C. C. 106

City of Cambridge

MASSACHUSETTS

NON CONSENT AGENDA # 26a - appropriation of $200,000 to the Neville Manor Dept.

In City Council ________________ 199

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mr. Kenneth E. Reeves	✓				
Mrs. Sheila T. Russell	✓				
Mr. Walter J. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh	✓				
Mayor Alice K. Wolf	✓				
	9	0			

all 4

CALENDAR ITEM #13A
NON CONSENT AGENDA # 26a.

CITY COUNCIL
CITY OF CAMBRIDGE

February 25, 1991
March 4, 1991.

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1990

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1990-91 the following sum is hereby appropriated in the Public Investment of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARY $ WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Human Resource Development	Neville Manor				$200,000	$200,000

BE IT FURTHER ORDERED: That the above appropriation in the Public Investment Fund to be financed by estimated revenues drawn from the following sources:

FINANCING PLAN	REVENUE
Hospital Receipts	$200,000

In City Council March 4, 1991.
Adopted by a yea and nay vote:
Yeas 9; Nays 0; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton
City Clerk

C. C. 106

City of Cambridge

MASSACHUSETTS

NON CONSENT AGENDA # 26b - appropriation of $650,000 to the Neville Manor Dept.

In City Council ______________________ 199

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mr. Kenneth E. Reeves	✓				
Mrs. Sheila T. Russell	✓				
Mr. Walter J. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh	✓				
Mayor Alice K. Wolf	✓				
	9	0			

CALENDAR ITEM #13B
NON CONSENT AGENDA # 26b

CITY COUNCIL
CITY OF CAMBRIDGE

February 25, 1991
March 4, 1991.

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1990

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1990-91 the following sum is hereby appropriated in the Neville Manor Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARY $ WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Human Resource Development	Neville Manor	$130,000	$485,000	$35,000		$650,000

BE IT FURTHER ORDERED: That the above appropriation in the Public Investment Fund to be financed by estimated revenues drawn from the following sources:

FINANCING PLAN	REVENUE
Hospital Receipts	$650,000

In City Council March 4, 1991.
Adopted by a yea and nay vote;
Yeas 9; Nays 0; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy; Joseph E. Connarton

Attest:-

Joseph E. Connarton
City Clerk

C. C. 106

City of Cambridge

MASSACHUSETTS

In City Council ______________________ 199

NON CONSENT AGENDA # 26c - Appropriation of $2,900,000 to the Hospital & Ambulatory Care Dept.

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mr. Kenneth E. Reeves	✓				
Mrs. Sheila T. Russell	✓				
Mr. Walter J. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh	✓				
Mayor Alice K. Wolf	✓				
	9	0			

CALENDAR ITEM #13C
NON CONSENT AGENDA # 26c

CITY COUNCIL
CITY OF CAMBRIDGE

February 25, 1991
March 4, 1991

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1990

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1990-91 the following sum is hereby appropriated in the Public Investment Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARY $ WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Human Resource Development	Hospital & Ambulatory Care				$2,900,000	$2,900,000

BE IT FURTHER ORDERED: That the above appropriation in the Public Investment Fund to be financed by estimated revenues drawn from the following sources:

FINANCING PLAN	REVENUE
Hospital Receipts	$2,900,000

In City Council March 4, 1991.
Adopted by a yea and nay vote:
Yeas 9; Nays 0; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton
City Clerk

C. C. 106

City of Cambridge

MASSACHUSETTS

NON CONSENT AGENDA # 26d - Appropriation of $2,400,000 to the Hospital & Ambulatory Care Dept.

In City Council ______________________ 199

	YEA	NAY	ABSENT	PRESENT	
Mr. Ed Cyr	✓				
Mr. Francis H. Duehay	✓				
Mr. Jonathan S. Myers	✓				
Mr. Kenneth E. Reeves	✓				
Mrs. Sheila T. Russell	✓				
Mr. Walter J. Sullivan	✓				
Mr. Timothy J. Toomey, Jr.	✓				
Mr. William H. Walsh	✓				
Mayor Alice K. Wolf	✓				
	9	0			

CALENDAR ITEM #13D
NON CONSENT AGENDA # 26d

CITY COUNCIL
CITY OF CAMBRIDGE

February 25, 1991
March 4, 1991.

