

EVOLUTION OF EXISTING HOSPITAL CONTRACTS

When the County closed its hospital in 1973, it elected to rely on local hospitals for the provision of inpatient, emergency and other hospital-based services to its patients. At that time, to secure those services the County entered into five year contracts with Dominican Santa Cruz Hospital, Community Hospital of Santa Cruz and Watsonville Community Hospital for the provision of hospital-based services to the indigent and other county responsible patients. The County reimbursed the hospitals their usual and customary charges for the service obtained by County's patients. All contracts were essentially the same. In 1978 the County and hospitals extended their agreements for an additional five years under the same terms and conditions.

In February, 1980 the County and Dominican Santa Cruz Hospital amended their Agreement as a result of Dominican's desire to expand its capacity. Even though the County had closed its hospital, it had retained the license to operate an acute care hospital if the need arose. As part of the 1980 amendment, the County agreed to de-license forty-seven acute care beds and to support Dominican's Certificate of Need (CON) application for additional beds in exchange for certain concessions from the hospital. Among other changes, the amendment called for a fifteen year extension of the Agreement (through 1995) and a change in the method of reimbursement from usual and customary charges to a lower rate based on the hospital's Medicare cost report. The Agreement also provided for an additional fifteen year extension (to 2010) with consideration to be given to the prevailing circumstance at the time the extension was to be negotiated. This amendment marked a significant change in the relationship between the County and the local hospitals.

In May, 1983 Dominican Santa Cruz Hospital wanted to modify its decision to operate skilled nursing beds which had been part of its 1980 expansion plans. Because of changes in federal law, skilled nursing services in acute care hospitals had become economically unfeasible. Dominican wanted to change the skilled nursing bed designation to acute rehabilitation and required the County's approval under the previous amendment. In exchange for the approval, the Agreement was amended to allow the County to choose between several options in determining the rate of reimbursement to the hospital. Essentially, the County had the option to pay the lowest rate the hospital accepted from any other governmental payer. In addition, this amendment, which for County patients created the option for the County to reimburse the hospital at a per diem rate for inpatient services, resulted in substantial savings to the County. The 1983 agreement with Dominican became the goal for the County's reimbursement agreements with the other hospitals.

The original 1973 Watsonville Community Hospital Agreement remained unchanged until July 1982 when it was amended to deal with billing and cash flow issues. At that time the fixed Emergency Department payment system was initiated and the rate of payment for inpatient services was reduced from usual and customary charges to usual and customary charges less a

twenty-five percent discount. In August, 1983, just prior to the start of the Medi-Cruz program, the Watsonville Agreement was extended an additional five years to June 1988. As part of the extension, the hospital agreed to accept a per diem rate based on its **Medi-Cal** costs as reimbursement in full for inpatient services. The County agreed to the interim cash advance provisions for inpatient services to facilitate cash flow to the hospital.

The precedent of implementing the per diem rate under the Dominican Agreement, coupled with Watsonville Hospital's desire to support the County's decision to have a locally operated Medically Indigent Adult (MIA) program, were clearly contributing factors in Watsonville Hospital's willingness to offer the County the per diem rate. Had the County not opted to implement an independent MIA program and had the State continued **responsibility** for MIA's under the California Medical Services Program, Watsonville Hospital would clearly have been negatively impacted.

The next significant change came to the Dominican Agreement in January 1992 following their purchase of Community Hospital of Santa Cruz. Several new provisions were added to the Agreement to address community concerns regarding Dominican's increasingly dominant role in providing local health care services. Also included were provisions providing parameters for rate increases over the life of the Agreement. Although the term of the existing Agreement would not expire until 1995, Dominican consented to extending the Agreement until June 30, 2010; again providing the County with long term contract stability.

Over the next few years the agreements with both Watsonville and Dominican Hospitals were redrafted, language changed to make the agreements comparable for similar provisions, and amendments added for program changes, (e.g. the advent of the California Healthcare for Indigents Program) and term extensions. Many of the concessions negotiated in the Dominican Agreement for 1992 were later incorporated into the Watsonville Agreement. However, the basic nature of the agreements did not change until 1994 when the charity care provisions were added in anticipation of the opening of the Santa Cruz Maternity and Surgery Center. In January 1994 a new five year agreement to June 30, 1999 with Watsonville was approved which contained the charity care provisions while continuing the previous arrangements. In February of 1994 a new agreement with Dominican was implemented with similar changes.

The initial Hospital Services Agreement with Santa Cruz Maternity and Surgery Center is similar to the Dominican and Watsonville Agreement. It is, however, a more limited document in scope because of several factors: the charity care provisions are in a separate document called the Access to Medical Care Agreement; the hospital is not eligible for CHIP funding; and the hospital does not operate an emergency department.

In summary, the County's Agreements with Dominican Santa Cruz Hospital have set the pattern for agreements with the other local hospitals. To the greatest extent possible, it has been HSA's practice when negotiating agreements to keep the language and provisions as similar as possible while still recognizing the unique characteristics of the institutions and their relationship to the County.

COUNTY OF SANTA CRUZ
HEALTH SERVICES AGENCY

COMPARATIVE KEY PROVISIONS OF CONTRACTS WITH LOCAL HOSPITALS

PROVISION	PROPOSED WCH	FORMER WCH	DSCH	SCMSC
Accept County patients if bed available	4.3	3.3	3.3	3.3
CHIP provisions (WCH & DSCH only)	4.8	3.8	3.8	Not eligible
Maintain same ED permit as 1/1/90	4.8(a)	3.8 (a)	3.8(a)	Not eligible
No fee prior to necessary services	4.8(c)	3.8(c)	3.8(c)	Not eligible
Maintain past levels of charity	4.9	3.8(e)	3.9	NA
Accept CHDP referrals	4.12	3.11	3.11	NA
ER services w/o regard to ability to pay	5.3	4.3	4.1	No ED
Charity care provisions - same for all	Article 6	Article 5	Article 5	Access Agmt ¹
Charity care option	6.1(a)	5.1(a)	5.1(a)	1(a) ¹
Uncompensated care option	6.1(b)	5.1(b)	5.1(b)	1(b) ¹
Curing a deficit	6.2	5.2	5.2	2 ¹
Failure to cure a deficit	6.3	5.3	5.3	3 ¹
Fair share provision	6.4	5.4	5.4	12 ¹
Dispute resolution	8.11	7.10	7.13	5.11
No delegation/assignment w/o permission from County	8.17	7.16	7.19	5.17
Reimbursement provisions	Article 10	Article 9	Article 9	Article 6
Inpatient services	Per diem	Per diem	Per diem	Per diem
Outpatient services	20% disc	20% disc	25% disc	25% disc
Emergency Department services	Fixed price	Fixed Price	25% disc	No ED
Outpatient surgery	Disc FFS to cap ²	Disc FFS to cap ²	Disc FFS to cap ²	Disc FFS to cap ²
Cash advance for I/P services	\$30K/mo	\$30K/mo	NA	NA
Limitation on rate increases	10.9	9.9	9.7	6.7
Term of Agreement	6/2010	6/99	6/2010	6/2000
Early termination	No	60 day notice	No	No

Note: All above citations reference agreement sections unless specific information provided

¹ The Charity Care provisions for SCMSC are in a separate contract called the Access to Medical Care Agreement.

² Discounted fee-for-service up to payment cap.

WCH = Watsonville Community Hospital

DSCH = Dominican Santa Cruz Hospital

SCMSC = Santa Cruz Maternity and Surgery Center

WCH CHARITY CARE PROVISIONS SUMMARY

98/99 PROPOSED AGREEMENT

BASIC COMMITMENT- Section 6.1: Hospital will, at its option, annually provide either 5.5% of net operating cost to charity care or 7.5% of net operating costs to uncompensated care. Subsection (a) and (b) provide definitions and details as to how this is to be accomplished and reported. Subsection (c) contains the "level playing field" language that obligates the County to secure the same commitment from other local hospitals. It also allows the hospital to re-negotiate the commitment if another hospital is granted more Favorable terms or waivers from the obligations. .

DEFICITS- Section 6.2: This section deals with situations in which the annual charity or uncompensated care commitment is not achieved. Subsections (a) and (b) allow the hospital to make up the deficit by either providing cash or in-kind contributions to a charitable healthcare organization or directly providing a no-charge, charitable service benefiting low-income, indigent patients. The County has approval authority over the use of either option to offset a deficit. The option to make a cash contribution to offset a deficit does not require the hospital remit cash to the County: To allow the hospital sufficient time to take measures to alleviate a deficit, a two year averaging methodology is available.

FAILURE TO OFFSET A DEFICIT-Section 6.3: When a deficit exists which has not been offset through the options available to the hospital under Section 6.2, the hospital must submit a plan to the County for correcting the deficit. Subsection (a) requires the hospital to confer with the County regarding acceptable alternatives the hospital may consider in developing a corrective plan. Subsection (b) sets out the timing of plan submission and content requirements. Subsection (c) deals with a situation in which the plan does not successfully cure the deficit. Subsection (d) clarifies that any charity care or uncompensated care provided under the plan will not be counted against the current year's obligations. It is only under Subsection 6.3 (c) that the hospital is required to pay the County cash after both having failed to offset its deficit under the provisions of Section 6.2, and having implemented a corrective plan which was unsuccessful in curing the deficit. The cash payment to the County is the final action to correct a deficit and brings closure to the process for the fiscal year in question.

FAIR SHARE PROVISIONS-Section 6.4: This section speaks to the intent of the hospital to provide its fair share of services to Medi-Cruz (county indigent) and Medi-Cal (county organized health system) patients and its obligation to report data on such patients. If the fair share goal is not being met, the hospital agrees to meet and confer with the County to develop a program to meet the fair share goal. The County agrees to use this same provision in the contracts with the other local hospitals to assure that they are meeting their fair share goals as well. If the County fails to secure the same commitments from the other hospitals or in any way limits another hospital's fair share commitment, the hospital will have grounds for re-negotiating these provisions.

**COUNTY OF SANTA CRUZ
AND
HOSPITAL SERVICES AGREEMENT
BETWEEN
WATSONVILLE COMMUNITY HOSPITAL CORPORATION, INC.
AND
~~THE COUNTY OF SANTA CRUZ~~
HOSPITAL SERVICES AGREEMENT**

ARTICLE 1

FORMATION

1.1 This contract is entered into between the County of Santa Cruz, hereinafter referred to as "COUNTY", and Watsonville ~~Community~~ Hospital **Corporation, Inc., a private, for-profit corporation doing business as Watsonville Community Hospital and a wholly owned subsidiary of Community Health Systems, Inc.,** hereinafter referred to as "HOSPITAL,".

1.2 In the event that Watsonville Hospital Corporation, Inc. purchases Watsonville Community Hospital, Tthe COUNTY and HOSPITAL declare that this instrument contains ~~specifies a total integration of all the~~ rights and obligations, both parties **'With respect to health care services provided by HOSPITAL to County responsible patients and other low-income individuals It is the purpose of this Agreement to assure continuity of responsibility between the COUNTY and hospital ownership during and following the transition of ownership of said hospital with respect to the previously established agreements.** There are ~~no extrinsic conditions or collateral agreements or undertakings of any kind. In regarding this instrument as the full and final expression of their contract, it is the express intention of both the COUNTY and the HOSPITAL that any and all prior or contemporaneous agreements, promises, negotiations or representations, either oral or written, relating to the subject matter and period of time governed by this instrument which are not expressly set forth herein are to have no force, effect, or legal consequence of any kind.~~

1.3 The COUNTY and the HOSPITAL, in consideration of the covenants, conditions, stipulations, terms, and warranties hereinafter expressed, presently contract as follows:

ARTICLE 2

DEFINITIONS

EFFECTIVE DATE OF THE AGREEMENT

2.1 ***This Agreement shall become effective upon the date of purchase of Watsonville Community Hospital by Watsonville Hospital Corporation, Inc.***

2.2 ***This Agreement shall be null and void if, for any reason, Watsonville Hospital Corporation, Inc. does not purchase Watsonville Community Hospital.***

ARTICLE 32

DEFINITIONS

HOSPITAL PERFORMANCE PROVISIONS: GENERAL

32.1 County Responsible Patients are:

- (a) Persons certified as eligible for the County operated Medi-Cruz Program;
- (b) Persons under arrest by the County Sheriffs Department or incarcerated in the County jail;
- (c) Persons in custody at Juvenile Hall;
- (d) Persons undergoing forensic examinations and testing at the request of the District Attorney; and
- (e) Persons identified by the County Health Services Agency Administrator as being a County responsibility pursuant to federal, State, or County law, ordinance, or regulation;

32.2 California Healthcare for Indigents Program (*hereinafter referred to as CHIP*) eligible person:

(a) A person determined to be unable to pay for ***all or a portion of their*** health-care services who is not a County Responsible Patient and for whom payment ~~for the services~~ will not be made through private insurance coverage or by any program funded in whole or in part by the federal government. The ~~COUNTY and the HOSPITAL~~ agree that the standards and procedures ***to be*** utilized ~~to in making~~ this determination are ***specified those contained*** in Attachment A, which is incorporated herein by reference.

(b) A child determined to be eligible for services under the County's Child & Health and Disability Prevention - Linked Treatment Reimbursement (CHDP-LTR) program.

ARTICLE 43

HOSPITAL PERFORMANCE PROVISIONS: **GENERAL EMERGENCY**

43.1 HOSPITAL agrees that it will provide the full range of inpatient and outpatient services available at ***Watsonville Community Hospital*** ~~HOSPITAL~~ to County responsible patients.

43.2 HOSPITAL, and COUNTY agree that COUNTY shall not be financially responsible for any non-emergency hospital services provided to County responsible patients unless such services are authorized in advance by either the Medi-Cruz program for the medically indigent; or by the appropriate County officer for legal custody, Juvenile Hall, and District Attorney cases.

43.3 HOSPITAL shall not refuse to admit any County responsible patient certified eligible for the Medi-Cruz program or referred by the appropriate County officer for authorized services if HOSPITAL has an appropriate bed available **for the clinical needs of the patient.**

43.4 HOSPITAL shall provide to County responsible patients and CHIP eligible patients the same quality and level of care as is provided ~~by HOSPITAL~~ to Medi-Cal, Medicare, and privately insured patients.

43.5 HOSPITAL agrees to cooperate with COUNTY in efforts to assure that utilization of services by County responsible patients is for medically necessary services and the length of stay and level of care are carefully monitored and controlled.

43.6 Whereas the COUNTY contracts for hospital services in both North and South County, it is mutually agreed **and** understood by HOSPITAL and COUNTY that COUNTY- policy favors hospital treatment of County responsible patients **in a hospital in** the area of the County in which they reside or are housed.

