L.A. County Fiscal Relief Plan

Federal, State, and L.A. County officials have preliminarily agreed to the principles of a Medicaid demonstration project that would allow L.A. County to stabilize and restructure its health care system and avert crisis shutdown of its hospitals and most free-standing clinics, subject to the necessary approvals of the entities involved.

The elements of the agreement are:

- Federal Medicaid matching payments for indigent care at County clinics (estimate: $40 million net)
- An interagency agreement between the State and the County regarding funding of indigent care in hospital settings (estimate: $92 million net)
- County reevaluation of its accrual of hospital revenues to comply with the OBRA 1993 limits on DSH payments (estimate: $82 million net)
- A revised payment plan to reduce the county's obligation for a portion of the SFY 1995-96 annual payment from the County to the State, subject to State legislative approval (estimate: $125 million)
- a package of Public Health Service grants (estimate: $25 million)
- Federal Medicaid matching payments for indigent care at hospital outpatient settings, subject to applicable Federal law (funding to be estimated)

In total, this agreement will provide the County with $364 million in fiscal relief, which the County can use to:

- reverse most free-standing clinic closures,
- prevent hospital closures, and
- give the County the assistance it needs to restructure and improve its public health care system by moving from its current reliance on inpatient care to a system that emphasizes preventive and primary care.

Revised: September 21, 1995 (3:28pm)

Draft - not released yet -
ready to go for Fri 11:15 EST

REVISED DRAFT HHS STATEMENT
LA County Agreement

"Representatives of the U.S. Department of Health and Human Services have reached an agreement in principle with officials from the state of California and Los Angeles County on joint actions to provide fiscal relief for the county's public health system. The agreement would avert a crisis shutdown of major county health facilities while supporting a longer-term transformation of the system toward improved primary and outpatient care.

"Under the agreement, $364 million in additional resources would be available for the county. County hospitals and most county outpatient clinics would remain open beyond the county's Oct. 1 deadline. The agreement includes three categories of action:

"The state and HHS would agree to a waiver for the MediCal program. In particular, the waiver would allow for MediCal coverage of indigent persons who are not currently eligible for MediCal assistance. This coverage would apply to individuals seeking care at county-supported public health facilities. Under the federal/state Medicaid program, HHS often grants waivers to demonstrate improvements in local health care systems that can be expected to result in more cost-effective care for low-income people. Such demonstrations typically involve increased federal and state spending in the early years of the demonstration, with savings realized in subsequent years. Federal law requires that such demonstrations be budget-neutral over the life of the waiver. In the case of Los Angeles County, all parties agree to the need to move from a system emphasizing high-cost hospital inpatient service to one that emphasizes more cost-effective outpatient services with strong primary and preventive care.

"In addition, the state and county would make accounting and payment adjustments in their administration of the MediCal program.

"Finally, HHS would provide additional grant assistance through U.S. Public Health Service agencies to support a variety of health services targeted for low income people.

"This agreement addresses both near-term and long-term needs. It would provide immediate cash flow to avoid a crisis-driven interruption in services, while it also provides a five-year structure for transforming the county's health care system. It represents a common goal for the future of Los Angeles County's health care system, as well as a partnership effort by the federal, state and county governments to avoid a destructive shutdown situation.

"Many details of this agreement remain to be worked out, and HHS will continue to work diligently with the state and county."

Interim talking points (Thursday night)

TALKING POINTS
RESPONSE TO MEDIA: Sept 21, p.m.
LA County negotiations

- Representatives of the Administration, the state of California and Los Angeles County have concluded a second day of discussions in Washington concerning the serious budget shortfall confronting the county's public health system.

- Important progress has been made in developing proposed actions that each of the parties could take as part of a cooperative and coordinated effort to assist the county.

- The meetings have focused both on the short-term need to avoid a crisis-driven shutdown of county health facilities, as well as the longer-term need to restructure the county's health care system in order to emphasize cost-effective outpatient and primary care services.

- At this time the proposals require further review in California, and HHS is anxious to hear responses soon.

- Details of the proposals are not be available at this time.

Draft - background use only.

L.A. County Fiscal Relief Plan

Federal, State, and L.A. County officials have preliminarily agreed to the principles of a Medicaid demonstration project that would allow L.A. County to stabilize and restructure its health care system and avert crisis shutdown of its hospitals and most clinics, subject to the necessary approvals of the entities involved.

