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COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

December 15, 2003

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

Fred Leaf
Chief Operating Officer

SUBJECT: **KING-DREW MEDICAL CENTER**

This memo is to provide an update on the actions being taken by the Department of Health Services (DHS) to strengthen administrative and clinical operations at King-Drew Medical Center (KDMC).

Background

As has been discussed, there are substantial clinical and operational problems at KDMC that have been identified through both internal investigations launched by the Department, as well as by outside auditors. Many of these problems are entrenched in the hospital's clinical management and administrative processes and will require both immediate and long-term remedies.

The Management Oversight Group that was appointed in October has spent the past six weeks identifying and initiating corrective actions related to KDMC's operations. As a result of its initial review, the Management Oversight Group reported some significant problems in the facility's management, which include the need for enhanced internal controls and proper oversight, more effective and clear direction and communication senior managers and staff, and better enforcement of established policies and procedures.

The Management Oversight Group has established as its highest priorities: improving clinical management, preparing for the upcoming Joint Commission on Accreditation of Healthcare Organizations (JCAHO) site visit in the late spring of 2004, improving the facility's financial and

human resources functions, initiating basic management reforms and oversight at the facility, improving the efficiency of the delivery of clinical services, and strengthening the management of Graduate Medical Education programs.

Shifting staff resources from Health Services Administration and other DHS facilities will allow the Department to immediately provide some stability to the hospital's management; however, it is not a long term solution. The Department is concluding a search for a Chief Medical Officer and anticipates a change in clinical leadership in early 2004. A search for a permanent Chief Executive Officer is underway and the Department expects to fill this position during the first quarter of 2004. With regard to nursing administration, we are currently meeting with private medical management firms to evaluate the use of contract nurse management staff. We also have asked the Management Oversight Group to review the facility's management structure and personnel and make changes as appropriate.

While new management and leadership will resolve many of the operational issues facing KDMC, it is unlikely that this alone will resolve all the problems at the facility. There exists a pattern of behavior among clinical managers at the facility that significantly challenges the attempts of new leadership to institute change. While the majority of the staff at the facility are extremely dedicated to delivering services to the community, the on-going lack of accountability often defeats these efforts. Significant actions must be taken to establish accountability, leadership, and, most importantly, performance expectations. For this reason, we are committed to providing the support required and taking necessary corrective actions to enable any new leadership to overcome these historic issues.

With regard to the academic mission of the hospital, the continuing problems related to the accreditation of medical training programs raise significant questions as to KDMC's role as an academic medical center. Not only has the facility had difficulty in administratively supporting the training programs, but the Charles R. Drew University of Medicine and Science has been challenged in its ability to maintain the academic support necessary for the continued full accreditation of many these programs. Two training programs have lost accreditation as of June 30, 2004, a third has been proposed for accreditation withdrawal, and the facility's overall training program continues to be rated unfavorably by the accrediting body. As such, the Department is reviewing closely not only its relationship with Drew University, but the future of medical training programs at KDMC.

As you know, in response to a motion by Supervisor Burke, your Board instructed the Department to establish a Task Force on Graduate Medical Education at KDMC to review the scope and structure of the training programs, the status and viability of Drew University, and the ability of KDMC to attract and retain quality physician faculty. The Task Force, which is headed by former Surgeon General David Satcher, met a number of times in person and by phone in November and is scheduled to present its recommendations to the Department and Drew University on December 17 and 18. These recommendations will play a key role in formulating the longer-term strategy for the relationship between the County and the University.

Given the significance of the accreditation issues facing the training programs, it is incumbent upon DHS to question the scope and focus of graduate medical education at KDMC. This discussion

will occur over the next month and we will report back to you with the Department's recommendations in January.

Immediate Actions

There are a number of immediate actions that are being taken to stabilize the operation of the facility and strengthen patient care. Most critical among these are correcting the problems that led to the Centers for Medicare and Medicaid Services (CMS) investigation and the administration of medical education programs.

It also is important to note that a number of personnel actions have been taken in recent weeks related to the findings of DHS and outside investigators. The Management Oversight Group identified a number of resident physicians that were inappropriately placed in positions at the facility. To remedy this, the resident physicians have been released and appropriate corrective action has been, or is being, taken with regard to the responsible clinical managers. With regard to a number of clinical management issues identified through either DHS or external reviews, several senior managers have been, or shortly will be, relieved of their duties, pending the outcome of these reviews. David Runke and William Loos, MD, the co-chairs of the Management Oversight Group, will now be working full time at KDMC and have been given direct management authority to make any personnel or operational changes they deem necessary to address these continuing matters.

Outlined below are some of the immediate actions that are being taken by the Department and the Management Oversight Group.

Clinical Management Issues

As the provision of clinical care is the most important function of a medical center, this area has received the most review and the following immediate corrective actions are being taken:

- A system is being established through which the hospital's pharmacy will report directly to nurse managers and attending staff any cases of missed medication orders, along with recommended corrective action, as warranted.
- To ensure accurate medical charting by all clinical personnel, the Department has instituted spot audits to monitor this activity.
- Under guidance by the Management Oversight Group, KDMC will revise procedures for the writing and taking of orders for patients being transferred from one area to another to ensure that such physician orders are carried out consistently throughout the facility.

