

# ASSIGNMENT OF HEALTH CARE ACCESS AGREEMENT

## Sutter Medical Center of Santa Rosa and Santa Rosa Memorial Hospital

In August 2007, the Grand Jury began an investigation on the proposed transaction between Sutter Medical Center and Santa Rosa Memorial Hospital. There was a large amount of publicity on this potential transfer, and concerns arose regarding the delivery of health care. In March 2008, after the jury completed multiple, extensive interviews, Sutter Medical Center announced the termination of its discussions with Santa Rosa Memorial and a desire to fulfill its contract with the County.

**However, the Grand Jury feels that the information gained from this investigation is still pertinent and valuable for all citizens in the community. The information contained in this report would still be applicable if a similar situation arises in Sonoma County, and the only option for inpatient care should be a Catholic hospital. Therefore, we have decided to make this report available to the public.**

### Background

On March 26, 1996, Sonoma County leased its Community Hospital facility on Chanate Road to Sutter Medical Center and contracted for Sutter Medical Center to provide hospital services to the residents of Sonoma County through 2016.

In November 2006, faced with the necessity of seismic retrofitting of the Chanate campus, Sutter Medical Center developed plans for a new facility in the Mark West Springs Road area with a budget of \$300 million. This business plan was submitted and approved by the Board of Supervisors, which extended Sutter Medical Center's contract with the County until 2021.

## Investigative Procedures

Interviews with key personnel at the following institutions:

**Kaiser Permanente Medical Center Santa Rosa**

**Northern California Health District Board**

**Petaluma Valley Hospital Redwood Community Health Clinics**

**Santa Rosa Memorial Hospital**

**Sonoma County Department of Health Services**

**Sutter Medical Center of Santa Rosa**

**Sutter Medical Center Hospital Family Medicine Residency Program**

The Grand Jury also interviewed several Sonoma County physicians and reviewed documents: (see reference list at end of report).

Sutter Medical Center posted significant losses in recent years and estimated a loss of \$10 million in fiscal year 2006. Faced with these realities, discussions were held between Sutter Medical Center and Santa Rosa Memorial to find solutions to this economic situation. These discussions resulted in a letter of intent submitted to Sonoma County Board of Supervisors by Sutter Medical Center and the Sisters of St. Joseph of Orange, who own Santa Rosa Memorial and eight other hospitals in California.

In January 2007, Sutter Medical Center and Santa Rosa Memorial Hospital (SRMH) came to an agreement whereby SRMH would assume Sutter Medical Center's obligations to the County. The services to be assumed by SRMH include:

- General medical and surgical care
- Women's reproductive care
- Charity care (costs exceed insurance or incurred bad debts)
- Care of the indigent
- Medicare
- Medi-Cal
- CMSP (County Medical Supplement Program)
- CCS (Crippled Children Services)
- CHDP (Child Health and Disability Program)
- Sexual assault victims
- Quarantine services
- HIV care
- Mental health services
- Drug and alcohol rehabilitation services
- Care of inmates confined at County facilities

Additionally, the agreement required Sutter Medical Center to operate the Family Medicine Residency Program, a three-year curriculum to train physicians for board certification.

## Reason for Investigation

Sutter Medical Center's proposed transfer of its Health Care Agreement with the County to Santa Rosa Memorial raised questions about the delivery of healthcare in the County.

Published articles pointed to a variety of local health care issues, with the high cost of living and low reimbursement for physicians contributing to the challenges facing the delivery of health care in Sonoma County.

The Grand Jury examined the specifics of the Transfer Agreement in light of ensuring continued delivery of quality healthcare services in the area.

