

Background:

Introduction.

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 access to high-quality hospital services to the residents of Sonoma County. Section 10.7 of the HCAA provides that during the term of the HCAA, "...Sutter shall maintain a governing body which consists predominantly of residents of Sonoma County."

In March 2007, the Board of Directors of Sutter Health convened the Governance Assessment Steering Committee composed of representatives from the various Sutter affiliates. The purpose of the Committee was to conduct an analysis of Sutter Health's governance structure to assess what changes, if any, needed to be made to its existing structures and processes. After a year of work, the Committee concluded that Sutter Health should adopt a more regional approach of governance across the system to improve efficiencies and quality of health care service. Regionalization would present opportunities to consolidate activities in several functional areas such as billing and collections and the purchase of goods and services. Based on the recommendations of the Committee, the Sutter Health Board approved the consolidation of its affiliate organizations into five regions each governed by a regional board. The five regions include the Sacramento-Sierra region; Central Valley region; Peninsula Coastal region; East Bay region; and the West Bay region. Please see Attachment A for a map of the five regions. Please see attached map of the five regions and the West Bay Region.

In February 2008, the Sutter Medical Center of Santa Rosa Board of Trustees approved joining the Sutter Health West Bay Region.

Sutter's Request for Waiver of Section 10.7

On September 9, 2009, Michael Cohill, Senior Vice President of Sutter Health, requested the Sonoma County Board of Supervisors authorize a waiver of Section 10.7 of the HCAA allowing Sutter Medical Center of Santa Rosa to join the West Bay Region. (Copy attached).

If approved, Sutter Medical Center of Santa Rosa would be included in the West Bay Region which includes a geographic area stretching from Lake County to San Francisco. Other West Bay region participants include California Pacific Medical Center (CPMC); Sutter Marin; Sutter Lakeside Hospital; Sutter Medical Foundation, North Bay; and Physicians Foundation at CPMC.

Effective September 28, 2009 the new Chief Administrative Officer of Sutter Medical Center of Santa Rosa will be Michael Purvis. As part of the Sutter Governance restructuring, Mr. Purvis will replace Mr. Cohill, regarding day to day operations of SMCSR. Mr. Purvis has extensive hospital experience and will report to David Bradley, Chief Executive Officer, North Bay Hospitals, Sutter Health West Bay Region. Mr. Cohill will remain Senior Vice President of Sutter Health, continuing his role working with the Board of Supervisors and the Department on HCAA related issues and several Sutter Health projects. He will also continue his responsibilities as Chief Executive Officer of Sutter Medical Foundation North Bay and will provide support as various entities transition into the Sutter Health West Bay Region.

The West Bay region includes one hospital organization and one medical foundation. Under the new structure, the assets of the four hospitals participating in the West Bay region, including Sutter Medical Center of Santa Rosa, will be merged into a single corporation. Similar to other regions, the West Bay Region will be

BACKGROUND Continued:

governed by a regional board responsible for oversight of regional assets, operating and capital budgets, quality, compliance, charity care, community benefit, medical staff performance, nomination of new board members to the regional board, performance review, provision of service, and regional strategic planning and resource allocation. The West Bay Region and Sutter Health remain obligated to comply with the terms of the HCAA, with Sutter Health guaranty in full force and effect.

As a hospital within West Bay Region, Sutter Medical Center of Santa Rosa will continue to operate utilizing its existing name, medical staff, community relationships; and will continue to be under the HCAA Agreement. Philanthropic activity, community benefit and the onsite quality assurance function will also continue at the local level through community-based advisory committees.

Recommendation.

The Department recommends that the Board approve the waiver of Section 10.7 for the following reasons:

a. *Continued Obligation to Comply with HCAA.* Upon approval of the waiver of Section 10.7, the West Bay Region and Sutter Health will retain their obligation to comply with the terms of the HCAA, with the Sutter Health guaranty remaining in full force and effect.

b. *Sonoma County Representation of West Bay Region Board.* The West Bay Region bylaws provide that: the governing board shall consist of between five and twenty directors. West Bay Region Board will begin meeting as a board in January 2010. The West Bay Regional Board will include 6 members who are residents of Sonoma County, three of which currently sit on the Sutter Medical Center of Santa Rosa's Board of Trustees. Members are nominated by West Bay Region Board, subject to Sutter Health's final selection. The process followed in selecting potential Sonoma County nominees to the West Bay Region Board was conducted by Sutter Medical Center of Santa Rosa, who provided to the Sutter Health Governance Assessment Steering Committee a list of existing board members interested in serving on the West Bay Regional Board plus additional candidates.

The West Bay Region's bylaws provide that a majority of board shall be broadly representative of the areas served and should reflect a breadth of diversity of the area it serves. In addition, SMCSR and Sutter Health have provided assurances to the County that the West Bay Regional Board would continue to include Sonoma County residents as board members.

c. *Integrated System of Care.* Combining Sutter's affiliates into a single integrated system of care should allow participating Sutter hospitals and other affiliates to share resources creating economies of scale and improved efficiencies.

d. *Continued Monitoring of Sutter's Performance.* As a member of the West Bay Region, the Department will continue to monitor Sutter Medical Center of Santa Rosa to ensure compliance with the terms and conditions of the HCAA.

Attachments: Resolution approving waiver of Section 10.7 of the Health Care Access Agreement; Sutter’s Letter dated September 9, 2009 requesting a waiver of Section 10.7; Map of Sutter Regions.

On File With Clerk: None.

CLERK OF THE BOARD USE ONLY

Board Action (If other than “Requested”)

Vote: