Health Services
LOS ANGELES COUNTY

October 17, 2006

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The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 W. Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF METROCARE IMPLEMENTATION
(District 2) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Instruct the Director of Health Services to submit the MetroCare Implementation Plan to the Centers for Medicare and Medicaid Services (CMS) and request a one year full-funding extension of $200 million and one-time transition costs not to exceed $50 million.
2. Instruct the Director of Health Services, in conjunction with the Executive Officer, to schedule a Beilenson Hearing on the MetroCare Plan in the Hall of Administration.
3. Instruct the Chief Administrative Officer and Director of Human Resources to review MetroCare Organizational leadership structure and make recommendations regarding the adjustment of position classification and levels accordingly.
4. Instruct the Chief Administrative Officer and the Director of Human Resources to assist the Director of Health Services in the development of a staff re-assignment plan for all King Drew Medical Center (KDMC) employees with a competent or better performance evaluation.
5. Instruct the Chief Administrative Officer, the Director of Health Services, and Director of Human Resources to develop a recruitment and retention program for staff accepting positions at the new Harbor-MLK Community Hospital (Harbor-MLK).
6. Instruct the Director of Health Services to report back in no more than 30 days on the budgetary impacts of MetroCare to include: 1) updated revenue and cost estimates related to the conversion of KDMC to Harbor-MLK, increased beds at
7. H-UCLA and other MetroCare service changes; 2) any budgetary adjustments at LAC+USC Medical Center (LAC+USC), Rancho Los Amigos National Rehabilitation Center (Rancho) and ValleyCare/Olive View Medical Center (OVMC), including any projected increases in registry or other contracts.

8. Instruct the Director of Health Services, in conjunction with the Chief Administrative Officer and County Counsel to develop a highly simplified, rapid contracting model to complete medical staff and other contracts in an expedited fashion and to return to the Board with the model, including all delegations of authority and other recommended actions necessary to implement the model.
9. Instruct the Director of Health Services to use the authority delegated to him pursuant to Los Angeles County Code Section 2.76.530 to execute contracts with private hospitals to absorb KDMC inpatients effective 12-01-06 or sooner, if needed.
10. Direct Chief Administrative Officer to expedite the H-UCLA Operating Room and Emergency Room Expansion Project and to promptly review any other capital planning or equipment needs at H-UCLA directly related to the implementation of MetroCare.
11. Direct Chief Administrative Officer, Chief Information Officer, Director of Internal Services, and Director of Health Services to develop an expedited Information Technology Workplan to bring up the new Harbor-MLK using the current H-UCLA platform in a timeframe consistent with the MetroCare implementation plan.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving the recommended actions, the Board is instructing the Department to schedule a Beilenson hearing on MetroCare - an organized delivery system operated by Health Services for Service Planning Areas (SPA's) 6 and 8. Concurrently, the Board is authorizing the Department to undertake additional preparatory steps which will be necessary to expeditiously implement MetroCare if the model is approved by the Board, CMS and the State.

The Board is also authorizing the Department to immediately submit the MetroCare plan to CMS for its review and to request a one year full funding extension and one-time transitional funding to implement the plan.

Further, the Board is asked to set a Beilenson hearing as soon as possible on the proposed service reductions at the KDMC site.

BACKGROUND

It is important to recognize that these radical delivery system changes were developed in response to KDMC's failure to meet 9 of 23 conditions of participation on its most recent CMS survey. Based on the failure to meet all the conditions of participation, CMS terminated KDMC's CMS contract effective November 30, 2006, resulting in an immediate loss of approximately $200 million a year. Given the Department's looming structural deficit, it will be impossible to continue to operate KDMC without these Federal funds.

The CMS termination letter specifically described transferring the hospital to a new entity as a potential avenue for a radically simplified and reorganized hospital, in order to regain a CMS contract. The Department believes that the MetroCare model materially meets CMS expectations and is fully consistent with the Department's five principles for assuring care in the SPA-6/South Los Angeles region:

- Assure quality patient care that meets national standards
- Meet the critical service needs of this community
- Meet those needs in the community and on the grounds of the current KDMC hospital where possible
- Develop a solution not just for the SPA-6 area, but as part of the Department 's broader effort to transform the delivery system
- Build on the proven service integration efforts in the Department

MetroCare specifically contemplates the transformation of the current KDMC to Harbor-MLK under the direct operational and clinical management of the Regional Executive leadership of MetroCare which will be drawn from H-UCLA. Harbor-MLK will be a non-teaching facility that will provide general adult medical, surgical, and gynecologic care using 114 beds and with an expected census of 100 patients when the transition is completed. The community hospital will also have a basic emergency room, which provides the same level of service and the same number of visits as the current emergency room. Those inpatient services no longer offered at the community hospital will be transitioned to H-UCLA or other Health Services facilities.

Critical to the implementation of MetroCare is the opening of transitional beds at Rancho and OVMC as well the potential time-limited purchase of transitional beds in the private sector. The transition from KDMC to Harbor-MLK will result in no net loss of inpatient beds although they will be arrayed differently.

