



## 2014- 2015 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

# SANTA CLARA VALLEY MEDICAL CENTER CONTINUITY UPDATE ON PERFORMANCE

## Summary

The 2011-2012 Santa Clara County Civil Grand Jury (2011-2012 Grand Jury) published a report in 2012 titled “Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation.” The 2014-2015 Santa Clara County Civil Grand Jury (Grand Jury) determined that a follow-up investigation was warranted to determine the status of the recommendations from the 2011-2012 Civil Grand Jury report.

## Background

The Santa Clara Valley Medical Center (SCVMC) was first established in 1876 and today is the Santa Clara County’s primary health care safety net provider. SCVMC is recognized for its delivery of high quality specialized treatment for emergency medical, neo-natal, trauma, burns, and rehabilitation from severe injuries. SCVMC also coordinates with other Santa Clara County (County) agencies to plan and prepare for medical, natural, or manmade disasters. SCVMC is a teaching institution affiliated with Stanford University in training medical practitioners.

The SCVMC is a \$1.363 billion<sup>1</sup> “enterprise.” The County Fiscal Year 2015 Final Budget noted, on page 346, that an enterprise fund is a “fund established to pay for the operation and maintenance of facilities and services which are predominantly self-supporting by charges to the users of the services (i.e., Santa Clara Valley Medical Center).”

In April 2011, the Board of Supervisors Management Audit Division published a “Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services.” The key findings addressed financial performance and specific weaknesses. A total of 56 recommendations were developed which, if implemented, would reduce expenditures by \$14,110,200 annually.

The 2011-2012 Grand Jury published a report titled “Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation.” The report listed seven findings and eight recommendations. In August 2012, the Civil Grand Jury received a response to the report from the Santa Clara County Board of Supervisors. See Appendix A.

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<sup>1</sup> FY 2015 Final Budget, County of Santa Clara at page 272.

The delivery of healthcare services has undergone dramatic changes since 2012. In 2013, SCVMC installed an electronic medical record system called HealthLink, which is an integral part of SCVMC for collecting the data needed to run an efficient hospital, as well as providing the required information to receive federal and state reimbursements. In 2014, the first stage of the Federal Affordable Care Act (ACA) was implemented, which changed federal and state health care policies. This implementation increased the number of patients with some level of medical insurance. It required SCVMC to attract patients who select SCVMC physicians as their primary physician in order to receive managed care reimbursements. Additionally, the State now pays SCVMC monthly for some Medi-Cal patients who have designated a primary care physician (managed care) at SCVMC, instead of paying for specific treatments for those patients.

## **Methodology**

The Grand Jury reviewed the April 6, 2011, “Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services,” prepared for the Board of Supervisors by the Board of Supervisors Management Audit Division (Audit). It then studied the 2011-2012 Grand Jury report “Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation” and the response from the interim CEO of SCVMC in a letter to the Board of Supervisors in August of 2012. The 2011-2012 Grand Jury recommendations and SCVMC responses are reproduced in Appendices A and B.

The Grand Jury conducted interviews of County employees and consultants and reviewed documents and reports provided from numerous sources, including the County, and SCVMC regarding finance, budgeting, performance measures, information systems, customer satisfaction, and public relations. A list of documents reviewed is included as Appendix C.

An additional source of information came from a presentation made by SCVMC management to the Board of Supervisors Finance and Government Operations Committee meeting of April 27, 2015. Portions of the text and charts from this meeting are in the Discussion section of this report.

## Discussion

The following table shows the 2011-2012 Grand Jury's recommendations and the 2012 County response, together with a summary of the actions SCVMC planned to take to implement the recommendations.

### 2011-2012 Grand Jury Recommendations and Responses

<u>Discussion Topic</u>	<u>2012 Grand Jury Recommendation</u>	<u>2012 County Response</u>	<u>Summary of 2012 County Response</u>
<b>Management, Budget, and Subsidies</b>	1A. The County should require that SCVMC stay within the budget to avoid future unplanned subsidies from the General Fund.	SCVMC agrees in concept but only partially agrees to recommendation.	"Increases to the subsidy are never planned and are never desired."
	1B. The County should require that hospital leadership runs SCVMC as a business and require leadership to make appropriate financial decisions using the data the hospital systems generate.	SCVMC partially agrees	"SCVMC is implementing a new cost accounting system as well as expanding its analytical and decision support capabilities."
	2. The County should implement systems to increase productivity in reaching break-even financial performance.	SCVMC agrees	"Steps have already been taken to increase productivity and the number of patients seen."
<b>Performance Measurements</b>	3. Regardless of how the Health Care Reform Act (HCRA) may be affected by the United States Supreme Court decision, the County should adopt performance measurements consistent with the HCRA indicators because they can lead to improved SCVMC performance.	SCVMC agrees	"SCVMC has extensive quality improvement and measurement processes in place related to these measures, and also includes regular reports to HH." <sup>2</sup>
<b>Financial System Integration Between SCVMC and County</b>	4. The County should develop and implement an interface between the SCVMC and County systems to ensure data consistency, in accordance with generally accepted accounting principles.	SCVMC partially agrees	"SCVHHS Finance will continue to work with the County Controller's Office to improve SCVMC reporting."

<sup>2</sup> Health and Hospital Committee

<u>Discussion Topic</u>	<u>2012 Grand Jury Recommendation</u>	<u>2012 County Response</u>	<u>Summary of 2012 County Response</u>
<b>Consolidated Financial Report</b>	5. The County should require an SCVMC consolidated financial statement reported as part of the CAFR.	SCVMC partially agrees	"A separate and annual report is prepared each year. SCVHHS will provide access to this report in the future."
<b>HealthLink System</b>	6. The County should give SCVMC's implementation of EpicCare top priority to meet the scheduled May 2013 date.	SCVMC agrees	SCVMC agrees and appreciates the involvement of the County Information Services Department and the County Executive's Office in making HealthLink (SCVMC's name for Epic System) a top priority."
<b>Marketing</b>	7. The County should establish a marketing function directed at increasing public awareness of the services SCVMC offers.	SCVMC partially agrees	"Should additional funding become available, marketing efforts will increase."

**Management, Budget, and Subsidies: 2012 Grand Jury Recommendations 1A., 1B., and 2**

The SCVMC's mission is to "[p]rovide quality healthcare for all persons in Santa Clara County regardless of their individual ability to pay." The SCVMC's final budget for Fiscal Year 2014-2015 (FY2015) shows that the management of SCVMC is committed to exceeding the "safety net" health care standards.<sup>3</sup>

The new SCVMC administration has also brought an emphasis on hospital business management best practices, as opposed to focusing only on delivery of medical services. One goal is to increase SCVMC productivity. As a result of implementing the improvements and holding line managers more accountable for staff performance, in 2012, SCVMC management hoped to achieve their goals by taking action in three broad categories:

- Improving patient access,
- Correcting flaws in the revenue cycle, and
- Decreasing controllable costs.<sup>4</sup>

Many of the operational improvements are geared toward increasing productivity and improving customer service throughout SCVMC and include: The Center for Learning

<sup>3</sup> FY 2015 Final Budget, County of Santa Clara at page 273.

<sup>4</sup> 2011-2012 Civil Grand Jury Report, "Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation," at page 4.

Transformation, Unit Based Teams, Just Culture, and HealthLink. These initiatives indicate a focus on providing quality patient care in a cost effective and efficient manner. They are grounded in best practices and supported by the County Executive and SCVMC executive management.

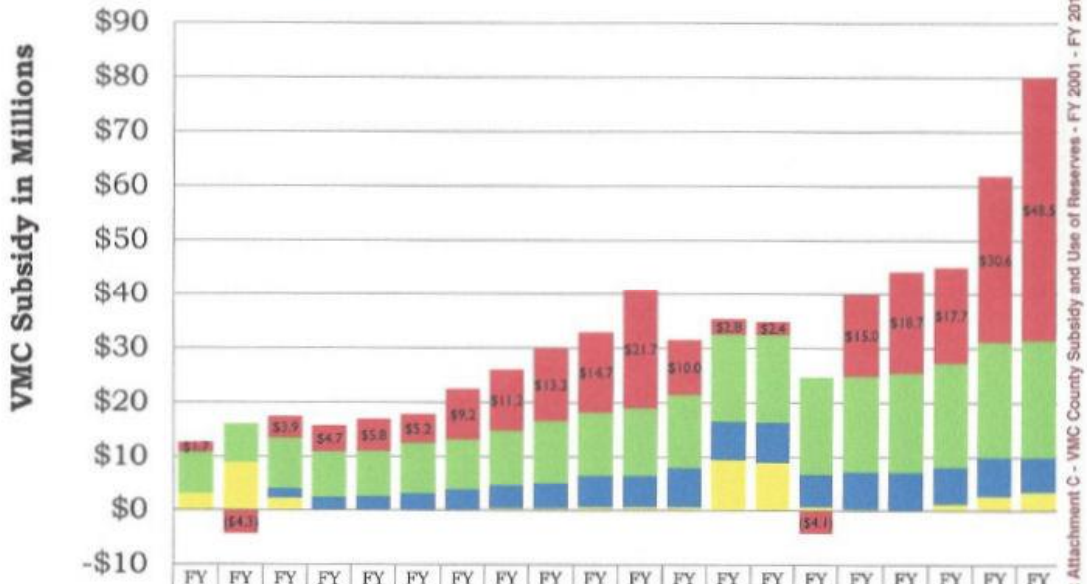
Almost every person interviewed indicated the need for improvement in efficiency and effectiveness and a continued emphasis on these initiatives. The Grand Jury was told; however, that buy-in from the rank and file remains inconsistent throughout the organization.

The SCVMC is subject to a constantly changing medical care landscape. The reimbursements from Medicare, Medi-Cal, and commercial insurance companies do not always fully reimburse the cost of service and are subject to change. For example, the current revenue for Medi-Cal patients is based on higher short-term reimbursement rates resulting from the ACA implementation. Also, Medicare and Medi-Cal now provide monthly reimbursements for patients with their primary physician at SCVMC (managed care), rather than reimbursing costly services (fee for service).

The Grand Jury has learned that subsidies from the County's General Fund to the SCVMC Enterprise Fund were modest in the 1980's and 90's. Per the "VMC Subsidy FY 81 thru FY 00" chart below, subsidies were ranging from \$13 million in FY 81 to \$45 million in FY 98, but have grown rapidly over the last fifteen years.

The second chart, "VMC County Subsidy and General Fund Grant FY 2001 thru FY 2015," shows that the total subsidies from all sources ranged from just over \$100 million in FY 2001 to over \$260 Million in FY 2009. In FY 2015, a \$146 million subsidy is currently budgeted to the SCVMC Enterprise Fund from the County's General Fund.

