



County of Santa Cruz⁰³⁵¹

HEALTH SERVICES AGENCY

POST OFFICE BOX 962, 1080 EMELINE AVENUE, SANTA CRUZ, CA 95061-0962
(831) 454-4011 FAX: (831) 454-4488 TDD: (831) 454-4123

MEDI-CRUZ DIVISION

May 10, 2000

AGENDA: May 23, 2000

BOARD OF SUPERVISORS

County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: RATE ADJUSTMENTS TO WATSONVILLE COMMUNITY HOSPITAL CONTRACT

Dear Board Members:

The provision of hospital services is a fundamental part of the County's Welfare & Institutions Code, Section 17000 obligation to care for the indigent. The County's contracts with local hospitals are essential to fulfilling this obligation in a cost-effective manner. The County contracts with Watsonville Hospital Corporation, Inc., dba Watsonville Community Hospital, to provide such services in South County through the year 2010. One provision of the contract provides for renegotiating rates annually or at any other frequency mutually agreed upon. The last adjustment to the hospital's rates occurred on September 1, 1998, which was prior to the sale of the hospital to Community Health Systems, Inc. The hospital has recently requested rates be adjusted to offset the increased cost of serving county responsible patients. HSA is recommending that your Board approve certain rate adjustments to the hospital.

The County's contract with Watsonville Community Hospital currently reimburses inpatient stays at a per diem rate of \$905. HSA has agreed to recommend to your Board a rate increase of \$45 per day for inpatient services or 5%, bringing the per diem rate to \$950. This rate is significantly below the rate the hospital receives from the Medi-Cal program. It is also consistent with past increases to the per diem rate. Using our projected inpatient utilization rate for FY 2000-01, the recommended increase would result in about \$20,000 in additional inpatient expense to the County.

HSA is also recommending an increase in the rate paid for emergency department (ED) services. The current payment arrangement for outpatient hospital emergency service is to pay the hospital a fixed amount each month for all services utilized by the indigent. That rate was last raised in September 1998 to \$14,000. The proposed new rate is \$18,000. This fairly substantial increase is warranted for several reasons. Historically, the hospital writes-off much more in charges under the fixed price arrangement than it does under the other forms of outpatient reimbursement under the contract. For the accounts written-off against the fixed price, the hospital must still reimburse the ED physicians for their services provided to the indigent. Although this has always been the case, the current situation has been exacerbated by lower patient volume. The Alliance has been successful in lowering emergency department use by Medi-Cal patients that had previously been high ED users. The hospital has also found it

Board of Supervisors
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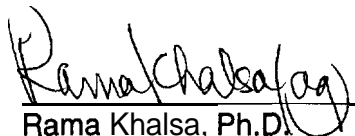
necessary to reimburse on-call specialty physicians to assure their availability to treat more severe and complicated cases. This has caused a higher cost per patient and increasing operating losses. The combination of higher costs, lower volume and increasing payment demands by physicians has further deteriorated the financial operations of the ED. The additional annual \$48,000 in ED payments resulting from this rate change will alleviate some of the problems the hospital is experiencing and help assure the availability of emergency medical services in South County. All other rates will remain the same.

Rate increases for all contract hospitals have been anticipated in the proposed 2000-01 budget as recommended by the CAO. HSA believes that these rate adjustments are reasonable in view of the medical care inflation rate, the fact that it is almost two years since the hospital last received a rate adjustment, and the operational factors cited above. We are recommending that these changes be effective June 1, 2000.

It is, therefore, RECOMMENDED that your Board:

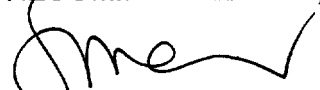
Authorize the Health Services Agency Administrator to sign the attached amendment to the Hospital Services Agreement between Watsonville Hospital Corporation, Inc. and the County of Santa Cruz increasing the inpatient per diem rate and emergency department reimbursement effective June 1, 2000.

