

City and County of San Francisco

Office of the Controller – City Services Auditor

PERFORMANCE AND EFFICIENCY REVIEW: DEPARTMENT OF PUBLIC HEALTH

**Controller's Office
Analysis 2005-2008**



June 20, 2008

Controller's Office – City Services Auditor

In November of 2003, voters passed a charter amendment which created the City Services Auditor within the Controller's Office. Under Appendix F to the City Charter, the City Services Auditor:

- Reports on the level and effectiveness of San Francisco's public services and benchmarks the City to other public agencies and jurisdictions.
- Conducts financial and performance audits of City departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operates a whistleblower hotline and website and investigates reports of waste, fraud, and abuse of City resources.
- Ensures the financial integrity and improves the overall performance and efficiency of City government.



City and County of San Francisco

Office of the Controller - City Services Auditor

Performance And Efficiency Review: Department of Public Health
Controller's Office Analysis 2005-2008

June 20, 2008

Purpose of the Report

This report analyzes the San Francisco Department of Public Health's provision of services, efficiency of operations, and patients and payer mix. It draws on multiple analyses planned and coordinated by the San Francisco Controller's Office from 2005-2008. In 2005, Mayor Newsom and the Board of Supervisors requested the Controller's Office to evaluate the Department of Public Health under the Controller's mandate to measure, audit, and report on government performance. Critical analysis is increasingly needed as the City implements Healthy San Francisco and rebuilds Laguna Honda Hospital and San Francisco General Hospital and Trauma Center.

Highlights

- The Department of Public Health is the City's primary provider of health services to the poor and uninsured.
- Increased primary care services are needed to promote prevention, free up hospital capacity, and absorb demand resulting from Healthy San Francisco.
- Even at a reduced size of 780 beds, the rebuilt Laguna Honda Hospital will be among the largest institutions of its kind, which is inconsistent with nationwide best practices.
- With only 17 percent of the staffed hospital beds in the City, San Francisco General Hospital provides over 50 percent of the psychiatric, HIV, and substance abuse care citywide.
- Sixty-four percent of San Francisco General Hospital's patients are uninsured or covered by Medi-Cal versus 23 percent citywide.
- San Francisco General Hospital provides the only trauma facility in the City for response to critical injuries caused by violence, falls, car crashes, and other accidents.
- San Francisco General Hospital's occupancy rate is 97 percent, well above the industry standard recommended rate of 80 percent, and well above any other San Francisco hospital.
- San Francisco General Hospital is at or near the top of a benchmark range in overall clinical quality for treatment for heart attacks, heart failure, pneumonia, and the prevention of surgical infections.
- San Francisco General Hospital is productive and is financially well run when compared to similar hospitals across the country. For example, General Hospital uses 26 percent less overtime and 61 fewer full time equivalents, saving \$5.7 million annually, and its revenue cycle processes are complete and effective.
- There are no providers able and willing to fill critical gaps in services should San Francisco General Hospital not be rebuilt to meet state seismic standards.

Recommendations

- Continue to focus on primary care clinic redesign to reduce wait times for appointments and increase patient throughput
- Develop more out-patient, community-based health services, including smaller facilities and in-home services for long-term and skilled nursing care
- Expand care delivery alternatives for lower acuity and medical and psychiatric services to allow expansion of hospital trauma volume and acute inpatient capacity
- Increase investments in information technology
- Maintain area hospital capacity, including rebuilding San Francisco General Hospital

Copies of the full report may be obtained at:

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or on the Internet at <http://www.sfgov.org/controller>

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

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Deputy Controller

June 20, 2008

The Honorable Gavin Newsom
Mayor, City and County of San Francisco
Room 200, City Hall

The Honorable Members, Board of Supervisors
Room 244, City Hall

The Honorable Members, San Francisco Health Commission
101 Grove Street, Room 311

Dear Mayor Newsom, Ladies and Gentleman:

The Controller's Office, City Services Auditor, presents a summary of its performance and efficiency reviews of the Department of Public Health (DPH). This report analyzes and makes recommendations on DPH's provision of services, efficiency of operations, and patients and payer mix.

The Controller's Office has issued this report in response to requests from City leadership and community advocates to audit DPH. To accurately evaluate an entity of the scope and scale of DPH, the Controller's Office has performed a series of evaluations, technical assistance projects, and audits addressing different aspects of its functioning. This has included review of DPH's revenue and financial management, the efficiency and effectiveness of acute and long-term hospital care, DPH's role in San Francisco's healthcare market, and financial controls of nonprofit contractors providing services funded by the Department. This report summarizes and provides conclusions based on these multiple analyses coordinated by the Controller's Office from 2005-2008.

Key recommendations in the report include:

- **Maintain area hospital acute care, trauma, and safety net capacity:** The services that San Francisco General Hospital and Trauma Center provides are critical to the City's emergency and trauma response ability and healthcare safety net. No providers are able and willing to fill all of the gaps in services if General Hospital is not rebuilt to meet state seismic standards. General Hospital provides the only trauma center and over half of the hospital-based psychiatric, HIV, and substance abuse care in the City. Sixty-four percent of its patients are uninsured or covered by Medi-Cal, and it supplies the majority of charity- or uncompensated- care worth \$76 million in fiscal year 2005 compared with \$18 million provided by all other hospitals. General Hospital has strong clinical outcomes, high productivity, and is financially well run and effective when compared with similar hospitals across the country. It is at or near the top of a benchmark range in overall clinical quality for treatment for heart attacks, heart failure, pneumonia, and the prevention of surgical infections. By using 26% less overtime and 61 fewer full time equivalents, General Hospital saves approximately \$5.7 million annually.

- **Develop smaller and assisted living facilities as well as in-home services to provide long-term and skilled nursing care:** Currently, approximately one out of every 700 people in San Francisco lives in Laguna Honda Hospital – the City has institutionalized more of its population, across a wider spectrum of needs, than anywhere in the country. Although the rebuilt facility will contain fewer beds, Laguna Honda will still be a large institution by nationwide standards, which is inconsistent with best practices in patient care. Alternative models to delivering long-term and skilled nursing healthcare are critical given that the City’s residents aged 65 and over are projected to increase by 79% by 2030. Such models would better serve patients as well as benefit the City financially.
- **Increase access to primary and community-based care:** DPH needs to redesign and renovate many of its community-based clinics in order to increase access to primary care. Such redesign, already underway, reduces wait times for appointments, increases patient throughput, and leads to better health outcomes such as reduced hospitalizations. Healthy San Francisco, launched in July 2007, is expected to increase aggregate demand and access to quality primary care services. DPH should also continue to expand community-based approaches to providing non-hospital alternatives for psychiatric patients.
- **Increase investments in information technology:** Expert healthcare consultants examining DPH’s revenue cycle and acute hospital care noted that investments in information technology could reduce costs and inefficiencies as well as improve patient outcomes. For example, an updated revenue accounting system for DPH could provide more real-time revenue data and facilitate revenue monitoring, scenario planning, and budget decision-making. Better systems in General Hospital’s Emergency Department could improve patient flow and overall operational efficiency. A productivity information management system could improve management’s ability to monitor and utilize labor and human resources. Best practices of other public hospitals in information technology systems include integrated electronic medical records, automated physician referral, and computerized physician order entry, and computer access in all patient rooms.

The Controller’s Office provides ongoing analysis and support to DPH. We are currently assisting Laguna Honda in its transition planning to new hospital facilities as well as preparing in-depth evaluation and technical assistance on substance abuse treatment services. Building upon the extensive oversight of DPH exercised by state and federal agencies, our office continues to work closely with DPH to identify areas of need and ensure efficient operations and high quality healthcare services for all San Franciscans.

We appreciate the assistance and cooperation that DPH staff consistently provides and has provided to us for this report.

Respectfully submitted,



Ben Rosenfield
Controller

cc: Mayor, Board of Supervisors, Civil Grand Jury, Budget Analyst, Public Library

Table of Contents

I. Introduction	6
II. About the Department of Public Health.....	10
III. Department of Public Health Services	14
1. Primary Care	14
2. Acute Hospital Care	18
3. Emergency and Trauma	22
4. Long-term Care	25
5. Behavioral Healthcare.....	27
6. Recommendations	27
IV. Department of Public Health Operations	28
1. Workforce Efficiency	28
2. Revenue Maximization.....	31
3. Cost Efficiency and Productivity	33
4. Nonprofit Contracting	36
5. Recommendations	37
V. Patients and Payer Mix	38
1. Demographic Changes	38
2. Citywide Payer Mix.....	40
3. Department of Public Health Payer Mix	41
4. Recommendations	46
VI. List of Analytical Projects 2005-2008.....	47

I. Introduction



Patient receives primary care services at a Department of Public Health Clinic

Photo: Molly Duggan Associates, LLC

In 2005, Mayor Newsom and the Board of Supervisors requested that the Controller's Office evaluate the Department of Public Health under the Controller's mandate to measure, audit, and report on government performance. There has been no comparable evaluation of the Department of Public Health in recent years. Critical analysis is increasingly needed as the City implements Healthy San Francisco¹ and rebuilds San Francisco General Hospital and Laguna Honda Hospital.

To accurately evaluate an entity as large as the Department of Public Health, the Controller's Office has performed a series of evaluations, technical assistance projects, and audits addressing different aspects of its functioning. This has included review of the Department of Public Health's revenue and financial management, the efficiency and effectiveness of acute and long-term hospital care, the Department's role in San Francisco's healthcare market, and financial controls of nonprofit contractors providing services funded by the Department. The Controller's Office has also taken into account the extensive oversight and quality assurance by state and federal entities to which all local public health agencies, hospitals, and clinics are subject, such as licensing, inspections, audits, reporting, and other compliance requirements.

The Controller's Office has performed a series of evaluations, technical assistance projects, and audits to evaluate the Health Department

¹ Healthy San Francisco is expanding services and restructuring the City's safety net system from a crisis delivery approach to an emphasis on primary care. More information can be found at: <http://www.healthysanfrancisco.org>.

This summary report analyzes the Department of Public Health's provision of services, efficiency of operations, and patients and payer mix, drawing on multiple analyses planned and coordinated by the Controller's Office from 2005-2008. Such analyses include evaluation and benchmarking studies from expert consultants like the Lewin Group, Phase 2 Consulting, Brady and Associates, and Health Management Associates. Please see section six of this report or the "Healthcare Analysis" section of the Controller's website (www.sfgov.org/controller) for more details. Please also note that some analysis is not yet complete, such as transition support for the rebuilt Laguna Honda Hospital as well as an evaluation of substance abuse services.

The San Francisco Department of Public Health is among the nation's leading public health departments.² San Francisco spends more per person per year on public health than other cities by a huge margin. In 2005, the City spent approximately \$400 per person compared with the nationwide average of approximately \$64 per person. Due to great support for our public health system, San Francisco is able to deliver a broad range of primary, acute, emergency, long-term, and behavioral health programs that are not available in other public health systems. Overall, the standards of care are very high. The delivery system uses both hospital and community-based providers in partnership and provides culturally sensitive services to the City's diverse population.

Of particular note is the strong performance of San Francisco General Hospital. When compared to similar hospitals nationwide, San Francisco General Hospital is at or near the top in overall clinical quality in areas such as treatment for heart attacks, heart failure, and pneumonia, as well as the prevention of surgical infections. Despite factors that tend to decrease efficiency, such as a high number of patients and an aging infrastructure, San Francisco General Hospital has high productivity and is financially well run and effective. Hospital hours per patient discharged have been reduced since 2005, and General Hospital employs fewer people and uses less overtime than comparable hospital departments. San Francisco General Hospital also maintains a low number of days that bills are in accounts receivable and outperforms some peer hospitals in delivering cost-efficient inpatient care.

The Department of Public Health is the City's primary provider of health services to the poor and uninsured. For example, 64 percent of San Francisco General Hospital's patients are uninsured or covered by Medi-Cal versus 23 percent citywide. Over three quarters of the patients at the Department of Public Health's primary care clinics are below the federal poverty level and less than one percent has private insurance. San Francisco General Hospital provided charity (uncompensated) care worth \$76.4 million in fiscal year 2005 compared to \$17.9 million provided by all

San Francisco delivers a broad range of health programs not available in other public health systems

General Hospital has high productivity and is financially well run

The Department is the City's primary provider of health services to the poor and uninsured

² Market Assessment and Benchmarking Report, the Lewin Group, 2007, page 1.



Patient receives services at San Francisco General Hospital

Photo: Molly Duggan Associates, LLC

other hospitals. The majority of the Department of Public Health's clients come from areas where there is greater poverty and greater ethnic and racial diversity as compared with the rest of the City.

