Health Services
LOS ANGELES COUNTY

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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.

September 29, 2015

TO: Each Supervisor

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

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK (BOARD AGENDA, SEPTEMBER 29, 2015)**

This is to provide DHS' fiscal outlook for Fiscal Years (FY) 2014-15 and 2015-16.

FY 2014-15

The Department closed FY 2014-15 with a surplus of $161.2 million. The surplus is attributable to revenues from prior fiscal years (see Attachment I). The FY 2014-15 costs for the Online Real-time Centralized Health Information Database (ORCHID) system were funded within existing resources without use of commercial paper.

FY 2015-16

The Department is currently projecting a balanced budget for FY 2015-16 (see Attachment II).

The Department developed its forecast for FY 2015-16 based on very conservative estimates due to uncertainties related to the outcome of the 1115 Waiver currently being negotiated by the State with the Centers for Medicare and Medicaid Services (CMS). Also, the rates for the Medi-Cal Coverage Expansion (MCE) population are not finalized at this time.

The State is currently working with CMS on various Waiver proposals and is targeting completion of a final deal by the time the current Waiver expires on October 31, 2015. The Department is working closely with the California Association of Public Hospitals and Health Systems, and the State, to ensure the new Waiver provides the level of support necessary for LA County and the other public hospital systems statewide.

The Department is also negotiating with the State on the MCE rates. At the State's request, we have provided comprehensive data to their actuary and continue to work closely with the State to ensure the MCE

rates will cover our costs. We expect to have the MCE rates finalized by the end of October 2015.

The Department will update the fiscal outlook for FY 2015-16 with the new Waiver and MCE rates early next year. We will also provide the Board with the fiscal outlook for FY 2016-17 at that time.

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 9/29/15)

