

Board Briefs
May 21, 2007

The board observed a moment of silence in memory of Ronald Bangasser, M.D., former CMA and SBCMS President, who passed away on May 2, 2007. Memorial resolutions from the SBCMS, the CMA, and the AMA were reviewed. Friends and colleagues who wish to honor the memory of Dr. Bangasser, are invited to contribute to the Ronald P. Bangasser, MD Medical Student Scholarship Fund. The funds will be used to award scholarships to local medical students.

CMA Trustee, Dev GnanaDev, MD, reported the Governor released a revision of the January budget proposal on May 14. In net, total state general fund revenues are estimated to be very close to the projections in the January budget proposal. The forecast for state fiscal year 2007/08 are estimated to be \$101.3 billion, just \$24 million less than anticipated. Projected spending is \$103.8 billion. The revision proposes \$37.7 billion all funds (\$14.7 billion general funds) for the Medi-Cal program. The increase over the January proposal is largely due to a \$214.3 million (\$107.1 million General Fund) reimbursement rate increase for Medi-Cal managed care plans. This increase is the result of a new rate methodology. Distribution of the funding to the various managed care insurers has not been disclosed. Inland Empire Health Plan and Molina will receive increased rates with this revision.

CMA proposes an overhaul to the Medicare SGR by eliminating the Medicare SGR for 2008 and beyond. As a replacement to the current SGR spending target cost containment system, Congress would authorize a series of 5-year Demonstration Projects to study various mechanisms to coordinate care (perhaps by eliminating the Part A/Part B silos) and manage volume. Such approaches could include physician-driven accountable health care organizations, physician peer comparisons on utilization, reducing geographic variation in care, quality initiatives, and chronic disease management. After the Demonstration Projects are completed organized medicine would work with Congress to implement a long-term payment system that includes automatic payment updates based on the Medicare Economic Index (MEI), in tandem with the demo programs that proved to be successful in managing costs and care. The permanent implementation of these demo programs would replace the SGR spending target as the cost containment mechanisms.

Concerning Medicare Advantage Reforms/Equalizing MA Rates with FFS Rates, Dr. GnanaDev reported the private fee-for-service plans (PFFS) would be eliminated. Medicare Advantage plan rates would be phased down over 3-5 years to equal Medicare fee-for-service rates. A 90% medical loss ratio would also be established to protect contracting physicians. There would be one standard contract for the Medicare Advantage Plan. It would prohibit all-product clauses. The Medicare Geographic Payment Localities would be updated for any county whose geographic factor is 5% above their locality factor, and physicians in rural counties would be held harmless from payment reductions.

Due to a new interpretation of federal law by AMPAC, CALPAC is no longer able to forward \$50 of each CALPAC sustaining membership dues payment to AMPAC. AMPAC will no longer receive its membership revenue through CALPAC, and will directly solicit membership from AMA members residing in California. CALPAC remains very supportive of AMPAC and will continue to strongly promote AMPAC membership to AMA members residing in California to the full extent federal law allows.

CMA is urging Blue Cross of California to delay implementation of fee schedule changes to take effect on June 1, because the insurer has failed to make a full and complete schedule available to physicians.

This has prevented many physicians from assessing the impact that the fee schedule changes will have on their practices. CMA believes that Blue Cross is in violation of state law, which requires insurers to fully disclose to contracting physicians their fee schedules and payment rules and to notify physicians in writing 45 days before instituting any changes to fee schedules and payment rules.

A copy of the AMA Advocacy Update (May 14, 2007) was provided to the board, which included information on S.1082, the Prescription Drug User Fee Amendments of 2007, that would reauthorize the Prescription Drug User Fee Act that expires on September 30, 2007.

SBCMS Treasurer, Doctor Rick Murray, reported SBCMS' financial position for the 10-month period July 1, 2006 through April 30, 2007 is quite favorable. Total revenue is \$508,577. Total expenses are \$403,688. Excess revenue over expenses is \$104,889 after depreciation. The report was approved.

The minutes from the May 8 Finance Committee were approval. SBCMS investment advisor, Dilip Gupta, Senior Vice President, Investments, A.G. Edwards, met with the Finance Committee to review SBCMS' asset summary for all investments and their investment policy. Asset allocation for SBCMS as of March 31, 2007 was 34% cash/short term; 28% CDs; and 38% stocks. The allocations will be adjusted to the following: 30% fixed income; 20% cash and equivalents; and 50% stocks (20% large caps, 20% mid caps, 8% EAFE, and 2% emerging market).

The 2007/2008 SBCMS budget presented and approved by the board represents \$533,650 total revenue, \$513,765 total expenses, with \$19,885 excess revenue over expenses after depreciation. The board approved the 2007/2008 SBCMS Committee assignments. Committee assignments will be published on the SBCMS web site. The 2006/2007 annual reports for each of the SBCMS committees were approved. An overview of activities for 2006/07 (July 1, 2006 through June 30, 2007) was provided to the board. The report, with photos, is published on the SBCMS website.

IEHP's total membership is 308,800; Medi-Cal enrollment is 254,656 with 43,785 enrolled in the Healthy Families program. Healthy Kids enrollment for San Bernardino County is 4,956; Riverside's Healthy Kids is 3,691. IHSS enrollment is 1,060. Dual Choice Medicare is 652. The May auto assignment was 47 percent.

In response to the Governor's May budget revision proposal, IEHP Chief Medical Officer, Doctor Brad Gilbert, agrees with CMA's position that it is inappropriate that fee-for-service providers will not receive an increase. The proposed revision to the Medi-Cal Managed Care rates, however, will address an important issue for the Inland Empire. The way the State comes up with its rates is to take an actuarially derived number and then they apply an arbitrary budget adjustment factor which is a percentage number between 83-93%, and varies by county.

The Inland Empire has received the greatest reduction with the exception of one other county. Northern California health plans receive on average between 92-93% of that actuarially derived number, while IEHP is between 83-84%. The revision will resolve the discrepancies by no longer using a budget adjustment factor, and IEHP and Molina would be in line to receive raises. IEHP anticipates receiving \$8-12 million, which is critical for continued support to providers. IEHP recently filed a Notice of Dispute with the State due to the disparity of numbers and are waiting for a response.

IEHP also has concerns about the implementation of requirements for citizen and identity proof for Medi-Cal patients. This would move some Medi-Cal patients into an uninsured status that would put additional burden on the counties.

The final list of 2007 Outstanding Physician & Citizen Award recipients was provided for board approval. The slate of awards approved to be presented at the June 21 Installation of Officers dinner are as follows: J. Frank Randolph, M.D., Outstanding Contribution to the Medical Society; Ronald P. Bangasser, M.D. (posthumously), Outstanding Contribution to Medicine; Albert Arteaga, M.D., Outstanding Contribution to the Community; and Manuela Sosa, D.D.S., Outstanding Citizen's Award.

Two bylaw amendments were approved. The first regarding probationary membership would eliminate the clause for probationary members not entitled to vote or to hold an elective office or committee appointment in the Society. The amendment also excludes the President and President-Elect from completing their one-year term if they are placed in a Probationary status. Each would step down from their positions: President to immediate past president and President-Elect to at-large member of the executive committee.

The second amendment deals with a CPA reviewing and/or auditing the books and accounts of the medical society. The board approved conducting an audit every fourth year unless otherwise deemed necessary. On years there is no audit, a CPA shall review the books and accounts. Ms. Stratton will retire in December, 2009. She suggested the Society schedule an audit for June 2009. This would allow the incoming executive director to have a clean slate.

Doctor Victor Ching, AMA Alternate Delegate will replace the late Ron Bangasser, MD, AMA Delegate at the June AMA House of Delegates meeting. Per SBCMS Bylaws, the District II Delegation will officially appoint AMA Delegate and Alternate Delegate representatives when they meet prior to the October 2007 CMA House of Delegates.

Doctor Walters encouraged all board members who have never participated in one of CMA's Leadership Academy workshops to attend. 62 SBCMS/RCMA members (including 22 medical students and one resident) attended the CMA Legislative Leadership Conference in Sacramento on April 24. Governor Schwarzenegger delivered the keynote address. His participation in the conference gave physicians an opportunity to hear about his health care reform proposal.

The board was encouraged to attend the upcoming Installation of Officers and Outstanding Awards Presentation at the Mission Inn on June 21 at 6 pm. Guest speaker for the evening will be Joe Dunn, J.D., CEO, California Medical Association. CMA President-Elect Richard Frankenstein, MD, will be the emcee for the event.