San Francisco voters will likely consider the bond to rebuild San Francisco General Hospital to meet state seismic requirements in November of 2008. No providers appear able and willing to fill all of the critical gaps in services if General Hospital is not rebuilt. With only 17 percent of the staffed hospital beds in the City, San Francisco General Hospital provides more than 50 percent of the psychiatric, HIV, and substance abuse care. Without General Hospital, there would likely be inadequate healthcare access for tens of thousands of San Franciscans, particularly those living in the southern and eastern sectors of the City, who are covered by Medi-Cal or who are uninsured or underinsured. Such patients face difficulty securing needed healthcare services because they bring less revenue to hospitals as compared with those covered by commercial insurance. Without San Francisco General Hospital, there is no other hospital in San Francisco that would qualify for state and federal funds earmarked for the healthcare safety net population – that is, the poor, uninsured, and underinsured – and thus the City would forgo over a hundred million healthcare dollars annually.

San Francisco General Hospital is critically important to every San Francisco resident, regardless of their zip code or insurance coverage. General Hospital provides the only trauma facility in the City for response to critical injuries caused by violence, falls, car crashes, and other accidents, with the next closest trauma center for adults located 35 miles

General Hospital is important to every San Francisco resident, regardless of their zip code or insurance coverage

away in Stanford. The Lewin Group's San Francisco healthcare market assessment concluded that area hospital capacity should be maintained or expanded, and recommended that San Francisco General Hospital be rebuilt.

Other recommendations highlighted in the following report include San Francisco's need to develop more primary, out-patient, and community-based health services. The Department of Public Health should continue to expand community and home-based options for long-term and skilled nursing care, as well as primary care clinic redesign to reduce wait times for appointments and increase patient throughput.³ The Department of Public Health will also need to continue to explore care delivery alternatives for lower severity, medical, and psychiatric services to expand emergency inpatient capacity in San Francisco General Hospital and other City hospitals. To increase operational efficiency, the Department of Public Health should consider increased investments in information technology. Despite current budget shortfalls, technology investments in areas such as a productivity information management system would significantly facilitate management's ability to better monitor and utilize labor and human resources, thus reducing future costs.

The Controller's Office would like to acknowledge the work of the Lewin Group, Phase 2 Consulting, Brady and Associates, and Health Management Associates, which informed the analysis in this report. We also thank the Department of Public Health and other healthcare professionals in San Francisco and across the country who contributed significant data and expertise.

More primary, out-patient and community-based health services are needed

³ "Patient throughput" refers to the time and processes required to successfully move a patient through the continuum of care in a hospital or in an outpatient setting such as a clinic. The faster, or more efficiently a patient is moved through the process, the lower the length of stay, the better the cost management, and the quicker services can be provided to another patient, which is new revenue to a hospital or clinic and prompter services to clients.

II. About the Department of Public Health



San Francisco Department of Public Health Offices

The San Francisco Department of Public Health is the largest City Department and has a \$1.3 billion budget and 6,000 full time employees. The Department provides healthcare at two 24/7 hospitals – San Francisco General Hospital and Laguna Honda Hospital – community health centers, and the County’s jails. The Department also provides services for health promotion and prevention, maternal and child health, HIV/AIDS, infectious disease control, behavioral health, environmental health and housing, and homeless assistance.

DEPARTMENT OF PUBLIC HEALTH’S ORGANIZATION AND STRUCTURE

The San Francisco Department of Public Health is structured in two major divisions, the Community Health Network and Population Health and Prevention. The Community Health Network provides an array of personal healthcare services and includes San Francisco General Hospital,

Laguna Honda Hospital, Community Oriented Primary Care, Health at Home, and Jail Health Services. Major service components include primary care (provided at 18 sites throughout the City), specialty care, acute care, home healthcare, long-term care, and emergency care. The Population Health and Prevention Division includes traditional public health functions, such as environmental health, sexually transmitted diseases, disease control, tuberculosis, substance abuse, as well as mental health. The following chart illustrates the organization of the Department on Public Health:

Department of Public Health’s Strategic Plan: A Vision for Health for All

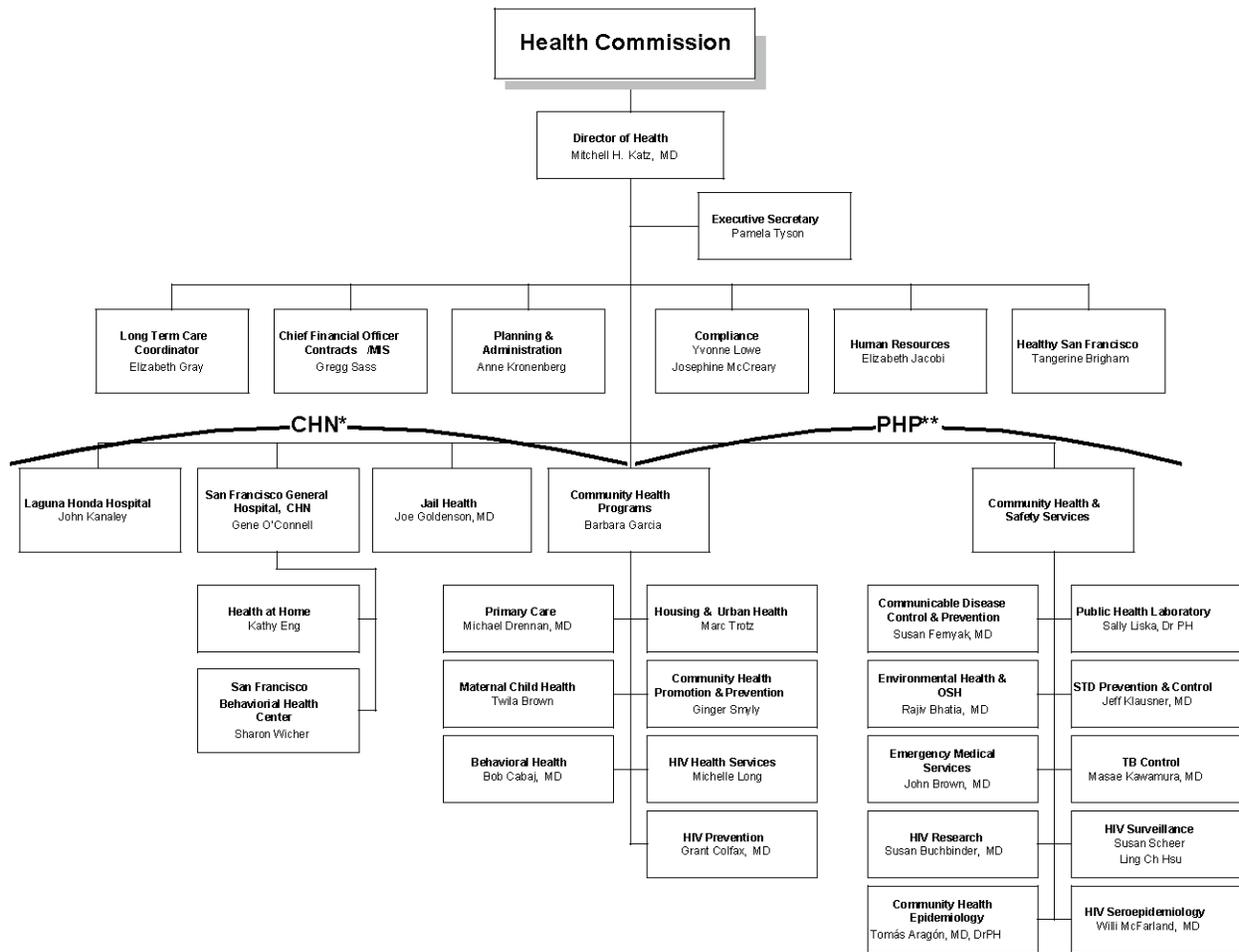
In the Department of Public Health’s continuing effort to protect and promote the health of all San Franciscans, it has created a strategic plan that will be effective through 2009. The Strategic Plan Goals are:

Goal 1: To ensure San Franciscans have access to the health services they need.

Goal 2: To ensure disease and injury are prevented.

Goal 3: To ensure services, programs, and facilities are cost-effective and resources are maximized.

Goal 4: To create and sustain partnerships with communities to assess, develop, implement, and advocate for health funding, policies, programs, and services.



*CHN = Community Health Network, the integrated health service delivery system of the Health Department

**PHP = Population Health and Prevention

The Department of Public Health runs the following major programs:

San Francisco General Hospital Medical Center

San Francisco General Hospital provides comprehensive emergency, urgent, primary, and specialty care to 98,244 adults and children annually. General Hospital is a leader in its field and is the only Level 1 Trauma Center for 1.5 million residents of San Francisco and northern San Mateo County. San Francisco General Hospital is also the only acute inpatient and rehabilitation hospital for psychiatric patients in the City and provides 24 hour psychiatric emergency care.

Laguna Honda Hospital and Rehabilitation Center

Laguna Honda Hospital and Rehabilitation Center is the largest skilled nursing facility in the country, with approximately 1,030 disabled or chronically ill adult San Franciscans as residents (daily average in fiscal year 2006-2007). Laguna Honda Hospital provides a full range of skilled nursing services to those with wounds, head trauma, stroke, spinal cord injuries, orthopedic injuries, AIDS, and dementia. The Hospital provides respite and hospice care, outpatient services through the Adult Day Health Care Center, as well as neighborhood nutrition services.

Community Behavioral Health Services

Community Behavioral Health Services provides mental health and substance abuse services. The division makes up about 24 percent of the Department of Public Health's total budget and serves approximately 35,000 patients annually through a comprehensive array of culturally sensitive programs. The majority of funds are spent on community-based programs, and most mental health and substance abuse services are provided through contractors.

Health At Home

Health At Home is the Department of Public Health's Medicare-certified home health agency helping more than 1,200 low income clients stay in their homes annually. Health At Home provides symptom management, restorative care, respite, personal care, HIV management, wound and ostomy care, medical escort services, diabetic and respiratory care, and nutrition and palliative care. Health at Home's staff includes nurses, social workers, home health aides, volunteers, as well as physical, occupational and speech therapists.

Jail Health Services

Jail Health Services provides a comprehensive integrated system of medical, psychiatric, and substance abuse care to approximately 32,425 inmates in San Francisco jails (fiscal year 2006-2007).

Community-Oriented Primary Care

Community-Oriented Primary Care brings primary care, community medicine, and public health together. The Department's 18 primary care clinics are an essential part of the local healthcare safety net, since patients are seen regardless of insurance status or ability to pay. In fiscal year 2006-2007, the Department of Public Health's Primary Care Division (including San Francisco General Hospital clinics and community health centers) provided 321,850 primary care visits and 141,722 specialty visits.

Environmental Health

The Environmental Health section ensures safe and healthy living and working environments for San Franciscans through a variety of programs including those addressing children's lead poisoning, asthma prevention, food safety, water quality, and chemical hazards.

Housing And Urban Health

Housing and Urban Health creates housing options for homeless and disabled residents. The Department of Public Health's goal is to provide community-based supportive housing along with innovative healthcare services for those living on the streets, in shelters, and/or rotating through institutional settings.

Community Health Promotion and Prevention

Community Health Promotion and Prevention's mission is to promote health and prevent disease and injury in San Francisco. Programs depend on the active involvement of the community and include: African-American Health Initiative, Injury Prevention, Newcomers Program (Refugee Health), SF Violent Injury Reporting Center, Intimate Partner Violence Strategic Plan, Tobacco Free Project, YouthPower, and Telehealth.

AIDS

San Francisco County has the highest incidence of HIV/AIDS in California with an estimated 15,129 people living with HIV/AIDS (as of the end of calendar year 2006). The Department of Public Health has made HIV/AIDS research, prevention, and services a top priority. The AIDS Office develops prevention strategies, provides direct services (through community partners) to those living with HIV or at risk, contributes to scientific and special service communities through research and studies, and formulates HIV policies for the Department.

Maternal and Child Health

The Department of Public Health promotes the health and well being of women of childbearing age, infants, children and adolescents who are at increased risk of adverse health outcomes by virtue of financial, language or cultural barriers, or mental or physical disabilities. The Department provides health promotion and clinical healthcare services such as nutrition, reproductive health, dental health, and primary care for children and youth.

For additional information, please visit the Department of Public Health's website at www.sfdph.org.

