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## **Economy & Efficiency Commission Presentation**

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*Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.*

**PRESENTATION BY**  
**Mr. Fred Leaf**  
**Chief Operating Officer, Department of Health Services**  
**Los Angeles County**

**Topic: The Status of Martin Luther King Hospital**

**March 3, 2005**

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Chairman Philibosian introduced Mr. Fred Leaf, Chief Operating Officer and welcomed him to the Commission.

### **Budget Issues**

Mr. Leaf reported that by July 2005, there will be a surplus of \$44.8 million at Martin Luther King Hospital. Beginning in July 2006, there will be a deficit of approximately \$340 million, which is anticipated to grow in the immediate future. Additional concerns reside with the state going through a major effort reduce Medical, which could potentially impact the hospital, and the numerous problems faced by the federal government. It is a different environment than it was as a result of the past two waivers, when the hospital received \$2 billion over a two year period. Every action taken is done without relief from a reimbursement standpoint or major changes to how healthcare is delivered in Los Angeles County.

Currently, the hospital is still certified by CMS and is still participating in Medicare and Medical. The hospital's budget is approximately \$358 million annually, with \$106 million coming from a county subsidy. About \$201 million represents a reimbursement from the federal government. The remaining budget is composed of a combination of small amounts of private insurance that is collected through Emergency Room (ER) and Trauma admissions and an operating deficit that the hospital is experiencing this year. If CMS were to pull their certification, \$200 million of the \$358 million operating budget would be gone.

### **Reviews and Surveys**

Over the past two years, Martin Luther King Hospital has been subject to a large number of reviews from accreditation and certification agencies. The centers for Medicare and Medicaid services conducted 2 complete surveys of the hospital in May 2004 and a resurvey in October. They also did a number of smaller incident specific reviews that have been reported in the LA Times. The Joint Commission on Accreditation of Health Care Organizations (JACO) conducted its full tri-annual survey in May 2004 and monthly reviews throughout the fall.

There is certification for reimbursement from the federal government by CMS, a joint commission that accredits health care institutions. The hospital's training programs are reviewed by the Accreditation Council for Graduate Medical Education. Multiple reviews were conducted throughout the year and upon their conclusion gave an unfavorable accreditation status for the entire institution. They will be coming back in December 2005, and if they find a third unfavorable recommendation, they will pull their accreditation for the training programs at the hospital. This review is extremely important.

### **Significant Events**

The most recent significant event was the management of an assaulted behavior problem that was noted by CMS, commonly referred to as "The Taser Events" at Martin Luther King Hospital. It is not really a taser problem, as much as it is the manner in which the staff were managing patients with assaulting behavior. It wasn't the use of the taser, but the treatment of the patients from their admission to actual events. At King Hospital, there was insufficient documentation of the intervention that they took prior to the need for restraint intervention. The whole situation has protocols and practices that have to be corrected at the hospital. During the summer of 2004, there were corrections made and changes in policies and training, but unfortunately the practice returned. CMS noted that it didn't feel the hospital was properly complying with the policies which placed the hospital in immediate jeopardy. This means that if Martin Luther King Hospital does not pass the resurvey, CMS would immediately pull out funding. When the resurvey was taken the hospital passed.

The full scope survey that was conducted this year by CMS did find that Martin Luther King Hospital was out of compliance on 3 of the 23 conditions which were nursing, quality of care and pharmacy. A letter will be submitted to allow for a 90 day period to correct these areas. Then a resurvey will be conducted to see if the 3 conditions have been corrected.

Martin Luther King Hospital is no longer an accredited JACO institution. This means that the hospital can still accept health care plan patients from emergency through stabilization. But, they are not able to bill the health plan companies for routine and post stabilization care. This results in a loss of over \$11 million per year. The hospital is requesting a resurvey by JACO to regain their accreditation this fall.

### **Outside Resources**

CMS is working with Martin Luther King Hospital which is located in the most poverty stricken part of the county. A decision was made to approach a firm that would come in to assist with additional staff and expertise to turn the hospital around. In November 2004 the Board of Supervisors selected and entered the agreement with Navigant, a nationally recognized firm that has been involved in turning hospitals around. Navigant's first report was published February 1st, 2005 and is available on the hospital's website.

The agreement with Navigant involves 2 major work products. One is to provide an internal management team, such as a CEO, COO, and Nursing Director. It also calls for an assessment and implementation of corrective actions. Also stipulated, requires that the work done regains JACO certification and maintains CMS certification. Navigant is also required to provide a report to the county each 60 days with the first report is due in March. These reports will all be available on the hospital's website. The corrections involving the deficit at Martin Luther King Hospital need to be balanced with all the hospitals in the system to address the critical nature of the health safety net of Los Angeles County.

