



***CITY OF ALAMEDA  
HEALTHCARE DISTRICT  
MUNICIPAL SERVICE REVIEW FINAL***

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*January 10, 2013*

Prepared for the  
Local Agency Formation Commission of Alameda County  
by  
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# 1. AGENCY OVERVIEW

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The City of Alameda Healthcare District (AHD) provides hospital, surgical, emergency room (ER), and other healthcare services. The most recent municipal service review for AHD was adopted in September 2004.

## FORMATION

AHD was formed on July 1, 2002 after approval by over two-thirds (69 percent) of voters. AHD was formed to take on operations of the Alameda Hospital, which was at the time operated as a 501(c)3 nonprofit and was facing ongoing operating losses.

AHD was formed as an independent special district under the State's Local Healthcare District Act.<sup>1</sup> The principal act empowers healthcare districts to provide medical services, emergency medical, ambulance, and any other services relating to the protection of residents' health and lives.<sup>2</sup> Districts must apply and obtain LAFCo approval to exercise services authorized by the principal act but not already provided (i.e., latent powers) by the district at the end of 2000.

## BOUNDARY

AHD encompasses the territory of the City of Alameda. No annexations or detachments have occurred since formation.

AHD's boundaries comprise 10.8 square miles.<sup>3</sup>

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## Extra-territorial Services

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Services are provided to both residents and non-residents alike. AHD charges all patients equally, regardless of residency, based on its established pricing structure for the services rendered.

A majority of AHD's patients reside in the City of Alameda. AHD's secondary service area includes parts of Oakland and San Leandro, which are not within AHD's bounds. Eden

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<sup>1</sup> Health and Safety Code §32000-32490.9.

<sup>2</sup> Health and Safety Code §32121(j).

<sup>3</sup> Land area refers to the total area within the agency's boundaries excluding submerged areas, such as those lying in the San Francisco Bay. Land area is expressed in units of square miles.

Township Hospital District is the primary healthcare service provider of San Leandro and a small part of Oakland. The remainder of Oakland is not served by a healthcare district.

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## Unserved Areas

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There are no areas within AHD's bounds where healthcare services are unavailable.

## **SPHERE OF INFLUENCE**

AHD's SOI was established in 2003 as coterminous with its boundaries. During the 2004 SOI updates, the Commission reaffirmed the coterminous SOI, since no reorganizations or changes in service area were proposed by the District. AHD's bounds and SOI are shown in Figure 1-1.

Figure 1-1: City of Alameda HD Boundaries and SOI

City of Alameda Health Care District Boundary and SOI\*  
July 2012



\*Agency sphere equals the service area boundary

Created for Alameda LAFCO by the Alameda County Community Development Agency

## ACCOUNTABILITY AND GOVERNANCE

Accountability of a governing body is signified by a combination of several indicators. The indicators chosen here are limited to 1) agency efforts to engage and educate constituents through outreach activities, in addition to legally required activities such as agenda posting and public meetings, 2) a defined complaint process designed to handle all issues to resolution, and 3) transparency of the agency as indicated by cooperation with the MSR process and information disclosure.

AHD is governed by a five-member board that meets on the first Wednesday of each month at the Alameda Hospital. Closed sessions take place at six in the evening and open sessions at 7:30 pm. AHD's initial members were appointed by the Alameda County Board of Supervisors; however, beginning in 2004, board members were elected. Current board member names, positions, and term expiration dates are shown in Figure 1-2.