	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	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
Expenses																								
Salaries:																								
- Salaries (Excluding Overtime)	$1,355.9	$1,361.4	$ (5.5)	$ 450.4	$ 462.5	$ (12.1)	$308.2	$311.0	$ (2.8)	$ 98.4	$ 97.7	$ 0.7	$177.4	$178.9	$ (1.5)	$177.3	$164.9	$ 12.4	$ 13.1	$ 16.3	$ (3.2)	$131.1	$130.1	$ 1.0
- Overtime	68.4	68.7	(0.3)	29.3	29.2	0.1	19.7	19.4	0.3	2.7	2.9	(0.2)	9.0	8.7	0.3	4.3	4.4	(0.1)	0.2	1.4	(1.2)	3.2	2.7	0.5
Total Salaries	1,424.3	1,430.1	(5.8)	479.7	491.7	(12.0)	327.9	330.4	(2.5)	101.1	100.6	0.5	186.4	187.6	(1.2)	181.6	169.3	12.3	13.3	17.7	(4.4)	134.3	132.8	1.5
Employee Benefits	774.8	756.6	18.2	271.5	257.5	14.0	155.5	155.7	(0.2)	58.0	58.3	(0.3)	97.2	96.5	0.7	111.1	110.4	0.7	4.6	4.9	(0.3)	76.9	73.3	3.6
Total Salaries & Employee Benefits	2,199.1	2,186.7	12.4	751.2	749.2	2.0	483.4	486.1	(2.7)	159.1	158.9	0.2	283.6	284.1	(0.5)	292.7	279.7	13.0	17.9	22.6	(4.7)	211.2	206.1	5.1
Net Services & Supplies (S&S):																								
- Centralized Pharmacy	144.8	153.8	(9.0)	53.6	58.1	(4.5)	28.9	30.1	(1.2)	6.0	5.8	0.2	20.2	21.2	(1.0)	34.6	37.2	(2.6)	-	-	-	1.5	1.4	0.1
- Medical/Dental/Laboratory	179.3	174.0	5.3	84.2	77.4	6.8	51.8	53.2	(1.4)	9.3	8.8	0.5	22.8	23.0	(0.2)	10.7	11.3	(0.6)	-	-	-	0.5	0.3	0.2
- Medical School Affiliation Agreement	163.1	165.3	(2.2)	128.3	130.9	(2.6)	9.5	9.5	-	0.7	0.7	-	18.8	18.8	-	5.8	5.4	0.4	-	-	-	-	-	-
- Nurse Registries	36.3	36.4	(0.1)	25.8	25.5	0.3	4.2	4.4	(0.2)	1.1	1.7	(0.6)	3.4	3.4	-	0.5	0.5	-	-	-	-	1.3	0.9	0.4
- Other Registries	51.7	52.6	(0.9)	17.3	17.4	(0.1)	11.2	11.1	0.1	3.2	3.5	(0.3)	9.3	9.5	(0.2)	10.2	10.5	(0.3)	-	-	-	0.5	0.6	(0.1)
- Specialty Contracts (Physicians/Non-Phys.)	43.8	43.7	0.1	1.7	1.3	0.4	8.5	7.2	1.3	5.1	6.5	(1.4)	6.2	7.0	(0.8)	22.1	21.6	0.5	-	-	-	0.2	0.1	0.1
- S&S-Other	968.7	880.7	88.0	247.6	232.2	15.4	144.1	135.8	8.3	52.2	48.3	3.9	97.6	89.3	8.3	135.1	121.4	13.7	61.6	49.3	12.3	230.5	204.4	26.1
Total Net S&S	1,587.7	1,506.5	81.2	558.5	542.8	15.7	258.2	251.3	6.9	77.6	75.3	2.3	178.3	172.2	6.1	219.0	207.9	11.1	61.6	49.3	12.3	234.5	207.7	26.8
Other Expenses [D]	508.6	497.8	10.8	137.2	163.0	(25.8)	147.4	155.4	(8.0)	32.1	32.0	0.1	48.2	57.8	(9.6)	35.4	27.4	8.0	33.4	25.5	7.9	74.9	36.7	38.2
Total Expenses	**$4,295.4**	**$4,191.0**	**$ 104.4**	**$1,446.9**	**$1,455.0**	**$ (8.1)**	**$889.0**	**$892.8**	**$ (3.8)**	**$ 268.8**	**$ 266.2**	**$ 2.6**	**$510.1**	**$514.1**	**$ (4.0)**	**$547.1**	**$515.0**	**$ 32.1**	**$112.9**	**$ 97.4**	**$ 15.5**	**$520.6**	**$450.5**	**$ 70.1**
Revenues																								
Waiver Revenues	$1,402.3	$1,121.1	$(281.2)	$ 629.3	$ 502.1	$(127.2)	$371.9	$281.4	$ (90.5)	$ 153.1	$ 191.4	$ 38.3	$198.4	$119.3	$ (79.1)	$ 49.3	$ -	$ (49.3)	$ -	$ -	$ -	$ 0.3	$ 26.9	$ 26.6
Medicaid Coverage Expansion	495.6	495.3	(0.3)	172.0	172.0	-	72.7	72.7	-	24.1	24.1	-	72.1	72.1	-	154.7	154.4	(0.3)	-	-	-	-	-	-
Federal & State - Other Revenues	476.1	493.0	16.9	203.5	208.8	5.3	111.6	102.0	(9.6)	38.4	31.6	(6.8)	69.8	76.2	6.4	37.8	61.1	23.3	-	-	-	15.0	13.3	(1.7)
Managed Care Revenues	610.5	753.1	142.6	184.7	140.3	(44.4)	97.9	151.4	53.5	39.3	36.6	(2.7)	54.5	78.5	24.0	224.2	344.1	119.9	-	-	-	9.9	2.2	(7.7)
Other County Department Revenues	330.3	317.4	(12.9)	41.9	35.4	(6.5)	14.8	16.0	1.2	0.9	0.9	-	17.6	18.0	0.4	10.5	8.9	(1.6)	-	-	-	244.6	238.2	(6.4)
Other Revenues	204.3	167.4	(36.9)	86.4	99.1	12.7	63.2	36.1	(27.1)	11.2	9.7	(1.5)	19.5	7.6	(11.9)	15.3	(7.7)	(23.0)	-	(14.2)	(14.2)	8.7	36.8	28.1
Total Revenues	**$3,519.1**	**$3,347.3**	**$(171.8)**	**$1,317.8**	**$1,157.7**	**$(160.1)**	**$732.1**	**$659.6**	**$ (72.5)**	**$ 267.0**	**$ 294.3**	**$ 27.3**	**$431.9**	**$371.7**	**$ (60.2)**	**$491.8**	**$560.8**	**$ 69.0**	**$ -**	**$ (14.2)**	**$ (14.2)**	**$278.5**	**$317.4**	**$ 38.9**
Net Cost - Before PYs' Surplus/(Deficit)	$ 776.3	$ 843.7	$ (67.4)	$ 129.1	$ 297.3	$(168.2)	$156.9	$233.2	$ (76.3)	$ 1.8	$ (28.1)	$ 29.9	$ 78.2	$142.4	$ (64.2)	$ 55.3	$ (45.8)	$ 101.1	$112.9	$111.6	$ 1.3	$242.1	$133.1	$ 109.0
Prior Years (PYs)' Surplus/(Deficit)	-	228.6	228.6	-	135.8	135.8	-	97.8	97.8	-	(8.8)	(8.8)	-	61.5	61.5	-	(61.5)	(61.5)	-	0.1	0.1	-	3.7	3.7
Net Cost - After PYs' Surplus/(Deficit) [E]	**$ 776.3**	**$ 615.1**	**$ 161.2**	**$ 129.1**	**$ 161.5**	**$ (32.4)**	**$156.9**	**$135.4**	**$ 21.5**	**$ 1.8**	**$ (19.3)**	**$ 21.1**	**$ 78.2**	**$ 80.9**	**$ (2.7)**	**$ 55.3**	**$ 15.7**	**$ 39.6**	**$112.9**	**$111.5**	**$ 1.4**	**$242.1**	**$129.4**	**$ 112.7**

