

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

264



**FROM:** Executive Office

**SUBMITTAL DATE:**  
October 9, 2013

**SUBJECT:** Health Care Governance Committee (HCGC) update, and Riverside County Regional Medical Center (RCRMC) monthly financial and operational performance update

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file the Health Care Governance Committee and RCRMC monthly financial and operational performance update,
2. Authorize the County Executive Officer, or his designee, to sign and submit the notice of the County's tentative decision to select the Savings Formula option to the state by November 1, 2013, for the redirection of 1991 Health Realignment funds; and,
3. Return with a resolution for Board adoption prior to January 22, 2014.

**BACKGROUND:**

**Summary**

On September 23, 2013, the Board approved a one-month extension of the existing agreement with Huron Consulting, LLC to serve as a bridge during negotiations. Negotiations are progressing and staff expects to return on November 5, 2013 with a proposed agreement for Board consideration.

Departmental Concurrence

*Debra Cournoyer*  
\_\_\_\_\_  
Debra Cournoyer  
Deputy County Executive Officer

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$	\$	\$	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

<b>SOURCE OF FUNDS:</b>	<b>Budget Adjustment:</b>
	<b>For Fiscal Year:</b>

**C.E.O. RECOMMENDATION:** APPROVE  
BY: *George A. Johnson*  
\_\_\_\_\_  
George A. Johnson  
County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

- A-30
- 4/5 Vote
- Positions Added
- Change Order

**Prev. Agn. Ref.:** 4/30/13 2.1, 5/21/13 2.2, 6/18/13 2-8, 7/16/13 2-4, 8/20/13 2-8, 9/23/13 4

**District:** All

**Agenda Number:**

2-24

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11: Health Care Governance Committee (HCGC) update, and Riverside County Regional Medical Center (RCRMC) monthly financial and operational performance update**

**DATE:** October 9, 2013

**PAGE:** 2 of 3

**BACKGROUND:**

**Summary (continued)**

Assembly Bill 85 was approved by the Governor on June 27, 2013 and redirects \$300 million of 1991 Health Realignment revenues statewide for FY 13/14. Redirection will begin in January of 2014 and be spread over six months. Counties have until October 31, 2013 to tentatively decide between Option 1, the 60/40 split, and Option 2, the Savings Formula. Virtually all counties that do not have county hospitals are likely to choose the 60/40 split and all counties with county hospitals are likely to choose the savings formula.

The hospital formula option includes a process for measuring county costs and savings with a "true up" between the state and the county at the end of five years. The 60/40 option is more straightforward, with counties forgoing 60 percent of their current Vehicle License Fee (VLF) realignment funds. A model developed by California Association of Public Hospitals (CAPH) provides a comparison of the two options below. The amounts are subject to change and reconciliation to actuals, as well as final approval by the State. However, based on the data available at this time, the selection of the Savings Formula appears to be the most advantageous to the County. Should the County choose the hospital formula, it is estimated that funds remaining with the State would range from zero and \$7 million in the initial years, while using the 60/40 option an average of \$33 million per year would remain with the State.

<b>Fiscal Year</b>	<b>Estimated Cost</b>	<b>Estimated Net Gain (Loss)</b>	<b>Hospital Formula</b>	<b>60/40</b>
<b>14/15</b>	\$357.59 M	\$8.77 M	\$7.01 M	\$31.74 M
<b>15/16</b>	\$375.30 M	\$2.40 M	\$1.92 M	\$32.50 M
<b>16/17</b>	\$394.75 M	\$(11.86) M	\$ 0.00	\$33.28 M
<b>17/18</b>	\$414.14 M	\$(20.58) M	\$ 0.00	\$34.08 M
<b>TOTAL</b>			<b>\$8.93 M</b>	<b>\$131.60M</b>

On June 28, 2011, item 3.15, the Board approved the agreement between the County and the Department of Health Care Services (DHCS) to implement the Low Income Health Program (LIHP) on January 1, 2012. The LIHP, also known as Riverside County HealthCare (RCHC), has provided a broad range of health care services to residents of Riverside County who are: 1) between the ages of 19-64 year of age; 2) United States citizens, or United States non-citizen national, or qualified Aliens as defined by Federal law; 3) at or below 133% of the Federal Poverty Level; 4) not pregnant; and, 5) are not eligible for Medi-Cal. Since the inception of the program, RCHC has enrolled over 42,500 unique individual members. Current active enrollment is well over 27,000 members.

