

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

January 24, 2023

FROM

WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center

SUBJECT

Agreement with Toyon Associates, Inc. for Regulatory Report Preparation, Consulting, Medicare Audit Appeal, and Cost Report Reopening Services

RECOMMENDATION(S)

Approve **Agreement No. 23-40** with Toyon Associates, Inc. to prepare annual regulatory reports and for consulting services, Medicare audit appeal services, and cost report reopening services in the amount not-to-exceed \$4,543,900 for the period of April 20, 2023 through April 19, 2028, with the exception of Medicare audit appeal service and cost reopening services, which will continue until resolved.

(Presenter: William L. Gilbert, Director, 580-6150)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The total amount of \$4,543,900 is funded by State Medi-Cal, Federal Medicare, private insurances, and other departmental revenue. Funding sources may change in the future pending any legislative activity related to the repeal and/or replacement of the Affordable Care Act. Adequate appropriation and revenue are included in the Arrowhead Regional Medical Center (ARMC) 2022-23 budget and will be included in future recommended budgets.

BACKGROUND INFORMATION

This Agreement will allow ARMC to work closely with Toyon Associates, Inc. (Toyon) to prepare various reports which are required to be filed with ARMC's regulatory authorities and to respond to audits conducted by various agencies with responsibility of ARMC's clinical and administrative operations. ARMC will also receive consulting services to assist ARMC in obtaining a higher level of reimbursement for past services provided to patients under the Medicare system through a detailed analysis conducted by Toyon of ARMC's records. If Toyon analyzes that ARMC has been underpaid by Medicare, Toyon will assist ARMC in appealing ARMC's payments and reopening the cost reports to obtain the higher level of reimbursement.

Toyon has been an instrumental partner to ARMC since 2018, by maximizing reimbursements from state (Medi-Cal) and federal (Medicare) agencies to provide funds to ARMC to continue to deliver exceptional health care services to the residents of San Bernardino County and in keeping ARMC financially solvent. Toyon provides the expertise needed to keep up with the

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ever-changing regulations from federal and state regulatory agencies, which accounts for 87 percent of ARMC's annual patient revenue.

Depending on the type of services provided under the Agreement, Toyon will be billing the County on a fixed fee, hourly, or contingency basis. Toyon's work relating to Medicare audit appeals and cost report appeal services will be made on a contingency basis, calculated as 20 percent of the additional reimbursement that ARMC receives as a result of Toyon's work. The additional reimbursement will either be a payment to ARMC by Medicare or a reduction in outstanding liability. No payment is due to Toyon for these services unless additional reimbursement is realized by ARMC as a result of Toyon's work.

Because of the unique nature of the Medicare and cost report appeal services, and the time it takes for those matters to be resolved, the term of this Agreement with respect to those services may continue beyond five years from the effective date of this Agreement. The term of the Agreement for such services will continue until either ARMC terminates the Agreement or any outstanding appeals are resolved.

ARMC recommends approval of the Agreement because it will enable ARMC to continue to respond to audits conducted by various regulatory agencies. This, in turn, will result in higher reimbursement rates for past services provided to patients under the Medicare System.

PROCUREMENT

The Agreement with Toyon is non-competitive due to specialized credentials as Toyon has unique expertise in preparation and consultation of specific cost reports, experience preparing hundreds of cost reports for all types and sizes of facilities including Designated Public Hospitals, preparation, and review of many P14 Workbooks, and in conducting Medicare cost report audit appeal and cost report reopening services. The County Purchasing Department supports the non-competitive procurement based on the justification stated above.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Charles Phan, Deputy County Counsel, 387-5455) on December 15, 2022; Purchasing (Ariel Gill, Buyer, 777-0722) on December 19, 2022; ARMC Finance (Chen Wu, Finance Budget Officer, 580-3165) on December 29, 2022; Finance (Jenny Yang, Administrative Analyst, 387-4884) on January 4, 2023; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on January 5, 2023.

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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Curt Hagman Seconded: Joe Baca, Jr.
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: January 24, 2023



cc: ARMC- Gilbert w/agree
 Contractor- C/O ARMC w/agree
 File- w/agree
LA 01/27/2023