

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

619



**FROM:** Executive Office

**SUBMITTAL DATE:**  
September 18, 2014


**SUBJECT:** Monthly financial and operational performance update from the Health Care Governance Committee and Riverside County Regional Medical. Districts – All; [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:  
Receive and File the monthly financial and operational performance update from the Health Care Governance Committee (HCGC) and Riverside County Regional Medical Center (RCRMC)

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Departmental Concurrence

  
\_\_\_\_\_  
Lowell Johnson  
Hospital Director

  
\_\_\_\_\_  
Debra Cournoyer  
Deputy County Executive Officer

| FINANCIAL DATA  | Current Fiscal Year: | Next Fiscal Year: | Total Cost: | Ongoing Cost: | POLICY/CONSENT<br>(per Exec. Office)  |
|-----------------|----------------------|-------------------|-------------|---------------|---|
| COST            | \$                   | \$                | \$          | \$            | Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/> |
| NET COUNTY COST | \$                   | \$                | \$          | \$            |   |

|                         |                           |
|-------------------------|---------------------------|
| <b>SOURCE OF FUNDS:</b> | <b>Budget Adjustment:</b> |
|                         | For Fiscal Year:          |

**C.E.O. RECOMMENDATION:** APPROVE  
BY:   
\_\_\_\_\_  
County Executive Office Signature      George A. Johnson

**MINUTES OF THE BOARD OF SUPERVISORS**

- A-30
- 4/5 Vote
- Positions Added
- Change Order

**Prev. Agn. Ref** 1/28/14 2-5, 2/25/14 16-3, 3/25/14 2-2, 4/22/14 2-3, 6/3/14 2-8, 6/16/14 2-0, 7/15/14 2-6

**District: All**

**Agenda Number:**

2-1

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

**FORM 11:** Monthly financial and operational performance update from the Health Care Governance Committee and Riverside County Regional Medical Center. Districts – All; [\$0]

**DATE:** September 18, 2014

**PAGE:** 2 of 2

**BACKGROUND:**

**Summary**

As of September 17, 2014, over \$70 million in annual financial benefits and over \$8.7 million in one-time non-labor and revenue benefits have been launched at RCRMC. Launched initiatives are those that have been vetted by work teams and work steps for process improvements have been identified. Work process improvements – including approved lower-cost contracts, software that supports ideal staffing levels, software that supports optimal billing and collections, continued reductions in paid full time equivalents (FTE) and use of registry staff - are in place for over \$75.7 million of the \$78.8 million of launched activities. These activities are in place and already generating savings. As new initiatives are implemented, they are carefully monitored for 1- 3 months to verify success. At this time, over \$59 million in annual reoccurring benefits, have been “monitored”. Some of the monitored areas include overtime costs, registry expenditures, accounts receivable and supply expenditures per patient day.

As reported by Hospital Director, Lowell Johnson at the budget workshop on September 9, 2014, the FY 13/14 cash position improved from a deficit of \$85 million reported in January 2014 to a deficit of \$40 million at year-end. Furthermore, it was reported that FY 14/15 revenue and expenditures projections are expected to balance in part due to implementation of Huron and RCRMC cost saving initiatives in labor and non-labor and projected increases in patient revenue collections. RCRMC continues to face challenges in FY 14/15 that include dependence on government funding for operations, payor mix imbalance, patient care throughput in the clinics, and replacement of critical capital equipment. The department will continue to monitor and evaluate budget projections.

Regional Cooperation agreements between the County and its university partners, Loma Linda University School of Medicine, Western University of Health Science and University of California Riverside School of Medicine, were approved by the Board of Supervisors on September 9, 2014. The agreements formalized arrangements to grow and manage certain clinical service lines provided at RCRMC, including its inpatient, ambulatory and federally qualified health centers. Through the regional cooperation agreements, the universities will serve as a resource to RCRMC for joint education and training of health professionals and provide technical assistance and consultation to RCRMC staff.

At a special joint meeting of the Riverside County Board of Supervisors and the San Bernardino County Board of Supervisors September 16, 2014, Inland Empire Health Plan (IEHP) CEO, Bradley Gilbert M.D., M.P.P, presented a Vision for Success for Healthcare Reform in the Inland Empire. His recommendations include the formation of 1) county planning committees for data integration across services, 2) a strategic planning committee to include both counties, Loma Linda University Medical Center and IEHP and 3) continue the relationship with UCR in Riverside County.

