

**Stanislaus County Health Services Agency
Grand Jury Case # 06-16
2005-2006**

SUMMARY

On September 6, 2005, the Civil Grand Jury (CGJ) authorized an investigation of Stanislaus County Health Services Agency (HSA) Strategic Plan, and an examination of the recent reductions in health care provided to the medically underserved.

Stanislaus County provides a high level of health care services to indigents, low income, and uninsured patients. State law requires that the County provide health care to indigents and the poor. The health services provided to the indigent and poor represent only 11% of the total patients served by HSA. Since 1997 the County has lost over \$23 million due to HSA deficits. The HSA Strategic Plan (Plan) focuses primarily on either obtaining status as a Federally Qualified Health Center-Look-Alike (FQHC-LA) or obtaining favorable state legislation to increase revenues. Neither strategy is assured. The CGJ concluded that a more proactive approach to bring the HSA into fiscal balance is necessary.

First, the Stanislaus County Board of Supervisors (BOS) should identify secure funding sources equal to the level of health care services they authorize. The BOS should eliminate previous indebtedness by early pay off of the 2005 Note and dedicate the interest revenue from the health related Tobacco Securitization Bond proceeds to HSA.

Second, a more aggressive approach to fiscal management of HSA is required. Collection of management data is hampered by separate and uncoordinated information systems as well as incorrect classification of expenses. Expense reduction and clinic consolidation should be the current focus until additional or enhanced revenue is obtained. Multi-year financial contingency planning must be an ongoing priority for the BOS. County Center II, (CCII) should be evaluated for upgrading. Consolidation of clinic services at that location may be more economical than increasing long-term lease costs at other sites. HSA financial reporting to the BOS and the Health Executive Committee should be accomplished monthly.

The County is beginning to make progress in several of the identified areas. However, aggressive management by the BOS and the County Chief Executive Office is required to avoid any future failures similar to the revenue shortfall that occurred at the closing of the County Hospital in 1997.

INTRODUCTION

On September 6, 2005, the CGJ authorized an investigation of the County's HSA Plan, and an examination of the recent reductions in health care provided to the medically underserved.

Stanislaus County provides a high level of health care services to indigents, low income and the uninsured. State law requires that the County provide health care to indigents and the poor. The health services provided to the indigent and poor represent only 11% of the total patients served by HSA.

The CGJ reviewed the 2005 Plan during the investigation of a separate complaint involving the HSA. About the same time, the BOS took action resulting in a reduction of health services to the County's medically underserved population. The Plan reported that the HSA has incurred approximately \$22.2 million in deficits since July 1, 1997. The Plan was intended to provide a path to solvency for the agency. The BOS approved the Strategic Plan, which led to service reduction for the medically underserved.

The CGJ reviewed the HSA Plan and noted the large and continuing annual financial losses the County has experienced since 1997. The reduction of specific health services to a segment of the County's population was examined. Two issues involving funding requirements and management approach were identified. The structure of this report separates the two issues into discreet sections, each with its own statements of facts, findings, and recommendations.

I. Funding – The areas investigated include:

- Loss of Funding
- Number of patients served
- HSA deficits
- The Tobacco Settlement
- Stanislaus County Promissory Note
- Funding solutions
- HSA facilities
- FQHC-LA
- Pending legislation

II. Management - The areas investigated include:

- Valid management data
- Multi-year budgeting
- Contingency planning
- Expense classification
- Administrative costs
- Facility planning and sales
- BOS/staff communications

- Information technology systems

Although the Plan was intended to solve the financial problems of the HSA, its major thrust relies on the County applying for and obtaining designation as a FQHC-LA or obtaining state legislation that would qualify certain costs as Certified Public Expenditures, (CPE.) Realization of either possibility would bring the benefit of additional federal funding. Neither strategy is guaranteed.

