

ARROWHEAD REGIONAL MEDICAL CENTER

Patrick A. Petre

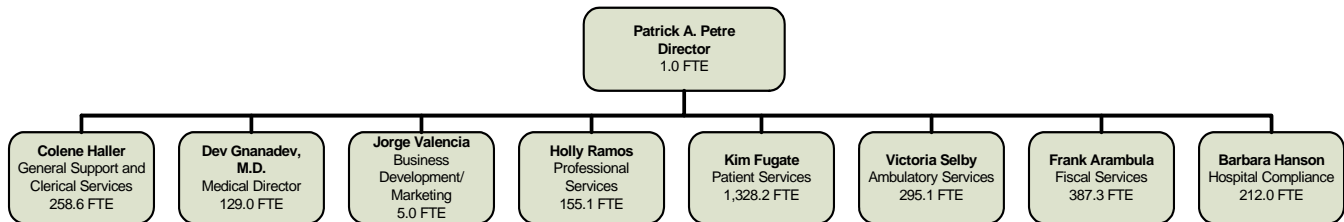
MISSION STATEMENT

The San Bernardino County “Arrowhead Regional Medical Center” is a safety net hospital with the primary mission of providing quality healthcare, a basic necessity of humankind, to the residents of San Bernardino County. We continuously strive to improve the health of the communities we serve and become the provider of choice for healthcare delivery and education.

STRATEGIC GOALS

1. Ensure the health and safety of County residents by increasing access to healthcare services through Outpatient and Emergency Room Visits.
2. Improve access to higher-level healthcare services for County residents through increased admissions in Acute Care.
3. Secure hospital financial health through efficient reimbursement policies and optimizing available revenue streams.
4. Reduce cost inefficiencies through containment opportunities and strategies to ensure effective hospital operations.
5. Enhance services and operations through continued improvement of Information Technology Infrastructure.
6. Continue improving customer satisfaction.

ORGANIZATIONAL CHART



SUMMARY OF BUDGET UNITS

	2008-09			
	Operating Exp/ Appropriation	Revenue	Revenue Over/ (Under) Exp	Staffing
Enterprise Funds				
Arrowhead Regional Medical Center	371,327,218	368,673,065	(2,654,153)	2,771.3
Total Enterprise Funds	371,327,218	368,673,065	(2,654,153)	2,771.3
Special Revenue Funds				
Archstone Foundation Grant	1,000	1,000		-
Tobacco Tax	2,202,553	2,202,553		-
Total Special Revenue Funds	2,203,553	2,203,553	-	-
Total - All Funds	373,530,771	370,876,618	(2,654,153)	2,771.3

Detailed information for each budget unit follows, along with a description of the services provided, budget unit history and applicable performance measures.



DESCRIPTION OF MAJOR SERVICES

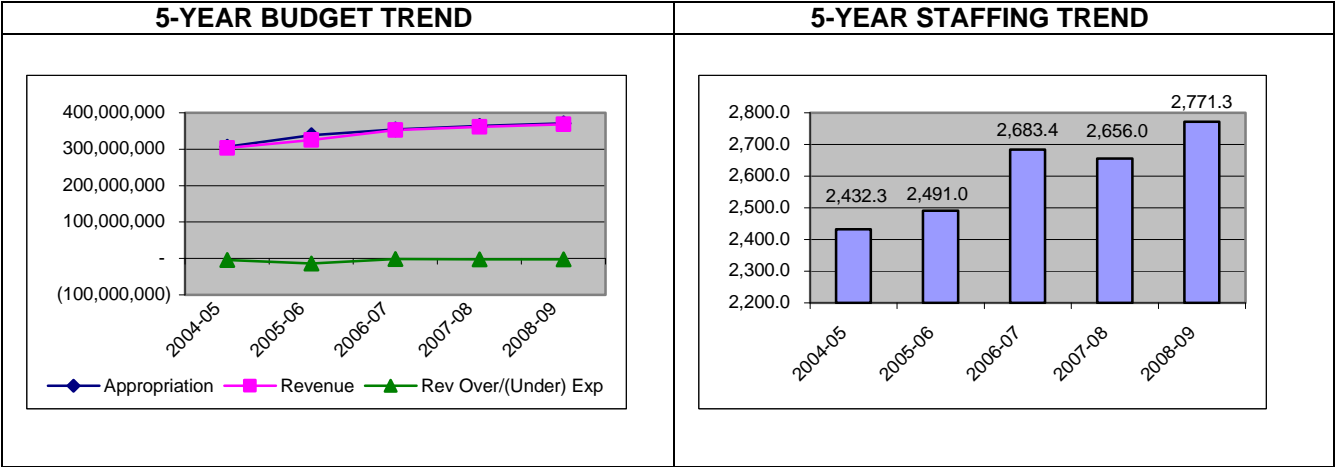
Arrowhead Regional Medical Center (ARMC) is a state-of-the-art acute care facility embracing advanced technology in all patient and support areas. ARMC offers the latest in patient care by providing a full range of inpatient and outpatient services, three off campus community health centers, Department of Behavioral Health's inpatient activities and numerous specialty services. Freeway access, shuttle service and close proximity to an Omni-trans bus hub make ARMC convenient to county residents.

