

**VERIFICATION OF DATA/REPRESENTATIONS
PRESENTED BY
METHODIST HOSPITAL SOUTH (CATHOLIC HEALTH CARE WEST),
KAISER PERMANENTE**

PURPOSE

The purpose of this document is to respond to questions posed by the Sacramento County Board of Supervisors at the trauma center designation hearing on November 28th, 2007. Upon the conclusion of the hearing, County staff and consultant were asked to verify, to the extent possible, key data and representations of fact provided by both Kaiser Permanente Medical Center – South Sacramento (hereafter referred to as “Kaiser”) and Methodist Hospital of Sacramento (hereafter referred to as “Methodist”) during their presentations. In addition, staff felt it was necessary to comment on portions of testimony that were factually incorrect or that needed clarification.

CATHOLIC HEALTHCARE WEST

Description	Status of Verification	Source/Commentary
1. Commitment to community service (Slide 5)	Partially verified	Catholic Healthcare West (CHW) claims to have provided an <u>unmatched</u> \$108 million of community benefits and care in FY 2006-07, serving 16,000 clinic patients, and helping 4,000 people apply for MediCal and Healthy Families. Our consultant independently verified the 16,000 clinic patients and 4,000 people applying for Medi-Cal (actually 4,937) through a review of reports supplied by Methodist. Comparison of community benefits and determining whether Mercy/Methodist’s commitment is unmatched is a more difficult task. Please see a more detailed evaluation in Comment 9, below.
2. Charity care policy	Verified	CHW’s charity care policy was independently verified by our consultant through a review of their written charity care policy provided in their proposal. It should be noted that Methodist parent organization’s charity care policy was arrived at this year after litigation was initiated and a settlement reached by the litigating parties.
3. CHW has seven trauma centers in California (Slide 18)	Verified	CHW operates 7 trauma centers in the state with 5 being Level II and 2 being Level III trauma centers.

<p>4. Mercy's trauma leadership is nationally recognized, its local trauma center has treated 10,000 patients and its trauma experts teach as faculty at UCD School of Medicine. (Slide 20)</p>	<p>Partially verified</p>	<ul style="list-style-type: none"> • Mercy's trauma leadership presumably means at Mercy Methodist. "Nationally recognized" is a relative term. However there are commonly accepted indicators such as membership on national or local trauma committees, published journal papers, national or local speaking engagements, none of which are currently documented for their trauma medical director to be appointed in January 2008. Our consultant reviewed their proposed trauma medical director resume in Methodist's proposal and there was no mention of trauma honors and awards. There were two published trauma articles from 1971 to 1973, and two trauma lectures out of 40 listed, both occurring in the early 1970s. Their proposed "regional" trauma nurse manager has substantial local and national publication and teaching experience. • The 10,000 patients estimate at Mercy San Juan is reasonable for a hospital that has been trauma designated for eight years. • Methodist clearly has an active family practice residency program with 94 physicians identified as having a "teaching affiliation" with USC School of Medicine all of which have the title of "preceptor" and one medical director. Methodist also provided to our consultant a list of physicians (43) that have medical staff privileges and an academic title at UC Davis as follows: <ul style="list-style-type: none"> • 10 full professors • 23 associate professors • 8 assistant professors • 2 assistant clinical professors
<p>5. Mercy Hospitals enjoy a long standing positive ...with Joint Commission. (Slide 21)</p>	<p>Verified</p>	<p>While Methodist was conditionally accredited by the Joint Commission in March 2007, they did not lose their accreditation and achieved full accreditation as of November 17, 2007. It is not uncommon for hospitals to initially achieve conditional accreditation during the every three year Joint Commission accreditation site visits.</p>