The elements of the agreement are:

- Federal Medicaid matching payments for indigent care at County clinics (estimate: $40 million net)
- An interagency agreement between the State and the County regarding funding of indigent care in hospital settings (estimate: $92 million net)
- County reevaluation of its accrual of hospital revenues to comply with the OBRA 1993 limits on DSH payments (estimate: $82 million net)
- A revised payment plan for a portion of the annual payment from the County to the State (estimate: $125 million)
- a package of PHS grants (estimate: $25 million)
- Federal Medicaid matching payments for indigent care at hospital outpatient settings, subject to applicable Federal law (funding to be determined)

In total, this agreement will provide the County with $364 million in fiscal relief, which the County can use to:

- reverse most clinic closures,
- prevent hospital closures, and
- give the County the assistance it needs to restructure and improve its public health care system by moving from its current reliance on inpatient care to a system that emphasizes preventive and primary care.

THE WHITE HOUSE

WASHINGTON

September 21, 1995

ANNOUNCEMENT OF LOS ANGELES COUNTY FISCAL RELIEF PLAN

DATE: Friday, September 22, 1995
LOCATION: To be determined
TIME: To be determined
FROM: Diana Fortuna,
Domestic Policy Council

I. PURPOSE

You will appear with the five members of the Los Angeles County Board of Supervisors to announce a fiscal relief plan for the county that will avert a crisis shutdown of the county's hospitals and clinics.

II. BACKGROUND

With the help of the county and the state, HHS and OMB have developed a fiscal assistance package for the county totalling $364 million in the current fiscal year. This will allow the county's six hospitals to remain open and will keep open most of the clinics that the county had slated for closure. The state was involved in the negotiations and generally supported the package, but the Governor has not yet clarified the circumstances under which he would sign a bill needed to implement the largest element of the plan.

The Fiscal Problem: L.A. County's public health system is the major provider of care to the county's large indigent population, many of whom are illegal aliens. Over the years, the county balanced its budget using one-time revenues and questionable assumptions. For the fiscal year that began last July 1, county officials were counting on a huge retroactive claim for Medicaid administrative costs, based on a new, aggressive methodology. HHS rejected the methodology in March.

Facing a deficit of over $1 billion, the county's administrative officer recommended closing hospitals, including the huge L.A. County/USC Hospital, the largest hospital west of the Mississippi. In an effort to avoid this draconian measure, the Board of Supervisors passed a budget in July that would close or privatize all six of the county's comprehensive health centers and 28 of the county's 39 clinics, keeping the hospitals open for the time being. (This solution was brokered by former state legislator Burt Margolin, whom the supervisors appointed to serve as "health czar," and who is closely allied with Supervisor Zev Yaroslavsky.)

After HHS's denial of the claim in March, the Administration made a commitment to try to identify legitimate increases in Medicaid that would ease the crisis. In their budget, the supervisors assumed receipt of $179 million in Federal aid, and set a deadline of October 1 to determine whether it would be forthcoming. With the backdrop of Orange County's bankruptcy, county officials have been under tremendous pressure to put together a fiscally responsible solution. Layoff notices went out to more than 5,000 clinic employees last week. Emergency room nurses at L.A. County/USC Hospital staged a sick-out strike earlier this week over the layoff notices. The Board of Supervisors had planned to vote this week on whether to close hospitals.

The county also sought assistance from the state government. However, the state legislature adjourned last week after approving some fund transfers and loans for the county, but no significant fiscal assistance. Earlier in the process, the state blocked a plan to increase Medicaid rates, even though it was structured to cost the state nothing.

Outline of the Solution: Our effort to identify fiscal relief had been bogged down for months because it is difficult to identify significant Federal funds with no strings attached, without financial assistance from the state, and without setting precedents for other states to request the same assistance. However, during an all-day negotiating session on Wednesday, Federal, state, and county negotiators developed a $364 million aid package.