ARMC and Behavioral Health facilities are comprised of 373 (90 in Behavioral Health and 283 in ARMC) inpatient rooms, most of which are private. The Emergency Department is a Level II Trauma Center and consists of 15 observation rooms, 8 treatment rooms, 3 law enforcement holding rooms, 8 trauma rooms and a 9 bay Rapid Medical Emergent Treatment area to expedite treatment and improve throughput. The helicopter landing area can accommodate both standard Medi-vac helicopters and military helicopters. The outpatient care center consists of 109 examination rooms and 8 procedure rooms.

Inpatient Care: Inpatient services provide curative, preventative, restorative and supportive care for general and specialty units within the General Acute Care Hospital, Behavioral Health Hospital and Home Health. Care is coordinated among multiple care providers responsible for patient care twenty-four hours a day. Nursing functions as a primary interface with patients, families and others and is often the interpreter for the hospital experience and treatment plan. Education is a primary focus and ARMC offers numerous Residency Programs for the training of physicians in Family Practice, Emergency Medicine, Surgery, Neurosurgery, Women's Health, and Internal Medicine.

Outpatient Services: Outpatient Care is an integral part of our multifaceted healthcare delivery system offering a wide range of emergency, primary, preventive, chronic, follow-up and specialty care in an ambulatory care setting. Visits have exceeded 250,000 annually exclusive of the Emergency Room volume.

BUDGET HISTORY



PERFORMANCE HISTORY

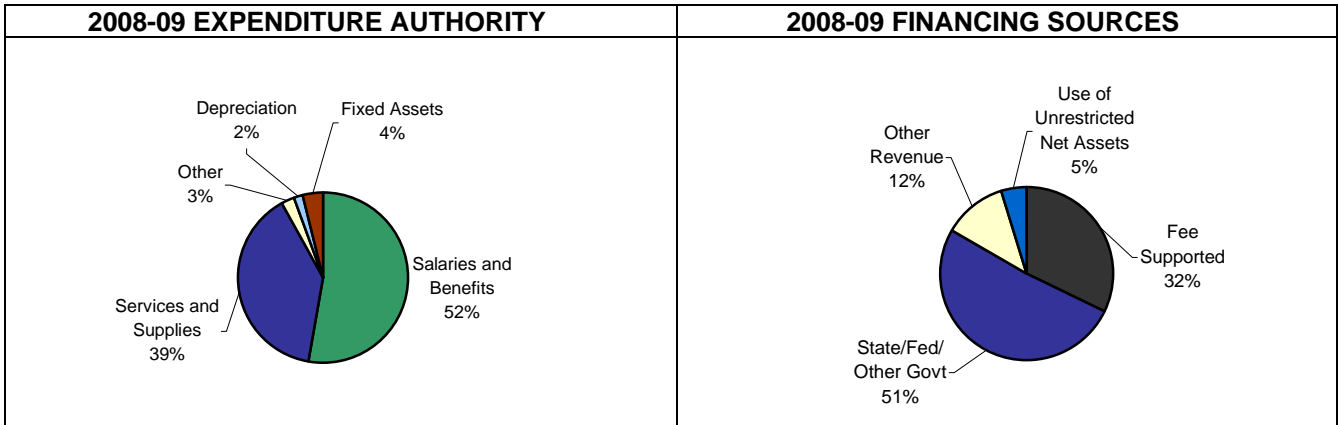
	2004-05	2005-06	2006-07	2007-08	2007-08
	Actual	Actual	Actual	Modified Budget	Estimate
Appropriation	307,053,858	338,756,350	360,589,659	364,151,503	364,059,372
Departmental Revenue	303,214,159	325,302,143	352,805,258	361,628,449	356,879,698
Revenue Over/(Under) Exp	(3,839,699)	(13,454,207)	(7,784,401)	(2,523,054)	(7,179,674)
Budgeted Staffing				2,656.0	
Fixed Assets	1,314,030	1,539,482	2,468,254	10,892,792	11,449,192

Estimated appropriation for 2007-08 is \$364,059,372 versus a modified budget of \$364,151,503. This is a favorable variance of \$ 92,131. The variance is primarily due to savings in services and supply costs of \$2,042,906, offset by an anticipated increase in salary and benefits and depreciation expenses.

Estimated departmental revenue for 2007-08 reflects a decrease of \$4,748,751 over modified budget primarily due to the unanticipated reduction in SB 1100 Medi-Cal funding. An audit of base year costs reduced expected Medi-cal per diem reimbursements. ARMC administration is offsetting this shortfall by improvements to the revenue cycle thus improving reimbursement from all payors.



ANALYSIS OF PROPOSED BUDGET



GROUP: Health Care
DEPARTMENT: Arrowhead Regional Medical Center
FUND: Medical Center

BUDGET UNIT: EAD MCR
FUNCTION: Health and Sanitation
ACTIVITY: Hospital Care

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Estimate	2007-08 Final Budget	2008-09 Proposed Budget	Change From 2007-08 Final Budget
Appropriation							
Salaries and Benefits	154,101,291	175,477,648	191,107,523	197,974,129	196,727,735	204,249,747	7,522,012
Services and Supplies	130,590,559	146,463,897	151,305,402	147,949,846	149,992,752	148,991,816	(1,000,936)
Central Computer	773,607	910,103	1,075,193	1,283,275	1,283,275	1,416,972	133,697
Travel	-	-	-	-	-	505,926	505,926
Other Charges	1,092,532	1,026,124	1,023,734	897,672	849,907	790,681	(59,226)
Transfers	905,863	974,489	1,144,292	1,517,007	1,573,867	1,383,219	(190,648)
Total Exp Authority	287,463,852	324,852,261	345,656,144	349,621,929	350,427,536	357,338,361	6,910,825
Reimbursements	-	-	(5,000)	-	-	53,000	53,000
Total Appropriation	287,463,852	324,852,261	345,651,144	349,621,929	350,427,536	357,391,361	6,963,825
Depreciation	6,049,319	5,904,089	5,927,187	6,437,443	5,723,967	5,935,857	211,890
Operating Transfers Out	13,540,687	8,000,000	9,011,328	8,000,000	8,000,000	8,000,000	-
Total Requirements	307,053,858	338,756,350	360,589,659	364,059,372	364,151,503	371,327,218	7,175,715
Departmental Revenue							
Use Of Money and Prop	683	126	(125)	-	-	-	-
State, Fed or Gov't Aid	192,662,185	181,560,624	201,726,300	210,341,980	202,980,939	197,358,613	(5,622,326)
Current Services	84,747,673	93,242,062	99,837,741	114,087,581	111,540,583	124,369,846	12,829,263
Other Revenue	6,174,868	10,814,880	4,854,160	5,217,435	4,530,828	4,461,688	(69,140)
Total Revenue	283,585,409	285,617,692	306,418,076	329,646,996	319,052,350	326,190,147	7,137,797
Operating Transfers In	19,628,750	39,684,451	46,387,182	27,232,702	42,576,099	42,482,918	(93,181)
Total Financing Sources	303,214,159	325,302,143	352,805,258	356,879,698	361,628,449	368,673,065	7,044,616
Rev Over/(Under) Exp	(3,839,699)	(13,454,207)	(7,784,401)	(7,179,674)	(2,523,054)	(2,654,153)	(131,099)
Budgeted Staffing					2,656.0	2,771.3	115.3
Fixed Assets							
Equipment	961,224	1,039,732	1,126,356	10,090,699	9,227,997	13,824,915	4,596,918
L/P Equipment	352,806	499,750	1,341,898	1,358,493	1,664,795	1,430,108	(234,687)
Total Fixed Assets	1,314,030	1,539,482	2,468,254	11,449,192	10,892,792	15,255,023	4,362,231

Salaries and benefits of \$204,249,747 fund 2,771.3 budgeted positions and are increasing by \$7,522,012. Staffing increased by 115.3. This budget unit experienced an increase in budgeted staffing of 20.0 as a result of a technical change to the rounding of position numbers to one decimal place in the county's budget system. This change does not affect the number of authorized positions. The remaining 95.3 increase is primarily due to an increase of 32.0 Medical Resident/Interns, an increase of 30.7 in Psychiatric Technicians and Nurses, an increase of 21.3 in Environmental services staff, and an increase of 17.3 due to Emergency Room staffing adjustments based on departmental needs. These internal departments were previously staffed on historical activity and have not kept up with actual FTE's appropriate for current volumes and demands. These increases are further offset by slight reductions in other ARMC departments.



Services and supplies of \$148,991,816 reflects a decrease of \$1,000,936. ARMC has made significant strides in curbing services and supplies cost. A major reduction in current expense was a result of new material management and focus on drivers of supply cost. This coming year the department will receive the full year benefit of a change in the group purchasing organization change (GPO) and just-in-time (JIT) medical surgical distribution contract changes. This alone will save roughly \$1.5-\$2.0 million a year.

Travel is a new appropriation unit for 2008-09. The amount budgeted of \$505,926 reflects anticipated travel costs in the areas of private mileage, air travel, hotel, car rental and conference fees for this budget unit. These costs were based on departmental analysis of past travel related expenses previously budgeted in the services and supplies appropriation unit.

Other charges of \$790,681 reflects expenses related to the county medically indigent program and interest on lease agreements.

Transfers of \$1,383,219 include payments to other departments for Human Resources employee relations, the Employee Health and Productivity (EHaP) program, and lease costs. The decrease of \$190,648 reflects decreases in anticipated EHaP program costs and removal of direct payment for the Healthcare Division Information Services Chief. Payment for this position is reflected within the Health Care Administration budget unit.

Reimbursements of \$53,000 represent payments from the Sheriff's Department for specialty acute care services provided to inmates at West Valley Detention Center.

Depreciation cost is consistent with the requested fixed asset requirement of \$15,255,023. Outside of the standard capital to maintain clinical integrity (\$4.5 million), ARMC is budgeting for the full implementation of an Open Heart program (\$3.5 million). The Open MRI and Linear Accelerator (\$4.5 million combined) are carried over to 2008-09.

Operating transfers out of \$8,000,000 is for the Medical Center Debt Service and represents ARMC's contribution from operations. A detailed description of the Medical Center Debt Service is available in the Medical Center Lease Payments budget unit.

Total revenues in the amount \$326,190,147 includes \$197,358,613 in state and federal aid primarily from Medi-Cal and Medicare, \$124,369,846 in current services from private pay patients and insurance, and \$4,461,688 in other revenue from cafeteria sales, various grants, and services provided to other county departments and hospitals. State Aid includes \$143,652,188 in Medi-Cal Inpatient revenue (SB 1100), a decrease of \$5,288,477; \$20,175,932 in Medi-Cal Outpatient, an increase of \$2,344,298; \$1,232,985 in State Health Administration funds; and \$690,000 in other state aid. Federal aid includes \$26,554,191 of Medicare Inpatient revenue, a \$549,631 increase; and \$5,053,317 of Medicare Outpatient revenue, a \$2,366,042 decrease. Current services revenue includes \$68,614,082 of commercial insurance inpatient revenue, an increase of \$6,771,295; \$22,668,129 in health services fees, an increase of \$1,964,205; \$20,549,923 in commercial insurance outpatient revenue, an increase of \$4,416,806; \$8,301,163 from both inpatient and outpatient private pay; and \$4,236,549 in Institute Care and Services revenue. The increase in commercial insurance revenue is primarily due to an anticipated 4% insurance rate increase. The overall increase to departmental revenue is \$7,137,797. This overall increase is the result of the significant time ARMC finance administration has spent improving the revenue cycle systems. These process improvements will benefit ARMC in the receipt of all payors accounts receivable.

