

STATE OF CALIFORNIA
May Revision Finance Letter - Cover Sheet
 DF-46 (REV 08/15)

Cal Year 2016-17	Business Unit 4265	Department California Department of Public Health	Priority No.
Budget Request Name 4265-425-BCP-DP-2016-MR		Program	Subprogram 4050010 - HEALTH FACILITIES

Budget Request Description
 Los Angeles County Contract

Budget Request Summary

The California Department of Public Health, Center for Health Care Quality, requests an increase in expenditure authority of \$2.1 million from the State Department of Public Health Licensing and Certification Program Fund. The increase will augment the Los Angeles County contract to account for two, 3 percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>Jean Lucio</i>	Date 5/10/16	Reviewed By <i>[Signature]</i>	Date 5/10/16
Department Director <i>[Signature]</i>	Date 5/10/16	Agency Secretary <i>[Signature]</i>	Date 5/17/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 5/13/16
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4. Budget Request Summary

The California Department of Public Health (Public Health), Center for Health Care Quality (Center), requests an increase in expenditure authority of \$2.1 million from the State Department of Public Health Licensing and Certification Program Fund. The increase will augment the Los Angeles (LA) County contract to account for two, 3 percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.

B. Background/History

The Center is responsible for regulatory oversight of licensed health care facilities and health care professionals to ensure safe, effective, and quality health care for all Californians. The Center fulfills this role by conducting periodic inspections and complaint investigations of health care facilities to ensure they comply with federal and state laws and regulations. The Center receives funds through a grant from the Centers for Medicare and Medicaid Services (CMS) and licensing fees paid by health care facilities. The Center licenses and certifies over 7,500 health care facilities and agencies in California in 30 different licensure and certification categories.

For over 30 years, Public Health has contracted with LA County to perform federal certification and state licensing surveys and investigate complaints and entity-reported incidents for approximately 2,500 health care facilities in the LA County area. The 2015 Budget Act authorized an additional \$14.8 million dollars in expenditure authority to fully fund LA County to conduct tier 1 and tier 2 federal workload, long term care complaints and entity-reported incidents, and pending complaints and entity-reported incidents. In July 2015, Public Health and LA County renewed the contract for a three-year term (ending June 30, 2018), for an annual budget of \$41.8 million to fund 225 positions.

Roughly one third of licensed and certified health care facilities in California are located in LA County, and 18.7 percent of the long term care complaints and entity-reported incidents received statewide each year are generated in LA County.

Los Angeles County Contract Resource History
(Dollars in thousands)

Program Budget	2011-12	2012-13	2013-14	2014-15	2015-16
Authorized Expenditures	26,951	26,951	26,951	26,951	41,789
Actual Expenditures	24,118	23,763	24,909	26,951	24,314*
Revenues	25,447	24,917	25,068	23,994	27,137**
Authorized Positions	178	178	178	178	225
Filled Positions	N/A	N/A	151	151	208
Vacancies	N/A	N/A	27	27	17

*Actual expenditures based on year to date expenditures as of February 2016.

**Based on projected facility fees collected from Los Angeles County facilities, deposited in the Licensing and Certification Program fund (3098).

C. State Level Considerations

In support of Public Health's mission, performing ongoing core public health activities directly aligns with the Department's Strategic Map, including:

- Strategic Map Goal C (Strengthen statewide infrastructure to improve health).

This proposal provides additional funding to the LA County contract to bring wages up to the union negotiated and county approved level. Accomplishment of the contracted workload is necessary to ensure the safety and health of patients in licensed and certified facilities.

D. Justification

Due to the timing of LA County's approval of salary increases, these costs were unforeseen and not included in the current contract, nor in the 2016-17 Governor's Budget. Consequently, the current contract is now underfunded. If this request is not approved, the LA County contract will not be fully funded and the County will not be able to pay for the staff necessary to complete the contracted workload. This will result in increased vacancies to offset the insufficient funding, fewer complaints being addressed timely, greater backlogs of open complaints, and the potential loss of future CMS grant awards due to lack of compliance.

This proposal includes \$2.1 million to fund the current contract positions at the current LA County salary rates, which will increase the total annual budget of the contract to \$43.9 million.