III. Department of Public Health Services

1. PRIMARY CARE



Patient receives services at a Department of Public Health primary care clinic

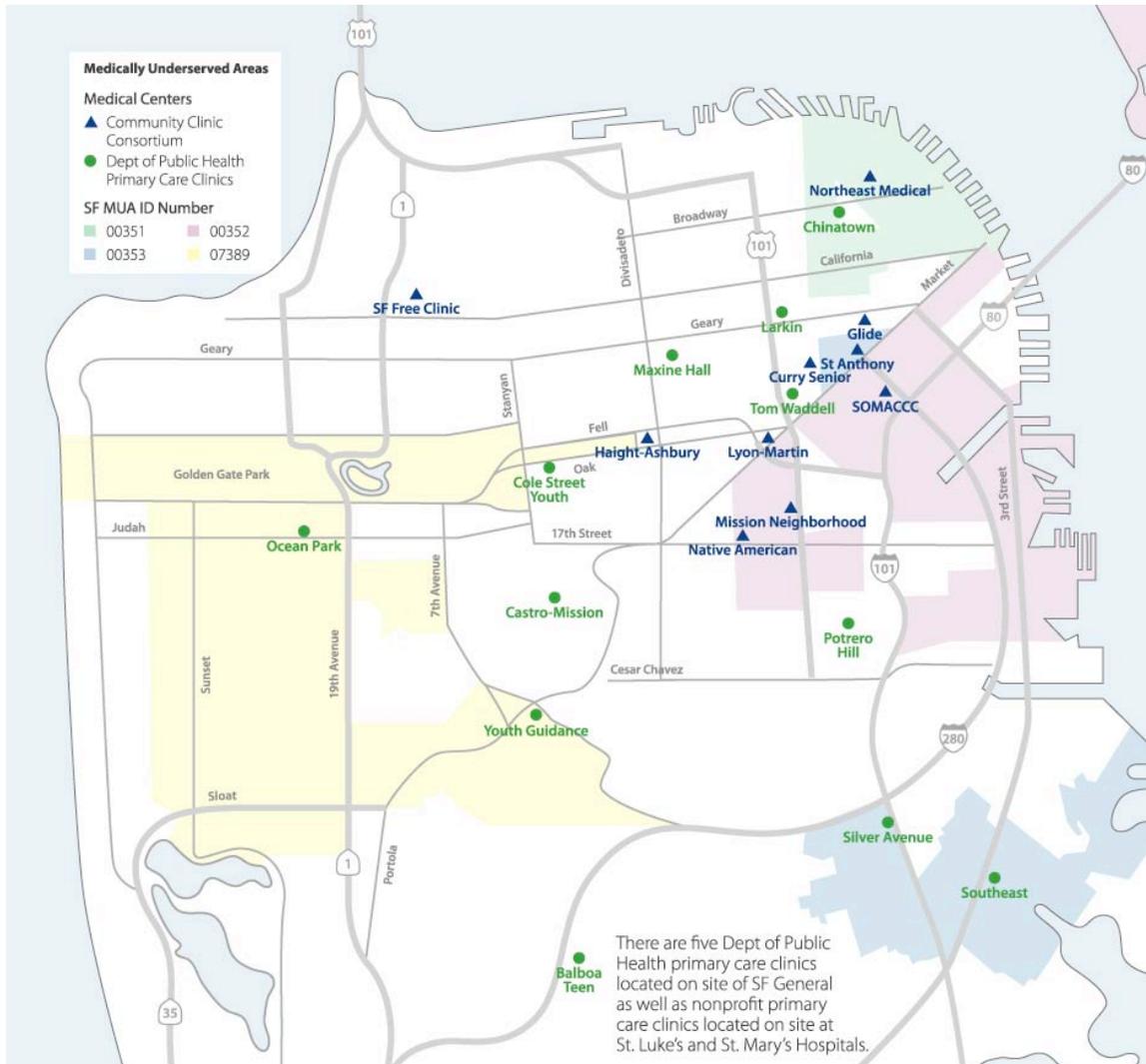
CLINIC NETWORK

The Department of Public Health operates a network of 18 community-based primary care clinics throughout San Francisco. These clinics offer a broad array of primary care and mental health services including youth health, senior health, infectious disease, and family planning. The Department of Public Health's clinic network provides culturally sensitive care to the underserved, uninsured, and at-risk populations who otherwise may not have access to any healthcare services. The Department of Public Health served over 60,000 unique patients in fiscal year 2006 and operated a total of 214 exams rooms. In addition, the Department of Public Health provides funding to, and works in partnership with, many of the ten nonprofit clinics in the San Francisco Community Clinic Consortium.⁴ This Consortium provides primary care services to similar populations throughout the City.

Health Department's 18 community-based clinics served more than 60,000 people in 2006

⁴ Curry Senior Center is both a member of the Clinic Consortium as well as a Department of Public Health clinic.

FIGURE 1: Community-based Primary Care Clinic Network in San Francisco



The Department of Public Health and Community Consortium clinics are strategically situated in high poverty, Medically Underserved Areas (MUAs)⁵ (Figure 1) in which residents have a shortage of personal health services. The Department of Public Health clinics of Ocean Park, Southeast, Silver Avenue, Potrero Hill, and Chinatown are all located in MUAs. Castro-Mission, Curry, and Tom Waddell are located adjacent to these areas as well. However, it should be noted that there are service gaps in the far western part of the City.

AMBULATORY CARE SENSITIVE HOSPITALIZATIONS

Early intervention and access to primary care can prevent later hospitalization. An Ambulatory Care Sensitive hospitalization is a condition

Potentially preventable hospitalizations are highest in the City's most impoverished neighborhoods

⁵ A Medically Underserved Area may be a whole county or a group of counties, civil divisions, or urban census tracts that score below a 62 on the Health Resources and Service Administration (US Department of Health and Human Services) Index of Medical Underservice. This index is based on the ratio of primary medical care physicians per 1,000 population, infant mortality rate, percentage of the population with incomes below the poverty level, and percentage of the population age 65 or over.

for which outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complication or more severe disease. Ambulatory Care Sensitive hospitalizations can occur when there is insufficient access to primary care, thereby forcing individuals to seek care either through the emergency room at a hospital or to wait until the condition progresses in severity before seeking treatment.

San Francisco's average rate of Ambulatory Care Sensitive hospitalizations for certain conditions is consistently lower than statewide averages. However, San Francisco's Ambulatory Care Sensitive hospitalization rates by condition have been mixed since 1997 (Figure 2). In addition, similar to the national experience, Ambulatory Care Sensitive hospitalizations are highest in the City's most impoverished neighborhoods.

FIGURE 2: Ambulatory Care Sensitive Discharges per 100,000 Persons, San Francisco v. California, 1997 – 2003

Prevention Quality Indicator	San Francisco 1997	San Francisco 2003	Statewide 2003	Variance from Statewide Average	Change in San Francisco Rate from 1997-2003
Adult Asthma	139.3	92.3	97.7	-5.4	↓↓
Pediatric Asthma	238.0	115.3	134.2	-18.9	↓↓
Chronic Obs. Pulmonary Disease (COPD)	110.4	119.1	185.3	-66.2	↑
Congestive Heart Failure (CHF)	373.3	332.2	408.0	-75.8	↓↓
Adult Diabetes - Short Term/Uncontrolled	54.9	45.4	60.6	-15.2	↓↓
Adult Diabetes - Long Term	74.8	85.3	112.4	-27.1	↑↑
Low Birth Weight*	54.2	65.0	49.2	15.8	↑↑

* Per 1000 births

↑↑ Increase > 10% ↑ Increase 0 - 10%
 ↓↓ Decrease > 10% ↓ Decrease 0 - 10%

Source: Preventable Hospitalizations in California: Statewide and County Trends (1997-2003). OSHPD, November 2005. Lewin Analysis

Citywide, the average wait time for a primary care appointment in a Department of Public Health clinic is 35 days for new patients, a wait time which is typical for safety net providers⁶ located in urban settings. However, this wait time taken together with elevated levels of Ambulatory Care Sensitive hospitalizations may indicate insufficient primary care and outpatient capacity in certain San Francisco neighborhoods.

A new patient must wait approximately 35 days for a primary care clinic appointment

⁶ A "safety net provider" provides healthcare services to the poor, underinsured, and uninsured.



Patient enrolls in Healthy San Francisco

EXPANSION OF PRIMARY CARE SERVICES

The Department of Public Health needs to renovate and redesign many of its community-based clinics in order to increase access to primary care. Such updates will reduce wait times for appointments, increase patient throughput,⁷ and lead to better health outcomes such as reduced Ambulatory Care Sensitive hospitalizations. The Department of Public Health has programmed approximately 20 million dollars of renovations, and has currently completed 60 percent of the projects at ten community clinics. The Department plans to complete all needed renovations within the next three years.

Healthy San Francisco, launched in July 2007, is expected to significantly increase aggregate demand and access to quality primary care services. As of May 2008, Healthy San Francisco is serving over 22,000 people in 22 centers throughout the City – both in the Department of Public Health primary care clinics and in the private nonprofit clinics of the Community Clinic Consortium. Monthly enrollments have been steadily increasing and have averaged about 3,000 per month in recent months. The Lewin Group projected that 42,000 San Francisco residents, many of whom are already users of the public health system, will participate in Healthy San Francisco at full-scale implementation. The Department of Public Health is currently

Reduce hospitalizations by increasing primary care capacity and early intervention

Healthy San Francisco is currently serving 20,000 people in 22 centers throughout the City

⁷ "Patient throughput" refers to the time and processes required to successfully move a patient through the continuum of care in a hospital or in an outpatient setting such as a clinic. The faster, or more efficiently a patient is moved through the process, the lower the length of stay, the better the cost management, and the quicker services can be provided to another patient, which is new revenue to a hospital or clinic and prompter services to clients.

planning for up to 66,000 enrollees in Healthy San Francisco. As a result, the Department is adding staff positions and budget to meet this demand. However it is important to note that a significant portion of the demand will be met by other Healthy San Francisco providers such as the Community Clinic Consortium.

2. ACUTE HOSPITAL CARE



San Francisco General Hospital

CLINICAL QUALITY

San Francisco General Hospital is staffed by physicians affiliated with the University of California, San Francisco, thus providing its patients with services from some of the best physicians in the country. San Francisco General Hospital is at the top of the range in overall clinical quality in areas such as treatment for heart attacks, heart failure, and pneumonia, as well as the prevention of surgical infections when compared with similar hospitals⁸ (Figure 3).

General Hospital ranked near the top in clinical outcomes

⁸ Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin's Group's Market Assessment and Benchmarking Report for more information on the benchmark hospitals and clinical quality measures.

FIGURE 3: Summary Clinical Quality of Care Indicator Results (Rank), 2005-2006

Ranked 1 or 2
Ranked 3 or 4
Ranked 5 or 6

	Heart Attack	Congestive Heart Failure	Pneumonia	Surgical Infection Prevention	All 4 Clinical Areas
Denver Health	92.7% (3)	82.5% (2)	85.5% (1)	77.1% (3)	84.4% (1)
SF General	93.2% (2)	81.6% (3)	71.3% (2)	81.9% (2)	82.0% (2)
Santa Clara	89.5% (4)	70.5% (5)	61.4% (6)	85.6% (1)	76.7% (3)
UMC- Southern NV	96.1% (1)	88.0% (1)	61.7% (5)	56.0% (6)	75.4% (4)
Riverside County	84.5% (6)	74.8% (4)	69.3% (3)	58.3% (5)	71.7% (5)
Alameda County	89.2% (5)	62.2% (6)	62.4% (4)	60.5% (4)	68.6% (6)

Source: Lewin analysis of Center for Medicare and Medicaid Services; www.hospitalcompare.hhs.gov



Patient receives services at San Francisco General Hospital
Photo: Molly Duggan Associates, LLC

OCCUPANCY AND CAPACITY

Half of the hospitals in San Francisco currently exceed the desired occupancy level of 80 percent, an industry standard, or 85 percent, which is typically considered full (Figure 4). The industry standard is that a hospital can be at maximum 80 percent occupied capacity before losing operational efficiencies.

San Francisco General Hospital's occupancy rate is 97 percent, well above the 80 percent capacity utilization level. San Francisco General Hospital has such a high occupancy rate because it is the City's primary safety net provider and does not turn away patients in need. Chinese Hospital, Kaiser, and the Medical Center at University of California San Francisco also have high occupancy rates of 83 percent, 84 percent, and 80 percent respectively.