On January 1, 2014, all RCHC members will be transitioned to a managed care Medi-Cal Plan. In Riverside County, the two options for members are Inland Empire Health Plan (IEHP) or Molina Healthcare. The County has been working closely with DHCS to prepare and implement a plan that seamlessly transitions RCHC members to managed care Medi-Cal on January 1, 2014. The transition activities include transmitting member information to the Medi-Cal enrollment system of record (MEDS). Member information regarding current medical home assignment has also been provided to DHCS through a series of monthly reports that will continue through December 2013. Additional activities include but are not limited to: presentations to community partners to help RCHC members understand the upcoming changes, presentations to providers to ensure understanding of transitioning RCHC members; working with IEHP and Molina regarding RCHC member authorizations that will require services beyond 2014, and reviewing provider matching with Medi-Cal plans to ease continuity of care issues in the transition. RCHC is committed to working with members to ensure a seamless transition.

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11: Health Care Governance Committee (HCGC) update, and Riverside County Regional**  
**Medical Center (RCRMC) monthly financial and operational performance update**  
**DATE: October 9, 2013**  
**PAGE: 3 of 3**

On October 1, 2013, the Department of Public Social Services (DPSS) launched a new regional call center operation to support enrollment for Covered California health coverage and the Medi-Cal expansion. In addition to the call center, residents may enroll in person at any of the DPSS Self-Sufficiency offices, online through Covered California or C4Yourself, or through a community based navigator, assister or broker.

Covered California has reported a high volume of calls and inquiries to their website during the first week of open enrollment. Counties experienced some technical difficulties with obtaining access to and navigating the Covered California case management system (CalHEERs) which is used to complete the enrollment process. Counties have been working closely with Covered California and the State to address the system issues. Despite these issues, DPSS received 3,427 Medi-Cal applications last week and 847 applications for Covered California for health care coverage that will begin January 1, 2014. The volume of Medi-Cal applications received was slightly higher than a typical week. The regional call center received 176 calls, which is quite a bit lower than expected, but can be attributed to some of the startup issues that occurred. Riverside County Medi-Cal caseload is very high, so staff in the call center remains very busy processing cases when the call volume is low.

This is a very fluid environment with both policy and system changes occurring to refine the enrollment process. DPSS continues to work closely with Covered California and the State to support the implementation of these changes with as little impact to our residents as possible. The collective goal is to assist individuals with accessing health care coverage and services as easily as possible.

The Executive Office worked with RCRMC staff to develop a monthly summary of the financial position of the hospital. Included are year-end projections for cash and revenue and expenditures. The attached summary indicates the hospital ended FY 12/13 year with negative cash of \$27 million. The revenue shortfall, or net income, is reported at a negative \$10 million. As of October 11, 2013, based on current year actuals and projections, it is estimated that cash will reach negative \$84 million at FY 13/14 year-end, almost \$1 million more than the \$83 million identified in the approved budget. The net income for FY 13/14 year-end is projected to reach a negative \$54 million. Also included is a chart showing the historical cash position of the hospital with projections through FY 13/14 year-end, which include the receipt and repayment of the \$40 million loan from the general fund. The implementation of recommendations developed by Huron are expected to improve the operational and financial position of RCRMC by \$45 million to \$65 million annually.

**Impact on Residents and Businesses**

The hospital is losing approximately \$4 million a month, which if there is no improvement, will require general fund support. Implementation of revenue improvements and cost savings measures will allow the Board to address other pressing countywide capital and operational needs.



State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

**Tentative Decision for Determining Payments to the Family Support Subaccount**

In compliance with section 17600.50(c) of the Welfare and Institutions code relating to health and humans services, Public Hospital Health System Counties (which includes, Alameda, Contra Costa, Kern, Los Angeles, Monterey, Riverside, San Bernardino, San Francisco, San Joaquin, San Mateo, Santa Clara, and Ventura) must tentatively inform the Director of the Department of Health Care Services by November 1, 2013 of whether the county is choosing the County Savings Determination Process or the 60/40 formula option.

