

MOTION BY SUPERVISOR HOLLY J. MITCHELL

January 23, 2024

Martin Luther King Jr. Community Hospital: Keeping the Dream Alive

On November 21, 2023, the Los Angeles County (County) Board of Supervisors unanimously approved a motion directing the Chief Executive Officer (CEO) and Department of Health Services (DHS) to come up with options to financially stabilize the Martin Luther King, Jr. Community Hospital (MLKCH). MLKCH opened in 2014 to replace hospital services that had previously been provided by the former County-operated King Drew Medical Center, after it had been closed for failure to meet federal patient safety and accreditation standards. The then-sitting County CEO based the size—and thus funding structure—of the new hospital and emergency department on the census of the old King Drew Medical Center immediately before it closed, rather than on a community needs-based study. In actuality, the demand for medical services has far exceeded that initial projection.

Formed through a public/private collaboration, MLKCH is a unique non-profit private hospital, operated by a County-created private Board. MLKCH is the only private hospital built and owned by the County and funded through County-issued tax-exempt bonds.

The hospital is a vital partner to the County and to the MLK Medical Center Campus. Among other things, it ensures the adjacent Mark Ridley Thomas Behavioral

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Health Center (BHC) has timely access to emergency services. The BHC holds nearly 100 unlocked substance abuse and recovery beds and more than 80 psychiatric beds for seriously mentally ill patients from throughout the County.

MLKCH is dramatically impacted when COVID rates spike in the region, especially during the winter flu surge months. For example, on January 8, 2024, the hospital's census was at 210 with 131 licensed beds. As of 9:00 a.m. on that day, there were an additional 110 patients in its emergency room. MLKCH also sits within the County's highest concentrations of persons living under 200% of the federal poverty level, as well as within a federally designated health professional shortage area and medically underserved area.

MLKCH's performance has nevertheless been stellar. For two years in a row, it has earned a rare five-star rating from the Centers for Medicare and Medicaid Services agency for patient satisfaction and safety practices. It recently earned an "A" from Leapfrog, an independent national nonprofit that measures quality and patient safety among 2,300 hospitals. Its wound care center was designated a Center of Excellence. Its midwife-led maternity program was once again listed on the Cal Hospital Compare maternity honor roll and featured in the CNN documentary, *Saving Black Moms*.

The MLKCH community's demand for emergency services continues to outpace the hospital's built capacity. Before it was built, the County had projected MLKCH emergency room would receive roughly 25,000 to 30,000 visits a year. Last year, MLKCH handled four times that number -- 100,000 visits a year. In December of 2023, the hospital emergency room received almost 1,000 patient visits more than they received in November 2023. Nearly all of the patients visiting the MLKCH emergency room are covered by Medi-Cal, rather than private health insurance. The current Medi-Cal rates do not compensate MLKCH for the actual cost of care. MLKCH is not eligible for the enhanced federal Medicaid payments that public hospitals receive, even though MLKCH serves a comparable proportion of Medi-Cal-covered patients.

MLKCH reports that its County-created financing model has not kept pace with inflation, including the rate of rising health care costs and the volume of patients seeking its care. This conclusion is supported by the audited financials, budgets, and cash flow projections MLKCH has shared with the County.

MLKCH estimates that, unless it receives financial relief, it will run out of cash in *December 2024*. MLKCH is pursuing multiple options, including State loans, additional new market tax credits, enhanced philanthropy efforts, increases in State and federal supplemental funding arrangements, health plan rate increases, increases in State and federal revenue resulting from the new Managed Care Organization (MCO) tax, and an increase in the Hospital Fee Program. It is also exploring various cost reduction options to lower its annual operating costs. It is uncertain, however, when any financial relief, such as the MCO provider tax and hospital provider fee, will finally arrive to MLKCH and how much it will be. DHS recently acknowledged that this relief is so uncertain that DHS did not include it in budget projections.

As part of the original 2014 leasing package, the County provided various long-term and short-term funds recognizing it was in the public's interest to establish a hospital that provides inpatient service and emergency services in South Los Angeles. No cost-of-living adjustments, however, were incorporated into the initial agreement. Instead, the leasing package included a reopener provision that allows the parties to make appropriate adjustments to the financial obligations to ensure the continued stability of MLKCH.

The leasing package, for example, included a \$20.0 million line of credit (Line of Credit). It allows MLKCH access to a revolving line of credit to support MLKCH cash flow issues. MLKCH received the latest draw on the line of credit in the amount of \$20.0 million in May 2023. It is required to make interest only payments in May and November each year. The first interest payment was due and paid in November 2023 in the amount of \$0.351 million. Final payment of the entire outstanding principal is due May 2025.

