

The Santa Cruz County Health Services Agency's Consultants and Indigent Medical Care

Synopsis

The Santa Cruz County Health Services Agency (HSA) and the Santa Cruz County Board of Supervisors spent scarce financial resources for several questionable consultants. Santa Cruz County paid these consultants in large part with patient revenues and at the same time decreased indigent patient (Medi-Cruz) healthcare services.

Background

Section 17000 (1933) of the California Welfare and Institutions Code required counties to provide healthcare for the poor. Prior to the advent of Medi-Cal in 1967, the county clinics and County General Hospital treated most of the poor. In 1973 Santa Cruz County closed the County General Hospital and created the Medical Care Program, which paid private hospitals and physicians for the uncompensated emergency care for the poor who did not qualify for or opted out of Medi-Cal (undocumented persons, transients, and inebriates). The Medical Care Program also paid for the maternity care of undocumented women. The two county clinics continued to see the poor for outpatient care. In 1982 the California state government restricted the Medi-Cal program to cover only those persons on welfare. This action increased the number of poor patients who did not qualify for Medi-Cal coverage. Thus, the state transferred the healthcare costs for the uninsured working poor, who no longer were covered by Medi-Cal back to the county governments and in exchange the state promised to help fund 70% of the program for the indigents who no longer qualified for Medi-Cal. In 1983 the Santa Cruz Board of Supervisors changed the name of the Medical Care Program to Medi-Cruz. Due to the enormous costs of providing healthcare for undocumented persons, in 1986 Medi-Cal started to pay for the pregnancy-related and emergency services for undocumented patients. When Medi-Cal reimbursements rates decreased after the 1980s, more and more private-practice physicians refused to see Medi-Cal patients. In response to this problem, the Central Coast Alliance was established in 1996 as a managed care Medi-Cal program and some private-practice physicians agreed to see Medi-Cal patients. However, the Grand Jury recently surveyed the list of Central Coast Alliance providers, which indicated that almost all of the private-practice physicians no longer take new Medi-Cal patients. Thus, the number of Medi-Cal patients seen by the county's two outpatient clinics has increased. The county clinics welcomed the state and federally funded Medi-Cal patients and saw fewer of the county funded Medi-Cruz patients.

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Despite the escalating costs of medical care, the Board of Supervisors over the past twenty years allocated the same amount of money annually from the general fund for the Medi-Cruz program. As a result the HSA decreased the amount of health care available for Medi-Cruz patients by developing increasingly more stringent eligibility criteria. With the more stringent eligibility criteria for the Medi-Cruz program, the Medi-Cruz patients seen by county clinics decreased. The uninsured working poor who don't qualify for either Medi-Cal or Medi-Cruz have increasingly turned up in the hospitals' emergency rooms, which are forced by law to treat medical emergencies.

In response to budgetary concerns, the HSA's proposed budget for 2003/2004 deleted a vacant physician's position and a 0.7 Full Time Equivalent physician. The other clinic physicians gave up some of their hours so that the clinic physician who lost his job could continue to work in the county clinic.

In a June 17, 2003 letter to the Board of Supervisors the Health Services Agency Physicians Association (HSAPA) decried the fact that a physician position, rather than an administrative position, should be deleted because "physicians do generate revenue when they see patients with insurance and/or MediCal (sic)." The HSAPA outlined the human and economic costs of proposed physician lay-offs.

The letter also pointed out that \$598,000 had been paid to "expensive" consultants for a report that "was essentially the same information the clinic providers had already conveyed to management." The Board of Supervisors had authorized the report in question, which the HSA presented to the Board of Supervisors on November 18, 2003. At that meeting a HSAPA representative once again questioned the HSA's use of scarce monies in the creation of another top-level administrative position in the HSA, while decreasing the number of physicians who treat indigent patients in the county clinics.¹

Scope

The Grand Jury decided to investigate whether the Health Services Agency's decision to use "expensive" consultants was the best use of the money that could be made available for indigent health care. This study will focus on three of these consultants.

¹ It is not clear that another position was created. The Santa Cruz County Health Services Agency indicated to the Grand Jury that there was a vacancy in the position of chief of detention services and that the chief of clinical services was "helping out because she used to fill that position." The Health Services Agency subsequently reassigned the chief of clinical services to the position of chief of detention services. Thus, the chief of clinical services position became vacant and a search for a new director has been instituted.

Sources

Interviewed:

Local healthcare administrators and staff.

Reviewed:

ECG Management Consultants, Incorporated reports and communications.
Santa Cruz County Health Services Agency reports to the Santa Cruz County Board of Supervisors.
Santa Cruz County Health Services Agency payments and County invoices pertaining to the consultants.
Santa Cruz County Health Services Agency budget reports.
Santa Cruz County Board of Supervisors minutes relating to the Health Services Agency.
Community Access Program (CAP) and Health Community Access (HCAP) grant applications.
Report on the Uninsured and Access to Health Care (January 23, 2001).
ECG Web site.

Findings

1. In a November 9, 1999 letter of resignation, the HSA administrator warned the Board of Supervisors that it should exert greater fiscal oversight over the HSA. He stated, “Given that the budget of the Health Services Agency is in excess of \$70 million with approximately 85% of the budgetary support coming from non-County sources, it is even more essential that the health administration and fiscal management be closely monitored.”

Response: Santa Cruz County Board of Supervisors DISAGREES.

