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To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.

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July 1, 2014

TO: Each Supervisor

FROM: Mitchell H. Katz, M.D.
Director

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK (BOARD AGENDA, ITEM S-2 JULY 1, 2014)**

This is to provide DHS' fiscal outlook for Fiscal Years (FY) 2013-14 and 2014-15. The Department is currently projecting a surplus of $94.1 million for FY 2013-14 and $56.8 million for FY 2014-15 (see Attachment I).

FY 2013-14

The Department funded the FY 2013-14 costs for the Online Realtime Centralized Health Information Database (ORCHID) within existing resources without use of commercial paper. The budgetary surplus for FY 2013-14 reflected in this report is attributable to revenues from prior years.

FY 2014-15

The Department also expects to fund ORCHID costs for FY 2014-15 within existing resources without use of commercial paper. The projected surplus is net of the AB 85 realignment redirection.

The Department continues to review the impact of the Affordable Care Act on payer mix, utilization, volume, etc. The data is expected to become more accurate over time and will be useful in determining the system modifications that may be necessary to meet the challenges of the new health care environment.

Attachment II provides information on key workload indicators by facility, comparing FY 2012-13 actual data to FY 2013-14 projections.

If you have any questions or need additional information, please let me know.

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Attachments (2)

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FISCAL OVERVIEW

FISCAL YEAR 2013-14

(AS OF 6/17/14)