# VMC Subsidy FY 81 thru FY 00



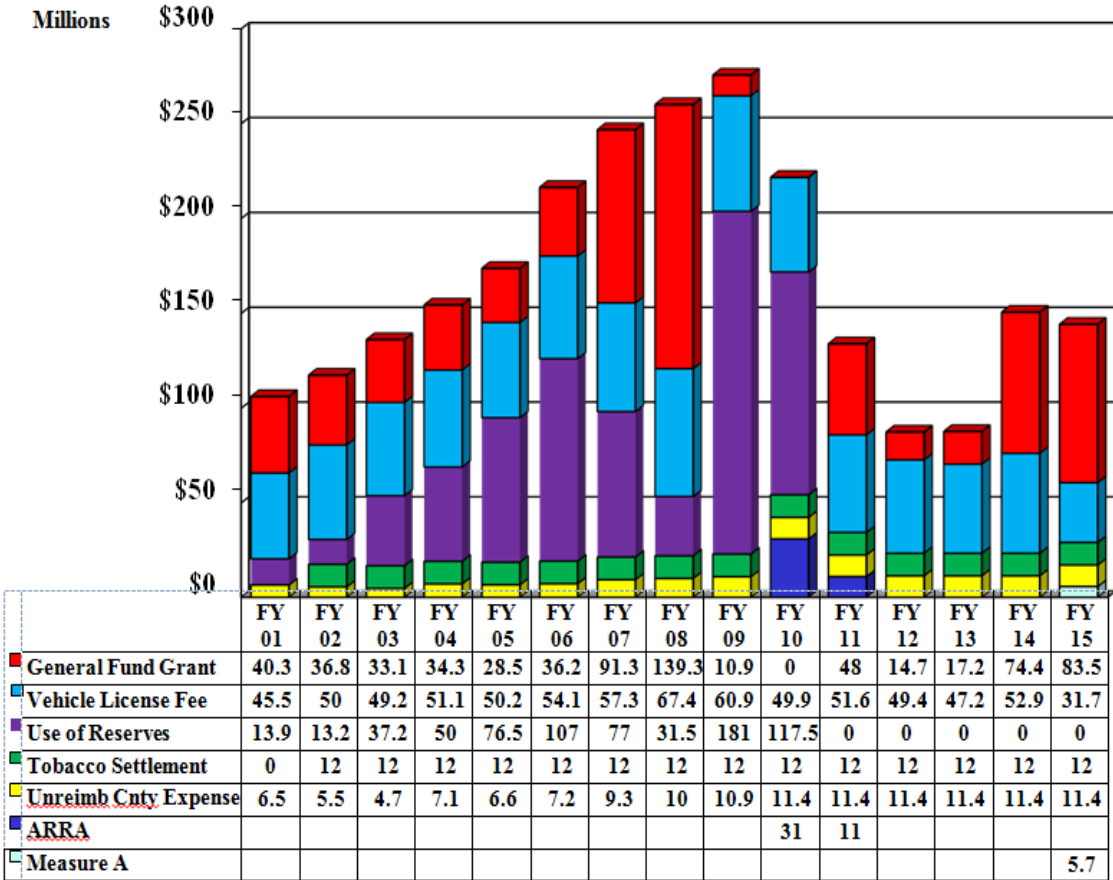
	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Net Subsidy	1.7	-4.3	3.9	4.7	5.8	5.2	9.2	11.2	13.3	14.7	21.7	10	2.8	2.4	-4.1	15	18.7	17.7	30.6	48.5
AB 8/VLF	7.9	7.1	9.5	8.6	8.5	9.5	9.4	10.2	11.5	11.7	12.5	13.5	16.1	16.1	17.9	17.6	18.3	19.1	21.2	21.5
Unreimbursed Care			1.8	2.4	2.6	3.1	3.8	4.2	4.7	5.9	5.9	7.4	7	7.4	6.1	7	7.2	7	7.4	6.6
Other	3	8.9	2.2					0.4	0.4	0.6	0.6	0.6	9.5	9	0.7	0.3		1.0	2.6	2.4

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Attachment C - VMC County Subsidy and Use of Reserves - FY 2001 - FY 2015

<sup>5</sup> Source: Management Audit Division of the Board of Supervisors

# VMC County Subsidy and General Fund Grant (FY 2001 thru FY 2015)



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The following table is based on the audited financial statements and shows a continuing need to cover the gap between expenses and revenue in the SCVMC Enterprise Fund:

<sup>6</sup> Source: Management Audit Division of the Board of Supervisors; April 27 2015 Board of Supervisors Finance and Government Operations Committee meeting  
NOTE: ARRA is the American Recovery and Reinvestment Act



**HISTORY OF VMC BUDGET & OPERATING LOSSES**

**FY 2000-01 to FY 2013-14**

**(PER AUDITED FINANCIAL STATEMENTS)**

<b>Fiscal Year</b>	<b>Budget</b>	<b>Operating Expenses</b>	<b>Operating Revenue*</b>	<b>Operating Loss</b>	<b>Percent Loss</b>
2013-14	1,243,594,462	1,184,739,000	1,004,780,000	(179,959,000)	-15.2%
2012-13	1,160,064,648	1,074,271,000	974,700,000	(99,571,000)	-9.3%
2011-12	1,165,510,966	1,005,068,000	888,043,000	(117,025,000)	-11.6%
2010-11	1,177,559,244	978,385,000	939,455,000	(38,930,000)	-4.0%
2009-10	1,169,199,471	1,000,117,000	834,368,000	(165,749,000)	-16.6%
2008-09	1,105,854,217	956,195,000	785,192,000	(171,003,000)	-17.9%
2007-08	968,782,391	895,240,000	736,337,000	(158,903,000)	-17.7%
2006-07	920,810,138	800,252,000	652,032,000	(148,220,000)	-18.5%
2005-06	857,975,307	735,062,000	543,807,000	(191,255,000)	-26.0%
2004-05	758,092,958	704,601,000	595,696,000	(108,905,000)	-15.5%
2003-04	715,065,287	644,957,000	549,278,000	(95,679,000)	-14.8%
2002-03	673,050,467	607,862,000	490,467,000	(117,395,000)	-19.3%
2001-02	615,971,258	535,906,000	459,719,000	(76,187,000)	-14.2%
2000-01	475,385,346	483,676,000	446,587,000	(37,089,000)	-7.7%
<b>Total</b>	<b>13,006,916,160</b>	<b>11,606,331,000</b>	<b>9,900,461,000</b>	<b>(1,705,870,000)</b>	
<b>Average</b>	<b>929,065,440</b>	<b>829,023,643</b>	<b>707,175,786</b>	<b>(121,847,857)</b>	<b>-14.9%</b>
<b>Avg (2004-2014) 10 Years</b>		<b>933,393,000</b>	<b>795,441,000</b>	<b>(137,952,000)</b>	<b>-15.2%</b>

\*Includes charges for patient services and other program revenues which represent a federal and State subsidy for low-income patients. In FY 2013-14 this subsidy amounted to \$108.8 million. The average over the 14-year period was \$73.8 million.

As shown in the above table, the Grand Jury found that SCVMC’s operating expenses are higher than its revenue. The operating loss (charges, less expenses) averaged \$138 million from 2004 to 2014.

The Grand Jury was told that SCVMC is subject to reimbursement policies set by the Federal and State governments. The hospital is a safety-net provider for County

residents and this impacts SCVMC's ability to recover reimbursement for services provided. Therefore, the Grand Jury found that there will always be a subsidy from the County's General Fund. However, the Grand Jury could not find a County policy which requires detailed justification for subsidies.

### **Performance Measures: 2012 Grand Jury Recommendation 3**

The Grand Jury found that SCVMC has numerous performance measurements; some are included in the monthly SCVMC Operational and Financial Summary to the Board of Supervisors Health and Hospital Committee. Some of the measurements reported include: number of managed care patients, fee-for-service patients, number of patients per insurance coverage, hospital daily census, clinic visits, revenue, expenditures, account receivable days, billing, cash, cesarean sections percentage, blood stream infections in newborns, medicating heart attack victims, medicating blood clots, incidence of thromboembolism, stroke program actions, immunizations, and behavioral escalation reports.

Additional quality of care information is online in Medicare.gov's Hospital Compare website which compares the quality of care at over 4,000 Medicare-certified hospitals across the country. Hospital Compare was created through the efforts of the Centers for Medicare and Medicaid Services (CMS)<sup>7</sup> which was required, under Section 2701 of the Affordable Care Act, to develop a recommended set of core quality measures.<sup>8</sup> Hospital Compare has measurements related to general information, patients' experiences, timely and effective care, readmissions, complications, death, use of medical imaging, payment, and number of Medicare patients. Hospital Compare data is from a variety of sources: CMS reporting and certification, hospital and vendor online systems, Center for Disease Control, Medicare, Veterans Administration, and hospital consumer assessment. CMS states that their information includes the hospital's entire patient population except for the claims based information such as readmissions, 30-day mortality, surgical complications, outpatient imaging, and number of Medicare patients. It can be used to choose a hospital.

The Grand Jury also reviewed Hospital Compare information provided by MediCare for SCVMC's ratings. There are 91 measurements in this document. SCVMC received only one out of five stars in patient survey ratings. SCVMC rated higher than the national and state averages in 18 categories, same in 27 categories, and below average in 34 categories, and data not available in 12 categories. It was recognized in Hospital Compare that the emergency department volume at SCVMC is very high, and the emergency department data was compared with other high volume emergency departments. According to Hospital Compare, SCVMC fails to meet the Federal and State averages in more than one-third of the categories.<sup>9</sup>

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<sup>7</sup> <http://www.medicare.gov/hospitalcompare/About/What-Is-HOS.html>

<sup>8</sup> <http://downloads.cms.gov/cmsgov/archived-downloads/CMCSBulletins/downloads/12-30-2010-Omnibus-Bulletin.pdf>

<sup>9</sup> Hospital Compare Data;

<http://www.medicare.gov/hospitalcompare/profile.html#profTab=0&ID=050038&cmprID=050038&dist=25&lat=37.1696999&lng=-121.8448745&loc=95120&cmprDist=13.8&Distn=13.8>

## **Financial Systems Integration Between SCVMC and County: 2012 Grand Jury Recommendation 4**

The 2011-2012 Grand Jury concluded that numerous audits conducted over a number of years described SCVMC as “out of financial control” and concluded that management had taken little corrective action. One major issue, identified in 2012, was confusion resulting from having separate accounting systems for the County and SCVMC.

The Sun Microsystems’ accounting system is used at SCVMC and the SAP accounting system is used by the County. A June 2014 report to the Board of Supervisors included project goals for integration and identified a steering committee and project team that meet on a regular basis to address the reconciliation of the SCVMC and County accounting systems.

The budgeting process at SCVMC will switch to SAP in the FY 2016-budget year. The Grand Jury was told that from January 2015 onward, all SCVMC fixed assets are being recorded in SAP and depreciation will be calculated automatically. The County’s FY 2015 Final Budget<sup>10</sup>, includes an ongoing cost of \$500,000 to increase accounting staff to perform reconciliations between the General Fund and the Enterprise Fund. The Grand Jury was told the interface between the two accounting systems will never be complete, and the optimum system integration will not be achieved before 2017.

## **Consolidated Financial Reports: 2012 Grand Jury Recommendation 5**

The 2011-2012 Grand Jury found that information available to the public was not complete and it was difficult to find and understand.

The Grand Jury found that existing program and financial reports are inadequate. The current reports to the Board of Supervisors are either so complex as to be indecipherable and lacking in relevant details. The SCVMC does not publish annual and multi-year Enterprise Fund reports. Such reports could present a realistic assessment of the mission, goals and accomplishments of SCVMC, as if management were reporting to shareholders, in this case taxpayers. These reports could include strengths, weaknesses, threats, opportunities, and straightforward presentations of the quality of care and SCVMC’s ranking in comparison with other hospitals in California.