These statistics are reflective of average

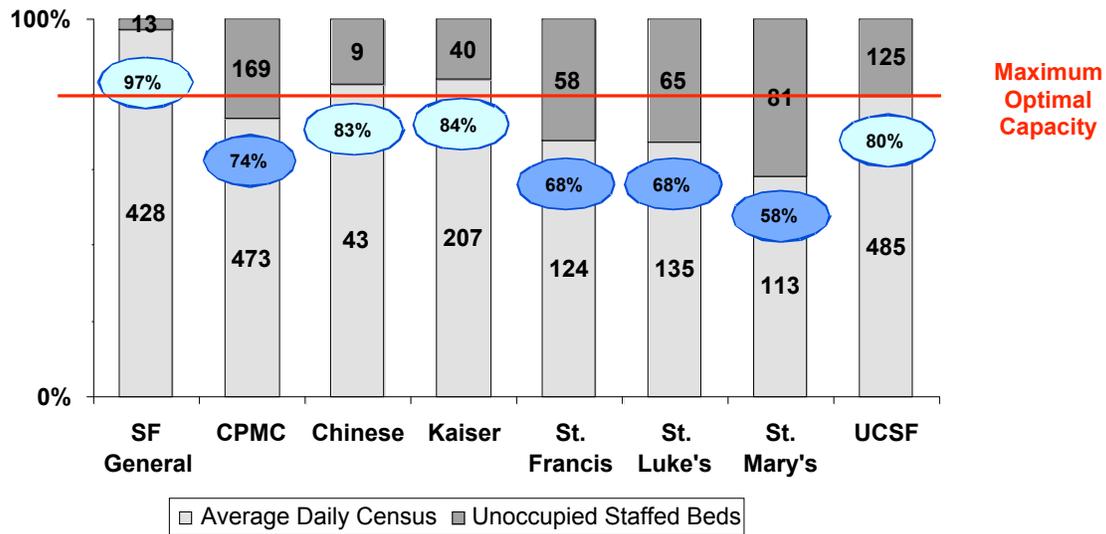
General Hospital serves all, especially those most in need

utilization. Should a significant emergency occur, key hospital facilities may lack adequate capacity to treat a surge in demand for inpatient care.⁹

The other four San Francisco hospitals: California Pacific Medical Center, St. Francis, St. Luke's, and St. Mary's, fall below the 80 percent threshold, and thus have available capacity.

⁹ It should be noted that Veteran's Hospital, a federally-funded institution, and Laguna Honda Hospital, a long-term care facility, could also provide capacity in an emergency in San Francisco. However, these institutions were not included in the Lewin Group's analysis, which focused exclusively on non federal acute care hospital systems.

FIGURE 4: Average Daily Census and Unoccupied San Francisco Staffed Hospital Beds, March 2007



Source: Self reported data from Lewin survey March 2007

The Lewin Group estimates that there will be a 24 percent shortage in hospital acute care beds in San Francisco by 2030 (Figure 5). This projection assumes that San Francisco General Hospital, which currently provides 15 percent of the City’s acute beds, will be rebuilt to meet state seismic requirements. However, it should be noted that this projection is only based on current utilization and practice patterns, and assumes that the total number of current acute care beds available – 1,622 – will remain constant. The projection does not consider advances in technology, increased community-based service providers, increased staffing levels, or conversion of existing hospital space which could provide extra hospital capacity in the coming decades.

There could be as much as a 24% shortage in San Francisco’s hospital beds by 2030

Source: The Lewin Group

FIGURE 5: Comparison of Supply and Demand for San Francisco Staffed Acute Hospital Beds

Staffed Beds	2006	2010	2020	2030
Projected Bed Demand		1,738	1,943	2,195
Current Supply		Availability (Shortage) of Beds		
Total Acute Care Beds at San Francisco Hospitals	1,622	(76)	(281)	(533)

Source: Department of Public Health Bed Capacity Survey Administered March 2007, OSHPD 2005, Lewin Analysis

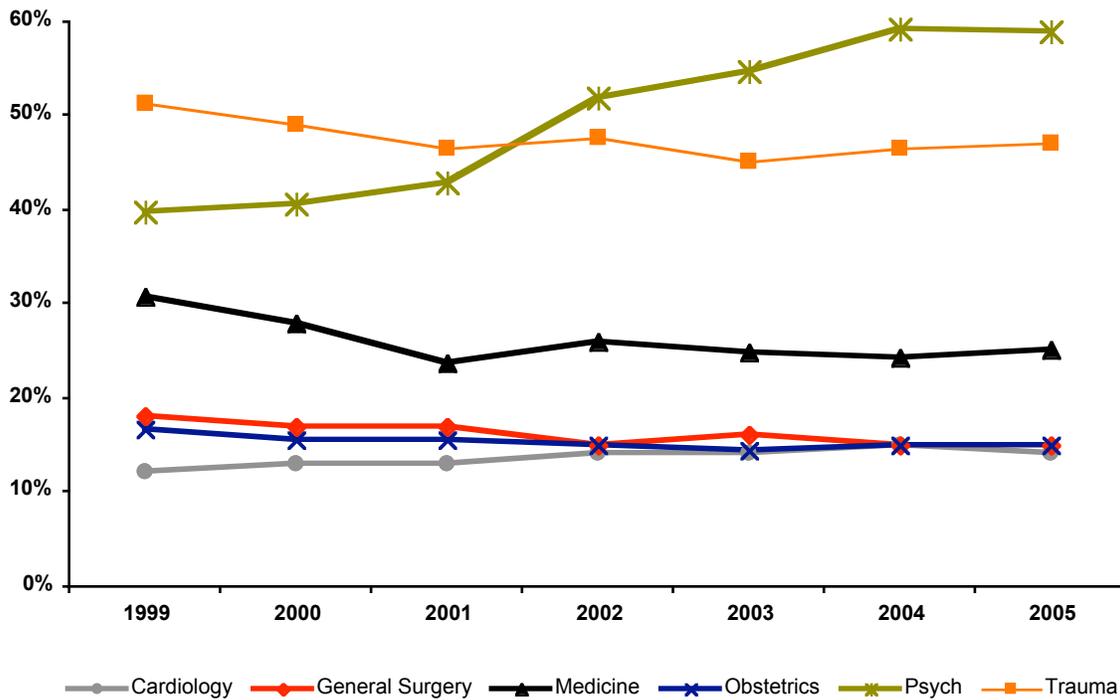
SERVICE LINE MARKET SHARE

San Francisco General Hospital has a greater mix of psychiatry and medicine services relative to the other hospitals in San Francisco, while other hospitals have a greater mix of surgical specialty services, such as heart and transplant. With only 17 percent of the staffed hospital beds in the City, San Francisco General Hospital provides over 50 percent of the psychiatric, HIV, and substance abuse care. Given that San Francisco General has the City's only trauma center, it provides nearly half of the City's trauma services. Although other San Francisco hospitals do not have trauma centers, they have the ability to provide limited trauma care for less severe accidents.

With only 17% of San Francisco's hospital beds, General Hospital provides over 50% of psychiatric, HIV, and substance abuse care

San Francisco General Hospital's role as the core citywide psychiatry provider has increased dramatically in the last seven years. In 2005, San Francisco General Hospital discharged 59 percent of the psychiatric patients citywide, up from 40 percent in 1999. Other types of services provided by San Francisco General Hospital (i.e. medicine, general surgery, and obstetrics) have decreased (Figure 6).

FIGURE 6: San Francisco General's Market Share for Key Services, 1999-2005



Source: OSHPD 1999-2005

3. EMERGENCY AND TRAUMA



Patient receives emergency services at San Francisco General Hospital

Photo: Molly Duggan Associates, LLC

EMERGENCY

More than one-half of all emergency department visits were concentrated at three area hospitals in 2005: San Francisco General Hospital, California Pacific Medical Center, and the Medical Center at University of California San Francisco. San Francisco General Hospital had nearly 45,000 visits in its emergency department, more than any other hospital (Figure 7). At current demand of 1,866 visits per station, San Francisco General Hospital is approaching the industry threshold level (2,000) for the average number of visits per emergency department station. Anything above 2,000 visits per emergency department station indicates the hospital's emergency department is operating above capacity and is in danger of decreasing efficiency and outcomes.

General Hospital has San Francisco's busiest emergency room

FIGURE 7: San Francisco Emergency Department Capacity and Utilization

Hospital	Emergency Dept. Visits	Emergency Dept. Stations	Visits/Station
SF General	44,779	24	1,866
CPMC	34,422	24	1,434
Chinese	5,719	5	1,144
Kaiser	25,821	24	1,076
St. Francis	19,292	11	1,754
St. Luke's	28,738	13	2,211
St. Mary's	18,056	13	1,389
UCSF	34,464	29	1,188
Total	211,291	143	1,478

Source: OSHPD 2005

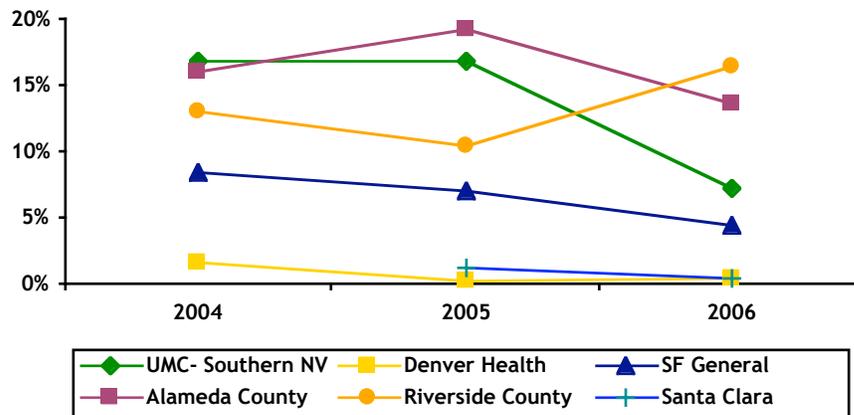
MINOR EMERGENCY DEPARTMENT VISITS

Generally speaking, less severely ill patients presenting at emergency departments are more appropriately and efficiently treated in less costly settings such as physician offices, community health centers, and urgent care centers. Redirecting non-emergent patients to more appropriate levels of care also reduces emergency department overcrowding and frees up space to treat more severely ill patients.

San Francisco General Hospital has been successful at reducing its proportion of minor emergency department visits to a low of five percent of all visits in fiscal year 2006. San Francisco General Hospital opened the Integrated Soft Tissue Infection Service (ISIS) clinic in 2000 and expanded the urgent care center hours in 2004 in order to minimize emergency room volume and provide non-emergency care in a lower cost setting. San Francisco General anticipates further reductions in minor emergency department visits as community care is expanded through the Healthy San Francisco initiative and due to recent efforts to increase referral to urgent and primary care services. When compared to similar hospitals,¹⁰ San Francisco General Hospital occupies the middle of the range in regards to minor emergency department visits (Figure 8).

General Hospital is reducing its proportion of inappropriate emergency department visits

FIGURE 8: Percent Minor Emergency Department Visits Fiscal Year 2004-2006



Source: Lewin County Health System Benchmark Survey 5/07

¹⁰ Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin's Group's Market Assessment and Benchmarking Report for more information.



Patient receives trauma services at San Francisco General Hospital

Photo: Molly Duggan Associates, LLC

TRAUMA SERVICES

San Francisco General Hospital has the only trauma center¹¹ in the City and has treated over 3,000 trauma cases every year since 2001. The trauma center treats critical injuries related to violence, falls, car crashes, and other accidents. The next closest trauma centers are Children’s Hospital Oakland (20 – 28 minutes away) and, for adult patients, Stanford University Hospital (35 – 48 minutes away). San Francisco General also provides Level 1 trauma services, a higher level of trauma services,¹² and the next closest Level 1 center is Santa Clara County Medical Center, approximately a one hour drive from San Francisco.

The trauma center at General Hospital is the only one in San Francisco

¹¹ A Trauma Center is a designated, inpatient facility designed to provide specialized treatment for people who have experienced a physically damaging catastrophic event. The main focus of such centers is prompt, often emergency, treatment in order to prevent further damage and increase chances for recovery.

¹² A Level I Trauma Center has a full range of specialists and equipment available 24 hours a day and admits a minimum required annual volume of severely injured patients. Additionally, a Level I center has a program of research, is a leader in trauma education and injury prevention, and is a referral resource for neighboring regions.

4. LONG-TERM CARE



Laguna Honda Hospital resident and nurse

TREATMENT SETTINGS

Alternative models for delivering long-term and skilled nursing healthcare would benefit the City financially and better serve the citizens who most depend on public health. Currently, San Francisco's approach to long-term care and skilled nursing differs in both scale and delivery method from that of other public health systems, but not in progressive ways. Los Angeles County, with a population of over 16 million, does not have any publicly owned skilled nursing facilities, whereas San Francisco, with a population of approximately 775,000, as of 2005 had 1,200 public skilled nursing beds and is replacing Laguna Honda Hospital with a minimum of 780 beds. As a result, approximately one out of every 700 people in the City is living in Laguna Honda Hospital. The City has institutionalized more of its population, across a wider spectrum of needs, than anywhere in the country. By the Department of Public Health's own assessments, a significant portion of the Laguna Honda population does not need hospital-based long-term care and could be effectively treated in another setting – at home or in the community.

