

County of Santa Cruz

HEALTH SERVICES AGENCY

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MEDI-CRUZ DIVISION

July 20, 2001

AGENDA: August 7, 2001

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: AMENDMENTS TO WATSONVILLE COMMUNITY HOSPITAL CONTRACT

Dear Members of the Board:

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 June 1, 2000. 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 \$950. HSA has agreed to recommend to your Board a rate increase of **\$50** per day for inpatient services or 5.3%, bringing the per diem rate to \$1,000. 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 2001-02, the recommended increase **would** result in about \$16,000 in additional inpatient expense to the County.

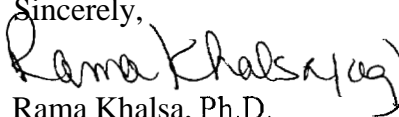
HSA is also recommending an increase in the rate paid for emergency department (ED) services. The current payment arrangement for outpatient hospital emergency service is to pay the hospital a fixed amount each month for all services utilized by the indigent. That rate was last raised in June 2000 to \$18,000 per month. The proposed new rate is **\$19,000**. This 5.5 percent increase is consistent with **cost** increases the County incurs at Dominican Hospital under a fee for service payment arrangement. Watsonville Hospital must reimburse the Emergency Department physicians for their services provided to the indigent from these funds. The hospital has also found it 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. The increased **ED** payment will 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 adopted 2001-02 budget approved by your Board. HSA believes that these rate adjustments are reasonable in view of the continually increasing cost of providing medical care. HSA is recommending that these changes be effective July 1, 2001.

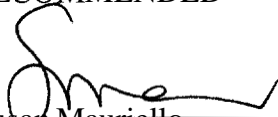
Another amendment to the contract that is being recommended is the deletion of Section 4.15. This section requires the Hospital, through its Prime Health at Home Department, to provide disability screening and application support services to County responsible patients who may be eligible for Medi-Cal or Social Security benefits. Due to the resignation of key staff and the underlying nursing shortage problem, the Prime Health at Home Department has been unable to perform the duties required under the contract, and discontinued these services in May. The County suspended the monthly \$3,500 payment to the hospital effective with the termination of services. The deletion of Section 4.15 will formalize the discontinuance of this arrangement. HSA will pursue other arrangements to secure a similar service. Providing applicants with assistance in the disability application process has proved very valuable in transition people off of MediCruz and onto Medi-Cal.

It is, therefore, RECOMMENDED, that your Board:

Approve the attached amendment to the agreement with Watsonville Hospital Corporation, Inc., for hospital services effective July 1, 2001 and authorize the Health Services Administrator to sign.

Sincerely,

Rama Khalsa, Ph.D.
Health Services Administrator

RK/RV
RECOMMENDED


Susan Mauriello

County Administrative Officer

cc: County Administrative Officer County Counsel
County Counsel Auditor-Controller
HSA Administration MediCruz Administration
Watsonville Community Hospital

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

0265

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 Section **4.15** effective May 1, 2001

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 July 1, 2001 unless otherwise specified:

(a) Inclusive Daily Rates for Inpatient Services

Acute (County Responsible Patients): \$1,000.00

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 the acute inpatient rate.

(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 \$19,000.00 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.

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.

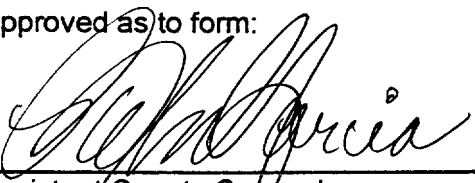
COUNTY OF SANTA CRUZ

By: 
Barry Schneider
Chief Executive Officer

By: _____
Rama Khalsa
Health Services Administrator

Date: 7/23/01

Date: _____

Approved as to form:

Assistant County Counsel

COUNTY OF SANTA CRUZ
REQUEST FOR APPROVAL OF AGREEMENT

0267

No Co #

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

FROM: HEALTH SERVICES AGENCY (Dept.)
[Signature] (Signature) 7-24-01 (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 CORP, INC., dba WATSONVILLE COMMUNITY HOSPITAL (Name & Address)
- 2. The agreement will provide hospital services to County responsible patients
- 3. The agreement is needed because the above services are not available from nor are able to be provided by the County.
- 4. Period of the agreement is from September 1, 1998 to June 30, 2010
- 5. Anticipated cost is \$ not applicable - already encumbered (Fixed amount; Monthly rate; Not to exceed)
- 6. Remarks:
- 7. Appropriations are budgeted in 365001 (Index#) 4346 (Subobject)

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

Appropriations NA are available and have been encumbered. Contract No. _____ Date 7-26-01
are not available and will be encumbered. GARY A. KNUTSON, Auditor - Controller
Refer to Contract With Coastal Health Co10031 By [Signature] 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: [Signature] (Analyst) By [Signature] County Administrative Officer Date 7/31/01

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.

ADM - 29 (6/95)

State of California } ss
County of Santa Cruz }

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
_____ Deputy Clerk

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