43.7 HOSPITAL agrees that all services ~~will be~~ **delivered provided** in accordance with applicable laws and regulations.

43.8 As a condition of receiving California Healthcare for Indigents Program ~~(hereinafter referred to as CHIP)~~ funds, HOSPITAL shall do the following:

(a) Maintain **at least** the same emergency room permit and classification as existed on January 1, 1990.

(b) Provide data and report on each **CHIP** eligible person whose services are reimbursed pursuant to this contract. This information shall include the following ~~for each eligible person served:~~

1. Type of service provided
2. Discharge diagnosis
3. Major procedures
4. Potential third-party liability
5. Dates of service
6. Billed amount
7. Age
8. Sex
9. Ethnicity
10. Payor source

11. Zip code of residency

The following additional data elements shall be provided for all CHIP eligible persons whose services are being reimbursed by the discretionary portion of the CHJP hospital allocation:

1. Family size
2. Family monthly income
3. Source of income
4. Type of employment

The above information shall be reported at the time the hospital bill is submitted to COUNTY and in a manner that is mutually agreeable.

(c) Not require a fee of any person before rendering medically necessary services if that person is **CHIP** eligible ~~for services~~ pursuant to the provisions of this contract.

(d) Provide, at the time treatment is sought, individual notice of the availability of reduced cost health care and display conspicuous, posted notices indicating how to apply for reduced cost health care. The procedure in Attachment B which is hereby incorporated by reference will govern the noticing process. HOSPITAL agrees to take any necessary corrective action if the noticing process is deemed deficient by the State Department of Health Services.

~~(e) HOSPITAL acknowledges that CHIP reimbursement to HOSPITAL is not intended to reduce HOSPITAL'S commitment to providing charity care as described in Article 5. HOSPITAL will not diminish its efforts to provide historical levels of charity care.~~

4.9 HOSPITAL acknowledges that CHIP reimbursement to HOSPITAL is not intended to reduce its commitment to providing charity care as described in Article 6. HOSPITAL will not diminish its efforts to provide historical levels of charity care.

43.109 HOSPITAL agrees to provide **the** services **described** in Attachment C, which is incorporated herein by reference, to CHIP eligible persons.

43.1 ~~140~~ HOSPITAL has the following obligations **regarding medical records:**

(a) HOSPITAL shall maintain medical records required by Title 22, Sections 70747-7075 1 of the California Code of Regulations.

(b) The information provided in subdivision (a) shall be subject at all reasonable times to inspection, audit and reproduction by any duly authorized agents of the COUNTY or State. The State is an intended third party beneficiary of the covenant.

(c) HOSPITAL shall preserve the information provided in subdivision (a) for **at least** four years from the date & services **are rendered**, except that if any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the four year period, the related records shall be retained until completion

and resolution of all issues arising therefrom or until the end of the four year period, whichever is later.

~~43.1241~~ With regard to services normally available, HOSPITAL shall accept referrals from the COUNTY for conditions detected as part of a Child ~~H~~health and ~~D~~isability Prevention screen for a child eligible for services under section 24165.3 of the Health and Safety Code. Services provided to such children are covered under the terms of this contract as CHIP eligible patients unless the child is eligible to receive care with no share of cost under the Medi-Cal program or is covered under another publicly funded program, or the services are payable under private insurance coverage. All services provided pursuant to this article are subject to the prior authorization provisions of Article 43.2 with the Medi-Cruz ~~p~~Program being the authorizing entity.

~~43.1342~~ In the event ~~the~~-HOSPITAL receives a referral from a provider other than the County for a condition detected as part of a Child Health and Disability Prevention screen for a child eligible for services under section 24165.3 of the Health and Safety Code, HOSPITAL shall obtain prior authorization from the COUNTY pursuant to Article 43.2 if such services are to be reimbursed under this ~~Agreement~~contract. Subject to prior authorization by the COUNTY Medi-Cruz Program, services provided to such children are covered under the terms of this **Agreement**- unless the child is eligible to receive care with no 'share of cost under the Medi-Cal program or is covered under another publicly funded program, or the services are payable under private insurance coverage.

~~43.1413~~ In the event the HOSPITAL does not remain in compliance with the CHIP requirements specified herein, the HOSPITAL shall return to the COUNTY any funds advanced or paid by COUNTY to HOSPITAL for services related to CHIP during the period HOSPITAL is not in compliance. The COUNTY may withhold further payments required by this contract until ~~the~~-HOSPITAL demonstrates compliance. The ~~County~~COUNTY recognizes that in certain circumstances all of the data specified in Article 43.8 may not be available. The unavailability of data in individual circumstances will not preclude the HOSPITAL from claiming, or the COUNTY from -reimbursing, CHIP funds if a good faith effort was made to obtain the data.

~~43.1514~~ HOSPITAL shall, through its Prime Health At Home Department, provide disability screening and application support services to County responsible patients referred by Medi-Cruz staff who may be eligible for Medi-Cal or Social Security disability benefits. Such services shall include the following duties:

(a) Assess the medical condition of referred County responsible patients to determine if they potentially meet the medical disability criteria established by the State Medi-Cal program and the federal Social Security Administration;

(b) Report to Medi-Cruz staff the results of the assessment using a form and rating system mutually agreed upon for this purpose;

(c) Assist patients whose assessments indicate a reasonable probability of meeting the disability criteria with the preparation of the Medi-Cal/Social Security application

forms related to describing their disability and the limitation arising therefrom;

- (d) Obtain, assemble and coordinate as necessary the submission of client medical information to the Disability Evaluation Division @ED) of Medi-Cal that substantiates the existence of disabling medical condition(s);

- (e) Monitor the progress of the disability application through the DED process and assist and/or respond to DED analysts requests for additional medical information. Also, update DED as to relevant changes in the clients medical condition that will further substantiate the existence of disabling condition(s);

- (f) Identify to the Medi-Cruz staff any and all negative DED **determinations** for clients subject to this process where there is a reasonable likelihood that the decision would be reversed if appealed through the Medi-Cal Fair Hearing process;.

- (g) At the direction of the Medi-Cruz Administrator, assist selected County responsible patients in the Fair Hearing process by gathering pertinent medical information and documentation that supports the client's contention of being incorrectly denied disability benefits.

ARTICLE 54

HOSPITAL PERFORMANCE PROVISIONS: EMERGENCY ANNUAL CHARITY CARE COMMITMENT

54.1 HOSPITAL agrees to provide emergency services to County responsible patients for a fixed monthly rate per Article 1140.1(d) of this Agreement.

54.2 **The determination** of need for emergency services for individuals either actually or potentially identified as County responsible shall be the responsibility of HOSPITAL. If HOSPITAL determines that the individual does not require emergency services, the patient may be referred to the County&Health Center for treatment.

54.3 HOSPITAL agrees to provide emergency room services to all patients without regard to their ability to pay. HOSPITAL will not institute any practices, policies or procedures under the fixed price arrangement which would result in County responsible patients with true emergency conditions being denied emergency services. It is the intent of COUNTY and HOSPITAL that the needs of the medically indigent for emergency ~~departmentroom~~ services will be met pursuant to this Agreement and that **COUNTY'S** fixed monthly payment to HOSPITAL will constitute full reimbursement for same.

54.4 HOSPITAL retains the right to **bill and** attempt collection of ~~HOSPITAL~~ charges for any outpatient emergency services provided through the emergency ~~departmentroom~~ unless **COUNTY** responsibility is established prior to services being rendered. In cases where the patient is subsequently identified as being eligible for the Medi-Cruz program at the time emergency services were rendered, HOSPITAL will cease billing and/or collection efforts and write off the patient's bill against the fixed price agreement **upon receipt of COUNTY'S notification of eligibility..**

54.5 HOSPITAL will maintain a written policy and procedure which is acceptable to COUNTY'S Health Services Agency whereby emergency room patients who identify themselves as indigent per Medi-Cruz financial standards will not be **subject to collection efforts pursued by HOSPITAL** for payment of their emergency department bills. Significant changes in said policy and procedures shall be reported to COUNTY.

5.6 In order to facilitate the determination of COUNTY responsibility for payment to HOSPITAL for emergency services, HOSPITAL shall, to the extent possible, obtain personal and financial screening information pertinent to establishing eligibility for the COUNTY'S Medi-Cruz program from patients believed by HOSPITAL to be potentially County indigent and who do not at the time of service have appropriate documentation to establish COUNTY financial responsibility. HOSPITAL shall report such cases to COUNTY in the agreed upon manner.

5.7 It is the intent of COUNTY and HOSPITAL to assure appropriate access to emergency and County clinic services for persons requesting immediate treatment. To that end the parties hereto agree to work together to establish mutually acceptable procedures that: promote appropriate emergency and County clinic use; facilitate the identification of County responsible patients presenting for emergency services; establish systems for inter-facility referral; enhance the exchange of information that will improve medical care delivery and efficiency; and, address the financial concerns of the COUNTY, HOSPITAL, and physicians. As part of this process, the parties will develop a working definition of 'emergency services that establishes practical guidelines for emergency room and County staff to utilize in determining the appropriate use of emergency services.

ARTICLE 65

ANNUAL CHARITY CARE COMMITMENT COUNTY PERFORMANCE PROVISIONS

65.1. The HOSPITAL agrees to provide each year, over the life of this Agreement, at least 5.5% of its net operating costs to charity care, as specified in Section 65.1(a) below, or 7.0% of its net operating costs to uncompensated care, as specified in Section 65.1(b) below. The selection of either option shall be at the sole discretion of the HOSPITAL. The HOSPITAL further agrees to provide COUNTY its current charity care policy and eligibility procedures as amended from time to time. Such policy and procedures will be conspicuously posted in each of Hospital's admitting, registration and cashier areas. To the extent permitted by law, the HOSPITAL will require, or in any case, encourage its medical staff members to post the charity care policy in their offices and clinics.

(a) If the HOSPITAL elects the charity care option, it agrees to annually commit an amount equal to at least 5.5% of the ~~HOSPITAL's~~ net operating expenses, exclusive of Medicare, Medi-Cal (including services under a County Organized Health System or other future form of government supported health care entitlement program) and Medi-Cruz costs, to the provision of charity care. Charity care shall be accounted for in accordance with the Office of Statewide Health Planning and Development (OSHPD) Accounting and Reporting Manual, Section 1400, April 1991 edition attached hereto as Attachment D and incorporated by this reference. The definition of operating expenses, for the purpose of this Agreement, shall be the same as that used by the OSHPD for hospital financial reporting. The HOSPITAL agrees to submit an annual computation to the COUNTY showing the level of charity care required under this option of the Agreement and the amount actually provided. The computation shall be submitted on the "CHARITY CARE WORKSHEET (NO BAD DEBTS)" as shown in Attachment E. The Charity Care Worksheet shall be submitted within 180 days of the close of the Hospital's fiscal year and shall be accompanied by a report from the ~~HOSPITAL'S~~ auditors (see Attachment F, sample Auditors' Report-Charity Care Only). The Auditor's report shall describe the audit procedures performed and its findings. The audit procedures shall include an analysis of compliance with OSHPD Accounting and Reporting Manual as it relates to OSHPD Accounting and reporting Manual Section 1400, April 1991 edition in Attachment D. It is understood by the parties hereto that the annual commitment to provide the level of charity care as described above has been arrived at through a collective process involving Watsonville Community Hospital, Dominican Santa Cruz Hospital, Sutter Health representing the Santa Cruz Maternity and Surgery Center, and the COUNTY. As such, this commitment can be adjusted if mutually agreed upon by the contracting parties in response to changing conditions and levels of reimbursement provided that any amendment to this contract shall be adopted by the COUNTY Board of Supervisor at a meeting held and noticed in accordance with the Brown Act. In adjusting the commitment due consideration will be given to State and national data which establishes norms for the provision of charity care. If a health care system is established which essentially covers all residents of Santa Cruz County, e.g., a national health insurance plan, this section will be subject to renegotiation by COUNTY and HOSPITAL.

(b) If the HOSPITAL elects the uncompensated care option, it agrees to annually commit an amount equal to at least 7.0% of ~~the HOSPITAL's~~ net operating expenses, exclusive of Medicare, Medi-Cal (including services under a County Organized Health System or other future form of government supported health care entitlement program) and Medi-Cruz costs, to the provision of uncompensated care. For the purposes of this Agreement uncompensated care includes bad debts and charity care. The definition of operating expenses shall be the same as that used by the Office of Statewide Health Planning and Development (OSHPD) for hospital financial reporting. The HOSPITAL agrees to submit an annual computation to the COUNTY showing the level of uncompensated care required under this Agreement and the amount actually provided. The computation shall be submitted on the "UNCOMPENSATED CARE WORKSHEET (CHARITY & BAD DEBTS)" as shown in Attachment G. The Uncompensated Care

Worksheet shall be submitted within 180 days of the close of the HOSPITAL% fiscal year and shall be accompanied by a report from the HOSPITAL% auditor (see Attachment H, sample Auditors' Report-Uncompensated Care). The Auditor's report shall describe the audit procedures performed and its findings. It is understood by the parties hereto that the annual commitment to provide the level of uncompensated care described above has been arrived at through a collective process involving Watsonville Community Hospital, Dominican Santa Cruz Hospital, ~~SutterUTTER Health~~**HEALTH** representing the Santa Cruz Maternity and Surgical Center, and the COUNTY. As such, this commitment can be adjusted if mutually agreed upon by the contracting parties in response to changing conditions and levels of reimbursement provided that any amendment to this contract shall be adopted by the ~~County~~**COUNTY** Board of Supervisor at a meeting held and noticed in accordance with the Brown Act . In adjusting the commitment due consideration will be given to State and national data' which establishes norms for the provision uncompensated care. If a health care system is established which covers all residents of Santa Cruz County, e.g., a national health insurance plan, this section will be subject to renegotiation by COUNTY and HOSPITAL.

'(c) It is understood by the HOSPITAL and the COUNTY that the requirements under this Section are intended to create a quantifiable minimum obligation for local hospitals to provide charity or uncompensated health care services **to residents** of Santa Cruz County. To that end the COUNTY agrees to secure in its contracts with other local hospitals the same commitments and procedures that are established in Sections 65.1, 65.2, 65.3 and 65.4 of this Agreement.. If the COUNTY fails to **secure such** commitments from Dominican Santa Cruz Hospital and the Santa Cruz **Maternity and Surgical Center**, grants waivers from these commitments to any future hospital that requires the COUNTY'& land use approval, or any hospital located within the incorporated or unincorporated areas of the County which contracts with the COUNTY for any purpose, or in any way exempts these hospitals operating in the County from such commitments, this Section will be subject to renegotiation by the contracting parties based on the most favorable terms and conditions regarding the provision of charity and uncompensated care provided to another hospital.

