

**A REVIEW OF THE REPORT ISSUED BY  
THE HEALTH CRISIS MANAGER  
ENTITLED**

***GOVERNANCE OF THE DEPARTMENT OF HEALTH SERVICES***

*A Project of*

**The Los Angeles County  
Citizen's Economy and Efficiency Commission**

***January, 1996***

**The Los Angeles County  
Citizens Economy and Efficiency  
Commission**

Chair  
**Gunther W. Buerk**

Vice-Chair  
**Betty Trotter**

Health Task Force  
**Tony Tortorice, Chair**  
**Richards Barger**  
**Louise Frankel**  
**Carole Ojeda-Kimbrough**  
**Chun Lee**

Commissioners  
**Fred Balderamma**  
**John Crowley**  
**David Farrar**  
**John A. FitzRandolph**  
**Jonathan Fuhrman**  
**Jaclyn Tilley Hill**  
**Roman Padilla**  
**Dr. William J Petak**  
**Robert H. Philiboaian**  
**Randolph B. Stockwell**  
**Randall Stoke**  
**Julia Sylva**  
**Albert M. Vera**

Staff  
Executive Director  
**Bruce J. Staniforth**

The Mission of the Commission is to examine any function of County government at the request of the Board of Supervisors, on its own initiative, or as suggested by others and adopted, and to submit recommendations to the Board directed toward improving local government economy and efficiency, and effectiveness.

**CITIZENS ECONOMY AND EFFICIENCY  
COMMISSION**  
of Los Angeles County

January 31, 1996

Honorable Michael Antonovich,  
Los Angeles County Board of Supervisors  
Room 869, Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

**Chair**

Gunther W. Buerk

**Vice-Chair**

Betty Trotter

Dear Chairman Antonovich:

At the December 12, 1995 Board meeting, on a motion of Supervisor Dana, the Board "Referred the Health Crisis Manager's attached report entitled Governance of the Department of Health Services to the Los Angeles County Citizens Economy and Efficiency Commission and to the Director-Designate of Health Services to review and report back to the Board with recommendations by February 1, 1996".

The attached document presents the results of the Commission's review of the Health Crisis Manager's report concerning the governance of the Department of Health Services. The Commission has concluded "...that the analysis presented in the Report of the Health Crisis Manager does not provide adequate information or analysis in his report to arrive at..." the conclusion that a "semi-autonomous health authority" is the appropriate form of governance for the County of Los Angeles to adopt. This review should not be used "...to imply that an Authority is not the appropriate form of governance for DHS. ...", just that the recommendation is not adequately supported.

The Commission appreciates the opportunity to provide its comments in this matter. Based upon future Board action, the Commission is available to assist your Board further in this area.

Sincerely,

**Commissioners**

Fred Balderrama  
Richards D. Barger  
John Crowley  
David W. Farrar  
John A. FitzRandolph  
Louise Frankel  
Jonathan S. Fuhrman  
Jaelyn Tilley Hill  
Chun Y. Lee  
Carole Qieda-Kimbrough  
Roman Padilla  
William J. Petak  
Robert H. Philiposian  
Randolph B. Stockwell  
H. Randall Stoke  
Julia E. Sylva  
Tony Tortorice  
Albert M. Vera

**Executive Director**

Bruce J. Staniforth

Gunther Buerk  
Chairperson

C: Each Supervisor  
Each Economy and Efficiency Commissioner  
Sally Reed, Chief Administrative Officer  
Burt Margolin, Health Crisis Manager  
Mark Finucane, Director, Department of Health Services

Kenneth Hahn Hall of Administration, Room 163  
500 West Temple Street, Los Angeles, CA 90012  
(213) 974-1491 / (213) 620-1437 FAX

**A REVIEW OF THE REPORT ISSUED BY  
THE HEALTH CRISIS MANAGER  
ENTITLED  
*GOVERNANCE OF THE DEPARTMENT OF HEALTH SERVICES***

**Background**

At the December 12, 1995 Board meeting, on a motion of Supervisor Dana, the Board "Referred the Health Crisis Manager's attached report entitled *Governance of the Department of Health Services* to the Los Angeles County Citizens Economy and Efficiency Commission and to the Director-Designate of Health Services to review and report back to the Board with recommendations by February 1, 1996".

