MARIN HEALTHCARE DISTRICT
SERVICE REVIEW AND
SPHERE OF INFLUENCE UPDATE

Marin Local Agency Formation Commission

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ACKNOWLEDGEMENT

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I. INTRODUCTION

A. Purpose

This report is presented as part of a process mandated by Sections 56425 and 56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. As stated in that section, "In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local government agencies so as to advantageously provide for the present and future needs of the county and its communities, the Local Agency Formation Commission shall develop and determine the sphere of influence of each local governmental agency within the county." As used in this section, ***"sphere of influence" means a plan for the probable physical boundaries and service area of a local government agency.***

In determining a sphere of influence, the Commission is required to consider and make written findings with respect to the following factors:

- The present and planned land uses in the area, including agricultural and open space lands.
- The present and probable need for public facilities and services in the area.
- The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.
- The existence of any social or economic communities of interest in the area if the commission determines they are relevant to the agency.

Changes to State law effective on January 1, 2001 require LAFCOs to study the service relationships between agencies providing municipal services within different sub-regions in each county prior to the periodic review of adopted spheres of influence. In this report, discussion of service review determinations required by Section 56430 precedes recommendations for the sphere of influence of the public agency under study, the Marin Healthcare District.

The actual effect of these or any other adopted spheres of influence will be to provide LAFCO and local communities with policy guidance on matters relating to the boundaries and organization of local government agencies. In short, the purpose of the Commission's sphere determinations is to answer the question, "What local agencies should provide which services to what geographical area as communities change?" More information on LAFCO and on all of Marin County's local governments, services and boundaries may be found on the Commission's website at http://lafco.marin.org.

B. Scope of Review & LAFCO's Role in Healthcare Services

As described above, LAFCO is required to conduct municipal service reviews and sphere of influence update studies for all cities and special districts in each county. Overall, the subject matter is the set of municipal-type services provided by those agencies – such as water, sewer, police, fire, street maintenance, community development etc. LAFCO's boundary setting authority is generally connected with land use planning, orderly local government relationships and the protection of the environment rather than regional or social services.

The State Legislature created healthcare districts a half-century ago so that a local district could harness the financial capability of the property tax to finance the construction of hospital facilities during a period of rapid population growth and comparatively undeveloped capital markets that now provide private financing for healthcare facilities of all types. The use of the property tax for this purpose required an organization with a boundary and service area – a special district.

The use of the property tax has been largely lost to healthcare districts and healthcare district boundaries no longer determine their service area or role in provision of health services. However, healthcare districts continue to meet the definition of 'special district' subject to LAFCO authority. LAFCO's authority has little connection to healthcare services, but would be employed under a worst-case scenario in which Marin Healthcare District was to be dissolved. Therefore, this report is drafted to summarize and describe the institutional context in which Marin Healthcare District provides its services and to comply with the study and determination mandates of the Cortese-Knox-Hertzberg Act.

II. MUNICIPAL SERVICE REVIEW

A. Health Care Districts in California

Hospital districts in California began forming in the mid 1940's in order to fund construction and operation of hospitals in rural and urbanizing areas. Districts were given the authority to levy taxes and issue bonds for this purpose. Over time, health care costs increased and reimbursement from insurance and federal and state sources became more restricted. Changes in costs and funding, advances in medicine and new approaches to medical business administration that reduced length of hospital stays resulted in a shift of emphasis in health care practice to include both hospital operation and diverse outpatient services. Hospital district boards became increasingly concerned about the ability of publicly operated districts to compete with managed care as well as their competitive ability to attract staffing. They responded in some cases by divesting themselves of hospitals or, more often, by forming partnerships with private hospital and clinic operators.

Key legislative events related to changes in hospital districts include:

- Proposition 13 in 1978 which resulted in restricted access to property tax revenues for hospital districts.

- In 1993, the Legislature amended hospital district enabling legislation renaming hospital districts "health care districts" and expanding the definition of health care facilities to reflect changes in medical practice in which health care was taking place more and more as an outpatient service.

- In 1994, the legislature established seismic safety standards for hospitals requiring compliance by 2013 and, in many cases, replacement of existing hospitals.

B. Health Care District Powers & Services

A full and complete listing of the powers afforded to health care districts is located in Health and Safety Code Sections 32121 – 32137. More generally, health care districts are enabled to establish and operate health facilities or services, including outpatient programs, services and facilities, retirement programs, chemical dependency programs, or other health care programs, services and facilities *at any location inside and outside the district for the benefit of the district and people served by the district*; to provide ambulance service and to establish a

nurses' training school or child care facility for the benefit of employees or residents of the district.

C. Marin Healthcare District

Hospitals were established by healthcare districts under the Local Hospital District Act of 1945, a law intended to support the development of acute care hospitals in rural and post war suburban areas of California.

Under the law, a district board owns the facility and controls both the hospital's management and administration. Initially, the principal advantage of a district hospital was its ability to levy taxes without a vote of the people. That advantage was lost with the passage of Proposition 13 in 1978 and later laws limiting taxation without super-majority approval. There were as many as 66 District Hospitals in the early 1980s. There are currently 52 district hospitals in California operated by 73 health care districts. Healthcare districts in other counties that do not operate acute care hospitals offer a variety of outpatient clinics and programs.