## Findings

- F1** Sutter Medical Center has been operating with a significant financial loss since 2004. It has and will continue to require substantial subsidies from its parent company. In 2005, Sutter Medical Center had a net loss of \$6,837,400 (see Table 10, page 54, “A Preliminary study for Sonoma County Health Services”).
- F2** Santa Rosa Memorial Hospital has been operating with a stronger financial footing than Sutter Medical Center has, although its income is declining. In 2005, the SRMH had a net income of \$16,212,500 (Table 10, page 54, "A Preliminary study for Sonoma County Health Services").
- F3** The financial resources of the community would be stressed to meet the \$700 million, plus inflationary costs, in capital improvements required for seismic retrofit and updates to County medical facilities.
- F4** Research indicates that consolidation of services into one hospital has the potential for improved quality of care due to increased volume and additional resources.
- F5** The Family Medicine Residency Program, a three-year curriculum to train physicians for board certification, is not in jeopardy. The plan to transfer the program to a consortium existed prior to the letter of intent. The participants, UCSF, Sonoma County, Kaiser Permanente, SRMH, Sutter Medical Center (as an outpatient presence), and the Southwest Community Clinics had endorsed this plan.
- F6** Santa Rosa Memorial Hospital is constrained by the “*Ethical Directives for Catholic Healthcare*” which affect the delivery of women’s reproductive health care and end-of-life care. These directives do not apply to secular hospital settings (June 2001; see reference list).
- F7** The demand for cultural competency (knowledge of the language and cultural traditions of different ethnic groups) will increase with the transfer of patients from Sutter Medical Center to Santa Rosa Memorial. With an ethnically diverse patient population, lack of cultural understanding can be a barrier to in-patient-provider communication and health-care service.
- F8** Santa Rosa Memorial does not have adequate beds for obstetrics, intensive care, and neonatal intensive care to guarantee a seamless transfer of services. The earliest estimate that these beds are likely to be available is Fall of 2009.
- F9** The transfer would not significantly affect emergency services. Santa Rosa Memorial, the designated regional trauma center, is completing an expansion of its Emergency Department. Sutter Medical Center’s emergency services serve fewer patients, and those patients have less-acute conditions than those admitted to the trauma center at Santa Rosa Memorial. However, Sutter Medical Center’s services would be absorbed by development of other urgent-care facilities.

## Findings, continued

- F10** Care of prisoners in the custody of the Sonoma County Sheriff's Department would not be negatively affected.
- F11** The *Ethical Directives for Catholic Healthcare* will not affect treatment of sexual assault victims mandated by California State Law.
- F12** Most therapeutic abortions are safely performed under local anesthesia in the outpatient setting. However, access to pregnancy termination services under sedation or anesthesia must be addressed, as this could be a life-threatening implication for women who require hospitalization.
- F13** The *Ethical Directives for Catholic Healthcare* prohibits birth control measures, i.e. tubal ligations for women and vasectomies for men.
- F14** This transfer would not negatively affect care for government-financed health insurance patients, i.e. Medi-Cal, Medicare, Child Health and Disability Program (CHDP), Crippled Children Services (CCS), and the County Medical Supplement Program (CMSP).
- F15** There are no measures to evaluate and monitor quality of care and compliance with contractual guidelines. The audit in the present agreement is for financial purposes only.
- F16** There has been no evidence of declining quality of care at Sutter Medical Center during the process of negotiation.
- F17** Santa Rosa Memorial Hospital's physical location and expansion plans, with helicopter transfers and neighborhood encroachment, are disturbing, inconvenient, and congested.
- F18** Concern exists over maintaining an adequate complement of physicians in the community due to financial burdens, e.g. cost of housing and office space, and low reimbursement by Medi-Cal and Medicare, as the Federal Government classifies Sonoma County as a rural area.
- F19** Santa Rosa Memorial, as the only major hospital and trauma center in the County, would have a greater advantage negotiating with insurers. With no competition in the bargaining process, this could increase rates for employers and the insured. (Rates determine premiums paid by employers and individuals for insurance coverage.)
- F20** Research shows that Catholic hospitals have not been favorable to the unionization of their employees, and the rate of pay is lower (see reference, February 2005).

## Findings, continued

- F21** Lack of psychiatric beds for adults and adolescents has brought significant hardship to the citizens of Sonoma County and placed additional burdens on law enforcement. Twenty percent of adults at Sonoma County detention facilities are in need of mental health treatment.
- F22** A comprehensive evaluation of Warrack Hospital beds should be completed before they are decommissioned. Commissioning hospital beds for use is an expensive, arduous task involving State and Federal permits and inspections. Warrack has the capability for mental health or psychiatric services, and environmental and seismic issues should not be a deterrent.

