



MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer  
Clerk of the Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

Director of Health Services

At its meeting held October 29, 2002, the Board took the following action:

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Dr. Thomas L. Garthwaite, Director of Health Services, reported on the status of negotiations with the Federal and State governments and on the implementation of the Department of Health Services' System redesign plan, as detailed in the attached report dated October 29, 2002. After the presentation, Fred Leaf, Chief Operating Officer, Department of Health Services responded to questions posed by the Board members.

Supervisor Yaroslavsky made the following statement:

"We have before us the recommendations of the Department to reschedule consideration of Scenario II (presented to the Board on June 26, 2002) to November 19, 2002, set a January 2003 Beilenson Hearing on closure of Rancho Los Amigos National Rehabilitation Center and 50 inpatient beds at LAC+USC Medical Center, and hire an outside consultant to validate the findings related to the fiscal viability of Rancho Los Amigos National Rehabilitation Center to be operated under a separate governance."

Therefore, Supervisor Yaroslavsky made a motion, seconded by Supervisor Molina, that the Board adopt the following recommendations of the Director of Health Services:

1. Authorize and instruct the Department to take the necessary actions, including the preparation of notices and scheduling of Beilenson Hearings for January 2003, related to the closure of Rancho Los Amigos National Rehabilitation Center and the elimination of 50 inpatient beds at LAC+USC Medical Center;
2. Approve a revision of the Department's timeline of steps related to Scenario II to reflect the Board's consideration of Scenario II on November 19, 2002, Beilenson Hearings in January 2003, and implementation of Board-approved service reductions no later than June 30, 2003; and

(Continued on Page 2)

Syn. 83 (Continued)

3. Delegate authority to the Director of Health Services to engage an outside consultant to conduct an independent validation of the Department's fiscal analysis of Rancho Los Amigos at an amount not to exceed \$200,000, and provide a report to the Board within 45 days regarding the consultant's findings.

Mayor Beverly O'Neil, City of Long Beach, Mayor Rachel Montes, City of El Monte, Councilmember Art Yoon, City of Hermosa Beach, Councilmember John Parsons, City of Redondo Beach and others addressed the Board.

After discussion, Supervisor Knabe made a motion, seconded by Supervisor Burke, that the Director of Health Services' Recommendation No. 3 be amended to read:

"Delegate authority to the Auditor-Controller and Chief Administrative Officer to engage and supervise the work of an outside consultant that will conduct an independent validation of the viability of the most currently available fiscal plan prepared by Rancho Los Amigos National Rehabilitation Center and suggest recommendations for improvement at an amount not to exceed \$200,000, funded by the Department of Health Services, and provide a report to the Board within 45 days regarding the consultant's findings."

Supervisor Knabe made a motion that the Board divide the question in regard to the Director of Health Services' three recommendations. Said motion failed for lack of a second.

After further discussion, on motion of Supervisor Yaroslavsky, seconded by Supervisor Molina, duly carried by the following vote: Ayes: Supervisors Molina, Burke, Antonovich and Yaroslavsky; Noes: Supervisor Knabe, the Board took the following actions:

1. Authorized and instructed the Department to take the necessary actions including the preparation of notices and scheduling of Beilenson Hearings for January 2003, related to the closure of Rancho Los Amigos National Rehabilitation Center and the elimination of 50 inpatient beds at LAC+USC Medical Center;

(Continued on Page 3)

Syn. 83 (Continued)

2. Approved a revision of the Department's timeline of steps related to Scenario II to reflect the Board's consideration of Scenario II on November 19, 2002, Beilenson Hearings in January 2003, and implementation of Board-approved service reductions no later than June 30, 2003; and
3. Delegated authority to the Auditor-Controller, Chief Administrative Officer and Director of Health Services to engage and supervise the work of an outside consultant that will conduct an independent validation of the viability of the most currently available fiscal plan prepared by Rancho Los Amigos National Rehabilitation Center and suggest recommendations for improvement at an amount not to exceed \$200,000, funded by the Department of Health Services, and provide a report to the Board within 45 days regarding the consultant's findings.