Alternative models for delivering long-term and skilled nursing healthcare would benefit the City

Best practices nationwide demonstrate that public health systems should develop smaller facilities (200 beds or less), assisted living facilities, and in-home services to meet the need for long-term and skilled nursing care. These solutions offer advantages in terms of communication, problem-solving, medical management, and quality of life for patients. Implementing these changes will allow the City to keep the system affordable, meet more of the need for healthcare services, and treat patients in the way that best fits their medical needs.

LAGUNA HONDA TRANSITION PLANNING



Laguna Honda Hospital Construction

Laguna Honda Hospital is constructing a new facility to create a better quality of life and more home-like environment for its residents. The new Laguna Honda building is expected to open in fiscal year 2010 and has approximately 780 beds. Although the planned facility is smaller than the current one, it is still considered a large institution by nationwide standards.

Since August 2006, the Controller's Office has been working with Laguna Honda Hospital to ensure an effective and well-organized transition to the new facility, including staffing and budget plans to support the hospital before, during, and after the move. Experts are providing consulting services in hospital transition planning and workflow analysis. A detailed plan has been developed of how the facility will maintain consistent delivery of patient care during each step of the transition process, including workflow design, staffing levels, operational budgets, maintenance of operational integrity safety, and enhanced staff productivity and accountability.

The new Laguna Honda Hospital will still be large by nationwide standards

5. BEHAVIORAL HEALTHCARE

The Department of Public Health's total mental health and substance abuse budget is \$321 million in fiscal year 2008 and comprises about a quarter of its annual budget. San Francisco General Hospital has the City's only emergency psychiatric ward and serves 59 percent of the City's psychiatric patients requiring hospital-based care. Mental health services are also provided in the Department of Public Health's community-based clinics. However, most mental health and substance abuse services are provided through the Department of Public Health's community-based contractors. In fiscal year 2008, the Department provided private and nonprofit contractors \$58 million for substance abuse treatment and \$155 million for mental health services.

Mental health and substance abuse comprises one quarter of the Health Department's total budget

The Controller's Office is planning evaluation and technical assistance for the Department of Public Health's substance abuse treatment services to commence in late 2008.

6. RECOMMENDATIONS FOR THE DEPARTMENT OF PUBLIC HEALTH

- Ensure sufficient citywide hospital capacity by rebuilding San Francisco General Hospital to comply with the state's seismic laws and by developing referral arrangements and collaborations with private providers.
- Continue to develop outpatient, community-based primary care services and maximize current medical provider and physical capacity through clinic re-design, renovation, and partnering with private providers as needed.
- Continue exploring care delivery alternatives for lower acuity medical and psychiatric services to allow expansion of trauma volume, higher acuity services, and emergency surge capacity at San Francisco General Hospital.
- Further reduce inappropriate emergency department utilization at San Francisco General Hospital through measures such as expanding ambulatory care service capacity and utilization of urgent and primary care.
- Develop smaller facilities, assisted living facilities, and in-home services to meet the need for assistance, long-term care, and skilled nursing care.

IV. Department of Public Health Operations

1. WORKFORCE EFFICIENCY



Staff at San Francisco General Hospital

Photo: Molly Duggan Associates, LLC

The Controller's Office, with expert consultants, has conducted an in-depth analysis of San Francisco General Hospital's workforce efficiency compared with similar hospitals throughout the country.

San Francisco General Hospital exhibits strong workforce efficiency in areas such as full time equivalent count, overtime usage, and person hours per discharge. The favorable comparison is more notable considering that San Francisco General Hospital's staff productivity is constrained by the age and design of its buildings. Many departments operate in multiple locations that create duplicative overhead functions, add to staffing requirements, and impede effective operations. San Francisco General Hospital's strong performance is also notable given the lack of information systems technology which could significantly support management's efforts to effectively monitor labor and activity data on a more real-time, regular basis.

FULL TIME EQUIVALENT COUNT

San Francisco General Hospital employed 61 fewer full time equivalents, saving approximately \$3.2 million in salaries and other labor expenses,

General Hospital exhibits strong workforce efficiency despite old buildings and information systems

General Hospital saves \$3.2 million in salaries and labor expenses annually compared to similar hospitals

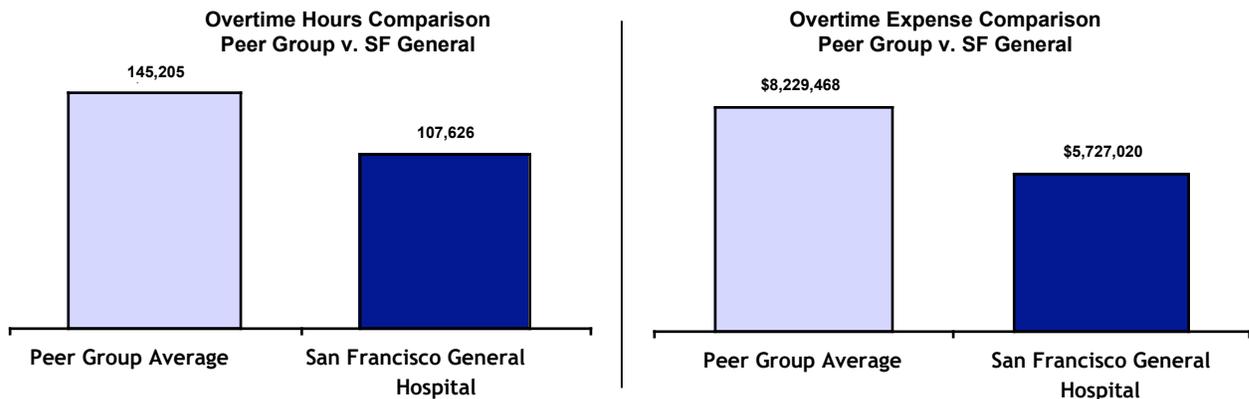
when compared to over 450 urban teaching hospital departments with similar functions and workloads.¹³

OVERTIME

San Francisco General Hospital's departments used almost 26% less overtime compared to departments in over 450 peer hospitals nationwide, resulting in annual savings of about \$2.5 million (Figure 9).

General Hospital
uses 26% less
overtime than similar
hospitals

FIGURE 9: Overtime Hours and Expense in Peer Group vs. San Francisco General Hospital



Source: San Francisco General department fiscal year 2006 data. Brady and Associates benchmarking database of 450+ hospitals

PERSON HOURS PER DISCHARGE

“Person hours per discharge” refers to the total number of hospital staff hours devoted to a patient prior to discharge. San Francisco General Hospital reports a 20 percent drop in person hours per discharge between fiscal year 2005 and fiscal year 2006 (Figure 10). This is notable given San Francisco General Hospital's high number of mental health patients who cannot be discharged unless they have a home or other available housing or residential care options available. The decline in labor hours per discharge indicates San Francisco General Hospital's ability to minimize labor costs in inpatient settings and is a measure of efficient deployment of resources.¹⁴ In recent years the four California benchmark hospital systems¹⁵ have incurred a greater number of labor hours per discharge compared to their national counterparts. This finding may be influenced by California's mandated nurse staffing ratios,¹⁶ differences in the average length of patient hospital stays, or other factors.

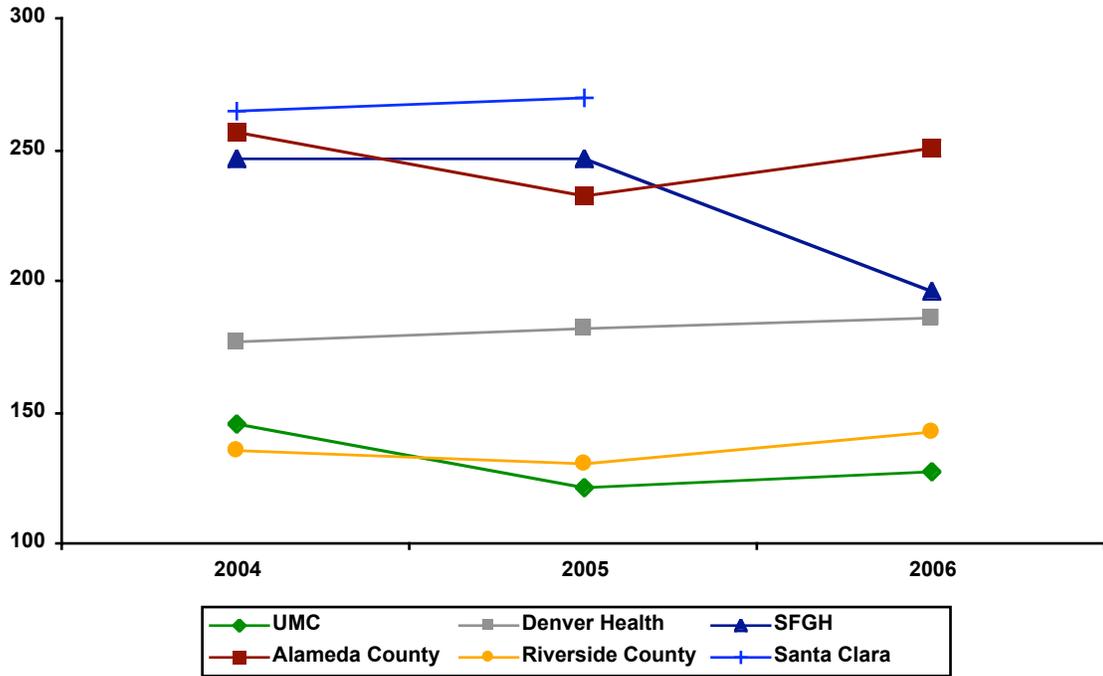
¹³ Source: an Francisco General Hospital department fiscal year 2006 data; Brady and Associates benchmarking database of over 450 hospitals

¹⁴ Such data trends can also indicate staffing shortages, but this is unlikely in the case of San Francisco General Hospital: San Francisco General Hospital's staffing levels remain within the mid-point of the benchmark range, and it demonstrates strong performance on clinical quality measures which typically suffer in the presence of staffing shortages.

¹⁵ Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin's Group's Market Assessment and Benchmarking Report for more information.

¹⁶ The California Department of Health Services mandates that general acute care hospitals maintain a nurse-patient staffing ratio of 1:5. California is the only state with a nurse-patient ratio mandate.

FIGURE 10: Trends in Hospital Person Hours per Discharge, Fiscal Year 2004 – 2006



Note: California hospitals are subject to mandated nurse staffing levels.
 Source: Ingenix Financial Benchmarks. 2006 data unavailable for Santa Clara

2. REVENUE MAXIMIZATION

The Department of Public Health revenue cycle processes are complete and effective as compared with other large public health systems. Key revenue cycle leaders have effectively implemented structural and procedural changes throughout the City healthcare system to greatly enhance revenue cycle functions. Overall organizational structure, policies and procedures, and workflow processes are in line with industry best practices.

Although much of the information technology and systems used within the revenue cycle are progressive and up-to-date as compared with other public systems, the current revenue accounting system used by the Department limits the amount of real-time financial information available to departmental managers. Updating this system would facilitate revenue monitoring and efficient budget decision-making and scenario planning.

COMMUNITY CLINIC REVENUE ENHANCEMENTS

In early 2006, the Controller's Office contracted with Moss Adams, a healthcare consulting firm, to conduct a revenue maximization analysis of six Department of Public Health community clinics. Moss Adams identified two million dollars in revenue enhancing opportunities, including increasing physician productivity, revising billing codes and practices, and scheduling orientation and provider visits simultaneously. Since the report was issued, the Department of Public Health has enhanced the Patient Finance Services Department and registration process and is now meeting or exceeding the national standard in the accounts receivable area. In addition, the Department started an open access program in certain clinics, which allows patients to see a physician on a walk-in basis, reducing unfilled patient slots and increasing physician productivity.

GENERAL HOSPITAL REVENUE MANAGEMENT EFFICIENCY

Both Phase 2 Consulting and the Lewin Group reviewed revenue management efficiency in San Francisco General Hospital on the behalf of the Controller's Office in 2007 and 2008. Both sets of experts found such management to be highly efficient and exemplary among public hospital systems.