The Marin County Hospital District (later renamed the Marin Healthcare District) was formed in December 1946, when the Marin County Board of Supervisors appointed the original five members - one from each of the five supervisorial districts. The supervisors took the action after a majority of voters, concerned with the general adequacy of medical care in the county, approved the District's formation in the November elections. The District initially included all of Marin County and in 1959, Novato and parts of West Marin voted to withdraw from the District.

In 1985, the District executed a 30-year lease with Marin General Hospital Corporation (MGH Corp.), organized as a private, non-profit 501(c)(3) corporation. Under the agreement, MGH controlled all hospital operations, including patient care, finances and administration. The District functioned as landlord, retaining ownership of land and buildings and the District Board no longer had a direct role in operation of its hospital.

MGH Corp. continues to hold the original lease which runs through 2015. MGH Corp. then affiliated with California Healthcare Systems. In 1995, California Healthcare Systems merged with Sutter Health. In 2006, after a prolonged period of public controversy concerning governance and control of the hospital, the Marin Healthcare District, MGH Corp., and Sutter Health, entered into a Settlement and Transfer agreement that returned control of Marin General Hospital to the District Board earlier then the end of the lease in 2015. Control of

Marin General Hospital was returned to the Marin Healthcare District Board on June 30, 2010.

The District Board's goals for the return of MGH to public control were to operate a "free standing" hospital (not tied to a private corporation and an extensive network of private hospitals) and that the hospital be community governed and accountable to the public. The General Provisions of the District's newly adopted by-laws read, in part (emphasis added):

> The ***District will assume the role of sole corporate member of MGH Corporation effective June 30, 2010 and will thereupon enter into a relationship with MGH Corporation based on the parent/affiliate relationship*** established by corporate membership and new Bylaws to be adopted by MGH Corporation. The Healthcare District is therefore committed to fulfilling its role with regard to MGH both as corporate parent and facility owner. ***It is the policy of the District, however, to confer no authority or powers of the District inherent in the District's public agency status to MGH Corporation, and the District retains all those powers and authorities granted to the District by the State by reason of its status as a political subdivision of the State of California.*** The District is committed to exercise its oversight authority as both corporate parent and facility owner (Lessor) consistent with the best interests of the healthcare needs of the residents of the District and consistent with the need for long term successful operations of MGH and other healthcare pursuits of the District. (emphasis added)

The re-stated mission of the Marin Healthcare District is to enhance the provision of quality health care in the communities served by the District; to support the highest quality medical, trauma and psychiatric care at Marin General Hospital; and to monitor and enforce the lease of Marin General Hospital to ensure the optimum operation of the Hospital for the benefit of the communities it serves. The Marin Healthcare District advocates quality and reasonably priced health care, provides a public forum for discussion of health care issues affecting communities served by the district, and is an advocate for California district hospitals, at-large.

Under the new bylaws, the District board has oversight authority on fundamental hospital issues, and will require MGH Corp to provide regular public reporting on a range of operational issues. District Board approval will be required for hospital-related actions that primarily effect hospital ownership status, while the MGH Corp Board will have responsibility for overseeing the hospitals operations, patient safety, patient/physician/employee satisfaction, and strategic planning.

MGH Corp is governed by an eleven-member board of professionals in medicine, business, finance, healthcare administration or other related field. Members of the present board were appointed by the Healthcare District Board of Directors in July 2010 when MGH Corp ended its management agreement with Sutter Health. The new board of MGH Corp will henceforward appoint new members to itself when necessary.

The principle advantage to this form of governance is to assure professional expertise in business, medicine, finance and other relevant fields as well as diversity of representation for guidance of complex hospital operations. A five member board elected at large would be unlikely to embody this range of knowledge and experience. The Hospital Board is accountable to the District Board and the District Board is accountable to the public. The intent is to assure both political accountability and broad technical expertise in the District's governance with both components necessary to maintain public confidence.

Following the transfer of control of MGH on July 1, 2010, a single management team (including Chief Executive Officer, Chief Financial Officer, Chief Fund and Business Development Officer and Chief Human Resources Officer) assumed staff responsibilities for both boards. All employees of the hospital and both governing boards are administratively employees of MGH Corp.

D. Healthcare Districts, Indigent Care & the Healthcare Safety Net

State and county programs are responsible for indigent medical care. Health care districts were set up in order to provide a financing mechanism for construction and operation of hospitals in areas likely to remain under-served by medical facilities. The fact that health care districts are public agencies does not make them responsible for indigent medical care any more than any other hospital.

Health and Safety Code Section 32125(b) provides that: "*A district shall not contract to care for indigent county patients at below the cost for care. In setting the rates the board shall, insofar as possible, establish rates as will permit the district health care facilities to be operated upon a self-supporting basis. The board may establish different rates for residents of the district than for persons who do not reside within the district.*"

The indigent healthcare programs administered by the County of Marin pay the costs of medical services provided to indigent clients by Marin General Hospital. These programs are described here and in subsequent sections of this report.

