C. C. 108

City of Cambridge

MASSACHUSETTS

AGENDA ITEM NO. 1 In City Council December 15, 1988

RE: REQUEST FOR RECISION OF $2,005,142.. FROM THE FY87 HOSPITAL & AMBULATORY CARE FUND BUDGETARY APPROPRIATION

	YEA	NAY	ABSENT	PRESENT
Mr. Thomas W. Danehy	✓			
Mr. Francis H. Duehay	✓			
Ms. Saundra Graham	✓			
Mrs. Sheila T. Russell	✓			
Mr. David E. Sullivan	✓			
Mr. Alfred Vellucci	✓			
Mr. William H. Walsh	✓			
Ms. Alice K. Wolf	✓			
Mayor Walter J. Sullivan	✓			
CV/MS/N	9	0		

AGENDA ITEM NO. 1

CITY COUNCIL
CITY OF CAMBRIDGE

December 15, 1986

INTRODUCED BY CITY MANAGER ROBERT W. HEALY

AN ORDER CONCERNING THE RESCINDING OF APPROPRIATION FOR THE FISCAL YEAR BEGINNING JULY 1, 1986

ORDERED: That a rescission to sums previously appropriated by the City Council for the fiscal period 1986-87 the following sum is hereby rescinded in the Hospital and Ambulatory Care Fund of the City of Cambridge:

FUNCTION	DEPARTMENT OR PROGRAM	SALARIES & WAGES	OTHER ORDINARY MAINTENANCE	TRAVEL & TRAINING	EXTRAORDINARY EXPENDITURES	APPROPRIATIONS
Human Resource Development	Hospital & Ambulatory Care	($609,343.00)	($1,145,799.00)		($250,000.00)	($2,005,142.00)

In City Council December 15, 1986.
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

The Cambridge Hospital

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

TO: Robert W. Healy, City Manager

FROM: John G. O'Brien, Hospital Administrator

DATE: December 5, 1986

SUBJECT: FY 1987 Net Revenue Shortfall

Pursuant to our recent conversations regarding the existing net revenue shortfall, my staff and I have completed revenue and expense projections for the remainder of the year and I propose both immediate and ongoing corrective action so that no additional tax support allotment would be required. The following is a brief synopsis of the reasons for the revenue shortfall, corrective action taken to date, as well as action to be taken through 6/30/87.

Projected Net Revenue Shortfall - $3.1 million Attachment A

1. Medicare net revenues are anticipated to be $1.7 million less than projected. This is partically attributable to a projected 11% shortfall in anticipated admissions. Although the census has increased in the past month, we will not recover by year's end. Unlike prior years when reimbursement was cost based, we are now paid per case according to a fixed D.R.G. payment.

2. Medicare payments projected for teaching costs were overprojected due to an error in a Massachusetts Hospital Association computer model that had recently been developed as an aid to hospitals. We did not detect this error until indepth analysis of the growing deficit was undertaken in the first few months of the fiscal year.

3. Projected uncompensated care pool revenues will be significantly less than budgeted due to adjustments to the statewide formulas. Hospitals who participated in the pool nine months prior to Cambridge Hospital, accelerated their bad debts and free care, decreasing their payments to the pool and correspondingly lowering the payments that drawers from the pool would be entitled to. There are a variety of other technical reasons that explain this decrease. I will be prepared to provide a worksheet outlining these caluclations when we meet to review this matter.

4. Cash payments by H.C.H.P. were $1.862 million in FY 1986. As a result of the existing agreement with Mount Auburn, receipts were projected to continue to fall in FY 1987, but a near halt of H.C.H.P. business resulting in a projected shortfall in excess of 1 million was not anticipated.

5. Accounts receivables have increased by nearly 50% since the start of 1986. This increase is primarily attributable to the implementation of the new Hospital Information System as well as the institution of the Prospective Payment System for Medicare patients. Although we have received Periodic Interim Payments so as to pay for Medicare Inpatient services, more than $4 million of the total $7 million A/R increase is attributable to internal and third party magnetic tape processing problems. This is a cash flow (not accrual) problem. We are optimistic about the future management of receivables and feel that reduction of this problem (which existed prior to FY 1987) will enable us from a cash perspective to favorably impact the accrued projected loss by an estimated $1 million.

