Berkson Associates

Urban Economics
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PUBLIC REVIEW DRAFT REPORT

SPECIAL STUDY OF GOVERNANCE OPTIONS WEST CONTRA COSTA HEALTHCARE DISTRICT

Prepared for the Contra Costa Local Agency Formation Commission

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1. INTRODUCTION

The West Contra Costa Healthcare District (the "District", or WCCHD) struggled financially beginning in the mid-1990's,[1] experiencing increasing costs, declining reimbursements, and growing service demand from low-income populations, the uninsured and underinsured. Although the District emerged from a 2006 bankruptcy, it never managed to regain financial solvency and fell further into debt. Eventually, in 2015, the District shut its hospital, a full-service acute care facility. The closure resulted in a significant loss of hospital beds and emergency department facilities, as well as the elimination of other specialized services, in an underserved community with significant healthcare needs.

The District's Board continues to function with limited staff as it sells its building, equipment, and other property, and arranges for ongoing resolution of its outstanding debts and obligations. With limited available resources, significant debts and other ongoing costs, the District has no funds available for health-related programs; it faces potential future financial shortfalls and increases in debt, or even bankruptcy, particularly if its properties don't sell as anticipated. This adverse financial situation is likely to continue until the District's debt to the County and other outstanding financial obligations are repaid over the next 10-12 years. After the District extinguishes its debts, more than $9 million annually could be available, after administrative expenses, for healthcare-related services and facilities for residents of west Contra Costa County.

PURPOSE OF THE STUDY

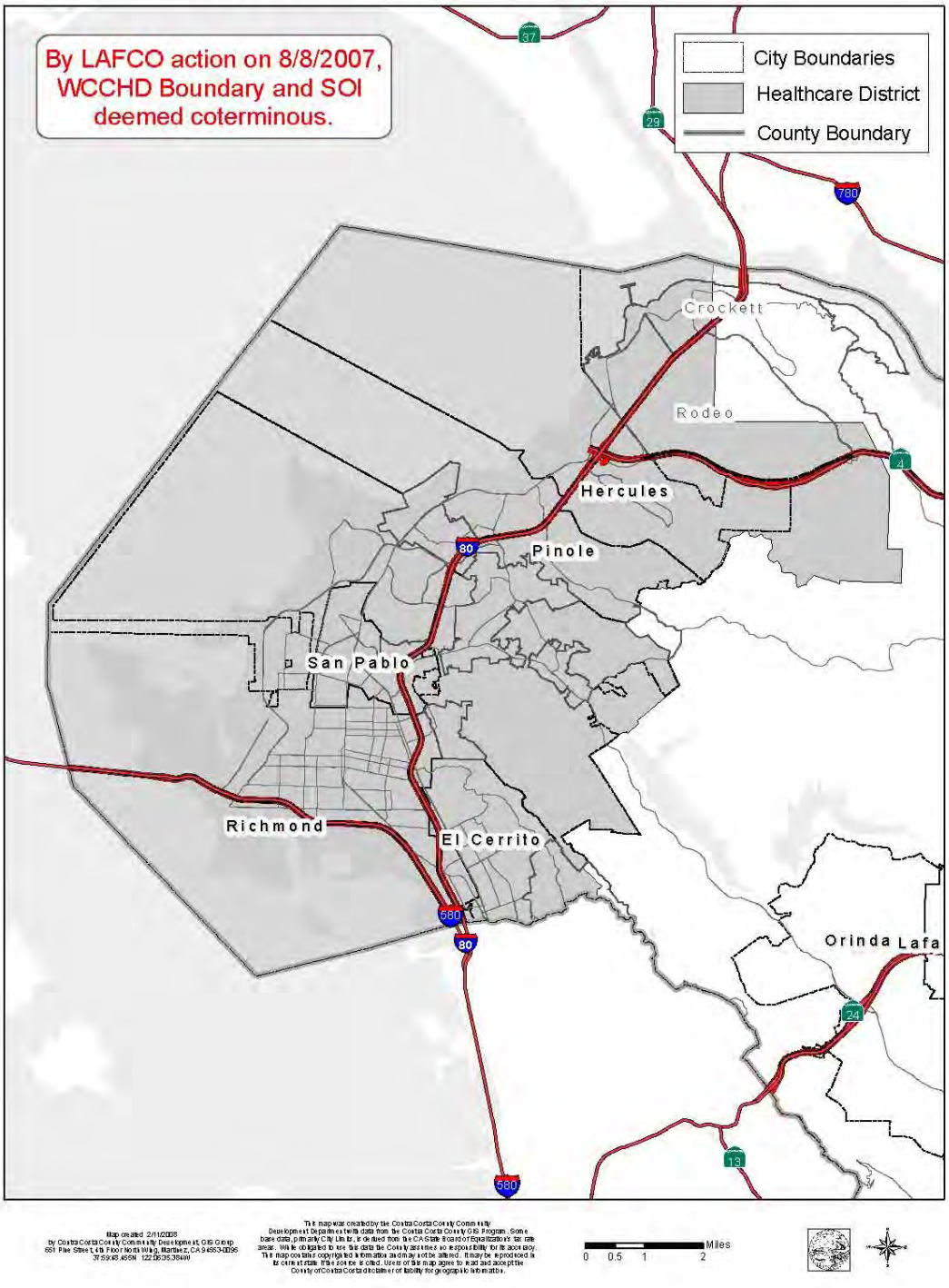
Because the District no longer operates a hospital, the primary purpose for which it was formed, and it does not provide any other health-related services, it is a candidate for dissolution, consolidation or reorganization. Dissolving the District would re-distribute its share of the ad valorem property taxes to other taxing entities. At this point, it is unclear whether any successor to the District would continue to collect the Measure D (2004) special tax proceeds after all existing debt is satisfied.

State law authorizes LAFCO to undertake special studies to evaluate district dissolution, and options to dissolution. This special study of the WCCHD evaluates a range of alternatives, some of which might allow the continued use of the ad valorem property tax proceeds for healthcare purposes in west Contra Costa County. LAFCO will consider the findings of this Special Study,

[1] Impact Evaluation Report: Doctors Medical Center San Pablo Potential Closure of Emergency Services, Prepared by the Contra Costa Emergency Medical Services Agency, June 13, 2014

take public input at a public hearing, and may initiate actions to facilitate one of the options. Other affected local agencies may also consider the findings of this report to initiate actions.

Figure 1: WCCHD Boundaries



2. SUMMARY OF FINDINGS

This report documents current and potential future conditions of the WCCHD, and describes governance options, including dissolution, along with options that can help to address current healthcare needs.

The various governance options and related findings are further explained in subsequent sections of the report.

1. SIGNIFICANT HEALTHCARE NEEDS EXIST IN WEST CONTRA COSTA COUNTY

Residents of West Contra Costa are faced with numerous challenges in achieving levels of health care that are more common in other parts of the County. The closure of Doctor's Medical Center (DMC) eliminated an important community resource and reduced the number of emergency room beds in West County (already underserved compared to other parts of the County) from 40 to 15. The existing urgent care and primary care services are not utilized to their capacity, and relatively low income levels reduce healthcare options and increase certain health risks.

2. JUSTIFICATION EXISTS TO DISSOLVE THE WCCHD DUE TO THE LOSS OF THE HOSPITAL, LACK OF SERVICE, AND OVERWHELMING DEBT

The WCCHD no longer owns and operates a hospital, which was its primary function. Over the next 10 years, no significant amount of revenue will be available for healthcare services, and the District is at risk of financial shortfalls and potential future bankruptcy.

However, dissolution with no service continuity would eliminate millions of dollars in funding for healthcare in the community.

3. ORGANIZATIONAL OPTIONS EXIST THAT ARE LESS COSTLY THAN STATUS QUO

The elimination of governing board elections would save the District $450,000 every two years, or several million dollars over 10 years in election costs. The options described in this report are intended to create economies of scale by combining administrative functions with other existing agencies.

Some options could preserve the District's share of the ad valorem property tax revenues for healthcare purposes. The two most promising options in this regard are special legislation that would allow the Board of Supervisors (BOS) to appoint the District's governing body, and the creation of a new CSA to provide additional healthcare services in the same geographic area as the District. Whether either option would allow the successor to continue to collect the

Measure D (2004) special tax proceeds indefinitely into the future would likely depend on the nature of the future service and would require further legal analysis at that time.

4. Special Legislation

The District or the County could seek special legislation that would allow the BOS to appoint the District's governing body. The BOS could decide to appoint themselves or members of the community. The appointed board could be either permanent or temporary (e.g., during ten year debt repayment period). This option would keep the District intact while eliminating election costs, and enable County oversight during the next ten-year period of relative inactivity by the District. This District could remain County-dependent, or return to independence in the future. This option would require the County's cooperation but would not require voter approval.

5. The County could consider creating a new County service area to provide additional healthcare services in the same geographic area as the WCCHD

County service areas (CSAs) are formed to fund "miscellaneous extended services" that a county is authorized by law to perform and does not perform to the same extent countywide (Gov. Code, § 25213). The County could consider creating a new CSA, with the approval of the cities within the WCCHD service area and, essentially, annex the District into the new CSA. It is worth considering whether this option could be used to pay off existing debt while preserving future revenues for healthcare. This option would likely eliminate or significantly reduce administrative costs and the cost of elections. The Contra Costa County Health Services Department, which would manage the reorganized district, provides a broad range of programs, including programs and facilities within WCCCD boundaries; and existing staff have the experience and expertise to augment needed service in West Contra Costa when revenues are available.

This option requires concurrence by the Board of Supervisors, and will require approval by voters within the WCCHD (Gov. Code §25211.4(f)).

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3. HEALTHCARE DISTRICTS IN CALIFORNIA AND CONTRA COSTA COUNTY

Since Contra Costa LAFCO prepared its Municipal Service Review (MSR) of healthcare services in 2008, financial conditions have become even more challenging for health providers, including healthcare districts. From 1996 to 2014, 12 healthcare districts have filed for chapter 9 bankruptcy, including WCCHD.[2]

As described in the 2008 MSR, the healthcare industry "in general is going through changes, many of which are financially driven…Hospitals and their medical staffs are experiencing declining public financing through Medi-Cal and Medicare. Costs for construction and personnel are rising, and the overall emphasis by consumers and their medical providers for expensive technologies are driving costs up. In addition, human resources gaps at all health provider levels threaten the stability of providers in the provision of services, especially hospitals, when attempting to staff beds. Other unique legislative parameters also face California hospital providers. California remains the only state with required nurse staffing ratios, and hospitals are continuing to grapple with the State-mandated seismic retrofit requirements…".[3]

These changes in healthcare have dramatically altered the type and availability of healthcare facilities and services, including facilities and services provided by healthcare districts.

HEALTHCARE DISTRICTS IN CALIFORNIA

California at the end of World War II faced a shortage of hospital beds and acute care facilities, especially in rural areas. In 1945, the Legislature enacted the Local Hospital District Law to establish local agencies to provide and operate community hospitals and other healthcare facilities in underserved areas, and to recruit and support physicians. In 1993, the State Legislature amended the enabling legislation renaming hospital districts to healthcare districts. The definition of healthcare facilities was expanded to reflect the increased use and scope of outpatient services.

[2] California Healthcare Districts in Crisis, Marc Joffe, January 22, 2015.

[3] Final Public Healthcare Services Municipal Services Review, Prepared for Contra Costa Local Agency Formation Commission, Dudek and The Abaris Group, Approved August 8, 2007.

Healthcare districts are authorized to provide a broad range of services, in addition to the operation of a hospital.[4] Under the Health and Safety Code, healthcare districts may provide the following services:

1. Health facilities, diagnostic and testing centers, and free clinics
2. Outpatient programs, services, and facilities
3. Retirement programs services and facilities
4. Chemical dependency services, and facilities
5. Other healthcare programs, services, and facilities
6. Health education programs
7. Wellness and prevention programs
8. Support other healthcare service providers, groups, and organizations
9. Ambulance or ambulance services
10. Participate in or manage health insurance programs

As reported by the California Policy Center, 78 healthcare districts in California provide a variety of services authorized by State statutes.[5] Of the 78 districts, 30 do not operate hospitals, and instead have diversified into other medical services.

Healthcare districts are commonly funded through a share of property taxes and by grants from public and private sources. Healthcare districts are special districts with the typical powers of a district such as the authority to enter into contracts, purchase property, issue debt and hire staff.

HEALTHCARE DISTRICTS IN CONTRA COSTA COUNTY

In addition to the WCCHD, two other healthcare districts exist in the County. Each district is distinctly different from the WCCHD, but both provide examples of healthcare districts that no longer own and operate hospitals.

The Los Medanos Community Healthcare District (LMCHD) represents one option for consolidation with the WCCHD, as described in **Chapter 6**.

