

**AD HOC COMMITTEE**  
**KERN MEDICAL CENTER**

**MISSION STATEMENT**

The Mission of the Kern Medical Center (KMC) Ad Hoc Committee of the 2013-2014 Kern County Grand Jury was to investigate the billing and revenue services at KMC after negative information and errors were made public and brought to the attention of the Board of Supervisors.

**AD HOC COMMITTEE MEMBERS:**



Judith House, Chair  
Ella Abrams  
Marla Dike  
Shirley Ann Hawk  
Judith Waters

# KERN MEDICAL CENTER

## PREFACE:

After several years of loans made to Kern Medical Center (KMC) and items on the Kern County Board of Supervisors' Agenda, the 2013-2014 Kern County Grand Jury appointed an Ad Hoc Committee (Committee). The Committee was formed to discuss the problems that had been made public by the Board of Supervisors and numerous newspaper articles. The Committee soon learned the current Chief Executive Officer (CEO) was making inroads unearthing the multitude of problems that led to the current financial condition of the Hospital and is addressing those problems.

## SUMMARY:

The Mission of the Committee was to investigate the billing and revenue services at KMC after negative information and errors were made public and brought to the attention of the Board of Supervisors.

## PROCESS:

The Committee met with the Interim CEO of KMC on October 18, 2013. On January 27, 2014, the Committee met with the newly appointed CEO of KMC and on February 27, 2014, was given a guided tour of KMC by the CEO. The Interim and current CEO were asked general questions regarding the problems and expectations for the future of the facility.

## FACTS:

- A. The Interim CEO of KMC was appointed upon the dismissal of the previous CEO on September 9, 2013.
- B. In December 2013 the newly appointed CEO was hired with a five year contract.
  - In April 1991, the current CEO completed a nine month Fellowship at KMC
  - Entered California State University, Bakersfield in a Masters Program
  - Worked at KMC for five years as Associate Administrative Operator
  - Served as CEO of Barstow Hospital, Barstow, California – a for-profit hospital
  - Next five years worked at hospitals in Arizona and Pennsylvania – for-profit hospitals

- In 2004 became CEO of Mercy Hospital – a not-for-profit hospital, and turned it from carrying a loss of \$9 million to financially strong within nine years
  - Does not believe any problem is insurmountable
- C. Billing and revenue at KMC are continuing major concerns for the County.
- D. The County has issued monthly operating loans to KMC to meet the bills.
- E. There are 50 departments within KMC with 1,602 employees, including permanent, extra help, residents and physicians.
- F. There are 162 board certified medical doctors and 72 specialists on staff.
- G. There are six residency programs currently operating at KMC.
- H. The Family Practice Residency Program has been in place since 1976.
- I. The Family Practice Residency Program transferred to Clinica Sierra Vista as a new program called Family Medicine Residency Program and will qualify for new Teaching Health Center (THC) funding under the Affordable Care Act.
- Scheduled funding will continue at least until September 2015
- J. Clinica Sierra Vista will receive \$523,000 from the County the first year to help cover expenses.
- Current amount to be received from THC is \$900,000
- K. KMC has the only Fresh Fracture Clinic in Kern County. The Orthopedic Clinic currently has three surgeons on staff.
- L. There are 222 beds in the hospital and approximately 137 patients.
- The Pediatric Unit has 26 beds (single occupancy)
  - There are 12 beds in the Intensive Care Unit (ICU) and 12 beds in Direct Observation/Step Down Unit (DOC)
- M. The hospital kitchen prepares 53,000 meals per month for patients, staff and visitors. In an emergency, up to 1,400 meals can be served in one day.
- N. Kitchen storage contains enough food for up to 2,000 people for four days.
- O. KMC uses Secure Voice Communication Subsystems (SVCS) computers for recording patient statistics.
- P. There is a Simulation Laboratory on-site for teaching students.

- Q. Blood is received from the Houchin Blood Bank; Red Cross helps with rare blood types on an as needed basis.
- R. KMC sought bids, Request for Financial Proposal (RFP), for the purpose of outsourcing the billing department to a private company, with a March 14, 2014, deadline.
- S. The only publication advertising KMC is the Bakersfield Chamber of Commerce.

## **FINDINGS:**

- F1. The loan from the County to KMC carries interest charged at the standard treasury pool rate (.387% currently). The nontraditional cash flow loan has no final maturity date and is reduced daily when KMC receives funds. Similarly, it can be increased daily up to the maximum loan amount authorized by the Board of Supervisors, which is currently \$116.8 million. **There is an average loss of \$3 million per month.** As of April 3, 2014, the loan balance was \$100,799,971; this balance changes weekly.
- F2. The budget for Fiscal Year 2014-2015 will not be available until June 2014.
- F3. The Family Medicine Residency Program will phase out of KMC over the next three years.
  - The County has committed money to help cover expenses. However, if the THC funding is terminated after September 2015, the County of Kern would be responsible for the loss of approximately \$2 million per year
- F4. Visually KMC appears to be an efficiently run hospital. The aesthetics are old and worn but serviceable and clean.
  - The flooring at KMC has not been replaced in over 25 years
- F5. Morale seems to be high among employees.
  - The CEO holds weekly meetings/lunches with department employees to discuss rumors and/or problems in the various departments
  - As one employee pushing a large loaded cart as the tour with the CEO was progressing, stated, *"I wouldn't run into him, because a good CEO is hard to find."*
- F6. During the tour no one mentioned a shortage of staff.
- F7. The County's cost for the outsourcing of the billing and revenue portion is in progress and unavailable at this time.
  - Part of the financial problem of KMC is due to improper coding of billings. The State average accuracy rates are 90-95%; KMC has a 60% accuracy rate