As clearly outlined in the implementation plan, MetroCare will result in an expansion of outpatient services through the development of a new Multi-service Ambulatory Care Center (MACC). The MACC will provide a more patient-centered, community-oriented approach to outpatient services and will specifically target the most pressing clinical needs of the community such as diabetes, hypertension, high cholesterol, heart disease, cancer and HIV/AIDS. The comprehensive health care centers (Long Beach and Hubert Humphrey) and the DHS and PPP primary care clinics would be incorporated into this system of care.

This option will benefit patients in the area through the preservation of core hospital services in the immediate community, coordinated medically with the specialty programs at H-UCLA.

To facilitate patients' access to services, transportation will be offered on a scheduled and extended hour basis between H-UCLA and Harbor-MLK.

Attached is the MetroCare implementation plan (Attachment I) including a timeline (Attachment II) for making these specific changes, and preliminary financial projections.

FISCAL IMPACT/FINANCING:

Budgetary analysis will not be complete for another 30 days and is subject to revisions to the MetroCare model resulting from State or Federal actions. Since no loss of inpatient beds or other patient services is anticipated, full funding by CMS for the next year as well as one time transition costs not to exceed $50 million dollars will be required for implementation. The Department will provide a fiscal update to your Board in 30 days.

Attached (Attachment III) is a very preliminary estimate of what the expenses, revenues and net costs will be in Fiscal Year's (FY) 07-08 and 08-09 for the new Harbor-MLK option, as compared to those used for KDMC in our September 20, 2006, Fiscal Outlook Update to the Board. As you can see from the attached schedule, the net cost of the new configuration, including the assumed permanent reassignment of over half of KDMC's current employees to other Health Services or County budget units, is roughly estimated to cost $31 million and $33.7 million more than the previous estimates for FY's 07-08 and 08-09, respectively.

The portion of FY 07-08 which will still be in transition (through at least November 5, 2007) is not reflected in the attached, since the timeline for transition was developed concurrently with these financial estimates. Over the next 30 days, we plan to make this adjustment, and others as become apparent, and develop financial estimates for the current fiscal year based on the transition plan presented in this letter. The determination of the current FY estimates may have a "spillover" impact on the FY 06-07 and 08-09 revenue estimates due to they way Medi-Cal Redesign works.

We also plan to review our estimates with the State Department of Health Services, at their request, to help ensure our mutual understanding including the impact of these changes on Medi-Cal Redesign.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The Department proposes to consolidate at H-UCLA the current KDMC's complex and/or low volume services such as: Pediatrics, NICU and high-risk Obstetrics and select surgical subspecialties.

Harbor-MLK would offer core inpatient and emergency services. That site would also have an expanded and enhanced array of outpatient services configured as a MACC, licensed as a hospital outpatient department.

Adult inpatient psychiatric services will remain at Augustus F. Hawkins, but the management of these patients and the licensure will be transferred to LAC+USC.

Temporary transitional beds will be opened at Rancho and OVMC. Beds will also be procured from local private hospitals through contract on an as needed basis to provide sufficient, temporary transitional beds.

Employees and physicians currently at KDMC not assigned to the new Harbor-MLK will be re-assigned to other DHS services. To prevent the disruptive impact of previous staff changes, the Department does not recommend a cascade of KDMC staff, displacing other departmental employees.

Under this option, Harbor-MLK will operate as a typical community hospital, staffed by employees and physicians selected by the new Harbor-MLK leadership. The physicians needed will most likely be a combination of employed and contracted depending on the service needs.

CONCLUSION

Implementing MetroCare will be difficult and challenging, but it is the best approach to keep core hospital services on the grounds of the current KDMC. MetroCare is an important opportunity to effect fundamental change, and improve care delivery within Health Services.

Prompt implementation is critical, as is CMS's partnership through acceptance of the model and full funding for the one year to support the transition.

Once approved, please return one adopted copy of this letter to DHS.