The former HSA Director was concerned that the Chief of Administration did not have a strong fiscal background in terms of health cost reports, claims, and audits. This was remedied when this individual retired and a health finance manager with extensive experience was hired to be Director of Administration. The current HSA Director was recommended because of her strong fiscal as well as clinical skills by the former HSA Director.

2. ECG Management Consultants, Incorporated (ECG): ECG serves as a consultancy firm and is based in Seattle, Washington. It specializes in “hospital and physician

relationships, strategic and business planning, and the complexities of the healthcare enterprise.”²

Total Compensation for 2001-2003: \$597,565

- A. In the 2000-2001 Santa Cruz County Board of Supervisors’ budget hearings, the HSA argued for the need of a new software program to replace HSA’s COSTAR billing system and the set up of an Electronic Medical Records (EMR) system for the county clinics. The HSA pointed out that federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) imposed a deadline of October 16, 2003 for healthcare clinics to develop EMR systems. The Board authorized HSA to proceed with a new computer system for the clinics. To fund the system the Board authorized \$535,000 from the state audit settlement of \$2,156,430 to be placed in the County’s Technology and Productivity fund for use toward the computer upgrade. The state audit settlement resulted from HSA’s increased billings for county mental health psychiatrist visits under the Federally Qualified Health Center (FQHC) designation that the county clinics received starting in 1988 as a result of a healthcare services for the homeless grant. The state questioned the increased billings and had not funded its share of costs. The state allowed the increased billings using the FQHC designation, which resulted in the settlement of \$2,156,430. Thus, clinic physicians generated most of this money, which was derived from Medi-Cal revenues.
- B. The HSA also looked into creating a clinical practice management information system (MIS) network, which would incorporate the new computer system to link the two county clinics to the Santa Cruz County community clinics. The community clinics consisted of the four Planned Parenthood clinics (South, Westside, Cabrillo, Valley), Salud Para la Gente, Women’s Health Center, and Dientes. The linked clinics could share information from patient medical and pharmacy records, as well as laboratory and radiology results. The HSA contacted the Health Resources and Services Administration (HRSA) and a former HSA administrator for advice on how to proceed. HRSA and the former HSA administrator pointed out that the Oregon Community Health Information Network (OCHIN) based in Portland, Oregon was in the process of finalizing its vendor selection for setting up a community clinic network, which would link the EMR of the community clinics throughout Oregon. OCHIN had selected Epic Systems Corporation (Epic) as its software vendor. The HSA staff met with OCHIN and ECG representatives. ECG had acted as a consultant to assist OCHIN in setting up its MIS network. HSA learned that OCHIN had received its network financing through a federally funded

² ECG Web site.

Community Access Program (CAP) and Healthy Community Access Program (HCAP) grants.

- C. In the 2001-2002 budget hearings, the HSA asked the Board of Supervisors to approve the hiring of ECG to assist the agency on the medical information technology upgrade project. The HSA pointed out that the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) imposed a deadline of October 16, 2003 for healthcare clinics to develop EMR systems. The HIPAA requirement for an EMR system did not extend beyond individual clinics and did not require a linked MIS between clinics.
- D. The HSA contracted with ECG without getting bids from other companies. ECG signed the first of two contracts with Santa Cruz County on August 28, 2001. The cost of the first contract was not to exceed \$130,000. ECG's rates were \$375/hour for the project officer, \$270/hour for the project manager, and \$185/hour for their associate. This contract stipulated that ECG would provide consultant services to the HSA related to development, analysis, evaluation, and selection of a MIS for the county clinics.
- E. In October 2001, ECG initiated the MIS vendor selection process. HSA staff (at an expense of \$2,000 per person) and ECG consultants attended a Medical Group Management Association conference in San Antonio, Texas.
- F. In November 2001, ECG and the HSA narrowed the choice of vendors to four: Companion Tech.; McKesson, Inc.; Medical Manager Health Pro; and NextGen, Inc. In that same month the HSA sustained a loss of revenue from a decrease in federal and state money to FQHC clinics and the repeal of the utility tax for the unincorporated areas of Santa Cruz County.
- G. In December 2001, the four vendors presented and demonstrated their products in Santa Cruz. In January 2002, NextGen returned to present its full product demonstration.
- H. In March 2002, the HSA proposed expanding ECG's role to include a study on management assistance "to implement operational and organizational solutions that will enhance efficiency and improve clinic performance." The proposed fees would be \$34,000/month for an estimated time period from four (\$136,000) to six (\$204,000) months.
- I. On April 9, 2002, the HSA argued before the Board of Supervisors that cost reductions to the clinics could be achieved through ECG's evaluation of

clinic productivity and efficiency. The board approved the expansion of ECG's study. The HSA stated at the same meeting that the primary mission of the agency was to protect the community from communicable diseases and health issues that threaten the community.