- The effect on current employees will not be known until the RFP process is completed
- F8. One trauma team is housed at the hospital at all times.
- A Trauma Team consists of eight nurses and technicians directed by a trauma doctor
- F9. KMC is the only Trauma Center in Bakersfield and Kern County. In 2013, approximately 2,400 trauma patients were treated. Eight to ten traumas are handled per day.
- The next closest Trauma Center is either Los Angeles or Fresno
- F10. Currently Labor and Delivery – Obstetrics/Gynecology (OB/GYN) has:
- Two triage rooms, used to evaluate patients for admission, have two beds in each room
  - Two antepartum rooms used for preterm labor, early labor, pre-op, 24 hour holds or overflow have three beds each
  - Seven labor rooms have one bed
  - Two operating room suites
  - One post anesthesia recovery room
  - The postpartum area has two single occupancy rooms, 10 double occupancy rooms and three ward rooms with four beds in each
- F11. Only eight of the 25 beds in the Pediatric Unit are being used.
- To remodel the Pediatric Unit and OB/GYN and transfer the seventeen unused beds (single occupancy) from Pediatrics to OB/GYN would cost approximately \$1,000,000 dollars
- F12. Computers using the SVCS System, Work Stations on Wheels referred to as “WOW,” are located in the halls of the hospital and enable doctors and nurses to keep confidential notes on patients after examinations. Information is then transferred to the patient files.
- F13. The Family Medicine Residency Program has been transferred to Clinica Sierra Vista. This is a three year program and currently has six Residents increasing to 18 Residents by the end of the third year. They serve approximately 200 hours of clinical rotation at the Hospital.
- In 1980 the State capped Resident Education reimbursement at \$26,000 per student and this cap remained for the length of the contract with the State. Reimbursement has been increased to \$150,000 for **new** contracts
  - The new program/contract with the State enables Clinica Sierra Vista to receive \$150,000 per student
  - A new contract with Clinica Sierra Vista allows the County to receive \$120,000 per student for the students in hospital rotation
  - There are currently five Resident and two Fellowship Programs being conducted and paid by KMC in an effort to keep doctors practicing locally

- Approximately 50% of the local doctors have gone through the KMC programs
  - The CEO stated, *“The faculty teaches the residents who teach the students.”*
- F14. Food costs are all inclusive and do not budget for special diets. Using the rule that patient meals make up 50% of food cost, in 2013-2014 the total estimated cost for meals was \$659,288.
- F15. The approximate income from cafeteria meals from April 2013 to April 2014 was \$934,923.
- F16. In 2013, 200 open heart surgeries were performed. In previous years there were as many as 400-500 performed annually.
- F17. Approximately 25 fresh fracture injuries are seen daily by Orthopedists. It is the most common injury seen. The Orthopedists see approximately 100 patients a day.
- F18. Blood received from the Houchin Blood Bank and/or the Red Cross is held for up to 31 days in refrigeration storage units. If not used, the blood is returned to the respective blood bank for disposal.
- F19. Patients in ICU will be transferred to DOC once they are off respirators. The average is seven to eight patients in ICU per day. Once released from DOC, the patient is transferred to a room or discharged.
- F20. The Lab is always open. There are 14 - 15 Technicians during the day shift and two at night.
- In an emergency more technicians may be called
  - The Lab handles blood, biopsies, etc.
  - There is one Clinical Lab Scientist on staff
- F21. The CEO does not believe that a public relation blitz would help the Hospital. Advertising is expensive. The choice of hospital is not always left up to the patient.

## COMMENTS:

The Committee thanks both the Interim CEO for speaking to this Committee and the current CEO for the interviews and tour of the Hospital, as well as Staff that spoke to us.

The Committee recognizes the steps the current CEO is taking to put KMC on track and it appears he is earnestly committed to this endeavor.

The Advisory Committees set up by the Board of Supervisors, the outsourcing of billing and revenue and the transfer of the Family Medicine Residency Program to Clinica Sierra Vista will take time to evaluate. To this end, the Committee is offering an informational report only. Due to the current unknown factors, it appears to be reasonable that this issue be revisited to ascertain the impact, whether negative or positive, on the finances of KMC.

**NOTES:**

Kern Medical Center and the Board of Supervisors should post a copy of this report where it will be available for public review.

Persons wishing to receive an email notification of newly released reports may sign up at: [www.co.kern.ca.us/grandjury](http://www.co.kern.ca.us/grandjury), click on: Sign up for early releases.

Present and past Kern County Grand Jury Final Reports and Responses can be accessed through the Kern County Library system and the Kern County Grand Jury website: [www.co.kern.ca.us/grandjury](http://www.co.kern.ca.us/grandjury).

**NO RESPONSE REQUIRED**

**PRESIDING JUDGE  
KERN COUNTY SUPERIOR COURT  
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BAKERSFIELD, CA 93301**

**cc: FOREPERSON  
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