Health Services
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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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November 5, 2014

TO: Each Supervisor

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

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK (BOARD AGENDA, ITEM S-2 NOVEMBER 5, 2014)**

This is to provide DHS' fiscal outlook for Fiscal Years (FY) 2014-15 and 2015-16. The Department is currently projecting a surplus of $102.1 million for FY 2014-15 (before application of the AB 85 sharing formula), and a balanced budget for FY 2015-16 (see Attachment I).

FY 2014-15

The Department was able to fund $105.2 million in FY 2014-15 costs for the Online Realtime Centralized Health Information Database (ORCHID) without use of commercial paper. The Department is currently working with the State to confirm our understanding of how the AB 85 formula will be calculated. At the next fiscal outlook report to the Board, the Department expects to be able to provide the estimated amount of redirection for FY 2014-15. The final amount of the redirection will be determined two years after the close of the fiscal year.

FY 2015-16

The Department also expects to fund ORCHID costs for FY 2015-16 without use of commercial paper. The current 1115 Waiver expires October 31, 2015 and the State has not yet negotiated the terms of a potential new Waiver with the Centers for Medicare and Medicaid Services (CMS). Under the current Waiver, Delivery System Reform Incentive Pool (DSRIP) funding will end June 30, 2015. For FY 2015-16, the Department assumed Safety Net Care Pool funding for a full year, and DSRIP funding under a new Waiver beginning November 1, 2015. Therefore, only eight months of DSRIP funding is included in the FY 2015-16 estimates.

The State is expected to begin negotiations with CMS within the next couple of months. The Department is working closely with its member organizations and the State to develop proposals for the new Waiver.

The Department is continuing its review of the data on payer mix, utilization, volume, etc. at its facilities to determine the impact of the Affordable Care Act. The data will be used to inform system modifications and other changes that may need to be implemented to ensure that DHS operations are keeping pace with changes occurring in the evolving health care environment.

Attachment II provides information on key workload indicators by facility, comparing FY 2013-14 actual data to FY 2014-15 projections.

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

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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 2014-15

(AS OF 10/27/14)

