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WENDY L. WATANABE
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

March 27, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

John Naimo FOR

SUBJECT: **FIRST QUARTERLY REPORT ON IMPACT OF HEALTH CARE
REFORM ON COUNTY CASH FLOWS
(Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller (A-C) to review and analyze the impact of health care reform on the County's cash flow and the Department of Health Services' (DHS) financial performance. Your Board also instructed the A-C to provide quarterly reports, starting this month.

We are working closely with the Chief Executive Office and DHS to review both ongoing and new DHS revenue sources. State Assembly Bill 85 (AB85), also referred to as realignment legislation, reduces the County's health realignment revenues in the current fiscal year by \$88 million. The State began monthly withholding of these funds in January 2014 and withholding will continue until the targeted amount of \$88 million is achieved by June 2014. The County's current cash flow projection assumes loss of these funds and such loss will not have an adverse impact on the County's overall cash flows, due to positive variances from non-DHS cash flow sources.

The amounts of new or increased DHS revenue sources expected to backfill the realignment revenue loss remain uncertain at this time. It is not likely that new or increased DHS cash receipts will materialize by June 30, 2014, to replace reduced cash flow from realignment. However, it is expected that additional accounts receivable will be owed to the County as a result of health care reform, in amounts which are not yet estimable.

Board of Supervisors
March 27, 2014
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On March 18, 2014, your Board approved the continuance of the DHS financial status update until July 1, 2014. In our next quarterly report, which will coincide with the next DHS update, we anticipate more certainty regarding the various DHS revenue sources and should be able to provide a more comprehensive report.

If you or your staff have any questions, please contact John Naimo at (213) 974-8484.

WLW:JN

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer, Board of Supervisors
Mitchell H. Katz, M.D., Director, Department of Health Services
Mark J. Saladino, Treasurer and Tax Collector
Audit Committee
Public Information Office



JOHN NAIMO
ACTING AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 25, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo
Acting Auditor-Controller

SUBJECT: **QUARTERLY REPORT ON IMPACT OF HEALTH CARE REFORM ON
COUNTY CASH FLOWS
(Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller (A-C) to report quarterly on the impact of health care reform on the County's cash flow and the Department of Health Services' (DHS) financial performance. This report is for the quarter ended June 30, 2014 and also provides a cash flow summary for Fiscal Year (FY) 2013-14.

The impact of health care reform on the County's FY 2013-14 cash flows is estimated at negative \$220 million and this is associated with two key factors. During the six months ended June 30, 2014, the State reduced the County's health care realignment cash flows by \$88 million. The County General Fund's loans to the Hospitals grew from \$739 million at the end of FY 2012-13 to \$871 million at the end of the FY 2013-14, a net increase of \$132 million. Although there are many variables that can affect the Hospital loan balances, health care reform has introduced cash flow delays which are associated with Medi-Cal approvals and billings. Such delays are being addressed at both the County and State levels and improved cash flow from Medi-Cal is expected in FY 2014-15.

In our separate July 25, 2014 memo to your Board, we discuss the County's overall cash flow. Despite the cash flow delays associated with health services, the County's overall cash position improved during FY 2013-14 and exceeded \$1 billion as of June 30, 2014.

The County is in the process of closing the books for FY 2013-14 and DHS is projecting a surplus of \$94 million. The final results for FY 2013-14 will also establish DHS accounts receivable, which are expected to increase from a year ago due to the Medi-Cal processing delays mentioned above. As final FY 2013-14 revenues and expenditures are recorded for DHS, calculations will be made to determine if withheld State realignment funds are owed back to the County, up to the full amount of \$88 million. Per State statute, the State is not required to return over-withheld realignment funds to the County prior to FY 2016-17. Therefore, realignment funds estimated to be receivable by the County from the State will be recognized as Long-Term Receivables. Since collection is not available to fund the County's FY 2014-15 Budget, such Long-Term Receivables would be offset by reserves.

If you or your staff have any questions, please contact me at (213) 974-8484.

