

Restg/Elg } draft T+C
BN/FM's }

LOS ANGELES COUNTY MEDICAID WAIVER
TALKING POINTS

- o We are glad you are here to work to wrap up the \$364 million assistance package that the President announced last September. I understand that technical meetings are taking place today and tomorrow, and possibly throughout the week.
- o Our hope is to make significant progress on this waiver this week. As you know, we must wait 30 days before officially acting on any waiver because of our public notice requirements. However, our aim is to get you something in writing (a "comfort letter") indicating that the waiver is on its way to approval within 10 days to two weeks, assuming our discussions this week go well.
- o Regarding additional assistance: We are committed to working with you on your continuing problems. However, we used all the ideas we could think of in crafting the \$364 million package. We need your assistance in identifying solutions to the problem that do not involve waiving or effectively waiving the DSH cap.
- o Waiving the DSH cap is not possible. It would set too great -- and too expensive -- a precedent in other states, and would subject us to criticism from Congress. *prob Hill - undermines*
- o We need ideas from you for assistance that do not involve waiving or effectively waiving the DSH cap. We pledge to respond to such a package within 90 days after we receive it.

Note: Since it may be difficult to devise a 5-year package given the magnitude of their outyear deficits, another option is a smaller package that could get them through their next fiscal year, which begins July 1. — \$150m

* Add: make nice. \$57m alt. — how serious?

Have concerns re \$57m alt. — how serious?
\$13m in PHS — Callahan
— dep's on strings at
*look @ waiver? **

Secy mtg — But strong { — screwed 12 press restg
* { — whether sub. tel waiver
— Wt source
— didn't do w bec. told not to } *Product person who...*

\$150 hole next yr —
* Extenders? — which possible
Money ab + ben: DSH / Main Day — 90 day too long *

L.A. County Medicaid
Background Facts

- o The \$364 million package solved LA County's budget problems for FY95-96 -- the first year of the five-year demonstration period of the waiver. The \$364 million package also provided some savings in Year 2. *Gay now \$150m*
- o LA County has ongoing outyear budget gaps. In September, we assumed that these would be closed through "restructuring" actions -- moving capacity from expensive hospitals to less expensive clinic settings.
- o Also, since Administration policy is that waivers be budget-neutral over five years, we attempted to make it clear to LA County in September that they would have to downsize enough to pay back portions of the \$364 million in the out-years. It is not clear how well they understood this.
- o We have criticized them for not offering a plan to restructure their system. In fact, they have announced a number of downsizing actions, such as closing hospital beds and clinics. However, their financial analysis does not show a decline in spending in the out-years. This is what led HHS to tell us that they are not serious about restructuring. Burt Margolin is sensitive about this criticism, and feels it is unfair.

- Meetings went OK
- 2 elements in \$364 need to be resolved
- Resentment re restrng statements
waiver submission
- Came on strong
- No new ideas - why not HCFA?
- Zev: Mem Day too late



MARK FINUCANE, Director

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

BOARD OF SUPERVISORS

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Michael D. Antonovich
Fifth District

February 27, 1996

Bruce C. Vladeck, Ph.D., Administrator
Health Care Financing Administration
Hubert H. Humphrey Building, Room 314G
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Dr. Vladeck:

1115 WAIVER STATUS

This is in follow-up to our conference call this past Friday. Among the concerns you raised during the call were that we have been slow in:

- Producing a substantive restructuring plan.
- Submitting the formal waiver request.

With respect to restructuring, we should remember that we have already reduced average daily census and outpatient visits during this initial year of the waiver period by 307 and several hundred thousand, respectively. As part of this action, over 3,600 budgeted positions have been eliminated and 2,525 employees laid off. Further, six of our community health centers were privatized and another 22 are under review for similar action by June 30, 1996. Further restructuring objectives were outlined in our draft waiver application provided to HCFA on November 17, 1995 and in an expanded supplemental document distributed and discussed in our January 18, 1996 session. These documents outlined restructuring objectives to:

- reduce our hospitals' census by one-third from pre-waiver period levels.
- relocate hospital ambulatory care services to freestanding clinics.
- increase by 50% ambulatory care access to reduce the inappropriate use of hospital-based services.

Bruce C. Vladeck, Ph.D., Administrator
February 27, 1996
Page 2

- develop programs to reduce inpatient utilization by patients with ambulatory-appropriate conditions.

At the January 18, 1996 meeting, we were advised that the supplemental document, with minor revision, would be adequate for waiver approval. We agreed that additional restructuring detail would be developed during the course of the waiver, not as a precondition to its approval.

Please be advised that Los Angeles County is strongly committed to substantial health care restructuring. Our Board's retention of both of us is a clear signal in this direction. Further, we are actively working on a more definitive restructuring plan, and the Kaiser Family Foundation has agreed to assemble a panel of experts next month to assist us.

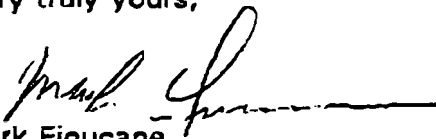
As for submission of the formal waiver request, until very recently we were operating under your office's previously expressed direction to reach concurrence on all the substantive details first. Now that the direction has changed, we are working with the State to submit a document this week that outlines our desired approach to ensuring fiscal stability and facilitate restructuring during the five year waiver period.

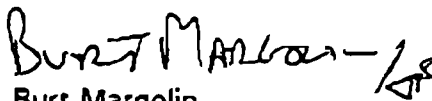
Despite our differing views on the above, we were glad to hear you reiterate your commitment to working with us to realize a Phase II financing plan that will enable the extensive programmatic restructuring which must take place. Firm commitments in this regard must be made prior to the beginning of our next budget year on July 1, 1996. Otherwise, it is likely additional service reductions and layoffs will be required in the next few months.

Lastly, we would hope to reach closure on the approach to realizing the original \$364 million this week.

We look forward to working collaboratively with you and the State as we proceed in this direction.

Very truly yours,


Mark Finucane
Director of Health Services


Burt Margolin
County Legislative Strategist

MF:BM:amg

c: Each Supervisor
Chief Administrative Officer
California Director of Medi-Cal

Los Angeles Times; 2-27-96

County to Eliminate a Third of Hospital Beds to Get U.S. Bailout

■ **Health: Cutting 800 units shows commitment to reforms and emphasis on preventive, outpatient care, officials say.**

By JOSH MEYER and JACK CHEEVERS
TIMES STAFF WRITERS

Los Angeles County officials disclosed Monday that as part of the massive restructuring of their health system required to get a \$364-million bailout from the federal government, they plan to eliminate one-third of the county's 2,600 inpatient hospital beds.

Although the shift from costly inpatient services to more basic, preventive outpatient care has been part of the deal since President Clinton first announced the proposed aid package in September, county officials said the news underscored their commitment to radically changing the nation's second-largest public health care system over the next five years.

"The county is going to reduce its staffed beds by one third. That is a dramatic number," said one county

official involved in the negotiations over the bailout. "And we are characterizing it to the Feds as a minimum number; we'll do better if we can. We are much too heavily weighted toward hospital care."

County officials had little comment Monday, saying the proposed elimination of hospital beds will be discussed in detail at today's scheduled Board of Supervisors' meeting.

The county official, who asked for anonymity due to the negotiations, said reducing the number of hospital beds is designed to send a message to several important participants in the debate over the future of Los Angeles County's health care system.

"This is a way of expressing to the private sector [hospitals] that there is more that they can do to help us," the official said, "and to show the federal government that we are trying to significantly transform the system."

The county official said the proposal was formally unveiled for review by federal officials last month, after the federal Health Care Financing Administration said it needed more detail about how the county planned to

restructure its health system before committing to granting the complicated bailout request.

On Saturday, The Times reported that the bailout effort has not been finalized, in part because federal officials believe that the county has not provided enough detail on how it plans to restructure its mammoth health department.

On Monday, Supervisor Zev Yaroslavsky said the proposed elimination of one-third of the hospital beds now being used is just one example of how seriously the county is taking the federal government's insistence that it reform its system.

The downsizing could affect the county's ability to handle the flood of poor and indigent patients that come to the hospitals, nearly all of them through emergency rooms.

But the one-third figure cited by county officials includes at least 300 beds already eliminated since last summer, when the supervisors approved \$150-million in cuts in inpatient services. About 370 more of the estimated 800 beds slated for elimination will count when two county hospitals, Rancho Los Amigos

Medical Center and High Desert Hospital, are privatized in the next few years as part of the restructuring effort, health officials said.

The proposal also takes into consideration a proposed downsizing of County-USC Medical Center when it is rebuilt because of earthquake damage. Other beds would be eliminated from within the entire hospital system, county officials said.

Jim Lott, spokesman for the Healthcare Assn. of Southern California that represents most of the region's largest hospitals, said that the announcement, "while it sounds positive, is news to us and we haven't been talked to about any of the details. It becomes really critical where the one-third comes from."

Lott said that the elimination of several hundred hospital beds, combined with the privatization of the two hospitals, would probably be manageable for those private hospitals that would end up treating any overflow patients.

Times staff writer Jeffrey L. Kable contributed to this story.

Tues
Fax to
John Emerson
Diana Fordner
Beverly Vlachos
Kathy Key

Wed

PAGE 2

1ST STORY of Level 1 printed in FULL format.

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Los Angeles Times

February 28, 1996, Wednesday, Home Edition

SECTION: Metro; Part B; Page 3; Metro Desk

LENGTH: 536 words

HEADLINE: COUNTY, U.S. AT ODDS OVER LONG-TERM OVERHAUL OF HEALTH SYSTEM;
BUDGET: TIMING OF DEFINITE PLANS IS AT ISSUE, BUT LOCAL OFFICIALS STILL EXPECT
TO GET \$364 MILLION THIS YEAR.

BYLINE: By JOSH MEYER, TIMES STAFF WRITER

BODY:

Los Angeles County officials confirmed Tuesday they are at odds with the federal government over long-term restructuring of the troubled health system, and said they are worried about how to proceed without knowing the amount of money that will come from Washington.

At the weekly Board of Supervisors meeting, health officials said a proposed \$364-million bailout of the health system pledged by President Clinton last September is all but assured for this fiscal year, which ends June 30.

But, they acknowledged, another significant problem has cropped up, as reported in The Times on Saturday: The federal government does not want to negotiate how much money the county will receive in the remaining years of a five-year health restructuring effort until the \$364-million bailout is completed.

It is that insistence by federal officials on separating the short- and long-term financial issues that could pose serious problems, Health Services Director Mark Finucane and former county health czar Burt Margolin told the supervisors. They said the county will need more federal money to make the transition from their outmoded health system based on costly in-patient hospital services to less expensive, preventive outpatient care.

County officials say they are already facing a health deficit of more than \$150 million in the next fiscal year.

"You can't build new outpatient clinics if you are trying to fill a hole" created by the deficit, Finucane said.

The extraordinarily complicated negotiations focus on a proposed waiver of Medicaid regulations that the county is seeking so it can use federal money now earmarked for hospital care for outpatient services.

Supervisor Zev Yaroslavsky sought to counter criticism that the county does not have a restructuring plan by noting that the county has laid off 2,600 health workers, privatized six clinics and reduced the number of hospital beds.

While county officials sought Tuesday to downplay federal officials' concerns, they said they fear the county must resolve some long-term issues in

Los Angeles Times, February 28, 1996

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Both Finucane and Margolin -- now a county legislative strategist -- said that in almost daily discussions with federal officials, they have strenuously objected to separating the short- and long-term issues because they want to ensure that their long-term concerns are addressed.

So far, however, federal officials are insisting on separating the two issues. "We're not going to mix the two," one senior White House official said last Friday.

Supervisor Deane Dana and Chief Administrative Officer Sally Reed said they were concerned because the county needs at least some estimate of federal funding levels while formulating its budget. Supervisor Gloria Molina added: "We've got to get going."

Margolin said negotiators are ready to head to Washington on a moment's notice. Finucane also said he has told federal officials: "We've got to get off the dime here. . . . I need some help about how we are going to move to this outpatient world and if it is not going to be forthcoming, let's just get that settled."

Times staff writer Jeffrey L. Rabin contributed to this story.

LANGUAGE: ENGLISH

LOAD-DATE: February 28, 1996

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WASHINGTON HEBREW CONGREGATION
NURSERY SCHOOL

in cooperation with

The
**Board of Jewish Education
of Greater Washington**

presents a

PARENT DISCUSSION EVENING

MARA BIER

**Early Childhood Special Needs Consultant
and Parent Educator**

Board of Jewish Education of Greater Washington

will lead a discussion on

**DISCIPLINE
IS NOT A
DIRTY WORD**

Date:

Time:

Location:

Thursday, March 7, 1996

7:30 p.m.

Washington Hebrew Congregation
Bindeman Center
11810 Falls Road
Potomac, MD 20854
Telephone: 301-279-7505

7-370-1329
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stand by 1 agreement, get done
off rec. - Stude - no \$

THE WHITE HOUSE
WASHINGTON

February 22, 1996

MEMORANDUM FOR PHIL CAPLAN

FROM: Diana Fortuna 
Domestic Policy Council

SUBJECT: Los Angeles County Medicaid Assistance Package

Here is an update on the Los Angeles County Medicaid issue. Martha Foley, John Emerson, Jack Lew, and I briefed the Chief of Staff on this today.

- o In September 1995, the President announced a \$364 million fiscal assistance package for Los Angeles County's health care system. The agreement averted a shutdown of hospitals and clinics and was described as the first step toward "restructuring" the county system -- moving it away from inpatient services and toward community-based outpatient services.
- o The county and state have not yet submitted a waiver request to HHS. A five-year demonstration waiver is the vehicle for implementing the agreement.
- o Although there have been some changes to and problems with elements of the \$364 million package, these appear to be resolvable. The greater problem is that the county now says that the original \$364 million package is not adequate to deal with the county health system's structural deficit over the next five years (totalling \$1 billion). We had expected the county to deal with these structural deficits by restructuring -- and presumably downsizing -- its health care system.
- o In order to generate more assistance from us, L.A. County is now requesting a waiver of the law governing disproportionate share hospitals. OMB and HHS feel strongly that such a waiver would set a bad precedent for other states and risk negative scrutiny from Congress. We rejected this approach during the negotiation of the \$364 million package in September.
- o The county does not want to move the \$364 million waiver package without our agreement to tackle the \$1 billion structural deficit in the outyears. We have expressed our strong preference to wrap up the \$364 million agreement as soon as possible, before trying to address any additional needs the county has.
- o The L.A. press has reported that the Federal package may be in jeopardy.
- o We can tell the press that we remain committed to the package we announced in September, and we are working with the county and the state to help them prepare the waiver request that will allow us to implement that package.

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:

- o Federal Medicaid matching payments for indigent care at County clinics (estimate: \$40 million net)
 - o *15.2. 2006. 10/20/06* An interagency agreement between the State and the County regarding funding of indigent care in hospital settings (estimate: \$92 million net)
 - o County reevaluation of its accrual of hospital revenues to comply with the OBRA 1993 limits on DSH payments (estimate: \$82 million net)
 - o A revised payment plan *both it* for a portion of the annual payment from the County to the State (estimate: \$125 million) - *don't do it, but we gave them a proposal - they are reluctantly agree*
 - o a package of PHS grants (estimate: \$25 million)
 - o Federal Medicaid matching payments for indigent care at hospital outpatient settings, subject to applicable Federal law (funding to be determined)
- $$\begin{array}{r} 187 \\ 82 \\ \hline 269 \\ 125 \\ \hline 394 \\ 25 \\ \hline 419 \end{array}$$

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

- o reverse most clinic closures,
- o prevent hospital closures, and
- o 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.