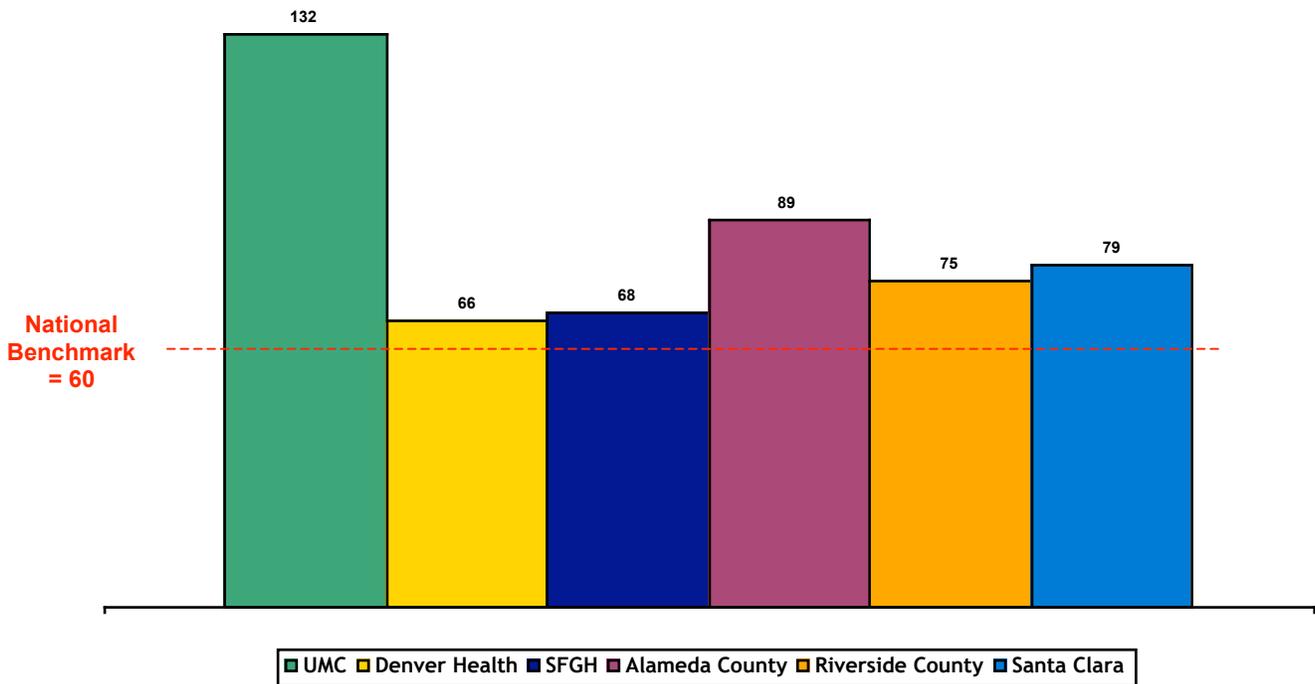
Days in patient accounts receivable constitutes a useful way of comparing the efficiency of revenue cycle management across hospitals. It measures how many days, on average, hospitals take to collect third-party and other patient revenue for which the hospital has billed. This metric also represents the amount of hospital revenue tied up by outstanding bills. Therefore, increases in this measure can create cash flow problems for hospitals, and it is important that hospitals collect money from payers as quickly as possible.

Departmental managers need more real-time data in the revenue accounting system

Experts agree that General Hospital's revenue management is efficient and exemplary

As depicted in Figure 11 below, San Francisco General Hospital exhibits the second lowest days in accounts receivable compared to all other benchmark hospitals and the lowest among its California peers.¹⁷ This suggests that San Francisco General Hospital collects its bills more rapidly than nearly all of the benchmarks and is relatively efficient in its patient revenue cycle management. However, none of the benchmark hospitals in this report meet the national benchmark among non-federal public hospitals of 60 days in accounts receivable.

FIGURE 11: Days in Accounts Receivable, Fiscal Year 2006



Note: National Benchmark = 50th percentile (median) among 250-399 bed, government owned (non-federal), urban facilities
 Source: Lewin County Health System Benchmark Survey 5/07; Alameda and Riverside Medicare Cost Reports 12/31/04; and the Comparative Performance of U.S. Hospitals: The Sourcebook 2005.

DEPARTMENT-WIDE REVENUE ENHANCEMENTS

In 2007, the Controller’s Office engaged Phase 2 Consulting to analyze how the entire San Francisco Department of Health, including San Francisco General Hospital, Laguna Honda Hospital, Community Clinics, and Behavioral Health Services, could better maximize revenue. In the first half of 2008, the Department of Public Health implemented Phase 2’s revenue maximization recommendations in the area of point-of-service collections, account follow-up, strategic pricing, and Medi-Cal process management. As a result, the Department of Public Health will receive an annual revenue enhancement of \$10 million and produce a one-time revenue gain of \$11 million.

The Department will save \$21 million next year by implementing revenue enhancement recommendations

¹⁷ Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin’s Group’s Market Assessment and Benchmarking Report for more information.

3. COST EFFICIENCY AND PRODUCTIVITY



Worker at San Francisco General Hospital

Photo: Molly Duggan Associates, LLC

The Controller's Office, with the Lewin consultants, conducted an in-depth analysis of San Francisco General Hospital's cost efficiency and productivity compared to similar hospitals. San Francisco General Hospital performs well on standard efficiency and productivity metrics, such as costs per discharge and inpatient length of stay. General Hospital performs well in this regard despite factors that tend to decrease hospital efficiency and drive up costs, including a large number of daily patients, aging buildings, a robust residency training program, and a lack of investment in information systems technology.

The Lewin Group recommended that San Francisco General Hospital be rebuilt in order to achieve operating efficiencies and also identified best practices regarding information systems technology of high-performing public hospitals that could be adopted by General Hospital. Such best practices include integrated electronic medical records, automated physician referral, computerized physician order entry, and computer access in all patient rooms with disease-specific treatment recommendations for staff and physicians. In addition, better information systems technology in the Emergency Department could improve patient flow and overall operational efficiency.

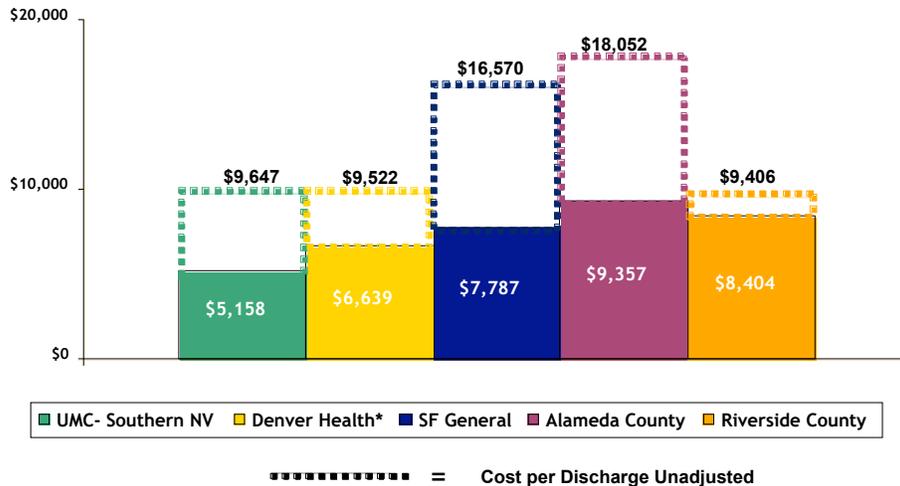
Experts recommend that General Hospital be rebuilt and its technology upgraded

COST EFFICIENCY

As shown in Figure 12 below, San Francisco General Hospital performs moderately well in comparison to similar public healthcare systems¹⁸ when costs are adjusted for factors outside of hospitals' control, such as variations in patient populations and regional wage levels.

General Hospital delivers cost-efficient inpatient care

FIGURE 12: Comparison of Costs per Discharge Case Mix and Wage Adjusted, Fiscal Year 2006



Source: Ingenix Financial Benchmarks as of 12/31/04; Santa Clara unavailable

INPATIENT LENGTH OF STAY

As depicted in Figure 13 below, San Francisco General Hospital's average length of stay of 3.5 days compares favorably to similar California hospital systems.¹⁹ San Francisco General Hospital has improved patient throughput²⁰ by utilizing process redesign and enhancing coordination of care across access points into the system. For example, General Hospital has developed e-Referral to refer patients more efficiently to appropriate clinics and reduce wait times for patients requiring admission.

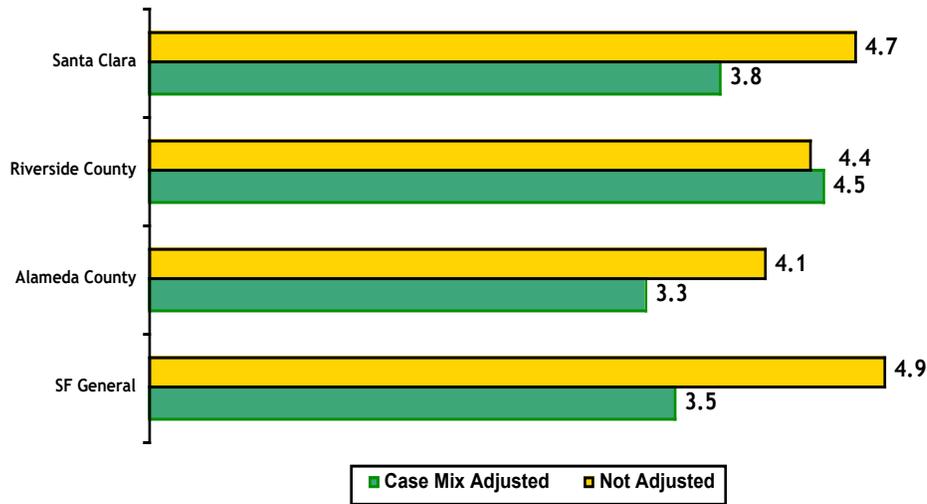
General Hospital's low average length of stay saves money and improves health

¹⁸ Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin's Group's Market Assessment and Benchmarking Report for more information.

¹⁹ Case mix adjustment data was not available for the non-California benchmark hospitals. Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin's Group's Market Assessment and Benchmarking Report for more information.

²⁰ "Patient throughput" refers to the time and processes required to successfully move a patient through the continuum of care in a hospital or in an outpatient setting such as a clinic. The faster, or more efficiently a patient is moved through the process, the lower the length of stay, the better the cost management, and the quicker services can be provided to another patient, which is new revenue to a hospital or clinic and prompter services to clients.

FIGURE 13: Average Length of Stay, Case Mix Adjusted,²¹ California Benchmark Hospitals, Fiscal Year 2006



Source: Lewin County Health System Benchmark Survey 5/07, Ingenix Financial Benchmarks

From a financial perspective, the benefits of minimizing hospital stays include decreased total costs per patient. More rapid patient turnover may also enhance hospital operating revenue under per-case payment systems. Clinically, shorter hospital stays often signify improved ability of hospitals to stabilize patients more quickly or discharge them earlier to more appropriate outpatient, home, and other non-hospital settings. Such earlier discharges reflect advances in medical practice patterns and technology as well as better health outcomes for patients.

CASE MIX INDEX

San Francisco General Hospital’s Medicare case mix index is in the middle of the benchmark range (Figure 14).²² This index indicates the relative severity of a patient population, with a higher number associated with higher severity, costs, and revenues. San Francisco General Hospital’s patient mix is generally typical of similar safety net providers. As the City’s primary provider to the poor, uninsured, and underinsured, San Francisco General Hospital must meet the needs of many patients with less severe illnesses or who require less tertiary²³ capability. In particular, a large number of mental health patients in San Francisco are referred to and served by San Francisco General Hospital. Taking care of many patients who need lower level care or behavioral health services limits the number of higher acuity patients the hospital can admit, and thus keeps San Francisco General Hospital’s Medicare case mix index modest.

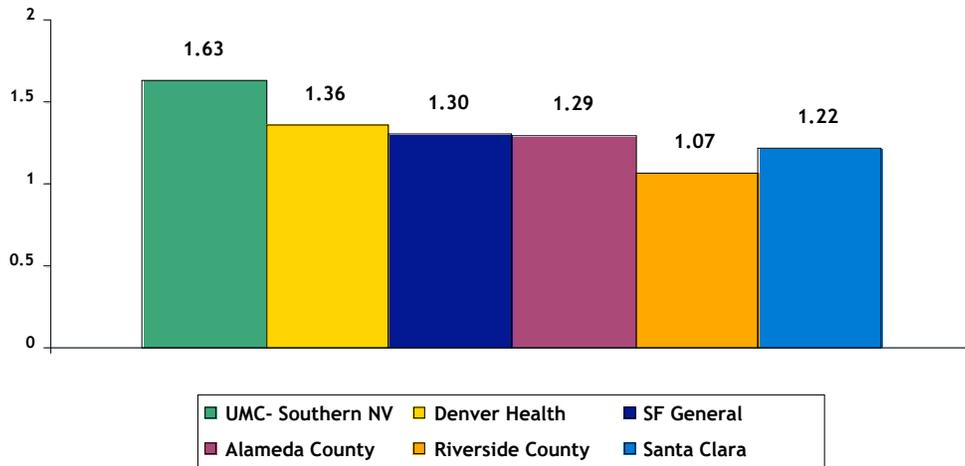
General Hospital meets the needs of many patients with mental health and lower acuity illnesses, preventing it from admitting more severely ill patients

²¹ Lewin adjusted each California benchmark hospital for the impact of differences in case severity, thus correcting for differences in patient populations. This produced more robust findings about regional hospital efficiency by removing a key factor influencing average length of stay that is outside the control of hospitals.

