

**California Prison Health Care Receivership Corp.
Budget Memo
For the fiscal year ending June 30, 2008**

As required by the February 14, 2006 Order appointing the Receiver, a budget for Fiscal Year 2007-2008 for operation of the Receivership has been developed. Net of earnings on funding requests placed on deposit, total operating expenses for the 2008 Fiscal Year total \$31.4 million. In addition, expenditures for capital assets amount to \$130.6 million; \$129.4 of this total acquired by the Receivership on behalf of the Department of Corrections and Rehabilitation (CDCR). Operating and capital expenditures projected to year end June 30, 2007, the first year of the Receivership total \$11.1 and \$8.8 million respectively.

Total operating expenditures for the new budget year will increase 187% compared to the fiscal year ending June 30, 2007. Two components of the budget account for 96% of the increase: salaries, wages & benefits; and professional fees. Nineteen new positions have been established, including support staff to provide the technical and management expertise to develop and implement the Plan of Action. Salaries and related benefits for these positions amount to \$2.8 million. Also, the Receiver plans to utilize existing expertise in both the health care and information systems industries. Consulting costs related to this expertise results in an increase of \$15.5 million. Over half of this cost increase, \$8 million is related to the implementation of a safe and effective pharmacy and pharmaceutical distribution system

Budgets by nature are estimates based on circumstances and plans that are known at the time of preparation. Based on unforeseen issues and circumstances that are sure to arise during the new budget year, the estimates included in the budget can and most likely will change.

CPR, Inc
2007/08 Budget
Summary

Operating Budget:	FY 08	Projected 6/30/07	Inc. (Dec.) 07 to 08
Salaries Wages & Benefits	\$9,397,500	\$5,351,620	\$4,045,880
Professional Fees	\$20,650,584	\$5,098,270	\$15,552,314
Rent	\$500,000	\$191,304	\$308,696
Insurance	\$114,006	\$65,000	\$49,006
Office Expenses	\$65,000	\$64,946	\$54
Travel	\$598,663	\$339,487	\$259,176
Phone and Network Lines	\$84,320	\$54,674	\$29,646
Other Expenses	\$296,440	\$95,344	\$201,096
Total Operating Expenses	\$31,706,513	\$11,260,645	\$20,445,868
Other Income	(\$291,000)	(\$190,000)	(\$101,000)
Net Expenses	<u>\$31,415,513</u>	<u>\$11,070,645</u>	<u>\$20,344,868</u>
 Capital expenses:			
Admin	\$20,000		
Legal	\$0		
Custody Support	\$0		
Nursing	\$0		
Finance	\$10,000		
Communications	\$0		
Facilities	\$91,348,000		
IT	\$990,000		
Plata Compliance	\$0		
Medical	\$0		
Clinical Services	\$6,605,000		
Medical Technology	\$200,000		
Totals	<u>\$99,173,000</u>		
 Total Projected 08 Funding Required	 <u>\$130,588,513</u>		

CPR, Inc
2007/08 Budget
Variance Explanations

Salaries, Wages and Benefits

Administration

5 new positions as follows, Executive assistant, Investigation and discipline coordinator, office clerk and 2 administrative assistants. \$403,071

Custody Support

1 new position, a custody support specialist \$173,418

Finance

3 new positions, staff accountant, Controller DHCCS and a accounting specialist \$478,125

Communications

2 new positions, Communications manager and a communications associate. \$227,150

Medical

4 new positions, Chief Quality & Safety Officer, Director of Patient Grievances, Director of Clinical Transformation and a Administrative assistant. \$678,363

Medical Technology

Proposed 4 new positions, Director of Healthcare Information Intergration, Director of Knowledge Management, Director of Enterprise Imaging, & Director of Clinical Lab. \$794,875

Effect of full year Salary, Wages & benefits of existing employees \$1,290,878

\$4,045,880

Professional Fees

Administration

Increase in Consulting fees for IT services and projected employee recruiting costs \$70,000

Legal

Additional Legal fees due to increased activities of the receivership in the areas of Construction (contracting & Procurement), Litigation and Healthcare operation and transactions. \$470,000

Nursing

Increase on-site nursing consultation cost and major design project related to a system wide nursing care system \$1,173,880

CPR, Inc
2007/08 Budget
Variance Explanations

Professional Fees (Con't)

Finance

Audit and internal control documentation for CPR

Consulting fees related to: documentation related to internal control; documentation of accounting & budgeting system; inventory of medical care assets; and development of provider contracts and panels at CDCR. \$4,261,000

IT

Information services consulting for system wide integration of health care systems \$3,050,500

Medical

Increase due do a full year of on-site physician review and consulting \$107,700

Clinical Services

Increase do to the a full year of the Pharmacy outsourcing contract that went into effect 1/1/07. \$5,069,234

Medical Technology

Consulting services in the areas of Medical Records, Laboratory, medical Imaging, Telemedicine, and process improvement for contractors. \$1,350,000

Total Projected Increase of Professional Fees \$15,552,314

Rent

Additional receiver office space in Sacramento \$308,696

Other Expenses

Nursing

Increase due primarily for staff attendance at three national conferences: the ACHSA;, the NCCHC; and the National Health Care standards. \$36,200

Communications

Anticipated Increased costs related to Publications, Events, Tours, Video and Photography \$86,735

IT, Medical Technology, other

Increased attendance at Training and Conference events for mangers and staff. \$78,161

\$201,096

CPR, Inc
2007/08 Budget
Variance Explanations

CAPITAL

Facilities

Design and construction of new Central Health Building and support facilities for the evaluation and management of inmate health care at San Quentin

Interim financing provided from funds allocated to the Receiver in the 2006-2007 Budget Bill. Final and complete financing of project is anticipated to be provided through lease revenue bonds authorized by the Legislature for issue in 2007 \$91,348,000

Clinical Services

Design, construction and implementation of a centralized pharmacy to safely and efficiently distribute pharmaceuticals to inmate patients state wide \$6,605,000

IT (Information Technology) \$990,000

Equipment, software and internet connectivity for video and voice conferencing at CPR headquarters in San Jose, the Sacramento office and through out the state

Medical Technology

Connectivity and subscription to web based medical journal, report and research sites \$200,000

Administration and Finance

Miscellaneous work station, software and other internal IT related items \$30,000

Sub-total \$99,173,000

Capital for clinical and support space costs at 5 to 8 prison facilities. \$31,415,513

Total capital \$130,588,513