<p>6. Endorsements:</p> <ul style="list-style-type: none"> • UC Davis Medical Center • Fire service professionals • Citrus Heights City Council • Distinguished community leaders <p>(Slide 22)</p>	<p>Partially verified</p>	<p>The status of the following endorsements is:</p> <ul style="list-style-type: none"> • UC Davis Medical Center (letter from CEO in proposal) - verified • Fire service professionals – there are four retired fire chiefs listed in their ad but no other official fire agency nor the Fire Chiefs Association or local fire labor have endorsed their application – not verified. Additionally, on the morning of 12-4-07, our consultant received letters of endorsement for Methodist’s trauma center application from three rural volunteer fire departments (Walnut Grove, River Delta and Courtland). • Citrus Heights City Council – (City resolution dated 9/17/07 - verified (Note: Citrus Heights is the city where Mercy San Juan is located. Methodist is located in the City of Sacramento.) • Distinguished community leaders – may be assumed through the numerous phone calls and emails received at the Board of Supervisors level – verified.
<p>7. \$50 million investment in the state of the art Emergency Department (ED) and trauma center. (Slide 25)</p>	<p>Verified</p>	<p>Both applicants have building projects underway but a substantial amount of the new building at both hospitals is not dedicated for trauma cases but for growing market share and new product lines. In the Methodist proposal, it states that the ED expansion project (to include both the ED and OR) will be \$16 million. A review of OSHPD’s construction web site shows many projects underway or recently completed for Methodist but only two projects related to trauma (ED and Trauma Surgery), totaling \$17.6 million for direct construction only (now estimated by CHW to be only \$12 million). CHW did share with our consultant a breakdown of an additional \$32.1 million in other support costs including design, equipment and supporting capital costs which appeared reasonable to our consultant. Thus the totaled estimated costs would approximate \$49.7 million in costs. (See OSHPD construction web site for facility number 13012).</p>

<p>8. Percentage of Medi-Cal patients treated, 30% versus Kaiser 2%), geographic managed care lives (143,000 to 20,000) and access to care (16,000 patients versus 5,000 kids insured) (Slide 27)</p>	<p>Partially verified</p>	<ul style="list-style-type: none"> ▪ Our consultant had trouble verifying the Medi-Cal portion of this slide and has asked Methodist to provide additional supporting materials. Methodist did supply clarifications on 12/04/07 that included that there was a typo in the slide and they actually meant that Medi-Cal market of the “greater Sacramento area” not just south County. Our consultant did independently verify the percentage of Medi-Cal inpatients in Sacramento County that were discharged for 2006 at Methodist (7.8%) versus Kaiser (2.5%) versus other (89.7%) for that Sacramento market which may also include Sacramento County patients that were admitted out of the county. ▪ Our consultant verified the geographic managed care lives covered by both entities by independent review of each entity’s report. ▪ However, this slide’s title is “Commitment to the Community” and compares Methodist’s community commitment to Kaiser’s. This slide fails to fully describe their own as well as Kaiser’s many other under and uninsured commitments and mixes visits (Methodist) with insured lives (Kaiser). It also understates the number of children and others under and uninsured lives covered at Kaiser. The number of lives is closer to 18,000 not 5,000 when considering the Kaiser Children’s and Healthy Family’s programs.
<p>9. Contribution in Sacramento County in terms of community benefit. (Slide 37)</p>	<p>Partially verified</p>	<ul style="list-style-type: none"> • Methodist’s 2007 community benefit is difficult to verify as their community benefit report is just now being filed with the State. Their 2006 report appears to be close enough to allow reasonable comparison to 2007 (Note: Their 2006 report shows \$108 million in community benefit covering six hospitals in the Sacramento area; not the four hospitals claimed). • This claim is also difficult to compare with others as Methodist appears to use different sources of charity care, including Medicare contractals, that make the comparison to Kaiser difficult. Kaiser does not include Medicare contractals (as they are paid differently by Medicare) in their public reporting. • Mercy/Methodist shows that their community

		<p>benefit is higher than Kaiser's for the years 2004 through 2006. However, Methodist's presentation numbers include Medicare contractals, which is not in keeping with the industry standards and contrary to their member organization's policy (see the Catholic Healthcare Association's website, chausa.org, under "Medicare Losses"). This is further confused by the fact that California's Office of Statewide Planning and Development requires hospitals to include Medicare contractals, but also recommends reporting without as well. (See oshpd.gov, under "Community Benefit, FAQ's").</p> <ul style="list-style-type: none">• Kaiser also operates a health plan while Methodist (CHW) does not. Kaiser not only reports hospital community benefit (required by SB 697) but also publicly reports their estimated subsidized cost for their health plan (not required by SB 697) of \$42.7 million for 2006 for South Sacramento alone and \$105.5 million for all three Kaiser Sacramento area hospitals. When taken together, Kaiser's community benefit numbers compare favorably to the \$108 million reported by Methodist (CHW) for their community benefit. (All numbers were independently verified by our consultant using Kaiser's report and their published 2006 Community Benefit Plan.)• Methodist's regional community benefit would be \$107.9 million in 2007 and \$108.0 million in 2006 with Medicare contractals and \$73.7 million and \$70.6 million, respectively, without the Medicare contractals.• Both hospitals' numbers were independently verified by our consultant by reviewing each entity's Community Benefit Plan for 2006 and supporting spreadsheets.
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Additional Commentary:		
10. Rehabilitation services (onsite and offsite services)	Verified	Methodist has an in-house rehabilitation program staffed by 11.0 FTE physical therapists, 1.1 FTE speech therapists, 3.3 FTE occupational therapists with 5.3 FTE support staff and 4.0 FTE managers/supervisors, and 1.0 FTE physician physiatrist on the medical staff. In addition, regional services are achieved through their sister hospital, Mercy General, that has 28 acute care rehabilitation beds.
11. Methodist Operating Rooms (ORs)	Verified	Methodist has 4 inpatient ORs, has plans underway to build 1 additional inpatient OR, 3 additional outpatient ORs and 1 OB OR.