65.2 If the amount committed to charity or uncompensated care pursuant to Section 65.1 is not actually provided in the fiscal year being reported and a deficit situation exists per line D of the Worksheets (see Attachments E and G), the HOSPITAL can cure the situation by either:

(a) a direct cash and/or in-kind contribution to a charitable, health related organization(s) operating within Santa Cruz County provided such direct cash and/or in-kind contribution must be used for health education, prevention and/or medical services benefiting indigent and/or low-income County residents; or,

(b) documenting that it has incurred direct costs associated with an on-going, **non-charge** charitable health or hospital service (American Institute of Certified Public Accountants defined), such as operating a “Free Clinic”.

The offsets described above must be accomplished prior to the submission of the applicable Uncompensated Care Worksheet and shall be reported in Section E, Contributions to Exempt Organizations. In order for HOSPITAL to avail itself of the option to use either of the offsets described above, it must secure approval of COUNTY as to the appropriateness of such service in relation to the intent of this Agreement. Such approval must be secured from the Health Services Agency Administrator or, in the event of disagreement, from the Board of Supervisors before HOSPITAL will be deemed in compliance with its obligations under this Agreement. The HOSPITAL & auditors must report that any in-kind contributions represent direct and incremental costs to the HOSPITAL. Fixed costs, including indirect overhead allocations, are not to be valued in computing the in-kind contributions.

In recognition that there may be timing differences between when uncompensated care is actually provided and when it is reported, the HOSPITAL will be in compliance with Section 65.1 if the actual charity or uncompensated care (depending on the option selected) provided over a two year period meets or exceeds the combined two year’ commitment. Section F, Two Year Average Computation, of the applicable Uncompensated Care Worksheet allows that if the HOSPITAL is in a deficit situation for the year currently being reported but has provided excess charity or uncompensated care in the previous year, the two **year average** may be used to determine compliance with the two year commitment. To qualify under the Two Year Average Computation, the HOSPITAL must use the same compliance option for both years and an annual excess can be carried backward or forward one year, but not both.

65.3 Following submission of the Charity or Uncompensated Care Worksheet that documents a deficit which is not offset by either the direct/in-kind contributions or the two-year average **methodology**, the HOSPITAL shall submit a “Plan” to the COUNTY explaining how it will correct the deficit. In this Agreement and in the Plan the total amount of the deficit will be referred to as “Funds”. However, following the initial year of operating under this Agreement, if Hospital is in a deficit situation, no Plan need be submitted until Hospital has an opportunity to cure the deficit under the Two Year Average methodology. The following procedures shall be followed in order to assure that the Funds spent under the Plan are used to provide services to residents of Santa Cruz County.

(a) The HOSPITAL shall confer with representatives of the County’s Health Services Agency within 30 days following submission of the Charity or Uncompensated Care Worksheet regarding possible alternative services that the HOSPITAL could provide or arrange to provide in order to use the Funds.

(b) No later than 60 days following the submission of the Charity or Uncompensated Care Worksheet the HOSPITAL shall present to the COUNTY for approval the Plan for using the Funds. The Plan shall specify the total amount of Funds available, the services to be provided with such Funds, and the manner in which such services will be provided. The Plan shall assure that all of the Funds will be spent by the end of the fiscal year in which the Plan is presented, unless the parties mutually agree to an extension not to exceed an additional six months.

(c) If the HOSPITAL does not fulfill its obligations under the Plan or if satisfaction of the Plan does not exhaust the Funds, the HOSPITAL shall pay to the COUNTY the difference between the total amount of Funds identified in the Plan and the actual amount of Funds spent. This amount shall be paid to the COUNTY no later than sixty days following the end of the Plan period established in paragraph 65.3(b). The COUNTY shall use this amount to provide additional health services for indigent patients.

(d) The Funds to be spent pursuant to the Plan shall not be included in either the 5.5% charity care obligation or the 7.0% uncompensated care obligation for the year(s) in which such Funds are spent; they are in addition to it.

65.4. The HOSPITAL will annually provide data to COUNTY specifying the amount of services provided by the HOSPITAL to Medi-Cruz, Medi-Cal and County Organized Health System beneficiaries. It is the goal of the HOSPITAL to provide its fair share of Medi-Cruz, Medi-Cal and COHS services in Santa Cruz County. If this goal is not being met, the HOSPITAL will meet and confer with the COUNTY to develop a mutually agreed upon program to achieve the goal of providing a fair share of services to Medi-Cruz, Medi-Cal and COHS beneficiaries, including, for example, providing direct cash or in-kind subsidies to existing medical care providers or creating additional access points for such beneficiaries. The COUNTY agrees to secure from both Dominican Santa Cruz Hospital and the Santa Cruz Maternity and Surgery Center commitments to provide their respective fair share of services to Medi-Cruz, Medi-Cal and County Organized Health System beneficiaries. If the COUNTY fails to secure such commitments from these hospitals, grants waivers from these commitments to any hospital that requires the COUNTY's land use approval, or any hospital located within the incorporated or unincorporated areas of the County which contracts with the COUNTY for any purpose, or in any way exempts these hospitals operating in the County from this fair share commitment, this section will be subject to renegotiation by the contracting parties. For the purpose of this paragraph, the fair share commitment is an attempt to equalize each facility's relative access for Medi-Cruz, Medi-Cal and County Organized Health System patients. In making the determination of fair share, the COUNTY may take into account a number of factors including, but not limited to: facility size, scope and intensity of services, composition of medical staff, reimbursement, costs and losses associated with these patients, and location relative to the Medi-Cal population.

65.5 HOSPITAL's charity care or uncompensated care obligation created under this Article shall commence *on January 1, 1999* ~~with HOSPITAL's first full fiscal year following execution of this Agreement.~~

ARTICLE 76

COUNTY PERFORMANCE PROVISIONS **GENERAL PROVISIONS**

76.1 The basis for determining eligibility as a County responsible patient shall be set forth in the **Medi-Cruz** eligibility standards and will be based on income, property, family size, County residency, and eligibility of the individual for other health care coverage. Individuals must apply for participation in the ~~County's~~ **COUNTY'S** Medi-Cruz program and meet ~~County's~~ **COUNTY'S** requirements ~~with-in~~ regard to timeliness and proper verification of financial need. Individuals who refuse to cooperate or provide false and misleading information will not be granted eligibility for Medi-Cruz. Consequently, they will not be County responsible patients. However, denial of Medi-Cruz eligibility will not, in and of itself, disqualify a person from being determined eligible by the HOSPITAL under the **CHIP** provisions of **CHIP this Agreement**.

76.2 COUNTY shall have no financial responsibility for hospital services 'provided to persons eligible for Medicare or' Medi-Cal, including Medi-Cal "spend down" patients. ("Spend down" patients **are** those persons certified as **eligible** for Medi-Cal coverage after payment of a specified monthly liability based upon excess **income**.)

76.3 Except for emergency services, County responsible patients will be identified to HOSPITAL by the presentation of the appropriate County form authorizing services.

76.4 HOSPITAL will conduct a financial screening of patients admitted **for inpatient services to HOSPITAL** on an emergency basis and report to COUNTY those patients who potentially meet the Medi-Cruz program income and resource standards. COUNTY shall have a Medi-Cruz eligibility worker visit HOSPITAL on normal COUNTY work days to interview and take applications for Medi-Cruz from those patients reported to COUNTY as potentially indigent.

76.5 COUNTY shall maintain sufficient eligibility personnel to expeditiously process applications for indigent care under the Medi-Cruz program. COUNTY shall also expeditiously process applications of individuals urgently in need of hospital services.

76.6 The obligation of the COUNTY with regard to CHIP under this contract is contingent upon receipt by the COUNTY of State funds pursuant to **Sections 16940 through 16946 of the Welfare and Institutions Code**, ~~Section 16940 to 16946, inclusive.~~

76.7 HOSPITAL understands the COUNTY is not obligated to pay for uncompensated care unless such care is provided under the terms of this contract.

A R T I C L E 8 3

GENERAL PROVISIONS **EMERGENCY MEDICAL SERVICES FUND**

83.1 COUNTY agrees that it will not substantially reduce the capacity of the Watsonville Health Center to provide outpatient primary care services during the period of this contract. In order to permit HOSPITAL to accommodate changes in COUNTYS demand for services, COUNTY shall endeavor to give at least thirty (30) days written notice in advance of the effective date of any action by COUNTY to reduce substantially the volume of services to be performed by HOSPITAL hereunder and shall endeavor to give at least ninety. (90) days written notice in advance of the effective date of any action to increase substantially the volume of services performed by HOSPITAL hereunder.

8.2 If COUNTY increases its health care obligations under this contract by initiating new programs or restructuring existing programs so as to significantly expand the population of County responsible patients, COUNTY agrees that such actin shall be a basis for reopening negotiations with HOSPITAL regarding rates of reimbursement. For the purpose of this paragraph, modifications to the Medi-Cruz income and resource standards will not be' considered a significant expansion of COUNTY'S health care obligations.

87.32 In the event HOSPITAL elects to ***serve notice of its intention to*** terminate its contract with the California Medical Assistance Commission governing the provision of service to Medi-Cal recipients and the rate of Medi-Cal reimbursement, HOSPITAL will notify COUNTY'S Health Services Agency Administrator of its proposed action upon submission to the State of the notice of intent to terminate the contract. HOSPITAL agrees to meet and confer with COUNTY representatives on the implications of this action.

83.43 Except as otherwise provided herein, the health care function of COUNTY, including but not limited to physician services, shall be performed independently from the health care activities of HOSPITAL; provided, however, both parties agree to cooperate in the planning and delivery of their respective health care activities, and to that end parties agree that they shall endeavor to confer before either party embarks on a new health care activity or service or substantially increases or decreases any such activity or service previously offered so as to maximize the coordination of effort and avoid duplication of services.

87.54 It is mutually agreed by the parties hereto that in providing the services contemplated by this contract, HOSPITAL is an independent contractor and all persons employed by HOSPITAL are employees of HOSPITAL and not of COUNTY, and HOSPITAL shall exonerate, indemnify, defend and hold harmless COUNTY, its officers, agents, employees and volunteers, from and against any and all Federal, State, and local taxes, charges, fees, or contributions required to be paid with respect to HOSPITAL and ~~its HOSPITAL's~~ officers, agents, employees and volunteers engaged in the performance of this contract, (including without limitation, unemployment insurance, social security and payroll tax withholding).

87.65 The COUNTY shall neither have nor exercise any control or direction over the methods by which HOSPITAL shall perform its obligations under this contract. The standards of medical practice and professional duties of HOSPITAL employees and independent physicians performing medical services under this ~~agreement~~ contract shall be determined by the HOSPITAL; and all applicable provisions of law and other rules and regulations of any and all governmental authorities relating to licensure and regulation of hospitals and physicians shall be fully complied with by all parties hereto.

83.76 The CHIP provisions of this contract shall be governed and construed in accordance with the Tobacco Tax and Health Protection Act of 1988 (Proposition 99) and Assembly Bill No. 99 (Chapter 278; Statutes of 1991) and any successor legislation enacted to carry out the provisions of Proposition 99. Any CHIP provision of this contract in conflict with Proposition 99 or Assembly Bill 99 in its current form or as amended, is hereby amended to conform to the provisions of Proposition 99 and Assembly Bill 99. Such amendment of the Agreement shall be effective on the effective date of the aforementioned legislation and shall be binding on the part even though such amendment may not have been reduced to writing and formally agreed upon and executed by the parties.

87.87 In the event that any provisions of this contract be declared or found to be illegal, unenforceable, ineffective or void by any court of law, then each party shall be relieved of any obligations arising in such provision; the balance of this contract, where capable of performance, shall remain in full force and effect.

87.98 COUNTY agrees to defend any and all claims for suits that may be commenced against COUNTY and HOSPITAL regarding COUNTY'S authority to enter into or carry out the provisions of this Agreement and to pay any sums or damages imposed against COUNTY and/or HOSPITAL on the basis of such claims or suits. COUNTY shall further hold HOSPITAL harmless from any liability or loss for property damage or personal injury caused by any jail inmate or juvenile ward referred to HOSPITAL by COUNTY for treatment as COUNTY responsible patient under this **Agreement**.

87.109 HOSPITAL agrees to exonerate, indemnify, defend and hold harmless COUNTY, its officers, agents, employees and volunteers against any and all claims, demands, losses, damages, defense costs, or liabilities of any kind or nature which COUNTY may

sustain or incur or which may be imposed upon it for injury to or death of persons, or damage to property as a result of , arising out of, or in any manner connected with the HOSPITAL',% performance under the terms of this ~~Agreement~~**contract**, excepting any liability arising out of the sole negligence of the COUNTY, such indemnification includes any damage to the person(s) or **property(ies)** of HOSPITAL and third persons.

~~87.1140~~ In the event of any dispute between the parties hereto regarding the provisions under this Agreement and if the parties fail to resolve such dispute within fifteen (15) days following written notice from either party to the other party of the existence of such dispute, either party **by written notice thereof to the other party** may request resolution of the dispute by an independent arbitrator. The arbitrator shall be selected with the mutual agreement of both parties. The arbitrator shall settle the dispute within fifteen (15) days after receiving any and all pertinent information requested from the parties to resolve the dispute. The decision of the arbitrator shall be **final** and binding on the parties. Each party shall share equally the fees and expenses, if any, of the arbitrator.

~~87.1244~~ HOSPITAL shall be excused from performance and shall incur no liability to COUNTY for failing to perform under this Aagreement if such failure to perform shall have resulted from fire, riot, strike, or other labor trouble, or Acts of God, or any other cause or causes **beyond** control of HOSPITAL.

