

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

DEPT: Health Services Agency *max* BOARD AGENDA # 6:40 p.m.
Urgent Routine *ph* AGENDA DATE October 16, 2007
CEO Concurs with Recommendation YES NO
(Information Attached)

SUBJECT:

Public Hearing to Consider the Reduction in Urgent Care Service Capacity, Elimination of Clinical Laboratory Services, Reduction in the Radiology Services, and Reduction in the Maximum Income Level for Eligibility to the Medically Indigent Adult Program; and Approval to Conduct a Reduction In Force for the Health Services Agency

STAFF RECOMMENDATIONS:

1. Conduct a public hearing to consider and approve:
 - a. the reduction in Urgent Care service capacity,
 - b. the elimination of Clinical Laboratory services,
 - c. the reduction in the Radiology services, and
 - d. the reduction in the maximum income level for eligibility to the Medically Indigent Adult Program.

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FISCAL IMPACT:

As the Health Services Agency entered the third year of the Board-approved three-year Strategic Plan, it faced a significant financial challenge, both in its operating budget and in its cash position. The 2007-2008 Proposed Budget for the Clinics and Ancillary Services Division reflected an unfunded shortfall of \$12.6 million for which funding was not identified.

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BOARD ACTION AS FOLLOWS:

No. 2007-824

On motion of Supervisor Mayfield, Seconded by Supervisor Monteith
and approved by the following vote,
Ayes: Supervisors: Mayfield, Monteith, DeMartini, and Chairman O'Brien
Noes: Supervisors: None
Excused or Absent: Supervisors: Grover
Abstaining: Supervisor: None

- 1) X Approved as recommended
- 2) _____ Denied
- 3) _____ Approved as amended
- 4) _____ Other:

MOTION:

ATTEST:

Christine Ferraro

CHRISTINE FERRARO TALLMAN, Clerk

File No.

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STAFF RECOMMENDATIONS (Continued):

2. Approve the reduction-in-force and deletion of 19 filled positions in the Clinic and Ancillary budget, and further deletion of 12 vacant positions in the Clinic and Ancillary budget, one vacant position in the Indigent Health Care Program budget, and five vacant positions in the Administration budget effective December 1, 2007 as outlined in Attachment A.
3. Approve the reclassification of five positions from the Clinic and Ancillary budget effective December 1, 2007 as outlined in Attachment A.
4. Approve the transfer of two positions from the Clinic and Ancillary budget to the Indigent Health Care Program budget.
5. Amend the Salary and Position Allocation Resolution to reflect the recommended changes as outlined in this report.
6. Authorize the Chief Executive Office and the Managing Director of the Health Services Agency to fulfill the operational activities associated with implementation of the above recommendations.

FISCAL IMPACT (Continued):

The final approval of the County's application for Federally Qualified Health Center Look-Alike (FQHC-LA) was received on September 24, 2007. The cost report provided by HFS Consultants estimates that FQHC-LA status will provide additional revenue of \$6.4 million annually in increased reimbursements for primary care and urgent care clinic services, as shown in the following table:

Clinic & Ancillary budget (includes MIA)	2007-2008 Annualized Projections
Estimated shortfall	\$17.0 million
Planned General Fund contribution	4.4 million
Adjusted shortfall	12.6 million
FQHC-LA Net impact	6.4 million
Remaining shortfall	\$6.2 million

In addition, initiatives presented and approved by the Board of Supervisors on September 11, 2007 and those recommended herein, are estimated to increase revenues and reduce costs by over \$6 million annually. The Health Services Agency

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budget will be adjusted as part of the First Quarter Financial Review to reflect the impacts of receipt of FQHC-LA designation and approved initiatives.

In future years, the on-going General Fund contribution authorized by the Board on September 13, 2005 along with the additional revenues from FQHC-LA and the annual savings associated with the recommended efficiencies should allow the Agency to submit balanced budgets annually.

DISCUSSION:

Background

In September 2005, the Board of Supervisors adopted the recommended three-year Strategic Plan for the Health Services Agency. This plan infused \$16.7 million from the County's General Fund into the Agency and recommended several strategies for change to the clinic system and Medically Indigent Adult program in order to continue to provide access to residents who rely on the Agency for the health care needs, primarily those who are underserved and uninsured.

While some of the 2005 strategic plan initiatives have been achieved the Agency continues to struggle financially and required \$9.5 million in addition to the \$16.7 million planned contribution in order to balance the budget through the 2006-2007 fiscal year-end.

