

# County of Santa Clara

## Board of Supervisors

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### MANAGEMENT AUDIT OF SANTA CLARA VALLEY HEALTH AND HOSPITAL SYSTEM (SCVHHS) ADMINISTRATION AND SUPPORT SERVICES

#### AUDIT SYNOPSIS

This management audit examined the operations, management practices and finances of various SCVHHS Administration and Support Services, including 64 of approximately 300 cost centers in the Santa Clara Valley Medical Center (SCVMC) Enterprise Fund. The audit report contains 11 major findings and 56 recommendations that if implemented, would enhance Finance Division staffing, result in improved financial management and reduce expenditures by about \$14.1 million annually. SCVHHS would achieve additional cost savings and several million dollars of increased revenues annually, once charges are set to fully recover costs, supplies are properly charged, and outside medical services are better coordinated with internal clinic capacities. The audit also recommends one-time costs of approximately \$906,400 to improve the efficiency and management of supply consumption and charge capture, and to identify discrepancies between prices on supply invoices and contracts.

#### KEY FINDINGS

- SCVMC lost \$1.3 billion over the past 10 years, but its charges for medical services remain low. In fact, the hospital has some of the lowest rates in the County, as well as among neighboring counties, and it is unknown whether charges fully recover costs. More than 10,000 of the 66,000 items in the chargemaster have an effective date at least three years old and 1,664 items have an effective date prior to 1988.
- The County spends more than \$39 million sending patients to outside medical providers that in some cases could be served by SCVMC within existing resources. Current clinic capacity is underutilized by about 150,000 visits annually, while physician staffing exceeds budget by 22 FTEs, or \$7 million annually.
- Administrative and support services cost allocations are inaccurate and not based on federal OMB A-87 cost allocation requirements. Staff did not provide policies, procedures and defined methodologies on which the cost allocations should be based. Budget development is also hampered by insufficient policies, procedures and staffing.
- Supply policies are weak, and millions of dollars worth of supplies are never charged and billed to payers.
- At SCVMC, the charge entry and medical coding functions are not centralized, and coders report to various supervisors/managers, many of whom are not professional coders. A single manager is thus not responsible for overseeing these functions and addressing coding problems, which could result in erroneous patient charges, billing delays, and the hospital losing revenue and incurring penalties.
- Over a four-year period, as a result of weak policies and failure to adhere to policies, VMC wrote off 1,124 items of missing equipment and furnishings, which cost \$30.4 million and accounted for 94 percent of all items written off by the entire County. The extent of missing equipment and furnishings at the hospital and the cost to write-off such items occurred without the knowledge of the Board of Supervisors.
- Technology projects are not centrally planned, prioritized and overseen, and no system exists for tracking where technology funds are spent across the organization, and what projects and staff are supported.
- The Board's authority to accept reduced amounts for unpaid patient debts has been delegated to multiple County entities, resulting in inconsistent practices and conflict with the Ordinance Code.
- County-issued cell phones are being underutilized, policies governing cell phone assignment and use are inadequate, procedural criteria do not address which plans are appropriate for which staff, and what happens to phones issued to staff that leave County employment.

A copy of the full report is available at:

<http://www.sccgov.org/managementauditor>