Action Taken To Date

1. A non-essential expenditure freeze was implemented in September, 1986. This included personnel. In conjunction with reduced patient volumes which naturally reduce expenditure levels, this has had a significant impact on expenses.

2. Efforts to educate the hospital staff about the stark realities of these financial woes have been successful; the large majority of the staff has worked diligently toward remedying the situation. The Associate Administrators and Fiscal Staff in particular have put out 150%.

3. Ernst and Whinney was contracted to assess the A/R problem and assist with a recommended set of solutions. The majority of their recommendations have been implemented including the following accomplishments:

   A. A/R Task Force, chaired by the Administrator, appointed and fully operational in September. Goal of effective reduction of A/R. by 50% by 6/30/87 established.

   B. Staff re-organized entirely. New Director of Patient Accounts appointed. New department added.

   C. Space reallocated, painted, electrical and other systems redesigned. New equipment ordered and new space occupied.

   D. A/R for first time in the past year has peaked and days are now dropping.

4. Thorough evaluation of expenditure structure for remainder of the year conducted involving every department head. It is now proposed that the city reduce the appropriation of each cost center by the amount indicated on Appendix B, total cut will exceed $2 million. Although there are certain calculated downside implications and risks with these reductions, I feel that this is the appropriate action to be taken immediately. These cuts, in addition to the $1 million A/R impact would contribute $3 million toward the $3.1 million shortfall.

Efforts towards cash flow and expenditure reductions will continue. I feel that the remaining variance of $100,000 can be attained by continuation of the expenditure freeze for the remainder of the year. If revised revenue and expense projections are not realized, programmatic and/or existing personnel reductions can be made.

I look forward to reviewing the particulars of this memorandum with you and the City Hall staff. If acceptable to you, I will have my office arrange the meeting.

JGO:bjs

CC: Melvin H. Chalfen, M.D.
James Maloney

Appendix A

FY 1987 Reimbursement

Blue Cross	4,148,894	3,803,326	345,568
Medicare	10,217,244	11,993,893	(1,776,649)
Public Assistance	4,834,076	4,364,012	470,064
Industrial Accident	521,178	553,627	(32,449)
Self-Pay	560,023	713,385	(153,362)
No Pay	0	0	0
HCHP	584,301	1,629,621	(1,045,320)
Other Insurance	2,900,275	2,765,138	135,157
Subtotal	23,766,011	25,823,002	(2,056,991)
Recoveries of Bad Debts	449,336	412,000	37,336
Miscellaneous Income	540,390	616,074	(75,684)
Uncompensated Care Pool	2,922,275	3,947,545	(1,025,270)
Total	$27,678,012	$30,798,621	(3,120,609)

THE CAMBRIDGE HOSPITAL
VARIANCE PROJECTION REPORT
DECEMBER 5, 1986

COST CENTER	DEPARTMENT	AVAILABLE (500-900) for FY87
5001	AMBULATORY CARE-ADMINISTRATION	0
5002	AMBULATORY CARE-N.H.C. ADMIN.	23,800
5010	AMBULATORY CARE-CASTRIOTTA	17,000
5011	AMBULATORY CARE-C.H.L.S.	300
5012	AMBULATORY CARE-CAMBRIDGEPORT	300
5013	AMBULATORY CARE-RIVERSIDE	0
5014	AMBULATORY CARE-105 WINDSOR ST.	0
5016	AMBULATORY CARE-M.L. KING	0
5020	AMBULATORY CARE-NRTH CAMBRIDGE	22,272
5077	AMBULATORY CARE-PSYCH EMERG.	0
5078	AMBULATORY CARE-EMERG. ROOM	0
5079	AMBULATORY CARE-O.P.D.	0
5080	AMBULATORY CARE-PEDI.OFF.	0
5082	AMBULATORY CARE-PRIMARY CARE	0
	TOTAL AMBULATORY CARE	$63,672
		NURSING
6001	NURSING-ADMIN.(PER DIEMS)	0
6003	NURSING EDUCATION IN-SERVICE	0
6006	PATIENT TRANSPORTATION	0
6007	FLOAT NURSING	0
6010	SURGICAL NURSING UNIT 6W	0
6011	SURGICAL NURSING UNIT 6N	0
6012	PEDIATRIC NURSING UNIT 5W	0
6014	FAMILY CENTER CARE UNIT 5N	2,385
6015	MEDICAL NURSING UNIT 4W	0
6016	MEDICAL NURSING UNIT 4N	0
6018	PSYCHIATRIC NURSING UNIT	0
6030	ADDICTIONS TREATMENT UNIT	0
6040	INTENSIVE CARE UNIT	0
6060	OPERATING ROOM	75,000
6065	RECOVERY ROOM	0
6070	LABOR & DELIVERY	0
6075	CLEANING & AUTOCLAVING	0
	TOTAL NURSING SERVICES	$77,385

