TRINITY COUNTY GRAND JURY

2003-2004

HEALTH AND HUMAN SERVICES COMMITTEE
FINAL REPORT

REVIEW OF TRINITY HOSPITAL AND HEALTH CARE SYSTEM

This report was approved on January 19, 2004

2003-2004 Trinity County Grand Jury
Health and Human Services Committee
Final Report

Trinity Hospital and Health Care System

Purpose:

It is the duty of the Grand Jury to periodically review the operations of county governmental entities. This report addresses Trinity Hospital, which operates as an enterprise fund within Trinity County.

Background:

The Trinity County Grand Jury began its investigation of Trinity Hospital in July 2003, recognizing that the status of the hospital was a critical issue. Many of the problems identified at Trinity Hospital have a long history. Personnel disputes have simmered for years, sapping the morale and financial strength of the hospital. Maintenance deferred due to lack of funding has worsened problems with the physical plant, leading to the current crisis with the roof.

Hospital operation, finances, staffing issues and regulations are extremely complex and time-consuming to investigate. The Grand Jury recognized that we did not have the time to conduct an in-depth investigation into specific proposals to increase hospital revenues, such as establishing an orthopedic surgery practice. Instead, we reviewed what other small rural hospitals have done to remain in operation, in the hope that we can learn from their experiences. Recognizing the financial and physical hurdles that the hospital faces, we also investigated whether preparations were being made for potential closure to ensure that a basic health care system remains in Trinity County.

There are many issues still to be addressed. We regret that we have not had the time to interview the medical staff and explore their concerns. These topics may be the subject of future reports. Since this report has been in preparation for months, we realize that certain recommendations may be implemented before it is officially published. However, in the interest of timeliness, we present this report.

Method of Investigation:

The Grand Jury conducted interviews with a member of the Trinity County Board of Supervisors, interim Trinity County Administrative Officer, interim Trinity Hospital Administrator, the hospital's Chief Financial Officer, and two administrators of other small, rural, north-state hospitals. The Trinity County Fire Chief's Association provided input. Information was obtained from a member of the Southern Humboldt Community Healthcare District (Garberville Hospital), insurance agents who provide health

insurance within Trinity County, the California Department of Health Services and the Center for Economic Development at Chico State University. Numerous reports were reviewed, including the hospital's monthly financial narratives, the Trinity County Hospital Survey, an overview of uninsured Trinity County patients, and financial statements for the clinic. Numerous documents were reviewed from websites for the California Office of Statewide Health Planning (OSHPD), the Department of Health Services, the Association of California Healthcare Districts, and the California State Rural Health Association. The California Health and Safety Codes and Welfare and Institution codes were reviewed.

Finding #1:

Long-Range Planning

At one time, the Hospital Administrator and consultant were developing a five-year business plan for the hospital. This long-range plan was scheduled for completion in the first quarter of 2003, but was delayed following termination of the previous Hospital Administrator. A business plan is a basic, common-sense necessity to avoid crisis management. In addition, it would be needed if the County decides to pursue establishment of a healthcare district. The interim Hospital Administrator had tabled development of the five-year plan and instituted a short-term management strategy. Currently, there are no other efforts to develop a long-range plan for the hospital in any other format.

Recommendation #1:

Immediately begin development of a long-range plan, incorporating Recommendations 2 and 3, below.

Finding #2:

Financing of a Health Care System

The overall financial situation for small rural hospitals is dire and getting worse. During the past three years, 20% of rural hospitals have closed or gone bankrupt. California has 71 rural hospitals, of which 76% lose money (source: California State Rural Health Association). A similar county-subsidized hospital, Modoc Medical Center, is in debt over $3.5 million dollars. Other rural north-state hospitals that have remained solvent have needed a supplemental, dedicated source of funding to offset losses.

The Grand Jury reviewed potential sources of funding for health care. Funds received from the State, such as health re-alignment funds and tobacco settlement funds are distributed among mandated County programs. The County receives approximately $1.5 million in health re-alignment funds, which pays for the County Medical Services Program (CMSP exceeded $619,000 in 2002-2003), operation of the public health department, inmate health care, etc. $100,000 was dedicated to the hospital in the

2003-2004 budget. Increased diversion of those funds to pay for the hospital's operating expenses is not feasible since the County would have to find the funds to operate other health care programs. Increase of the Transient Occupancy Tax (TOT) would provide less than 5% of the operating deficit. Impact fees, leveed on new construction, are dedicated to the school system by state law. Grants are not available to cover operating costs for the hospital. The Solid Waste Assessment ($100 per improved parcel) was approved prior to the passage of Propositions 13 and 218 and can not be diverted to the hospital. An increase in the sales tax rate is a possible option if approved by over 66% of the voters. However, the effect on local businesses would have to be evaluated.

To address the funding issue, other rural north-state hospitals have established a local healthcare district or special district to provide supplemental funding. After their hospitals closed or went bankrupt, local citizens banded together to form a healthcare district and re-open their hospital. Assessments range from $100 per parcel to $150 per occupied household. The hospitals provide basic, stripped-down services, including an emergency room, a small number of acute beds, a laboratory and skilled nursing facility. One includes a rural health clinic and the others have clinics operated by private providers. Patients in need of more intensive care are referred to larger regional hospitals.

