

**PENINSULA HEALTH CARE DISTRICT
RESPONSE TO THE CIVIL GRAND JURY REPORT
Re: PROVISION OF INDIGENT HEALTH CARE IN SAN MATEO COUNTY
Report Filed July 17, 2007
District Response Submitted October 5, 2007**

The Peninsula Health Care District Board agrees with the vast majority of the findings included in the Civil Grand Jury's Report and commends the Grand Jury for their efforts in analyzing the complex issue of providing healthcare to the indigent population of San Mateo County.

General Comments/Observations:

The health care system of this country has been under considerable strain for many years because of increasing medical costs due to new technology, increased demand driven by the changing demographics, and the "medicalization" of all aspects of contemporary life. All of these have contributed to the financial burden placed on the San Mateo Medical Center (SMMC).

The four proposals explored by the Grand Jury addressed the increasing operating losses experienced at SMMC over the past six years and concluded that they were primarily due to the number of indigent patients treated at the County facility. The report then pointed out that SMMC has "historically treated 95% of the indigent population" (pg 4) of the County, but does not provide a reference as to how this number was determined.

The report focused on dollars spent rather than patients served. To fully analyze indigent care as a part of SMMC's operating costs, it would be important to know how many indigent patients are new to the system versus repeat admissions or visits, the cost per admission, cost per day of hospital care, cost per episode of illness, etc. Another factor is the impact of the increased depreciation costs on the operating performance of SMMC due to the opening of the new hospital. These are important numbers when analyzing the problem and identifying possible solutions and omitting or misunderstanding them could result in short term, unsustainable solutions and missing an opportunity for broader, systemic changes that could reduce the cost burden experienced by SMMC for the long term.

The data provided in the tables on pages 10 and 11 further support this concern. The actual year-to-year percentage increases in costs to SMMC to provide healthcare to the indigent population as shown in Table 2 are in single digits, which is consistent with the hospital industry at large. The only exception is the ~23% change between FY 02-03 to FY 03-04, which is when the new hospital came on line and therefore suggests the impact of the increase in depreciation costs. It is also significant that Table 3 shows that nearly \$22 million of SMMC's operating deficit, or 37% of SMMC's draw on the General Fund in FY 05-06, was for "non-indigent" care. Of that, ~\$13 million or 59% was from patients covered by HMO's, Insurance, and Medicare. This is also consistent with the

general hospital industry's experience and symptomatic of much bigger systemic problems relative to costs out pacing reimbursements across all payer types.

The report also made the point that the amount coming from the County General Fund from 2001-2002 to 2006-2007 "has remained roughly constant" as a percentage of the overall County fund. This suggests escalation in total County operating costs, not just SMMC's, which would certainly be understandable given the growth of the economy and increasing tax revenues.

Based on the information provided in the report, the Grand Jury's conclusion to keep SMMC and to explore a possible change in the mix of services seems the best of the four options presented.

Comments Related to the Peninsula Health Care District (PHCD):

There seems to be an inaccurate underlying assumption in the report that the Districts and County health service mandates and missions overlap, entirely, without distinction. The audience is left with the impression that the purpose and intent of County Health Services provided by SMMC are the same as the purpose and intent of the Health Care Districts.

The legal mandates for SMMC and PCHD are different and distinct. The County Section 17000 mandate from the State defines SMMC's responsibility to cover health needs as the "provider of last resort" to indigent patients. The broader Health District authority established by the State Legislature is quite clear that Health Districts do not exist as providers of last resort or duplicate the role of Counties. This is manifest in the Legislative directive that Health Districts "not subsidize County patients" (Health & Safety Code Section 32125 (b)).

PCHD received \$3.6 million in tax revenues in fiscal year 2006-2007 and has as its legislated mandate to serve the health care needs of all residents within the District –not just those of the "indigent". Given both its legislated mandate and the 50-year Master Lease Agreement achieved between the District and Sutter/Mills-Peninsula Health Services (MPHS), the Board must be prudent in how it allocates its annual tax revenues.