[4] Local Health Care District Law (California Health and Safety Code Section 32000 et seq.)

[5] California Health Care Districts in Crisis, Marc Joffe, January 22, 2015.

CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

The Mt. Diablo Healthcare District (MDHCD) was reorganized in 2012 to become a subsidiary district to the City of Concord, and subsequently renamed the Concord/Pleasant Hill Health Care District.[6]

The MDHCD transferred its hospital to John Muir Health in 1996, but continued to use its property tax, which averaged about $200,000 per year, for grants to local organizations and for a variety of educational and other health-related programs. The MDHCD also occupied seats on the John Muir Community Health Foundation board that distributes $1 million a year for health services grants. Over the years, the MDHCD had been the object of several Grand Jury reports calling for it to be disbanded, and eventually MDHCD was reorganized as the smaller subsidiary district by LAFCO. Staff, board, election and other administrative costs were eliminated, but many of the healthcare functions continued, including ongoing membership on the Health Foundation board, and distribution of grants.

LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

The Los Medanos Community Healthcare District (LMCHD) serves the Pittsburg and Bay Point areas in eastern Contra Costa County, an area with a population of approximately 82,000.[7] LMCHD operated the Los Medanos Community Hospital up until 1994, when the hospital closed due to financial difficulties and the District was forced to declare bankruptcy. The District has recovered from that condition and retired the remaining bankruptcy debt in 2007, five years ahead of schedule.

The LMCHD is actively involved in organizing and sponsoring programs and events which provide wellness and prevention services as well as raise the community's awareness about important health issues. The LMCHD partners with Contra Costa Health Services (CCHS) by leasing its former hospital facilities to CCHS for use as the Pittsburg Health Center, which includes a CCHS clinic and other public health services.[8]

The dissolution of the LMCHD was considered in 1999, but never completed.

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[6] Resolution No. 13-007, September 2013.

[7] Contra Costa LAFCO Directory of Local Agencies, August 2015.

[8] Public Healthcare Services Municipal Service Review, prepared by Dudek and The Abaris Group for Contra Costa LAFCO, approved August 8, 2007

4. HEALTH CARE IN WEST CONTRA COSTA

Residents of West Contra Costa are faced with numerous challenges in achieving levels of healthcare that are more common in other parts of the County. The closure of DMC eliminated an important community resource, existing urgent care and primary care services are not utilized to their capacity, relatively lower income levels reduce healthcare options and increase certain health risks. The continued use of WCCHD property taxes and parcel taxes, after its obligations are repaid, represent an opportunity to maintain and enhance levels of care to the community.

COMMUNITY OVERVIEW

A large portion of West County households, home to 246,000 residents, fall below the Federal Poverty line. **Table 1** summarizes key demographic characteristics of the service area population.

Table 1: Key Factors Influencing Health Status

Area	Percent in Poverty	Percent without Health Insurance	Percent without High School Diploma
California	13.71%	17.92%	19.32%
Contra Costa County	8.99%	11.86%	11.58%
West Contra Costa (1)	**12.82%**	**16.15%**	**17.76%**

(1) West Contra Costa area data from Kaiser service area, which approximately corresponds to the boundaries of WCCHD.

Source: 2013 Community Health Needs Assessment, Kaiser Foundation Hospital - Richmond

The area is geographically isolated from the rest of the County, and major traffic corridors can become heavily congested, making access to healthcare facilities and alternatives to the closed DMC more difficult.

HEALTHCARE NEEDS

As described by the Contra Costa EMS Agency, citing the Contra Costa 2013 Risk-Based Initiative Pilot Project,[9] individuals below the Federal poverty line are more at risk than others for increased mortality and morbidity during disaster. West County residents are at increased risk based on those criteria and have fewer resources for community resiliency. The groups most likely to be affected are the elderly, children, diabetics and individuals with respiratory diseases and special needs.

The Community Health Needs Assessment (CHNA) prepared by Kaiser for the Richmond area prioritized community health needs, as listed below.[10] The assessment was based on a range of data sources, key informant interviews, and included community input from focus groups consisting of low-income and vulnerable populations in west Contra Costa County.

1. Violence prevention
2. Local, comprehensive and coordinated primary care, including peri-natal care
3. Economic security
4. Asthma prevention and management
5. Affordable community-based mental health services
6. Healthy eating
7. Safe outdoor spaces
8. Exercise and activity
9. Local specialty care for low-income populations
10. Affordable community-based substance abuse services

The 2013 CHNA will be updated in 2016. While the demographic characteristics and health needs of the community probably have not changed significantly, the loss of DMC is likely to influence facility and service gaps.

SERVICES, FACILITIES AND PROVIDERS

A range of services, facilities and healthcare providers, briefly summarized below, serve and help to address needs of residents of West Contra Costa. Most of the options considered in this

[9] Impact Evaluation Report: Doctors Medical Center San Pablo Potential Closure of Emergency Services, Prepared by the Contra Costa Emergency Medical Services Agency, June 13, 2014.

[10] 2013 Community Health Needs Assessment, Kaiser Foundation Hospital – Richmond

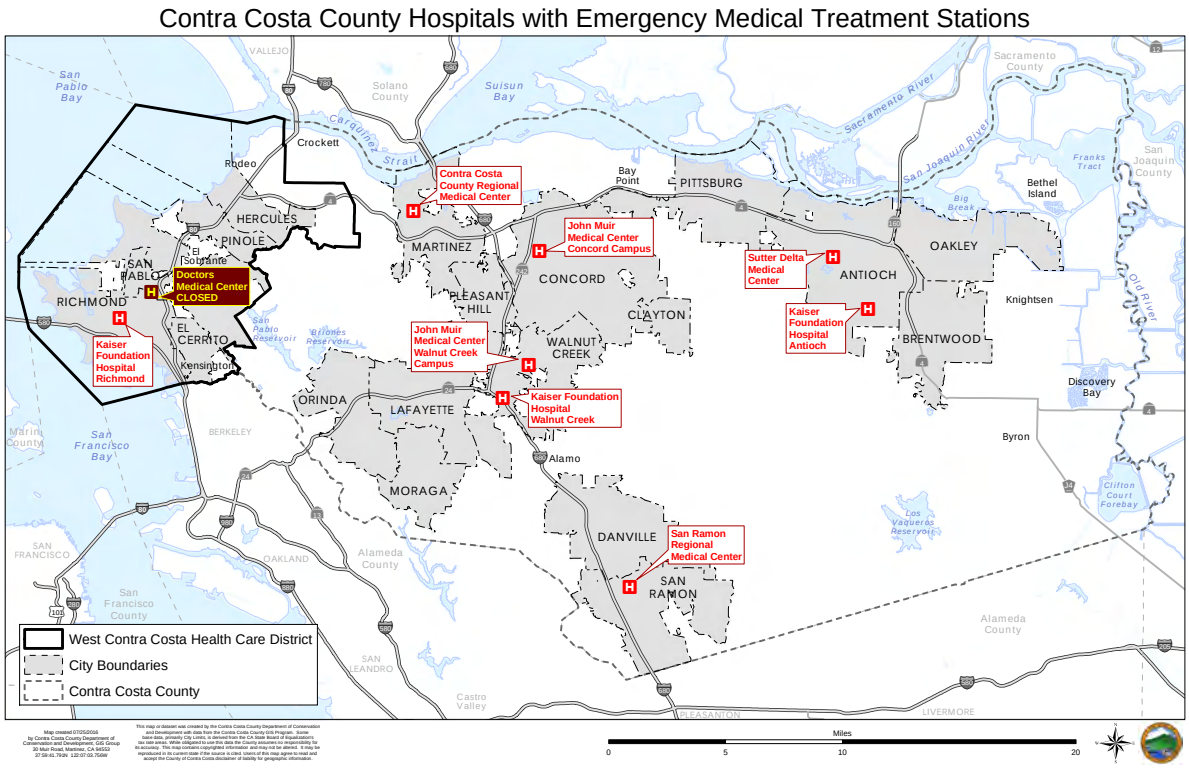
report will have significant financial resources in the longer term after obligations are repaid (i.e., post-10 years) in excess of $9 million annually (after administrative expenses) to apply towards needed services, facilities and programs.

HOSPITALS

DMC was one of nine acute care hospitals providing emergency services serving Contra Costa County, as shown in **Figure 2**. The closure of DMC left one remaining hospital within WCCHD boundaries, Kaiser Richmond.

The loss of DMC eliminated (per 2013 activity records) 124 general acute care beds, including 102 medical surgical, 22 ICU beds and 25 Emergency Department (ED) stations. In 2013, The DMC ED served 32,347 individuals with 18% meeting criteria for severe or critical conditions.[11]

Figure 2: Hospitals within the Region



Sutter Health, owner of Alta Bates Hospital in Berkeley, which absorbed some of the patients following the closure of DMC, said it will close the inpatient hospital and its emergency department sometime in advance of 2030; the closure reportedly is due to Alta Bates inability to

[11] ALIRTS Utilization Report, Report Year 2014.

comply with state seismic standards triggered in 2030. This closure will compound the difficulty in providing emergency medical services to West County residents.

Specialty Medical Services

Prior to its closure, DMC served as the only designated ST Elevation Myocardial Infaction (STEMI) high-risk heart attack center. In 2013, DMC received 78 high-risk heart attack patients via EMS with another 500 patients who were either self-transported or transferred from other area emergency departments for urgent and/or elective cardiac intervention.[12]

Up until 2006, DMC operated a burn center to treat patients suffering from severe burns, which was an important resource in the County. The burn center closed just prior to the 2006 bankruptcy in February 2006.

DMC was a Primary Stroke Receiving Center for West County residents, serving 50% of West County stroke patients; in 2013, DMC received 127 suspected stroke patients from the field via EMS, 87 of whom met EMS stroke alert criteria (critical stroke suspected).[13]

Residents of the service area now have to travel to the Oakland Children's Hospital and Research Institute for pediatric specialty and inpatient needs, and to the Contra Costa Medical Center in Martinez for public inpatient and outpatient services.[14]

Trauma Services

DMC was not a Contra Costa designated trauma receiving center; however, the emergency department frequently dealt with trauma associated with the high incidence of violence in the community. In 2013, DMC transferred 17 trauma patients to a designated trauma center. It was not unusual for the facility to be the "drop point" for patients who arrived by private vehicle, requiring stabilization and transfer to a higher level of care if needed. The closure of DMC was anticipated to have a significant adverse impact on the community, with a likely increase in mortality.[15]

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[12] Impact Evaluation Report, 2014.

[13] Impact Evaluation Report, 2014.

[14] 2013 Community Health Needs Assessment, Kaiser Foundation Hospital – Richmond

[15] Impact Evaluation Report, 2014.

EMERGENCY SERVICES

Prior to closure of DMC, West County hospitals experienced more emergency patient visits per emergency treatment station than the County as a whole. The loss of DMC was anticipated to result in prolonged ER wait times at Kaiser and other hospitals in the region.[16]

With the closure of DMC, which reduced the number of emergency room beds in West County (already underserved compared to other parts of the County) from 40 down to 15, West County has the fewest emergency medical treatment stations compared to other regions within the County. **Table 2** shows emergency facilities by hospital within Contra Costa County. The number of ER stations in West County has increased to 27, but still provides less than half the County average relative to its population. This reduction in ER stations increases the number and length of transport of ambulance patients, increasing by 20% the transports that must now be diverted out of County.

Table 2: Emergency Medical Treatment Stations by Contra Costa Region

General Acute Care Facility	City	County Area		
		West	Central	East
CONTRA COSTA REGIONAL MEDICAL CENTER	Martinez		20	
SUTTER DELTA MEDICAL CENTER	Antioch			32
JOHN MUIR MEDICAL CENTER-WALNUT CREEK CAMPUS	Walnut Creek		44	
KAISER FOUNDATION HOSPITAL - WALNUT CREEK	Walnut Creek		52	
JOHN MUIR MEDICAL CENTER-CONCORD CAMPUS	Concord		32	
SAN RAMON REGIONAL MEDICAL CENTER SOUTH BUILDING	San Ramon		-	
SAN RAMON REGIONAL MEDICAL CENTER	San Ramon		12	
KAISER FOUNDATION HOSPITAL - RICHMOND CAMPUS (1)	Richmond	27		
KAISER FOUNDATION HOSPITAL - ANTIOCH	Antioch			37
TOTAL STATIONS	**256**	**27**	**160**	**69**
Population	**1,072,000**	**254,800**	**513,300**	**303,900**
Stations/10,000 Population	**2.4**	**1.1**	**3.1**	**2.3**

Source: ALIRTS Utilization Report, Report Year 2015; population from American Community Survey, 2014
(1) Kaiser Richmond had 15 emergency stations in 2015 when DMC closed.

[16] Impact Evaluation Report, 2014.