In November, 2008, the County published the Marin County Healthcare Safety Net Study[1] under the direction of the County's Department of Health and Human Services. The purpose of the study was to assess risks to the County's healthcare delivery system and make recommendations on policy opportunities to the County as well as other healthcare organizations. Although the study's primary focus was on uninsured or under-insured residents, much of the analysis is tied to the overall adequacy of the County's network of public, private and private non-profit medical service capacity, the connections within the overall system being particularly important as severe recession was accelerating, the governance of Marin General Hospital was in transition and major federal healthcare legislation was under active consideration.

The Safety Net study's major conclusions were as follows:

- Current capacity is adequate for current demand [for safety net populations] but there is considerable uncertainty for the future (areas of uncertainty including mental health, dental, women's health services and services in the County's rural area; also overall change in national healthcare programs, and local hospital facilities of the Marin Healthcare District);

- Changes in demand are likely to occur as the payer mix changes (i.e. the numbers of uninsured [Medi-Cal] and under-insured are likely to rise, the number of Medicare patients will rise with the County's aging population and employer-based health insurance will decline with increases in direct-purchase insurance not necessarily keeping pace with that decline). In addition, shortages of health professionals in Marin County at all levels will create challenges in meeting increased demand;

- Marin County is not immune from the effects of the recession on the healthcare system (including the increase in uninsured, reduction in philanthropic support and effects on the capital market for healthcare facilities such as seismic retrofit of Marin General Hospital);

- Marin County will be able to address future needs (sufficient capacity is likely to be available - at least on a regional basis – under worst case scenarios).

Since the Safety Net study was completed in late 2008, the effects of the economic recession and healthcare reform legislation at the federal level continue to play out. This is especially true at the state level, where measures to address the

1 The Abaris Group, *Marin County Healthcare Safety Net Study,* November 2008

State's budget deficit contain prospective reductions to Medi-Cal programs placing limits on treatment for chronic illness, reduction in reimbursement rates and a variety of other significant service cuts. The short-term damage to the healthcare safety net done to address the State budget deficit will interact with the long-term impacts of federal healthcare legislation in unpredictable ways.

At the local level, the County has opened an integrated healthcare campus for improving access to services for safety net consumers as well as emphasizing healthy living or long-term, "upstream" health strategies such as nutrition programs, volunteerism and non-profits in disease management/prevention programs and continued emphasis on access to open-space resources. The Marin County Health and Wellness Center opened in San Rafael in 2009.

The other significant development at the local level was that the Marin Healthcare District severed its relationship with Sutter Health, re-establishing public policy control over Marin General Hospital as previously discussed.

In commenting on the Abaris Group's study, County Health and Human Services staff provides the following updates:

1. Capacity issues are at the forefront of concerns both for Marin General Hospital and for the County as a whole. The Healthcare District Board has been working on the development of provider capacity for the commercial population, funding the purchase of primary care clinics in Sausalito and in West Marin and seeking to increase the number of community providers through alliances with the Marin Independent Practice Association and other groups.
2. MGH has convened a working group that includes representatives of the County; of the Independent Practice Association; of Marin Community Clinics and of community obstetricians to develop a broad model for obstetric services that envelopes both safety net and commercial clients.
3. The County, and specifically HHS, have been focusing on the provider capacity issues as well:
4. The County strongly supports the efforts of the Marin Community Foundation (MCF) in its allocation of funds provided by Sutter Health to strengthen the capacity of county's community clinics: Marin Community Clinics (with sites in San Rafael, Greenbrae and Novato); Coastal Health Alliance (with three sites in West Marin); Ritter House (primarily serving the homeless, in San Rafael); and the Marin City Health and Wellness Center.
5. In recent months, the Department of Health and Human Services has been seeking to address the strength of the safety net through a variety of initiatives:
    a) Ongoing restructuring efforts leading to the County transitioning from a direct provider of (some) services to a broader, assurance role to strengthen the health care safety net.

b) Facilitation of community clinic efforts, including participation in MCF grants regarding adult immunizations as well as close partnerships and contractual relationships with each of the clinics noted above.
c) Support to Partnership Healthplan and its efforts to better coordinate and strengthen the County's safety net.
d) Participation in the County Medical Services Program (CMSP) and its pending application for grant funding to extend CMSP services to a larger number of Marin County residents.
e) Note that both federal health care reform and the State's Medicaid waiver encourage efforts to better coordinate among safety net services, including mental health and alcohol and drug services and the County is looking at restructuring efforts that align with this direction.

Continuing concerns over provider and workforce capacity are expected to be the focus of the County as well as of the Marin Healthcare District.

E. Marin County Services and Programs

Counties are mandated by the State of California to provide for the health, safety, and welfare of the citizens of Marin County. They have the responsibility to provide healthcare in emergency situations and to the under-served which is complementary to that provided by private and public healthcare providers.

Marin County relies on MGH as a site where County-operated or sponsored services are provided. Following are the programs and services of MGH that meet identified health care needs in the County.

- *General hospital services to low-income and other Marin residents:* The hospital has nearly twice the number of annual discharges as Kaiser-San Rafael, the second largest hospital in the County. MGH provides the preponderance (72%) of care for Marin residents covered by Medi-Cal, County or other indigent care programs.
- *Specialized services including maternity; psychiatry; and services for those who have been sexually assaulted:* The hospital has a wide range of services that are sponsored or funded by the County and provides important programs for County residents as a whole. As discussed above, MGH is the only hospital in the County that offers maternity services, including to low-income and uninsured patients who receive prenatal care through the County-organized obstetrical service. It has the busiest emergency room in the County, and provides space for the County's Sexual Abuse Response Team (SART) program conducted by the County's nurse-midwives. It is the only provider of acute psychiatry and psychiatric emergency services, in a relationship governed by contracts with the County.

