Health Services
LOS ANGELES COUNTY

November 25, 2008 REVISED

Los Angeles County
Board of Supervisors

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

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

Dear Supervisors:

AMENDMENT TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA
(FIRST DISTRICT)
(4 VOTES)

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To improve health through leadership, service and education

SUBJECT

Request approval of an amendment to add services, increase the maximum amount of the Agreement, approve a one-time payment to account for a cost-of-living increase and approve a budget adjustment.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chair of the Board of Supervisors to sign attached Amendment No.1 to Agreement No. 75853 with the University of Southern California (USC) for the provision of physician medical education and patient care services at LAC+USC Medical Center, effective July 1, 2008, to add additional purchased services and increase the maximum obligation for the period July 1, 2008 through June 30, 2009 from $80,751,967 to $108,595,180 pro-rated and $111,768,455 annualized.

2. Approve a one-time payment of $2,858,763 to account for a 3 percent cost-of-living increase for the period of July 1, 2007 through June 30, 2008, in the amount of $2,422,559, and for the replacement salary for several physicians lost due to attrition during the Fiscal Year (FY) 2007-08, in the amount of $436,204.

3. Make a finding as required by Los Angeles County Code section 2.121.420 that continuing to contract for the provision of physician services, as described herein, can be performed more feasibly by contracting with the private sector.

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4. Make a finding as required by Los Angeles County Code section 2.121.420 that the non-physician services, as described herein, can continue to be performed more economically by independent contractors than by County employees.

5. Approve the attached appropriation adjustment to transfer $15,000,000 in available one-time funding from the FY 2008-09 Final Budget for the LAC+USC Medical Center Replacement Facility Accumulated Capital Outlay (ACO) Fund to the FY 2008-09 LAC+USC Healthcare Network's operating budget.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION

Approval of the recommended action will amend the current Affiliation Agreement with USC for the provision of physician medical education and patient care services at the LAC+USC Medical Center for the contract years ending June 30, 2008 and June 30, 2009. The attached Amendment includes an increased volume of physician services to accommodate the replacement facility for the LAC+USC Medical Center and additional compensation to retain current physician staffing. In addition to providing new and a larger volume of services, as described in more detail in Attachments 1 and 2, the Amendment includes compensation to address increased staffing for the significantly larger emergency room in the replacement facility. The recommended actions will also allow for a one-time payment for a cost-of-living increase in FY 2007-08 and the salary to replace several County physicians who left during the same period. The budget adjustment is necessary in order to partially fund the increase in the Agreement for FY 2008-09.

Although negotiations with USC initially commenced in mid 2007, delays were experienced due to changes in both USC and Department of Health Services (DHS) management that impacted the makeup of the negotiation team. Other factors further impacting the timely completion of negotiations include the timing of development and approval of the Physician Pay Plan, particularly as it affects this Agreement, and the negotiation of inclusion of clinical core measures and performance data. As a result, this Amendment was not completed in time for the cost-of-living increase and payment for hiring of replacement staff lost in FY 2007-08 to take effect prospectively. Any material or substantive changes to the Agreement, particularly with regard to the level of funding, require approval by the Board of Supervisors and can not be authorized by the Department.

As to the feasibility finding, on November 21, 2006, your Board approved an amendment to the Proposition A ordinance that permits contracting for physician services upon a determination that the use of independent contractors is more feasible than the use of County employees. The cost effectiveness finding is required for the

non-physician services provided by ~~five~~ four Full Time Equivalents (FTE) under the Agreement.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended actions support Goal 1, Service Excellence, and Goal 7, Health and Mental Health of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The current maximum obligation for FY 2008-09 is $80,751,967. The maximum annual County obligation in FY 2008-09 under this Agreement will be increased by $27,843,213 pro-rated ($31,016,488 annualized) to a total of $108,595,180 pro-rated ($111,768,455 annualized). The pro-rated amount is based on purchase of various additional services with a November 1, 2008 anticipated start date. Services will commence based on actual hiring of staff by USC. Therefore, costs for these additional services will be adjusted according to actual implementation dates.

The FY 2008-09 pro-rated increase of $27,843,213 to the maximum County obligation is partially offset by $12,843,213 in available net appropriation included in the DHS FY 2008-09 Final Budget, including funding for current services which will now be provided under this Agreement. The available net appropriation includes (i) funding for various individual physician agreements and contracted radiology services that will be discontinued when the services are provided under the USC Agreement; (ii) savings from attrition of County employees; and (iii) elimination of overtime to provide appropriate supervision in 3 programs. This offset results in a net funding requirement of $15,000,000.

An appropriation adjustment to transfer $15,000,000 in available one-time funding from the FY 2008-09 Final Budget for the LAC+USC Medical Center Replacement Facility Accumulated Capital Outlay (ACO) Fund to the FY 2008-09 LAC+USC Healthcare Network's operating budget is attached.

FACTS AND PROVISIONAL/LEGAL REQUIREMENTS

The first medical school operating agreement with USC dates back to 1987 for the provision of patient care and physician medical education services. DHS entered into a revised agreement with USC in October 2000 to address the manner in which the provision of patient care and medical education has changed since the first agreement. The initial term of the revised agreement ended June 20, 2005, with provisions for one-year automatic extensions at the end of each contract year.

DHS subsequently replaced the agreement with the current USC Affiliation Agreement to incorporate practical measures of performance and accountability. The initial term of the current Agreement was August 1, 2006 through June 30, 2007 with a one-year automatic extension at the end of each contract year in which case the Agreement would expire five years hence on June 30, 2011, unless either party serves notice of non-renewal to the other party.

The recommended Amendment includes the specific volume and cost of purchased services, as well as provisions to implement a physician scheduling software system and a workload-based measurement system; strengthen medical record documentation performance goals; incorporate clinical core measures and performance data; and offer the recently approved Physician Pay Plan to certain physicians who receive a stipend from USC paid through this Agreement. The specific changes set forth in the Amendment are discussed further in Attachment 2.

County Counsel has advised the portion of the Agreement related to academic services is not subject to the provisions of County Code Chapter 2.121, Contracting with Private Business (Proposition A). However, it has been determined that the provision of the patient care services under the Agreement is subject to Proposition A guidelines which include the Living Wage Program set forth in County Code Chapter 2.201. USC continues to be exempt for the Living Wage Program due to their non-profit status, although their employees are paid under the Agreement at no less than the minimum wages set forth in the County Code. ~~The Auditor-Controller has reviewed and approved~~ The Department has determinated that the non-physician services received under the Agreement continue to be cost effective. The cost of the services is under $1 million and therefore not subject to review by the Auditor-Controller.

This Amendment includes FY 2008-09 increases at $27,843,213 pro-rated and $31,016,488 annualized for (i) additional services to meet Accreditation Council for Graduate Medical Education (ACGME) requirements; (ii) unmet needs at the existing facility; and (iii) requested additional services which will be prorated based on when new staff has been hired and the services have begun in the LAC+USC replacement facility. The maximum obligation shall be reduced upon completion of the transition of mental health outpatient services from DHS to the Department of Mental Health (DMH). The Amendment, Addendum A-1, reflects an annual amount of $112,158,898; this amount adjusted for the transfer of the Psychiatric Outpatient Services will net to a total of $111,768,455 ($112,158,898 less $390,443). The maximum obligation may also vary upon implementation of the DHS's new Physician Pay Plan for those physicians who are employees of the County and receive a stipend from the University with funds derived from this Agreement. A summary of the changes is shown on Attachment 1.

ACGME Requirements

USC is required to provide academic purchased services under the Agreement that enable County sponsored residency training programs to maintain program and institutional accreditation by the ACGME. Effective July 1, 2007, the ACGME required Institutional Sponsors to provide adequate resources (protected time, space, technology and supplies) and sufficient salary support for the Designated Institutional Officer and Program Directors of each residency program. In particular, the ACGME has imposed "protected time" for program directors for certain training programs to allow these physicians to dedicate time to oversight and training within these programs outside of patient care duties. USC is expected to provide these additional patient care services in lieu of these services being provided by USC's program directors. Additional funding of $3,724,944 pro-rated and $4,062,737 annualized, and 20.6 FTEs have been added to the Agreement to meet these accreditation requirements.

Unmet Needs at Existing Facility

An additional $2,682,461 pro-rated and $2,839,548 annualized and 7.6 FTEs will be added to the Agreement to address existing critical needs. These unmet needs include adding additional 4.5 FTEs to provide radiology services; 1.0 FTE to provide Palliative Care Consult Services (PCCS) to provide consultation on all aspects of end of life care to patients with terminal conditions and their families; 0.5 FTE for an Operating Room Director to properly manage, schedule and maximize operating room time; 0.6 FTE for a gastroenterology ultrasound/endoscopic retrograde cholangiopancreatography (ERCP) specialist to eliminate the current need to transport patients to Harbor/UCLA Medical Center for treatment; and 1.0 additional physician FTE to meet existing anesthesiology demands.

