Southern Humboldt Community Healthcare District

Municipal Service Review

Adopted November 14, 2012

HUMBOLDT
Local Agency Formation Commission

Prepared For Updating the
Sphere of Influence Report

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INTRODUCTION

This Municipal Service Review (MSR) focuses on the healthcare services provided by the Southern Humboldt Community Healthcare District (SHCHD), which is the only healthcare district in Humboldt County. The SHCHD serves an approximate 774 square mile area that includes both southern Humboldt and northern Mendocino counties (see Figure 1 on page 7). While the County and a number of private sector entities are involved in providing a range of healthcare services to county residents, the SHCHD serves an important role in a countywide healthcare system by providing patient care to a rural area that traditionally has limited access to healthcare services.

Healthcare districts are independent public agencies, authorized under the Local Health Care District Law (California Health and Safety Code Section 32000 et seq.). The law was originally established as the Local Hospital District Law, under which the districts provided hospital and related healthcare services. Today these districts provide a range of health-related services and programs that benefit communities and their residents.

The healthcare industry in general is going through changes, many of which are financially driven. Hospitals and their medical staffs are experiencing declining public financing through Medi-Cal and Medicare. Costs for new and upgraded facilities, equipment and skilled personnel are rising, and the overall emphasis by consumers and their medical providers for expensive technologies are driving costs up. There are also other unique legislative parameters facing California hospital providers. California remains the only state with nurse staffing ratios and hospitals are continuing to grapple with the State-mandated seismic retrofit requirements due to impact the hospitals as early as 2013.

Statutory Authority

In 2000, the California State Legislature broadened the authority of the Local Agency Formation Commission (LAFCo) by directing the Commission to conduct comprehensive reviews of the delivery of municipal services provided in the county and any other area deemed appropriate by the Commission. Additionally, legislators directed LAFCos to complete sphere of influence reviews and updates of agencies under LAFCo's jurisdiction not less than every five years.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCo review municipal services before or in conjunction with updating the spheres of influence and to prepare a written statement of determinations with respect to each of the following:

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence;
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers,

municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence;

4. Financial ability of agencies to provide services;
5. Status of, and opportunities for, shared facilities;
6. Accountability for community service needs, including governmental structure and operational efficiencies; and
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR process does not require LAFCo to initiate changes of organization based on service review findings; it only requires that LAFCo make determinations regarding the provision of public services per Government Code Section 56430. MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) because they are only feasibility or planning studies for possible future action that LAFCo has not approved (California Public Resource Code Section 21150).

Data Sources and Methodology

Research for this MSR was conducted during 2012. Humboldt LAFCo staff relied upon already published reports, a questionnaire completed by District staff, and limited agency follow-up for clarification. Sources of information include, but are not limited to, the following:

- Critical Access Hospital Case Study, Jerold Phelps Community Hospital. October 2011. Prepared by Rural Health Solutions
- Financial Statements with Independent Auditors' Report for June 30, 2011 and 2010. Prepared by Matson and Isom.
- Overview of Health Care Districts. April 11, 2012. Prepared by the California Legislative Analyst's Office

The draft Municipal Service Review was provided to the Healthcare District Board for review and clarification at their October 25, 2012 meeting.

OVERVIEW OF HEALTHCARE DISTRICTS

Healthcare districts are independent public agencies, authorized under the Local Health Care District Law (California Health and Safety Code Section 32000 et seq.). The law was originally established in 1945 as the Local Hospital District Law, which authorized special districts to build and operate hospitals and other health care facilities in underserved areas, and to recruit and support physicians. Authority granted to healthcare districts under current law includes, but is not limited to:

- Operating health care facilities such as hospitals, clinics, skilled nursing facilities (SNF), adult day health centers, nurses' training school, and child care facilities.
- Operating ambulance services within and outside of the district.

- Operating programs that provide chemical dependency services, health education, wellness and prevention, rehabilitation, and aftercare.
- Carrying out activities through corporations, joint ventures, or partnerships.
- Establishing or participating in managed care.
- Contracting with and making grants to provider groups and clinics in the community.
- Other activities that are necessary for the maintenance of good physical and mental health in communities served by the district.

According to the State Legislative Analyst's Office, there are currently 73 healthcare districts serving 40 counties in California (LAO, 2012). Most were established in the first two decades following enactment of the Local Hospital District Law and the federal Hospital Survey and Construction Act. However, not all healthcare districts operate hospitals. Currently, there are 30 districts that do not operate hospitals, some of which have established legally separate nonprofit hospital corporations and transferred ownership or operation of facilities to public and private systems.

