



County of Los Angeles
CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
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Second District

ZEV YAROSLAVSKY
Third District

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Fourth District

MICHAEL D. ANTONOVICH
Fifth District

October 23, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

REPORT ON FULL COST RECOVERY IN FEE STRUCTURE FOR HOSPITAL SERVICES AGREEMENTS WITH HEALTH PLANS

On October 16, 2007, on motion by Supervisor Molina, your Board instructed the Chief Executive Officer to report back to the Board prior to the execution of contracts with a fee structure to be included in the agencies' contracts that cover the costs of services.

As noted in the motion, the County contracts with numerous health plans to provide services at our hospitals and must ensure that we are not subsidizing insurance companies; we must, at the very least, be reimbursed for our costs. The Department of Health Services' (DHS) Office of Managed Care (OMC) is responsible for contract negotiations with the various health plans and we have reviewed their current guidelines and procedures, which include:

- Utilization of a variable cost report, with data specific to each County hospital, in order to establish a baseline for negotiation purposes. Based upon this report, OMC negotiates the highest possible rates with the health plans to meet or exceed the variable costs incurred by the County.
- The variable costs and negotiated rates are then submitted under confidential cover to this Office and County Counsel for review and approval prior to the execution of any contract agreements.

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- Additionally, DHS' Health Plan Contracting Policy Group (representatives from each DHS hospital, DHS Finance, OMC, and County Counsel) meets monthly to discuss and monitor contracting activities with health plans.
- In a related matter, on June 17, 2008, your Board delegated authority to the Interim Director of Health Services to execute future amendments to existing hospital services agreements. As part of its delegated authority, DHS provides your Board with bi-annual reports.

In reviewing these guidelines and procedures, we concur that DHS has met your Board's directive by incorporating the specific elements to ensure that a fee structure to cover the costs of service provided is included in all health plan agreements prior to the execution of such contracts.

If you have any questions, please contact me or your staff may contact Dara Lark of my staff at (213) 974-2396, or at dlark@ceo.lacounty.gov.

WTF:SRH:SAS
MLM:DL:yb

c: Executive Officer, Board of Supervisors
County Counsel
Interim Director, Department of Health Services

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