County Request for Additional Services

These services are necessary in order to address the demand of a larger emergency room at the replacement facility, provide staffing for the anticipated increase in use of ancillary services, meet Harris-Rodde Settlement requirements, and recruit and retain other staff to eliminate the use of individual contract staff. An additional $14,454,977 pro-rated and $17,133,372 annualized (net of $390,443 pro-rated and annualized Psychiatric Outpatient Department Transfer to DMH) and 46.6 FTEs (net of 4.6 FTEs Psychiatric Outpatient Department Transfer to DMH) will be added to the Agreement for these services. Specific details by category are in Attachment 2.

CONTRACTING PROCESS

This is an Amendment to the existing Agreement No. 75853. Amendments are not advertised on the County's website.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The Agreement will continue the provision of clinical and academic services at the LAC+USC Healthcare Network and designated Network facilities.

CONCLUSION

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

Respectfully submitted,

John F. Schunhoff, Ph.D.
Interim Director

JFS:kh

Attachments (4)

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

USC MSOA BL

LOS ANGELES COUNTY - DEPARTMENT OF HEALTH SERVICES
MSOA - USC

CONTRACT PROVISIONS	FTE	FY 2008-09	
		(Pro-Rated w/ One-time COLA Pmt)	(Annual w/ One-time COLA Pmt)
Current Contract Maximum Obligation		$80,243,000	$80,243,000
FY 2007-08 Adjustment to the FY 2006-07 Base		508,967	508,967
Current Contract Maximum Obligation	**539.45**	**$80,751,967**	**$80,751,967**
COLA 3% - FY 2007-08		2,422,559 (a)	2,422,559 (a)
COLA 3% - FY 2008-09		2,495,236	2,495,236
Fringe Benefits (increase rate from 32% to 32.75%)		443,233	443,233
Director Quality Mgmt. Stipend		60,000	60,000
Workload Measurement: AmIOn Implementation		66,375	66,375
Attrition of County Employees		1,057,224	1,057,224
Attrition of County Employee (Contract Year 2008)		436,204	436,204
ACGME Requirements	20.60	3,724,944	4,062,737
Unmet Needs at Existing Facility	7.60	2,682,461	2,839,548
County Request for Additional Services	51.20	14,845,420 (b)	17,523,815 (b)
Subtotal Additional Services	**79.40**	**$28,233,656**	**$31,406,931**
Subtotal Contract Maximum	**618.85**	**$108,985,623**	**$112,158,898**
Psychiatric Outpatient Department Coverage Transfer to DMH	(1.50)	(185,850) (c)	(185,850)
Psychiatric Outpatient Department Transfer to DMH	(3.10)	(204,593) (c)	(204,593)
Total Transfer to DMH	**(4.60)**	**($390,443)**	**($390,443)**
Total Additional Services (Including Transfer to DMH)	**74.80**	**$27,843,213**	**$31,016,488**
Contract Maximum Amount	**614.25**	**$108,595,180**	**$111,768,455**

(a) Reflects the one-time 3% COLA payment for FY 2007-08.

(b) Reflects the County Proposed Costs at 8 months on some of the request for additional services.

(c) Reflects the Psychiatric Outpatient services that will be transferred to the Department of Mental Health effective 1/1/09.

SUMMARY OF CHANGES TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

A. ADDITIONAL CLINICAL PURCHASED SERVICES

1. Emergency Room Funding — 12.0 FTEs — $3,785,426

The replacement facility at LAC+USC offers a much larger and more modern emergency room than the existing facility. Previously, the Department operated an emergency room with 45 acute care beds in approximately 32,000 square feet of space. In addition, the emergency room utilized approximately 15 observation beds. The replacement facility expands the size of the emergency room to 56,000 square feet. In this location the emergency room will operate 109 acute care beds. In addition, the staff will utilize 22 observation beds. This increase in size will increase the demand for patient services. However, current staffing will be limited in addressing this patient increase because the ACGME requirements imposed a cap on the number of clinical hours that a physician may perform per week.

As a result, an amount of $1,379,840 (pro-rated) will be used to hire an additional 8.0 emergency physician FTEs. In order to offer timely emergency room services with the opening of the replacement facility, the Department recently entered into 17 individual physician services agreements. These agreements will no longer be needed once the staffing under the Amendment is implemented.

Currently, due to limited staffing, the pediatric emergency department is occasionally supervised by pediatric physicians, rather than emergency room physicians. As a result, the ACGME has required the University to rotate out its emergency room physicians to other hospitals to obtain this critical pediatric emergency room training. An amount of $675,586 (pro-rated) will be used to hire an additional 4.0 emergency physician FTEs. This will enable the University to provide its own attending physicians with training in pediatric emergency care.

In the past year, the University has advised that approximately 10 physicians covering 3.0 FTEs have left due to inadequate compensation. In order to keep its current physician complement for the emergency room, an amount of $1,730,000 will be allocated to augment physician salaries. This is necessary to meet the Harris Rodde mandate, Emergency Medical Treatment and Active Labor Act (EMTALA) regulations and address the rapid attrition of faculty to other DHS facilities and the private sector.

2. Radiology — 12.0 FTEs — $3,893,670

As an ancillary service, the utilization of radiology services increases or decreases depending upon the demand for services in other departments of a hospital. In addition to the critical need that already exists at LAC+USC Medical

SUMMARY OF CHANGES TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

Center, it is projected that the larger emergency room at the replacement facility will increase the demand for radiology services by 10%. In addition, as the Department seeks to increase efficiencies, it is critical for patients to move through the inpatient system with decreased wait times. A critical component of the Department's strategy to achieve greater efficiencies is to reduce the turnaround time for radiology services. Also, additional modalities (e.g. Positron Emission Tomography/Computed Tomography [PET/CT] and Magnetic Resonance Imaging [MRI]) will be covered. The increased amount (partially pro-rated) will be used to hire an additional 12.0 physician FTEs of which 4.5 FTEs are considered unmet needs and the other 7.5 FTEs are for additional services.

3. Harris-Rodde Settlement Needs — 13.0 FTEs — $2,788,573

The settlement agreement entered into by the County for the Harris and Rodde cases sets forth specific service requirements until December 2009. One of these service requirements mandates that the Department provide new appointments at the Comprehensive Health Centers under the LAC+USC Healthcare Network. To maintain these services, this amount will be used to hire 13 physician FTEs in the following clinic services:

- Rheumatology - 2.0 FTEs
- Cardiology - 2.0 FTEs
- Diabetes - 2.0 FTEs
- Gastroenterelogy/Liver - 2.0 FTEs
- General Medicine - 5.0 FTEs

4. Inpatient Psychiatry at Augustus F. Hawkins — 5.0 FTEs — $1,320,000

In August 2007, Martin Luther King (MLK) - Harbor Hospital suspended its hospital license. In order to provide continuing inpatient psychiatric services to County residents, LAC+USC Medical Center began operating inpatient psychiatric beds at Augustus F. Hawkins Psychiatric Building on the MLK-Harbor campus. An amount of $1,320,000 will be used to hire 5.0 FTEs to provide appropriate physician coverage on a 24/7 basis.

5. Hospitalist Program Supplement — $1,267,000

In June 2006, the Department allocated $2,000,000 in the Agreement to implement a hospital medicine program to recruit 10.0 physician FTEs. The major goal of the program is to increase efficiencies by reducing wait times for inpatient hospital care and providing prompt treatment to reduce a patient's average length of stay. In addition, the program seeks to enhance compliance with medical record documentation and other benchmarks established by the

SUMMARY OF CHANGES TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

Joint Commission and the U.S. Center for Medicare and Medicaid Services. However, the program has had at least six staff members leave in the previous fiscal year as a result of non-competitive salaries. To address the immediate problem of lack of physician coverage, the program had to hire non-hospital medicine specialists. The amount of $1,267,000 will be used to retain current staffing and attract more appropriate staff who are hospital medicine specialists, which will play a major role in reducing length of stay time and will also meet Harris Rodde mandates.

6. Cardiovascular Medicine — 3.0 FTEs — $1,073,252

Recently, the County of Los Angeles implemented the Cardiac Care Program. This program is intended to identify patients who suffer from a severe heart attack or otherwise require interventional cardiology services to be sent to hospitals designated as "STEMI centers", which are equipped with specialized equipment and staff. One requirement is the availability of catheter lab services 24 hours per day. Due to staff departures, the current 2.5 physician FTEs in place have had to work extended overtime to maintain the lab. The amount of $798,426 would be used to hire 2.0 additional physician FTEs to provide the required amount of physician services instead of using staff on overtime. In addition, echocardiography services are critical method to take a cardiac ultrasound of the heart to properly assess heart and valve conditions. In order to reduce the backlog and wait time of patients who need these services, an amount of $274,826 would be used to hire an additional 1.0 physician FTE.

7. Surgery — 2.5 FTEs — $658,712

Several surgical needs will be addressed with the amount of $658,712 (pro-rated) to hire 2.5 physician FTEs. Within the past eight months, three trauma surgeons have left to other area hospitals due to lack of a competitive salary. As a temporary measure and an accommodation to the County, the United States Navy, though its partnership with the County to train its trauma surgeons at LAC+USC Medical Center, has provided additional physician coverage. However, this type of coverage is not suitable for long term planning purposes. An amount of $337,551 (pro-rated) will be used to hire 1.0 trauma surgeon FTE and also provide on-call trauma coverage. The funding will also be used to hire 1.0 additional institution general surgeon FTE to account for the departure of a physician due to inadequate compensation approximately one year ago. Finally, vascular surgery needs will also be addressed with the addition of 0.5 additional physician FTE to work the backlog of almost one year for dialysis patients at H. Claude Hudson Comprehensive Health Center who are seeking permanent catheters.