Respectfully submitted,

Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:jrc

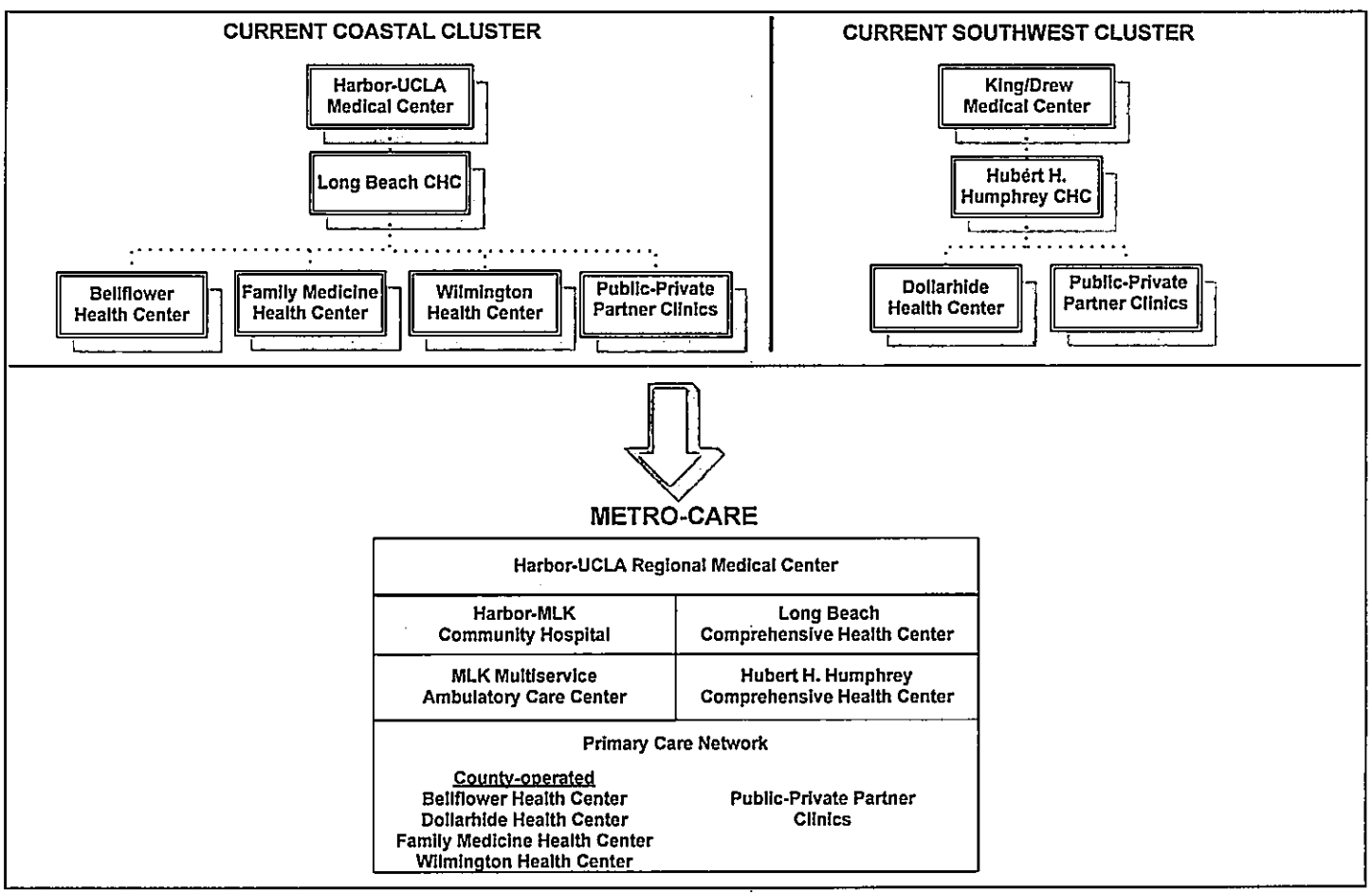
Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Chief Information Officer
Director, Department of Human Resources
Director, Internal Services Department

METROCARE IMPLEMENTATION PLAN

Overview of Metrocare

MetroCare is a new regional integrated delivery model that brings together loosely affiliated county-operated and contract health care resources in the South Los Angeles and South Bay regions under a single, unifying regional administrative and clinical management team led by Harbor-UCLA Medical Center. MetroCare includes the current Harbor-UCLA Medical Center (H-UCLA), the new Harbor – Martin Luther King Community Hospital (Harbor-MLK) and a Multi-service Ambulatory Care Center on the site of the current King Drew Medical Center, the Long Beach and Hubert Humphrey Comprehensive Health Centers, DHS operated Health Centers (Dollarhide, Wilmington, Bellflower and Family Health) and our contracted Public Private Partnership Primary Care Clinics. MetroCare builds on the Los Angeles Department of Health Services' (DHS) highly successful ValleyCare model which was developed in collaboration with the Centers for Medicare and Medicaid Services (CMS) under the initial 1115 waiver in 1995.



Implementation of the MetroCare Model results in three critical areas of transformation within DHS:

