



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 21-954

Board Meeting Date: 12/7/2021

Special Notice / Hearing: None
Vote Required: 4/5th Vote

To: Honorable Board of Supervisors
From: Michael P. Callagy, County Manager
Subject: **Measure K:** Grant Agreement with AHMC Healthcare Inc. and AHMC Seton Medical Center LLC.

RECOMMENDATION:

Measure K: Recommendation to:

- A) Adopt a resolution authorizing a grant agreement with AHMC Seton Medical Center LLC and AHMC Healthcare Inc. for the term December 7, 2021 through June 30, 2027, in an amount not to exceed \$10,000,000; and
- B) Approve an Appropriation Transfer Request (ATR) in the amount of \$10,000,000 appropriating **Measure K** funds from Non-Departmental Reserves to Non-Departmental Miscellaneous Other Contributions for FY 2021-22.

BACKGROUND:

AHMC Seton Medical Center LLC ("AHMC Seton") is a California limited liability company and the licensed operator of AHMC Seton Medical Center, a general acute care hospital located in the City of Daly City ("Seton Hospital"). AHMC Healthcare Inc. ("AHMC Healthcare") is a California corporation headquartered in Alhambra, California and AHMC Seton is a corporate affiliate of AHMC Healthcare. Seton Medical Center Coastsides ("Seton Coastsides"), which operates an emergency department and provides outpatient ancillary services and skilled nursing care to inpatient residents, is also a part of the AHMC Healthcare system.

Seton Hospital and Seton Coastsides play an important role in the County's healthcare delivery system, providing medical care to a full range of residents of the County, many of them dependent on safety net services, particularly in the northern portion of the County, including Health Plan of San Mateo members and County residents who receive healthcare under the County's Access to Care for Everyone ("ACE") Program.

DISCUSSION:

Pursuant to statutory requirements (including under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 as amended by the California Hospital Facilities Seismic Act) and conditions imposed by the California Attorney General on AHMC Healthcare in connection with its acquisition of Seton Hospital and Seton Coastside, certain seismic upgrades and improvements must be completed at the Seton Hospital facilities (the “Seismic Project”).

The Board of Supervisors and the County of San Mateo have emphasized the need to ensure the overall quality of healthcare in the County, as well as to ensure hospitals and emergency departments in the County are seismically safe.

On March 10, 2020, the Board of Supervisors voted to afford financial assistance to the entity acquiring Seton Hospital contingent on, among other things, that entity continuing to operate Seton Hospital as a full service hospital consistent with conditions imposed by the California Attorney General related to the entity’s acquisition of Seton Hospital; the funds provided by the County being appropriately secured, as determined by County staff and counsel; Seton Hospital and Seton Coastside continuing to provide services that afford countywide public benefit; the acquiring entity providing the County with satisfactory business plans and financial statements for Seton Hospital; and the acquiring entity providing annual reports to the County reflecting satisfaction of these conditions.

Following up on the Board’s vote to assist AHMC Healthcare and AHMC Seton, staff from the County Manager’s Office and County Counsel have negotiated an agreement with AHMC Seton and AHMC Healthcare pursuant to which the County would commit to provide to AHMC Seton \$10,000,000, provided that AHMC Seton uses the funds exclusively for the purposes of funding the costs of planning, development, and construction of the Seismic Project. These Seismic Project costs are defined in the agreement as consisting of those costs customarily incurred in hospital-based seismic remediation projects, including, but not limited to construction costs, architectural and engineering costs, attorney fees (such fees to be directly related to the Seismic Project, including, for example, environmental review, permitting, and contract negotiations), as well as the incurred costs of actual construction.

Under the terms of the agreement, if, during the term of the agreement, Seton Hospital or Seton Coastside ceases to fully operate or if either of those entities fails to comply with any condition that the California Attorney General imposed on AHMC Healthcare’s acquisition of Seton Hospital and Seton Coastside (referred to in the agreement as a “Repayment Event”), AHMC Seton and AHMC Healthcare are jointly and severally obligated to repay a portion of the funds provided by the County. The repayment amount would depend on the amount of time remaining in the term of the agreement when the Repayment Event occurs.

FISCAL IMPACT:

The term of this grant Agreement shall be December 7, 2021 through June 30, 2027 in an amount not to exceed \$10,000,000, which will be funded entirely through **Measure K** Reserves.