SUMMARY OF CHANGES TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

8. Anesthesiology — 3.0 FTEs — $839,036

Similar to radiology as discussed above, the volume of anesthesia services is dependent upon the demand of other hospital services. The volume of hospital services has outstripped the existing staff and resources for anesthesia services. It is anticipated that the new hospital will put further strain on existing staff and resources. Finally, the Department intends to begin offering new interventional services on an outpatient basis, such as neuro radiology, interventional cardiology and ERCP (as described in Section 14, below). As a result, this amount will be used to hire 1.0 additional physician FTE to meet existing demands and 2.0 physician FTEs to meet outpatient interventional services needs.

9. Radiation Oncology — 5.0 FTEs — $895,340

The replacement facility includes 3 new dual high energy linear accelerators for the treatment of cancer patients. These accelerators will allow for the provision of high dose rate brachytherapy, offers a higher quality of care than radiation treatment. Brachytherapy focuses the radiation at the site of the cancer and ensures maximum radiation does where it is most needed, and allows little radiation to reach healthy surrounding tissue. This type of treatment often results in a quicker radiation treatment time. For example, the entire treatment for breast cancer takes 5 days, whereas under other therapies the treatment time is 5 to 7 weeks. The amount of $895,340 (pro-rated) will be used to hire 1.0 physician FTE and 2.0 physicists FTEs to staff the accelerators. In addition, this amount will be used to hire 2.0 dosimetrists FTEs, an integral part of the radiation oncology team responsible for designing a treatment plan once the radiation oncologist has written a prescription for a radiation dose as appropriate given a patient's tumor volume.

10. Operating Room & Institutional ICU Medical Directors — 1.5 FTEs — $457,256

With the planned higher utilization and increased efficiencies, it is expected that operating rooms in the replacement facility will be fully utilized. This amount will be used to hire 0.5 FTE medical director to properly manage, schedule and maximize operating room time. This position will also help ensure compliance with new regulatory requirements. In addition, this amount will be used to hire 1.0 FTE institutional intensive care unit (ICU) medical director responsible for maintaining a uniform standard of care in the various ICUs located throughout the hospital. This process will be critical in quickly, consistently and efficiently identifying patients who are no longer in need of ICU care so that these critical beds can be occupied by waiting patients to improve patient flow.

SUMMARY OF CHANGES TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

11. CRM/Clinical Resource Management — 1.7 FTEs — $277,615

Similar to proper operating room resource management, as discussed above, one method to improve and maximize utilization and increase efficiencies is to devote similar resources to clinical management. This pro-rated amount will be used to hire an additional 1.0 physician FTE as a Clinical Resource Management Director and 0.5 cardiologist FTE and 0.2 endocrinologist for CRM clinics to achieve this purpose.

12. Urology — 1.0 FTE — $261,712

In conjunction with the planning of the replacement facility, the Department purchased a new lithotripsy machine. The lithotripsy machine is used in the treatment of stones present in the kidney, gall bladder or liver. The lithotripsy machine delivers a non-invasive, focused, high-intensity acoustic pulse to shatter a stone. This pro-rated amount will be used to cover an unmet need by hiring 1.0 physician FTE to maintain the program.

13. Palliative Care — 1.0 FTE — $154,875

Many patients treated by LAC+USC have terminal conditions. Highly prevalent conditions include end stage heart and liver failure, gastric and pancreatic cancer, acute leukemia and end stage AIDS. In July 2006, LAC+USC Medical Center established a Palliative Care Consult Service (PCCS) to help these types of patients. Previously, end of life care was fragmented and few patients were referred for hospice care. Often times, patients with chronic and incurable illnesses would be treated on an inpatient basis. With implementation of PCCS, the patient and family members receive consultation on all aspects of end of life care, with the emphasis on the relief of suffering and the best possible quality of life. To quickly reach patients, consultative care is provided immediately as patients enter the emergency room. In 2008, the PCCS was the recipient of a quality and productivity award issued by Los Angeles County, for the cost savings produced and the reduction of average length of stay for patients in the hospital. This pro-rated amount will be use to cover an unmet need by hiring 1.0 physician FTE to maintain the program.

14. Gastroenterology Ultrasound/ERCP Specialist — 0.6 FTE — $159,300

The digestive system is dependent on the production of bile to aid in the digestion. A gastroenterology ultrasound/endoscopic retrograde cholangiopancreatography (ERCP) specialist treats obstructions of the biliary tract which transports bile throughout the biliary system, including the gall

bladder, and liver. Approximately two years ago, the specialist at LAC+USC Medical Center left County employment. Since then, patients have had to be transported to Harbor/UCLA Medical Center, where the last remaining County specialist is located. However, this increased the risk of poor outcomes for these patients. This pro-rated amount would be used to recruit and retain 0.6 FTE for this care.

15. Mental Health Outpatient Services

As approved by your Board on July 29, 2008, the operation of hospital-based mental health outpatient services is being transitioned from the Department of Health Services to the Department of Mental Health (DMH) with an acticipated effective date of January 1, 2009. As part of this transition, the Department is funding physician services lost due to attrition and transfers of staff to other Department positions prior to the takeover of operations by DMH. An amount of $185,850 (pro-rated) will be used to offset existing salaries for 1.5 replacement physician FTEs provided by the University's physician group, USC Care. Once the transition is complete, DMH will fund this amount. In addition, DMH will fund existing staff paid through this agreement, resulting in a further reduction of funding through this agreement of 3.1 physician FTEs. As a result, on completion of the transition, a total $390,443 will be reduced from the maximum contract obligation. In the event the transition timeframe differs, the reduction will be pro-rated accordingly.

B. PHYSICIAN PAY PLAN

Your Board recently approved the "Physician Pay Plan" modifying physician salaries for represented and non-represented County employees. With this Addendum, the physician pay plan will be offered to certain County physicians receiving a stipend from USC paid with funds from the Affiliation Agreement. County physicians who are not tenured faculty at USC shall have the option to receive all of their salary from either the University, or the County under the pay plan. The physician will also have the option to remain "status quo" and continue to receive compensation from both parties.

For those physicians who elect to be paid as a County employee through the pay plan, the funding allocated to that physician under the Affiliation Agreement shall be deducted from the maximum County obligation. For those physicians who elect to be paid entirely through USC, the Department shall transfer that employee's base salary to USC under the Affiliation Agreement.

As implementation of the pay plan will affect the benefits received by the physicians from the County and USC, the parties intend to work closely to counsel each physician

and ensure that the necessary information is made available so that each physician is able to make an informed decision.

C. PHYSICIAN ACCOUNTABILITY

Physician Scheduling and Productivity

The current agreement provided that the parties would work to implement an information software system (IDX System) at the LAC+USC Healthcare Network to facilitate the input and collection of service data by physicians at the facility. It was intended that the reports generated by this IDX System would enhance physician accountability.

As a replacement, the parties have agreed to implement a physician scheduling software system (AmIOn System) at the LAC+USC Healthcare Network. The AmIOn System will allow DHS to determine if and when individual physician coverage is scheduled and present. In addition, a workload-based measurement system will be implemented to track physician performance and productivity. Currently, USC and DHS have developed criteria and benchmarks to measure productivity in three service categories: the Harris-Rodde Specialty Clinics Coverage, Echocardiography and Radiation Oncology. Within the next twelve months, the parties agree to work collaboratively to develop benchmarks for all other major clinical Purchased Services.

If the established benchmarks for these services are not met, the University has the opportunity to submit and implement a corrective action plan. If the University has not met the material elements of the corrective action plan, the County has the ability to take the matter to an independent arbitrator, with fees equally shared by both parties. If the University is solely at fault for not implementing the corrective action plan, then the County may deduct from the University the actual and reasonable costs to provide the unmet services through alternative arrangements.

Medical Record Documentation and Physician Core Practice

To ensure accurate physician recordkeeping and continuing high quality of care, the Addendum requires USC to adhere to certain recordkeeping requirements. These requirements include standards established by the Joint Commission on Accreditation of Healthcare Organizations. In addition, the Addendum incorporates the clinical core measures, performance data which is regularly reported to the Joint Commission and the U.S. Center for Medicare and Medicaid Services. USC shall be required to use best efforts to meet these requirements.

SUMMARY OF CHANGES TO THE MEDICAL SCHOOL AFFILIATION AGREEMENT BETWEEN THE COUNTY OF LOS ANGELES AND THE UNIVERSITY OF SOUTHERN CALIFORNIA

Service Chief Management Performance Plan Funding

When the replacement agreement was implemented in 2006, the County made an initial contribution of $1,000,000 to a management performance plan fund to provide financial incentives to the University's Service Chiefs and Program Directors to encourage improvements in hospital utilization and clinical quality performance, with criteria for distribution of these funds agreed to by the parties.