DMC also served as a resource for dialysis patients who received their care at San Pablo Dialysis or El Cerrito Dialysis. During 2013, some 88 dialysis patients were transported to DMC for emergency services.

Other Healthcare Facilities

A number of other healthcare facilities are available to residents within WCCHD boundaries, as listed in **Appendix A**, including new and expanded urgent care facilities near the former DMC site, which opened to help fill the gap left by the DMC closure. Kaiser Richmond also expanded its emergency department facilities following the closure. Other non-profit organizations providing health services to the community are described in Kaiser's 2013 CHNA for West Contra Costa County.

5. WEST CONTRA COSTA HEALTHCARE DISTRICT

West Contra Costa Healthcare District (the "District") is a public agency organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California [citation]. The District was formed in 1948 for the purpose of building and operating a hospital to benefit the residents of West Contra Costa County. A Board of Directors elected from within the District boundaries governs for specified terms as shown in **Table 2**. The District operated a full-service acute care facility until its closure in 2015, providing services to both inpatients and outpatients. The District provided healthcare services primarily to individuals who reside in the local geographic area.

Table 3: WCCHD Board Members

Position	Name	Term Expires
Chairperson	Eric Zell	Dec. 2016
Vice Chair	Deborah Campbell, RN	Dec. 2016
Treasurer	Irma Anderson, RN	Dec. 2018
Secretary	Nancy Casazza, RN	Dec. 2018
Assistant Secretary	Beverly Wallace	Dec. 2018

The District's Board continues to function with limited staff as it sells its building, equipment, and other property, and arranges for ongoing resolution of its outstanding debts and obligations.

ASSESSED VALUE AND POPULATION

The WCCHD is comprised of five cities, in their entirety, and portions of unincorporated Contra Costa County. Property taxes and parcel taxes are collected from within these boundaries. **Table 3** describes key characteristics of the District.

Table 4: Summary of Assessed Value, Population and Area within the WCCHD Boundaries

Area	Secured A.V. (1)		Population (2)(3)		Area	
	$Billions's	% of Total	Amount	% of Total	Sq. Miles (3)	% of Total
Richmond	$11.85	43.4%	110,378	44.8%	30.0	44.0%
El Cerrito	$3.55	13.0%	24,378	9.9%	3.9	5.7%
Hercules	$3.01	11.0%	24,791	10.1%	8.1	11.9%
Pinole	$2.05	7.5%	18,739	7.6%	11.6	17.0%
San Pablo	$1.48	5.4%	30,829	12.5%	2.5	3.7%
Total, Cities	$21.94	80.4%	209,115	84.9%	56.1	82.4%
Unincorporated	$5.34	19.6%	37,284	15.1%		
TOTAL, WCCHCD	$27.28	100.0%	246,399	100.0%	68.1	100.0%

(1) Contra Costa County Assessor's Office
(2) Source: E-1: City/County Population Estimates with Annual Percent Change, estimated population 1/1/16
(3) Contra Costa LAFCO, Directory of Agencies, August 2015.
Note: Richmond excludes 22.6 acres underwater. *7/23/16*

WCCHD FINANCIAL RESOURCES

Although WCCHD's annual revenues currently exceed $8 million annually and it no longer operates a hospital, those revenues are largely dedicated to repayment of WCCHD debt obligations and basic administrative costs, leaving virtually no funds available for discretionary purposes. The District is relying on the sale of its hospital building to help fund operations in the near-term and over the next 10 years; delays in the sale will compound the risk of financial shortfalls.

Table 5 shows the District's 10-year annual forecast of revenues and expenditures, extended through the year 2030. The forecast assumes the "Status Quo" with continued Board elections, repayment of existing obligations, and minimal staffing and contract services for ongoing financial reporting and related services.

The forecast projects annual shortfalls ranging from about $700,000 to $1.5 million every year through 2025, funded by the $13.6 million of property sale proceeds anticipated by the fourth quarter of 2016. The sales proceeds may be fully spent by 2024, resulting in potential deficits of up to $1.1 million cumulatively by 2025.

After WCCHD debts are repaid, some of the revenues previously dedicated to debt repayment should be available to fund programs. The County cash advance should be repaid by 2026, resulting in an additional $2.3 million to WCCHD that could be utilized for health-related programs. After the District's Certificates of Participation (COPs) are repaid in full by 2029, the $5.6 million in parcel tax revenues will no longer be needed for that purpose. Assuming property taxes increase by at least 2.5% annually, and assuming that the Measure D parcel tax revenues are available for other purposes after the COPs are repaid, it is conceivable that available revenues, after expenses, could grow to more than $9 million per year in 14 years, or by the year 2030.

Table 5: Long-term WCCHD Budget Forecast

Item	1 2017	2 2018	3 2019	4 2020	5 2021	6 2022	7 2023	8 2024	9 2025	10 2026	11 2027	12 2028	13 2029	14 2030
Beginning Balance	9,362,448	7,969,717	6,411,607	5,319,729	3,798,923	2,751,677	1,559,538	834,046	(342,687)	(1,077,023)	954,271	4,693,318	8,077,391	16,267,675
Revenues														
Property Tax (1)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,224,279	4,329,886	4,438,133	4,549,086	4,662,814
Special Tax (2)													4,258,808	5,600,000
Total Revenues	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,224,279	4,329,886	4,438,133	8,807,894	10,262,814
Expenditures (3)														
Payroll/Administration	253,567	259,906	266,404	273,064	279,891	286,888	294,060	301,411	308,947	316,670	324,587	332,702	341,019	349,545
Bookkeeping Services	39,000	18,000	18,450	18,911	19,384	19,869	20,365	20,874	21,396	21,931	22,480	23,042	23,618	24,208
Cost Rpt Audits, Stlmt	30,000	30,750	31,519	32,307	33,114	-	-	-	-	-	-	-	-	-
Annual Financial Audit	30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403	39,363	40,347	41,355
Pension Audit/Actuarial	60,000	61,500	63,038	64,613	66,229	67,884	69,582	71,321	73,104	74,932	76,805	78,725	80,693	82,711
IT Costs	12,000	12,300	12,608	12,923	13,246	13,577	13,916	14,264	14,621	14,986	15,361	15,745	16,139	16,542
Other	10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801	13,121	13,449	13,785
Total Personnel/Consul	434,567	423,456	434,043	444,894	456,016	433,474	444,311	455,419	466,804	478,474	490,436	502,697	515,265	528,146
Office Expenses														
Total Facilities Costs	30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403	39,363	40,347	41,355
Worker Comp	500,000	250,000	250,000	250,000	250,000	-								
Legal	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Lincoln	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Records Storage	216,164	191,904	164,316	131,606	96,116	62,722	34,391	23,653	18,980	15,045	-			
Fees and other	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Election Costs		450,000		450,000		450,000		450,000		450,000		450,000		450,000
Medical Pension Plan	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000				
Pension Plan Payments	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000				
Total Other Costs	1,928,164	2,103,904	1,626,316	2,043,606	1,558,116	1,724,722	1,246,391	1,685,653	1,230,980	1,677,045	62,000	512,000	62,000	512,000
Total Expenditures	2,392,731	2,558,110	2,091,877	2,520,806	2,047,246	2,192,138	1,725,493	2,176,732	1,734,336	2,192,985	590,839	1,054,060	617,611	1,081,501
Net	(1,392,731)	(1,558,110)	(1,091,877)	(1,520,806)	(1,047,246)	(1,192,138)	(725,493)	(1,176,732)	(734,336)	2,031,294	3,739,047	3,384,073	8,190,283	9,181,312
Ending Balance	7,969,717	6,411,607	5,319,729	3,798,923	2,751,677	1,559,538	834,046	(342,687)	(1,077,023)	954,271	4,693,318	8,077,391	16,267,675	25,448,987

(1) Property taxes assumed to grow 2.5% annually. Prior to repayment of County loan, WCCHD receives $1 million (fixed).
(2) Special taxes currently are handled by WCCHD's fiscal agent and transferred directly to pay outstanding Certificates of Participation, until repaid.
(3) Except where noted, expenditures assumed to grow 2.5% annually.

PROPERTY TAXES

WCCHD's $27.3 billion assessed value generated approximately a $3.3 million share of ad valorem property tax revenues in FY15-16.[17] According to WCCHD's agreement with the County, WCCHD receives a fixed $1 million annually from the taxes; the remainder accrues to the County until WCCHD's $22.1 million debt to the County is repaid.[18] At current property tax collection rates, the debt would be repaid in approximately 10 years, or 2026; growth in property taxes could reduce this time frame, depending on the rate and timing of property tax increases. By 2026 after the County debt is repaid, District share of the ad valorem property taxes could total $4.2 million annually.[19]

PARCEL TAXES

The District collects parcel taxes. Measure D, which passed by 84% voter approval in 2004 for a $52 annual single-family tax, currently repays WCCHD debt obligations. The debt includes COPs issued in 2004 and 2011 that were used for hospital improvements and to fund operating costs. The COPs are further described below under "WCCHD Liabilities."

The voters approved the Measure D tax pursuant to the following ballot measure: "*To prevent the life threatening shut-down of the West Contra Costa Healthcare District's only full service emergency room, which serves all West County residents, and prevent the closure of this community's local hospital so that victims of heart attacks, strokes, car accidents, burns, toxic chemical releases and other medical emergencies receive rapid response medical care, shall an annual special property tax be authorized with all revenue staying in our community for local emergency and healthcare services and facilities?*" By law, the revenues from any special tax may be used only for the purpose or service for which it was imposed. Gov. Code, § 53724.

District voters had passed a second parcel tax in November 2011 that is no longer being collected. Measure J ($47/year parcel tax) passed in November 2011 with 74% support and raised approximately $5.1 million annually. It contained a "sunset clause" providing that the tax would no longer be collected if the hospital and emergency room closed. After closure in April 2015, the tax was no longer collected as of the 2015-16 fiscal year.

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[17] Board Order from John Gioia, District I Supervisor, to Board of Supervisors, April 12, 2016.

[18] Board Order from John Gioia, District I Supervisor, to Board of Supervisors, April 12, 2016; amount shown includes final payment of $645,000 in consideration of County's foregoing $1 million/year per Resolution No. 2016/318.

[19] Estimated property taxes in 2026 assume 2.5% annual growth of current $3.3 million.

CASH AND OTHER LIQUID ASSETS

The District projected that on June 10, 2016, it would have a cash balance of approximately $1.1 million. These funds include the District's $1 million share of property taxes received from the County in May, and $470,000 in AB 915 revenue[20] in May, less expenses due in May. The District projects it will draw down this balance, and incur potential negative balances, until property sale receipts of about $13.3 million for the hospital are received in December 2016.[21] The District hopes to avoid the interim shortfalls by re-negotiating vendor contracts and implementing other cost reduction measures, and may tap its limited financial reserves.

FIXED ASSETS

Since the closure of its hospital, the District has been disposing of its real estate and other property, including hospital equipment. The District contracted with a firm to handle disposition of its equipment, which has been completed.

At the Board meeting of May 18, 2016, the District approved an agreement for the sale of the District's 1.25-acre lot with a metal building on the corner of 34th and Moran Avenue in the City of Richmond for $301,000.

The District is under contract to sell its hospital building. The sale is anticipated to close in December 2016 for a price of $13.3 million, following completion of a due diligence period. The District has moved its offices into separate rented space in Pinole, 2200 San Pablo Avenue, Suite 201.

WCCHD EXPENDITURES

Over the five-month period of May through September 2016, the District's monthly cash expenditures were estimated to average about $525,000 per month.[22] Over the next 10 years, these expenditures are anticipated to decline, averaging about $140,000 per month, or $1.7 million annually, as staff, facilities and other financial responsibilities are reduced.

Expenditures include:

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[20] AB 915 established the Medi-Cal Inpatient Payment Adjustment Fund in 2002, funded by contributions from public, district and university hospitals, counties, which draw down matching federal funds, to provide supplemental compensation to private and public hospitals that serve a disproportionate share of the state's low-income population.

[21] DMC Financial Update, Report to the Board at its meeting May 3, 2016.

[22] DMC Financial Update, Report to the Board at its meeting May 3, 2016.

- **Personnel/Consulting Services** – The District anticipates ongoing administrative costs, including payroll, of $260,000 annually. Another $160,000 is budgeted largely for ongoing bookkeeping, annual financial reports and audits, and computer-related costs.
- **Legal** – The District requires ongoing annual legal services to handle board meetings and legal documents.
- **Records Storage** – As noted above under "Liabilities", the District has an ongoing obligation to maintain its records and to handle requests for those records. Over time this annual contract cost with a service provider will decline.
- **Fees and Other** – The District pays varies fees for banking and other financial services related to collection and reporting of parcel taxes.
- **Election Costs** – The District is required to elect directors at general elections every two years, at a current cost of about $450,000 per election.
- **CNA Medical Pension Plan** – The District has budgeted annual payments of $250,000 over the next 10 years towards this liability, assuming that the total liability of $5.2 million is successfully negotiated downwards.
- **Successor Pension Plan Payments** – Approximately $900,000 is shown each year towards paying off the District's unfunded liability in its pension plan.
- **Workers Compensation** – The District's budget includes payment of pending workers compensation claims that will be the District's responsibility.