- J. On October 24, 2002, the second contract expanded ECG's scope to include the clinics' practice management system consultation, clinics' operations assessment, clinics' operations implementation, and contract facilitation and negotiation, with hourly rates from \$185 to \$410. The additional cost of \$85,000 brought the total to \$215,000, which would come from the \$535,000 allocated earlier by the Board of Supervisors.
- K. On May 7, 2002, the HSA submitted the CAP grant application to the Health Resources and Services Administration (HRSA) for the first year of funding. The application stated "we have prepared the safety net clinics and hospitals to cooperate on an unprecedented level by implementing common EMRs and clinical messaging, improving both the efficiency and quality of care provided to the County's safety net clinics." NextGen was listed as the HSA's software vendor. HRSA approved the \$1,403,450 grant, which included \$601,000 for information technology software.
- L. On September 24, 2002, the HSA informed the Board of Supervisors of ECG's recommendations to improve clinic/Medi-Cruz finances and services. At that same meeting, it was noted that reduced funding resulted in reductions in the care capacity for Medi-Cruz patients.
- M. On November 5, 2002, the Board of Supervisors approved an additional contract amendment for ECG, which added \$268,000 for consultation, clinic software and operational charges. The cost of ECG's services now totaled \$483,000. ECG's original estimate of \$130,000 had now increased by \$353,000.
- N. On January 10, 2003, the Board of Supervisors approved an additional ECG contract amendment for ECG's consultation on clinic operational charges, which amounted to \$95,000. The total cost for ECG's consultancy services now reached \$578,000, which exceeded the \$535,000, the Board of Supervisors had allocated for an upgraded EMR system.
- O. On August 25, 2003, the HSA applied for and received approval from the Health Resources and Services Administration (HRSA) for the Healthy Communities Access Program (HCAP) grant, which funded years two and three after the first year of funding of the CAP grant. HSA's practice management system vendor changed from NextGen to Epic software. The OCHIN network had agreed to add the Santa Cruz County community

health MIS network to its Epic system, which eliminated the need for the NextGen system. However, as of January 2004 due to delays in the set-up of the OCHIN network, the Santa Cruz system is not in operation. Negotiations are underway to determine the costs of the linkage to OCHIN.

- P. Both the CAP and HCAP grants required in-kind funding which has not been arranged as of January 2004. The CAP grant money for the MIS has been partially spent on the set-up of the Axolftl physician messaging/dictation/ pharmacy/lab system.
- Q. In the meantime, an additional charge by ECG amounted to \$19,565. On November 19, 2003, the HSA presented to the Santa Cruz County Board of Supervisors the implementation of recommendations of ECG to increase the productivity of the County clinics. The Board of Supervisors accepted the findings of the report.
- R. The original ECG timeline targeted a completed practice management system conversion and implementation by July 2002, which has not been met. The HIPAA deadline of October 2003 has passed, and very few of the national healthcare entities are in compliance.
- S. As of January 2004, only two of the community clinics, Salud Para la Gente and the Women's Center Clinic, have agreed to link with the county clinics. More than half of the community clinics (the four Planned Parenthood clinics and Dientes) have not signed up to be part of the network.

Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.

The Health Service Agency was facing two significant challenges which ECG helped to address--a failing data system and operational problems which were driving up costs. First a specialized ECG information technology team assessed the automation needs of the clinics related to the practice of primary care in a public health environment. The clinic data system was installed in 1983 and was very difficult to change and maintain. It generated many expenses for the clinics in terms of staffing because of its lack of flexibility. Registration, appointments, eligibility, billing, posting, and reconciliations were all very labor intensive. For the clinics to survive with new requirements and demands and limited new revenues, the clinics had to be as efficient as possible.

It is important when making a significant purchase of a new data system to have a comprehensive assessment of your needs, as well as expertise in the available software and the reliability of software vendors. No County Health Departments have this type of internal expertise. ECG had conducted a very similar assessment for the Oregon community clinics network and was well respected by the Oregon

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Counties and community clinics that participated in their software selection process. It was important to have a consulting firm which understood public sector needs in a clinic environment as well as the business of practicing medicine in this era of managed care. Oregon staff invited Santa Cruz to come observe their process. The Santa Cruz clinic team was very impressed with the knowledge and expertise of the ECG Information technology team.

The County contracted with the ECG information technology team for several completely different scopes of work. The Grand Jury findings imply that the original contract of \$130,000 was for everything needed to implement the new computer system. This is incorrect.

Phase one of the work with ECG was an assessment of the current system and extensive review of all components of clinic business and clinical operations to define the ideal functionality of a new software system. The clinic staff clearly needed a strong practice management system with automation of many of the current manual functions, good tracking systems and reports, electronic systems for billing and posting, and good management of schedules and support resources for clinical providers. Staff from all levels of clinics gave input into the ideal software functionality and its user friendliness.

Once this phase of work was complete, the next phase of work was a “request for qualifications and proposals.” ECG was responsible for developing this and sending it out to the software vendors in the field. As part of this phase of the process, a team of staff went to a meeting of the “Medical Group Management Association” in Texas because all the software vendors were going to be there demonstrating their products. Customers would also be there to whom County staff could talk about customer service, reliability, etc.

This phase of the process was very time consuming because the County received 10 proposals. ECG staff worked with clinic staff and the HSA and County data staff to review the proposals in depth and narrow the focus to four vendors. Again all types of staff (business office, reception, medical records, nursing, physicians, and medical assistants) in the clinics needed to be involved to get the best evaluation of the products. Next there were actual demonstrations from the vendors which were a full day or more each. Again this required extensive time to review and evaluate each component of the software from each vendor. During this time ECG did extensive customer reference checks in and out of California. Finally the HSA data group recommended NextGen as the best match for the clinic’s needs. The clinic staff had been interested in Epic all along after seeing it in Oregon, but Epic generally works with systems with a million visits per year or more. Kaiser and Sutter have this software as it is considered one of the best in the medical field.

ECG then recommended the County see the software in action live and be able to talk to staff using it. NextGen was an East Coast company whose nearest clinic was in Texas. So staff from clinics and data support went to Texas for several days to see the system up and running and talk to the clinic program staff who used it. The team felt the software was able to meet the need of the County and contracted with ECG to do the negotiations and develop contract language to meet clinic needs and protect the interests of the County. Again, this added to the scope of work of this contractor.

