

# ADOPTED

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August 24, 2010

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*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

John F. Schunhoff, Ph.D.  
Interim Director

Gail V. Anderson, Jr., M.D.  
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

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through leadership,  
service and education.*

## APPROVAL OF MEASURE B RATE INCREASE (ALL DISTRICTS) (3 VOTES)

### SUBJECT

Request approval to increase the Measure B Trauma, Emergency, and Bioterrorism Response property assessment rate as authorized under the provisions of Measure B, approved by this County's voters on November 5, 2002.

### IT IS RECOMMENDED THAT YOUR BOARD:

Approve a rate adjustment to increase the Measure B Trauma, Emergency, and Bioterrorism Response property assessment rate by twenty-seven hundredths of one cent (\$0.0027) per improved square foot, for a total of \$0.0399 per improved square foot, effective July 1, 2010, to take into account the cumulative increase in the medical component of the prescribed consumer price index from June 1, 2008 through June 30, 2010.



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

The purpose of the recommended action will provide needed additional annual funding, beginning in 2010-11, for the countywide system of trauma centers, emergency medical services, which includes County and non-county hospitals, and bioterrorism response activities. Voter approval of the Measure B Trauma, Emergency, and Bioterrorism Response (Measure B) property assessment in November 2002 provided and continues to provide substantial benefit to the County as well as non-County hospitals and physicians.

However, significant amounts of uncompensated costs, and underserved areas and needs remain within the trauma and emergency network, and Department of Public Health (DPH) bioterrorism response activities. The provisions of Measure B specifically allow for adjustment of the property assessment rate based on increases in the cost of providing medical services.

The United States Bureau of Labor Statistics publishes the medical component of the Western Urban Consumer Price Index (CPI), on a monthly basis. The recommended action adjusts the Measure B rate to help address increases in the cost of providing these services from June 2008.

### **Allocation to County Hospitals**

Between 2003-04 and 2009-10, unreimbursed trauma and emergency costs at County hospitals averaged \$334 million a year (ranging from \$280 million to \$408 million). Measure B funding to County hospitals covered an average of 49 percent of the unreimbursed trauma and emergency costs. During those years, DHS used the DHS hospital enterprise designation funds to balance its budget shortfalls, including the funding gap from unreimbursed trauma and emergency costs. There are no DHS designation funds remaining. Consequently, unreimbursed trauma and emergency costs continue to contribute to DHS' structural budgetary deficits. The provision of additional Measure B funds to County hospitals will help offset an additional portion of the unreimbursed costs.

### **Allocation to Non-County Trauma Hospitals (NCTH)**

An amendment to the current Trauma Center Service Agreements with the NCTH was approved by your Board of Supervisors on June 1, 2010, to extend the term for one year through June 30, 2011, with substantially similar payment terms as the previous two year agreements. Due to the lack of other funding sources identified during the negotiation process, these contracts do not provide for any increase in funding other than an approved increase in the Measure B property assessment rate. Based on their unreimbursed cost for services provided to County responsible patients, these providers continue to incur significant losses as a result of increased costs. The additional Measure B funds from this CPI increase would assist in offsetting a portion of the growing unreimbursed cost of trauma and emergency care provided to county responsible patients by the NCTH.

### **Allocation to Department of Public Health**

In the area of bioterrorism and public health emergency preparedness and response, DPH has continuing needs in developing disease and health event surveillance, laboratory detection and investigation response capability related to potential acts of biological, chemical and radiological terrorism. These threats continue to be of concern because of the prominence of Los Angeles as a population, civic, cultural, and economic center. This Measure B rate increase will allow the County to fund a portion of these increasing costs for bioterrorism and emergency preparedness and response.

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

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

This Measure B rate increase will generate approximately \$17.5 million for DHS in needed additional revenue beginning in 2010-11, of which a maximum \$2.5 million will be provided to NCTHs in accordance with the terms of their Trauma Center Service Agreements (TCSA). Of the remaining \$15.0 million, \$14.7 million is proposed to be used to partially offset the unreimbursed costs of trauma and emergency services provided to indigents at DHS facilities and \$0.3 million is proposed to be used to support DPH bioterrorism preparedness and response activities, as provided for in the Measure B Initiative.

DHS will work with the Chief Executive Office to include this additional funding and appropriations in the recommendations for your Board's consideration during the Supplemental changes phase of the 2010-11 budget process.

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

On August 12, 2008, your Board approved a rate adjustment to increase the initial Measure B property assessment rate from three cents (\$0.03) per improved square foot to (\$0.0372) per improved square foot, based on the cumulative increase in the medical component of the CPI since July 1, 2003. This action provided an additional \$45.2 million in revenue beginning in 2008-09 and provided additional funding for the Countywide system of trauma centers, emergency medical services, and bioterrorism response activities.

The provisions of Measure B allow your Board to increase the Measure B rate annually, as adjusted by the cumulative increase to the medical component of the CPI. The cumulative increase since June 2008 is 7.5 percent, which results in a potential maximum increase to the Measure B rate of twenty-seven hundredths of one cent (current Measure B rate of  $\$0.0372 \times 0.075 = \$0.0027$ ), bringing the maximum potential rate for 2010-11 to \$0.0399 per improved square foot. As an example, for a property (e.g., home, business, storage facility, etc.) with 1,500 square feet of structural improvements, the annual Measure B increase would be \$4.05 ( $1,500 \times \$0.0027$ ), bringing the total annual assessment to \$59.85 ( $1,500 \times \$0.0399$ ).

While the Board has the option to approve the requested increase, or any increment up to a maximum of twenty-seven hundredths of one cent (\$0.0027), during any future fiscal year, the associated revenue increase for 2010-11 would be lost if the recommended rate increase is not approved and implemented in the 2010-11 property tax bills. Accordingly, your Board's approval is needed no later than August 31, 2010 to provide sufficient time to incorporate the rate increase into the 2010-11 property tax bills to ensure these increased revenues can be received.

In accordance with the TCSA, with the 12 NCTHs, approved by your Board on June 1, 2010, and based on the recommended rate increase, the NCTHs will receive an increase to their annual contract maximum funding of approximately \$2.5 million. They will also receive additional Medi-Cal matching funds of approximately \$2.4 to \$3.9 million, bringing their total additional annual funding to

between \$4.9 million to \$6.4 million. If your Board approves a rate increase of less than the maximum amount allowable, the NCTHs will receive proportionately less funding pursuant to the terms of the TCSA.

**CONTRACTING PROCESS**

Not applicable.

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

Approval of the recommended Measure B rate increase will assist DHS in maintaining the current level of service within the emergency and trauma network, and strengthen DPH's bioterrorism and emergency preparedness and response capabilities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John F. Schunhoff", with a stylized, cursive script.

JOHN F. SCHUNHOFF, Ph.D.

Interim Director

JFS:emg

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors  
Auditor-Controller  
Public Health