Kaiser Permanente

Description	Status of Verification	Source/Commentary
1. Comparison chart on proposed resources between the two applicants (Slide 4)	Verified	The list of proposed resources matches the two hospital proposals.
2. Caring for MediCal members (Slide 5)	Verified	The listing of Kaiser MediCal members (20,000), non-member ED visits (4,454) and non-member MediCal clinic visits (2,117) matches Kaiser reports that were independently viewed by our consultant. Note that the Kaiser MediCal member number of 20,000 (actually 20,421) is for all Sacramento County with 9,530 of these choosing to seek their care at Kaiser South.
3. Kaiser caring for low income children (Slide 6)	Verified	The listing of Kaiser caring for low income children, with Kaiser Children (5,775) and Healthy Families (12,058) matches Kaiser reports that were independently viewed by our consultant. In addition, Kaiser subsidized the care for 40,991 low income residents for the Greater Sacramento County (includes Placer County) during 2007 through October, as independently verified by our consultant using a Kaiser report. For South Sacramento County alone, the number of low income subsidized residents was 17,039 for that same time period.
4. Kaiser's construction (Slide 9)	Verified	Kaiser's construction is substantially underway as verified by previous County staff site visits with Kaiser stating construction starting 1/07 to be completed approximately 10/10.

5. Kaiser treating trauma center patients in 2007 (Slide 10)	Verified	Kaiser stated that they treated 125 trauma center type patients during 2007 through November 19 (with approximately 34% not 36% being MediCal or uninsured) was independently verified by our consultant who reviewed a log of patients treated including their insurance status. He also reviewed the criteria used to designate these patients as trauma center type patients. <i>(Note: trauma patients arrive at non-trauma centers as they may arrive by private vehicle or their injuries are unrecognized by EMS in the field or become worse after arriving at the non- trauma center.)</i>
6. Proposed resources (Slide 11)	Substantially verified	Kaiser states they are committing more resources than Methodist to the trauma designation process, but makes no statement of how much of these resources are dedicated to trauma, with the exception of the trauma resuscitation room (3 new beds) and the trauma ICU (10 new beds). The inference (without formal statement) from their proposal and their presentation is that all of the 6 new operating rooms are for acute inpatient or trauma care. In fact, all of the new operating rooms (ORs) will be new outpatient ORs and not inpatient ORs. Kaiser did logically argue to the consultant that presently 74.8% of their current surgeries are outpatient (verified by our consultant by independent review of a Kaiser report and that the outpatient OR cases were categorized using national criteria). The addition of 6 outpatient ORs will substantially reduce the utilization burden on the existing inpatient ORs adding substantially more capacity for any future increase number of inpatient and trauma cases.
Additional Commentary:		
7. Kaiser member penetration	Verified	Kaiser membership is 50 percent of the southern Sacramento market as verified by an independent review of Kaiser reports by our consultant.
8. Charity care	Verified	Kaiser's charity care policy (verified by independent review of their written charity care policy by our consultant) covers up to 400% of the Federal poverty level (FPL) standard which is not as high as Methodist's (500% FPL) but includes free care for the first 200% of FPL and then discounts costs to the patient for up to 400% of FPL.. However, this free and discounted care is available across the complete continuum of Kaiser's care, including hospital, clinics, advice nurse, pharmaceuticals and rehabilitation services.