This was a difficult phase for the project particularly where customization was needed for California specific billing systems. After several months, things were not moving and the County approached the Oregon Community Clinic Information Network (OCHIN) to see if Santa Cruz might join and get access to Epic software at a reasonable price as well as share overhead with them and other clinics. The response was favorable and negotiations began to explore the viability of this data partnership.

At this point ECG developed a detailed feature/function check with additional specifications from our needs and asked OCHIN and NextGen to submit new bids on the software purchase, support, and maintenance as well as customization. OCHIN proposed the most favorable package to the County and ECG then focused exclusively on contract specification and governance issues with OCHIN. Santa Cruz County wanted a seat on the Board of Directors as part of the partnership. This was approved in the final arrangement which went to the Board for approval in December 2003.

This concluded the work of the ECG information technology group for the County. The Epic practice management system went live on June 28th in the County clinics. With billing outstanding in the old system, it will take approximately 18 months to be completely off of the old software. The clinic and data staff are to be commended for all the hard work they did to get to this point. The program is already experiencing benefits of improved automation.

Separate from the data project, ECG medical management team was hired to do a comprehensive assessment of the business practices, costs, and work flows of the HSA clinics to improve efficiency and quality. This consultation was to examine how the make the clinics more productive with the resources available and increase patient flow and satisfaction. The medical management team did an extensive assessment, which was concluded in 2003. ECG was asked to stay on and help the clinics with implementing the many complex system changes outlined in the report. They worked with an implementation team from clinics for 7 months and then assisted on a limited basis after that on technical issues.

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The report which went to the Board of Supervisors in April 2004 shows the tremendous job the clinic staff have done changing and improving health systems in the clinics. Clinics have increased the patient visits from 1.7 per hour to 2.2 which resulted in significant new MediCal revenues. Costs were also reduced in pharmacy and administration by over 1.7 million dollars. The clinic established physician treatment teams with dedicated support staff. Patients now have a specific ongoing relationship with a doctor or team. There are new billing practices for accounts receivable and new collections systems are being analyzed. Productivity improved across all teams, and patient satisfaction improved due to reduced waiting times, staying open at lunch, and same day appointment systems. The rest of the ECG recommendations still to be completed relate to efficiencies once the computer system is fully implemented.

The ECG recommendations implemented by clinic staff resulted in minimal budget reductions in the 2004 County budget even with a 20% County budget reduction to health programs. This indeed was an extremely positive outcome, which the County can build on as HSA works on preserving and promoting quality services in partnership with the rest of the safety net clinics. One-time revenues from an audit settlement paid for the one-time costs associated with ECG. No resources or revenues from clinics were redirected to do this work. The investment of data infrastructure and system re-engineering has been a positive asset for our clinics.

In addition the County, in partnership with the community clinics, got 3 major federal grants to pay for health care outreach and enrollment, support special initiatives such as working on emergency department issues, and data infrastructure for the county and community clinics. These grants have allowed the clinics to work together to upgrade their systems without having to make difficult choices related to overstrained budgets. These are referenced in the findings as CAP and HCAP grants. Some of the items in the findings relate to these grants.

In general, the Grand Jury findings described this process, but there are some inaccuracies, which should be corrected as itemized below:

- A. *The County did ask for Board support in the budget of 2000-01 to begin the process to replace the software but the practice management software was the most critical as it is the business software for the clinics. The electronic medical record (EMR) is a second phase of implementation. HIPAA does have many requirements related to billing, eligibility, electronic transactions, and privacy. Most relate to the practice management software, not the EMR. The audit settlement was not related to increased billings by clinic physicians, but was related to the conversion of mental health billing from Short-Doyle Medi-Cal to FQHC Medi-Cal which paid higher rates. The psychiatrists did the same services as before but the reimbursement was cost based and included pharmacy costs. This conversion created the improved reimbursement. It is*

appropriate to use one time revenues for one time costs and leave ongoing operations' budgets untouched.

- B. *The new system can link community clinics at a reasonable cost and provide both practice management and EMR through Epic software. The clinics share many patients and transfer patients, and coordination of care through sharing medical records is important for good quality. Doing this electronically saves time and money. Planned Parenthood is part of Mar Monte which wants all their clinics to stay on the same system. They are evaluating Epic and NextGen as options. Dientes is a dental clinic, and this software will not work for them. The other clinics are working on a 2004-05 implementation*
- C. *Again, practice management, not EMR, relates to HIPAA requirements.*
- D. *No corrections.*
- E. *The purpose of this trip is described above.*
- F. *No corrections.*
- G. *No corrections.*
- H. *This relates to the separate scope of work by the ECG practice management team.*
- I. *This Board letter which is online at http://sccounty01.co.santa-cruz.ca.us/bds/Govstream/ASP/Display/SCCB_AgendaDisplayWeb.asp?MeetingDate=4/9/2002.*
- J. *Same as above.*
- K. *No corrections.*
- L. *This Board letter which is online at http://sccounty01.co.santa-cruz.ca.us/bds/Govstream/ASP/Display/SCCB_AgendaDisplayWeb.asp?MeetingDate=9/24/2002 includes much more information on need for ECG to assist long term goals than reflected here*
- M. *The Grand Jury implied that the County just spent money without regard for the same scope of work. In fact numerous additional scopes of work were added both in information technology and working with the practice in terms of reorganization and efficiency. None of the money came from clinic operations.*
- N. *Continued confusions between practice management and EMR software.*

O. *Practice Management software is up and running.*

P. *All funds including grant in-kind are identified and in the budget for the appropriate fiscal year. HCAP does however allow rollover of funds with justification and due to delays in the practice management implementation funds were rolled over to the next year until the contract could be executed.*

Q. *No change.*

R. *The practice management software system is operational since June 2004.*

S. *As discussed above Planned Parenthood is part of Mar Monte, a large organization with 37 clinics. They have still not decided which software to buy. Also Dientes is a dental clinic. This software works for healthcare only.*

3. The HSA used two out-of-state consultants (ECG and the former HSA administrator) for advice to set up the Medical Information System network.

Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.

ECG did 98% of the work on the information technology implementation. Elinor Hall worked largely on revenue, grants, and legislative issues benefiting the County and community clinics.

4. A former HSA Administrator and a former HSA Medical Director

The former HSA administrator now acts as an independent healthcare consultant based in Oregon. The terms of her January 5, 2001 contract with Santa Cruz County indicated an hourly rate of \$125. This consultant was to be reimbursed at this rate for hours worked and for travel time between Portland, Oregon and Santa Cruz. Additionally the contract states, "Compensation for necessary per diem, travel, mileage and other costs necessary to accomplish the work done under this agreement is included in the CONTRACTOR'S hourly rates. Travel to California shall be at COUNTY direction for purposes of supporting COUNTY issues." The former HSA medical director contracted with the county to be paid \$80/hour as a consultant.

The appendix delineates the yearly payments and work projects of the former HSA administrator and the former HSA medical director.

Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.

The Health Services Agency has used specialized consultants conservatively and in a manner similar to other Health Departments. Ms. Hall worked with County and safety net clinics to bring in over \$3.5 million in new health revenues to the County while the County spent an average of \$46,000 per year on her services, a tremendous return on investment. All of the start-up funds for the new Healthy Kids insurance product were raised by her foundation work on HSA's behalf, and new opportunities for federal and state matching funds for local money raised for healthy kids insurance are in final phases of development. Her technical expertise included FQHC, Medi-Cal, Bureau of Primary Care grants and funding, Medi-Cal Administrative Funding, Targeted Case Management funding, federal waivers, and funding issues linked for federal designation such as physician shortage areas, etc. This expertise has proven invaluable over and over again in licensing, audit, and claim disputes as well as finding new funds for critical needs. The Federal Bureau of Primary Healthcare, the California Healthcare Foundation, Counties and other States have also found her assistance extremely valuable. In addition, with her knowledge of local issues and needs, little orientation was needed before grants and projects could be undertaken.

Dr. Wolfe, the former medical director, has also been of great assistance to the County. He has worked on issues related to health policy and planning in the community and within HSA. He participated in planning, development and implementation of the Healthy Kids program, with special focus on ensuring provider participation. He has been the County's lead person in responding to the problem of under-reimbursement of Santa Cruz County physicians participating in the Medicare program. He formed a coalition to respond to a request for proposals from the California Endowment, resulting in a \$500,000 grant to Salud Para La Gente for a two-year program. He planned and facilitated the closure of the county-run prenatal clinics, with establishment of that service at Sutter, saving the county \$30,000 per year. He helped develop successful funding grants for dental disease prevention. Internally, he updated and redrafted the HSA Illness and Injury Prevention Plan and the Bloodborne Pathogen Plan for the County. He helped develop the county's plan for smallpox vaccination to medical and health personnel using Bioterrorism grant funds, and developed a panel of specialist consultants to deal with adverse reactions to smallpox vaccination. Dr. Wolfe's many years of experience in the county and his reputation and relationships with local and state health professionals have made his contributions very valuable. His health planning activities are eligible for state and federal Medi-Cal administrative claiming reimbursement.

5. A Summary of the Cost of the Health Services Agency’s Three Consultants

YEAR	ECG	Former HSA Administrator	Former HSA Medical Director	Yearly Total
2000-2001	\$130,000	\$13,125	\$49,320	\$192,445
2001-2002	\$85,000	\$59,844	\$61,620	\$206,464
2002-2003	\$268,000	\$88,281	\$60,840	\$417,121
2003-1/2004	\$114,565	\$12,250	\$13,120	\$139,935
Total	\$597,565	\$173,500	\$184,900	\$955,965

Response: Santa Cruz County Board of Supervisors AGREES.

6. Funding Sources to Pay the former HSA Administrator and the former HSA Medical Director:

- A. The source of the funds to pay for the former HSA administrator and the former HSA medical director is less clear than that for ECG. The HSA gave these answers on the funding sources for these consultants who were identified as independent contractors: “Each year in the budget there are line items for various [independent] contractors.” The former HSA administrator and the former HSA medical director “had contracts approved by the Board [of Supervisors].” “In building the budget, HSA identifies and puts in amounts for ongoing [independent] contractors. These amounts were in the original budgets and augmented if needed for new activities with appropriate approvals from the CAO’s [Chief Administrative Officer] office and/or Board if using new appropriations or transfers. Contractors are never allowed infinite amounts of funds. These are negotiated and approved in advance.” The grants written by the former HSA administrator “(CAP, HCAP, and others) include routinely 10% for administration.” Given that the former HSA administrator “brought into Health [HSA] approximately \$3.5 million in funds, she was able to pay for her time out of admin (administration) funds.”³
- B. According to the HSA, the former HSA medical director may have “charged some of his time to the Bioterrorism grants but otherwise to our central admin [administration] distribution. Central admin is charged out to all of our funding sources through the programs. Approximately 15% of the

³ The Health Services Agency gave the Grand Jury two figures. The second figure was \$6,160,000 with no explanation. The correct figure is closer to \$3 million. The CAP and HCAP grants awards totaled \$2,582,870.

funds are County and the rest are Medicaid, Medicare, grants, and various state and federal allocations.”

Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.

Funding for Ms. Hall is from a variety of different revenues from central administration. Some hours were eligible for reimbursement from administration categories in the CAP grant. Other hours are eligible for reimbursement through the Medi-Cal Administrative Claim (federal/state). The balance of funds are from state realignment and county funds.

Dr. Wolfe’s time related to health planning was reimbursed through Medi-Cal administrative claiming. Dr. Wolfe did also have a specific number of hours dedicated to smallpox immunizations from a federal grant. The balance is State realignment funds and County funds. The work Dr. Wolfe is doing on Medicare reimbursement rates (locality 99) will improve reimbursement for the whole County and result in \$4-5 million in new revenues for community clinics and physicians. It will also help with recruitment and retention of physicians.

7. Over the past 20 years, the Board of Supervisors has allocated the same amount of money to the Medi-Cruz program. HSA has developed increasingly more stringent eligibility criteria for Medi-Cruz patients.

Response: The Santa Cruz County Board of Supervisors DISAGREES.

The County has increased funding by approximately \$1.5 million over the last 20 years. The State has basically kept the program flat with increases of approximately 1% per year while medical inflation has been 6-12% per year. If adjusted for medical inflation over the last 20 years, the MediCruz program would have a budget of \$17 million from the State allocation instead of the current amount of approximately \$5 million.

Conclusions

1. The Board of Supervisors ignored the fiscal-oversight warning in the 1999 resignation letter of a former HSA administrator.
2. The Board of Supervisors did not adequately oversee HSA’s decision to utilize the services of a costly out-of-state consultant (ECG) without seeking competitive bids.
3. ECG’s consultancy took money away from indigent patient care:

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- A. The \$535,000 used to pay for ECG's fees came from patient revenues paid by the state.
 - B. ECG's fees exceeded the amount allocated by the Board of Supervisors and came to almost \$600,000.
 - C. As ECG's costs escalated, the HSA with the Board of Supervisors' approval reduced Medi-Cruz eligibility.
4. The HSA and the Board of Supervisors have failed in their attempt to create a countywide medical information system network because more than half of the clinics decided not to sign on.
 5. The HSA utilized ECG's services for a study of clinic efficiencies and productivity instead of listening to the providers of care in the county clinics and utilizing available inexpensive healthcare practice management literature.
 6. The HSA devalued the work of county employee grant writers by arguing that the former HSA administrator's work alone was responsible for "approximately \$3.5 million" in grant money. County employees wrote these grants and the former HSA administrator acted as an advisor. The HSA could have used the Oregon network's applications as a template, rather than hiring the former HSA administrator. The 10% administrative allocation in the grants could have been retained by the county to help pay for county employees' salaries, rather than a consultant's.⁴
 7. The list of projects worked on by the former HSA administrator and the former HSA medical director could have been performed by HSA employees.
 8. Some of the former HSA medical director's compensation came from funds derived from patient revenues, which could have been used for indigent medical care.
 9. The Medicare reimbursement project done by the former HSA medical director largely benefits private physicians because county clinics see very few Medicare patients. The HSA and the Board of Supervisors accepted the argument used by the Santa Cruz Medical Foundation (SCMF) that an increase in Medicare reimbursement rates would increase physician retention in the community and would benefit the HSA. The SCMF did not guarantee increased county indigent care, if the former HSA medical director helped its campaign. By working with the SCMF, the HSA spent county monies to enrich SCMF, not the county.

⁴ On another occasion, the Health Services Agency did not give full credit to the employee who wrote a report for the HSA.

10. The HSA deleted two county physicians' positions, while spending almost a million dollars on consultants.⁵ The shift of the chief of clinical services to the position of chief of detention services left the county clinics with no chief until that position is filled.

Recommendations

1. The Board of Supervisors should spend more time overseeing HSA's spending recommendations.

Response: Santa Cruz County Board of Supervisors DISAGREES.

The Board and the County Auditor-Controller have stringent spending policies, and oversight is regularly performed as part of the budget process. The HSA has worked to increase revenues significantly compared to other Departments and has saved many positions and programs by these efforts. Using consultation for the projects described is a routine part of good business practice in health systems.

2. A priority should be to prevent decreased medical care available to indigents.

Response: Santa Cruz County Board of Supervisors AGREES.

The County finds the findings above that relate to this goal inaccurate in terms of increasing services for indigents.

3. The current HSA administrator and current HSA medical director could have done most of the work performed by the hired consultants. The HSA should give credit to and utilize more of the skills of the county's information technology and grant-writing employees, rather than hiring consultants.

Response: Santa Cruz County Board of Supervisors DISAGREES.

The current staff does not have the expertise or the time to do all these additional grants and revenue projects that benefit the County and the community. Targeted consultation on specialized projects is used statewide to assist Health Departments with grants, new requirements, and initiatives. The test of its effectiveness is whether it works to deliver the product or program or funding desired. The performance of Dr. Wolfe and Ms. Hall on the basis of added value is clear upon review of their accomplishments. It is important to note that during the time that Dr. Wolfe and Ms. Hall worked at the Health Department consultants were also used for specific projects.

⁵ \$955,965.

