

COUNTY OF SAN MATEO
Departmental Correspondence

DATE: **JUN 19 2001**
HEARING: **JUN 19 2001**

TO: Honorable Board of Supervisors
FROM: Timothy B. McMurdo, Director, Hospital & Clinics Division
SUBJECT: Resolution Increasing Medical Institution Rates at San Mateo County General Hospital

RECOMMENDATION

Adopt a resolution authorizing the Board of Supervisors to increase medical institution rates at San Mateo County General Hospital.

Summary

Room rates at San Mateo County General Hospital (SMCGH) were last increased in April 1999. Those rates currently are:

<u>Room Type</u>	<u>Room Rate</u>
Medical-Surgery	\$ 810
Special Care Unit	\$2,110
Psychiatry	\$ 890

It is important to maintain inpatient charges at rates relative to increases in wages, pharmaceuticals and other operating costs.

In order to determine how SMCGH room rates compare to other hospital room rates, a room rate survey of local hospitals and county facilities was conducted. The following are results of that survey:

<u>Room Type</u>	<u>Average All Hospitals</u>	<u>Average County Hospitals</u>
Medical-Surgery	\$ 1,481	\$1,134
Special Care Unit	\$ 3,600	\$3,009
Psychiatry	\$ 1,403	\$1,062

SMCGH's current room rates are significantly below the average of all private and county hospitals.

Discussion

SMCGH's Board of Directors recommends that your Board approve an increase in the rates to cover current hospital costs. The new rates, effective July 1, 2001 will be:

<u>Room Type</u>	<u>7/1/01 Proposed Rate</u>
Medical Surgery	\$1,450
Special Care Unit	\$3,100
Psychiatry	\$1,100

Part of the hospital's reimbursement from Medicare and Medicaid is based on allowable costs. The reimbursement formulas used for cost based reimbursement are in part based on the relationship between the hospital's allowable costs and its gross charges. If the facility's charges are lower than the allowable costs, then government payers will pay the lower amount, that being the charges instead of the costs. The hospital therefore needs to raise its charges in order to avoid losing reimbursement dollars.

FISCAL IMPACT

The hospital's primary payers, Medicare and Medi-Cal pay per-diem and Diagnostic Related Groups(DRG) rates that are not impacted by room rate increases. Patients on the WELL Program pay a flat inpatient rate so these rate increases will not have a direct effect on how much these patients pay out-of-pocket. Room rate increases, however, will be reflected in cost report settlements and assure that the hospital's charges remain higher than its costs, which is critical for maximizing reimbursement to SMCGH.

These rates may have to be adjusted further after the report of cost report consultants is completed. The Board will be apprised if a further adjustment is necessary to maximize reimbursement of eligible expenses. This adjustment is anticipated to result in \$140,000 which is included in the 2001-02 Recommended Budget.

RECOMMENDED


HEALTH SERVICES

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

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RESOLUTION INCREASING MEDICAL INSTITUTION RATES AT
SAN MATEO COUNTY GENERAL HOSPITAL

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the Board of Supervisors established rates to be charged for the purpose of charging and collecting from patients able to pay for services rendered by the County of San Mateo for care and treatment at San Mateo County General Hospital; and

WHEREAS, the current rates have been in effect since January 1999; and

WHEREAS, current rates will not meet actual costs; and

WHEREAS, it is in the best interest of the County to maintain charges higher than costs for cost settlements from Medicare and Medi-Cal:

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the daily rates for services rendered at San Mateo County General Hospital effective July 1, 2001 are hereby determined to be:

<u>Daily Hospital Services</u>	<u>7/1/01 Rate</u>
Medical-Surgical/Pediatric	\$1,450
SCU	\$3,100
Psych	\$1,100