Healthcare districts are governed by a locally elected five-member board of directors. Healthcare districts may overlap county boundaries and can be found in urban, suburban, and rural communities. Healthcare districts fund services through various mechanisms, including:

- General Taxes. Most healthcare districts receive a share of local property taxes. The share of local property tax going to healthcare districts varies among districts.
- Special Taxes. Some healthcare districts have received two thirds voter approval to levy special "parcel taxes" for each lot or acre of ground.
- Service Charges. Healthcare districts may run hospitals, clinics, skilled nursing facilities, and ambulance services. These activities earn revenue and are entirely or predominately self-supporting through service charges.
- Other Revenues. Some healthcare districts generate revenues from district resources, such as property lease income and interest earnings from investments. They may also receive grants from public and private sources.
- Debt Financing. Healthcare districts can create debt to borrow money needed for capital projects such as hospital construction. General obligation bonds require two-thirds voter approval to raise property tax rates for district residents to serve as the mechanism to repay the bonds. Revenue bonds are backed by user fees. Districts may also issue promissory notes and receive loans from state and federal governments.

Some healthcare districts have faced recent fiscal challenges and have closed their hospitals. Since 2000, seven healthcare districts have declared bankruptcy. Chapter 109, Statutes of 2011 (AB 912, Gordon), allows LAFCos—with some exceptions—to dissolve special districts without holding voter elections. Five districts have been dissolved or otherwise reorganized since 2000. To a large extent, changes in district functions have occurred in reaction to the evolving California healthcare environment.

SOUTHERN HUMBOLDT COMMUNITY HEALTHCARE DISTRICT

The SHCHD operates the Jerold Phelps Community Hospital and Southern Humboldt Community Clinic in Garberville. The District serves southern Humboldt County and northern Mendocino County, including the unincorporated communities of Garberville, Shelter Cove, Miranda, Myers Flat, Whitethorn, Briceland, Redway, Weott, Benbow, Phillipsville, Harris, Alderpoint, and Piercy. Approximately 9,400 people live in the district (2010 Census).

The Jerold Phelps Community Hospital is a 9-bed general acute care hospital with an attached 8-bed skilled nursing facility and rural health clinic. The hospital offers emergency care and inpatient and outpatient services, including laboratory and radiology services. From June 2010 through May 2011, the hospital had approximately 2,699 emergency room visits and 13,728 total outpatient visits (ibid). The Jerold Phelps Community Hospital converted to Critical Access Hospital[1] status in 2002 due to its remote location (the nearest hospital is Redwood Memorial Hospital in Fortuna, approximately 51 miles north of Garberville).

SOUTHERN HUMBOLDT COMMUNITY HEALTHCARE DISTRICT

Vision

To become the healthiest community possible

Mission

To provide optimal patient care, operational efficiency, and financial stability

Values

Putting patients first through excellence, integrity and compassion

[1] Critical Access Hospitals (CAHs) are hospitals with a maximum of 25 beds that are located in a rural area over 35 miles from another hospital. The reimbursement that CAHs receive is intended to improve their financial performance and thereby reduce hospital closures.

Southern Humboldt Community Healthcare District

Contact Information	
Administrator:	Harry Jasper e-mail: hjasper@shchd.org
Administrative Assistant:	Connie Paul e-mail: cpaul@shchd.org
Mailing Address:	733 Cedar Street, Garberville, CA 95542
Phone:	(707) 923-3921 **Fax:** (707) 923-1456
Website:	www.shchd.org
Management Information	
Governing Body:	Board of Directors
Board Members:	**Term Expiration:** Barbara Truitt 12/5/14 Gary Wellborn 12/5/14 Corinne Stromstad 12/2/16 David Ordoñez 12/2/16 Judi Gonzales 12/2/16
Board Meetings:	Held on the Thursday following the fourth Tuesday of the month at 12:30-4:30 p.m. in the Dimmick Conference Room at the Jerold Phelps Community Hospital, 733 Cedar Street, Garberville
Staffing:	45 full-time, 20 part-time
Service Information	
Services Provided:	Emergency Room, Acute Care Hospital, Skilled Nursing Facility, Radiology, Laboratory, Community Clinic
Areas Served:	Garberville, Shelter Cove, Whitethorn, Briceland, Miranda, Redway, Weott, Benbow, Phillipsville, Harris and Alderpoint
Acres Served:	495,230 **Population Served:** 9,400 (2010 census)
Facilities:	Jerold Phelps Community Hospital Hospital emergency entrance: 733 Cedar Street Hospital visitor entrance: driveway is accessed from Elm Street Southern Humboldt Community Clinic Clinic, administration & accounting entrance: 509 Elm Street
Fiscal Information	
Sources of Funding:	Medicare and Medi-Cal Reimbursements, Medical Insurance Provider Payments, Self-Pay Patient Payments, Property Taxes, District Hospital Augmentation Tax (Special Tax)
Budget (2011):	Total Operating Revenue: $5,068,693 Total Operating Expenses: $5,617,377 Change in Net Assets: $800,685

Formation

The SHCHD was formed pursuant to Health and Safety Code Section 32000 on November 21, 1978, as the Southern Humboldt Community Hospital District, following a successful election in June of 1978. The Hospital District was formed due to the imminent closure of the Southern Humboldt Community Hospital, which was privately-owned and operated at the current hospital location since 1949. The community's desire to maintain a local hospital spurred the idea of a Hospital District which, through taxation, could financially support the facility.