4. The HSA should stop utilizing the services of ECG, the former HSA administrator, and the former HSA medical director.

Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.

ECG has completed the work that HSA needed and no further work is anticipated at this time. If the need arises in the future for additional consultation services from ECG, a new contract will be submitted to the Board for approval. HSA will continue to use the highly skilled former HSA Administrator and HSA Medical Director on a project-by-project basis as needed. It is common practice in both government and private industry to use experts as consultants, and the value, utility and cost-effectiveness of this utilization speaks for itself.

Letters have been received from the following persons expressing support for the County's decisions to use expert consultants in expanding health care access and community services: (Grand Jury note: the letters are not included in this document. To view them go to the Grand Jury website.)

Terry B. Lapid MD FACEP, FAAEM, Chairman, Santa Cruz County Emergency Medical Care Commission.

*Mark A. Riley, MPA, Executive Director, Dientes Community Dental Care.
Wells Shoemaker MD, Medical Director, Physicians Medical Group of Santa Cruz County.*

Jennifer Hastings MD, Physician at Westside Health Center, Planned Parenthood, Mar Monte.

Debbie St. John RN, Center Manager, Westside Health Center, Planned Parenthood, Mar Monte.

Cynthia Mathews, Associate Vice-President for Public Affairs, Planned Parenthood, Mar Monte.

5. The HSA stated to the Board of Supervisors that the HSA's primary mission is to protect the community from communicable diseases and health issues that threaten the community. If so, the HSA should be more concerned about medical care of the indigents of Santa Cruz County.

Response: Santa Cruz County Board of Supervisors DISAGREES.

HSA is very concerned with the medical care of indigents and delivers services to this population to the extent that resources are available. The fact that the need for services exceeds the resources available does not mean that HSA is any less concerned about care to indigents.

6. The HSA and the Board of Supervisors should review more carefully proposals from the Santa Cruz Medical Foundation.

Response: Santa Cruz County Board of Supervisors DISAGREES.

This recommendation implies that proposals submitted by the Santa Cruz Medical Foundation to HSA and the Board of Supervisors were not carefully reviewed, which is not the case. The Santa Cruz Medical Foundation has not submitted proposals to the County.

The proposals submitted to the County by Sutter Health dealt with the Access to Medical Care Agreement. The Health Services Agency and the Board of Supervisors reviewed these proposals carefully, and they were presented in public forums subject to public comment. Santa Cruz Medical Foundation is not a party to this Agreement, as it merely provides support services for many of the physicians that are on staff at the Sutter Maternity and Surgery Center.

7. The Health Services Agency Physicians' Association should be commended for pointing out the human and economic costs of physician lay-offs.

Response: Santa Cruz County Board of Supervisors PARTIALLY DISAGREES.

All the staff in Clinics and Administration who work on improving indigent care should be commended.

Responses Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Board of Supervisors	1 - 7	1 - 7	90 Days (September 30, 2004)
SCC Health Services Agency	1 - 7	2 - 7	60 Days (August 30, 2004)

Appendix

The current HSA administrator provided the following information:

The Former HSA Administrator's Total Compensation for 2000-2003: \$173,500

Fiscal Year, 2000/01:

A. Compensation: \$13,125

The consultant's payment invoices gave total hours worked per month, but did not list how much time was spent on each project. The items in italics relate to the setting-up of MIS network.

B. Work projects listed by the consultant:

- Researched information on the Oregon Community Health Information Network (OCHIN) and advised the HSA on efficiencies of community clinic partnership.
- Reviewed and provided the history on the County's contract with local hospitals for access to medical care for indigents.
- Attended a meeting with the three local hospitals to discuss the current status of the charity care agreement and possible amendments.
- Attended negotiation meetings with Sutter Hospital regarding its level of past charity care and alternative methods of meeting that contract.

Fiscal Year 2001/02:

A. Compensation: \$59,843.75

B. Work projects listed:

- Consulted on the creation of the Safety Net Coalition, assisted with launching first meetings, including invitees, agendas, and minutes.
- Distributed the CAP grant requirements and initiated planning process for submitting an application to the HRSA.
- Continued work on Sutter Hospital charity care agreement including participating in negotiation meetings, preparing summaries of the parties' positions, drafting and revising a letter of agreement between the county and Sutter Hospital.
- Provided for reducing county's costs for Medi-Cruz services and increasing efficiencies.

- Facilitated strategic planning meeting of HSA managers, wrote-up results, and decisions.
- Provided FQHC certification options for community clinics and on available grants.
- Met with community clinics, county managers, and developed data for the Homeless Persons Health Expansion.
- Wrote a summary of the nursing shortage in Santa Cruz County and the potential impact on HSA.
- Acted as an advisor to plan the Summit on the Uninsured, attended the Summit and moderated one of the panel discussions.
- Consulted on long-term care issues related to Medicaid program.

