



Department of Health Services  
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## District Hospitals in Sonoma County

**Introduction:** A District Hospital is a public agency governed by an elected Board of Trustees. District Hospitals may receive tax or other service revenues from residents of the district and may serve patients regardless of where they reside. The four District Hospitals in Sonoma County are Petaluma Valley Hospital, Sonoma Valley Hospital, Healdsburg District Hospital and Palm Drive Hospital (in Sebastopol). Statewide and locally, District Hospitals struggle with the financial and operational challenges that come with being relatively small organizations in an era of increasing health care specialization and consolidation. While the District Hospitals share certain characteristics, each one is unique with its own attributes and approaches to providing health care.

### District Hospital Profiles:

- **Petaluma Valley Hospital** is one of the two largest District Hospitals. With 80 licensed acute beds, it had average daily census of 35 patients. Over ten years ago, the Petaluma Health Care District entered into an agreement with St. Joseph Health System (the parent organization of Memorial Hospital) to manage Petaluma Valley Hospital until 2017. Health District Trustees retain certain reserve powers but Memorial is responsible for day-to-day operations and financial performance. Memorial is working to operate the two facilities as a system. In the spring of 2007, Petaluma Valley converted its 20 skilled nursing beds to acute care beds.
- **Sonoma Valley Hospital** has 56 licensed acute beds providing medical/surgical, ICU and perinatal services and 27 skilled nursing beds for a total of 83 beds. In 2007 it had 15 acute patients per day and a busy emergency room. Sonoma Valley more often transfers patients to hospitals in Napa and Marin due to their proximity rather than to Santa Rosa facilities. Sonoma receives additional federal funding due its status as a Disproportionate Share Hospital (DSH) based on a high proportion of Medi-Cal patients. In March 2007, District voters increased the parcel tax to \$195/year; in 2008 voters approved the sale of bonds to rebuild the hospital to meet State seismic safety laws.
- **Healdsburg District Hospital** has 43 licensed beds including 17 skilled nursing beds. Its average daily census was 7 acute patients in 2007. The Hospital reopened its Intensive Care Unit last year. Healdsburg also contracts with Kaiser to provide long-term care skilled nursing services to Kaiser members. In 2001, voters approved a parcel tax for the hospital which now brings in \$3.3 million a year in revenues. Due to its location and rural catchment area, it is recognized by the State and Medicare as a Critical Access Hospital, allowing it to receive favorable Medicare reimbursement.
- **Palm Drive Hospital** is located in Sebastopol; licensed for 37 acute beds. Its average daily census was 11 acute patients in 2007. The Hospital recently re-opened its ICU and has a sophisticated electronic monitoring system that is overseen remotely by specialty physicians in San Francisco. Palm Drive became a District Hospital in 2001. Currently the Hospital has a parcel tax of \$155 per year and recently sold bonds as part of a financial recovery plan.

- A Joint Powers Agreement between Sonoma Valley, Palm Drive and Healdsburg Hospitals was formed in 2007 and a non-profit organization (North Coast Integrated Health Services) with the goals of sharing resources, improving operations and strengthening their financial negotiating position.