The Santa Clara Valley Medical Center submits monthly reports to the County of Santa Clara Board of Supervisors Health and Hospital Committee and the reports are included in the County’s Comprehensive Annual Financial Report (CAFR). The Santa

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<sup>10</sup> FY 2015 Final Budget, County of Santa Clara at page 274.

Clara Valley Medical Center should produce its own CAFR which should include a multi-year financial strategic plan and post it on their website.

### **HealthLink : 2012 Grand Jury Recommendation 6**

The 2011-2012 Grand Jury recommended that the County should give priority to the implementation of Epic's HealthLink. Epic provides software for mid-size and large hospitals and its customers include community hospitals, safety net providers, and multi-hospital systems.

Since the beginning of SCVMC's implementation of Epic's EpicCare software called HealthLink, SCVMC's monthly reports to the County Board of Supervisors Health and Hospital Committee indicate improvements in account receivables as it has improved the hospital's ability to collect a patient's charges.

From July 2013 through May 2014, the number of days from the time of service to receiving payment exceeded 90 days. Since June 2014, the number of days has been closer to the target of 75 days. Concurrent with the months from June 2014 through March 2015 in which the accounts receivable days approach the target, the billing was an average of \$327 million.<sup>11</sup> A great deal of revenue is being collected in a shorter period of time which improves the overall cash flow of the enterprise fund.

The Grand Jury found that HealthLink was successfully implemented in the fifteen (15) highest priority applications in 2013. The benefits associated with these implementations include: reducing accounts receivable days (from treatment date to receiving reimbursement) because billing is available the day a patient leaves the hospital, documenting procedures and following documented procedures, and providing immediate information which reduces wait times and improves consistency of care. An additional lower priority twelve (12) applications are scheduled to be fully implemented by 2017. The Grand Jury was told that these lower priority applications may not provide as much benefit as the first applications.

The Board of Supervisors approved the HealthLink implementation program of \$143 million based on a benefit-cost analysis for the ten years, FY 2012 through FY 2021. The justification for the expenditure included temporary labor for the installation with the intention that existing Information Technology staff could manage the system. In FY 2015, additional permanent full time positions were added to the SCVMC Budget to manage the system thereby increasing the cost. The Grand Jury recommends that a revised cost benefit analysis using actual SCVMC data in the HealthLink system be performed before further implementation proceeds.

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<sup>11</sup> Board of Supervisors (BOS) agenda packet, April 15, 2015, at 70-71

## **Marketing Program: 2012 Grand Jury Recommendation 7**

The 2011-2012 Grand Jury found that “SCVMC has best-in-class care facilities that would be attractive to new patients, but SCVMC does little to advertise its services and specialties to attract new patients.”

The SCVMC has been increasing public awareness of its expertise by repurposing existing printed materials and using social media efforts like: Facebook, Twitter, and their SCVMC web site. Such efforts need to bring to light all of the impressive features of SCVMC, such as the Burn Center, Neo-Natal Care Center, Rehabilitation Center, Trauma Center, and the teaching hospital relationship with the Stanford Medical School.

The Grand Jury found that, as of April 2015, the County is working to get a contract with a marketing firm to strategize a comprehensive outreach plan. Additionally, the Board approved two new positions, a marketing director and a web manager, who will implement this new marketing plan.

## Conclusions

**2012 Grand Jury Recommendation 1A:** The County should require that SCVMC stay within the budget to avoid future unplanned subsidies from the General Fund.

The 2015 Grand Jury concludes that there will always be an annual subsidy to Santa Clara Valley Medical Center from the County's General Fund. However, the County of Santa Clara Board of Supervisors does not have a written policy requiring the requests for General Funds to have performance and efficiency data for justifying variations in discretionary costs.

**2012 Grand Jury Recommendation 1B:** The County should require that hospital leadership runs SCVMC as a business and require leadership to make appropriate financial decisions using the data the hospital systems generate.

The 2015 Grand Jury concludes that the new SCVMC management team is making good strides to address historically poor financial management. The new SCVMC leadership is emphasizing increased productivity to improve financial performance.

**2012 Grand Jury Recommendation 2:** The County should implement systems to increase productivity in reaching break-even financial performance.

The 2015 Grand Jury concludes that SCVMC will never be able to reach a break-even financial performance; however, SCVMC should continue to increase productivity and its financial performance.

**2012 Grand Jury Recommendation 3:** Regardless of how HCRA may be affected by the United States Supreme Court decision, the County should adopt performance measurements consistent with the HCRA indicators because they can lead to improved SCVMC performance.

The 2015 Grand Jury concludes that SCVMC has taken measures to demonstrate improvement in performance as it relates to HCRA and the Affordable Care Act. The Affordable Care Act was signed into law March 23, 2010. On June 28, 2012, the Supreme Court rendered a final decision to uphold the new health care law.<sup>12</sup>

**2012 Grand Jury Recommendation 4:** The County should develop and implement an interface between the SCVMC and County systems to ensure data consistency, in accordance with generally accepted accounting principles.

The 2015 Grand Jury concludes that good progress is being made to coordinate the Santa Clara Valley Medical Center's Sun accounting and the County's SAP accounting system. The two systems will be coordinated, but will never be completely consolidated. The County should ensure that the two accounting and budgeting systems are coordinated as currently planned.

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<sup>12</sup> US Department of Health and Human Services website: [www.hhs.gov/Health\\_Care/rights/law](http://www.hhs.gov/Health_Care/rights/law)

**2012 Grand Jury Recommendation 5:** The County should require an SCVMC consolidated financial statement reported as part of the CAFR.

The 2015 Grand Jury concludes that SCVMC submits monthly reports to the County of Santa Clara Board of Supervisors Health and Hospital Committee and is included in the County's Comprehensive Annual Financial Report (CAFR). Santa Clara Valley Medical Center should produce its own CAFR, as well as a multi-year financial strategic plan and post them on their website.

**2012 Grand Jury Recommendation 6:** The County should give SCVMC's implementation of EpicCare top priority to meet the scheduled May 2013 date.

The 2015 Grand Jury concludes that EpicCare's version for SCVMC, HealthLink, was implemented in the 15 highest priority applications in 2013, and the additional 12 are scheduled to be fully completed in 2017. SCVMC should conduct a cost benefit analysis before expanding the HealthLink system to the lower priority applications.

**2012 Grand Jury Recommendation 7:** The County should establish a marketing function directed at increasing public awareness of the services SCVMC offers.

The 2015 Grand Jury concludes that SCVMC plans to implement a marketing strategy and hire a Marketing Director and Web Manager to increase public awareness. SCVMC should ensure that marketing moves forward expeditiously and highlights the many advanced specialty units available.

## **Findings and Recommendations**

### **Finding 1**

The County does not have a written policy requiring the justification of an annual subsidy from Santa Clara County's General Fund to the Santa Clara Valley Medical Center Enterprise Fund.

### **Recommendation 1**

The County should have a written policy to require justification for the annual subsidy from Santa Clara County's General Fund to the Santa Clara Valley Medical Center Enterprise Fund.

### **Finding 2**

The Santa Clara Valley Medical Center management team is making good strides to address historically poor financial management.

### **Recommendation 2**

No Recommendation.

### **Finding 3**

The Santa Clara Valley Medical Center will never be able to reach a break-even financial performance.

### **Recommendation 3**

The County should require the Santa Clara Valley Medical Center continue efforts to increase productivity and its financial performance.

### **Finding 4**

The Santa Clara Valley Medical Center has taken measures to demonstrate improvement in performance as it relates to the Health Care Reform Act/Affordable Care Act.

### **Recommendation 4**

The County should require Santa Clara Valley Medical Center to continue to take measures to demonstrate improvement in performance as it relates to Health Care Reform Act and the Affordable Care Act.



### **Finding 5**

The Santa Clara Valley Medical Center and Santa Clara County have made progress in coordinating the Santa Clara Valley Medical Center's Sun accounting and the County's SAP accounting system.

### **Recommendation 5**

The County should ensure that the Santa Clara Valley Medical Center's Sun accounting and the County's SAP accounting system are coordinated as planned.

### **Finding 6**

The Santa Clara Valley Medical Center does not produce its own Comprehensive Annual Financial Report and multi-year financial strategic plan.

### **Recommendation 6**

The County should require that the Santa Clara Valley Medical Center produce its own Comprehensive Annual Financial Report and a multi-year financial strategic plan and should post them on the hospital website.

### **Finding 7**

The Santa Clara Valley Medical Center has implemented 15 applications within the HealthLink system. The additional 12 applications are scheduled to be fully implemented by 2017.

### **Recommendation 7**

The County should require that the Santa Clara Valley Medical Center conduct a cost benefit analysis before expanding the HealthLink system to the 12 lower priority applications.

### **Finding 8**

The Santa Clara Valley Medical Center plans to implement a marketing strategy and hire a Marketing Director and Web Manager to increase public awareness.

### **Recommendation 8**

The County should ensure that the Santa Clara Valley Medical Center's marketing plans moves forward expeditiously and highlights the many advanced specialty units available at the hospital.

## **Appendix A**

The report of the 2011-2012 Santa Clara County Civil Grand Jury titled, "CHANGE STARTS AT THE TOP IN SANTA CLARA VALLEY MEDICAL CENTER RESUSCITATION" starts on the following page. Page numbers have been added to stay consistent with the original report.

This file can be found online at:

[http://www.scscourt.org/court\\_divisions/civil/cgj/2012/VMC.pdf](http://www.scscourt.org/court_divisions/civil/cgj/2012/VMC.pdf)



## 2011-2012 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

# CHANGE STARTS AT THE TOP IN SANTA CLARA VALLEY MEDICAL CENTER RESUSCITATION

## Summary

The Grand Jury reviewed the Independent Auditor's Report dated April 6, 2011, titled "The Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services" (Audit<sup>1</sup>). The Audit's focus is on Santa Clara Valley Medical Center (SCVMC), and lists 58 recommendations that, if undertaken, would improve processes, stop historic losses and put SCVMC on a path toward financial recovery.

The Audit's findings and recommendations, and SCVMC's response to them, are of great interest to the Grand Jury. The broader context of the Audit is SCVMC's long history of poor financial management and the Santa Clara County Board of Supervisors (BOS) bailouts, which have been the subject of previous Grand Jury reports and audit reports.

The most recent Audit findings reflect a chronically over-budget health care system, whose management team operated so independently from Santa Clara County (the County) that proper budgeting and sound financial performance were never aligned. Given recent economic challenges, the BOS no longer has the resources to continue to cover SCVMC losses from the General Fund. The Grand Jury questioned what changes SCVMC was undertaking that would lead to a change in operations that in turn should lead to improved fiscal performance.

## Background

SCVMC was first established in 1876 and today is the county's primary health care safety net. In addition to typical clinical care, SCVMC is recognized for its delivery of high-quality, specialized treatment for emergency medical, neo-natal, trauma, burns, and rehabilitation from severe injuries. SCVMC also coordinates with other county agencies to plan and prepare for disasters—medical, natural or manmade. Perhaps less known is that SCVMC is also a teaching institution affiliated with Stanford and UC schools of medicine in training our next generation of skilled medical practitioners. The Grand Jury learned that SCVMC is an enterprise operation capable of breaking even.