4160

It then offered my resig?
1. resident of
Walter m. l. g.

HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
FOR IMMEDIATE RELEASE
Friday, Sept. 22, 1995

Contact: HHS Press Office
(202) 690-6343

AGREEMENT ON ASSISTANCE FOR LOS ANGELES COUNTY HEALTH SYSTEM

Overview: 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.

Background

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:

- o 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 policy 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.
- o The state and county would make accounting and payment adjustments in their administration of the Medical program.
- o 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.

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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.

###

COUNTY OF LOS ANGELES
HEALTH CRISIS MANAGER

500 W. Temple St., 726 Kenneth Hahn Hall of Administration, Los Angeles, California 90012

Burt Margolin

Phone: (213)974-2469

Fax: (213)633-5009

February 13, 1996

REVISED

TO: John Emerson

FROM: Burt Margolin *BM*

SUBJECT: LOS ANGELES COUNTY MEDICAID WAIVER

*To: Bruce Vladeck
John Monahan
fr: Diane Fortuna*

This is in follow-up to your conversations last week with Supervisors Gloria Molina and Zev Yaroslavsky regarding the pending MediCaid waiver for the County. Two issues need resolution:

- A. ASSURING THE \$364 MILLION FISCAL RELIEF PACKAGE REMAINS INTACT. Recent conference calls between the County, State, and the Health Care Financing Administration (HCFA) have brought-up a misunderstanding regarding a key element of the \$364 million package announced by the President in September 1995. Specifically, a portion of a \$92 million component of the package is in question ---the \$92 million is comprised of recognizing County costs for a portion of funds targeted toward private sector hospitals (\$33 million) and funds supporting a "State Administrative Fee" (\$59 million). There is a misunderstanding regarding whether the \$59 million was part of the original September agreement. The County believes it was part of September agreement and included it in the waiver draft submitted for public comment and shared with HCFA in December. HCFA is aware of this problem and wants to resolve it.
- B. SYSTEM RESTRUCTURING AND FINANCIAL STABILITY. During a face-to-face meeting in January 1996 among the County, State, and HCFA in Washington, discussion centered on providing the County with flexibility to restructure its health system and assure financial stability over 5-years. The meetings produced three different options for calculating the OBRA 93 Limit ("DSH CAP") under the waiver. Option A provides funding for outpatient care expansion, but leaves the County health system financially unstable over 5 years. Specifically, under option A, the County will face an estimated \$135 million shortfall in 1996-97 potentially requiring service cuts and layoffs effective July 1, 1996.

Options B and C would provide funds for outpatient expansion, restructuring flexibility and financial stability (no budget hole next year). HCFA made no commitment to any one of the options, but was willing to consider them. The County would like options B or C, or some variation, to assure outpatient expansion, restructuring and stability, and avoid additional service cuts and layoffs.

Thank you for your consideration. If you have any questions, please let me know.

BM/jr
m-emerson

MEMORANDUM

TO: Diana Fortuna, Martha Foley, Jack Lew
cc: Leon Panetta; Carol Rasco

FR: John Emerson *JE*
DT: 2/13/96
RE: LA County Medicaid Waiver

Attached is a memorandum from Burt Margolin outlining LA County's immediate concerns with the pending medicaid waiver for the County.

With respect to Diana's conversations with HCFA and her E-mail of yesterday, the following should be clarified: First, the Hospital element of the \$364 million package is \$50 million, not \$42 million as per HCFA. Second, the HCFA contention that the County is now raising the bar by asking for more money is not entirely accurate. The idea for calibrating the OBRA 93 Limit in a manner that could address the County's anticipated shortfall for the next fiscal year (just four months away) was initially raised by Kathy Bhuto (sp?) of HHS. Simply deferring this issue, as HCFA suggests, will not help--because the County will begin public deliberations on its budget at the end of the month, and this will be back in the public eye again.

Accordingly, we should talk to Kathy to see what she had in mind, and do everything we can to resolve all issues pertaining to the waiver ASAP.

EXECUTIVE OFFICE OF THE PRESIDENT

12-Feb-1996 12:56pm

TO: John B. Emerson
TO: Martha Foley
TO: Jacob J. Lew

FROM: Diana M. Fortuna
Domestic Policy Council

CC: Carol H. Rasco

SUBJECT: LA County update

ved (2-4?)
**Trent of MA waiver*
leverage -
submit or die

Here is what I have learned about the LA County situation, although I have yet to hook up with Jack, whose perspective is critical here.

There are two issues, one of which is probably comparatively easily resolvable, while the second is a major question that is probably not going away easily.

(As background, you will recall that, after the agreement on the \$364 million aid package in September, the county and state began work on the actual waiver request that would implement the agreement and allow the money to flow. To date, they have not submitted a waiver request to HHS. Timing-wise, this is a concern since we are already more than half-way into the first year of a five-year waiver.)

The two current issues are:

1. There is a difference of opinion about one element of the \$364 million package, worth \$42 million. This is the more easily resolvable issue, because HHS recognizes that the package they committed to was \$364 million, and they see no reason they will not be able to follow through on that commitment.
2. The second issue is tougher. It essentially revolves around the fact that the county is now asking us for MORE than the \$364 million agreement.

The \$364 million solved their budget problem in FY95-96. It helped them a lot in FY96-97 also, but left them with a hole that is now estimated at about \$200 million. This hole recurs and gets bigger in the out-years. To the extent we had a plan for those deficits, it was that they would "restructure" their system to make it less reliant on huge hospitals and more reliant on community-based outpatient clinics. This was the core concept of

the waiver and aid package.

However, so far they have not followed through with concrete plans for restructuring -- not that it is particularly easy politically. It is not as bad as the immediate closings they were facing last fall, but there would be plenty of community and union opposition. What they are proposing instead is that HHS waive certain DSH limits. If HHS were to do this, it would give them an additional \$1 billion or so over four years. However, as I recall, this is the same waiver of DSH issue that came up during the negotiation of the \$364 million package, that HHS briefed us on and explained to us why it was problematic.

HHS's tentative strategy is to deal with the \$364 million first, before contemplating any request for additional money. The county would prefer to wrap it all into one package.

HHS really wants to brief us on this in the next day or two. I will be calling John and Jack for their schedules.

\$92m: part of igt; BV thinks 92 igt that goes to state and then to private hospitals could be counted as costs; extension of county's public mission;

Beyond \$364m:

\$200m hole for 96-97; increasing holes beyond, years 2-5; adds up to a billion; if calculated obra 93 how they want, would fill hole;

All revolve around diff ways not to reconcile actual to proposed;

County fundamental issue; so much system based on this, in excess of cap, in past

Was fin'g gnl govt w/this within county

year 1 was 95-96

year 2 has gotten worse?

Nov first draft, we sent questions; waiver of 93; numbers just got week before last;

problem not meeting bn; is generating state share



HEALTH CARE FINANCING ADMINISTRATION

**ADDRESSEE:***Diana Fortuna***PHONE:** _____**FROM:***Mary Oppenheimer*

OFFICE OF THE ADMINISTRATOR
200 INDEPENDENCE AVE., S.W.
ROOM 314G
WASHINGTON, DC 20201

PHONE: 202-690-6726**FAX :** 202-690-6262**TOTAL PAGES:***4***ADDRESSEE'S FAX MACHINE NUMBER:***456 7431***DATE:****REMARKS:**

*This is what we submitted to the
Department - I'm sure it will be
reduced in the final package from HHS.*

LOS ANGELES COUNTY MEDICAID DEMONSTRATION

On September 22, 1995, the President announced an agreement in principle between representatives of the Department of Health and Human Services and officials from the state of California and Los Angeles County on joint actions to provide fiscal relief to the County's public health system. Under the agreement, \$364 million in additional resources would be made available to the County to avert a crisis shutdown of the County health facilities, while supporting a longer-term transformation of the system towards improved primary and outpatient care. The agreement would be implemented under a Medicaid section 1115 demonstration waiver. The State and County understood that the sooner they submitted their waiver application, the sooner the Federal approval process could begin.

On November 21, the State submitted a working draft of the waiver application. The working draft deviated from the terms of the September agreement in a number of ways. For example, it included a request for a waiver of the OBRA 1993 disproportionate share hospital (DSH) payment limitations, which Federal officials had previously informed the State would not be granted. Further, during discussions in January with the State and County about elements of the working draft, County officials presented information that indicated that the \$364 million agreement reached in September would be insufficient to deal with what was now portrayed as a multi-year fiscal problem resulting in a five-year County deficit of nearly \$1 billion.

Currently, Administration staff are working with LA County officials to meet all the terms of the September agreement, approve the waiver application (when submitted), and then to address the longer term financing issues.

BLUE SHIELD OF CALIFORNIA

Blue Shield of California has been the subject of a year long investigation by the Office of Inspector General regarding the administration of its Medicare contract. The investigation centers around allegations of altering documents, including annual contractor performance evaluations reported to the Health Care Financing Administration. After learning of the investigation, Blue Shield conducted an internal audit which resulted in the firing of one employee, the requested resignation of two senior managers and the formal reprimand of eleven other Blue Shield staff. Blue Shield currently holds the Medicare contract for Part B Medicare claims for northern California and two southern California counties.

SUTTER SETTLEMENT

Investigators for the Department of Health and Human Services subpoenaed records from 132 major hospitals nationally to collect evidence that most, if not all, of the hospitals submitted improper bills for experimental medical devices to the Medicare program. Several California hospitals and one in Washington (University of Washington) received subpoenas. In addition to the highly publicized Senate hearings on these practices, it was announced February 14 that the government had settled the first civil case stemming from the investigation, collecting \$1.3 million from Sutter Hospital in

Sacramento, CA. Officials representing the hospital acknowledged that the hospital had submitted improper billings to Medicare.

CALIFORNIA TWO-PLAN WAIVER

On January 22, 1996, the Health Care Financing Administration (HCFA) approved California's request for a Medicaid freedom of choice waiver which will allow the State to enroll beneficiaries in 12 counties into one of two managed care plans. Once fully implemented, this will be the largest Medicaid managed care initiative in the nation. HCFA worked closely with the State for two years in the development and approval of the waiver. This unique model utilizes both private and county health care providers. The twelve counties designated to implement the 2-plan model are: Alameda, Contra Costa, Fresno, Kern, Los Angeles, Riverside, San Bernardino, San Francisco, San Joaquin, Santa Clara, Stanislaus, and Tulare.

Beneficiaries in these counties will be offered a choice of two managed care plans, a "Mainstream Plan", which is a commercial HMO, and a "Local Initiative Plan". Commercial plans have been selected based on a competitive bid. The county-organized Local Initiative will include existing county hospitals and health care facilities, as well as other local, safety-net providers. The Two-Plan model will not become operational in any given county until the State has certified and HCFA has assured through on-site reviews, that access and quality requirements can be met by both plans. Enrollment will be mandatory for AFDC and AFDC-related categories and voluntary for the aged, blind, and disabled. When fully implemented, a total of 3.3 million beneficiaries are expected to be enrolled, of whom 2.4 million will be enrolled on a mandatory basis.

California Prepaid Health Plan (PHP) Rates

The California Department of Health Services reduced their payment rates to Medi-Cal managed care plans during State fiscal year (SFY) 1995 (July 1994 through June 1995) by \$36 million due to a reduction in the State budget. HCFA questioned the actuarial soundness of the PHP rates, and a series of letters have been exchanged with the State over the past year to try and resolve the issue. Additionally, there is a pending lawsuit by one of the affected plans against the State and the Secretary of HHS.

In a February 5, 1996 letter to the State, HCFA detailed the outstanding concerns and requested that the State respond within 30 calendar days of the date of the letter. HCFA indicated that we would proceed with a denial of all Federal financial participation for the SFY 1995 managed care contracts if the State does not respond within the deadline. The Federal disallowance could be as high as \$300 million.

San Francisco County's Federally Qualified Health Centers (FQHCs)

San Francisco County's Department of Health is seeking retroactive Medi-Cal reimbursement for a number of County clinics back to April 1990. On October 4, HCFA informed the State of California

about the statutory requirements for a clinic to receive FQHC cost-based reimbursement, and that the effective date for such payments can be no earlier than the date the site requests FQHC status.

Mayor Willie Brown recently met with HCFA Administrator Bruce Vladeck seeking help on this issue, and HCFA staff are currently working with the State and with the Public Health Service to reach a resolution. Prospectively, a resolution could be achieved if the County submits an amendment to its current PHS grant to add the additional clinic sites. PHS indicates that the County has not yet submitted such an amendment. For the retroactive period, PHS is exploring whether amending the old contracts statutorily could achieve the desired result. HCFA and PHS will continue to work with the County on this issue.

Remarks by John J. Sweeney
President, AFL-CIO

California Association of Public Hospitals
San Francisco
December 8, 1995

For as
FYI to
Diane, Jennifer O'C,
and Emily B

See Page 4

Thank you for that generous introduction --- its great to be here in San Francisco and to be greeted by a warm welcome as well as warm weather.

This is the first major speech I've made to a health care group since being elected president of the AFL-CIO and I'm delighted it is taking place here in the Bay Area where my union, the Service Employees Union, has such deep roots.

Our great local union 250 here in San Francisco is the oldest health care union in America. It was started by low-wage workers at San Francisco General in the early 1930s and by 1941 it could claim the first master contract in the hospital industry.

Today, SEIU locals 250, 790, 535, 1000, 616, 707 and 715 represent more than 60,000 healthcare workers in Northern California. SEIU is now the biggest union in the state with close to 300,000 members from Bakersfield to San Diego and I bring you their greetings and good wishes at during this holiday season.

I also bring you greetings from the 13 million members of the AFL-CIO and from the one and one-half million healthcare workers included in those ranks.

Six weeks ago at the AFL-CIO convention in New York City, there was a great debate about how workers and their unions should relate to employers in our new "winner take all" economy.

In his keynote address, my old friend and former rival, Tom Donahue, said he was more interested in "building bridges than in blocking bridges." He was referring to one of our SEIU locals in Washington blocking our busiest bridge across the Potomac during rush hour one morning.

I responded by saying that when our employers and other powerful people refuse to listen to the working people we represent, then we have a moral obligation to block bridges and even go to jail to dramatize their plight. But, I was careful to add, I believe in building bridges any time the shelling stops long enough for us to start pouring concrete and putting up steel!

This morning, I'm here to try and build a bridge or two and talk about the need for a rejuvenation of our labor-management partnership in public health care. For those of you who are more of the "bridge-blocking" school, I invite you to join me at 2121 Pine Street at 12:30 this afternoon as we march and demonstrate on behalf of the embattled employees of the Hillhaven Nursing home chain!

I can't think of a place where management needs labor as a partner more than in public health. Historically, we've been bound together by our deep common interest in the patients we serve and together we've built and maintained a system that is characterized as much by compassion as it is by competency.

Now we face changes that are unparalleled in our years of joint advocacy and our ability to work together is being challenged as never before.

I'm going to address some of those changes and challenges in a moment, but I want to ask for your help in fighting one battle there is no time to debate over.

