



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

**San Mateo Medical Center**

**DATE:** June 5, 2003

**BOARD MEETING DATE:** June 24, 2003

**TO:** Honorable Board of Supervisors  
**FROM:** Nancy J. Steiger, Chief Executive Officer  
**SUBJECT:** Resolution Increasing the San Mateo Medical Center Charge Master

**Recommendation**

Adopt a resolution authorizing the Board of Supervisors to implement an across-the-board 10% rate increase to the San Mateo Medical Center Charge Master (Fee Schedule for Services Provided at San Mateo Medical Center).

**Background**

Room rates for the SMMC were last increased June 2001 to help cover increases in the Medical Center's wages, pharmaceuticals and other operating costs. A room rate survey was conducted with comparable hospitals, at that time, and it was verified that they were significantly below the average of all private and county hospitals.

Since that time, individual adjustments were made to Nursing and Ancillary charges as new services were implemented, or if current charges were found to be inequitable when compared to similar charges within the SMMC charge master.

**Discussion**

SMMC charges continue to be about 30-40% below comparable hospitals. There are three reasons why the Medical Center

- 1) In order to meet the revenue target for the Medical Center's FY 2003-04 Budget, it will be necessary to raise prices. Although a small percentage of reimbursement for the Medical Center is derived from Self-Pay patients, additional revenue from this payor source has been built into the budget.

- 2) Reimbursement from the Medicare and Medi-Cal programs are based on allowable costs, and the relationship between allowable costs to charges. The government is required to pay the lower of costs or charges. If the Medical Center's charges are lower than its costs, it could lose a significant amount of revenue from the government. The Medical Center currently maintains a relatively high cost-to-charge ratio.
- 3) Commercial payors often reimburse hospital outpatient services using a percent-of-charge rate. The lower the charges the more the Medical Center will stand to lose in reimbursement. We are planning to contract with a variety of commercial payors in the near future.

In order to help protect Self-Pay patients from having to pay higher prices and a higher out-of-pocket expense, the Medical Center will be implementing a "Self-Pay Discount" policy. This policy will provide for a significant discount if the bill is paid in full within 30 days of the bill date.

A consultant for the Medical Center will be engaged to recommend and validate the need to adjust specific individual charges beyond the initial 10% rate increase.

#### **Vision Alignment**

This Contract keeps the commitment to Responsive, effective and collaborative government and goal number 20: government decisions are based on careful consideration of future impact, rather than temporary relief or immediate gain. The agreement contributes to this commitment by making it possible for San Mateo Medical Center to maintain competitive pricing for its services in order to meet the revenue target for the Medical Center's FY 2003-04 Budget, to avoid losing a significant amount of revenue from the government, and to ensure recovery of appropriate reimbursement from commercial payors.

#### **Fiscal Impact**

This rate increase is expected to net an estimated additional \$25,000 to \$500,000 in revenue. It will not increase co-pays, deductibles and annual fees that patients currently pay, nor will it impact payors that currently reimburse patient services using fixed per-diems or case rates. However, it will impact payors that use a percent-of-charge reimbursement such as certain Medi-Cal eligible inpatients.