Prior to the formation of the Southern Humboldt Community Hospital District, public hospital districts throughout California were being funded by mandated shares of county property tax revenues. However, in 1978 when the District was formed was also the year Proposition 13 was passed, and that, combined with the decline of the logging industry meant that only a fraction of the tax funding the community had expected to rely on for the hospital actually materialized. For this reason, a parcel tax was passed by the community in 1986.

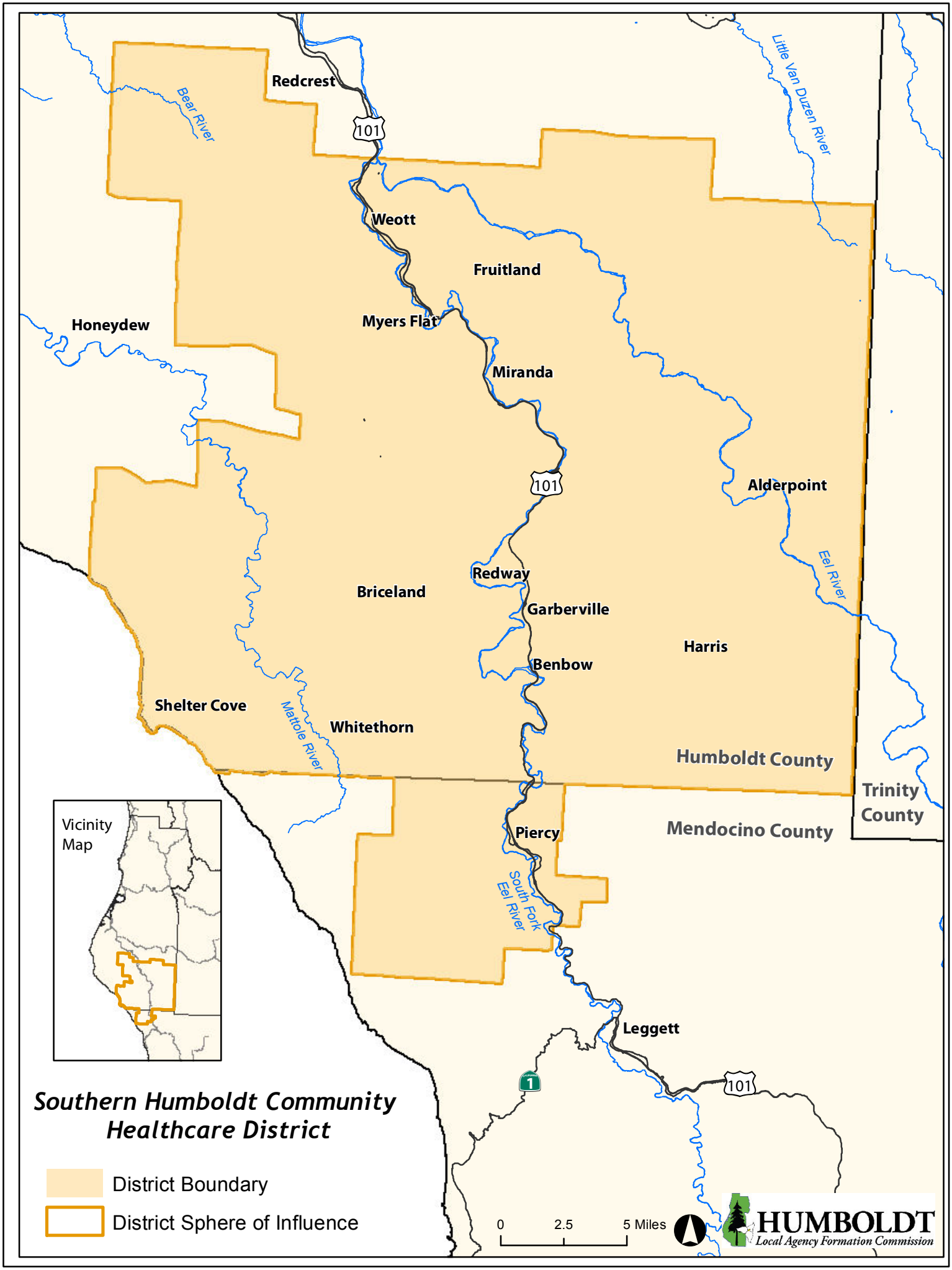
In 1994 (SB 1169) the State Legislature amended the enabling legislation renaming hospital districts to healthcare districts. At that time, the District changed its name to the Southern Humboldt Community Healthcare District. In addition, in 1995, the District took over ownership and management of the private clinic, which had remained privately owned and operated when the District was formed.

Boundaries

The SHCHD boundaries include portions of Southern Humboldt and Northern Mendocino counties (see figure 1 on Page 7). In 1978 (the year the District was formed), the boundaries were set to conform to the boundaries of the Southern Humboldt Unified School District in Humboldt and Mendocino counties. In addition, during formation proceedings, consideration was given to a "tri-county" Hospital District to include portions of Humboldt, Mendocino and Trinity counties but was later rejected. Since formation, there have been no changes proposed to expand or reduce the SHCHD boundaries.

