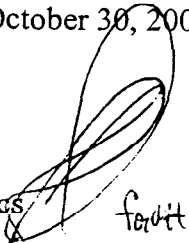


COUNTY OF SAN MATEO  
Departmental Correspondence

Date: October 22, 2001  
Hearing Date: October 30, 2001

To: Honorable Board of Supervisors  
From: Margaret Taylor, Interim Director, Hospital and Clinics   
Subject: FY 2000-01 Final Budget Adjustments Final Year-End for Hospital and Clinics

RECOMMENDATION

1. Approve an Appropriation Transfer Request adjusting the FY 2001-02 Hospital Enterprise Fund budget to reduce negative Fund Balance and make appropriation and revenue changes (\$4.1 Million) as follows:
  - a. Increase Unanticipated Revenue (\$700,000)
  - b. Reduce Salaries and Benefits (\$187,000)
  - c. Reduce Services and Supplies (\$1,213,000)
  - d. Increase General Fund Subsidy from Non-Departmental Reserves (\$2,000,000); and
  - e. Reallocate (\$470,966) in Salaries and Benefits, Services and Supplies and Other Charges within various Hospital organizational units to more accurately reflect location of actual expenditures.
2. Adopt an Ordinance Amending to the Master Salary Ordinance deleting two Psychiatric Social Workers and one Psychologist.

Background and Discussion

San Mateo County Health Center closed FY 2000-01 with a consolidated loss of approximately \$5.1 million.<sup>1</sup> This loss was created by the following:

- \$1 million - depreciation expense. This is a non-cash loss, an expense often not funded in public hospital enterprise funds. Historically, depreciation expenses are not included in the operating budget.
- \$2 million - write-off of old patient accounts held with outside agencies. During the review of FY 1999-2000, the auditors recommended that the methodology for

<sup>1</sup> This is the unaudited consolidated loss. The auditors have recently indicated that this loss will increase by \$1.5 million due to a revenue accrual reversal from the SMCHC Foundation. However, this \$1.5 million will be received in the current fiscal year.

evaluating these accounts be reviewed. In addition, the methodology for evaluating the timing of the discharge of bad debt has also since been updated to ensure timely discharge of low collectability accounts. This is a one-time loss unrelated to FY 2000-01 operations.

- \$1 million – net impact of patient revenues below budget. In preparing the FY 2001-02 budget, the over-budgeting of patient revenues in FY 2000-01 was discussed with the Hospital Board and with County Manager's Office staff. The 2001-02 budget may also be overly optimistic based on current inpatient volume. This will continue to be reviewed during the year.
- \$1 million – pharmaceutical expenditures higher than budget. This is a concern for ongoing operations, since the pharmacy budget for FY 2001-02 may be too low, even if cost saving efforts are successful through the Pharmacy 340 B program and pharmacy formulary changes. This area will be closely monitored and reported on a monthly basis to the Hospital Board.
- \$1.4 million – GSS expenses. GSS, a consulting organization within Siemens SMS, was retained in October 2000 with a projection that patient revenues were anticipated to be higher than budgeted. GSS expenses were to be paid as a percentage of these additional revenues. However, since these higher revenues did not materialize, the GSS contingency fee (16% of revenues collected) had to be paid from patient revenues that fell below their projections. This is a one-time loss since GSS fees are budgeted for the remainder of the contract in FY 2001-02. The GSS engagement ends October 31, 2000 and many changes have been made in the process and procedures for handling billing and collections.

Please note the above items total \$6.4 million and do not take into account increases in other revenue accounts or savings in expenditures; with those included the net loss is \$5.1 million.