The plan is built around a Medicaid demonstration waiver that would allow L.A. County to stabilize and then restructure its health care system over five years, and make it possible for the county to maintain a responsible level of health services this year. Several elements of the plan are quite technical and arcane. They include:

- Federal Medicaid matching payments for indigent care at county free-standing clinics ($40 million);
- An interagency agreement between the state and the county regarding funding of indigent care in hospital settings ($92 million);
- Use of a more favorable method of accruing hospital revenues to comply with statutory limits on Medicaid disproportionate share hospital payments ($82 million);
- Delaying part of an annual payment from the county to the state, subject to state legislative approval ($125 million); and
- A package of Public Health Service grants, some of which will require a Presidential declaration of emergency ($25 million).

The size of the package could increase further. If the county is able to make some legal changes, we agreed that indigent care in hospital outpatient clinics could qualify for Federal match.

Not all the current clinics will remain open. The county has already begun a process of negotiating privatization agreements at some clinics and securing foundation funds to support others.

Issues: The most tenuous part of the package is the plan to delay a $125 million payment from the county to the state, since it apparently requires state legislation. The legislature is not scheduled to return until January, and it is very unlikely that this item by itself could spur a special session. Although state officials supported this idea, they have not clarified the circumstances under which the Governor would sign a bill. They have indicated that he might want to reserve the right to tie this legislation to a package of mandate relief for all counties.

John Sweeney of the Service Employees International Union will not be entirely pleased at this outcome. He argued strongly that we should both provide an assistance package and explicitly require the county to protect jobs and benefits as much as possible. We left the latter to the county's discretion. Also, while the package is large enough that most of the clinics slated for closure can remain open, only about one-third to one-half of the layoffs are expected to be rescinded. This situation could improve if the county is able to make legal changes described above.

The county administrative officer has expressed concern that the package uses one-time revenues and that structural budget problems remain in the out-years. However, some level of one-shot items is needed to avert catastrophe this year, and the Federal waiver is intended to create a process to restructure and presumably downsize the system over a five-year period.

III. PARTICIPANTS

The five members of the county's Board of Supervisors: Gloria Molina, chair of the Board (D); Yvonne Burke (D); Zev Yaroslavsky (D); Dean Dana (R); and Michael Antonovich (R).

IV. PRESS PLAN

To be determined.

V. SEQUENCE OF EVENTS

To be determined.

VI. REMARKS

Talking points are attached.

LOS ANGELES COUNTY FISCAL RELIEF PLAN
TALKING POINTS

- I am very pleased to announce that a fiscal relief plan for Los Angeles County has been developed by a team of officials from Los Angeles County, the State of California, and the Federal government.

- Overall, the package will provide $364 million in additional resources to the county. It will allow the county to avoid closing any of its hospitals and to keep open the majority of the clinics it had planned to close.

- The plan is structured around a five-year Federal waiver that will allow the county to restructure its health care system in a rational and planned way; and to move from its current reliance on hospital care to a system that emphasizes preventive and primary care.

- Reaching this unique agreement was possible because we had tremendous cooperation from both county and state officials. The development of this plan is an excellent example of intergovernmental cooperation at the local, state, and Federal levels.

- I want to thank the members of the county's Board of Supervisors for their leadership during this very difficult time, including:

    - the Board's chair, Gloria Molina;
    - Yvonne Burke;
    - Zev Yaroslavsky;
    - Dean Dana; and
    - Michael Antonovich.

    I know they are committed to a meaningful restructuring of the current health care system, while continuing to ensure that the communities of Los Angeles County have access to critical health care services.

- I would also like to thank state officials, who have been extremely helpful in developing this solution. The state will be instrumental in working with the county to implement this plan.

- I should mention that this plans underlines why we can't afford so-called Medicaid reforms that pull billions of dollars out of critical health care facilities.

- Most of all, I am pleased that patients, communities, and workers and their families will not have to suffer the effects of a crisis shutdown in county hospitals and clinics, and that the County will continue to be able to maintain an appropriate safety net for those who depend on these facilities for their health care.

Have #'s

RESPONSE TO MEDIA: Sept 21
LA County negotiations

the Administration

"Representatives of ~~HHS~~, the state of California and Los Angeles County have concluded a second day of discussions in Washington concerning the serious budget shortfall confronting the county's public health system. Important progress has been made in developing proposed ***actions*** that each of the parties could take as part of a cooperative and coordinated effort to assist the county. The meetings have focused both on the short-term need to avoid a crisis-driven shutdown of county health facilities, as well as the longer-term need to restructure the county's health care system in order to emphasize cost-effective outpatient and primary care services. At this time the proposals require further review ~~in Sacramento and Los Angeles.~~"

Cam need

[Details of ~~the~~ proposals will not be available at this time.]