METHOD OF INVESTIGATION

The CGJ conducted its investigation from September 2005 through April 2006 and included many sources of information and documented facts. Major sources included the following:

- 1) Interviews
 - a. Interviews with County personnel including directors, managers, department heads specialists, and elected officials (Appendix 1.)
 - b. Interviews with other health providers within the County.
- 2) Field Trips - Announced and unannounced field trips to HSA facilities
 - a. County Center 2 (Scenic.)
 - b. Medical Arts Building.
 - c. Paradise Medical Clinic.
- 3) Document Review
 - a. Review of applicable laws regarding the provision of health programs and services.
 - b. Reviews of CGJ Reports, CGJ 2001/2002 03-12-c and CGJ 2002/2003 03-23.
 - c. Public information including government publications and reports and other pertinent sources.
 - d. Documents reviewed by the CGJ are listed in Appendix 3.
- 4) Surveys of adjacent County health programs (Appendix 2.)

With the exception of field interviews, all other interviews were scheduled in advance and conducted under oath during recorded testimony. Local newspaper articles were reviewed to identify key recent events and how they were presented to the public. Pertinent Internet sites were reviewed and relevant documents downloaded for reference and retention.

I. FUNDING

STATEMENT OF FACTS

1. California Welfare and Institutions Code, section 17000, requires Counties “to provide health care services to 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 hospital or other state or private institutions.”
2. California Welfare and Institutions Code, section 17001, provides for the BOS to adopt standards of aid and care for the indigent and dependent poor.
3. The California Constitution Article 16, section 18 (a) “forbids any County from incurring any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters . . .”
4. California Government Code, section 29009, states, “In the proposed and final budgets the budgetary requirements shall equal the available financing.” This is restated in Article 1 of the County Budget Act contained in Appendix B of the State of California Accounting Standards and Procedures.
5. HSA Clinic and Ancillary Services have been established as an Enterprise Fund. Government Code section 25261 requires that the County Board of Supervisors of each County make available such amounts as are necessary to establish each fund and to maintain budgetary unit solvency.
6. The County budget process includes a proposed and final budget with quarterly reports. This process allows for funding adjustments to be considered and approved by the BOS to meet any additional needs or reductions mid-year, and to take appropriate action as required in a timely fashion.

FINDINGS

The BOS approved the amount and level of mandated health care to indigents, low income and uninsured citizens of Stanislaus County, which was not consistent with their commitment to corresponding levels of funding.

After many years of heavy HSA losses, in 2004 and 2005 the County chose to commit a source of non-tax base health related revenues to pay back the deficits over an eighteen-year period. This, however, did not lead to any additional or consistent sources of funds to HSA. There are other approaches for funding HSA that the BOS should evaluate and employ immediately.

Loss of Funding

Up until 1997, the County Hospital provided medical care to a large share of low income and indigent patients. To compensate the hospital for the higher cost of caring for low income patients they received additional revenue through “Medicare Disproportionate Share” funding. Under sworn testimony the CGJ found that the BOS received erroneous information leading them to believe that they would retain this funding even though they closed the hospital.

Patients Served

HSA provides health services and levels of care for patients that are beyond the level mandated. The County is required to provide health care by the Welfare and Institutions Code to a limited group of indigent patients. Indigent care represented only 11.6 percent of total costs for HSA. In fiscal years 2004 and 2005, the payer mix was:

Payer	Percent of Total
Medi-Cal	40.6
Medicare	12.9
Medi-Cal Managed Care	9.2
Insurance	5.9
Personal Self Pay	7.9
County	1.7
Other	10.2
Indigent Care	11.6
Total	100%

Deficits

1. HSA did not have adequate funding to meet budget requirements from fiscal years 1997 through 2001 and 2003. Table 1 summarizes the financial results for HSA from 1997 through 2005. Line 18, Total Revenue and Gains, or Losses states that from 1997 through 2001 the HSA operated at a deficit ranging from \$1.1 million to \$8.2 million per year. In 2003 another deficit of \$3.7 million was incurred. The years of 2002, 2004, and 2005 all operated within a balanced budget reflecting adequate County funding. Table 1 data was extracted from each of the County’s annual Independent Auditor’s Reports and Financial Statements for fiscal years 1997 through 2005.

