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Assembly California Legislature



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COMMITTEES
CHAIR, JOINT LEGISLATIVE AUDIT
AGING AND LONG TERM CARE
GOVERNMENTAL ORGANIZATION
WATER, PARKS, AND WILDLIFE

May 13, 2013

Members
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Dear Members of the Committee:

I respectfully request the committee approve an audit of UC Medical Center finances and staffing. Specifically, I request the State Auditor examine the revenues generated at both the UCLA and UCSF Medical Centers, how those revenues are expended as well as staffing levels and costs for management personnel.

Last year, in a report to the Academic Senate, John Stobo, Senior Vice President for UC Health Sciences and Services reported, "For several years, the UC medical centers have enjoyed double digit net patient revenue increases and only 6 percent annual cost increases without any increase in total caseload volume."

In light of those strong revenue increases without serving more patients, I am concerned that ULCA Medical Center, the second most profitable hospital in Los Angeles, only dedicates 1.3% of revenues to charity care; a level far below the average of 5.4% for hospitals in Los Angeles County. It is concerning if a public institution falls far below private hospitals in meeting serious public need.

If UCLA Medical Center does not generate sufficient revenue to meet the county average for charity care, we need to understand why. If, on the other hand, UCLA is generating substantial revenue in excess of its costs, we need to understand where those revenues go.

As Senator Roth and Assemblyman Medina work toward the establishment of a medical school at UC Riverside, the Legislature is asked to appropriate \$15 million to begin that effort. I support them. At the same time, I am working toward the establishment of a medical school at UC Merced, but am faced with the task of finding \$5 million in the General Fund for the project.

From what we read about a 44% increase in the number of UC employees with base pay over \$200,000 and pension caps of up to \$375,000 for some UC administrators, a close examination



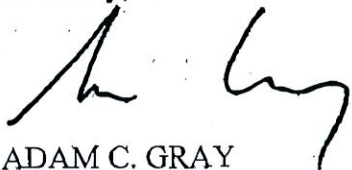
of revenues and expenditures at UCSF Medical Center may reveal that sufficient revenues are being generated at this one medical center to pay for both new medical schools and thereby increase access to quality medical care in undeserved regions of California.

At a minimum, the audit should include the following for the time period 2009 through 2012:

- Identify the major categories of revenues and expenditures. For example, identify the change in salaries and compensation as well as debt service for construction. Further, determine the annual profit for each medical center.
- Determine the annual caseload volume and mix and compare to the annual profit at each medical center.
- Determine the number of employees with annual compensation in excess of \$200,000. Examine the reasons for the change in number of employees and/or compensation in excess of \$200,000 and determine if there is any correlation to patient care and non-management staff. Additionally, compare the level of compensation for these employees to those at other medical centers or private hospitals performing similar duties.
- Determine the amount of charity care provided by each medical center from. How do the amounts compare to the charity care provided by other medical centers and private hospitals.

Thank you for your consideration. Should you have any questions do not hesitate to contact Debbie Meador, Chief Consultant to the Joint Legislative Audit Committee, at (916) 319-3300.

Sincerely,



ADAM C. GRAY
Assembly Member, 21ST District
Chair, Joint Legislative Audit Committee