**Figure 1-2: City of Alameda Healthcare District Governing Body**

<b>City of Alameda Healthcare District</b>				
<b><i>District Contact Information</i></b>				
<b>Contact:</b>	Deborah E. Stebbins, CEO			
<b>Address:</b>	2070 Clinton Avenue, Alameda, CA 94501			
<b>Telephone:</b>	(510)814-4001			
<b>Fax</b>	(510)814-4005			
<b>Email/website:</b>	<a href="http://www.alamedahospital.org">www.alamedahospital.org</a>			
<b><i>Board of Directors</i></b>				
<b>Member Name</b>	<b>Position</b>	<b>Term Expiration</b>	<b>Manner of Selection</b>	<b>Length of Term</b>
Jordan Battani	President	November 2016	Elected	4 years
Robert Deutsch	Vice President	November 2014	Elected	4 years
Vacant	Director	November 2014	Elected	4 years
J. Michael McCormick	Treasurer	November 2016	Elected	4 years
Elliot Gorelick	Secretary	November 2014	Elected	4 years
<b><i>Meetings</i></b>				
<b>Date:</b>	First Wednesday of each month at 6pm (closed session) and at 7:30pm (open session)			
<b>Location:</b>	Meetings are held at Alameda Hospital, 2070 Clinton Avenue, Alameda, CA.			
<b>Agenda Distribution:</b>	Posted on hospital website, in the main lobby and in local press as requested.			
<b>Minutes Distribution:</b>	Available on hospital website.			

AHD conducts public outreach efforts by posting its agendas on the hospital website and in the main lobby, and by circulating them to the local press. Public outreach also includes a newsletter posted on the AHD's website. Most public documents such as budgets, plans, and other financial statements are not posted on AHD's website; however, minutes of the meetings are made available. AHD's community activities include health screening, CPR risk assessment, free stroke risk assessment, community health fairs, wellness and education programs, blood drives, outreach programs and charity care. AHD's 2011 annual financial disclosure report to Office of Statewide Health Planning and Development (OSHPD) indicated that charity cases accounted for nearly three percent of operating expenses in 2011.

If a customer is dissatisfied with AHD services, complaints may be submitted via email or over the phone. Complaints that are received or forwarded to administration or quality resource management are tracked. There were 60 such complaints filed in 2011. Generally, complaints involved concerns about patient care, customer service, billing, and wait times.

AHD demonstrated accountability in its disclosure of information and cooperation with the LAFCo questionnaires and other requests.

## **MANAGEMENT AND STAFFING**

While public sector management standards vary depending on the size and scope of the organization, there are minimum standards. Well-managed organizations evaluate employees annually, track employee and agency productivity, periodically review agency performance, prepare a budget before the beginning of the fiscal year, conduct periodic financial audits to safeguard the public trust, maintain relatively current financial records, conduct advanced planning for future service needs, and plan and budget for capital needs.

AHD employed 421 full-time equivalents (FTEs) in 2011, which is an increase of 31 employees (or eight percent) since 2002.

AHD operations are divided into eight departments: Financial, Business Development, Human Resources and Ancillary Services, Clinical Services, Quality Resource Management, Long Term Care, Information Systems, and the Foundation. These departments are further divided into sub-departments. The chief executive officer is accountable to the Board of Directors and oversees all the departments, executive assistant, and medical staff.

AHD evaluates its employees' performance annually.

AHD evaluates its performance through ongoing quality assurance and patient safety reports, monthly financial reports and annual financial audits. AHD performance is also gauged by benchmarking with other providers on the OSHPD website.

AHD monitors its workload and productivity through personnel timesheets and tracking of facility usage (i.e., number of hours surgery rooms are in use) and daily census. In order to maximize productive work hours, the hospital evaluates the proportion of work activity that is productive versus non-productive (vacation, holiday, sick). In 2011, it was determined that 86 percent of employee total reimbursable time was productive and 14 percent was non-productive time off.

AHD has been the recipient of multiple awards and recognitions over the last few years. In 2011, Alameda Hospital was one of 167 hospitals nationwide to receive the American College of Cardiology Foundation's National Cardiac Data Registry – Get With the Guidelines Gold Performance Achievement Award. The award recognizes Alameda Hospital's commitment and success in implementing a higher standard of care for heart attack patients. In 2010, Alameda Hospital received the American Heart Association's Get With The Guidelines –Coronary Artery Disease Gold Performance Achievement Award. The award recognizes Alameda Hospital's commitment and success in implementing a higher

standard of cardiac care that effectively improves treatment of patients hospitalized with coronary artery disease. In 2008, the American Heart Association and the American Stroke Association awarded Alameda Hospital a performance achievement award for excellence in the care and treatment of coronary artery disease.

