

Consent Agenda #14
CITY COUNCIL
CITY OF CAMBRIDGE

May 9, 1994

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 1993

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1993-94 the following sum is hereby accepted in accordance with General Laws Chapter 44, Section 53A and appropriated in the Hospital and Ambulatory Care Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OF PROGRAM	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATION
Human Resource Development	Health & Hospital Services	\$925,000	\$1,575,000			\$2,500,000.00

BE IT FURTHER ORDERED: That the above acceptance and appropriation in the Hospital and Ambulatory Care Fund to be financed by estimated revenues drawn from the following sources:

FINANCING PLAN	REVENUE
Excess Patient Receipts	\$2,500,000.00

In City Council May 9, 1994.

Adopted by a yeas and nays vote:-

Yeas 9; Nays 0; Absent 0.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

D. Margaret Drury

ATTEST:-

D. Margaret Drury, City Clerk



The Cambridge Hospital



1493 Cambridge Street, Cambridge, Massachusetts 02139 (617) 498-1000

May 4, 1994

Mr. Robert W. Healy, City Manager
City of Cambridge
City Hall
Cambridge, MA 02139

Dear Mr. Healy:

The Cambridge Hospital requests the appropriation of excess Fiscal 1994 receipts in the amount of \$2,500,000 in order to provide for the continued level of services through June 30, 1994.

The Hospital generates charges for the services it provides, and collects payments on billings for inpatient and outpatient services. The hospital budget is prepared based upon a projected level of service volume. Revenue increases, over time, result in increased cash receipts. It is accompanied by increased expenditures, however. It is in this context that the Hospital needs to increase its appropriation in order to satisfy the expenses which accompany the increased volume.

I have summarized below the current status of Hospital receipts and the significant expenditure areas which require appropriation of additional dollars.

Receipts

The budgeted receipts for the year are \$ 59,914,120 (\$1,147,780 per week for 52.2 weeks) and we have collected \$55,785,262 (\$1,285,374 per week for 43.4 weeks) through the end of April. The hospital will collect at least an additional \$ 6,630,000 (\$753,409 per week for 8.8 weeks) in the remaining weeks of Fiscal 1994, thus bringing the total collected by June 30 to an amount in excess of \$ 62,415,000. Therefore, the \$2,500,000 appropriation request will be funded out of excess cash receipts.

Salaries and Wages

A total of \$925,000 is requested in salary and wage accounts. Of this amount, \$260,000 is necessary to fund the retroactive payments to members of Local 195. The contract was settled after completion of the FY'94 budget with payments made in August and September 1993. Overtime expense causes another

\$275,000 need. The need is primarily generated in the Patient Care Division where extended, paid medical leaves created vacancies which were staffed at premium time. The cost of this coverage was \$240,000. The balance of the overtime deficit was caused by the extreme winter weather causing requirements for snow plowing and storm clean-up. The remaining \$390,000 deficiency results from new hires made after completion of the FY'94 budget to provide staffing to the Ambulatory Care Division, where visits are 14.8% greater than last year; the Pharmacy, where a new clinic is generating a significant number of visits; and Psychiatry. The Riverside Clinic was budgeted with three medical receptionist/assistants and one nurse practitioner at a cost of \$119,990. After the opening it was determined that the staffing needed to be increased to include 5.7 medical receptionist/assistants, a manager, and 1.7 nurse practitioners increasing the expense by \$90,000. Particular attention has been paid to the Outpatient Department, Pediatric Office Practice, Alcohol and Dental Clinics with the additions of: 2.5 medical receptionist assistant positions, .5 nurse practitioner, a Director of Addictions Services and an additional substance abuse counselor, and a dental hygienist. The additional staffing, at an unbudgeted cost in FY'94 of \$180,000 has helped to drive the 24.4% increase in volume at those clinics. The pharmacy requires \$40,000 to pay for two additional pharmacists required in order to manage the added volume resulting from the Pharmacy Clinic. Continuing changes in payment mechanisms for inpatient psychiatric patients, including HMO contracting, Blue Cross restrictive contracts, the utilization review demands of the Commonwealth through its subcontractor, MHMA, and efforts to capitate certain populations present major operational obstacles. The addition of a Director-Inpatient Psychiatry has helped contribute to the 25% increase in Psychiatric discharges, although increasing expenses by \$80,000.

Other Operating and Maintenance

Provider Services

Physician services in the specialty surgical areas have been expanded in order to provide a more complete array to offer HMO's and other insurers selecting locations to be included in their networks. Orthopedics discharges are 32% above budget for 9 months at a projected cost of \$391,000 versus the budget of \$324,000. Urology Clinic visits are 15% above budget and patient days are 5% above budget with the addition of coverage at a cost of \$150,000. Surgical resident coverage, due to an underbudgeting of expenses in FY'94, is costing \$85,000 more

than budget.

Malpractice coverage for the hospital and residents has cost significantly more than budgeted. The budget for hospital malpractice is \$67,300. The cost in 1994 is \$101,300. In addition, coverage for the surgical residents (\$29,000), a retroactive rate adjustment for obstetrical residents (\$67,000), and costs for the JCAHO survey in July (\$29,000) result in a \$159,000 need.

Additional provider sessions at Neighborhood Health Centers (Loring Conant, MD and Theresa Corcoran, MD), Dental Clinic (Salvatore Colletta, DMD), and the Geriatric Housecalls program have added \$150,000 to the overall Ambulatory budget.

Many specialized testing services are provided by organizations other than the Hospital as ordered by the attending physicians. While these services are included in the hospital charges, it is necessary to pay the providers directly. Since the activity has exceeded budget in the areas of hemo-dialysis and MRI exams, an additional \$100,000 is needed.