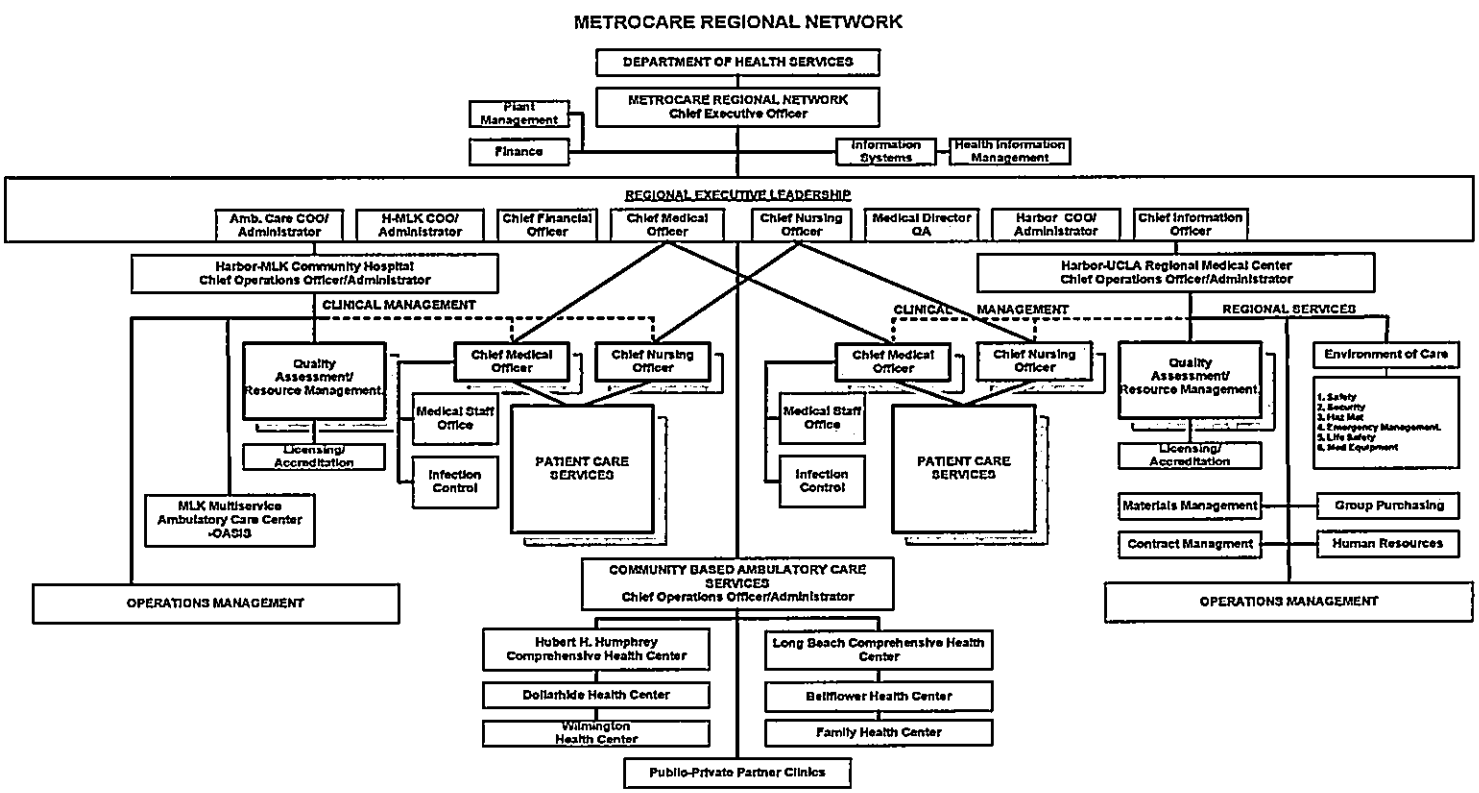
- Conversion of the current King Drew Medical Center (KDMC) into Harbor-MLK – a non-teaching hospital under the direct administrative management of MetroCare's Regional Executive Leadership, drawn from H-UCLA.
- A rationalization and redistribution of inpatient clinical programs primarily between H-UCLA and Harbor-MLK, but also across the entire DHS hospital system.
- A fundamental reorganization, expansion and integration of outpatient services with the specific goals of being more community based and patient centered.

In addition to meeting the Departments' goals of providing critical patient services on the KDMC site, MetroCare also responds to all of the concerns raised by CMS that the new Harbor-MLK operate under a new entity, one of the existing accredited, CMS certified facility's leadership and medical direction.

Conversion of the current KDMC to Harbor-MLK and the expansion of H-UCLA to support the MetroCare model are the two largest scopes of work within the model and will require one full year to complete the core inpatient reconfigurations. Complete stabilization and refinement of the inpatient clinical footprint within MetroCare and across the Department as well as the completion of all the elements of outpatient service integration will take approximately another two years.

MetroCare Hospitals' Operating Model

H-UCLA and Harbor-MLK will report to the same regional administrative and clinical leadership. Each hospital will be independently licensed by the State of California Department of Health Services, independently accredited by the Joint Commission on Accreditation of Hospital Organizations (JCAHO) and will participate in the Medi Cal Programs as distinct providers of MediCare and MediCal service. Both hospitals will use a set of policy and procedures that are coordinated across the clinical spectrum of the two facilities and unified where clinically appropriate. Both hospitals will be operated under a regional executive structure (Regional Leadership Executive Body) made up of H-UCLA executives. Oversight of all clinical and administrative services at the Harbor-MLK will fall under the direction of the Regional Leadership Body. Most support services will be regionalized across both facilities.



Legend

Yellow Boxes: New Regional Leadership Structure
Blue Boxes: Regionalized services or functions across both hospitals
White Boxes: Services or functions provided independently at each hospital, but under general leadership of MetroCare Regional Executive Committee
Green Boxes: Community-based primary care and other outpatient services

- Hospital organization structure:
  Each hospital within MetroCare will have its own on-site administration, chief medical officer and chief nursing officer. Each hospital site will maintain a human resources function with the authority, within County and DHS regulations, to terminate, transfer or rotate staff and conduct performance appraisals of on-site employees. Each hospital will maintain its own patient records, although all components of MetroCare will migrate to a uniform patient identifier. Each hospital will conduct performance improvement programs appropriate to its service and patient mix.

- Medical staff organization:
  Each hospital in MetroCare will maintain its own organized medical staff. Each medical staff will use its own process for determining staff membership and delineation of clinical privileges. Each hospital will maintain its own Medical Staff Executive Committee (MSEC) which will maintain responsibility for clinical quality and medical staff discipline. The Regional Chief Medical Officer will be on each hospital's MSEC and will work with the medical staff and on-site Chief Medical Officer to assure policies and procedures that promote quality patient care and meet applicable State, Federal and JCAHO requirements.

