

**REPORT TO THE HUMBOLDT COUNTY BOARD OF SUPERVISORS
ON THE COMMUNITY RESPONSE TO THE CRISIS AT ST. JOSEPH HOSPITAL**

Introduction and Background

This report summarizes two months of preliminary discussions and planning for the future of Humboldt County's health care delivery system. These discussions were triggered by the financial crisis at St. Joseph Hospital, but they reflected a sense that many essential parts of our health care delivery system are equally on the verge of crisis.

The paper has four sections: an introduction which describes the background and process, a summary of the pros and cons of the three options identified by St. Joseph Health System (SJHS) leadership for the future of the Eureka hospital, a discussion of the community planning process being proposed to strengthen the health care system, and some recommendations for next steps.

In May, 2006 the Humboldt County Board of Supervisors asked the Community Health Alliance of Humboldt-Del Norte (CHA) to organize the community's response to the three options which had been presented by Joe Mark of Navigant Consulting, CEO of St. Joseph Hospital - Eureka (SJE), for the future of the hospital. Mr. Mark described a crisis at SJE caused by a combination of weak financial performance and a state-mandated seismic retrofit which the hospital must complete by the year 2013 at an estimated cost of over \$80 million. Humboldt County Public Health Officer and CHA board member Dr. Ann Lindsay and CHA Executive Director Allan Katz have shared the work assigned by the Board of Supervisors.

CHA formed an *ad hoc* planning committee to guide its work. The committee includes a County Supervisor, representatives of other elected officials, physicians, nurses, advanced practice clinicians, hospital administrators and board members, business leaders, and community foundation staff. The *ad hoc* planning committee and the CHA board of directors have provided input for this paper.

CHA has also coordinated its work closely with Dr. Jack Irvine, chair of the task force appointed by the St. Joseph Board of Directors to gauge community response to the three options. This paper has been shared with that task force and with the St. Joseph board.

Over the past two months, guided by the *ad hoc* committee, CHA has facilitated discussions with 76 people in six advisory groups formed to explore the pros and cons of the three options. Participants were asked to consider the options from both sides, not limiting themselves to the one they preferred. One of the groups was made up of members of the nurses' honor society, one of elected officials, one of media representatives, and two of CHA board members and interested community members. Dr. Ellen Mahoney, President of the Humboldt-Del Norte Medical Society and a member of the *ad hoc* committee, and Dr. Lindsay facilitated an advisory group session with Medical Society members. The Medical Society is holding a series of meetings of Society members on the status of health care in Humboldt County, and a report by Dr. Mahoney on these discussions is attached to this paper. Katz also engaged in a discussion with the Board of Directors of the Redwood Region Economic Development Council.

The options identified for the future of the hospital are:

- Option 1 – Continued Sponsorship of SJE by the Saint Joseph Health System (SJHS), with additional philanthropic support, tax support and/or seismic retrofit relief
- Option 2 – Creation of a community-based model to own and operate SJE as an independent not-for-profit medical center
- Option 3 – Change in ownership to a third party, which could include:
 - Catholic (transfer, swap, co-ownership, joint operating agreement)
 - Other non-profit
 - Taxable entity (could include some form of physician ownership)

The principles established by SJHS to guide their decision are:

- Make certain the community has access to appropriate quality healthcare
- Take into consideration the underserved and marginalized
- Make certain the 2013 seismic compliance deadline is met
- Consider stewardship value and the good of the SJHS
- Meet Church law/expectations for assets to be used for the ministry

Although the work of the advisory groups has focused on the three identified options, it became clear at every advisory group session and *ad hoc* committee meeting that the crisis at St. Joseph Hospital is only one element in a looming health care crisis that threatens our entire health care delivery system. The financial crisis at SJE triggered the present discussion, but the underlying issues affect all Humboldt County citizens.

- The double-digit annual increase in the cost of health insurance premiums is causing many local employers to drop coverage for their employees, reduce the quality of coverage, or to shift more of the cost to employees.
- The aging physician work force can not recruit younger doctors to take over their practices as they head toward retirement. Patients are finding access increasingly difficult.
- Emergency services, particularly in outlying communities, are barely managing to stay in business.
- The smaller hospitals serving northern and southern Humboldt communities may be facing their own seismic retrofit challenges.