In the spirit of rewarding physician performance, improving clinical quality of care and in conformance to Addendum B, §B.3.3, of the MSOA, the facility Joint Planning and Operations Committee (JPO) implemented a "Medical Management Program." This program was intended to provide financial incentives to "encourage improvements in hospital utilization performance and clinical quality performance". Through a collaborative effort with departmental chiefs and chairs, the JPO worked to develop, review and approve the detailed metrics and methodology to accomplish this objective. The performance metrics reflect areas of clinical outcomes, operational efficiency and patient safety. Further, these metrics were designed to be in alignment with the LAC+USC institutional Mission Vision and Values. Funds from the Management Performance Plan have been used to incentivize service departments to meet established clinical objectives.

The effects of this program over the contract period has resulted in unprecedented collaboration, productivity and a willingness to participate in extensive redesign efforts by USC faculty and departments. As a result, LAC+USC has achieved all of its performance targets including but not limited to the average length of stay (ALOS), emergency department boarding time (EDBT), average daily census (ADC), admission volumes and a variety of departmental specific measures reflecting quality outcomes. Additionally, the Keck School of Medicine and JPO have approved for some of the funds "earned" by this program to be earmarked to improve resident education through courses at the Surgical Skills Lab to simulate and train resident physicians on basic invasive bedside procedures. This program has been received very positively by the faculty and Graduate Medical Education Committee.

The continued annual funding of $1,000,000 to the Management Performance Fund would maintain progress achieved in improving productivity, efficiencies and quality of care, and allow the hospital to build on these achievements throughout the term of the agreement.

Contract No. 75853

AFFILIATION AGREEMENT

Amendment No. 1

THIS AMENDMENT is made and entered into this 25th day of November, 2008,

by and between COUNTY OF LOS ANGELES (hereafter "County")

and THE UNIVERSITY OF SOUTHERN CALIFORNIA (hereafter "University").

75853 SUPPLEMENT 1

WHEREAS, reference is made to that certain document entitled "AFFILIATION AGREEMENT", dated August 29, 2006, and further identified as County Agreement No. 75853 (hereafter "Agreement");

WHEREAS, it is the desire of the parties hereto to amend the Agreement to make changes to Addendum A and Addendum B as described hereafter;

WHEREAS, said Agreement provides that changes may be made in the form of a written amendment, which is formally approved and executed by both parties;

WHEREAS, the Agreement allows for the annual amendment of Addendum A; and

NOW, THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective July 1, 2008.

2. Addendum A-1 and Addendum B-1 shall be added to the Agreement, attached hereto and incorporated by reference.

3. Except for the changes set forth here, the remaining terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Chair and seal of said Board to be hereto affixed, and attested

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by the Executive Officer thereof, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officers, the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____
Chair, Board of Supervisors

SACHI A. HAMAI,
Executive Officer Board
of Supervisors of the
County of Los Angeles

By _____
Deputy

UNIVERSITY OF SOUTHERN CALIFORNIA
Contractor

By _____
Signature

Title Todd R. Dickey
Senior Vice President, Administration
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
RAYMOND G. FORTNER, JR.
County Counsel

By _____
Deputy

I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By _____
Deputy

APPROVED AS TO CONTRACT ADMINISTRATION:

DEPARTMENT OF HEALTH SERVICES
CONTRACTS AND GRANTS DIVISION

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#27 NOV 25 2008

SACHI A. HAMAI
EXECUTIVE OFFICER

75853 SUPPLEMENT 1

USC ADDENDUM A-1
Purchased Services

Contract Years Ending June 30, 2008 and 2009

A.1 **General.** Payment for Purchased Services will be made by County to University in the amounts set forth in Section A.3 below. Payment for Purchased Services shall be made in quarterly installments, each payable on the first business day of each Contract Year quarter. In addition, if County requests increases in the volume of any Purchased Services identified in this Addendum A, County will pay for such services in advance on a quarterly basis. University is not obligated to provide such supplemental services until University receives payment from County for those services. Except with regard to additional Purchased Services provided by University pursuant to Section A.2.4.3 *Attrition of County-Employed Physicians*, any new services which the Parties agree to commence during the Contract Year, of a nature not set forth in this Addendum A, will be provided pursuant to an amendment or separate agreement between the Parties, subject to the approval of the Governing Board; such new services will be taken into account in revising Addendum A for the next Contract Year. Any such revisions to this Addendum A shall not take effect without a properly executed amendment.

A.2 **Purchased Services.** University shall provide the following Purchased Services during the contract years beginning July 1, 2007, ending June 30, 2009 ("Contract Years 2008 and 2009"). The type and volume of Purchased Services provided during these Contract Years shall continue at the same overall level, on an annualized University Personnel FTE basis, as provided by University Personnel during the prior Contract Year, with the addition of those services itemized in §A.2.4.1, which the Parties have agreed to add.

A.2.1 Clinical Services. Except for those services which may be provided by persons other than University Personnel, University shall provide those clinical services sufficient to address the goals and responsibilities set forth in §5.4.

A.2.2 Non-Clinical Academic and Administrative Services. Except as provided by persons other than University Personnel, University shall provide academic and management services sufficient to address the goals and responsibilities set forth in §§ 5.3 and 5.5, respectively.

A.2.3 Research. The Parties understand and agree that no funds paid under this Agreement shall be used to pay for non-clinical research. If it is determined that any funds are used to pay for non-clinical research, University shall reimburse County such amount.

A.2.4 Volume of Purchased Services. Until measures are developed to more accurately define the volume of Purchased Services; the Parties agree that the volume of all services will be measured on the basis of full time equivalents (FTEs) for physicians and other University Personnel.

A.2.4.1 Periods Ending 06/30/08 & 06/30/09. University shall provide no fewer than the number of FTE's below for the Contract Periods as set forth below (prorated to date of execution of this Addendum):

FTE COUNT

	Physician and Dentist FTEs**	Non-Physician FTEs	Total FTEs
Base Contract as of Contract Year 2007	464.70	74.75	539.45
New Contract Year 2008	0.00	0.00	0.00
New Contract Year 2009	77.90	5.00	82.90
Total	**542.60**	**79.75**	**622.35**

** The number of FTEs includes a fraction of the effort of 73 direct County-paid physicians who receive a stipend from University (to be verified by the Hospital).

A.2.4.2 *Allocation of FTEs.* The allocation of University Personnel FTEs among Departments may be changed upon written agreement of the Chief Medical Officer, CEO and University Representative that such reallocation optimizes the use of personnel in the performance of this Agreement.

A.2.4.3 *Attrition of County-Employed Physicians.* Upon attrition of a County-employed physician in Primary County Facilities, Director may (1) hire a replacement or (2) direct University, for the remainder of the Contract Year to provide the services previously provided by such County physician through University-employed physicians, which shall constitute additional Purchased Services under this Agreement for which University shall be compensated during the Contract Year in addition to the contract maximum amount set forth in this Addendum A.

A.2.4.4 *Payment for FTEs for Unmet Needs and Additional Services.* Notwithstanding any other provision in this Agreement, payment for the Unmet Needs and Additional Services components of Purchased Services as set forth below that are dependent upon opening of the replacement facility of Hospital shall commence on a pro rata basis upon opening of the new acute care facility of Hospital and the provision of such services by the University..

A.3 Payment for Purchased Services. County shall compensate University as set forth below.

	Contract Year 2007	Contract Year 2009 (annualized)
Contract Maximum Amount (from 2007 MSOA Addendum A)	**80,243,160**	**80,751,967**
Additional Funding Needed for Current Services:		

1	a. 3.0% Cost of Living Adjustment (Contract Year 2008)		2,422,559
	b. 3.0% Cost of Living Adjustment (Contract Year 2009)		2,495,236
2	a. Fringe Benefit Increase (32%-32.75%) for Addendum A (County-proposed numbers include this increase)		52,589
	b. Fringe Benefit Increase (32%-32.75%) Base Contract Amount		390,644
3	Director of Quality Management Stipend – additional supplement		60,000
4	Workload measurement, AmIOn implementation		66,375
5	a. Attrition of County Employees (Contract Year 2009) at LAC + USC Medical Center (5 FTE)		1,057,224
	b. Attrition of County Employees (Contract Year 2008) **(One time, non-recurring payment)**		436,204
Subtotal (5 FTE)		**6,980,831**	
ACGME Requirements:			
6	ACGME Institutional and Common Program requirements related to Graduate Medical Education. Additional staffing needed above what is currently being allocated to the program include:		
	Designated Institutional Officer (1 FTE)		50,000
	Educational Specialist (1 FTE).		132,000
7	ACGME required Program Director: Anesthesiology MD (0.4 FTE)		96,727
8	ACGME required Obstetrics and Gynecology:		
	ACGME required 24/7 supervision of residents (2 FTE)		399,985
	ACGME required Program Director (0.5 FTE)		99,996
9	ACGME required independent Medicine/Pediatrics program. (0.5 FTE)		72,209
10	ACGME required Radiation Oncology resident supervision (0.5 FTE)		201,366
11	ACGME required supervision of interventional Radiology program (1 FTE)		284,563