~~87.1342~~ Without limiting the **HOSPITAL'S** indemnification of the COUNTY,. ~~the~~ HOSPITAL shall provide and maintain at its own expense during the term of this contract an insurance program as described hereinafter covering its operations 'under this contract. Such insurance program shall be established either by utilization of a carrier satisfactory to the COUNTY, or under arrangements acceptable to the COUNTY, which shall be documented by evidence reasonably required by the COUNTY to determine whether such insurance program provides reasonable assurance of financial responsibilities for the indemnification obligations assumed by HOSPITAL hereunder. ~~The~~ HOSPITAL shall also deliver to the **COUNTY documentation-** evidencing the coverage provided under the **HOSPITAL'S** insurance program and shall stipulate that the COUNTY is to-be given at least thirty (30) days written notice in advance of any modifications or termination of any policy of insurance or other insurance vehicle relied on by the HOSPITAL to satisfy the above requirements

(a) Such policy of insurance shall include, but not be limited to, comprehensive general liability with combined single limits of \$1,000,000 and medical malpractice insurance with combined single limits of \$3,000,000. Such insurance shall be primary to any other similar insurance and shall name the COUNTY, its officers, agents, employees and volunteers as an additional insured **if applicable.**

(b) In case of failure on the part of the HOSPITAL to procure or maintain required insurance, the same shall constitute a material breach of this contract upon **which** the COUNTY may, at its discretion, terminate this contract.

87.1413 Confidentiality:

(a) The names and identifying information of County responsible persons or CHIP eligible ~~patients~~ ~~persons~~ shall be kept confidential. For the purpose of this contract, all information, records, and data elements pertaining to eligible persons shall be protected by the HOSPITAL and the COUNTY from unauthorized disclosure.

(b) Any identifiable information concerning eligible persons under this contract that is obtained by the HOSPITAL or the COUNTY shall not be disclosed, except as otherwise specifically permitted by this contract or law.

87.1514 The HOSPITAL, shall not discriminate in the provision of medical services because if race, religion, color, sex, sexual preference, national origin, ~~ancestry~~, age (over 1840), **pregnancy**, physical or mental disability, or medical condition (**cancer. related**), in accordance with Title VI of the Civil Rights Act of 1964, 42 United States Code Section 2000(d), rules and regulations promulgated pursuant thereto, or as otherwise provided by State and federal law. For the purpose of the contract, distinctions on grounds of race, religion, color, sex, sexual preference, national origin,--ancestry, age (over 1840), **pregnancy**, physical or mental disability, **or medical condition (cancer related)** include but are not limited to the following:

(a) Denying an eligible person or providing to an **eligible** person **any service** or **benefit** which is different or is provided in a different manner or at a different time from that provided to other eligible persons under this contract.

(b) Subjecting an eligible person to segregation or separate treatment in any matter related to receipt of any service.

(c) Restricting an eligible person in any way in the enjoyment of any advantage or privilege enjoyed by others receiving a similar service or benefit.

(d) Treating an eligible person differently from others in determining whether he satisfied any admission, enrollment quota, eligibility, membership, or other requirement or condition which individuals must meet in order to be provided a similar service or benefit.

(e) The assignment of times or places for the provision of services on the basis of race, religion, color, sex, sexual preference, national origin, age (**over 18**), **pregnancy**, or physical or mental disability of the eligible person to be served.

87.16-G Equal Employment Opportunity. During and in relation to the performance of the Agreement, ~~HOSPITAL~~ ~~ospital~~ agrees as follows:

(a) ~~The~~HOSPITAL shall not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, **physical handicap**, physical or mental disability, medical condition (cancer related), marital status, sex, sexual preference, age (over ~~1840~~), veteran status or any other non-merit factor unrelated to job duties. Such **non-discrimination** action shall include, but not be limited to, **the following**: recruitment; ~~or recruitment advertising~~; layoff or termination;;- rates of pay or other forms of **compensation**; and selection for training? (including apprenticeship), employment, upgrading, demotion, or transfer. ~~The~~HOSPITAL agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

(b) ~~The~~ Hospital shall, in all solicitation or advertisements for employees placed by or on behalf of ~~the~~HOSPITAL, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, **physical handicap**, physical or mental disability, medical condition (cancer related), marital status, sex, sexual preference, age (over ~~1840~~), veteran status, or any other non-merit factor unrelated to job duties. In addition, &e-HOSPITAL shall make a good faith effort to consider Minority/Women/Disabled Business Enterprises **in HOSPITAL'S solicitation of goods and services. Definitions for Minority/Women/Disabled Business Enterprises** are available from the COUNTY General Services Purchasing Division.

(c) The HOSPITAL shall furnish COUNTY% Affirmative Action **Office** information and reports in the prescribed reporting format (PER 4012) **identifying** the sex, race, **or** disability, and job **classification** of its employees and the names, dates and methods of advertisement and direct solicitation efforts made' to subcontract with Minority/Women/Disabled Business Enterprises.

(d) **In** the event of HOSPITAL'Ss non-compliance with the non-discrimination clauses of the Agreement or with any of the said rules, regulations, or orders HOSPITAL may be declared ineligible for further agreements with the COUNTY.

(e) The HOSPITAL shall cause the foregoing provisions of the Section ~~87.1615~~ to be inserted in all subcontracts for any work covered under this Agreement by a subcontractor compensated more than \$50,000 and employing more than fifteen (15) employees, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

~~87.1746~~ ~~The~~HOSPITAL shall not delegate its duties or assign its rights hereunder, or both, either in whole or in part, without the prior written consent of the COUNTY. This provision shall not be applicable to service agreements or contracts or similar arrangements usually and customarily entered into by the HOSPITAL to obtain or arrange for supplies, technical support or professional services.

~~87.1817~~ Presentation and processing of any or all claims arising out of or related to this Agreement shall be made in accordance with the provisions contained in Chapter 1.05 of the Santa Cruz County Code, which by this reference is incorporated herein.

ARTICLE 98

EMERGENCY MEDICAL SERVICES FUND REIMBURSEMENT PROVISIONS

98.1 Pursuant to Health and Safety Code Section 1798.98a et seq., the COUNTY has established an Emergency Medical Services Fund (EMSF), twenty-five percent of which is available to hospitals providing trauma and emergency care services. COUNTY has determined that HOSPITAL provides uncompensated trauma and emergency care and therefore qualifies to receive a portion of the EMSF.

98.2 COUNTY agrees to distribute fifty percent of the funds accruing to the Hospital portion of EMSF to HOSPITAL on an annual basis. The distribution will be made following the close of the COUNTY'S fiscal year and be calculated on the fiscal year end fund balance.

ARTICLE 109

REIMBURSEMENT PROVISIONS REIMBURSEMENT SCHEDULE

~~109.1~~ HOSPITAL shall submit **billings** for County responsible inpatient and non-emergency outpatient services covered by this Agreement to COUNTY on a timely basis. For **CHIP** patients, claims shall be submitted within ninety (90) days of discharge or date of service.

109.2 COUNTY shall reimburse HOSPITAL for all inpatient services as specified in Article ~~1140.1~~ (a) and (b) of the Reimbursement Schedule. The per diem rates and case rates shall be inclusive rates reimbursing HOSPITAL in full for all services provided ~~by HOSPITAL~~, including those professional fees previously included in HOSPITALS billing to COUNTY, with the exception of pathology professional fees. For per diem reimbursement purposes, the day of admission and the day of discharge will be counted as one day only. The inclusive rates will not relieve HOSPITAL of the obligation to submit timely bills for services rendered. ~~An "Administrative Day" rate may be paid in lieu of the per diem rate when, in the judgment of the attending physician, the County responsible patient is ready for discharge from an acute level of care but is unable to be discharged because of bed unavailability at a skilled nursing facility or an unwillingness on the part of skilled nursing facilities to accept the patient for whatever reason.~~

COUNTY will not consider newborns to be County responsible patients since they are **potentially eligible for** ~~linked to the~~ Medi-Cal Program.

109.3 COUNTY shall reimburse HOSPITAL at charges less a percentage discount as specified in Article ~~1140~~. 1 (c) of the Reimbursement Schedule for procedures done as a result of referrals by the COUNTY for outpatient services and ancillary diagnostic services which are neither related to an inpatient admissions nor provided in the emergency ~~department room~~.

109.4 COUNTY shall reimburse HOSPITAL for outpatient emergency **department** services rendered to County responsible patients at a fixed monthly rate as specified in Article ~~1140~~. 1(d) of the Reimbursement Schedule. The fixed monthly rate shall be inclusive of professional fees; laboratory, with the exception of pathology **professional fees**, radiology, and other ancillary services provided in conjunction with the emergency **department** visit. For CHIP eligible patients, HOSPITAL may submit individual claims to COUNTY for emergency services. Only the hospital component of emergency **department** -room-bill is reimbursable from the CHIP Hospital Services Account. The physician's component of the emergency room visit may be billed separately to the CHIP Physicians Services Account. The physicians may bill independently or the hospital may act as the billing agent for the ~~physician's group~~. Combined CHIP claims for hospital and physicians services will not be accepted by COUNTY for processing.

109.5 COUNTY will provide HOSPITAL with a cash **advance** as specified in Article ~~1140~~. 1(e) of the Reimbursement Schedule as interim reimbursement for inpatient services. On or about **the first of January, April, July and** October ~~1, January 1 April 1, and July 1~~ of each year COUNTY and HOSPITAL will compute and agree upon the exact number of authorized days of **inpatient care reimbursable under this Agreement delivered**. The amount advanced to HOSPITAL will be applied to approved inpatient claims until exhausted. **Any r**Remaining approved claims will then be reimbursed through normal reimbursement procedures. Should the interim advance to HOSPITAL be in excess of approved claims, HOSPITAL shall **either** reimburse COUNTY for overpayments or the COUNTY may elect to suspend interim payments until the balance falls below a level equal to the monthly interim payment.

109.6 All billings for HOSPITAL services approved and paid by COUNTY pursuant to the terms of this Agreement shall be assigned by HOSPITAL to COUNTY for such collection effort as deemed appropriate by COUNTY in order to obtain reimbursement from the patient or other **person** party-financially responsible. All **funds** monies-received from such collection efforts belong to COUNTY.

~~109.7~~ COUNTY reserves the right to review the appropriateness and need for services provided to County's responsible patients by HOSPITAL through a medical foundation or other mechanism having the requisite expertise to evaluate such matters in those cases

the COUNTY deems necessary. HOSPITAL agrees to furnish COUNTY with information at no charge from the patient's medical record necessary to conduct such a review. COUNTY may deny payment ~~or reimburse at the Administrative Day rate specified in Section 10.1(a)~~ for those inpatient days determined to be unnecessary based upon objective medical findings. COUNTY will not arbitrarily deny payment to HOSPITAL for approved inpatient stays.

109.8 COUNTY agrees not to artificially impose a maximum limit on reimbursement or the growth in annual payments for County responsible patients under this Agreement.

~~109.9~~ HOSPITAL agrees that it will not demand from COUNTY increases in reimbursement that are disproportionate to the historical pattern of rate increases agreed to between the parties under this and preceding agreements. HOSPITAL acknowledges that inpatient reimbursement for County responsible patients has been tied to the Medi-Cal per diem rates. In the event that HOSPITAL terminates its Medi-Cal contract resulting in a substantially higher rate of reimbursement from the State for Medi-Cal inpatient services, HOSPITAL will not use any such Medi-Cal reimbursement anomalies as a basis for demanding increases reimbursement from COUNTY.

109.10 The maximum amount payable by the COUNTY to ~~the~~ HOSPITAL under CHIP will be established by the CHIP allocation tables distributed each year by the State Department of Health Services. Distribution of the discretionary portion of ~~the~~ Hospital Service Account, less a ten percent deduction for **COUNTY administration overhead** will be established each year by COUNTY following discussions with each hospital eligible to receive such funds. The formula distribution will be made to HOSPITAL for CHIP eligible patients as determined by statute. The **COUNTY shall have no obligation to pay for CHIP eligible patients from the COUNTY'S General Fund.**

ARTICLE ~~1140~~

REIMBURSEMENT SCHEDULE

TERM, RENEGOTIATION AND TERMINATION OF AGREEMENT

~~1140.1~~ COUNTY shall reimburse HOSPITAL for services specified herein at the following rates effective **September** ~~July 1, 1998 1997~~ unless otherwise specified:

(a) Inclusive Daily Rates for Inpatient Services

Acute (County Responsible Patients): \$905.00 ~~860.00~~

Acute (CHIP ONLY): Medi-Cal Interim Percentage Rate

~~Administrative Days—A rate equal to the daily hospital service charge for the bed occupied plus physical therapy, occupational therapy, and pharmacy charges.~~

~~Transitional Care Unit/Skilled Nursing Unit—\$295.00~~

~~Alcohol/Drug Treatment (CHIP ONLY)~~

~~28 Day Program per day \$325.00~~

~~Maximum reimbursement total program \$8,500.00~~

~~These rates apply to persons admitted for the total program~~

~~Medical Detoxification per day (CHIP ONLY) \$500.00~~

~~(Independent of 28 Day Program)~~

~~This rate applies to persons admitted for detoxification only~~

(b) Inpatient Cardiac Catheterization Services

~~Actual Cardiac Catheterization Department charges less 25 percent, plus \$905.00
\$60.00 per day~~

(c) Outpatient Non-Emergency Services

~~*Usual and customary c*Charges less **twenty percent (20%) with a**
*m*Maximum reimbursement for outpatient/short stay surgery: **not to exceed**
\$3,124.00~~

(d) Emergency ~~Department Room~~ Services

~~**Fixed rate of \$1413,000.00 per month fixed rate inclusive of all services provided
to County responsible patients treated through the Emergency Department.**~~

(e) Interim Advance for Inpatient Services

Based on the quarterly submission of inpatient claims by HOSPITAL, COUNTY will advance \$30,000.00 per month to HOSPITAL as interim payment for inpatient services to County responsible patients with the following provision: The parties agree that the cumulative balance of the cash advanced to HOSPITAL by COUNTY should not exceed the equivalent of one quarter's advance or \$90,000. accumulate to a level that exceeds \$30,000 for each month of unprocessed claims (claims are processed on a quarterly basis). When the balance of cash advance balance to HOSPITAL exceeds \$60,000, this level, COUNTY may reduce or suspend monthly payments until the cash advances until such time as the cash

advance balance again-approximates \$30,000 for each month of unprocessed -claims.

(f) Disability Screening and Application Support

\$3,500.00 per month *fixed rate for services rendered by the Prime Health at Home staff nurses and associated clerical support.*

ARTICLE 1244

TERM OF AGREEMENT

1244.1 This Agreement shall continue through June 30, 2010. The parties hereto further agree to negotiate and extension to this agreement which is consistent with prevailing circumstances and the intent of this Agreement. It is the intent of COUNTY and HOSPITAL that the reimbursement provisions of this agreement be reviewed and amended annually or other period mutually agreed upon, Periodic rate changes and effective periods will be implemented by amending the Reimbursement Schedule, Article 11, as necessary. The term of this contract is from January 1, 1994 through June 30, 1999. However, rates established in Article 10.1 are effective on the dates indicated.

