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TO: Each Supervisor

FROM: Thomas L. Garthwaite, MD
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SUBJECT: HIGH DESERT HOSPITAL PILOT PROJECT STATUS REPORT

Earlier this year, the High Desert Hospital Advisory Council developed a business proposal designed to generate \$9.6 million in annual revenue to support the continued operation of the hospital through increased contracting with private providers in the Antelope Valley and the initiation of an agreement with the California Department of Corrections for skilled nursing services. On August 20, your Board voted to move forward with the elimination of inpatient services and establishment an enhanced ambulatory care program at the facility, as well as the implementation of a pilot project to determine the viability of the High Desert Hospital Advisory Council's business plan. This report is to provide a mid-point status report on the pilot project.

Private Sector Contracting

Of the total \$9.6 million in annual revenue identified in the Advisory Council's proposal, \$4 million was the result of increased contracting with private sector providers. High Desert Hospital set a monthly target of \$333,333 in revenue associated with the additional private patient admissions. The hospital forecast an increase in the average daily census among privately contracted patients of 27.74 as a result of the increased contracting effort.

During September and October private providers were able to utilize the Department's individual patient fast track agreement while negotiations occurred on the group wide contracts. The fast track agreement was primarily used by the High Desert Medical Group for the admission of 21 patients, primarily to the skilled nursing unit. Kaiser Permanente

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accessed this agreement to admit one acute patient. Overall, the hospital realized \$101,189 in additional revenue during September and \$115,385 during October. The net increase in the average daily census for these additional privately contracted patients was 10.10 days in September and 14.48 days in October. Below is a summary of the individual contracting efforts.

High Desert Medical Group (Heritage Provider Network)

The High Desert Medical Group is a full-risk physician practice plan, which means it bears the costs associated with all care provided to patients, irrespective of whether the care is provided by its physicians or non-group physicians in a physician's office or hospital inpatient setting. During September and October, the High Desert Medical Group utilized the Department's fast track agreement to admit two acute and 19 skilled nursing patients to High Desert Hospital for seven and 238 patient days, respectively. Negotiations on a contract to cover all inpatient and skilled nursing admissions by the group were completed this month and the medical group has begun admitting patients utilizing the new provider agreement.

Sierra (Prospect) Medical Group

The Department and County Counsel have been working with Sierra Medical Group's parent corporation, Prospect Medical Group, to complete the development of an agreement to govern the admission of patients to High Desert Hospital. Unlike the High Desert Medical Group, Sierra Medical Group is not a full-risk physician practice plan and bears no responsibility for the hospital component (as opposed to physician charges) for inpatient services. The hospital component is the responsibility of the patient's health plan. Sierra Medical Group does negotiate with hospitals on behalf of the health plans with which it contracts.

The Department and Sierra Medical Group have reached tentative agreement on contract language. However, County Counsel has advised that because the health plans with which Sierra Medical Group contracts are not party to the agreement, the health plans would have no legal obligation to reimburse the hospital component of the bill. Thus, the County would be exposed to potentially significant financial risk. The Department and County Counsel are continuing to work with Sierra Medical Group and its affiliated health plans to resolve these outstanding issues.

Neither Sierra Medical Group nor its associated health plans has admitted patients to High Desert Hospital using the fast track agreement during the first two months of this pilot.

Kaiser Permanente

Kaiser Permanente has expressed interest in entering into a contract with the Department for acute and skilled nursing admissions to High Desert Hospital and has submitted a draft agreement for the County's consideration, which is presently being reviewed by County Counsel. Kaiser Permanente did utilize the fast track agreement for the admission of one acute inpatient during October.

Antelope Valley Hospital

As a hospital, Antelope Valley Hospital cannot refer patients in the same manner as the physician practice plans or Kaiser Permanente. Rather, Antelope Valley has agreed to, with the patient's consent, transfer patients to High Desert Hospital for acute and skilled nursing services. During September and October, Antelope Valley Hospital referred 48 acute patients for a total of 283 inpatient days and nine skilled nursing patients for a total of 116 patient days. Of the inpatient days, five were Medi-Cal, 142 were pending Medi-Cal eligibility determination (High Desert Hospital estimates that 50 percent of these days will qualify for Medi-Cal reimbursement), and 116 had no payer source.