12	ACGME required: Dedicated Residency Director - Neurology (0.5 FTE)		72,909
13	ACGME required Internal Medicine: Subspecialty Program Directors		
	Pulmonary/CC (0.5 FTE)		72,204
	Cardiology (0.5 FTE)		160,481
	GI/Liver (0.5 FTE)		72,209
	Renal (0.4 FTE)		62,663
	Endo (0.4 FTE)		57,767
	Heme (0.4 FTE)		73,739
	Oncology (0.4 FTE)		73,739
	ID (0.3 FTE)		57,767
	Rheumatology (0.3 FTE)		43,326
	CCEP (0.25 FTE)		41,348
	Interv Card (0.25 FTE)		54,238
	Geriatic (0.25 FTE)		36,104
14	ACGME required: Program Director support – Cardiothoracic Surgery (.25 FTE)		71,141
15	ACGME required: Support for Program Director – Surgery (0.3 FTE)		72,545
16	ACGME required: Program Director – Pediatrics (1 FTE)		140,548
17	AGCME required. Program Director – Psychiatry (Adult) (0.5 FTE)		89,711
18	ACGME required. Associate Program Director – Psychiatry (Adult) (0.5 FTE)		89,711
19	ACMGE required. Program Director – Psychiatry (Child) (.5 FTE)		89,711
20	ACGME required. Program Director – Diag Radiology (0.2 FTE)		52,645
21	ADA required. Program Director – Dentistry (0.5 FTE)		76,671
22	ADA required. Oral and Maxillofacial Surgery (1 FTE)		151,335
Subtotal (15.6 FTE, 1 Non MD FTE)		**3,049,358**	
Unmet Needs at Existing Facility:			
23	Radiology: Agreed upon staffing per MSOA Evaluation (4.5 FTE) at agreed upon pre-fringe rate of $310,500		1,844,370

24	Anesthesiology: Attending physician. MD (1 FTE)		377,916
25	OR Medical Director (0.5 FTE)		146,000
26	Palliative Care (1.0 FTE)		232,312*
27	Gastroenterology Ultrasound/ERCP Specialist (0.6 FTE)		238,950*
Subtotal (7.6 FTE)		**2,839,548**	

Additional Services:

28	Anesthesiology: Services needed for interventional Facilities Facilities MD (2 FTE)	691,680*
29	Radiology: Additional staffing needed for new facility per MSOA Evaluation at agreed-upon pre-fringe rate of $310,500 (7.5 FTE).	3,073,950*
30	Radiation Oncology: Additional staffing needed for new facility that will house dual high energy 3 Linear accelerators with IMRT capability, high-doses rate brachytherapy, and CT Simulator as well as other technologies. PhD Physicists (2 FTE) Radiation Oncologist (1 FTE)	404,237 402,732*
31	Urology: Staffing required for kidney stone lithotripsy in new facility. (1 FTE)	392,568*
32	Emergency Medicine: Additional staffing needs as a result of 38 additional acute care beds within the new facility (8 FTEs)	2,069,760*
33	Surgery: Acute Trauma Care coverage (1 FTE) Trauma On-call coverage requirements Vascular Surgery coverage at H. Claude Hudson Comprehensive Health Center (0.5 FTE) Additional Institutional General Surgeon (1 FTE)	306,327* 200,000* 175,415* 306,327*

* Dependent upon opening of the replacement facility of the Hospital.

34	Medicine:	
	Quality/volume workload increases. Staffing includes:	
	Cardiovascular Medicine – Cardio Catheterization (2 FTE)	798,426
	Cardiovascular Medicine – Echos (1 FTE)	274,826
	Harris-Rodde Settlement needs:	
	Rheumatology (2 FTE)	365,890
	Cardiology (2 FTE)	592,416
	Diabetes (2 FTE)	365,890
	Gastroenterology/Liver (2 FTE)	549,653
	General Medicine (5 FTE)	914,724
35	Radiation Oncology: Radiation Therapy Dosimetrist (2 FTE)	222,615
36	Institutional ICU Medical Director (1 FTE)	311,256
37	Emergency Medicine/Pediatrics: In-house supervision for residents (4 FTE)	1,013,379*
38	CRM Medical Director (1 FTE)	199,125*
39	Psychiatry: Coverage of Hawkins Adult Units (5 FTEs)	1,320,000
40	Clinical Resource Management Disease Management Clinics:	
	Cardiologist, CHF Disease Management (0.5 FTE)	175,956*
	Endocrinologist, Diabetes Disease Management Clinic (0.2 FTE)	41,342
41	Hospitalist Program Supplement	1,267,000
42	Emergency Medicine Funding Supplement	1,730,000
43	Psychiatric Outpatient Department Coverage (Funding ceases upon execution of an agreement between DMH and University's physician group) (1.5 FTE)**	371,700
44	Psychiatric Outpatient Department Transfer to DMH (Effective upon execution of MOU between University and DMH.) (3.1 FTE)**	(409,186)
45	Transfer of University Compensation for County-Employed Physicians (See section A.10)	(TBD)

** Because FTE change is contingent upon a future occurrence, they are not currently included in the FTE count set forth in sections A.2 and A.3 and Contract Maximum Amount listed below.

46	Transfer of County Compensation for University Physicians (See section A.10)		TBD
Subtotal (49.7 FTE, 4 Non-MD FTE)		**18,537,194**	
Total Additional Services			31,406,931
Contract Maximum Amount			112,158,898

A.4 Volume of Purchased Services.

A.4.1. Academic Purchased Services. During the term of this Agreement, Academic Purchased Services will be performed by Faculty in accordance with the requirements of this Agreement. The parties agree during Contract Year 2009 to work together to develop a new methodology for determining payments for the provision of Academic Purchased Services under this Agreement.

A.4.2. Academic and Clinical Administrative Purchased Services. During the term of this Agreement, University shall provide Academic and Clinical Administrative Purchased Services as needed to support the Training Programs in accordance with the requirements of this Agreement. The Parties agree during Contract Year 2009 to work together to develop a new methodology for determining payments for the provision of University Academic and Clinical Administrative Purchased Services under this Agreement.

A.4.3. Mission Support. County is committed to promoting medical education in its community, as reflected through County's affiliation with University and County's participation in graduate medical education training programs accredited by the Accreditation Council for Graduate Medical Education. The Parties agree during Contract Year 2009 to work together to develop a methodology for providing mission support to University.

A.5 Community-Based Health Services Planning. University agrees to participate in the County's community based planning efforts. These planning efforts include but are not limited to: resizing the breadth and depth of primary and specialty care programs to meet local community needs, disease burden and public health initiatives; resizing the breadth and depth of tertiary and quaternary services to fit effectively within system-wide DHS clinical programs; expansion of outpatient diagnostic and therapeutic programs at Hospital and other community–based sites; sizing ACGME , ADA and other allied health programs in concert with service delivery planning; and developing, implementing and reporting evaluation metrics for the quality and efficiency of the service delivery program.

A.6 Replacement Hospital Transition Planning. County agrees to participate with the University to maximize collaborative planning for the transition to the Hospital replacement facility during the term of this Addendum. Through such planning, County agrees to provide adequate office space, on-call rooms, and other support space for University administration, clinical service, and teaching in the Hospital replacement facility.

County also agrees to make best efforts to ensure the continuing viability of University Training Programs in the Hospital replacement facility. Pursuant to section 2.6.1 of this Agreement, University will notify County of any matters within the control of County in transitioning to the Hospital replacement facility that to the University's knowledge may compromise accreditation of any University Training Program. In the event County receives such notice, County will cooperate with University to make all reasonable efforts to retain accreditation.

A.7 **Faculty Teaching Incentive Fund**. Facility JPO Committee will establish annual awards for excellence in teaching to be awarded to Faculty. Faculty awardees and the amount of the awards will be determined by the Facility JPO based on written criteria to be jointly developed by University and County. In developing written criteria, University and County shall include resident and medical student participation as necessary criteria. Parties agree to equally finance this Incentive Fund, with each party contributing $25,000 annually.

A. 8 **Primary County Facilities**. Those facilities listed in Exhibit 2 shall constitute the Primary County Facilities where Purchased Services may be performed.

A.9 **Information Physician Workload and Productivity.** The Parties shall work collaboratively to achieve both the clinical and operational goals as identified in the Hospital's mission and strategic plan. These include both short and long range goals, which will be refined and updated on an annual basis as part any revisions to this Addendum. To address a long range goal of improving information on attending staff workload and productivity, the parties agree to implement an initial two part solution:

A.9.1 AmIOn Physician Scheduling. The Hospital shall provide the AmIOn electronic attending staff scheduling program for use by University. Within six months of providing the University access to AmIOn, or within six months of the execution of this Addendum, whichever is later, and in accordance with a timetable established by University and accepted by County, The University shall install and operate the AmIOn electronic attending staff scheduling program in a manner that identifies physicians in all clinical departments providing Purchased Services at Hospital each day (the "Hospital Schedules"). Hospital will have online access to the Hospital Schedules through AmIOn.

A.9.1.1 The University shall be responsible for the input, security and access of all data into AmIOn. To ensure accuracy, the University shall update physician scheduling data into AmIOn on not less than a daily basis and will periodically validate Hospital Schedules.

A.9.1.2 Upon request of the County, the University shall verify the accuracy of physician schedules in AmIOn as compared to actual physicians who have worked and the amount of hours worked by such physicians. The above verification may include one, several or all departments/services in the Hospital.