The ongoing portion of the \$2.1 million loss related to FY 2000-01 operations will be covered from the following sources:

- \$700,000 additional Long Term Care DP/SNF (Distinct Part/Skilled Nursing Facility) ongoing revenues as a result of higher reimbursement rates. The State budget effective July 1, 2001 included this new federal revenue source. This amount is based on information received from the State concerning revenues to this facility in FY 2001-02.
- \$800,000 ongoing reduction in Facilities Management. During FY 2001-02 budget development, the utilities budget was increased substantially based on information available at that time. However, based on actual experience over several months, the budget is overstated. In addition, the whole facilities management budget is being closely reviewed for appropriate staffing levels and work orders from Public Works.

- \$350,000 ongoing reduction in Psychiatric Services. These savings will be obtained through changes in staffing and coverage practices for nights and overtime with minimal impact on patient services. Two Psychiatric Social Workers and 1 Psychologist position will be deleted.
- \$250,000 reduction in Materials Management. Savings in various contracts and purchasing arrangements have been identified.

#### Fiscal Impact

The ongoing portion of the loss will be covered by the \$2.1 million in adjustments identified above. The one-time write-off of bad debt in the amount of \$2 million will be covered by a one-time subsidy from General Fund Reserves. There will be no budgetary adjustment for the non-cash loss of \$1 million related to depreciation expense. Staff are working with the Controller's Office and County Manager's Office to determine the most appropriate method to address depreciation expense and future equipment replacement costs.

**COUNTY OF SAN MATEO  
APPROPRIATION TRANSFER REQUEST**

REQUEST NO.  
ATR2-027

DEPARTMENT  
HEALTH SERVICES AGENCY / HOSPITAL

DATE  
10/24/01

**I. REQUEST TRANSFER OF APPROPRIATIONS AS LISTED BELOW:**

	C O D E S		AMOUNT	DESCRIPTION
	FUND OR ORG.	ACCOUNT		
From	SEE ATTACHED			
To	SEE ATTACHED			

Justification. (Attach Memo If Necessary)

SEE ATTACHED

DEPARTMENT HEAD

BY: *[Signature]*

DATE  
10-25

2.  Board Action Required       Four-Fifths Vote Required       Board Action Not Required
- Remarks:

COUNTY CONTROLLER

BY: *[Signature]*

DATE  
10-25

3.  Approve as Requested       Approve as Revised       Disapprove
- Remarks:

COUNTY MANAGER

BY: *[Signature]*

DATE  
10-25

**DO NOT WRITE BELOW THIS LINE — FOR BOARD OF SUPERVISORS' USE ONLY**

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

RESOLUTION TRANSFERRING FUNDS

RESOLUTION NO. \_\_\_\_\_

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

WHEREAS, the Department hereinabove named in the Request for Appropriation, Allotment or Transfer of Funds has requested the transfer of certain funds as described in said Request; and

WHEREAS, the County Controller has approved said Request as to accounting and available balances, and the County Manager has recommended the transfer of funds as set forth hereinabove:

NOW, THEREFORE, IT IS HEREBY ORDERED AND DETERMINED that the recommendations of the County Manager be approved and that the transfer of funds as set forth in said Request be effected.

Regularly passed and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

Ayes and in favor of said resolution:

Noes and against said resolution:

Supervisors: \_\_\_\_\_

Supervisors: \_\_\_\_\_

**ORDINANCE NO. \_\_\_\_\_**

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

\* \* \* \* \*

**AN ORDINANCE AMENDING SALARY ORDINANCE 04060**

The Board of Supervisors of the County of San Mateo, State of California,  
ordains as follows:

**SECTION 1.** Part 12 of the Ordinance is amended as indicated:

ORGANIZATION 66000 SAN MATEO COUNTY HEALTH CENTER

1. Item G040S, Mental Health Case Worker series, is decreased by 2 positions for a new total of 1 position.
2. Item F116S, Psychologist series is decreased by 1 position for a new total of 0 positions.