²² Benchmarks are all hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges). Please see the Lewin’s Group’s Market Assessment and Benchmarking Report for more information.

²³ Specialized consultative care, usually on referral from primary or secondary medical care personnel, by specialists working in a center that has personnel and facilities for special investigation and treatment.

FIGURE 14: Medicare Case Mix Index, Fiscal Year 2006



Source: Lewin County Health System Benchmark Survey 5/07, Ingenix Financial Benchmarks

4. NONPROFIT CONTRACT ADMINISTRATION



An HIV rapid test administered by Larkin Street Youth Services in a program funded by the Department of Public Health

Photo: John Benson

The Controller's Office regularly conducts financial reviews and audits of Department of Public Health nonprofit contractors. The Department of Public Health relies on contracts with local community-based health and human services organizations to provide care for the most vulnerable populations in the City. The Department contracted for such services worth more than \$162 million in fiscal year 2006 and more than \$174 million in fiscal year 2007. Services include

assisting the elderly, poor, youth, displaced and unemployed, as well as those at risk from drugs, violence, mental illness, criminal justice involvement, and HIV/AIDS.

In the last three years, the Controller's Office has conducted about 150 financial reviews of nonprofits that provide services funded by the Department of Public Health. These reviews have analyzed tens of millions of dollars in contracted services. Findings have largely been in the areas of invoicing, cost allocation, and financial record keeping. Nonprofit organizations followed up and addressed findings identified in these reviews. In a recent audit, the Controller's Office recommended that the Department of Public Health simplify its invoicing procedures and clarify its policy concerning budget revisions. An audit of a nonprofit contractor to be released by the end of 2008 will also address the Department's contract management practices.

Since 2005, the Controller's Office has provided on-going support to the Department of Public Health through its administration of the Citywide Nonprofit Monitoring and Capacity Building Program. This program streamlines, coordinates, and improves the City's efforts to effectively monitor and ensure adequate capacity of nonprofit organizations providing health and human services funded by the City. The Controller's Office also participates in the Nonprofit Review Appellate Panel, which is overseeing improvements to the way the City does business with the nonprofit sector in response to the 2003 Nonprofit Task Force Report.²⁴

The Health Department should simplify its invoicing procedures and clarify its policy on budget revisions for nonprofit contractors

5. RECOMMENDATIONS FOR THE DEPARTMENT OF PUBLIC HEALTH

- Rebuild San Francisco General Hospital's aging infrastructure to meet state seismic laws, enhance operating efficiencies, and provide critical trauma and healthcare safety net services.
- Continue efforts to expand care delivery alternatives for lower severity and psychiatric services, as well as collaborate with other City providers to ensure a more equitable distribution of the psychiatric patient population.
- Invest in information systems upgrades to allow managers to make more informed, real-time decisions concerning efficient labor and financial allocations, as well as improve San Francisco General Hospital's operating efficiency.
- Simplify invoice procedures and clarify policy concerning budget revisions for nonprofit service providers.

²⁴ Please see the "Resources for Nonprofits" section of the Controller's website under "Frequently Requested" for more information (www.sfgov.org/controller).

V. Patients and Payer Mix

1. DEMOGRAPHIC CHANGES



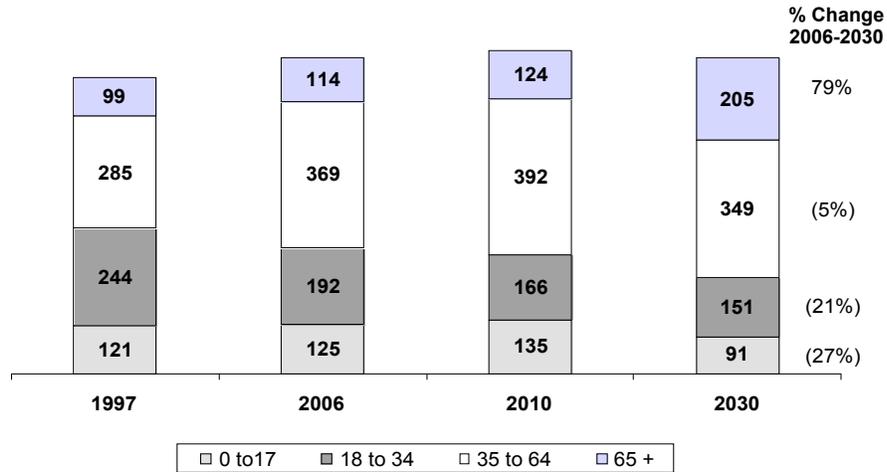
Mother and baby receive services at San Francisco General Hospital

Photo: Molly Duggan Associates, LLC

San Francisco's population is aging and the racial and ethnic profile is changing, which will affect future demand for healthcare services as well as require providers to update their provision of culturally sensitive care. Today, residents age 65 and over comprise 14 percent of the City's total population, but are expected to comprise 26 percent by 2030 – an increase of 79 percent. The City's younger population between the ages of 0-34 is projected to drop by 24 percent between 2006 and 2030 (Figure 15).

San Francisco's age, racial and ethnic changes will change future demand for health services

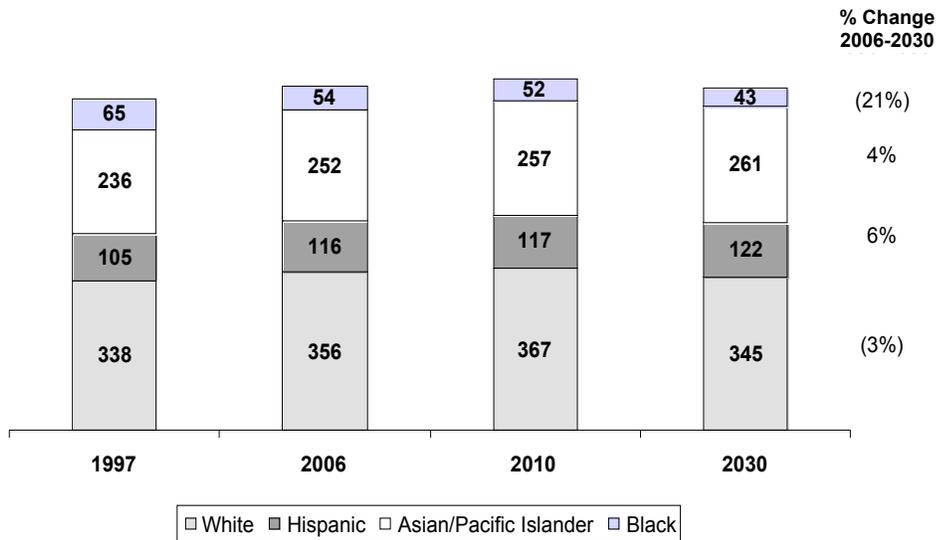
FIGURE 15: San Francisco Population Estimates by Age Cohort (in thousands), 1997-2030



Source: California Department of Finance

The racial and ethnic make-up of San Francisco will also change significantly by 2030. The Hispanic and Asian/Pacific Islander populations are projected to grow modestly, six and four percent respectively, while the African-American population is projected to decline substantially by 21 percent (Figure 16).

FIGURE 16: San Francisco Population Estimates by Race (in thousands), 1997-2030



Source: California Department of Finance

DEPARTMENT OF PUBLIC HEALTH RESPONSE TO DEMOGRAPHIC CHANGES

The Department of Public Health and the City and County of San Francisco are continuing to assess readiness to provide services to the City’s changing safety net population in a culturally sensitive manner. The Department of Public Health is planning to serve an increasingly aging population with needed healthcare services through initiatives such as the rebuild of Laguna Honda Hospital. The City is also focusing on reducing demand for inpatient hospital services through enhancing community placements. In response to a 2005 Controller’s Office report on

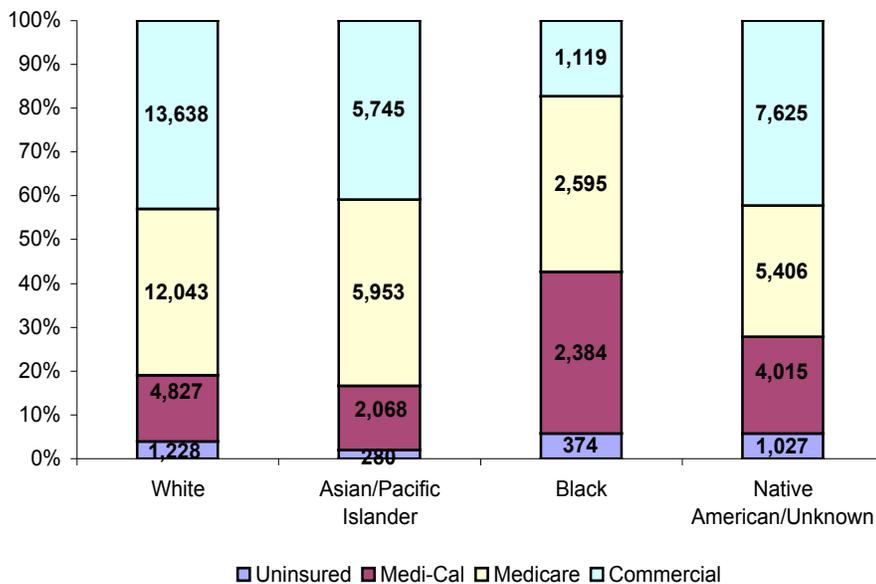
long-term care, the Department of Public Health created a new position to better coordinate long-term care across its continuum of services. In 2007, the City established the Community Living Fund Program, which targets individuals who are currently or at risk of being institutionalized. The program funds home and community-based long-term care, goods, and/or services, including housing and homecare. San Francisco's Department of Aging and Adult Services in the Human Services Agency administers this \$3 million (annual) fund in cooperation with other City departments and community partners.

2. CITYWIDE PAYER MIX²⁵

Over half of San Francisco's population receives health coverage from an employer, and nine percent of the population is uninsured.²⁶ Many more San Franciscans are underinsured or are challenged to obtain health services – for example, individuals covered by Medi-Cal face difficulty finding providers who will accept them due to low reimbursement rates offered through Medi-Cal. Some demographic groups disproportionately lack adequate insurance coverage. For example, while only accounting for seven percent of the total San Francisco population, African-Americans account for 17 percent of the City's Medi-Cal or uninsured patients. As shown in Figure 17 below, 43 percent of African American acute care hospital discharges in San Francisco were either covered by Medi-Cal or uninsured, a much higher rate than other ethnic groups.

43% of African Americans discharged from hospitals in San Francisco were either uninsured or covered by Medi-Cal, a much higher rate than other ethnic groups

FIGURE 17: Payer Mix by Race for San Francisco Hospital Discharges In 2005²⁷



Source: OSHPD 2005

²⁵ Payer Mix is defined as the ratio of various persons or payers providing funding for services rendered to patients. Payers can include the patient and/or third parties such as Medicare, Medi-Cal, managed care organizations, or other private insurance plans.

²⁶ Lewin Group analysis of the 2005 California Health Interview Survey (CHIS) inflated to 2007. Total San Francisco residents in 2007 acquired from the California Department of Finance, July 2006 projection. Insurance coverage presented as a point in time estimate, which is equivalent to an average monthly count.

²⁷ The uninsured category includes self pay patients which encompasses those without insurance at all income levels.