A.9.2 The parties acknowledge that the Hospital and University have completed three Memoranda of Understanding to measure performance and productivity of Purchased Services for the Harris-Rodde Specialty Clinics Coverage, Echocardiography and Radiation Oncology, anticipated to be executed by the

parties within one month of execution of this Addendum. Hospital and University mutually agree to work together to develop additional Memoranda to measure performance and productivity for other major clinical Purchased Services as agreed by the Parties. The Parties shall use good faith efforts to complete and execute such Memoranda within twelve months of execution of this Addendum.

The Parties shall develop a mutually agreed upon system to track compliance with the performance and productivity goals identified in each Memorandum of Understanding (the "Tracking System"). When Hospital has reasonably determined that the performance and productivity goals under one (or more) Memorandum have not been met by University based on the data from the Tracking System, the Hospital shall notify the University in writing within twenty (20) days of such determination (the "Notice"). The Notice shall be delivered to the Office of the Dean of the Keck School of Medicine, with a copy to the Office of the General Counsel. The Notice shall identify the specific performance and productivity goal by type and amount of unmet services, as compared to the performance and productivity goal(s) under the applicable Memorandum as well as Hospital's efforts to correct any Hospital issues related to the performance and productivity goal(s) at issue.

Within thirty (30) business days of receiving the Notice from the Hospital, the University shall submit a corrective action plan to the Hospital which sets forth the specific action(s) to be taken to meet the performance and productivity goal(s) and time period for completion of the corrective action plan. The Parties will work together to modify the corrective action plan to address each Party's concerns.

Disputes about each Party's compliance with the corrective action plan will be reviewed by an independent arbitrator selected by the Parties. The arbitrator's fees will be equally borne by the Parties. If the arbitrator determines that, solely due to the acts or omissions of University, University has not implemented in good faith the material elements of the corrective action plan within the time period specified in the corrective action plan agreed to by the Parties, the Hospital may deduct from payment to be made to the University the Hospital's actual and reasonable additional cost to provide the unmet services that directly result from such failure to meet the performance and productivity goals (except with respect to any goal established for new patients or new visits) through an alternative arrangement.

To the extent that the Parties desire University to provide services in excess of those established by the performance and productivity goals, they may increase those goals and provide for additional payment related to such services to University through an administrative amendment signed by both Parties, provided that such additional payment does not exceed the Contract Maximum Amount provided in Section A.3 of Addendum A. To the extent that payment for such additional services would cause total payments due under this Addendum to exceed the Contract Maximum Amount, the Parties acknowledge that compensation may only be made for such additional services after the Governing Board approves a formal amendment to this Addendum A authorizing such supplemental services.

A.9.3. Medical Record Documentation Performance Goals. The parties acknowledge the importance of accurate and timely documentation of patient medical information to facilitate patient treatment, care and services, particularly in the postgraduate physician teaching environment of the Hospital. Such proper documentation is reflected in policies and standards applicable to the University, including, without limitation, the standards set forth by the Joint Commission (formerly defined as "JCAHO"), and policies issued by the County Department of Health Services. In addition to other compliance obligations, the parties seek to emphasize compliance with the following:

A.9.3.1 *Joint Commission*. The Parties agree to work together to maintain a medical record delinquency rate at or better than the full compliance threshold set forth by Joint Commission (IM 6.10; EP 11 "The medical record delinquency rate averaged from the last four quarterly measurements is not greater than 50% of the average monthly discharge (AMD) rate and no quarterly measurement is greater than the AMD rate.") To that end, the University agrees to work with County toward compliance by ensuring that physicians meet this compliance threshold with respect to the physician components of the medical record. For purposes of this section, a delinquent medical record is defined as a medical record available to the Physician for review and is further defined by Hospital Medical Staff Rules and Regulations.

A.9.3.2 *DHS Policy*. The University agrees to work toward a 90% threshold compliance rate for the following components of DHS Policy 310.2, Supervision of Residents, or as subsequently amended by DHS, by ensuring that physicians meet this compliance threshold regarding the physician components of the medical records and activities which are set forth below. References to the specific provision of DHS Policy 310.2 are in parentheses.

(4.1) An attending physician shall see and evaluate each patient prior to any operative procedure or delivery and shall document this evaluation in the medical record.

(4.2) An attending physician is responsible to assure the execution of an appropriate informed consent for procedures and deliveries with consent form and progress note documenting the consent discussion in the medical record.

(4.4.1) If the attending is present for the operative or invasive procedure or delivery, he/she must document in the medical record that he/she has evaluated the patient and authorizes the procedure.

(4.4.2) If the attending physician is not present for the operative or invasive procedure or delivery, the supervisory resident shall document in the medical record that he/she has discussed the case with the attending and the attending authorizes the resident to proceed.

(4.5) An attending physician must assure an operative or procedure note is written or dictated within 24 hours of the procedure and shall sign the record of operation ("green sheet") in all situations for which direct attending physician supervision is required.

(5.1) An attending physician is responsible for supervision of the resident and appropriate evaluation of the patient for each emergency department visit.

(5.2) An attending physician or supervisory resident shall review and sign the patient's record prior to disposition.

(7.1) An attending physician shall see and evaluate each inpatient within 24 hours of admission and shall co-sign the resident's admission note or record his/her own admission note within 24 hours.

(7.2) An attending physician shall see and evaluate the patient at least every 48 hours and shall ensure that the resident includes in the progress note that he/she has discussed the case with the attending or the attending physician shall record his/her own note at least every 48 hours.

(7.3) An attending physician shall discuss the discharge planning with the resident. The resident shall document in the medical record the discussion of the discharge plan and the attending physician concurrence with the discharge plan prior to the patient's discharge, or the attending shall record his/her own note.

(8.1) An attending physician or supervisory resident shall discuss every new patient with the resident physician within 4 hours of admission of each such patient to the Intensive Care Unit. The resident shall document this discussion with the attending physician.

(8.2) An attending physician shall see and evaluate the patient within 24 hours after admission to the Intensive Care Unit, discuss this evaluation with the resident and document this evaluation and discussion in the medical record.

(8.3) An attending physician shall see and evaluate all admitted patients at least daily following admission and discuss this evaluation with the resident. The attending physician shall ensure that the resident includes in the progress note that he/she has discussed the case with the attending, or the attending physician shall record his/her own note to that effect.

The parties acknowledge that resident compliance of DHS policy requires that each party satisfy their respective obligations, with the Hospital employing residents, and the University employing the Faculty responsible for the oversight/teaching of residents. To that end, the responsibilities of the University under this Agreement shall include proper teaching/instruction of the requirements of DHS policy as set forth in this section and appropriate incorporation of the requirements of this section with resident competency evaluation.

A.9.3.3 *Monitoring and Corrective Action Regarding Compliance with DHS Policy*. Monitoring and corrective action to determine and maintain compliance with Performance Goals set forth above shall be performed through the Hospital's existing quality assurance/quality improvement structure and committees, or as modified in accordance with Hospital bylaws, and rules and regulations.

In addition, within six months of the execution of this Addendum, the Hospital shall work with the University to establish a process for the University to monitor compliance with the Performance Goals set forth above.

A.9.4 Operative Procedures for Residents. The University shall ensure that each department develops within 60 days of execution of this Addendum, and updates as needed to reflect any changes, or on an annual basis, whichever is more, the following:

1. a list of residents designated as supervisory residents.
2. a list of operative procedures that may be conducted by a supervisory resident to be approved by the Medical Executive Committee and Network Executive Committee.

A.9.4.1 *Clinical Core Measures.* The Parties agree that quality patient care is critical to the missions of the University and the County. To that end, the University shall use best efforts to achieve 90% compliance with the following clinical core measures:

1. Heart Failure-3:ACEI or ARB for LVSD
2. Heart Failure-2: Evaluation of LVS function
3. Pneumonia 3b: Blood cultures performed in the Emergency Department prior to initial antibiotic received in the Hospital.
4. Pneumonia 6b: Initial antibiotic selection for community acquired pneumonia in immunocompetent patients – non ICU patients.
5. Pneumonia 6a: Initial antibiotic selection for community acquired pneumonia in immunocompentent patients – ICU patients
6. Acute MI - 1: Aspirin on arrival.
7. Acute MI. - 2: Aspirin prescribed at discharge.
8. Acute MI - 3: ACEI or ARB for LVSD.
9. Acute MI – 5: Beta blocker prescribed at discharge.
10. Acute MI – 6: Beta blocker on arrival.
11. Acute MI - 8a: Median time to primary PCI received within 90 minutes of hospital arrival.
12. SCIP 1a: Prophylactic antibiotic received within one hour prior to surgical incision, overall rate.
13. SCIP 2a: Prophylactic antibiotic selection for surgical patients, overall rate.
14. SCIP 3a: Prophylactic antibiotics discontinued within 48 hours after surgery end time, overall rate.

A.9.4.2 *Monitoring and Corrective Action Regarding Compliance with Clinical Core Measures.* Monitoring and corrective action to determine and maintain compliance with Performance Goals set forth in Paragraph A.9.4.1 above shall be performed through the Hospital's existing quality assurance/quality improvement structure and committees, or as modified in accordance with Hospital bylaws, and rules and regulations.

