

County of Santa Clara Santa Clara Valley Health & Hospital System

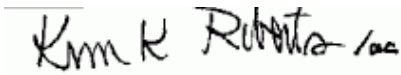


HHS02 051209

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Chief Financial Officer

DATE: May 12, 2009

TO: Board of Supervisors

FROM: 
Kim Roberts
SCVHHS - Chief Executive Officer

SUBJECT: SCVHHS General Fund and Enterprise Departments' FY10 Budget Proposals

RECOMMENDED ACTION

Accept report relating to Santa Clara Valley Health & Hospital System (SCVHHS) General Fund FY10 Budget Proposals from Public Health, Mental Health, and the Enterprise Fund FY10 Budget Proposal for Santa Clara Valley Medical Center.

FISCAL IMPLICATIONS

There is no impact on the County General Fund associated with the review of these proposals. This item is informational only. The Board of Supervisors will take action on the FY10 budget during its budget hearings in June.

REASONS FOR RECOMMENDATION

Each year, the Board's policy committees review the proposed budgets for the following fiscal year. Recommendations are made to the full Board, which ultimately approves the County's budget every June.

The Public Health Department's and Mental Health Department's FY10 budget proposals were reviewed by the Health and Hospital Committee during its March 18th meeting. The Santa Clara Valley Medical Center (SCVMC) and Department of Alcohol and Drug Services FY10 proposals were reviewed during the April 14th Health and Hospital Committee meeting.

By way of this agenda item, the Health and Hospital Committee will review all of the SCVHHS department budget proposals for FY10.

BACKGROUND

For FY10, SCVHHS collectively given reduction targets totalling \$104.25 million. In addition to its \$60 million target, SCVMC was also called upon to contribute the majority of its Budget Reserve to the FY10 budget solution and expected State budget shortfalls. Reductions of this magnitude, on top of eight prior years of budget reductions and in the face of ever increasing demand for care, makes it difficult to continue meeting our mission. Yet, SCVHHS will not allow quality to suffer as it seeks to do more with less.

Collectively SCVHHS has met its assigned targets. While these proposed reductions are measured relative to the current level budget, the reality is that the demand for SCVHHS's services is well beyond the level of our current budgets. As always, the proposed budgets have been prepared based on current knowledge and do not include the possible impacts of state and federal budget changes, Medicaid rule changes or health care reform legislation.

If implemented, these proposals would cut deeply into the safety net services that are provided to some of the most vulnerable residents of our community.

It should also be noted that SCVMC is in the midst of implementing Transformation 2010 (T2010), which is designed to generate \$57-107 million in on-going savings, once the 16 initiatives are fully implemented. Through the FY09 budget, the Board approved the first \$27.1 million in new revenue and expense reductions. Further expense reductions and new revenue proposals totalling \$32.3 million are included in the SCVMC FY10 budget proposal. If the FY10 proposals are approved, the total budget reductions associated with T2010 through FY10 will be \$59.4 million, with additional savings in development.

As the Board members saw during the T2010 update provided during its April 21st meeting, significant strides have been made in reducing costs in general and in the "unit of service" provided, which is helping SCVMC accommodate the increase in number of emergency department and outpatient visits, which we have already been seeing. These "cost avoidance" savings are in addition to the budget reductions noted above. Moreover, T2010 is on track to deliver in the upper end of potential savings and is on schedule.

Some of the lessons from T2010 have also been incorporated in the the cross-departmental proposals included in the budget package. SCVHHS has been working collectively to mitigate or even reverse some of the anticipated budget impacts; invest in the community to resolve some of the underlying need; and continue to market and compete for private insurance and other funding. That is why in the SCVHHS budget proposals there are a number of cross-departmental solutions which seek to retain services to as many members of our community as possible. The solution often includes restructuring and moving programs into SCVMC so as to draw down additional available resources or leveraging similar services. Specifically, SCVMC and Valley Health Plan are assisting the Public Health and Mental Health Departments in meeting their client service needs through collaborations or service provision changes designed to maximize funding opportunities. Together, this is allowing the continuation of Comprehensive Perinatal Services Program (CPSP), California Children's Services and Medi-Cal adult outpatient Mental Health Services, though CPSP and Mental Health outpatient services will be configured differently.

General Fund Departments

When the Board approved the budget reduction targets for FY10, the SCVHHS General Fund Departments were given a reduction target of \$44.25 million. Public Health was given a target of \$11 million. Mental Health was given a target of \$22.5 million of which \$0.5 million was given to Custody Mental Health. Children's Shelter/Custody Health Services was given a target of \$1 million (including the \$500,000 Custody Mental Health target from Mental Health). The Department of Alcohol and Drug Services was given a target of \$9 million and Community Health Services was given a target of \$1.25 million. All departments submitted proposals to meet the reduction targets, though a few of the proposals have been pulled back by the Acting County Executive as part of the Recommended Budget. Changes that have been made since the documents were last distributed are noted in italics, changes made to reflect the Recommended Budget are noted with strike-throughs.

Enterprise Fund Departments

When the Board approved the budget reduction targets for FY10, SCVMC was given a target of \$60 million, which could be met through revenue increases or expense reductions, while Valley Health Plan was given no reduction target. Changes made after the April 14th HHC meeting have been noted in italics.

The goal of the SCVMC budget proposal is to continue to try to accommodate the increasing demand for services while meeting the reduction target, as well as begin to implement the needed changes identified through the T2010 effort.

Attachment

A copy of the SCVHHS FY10 budget proposals for Public Health, Mental Health and Santa Clara Valley Medical Center, red-lined to reflect the Acting County Executive's recommendations, are attached for review and consideration.

CONSEQUENCES OF NEGATIVE ACTION

The Committee will not receive the information it requested.

ATTACHMENTS

- Public Health Department Proposal