**Table 1: District and Non-District Hospital Beds and Services in 2007**

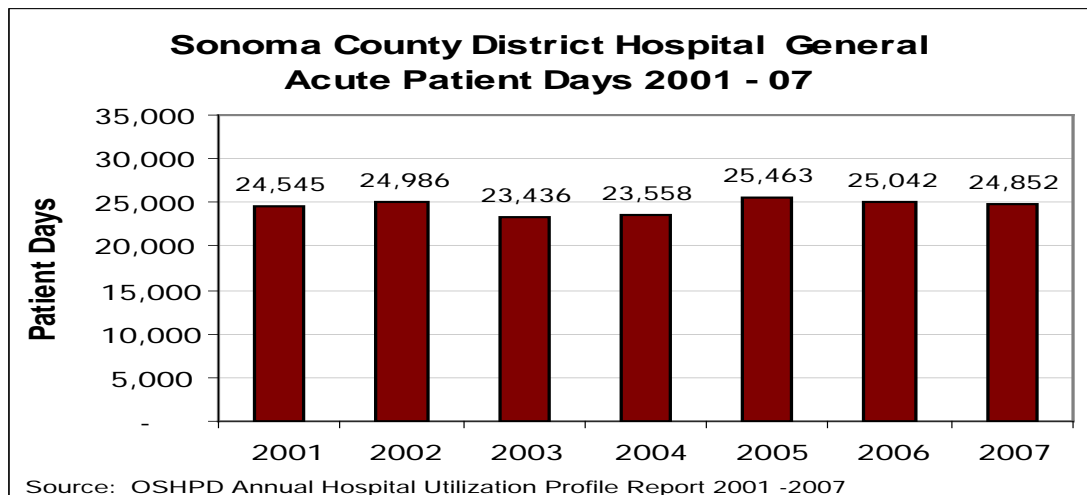
<b>Sonoma County District Hospital Profile</b>							
<b>Hospitals - 2007</b>	<b>Total Licensed Beds</b>	<b>Occupancy Rate<sup>2</sup></b>	<b>Med/Surg Pt. Days</b>	<b>Perinatal Pt. Days</b>	<b>ICU Pt. Days</b>	<b>Skilled Pt. Days</b>	<b>EMS Visits</b>
Petaluma Valley	80	43%	9,879	1,254	1,507	-	15,906
Sonoma Valley	83	38%	4,271	519	732	6,001	9,313
Palm Drive <sup>1</sup>	37	31%	3,752	-	395	-	7,827
Healdsburg	43	52%	2,543	-	-	5,689	8,254
<b>Subtotal District</b>	<b>243</b>	<b>41%</b>	<b>20,445</b>	<b>1,773</b>	<b>2,634</b>	<b>11,690</b>	<b>41,300</b>
Santa Rosa Memorial	345	62%	47,272	3,826	7,235	7,986	30,531
Sutter Medical Center	145	59%	16,395	4,481	3,673	2,808	22,859
Kaiser - Santa Rosa	117	73%	22,840	3,611	2,325	-	28,867
<b>Subtotal Non- District</b>	<b>607</b>	<b>63%</b>	<b>86,507</b>	<b>11,918</b>	<b>13,233</b>	<b>10,794</b>	<b>82,257</b>
<b>Total County</b>	<b>850</b>	<b>57%</b>	<b>106,952</b>	<b>13,691</b>	<b>15,867</b>	<b>22,484</b>	<b>123,557</b>

(1.) Does not include 35 licensed skilled nursing beds, not currently in use.  
(2.) Occupancy rate includes all categories of days, including NICU  
Source: OSHPD Annual Hospital Utilization Profile - 2007

- ✓ The District Hospitals had a total of 243 licensed beds in 2007: 180 acute beds and 63 skilled nursing beds. District Hospital beds represent 29% of the 850 hospital beds in the County in 2007.
- ✓ The Districts provided 36,542 hospital days or 21% of all countywide patient days (176,759) in 2007. On average there were 100 patients a day in the District Hospitals, 68 received acute care services and 32 received skilled nursing care.
- ✓ Sonoma Valley and Petaluma provide obstetrical services with a total of 14 licensed perinatal beds representing 22% of all perinatal beds in the county. In 2007, the two District Hospitals handled 788 births or 14% of total births in the County.
- ✓ District hospitals provided 20% of all inpatient surgeries (1,964) and 30% of all outpatient surgeries (5,320) for a total of 7,284 surgeries in 2007; this equates to 33 surgeries per weekday.
- ✓ District hospitals have 28 Emergency Department treatment stations (bays) representing 35% of the County ED capacity. Districts provided 33% of all ED visits (41,300 visits) in 2007. Countywide, approximately 9,500 visits were provided for “severe, life threatening” conditions; 30% of those visits occurred at District hospitals.

- ✓ District Hospital inpatient days have varied by approximately 10% over the past seven years. While the Districts are working to expand their medical staffs and increase their occupancy rates, the economic downturn is reducing non-emergency utilization in most hospitals.

**Table 2. District Hospital General Acute Patient Day Trends**



- ✓ District Hospitals received \$514 million in annual revenues in 2007 in comparison to Memorial's and Sutter's receipts of \$1,625 million (Kaiser is not required to submit financial data to the State). The Districts received a quarter of the reported hospital revenues countywide.
- ✓ Palm Drive, Healdsburg and Sonoma Valley Hospitals each receive approximately \$3.2 million annually in tax revenues (included in the annual revenues total); Petaluma has never received district tax revenues.

