



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Health System



DATE: January 30, 2012
BOARD MEETING DATE: February 14, 2012
SPECIAL NOTICE/HEARING: Fourteen day posting
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Jean S. Fraser, Chief, Health System
Susan Ehrlich, MD, MPP, Chief Executive Officer
San Mateo Medical Center

SUBJECT: Recommendation to let the BLTC lease expire in June 2013.

RECOMMENDATION:

Conduct a public hearing on the proposed termination of the lease for the County's Burlingame Long Term Care facility and reactivating skilled nursing beds at the San Mateo Medical Center's main campus.

We recommend that the County let the Burlingame Long Term Care (BLTC) lease expire on June 30, 2013 and not renew the lease. Our plan is that when we leave BLTC, we will increase skilled nursing care service on the San Mateo Medical Center (SMMC) main campus by 32 beds, for a total of 64 skilled nursing beds. Should circumstances change, such as the Medi-Cal rate reduction being permanently reversed or a greater need for nursing beds developing than predicted, the Health System will return to the Board for discussion of the possibility of opening additional beds at SMMC.

BACKGROUND:

Providing long term nursing care is not a mandated county function. Skilled nursing services for low-income residents are paid for by the State of California and the federal government through the Medi-Cal program. As a result, only five out of the 58 California counties operate nursing facilities.

The County assumed responsibility for the Burlingame Long Term Care facility in October 2003 under extraordinary circumstances. The California Department of Health Care Services had placed the previous operator in receivership due to quality of care concerns. Prior to assuming the lease for BLTC, SMMC had 64 skilled nursing beds primarily for short stay patients.

The original term of the BLTC lease was through 2008. The lease gives the County

the option to exercise two five-year lease extensions. In 2008 the County elected to extend the lease for another five years, making the new expiration date June 30, 2013.

In July 2011 the San Mateo County grand jury issued a report recommending that the County exit BLTC. In our response to the grand jury report, we promised to bring in an independent expert to review the state of the building and its operations.

To that end, we engaged Larry Funk, formerly the Chief Operating Officer of Laguna Honda Hospital (a large, county-operated, distinct-part skilled nursing facility (DP/NF) in San Francisco) to review the options. We asked him to give us a recommendation on whether to renew the lease. In the report, <http://bit.ly/wc6psS>, Mr. Funk concludes: "The BLTC infrastructure is not a viable long term solution for providing high acuity DP/NF care for the reasons stated above and should be vacated as soon as practicable." (Page 54)

DISCUSSION:

Recommendation to let the BLTC lease expire:

Whenever you live or work in a building, you become inured to its many deficiencies. It took Mr. Funk's fresh perspective to make us realize the extent of the issues with the building. His report (available on-line at <http://bit.ly/wc6psS>) gives a more detailed description of the many problems with the building, but we will list some of the issues here:

- A potential life safety risk to occupants in the event of a major fire or disaster: the two narrow stairwells exiting the building preclude the rapid evacuation of the frail, mostly non-ambulatory population. This is a precarious condition and a compelling reason for considering a relocation of this program.
- The resident toilet rooms are not ADA accessible making it more difficult for residents in wheelchairs to use these rooms without nursing assistance.
- There are no tub rooms in the facility if a resident prefers a bath; there is only 1 shower for every 26.7 residents.
- The two elevators in the facility provide limited vertical access and one has frequent failures increasing maintenance costs while hindering transportation of materials and supplies.
- There are no isolation rooms for infection control at the BLTC.
- The sewage system has backed up several times resulting in expensive cleanup and plumbing costs.
- The emergency generator does not provide sufficient power for good lighting in resident toilet rooms, or for the food service refrigeration and re-thermalization units.

We reviewed Mr. Funk's findings in light of the fact that we do not own Burlingame, so any modifications we made would benefit the owner, not the County. In addition, the County pays nearly \$2 million each year in rent, with nearly \$1 million more each year for maintenance, repairs and utilities. The rent is scheduled to increase 5% each year if we renew the lease. Accordingly, we could not recommend renewing the lease.

