

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # 6:55 p.m.

Urgent

Routine

AGENDA DATE August 21, 2007

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Conduct a Public Hearing to Consider the Approval of Sale, Introduction, Waiving of the Reading and Adoption of an Ordinance Authorizing the Sale of Stanislaus Behavioral Health Center to Doctors Medical Center, including the Operations, Real Property, Improvements and Equipment; and Approval to Amend the Salary and Position Allocation Resolution, and Extend the Date for Reduction in Force from October 1, 2007 to No Later Than November 1, 2007

STAFF RECOMMENDATIONS:

1. Conduct a public hearing to consider the approval of the proposed sale of Stanislaus Behavioral Health Center, including the operations, real property, improvements and equipment, to Doctors Medical Center, and to introduce, waive the reading and adopt an Ordinance authorizing the sale of Stanislaus Behavioral Health Center.
2. Authorize the Chief Executive Officer, Behavioral Health Director and all other officers, employees and agents of the County to complete negotiations and finalize the proposed sale of the Stanislaus Behavioral Health Center.

(Continued on Page 2)

FISCAL IMPACT:

The proposed sale of the Stanislaus Behavioral Health Center will result in economic benefit to the County. The proceeds from the sale will be available to reduce any existing operational deficit, thereby lessening any General Fund contribution required by the Department. Additionally, there is economic benefit to the sale in that an existing County mental health facility will continue in operation by a private entity. One proposal was received as the result of the Request for Proposal from Doctors Medical Center for \$10,949,000 plus the negotiated cost of existing equipment.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2007-653

On motion of Supervisor Mayfield, Seconded by Supervisor Monteith
and approved by the following vote,

Ayes: Supervisors: Mayfield, Grover, Monteith, DeMartini, and Chairman O'Brien

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION: INTRODUCED, ADOPTED, AND WAIVED THE READING OF ORDINANCE C.S. 1003



ATTEST: ELIZABETH A. KING, Assistant Clerk

File No. ORD-55-C-7

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STAFF RECOMMENDATIONS: (Continued)

3. Approve an extension to the effective date for the reduction in force of 115 positions in the Stanislaus Behavioral Health Center budget unit to be effective no earlier than September 1, 2007 and no later than November 1, 2007.
4. Approve the transfer of seven positions from the Stanislaus Behavioral Health Center budget unit to the Behavioral Health and Recovery Services Managed Care budget unit effective no earlier than September 1, 2007 and no later than November 1, 2007.
5. Amend the Salary and Position Allocation Resolution to reflect the recommended changes as outlined in this report.
6. Return all legal documents to the Board to complete the sales transaction.

FISCAL IMPACT: (Continued)

The Chief Executive Officer and Behavioral Health and Recovery Services will return to the Board of Supervisors with details of the use of revenues from the sale after completion of the sale process. Sale of the Stanislaus Behavioral Health Center, including acute psychiatric in-patient operations, will require Behavioral Health and Recovery Services to purchase beds from Doctors Medical Center, or other providers, for an annual cost of \$11,575,550. The Department estimates State and Federal revenue for these services to be \$10,287,324. The net County cost will be \$1,288,226.

DISCUSSION:

Stanislaus Behavioral Health Center is a 67-bed inpatient acute psychiatric facility providing essential psychiatric services for individuals who are eligible Medi-Cal or Medicare beneficiaries, indigent or underinsured. Affiliation with an acute care hospital is necessary for Stanislaus County to claim Medicaid (Medi-Cal) and Medicare funds. In 1997, Doctors Medical Center became the licensee for Stanislaus Behavioral Health Center. Previously the facility was licensed under Stanislaus Medical Center. The transition to Doctors Medical Center occurred as part of the various agreements with Tenet Healthcare related to the closing of the County Hospital. Additionally, due to the critical shortage of inpatient psychiatric beds in Northern California, Stanislaus Behavioral Health Center provides access to Medi-Cal, Medicare and county funded individuals from many other counties in Central and Northern California and to those who are privately insured.

In 2000, the federal government, in an attempt to better control fraud and abuse in the Medicare program, introduced revised requirements for facilities that are affiliated with parent hospitals. These requirements are called "provider-based" rules. Stanislaus Behavioral Health Center's relationship with Doctors Medical Center met the rules in effect in 1997 when the agreement was negotiated, but does not meet all of the new

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requirements. This is especially true of the requirements that all employees (except managers) be employed by the parent organization, and with regard to the integration of medical records and fiscal operations.

