



May 7, 2009

The Honorable Board of Supervisors  
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Dear Board Members:

**Subject:       ACMC Acute Rehab Program and SB1953**

**RECOMMENDATION**

- (1) Authorize the HCSA to work collaboratively with ACMC in securing space/facilities in SB1953-compliant acute care hospitals for the purposes of relocating the ACMC licensed and operated Acute Rehab Program currently located at the ACMC Fairmont campus, H-building; and,
- (2) Report back to the Board any findings and recommendations specific to securing beds/facilities essential to sustaining ACMC acute rehab program.

**SUMMARY/HISTORY/DISCUSSION/FINDINGS**

SB1953 establishes the standards and timeline by which acute care hospitals built before 1973 must meet revised seismic compliant standards, either through re-build or retrofit. Facilities operated and licensed under Alameda County Medical Center that are impacted by this legislation are the acute care tower located at the Highland General Hospital Campus and the acute rehab program, located at H-building, Fairmont Campus. Your Board has adopted plans specific to the replacement of HGH acute care tower and submitted plans to OSHPD. The challenge of financing the HGH acute tower, however, is expected to exhaust all revenue options available to the County, leaving the only option to continuing the ACMC acute care rehab program to secure beds/facilities in existing SB1953 compliant acute care hospitals.

ACMC and my office have been exploring these “relocation” options over the past year. Included in our efforts has been dialogue with Eden Medical Center regarding accessing beds/facilities at their licensed and operated San Leandro Hospital. Attachment A is a summary in a question and answer format of issues raised and discussed specific to San Leandro Hospital. Your Board is asked to formally authorize my office to work with ACMC in defining these options and to report back to your Board recommendations regarding available options to lease/acquire beds and/or facilities necessary to continue ACMC acute rehab program.

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**FINANCING**

There is no impact on the County General Fund.

Sincerely,

A handwritten signature in cursive script that reads "David J. Kears". The signature is written in black ink and is positioned above the typed name and title.

David J. Kears, Director  
Health Care Services Agency

Cc: County Administrator  
Auditor-Controller  
County Counsel

Future of San Leandro Hospital and FACH Acute Rehab Program

1. What is the relationship between Sutter/Eden Hospital, the Eden Township Health Care District, and San Leandro Hospital?

**The Eden Township Health Care District (District) currently owns San Leandro Hospital (SLH) and leases all of the hospital to Eden Medical Center (EMC), which operates the hospital under EMC license. EMC is a part of the Sutter Health System. Sutter has the option to purchase SLH from the District based on previously agreed upon provisions that gives Sutter the “rights of ownership.” The right to purchase, however, includes provisions that limit Sutter’s right to assign the property (SLH) to another entity outside of Sutter’s operated facilities, absent the District agreement.**

2. Under this relationship, who has the authority to close San Leandro Hospital and/or transfer the property to County or another interested body?

**Sutter under its lease agreement can close SLH. Eden Township Health Care District (District) owns the property and it can transfer the property to another entity only if Sutter agrees to transfer its right of ownership to that entity. Under consideration has been the option for Sutter Health, the District, and the County of Alameda (County)/ACMC to enter into an agreement whereby:**

- (a) **Sutter Assigns the Option to Purchase SLH to the County/ACMC and the District waives certain provisions of their lease agreement with Sutter to allow the transfer of property to the County/ACMC;**

**Should the District elect not to transfer SLH to the County/ACMC the other option by which the County/ACMC could acquire SLH is:**

- (b) **Sutter Exercises its Option to Purchase SLH with its intent for SLH to close no later than September 30, 2009, and the District transfers SLH to Sutter (or its affiliate) effective on or before September 30, 2009 as prescribed in their existing agreement. Sutter enters into a long-term lease agreement with the County/ACMC based on the conditions set forth by all parties. Lease agreement is as close to a transfer of title as is reasonably possible.**

3. Of the two options referenced in #2 to close San Leandro Hospital and transfer the property to County of Alameda/ACMC, what are the pros and cons of each option?