2. The Plan contains a three-year financial projection incorporating reduced levels of financial support from the County beginning with \$7.44 million in fiscal year 2005/06 and ending with \$3.75 million in fiscal year 2007/08 plus additional County matching funds of \$161,075. Planned net income for the three year plan is:

<u>Fiscal Year</u>	<u>Net Income*</u>
2005/06	\$312,863
2006/07	(\$107,630)
2007/08	(\$2,013,283)

* Parenthesis indicates a loss.

Elimination of the losses is dependent on increased state and federal reimbursements through designation of selected clinics as an FQHC-LA or successful state legislation designed for that purpose.

Tobacco Settlement

1. In November 1998 the national tobacco industry and the states settled many areas of litigation involving the use of tobacco products. As a result, California received approximately \$25 billion in annual payments through 2025. Stanislaus County participated in the settlement and was successful in receiving a share of the payments from the tobacco industry.

2. In 2002 the BOS securitized Tobacco Settlement payments by joining with other counties and receiving a secure and discounted payment immediately rather than waiting for the 25-year stream of payments. The \$52.4 million bond proceeds were deposited into the County's Tobacco Endowment Fund.

Table 1

Stanislaus County Promissory Note

1. In September 2004 the County issued a 15-year promissory note to itself in the amount of \$20,489,032 to recover past HSA deficits and to bring audited financial statements in line with state law requiring balanced budgets. The source of funds for payments on this note is the interest from the Tobacco Securitization Endowment Fund in the amount of approximately \$1.2 to \$2.1 million per year.
2. In September 2005 the County revised the note to include an additional \$3.2 million increasing the note principle to \$ 23,725,144 with payments extending over eighteen years. At the sole discretion of the BOS the note may be extended for fifteen additional consecutive one-year periods.
3. In January 2006 the BOS approved the securitization of an additional \$20 to \$30 million of Tobacco Settlement revenue. The resulting bond proceeds would be deposited into an endowment fund, similar to the first Securitization Bond, and the interest income would be available for any general governmental purpose or for capital expenditures.

Internal Funding Solutions

1. Under sworn testimony, a knowledgeable witness identified two potential sources of revenue that could be used to reduce or retire the internal note. Both sources are based on increased discretionary revenue becoming available to the BOS through tax revenues. The two sources identified were the Property Taxes/Current Secured (budget account number 10000) and Property Taxes/In-Lieu Vehicle License (budget account number 12710.)
2. The Property Taxes/Current Secured account had an actual 2004/05 fiscal year revenue of \$25,606,297 and an anticipated budget increase of \$ 2.7 million in the 2005/06 fiscal year. The Property Tax/In-Lieu Vehicle License account had actual, 2004/05 fiscal year revenue of \$34,705,289 and an anticipated budget increase of \$ 11.3 million in 2005/06. These two revenue accounts will outpace any other discretionary revenue source. The witness further suggested that a percentage of the revenue growth could be dedicated to pay off the internal note. As an alternative, the witness suggested that a percentage of increased revenue from the accounts could be directed specifically to HSA for the benefit of the medically underserved population of the County.

County HSA Facilities

1. The December 6, 2005, Facility Plan proposed to vacate a portion of CCII and/or sell the Medical Arts Building. Under sworn testimony the CGJ was advised that the County is considering sale of CCII. Sale of either CCII or the Medical Arts Building would generate additional funds to support any County governmental use.

2. The CGJ toured CCII to evaluate its condition. Although some buildings are over 50 years old they have been remodeled and maintained over time. However, bringing buildings up to current code may present a significant cost problem to HSA.

