2007-2008 Local Market Assessment of San Francisco

Lewin Group Analysis
In FY 2007 -08, the City and County of San Francisco's Controller's Office and the Department of Public Health commissioned The Lewin Group, an internationally recognized healthcare consulting firm, to conduct a local market assessment of San Francisco's current and projected healthcare environment. The purpose of the study was to support DPH plans for program improvements, the allocation of resources, collaborations with other organizations and policy initiatives.

In addition to the local market assessment, the study compared San Francisco General Hospital (SFGH) with comparable Bay Area, California and national public healthcare delivery systems across measures designed to assess efficiency and effectiveness. After analyzing key metrics including capacity and utilization, financial performance, patient characteristics, presence of residency training programs, and trauma center designation, Lewin selected five benchmark health systems: Alameda County Medical Center (San Francisco Bay Area); Santa Clara County Medical Center (California); Riverside Regional Medical Center (California); University Medical Center (National: Las Vegas, Nevada); and Denver Health (National: Denver, Colorado).

All of the benchmarks are hospitals with over 300 beds, staffed by county employees, home to trauma centers and graduate medical education residency training programs, and serve a disproportionate share of Medicaid patients (greater than 31 percent of total discharges).

The benchmarking analysis found that, overall SFGH performs efficiently and effectively compared to the benchmark providers. In particular, the analysis highlighted SFGH's high relative levels of performance related to inpatient clinical quality, cost of inpatient care, and patient revenue cycle management. This was achieved despite SFGH's high occupancy rate (97 percent) and aging physical plant.

Significant findings from the benchmarking analysis include:

SFGH is Near the Top of the Benchmark Range in Overall Clinical Quality
This is based upon comparisons across widely accepted and validated indicators related to the treatment of heart attacks, congestive heart failure, and pneumonia, and the prevention of surgical infections. This metric measures good patient results and contributes to a culture of care that emphasizes patient safety and shorter hospital stays.

Figure 1: Summary Clinical Quality of Care Indicator Results (Rank), 2005-2006

Ranked 1 or 2
Ranked 3 or 4
Ranked 5 or 6

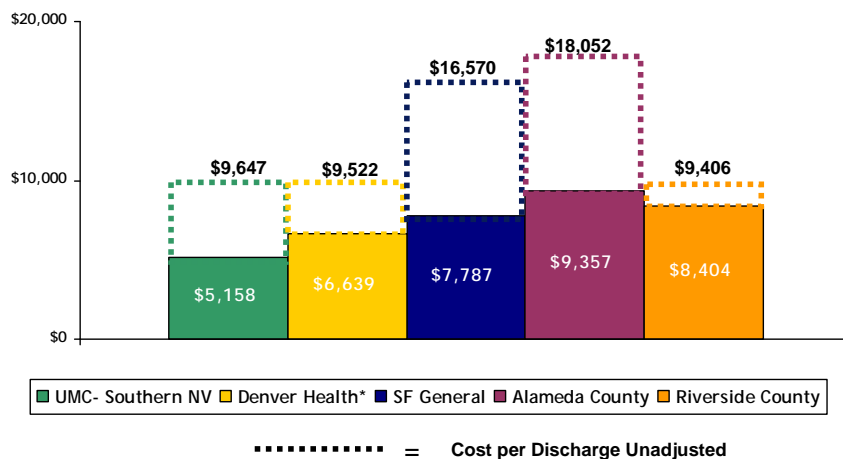|	Heart Attack	Congestive Heart Failure	Pneumonia	Surgical Infection Prevention	All 4 Clinical Areas
Denver Health	92.7% (3)	82.5% (2)	85.5% (1)	77.1% (3)	84.4% (1)
SF General	93.2% (2)	81.6% (3)	71.3% (2)	81.9% (2)	82.0% (2)
Santa Clara	89.5% (4)	70.5% (5)	61.4% (6)	85.6% (1)	76.7% (3)
UMC- Southern NV	96.1% (1)	88.0% (1)	61.7% (5)	56.0% (6)	75.4% (4)
Riverside County	84.5% (6)	74.8% (4)	69.3% (3)	58.3% (5)	71.7% (5)
Alameda County	89.2% (5)	62.2% (6)	62.4% (4)	60.5% (4)	68.6% (6)

Source: Lewin analysis of Center for Medicare and Medicaid Services; www.hospitalcompare.hhs.gov

These comparative outcomes demonstrate a high level of clinical effectiveness by SFGH. They demonstrate in clinical terms a positive return on the ongoing investments made in SFGH by the City and County of San Francisco.

SFGH Delivers Cost Efficient Inpatient Care
SFGH performs well in this regard when its costs are adjusted for factors outside of its control, such as variations in patient populations and regional wage levels. This is particularly notable given SFGH's strong residency training programs and old physical plant, both of which typically drive up costs.