Staff previously attempted to have the rules modified, but was rejected on two occasions. Through staff efforts a "grandfathering" period was granted that ended on May 30, 2004. Additionally, staff appealed to administrators at the federal level and received a sympathetic response. It was acknowledged that the County's situation was an unintended consequence of the new regulations and that the regulations were not intended for situations such as Stanislaus County's. However, they did not affect a change in the regulations. They instead wrote a letter to Doctors Medical Center indicating that Stanislaus Behavioral Health Center would continue to be treated as "provider-based" until such time as a final decision is made on the status. In subsequent meetings staff were informed that if the issue was not pressed, the Centers for Medicare/Medicaid Services would not make a final decision, thus continuing to treat Stanislaus Behavioral Health Center as "provider-based" even past the end of the "grandfathering" period. Staff worked long and hard on the issue, including efforts with Congressional representatives, the Center for Medicaid/Medicare Services, lobbyists and attorneys. Staff came to the end of those efforts in early 2006.

In early 2006, Doctors Medical Center informed Stanislaus County that they planned to initiate a request for determination related to Stanislaus Behavioral Health Center's "provider-based" status. Doctors Medical Center forwarded information to the Center for Medicare/Medicaid Services with regard to the request. They indicated that this was part of addressing outstanding compliance issues of Tenet Corporation.

The request for determination by Doctors Medical Center set into motion negotiations between Doctors Medical Center and Stanislaus County related to the operation of Stanislaus Behavioral Health Center. There is mutual acknowledgement that the Center for Medicare/Medicaid Services will not rule that Stanislaus Behavioral Health Center is in compliance with the "provider-based" regulations. The agreement between Stanislaus County and Tenet Corporation provides for such negotiations if Stanislaus Behavioral Health Center is found not to be in compliance with "provider-based" regulations. Based on the situation, a public hearing was held August 15, 2006, at which the Board of Supervisors approved two possible outcomes to the negotiations:

- Doctors Medical Center could assume operation of Stanislaus Behavioral Health Center as an acute psychiatric hospital. This would include Doctors Medical Center employing hospital staff and providing all services related to the operation of the hospital, i.e. patient medical records and the accounting system would become part of Doctors Medical Center's system. Stanislaus County would continue to own the land and structures and would lease the facility to Doctors Medical Center. Behavioral Health and Recovery Services could purchase inpatient psychiatric

services for Stanislaus County Medi-Cal beneficiaries and uninsured individuals from Doctors Medical Center at a negotiated rate. This option would require a carefully negotiated agreement.

- In the event that a negotiated agreement with DMC could not be reached, Behavioral Health and Recovery Services could operate a Psychiatric Health Facility (PHF). A Psychiatric Health Facility is licensed through the State Department of Mental Health. Many California counties operate Psychiatric Health Facilities, which have different staffing requirements than acute psychiatric hospitals. Psychiatric Health Facilities also have different requirements relating to the medical status of individuals who are hospitalized. Individuals with severe or complex medical issues in addition to psychiatric problems cannot be hospitalized in a Psychiatric Health Facility. Additionally, Behavioral Health and Recovery Services would be unable to bill Medi-Cal for services, resulting in less revenue.

Pursuant to the August 15, 2006 Board of Supervisors authorization to either sell the acute psychiatric inpatient operations or terminate the existing license and acquire a Psychiatric Health Facility license, negotiations with DMC commenced. The results of these negotiations form the basic conditions upon which a sale of SBHC could proceed.

During a public hearing on April 24, 2007 the Board of Supervisors authorized staff to issue a Request for Proposals for the sale of the Stanislaus Behavioral Health Center property and operations pursuant to Government Code Section 25515, by a four-fifths vote. These proposals were due to the Chief Executive Officer by June 26, 2007. One proposal was received and met all requirements in the Request for Proposals. Doctors Medical Center submitted the following proposal:

- To purchase the land (including the excess land) and the building of the Stanislaus Behavioral Health Center from the County for \$10,949,000, so long as the County repairs the roof and replaces the broken chiller.
- To purchase the equipment from the County for an amount not to exceed \$168,500 based upon a fair market value appraisal.
- To purchase supplies and inventory from the County at appraised fair market value prepared by an appraiser agreed to by the County and Doctors Medical Center.
- To negotiate and enter into a "Settlement and Release Agreement" with the County to resolve all outstanding issues regarding any and all past, present and future claims and liabilities that Doctors Medical Center may owe Medi-Cal Disproportionate Share (DSH) payments to the County, and the only obligation of Doctors Medical Center to credit the County for Medi-Cal DSH payments in the

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future will be set forth in the to-be negotiated and executed "Managed Care Agreement."