Please take out a pen or pencil and write down these two numbers. The first is 1-800-96-AFL-CIO and the second number is 1-800-97-AFL-CIO. Sometime today, call one of those numbers. They will automatically kick your call into the switchboard at the U.S. Capitol, toll-free. No matter what part of the country you are from, ask to speak to your Representative and when you get their office on the phone, tell them to back off the massive cuts in Medicare and Medicaid they are proposing.

Then make two more calls, to Senators Boxer and Feinstein and tell them to keep up the good work. Then make a last call, this time at your own expense. Make a "thank you and please" call to President Clinton at 202-456-1111. Tell him "thank you" for vetoing the Republican budget bill and then say "please" --- please don't let Newt Gingrich and Bob Dole back you down!"

Those toll-free AFL-CIO hotline numbers are the action end of a grass-roots lobbying campaign we've been running for the past four months to battle the Medicare and Medicaid budget cuts. In the summer and early fall, we spent four million dollars on media in targeted House districts and ginned up 270,000 telephone calls --- plus about 200,000 postcards to President Clinton.

Earlier this week, we purchased another million dollars worth of radio and television time and also dropped a million pieces of mail into those same targeted districts. We're also staging events and press conferences in 22 of the districts.

I recount all this to you in hopes you will appreciate what the men and women of the AFL-CIO are doing to preserve Medicare and Medicaid. And I want you to know we will continue to fight for as long as it takes to preserve our health care system in general and to preserve and improve our public health system in particular. And I want you to fight with equal vigor because we may all be gone if these cuts go through.

My union, the Service Employees Union, is the biggest healthcare union in North America, so I don't need on-the-job training in my new position when it comes to public health. SEIU represents 475,000 health care workers, half of them in the public sector. Here in California we represent nearly 100,000 service workers, technicians, nurse aides and nurses in hospitals, nursing homes, home health agencies ambulatory clinics, blood banks, public health programs and HMOs.

We've always worked closely with your national association, the National Association of Public Hospitals, and we've begun to establish a working relationship with CAPH here in California.

I hope you will take my presence here today as the strongest possible indication that I intend to continue, nurture and expand those relationships in my new position as head of our national labor federation. We cannot and must not allow the violent forces now battering our health care system to damage our mutual commitment to the mission of public health, which is to provide high quality medical care to everyone who needs it, no matter how poor they are, no matter how old, no matter how sick, no matter what color and no matter what their immigration status!

Through much of this conference, you've been struggling with how to restructure our public health systems so they can survive and continue to provide quality health care for all. Our unions are struggling with how to represent health care workers in an environment where cost cutting pressures most often mean cutting back staff and redesigning jobs.

Together, we need to figure out how to gain control over the restructuring that is transforming our system of providers and payors. How we can maintain a strong role for government in assuring health care to all in an environment that favors market reform over government reform. How we can fight the Republican agenda of massive cuts in Medicare and Medicaid to fund tax cuts for the wealthy. How we can fight deregulation of health care. How we can build a public health system that works more efficiently without hurting patients and workers.

Cuts in Medicare and Medicaid have already triggered great changes that are squeezing health care workers and raising concerns about quality and access. Our members are telling us that patient loads are 50 percent higher than they should be. Nurses say they don't have enough time to spend with their patients. A rash of high profile clinical errors in hospitals across the country has captured the attention of the media and the general public.

Now there are new threats: more Medicaid and Medicare cuts at the federal level; questions about managed care; state and local funding cutbacks; the growing ranks of the uninsured and the poor; challenges of substance abuse and violence; and the unwillingness of private sector health care to help provide a safety net.

Our projections are that 1.7 million health care workers could lose their jobs, for instance, as a result of the proposed cuts in Medicare and Medicaid. Many of those who keep their jobs will be faced with moving from hospitals into outpatient settings, with all the professional as well as personal stress that attends such uprooting.

Our unions know that we face drastic cuts in funding, no matter how successful we are at lobbying. And we know that means we all face tough choices. But, as I have said in city after city over the past year, we will not sit silent seeing families ripped to their roots while many of the "experts" who got us into this mess in the first place exclude us from the decisions affecting our future.

We must be full partners. Not only because we have a common interest in serving our community and serving the poor, but because we represent experienced workers who have valid and worthwhile ideas for change and who have first-hand knowledge of the problems of their communities.

We know such partnerships can work, but they are hard to come by. In Boston, for instance, we were faced with the merger between Boston City Hospital, which is mostly unionized, and a private, mostly non-union facility serving a totally different population.

We were willing to be flexible, to be open for change, but we demanded to be part of the process. We had to organize and fight like hell for public health and worker protections, but we got them. We are still seen by the private hospital as an impediment to change, but we're working together now and the merger will go through by July, 1996.

In Los Angeles, we were faced with a more horrendous situation, as you all know. With a \$655 million deficit, the county was faced with the closure of hospitals and clinics and cuts in services to thousands of poor patients as well as the loss of jobs for thousands of workers. Early on, we offered to cooperate and we were willing to help get federal and state relief if worker and consumer issues could be addressed.

Unfortunately, the county manager tried to close us out of the decisions and we had to spend weeks and weeks in the streets and in the media to get our concerns addressed. To their credit, the county supervisors took control of the process and established a task force that allowed us to begin working together more effectively. I went to work in Washington and the Service Employees Union went to work in Sacramento. We came out batting .500 with enough money from President Clinton to bail things out temporarily. Instead of losing 12,000 jobs, we lost 1,600. But the safety net in Los Angeles, however tattered, is still in place.

I want to say one word to the Los Angeles County officials who are here with us today, and it has to do with the privatization of clinics. Seven clinics have been privatized and 22 more are scheduled. To preserve bargaining rights for the workers who are our members, you made us go door to door and have them sign union cards. We signed up a majority in six of the first seven clinics. Now we ask that you sit down with us and help figure out a way to continue union representation without having to drain our treasury and exhaust our organizers to do it.

We've made real headway in establishing a new partnership. The AFL-CIO is ready to help build more such partnerships, to build the kinds of bridges we need in order to preserve our public health system. But in places like Los Angeles County, we need a little more quid pro quo to keep things moving.

For the next two weeks, we all need to be concerned with minimizing the damage to Medicare and Medicaid. Then we need to begin a forceful dialogue about legislative and political strategies at the state level to help preserve our systems.

There is no single solution and there are no easy answers, so we need genuine collaboration and a genuine commitment to making hard choices.

For labor's part, we will insist on being participants in developing proposals for restructuring and we're going to increase our strength by aggressively organizing across the country.

The principles we're guided by are in the best interest of public health and the best interest of consumers as well as in the best interest of health care workers.

We want serious consideration of alternatives to privatization or closures, such as creation of public health authorities, to help continue the public health mission and tradition. We want restructuring proposals to recognize the rights of health care workers and their unions, and the right of unorganized workers to unionize without management interference or coercion. And we want communities, as well as workers and their unions, fully involved in discussing and deciding on strategies and tactics for the actual restructuring plans.

If we can reach these kinds of accords, together we can fight effectively to guarantee adequate funding, for public policies that ensure high quality care and strengthen community-based care. And we can hold the private sector to our own high standards of access as well as quality.

We must identify our common agenda. We must work together to re-establish the public's trust in public service. And we must flex the political muscle it takes to preserve public health care.

Our local unions here in California are ready to work with you.

And our international unions and the AFL-CIO in Washington are ready to work with you.

Let's get to work.

Thank you very much.

-end-

Los Angeles Times; 12-8-95

Wilson Criticizes Clinton Vetoes

■ Government:
Governor says during Washington visit that the president's blocking of Medicaid reform and immigration relief will cost California billions of dollars.

By FAYE FIORE
Times Staff Writer

WASHINGTON—Gov. Pete Wilson, stung by a spate of presidential vetoes, was in the nation's capital Thursday to bash President Clinton for blocking Medicaid reforms and immigration relief that he says has cost California billions of dollars.

In the company of half a dozen other GOP governors still angry from Wednesday's veto of the party's seven-year balanced budget plan, Wilson made every minute of his visit count as he lunched with state congressional leaders, held forth at three news conferences and attended a 15-minute strategy session with Newt Gingrich to discuss what the party is to do about a White

House that won't cooperate.

"We are trying to pressure the administration into recognizing the absolute necessity for the kind of reform the president has threatened to veto," Wilson said after the third news conference. "He has vetoed the kind of [Medicaid] relief needed by states that suffer major costs unfairly. He is turning a blind eye to all the problems that we have because the feds fail to protect the border."

Wilson specifically targeted vetoes real or threatened that he said would cost California dearly. Rejected as part of the GOP budget package was a reform plan that would have redistributed federal Medicaid funds in the form of block grants for states to spend on health care for the poor, disabled and elderly.

The president has proposed instead a so-called per capita cap that limits increases on the amount spent on each recipient of Medicaid—or Medi-Cal, as the program is known in California.

Calling the Clinton plan "infinitely worse" than the current system, Wilson predicted it would cost the state \$5 billion in lost funds that would fall on the shoulders of the poor.

"What we have now is a Cadillac system for part of the people who desire health care. We also have people making less than \$15,000 a year—30% of whom will not qualify for Medicaid. That's not fair."

Democrats contend that the poor would be devastated by a GOP block grant plan that would remove federal guarantees of coverage and allow states to decide who receives benefits. Skeptics fear that in tough fiscal times, states will simply reduce coverage or tighten eligibility requirements, leaving out vulnerable groups such as some poor children and some elderly people in nursing homes.

"President Clinton's veto of the Gingrich budget is great news for California," said Rep. Henry Waxman (D-Los Angeles), responding to Wilson's contentions. "Now we have to develop a responsible plan, one that doesn't devastate the middle class and poor."

An enduring theme in Wilson's remarks Thursday concerned billions in immigration relief that California stands to lose to White House vetoes.

A \$3.5-billion pot in the GOP budget plan would have helped

Please see WILSON, A30

WILSON: Governor Assails Clinton's Vetoes

Continued from A3

cover emergency health care costs for illegal immigrants and an additional \$500 million in a Commerce Department spending bill the president has said he will veto would offset the cost of locking up illegal immigrant felons. California would stand to get about half of all that money.

"Mr. Clinton has made much of giving back to Californians their tax dollars in well-publicized federal grants," the governor said, referring to a recent federal Medicaid grant that saved the financially beleaguered Los Angeles County health care network from

bankruptcy. "But rather than the small federal handouts he dispenses every time he comes West, Californians deserve the enactment of this relief from illegal immigration."

A little more than two months after his bid for the presidency ended in an embarrassing withdrawal, Wilson's visit to Washington also seemed to be an effort to hold his place in the national spotlight. It is his goal to remain one of 31 GOP governors considered key players in pushing reform of welfare—including Medicaid—and immigration.

At the same time, Wilson has

endorsed Sen. Majority Leader Bob Dole (R-Kan.) for president and has been campaigning actively for him—particularly in California, which Clinton must win if he is to hold the White House.

The governor worked at both Thursday, consistently hammering the president and ending the day as one of half a dozen governors invited to the speaker's Capitol suite to discuss strategy in keeping the ambitious GOP agenda on track.

"I can't talk about that," the governor said cryptically about the session as he rushed off to waiting television cameras.

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

PETE WILSON, Governor

DEPARTMENT OF HEALTH SERVICES

714/744 P STREET
P.O. BOX 942732
SACRAMENTO, CA 94234-7320

(916) 654-0391

NOV 17 1995



Bruce Vladeck, Ph.D.
Administrator
Office of the Administrator
Health Care Financing Administration
200 Independence Avenue, SW
Hubert H. Humphrey Building, Room 314G
Washington, DC 20201

Dear Dr. Vladeck:

Accompanying this letter is a "working draft" of the Application for the Los Angeles County Section 1115 Waiver Demonstration Project. These materials follow from our meetings in Washington, D.C. in late September and various telephone conferences since that time. We are providing a working draft of the application to permit your staff to begin its preliminary review of the proposal.

This working draft is submitted with the understanding that it reflects primarily work done by the County of Los Angeles and is still under review by this Department and by other agencies of State government. The State's continuing review will result in amendments to the text of the application, and to its attachments. We think that changes may be proposed in the following areas:

- ▶ Provisions related to the relationships between the County and the State. Although partially described in the Application, the governing provisions are to be set forth in an Interagency Agreement that is still being negotiated (and which will be an attachment to the final waiver application).
- ▶ Provisions related to proposed amendments to State law, particularly proposed amendments related to the State's disproportionate share hospital (DSH) program.
- ▶ Provisions related to the relationship between the requirements of State law regarding the DSH program and actions under the waiver.
- ▶ Provisions related to Phase II restructuring concepts. The State is exploring the breadth of State law changes needed to implement the Phase II proposals. For example, the State may not be in a position to support changes in State law related to a restructured DSH

Bruce Vladeck, Ph.D.

Page 2

program outside the scope of the waiver, or to support expansion of federally qualified health centers.

- ▶ Provisions that may be impacted by various court decisions currently in effect against the State's Medi-Cal program.
- ▶ Statements that characterize the health care situation in Los Angeles County, particularly as such statements may relate to access to care by Medi-Cal beneficiaries, or to provider reimbursement rates under Medi-Cal.
- ▶ Provisions related to the early termination of the waiver project, including termination resulting from Medicaid law reform, or other changes in federal law.
- ▶ Any other provision that is identified as requiring revision during the ongoing review of the working draft by State or County staff.

Further, we should note that, because this draft is not at this point the State's document, nothing in the working draft should be construed as a firm commitment by the State to any particular action or actions as may be outlined in the working draft. Any commitments that may ultimately be made on the part of the State will be set forth in the formal waiver application.

Despite the changes that may be made, as described above, the central provisions of the final waiver application are not expected to be substantially different from the working draft. Thus, we believe that your review of the working draft will give you a substantial head-start in the review process. In addition, we will let you know the substance of any changes that we will make as soon as those changes are known.

We have enclosed a copy of the schedule of events planned in connection with the waiver application. The time frames set forth for public participation reflect those in the "Plan for Public Participation" previously provided to your staff, with the exception that we now are specifying a 25-day public comment period following the hearing.

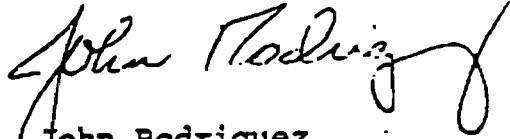
Please note that the schedule of events includes activities related to other counties in California that may desire to participate in this or a similar waiver process. Such additional participants, if any, may necessitate your further review and consideration.

As your preliminary review proceeds, both State and County staff are available to consult and to assist. For the State, please contact Benjamin C. Thomas, Chief, Medi-Cal Policy

Bruce Vladeck, Ph.D.
Page 3

Division, at (916) 657-1542, and for the County of Los Angeles, Jonathan Friedman, at (213) 974-2469. Finally, I would like to emphasize that you and your staff are invited to attend any or all of the public hearings or forums that have been scheduled.

Sincerely,



John Rodriguez
Deputy Director
Medical Care Services

cc: ✓ Ms. Lu Zawistowich
Office of Research and Demonstration
7500 Security Boulevard, Room C-3-18-07
Baltimore, MD 21244

Mr. Jonathan Friedman
Chief of Staff for
Health Crises Manager
Kenneth Hahn Hall of Administration
500 West Temple, Room 726
Los Angeles, CA 90012

SUSAN J. WHITE & ASSOCIATES
A PROFESSIONAL GOVERNMENT RELATIONS &
CONSULTING FIRM
1111 N. Pitt Street 2-B
Alexandria, Virginia 22314

(703) 683-2573

TELECOPIER TRANSMISSION SHEET

Date: 12/19

Time: _____

No. Pages (including cover sheet): 3

SENT TO: Diane Salena, Whitestone

FAX NO: 202-456-7431

FROM: Susan J. White

FAX NO: 703-683-0865

SUBJ: Medicaid / LA County Waiver

=====

If you do not receive _____ pages in their entirety (including this cover sheet), please call (703) 683-2573 and leave a message.