**Table 3. District and Non-District Hospital Finances in 2007**

<b>Sonoma County District Hospital Financial Information</b>					
<b>Hospitals - 2007</b>	<b>Annual Revenue (Millions)</b>	<b>Deductions from Revenue (Millions)</b>	<b>Net Income (2) (Millions)</b>	<b>Net Income Margin (3)</b>	
Petaluma Valley	\$ 284	\$ 210	\$ (1.2)	-1.6%	
Sonoma Valley	\$ 122	\$ 85	\$ (0.5)	-1.1%	
Palm Drive	\$ 58	\$ 43	\$ (3.5)	-18.0%	
Healdsburg	\$ 50	\$ 33	\$ (0.2)	-1.2%	
<b>Subtotal District</b>	<b>\$ 514</b>	<b>\$ 371</b>	<b>\$ (5.4)</b>	<b>-3.4%</b>	
Santa Rosa Memorial	\$ 1,250	\$ 941	\$ 16.9	5.2%	
Sutter Medical Center	\$ 375	\$ 237	\$ (18.8)	-12.1%	
Kaiser - Santa Rosa (1)					
<b>Subtotal Non- District</b>	<b>\$ 1,625</b>	<b>\$ 1,178</b>	<b>\$ (1.9)</b>	<b>-0.4%</b>	
<b>Total County</b>	<b>\$ 2,139</b>	<b>\$ 1,548</b>	<b>\$ (7.3)</b>	<b>-1.2%</b>	

(1) Kaiser Santa Rosa does not report financial information to OSHPD.  
(2) Includes income from local parcel taxes and other non operating income.  
(3) Net income divided by the sum of net patient revenue, other operating and non operating revenue.

Source: OSHPD Annual Hospital Financial Report - 2007

**Table 4. Sonoma County Hospital Financial Trends**

<b>Financial Trends</b>						
<b>Hospitals</b>	<b>Net Income (2) 2003</b>	<b>Net Income (2) 2004</b>	<b>Net Income (2) 2005</b>	<b>Net Income (2) 2006</b>	<b>Net Income (2) 2007</b>	<b>Five Yr. Total</b>
Petaluma Valley	\$ 1,398,121	\$ 4,442,567	\$ 343,066	\$ (711,321)	\$ (1,218,203)	\$ 4,254,230
Sonoma Valley	\$ 330,709	\$ 724,426	\$ 955,692	\$ 1,455,855	\$ (452,431)	\$ 3,014,251
Palm Drive	\$ (1,654,641)	\$ 377,280	\$ 431,248	\$ (2,746,031)	\$ (3,504,508)	\$ (7,096,652)
Healdsburg	\$ (345,732)	\$ (872,199)	\$ 138,310	\$ 1,350,733	\$ (247,707)	\$ 23,405
<b>Subtotal District</b>	<b>\$ (271,543)</b>	<b>\$ 4,672,074</b>	<b>\$ 1,868,316</b>	<b>\$ (650,764)</b>	<b>\$ (5,422,849)</b>	<b>\$ 195,234</b>
Santa Rosa Memorial	\$ 9,082,922	\$ 22,558,866	\$ 16,212,457	\$ 19,733,491	\$ 16,872,879	\$ 84,460,615
Sutter Medical Center	\$ 1,077,045	\$ (4,454,585)	\$ (6,867,379)	\$ (10,929,964)	\$ (18,788,889)	\$ (39,963,772)
Kaiser - Santa Rosa (1)						
<b>Subtotal Non- District</b>	<b>\$ 10,159,967</b>	<b>\$ 18,104,281</b>	<b>\$ 9,345,078</b>	<b>\$ 8,803,527</b>	<b>\$ (1,916,010)</b>	<b>\$ 44,496,843</b>
<b>Total</b>	<b>\$ 9,888,424</b>	<b>\$ 36,208,562</b>	<b>\$ 18,690,156</b>	<b>\$ 2,498</b>	<b>\$ (3,832,020)</b>	<b>\$ 60,957,620</b>

(1) Kaiser Santa Rosa does not report financial information to OSHPD.  
(2) Includes operating and non-operating income.  
Source: 2003 - 2007 OSHPD Hospital Annual Financial Data Profiles

- ✓ In 2007, each of the District Hospitals lost money, reporting a total of \$5.4 million in losses. Average net income (profit or loss) was -3.4% compared to a countywide average of -1.16%. There is considerable variability in the financial performance of the District Hospitals; each hospital had losses at least one of the past five years but each hospital has also had two to four years in the black.
- ✓ Memorial has operated in the black each year during the period 2003 to 2007; Memorial’s total net income from all sources over five years was \$84.4 million dollars. Sutter has operated in the red, losing money four of the last five years. Total losses reported by Sutter equaled \$39.9 million from 2003 to 2007.