AHD is accredited for hospital services by the Joint Commission. This voluntary accreditation signifies that the hospital engages in performance measurement and evaluation, follows standards on safety, infection control, quality of care and ethics. Alameda Hospital also received National Certification as a Primary Stroke Center by the Joint Commission.

AHD's mission is to be a general acute care hospital; to provide quality and personalized care; to attract and retain outstanding physicians, employees and volunteers; to grow consistent with community need and financial feasibility; to remain financially stable; and to be an effective health care district.

AHD's financial planning efforts include an annually adopted budget and audited financial statements. AHD adopts a strategic plan and plans for capital improvement projects through a capital improvement plan with a planning horizon of two to three years, updated annually.

All special districts are required to submit annual audits to the County within 12 months of the completion of the fiscal year, unless the Board of Supervisors has approved a biennial or five-year schedule.<sup>4</sup> In the case of AHD, the District must submit audits annually. AHD has submitted its audit to the County for FY 10-11 within the required 12 month period.

## **GROWTH AND POPULATION PROJECTIONS**

This section discusses the factors affecting service demand, such as land uses, and historical and anticipated population growth.

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### **Land Use**

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AHD's boundary area is approximately 0.61 square miles. The City of Alameda is the land use authority for the territory within the District and land uses encompass all land use designations within the City, including but not limited to residential, commercial, industrial, institutional and open space.

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<sup>4</sup> Government Code §26909.



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## Existing Population

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As of 2010, the population of the area in AHD was 73,847. Its population density—6,838 residents per square mile—is significantly higher than the countywide density of 1,840 people per square mile.

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## Projected Growth and Development

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Based on Association of Bay Area Governments (ABAG) growth projections and AHD's estimated 2010 Census population, the population of the area within the District is anticipated to reach 84,185 by 2035, with an average annual growth rate of 0.5 percent.<sup>5</sup> Per ABAG population projections, the rate of growth in the City of Alameda and consequently in AHD is expected to be 14 percent, while the entire County is anticipated to grow by 27 percent.

AHD reported that growth patterns have not been affecting service demand in the last few years. Slow or no growth is anticipated within the AHD boundary area in the next several years; however, no formal projections were made. AHD reports that service needs have been consistent over the past five years.

The City of Alameda is essentially built out, and growth would be limited to infill and reuse development. An inventory of vacant land shows that there is just over 100 acres of land within the City that is presently undeveloped. However, there are several opportunities for new residential uses as part of pending redevelopment uses over the next five years. The Alameda Landing project is a former naval base on 77 acres that is entitled for 300 housing units, 300,000 square feet of retail, and 400,000 square feet of office space. The Neptune Point project is a three-acre site that is planned for 40 residential units. Encinal Terminal is 16 acres planned for mixed uses. The Del Monte Building is a 250,000 square foot historic warehouse planned for mixed use adaptive reuse. Lastly, the Chipman project is 4.5 acres zoned for 80 residential units.

## FINANCING

The financial ability of agencies to provide services is affected by available financing sources and financing constraints. This section discusses the major financing constraints faced by AHD and identifies the revenue sources currently available to the District.

AHD reported that current financial levels were adequate to deliver services. However, some challenges to financing were identified by AHD. The primary challenge has been the reduction in state and federal reimbursements for the Medicaid and Medicare programs.

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<sup>5</sup> Association of Bay Area Governments, Projections 2009, August 2009.