The PHCD Board successfully negotiated and received an overwhelming 92% voter support of a **50-year**, (not 30-year as the report says on page 8), Master Lease Agreement with MPHS. This unique, well-conceived deal provides for a seismically sound, modern hospital replacement for Peninsula Medical Center at ***no cost to the tax payers – PHCD reserve funds will not be used to build the new hospital as suggested at the top of page 16.*** However, the Lease Agreement defines significant financial obligations over the 50-year term that will require the Board to manage assets with foresight in order to be prepared for the potential of "paramount default" by Sutter and the inevitability of its taking back ownership at the end of the term.

In 2004 the Healthy Community Collaborative of San Mateo reported that 86% of the County's adults have at least one risk factor for heart disease and that 50% of the premature deaths in the County "are because of alcohol, tobacco, drug use, poor diet...and other health risk behaviors." These findings span across all socio-economic

demographics. Indicators for a Sustainable San Mateo County, published this year by a collaborative group of sponsors called “Sustainable San Mateo County”, makes the critical point that a healthy society is inextricably linked to a healthy environment and healthy economy. This report delineated many health-related priority areas such as childhood obesity, child abuse, adult risk behaviors, and homelessness. Both of the reports make the point that to achieve a healthy community, the County must take a broad approach.

It is appreciated that the Grand Jury Report acknowledged the PHCD’s grant program and that it cited a few of the organizations that have been supported. We agree with the Report’s statement that PCHD does not give money “directly to SMMC” for indigent care. However, the funding provided to Samaritan House and the Children’s Health Initiative does *directly provide services to the indigent population for whom SMMC responsible*. The District has provided more than \$1.5 million a year to the two programs cited above, as well as, the Youth and Family Assistance Crisis Center and Insights Program, Senior Focus Alzheimer’s and Wellness Clinics, Women’s Recovery Center, the College of San Mateo Nursing Program and an RN Loan Forgiveness Program to encourage graduates to remain in the District - *all contribute indirectly to the operating costs at SMMC through access to primary care, crisis intervention, and prevention*.

Grand Jury Recommendations and PCHD Responses

Recommendation 1: Review the funding for community health care initiatives and consider increasing contributions for direct indigent health care.

District Response: *This recommendation has been implemented.*

The PHCD Board reviews its community health care initiatives annually and strives to optimize both the amounts and the impact of its contributions. This past year, the Board’s review was augmented by a 10-month strategic planning process that resulted in its 2007-2010 Strategic Plan, which was approved at the August 23, 2007 regular Board Meeting. The process was facilitated by health care planning experts. Plan development was driven by data and findings from a number of recent community reports (E.g. Healthy Communities of San Mateo County, the Board of Supervisor’s Blue Ribbon Task Force, MPHS strategic planning data, LAFCo Report, etc.), as well as, Board Director participation on the Blue Ribbon Task Force, and input from the community-at-large through five Town Hall Meetings. The Board’s Vision, Mission, Values and Goals are summarized below and confirm our achievement of Recommendation 1.

Our Vision: That all residents of the District live in an environment that contributes to optimal health through education, prevention, and access to needed health care services.

Our Mission: We will preserve Peninsula Hospital, ensure that needed core services are maintained, support programs that share our vision, and do so in

collaboration with public and private service providers and the members of our community.

Our Values: Stewardship, collaboration, inclusion, shared responsibility, and transparency.

Our Goals:

- Preserve Peninsula Hospital as a community asset.
- Achieve measurable improvements in identified health problems
- Improve availability of and access to health information and services for all residents in the District.
- Ensure sufficient resources to achieve the Board's vision, mission, strategic initiatives, and financial obligations.

As further example of the Board's work in funding community health initiatives it should be noted that the PHCD FY 07-08 grants budget was increased to \$2 million and a new ad hoc Advisory Committee has been established to increase community input into the PHCD's grant review process.

Recommendation 2: Work with the San Mateo Medical Center to promote proactive, preventative health care initiatives to WELL Program participants and to the broader community.

District Response: *This recommendation has been implemented.*

The Peninsula Health Care District is geographically located in San Mateo County and has always collaborated with others who share the PHCD's commitment to preventive health care. Board representatives have actively served, along with SMMC leadership, on committees and work groups focused on health issues of this community. In addition to the strategic plan goals delineated above and the activities that went into the development of that plan, the addition of a new Executive Director in May 2007 will extend the PHCD's opportunity to actively participate in county-wide collaborative activities.