The original leasing package also included a \$50M long term loan, (Long Term Loan) which was intended to allow MLKCH to fund pre-hospital opening activities. As of June 30, 2023, MLKCH's outstanding balance on the long-term loan is \$37.5M. An interest only payment is due in May of each year and a principal and interest payment is due in November of each year.

On January 16, 2024, the CEO and DHS released their report-back to the Board's November 21, 2023 motion to identify options to financially stabilize MLKCH's operations. Among other things, that report acknowledged the unique relationship between the County and MLKCH. It acknowledges the hospital serves a patient population that

exceeds nearly every indicator of high unmet need and faces “economic, societal and transportation barriers to health care access.” The CEO’s report further acknowledged MLKCH’s excellent quality of care even though its emergency department burden is almost three times the statewide median.¹ The report also acknowledges MLKCH needs financial relief. The CEO identified various relief options, the majority of which, such as Measure B, Line of Credit and long-term loan relief, would have no net County cost (NCC) impact.

On December 21, 2023, the Auditor Controller released a report showing a more than \$51.8 million adjusted available one-time fund balance in Measure B dollars. The Measure B Advisory Board has proposed \$28M of these dollars be allocated for a variety of purposes, such as physician staffing, data collection, trauma care training, mobile stroke units and regional distribution sites. The Advisory Board also proposed another \$3.8 million for other purposes, such as trauma designation and LA vs. Hate, leaving a balance of \$20 million unallocated for Measure B purposes.

Last week we celebrated the 40th anniversary of the federal holiday celebrating both the birth of Dr. Martin Luther King, Jr. and the dream he shared with the world. That dream included health access and equity. The County must keep that dream alive. The County should financially stabilize the hospital it created, a beacon for the community which is providing excellent and vital service to a “woefully underserved” South Los Angeles community. This low-income community is disproportionately impacted not only by the recent pandemic, but also longstanding high rates of diabetes, limb amputation as a result of diabetes, heart disease and other chronic health issues. At bare minimum, the County should continue to financially support this hospital in a manner that would have no impact on net County cost.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Approve and authorize the Director of DHS (DHS), or her designee, to allocate \$8 million in one-time Measure B funding to be released to Martin Luther King, Jr.-

¹ “Emergency department burden” describes the ratio between the number of emergency department visits and the number of emergency department treatment stations, as reported by each hospital.

Community Hospital (MLKCH) solely for specific, qualified Measure B purposes as approved by the Chief Executive Officer (CEO) or Auditor-Controller (A-C), and in consultation with County Counsel, in Fiscal Year (FY) 2023-24.

2. Approve and authorize the CEO, A-C, and Director of DHS to realign up to \$8 million in Measure B funds in FY 2023-24 to support the foregoing.
3. Approve and authorize the Director of DHS to allocate \$4 million in one-time Measure B funding to MLKCH solely for specific, qualified Measure B purposes as approved the CEO or A-C, in each of FYs 2024-25, 2025-26, and 2026-27.
4. Approve and authorize the Director of DHS to carry forward any unspent amounts allocated to MLKCH from any year(s) to one or more subsequent fiscal years through the end of FY 2026-27 after which any remaining amounts shall be returned to the Fund.
5. In furtherance of the Directives 1 - 4 above,
 - a. Delegate authority to the Director of DHS to execute one or more agreements with MLKCH to include such approved funding for FYs 2023-24 through FY 2026-27; *provided that*, such agreements contain all provisions necessary to comply with proper reporting, monitoring, and oversight of the use of funds. Such agreement(s) are subject to review and approval as to form by County Counsel;
 - b. Direct the Director of DHS to request the necessary adjustments to effectuate the FY 2023-24 Measure B one-time funding allocation of \$8 million in the CEO's mid-year budget adjustment; and
 - c. Direct the Director of DHS to immediately take any necessary steps to obtain potentially available matching federal funds for these one-time Measure B fund payments in whole or in part, in a manner that does not unreasonably delay receipt of each annual payment, *provided that*, such steps do not put at risk other payments.
6. Direct the CEO, Treasurer Tax Collector, A-C, County Counsel and any other necessary departments to take the actions needed to immediately provide short-term financial relief by delaying payment (interest and principal) on the Line of Credit and Long-Term Loan for at least three years and establish a new due date

for final repayment; Delegate authority to the CEO, Treasurer Tax Collector, A-C, County Counsel and any other necessary departments to implement these actions.

7. Direct the Director of DHS, in coordination with the CEO and County Counsel, to the extent legally permissible, to implement a revised personnel deployment (e.g. an appropriate clinically skilled staff in lieu of security guards) to direct non-emergent MLK Medical Center Campus patients to the County-operated urgent care when appropriate. These teams should be in place and operational by July 1, 2024.

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(YV/KK/KS/JY)