The recession also took its toll on AHD's finances. AHD had to modify budgeted annual expenditures to better align with anticipated revenues. In addition, certain services have been downsized. AHD continues to experience the negative effects of the expiration of the Kaiser Outpatient Surgery Services contract which occurred a few years ago in 2010. The new federal healthcare law is expected to further have negative effect on the District's financing.

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## Revenues

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AHD's most recent financial report to OSHPD was filed in 2011. In that year, the hospital ran a net operating loss.

In 2001, the non-profit Alameda Hospital applied to LAFCo for formation of a district and imposition of a special tax levied at \$298 per parcel. The financial pressures cited by the hospital prior to formation of AHD included lower reimbursement rates from the federal and state governments, growing popularity of HMOs, the recent loss of ten primary care physicians to Kaiser, and reduced revenue related to shorter patient visits. The proceeds of the special tax continue to be used to repay hospital indebtedness and to defray operating and capital improvement expenses of AHD.

In FY 10-11, AHD's revenues totaled \$64 million, which consists of operating (90 percent) and non-operating (10 percent) revenue sources. A majority of the operating revenue came from charges for services. Non-operating revenue included district tax revenue, investment income, rent and other income, and grants and contributions. Patients covered by Medicare and MediCal were the most significant source of revenue, constituting about 40 percent of AHD's net patient revenues. AHD does not receive a portion of the one percent ad valorem property tax.

AHD appears to have significantly less revenue per patient day when compared to other providers statewide, particularly for inpatient services. Net inpatient revenue per patient day was \$1,281, compared with \$2,777 statewide. Net outpatient revenue per visit was \$405 at Alameda Hospital, compared with \$475 statewide.

AHD has agreements with third-party payors that provide for payments at amounts different from established rates. Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospective determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are paid under an outpatient classification system subject to certain limitations. AHD receives payments for inpatient services from MediCal based on an established rate. Outpatient payments are based on a pre-determined fee schedule. AHD charges all patients equally based on its established pricing structure for the services rendered. Medicare and MediCal make payments at amounts different from the hospital's established rates, depending on specific payment arrangements.

AHD maintains the Alameda Hospital Foundation, which was established as a nonprofit public benefit corporation to solicit contributions on behalf of the hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are

distributed to AHD in amounts and in periods determined by the Foundation's Board of Trustees, who may also restrict the use of funds for hospital property and equipment replacement or expansion, reimbursement of expenses, or other specific purposes. Donations in FY 10-11 amounted to \$162,576. The Foundation is not considered a component unit of the hospital or AHD.

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## Expenditures

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Total expenditures in FY 10-11 were \$67 million, of which over 99 percent were operating expenditures and less than one percent were considered non-operating expenditures. The most significant operating expense was salaries and wages (52 percent). Other significant expenses were employee benefits, supplies, purchased services, professional fees, and registry.

In FY 10-11, AHD total charity care and community benefit foregone collections amounted to \$89 million, out of which benefits to the poor were about \$9 million and benefits to the broader community in the form of unpaid Medicare program charges—\$80 million. Traditional charity care constituted only two percent of all community benefits.

Total expenditures exceeded total revenue in FY 10-11 by nearly \$3 million. Operating expenditures exceeded operating revenues by \$9 million in the same fiscal year. This operating loss may indicate that AHD is facing significant financing challenges.

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## Liabilities and Assets

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Currently, AHD has two active loans. One is a loan from a bank with 4.8 percent interest. Payments are due in monthly installments of \$42,460 through February 15, 2014. The second note payable is to the State of California for a cost report settlement with interest of 4.56 percent. Monthly installments of \$26,869 are due through May 2013. AHD has a bank line of credit available at year end with a variable interest rate. Any advances on this line are due at the time of maturity and interest is due and payable monthly. There were no borrowings under this line of credit agreement as of June 30, 2011.

AHD's goal is to maintain sufficient cash and cash equivalent balances to pay all short-term liabilities and to be able to expand services available to the community. At the end of FY 10-11, AHD had a balance of \$454,848 in unrestricted net assets.

