

*Setting the Standard in Health Care Excellence*

June 23, 2020

Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, California 93009

**SUBJECT:**

**Approval of, and Authorization for the Health Care Agency Director to Execute, Amendments to the Professional Services and Operations Agreements With the County's Thirteen Affiliated Clinic Providers Extending the Agreements Through June 30, 2021, and Making Other Modifications.**

**RECOMMENDATIONS:**

1. Approval of, and authorization for the Health Care Agency (HCA) Director or designee to sign, the Second Amendments to the Professional Services and Operations Agreements (PSOAs) with the following corporations extending the contracts through June 30, 2021:

Las Islas Family Medical Group, A Professional Corporation for the operation of Las Islas Family Medical Group North, Las Islas Family Group, and Las Islas Mobile Clinic (Exhibit 1)

Mandalay Bay Women and Children's Medical Group, A Medical Corporation for the operation of Mandalay Bay Women & Children's (Exhibit 3)

Family Health Center of Moorpark, A Medical Corporation for the operation of Moorpark Family Medical Clinic (Exhibit 4)

Sun Moon & Stars Medical Corporation for the operation of Pediatric Diagnostic Center (Exhibit 5)

Sierra Vista Family Medical Clinic, A Medical Corporation for the operation of Sierra Vista Family Medical Clinic (Exhibit 6)

Medical Group of Santa Paula, Inc. for the operation of Santa Paula West (Exhibit 7)

Ventura Seaside Medical Group, Inc. for the operation of West Ventura Medical Clinic (Exhibit 8)

Conejo Valley Family Medical Group, A Medical Corporation for the operation of Conejo Valley Family Medical Group (Exhibit 9)

2. Approval of, and authorization for the HCA Director or designee to sign, the Third Amendments to the PSOA with the following corporations extending the contracts through June 30, 2021:

Fillmore Family Medical Group, Inc. for the operation of Fillmore Family Medical Group (Exhibit 10)

Magnolia Family Health Center, A Medical Corporation for the operation of Magnolia Family Medical Center, Magnolia West, and John K. Flynn Community Clinic (Exhibit 11)

Medical Group of Santa Paula, Inc. for the operation of Santa Paula Hospital Clinic (Exhibit 12)

Santa Paula Medical Clinic, Inc. for the operation of Santa Paula Medical Clinic (Exhibit 13)

3. Approval of, and authorization for the HCA Director or designee to sign, the Second Amendment to the PSOA with Las Posas Family Medical Group, a Medical Corporation (Exhibit 2) for the operation of Las Posas Family Medical Group and Camarosa Springs Medical Group, extending the contract through June 30, 2021 and deleting provisions relating to the Camarosa Springs Medical Group clinic.

4. Approval of, and authorization for the HCA Director or designee to sign, the Sixth Amendment to the PSOA with Anacapa Surgical Group, Inc. (Exhibit 14) for the operation of Anacapa Surgical Associates, extending the contract through June 30, 2021 and adding a clause authorizing termination of the contract with thirty days' written notice.

**VCMC FISCAL IMPACT:**

There is no fiscal impact. The proposed FY 2020-21 budget includes all the affiliate clinics' revenue and cost projections.

Current FY 2019-20 Budget Projections for Ventura County Medical Center Hospital #3301				
	Adopted Budget	Adjusted Budget	Projected Actual	Estimated (Savings/Deficit)
Expenditures	\$441,641,935	\$453,823,570	\$448,694,083	\$5,129,487
Revenue	\$439,282,344	\$444,423,836	\$448,935,074	\$4,511,238

Operational Income/(Loss)	(\$2,359,591)	(\$9,399,734)	\$240,991	\$9,640,725
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**BACKGROUND:**

The PSOAs that are subject of this Board item are with HCA’s affiliated ambulatory care clinic providers that deliver care in Oxnard, Ventura, Fillmore, Santa Paula, Thousand Oaks, Camarillo, and Simi Valley.

In September of 2018, HCA retained the professional services of ECG Management Consultants, LLC (ECG), a firm experienced in evaluating professional services and operations agreements in the healthcare industry. After reviewing the existing PSOAs with the affiliated operators and to align the PSOAs with the prevailing best practices in the industry, with input from and approval of HCA, ECG developed a new payment model which formed the basis of the new PSOAs your Board approved on June 18, 2019 for nine affiliated clinics. As of January 1, 2020, all but one of the affiliated clinics were operating under the new contract model, as approved by your Board.

The model breaks down payments to the provider contractors into four categories of overhead, provider productivity, quality incentives, and medical director compensation. Using national benchmarks provided by Medical Group Management Association (MGMA) among others, overhead payments were developed using projected patient volumes, and thus the necessary associated staffing and operational overhead needs. Similarly, using the projected volumes, and based on the various specialties involved in operating the individual clinics, MGMA median compensation was used to calculate the provider productivity payments. These payments were adjusted in relationship to existing Federally Qualified Health Center Prospective Payment System (FQHC PPS) rates to ensure equity to the provider contractors. The medical director compensation follows industry standards to fairly compensate the directors for related duties specified in the contracts. The last component of the compensation incentivizes the contractors to meet specific quality objectives HCA needs to achieve to earn various supplemental revenues. Meeting these objectives often requires dedication of additional resources and expenditures.