	TOTAL DEPARTMENT			HOSPITALS																				
				LAC+USC MEDICAL CENTER			HARBOR-UCLA MEDICAL CENTER			RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER			OLIVE VIEW-UCLA MEDICAL CENTER			AMBULATORY CARE [A]			ORCHID [B]			OTHER GENERAL FUNDS [C]		
	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)	$ 1,379.0	$ 1,345.5	$ 33.5	$ 469.1	$ 461.7	$ 7.4	$ 310.8	$ 302.7	$ 8.1	$ 100.2	$ 97.0	$ 3.2	$ 174.8	$ 173.3	$ 1.5	$ 181.5	$ 172.4	$ 9.1	$ 10.3	$ 10.3	$ -	$ 132.3	$ 128.1	$ 4.2
- Overtime	57.5	67.0	(9.5)	26.4	30.6	(4.2)	11.7	18.2	(6.5)	2.7	2.2	0.5	9.0	9.0	-	4.6	4.1	0.5	0.2	0.2	-	2.9	2.7	0.2
Total Salaries	1,436.5	1,412.5	24.0	495.5	492.3	3.2	322.5	320.9	1.6	102.9	99.2	3.7	183.8	182.3	1.5	186.1	176.5	9.6	10.5	10.5	-	135.2	130.8	4.4
Employee Benefits	754.9	749.9	5.0	253.2	251.6	1.6	157.3	156.2	1.1	57.3	56.9	0.4	97.4	96.8	0.6	110.3	109.6	0.7	3.4	3.4	-	76.0	75.4	0.6
Total Salaries & Employee Benefits	2,191.4	2,162.4	29.0	748.7	743.9	4.8	479.8	477.1	2.7	160.2	156.1	4.1	281.2	279.1	2.1	296.4	286.1	10.3	13.9	13.9	-	211.2	206.2	5.0
Net Services & Supplies (S&S):																								
- Centralized Pharmacy	144.7	144.7	-	52.4	52.4	-	24.7	24.7	-	5.2	5.2	-	17.6	17.6	-	43.3	43.3	-	-	-	-	1.5	1.5	-
- Medical/Dental/Laboratory	185.6	178.7	6.9	87.5	82.6	4.9	53.0	51.8	1.2	10.6	9.4	1.2	22.8	22.8	-	11.1	11.7	(0.6)	-	-	-	0.6	0.4	0.2
- Medical School Affiliation Agreement	162.4	162.0	0.4	128.3	128.3	-	9.5	9.5	-	-	-	-	18.8	18.8	-	5.8	5.4	0.4	-	-	-	-	-	-
- Nurse Registries	26.0	36.5	(10.5)	21.0	27.2	(6.2)	0.7	2.1	(1.4)	0.5	1.2	(0.7)	1.4	4.3	(2.9)	1.2	0.6	0.6	-	-	-	1.2	1.1	0.1
- Other Registries	35.1	44.6	(9.5)	15.9	16.6	(0.7)	4.3	8.4	(4.1)	1.7	3.7	(2.0)	6.4	6.4	-	6.6	8.8	(2.2)	-	-	-	0.2	0.7	(0.5)
- Specialty Contracts (Physicians/Non-Phys.)	37.6	44.4	(6.8)	1.2	2.0	(0.8)	6.3	8.1	(1.8)	2.4	6.8	(4.4)	5.3	6.2	(0.9)	22.2	21.2	1.0	-	-	-	0.2	0.1	0.1
- S&S-Other	1,002.5	964.6	37.9	252.8	247.5	5.3	146.1	143.9	2.2	49.7	47.3	2.4	103.3	100.7	2.6	143.1	136.5	6.6	60.0	60.0	-	247.5	228.7	18.8
Total Net S&S	1,593.9	1,575.5	18.4	559.1	556.6	2.5	244.6	248.5	(3.9)	70.1	73.6	(3.5)	175.6	176.8	(1.2)	233.3	227.5	5.8	60.0	60.0	-	251.2	232.5	18.7
Other Expenses [D]	432.4	413.0	19.4	108.3	133.3	(25.0)	122.7	143.6	(20.9)	27.5	31.5	(4.0)	38.1	47.2	(9.1)	32.3	32.6	(0.3)	31.3	31.3	-	72.2	(6.5)	78.7
Total Expenses	**$ 4,217.7**	**$ 4,150.9**	**$ 66.8**	**$ 1,416.1**	**$ 1,433.8**	**$ (17.7)**	**$ 847.1**	**$ 869.2**	**$ (22.1)**	**$ 257.8**	**$ 261.2**	**$ (3.4)**	**$ 494.9**	**$ 503.1**	**$ (8.2)**	**$ 562.0**	**$ 546.2**	**$ 15.8**	**$ 105.2**	**$ 105.2**	**$ -**	**$ 534.6**	**$ 432.2**	**$ 102.4**
Revenues																								
Waiver Revenues	$ 1,327.9	$ 1,339.1	$ 11.2	$ 601.0	$ 595.1	$ (5.9)	$ 345.8	$ 368.1	$ 22.3	$ 143.8	$ 135.1	$ (8.7)	$ 188.0	$ 175.1	$ (12.9)	$ 49.3	$ 65.7	$ 16.4	$ -	$ -	$ -	$ -	$ -	$ -
Medicaid Coverage Expansion	480.7	480.7	-	172.0	172.0	-	72.7	72.7	-	24.1	24.1	-	72.1	72.1	-	139.8	139.8	-	-	-	-	-	-	-
Federal & State - Other Revenues	476.1	480.7	4.6	203.5	201.5	(2.0)	111.6	109.4	(2.2)	38.4	40.6	2.2	69.8	74.2	4.4	37.8	41.0	3.2	-	-	-	15.0	14.0	(1.0)
Managed Care Revenues	625.4	443.4	(182.0)	184.7	99.3	(85.4)	97.9	50.1	(47.8)	39.3	27.4	(11.9)	54.5	31.2	(23.3)	239.1	223.8	(15.3)	-	-	-	9.9	11.6	1.7
Other County Department Revenues	329.6	309.8	(19.8)	41.9	35.0	(6.9)	14.8	14.3	(0.5)	0.9	0.9	-	16.9	15.6	(1.3)	10.5	9.3	(1.2)	-	-	-	244.6	234.7	(9.9)
Other Revenues	203.9	394.6	190.7	86.4	96.7	10.3	63.2	64.7	1.5	11.0	12.9	1.9	19.3	22.1	2.8	15.2	11.7	(3.5)	-	-	-	8.8	186.5	177.7
Total Revenues	**$ 3,443.6**	**$ 3,448.3**	**$ 4.7**	**$ 1,289.5**	**$ 1,199.6**	**$ (89.9)**	**$ 706.0**	**$ 679.3**	**$ (26.7)**	**$ 257.5**	**$ 241.0**	**$ (16.5)**	**$ 420.6**	**$ 390.3**	**$ (30.3)**	**$ 491.7**	**$ 491.3**	**$ (0.4)**	**$ -**	**$ -**	**$ -**	**$ 278.3**	**$ 446.8**	**$ 168.5**
Net Cost - Before PYs' Surplus/(Deficit)	$ 774.1	$ 702.6	$ 71.5	$ 126.6	$ 234.2	$ (107.6)	$ 141.1	$ 189.9	$ (48.8)	$ 0.3	$ 20.2	$ (19.9)	$ 74.3	$ 112.8	$ (38.5)	$ 70.3	$ 54.9	$ 15.4	$ 105.2	$ 105.2	$ -	$ 256.3	$ (14.6)	$ 270.9
Prior Years (PYs)' Surplus/(Deficit)	-	30.6	30.6	-	9.2	9.2	-	2.6	2.6	-	2.1	2.1	-	1.5	1.5	-	0.3	0.3	-	-	-	-	14.9	14.9
Net Cost - After PYs' Surplus/(Deficit) [E]	**$ 774.1**	**$ 672.0**	**$ 102.1**	**$ 126.6**	**$ 225.0**	**$ (98.4)**	**$ 141.1**	**$ 187.3**	**$ (46.2)**	**$ 0.3**	**$ 18.1**	**$ (17.8)**	**$ 74.3**	**$ 111.3**	**$ (37.0)**	**$ 70.3**	**$ 54.6**	**$ 15.7**	**$ 105.2**	**$ 105.2**	**$ -**	**$ 256.3**	**$ (29.5)**	**$ 285.8**