	TOTAL DEPARTMENT			HOSPITALS: LAC+USC MEDICAL CENTER			HOSPITALS: HARBOR-UCLA MEDICAL CENTER			HOSPITALS: RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER			HOSPITALS: OLIVE VIEW-UCLA MEDICAL CENTER			AMBULATORY CARE [A]			ORCHID [B]			OTHER GENERAL FUNDS [C]		
	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE
Expenses																								
Salaries:																								
- Salaries (Excluding Overtime)	$ 1,273.5	$ 1,267.3	$ 6.2	$ 437.4	$ 436.1	$ 1.3	$ 284.7	$ 281.5	$ 3.2	$ 92.8	$ 93.5	$ (0.7)	$ 167.3	$ 167.7	$ (0.4)	$ 164.9	$ 163.1	$ 1.8	$ 6.9	$ 8.5	$ (1.6)	$ 119.5	$ 116.9	$ 2.6
- Overtime	62.3	61.7	0.6	26.4	26.9	(0.5)	16.6	17.1	(0.5)	2.7	2.0	0.7	9.0	9.0	-	4.6	3.8	0.8	0.1	0.1	-	2.9	2.8	0.1
Total Salaries	1,335.8	1,329.0	6.8	463.8	463.0	0.8	301.3	298.6	2.7	95.5	95.5	(0.0)	176.3	176.7	(0.4)	169.5	166.9	2.6	7.0	8.6	(1.6)	122.4	119.7	2.7
Employee Benefits	688.3	688.7	(0.4)	231.1	235.0	(3.9)	138.8	138.1	0.7	54.2	53.6	0.6	87.5	88.2	(0.7)	105.4	101.9	3.5	2.9	3.2	(0.3)	68.4	68.7	(0.3)
Total Salaries & Employee Benefits	2,024.1	2,017.7	6.4	694.9	698.0	(3.1)	440.1	436.7	3.4	149.7	149.1	0.6	263.8	264.9	(1.1)	274.9	268.8	6.1	9.9	11.8	(1.9)	190.8	188.4	2.4
Net Services & Supplies (S&S):																								
- Centralized Pharmacy	142.2	148.8	(6.6)	51.8	54.5	(2.7)	23.9	26.8	(2.9)	4.8	5.4	(0.6)	17.1	17.7	(0.6)	42.9	43.1	(0.2)	-	-	-	1.7	1.3	0.4
- Medical/Dental/Laboratory	181.5	182.1	(0.6)	86.1	87.2	(1.1)	50.6	49.8	0.8	9.9	10.1	(0.2)	23.4	23.4	-	11.0	11.2	(0.2)	-	-	-	0.5	0.4	0.1
- Medical School Affiliation Agreement	159.3	159.0	0.3	126.5	126.5	-	9.1	9.1	-	-	-	-	18.0	18.0	-	5.7	5.4	0.3	-	-	-	-	-	-
- Nurse Registries	42.5	38.8	3.7	33.2	30.1	3.1	1.1	1.4	(0.3)	1.1	1.1	-	4.7	4.4	0.3	1.2	0.8	0.4	-	-	-	1.2	1.0	0.2
- Other Registries	44.7	46.7	(2.0)	17.9	17.9	-	8.3	9.3	(1.0)	3.4	3.6	(0.2)	6.6	6.9	(0.3)	8.3	8.8	(0.5)	-	-	-	0.2	0.2	-
- Specialty Contracts (Physicians/Non-Phys.)	44.4	45.6	(1.2)	2.0	1.3	0.7	6.7	7.3	(0.6)	5.6	6.5	(0.9)	6.8	7.1	(0.3)	23.1	23.2	(0.1)	-	-	-	0.2	0.2	-
- S&S-Other	1,075.4	1,163.9	(88.5)	242.2	248.7	(6.5)	147.6	147.9	(0.3)	46.9	46.1	0.8	99.9	99.5	0.4	152.9	153.3	(0.4)	53.5	56.7	(3.2)	332.4	411.7	(79.3)
Total Net S&S	1,690.0	1,784.9	(94.9)	559.7	566.2	(6.5)	247.3	251.6	(4.3)	71.7	72.8	(1.1)	176.5	177.0	(0.5)	245.1	245.8	(0.7)	53.5	56.7	(3.2)	336.2	414.8	(78.6)
Other Expenses [D]	629.3	570.9	58.4	165.8	166.1	(0.3)	160.5	156.4	4.1	40.2	43.3	(3.1)	56.7	55.6	1.1	52.3	46.5	5.8	87.0	34.6	52.4	66.8	68.4	(1.6)
Total Expenses	**$ 4,343.4**	**$ 4,373.5**	**$ (30.1)**	**$ 1,420.4**	**$ 1,430.3**	**$ (9.9)**	**$ 847.9**	**$ 844.7**	**$ 3.2**	**$ 261.6**	**$ 265.2**	**$ (3.6)**	**$ 497.0**	**$ 497.5**	**$ (0.5)**	**$ 572.3**	**$ 561.1**	**$ 11.2**	**$ 150.4**	**$ 103.1**	**$ 47.3**	**$ 593.8**	**$ 671.6**	**$ (77.8)**
Revenues																								
Waiver Revenues	$ 1,684.4	$ 1,489.3	$ (195.1)	$ 716.7	$ 613.3	$ (103.4)	$ 361.9	$ 338.5	$ (23.4)	$ 135.0	$ 111.5	$ (23.5)	$ 235.1	$ 204.3	$ (30.8)	$ 159.4	$ 101.1	$ (58.3)	$ -	$ -	$ -	$ 76.3	$ 120.6	$ 44.3
Medicaid Coverage Expansion [E]	172.6	267.9	95.3	61.3	90.9	29.6	32.5	40.8	8.3	4.6	0.2	(4.4)	26.1	35.8	9.7	42.5	92.0	49.5	-	-	-	5.6	8.2	2.6
Federal & State - Other Revenues	412.8	395.1	(17.7)	141.1	164.8	23.7	89.8	90.2	0.4	34.4	31.0	(3.4)	57.9	52.8	(5.1)	75.0	43.4	(31.6)	-	-	-	14.6	12.9	(1.7)
Managed Care Revenues	516.6	605.9	89.3	92.8	169.3	76.5	82.1	103.6	21.5	20.4	39.4	19.0	29.5	43.4	13.9	146.3	182.9	36.6	-	-	-	145.5	67.3	(78.2)
Other County Department Revenues	323.9	301.7	(22.2)	61.5	34.9	(26.6)	19.6	14.0	(5.6)	0.9	0.9	-	21.8	16.4	(5.4)	10.7	8.8	(1.9)	-	-	-	209.4	226.7	17.3
Other Revenues	229.2	274.5	45.3	86.5	88.2	1.7	61.5	58.6	(2.9)	11.2	10.7	(0.5)	21.4	14.9	(6.5)	15.7	5.9	(9.8)	23.3	-	(23.3)	9.6	96.2	86.6
Total Revenues	**$ 3,339.5**	**$ 3,334.4**	**$ (5.1)**	**$ 1,159.9**	**$ 1,161.4**	**$ 1.5**	**$ 647.4**	**$ 645.7**	**$ (1.7)**	**$ 206.5**	**$ 193.7**	**$ (12.8)**	**$ 391.8**	**$ 367.6**	**$ (24.2)**	**$ 449.6**	**$ 434.1**	**$ (15.5)**	**$ 23.3**	**$ -**	**$ (23.3)**	**$ 461.0**	**$ 531.9**	**$ 70.9**
Net Cost - Before PYs' Surplus/(Deficit)	$ 1,003.9	$ 1,039.1	$ (35.2)	$ 260.5	$ 268.9	$ (8.4)	$ 200.5	$ 199.0	$ 1.5	$ 55.1	$ 71.5	$ (16.4)	$ 105.2	$ 129.9	$ (24.7)	$ 122.7	$ 127.0	$ (4.3)	$ 127.1	$ 103.1	$ 24.0	$ 132.8	$ 139.7	$ (6.9)
Prior Years (PYs)' Surplus/(Deficit)	-	129.3	129.3	-	85.1	85.1	-	52.9	52.9	-	9.3	9.3	-	23.9	23.9	-	31.3	31.3	-	-	-	-	(73.2)	(73.2)
Net Cost - After PYs' Surplus/(Deficit) [F]	**$ 1,003.9**	**$ 909.8**	**$ 94.1**	**$ 260.5**	**$ 183.8**	**$ 76.7**	**$ 200.5**	**$ 146.1**	**$ 54.4**	**$ 55.1**	**$ 62.2**	**$ (7.1)**	**$ 105.2**	**$ 106.0**	**$ (0.8)**	**$ 122.7**	**$ 95.7**	**$ 27.0**	**$ 127.1**	**$ 103.1**	**$ 24.0**	**$ 132.8**	**$ 212.9**	**$ (80.1)**