The most significant initiative within the Health Services Agency's Clinics and Ancillary Services Division Strategic Plan to achieve financial sustainability, was the pursuit of the Federally Qualified Health Center Look-Alike (FQHC-LA) designation. The application for that designation was submitted to the federal Health Resources and Services Administration (HRSA) in August of 2006. On September 24, 2007, final approval was received with an effective date of September 20, 2007.

For Fiscal Year 2007-2008, the financial goal of the Agency's Clinics and Ancillary Services Division was to achieve a break-even position with a planned general fund contribution of approximately \$4.4 million. Projections submitted with the Proposed Budget in June indicated that without the FQHC-LA designation or other significant system changes, the Clinics and Ancillary Services Division would require approximately \$12.6 million in additional funding to achieve a break-even position. Having recently received the FQHC-LA designation, the Agency now estimates that the net improvement will be \$6.4 million annually, leaving a remaining annual operational shortfall of approximately \$6.2 million.

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Based on the urgency and level of complexity regarding the Agency's shortfall, the Board authorized the engagement of external experts, HFS Consultants. These experts have assisted the Chief Executive Office and Health Services Agency staff in the development of 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.

An initial plan has been completed which is estimated to resolve the operating shortfall on an annual basis. Due to approval and implementation timing issues, the full impact of the initiatives will not be realized during this fiscal year however. The report on all the initiatives was presented and accepted by the Board of Supervisors on September 11, 2007, at which time the hearing of October 16, 2007 was scheduled for those recommendations for which a public hearing is required.

Recommendations for consideration during the Public Hearing

It is recommended to reduce the capacity of the Urgent Care Center. Annually the Urgent Care Center operation results in a shortfall of approximately \$1.3 million. The center is open twelve hours per day, seven days per week, and closes for only three holidays per year. Reviewing the daily registration statistics, patient volume varies by season with the winter months having the highest demand. During the past fiscal year, the Urgent Care Center's busiest day provided care to 114 patients, while the slowest day served only 19 patients. The average number of patients is 56 on weekdays and 50 on weekends. Based on the measure that 114 was fully maximized, the Urgent Care Center is viewed as operating at approximately 50% capacity. Nursing staff reviewed the patient acuity statistics for the past fiscal year, and the majority of the patients were seeking routine primary care services. Approximately half were patients not unique to our system, but rather were patients of our primary care physicians in the scheduled clinics. In an effort to reduce operating losses, the staff recommendation is to reduce the number of operating hours of the Urgent Care Center. While the proposal is to reduce the hours by 57%, the actual reduction in capacity is significantly less. The following table illustrates the current and proposed schedule.

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Urgent Care	Current	Proposed
Monday - Friday	9:30 a.m. – 9:30 p.m.	5:00 p.m. – 9:00 p.m.
Saturday, Sunday, and Holidays	9:30 a.m. – 9:30 p.m.	12:00 noon – 8:00 p.m.
Total Hours	84	36
Capacity Utilization	50% capacity	100% capacity
Patient visit capacity	350 patients per week	342 patients per week

This recommendation to reduce Urgent Care capacity is estimated to save \$846,000 annually. Those savings are largely based on staffing and professional services reductions.

It is recommended that the direct provision of clinical laboratory services be eliminated. The Agency operates a Clinical Laboratory and processes tests for approximately 26,356 patients annually. The Agency has the authority to require the Medically Indigent Adult (MIA) program patients to use the Agency's Clinical Laboratory, which accounted for 4,250 of the 26,356 patients served by the Clinical Laboratory. Many of the tests ordered by the Agency's clinic providers for non-MIA patients however, are referred to external clinical laboratories either due to health insurance rules, or the preference of the patient. Medi-Cal patients, who make up the majority of the Agency's patient population must have a choice of providers.