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 1990

ORDERED: That in addition to sums previously appropriated by the City Council for the fiscal period 1990-91 the following sum is hereby appropriated in the Hospital and Ambulatory Care Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARY $ WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Human Resource Development	Hospital & Ambulatory Care	$300,000	$2,100,000			$2,400,000

BE IT FURTHER ORDERED: That the above appropriation in the Public Investment Fund to be financed by estimated revenues drawn from the following sources:

FINANCING PLAN	REVENUE
Hospital Receipts	$2,400,000

In City Council March 4, 1991.
Adopted by a yea and nay vote:
Yeas 9; Nays 0; Absent 0.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton
City Clerk

The Cambridge Hospital

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

February 20, 1991

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

Dear Mr. Healy,

The Cambridge Hospital, as you and I have been discussing for several weeks now, is projected to significantly exceed our original projection for net revenues (cash receipts) due to higher than anticipated patient volumes, retroactive third party payor settlements from prior years from Medicare, Medicaid and the uncompensated care pool, as well as continued improvement in the technical aspects of maximization of third party revenues. Based upon year-to-date receipts, as well as a conservative projection of receipts through June 30, 1991, we anticipate that we will exceed our original receipts budget of $42,750,205. by $6,150,000. for total projected collections of $48,900,205. I am extremely confident that this projection can be attained.

It is fortunate that this level of receipts will be attained because the surplus is needed to offset additional necessary expenditure needs at the hospital and Neville Manor as well as capital needs at both facilities. Specifically, I am requesting the appropriation of the $6.150 million projected receipts surplus for the following budgetary purposes; $2.4 million to address an anticipated hospital operating budget shortfall in FY1991; $2.9 million to accelerate the capital improvement program at the hospital, particularly in the area of investment in neighborhood health centers that serve as a vital referal source for the hospital, upgrade of clinical facilities, medical equipment and technology, and implementation of the second phase of the hospital wide computer system; $650,000. for budgetary needs at Neville Manor as well as $200,000. for capital improvements at Neville.

<u>Patient Volumes</u>

We continue to experience solid growth in the number of patients utilizing the hospital for inpatient care and have seen a truly dramatic growth in ambulatory care as we continue to improve access to care for our community. My staff and I have completed as part of the budgeting process the projected volumes for Fiscal Year 1992 and have displayed volumes for the period FY1987 - 1992 on

Appendix A, B and C. As you can see, over this six year period outpatient visits will have increased by 60.2%. Case mix adjusted discharges (CMAD), which is the number of inpatient discharges adjusted for severity of illness and is the critical element for inpatient revenue, are up by 41.9%. Patient days are up only 24.6% as we have been able to safely reduce our average length of stay for inpatient admission and thereby reduce consumption of costly inpatient resources. While volume growth has occurred in essentially every clinical area, the most significant growth has been in primary care areas in medicine and pediatrics. The number of infant deliveries has increased also during this period from 493 in 1987 to more than 1,000 in 1990 and a projected 1,200 deliveries in FY1992.

Hospital Cash Flow

The tremendous growth in patient volumes has been accompanied by an even greater growth in cash receipts. With the aforementioned additional $6.2 million in receipts anticipated for this fiscal year, for the five year period between FY1987 and FY1991, cash receipts will have increased from $25.4 million in FY1987 to $48.9 million in FY1991, an increase of 93%. Operating expenses during this same period increased by 55%. The tax support of the hospital has remained essentially unchanged during this period due to the fact that the wide variance between growth in receipts and growth in operating expenses has been reinvested in the aggressive capital program that we have undertaken under your direction and support and that of the City Council. Appendix D displays the impressive cash flow summary.

Hospital Operating Budget

The hospital is currently projecting operating budget needs of $2.4 million for this fiscal year. The primary components of this deficit are attributable to higher than expected patient care staffing costs, much of it associated with the significant growth in both ambulatory and inpatient volumes. We are also experiencing increased costs for medical and surgical supplies, particularly in the operating room, increased drug utilization and costs, and fuel and electric costs above budget. The major reasons for this shortfall are as follows:

Ambulatory Care Staffing (particularly Neighborhood Health Centers)	$ 300,000.
Nursing Staffing	1,000,000.
Medical and Surgical Supplies	310,000.

Drugs	100,000.
Fuel	125,000.
Interpreters	50,000.
Physician Services	175,000.
Laboratory Supplies and Services	63,000.
Radiology Supplies and Services	64,000.
Other staffing needs	131,000.
Rental of Specialized Beds	82,000.
	$2,400,000.