~~under~~ consideration

Melissa Wagner

the federal government has approved these actions but

Comfortable

Answer yes

8:45 with Kaplan

J

Note to JE - from me
Give to him
Jack

CAM:
690-6343

LA Times has story

3 Dems: Emerson
If Burt sd yes, prob take it; All 5 got deal even w/o

DF → POTUS

- Talking Pts - 1 page
- [redacted] - 3 sups
- Briefing memo

Process →

To Staff Secretary

Fax to HI + John

JE wants to see

DRAFT

Elements of L.A. County Medicaid Agreement

- A Federal waiver would allow the county to receive Federal reimbursement for indigent care at the clinics, and facilitate the restructuring of the county health system. ($40 million)

- A memorandum of understanding between the state and the county revising funding for indigent care would change the treatment of these funds under Medicaid. ($92 million)

- A recalculation of Medicaid costs consistent with Federal law ($82 million)

- Delaying a portion of the annual payment from the county to the state ($125 million)

- A package of PHS grants (requires Presidential declaration of emergency) ($25 million)

TOTAL: $364 million

Fax for Jack Lew
Martha Foley
Diana Fortuna

Jm Gfl

Agreed-upon language,
as of 1 pm - probably
final.

JB

PS Burt is holding off sending
this to LA pending
completion of deal w/ the
State, Jyj

L.A. County Fiscal Relief Plan

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- a package of PHS grants (estimate: $25 million)
- Federal Medicaid matching payments for indigent care at hospital outpatient settings, subject to applicable Federal law (funding to be determined)

In total, this agreement will provide the County with $364 million in fiscal relief, which the County can use to:

- reverse most clinic closures,
- prevent hospital closures, and
- give the County the assistance it needs to restructure and improve its public health care system by moving from its current reliance on inpatient care to a system that emphasizes preventive and primary care.

DRAFT

9/21/95

L.A. COUNTY FISCAL RELIEF PLAN
TALKING POINTS

- I was very pleased to learn that yesterday the team of Federal, state, and county negotiators working to find a way to avert crisis shutdown of health care facilities in the county agreed on a Federal/state/county plan to address the crisis.

- Overall, the package would provide $364 million in additional resources, and allow the county to maintain a responsible level of health services this year.

- Combined, these actions would not only allow the county to avoid closing hospitals, but would also allow you to reopen substantial parts of the outpatient clinics that the county budget had slated for closure.

- Reaching this unique agreement was possible because we had tremendous cooperation from both county and state officials.

- One important advantage of this plan is that it leads the county toward permanent restructuring that must include downsizing of the health system, but it will allow you to do so in a planned way. It will get you through this very difficult year without crisis-driven mass closures.

<u>In response to argument that the plan includes one-shot items, or that the county has structural budget problems in the out-years:</u>

- While one-shot revenues are not ideal, it is impossible to avoid massive and haphazard shutdown of your system without some one-shots this year. The advantage of the Federal waiver approach is that it outlines a five-year period during which you will be working with us to reshape your system.

- I know you want to engage in a meaningful restructuring of the current health care system. Doing so through the Federal waiver will make more credible your plans to come into structural balance.

$ in Millions

Sources		Applications	
MOU	$ 92	Close FY95-96	$ 243
Bond Issue Payment 125		Budget Gap	
Plan		Reopen Non-Hospital 100	
Recalculate #'s 82		Clinics	
PHS Grants 25		FY 96-97 Budget	21
	$ 324	Relief	
Federal Indigent			
Care Match 40			
Totals	$ 364		$ 364

DRAFT

L.A. COUNTY FISCAL RELIEF PLAN
TALKING POINTS

- I was very pleased to learn that yesterday the team of Federal, state, and county negotiators working to find a way to avert crisis shutdown of health care facilities in the county agreed on a ~~substantial package of~~ Federal ~~relief~~.
- The package ~~totals~~ $364 million in ~~significant actions that the Federal, state, and county governments~~ could take in current fiscal year.* ~~This is far better than we had thought we could do.~~
- Combined, these actions would not only allow the county to avoid closing hospitals, but would allow the county to reopen substantial parts of its outpatient clinics that the county budget had slated for closure.
- ~~We~~ had tremendous cooperation from both state and county officials, ~~as well as invaluable help from Burt Margolin.~~
- One important advantage of this plan is that it leads the county toward permanent restructuring that must include downsizing of the health system, but it will allow ~~you~~ to do so in a planned way. It will get you through this very difficult year without crisis-driven mass closures.