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Attachment

Copies distributed:

Each Supervisor  
Chief Administrative Officer  
County Counsel



**THOMAS L. GARTHWAITE, M.D.**  
Director and Chief Medical Officer

**FRED LEAF**  
Chief Operating Officer

COUNTY OF LOS ANGELES  
DEPARTMENT OF HEALTH SERVICES  
313 N. Figueroa, Los Angeles, CA 90012  
(213) 240-8101

October 29, 2002

TO: Each Supervisor

FROM: Thomas L. Garthwaite, MD  
Director and Chief Medical Officer

**SUBJECT: REVISED SCHEDULE FOR DHS SYSTEM REDESIGN RECOMMENDATIONS**

On June 26, the Department of Health Services' (DHS) presented to your Board two scenarios for the redesign of the County's health care delivery system. These models were based on different assumptions with regard to funding, and the implementation of Scenario III, which was approved by your Board, was predicated on the expectation that additional resources and funding flexibility would be made available by the state and federal governments. In the June report, the Department informed your Board that it would be reporting back in October on the prospects of obtaining additional state and federal funding and the recommendation as to whether it was necessary to proceed with implementation of Scenario II.

As you know, under Scenario III, the Department of Health Services (DHS) would reduce services and maintain four acute care hospitals, three of which would provide trauma care; convert Rancho Los Amigos National Rehabilitation Center to a public authority, or close the facility, based upon the results of a financial viability analysis; reconfigure High Desert Hospital to an ambulatory care facility and cease provision of inpatient services; continue operation of the six comprehensive health centers; close 11 health centers and four school-based clinics; and restructure and reduce by \$15 million the budget for the Public-Private Partnership program.

In approving Scenario III, your Board voted for administrative and service reductions that amount to over \$357 million in annual savings by Fiscal Year 2005-06. Included in my recommendations today are steps to further the Department's implementation of these savings.

Scenario II, which would occur in the absence of additional state and federal resources and would result in a dramatically smaller system that reduces services by approximately \$700 million in Fiscal Year 2005-06. Under Scenario II, Harbor-UCLA Medical Center and Olive View-UCLA

BOARD OF SUPERVISORS

**Gloria Molina**  
First District

**Yvonne Brathwaite Burke**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

Medical Center would be reconfigured as ambulatory care centers, with no inpatient services available; Roybal Comprehensive Health Center would be closed; funding for the PPP program would be eliminated; and additional DHS-run health centers would be closed.

#### Negotiations with the State and Federal Governments

This past spring, the Department initiated discussions with the State Department of Health Services in an effort to move forward a new waiver proposal to the federal government. The Department and the State engaged in lengthy discussions, as well as an extensive stakeholder process, regarding how to address the health care needs of the uninsured. The culmination of these discussions was a waiver proposal that was discussed in a meeting between the Federal Centers for Medicare and Medicaid Services (CMS), the State, and DHS on October 9.

As a result of the October 9 meeting, there have been a series of follow-up discussions between the three agencies. CMS, through the State, made a proposal to DHS on October 25 and negotiations are continuing among the parties. A series of additional conference calls between DHS, CMS, and the State are being set for the week of October 28 to further discuss the CMS proposal, as well as policy options put forth by the State. On November 6, CMS Administrator Tom Scully is scheduled to visit Los Angeles County to see the system first hand.

Further, the Governor has stated that he will determine by November 15 whether he will call a special session of the Legislature to discuss the State's indigent health care crisis and, more specifically, what if any policy recommendations he will propose for discussion during the special session. The ability of these proposals to directly address the funding shortfall experienced by DHS is of critical importance.

Finally, your Board has placed an initiative – Measure B – on the November 5 ballot, which, if passed, would result in a significant increase in funding to support trauma and emergency care services in the County and would be a critical component of providing fiscal stability to the County's health care safety net.

#### Rancho Los Amigos National Rehabilitation Center

The Department has proposed, under Scenario III, that Rancho Los Amigos be converted to a public authority and that the County operating subsidy to the facility be reduced from the current level of \$71 million to \$14.7 million. Under Scenario III, if it was determined that Rancho Los Amigos could not be operated with a net County contribution of \$14.7 million, the facility would be closed, with the closure process beginning in May 2003.