Governance

The SHCHD is governed by a five member Board of Directors that are elected at large by registered voters within the District. Board members, which must reside within District boundaries, are elected for four-year terms and oversee district needs and services, along with budget issues at monthly board meetings. Board meetings are held in the Dimmick Room at the hospital, 733 Cedar Street, Garberville on the Thursday following the fourth Tuesday of each month, with special meetings scheduled as needed. All meetings are conducted and noticed as required by the Brown Act, with agendas posted 72 hours prior to the meeting at three open public locations at the hospital, posted on the District's website, and e-mailed to addresses that have requested notification.


Redcrest
Bear River
101
Little Van Duzen River
Weott
Fruitland
Myers Flat
Honeydew
Miranda
101
Alderpoint
Eel River
Redway
Briceland
Garberville
Harris
Benbow
Shelter Cove
Mattole River
Whitethorn
Humboldt County
Trinity County
Mendocino County
Piercy
South Fork Eel River
Leggett
1
101
Vicinity Map
Southern Humboldt Community Healthcare District
District Boundary
District Sphere of Influence
0
2.5
5 Miles
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Personnel

The hospital employs 45 full-time and 20 part-time staff, including an Administrator, Director of Operations, Director of Nursing, and Director of Human Resources (see Organizational Chart on Page 9). Like many rural hospitals, the District has struggled with recruitment and retention of full-time physicians and other healthcare professionals. However, the District has continued to increase its capacity to systematically optimize its programs, procedures, and staffing, and is beginning to attract new physicians and healthcare staff.

Other Health Care Providers

The nearest hospital to Jerold Phelps Community Hospital is Redwood Memorial Hospital (also a CAH) in Fortuna, 51 miles north of Garberville. The nearest tertiary center is located 67 miles north of Garberville in Eureka. While Jerold Phelps Community Hospital patients are referred and transferred to a number of tertiary centers in the region, most are transferred to St. Joseph's Hospital or Howard Memorial Hospital (also a CAH) in Willits (68 miles southeast of Garberville).

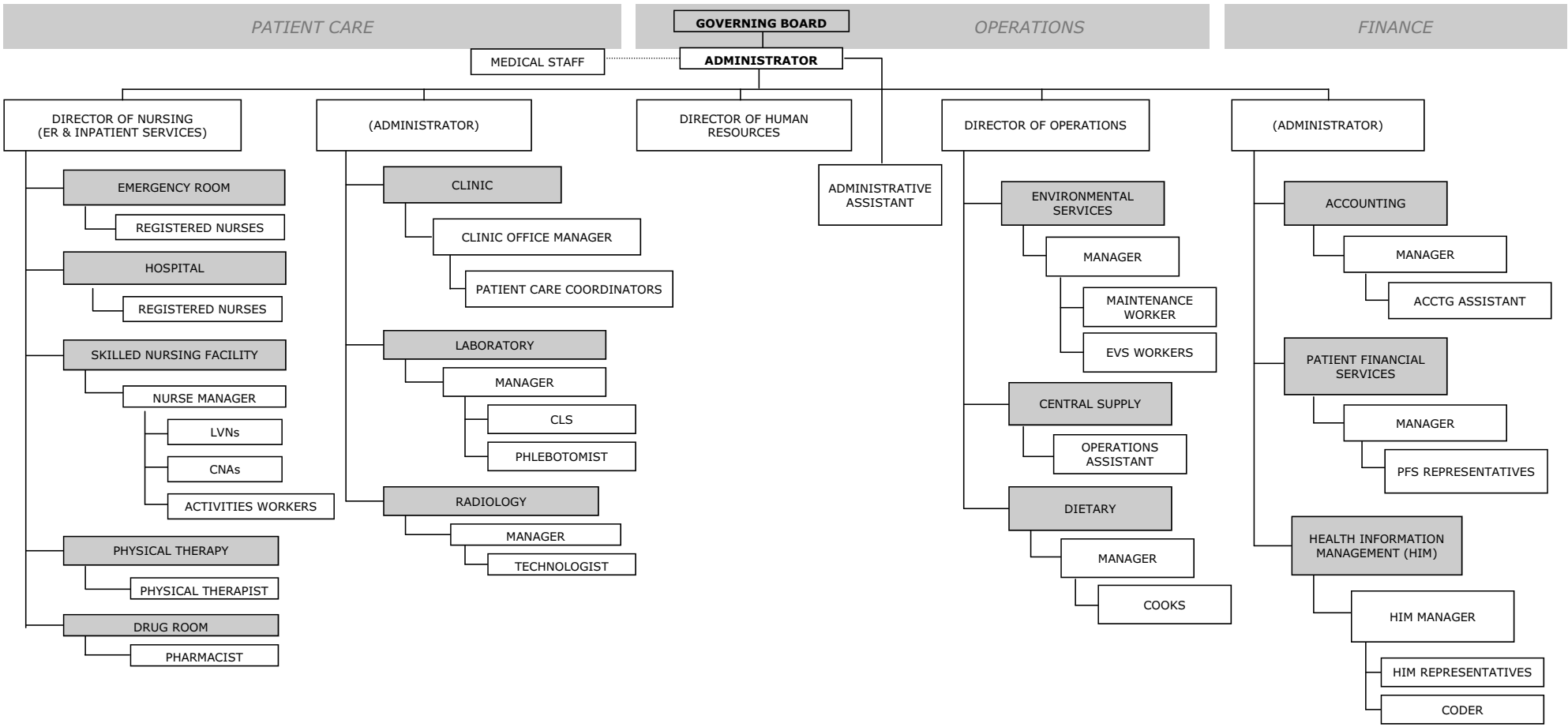
Ambulance services for the area are provided by City Ambulance. City Ambulance is operated with teams of paramedics and Emergency Medical Technicians (EMTs) that work out of three community sites: Garberville, Fortuna, and Eureka. Two ambulances are stationed in Garberville and back-up is provided out of Fortuna.