Federally Qualified Health Center Look Alike Designation

1. The Plan's major step to financial solvency is dependent on the HSA's ability to obtain FQHC-LA status to increase funding, as well as the need to dedicate approximately \$3.9 million per year from the County's General Fund.

2. In 2006 the BOS authorized hiring a consultant to assist staff in determining if HSA could receive additional funds by being classified as a FQHC-LA. A sworn witness reported that this would result in a \$1.2 to \$3 million reimbursement of additional federal funds. However, FQHC-LA also requires that control of the HSA shall be turned over to a new independent Board of Directors. A minimum of fifty-one percent of the Board must be composed of clinic system users. Also the BOS would have to reinstate a comprehensive list of health care services (some which have been terminated at the time of this report.)

Pending Legislation

The BOS is pursuing additional Medi-Cal reimbursement by supporting state legislation, Assembly Bill 959 (AB 959). If passed this bill would qualify certain HSA expenditures as CPE and increase the level of reimbursement from Medi-Cal and indirectly involve federal financial participation. The County cannot accept increased funds under AB 959 if they are a FQHC-LA.

Skyrocketing Healthcare Cost

A recent study of high hospital costs by the Institute for Health & Socio-Economic Policy sights two of Modesto's hospitals, one being the **most costly in the nation**. (See Appendix 3, #36.)

RECOMMENDATIONS

Health care in Stanislaus County is an important and vital asset to all residents. The County has adopted a commitment to "A Healthy Community" in its mission statement and maintaining a high level of health care to the medically underserved has been a part of this ongoing pledge. Funding of this important County service requires firm commitments be made to minimize past obligations as well as to identify and commit future sources of revenue to maintain solvency. The CGJ recommends that:

- 1) **Deficits** - The BOS shall insure that decisive action is expeditiously taken, when necessary, to eliminate department deficits to avoid similar problems experienced during 1997 - 2001, and 2003. Actions could include allocating additional revenue and/or reducing expenses.
- 2) **Tobacco Settlement/Stanislaus County Promissory Note** - The BOS retire the 18-year internal note through an accelerated pay off using additional, discretionary revenues. As soon as the internal note is retired the BOS direct annual interest from the Endowment Fund (for both Tobacco Securitization bond issues) to annual funding of HSA.
- 3) **Internal Funding Solutions** - Revenue from the Property Taxes/Current Secured and Property Taxes/In-Lieu Vehicle License be prioritized by the BOS so that a significant share is allocated to retire the internal note.
- 4) **County HSA Facilities** - The BOS order a Building Utilization Study of CCII to determine an estimated cost needed to bring the facility to a condition allowing for greater use by HSA. The availability of grant funds should be explored to identify any possible sources of additional revenue.
- 5) **FQHC-LA Designation** - The BOS continue to pursue FQHC-LA status; however, contingency plans should be developed identifying alternative sources of revenue to fund HSA in the event the County is unsuccessful in this effort.
- 6) **Pending Legislation** - The BOS pursue and support legislation to increase Medi-Cal reimbursements through passage of AB 959. However, neither this legislation nor the BOS' application to become a FQHC-LA guarantees success or an increase in funding.
- 7) **Skyrocketing Healthcare Cost** - The BOS endeavor to participate in organizations that actively attempt to resolve the high cost of health care specifically in Stanislaus County. Endorse and support legislation that encourages active competition among health care providers while maintaining levels of quality health care. Further, in an effort to contain health care costs within HSA, efforts should be made to encourage new businesses to provide a percentage of their payroll towards their employee's health care insurance.

(Recommendations for Management section is provided under that section.)

II. MANAGEMENT

The management systems used by the County are often muddled by inconsistent data, changes in reporting methods, incompatible computer systems, and a lack of timely reporting of significant trends in troubled departments such as HSA. This has led to hesitation by CEO and HSA management personnel in maintaining adequate cost control and appropriate reporting to the BOS.