3. DEPARTMENT OF PUBLIC HEALTH PAYER MIX



Family receives services at San Francisco General Hospital

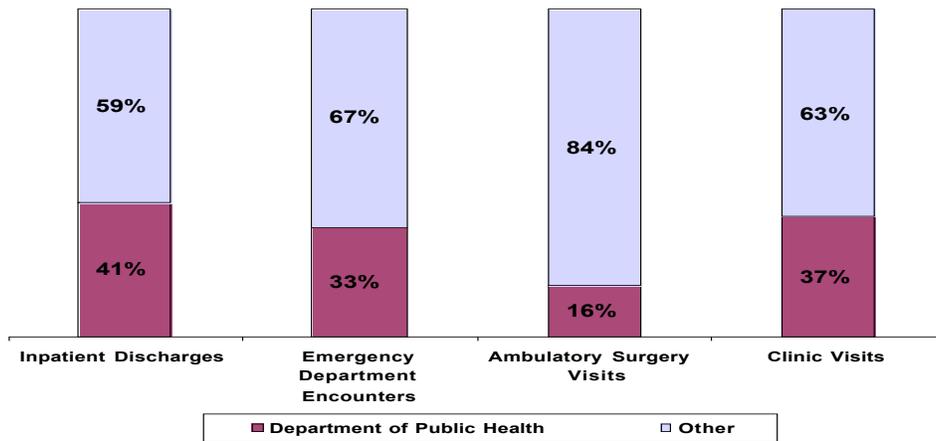
Photo: Molly Duggan Associates, LLC

The Department of Public Health, through San Francisco General Hospital, plays the primary role in caring for the underinsured and uninsured population of the City. Figure 18 shows the Department's role in serving uninsured residents across levels of care as compared to all other City providers. Healthy San Francisco²⁸ will increase healthcare for the uninsured in San Francisco and also restructure how the Department of Public Health provides care to those already in its network through offering services through a primary medical home.

The Health Department plays the primary role in caring for the underinsured and uninsured population of San Francisco

²⁸ Healthy San Francisco is expanding services and restructuring the City's safety net system from a crisis delivery approach to an emphasis on primary care. More information can be found at: <http://www.healthysanfrancisco.org>.

FIGURE 18: Department of Public Health 2005 Market Share of San Francisco Resident Uninsured Population by Level of Care²⁹



Source: OSHPD Clinic Data

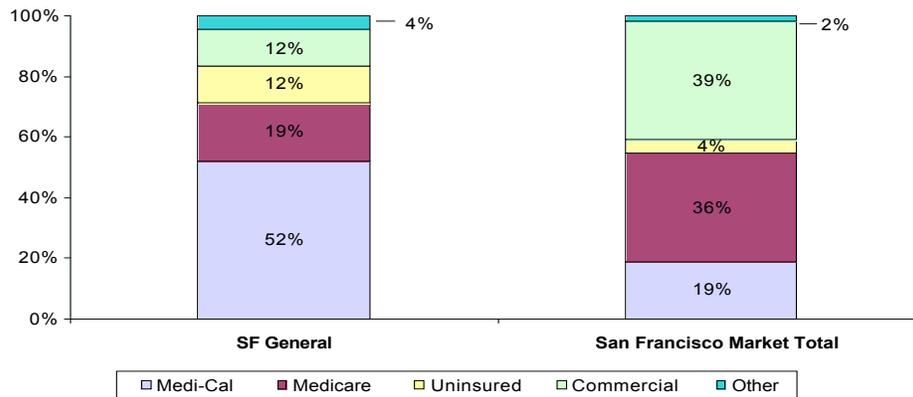
SAN FRANCISCO GENERAL HOSPITAL PAYER MIX

San Francisco General Hospital serves a higher proportion of the City's uninsured and Medi-Cal patients compared to other San Francisco hospitals (Figure 19): 64 percent of San Francisco General Hospital's patients are uninsured or covered by Medi-Cal versus 23 percent citywide. Private hospitals in San Francisco have a higher share of patients who typically provide greater revenues to hospitals, that is, patients over 65 and those covered by commercial insurance and Medicare.

64% of General Hospital's patients are uninsured or covered by Medi-Cal versus 23% citywide

²⁹ The uninsured category includes self pay patients, which encompasses those without insurance at all income levels. Without self pay patients the Department of Public Health's uninsured market share would be: Inpatient Discharges = 69 percent; Emergency Department Encounters = 44 percent; Ambulatory Surgery Visits = 10 percent; and Clinic Visits = 43 percent.

FIGURE 19: Payer Mix for San Francisco General Hospital v. Payer Mix for San Francisco Discharge Market, 2005^{30 31}



Source: OSHPD 2005

As a result of its disproportionate share of the uninsured market, San Francisco General Hospital also absorbs a disproportionate level of uncompensated care, such as payment shortfalls and charity care³² (Figure 20).

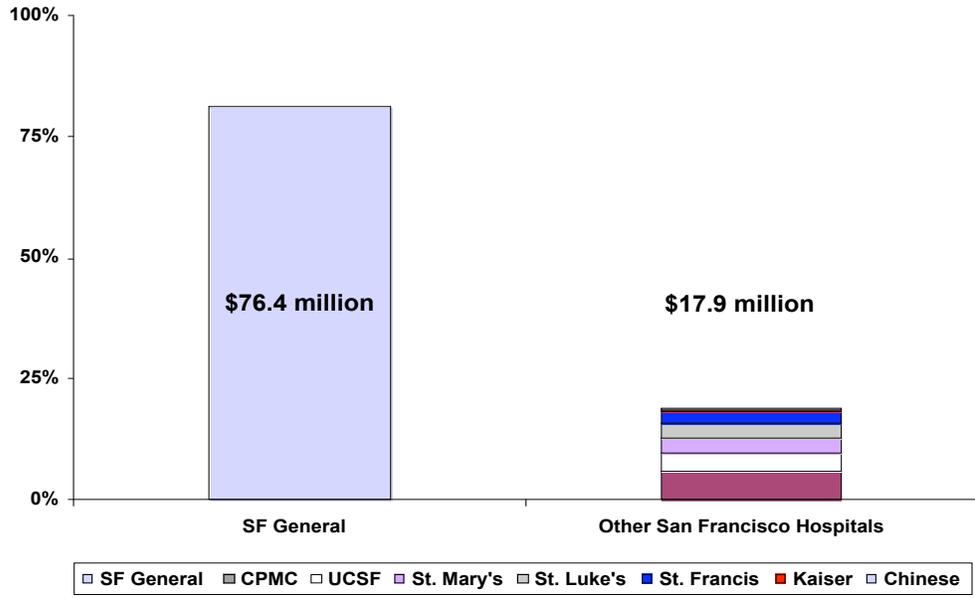
General Hospital provides the vast majority of charity (uncompensated) care in San Francisco

³⁰ San Francisco market is defined as San Francisco resident discharges from all San Francisco hospitals.

³¹ The uninsured category includes self pay patients, which encompasses those without insurance at all income levels. "Other" includes patients covered by a variety of third-party contractual purchasers of healthcare (e.g. Short-Doyle, TRICARE (formerly CHAMPUS) and California Children's Services).

³² Charity Care is defined by the City and County of San Francisco as emergency, inpatient, or outpatient medical services provided without expectation of reimbursement.

FIGURE 20: Charity Care Expenditures of San Francisco General Hospital v. Other Hospitals, Fiscal Year 2005



Note: Charity Care Expenditures = Charity Care Charges * Cost to Charge Ratio
 Source: Fiscal Year 2005 San Francisco Hospital Charity Care Report Summary

COMMUNITY CLINIC PAYER MIX

The Department of Public Health operates 18 community-based primary care clinics throughout the City and at San Francisco General Hospital, serving over 60,000 patients annually. The clinic network provides culturally sensitive care to the uninsured and at-risk populations who might not otherwise have access to care. Over 77 percent of the Department of Public Health's primary care clinic patients are below the federal poverty level, and less than one percent has private insurance. The population is 50 percent Asian/Pacific Islander or African-American, with many non-English speaking monolingual patients.

In addition to the Department of Public Health, the San Francisco Community Clinic Consortium and other nonprofit community-based clinics are an important component of the primary care safety net in San Francisco. As such, the Clinic Consortium is a critical partner in the implementation of the Healthy San Francisco initiative. The Clinic Consortium has a similar patient mix as the Department of Public Health clinic system, and meets nearly all of the remaining outpatient service demand from patients who lack private or public insurance (such as Medicare or Medi-Cal). The Brown & Toland and Kaiser networks also provide primary care. However, they are clustered in the northern and less impoverished areas of the City and primarily serve higher income populations with commercial insurance.

Over 77% of the Health Department's primary care clinic patients are below the federal poverty level

Nonprofit community-based clinics are also a crucial component of the primary care safety net

4. RECOMMENDATIONS FOR THE DEPARTMENT OF PUBLIC HEALTH

- Continue to assess the Department of Public Health's readiness to provide services to the City's changing safety net population and the City's aging population.
- Continue to explore formal and informal collaboration with other safety net providers to identify the most resource efficient ways to deliver and coordinate care – this may be advanced through further analysis and collaboration with partners to better understand the drivers behind local hospital referral patterns by payer type.

VI. List of Analytical Projects 2005-2008

I. CONSULTANT REPORTS

The Controller's Office contracts with internationally-recognized healthcare consulting firms to bring best practices and expert analysis to San Francisco public health. All of these reports are available in the "Healthcare Analysis" section of the Controller's website (www.sfgov.org/controller) listed under "Frequently Requested."

REVENUE MANAGEMENT

PHASE 2 CONSULTING, 2008

This revenue maximization analysis reviews the Department of Public Health's revenue cycle at San Francisco General Hospital, Laguna Honda Hospital, Community Health Centers, and Behavioral Health Services. The report concludes that revenue cycle processes and procedures are among the most complete and effective as compared with other large public health systems in the nation. It also identifies \$10 million in annual revenues and \$11 million in one-time gains.

MARKET ASSESSMENT AND BENCHMARKING

THE LEWIN GROUP, 2007

The market analysis summarizes the current healthcare environment in the City, makes projections of demand for healthcare services, and examines the Department of Public Health's role in providing direct healthcare to San Franciscans. The benchmarking analysis compares San Francisco General Hospital with comparable Bay Area, California, and national public healthcare delivery systems using industry measures of efficiency and effectiveness.

HEALTHY SAN FRANCISCO IMPLEMENTATION SUPPORT

THE LEWIN GROUP, 2007

The Lewin Group provided expert analysis, modeling, and recommendations to assist with the Department of Public Health's planning and launch of Healthy San Francisco. This presentation projects demand for health services, analyzes the Department's capacity to take new patients and meet service demands, models the impact of changes in fees for the safety net population, and analyzes a 'one-stop' web-based eligibility and enrollment system.

COMMUNITY CLINIC REVENUE MAXIMIZATION

MOSS ADAMS, 2006

This report reviews revenue cycle efficiency in Department of Public Health clinics and identifies two million dollars of revenue opportunity. Following the release of the report, the Department enhanced patient finance services and registration processes and is now exceeding the national standard in the accounts receivable area. In addition, clinic patients are now allowed to see a physician on a walk-in basis, reducing unfilled patient slots and increasing physician productivity.

CONTINUUM OF ACUTE AND LONG-TERM HEALTHCARE HEALTH MANAGEMENT ASSOCIATES, 2005

This report focuses on the effectiveness of the Department of Public Health in providing a continuum of acute and long-term healthcare services. It finds that the City needs to substantially improve the integration of its hospitals and community-based services. San Francisco can better meet the needs of its citizens and gain significant financial benefits by providing a mix of long-term, skilled nursing, in-home, and community-based services.

CURRENT ANALYSES

The Controller's Office is currently working with the Department of Public Health and expert consultants to assist with the transition to the rebuilt Laguna Honda Hospital as well as develop technical assistance and evaluation for substance abuse treatment services.

II. NONPROFIT FINANCIAL MONITORING AND AUDITS

The Controller's Office regularly conducts financial reviews and audits of Department of Public Health nonprofit contractors to ensure adequate internal controls and efficiencies. In the last three years, the Controller's Office has conducted about 150 financial reviews of nonprofits that provide services funded by the Department of Public Health. These reviews have analyzed tens of millions of dollars in contracted services.

RECENT FINANCIAL REVIEWS AND AUDITS

Department of Public Health: Fiscal and Compliance Monitoring of Selected Community-based Organizations for Fiscal Years 2005-06 and 2006-07

Department of Public Health: Monitoring of A-133 Single Audit Reports for Agencies Awarded Federal Funds by the Department in Fiscal Year 2005-06

Department of Public Health: Monitoring of A-133 Single Audit Reports for Agencies Awarded Federal Funds by the Department in Fiscal Year 2004-05

Department of Public Health: Fiscal & Compliance Monitoring of Selected Community-based Organizations for Fiscal Year 2004-05

All of these reports are available in the "Healthcare Analysis" section of the Controller's website (www.sfgov.org/controller) listed under "Frequently Requested."

NONPROFIT CONTRACTING

The Controller's Office provides on-going support to the Department of Public Health through its administration of the Citywide Nonprofit Monitoring and Capacity Building Program. This program streamlines, coordinates, and improves the City's efforts to effectively monitor and ensure adequate capacity of nonprofit organizations providing health and human services to San Francisco residents. The Controller's Office also participates in the City's Nonprofit Review Appellate Panel, which is overseeing improvements to the way the City does business with the nonprofit sector. Please see the "Resources for Nonprofits" section of the Controller's website (www.sfgov.org/controller) for more information.