Additionally, as part of the proposal, Doctors Medical Center demonstrated the following:

- Doctors Medical Center has current licensure for operating an acute psychiatric facility;
- Doctors Medical Center has financial ability to purchase the land and operations from the County;
- Doctors Medical Center has the ability to immediately commence facility operations; and
- Doctors Medical Center has the ability to comply with all of the terms and conditions of the Request for Proposals.

On July 10, 2007 the Board authorized staff to proceed with negotiations relating to the potential sale of Stanislaus Behavioral Health Center, including the sales contract and any other agreements required as part of the sales transaction. In accordance with California Government Code §25515.2, the Board set a public hearing for July 31, 2007 at 9:30 a.m. to consider the sale of the Stanislaus Behavioral Health Center to Doctors Medical Center and to introduce, waive the reading and adopt an ordinance authorizing the sale. On July 31, 2007 the Board cancelled the public hearing and rescheduled it for August 21, 2007 at 6:55 p.m., to provide additional time for the parties to address relevant issues. Staff will finalize all legal documents and return to the Board to complete the sales transaction. It is not anticipated that the delay conducting the hearing will affect the overall timing of the sale of the Stanislaus Behavioral Health Center.

Government Code §65402(c) states that a local agency (the County) shall not dispose of real property in any City that has an adopted General Plan applicable to the area until the location and purpose of the disposition have been submitted to the City's planning agency and the agency has reported on the conformity with the General Plan. On July 2, 2007, the Modesto Planning Commission made the determination that the proposed transfer of SBHC to DMC is in conformity with the City's General Plan.

It is recommended that the Board conduct the public hearing to consider the sale of the Stanislaus Behavioral Health Center; and to introduce, waive the first reading and adopt an ordinance authorizing the sale of Stanislaus Behavioral Health Center to Doctors Medical Center, including the operations, real property, improvements and equipment. Additionally it is recommended that the Chief Executive Officer, Behavioral Health

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Director and all other officers, employees and agents of the County be authorized to complete negotiations and finalize the proposed sale of the Stanislaus Behavioral Health Center, and that all legal documents be returned to the Board to complete the sales transaction.

When completed, the sale of the Stanislaus Behavioral Health Center will result in economic benefit to the County. The proceeds from the sale will be available to reduce any existing operational deficit of the Stanislaus Behavioral Health Center, thereby lessening any General Fund contribution required by the Department. Additionally, there is economic benefit to the sale in that an existing County mental health facility will continue in operation by a private entity.

POLICY ISSUES:

This request meets the County's responsibility under California Government Code §25515.2 to hold a public hearing prior adoption of an ordinance authorizing the sale of County property, in addition to supporting the Board's priorities of a safe community, a healthy community, and efficient delivery of public services.

STAFFING IMPACT:

On July 10, 2007 the Board authorized a reduction in force of 115 positions in the Stanislaus Behavioral Health Center budget unit, effective no earlier than September 1, 2007 and no later than October 1, 2007. The approved effective dates for the reduction in force were based upon a projection of the final transition date of operations from the County to Doctors Medical Center. It is recommended that the Board approve an extension of the reduction in force timeline to be no earlier than September 1, 2007 and no later than November 1, 2007 to recognize the potential for the final transition date to occur up to 31 days later than originally projected. The final date of the reduction in force will continue to be effective upon the transition of operations from the County to Doctors Medical Center. Additionally, the Board authorized a transfer of seven Psychiatrist positions from the Stanislaus Behavioral Health Center budget unit to the Behavioral Health and Recovery Services budget unit, effective no earlier than September 1, 2007 and no later than October 1, 2007, to support the County's intent to contract with Doctors Medical Center to provide psychiatric services for County patients receiving services at the Stanislaus Behavioral Health Center. Since that time the Department has determined the contract with Doctors Medical Center is more appropriately aligned with the functions of the Managed Care Division, and it is now recommended that the seven Psychiatrist positions be transferred to Managed Care budget unit. The effective date for the recommended transfers will be no earlier than September 1, 2007 and no later than November 1, 2007. The effective date is subject to the final transition of the Stanislaus Behavioral Health Center operations to Doctors Medical Center and the final approval of all associated agreements.