Figure 2: Comparison of Costs per Discharge, Case Mix and Wage Adjusted, Fiscal Year 2006
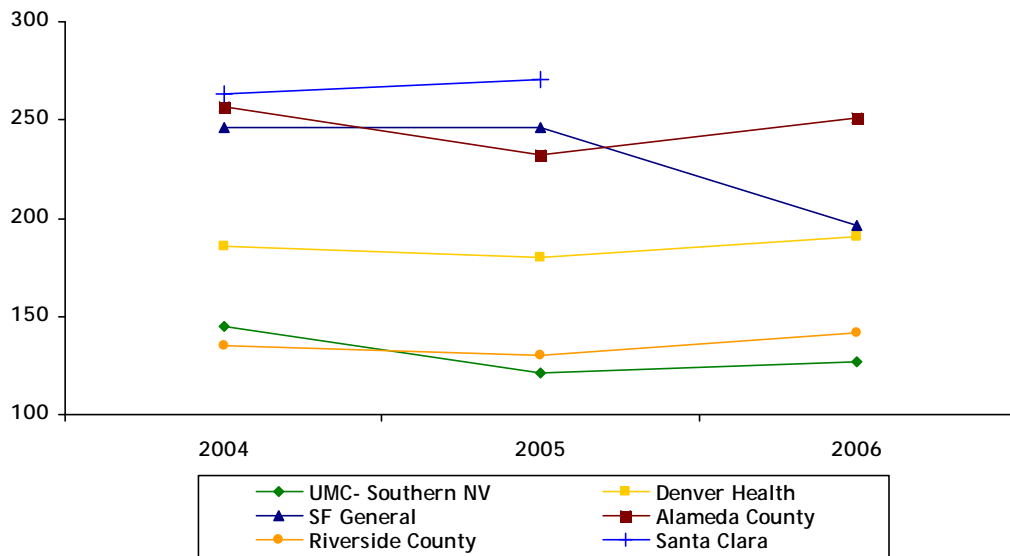

Source: Ingenix Financial Benchmarks * as of 12/31/04; Santa Clara unavailable

SFGH has Improved its Productivity in Recent Years
As reported in Figure 3 below, SFGH reported a significant drop (20 percent) in person hours per discharge between fiscal year 2005 and fiscal year 2006, indicating improved productivity.

Figure 3: Trends in Hospital Person Hours per Discharge, Fiscal Year 2004 – 2006

Note: California hospitals are subject to mandated nurse staffing levels.   Source: Ingenix Financial Benchmarks. 2006 data unavailable for Santa Clara

SFGH Exhibits Workforce Efficiency
An external analysis of workforce efficiency by Brady and Associates found leaner staffing levels at SFGH compared to a peer group.[1] SFGH's benchmarked departments employed a total of 61 fewer full time equivalent employees than the average of peer departments at comparable hospitals nationwide at comparable workload levels, producing an annualized savings in salaries, wages, and direct contract labor expense of about $3.2 million compared to the peer group average, plus additional benefits savings. SFGH also outperformed the peer group average with respect to overtime, using about 26 percent less overtime than the average used by peer departments in similar hospitals nationwide. This resulted in about $2.5 million in additional annual savings.
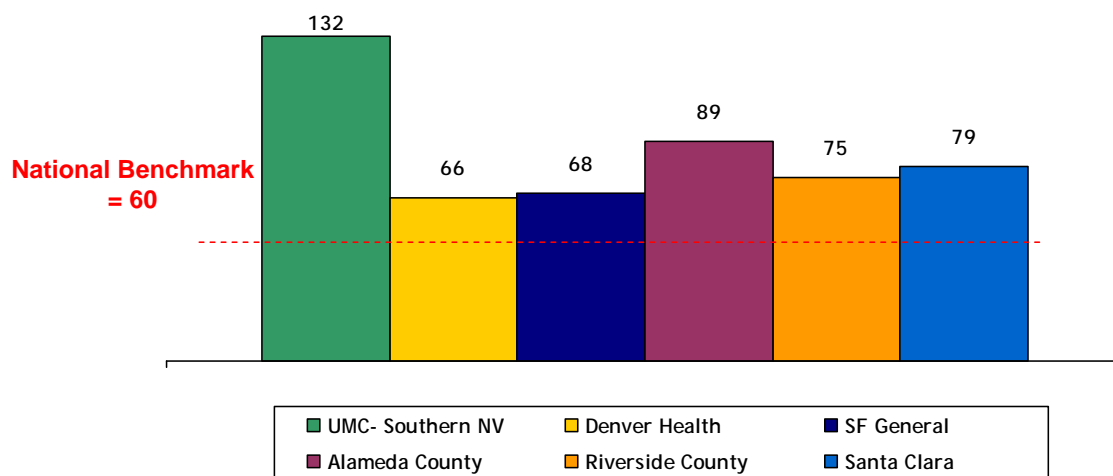
SFGH Excels in Revenue Cycle Efficiency
An independent study by Phase 2 Consulting concluded that DPH revenue cycle processes and procedures are among the most complete and effective as compared with

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[1]   *San Francisco General Hospital Staffing Review: Executive Summary*, Brady & Associates, July 13, 2007

other large public health systems.[2] This is particularly notable given that SFGH has limited control over its budget due to its close relationship with the City and County of San Francisco.