Debt payments towards the District's COPs are not shown in the District's budget; a fiscal agent handles parcel tax payments for COP obligations on behalf of the District. Parcel taxes are collected by the County Auditor and directed to the fiscal agent.

WCCHD LIABILITIES

Most of the WCCHD use of revenue is related to the repayment of its long-term liabilities.

2004 AND 2011 CERTIFICATES OF PARTICIPATION

The WCCHD issued Certificates of Participation (COPs), which are essentially a form of debt, secured and repaid by parcel taxes paid by property owners with the district. The parcel taxes were approved by 84% of voters voting in favor of Measure D in 2004. A single-family property pays a fixed $52 per year; other rates apply to other types of property.

As of June 30, 2016, WCCHD owed approximately $17.2 million for its 2004 COP, and $37.2 million for its 2011 COP, for a total of $54.4 million. Amortization worksheets prepared by the

District estimate that the 2004 COP will be repaid by 9/1/22, and the remaining 2011 debt will be fully repaid by 1/1/29. These repayment schedules show all parcel tax revenues applied towards COP debt repayment.[23] The District is in the process of refinancing its COPs to reduce its interest rate and interest costs; this would accelerate the repayment of the COPs.

COUNTY TAX SHARING AGREEMENT

The County and WCCHD entered into multiple agreements whereby the County advanced funds to WCCHD in exchange for District property tax as repayments. The most recent agreement acknowledged the amounts outstanding as of April 2016 totaling $21,477,804.[24] That agreement provided for WCCHD to retain $1 million of its property tax each year, rather than transferring 100% of its property tax to the County pursuant to prior agreements. The annual $1 million is required by the WCCHD to avoid budget shortfalls. WCCHD agreed to a final transfer of $645,000 to the County in consideration of the County deferring repayment by virtue of the revised tax sharing agreement. The total outstanding debt increased to approximately $22.1 million, which is anticipated to be repaid by about 2026 (or sooner depending on the rate of assessed value growth in the District).

WORKERS COMPENSATION

The District is self-insured for workers' compensation claims, with a self-insured retention of $500,000 per occurrence, and has excess insurance coverage for the portion of each occurrence in excess of $1,000,000.[25] As of July 2016, the District anticipates costs of approximately $3 million in workers comp claims pending from claims filed in recent years prior to, and following, closure of the hospital.[26] A portion of those claims will be paid in 2016, and the District has budgeted $1.5 million in expenditures from 2017 forward to cover claims over the next five-year period. The actual timing and amounts will depend upon final disposition of claims by the State's Division of Workers Compensation.

RECORDS STORAGE AND MANAGEMENT

The District is required to maintain medical records for up to 10 years (e.g., through 2026) to respond to records requests. The District has contracted with a private vendor to handle all of

[23] File: "Cops amortization and restructured county advance.xlsx" provided by WCCHD, 5/23/16.

[24] Resolution No. 2016/318, Board of Supervisors of Contra Costa County, California.

[25] WCCHD Notes to Financial Statements, TCA Partners, LLP, December 31, 2013.

[26] Correspondence from Vickie Sharr, Associate Administrator, WCCHD, 7/11/16.

their records requirements, and budgeted approximately $1 million total through 2026. The annual cost is expected to decline as records are transferred.

California Nurses Association (CNA) Medical Pension Plan

District staff reports a $5.2 million obligation for retiree medical expenses.[27] The District's 10-year budget forecast allocates $250,000 annually to fully fund this obligation, which assumes that the District successfully negotiates the reduction.

Successor Pension Plan

The District provides a non-contributory single employer defined benefit pension plan. The plan covers all eligible employees of the previous Brookside Hospital. Brookside Hospital was the previous name of DMC. The plan provides retirement and death benefits to plan members and beneficiaries based on each employee's years of service and annual compensation. No new employees have been enrolled in the plan since 1996. The Actuarial Accrued Unfunded Liability (AAUL) as of the 2013 report was $5,934,000 at the end of 2013.[28] District staff indicates that the AAUL has grown to about $12.8 million.[29]

The District's 10-year budget forecast allocates $900,000 annually to fully fund the AAUL. The District will prepare a financial audit by the end of 2016 that should document current liabilities.

Elections Cost

The WCCHD spends approximately $450,000 every two years for election costs. Staff reports that the District did not compensate the County for this cost in 2014, and repayment remains an obligation of the District.

[27] Interview with WCCHD staff, 2016-05-23.

[28] Audited Financial Statements, WCCHD, December 31, 2013, TCA Partners, LLP (see page 26).

[29] Correspondence with WCCHD staff, 2016-08-18, based on actuarial analysis August 2016.

6. GOVERNANCE OPTIONS

This report evaluates governance options for the WCCHD, including maintaining the status quo. Each option presents a different set of legal and policy choices. The following sections describe each option, and the required LAFCO process to implement the option. Advantages and disadvantages are summarized for each option including policy, service and financial implications.

While clearly there are significant needs for new services and facilities, as well as programs to better take advantage of those that exist, the governance option selected ultimately will need to include a plan, program and strategy to focus on addressing community needs in a cost-effective manner.

Each option, except dissolution without services continuity, generally offers similar opportunities to address needs in the longer-term, when fiscal resources become available; however, the various options' organizational and political structures differ and will influence future programs. As noted below, the subsidiary district option will significantly reduce future revenues.

Most of the governance options below can be initiated by an affected local agency (i.e., County, city, district) or by a petition of affected landowners or registered voters. Some of the governance options listed below can also be initiated by LAFCO.

In addition to the governance options discussed below, there is an option to pursue special legislation to change the directly elected governing board of the WCCHD to an appointed board (either temporarily or permanently). This option is discussed in the Summary of Findings.

SERVICES

All of the options described below (except dissolution with no continuing service), could augment existing facilities and services currently provided within the District, contingent on available financing; and could include the following services as allowed by law for healthcare districts. Creation of a CSA, which allows the CSA to provide any service a County provides, also could provide some combination of the following:

- Urgent care services
- Health facilities, diagnostic and testing centers, and free clinics
- Outpatient programs, services, and facilities

- Retirement programs services and facilities (i.e., senior care, continuing care, and skilled nursing programs)
- Chemical dependency services, and facilities
- Other healthcare programs, services, and facilities
- Health education programs
- Wellness and prevention programs
- Support other healthcare service providers, groups, and organizations
- Ambulance or ambulance services
- Participate in or manage health insurance programs

As described in **Chapter 4**, significant needs exist in West Contra Costa County for a range of healthcare services and facilities. Depending on the option pursued, implementation should include creation of a detailed plan for services and facilities.

OTHER ISSUES

Taking no action regarding the future of WCCHD does not appear to be an option preferred by either WCCHD or County representatives. However, if no action is taken, WCCHD will continue to incur election costs as well as significant administrative costs with no clear ability to provide services in the near future.

The first three options – maintaining the status quo, consolidating WCCHD with Los Medanos Community Healthcare District (LMCHD), and establishing a subsidiary district, are the least viable options, as explained below.

The next two options – consolidation with CSA EM-1 and reorganization/creation of a new CSA to continue services - require County participation. These options will likely depend on whether the County determines that the financial challenges in taking over the assets and obligations of the WCCHD are balanced by the opportunity to preserve some or all of the current revenues for the provision of healthcare in West County. The formation of a new CSA would require support from the five West County cities to be part of a CSA. Further, the County would need to apply to LAFCO to form the new CSA, and would be required to provide a plan for providing services which includes identification of revenue sources to fund services. It is likely that the property tax currently being allocated to WCCHD would be allocated to the new CSA; however, it is unclear whether the parcel tax would automatically be transferred to the new CSA, or whether voter approval would be required in order to continue the parcel tax. The CSA options would result in replacing the current directly elected WCCHD board with the County BOS. Two of the five members of the BOS are elected by residents in West Contra Costa County (one

supervisorial district is wholly within West County and one is partially in West County). Any concern regarding local (i.e., West County) representation could be partially mitigated by creation of an advisory body.

The last option involves dissolving the WCCHD and naming a successor agency to wind up the affairs of the District.

Finally, current law provides that dissolution of healthcare district is subject to an election. There is pending legislation (AB 2910) that would modify this requirement, and allow for dissolution of a healthcare district without an election under certain conditions. As of August 15th, AB 2910 is awaiting the Governor's action.

MAINTAIN THE STATUS QUO

The current district would remain intact in the Status Quo option, and the Board of Directors would continue to be elected and conduct district business.

The District's mission would shift from hospital ownership and oversight to other forms of provision of healthcare service, following payment of debts.

ADVANTAGES AND DISADVANTAGES OF MAINTAINING THE STATUS QUO

Advantages

- Property taxes and parcel taxes collected within the District will continue to be spent for healthcare services within the district once debts are paid off
- No reorganization proceedings or special elections required

Disadvantages

- Limited resources are available until obligations are repaid, and there is a risk that revenues will be insufficient to meet those financial obligations during the next ten years
- The District may have no revenues available to provide services for a period of ten years, and the Board's primary role will be one of management and oversight of repayment of existing debts and obligations. Consequently, there is some risk that the District may have difficulty retaining active directors.
- The District will continue to incur substantial election costs

LAFCO PROCESS – STATUS QUO

No LAFCO action necessary. LAFCO could request periodic updates and status reports to alert LAFCO as to any significant changes in WCCHD's financial condition and/or services.

CONSOLIDATION WITH LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

According to a letter submitted by the LMCHD Board of Directors, the Board "does not want the LMCHD to consolidate with the West Contra Costa Healthcare District."[30]

This option would consolidate the WCCHD with the LMCHD, which are "like" districts formed under the same statutes. The boundaries of the consolidated entity would correspond to the combined boundaries of the two existing districts (non-contiguous). The current share of WCCHD property taxes would be collected by the consolidated entity, subject to existing obligations to the County; these revenues would be available for use throughout the consolidated entity unless a zone is created to geographically restrict use of the revenues. An advisory board could be established to oversee and guide the use of funds collected and expended within the prior WCCHD boundaries. Existing LMCHD staff would be responsible for staff support, with direction from the Board of the consolidated entity. LAFCO could establish terms and conditions related to the initial and ultimate composition of the consolidated Board.

ADVANTAGES AND DISADVANTAGES OF CONSOLIDATION WITH LMCHD

Advantages

- Property taxes and parcel taxes collected within the district will continue to be spent for healthcare services
- No WCCHD dissolution election required
- Enhances revenue base of LMCHD to be used for community healthcare needs, subject to requirements that the existing WCCHD parcel taxes be used within the boundaries of the former WCCHD
- Reduces/eliminates existing WCCHD administrative costs, including elections for WCCHD board (although elections still required for board of the consolidated district)
- Continues mission and goals of the WCCHD (subject to decisions of consolidated board)

Disadvantages

- Reduces WCCHD residents' proportionate vote in any district-wide elections over tax measures, board members, or other issues, unless the vote is limited to a WCCHD zone of the consolidated district.
- Revenues for services within prior WCCHD boundaries could be reduced if property tax revenues are shifted to other areas and services, unless a zone is created within LMCHD

[30] Letter from D. Pete Longmire, Interim Executive Director, LMCHD, to Lou Ann Texeira, July 29, 2016.

corresponding to the prior WCCHD (this does not apply to parcel taxes, required by law to be spent within boundaries of the prior district)

- Consolidated district would incur all financial liabilities of current WCCHD and potential risks of shortfalls
- LMCHD represents a different community of interest, with different healthcare needs, and there is a possibility that consolidation would be met with community opposition

LAFCO Process

A consolidation would follow the LAFCO process involving a public hearing, reconsideration period, protest hearing, and possible election. A consolidation typically would be initiated by resolution of the affected agencies or by voter/landowner petition, although LAFCO may also initiate the process.

REORGANIZE WCCHD AS SUBSIDIARY DISTRICT

A subsidiary district to the City of Richmond could be created to continue providing healthcare services. In accordance with State law (Gov. Code, §57105), the City would have to comprise at least 70% of land area and at least 70% of the registered voters within the subsidiary district. Under this scenario the WCCHD is not dissolved, and becomes a subsidiary district of the City with the Richmond City Council serving as the governing board of the subsidiary district.

Under the current configuration of the WCCHD, the City of Richmond could not be named the successor agency for the purpose of continuation of WCCHD services because neither the City's land area is (44%) nor number of registered voters (39%) meet the required 70%, as the current WCCHD boundaries overlap other cities and various unincorporated communities.

