

Silicon Valley / San Jose Business Journal - September 7, 2010  
[/sanjose/stories/2010/09/06/daily15.html](#)

## SILICON VALLEY / SAN JOSE Business JOURNAL

Tuesday, September 7, 2010, 1:51pm PDT

# Santa Clara Medical Center cost-saving unclear

Silicon Valley / San Jose Business Journal - by [Mary Duan](#)

County auditors are unable to verify how much money **Santa Clara Valley Medical Center** saved as a result of \$20 million contract with **Deloitte Consulting**.

The hospital and health system's \$1.2 billion budget is the largest expense the county has in its \$4.4 billion budget. The county is projecting a deficit for 2010-11 between \$230 million and \$250 million, of which \$110 million comes from the hospital system.

The hospital has reported the Deloitte engagement, known as "Transformation 2010," saved it \$63 million, about \$5 million more than the minimum targeted by Deloitte but \$14 million less than the \$78 million Deloitte believed it could achieve.

But county auditors can't confirm the results.

"In this report, the hospital is saying it's saved \$63 million and there is no way I was able to verify any numbers like that," said Santa Clara County Auditor Roger Mialocq, whose firm, San Francisco-based **Harvey M. Rose Associates** LLC, has been the county's management auditor since 1980.

"I know fundamentally the things Deloitte was recommending were good things, but I can't tell the board they saved \$63 million," Mialocq said. "I do know we paid Deloitte \$19.9 million, but how much we saved from it is unknown to us. We believe there are savings, but we can't put a dollar figure on it."

In his report, issued Aug. 30, Mialocq cautioned the Board of Supervisors to limit the dollar amount of future consulting contracts to no more than \$1 million. He further recommended that any consulting contracts exceeding \$100,000 be approved by the County Counsel and the county's management audit division.

Most of the Valley Med executives who were with the hospital when the contract launched in 2007 are no longer there, Mialocq said, including planning and business development director Jim Murphy and Kim Roberts, CEO of the county's health and hospital system.

Why these former executives did not establish airtight criteria as a basis for evaluation is unclear, he said.

But Mialocq pointed to several examples where sub-par record keeping led to the uncertainty. For example, the procurement department reported it bought \$500,000 in goods or services from a vendor in one year, and only \$400,000 in goods or services the following year, reporting that as \$100,000 in savings.

"You know you spent less, but you don't know you saved anything", Mialocq said. The methodology used to determine savings in contract work orders "has many built in deficiencies" that hinder its use in determining whether Deloitte's work led to savings.

Some savings also were based on the fact that positions were vacant. But audits are based on actual revenues and expenditures, not budgets because budgets are not real savings.

"What counts is the actual amount," Mialocq said.

Deputy county executive Sylvia Gallegos, acting director of the health and hospital system, said the hospital worked very hard to save \$63 million, but realizes there is a lot more work done.

Contact Mary Duan at 408.299.1830 or [mduan@bizjournals.com](mailto:mduan@bizjournals.com).

All contents of this site © American City Business Journals Inc. All rights reserved.