WLW:JN

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer, Board of Supervisors
Mitchell H. Katz, M.D., Director, Department of Health Services
Mark J. Saladino, Treasurer and Tax Collector
Audit Committee
Public Information Office



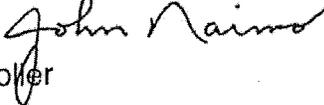
JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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PHONE: (213) 974-8301 FAX: (213) 626-5427

October 21, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **QUARTERLY REPORT ON IMPACT OF HEALTH CARE REFORM ON
COUNTY CASH FLOWS (Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller to report quarterly on the impact of health care reform on the County's cash flows and the Department of Health Services' (DHS) financial performance. This report is for the quarter ended September 30, 2014.

During FY 2013-14, the State withheld \$88 million of health care realignment funds. In accordance with Assembly Bill 85 (AB85), DHS calculated that the County is entitled to recoup the entire withheld amount of \$88 million, based on final FY 2013-14 book closing results. Per AB85, the recoupment amount is subject to a "true-up" process over the next two fiscal years, FY 2014-15 and FY 2015-16. At the end of FY 2015-16, the State will determine the final amount of FY 2013-14 over-withheld realignment funds and the County will be eligible for reimbursement at that time.

For FY 2014-15, the amount of State health care realignment revenues subject to withholding is \$238 million. The State began monthly withholding of \$23.8 million in September 2014, and will continue withholding for ten months, until the targeted amount is achieved in June 2015. The \$238 million withhold will be subject to the same AB85 process discussed above for FY 2013-14 and the funds could eventually be returned to the County. However, the amount of recoupment will not be known with certainty until the end of FY 2016-17.

As anticipated, the Hospital Funds' accounts receivable increased to \$1.732 billion on June 30, 2014, from \$1.652 billion as of June 30, 2013. The \$80 million increase is primarily due to the increase of County patients covered by health insurance. In our previous quarterly report, we indicated that the County's loans to the Hospitals increased by \$132 million during FY 2013-14, and higher accounts receivable were a contributing factor.

We will continue to work with the Chief Executive Office and DHS to monitor these changes for possible cash flow impacts, and will provide more information in our January 2015 report.

If you have any questions, please contact me, or your staff may call Connie Yee at (213) 974-8321.

JN:RGC:CY

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer, Board of Supervisors
Mitchell H. Katz, M.D., Director, Department of Health Services
Joseph Kelly, Acting Treasurer and Tax Collector
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Public Information Office



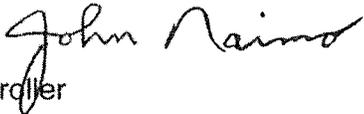
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JOHN NAIMO
AUDITOR-CONTROLLER

January 16, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **QUARTERLY REPORT ON IMPACT OF HEALTH CARE REFORM ON
COUNTY CASH FLOWS (Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller to report quarterly on the impact of health care reform on the County's cash flows and the Department of Health Services' (DHS) financial performance. This report is for the quarter ended December 31, 2014, and the end of this quarter marks the first full year of the Affordable Care Act.

We continue to closely monitor General Fund cash advances to the Hospital Funds. As of December 31, 2014, such advances were \$1.065 billion. By comparison, the cash advances as of December 31, 2013 were \$1.081 billion. Cash advances to the Hospital Funds are necessary due to the large amount of patient accounts receivable pending collection. Although the advances are manageable within the General Fund's overall cash flows, we work regularly with DHS to monitor Hospital accounts receivable and ensure that all efforts are made to collect amounts due to the County as soon as possible.

If you have any questions, please contact me, or your staff may call Connie Yee at (213) 974-8321.

