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Agenda Item No. 9  
April 4, 2007 Meeting

**DATE:** March 22, 2007  
**TO:** Children and Families Commission of Orange County  
**FROM:** Michael M. Ruane, Executive Director   
**SUBJECT:** Proposed Funding Strategy for Pediatric Specialty Services

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**SUMMARY:**

Staff has been working with the Pediatric Health Services Committee to develop strategies to address the increasing gaps and challenges in timely access to pediatric specialty care services. At the March 2007 Pediatric Health Services Committee meeting, the Committee approved a funding plan to support specialty care services at Children's Hospital of Orange County (CHOC).

The proposed innovative funding strategy is intended to recognize the impact of the expanded primary care services on the demand for specialty care services and provide funding to allow CHOC to meet the specialty care demand through the hiring of additional medical personnel in the impacted pediatric subspecialties. Funding is available to support this initiative from unspent contract dollars from the pediatric health service contracts that ended June 30, 2005.

**BACKGROUND:**

In December 2006, Commission staff reported to the Pediatric Health Services Committee the increasing impact on specialty care services from Commission-supported expansion of primary pediatric care services. Since 2002, the Commission has annually made a significant investment in expanding access to primary care services through new clinic sites, expanded hours, increased medical personnel at CHOC, University of California, Irvine and various community clinics, and development of the School Nurse Expansion Project. This positive investment has had rippling effects on the demand for pediatric specialty services. It is estimated that approximately 30 to 35 percent of the children seen in CHOC's primary care clinics will be referred for specialty care services.

The proposed funding plan, outlined as Attachment 1, presents a strategy to immediately address the highest impacted areas through funding for medical and support personnel and related equipment and supplies. The following pediatric subspecialties have been particularly impacted: neurology, metabolic, endocrinology and gastroenterology. Progress on the investment will be tracked through decreased wait times and increased access to care.

**STRATEGIC PLAN & FISCAL SUMMARY:**

The proposed funding action has been specifically reviewed in relation to the Commission's Strategic Plan and is consistent with the Healthy Children goal, among others. This funding request is for up to \$1.4 million. Funding for this item is available in the FY 06/07 budget within the Healthy Children / Pediatric Health Services budget category.

**RECOMMENDED ACTIONS:**

1. Receive report on proposed funding strategies to address the gaps in pediatric specialty services.
2. Adopt resolution (Attachment 2) authorizing the Executive Director or designee and Commission Counsel to prepare and enter into agreement # FCI-UC-03 with Children's Hospital of Orange County, for services as specified in Attachment 1, for the period of April 1, 2007 through June 30, 2008 for a total amount not to exceed \$1,400,000.

**Attachments:**

1. Pediatric Health Services, Specialty Care Services Proposal
2. Resolution to execute agreement # FCI-UC-03 with the Children's Hospital of Orange County

**Contact:** Christina Altmayer

## **Pediatric Health Services Specialty Care Services Proposal**

### ***Community Need***

In December 2006, Commission staff reported to the Pediatric Health Services Committee the increasing impact on specialty care services from Commission-supported expansion of primary pediatric care services. Since 2002, the Commission has annually made a significant investment in expanding access to primary care services through new clinic sites, expanded hours, increased medical personnel at CHOC, UCI and various community clinics, and development of the School Nurse Expansion Project.

CHOC primary care visits increased by 29.3% and specialty care visits increased by 39.7% between 2002 and 2006. The increased access to primary care has contributed significantly to the growth in CHOC Specialty Clinic Visits for children less than six years of age. Between 2002 and 2006, specialty care visits by children under six years increased by over 500%. The most significant increase has occurred in children insured under a government program: CCS (33%) and CalOptima (21%). It is estimated that approximately 30 to 35 percent of the children seen in CHOC's primary care clinics will be referred for some type of specialty care services.

The system of specialty care services for the youngest children in Orange County has not kept pace with the demand for services resulting in:

- Increased wait times
- Shortage of pediatric sub-specialists to meet demand
- Delays in access to care and the potential for undetected, treatable conditions.

The following pediatric subspecialties have been particularly impacted: neurology, metabolic, endocrinology and gastroenterology. (See listing at the end of this proposal).

The Pediatric Health Services Committee reviewed the subspecialty access data noting two particular concerns: delays in access to care for children impacting their ability to successfully be ready for school and entry; and, secondly the market disincentive for further expansion created for the major primary and specialty care provider, CHOC, created by not being able to support current caseload demands.

