

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



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.



- 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.**



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.





- 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.



- 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.



- 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.



- 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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COUNTY ADMINISTRATOR
DAVID TWA

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 million. 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_\(May_2014\)](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