MESSAGE: Attached is some proposed legislative language
on protecting LA County Waiver. I've sent it
to Bruce Bladock & asked for his comments.
It's preliminary & we realize the situation is
very fluid, but thought it was imperative to
get something to HCPA. Any comments you
have or indications on when things can
be done would be most welcome. Susan
Also attached is corresponding memo to Bruce.

This telecopy may contain CONFIDENTIAL INFORMATION, which also may be LEGALLY PRIVILEGED and which is intended only for the use of the addressee(s) named above. If you are not the intended recipient of this telecopy, or the employee or agent responsible for delivering it to the intended recipient, you are hereby notified that any dissemination or copying of this telecopy may be strictly prohibited. If you have received this telecopy in error, please immediately notify us by telephone and return the original telecopy to us at the above address via the postal service. Thank you.

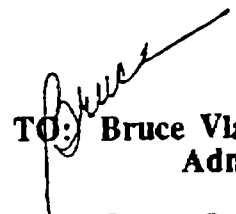
Susan J. White & Associates

1111 N. Pitt Street
Suite 2-B
Alexandria, VA 22314

TELEPHONE: 703-683-2573

TELECOPIER: 703-683-0865

MEMORANDUM

MEMO TO:  Bruce Vladeck, Administrator, Health Care Financing
Administration (HCFA)

FROM:  Susan J. White, Los Angeles County Washington Rep. for
Medicaid

DATE: December 19, 1995

RE: Federal Medicaid Legislation/Los Angeles County Waiver

Attached is preliminary language, for your review and comment, that we hope will be included in any final federal Medicaid plan that is adopted. It was drafted by Los Angeles County and their outside counsel, to ensure continuation and funding for the State of California's Los Angeles County 1115 waiver, which is being negotiated with HCFA at this time. We used the Administration's per capita plan legislative language (from one week ago) to draft from; and would insert the proposed language, as section 11362, at the end of Subtitle C of the President's bill. Because the process in Washington is so fluid, we realize that exact language may still be difficult to develop at this time, but thought it was imperative to get something to you to work with.

Thanks, as always, for your time and your understanding of the critical issues that Los Angeles County, as a major safety net system, is facing at this time. We look forward to hearing from you on this and to any comments you have on how best to ensure protection of the waiver as federal budget and Medicaid negotiations move forward.

attachment

cc: Los Angeles County
Margolin
Finucane

PART 8 - MISCELLANEOUS PROVISIONS**DRAFT****SEC. 11362. DEMONSTRATION PROJECTS INVOLVING RESTRUCTURING OF MAJOR URBAN PUBLIC HEALTH CARE SYSTEMS.**

(a) Notwithstanding the provisions of this subtitle or amendments made to title XIX of the Social Security Act by this subtitle, with respect to each demonstration project referred to in paragraph (b), the federal funding elements of the project shall not be reduced, and other waivers or costs and expenses recognized by the Secretary as part of such project shall continue for the full the duration of the project. The amounts payable by the Secretary under any such project shall be in addition to the amounts otherwise payable under title XIX, as amended by this subtitle, and the demonstration project shall continue without regard to any limitation imposed by this subtitle.

(b) The provisions of this section shall apply to all demonstration projects approved by the Secretary under section 1115 of the Social Security Act with an effective date of July 1, 1995, that involve, as an integral element of the project, the restructuring of a major urban public health care system.

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



FAX COVER SHEET

DATE: 12/19/95

TO: Diana Fortuna
Emily Bromberg

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: 690-6060
FAX: 690-5672

RE:

CC:

Number of pages including cover sheet:

4

Message:

The attached documents are for your information.

Diana Furber &
Emily Bromberg

CALIFORNIA UPDATE - DECEMBER 15, 1995

Status of Denial of FFP

During the past year, HCFA has raised concerns over the actuarial soundness of California's rates under its Prepaid Health Plan program for SFY 1995. HCFA's main concern has been that the State established a de facto standard of actuarial soundness and then reduced it for budget-driven reasons. HCFA has sought documentation that the State's actions are actuarially sound. To date, HCFA has not received sufficient documentation or actuarial justification for the State's actions. HCFA will be issuing a letter to the State which provides specific actuarial reasons for our position and spells out alternative methods the State could use to provide the information HCFA needs. If HCFA does not receive an adequate response within 30 days, it will proceed with the denial of all Federal Financial Participation for the SFY 1995 PHP contracts at issue.

Status of Two-Plan

California's Two-Plan Model will allow Medicaid beneficiaries in Alameda, Contra Costa, Fresno, Kern, Los Angeles, Riverside, San Bernardino, San Francisco, San Joaquin, Santa Clara, Stanislaus, and Tulare counties to choose between enrollment in a locally-developed HMO, called the Local Initiative (LI), and a non-governmental HMO, called the Mainstream Plan. Approximately 3.4 million Medicaid beneficiaries would be enrolled into managed care under the Two Plan Model. HCFA is required to make a decision on this by January 22, 1996.

Although most of the major issues concerning the waiver have been resolved, a few remain. HCFA will seek counsel and assistance from the Department on these issues within the next week.

Diana F.

LA COUNTY CHRONOLOGY

- o July 19 - Los Angeles (LA) County submitted a concept for an 1115 demonstration program.
 - o July 24 - A delegation of senior officials from the Department of Health and Human Services (DHHS) met with the LA County Board of Supervisors and staff regarding an alternative to the County's July 19 submission. The alternative proposal focused on a restructuring of LA County's health system to provide more cost-effective ambulatory care. Federal officials informed State and LA County staff that a formal waiver request would have to be submitted by the State, not the County.
 - o August 9 - The County submitted a revised draft that still contained provisions that could not be approved, including a method to calculate the Disproportionate Share Payments (DSH) that violated OBRA '93.
 - o September 12-13 - A delegation of senior officials from DHHS and the Office of Management and Budget (OMB) met to discuss the revised draft concept paper submitted by LA County on August 9. Federal representatives presented a plan for restructuring the Los Angeles health care system that included Federal funding of indigent care in free standing clinics. Further, Federal officials agreed to consider a method to recalculate DSH, provided OBRA '93 requirements were met and a recoupment of any payments in excess of the limits would take place. (See attachments for a comparison of State and Federal proposals.)
- The State and County believed the Federal proposal did not go far enough in helping them to stabilize the LA County financial crisis. They perceived what was being offered as a loan; however, the State and County agreed to consider the proposal further before making a decision.
- o September 20 & 21 - Senior officials from DHHS and OMB met with State and LA County officials in Washington, D.C. Federal, State, and LA County officials preliminarily agreed to the principles of a Medicaid demonstration project that would allow LA County to stabilize and restructure its health care system and avert a crisis shutdown of its hospitals and most clinics, subject to the necessary approvals of the entities involved.
 - o November 22 - HCFA approved the State's plan for public notice submitted October 31, contingent on the State holding of a minimum of two public hearings and making available the most recent copy of the 1115 demonstration application submitted to HCFA.
 - o November 21 - HCFA received a "working draft" of the section 1115 demonstration waiver application for LA County from the State; however, it was clear in the State's cover letter that the proposal was not fully endorsed by the State and that the contents did not represent a commitment from the State. HCFA performed a preliminary review of the draft proposal and concluded there were significant discrepancies between what was submitted and the agreement reached in Washington on September 21.

Page 2 - LA Chronology

- o **November 29** - The HCFA Administrator talked with Bert Margolin, Chairman of the County's Health Crisis Task Force and State representatives to inform them that we were disappointed and surprised that the proposal did not reflect the agreement reached in Washington. Specifically, there were elements in the proposal that we had not previously agreed to (the inclusion of mental health), provisions included that we had previously advised were unacceptable (recalculation of DSH to include the cost of indigent care in free standing clinics and a disregard for the Cost Effectiveness provision of the Selective Provider Contracting Program), and a plan to create a process for planning restructuring, rather than a concrete proposal for restructuring. In addition, the Administrator informed State and County participants that the Federal government was concerned about the urgent situation in LA but that we could not proceed with a formal review process until the State submitted an endorsed proposal.

November 30 - Because of the significant differences in the proposal and the agreement reached in September, the Federal staff asked the State to indicate that the proposal being used in the public notice process (slated to begin December 14) was a County/State document and not reflective of any commitment made by HCFA.

NEXT STEPS:

- o Send the State a letter that summarizes the major issues with the working draft.
- o Meet with the State and LA County to discuss issues and to work on an acceptable proposal.

1. Interagency Agreement
2. Waiver } → Corpor, Leg, Govt
3. Budget } 1?

Meltdown s'met + follow
- write @ 1/30
← - WH Press + Political
- Emily + McClary
Leon - reserve @ 6?
PHS - calls needed

Waxman → BM - drop 1/24/93

Later Waxman → ~~Leo~~
w/ deal

or Leon P.

Ed DeS → Donna not Leon
to distance

Supervisors

Mayor

Congress

CANA

CAPH

CSAC

Western Ctr Law

SEIU

Leon :

* Emily + I Supplement

list to Grantland

or Holly

L.A. County Medicaid

As of 3pm today,
negotiations are
continuing ~~between~~ ^{with} ~~among~~
HHS/OMB, ~~and~~ Los Angeles
County, and the state
of California over
~~poten~~ a fiscal assistance
package. The ^{County} Board
of Supervisors is awaiting
word ~~on~~ how the
negotiations are going in
order to determine whether
to proceed with a ^{vote} ~~scheduled~~
~~vote~~ ^{on} closing hospitals.

	<u>94-95</u>	<u>95-96</u>	<u>96-97</u>
Agg JF	105	97	145
MB	32	50	—
Below	(20)	(44)	(75)
	(52)	(19)	220
	→ <u>243</u>		
Private Sector	33	45	
State Adm Fee	59	59	
SLIDE	125	—	
	(28)	(116)	

~~42.5-50~~ 85-100 Freestdy

—
If we have
solved our way

back to \$179, ie,
budget assumptions,
why do they need to
vote on closing a
hospital? Because

2 supervisors want
to close them?

Why aren't they separate?

Uses ~~80~~ ¹⁰ ~~Plenary~~ Done by 11 Wt gps 28

double
count (~~179~~ budget
+ 52 TF error
191
243
~~179~~

+100 clinics

	95-96	96-97	97-98
<u>Sources</u> Mon	92	104	
Interag.			
Recheduling ~~Scider~~	125	-	
Recalc 2x	82	-	
Grants ^{ports} 14+8	25	-	
~~Services~~ Subtotal	324		
of Clinics - Pymt Unins.	50	50	
Recomb - waiver - agree on method.	374	154	
		374	
Uses 52 makeup		243	
191		131	
243 needed too kp hosp open			

Farmont 415 -
Slider - 772-5000

- Windisch

- leg counsel

* JL → LP re: POTUS idea
* Talking Pts for Leon

Message F/s/c

Sups announce vs. 2DC

BM: Sups + POTUS late aft.
5pm PST.

too much F? Bad on S
BM decide
say nice re Wilson

3 Sups: POTUS app. helps

Susan J. White & Associates

1111 N. Pitt Street
Suite 2-B
Alexandria, VA 22314

TELEPHONE: 703-683-2573
TELECOPIER: 703-683-0865

December 1, 1995

Diana Fortuna, Senior Policy Analyst
Domestic Policy Council
Old Executive Office Building, Rm. 224
17th and Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Diana,

I hope this note finds you well. I'm sure things are rather hectic at this point.

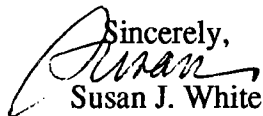
I wanted you to have copies of the attached letters; a letter from Supervisor Molina, Chair, Los Angeles County Board of Supervisors, regarding federal Medicaid legislation; a letter to John Hart regarding this week's NACo briefing; and, a letter to Chris Jennings regarding Medicaid concerns for Los Angeles County and Cuyahoga County, Ohio.

Clearly, Los Angeles County is concerned about how the 1115 waiver would be protected as part of any new Medicaid legislation. Any light you can shed on how the Administration plans to handle this would be most helpful. Additionally, both counties hope that the Administration's proposal retains DSH. I understand that targeting the program is difficult politically. Just so you know--and I know we've discussed this before--California already has the tightest eligibility requirement for DSH--25% low income utilization rate or one standard deviation above the mean for Medicaid--therefore, they would support such a definition, as under the NAPH proposal. They would be opposed to a proposal that cuts DSH across-the-board.

Additionally, in California, once eligibility is determined, the dollars are then distributed using a "peer grouping" methodology. Those facilities with emergency rooms and neo-natal clinics receive more money than those without such services. In order to maintain this distribution methodology, it may be best to continue to allow states to distribute the DSH dollars--this would also help with providing state flexibility--something I know is important at this point in time.

I hope to see the Administration's per capita proposal soon. As I told Chris, it would be very helpful to see a comparison of how states do under the conference agreement as compared to per capita caps.

Take care and I hope to talk to you soon.

Sincerely,

Susan J. White

enclosures



BOARD OF SUPERVISORS COUNTY OF LOS ANGELES

500 PETERMAN SQUARE HALL OF ADMINISTRATION / LOS ANGELES, CALIFORNIA 90012 / (213) 974-4111

GLORIA MOLINA
SUPERVISOR, FIRST DISTRICT
CHAIR OF THE BOARD

November 30, 1995

The Honorable William Jefferson Clinton
President
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to urge your veto of pending Medicaid and Medicare reform legislation. Your veto is necessary in order to avoid substantial adverse impacts to millions of residents in Los Angeles County and, more than likely, tens of millions of more residents throughout the country.

Beyond the monumental size of the proposed cuts themselves, estimated at over \$44 billion over the next seven years for California (and over \$15 billion in Los Angeles County), our most pressing concern is the prospect of freezing California near or at the bottom of all states with respect to federal Medicaid dollars per eligible individual. California, and therefore the County, would be unduly and substantially disadvantaged by such an approach.

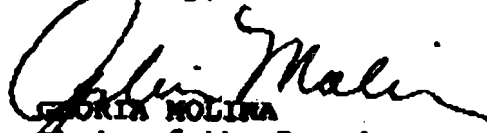
The current reform legislation does not assure Medicaid coverage including non-emergency care for legal immigrants, yet these same people contribute significantly to the economy of Los Angeles County, California, and the country as a whole. Senior citizens will be significantly impacted, as will the children of legal immigrants. Moreover, neither the Senate or House versions of health care reform include language that would continue the Disproportionate Share Hospital (DSH) program, a program that provides significant resources to public and private sector hospitals in order to treat indigent patients. Also, the legislation does not sufficiently protect 1115 Waiver projects, such as the one currently under development by the County.

While some believe the block grant approach may have some merit, it nonetheless decreases the amount of resources states and counties will have available to treat patients. Equally distressing is the lack of language that would ensure states continue to provide health care funding to counties at existing levels.

The Honorable William Jefferson Clinton
November 29, 1995
Page 2

Medicaid and Medicare reforms need to be enacted to achieve cost savings. However, such reforms should not be enacted in a fashion that essentially eliminates the availability of health care services for a significant portion of our residents.

