

<b>COUNTY OF SONOMA AGENDA ITEM SUMMARY REPORT</b>			<b>Clerk of the Board Use Only</b>	
			<b>Meeting Date</b> ___/___/___	<b>Held Until</b> ___/___/___
			<b>Agenda Item No:</b> _____	<b>Agenda Item No:</b> _____
<b>Department:</b> Health Services			<b>( ) 4/5 Vote Required</b>	
<b>Contact:</b> Rita Scardaci	<b>Phone:</b> (707) 565-4700	<b>Board Date:</b> 07/20/09	<b>Deadline for Board Action:</b>	
<b>AGENDA SHORT TITLE:</b> Sutter Medical Center of Santa Rosa November 2008 Proposed Revised Business Plan – Public Workshop.				
<b>REQUESTED BOARD ACTION:</b> Receive DHS Preliminary Analysis of Sutter’s 2008 Revised Business Plan.				
Adopt a resolution finding that Sutter Medical Center of Santa Rosa’s 2008 Revised Business Plan could comply with the Health Care Access Agreement and directing the Permit and Resource Management Department to proceed with the environmental review of the project, including consideration of a reasonable range of alternatives.				
<b>CURRENT FISCAL YEAR FINANCIAL IMPACT</b>				
<b><u>EXPENDITURES</u></b>			<b><u>ADD'L FUNDS REQUIRING BOARD APPROVAL</u></b>	
<b>Estimated Cost</b>	\$ 0		<b>Contingencies</b> (Fund Name: )	
<b>Amount Budgeted</b>			<b>Unanticipated Revenue</b> (Source: )	
<b>Other Avail Approp</b> (Explain below)			<b>Other Transfer(s)</b> (Source: )	
<b>Additional Requested:</b>	\$ 0		<b>Add'l Funds Requested:</b>	\$ 0
<b>Explanation (if required):</b>				
<b>Prior Board Action(s):</b> 02/09/96 – Authorized execution of Hospital Lease, Health Care Access Agreement and Master Settlement Agreement with Sutter Sonoma Medical Center, Inc.; 12/22/08 – Public Workshop regarding Sutter’s Proposed Revised Business Plan.				
<b>Alternatives – Results of Non-Approval:</b> Reduced opportunity to receive public input regarding Sutter Medical Center of Santa Rosa’s November 2008 Proposed Revised Business Plan.				

**BACKGROUND:**

On March 26, 1996, the County leased the Chanate campus hospital facilities to Sutter Medical Center of Santa Rosa (Sutter) and entered into a Health Care Access Agreement (HCAA) whereby Sutter agreed to provide a wide range of health services to the residents of Sonoma County, including the uninsured and underinsured. Sutter's obligations under the HCAA were secured by a performance guaranty from Sutter Health.

The HCAA requires Sutter to either retrofit the Chanate hospital or construct a new hospital to comply with its obligations through the entire term of the contract. Sutter was required to submit a Business Plan to the Board of Supervisors addressing seismic safety and whether it would retrofit or construct a new hospital.

In October 2004, Sutter's CEO, Mike Cohill, presented Sutter's Business Plan to the Board of Supervisors and requested approval. The Business Plan included construction of a new 118 bed hospital and an adjacent medical office building at the Wells Fargo Center of the Arts site that would house administrative offices, physician offices and ambulatory patient services. After considering public comment, the Board approved it. The Board's approval triggered Sutter's obligation to implement the Business Plan, build the new hospital facility and comply with the HCAA through 2021. Although approved, the land use approval process was not completed and construction of the new hospital was not initiated.

As a result of changes in the local health care market place, on November 20, 2008 Sutter submitted to the County a Proposed Revised Business Plan to construct a smaller 70-bed hospital ("November 2008 Proposed Revised Business Plan"). The proposed new 70-bed hospital includes 20 medical/surgical beds, 30 obstetrical/perinatal beds, 12 neonatal intensive care unit beds, 8 ICU beds, 12 Emergency Department treatment bays and 16 universal care stations. A potential 29-bed expansion is also part of the design, and could be built if needed in the future and financially feasible. The expansion would have 10 medical/surgical beds, 12 obstetrical/perinatal, 3 NICU, and 4 ICU beds, along with 4 ED bays. In addition to this facility, Sutter also proposes to build a medical office building and a 28-bed Physician Medical Center on the Wells Fargo site. Sutter has indicated that the November 2008 Proposed Revised Business Plan fully complies with the HCAA, and commits Sutter to continue to provide access to a wide range of health services to Sonoma County residents, including government funded and the uninsured through March 25, 2021.