### ***Proposed Solution***

The Pediatric Health Services Committee discussed the potential to provide supplemental funding to CHOC to support continued growth and expansion of primary care, recognizing the impact on specialty care services. The proposed innovative funding strategy is intended to recognize the impact of the expanded primary care services on the demand for specialty care services and provide funding to allow CHOC to meet the

specialty care demand through the hiring of additional medical personnel in the impacted pediatric subspecialties.

Funding is proposed to be set at annual amount and actual disbursements from this amount would be calculated based on the following factors:

1. Annual increase in pediatric primary care visits at CHOC above the projected baseline increase. A base year [possibly 2003] would be identified and CHOC would identify the percentage increase due to normal business growth and the percentage attributable to the expansion in primary care. [Factor 1: Increased Primary Visits].
2. Based on actual historical experience, an estimate of the percentage of the children referred for specialty care visits would be multiplied by the increased primary visits. [Specialty Care Visits]
3. A per visit specialty care cost factor would be applied to the specialty care visits to determine the per visit impact fee. The specialty care cost factor would consider the average unfunded cost per visit for children under six for impacted specialty care services. Impacted specialty care services would include those which directly benefit the zero to five population and those which have a wait time/delayed access to care greater than recommended standards (*AAP or CHOC Standards*). [Specialty Care Cost Factor].
4. Funding provided under this program could be applied by CHOC to support any of the following interventions to reduce access to care:
  - a. Hiring of personnel for direct medical services, case management, education or family support services
  - b. Increased clinic space, medical equipment or supplies
  - c. Recruitment and retention incentives to directly support the medical personnel necessary to fill difficult or hard to recruit positions.

### ***Proposed Funding***

The proposed contract period will be from April 1, 2007 through the end of the existing contract period which is June 30, 2008. The maximum funding available would be calculated based on the formula outlined above. Funding is intended to support expansive of pediatric specialty care services for the impacted pediatric services. CHOC would be reimbursed based on the actual costs expended to support increased access to specialty services.

With a 48.66% three year average referrals to specialty clinic, and an increase of 7,904 referral visits to specialty care, the average weighted cost factor loss per visit is \$170.66 (Table 1) resulting in a yearly funding need of \$1,348,839 (see FY 2006, Table 2 below). Based on the above average referral rates and the cost factor per visit, it is estimated that funding needs for fiscal year 2007 will be equal to or greater than the funding needs of

2006. The \$170 per visit loss is based on a weighted average for 13,314 visits identified in Table 1.

See attached diagram of funding, reimbursement and reporting strategy.

| <b>Financial Class</b> | <b>Visits</b> | <b>Total Losses</b>  | <b>Loss per visit</b> |
|------------------------|---------------|----------------------|-----------------------|
| Cal OPTIMA             | 4,831         | \$(579,871)          | \$(120.03)            |
| CCS                    | 7,435         | \$(1,613,820)        | \$(217.06)            |
| Medi-Cal               | 878           | \$(88,688)           | \$(101.01)            |
| Other                  | 459           | \$(39,071)           | \$(85.12)             |
| <b>Total</b>           | <b>13,314</b> | <b>\$(2,321,450)</b> | <b>\$(170.66)</b>     |

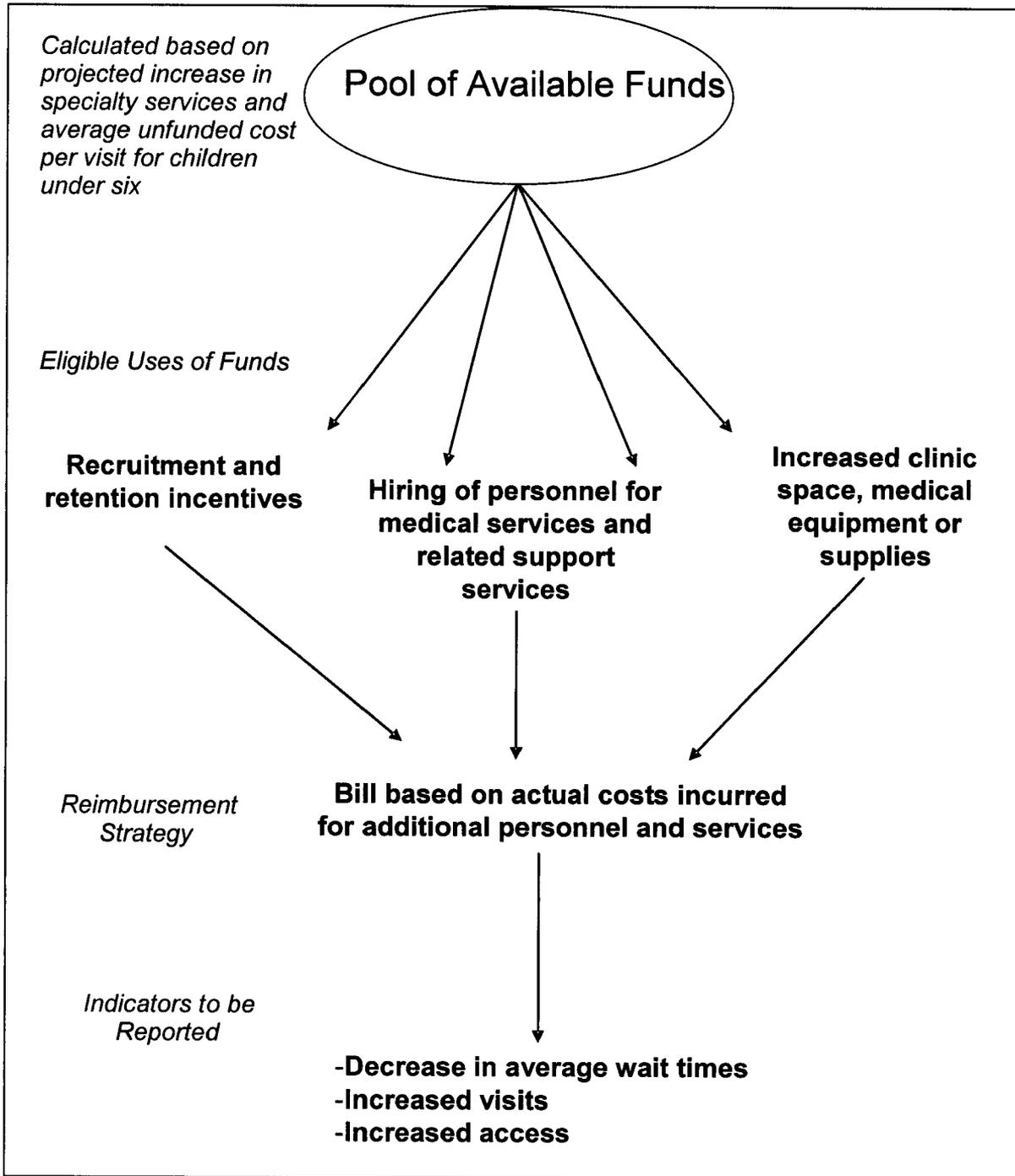
| <b>FY 2006</b>   | <b>PRIMARY CARE</b>     |                       | <b>SPECIALTY CARE</b>                |                       | <b>% increase under 6</b> |
|--|-------------------------|-----------------------|--------------------------------------|-----------------------|---------------------------|
|  | <b>Number of visits</b> | <b>Visits under 6</b> | <b>Number of visits</b>              | <b>Visits under 6</b> |                           |
| <b>2002</b>  | 58,538                  | 21,320                | 38,801                               | 3,492                 | 16.38%                    |
| <b>2006</b>  | 75,533                  | 37,767                | 54,196                               | 22,758                | 60.26%                    |
| <b>Number of increased visits</b>                              | <b>16,995</b>           | <b>16,447</b>         | <b>15,395</b>                        | <b>19,266</b>         |                           |
| <b>% increase, visits 2002-2006</b>                            | <b>29.03%</b>           | <b>77.14%</b>         | <b>39.68%</b>                        | <b>551.72%</b>        |                           |
| Percentage of referrals to specialty clinic                    |                         | 48%                   | (Assumption based on 3 year average) |                       |                           |
| Total number of increased referrals to specialty               |                         | 7,904                 |                                      |                       |                           |
| Cost factor per visit  |                         | \$170.66              | (Based on November report)           |                       |                           |
| <b>Total funding needed (increased referral x cost factor)</b> |                         | <b>\$1,348,839.46</b> |                                      |                       |                           |

***Program Results***

Annually, a funding limit would be set as the maximum amount of funding to be available under this program. Funding renewal would be subject to demonstrating the following results:

- ❑ Increased access to care for children 0 through 6
- ❑ Delayed in-patient wait times for initial and follow-up appointments
- ❑ Continued growth of primary care services.