Sincerely,


GLORIA MOLINA
Chair of the Board
Supervisor, First District

GM/MJB/vds

c: California Congressional Delegation
Majority Leader Bob Dole
House Speaker Newt Gingrich

Susan J. White & Associates

1111 N. Pitt Street
Suite 2-B
Alexandria, VA 22314

TELEPHONE: 703-683-2573

TELECOPIER: 703-683-0865

November 30, 1995

Chris Jennings, Special Assistant
to the President for Health Policy
Old Executive Office Building, Rm. 212
Washington, D.C. 20500

Dear Chris,

It was great to see you earlier this week at the NACo meeting. As usual, the Intergovernmental Office put together an extremely professional and helpful agenda. I'm not sure that you'll remember, however, when you were working for Senator Pryor you and I talked many times several years ago regarding disproportionate share, and I was pleased to, again, have the opportunity to discuss pending Medicaid legislation with you. I look forward to seeing the Administration's per capita cap bill soon and to any information you develop that shows how states do under block grants as compared to per capita caps.

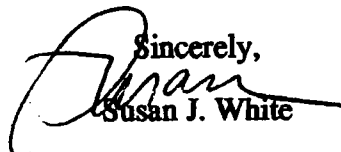
As the Administration negotiates with Congress on the budget package, I wanted to take this opportunity to add to my comments, made at the meeting, regarding some of the key issues for both Los Angeles County, California and Cuyahoga County, Ohio. I represent Los Angeles County here in Washington on Medicaid matters and I represent Cuyahoga County on overall federal issues.

The Administration, the State of California and Los Angeles County are in the process of finalizing the negotiations on a Medicaid 1115 waiver for the County that includes a combination of financing and long-term restructuring of the County's public health system. President Clinton, as you know, announced this package out in Los Angeles, and subsequently, the Board of Supervisors reversed the closing of many of its clinics and stopped many other major health related cuts. It is critical that any compromise Medicaid proposal, i.e. a per capita cap plan, protect the waiver, so that the budget cuts do not have to be reinstated and so that the restructuring can begin to take place. The waiver proposal has been informally submitted to HCFA and I will send you a copy of the executive summary shortly.

The other Medicaid issue of major importance, as I mentioned in the meeting, for both Cuyahoga and Los Angeles Counties, is the retention of disproportionate share. Both of these counties have facilities that rely heavily on disproportionate share dollars. They would support a more narrowly defined program--such as the plan proposed by the National Association of Public Hospitals. That proposal would generate considerable savings while targeting those facilities that truly treat the largest numbers of indigent and Medicaid patients.

Once again, it was good to see you and to have the opportunity to talk in more detail after the meeting. I look forward to continuing to work with you on these important matters. If I can provide you with further information please let me know.

Sincerely,



Susan J. White

Susan J. White & Associates

1111 N. Pitt Street
Suite 2-B
Alexandria, VA 22314

TELEPHONE: 703-683-2573
TELECOPIER: 703-683-0865

November 30, 1995

John Hart, Assistant to the President for
Intergovernmental Relations
Old Executive Office Building, Rm. 106
Washington, D.C. 20500

Dear John,

It was great to see you earlier this week at the NACo meeting. As usual, your office put together an extremely professional and helpful agenda.

As the Administration negotiates with Congress on the budget package, I wanted to take this opportunity to outline, for you, some of the key issues for both Los Angeles County, California and Cuyahoga County, Ohio. As you know, I represent Los Angeles County on Medicaid matters and represent Cuyahoga County on overall federal issues.

The Administration, the State of California and Los Angeles County are in the process of finalizing negotiations on a Medicaid 1115 waiver for the County that includes a combination of financing and long-term restructuring of the County's public health system. President Clinton, as you know, announced this package out in Los Angeles, and subsequently, the Board of Supervisors reversed the closing of many of its clinics and stopped many other major health related cuts. It is critical that any compromise Medicaid proposal, i.e. a per capita cap plan, protect the waiver, so that the budget cuts do not have to be reinstated and so that the restructuring can begin to take place.

The waiver proposal has been informally submitted to HCFA and I will be sending you a copy of the executive summary shortly. We are working closely, with Diana Fortuna and John Emerson in the White House and I will be speaking again with Chris Jennings. Additionally, we also continue to work with HCFA and with John Monahan, who has been very involved with the project.

The other Medicaid issue of major importance, as I mentioned in the meeting, for Los Angeles County and for Cuyahoga County, is the retention of disproportionate share. Both of these counties have facilities that rely heavily on disproportionate share dollars. They would support a more narrowly defined program—such as a plan proposed by the National Association of Public Hospitals. That proposal would generate considerable savings while targeting those facilities that truly treat the largest numbers of indigent and Medicaid patients.

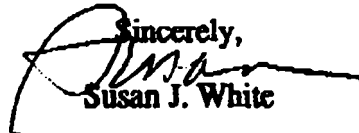
Finally, as I also discussed in the meeting, Cuyahoga County is extremely concerned about proposals to cap administrative costs under Title IV-E—Adoption Assistance and Foster Care. Marcia Egbert sent you a package of materials recently that includes a letter from the Cuyahoga County Commissioners, a memo from me to you on the subject and other information about the use of these dollars in Ohio. As I mentioned in

Page Two
White/Hart
November 30, 1995

Tuesday's meeting, Ohio recently submitted a Title IV-E waiver that is quite innovative, however, if the administrative dollars are capped, the State's ability to move forward in this area would be seriously affected. We therefore urge the Administration to negotiate on maintaining the current structure of the IV-E program, including keeping administrative dollars outside of a cap.

Once again, it was good to see you and to have the opportunity to talk in more detail after the meeting. I look forward to continuing to work with you on these important matters. If I can provide you with further information please let me know.

I hope to see you again soon.

Sincerely,

Susan J. White

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



FAX COVER SHEET

DATE: 1/18/96

TO: Diane Fortune

PHONE:
FAX:

FROM: John Monahan
Director

PHONE: (202) 690-6060
FAX: (202) 690-5672

RE:

CC:

Number of pages including cover sheet: 2

Message:

A-Pls. for to Diana F, Emily B, +
John Emerson.

JOHN / FYI - Can

Need to
be back
today.

86

WEDNESDAY, JANUARY 17, 1996

CALIFORNIA

New L.A. County Health Director Vows to Act

By JEFFREY L. RABIN
and DOUGLAS P. SHUIT
TIMES STAFF WRITERS

"They want meat on the bones,"
said one county official.

So top county and state officials
are headed to Washington for a
round of face-to-face meetings
Thursday with high-level federal
health officials who want to know
more about the county's plans for
sweeping changes in the way it
delivers health care to the poor and
the uninsured.

County officials who breathed a
sigh of relief when Clinton stood at
Santa Monica Airport in September
now are holding their breath. They
know the cash infusion is necessary
not only to keep the health system
intact but also to keep the finan-
cially struggling county afloat.

But the county's request for a
waiver of federal Medicaid rules to
change the system to emphasize
outpatient care is still making its
way slowly through the federal
bureaucracy.

"We're generally on track,"
county health czar Burt Margolin
told the supervisors. "This waiver
in my judgment is not in jeopardy."

Campbell Gardett, a spokesman
for the U.S. Health and Human
Services Department, said federal
officials are eager to meet with
county and state representatives.

"We want to talk to them about



PERRY C. RIDDLE / Los Angeles Times

New county health services director Mark Finucane speaks with Sally
Reed, county chief administrative officer, at supervisors meeting.

the details," Gardett said. "We
want to carry out our agreement."

Even before he was officially
sworn in as the head of the county's
biggest department, Finucane

assured the supervisors he under-
stands the importance of restruc-
turing the county's system of hos-
pitals, health centers and
community clinics.

"I realize that is my No.
assignment," he said. "I've got
to get to it fast."

The former Contra Costa Con-
tra health services chief pledged
come back to the supervisors with
a schedule on how he intends to
revamp the vast department with
a \$2.3-billion annual budget and
23,000 employees.

"The reason that I was hired
to manage a restructuring of
health care system, make it
different than it looks today,"
said in a brief interview. "That's
the essence of the waiver."

Hampered by the budget im-
passe that led to back-to-back sh-
utdowns of the federal government
and last week's blizzard that cr-
acked the nation's capital, state
and county officials have been un-
able to meet with their federal coun-
terparts to resolve remaining issues
involving the county's waiver
application.

John Rodriguez, deputy direc-
tor of the state Department of Health
Services, said that if federal
decision-makers need more details
they will get them.

"We gotta do what we gotta do
to get their support," Rodriguez said.
"We need the money. L.A. needs
the money. We've got to get it. I
think we're close. We can't let

On the first day on the job for Mark
Finucane, Los Angeles
County's new health services
director, offered an instant taste of
the challenge he faces as he strug-
gles to save the nation's second-
largest public health system.

Finucane found himself thrust
into the middle of the county's
health crisis as soon as he arrived
Tuesday at the Hall of Administra-
tion to receive the congratulations
of his new bosses, the Board of
Supervisors.

Nearly four months after the
county's vast and vital system of
hospitals and health clinics was
saved from collapse by President
Clinton's promise of a \$364-million
rescue package, none of the money
has arrived.

Making sure it does now becomes
one of Finucane's chief
responsibilities.

Federal officials are concerned
that the county has not provided
enough details on how it will move
the huge health system from one
emphasizing expensive hospital
treatment to one geared to less
costly, community-based preven-
tive and primary care.

P.02/02

IGA

JAN-18-1996 09:16

it Quickly

get screwed up now."

Finucane said the concerns raised by federal officials are part of the "regular give and take" of negotiations.

Margolin said the face-to-face meeting has been planned since September's marathon negotiations in Washington produced tentative agreement on the \$364-million rescue package.

The promise of the money averted the closure of county hospitals, health centers and clinics, but was not enough to avoid sharp cutbacks, primarily in outpatient services, which cost more than 3,000 health workers their jobs last fall.

"It was an initial . . . down payment on a promise to restructure the system and to do it over five years and do it in a way that was to the satisfaction of state and federal agencies," Finucane said.

Supervisor Gloria Molina cautioned that the waiver alone is not a panacea for the myriad problems facing the health system, including intense competition from private hospitals and medical groups for Medi-Cal patients.

Nevertheless, Molina stressed that the county is "going to be in a very difficult situation" if the waiver is not approved and the money received.

Supervisor Deane Dana was more blunt. "It would be no joke," he said.

talk about
background paper

Los Angeles Times; 10-14-95

Health Workers Gird for Smaller Staffs, More Work

■ **Budget:** As thousands get laid off, colleagues wonder what will happen to county residents who need care.

By JEFF BRAZIL,
HENRY CHU
and TINA DAUNT
TIMES STAFF WRITERS

When the toddler hit by a car in "C Booth" wails in pain.

When yet another teen-ager with a fatal gunshot wound blinks for the last time.

When the old man with multiple sclerosis needs to be bathed.

In the desperate din of the emergency room at USC-County Medical Center, nurse Marsha Murray has always been comforted by the fact that she could glance across the gurney and see the faces of longtime friends and colleagues.

And then came this crisis. Or

money crunch. Or whatever they're choosing to call Los Angeles County's worst-ever financial mess these days.

Now, Carrie Corn, voted "nurse of the year" last year by the E.R.'s residents and one of Murray's closest friends?

Gone.

Unlike the 3,283 doctors, nurses and staff of the county's beleaguered health care system who received layoff or demotion notices Friday—and those who will get them by month's end—Corn left the job she loved because of the atmosphere of instability that has plagued the county's clinics and

Please see COUNTY, A20

*Fax to
Damon
Jan Green*

COUNTY: Health Workers Laid Off

Continued from A1

Hospitals in recent weeks. Striking at the heart of the area's largest hospitals and outpatient clinics, the county's on-again, off-again fiscal woes climaxed Friday as pinks slips finally took effect.

As Friday the 13th approached, Corn and numerous other doctors and nurses at the county's hard-hit hospitals and outpatient clinics have resigned, leaving behind thousands of doctors, nurses, custodians and clerical workers who wonder.

Now what?

What will become of the patients whose clinics have been closed? Of their laid-off colleagues? Of them?

"I've been here 14 years and people say I'm the lucky one," Murray said Friday, "that at least I get to keep my job."

But as she fielded a call from Rescue 15, who had an 80-year-old man with a broken hip, fed a sandwich to an invalid who had just been brought in and hadn't eaten in five days and looked over a full bench at the cardiac booth, Murray believed she was anything but lucky. "It's like saying you're the only one to have survived a plane crash and there are 300 dead people lying around you," she said.

"Until it's [Gov.] Pete Wilson lying in the C Booth, the critical care booth, or (County Chief Administrative Officer) Sally Reed, people won't realize how tragic this is."

500,000 Patient Visits a Year Cut

Although a \$364-million federal bailout in September helped keep open the doors of the county's health centers, community clinics and hospitals, Walter Gray, assistant director of the Department of Health Services, said the county still forced to eliminate 500,000 patient visits a year out of about 4 million.

Hit hardest are the outpatient clinics at county hospitals that treat adults with such illnesses as cancer, diabetes, hypertension and heart disease. Public health programs aimed at preventing the spread of tuberculosis and sexually transmitted diseases are also affected by the budget cuts.

The county's health system has seen layoffs and demotions before, but "nothing ever this massive," Gray said.

Solace in Support for Each Other

Bound by their uncommon commitment to caring for the underprivileged, the nurses, doctors and support staff of the county's crowded clinics and hospitals admit it. They had come to depend heavily on each other. Amid the long lines of pregnant teenagers and the young people with AIDS and the old folks with TB, they found much solace in the reassuring looks, the broad grins and even the salty tears of their companions. However, capped by Friday's events, the recent weeks have been filled with more than the usual doses of anguish and sadness.

And it perhaps says something about the quality of the patients and their caretakers that on Friday each seemed most worried about the fate of the other. Those who lost their jobs or had abandoned them worried about what would become of their former colleagues. Those who still had their jobs fretted about their patients. And the patients? Many of them were among those shedding tears, realizing they would never again see some of the people who have treated their families for years.

At the Northeast Health Center near Boyle Heights, some of the adult patients went to the 40-year-old clinic as children and received their immunizations there. For decades, the red brick building on Marengo Street has served as a lighthouse, a safe haven for the area's mostly Latino residents to get good medicine and a warm hug from the staff, many of whom have worked there a decade or longer.

Now, the clinic is one of six being privatized.

The staff of 11 public health nurses at Northeast is being transferred to the Central Health Center on Figueroa Street, where their former patients will now have to go for their health problems. The thing is, the Northeast health district serves more than 90,000 people identified as poverty-stricken and there is considerable concern that they do not have the means to make the longer trip to Central. Or that they will not get word that is where they are supposed to go from here on.

"It's another barrier for our patients, whose priority is putting food on the table and having a roof over their head," said public health nurse Nina Cogan, who has worked at the Northeast clinic off and on since 1983.

"This is going to affect every-

body," said Cogan's colleague, Emily Avila. "The people we treat for TB and communicable diseases work in the food industry . . . and other industries. And if they don't get treatment, that will facilitate the spread of communicable diseases."

Even if the patients do end up getting the message, some wondered what sort of services they could provide with their whittled-to-the-borrow staffs.

At Martin Luther King Jr./Drew Medical Center, 27 people were laid off from a busy surgery unit in Los Angeles' inner city.