**The Pros of option (a) are: that it is an agreement of all key parties (Sutter/Eden, District, and County/ACMC); it is doable within the resources**

**of all parties; it allows ACMC the possibility to directly negotiate the purchase of SLH and finance its conversion to a Regional Acute Rehab hospital without the assistance of the County; and allows for the continuation and expansion of FACH Acute Rehab Program. The Cons are that it precludes consideration of any other option to retain SLH as an acute medical surgical hospital with a fully operated emergency department.**

**The Pros of option (b) are: allows for the County to secure SLH in order to relocate and expand ACMC operations of FACH acute rehab program, and thus continue to address a critical acute hospital need in the County; and, it is consistent with the timeline set by Sutter to close SLH and expedite the conversion of SLH into an ACMC operated Acute Rehab Hospital. The Cons are: leaves a residue of discord among the three parties not conducive to building back the confidence and support of the residents impacted by the closure of SLH; and, it precludes any immediate possibility of ACMC acquiring SLH as an asset through its own ability to finance the conversion of SLH into a acute rehab hospital (by acquiring SLH outright, ACMC can then use SLH as security against the loan needed for the conversion).**

4. The County's/ACMC interest in San Leandro Hospital, should it become available, lies in the opportunity it affords the County/ACMC to relocate its FACH acute rehab program and thus address State seismic requirements to either replace its existing structures, close the program, or re-locate it to other seismically compliant acute hospital facilities. What are the proposed plans for this relocation and the costs associated with them?

**Under consideration and assessed in previous reviews by Eden/Sutter to convert SLH into a regional acute rehab hospital are cost estimates of between \$20 to \$25 million to convert SLH into a 50-plus bed regional acute rehab hospital. Either option (a) or (b) would require the County/ACMC to take ownership/possession (lease) of SLH by September 30, 2009, finance the conversion of SLH into a regional acute rehab hospital licensed and operated by ACMC, and navigate the plan approval and licensing changes needed to change ACMC FACH acute rehab licensed beds to SLH. Sutter's financial participation in the conversion costs as well as in support of other service components would also be part of the financing in an as yet negotiated manner.**

5. What options are available and/or have been discussed to finance this conversion?

**Under option (a) the conversion could be financed in one of two ways. First and preferable to both ACMC and the County, ACMC may be able to secure a Federal HUD grant to finance the needed conversion to an acute rehab hospital with the loan secured through ACMC's ownership of the property (SLH). Second, the County would retain responsibility to finance the conversion and through a lease/purchase agreement, ACMC would acquire**

**the property once the loan was repaid. Under option (b), the County would assume responsibility to finance the conversion through the re-direct and set aside of existing capital funds and recapture its upfront capital costs through a sub-lease to ACMC yet to be negotiated.**

6. Eden District Board Members have expressed interest in exploring options to keep San Leandro Hospital open as an acute medical surgical hospital with a fully operating emergency department. What specifically has been discussed or suggested and how likely are any of these to materialize?

**It appears that there are only four options: (1) request that Sutter/Eden continue to subsidize and operate SLH as presently configured; (2) secure another operator for SLH; (3) lobby for a hybrid model in which the County/ACMC and another community hospital would operate SLH as a combined Medical/Surgical acute hospital with added acute rehab beds; and (4) the District itself operate SLH with subsidy support from other sources.**

**Sutter desires to divest themselves of the operating subsidy necessary to sustain SLH as is. Declining census coupled with reimbursement rates insufficient to meet expenses has resulted in a monthly operational deficit reported to range from \$500k to \$1 m. There has been no indication that Sutter believes that SLH financial bottom line is likely to improve or that they are likely to reverse their position that they can no longer provide the support necessary to keep SLH open.**

**Preliminary inquiries with other corporate hospital systems have elicited no interest in acquiring and operating SLH as presently configured. It is unclear whether or not there is interest in acquiring SLH and converting it to a “surgical hospital” or some other purpose. No evidence exists, however, to support the notion that “private operators” are interested in assuming responsibility to operate SLH as a community acute medical/surgical hospital.**

**It has been suggested by some that St. Rose Hospital of Hayward or Washington Hospital of Fremont might be interested in assuming operating responsibility for SLH in possible partnership with the County/ACMC with respect to adding some acute rehab beds. There is no evidence that either SRH or Washington Hospital have the resources or inclinations to absorb SLH current operational annual deficit. Likewise, the ACMC preliminary assessment of converting one floor of SLH into a 15-bed acute rehab program suggests strongly that it is not fiscally sustainable, and thus would not prevent the closure of the FACH acute rehab program.**

**Finally, the District indicates that it does not have the financial base to operate SLH as a distinct acute hospital, nor is there any indication that offsetting new revenue is available through the State or the County, and**

**neither the District nor the City of San Leandro has shown any willingness to request support from district/city residents via a parcel tax to provide a subsidy similar to that done by residents of the City of Alameda.**

7. San Leandro residents and advocates of San Leandro Hospital have raised concerns about the adequacy of the adjacent community and county acute hospitals and their emergency departments to handle the increased load that the closure of San Leandro Hospital will create. What analysis has been done to address this concern and what further analysis and process would have to be followed should San Leandro Hospital close?