Creation of a Trinity HealthCare District is the most appropriate funding source to ensure that a basic healthcare system is available to all Trinity County residents. The California Health and Safety Code (Sections 32000 – 32508) guides the establishment of Health Care Districts. Section 32121 lists the many powers of a district, which include:

1. To establish, maintain and operate or provide assistance in the operation of one or more health facilities or health services...

2. To acquire, maintain and operate ambulances or ambulance services within and without the district.

3. To establish, maintain and operate, or provide assistance in the operation of, free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, aftercare, and any other health care services provider, groups and organizations that are necessary for the maintenance of good physical and mental health in the communities served by the district.

A Trinity HealthCare District would not be limited to support of Trinity Hospital. **It would provide a mechanism to coordinate and fund health care throughout the County, benefiting all citizens.** There are 77 healthcare districts in California, of which 59 operate or lease hospitals. Eighteen healthcare districts provide health services only, such as clinics and emergency services (source: Association of California Healthcare Districts). Depending on the wishes of Trinity County citizens, a

healthcare district could provide supplemental funding to Trinity Hospital, emergency and ambulance services, and clinics. In the event that Trinity Hospital closes, the district could fund clinics and ambulance services.

A healthcare district is governed by a five member board, which serves without a salary. The first board is appointed by the Board of Supervisors and serve two to four year terms. As their initial terms expire, the appointed members are replaced by an elected board. The election of representatives dedicated solely to the oversight of a health care system for Trinity County would eliminate many of the concerns regarding the Board of Supervisors oversight of Trinity Hospital.

The process to establish a Trinity HealthCare District is time consuming. The Local Agency Formation Committee (LAFCo) is required to review the formation of special districts. A description of the proposed district boundaries, proposed activities and budget must be submitted. The long-range plan described in Finding #1 is used to determine the proposed activities and budget, which are then used to develop a proposed assessment. LAFCo approves the format of a petition to place the formation of the healthcare district on the ballot. The petition must be signed by 12% of the registered voters within the proposed special district. Two issues are placed on the ballot: whether to create the special district and whether to authorize an associated assessment (tax). The first issue requires the approval of a majority of voters, while the assessment of taxes must be approved by greater than 66% of voters.

Healthcare districts have chosen different methods of leveeing assessments, ranging from taxes collected on all parcels to taxes collected only on occupied parcels. Another option is to collect taxes by property owner, so that people who own multiple parcels would only pay one assessment. Some healthcare districts have chosen to place a time limit on the assessment and the assessment must be periodically re-approved by voters. Incentives could be developed for voter approval of the assessment, such as providing a credit against hospital, clinic or ambulance bills to landowners who have paid their tax for that year. The citizens of Trinity County can determine the most equitable method of collecting taxes to fund the district.

Recommendation #2:

A. Immediately undertake the necessary steps to place a proposed Trinity HealthCare District on the November, 2004 ballot.

B. Immediately hold a series of public meetings (in Weaverville, Hayfork, etc.) to solicit comment on the public's prioritized health care needs to be paid for through a Trinity HealthCare District, for example, a hospital with an emergency room; access to clinics in Weaverville, Hayfork and Southern Trinity and subsidies for ambulance and emergency services.

C. Immediately hold a series of public meetings (in Weaverville, Hayfork, etc.) to solicit comment on a payment structure for a Trinity HealthCare District that seems most equitable to voters, including credit for an annual payment against hospital or clinic bills.

D. Develop an informational program to educate voters about the benefits of a Trinity HealthCare District, such as an elected Board and dedicated funds for a variety of healthcare services (including, but not limited to the hospital).

Finding #3:

Sources of Increased Revenue

In addition to creation of a healthcare district, other small rural hospitals that have remained solvent have taken steps to maximize the reimbursement rates from Medicare, Medi-Cal and cash payers.

In 1997 the Medicare Rural Hospital Flexibility Program established Critical Access Hospitals (CAHs) as a method to preserve access to rural health care for Medicare recipients. CAHs must meet certain eligibility requirements (including a 15 acute bed limit and potentially increased costs) in return for higher Medicare reimbursement rates. The costs of converting to CAH status must be weighed against potentially higher reimbursement and are dependent on the proportion of Medicare patients compared to other payment sources. Other north-state rural hospitals have completed studies to evaluate costs versus benefits and have elected to convert to CAH status. Trinity Hospital has not yet completed its evaluation of whether it would be beneficial to participate in the program.

Reimbursement rates would be increased under the State's Medi-Cal program if the clinic qualified for designation as a rural health clinic. To qualify for such a designation, over 50% of the clinic patients must come from a "rural" area, which excludes Weaverville. Weaverville does not qualify as a "rural" area because of the ratio of patients to physicians. In April 2002, staff performed a preliminary evaluation of whether more than 50% of the clinic patients came from rural areas based on zipcode. Slightly more than half of the clinic patients listed Weaverville addresses, which presumably disqualified the clinic from rural status. The study was very rudimentary and based on older data. No recent or thorough evaluation of whether the clinic qualifies for rural health designation (and increased Medi-Cal reimbursement rates) has been conducted.