Change In Clinical Footprint From KDMC To Harbor-MLK

The new Harbor-MLK community hospital is designed to meet critical community needs. The clinical footprint for inpatient services is smaller and less complex with no teaching programs. The more complex services will be provided at MetroCare's Harbor-UCLA Regional Medical Center.

The implementation plan calls for an initial available bed complement at Harbor-MLK of 42 on March 1, 2007, increasing to 114 available beds with an expected average daily census of 100 by November 2007. The balance of beds needed to serve the average current census of 153 patients will be provided at H-UCLA, Rancho Los Amigos and Olive View Medical Center during the transition. If DHS cannot provide the 153 beds internally, contracts with private hospitals will be used to provide access to such care.

The total number and clinical mix of available beds will not change during transition, but will be arrayed differently across DHS.

	Proposed Total Harbor-MLK Beds (11/07)	**Proposed Initial Harbor-MLK Beds (3/1/07)**	**Current KDMC Average Daily Census (w/out psychiatry)**
Beds:	114	-	153
MED/SURG	90	30	-
ICU/CCU	24	12	-

Services Offered at Harbor-MLK:

Routine Surgery
General Medicine including GYN
Basic Emergency Room

Inpatient Services transferred elsewhere in DHS or contracted:

Obstetrics – High Risk relocate to H-UCLA
Neonatal ICU- relocate to H-UCLA.
Pediatrics – relocated to H-UCLA
Neurosurgery – relocate to H-UCLA.
Cardio-thoracic surgery – relocate to H-UCLA.
Complex orthopedic surgery – relocate to H-UCLA.
Ophthalmology – relocate to H-UCLA.
Oral maxillofacial surgery – relocated to H-UCLA.
Otolaryngology – relocate to H-UCLA.

Transportation Services

Transportation Services will be provided for patients and families between H-MLK Community Hospital and H-UCLA Regional Medical Center. These services will run regularly 7 days a week with frequent and extended hours.

Psychiatric Services:

The current 10 bed adolescent ward at Augustus Hawkins operated by LAC+USC will relocate to LAC-USC's psychiatric program so that all teaching programs and the most acute patients will be at that location.

The KDMC site will provide adult inpatient psychiatric care with the goal of maintaining the current combined inpatient psychiatric totals at 71 beds between LAC-USC and Harbor-MLK. The psychiatric Emergency Room (ER) at KDMC will be closed and patients requiring immediate non-emergency care will be referred to DMH's urgent care clinic on the site.

Transformation Of Current KDMC Outpatient Services To New MLK Multispecialty Ambulatory Care Center (MACC)

There is significant need for outpatient services in the South Los Angeles community and the current outpatient services configuration at KDMC is not presently structured in a way that best meets patient and family needs. Most specialty clinics operate for a limited number of hours each week (approximately one to two half days) and are oriented toward supporting an academic hospital delivery model. The MACC will result in expanded service delivery hours for specialty clinics in a delivery model that is oriented towards the needs of patients and the community. The base for the new MACC will be the current KDMC outpatient services - all existing clinics will remain on the Harbor-MLK site. Many clinics will have expanded hours of operation or increases in available visits slots. The MACC will relocate and centralize clinics now dispersed across inpatient units, resulting in enhanced efficiency of support services and patient access. The MACC will also include the following new services:

- Comprehensive Infusion Clinic.
- Expand OB GYN clinic into Women's Health Clinic.
- Increase operating hours for urgent care from 16 to 24, and add capability to increase urgent visits from surrounding areas.
- Extend hours and capacity for outpatient surgery through the implementation of an Ambulatory Surgery and Procedure Center

Multi-Service Ambulatory Care Center (MACC) Scope of Services

Clinic Service	Current Volume	MACC Projected Volume
Community Health	4,919	5,000
General Medicine	39,241	42,000
Dental/Oral Maxillofacial	7,539	9,000
Neuroscience	4,570	5,000
Women's Health	13,515	14,000
Occupational Therapy	1,007	1 ,000
Ophthalmology	11,820	12,000
Orthopedics	7,019	7,000
ENT	8,214	8,000
Pediatrics	11,337	20,000
Physical Therapy	7,013	7,000
Radiology	5,713	6,000
Surgery	18,572	19,000
Urgent Care	13,500	20,000
Outpatient Surgery	2,598	3,000
OASIS (HIV/AIDS)	5,615	6,000
Infusion	4,908	6,000
Total	**167,100**	**190,000**

The outpatient clinical services at the new MACC are specifically designed to meet the most important preventive, diagnostic and therapeutic clinic needs of South Los Angeles including diabetes, hypertension, management of cardiovascular and cerbrovascular disease as well as comprehensive HIV services.

