



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
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March 9, 2010

Board of Supervisors  
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First District

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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:

### **RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER TRANSITION TO PRIVATE OPERATOR (ALL DISTRICTS AFFECTED) (3 VOTES)**

#### **SUBJECT**

Request approval to suspend efforts to transition the Rancho Los Amigos National Rehabilitation Center to a private operator.

#### **IT IS RECOMMENDED THAT YOUR BOARD:**

1. Suspend decision to seek a private operator for Rancho Los Amigos National Rehabilitation Center (Rancho) and instruct the Chief Executive Officer (CEO) to defer current discussions, pending further consideration by your Board.
2. Direct the CEO, in conjunction with the Interim Director of Health Services, to develop a plan for operational efficiencies and revenue-generating opportunities at Rancho, which will help mitigate the financial impact on the Department of Health Services (DHS) of restoring Rancho operations to the fiscal forecast for future budget years, including a timeline with milestones when these efforts will be achieved, and present such plan to your Board within 60 days.

*"To Enrich Lives Through Effective And Caring Service"*

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### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On January 28, 2003, your Board instructed this Office and DHS to work with interested parties to transition Rancho to be operated by a private entity. Additionally, on February 3, 2009, your Board instructed this Office to prepare a report that addresses the potential for keeping Rancho open as a County facility and with any other options and additional information for consideration.

Although this Office pursued efforts to identify a private provider, we recommend that consideration be given to reassess the decision to seek a private operator for Rancho given the operational changes which have occurred both at Rancho and throughout DHS since your Board made its policy decision in 2003. Rancho is aggressively pursuing efforts to reduce its internal operational costs through efficiencies, while increasing annual outpatient visits by redesigning their clinic operations to increase productivity and increase inpatient visits. To date, Rancho has reduced its operating expenses by \$6.8 million. In addition, Rancho is pursuing revenue-generating contracts with health care providers, such as Kaiser Permanente and the Veterans Administration, in order to offer its nationally recognized rehabilitation services to patients with third party coverage. Both of these efforts will reduce the net cost to continue Rancho as a County-operated facility.

Rancho currently operates medical-surgical beds, which has expanded its role in the DHS inpatient delivery system beyond providing rehabilitative care and services. The availability of these beds helps alleviate the impact of the closure of Martin Luther King, Jr.-Harbor Hospital (MLK) and the move into the new LAC+USC Medical Center. The recommendations to your Board will direct this Office to suspend its efforts to identify a private provider, given the operational changes which have occurred both at Rancho and throughout DHS since your Board's policy decision in 2003.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 4, Health and Mental Health, of the County Strategic Plan.

### **FISCAL IMPACT/FINANCING**

There is no net cost to the County associated with approval of the recommended actions. However, DHS currently estimates a \$24.2 million net impact to the DHS Fiscal Outlook to assume Rancho to be a County-operated hospital for Fiscal Year 2010-11.

The plan for operational efficiencies and revenue-generating opportunities at Rancho to be provided to your Board within 60 days, will take into account the financial impact to DHS.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

As noted, on January 28, 2003, your Board instructed this Office and DHS to work with interested parties to transition Rancho to be operated by a private entity. A lawsuit was filed against the County, which delayed implementation of the Rancho proposal. However, as part of the Settlement Agreement, the County was able to move forward with its efforts to seek an outside operator over a three-year period, commencing March 10, 2006, which was the effective date of the Settlement Agreement.

This Office entered into a contract with the Hammes Company (Hammes) to conduct a market analysis and targeted solicitation for interest in Rancho. In September 2007, a Confidential Information Memorandum was sent by Hammes to local and national organizations to solicit interest in the private operation of Rancho. Several organizations expressed interest and in July 2008, two organizations submitted proposals.

### **CONTRACTING PROCESS**

Not applicable.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Rancho has expanded its role in the DHS inpatient delivery system beyond providing rehabilitative care and services. Such efforts and impact in the DHS inpatient delivery system will be further assessed, and the plan will be provided to your Board within 60 days.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:SAS  
MLM:DL:gl

c: Executive Office, Board of Supervisors  
County Counsel  
Department of Health Services