Notes:

(A) Includes Multi-Service Ambulatory Care Centers, Comprehensive & Community Health Centers, and Ambulatory Care's administrative units.

(B) ORCHID stands for Online Real-time Centralized Health Information Database. Includes County staffing, subject matter experts, contracts, County infrastructure, travel & training, consulting services, and capital projects costs.

(C) Includes Managed Care Services, Juvenile Court Health Services, Emergency Medical Services, and other administrative units.

(D) Includes Other Charges, Capital Assets, and Operating Transfers Out; and is net of Intrafund Transfers. The Other Charges include intergovernmental transfers for Delivery System Reform Incentive Pool, Medi-Cal Managed Care for the Seniors and Persons with Disabilities, Hospital Provider Fee, and Managed Care Rate Supplement revenues.

(E) Includes estimated Medicaid Coverage Expansion revenue for newly eligible Medi-Cal managed care enrollees as of January 1, 2014, comprised of 1) base capitation revenue calculated on roughly 130,000 enrollees per month for the period January 2014 through June 2014; and 2) additional Medi-Cal Managed Care Supplemental Rate Range payments related to the new enrollees.

(F) The Net Cost of $1,003.9 million is comprised of County Contribution, Vehicle License Fee, Sales Tax, Measure B, Tobacco Settlement fund, and DHS' Fund Balance.

