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September 24, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
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From: William T Fujioka
Chief Executive Officer

FISCAL YEAR 2008-09 SUPPLEMENTAL CHANGES RECOMMENDATIONS FOR THE DEPARTMENT OF HEALTH SERVICES BUDGET (AGENDA OF OCTOBER 7, 2008)

On September 16, 2008, your Board requested this Office to provide the Fiscal Year (FY) 2008-09 Supplemental Changes recommendations for the Department of Health Services (DHS). This is to provide your Board with the information regarding the recommended adjustments, which will be considered by your Board on October 7, 2008.

The Supplemental Changes recommendations (Attachment) reflect a total net budget for DHS of $3.6 billion with 19,721.0 budgeted positions and $707.3 million in net County cost (NCC). Adjustments included in the DHS Supplemental Changes reduce the amount of funds from the Enterprise Fund Designation by $12.1 million, in accordance with available fund balance as of 2007-08 year-end closing for DHS. The Supplemental Changes recommendations also reflect a net reduction of less than $0.1 million in NCC, attributable to a reduction in Vehicle License Fee revenue of $5.2 million, partially offset by additional Tobacco Settlement funding for the Public Private-Partnership (PPP) reflecting the carryover of $4.9 million from 2007-08 year-end closing, a net increase of $0.1 million in funds returned from the capital projects budget, and $0.1 million in NCC for Department of Justice investigative services.

The Supplemental Changes recommendations also reflect:

- Reversal of the placeholder of $120.3 million, which was included in the FY 2008-09 Proposed Budget to address the DHS budget deficit, to be offset by cost savings measures and revenue initiatives, as noted below.

- Net revenue increase of $139.2 million, primarily related to revenue increases for Cost Based Reimbursement Clinic (CBRC) revenue of $96.4 million, Measure B revenue of $37.8 million, and Medi-Cal mental health revenue of $9.0 million, partially offset by a reduction in California Healthcare for Indigents revenue of $5.3 million and in Sales Tax Realignment revenue of $0.8 million.

- Net savings of $8.0 million for revised projections of Financial Stabilization savings primarily from: Information Technology operational efficiencies; reduced registry usage; standardization of operating room products and equipment; increased group purchasing rebates; reduced pharmaceutical costs; and administrative cost reductions.

- Reduction of $4.5 million and 206.0 budgeted items per the revised MLK MACC staffing plan, reduced registry costs, and reduced revenue components based on the latest trend information.

- Reduction of 540.0 unfunded vacant budgeted positions at LAC+USC Medical Center to adjust the facility's budgeted staffing to historical levels, with an associated adjustment to budgeted salary savings, resulting in no change in cost.

- Increase of 30 additional contingency beds and 94.0 budgeted positions for LAC+USC to be operated at Rancho Los Amigos National Rehabilitation Center, as necessary.

- Increase of $0.4 million and 4.0 budgeted positions for the Juvenile Court Health Services, fully offset with additional intra-fund transfer from the Probation Department to implement changes related to their Camp Redesign project.

- Increase of $0.2 million and 3.0 budgeted positions to address College of Nursing and Allied Health accreditation deficiencies and to support the opening of a satellite campus of the School of Nursing at Olive View/UCLA Medical Center.

- Increase of 2.0 positions for the Hub clinic at MacLaren in the San Gabriel Valley, to allow for an increase in the planned clinic services from three days to five days, 100 percent offset with additional CBRC and Department of Children and Family Services intrafund revenue.

- Use of additional one-time Tobacco Settlement funds of $0.3 million, for a total of $3.5 million, available for PPP capital infrastructure and capacity development in under equity areas throughout the County, related to the April 22, 2008 Board action.

- Net increase of $4.4 million and a decrease of 14.0 budgeted positions to reflect various budgetary adjustments. Net cost increase primarily attributed to increased utility costs and updates to physician and non-represented nursing salaries. Position adjustments are primarily attributable to the reduction of vacant budgeted administrative positions.