STATEMENT OF FACTS

- 1) The BOS commissioned specialist consultants that provided them with studies and reports concerning HSA and the County's legal health care obligations. The BOS, at this time, have not entirely implemented the recommendations contained in the consultant reports.
- 2) With the 1997 closing of the hospital at CCII the BOS had to consider the transitioning of services from a hospital to an ambulatory clinic. They hired an expert consultant to assist HSA in that transition. In November 1998, the BOS received a Medical Clinic Operational Assessment report from The Camden Group. The Camden Group identified six themes for improvement.
 - Clarify the strategic direction of HSA through setting clear service and funding priorities. Based on these priorities, establish measurable performance targets and monitor performance regularly.
 - Create a responsive organization and functional structure based on the realities of ambulatory care today in order to create a viable cost structure. This requires focus on management leadership to improve accountability, efficiency, and communication.
 - Restructure financial services in order to strengthen HSA's ability to maximize revenue and provide management and staff with necessary financial information.
 - Enhance operational systems to maximize patient access and satisfaction.
 - Redesign workflow processes to enhance efficiency and financial performance.
 - Clarify the respective roles and responsibilities between HSA and the Scenic Faculty Medical Group ("SFMG.")

The report emphasized the following issues:

1. Identification of clear goals and related performance standards
2. Lack of financial information
3. Continuing losses
4. High general and administrative expenses
5. Billing and payment
6. Level of detail in management information
7. Lack of standardized policies and procedures

Other specific issues were identified concerning organizational structure and the use of a hospital based “Meditech” billing system in a clinic environment.

3) In March 2005, a second review by The Camden Group reported several improvements since 1997 but suggested the following areas for continued review:

- Aggressive renegotiation of the Blue Cross Contract to increase revenue
- HSA administrative overhead is higher than industry benchmarks
- Write-offs are taken too soon rather than pursuing aggressive collection activities
- The need to improve the collection rates from Medicare, insurance and other payers
- HSA salaries and benefits are higher than industry benchmarks.
- Review of the SFMG contract for performance improvements
- Duplication of efforts between SFMG and HSA
- HSA currently uses a hospital based billing system rather than one specifically designed for clinics, which leads to additional staff time and inefficiency.
- Need to determine the cost/benefit ratio for the Residency Program.

4) In the CGJ’s review of the audited financial reports it was noticed that there were high levels of “Transfers Out” of HSA ranging from \$14.7 million (1998) to \$1.2 million (2000) with \$7.0 million in 2005 (See Table 1.) Transfers Out represents dollars that flow out of HSA. Upon closer review and discussion with County staff it was determined that a significant amount of these out-going dollars are for operating expenses.

5) Although the Camden Group’s two reports were referenced in the Plan, under sworn testimony it was determined that they were not asked to review and comment on the effectiveness of the Plan.

6) California Government Code Section 29126.2 provides for the Auditor to review and issue financial reports and recommendations.

FINDINGS

Valid Management Data

The County uses two data processing systems to track expense and prepare reports for HSA. These systems do not readily communicate with each other and consequently more staff time is required to generate management data and reports resulting in inefficiency.

Multi-Year Budgeting

A multiple year budget plan would enable management to monitor the current year with feedback for impact on future years. The CGJ found no detailed multi-year budgeting by the County.

Contingency Planning

There is no back-up budget plan in the event that the Plan assumptions regarding FQHC-LA or CPE qualification fail to materialize.

Expense Classification

1. Government Accounting Principles are not strictly followed regarding the classification of certain HSA operating expenses. Under sworn testimony, the CGJ was informed that the State of California Accounting Standards and Procedures for Counties requires that “interfund transfers out are financial outflows to other funds of the government reporting entity that are not classified as services provided and used, reimbursements or loans.”
2. During the April 7, 2006, Grand Jury Audit Exit Conference with the 2005 external auditor, Macias Gini & Company, the CGJ asked if certain costs in the HSA “Transfers Out” would best be classified as operating expenses and shown as such. The auditor answered that the costs would be more appropriately shown as operating expenses.