How Will Transformation Occur

Impact on KDMC Staff

No layoffs or cascading are anticipated. DHS proposes that all of the existing KDMC staff be reassigned. To accomplish this, every employee will be interviewed by H-UCLA or Human Resources staff to assess skills, determine preferences for reassignment slots, and recommend new assignments. Where employees' skills and experience are determined to be those needed by H-UCLA to run the new Harbor-MLK hospital, an initial group of staff will be reassigned to H-UCLA for training in newly designed services and in Policies and Procedures under which they will operate in the new entity. Cohorts of staff will be sent to H-UCLA in phases, e.g. those staff needed for the first 42 beds would move first to H-UCLA to new entity start up March 1, 2007. Subsequently, staff for the second 30 bed unit and second 12 beds ICU would be transferred and trained at H-UCLA and finally the staffing for the last 30 bed unit would be trained and then returned to Harbor-MLK as the hospital grows to its 114 bed capacity.

Those inpatient staff needed to continue to care for patients at KDMC from now until March 1, 2007 will be assigned to remain in their existing hospital roles until KDMC begins to lower its census to get down to the 42 beds. This transition will be accomplished by releasing registry or traveler staff as the census decreases. Non-nursing staff could be reassigned to outpatient services at KDMC, or to other DHS facilities. KDMC employees currently working in outpatient services could be assessed for appropriate skills and re-assigned back to the outpatient clinics to be part of developing the expanded MACC.

Organizational development consultants will be engaged to assist staff and managers at both facilities in making these transitions as smooth as possible for the individuals and the facilities, and to train staff at both entities as a new culture is built at KDMC.

Impact on Physicians:

KDMC employs some 130 physicians. There are no layoffs or cascades planned for the physicians. They will be interviewed by Harbor's medical leadership for skills, experience and interests and recommended for reassignment. In some cases, the reassignment may be to H-UCLA to fill physician positions needed there. Some physicians will be needed to provide inpatient care at the current KDMC site when the Drew School resident physicians leave, and will be reassigned there. As the KDMC inpatient census is brought down, these physicians may be assigned to the expanding outpatient program. If their particular specialty is not needed, or if there are more physicians in that specialty than needed under the new configuration, physicians will be placed at other hospitals or clinics in DHS' system.

Impact on other DHS Hospitals:

H-UCLA will feel the impact most immediately as they will support the work of interviewing all of the KDMC staff. H-UCLA will receive KDMC specialty patients under this plan as Neonatal Intensive Care, Pediatric Intensive Care, inpatient pediatrics and high-risk obstetrical patients will transfer as early as November 2006. As Harbor functions at or above budgeted census now, they will need to decompress some services to free staffing and other resources to receive these KDMC patients.

LAC+USC Psychiatric Expansion

LAC+USC Medical Center (LAC+USC) will assume responsibility for managing all psychiatric inpatient services now at KDMC. LAC+USC now serves the adolescent psychiatric patients there. The plan is to move the adolescent patients to LAC+USC's current contract facility, Ingleside, and keep the teaching program there with the most acute patients. At the Harbor-MLK site there will be no teaching program and the less acute patients and those awaiting placement will be cared for at that site. The current average census for psychiatric patients at KDMC is 21 and may need to be raised to accommodate additional patients to keep the current totals for Harbor-MLK and LAC+USC psychiatric beds at the current combined average of 71. The present psychiatric emergency room at KDMC would be closed with patients being referred to the Department of Mental Health (DMH) urgent care program on the site. When needed, patients could be admitted from that clinic to an psychiatric inpatient bed.

Rancho Los Amigos Adult Medical Surgical Temporary Expansion

Rancho Los Amigos National Rehabilitation Center (Rancho), a specialized rehabilitation hospital, also has a general acute care hospital license for 395 beds. It's currently budgeted for 147 average daily census. There are several closed wards at Rancho which will be re-opened to accommodate patients needing care as KDMC is reducing its census. Rancho can open a 32 bed unit as soon as additional staffing can be hired along with some minimal transfer of portable equipment from KDMC. An additional 57 beds can be opened after additional staffing, beds and, equipment have been obtained and minor general maintenance work has been completed.

Olive-View-UCLA Adult Medical Surgical Temporary Expansion

Olive View-UCLA Medical Center (OVMC) will open 41 medical surgical beds by March 2007 with additional staffing.

This plan assumes that KDMC remains stable as to its critical staffing for those specialty services to be moved in November 2006 and for the remaining patients through February 2007. Should there be any circumstances resulting in an unsafe condition for patients, the census would be

reduced immediately at KDMC through the use of emergency contracts with neighboring hospitals.

Budget

The implementation of MetroCare will result in no net loss of beds in the DHS system. As a result the Department will need the full 200 million dollars of federal funds during the implementation year as well as one time transition funds not to exceed $50 million dollars.