A significant number of patients in Trinity County pay cash for health care services. For certain medical procedures they may receive a discount from Redding medical providers if payment is provided upon admission. Other hospitals offer discounts for bills paid within a short period of time. Trinity Hospital has been unable to offer a similar cash payment incentive because of an inadequate billing system and the requirement to offer the same early payment discounts to Medicare or Medi-Cal.

For fiscal year 2002-2003, Trinity Hospital had a bad debt provision of over $844,000, a portion of which may be collected in the future. These are patients who used services at the hospital but did not pay. Some chose not to pay, but many can't afford to pay. Patients on limited incomes may qualify for programs such as Medi-Cal, CMSP or charity care, which would then reimburse the hospital for services provided. However, certain patients chose not to complete the paperwork necessary to qualify them for these programs, which decreases the hospital's revenue and places a greater financial burden on Trinity County. It is important for uninsured, limited income patients to realize that they can contribute positively to the hospital and clinic's bottom line by qualifying for financial support programs, when appropriate.

Recommendation #3:

A. Immediately complete the assessment of the costs and benefits of converting to Critical Access Hospital status. If appropriate, apply for Critical Access Hospital accreditation to increase the Medicare reimbursement rate.

B. Conduct a formal evaluation of the clinic, and generate a written report, to determine if it qualifies for a Rural Health designation and increased Medi-Cal reimbursement rates.

C. Develop an incentive program for cash payments.

D. Develop an outreach program for uninsured patients who may qualify for Medi-Cal, CMSP or charity payments to ensure they complete paperwork.

Finding #4:

Economic Impact of Closure of the Hospital and Associated Facilities

The economic impact of closure of the hospital and associated clinic and skilled nursing facility has not been quantified, but would obviously be severe. The Center for Economic Development (CED) at Chico State has performed studies to evaluate the impact of closure of hospitals. For other rural communities, closure of the hospital would result in direct impacts such as loss of 4 to 20% of the community's jobs. Indirect impacts included decreased revenue for schools (as hospital employees with families moved away) and an exodus of senior citizens who felt that accessible health care was critical. The CED study did not address decreases in property values; however, in a survey conducted by the Trinity County Board of Supervisors, over 75% of respondents thought their property values would decrease if the hospital closed. The lack of an adequate health care system is also likely to discourage new residents and businesses from relocating to Trinity County.

Trinity County is obligated to provide health care to indigent residents, according to Section 17000 of the Welfare and Institutions Code. Several court cases have upheld this basic obligation, despite a County's financial constraints. In the event that the hospital and associated clinic close, the Department of Health Services will require the County to provide alternative health care for indigents, such as contracts for transporting patients to another facility. To date, the County has not quantified the cost to meet these obligations or made this information available to the public.

An immediate impact of hospital closure would be the need to provide expanded emergency health care. The current resources of Trinity Life Support and the volunteer fire departments are stretched thin, almost to the breaking point. To meet public health and safety needs, the County must provide greater financial support to Trinity Life Support and emergency medical services to purchase additional equipment and supplies, increase staffing levels and subsidize overhead costs.

Many residents assume that if the hospital closes, the financial burden on the County would cease. However, the hospital has long-term financial obligations, such as repayment of the debt to the County and a small, deferred liability to CALPERS. To date, the County has not made information available to the public regarding financial obligations that will remain if the hospital closes.

If the hospital closes, documentation of the costs for indigent care, supplemental emergency service and long-term financial obligations must be done as part of the budget process and will not place an additional financial burden on the County. The economic impact study can be done at minimal cost to the County (approximately $2000).

Recommendation #4:

A. Develop a contract with the Center for Economic Development at Chico State, or similar provider, to perform an economic impact study of hospital closure.

B. Document the continued costs to the County, if the hospital closes, for legally mandated indigent care (including transportation costs to Redding) and distribute that information to the public.

C. Document the continued costs to the County, if the hospital closes, for increased subsidies for ambulance and emergency medical services and distribute that information to the public.

D. Document the continued costs to the County, if the hospital closes, for long-term financial obligations and repayment of current debt and distribute that information to the public.

Finding #5:

Contingency Planning

The financial woes of the hospital are nothing new. Yet the County has not developed a contingency plan in the event of hospital closure. The County should be exploring options to provide alternative health care to citizens of Trinity County in the event of hospital closure, even temporarily.

The Skilled Nursing Facility (convalescent home) associated with the hospital receives a higher rate of reimbursement from Medicare because it is physically associated with the hospital. If the hospital closes, it is unlikely that the nursing facility will remain open for two reasons. First, the services that support the nursing facility (electrical, air-conditioning, dietary kitchen, etc) are intertwined with the hospital. Second, the reimbursement rate would decrease, making the nursing facility financially unstable.

Recommendation #5:

A. Develop a contingency plan for provision of health care in the event the hospital closes, including expansion, modification and alternative licensing of the Trinity Community Health Clinic or appropriate expansion of other clinic services throughout the county.