COST CENTER	DEPARTMENT	AVAILABLE (500-900) for FY87
6501	PHARMACY ADMINISTRATION	0
6502	DRUGS	0
	TOTAL PHARMACEUTICAL SERVICES	$0
		LABORATORY
7001	CHEMISTRY	10,000
7002	BACTERIOLOGY/PARASITOLOGY	5,000
7003	SEROLOGY	4,500
7004	ANATOMIC PATHOLOGY	2,500
7005	LABORATORY MISCELLANEOUS	0
7006	HEMATOLOGY	0
7007	BLOOD BANK TESTING	0
7008	BLOOD DERIVATIVES	5,000
7009	WHOLE BLOOD	20,000
7015	SCHOOL OF MEDICAL TECHNOLOGY	0
7019	DEPARTMENT OF PATHOLOGY ADMIN.	18,000
7095	INFECTION CONTROL	0
7098	PHYSICIANS	0
	TOTAL LABORATORY SERVICES	$65,000
		RADIOLOGIC SERVICES
7120	DEPT. OF RADIOLOGY ADMIN.	3,000
7121	DEPT. OF RADIOLOGY DIAGNOSTIC	13,000
7122	CAT SCAN DEPARTMENT	63,000
7124	ULTRASOUND DEPARTMENT	2,000
7125	NUCLEAR MEDICINE DEPARTMENT	0
	TOTAL RADIOLOGIC SERVICES	$81,000
		ANESTHESIOLOGY SERVICES
7240	DEPARTMENT OF ANESTHESIOLOGY	0
7265	RESPIRATORY CARE	11,837
	TOTAL ANESTHESIOLOGY SERVICES	$11,837

COST CENTER	DEPARTMENT	AVAILABLE (500-900) for FY87
6501	PHARMACY ADMINISTRATION	0
6502	DRUGS	0
	TOTAL PHARMACEUTICAL SERVICES	$0
		LABORATORY
7001	CHEMISTRY	10,000
7002	BACTERIOLOGY/PARASITOLOGY	5,000
7003	SEROLOGY	4,500
7004	ANATOMIC PATHOLOGY	2,500
7005	LABORATORY MISCELLANEOUS	0
7006	HEMATOLOGY	0
7007	BLOOD BANK TESTING	0
7008	BLOOD DERIVATIVES	5,000
7009	WHOLE BLOOD	20,000
7015	SCHOOL OF MEDICAL TECHNOLOGY	0
7019	DEPARTMENT OF PATHOLOGY ADMIN.	18,000
7095	INFECTION CONTROL	0
7098	PHYSICIANS	0
	TOTAL LABORATORY SERVICES	$65,000
		RADIOLOGIC SERVICES
7120	DEPT. OF RADIOLOGY ADMIN.	3,000
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7122	CAT SCAN DEPARTMENT	63,000
7124	ULTRASOUND DEPARTMENT	2,000
7125	NUCLEAR MEDICINE DEPARTMENT	0
	TOTAL RADIOLOGIC SERVICES	$81,000
		ANESTHESIOLOGY SERVICES
7240	DEPARTMENT OF ANESTHESIOLOGY	0
7265	RESPIRATORY CARE	11,837
	TOTAL ANESTHESIOLOGY SERVICES	$11,837

COST CENTER	DEPARTMENT	AVAILABLE (500-900) for FY87
7844	DEPARTMENT OF ORTHOPEDICS	32,000
7847	DEPARTMENT OF SURGERY	0
7870	PHYSICAL THERAPY	0
7890	SURGICAL RESIDENTS	0
7898	HOSPITAL BASED PHYSICIANS	0
	TOTAL SURGICAL SERVICES	$32,000
		INTERNS SERVICES
7949	DEPARTMENT OF INTERNS	0
7990	INTERNS	0
	TOTAL INTERNS SERVICES	$0
		GENERAL SERVICES
8001	GENERAL SERVICES ADMIN	0
8002	DIETARY ADMINISTRATION	0
8004	GENERAL FOOD SERVICES	50,000
8020	HOUSEKEEPING	16,000
8041	PURCHASING DEPARTMENT	0
8043	STOREROOM	59,000
8044	INVENTORY CONTROL	0
8048	LAUNDRY & LINEN DEPARTMENT	28,500
8053	I.V. SOLUTIONS	19,000
8060	EMPLOYEE HEALTH & WELFARE	0
8061	EMPLOYEE BENEFITS	0
	TOTAL GENERAL SERVICES	$172,500
		PROFESSIONAL SERVICES
8101	PROFESSIONAL SERVICE ADMIN.	0
8175	SOCIAL SERVICES	0
8176	INTERPRETERS	0
8180	MEDICAL RECORDS	0
8185	MEDICAL LIBRARY	0
	TOTAL PROFESSIONAL SERVICES	$0

COST CENTER	DEPARTMENT	AVAILABLE (500-900) for FY87
8860	HEATING, AIR CON., & ELECTRICITY	493,853
8865	REPAIRS & MAINTENANCE DEPT.	62,000
8870	SECURITY DEPARTMENT	0
	TOTAL BUILDING SERVICES	$555,853
		FISCAL SERVICES
9001	FISCAL ADMINISTRATION	250,000
9003	DATA PROCESSING	0
9005	FINANCIAL MANAGEMENT	2,000
9006	PAYROLL DEPARTMENT	15,000
9007	ACCOUNTS PAYABLE	0
9008	CASHIER'S DEPARTMENT	0
9010	PATIENT ACCNTS SERV:INPATIENT	0
9011	ADMITTING	0
9020	PATIENT ACCNTS SERV:AMBULATORY	0
9021	PATIENT ACCNTS SERVICES	0
9030	AMBULATORY REGISTRATION	0
9047	COMMUNICATIONS DEPARTMENT	0
9049	MAILROOM	0
	TOTAL FISCAL SERVICES	$267,000
		ADMINISTRATIVE SERVICES
9550	ADMIN. SERV. EXEC. OFFICE	0
	RENT:LEADERSHIP(1001)	16,965
	HEALTH DEPARTMENT(6302)	21,920
9555	PLANNING & MARKETING	18,000
9576	QUALITY ASSURANCE DEPARTMENT	0
9595	VOLUNTEER'S DEPARTMENT	4,500
	TOTAL ADMINISTRATIVE SERVICES	$61,385
	SALARY & WAGES (400'S)	
5001	AMBULATORY CARE SERVICES	(10,000)
6001	NURSING SEVICES	282,876
8001	GENERAL SERVICES	233,393
8101	PROFESSIONAL SERVICES	143,074
9001	FISCAL SERVICES	10,000
9550	ADMINISTRATIVE SERVICES	(50,000)
	SHORTFALL ON FY87(ALL @ 4%)	0
	TOTAL SALARY & WAGES	$609,343
	GRAND TOTAL	$2,005,142

1.

CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
TEL. 498-9011

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

December 15, 1986

To the Honorable, the City Council:

Attached please find for your review and action an order requesting the rescission of $2,005,142.00 from the FY87 Hospital and Ambulatory Care Fund budgetary appropriation.

I have also enclosed a detailed memorandum from John G. O'Brien, Hospital Administrator, detailing the reasons for this corrective action and the areas where the cuts will be made.

Passage of this order is recommended.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Agenda Item No. 1 F-443

Re: request for the recision of $2,005,142. from the FY87 Hospital & Ambulatory Care Fund budgetary appropriation.

In City Council,

December 15, 1986

Order Adopted
Roll-Call
9-0-0

CV
MS
MF