Critical Access Hospital Case Study

In 2011, a case study highlighting Jerold Phelps Community Hospital, Garberville, California, was conducted as part of California's Medicare Rural Hospital Flexibility (Flex) Program to identify changes to the community, hospital, and other aspects of health care, that have occurred due to the hospital's conversion to Critical Access Hospital (CAH) status and its involvement in the Flex Program. The case study was completed to determine if the Flex program and CAH status are improving the quality of care and performance while enhancing local medical services.

The case study obtained and analyzed hospital data and interviewed case study participants related to Flex program goals. The resulting report documents goal status, indicators for success, and indicators of ongoing needs and challenges. The case study concludes:

> "Successes can be seen through the hospital's conversion to CAH status, financial turn-around, improved performance measures, and emerging focus on quality improvement. Meanwhile, challenges center on health care provider recruitment, addressing the hospital's physical plant needs, planning for and implementing an electronic health record, internal and external communication, and improving access to specialty care services. Although Jerold Phelps Community Hospital has made significant strides since converting to CAH status, opportunities for additional improvement persist."



SOUTHERN HUMBOLDT COMMUNITY HEALTHCARE DISTRICT

04/01/11

Strategic Planning

The SHCHD conducts an annual strategic planning process to review strategies, goals and accomplishments, which serve to meet the overall mission, adopted by the Board in 2010, "To become the healthiest community possible." The four goals prioritized by the board are:

- Improve community confidence and awareness
- Develop a workplace that promotes patient and employee satisfaction
- Build and occupy a new hospital by 2025
- Improve utilization of technology

Seismic Compliance

Earthquakes affecting California hospitals have prompted the State of California to impose new hospital seismic safety standards pursuant to Senate Bill 1953 adopted in 1998. Under these new standards, California hospitals will be required to meet stringent seismic safety criteria which may necessitate major renovation in certain facilities or even partial or full replacement.

The SHCHD has applied for and received an extension of time to comply with requirements of SB 1953 until January 1, 2020. As part of this extension, the District developed a Master Facility Plan, which is in the process of being approved by the Office of Statewide Health Planning and Development. The District has begun construction to renovate the facility to comply with the new requirements but would like to build and occupy a new hospital by 2025.

FINANCING

The SHCHD is funded through Medicare and Medi-Cal reimbursements, Medical Insurance Provider payments, Self-Pay patient payments, property tax revenues[2], and a District Hospital Augmentation Tax (parcel tax). The parcel tax was approved by voters in a special election on May 8, 2007 and is apportioned to real property at a rate of $125 per qualified parcel[3] per year within the District. The tax is collected annually by Mendocino County and Humboldt County and will be automatically rescinded after the 2017-2018 fiscal year, unless renewed by voter approval.

[2] Property taxes are levied by Humboldt County on the District's behalf and are intended to support operations. The amount of property tax received is dependent upon the assessed real property valuations, as determined by the Humboldt County assessor. The District received approximately 20% and 19% of its financial support from property taxes during the years ended June 30, 2011 and 2010, respectively.

[3] A qualified parcel of real property for the purposes of the special tax is every assessor's parcel for the applicable tax year except those parcels which have a low value exemption as determined by the County Board of Supervisors and those vacant parcels which are determined by the County Assessors to be wholly or partially within a Timberland Production Zone or under an Agricultural Preserve Contract.

The SHCHD filed Chapter 9 Bankruptcy[4] in 1998. The SHCHD stopped making payments on then outstanding USDA 1980 bonds until they were allowed to re-amortize the bonds at which time they resumed repayment. At the time of the bankruptcy, SHCHD also had a HELP I loan (originated in 1989 for $29,000) which was not secured by anything other than SHCHD's promise to pay. Ultimately, the remaining balance was written off by the Authority.

