

**MEMORANDUM  
PLACER COUNTY HEALTH AND HUMAN SERVICES  
Administration**

**TO:** Honorable Board of Supervisors

**FROM:** Jeffrey S. Brown, M.P.H., M.S.W., Director of Health and Human Services  
Graham Knaus, Assistant Director of Health and Human Services

**DATE:** January 21, 2014

**SUBJECT:** County Decision on 2013 Health Realignment

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**ACTION REQUESTED:**

1. Adopt a Resolution regarding the County's decision to choose the 60/40 Formula option for the 2013 Health Realignment.

**BACKGROUND:**

State law requires counties to be the providers of last resort to indigent adults lacking access to health care. The implementation of Federal Health Reform (i.e. the Affordable Care Act) will dramatically expand the availability of health insurance through Medi-Cal and the Covered California Health Benefits Exchange. This will result in reducing the number of indigent adults whose health care remains a County responsibility.

As part of the State's implementation of the Affordable Care Act, the Governor proposed a County-based approach and a State-based approach. The County-based approach would have shifted significant new health care program responsibilities and fiscal risks to counties while limiting local flexibility. The California State Association of Counties, joined by Placer and other counties and partners, successfully negotiated a State-based approach that builds onto the existing Medi-Cal Program that provides health care to low-income residents.

The final agreement (AB 85/SB 98, Statutes of 2013) includes a complex fiscal transaction that redirects approximately 60 percent of Health Realignment funding previously dedicated to counties to the State beginning January 1, 2014. This is known as 2013 Health Realignment and permanently changes County fiscal responsibilities and the State funding to pay for them. The Health Realignment funds were originally intended for State mandated public health and indigent health related responsibilities.

The change will result in redirecting \$300 million statewide from counties in FY 2013-14, \$900 million in FY 2014-15, and \$1.3 billion annually thereafter. Counties have two options in determining the formula used to redirect the funds:

- **60/40 Formula** – Redirects 60 percent of existing County Health Realignment funds and 60 percent of County Health Realignment maintenance of effort funds. Potential fiscal risk to the County of approximately \$1 million in FY 2013-14 and \$3.5 million ongoing offset by Affordable Care Act savings due to decreased County indigent health responsibilities.
- **County Savings Determination Process** – Detailed savings formula to annually determine amount redirected from County to State. Requires annual increases to County General Fund support, State approval of County cost and savings assumptions, and ongoing fiscal tracking and reporting. Potential fiscal risk to the County of approximately \$1 million in FY 2013-14 and \$3.5-5 million ongoing partially offset by Affordable Care Act savings due to decreased County indigent health responsibilities. In addition, results in potential workload and/or staffing increases to comply with accounting and programmatic requirements.

On October 28, 2013, the Department, in consultation with the County Executive Office, tentatively chose the 60/40 Formula in a non-binding action. Doing so met the State process requirements while many implementation details of AB 85/SB 98 were being resolved between the State and counties.

Today's requested action would provide final direction to the State on the formula used to calculate the redirection of Placer County Health Realignment funds back to the State. The 60/40 Formula is recommended as it would limit the fiscal risk to the County, best protect existing funding for public health, and avoid significant new workload implications. It would also provide annual certainty on the amount of funds to be redirected and ensure any County savings due to decreased indigent health care responsibilities under the Affordable Care Act remain available in the County to offset funds redirected to the State.

Implementation of the Affordable Care Act and the redirection of Health Realignment funds are dramatic changes to the health care system and to the State/County fiscal and programmatic relationship. As such, staff will continue to refine estimated impacts of these changes as experience occurs.

**FISCAL IMPACT:**

The redirection of Health Realignment funds and County indigent health care savings are not anticipated to impact the Department's FY 2013-14 Final Budget as the amount to be redirected will be offset by savings. Updated fiscal implications will be included in the Department's FY 2014-15 Requested Budget.

**Attachments:**

- Attachment A - State Department of Health Care Services Policy and Procedure Letter (PPL 13-010)
- Attachment B - County Resolution on decision to choose the 60/40 Formula option
- Attachment C - State Department of Health Care Services Final Resolution for Determining Payments to the Family Support Subaccount

## ATTACHMENT A



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

December 19, 2013

PPL: 13-010

To: ARTICLE 13 COUNTY ADMINISTRATIVE OFFICERS  
ARTICLE 13 COUNTY HEALTH EXECUTIVES

**SUBJECT: AB 85 Final Resolution Form – Article 13 Counties**

### **Purpose**

The purpose of this policy and procedure letter is to provide guidance to the Article 13 counties regarding the submission of the county's Final Resolution form to meet the provisions specified in Assembly Bill (AB) 85 (Chapter 24, Statutes of 2013).

### **Background**

AB 85 allows counties to choose one of the two options below for determining the county's payments to the Family Support Subaccount:

- The 60/40 Formula approach redirects 60 percent of the 1991 health realignment funds and 60 percent of the county maintenance of effort.
- The County Savings Determination Process, which is a formula-based approach that measures certain county health care costs and revenues, and redirects 80% (70% in fiscal year (FY) 2013-14) of the savings realized by the county.

Counties submitted their tentative decisions by November 1, 2013 in accordance with Section 17600.50(b) of the Welfare and Institutions (W&I) Code.