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<sup>1</sup> *Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services*, April 6, 2011. A copy of the full report is available at: <http://www.sccgov.org/managementauditor>

Today, SCVMC is a \$1.2 billion operation, approximately one quarter of the entire County budget. While SCVMC has successfully developed regionally and nationally recognized specialties, it has failed to manage finances within County-approved budgets. SCVMC historically recorded a chronic revenue shortfall while expenses increased, requiring subsidies from the County's General Fund (see Table 1).

**Table 1: History of SCVMC Financial Performance.<sup>2</sup>**

<b>Fiscal Year</b>	<b>Revenue (\$M)</b>	<b>Expense (\$M)</b>	<b>Profit/Loss (\$M)</b>	<b>Percent Loss</b>
2011-12				
2010-11	*939.5	978.4	*-38.9	-4.1%
2009-10	892.4	1,058.1	-165.7	-18.6%
2008-09	785.2	956.2	-171.0	-21.8%
2007-08	736.3	895.2	-158.9	-21.6%
2006-07	652.1	800.3	-148.2	-22.7%
2005-06	543.8	735.1	-191.3	-35.2%
2004-05	595.7	704.6	-108.9	-18.3%
2003-04	549.3	645.0	-95.7	-17.4%
2002-03	490.5	607.9	-117.4	-23.9%
2001-02	459.7	535.9	-76.2	-16.6%
2000-01	446.6	483.7	-37.1	-8.3%

\*Federal revenues increased by \$95.7 million reducing the operating loss from \$134.6 million to \$38.9 million (see above)

According to the Audit, "SCVMC's operating losses more than quadrupled between FY 2000-01 and FY 2008-09 based on the County's audited financial statements." The substantial losses illustrated above, combined with the sheer size of SCVMC's financial operation, have made SCVMC the target of much scrutiny. Independent auditors and prior grand juries identified and addressed underlying management problems. In spite of sound recommendations from these bodies, SCVMC had historically demonstrated resistance to change.

Several important milestones have occurred over the last few years to reverse this trend. In September 2009, the BOS hired Jeffrey V. Smith, MD as County Executive. Dr. Smith was a practicing doctor and is an attorney with in-depth knowledge of medical systems.

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<sup>2</sup> Data obtained from Harvey Rose, Inc., SCC Independent Auditor.

In 2010, the federal Health Care Reform Act (HCRA) was passed into law. Although the nuances of HCRA are complex, the act requires federally funded hospitals across the nation to measure, meet and report on key performance indicators in order to receive federal funding. The indicators include:

- Improving capacity and access
- Improving the patient experience through quality initiatives
- Better integrating systems
- Developing the infrastructure needed to measure and eventually control costs.

According to the Office of the County Executive, the requirements of HCRA will also mean an estimated additional 40,000 insured persons will be looking for health care services in Santa Clara County. SCVMC anticipates approximately 14,000 will seek services from county medical facilities.

Under Dr. Smith's leadership, a number of changes began to be implemented and individuals held accountable for performance. Between 2009 and 2011, numerous high-ranking SCVMC managers resigned. In February 2011, Dr. Smith appointed Linda M. Smith (no relation) as SCVMC Chief Executive Officer. In September 2011, he appointed David McGrew, CPA, as the Chief Financial Officer of Santa Clara Valley Health and Hospital System (SCVHHS) and in February 2012 he hired Rene G. Santiago as Deputy County Executive responsible for Health and Hospital Oversight. SCVMC is an organization under the SCVHHS umbrella. Ms. Smith, Mr. McGrew and Mr. Santiago come with many years of experience in hospital operations.

In 2011, the SCVMC physicians formed a union, the Valley Physicians Group (VPG) and the first ever union contract between VPG and the County was ratified on December 6, 2011, effective November 28, 2011 through November 24, 2013.

## **Methodology**

The Grand Jury conducted interviews with SCVMC leadership and individuals from the Office of the County Executive. In addition, the Grand Jury reviewed numerous documents, including past management audits, attended BOS' Health & Hospital Committee meetings and reviewed various meeting minutes, County policies, and reviewed the Memorandum of Agreement between the County and the VPG, the physicians' union. See Appendix A for a list of documents reviewed.

## **Discussion**

Numerous independent audits have been conducted over the years. These audit reports support a common theme in describing an operation out of financial control. In spite of the reports' salient findings and recommendations, not much had changed over the years in SCVMC's management approach. Prior BOS seemed unable to break through the political barriers that prevented decisions from being passed that would hold SCVMC accountable to financial performance.

Until recently, there was little to no accountability by SCVMC for owning and implementing the prior recommendations that would address its financial woes. The Grand Jury interviews revealed, in some cases, that there was no acknowledgement that the hospital chronically lost money.

Not until economic conditions forced the BOS to take a stronger stand did real change begin, starting with Dr. Smith's hiring.

### **Management Changes**

Dr. Smith is undertaking constructive changes by identifying appropriate corrections and leading a change process with a goal of implementing sound management operations and stopping the financial losses. The new SCVMC leadership is emphasizing increased productivity—as opposed to just cost cutting—to improve financial performance. These changes hope to reverse financial losses with a view to becoming a break-even enterprise without compromising the outstanding quality of health care SCVMC provides.

Over the past year, the new SCVMC administration has also brought an emphasis on hospital business management best practices —as opposed to focusing only on delivery of medical services. One overarching goal is to increase SCVMC productivity—or patient throughput. As a result of implementing the improvements and holding line managers accountable for performance, the new administration's expectation is that SCVMC will be at break-even in FY 2013. If this goal is met, it will be the first time in many years SCVMC will not require an unbudgeted County subsidy to operate.

### **Improving Performance**

SCVMC management hopes to achieve their goals by taking action in three broad categories:

- Improving patient access
- Correcting flaws in the revenue cycle
- Decreasing controllable costs.

### **Improving Patient Access**

A key area of improvement is to increase the number of patients moving through the system (patient throughput), or the number of patients seen, to get closer to full capacity. Three factors affect increasing throughput:

- Availability of appointments
- Ability of a caller to get through to scheduling to make an appointment
- Overbooking to compensate for patients who are no shows.

The Grand Jury learned that, prior to ratification of the VPG contract, physicians had the latitude to create and fill their own appointment schedules. Weekly schedules are made up of half-day “panels.” The number of panels a physician worked was not mandated. Further, the number of appointments scheduled in a given panel was not mandated. It was reported in interviews that physician productivity was as low as 25% in some cases, and 80% of physicians were operating at below capacity. On average, physicians were seeing 6.5 patients per day against a target of 8.0. The result was a two-fold negative impact on revenue: first, fewer patients being seen meant less revenue was generated than could be. Second, SCVMC was, in some cases, paying physicians a full salary for part-time work. Further, the 8.0 patients per day target, even if met, is too low to reach break-even financial performance.

Under the new VPG contract,<sup>3</sup> patient scheduling has been centralized and the number of patients scheduled has increased. SCVMC negotiated a new scheduling target, starting with 10.0 patients per day (up from the previous 8.0), eventually ramping up to the new target of 16.0 patients per day.

Increasing the number of available appointments will directly increase revenue, assuming the appointment slots are filled. Presently two barriers hamper the ability to fill appointments. First, there is an inordinately long telephone wait time for scheduling an appointment. The Grand Jury learned telephone wait times as long as four hours to simply schedule an appointment were common. The second problem in scheduling is the no-show rate. Nationally, that rate is approximately 5.5%. At SCVMC, the no-show rate is as high as 20%. To address these problems, SCVMC has recently increased staff in the call/scheduling center and has implemented a policy of overbooking in anticipation of no shows.

As to the issue of whether SCVMC was paying full-time salaries for part-time work, SCVMC did not previously track physician utilization to know if it was paying for time that was not revenue-generating clinic time. A newly implemented system will track each physician’s clinical, administrative, research, teaching, and scholarly time, with a utilization goal of 90% clinic time. With this data, SCVMC can more accurately evaluate physician productivity.

Increasing productivity is a critical first step; however, equally important is improving patient satisfaction to retain current patients and to attract new patients. Interviews revealed that patient satisfaction is relatively low. This impedes new growth because unhappy patients are less likely to return if they have service alternatives. Dissatisfied patients will not likely refer friends and family to SCVMC, so a growth opportunity is lost. At a joint meeting among the County and City of San Jose, it was reported that SCVMC was “changing the system from one that is reactive, episodic, and physician-centered to one that is proactive, coordinated and patient centered.”<sup>4</sup>

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<sup>3</sup> BOS Board meeting, December 6, 2011, in the Board Of Supervisors' Chambers. Agenda item 27, [Supp Info 1A, Memorandum of Agreement \(Agreements and Amendments\)](#)

<sup>4</sup> BOS Joint meeting, October 28, 2011, at the San Jose City Council Chambers. Agenda Item 3b,

A Center for Leadership and Transformation (CLT) initiative (see appendix A for more about CLT) is reportedly working to shift the SCVMC focus from physician-centric to patient-centric. Patient satisfaction surveys are administered with a view toward understanding how SCVMC can improve its service. In addition, the new hospital tower with 168 private rooms reportedly will rival the best private hospital rooms in the county.

The Grand Jury also learned that SCVMC does not currently market its services, in spite of the claim that they operate several top-rated specialty clinics on par with the best medical facilities in the region. The existence of their world-class services may not be broadly understood among county residents.

### **Correcting Flaws in the Revenue Cycle**

Increasing productivity by seeing more patients does not automatically lead to increased revenues. Underlying patient care is a complex revenue cycle that relies on accuracy of data in order to generate a valid invoice. SCVMC's revenue cycle consists of three main components:

- a. Pre-service: capturing accurate patient name and address information, verification of and obtaining prior authorization from the patient's insurance carrier, and scheduling appointments
- b. Service: capturing treatment information during the patient's visit with the physician
- c. Billing: generating accurate billing statements and improving collections.

The Grand Jury learned that some element of each of the above components is dysfunctional to the point that revenue collection is hampered. The SCVHHS Enterprise Consolidated Balance Sheet as of June 30, 2011 shows an outstanding accounts receivable balance of more than \$133 million (78 days average in accounts receivable).<sup>5</sup> Reducing the collection period is an area of improvement on which SCVMC is working.

It should be noted that SCVMC is implementing a new digital hospital management system called EpicCare in May 2013. This electronic record-keeping system has the potential to make physicians more productive by simplifying the important patient-related elements of their care delivery. In each examination room there will be computer screens providing access to patient medical history, past appointments, prescribed medications, lab test results, as well as a word processing capability to record patient appointment information. On the patient side, EpicCare enables patients

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County of Santa Clara Budget Update, [Supp. Info. 1 - Item 3 City County Intro Memo \(Miscellaneous\)](#)

<sup>5</sup> Memo from Sylvia M. Gallegos, Deputy County Executive/Acting Director SCVHHS to Santa Clara County Health and Hospital Committee, dated April 14, 2010.



to do more via online queries and self-help health reminders, perform self-service refills, appointment scheduling and bill pay. All these features have the potential to increase patient satisfaction and are expected to ultimately reduce SCVMC's record-keeping costs.

