Director’s Workgroup on Improving Purchased/Referred Care (PRC)

Formerly Contract Health Services (CHS) Workgroup
California Representatives

Primary Tribal Representative
Chris Devers, Tribal Representative
Pauma Yuima Band of Mission Indians

Secondary Technical Representative
Inder Wadhwa, Executive Officer
Northern Valley Indian Health, Inc.

Primary Technical Representative
Jess Montoya, CEO
Riverside/San Bernardino County Indian Health, Inc.

IHS Consultant
Toni Johnson, PRC Officer
California Area Indian Health Service
• 2015 Tribal Leaders Meeting: Discussion on Changing the PRC Formula

• Tribal Leaders: Established a Committee to study issue and report back to the Tribal Leaders

• Committee Members:
  ▫ California Representatives to National PRC Workgroup
  ▫ Tribal Health Program Leadership and Staff

• Support Function
  ▫ CRIHB
  ▫ Dr. Mark LeBeau, CEO, CRIHB
Background

- Government Accountability Office (GAO) reports for 1982, 1991, and 2012 indicated the PRC Formula was not equal across all 12 areas (GAO 12-446)

- Reason base funding accounted for 82% of total PRC Funding (Step 1)
  - Cost Adjustment Factor
    - 18% through Step 2 and Step 3 is used to achieve equity

- Legally under Rincon vs. Harris court case required IHS to “establish and consistently” have a reasonable standard for limited health services and facility budget.
In 2009 the PRC workgroup recommended to not change the formula because of anticipated increases in 2010 PRC formula, specifically Tier 2 and Tier 3.

In January 2016 the National PRC Committee voted to not change the formula.

See Chart (next slide)
**Base funding**
(Always funded)

Prior fiscal year’s CHS funding
The prior year’s base funding, annual adjustment, and program increase become the base funding for the current fiscal year

**Annual adjustment**
(Usually funded)

Population growth
Based on changes in national population according to the U.S. Census Bureau and birth and death records from the National Center for Health Statistics

Medical inflation
Based on the prevailing Office of Management and Budget Consumer Price Index for medical costs

**Program increases**
(Sometimes funded)

CHS ALLOCATION FORMULA

- **Cost adjustment factor**
  - Price index
  - Active users
  - Cost adjustment factor

- **Access to care factor**
  - Access (1 or 0)
  - Cost adjustment factor
  - Access to care factor

The active user population is determined by number of individuals who obtained a direct care, contract care, or dental service in the prior three years.

**Steps**

1. Base funding
2. Annual adjustment
3. Program increases

Source: GAO analysis of IHS information.
Purchased/ Referred Care Appropriations, 2009-2015

- Below is a schedule which shows our analysis:

### National PRC Program

<table>
<thead>
<tr>
<th>Year</th>
<th>Base Funding</th>
<th>Medical Inflation</th>
<th>Pay Growth</th>
<th>Federal Pay Costs</th>
<th>Program Increase (After Inflation)</th>
<th>Rate Change</th>
<th>Reversion</th>
<th>Reversion</th>
<th>Separation</th>
<th>Total Increase</th>
<th>Total Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$79,334,166</td>
<td>$18,177,000</td>
<td>$6,543,000</td>
<td>$10,090</td>
<td>$50,188</td>
<td>-3%</td>
<td>$58,180</td>
<td>$58,180</td>
<td>$58,180</td>
<td>$58,180</td>
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<tr>
<td>2010</td>
<td>$81,472,000</td>
<td>$17,360,000</td>
<td>$9,157,000</td>
<td>$11,000</td>
<td>$50,000</td>
<td>-2%</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>2011</td>
<td>$77,977,000</td>
<td>$18,147,864</td>
<td>$9,157,000</td>
<td>$11,000</td>
<td>$50,000</td>
<td>-2%</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>2012</td>
<td>$83,576,177</td>
<td>$18,147,864</td>
<td>$9,157,000</td>
<td>$11,000</td>
<td>$50,000</td>
<td>-2%</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>2013</td>
<td>$80,352,071</td>
<td>$18,147,864</td>
<td>$9,157,000</td>
<td>$11,000</td>
<td>$50,000</td>
<td>-2%</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>2014</td>
<td>$79,527,000</td>
<td>$18,147,864</td>
<td>$9,157,000</td>
<td>$11,000</td>
<td>$50,000</td>
<td>-2%</td>
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</tr>
</tbody>
</table>

