

COUNTY OF MILWAUKEE
Behavioral Health Division Administration
INTER-OFFICE COMMUNICATION

DATE: September 24, 2012

TO: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

FROM: Héctor Colón, Director, Department of Health and Human Services
Prepared by: Dennis Buesing, Administrator, DHHS Contract Services

SUBJECT: **Report from the Director, Department of Health and Human Services, Requesting Authorization to Enter into a Two Year Contract with Sellers Dorsey and Associates, LLC for the Behavioral Health Division Revenue Maximization Initiative**

Issue

Section 56.30 of the Milwaukee County Code of General Ordinances requires County Board approval for Professional Services Contracts of \$50,000 or greater. Per Section 56.30, the Director of the Department of Health and Human Services (DHHS) is requesting authorization to enter into a 2012 Professional Services Contract with Sellers Dorsey and Associates, LLC for specialized fiscal management services for the Behavioral Health Division (BHD) Revenue Maximization initiative under a contingent fee arrangement.

Background

Congress established Medicaid in 1965 as a jointly funded State and Federal program that provides medical assistance to eligible recipients. The Medicaid program is funded by a combination of Federal and State dollars allocated through a matching structure. The Federal Government matches State spending using a calculation called the Federal Medical Assistance Percentage (FMAP). The FMAP is determined annually for every State using a formula based on income levels. The Centers for Medicare & Medicaid Services (CMS) administers the program at the Federal level. The Wisconsin Department of Health Services is the State agency responsible for administering Wisconsin's Medicaid program.

As long as they stay within Federal and state regulations, states and counties make every attempt to ensure they receive the maximum allowable Federal share for expenditures they incur for Medicaid services. States regularly contract with consultants to help them identify and implement ways to maximize Federal funds.

The 2011 BHD Budget provided funding to obtain technical assistance in maximizing revenues received by analyzing all amounts billed and received by BHD, including technical consulting services related to Medicaid reimbursement. In order to perform these consulting functions effectively, it was determined that BHD needed to secure an expert with experience and expertise in hospital revenue maximization assessments, including familiarity with the State's Medicaid programs and Medicaid cost reporting.

In December 2011, DHHS entered into a contract with Sellers Dorsey and Associates, LLC to review all elements of Medicaid Cost Reporting and the Wisconsin Medicaid Cost Reporting (WIMCR) system to ensure Medicaid reimbursement from the State was maximized. Specifically, the consultant assessed

and identified potential health care reimbursement strategies to increase federal Medicaid funding of Milwaukee County Medicaid provider services. BHD sought to develop alternatives to increase current reimbursement of Medicaid covered services provided by the County's inpatient and outpatient providers.

On February 10, 2012, Sellers Dorsey met with officials from BHD. The purpose of the meeting was for Sellers Dorsey to gain knowledge of the structure and financing of BHD programs in order to identify opportunities for the County to access additional federal Medicaid matching funds. In March of 2012 Sellers Dorsey issued a report entitled *Potential Revenue Maximization Strategies for the Milwaukee County Behavioral Health Division*. Under the review, the consultant identified specific initiatives along with the potential for additional revenue for each program/initiative. Based on this review, it is expected that BHD will be able to draw down an additional \$2,400,000 in revenue in 2013. The additional revenue is offset by a consultant fee of 8% of the anticipated additional revenue generated, or approximately \$192,000. A \$25,000 professional services contract for this project from 2012 is maintained in 2013 and will be applied toward the consultant fee, resulting in a total tax levy savings in 2013 of \$2,233,000.

Discussion

Sellers Dorsey and BHD entered into Phases II and III of the Revenue Maximization initiative in which the consultant prepared Management Letters to the BHD Administrator for each program that BHD has decided to pursue. The Management Letters contained detailed summaries of the programs in the initiative and identified 2012 revenue baselines for each program. The Management Letters identified the following initiatives to achieve the 2013 budget objectives:

1. **Develop claiming procedures and strategies for unreimbursed inpatient and outpatient costs for BHD.** The goal of these initiatives is to increase federal funds to help further offset the costs of providing care to Medicaid recipients and the uninsured in Milwaukee County. The Management Letter identifies estimated additional annual revenue of \$727,472 and \$580,589 in unclaimed inpatient and outpatient revenue respectively. 2012 baseline revenues upon which the contingent fees are based are \$7,403,634 and \$568,400 respectively.
2. **Establish a physician supplemental payment program for BHD.** The goal of this initiative is to provide additional Medicaid funding for supplemental payments to eligible physicians and physician assistants who provide services at BHD, whether directly-employed or contracted. The State Physician Supplemental Payment Program currently limits payment to the University of Wisconsin Medical Foundation. Considering BHD's unique contribution to the region, modifications to Medicaid physician reimbursement for BHD are needed in order to more fairly reimburse BHD. The Management Letter identifies estimated additional annual revenue of \$90,000 to \$180,000 in supplemental payments to eligible physicians and physician assistants who provide services at BHD. 2012 baseline revenues upon which the contingent fee is based is \$224,738.

