



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: Public Health  
Department No.: 041  
For Agenda Of: 08/19/08  
Placement: Set Hearing  
Estimated Tme: 10 minutes on 9/16/08  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Elliot Schulman, MD, MPH, Director and Health Officer  
Director  
Contact Info: Susan Klein-Rothschild, Assistant Deputy Director, Community Health (681-5345)  
**SUBJECT: Public Health Laboratory Fees**

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** N/A

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

Set a hearing to consider recommendations regarding laboratory test fees for the Public Health Laboratory as follows:

- a) Adopt a Resolution amending fees for the Public Health Laboratory pursuant to the California Health & Safety Code § SS 101150, et seq.
- b) Pursuant to California Environmental Quality Act (CEQA) guidelines, approve the Notice of Exemption from the California Environmental Quality Act of 1970 (CEQA) for the fee resolution.

**Summary Text:**

The Public Health Laboratory conducts a wide range of laboratory tests to support the health and safety of residents of Santa Barbara County. The laboratory services support the communicable disease control programs and the primary care clinics of the local public health department, provide reference and consultation services to the local medical community, and facilitate access to the services of the state public health laboratories. This is a request to formalize fees to reflect the actual costs of performing validated, non-reference tests for the community.

The Public Health Laboratory is mandated to provide laboratory testing for organisms that have the potential to threaten the health of the community. The laboratory operates under the federal Clinical Laboratory Improvement Amendments of 1998 (CLIA) and Title 17 under the California Code of Regulations. The Public Health Laboratory is required to perform tests in accordance with the Center

for Disease Control guidelines and to report laboratory testing results to the State Department of Public Health Laboratory when the testing results are suggestive of a number of reportable conditions.

In preparation for the process of revising the fee schedule, representatives from the Public Health Department and Laboratory met with representatives from major stakeholders including, Pacific Diagnostic Laboratory (formerly Sansum and Cottage Hospital), Marian Medical Center, and Lompoc District Hospital. A contract was signed to cover the expectations of each party and the plan was discussed to revise the fee schedule to reflect actual costs. The Public Health Department has provided the recommended fee schedule to these consumers.

**Background:**

The Public Health Department’s Public Health Laboratory fees have not been updated in over 20 years. The recommendation for consideration and approval is the result of a multi-year project which aligned cost to service, with the goal of identifying the full cost of each test performed and recovering cost when possible. A three part analysis was performed in order to meet this goal.

1. **Count and Types of tests:** Determine an annual average of how many specimens and tests are performed by the Laboratory for the various types of services (Tuberculosis, Drinking Water, HIV/AIDS, etc.) Approximately 32,000 tests are conducted annually.
2. **Clients:** Identify who uses the Laboratory and at what percent of the testing service.
3. **Cost of Operating the Public Health Laboratory:** Calculate all Direct and Overhead costs including County Cost Plan, using the FY 2008-2009 Adopted Budget.

The Public Health Laboratory provides a variety of testing that can be grouped into nine main categories. The following is a list of those categories with the percent of time Laboratory staff spends in each category.

- Tuberculosis/Respiratory ..... 29%
- Sexually Transmitted Diseases ..... 49%
- Parasitology..... 5%
- Rabies..... 2%
- OB Services ..... 6%
- Environmental Testing..... 5%
- Food borne Illness..... 1%
- Reference Services..... less than 1%
- Emerging Infectious Diseases..... 3%

There are four main groups of clients that the Public Health Laboratory serves (in approximate percentages).

1. Public Health Department Clinics countywide – 62%
2. Public Health Department programs that are not clinic related – 10%
3. Other County Departments – 5%
4. Outside Businesses and Agencies – 23%

There are four types of testing service reimbursement models.

1. Services charged to 3<sup>rd</sup> Party payers (insurances, Medi-Cal, Medicare, etc.)
2. Services charged to other County departments
3. Services charged to outside Agencies
4. Tests not chargeable

This client list and percentage of business is important to note. The service fees under consideration will not represent all 32,000 tests performed and will not be charged to all clients. Each category has its own mix of clients, and volume which will result in differing amounts of anticipated revenue increases or continued General Fund support.