The genesis of the *Governance of the Department of Health Services Report* was a recommendation to "...*constitute a Health Authority...*". This recommendation was made in a July 24, 1995, Health Crisis Task Force Report to the Board of Supervisors entitled *Report of the Health Crisis Task Force*. The July 24 Report made a total of 12 recommendations as part of its proposal. Eleven of the recommendations dealt with financing, organization and legislation. The remaining recommendation proposed that a Health Authority be constituted was stated as follows:

*"The Board should constitute a Health Authority run by recognized health policy experts to guide implementation of its broad health care policies. The Director of the DHS should report to the Authority with the Department having the ability to operate as a semiautonomous organization responsible to the Board of Supervisors, but able to function independently based on agreed upon guidelines."*

The only other reference to the creation of a Health Care Authority made in the July 24 Report appears in its Implementation Section:

- ◆ *"Place DHS under the direction of a Health Authority*
  - *Composed of recognized experts in health policy and approved by the Board*
  - *Providing the essential link between the DHS and the Board of Supervisors and reporting directly to the Board on budget and strategic planning issues."*

Neither the rationale, nor the analysis upon which the recommendation to create a Health Authority was based, was presented in this Report. Assumedly, too further clarify and expand upon this recommendation, the Board requested, on August 1, 1995, that the Health Crisis Manager "*evaluate the feasibility of creating a health authority to oversee the Department of Health Services (DHS).*" The Health Crisis Manager, in response to this direction, prepared a Report titled *Governance of the Department of Health Services*. This Report was subsequently submitted to the Board for consideration on December 12, 1995.

The Report of the Health Crisis Manager includes a background discussion on the issues that brought the County to the crisis it currently faces, together with a listing of four (4) different health system governance models that were “reviewed”. It also includes a recommendation that the County adopt “...a semi-autonomous health authority. . .” (pg. 10)<sup>1</sup>, with supporting comments on the membership of the authority, how health policy would be ratified, how it would operate, the roles of the Director of the Department of Health Services and the Chief Administrative Officer, and the initial focus of the authority. Finally, his Report closes with a Conclusion Section.

## Scope

To be as fair as possible in fulfilling the requirements of the Board direction, the Commission sought as objective a measure as possible upon which to base its review. Using the original direction of the Board to the Health Crisis Manager to evaluate “...the feasibility of creating a health authority to oversee the Department of Health Services (DHS),” the Commission determined that it would be appropriate to use the generally accepted format of a feasibility study in reviewing how well the Report responds to the Board's direction.

The following will be the definition of a Feasibility Study used in the conduct of this review:

*A Feasibility Study is a controlled process for identifying problems; opportunities or mandates; determining objectives; describing current situations and successful outcomes, assessing the range of costs and benefits associated with several alternatives for solving a problem, and arriving at a recommended solution based upon the elements analyzed.*

Based upon this definition, the Commission has reviewed the Report of the Health Crisis Manger with the expectation that it would provide sufficient information with which the Board could take informed action on the recommendation presented.

**It is important to emphasize that the Commission was requested to review the Health Crisis Manager's Report This request was determined by the Commission to mean that it evaluate how well the Report responds to the Board's direction. The Board's request to review the Health Crisis Manager's report was not considered by the Commission to require an analysis of the governance issue. The Commission also did not consider this request to mean that it develop recommendations on the appropriate form of governance for the Los Angeles County Health Care System. To complete such an analysis would require the commitment of significant time and effort.**

---

<sup>1</sup> Note: Page references refer to the page in the Health Crisis Manager's Report from which the quote is taken.

The only information related to this issue available for Commission review was the December 12, 1995-report and the July 24, 1995-report of the Health Crisis Task Force. Additional information, although requested from the Office of the Health Crisis Manager, was not made available.

### **The Health Crisis Manager's Report Overview**

The Report prepared by the Health Crisis Manager identifies two questions to be covered in a consideration of the form of governance to be adopted by the county; whether there exists "*a need for the County to change the way it governs its health care system?*" and "*If yes; what form should it take*" (pg. 1). With these questions, the Report defines its scope and focus in terms of problem analysis (The need for a change?) and alternative evaluation (What form the change should take?). This structure is consistent with the identified format of a feasibility study to be used by the Commission in this review.

