

[Click Here To Close This Window](#)

Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

PRESENTATION BY
Mr. Jonathan Freedman, Analyst
Legislative Affairs, Chief Administrative Office (CAO)
Topic: Recent Legislative Actions Concerning Los Angeles County.
June 1, 2000

Mr. Staniforth introduced Mr. Jonathan Freedman to address the Commission on the recent Federal legislative actions concerning Los Angeles County. Of particular interest to the Commission is the issue of the health care waiver.

Mr. Freedman stated that his responsibility within the Chief Administrative Office was Federal legislative affairs. Mr. Freedman said that the distributed document covered the Federal issues addressed by the Board of Supervisors on its May lobbying trip to Washington. He added that the County has 100 to 200 Federal issues in any given year. These papers are a distillation of the central issues, which are of major impact to the County governmental operations.

Mr. Freedman said that, contrary to prior years, there is no "hostile environment" toward counties in Washington this year. This results, in part, from being an election year and, in part, from there being a condensed legislative calendar. Additionally, the Federal budget currently contains a surplus. Mr. Freedman provided a brief explanation of the causes and reasoning behind the Federal budget surplus.

Mr. Freedman, referring again to the Federal Issues papers, gave a brief synopsis of the issues listed under "Other Important Issues".

Commissioner Petak, commenting on the Federal funding imbalance issue, said that he found it curious that Social Security was considered in funding formulas for Federal cost sharing. Social Security is an insurance program that provides for payments to individuals regardless of the State of residence. Commissioner Petak felt that Social Security is an inappropriate element to include in the measure of transfer payments. Mr. Freedman replied that it could not be extracted from the analysis because of the way the data has been established. Commissioner Petak asked where California placed relative to other states in the amount of moneys subsidized from the Federal Government. Mr. Freedman replied that California was the largest donor State and that New Mexico was the largest recipient State.

Chairman Philibosian wanted to know how the delegation from Los Angeles, the Board of Supervisors and staff, were received in Washington and the result of their meetings. Mr. Freedman answered that the number one issue is the Medicaid Demonstration Project or the 1115 Waiver, which is approximately \$200M to

\$250M of Federal Financing that is helping to stabilize and reform the County's health system. This issue has developed some problems.

Chairman Phillibosian asked Mr. Freedman to explain the meaning of the 1115 Waiver. Mr. Freedman explained that in 1995 the County faced a fiscal crisis, most acutely within the Health Department budget. Mr. Freedman said that the majority of the dollars that support the county health department are not County dollars. They are Federal or State dollars that pay for services to people that are eligible for Federal or State Programs or subsidize the County health system. For a variety of reasons the level of funding began to be reduced at a time when the County was unable to replace lost funding. The County was facing a loss of approximately 1 out of every 2 dollars within the health system budget of \$2.6 billion. The Federal government waived existing Medicaid law to create new financing tools that support a reform within the Health Department. This waiver allows the reduction of in-patient capacity and the increase of out-patient capacity within the County health system. The current Medicaid regulations reward in-patient care which is more expensive.

Mr. Freedman commented that approximately 2.7 million people within the County are uninsured, 700 thousand of which are children under the age of 18. The County entered into a five year agreement with the Federal government. The Federal government provided \$1B worth of financing over that five years to help stabilize the County's health system. Now that waiver is coming to an end. During the current negotiations the Federal government placed a new standard on the table, self-sufficiency.

Commissioner Padilla asked Mr. Freedman if he knew why the Federal Government wanted to get out of the waiver. Mr. Freedman stated that it was an issue of establishing a precedent. The Federal government was accustomed to dealing with states, not subdivisions of states. This waiver is provider specific, the Federal Government has an institutional difficulty with this approach.

Commissioner Fuhrman interjected that the Federal Government has been criticized for what was perceived as inappropriately favorable treatment of California.

Mr. Freedman continued saying that the Federal Government has asked the County for a plan addressing a three to five year phase out of the waiver. The Federal government has also said that they wanted the State to contribute to solving this problem.

Mr. Freedman commented that the Governor has proposed increases in the Medi-Cal rates generally across the board and the County benefits from that because it is one of those providers.

Mr. Freedman said that as the negotiations are proceeding the Board of Supervisors has put a freeze on hiring in the Health Department as of July 1, 2000. He said that there was likely to be a meeting within the next few weeks. There is a commitment from the Federal government that there will be a waiver extension. The duration and amount of those dollars is what is being negotiated.

Chairman Phillibosian asked why the Federal, State, and County groups could not just convene a meeting and talk this out. In addition he wanted to know whether a letter was sent to the Governor from the Los Angeles legislative delegation. Mr. Freedman answered that a letter was being developed. Mr. Freedman continued saying that discussions on the issue have been ongoing throughout 1999. The County agreed to the Federal government request to work through channels.

Commissioner Lucente stated that there has been criticism by some in the press that the County has been reactionary and had not adequately planned for this eventuality. He wanted to know why, at this late date, the Board is taking actions that should have been taken a long time ago. Mr. Freedman replied that the County was under the impression that discussions to extend the waiver were on track to conclude some form of extension. There were meetings in December 1999 that confirmed this impression, but in the meeting of March 2000 there was a totally different Federal perspective. Hindsight suggests that these moves should have been made sooner, but actions are being taken now.

Commissioner Petak that the issue that the issue he was interested in was FEMA's emergency mandatory

insurance. He added that the objective of the County should be to reduce risk, not transfer risk. Commissioner Petak said he felt that the focus was on how to get the most dollars from everyone without making improvements in the way issues should be managed. Mr. Freedman said that this was a fair criticism and the County is cognizant of the fact and recognizes that a better job needs to be done with its buildings. He added that the discretionary dollars available to the Board to invest in infrastructure is very limited and has many competing priorities. He said that the County was in litigation with twenty four insurers pertaining to the Northridge disaster. The contested dollars amount to approximately \$200M. He said the County feels that a mandate that says "but insurance" does not guarantee that the insurance will be there.

Commissioner Sylva said that the Policy Task Force was focusing on issues related to Community Development. She asked Mr. Freedman if he could elaborate on the Community Development Block Grant Public Services Cap Extension and who distributes these funds. Mr. Freedman said the Community Development Block Grant (CDBG) dollars are Federal dollars that are directed to urban areas. This money is primarily intended for various types of improvements that benefit the public. Within current Block Grant dollars 15% can be used on activities that are not related to construction. In 1992, the County received a variance that allowed up to 25% of those dollars to be used on activities not related to construction. The County is seeking a continuance of that variance. Commissioner Sylva asked what department is responsible for Federal grant funding. Mr. Freedman replied that it was the Community Development Commission who manages grant dollars for the unincorporated areas of the County.

Chairman Philibosian thanked Mr. Freedman for his enlightening presentation

[Return to Top of Presentation](#)

[Return to Agenda](#)



Kenneth Hahn Hall of Administration, Room 163, 500 West Temple St.,
Los Angeles, CA 90012
Phone (213) 974-1491 FAX (213) 620-1437 [EMail eecomm@co.la.ca.us](mailto:EEComm@co.la.ca.us)
WEB eec.co.la.ca.us