- *Trauma Care services:* MGH is the only Marin hospital with EMS designation as a Level III Trauma Center. Patients rely on the hospital's emergency room for almost 100 visits per day.
- *Public health emergencies:* While all hospitals in the County, including Kaiser, participate in County public health programs and disaster planning, because of MGH's greater size and range of services it plays an especially critical role in these areas. MGH has the greatest "breadth and depth" of hospital services in the County. There appears to be a clear need for hospital services in southern Marin County for a broad disaster preparedness response.

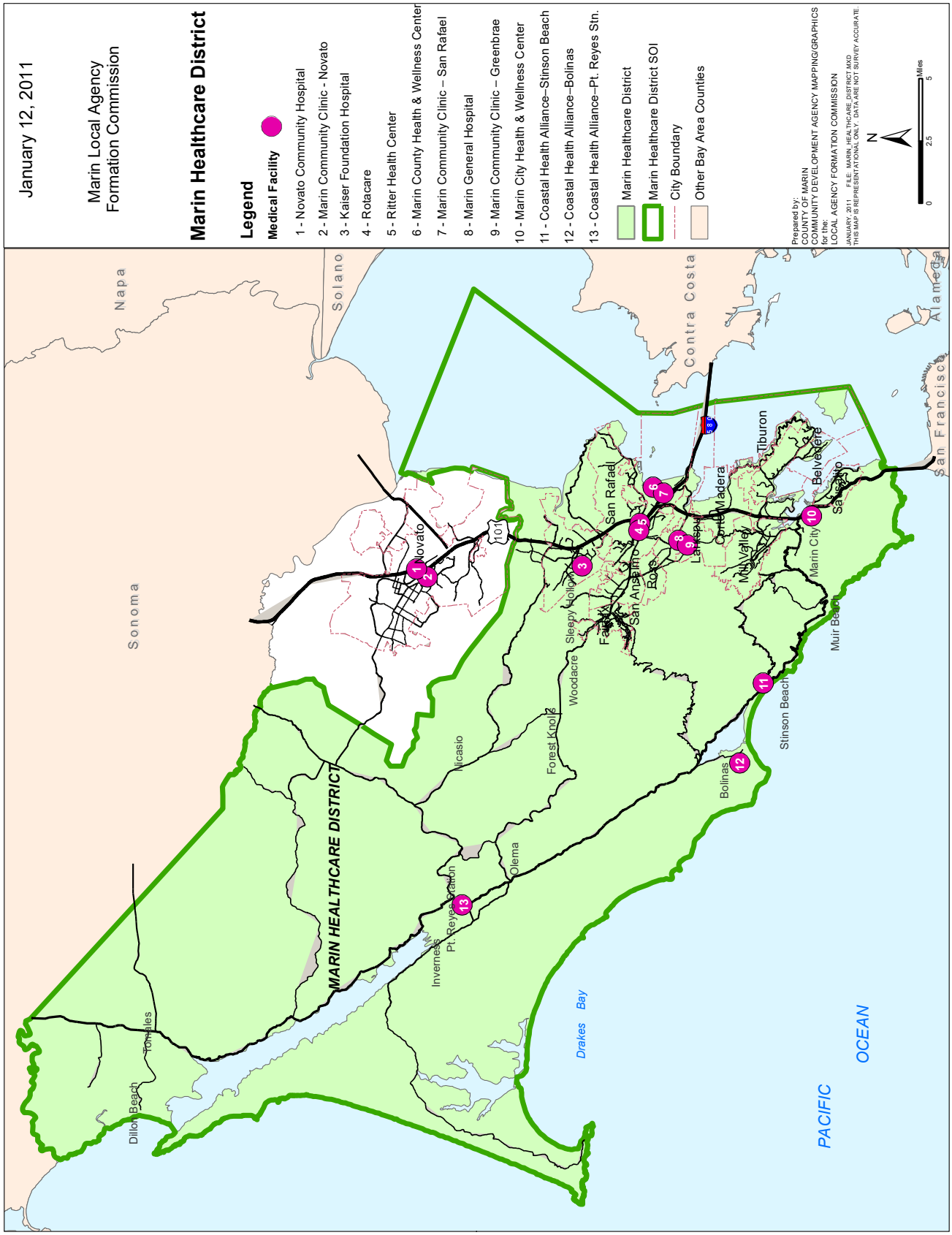
Other County Healthcare Programs include:

- Inpatient Mental Health Unit
- County Mental Health Programs
- Hospital Services for Medi-Cal and CMSP Beneficiaries
- Hospitalization of Referrals from Detention Medical Services
- Labor and Delivery Services
- Sexual Assault Response Team (SART)
- Child Protective Service-Related Examinations
- Emergency Room and Trauma Services
- Detoxification Medical Clearances
- Public Health Disaster Preparedness [2]