The major accomplishment of this Report, as suggested by the Health Crisis Manager in his presentation to the Board, is to provide the Board a basis from which further discussions and negotiations could follow. Although the Commission recognizes the Health Crisis Manager's intent, the direction from the Board to the Health Crisis Manager was ~ *evaluate the feasibility of creating a health authority...*". The Board's direction must be the basis upon which this Report must be reviewed, not the stated intent of the author.

Using the Board's direction, the problem formulation proposed in the introduction to the Report, and the feasibility study format, the Commission was led to expect that this Report would provide an analysis of both the health care governance and the potential alternatives in arriving at a recommended course of action. This Report could then be used as a basis upon which the Board could make a determination as to what form of governance would be most appropriate for Los Angeles County. As a result of focusing on the stated intent, that the Report serve as a.... *starting point for the Board's consideration and review.*" (pg. 10), the underlying purpose for conducting a feasibility study, to arrive at a recommended solution based upon an analysis of the elements, is not effectively accomplished.

The following review has been structured using those elements of a feasibility study identified in the above definition. Each section reviews the Report relative to those issues that would normally be expected to be covered in the identified elements.

### **Identification of Problems/Opportunities/Mandates**

As answers depend upon the questions asked, so, too, solutions depend upon how the problem is structured and defined. Without an adequate definition of the problem a decision-maker will not have sufficient information to determine whether the solution being proposed is appropriate to the problem

being analyzed, or whether, if it is appropriate, it adequately addresses the entirety of the problem.

The report defines the problems existing within the Health Care System primarily in terms of Finance Funding page 2-3) and in issues dealing with the areas of expertise and overlapping roles (page 4-5) of the Board of Supervisors. Other factors impacting this decision were given little attention. Given the complex nature and confusing interrelationships of the problems facing the Health Care System of Los Angeles County, it is difficult to assume, unless it was well defined within the context of the report, that these two issues would be the most critical in determining a form of governance. Other concerns may include, fiscal composition, financial accountability, legality of the options reviewed, levels of authority, etc.

Of particular interest may be the degree to which the management or structure of the Department has contributed to the crisis at hand. If these factors are a major contributing factor, to what degree could revisions in either or both mitigate the crisis? Would such a mitigation eliminate the need for a change in governance? If a possible "*restructuring*" of management would address the problem, does the current recommendation address a short-term problem with a long term solution? No data or rationale is presented to address these types of questions or issues, or to support the problem definition proposed in the Report.

The Report, although it states that the County will need "*to confront a series of very difficult decisions in the next several months*" (pg. 3), does not enumerate, even generally, what these decisions would be or what areas they would cover. This approach would, at least, provide a minimal level of direction to the county from a credible source.

The problems ("*challenges*") these decisions are designed to address are listed on pages 34. It was not made clear within the body of the Report that these "*challenges*" comprise a totality of the problems to be addressed by its recommendation. The Report would have also been significantly strengthened if it generally proposed how the "*strategic decisions to be made in the coming months*" (pg. 4) would be made or how these decisions will impact or be critical to the overall condition of governance.

### **Determination of Objectives**

The results of a study's efforts must be defined to fully understand not only what is to be achieved, but also to determine when it has been achieved. This Report states that "*The Board has repeatedly declared "business as usual" is no longer acceptable.*" (pg. 2). This statement does not convey any meaning in the context of a feasibility study. This Report should have given meaning to the Board's intent by defining what this statement desires to achieve.

Ideally, the objectives of this report should have been identified by the Board. Lacking Board definition, the Health Crisis Manager, within his Report, should have proposed the goals and the criteria against which any recommendations were to be measured. The use of this approach would

enable the County to determine whether actions taken in rethinking "*the fundamental ways it manages and delivers health care services.*" (pg. 2) are successful. There are a number of examples of the types of criteria that could have been used in this process. For example, Alameda County, in a recent report entitled, *Medical Center Governance Committee* <sup>2</sup>, uses the ten criteria, indicated below, in evaluating their governance options:

1. Increase Medical Center's ability to respond to market changes
2. Preservation of Medical Center's mission to provide care too medically indigent
3. Assure continued access to care to meet Section 17000 obligations
4. Reduce budgetary inflexibility
5. Reduce competing demands on present governance
6. Authorize retention of excess revenues I not financially impacted by shortfalls in other departments.
7. Remove the Medical Center from County Civil Service System
8. Has earliest possible start date to convene a new governing body, given requirements
9. Is able to receive direct county appropriations
10. Has authority to issue tax-exempt bonds (with or without approval)

Without establishing criteria, such as those listed above, the decision-maker will be unable to objectively determine whether the option being recommended responds to the objectives sought. The decision-maker will also find it difficult, if not impossible, to evaluate the recommendation without understanding the basis upon which it has been evaluated.