"We are not going to be able to provide the proper level of care," said Mary-Anne Purtil, a surgeon in her fifth year of residency in the trauma center.

"I already work 80 to 100 hours a week. What more do you want from me? What more can I give this hospital, this county, the poor people in this region? My question is, when will the rich white people feel responsible for the poor minorities? Where are all the Christians? They talk big talk and they give lots of money to their pastors, but they don't help the people in here, the people who need it most."

Surgeon Romeo Massoud predicted that patients needing non-emergency surgeries would have to wait months. "We already have a backlog," he said. "Where will these people go?"

Added Melvin Jones, another surgeon: "It's just sad. The system is broke. You talk about cutting the fat? This system is already down to skin and bones."

Blackout Starts Day on Ominous Note

At Harbor-UCLA Medical Center, a freak electricity blackout forced the staff to begin the day on an ominous note on an afternoon in which 319 employees there received the long-dreaded word that they were being laid off.

That is a cut of nearly 9% in the 3,600-member staff at the sprawling Torrance facility.

In addition to the layoffs, 137 employees will be demoted or transferred to another county facility—the so-called cascade, dreamed by physicians for replacing highly trained staff members with others from different specialties who happen to have Civil Service seniority.

Dr. Julie Noble, medical director of pediatrics for the Community Health Program, said that the pink slip she received last month was rescinded Friday. But the fact that the county even considered firing her boggled numerous medical center minds; she oversees the care of 1,000 children.

Still, three out of the four nurses with whom Noble works directly were laid off. And while they will be replaced by other nurses, Noble laments the abrupt loss of the closeness gradually built up between care-givers and patients.

"It has been tremendously demoralizing," she said. "Medicine is a product of relationships. As a patient, if you don't trust the doctors and nurses, you won't go back. There's a lot to be said for the health benefits of those relationships."

Bill Kingman, the director of ambulatory care at the hospital, said he had tried to save employees who were a part of critical programs, such as the HIV and pediatrics sections. But he could not save all of them, including the manager of the women's breast health program.

"That's going to be a big problem," he said. "She was bumped because the Civil Service system did not recognize her specialty."

As evidence of what the next crisis might be, the earliest available appointment in the cardiology clinic is mid-December.

On this day, Noble couldn't help but recall that she began the day groping around windowless clinic rooms with a flashlight, the rooms darkened and silenced by a blown transformer. At 10 a.m., the lights went back on. But, she said, "Chaos reigned."

So did confusion.

In Long Beach, Mel Grussing, administrator for the Coastal Cluster Health Centers, said the number of patient visits had already plummeted by two-thirds after residents there had been told weeks ago that the cluster's seven clinics were to be closed.

Apparently, word that the clinics had been given a reprieve had been slow to spread.

Not that the cluster escaped without bad news. Sixteen people were laid off at the various facilities and others will get word of their forced departures in the next two weeks.

Early next week, Grussing and his staff will meet to lay the groundwork for how the smaller staff would handle the workload.

"Right now, the people are just hanging in there, trying to figure out how Monday is going to look," he said.

Sagging Banner Seems to Reflect the Mood

The news was no less grim in far-flung areas of Los Angeles County.

At the Mid-Valley Comprehensive Health Center in Van Nuys, the banner said brightly, "We Are Here to Serve You," but it sagged to one side, barely staying mounted to a chain-link fence. As a symbol, it seemed terribly precise as doctors and nurses went about the business of helping patients amid this steady rain of bad news and flagging spirits at the center, which has been housed in a cluster of trailers since the Northridge earthquake.

Like their colleagues around the county, the day started with a bundle of letters in the center's administrative office—letters that contained the fates of dozens of employees at clinics throughout the San Fernando Valley. Some were told that the day was their last, others given two weeks.

For those who survived the morning round, another batch of letters was due later in the afternoon, spawning an air of uncertainty that made it difficult to concentrate on the task at hand.

In the prenatal unit, the work schedule has been mapped out for the coming weeks. But spaces for names have been left blank, said nurse Socorro Salanga.

In some ways, this fiscal crisis has seemed more arduous than last year's quake, Salanga said. "This is prolonged," she said. "With the earthquake, you knew immediately what you got. This has been going on for how many months now?"

'This Hospital Has Been Like My Family'

At Olive View/UCLA Medical Center in Sylmar, typing clerk supervisor Rita Nolasio broke down in sobs over her transfer, which came on top of a demotion a month ago.

"This hospital has been like my family, and this has been my house. And now it's like they're saying, 'Get out of our house! Get out, get out!'" said Nolasio, 50. She is the widowed mother of a 4-year-old daughter who attends kindergarten at the hospital.

By 1 p.m., Doris Hish, a 39-year veteran at the hospital who supervises patient services, fired 35 people—and still had a dozen more termination notices to give.

"These people came here for a promotion and more money. Now they're out of a job," said Hish, weeping.

Many of her employees attended

farewell luncheons for laid-off co-workers, unaware that they themselves would be in the same position by day's end.

"Little do they know that when they come back to work in the afternoon, they're going to lose their jobs, too," Hish said.

Irwin Ziment, medical director at Olive View, laid off two doctors Friday morning. One took it stoically. The other?

"The other, I would say as a clinician, was in a state of shock."

Ziment added, "I really regret the horrible sense that America is the richest nation on earth, and yet we are seeing an erosion of society's care for the less fortunate. Our patients might be criminals or drug addicts or sociopaths, but we see them all as humans, as patients, and even as friends. . . . We'll all be much busier, working in a more mechanical fashion. And that makes me very unhappy."

Some laid-off doctors, he said, have offered to come back to work as volunteers. "They'll work for free as they sort out their future," he said.

"That's the kind of doctor we have here."

Farewells and Last Meals Taken Together

With words of anger and sadness, employees at the Canoga Park Health Center had a last lunch together and bid their farewells.

If it seemed more like a funeral, it felt like one.

"Our family is being divided," said Lucia Carpenter, head physician at the health center.

"You give your life to something for so many years just to turn around and get kicked down," said Alise Unzueta, a 30-year county health employee, who was transferred from the clinic to Rancho Los Amigos Hospital in Downey.

By Friday morning, Lillian P. Lee, the district health officer at the Northeast Health Center, had already learned she was being transferred to the Pomona clinic. She had worked at the Northeast clinic for 15 years. Her underlings, all of whom were either laid off or headed elsewhere, gave her a card at their goodbye breakfast. They were not shy in explaining that the tears flowed as fast as the coffee.

On the front, the card asked, "Wanna know how we're going to get along without you?"

Inside, it answered: "We don't either."

Times staff writers J. Michael Kennedy, Terence Monahan, Jeffrey L. Rubin, Lucille Ramick and Jon D. Markman contributed to this story.

OFFICE OF INTERGOVERNMENTAL AFFAIRS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 Independence Avenue, SW
Room 630F
Washington, DC 20201



F A X C O V E R S H E E T

DATE: September 25, 1995 TIME: ~~10:04 AM~~ 4:25 PM
TO: Diana Fortuna PHONE: 456-5570
FAX: 456-7028
FROM: John Monahan PHONE: 690-6060
Director FAX: 690-5672
RE:
CC:

Number of pages including cover sheet: ⑤ 5

Message:

The attached for your information are news clips on LA.

Los Angeles Times; 9-24-95

Clinton Delivers on Health Care; Can the Supervisors?

With some breathing room offered, L.A. County has to get its act together

President Clinton has delivered a \$364-million rescue package that will help hold together Los Angeles County's troubled health services, but the system will never be the same. Indeed, reform of the nation's second-largest public health system is the unequivocal goal of the federal aid. The big question now is whether the County Board of Supervisors can do the job.

Los Angeles County is grateful to the President for his help in averting a massive shutdown of health facilities, which was just a week away. Little applause, however, can be directed at the supervisors, who have not earned much credit in the effort to resolve the crisis. To avoid making tough decisions on their own, they appointed an emergency health care task force and a czar to come up with ideas for remedies.

The czar, Burt Margolin, was the architect of the complex proposal on which Clinton acted, and, accompanied by county and state officials, the former Democratic assemblyman from the Westside pushed it in marathon talks with officials in Washington as the clock was running down.

The key victory was winning a waiver from federal Medicaid rules. This change means that all six county hospitals and most of the public clinics will remain open, but some services will have to be cut. And most important, the county will be allowed to use federal funds now available only for hospital treatment to pay for the care of patients in clinics.

The new flexibility will help to wean the county off its expensive, in-hospital system and move it toward more cost-efficient outpatient treatment. "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," Clinton explained during a press conference at Santa Monica Airport on Friday, midway into a political swing through Southern California.

Another piece of the Margolin plan involves private hospitals and medical groups providing health services at some health centers and clinics. The private sector, which has the

interest and capacity to help in restructuring, recognizes that the crisis is not over despite the approval of federal funding. "It's not a bailout, it's just a finger in the dike. This gives us a little bit of breathing room to reconfigure, redesign and retool the L.A. County health care system, which is a huge, huge task," said David Langness, spokesman for the Health Care Assn. of Southern California. Negotiations with interested parties, which began before the Washington talks, are continuing.

Margolin has indicated that he will step down as health czar when his law firm's contract with the county expires. Who then will oversee the restructuring? No successor has been named for Robert C. Gates, outgoing director of county health services.

A public microscope will be placed on the Board of Supervisors as it attempts to follow through on the overhaul. It will be a difficult task, and the supervisors must rise to the mission and take some political risks for once in this ordeal, especially in light of the possibility that some health jobs still will be lost now or later.

Complicating an already com-

plex situation is the fact that contracts with unionized county workers expire soon. The supervisors criticized last week's work stoppages by nurses at County-USC Medical Center, but will they stand up to county workers who may be inclined to block or thwart restructuring?

There is a plan on the table for immediate relief and long-term reform. But while the rhetoric of downsizing is easy, the implementation is not. Still at issue is the state offer of a \$100-million loan, which the board has said it will reject. The prospect of tough choices led to backbiting and finger-pointing as the crisis mounted in recent weeks. The supervisors should acknowledge their failure to act with a single purpose. If they can't do it now, they had better keep Margolin's phone number handy.

The crisis has eased, but should the county find itself in a similar situation a year from now because of delays and dithering, the supervisors should expect to face some hostile voters when next they face election.



Clinton: \$364-million package for an ailing county.

County, State Inaction Set Stage for Clinton Plan

■ **Politics:** President is credited with rescuing health care system after supervisors, legislators representing same constituents could not agree on package.

By MAX VANZI
TIMES STAFF WRITER

SACRAMENTO--In fashioning a rescue package to prevent the collapse of the Los Angeles County health care system, Washington delivered on Friday.

Only a week before, lawmakers in Sacramento tried for a last time to do their part. But again they hit a familiar wall of opposition: the inability of California lawmakers and members of the Board of Supervisors to work together for Los Angeles County.

"This is where you have to give the President real credit," Rep. Xavier Becerra (D-Los Angeles) said Friday in Washington. "When it came to the crisis in Los Angeles County, the first to act was Clinton. The state still hasn't done its fair share."

Los Angeles-area lawmakers and county supervisors butted heads for weeks over various pet plans and were never able to resolve their differences. As a result, hundreds of millions of dollars were left by the wayside that might have provided some assurance to the county that help was on the way, and prevented the waves of despair and anger that spread through the county health care system.

"It's embarrassing," said Assemblywoman Martha M. Escutia (D-Huntington Park), for the Legislature to be placed in such a bad light by comparison to the successful federal action.

"But I won't claim a hundred percent fault," she said. "The supervisors and (county Chief Administrative Officer) Sally Reed share in the fault too."

Also, she noted, the quick action in Washington was prompted by Clinton, who was in the state at the time and "running for reelection."

Gerry Hertzberg, chief legislative deputy to Supervisor Gloria Molina, said recriminations have done no good among "folks who should be fighting for the same things for their common constituents. (Lawmakers) need to put their differences aside and not exploit and exaggerate them and use them for reasons for not

acting."

In Sacramento, maneuvering proceeded from argument to stalemate in attempts to find money for the county.

The inability to forge a consensus popped up again and again—between Democratic legislators and supervisors, between legislators and transit officials and Los Angeles Mayor Richard Riordan—all with the ironic twist that no matter who was facing off against whom, all parties were supposedly representing mostly the same people, the residents of Los Angeles County.

As the state measures came up for debate, progress faltered at various points.

One aid package of \$375 million, though opposed by the Metropolitan Transportation Authority—which would have supplied the funds—was actually passed by the Legislature in July, only to be vetoed by Wilson.

Wilson's rationale—repeated often by fellow Republicans in the Assembly—was blunt: If Los Angeles-area Democrats in Sacramento and their supposed allies in Los Angeles could not agree on a given proposal, why should they?

Please see CLINTON, A17

SEP-25-95 MON 09:13

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FAX NO. 415 556 1023

P. 04/04

CLINTON: County, State Rifts Set Stage

Continued from A3

Finally, at the close of the legislative session, lawmakers approved a \$150-million package for the county using money from the MTA—a \$50-million transfer plus a \$100-million loan. The county rejected the loan. It had overborrowed already and another loan would worsen its already dismal credit rating on Wall Street. Furthermore, the MTA opposed it.

A contentious spat on another hot featured Democrats showing up divisions over an article of city faith: maintaining levels of public benefits and services to the poor.

Before the Legislature was a proposal sought by Wilson to allow counties to reduce benefits to the

indigent, mostly single men and women and childless couples. A fight broke out over whether the county or the state should make the first move in reducing the maximum \$285-per-month benefit to the more than 88,400 general assistance recipients in Los Angeles County.

Supervisors, counting on a general assistance cut of about \$77 million to help hold together health services for other needy residents, looked to their Sacramento allies to pass the measure. But they did not.

Instead, in the closing moments of the legislative session, Los Angeles-area Democrats killed off the aid bill, saying it would lead to slashing of benefits for the poorest of the poor statewide. They argued

that the county could have proceeded straight to a state agency, the Commission on State Mandates, and applied for a 35% reduction in general assistance obligations, but, in the words of Assemblyman Richard Kats (D-Sylmar), the Board of Supervisors "didn't want to take the heat. They wanted us to take it."

Often overlooked in analyzing the failure of Democratic-backed legislation, Katz said, is that, as of this year, "Republicans control the Assembly." It was their opposition, he said, that prevented passage of the most ambitious of the Democratic rescue plans: state approval for the county to levy taxes on alcoholic drinks and tobacco.

Together, estimated revenues

from the two taxes would have meant as much as \$650 million a year for Los Angeles County. But the liquor tax proposal collapsed in the face of solid opposition from Republicans and Northern California wine country legislators, including Democrats. The tobacco tax proposal died on the Legislature's last day on a Republican parliamentary maneuver, and Wilson would not have signed it anyway, his aides said.

Another pair of proposals would have freed up about \$100 million for Los Angeles-area public hospitals by shifting federal funds around, but in the acrimonious final moments before the Legislature recessed Sept. 16, the legislation died, according to the Democratic authors, because of Republican opposition.

One positive result of the aid-for-Los Angeles exercise in Sacra-

mento, according to a number of Latino legislators, was some newly found clout for the so-called Latino Caucus, consisting of 14 members in both houses, nine of whom represent districts in Los Angeles County.