F. Marin County Healthcare Facilities

The map on page 13 shows the jurisdictional area of the Marin Healthcare District and the geographic distribution of hospitals and primary care clinics in Marin County. The following sections of this report briefly describe these facilities and their relationship to Marin Healthcare District

2 A Review of Health Services Developments in Marin County; The Lewin Group; September 15, 2006.


January 12, 2011
Marin Local Agency Formation Commission
Marin Healthcare District
Legend
Medical Facility
1 - Novato Community Hospital
2 - Marin Community Clinic - Novato
3 - Kaiser Foundation Hospital
4 - Rotacare
5 - Ritter Health Center
6 - Marin County Health & Wellness Center
7 - Marin Community Clinic – San Rafael
8 - Marin General Hospital
9 - Marin Community Clinic – Greenbrae
10 - Marin City Health & Wellness Center
11 - Coastal Health Alliance–Stinson Beach
12 - Coastal Health Alliance–Bolinas
13 - Coastal Health Alliance–Pt. Reyes Stn.
Marin Healthcare District
Marin Healthcare District SOI
City Boundary
Other Bay Area Counties
Prepared by:
COUNTY OF MARIN
COMMUNITY DEVELOPMENT AGENCY MAPPING/GRAPHICS
for the
LOCAL AGENCY FORMATION COMMISSION
JANUARY, 2011
FILE: MARIN_HEALTHCARE_DISTRICT.MXD
THIS MAP IS REPRESENTATIONAL ONLY; DATA ARE NOT SURVEY ACCURATE.
N
0
2.5
5
Miles
MARIN HEALTHCARE DISTRICT
Napa
Solano
Sonoma
Contra Costa
Alameda
San Francisco
Novato
San Rafael
Corte Madera
Larkspur
Tiburon
Belvedere
Sausalito
Marin City
Muir Beach
Mt. Valley
San Anselmo
Fairfax
Ross
Sleepy Hollow
Woodacre
Forest Knolls
Lucas Valley
Nicasio
Olema
Pt. Reyes Station
Inverness
Bolinas
Stinson Beach
Dillon Beach
Tomales
Drakes Bay
PACIFIC
OCEAN
101
580

Acute Care Hospitals

Marin General Hospital

Marin Healthcare District owns Marin General Hospital (MGH) in Ross Valley, one of three acute care hospitals in Marin County. MGH is operated by the District's subsidiary, Marin General Hospital Corporation. As discussed at greater length elsewhere in this report, the Marin Healthcare District's boundary shown on Map 1 does not necessarily define MGH's service area.

Also as noted above, Marin General plays a very significant role as the main location for providing healthcare services under County responsibility. Marin General is by far the largest and busiest of the acute care hospitals in Marin, partly due to the breadth of services it provides. It is the only hospital that provides perinatal (maternity) beds, neonatal ICU beds, pediatric beds, and psychiatric beds. In 2005, Marin General provided more patient days of care than Novato Community Hospital (NCH) and Kaiser combined, and cared for 50% more emergency patients than Kaiser. It also had the largest volumes of inpatient and outpatient surgeries of any hospital in Marin.

During an extended period of public controversy regarding the operation of MGH under the management of Sutter Health and prior to the transition of control back to Marin Healthcare District, there existed public concern over the hospital's long term business viability.[3] That concern appears to have abated with the District's re-establishment of management control, and its new focus on business and institutional relationships.

Novato Community Hospital

Novato Community Hospital (NCH) is owned and operated by Sutter West Bay Hospitals, a region division of Sutter Health Inc. The hospital has been under Sutter's management for approximately 25 years.

NCH participates in joint health facility planning under the Healthy Marin Partnership with the County and other healthcare organizations in performing triennial needs assessments. NCH has no contract or other service arrangement with the County, but serve Medi-Cal patients and works with Marin Community Clinic to coordinate ongoing care for indigent patients.

NCH presently has 47 beds. In 2008, the Marin County Healthcare Safety Net Study's capacity analyses assumed construction of an additional 50 beds at the

3 *The Marin County Healthcare Safety Net Study* contains a scenario for analysis of closure of Marin General Hospital.

Novato facility under some scenarios. Plans for that expansion have been dropped by Sutter Health due to lack of projected demand.

Kaiser Hospital Terra Linda (San Rafael)

In 1966 Kaiser Permanente purchased the Terra Linda Valley Convalescent Hospital in Northern San Rafael. Kaiser has steadily expanded the facility on that site (Montecillo Road) since that time as well as opening satellite facilities in central San Rafael, Mill Valley and Novato. The Kaiser organization is a nation wide health maintenance organization, funded by the insurance premiums of its members. Kaiser at Terra Linda offers similar services to those available at MGH with the exceptions of maternity and psychiatric services.

Primary Care Facilities

Marin County Health & Wellness Center

Owned and operated by the County of Marin, Marin County Health & Wellness Center is a single campus-like location for residents of Marin to access a range of health services including primary medical care (through Marin Community Clinic), WIC (women, infants and children) services, mental health, disease prevention, health education and other services. The Center is the primary site for the County medical and social services that include children's mental health, adult mental health, children and family services, WIC, and medical services provided directly by the county for immunization, HIV/STD, Hepatitis and tuberculosis testing and treatment. The County leases a portion of the campus to Marin Community Clinics for provision of primary medical care (see below). County services in obstetrics/gynecology and maternity have been or will soon be transferred to the adjacent Marin Community Clinics in order to gain advantaged rates of state and federal program reimbursements.