**There have been two analyses. First, County EMS has requested AMR (ambulance) to review 911 transports to SLH and provide a breakdown based on code responses and demographics (see attachment A). Second, Sutter/Eden has completed a more in depth analysis of their ED client profile and clinical needs (attachment B). In both cases, approximately 80% of the residents fall within the category urgent care, with 5% of 911 responses reflecting code 3 or critical response needed. These profiles do not diminish the value of SLH nor do they suggest that the loss of SLH emergency department or acute m/s beds won't be felt in adjacent acute care hospitals and emergency rooms, only that the impact is still within the County's overall system's ability to absorb and cope. Should the decision to close SLH proceed, then Eden would have to notify County EMS of its decision so that a 90-day review process and public hearing could be completed (attachment C).**

8. What steps/programs could or must be put in place should San Leandro Hospital close as an acute medical surgical hospital to mitigate the concerns raised by the residents and those advocating in favor of keeping San Leandro Hospital?

**Critical to all discussions regarding the prospects of having SLH close as an acute medical surgical hospital, being transferred or leased to County/ACMC for conversion and operations as an acute rehab hospital, is the development of an "Urgent Care Clinic" at the SLH site. Once or if a decision is made to close SLH as an acute m/s hospital and transferred/lease to County/ACMC, every effort will be made to expedite the development of an urgent care clinic, consistent with best practices and the needs of the majority of residents currently utilizing SLH ED. Concurrent with these efforts, Eden's plans for the State required re-build of their acute hospital include an expansion of their emergency department's capacity. Finally, the St. Rose Hospital acquisition and capital improvement plan which was fully supported and partially financed by the County calls for an increase in 30 medical/surgical beds. Unfortunately, there is a gap in the projected closure of SLH and completion of SRH expanded bed capacity. But absent any new revenue source or commitment, delaying either the closure of SLH or the proposed re-build of Eden will only aggravate not alleviate this gap.**

9. Should the decision be made to keep San Leandro Hospital open as an acute medical/surgical hospital, are there any other options to retain the FACH Acute Rehab Program, other than drafting plans and financing new construction?

**No other alternative space/seismically compliant facility adequate to operate a financially sustainable acute rehab program has been identified. The County faces a June 2009 deadline to submit its seismic compliance extension request to State OSHPD, based on a stated commitment and plan by the County to re-build or re-locate FACH acute rehab program to a seismically compliant facility. The obligation to replace the HGH acute care tower precludes any serious discussion of any additional re-build obligation thus leaving SLH as the County/ACMC's only option to closing the FACH acute rehab program.**

10. What are the timelines for these decisions and the implications if key timelines are not met?

**Both the timeliness and coordination of events is essential for any reasonable accommodation or compromise to occur in order to minimize the loss of acute care resources and time gaps between when existing programs/facilities close and new ones emerge. There is no identified scenario where both SLH and FACH acute rehab program can both continue to exist. There is a high probability that any significant delay or lack of coordination will result in both closing. There is also no known scenario where acute medical surgical and acute rehab beds can be retained at anything close to their present capacity. Acute care hospitals and health systems, both public and private, are simply struggling to address excessive capital expenses necessary to meet State seismic compliance standards and declining revenue proportionate to expenses. There are just too many variables in play here for anything other than a coordinated and timely response.**

11. Are there other factors to consider in making these decisions?

**As noted above this challenge represents only the first "Sophie's Choice" public entities are likely to face in our County and in this State. Other losses in acute care capacity in all areas, e.g. psych, rehab, medical/surgical appear inevitable and even with national health reform high on everyone's agenda, the reform is predicated on controlling costs and reforming the service delivery system. Eden's proposed replacement project calls for the shutdown of its Laurel Grove Rehab and its Eden base psych unit. Alta Bates' Herrick campus houses a robust acute rehab and psychiatric programs, all requiring a yet to be finalized relocation to newly built or existing seismically compliant facilities.**

12. How does the Eden EIR come to play in these discussions and decisions, and are there any consequences if it is delayed?

**The longer it takes to rebuild Eden Hospital or to secure a seismically compliant facility for an expanded FACH acute rehab, the more difficult it will be to mitigate the loss of acute beds that no one entity has the funds to replace or operate if built or secured.**