The caucus played a major role in setting the agenda and providing leadership on the most highly visible of the bailout issues. Though in vain, state Sen. Richard O. Polanco (D-Los Angeles) and Assemblywoman Escutia steered the \$100-million MTA loan through to passage, successfully negotiating with conservative Republicans to join the Los Angeles measure to a similar plan for Orange County. Other Latino members carried major bills.

In the past, there has been a split in the Latino Caucus that prevented unity, but this time, no divisions were detectable. There were, however, differences between some caucus members and Supervisor Molina.

Molina was not available for comment, but her aide Hertzberg said Friday that his office would prefer to dwell on what happens next.

"There is clearly a need for [the Legislature] to go back into special session now," particularly, since parts of the federal aid package may require action by state lawmakers, he said.

But Escutia said that returning to the Capitol for a special session is "not worth it. What we should do is keep meeting with the supervisors to see what reforms we can bring forward in January" when the Legislature is scheduled to return.

Times staff writer Faye Flory, in Washington contributed to this story.

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TRANSCRIPT

FOR DEPARTMENT OF LABOR **STATION** KTLA-TV
PROGRAM Live Press Conference **CITY** Los Angeles, CA
DATE September 22, 1995 9:15 AM **AUDIENCE**
SUBJECT President Clinton/LA Bailouts

BROADCAST EXCERPT

PRESIDENT BILL CLINTON: Good morning. I am very pleased to announce today that a fiscal relief plan for Los Angeles County has been developed by a team of officials from the county, the state of California and the federal government. Overall, the package will provide \$354 million in additional relief in resources to the county. It will allow the county to avoid closing any of its hospitals and to keep open a 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 more preventive and primary care.

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

I want to thank the members of the County Board of Supervisors for their leadership during this difficult time, including the board chair, Gloria Molina, Yvonne Burke, Xavier Clesky, Dean Dener and Michael Antonavitch. I also want to thank Mr. Margolin for the work that he did on this project.

I know that 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 service.

I also want to say that this agreement was reached after critical consultations with the Service Employees International Union. This agreement is an important breakthrough in continuing

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to provide critical care as well as saving thousands of health care jobs.

As part of the implementation process, we're committed to working with the SEIU to help to protect the jobs and benefits of health care workers to ensure the provision of high quality care.

I also want to thank the state officials who've been extremely helpful in developing this solution. The state will be instrumental in working with the county to implement the plan.

I should mention that this plan underlines why we cannot afford the so-called Medicaid reforms that pull billions of dollars out of critical health care facilities without any idea of what the consequences will be.

Most of all, let me say that I am very pleased that the patients, the community and the workers and all of their families will not have to suffer the impact of a crisis shutdown of county hospitals and clinics, and that the county will continue to be able to maintain an appropriate safety net for those who depend upon these facilities for their health care.

Let me again thank everyone for their work on this and say that I am very pleased that we were able to be of assistance. I'm glad to be here with the county Board of Supervisors and with Mayor Reardon, and I'd like to now ask the chair, Gloria Molina, to come forward for whatever remarks she would like to make. Gloria?

L.A. COUNTY FISCAL RELIEF PLAN

	Sept. Agreement	County Refinement to Sept. Agreement	Federal View of Sept. Agree.	Additional Fiscal Relief				Total
	95/96	95/96	95/96	96/97	97/98	98/99	99/00	96-00
1 Federal match for indigent care at County clinics	40.0	34.0	34.0	37.2	30.2	30.2	30.2	127.8
2 Interagency Agreement regarding funding for indigent care in hospitals	92.0	85.0	28.0	28.0	28.0	28.0	28.0	112.0
3 County reevaluation of its accrual of hospital revenues	82.0	79.0	79.0	0.0	0.0	0.0	0.0	0.0
4a Revised payment plan for portion of County payment to State 1/	125.0	125.0	0.0	0.0	0.0	0.0	0.0	0.0
4b Revised payment plan for portion of County payment to State 1/	0.0	0.0	125.0	0.0	-50.0	-50.0	-25.0	-125.0
5 Package of PHS grants	25.0	13.0	25.0	0.0	0.0	0.0	0.0	0.0
Subtotal	364.0	336.0	291.0	65.2	8.2	8.2	33.2	114.8
6 Federal match for Mental Health 2/	0.0	18.0	18.0	23.4	24.6	25.8	27.0	100.8
7 Restructuring pool 2/, 3/	0.0	0.0	55.0	55.0	55.0	55.0	55.0	220.0
Subtotal	364.0	354.0	364.0	143.6	87.8	89.0	115.2	435.6
8 Federal match for indigent care at hospital outpatient settings 4/	??	42.0	42.0	103.7	137.2	145.2	153.7	539.8
New Total	364.0	396.0	406.0	247.3	225.0	234.2	268.9	975.4

1/ 4a = Original agreement; included \$125 m benefit to County

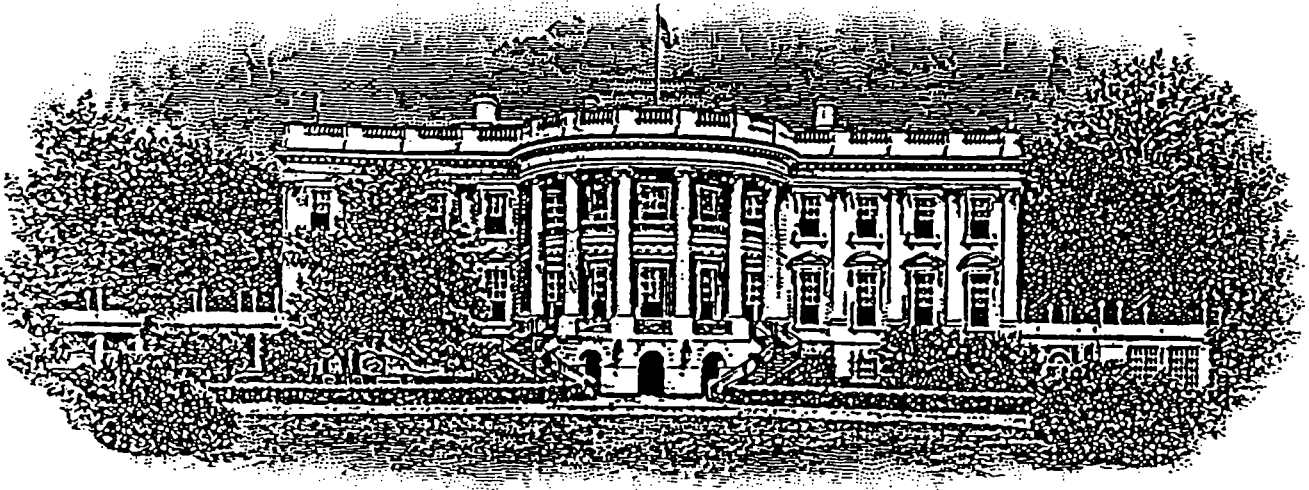
4b = Federal revision; includes zero net benefit to County over 5 years

2/ Not included in original Sept. agreement

3/ Pool amount equal to amount required to meet \$364 m total, not including hospital outpatient match

4/ Unclear if the numbers for 1996-2000 reflect the September agreement.

The White House



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO:

John Monahan

FAX NUMBER:

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FROM:

Diana Fortuna

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A NON-PROFIT, PUBLIC BENEFIT ORGANIZATION

THE ENNIS-BROWN HOUSE

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March 13, 1996

Mr. Mark Finucane
Director Dept. Health Services
County of Los Angeles
313 N Figueroa St. Room 912
Los Angeles, CA 90012

*Dr. Frank
Fortuna
Syrice
J. Smith*

Mr. Finucane:

Health Care Benefits Trust Fund is a non-profit public benefit organization who has among its trustees a retired assistant secretary of defense who managed the nation's \$5 billion healthcare program for the armed services, a management relations expert who provided healthcare coverage for many of the Fortune 500 companies, the writer who helped initiate the MediCal prepaid health plan program for the State of California and initiated in 1945 what is known today as the PPO.

I am told by a deputy to one of the supervisors that if I give a member of the County bureaucracy a document of more than 2 pages it will not be read. I am sure this is not your style.

We would like to assist you, without pay, in solving the L.A. County Health Services Dept. fiscal crisis. At the same time we can help you develop a demonstration project that would show how other States and communities and the federal government can provide universal health care. By so doing this program will assist the County getting Federal aide.

We suggest that a demonstration project be established in the County of Los Angeles which will show how a national program could work administered by states and by localities. Unfortunately the program has not yet reached the eyes of the L.A. County Supervisors because some of their deputies do not always enlighten them. The financial problems of the County could be mitigated, in part, by providing substantial new revenue. The County of Los Angeles has an estimated 2.5 million uninsured. This uninsured population is a burden because they use the County health facilities for free and are the basic reason for the financial crisis according to the *L.A. Times*. They are mostly working poor and could buy coverage if the price were right. The program we suggest will provide coverage for a substantial number of the uninsured.

A policy brief and study made by UCLA stated that there were 6.5 million uninsured in California in 1993 and the uninsured are increasing while job funded insured are

decreasing. There are 55 thousand small businesses in the L.A. County Mexican communities alone who are unable to buy insurance for their employees because of the highly inflated charges by insurance companies and HMOs. Their employees are part of the working poor. Many thousands of other employees in the service industries and the recently unemployed are likewise deprived.

Over 950 billion dollars annually is now spent on delivering healthcare nationally. Much is misused, for example, an article in the *Wall Street Journal* December 21, 1994 entitled "Money Machine HMOs Pile Up Billions In Cash As Analysts Wonder What They Will Do With It". The article shows how much cash is amassed by some of the largest HMOs who are in L.A. County and who provide coverage for County employees with excessive charges. Since 1994 these accumulations have accelerated. Most of these HMOs do not provide healthcare. They are only intermediaries who collect \$billions and contract with doctors and hospitals skimming off 15-20%, for tremendous high salaries, stock holders dividends, fat stock options etc. You have but to look at the stock market to see how HMOs and insurance companies have profited. Blue Cross which has been a non-profit organization for many years and accumulated many billions of dollars has now petitioned the state authorities to become a for-profit organization so that the leaders of the organization can participate in the tremendous profits that are made by for-profit HMOs. Profiteering is only one abuse, there are many more including fraud which can be controlled by techniques we have developed.

President Clinton's plan presented to Congress in 1994 was designed to answer an important need but the suggested implementation was flawed. One mistake- the plan incorrectly suggested that it would buy coverage from insurance companies and HMOs. This mistake is present in all of the plans that have been presented to Congress since then.

If we produce new annual revenue of 20% derived from the current annual expenditures of \$950 Billion, which can be done by the methods we demonstrate, it would amount to 190 billion dollars annually. \$190 billion will go a long way to do the following: a) Reduce the budget, not in 7 years but much sooner; or b) Subsidize healthcare for the uninsured, not necessarily a universal Cadillac plan as presented in 1994, but on various plans, some of which would be very modest that would enable small business to purchase these plans for their employees; or in the alternate for the millions of middle class uninsured to buy affordable coverage for themselves; or c) Preserve the environment; or d) Implement education; or e) all of the above. Despite reported reductions employers still pay too much for employee healthcare. Our suggested program would reduce these costs enabling employers to buy various plans of their choice voluntarily not mandated. A prorated portion of the \$190 Billion new revenue would accrue to the County.

Why should healthcare be provided principally on a for-profit basis? No where in the world is healthcare provided on a for-profit basis except in the United States. We are not suggesting legislation to eliminate profits for all HMOs and insurance companies. They can participate in the program we suggest. Their swollen profits will be reduced by market competition provided the plan is properly implemented and controlled. The considerable

approval given to some political candidates who advocate controlling swollen corporate profits promises public approval for our suggested program.

The insurance companies and HMOs were largely instrumental in torpedoing President Clintons program that was presented to Congress in 1994 yet plans currently presented in Congress and throughout the nation offer to continue to reward these HMOs and insurance companies with billions of dollars that should be used for healthcare instead of excessive profits. This subsidy must be curtailed.

We can prepare health plans that cost as little as 70 dollars a month. Compare that to the current prices that are now being charged that are double and triple this amount. Other plans do not accept people with pre-existing conditions while we will do so without requiring legislation. The meritorious purpose of the legislation now before Congress sponsored by Senators Kassenbaum and Kennedy as well as other changes needed in health care delivery could be achieved through administrative action if our program were adopted, in effect avoiding a hassle in Congress.

Our proposal to the County of Los Angeles is to activate their dormant Community Health Plan (CHP), which is owned by the County, as the vehicle to provide the health care we propose. Unfortunately there appears to be little capability in the present administration of healthcare in the County that knows how to operate a health plan or to correct the crisis that now exists. Perhaps the newly hired director has this ability but he faces such immense problems that this assistance we suggest could be very helpful together with his other initiatives.

Our program would provide that the doctors and hospitals would accept the fees offered by CHP without any liability to CHP. In our testing we made agreements with doctors and hospitals who will participate and accept the fees we offer. Adding MediCal and Medicare to the program will accelerate the process. The entire program can be put into effect by the Supervisors and by Presidential order under existing legislation (ERISA) without requiring approval of Congress.

The Los Angeles Times in a recent series of articles concerning the healthcare crisis in the County said that covering the uninsured is key to answering the crisis. We agree. They also said that the County has no competent administrative apparatus and that their computer software and hardware that could be used to correct the crisis is ineffective. We agree. We have such capability, we have the software that has been used to administer many employer plans over many years and which is valued at \$150 thousand if it is to be purchased. It is available to the County at no cost. The County should welcome the services of competent and experienced personnel that could help them execute a sound program to correct their past failures. This program must be brought to the attention of the Supervisors so they can understand and initiate the mechanics needed to start this program. The reluctance of some administrative assistants of the Supervisors to endorse a complex new idea is understandable but not excusable and the supervisor should lower the iron curtain that surrounds them.

A key to the program we suggest to the County will mobilize community organizations to participate in the enrollment of the uninsured. We have developed varied incentives to encourage such participation. This has been tested. We have commitments from Hermandad Mexicana Nacional, some Asian community organizations and the South Sea Islander community in the South Bay area. We have reason to believe the large Catholic population whose leaders direct many hospitals will also participate.

To implement the program the supervisors could establish a small quasi government organization composed of competent and experienced individuals including the five Supervisors or their surrogates, representatives of employer and physician organizations, hospitals and labor to activate the program under the leadership of the Director of Healthcare Services. As an alternative the quasi-government organization could be an advisory committee to the Director. HealthCare Benefits Trust Fund has offered to help establish this organization and to implement the County's Community Health Plan without cost to the County and without the County assuming any liabilities for medical claims. We have negotiated contracts with doctors and hospitals who have agreed to accept all of the liability for providing healthcare which relieves the County of liability. The County will be required only to provide office and operating facilities and some personnel to initiate the program.

If necessary and so directed we can establish a county wide P.P.O. (Preferred Provider Organization). The writer organized and initiated what is known today as the P.P.O. in 1945 and operated several. The CHP P.P.O would contract directly with physicians, other professionals and hospitals eliminating the middleman entirely.

We are aware that HCFA has been negotiating with the County to help bail them out of their financial problems but we have also been advised that HCFA is not pleased with the lack of knowledge and understanding of the County's administrative capabilities. HCFA and the Department of Health and Human Services can play a major role in the effort to provide the \$ billions of new revenue.