A.10 COUNTY'S PHYSICIAN PAY PLAN. The parties acknowledge that the County has recently approved a new physician pay plan, and will be approving a new rate structure for physician employees represented by a collective bargaining group, for reimbursement of County-employed physicians and dentists. In order to implement the foregoing, the parties agree to the following terms subject to the approval by the County physicians' collective bargaining group.

1. Faculty who are County employees, who receive funds derived from this Agreement and who are tenured Faculty as of the date of execution of this Addendum shall maintain their dual employment status at the County and the University.

2. All other Faculty who are County employees and who receive funds derived from this Agreement shall have the following options:

    a. Resign from County employment and receive all compensation from the University for all services to be provided at Primary County Facilities, The County shall pay to the University the annual base salary paid to the physician by County at the time such option is selected. University agrees to accept such employee and pay to him or her the base salary amount provided by the County. Nothing in this Agreement shall be construed to restrict any County employee from resigning from County service at any time upon his or her determination.

    b. Cease receiving any compensation by the University of funds derived from this Agreement for all services to be provided at Primary County Facilities and receive compensation from the County under the County's new pay plan, except as set forth below. The University agrees to provide to County the total of compensation of funds derived from this Agreement and paid by University to such Faculty for the most recent Contract Year. Further, the County shall reduce this compensation amount on a pro rata basis from the payments made by the County to the University under this Agreement. The University acknowledges that County employees are prohibited under County policy from working for more than 24 hours per week outside of County employment.

    Notwithstanding the foregoing, to the extent permitted by County outside employment, and other applicable, rules and policies, a County physician may provide services to the County through the University. In addition, a County physician may be eligible to receive funds distributed from the Management Performance Plan.

    Replacement (due to attrition) of physicians who choose option b shall be in accordance with section A.2.4.3 above.

    c. If the physician does not choose option a or b, the physician shall continue to receive compensation from the County, under the old pay plan, and compensation from the University.

The parties agree to work collaboratively to implement these provisions within a time frame agreed to by the Parties. The parties contemplate holding a joint meeting with each Faculty who is eligible to select between option a or b above to discuss the pay plan and other related matters such as reimbursement and benefits provided by the County and the University.

Nothing in this Agreement shall be construed to restrict the existing right of a County employee to resign from County employment at any time at his or her discretion.

Subject to section 2.1.2.2, the University is solely responsible for setting the compensation paid by the University to County employees in connection with services performed under this Agreement.

USC ADDENDUM B-1

Performance and Productivity Standard Development

PERFORMANCE AND PRODUCTIVITY

B.1. OVERVIEW

University shall participate with County to monitor and evaluate University's performance and productivity under this Agreement. In the spirit of cooperation and partnership, University and County will continue to pursue their joint goal of achieving and maintaining a high level of clinical and academic excellence among faculty and residents. To accomplish this goal, University and County representatives will communicate their ideas and recommendations at the appropriate committees and meetings where education and patient care are discussed. The parties agree that achievement of this goal is an evolving process and both parties will work together to continuously refine performance measures and the process for ensuring accountability.

B.2. EDUCATION

B.2.1. System Joint Planning and Operations Committee

To assure timely communication between University and County regarding academic matters, the parties agree to address key academic issues during regular meetings of the system Joint Planning and Operations Committee as outlined in Section 9.3 "System JPO Committee Responsibilities."

B.2.2. Educational Performance Indicators

Residency program educational performance shall be monitored in accordance with guidelines and standards set by the Accreditation Council for Graduate Medical Education ("ACGME"), specialty certification boards, and subspecialty certification boards. Faculty supervisory performance shall be monitored in accordance with the guidelines set by the applicable accrediting bodies and the terms and conditions of this Agreement.

To meet residency program education performance monitoring requirements under this Agreement, the University representative shall submit the following reports to the Medical Executive Committee for review and approval, and the County Governing Body:

1. Quarterly ACGME Accreditation Status for all residency programs including dates of last site visit and next scheduled site visit.

2. Quarterly ACGME Accreditation Cycle Length for all residency programs.

3. Semi-Annual report to identify the ACGME status of residency programs ("Semi-Annual Status Report"). The information to be included in this Semi-Annual Status Report will include the information described in Table B.2. below and is intended to identify any ACGME accredited County programs that have received formal accreditation letters with citations, concerns, or comments including, but not limited to, those related to institutional support.

TABLE B.2

REPORTING REQUIREMENTS	SPECIALTY/SUBSPECIALTY
Is the following issue cited or commented on in any ACGME accreditation letter?	List specialties or subspecialties referenced in letters from ACGME
1. Inadequate Institutional support for program or oversight issues	
2. Inadequate financial support for program	
3. Lack of faculty, number or qualifications (educational resources)	
4. Heavy service component or service-oriented citations	
5. Inadequate scholarly activity (either faculty or residents)	
6. Resident supervision citations or concerns	
7. Resident duty hour or on-call citations or concerns	
8. ACGME six general competencies	
9. Resident, faculty, program evaluation citations	
10. Internal review citations	
11. Resident eligibility, selection citations	
12. Food services or on-call room citations	
13. Resident agreement or contract issues	
14. Patient support services, IVs, labs., personnel, etc.	
15. Medical records, retrieval problems	
16. Security problems in any location in institution or grounds	
17. Board certification passing rate	
18. Resident in-service exam scores	
19. Program Director protected time for educational and administrative responsibilities to the program	

4. Status report of Corrective Action Plan (CAP) for programs identified in Semi-Annual Status Report as having received accreditation letters with citations, concerns, or comments.

5. Annual Institutional GMEC Report ("Annual Report"). The Annual Report shall include information regarding the following: resident supervision; resident evaluation; resident responsibilities; resident compliance with duty hour standards; and, results of the most recent National Residents Matching Program ("NRMP") match. The Annual Report will also include total County Housestaff numbers by specialty and subspecialty including the number of County Housestaff approved by the accrediting body, and an accurate and complete listing of non-county facilities that accommodate resident rotations and the annualized number of residents that rotated.

6. The University shall notify County within two (2) business days of when the University receives notice that any program has a final accreditation status from the ACGME of "Probationary Accreditation".

7. The University shall promptly notify County in the event that any program receives a commendation from the ACGME. University and County agree to recognize this commendation in writing to the Program Director and to the Department Chairperson, and to jointly provide any other incentives agreed upon by the parties.

B.2.3. Performance Guarantees

The University agrees that County requires the reports listed in this section B.2 to monitor the ongoing performance and quality of residency program education. To cooperate with County, University agrees to compensate County according to the following schedule for each failure of University to provide certain required reports:

1. University will compensate County $2,000.00 for each of the following reports not submitted to County within sixty (60) calendar days of the end of each Contract Year quarter: (i) Quarterly ACGME Accreditation Status for all residency programs; and (ii) Quarterly ACGME Accreditation Cycle Length for all residency programs. University will compensate County $2,000.00 for each of the following reports not submitted to County within ninety (90) calendar days of the end of two consecutive quarters (i) Semi-Annual Status Report.

2. University will compensate County $5,000.00 for each Annual Report (see B.2.2.6) not submitted to County by October 15 following the end of a Contract Year.

B.2.4. Confidentiality

University and County agree that all residency program information shall be maintained according to ACGME Institutional Common Program Requirements

and Specialty and Subspecialty requirements. University and County agree that all applicable laws relating to confidentiality and peer review protect GMEC minutes, GMEC Internal Reviews (not including schedules and/ or Review dates), GME Semi-Annual Status Reports and/ or any Corrective Action Plans and ACGME correspondence pertaining to program citations and concerns. County agrees that the Governing Body will restrict its review of the above listed documents provided by the University pursuant to this Agreement to County Governing Body meetings held in Executive Session, to the extent such restriction is permitted by law.

This restriction shall not apply to all other documentation provided by University pursuant to this Agreement, including but not limited to the GME Annual Report, Quarterly ACGME Accreditation Status for all programs, Quarterly ACGME Accreditation Cycle Lengths for all programs, notifications of commendations and all ACGME correspondence that does not pertain to citations and/or concerns.

B. 3. PATIENT CARE PERFORMANCE IMPROVEMENTS

University and County shall jointly monitor performance and productivity measures for patient care and propose recommendations for performance improvement. The DHS has established a DHS Performance Management Development Team to propose recommendations for clinical and administrative performance measures. The DHS Performance Management Development Team meets monthly to identify performance measures in key clinical categories. Its findings are reported quarterly to the DHS Director and DHS Health Leadership Board. At County's request, University agrees to attend and participate at all these meetings.

B.3.1. Performance and Productivity Measures

Performance and productivity measures identified by County and University for patient care shall include, but are not limited to, the following:

(1) Compliance with DHS policy and ACGME requirements for the supervision of County Housestaff and compliance with direct supervision as required for operative procedures;

(2) Compliance with patient care duties required by DHS policies and procedures including, but not limited to, physician attendance, communication of information, and completion of patient satisfaction surveys;

(3) Physician signatures and documentation of clinical procedures on medical records and appropriate forms as required by DHS policies and procedures;

(4) Compliance with clinical pathways and practice guidelines including those developed and/or adopted by the County and University;

(5) Attendance and Participation at Medical Staff Committees (Network Quality Improvement Committee, Risk Management, Committee, UR/Case Management Committee, etc.);

(6) Completion of Medical Records by Departments as measured by the JCAHO Threshold (documentation such as resident supervision, clinical documentation, operating room reports, etc.).