**Table 5. District and Non-District Hospital Charity Care in 2007**

Hospitals - 2007	Charity Care (2)	Bad Debt (2)	Charity & Bad Debt % of Op. Exp. (3)
Petaluma Valley	\$ 764,137	\$ 1,925,329	3.52%
Sonoma Valley	\$ 357,907	\$ 423,362	1.93%
Palm Drive	\$ 29,696	\$ 182,787	0.94%
Healdsburg	\$ 102,937	\$ 395,747	2.42%
<b>Subtotal District</b>	<b>\$ 1,254,677</b>	<b>\$ 2,927,225</b>	<b>2.55%</b>
Santa Rosa Memorial	\$ 3,458,252	\$ 5,477,525	3.02%
Sutter Medical Center	\$ 2,887,267	\$ 1,515,430	2.59%
Kaiser - Santa Rosa (1)			
<b>Subtotal Non- District</b>	<b>\$ 6,345,519</b>	<b>\$ 6,992,955</b>	<b>2.91%</b>
<b>Total County</b>	<b>\$ 7,600,196</b>	<b>\$ 9,920,180</b>	<b>2.88%</b>

(1) Kaiser Santa Rosa does not report financial information to OSHPD.  
(2) Adjusted to reflect actual cost.  
(3) Represents Charity and Bad Debt as percentage of total operating expenses.  
Source: OSHPD Annual Hospital Utilization Profile - 2007

- ✓ In 2007, the Districts provided approximately \$1.2 million in charity care (adjusted to the actual cost of the care provided). This represented 17% of the \$7.6 million in total charity care reported by hospitals countywide. Charity care accounted for less than 1% (0.85%) of the Districts' operating expenses.
- ✓ The Districts also reported \$2.9 million in bad debts or 30% of countywide hospital bad debts of \$9.9 million. Together, bad debts and charity care accounted for 2.55 % of the Districts' operating expenses compared to 3.02% at Memorial and 2.59% at Sutter.

**Table 6. District and Non-District Acute Patient Days by Source of Payment**

Hospitals - 2007	Medicare	Medi-Cal	CMSP	Private Insurance	Other Indigent	All Other Payors	Total Patient Days
Petaluma Valley Hospital	6,716	2,199	822	2,532	97	240	12,606
Sonoma Valley District	3,579	792	303	1,011	40	19	5,744
Palm Drive District Hospital	1,828	265	128	828	10	137	3,196
Healdsburg District Hospital	2,034	63	39	355	12	40	2,543
<b>Subtotal District</b>	<b>14,157</b>	<b>3,319</b>	<b>1,292</b>	<b>4,726</b>	<b>159</b>	<b>436</b>	<b>24,089</b>
Santa Rosa Memorial	32,258	7,522	5,228	15,181	314	463	60,966
Sutter Medical Center	11,094	7,856	1,156	6,177	234	260	26,777
Kaiser - Santa Rosa	14,816	1,256	7	15,978	-	418	32,475
<b>Subtotal Non- District</b>	<b>58,168</b>	<b>16,634</b>	<b>6,391</b>	<b>37,336</b>	<b>548</b>	<b>1,141</b>	<b>120,218</b>
<b>Total County</b>	<b>72,325</b>	<b>19,953</b>	<b>7,683</b>	<b>42,062</b>	<b>707</b>	<b>1,577</b>	<b>144,307</b>