The new model for payment for the clinic providers better aligns the incentives of each clinic provider with those of HCA. Provider productivity payments are generated per visit, with WRVUs (a standardized work relative value unit) also credited for those physicians who cover hospital services. Prior to the decline in visits resulting from the COVID-19 pandemic and related public health orders, patient volumes and the associated payments had consistently shown improvements of 11% growth compared to the same month in the prior fiscal year. The affiliated clinic providers have also maintained very high achievement in national and state quality metrics, and are incentivized to improve further. They will each have the opportunity to meet the nine quality metrics that align with PRIME (Public Hospital Redesign and Incentives in Medi-Cal) and QIP (Quality Incentive Pool) programs to achieve additional funding.

Additionally, the use of national standards to fund overhead encourages financial responsibility. The mechanics of the proposed model work to incentivize further improvement in access, quality, and volume as well as promote cost containment.

Pursuant to the COVID-19 emergency contracting authority granted by your Board, in April 2020 the County Executive Office approved PSOA amendments for 12 clinic operators to provide relief from the impact of reduced patient visits. Pursuant to the amendments, the clinic providers will be paid the full amount of monthly provider productivity payments available under the PSOAs for the months of March, April, May, and June, 2020, irrespective of the number of actual patient visits during that period. The requirements for achievement of quality metrics are also relaxed. In return, the clinic providers agreed not to lay off their employees, and to accept reassignment of employees to Ventura County Medical Center for COVID-19 related duties if requested.

### **DISCUSSION:**

The proposed amendments before your Board would extend the contracts to June 30, 2021 on the terms in effect prior to the COVID-19 emergency. Prior to the emergency, the affiliated clinics that shifted to the new payment model had achieved increased productivity and decreased expenses.

The County's affiliated clinic providers served over 127,000 patients in 2019. Effective July 1, 2019, 13 of the 17 primary care affiliated clinics shifted to the new PSOA model, with the remaining four primary care clinics converted as of January 1, 2020. As a result, the clinics achieved an 8% increase in productivity compared to the previous year, with a 6% decrease in cost. Prior to the COVID-19 pandemic, HCA was projecting that the clinics would have more than 293,000 primary care visits, more than 131,000 specialty care visits and more than 56,000 urgent care visits, an increase of more than 7,000 total visits compared to the prior fiscal year.

The proposed amendment to the PSOA with Las Posas Family Medical Group, a Medical Corporation also amends the agreement to account for closure of the Camarosa Springs Medical Group clinic in January 2020. The decision to close the clinic was made in an effort to increase operational efficiency and decrease expenses for the two clinics being operated by this provider. Las Posas Family Medical Group, a Medical Corporation consolidated the staff and provider from Camarosa Springs Medical Group into Las Posas Family Medical Group clinic. Compensation to Las Posas Family Medical Group, a Medical Corporation was not affected by this change as it does not affect the required provider productivity nor the extraordinary services provided. In fact, it has led to an increase in productivity for the remaining clinic.

Anacapa Surgical Group, Inc. has not shifted to the new PSOA payment model. It was the only affiliated clinic operator that was not part of the model development with ECG. HCA plans to work with Anacapa Surgical Group, Inc. within the first six months of FY

2020-21 to evaluate its status and finalize a payment model that best aligns with the HCA's vision.

This letter has been reviewed by the County Executive Office, County Counsel, and Auditor-Controller's Office. If you have any questions regarding these recommendations, please contact Theresa Cho, MD at 805-677-5290



Theresa Cho, MD  
Chief Executive Officer, Ambulatory Care



William T. Foley  
Health Care Agency Director

Attachments:

- Exhibit 1 - Las Islas Family Medical Group, A Professional Corporation
- Exhibit 2 - Las Posas Family Medical Group, A Medical Corporation
- Exhibit 3 - Mandalay Bay Women and Children's Medical Group, A Medical Corporation
- Exhibit 4 - Family Health Center of Moorpark, A Medical Corporation
- Exhibit 5 - Sun Moon & Stars Medical Corporation
- Exhibit 6 - Sierra Vista Family Medical Clinic, A Medical Corporation
- Exhibit 7 - Medical Group of Santa Paula, Inc.
- Exhibit 8 - Ventura Seaside Medical Group, Inc.
- Exhibit 9 - Conejo Valley Family Medical Group, A Medical Corporation
- Exhibit 10 - Fillmore Family Medical Group, Inc.
- Exhibit 11 - Magnolia Family Health Center, A Medical Corporation
- Exhibit 12 - Medical Group of Santa Paula, Inc.
- Exhibit 13 - Santa Paula Medical Clinic, Inc.
- Exhibit 14 - Anacapa Surgical Group, Inc.