Rancho Los Amigos, in consultation with DHS Finance, developed a financial model by which to evaluate the fiscal viability of this facility under an alternative governance model. This analysis considered a number of scenarios with varying assumptions regarding payer mix, service configuration, and census. None of the resulting scenarios meets the fiscal threshold set forth in Scenario III. While Rancho Los Amigos provides an important resource to DHS patients and many great accomplishments occur there on a daily basis, the severity of the County's fiscal crisis demands that services be prioritized. Thus, the Department must recommend the closure of

Rancho Los Amigos and the scheduling of the required Beilenson Hearing in January 2003. Moving to close Rancho Los Amigos no later than June 30, 2003, would result in one-time additional funding of \$58.6 million.

In the intervening two months, however, it is incumbent upon the Department to validate this fiscal analysis, as well as to consider other factors that could impact Rancho Los Amigos' viability under alternative governance. Thus, it is recommended that an independent firm be engaged to review DHS' analysis, as well as to conduct a market analysis to gauge not only the veracity of the fiscal analysis, but also to evaluate Rancho's potential to compete with the private sector if it were converted to a separate governance. This analysis should be completed prior to the Beilenson Hearing in order to provide sufficient time to take into account any findings during the Board deliberations.

#### LAC+USC Medical Center

In June, your Board voted to move forward, under Scenario III, with the elimination of 100 beds at LAC+USC Medical Center. The Department's fiscal forecast assumes that 50 of these beds would be closed this fiscal year and the remainder in Fiscal Year 2003-04. The Department recommends that Beilenson Hearings be scheduled for January 2003 to hear public testimony on the 50 bed reduction at LAC+USC Medical Center.

#### Recommendations

In June, the Department recommended that, should its fiscal crisis remain unresolved by October, your Board vote to approve Scenario II, as set forth in the June report. At this time, there has been no conclusion to discussions with CMS and the State that provides both a long-term stable source of funding and the necessary flexibility to redesign the larger DHS delivery system outlined in Scenario III. However, given the ongoing nature of the discussions, CMS Administrator Scully's visit on November 6, the presence of an initiative on the November 5 ballot to provide increased funding for trauma services, and the prospects for a special session of the State Legislature, as well as the fact that Mr. Scully has requested that the Board not consider Scenario II in the midst of these ongoing negotiations, I am recommending that the schedule for consideration of Scenario II be revised so that a vote on this recommendation is held on November 19, Beilenson Hearings set for January 2003, and the reduction of the affected services occur no later than June 30, 2003.

Revising the schedule for consideration and implementation of Scenario II will provide additional time for further negotiations with CMS and the State. This will also provide the opportunity to evaluate the vote on Measure B. In addition, this will allow for consideration of any legislative proposals put forth by the Governor, should he call for a special session of the Legislature.

If by November 19, negotiations with CMS and the State have not resulted in the identification of a sufficient and stable source of funding to support Scenario III, the Department will return to your Board with the recommendation that you implement Scenario II. Additionally, at that time, the Department will recommend whether the closure of Harbor-UCLA Medical Center and Olive View-UCLA Medical Center, as well as the other services reductions included in Scenario II, is necessary and should be incorporated into the January 2003 Beilenson Hearing.

I, therefore, am requesting that the Board:

1. Authorize and instruct the Department to take the necessary actions, including the preparation of notices and scheduling of Beilenson Hearings for January 2003, related to the closure of Rancho Los Amigos and the elimination of 50 inpatient beds at LAC+USC Medical Center.
2. Approve a revision of the Department's timeline of steps related to Scenario II to reflect the Board's consideration of Scenario II on November 19, Beilenson Hearings in January 2003, and implementation of Board-approved service reductions no later than June 30, 2003.
3. Delegate authority to the Director of Health Services to engage an outside consultant to conduct an independent validation of the Department's fiscal analysis of Rancho Los Amigos, at an amount not to exceed \$200,000, and provide a report to the Board within 45 days regarding the consultant's findings.

Please let me know if you have any questions.

TLG:ak

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors