



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** A 12-035, **Version:** 1

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Authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute Amendment No. 1 to the Agreement (A-11583) with Toyon Associates Inc. for Rural Floor Budget Neutrality Appeal Services at NMC, extending the Agreement to June 30, 2015 and adding \$300,000 for a revised total agreement amount not to exceed \$600,000 in the aggregate.

### **RECOMMENDATION:**

It is recommended the Board of Supervisors authorize the Purchasing Manager for Natividad Medical Center (NMC) to execute Amendment No. 1 to the Agreement (A-11583) with Toyon Associates Inc. for Rural Floor Budget Neutrality Appeal Services at NMC, extending the Agreement to June 30, 2015 and adding \$300,000 for a revised total agreement amount not to exceed \$600,000 in the aggregate.

### **SUMMARY/DISCUSSION:**

The Medicare Prospective Payment System (PPS) Program is a budget neutral program. This means that any increase or decrease in any funding source has to be offset by applying a budget neutrality factor, since the annual Medicare Perspective Payment System (PPS) budget is set each year by Congress and cannot be adjusted.

As finalized in the 2009 PPS regulations, Medicare rural floor budget neutrality factors will be applied on a state-by-state basis. There will be a three-year transition: FFY 2009 is at 20% State and 80% Federal; FFY 2010 is at 50% State and 50% Federal; and FFY 2011 is at 100% State. Prior to the change the budget neutrality factor was applied based on National data rather than State data.

The regulations require each State to have a rural floor. The rural floor is the wage index established based on the wage indices for all the hospitals in the State. If a hospital's wage index is below the rural floor, it receives the wage index set at the rural floor. This means that California's rural floor will be based on the wage indexes of California hospitals that are not subject to the rural floor. Since there are a significant number of hospitals in Southern California that are subject to the rural floor, the transition to specific budget neutrality factor in California will have a large negative impact on California hospitals not subject to the rural floor, especially Northern California Hospitals.

Since Natividad Medical Center and a large number of hospitals in California are impacted by the rural floor, transition to a specific budget neutrality factor may have a large negative impact. The intention of this contract is to dispute the change from a national budget neutrality factor to individual state neutrality factors through a group appeal.

### **OTHER AGENCY INVOLVEMENT:**

County Counsel has reviewed and approved this Amendment as to legal form and risk provisions. Auditor-Controller has reviewed and approved this Amendment as to fiscal provisions. The Amendment has also been reviewed and approved by Natividad Medical Center's Board of Trustees.

### **FINANCING:**

The cost for this Agreement is not to exceed \$300,000 and will be entirely offset by increases in Medicare reimbursement. Payment for the services in this contract will be calculated as 25% of the additional Medicare reimbursement realized by Natividad. No fees or expenses are due to Toyon unless additional reimbursement is realized. There is no impact to the General Fund.

Prepared by: Chuck Vold, Hospital Controller, 783-2373

Approved by: Harry Weis, Chief Executive Officer, 783-2124

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Attachments: Agreement, Amendment #1