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January 31, 2005

TO: Each Supervisor

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

SUBJECT: IMPACT OF JCAHO ACCREDITATION LOSS AT KING/DREW MEDICAL CENTER

As you know, King/Drew Medical Center is in the final appeal process regarding the proposed withdrawal of accreditation by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Below is a summary of the impact the loss of JCAHO accreditation on operations at King/Drew Medical Center (KDMC) and the issues that must be addressed.

Medi-Cal Managed Care Contracts

The primary population of managed care patients at KDMC are enrolled in the Community Health Plan (CHP) through the Medi-Cal Managed Care, Healthy Families, or In-Home Supportive Services (IHSS) programs. There are presently close to 12,000 CHP managed care lives assigned to KDMC, Humphrey Comprehensive Health Center, and Dollarhide Health Center. Of these, 9,245 are Medi-Cal managed care beneficiaries. The annual revenue from these patient lives is approximately \$11.2 million.

CHP has been in communication with L.A. Care Health Plan about the requirements for member enrollment and access to services at KDMC, should JCAHO accreditation be terminated. While outpatient services could still be provided at KDMC, Humphrey, and Dollarhide, without JCAHO accreditation, KDMC cannot receive reimbursement for inpatient services provided to these individuals. It is estimated that the average daily census of CHP inpatients at KDMC is two or three. Once accreditation is lost, these

inpatients would have to be referred to LAC+USC Medical Center, Harbor-UCLA Medical Center, or St. Francis Medical Center for services. There are certain geographic access requirements established by the State Department of Managed Health Care that make it impossible to reassign all of the KDMC patients to LAC+USC or Harbor-UCLA Medical Centers for inpatient services. Additionally, not all KDMC physicians have admitting privileges at St. Francis Medical Center and thus could not follow the patient's care there. Therefore, to ensure continuity of care, effective February 1, all new CHP members who currently would be assigned to KDMC for primary care services, will be assigned to OMNICare Medical Group, the physician group associated with St. Francis Medical Center. Existing CHP members assigned to KDMC or its attendant outpatient facilities will obtain scheduled inpatient admissions through another County hospital or St. Francis Medical Center.

The Department also has contracts with a number of managed care plans to cover the provision of emergency and inpatient services to their beneficiaries. While DHS facilities are not assigned members and do not receive a monthly capitation payment for members, KDMC is under contract to provide emergency and inpatient services on a negotiated rate basis. These contracts are with Blue Cross for Medi-Cal Managed Care and Healthy Families beneficiaries, with Care 1st for Medi-Cal, Molina Medical for Medi-Cal, and with Universal Care for Medi-Cal. KDMC receives between \$3-4 million in revenue annually for these managed care patients. While emergency services would still be covered under these agreements, there may be some loss of revenue associated with the more immediate transfer of these patients to a hospital within the plans' provider networks for post-emergency room stabilization.

Finally, CHP has contracts with several physician Independent Practice Associations under which the physician groups refer patients to KDMC for specialty and inpatient services. These contracts will be amended to facilitate the admission of these patients to other hospitals for elective inpatient services.

Training Program Accreditation

The Accreditation Council for Graduate Medical Education (ACGME) provides that any hospital that is a participating or sponsoring training institution be accredited by JCAHO. In the event a hospital loses JCAHO accreditation, it must justify to ACGME its continued participation as a training institution. It is unclear how quickly ACGME would act in response to KDMC's JCAHO accreditation loss. However, as you know, Drew University – the institutional sponsor of the resident training programs at KDMC – is presently rated unfavorable and is scheduled to undergo a follow-up Institutional Review in December of this year.

The individual Residency Review Committees (RRC) of ACGME have the ability to determine the extent to which JCAHO accreditation loss impacts the ability of the hospital to appropriately manage the individual training programs. At this time it is unclear which, if any, of the RRCs may elect to withdraw accreditation of the training programs at KDMC. The Department continues to work with both ACGME and Drew University to evaluate this as well as the impact on the hospital's participation in the resident match program.

Trauma Designation/Paramedic Base Station

Under Title 22 of the California Code of Regulations, a hospital's designation as a trauma center is predicated on accreditation by JCAHO or a similar accrediting agency. Based on the Board's vote in November, the Department is presently working to fully phase out the trauma program at KDMC as of March 1. California Hospital Medical Center entered the trauma network as of December 1, 2004, with a trauma catchment area of approximately 600 patients annually. California Hospital has performed well during the first two months of its trauma agreement and is on track for the patient expansion as of February 1, to an annual trauma volume of 1,200 patients. The remaining portions of KDMC's catchment area will be reapportioned to St. Francis Medical Center and Harbor-UCLA Medical Center, based on geographic accessibility, effective March 1.

Title 22 also requires that paramedic base stations, which provide on-line medical treatment orders to paramedics in the field, be sited in JCAHO accredited hospitals. The Emergency Medical Services Agency is working to phase out KDMC's paramedic base station over the next several months. During February, the Compton Fire Department and one Los Angeles County Fire Department unit will be reassigned to another trauma hospital, based on geographic accessibility. California Hospital is also poised to initiate operations as a paramedic base station in the spring and to absorb the remaining area presently served by KDMC.

California Children's Services

California Children's Services (CCS) is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation for eligible children under the age of 21. These services can be authorized for children who have eligible medical conditions and whose families are unable to pay for all or part of their care. JCAHO accreditation is a requirement in order for a hospital to participate in the CCS program; as such, KDMC would not longer be eligible to seek CCS reimbursement upon the loss of JCAHO accreditation.

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Presently, KDMC treats CCS patients in its pediatric and neonatal intensive care units, as well on its general pediatric inpatient units. The inability to seek CCS reimbursement would result in a loss of approximately \$2.4 million in revenue to the hospital.

Allied Health Programs

In addition to the resident training programs operated by Charles R. Drew University of Medicine and Science at KDMC, there are a number of other affiliation agreements for the training of nursing and allied health professionals (e.g., phlebotomists, radiology technicians, respiratory therapists) at the hospital. Navigant is reviewing these agreements to determine whether JCAHO accreditation is a requirement of the training program and any potential impact to hospital operations.

LPS Designation

The Los Angeles County Department of Mental Health (DMH) acts as the administering agency within the County for designation of Lanterman-Petris-Short Act (LPS) (e.g., 5150 designated) hospitals. This status allows hospitals to designate and treat patients on an involuntary hold if they are deemed to be a threat to themselves or others. DMH guidelines require LPS designated hospitals to remain accredited by JCAHO and to comply with the Centers for Medicare and Medicaid Services (CMS) Medicare Conditions of Participation. Failure to do so may result in withdrawal by DMH of LPS designation. The Department is working with County Counsel and DMH to review whether there is any flexibility in these guidelines.

Conclusion

The Department and Navigant Consulting are working together to correct the deficiencies identified by JCAHO during its surveys of the hospital. Navigant has indicated that if JCAHO denies the final appeal and withdraws KDMC's accreditation, the process to regain accreditation would take between nine and 12 months.

Please let me know if you any questions.

TLG:ak

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