August 12, 2019

Dear Chairman Yost and Board Members,

On behalf of our organizations, which constitute the overwhelming share of your healthcare partners caring for CalOptima members, we write to express serious concerns related to your Board's June 27, 2019 action to allocate $60M for homeless services.

We are committed to providing our communities with critical healthcare services and welcome efforts to fund and improve homeless services. However well-intentioned, the Board's recent action may create further challenges to these efforts.

Our collective concerns stem from short- and long-term implications for constructing clinically effective and economically efficient systems of care for homeless patients, and adverse structural impacts to CalOptima's federal and state funding base and stewardship of taxpayer funds.

We are also concerned that the review process and final decision on this issue have been inconsistent with:

- Our shared goal of ensuring there is one, sustainable CalOptima system of care for all members, incorporating innovation and collaboration across the continuum of care, eliminating fragmentation, siloes and barriers to access.

- The values of transparency and accountability that have been the basis for CalOptima's relationship with its partners and community since its founding more than 25 years ago.

Sustainability and CalOptima's Base Funding Levels

In March 2019, your Board voted to allocate $100M for homeless services, $40M of which was planned and funded from unspent Intergovernmental Transfer (IGT) revenue reserved for non-covered Medi-Cal services.

In April 2019, your Board established an Ad Hoc Committee for deliberation and planning on the remaining $60M. The Ad Hoc represented an inclusionary opportunity to vet policy proposals with homeless providers and traditional medical providers. However, the June action was taken without soliciting Ad Hoc participation and input from CalOptima's hospital or physician stakeholders. The Board's action has significant implications:

- The remaining $60M allocated at the June Board meeting is funded by *future* IGT revenue that is statutorily restricted for *covered* Medi-Cal services. These funding allocations therefore must be for clinically-based services and, as such, have budgetary implications for the broader delivery network.

- The proposed allocation does not include services the California Department of Health Care Services (DHCS) recognizes as covered Medi-Cal services, and consequently the expenditures will not be incorporated into the agency's rate development process for CalOptima.

- The use of one-time IGT revenue is not sustainable as a funding stream for ongoing homeless programs and services.

- All should be concerned that existing, covered services eventually will be reduced to sustain supplemental non-covered services developed outside of the delivery system.

All-Inclusive, Deliberate and Transparent Planning Process

For decades, the private sector has worked to integrate low-income individuals into the existing healthcare delivery system in Orange County. Hospitals remain committed to a single system of care for all patients, despite providing more than $600M in *uncompensated* care for Medi-Cal members.

Without a county medical center or county-operated network of public primary or specialty care services, CalOptima relies on solid, long-term relationships with its provider partners to deliver care. This partnership, in turn, relies on the pillars of transparency, inclusion, and accountability in the use of limited Medi-Cal (taxpayer) dollars. We are concerned with this process for the following reasons:

- Very few hospital, physician or network leaders, or their representatives, have been included in any of the CalOptima-driven homeless initiatives.

- The absence of meaningful representation for our stakeholder community in discussions about these programs is unacceptable to the physicians, nurses, social workers and discharge planners who interact and care for CalOptima's homeless patients every day.

Investments in homeless services require the integration of homeless patients into the existing delivery system, not creation of two separate systems of care. The four recently approved homeless proposals seek to supplement traditional County services, but do not appear to promote alignment between the population's complex medical needs and the existing delivery system. For example:

- The proposal to expand clinical outreach teams and clinic access points at shelters excludes referrals from the existing medical providers treating homeless patients.

- The allocations do not include incentives or upstream, preventative solutions contained in this proposal.

- Absent from the Board's discussion was any data or plan to measure success in the four program areas.

- The current implementation process will likely foster an expanded government role in local healthcare (along with increased administrative and staffing costs) and establish a two-tiered system of care – one system for homeless patients and one for everyone else.

Now more than ever, CalOptima should be relying on the strengths of its private healthcare partners – overlaying new homeless health initiatives as much as possible on the established delivery system – and including us in the planning, development and implementation to ensure success.

To reiterate, we strongly support addressing homeless in the communities we serve throughout Orange County. We cannot, however, assist you in a vacuum, and we fear the current course of action is already beginning to undermine the long-term sustainability of the de facto private safety net and partners.

We urge your Board to reconsider its June 27th action to allocate $60M as proposed for these services. CalOptima providers, collectively, should be convened in a process that supports integration of homeless services into the existing delivery system.

Should CalOptima continue to move forward with funding services not recognized by DHCS, **there should be an immediate plan of action to ensure these services will be recognized in future allocations.**

We look forward to your response.

Mark E. Costa
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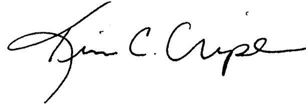

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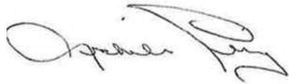

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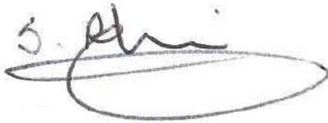

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