~~11.2 COUNTY agrees to enter into subsequent negotiations with HOSPITAL with regard to amending the provisions of Article 10, Reimbursement Schedule, on an annual basis or at any other such frequency mutually agreed upon during the remaining term of this agreement.~~

~~11.3 The HOSPITAL or COUNTY may terminate this contract without cause at any time by giving at least sixty (60) days written notice sent by certified mail to the other party and specify the effective date. Should either party elect to terminate the Agreement, the rates currently in effect at the time the notice of termination is sent will remain in effect through the termination date.~~

~~11.4 The COUNTY may terminate this contract at any time if the HOSPITAL'S license to operate its facility is revoked or suspended.~~

~~11.5 In the event of any termination of this contract, the HOSPITAL shall be entitled to compensation for CHIP eligible persons, subject to the aforementioned CHIP provisions, rendered under this contract through and including the effective date of such termination.~~

IN WITNESS WHEREOF, the parties hereto have executed their **Amended Hospital Services Agreement** on the dates indicated below:

WATSONVILLE ~~COMMUNITY~~ HOSPITAL COUNTY OF SANTA CRUZ
CORPORATION, INC.

By: _____

Michael Portacci ~~John Nacol~~
~~Chief Financial Officer~~

By: _____

Charles M. Moody ~~Elinor Hall~~
Health Services Agency Administrator

Date _____

Date _____

Approved as to form:

Assistant County Counsel

ATTACHMENT A

CALIFORNIA HEALTHCARE FOR INDIGENTS PROGRAM

~~ELIGIBILITY STANDARDS AND PROCESSES~~

ELIGIBILITY STANDARDS AND PROCEDURES STANDARDS

HOSPITAL will claim CHIP funds from COUNTY only for patients who cannot afford to pay for their hospital services, and for whom payment will not be made through any private coverage or by any program funded in whole or part by the federal government.

HOSPITAL will utilize its charity care criteria and/or Medi-Cruz program income and resource limits as a basis for determining entitlement to CHIP funds. HOSPITAL may request verification of information provided from clients seeking relief from their hospital expenses through CHIP. It is the intent of the CHIP eligibility determination process to identify persons unable to pay for services as opposed to persons who are unwilling to pay for services.

PROCEDURES: GENERAL

HOSPITAL, will have the responsibility for determining patient eligibility for CHIP reimbursement. COUNTY'S Medi-Cruz eligibility staff will work in conjunction with **Watsonville Community Hospital's** ~~HOSPITAL'S~~ staff to assist in identifying patients that HOSPITAL may consider to be unable to afford their hospital expenses. COUNTY will refer such persons to the designated **Watsonville Community Hospital** ~~HOSPITAL~~ department or staff person. When available, COUNTY will forward, with the client's consent, information relevant to HOSPITAL'S determination of eligibility for CHIP funding.

HOSPITAL will notify the COUNTY'S Medi-Cruz inpatient eligibility worker of patients whose accounts are to be reimbursed from the **CHIP** funds.. Such notification will include basic information COUNTY requires to register the patient on its computer system, i.e., face sheet type data. For claims processing purposes, COUNTY will send HOSPITAL an authorization which HOSPITAL will use to identify **CHIP** claims being sent to COUNTY. Reimbursement procedures will generally be identical to those used for County responsible patients.

ATTACHMENT B

CHIP NOTICES TO PATIENTS

In accordance with Article ~~43.8~~(d) of this Agreement, HOSPITAL will provide notice to patients at the time services are sought regarding availability of programs that may assist patients who cannot afford their health care services. Posted notices will be conspicuously displayed in patient admitting and registration areas. ~~Hospital~~~~HOSPITAL~~ may combine notice requirements of various programs into a single notice with sufficient detail to identify individual programs or post individual notices for individual programs (reference the statutory notice requirements for Medi-Cruz). Basic information on access to these program(s) must be included in the notice. ~~Posted~~ notices must be in Spanish as well as English.

Individual notices ~~in Spanish and English~~ will be given, as appropriate, to all private pay patients at the time of admission or registration. Additionally, notice **shall** ~~may~~ be included in the first billing to patients who have received emergency services. The individual notices may identify specific programs or combine programs for which notice requirements exist. Telephone numbers and addresses to access program assistance must be provided in the individual notices.

HOSPITAL agrees to work with COUNTY in the development of notices that are mutually acceptable and meet statutory noticing requirements.

ATTACHMENT C

CHIP SERVICES

The following services shall be available to CHIP eligible patients:

General Acute Care

All inpatient services related to emergency or urgent conditions normally offered by *Watsonville Community Hospital*~~OSPITAL~~ in a manner consistent with **Section Article** ~~3.4~~ of this Agreement.

Outpatient emergency room and ancillary services necessary to treat emergency conditions.

Alcohol and Drug Treatment

~~Inpatient and outpatient detoxification, rehabilitation, education and ancillary services directed to pregnant, substance abusing women who are determined, through a pre-admission screening process mutually acceptable to COUNTY and HOSPITAL, to be appropriate and motivated candidates likely to benefit from a treatment program.~~

Child Health and Disability Prevention

All authorized services normally provided by *Watsonville Community Hospital*~~OSPITAL~~ necessary to treat conditions identified during the course of CHDP screening exams.

**COUNTY OF SANTA CRUZ
AND
WATSONVILLE HOSPITAL CORPORATION, INC.
HOSPITAL SERVICES AGREEMENT**

ARTICLE 1

FORMATION

1.1 This contract is entered into between the County of Santa Cruz, hereinafter referred to as "COUNTY", and Watsonville Hospital Corporation, Inc., a private, for-profit corporation doing business as Watsonville Community Hospital and a wholly owned subsidiary of Community Health Systems, Inc., hereinafter referred to as "HOSPITAL".

1.2 In the event that Watsonville Hospital Corporation, Inc. purchases Watsonville Community Hospital, the COUNTY and HOSPITAL declare that this instrument specifies the rights and obligations of both parties with respect to health care services provided by HOSPITAL to County responsible patients and other low-income individuals. It is the purpose of this Agreement to assure continuity of responsibility between the COUNTY and hospital ownership during and following the transition of ownership of said hospital with respect to the previously established agreements.

1.3 The COUNTY and HOSPITAL, in consideration of the covenants, conditions, stipulations, terms, and warranties hereinafter expressed, presently contract as follows:

ARTICLE 2

EFFECTIVE DATE OF THE AGREEMENT

2.1 This Agreement shall become effective upon the date of purchase of Watsonville Community Hospital by Watsonville Hospital Corporation, Inc..

2.2 This Agreement shall be null and void if, for any reason, Watsonville Hospital Corporation, Inc. does not purchase Watsonville Community Hospital.

ARTICLE 3

DEFINITIONS

3.1 County Responsible Patients:

- (a) Persons certified as eligible for the County operated Medi-Cruz program;
- (b) Persons under arrest by the County Sheriff's Department or incarcerated in the County jail;.
- (c) Persons in custody at Juvenile Hall;
- (d) Persons undergoing forensic examinations and testing at the request of the District Attorney;
and,
- (e) Persons identified by the County Health Services Agency Administrator as being a County responsibility pursuant to federal, State, or County law, ordinance, or regulation.

3.2 California Healthcare for Indigents Program (hereinafter referred to as CHIP) eligible persons:

- (a) A person determined to be unable to pay for all or a portion of their health care services who is not a County Responsible Patient and for whom payment will not be made through private insurance coverage or by any program funded in whole or in part by the federal government. The standards and procedures to be utilized in making this determination are specified in Attachment A, which is incorporated herein by reference.
- (b) A child determined to be eligible for services under the County's Child Health and Disability Prevention - Linked Treatment Reimbursement (CHDP-LTR) program.

ARTICLE 4

HOSPITAL PERFORMANCE PROVISIONS: GENERAL

4.1 HOSPITAL agrees that it will provide the full range of inpatient and outpatient services available at Watsonville Community Hospital to County responsible patients.

4.2 HOSPITAL and COUNTY agree that COUNTY shall not be financially responsible for any non-emergency hospital services provided to County responsible patients unless such services are authorized in advance by either the Medi-Cruz program for the medically indigent or by the appropriate County officer for legal custody, Juvenile Hall, and District Attorney cases.

4.3 HOSPITAL shall not refuse to admit any County responsible patient certified as eligible for the

Medi-Cruz program or referred by the appropriate County officer for authorized services if HOSPITAL has an appropriate bed available for the clinical needs of the patient.

4.4 HOSPITAL shall provide to County responsible patients and CHIP eligible patients the same quality and level of care as is provided to Medi-Cal, Medicare, and privately insured patients.

4.5 HOSPITAL agrees to cooperate with COUNTY in efforts to assure that utilization of services by County responsible patients is for medically necessary services and the length of stay and level of care are carefully monitored and controlled.

4.6 Whereas the COUNTY contracts for hospital services in both North and South County, it is mutually agreed and understood by HOSPITAL and COUNTY that COUNTY policy favors hospital treatment of County responsible patients in a hospital in the area of the County in which they reside or are housed.

4.7 HOSPITAL agrees that all services provided will be delivered in accordance with applicable laws and regulations.

4.8 As a condition of receiving California Healthcare for Indigents Program funds, HOSPITAL shall do the following:

- (a) Maintain at least the same emergency room permit and classification as existed on January 1, 1990;
- (b) Provide data and report on each CHIP eligible person whose services are reimbursed pursuant to this contract. This information shall include the following:
 - 1. Type of service provided
 - 2. Discharge diagnosis
 - 3. Major procedures
 - 4. Potential third-party liability
 - 5. Dates of service
 - 6. Billed amount
 - 7. Age
 - 8. Sex
 - 9. Ethnicity
 - 10. Payor source
 - 11. Zip code of residency

The following additional data elements shall be provided for all CHIP eligible persons whose services are being reimbursed by the discretionary portion of the CHIP Hospital allocation:

- 1. Family size
- 2. Family monthly income

3. Source of income
4. Type of employment

The above information shall be reported at the time the hospital bill is submitted to COUNTY and in a manner that is mutually agreeable.

- (c) Not require a fee of any person before rendering medically necessary services if that person is CHIP eligible pursuant to the provisions of this contract.
- (d) Provide, at the time treatment is sought, individual notice of the availability of reduced cost health care and display conspicuous, posted notices indicating how to apply for reduced cost health care. The procedures in Attachment B which is hereby incorporated by reference will govern the noticing process. HOSPITAL agrees to take any necessary corrective action if the noticing process is deemed deficient by the State Department of Health Services.

4.9 HOSPITAL acknowledges that CHIP reimbursement to HOSPITAL is not intended to reduce its commitment to providing charity care as described in Article 6. HOSPITAL will not diminish its efforts to provide historical levels of charity care.

4.10 HOSPITAL agrees to provide the services described in Attachment C, which is incorporated herein by reference, to CHIP eligible patients.

4.11 HOSPITAL has the following obligations regarding medical records:

- (a) HOSPITAL shall maintain medical records required by Title 22, Sections 70747 through 70751 of the California Code of Regulations.
- (b) The information provided in subdivision (a) shall be subject, at all reasonable times, to inspection, audit and reproduction by any duly authorized agents of the COUNTY or State. The State is an intended third-party beneficiary of this covenant.
- (c) HOSPITAL shall preserve the information provided in subdivision (a) for at least four years from the date services are rendered, except that if any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the four year period, the related records shall be retained until completion and resolution of all issues arising therefrom or until the end of the four year period, whichever is later.

4.12 With regard to services normally available, HOSPITAL shall accept referrals from the COUNTY for conditions detected as part of a Child Health and Disability Prevention screen for a child eligible for services under Section 24165.3 of the Health and Safety Code. Services provided to such children are covered under the terms of this contract as CHIP eligible patients unless the child is eligible to receive care with no share of cost under the Medi-Cal program or is covered under another publicly funded program, or the services are payable under private insurance coverage. All services provided pursuant to this article are subject to the prior authorization provisions of Article 4.2 with the Medi-Cruz program being the authorizing entity.

4.13 In the event HOSPITAL receives a referral from a provider other than the COUNTY for a condition detected as part of a Child Health and Disability Prevention screen for a child eligible for services under Section 24165.3 of the Health and Safety Code, HOSPITAL shall obtain prior authorization from the COUNTY pursuant to Article 4.2 if such services are to be reimbursed under this Agreement. Subject to prior authorization by the COUNTY Medi-Cruz Program, services provided to such children are covered under the terms of this Agreement unless the child is eligible to receive care with no share of cost under the Medi-Cal program or is covered under another publicly funded program, or the services are payable under private insurance coverage.

4.14 In the event HOSPITAL does not remain in compliance with the CHIP requirements specified herein, HOSPITAL shall return to the COUNTY any funds advanced or paid by COUNTY to HOSPITAL for services related to CHIP during the period HOSPITAL is not in compliance. The COUNTY may withhold further payments required by this contract until HOSPITAL demonstrates compliance. The County recognizes that in certain circumstances all of the data specified in paragraph 4.8 may not be available. The unavailability of data in individual circumstances will not preclude HOSPITAL from claiming, or the COUNTY from reimbursing, CHIP funds if a good faith effort was made to obtain the data.

4.15 HOSPITAL shall, through its Prime Health At Home Department, provide disability screening and application support services to County responsible patients referred by Medi-Cruz staff who may be eligible for Medi-Cal or Social Security disability benefits. Such services shall include the following duties:

- (a) Assess the medical condition of referred County responsible patients to determine if they potentially meet the medical disability criteria established by the State Medi-Cal program and the federal Social Security Administration;
- (b) Report to Medi-Cruz staff the results of the assessment using a form and rating system mutually agreed upon for this purpose;
- (c) Assist patients whose assessments indicate a reasonable probability of meeting the disability criteria with the preparation of the Medi-Cal/Social Security application forms related to describing their disability and the limitation arising therefrom;
- (d) Obtain, assemble and coordinate as necessary the submission of client medical information to the Disability Evaluation Division (DED) of Medi-Cal that substantiates the existence of disabling medical condition(s);
- (e) Monitor the progress of the disability application through the DED process and assist and/or respond to DED analysts requests for additional medical information. Also, update DED as to relevant changes in the clients medical condition that will further substantiate the existence of disabling condition(s);
- (f) Identify to the Medi-Cruz staff any and all negative DED determinations for clients

subject to this process where there is a reasonable likelihood that the decision would be reversed if appealed through the Medi-Cal Fair Hearing process;

- (g) At the direction of the Medi-Cruz Administrator, assist selected County responsible patients in the Fair Hearing process by gathering pertinent medical information and documentation that supports the client's contention of being incorrectly denied disability benefits.

