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

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December 18, 2012

TO: Each Supervisor

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

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK (BOARD AGENDA, ITEM S-1 DECEMBER 18, 2012)**

This is to provide DHS' fiscal outlook for Fiscal Year (FY) 2012-13, updated since our last Budget Committee of the Whole report to the Board on June 19, 2012. The Department is currently projecting a surplus of $0.7 million for FY 2012-13 (see Attachment I).

The Department's fiscal outlook report is provided to the Board at regular intervals and usually addresses the current year and one future fiscal year. However, as further explained below, the report being presented to the Board at this time addresses only FY 2012-13. The Department will return to the Board and provide its projections for FY 2013-14 at the next Budget Committee of the Whole scheduled for March 2013.

FY 2012-13 Revised Estimates

The current fiscal year, FY 2012-13, represents the first full year of the transition of Seniors and Persons with Disabilities (SPDs) into Medi-Cal Managed Care. As previously reported, SPDs were phased into managed care with full transition just completed in May 2012. Since the end of the transition period, the Department has compiled, analyzed, and refined SPD data from its various systems and developed projection models to estimate costs and revenues for this population. Based on the new models, the Department has revised its FY 2012-13 full-year estimates for costs and revenues associated with this population.

For the Healthy Way LA (HWLA) matched program, the first full year of implementation was FY 2011-12. The Department has developed a similar projection model for HWLA costs and revenues and, based on the new modeling, has revised its FY 2012-13 full-year estimate for HWLA.

The Department is also modeling potential scenarios related to the January 2014 beginning of federal Health Care Reform and its potential impact on the Department. At the next Budget Committee of the Whole, the Department's forecast for FY 2013-14 will include the revised projections for SPDs and the HWLA matched program, as well as the anticipated impact of Health Care Reform.

Pending Issues That Could Impact FY 2012-13 Fiscal Outlook

The State's transfer of SPDs from fee-for-service (FFS) to managed care includes an arrangement with counties that they continue to fund the non-federal share of SPD Medi-Cal inpatient services at their public hospitals.

L.A. County's arrangement with the State is more complicated than other counties because of CBRC, i.e., the cost-based reimbursement program under which the State has agreed to continue to reimburse the Department at cost for managed care SPD outpatient services. The Department has been in discussions with the State on key technical issues related to the SPDs. Depending on how these issues are resolved, there could be a negative fiscal impact of up to $20.0 million on the FY 2012-13 forecast. The Department expects to come to an agreement with the State by the end of this calendar year.

Another issue that could impact the FY 2012-13 forecast is the Mental Health State Plan Amendment (SPA), originally filed with the Centers for Medicare and Medicaid Services (CMS) in 2009. Approval of the SPA remains pending at this time; however, the State has indicated that CMS approval is expected by the end of this fiscal year. The payment would be retroactive to 2009 and is valued at approximately $32.6 million. On an annual basis going forward, the value of the SPA is estimated to be $6.9 million.

Also still pending with CMS is approval of the Low-Income Health Program (in Los Angeles County, known as HWLA) capitation payment amount. The Department is expecting CMS approval of the rates by the end of this fiscal year. The capitation payments would be retroactive to July 2011.

Attachment II provides information on key workload indicators, e.g., days and visits, by facility, comparing FY 2011-12 actual data to FY 2012-13 projections.

The Department continues to make the changes necessary to adjust from a FFS to a managed care environment and to determine where efficiencies can be implemented to control costs and achieve savings.

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

MHK:aw
Fiscal Outlook Memo 121812
609:005

Attachments (2)

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

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FISCAL OVERVIEW

FISCAL YEAR 2012-13

(AS OF 11/7/12)

