

LAGUNA HONDA HOSPITAL COMMERCIAL PAYER CONTRACTING CONTEXT AND OPPORTUNITIES

Joint Conference Committee for
Laguna Honda Hospital & Rehabilitation Center

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Laguna Honda Overview

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- Services Provided:
 - ▣ Long-Term Care (custodial)
 - ▣ Short-Term Care (skilled nursing)
 - ▣ Acute Care (general and rehabilitation)
 - ▣ Rehabilitation Services (outpatients)

- By the Numbers
 - ▣ 636 SNF capacity
 - ▣ 590 resident SNF census (as of 2.3.2026); anticipated full census in Spring 2026
 - ▣ 11 acute care beds

LHH Admission Priority Groups

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**Priority #1:
Former Laguna Honda residents**

**Priority #2:
San Franciscans not in medical settings**

**Priority #3:
Eligible SFHN patients**

**Priority #4:
San Franciscans receiving SNF and/or rehabilitation
services in other facilities**

**Priority #5:
Patients at non-SFHN medical facilities**

Why Enter Into Commercial Payer Contracts?

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- Excess clinical capacity – increase patient volume
- External demand exists for the service provided
- Clinical and administrative efficiency if currently serving some commercially insured, but ad hoc (i.e., via letters of agreement)
- Can meet all contractual requirements (e.g., access, quality, care coordination, billing, authorization, etc.)
- Diversify payor mix (expand patient base) or help sustain revenue levels
- Payer reimbursement exceeds the costs (administrative and service)
- Brand reputation is high

Long-Term Care Payor Landscape

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- Medi-Cal
 - Fee for Services
 - Managed Care (HMO)

- Medicare (through health insurers)
 - Traditional
 - Advantage (HMO)

- Commercial (EPO, HMO, PPO)

- Long-Term Care Insurance Carriers

Medicare

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- Long-Term Care (custodial) is not a covered service under Medicare (either Traditional or Advantage)

	Medicare Traditional	Medicare Advantage
Short-Term Care	<p>SNF determines patient need for short-term care based on Medicare guidelines</p> <p>Covers up to 100 days under Part A</p> <p>Medicare pays 100% for days 1-20, while days 21-100 require a daily coinsurance from patient. If patient also has Medi-Cal, then it will pick-up the coinsurance portion.</p>	<p>Medicare Advantage health plan's utilization management department determines patient need for short-term care based on their clinical guidelines</p> <p>Covers up to 100 days under Part A</p> <p>Typical length of stay is 3 – 4 weeks on average</p>

Commercial

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- Kaiser Permanente
 - ▣ Demand for LHH services (long and short-term)
 - ▣ Currently 12 Kaiser members at LHH and four (4) seeking admission
 - ▣ Move from Letter of Agreements to contracting to reduce administrative and clinical burden

- Health plans offered to City & County employees and retirees
 - ▣ Contacted health plan to assess potential opportunity

Considerations and Opportunities

Commercial Payor Contracting

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Considerations

- Avoid crowd out of traditional patient populations
 - ▣ Crowd-out in this context is that with limited supply (i.e., number of beds) serving more individuals with commercial insurance displaces LHH's historic resident population of Medi-Cal and uninsured patients
- Does not increase administrative burden

Opportunities

- Ability to offer continued care as a patient transitions into another form of health care coverage to another

Acute Rehabilitation

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- Of the 11 acute care beds at LHH, five (5) are designated for acute rehabilitation patients
- Average daily census of 3.4 acute care patients which includes acute rehabilitation
- Reassessing billing reimbursement considerations based on Center for Medicare and Medicaid Services guidelines for acute rehabilitation units

Outpatient Rehabilitation Services

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- Laguna Honda offers: occupational therapy, physical therapy and speech therapy
- Rehabilitation volume trends are patient-driven reflecting fluctuations in referrals, census, and case mix
- Referral sources:
 - LHH residential units, as needs arise
 - Readmissions when residents are admitted to inpatient care and subsequently discharged back to the SNF
 - New admissions from acute hospitals or the community for SNF rehabilitation and acute rehab/IRF
 - Outpatient referrals from the community
- Current supply and demand for LHH Rehabilitation Services is generally balanced, with intermittent capacity constraints during periods of increased demand and limited staffing

Recommendations

- Preserve LHH capacity for the priority populations
- Pursue commercial contracting opportunities with Kaiser Permanente (undertake financial analysis)
- Assess ability for additional contracting via conversations with CCSF contracted health plans for employees and retirees (undertake financial analysis)
- Continue with review of CMS requirements related to acute rehabilitation unit