In order for the City of Richmond to meet the 70% thresholds, the boundary of the WCCHD would need to be reduced to about 63%, resulting in a significant reduction in total revenues (property tax and parcel tax). The parcel taxes represent a lien on secured property, and it is not expected that this lien could be reduced by a reorganization and boundary change.

Advantages and Disadvantages of Reorganizing as a Subsidiary District

<u>Advantages</u>

- Property taxes and parcel taxes collected within the district will continue to be spent for healthcare services, although tax revenues will be significantly reduced as the boundary of the former WCCHD is reduced per State law
- Absent the requisite protest, no election required

- Existing municipality would provide overhead and administration services, potentially improving operational and cost effectiveness
- Reduction in current expenditures, including district board elections
- Property taxes and, potentially, parcel taxes collected within the district will continue to be spent for healthcare services within the district, although these revenues will be significantly reduced due to reduced boundaries necessary to form a subsidiary district

Disadvantages

- Current service area would be significantly reduced as the district boundary is scaled back to comply with State law (70% rules), effectively reducing current district boundary by over one-third
- Annual revenues would be reduced as boundary is scaled (note: continued collection of parcel taxes from the current WCCHD required until COPs are repaid; County repayment would also continue and/or require extended repayment period)
- Subsidiary district would incur all financial liabilities of current WCCHD and potential risks of shortfalls

LAFCO PROCESS

The process to reorganize the WCCHD (i.e., detachment and establishment of the district as a subsidiary district of a city) typically involves an application to LAFCO by the affected city, although LAFCO could initiate the process. The process would require a map and legal description, financial plan, and plan for service, a reconsideration period, a protest hearing, and possibly an election (with the requisite protest).

CONSOLIDATION WITH COUNTY SERVICE AREA EM-1

Consolidation with County Service Area EM-1 (CSA EM-1) would combine two districts with healthcare-related services, but which are "unlike" districts formed under different State statutes. The resulting district would be a CSA encompassing the entire county, although a separate zone could be created to correspond to the prior WCCHD boundaries in order to segregate specific revenues and services. The current share of WCCHD property taxes would be collected by the consolidated entity, subject to existing obligations to the County; these revenues would be available for use throughout the consolidated entity unless a zone is created to geographically restrict use of the revenues. Existing County staff would be responsible for staff support, with direction from the Board of Supervisors. An advisory board could be established to oversee and guide the use of funds collected and expended within the prior WCCHD boundaries.

COUNTY SERVICE AREA EM-1

In 1989, CSA EM-1 was established to provide funding for enhancement of countywide emergency medical services including expansion of paramedic services, upgrades to the EMS communications system, and additional medical training and equipment for fire first responders. EM-1 is authorized to provide emergency medical services (EMS) and "miscellaneous extended services", which includes services the County is authorized by law to perform, and which the County does not also perform to the same extent on a county-wide basis.

The EMS system includes communities, hospitals, clinics, senior nursing facilities, dispatch, pre-hospital first responders and transport providers who work in concert to support an integrated system of response in emergencies and disasters. According to the EMS Agency, EMS is evolving to play an increasingly important role supporting healthcare programs and community healthcare initiatives that reduce as well as treat illness and injuries.

In addition to serving as the EMS Agency overseeing CSA EM-1, CCHS provides a broad range of community health services spanning the range of services also authorized for healthcare districts. Numerous advisory groups exist which provide input and direction on specific issues and services. CCHS operates health facilities, clinics, outpatient programs and services, senior services, other healthcare programs and services, wellness and prevention programs, provides health insurance programs, and disseminates health information.

Initial discussions with County staff and officials indicate a lack of interest in this option.

Advantages and Disadvantages of Consolidation with CSA EM-1

Advantages

- Property taxes and, potentially, parcel taxes collected within the district could continue to be spent for healthcare services within the boundaries of the former WCCHD, assuming a zone is implemented for that purpose
- No WCCHD dissolution election required
- Reduces/eliminates existing WCCHD administrative costs, including elections for WCCHD board
- The County would have the ability to adapt the current WCCHD property tax repayment obligation as necessary to mitigate potential negative cash flows, and would be motivated to take actions to assure financial feasibility and repayment
- CCHS, which would manage the district, provides a broad range of programs, including programs and facilities within WCCHD boundaries, and existing staff have the experience and expertise to augment needed service in West Contra Costa when revenues are available

Disadvantages

- Revenues for services within prior WCCHD boundary could be reduced if property tax revenues are shifted to other areas and services, unless a zone is created within EM-1 corresponding to WCCHD (this does not apply to parcel taxes, required by law to be spent within boundaries of the prior district)
- Consolidation could blur the distinction between the services and resources of EM-1 with the other health-related expenditures and goals of the WCCHD and its revenues. Currently EM-1 focuses on funding emergency services and prioritizes the use of benefit assessments for this purpose; consolidation could undercut the benefits the benefit assessments prioritized for EMS.
- Loss of representation by the currently locally-elected board, although this could be partially mitigated by creation of an advisory body to oversee and direct district activities. The Board of Supervisors, which is the board of CSA EM-1, includes one member elected solely by West County residents, and one member elected by West County and other areas in the County.

LAFCO Process – Consolidation with CSA EM-1

A consolidation would be initiated by the County and follow the LAFCO process as described above for consolidation with LMCHD.

REORGANIZATION WITH CREATION OF NEW DISTRICT (CSA) FOR CONTINUING SERVICE

County service areas (CSAs) are formed by counties to fund "miscellaneous extended services" that a county is authorized by law to perform and does not perform to the same extent countywide. Gov. Code, § 25213. The County could consider creating a new CSA, with the approval of the cities within the WCCHD service area and, essentially, annex the WCCHD into the new CSA. Under this option, the County would apply to LAFCO to form a new CSA to function as successor to the WCCHD; and any assets and liabilities would be transferred to the new CSA. The CCHS, under the direction of the County Board of Supervisors, would administer the CSA.

ADVANTAGES AND DISADVANTAGES OF A NEW CSA

Advantages

- Property taxes and, potentially, parcel taxes collected within the district will continue to be spent to augment and expand healthcare services for West County residents, including urgent care, primary care, prevention programs, nurse advice lines, and other health programs.
- Reduces existing administrative costs, including elections, to help avoid currently projected potential negative cash flows
- The County would have the ability to adapt the current WCCHD property tax repayment obligation as necessary to mitigate potential negative cash flows, and would be motivated to take actions to assure financial feasibility and repayment
- CCHS, which would manage the district, provides a broad range of programs, including programs and facilities within WCCHD boundaries, and existing staff have the experience and expertise to augment needed services in West Contra Costa when revenues are available

Disadvantages

- Loss of representation by the currently locally-elected board, although this could be partially mitigated by creation of an advisory body to oversee and direct district activities. The Board of Supervisors, which is the board for all CSAs, includes one member elected solely by West County residents, and one member elected by West County and other areas in the County.
- Dissolution of WCCHD and formation of a new CSA requires an election

LAFCO Process – Reorganization with Creation of New CSA

A CSA may be initiated by resolution of the County Board of Supervisors,[31] or by a petition signed by no less than 25% of registered voters living within the proposed district boundaries.[32] Voter approval is required for the CSA formation. The board may appoint one or more advisory committees to give advice to the board of supervisors regarding a CSA's services and facilities.[33]

Assuming the reorganization and formation of a new CSA is initiated by the County, a number of issues will need to be addressed by the County as part of its application to LAFCO:

- **Services** – Gov. Code section 25213 specifies the conditions under which the County is authorized to form a CSA. The proposed service must be a service that the County does not perform to the same extent on a countywide basis. The County provides healthcare through the Health Services Department on a countywide basis and emergency services through EM1 on a countywide basis. The County's application to LAFCO would need to clarify the nature of the "extended" services not currently performed by the County.
- **Funding** – Gov. Code §§25211.4 and 25211.5 prohibit LAFCO from approving a proposal that includes formation of a CSA unless the commission determines that the CSA will have sufficient revenues to carry out its purposes. LAFCO could condition the formation of the CSA on consolidation/reorganization with WCCHD and future revenue received thru WCCHD.
- **City Consent Required** – WCCHD contain five cities. Gov. Code §25211.4(c) prohibits LAFCO from approving a proposal that includes formation of a CSA that would include territory within a city unless, before the close of the commission's hearing, the city council has filed and not withdrawn a resolution that consents to the inclusion of that incorporated territory. Thus, LAFCO would need a resolution from each of the five cities consenting to the formation of the CSA.
- **Election Required** – As required by Gov. Code §25211.4(f), LAFCO must call an election on the formation of a proposed CSA.
- **Plan of Reorganization** – As part of as part of a dual application for CSA formation and consolidation of the new CSA with the WCCHD, the County would need to clarify the form of reorganization, i.e., whether it is a "consolidation of unlike districts" under Gov. Code §56826.5(b).
- **Continued Use of Parcel Tax** – A legal opinion would be required to establish the validity of the new agency continuing to use existing Measure D (2004) parcel tax proceeds after

[31] Gov. Code Sec. 25211.3.

[32] Gov. Code Sec. 25211.1.

[33] Gov. Code Sec. 25212.4.

the existing COPs have been repaid and the nature and extent of the future service has been established.

DISSOLUTION WITH APPOINTMENT OF SUCCESSOR FOR WINDING-UP AFFAIRS

Dissolution would eliminate the WCCHD. After the obligations of the WCCHD have been paid, the 2004 parcel tax would cease and reallocation of the District's share of the ad valorem property taxes would be subject to a property tax transfer agreement per the County's approval. The tax transfer agreement could potentially allocate the remaining ad valorem property tax to the County for healthcare purposes, at the discretion of the Board of Supervisors. LAFCO would appoint a successor agency to wind up the affairs of the WCCHD; see further discussion of successor agencies below.

SUCCESSOR AGENCY

Government Code (GC) §57451 addresses the determination of a successor for the purpose of winding up the affairs of a dissolved district. Subsection (c) indicates that the City of Richmond qualifies as the successor because the WCCHD boundaries overlap multiple cities and unincorporated area, and the City of Richmond contains the greater assessed value relative to other cities and the included unincorporated territory as shown in **Table 3**.

There are other possible options regarding designation of the successor agency [GC §§ §57451(d), 56886]. These options are complex and would require further research.

Potential successor agencies include:

1. **City of Richmond** – The City currently does not provide healthcare services. The City of Richmond could be designated as successor agency to wind up the affairs of the District pursuant to GC §57451(c).

Preliminary discussions with City staff indicate that the City has the capability to undertake actions to wind up the affairs of the WCCHD, assuming that all financial obligations and administrative costs are funded by resources of the WCCHD.

2. **CSA EM-1** – The CSA EM-1 could be designated as successor pursuant to GC §57451(d), which allows a district to be designated successor if all the remaining assets will be transferred to the district, e.g., CSA EM-1. CCHS, which manages EM-1, is under the direction of the County Board of Supervisors, and would have the ability and capacity to undertake actions to wind up the affairs of the WCCHD. See further discussion of CSA EM-1 in the section above, "Consolidation with County Service Area EM-1".

SUCCESSOR AGENCY RESPONSIBILITIES AND OBLIGATIONS

The successor agency will have a number of obligations, including the following:

- **Disposition of Property** – If current sales agreements close by the fourth quarter of 2016 as anticipated, the successor agency will have no further responsibilities for property disposition. If the sales don't close, it is possible that the successor would be responsible for continuing the marketing of the property, including limited maintenance costs prior to sale.
- **Debt and Long-Term Financial Obligations** – The obligation to repay the County is handled by the County Auditor's transfer of WCCHD property tax to the County. Repayment of the COPs is handled by the Trustee; the District has agreed to direct, and has directed, the County to transfer to the Trustee all parcel tax revenues collected by the County on behalf of the District so long as the COPs are outstanding.[34]
- **Litigation and Claims** – The successor agency will be responsible for settling claims, for example, workers comp claims, which the WCCHD projects to total $1.5 million over the next five years. There is no other litigation pending against the WCCHD.
- **Other** – The successor agency will oversee contracts entered into by the WCCHD, for example, to assure records management as required by law.
- **Pension Plan** – The successor will need to administer payments towards its obligations to fund the CNA Medical Pension Plan (estimated at $250,000 per year, contingent on the outcome of pending negotiations), and its successor pension plan (estimated at $900,000 per year).

These obligations and responsibilities will be funded by WCCHD revenues; the successor agency can retain funds to help pay for its administrative costs (GC §57463). There is a risk of annual financial shortfalls; however, current WCCHD costs will be reduced under this option. For example, anticipated election costs of $450,000 every two years will no longer be required, thereby eliminating anticipated cumulative shortfalls.

