

AFFILIATION ANNUAL BUDGET PROCESS

The annual affiliation budget is prepared in conjunction with, and as part of, the SFGH budget process. It is evaluated extensively each year. The process is outlined below:

- During October and November, the SFGH Dean's Office and the appropriate SFGH Administrators meet with the Chief of Service and manager for each of the 19 clinical departments at SFGH and all programs which are purchased from UCSF. Examples of programs include biomedical engineering, housestaff benefits and the library.
- These discussions address anticipated changes in service levels, patient needs, staffing needed to provide the services, and associated costs.
- Based upon the information gathered during these departmental and program meetings, the SFGH Dean's Office then prepares a detailed budget for each of the services purchased on the contract.
- The budget is based upon anticipated direct costs to provide the actual services that SFGH would like to purchase. Personnel costs include anticipated actual salary and fringe benefits. Specialty supply costs are the anticipated costs to deliver the SFGH-projected volume of purchased services.
- There are no indirect costs, or overhead, included in the affiliation budget.

Because the budget is prepared before the actual cost for the services will be known, the supply and salary increases must be estimated. The same inflationary increase is applied to both SFGH and UCSF purchased supplies and is determined by SFGH. The projected increase in personnel costs is calculated by the SFGH Dean's Office as accurately as possible based upon University-wide standards and practices. The personnel increases include:

- Almost all of the staff employees paid through the affiliation budget are represented. UCSF Labor Relations and Human Resources share the known as well as anticipated union negotiated salary increases, market rate adjustments, fringe benefit adjustments, cost of living increases and implementation dates with the SFGH Dean's Office. These are then added to each FTE paid through the affiliation budget.
- Each department informs the SFGH Dean's Office of anticipated faculty promotions and merits for each physician paid through the affiliation agreement. Faculty members are eligible for merit increases every 2-3 years depending on rank.

The Affiliation Agreement directs the two parties to develop a payment methodology. If reductions to the SFGH budget are necessary, these are done in accordance with the process outlined in the affiliation Agreement, Section VI.B.4., page 18:

“In the event of a reduction in the Hospital budget below the level of funding necessary to continue the services at the same scope, nature, and level...the Administrator shall determine which services are shall be reduced, in consultation with the Director of Health, the Associate dean, and the medical staff....Budget reductions will be made in either the Hospital or University budget depending upon who provides those particular services....and reductions shall be shared equitably based upon the nature of the services that are being reduced, the educational programs provided by the University at the Hospital, and in accordance with University policies and obligations.”

Per the Affiliation Agreement, changes that impact the educational programs require twelve months notice from the preceding July 1. Changes that result in layoff of UCSF faculty or staff must be done in accordance with UCSF notice and negotiated contract obligations.

MONITORING AND EVALUATION

The SFGH Executive Administrator and SFGH Vice Dean are responsible for ensuring that the purchased services are delivered and for the quality of those services.

The purchased services are integrated with the operation of the hospital; they are monitored and evaluated in the same manner as the services delivered by SFGH employees:

- Services, budget and utilization statistics are reviewed extensively by SFGH administration.
- Unusual Occurrences (UOs), patient complaints and quality utilization management are reviewed and handled through the hospital mechanisms established for these purposes and report through the Medical Executive Committee and the Nursing Executive Committee to the Joint Conference Committee.
- The performance of the Chiefs of Service is reviewed by the Executive Administrator, the Vice Dean and the Chief of Staff for their responsibilities as outlined in the Affiliation Agreement and Medical Staff Bylaws.
- Since the services purchased from UCSF are fully integrated with SFGH operations, they are also reviewed by the Joint Commission, the State and other regulatory agencies.

In addition:

- Purchased physician services are further monitored through quarterly time surveys that are required, and reviewed, by Medicare.
- Housestaff services are monitored through the comprehensive annual Medicare cost report audit of housestaff payroll and staffing records as part of the reimbursement process for graduate medical education for SFGH.

Monthly invoices for the affiliation budget are prepared by the SFGH Dean's Office and submitted to the SFGH Administrator according to the process outlined in the Affiliation Agreement. The invoices are reviewed by the SFGH Chief Financial Officer, forwarded to the SFGH Administrator for approval, and submitted to the City's Controller's Office for payment. The final reconciliation is completed during fiscal close of each year.