Administrative Costs

The HSA administrative costs were identified in both Camden Group reports as being higher than industry benchmarks.

Facility Planning and Sales

1. Although the County is in the process of analyzing the potential sale of the Medical Arts Building (MAB) there is not a study being done to reduce the costs of the clinics operation through further consolidation as recommended in the Camden report.
2. There is no facility cost analysis for the sale and replacement of County facilities.

3. The proposed facilities relocation plan relies on a decision to close the MAB in preparation for a sale. The Women's Health and High Risk Ob Gyn services are to be relocated to the McHenry Clinic while Pediatrics is to be relocated to CCII. However, as a secondary goal, staff proposes to close CCII. The MAB will be vacated, but at the same time is used as a fall back position to accommodate the Specialty Clinics and Urgent Care should CCII close. Furthermore, in the proposal to relocate Pediatrics to CCII, it is assumed that the Family Practice Building would be available even though the larger CCII building may be closed. The plan is summarized on Table 2.
4. Ancillary Services (Laboratory, Radiology, Pharmacy, and Rehabilitative Services) is currently located at CCII. The plan suggests that some of the Ancillary Service Clinics be relocated to CCII Family Practice Clinic building after it is vacant. However, if the Family Practice Clinic and the Residency Program are moved to Paradise, it would follow that the Ancillary Services would also move to Paradise to keep associated services near the patients and providers.
5. It appears that the objective of the plan is to move HSA operations out of MAB and CCII. Most operations would be moved to the Paradise Medical Office where additional leased space is required. The annual lease cost of the Paradise Medical Office is \$521,412 or \$1.60/square foot for the existing lease.

Table 2

Health Service Agency Facility Plan

	Practice	Current Location	New Location	Notes
1	Family Practice Clinic	CC2	Paradise	Remodel
2	Residency Program	CC2	Paradise	Remodel
3	Family Practice	Paradise	NC	
4	Family Planning	Paradise	NC	
5	Primary Medical Care	Paradise	NC	
6	Woman's Health	MAB	McHenry	To vacate MAB
7	High Risk Ob Gyn	MAB	McHenry	To vacate MAB
8	Behavioral Health	Paradise	Paradise+	Additional leased space
9	Pediatrics	MAB	CC2	Family Practice Building If CC2 closed then MAB
10	Women, Infants, & Children	Paradise	Safety Center	
11	Library	Paradise	Paradise+	Additional leased space
12	AMR	Paradise	Paradise+	Additional leased space
13	Specialty Clinics	CC2	NC	If CC2 is closed then MAB
14	Urgent Care	CC2	NC	If CC2 is closed then MAB
15	Community Services Agency	Paradise	Paradise+	Additional leased space

Notes:

1. Source: November 15, 2005, Proposed Facilities Plan for the Health Services Agency Clinics
2. CCII = County Center II
3. MAB = Medical Arts Building
4. Paradise+ = Additional leased space at the current Paradise Road location
5. NC = No change in location

BOS/Staff Communications

The Community Health Advisory Committee was established to focus on health issues as a result of the closing of the County hospital. Subsequently, the Health Executive Committee (HEC) was established and the former committee discontinued in 2001. Membership on the HEC includes two members of the BOS. The Committee met five times in 2005 to discuss HSA and other matters. Review of the Committee minutes finds that there was little if any discussion of HSA's ongoing financial performance, which should have been of primary importance.

Information Technology Systems

1. The County's Report to Management for the Fiscal Year Ended June 30, 2005, identified several issues that caused them to recommend a centralized Information Technology Systems (ITS) operation. The external auditor recommends that there be a... "County-wide IT administrative policies and procedures governing system and application security protection of IT assets, and system and application change management."