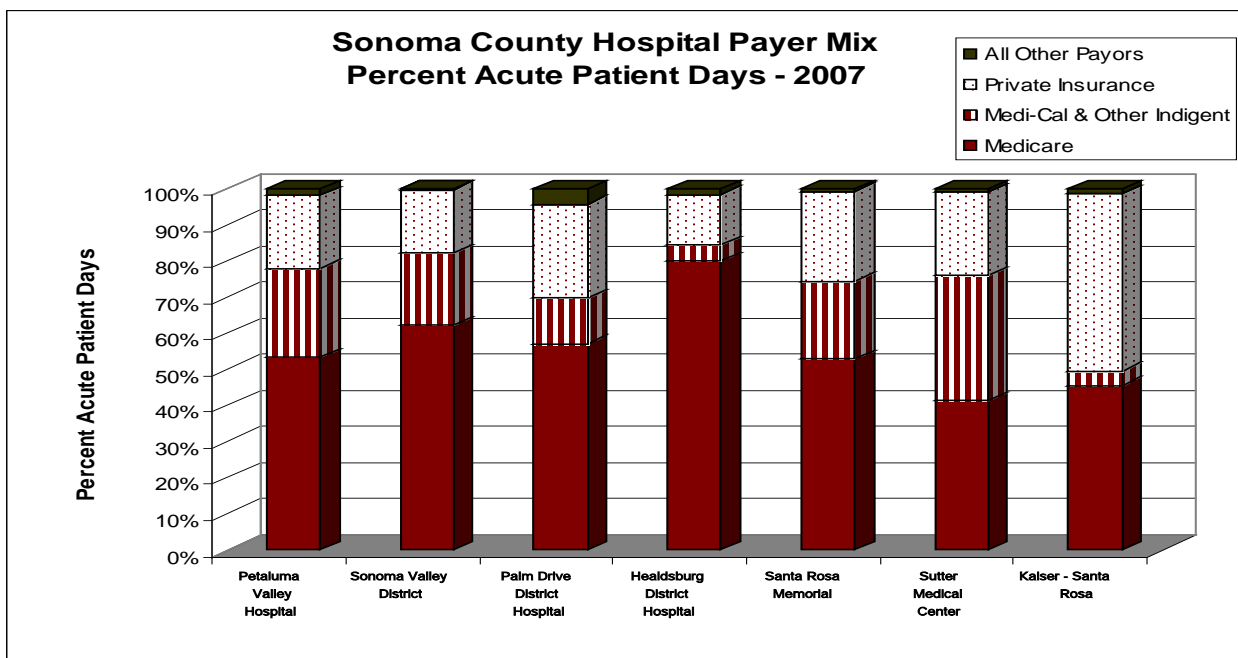
Source: OSHPD Annual Hospital Disclosure Reports, 2007

- ✓ Medi-Cal reimbursed for 14% of total acute days provided in local hospitals in 2007. Together the District hospitals provided 3,319 (or 16.6%) of all acute Medi-Cal inpatient days. The two District Hospitals with perinatal services provided the most Medi-Cal days: Petaluma Valley provided 11% of all

Medi-Cal days in the County and Sonoma Valley provided 4%. Palm Drive and Healdsburg provided less than 1% of the total Medi-Cal days.

- ✓ Sutter provided 39% of the acute Medi-Cal days and Memorial provided 38%. If Memorial and Petaluma are considered together as a system, they provided 49% of all Medi-Cal days.
- ✓ Medicare reimbursed for 50% of total acute days provided in local hospitals in 2007. Together the Districts provided 19.5% of acute Medicare days with Petaluma providing 47% of those days, Sonoma providing 25% and Palm Drive and Healdsburg providing approximately 14% each.
- ✓ Private insurance paid for 29% of acute hospital days in 2007. The District Hospitals together provided 11% of the total privately insured days; Memorial and Kaiser each provided 38% and Sutter provided 15% of all privately insured days.
- ✓ A hospital's financial status is greatly affected by its "payer mix" that is, the proportion of services that are paid for by different types of insurance . Historically, private insurance has paid the most; hospitals with a high ratio of private insurance should be able to cover their costs. Medicare covers actual costs for some admissions but not all. Medi-Cal and other indigent payment programs (such as CMSP) do not cover all costs and hospitals with a high ratio of Medi-Cal days have more financial difficulty. However, having a Medi-Cal reimbursed day could be financially preferable to having a charity care day or an empty bed.
- ✓ Payer mix is the result of many factors including the coverage status of people living near the hospital, the patients attracted to and accepted by the physicians on the medical staff and the types of services offered by the hospital ( for example, maternity services are often Medi-Cal covered whereas skilled nursing days are often reimbursed by Medicare).

**Table 7. Payer Mix in Each Hospital**



- ✓ Private (commercial insurance) reimbursed 50% of Kaiser's acute days and approximately 25% of Palm Drive and Memorial's days. Petaluma and Sonoma Valley had 20% privately insured days and Healdsburg 14%. (dotted bar section represents private insurance in Table 7)
- ✓ Medicare (solid sections) paid for 50% of all days in local hospitals: in Healdsburg it paid for 80% of days; in Sonoma Valley it paid for 62% of days; in Palm Drive 57% and in Petaluma 53%.
- ✓ Sutter had the highest percentage of Medi-Cal and other indigent inpatient acute days (stripped bars in Table 7) followed by Petaluma Valley, Memorial and Sonoma Valley. Healdsburg and Kaiser reported the smallest percentages of Medi-Cal and indigent days.