ADVANTAGES AND DISADVANTAGES OF DISSOLUTION/WIND-UP OF AFFAIRS

Advantages

- Elimination of administrative expenses, including staff, legal, and election costs. Some staff costs may be necessary to wind up the affairs of the WCCHD. Any savings could help to repay existing obligations.
- Avoids duplication of services that can be provided by other public and private agencies, assuming that those other agencies have the resources to provide the same services at

[34] See the Official Statements for the Certificates of Participation, which designate U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee").

the same level, and that the District's services duplicated those of another agency. As noted in this report, there exist many unmet needs in West County not being addressed by existing agencies, towards which the District could direct future available resources if it weren't dissolved.

- Existing parcel taxes would be eliminated after District debt is repaid, reducing taxpayers' annual tax burden.
- Returns tax dollars currently utilized by the WCCHD to one or more existing public entities serving the area, after payment of all WCCHD liabilities and obligations. In the event of a change of organization (e.g., dissolution) involving one or more special districts, the County, on behalf of the district or districts, negotiates the exchange of property tax revenues. It is possible that the County could assign the property tax currently going to WCCHD to Contra Costa County; and the County could agree to earmark these funds for healthcare services in the WCCHD service area. This would provide an opportunity to preserve some of the funding currently going to WCCHD to meet healthcare needs in West County.

Disadvantages

- Loss of WCCHD allocation of annual property taxes and parcel taxes to help address health needs in West County such as urgent care, primary care, and prevention programs.

LAFCO Process – Dissolution

The process will follow the basic steps identified in GC §57077 and described below. In addition, it will be necessary for LAFCO to identify a successor for the purpose of winding up the affairs of the WCCHD. It may also be necessary for LAFCO to specify a Gann limit applicable to the successor agency that will allow for an increased collection and use of property taxes for the purpose of winding up the affairs of the WCCHD.

- At a noticed public hearing, the Commission accepts the special study, considers adopting a zero SOI to signal proposed dissolution and for consistency with SOI (GC §56375.5), considers making findings in accordance with the conclusions and recommendations of the special study, and considers adopting a resolution initiating dissolution.
- LAFCO notifies State agencies per GC §56131.5 and allows a 60-day comment period.
- At a noticed public hearing, LAFCO considers approving the dissolution.
- Following 30-day reconsideration period (GC §56895), LAFCO staff holds a protest hearing in the affected territory (GC §57008). The protest hearing is a ministerial action. While the Commission is the conducting authority, it often designates the Executive Officer to conduct the protest hearing.

- Absent the requisite protest, and possible election, the Commission orders dissolution. As noted above, there is pending legislation that would allow dissolution of a healthcare district without an election under certain conditions.
- Following approval by LAFCO (and voters if required), LAFCO staff records dissolution paperwork and files with the State Board of Equalization making dissolution effective.

The steps described above may also apply to other options in this chapter that include dissolution of the current district.

APPENDIX A

HEALTHCARE FACILITIES WITHIN WCCHD BOUNDARIES

Table A-1: Healthcare Facilities within WCCHD Boundaries

Facility	Address, Maplink	Website	Ownership Type	Services
Kaiser Permanente Richmond Medical Center	901 Nevin Ave., Richmond, CA 94801	Website for Kaiser Permanente Richmond Medical Center	Nonprofit, public-benefit corporation	Emergency services (25 beds), urgent care services, pharmacy services. Not designated for high-risk heart attacks. It is a Primary Stroke Center.
West County Health Center	13601 San Pablo Ave., San Pablo, CA 94806	Website for West County Health Center	Contra Costa Health Services	Routine and preventive health care service; women's health; prenatal care; other services
North Richmond Center for Health	1501 Fred Jackson Way, Richmond, CA 94805	Website for North Richmond Center for Health	Contra Costa Health Services	Routine and preventive health care service; women's health; prenatal care; pediatrics; other services
LifeLong Urgent Care	2023 Vale Road, San Pablo, CA 94806	Website for LifeLong Urgent Care	Nonprofit	Illnesses and injuries that require immediate medical attention (usually within 24 hours), but are not life-threatening or serious enough to require emergency room care or hospitalization.
LifeLong Brookside San Pablo	2023 Vale Road, San Pablo, CA 94806	Website for LifeLong Brookside San Pablo	Nonprofit	Integrated medical, dental and social services including primary health care for adults; pre/post natal care; pediatrics; case management; multi-disciplined care coordination; health education; social services resources; patient advocacy
LifeLong Brookside Richmond	1030 Nevin Avenue, Richmond, CA 94804	Website for LifeLong Brookside Richmond	Nonprofit	Integrated medical, dental and social services including primary health care for adults; pre/post natal care; pediatrics; case management; multi-disciplined care coordination; health education; social services resources; patient advocacy
LifeLong Richmond	2600 Macdonald Ave., Ste B, Richmond, CA 94804	Website for LifeLong Richmond	Nonprofit	Primary health care for adults; prenatal care; patient advocacy; immunizations; patient assistance; health education

Table A-1: Healthcare Facilities within WCCHD Boundaries (cont'd)

Facility	Address, Maplink	Website	Ownership Type	Services
Brighter Beginnings Family Health	2727 Macdonald Ave., Richmond, CA 94804	Website for Brighter Beginnings Family Health		Primary health care for pediatric, teen, and adult patients
RotaCare Free Medical Clinic at Brighter Beginnings	2727 Macdonald Ave., Richmond, CA 94804	Website for RotaCare Free Medical Clinic at Brighter Beginnings		
BAART Community HealthCare	1313 Cutting Blvd., Richmond, CA 94804	Website for BAART Community HealthCare		Low cost primary care services to indigent populations
Concentra Urgent Care	2970 Hilltop Mall Rd., Ste. 307, Richmond, CA 94806	Website for Concentra Urgent Care		Occupational and urgent medical care, as well as physical therapy and wellness services
Planned Parenthood El Cerrito, Richmond (2)	Multiple locations and websites			Abortion services; birth control; HIV testing and services; LGBT services; men's health care; pregnancy testing and services; STD testing, treatment and vaccines; women's health care

8/7/16

APPENDIX B

TIMELINE OF KEY EVENTS

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DOCTORS MEDICAL CENTER CHRONOLOGY

1948 Hospital District formed by West County voters

1954 Brookside Hospital opens

DMC HAS BEEN FINANCIALLY CHALLENGED SINCE THE 1990'S

1994 Hospital District converts to West Contra Costa Healthcare District (WCCHD)

1997 Brookside Hospital affiliates with for-profit Tenet Health Systems to operate the hospital and renames it Doctors Medical Center (DMC)

2004 **Tenet sustains financial losses** and is unable to profitably operate the hospital after making substantial investments, including attempts to improve the payor mix, **and terminates affiliation** and returns operation of the hospital back to the Healthcare District (with hospital losing money, no cash and without a management team)

Nov 2004 **Voters pass Measure D** by 84% margin to assess a parcel tax of $52/year to raise approximately **$5.6 million/year.**

- Proceeds of new tax used to secure **$26 million in long-term financing/debt** to support hospital operations and make necessary investments in the hospital and its equipment.

2005 DMC sustains $23 million in operating losses in 2005 and consumes much of the cash reserves created by the 2004 financing.

Feb 2006 DMC closes Inpatient Burn Unit to stem losses.

Sept-Nov 06 Emergency Department goes on ambulance diversion for 6 weeks.

Oct 2006 DMC sustains $35 million in operating losses in 2006 and WCCHD files for Chapter 9 bankruptcy protection.

Oct 2006 DMC closes Obstetrics Department to stem losses and closes Pinole campus.

Oct 2006 At Supervisor John Gioia's urging, the **Contra Costa Board of Supervisors approves a Recovery Plan** for the hospital that includes the establishment of a Joint Management Agreement between WCCHD/DMC and the County, and establishes a process to transfer **$10 million from Contra Costa County** to the State which was **matched by the Federal Government (additional $10 million)** to provide enhanced Medi-Cal payments to DMC resulting in **$20 million cash infusion** to keep DMC open. Funds used to support payroll/operating expenses.

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Dec 2006 WCCHD Board approves Wellspring Management Services (hospital turnaround consultants) contract to assess DMC's financial situation and develop a sustainable business plan.

Feb 2007 First meeting of the new DMC Management Authority JPA Board occurs

March 2007 JPA Board approves amendment to Wellspring Contract to provide assistance to implement "quick-fix" **initiatives relating to billing and collections, which improved cash flow by more than $2.5 million**.

Spring 2007 Replace DMC management with interim management team through Wellspring (CEO, CFO, Chief Nursing Officer/Chief Operating Officer, Controller, HR)

During 2007 DMC negotiates **improved reimbursement contracts** with managed care payors (health insurance companies) for an **annual benefit of $2.9 million**.

July 2007 WCCHD and JPA Boards approve business plan presented by Wellspring. JPA Board approves amendment to Wellspring contract to begin the 90-day first phase of implementation of the initiatives in the new business plan.

Aug 2007 Wellspring begins implementing following **initiatives to yield savings of $9.7 mil.**

- Revenue Cycle – improve billing/collections by redesigning revenue cycle process and implementing new denial management process
- Labor – right size staff with hospital volume and need, including improving staffing productivity, implementing control and productivity systems, and redesigning staffing approach
- Non-Labor – renegotiate pricing arrangements with health insurance companies to bring in line with industry standards and current DMC cost structure and renegotiate vendor contracts to get better pricing on products and services.

Aug 2007 County Health Officials, Supervisor John Gioia, DMC CEO, and local legislators work to get California Medical Assistance Commission **(CMAC) to award $5 million Distressed Hospital Funding** to DMC.

Nov 2007 JPA members Supervisor John Gioia and Pat Godley (CFO of Contra Costa Health Services) make presentation to CMAC in Sacramento regarding need for additional state funding to compensate DMC for unreimbursed indigent care costs and unreimbursed Medi-Cal costs.

Dec 2007 **California Medical Assistance Commission (CMAC) votes to provide DMC with** $**36 million** in funding ($12 million per year for 3 years)

Jan 2008 JPA Board approves DMC operating budget, which **reduced deficit from over $30 million to $18 million per year.**

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March 2008 Hospital leadership, Supervisor John Gioia, WCCHD Director Eric Zell, and Congressman George Miller **work with Bankruptcy Court Creditors' Committee to reach a settlement of the $18 million in creditor debt.**

WITHOUT OUTSIDE FUNDING, DMC DOES NOT EMERGE FROM BANKRUPTCY

April 2008 County Health officials Dr. Bill Walker and Pat Godley, Supervisor John Gioia, WCCHD Director Eric Zell, and Hospital Leadership work with Kaiser and John Muir Health Systems for multi-year funding commitment.

- **Kaiser announces $12 million grant** ($4 million/year for 3 years)
- **John Muir announces $3 million grant** ($1 million/year for 3 years)

April 2008 DMC files plan with U.S. Bankruptcy Court to emerge from bankruptcy with Creditors' Committee recommending approval of the plan by the Court

Aug 2008 U.S. Bankruptcy Court approves plan for DMC to emerge from bankruptcy and calling for payments to creditors over a 3-year time period of $12 million.

January 2011 DMC CEO Joe Stewart resigns and interim management brought back.

Spring 2011 Change in state rules governing allocation of inter-governmental transfers by California Medical Assistance Commission (CMAC) results in **decreased funding from CMAC to DMC from $12 million/annually to $1.2 million**.

March 2011 DMC unable to meet payroll and **County Board of Supervisors approves $10 million cash advance** to DMC for operations. Advance requires repayment from WCCHD's ad valorem tax.

July 2011 **Regional Planning Initiative is established to explore options**

- Participants – DMC, Contra Costa Health Services, Kaiser, John Muir Health
- Scope of study - Explored options for: (1) outside funding to close operating deficit on a permanent basis; (2) changes in structure and nature of services provided to find a more sustainable service delivery model; (3) potential lease/sale of the hospital; (4) development of a "legacy plan" in the event DMC is unable to remain open as a full-service hospital.
- Conclusions: Other health care models including freestanding emergency department, downsized 50 bed hospital, urgent care, and partnering with long-term care provider to lease excess capacity all continued to have substantial losses.
- Outcomes: Identified immediate initiatives to secure time to implement a longer term strategy which included: (1) Additional expense reductions; (2) new parcel tax; (3) additional debt financing; (4) multiple proposals to the State.