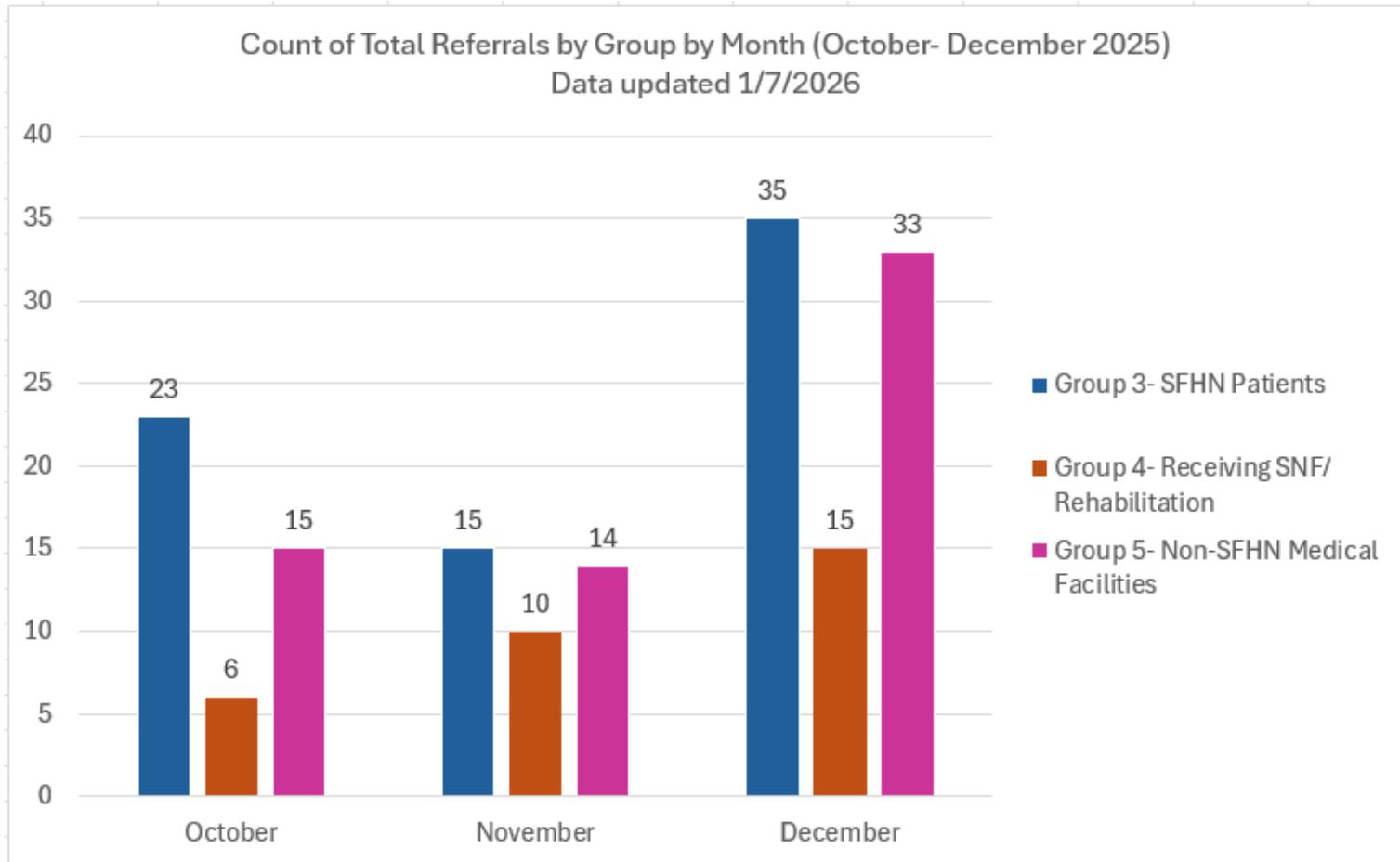




APPENDIX



Trend Line for Referring Organizations



Medi-Cal

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	Medi-Cal (FFS)	Medi-Cal Mgd. Care
Long Term Care (Custodial)	State as payer; LHH obtain reimbursement w/ appropriate documentation	SFHN/SFDPH contracts with Medi-Cal managed care plans (except Kaiser)
Short-Term Care (Skilled)	State as payer; LHH obtain reimbursement w/ appropriate documentation	SFHN/SFDPH contracts with Medi-Cal managed care plans (except Kaiser)
Rehabilitation Services (outpatient)	State as payer; LHH obtain reimbursement w/ appropriate documentation	SFHN/SFDPH contracts with Medi-Cal managed care plans (except Kaiser)

Long-Term Care Insurance

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- California has three categories of long-term care insurance:
 - Nursing Facility and Residential Care Facility Only - covers skilled, intermediate or custodial care in a nursing home or similar facility and assisted living care in a Residential Care Facilities(RCF)/Residential Care Facilities for the Elderly (RCFE)
 - Home Care Only - covers Home Health Care, Adult Day Care, Personal Care, Homemaker Services, Hospice Services and Respite Care
 - Comprehensive Long-Term Care - covers nursing facility care, assisted living care in an RCF/RCFE and home and community care