The Clinical Laboratory operation does not break-even, but rather during the Fiscal Year 2006-2007 lost \$872,047. Efficiencies were made in the Spring of 2007 and a proforma based on those implemented efficiencies was used to determine whether it was financially feasible to continue the operation. That analysis also included an estimate for the cost of purchasing the Clinical Laboratory services for the Medically Indigent Adult population, an obligation that would continue. Initial estimates indicated that after purchasing the services for the MIA patients from an external laboratory service provider, closing the clinical laboratory would result in a savings of \$430,000. Given that indirect costs attributed to the clinical laboratory at that time, were in the amount of \$450,000, it was estimated that the actual savings would be between zero and \$430,000. Since those initial estimates, management has met multiple times with staff, further studied the revenues and expenditures, including the reduction of services that had been provided to the Stanislaus Behavioral Health Center, and have now estimated

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that in the first full year of service elimination the range of savings would be between \$117,530 and \$632,864. After incurring lease buy-out liabilities of \$86,000, the ongoing annual savings would be between \$203,530 and \$718,864. The difference in the range represents the indirect costs, some of which would likely not be eliminated, but rather reallocated to remaining cost centers within the Agency.

It is recommended that the direct provision of radiology services be eliminated with the exception of plain film x-ray services to support the Orthopedic Specialty clinic. The Radiology department within the Agency provides the technical component of plain film x-rays, ultrasound and CT scans, which means that the professional interpretation is already contracted to an external Radiology provider. Images are sent to the contracted radiology group to interpret and report results back to the Agency providers. The Agency's Radiology operation does not break-even, but rather during Fiscal Year 2006-2007 lost \$663,839. The Agency provides radiology services annually to approximately 9,493 patients, of which approximately 1,937 are covered by the County's Medically Indigent Adult program. As with the Clinical Laboratory services, the Agency has the authority to require only the Medically Indigent Adult program patients to use the Agency's Radiology department. In contrast, many of the tests ordered by the Agency's clinic providers for non-MIA patients are referred to external radiology providers either due to health insurance rules, the preference of the patient, or due to the turnaround time required by the provider, which the Agency could not meet. Medi-Cal patients, who make up the majority of the Agency's patient population must have a choice of providers. It was initially estimated that closing the radiology department would result in a savings of between \$315,000 to \$415,000. After a more detailed review of indirect expense allocations, and considering the potential purchase cost for the MIA patients from an external radiology service provider, closing the radiology department with the exception of plain film capability to support the Orthopedic Specialty clinic, the Agency estimates it would reduce its operating shortfall by \$347,875 to \$528,839. The difference in the range represents the indirect costs, some of which would likely not be eliminated, but rather reallocated to remaining cost centers within the Agency.

It is recommended that the eligibility requirements for the Medically Indigent Adult program be modified to impose an income limitation of 200% of the Federal Poverty Guideline. Currently, the maximum income allowed for eligibility into the Medically Indigent Adult Program is 250% of the Federal Poverty Guideline. Under Welfare and Institutions Code Section 17000, the County is required to provide or arrange for the provision of medical care services for the Medically Indigent Adult residents of the County. Under the law, the scope of benefits and eligibility guidelines are established at the discretion of the County Board of Supervisors. A review of other counties' Medically Indigent Adult programs revealed that 72% of counties have 200% of the Federal Poverty Guideline established as the maximum income limit, while fully 83% of the

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counties use 200% or less. Including Stanislaus County, only 10 of the 58 counties use an income limit higher than 200% of the Federal Poverty Guideline.

While actual enrollment and expenditures vary from month to month and year to year, of the approximately 6,000 individuals enrolled within a fiscal year, approximately 3% fall within the income range of 201% to 250% of the Federally Poverty Limit. In Fiscal Year 2006-2007, there were 175 individuals enrolled for all or part of the year. The value of the medical expenditures related to those 175 individuals was \$256,000 in Fiscal Year 2006-2007, which represents the estimated annual savings that would be achieved by this proposed recommendation. Under the present rules, individuals who qualify and who have an income greater than 130% of the Federal Poverty Guideline are subject to Share of Cost requirements. This means that for every dollar that the individual's income exceeds 130% of the Federal Poverty Guideline, they are responsible for that amount of their medical care bill each month, before the MIA program becomes responsible for payment. This works much like a monthly deductible.

The following table illustrates income amounts using the Federal Poverty Guideline:

Based on a family size of one

% of FPG	Monthly	Annually
0-50	\$426	\$5,106
51-75	\$638	\$7,659
76-100	\$851	\$10,212
101-125	\$1,064	\$12,765
126-130	\$1,106	\$13,276
131-150	\$1,277	\$15,318
151-175	\$1,489	\$17,871
176-200	\$1,702	\$20,424
201-225	\$1,915	\$22,977
226-250	\$2,128	\$25,530

Under the recommendation and according to the present Federal Poverty Guideline for the family size of one, the income maximum set at 200% for the Medically Indigent Adult program would be \$1,702 monthly.