As mentioned in the Management and Staffing section of this report, AHD conducts capital improvement planning with a planning horizon of about two to three years. Planned projects are updated annually. At the end of FY 10-11, the amount of money dedicated to construction-in-progress was close to \$3 million.

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## Financing Efficiencies

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AHD participates in one joint financing arrangement; the District receives professional liability insurance through the BETA Risk Management Authority.

## 2. MUNICIPAL SERVICES

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### HEALTHCARE SERVICES

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#### Service Overview

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AHD provides cardiology, clinical laboratory, diagnostic imaging, infusion center, cancer services, pulmonary and respiratory care, rehabilitation services, stroke services, the Asian Health Outreach Program, inpatient services, specialty care, 24-hour emergency care, sub-acute and skilled nursing, surgical services and a short-stay surgery center, advanced wound care, and community wellness programs. AHD also provides charity care, community services and services to medically indigent patients under certain government public aid reimbursement programs.

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#### Demand for Services

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In 2011, AHD had 47,255 outpatient visits, including emergency room visits. In the same year, there were 2,600 hospital discharges (excluding the nursery). In 2011, 51.5 percent of the hospital's beds were occupied on an average day. To compare, in 2002, the hospital received visits from 31,949 individuals as outpatients or emergency room visits. In 2002, 37 percent of the hospital's beds were occupied on an average day.

AHD's 2011 *Annual Utilization Report of Hospitals* reported that the Alameda Hospital received 16,816 patients in its emergency room, of which 97 percent were urgent or critical cases and only three percent were classified as not being urgent. The hospital performed 2,375 surgical operations in 2011, 25 percent of which were performed on an in-patient basis. The Alameda Hospital's 2002 *Annual Utilization Report of Hospitals* reported that the hospital received 16,817 patients in its emergency room, of which 96 percent were urgent or critical cases and four percent were classified as not being urgent. The hospital performed 2,541 surgical operations in 2002, 35 percent of which were performed on an in-patient basis.

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#### Infrastructure and Facilities

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After AHD was formed, the Alameda Hospital assets were transferred to the newly formed district. AHD's facilities include seven buildings which comprise the Alameda Hospital.

The Alameda Hospital is located on 4.3 acres of land at 2070 Clinton Avenue in Alameda. The hospital was established in 1894.

The Alameda Hospital has an emergency room and eight operating rooms. The facility includes 161 beds (an increase of 26 beds since 2005), of which 100 are used for general

acute care, and the remaining 61 are used for long-term care purposes (26 are skilled nursing beds and 35 are sub-acute nursing beds).

AHD also leases various equipment and facilities under operating leases.

Healthcare facilities, for comparison purposes, are measured based on what is termed the “average age of plant.” The average age of plant is a measurement determined by assessing the average age of the hospital including capital improvements and major equipment purchases less accumulated depreciation. In the case of the Alameda Hospital, the facility “average age of plant” is approximately 41 years according to the 2011 annual financial data.<sup>6</sup> By comparison, national healthcare providers in the first quartile have an average age of plant of 3.63 years, those in the second quartile are 7.7 years, those in the third quartile are 10.59 years, and finally those in the fourth quartile are 15.39 years.<sup>7</sup> The first quartile contains the top 25 percent of the best performing hospitals in an applicable peer group. The fourth represents those falling below 76 percent.

In addition to the Alameda Hospital, AHD operates Waters Edge Skilled Nursing Facility (SNF) as a composite. Waters Edge has 120 licensed beds, 130 employees, and operates at an average daily census of a 100. As reported by the City of Alameda Healthcare District, this addition was an important advancement in the District’s development of continuum of services for seniors and other long-term care patients, while allowing for enhanced services for the community and being consistent with the AHD’s mission.