\_\_\_\_\_ County tentatively chooses the option selected below  
County Name

to determine payments to the Family Support Subaccount:

- County Savings Determination Process** - The formula pursuant to Welfare and Institutions (W&I) Code, Section 17612.1
- OR**
- 60/40 formula** - 60 percent of the 1991 health realignment funds that otherwise would have been allocated to the counties and 60 percent of the county maintenance of effort, pursuant to W&I Code, Section 17600.50(c)(2).

The county acknowledges that the option selected in this letter is tentative and subject to change at the discretion of the county until the county informs the State of its final decision. The county acknowledges that it is required to adopt a resolution informing the State of its final decision by January 22, 2014. If the county fails to adopt a resolution informing the State by January 22, 2014, 62.5 percent of the 1991 health realignment funds that otherwise would have been allocated to the counties and 62.5 percent of the county maintenance of effort will be used in determining the payments to the Family Support Subaccount, pursuant to W&I Code, Section 17600.50(d)(1).

I hereby certify, under penalty of perjury, that I am the official responsible for tentatively informing the State by November 1, 2013 of the above option in said county for determining its payments to the Family Support Subaccount.

\_\_\_\_\_ Date \_\_\_\_\_  
County Official (Signature)

\_\_\_\_\_  
County Official Title

**RCRMC MONTHLY FINANCIAL UPDATE**  
**FISCAL YEAR 2013/14 ( dated 10/11/13)**

	FY11/12 Actuals	FY12/13 Actual	FY13/14 BOS Approved Budget	FY13/14 1st Quarter Budget	FY13/14 1st Quarter to BOS Approved Budget Variance
Waiver/Realignment Revenues	165,089,149	239,798,301	226,527,928	193,071,825	(33,456,103)
Patient Revenues	203,155,468	198,716,364	184,051,098	222,922,940	38,871,842
Other Revenue	18,792,482	17,827,224	17,030,866	16,704,001	(326,865)
<b>Total Revenue</b>	<b>387,037,098</b>	<b>456,341,889</b>	<b>427,609,892</b>	<b>432,698,766</b>	<b>5,088,874</b>
<b>Operating Expenses:</b>					
Salaries & Wages	175,845,633	188,192,274	204,827,732	203,695,100	(1,132,632)
Employee Benefits	61,970,341	65,669,730	75,213,862	73,079,516	(2,134,346)
Supplies	28,464,881	27,160,229	30,374,058	28,295,069	(2,078,989)
Pharmaceuticals	19,095,020	44,919,044	29,500,000	38,016,250	8,516,250
Professional Services and Fees	69,664,500	72,115,639	72,375,331	74,463,850	2,088,519
Other Operating Expenses	37,698,440	45,208,960	44,933,943	44,277,703	(656,240)
<b>Total Operating Expenses</b>	<b>392,738,815</b>	<b>443,265,875</b>	<b>457,224,926</b>	<b>461,827,488</b>	<b>4,602,562</b>
<b>Operating Income</b>	<b>(5,701,717)</b>	<b>13,076,014</b>	<b>(29,615,034)</b>	<b>(29,128,722)</b>	<b>486,312</b>
Interest Income and Other Expense (Expense)	139,294	(82,229)	(100,000)	(100,000)	-
Depreciation and Amortization	9,523,909	9,446,147	11,185,157	13,941,275	2,756,118
<b>EBIT</b>	<b>(15,086,331)</b>	<b>3,547,638</b>	<b>(40,900,191)</b>	<b>(43,169,997)</b>	<b>(2,269,806)</b>
Interest	11,781,701	13,457,979	10,618,485	10,618,485	-
<b>Net Income</b>	<b>(26,868,032)</b>	<b>(9,910,341)</b>	<b>(51,518,676)</b>	<b>(53,788,482)</b>	<b>(2,269,806)</b>
<b>Ending Cash Balance</b>	<b>16,545,094</b>	<b>(27,122,219)</b>	<b>(83,199,433)</b>	<b>(84,127,476)</b>	<b>(928,043)</b>

## RCRMC Monthly Cash Position