<u>If supervisors say there are too many one-shot items, or that the county has structural budget problems in the out-years:</u>

- While one-shot revenues are not ideal, it is impossible to avoid massive and haphazard shutdown of your system without some one-shots. The advantage of the Federal waiver approach is that it outlines a five-year period during which you will be working with us to reshape your system.
- I know you want to engage in a meaningful restructuring of the current health care system. Doing so through the Federal waiver will make more credible your plans to come into structural balance.

---

* Package includes:

- a Federal waiver for indigent care at the clinics (Federal officials made some significant compromises in this area);
- ~~an agreement that~~ a memorandum of understanding between the state and the county ~~regarding the flow of funds~~ for indigent care would allow the Federal government to recognize these costs in a different way;
- a recalculation of Medicaid costs;
- delaying one payment from the county to the state; and
- a package of PHS grants ($25 million).

Los Angeles Times; 9-20-95

Health Czar Races Clock to Save County's System

By JACK CHEEVERS
TIMES STAFF WRITER

His aides had barely finished slathering cream cheese on their bagels Sunday morning when Burt Margolin began bombarding them with questions.

Margolin—the bespectacled point man in the drive to keep Los Angeles County's health care system from imploding—wanted to sort out what had happened the previous day, when the state Legislature torpedoed a package of bills providing millions in aid for the county.

Despite the state action, he still had a card to play: talks this week in Washington over a possible federal bailout. After a long discus-

Please see CZAR, A14

Continued from A1

sion of how best to approach federal officials, an assistant posed a question to Margolin, making a small but telling slip: Was he coming back to Los Angeles after the talks?

Not *when* was he coming back, but *was* he coming back.

As other aides guffawed, Margolin smiled broadly. "If I don't have a deal," he said, looking around the crowded conference table in the county Hall of Administration, "do I even *want* to come back?"

Though outwardly glib, Margolin's retort underscores the seriousness of his role as chief strategist and organizer of the county's increasingly desperate quest for a federal and state rescue of its $2.1-billion network of hospitals and health clinics for the poor.

The former Democratic assemblyman from the Westside is racing an Oct. 1 deadline set by the Board of Supervisors to avoid closing 34 of 45 health centers and possibly up to four of six county hospitals to bridge a mammoth budget gap. On Friday, nearly 5,200 health workers were notified that they will be laid off or demoted unless additional funds are found in less than two weeks.

Margolin, 44, has been given sweeping powers by the supervisors to attempt to bail out and reform the much-criticized Health Services Department, headed by retiring Director Robert C. Gates.

But despite his extensive connections in Sacramento and Washington, observers give Margolin slim odds of being able to avert Draconian cuts in the department, which delivers medical attention to hundreds of thousands of poor people each year.

His chances are "much better than winning the lottery, but a little tougher than achieving peace in Bosnia," said David Langness, a spokesman for the Healthcare Assn. of Southern California, a group of mostly private hospitals.

"If he saves it, he's a hero," said Langness. "If he doesn't, he won't be a goat because he was sent in to do a job that's almost impossible."

A soft-spoken policy wonk who has been compared to Woody Allen for his understated humor and who seems propelled by a bottomless supply of nervous energy, Margolin is almost uniquely qualified to serve as county health czar.

One of the Legislature's most liberal members until his retirement last year, he was a member of the Assembly Health Committee for 12 years and served as chairman for two more.

He earlier had served as chief of staff to Rep. Henry A. Waxman (D-Los Angeles), the architect of numerous measures to expand federally subsidized medical care for the poor and elderly.

After an unsuccessful 1994 run for state insurance commissioner, Margolin was hired by a Century City law firm to head a new unit devoted to health care matters. He has used his political connections to stay in close touch with Democratic lawmakers in Sacramento and Washington throughout the county crisis.