In the 2007-08 closing, DHS identified a $106.8 million surplus, which increased the balance in the DHS Designation to $110.8 million. The use of $122.9 million of the DHS Designation was previously approved by your Board in the FY 2008-09 Adopted Budget. The reduced total use of $110.8 million in the Supplemental Changes would deplete the funds in the DHS Designation.

If you have any questions or need additional information, please contact me or your staff may contact Mason Matthews of this Office at (213) 974-2395, or at mmatthews@ceo.lacounty.gov; or Efrain Munoz with DHS at (213) 240-7882, or at emunoz@ladhs.org.

WTF:SRH:SAS
MLM:MM:yb

Attachment

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

092408_HMHS_MBS_Supp Changes Recommendations

ATTACHMENT

HEALTH AND MENTAL HEALTH SERVICES CLUSTER

DEPARTMENT OF HEALTH SERVICES
SUPPLEMENTAL CHANGES – FISCAL YEAR 2008-09

	FY 2007-08 Adopted Budget	FY 2008-09 Supplemental Changes	Change
Net Appropriation	$4,204,897,000	$4,314,702,000	$109,805,000
Revenue	$3,497,546,000	$3,607,409,000	$109,863,000
Net County Cost	**$707,351,000**	**$707,293,000**	**($58,000)**
Budgeted Positions	20,378.0	19,721.0	(657.0)

- The Department of Health Services' Fiscal Year 2008-09 Supplemental Changes reflects a net County cost (NCC) decrease of less than $0.1 million, attributable to a reduction in Vehicle License Fee revenue of $5.2 million, partially offset by additional Tobacco Settlement funding for the PPP carryover of $4.9 million, a net increase of $0.1 million from the capital projects budget, and $0.1 million NCC for Department of Justice investigative services.

MAJOR CHANGES / HIGHLIGHTS		
Item	**Amount**	**Bud Pos**
Reverse Deficit Reduction Placeholder: Reverse the placeholder of $120.3 million (M), which was included in the FY 2008-09 Proposed Budget to address the DHS budget deficit, to be offset by revenue and cost savings items.	($120.3 M)	--
Cost Based Reimbursement Clinic Revenue (CBRC) Crossover Revenue: Reflects increased CBRC for patients with dual eligibility in Medi-Cal and Medicare programs. Of this amount, $72.8M of this amount is one-time for retroactive payments for FY 2005-06 through 2007-08.	$96.4 M	--
Measure B Revenue: Reflects additional Measure B revenue resulting from increased property tax assessment rates approved by the Board on August 12, 2008 ($36.8M) and the use of additional one-time reserves ($1.0M).	$37.8 M	--
Mental Health Revenues: Reflects additional mental health services revenue to be received from the following efforts: (1) DHS is working with the Department of Mental Health (DMH) to obtain State and Centers for Medicare and Medicaid Services (CMS) approval on a State Plan Amendment (SPA) to receive federal funding for unreimbursed psychiatric services costs for Medi-Cal beneficiaries; (2) DHS is working with DMH to increase the current Medi-Cal utilization rate of 25% by an additional 20%; and (3) DMH will pay DHS for acute days and administrative days at the corresponding State Maximum Allowable (SMA) rates.	$9.0 M	--
Financial Stabilization Savings: Reflects updated Financial Stabilization savings primarily from: Information Technology operational efficiencies; reduced registry usage; standardization of operating room products and equipment; increased group purchasing rebates; reduced pharmaceutical costs; and administrative cost reductions.	$8.0 M	--
State Realignment Vehicle License Fees (VLF) and Sales Tax Revenue: Reflects a projected decrease in VLF ($5.2M) and Sales Tax ($0.8M) revenue.	($6.0 M)	--
Martin Luther King, Jr. (MLK) Multiservice Ambulatory Care Center (MACC) Adjustments: Reflects the reduction of 206.0 budgeted items per the revised MLK MACC staffing plan, reduced registry costs, and reduced revenue components based on the latest trend information.	($4.5 M)	(206.0)
Revenue Adjustments: Reflects the reduction of California Healthcare for Indigents Program (CHIP) revenue to zero, based on the Governor's May Revision and minor updates to CBRC, AB 915, Medicare, and Patient Financial Services Worker revenues based on the latest estimates.	($3.2 M)	--
Internal Services Department (ISD) Utilities: Reflects additional utility costs at the LAC+USC campus per updated ISD estimates to reflect utilities costs for both the old facility and the new facility.	($2.6 M)	--