2. County staff has started a "Business Technology Strategy" review. The preliminary documentation indicates seven goals. Included as goal number three is a reference to " . . . standardization in *approaches* to Information Technology . . ." Currently, there is no goal to *standardize* the County's information technology systems.

RECOMMENDATIONS

1. Valid Management Data - The BOS should establish a common standard for information systems that will easily provide for more frequent reporting of financial and management performance. It should also reduce the cost and complexity caused by operating and maintaining multiple types of information systems.

2. Multi-Year Budgeting - The BOS shall direct that a three-year HSA budget plan be prepared in sufficient detail so that management can be involved in monitoring department performance and making corrections when necessary.

3. Contingency Planning - Successful designation of all or a part of HSA as a FQHC-LA is not guaranteed, and neither is the enactment of advantageous state legislation. The BOS shall establish a contingency plan with specific actions to be taken in 2006/07 aimed at reducing real costs now rather than rely entirely on efficiency improvements to achieve a balanced budget.

4. Expense Classification - Management review of financial data is essential to understanding trends in operating departments. The County CEO shall review and insure that all operating costs are correctly identified and categorized as such, rather than "transfers out."

5. Administrative Costs - The Camden Group identified administrative costs as being excessive compared to industry benchmarks. The County Chief Executive Officer should undertake a management audit of HSA to determine the effectiveness of management structure and its costs. A review of HSA management structure should be undertaken for its appropriateness to a clinic operation.

6. Facility Planning and Sales - The County shall explore further clinic consolidation focusing on the outlying facilities. The BOS shall order an engineering/economic facility study to determine the economics of remodeling and upgrading County Center II for the purpose of clinic consolidation and ancillary services at this location and avoid additional, expensive, long-term leases.

7. BOS/Staff Communications - The Auditor/Controller should issue independent, public reports and recommendations to the BOS concerning any County department that is experiencing or is projected to incur deficits. These reports and recommendations shall be done in a timely fashion to allow management to take aggressive action necessary to insure a balanced budget.

The CEO shall provide monthly financial oversight reports to the BOS for County departments that are experiencing deficits. HSA should provide information or data directly to the BOS or through the Health Executive Committee. Elected officials should provide greater proactive oversight, guidance and direction.

8. Information Technology Systems - The BOS should establish specific policy for uniform, countywide implementation of standardized ITS. The policy should be focused on bringing the separate, splintered implementation into a uniform system over time.

(Recommendations for Funding section is provided under that section.)

APPENDIX 1

Interviews Conducted

1. September 29, 2005 Stanislaus County Chief Executive Officer
2. October 5, 2005 Stanislaus County Managing Director, Health Services Agency
3. November 28, 2005 Stanislaus County Manager III – Auditor Controller
4. November 28, 2005 Chief Executive Officer, Golden Valley Health Center
5. December 7, 2005 Member of Stanislaus County Board of Supervisor
6. December 9, 2005 Stanislaus County Chief Financial Officer, Health Services Agency
7. December 15, 2005 Past Hospital Director
8. December 15, 2005 Stanislaus County Chief Financial Officer, Health Services Agency
9. January 10, 2006 Stanislaus County Deputy County Counsel
10. January 30, 2006 Stanislaus County Treasurer/Tax Collector
11. February 2, 2006 Stanislaus County Assistant Executive Officer
12. February 8, 2006 Stanislaus County Auditor/Controller
13. February 10, 2006 Stanislaus County Assistant Executive Officer
14. February 16, 2006 Stanislaus County Auditor/Controller
15. March 1, 2006 Stanislaus County Assistant Executive Officer
16. March 22, 2006 Stanislaus County Auditor/Controller
17. April 24, 2006 Stanislaus County Interim Managing Director, Health Services Agency