At the direction of the Board and in close consultation with the County Administrator's Office and County Counsel, the Department conducted a preliminary analysis of Sutter's November 2008 Proposed Revised Business Plan. The Department retained the services of consultant,

**Attachments:** Department of Health Services' Report titled *Preliminary Analysis of Sutter's 2008 Revised Business Plan*; Resolution receiving Department of Health Services Report and directing completion of environmental review of the project contemplated by Sutter's November 2008 Proposed Revised Business Plan; Sutter Medical Center of Santa Rosa November 2008 Proposed Revised Business Plan; Addendum to November 20, 2008 Sutter Medical Center of Santa Rosa HCAA Business Plan.

**On File With Clerk:** None

**CLERK OF THE BOARD USE ONLY**

**Board Action (If other than "Requested")**

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\_\_\_\_\_  
\_\_\_\_\_

**Vote:**

**BACKGROUND:** (continued)

Eli Hall of Health Policy and Management Consulting to assist in this analysis. To assist the Department in assessing bed demand through 2021, the Department retained the services of Deloitte Financial Advisory Services, LLP (Deloitte).

In addition to retaining the above consultants, the Department received input from the public and key stakeholders regarding Sutter's Proposed Revised Business Plan and has incorporated this input into the analysis. On December 22, 2008 the Board conducted a public workshop. In addition, since January 2009 the Department has conducted five focus groups on Sutter's November 2008 Proposed Revised Business Plan. The Department also received input from the public via written correspondence and its website.

A copy of the Department's report, titled *Preliminary Analysis of Sutter's 2008 Revised Business Plan* is attached as Exhibit A and includes the following areas of review: Access; Quality; Cost Reduction; Hospital Capacity; and Other HCAA Criteria; and a discussion of the Department's preliminary findings.

Based on the Department's preliminary analysis, the Department requests the Board adopt the attached resolution directing the Permit and Resource Management Department to proceed with the environmental review of the project, including consideration of a reasonable range of alternatives. Approval of the attached resolution does not constitute approval of Sutter's November 2008 Proposed Revised Business Plan.

Resolution No. \_\_\_\_\_

Sonoma County Administration  
Building, Santa Rosa, California

Dated \_\_\_\_\_

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SONOMA, STATE OF CALIFORNIA, FINDING THAT SUTTER MEDICAL CENTER OF SANTA ROSA'S NOVEMBER 2008 PROPOSED REVISED BUSINESS PLAN COULD COMPLY WITH THE HEALTH CARE ACCESS AGREEMENT AND DIRECTING THE PERMIT AND RESOURCE MANAGEMENT DEPARTMENT TO PROCEED WITH THE ENVIRONMENTAL REVIEW OF THE PROJECT, INCLUDING CONSIDERATION OF A REASONABLE RANGE OF ALTERNATIVES.

WHEREAS, the Health Care Access Agreement (HCAA) entered into by the County of Sonoma and Sutter Medical Center of Santa Rosa (SMCSR) required SMCSR to submit a business plan providing for a seismically safe replacement hospital; and

WHEREAS, the HCAA provided that, upon approval of such a business plan, Sutter would be required to implement it; and

WHEREAS, SMCSR timely submitted such a business plan in 2004, and that business plan (2004 Business Plan) was approved by the Board of Supervisors in 2004; and

WHEREAS, in November, 2008, SMCSR submitted a proposed second business plan (2008 Business Plan) and has requested the Board's approval of that 2008 Business Plan as a substitute for the 2004 Business Plan; and

WHEREAS, the County's Department of Health Services has submitted a preliminary report analyzing the proposed 2008 Business Plan, and has concluded that through the proposed 2008 Business Plan SMCSR could continue to comply with the HCAA; and

WHEREAS, the proposed 2008 Business Plan calls for construction of a 70-bed hospital with possible expansion by up to 29 additional beds; and

WHEREAS, the Board's decision whether or not to approve the proposed 2008 Business Plan will not occur until after environmental review under CEQA is completed.

NOW, THEREFORE, BE IT RESOLVED:

1. That the statements above are true and correct; and
2. That the preliminary report of the County Department of Health Services is hereby received; and
3. That SMCSR could comply with the HCAA through the proposed 2008 Business Plan; and
4. That the Board's finding that the proposed 2008 Business Plan could comply with the HCAA does not constitute an approval of the proposed 2008 Business Plan; and
5. That the County Permit and Resource Management Department is hereby directed to complete environmental review of the project proposed by the 2008 Business Plan, including consideration of a range of reasonable alternatives to the proposed project.

SUPERVISORS:

Brown:

Kerns:

Zane:

Carrillo:

Kelley:

Ayes

Noes

Abstain

Absent

SO ORDERED.

Supplemental information included as an attachment to this item will be available online at the following website:

<http://www.sonoma-county.org/health/admin/sutter.htm>

For further information, please call (707) 565-2241.