Operating transfers in of \$42,482,918 reflects the base-line realignment contribution to the operations of the hospital (\$34,820,000), \$2,550,000 for the Medically Indigent program, \$2,292,000 in one-time funding for the purchase of a linear accelerator, \$1,552,000 in one-time funding for the purchase of an open MRI and \$1,268,918 for the Board approved Project Adapt for Pharmacy.

Currently, ARMC has an operating shortfall of \$2,654,153. The ARMC administration is developing plans to minimize shortfalls through improvements in revenue cycle systems and focused oversight of the operating expenses.

Fixed assets of \$15,255,023 include \$13,824,915 for equipment and \$1,430,108 for lease purchase equipment. Equipment includes \$3,003,997 for the purchase of a linear accelerator, \$1,552,000 for the purchase of an open MRI, \$4,500,000 to replace aging equipment, \$3,500,000 for the new Open Heart program and \$1,268,918 for Project Adapt Pharmacy.

PERFORMANCE MEASURES				
Description of Performance Measure	2006-07 Actual	2007-08 Projected	2007-08 Estimated	2008-09 Projected
Percentage decrease in ER patients leaving without being seen (10,950 patients in 2005-06, 4837 in 2006-07).	41%	25%	7%	10%
Tattoos removed at clinic (Clinic opened May 23, 2007, 81 removals performed for 2006-07).	81	500	1200	1500
Percentage change in outpatient visits (number of visits)	-8%	4%	7%	2%
Percentage increase in number of deliveries (3780 in 2005-06, 3975 in 2006-07).	5%	3%	5%	5%
Percentage Increase of Medi-cal Eligibility patients identified from screening for conversion from self-pay (number of patient)	6%	6%	2%	2%
Percentage decrease in third party nurse staffing assistance (3.4 million spent in 2005-06, 1.6 million in 2006-07).	-53%	-14%	-16%	-13%
Percentage change in pharmaceutical cost	5%	3%	2%	7%
Achieve and maintain a mean average score/ likelihood of recommending of 85%	84%	83%	83%	83%



ADDITIONAL GENERAL FUND FINANCING REQUESTS						
Rank	Brief Description of Request	Budgeted Staffing	Appropriation	Departmental Revenue	Revenue Over/(Under) Exp	Proposed 2008-09 Performance Measurement
1.	<p>Cardiac Surgery Program</p> <p>ARMC's Goal #1 is to increase selected Medical Center volumes. The development and implementation of a Heart program is Objective F under that goal. ARMC currently transports patients requiring cardiac surgery to other area hospitals at an annual cost of approximately \$2million. Program implementation will decrease contractual costs and complement services at ARMC for attaining a Level I Trauma designation. Equipment costs are estimated at approximately \$2 million for start up of the Cardiac Surgery Program. Program implementation is targeted for the first quarter of 2008/09. Supports Goal No. 1.</p>	TBD	2,000,000	2,000,000	-	1st Quarter of 2008 09
<p><i>Proposals for Cardiac Surgery Group are being reviewed. Target implementation date is 1st quarter of 2008-09.</i></p>						
2.	<p>Improvements to FHC</p> <p>The McKee Family Health Center (FHC) is one of ARMC's offsite primary care clinics. McKee provides approximately 2,000 visits monthly. It is the newest primary care clinic and has the capability of performing simple X-ray exams (extremities) and performs approximately 100 X-rays per month. The clinic has outgrown its Medical Record space. Currently, they have to purge patient records every eighteen months. The additional space would allow co-location of Behavioral Health, provide medical offices, conference/training room, stations for interns & residents, and a break room for staff, freeing up proximal clinical space in the original clinic proper, offering three additional exam room conversions. Behavioral Health would have 2 exam rooms and their own Medical Records room. The \$525,000 includes the estimated tenant improvements and lease amendment payments to the term of the existing McKee lease. At the end of that term, all tenant improvements would be paid and any extensions negotiated with the amendment would include rent only for both spaces. Supports Goal No. 1.</p>	-	525,000	525,000	-	1st Quarter of 2008 09
<p><i>Amend and extend McKee's current lease agreement to incorporate the additional space by first quarter of 2008-09.</i></p>						
Total		-	2,525,000	2,525,000	-	