Fiscal year 2002/03

A. Compensation: \$88,281.25

B. Work Projects listed:

- Acted as an advisor on CAP grant and post-award notification.
- Wrote an executive summary, edited other sections of the first CAP six month evaluation report for HRSA.
- Analyzed the pros and cons of using OCHIN to provide expanded MIS for the HSA and the community clinics, including developing and analyzing cost analysis.
- Arranged and facilitated the full-day site visit of county and community managers with OCHIN executives.
- Advised on hiring a full-time contractor as the Health Improvement Partnership Executive Staff person.
- Researched federal and state Provider Loan Repayment Programs for county health care providers working in a Health Professional Shortage Area and prepared a memo.
- Consulted with community clinic executives on the Federally Qualified Health Clinic (FQHC) certification process including rate setting process and liaison with state Department of Health Services.
- Consulted with the Women's Health Center on budget issues threatening the clinic and the role of FQHC reimbursement.
- Researched the Frequent Users of Health Services (FUHS) grant opportunity. Planned and conducted a strategic planning meeting for grant design involving Mental Health, Public Health, Medi-Cruz, the clinics, Drug and Alcohol, The Alliance, Dominican and Watsonville. Secured and analyzed data on frequent users from a variety of sources. Developed a budget (including sources of required matching funds), drafted sections of

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the grant, and edited the final grant. Wrote/edited responses to FUHS's questions. Consulted/assisted with provision of a successful site visit from FUHS representatives.

- Consulted on Healthy Kids Insurance program's relationship to HSA-operated programs (CCS, CHDP).

Fiscal Year 2003/04 (as of January 2004)

A. Compensation to date: \$12,250

B. Work Projects listed:

- Consulted on CAP grant renewal process including new requirements for two-year grants and goals for next years' grant. Edited final draft of application. Continued work on the CAP grant implementation and write/edit second six-month evaluation report for HRSA.
- Consulted on FQHC certification options and issues for community clinics.
- Finalized rates for Women's Health Center and Dientes.
- Prepared a paper on "Single Payer" Health Insurance.
- Consulted on the development of Healthy Kids insurance plan including preparing a letter of intent to apply for Robert Woods Johnson (RWJ) Community Funding Partners grant for \$200,000.

The Former HSA Medical Director's Total Compensation for 2000-2003: \$184,900

Fiscal Year 2000/01

A. Compensation: \$49,320

The monthly invoices for payment specified hours worked, but did not identify the number of hours worked on each project.

B. Work projects listed:

- Planned and facilitated the closure of the county-run prenatal clinics, with the establishment of that service at Sutter Hospital, and transferred the contract for obstetric services from one obstetric group to another.
- Represented the HSA as a member of the Santa Cruz County Medical Society Board of Governors.
- Worked on the United Way's Community Assessment Project as a member of the Steering Committee and chair of the Research Committee.
- Represented the HSA on the Pajaro Valley Community Health Trust.

- Participated in the planning and development of the Diabetes Collaborative.
- Participated in the establishment of the Oral Health Collaborative.
- Participated in the project to add fluoride to the water supply in Watsonville.
- Acted as a consultant to the HSA administration regarding medical marijuana.
- Worked on Hepatitis C education, worked to establish the Hepatitis C coalition of physicians in order to plan and develop a community-wide medical response to Hepatitis C.
- Represented the county on the California Chlamydia Coalition, participated in the development of the state's Chlamydia Action Plan.
- Represented the county for the California Tuberculosis Elimination Task Force, and the California Adult Immunization Coalition.
- Established and led the committee of Emergency Medical Care Commission to review the then-current ambulance contract with American Medical Response.
- Assisted in jail and juvenile medical services.

Fiscal Year 2001/02

A. Compensation: \$61,620

B. Work projects listed:

- Assisted in creating the Safety Net Coalition.
- Assisting in creating the Health Improvement Partnership Council.
- Participated in the Community Foundation of Santa Cruz County's focus group on health issues, participated in the subsequent planning for the summit on the uninsured, continued to participate in the planning and development of the Healthy Kids program, made presentations to community groups, and worked to ensure provider participation.
- Assisted in trying to increase the physician Medicare reimbursement rates.
- Assisted in the California Endowment grant application, which resulted in \$500,000 for a two-year program at Salud Para la Gente.
- Continued work on the following projects: Santa Cruz County Medical Society Board of Governors, Pajaro Valley Community Health Trust, Diabetes Collaborative, Oral Health Collaborative, Watsonville fluoride issue, jail and juvenile medical services, medical marijuana, California Chlamydia Coalition, the state's Chlamydia Action Plan, California Tuberculosis Elimination Task Force, California Adult Immunization Coalition, and United Way's Community Assessment Project.

Fiscal Year 2002/03

A. Compensation: \$60,840

B. Work projects listed:

- Assisted in the development the of county's plan for providing smallpox vaccinations to medical and public health personnel.
- Updated and redrafted the HSA Illness and Injury Prevention Plan and Blood borne Pathogen Plan.
- Assisted in working to increase Medicare reimbursement to Santa Cruz County physicians.⁶
- Continued work on the following: Santa Cruz County Medical Society Board of Governors, California Chlamydia Coalition, the state's Chlamydia Action Plan, California Tuberculosis Elimination Task Force, California Adult Immunization Coalition, Community Foundation of Santa Cruz County's focus group on health issues, Healthy Kids program, Pajaro Valley Community Health Trust, Diabetes Collaborative, Oral Health Collaborative, Watsonville fluoride issue, United Way's Community Assessment Project, jail and juvenile medical services.

Fiscal Year 2003/04 (as of January 2004):

A. Compensation to date: \$13,120

B. Work projects:

- Continued to participate in the planning and development of the Healthy Kids program, made presentations to community groups and worked to ensure provider participation.
- Continued to assist in obtaining an increase in physician Medicare reimbursement rates.

⁶ The Santa Cruz Medical Foundation (SCMF) convinced the Health Services Agency and the Board of Supervisors that the Medicare reimbursement project would benefit the HSA. The physicians at the county clinics see very few Medicare patients. An increase in Medicare reimbursement rates will usually increase medical insurance rates paid by the county for its employees and its residents who have private insurance.