B. Set up a meeting between local physicians, County staff and Hospital Administrator to obtain their input on alternative health care in the event of hospital closure.

C. Develop a transition plan to assist residents of the skilled nursing facility and their families to find alternative accommodations.

Finding #6

Retention of Long-term Options

The County should not take any action that would reduce options for re-opening the hospital in the event of closure. One rural hospital was closed for a temporary period and the emergency equipment was sold, so when they managed to reopen they had to borrow equipment for sometime until they could afford to purchase it. It took over two years to get it reopened. If the hospital is closed with a debt exceeding $2,000,000, the sale of the equipment appears to be a source that the Board of Supervisors would sell off to recoup some of their losses.

Recommendation #6

If Trinity Hospital is closed temporarily or permanently, equipment must not be sold for a period of three to five years, allowing input from all sources relying heavily on a group representing pre-hospital care and health care officials.

Finding #7:

Dissemination of Public Information

The County has not effectively communicated the status of the hospital, funding options or other related health care issues, such as closure of the skilled nursing facility or clinic. Nor have they provided a forum for the public to provide input regarding their concerns about the hospital and health care or a mechanism for the public to provide assistance.

Currently, the Board of Supervisors serves as the hospital's Board of Directors. Their meetings are held at 1:30 pm during the first regularly scheduled Board meeting of each month. During that meeting the Hospital Administrator provides a verbal (not written) update on the hospital status. However, many citizens are unable to attend a meeting during working hours. As a result, it is difficult for many citizens to keep up to date on the hospital status.

Recommendation #7:

A. Create a Trinity HealthCare Advisory Committee to provide a forum for the public to provide input on the hospital and health care and a mechanism for the public to provide assistance.

B. Hold the hospital Board of Directors meeting in the evening or require the Hospital Administrator to submit a monthly written status report.

Conclusion:

It is imperative that the County Board of Supervisors, with input from citizens, develop a vision for providing health care in Trinity County and a plan for accomplishing that vision. The Board of Supervisors should take an active role in the development of this plan, rather than relying passively on the recommendation of a consultant. They should visit other rural hospitals and health care districts and learn from their experiences.

The closure of Trinity Hospital would severely impact the quality of health care in the County. There is a critical need to immediately develop a contingency plan to provide health care in the event the hospital closes.

The residents of Trinity County must be able to make intelligent choices about their health care system. In the event the hospital closes, they need information on the costs of providing alternative health care and the economic losses to the county. Citizens must realize that if they want health care beyond that provided in adjacent counties they must be willing to shoulder part of the financial burden.

The Grand Jury strongly recommends the creation of a Trinity HealthCare District to fund and coordinate health care throughout the county. The property assessment must be based on the level of health care desired by citizens, which may or may not include a hospital.

Responses Required:

All of the recommendations listed above are directed to the Board of Supervisors or their designated staff. Under Penal Code 933, the following entities are required to respond to the listed findings within the time period indicated:

Entity	Finding	Recommendation	Respond In:
Hospital Administrator	1,3,4D,5,6,	1,3,4D,5,6,	60 days
County Administrative Officer	1,2,3,4,5,6,7,	1,2,3,4,5,6,7,	60 days
Trinity County Board of Supervisors	1,2,3,4,5,6,7	1,2,3,4,5,6,7	90 days

TRINITY COUNTY

BRIAN E. MUIR, COUNTY AUDITOR-CONTROLLER
DAVID NELSON, CHIEF DEPUTY AUDITOR-CONTROLLER
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093
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TO: The Honorable Anthony Edwards,
Presiding Judge of the Superior Court

FROM: Brian Muir, Auditor – Controller

CC: Kelly Frost, Deputy Clerk to the Board of Supervisors

SUBJECT: Response to Recommendations of 2003-04 Grand Jury Health and Human Services Committee Report re: Review of Trinity Hospital and Health Care System

DATE: March 23, 2004

The Grand Jury Health and Human Services Committee has requested a written response to their final report on Review of Trinity Hospital and Health Care System. In my capacity as Auditor – Controller performing the duties of County Administrative Officer my response is as follows:

Finding #1: Long-Range Planning

At one time, the Hospital Administrator and consultant were developing a five-year business plan for the hospital. This long-range plan was scheduled for completion in the first quarter of 2003, but was delayed following termination of the previous Hospital Administrator. A business plan is a basic, common-sense necessity to avoid crisis management. In addition, it would be needed if the County decides to pursue establishment of a healthcare district. The interim Hospital Administrator had tabled development of the five-year plan and instituted a short-term management strategy. Currently, there are no other efforts to develop a long-range plan for the hospital in any other format.

Response: I agree. It is appropriate to create a long-term business plan for Trinity Hospital.

Recommendation #1: The recommendation has been implemented. The Hospital Administrator has begun work on a long-range plan.

Finding #2: Financing of a Health Care System

The overall financial situation for small rural hospitals is dire and getting worse. During the past three years, 20% of rural hospitals have closed or hone bankrupt. California has 71 rural hospitals, of which 76% lose money (source: California State Rural Health Association). A similar county-subsidized hospital, Modoc Medical Center, is in debt over $3.5 million dollars. Other rural north-state hospitals that have remained solvent have needed a supplemental, dedicated source of funding to offset losses.