A strength of the Cambridge Hospital is the interpreter services which are offered to patients. The effectiveness of the program stimulates increased utilization by providers and patients alike. As a result an additional \$75,000 is needed to fund the services of interpreters.

Supplies and Facility Costs

The cost of Operating Room supplies has exceeded the original budget of \$546,600. A shift in the type of surgery being performed at the hospital, with many more orthopedic cases, requiring expensive prosthetic devices, and cardiac surgery with pacemaker implants has caused a \$250,000 deficit in the appropriation.

The pharmacy has experienced both volume and price increases since the development of the FY'94 budget. Budgeted at \$1,066,670, rapid growth of the Pharmacy Clinic and price increases by drug companies have resulted in a projected shortfall of \$235,000.

Electric costs for the hospital have also seen significant increases. The kilowatt usage has increased regularly, in spite of the energy saving steps taken over the past year. In addition, the fuel and demand charges have risen. As a result the budgeted amount of \$483,000 needs to be increased by

\$144,000 in order to fund the balance of the year.

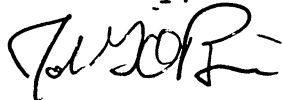
Costs associated with increased utilization of offsite parking by hospital employees require an additional \$70,000. The hospital has doubled the number of parking spots, increased the number of shuttle bus runs, and lengthened the hours of operation. While successful in attracting more users and freeing up parking spaces for patients on the hospital site, the cost has doubled from the original budget of \$69,170.

Repairs to existing Operating Room equipment and the rental of equipment for special procedures or temporary replacement will run \$25,000 more than the budgeted \$46,625. New items ordered in the storeroom, for example stickless needles necessary to minimize the risk of accidental infection, will cost \$25,000 over the appropriated amount.

A one time charge for retroactive operating expense and property tax increases on space rented for the East Cambridge Clinic was not budgeted and requires an appropriation of \$40,000.

The attachment to this letter summarizes the appropriations request in tabular format. I greatly appreciate your consideration of this request for an appropriation of excess receipts. Please let me know if there is any additional information which you need.

Sincerely,

A handwritten signature in dark ink, appearing to read "John G. O'Brien", with a stylized flourish at the end.

John G. O'Brien
Administrator, The Cambridge Hospital

The Cambridge Hospital
Appropriation Request
May 4, 1994

SALARIES AND WAGES

Requested appropriation		925,000
The continued growth of Ambulatory visits has necessitated additional physician and support staff including:		270,000
Riverside Clinic 8.4 fte's	90,000	
Outpatient Department 2.5 fte's	65,000	
Pediatric Clinic .5 fte	25,000	
Outpatient Alcohol	80,000	
Dental Clinic	10,000	
Professional Services:		120,000
Pharmacy: 2 pharmacists	40,000	
Director: Addictions Services	80,000	
Overtime costs:		275,000
Patient Care Services	240,000	
Building services and Housekeeping	35,000	
Retroactive payment to Local 195 employees due to settlement		260,000

The Cambridge Hospital
Appropriation Request
May 4, 1994

OTHER OPERATING AND MAINTENANCE

Requested appropriation		1,575,000
Physician services for Ambulatory and Clinic Departments		150,000
Neighborhood Health Centers	95,000	
Dental Clinic	10,000	
Housecalls	45,000	
Physician services for specialty services		461,000
Orthopedics	67,000	
General Surgery Residents and malpractice	85,000	
Urology	150,000	
Surgical Resident malpractice	29,000	
Obstetrics	67,000	
Hospital malpractice	34,000	
JCAHO survey fee	29,000	
Other professional and technical services		175,000
Hemo-dialysis, MRI exams	100,000	
Interpreter services	75,000	
Supply and Facilities Costs		789,000
Operating room supplies	250,000	
Drugs	235,000	
Electricity	144,000	
Offsite parking	70,000	
Operating Room repairs and equipment rentals	25,000	
Storeroom expenses for new items	25,000	
Facility cost 650 Cambridge Street	40,000	



CITY OF CAMBRIDGE
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TEL. 349-4300
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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

May 9, 1994

To The Honorable, The City Council:

Attached is an order requesting the appropriation of \$2,500,000 in excess patient receipts to the Health and Hospital Services Salary & Wages Account (\$925,000) and Other Ordinary Maintenance Account (\$1,575,000) to provide funds for the supplies and services described in detail in the attached letter from John O'Brien, Hospital Administrator. FY95 receipts are currently projected to be \$62,415,000, which will exceed the original budget of \$59,914,120 by approximately \$2,500,000 this providing the revenues needed to finance this appropriation. A summary of the request is provided on pages 5 and 6 of Mr. O'Brien's letter. The main components of the salary request are retroactive salary increase payments, overtime expenses related to coverage for extended medical leaves, and additional staff positions in Ambulatory Care to cover a significant increase in the number of visits. In the Other Ordinary Maintenance Account, a shift in the type of surgery being performed, particularly in orthopedics and cardiology, has caused a large deficit in the operating room supply account while rapid growth in both the volume and price of pharmacy supplies has caused a similar situation in the Pharmacy. Other deficits are in the areas of utilities, offsite parking, equipment maintenance, medical and surgical supplies, and property rental. As I mentioned above, the letter from Mr. O'Brien provides extensive detail relating to this request.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev

F-71

Consent Agenda #14

Transmitting communication from R.W. Healy
relative to an order requesting the appropriation
of \$2,500,000 in excess patient receipts to the
Health and Hospitals Salary and Wages Account
to provide funds for supplies and services.

In City Council May 9, 1994

Order adopted
9-0-0.