### **Decreasing Controllable Costs**

Grand Jury interviews revealed that until recently, there was no discipline and no platform around which to control costs. For instance, the new SCVHHS CFO reported that there are numerous reports with information useful for management decisions, but few managers were versed in using them. Efforts to change the management approach from casual conversation without accountability to performance improvement using the data available are part of the cultural changes taking place.

The Grand Jury learned that a key contributor to SCVMC's poor fiscal management was the lack of rigor given to budgeting and subsequent tracking of expenses against budget. Instead, budgeting was reportedly done by using the prior year's budget and applying an escalation factor. No effort was made to reconcile actual expenses against budgeted expenses, to understand the differences between the two and the causes of losses, to explore census<sup>6</sup> trends and to build the next year's budget using this type of information.

Another factor in controlling costs is controlling labor. In many businesses, managers can add and eliminate positions as business forecasts dictate, or can reduce hours to fit demand. At the hospital, as with other County departments, staffing is set by the County's Master Salary Ordinance<sup>7</sup>, which codifies all approved full-time and part-time positions. Once this is established, it is not possible to modify the position, for instance changing a full time to a part-time position. At the hospital, some employees are being paid full time when they are effectively working part time. For instance, if demand for a given clinic has a cyclical drop, SCVMC does not have the latitude to reduce hours. It may move staff to other locations, but if demand is lower overall, SCVMC must still pay full salaries or reduce its staff. While this situation will change as capacity improves, in the interim, there is no flexibility to reduce the hours temporarily until capacity warrants full-time positions. While there is a provision for employees to request a reduction of hours, employers do not have this same ability. Overall SCVMC's ability to manage staff according to demand is limited by the inability to have more flexible staffing.

Managers could get around this problem by opening part-time positions; however, with a hiring freeze in place, there is not much opportunity to open part-time positions at this time. As a result of this staffing conundrum, in some areas SCVMC is paying full cost

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<sup>6</sup> Census is the daily patient count.

<sup>7</sup> To view the full text of the Master Salary Ordinance, click on this URL:  
<http://www.sccgov.org/sites/esa/Salary%20Ordinance/Documents/Master-Salary-Ordinance---NS-5-11.pdf>

for part-time needs. Unbalanced staffing was exacerbated by the prior method of physician scheduling. Further, it is very difficult to eliminate a position, even if it is unfilled. SCVMC can leave coded jobs unfilled, using contracted labor to manage fluctuations in demand. However, the contracts for such services should be structured to the maximum benefit of SCVMC—prioritizing around what is best for the hospital and its patients versus what is best for the healthcare providers. This flexibility will enable management to adjust hours as necessitated by census demand in order to avoid paying for services not needed.

## **The Impact of the Federal Health Care Reform Act**

The Federal Health Care Reform Act (HCRA) immediately changed the way federally supported hospitals receive funding. HCRA will also increase the number of persons with access to healthcare. Up to a potential 40,000 currently uninsured individuals will be covered by the HCRA in the county starting in 2014.

Although HCRA was signed into law two years ago, it is presently being challenged in the Supreme Court. Arguments are being raised about the constitutionality of the Affordable Care Act's individual mandate and issues surrounding federal versus state powers.

Prior to HCRA, public hospitals received block grants from the federal government. HCRA now requires hospital accountability in several dimensions of operation before federal funds are released. This accountability is driven through the Delivery System Reform Incentive Payments (DSRIP) funding allocation plan. DSRIP fundamentally drives each public hospital to develop and bolster the systems most needed to deliver effective service for their particular population. This accountability requires hospitals to implement systems to ensure performance requirements are tracked, met and reported before federal funding is released. SCVMC has hired Alvarez and Marsal (A&M), a consulting hospital management firm, to identify the initiatives needed and to guide implementation of the performance management systems needed to meet DSRIP requirements. Initiatives are underway to meet the requirements and work plans are in place for these initiatives.

The plans include a number of defined projects that, in aggregate, will position SCVMC for full implementation of health care reform in 2014. The systems and discipline needed to meet DSRIP requirements are part and parcel of what is needed to turn SCVMC around financially, and underscore the necessity to make needed change. However, an A&M status report dated Oct 25, 2011 states, "There is substantive risk to successful operational change as defined by the DSRIP initiatives and the collection of budgeted funds for this fiscal year and the future years, if the infrastructure and staffing are not put in place."<sup>8</sup>

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<sup>8</sup> Memo from George Pillari & Mark Finucane (Alvarez & Marsal Healthcare Industry Group, LLC), to the County Health and Hospital Committee, subject: A&M Project Report, dated October 25, 2011.

Regarding the potential increase of 40,000 new patients under HCRA, not all of these newly insured patients will seek health care from SCVMC. Patients have a choice of hospitals and health care providers, so SCVMC will need to compete for those dollars. To attract and retain these patients, patient satisfaction is key. Further, HCRA changes the federal funding mechanism by requiring hospitals to demonstrate patient satisfaction (among other measures) in order to receive federal money. Therefore, SCVMC is compelled to improve patient satisfaction to receive these monies.

## **Clarifying the Financial Picture**

SCVMC is a very large enterprise hospital operation and, justifiably, has its own computer systems, including an accounting system. The County has its own information systems and also maintains SCVMC financial data. Effectively, there are two sets of books on SCVMC. According to Linda Smith, SCVMC CEO, there is no cross-talk between the applications at SCVMC and the County to ensure data consistency<sup>9</sup>. This lack of consistent data was recently underscored when the Audit found millions of dollars worth of equipment missing from the County's books<sup>10</sup> while the SCVMC books did account for the so-called "missing" equipment. EpicCare will introduce a new financial system, but it does not address the lack of communication between the County's systems. Data from the SCVMC should update the data in the County SAP system on a regular basis

As a \$1.2B annual operation, SCVMC is large enough to warrant its own financial report to the public. The County's Comprehensive Annual Financial Report (CAFR) does show some SCVMC financial information. For example, inter-fund transfers from the General Fund (GF) to SCVMC and vice-versa are contained in the inter-fund statements in the CAFR. A GF "Grant" is shown on the "Santa Clara Valley Medical Center Statement of Revenues and Expenses Summary" statement in the Final Budget document.<sup>11</sup> However, it is not possible to discern the overall financial picture of SCVMC from this information, let alone a detailed understanding. One would need to be very familiar with the internal workings of SCVMC, or need to attend the BOS Health and Hospital Services Committee meetings on a regular basis, to be able to determine how well SCVMC performed during the fiscal year. This performance is reported in the Audit, but the general public has no means of seeing the consolidated financial performance of SCVMC on an annual basis.

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<sup>9</sup> **Data consistency** summarizes the validity, accuracy, usability and integrity of related data between applications and across the IT enterprise. This ensures that each user observes a consistent view of the data, including visible changes made by the user's own transactions and transactions of other users or processes.

<sup>10</sup> *Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services*, April 6, 2011, Executive Summary, page iii, "High Level of Missing Hospital Equipment"

<sup>11</sup> Fiscal Year 2012 Final Budget, "Santa Clara Valley Medical Center Statement of Revenues and Expenses Summary", page 309

## Conclusions

SCVMC is a critical county resource, but this \$1.2 billion operation has historically demonstrated a chronic loss of revenue, requiring bailout from the County's General Fund. While it is reasonable to expect the County to fund SCVMC to some degree, sound financial management—including budgeting and measuring performance against budgets—has been lacking. Further, until recently, the BOS has not demonstrated the political will to hold SCVMC leadership accountable for poor performance.

The Grand Jury found that recent changes in management staff and the implementation of new policies focused on increasing productivity—and redressing the revenue problem—are a marked and welcomed change of course for SCVMC. Under the leadership of the Office of the County Executive, the following changes are noteworthy by addressing chronic problems head-on:

- Hiring a new SCVMC CEO with policies and systems underway to hold physicians accountable for meeting productivity goals and to hold managers accountable for meeting performance goals
- Hiring a new SCVHHS CFO with policies and systems underway to correct the financial planning and reporting systems and to train line managers in financial performance management
- Establishing problem-solving teams to correct revenue cycle flaws to increase successful revenue receipts
- Putting teams in place to develop the performance measurement systems needed to continue to receive Federal funding
- Implementing EpicCare, an electronic record-keeping system that will improve the patient experience and streamline recordkeeping for physicians.

This work is beginning to pay off. The SCVMC CEO reports that physician appointments have increased an average of 1.5 per four-hour session, from 6.5 to 8.0 for Medicine and from 6.5 to 10.0 for Pediatrics & Obstetrics. Overall, throughput is increasing. January showed a 25% daily increase in patients seen, increasing, on the average, from 2700 to 3500 per day throughout the hospital and clinics combined. While it is too early to tell whether these gains will hold, SCVMC seems poised to achieve their new goals of break-even in FY 2013.

## **Findings and Recommendations**

### **Finding 1**

The new SCVMC management team is making good strides to address historically poor financial management by creating cost center manager responsibility, targeted to deliver break-even or better financial performance.

### **Recommendation 1A**

The County should require that SCVMC stays within the budget to avoid future unplanned subsidies from the General Fund.

### **Recommendation 1B**

The County should require that hospital leadership runs SCVMC as a business and require leadership to make appropriate financial decisions using the data the hospital systems generate.

### **Finding 2**

SCVMC has historically operated below capacity, which directly contributed to its chronically poor financial performance, resulting in County bailout from the General Fund. Increasing productivity is critical to SCVMC's financial performance.

### **Recommendation 2**

The County should implement systems to increase productivity in reaching break-even financial performance.

### **Finding 3**

The performance indicators imposed by the HCRA—improved patient experience, improved capacity and access, measure and control cost—are precisely the measures that should have been in place years ago and, if implemented, can lead to significantly improved SCVMC performance.

### **Recommendation 3**

Regardless of how HCRA may be affected by the United States Supreme Court decision, the County should adopt performance measurements consistent with the HCRA indicators because they can lead to improved SCVMC performance.

## **Finding 4**

The Audit pointed out that SCVMC keeps a separate set of books from the County's SAP system, and the two do not match. This makes it difficult to obtain accurate financial information.

## **Recommendation 4**

The County should develop and implement an interface between the SCVMC and County systems to ensure data consistency, in accordance with generally accepted accounting principles.

## **Finding 5**

SCVMC financial data is not transparent to the public due to the confusing way parts of SCVMC finances are broken up and tracked in the County's CAFR.

## **Recommendation 5**

The County should require an SCVMC consolidated financial statement reported as part of the CAFR.

## **Finding 6**

The new EpicCare system offers benefits in streamlining records, patient access to records, and accounting performance (accounts payable/accounts receivable systems).

## **Recommendation 6**

The County should give SCVMC's implementation of EpicCare top priority to meet the scheduled May 2013 date.

## **Finding 7**

SCVMC has best-in-class care facilities that would be attractive to new patients, but SCVMC does little to advertise its services and specialties to attract new patients.

## **Recommendation 7**

The County should establish a marketing function directed at increasing public awareness of the services SCVMC offers.

## **Appendix A: List of Documents Reviewed**

BOS Joint meeting, October 28, 2011, at the San Jose City Council Chambers. Agenda Item 3b, County of Santa Clara Budget Update, Supp. Info. 1 - Item 3 City County Intro Memo (Miscellaneous).