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Fall 2011	DMC management **negotiates reduction of $1.2 million in past due amounts with vendors.**
Oct 2011	**SB 644** (sponsored by Senator Loni Hancock) signed by Governor Brown. SB 644 provides certainty to a future lender and enables DMC to borrow $20 million to continue operating while continuing to develop a sustainable model. SB 644 creates a statutory lien against the Healthcare District's 2004 parcel tax revenue so that the terms of a future loan to DMC cannot be modified by a bankruptcy court.
Nov 2011	Supervisor John Gioia and WCCHD Director Eric Zell co-chair Measure J Parcel Tax campaign. **Measure J ($47/year parcel tax) passes** with 74% support raising approximately **$5.1 million/year**. Measure J contains "sunset clause" providing that the tax is no longer collected if the hospital and emergency room close.
Nov 2011	Governing Board approves budget with additional **$6 million in cost reductions** recommended by hospital management.
Dec 2011	Hospital management finalizes **additional debt financing of $40 million** to support operations.
2011	DMC management puts in place a line-of-credit with a healthcare finance lender.
2011	**Kaiser provides an additional one year funding grant of $4 million** and DMC develops a line-of-credit to provide ongoing operational funding support.
2011	DMC officials **meet with state elected officials and state health officials seeking support to increase Medi-Cal reimbursement rate.** Efforts are unsuccessful.
Jan 2012	**Hospital management launches national effort to find a strategic partner.**
Spring 2012	DMC hires national healthcare consultant, Camden Group, which makes contact with over 2 dozen organizations (including UCSF, Stanford, Dignity Health, Sutter, Kaiser and many more) to pursue health care partnerships with the hospital. Only one entity (Avanti Hospitals) expresses serious interest. After due diligence and discussions, Avanti decides, in early 2013, not to move forward with DMC.
Spring 2013	**Contra Costa County starts discussions with UCSF Medical Center** about possible affiliation between UCSF, Contra Costa Health Services and DMC. Discussions end in early 2014 with no affiliation agreement.
2012-2013	DMC works with Camden Group (retained in Spring 2012) to develop strategic plan for hospital sustainability and to assist in finding a partner with whom DMC could either merge or affiliate with in order to gain economies of scale and to develop a sustainable business model. Plan identified immediate savings measures but concluded that DMC was not sustainable as a freestanding hospital and needed a partner for long-term sustainability.
April 2013	**Medicare payments cut by more than $3 million/annually** as part of the Federal Budget sequestration.

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2012-2013 **DMC works to find a skilled nursing/rehabilitation service provider to rent excess unused inpatient hospital space.** Effort unsuccessful.

2012-2013 **DMC continues to institute strategies to save money and increase revenue**:

- Renegotiates better reimbursement rates with insurance companies
- Improves billing and collection practices
- Reduces management staffing by 19%, saving nearly **$600,000 annually**
- Streamlined staffing, making DMC one of the most efficient hospitals in the Bay Area
- Renegotiates physician contracts, saving **$1 million annually**
- Renegotiates vendor supply costs to save money
- Makes significant changes in health benefits structure for unrepresented employees to save money
- Eliminated the self-insured employee benefit program, which reduced costs and eliminated financial risk.

July 2013 **Contra Costa Board of Supervisors approves $9 million cash advance** to DMC to support operations. Advance requires repayment from District's ad valorem tax.

Nov 2013 **Hospital Governing Board declares fiscal emergency** because of projections it will run out of cash in May 2014. Factors leading to emergency: Since 2010 -- DMC lost $17 million/year in outside state and hospital support, DMC experienced 14% decline in operating revenues and 22% decline in inpatient volume through loss of commercially insured patients to privately owned medical facilities, and DMC used up its $40 million in debt financing obtained in 2011. DMC's average reimbursement per patient per day is 57% lower than average for East Bay hospitals.

Nov 2013 DMC submits written funding request to Kaiser

2014 **Affordable Care Act results in $2.8 million per year net decrease in revenues** for DMC (lower Medicare reimbursement rate under ACA more than offsets slight increase in revenue due to lower number of uninsured patients)

2014 **DMC makes funding appeals to Hospital Council** of Northern and Central California including Kaiser, Sutter and John Muir Health System. Efforts unsuccessful.

2014 **DMC makes funding appeals to corporations** (including Chevron, Republic Services, Mechanics Bank), **foundations** (including California Endowment, San Francisco Foundation, and Gates Foundation Global Health Initiative), and **local governments** to support hospital. Efforts unsuccessful.

2014 Throughout 2014, DMC officials continued to reach out to potential investors and hospital operating firms in search of a potential partner. None were willing to pursue discussions beyond an introductory meeting.

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2014 **DMC management and CEO work with Touro University** to establish a partnership/affiliation that would bring in revenue to DMC. Effort unsuccessful.

Spring 2014 Supervisor John Gioia and WCHD Director Eric Zell co-chair June **Measure C Parcel Tax campaign to fully fund DMC's $20 million operating deficit**. Measure receives 52% support and **does not achieve 2/3 vote required to pass.**

Spring 2014 **DMC officials work with Congressman George Miller's office to develop potential partnership with the Veterans Administration.** Efforts unsuccessful after VA indicated that their need for inpatient beds was not significant enough to require additional beds for their system. Also, this VA region does not qualify for VA reimbursement to be paid to non-VA hospital providers.

Spring 2014 After attempting to receive a charitable contribution from the Lytton Tribe, DMC is successful negotiating a **lease agreement with the Lytton Tribe to receive upfront payment of $4.6 million** for the long term use of DMC parking lot. Approved by Healthcare District Board in May 2014.

June 2014 Contra Costa Board of Supervisors approves Supervisor Gioia's proposal to conduct a public opinion poll to gauge voter support for a one-quarter or one-half cent countywide sales tax for public safety and health services (including funding for DMC). **Poll results show it would be very difficult to pass a countywide sales tax.** Proposal does not move forward.

June 2014 **Contra Costa Board of Supervisors approves $6 million cash advance** to DMC to support operations and provide more time for DMC to explore options for sustainability. Advance requires repayment from District's ad valorem tax.

June 2014 **Regional Planning Initiative** (stakeholder group led by County Health Director Dr. Walker) established to explore previously studied options (in 2011) for future health-care service options: smaller full-service hospital, freestanding ER, and urgent care center. Participants include Hospital Council of Northern and Central California (including Kaiser, Sutter, John Muir Health Systems), DMC, Contra Costa Health Services, Alameda/Contra Costa Medical Association, Life Long Medical Care, with participation of California Department of Public Health official.

Summer '14 **DMC works with state legislators and California Department of Public Health (DPH) officials seeking authorization for operating a freestanding emergency room** (satellite emergency room to Contra Costa County Hospital). DPH concludes that existing state law does not authorize freestanding emergency rooms in California and that new statutory authority is required to do so.

Aug 2014 **DMC Emergency Room closes to 911 ambulances**. Stays open to walk in patients.

Sept 2014 **Regional Planning Initiative Stakeholder Group issues interim report which concludes that the following health care models are unsustainable** -- (1) a smaller full service hospital under either the County license or DMC license; (2) 24-hour satellite emergency department (while incurring a smaller operating loss than existing hospital) was not allowed under state law. Report also found that seismic costs for a new hospital to meet state standards would cost nearly $200 million.

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Fall 2014 **DMC officials work with state legislators to achieve "public hospital" designation in order to potentially qualify DMC to receive higher Medi-Cal reimbursement rates.** The Center for Medicaid Services of the U.S. Department of Health and Human Services would still need to approve any reimbursement rate changes. Assemblymember Nancy Skinner and Senator Loni Hancock carry AB 39 to designate DMC a "public hospital" under state law and provide $3 million in one time state funding to DMC. **Only one time allocation of $3 million to DMC passes** in **SB 883** (the budget bill).

2014 **DMC continues to implement strategies to reduce expenses:**

- Closes San Pablo Towne Center facility
- Reduces staff
- Terminates Sodexo Contract for management of housekeeping, dietary and maintenance services.
- Eliminates self-insured employee health plan
- Successfully negotiates with Local One union for benefit changes

Oct 2014 **Richmond City Council conditionally approves providing $5 million** in funding to DMC **for 3 years**, totaling **$15 million**, from the Chevron Community Benefit fund contingent on other funding/savings to the hospital of approximately $13 million/year. Matching funds from other sources have not materialized and no money is available from Chevron until all legal challenges to their modernization project are resolved.

Nov 2014 **DMC Governing Board supports 5 X 8 Shared Commitment Plan** developed by Healthcare District Boardmembers Eric Zell and Irma Anderson to retain full service hospital, with the following eight funding goals to keep hospital open for five years:

- New parcel tax ($5 to $8 million/year)
- County debt repayment forgiveness ($3 million/year)
- Debt support from other local hospitals (Kaiser, Sutter, John Muir) ($3 to $4.3 million/year)
- Continuing operating efficiencies ($1 to 2 mil/year)
- Employee savings ($4.5 to $7 mil/year)
- City of Richmond Chevron Community Benefit fund ($15 mil over 3 years)
- Training program/residency partnership ($500,000)
- Reinvigorated DMC Foundation ($500,000 to $1.5 million)

Dec 2014 **DMC loses its accounts receivable financing** with Gemino Healthcare Finance due to concern for future risk of repayment.

Dec 2014 **Contra Costa Board of Supervisors approves** proposal by Supervisor Gioia to: (1) **permanently waive DMC's repayment to the County of $3 million/year** for 3 years **($9 million total)** conditioned upon DMC receiving $15 million/year (for 3 years) in other funding pursuant to the 5 X 8 Plan for a full-service

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hospital; and (2) temporarily suspend DMC's December 2014 and April 2015 repayments to the County totaling **$3 million.**

Dec 2014 **Regional Planning Initiative Stakeholder Group issues final report** confirming conclusions of the September 2014 Interim Report with additional conclusions on urgent care. Report noted that about 11% of DMC emergency room patients require hospital admission. The report concluded that an urgent care facility would incur a much smaller operating loss than the existing hospital or a freestanding emergency department. Losses would be further reduced if the center qualified as a Federally Qualified Health Center (FQHC). The report concluded that while none of the alternatives evaluated by the Stakeholder Group break even financially, "an urgent center with FQHC status offers the best long-term opportunity to become self-supporting." Report also concluded that "connecting patients to more appropriate primary care services and providing assistance to manage their health would reduce the demand on regional emergency rooms."

Jan 2015 **DMC Governing Board hears 4 proposals** (3 private proposals and one from City of San Pablo) to provide funding to DMC. 3 private proposers fail to deposit good faith money demonstrating financial capacity.

Feb 2015 DMC commissions public opinion poll to measure West County voter support for a parcel tax to partially fund DMC's operating loss**. Results show that support at $50, $100 or $150 per parcel remain well below the required 2/3 vote needed to pass.**

Feb 2015 DMC issues WARN letter announcing that it "will be closing and/or reducing certain of its services" on or after April 14, 2015.

March 2015 **Healthcare District Board negotiates and approves real estate transaction to sell the District's Vale Rd. medical office buildings and condominium,** and part of its hospital parking lot (the part subject to the long term lease to the Lytton Tribe) to the City of San Pablo for $7.5 million in cash and $4.4 million in debt reduction for a total value of **$11.9 million**. Infusion of cash avoids immediate closure by end of February 2015.

March 2015 Healthcare District Board votes to close DMC on April 21, 2015 due to lack of future sources of funding to sustain hospital operations and to use $7.5 million in proceeds from sale of property to San Pablo to pay employee, physician and vendor liabilities.

APPENDIX C

ANNOTATED REFERENCES

REFERENCES
WEST CONTRA COSTA HEALTHCARE DISTRICT SPECIAL STUDY

HEALTH CARE NEEDS AND CLOSURE IMPACTS

2013 Community Health Needs Assessment, Kaiser Foundation Hospital – Richmond
The Patient Protection and Affordable Care Act (ACA), enacted on March 23, 2010, added new requirements, which nonprofit hospital organizations must satisfy to maintain their tax exempt status under section 501(c)3 of the Internal Revenue Code. One such requirement added by ACA, Section 501(r) of the Code, requires nonprofit hospitals to conduct a community health needs assessment (CHNA) at least once every three years. The CHNA includes data on population characteristics and prioritized needs, and prioritized community health needs.

File: [Kaiser]Richmond-CHNA-2013.pdf

Study of West County Emergency Medical Services, Emergency Department, and Critical Care Access, Final Report, The Abaris Group, July 2011
Analysis of the potential impact of a change of service or closure of the hospital on the provision of emergency care in the West County area.

File: [Abaris2011]ACF17D.pdf

*__Potential Impact of DMC closure__, prepared by Abaris Group, 2004
Document cited by Initial Agreement for Property Tax Transfer.

Impact Evaluation Report: Doctors Medical Center San Pablo Potential Closure of Emergency Services, Prepared by the Contra Costa Emergency Medical Services Agency, June 13, 2014
The purpose of this report is to assess the impact of the Emergency Department closure upon the community, including the impact on access to emergency care and the impact on emergency services provided by other entities such as ambulance, police, fire, and other area hospitals.

file: Impact-Evaluation-Report.pdf

Final Report: Doctors Medical Center Regional Planning Group, December 2014
Includes an analysis of urgent care, which would provide the most financially sustainable option for meeting the health-care needs of the 89 percent of patients who use the DMC emergency department but do not require hospital admission.

