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The California State Auditor released the following report today:

UCLA and UCSF Medical Centers

Although They Supply Significant Monetary Support to Their Campuses' Schools of Medicine, Their Finances and Key Measures of Patient-Care Quality Have Remained Stable

BACKGROUND

The University of California's (UC) five medical centers are state-licensed and federally certified health care facilities, with the medical centers in Los Angeles (UCLA) and in San Francisco (UCSF) being ranked among the top 15 in the nation. Both medical centers pay their schools of medicine for purchasing services—specific services provided by school personnel that benefit the medical center—and transfer funds to the schools of medicine to support essential physicians or programs. All of the UC's medical centers generate most of their revenue from collecting payments for providing medical services and receive little support from the State's General Fund.

KEY FINDINGS

During our review of the finances and compensation practices of UCLA and UCSF medical centers, we noted the following:

- During fiscal years 2008–09 through 2012–13, more than 95 percent of the total revenue generated by each medical center came from providing patient services, such as transplants, neurosurgery, and cancer treatment. Net patient revenue outpaced the growth in the medical centers' expenditures during those same five fiscal years.
- Despite experiencing significant growth in their expenditures during this five-year period, the medical centers' financial position continued to remain positive.
  - ✓ Salaries and wages, which made up about 40 percent of operating expenditures at UCSF Medical Center and more than 44 percent at UCLA Medical Center, grew by at least 20 percent, while expenditures on employee retirement and other benefits grew more than 70 percent.
  - ✓ Monetary transfers from the medical centers to other campus departments, primarily their schools of medicine, grew significantly during this time, reducing the funds available to the medical centers at the end of each year. At UCLA Medical Center these annual amounts of health system support transfers nearly tripled while nearly doubling at UCSF Medical Center.
- The transfers from the medical centers to the other campus departments—mainly their schools of medicine—ranged from a low of $30 million to a high of $103 million over the five years. However, neither included information in their financial statements or reports clearly explaining the purposes of the transfers.
- Although executives at UCLA and UCSF medical centers generally received higher total compensation than did their counterparts at the UC's other medical centers, the two medical centers followed applicable policies when approving and justifying compensation increases and incentive awards for 20 employees whose compensation we reviewed.
- The number of highly compensated employees increased at UCLA and UCSF medical centers from 2009 through 2012, with managers being the largest category of employees earning more than $200,000.
- In spite of changes in staffing levels at the two medical centers over the five-year audit period, quality of patient care measures and patient satisfaction were not noticeably affected. The indicators we reviewed either improved or remained stable.

KEY RECOMMENDATIONS

We recommended that the UC take steps to increase the transparency of its campuses' health system support transfers. We further recommended that the UC make information available to the public by establishing a process for ensuring that it annually issues a report through its Web site. Such a report should describe the financial and programmatic impact of each campus's health system support transfers.

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