	TOTAL DEPARTMENT			HOSPITALS												AMBULATORY CARE [B]			JUVENILE COURT HEALTH SERVICES [C]			EMERGENCY MEDICAL SERVICES			OTHER GENERAL FUNDS		
				LAC+USC MEDICAL CENTER [A]			HARBOR-UCLA MEDICAL CENTER			RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER			OLIVE VIEW-UCLA MEDICAL CENTER													
	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE	BUDGET	FORECAST	VARIANCE
Expenses																											
Salaries:																											
- Salaries (excluding Overtime)	$ 1,283.2	$ 1,240.1	$ 43.1	$ 445.8	$ 428.7	$ 17.1	$ 278.8	$ 269.6	$ 9.2	$ 96.3	$ 93.4	$ 2.9	$ 168.6	$ 164.8	$ 3.8	$ 188.2	$ 182.5	$ 5.7	$ 19.4	$ 16.0	$ 3.4	$ 13.2	$ 13.2	$ -	$ 72.9	$ 71.9	$ 1.0
- Overtime	55.2	60.5	(5.3)	26.3	28.5	(2.2)	11.3	14.7	(3.4)	2.7	2.7	-	7.0	9.0	(2.0)	4.7	3.0	1.7	1.9	1.8	0.1	0.1	0.1	-	1.2	0.7	0.5
Total Salaries	1,338.4	1,300.6	37.8	472.1	457.2	14.9	290.1	284.3	5.8	99.0	96.1	2.9	175.6	173.8	1.8	192.9	185.5	7.4	21.3	17.8	3.5	13.3	13.3	-	74.1	72.6	1.5
Employee Benefits	655.2	652.6	2.6	225.1	224.4	0.7	130.3	130.2	0.1	49.0	49.0	-	85.0	83.3	1.7	109.8	109.6	0.2	7.9	7.9	-	6.5	6.4	0.1	41.6	41.8	(0.2)
Total Salaries & Employee Benefits	1,993.6	1,953.2	40.4	697.2	681.6	15.6	420.4	414.5	5.9	148.0	145.1	2.9	260.6	257.1	3.5	302.7	295.1	7.6	29.2	25.7	3.5	19.8	19.7	0.1	115.7	114.4	1.3
Net Services & Supplies (S&S):																											
- Centralized Pharmacy	138.5	138.5	-	47.4	47.4	-	23.0	23.0	-	5.9	5.9	-	17.3	17.3	-	43.4	43.4	-	1.5	1.5	-	-	-	-	-	-	-
- Medical/Dental/Laboratory	167.8	176.1	(8.3)	79.3	83.0	(3.7)	47.7	50.8	(3.1)	10.1	6.6	3.5	15.1	22.9	(7.8)	15.1	12.5	2.6	0.3	0.2	0.1	0.2	0.1	0.1	-	-	-
- Medical School Affiliation Agreement	153.5	152.4	1.1	120.7	119.8	0.9	9.1	9.1	-	-	-	-	17.7	17.7	-	5.6	5.6	-	0.4	0.2	0.2	-	-	-	-	-	-
- Nurse Registries	26.8	46.1	(19.3)	21.5	35.8	(14.3)	0.7	0.4	0.3	0.5	1.0	(0.5)	1.4	5.3	(3.9)	1.5	1.9	(0.4)	1.2	1.7	(0.5)	-	-	-	-	-	-
- Other Registries	32.8	44.1	(11.3)	11.5	13.7	(2.2)	6.3	8.7	(2.4)	1.7	3.0	(1.3)	5.2	9.7	(4.5)	7.9	8.8	(0.9)	0.2	0.2	-	-	-	-	-	-	-
- Specialty Contracts (Physicians/Non-Phys.)	41.8	45.8	(4.0)	1.1	1.9	(0.8)	7.1	6.5	0.6	5.3	5.8	(0.5)	4.3	8.3	(4.0)	23.7	23.1	0.6	0.3	0.2	0.1	-	-	-	-	-	-
- S&S-Other	994.2	966.0	28.2	223.8	228.9	(5.1)	131.1	138.4	(7.3)	44.5	42.7	1.8	94.6	92.2	2.4	383.2	361.8	21.4	4.9	4.8	0.1	16.5	16.4	0.1	95.6	80.8	14.8
Total Net S&S	1,555.4	1,569.0	(13.6)	505.3	530.5	(25.2)	225.0	236.9	(11.9)	68.0	65.0	3.0	155.6	173.4	(17.8)	480.4	457.1	23.3	8.8	8.8	0.0	16.7	16.5	0.2	95.6	80.8	14.8