The various medical and other programs offered at the Health and Wellness Center are funded by federal and state reimbursements specific to individual programs for which the County acts as a conduit for administration and implementation (i.e. WIC and Medi-Cal).

Marin Community Clinic

Marin Community Clinic (MCC) was organized in 1972 as a "free clinic," initially operating in several churches in Mill Valley and other communities. MCC now

operates as a private non-profit corporation at three clinic locations in Greenbrae (at Marin General Hospital), Novato and in San Rafael, where MCC leases facilities from the County at the Marin Health and Wellness Center.

According to the MCC website, MCC acts to "…. mobilize physicians, other health care providers, public agencies and a network of community organizations to create an extensive health care delivery system serving more than 18,000 patients every year."

The County contracts with MCC to provide a variety of medical services at the Center that the County would otherwise provide directly, including dental, pediatric, obstetric/gynecological and maternity services.

MCC provides its services to insured as well as uninsured patients, charging for services on an ability-to-pay sliding scale. MCC is a federally qualified health center or "FQHC" provider. The organization's FQHC status qualifies it to receive higher rates of Medicare reimbursement, significantly contributing to its long-term financial viability and its ability to attract and retain staff.

MCC's services are funded by fees for service, insurance and grants from Federal, State and County governments, and smaller grantors such as Marin Community Foundation.

One of MCC's three clinic locations is on the campus of Marin General Hospital. Marin Healthcare District provides grant funding for part of the clinic's operation. The presence of the clinic at the MGH site provides an alternative to the MGH emergency room for uninsured patients and maintains referrals to MGH's other facilities.

West Marin Medical Center

West Marin Medical Center, located in Point Reyes Station, was until recently a private medical practice. The practice entered a partnership with Marin Healthcare District earlier this year. Under this arrangement, the District leases the Center's offices, employs the Center's support staff and provides management services, thereby releasing the Center's physicians to maximize available patient care. The purpose of this arrangement is to retain physicians and primary care service in west Marin which will be likely to generate patient referrals to Marin General Hospital.

West Marin Medical Center provides family practice and geriatric services. The Center is funded by fees for service and insurance reimbursements.

Coastal Health Alliance

Founded in 1981, the Coastal Health Alliance (CHA) is a private non-profit corporation providing primary healthcare services in west Marin from three clinic locations in Stinson Beach, Bolinas and Point Reyes Station. Coastal Health Alliance describes itself as an "all community provider," referring to provision of service to insured and uninsured patients (including Kaiser members) and charging for services on the basis of their ability to pay. CHA is a federally qualified health center or "FQHC" provider. The organization's FQHC status qualifies it to receive higher rates of Medicare reimbursement, significantly contributing to its long-term financial viability and its ability to attract and retain staff.

Marin City Health & Wellness Center

As stated on its website, "The purpose of the Marin City Health and Wellness Clinic (MCHWC) is to provide primary and preventive health services to the traditionally under-served residents of Marin City and surrounding areas, including low-income individuals, people of color, and youth patients."

MCWHC is a private non-profit corporation founded in 2006, staffed by part-time paid and volunteer health professionals. The Center participates in the Healthy Marin Partnership and other collaborative healthcare planning efforts.

MCWHC's services are funded by fees for service (sliding scale based on income), medical insurance reimbursements, grants from County Health and Human Services, Marin Community Foundation and others. The County contracts with MCWHC for provision of immunizations, WIC and other services not otherwise available in southern Marin. MCWHC does not yet enjoy FQHC status.

Ritter Health Center

Ritter Health Center is a private non-profit organization that provides a broad range of services to homeless and low income residents at its facility in central San Rafael. Ritter offers primary and urgent healthcare services to at-risk populations and maintains a referral network to link clients to other social and healthcare service providers.

The clinic also performs adult immunizations, testing for STDs, Hepatitis C, and TB, and medical exams. All Ritter Center services, including healthcare, are provided at no cost.

The Center is funded by fees for service, grants from Blue Shield of California, Marin Community Foundation (among others), and contracts with the County of Marin to provide services to uninsured and underserved residents.

RotaCare

According to the organization's website, "RotaCare Bay Area is a volunteer alliance of medical professionals, organizations and community members dedicated to providing free primary, quality healthcare services to uninsured families and individuals with limited ability to pay for medical care. We are entirely volunteer driven and supported solely through locally based philanthropy."

The RotaCare clinic is located in central San Rafael in the Kaiser medical office building on 3rd Street. It operates as a drop-in urgent care clinic providing free diagnostic, one-time treatment and referral services. Those who need ongoing care are referred to Marin Community Clinic or to other medical facilities, including Kaiser Terra Linda Medical Center and Marin General Hospital. Services at the all-volunteer-staffed clinic are free, funded by the Rotary Club of Corte Madera and other philanthropic organizations.

G. Service Review Determinations

The following sections address the Municipal Service Review factors specified in Government Code Section 56430.