In July 2012, AHD also opened the Kate Creedon Center for Advanced Wound Care that provides state-of-the-art technologies and techniques through a multi-disciplinary approach to promote wound healing. The center provides an array of treatments including hyperbaric oxygen therapy (HBOT) and access to patients with non-healing wounds from surrounding communities.

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## Infrastructure Needs or Deficiencies

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There are three key projects that need to be completed by the end of FY 12-13 that relate to seismic compliance for the SB 90 Seismic Extension, CMS regulations and Bay Area Air Quality Management District regulations.

- ❖ Bulk oxygen tank replacement, anchoring of emergency lighting, emergency communication and nitrous oxide canister anchoring: 1/1/2013

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<sup>6</sup> OSHPD defines the facility average age of plant based on the ratio of accumulated depreciation to current-year depreciation.

<sup>7</sup> Healthcare Management Partners’ HMP Metrics Quarterly Report, 2010.

- ❖ Installation of sprinkler system within the Sub-acute Unit: 8/2013
- ❖ Boiler burner replacement project: 1/1/2013

Funding of these mandated projects will come from cash flow from operations in FY 12-13 and through support from the Alameda Hospital Foundation. Master planning and funding for 2030 seismic standards has not yet been determined.

According to OSHPD, the seven Alameda Hospital buildings meet the 2008 seismic requirements; however, two of the seven buildings do not meet the 2013 seismic requirements. These two buildings must be seismically retrofitted by January 2013 to ensure that they would function following a strong earthquake. However, AHD is applying for an extension of the 2013 deadline as provided for under SB 90.

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## Shared Facilities and Regional Collaboration

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Prior to forming a district, the hospital explored a number of organizational options, including affiliation with a major healthcare system, consolidation with other hospital districts, affiliation with other governmental agencies, private ownership, and hospital closure. According to AHD, none of these options proved feasible, at the time of formation. However, as part of AHD's strategic plan, leadership, including the Board of Directors, continues to explore partnership and affiliation opportunities with other healthcare systems and organizations in the Bay Area to meet the mission of the District, serve the healthcare needs of the community and be financially viable.

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## Service Adequacy

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This section reviews indicators of service adequacy and patient outcomes, including heart attack mortality rates, ER closure rates, occupancy rates, and the number of district residents using the AHD hospital. Other indicators of service adequacy, which were previously discussed, include number of annual complaints, accreditation and revenues per patient day.

Inpatient Mortality Indicators (IMIs) for the AHD hospital are available for acute myocardial infarction, congestive heart failure, acute stroke, gastro-intestinal hemorrhage, hip fracture, and pneumonia for 2009.<sup>8</sup> Evidence suggests that high mortality may be associated with deficiencies in the quality of hospital care provided. The IMIs are part of a suite of measures called Inpatient Quality Indicators (IQIs), developed by the Federal Agency for Healthcare Research and Quality (AHRQ), that provide a perspective on hospital quality of care. IMIs are calculated using patient data reported to OSHPD by all California-licensed hospitals. All IMIs include risk-adjustment, a process that takes into account patients' pre-existing health problems to "level the playing field" and allow fair comparisons among hospitals. AHD's mortality rates in 2009 for acute myocardial infarction were four percent compared to seven percent statewide, three percent for congestive heart failure which is the same rate as statewide, 12 percent for acute stroke compared to 10 percent statewide, four percent for gastro-intestinal hemorrhage compared to two percent statewide, two percent for hip fracture compared to two percent statewide, and two percent for pneumonia compared to 4.6 percent statewide. AHD is considered not significantly different from the statewide average for all Inpatient Mortality Indicators.

The hospital closed its emergency room to incoming patients for a total of 125 hours (one percent of the time) during 2011. During that time, ambulances were diverted to other hospitals to accommodate patients. In 2010, ambulances were diverted to other hospitals for a total of 165 hours (nearly two percent of the time). By comparison, providers statewide were required to divert ambulances a median of zero hours in 2011. Emergency room closures, typically caused by rising cost of emergency care, lead to long waits, diverted ambulances and, in the most extreme cases, patient deaths. The closures also mean that patients in need of emergency care may need to travel farther, delaying access to treatment.

