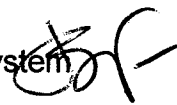




COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



DATE: January 27, 2010
BOARD MEETING DATE: February 9, 2010
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: Jean S. Fraser, Chief, Health System 
SUBJECT: Budget Assumptions for San Mateo Medical Center Budget 2010-2014

RECOMMENDATION:

Adopt a Resolution (1) revising expenditure assumptions for fiscal years 2010-2014 by eliminating the assumption that the general fund contribution to the San Mateo Medical Center will be reduced to \$50 million and (2) stating that the budget targets for the San Mateo Medical Center division will be equivalent to those of the other divisions of the Health System.

BACKGROUND:

On December 16, 2008, your Board provided direction to the County Manager on a multi-year approach for eliminating the County's structural deficit by fiscal year 2013. Included in the Power Point presentation to the Board were several revenue and expenditure assumptions for the fiscal years 2009-10 through 2013-14 which included, among other items, a reduction in general fund contributions to the San Mateo Medical Center (SMMC) from \$72 million to \$50 million. The assumption has been repeated in other presentations to your Board since then without a specific focus on that assumption. In light of the recession and other factors, the Health System is requesting that the assumption be revised.

DISCUSSION:

Since December 2008 the recession has resulted in the loss of jobs and health insurance coverage in San Mateo County such that there is an increased demand for the services of the San Mateo Medical Center. Yet the assumption that SMMC can operate with a general fund contribution reduced to \$50 million has not been revisited.

For example, in July 2008, 12,465 county residents were enrolled in the WELL program (since renamed the ACE program), which is the program by which the County meets its state mandate to provide medical care to low-income uninsured residents. As of January 1, 2010, 20,362 county residents are now enrolled in the ACE program, for a 60% increase. Similarly, since July 2008, county wages and benefits have increased at

annual rates of between 3.5% and 11.1%, and medical inflation has routinely outpaced general inflation by two or more percentage points. Meanwhile, the County has already reduced the General Fund support to SMMC by \$5.7 million, or by 7%, in addition to requiring SMMC to cover the entire increase in salaries and benefits for staff members.

The Health System believes that the budget assumption of an additional General Fund \$16 million reduction to \$50 million, plus the requirement that SMMC cover 100% of salary and benefit increases, is no longer realistic in light of the increased demand for SMMC services and rising costs. We are asking your Board to eliminate it and to make the SMMC budget target equivalent to the other Health System divisions. The budget target for the other Health System divisions (with the exception of the County contribution to the In-Home Supportive Services Program), is a 10% General Fund reduction plus each division has to absorb 35% of the increase in salaries and benefits.

This would still cut the contribution to SMMC by \$6.7 million, and require SMMC to absorb a \$2.5 million increase in salary, retirement and other benefits for staff, for a total budget gap of \$9.2 million. This estimate does not include any state or federal cuts or increases in service, supplies or other costs.

Approval of the Resolution contributes to the Shared Vision 2025 outcome of a healthy community in which our neighborhoods are safe and provide residents with access to quality health care and seamless services by developing budget targets for the San Mateo Medical Center that reflect the recent economic developments and the increasing service need for community members who may have lost their jobs and health insurance coverage.

The resolution has been reviewed by your Board's Finance and Operations Committee.

County Counsel has reviewed and approved the Resolution.

FISCAL IMPACT

The Resolution will align the SMMC budget target for 2010-11 through 2013-14 with the other divisions of the Health System. The budget target from the County Manager for all Health System Divisions (except SMMC and the In-Home Supportive Services Program) for FY 2010-11 is a 10% Net County Cost reduction from the NCC from FY 2009-10 and absorption of 35% of the increase in salaries and benefits for county staff. The difference between a General Fund contribution to SMMC of \$50 million and absorbing 100% of the increase in salaries and benefits, and a 10% reduction and absorbing 35% of the increase in salaries and benefits, would be approximately \$14.5 million.

RESOLUTION NO. _____

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

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RESOLUTION (1) REVISING EXPENDITURE ASSUMPTIONS FOR FISCAL YEARS 2010-2014 BY ELIMINATING THE ASSUMPTION THAT THE GENERAL FUND CONTRIBUTION TO THE SAN MATEO MEDICAL CENTER WILL BE REDUCED TO \$50 MILLION AND (2) STATING THAT THE BUDGET TARGETS FOR THE SAN MATEO MEDICAL CENTER DIVISION WILL BE EQUIVALENT TO THOSE OF THE OTHER DIVISIONS OF THE HEALTH SYSTEM.

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

WHEREAS, on December 16, 2008, this Board provided direction to the County Manager on a multi-year approach for eliminating the County's structural deficit by fiscal year 2013; and

WHEREAS, there were several revenue and expenditure assumptions for the fiscal years 2010-2014 which included, among other items, a reduction in general fund contributions to the San Mateo Medical Center from \$72 million to \$50 million; and

WHEREAS, the downturn of the economy of the nation and of the State has resulted in loss of jobs and health insurance coverage in the community and in increased demand for the services of the San Mateo Medical Center; and

WHEREAS, services provided at the San Mateo Medical Center have been structured consistent with the vision of the Blue Ribbon Task Force on Adult Health Care Coverage Expansion and with the work of the Health System Redesign Initiative;

and

WHEREAS, the structural budget deficit and other economic developments have worsened the County's fiscal outlook and now require a broader, county-wide approach to maintain public services and the fiscal health of the County;

WHEREAS, this Board's shared vision is for a healthy community and to provide residents with access to quality health care and seamless services;

NOW THEREFORE, BE IT RESOLVED, by this Board of Supervisors that (1) the expenditure assumptions for fiscal years 2010-2014 are revised to eliminate the assumption that the general fund contribution to the San Mateo Medical Center will be reduced to \$50 million and (2) that the budget targets for the San Mateo Medical Center division will be equivalent to those of the other divisions of the Health System

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