The Report is not totally lacking in defining criteria since it does present reasons that explain why the recommendation was made. The reasons that are presented may well be valid and a good beginning, but the Report does not indicate that the reasons as presented define its objectives. The first reason is ". . . *that the Board retain a role in the ultimate ratification of the restructuring*" (pg. 10). This role is apparently in having the Board give "*...its final approval...*" (pg. 10) to any plan. The second reason is that "*... the County cannot afford to become embroiled in a lengthy and contentious governance debate.*" (pg. 10). The third reason is implied and suggests that any form of revised governance not include.... *the creation of another advisory body.*" (pg. 10). Five other reasons can also be implied in this section of the report (pg. 10):

-----  
<sup>2</sup>"Medical Center Governance Committee", Supervisor Mary King, Chair, Alameda County, September - October, 1995



- ◆ **Independence to focus on county-wide health care delivery**
- ◆ **Operational within 60-90 days**
- ◆ **Membership selection which emphasizes county-wide accountability**
- ◆ **Division of power between Board and Authority based on yes/no ratification**

Note: Those criteria bolded assume the creation of an Authority. Criteria should be established without assuming a specific solution.

As noted in the previous section, this report defines the problem of governance in terms of financing/funding and the expertise and role of the Board in dealing with this problem. The reasons presented above fail to consider any criteria involving the financing/fund of the system. If the reader were to assume that the reasons presented above were being used as a set of criteria against which this analysis was being conducted, it would appear that this listing falls to be sufficiently comprehensive to evaluate the issue being discussed. As an example of the potential scope of the criteria to be considered, Alameda County states in their report that..... *the committee reviewed and selected ten out of thirty criteria for evaluation....*" Based upon the number of criteria considered by Alameda County, it appears that additional effort will be required to further evaluate the adequacy of the set of criteria used in this analysis.

Once a set of criteria are established for use in the evaluation of this Report, additional effort would be required to seek the input of those affected individuals and organizations to arrive at a conceptual foundation from which to develop an appropriate recommendation. The Office of the Health Crisis Manager did seek some input on this matter. Based upon the Report's lack of well-defined evaluation criteria and the overall contents and structure, it was apparently prepared with the underlying desire to justify the creation of an Authority, rather than to analyze possible governance alternatives. If the conclusion that the recommendation to create a semi-autonomous authority was arrived at as a result of an analysis conducted by the Health Crisis Task Force July 24, 1995-report, this should have been made clear in the December 12, 1995-report, along with including the analysis as an appendix.

### **Describing Current Situation**

Although the Commission realizes that questions of how to manage the health system have existed for as long as the health system has existed, it would have been helpful in the Report to have had a basic review of how the current system operates. This would make apparent why some aspects of the current system that are functioning well should be maintained and why others that are functioning improperly should be replaced. Any consideration of alternatives should capitalize upon the elements within the existing systems that are effective and, as such, could be incorporated into a.... *reform of the County's health care governance structure*" (pg. 5). The report does include the following statement, "...my office undertook a review..." (pg. 1), but presents limited information on how this review was conducted, the content of the review, or how any conclusions were drawn as result of the review.

Documenting the important features of the organization and its mission, the work processes, the services and the clients will bring the pieces together in an understandable format. This need to

address these concepts is implied in this report by recognizing that any reorganization "... *require a disciplined, single-system approach*" (pg. 5). Even with an implicit recognition of a systems approach, the issue of governance is considered relatively independently from other factors that may exist within the organization or from any potential impacts on external organizations.

### **Assessing the Costs and Benefits with Several Alternatives for Solving the Problem**

A number of alternative governance models are listed within this report, to include:

- ◆ Public Benefit Corporations (PBC),
- ◆ Health Authorities,
- ◆ Semi-Autonomous Governance Structures, and,
- ◆ Advisory Governance Structures.