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<sup>8</sup> OSHPD did not report mortality rates for other conditions (for esophageal resection, pancreatic resection, abdominal aortic aneurism repair, craniotomy, percutaneous transluminal coronary angioplasty, carotid endarterectomy, acute myocardial infarction, and hip fracture) for the District because fewer than three procedures were performed or conditions were treated.

AHD's hospital had an occupancy rate of 51 percent in 2010, compared to a statewide average of 71 percent.<sup>9</sup> This occupancy rate suggests that there are sufficient hospital beds in the area to serve patients as needed. The hospital's relatively low occupancy rate compared to the statewide rate may indicate a flaw in service adequacy, but it may also indicate an excess supply of hospital beds in the area. Detailed analysis of Alameda residents' use of other hospitals would be needed to distinguish between relatively low service demand in this area, due to demographics and an uncompetitive service level.

The adequacy of hospital facilities and services in meeting the needs of Alameda residents can be gauged by the extent to which residents travel outside their region to receive hospital services. The rates were calculated based on patient discharge data from OSHPD. Residential location was approximated by zip code. Of district constituents who used hospital services in 2011, 49 percent chose the AHD hospital.

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<sup>9</sup> OSHPD, *Annual Financial Disclosure Report*, June 30, 2010, 1. CDC, Table 116. *Occupancy rates in community hospitals and average annual percent change, by state: United States, selected years 1960–2008*. Latest figure found for State of California was 2008.



## 3. MSR DETERMINATIONS

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### Growth and Population Projections

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- ❖ As of 2010, the population within City of Alameda Healthcare District (AHD) was 73,847.
- ❖ Based on ABAG growth projections the population of AHD is anticipated to be 84,185 by 2035.
- ❖ There are five planned or proposed projects within the City of Alameda that would consist of just over 400 residential units and some mixed uses within AHD's boundaries and sphere of influence. These developments if completed would have a minimal impact on demand for AHD services.

### Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

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- ❖ Based on Census Designated Places, Alameda LAFCo determines that there are no disadvantaged unincorporated communities that meet the basic state-mandated criteria. Alameda LAFCo recognizes, however, that there are communities in the County that experience disparities related to socio-economic, health, and crime issues, but the subject of this review is municipal services such as water, sewer, and fire protection services to which these communities, for the most part, have access.

### Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

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- ❖ With a 51 percent occupancy rate, AHD appears to have sufficient capacity to provide inpatient healthcare services to existing and future demand.
- ❖ Diversion of ambulances to other facilities can decrease survival chances or increase the severity of injury. There is a need to develop strategies to reduce the number and type of emergency room closures through education, a decrease in unnecessary visits, and increase in emergency room capacity, or by other means.
- ❖ Two out of the seven Alameda Hospital buildings do not meet the 2013 seismic requirements and are in need of retrofitting.
- ❖ By comparison with other national healthcare providers, the AHD hospital facility is aging and in need of updates.

- ❖ There are three key projects that need to be completed by the end of FY 12-13 that relate to seismic compliance for the SB 90 Seismic Extension, CMS regulations and Bay Area Air Quality Management District regulations—bulk oxygen tank replacement, anchoring of emergency lighting, emergency communication and nitrous oxide canister anchoring; installation of sprinkler system within the Sub-acute Unit, and the boiler burner replacement project.
- ❖ Based on patient outcomes, including heart attack mortality rates, ER closure rates, occupancy rates, and the number of district residents using AHD hospital, it appears that AHD services are adequate. While the hospital's relatively low occupancy rate compared to the statewide rate may indicate a service adequacy issue, it may also indicate an excess supply of hospital beds in the area

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### Financial Ability of Agency to Provide Services

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- ❖ AHD reported that its financing levels were adequate to deliver services; however, multiple challenges to financing were identified, including a reduction in Medicare and MediCal reimbursements, impacts of the recent recession and the loss of the Kaiser contract.
- ❖ In FY 10-11, AHD's expenses exceeded revenues by about \$3 million dollars.
- ❖ AHD has two long-term debts and a line of credit. The two notes payable are scheduled to be repaid in 2013 and 2014.
- ❖ At the end of FY 10-11, AHD had a cash balance of \$2 million.