The crisis at St. Joseph hospital has opened a community dialogue about an even larger question: How can our finite human and financial health care resources be better organized to serve the needs of the people who live in Humboldt County? The *ad hoc* committee has worked with consultant Mitch Glanz of Insight and Strategies to begin to scope out a planning process designed to answer this larger, systemic question.

The long-term success of St. Joseph Hospital—of all our hospitals—requires a strong health care system: a medical community able to provide high quality primary and specialty care, effective emergency services, a working safety net, patients able to access affordable preventive care. The Humboldt County Board of Supervisors has an important role to play as sponsor of a planning

process which addresses the future of all of our fragile health care institutions in the context of these systemic issues.

Pros and Cons of the Three Options

There was a high degree of consistency among the advisory groups that examined the three options for the future of St. Joseph Hospital. This summary does not try to be comprehensive, but lists the points raised across most of the groups.

Option 1: Continued sponsorship of St. Joseph Hospital in Eureka by the St. Joseph Health System with additional philanthropic support, tax support, or seismic relief	
Pros	Cons
<ul style="list-style-type: none"> Continuity of relationship with a values-based, mission-driven, stable and successful hospital system which is a known entity in the community Capacity of SJHS to provide administrative and financial support to SJE Strong, supportive relationship with Redwood Memorial Hospital Continuation of valued SJHS-supported community programs (e.g. Community Resource Centers) 	<ul style="list-style-type: none"> Damaged relationship between SJHS and community stakeholders, other hospitals and medical staff Perception of poor communication and history of bad management decisions Lack of local control or input into decisions Catholic ownership places limits on reproductive services and sets up a barrier to tax or philanthropic support Lack of clarity about decision-making roles of SJE versus SJHS boards and administration
Option 2: Community ownership of SJE	
Pros	Cons
<ul style="list-style-type: none"> Local control by elected health care district board, accountability to local tax payers Tax funds could pay for seismic retrofit as well as support other needed services (e.g. ambulance) A district could improve overall planning and coordination of health care delivery, including training and insurance options, & MD recruitment Improved cooperation or consolidation with other hospitals, medical community Secure reproductive services Strengthened advocacy position (e.g. in negotiating with state government regarding retrofit) 	<ul style="list-style-type: none"> A 2/3 vote for a tax-supported district is a huge challenge and a district would take several years to form Loss of support from larger health system (legal, purchasing, quality etc.) Elected board with little health care expertise may politicize hospital management rather than support sound management decisions Possible loss of SJHS community programs Operational challenge of supporting variety and quality of needed services in community with high levels of uninsured and Medi-Cal patients High level of current and future debt
Option 3: Sale of SJE	
Pros	Cons
<ul style="list-style-type: none"> A clean slate A timely solution to seismic retrofit Business-like operation Contribution to local tax base New owner may bring substantial resources, could become cardiac/cancer center for North Coast New owner could have flexibility to redefine services, renegotiate contracts, even bring new insurance coverage options 	<ul style="list-style-type: none"> Profit-driven entity could reduce scope of services, stripping unprofitable care Loss of community commitment, philanthropy Decreased community benefit programs Possible labor issues, loss of jobs No local control Possible decrease of quality SJE could become “feeder” for out-of-area programs, reducing local services May isolate Redwood Memorial Hospital May not address health system issues

Continuation of the Planning Process

Health care resources are limited. Humboldt County health care providers face two fundamental challenges common to rural counties: a weak economy (high rates of uninsured or under-insured residents, high rates of Medi-Cal, low compensation) and a lack of the kind of infrastructure that enables larger urban and suburban counties to deliver services with a degree of planning and efficiency. CHA is developing a planning process whose goal is to enable this rural community to make rational choices about the best use of our limited resources.

The process will

- clarify community priorities about which services are essential and must be provided locally and which can be provided outside the county
- propose ways to reorganize resources and care to maximize quality, efficiency, cooperation and creativity
- identify new resources to support essential services

The process designed by the *ad hoc* planning committee consists of three phases:

Phase 1, now complete, has raised community awareness of the issue, provided feedback on the options being considered by the St. Joseph Health System for the future of SJE, identified some of the systemic issues facing our community, and begun to design a community-based planning process for the future of health care in Humboldt County.

Phase 2 will focus on the design of solutions. It will include both open community meetings and technical work by several task forces comprising health care experts and stakeholders. The process envisions both broad community participation and intensive, data-driven planning by experts and stakeholders.