Hospital Capital Budget

FY91 receipts being greater than were conservatively estimated one year ago, gives the City and the hospital the opportunity to accelerate the capital improvement program underway at the hospital for the past few years. Specifically, it is proposed that the site acquisition and construction of a new Riverside Health Center estimated to to be $890,000. would be financed through this appropriation rather than bond financed. Construction projects aimed at improving patient care facilities both at the hospital as well as the neighborhood health centers totalling $340,000 would be undertaken this year rather than in future years. Some of this construction such as the addition of another Labor, Delivery Recovery room for the obstetrical area is essential. Needed medical equipment particularly in the laboratory and anesthesia departments would be procured now totalling $800,000., and the second phase of the Hospital Information System consisting of $490,000. in hardware and $380,000. in software would occur this year rather than next. The breakdown is therefore:

Riverside Health Center	$ 890,000.
Patient Care Facility Improvements	340,000.
Medical Equipment/Technology	800,000.
Hospital Information System	870,000.
	$2,900,000.

Neville Manor Operating Budget

Since the vertical integration of Neville Manor with the hospital, we have established a new management team, led by the new Administrator Paul Hollings, that is tackling many of the deficiencies identified last summer. Unfortunately a significant operating budget problem is projected for this fiscal year, much of it attributable to the extensive investment in bringing this facility into com pliance with Massachusetts Department of Public Health standards. While the operating deficit is being resolved and is trending downward, $650,000. will nonetheless be required in additional resources for the remainder of this fiscal year. The majority of these monies are needed for staffing costs associated with a higher staff/resident plan we have implemented. This deficit will also be financed through surplus revenues at the hospital. Having completed the Neville Manor proposed budget for Fiscal Year 1992, we are confident that this budget will be controlled and that no more than the FY1991 tax support will be required. $650,000.

Neville Manor Capital Budget

Richard Rossi and my staff and I have been working as you know on a program to improve the Neville Manor plant. New thermal shades have been installed in patient rooms, new nourishment centers (kitchens) are being installed on four of the resident units, numerous HVAC repairs including the installation of a new energy efficient stand-alone furnace in the day treatment center have been completed, but more than $200,000. in capital monies will be needed to complete the short term capital plan. A major portion of those funds ($85,000) will be for the evaluation of current heating and cooling capacity as well as the design of a replacement boiler plant so as to adequately meet these needs in a cost efficient manner. Again, it is proposed that surplus hospital receipts be utilized to address these problems in the nursing home for which we now have responsibility. $200,000.

In summary, we propose $3,050,000 million in projected surplus receipts at the hospital be appropriated so as to address operating budget needs at the Cambridge Hospital and Neville Manor and an additional $2,900,000. be appropriated so as to continue the capital reinvestment program that has been so successful at the hospital and which will enable the hospital to continue its' dramatic growth thereby at least stabilizing if not reducing the tax support needed for the continuation of our mission. The balance of the projected surplus receipts ($200,000.) would be appropriated so as to continue the capital improvements that are now being undertaken at Neville Manor.

The appropriation of $6,150,000. in surplus Hospital receipts is to be appropriated as follows:

Hospital

Salaries and Wages	$ 300,000.
Other operating: Supplies	600,000.
Other operating: Services	1,500,000.
Public Investment	2,900,000.

Neville Manor

Salaries and Wages	$ 130,000.
Other operating: Supplies	65,000.
Other operating: Services	420,000.
Travel and Training: Judgements	35,000.
Public Investment Fund	200,000.

As always, I am deeply appreciative of the crucial role you have had in the revitalization of this hospital. Your direction and assistance in this very volatile health care environment has meant much to the entire staff. I also appreciate your consideration and the consideration and support of the City Council in allowing the hospital to re-invest in clinical and capital programs when discretionary resources throughout the City are now quite limited.

Thank you.