Clinical Efficiencies

There are a number of areas at KDMC in which clinical wards are underutilized or similar wards are located in disparate areas of the physical plant. This results in inefficiencies in staffing and other operational issues. Action is being taken to assess the feasibility of consolidating the following:

- The pediatric intensive care and pediatric surgery services with programs at other DHS hospitals.
- The gynecologic surgery and gynecologic oncology with another DHS hospital.
- The facility's Neurosurgery Intensive Care Unit (ICU) with the Trauma ICU to share clinical resources.

The Department further is evaluating all clinical services at KDMC to prioritize services, eliminate underutilized services, and redistribute resources to core medical functions. We expect to finish our initial review in the next two weeks and will provide you with a report of additional actions planned or taken.

Joint Commission on Accreditation of Healthcare Organizations

As noted above, KDMC is scheduled to undergo its regular JCAHO survey this coming spring. Given the substantial problems that have been identified by the Management Oversight Group in the facility's compliance with JCAHO standards, as well as the deficiencies identified by CMS, there is significant concern about KDMC's ability to meet a number of the JCAHO requirements.

The Management Oversight Group conducted a JCAHO readiness assessment last month and in response to its findings has initiated a number of corrective actions and will continue with its ongoing JCAHO readiness assessment activities.

Implementing Controls in Graduate Medical Education

As noted above, an on-going review of residents employed at KDMC matched against approved Accreditation Council for Graduate Medical Education (ACGME) program positions has found eight individuals who were either in unapproved resident positions or inappropriately placed on resident items. As of December 5, these individuals have all been discharged. To respond to the ongoing problems related to the training programs the following actions are being taken:

- All Graduate Medical Education (GME) programs at KDMC will be reviewed for need, size, and viability.
- GME programs at all DHS facilities will be considered for possible consolidations or reconfigurations.
- Potential collaborations, oversight, and alternate affiliation with other medical schools (e.g., UCLA or USC) will be evaluated.
- GME programs scheduled for upcoming site visit by the ACGME will undergo a thorough evaluation and mock accreditation review to identify deficiencies that require redress, prior to the actual site visit.

In October, the Department asked the Auditor-Controller to conduct an audit of the affiliation agreement and the University's performance. This audit is currently underway.

Finance Issues

Under the Department's Strategic Plan, KDMC is required to phase-in, during the period of Fiscal Year 2003-04 to 2005-06, efficiency reductions of 16 percent. The annual cumulative savings equal \$20.9 million, \$46.2 million and \$61.9 million in FY's 2003-04, 2004-05 and 2005-06, respectively. Based on a preliminary analysis, it appears KDMC is moving to successfully meet its savings target for the current fiscal year. However, the Southwest Area's health centers, which include Hubert H. Humphrey Comprehensive Health Center and Dollarhide Health Center, are currently projected to run a substantial budget shortfall. Overall, the Southwest Area is currently forecasting a \$3.8 million budget shortfall for FY 2003-04. Further, expenditures required to enhance KDMC operations could further exacerbate this fiscal shortfall.

The Management Oversight Group is actively working with KDMC staff to identify opportunities to reduce or eliminate the forecasted shortfall for the current fiscal year and to identify efficiencies to meet future fiscal year savings targets. This is a significant challenge, which will require assistance from outside the facility. Therefore the Department will:

- Assign Health Services Administration's Finance Chiefs to oversee each of KDMC's fiscal units, develop prioritized listings of improvement actions in this area, and provide weekly status reports to the DHS Director of Finance and the Management Oversight Group. Among the immediate action items that have or will occur are:
 - Conducting interviews with the facility's Chief Finance Officer and his direct reports to gain additional perspective on financial operations.
 - Assessing the adequacy of the internal financial reporting to adequately monitor financial operations and modify to address identified deficiencies.
 - Comparing the size of financial staffing to that at Harbor-UCLA Medical Center, on a workload-adjusted basis, and making appropriate adjustments; as well as assessing comparative staff turnover rates.
 - Determining and addressing causes of increased TAR denials.
 - Determining training needs and providing appropriate training.
 - Determining the extent to which visits are not getting into the charging system and developing a plan of correction.
 - Reviewing the finance organizational structure and implementing appropriate changes.
- Transfer the management, and associated staff, of the Expenditure and Financial Systems units of KDMC's finance operation within 60 days. This is similar to an action taken a number of years ago when KDMC's patient accounts operation was transferred to LAC+USC Medical Center to create the Consolidated Business Office (now under the direction of Health Services Administration), to resolve operational issues associated with this function. An evaluation will be conducted at the end of six months after the completion of the transfer of this function, and adjustments will be made as necessary.

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Human Resources

KDMC continues to be out of compliance with County policies related to outside employment forms, personnel evaluations, and follow-through with disciplinary actions. As a result of these problems, the Department, effective December 15, management responsibility for the KDMC Human Resources Examination, Discipline, and Return to Work units were transferred to the corporate Human Resources office. The KDMC Human Resources Payroll, Operations, and Employee Relations units will be subsumed into the DHS corporate Human Resources operation by February 28, 2004.

Finally, the processing of Personnel Action Requests (PARs) continues to be a problem at KDMC. There are presently close to 300 PARS awaiting action and these will be resolved shortly by the Management Oversight Group.

The Department will continue to provide regular updates as to the activities at KDMC. In the meantime, please let us know if you have any questions.

TLG/FL:ak

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

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