Both of the above initiatives require the State to submit a State Plan Amendment (SPA) to CMS. Milwaukee County will provide Intergovernmental Transfers or Certified Public Expenditures for the non-federal portion of the increased payment to the State to fund the increased rate.

Based on the above outlined initiatives, the Director, DHHS, is seeking authorization to enter into a sole-source contract with Sellers Dorsey and Associates, LLC that includes a performance fee rate of 8% applied to additional amounts collected over and above certain established baseline amounts. If the County receives federal Medicaid revenues that it otherwise would not have applied for, qualified for, or been entitled to receive as a direct result of the initiatives developed and implemented by Sellers Dorsey, the contractor will be paid 8% of the additional revenues actually received by the County and for which there was no other revenue offset for a period of no less than two years (24 months) from the date of implementation of the program, and up to five years (60 months). Payment will be made to the contractor only after the County or the providers approved and named by the County as part of this program, receive the additional federal funds. The customary range of fees for such services is between 5% and 10% depending on the duration of the fee agreement and estimated gain to the client.

Due to the unique support services entailed under this type of agreement, including experience in negotiations of agreements with state and federal agencies, assistance with negotiations and agreements with stakeholders, preparation of financial analyses, and tracking/reporting of federal revenue, the Director, DHHS, is also seeking authorization not to use the Request for Proposal (RFP) process for this contract.

Over the course of the past decade, Sellers Dorsey has worked directly for eleven states on revenue maximization initiatives. In that time, the firm has worked successfully to assist its state clients in drawing down over \$5 billion in new federal Medicaid funds which is more than any other revenue maximization firm in the United States. In addition, Sellers Dorsey has also provided revenue maximization consulting services to counties, municipalities, universities, health care trade associations and safety net providers in seven states.

Sellers Dorsey has a national reputation of creativity in Medicaid revenue maximization consulting and has been successful in tailoring its initiatives to meet the unique needs of its different state clients. Every state Medicaid program is structured and financed differently. Therefore, it is necessary for the consulting firm utilized by BHD to have the ability to take its existing experience and expertise to create solutions that work in this State's unique program.

Based on Sellers Dorsey's assessment and experience in other states and counties where the firm has performed revenue maximization consulting services, it is estimated that the Revenue Maximization initiative in Milwaukee County could recover in excess of \$2,400,000 in revenue in 2013, and ultimately, BHD could recover up to \$5 million annually over and above baseline amounts (upon full implementation of the initiative).

Recommendation

It is recommended that the County Board of Supervisors authorize the Director, DHHS, or his designee, to enter into a professional services contract with Sellers Dorsey and Associates, LLC under a contingent fee arrangement, as described in this report. This will enable the County to grow revenue maximization efforts within DHHS. The contract would be for a two-(2) year term, with three (3) additional one year

options to renew and extend. The initial contract would be for the time period of October 31, 2012 through October 31, 2014.

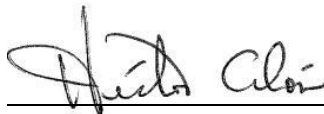
It is also recommended that the County Board of Supervisors authorize the Director, DHHS, or his designee to encumber and pay Sellers Dorsey up to \$400,000 annually in contingent fees earned under the contract through October 31, 2014, with the option of extending the contract and the amount to be encumbered annually for contingent fees for up to three (3) additional one year periods.

It is also recommend that the County Board of Supervisors authorize the Director, DHHS, or his designee, to enter into a professional services contract without the use of the Request for Proposal (RFP) procedure and enter into a sole-source contract with Sellers Dorsey and Associates, LLC.

Fiscal Effect

BHD has included this initiative in its 2013 Requested Budget therefore the execution of this contract is necessary to allow DHHS to achieve additional Medicaid revenue of \$2,400,000 in 2013. A fiscal note form is attached.

Respectfully Submitted,



Héctor Colón, Director
Department Of Health and Human Services

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