Other Expenses [D]	422.6	416.1	6.5	110.1	111.8	(1.7)	84.9	83.7	1.2	24.7	23.3	1.4	34.5	33.1	1.4	89.4	88.2	1.2	(30.8)	(30.8)	-	(1.7)	(2.0)	0.3	111.5	108.8	2.7
Total Expenses	**$ 3,971.6**	**$ 3,938.3**	**$ 33.3**	**$ 1,312.6**	**$ 1,323.9**	**$ (11.3)**	**$ 730.3**	**$ 735.1**	**$ (4.8)**	**$ 240.7**	**$ 233.4**	**$ 7.3**	**$ 450.7**	**$ 463.6**	**$ (12.9)**	**$ 872.5**	**$ 840.4**	**$ 32.1**	**$ 7.2**	**$ 3.7**	**$ 3.5**	**$ 34.8**	**$ 34.2**	**$ 0.6**	**$ 322.8**	**$ 304.0**	**$ 18.8**
Revenues																											
Waiver Revenues	$ 1,563.6	$ 1,512.8	$ (50.8)	$ 664.6	$ 670.5	$ 5.9	$ 323.5	$ 291.7	$ (31.8)	$ 115.5	$ 86.5	$ (29.0)	$ 223.3	$ 237.3	$ 14.0	$ 236.6	$ 226.8	$ (9.8)	$ -	$ -	$ -	$ -	$ -	$ -	$ 0.1	$ 0.0	$ (0.1)
Federal & State - Other Revenues	454.0	383.0	(71.0)	159.9	144.1	(15.8)	100.3	90.9	(9.4)	38.9	34.4	(4.5)	64.9	53.7	(11.2)	75.6	45.5	(30.1)	0.5	0.6	0.1	13.1	13.1	-	0.8	0.7	(0.1)
Managed Care Revenues	405.9	431.6	25.7	66.6	72.1	5.5	64.1	71.7	7.6	1.6	15.4	13.8	34.6	25.8	(8.8)	239.0	246.6	7.6	-	-	-	-	-	-	-	-	-
Other County Department Revenues	282.4	246.2	(36.2)	50.6	27.2	(23.4)	17.1	13.2	(3.9)	1.1	0.9	(0.2)	21.5	14.3	(7.2)	10.5	10.4	(0.1)	-	-	-	0.3	0.2	(0.1)	181.3	180.0	(1.3)
Other Revenues	254.9	212.7	(42.2)	104.6	95.2	(9.4)	67.5	57.6	(9.9)	13.6	10.3	(3.3)	28.4	22.1	(6.3)	24.6	15.4	(9.2)	0.1	-	(0.1)	11.9	12.1	0.2	4.2	-	(4.2)
Total Revenues	**$ 2,960.8**	**$ 2,786.3**	**$ (174.5)**	**$ 1,046.3**	**$ 1,009.1**	**$ (37.2)**	**$ 572.5**	**$ 525.1**	**$ (47.4)**	**$ 170.7**	**$ 147.5**	**$ (23.2)**	**$ 372.7**	**$ 353.2**	**$ (19.5)**	**$ 586.3**	**$ 544.7**	**$ (41.6)**	**$ 0.6**	**$ 0.6**	**$ -**	**$ 25.3**	**$ 25.4**	**$ 0.1**	**$ 186.4**	**$ 180.7**	**$ (5.7)**
Net Cost - Before PYs' Surplus/(Deficit)	$ 1,010.8	$ 1,152.0	$ (141.2)	$ 266.3	$ 314.8	$ (48.5)	$ 157.8	$ 210.0	$ (52.2)	$ 70.0	$ 85.9	$ (15.9)	$ 78.0	$ 110.4	$ (32.4)	$ 286.2	$ 295.7	$ (9.5)	$ 6.6	$ 3.1	$ 3.5	$ 9.5	$ 8.8	$ 0.7	$ 136.4	$ 123.3	$ 13.1
Prior Years (PYs)' Surplus/(Deficit)	-	141.9	141.9	-	11.6	11.6	-	67.1	67.1	-	31.1	31.1	-	18.8	18.8	-	10.4	10.4	-	0.2	0.2	-	-	-	-	2.7	2.7
Net Cost - After PYs' Surplus/(Deficit) [E]	**$ 1,010.8**	**$ 1,010.1**	**$ 0.7**	**$ 266.3**	**$ 303.2**	**$ (36.9)**	**$ 157.8**	**$ 142.9**	**$ 14.9**	**$ 70.0**	**$ 54.8**	**$ 15.2**	**$ 78.0**	**$ 91.6**	**$ (13.6)**	**$ 286.2**	**$ 285.3**	**$ 0.9**	**$ 6.6**	**$ 2.9**	**$ 3.7**	**$ 9.5**	**$ 8.8**	**$ 0.7**	**$ 136.4**	**$ 120.6**	**$ 15.8**