BOS Board meeting, December 6, 2011, in the Board Of Supervisors' Chambers. Agenda item 27, Supp Info 1A, Memorandum of Agreement (Agreements and Amendments)

Santa Clara County, Fiscal Year 2012 Final Budget

*Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services, April 6, 2011*

Santa Clara County, Master Salary Ordinance

Memo from Gallegos, Sylvia M., Deputy County Executive/Acting Director, SCVHHS, to Santa Clara County Health and Hospital Committee, Dated April 14, 2010

Memo from Smith, Jeffrey V., County Executive, to the Board of Supervisors, Subject: Recommendations Relating to Activities of the Center for Leadership and Transformation, Dated January 11, 2011

Memo from Pillari, George and Finucane, Mark (Alvarez & Marsal Healthcare Industry Group, LLC), to the County Health and Hospital Committee, Subject: A&M Project Report, Dated October 25, 2011

Santa Clara County Health and Hospital Committee, Dated April 14, 2010

## **Appendix B: Center for Leadership and Transformation (CLT)<sup>12</sup>**

At the March 2, 2010 Board of Supervisors (BOS) meeting, the BOS approved the County Executive's recommendation to contract with Rapid Transformation, LLC, in the amount of \$196,000, for period beginning March 1, 2010 to June 30, 2010 (Agenda Item #11g). These activities have been completed.

As part of the FY 2011 Approved Budget, the Board approved an expenditure of \$600,000 for FY 2011 for a combination of executive management training, mid-level manager training, Rapid Transformation efforts, and website development.

During the FY 2011 Budget Hearings, the Board approved funding to continue the organizational transformation efforts begun under the auspices of the Center for Leadership and Transformation. Rapid Transformation, LLC, headed by Dr. Behnam Tabrizi is conducting these efforts with the participation of County staff.

\$100,000 will be used to provide continued outreach with the County organization, including professional filming of key training sessions so they can be experienced by a wider County employee audience. The \$270,000 being requested for CLT activities will be offset by revenues that are anticipated due to current CLT efforts to maximize revenues at Santa Clara Valley Medical Center. In addition to the active CLT project action teams, the SCVHHS Administration and staff have demonstrated organizational leadership and commitment to applying transformation principles to multiple aspects of the healthcare system, including assigning a cross-boundary team to examine the Medi-Cal waiver programs and other ongoing departmental efforts.

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<sup>12</sup> Memo from Jeffrey V. Smith, County Executive, to the Board of Supervisors, subject: Recommendations Relating to Activities of the Center for Leadership and Transformation, dated January 11, 2011.



This report was **PASSED** and **ADOPTED** with a concurrence of at least 12 grand jurors on this 3<sup>rd</sup> day of May, 2012.

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Kathryn G. Janoff  
Foreperson

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Alfred P. Bicho  
Foreperson pro tem

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James T. Messano  
Secretary

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## **Appendix B**

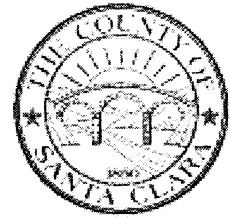
The response from the County to the report of the 2011-2012 Santa Clara County Civil Grand Jury titled "CHANGE STARTS AT THE TOP IN SANTA CLARA VALLEY MEDICAL CENTER RESUSCITATION" starts on the following page. Page numbers have been added to stay consistent with the original report.

This file can be found online at:

[http://www.sccourt.org/court\\_divisions/civil/cgj/2012/responses/vmc/sccounty.pdf](http://www.sccourt.org/court_divisions/civil/cgj/2012/responses/vmc/sccounty.pdf)

# County of Santa Clara

Office of the Clerk of the Board of Supervisors  
County Government Center, East Wing  
70 West Hedding Street  
San Jose, California 95110-1770  
(408) 299-5001 FAX 298-8460 TDD 993-8272



Lynn Regadanz  
Interim Clerk of the Board

September 17, 2012

The Honorable Richard J. Loftus, Jr.  
Presiding Judge  
Santa Clara County Superior Court  
191 North First Street  
San Jose, CA 95113

**FILED**

SEP 25 2012

DAVID H. YAMASAKI  
Chief Executive Officer/Clerk,  
Superior Court of CA County of Santa Clara  
BY D. ALDYCKI

RE: Grand Jury Report: Change Starts at the Top in Santa Clara Valley Medical  
Center Resuscitation

Dear Judge Loftus:

At the September 11, 2012 meeting of the County of Santa Clara Board of Supervisors (Item No. 12), the Board adopted the response from the County Administration to the Final Grand Jury Report and recommendations relating to Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation.

As directed by the Board of Supervisors and on behalf of the Board President, our office is forwarding to you the enclosed certified copy of the response to the Final Grand Jury Report. This response constitutes the response of the Board of Supervisors, consistent with provisions of California Penal Section 933(c).

If there are any questions concerning this issue, please contact our office at 299-5001 or by email at [lynn.regadanz@cob.sccgov.org](mailto:lynn.regadanz@cob.sccgov.org).

Very truly yours,

LYNN REGADANZ  
Interim Clerk, Board of Supervisors  
County of Santa Clara

Enclosures

Dedicated to the Health  
of the Whole Community



Hospital Administration  
751 South Bascom Avenue  
San Jose, California 95128  
Tel: (408) 885-4010

August 30, 2012

TO: Gary Graves  
Chief Operations Officer, County of Santa Clara

FROM: Trudy Johnson, MA, RN, NEA-BC  
Interim Chief Executive Officer  
Santa Clara Valley Medical Center

SUBJECT: Response to Civil Grand Jury Report titled "Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation"

A handwritten signature in cursive script, appearing to read "Trudy Johnson".

The foregoing instrument is a correct copy of  
the original

ATTEST: Lynn Regadan,  
Interim Clerk of the Board

By: D. Cristoferson  
Deputy Clerk

Date: SEP 11 2012

Please accept Santa Clara Valley Medical Center's response to the Civil Grand Jury Report dated June 14, 2012 and forward to the Presiding Judge of the Superior Court. This response includes background information regarding the operational and financial issues discussed in the report in order to provide context and clarity regarding the information presented.

The Santa Clara Valley Health and Hospital System, especially Santa Clara Valley Medical Center, is focused on improving the organization and becoming a high-quality managed care entity that can respond to the changes being brought about by the Affordable Care Act. SCVHHS will be able to continue to provide healthcare services to Santa Clara County's community in a sustainable and effective manner by implementing HealthLink (our new electronic medical record), significantly improving the operations of the Revenue Cycle and by truly integrating the health service delivery of County and community based organizations.

The Findings of the Grand Jury reflect the progress made to date and the obstacles to integration and sophisticated financial management necessary to realize the vision described above. SCVMC appreciates the insight provided by the Grand Jury and hopes this response will help to clarify the status of SCVHHS and SCVMC in this work.

**Background**

During Fiscal Year 2011-12, Santa Clara Valley Medical Center (SCVMC) provided 115,002 days of inpatient care and 828,258 outpatient visits through its inpatient services, emergency department and 11 clinics. The payer sources for these visits are shown below, with Medi-Cal and Un-sponsored representing 64% of the total inpatient days and 73% of the total outpatient visits:

	Inpatient	Outpatient
Private insurance	12%	8%
Medicare	15%	12%
Medi-Cal	47%	45%
Managed Care	9%	8%
Un-sponsored	17%	27%

Recipients of Medi-Cal receive medical coverage in a variety of ways per the structure established by the State of California. Different payment structures come with this variation in coverage. Medi-Cal managed care provides a fixed monthly payment for organizations or providers to manage all the care needed by the enrolled member (the County assumes the risk that it can manage the patient's care within this fixed payment). At present, mothers and children are the primary group of Medi-Cal managed care patients. Medi-Cal pays on a Fee-For-Service basis for non managed care patients such as the disabled. SCVMC estimates that Medi-Cal reimbursement recovers approximately 50 percent of the actual costs to provide care. Thus, if a hospital stay costs SCVMC \$20,000, Medi-Cal would pay \$10,000; the remainder would be the County's share of the cost.

The Low Income Health Program (and its predecessor, the Coverage Initiative) provides access to care for low-income adults who are not eligible for Medi-Cal. Through this program, the Federal government reimburses the County for half of its cost for providing care to enrolled persons. Under the Coverage Initiative, the Federal reimbursement capped at \$20 million a year, even if costs exceeded \$40 million. Under the Low Income Health Program, there is no cap on the Federal contribution. In 2014, persons enrolled in the Low Income Health Program will be moved into the Medi-Cal program. The benefit of the Low Income Health Program is that enrolled persons are eligible for a wide range of prevention services as well as primary care, and, that the County is able to be reimbursed for 50% of its cost. When these enrollees are moved into Medi-Cal, the reimbursement mechanism will change to Medi-Cal managed care.

Section 17000 of the state Welfare and Institutions Code sets forth the obligation of counties to provide or arrange for care to indigent residents, specifically including the obligation to provide such persons medical care:

“Every county and every city and county shall relieve and support all incompetent, poor, indigent persons, and those incapacitated by age, disease, or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives or friends, by their own means, or by state hospitals or other state or private institutions.”

When enacting the Code, the Legislature did not set specific standards of aid, but rather reserved for county boards of supervisors the authority to set such standards. Previous Boards of Supervisors decided to have care provided at SCVMC be the way for the County to fulfill its 17000 obligation, including the passage of the Open Door Policy and the approval for construction and expansion of SCVMC.

The County seeks to screen every person seeking care at SCVMC to enroll the patient into the appropriate financial assistance program if the patient does not have another form of medical insurance. For those individuals not eligible for any other program and who are county residents earning at or below 300% of the federal poverty level, they are enrolled in the Ability to Pay Determination program (APD), which is the County's charity care program. The enrollee is expected to

pay a portion of the cost of their care, though persons earning at or below 100% of the federal poverty level have no co-payment. The County covers the remainder of the cost, thus addressing its 17000 obligation.

The County is responsible for the care of all persons in custody, which is provided through SCVMC, adding to the County's cost for uncompensated care. The County has paid 100% of the medical costs for County inmates, though a small portion of these costs may begin to be covered by the State associated with AB 109.

Finally, a number of patients provided care at SCVMC are unable to pay their bills, their bills are classified as "Bad Debt", which ends up being uncompensated care.

The total cost to the County for its share of the above costs is grouped together in the category "uncompensated care". In Fiscal Year 2011-12, the total cost of uncompensated care was \$229 million.

Rather than simply rely on the County General Fund to pay for all uncompensated care, SCVMC attempts to cover its direct and overhead costs (and limit the County's contribution) by generating revenue through insured patients and by participating in other state and federal programs that provide financial reimbursement to public hospitals that provide a substantial amount of care to the uninsured and underinsured. For example, 48% of the Rehabilitation Center patient population was covered by private insurance in Fiscal Year 2012. These concepts are important to understand when considering SCVMC's response to the Civil Grand Jury's report.

What the Civil Grand Jury depicts as revenue, expense and operating loss includes the County's costs for the programs addressed above. SCVMC has worked to reduce its costs and increase revenue so as to limit its reliance on the County General Fund to cover the 17000 obligation, the shortfall from the Medi-Cal program, APD, Bad Debt and Custody Health costs. For FY12, the County General Fund provided \$55 million towards the \$229 million of uncompensated care that was not reimbursed under any other program.