ARTICLE 5

DELIVERY OF SERVICES: EMERGENCY

5.1 HOSPITAL agrees to provide emergency services to County responsible patients for a fixed monthly rate as specified in Article 11.1 (d) of this Agreement.

5.2 The determination of need for emergency services for individuals either, actually or potentially identified as County responsible shall be the responsibility of HOSPITAL. If HOSPITAL determines that the individual does not require emergency services, the patient may be referred to the County Health Center for treatment.

5.3 HOSPITAL agrees to provide emergency department services to patients without regard to their ability to pay. HOSPITAL will not institute any practices, policies or procedures under the fixed price arrangement which would result in County responsible patients with true emergency conditions being denied emergency services. It is the intent of COUNTY and HOSPITAL that the needs of the medically indigent for emergency department services will be met pursuant to this Agreement and that COUNTY'S fixed monthly payment to HOSPITAL will constitute full reimbursement for same.

5.4 HOSPITAL shall retain the right to bill and attempt collection of charges for any outpatient emergency services provided through the emergency department unless COUNTY responsibility- is established prior to services being rendered. In cases where the patient is subsequently identified as being eligible for the Medi-Cruz program at the time emergency services were rendered, HOSPITAL will cease billing and/or collection efforts and write-off the patient's bill against the fixed price agreement upon receipt of COUNTY'S notification of eligibility.

5.5 HOSPITAL will maintain a written policy and procedure which is acceptable to COUNTY'S Health Services Agency whereby emergency department patients who identify themselves as indigent per Medi-Cruz financial standards will not be subject to collection efforts for payment of their emergency department bill. Significant changes in said policy and procedure shall be reported to COUNTY.

5.6 In order to facilitate the determination of COUNTY responsibility for payment to HOSPITAL for emergency services, HOSPITAL shall, to the extent possible, obtain personal and financial screening information pertinent to establishing eligibility for the COUNTY'S Medi-Cruz program from patients

believed by HOSPITAL to be potentially County indigent and who do not at the time of service have appropriate documentation to establish COUNTY financial responsibility. HOSPITAL shall report such cases to COUNTY in the agreed upon manner.

5.7 It is the intent of COUNTY and HOSPITAL to assure appropriate access to emergency and County clinic services for persons requesting immediate treatment. To that end the parties hereto agree to work together to establish mutually acceptable procedures that: promote appropriate emergency room and County clinic use; facilitate the identification of County responsible patients presenting for emergency services; establish systems for inter-facility referral; enhance the exchange of information that will improve medical care delivery and efficiency; and, address the financial concerns of the COUNTY, HOSPITAL and physicians. As a part of this process, the parties will develop a working definition of emergency services that establishes practical guidelines for emergency room and County staff to utilize in determining the appropriate use of emergency services.

ARTICLE 6

ANNUAL CHARITY CARE COMMITMENT

6.1. HOSPITAL agrees to provide each year, over the life of this Agreement, at least 5.5% of its net operating costs to charity care, as specified in Section 6.1(a) below, or 7.0% of its net operating costs to uncompensated care, as specified in Section 6.1 (b) below. The selection of either option shall be at the sole discretion of HOSPITAL. HOSPITAL further agrees to provide COUNTY its current charity care policy and eligibility procedures as amended from time to time. Such policy and procedures will be conspicuously posted in each of HOSPITAL'S admitting, registration and cashier areas. To the extent permitted by law, HOSPITAL will require, or in any case, encourage its medical staff members to post the charity care policy in their offices and clinics.

- (a) If the HOSPITAL elects the charity care option, it agrees to annually commit an amount equal to at least 5.5% of net operating expenses, exclusive of Medicare, Medi-Cal (including services under a County Organized Health System or other future form of government supported health care entitlement program) and Medi-Cruz costs, to the provision of charity care. Charity care shall be accounted for in accordance with the Office of Statewide Health Planning and Development (OSHPD) Accounting and Reporting Manual, Section 1400, April 1991 edition attached hereto as Attachment D and incorporated by this reference. The definition of operating expenses, for the purpose of this Agreement, shall be the same as that used by the OSHPD for hospital financial reporting. HOSPITAL agrees to submit an annual computation to the COUNTY showing the level of charity care required under this option of the Agreement and the amount actually provided. The computation shall be submitted on the "CHARITY CARE WORKSHEET (NO BAD DEBTS)" as shown in Attachment E. The Charity Care Worksheet shall be submitted within 180 days of the close of the Hospital's fiscal year and shall be accompanied by a report from the HOSPITAL'S auditors (see Attachment F, sample Auditors' Report-Charity Care Only). The Auditor's report shall describe the audit procedures performed and its

findings. The audit procedures shall include an analysis of compliance with OSHPD Accounting and Reporting Manual as it relates to OSHPD Accounting and reporting Manual Section 1400, April 1991 edition in Attachment D. It is understood by the parties hereto that the annual commitment to provide the level of charity care as described above has been arrived at through a collective process involving Dominican Santa Cruz Hospital, Watsonville Community Hospital, Sutter Health representing the Santa Cruz Maternity and Surgery Center, and the County. As such, this commitment can be adjusted if mutually agreed upon by the contracting parties in response to changing conditions and levels of reimbursement provided that any amendment to this contract shall be adopted by the County Board of Supervisor at a meeting held and noticed in accordance with the Brown Act. In adjusting the commitment due consideration will be given to State and national data which establishes norms for the provision of charity care. If a health care system is established which essentially covers all residents of Santa Cruz County, e.g., a national health insurance plan, this section will be subject to renegotiation by COUNTY and HOSPITAL.

- (b) If HOSPITAL elects the uncompensated care option, it agrees to annually commit an amount equal to at least 7.0% of net operating expenses, exclusive of Medicare, Medi-Cal (including services under a County Organized Health System or other future form of government supported health care entitlement program) and Medi-Cruz costs, to the provision of uncompensated care. For the purposes of this Agreement uncompensated care includes bad debts and charity care. The definition of operating expenses shall be the same as that used by the Office of Statewide Health Planning and Development (OSHPD) for hospital financial reporting. HOSPITAL agrees to submit an annual computation to the COUNTY showing the level of uncompensated care required under this Agreement and the amount actually provided. The computation shall be submitted on the "UNCOMPENSATED CARE WORKSHEET (CHARITY & BAD DEBTS)" as shown in Attachment G. The Uncompensated Care Worksheet shall be submitted within 180 days of the close of the HOSPITAL'S fiscal year and shall be accompanied by a report from HOSPITAL'S auditor (see Attachment H, sample Auditors' Report-Uncompensated Care). The Auditor's report shall describe the audit procedures performed and its findings. It is understood by the parties hereto that the annual commitment to provide the level of uncompensated care described above has been arrived at through a collective process involving Dominican Santa Cruz Hospital, Watsonville Community Hospital, Sutter Health representing the Santa Cruz Maternity and Surgical Center, and the County. As such, this commitment can be adjusted if mutually agreed upon by the contracting parties in response to changing conditions and levels of reimbursement provided that any amendment to this contract shall be adopted by the County Board of Supervisor at a meeting held and noticed in accordance with the Brown Act. In adjusting the commitment due consideration will be given to State and national data which establishes norms for the provision uncompensated care. If a health care system is established which covers all residents of Santa Cruz County, e.g., a national health insurance plan, this section will be subject to renegotiation by COUNTY and HOSPITAL.

- (c) It is understood by HOSPITAL and the COUNTY that the requirements under this Section

are intended to create a quantifiable minimum obligation for local hospitals to provide charity or uncompensated health care services to residents of Santa Cruz County. To that end the COUNTY agrees to secure in its contracts with other local hospitals the same commitments and procedures that are established in Sections 6.1, 6.2, 6.3 and 6.4 of this Agreement. If the COUNTY fails to secure such commitments from Dominican Santa Cruz Hospital and the Santa Cruz Maternity and Surgical Center, grants waivers from these commitments to any future hospital that requires the COUNTY'S land use approval, or any hospital located within the incorporated or unincorporated areas of the County which contracts with the COUNTY for any purpose, or in any way exempts these hospitals operating in the County from such commitments, this Section will be subject to renegotiation by the contracting parties based on the most favorable terms and conditions regarding the provision of charity and uncompensated care provided to another hospital.

6.2 If the amount committed to charity or uncompensated care pursuant to Section 6.1 is not actually provided in the fiscal year being reported and a deficit situation exists per line D of the Worksheets (see Attachments E and G), HOSPITAL can cure the situation by either:

- (a) a direct cash and/or in-kind contribution to a charitable, health related organization(s) operating within Santa Cruz County provided such direct cash and/or in-kind contribution must be used for health education, prevention and/or medical services benefiting indigent and/or low-income County residents; or,
- (b) documenting that it has incurred direct costs associated with an on-going, non-charge charitable health or hospital service (American Institute of Certified Public Accountants defined), such as operating a "Free Clinic".

The offsets described above must be accomplished prior to the submission of the applicable Uncompensated Care Worksheet and shall be reported in Section E, Contributions to Exempt Organizations. In order for HOSPITAL to avail itself of the option to use either of the offsets described above, it must secure approval of COUNTY as to the appropriateness of such service in relation to the intent of this Agreement. Such approval must be secured from the Health Services Agency Administrator or, in the event of disagreement, from the Board of Supervisors before HOSPITAL will be deemed in compliance with its obligations under this Agreement. The HOSPITAL'S auditors must report that any in-kind contributions represent direct and incremental costs to HOSPITAL. Fixed costs, including indirect overhead allocations, are not to be valued in computing the in-kind contributions.

In recognition that there may be timing differences between when uncompensated care is actually provided and when it is reported, HOSPITAL will be in compliance with Section 6.1 if the actual charity or uncompensated care (depending on the option selected) provided over a two year period meets or exceeds the combined two year commitment. Section F, Two Year Average Computation, of the applicable Uncompensated Care Worksheet allows that if HOSPITAL is in a deficit situation for the year currently being reported but has provided excess charity or uncompensated care in the previous year, the two year average may be used to determine compliance with the two year commitment. To qualify under the Two Year Average

Computation, HOSPITAL must use the same compliance option for both years and an annual excess can be carried backward or forward one year, but not both.

6.3 Following submission of the Charity or Uncompensated Care Worksheet that documents a deficit which is not offset by either the direct/in-kind contributions or the two-year average methodology, HOSPITAL shall submit a "Plan" to the COUNTY explaining how it will correct the deficit. In this Agreement and in the Plan the total amount of the deficit will be referred to as "Funds". However, following the initial year of operating under this Agreement, if HOSPITAL is in a deficit situation, no Plan need be submitted until HOSPITAL has an opportunity to cure the deficit under the Two Year Average methodology. The following procedures shall be followed in order to assure that the Funds spent under the Plan are used to provide services to residents of Santa Cruz County.

- (a) HOSPITAL shall confer with representatives of the County's Health Services Agency within 30 days following submission of the Charity or Uncompensated Care Worksheet regarding possible alternative services that HOSPITAL could provide or arrange to provide in order to use the Funds.
- (b) No later than 60 days following the submission of the Charity or Uncompensated Care Worksheet HOSPITAL shall present to the COUNTY for approval the Plan for using the Funds. The Plan shall specify the total amount of Funds available, the services to be provided with such Funds, and the manner in which such services will be provided. The Plan shall assure that all of the Funds will be spent by the end of the fiscal year in which the Plan is presented, unless the parties mutually agree to an extension not to exceed an additional six months.
- (c) If HOSPITAL does not fulfill its obligations under the Plan or if satisfaction of the Plan does not exhaust the Funds, HOSPITAL shall pay to the COUNTY the difference between the total amount of Funds identified in the Plan and the actual amount of Funds spent. This amount shall be paid to the COUNTY no later than sixty days following the end of the Plan period established in paragraph 6.3(b). The COUNTY shall use this amount to provide additional health services for indigent patients.
- (d) The Funds to be spent pursuant to the Plan shall not be included in either the 5.5% charity care obligation or the 7.0% uncompensated care obligation for the year(s) in which such Funds are spent; they are in addition to it.

6.4. HOSPITAL will annually provide data to COUNTY specifying the amount of services provided to Medi-Cruz, Medi-Cal and County Organized Health System beneficiaries. It is the goal of the HOSPITAL to provide its fair share of Medi-Cruz, Medi-Cal and COHS services. in Santa Cruz County. If this goal is not being met, HOSPITAL will meet and confer with the COUNTY to develop a mutually agreed upon program to achieve the goal of providing a fair share of services to Medi-Cruz, Medi-Cal and COHS beneficiaries, including, for example, providing direct cash or in-kind subsidies to existing medical care providers or creating additional access points for such beneficiaries. The COUNTY agrees to secure from both Dominican Santa Cruz Hospital and the Santa Cruz Maternity and Surgery Center commitments to provide their respective fair share of services to Medi-

Cruz, Medi-Cal and County Organized Health System beneficiaries. If the COUNTY fails to secure such commitments from these hospitals, grants waivers from these commitments to any hospital that requires the COUNTY'S land use approval, or any hospital located within the incorporated or unincorporated areas of the County which contracts with the COUNTY for any purpose, or in any way exempts these hospitals operating in the County from this fair share commitment, this section will be subject to renegotiation by the contracting parties. For the purpose of this paragraph, the fair share commitment is an attempt to equalize each facility's relative access for Medi-Cruz, Medi-Cal and County Organized Health System patients. In making the determination of fair share, the COUNTY may take into account a number of factors including, but not limited to: facility size, scope and intensity of services, composition of medical staff, reimbursement, costs and losses associated with these patients, and location relative to the Medi-Cal population.

6.5 HOSPITAL'S charity care or uncompensated care obligation created under this Article shall commence on January 1, 1999.

ARTICLE 7

COUNTY PERFORMANCE PROVISIONS

7.1 The basis for determining eligibility as a County indigent shall be set forth in the Medi-Cruz eligibility standards and will be based on income, property, family size, County residency, and eligibility of the individual for other health care coverage. Individuals must apply for participation in the County's Medi-Cruz program and also meet County's requirements with regard to timeliness and proper verification of financial need. Individuals who fail to cooperate or provide false and misleading information, will not be granted eligibility for Medi-Cruz. Consequently, they will not be County responsible patients. However, denial of Medi-Cruz eligibility will not, in and of itself, disqualify a person from being determined eligible by HOSPITAL under the CHIP provisions of this Agreement.

7.2 COUNTY shall have no financial responsibility for hospital services provided to persons eligible for Medicare or Medi-Cal, including Medi-Cal "spend down" patients. ("Spend down" patients are those persons certified as eligible for Medi-Cal coverage after payment of a specified monthly liability based upon excess income.)

