



Gavin Newsom, Mayor

Gregg Sass, Chief Financial Officer

MEMORANDUM

December 16, 2004

To: Mitch Katz

From: Gregg Sass *ms*

Subject: Economic impact of the SFGH – LHH patient flow policy change

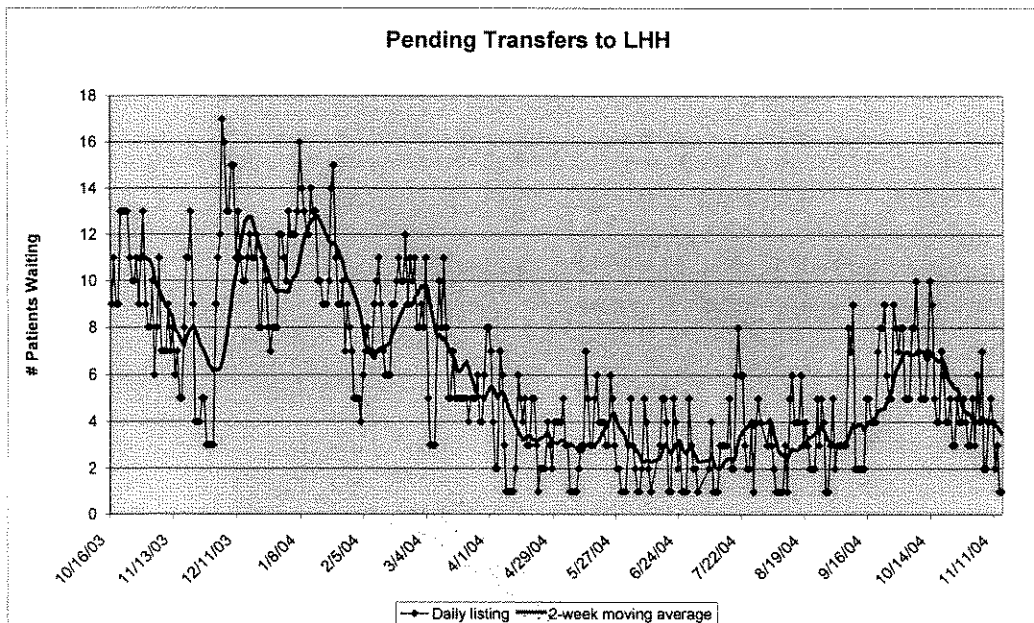
In response to your request, we have completed a review of changes in policy around transfers of patients from SFGH to LHH.

Background

Beginning in April of 2004, a Committee representing physician, nursing and administrative management from Laguna Honda Hospital, San Francisco General Hospital and the Health Department Central Office established a new process to evaluate patients at SFGH who were waiting for beds at LHH. The goal of the Committee was to reduce the backlog of patients waiting and expedite transfer to LHH.

Change in number of patients waiting for transfer to LHH

The following chart summarizes data recorded in the Web Based Referral Tracking System which tracks the number of patients at SFGH that were pending transfer to LHH during the period 10/15/03 to 11/15/04. The chart displays daily statistics and a 2-week moving average. It is clear from the chart that the number waiting for transfer has declined significantly, from a high point in December of 2003 where the average number reached 13, to recent months when as few as one or two were pending transfers. The decline appears to be stabilizing at a level that is approximately 10 patients below level in the previous year.



Financial impact

In order to evaluate the financial impact of this change in practice, we conducted a study of patients transferred to LHH during the three-month period from May 1 to July 31, 2004. Based on a review of billing and collection information for each of those patients, we determined that while many had a payor source, a large number of the patients were being paid at administrative or skilled nursing rates by the Medicare and Medi-Cal programs, and a significant number of patients did not have a payor source. The average reimbursement per day for this population was \$720.52 at SFGH on the date immediately prior to transfer. In addition, patients who were covered by the Medi-Cal program and who were being paid at the acute per diem rate draw an additional \$581 per day in Disproportionate Share payments. Including that additional revenue brings the total average per diem payment to \$858.58.

Earlier transfer of patients to LHH frees up available beds for acute admissions. Based on a review of inpatient payments and patient days at SFGH during the fiscal year ended June 30, 2004, the average reimbursement per patient day, inclusive of Disproportionate Share payments was \$1,330.

It is reasonable to assume that patients who occupy SFGH beds previously occupied by LHH transfers would draw the average payment of \$1,330 per day. It is also reasonable to assume that the effect of a permanent decrease in the number of patients waiting for transfer creates a permanent increase in the number of available beds. Therefore the estimated financial impact of the change in policy is \$1,720,680 computed as follows:

Average payment per day at SFGH	\$1,330.00	
Average payment per day – LHH transfers	<u>\$ 858.58</u>	
Net difference	\$ 471.42	
Number of days per year	<u>x 365</u>	
Revenue per available bed	\$ 172,068	
Revenue per available bed		\$ 172,068
Additional available beds		<u>x 10</u>
<u>Additional revenue per year</u>		<u>\$ 1,720,680</u>

This estimated benefit is most likely conservative, in that the LHH average payment is based on what was paid on the last day of service during a period of time that the patient flow policy was in effect, May to July 2004. As can be seen from the previous chart, the number of patients waiting for LHH beds had already been substantially reduced and the larger backlog of patients that were waiting in 2003, and who presumably included more de-certified patients had already been transferred. If the delay in transferring patients were lengthened, more patients would be decertified for acute level payment, and average daily revenue of patients waiting for LHH beds would likely be less than what is computed above.