### Proposed Funding and Reimbursement Strategy



### **Impacted Pediatric Specialty Services**

The following pediatric subspecialties have been particularly impacted:

- ❑ Neurology which has seen significant growth in the number of referrals and difficulty in recruiting qualified physicians. The needs of this patient population are very resource intensive both from the medical perspective as well as from a case management / care coordination perspective.
- ❑ Metabolic has since the arrival of Dr. Abdenur this program has grown to serve over 650 children 75% of which are under the age of 6. The demand for services is steadily increasing.
- ❑ Endocrinology has been substantially impacted in part because of improved access to primary care and also the rising rate of type two Diabetes among the children of Orange County. Demand for this difficult to recruit service increases every year as does the amount of time that families must wait to be seen. CHOC has been triaging referrals for over a year to ensure that the children in most acute need are seen most quickly. Many referrals wait over 4 months to be seen. In December, the Endocrinology service implemented an innovative program to screen “short stature” children. Although this program has seen over 50 children and families in the past few months, demand for this service continues to increase.
- ❑ Gastroenterology has also seen an increase in the number of referrals. The care offered by this team significantly impacts school readiness and social transitioning for children using alternative feeding methods.
- ❑ Hematology and Oncology are also areas that have seen increases in referrals based on improved access to primary care. These resource intensive programs struggle to keep up with the demand. This particularly the case in terms of clinic and treatment space and staff to support these children. Wait times for non-acute patients in hematology is currently 23 days.
- ❑ Surgical Subspecialties particularly Otolaryngology, Urology and Plastic Surgery have seen significant increases in demand but have experienced a decline in the reimbursement from government payors for their services. CHOC provides “safety net” surgical clinics for under funded / unfunded children and has had significant difficulty in recruiting community providers in sufficient quantity to meet the demand. The Otolaryngology Clinic is currently booked out for over 4 months. CHOC has had a very difficult time contracting with a pediatric ENT to provide surgical services to ENT patients due to the low reimbursement rate by government payers. The Urology Clinic, for reasons similar to ENT, also has a long wait for access (70 days for a new appointment).
- ❑ The CHOC Orthopedic Clinic is one of the only Orthopedic practices in Orange County that accepts government payors. Due to increasing demand the clinic has become substantially a government payor clinic (over 80% of the patients). Given the increase in demand the wait for non-fracture care in 42 days.

**CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY**

**RESOLUTION NO. \_\_\_-07-C&FC**

**April 4, 2007**

**A RESOLUTION OF THE ORANGE COUNTY CHILDREN & FAMILIES COMMISSION AUTHORIZING THE EXECUTIVE DIRECTOR AND COMMISSION COUNSEL TO PREPARE AND ENTER INTO AGREEMENT FCI-UC-03 BETWEEN THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY AND CHILDREN'S HOSPITAL OF ORANGE COUNTY, AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH**

**WHEREAS**, in order to facilitate the creation and implementation of an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development, the legislature adopted legislation set forth in the California Children and Families Act of 1998, Health and Safety Code Section 130100, *et seq.* (as amended, the "Act") implementing the Children and Families First Initiative passed by the California electorate in November, 1998 and establishing the California Children and Families Commission and County Children and Families Commissions, including this Children and Families Commission of Orange County ("Commission"); and

**WHEREAS**, Commission adopted its Strategic Plan to define how funds authorized under the Act and allocated to the Commission should best be used to meet the critical needs of Orange County's children prenatal to five years of age as codified in the Act; and

**WHEREAS**, the Executive Director and Commission Counsel have prepared a standard Master Agreement for Children's Hospital of Orange County and/or Regents of University of California at Irvine Medical Center Agreements ("Master Agreement"), which was approved by the Commission; and

**WHEREAS**, Commission desires to authorize the Executive Director or designee to negotiate the terms and final form of Agreement No. FCI-UC-03 with Children's Hospital of Orange County, to provide Pediatric Specialty Care services in support of access to primary care as specified in the April 4, 2007 staff report, based upon the standard Master Agreement in an amount not to exceed \$1,400,000 for the period April 1, 2007 through June 30, 2008.