Sincerely,


 Rama Khalsa, Ph.D.
 Health Services Agency Administrator

RK:RV

RECOMMENDED



Susan Mauriello
 County Administrative Officer

cc: CAO
 County Counsel
 Auditor-Controller
 Medi-Cruz Administrator
 Watsonville Community Hospital

COUNTY OF SANTA CRUZ
REQUEST FOR APPROVAL OF AGREEMENT

0353

TO: Board of Supervisors
County Administrative Officer
County Counsel
Auditor-Controller

FROM: Health Services Agency (Dept.)
Ran Kline - (Signature) May 5, 2000 (Date)

The Board of Supervisors is hereby requested to approve the attached agreement and authorize the execution of the same.

1. Said agreement is between the Health Services Agency (Agency)
and Watsonville Hospital Corporation, Inc., 75 Nielson St., Watsonville, CA 95076 (Name & Address)
2. The agreement will provide hospital inpatient, outpatient and emergency services to
County responsible patients.
3. The agreement is needed because the above services are not available from nor able to be
provided by the County.
4. Period of the agreement is from 9/22/1998 to 6/30/2010
5. Anticipated cost is \$ not applicable--already budgeted (Fixed amount; Monthly rate; Not to exceed)
6. Remarks: Rate adjustment to existing agreement.
7. Appropriations are budgeted in 365001 (Index#) 4346 (Subobject)

NOTE: IF APPROPRIATIONS ARE INSUFFICIENT, ATTACH COMPLETED FORM AUD-74

Appropriations are available and have been encumbered.
N/A

Contract No. CO 90031-04 Date 5/11/00

GARY A. KNUTSON, Auditor - Controller

By Ronald J. Silva Deputy.

Proposal reviewed and approved. It is recommended that the Board of Supervisors approve the agreement and authorize the
to execute the same on behalf of the

(Agency).

Remarks: LS (Analyst)

County Administrative Officer
By Sh Date 5/11/00

Agreement approved as to form. Date

Distribution:

Bd. of Supv. • White
Auditor-Controller • Blue
County Counsel • Green •
Co. Admin. Officer • Canary
Auditor-Controller • Pink
Originating Dept. • Goldenrod

'To Orig. Dept. if rejected.

State of California)
County of Santa Cruz) ss

I _____ ex-officio Clerk of the Board of Supervisors of the County of Santa Cruz,
State of California, do hereby certify that the foregoing request for approval of agreement was approved by
said Board of Supervisors as recommended by the County Administrative Officer by an order duly entered
in the minutes of said Board on

_____ 19 _____ BY _____ County Administrative Officer

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AMENDMENT
TO
HOSPITAL SERVICES AGREEMENT
BETWEEN
THE COUNTY OF SANTA CRUZ
AND
WATSONVILLE HOSPITAL CORPORATION, INC.

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, are parties to that certain Hospital Services Agreement which became effective September 1, 1998, agree to amend said Agreement as follows:

Delete Article 11, Reimbursement Schedule and substitute the following:

ARTICLE 11

REIMBURSEMENT SCHEDULE

11.1 COUNTY shall reimburse HOSPITAL for services specified herein at the following rates effective June 1, 2000 unless otherwise specified:

(a) Inclusive Daily Rates for Inpatient Services

Acute (County Responsible Patients): \$950.00

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 \$950 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 \$18,000.00 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.

All other provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed the Amendment to the Hospital Services Agreement on the dates indicated below:

WATSONVILLE HOSPITAL CORPORATION, INC.

COUNTY OF SANTA CRUZ

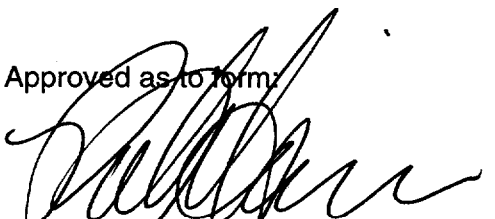
By: _____
Barry Schneider
Chief Executive Officer

By: _____
Rama Khalsa
Health Services Agency Administrator

Date: _____

Date: _____

Approved as to form:



Assistant County Counsel