7.3 Except for emergency services, County responsible patients will be identified to HOSPITAL by the presentation of the appropriate County forms authorizing services.

7.4 HOSPITAL will conduct a financial screening of patients admitted for inpatient services on an emergency basis and report to COUNTY those patients who potentially meet the Medi-Cruz program income resource standards. COUNTY shall have a Medi-Cruz eligibility worker visit HOSPITAL on normal County workdays to interview and take applications for Medi-Cruz from those patients reported to COUNTY as potentially indigent.

7.5 COUNTY shall maintain sufficient eligibility personnel to expeditiously process applications for

indigent care under the Medi-Cruz program. COUNTY shall also expeditiously process applications of individuals urgently in need of hospital services.

7.6 The obligations of COUNTY with regard to CHIP under this contract are contingent upon receipt by the COUNTY of State funds pursuant to Sections 16940 through 16946 of the Welfare and Institutions Code.

7.7 HOSPITAL understands the COUNTY is not obligated to pay for uncompensated care unless such care is provided under the terms of this contract.

ARTICLE 8

GENERAL PROVISIONS

8.1 COUNTY agrees that it will not substantially reduce the capacity of the Watsonville Health Center to provide outpatient primary care services during the period of this contract. In order to permit HOSPITAL to accommodate changes in COUNTYS demand for services, COUNTY shall endeavor to give at least thirty (30) days written notice in advance of the effective date of any action by COUNTY to reduce substantially the volume of services to be performed by HOSPITAL hereunder and shall endeavor to give at least ninety (90) days written notice in advance of the effective date of any action to increase substantially the volume of services performed by HOSPITAL hereunder.

8.2 If COUNTY increases its health care obligations under this contract by initiating new programs or restructuring existing programs so as to significantly expand the population of County responsible patients, COUNTY agrees that such action shall be a basis for' reopening negotiations with HOSPITAL regarding rates of reimbursement. For the purpose of this paragraph, modifications to the Medi-Cruz income and resource standards will not be considered a significant expansion of COUNTY'S health care obligations.

8.3 In the event HOSPITAL elects to serve notice of its intention to terminate its contract with the California Medical Assistance Commission governing the provision of services to Medi-Cal recipients and the rate of Medi-Cal reimbursement, HOSPITAL will formally notify COUNTYS Health Services Agency Administrator of its proposed action upon submission to the State of the notice of intent to terminate the contract. HOSPITAL agrees to meet and confer with COUNTY representatives on the implications of this action.

8.4 Except as otherwise provided herein, the health care function of COUNTY, including but not limited to physician services, shall be performed independently from the health care activities of HOSPITAL; provided, however, both parties agree to cooperate in the planning and delivery of their respective health care activities, and to that end the parties agree that they shall confer before either party embarks on a new health care activity or service or substantially increases or decreases any such activity or service previously offered so as to maximize the coordination of effort and avoid duplication of services.

8.5 It is mutually agreed by the parties hereto that in providing the services contemplated by the Agreement, HOSPITAL is an independent contractor and all persons employed by HOSPITAL are employees of HOSPITAL and not of COUNTY, and HOSPITAL shall exonerate, indemnify, defend and hold harmless COUNTY, its officers, agents, employees and volunteers, from and against any and all Federal, State, and local taxes, charges, fees, or contributions required to be paid with respect to HOSPITAL and its officers, agents, employees and volunteers engaged in the performance of this contract, including without limitation, unemployment insurance, social security and payroll withholding .

8.6 The COUNTY shall neither have nor exercise any control or direction over the methods by which HOSPITAL shall perform its obligations under this agreement. The standards of medical practice and professional duties of HOSPITAL employees and independent physicians performing medical services under this agreement shall be determined by HOSPITAL; and all applicable provisions of law and other rules and regulations of any and all governmental authorities relating to licensure and regulation of hospitals and physicians shall be fully complied with by all parties hereto.

8.7 The CHIP provisions of this contract shall be governed and construed in accordance with the Tobacco Tax and Health Protection Act of 1988 (Proposition 99) and Assembly Bill No. 99 (Chapter 278; Statutes of 1991) 'and any successor legislation enacted to carry out the provisions of Proposition 99. Any CHIP provision of this contract in conflict with Proposition 99 or Assembly Bill 99 in its current form or as amended, is hereby amended to conform to the provisions of Proposition 99 and Assembly Bill 99. Such amendment of the Agreement shall be effective on the effective date of the aforementioned legislation and shall be binding on the parties even though such amendment may not have been reduced to writing and formally agreed upon and executed by the parties.

8.8 In the event any provision of this contract be declared or found to be illegal, unenforceable, ineffective or void by any court of law, then each party shall be relieved of any obligation arising from such provision; the balance of this contract, where capable of performance, shall remain in full force and effect.

8.9 COUNTY agrees to defend any and all claims for suits that may be commenced against COUNTY and HOSPITAL regarding COUNTY'S authority to enter into or carry out the provisions of this Agreement and to pay any sums or damages imposed against COUNTY and/or HOSPITAL on the basis of such claims or suits. COUNTY shall further hold HOSPITAL harmless from any liability or loss for property damage or personal injury caused by any jail inmate or juvenile ward referred to HOSPITAL by COUNTY for treatment as a County responsible patient under this Agreement.

8.10 HOSPITAL agrees to exonerate, indemnify, defend and hold harmless COUNTY, its officers, agents, employees and volunteers against any and all claims, demands, losses, damages, defense costs, or liabilities of any kind or nature which COUNTY may sustain or incur or which may be imposed upon it for injury to or death of persons, or damage to property as a result of, arising out of, or in any manner connected with the HOSPITAL'S performance under the terms of this Agreement, excepting any liability arising out of the sole negligence of the COUNTY, such indemnification

includes any damage to the person(s) or property(ies) of HOSPITAL and third persons.

8.11 In the event of any dispute between the parties hereto regarding the provisions under this Agreement and if the parties fail to resolve such dispute within fifteen (15) days following written notice from either party to the other party of the existence of such dispute, either party by written notice thereof to the other party may request resolution of the dispute by an independent arbitrator. The arbitrator shall be selected with the mutual agreement of both parties. The arbitrator shall settle the dispute within fifteen (15) days after receiving any and all pertinent information requested from the parties to resolve the dispute. The decision of the arbitrator shall be final and binding on the parties. Each party shall share equally the fees and expenses, if any, of the arbitrator.

8.12 HOSPITAL shall be excused from performance and shall incur no liability to COUNTY for failing to perform under this Agreement if such failure to perform shall have resulted from fire, riot, strike, or other labor trouble, or Acts of God, or any other cause or causes beyond control of HOSPITAL.

8.13 Without limiting HOSPITAL'S indemnification of the COUNTY, HOSPITAL shall provide and maintain at its own expense during the term of this contract an insurance program as described hereinafter covering its operations under this contract. Such insurance program shall be established either by utilization of a carrier satisfactory to the COUNTY, or under arrangements acceptable to the COUNTY, which shall be documented by evidence reasonably required by the COUNTY to determine whether such insurance program provides reasonable assurance of financial responsibilities for the indemnification obligations assumed by HOSPITAL hereunder. HOSPITAL shall also deliver to the COUNTY documentation evidencing the coverage provided under HOSPITAL'S insurance program and shall stipulate that the COUNTY is given at least thirty days (30) written notice in advance of any modification or termination of any policy of insurance or other insurance vehicle relied on by HOSPITAL to satisfy the above requirements.

- (a) Such insurance policy or arrangements shall include, but not be limited to, comprehensive general liability with the combined single limits of \$1,000,000 and medical malpractice insurance with combined single limits of \$3,000,000. Such insurance shall be primary to any other similar insurance and shall name the COUNTY, its officers, agents, employees and volunteers as an additional insured if applicable.
- (b) In case of failure on the part of the HOSPITAL to procure or maintain required insurance, the same shall constitute a material breach of this contract upon which the COUNTY may, at its discretion, terminate this contract.

8.14 Confidentiality:

- (a) The names and identifying information of County responsible patients or CHIP eligible patients shall be kept confidential. For the purpose of this contract, all information, records, and data elements pertaining to eligible persons shall be protected by HOSPITAL and the

COUNTY from unauthorized disclosure.

- (b) Any identifiable information concerning eligible persons under this contract that is obtained by HOSPITAL or the COUNTY shall not be disclosed, except as otherwise specifically permitted by this contract or law.

8.15 HOSPITAL shall not discriminate in the provision of medical services because of race, religion, color, sex, sexual preference, national origin, age (over 18), pregnancy, physical or mental disability, or medical condition (cancer related) in accordance with Title VI of the Civil Rights Act of 1964, 42 United States Code Section 2000(d), rules and regulations promulgated pursuant thereto, or as otherwise provided by State and federal law. For the purpose of the contract, distinctions on grounds of race, religion, color, sex, sexual preference, national origin, ancestry, age (over 18), pregnancy, physical or mental disability, or medical condition (cancer related) include but are not limited to the following:

- (a) Denying an eligible person or providing to an eligible person any service or benefit which is different or is provided in a different manner or at a different time from that provided to other eligible persons under this contract.
- (b) Subjecting an eligible person to segregation or separate treatment in any matter related to receipt of any service.
- (c) Restricting an eligible person in any way in the enjoyment of any advantage or privilege enjoyed by others receiving a similar service or benefit.
- (d) Treating an eligible person differently from others in determining whether he or she satisfied any admission, enrollment quota, eligibility, membership, or other requirement or condition which individuals must meet in order to be provided a similar service or benefit.
- (e) The assignment of times or places for the provision of services on the basis of race, religion, color, sex, sexual preference, national origin, age (over 18), pregnancy, or physical or mental disability of the eligible person to be served.

8.16 Equal Employment Opportunity. During and in relation to the performance of this Agreement, HOSPITAL agrees as follows:

- (a) HOSPITAL shall not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, physical handicap, physical or mental disability, medical condition (cancer related), marital status, sex, sexual preference, age (over 18), pregnancy, veteran status or any other non-merit factor unrelated to job duties. Such non-discriminatory action shall include, but not be limited to, the following: recruitment; advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training (including apprenticeship), employment, upgrading, demotion, or transfer. HOSPITAL agrees to post in conspicuous places, available to employees and applicants for employment, notice setting forth the provision of this non-discrimination

clause.

- (b) HOSPITAL shall, in all solicitations or advertisements for employees placed by or on behalf of HOSPITAL, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, ancestry, physical handicap, physical or mental disability, medical condition (cancer related), marital status, sex, sexual preference, age (over 18), pregnancy, veteran status, or any other non-merit factor unrelated to job duties. In addition, HOSPITAL shall make a good faith effort to consider Minority/Women/Disabled Business Enterprises in HOSPITAL'S solicitation of goods and services. Definitions for Minority/Women/Disabled Business Enterprises are available from the COUNTY General Services Purchasing Division.
- (c) HOSPITAL shall furnish COUNTY Affirmative Action Office information and reports in the prescribed reporting format (PER 4012) identifying the sex, race, disability, and job classification of its employees and the names, dates and methods of advertisement and direct solicitation efforts made to subcontract with Minority/Women/Disabled Business Enterprises.
- (d) In the event of HOSPITAL'S non-compliance with the non-discrimination clauses of this Agreement or with any of the said rules, regulations, or orders HOSPITAL may be declared ineligible for further agreements with the COUNTY.
- (e) HOSPITAL shall cause the foregoing provisions of this Section 8.16 to be inserted in all subcontracts for any work covered under this Agreement by a subcontractor compensated more than \$50,000 and employing more than fifteen (15) employees, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

8.17 HOSPITAL shall not delegate its duties or assign its rights hereunder, or both, either in whole or in part, without the prior written consent of the COUNTY. This provision shall not be applicable to services agreements or contracts or similar arrangements usually and customarily entered into by HOSPITAL to obtain or arrange for supplies, technical support or professional services.

8.18 Presentation and processing of any and all claims arising out of or related to this Agreement shall be made in accordance with the provisions contained in Chapter 1.05 of the Santa Cruz County Code, which by this reference is incorporated herein.

ARTICLE 9

EMERGENCY MEDICAL SERVICES FUND

9.1 Pursuant to California Health and Safety Code Section 1798.98a et seq., the COUNTY has

established an Emergency Medical Services Fund (EMSF), twenty-five percent of which is available to hospitals providing trauma and emergency care services. COUNTY has determined that HOSPITAL provides uncompensated trauma and emergency care and, therefore, qualifies to receive a portion of the EMSF.

9.2 COUNTY agrees to distribute fifty percent of the funds accruing to the Hospital portion of EMSF to HOSPITAL on an annual basis. The distribution will be made following the close of the COUNTY'S fiscal year and be calculated on the fiscal year end fund balance.

ARTICLE 10

REIMBURSEMENT PROVISIONS

10.1 HOSPITAL shall submit billings for County responsible inpatient and non-emergency outpatient services covered by this contract to COUNTY on a timely basis. For CHIP patients, claims shall be submitted within ninety (90) days of discharge or date of service as applicable.

10.2 COUNTY shall reimburse HOSPITAL for inpatient services as specified in Article 11.1 (a) and (b) of the Reimbursement Schedule. The per diem rates and case rates shall be inclusive rates reimbursing HOSPITAL in full for all services provided, including those professional fees previously included in HOSPITAL'S billing to COUNTY, with the exception of pathology professional fees. For per diem reimbursement purposes, the day of admission and the day of discharge will be counted as one day only. The inclusive rates will not relieve HOSPITAL of the obligation to submit timely bill for services rendered. COUNTY will not consider newborns to be County responsible patients since they are potentially eligible for the Medi-Cal Program.

10.3 COUNTY shall reimburse HOSPITAL at charges less a percentage discount as specified in Article 11.1 (c) of the Reimbursement Schedule for procedures done as a result of referrals by the COUNTY for outpatient services and ancillary diagnostic services which are neither related to an inpatient admission nor provided in the emergency department.

10.4 COUNTY shall reimburse HOSPITAL for outpatient emergency department services rendered to County responsible patients at a fixed monthly rate as specified in Article 11.1 (d) of the Reimbursement Schedule. The fixed monthly rate shall be inclusive of professional fees, laboratory, with the exception of pathology professional fees, radiology, and other ancillary services provided in conjunction with the emergency department visit. For CHIP eligible patients, HOSPITAL may submit individual claims to COUNTY for emergency services. Only the hospital component of the emergency department bill is reimbursable from the CHIP Hospital Services Account. The physician's component of the emergency department bill may be claimed separately against the CHIP Physician Services Account. The physician may bill independently or the hospital may act as the billing agent for the physician. Combined CHIP claims for hospital and physician services will not be accepted by COUNTY for processing.