APPENDIX 2

Comparison of Adjacent County Health Plans

	Merced	Alameda																
1. Compliance w/ Govt. Code 17000	a. Medical Assistance Program MAP (Adults): Contracts with Mercy Medical Center (Catholic Health Care West) b. Child Health and Disability Prevention (Children) pays for follow up services on a claims-made basis. c. Correctional and Juvenile Detention Services: Contracts w/California Forensic Medical Group and paid by Sheriff and Probation out of General Fund.	The County has 5 Medical Centers and 28 Community Based Organizations, which provide indigent care through contracts. The Medical Centers are operated as separate entities such as the Alameda County Medical Center.																
2. Org Chart	Three Directors-HSA, Mental Health and Public Health.	Under the HSA there are 4 Departments: Admin. and Indigent Care, Behavioral Health, Public Health, and Environmental Health.																
3. Annual Financials-Program Expenses	<table border="0"> <tr> <td></td> <td align="center">2003</td> <td align="center">2004</td> <td align="center">2005</td> </tr> <tr> <td>First Five</td> <td align="right">\$2,924,475</td> <td align="right">\$3,631,801</td> <td align="right">\$4,483,650</td> </tr> <tr> <td>MAP</td> <td align="right">\$5,044,866</td> <td align="right">\$4,455,289</td> <td align="right">\$1,652,485</td> </tr> <tr> <td>Indigent</td> <td align="right">\$806,953</td> <td align="right">\$331,294</td> <td align="right">\$285,747</td> </tr> </table>		2003	2004	2005	First Five	\$2,924,475	\$3,631,801	\$4,483,650	MAP	\$5,044,866	\$4,455,289	\$1,652,485	Indigent	\$806,953	\$331,294	\$285,747	2004/05 Health Services \$21,396,000 Measure A = ½ cent Sales Tax
	2003	2004	2005															
First Five	\$2,924,475	\$3,631,801	\$4,483,650															
MAP	\$5,044,866	\$4,455,289	\$1,652,485															
Indigent	\$806,953	\$331,294	\$285,747															
4. Deficit Program	Merced has not had a deficit program.	No deficit Financing																
5. 2005/06 Budget	First Five – Tobacco Tax - \$5,759,342 MAP – CHIP, CHDP, JAMS - \$5,344,189	2005/06 Budget (Millions) Indigent Care – \$68.3 Behavioral Health – 22.9 Criminal Justice – 2.7 Public Health - .9 EMS - 5.2 Total - 100.0 Net County Share \$33.5																
6. Number of Patients	2004/05 Unique Patient Visits – 11,256 MAP – 60	FY 2004-05 Unduplicated Indigent – 53,655																
7. Budget and Monitoring	Budget Process: Proposed Budget - June Final Budget - August Mid-Year Report – January/February Quarterly Auditor Reports	Monthly meetings of the Board's Health Care Services Committee. Quarterly Department Reports sent to CAO for review.																
8. Effectiveness	Yes- March 2002	Ongoing Internal Review																

APPENDIX 3

Documents Used In This Report

1. California Welfare and Institutions Code section 17000 – 170030.
2. California Constitution Article 16, Public Finance.
3. California Government Code section 29000-29009.
4. “State of California Accounting Standards and Procedures” - County Budget Act.
5. California Government Code section 25261.
6. “Background and Financial Policies, Budget Process,” Stanislaus County.
7. “Health Services Agency Strategic Plan Report,” 2005.
8. “Health Services Agency Clinic and Ancillary Services Three Year Projections,” November 29, 2005.
9. “Tobacco Settlement at a Glance,” National Association of Attorney Generals.
10. Agenda Item – “Approval to proceed with Tobacco Settlement Asset-backed Bonds,” BOS, June 6, 2000.
11. Agenda Item – “Final Budgets including an explanation of the Series 2004 Stanislaus County Note,” BOS, September 14, 2004.
12. “County of Stanislaus Series 2005 A Stanislaus County Note.”
13. Agenda Item - “Refunding, Refinancing of the 2002 Tobacco Settlement Bonds”, BOS, January 17, 2006.
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