He was tapped in late June by an old friend and

CZAR: Margolin Leads Desperate Quest to Stave Off Health Care Cuts

Westside political ally, Supervisor Zev Yaroslavsky, to chair a task force created to find ways to keep deep budget cuts from eviscerating the county's medical system.

After several weeks of intensive work, the group—composed entirely of health experts—issued a report that flatly rejected a recommendation by county Chief Administrative Officer Sally Reed to close County-USC Medical Center, the nation's busiest public hospital.

"We thought it was a terrible idea," Margolin said. "It sounded to me as if it was a retreat from the county's mission to be a health care safety net and I, like many people in the community, was disturbed by the implications."

Instead, Margolin's committee said, the county should close 75% of its hospital- and community-based health clinics—a move that could be more easily reversed than shutting down hospitals if bailout funds materialized. Margolin further urged that private hospitals and physician groups be allowed to bid on taking over the clinics.

Meantime, he and other county officials launched a full-court press in Sacramento and Washington for more money.

Working with a staff of 25, Margolin's life has become a whirlwind of staff meetings, conference calls and dashes to the airport. His staff includes four other members of the law firm he works for, Brady & Berliner, which the county is paying $175,000 for six months of work.

Margolin's main goal this week is winning federal approval of a Medicaid waiver that would bring nearly $200 million in immediate aid for the county in the form of matching funds and more money for hospitals that serve large numbers of the uninsured poor. The waiver also would free the county to spend federal money earmarked for hospitals on more cost-effective outpatient treatment.

Intensive negotiations in Los Angeles last week with officials of the U.S. Health and Human Services Administration ended in disappointment for the county. But Margolin insisted that the county has a "serious chance" in this week's talks in Washington—if only because the consequences of not getting the waiver are so devastating.

"No one who's at that conference table is going to want to walk away and explain why we failed," he said.

The son of a canned goods salesman and a homemaker, Margolin grew up on the Westside, attending Hamilton High School and UCLA, where he majored in political science but did not graduate.

Influenced in his early teens by a local rabbi who stressed the obligation of Jews to promote social justice, Margolin demonstrated against the Vietnam War in the 1960s. Still in high school, he helped Waxman win his first Assembly seat.

When Waxman moved on to Congress in 1974, Margolin became his chief of staff. Later, Margolin served on the staff of then-Assemblyman Howard L. Berman. Aided by the Waxman-Berman political organization, Margolin in 1982 made his own run for the Assembly, winning a seat representing Westwood, Beverly Hills and other solidly Democratic parts of the Westside.

Described as a "masterful, hard-working and low-key legislative technician with a clear, liberal agenda" by the California Political Almanac, Margolin soon developed a reputation for tackling seemingly intractable problems.

In 1986, he introduced legislation requiring deposits on beverage containers, even though the Legislature had killed at least 14 such bills over 20 years. But armed with careful research showing that deposit laws decreased litter and boosted recycling, Margolin brokered a deal between environmentalists and industry lobbyists, securing passage of his bill.

He also plunged into health issues, writing laws that expanded prenatal care for poor women and prohibited hospitals from "dumping" critically ill patients without health insurance.

He was successful in reversing insurance industry practices that prevented small businesses from buying medical coverage for their employees. He tried repeatedly but failed to win passage of universal health coverage for Californians.

"He was the leader of health care reform in the Assembly," said E. Richard Brown, director of UCLA's Center for Health Policy Research. "He played a critical role in moving the whole debate about health care reform up notch after notch."

Last year, he quit the Legislature to run for state insurance commissioner, pledging to make health insurance reform a top priority.

His opponent in the Democratic primary was state Sen. Art Torres (D-Los Angeles), who had been twice convicted of drunk driving. Steeped in hardball Waxman-Berman politics, Margolin aired radio commercials calling attention to Torres' record. Torres won anyway.

In July, Margolin's task force recommended that the county appoint a health czar to spearhead the Medicaid waiver and financial rescue efforts. The committee also urged supervisors to set up a "health authority," apart from its health department, composed of experts who would carry out health care policies.

Supervisors later named Margolin as health czar, and there has been talk since that he would make a good head of the as-yet-unborn health authority.

But Margolin insists that he has no interest in such a job, and that he will leave his health czar post as soon as his law firm contract expires.