The Civil Grand Jury points to many of the steps County Executive Jeff Smith has taken to improve the management of SCVMC. The work to improve the Revenue Cycle began in February 2012 and will improve with the assistance through a contract with Accretive Health. The implementation of HealthLink will also help improve the integration of our delivery system, documentation of clinical care needed for patient care, as well as billing compliance and ultimately improve our revenue collection. Decreasing controllable costs such as overtime, outside contracted services and medical supplies is something our new Chief Financial Officer and SCVMC's Interim Chief Executive Officer are continuing work to improve.

#### **Clarifications and Corrections to Statements Made in the Civil Grand Jury Report**

On page 5 of the report, there is a reference to four hour wait times to schedule an appointment. The Grand Jury's report shifts between discussion of scheduling for primary care and specialty care appointments, without noting that the scheduling happens in two different systems. Scheduling for primary care appointments is conducted through the Valley Connections system, which includes an option for a patient to schedule through the automated phone system, which thousands of patients do successfully. In the month of June 2012, for example, over 7,600 of that month's appointments had

been scheduled by way of the automated phone system, representing 83% of all scheduled primary care appointments. The average speed to answer a phone call by a live agent in the primary care call center was 35 seconds. Scheduling for specialty care appointments happens mainly through direct calls to the specialty clinic, which can result in long wait times. Additional Health Service Representatives that answer the phone for specialty appointments are being hired to improve response time. SCVMC is also working with the specialty care physicians to move more of those schedules to the automated phone system to reduce the wait times.

Please note, contrary to a statement made in the Civil Grand Jury Report on page 5, paragraph 3, no decision has been made to grant over-booking rights to primary care call center personnel.

On page 7 of the report, the Civil Grand Jury makes an incorrect reference to the annual budgeting process. SCVMC appreciates this opportunity to clarify the manner in which SCVMC prepares its annual budget and how financial management continuously takes place during the year.

**Payroll:** Except as modified by the Board in each year's budget, operations are ongoing and staff remain in their positions and functions at the change of the fiscal year. The Board may add, delete or modify programs and add or delete positions. As a result, each year's payroll budget is essentially rolled over. Over the past several years, there have been no Cost of Living Adjustments (COLA's) and in FY2012 there was a salary reduction of approximately 8% affecting most employees at SCVMC.

**Services & Supplies:** Services and Supplies budgets are based on prior actual expenditures, modified to account for budgeted changes in patient activity level. These budgets are reviewed, modified and approved by managers and directors. SCVMC has not used a COLA for Services and Supplies in the past two fiscal years.

During the course of the year, actual and budgeted expenditures for each Object 2 General Ledger account and cost center are reported monthly in SCVMC's financial reporting system PM10. Managers, directors and executives may review these reports at any time, and the Finance Department staff receives inquiries from managers about these reports indicating that managers make use of these reports and discuss them with their executives.

The monthly financial reporting process includes a review of all General Ledger accounts; any showing significant variances to budget are researched with managers to identify the factors behind the variance. Executive Managers meet with their Cost Center managers and review performance. This includes review of initiatives to hold down costs such as reducing overtime expenses, improving productivity and lowering service and supply costs.

The SCVMC Financial Performance Review (FPR) Committee meets weekly to review operational and financial performance, focusing on labor costs, services & supplies, patient volume, and revenue. In preparation for these meetings, payroll variance and labor productivity reports are generated by the Finance Department staff and distributed to the committee members and is reviewed in meetings. All requests to fill positions, including extra help, are discussed by the FPR committee, which considers variances and labor productivity in deciding whether to fill positions. Other significant variances, such as pharmaceuticals, outside medical costs and major service contracts, are also discussed by the FPR Committee and in other venues with SCVMC executives, with the objective of identifying action plans to address poor performance and negative variances.



For FY13, a standardized financial review process by department is being introduced as part of the Financial Performance Review Committee. This process will provide a format in which managers can more effectively identify variances in key operational metrics, analyze the reasons for the variances and develop plans to address the variances.

On page 9, in the second paragraph, there is discussion about "cross-talk." SCVHHS and SCVMC use all of the County's systems directly. The difference in numbers results from the monthly close that SCVHHS Finance performs in order to prepare full accrual financial statements for the Health and Hospital Committee in accordance with Governmental Accounting Standards. These differences are recorded in the County's general ledger by the end of the following month.

On page 9, in the second paragraph, there is discussion regarding "missing equipment." This is not a cross-talk issue. SCVMC uses the County's fixed asset system for equipment tracking and inventory purposes. Timing differences do occur related to the manual process of disposing of equipment and removing it from the County system. In some cases appropriate paperwork has not made its way to the final destination – the County Controller's Office. These differences are reconciled and resolved in subsequent months.

### **Response to Recommendations**

*Finding 1 – The new SCVMC management team is making good strides to address historically poor financial management by creating cost center management responsibility, targeted to deliver break-even or better financial performance.*

The SCVMC management team appreciates the Civil Grand Jury's recognition and offers a few points to address the steps being taken toward this effort. A weekly financial and operational performance review has been established. A daily flash report is distributed to managers. The report is being revised in order to provide more useful data for managers to act upon. In addition, the SCVHHS leadership team has included in its strategic plan efforts to develop a culture of accountability.

*Recommendation 1A – The County should require that SCVMC stay within the budget to avoid future unplanned subsidies from the General Fund.*

SCVMC agrees in concept.

Each year, SCVMC presents its budget plan that is intended to lead to a balanced budget, which usually requires a General Fund subsidy to address the uncompensated costs addressed in the background section of this response. Increases to the subsidy are never planned and are never desired.

The County has always required SCVMC to stay within budget. SCVMC Administration, Finance and managers work to stay within budget each year. The challenge lies in managing to the changing financial models (both Federal and State), Federal and State budget issues, unpredictable fluctuations with inpatient and outpatient volumes and payer mix, and working within the constraints of union contracts and County processes. For example there was a significant decrease in the average daily census for medical patients and we were unable to redistribute staff for several months. This resulted in a higher than desirable level of staff related to constraints of union contracts.

The Santa Clara County Board of Supervisors governs and oversees the operations of the County through a Committee structure. The Health and Hospital Committee has as its members two of the Board of Supervisors. This Committee meets monthly during which detailed financial information is presented by the SCVHHS Chief Financial Officer for discussion, review and approval. In the instance of the SCVMC requiring an increased subsidy in FY 2011-12, the County Executive continually informed the Board of Supervisors of the financial status of SCVMC leading up to the request for additional General Fund support. The approval of additional funds included specific direction SCVMC that the support was one-time in nature rather than an ongoing increase to the subsidy.

As referenced earlier, SCVMC has a process in place whereby the FPR Committee is monitoring and taking action to address poor performance and negative variances. These efforts are being expanded on in FY13.

Significant strides have been made. SCVMC is preparing for better financial performance in the future.

*Recommendation 1B – The County should require that hospital leadership runs SCVMC as a business and require leadership to make appropriate financial decisions using the data the hospital systems generate.*

SCVMC partially agrees.

The County has always required SCVMC leadership to run SCVMC as a business and in accordance with the County's mission. The challenge lies in managing to the changing financial models (both Federal and State), Federal and State budget issues, fluctuations with inpatient and outpatient volumes and payer mix, and working within the constraints of union contracts and County processes. SCVMC is implementing a new cost accounting system as well as expanding its analytical and decision support capabilities. These efforts will provide better financial data to support timely and effective analysis and financial decisions. This type of data-driven approach is critical to the effectiveness of the FPR Committee and SCVMC management teams.

The SCVMC Administration will continue to manage and operate SCVMC in a manner consistent with the direction, policies and decisions of the Board of Supervisors as led by the County's Chief Executive Officer. SCVMC recognizes that General Funds allocated to support the operations of the hospital become unavailable to other core functions of the County including Public Safety and Social Services. SCVMC Administration continues to implement the Revenue Cycle and other improvements described in the Grand Jury Report to minimize the size of the subsidy.

*Finding 2 – SCVMC has historically operated below capacity, which directly contributed to its chronically poor financial performance, resulting in County bailout from the General Fund. Increasing productivity is critical to SCVMC's financial performance.*

SCVMC agrees that increased productivity is critical to SCVMC's financial performance.

What is referred to as a "bailout" is not defined and thus could be argued. If the Civil Grand Jury is referring to the General Fund subsidy utilized to cover the cost for custody health services, care for the unsponsored and for the portion of services provided to Medi-Cal patients, then SCVMC disagrees with the Grand Jury's statement. Such expenses should not be deemed a "bailout". If, however, the Grand Jury is referencing the additional \$30 million provided to SCVMC in FY 11-12 as a "bailout", then SCVMC would agree.

*Recommendation 2 – the County should implement systems to increase productivity in reaching break-even financial performance.*

SCVMC agrees.

Steps have already been taken to increase productivity and the number of patients seen. In January 2012, SCVMC Administration began a detailed review of all provider schedules in the scheduling system to maximum its visit capacity. Provider schedules were standardized to reflect a certain number of appointment slots in the morning, afternoon and evening. These changes were made to schedules in Primary Care Medicine, Primary Care Pediatrics, Ob/Gyn and various specialty areas.

The provider schedules now reflect 10 appointment slots per half day for all providers in Primary Care Medicine, 11 appointment slots per half day for all providers in Primary Care Pediatrics and 10 appointment slots per half day for all providers in Ob/Gyn.

*Finding 3 – The performance indicators imposed by the HCRA – improved patient experience, improved capacity and access, measure and cost control – are precisely the measures that should have been in place years ago, and if implemented, can lead to significantly improved SCVMC performance.*

SCVMC agrees that the performance indicators included in the HCRA are good measured and is taking steps to make improvements in each area.

*Recommendation 3 – Regardless of how HCRA may be affected by the United States Supreme Court decision, the County should adopt performance measures consistent with the HCRA indicators because they can lead to improved SCVMC performance.*

SCVMC agrees.

With regard to adopting performance measurements related to improved access and capacity, Ambulatory clinics have been consistently tracking metrics such as appointment availability, no show rates and number of patients seen per day in order to monitor performance. An interdisciplinary committee for improving the patient experience was formed in 2010 and a regular report on this subject is provided to the Health and Hospital Committee. Although in the aggregate we must improve the patient experience we have several areas that excel in patient satisfaction. The Burn and the Rehabilitation Centers received national recognition for patient satisfaction this past year. In addition, through the California Association of Public Hospitals we are participating in the delivery system incentive plan, including a focus on multiple areas of improvement identified by CMS as important. SCVMC has extensive quality improvement and measurement processes in place related to these measures, and also includes regular reports to HHC.

*Finding 4 – The Audit pointed out that SCVMC keeps a separate set of books from the County's SAP system, and that the two do not match. This makes it difficult to obtain accurate financial information.*

The theme of this Finding in the Grand Jury's report appears to be that enough has not been done to integrate the financial management and reporting of SCVMC and the rest of the County of Santa Clara's operations. There are two primary systemic differences between the financial operations of SCVMC that have driven the aforementioned separate financial management:

The financial operations and revenue/expenditure cycles of SCVMC are entirely different than those of other County operations, so much so that in the past the traditional financial tools and systems used the rest of the County did not meet the operational needs of SCVMC and were not designed to meet the detail operational and regulatory reporting requirements of hospitals.