### **Commissioner Questions**

Chairman Philibosian asked whether there are any statistics which identify the expenses for providing treatment to illegal aliens, including births at Martin Luther King Hospital, as well as the entire county hospital system. Mr. Leaf replied that the numbers are being developed and that they will be available in the next few weeks. Chairman Philibosian asked what the state and federal government is paying for illegal aliens medical costs and what if any deficit that we could request from the federal government to make up. Mr. Leaf replied by saying that all expenses for illegal alien patients are taken into account in the statistics.

Chairman Philibosian was also curious about the percentage of illegal births. Mr. Leaf said that the whole system delivers approximately 3000 births and that the percentage on illegals will be available soon.

Commissioner Oakes asked about the biggest factors that are moving the \$45 million surplus to a \$340 million deficit. Mr. Leaf said that the waiver we've had ends in July of this year. In 1995 and 2000, the county approached the federal government and requested an 1115 Medicaid waiver which allow the federal government to enter into funding arrangements with local government in demonstration projects. Currently, the county is looking to move more of a focus on outpatient care while reducing the amount of inpatient care. Another factor in a county is having an open door policy that allows a never ending stream of patients. Compared to an organization like Kaiser which has a closed door population, they are better able to manage. The county also deals with significant increases in healthcare costs, a need to increase our nurse to patient ratio hiring traveling nurses through national registries, and a basic structural built in deficit that doesn't address the undocumented piece which involves certain other forms of care that are quite expensive and limits eligibility for programs.

Chairman Philibosian commented that the supply of nurses could be helped through the educational process in community colleges, specialized nurse training courses, and increasing the education of LPN's to get them into the RN category. Things such as drug costs and purchasing power might be to unite the county hospitals around the state. He wondered if the hospital was looking into some organic solutions rather than paying a high amount of money for consultants and hiring traveling nurses. Mr. Leaf stated that we are ahead of the curve on the purchasing power and that for the last 7-8 years; we have been involved in a large nationwide purchasing group from which we have seen great benefits. As for the nursing shortage, the solution is an educational one and there needs to be a push to attract individuals into the nursing profession. We have received over 40 million in grants to train hundreds and hundreds of nurses; however the problem is keeping them in the system. Usually a nurse will stay for 4 years to develop their skills then they are in such demand and go to greener pastures.

Commissioner Baltierrez wondered that if 50% of the births were illegal and they went away, how that would impact the funding and facility at Martin Luther King Hospital. Mr. Leaf replied that any patient based program that has revenue attached to it will have a significant financial impact. It would definitely be difficult to run the OB programs and we would need to redesign training programs.

Commissioner Sylva asked with all the regulatory oversight, it seems a lot of issues are beyond their control. She was curious about how they were dealing with the community that has an interest in maintaining the hospital and keeping it open. She asked how the issues of the community were being addressing. Mr. Leaf replied that one of Navigants expectations is to continue community education and program interaction at Martin Luther King Hospital. It is good to keep the community in the loop concerning what is going on in the facility. There is a lot of misunderstanding about why we are doing what we are doing, and we've have a lot of animosity believing that it is racism. Having closed the Trauma unit at the hospital, we have increased the cost of providing trauma. Harvard Hospital ahs had to admit an additional 500 patients per year.

Commissioner Oakes asked if the Department had looked at other sizeable counties around the country for success stories and lessons that we could learn Mr. Leaf said that Los Angeles County is the one looked at as how to do things. We are looking at how deals have been made in Texas and New York. There are similar hospitals in both southwest Washington and the Baptist Community Hospital Groups Florida hospital who have both dealt with similar situations. The other problem at King is affiliated with Drew Medical School, a minority school established in the early 1970's. When Drew began, it was a great opportunity for minorities to access medical education. Now with the changes in access to higher education by minorities, they have a broad choice of schools to go to anywhere in the country. As a result, they are not choosing some of these minority medical schools. The natural result is that the hospital does not draw the highest quality faculty.

Commissioner Hill asked what percentage of change has there been to the employees since the whole process started. Mr. Leaf said that when we entered this hospital during Christmas 2003, we started looking into the problems. At the time, there were only 14 disciplinary actions in progress, now there are almost 400.

We had to let go about 20-30% of the incompetent staff. The senior levels were of particular concern.

Commissioner Baltierrez wondered what actions the hospital was taking in regards to the Latino and African American controversy in the workplace and how employees have been able to work better together. Mr. Leaf said how the hospital was built because of the Watts riots and has close ties to the African American population. Times have changed and now the patient base is 70% Latino, while the staff is primarily African American. We are working in the community to bring more of a balance to our debates and we have seen improvement. Commissioner Baltierrez asked about the cultural sensitivity training from outside consultants, if any. Mr. Leaf said that the head of the diversity program worked with a large ethnically diverse group to develop the hospital's linguistic competency program. The Office of Civil Rights commented that theirs as the best they've seen. The county has done an adequate job, but there is still more to do. Commissioner Baltierrez suggested that they might find some assistance from CORO.

Chairman Philibosian thanked Mr. Leaf for his time and informative presentation, and let him know that the Commission will be available to help on any issue.

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