State reduces DP-NF Medi-Cal rate by 23%

We also reviewed Mr. Funk's findings in light of the unused space at the San Mateo Medical Center. That facility, which was built in 1998 and meets modern ADA, fire and earthquake safety codes, has 96 unused beds that could be used for nursing care with a relatively small one-time investment of approximately \$2 million for renovation and equipment.

Unfortunately, in late October the State obtained federal approval to decrease the rate it pays for nursing care provided by hospitals (called Distinct Part-Nursing Facilities or DP-NF) by 23%. The rate reduction went into effect on November 1, 2011. With these reduced rates, and without allocating any overhead to nursing care, we will lose \$4.5 million on nursing care in the current fiscal year and over \$9 million each year thereafter if we renew the BLTC lease. Even if we only operated the 128 skilled nursing beds at SMMC, we would still lose \$4 million each year. Please see the BLTC Financial Analysis (Attachment A).

Despite this rate reduction, we plan to keep the existing 32 nursing beds open at SMMC and open an additional 32 nursing beds at SMMC when we exit BLTC. We need these short stay nursing beds to ensure that we can move patients out of our acute inpatient hospital unit for rehabilitation prior to the patient going home. Every additional 32 bed nursing unit that is opened will result in an ongoing annual loss of approximately \$1.5 million.

It is important to know that a court has temporarily prevented the State from implementing the rate reduction for DP-NF facilities. The State is moving aggressively to contest this preliminary ruling. We do not know when the issue will be resolved. If a need develops for additional nursing beds, or if the State is prevented from implementing the full cut, we can revisit how many nursing beds we operate at SMMC.

Looking to the future

We know that people want to spend the end of their lives at home, not in an institution. And younger people with disabilities far prefer, and in fact are entitled under federal law, to be supported in the least restrictive environment possible.

So while this decision will result in the loss of Medi-Cal nursing beds, we are pleased that the State is moving forward with our long term care integration program. Long term care integration will give us the flexibility to use some of the large sums of money that are spent on institutional nursing care to provide the individualized supports needed to help people remain safely at home. While the State has pushed back the formal implementation date of long term integration to January 2013, in the interim they have given tentative approval to allow the Health Plan of San Mateo and the Health

System to use some Medi-Cal funds more flexibly through approval of an intergovernmental transfer. These funds will give us more options for placing BLTC residents. They will also give us many more tools to help other seniors and people with disabilities remain safely in the community and out of institutions, thereby reducing the need for institutional nursing care in the future.

Implications for residents and staff members

This decision has significant implications for our BLTC residents and staff, as well as for the larger San Mateo County community.

Placement of 230 residents: We have assembled a team of staff members from various disciplines, headed by Lisa Mancini, our Director of Aging and Adult Services, to find an appropriate placement for each resident. We will review each resident's medical, social, family and financial information, using standard comprehensive assessment tools that will ensure that we have a complete picture of each resident's needs. Residents and family members will be involved and kept informed as placements are identified. The Ombudsman has also agreed to be involved. We are committed to making the transition process as smooth as possible, which is why we are bringing this matter to the Board for decision so far in advance of the expiration of the lease. We will not exit BLTC until every resident has been provided an appropriate placement. We will report back to your Board on a quarterly basis on our progress in placing residents.

200 filled position reductions: Approximately two hundred filled positions will be eliminated if you accept the recommendation. We have a separate team, consisting of Health System and County HR staff members, to work on this process. We will reduce staff slowly, in tandem with the reduction in the number of BLTC residents. Although we have been holding open relevant vacancies in the Health System, we will not be able to place everyone and there will be layoffs.

One-time transition costs: If you accept our recommendation, we estimate that the transition costs will be approximately \$9 million, consisting primarily of severance and other costs for staff members who lose their positions, as well as transportation and other costs to move residents to other placements. These one-time transition costs are in addition to the ongoing operating loss on our nursing beds.

Whatever the decision, it needs to be made very soon.

The decision on the lease must be made very soon to give us enough time to transition residents safely and smoothly. That is why we are presenting our recommendation so far in advance of the lease expiration.