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A Trinity HealthCare District would not be limited to support of Trinity Hospital. **It would provide a mechanism to coordinate and fund health care throughout the County, benefiting all citizens.** There are 77 healthcare districts in California, of which 59 operate or lease hospitals. Eighteen healthcare districts provide health services only, such as clinics and emergency services (source: Association of California Healthcare Districts). Depending on the wishes of Trinity County citizens, a healthcare district could provide supplemental funding to Trinity Hospital, emergency and ambulance services, and clinics. In the event that Trinity Hospital, emergency and ambulance services, and clinics. In the event that Trinity Hospital closes, the district could fund clinics and ambulance services.

A healthcare district is governed by a five member board, which serves without a salary. The first board is appointed by the Board of Supervisors and serve two to four year terms. As their initial terms expire, the appointed members are replaced by an elected board. The election of representatives dedicated solely to the oversight of a health care system for Trinity County would eliminate many of the concerns regarding the Board of Supervisors oversight of Trinity Hospital.

The process to establish a Trinity HealthCare District is time consuming. The Local Agency Formation Committee (LAFCo) is required to review the formation of special districts. A description of the proposed district boundaries, proposed activities and budget must be submitted. The long-range plan described in Finding #1 is used to determine the proposed activities and budget, which are then used to develop a proposed assessment. LAFCo approves the format of a petition to place the formation of the healthcare district on the ballot. The petition must be signed by 12% of the registered voters within the proposed special district. Two issues are placed on the ballot: whether to create the special district and whether to authorize an associated assessment (tax). The first issue requires the approval of a majority of voters, while the assessment of taxes must be approved by greater than 66% of voters.

Healthcare districts have chosen different methods of leveeing assessments, ranging from taxes collected on all parcels to taxes collected only on occupied parcels. Another option is to collect taxes by property owner, so that people who own multiple parcels would only pay one assessment. Some healthcare districts have chosen to place a time limit on the assessment and the assessment must be periodically re-approved by voters. Incentives could be developed for voter approval of the assessment, such as providing a credit against hospital, clinic or ambulance bills to landowners who have paid their tax for that year. The citizens of Trinity County can determine the most equitable method of collecting taxes to fund the district.

Response: I agree in part. The only possible way to fund the Hospital going forward is through a parcel assessment, but this does not require formation of a hospital district.

Recommendation #2A: The recommendation has been implemented in part. The Board of Supervisors has voted to place an assessment on a June, 2004, mail ballot.

Recommendation #2B: The recommendation will be implemented in part. Public meetings will be held to solicit public comment prior to the June ballot measure.

Recommendation #2C: The recommendation will not be implemented in part. The payment structure for the assessment has already been specified by the Board of Supervisors in preparing the June ballot measure.

Recommendation #2D: I have no authority to implement this recommendation.

Finding #3: Sources of Increased Revenue

In addition to creation of a healthcare district, other small rural hospitals that have remained solvent have taken steps to maximize the reimbursement rates from Medicare, Medi-Cal and cash payers.

In 1997 the Medicare Rural Hospital Flexibility Program established Critical Access Hospitals (CAHs) as a method to preserve assess to rural health care for Medicare recipients. CAHs must meet certain eligibility requirements (including a 15 acute bed limit and potentially increased costs) in return for higher Medicare reimbursement rates. The costs of converting to CAH status must be weighed against potentially higher reimbursement and are dependent on the proportion of Medicare patients compared to other payment sources. Other north-state rural hospitals have completed studies to evaluate costs versus benefits and have elected to convert to CAH status. Trinity Hospital has not yet completed its evaluation of whether it would be beneficial to participate in the program.

Reimbursement rates would be increased under the State's Medi-Cal program of the clinic qualified for designation as a rural health clinic. To qualify for such a designation, over 50% of the clinic patients must come from "rural" area, which excludes Weaverville. Weaverville does not qualify as a "rural" area because of the ratio of patients to physicians. In April 2002, staff performed a preliminary evaluation of whether more than 50% of the clinic patients came from rural areas based on zipcode. Slightly more than half of the clinic patients listed Weaverville addresses, which presumably disqualified the clinic from rural status. The study was very rudimentary and based on older data. No recent or thorough evaluation of whether the clinic

qualifies for rural health designation (and increased Medi-Cal reimbursement rates) has been conducted.

A significant number of patients in Trinity County pay cash for health care services. For certain medical procedures they may receive a discount from Redding medical providers of payment is provided upon admission. Other hospitals offer discounts for bills paid within a short period of time. Trinity Hospital has been unable to offer similar cash payment incentive because of an inadequate billing system and the requirement to offer the same early payment discounts to Medicare or Medi-Cal.