Other alternatives exist but are not mentioned including:

- ◆ Continuing with, modifying, or restructuring the current DHS governance,
- ◆ Hospital districts,
- ◆ Nonprofit options,
- ◆ Various levels of privatization,
- ◆ The possibility of developing hybrids of governance alternatives as suggested in "...the development of a new model created specifically to address the circumstances of the County" (pg. 9), and, in the extreme,
- ◆ Whether the county should even be in the role of health care provider.

In addition, of the alternatives listed above, no attempt has been made to relate the critical governance factors of the listed alternative, i.e., size, scope, responsibilities, structure of the system (i.e., hospitals vs. clinics, a hospital focus, public health responsibilities), service level, etc., to the Los Angeles County Health System.

The argument could be made that some of the alternatives available for consideration are not viable on their face. This assumption doesn't relieve the report from presenting an analysis of all of the alternatives, together with an explanation of the desirability or viability of each alternative.

The Report's analysis of the recommendation addresses two reasons why the County should not have a completely autonomous authority, the issue of Board ratification and the difficulty in having a lengthy governance debate (pg. 10). In a follow-on discussion of advantages in adopting a semiautonomous health authority the Report presents three strengths: membership of health experts, independence to focus on county-wide health care delivery, and operational within 60-90 days. These reasons may be an attempt to recognize the reality of the current circumstances and valuable in the

context of this alternative. The Report does not indicate that consideration was given to any other alternatives. Neither did it discuss why other alternatives would fail to present the scope of advantages to be gained by a semi-autonomous authority. Without evaluating all of the available

options it is impossible to make an informed decision as to the appropriateness or the correctness of any governance recommendation.

Given the nature and complexity of the alternatives being considered, an effective analysis lends itself to the use of a matrix approach to clarify the interrelationships and make the level of comparisons necessary to fully understand the spectrum of alternatives. As an example of this approach was used in both the *Governance Structure Study (Draft)*, prepared by the Los Angeles County Department of Health Services, and the *Medical Center Governance Committee Report*, prepared by Alameda County. (A sample of this type of analysis is included as attachment 1 to this review.) Although the lack of this methodology, in itself does not negate any conclusions in the report, its use would have helped in clarifying the various interrelationships between alternatives and in communicating their advantages and disadvantages to the decision maker.

### **The Report's Recommended Solution**

Based upon the information presented in the Health Crisis Manager's Report, the limited information on governance provided in documents prepared by DHS and Alameda County, and some knowledge of the current status of the health care system in Los Angeles County, it would appear that the recommendation "...that the Board consider the development of a new model created specifically to address the circumstances of the County" (pg. 9) should be given serious consideration. This approach *will be* critical in restoring credibility and public support to the system. In addition, the size, uniqueness and complexity of the health care system within Los Angeles County do not lend themselves to a duplication of governance alternatives that are currently in use in other jurisdictions.

Even though the recommendation to create a "new model" governance appears, on the surface, to be valid, the discussion presented in the Report, together with its recommendation, has not presented an effective argument. It has not presented a consideration of either the costs and/or benefits to be achieved by taking this approach, or the impacts that the adoption of this alternative would have on the health care system, the county structure, financing, or the public. This evaluation is critical in making a decision of this magnitude that has the such far reaching effects, both locally and nationwide. Rather, the Report implies that the correctness of the recommendation to create an Authority is "self-evident" and proceeds to discuss, to a limited extent, how it is to operate. Although questions of how a selected alternative is to operate will be critical to its success, operations should be addressed after the case has been made that a particular alternative is the best one to pursue within the context of Board established criteria.

The ". . . disciplined, single-system approach" (pg. 5), advocated by this Report, is fully supported by the Commission. It is difficult to understand why the Report, consistent with a "single system approach" does not address many of the questions that are extremely critical to the successful

implementation of any recommendations. In addition, the Commission supports the comment made by the Health Crisis Manager that "...the Board not consider the creation of another

*advisory body.*" (pg. 10). The "advisory" approach would not meaningfully address the current governance needs of the Department.