Notes:

(A) Includes MLK Outpatient Center, High Desert Regional Health Center, Comprehensive & Community Health Centers, and Ambulatory Care Network's administrative units.

(B) ORCHID stands for Online Real-time Centralized Health Information Database. Includes County staffing, subject matter experts, contracts, County infrastructure, travel & training, consulting services, and capital projects costs.

(C) Includes Managed Care Services, Juvenile Court Health Services, Emergency Medical Services, and other administrative units.

(D) Includes Other Charges, Capital Assets, and Operating Transfers Out; and is net of Intrafund Transfers. The Other Charges include intergovernmental transfers for Delivery System Reform Incentive Pool, Medi-Cal Managed Care for the Seniors and Persons with Disabilities, and Managed Care Rate Supplement revenues.

(E) The Net Cost of $774.1 million is comprised of County Contribution, Vehicle License Fees, Measure B, and Tobacco Settlement funds.

ATTACHMENT I-1

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FISCAL OVERVIEW

FISCAL YEAR 2015-16

(AS OF 10/27/14)

	TOTAL DEPARTMENT	HOSPITALS				AMBULATORY CARE [A]	ORCHID [B]	OTHER GENERAL FUNDS [C]	DESIGNATION (MN2) [D]
		LAC+USC MEDICAL CENTER	HARBOR-UCLA MEDICAL CENTER	RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER	OLIVE VIEW-UCLA MEDICAL CENTER				
	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
Expenses									
Salaries:									
- Salaries (Excluding Overtime)	$ 1,393.8	$ 480.7	$ 318.7	$ 101.0	$ 176.3	$ 178.2	$ 9.1	$ 129.8	$ -
- Overtime	47.9	20.8	9.6	2.3	7.4	4.6	0.2	3.0	-
Total Salaries	1,441.7	501.5	328.3	103.3	183.7	182.8	9.3	132.8	-
Employee Benefits	788.3	264.4	164.2	59.8	101.7	115.3	3.6	79.3	-
Total Salaries & Employee Benefits	2,230.0	765.9	492.5	163.1	285.4	298.1	12.9	212.1	-
Net Services & Supplies (S&S):									
- Centralized Pharmacy	151.3	54.7	25.8	5.4	18.4	45.5	-	1.5	-
- Medical/Dental/Laboratory	185.6	87.5	53.0	10.6	22.8	11.1	-	0.6	-
- Medical School Affiliation Agreement	162.4	128.3	9.5	-	18.8	5.8	-	-	-
- Nurse Registries	17.2	12.6	0.6	0.5	1.1	1.2	-	1.2	-
- Other Registries	34.4	15.2	4.3	1.7	6.4	6.6	-	0.2	-
- Specialty Contracts (Physicians/Non-Phys.)	37.6	1.2	6.3	2.4	5.3	22.2	-	0.2	-
- S&S-Other	1,005.1	255.5	147.1	50.1	100.3	133.8	59.8	258.5	-
Total Net S&S	1,593.6	555.0	246.6	70.7	173.1	226.2	59.8	262.2	-
Other Expenses [E]	401.9	121.9	128.5	27.9	42.5	34.4	16.6	30.1	-
Total Expenses	**$ 4,225.5**	**$ 1,442.8**	**$ 867.6**	**$ 261.7**	**$ 501.0**	**$ 558.7**	**$ 89.3**	**$ 504.4**	**$ -**
Revenues									
Waiver Revenues	$ 1,139.6	$ 527.6	$ 319.6	$ 95.1	$ 174.4	$ 22.9	$ -	$ -	$ -
Medicaid Coverage Expansion	480.7	172.0	72.7	24.1	72.1	139.8	-	-	-
Federal & State - Other Revenues	499.5	194.8	107.4	43.6	78.8	59.9	-	15.0	-
Managed Care Revenues	472.8	106.1	61.2	31.0	24.2	237.4	-	12.9	-
Other County Department Revenues	327.8	40.4	14.6	0.9	17.0	10.3	-	244.6	-
Other Revenues [F]	1,305.1	211.6	196.1	9.2	89.1	76.2	89.3	444.7	188.9
Total Revenues	**$ 4,225.5**	**$ 1,252.5**	**$ 771.6**	**$ 203.9**	**$ 455.6**	**$ 546.5**	**$ 89.3**	**$ 717.2**	**$ 188.9**
Revenues less Expenses	**$ 0.0**	**$ (190.3)**	**$ (96.0)**	**$ (57.8)**	**$ (45.4)**	**$ (12.2)**	**$ 0.0**	**$ 212.8**	**$ 188.9**

