AB515
Community Health Centers & Fair Interest Rates in Repayment

OVERVIEW
Today, roughly 1,330 community health centers (CHCs) in California provide high-quality comprehensive care to 6.9 million people – that's 1 in 6 Californians. Community health centers provide care to everyone, regardless of their ability to pay, their immigration status, or their individual circumstances. Health centers have a mission to represent and serve vulnerable and medically underserved communities. They offer culturally and linguistic appropriate services to ensure that patients receive high quality care.

Health centers have the trust of the community, federal and state policymakers and regulators. As a steward of that trust, health centers comply with a variety of audits. In the past three years, over 5,000 audits have been concluded by the Department of Healthcare Services (DHCS).

THE AUDIT PROCESS
The reconciliation audit allows for a "truing up" of the reimbursements received for services provided to Medi-Cal beneficiaries. Claims for services are paid on a biweekly basis on behalf of DHCS to a Medi-Cal licensed health center. During the reconciliation audit, claims are compared for a number of compliance requirements including the type of services and the cost of the services compared with the permissible claimed amount for the service. Sometimes, DHCS has shorted the health centers at other times, a health center may be paid too much.
If a repayment to DHCS is due, the "truing up" is usually an amount that can be paid without impacting the financial health of the health center. But the amount to be repaid may exceed the ability for a health center to repay in one payment.
Even when audit findings are resolved amicably, current State Law could place health centers at financial and operational risk. While DHCS and a health center may negotiate a repayment plan based on length and interest rate, only the length of the repayment may be varied. The interest rate formula is set in State statute and the department does not have flexibility to change the rate.

EXCESSIVE INTEREST RATE ISSUE
State Statute calls for repayments at least 7% but higher depending on the Surplus Money Investment Fund (SMIF) rate. The rate determines the money amount remitted to DHCS but also diverts funds from ongoing services in the community. In the extreme, the size of the monthly repayment could exceed the ability to repay the funds. At a minimum, the payment prevents a health center from reinvesting funds into need services, capital outlay and the employment of staff to meet the needs of the underserved community.

The 7% rate of return on the SMIF has not reached 7% since June 30, 1991. Over that period of time, the SMIF mean interest rate was 2.574% and the median interest rate was 1.859%. The state has charged an interest rate that exceeds that of investments in the financial markets by at least 5 percentage points.

IMPACT ON HEALTH CENTERS
In some counties, health centers are the safety net providers as there are no county health centers providing similar services. In many smaller communities, they are the only Medi-Cal provider for some or all services. A fair repayment plan including an appropriate interest rate assure that in the event of a large overpayment that a health center can fulfill its financial obligations to the state while also fulfilling its service obligation to the community.

THIS PROPOSAL
AB515 redesigns the formula for determining the interest rate in health center audits setting the cap above the historical average, reaching up to 3%. The rate may vary inline with the SMIF rate but may not exceed this amount.

For more information: **Gary Rotto (858) 405-5048**

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