File: final_dmc_regional_planning_group_report_12-2014_for_web.pdf

Freestanding ED Feasibility Assessment, Prepared for Contra Costa Health Services, December 2012, by The Abaris Group Martinez, CA
Assesses the feasibility of establishing a freestanding emergency department (FED) in the western area of the county due to the possible closure of Doctors Medical Center, San Pablo. The report concluded that FEDs remain a viable and growing product in the US for providing emergent and urgent services that are distant from a hospital based ED. There are challenges to establishing an FED in California from a statutory and regulatory standpoint, but the possibility exists.

File: [FreeStand ED]FED-Feasibility-Report.pdf

PROPERTY TAX AGREEMENTS

The West Contra Costa Healthcare District Agreement for Property Tax Transfer to Contra Costa County, October 31, 2006
Also referred to as the "Initial Agreement" by subsequent District/County agreements, provides for the transfer of $10 million to the State to leverage an additional $10 million in Federal funds to be used by the DMC for non-bankruptcy related operations. The WCCHD would repay the $10 million to the County by transferring the entirety of WCCHD property tax revenues until $11.5 million had been transferred. A County staff report accompanies the Agreement, describing the need for the funds and importance of DMC, as well as potential impacts of its closure. A court document approves the agreement and acknowledges that the funds are to be used for operating expenses "post-petition".

File: WCCHCD Tax Sharing Agrmt with CCC.pdf

Amended and Restated Second Agreement for Property Tax Transfer Transfer to Contra Costa County, July 16, 2013
Amended and Restated 2nd Agreement transfers add'l $9 mill. to be repaid $11.6 mill. tax transfer ($6,003,776.82/$11.5 mill. transferred per 2nd Agree. to-date; total owed is $17,096,223.18).

File: WCCHCD 7-16-13 BO 2nd Agt.pdf

Third Agreement for Property Tax Transfer from West Contra Costa Healthcare District to Contra Costa County, July 1, 2014
Provides for the transfer up to an additional $6 million from the County to the WCCHD to be repaid from 100% of WCCHD property tax revenues in an amount up to $8.2 million. At the time of the Third Agreement, $17,096,223 remained to be transferred pursuant to the Amended and Restated Second Agreement.

File: WCCHSD Third Agreement.pdf

Memorandum from Dr. Walker to BOS, June 17, 2014 re: Third Agreement
Provides background on sequence of events since Initial Agreement in 2006.

File: WCCHCD 6-17-2014 BO.pdf

Memorandum from Dr. Walker to BOS, Hearing on Transfer of Property Taxes from WCCHD and Approval of Appropriation Adjustment, July 16, 2013.
Request that BOS acknowledge property tax transfer pursuant to the Second Agreement for Property Tax Transfer, and transfer $9 million to WCCHD in exchange for $11.6 million of property tax. Anticipated improved likelihood of finding an operating partner for the hospital as a result of ACA delivery system reforms but recognized 2013 budget loss of $11 million. Amended and Restated Second Agreement was attached.

File: WCCHCD 7-16-13 BO 2nd Agt.pdf

Memorandum from Sup. John Gioia and Federal D. Glover to BOS regarding WCCHD Tax Allocation Waiver, December 2, 2014
Acknowledges total remaining tax to be transferred under Second Agreement is $17,096,233.18 and $8,200,000 under the Third Agreement, at a rate of approximately $3 mill. per fiscal year. Proposes a resolution No. 2014/450 providing for a one-time suspension of Second Agreement allowing for a transfer in fy 2014/2015 of up to $3 million. Also proposes a Reso. No. 2014/451 to conditionally approve a permanent waiver of up to $9 million due under the Second Agreement, in FY 2015/16, and subsequent two fiscal years. The permanent waiver was conditioned on the District securing at least $15 million in alternate funding for those three years no later than 10/30/2015. Note: condition was not met.

File: WCCHCD 12-2-2014 BO.pdf

Memorandum from Sup. John Gioia to BOS regarding Resolution No. 2016/318 authorizing amendments to property tax transfers from WCCHD to Contra Costa County, April 12, 2016
Revises current property tax transfer agreements to shift $1 million of property tax annually back to the WCCHD instead of to the County until repayment is complete. The revision would also increase the total amount to be repaid to the County by $645,000. The revision would increase the term of repayment by about 2 to 3 years.

File: [2016-04-12_TaxModification]agMemo_25257.pdf

LITIGATION

Declaration of William Walker, M.D. in Opposition to Motion for Preliminary Injunction, filed 8/19/14

Includes statements regarding the County's role in support of health services in Contra Costa in a legal action by the DMC Closure Aversion Committee against the County. Plaintiffs seek a mandatory injunction against the County. Plaintiffs request that the County be prohibited from closing the hospital's STEMI Cardiac Unit, diverting ambulances from the Emergency Department, and capping inpatient beds to a maximum of 50 beds.

File: WCCHCD W Walker Dec.pdf

Declaration of Patrick Godley in Opposition to Motion for Preliminary Injunction, filed 8/19/14

Includes statements regarding the formation of a Joint Powers Agreement between the County and the WCCHD (attached County Board order dated Feb. 6, 2007 forming DMC Authority). The JPA was a separate entity from the WCCHD. The DMC Authority would provide guidance to the DMC in supporting a special tax and helping the DMC emerge from bankruptcy. The Declaration also describes events including the County loans, and the replacement of the Authority by a District Governing Board. It also describes the 2013 County loan that was used to WCCHD debt service. It also describes subsequent loans including a 2014 loan of $6 million while options were explored such as replacing the acute care hospital with a free standing emergency room. Total transferred by the County was $35 million. The WCCHD annual deficit averaged $18 million since 2006. The WCCHD also received grants from Kaiser Permanente ($12 million) and John Muir Medical Center ($3 million), and $36 million in a Medi-Cal contract increase. Eight more years of reimbursement to the County were anticipated.

File: WCCHCD Godley Dec.pdf

BANKRUPTCY PROCEEDINGS

Staff Report on West Contra Costa Healthcare District Asset Disposition Plan, [date? 2015-]

Described a plan for marketing the DMC in two ways: as operating hospital, and as a real estate asset. The plan anticipated a transaction by the end of the year. It notes that there was a Right of First Refusal held by "San Pablo". It also noted that sale as an operating hospital would also require notes regarding the closure of DMC and sale of the back parking lot and the sale of the "MOBs".

File: WCCHCD Asset Disposition Plan.pdf

***Disclosure Statement Plan for the adjustment of debt, June 3, 2008**
Filed by the WCCHD in bankruptcy court and approved August 14, 2008 and the WCCHD emerged from bankruptcy. Required payments to creditors of $12 million over a three-year time frame. (referenced by memo from Dr. Walker to County BOS, July 16, 2013).

County Defendants' Opposition to Plaintiffs' Motion for Preliminary Injunction, filed 8/19/14
County response to motion in a legal action by the DMC Closure Aversion Committee against the County.

***Declaration of Pat Frost in Opposition to Motion for Preliminary Injunction, [date?]**
Referenced by County Defendants' Opposition to Plaintiffs' Motion for Preliminary Injunction, includes information related to diversion of ambulances from DMC.

WCCHD BOARD PACKETS

WCCHD Doctors Medical Center Board of Directors Packet, Meeting Thursday, March 17, 2016
Includes financial update and 10-year annual cash forecast projecting annual operating shortfalls 2020-2024 totaling about $11 milllion. Proposes to restructure County agreement to provide for an advance plus reduction of County tax retention to 2/3's, extending the years required to repay the loan about 4 to 5 years.

File: 3.17.2016 WCCHCD Agenda Packet1.pdf

WCCHD Doctors Medical Center Board of Directors Packet, Meeting Monday, January 11, 2016
Includes letter (1/4/16) from attorney Edward Shaffer regarding status of property disposition.

File: WCCHCD BOD Packet-01-11-16-1.pdf

FINANCIAL

Audited Financial Statements, WCCHD, December 31, 2013, TCA Partners, LLP
Reports an operating loss by the WCCHD for the year ended Dec. 31, 2013, of $28.3 million.

File: 2013-Audit.pdf

LAFCO

Public Healthcare Services Municipal Service Review, prepared by Dudek and The Abaris Group for Contra Costa LAFCO, approved August 8, 2007
Provides background information and determinations related to the WCCHD.

File: HealthCare MSR Approved 8-8-07.pdf

Special Study: Mt. Diablo Health Care District Governance Options, Accepted by LAFCO 1/11/12
Includes background information on CSA EM-1 and issues and options for consolidation with a healthcare district.

File: Final Special Study Report 01-12-11.pdf

PRESS

San Pablo: County issues information on care alternatives in wake of pending hospital closure, ContraCostaTimes.com, Updated: 04/16/2015
Provides information about treatment and care alternatives to DMC in West County.

http://www.contracostatimes.com/breaking-news/ci_27922820/san-pablo-county-issues-information-care-alternatives-wake

file: [2015-04-16_Closing_Care Alts]CCTimes.pdf

San Pablo: Doctors Medical Center closes doors to patients, 4/21/2015
Provides historical background as it describes the events on the last day, and experiences of patients. Notes prior ER levels of activity, and options for doctors and patients.
http://www.mercurynews.com/my-town/ci_27957896/san-pablo-doctors-medical-center-closes-doors-patients

file: [Press_2015-04-21_Closure]BayAreaNewsGroup.pdf

Patients struggle, doctors worry in aftermath of hospital shutdown, Richmond Confidential, Trinity Joseph, 12/13/15
Quotes patients and doctors on their experiences after closure.
http://richmondconfidential.org/2015/12/13/the-aftermath-of-doctors-medical-centers-closure/

file: [Press_2015-12-13]Patients struggle, doctors worry in aftermath of hospital shutdown _ Richmond Confidential.pdf

Shuttered East Bay hospital could become boutique hotel, 3/15/16, San Francisco Business Times, Chris Rauber
Describes pending deal to sell the 62-year old structure to Davis-based Royal Guest Hotels for $13.5 million.

http://www.bizjournals.com/sanfrancisco/blog/realestate/2016/03/doctors-medical-center-san-pablo-royal-guest-hotel.html

file: [Press_2016-03-15]Boutique hotel company Royal Guest Hotels seeks to buy San Pablo's shuttered Doctors Medical Center safety net hospital - San Francisco Business Times.pdf

San Pablo: West Contra Costa tries to fill health care void after hospital closure, 4/8/16, San Jose Mercury News, Tom Lochner
Describes adjustments made to service provision and ambulance responses to mitigate impacts of DMC closure.
http://www.mercurynews.com/ci_29743186/san-pablo-west-contra-costa-tries-fill-health

File: [Press_2016-04-08]DMC Closure Follow-up East Bay Times 4-9-16.pdf
Doctors Medical Center San Pablo Impacts of Potential Downgrade or Closure of Hospital Emergency Services at Doctors Medical Center, Press Release, 4/10/15, Contra Costa Health Services

Provides background and links to related information regarding the impending closure of DMC.

File: Doctors Medical Center San Pablo __ Press Releases __ Contra Costa Health Services.pdf

Doctors Medical Center's legacy of service remembered as closure nears, 4/18/15, Contra Costa Times
Provides background and history on DMC.

File: Doctors Medical Center's legacy of service remembered as closure nears - ContraCostaTimes.pdf

West Contra Costa hospital faces likely closure following failure of tax measure, 5/7/14, Contra Costa Times, Robert Rogers
Background on tax measure and speculation on the causes of the closure.
http://www.hospitalcouncil.org/article/west-contra-costa-hospital-faces-likely-closure-following-failure-tax-measure

file: West Contra Costa hospital faces likely closure following failure of tax measure - ContraCostaTimes.pdf

BALLOT MEASURES

West Contra Costa Healthcare District Parcel Tax Question, Measure C (May 2014)
A West Contra Costa Healthcare District Parcel Tax, Measure C ballot question was on the May 6, 2014 election ballot for voters in the West Contra Costa Healthcare District in

Contra Costa County, California, where it was **defeated**. The tax would have provided an estimated $20 million in revenue per year for the hospital, *https://ballotpedia.org/West_Contra_Costa_Healthcare_District_Parcel_Tax_Question,_Measure_C_(May_2014)*

file: WCCHD Parcel Tax Question, Measure C (May 2014) - Ballotpedia.pdf

East Bay hospital may close after voters reject tax measure, 5/7/14, Bay City News
Story about implications to DMC after tax measure lost.

http://a.abclocal.go.com/story?section=news/health&id=9530929

file: http://a.abclocal.go.com/story?section=news/health&id=9530929