The community meetings will inform the community about the status of health care, provide an opportunity for the community to explore the values we hold in common (and those we do not), and will explore the hard choices we must make about essential services and limited resources.

The task forces will work on the issues identified by the advisory groups and planning committee. These include:

- Developing a model for integrated care (How can our medical community and hospitals work more cooperatively? What services are essential locally, and how can they be more effectively organized? How can we improve access, quality, and accountability?)
- Infrastructure, financing and investment (How do health care dollars currently flow into and out of Humboldt County? What is the impact of health care on the local economy? How will our hospitals handle the cost of state-mandated seismic requirements? Is a health care district a feasible option for improved planning and support of essential facilities and services? How will the system serve our uninsured, medically indigent population?)
- Community outreach and involvement (How can we engage the public in this process? How can we use technology to enable broad participation?)

Conclusions

This initial phase of inquiry was not meant to draw conclusions or make recommendations about the future ownership and support of SJE. However, there were a number of points that emerged from the discussions that CHA considers essential as the community moves forward in the planning process.

Participants in the initial planning phase have expressed a sincere appreciation for the process. There are long standing issues of communication and trust among SJE, SJHS, and some key stakeholders. While the focus of the advisory group discussions was on St. Joseph Hospital, it became clear that other Humboldt County hospitals could also do more to inform and involve the broader community. The fact that the SJE and SJHS leadership have reached out to the community and invited (and participated in) this dialogue on the future of the hospital is widely seen as a welcome and promising change. It is essential that the leadership of St. Joseph Hospital and all our community's hospitals continue to be directly and actively engaged in the planning process that follows.

One of the options proposed for the future of St. Joseph Hospital is continued ownership by SJHS but with additional community support through philanthropic or tax dollars, specifically for the seismic retrofit. Any future decision to sell St. Joseph Hospital clearly belongs to the St. Joseph Health System. However, a serious exploration of the feasibility of a health care district or other means of community support for the seismic retrofit can take place only with a commitment from SJHS not to sell St. Joseph Hospital during some reasonable period of time and actively participate in exploration of this option.

The formation of a health care district appears to be a promising—and challenging—approach to strengthening our health care delivery system. Advisory group and *ad hoc* committee discussions generated considerable interest in exploring this approach. Such a district would not necessarily be formed to purchase or run a hospital. Its functions could include supporting a range of health planning and system development, helping all Humboldt County hospitals fund their mandated seismic improvements, as well as supporting essential emergency services. As the community studies the viability of a district, participation by the leadership of all Humboldt County hospitals as well as other groups that have a stake in health care will be essential. These groups include health care professionals, political leaders, employers, and consumers.

As we move forward, the planning process should not focus exclusively on the needs of any one hospital or segment of the health care system. The strength of each piece of the system depends on the strength of the whole. We must keep the needs of the consumer as our central focus. The process must be open and transparent, with a commitment to keep the community informed and involved.

Recommendations

The Humboldt County Board of Supervisors has a critically important role to play in planning for the future of our health care delivery system.

- The direct involvement of individual supervisors in the preliminary discussions has been very helpful and will hopefully continue.
- We urge the Board to continue to play an active role as convener of the ongoing planning process.
- We recommend that the Board ask the Community Health Alliance to return within ninety days with a proposal (including budget and time line) for a planning process for strengthening and improving our health care system that includes:
 - (1) An assessment of the current health care system. What is working well? What are the weaknesses and gaps? Where are opportunities for improvement?
 - (2) A prioritization of essential services. What health care system is appropriate for our region? What services must be provided locally? What services can be better provided outside our community?
 - (3) A plan for community involvement. How does the general public participate in a planning effort of this scope? What public and private agencies should participate? How can technology be used to inform and involve the public?
- The planning process would produce the following outcomes:
 - (1) Proposed solutions. What steps can the community take to strengthen and improve our health care system?
 - (2) An implementation plan. How will proposed solutions become a reality?
- Grant funds will be needed to provide the required expertise and staffing of the planning process. We recommend that the Board direct County staff to work with CHA to identify possible funding sources. The Board may be asked to sponsor or support funding proposals.
- We recommend that the Board continue assign Dr. Ann Lindsay as its representative and liaison to the planning process.