In addition to identifying which percent of services would be reimbursed by Medi-Cal, Medicare (and other 3<sup>rd</sup> party payers) and fee-for-service, there are a few groups of Laboratory categories in which there is no charge: Reference Services, Food borne Illness, and Emerging Infectious Diseases. These categories of testing will continue to be supported by an allocation of General Fund, estimated at \$44,400.

There are a few tests in which the fee recommendation is lower than actual cost. Contracts are in place with partnering entities: Lompoc District Hospital, Marian Medical Center and Pacific Diagnostic Laboratory (formerly Samsun Clinic and Cottage Hospital). Approximately 90% of the Public Health Laboratory tuberculosis (TB) and respiratory samples come from these agencies. Because the Public Health Department is mandated to have a TB Control program that immediately responds to reports of TB or suspect TB cases, and because it is critical to the health and safety of the community, it is necessary for the Public Health Department to expeditiously identify and confirm a laboratory test rather than wait for the results reported by another entity (often delayed). Another factor considered when making this recommendation is the fact that the more volume of TB tests conducted by the Laboratory, the economies of scale can result in a lower cost per test.

#### **Fiscal and Facilities Impacts:**

Budgeted: Yes, the costs used to calculate the fees are included in the Public Health Department's recommended budget. The estimated revenue is not included.

#### **Fiscal Analysis:**

The methodology used in the development of this fee structure: 1) has been approved by the Auditor-Controller's office; 2) incorporates the County Cost Plan Overhead, and; 3) does not request any additional General Fund Contribution. Approval of these fees could increase Public Health Laboratory revenue by an estimated \$150,000 and would continue with \$425,000 in existing General Fund support. General Fund is allocated to the Public Health Laboratory for three situations:

1. When there is no client to charge (\$44,400)
2. When 3<sup>rd</sup> Party payer (Medi-Cal, Medicare, other) reimbursement does not cover full cost of service (\$196,600) (represents average of all 3<sup>rd</sup> parties)
3. For good Public Health Practice (\$184,000)

As described in the Background section, there are varying factors in estimating the revenue result of the recommended fee proposal. There are 28 fees for consideration and approval that can be categorized into nine groups. Attachment B shows the count of tests conducted per group, the cost to provide the service, and the various funding sources. Approximately 1/3 of the funding is from 3<sup>rd</sup>-Party Payers,

fees and a small grant, 1/3 is from General Fund Contribution, and the remaining 1/3 is categorized as 'allocated costs'. These are test costs that are provided to PHD clinic patients and for accounting and cost reporting purposes, they are allocated to other Public Health Departments programs. The current General Fund Contribution for the Public Health Laboratory is \$575,000. If fees are approved, the Laboratory's GFC will reduce by an estimated (\$150,000) to \$425,000, which will allow the PHD to maintain laboratory services at current levels and reallocate GFC to cover increases in Public Health Laboratory operating costs.

In addition, included in this package are two Attachments.

- Attachment C lists all of the affected fees by category and test and shows the current and recommend fee.
- Attachment D details a sample of Santa Barbara County proposed fees against those of some neighboring and benchmark counties.

The recommended fees, if adopted, are not incorporated into the Public Health Department's FY 2008-2009 Adopted Budget for the Public Health Laboratory - found in the Disease Control and Prevention Cost Center on page D-204 in the County's Operating Plan. If the anticipated revenue becomes realized, the Public Health Department will return to your Board with a Budget Revision Request.

**Special Instructions:**

1. Request the Clerk of the Board to publish notice of this hearing, per the attached Notice (**Attachment A**), in the Santa Barbara News Press 5 and 10 days prior to the hearing, in accordance with Government Code §6062a.
2. Return one fully executed copy of the Resolution along with a copy of the minute order to the Public Health Department Contracts Unit, 300 N. San Antonio Road, Bldg. 8, Santa Barbara, CA 93110, Attn: Dawn McGrew (805) 681-5205.

**Attachments:** Attachment A, Notice of Public Hearing  
Attachment B, Funding Categories and Reimbursement  
Attachment C, Service fee Comparison  
Attachment D, Benchmark County fee Comparison  
Attachment E, Resolution Revising Fees  
Attachment F, CEQA Exemption

**Authored by:**

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