Notes:

(A) Includes unreimbursed estimated costs of $35.0 million for Sheriff's Department - for providing inpatient, outpatient, and specialty services to inmates in County jails. This does not include capital project costs of $2.7 million (Departments of Probation's and Coroner's share) incurred by DHS for the Central Plant upgrade to be in compliance with the South Coast Air Quality Management District Rule 1146.

(B) Includes Multi-Service Ambulatory Care Centers, Comprehensive & Community Health Centers, Community Partners, Office of Managed Care, and Ambulatory Care's administrative units.

(C) Juvenile Court Health Services (JCHS) provides medical services to Probation youth who are under the responsibility of the Department of Probation. The current forecast reflects $2.9 million unreimbursed net cost from Probation for FY 12-13. The $3.7 million reduction from the budgeted funding gap of $6.6 million from Probation is primarily due to vacancies. DHS is reviewing the staffing level at JCHS and may make adjustments to its FY 13-14 budget.

(D) Includes Other Charges, Capital Assets, and Operating Transfer Out, and net of Intrafund Transfers. The Other Charges include intergovernmental transfers for Managed Care Rate Supplement and Delivery System Reform Incentive Pool revenues.

(E) The Net Cost of $1,010.8 million is comprised of County Contribution, Vehicle License Fee, Sales Tax, Measure B, Tobacco Settlement fund, and DHS' Fund Balance.

ATTACHMENT I

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

WORKLOAD

FISCAL YEAR 2011-12 ACTUAL vs FISCAL YEAR 2012-13 PROJECTION

(AS OF 11/7/12)

	TOTAL DEPARTMENT			LAC+USC MEDICAL CENTER			HARBOR-UCLA MEDICAL CENTER			RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER			OLIVE VIEW-UCLA MEDICAL CENTER			AMBULATORY CARE (A)			OTHER GENERAL FUNDS		
	FY 11-12 ACTUAL	FY 12-13 PROJECTION (B)	CHANGE	FY 11-12 ACTUAL	FY 12-13 PROJECTION	CHANGE	FY 11-12 ACTUAL	FY 12-13 PROJECTION	CHANGE	FY 11-12 ACTUAL	FY 12-13 PROJECTION	CHANGE	FY 11-12 ACTUAL	FY 12-13 PROJECTION	CHANGE	FY 11-12 ACTUAL	FY 12-13 PROJECTION	CHANGE	FY 11-12 ACTUAL	FY 12-13 PROJECTION	CHANGE
Average Daily Census	1,263	1,290	27	571	576	5	328	341	13	172	176	4	192	197	5	-	-	-	-	-	-
Inpatient Days	462,258	470,850	8,592	208,986	210,240	1,254	120,048	124,465	4,417	62,952	64,240	1,288	70,272	71,905	1,633	-	-	-	-	-	-
Admissions	70,846	70,628	(218)	32,695	32,379	(316)	20,537	20,385	(152)	3,883	3,862	(21)	13,731	14,002	271	-	-	-	-	-	-
Average Length of Stay	6.3	6.5	0.2	6.2	6.3	0.1	5.6	5.9	0.3	16.0	16.7	0.7	4.9	4.9	-	-	-	-	-	-	-
Ambulatory Care / Urgent Care / Community Partners Visits	2,911,527	2,888,376	(23,151)	551,578	552,818	1,240	332,750	331,318	(1,432)	80,771	73,591	(7,180)	220,506	221,350	844	1,725,922	1,709,299	(16,623)	-	-	-
Emergency Department Visits	273,882	274,680	798	147,132	149,553	2,421	69,967	68,435	(1,532)	-	-	-	56,783	56,692	(91)	-	-	-	-	-	-
Emergency Department Psych. Visits	21,262	20,900	(362)	8,020	7,913	(107)	7,689	7,450	(239)	-	-	-	5,553	5,537	(16)	-	-	-	-	-	-
Juvenile Court Health Services Visits	88,112	89,412	1,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,112	89,412	1,300

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

(B) FY 12-13 projection is based on the preliminary October 2012 workload report.

ATTACHMENT II