Santa Clara County, per the Board of Supervisors, created the Health and Hospital System to integrate similar health functions and establish a specialized administration including financial management.

Over the last few years improvements in the sharing of financial information and the integration to the extent possible of SCVMC and County Controller/Finance systems has taken place. Unfortunately, the full and immediate integration of SCVMC's financial management and operations into SAP would result in slower financial processing and ultimately increase the SCVMC General Fund Subsidy because such a conversion would cost millions of dollars. The long term objective (3 years or longer) is for SCVMC to fully utilize SAP, presuming it can be supported by a detailed cost benefit analysis, and the funding and resources are made available.

The SCVMC Financial Management staff and the County's Department of Finance meet regularly to discuss integration and identify opportunities to increase the transparency of the SCVMC financial management information. Because this collaboration is being led by the SCVMC CFO and the County's Director of Finance the efforts have and will continue to address the concerns raised by the Grand Jury in this section of the report.

*Recommendation 4 – The County should develop and implement an interface between SCVMC and the County systems to ensure data consistency, in accordance with generally accepted accounting principles.*

SCVMC partially agrees.

SCVHHS Finance has been working with the County Controller's ASAP team to develop an interface and reconciliation process between the County's general ledger and SCVHHS's general ledger since 2010. Monthly reconciliation files are sent to SAP after SCVHHS finalizes its monthly financial statements. Reconciliations have been completed for fiscal years 2010, 2011 and monthly through May 2012. SCVHHS Finance will continue to work with the County Controller's Office to improve SCVMC reporting.

*Finding 5 – SCVMC financial data is not transparent to the public due to the confusing ways SCVMC finances are broken up and tracked in the County's CAFR.*

*Recommendation 5 - The County should require SCVMC consolidated financial statement reported as part of the CAFR.*

SCVMC partially agrees.

The SCVHHS Enterprise Funds are audited as part of the County's annual financial audit. A separate audit and annual report for SCVMC is prepared each year. SCVHHS Finance will provide access to this report in the future. In addition, the year-end financials presented to HHC along with other related reports provide a complete picture of SCVMC's financial performance.

Health care operations and finance are complicated areas. Seasoned healthcare analysts are challenged when reviewing and projecting financial performance. SCVHHS Finance will continue to improve and supplement its financial reporting for the Board's and public's benefit.

In addition, SCVMC will work with the County Information Services Department to more prominently post SCVMC financial reports to the public.

*Finding 6 – The new EpicCare system offers benefits in streamlining records, patient access to records, and accounting performance (accounts payable/accounts receivable systems).*

SCVMC agrees.

*Recommendation 6 – The County should give SCVMC's implementation of EpicCare top priority to meet the scheduled May 2013 date.*

SCVMC agrees and appreciates the involvement of County Information Services Department and the County's Executive's Office in making HealthLink (SCVMC's name for its Epic system) a top priority.

*Finding 7 - SCVMC has best-in-class care facilities that would be attractive to new patients, but SCVMC does little to advertise its services and specialties to attract new patients.*

SCVMC appreciates the recognition from the Grand Jury regarding its facilities and centers of excellence.

*Recommendation 7 – The County should establish a marketing function directed at increasing public awareness of the services SCVMC offers.*

SCVMC partially agrees. There is a small office within SCVHHS that works on marketing and increasing public awareness. In addition, the Rehabilitation Center has a Rehabilitation Marketing Manager and has invested in a new website and marketing materials; thus such a function exists. Should additional funding become available, marketing efforts could increase. In the meantime, the VMC Foundation is assisting in marketing the Rehabilitation Center.

Currently, conducts small amounts of marketing and relies on targeted awareness efforts, media relations, use of social media, and providing information to patients to promote and raise awareness about SCVMC's services and specialties. A short description of the more recent marketing and awareness efforts is included for reference:

**Pediatrics** - A comprehensive Pediatric Provider Directory was produced to provide referral information, as well as a listing of SCVMC's specialties and sub-specialties in the following area: Maternal-Fetal Medicine, Newborn Medicine, Centers of Excellence (Rehab and Burn), South Bay Regional Genetics Center, Pediatric Healthy Lifestyle Clinic, High-Risk Infant Clinic, Behavioral & Developmental Disorders Specialties, and Pediatric Specialty Services. Physician profiles were listed by specialty and contact information was provided. The Pediatric Provider Directory with a cover letter from Dr. Stephen Harris, Chair of the Pediatrics Department, was mailed and/or delivered to Santa Clara County pediatricians, health plans and health insurance providers.

**Catastrophic Injury Services** - A brochure was developed to highlight the comprehensive care SCVMC can provide to catastrophic illness or injury cases. The brochure featured: Emergency Medicine and Trauma

Services; Burn Care; Spinal and Neurological Injuries; the Rehabilitation Center; the Rehabilitation Trauma Center; Pediatric Trauma, Intensive Care and Rehabilitation; High-Risk Pregnancy and Neonatal Intensive Care; Palliative Care. The brochure was distributed to referral sources that included physician groups, health plans and health insurance providers.

Rehabilitation - In November 2011, the VMC Foundation launched an effort to increase the visibility of SCVMC's nationally-recognized SCI/TBI Rehab Center. A plan was launched to attract a greater percentage of privately-paying patients to the Rehab Center of Excellence.

Between January and August 21, 2012, various projects have been undertaken on behalf of these efforts. Among them are:

- Production and release of a 12-page "advertorial" in the Silicon Valley Business Journal, ¼ of which focused on the features of the Rehabilitation Center at SCVMC.
- Positioning of Dr. Steven McKenna, Chief of SCVMC's Rehab Trauma Center, as a national pioneer of regenerative medicine, in local/regional speaking engagements.
- Development of outreach materials to promote the Rehab Center, clinical outcomes, and ongoing research.
- Creation, planning and marketing of two Rehab conferences; one focusing on regenerative medicine (in October, regional in scale) and one on traumatic brain injury (in February 2013, national in scale).
- Six videos have been produced to highlight the work and excellence of the Rehab Center. Most are available to view on the newly-developed, outside-funded website [www.scvmcrehab.org](http://www.scvmcrehab.org)

Media Relations - Local newspaper, television stations and radio stations coverage on a story about SCVMC programs is one of the best ways to make the community aware about the services offered and the expertise of SCVMC's staff. There have been hundreds of articles and news broadcasts about services, programs and staff, including those that have featured accreditations or verifications by third-party organizations, awards and significant research. Programs and services that have been featured in news stories include: Burn Center, Cardiac Care System, Diabetes Center, Emergency services, HIV/Aids Program, Neonatal Intensive Care Unit, Palliative Care Program, overall Pediatric services and specialties, Rehabilitation Center, and Women's Health services.

Additionally, by providing medical staff for interviews on a variety of topics, SCVMC not only helps to raise awareness about a health issue or service, but also positions itself as having some of the best experts in the field. In addition to the topics mentioned above, SCVMC medical staff has also conducted interviews, to cite a few examples:

- First clinical trial of human embryonic stem cells in patients with spinal cord injuries
- How progesterone may improve the recovery of patients with traumatic brain injuries
- Treating infants with a whole body (or therapeutic) cooling technique
- Benefits of a tai chi program for patients in wheelchairs
- Childhood nutrition
- Chronic diseases

- Heat related injuries
- Traumatic brain injuries
- Vehicle back-over injury prevention

In addition, the participation of medical staff, nursing staff, allied health professionals and other medical center staff in outside programs provide an opportunity to expose the public to SCVMC. There are many publications and presentations made at national and international conferences that expose the public to the work of SCVMC. In addition, the Trauma, Burn, Rehabilitation and Neonatology services regularly host regional professional conferences that highlight many of the medical center's teams.

Social Media - Since 2011, SCVMC has had a social media presence on Facebook. While a many of the postings provide health tips to the community, including a number of anti-smoking tips in support of Public Health Department activities, other postings have covered SCVMC services and specialties.

The current trend is that more people are turning away from traditional news sources, using less and less printed formats for information, going to Web based sources for information, and moving to a more social Web. SCVMC will stay abreast of these trends and consider how best to communicate with patients, the medical community and the residents of our county.

Moving in that direction, SCVMC now shares a Twitter account with the Public Health Department, the Mental Health Department, and the Department of Alcohol & Drug Services. SCVMC and the Public Health Department are beginning to use YouTube and exploring what other social media tools would be helpful in raising awareness about health programs and issues.

Information to Patients - "Word-of-mouth" is one of the most credible forms of advertising. Along with providing good service and great care, information given to patients can be used when our patients talk with family and friends. When people talking about the care or services they received don't stand to gain personally, it makes the message very powerful. Here are some examples of the information SCVMC provide to patient, typically in English, Spanish and Vietnamese:

- Burn Center: patient/family & referral materials
- Diabetes Center materials
- New Parent Guide
- Palliative Care brochure
- Pediatrics materials, including NICU physicians piece and Pediatric Healthy Lifestyles brochure and flyer
- Prevent Scalds brochure
- Primary Care Services brochure
- Rehabilitation Center: brochure, technology and outcomes flyers

## **Appendix C**

### **Documents Reviewed**

- “Change Starts at the Top in Santa Clara Valley Medical Center Resuscitation,” Civil Grand Jury Report of May 2, 2012
- “Fiscal Year 2015 Final Budget,” County of Santa Clara
- County of Santa Clara, “Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013; pages i-x, 1-25.
- Santa Clara Valley Health & Hospital System Enterprise Fund, Independent Auditor’s Reports, Management’s Discussion and Analysis and Financial Statements, For the Fiscal Years Ended June 30, 2012 and 2011, pages 1-40.
- Monthly reports to County of Santa Clara Board of Supervisors Health and Hospital Committee, October 2014 - April 2015.
- Health & Hospital Committee Santa Clara Valley Health & Hospital System Strategic Update, November 14, 2012
- Finance and Government Operations Committee Reconciliation of the Health and Hospital System and County’s Accounting System, November 13, 2014
- Embracing Change; County of Santa Clara, Annual Report 2013, pages 16-21
- Management Audit of Santa Clara Valley Health and Hospital System Administration and Support Services, Prepared for Board of Supervisors by Board of Supervisors Management Audit Division, April 6, 2011.
- Response to Civil Grand Jury Report, County of Santa Clara Board of Supervisors
- Health and Hospital Core Health Information System – Health Link
- Fiscal Year 2015 Three-Year Technology Plan
- Fiscal Year 2013 Three-Year Technology Plan
- <http://health.usnews.com/best-hospitals/area/ca/santa-clara-valley-medical-center-6933240>



This report was PASSED and ADOPTED with a concurrence of at least 12 grand jurors on this 15th day of June, 2015.



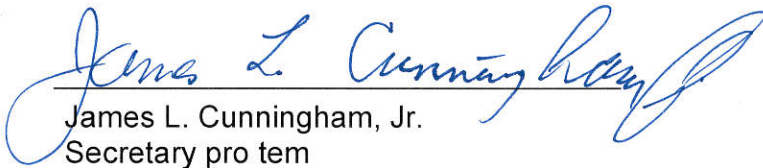
Elaine K. Larson  
Foreperson



Wilma Faye Underwood  
Foreperson pro tem



Joe A. Lopez  
Secretary



James L. Cunningham, Jr.  
Secretary pro tem