ATTACHMENT I-1

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FISCAL OVERVIEW

FISCAL YEAR 2014-15

(AS OF 6/17/14)

	TOTAL DEPARTMENT	HOSPITALS				AMBULATORY CARE [A]	ORCHID [B]	OTHER GENERAL FUNDS [C]
		LAC+USC MEDICAL CENTER	HARBOR-UCLA MEDICAL CENTER	RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER	OLIVE VIEW-UCLA MEDICAL CENTER			
	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
Expenses								
Salaries:								
- Salaries (Excluding Overtime)	$ 1,381.4	$ 469.2	$ 309.1	$ 100.5	$ 174.6	$ 178.0	$ 17.3	$ 132.7
- Overtime	57.5	26.4	11.7	2.7	9.0	4.6	0.2	2.9
Total Salaries	1,438.9	495.6	320.8	103.2	183.6	182.6	17.5	135.6
Employee Benefits	760.8	254.7	157.9	57.7	97.9	109.5	7.0	76.1
Total Salaries & Employee Benefits	2,199.7	750.3	478.7	160.9	281.5	292.1	24.5	211.7
Net Services & Supplies (S&S):								
- Centralized Pharmacy	144.7	52.4	24.7	5.2	17.6	43.3	-	1.5
- Medical/Dental/Laboratory	192.4	87.4	56.9	10.5	23.7	11.3	-	2.6
- Medical School Affiliation Agreement	160.3	126.5	9.1	-	19.0	5.7	-	-
- Nurse Registries	26.0	21.0	0.7	0.5	1.4	1.2	-	1.2
- Other Registries	41.1	16.0	6.2	1.4	9.9	7.4	-	0.2
- Specialty Contracts (Physicians/Non-Phys.)	38.2	0.9	6.3	2.4	5.4	23.0	-	0.2
- S&S-Other	1,039.2	252.1	137.6	49.5	98.5	135.6	55.0	310.9
Total Net S&S	1,641.9	556.3	241.5	69.5	175.5	227.5	55.0	316.6
Other Expenses [D]	506.7	130.4	145.1	31.1	46.3	32.2	37.8	83.8
Total Expenses	**$ 4,348.3**	**$ 1,437.0**	**$ 865.3**	**$ 261.5**	**$ 503.3**	**$ 551.8**	**$ 117.3**	**$ 612.1**
Revenues								
Waiver Revenues	$ 1,472.0	$ 625.7	$ 384.4	$ 148.0	$ 206.6	$ 75.3	$ -	$ 32.0
Medicaid Coverage Expansion [E]	645.8	224.2	94.8	31.3	93.9	201.6	-	-
Federal & State - Other Revenues	486.8	205.8	121.3	38.4	69.8	37.5	-	14.0
Managed Care Revenues	494.1	132.6	75.9	32.0	32.7	179.0	-	41.9
Other County Department Revenues	331.7	41.9	14.4	0.9	16.1	10.5	-	247.9
Other Revenues	1,130.1	213.1	205.7	11.1	93.3	79.3	117.3	410.3
Total Revenues	**$ 4,560.5**	**$ 1,443.3**	**$ 896.5**	**$ 261.7**	**$ 512.4**	**$ 583.2**	**$ 117.3**	**$ 746.1**
Revenues less Expenses	**$ 212.2**	**$ 6.3**	**$ 31.2**	**$ 0.2**	**$ 9.1**	**$ 31.4**	**$ -**	**$ 134.0**
Estimated AB 85 Redirection	(155.4)	(1.0)	(4.4)	-	(1.3)	(4.4)	-	(144.3)
Net Surplus from Current Year Operations	**$ 56.8**	**$ 5.3**	**$ 26.8**	**$ 0.2**	**$ 7.8**	**$ 27.0**	**$ -**	**$ (10.3)**

Notes:

(A) Includes Multi-Service Ambulatory Care Centers, Comprehensive & Community Health Centers, and Ambulatory Care's administrative units.

(B) ORCHID stands for Online Real-time Centralized Health Information Database. Includes County staffing, subject matter experts, contracts, County infrastructure, travel & training, consulting services, and capital projects costs.

(C) Includes Managed Care Services, Juvenile Court Health Services, Emergency Medical Services, and other administrative units.