Section 17600.50(b) of the W&I Code also requires counties to adopt a final resolution informing the State of their final decision to choose one of the above options by January 22, 2014.

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**Final Resolution Form**

The Final Resolution form provides the mechanism for counties to notify the State of their final decision. This form is binding. However, counties choosing the 60/40 formula have a one-time option to submit a petition to the County Health Care Funding Resolution Committee pursuant to W&I Code Section 17600.60(d) to later pursue the County Savings Determination Process.

Additional information regarding the petition process will be posted on the AB 85 webpage by January 31, 2014.

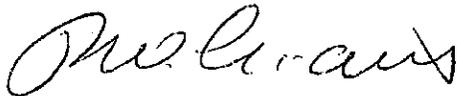
<http://www.dhcs.ca.gov/provgovpart/Pages/AB%2085.aspx>

Please complete and return the form to:

Department of Health Care Services  
Realignment Unit, MS 4519  
P.O. Box 997436  
Sacramento, CA 95899-7436

Should you have any questions, please contact Michelle Gibbons at (916) 552-8494 or [AB85@dhcs.ca.gov](mailto:AB85@dhcs.ca.gov).

Thank you,



Pilar Williams  
Deputy Director, Health Care Financing

Enclosures:

- Final Resolution Form

cc's: On next page

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cc: Diane Cummins  
Special Advisor  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Farrah McDaid Ting  
Associate Legal Representative  
California State Associate of Counties (CSAC)  
1100 K Street, Suite 101  
Sacramento, CA 95814

ATTACHMENT B

Before the Board of Supervisors  
County of Placer, State of California

In the matter of:

Resolution No: \_\_\_\_\_

A Resolution regarding the County's decision to  
choose the 60/40 Formula option for the 2013 Health  
Realignment.

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held \_\_\_\_\_ by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

\_\_\_\_\_  
Chair, Board of Supervisors

Attest: \_\_\_\_\_  
Clerk of said Board

**WHEREAS**, Assembly Bill 85/Senate Bill 98 (Statutes of 2013) redirect \$300 million statewide from counties in FY 2013-14, \$900 million in FY 2014-15, and \$1.3 billion annually thereafter; and

**WHEREAS**, implementation of the Affordable Care Act will reduce County responsibility for indigent health care resulting in fiscal savings; and

**WHEREAS**, Assembly Bill 85/Senate Bill 98 (Statutes of 2013) allow counties to choose one of two options for determining the county's payments to the Family Support Subaccount, the 60/40 Formula or the County Savings Determination Process; and

**WHEREAS**, the 60/40 Formula redirects 60 percent of the 1991 Health Realignment funds and 60 percent of the County maintenance-of-effort; and

**WHEREAS**, the County Savings Determination Process is a Formula-based approach that measures certain County health care costs and revenues and redirects 80 percent (70 percent in FY 2013-14) of the savings realized by the County; and

**WHEREAS**, the County submitted a tentative decision for the 60/40 Formula by November 1, 2013 in accordance with Section 17600.50(b) of the Welfare and Institutions Code; and

**WHEREAS**, Section 17600.50(b) of the Welfare and Institutions Code requires counties to adopt a final resolution informing the State of their final decision to choose the 60/40 Formula or the County Savings Determination Process by January 22, 2014; and

**WHEREAS**, the 60/40 Formula has been determined to be the best option to protect the County from fiscal risk; and

**NOW, THEREFORE**, in accordance with Welfare and Institutions Code Section 17600.50(b), the County of Placer chooses the 60/40 Formula option and adopts the attached Final Resolution for Determining Payments to the Family Support Subaccount.

**ATTACHMENT C**

State of California—Health and Human Services Agency  
**Department of Health Care Services**



TOBY DOUGLAS  
DIRECTOR



EDMUND G. BROWN JR.  
GOVERNOR

**Final Resolution for Determining Payments to the Family Support Subaccount**

In compliance with Section 17600.50(b) of the Welfare and Institutions Code, Article 13 Counties (which include, Fresno, Merced, Orange, Placer, Sacramento, San Diego, San Luis Obispo, Santa Barbara, Santa Cruz, Stanislaus, Tulare, and Yolo) must adopt a resolution by January 22, 2014 informing the Director of the Department of Health Care Services of the County's final decision to choose either the County Savings Determination Process or the 60/40 formula option.

**County of Placer**

County Name

County chooses the option selected below

to determine payments to the Family Support Subaccount:

**County Savings Determination Process** - The formula pursuant to Welfare and Institutions (W&I) Code, Section 17613.1. The County acknowledges that upon choosing this option, this determination method is final and not subject to change.

**OR**

**60/40 Formula** - 60 percent of the 1991 health realignment funds that otherwise would have been allocated to the county and 60 percent of the county maintenance of effort, pursuant to W&I Code, Section 17600.50(b)(2). The county acknowledges that upon choosing this option, this determination method is final. However the county has a one-time option to submit a petition to the County Health Care Funding Resolution Committee pursuant to W&I Code, Sections 17600.60 (d) (A) & 17600.60 (d) (B) to later pursue the County Savings Determination Process.

I hereby certify, under penalty of perjury, that I am the official responsible for informing the State of the above option in said county for determining its payments to the Family Support Subaccount.

\_\_\_\_\_  
County Official (Signature) Date \_\_\_\_\_

\_\_\_\_\_  
County Official Title

