

MONTEREY COUNTY BOARD OF SUPERVISORS

MEETING:	July 29, 2011 – SCHEDULED	AGENDA NO.: S-1
SUBJECT:	a. Receive a report from the CEO of Natividad Medical Center (NMC) and the Chair of the NMC Board of Trustees;	
	b. Consider recommendations of the Natividad Medical Center Board of Trustees;	
	c. Approve in principle the policy decision that NMC rapidly pursue the establishment of a public authority business model as a designated public safety net hospital to take effect following the passage of enabling ordinance(s) & State law with a projected implementation date no later than June 30, 2012; and	
	d. Provide direction to staff.	
DEPARTMENT:	Natividad Medical Center	

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report from the CEO of Natividad Medical Center (NMC) and the Chair of the NMC Board of Trustees;
- b. Consider recommendations of the Natividad Medical Center Board of Trustees;
- c. Approve in principle the policy decision that NMC rapidly pursue the establishment of a public authority business model as a designated public safety net hospital to take effect following the passage of enabling ordinance(s) & State law with a projected implementation date no later than June 30, 2012; and
- d. Provide direction to staff.

SUMMARY/DISCUSSION:

On March 1, 2011 the Monterey County Board of Supervisors directed the CEO of Natividad Medical Center (NMC) and the Chair of the NMC Board of Trustees to conduct a study evaluating whether a change in governance would enhance NMC's overall performance and its ability to succeed in the new health care environment. In addition, as a performance goal of 2011/2012, the Monterey County Board of Supervisors directed the CEO of Natividad Medical Center to investigate a change in governance for NMC.

The attached report, entitled "Natividad Medical Center Governance Structure Review and Business Plan Implications, July 29, 2011" analyzes a "status quo" vs. "authority" model governance structure and business plan implications in the following sections:

1. **Emerging healthcare environment**
2. **Assessment of NMC's current business model**
3. **Business goals**
4. **Governance model analysis**
5. **Administrative support analysis**

Following a legal review, the hospital concluded that no material governance and operational improvements are available for a "stretch" delegations model. Therefore, the attached report evaluated the current "status quo" model of NMC continuing to operate as a department within Monterey County and a model in which NMC operates as a public authority.

Federal health care reform provisions and the state's implementation have already materially reshaped the local health care landscape with significant impact on county public hospitals and health care systems. Strong local market forces are already actively at work in all private and public industries/sectors in Monterey County relative to planning for private and public health care coverage for most residents in the county as part of health care reform. Health care providers in the county are actively seeking new affiliations or partnerships and building seamless delivery systems for long-term survival.

This unprecedented period of revolutionary change in healthcare delivery favors hospitals' and health systems' governance and operational structures that are aligned with this dynamic environment. Hospitals and health systems must transform themselves demonstrating "Best in Class" governance, quality, patient satisfaction, and strong, efficient business models to ensure long-term sustainability and success.

In fact, NMC is most likely not sustainable as a health care provider over the long term future without major County General Fund subsidies under a status quo model. Whereas it is believed that NMC can succeed operating under a public authority governance structure without County General Fund support.

OTHER AGENCY INVOLVEMENT:

NMC, County Administration including CAO, Auditor/Controller, and County Counsel are actively engaged in the review of NMC governance structure & business plan implications and recommendation to move forward with the formation of an authority.

FINANCING:

The NMC Business plan outlines:

- A minimum of \$132 million in capital improvements to upgrade the existing facility and equipment and to fund new lines of business between now and 2020;
- As an authority, NMC's cash position improves by over \$69 million over the ten year period ending in 2020 as compared to simply continuing as a department within the County of Monterey through more timely decision making, operational flexibility, and improved performance based Medicare and MediCal reimbursement; and
- Access to cash is crucial in funding capital and operational improvements and to offset the costs of care to individuals not covered by healthcare reform.

Prepared by: Harry Weis
Attachment 1: NMC Governance Structure Review
and Business Plan Implications, July 29, 2011
On File with the Clerk of the Board



Harry Weis
Chief Executive Officer



John O'Brien
Chair, NMC Board of Trustees

Date: July 27, 2011