



November 13, 2009

Los Angeles County
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TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D. 
Interim Director

SUBJECT: **DEPARTMENT OF HEALTH SERVICES (DHS)
FISCAL OUTLOOK**
(Agenda Item S-2, November 17, 2009)

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

On the Supplemental Agenda for November 17, 2009, the Department is requesting a continuance of the fiscal outlook report to January 19, 2010. We are requesting the continuance because the major component of our revenue solutions, the hospital provider fee, is still pending discussions between the State and the federal Centers for Medicare and Medicaid Services (CMS).

This memorandum, however, is to provide you with an update on the discussions since our last report.

For FY 2009-10, the passage of AB 1383 and AB 188 concerning the hospital fee, now provide the statutory authority and the appropriations for implementation of the fee program, after negotiations with the federal CMS. Although the prospects for CMS approval of the fee are good, it is too early to move that revenue from the potential solutions category into the forecast. That is the only significant source of additional funding which has been identified for FY 2009-10.

For FY 2010-11, in addition to potential hospital fee revenues through December 2010, the major revenue impacts to be determined are changes due to the new State 1115 Waiver. The State has posted a draft overview of its approach to the next Waiver and plans to submit the paper to CMS later this fall. However, it is unlikely that any significant negotiations will occur on the Waiver prior to the completion of the current health care reform efforts in Congress. If a health care reform bill passes, then the Waiver would be seen as a transition to it.

For both FY 2009-10 and FY 2010-11, any further impacts from the State budget are not expected before January.

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We will continue to brief your offices on developments as they occur. Should there be significant developments concerning the hospital fee, the waiver, the State budget or other significant changes in our fiscal forecast, we will schedule a report prior to January 19, 2010.

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

JFS:dh

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