### **Commission Conclusions on The Report of the Health Crisis Manager**

The Commission has considered that the purpose of the Report on the *Governance of the Department of Health Services* is to present the Board with an analysis of the problems of governance, to evaluate governance alternatives, and to make a specific recommendation(s) as to the selection of the best alternative. Although the Report generally recognizes this purpose by proposing two questions to be answered that cover these objectives, several key elements of the analysis necessary to make an informed decision on this highly complex and long-ranging proposal is notably lacking. Specifically, the Report does not identify those factors that will define a successful outcome, does not present or refer to a considered analysis of governance alternatives, does not present an impact analysis of implementing the proposed solution, does not indicate that any program coordination had been conducted, and does not present any supporting documentation or research references to further clarify the issues discussed.

It has been the experience of the Commission that a major element of any plan is how that plan is to be implemented. The Governance Report also recognizes this requirement by stating, "*Broad concepts of system restructuring must be translated into a creative strategic plan that is decisively implemented.*" (pg. 2). Unfortunately, not even an overview of the elements of such a plan has been presented in this Report, nor has any proposal been made to identify how such a plan is to be "*decisively implemented.*" These are critical questions that should have been answered within the scope of this Report.

Based upon the comments by Board Members during the Health Crisis Manager's presentation of the Report, it is evident that a number of questions exist regarding the analysis supporting the Report's recommendation and, assuming that the recommendation is correct, on the nature and operation of the proposed Authority. The analysis presented in the Report assumes, without the assumption being adequately supported, that the answer to the question of whether a change is required in the way DHS is governed, is positive. The report attempts to argue, again without adequate support, that a "*semi-autonomous authority*" is the form that this change in governance should take and how it should operate. Some of the specific questions that are appropriately raised as a result of this structure may include:

- ◆ Is an Authority the best form of governance for DHS? What are the advantages and disadvantages of other options?
- ◆ What specific authority does an Authority have to expend funds, to manage personnel, etc.? Should an Authority fill an "advisory," "Base Closure Model," or other role?
- ◆ Does an Authority impose an "unnecessary" layer of government?

- ◆ Does the creation of an Authority preempt action that may be taken by the new Health Services Director?

As important as these questions may be, more fundamental questions must be addressed by the Board to make this a productive process: How to achieve an optimization of services to the County as a whole? What level of authority should be retained by the Board to fulfill their obligations to their constituents? And how will decisions for the health care system be made? Without action on these questions, together with the establishment of the criteria to be used in the development of a "*new model*" the efforts that will go into the creation of this model will be destined to fail from a lack of Board support.

In summary, the case for adopting some form of a new "*semi-autonomous health authority*" model has not been adequately supported in this Report. This recognition does not mean to imply **that an Authority is not the appropriate form of governance for DHS, only that the analysis presented in the Report of the Health Crisis Manager does not provide adequate information or analysis to arrive at this conclusion.** In other words, the report, as submitted, does not answer the questions necessary to make a preliminary decision on the form of governance the county should adopt. However, it does establish a basis upon which further discussions can be held, and thus, is a step toward the solution of the problem.

### **Commission Recommendations:**

The Economy and Efficiency Commission is serious in its desire to assist the Board and the Department of Health Services in finding a meaningful way to contribute to the solution of the problems raised by the current health care crisis. In discussing how best to make this contribution, the Commission has determined that several issues would have to be addressed prior to recommending its further involvement. These issues include:

1. The Board of Supervisors must define what objectives are to be achieved in considering the appropriate form of governance to be adopted by the County.
2. To facilitate the accomplishment of recommendation #1, the Board of Supervisors should assign the responsibility for developing objectives to be achieved and criteria to be met to an agency or individual to be quickly finalized and approved. This effort should recognize that any "restructuring" may require some transfer of decision-making authority and/or authority to a governance body. Without agreement in concept on this possibility, any recommendation would likely fail, if not at the Board level, upon the implementation and operation of the recommendation. This possibility would eliminate the value of any work done to arrive at a recommendation.

3. The Board of Supervisors, in recognition of the significant problems that exist within the Department of Health Services, should provide a clearly stated and well defined mandate to Departmental management. It will be essential for the Board, or any agency assisting the Board, to understand the expectations of the major stakeholders in this issue. Clearly, as part of a "systems approach", the "restructuring" of management will be an integral and important part of

any solution being recommended. Based upon its historical contributions, the Commission would be available to assist the Department in any reorganization or "restructuring" effort.