### California Area PRC Program

<table>
<thead>
<tr>
<th>Year</th>
<th>Base Funding</th>
<th>Medical Inflation</th>
<th>Pay Growth</th>
<th>Federal Pay Costs</th>
<th>Program Increase (After Inflation)</th>
<th>Rate Change</th>
<th>Reversion</th>
<th>Reversion</th>
<th>Separation</th>
<th>Total Increase</th>
<th>Total Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$18,283,641</td>
<td>$1,104,742</td>
<td>$437,400</td>
<td>$1,508,000</td>
<td>$1,508,000</td>
<td>-2%</td>
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</tr>
<tr>
<td>2010</td>
<td>$21,435,785</td>
<td>$1,606,456</td>
<td>$495,836</td>
<td>$1,953,000</td>
<td>$1,953,000</td>
<td>-2%</td>
<td>$1,953</td>
<td>$1,953</td>
<td>$1,953</td>
<td>$1,953</td>
<td>$1,953</td>
</tr>
<tr>
<td>2011</td>
<td>$18,773,077</td>
<td>$1,577,000</td>
<td>$517,121</td>
<td>$1,577,121</td>
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<td>-2%</td>
<td>$1,577</td>
<td>$1,577</td>
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<td>$1,577</td>
</tr>
<tr>
<td>2012</td>
<td>$20,839,786</td>
<td>$1,892,634</td>
<td>$3,808,000</td>
<td>$2,002,000</td>
<td>$2,002,000</td>
<td>-2%</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
</tr>
<tr>
<td>2013</td>
<td>$24,946,135</td>
<td>$1,892,634</td>
<td>$3,808,000</td>
<td>$2,002,000</td>
<td>$2,002,000</td>
<td>-2%</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
</tr>
<tr>
<td>2014</td>
<td>$27,648,452</td>
<td>$1,892,634</td>
<td>$3,808,000</td>
<td>$2,002,000</td>
<td>$2,002,000</td>
<td>-2%</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
</tr>
<tr>
<td>2015</td>
<td>$29,884,566</td>
<td>$1,892,634</td>
<td>$3,808,000</td>
<td>$2,002,000</td>
<td>$2,002,000</td>
<td>-2%</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$2,002</td>
</tr>
</tbody>
</table>

**Total Appropriations Base**

- 2015 = 57.6% increase

- 2009 = 68.8% increase

- 2015 - 2009 = 13%
# PRC Findings 7 - Year Trend (2009-2015)

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>California</th>
<th>CA Compared to National</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRC Base Funding Increase (Year 2009-2015)</strong></td>
<td>51.60%</td>
<td>68.30%</td>
<td>16.70%</td>
<td></td>
</tr>
<tr>
<td><strong>PRC increase in Total Allocation of funding</strong></td>
<td>44%</td>
<td>57%</td>
<td>13%</td>
<td>Difference due to 2013 Sequestration</td>
</tr>
<tr>
<td><strong>Net Average Annual Growth (7 Years)</strong></td>
<td></td>
<td>2%</td>
<td></td>
<td>Including Sequestration years</td>
</tr>
<tr>
<td><strong>Average Annual Growth (4 Years)</strong></td>
<td></td>
<td>3.00%</td>
<td></td>
<td>Excluding Sequestration Years</td>
</tr>
<tr>
<td><strong>Tier 3 Distribution in Year 2012</strong></td>
<td></td>
<td></td>
<td>$2.8 Mn</td>
<td></td>
</tr>
<tr>
<td><strong>PRC Increase in Year 2014</strong></td>
<td></td>
<td></td>
<td>$2.95 Mn</td>
<td></td>
</tr>
</tbody>
</table>

### Other Observations

<table>
<thead>
<tr>
<th>Observations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>California is not major benefactor of CHEF currently</td>
<td></td>
</tr>
<tr>
<td>Other areas receive PRC tier 3 who do not have close access to hospitals.</td>
<td>There was some thought we had to reach $70,000,000 in order for PRC to hit tier 3 or no access to hospitals</td>
</tr>
<tr>
<td>Tier 3 is not determined by Area, but by access to hospitals</td>
<td></td>
</tr>
</tbody>
</table>
Recommendation

- Continue to monitor issue
- Recommend no change to formula (at this time)
- Focus on Step 2 & 3 as formula “Northwest Portland Area” has done on medical inflation category and health price index
- Work on Step 2 “Annual Adjustment” in order to receive PRC equity (1st priority)
- See Chart
Issues on the Horizon

• States who have not implemented Medicaid Expansion are discussing changing the PRC formula (Oklahoma)

• Premise: By generating 3rd party revenue (Medicaid and Affordable Care Act) this can be used to offset PRC costs

• State which did not implement Medicaid have less funding to pay for all levels of care under PRC

• We will need to monitor this issue

• We are not maximizing CHEF Funds
Summary

- We are recommending the following:
  - No change to PRC Formula at this time
  - Advocate for increased in Step 2 & 3 PRC Formula
    - Medical Inflation
    - Price Index
    - Access to Hospitals
  - Monitor discussion on the Medicaid question (Medi-Cal)
  - Improve CHEF claims
    - $44 million allocated annually
    - California accesses on average less than ½ million