,711
Other Revenue	18,792,482	17,827,224	17,030,866	17,715,215	684,349
Total Revenue	387,037,098	456,341,889	427,609,892	424,324,905	(3,284,987)
Operating Expenses:					
Salaries & Wages	175,845,633	188,192,274	204,827,732	198,100,987	(6,726,745)
Employee Benefits	61,970,341	65,669,730	75,213,862	72,456,884	(2,756,978)
Supplies	28,464,881	27,160,229	30,374,058	27,728,142	(2,645,916)
Pharmaceuticals	19,095,020	44,919,044	29,500,000	33,322,264	3,822,264
Professional Services and Fees	69,664,500	72,115,639	72,375,331	74,046,765	1,671,434
Other Operating Expenses	37,698,440	45,208,960	44,933,943	43,645,543	(1,288,400)
Total Operating Expenses	392,738,815	443,265,875	457,224,926	449,300,585	(7,924,341)
Operating Income	(5,701,717)	13,076,014	(29,615,034)	(24,975,680)	4,639,354
Interest Income and Other Expense (Expense)	139,294	(21,229)	(100,000)	(145,312)	(45,312)
Depreciation and Amortization	9,523,909	9,623,432	11,185,157	11,647,274	462,117
EBIT	(15,086,331)	3,431,354	(40,900,191)	(36,768,265)	4,131,925
Interest	11,781,701	13,214,214	10,618,485	10,765,915	147,430
Net Income	(26,868,032)	(9,782,860)	(51,518,676)	(47,534,180)	3,984,495
Ending Cash Balance	16,545,094	(27,122,219)	(83,199,433)	(78,762,799)	4,436,634

Monthly Cash Position

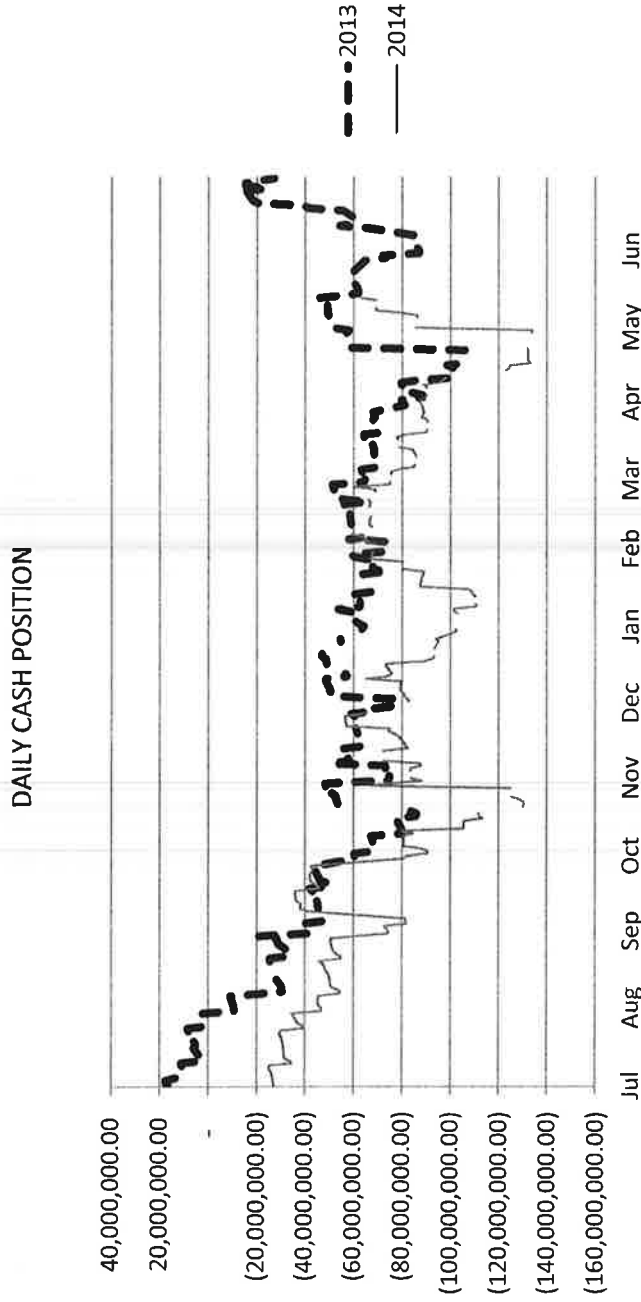


MONTHLY CASH POSITION

	Cash Projection August 2013	Cash Projection May 2014	Change
Revenue From Patients	\$ 213.8	\$ 193.9	\$ (19.9)
Supplemental Payment State	\$ 308.2	\$ 345.0	\$ 36.8
Other Revenue	\$ 24.1	\$ 33.3	\$ 9.2
Total Cash In	\$ 546.1	\$ 572.2	\$ 26.1

Expenses	\$ (602.2)	\$ (623.8)	\$ (21.6)
Cash Beginning	\$ (27.1)	\$ (27.1)	\$ -
Cash Change From Operations	\$ (56.1)	\$ (51.6)	\$ 4.5
Cash June 30, 2014	\$ (83.2)	\$ (78.7)	\$ 4.5

Daily Cash Position





Board of Supervisors

District 1	Kevin Jeffries 951-955-1010
District 2	John F. Tavaglione 951-955-1020
District 3	Jeff Stone 951-955-1030
District 4	John Benoit 951-955-1040
District 5	Marion Ashley 951-955-1050

June 3, 2014

The Honorable Holly Mitchell
State Capitol, Room 4082
Sacramento, CA 95814

SUBJECT: SB 1341 (Mitchell) – SUPPORT

Dear Senator Mitchell:

On behalf of the Riverside County Board of Supervisors, I am pleased to inform you of our strong support of SB 1341.

We appreciate your leadership in authoring SB 1341, especially in light of the significant problems that counties have experienced with the California Health Eligibility Enrollment and Retention System (CalHEERS). In Riverside County, there are more than 438,965 persons receiving Medi-Cal benefits and during the open enrollment period, we received over 113,000 new applications. Unfortunately, the current system functionality has prevented us from providing timely feedback to new applicants, of which more than 50,000 are still pending.

Counties strongly encouraged the Administration and Covered California to build the functionality for the expanded Medi-Cal program into the already existing and successfully functioning State Automated Welfare Systems (SAWS). With our strong objections, the decision was made to build this functionality into CalHEERS, which is now contending with significant technical problems that impede completion of the eligibility process on a daily basis.

It is clear in statute that counties are responsible for determining Medi-Cal eligibility and for adhering to all of the associated Medi-Cal processing, notification and record retention requirements. However, the mechanism through which counties accomplish this has been bifurcated between the existing SAWS systems and CalHEERS, which undermines the effectiveness and efficiency of counties in responding to the hundreds of thousands of residents in need of these services.

SB 1341 reaffirms the importance of SAWS being the system of record for Medi-Cal. In so doing, customers will be assured of receiving consistent, accurate, and timely services as well as a system that complies with the statutory due process requirements as it relates to Medi-Cal eligibility.

For these reasons, the Riverside County Board of Supervisors expresses our strong support for SB 1341.

Sincerely,

Jeff Stone, Chairman
Riverside County Board of Supervisors

cc: County Welfare Directors Association of California (CWDA)