For fiscal year 2002-2003, Trinity Hospital had a bad debt provision of over $844,000, a portion of which may be collected in the future. These are patients who used services at the hospital but did not pay. Some chose not to pay, but many can't afford to pay. Patients on limited incomes may qualify for programs such as Medi-Cal, CMSP or charity care, which would then reimburse the hospital for services provided. However, certain patients chose not to complete the paperwork necessary to qualify them for these programs, which decreases the hospital's revenue and places a greater financial burden on Trinity County. It is important for uninsured, limited income patients to realize that they can contribute positively to the hospital and clinic's bottom line by qualifying for financial support programs, when appropriate.

Response: I agree. It is important to maximize the revenues received for services provided at Trinity Hospital.

Recommendation #3A: The recommendation has been implemented. In January of 2004, the consulting firm of Clark, Lowry & Koortbojian provided the Board of Supervisors with a report evaluating a critical access financial model for Trinity Hospital. The report indicated that the Hospital would increase revenues by approximately $200,000 per year by downsizing services and converting to a critical access license. The Hospital Administrator is working to obtain a critical access license for Trinity Hospital.

Recommendation #3B: The recommendation will not be implemented. Under current regulations we already know that the area around the Hospital has too many physicians to qualify for the rural health designation.

Recommendation #3C: The recommendation will be implemented within 60 days. The Hospital has contracted with an outside agency to prepare billings, and the Hospital Administrator has indicated that the new service will enable the Hospital to develop a discount for cash payments.

Recommendation #3D: The recommendation has been implemented. The Hospital will continue to assist uninsured patients in completing the application paperwork for programs to provide assistance in covering hospital charges.

Finding #4: Economic Impact of Closure of the Hospital and Associated Facilities

The economic impact of closure of the hospital and associated clinic and skilled nursing facility has not been quantified, but would obviously be severe. The Center for Economic Development (CED) at Chico State has performed studies to evaluate the impact of closure of hospitals. For other rural communities, closure of the hospital would result in direct impacts such as loss of 4 to 20% of the community's jobs. Indirect impacts included decreased revenue for schools (as hospital employees with families moved away) and an exodus of senior citizens who felt that accessible health care was critical. The CED study did not address decreases in property values; however, in a survey conducted by the Trinity County Board of Supervisors, over 75% of respondents thought their property values would decrease if the hospital closed. The lack of an adequate health care system is also likely to discourage new residents and businesses from relocating to Trinity County.

Trinity County is obligated to provide health care to indigent residents, according to Section 17000 of the Welfare and Institutions Code. Several court cases have upheld this basic obligation, despite a County's financial constraints. In the event that the hospital and associated clinic close, the Department of Health Services will require the County to provide alternate health care for indigents, such as contracts for transporting patients to another facility. To date, the County has not qualified the cost to meet these obligations or made this information available to the public.

An immediate impact of hospital closure would be the need to provide expanded emergency health care. The current resources of Trinity Life Support and the volunteer fire departments are stretched thin, almost to the breaking point. To meet public health and safety needs, the County must provide greater financial support to Trinity Life Support and emergency medical services to purchase additional equipment and supplies, increase staffing levels and subsidize overhead costs.

Many residents assume that if the hospital closes, the financial burden of the County would cease. However, the hospital has long-term financial obligations, such as repayment of the debt to the County and a small, deferred liability to CALPERS. To date, the County has not made information available to the public regarding financial obligations that will remain if the hospital closes.

If the hospital closes, documentation of the costs for indigent care, supplemental emergency service and long-term financial obligations must be done as part of the budget process and will not place an additional financial burden on the County. The economic impact study can be done at minimal cost to the County (approximately $2000).

Response: I agree. To the extent that they can be quantified, costs associated with closing the Hospital should be included in contingency plans.

Recommendation #4A: The recommendation has been implemented. The Center for Economic Development at Chico State has been retained to do an economic impact study of a closure of the Hospital.

Recommendation #4B: The recommendation will not be implemented. Costs for legally mandated indigent care are not readily available, but they should be minimal.

Recommendation #4C: The recommendation will be partially implemented. A draft plan of the cost of ambulance and emergency medical services in the event the Hospital closes has been prepared. It is anticipated that actual costs will be substantially lower than the plan estimates due to other assistance including grant funding for ambulance purchases. The plan is available for use as information relating to the need for a healthcare district.

Recommendation #4D: The recommendation has been implemented. As County Auditor/Controller, I have regularly advised the Board of Supervisors in public meetings over the last two years regarding the negative cash flow at the Hospital and the resulting deficit in the Hospital Fund. I have always made it clear that the deficit must be repaid. I will continue to advise the Board about the Hospital debt and possible repayment options.

Finding #5: Contingency Planning

The financial woes of the hospital are nothing new. Yet the County has not developed a contingency plan in the event of hospital closure. The County should be exploring options to provide alternate health care to citizens of Trinity County in the event of hospital closure, even temporarily.

The Skilled Nursing Facility (convalescent home) associated with the hospital receives a higher rate of reimbursement from Medicare because it is physically associated with the hospital. If the hospital closes, it is unlikely that the nursing facility will remain open for two reasons. First, the services that support the nursing facility (electrical, air-conditioning, dietary kitchen, etc.) are intertwined with the hospital. Second, the reimbursement rate would decrease, making the nursing facility financially instable.