The combination of these recommendations are estimated to result in an annual savings of between \$1.5 to \$2.2 million.

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Public Hearing

This public hearing is required under the California Health and Safety Code Section 1442.5. All requirements have been met with regard to posting notices in advance of this hearing. Additionally and although not required, a formal notice was published in local newspaper editions including a Spanish language newspaper.

POLICY ISSUE:

Approval of this item supports the Board of Supervisors' priorities of a healthy community and efficient delivery of public services.

STAFFING IMPACT:

The total staffing impact of these recommendations includes the deletion of the 37 full-time positions, the downward classification of five positions and the transfer of two positions. Of the 37 positions, 28 full-time positions will be deleted as a result of the reduction in Urgent Care service capacity, the elimination of clinical laboratory services and reduction in the radiology services. Nine additional vacant positions will be deleted as a result of efficiency improvements in other areas of the Agency. The Department is also reclassifying downward five positions to reflect projected staffing requirements and transferring two positions to the budget in which the expenditures for the two positions will occur. The staffing attachment (Attachment A) reflects the details of the positions recommended for deletion, transfer and reclassification as part of this item. It is recommended that the Salary and Position Allocation Resolution be amended to reflect these changes.

In addition to the full-time positions identified with the recommended actions, there are approximately 10 part-time extra-help and contract employees currently employed at the Health Services Agency who will be impacted by the reduction in Urgent Care service capacity, the elimination of clinical laboratory services and reduction in the radiology services.

The County's Collective Bargaining Agreements (CBA), have provisions that describe the County's obligation, with respect to a reduction in force, or regarding the contracting or subcontracting of work customarily performed by members of a bargaining unit. In fulfilling these requirements, staff from the Chief Executive Office and the Health Services Agency conducted meetings with representatives of the two impacted bargaining units, Service Employees International (SEIU) and the American Federation

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of State, County and Municipal Employees (AFSCME). County staff and Union representatives met on several occasions to discuss and research options that would allow the County to maintain services in the Clinical Laboratory. SEIU and AFSCME submitted separate proposals to the County requesting the continued operation of Clinical Laboratory Services with a recommended change in operating hours and employee work schedules. The proposals were evaluated by County staff and determined to provide minimal impact to the ongoing deficit of Clinical Laboratory operations, and therefore were not considered for implementation.

Recognizing the potential impact the recommendation listed in this Item may have on the County's workforce, representatives from the County's Human Resources Division and the Health Services Agency's Human Resources staff made themselves available to meet with staff who were interested in pursuing other opportunities in the County. Additionally, the Chief Executive Office has asked Departments to hold vacancies as potential landing positions for employees affected by this recommendation. The Health Services Agency has also prepared for this reduction in force by maintaining funded vacancies throughout the department to minimize the number of impacted employees. Of the 37 positions recommended for deletion, 19 are currently filled and 18 positions are vacant. Budgeted vacancies have been identified within the Agency which could potentially absorb many of the impacted employees. It is estimated that approximately ten current full-time employees will be displaced from their current positions and will be evaluated for employment in separate classifications or departments. There may be additional opportunities for impacted employees as a result of employee turnover in the next six weeks. If this item is approved, County staff will meet individually with each affected employee to outline employment options, and assist during this time of transition. Based on continued employee turnover and voluntary transfers to other departments, the final impact of this action upon current employees will remain unknown until the recommendations are implemented on December 1, 2007.

Additional staffing impacts will be identified and considered in future Board agenda items throughout the current fiscal year as necessary based on the phased implementation of the recommendations in HFS Consultants Report.

Attachment A
Health Services Agency
Recommended Position Deletions, Transfers and Reclassifications