9. Community benefit	Verified	Kaiser's community benefit meets and exceeds the requirements of community benefit stipulated by SB 697 and verified by independent review of Kaiser reports by our consultant. Kaiser does not include shortfalls between Kaiser charges and Medicare payments (also known as contractual write offs) in their publicly published community benefit unlike many other healthcare systems. Not including Medicare contractals in the community benefit calculation is considered by many including national associations as a more precise description of the community benefit.
10. Rehabilitation services (onsite and offsite services)	Verified	Kaiser South Sacramento has an in-house rehabilitation program staffed by 23.5 FTE physical therapists, 1.7 FTE speech therapists, a 0.3 FTE occupational therapist. The hospital also has a physician physiatrist on their medical staff. In addition, regional services are achieved through contracts with other providers in the region and if tertiary inpatient rehabilitation services are needed, they may be received at the Kaiser Vallejo campus which has 287 licensed acute care rehabilitation beds.
11. Kaiser Medi-Cal contract application	Partially verified	Kaiser stated during their presentation that they have applied for a Medi-Cal contract which they have since verbally verified to our consultant. However, this could not be confirmed by the State as the Medi-Cal contract application process and subsequent negotiations are considered by the State to be confidential (phone conversation between our consultant and Keith Burger, Director of California Medical Assistance Commission on 12/03/07).
12. Kaiser's residency affiliation with UC Davis School of Medicine	Verified	<p>Kaiser South has an extensive role in the training of UC Davis residents at Kaiser South. There are 139 physicians at Kaiser South appointed as instructors or preceptors through the University of California, Davis, School of Medicine as follows:</p> <ul style="list-style-type: none"> • 84 Assistant Clinical Professors • 38 Associate Clinical Professors • 7 Clinical Professors • 10 Clinical Instructors <p>There are approximately 145 resident slots (more than one resident may rotate through each resident slot each year). For more details see Attachment C of this Board Report Back.</p>

13. Kaiser statement of ED and EMS patients	Verified	Kaiser stated that 20% of their ED and clinic patients were non-members and 22% of their patients arriving by ambulance were also non-members. The consultant's independent review of Kaiser's reports found that 28% of the ED and clinic patient visits are non-member Medi-Cal and uninsured. For EMS arrivals, 18% are non-members. <i>Note: Kaiser member Medi-Cal patients and other similar products (e.g., Healthy Families) are not included in these numbers because they are considered by Kaiser as "members."</i>
14. Medi-Cal transfer attempts	Verified	Kaiser stated during their presentation that they had attempted 105 Medi-Cal transfers which they are required to do by regulation as they are not a Medi-Cal fee-for-service hospital and had only been successful with one request. Our consultant independently verified 100 Medi-Cal transfer requests for 2007 (ytd. ending 11/19/07), of which 7 were successfully transferred to Methodist using a report provided by Kaiser. This number would likely reach or exceed 105 by the end of the calendar year.