## Conclusions

- It is critical that the Board of Supervisors carefully review all elements of any proposed assumption of an access agreement, with guarantees that the same high standards of care be maintained if not improved.
- Neither Sutter Medical Center nor Santa Rosa Memorial is on solid financial footing. The capital investment of \$700 million required for expansion and seismic retrofitting, the growth of Kaiser Hospital, and the current national trends in medical economics make the presence of three hospitals financially unsound. The elimination of duplicate services could result in occupancy that is more efficient, increased delivery of services, and an overall higher standard of care that research shows is associated with larger facilities.
- A number of problems exist with the proposed transfer agreement, primarily centering on issues related to the contrast of the secular community hospital of Sutter Medical Center and Santa Rosa Memorial Hospital, which is constrained in its provision of services by the *Ethical Directives of Catholic Healthcare*. Women's reproductive services and end-of-life care are two important examples.
- Creative solutions to preserve a secular and universal approach to women's reproductive services are crucial to the success of this transfer of services. Currently, pregnancy terminations at Santa Rosa Memorial can be done only if the life of the mother is in imminent danger. However, sterilizations are performed when the physician is willing to claim extenuating circumstances. This policy is potentially reversible at any time by the local bishop and unacceptable when it is the only alternative for the general population.
- The nationally recognized Family Medicine Residency Program is a most valuable asset for our community and is crucial to attracting and maintaining both primary care and specialty clinicians. Sonoma County's unique combination of a high cost of living and a low rate of medical reimbursement make it difficult to replace physicians lost to retirement or relocation. The Residency Program represents our best stratagem against this dilemma. Plans are already under way to convert supervision of the program to a consortium of hospitals and clinics, which should serve to strengthen it.

## Conclusions, continued

- While Kaiser Hospital serves 70% of the commercial health insurance in Sonoma County, government-insured programs such as Medi-Cal and Medicare cover 97% of Sutter Medical Center's patients. This population would constitute the majority of new patients that Santa Rosa Memorial would gain by the transfer. Santa Rosa Memorial has a fine record in dealing with charity care, as is mandated in the access agreement, but it would be challenged to serve the patient volume that would result from this transfer.
- Santa Rosa Memorial does not have the capacity at present to absorb Sutter Medical Center's obstetrical patients, intensive care patients, or neonatal intensive care patients. The additional 80 new medical-surgical beds just completed at the hospital are not situated in the correct location to allow them to be adapted to the above needs. The most optimistic estimate of when adequate numbers of these beds will be available is late 2009.
- Approximately 40% of the physicians that admit patients to Sutter Medical Center do not have privileges at Santa Rosa Memorial. Family practitioners who perform caesarean sections at Sutter Medical Center would not currently be able to obtain privileges for the same level of practice at Santa Rosa Memorial.
- There would be a greater need for cultural competency at Santa Rosa Memorial due to the increase in a younger, less affluent, ethnically diverse, and medically less-informed patient population.
- The service to the County for inpatient medical care of prisoners, treatment or quarantine of those with infectious diseases, HIV/AIDS, and residential alcohol programs that require acute services would not be affected.
- An unconscionable lack of adult and adolescent psychiatric inpatient care has affected citizens, the local medical community, law enforcement, and County detentions facilities.
- The percentage of inmates in Sonoma County jails and patients in health care facilities will increase with the recent departure of North Coast Psychiatric Center by Santa Rosa Memorial.

## Commendations

The Grand Jury commends the Sonoma County Department of Health Services for its efforts to keep the public informed of the implications involved in this proposed transaction. The Grand Jury commends the Kaiser Permanente Foundation for its grant of \$2.9 million to support the development of the Family Medicine Residency Consortium.

The Grand Jury commends Sutter Medical Center for its excellent comprehensive women's health care program and cardiovascular services program. The Grand Jury commends Santa Rosa Memorial for its excellent trauma care program.

## Requested Responses to Recommendations

Sonoma County Board of Supervisors

**R1, R2, R4, R5, R6**

Sutter Medical Center of Santa Rosa Board

**R3**

## Recommendations

- R1** The Sonoma County Board of Supervisors should obtain guarantees from Sutter Medical Center and Santa Rosa Memorial to maintain the current high standard of care or an improved standard of care before the transfer of this or any comparable agreement.
- R2** The Sonoma County Board of Supervisors should explore every option to provide women’s reproductive health care in a secular and universally acceptable setting. The Board must not restrict the broader standard of care in the community, which the *Ethical Directives for Catholic Healthcare* limits.
- R3** Sutter Medical Center should consider other options for the use of Warrack Hospital before the beds are decommissioned, as a possible source for delivery of broad based secular care and services.
- R4** The Board of Supervisors should adopt a quality-of-care monitoring system to ensure existing standards are maintained and continuously improved. The monitoring of Health Employer Data Information Set (HEDIS) for outpatient care, and Core Measures required by the Joint Commission for Accreditation of Hospitals (JCAHO) is a baseline standard of performance. These performance measures, which are public information, are collected annually and should be reviewed by the Department of Health Services for compliance.
- R5** The Board of Supervisors should explore options, negotiate a contract, and have a formalized arrangement with an inpatient adult and adolescent psychiatric provider.
- R6** The Board of Supervisors should make a concerted effort to guarantee a fair process for physicians who currently have hospital privileges only at Sutter Medical Center to apply and receive comparable privileges at Santa Rosa Memorial before any agreement is transferred.

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