California Health and Safety Code section 1442.5 (Beilenson Act) requires a Board of Supervisors to conduct public hearings whenever hospitals close or reduce services. Under the Beilenson Act, public notice must be posted at the entrance to all county health facilities at least 14 days prior to the public hearing date. The required notice has been posted (in English, Chinese and Spanish) in accordance with this Act.

The Notice of Public Hearing was reviewed and approved by County Counsel.

The Public Hearing and subsequent termination of the lease at of the County's Burlingame Long Term Care facility contributes to the Shared Vision 2025 outcome of a Healthy Community by supporting cost-effective service delivery of services provided to the community. It is anticipated that SMMC's cost per adjusted patient day will increase from \$900 to \$920.

FISCAL IMPACT

Due to decreased Medi-Cal payments for Distinct Part- Nursing Facilities approved by the Legislature in 2011, costs to the County if the County did not take the recommended action would increase by over \$9 million annually. The proposed change would result in an estimated \$7.5 million in reduced expenses over a twelve-month period starting in FY 2013-2014. The proposed transition of BLTC residents to other appropriate placements is estimated to have a one-time cost of approximately \$9 million. We expect that SMMC will continue to operate without increases in the County's General Fund contribution.

San Mateo Medical Center BLTC Financial Analysis							
	FY 10-11 2011 Actual	FY 11-12 2012 Projected	Total 269 ADC 2014 Projected	Total 32 Beds 2014 Projected	Total 64 Beds 2014 Projected	Total 96 Beds 2014 Projected	Total 128 Beds 2014 Projected
No of Patients (ADC)	261	269	269	30	60	88	117
Inpatient Days	95,277	98,056	98,185	10,950	21,900	32,120	42,705
<i>Discharges</i>	524	460	460	200	230	288	375
<i>ALOS</i>	182	213	213	55	95	112	114
<i>LTC Total FTEs</i>	275	282	282	47	77	106	136
<i>Paid Hours per average daily census</i>	6.0	6.0	6.0	9.0	7.3	6.9	6.6
<i>Payer Mix</i>							
HPSM Medi-Cal	77%	83%	83%	59%	76%	80%	83%
State-only Medi-Cal	5%	4%	4%	7%	5%	5%	5%
Medicare	7%	6%	6%	24%	10%	8%	5%
Other	11%	7%	7%	9%	8%	8%	7%
Total	100%	100%	100%	100%	99%	100%	100%
TOTAL NET REVENUE	39,182,071	33,259,644	30,809,223	6,604,981	9,548,631	12,111,329	14,959,927
Total Revenue/Patient Day	411.24	339.19	313.79	603.19	436.01	377.07	350.31
Total LTC Variable Costs	32,732,213	34,121,876	36,355,565	6,687,060	10,387,916	13,970,179	17,803,344
<i>Total LTC Variable Cost per Day</i>	343.55	347.98	370.28	610.69	474.33	434.94	416.89
Margin w/o Fixed and overhead	6,449,858	(862,232)	(5,546,342)	(82,080)	(839,285)	(1,858,850)	(2,843,417)
<i>Margin w/o Fixed per Day</i>	67.70	(8.79)	(56.49)	(7.50)	(38.32)	(57.87)	(66.58)
Total Fixed LTC Costs	3,608,038	3,647,623	3,771,675	381,641	663,675	917,793	1,180,987
<i>Total Fixed LTC Cost per Day</i>	37.87	37.20	38.41	34.85	30.30	28.57	27.65
Total Fixed and Variable Cost w/o overhead	36,340,251	37,769,500	40,127,240	7,068,702	11,051,592	14,887,973	18,984,332
Total Cost per Day	381.42	385.18	408.69	645.54	504.64	463.51	444.55
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NET COUNTY REVENUE (COST) W/O OVERHEAD	2,841,820	(4,509,856)	(9,318,017)	(463,721)	(1,502,961)	(2,776,644)	(4,024,404)
Net County Revenue (Cost) per Patient Day	29.83	(45.99)	(94.90)	(42.35)	(68.63)	(86.45)	(94.24)