In 2010, the SHCHD was granted a 15 year fixed term HELP II loan for $569,000 from the California Health Facilities Financing Authority (CHFFA). The Loan was used to renovate SHCHD's existing facility to comply with seismic safety requirements set forth in Senate Bill 1953. The District also has capital lease obligations as shown below.

Table 1:
Long-Term Debt

	Original Amount	Amount Outstanding as of June 30, 2011	Amounts Due within 1 Year
Hospital Revenue Bonds of 1980[a]	$ 751,125	$ 480,892	$ 48,350
Capital Lease[b]	$ 129,162	$ 64,371	$ 27,189
HELP II Loan, 2010[c]	$ 569,000	$ 555,408	$ 30,576
Equipment Secured Note[d]	$ 39,906	$ 35,153	$ 7,367
Total Long-Term Debt		**$ 1,135,824**	**$ 113,482**

[a] Secured by a pledge of gross revenue and a first deed of trust on District facilities.

[b] Payable to a supplier, with monthly payments of $2,613, including imputed interest at 8.0%, through October, 2013. The note is secured by equipment.

[c] Note payable to CHFFA in monthly installments of $3,930, including interest at 3.0%, though January 2026. The note is secured by property.

[d] Note payable to financing company in monthly installments of $763, including interest at 5.6%, though October 2015. The note is secured by equipment.

Table 2:
Capital Assets

	Balance June 30, 2010	Additions	Balance June 30, 2011
Land and land improvements	$222,844	-	$222,844
Buildings and improvements	734,701	-	734,701
Equipment	1,593,724	155,513	1,749,237
Total Depreciable Capital Assets	2,551,269	155,513	2,706,782
Less: Accumulated depreciation	(2,136,418)	(89,037)	(2,225,455)
Net Depreciable Capital Assets	414,851	66,476	481,327
Construction in progress	156,454	505,622	662,076
Capital Assets - Net	571,305	572,098	1,143,403

[4] A Chapter 9 Bankruptcy is a repayment plan between municipalities and creditors, which can include reducing the outstanding debt or interest rate, extending the term of loans and refinancing debts.

Based on financial records, the SHCHD appears to have improved its operations, which is reflected by an increase in total revenues and net assets. For example, SHCHD now operates with total net assets of 2,189,663 for FY 2011, compared to $1,388,948 for FY 2010, with most of the improvement relating to higher net patient service revenue. This can be attributable to SHCHD's efforts to: (1) maximize cost-based reimbursement from primary insurance payors Medicare and Medi-Cal, (2) improve charge capture and billing of services provided to patients and (3) improve third-party reimbursement rates through contract review and negotiation.

Table 3:
Balance Sheets

June 30	2011	2010
Assets		
Current Assets	$ 3,295,629	$ 2,094,478
Capital Assets - Net	1,143,403	571,305
Deposits	5,852	5,852
Total Assets	4,444,884	2,671,635
Liabilities and Net Assets		
Current Liabilities	$ 1,232,909	$ 737,424
Long-Term Debt	1,022,342	545,263
Total Liabilities	2,255,251	1,282,687
Net Assets	2,189,633	1,388,948
Total Liabilities and Net Assets	$ 4,444,884	$ 2,671,635

Table 4:
Statements of Revenues, Expenses, and Changes in Net Assets

Years Ended June 30	2011	2010
Operating Revenue	5,068,693	4,868,012
Operating Expenses	5,617,377	5,260,842
Operating Loss	(548,684)	(392,830)
Nonoperating Income	1,349,369	1,237,261
Change in Net Assets	800,685	844,431
Net Assets		
Beginning of Year	1,388,948	544,517
End of Year	2,189,633	1,388,948

The SHCHD has increased its cash reserves through stricter financial management. As shown below, Cash and Cash Equivalent was approximately $ 1,972,592 for FY 2011, compared to approximately $198,000 for FY 2009. The SHCHD secured a line of credit in October 2009 for up to $250,000 to serve as a backup reserve account in the event of any cash flow shortage. SHCHD has periodically had to rely on this line of credit since October 2009 primarily due to delays in receiving third party settlement receivables and county tax payments.

Table 5:
Cash and Cash Equivalents

		Fair Value	
	Maturities	2011	2010
Cash and Cash Equivalents			
Cash on hand		$795	$795
Cash in bank		1,045,493	486,392
County treasurer's investment pool	27.8 months average	926,304	279,801
Total Cash and Cash Equivalents		$1,972,592	$766,988

MUNICIPAL SERVICES REVIEW DETERMINATIONS

56430. (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the subregion, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:

1) Growth and population projections for the affected area.

Purpose: To evaluate service needs based upon existing and anticipated growth patterns and population projections.

The SHCHD provides healthcare services to approximately 9,400 people within southern Humboldt and northern Mendocino counties. Residents and visitors depend on the healthcare services provided by the SHCHD and would otherwise have to drive long distances to Fortuna or Eureka for care. As the population grows, the SHCHD will need to expand services and technology to meet community needs. For example, different age groups represent a range of healthcare needs, such as registered nurses for home health care, pediatrics, family and long-term healthcare, and geriatrics for an aging population. The SHCHD will need to ensure that their areas of focus meet the needs of the population.