Additional Staff Comments

1. Is it true, Sacramento trauma charges are 50% higher and what does that mean and why are they? What about costs and what is the difference?	<ul style="list-style-type: none"> ▪ Sacramento County has some of the highest but not the highest trauma center "charges." Charges do not necessarily equal costs and in fact charges are usually higher than costs to compensate for hospital bills that are not fully paid. ▪ Kaiser conducted their own "cost" study in the recent past looking at their payments to hospitals. At any given time, 20% to 40% of all trauma patients in trauma centers in California are Kaiser Plan members. Their definition of "trauma costs" is what they "paid" to trauma centers. Their study showed the Sacramento County trauma center payments are approximately 50% higher than the state as a whole (the methodology was independently reviewed by our consultant as reasonable after a review of the summary of the study and an interview with the original consultant that conducted the study).The higher Kaiser "cost" may be due to the higher trauma center charges in Sacramento County (but not the
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	<p>highest) or the lack of contracting leverage by Kaiser or both.</p> <ul style="list-style-type: none">▪ Using Medicare's wage index for CA, the Sacramento region has the 10th highest wage index of the state's 29 regions. While not a compelling reason for any assumptions of higher costs in Sacramento County, this factor may add some insight to the potential for higher costs.▪ Three payers have submitted written and oral correspondence to suggest that they fear if Kaiser designation occurs that Kaiser will use predatory pricing and not contract with the payer. It is important to remember that Kaiser is the largest trauma payer in the state because Kaiser's membership is so high (30% - 50% of the insured are Kaiser members, which is also true for the catchments area the south area trauma center will serve) and that Kaiser has been paying these higher non-contracted trauma center rates throughout the state and in Sacramento County. Neither applicant submitted their charges in their proposal (they were not required to do so) nor do we know what their charges are. Most hospitals try to keep their charges close to their costs (plus a non-collection factor) as the more unreasonable the charges, the more a payer can petition the State's Insurance Commissioner to step in as the rates are not "reasonable" as required by statute.▪ Our consultant tells us that it is possible that Kaiser's rates will not be as high as they will be treating a substantial number of Kaiser patients that they are paying high charges now in current Sacramento trauma centers.▪ Our consultant also independently reviewed a side by side listing of a sample of charges provided by Kaiser of the two trauma centers on inpatient beds and ED charges with their own and while were slightly higher, many were equal or lower.• Our consultant tells us that the notion that payers will be unduly burdened, should Kaiser be designated, with higher trauma charges and thus will impact all employer and employee premiums in Sacramento County does not make sense to
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	<p>him. Trauma is but a small book of the inpatient business in Sacramento County and Health Net by their own admission of having 200,000 members in the country would generate about 500 trauma cases per year with only about 25% (125 patients annually) going to Kaiser. These numbers are hardly high enough numbers to drive premium increases when spread over the country and state.</p>
<p>2. What are the legal requirements of community benefit and are there differences between the two organizations?</p>	<p>The legal requirements for reporting on community benefit are spelled out in SB 697, the State's chaptered statute on hospital community benefit. This law requires community needs assessments by health systems every three years and an annual report of community benefit costs using common definitions. Both applicants and their parent entities are in compliance with this law. More details on community benefits are listed on OSHPD's web site under "community benefit."</p>
<p>3. What is the ED diversion issue, what is the impact on trauma?</p>	<p>While <u>trauma</u> diversion is not permitted in Sacramento County, ED diversion is. The Greater Sacramento area has been commended in a published paper for the work they have done to reduce diversion.¹ Diversion hours in the year 2001 were 1,982 hours per month and now they are averaging 403 hours per month region wide (18 hospitals) for January – November 2007. While any time a hospital divert is a concern, the diversion hours are low enough to not be alarming. This fact and the fact a trauma center is not allowed to divert is sufficient to conclude that this will not be a challenge for the trauma designation process decision</p>
<p>4. What is the "halo effect" and is it relevant, as Methodist is the only one who can have trauma physicians that will be made available to all their patients?</p>	<p>We believe Methodist's stated "halo" effect is a description of their ability to use trauma physicians from their Mercy San Juan campus and also their experience at their other trauma centers in California. As we have commented previously, this practice cannot be sustained in the longterm.</p>
<p>5. Is it true that Mercy's current resources are not relevant?</p>	<p>Mercy San Juan's trauma resources are partially relevant in that Methodist could "borrow" policies and procedures and there may be some economies of scale with respect to training and other activities that were not identified in their proposal. These capabilities were valued by the survey team at Kaiser as they are already in place there. Our consultant tells us that it is important to recognize that the commitment and experience required by a trauma center are not just from the physicians but rather the entire medical team at the hospital including nurses</p>

	and technicians and the like so it should not assumed that just moving physicians from Mercy San Juan would assure a well versed trauma team at Methodist.
6. What is Dr. Mackersie's background?	Dr. Mackersie, the last speaker for Kaiser, is a nationally recognized trauma surgeon and the past Chair of the American College of Surgeons (ACS) Committee on Trauma System Surveys. He is a full professor at University of San Francisco and also an attending trauma surgeon at San Francisco General. He has conducted approximately 20 trauma system surveys and greater than 50 trauma center surveys for the ACS.
7. Dr. Mackersie stated that Kaiser has a stronger physician coverage model (per their networked group) and is the largest private provider. Their inclusion would make the system better, is this true?	Our consultant interviewed Dr. Mackersie after his presentation to better understand his thinking. Simply said, it is his opinion that Kaiser would put health care resources into the trauma system as they are only other major health provider in the region that is not a trauma center (Sutter has a trauma center in Roseville). He also believes that Kaiser's physician staff model (their physicians are all employed) would guarantee more stability to the trauma system as the costs of contracted physician coverage in trauma centers is a major issue throughout the country.

¹ Patel, P.,MD, Derlet D, Vinson, D, Williams M, Wills, J, "Ambulance Diversion Reduction: The Sacramento Solution, Journal of Emergency Medicine, October 2005.