MetroCare

Attachment II

Timeline and Bed Map

ID	Task Name	
1	MetroCare Final Approval	10/17
2	CMS Approval/Review	10/17 – 11/1
3	State DHS Approval/Review	10/17 – 11/1
4	Beilenson Hearings	11/6
5	BOS Final Approval - Service Changes	11/14
6	**Service Change #1**	11/30
7	* NICU to H-UCLA (13 Average Daily Census)	11/30
8	* PICU to H-UCLA (0 Average Daily Census)	11/30
9	* Inpatient Pediatrics to H-UCLA (10 Average Daily Census)	11/30
10	* High Risk Obstetrics	11/30
11	CMS Certification Extension	11/30
12	* Begin Transportation between KDMC and H-UCLA	11/30
13	**Service Change #2**	11/30 – 12/15
14	* Begin Staffing Med-Surg at Rancho	11/30
15	* Begin Staffing Med-Surg at OVMC	11/30

Sep '06 | Oct '06 | Nov '06 | Dec '06 | Jan '07 | Feb '0 | Mar '07 | Apr '07 | May '07 | Jun '07 | Jul '07 | Aug '07 | Sep '07 | Oct '07 | Nov '07 | Dec '07

Mon 10/16/06

Attachment II

MetroCare

Timeline and Bed Map

ID	Task Name	Sep '06	Oct '06	Nov '06	Dec '06	Jan '07	Feb '0	Mar '07	Apr '07	May '07	Jun '07	Jul '07	Aug '07	Sep '07	Oct '07	Nov '07	Dec '07
16	* Transfer Management of KDMC Adult Psych to LAC+USC				12/15												
17	* Close Psych ER at Hawkins				12/15												
18	Service Change #3			11/30				3/1									
19	* Transfer 32 Med-Surg Beds to Rancho from KDMC				12/15												
20	* Transfer 23 Med-Surg Beds (8 step down + 15 med-surg) from KDMC to OVMC					1/1											
21	* Reassign to Harbor KDMC staff selected for new Harbor-MLK hospital for training and assessment						2/1										
22	* Operate Remaining 75 Med-Surg and ICU-CCU Beds at KDMC		10/19					3/1									
23	* Complete contracts with private hospitals to provide interim med-surg + ICU capacity on PRN basis				12/15												
24	* Complete contract with private physicians at these hospitals for coverage of KDMC patients				12/15												
25	Service Change #4			12/15		1/8											
26	* Transfer management of KDMC urgent care to ED contract group, with current KDMC UCC staff					1/8											
27	* Start Staffing for: OVMC, Rancho next increments					1/8											
28	Service Change #5				1/8	2/5											
29	* Transfer management of KDMC ED to ED contract group						2/5										
30	* Transfer management/operation of Lab, Radiology and Anesthesia to new groups (could be current staff)						2/5										

MetroCare

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Timeline and Bed Map

ID	Task Name	Sep '06	Oct '06	Nov '06	Dec '06	Jan '07	Feb '0	Mar '07	Apr '07	May '07	Jun '07	Jul '07	Aug '07	Sep '07	Oct '07	Nov '07	Dec '07
31	* Start new H-MLK acute unit of 30 med-surg beds and 12 ICU-CCU = 42 total beds with H-MLK trained new staff							3/1									
32	* Open 18 Med-Surg beds at OVMC							3/1									
33	* Open 57 additional med-surg beds at Rancho	10/16	10/16														
34	* Close remaining KDMC med-surg beds. Transfer remaining patients to Rancho and H-UCLA							3/1									
35	* Evaluate new H-MLK operation for stability and full compliance with CMS conditions							4/2				7/1					
36	* Request CMS survey #1											7/1					
37	* Pass with no major deficiencies											7/15					
38	* Request CMS survey #2												8/1				
39	* Pass with no major deficiencies												8/15				
40	Service Change #6						2/5							9/10			
41	* Reassign 2nd group of KDMC staff selected for Harbor-MLK for training and assessment at H-UCLA												8/10				
42	* Add 30 med-surg beds and 12 ICU-CCU beds for a total of 60+24=84													9/10			
43	* Operate at 84 beds, assess stability and full compliance													9/10			
44	Service Change #7													9/10	11/5		
45	* Reassign final group of KDMC staff selected for Harbor-MLK for training and assessment at H-UCLA														10/15		

Attachment II

MetroCare

Timeline and Bed Map

ID	Task Name	Sep '06	Oct '06	Nov '06	Dec '06	Jan '07	Feb '0	Mar '07	Apr '07	May '07	Jun '07	Jul '07	Aug '07	Sep '07	Oct '07	Nov '07	Dec '07
46	* Add 30 med surg beds at Harbor-MLK to total 114 beds															11/5	
47	* Future date: add additional beds to meet identified community needs and service demands		10/14														

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
INITIAL PRELIMINARY COST-OUT ESTIMATE OF H/MLK COMMUNITY HOSPITAL
OCTOBER 11, 2006
($ in Millions)

	Fiscal Year 2007-08			Fiscal Year 2008-09		
	K/DMC per Fiscal Outlook*	H/MLK Option	Variance	K/DMC per Fiscal Outlook*	H/MLK Option	Variance
Expenses						
K/DMC	$ 449.5 (1)	$ 369.5 (2)	$ 80.0	$ 463.3 (1)	$ 381.6 (2)	$ 81.7
H/UCLA - Added	-	27.3 (3)	(27.3)	-	28.3 (3)	(28.3)
LAC+USC - Added	-	8.7 (4)	(8.7)	-	9.0 (4)	(9.0)
DHS-Added Employees	-	94.1 (5)	(94.1)	-	96.9 (5)	(96.9)
Totals	$ 449.5	$ 499.6	$ (50.1)	$ 463.3	$ 515.8	$ (52.5)
Revenues						
K/DMC						
Medi-Cal Redesign	$ 174.8 (6)	$ 174.8 (7)	$ -	$ 178.0 (6)	$ 163.6 (7)	$ (14.4)
Medicare	13.5 (6)	11.1 (8)	(2.4)	13.6 (6)	11.1 (8)	(2.5)
Other	88.2 (6)	83.3 (9)	(4.9)	89.1 (6)	84.3 (9)	(4.8)
H/UCLA - Added	-	7.5 (10)	7.5	-	7.7 (10)	7.7
LAC+USC - Added	-	7.9 (11)	7.9	-	7.6 (11)	7.6
RLA - Reduced	-	-	-	-	(0.6) (12)	(0.6)
OV/UCLA - Reduced	-	-	-	-	(0.2) (13)	(0.2)
Revenue Offset for Added Employees	-	11.1 (14)	11.1	-	26.0 (14)	26.0
Totals	$ 276.5	$ 295.6	$ 19.1	$ 280.7	$ 299.5	$ 18.8
Net Cost	$ 173.0	$ 204.0	$ (31.0)	$ 182.6	$ 216.3	$ (33.7)

* Per September 20, 2006 DHS Fiscal Outlook Board Letter/ forecast.

The attached notes are an integral part of this schedule.

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Footnotes:

Please note as program staff determine alternate care sights for the "spillover" workload, finance staff will adjust the costs accordingly

(1) Identifies projected expenses for K/DMC for FY 07/08 and FY 08/09 as included in the September 20, 2006 DHS Fiscal Outlook Board Letter/forecast.

(2) Initial analysis is confined to the fully operational model at 100 ADC and the defined outpatient workload per the DHS October 3, 2006 Board letter, since the timing of the transition from the existing to the new service configuration was not developed until October 15, 2006.

The 100 bed target ADC will be allocated to Med/Surg and ICU/CCU services pro rata, based on available beds of 114 included in the DHS October 3, 2006 Board Letter, to yield a Med/Surg ADC of 79 and an ICU/CCU ADC of 21.

Estimated cost is determined by applying H/UCLA's variable inpatient and outpatient service costs for like services, inflated through FY's 07/08 and 08/09, to the inpatient and outpatient service volume targets per the October 3, 2006 DHS Board letter and then adding K/DMC's hard fixed costs, per the attached.

Employed/contracted physician costs will supplant H/UCLA based physician costs included in the H/UCLA variable costs applied above when the physician staffing and estimated compensation levels have been determined by program staff.

(3) Net costs (expenses less revenues) of "spillover" workload to H/UCLA. This "spillover" workload is determined by identifying the FY 06/07 K/DMC's budgeted workload, by service, less the H/MLK workload, by service, and applying applicable H/UCLA variable costs per service unit to the "spillover" workload identified, inflated through FY's 07/08 and 08/09.

(4) The responsibility for K/DMC Psychiatric Services Operations will be transferred to LAC+USC. The variable service cost is transferred to LAC+USC and the fixed cost is moved to H/MLK.

(5) The DHS additional employee expense is calculated by taking 60% of K/DMC's August 2006 FPA S&EB forecast of $222.0 million less fixed EB's of $33.0 million, which equals $113.4 million. The $113.4 million less the expected Enterprise Funds S&EB surplus (excluding K/DMC) of $22.0 million equals $91.4 million for FY 06/07. Reflects the $91.4 million inflated by 3% cola to $94.1 million for FY 07/08 and $94.1 inflated by a 3% cola to $96.9 million for FY 08/09. Assumes 40% of current K/DMC employees will be retained by H/MLK.

(6) Identifies the Revenue for K/DMC for FY 07/08 and FY 08/09 as included in the September 20, 2006 DHS Fiscal Outlook Board Letter/forecast.

(7) Medi-Cal Redesign revenues are assumed to remain at the levels projected in the DHS Fiscal Outlook update to the Board, dated September 20, 2006, through FY 07/08 (as part of the transition funding request made by the County to CMS). For FY 08/09, Medi-Cal Redesign revenues are based on current Medi-Cal Redesign formulas, reflecting reduced anticipated operating costs at H/MLK during FY 07/08.

(8) H/MLK's Medicare Revenue was reduced pro rata based on H/MLK's reduction in cost from K/DMC.

(9) Other revenues were adjusted based on the change of cost between K/DMC and H/MLK.

(10) The additional other revenue at H/UCLA is due to Medicare and Other Revenue allocated to specialty services transferred to H/UCLA. In FY 08/09 the other Revenue also includes the Revenue for Medi-Cal Redesign.

(11) The responsibility for K/DMC Psychiatric Services Operations will be transferred to LAC+USC Medical Center. Identifies the inpatient Mental Health revenue that will be transferred to LAC+USC. In FY 08/09 the revenue also includes the impact of Medi-Cal Redesign.

(12) Identifies the impact of Medi-Cal Redesign on RLA as a result of H/UCLA and H/MLK's change in cost.

(13) Identifies the impact of Medi-Cal Redesign on OV/UCLA as a result of H/UCLA and H/MLK's change in cost.

(14) In FY 07/08 includes the impact of additional employees on CBRC revenue. In FY 08/09 includes the impact of the additional employees on both CBRC and Medi-Cal Redesign revenue.

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