B.3.2. Hospital Performance Goals

University and County agree to cooperate to achieve certain utilization and other performance goals at Hospital in order to transition, after July 1, 2007, to a new acute care facility intended to function as a replacement facility for Hospital. To assist with such transition, University agrees that County requires the achievement of the following "Hospital Performance Goals": (i) reduction of the average daily length of stay (ALOS) at Hospital to 5.5 days or less, on or before July 1, 2007; (ii) achievement of budgeting and staffing for Hospital admissions volume of not less than 40,000 patients through July 1, 2007; and, (iii) achievement of a median non-psychiatric Hospital Emergency Department boarding time of less than seven (7) hours, on or before July 1, 2007. For purposes of this Agreement, the ALOS and Hospital admissions shall include short stay patients and "boarding time" is defined as the time period beginning when a member of Faculty writes an order admitting a patient to Hospital until the time the patient reaches the Hospital's inpatient unit.

To achieve the Hospital Performance Goals, University and County agree to cooperate to reduce inpatient days at Hospital by 10,000 days for Contract Year 2007 and Contract Year 2008 based on a Hospital admissions level of 40,000 patients during Contract Year 2007 and Contract Year 2008, as measured relative to the actual number of inpatient days at Hospital during Contract Year 2005 (the "Hospital 2007/2008 Performance Target"). County and University acknowledge that the contemplated reduction in inpatient days is critical to the achievement of the Hospital Performance Goals, and that such reduction cannot be accomplished without the joint efforts of the Parties. University and County agree that to reduce Hospital inpatient days by 10,000 days during Contract Year 2007 and Contract Year 2008, Hospital must (i) achieve efficient operating room utilization; (ii) provide adequate imaging services; and, (iii) provide adequate case management support. University and County agree to work with the Facility JPO Committee to monitor Hospital's performance in these areas.

The Parties agree that University's obligation to achieve the Hospital Performance Goals during Contract Year 2008 is contingent on County's

approval of a Contract budget for Contract Year 2008 that is no less than the total annual Contract budget for Contract Year 2007.

To cooperate with County, University agrees to compensate County for any failure of Hospital to achieve the Hospital 2007/2008 Performance Target during Contract Year 2007 and Contract Year 2008 that is attributable solely to acts or omissions of University with respect to its obligations under this Contract, if County has satisfied all of its obligations under the Contract, in an amount equal to five percent (5%) of the Contract Maximum Amount for Contract Year 2007 ($4,012,158) set forth under Section A.5 of Addendum A, or ($80,243,160). There shall be no reduction in Purchased Services as a result of this compensation.

To the extent there is a dispute as to whether University or County has complied with the terms of this Section B.3.2, the Parties hereby agree to submit any claim or dispute arising out of or relating to the terms of this Section B.3.2 to arbitration by a single neutral arbitrator in Los Angeles, California. Subject to the terms of this paragraph, the arbitration proceedings shall be governed by the then-current commercial arbitration rules and procedures of JAMS. The arbitrator shall be retained through JAMS and shall be mutually agreed to by the Parties hereto. The arbitration proceedings and its results shall remain confidential to the extent permitted by law including those laws governing the County as a public agency. The decision of the arbitrator shall be final and binding on all Parties to this Agreement. The Parties agree that County may not collect the Penalty from University unless and until the arbitrator renders a final decision finding that the failure to achieve the Performance Targets is attributable solely to acts or omissions of University.

B.3.3 Service Chief Management Performance Plan (MPP) for Improved Utilization Performance

County will develop a program (the "Management Performance Plan" or "MPP") that provides financial incentives to University's Service Chiefs and Program Medical Service Directors to encourage improvements in Hospital utilization performance and clinical quality performance. Clinical performance goals for the MPP including, but not limited to, service appropriate performance targets, and criteria for incentive fund awards, will be jointly developed and agreed to by University and County in consultation with the Facility JPO. County will finance the MPP Fund through a contribution each Contract Year of $1,000,000 to a separate account established for such purpose.

B. 3.4. ACCOUNTING FOR PHYSICIAN STAFFING LEVELS, COMPENSATION AND USE OF AGREEMENT FUNDS

County and University shall maintain sufficient records to evaluate whether University is being compensated in accordance with the terms of this Agreement.

University and Hospital procedures established to track Faculty and County Housestaff staffing levels and Faculty compensation include but are not limited to the following:

(1) By no later than October 15 following the end of each Contract Year, University shall provide a written annual report depicting physician compensation paid through this Agreement, with individual physician names redacted ("Physician Compensation Report"). University will compensate County $5,000.00 if the required Physician Compensation Report is not submitted by October 15 of a Contract Year.

(2) If the CEO so requests, the Dean and University Representative will meet with the CEO to view non-redacted annual Faculty compensation reports reflecting the allocation of the aggregate compensation paid to University pursuant to Section A.5 to the funding of University Faculty compensation on an individual basis. Such sensitive personnel information shall not be taken from the premises or further disclosed by the CEO or Director. This Section B.3.4.2 does not require University to provide County with copies of Faculty employment or professional services agreements, and shall not be interpreted to otherwise affect the rights and obligations of the Parties existing under this Agreement. The purpose of such review is to facilitate discussions between the parties with respect to programmatic needs, resource allocation and anticipated evolution in the nature and intensity of Purchased Services. County further acknowledges and agrees that the information shared with the CEO and Director pursuant to this Section B.3.4.2 is not relevant to a determination of the volume of Purchased Services furnished by University under this Agreement, and shall not form the basis for an allegation that the volume of Purchased Services required under this Agreement was not provided by University. The Parties affirm that the volume of such Purchased Services shall be measured, on an aggregated basis, solely as set forth in Section A.3.

(3) Quarterly, County shall provide University with County compensation for County physicians who are dually employed by County and University.

(4) University shall provide an accurate written annual report that records the number of FTE physicians and other staff providing services under the Agreement.

B.4. COMMUNICATION AND INFORMATION SHARING

University shall participate with County in the periodic review of facilities where Purchased Services are provided. University and County will jointly develop plans of correction for these facilities in accordance with ACGME guidelines and standards. Areas of concern and/or deficiency will be reported and addressed through the local and

system governing structures as required by ACGME and County policies. These governing structures include the Hospital Graduate Medical Education Committee (GMEC), the Hospital and System JPO Committee, and the Hospital Governing Body. Minutes of Hospital Governing Body meetings will reflect reports regarding the resolution of issues.

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BOARD OF SUPERVISORS OFFICIAL COPY

COUNTY OF LOS ANGELES

request for appropriation adjustment

Dept's. No. 110

department of Health Services

11/10 2009

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 Executive Officer for his recommendation or action.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

2008-09 ✓

FY 2009 ✓

4 - VOTES ✓

SOURCES	USES
See Attachment I for details	See Attachment I for details

JUSTIFICATION

This budget adjustment is necessary to transfer available one-time funding from the FY 2008-09 Final Budget for the LAC+USC Medical Center Replacement Facility Accumulated Capital Outlay (ACO) Fund (J18) to the FY 2008-09 LAC+USC Healthcare Network (MN4) Services and Supplies operating budget for the net increase in the FY 2008-09 Medical School Affiliation Agreement maximum obligation.

MG:ty
11/4/2008

Renee T. Yamashiro for ✓

Mela Guerrero - DHS-Controller's Division

RUSSELL T. YAMASHIRO

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

Chief Executive Officer's Report

#27 NOV 25 2008

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Referred to the Chief Executive Officer for --- action

✓ Recommendation

auditor-controller by Karen Shikuma cy.

no. 068 Nov 14 2008

Approved as Requested as Revised

November 17, 2008

Chief Executive Officer

approved (as revised): board of supervisors 20

by

deputy county clerk

SEND 6 COPIES TO THE AUDITOR-CONTROLLER

DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2008-09

4-VOTE

SOURCES:		USES:	
LAC+USC Medical Center Replacement Facility - ACO Fund - New Facility		**LAC+USC Medical Center Replacement Facility - ACO Fund - New Facility**	
J18-HS-6030-50101-50103		J18-HS-6100-50101-50103	
Fixed Assets	$ 2,000,000	Operating Transfers Out	$ 15,000,000
LAC+USC Medical Center Replacement Facility - ACO Fund - Provisional Financing Uses			
J18-3303			
Appropriation for Contingencies	2,760,000		
LAC+USC Medical Center Replacement Facility - ACO Fund - Provisional Financing Uses			
J18-3017			
Designation for Program Expansion	10,240,000		
SUBTOTAL	**$ 15,000,000**		**$ 15,000,000**
LAC+USC Healthcare Network		**LAC+USC Healthcare Network**	
MN4-HG-96~~-9912-~~60010		MN4-HG-2000-60010	
Operating Transfers In	$ 15,000,000	Services and Supplies	$ 15,000,000
SUBTOTAL	**$ 15,000,000**		**$ 15,000,000**
TOTAL	**$ 30,000,000**		**$ 30,000,000**

Russell T. Yamashiro for

Mela Guerrero, Controller
Department of Health Services
RUSSELL T. YAMASHIRO

BA # 068 Karen Shikuma 11/14/08