



**THOMAS L. GARTHWAITE, M.D.**  
Director and Chief Medical Officer

**FRED LEAF**  
Chief Operating Officer

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

BOARD OF SUPERVISORS

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November 18, 2004

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**BUDGET ADJUSTMENT TO THE DEPARTMENT OF HEALTH SERVICES'  
SOUTHWEST AREA FISCAL YEAR 2004-05 BUDGET**  
(2nd District) (4 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the attached Request for Appropriation Adjustment to the Department of Health Services' Southwest Area Fiscal Year 2004-05 Adjusted Adopted Budget to reflect various adjustments in Martin Luther King, Jr./Drew Medical Center's (KDMC) operating plan.

PURPOSE OF RECOMMENDED ACTION:

Approval of this budget adjustment will align the Department of Health Services' (DHS) Southwest Area budget to reflect actual and projected expenditures for Fiscal Year 2004-05.

JUSTIFICATION:

On September 28, 2004, the Board adopted the Fiscal Year 2004-05 Final County Budget. The estimated expenditures in certain appropriation categories have varied from Southwest Area's Fiscal Year 2004-05 Adopted Budget.

On October 19, 2004 as a condition of the Memorandum of Understanding (MOU) between the County of Los Angeles and the Centers for Medicare and Medicaid Services (CMS), your Board approved an agreement with Navigant Consulting. The maximum obligation under this agreement is \$13,205,000 for 12 months effective November 1, 2004. As previously indicated to the Board, the funds are available in the Department's Fiscal Year 2004-05 budget and the additional use of the Department's Enterprise Fund Designation.

To provide Navigant and KDMC the opportunity to establish a sustained effort over the next 12 months to continue to restructure the clinical operations, the implementation of the Scenario III efficiencies are being delayed until January 2006. The funding reduction of \$18,547,000 associated with the Scenario III efficiencies must be restored.

The Honorable Board of Supervisors  
November 18, 2004  
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Hiring delays in recruiting positions designated as hard-to-recruit classifications, such as Nursing and Anesthesiology, have required Southwest Area to increase the use of Services and Supplies (S&S) registry contracts in order to meet the current patient workload. Additionally, various Nursing contract rates increased in Fiscal Year 2003-04. Therefore, surplus from Salaries and Employee Benefits (S&EB) will be realigned to S&S to partially cover these operational changes.

The estimated actual for malpractice in Other Charges is lower than the budget and this surplus will also be realigned to S&S.

As a result of the above operational changes, an Appropriation Adjustment is required.

FISCAL IMPACT/FINANCING:

The Department is requesting to increase the budgeted appropriations for S&S, by \$18,547,000 for efficiency restorations, \$8,800,000 for Navigant Consulting contract, and \$29,687,000 for nursing registries for a total amount of \$57,034,000. The increased budget appropriations will be funded by a decrease in S&EB appropriations in the amount of \$15,135,000, Other Charges appropriation in the amount of \$750,000, and use of designation funds in the amount of \$41,149,000.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Department continues its commitment to properly align the budget in accordance with annual funding needs, and continues to determine where savings can be achieved on an ongoing basis.

CONTRACTING PROCESS:

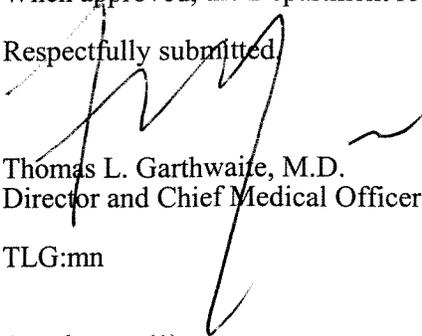
Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Not applicable.

When approved, the Department requires three signed copies of the Board's action.

Respectfully submitted,



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

TLG:mn

Attachment (1)

c: Chief Administrative Officer  
Executive Officer, Board of Supervisors  
Auditor-Controller

BA FOR DHS SOUTHWEST AREA.wpd

76R 352M 11/83

COUNTY OF LOS ANGELES  
REQUEST FOR APPROPRIATION ADJUSTMENT

DEPT'S. No.

DEPARTMENT OF Health Services

November 23, 19 2004

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

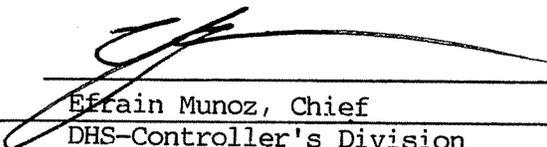
4-VOTE

Please see attachment for details.

Justification:

This adjustment is needed to increase Southwest Area's S&S appropriation authority to fund Navigant Consulting Contract and Nursing Registries Usage, and to restore the budgetary reduction of 16% Efficiencies. A portion of the funding will be transferred from S&EB appropriation. The S&EB surplus is due to difficulty in recruiting positions that are designed as hard-to-recruit classification. Additional funding will be transferred from Other Charges appropriation. The Other Charges Surplus is due to under-spending of Medical Malpractice expenses. The remainder of the funding will be covered by using designation funds of the Department.

EM:ry  
11/23/04

  
Efrain Munoz, Chief  
DHS-Controller's Division

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF ADMINISTRATIVE OFFICER FOR—

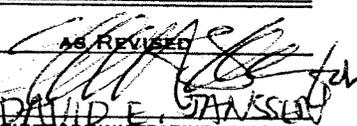
ACTION

✓ RECOMMENDATION

APPROVED AS REQUESTED

AS REVISED

November 24, 2004

  
DAVID E. GATTUSO  
CHIEF ADMINISTRATIVE OFFICER

AUDITOR-CONTROLLER BY

  
2004

APPROVED (AS REVISED):  
BOARD OF SUPERVISORS