"The board didn't want someone to come in here and restructure the system with an eye toward being part of the system that's being restructured," he said. "My advantage to the board is that I come from outside the county, I'm here for a limited time, and I don't intend to become part of the restructured system."

Los Angeles Times; 9-20-95

County Hikes Taxes, Weighs Closing Hospital

By JOSH MEYER
and JEFFREY L. RABIN
TIMES STAFF WRITERS

While blaming state lawmakers and the governor for Los Angeles County's fiscal woes, the Board of Supervisors on Tuesday approved $27 million a year in new taxes and were told they must face tough decisions about closing hospitals, including possibly County-USC Medical Center.

With the county's health care system on the brink of unraveling, Chief Administrative Officer Sally Reed renewed her suggestion in a memo to the supervisors that they consider closing the landmark Eastside hospital if a financial bailout does not arrive from Washington.

"However your board chooses to define health services in this county," Reed said, "I cannot stress strongly enough that judgments must be made quickly and decisively to bring county spending under control."

Accusing Reed of being "out to get" County-USC, Board Chairwoman Gloria Molina reacted strongly to Reed's renewed suggestion that the nation's biggest public hospital be closed. "She's politicized this," Molina said. "She continues to look for the three [supervisor] votes to kill County-USC. She has from Day 1."

At least one supervisor, Mike Antonovich, said he was willing to consider Reed's suggestion. "It's very unlikely the federal government will come through with those funds" to replace County-USC, said Antonovich, who stands to see two hospitals in his district close if the board chooses to make further cuts. "Closing down those other hospitals . . . makes no sense," he said.

After a long and at times rancorous day of discussion, a divided board approved increases in fire

Please see COUNTY, A14

Continued from A1

protection fees, hotel taxes and dumping fees at landfills and agreed to impose a new tax on tickets to Universal Studios and Six Flags Magic Mountain theme parks. The fire protection tax, coupled with a new tax for libraries approved last week, will cost homeowners in unincorporated county areas at least $41 a year.

But the supervisors made no progress addressing the health crisis that will force closure of all six county health centers and most of its community clinics on Oct. 1 unless the Clinton Administration provides a last-minute reprieve of at least $178 million.

And on Tuesday they played a contentious game of brinksmanship with state lawmakers and union leaders, saying they will reject $100 million in critically needed bailout money from the Metropolitan Transportation Authority because it is a loan and not an outright gift.

Supervisor Zev Yaroslavsky criticized lawmakers for encouraging the county to continue borrowing when that practice has aggravated the county's bleak financial condition.

"We are like a drug addict in a rehab center and you are going to give us another shot," Yaroslavsky told state Sen. Tom Hayden (D-Santa Monica) and Assemblyman Antonio Villaraigosa (D-Los Angeles).

"We are on the brink now of fiscal insolvency and it doesn't take much to push us over the edge," he said. "We have got to get off that narcotic called borrowing and start spending within our means."

But the Rev. Jesse Jackson joined the liberal legislators and union leaders in urging the supervisors to take the $100-million, five-year, no-interest loan. "Even addicts choose one more shot over embalming fluid," Jackson said.

As Montgomery, Birmingham and Selma were cornerstones of the civil rights movement of the 1960s, Jackson said, Los Angeles is now in the forefront of the collapse of the nation's public health care system.

Jackson urged the governor, state lawmakers and the Republican leaders of Congress to address the crisis here before it becomes a prelude to similar breakdowns in other major cities.

"The eyes of the nation truly are on L.A.," Jackson said.

Hayden told the supervisors that the MTA is a "corrupt" and wasteful agency and that they must accept the $100-million loan before there can be any further legislative action to address the county's pressing needs.

The supervisors Monday publicly demanded that Gov. Pete Wilson call the Legislature back into special session to revive the Los Angeles aid bills that died in the pre-dawn hours Saturday.