Figure 4: Days in Accounts Receivable, Fiscal Year 2006

Note: National Benchmark = 50th percentile (median) among 250-399 bed, government owned (non-federal), urban facilities Source: Lewin County Health System Benchmark Survey 5/07; Alameda and Riverside Medicare Cost Reports 12/31/04; and the Comparative Performance of U.S. Hospitals: The Sourcebook 2005.
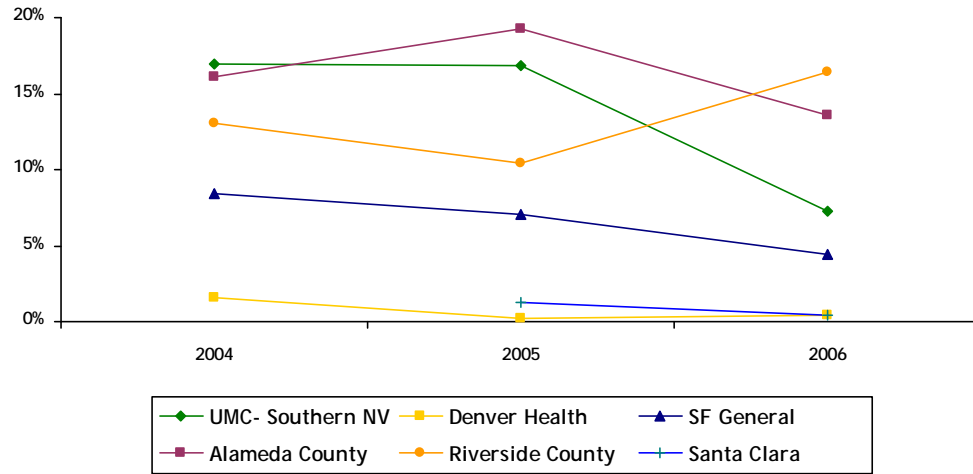
As depicted in Figure 4 above, SFGH exhibits the second lowest days in accounts receivable compared to all other benchmark hospitals and the lowest among its California peers. This suggests that SFGH collects its bills more rapidly than the California benchmarks and is relatively efficient in its patient revenue cycle management.

SFGH has Reduced its Proportion of Minor Emergency Department Visits to Five Percent
This is lower than all but one of the benchmark hospital systems. Minor emergency department visits are reduced when such patients can access care in appropriate outpatient settings such as doctor's offices, clinics, or urgent care centers. Reducing minor emergency department visits is important to free up hospital resources for those patients requiring hospital-based care.

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2   *Revenue Maximization Project Summary*, Phase 2 Consulting, Presentation to the San Francisco Health Commission, September 25, 2007

Figure 5: Trends in Proportion of Minor Emergency Department Visits, Fiscal Year
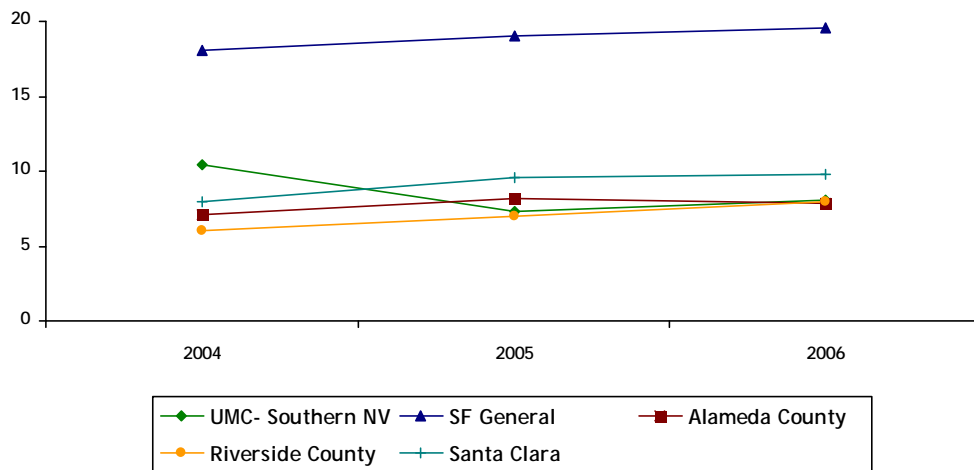**2004 - 2006**

Note: Alameda opened a new emergency department in 2004. Source: Lewin County Health System Benchmark Survey 5/07.

SFGH is Much Older Than All Other Benchmark Hospitals
An intriguing aspect of SFGH's relatively strong performance in clinical quality and inpatient cost efficiency are these infrastructure challenges around which it must work. Age has a negative effect on efficiency and effectiveness because older physical infrastructure has problems accommodating advances in medical and information technology and operating efficiencies.

Figure 6: Trends in Average Age of Hospital Plant, Fiscal Year 2004 – 2006

Source: Lewin County Health System Benchmark Survey 5/07

As depicted in Figure 6 above, SFGH's physical plant is much older than those of other benchmark systems. Older physical plants are usually less efficient, have lower levels of patient and staff satisfaction, and face competitive disadvantage in local markets. SFGH is aging and has not been subsidized for upkeep. As a result, the current physical plant has problems accommodating advances in medical and information technology and achieving operating efficiencies.