1. Growth and Population Projections

According to the State Department of Finance (DoF), Marin County population in 2005 was 252,346, increasing to 253,682 in 2010. DoF projects that Marin's population will continue to increase slowly to 273,151 in 2030. Marin's growth rate over the past ten years has been relatively stable at approximately 0.7% annually, one of the lowest levels in the state.

The demographic trends in Marin's expected growth pattern most likely to affect healthcare services are the increase in Hispanic population from approximately 15% to 32% and the increased proportion of population over the age of 65 from 15% to 25%.

Different age groups represent a range of healthcare needs, such as pediatrics, family healthcare, and geriatrics for an aging population. The aging of Marin County's population is a primary driver behind a projected growing need for

health care services. Individuals aged 65 years and older now use hospitals at over three times the rate of younger populations.

The County's Hispanic population utilizes healthcare safety net services at a higher rate than other population groups such that increasing Hispanic population is used as a predictor of increasing demand on those services. The County, Marin Healthcare District and other healthcare providers track these changes and confer for facility planning purposes in order to ensure that their areas of focus meet the needs of the population.

2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

Seismic standards for California acute care hospitals enacted in 1973 were updated in 1994 through Senate Bill 1953 (SB 1953). Hospital compliance is monitored by the California Office of Statewide Health Planning and Development (OSHPD). Hospitals that do not comply with standards by specific dates must cease providing acute care.

The obvious and necessary goal of the standards is to have hospitals available to provide care to victims after a disaster. Current standards require hospitals to continue to stand following a large earthquake. This standard was applied to hospital structural and building systems to meet by January 2008. This deadline has been extended for MGH to 2013. Hospitals will be required to meet higher standards by 2030. Those standards require that hospitals upgrade their facilities to assure that they can continue to operate following a large earthquake.

Of the hospitals in Marin, only Novato Community Hospital currently meets the OSHPD seismic standards. MGH faces the largest problem in complying with the standards. Studies commissioned by both Sutter and Marin Healthcare District have verified that only the most recently constructed West Wing of MGH currently meets the 2008/2013 seismic safety standard, so the majority of the inpatient areas of the hospital will need to be retrofitted or replaced. For purposes of physical data security (and many other reasons), the District is in the process of constructing an electronic medical records system.

Kentfield Rehabilitation Hospital has received such an extension from OSHPD and Kaiser's San Rafael Medical Center has applied for an extension. Due to the significant amount of time required to plan construction to achieve seismic compliance, receive the needed approvals from OSHPD and complete

the construction projects, decisions about facility development alternatives are needed soon, especially at MGH.

3. Financial ability of agencies to provide services

Costs for seismic upgrades of California hospitals have increased dramatically since approval of the mandating legislation. At the same time, capital markets for such construction have been disrupted by the recession. In 2010, the Governor vetoed legislation that would have combined the upgrade standards for 2015 and 2030 and extended the deadline for structural upgrade to 2020. Since the existing mandate is for closure of hospitals not in compliance and since many hospitals, including MGH, are encountering significant obstacles to compliance, the legislature is expected to revisit this issue in the coming legislative session. Many non-complying hospitals are clearly assuming a further extension.

In the case of MGH, financing seismic upgrade of in-patient facilities will require the District to gain two-thirds voter approval for issuance of new general obligation bonds. As of the date of this report, the District has set no election date or schedule for construction.

The Marin General Hospital Foundation supports and coordinates fundraising for programs, facilities, equipment, and related healthcare services at Marin General Hospital. Through its Board and committees, the Foundation also creates and maintains philanthropic partnerships with Marin County residents that are proving especially vital in a time of ever-increasing healthcare costs and economic stress.

4. Opportunities for Rate Restructuring

While a hospital is an enterprise activity in which fees are charged for service, the Marin Healthcare District is currently a non-enterprise district in that the District itself does not operate a hospital or provide a service for which fees can be charged. And while the district by agreement may have oversight over hospital operations in regard to range of services operations of the hospital including provision of core services, the District's governing board relies on MGH Corp to oversee the hospital's business functions, including the settting of rates for medical services.

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

Several examples of shared facilities have been mentioned in this report, most taking the form of co-location of clinic facilities in pursuit of matching

patients to the most appropriate provider or enhancing the geographic distribution of services. The County shares a portion of its Marin County Health and Wellness Center's campus with Marin Community Clinic (and contracts with other organizations at several other locations); Marin Healthcare District leases space at Marin General Hospital to Marin Community Clinic, Kaiser Permanente shares space with Rota-Care in San Rafael and other examples.

6. Cost-Avoidance Opportunities

The medical service field is very complex and requires numerous contractual agreements and referrals among many different public and private service providers, insurance companies, philanthropic organizations, and non-profits functioning in a dynamic and market-driven network very unlike the discrete and geographically exclusive system of local government jurisdictions. In the absence of organizational alternatives for some different form of public governance of Marin Healthcare District's services and facilities, staff has not identified any cost-avoidance opportunities within LAFCO's field of activity.

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

Healthcare districts are governed by boards elected by the public and their meetings are open to the public, thereby having greater accountability to the public than private hospitals.

The Marin Healthcare District has recently adopted new by-laws, terminated its management agreement with Sutter Health and re-established the subsidiary governing board of Marin General Hospital Corp to handle delegated functions for operating its hospital enterprise. The District has greatly expanded information available on its website encouraging public participation by making information and documents more available than in recent years. Public interest in the District's business is very high. Elections for seats on the District board are contested.