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 $776.6 million is comprised of County Contribution, Vehicle License Fees, Measure B, and Tobacco Settlement funds.

ATTACHMENT I

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FISCAL OVERVIEW

FISCAL YEAR 2015-16

(AS OF 9/29/15)

	TOTAL DEPARTMENT	HOSPITALS				AMBULATORY CARE [A]	ORCHID [B]	OTHER GENERAL FUNDS [C]
		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
Expenses								
Salaries:								
- Salaries (Excluding Overtime)	$ 1,448.7	$ 489.4	$ 324.9	$ 106.5	$ 187.4	$ 193.1	$ 16.9	$ 130.5
- Overtime	47.8	20.8	9.6	2.3	7.4	4.6	0.2	2.9
Total Salaries	1,496.5	510.2	334.5	108.8	194.8	197.7	17.1	133.4
Employee Benefits	799.9	280.5	162.0	59.9	102.7	113.6	3.5	77.7
Total Salaries & Employee Benefits	2,296.4	790.7	496.5	168.7	297.5	311.3	20.6	211.1
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	17.9	13.7	0.6	0.5	1.1	1.0	-	1.0
- Other Registries	41.9	17.0	5.9	1.7	8.5	8.6	-	0.2
- Specialty Contracts (Physicians/Non-Phys.)	38.7	1.3	6.3	2.9	5.3	22.7	-	0.2
- S&S-Other	948.5	254.0	157.2	52.2	99.3	124.7	51.6	209.5
Total Net S&S	1,546.3	556.5	258.3	73.3	174.2	219.4	51.6	213.0
Other Expenses [D]	491.5	110.6	119.6	37.2	47.7	31.3	25.5	119.6
Total Expenses	**$ 4,334.2**	**$ 1,457.8**	**$ 874.4**	**$ 279.2**	**$ 519.4**	**$ 562.0**	**$ 97.7**	**$ 543.7**
Revenues								
Waiver Revenues	$ 1,293.6	$ 558.3	$ 278.8	$ 103.8	$ 192.3	$ 160.4	$ -	$ -
Medicaid Coverage Expansion	480.7	172.0	72.7	24.1	72.1	139.8	-	-
Federal & State - Other Revenues	513.9	208.1	109.2	41.8	82.2	57.1	-	15.5
Managed Care Revenues	402.3	90.8	105.1	40.6	27.0	127.2	-	11.6
Other County Department Revenues	342.6	38.0	14.8	0.8	21.2	13.3	-	254.5
Other Revenues [E]	1,301.1	390.6	293.8	68.1	124.6	64.2	97.7	262.1
Total Revenues	**$ 4,334.2**	**$ 1,457.8**	**$ 874.4**	**$ 279.2**	**$ 519.4**	**$ 562.0**	**$ 97.7**	**$ 543.7**
Revenues less Expenses	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**

Notes:

(A) Includes MLK Outpatient Center, High Desert Regional Health Center, Comprehensive & Community Health Centers, and the 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) Includes County Contribution, Vehicle License Fees, Measure B, Tobacco Settlement funds, and DHS' Fund Balance.

ATTACHMENT II