JN:RGC:CY

c: Sachi A. Hamai, Interim Chief Executive Officer
Patrick Ogawa, Acting Executive Officer, Board of Supervisors
Mitchell H. Katz, M.D., Director, Department of Health Services
Joseph Kelly, Treasurer and Tax Collector
Audit Committee
Public Information Office



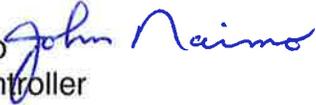
JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
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April 15, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **QUARTERLY REPORT ON IMPACT OF HEALTH CARE REFORM ON
COUNTY CASH FLOWS (Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller to report quarterly on the impact of health care reform on the County's cash flows and the Department of Health Services' (DHS) financial performance. This report is for the quarter ended March 31, 2016.

We continue to closely monitor General Fund cash advances to the Hospital Funds. As of March 31, 2016, such advances were \$535 million. By comparison, the cash advances of a year ago (March 31, 2015) were \$847 million. Hospital cash flow requirements continue to remain manageable and stable in the current fiscal year.

We continue to work with DHS to estimate Hospital cash flows for the remainder of the current fiscal year. With the adoption of the County's Fiscal Year 2016-17 Recommended Budget, we have also begun to estimate Hospital cash flow needs for the upcoming fiscal year. If you have any questions, please contact me, or your staff may call Connie Yee at (213) 974-8321.

JN:ilm

c: Sachi A. Hamai, Chief Executive Officer
Lori Glasgow, Executive Officer, Board of Supervisors
Mitchell H. Katz, M.D., Director, Los Angeles County Health Agency
Joseph Kelly, Treasurer and Tax Collector
Audit Committee
Public Information Office



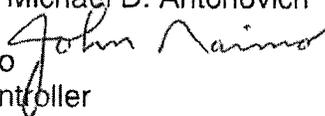
JOHN NAIMO
AUDITOR-CONTROLLER

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February 12, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **QUARTERLY REPORT ON IMPACT OF HEALTH CARE REFORM ON
COUNTY CASH FLOWS (Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller to report quarterly on the impact of health care reform on the County's cash flows and the Department of Health Services' (DHS) financial performance. This report is for the quarter ended December 31, 2015.

We continue to closely monitor General Fund cash advances to the Hospital Funds. As of December 31, 2015, such advances were \$543 million. By comparison, the cash advances of a year ago (December 31, 2014) were \$1.065 billion. There is improvement in year-over-year hospital cash flow requirements, as Fiscal Year 2015-16 cash advances continue to trend downward.

We are working with DHS to estimate the timing and amount of cash flows associated with the 1115 waiver renewal. If you have any questions, please contact me, or your staff may call Connie Yee at (213) 974-8321.

JN:ilm

c: Sachi A. Hamai, Chief Executive Officer
Patrick Ogawa, Acting Executive Officer, Board of Supervisors
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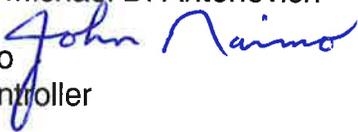
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**COUNTY OF LOS ANGELES
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July 20, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo 
Auditor-Controller

SUBJECT: **QUARTERLY REPORT ON IMPACT OF HEALTH CARE REFORM ON
COUNTY CASH FLOWS (Board Agenda Item 36-A, June 25, 2013)**

On June 25, 2013, your Board instructed the Auditor-Controller to report quarterly on the impact of health care reform on the County's cash flows and the Department of Health Services' (DHS) financial performance. This report is for the quarter ended June 30, 2016.

We continue to closely monitor General Fund cash advances to the Hospital Funds. For Fiscal Year 2015-16, the County General Fund's cash advances to Hospitals were reduced by \$35 million, as the previous year's balance of \$420 million declined to \$385 million. This continues the ongoing trend of improvement in Hospital cash flows, since the implementation of health care reform. Hospital cash flow requirements remain very manageable and are a significant contributing factor to the County's overall improved cash position.

If you have any questions, please contact me, or your staff may call Connie Yee at (213) 974-8321.

JN:ilm

c: Sachi A. Hamai, Chief Executive Officer
Lori Glasgow, Executive Officer, Board of Supervisors
Mitchell H. Katz, M.D., Director, Los Angeles County Health Agency
Joseph Kelly, Treasurer and Tax Collector
Audit Committee
Public Information Office