III. SPHERE OF INFLUENCE REVIEW AND UPDATE

A. Current Sphere of Influence

Marin Healthcare District's sphere was established by LAFCO in 1984. The District's sphere of influence is coterminous with its boundaries, including all of Marin County except for the Novato area. There have been no changes to the sphere since its adoption.

Present & Planned Land Uses

Unlike municipal services and other types of services provided by special districts under LAFCO's organizational purview, healthcare services are not demanded, delivered or funded according to a jurisdictional local government model. An analysis of land uses in Marin County would provide little insight applicable to future decisions on the boundaries and organization of the Marin Healthcare District or other agencies.

The Marin Countywide Plan Socioeconomic Element contains the following objective: "Public Health (Section 4.11): Preventive treatment and universal access to care will be promoted by working with local healthcare agencies. Healthy lifestyles and living and work environments will be a primary focus of these programs." The Countywide Plan addresses environment – including land use - as a determinant of health in Marin County as well as the intersections of land use with other determinants of health such (i.e. access to recreation and open space resources, non-motorized transportation and environmental justice). Much of the basis for the County's other policy interests that define its "upstream" health objectives (alcohol abuse, breast cancer, obesity and mental health) are described in the Public Health Section of the Countywide Plan.

On a more general level, a discussion of land use planning and its implications for public health may be found in a presentation by Dr. Anthony Iton, Senior Vice President of the California Endowment Foundation, "Achieving Health Equity through a Focus on Place, Policy and Values," given in San Rafael on October 4, 2010 at http://www.youtube.com/watch?v=NXAZbhWXPwg

Present & Probable Need for Services & Facilities

As discussed previously under Growth and Population Projections above, Marin County residents will have continuing need for healthcare services and facilities extending into the future. The service role of Marin Healthcare District and MGH remain vital to the local availability of maternity and other services deemed "unprofitable" by private providers and to sufficiency of disaster response.

According to the Abaris Group's Marin Healthcare Safety Net Study, from 2006 to 2025, Marin County is projected to experience increases of:

- 34% increase in demand for community clinic visits;
- 21% increase in demand for hospital discharges;
- 22% increase in demand for emergency department visits; and
- 31% increase in demand for trauma admissions.

In the same period, the uninsured portion of the population is expected to rise by 2.5% each year, though the effect of national healthcare legislation on this projection is unknown.

Ability to Extend Services

As discussed earlier in this report, the Marin County Healthcare Safety Net Study reported adequate capacity for current demand, but referred to "considerable uncertainty" in the future provision of healthcare services and facilities, referring to fundamental changes in the healthcare industry and locally identified problems with services for mental health, substance abuse, dental, women's health, access to services in west Marin and declining availability of some classes of healthcare professionals. These emerging problems are not related to the boundary or organization of Marin Healthcare District.

Other concerns about the long term business viability of Marin Healthcare District and Marin General Hospital are currently in abeyance as the expansion of competing healthcare providers has been stalled by the economic downturn while at the same time Marin Healthcare District continues to develop its ties to primary care clinics that serve to funnel business to MGH.

The need for seismic retrofit of MGH remains as the most significant challenge to sustaining the role and services of the District. Uncertainties remain in both legislative activity that may adjust deadlines for completion of the retrofit and in the District's ability to gain public support to finance it. The disputed $141 million transferred from MGH to Sutter prior to the termination of Sutter's management of MGH – considered by the District as the capital reserve of the hospital – will clearly affect the financial demands on the District (and the District's taxpayers) for paying the cost of the improvements.

The two major local public agency healthcare providers, Marin Healthcare District and County Department of Health and Human Services, continue to systematically support the expansion of the County's network of primary care clinics. This effort serves first to simply provide care throughout the County and

secondly to support the role of Marin General Hospital in providing a full range of acute care services to local consumers.

The Marin Healthcare Safety Net Study's conclusion that the County's acute care hospital facilities would remain sufficient assumed a 50-bed expansion of Novato Community Hospital. Expansion plans for Novato Community Hospital have since been dropped due to "lack of demand." Should demand for expansion of this facility re-emerge, construction and financing would be the private responsibility of Sutter Health.

B. Conclusion & Recommendation

The Marin Healthcare District is the only agency subject to the authority of Marin LAFCO that provides healthcare or healthcare related services. The boundaries of the District are stable and are not likely to change because such changes would no longer affect the District's sources of revenue or the area in which it provides services. The only possible or foreseeable proposal affecting the boundary or organization of the Marin Healthcare District would be the dissolution of the District following its financial collapse or its closure by the State for failing to provide the required seismic upgrades of its facilities. Both of these possibilities appear to be unlikely, although the State Legislature has yet to adjust challenging deadlines for seismic upgrades to hospitals and community support for the District and super-majority voter approval of funding for seismic upgrade of MGH have not been tested. Staff has not identified any reasonable boundary or organizational alternative to the present configuration of Marin Healthcare District.

Therefore, staff recommends that the sphere of influence of the Marin Healthcare District be reaffirmed without change and to remain coterminous with the District's current boundary.