Response: I agree in part. The County has developed contingency plans to deal with a Hospital closure, but they need to be formalized and expanded.

Recommendation #5A: The recommendation will be implemented in the next 90 days. The Hospital Administrator is developing a contingency plan for healthcare services in the event the Hospital closes.

Recommendation #5B: The recommendation will be implemented in the next 60 days. The Hospital Administrator will meet with local physicians and appropriate County staff to obtain input on alternative healthcare in the event the Hospital closes.

Recommendation #5C: The recommendation has been implemented. The County would assist residents of the skilled nursing facility and their families in finding alternative accommodations. This effort can not be completed in advance since availability of alternative accommodations will be a function of vacancies at other facilities at the time of closure.

Finding #6: Retention of Long-term Options

The County should not take any action that would reduce options for re-opening the hospital in the event of closure. One rural hospital was closed for a temporary period and the emergency equipment was sold, so when they managed to reopen they had to borrow equipment for sometime until they could afford to purchase it. It took over two years to get it reopened. If the hospital is closed with a debt exceeding $2,000,000, the sale of the equipment appears to be a source that the Board of Supervisors would sell off to recoup some of their losses.

Response: I agree. The County should not take actions to reduce options for reopening the Hospital if it should close.

Recommendation #6: The recommendation will not be implemented. Not selling any equipment for three to five years is unreasonable. After a year of closure, the County would evaluate the ongoing value of various pieces of equipment and offer them to local agencies prior to selling them.

Finding #7: Dissemination of Public Information

The County has not effectively communicated the status of the hospital, funding options or other related health care issues, such as closure of the skilled nursing facility or clinic. Nor have they provided a forum for the public to provide input regarding their concerns about the hospital and health care or a mechanism for the public to provide assistance.

Currently, the Board of Supervisors serves as the hospital's Board of Directors. Their meetings are held at 1:30 pm during the first regularly scheduled Board meeting of each month. During that meeting the Health Administrator provides a verbal (not written) update on the hospital status. However, many citizens are unable to attend a meeting during working hours. As a result, it is difficult for many citizens to keep up to date on the hospital status.

Response: I disagree. The County has communicated the status of the Hospital at Board meetings on a regular basis, and the status has been reported on a regular basis in the news media, including broadcasts on Channel 22. In addition, the Board of Supervisors has held two night meetings to solicit public opinion. The Board of Supervisors serves as the Governing Board of the Hospital, not as a Board of Directors.

Recommendation #7A: The recommendation will be implemented. The Board of Supervisors has directed that an ordinance be written to create a healthcare advisory committee in the event that the assessment ballot measure passes.

Recommendation #7B: Implementation of the recommendation is up to the Board of Supervisors. However, in my opinion, the regular Board meetings combined with reports in the news media effectively communicate the Hospital status. In addition, Board members are always willing to discuss the Hospital with their constituents on an individual basis.

A Service of Trinity County

TRINITY HOSPITAL

TO: The Honorable Anthony Edwards,
Presiding Judge of the Superior Court

FROM: Larry McDonough, Interim Administrator

SUBJECT: Response to Recommendations of 2003-2004 Grand Jury Report

DATE: April 12, 2004

The Grand Jury Health and Human Services Committee has requested a written response to their final report on Review of Trinity Hospital and Health Care System. In my capacity as Interim Administrator and Chief Financial Officer of the Hospital my response is as follows:

FINDING #1: Long-Range Planning

RESPONSE #1: I agree.

RECOMMENDATION #1: The recommendation has been implemented. The long-range plan has been initiated utilizing the input of the medical staff, hospital departments and outside agencies connected with the hospital. The short-term management strategies are necessary for continuity and will take the hospital through the June 8th ballot measure. The long-range plan of necessity must take a variety of tacks. Assuming the passage of Proposition H on the ballot the hospital will move forward as an acute care facility with all existing services intact. The alternative model, with a somewhat reduced level of services, will also be addressed in this plan to maximize exposure to the county as far as complete health care coverage. The establishment of a health care district is definitely a part of the long-range plan. However, a 501 (C) 3 would be equally appropriate and both models will be investigated as to their feasibility.

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(530) 623-5541 Fax: (530) 623-6421

FINDING #3: Sources of Increased Revenue

RESPONSE #3 A-D: I agree.

RECOMMENDATION #3 A-D:

3-A: The recommendation has been implemented. The application for Critical Access Hospital designation has been started. There will be some additional revenue based on the higher reimbursement for Medicare patients through the Critical Access model. However, it will not be as significant as some rural hospitals that are further removed from an urban area.

3-B: The recommendation will not be implemented. Evaluations have already been done and we know that due to the number of physicians in the area we do not qualify for a federally designated rural health clinic. However, new guidelines have been released that may allow us to qualify under what is referred to as a look-alike status and that is being aggressively pursued. The clinic would do quite well with a cost reimbursement based strategy.

3-C: The recommendation will be implemented. We currently have a committee working on the development of a program for incentive for cash payments. This is made possible by new guidelines from CMS that in fact encourage this program.