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Upon approval of the original reduction in force action on July 10, 2007, County staff identified 42 current full-time employees who would be impacted by the final reduction of positions. Staff has worked with individual employees impacted by this action to identify alternative vacant positions in other County departments, which may assist in maintaining County employment. Doctors Medical Center has also initiated discussions with employees regarding available employment opportunities necessary to maintain continued operation of the Stanislaus Behavioral Health Center.

It is recommended the Salary and Position Allocation Resolution be amended to reflect the following changes:

Stanislaus Behavioral Health Center

Position	Classification	Recommendation
00009470	Psychiatrist	Transfer to BHRS Managed Care Fund 1504
00009471	Psychiatrist	Transfer to BHRS Managed Care Fund 1504
00009473	Psychiatrist	Transfer to BHRS Managed Care Fund 1504
00009474	Psychiatrist	Transfer to BHRS Managed Care Fund 1504
00009475	Psychiatrist	Transfer to BHRS Managed Care Fund 1504
00010325	Psychiatrist	Transfer to BHRS Managed Care Fund 1504
00010326	Psychiatrist	Transfer to BHRS Managed Care Fund 1504

ORDINANCE NO. C.S. 1003

AN ORDINANCE RELATING TO THE SALE OF STANISLAUS BEHAVIORAL HEALTH CENTER, INCLUDING THE OPERATIONS, REAL PROPERTY, IMPROVEMENTS AND EQUIPMENT TO DOCTORS MEDICAL CENTER, A SUBSIDIARY OF TENET HEALTHCARE CORPORATION

The Board of Supervisors of the County of Stanislaus, State of California, do ordain as follows:

Section 1. The Board of Supervisors of the County of Stanislaus having first conducted a public hearing, hereby authorizes the sale of Stanislaus Behavioral Health Center, including the operations, real property, improvements and equipment associated with the operation of Stanislaus Behavioral Health Center, an inpatient acute psychiatric facility to Doctors Medical Center, a subsidiary of Tenet Healthcare Corporation.

Section 2. This ordinance shall take effect thirty (30) days from and after the date of its passage and before the expiration of fifteen (15) days after its passage it shall be published once, with the names of the members voting for and against the same, in the Modesto Bee, a newspaper published in the County of Stanislaus, State of California.

Upon motion of Supervisor Mayfield, seconded by Supervisor Monteith, the foregoing ordinance was passed and adopted at a regular meeting of the Board of Supervisors of the County of Stanislaus, State of

California, the 21st day of August, 2007, by the following called vote:

AYES: Supervisors: Mayfield, Grover, Monteith, DeMartini, and Chairman
O'Brien
NOES: Supervisors: None
ABSENT: Supervisors: None



William O'Brien, Chairman of the Board of
Supervisors of the County of Stanislaus,
State of California

ATTEST:
Christine Ferraro Tallman
Clerk of the Board of Supervisors of the
County of Stanislaus, State of California

By 
Deputy

APPROVED AS TO FORM:
Michael H. Krausnick
County Counsel

By 
Dean Wright
Deputy County Counsel

**DECLARATION OF PUBLICATION
(C.C.P. S2015.5)**

**COUNTY OF STANISLAUS
STATE OF CALIFORNIA**

I am a citizen of the United States and a resident Of the County aforesaid; I am over the age of Eighteen years, and not a party to or interested In the above entitle matter. I am a printer and Principal clerk of the publisher of **THE MODESTO BEE**, printed in the City of **MODESTO**, County of **STANISLAUS**, State of California, daily, for which said newspaper has been adjudged a newspaper of general circulation by the Superior Court of the County of **STANISLAUS**, State of California, Under the date of **February 25, 1951, Action No. 46453**; that the notice of which the annexed is a printed copy, has been published in each issue there of on the following dates, to wit:

AUGUST 27, 2007

I certify (or declare) under penalty of perjury That the foregoing is true and correct and that This declaration was executed at **MODESTO, California** on

AUGUST 27, 2007


(Signature)

**ORDINANCE NO. C.S. 1003
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INCLUDING THE OPERATIONS, REAL PROP-
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AYES: Supervisors: Mayfield, Grover, Monteith, DeMartini and Chairman O'Brien

NOES: Supervisors: None

ABSENT: Supervisors: None
William O'Brien, Chairman of the Board of Supervisors of the County of Stanislaus, State of California

ATTEST:

Christine Ferraro Tallman
Clerk of the Board of Supervisors of the County of Stanislaus, State of California

By: Suzi Seibert, Deputy Clerk

APPROVED AS TO FORM:

Michael H. Krausnick

County Counsel

By: Dean Wright, Deputy County Counsel

AUGUST 27, 2007