Lancaster Community Hospital

Lancaster Community Hospital has referred 16 acute for a total of 104 inpatient days and two skilled nursing patients for a total of three patient days during this period. These patients have resulted in 34 inpatient Medi-Cal, 41 pending Medi-Cal eligibility determination, and 28 no payer days.

Department of Corrections

On September 23, the Department submitted a written proposal to the State Department of Corrections (DoC) related to the establishment of a correctional skilled nursing program at High Desert Hospital. Under this proposal, DHS would provide skilled and restorative nursing care to DoC inmates. The High Desert Hospital Advisory Council's business plan assumed \$5.6 million in additional revenue from this proposal.

The Department received a response from the DoC, which raises a number of issues that will require additional negotiation. The DoC is continuing to evaluate the legal issues associated with placing inmates in a permanent, non-correctional setting. As a result, they have not come to a final determination as to whether they can contract with the County for skilled nursing services to these patients.

Among the issues raised by the DoC is that, due its need to maintain maximum flexibility, DoC states it cannot provide the Department with an assurance that it will keep the 50 beds for which it would contract filled near or at 100 percent census. Also, the reimbursement rate proposed by DoC is significantly below that put forth by DHS and less than the amount required to offset the cost of operating the beds. Finally, the DoC indicated its preference that acute care services be available on site, rather than have to transport patients off the premises for inpatient care. DHS will continue its discussions with the DoC and respond to the issue raised in this correspondence.

MACC Development

The Department has completed a preliminary assessment of the recommended services and projected workload for the planned Multi-Service Ambulatory Care Center at High Desert. This assessment is based upon a number of needs-based assumptions including:

- Estimated demand for urgent care services in the area;
- Anticipated increased demand for specialty care services driven by the availability of a new urgent care facility; and,
- Appointment waiting times for specialty care services presently provided through High Desert Hospital’s outpatient department.

Below is a summary of the clinical services and estimated workload based upon the initial evaluation as outlined above. This preliminary configuration may change with regard to the projected number of visits or specific clinical services once additional work is completed to identify anticipated revenue and the cost of providing the services outlined below.

Service Type	Service	New Service	Projected Workload (Visits)	
			Actual FY 2001-02	Estimated FY 2002-03
Primary Care	Adult Primary Care		15,496	13,950
	Pediatrics		9,710	9,710
	Women’s Health			3,880
	Subtotal		25,206	27,540
Urgent Care	16 hour on-site Urgent Care Center	X		21,900
Specialty Care	HIV/AIDS		735	735
	Cardiology		426	530
	Chest Medicine		305	330
	Dermatology	X		230

	ENT		374	570
	GI		832	1,280
	Gynecology		1,084	1,740
	Nephrology		135	240
	Neurology		284	280
	Oncology/Hematology		551	580
	Ophthalmology			800
	Orthopedics		2,297	2,650
	Pre-op		882	1,400
	Physical Medicine		140	140
	Podiatry		186	420
	Surgery		2,490	3,510
	Urology		411	610
	Subtotal		11,132	16,045
Therapy	Physical Therapy		2,450	2,450
	Occupational Therapy		1,730	1,730
	Speech Therapy		1,259	1,260
	Subtotal		5,439	5,440
Surgical Services	Surgeries		796	1,400
	Special Procedures		338	330
	Subtotal		1,134	1,730
All MACC Services	Grand Total		42,911	72,655

I will keep you apprised as to further activities with regard to the development of the High Desert MACC and the pilot implementation of High Desert Hospital Advisory Council's business plan. Please let me know if you have any questions.

TLG:ak

c: Chief Administrative Officer
 County Counsel
 Executive Officer, Board of Supervisors