2) The location and characteristics of any disadvantaged unincorporated communities[5] within or contiguous to the sphere.

Purpose: To identify communities that lack basic services and may benefit being included within the district's service area in the future.

The SHCHD's sphere of influence is currently coterminous with the District's service area boundary, which includes southern Humboldt and northern Mendocino Counties. New state legislation to consider needs of disadvantaged unincorporated communities is primarily to ensure that the needs of those communities are met when considering service extensions and/or annexations. In consultation with District representatives, LAFCo staff determined that surrounding communities including Ettersberg, Honeydew and Petrolia are covered by existing small emergency response services and would travel to Redwood Memorial in Fortuna for specialized healthcare services. No communities were identified that would benefit from being included within the SHCHD's service area.

3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere.

Purpose: To evaluate the infrastructure needs and deficiencies in terms of supply, capacity, condition of facilities, and service quality.

The determination to address sewers, municipal and industrial water, and structural fire protection is not applicable to the District, as they do not provide those services. However, the SHCHD does provide public healthcare services and operates the Jerold Phelps Community Hospital and Southern Humboldt Community Clinic in Garberville.

The SHCHD purchased their facilities and hospital operations in 1980 for $1.35 million. The building is 48,000 square feet, consisting of five parcels located on approximately 1.1 acres. The District is working to build reserves to build or occupy a new hospital by 2025, in order to meet seismic safety requirements set forth in Senate Bill 1953. The District has received an extension of time to comply with SB 1953 until January 1, 2020.

[5] A disadvantaged unincorporated community is defined as any area with 12 or more registered voters where the annual median household income is less than 80 percent of the statewide annual median household income (pursuant to Government Code Section 56033.5 and Water Code Section 79505.5). Using data from the 2010 Census, the statewide annual median household income is $54,459 and eighty percent is $43,567.

4) Financial ability of agencies to provide services.

Purpose: To evaluate a jurisdiction's capacity to finance needed improvements and services.

The SHCHD's financial statements show increased total revenues and net assets. Tax revenues, which are approximately 20% of the District's financial support, are projected to remain consistent. According to financial statements, the SHCHD's operating expenses, or all expenses incurred to provide healthcare services other than financing costs, have increased approximately 6% from FY 2010 to 2011, with operating revenues increasing proportionately. The District's financial health has improved considerably in the last 5 years due to increased cost-based reimbursement of Medicare and Medi-Cal, as well as improved District operations. This positive trend can be attributed to recent changes in management, operations and budget processes.

5) Status of, and opportunities for, shared facilities.

Purpose: To evaluate the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems.

One of the best management practices identified for healthcare districts is the ability to collaborate with other service providers and form partnerships that enhance the level of healthcare services provided within a district's service area. The SHCHD is seeking to enhance this through telemedicine and potentially electronic health record implementation. In addition, the SHCHD is seeking informal affiliation with St. Joseph's Health Systems, which operates the nearest "receiving hospitals," Redwood Memorial in Fortuna and St. Joseph's in Eureka. All three hospitals are working together to develop protocols for transfers between the hospitals.

6) Accountability for community service needs, including governmental structure and operational efficiencies.

Purpose: To evaluate the internal organizational structure of the jurisdiction and to consider the advantages and disadvantages of various government structures to provide public services.

With regard to management efficiencies, the SHCHD hired an experienced Administrator to manage the District in 2009. Under new management and Board direction, the SHCHD has accomplished a facility retrofit and given staff an across-the-board wage increase. In addition, long-range planning for equipment, technology and process improvements is now part of weekly brainstorming and monitoring at management meetings. The SHCHD also conducts an annual strategic planning process to review strategies, goals and accomplishments.

With respect to various government structure options, given the increased financial stability and capacity to provide vital healthcare services in traditionally underserved communities, no government structure options were identified as possible alternatives at this point in time.

7) Any other matter related to effective or efficient service delivery, as required by commission policy.

There are no further matters related to effective or efficient service delivery to report at this time.

SPHERE OF INFLUENCE DETERMINATIONS

56425. (e) In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determinations with respect to each of the following:

1) The present and planned land uses in the area, including agricultural and open-space lands.

The SHCHD consists of unincorporated resource and rural residential land uses in Humboldt and Mendocino Counties. The Humboldt County Framework General Plan and proposed General Plan Update designate most of the lands within the Humboldt County portion of the SHCHD as Timberland, Public Lands, and Rural Residential. In addition, several Community Planning Areas (CPA), as identified in the Humboldt County General Plan Update are located within the SHCHD including Garberville-Redway-Benbow CPA, Shelter Cove CPA, Avenues CPA (Stafford-Redcrest, Weott, Myers Flat, Miranda, Phillipsville), and Alderpoint CPA. In Mendocino, the Mendocino County General Plan designates the majority of land as Forest Land and Remote Residential.

