

---

*Setting the Standard in Health Care Excellence*

July 23, 2019

Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, California 93009

**Subject:** Approval of the Fifth Amendment to the Agreement for Medical Specialty Care Services with Oceanview Medical Specialists, a California Medical Corporation, Extending the Contract Term through June 30, 2020, at a Maximum of \$12,088,972 plus a One-Time Payment of \$34,043 for a Total of \$12,123,015 for Fiscal Year 2019-2020, \$12,321,647 for Fiscal Year 2020-2021 and \$12,330,647 for Fiscal Year 2021-2022.

**Recommendation:**

That your Board approve, and authorize the Health Care Agency (HCA) Director or designee to sign, the fifth amendment to the agreement for medical specialty care services with Oceanview Medical Specialists, a California Medical Corporation, extending the term of the contract through June 30, 2020, at a maximum of \$12,088,972 plus a one-time payment of \$34,043 for a total of \$12,123,015 for fiscal year 2019-2020, \$12,321,647 for fiscal year 2020-2021 and \$12,330,647 for fiscal year 2021-2022.

**Fiscal Impact:**

Mandatory:	No
Source of Funding:	VCMC Operating Revenues/Collections/General Fund
Funding Match Required:	None
Impact on Other Departments:	N/A

Summary of Annual Revenues and Costs under this Agreement. The revenue and appropriations for this item are partially included in the adopted VCMC budget for Fiscal Year 2019-2020. Additional funds will be requested for approval from your Board at a later time.

	<u>FY 2019-20</u>	<u>FY 2020-21</u>
REVENUE:	\$12,123,015	\$12,321,647
DIRECT COSTS:	\$12,123,015	\$12,321,647
DIRECT COSTS:	Minor	Minor
Net revenue <cost>	\$0	\$0

**Current Fiscal Year Budget Projections:**

Current FY 2019-20 Budget Projections for Ventura County Medical Center #3300				
	Adopted Budget	Adjusted Budget	Projected Actual	Estimated Savings/(Deficit)
Expenditures	\$504,040,129	504,040,129	\$504,040,129	\$0
Revenue	\$501,052,444	501,052,444	\$501,052,444	\$0
Operational Income/(Loss)	(\$2,987,685)	(\$2,987,685)	(\$2,987,685)	\$0

\*The operational income includes "Operating Transfers In" that is primarily attributed to County contributions.

**Table 1 below summarizes the net financial impacts of the VCMC contract:**

Provider	Eff. Date	Current Contract Annual Maximum	Proposed Contract Annual Maximum	One-time Payment	FY 19-20 Inc/<Decr>	FY 20-21 Inc/<Dec>
Oceanview Medical Spec.	7/1/19	\$10,557,876	\$12,088,972	\$34,043	\$1,565,139	
Oceanview Medical Spec.	7/1/20	\$12,088,972	\$12,321,647			\$232,675
Total					\$1,565,139	\$232,675


**Discussion:**

The proposed Fifth Amendment before your Board is for Oceanview Medical Specialists, a California Medical Corporation created and managed by Dr. Scott Underwood to provide physician specialty services to the VCMC medical system. The amendment extends the current agreement through June 30, 2020. Due to on-going negotiations, your Board approved on June 18, 2019, a one-month extension of the agreement at existing rates. The proposed amendment includes a one-time payment of \$34,043 representing the difference between the old contract rates and the new rates to be implemented effective July 1, 2019.

The existing agreement includes services of the equivalent of 23.8 full-time contracted physicians for a total annual compensation of \$10,557,876. The proposed amendment would reduce compensation for these physicians to \$9,956,869, representing a savings of \$601,007. In addition, the services of the equivalent of 6.5 full-time physicians previously contracted with the County's affiliated clinics would be added to the Oceanview agreement. The transfer of these clinic physicians to Oceanview represents an additional net savings of \$195,568, based on a reduction in the physician base compensation previously paid to the physicians by the clinic operators, from \$2,027,134 to \$1,688,256, and an increase in maximum incentive compensation from \$260,785 to \$404,095. The amendment would also reduce rheumatology services from the equivalent of 3.4 to 3 full-time contracted physicians, resulting in a savings of \$116,173, and add a new gastroenterology position at a cost of \$525,000. These modifications to the agreement represent an overall savings to the HCA system of \$387,754. While the Ambulatory Care budget was decreased by the compensation of physicians moving to the Oceanview agreement, the VCMC hospital budget was not simultaneously increased. Therefore, the cost of the amendment is only partially included in the Fiscal Year 2019-2020 VCMC hospital budget. No appropriations are being requested at this time. If it is determined that additional appropriations are needed, we will return to your Board for approval.

If approved, the agreement with Oceanview Medical Specialists, a California Medical Corporation, subject to all necessary budgetary approvals by your Board, shall be extended through June 30, 2020. Then, unless either party gives notice of its intent not to renew at least ninety (90) days prior to the renewal date, and subject to the receipt of all necessary budgetary approvals by your Board, the agreement shall then be extended for up to two (2) additional periods of one (1) year each.

This letter has been reviewed by County Counsel, the Auditor-Controller's Office, and the County Executive Office. If you have any questions regarding this item, please call John Fankhauser, M.D., Chief Executive Officer, County Hospitals, at 805-652-6058.

  
\_\_\_\_\_  
JOHN FANKHAUSER, M.D.  
Chief Executive Officer, County Hospitals

  
\_\_\_\_\_  
KARLA VALLE  
HCA Chief Financial Officer

  
\_\_\_\_\_  
WILLIAM T. FOLEY  
Health Care Agency Director

Exhibit 1 – Fifth Amendment to Agreement for Medical Specialty Care Services with Oceanview Medical Specialists