Sincerely,

John G. O'Brien

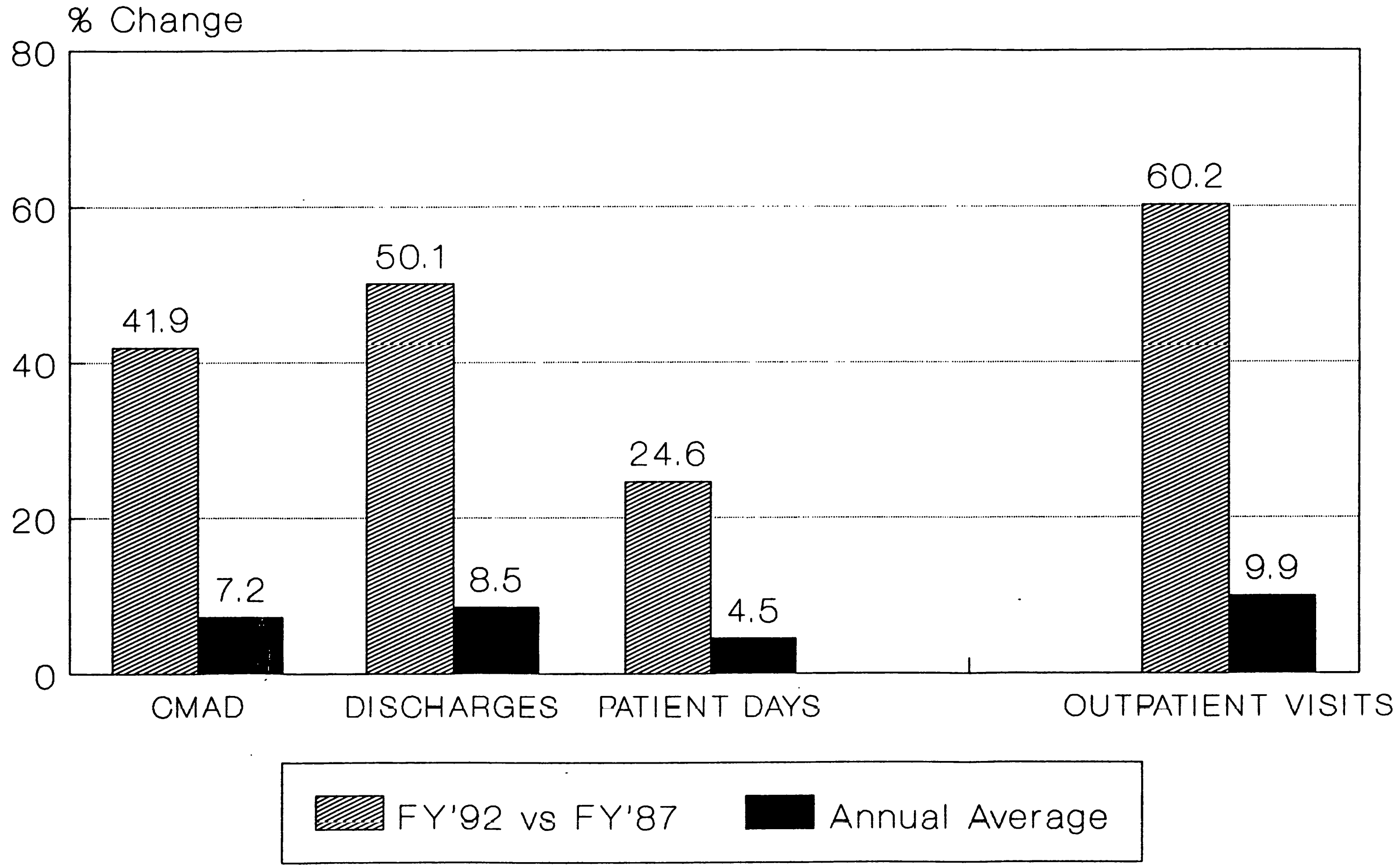
John G. O'Brien
Administrator

jmc

cc: Melvin H. Chalfen, MD
Paul Hollings

VOLUME PERFORMANCE HIGHLIGHTS

Percent Change Over Six Years

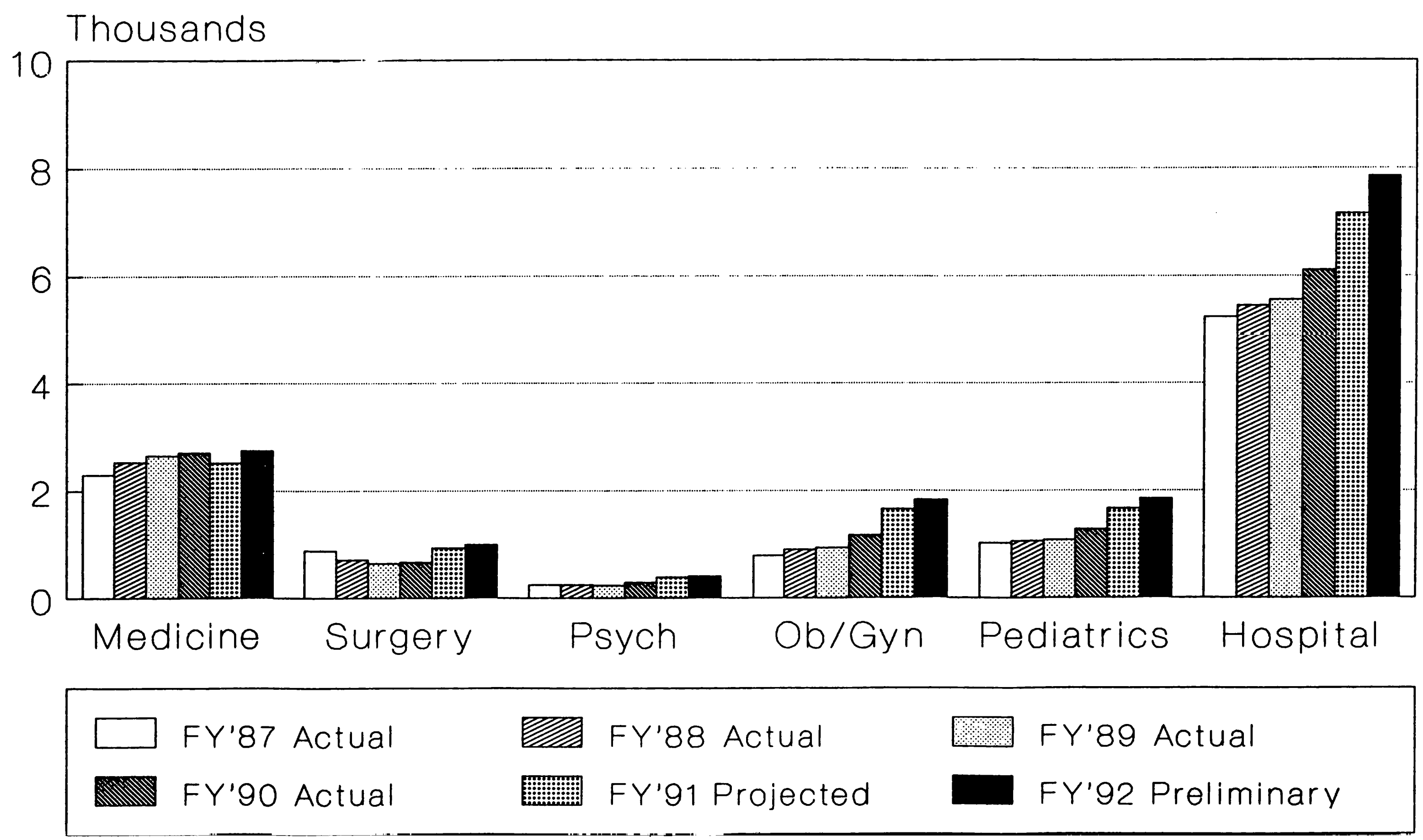


Fiscal Years 1987 to 1992

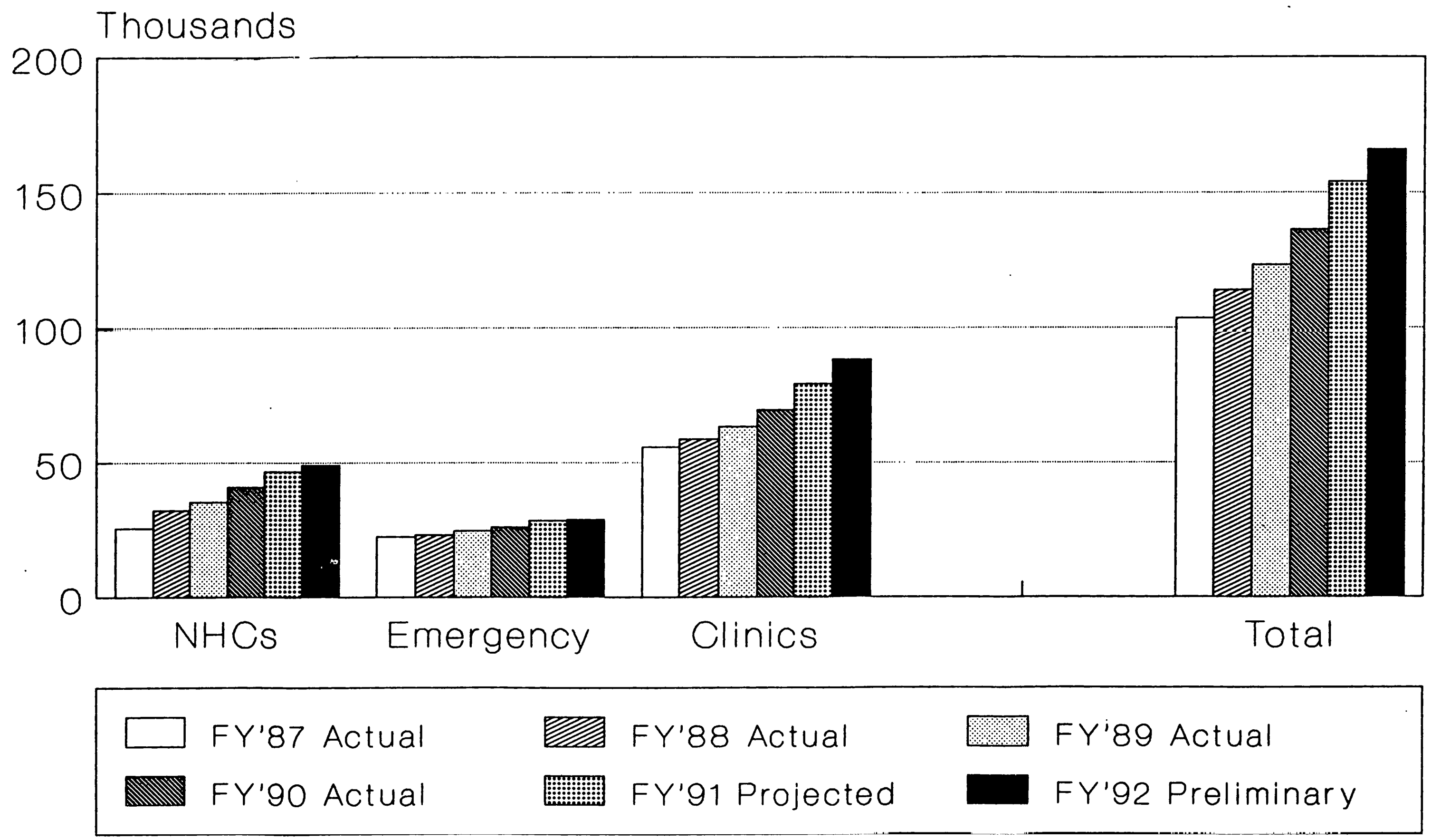
Appendix A

DISCHARGES BY SERVICE

Six Year Trend Analysis

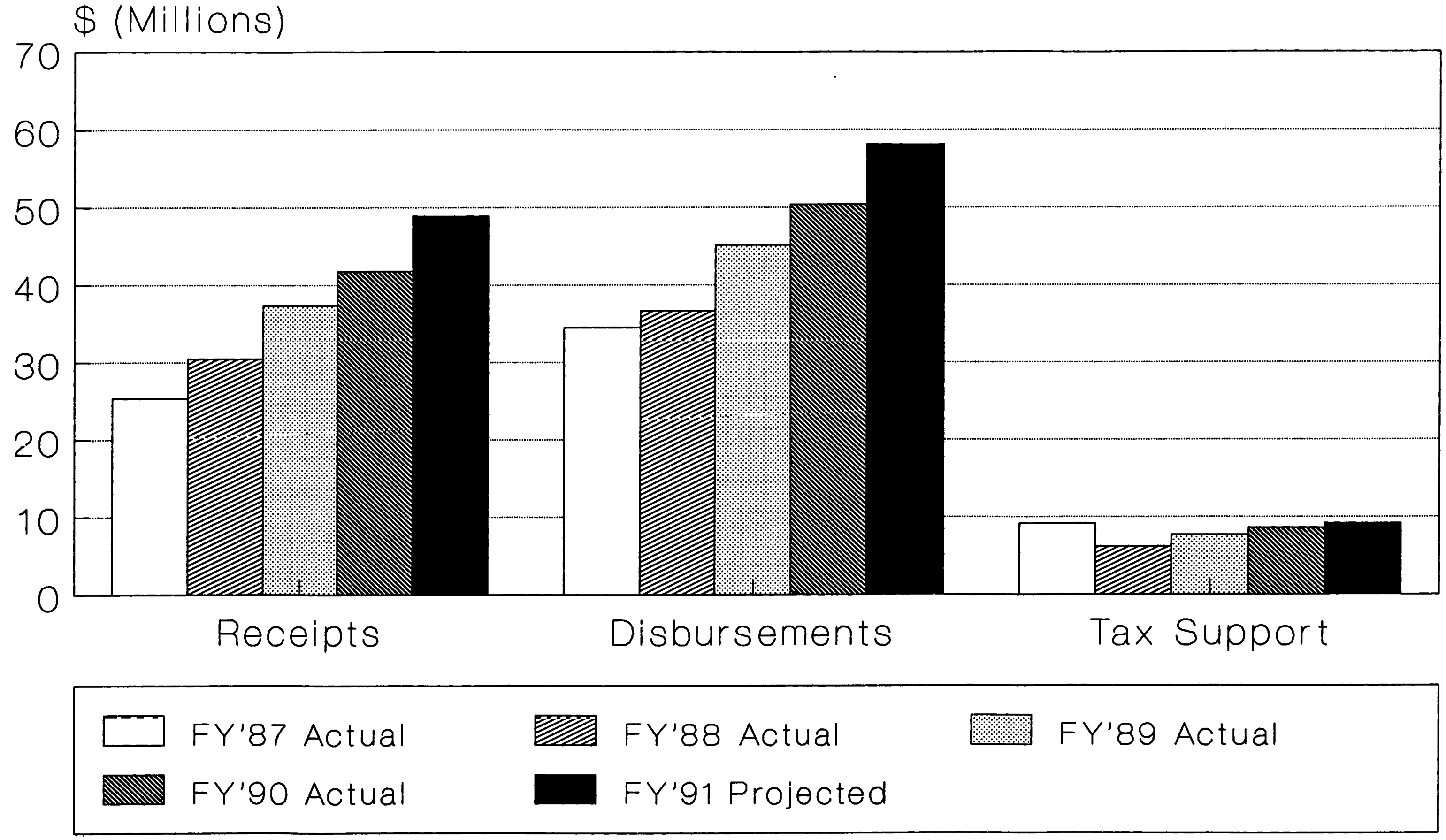


OUTPATIENT VISITS
Six Year Trend Analysis



Appendix C

CASH FLOW SUMMARY
Five Year Trend Analysis