(D) Includes Other Charges, Capital Assets, and Operating Transfers Out; and is net of Intrafund Transfers. The Other Charges include intergovernmental transfers for Delivery System Reform Incentive Pool, Medi-Cal Managed Care for the Seniors and Persons with Disabilities, Hospital Provider Fee, and Managed Care Rate Supplement revenues.

(E) Includes estimated Medicaid Coverage Expansion revenue for newly eligible Medi-Cal managed care enrollees for the full year, comprised of 1) base capitation revenue calculated on roughly 140,000 enrollees per month for 12 months; and 2) additional Medi-Cal Managed Care Supplemental Rate Range payments related to the new enrollees.

ATTACHMENT I-2

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

WORKLOAD

FISCAL YEAR 2012-13 ACTUAL vs FISCAL YEAR 2013-14 PROJECTION

(AS OF 6/17/14)

	TOTAL DEPARTMENT			LAC+USC MEDICAL CENTER			HARBOR-UCLA MEDICAL CENTER			RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER			OLIVE VIEW-UCLA MEDICAL CENTER			AMBULATORY CARE [A] / OTHER GENERAL FUNDS		
	FY 12-13 ACTUAL	FY 13-14 PROJECTION [B]	CHANGE	FY 12-13 ACTUAL	FY 13-14 PROJECTION	CHANGE	FY 12-13 ACTUAL	FY 13-14 PROJECTION	CHANGE	FY 12-13 ACTUAL	FY 13-14 PROJECTION	CHANGE	FY 12-13 ACTUAL	FY 13-14 PROJECTION	CHANGE	FY 12-13 ACTUAL	FY 13-14 PROJECTION	CHANGE
Average Daily Census	1,234	1,218	(16)	552	536	(16)	333	339	6	162	154	(8)	187	189	2	-	-	-
Inpatient Days	450,410	444,570	(5,840)	201,480	195,640	(5,840)	121,545	123,735	2,190	59,130	56,210	(2,920)	68,255	68,985	730	-	-	-
Admissions	67,835	66,863	(972)	30,689	30,932	243	20,022	19,669	(353)	3,849	3,653	(196)	13,275	12,609	(666)	-	-	-
Average Length of Stay	6.4	6.4	-	6.3	6.1	(0.2)	5.8	6.1	0.3	15.5	15.3	(0.2)	4.9	5.2	0.3	-	-	-
Ambulatory Care / Urgent Care Visits	2,172,106	2,142,503	(29,603)	575,876	584,841 [C]	8,965	336,757	331,786	(4,971)	76,501	77,359	858	230,527	228,611	(1,916)	952,445	919,906 [C,D]	(32,539)
Community Partners Visits	1,011,555	707,174	(304,381)	-	-	-	-	-	-	-	-	-	-	-	-	1,011,555	707,174 [E]	(304,381)
Emergency Department Visits	270,738	265,448	(5,290)	144,514	136,831	(7,683)	67,532	69,745	2,213	-	-	-	58,692	58,872	180	-	-	-
Emergency Department Psych. Visits	22,801	22,534	(267)	9,945	10,861	916	7,243	6,278	(965)	-	-	-	5,613	5,395	(218)	-	-	-
Juvenile Court Health Services Visits	92,568	115,898	23,330	-	-	-	-	-	-	-	-	-	-	-	-	92,568	115,898	23,330

(A) Includes Multi-Service Ambulatory Care Centers and Comprehensive & Community Health Centers.

(B) FY 13-14 projection is based on the April 2014 workload reports.

(C) A number of specialty services are being transitioned to LAC+USC Medical Center as a result of efficiency and patient care coordination efforts.

(D) With enhanced organization of the primary care delivery system that patients are being seen in primary care setting, DHS experiences less urgent care visits than in the prior fiscal year.

(E) Starting in January 2014, with the Affordable Care Act implementation, only the Healthy Way LA Unmatched Program visits remain with DHS. The Matched Program patients became insured with Medi-Cal Managed Care and their medical home assignment is now outside of DHS operations, resulting in the Matched's visits no longer being reported under DHS.

ATTACHMENT II