10.5 COUNTY will provide HOSPITAL with a cash advance as specified in Article 11.1 (e) of the Reimbursement Schedule as interim reimbursement for inpatient services. On or about the first of January, April, July and October of each year COUNTY and HOSPITAL will compute and agree upon the exact number of authorized days of inpatient care reimbursable under this Agreement. The amount advanced to HOSPITAL will be applied to approved inpatient claims until exhausted. Any remaining approved claims will then be reimbursed through normal reimbursement procedures. Should the interim advance to HOSPITAL be in excess of approved claims, HOSPITAL shall either reimburse COUNTY for overpayments or the COUNTY may elect to suspend interim payments until the balance falls below a level equal to the monthly interim payments.

10.6 All billings for services approved and paid by COUNTY pursuant to the terms of this Agreement shall be assigned by HOSPITAL to COUNTY for such collection effort as deemed appropriate by COUNTY in order to obtain reimbursement from the patient or other person financially responsible. All funds received from such collection effort belong to COUNTY.

10.7 COUNTY reserves the right to review the appropriateness and need for services provided to County responsible patients by HOSPITAL through a medical foundation or other mechanism having the requisite expertise to evaluate such matters in those cases the COUNTY deems necessary. HOSPITAL agrees to furnish COUNTY with information at no charge from the patient's medical record necessary to conduct such a review. COUNTY may deny payment for those inpatient days determined to be unnecessary based upon objective medical findings. COUNTY will not arbitrarily deny payment to HOSPITAL for approved inpatient stays.

10.8 COUNTY agrees not to artificially impose a maximum limit on reimbursement or the growth in annual payments for County responsible patients under this Agreement.

10.9 HOSPITAL agrees that it will not demand from COUNTY increases in reimbursement that are disproportionate to the historical pattern of rate increases to which the parties have previously agreed under this and preceding agreements. HOSPITAL acknowledges that inpatient reimbursement for County responsible patients has been tied to the Medi-Cal per diem rates. In the event that HOSPITAL terminates its Medi-Cal contract resulting in a substantially higher rate of reimbursement from the State for Medi-Cal inpatient services, HOSPITAL will not use any such Medi-Cal reimbursement anomalies as a basis for demanding increased reimbursement from COUNTY.

10.10 The maximum amount payable by the COUNTY to HOSPITAL under CHIP will be established by the CHIP Tobacco Tax allocation tables distributed each year by the State Department of Health Services. Distribution of the discretionary portion of the Hospital Services Account, less a ten percent deduction for COUNTY administration, will be established each year by COUNTY following negotiations with each hospital eligible to receive such funds. The formula distribution will be made to HOSPITAL for CHIP eligible patients as determined by statute. The COUNTY shall have no obligation to pay for CHIP eligible patients from the COUNTY'S General Fund.

ARTICLE 11

REIMBURSEMENT SCHEDULE

11.1 COUNTY shall reimburse HOSPITAL for services specified herein at the following rates effective September 1, 1998 unless otherwise specified:

(a) Inclusive Daily Rates for Inpatient Services

Acute (County Responsible Patients): \$905.00

Acute (CHIP Patients Only): Medi-Cal Interim Percentage Rate

(b) Inpatient Cardiac Catheterization Services

Actual Cardiac Catheterization Department charges less twenty-five percent (25%), plus \$905 per day.

(c) Outpatient Non-Emergency Services

Usual and customary charges less twenty percent (20%) with a maximum reimbursement for outpatient/short stay surgery not to exceed \$3,124.00.

(d) Emergency Department Services

Fixed rate of \$14,000.00 per month inclusive of all services provided to County responsible patients treated through the Emergency Department.

(e) Interim Cash Advance for Inpatient Services

Based on the quarterly submission of inpatient claims by HOSPITAL, COUNTY will advance \$30,000 per month to HOSPITAL as interim payment for inpatient services to County responsible patient with the following provision: The parties agree that the cumulative balance of the cash advanced to HOSPITAL by COUNTY should not exceed the equivalent of one quarter's advance or \$90,000. When the balance of cash advance to HOSPITAL exceeds \$60,000, COUNTY may reduce or suspend the cash advances until such time as the cash advance balance approximates \$30,000 for each month of unprocessed claims.

(f) Disability Screening and Disability Application Support Services

\$3,500.00 per month fixed rate for services rendered by the Prime Health at Home staff nurses and associated clerical support.

ARTICLE 12

TERM OF AGREEMENT

12.1 This Agreement shall continue through June 30, 2010. The parties hereto further agree to negotiate an extension to this agreement which is consistent with prevailing circumstances and the intent of this Agreement. It is the intent of COUNTY and HOSPITAL that the reimbursement provisions of this agreement be reviewed and amended annually or other period mutually agreed upon. Periodic rate changes and effective periods will be implemented by amending the Reimbursement Schedule, Article 11, as necessary.

IN WITNESS WHEREOF, the parties have executed this Amended Agreement on the dates indicated below.

WATSONVILLE HOSPITAL CORPORATION, INC.

COUNTY OF SANTA CRUZ

By: 

Michael Portacci

By: _____

Charles M. Moody
Health Services Agency Administrator

Date: _____

Date: _____

Approved as to form:

Assistant County Counsel

chswebent.doc

ATTACHMENT A

CALIFORNIA HEALTHCARE FOR INDIGENTS PROGRAM

ELIGIBILITY STANDARDS AND PROCEDURES STANDARDS

HOSPITAL will claim CHIP funds from COUNTY only for patients who cannot afford to pay for their hospital services, and for whom payment will not be made through any private coverage or by any program funded in whole or part by the federal government.

HOSPITAL will utilize its charity care criteria and/or Medi-Cruz program income and resource limits as a basis for determining entitlement to CHIP funds. Hospital may request verification of information provided from clients seeking relief from their hospital expenses through CHIP. It is the intent of the CHIP eligibility determination process to identify persons unable to pay for services as opposed to persons who are unwilling to pay for services.

PROCEDURES - GENERAL

HOSPITAL will have the responsibility for determining patient eligibility for CHIP reimbursement. COUNTY'S Medi-Cruz eligibility staff will work in conjunction with Watsonville Community Hospital's staff to assist in identifying patients that HOSPITAL may consider to be unable to afford their hospital expenses. COUNTY will refer such persons to the designated Watsonville Community Hospital department or staff person. When available, COUNTY will forward, with the client's consent, information relevant to HOSPITAL'S determination of eligibility for CHIP funding.

HOSPITAL will notify the COUNTY'S Medi-Cruz inpatient eligibility worker of patients whose accounts are to be reimbursed from CHIP funds. Such notification will include basic information COUNTY requires to register the patient on its computer system, i.e., face sheet type data. For claims processing purposes, COUNTY will send HOSPITAL an authorization which HOSPITAL will use to identify CHIP claims being sent to COUNTY. Reimbursement procedures will generally be identical to those used for County responsible patients.

ATTACHMENT B

CHIP NOTICES TO PATIENTS

In accordance with Article 4.8(d) of this contract, HOSPITAL will provide notice to patients at the time services are sought regarding availability of programs that may assist patients who cannot afford their health care services. Posted notice will be conspicuously displayed in patient admitting and registration areas. Hospital may combine notice requirements of various programs into a single notice with sufficient detail to identify individual programs or post individual notices for individual programs (reference the statutory notice requirements for Medi-Cruz). Basic information on access to these program(s) must be included in the notice. Posted notices must be in Spanish as well as English.

Individual notices will be given, as appropriate, to all private pay patients at the time of admission or registration. Additionally, notice shall be included in the first billing to patients who have received emergency services. The individual notices may identify specific programs or combine programs for which notice requirements exist. Telephone numbers and addresses to access program assistance must be provided in the individual notices.

HOSPITAL agrees to work with COUNTY in the development of notices that are mutually acceptable and meet statutory noticing requirements.

ATTACHMENT C

CHIP SERVICES

The following services shall be available to CHIP eligible patients:

General Acute Care

All inpatient services related to emergency or urgent conditions normally offered by Watsonville Community Hospital in a manner consistent with Section 4 of the Agreement.

Outpatient emergency room and ancillary services necessary to treat emergency conditions.

Child Health and Disability Prevention

All authorized services normally provided by Watsonville Community Hospital necessary to treat conditions identified during the course of CI-IDP screening exams.

ATTACHMENT E
SANTA CRUZ COUNTY
CHARITY CARE WORKSHEET - PART I (NO BAD DEBTS)

HOSPITAL NAME _____ FISCAL YEAR ENDED _____

A. RATIO OF COST TO CHARGES: (OSHDP PAGE 8)

1. OPERATION EXPENSE, (LINE 200) \$ _____
2. GROSS REVENUES (LINE 030) \$ _____
3. RATIO OF COST TO CHARGES (1:2) _____ %

B. CHARITY CARE COMMITMENT:

1. OPERATING EXPENSES (OSHDP, P.8, L.200) \$ _____
2. LESS - GOV'T PAYERS GROSS CHARGES (OSHDP P. 12)
 - a. MEDICARE (L.4 10, COL. 1+2) \$ _____
 - b. MEDI-CAL (L.410, COL. 7+9) \$ _____
 - c. MEDI-CRUZ (HOSPITAL RECORDS) \$ _____
3. TOTAL (B2 a,b,c) \$ _____
4. COST OF GOVERNMENT PROGRAMS (B3 x A3) \$ _____
5. NET OPERATING EXPENSE (B 1 - B4) \$ _____
6. AGREED UPON CHARITY CARE COMMITMENT 5.5%
7. AGREED UPON CHARITY CARE (B5 x B6) \$ _____

C. CHARITY CARE PROVIDED (OSHDP PAGE 8)

1. CHARITY (LINE 080) \$ _____
2. COST OF CARE PROVIDED (A3 x C1) \$ _____

D. EXCESS (DEFICIT) CARE (B7 - C2) \$ _____ *

IF DEFICIT, COMPLETE PART II ON NEXT PAGE

ATTACHMENT E
SANTA CRUZ COUNTY
CHARITY CARE WORKSHEET - PART II (NO BAD DEBTS)

E. CONTRIBUTIONS TO EXEMPT ORGANIZATIONS

1. CASH CONTRIBUTIONS

<u>NAME OF ORGANIZATION</u>	<u>AMOUNT</u>
a. _____	\$ _____
b. _____	\$ _____
c. SUB-TOTAL	\$ _____

2. IN-KIND CONTRIBUTIONS

a. _____	\$ _____
b. _____	\$ _____
c. SUB-TOTAL	\$ _____

3. TOTAL CONTRIBUTIONS (1C + 2C) \$ _____
IN COMPLIANCE IF E3 EXCEEDS LINE D

F. TWO YEAR AVERAGE COMPUTATION

1. COST OF CARE PROVIDED (LINE C4)

a. CURRENT YEAR	\$ _____
b. LAST YEAR (SEE NOTE)	\$ _____
c. TOTAL PROVIDED	\$ _____

2. COMMITMENT (LINE B7)

a. CURRENT YEAR	\$ _____
b. LAST YEAR	\$ _____
c. TOTAL COMMITMENT	\$ _____

3. EXCESS (DEFICIT) CARE (2C - 1C) \$ _____
NOTE - MUST BE REDUCED BY AMOUNT CARRIED BACK TO PRIOR YEAR.

ATTACHMENT G
SANTA CRUZ COUNTY
UNCOMPENSATED CARE WORKSHEET - PART I (CHARITY & BAD DEBTS)

HOSPITAL NAME _____ FISCAL YEAR ENDED _____

A. RATIO OF COST TO CHARGES: (OSHDP PAGE 8)

1. OPERATION EXPENSE (LINE 200) \$ _____
2. GROSS REVENUES (LINE 030) \$ _____
3. RATIO OF COST TO CHARGES (1:2) _____ %

B. UNCOMPENSATED CARE COMMITMENT:

1. OPERATING EXPENSES (OSHDP, P.8, L.200) \$ _____
2. LESS - GOV'T PAYERS GROSS CHARGES (OSHDP P. 12)
- a. MEDICARE (L.410, COL. 1+2) \$ _____
- b. MEDI-CAL (L.410, COL. 7+9) \$ _____
- c. MEDI-CRUZ (HOSPITAL RECORDS) \$ _____
3. TOTAL (B2 a,b,c) \$ _____
4. COST OF GOVERNMENT PROGRAMS (B3 x A3) \$ _____
5. NET OPERATING EXPENSE (B 1 - B4) \$ _____
6. AGREED UPON UNCOMPENSATED CARE COMMITMENT 7.0%
7. AGREED UPON UNCOMPENSATED CARE (B5 x B6) \$ _____

C. UNCOMPENSATED CARE PROVIDED (OSHDP PAGE 8)

1. CHARITY (LINE 080) \$ _____
2. BAD DEBTS (LINE 035) \$ _____
3. TOTAL CHARGES (C1 + C2) \$ _____
4. COST OF CARE PROVIDED (A3 x C3) \$ _____

D. EXCESS (DEFICIT) CARE (B7 - C4) \$ _____ *

IF DEFICIT, COMPLETE PART II ON NEXT PAGE

ATTACHMENT G
SANTA CRUZ COUNTY
UNCOMPENSATED CARE WORKSHEET - PART II (CHARITY & BAD DEBTS)

E. CONTRIBUTIONS TO EXEMPT ORGANIZATIONS

1. CASH CONTRIBUTIONS

<u>NAME OF ORGANIZATION</u>	<u>AMOUNT</u>
a. _____	\$ _____
b. _____	\$ _____
c. SUB-TOTAL	\$ _____

2. IN-KIND CONTRIBUTIONS

a. _____	\$ _____
b. _____	\$ _____
c. SUB-TOTAL	\$ _____

3. TOTAL CONTRIBUTIONS (1 C + 2C) \$ _____
IN COMPLIANCE IF E3 EXCEEDS LINE D

F. TWO YEAR AVERAGE COMPUTATION

1. COST OF CARE PROVIDED (LINE C4)

a. CURRENT YEAR	\$ _____
b. LAST YEAR (SEE NOTE)	\$ _____
c. TOTAL PROVIDED	\$ _____

2. COMMITMENT (LINE B7)

a. CURRENT YEAR	\$ _____
b. LAST YEAR	\$ _____
c. TOTAL COMMITMENT	\$ _____

3. EXCESS (DEFICIT) CARE (2C - 1C) \$ _____
NOTE - MUST BE REDUCED BY AMOUNT CARRIED BACK TO PRIOR YEAR