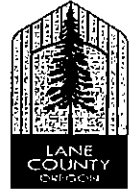


W. 8-B-2.

AGENDA COVER MEMO

Agenda date: September 17, 2003
To: Board of County Commissioners
Department: Health & Human Services
Presented by: Rob Rockstroh



AGENDA TITLE (1): IN THE MATTER OF ESTABLISHING A NEW FUND #287 FOR LANECARE, LANE COUNTY'S MANAGED MENTAL HEALTH ORGANIZATION, EFFECTIVE OCTOBER 1, 2003.

AGENDA TITLE (2): IN THE MATTER OF TRANSFERRING EMPLOYEES CURRENTLY IN LANECARE ADMINISTRATION 286-3427700 INTO THE NEW FUND #287 FOR A TOTAL OF 7.42 FTE EFFECTIVE OCTOBER 1, 2003.

AGENDA TITLE (3): IN THE MATTER OF TRANSFERRING THE CURRENT \$9,084,000 APPROPRIATIONS FROM FUND #286 TO FUND #287 EFFECTIVE OCTOBER 1, 2003.

I. MOTION

First Order:

TO ESTABLISH A NEW FUND #287 FOR LANECARE, LANE COUNTY'S MANAGED MENTAL HEALTH ORGANIZATION, EFFECTIVE OCTOBER 1, 2003.

Second Order:

TO TRANSFER EMPLOYEES CURRENTLY IN LANECARE ADMINISTRATION 286-3427700 INTO THE NEW FUND #287 FOR A TOTAL OF 7.42 FTE EFFECTIVE OCTOBER 1, 2003.

Third Order:

TO TRANSFER THE CURRENT \$9,084,000 APPROPRIATIONS FROM FUND #286 TO FUND #287 EFFECTIVE OCTOBER 1, 2003.

II. ISSUE OR PROBLEM

Lane County has contracted with PeaceHealth since 1997 (Board Order No. 97-11-12-15) to jointly manage administrative services for LaneCare, the Mental Health Organization for mental health services under the Oregon Health Plan. Lane County has elected not to continue to contract for these administrative services effective October 1, 2003. In order for Lane County to administer this managed mental health insurance program efficiently, a new fund is required; employees of LaneCare need to be transferred to this new fund and the LaneCare appropriations need to be transferred to the new fund.

III. DISCUSSION

A. Background / Analysis

A Request for Proposals was issued by the State of Oregon Department of Human Resources in January, 1997 to provide managed mental health care services under the Oregon Health Plan Medicaid demonstration project. Lane County submitted a proposal and was awarded the contract. LaneCare, a program within the Department of Health & Human Services, was formed to provide these managed mental health services to Oregon Health Plan (OHP) clients.

Lane County issued a Request for Proposals in 1997 to provide joint management, fiscal, reporting and client services for LaneCare. PeaceHealth was awarded the contract (Board Order 97-11-12-15). The joint management structure included an operations council, an executive committee and a quality assurance committee with ultimate oversight authority by both the County and PeaceHealth. The fiscal services included claims processing and payment to subcontractors. Reporting requirements included utilization reports, cash flow reports, encounter data reports and other reports as required by the state. PeaceHealth also provided the client services included providing basic member services information to all enrollees.

The original contract with PeaceHealth also included a provision of risk sharing. Fifty percent of the risk was assigned to PeaceHealth and fifty percent of the risk was assigned to the County. Risk is managed through monitoring service demand, adjusting reimbursement rates, the establishment of billing targets for subcontractors and managing utilization. Through these mechanisms, Lane County has been able to establish and grow their risk pool reserve fund. At the completion of the 2001-2002 fiscal year, the risk pool reserve fund was \$2,598,335.22.

Board Order No. 00-9-27-2 awarded the management contract to PeaceHealth after PeaceHealth was the sole respondent to a second Request for Proposals for management services. Subsequent Board Order Nos. 01-6-27-8 and 02-8-28-6 renewed the contract for a total of three years. During this time, Lane County and PeaceHealth have worked towards the

goal of Lane County solely managing administrative services. In FY 02-03, Lane County assumed 100 percent of the risk for managing LaneCare. Through mechanisms established and described above, the risk pool funds have remained intact.

In May 2002, Lane County held a competitive process to contract directly for third party administrator services for claims processing, payments to providers and State of Oregon reporting requirements. Board Order No. 02-7-02-6 awarded the contract to Performance Health Technology, Ltd. This contract has allowed Lane County more direct access to financial information and performance of the LaneCare managed mental health system. In June 2003, Lane County gave PeaceHealth notice that the management services contract would not be competitively bid. This will be a cost effective change for Lane County as the contract with PeaceHealth for management services for FY 02-03 was \$267,005.

B. Alternatives / Options

1. To establish a new Fund #287 for LaneCare, Lane County's managed mental health organization; transfer employees currently in LaneCare administration 286-3427700 to the new Fund #287 for a total of 7.42 FTE and transfer the current \$9,084,000 in appropriations from Fund #286 to Fund #287 effective October 1, 2003.
2. Not to approve number one above. If the Board of Commissioners does not approve number one, funds will remain in Fund #286 which will reduce Lane County's ability to efficiently manage LaneCare funds.

C. Recommendation

To approve item one above.

IV. IMPLEMENTATION / TIMING

Upon Board action, the Department of Health & Human Services will establish the new Fund #287; transfer employees in LaneCare administration 286-3427700 to the new Fund #287 for a total of 7.42 FTE and transfer the current appropriations of \$9,084,000 from Fund #286 to the newly established Fund #287 effective October 1, 2003.

V. ATTACHMENT

Board Order

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER:) IN THE MATTER OF ESTABLISHING A NEW FUND #287 FOR
) LANE CARE, LANE COUNTY'S MANAGED MENTAL HEALTH
) ORGANIZATION; TRANSFERRING EMPLOYEES CURRENTLY
) IN LANE CARE ADMINISTRATION 286-3427700 INTO THE NEW
) FUND #287 FOR A TOTAL OF 7.42 FTE; TRANSFERRING THE
) CURRENT \$9,084,000 APPROPRIATIONS FROM FUND #286
) TO FUND #287 EFFECTIVE OCTOBER 1, 2003.

WHEREAS, LaneCare, a program within the Department of Health & Human Services, provides managed mental health services to Oregon Health Plan clients; and

WHEREAS, Lane County and PeaceHealth have jointly managed the administration of LaneCare since 1997 (Board Order No. 97-11-12-15); and

WHEREAS, Lane County and PeaceHealth have planned for Lane County to solely manage these administrative services effective October 3, 2003; and

WHEREAS, in order for Lane County to efficiently manage administrative services for LaneCare, a new fund needs to be established.

NOW THEREFORE, IT IS HEREBY ORDERED that a new Fund #287 be established for LaneCare, Lane County's managed mental health organization;

AND IT IS FUTHER ORDERED employees currently in LaneCare administration 286-3427700 be transferred into the new fund #287 for a total of 7.42 FTE ;

AND IT IS FUTHER ORDERED that the current appropriations of \$9,084,000 be transferred from Fund #286 to Fund #287 effective October 1, 2003.

DATED this _____ day of September, 2003.

Peter Sorenson, Chair
Lane County Board of Commissioners