One third of the expenditures for healthcare nationally and in the county comes from the federal government, the states and various and other government entities for their employees, for MediCal (Medicaid) and Medicare. In Los Angeles this coverage could be mandated to CHP and expenditures by the respective government entities could be reduced by 20%. State and City employees working in the County could be persuaded to participate. Other states and counties could be persuaded to participate for their employees with corresponding savings. All of these programs can be provided without expenditures or costs but with substantial savings to the federal government, to the state governments or to the counties by using the techniques we suggest. All costs will be derived from the proper implementation and from new revenue to be received as we can demonstrate. The fiction that Medicare is "going broke" can be dispelled by controlling costs and a modified infusion of new funds to meet additional enrollment.

Proper administration is the key to the success of this program. We can assist in the implementation. The Trustees of the non-profit HealthCare Benefits Trust Fund are

proposing to undertake the development assistance to the County and nationally without charge to the government entities. We are experienced in the field of healthcare delivery having managed, administered and directed health plans since 1945. We know how to prepare low cost health plans. The state of Hawaii has also demonstrated how this can be done. By using our ideas they started by having only uninsured employees covered by two non-profit organizations, (no insurance companies) with the employee voluntarily paying for coverage for their dependents.

No one, to our knowledge, has ever suggested mobilization of entire communities to meet the demand for healthcare. We have found a tremendous response when we suggested to community organizations that they could help. Hospitals and doctors likewise have accepted this program and the fees that we have suggested. Our preliminary testing has indicated that we could enroll a majority of the 2.5 million uninsured, and a majority of the physicians and hospitals in the County of Los Angeles into this program.

You may or may not agree with the political significance of this activity but the benefits to the County abound. I am therefor copying this letter to my contacts in the White House and Congress. The high point of President and Mrs. Clinton's popularity in 1994 was the presentation of a health care program to Congress. Unfortunately the special interests and political interests torpedoed these magnificent intentions. This popularity can be revived. Healthcare is still in very great demand. By demonstrating how health care can be achieved in L.A. County the prestige of the President, the First Lady can again regain prominence. All of the County Supervisors, both Republican and Democrat, would likewise gain politically from the effort.

This program is not intended to be a substitute for any initiatives which the President or the County is planning, but it could be important when we come close to November 1996. If you are interested we can document every facet of the program.

Sincerely,
HEALTHCARE BENEFITS TRUST FUND

Augustus Oliver Brown, Trustee

cc: John Emerson- White House Coordinator to County L.A.
Melanne Verveer, Deputy Chief of Staff First Lady
Congressman Esteban Torres



DEPARTMENT OF HEALTH & HUMAN SERVICES

LA County Wainer 2/96

Office of the Secretary

Washington, D.C. 20201

FAX

Date:

6/7/96

Number of pages including cover sheet:

8

To:

Alicia Fortuna

Phone:

456-5570

Fax phone:

456-7028

CC:

From:

Pat Woods

Phone:

(202) 401-5879

Fax phone:

(202) 690-5672

REMARKS:

☐

Urgent

☐

For your review

☐

Reply ASAP

☐

Please comment

Draft documents re the
LA County wainer amendment
approval.
ask HHS to
I'll send you the press release +
Qs + As ~~Monday~~ Monday. Since I am on
leave Mon + Tues, I'll ask Kathy King to
keep you apprised of our progress.

DRAFT

TALKING POINTS FOR CALLS TO STATE/COUNTY/HILL
RE LA COUNTY WAIVER AMENDMENT APPROVAL

Since approving the State of California's section 1115 Medicaid demonstration project for Los Angeles County this past April, the Department has engaged in a series of thoughtful and productive discussions with the State and the County about ways to achieve additional fiscal stabilization, as well as mutually acceptable options for long term restructuring of the Los Angeles County health care system.

We are pleased to advise you that today Secretary Shalala approved an amendment to the State's project which will provide Los Angeles County with the additional fiscal assistance it needs to stabilize its system during state fiscal year 1996-1997.

Ensuring such stabilization for LA County's health care system, allows the State and the County to focus more of their efforts on the more difficult work at hand -- development of the management plan for restructuring the health care system throughout the remainder of the five-year project period.

We've already rolled up our sleeves and begun to work with the State and the County, having established a sound deliberative process for providing them with the technical assistance they need to achieve this important goal.

I have asked my staff to fax you the waiver approval letter, a fact sheet, and the press release which will provide you more detailed information about this amendment approval.

Please feel free to contact _____ of my staff, on _____ if you have questions or require additional information.

DRAFT

DRAFT

DATE

FROM Acting Director
Office of Research and Demonstrations

SUBJECT Recommendation for approval of the California's Amendment to the Medicaid Demonstration Project for Los Angeles County--DECISION

TO Administrator
THRU: AAP _____
ES _____

ISSUE

California has requested an amendment to their section 1115 Medicaid demonstration project for Los Angeles County (the Project), a health care reform demonstration for the County health care system.

BACKGROUND

On April 15, 1996, we approved California's section 1115 Medicaid demonstration project for Los Angeles County. The five-year, budget-neutral demonstration was intended to provide fiscal relief to the County, stabilize the public health system, and assist the process of restructuring the County's health care delivery system to rely more on primary and outpatient care. It implemented the agreement that was reached in September 1995 between Federal, State, and County officials whereby \$364 million in Federal funds would be made available to Los Angeles County for the first year of the demonstration.

As part of the approval of the demonstration, the Health Care Financing Administration committed to considering new proposals submitted by the County and to participate in an expedited process to complete the review of those proposals within 45 days of their submission. On April 26, Los Angeles County submitted a draft amendment to its section 1115 Medicaid demonstration project. In effect, the amendment constituted a financial proposal for fiscal years 1997 through 2000 of the five-year demonstration. The County projected that during the five-year project period, the County health care delivery system would experience a budget shortfall of \$1.6 billion below the overall operating needs of \$11 billion. In its amendment, the County asked the Federal government to make-up the entire shortfall and did not identify any new revenues. The County estimated that approximately half (\$804 million) of the shortfall could be addressed by continuation of some of the funding elements that are currently permissible for only the first year of the project. To make-up the additional shortfall, the County proposed several funding mechanisms that Federal representatives had previously informed County and State officials would not be approved, such as waiver of the OBRA 1993 disproportionate share hospital limitations and a change in the Federal matching rate.

Page Two -- Administrator

On May 21, State, County, and Federal representatives met to discuss the draft amendment request. During the meeting, State and County representatives were informed that the amendment request could not be approved if it was submitted as drafted since it contained several provisions that the State and County had previously been informed could not be approved. During the meeting, HCFA agreed to consider extending several financial provisions of the demonstration for one additional year in order to give the County and State the required time to develop a detailed restructuring plan, provided the County could demonstrate that they were making progress towards this end. Further, Federal representatives committed to a process for providing technical assistance to the County and State in the development of their restructuring plan.

On ~~April 6~~, the State submitted a revised amendment that requested the extension of several financial provisions for one additional year. The County estimates that the extension of these provisions would generate \$172 million in additional Federal revenue to the County. In addition to the amendment request, the State submitted a document that summarized the steps that had been taken by the County to begin restructuring and outlined the process that had been agreed to in the May 21 meeting for developing a restructuring plan. The process for development would begin upon approval of the amendment.

**DESCRIPTION OF THE AMENDMENT TO THE LOS ANGELES COUNTY
MEDICAID DEMONSTRATION**

With the exception of the extension of the following provisions through June 30, 1997, the demonstration remains as approved on April 15, 1996. The provisions that have been extended are as follows:

- In addition to all other amounts otherwise payable by HCFA to the State, Federal financial participation (FFP) will be available at the applicable Federal matching rate for the following components:
 - Administrative cost categories associated with the administration of the Project;
 - Federally reimbursable ambulatory service costs (as defined in the terms and conditions) incurred by the County in rendering services to Medi-Cal and eligible indigent patients in the County health system; and
 - Expenditures made as State disbursements from a Supplemental Project Pool that has been established for use in outpatient clinics.
- As part of the interagency agreement between the State and County, the County will recognize its obligation to meet the non-Federal share of certain disproportionate share payments to private hospitals. Because this obligation lies with the County on behalf of its hospitals, the amounts expended by the County in meeting this obligation will be treated as a hospital cost.

DRAFT

Page Three -- Administrator

DRAFT**ISSUES IDENTIFIED BY HCFA AND DEPARTMENTAL REVIEWERS**

- Restructuring and Magnitude of the L.A. County Fiscal Crisis - As presented by the State and County, even with the approval of the amendment request, long-term restructuring may only be possible with significant additional Federal financial assistance. If current operations were continued, the County would face a substantial deficit even after the end of the demonstration. Federal representatives have committed to providing technical assistance to the State and County in the development of a restructuring plan that is in accordance with Federal laws and regulations and within the parameters established by budget neutrality.

BUDGET NEUTRALITY

The amendment required no changes to budget neutrality. We will apply the following annual budget neutrality limits during the demonstration:

State Fiscal Year	Total Expenditure
1996	1,830,201,966
1997	1,948,053,276
1998	2,077,336,164
1999	2,219,159,492
2000	2,374,739,683
Total	\$10,449,490,580

WAIVERS

The waivers under section 1115(a)(1) and Federal matching under section 1115(a)(2) described below will be extended for one additional year of the demonstration - July 1, 1996 - June 30, 1997.

1. Statewideness Section 1902(a)(1)

To enable the State to implement the demonstration project in only certain delivery sites in Los Angeles County.

Under the authority of section 1115(a)(2) of the Social Security Act, expenditures made by the State for the items identified below (which are not otherwise matchable as expenditures under section 1903 of the SSA) shall, for the period of this demonstration project, be regarded as expenditures under the State's Title XIX plan.

1. Expenditures made by the State and/or County under paragraphs 1 and 2 of Attachment A of the Special Terms and Conditions.

DRAFT

Page Four -- Administrator

DRAFT**DISCUSSION**

The Office of Research and Demonstrations recommends approval of the amendment request to California's section 1115 Demonstration Project for Los Angeles County. The demonstration assists in promoting the objectives of Title XIX because the project would provide the State with the flexibility required to serve the Medi-Cal and eligible indigent populations. The Project will provide a large scale testing ground for the transformation of a large, decentralized public health care system into an integrated system that will focus on the provision of comprehensive ambulatory and preventive health care to Medi-Cal and eligible indigent populations through both public and private providers. This feature is unique and is not replicated in any other State health reform demonstration. The amendment is critical for the achievement of the demonstration goals.

RECOMMENDATION

Approve the amendment request to the Medicaid Demonstration Project for Los Angeles County.

Barbara S. Cooper

Attachment

DECISION

Approved: _____ Disapproved: _____ Date: _____

DRAFT

Mr. John Rodriguez
Deputy Director
Medical Care Services
Department of Health Services
714/744 P Street
P.O. Box 942732
Sacramento, CA 94234-7320

DRAFT

Dear Mr. Rodriguez:

We are pleased to inform you that your Amendment to the demonstration, entitled "Demonstration Project for Los Angeles County," has been approved as project No. 11-W-00076/9 for the period of July 1, 1996, through June 30, 2000. The approval is under the authority of section 1115 of the Social Security Act (SSA).

Our approval of the amendment and the waivers and Federal matching provided for thereunder is contingent upon compliance with the enclosed special terms and conditions that incorporate the changes required by the amendment. These terms and conditions, and the attached process letter submitted by you on April XXX, set forth in detail the nature, character, and extent of anticipated Federal involvement in the project. The award is subject to our receiving your written acceptance of the award within 30 days of the date of this letter.

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the Los Angeles County Medicaid Demonstration.

The waivers under section 1115(a)(1) and Federal matching under section 1115(a)(2) described below will be approved for the first two years of the demonstration beginning July 1, 1995.

1. Statewideness

Section 1902(a)(1)

To enable the State to implement the demonstration project in only certain delivery sites in Los Angeles County alone.

Under the authority of section 1115(a)(2) of the SSA, expenditures made by the State for the items identified below (which are not otherwise included as expenditures under section 1903 of the SSA) shall, for the period of this demonstration project, be regarded as expenditures under the State's Title XIX plan.

Page 2 - Mr. John Rodriguez

1. Expenditures made by the State and/or County under paragraphs 1 and 2 of Attachment A of the Special Terms and Conditions.

Your project officer for this project is Ms. Gina Clemons. Ms. Clemons is available to answer any questions concerning the scope and implementation of the project described in your application. She can be reached at (410)786-9644. Correspondence to Ms. Clemons should be sent to: Health Care Financing Administration, Office of Research and Demonstrations, Mail Stop C-3-18-26, 7500 Security Boulevard, Baltimore, Maryland 21244-1850. Communications regarding program matters should be submitted simultaneously to Mr. Richard Chambers, Associate Regional Administrator for Medicaid, Health Care Financing Administration, 75 Hawthorne Street, 4th Floor, San Francisco, California 94105-3903.

We extend our congratulations to you on this award, and look forward to working with you during the course of the project.

Sincerely,

DRAFT

Bruce C. Vladeck
Administrator

Enclosure

LA County
Waiver

Fortuna-fyi

THE PRESIDENT HAS SEEN
5-6-96

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Operation Restore Trust:** On May 3 marks the 1-year anniversary of Operation Restore Trust (ORT), an HHS initiative to combat health care fraud and abuse in 3 of the fastest growing areas of Medicare -- home health care, nursing home care, and durable medical equipment. ORT is currently targeting 5 states: California, Florida, New York, Texas, and Illinois. Together these states account for 40% of the nation's Medicare and Medicaid beneficiaries. In recognition of the progress made under ORT, HHS is working to schedule several media events around the initiative's anniversary.

- **South Carolina Welfare Waiver:** On May 3, the Department approved South Carolina's "Family Independence Act" welfare reform demonstration project, the 60th welfare waiver approved during the Clinton Administration. The proposal, the State's second, is quite extensive and includes requirements for applicants to participate in job searches and sign self-sufficiency plans. The project would also establish a family cap statewide; time limit benefits; allow recipients to deposit up to \$10,000 into an Individual Development Account; extend Transitional Child Care and Medicaid to 24 months and require all school age AFDC recipients to attend school or participate in job search and training.

Los Angeles County: On April 26, Los Angeles County submitted an amendment to its section 1115 Medicaid demonstration project. HCFA approved the original project on April 15. The amendment constitutes a financial proposal for fiscal years 1997 through 2000 of the five-year demonstration. The County projects that during the five-year project period, the County health care system will experience a budget shortfall of \$1.6 billion below the overall operating needs of \$11 billion. The County estimates that approximately half (\$804 million) of the shortfall could be addressed by continuation of some of the funding elements that are currently permissible for only the first year of the project. To make-up the additional shortfall, the County has proposed several funding mechanisms that Federal representatives have previously informed County and State officials would not be approved, such as waiver of the OBRA 1993 disproportionate share hospital limitations and a change in the Federal matching rate.

- **CA Medicare Contractor Enters Into Criminal Plea Agreement:** On April 17, the Medicare carrier for northern California, California Blue Shield notified the HCFA that it would not renew its Medicare contract for FY 97. Last week, the California Blue Shield entered into an agreement with the Department of Justice in San Francisco to plead guilty to two felony counts of obstruction of Federal audit and one felony count of conspiracy to obstruct federal audit. It has agreed to pay \$1 million in fines; civil negotiations are underway, with the Government demanding \$41.3 million. This will be the first criminal conviction of a Medicare contractor, and is the primary factor in the mutual agreement of California Blue Shield and HCFA not to renew the contract. HCFA will select a new contractor by the end of May, and will transition the work performed by California Blue Shield at the close of its contract through the following March.