2) The present and probable need for public facilities and services in the area.

The SHCHD provides healthcare facilities and services to approximately 9,400 people in southern Humboldt and northern Mendocino counties. The nearest hospital to Jerold Phelps Community Hospital is Redwood Memorial Hospital in Fortuna, approximately 51 miles north of Garberville. The Jerold Phelps Community Hospital is a Critical Access Hospital, which is a federal designation given to acute care hospitals located in rural areas over 35 miles from another hospital. The reimbursement that CAHs receive is intended to improve their financial performance and thereby reduce hospital closures.

3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The SHCHD provides a range of healthcare services and facilities, including the Jerold Phelps Community Hospital with an attached Skilled Nursing Facility and Community Clinic. The District's financial health has improved considerably in the last 5 years due to increased cost-based reimbursement of Medicare and Medi-Cal, as well as improved District operations. A challenge for the District will be building enough cash reserves to comply with State-mandated seismic retrofit requirements.

4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The SHCHD supports the mutual social and economic interests of the communities in southern Humboldt and northern Mendocino Counties by providing vital emergency care and other healthcare services. No areas of social or economic interest are known that are not already being served by the district.

5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere.

The SHCHD's Sphere of Influence is proposed to remain coterminous with the District's service area boundary. The Municipal Services Review determination made for disadvantaged unincorporated communities applies here to this determination as well.

REFERENCES

Critical Access Hospital Case Study, Jerold Phelps Community Hospital, Garberville, CA. 2011. Prepared by Rural Health Solutions

Information Questionnaire completed by the SHCHD. 2012

Financial Statements with Independent Auditors' Report for June 30, 2011 and 2010. Prepared by Matson and Isom.

Overview of Health Care Districts. April 11, 2012. Prepared by the California Legislative Analyst's Office

Appendix A

Listing of Top Goals and Accomplishments during 2011-2012 - this is a partial list

Improve community confidence and awareness –

- (ER) Increase next day follow up calls made to ER patients to 85% or greater.
- (Board) Send written responses to 100% of members of the community who send written complaints or pertinent concerns to the Board.
- (Radiology) Re-certify and license the new Digital Mammography services.
- (Clinic) Review the current clinic "test result" policy and to improve the clinic notification procedure to include standard notification of "normal" test results.
- (Clinic) Implement smoking cessation referral program for maintained compliance with Cancer Detection Program
- (Clinic) Reduce wait times for patients to be seen by Provider in clinic
- (ER/Hospital) All nursing staff required to be ACLS (Advanced Cardiac Life Support) and PALS (Pediatric Advanced Cardiac Life Support) certified.
- (Medical Staff) Expand our peer review program District-wide including, ER, Hospital, Skilled Nursing Facility and Clinic.
- (ER/Hospital) Write new policies and procedures and train nursing and medical staff on how to use new Intraosseous (IO) equipment.
- (Nursing/Medical Staff) Improve auditing and compliance with Medication Error Reduction Plan (MERP)
- (Clinic) Upgrade our electronic patient scheduling system to integrate with registration and billing system (funded by USDA Community Facilities Grant)
- (Hospital/Skilled Nursing Facility) Received grant to purchase new beds in nursing home. Purchased all new beds for hospital and room furniture for hospital and nursing home. Included two advanced patient monitoring beds for Acute care.
- (PFS/Clinic) Improved phone system to ensure all patients who call the clinic during business hours have calls answered by a live PFS representative.
- (Clinic) Installed improved "sound proof" doors in clinic for increased privacy.
- (Lab) Increased lab patient visits by 14.9% over prior year.
- (District) Recruited a full-time community-based Physician to begin work August 14, 2012.
- (Hospital) Increased acute and swing bed census to 3.46 patients per day which is a 54% increase over prior year.

Develop a workplace that promotes patient and employee satisfaction

- (IT) Obtained medical grade quality broadband services approval through California Telehealth Network grant project.

Other (Mission: Provide optimal patient care, operational efficiency and financial stability)

- (ER) Increase timely completion of ER clinical record to 85% or greater.
- (ER) Increase completeness of ER Downtime registration to 90% or greater.
- (PFS) Increase registration accuracy to 98% or better.
- (Lab) Increase the percentage of timely lab reports from 83% to 97.5%.
- (EVS) Decrease Laundry from 17 to 15 loads per week.
- (EVS) Increase staff meeting frequency to two monthly meeting.
- (HIM/Nursing/PFS) Implement new team-based utilization review for all Acute and SNF admissions.
- (HIM) Implement HIPAA Privacy audit practices to insure continued compliance.
- (Clinic) Accurately identify all services provided to clinic patients and submit charge sheet to Patient Financial Services within 48 hours.
- (Clinic) Installed new clinic exam room door chart holders.
- (District) Began using new strategic planning tool called Focus & Execute to track Board-level goals and Management-level goals and actions.