In other developments Tuesday:

- Nurses halted a sickout that Monday briefly closed the trauma and emergency units at County-USC to ambulance traffic.
- County health czar Burt Margolin was in Washington on an eleventh-hour mission to revive stalled negotiations with federal officials over at least $178 million in funds the county needs to avoid a health network collapse. In closed-door meetings on Capitol Hill, Margolin presented his case to federal health officials in preparation for full-blown meetings today with federal, state and county health leaders working feverishly to avert a catastrophe. The county is desperately seeking a waiver of federal regulations that would yield more money if the county switches from treatment of patients in hospitals to the less expensive care in clinics and health centers.
- Taking its largest step ever into the county's budget debacle,

COUNTY:
Hospital Closure Is Considered

the Los Angeles City Council on Tuesday voted unanimously to ask Wilson to immediately convene an emergency session of the state Legislature to address the county's problems. The council also moved to convene the city's Emergency Operations Board and Emergency Management Committees, and to consider declaring a state of emergency and activating the city's Emergency Operations Center when the county cuts take effect Oct. 1. "We need to be poised to contend with a crisis that has already begun to descend upon us," said Councilman Mike Feuer, who sponsored the motion.

• The Service Employees International Union Local 660, which represents nearly 40,000 county workers, attracted only about 500 to a highly publicized rally outside the Hall of Administration as the Board of Supervisors met.

Nearly 5,200 health workers—from doctors and nurses to lab techs and janitors—received pink slips last Friday notifying them they will be laid off Sept. 30 because of the budget crisis.

As the workers protested the potential loss of those jobs, Reed told supervisors in a memo that they should reconsider closing County-USC Medical Center as a long-term solution to downsizing.

In her four-page memo, requested by the board, Reed took exception with many of Margolin's recommendations for handling the crisis.

She said his commitment to maintaining services in communities with the largest number of low-income and poor individuals "results in tremendous hardships for the poor outside of Downtown Los Angeles. . . . This is a choice between a strong service where the need is greatest and no service outside Downtown, or a bare-bones service with some geographical access throughout the county."

Meanwhile, foreshadowing a potential rift in the biggest union—Service Employees International Union Local 660—Winetka Pleasant, a 16-year county employee, told the board she would be willing to take a pay cut to save the jobs of her fellow workers. Some other union members held aloft signs saying they would be willing to do the same.

"I am willing to do it if it saves devastating someone, someone sitting at home contemplating suicide," said Pleasant, as an auditorium packed full of union workers erupted into prolonged cheers. "However we have to do it, it's got to be done."

Union leader Gilbert Cedillo immediately rejected that idea, saying he still favors a union proposal that he said would save the county more than $30 million through voluntary leave and early retirement programs.

When Cedillo began speaking to the crowd, he got shouted down when he broached the subject of trying to protect county worker jobs as the county tries to turn over control of its health clinics to private operators.

Cedillo said he was trying to ensure that the private operators would retain county workers at their current wages and benefits, but he was drowned out by so many protesters that he had to cut his speech short.

"No privatization," many rank-and-file members yelled over and over.

A salary cut, county psychologist Dr. Lucy Erickson said, "is a small sacrifice for patient care, especially when you consider the dramatic impact of what would happen" if the clinics are closed. Like many others, she carried a sign supporting a pay cut, which read: "6% Stops Union Busting."

SEIU contract negotiator Charles Hamson said such proposals come up every time the union

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COUNTY: Taxes Raised

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negotiates its contract, as it is doing now. "It's been consistently rejected by all of us," he said.

The Healthcare Assn. of Southern California, which represents private hospitals, physician groups and health systems, urged Wilson to call the special session.

"The Legislature's failure to provide adequate support to abate further Draconian cuts to the county-operated health care delivery system will result in an increase in avoidable deaths and disability for many Los Angeles County residents," senior vice president Jim Lott said in a letter to the governor.

Lott specifically asked for legislation that could net the county $60 million by restructuring a state program that distributes special payments to public and private hospitals that treat a disproportionate share of the poor.

The letter cited "adverse outcomes for many of the medically disenfranchised working poor and indigent residents." The reference to adverse outcomes referred to the shooting victim who died Monday at White Memorial Medical Center after a sickout by nurses at nearby County-USC's emergency room forced ambulances to take patients elsewhere.

The letter cited an 11% increase in emergency room activity in private hospitals because of an upsurge of uninsured patients seeking care outside the county system.

Lott added, "We are certain that further cuts will cripple the trauma system and precipitate the closure of many hospital emergency departments."

Contributing to this report were Times staff writers Max Vanzi in Sacramento, Faye Fiore in Washington, and Jodi Wilgoren and Douglas P. Shuit in Los Angeles.

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