Notes:

(A) Includes MLK Outpatient Center, High Desert Regional Health Center, Comprehensive & Community Health Centers, and Ambulatory Care Network's administrative units.

(B) ORCHID stands for Online Real-time Centralized Health Information Database. Includes County staffing, subject matter experts, contracts, County infrastructure, travel & training, consulting services, and capital projects costs.

(C) Includes Managed Care Services, Juvenile Court Health Services, Emergency Medical Services, and other administrative units.

(D) Represents unused DHS' Fund Balance from prior years' operations.

(E) Includes Other Charges, Capital Assets, and Operating Transfers Out; and is net of Intrafund Transfers. The Other Charges include intergovernmental transfers for Delivery System Reform Incentive Pool, Medi-Cal Managed Care for the Seniors and Persons with Disabilities, and Managed Care Rate Supplement revenues.

(F) Includes County Contribution, Vehicle License Fees, Measure B, Tobacco Settlement funds, and DHS' Fund Balance.

ATTACHMENT I-2

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

WORKLOAD

FISCAL YEAR 2013-14 ACTUAL vs FISCAL YEAR 2014-15 PROJECTION

(AS OF 10/27/14)

	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 13-14 ACTUAL	FY 14-15 PROJECTION [B]	CHANGE	FY 13-14 ACTUAL	FY 14-15 PROJECTION	CHANGE	FY 13-14 ACTUAL	FY 14-15 PROJECTION	CHANGE	FY 13-14 ACTUAL	FY 14-15 PROJECTION	CHANGE	FY 13-14 ACTUAL	FY 14-15 PROJECTION	CHANGE	FY 13-14 ACTUAL	FY 14-15 PROJECTION	CHANGE
Average Daily Census	1,213	1,222	9	538	540	2	334	332 [C]	(2)	153	161	8	188	189	1	-	-	-
Inpatient Days	442,745	446,030	3,285	196,370	197,100	730	121,910	121,180 [C]	(730)	55,845	58,765	2,920	68,620	68,985	365	-	-	-
Admissions	66,601	66,913	312	30,923	31,913	990	19,505	19,272 [C]	(233)	3,660	3,569	(91)	12,513	12,159	(354)	-	-	-
Average Length of Stay	6.4	6.5	0.1	6.2	6.2	-	6.0	6.0	-	15.2	16.4	1.2	5.2	5.3	0.1	-	-	-
Ambulatory Care / Urgent Care Visits	2,152,266	2,130,891	(21,375)	591,511	593,197	1,686	334,725	310,352 [C]	(24,373)	81,564	80,346	(1,218)	229,765	232,398	2,633	914,701	914,598	(103)
Community Partners Visits	725,225	725,225	-	-	-	-	-	-	-	-	-	-	-	-	-	725,225	725,225 [E]	-
Emergency Department Visits	260,003	272,296	12,293	133,506	136,179	2,673	68,461	78,207 [D]	9,746	-	-	-	58,036	57,910	(126)	-	-	-
Emergency Department Psych. Visits	23,121	22,116	(1,005)	10,771	10,572	(199)	6,717	6,013 [C]	(704)	-	-	-	5,633	5,531	(102)	-	-	-
Juvenile Court Health Services Visits	117,226	120,664	3,438	-	-	-	-	-	-	-	-	-	-	-	-	117,226	120,664	3,438

(A) Includes MLK Outpatient Center, High Desert Regional Health Center, and Comprehensive & Community Health Centers.
(B) Based on revised August 2014 workload reports.
(C) Reflects estimates influenced by the ORCHID infrastructure upgrades.
(D) Reflects estimates influenced by the opening of the new Surgery/Emergency building.
(E) The Healthy Way LA unmatched program was transitioned to the My Health LA (MHLA) program effective October 1, 2014. DHS is currently analyzing the impact of the transition, so this is being projected at the FY 2013-14 level at this time.

ATTACHMENT II