# Financial Benefit – “Big Board”



| Solution               | Target              | Annual Benefit      |                     |                     |
|------------------------|---------------------|---------------------|---------------------|---------------------|
|                        |                     | Launched            | Implemented         | Monitored           |
| Non-Labor              | \$16,630,000        | \$35,032,745        | \$29,930,803        | \$26,453,731        |
| Labor                  | \$11,017,000        | \$14,139,453        | \$27,048,558        | \$27,048,558        |
| HR                     | \$5,500,000         | *\$5,712,500        | \$2,912,000         | \$2,326,000         |
| Physician Solutions    | \$11,300,000        | \$9,511,360         | \$2,446,395         | \$2,333,412         |
| Revenue Cycle          | \$6,000,000         | \$5,000,000         | \$5,000,000         |                     |
| CDI                    | \$675,000           | \$700,000           | \$675,000           | \$209,796           |
| Clinical Operations    | \$4,400,000         |                     |                     |                     |
| <b>Total Recurring</b> | <b>\$55,522,000</b> | <b>\$70,096,058</b> | <b>\$68,012,756</b> | <b>\$58,371,497</b> |
| Non-Labor              |                     | \$1,730,249         | \$1,680,586         | \$738,951           |
| RC ICB                 | \$7,000,000         | \$7,000,000         | \$6,000,000         |                     |
| <b>Total Benefit</b>   | <b>\$62,522,000</b> | <b>\$78,826,307</b> | <b>\$75,693,342</b> | <b>\$59,110,448</b> |

\*\$3.1M of HR Launched benefit is related to the MOU

**RCRMC MONTHLY FINANCIAL UPDATE**  
**FISCAL YEAR 2014/15**

|   | FY12/13<br>Actual   | FY13/14<br>Preliminary<br>Actuals | FY14/15<br>Recommended<br>Budget (A) |
|---|---------------------|-----------------------------------|--------------------------------------|
| Waiver/Realignment Revenues                 | 239,798,301         | 175,835,118                       | 142,048,411                          |
| Patient Revenues                            | 198,716,364         | 222,294,192                       | 293,836,930                          |
| Other Revenue                               | 17,827,224          | 17,968,342                        | 16,748,339                           |
| <b>Total Revenue</b>                        | <b>456,341,889</b>  | <b>416,097,652</b>                | <b>452,633,680</b>                   |
| <b>Operating Expenses:</b>                  |                     |                                   |                                      |
| Salaries & Wages                            | 188,192,274         | 194,455,811                       | 185,609,430                          |
| Employee Benefits                           | 65,669,730          | 68,721,540                        | 78,202,064                           |
| Supplies                                    | 27,160,229          | 27,997,562                        | 20,765,762                           |
| Pharmaceuticals                             | 44,919,044          | 34,298,699                        | 24,255,875                           |
| Professional Services and Fees              | 72,115,639          | 86,068,697                        | 66,124,399                           |
| Other Operating Expenses                    | 45,208,960          | 45,659,662                        | 44,183,511                           |
| <b>Total Operating Expenses</b>             | <b>443,265,875</b>  | <b>457,201,971</b>                | <b>419,141,041</b>                   |
| <b>Operating Income</b>                     | <b>13,076,014</b>   | <b>(41,104,319)</b>               | <b>33,492,639</b>                    |
| Interest Income and Other Expense (Expense) | (21,229)            | (92,397)                          | (145,312)                            |
| Depreciation and Amortization               | 9,623,432           | 10,040,907                        | 13,247,151                           |
| <b>EBIT</b>                                 | <b>3,431,354</b>    | <b>(51,237,623)</b>               | <b>20,100,176</b>                    |
| Interest                                    | 13,214,214          | 15,051,348                        | 10,056,989                           |
| <b>Net Income (Deficit)</b>                 | <b>(9,782,860)</b>  | <b>(66,288,970)</b>               | <b>10,043,187</b>                    |
| <b>Ending Cash Balance</b>                  | <b>(27,122,219)</b> | <b>(40,920,418)</b>               | <b>(55,433,480)</b>                  |

Notes:

A. Subject to final approval

# Monthly Cash Position



## MONTHLY CASH POSITION

|                                | Cash Actual<br>June 2014 | Cash Projection<br>June 2015<br>(as of September 2014) | Change           |
|--------------------------------|--------------------------|--|------------------|
| Revenue From Patients          | \$ 201.9                 | \$ 230.7   | \$ 28.8          |
| Supplemental Payment<br>State  | \$ 340.3                 | \$ 280.1   | \$ (60.2)        |
| Other Revenue                  | \$ 34.9                  | \$ 26.9  | \$ (8.0)         |
| <b>Total Cash In</b>           | <b>\$ 577.1</b>          | <b>\$ 537.7</b>  | <b>\$ (39.4)</b> |
| Expenses                       | \$ 590.9                 | \$ 552.2   | \$ (38.7)        |
| Cash Beginning                 | \$ (27.1)                | \$ (40.9)  | \$ (13.8)        |
| Cash Change From<br>Operations | \$ (13.8)                | \$ (14.5)  | \$ (0.7)         |
| Cash June 30, 2014             | \$ (40.9)                | \$ (55.4)  | \$ (14.5)        |

# Daily Cash Position



## Daily Cash Position