Appendix D

26.

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

February 25, 1991

To The Honorable, The City Council:

I am hereby transmitting a communication received from John G. O'Brien, Administrator of The Cambridge Hospital, relative to the following appropriations:

a. $200,000 in hospital receipts to be appropriated to the Public Investment Fund Neville Manor Extraordinary Expenditures Account;

b. $650,000 in hospital receipts to be appropriated to the Neville Manor Fund ($130,000 to the Salary & Wages Account, $485,000 to the Other Ordinary Maintenance Account, $35,000 to the Travel & Training Account);

c. $2,900,000 in hospital receipts to be appropriated to the Public Investment Fund Hospital and Ambulatory Care Extraordinary Expenditures Account; and

d. $2,400,000 in hospital receipts to be appropriated to the Hospital and Ambulatory Care Fund ($300,000 to the Salary & Wages Account, $2,100,000 to the Other Ordinary Maintenance Account).

Very truly yours,

Robert W. Healy

Robert W. Healy
City Manager

RWH/mev
attachment

NON CONSENT AGENDA # 26 F-151

Four appropriation orders as follows:

26a - Appropriation of $200,000 to the Neville Manor Dept.

26b.- Appropriation of $650,000 to the Neville Manor Dept.

26c - Appropriation of $2,900,000 to the Hospital & Ambulatory Care Dept.

26d - Appropriation of $2,400,000 to the Hosptial & Ambulatory Care Dept.

In City Council,

February 25, 1991

Charter Right Exercised by Councillor Russell
Four orders adopted

A - 9-0-0.
B - 9-0-0.
C - 9-0-0.
D - 9-0-0.