3-D: The recommendation has been implemented. We currently provide applications for Medi-Cal and CMSP to potentially eligible patients. However, the process takes 30-45 days once the county receives the application. We will work with Health and Human Services to reduce this time frame.

FINDING #4: Economic Impact of Closure of Hospital & Associated Facilities.

RESPONSE #4-D: I agree.

RECOMMENDATION #4-D: To the best of my knowledge the auditor has implemented this. I believe that this has been provided all along.

FINDING #5: Contingency Planning

RESPONSE #5: I agree.

RECOMMENDATION #5-A, B, and C:

5A: It will be implemented. Contingency plans must be set in the event of hospital closure involving all the members of the medical staff, hospital personnel, first responders to the Fire Department, and other county personnel directly involved.

5B: It will be implemented. Initial meetings have been held and will continue until a plan is completed. Separate licensing for the clinic is feasible and will be used if necessary.

5C: This has been implemented. The transition plan to assist residents of the Skilled Nursing Facility and their families to find alternative accommodations is being developed. The lack of available beds in neighboring communities is a continuing problem. However every effort will be made in the event of closure to facilitate acquiring accommodations for our nursing home residents.

FINDING #6: Retention of Long-term Options

RESPONSE #6: I agree in part.

RECOMMENDATION #6: The recommendation will not be implemented. Should the hospital close, a three to five-year "wait" period is too long to dispose of some of the physical assets at the hospital. A one-year period should be more than adequate to determine a course of action.

TRINITY COUNTY
BOARD OF SUPERVISORS
P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093
PHONE (530) 623-1217 FAX (530) 623-8365

May 18, 2004

TO: The Honorable Anthony Edwards Presiding Judge of the Superior Court

FROM: Trinity County Board of Supervisors

SUBJECT: Response to Recommendations of 2003-2004 Grand Jury Report On Health and Human Services Committee Report re: Review of Trinity Hospital and Health Care System

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The Grand Jury Health and Human Services Committee has requested a written response to their final report on Review of Trinity Hospital and Health Care System. The Board of Supervisors response is as follows:

Finding #1: Long-Range Planning

Response: We agree. It is appropriate to create a long-term plan for Trinity Hospital.

Recommendation #1: The recommendation has been implemented. The Hospital Administrator has begun work on a long-range plan.

Finding #2: Financing of a Health Care System

In order to remain solvent a supplemental dedicated source of funding must be established to offset losses. The passage of Proposition H on June 8, 2004 by a 66% majority of voters would provide the necessary supplemental funding to provide a Trinity Health Care District that would not only support Trinity Hospital, but would also fund health care throughout the County, benefiting all citizens.

Recommendation #2 A: The passage of Proposition H, through a $150.00 improved parcel assessment would provide the supplemental funding necessary to support Trinity Hospital as well as health care throughout Trinity County

Recommendation #2 B: The recommendation has been implemented in part, public meetings were held to solicit comments prior to the June ballot.

Recommendation #2 C: The recommendation will not be implemented in part. The payment structure has been established by the Board of Supervisors.

Recommendation #2 D: The committee for the promotion of Proposition H have provided weekly Trinity Journal informational ads as well as numerous meetings throughout the County answering all questions regarding funding for Trinity Hospital as well as for health care throughout the County.

Finding #3: Sources of Increased Revenue.

Response: The Board of Supervisors agrees with #3 A through #3 D.

Recommendation #3 A: The recommendation has been implemented.

Recommendation #3 B: This recommendation will not be implemented.

There are too many physicians in the area to qualify for the rural health designation.

Recommendation #3 C: This is being worked on. It has been a long time coming, but with the new outsourced billing procedures this should be a reality in the very near future.

Recommendation #3 D: This recommendation has been implemented.

Finding #4: Economic Impact of Closure of Hospital and Associated Facilities.

Response: The Board of Supervisors agrees with #4 A-D, and has received the contracted report from The Center for Economic Development from Chico State that evaluates the impact of closure of the hospital on the community as well as the entire county.

Finding #5: Contingency Planning. Response: The Board of Supervisors agrees.

Recommendation #5 A: The contingency plan will in implemental in the event that Proposition H fails. County and Hospital management have been involved in the contingency plan for some time.

Recommendation #5 B: It will be implemented.

Recommendation #5 C: This recommendation has been implemented and the transition plan is in place if required.

Finding #6: Retention of Long-term Options.

Response: The Board of Supervisors agrees that in the event of closure, that the hospital equipment would not be sold for at least a year pending re-opening. But after a year of closure the county would evaluate the ongoing value of the equipment and not have a "wait" period of three to five years, in which case most of the equipment would have no saleable value.

Finding #7: Dissemination of Public Information. Response: The Board of Supervisors disagrees.
Recommendation #7 A: The recommendation has been implemented. The Board has passed an ordinance to create a healthcare Board of Directors immediately upon passage of Proposition H.

Recommendation #7 B: The Board of Supervisors has directed the Hospital Administrator to provide his monthly status report in written form, which should be sufficient to inform the media and public. The members of the Board of Supervisors are always willing to discuss the Hospital status on an individual basis.