**SECTION 2.** This action is effective at the start of the first pay period thirty days following adoption.

**COUNTY OF SAN MATEO  
APPROPRIATION TRANSFER REQUEST (ATR)**

	<u>CODES</u>		Amount	Class/Object-Budget Unit
	Org	Account		
	66141	5426	770	Services and Supplies - Other Gen Office Equipment
	66141	5511	2,200	Services and Supplies - Office Equip Rental
	66141	5721	400	Services and Supplies - Meetings & Conferences
	66141	5722	150	Services and Supplies - Misc Employee Exp Reimb
	66141	5733	700	Services and Supplies - Training and Education Mater.
	66141	5955	2,475	Services and Supplies - Registration and Filing
	66141	6719	500	Other Charges - Food Service Charges
	66141	6722	500	Other Charges - Copy Center Charges
	66141	4161	213,000	Salaries and Benefits - Extra Help
			<u>\$ 6,570,966</u>	<b>TOTAL</b>
<b>Balance</b>			-	

**COUNTY OF SAN MATEO  
APPROPRIATION TRANSFER REQUEST (ATR)**

	CODES		Amount	Class/Object-Budget Unit
	Org	Account		
<b>FROM:</b>	80110	8612	2,000,000	General Fund-Non-Departmental Reserves
	66011	1992	2,000,000	Intergovernmental Revenue - Gen Fund Subsidy
	66806	2354	700,000	Charges for Svcs-Long Term Institutional Care
	66701	4161	50,000	Salaries and Benefits - Extra Help
	66701	5631	600,000	Services and Supplies - Electric and Gas
	66701	5969	75,000	Services and Supplies - Other Special Dept Expense
	66701	5876	75,000	Services and Supplies - Other Professional Svcs
	66611	5165	150,000	Services and Supplies - Medical/Dental Supplies
	66613	5191	25,000	Services and Supplies - Outside Printing
	66613	5423	20,000	Services and Supplies - Computer/Electronics
	66614	5197	5,000	Services and Supplies - Postage and Mail Expense
	66620	5155	27,500	Services and Supplies - Laundry Service
	66620	5856	22,500	Services and Supplies - Contract Special Programs
	66142	4111	254,382	Salaries and Benefits - Permanent Salaries/Benefits
	66141	4174	95,618	Salaries and Benefits - Overtime
	66142	4161	86,471	Salaries and Benefits - Extra Help
	66142	4171	151,000	Salaries and Benefits - Overtime-Straight
	66142	4172	10,500	Salaries and Benefits - Overtime- 1/2 Time
	66142	5165	425	Services and Supplies - Medical/Dental Supplies
	66142	5193	1,075	Services and Supplies - General Office Supplies
	66142	5194	300	Services and Supplies - Books and Manuals
	66142	5234	500	Services and Supplies - Office Furniture
	66142	5426	770	Services and Supplies - Other Gen Office Equipment
	66142	5511	2,200	Services and Supplies - Office Equip Rental
	66142	5721	400	Services and Supplies - Meetings & Conferences
	66142	5722	150	Services and Supplies - Misc Employee Exp Reimb
	66142	5733	700	Services and Supplies - Training and Education Mater.
	66142	5955	2,475	Services and Supplies - Registration and Filing
	66142	6719	500	Other Charges - Food Service Charges
	66142	6722	500	Other Charges - Copy Center Charges
	66142	5869	213,000	Services and Supplies - Residency Expense
			<b>\$ 6,570,966</b>	<b>TOTAL</b>
<b>TO:</b>	58511	7529	2,000,000	Other Financing Uses - Health Dept Transfer
	66011	333	4,100,000	Hospital - Fund Balance
	66241	4161	86,471	Salaries and Benefits - Extra Help
	66241	4171	151,000	Salaries and Benefits - Overtime-Straight
	66241	4172	10,500	Salaries and Benefits - Overtime- 1/2 Time
	66141	5165	425	Services and Supplies - Medical/Dental Supplies
	66141	5193	1,075	Services and Supplies - General Office Supplies
	66141	5194	300	Services and Supplies - Books and Manuals
	66141	5234	500	Services and Supplies - Office Furniture