

# **CLOSURE OF COUNTY'S GENERAL HOSPITAL**

*– BETTER HEALTH CARE AT LESS COST –*



## **INTRODUCTION**

The County Board of Supervisors closed General Hospital in June of 2003 and the following year the Board of Supervisors closed the County's primary health care clinics as well. The public health services remained open. Those who opposed the closures predicted increased costs and substandard care once the county government contracted out its health care responsibilities to privately owned hospitals and clinics. Over 3 years have passed since the County closed its hospital and clinics. The 2007/2008 Grand Jury investigated how these closures have affected the County Medical Services Program (CMSP) which is the County's program for the medically indigent in San Luis Obispo County. The Grand Jury believes its findings support the decisions of the Board of Supervisors to close these facilities. Patient care has improved and the County has saved significant resources.

## METHOD

### Interviews

- Director, County Health Agency
- Assistant County Administrator
- Program Manager, County Health System Division/CMSP
- County Health Officer/Public Health Administrator
- CEO, Community Health Centers of the Central Coast (CHC)
- CHC administrator for County Health Grant
- San Luis Obispo County Auditor-Controller

### Documents Reviewed

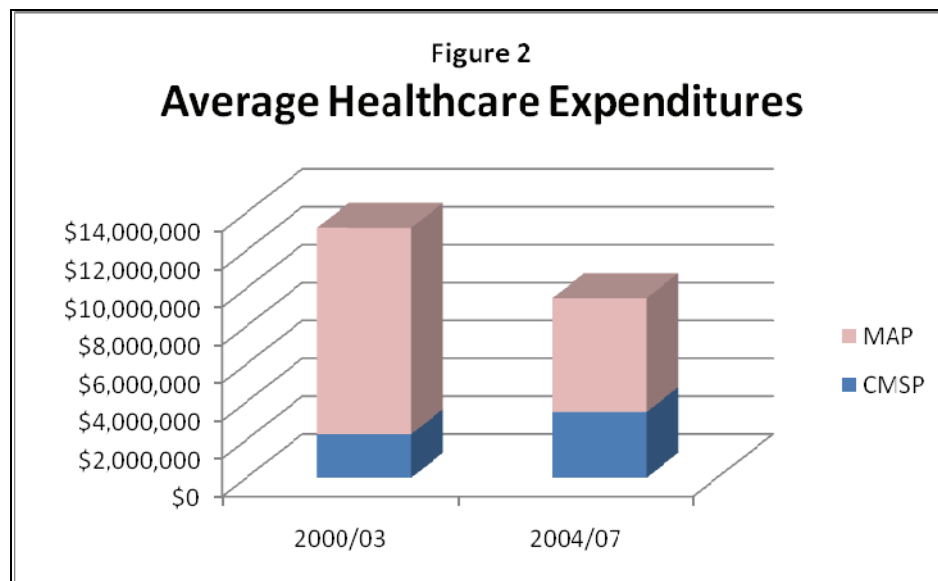
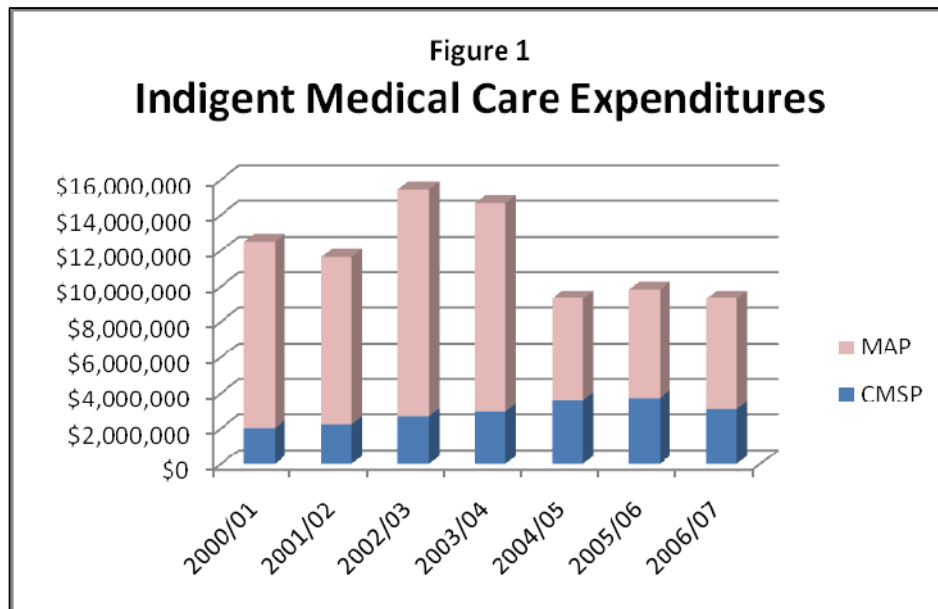
- San Luis Obispo (SLO) County Budgets
- CMSP Frequently Asked Questions (FAQs)  
[www.slocounty.ca.gov/health/publichealth/lowincome/cmsp/cmspfaq.html](http://www.slocounty.ca.gov/health/publichealth/lowincome/cmsp/cmspfaq.html)
- Quarterly Reports of CHC Community Health Centers Performance Standards
- Santa Barbara Regional Health Authority  
[www.sbrha.org/sections/about\\_sbrha/introduction/index.html](http://www.sbrha.org/sections/about_sbrha/introduction/index.html)
- Contract for Hospital Services by Independent Contractor for Sierra Vista Regional Medical Center and Catholic Healthcare West Inc.
- San Luis Obispo County Health Agency Provider Guidelines (County Medical Services Program)
- CHCC Formulary (Community Health Clinics of the Central Coast)
- San Luis Obispo County MICRS Reports 2002-2006
- CMSP list of payments to Medical Providers 2002-2007
- CHC Performance Reports 2005-2006
- CHC Quality Improvement for Primary Care/Dental/ Pharmacy Annual Evaluation/Assessment 2005
- SLO County March 16, 2004 Meeting of the Board of Supervisors agenda items
- Contract between CHC and San Luis Obispo County

## NARRATIVE

### Fiscal Savings

Before General Hospital and the county clinics were closed, the County needed to arrange care for its patients. The County contracted with the Community Health Centers of the Central Coast (CHC) to provide primary health care and some specialty health care for all patients previously cared for by the county medical clinics. The County raised reimbursement rates to the medical and surgical specialists to entice them to treat the patients for which the County was primarily responsible. The County had standing contracts with local area hospitals to treat its patients even prior to General Hospital's closure and no material changes were made to these contracts. General Hospital was treating so few patients at the time of its closure that local area hospitals did not anticipate a large increase in the number of county patients they would be admitting.

The first question for the Grand Jury was whether the County saved any money by closing its hospital and clinics. The answer is yes. From documents reviewed, the County saved an estimated \$3.5 million a year after the facilities were closed, excluding inflationary costs. The County uses 2 major fund centers for purchasing health care for its patients: County Medical Services Program (CMSP) and the Medical Assistance Program (MAP). Details of these fund centers, as well as several other minor health care fund centers, can be found in the San Luis Obispo County budgets and are public records<sup>1 (endnote)</sup>. Figure 1 shows the combined expenditures of CMSP and MAP for the fiscal years 2000-2001 through 2006-2007. The County fiscal year runs from July 1 to the following June 30. Figure 2 shows the average yearly expenditures from 2000 through 2003 and 2004 through 2007. The fiscal year 2003-2004 was not included as it contained one time closure costs. The increase in expenditures in the CMSP fund reflects the increased payments to area hospitals after closure of General Hospital as well as the increase in reimbursement rates paid to medical and surgical specialists. The decrease in the expenditures in the MAP fund reflects the savings from closure of General Hospital and the county medical clinics but now contains the payments to CHC for the care previously provided by the county medical clinics. The Medical Assistance Program (MAP) fund also contains pharmacy costs before and after the hospital and clinic closures.



**Quality of Service**

The more difficult question for the Grand Jury to answer was whether the three and half million dollars saving simply represented fewer patients being poorly served. The answer was no. Patients are better served now than when they had to use government facilities. The number of CMSP patients has not decreased as determined from County records and records from CHC<sup>2(endnote)</sup>.

The Community Health Centers of the Central Coast (CHC) is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and is a non-profit network of 14 primary care clinics in Santa Barbara and San Luis Obispo counties. Details of their organization can be found on their web site (<http://www.chccc.org/>). There are nine clinics in San Luis Obispo County providing convenient access from most areas in the County. The County contract with CHC is in the form of a five year grant rather than fee for service. The grant requires the CHC to see everyone presenting him or herself to a CHC clinic and begin necessary treatment without regard for their ability to pay. CHC has incentives to qualify patients for government healthcare programs as CHC will realize additional income from these government programs. This is not strictly true for CMSP patients unless they are referred outside the CHC clinics. CMSP patients are county patients and CHC has been paid for their care by the county grant. However, additional income is available from such programs as MediCal, Medicare, and Healthy Families which are State and federally funded. The Community Health Centers maintain an extensive quality assurance program, which includes patient satisfaction surveys, educational programs, and “best practice” treatment evaluations in order to maintain JCAHO certification. There are financial incentives to maintain certification. With certification CHC qualifies for government rates when purchasing formulary drugs and can receive Federal grants to help finance certain aspects of their medical programs.

The money saved from closure of the county facilities allowed the County to increase its reimbursement to medical and surgical specialists who care for CMSP patients. The specialists were originally paid MediCal rates which were increased to Medicare rates, a 56% increase in reimbursement. Specialists in San Luis Obispo County continue to be in demand and even fully insured private patients have difficulty obtaining timely appointments. As long as the specialists’ schedules remain full, the CMSP patient will have trouble finding specialty care. Government sponsored patients require increased paperwork and uncertainties in reimbursement. Nevertheless, increasing reimbursements are a move in the right direction as more specialists have signed on as providers.

## **Future Risks**

There are a number of uncertainties facing patients and providers who rely on government sponsored healthcare. For example, the State and County budgets for 2008-2009 are projected to have large deficits which will affect the money available for healthcare. When the County operated its own healthcare facilities, these fixed costs made it difficult to balance the budget by cutting healthcare expenditures. Now the County can simply reduce the size of the grant to CHC making healthcare a prime target for budget cuts. MediCal funding will also change in 2008 as the State has awarded The Santa Barbara Regional Health Authority (SBRHA) the MediCal contract for San Luis Obispo County. The SBRHA plans to replace the “fee for service” plan for MediCal patients in San Luis Obispo County with a Health Maintenance Organization (HMO) plan. The State also has proposed a 10% cut in the 2008-2009 MediCal budget. MediCal providers in San Luis Obispo County are uncertain how these changes will affect them. MediCal patients will benefit by having a local office to deal with rather than offices in Sacramento and the providers will be dealing with SBRHA.

## **CONCLUSIONS**

The San Luis Obispo County Board of Supervisors closed General Hospital in 2003 and subsequently all the county medical clinics in 2004. The results of these closures have been reviewed by the 2007/2008 County Grand Jury. The County has saved on average more than \$3.5 million for each year the clinics and hospital have been closed. Significant improvement in medical care for county patients has occurred since the County contracted out its health care responsibilities to the private sector.

The Grand Jury believes the results of its investigation support the decisions of the Board of Supervisors to close these facilities. Patient care has improved and the County has saved significant resources.

## REQUIRED RESPONSES

No responses to this report are required.

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### END NOTES

- <sup>1</sup> In the County budget documents, CMSP is fund center 350 and MAP is fund center 183. The Grand Jury selected these 2 fund centers as a reasonable representation of the change in County expenditures for indigent health care after closure of General Hospital and the county clinics. A closer examination of fund center 183 would reveal it contains a number of expenditures not related to health care delivery and double budgeting with fund center 350. Were all these expenditures identified and removed from fund center 183 along with the budget duplications the saving from the closures would be higher. One county administrator has suggested the saving could exceed 5 million dollars.
  
- <sup>2</sup> CMSP patients are patients for whom the County has accepted the responsibility for providing medical care. There are also a number of other medically indigent patients for which the county provides medical care such as many without health insurance and those who have applied for various government health insurance programs but have not yet been accepted. These patients are difficult to track but from 2004-05 to 2006-07 the number of medical encounters for unsponsored patients increased from 22,400 to 35,000. The money saved is not the result of fewer patients.