

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # B-7

Urgent

Routine

AGENDA DATE July 17, 2007

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Contract for Professional Services with HFS Consultants to Develop Strategies for Sustainability of the Health Services Agency Clinic System

STAFF RECOMMENDATIONS:

1. Authorize the Chief Executive Office to contract with HFS Consultants to develop strategies for sustainability of the Health Services Agency clinic system.
2. Authorize the Chief Executive Officer or his designee to negotiate and enter an agreement with HFS Consultants, not to exceed \$250,000 for Fiscal Year 2007-2008.

FISCAL IMPACT:

As the Health Services Agency enters the third year of the Board-approved three-year Strategic Plan, it is facing a significant financial challenge, both in its operating budget and in its cash position. The Proposed budget for the Clinics and Ancillary Services Division reflects an unfunded shortfall of \$12.6 million for which funding has not been identified. Additionally, the 2006-2007 year had an additional net loss of \$4.9 million that was funded prior to the 2006-2007 year end, using the remaining Strategic Plan contingency funds, Public Health fund balance, and unsecuritized Tobacco Settlement funds.

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BOARD ACTION AS FOLLOWS:

No. 2007-569

On motion of Supervisor Grover, Seconded by Supervisor DeMartini
and approved by the following vote,

Ayes: Supervisors: Mayfield, Grover, Monteith, DeMartini, and Chairman O'Brien

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST:


ELIZABETH A. KING, Assistant Clerk

File No.

FISCAL IMPACT: (Continued)

This is in addition to the planned General Fund allocation of \$5.6 million in 2006-2007 and \$4.4 million in 2007-2008. A complete review of Fiscal Year 2005-2006 is underway to determine the actual operating position at year-end, and is anticipated to result in an estimated additional \$5 million deficit. Resolution of these challenges is urgently needed and requires expert resources beyond those currently available in the County.

The agreement with HFS Consultants will include two phases. The initial phase will consist of work on financial assessment and recovery, financial modeling of service delivery options, and operational support for the Health Services Agency clinic system, and is estimated not to exceed \$150,000. It is expected that this work, in coordination with efforts of the Chief Executive Office, Auditor-Controller and the Health Services Agency, will be completed for consideration with the Final Budget for 2007-2008.

The second phase of work is estimated to cost up to \$100,000. This effort will focus on implementing the appropriate model of sustainability and will be dependent upon the outcome of the Federally Qualified Health Center Look-Alike application that is currently pending with the Health Resources and Services Administration. Funds for these professional services are available in the 2007-2008 Chief Executive Office Plant Acquisition Proposed Budget.

DISCUSSION:

The most significant initiative within the Health Services Agency's Clinic and Ancillary Division Strategic Plan to achieve financial sustainability is the pursuit of the Federally Qualified Health Center Look-Alike (FQHC-LA) designation. The application for that designation was submitted in August of 2006 and continues to be under review by the federal Health Services and Resources Administration.

For Fiscal Year 2007-2008, the financial goal of the Agency's Clinic and Ancillary Division was to achieve a break-even position with a planned general fund contribution of approximately \$4 million. Projections submitted with the preliminary budget in June indicate that without the FQHC-LA designation or other significant system changes, the Clinic and Ancillary Division would require more than \$12 million in additional funding to achieve a break-even position.

Given the current situation, it is imperative that policy recommendations be made to the Board of Supervisors prior to or in conjunction with the Final Budget in September. Based on the urgency and level of complexity, staff is recommending the engagement of external experts. These experts would assist the Chief Executive Office, Auditor-Controller and Health Services Agency staff to develop policy recommendations to resolve the current fiscal crisis and to implement sustainable solutions that seek to preserve services for the community within limited available resources. It is

acknowledged that the policy recommendations are expected to differ significantly based upon the outcome of the pending FQHC-LA application. The intended work is for the purpose of effectively planning alternatives which could be promptly launched based on the possible outcomes of the pending application, and in order to minimize, as much as possible, the financial exposure to the County.

Staff from the Chief Executive Office and Health Services Agency meet regularly on the challenges facing the Agency, and have developed a set of objectives that will drive the engagement of the consultants. The objectives are:

- Complete a financial assessment and identify recovery strategies;
- Model financially a clinic system that is as efficient as possible to determine the real cost of doing business;
- Model financially a sustainable clinic system that receives FQHC-LA status (using prior model as a foundation); and
- Model financially alternatives that provide Medically Indigent Adult (MIA) mandated services only, without the FQHC-LA designation.

It is anticipated that the Agency's final spending plan for 2007-2008 will be developed using the outcomes of the consultant's and staff work. The Board's Health Executive Committee will be continuously informed of progress and will provide direction to the work efforts. Other County departments and community involvement are expected, through a variety of workshops and summits. The Community Health Center Board will also be part of this effort as the governing body over the clinics for which FQHC-LA status has been requested.

Staff requests approval to finalize and enter a contract with HFS Consultants to assist the County in resolving the existing financial and operational challenges at the Health Services Agency. This recommendation has been reviewed with the Board's Health Executive Committee.

Policy Issues:

This recommendation supports the Board's priorities of a healthy community, effective partnerships, and efficient delivery of public services.

Staffing Impacts:

There are no staffing impacts directly related to this request.