Allocated Budget Unit	Position Number	Allocated Classification	Vacant/ Filled	Filled Classification	Recommendation
Clinics and Ancillary 4051	00008575	Account Clerk II	Vacant		Delete
Administration 1401	00002831	Account Clerk III	Vacant		Delete
Administration 1401	00002838	Account Clerk III	Vacant		Delete
Administration 1401	00003518	Account Clerk III	Vacant		Delete
Administration 1401	00009877	Account Clerk III	Vacant		Delete
Clinics and Ancillary 4051	00003570	Administrative Clerk I	Filled	Administrative Clerk I	Delete
Clinics and Ancillary 4051	00006314	Administrative Clerk I	Filled	Administrative Clerk I	Delete
Clinics and Ancillary 4051	00003314	Administrative Clerk II	Filled	Administrative Clerk I	Delete
Clinics and Ancillary 4051	00003237	Administrative Clerk II	Filled	Administrative Clerk I	Delete
Clinics and Ancillary 4051	00003076	Administrative Clerk II	Filled	Administrative Clerk I	Delete
Clinics and Ancillary 4051	00003640	Administrative Clerk II	Filled	Administrative Clerk II	Delete
Clinics and Ancillary 4051	00003615	Administrative Clerk II	Filled	Administrative Clerk II	Delete
Administration 1401	00010063	Administrative Clerk II	Vacant		Delete
Clinics and Ancillary 4051	00003714	Administrative Clerk III	Filled	Administrative Clerk II	Delete
Clinics and Ancillary 4051	00003475	Administrative Clerk III	Filled	Administrative Clerk III	Delete
Clinics and Ancillary 4051	00003734	Administrative Clerk III	Vacant		Delete
Clinics and Ancillary 4051	00003471	Clinical Lab Assistant I	Filled	Clinical Lab Assistant I	Delete
Clinics and Ancillary 4051	00001254	Clinical Lab Assistant II	Filled	Clinical Lab Assistant I	Delete
Clinics and Ancillary 4051	00000778	Clinical Lab Assistant II	Filled	Clinical Lab Assistant II	Delete
Clinics and Ancillary 4051	00000701	Clinical Lab Assistant II	Filled	Clinical Lab Assistant II	Delete
Clinics and Ancillary 4051	00001315	Clinical Lab Assistant II	Filled	Clinical Lab Assistant II	Delete
Clinics and Ancillary 4051	00006280	Clinical Lab Assistant II	Vacant		Delete
Clinics and Ancillary 4051	00000897	Clinical Lab Assistant II	Vacant		Delete
Clinics and Ancillary 4051	00000590	Clinical Lab Scientist III	Filled	Clinical Lab Scientist III	Delete
Clinics and Ancillary 4051	00006279	Clinical Lab Scientist III	Filled	Clinical Lab Scientist III	Delete
Clinics and Ancillary 4051	00000486	Clinical Lab Scientist III	Vacant		Delete
Clinics and Ancillary 4051	00000481	Clinical Lab Scientist III	Vacant		Delete
Clinics and Ancillary 4051	00001074	LVN II	Filled	LVN II	Delete
Clinics and Ancillary 4051	00000741	LVN II	Filled	LVN II	Delete
Clinics and Ancillary 4051	00000924	LVN II	Vacant		Delete

Allocated Budget Unit	Position Number	Allocated Classification	Vacant/ Filled	Filled Classification	Recommendation
IHCP 1404	00000959	LVN III	Vacant		Delete
Clinics and Ancillary 4051	00000453	Manager IV	Vacant		Delete
Clinics and Ancillary 4051	00000921	Radiologic Tech III	Filled	Radiologic Tech III	Delete
Clinics and Ancillary 4051	00000687	Radiologic Tech III	Vacant		Delete
Clinics and Ancillary 4051	00001144	Radiologic Tech III	Vacant		Delete
Clinics and Ancillary 4051	00001143	Radiologic Tech III	Vacant		Delete
Clinics and Ancillary 4051	00001002	Radiologic Tech III	Vacant		Delete
Clinics and Ancillary 4051	00003725	Administrative Clerk II	Vacant		Transfer to IHCP Fund 1404
Clinics and Ancillary 4051	00006293	Administrative Clerk II	Vacant		Transfer to IHCP Fund 1404
Clinics and Ancillary 4051	00000957	LVN II	Filled	Nursing Assistant	Reclassify downward to Nursing Assist.
Clinics and Ancillary 4051	00000939	LVN II	Filled	Nursing Assistant	Reclassify downward to Nursing Assist.
Clinics and Ancillary 4051	00008463	LVN II	Filled	Nursing Assistant	Reclassify downward to Nursing Assist.
Clinics and Ancillary 4051	00001209	LVN III	Filled	Nursing Assistant	Reclassify downward to Nursing Assist.
Clinics and Ancillary 4051	00006322	LVN III	Filled	Nursing Assistant	Reclassify downward to Nursing Assist.