E. Outcomes and Accountability

With the additional resources requested in this proposal, LA County will be able to pay staff at currently negotiated salary levels, thus making it possible for LA County to address tier 1 and tier 2 federal workload, long-term care complaints and entity-reported incidents, and investigate open long-term care complaints and entity-reported incidents.

F. Analysis of All Feasible Alternatives

Alternative 1: Increase Public Health's expenditure authority and LA County's contract funding by \$2.1 million for two, 3 percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.

Pros:

- LA County will have funds to pay salaries at the current negotiated salary level.
- Allows LA County to hire all positions and reduce any vacancies resulting from insufficient funding
- LA County will have resources to meet the contracted obligations for mandated workload.

Cons:

- Increased wages will result in increased expenditures from the Licensing and Certification Special Fund, which may lead to pressure on facility fees.

Alternative 2: Phase in the increase to Public Health's expenditure authority and LA County's funding by \$1.07 million in FY 2016-17 and \$1.07 million in FY 2017-18.

Pros:

- Will gradually augment the budget.
- Allows LA County to address immediate insufficient funding needs.

Cons:

- LA County may not fill current vacancies due to insufficient funding.
- Mandated workload requirements would not be met with unfilled vacancies.
- Fewer complaints addressed timely.
- The number of open complaints will not be reduced as quickly.

Alternative 3: Utilize Public Health's budgeted expenditure authority in FY 2016-17 to augment the LA County contract by \$2.1 million for the two 3 percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.

Pros:

- Will not require any augmentation to the current budget.
- LA County will have the funds to pay salaries at the current negotiated salary level.
- Allows LA County to hire all positions and reduce any vacancies resulting from insufficient funding.
- LA County will have resources to meet the contracted obligations for mandated workload.

Cons:

- Mandated workload requirements may not be met due to redirection of funds from the state L&C Program to augment the LAC contract.
- Redirection of funds may result in less timely and less efficient regulatory and enforcement action by the state.
- Patient populations using licensed and certified health care facilities in California may not receive sufficient protection.
- Increases CMS scrutiny due to mandated workload not accomplished.

Alternative 4: Do not approve this proposal.**Pros:**

- Will not require any augmentation to the current budget.

Cons:

- LA County may decide to increase vacancies to offset the insufficient funding.
- Mandated workload requirements would not be met with increased vacancies.
- Fewer complaints addressed timely.
- The number of open complaints will grow.
- Increases CMS scrutiny due to mandated workload not accomplished.

G. Implementation Plan

The LA County contract currently authorizes 225 positions. This proposal seeks additional funds necessary to address two 3 percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent. After this proposal is approved, Public Health will amend the contract to increase funds within three months.

H. Supplemental Information

None.

I. Recommendation

Approve Alternative 1: Increase Public Health's expenditure authority and LA County's contract funding by \$2.1 million to fund two 3 percent salary increases effective October 2015 and October 2016, an increase to the employee benefit rate from 55.1 to 57.8 percent, and a decrease in the indirect cost rate from 33.2 to 31.4 percent.

BCP Fiscal Detail Sheet

BCP Title: Licensing & Certification: Los Angeles County Contract

DP Name: 4265-425-BCP-DP-2016-MR

Budget Request Summary

	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5340 - Consulting and Professional Services - External	0	2,134	2,134	2,134	2,134	2,134
Total Operating Expenses and Equipment	\$0	\$2,134	\$2,134	\$2,134	\$2,134	\$2,134
Total Budget Request	\$0	\$2,134	\$2,134	\$2,134	\$2,134	\$2,134

Fund Summary

Fund Source - State Operations

State Department of Public Health

3098 - Licensing and Certification Program Fund

Total State Operations Expenditures

Total All Funds

	0	2,134	2,134	2,134	2,134	2,134
Total State Operations Expenditures	\$0	\$2,134	\$2,134	\$2,134	\$2,134	\$2,134
Total All Funds	\$0	\$2,134	\$2,134	\$2,134	\$2,134	\$2,134

Program Summary

Program Funding

4050010 - Health Facilities

Total All Programs

	0	2,134	2,134	2,134	2,134	2,134
Total All Programs	\$0	\$2,134	\$2,134	\$2,134	\$2,134	\$2,134