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### Status and Opportunities for Shared Facilities

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- ❖ AHD participates in one joint financing arrangement.
- ❖ No future opportunities for regional cooperation or shared facilities were identified.

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### Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

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- ❖ AHD is governed by a five-member Board of Directors. The Board updates constituents, broadcasts its meetings, solicits constituent input, discloses its finances, and some of its public documents on its website.
- ❖ No alternative governance structure options with regard to AHD were identified.
- ❖ AHD demonstrated accountability in its cooperation with the LAFCo information requests.

## ***4. SPHERE OF INFLUENCE UPDATE***

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### **Existing Sphere of Influence Boundary**

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AHD's existing SOI is coterminous with its boundary and includes the entire territory of the City of Alameda.

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### **SOI Options**

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One option was identified with respect to AHD's SOI.

#### **Option #1 – Maintain coterminous SOI**

Should the Commission wish to continue to reflect the existing service boundary, then a coterminous SOI would be appropriate.

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### **Recommended Sphere of Influence Boundary**

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AHD's SOI was established in 2003 as coterminous with its bounds. There have been no annexations to or detachments from AHD since its formation. There have also been no changes to its sphere of influence. During the 2004 SOI updates, the Commission reaffirmed the coterminous SOI given that no reorganizations or changes in service area were proposed by AHD.

This continues to hold true during this SOI update. Given the fact that no change in service area is proposed, it is recommended that the Commission maintain a coterminous SOI for AHD.

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## Proposed Sphere of Influence Determinations

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### Nature, location, extent, functions, and classes of services provided

- ❖ The City of Alameda Healthcare District provides emergency room, general acute care, surgery, physical therapy, long term care services, and cardiac rehabilitation within the district boundaries, which encompass the City of Alameda.
- ❖ AHD provides services to both district residents and non-residents.

### Present and planned land uses, including agricultural and open-space lands

- ❖ AHD encompasses all land uses designated by the City of Alameda, including open space land. There are no agricultural or Williamson Act lands within the City.
- ❖ AHD's SOI does not conflict with planned land uses; the District has no authority over land use, and the City of Alameda is an urban area needing AHD's services.
- ❖ Services are presently being provided. Hospital and healthcare services are needed in all areas, and do not, by themselves induce or encourage growth on agricultural or open space lands.

### Present and probable need for public facilities and services

- ❖ As indicated by demand for AHD's services, there is a present and anticipated continued need for healthcare services offered by AHD.

### Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

- ❖ With a 51 percent occupancy rate, AHD appears to have sufficient capacity to provide inpatient healthcare services to existing and future demand. However, the hospital facility is aging and in need of updates to remain competitive with other providers.
- ❖ Based on accreditation and accolades, AHD appears to provide adequate services. AHD is fully accredited for hospital services and has received several service awards. The hospital's emergency room care consistently ranks in the top ten for patient satisfaction in the State.
- ❖ The MSR report indicates that acceptable service levels are being achieved, and the hospital has the resources to continue to provide services. Continuance of the existing service structure ensures acceptable levels of emergency, acute care and other medical services for residents, commuters, and visitors.

Existence of any social or economic communities of interest

- ❖ AHD was primarily formed to serve the residents of the City of Alameda. Most of the patients served by Alameda Hospital live in the City. City residents voted to tax themselves to pay for district services, and have an economic interest in receiving those services. Residents of the cities of Oakland and San Leandro also use district services and have an interest in cost and adequacy of such services.