

MOTION BY SUPERVISOR HOLLY J. MITCHELL

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Ensuring the Ongoing Success of the Martin Luther King Jr. Community Hospital

In 2014, the Martin Luther King Jr. Community Hospital (MLKCH) opened to replace hospital services that had been provided by the King Drew Medical Center (KDMC) which was operated by the Department of Health Services (DHS). In 2007, after a protracted and unsuccessful effort by Los Angeles County (County) to correct failures to meet federal patient safety standards and loss of national accreditation, the federal government terminated KDMC’s federal funding agreement. The County had no choice but to close the facility since this funding was fundamental to the operation of the hospital.

In 2009, the then-sitting Board of Supervisors authorized the County to build a new private hospital and based the size of the hospital and its emergency department on the census of the old KDMC at the time of its closure. No community needs-based study was done to determine the appropriate hospital size or anticipated demand for services. In partnership with the University of California, the County created a private nonprofit Board to operate the hospital. The effort represented a first-of-its-kind public/private partnership wherein the County was vested in the success of the hospital. In 2010, after an extensive candidate search that involved sending 300 outreach letters to various experts, the County identified and appointed seven nonprofit board members who would operate the new MLKCH. In 2014, the County approved the hospital lease with the Martin Luther King

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Jr. – Los Angeles (MLK-LA) Healthcare Corporation, MLKCH's nonprofit board. The lease establishes the financial funding perimeters and terms by which the MLKCH nonprofit board would run the hospital. The new hospital's ongoing funding model consists of a unique system that includes State, federal, and County payments, as well as short-term and long-term loans. The County committed to providing financial support to establish and maintain ongoing hospital operations with start-up funding, reserve funding, intergovernmental funding and an indigent care payment. The County recognized that it was in the public's interest to establish the hospital due to the need for additional inpatient hospital and emergency services in South Los Angeles.

No cost-of-living adjustments were incorporated into the initial agreement. The agreement, however, did include a reopener provision that allows the parties to agree to meet and negotiate in good faith towards appropriate adjustments to meet financial obligations in order to ensure the continued stability of MLKCH.

The County has a uniquely high stake in MLKCH's operational success. MLKCH provides hospital care to the region's woefully underinsured and underserved patients, many of whom were previously reliant upon the former KDMC to meet their healthcare needs. Today, MLKCH provides inpatient and emergency room services to more than 1,200 DHS empaneled patients each month. In addition, after MLKCH was built and opened, the County built and opened other facilities on the MLK Medical Center Campus, dramatically increasing the number of County patients visiting the campus. These new facilities include the new 500,000 square foot Mark Ridley-Thomas Behavioral Health Center (BHC) adjacent to MLKCH. The BHC currently houses the Department of Mental Health's busiest psychiatric urgent care center and DHS' busiest urgent health care center. DHS urgent care sends patients to the MLKCH emergency room when patients need more advanced care. The BHC houses the County's first medical campus sobering center, where people under the influence of drugs and alcohol can safely sober up through short term care and monitoring. The BHC houses nearly 100 unlocked substance abuse and recovery beds. Soon, the BHC will also house nearly 32 psychiatric health facility beds and 50 locked justice-involved and general population mental health beds for seriously mentally ill County patients. These new BHC County patients will be brought next door to MLKCH when they need emergency care.

As mentioned above, the County is uniquely vested in MLKCH's financial success. As part of a public/private partnership, MLKCH is the only private hospital built by the County on County-owned land. The County built this hospital with tax-exempt bonds. This means the building must be operated as a hospital as long as the bonds are outstanding (until December 1, 2045). Through its bond obligations, the County promised not to take any action, or fail to take any action, that would adversely affect the tax-exempt status of the bonds. If the building were no longer operated as a hospital, this could jeopardize the tax-exempt status of the bonds and result in a negative impact on the County's credit ratings. Therefore, it is in the County's best interest to support efforts that will preserve the financial stability of this hospital.

MLKCH's surrounding community exceeds nearly every indicator of high unmet need. It sits within a [federally designated](#) health professional shortage area and a medically underserved area. The hospital's service area includes the County's highest concentrations of persons living under 200% of the federal poverty level. Per the County's Anti-Racism, Diversity, and Inclusion data dashboards, MLKCH's surrounding community falls within the County's highest Concentrated Disadvantaged Index tiers, Healthy Places Index tiers, and Social Vulnerability Index tiers. Moreover, unlike other private hospitals, it does not have a sufficient volume of privately-insured patients who could help diversify and expand its revenue streams to offset the cost of serving its predominant Medi-Cal patient population.

In spite of all these challenges, MLKCH's performance has been stellar. For two years in a row, it earned a rare [5-star rating](#) from the Centers for Medicare and Medicaid Services, the federal agency that oversees federally funded health care programs and measures membership satisfaction and patient safety. It recently earned an "A" from [Leap-Frog](#), an independent national non-profit that measures quality and patient safety among 2,300 hospitals. Its maternity care unit has received numerous federal and state accolades. For example, a recent California Attorney General report ranked MLKCH among the top scoring public and private hospitals in the County for its compliance with the [California Dignity in Pregnancy and Childbirth Act](#) which addresses implicit bias in Black maternal and infant health care.

This success is remarkable given its challenging patient population and its small

size in relation to the overwhelming needs of the low-income community that it serves. In November of 2023, for example, the hospital's census was over 170 patients even though it is licensed for only 131 beds. When MLKCH was built, the County projected its emergency room volume to be roughly 25,000 to 30,000 emergency room visits a year. MLKCH handled four times that number at 100,000 visits last year alone with more visits projected for this year. The hospital emergency department is now consistently seeing in excess of 10,000 patients each month. The hospital needs access to additional space to handle its emergency care volume and to provide other services to the community. The only space available for the hospital's growth will be the space that will be vacated once the County demolishes the antiquated Augustus Hawkins Health Center across the street.

Recently, MLKCH reports that its unique County-created financing model has not kept pace with inflation, including the rate of rising health care costs and the volume of patients seeking its care. MLKCH is pursuing multiple options, including appropriate relief from the State and managed care plans and has also discussed its financial issues with the County. MLKCH has shared audited financials, budgets and cash flow projections with the County.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Direct the Chief Executive Office, in consultation with its Anti-Racism, Diversity and Inclusion Initiative, its Center for Strategic Partnerships and the Director of the Department of Health Services, to review Martin Luther King Jr. Community Hospital's short and longer-term one-time and ongoing financial needs and report back in writing in 30 days on options for Los Angeles County (County) to help stabilize the Martin Luther King Jr. Community Hospital's financial position. These approaches should recognize and include:

1. The County's bond obligations (Los Angeles County Public Works Financing Authority Lease Revenue Bond, 2016 Series D) to ensure that a hospital operates on the site;
2. Martin Luther King Jr. Community Hospital's historic, current and projected patient population trends for its Emergency Department, in light of its location on a growing County-owned and operated medical campus;
3. Martin Luther King Jr. Community Hospital's patient payer mix, especially relative

to services provided in its emergency department;

4. Patient quality of care performance metrics;
5. Any impact on the hospital's emergency department volume due to the proximity of DHS' Urgent Care Center operated on the same campus;
6. Emergency department strain, considering the number of daily visits compared to the number of licensed emergency room beds and licensed hospital beds;
7. Equity factors related to the relative need of the surrounding patient population (e.g. poverty rates and other factors);
8. Any immediately pending federal, State, managed care plans or philanthropic relief; and
9. Any impact to the County budget.

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