**WHEREAS**, Commission has reviewed the April 4, 2007 staff report relating to the Scope of Services to be provided and hereby finds and determines that the proposed Agreement is in furtherance of and consistent with the Commission's Strategic Plan; and

**WHEREAS**, Commission desires to authorize the Commission Chair and Commission Clerk to enter into Agreement No. FCI-UC-03 with Children's Hospital of Orange County, in an amount not to exceed \$1,400,000 for the period April 1, 2007 through June 30, 2008.

**NOW, THEREFORE BE IT RESOLVED BY THE COMMISSIONERS OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY AS FOLLOWS:**

**Section 1** Commission finds and determines the foregoing Recitals are true and correct and are a substantive part of this Resolution.

**Section 2** Commission authorizes the Executive Director to prepare and negotiate the final form of Agreement FCI-UC-03 with Children's Hospital of Orange County, in an amount not to exceed \$1,400,000 for the period April 1, 2007 through June 30, 2008, to provide Pediatric Specialty Care services in support of access to primary care consistent with the April 4, 2007 staff report and scope of services referenced therein;

**Section 3** The form of the Agreement with Children's Hospital of Orange County shall be substantially similar to the form of the standard Master Agreement, subject to minor, non-substantive revisions as reviewed and approved by the Executive Director and Commission Counsel. The approval by the Executive Director, or designee, of the final form of the Agreement shall be conclusively evidenced by the execution of such agreement by the Commission Chair and delivery thereof to the Commission Clerk.

**Section 4** Commission hereby approves Agreement FCI-UC-03 with Children's Hospital of Orange County in an amount not to exceed \$1,400,000 for the period April 1, 2007 through June 30, 2008, to provide Pediatric Specialty Care services in support of access to primary care as specified in the April 4, 2007 staff report.

**Section 5** The Commission Chair and the Clerk of the Commission are hereby authorized to execute and attest, respectively, the Agreement on behalf of the Commission.

**Section 6** A copy of the final Agreement with Children's Hospital of Orange County, when executed by the Commission Chair and attested by the Clerk of the Commission shall be appended hereto as a part of Exhibit A to this Resolution. Exhibit A is hereby fully incorporated as a part of this Resolution by this reference and made a part hereof. The final executed Agreement shall be placed on file in the office of the Clerk of the Commission.

**Section 7** In addition to the authorization of Sections 2, and 3 above, the Executive Director (or his designee) is hereby authorized, on behalf of the Commission, (i) to sign all documents necessary and appropriate to carry out and implement the Agreement, (ii) to cause the issuance of warrants, (iii) to administer the Commission's obligations, responsibilities, and duties to be performed under such agreement, and (iv) during the term thereof to provide waivers, administrative interpretations, and minor modifications of the provisions of such agreement in the furtherance thereof.

**Section 8** The Clerk of the Commission shall certify to the adoption of this Resolution.

The foregoing resolution was passed and adopted by the following vote of the Children and Families Commission of Orange County on April 4, 2007 to wit:

AYES           Commissioners: \_\_\_\_\_

NOES:           Commissioner(s): \_\_\_\_\_

EXCUSED:      Commissioner(s): \_\_\_\_\_

ABSTAINED:   Commissioner(s) \_\_\_\_\_

\_\_\_\_\_  
CHAIR

STATE OF CALIFORNIA)  
  )  
COUNTY OF ORANGE )

I, DARLENE J. BLOOM, Clerk of the Commission of Orange County, California, hereby certify that a copy of this document has been delivered to the Chair of the Commission and that the above and foregoing Resolution was duly and regularly adopted by the Children and Families Commission of Orange County.

**IN WITNESS WHEREOF**, I have hereto set my hand and seal.

\_\_\_\_\_  
DARLENE J. BLOOM  
Clerk of the Commission, Children and Families Commission of  
Orange County, County of Orange, State of California

Resolution No: \_\_-07--C&FC

Agenda Date: April 4, 2007

Item No.



I certify that the foregoing is a true and correct copy of the Resolution adopted by the

DARLENE J. BLOOM, Clerk of the Commission

By: \_\_\_\_\_  
Deputy

**EXHIBIT A TO RESOLUTION OF COMMISSION**

(Attach copy of final Agreement FCI-UC-03 with Children's Hospital of Orange County)