One-Time Tobacco Settlement: Reflects additional one-time Tobacco Settlement funds, for a total of $3.5M, available for PPP capital infrastructure and capacity development in under equity areas throughout the County, related to the April 22, 2008 Board action.	($0.3 M)	--
College of Nursing and Allied Health Administration (CONAH) Support: Reflects an increase of 3.0 budgeted positions to address CONAH accreditation deficiencies and to support the opening of a satellite campus of the School of Nursing at Olive View/UCLA Medical Center.	($0.2 M)	3.0
Department of Justice (DOJ) Investigative Services: Reflects additional one-time net County cost to assist DHS in obtaining investigative services for the resolution of outstanding Department of Justice items.	($0.1 M)	--
LAC+USC Vacant Position Adjustments: Reflects unfunded vacant position reductions at LAC+USC to adjust the facilities budgeted staffing to historical levels, with adjustment to budgeted salary savings resulting in no change in cost.	--	(540.0)
LAC+USC Contingency Beds: Reflects 30 additional contingency beds for LAC+USC to be operated at Rancho Los Amigos National Rehabilitation Center, if necessary.	--	94.0
Juvenile Court Health Services (JCHS) Camp Redesign: Reflects an increase of 4.0 budgeted positions offset with additional intra-fund transfer from the Probation Department to implement changes related to their Camp Redesign project.	--	4.0
Medical Hub Clinic Adjustment: Reflects the addition of 2.0 positions for the Hub clinic at MacLaren in the San Gabriel Valley, to allow for an increase in the planned clinic services from 3 days to 5 days, 100% offset with additional CBRC and DCFS intrafund revenue. Also includes other ministerial adjustments to the program costs and revenues.	--	2.0
Public-Private Partnership (PPP) Funding Rollover: Reflects the one-time rollover of FY 2007-08 PPP appropriation and offsetting Tobacco Settlement funding to pay outstanding claims for FY 2007-08 services. Any remaining funds will be allocated per the PPP Allocation Formula Work Group recommendation to set aside any funds which may be unspent at year-end and distribute those funds using the Allocation Formula in order to address inequities.	($4.9 M)	--
Other Changes: Reflects various other changes in appropriation, intrafund transfers, and revenues, primarily for: (1) L.A. Care Grant-Interpreter Call Center carryover of appropriation and grant revenue (100% revenue offset); (2) minor budget corrections and realignments; (3) updates to physician and non-represented nursing salaries; (4) updates for CEO class/comp allocations; (5) reduced HSA overhead and pass-through costs to the facilities (along with reduced offsetting revenue and intrafund transfer); (6) Productivity Investment Fund (PIF) loan for Rancho to implement patient visit redesign; (7) transfer of NCC to the Department of Public Health (DPH) for time card services; and (8) carry-over funding for duct cleaning at Olive View/UCLA and various DHS capital projects. Net position decrease for: (1) deletion of 15.0 vacant administrative items in HSA; (2) deletion of 1.0 positions per CEO class/comp allocations; and (3) addition of 2.0 positions for the extension of the Access to Housing Program which were deleted in the Adopted Budget (including the restoration of appropriation and offsetting intrafund transfer).	($1.8 M)	(14.0)
Use of DHS Designation: Adjust the use of the DHS Designation funds to reflect the FY 2007-08 closing balance.	($12.1 M)	--

	FY 2008-09 Adopted NCC	FY 2008-09 Supplemental NCC	Change
VLF - Realignment	$325,309,000	$320,126,000	($5,183,000)
AB8 (MOE)	$121,538,000	$121,538,000	--
County Contribution	$117,470,000	$117,431,000	($39,000)
Tobacco Settlement	$143,034,000	$148,198,000	$5,164,000
Total	**$707,351,000**	**$707,293,000**	**($58,000)**