



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Health Services Agency

Subject: 2022 Annual Report - Access to Medical Care

Meeting Date: March 25, 2025

Formal Title: Accept and file 2022 annual report for the Access to Medical Care program, and take related actions

Recommended Actions

1. Accept and file the 2022 annual report for the Access to Medical Care program; and
2. Direct the Health Services Agency to return no later than the last scheduled Board meeting in March 2026, to accept and file the 2023 annual report on compliance with Access to Medical Care agreements.

Executive Summary

The Health Services Agency (HSA) requests that the Board accept and file the 2022 annual report on local health care system compliance with Access to Medical Care (ATMC) agreements that provide charitable or affordable quality health care for low income community members. HSA maintains ATMC agreements with the four local health systems: Dignity Health Dominican Hospital (Dominican), Sutter Maternity and Surgery Center (Sutter), Watsonville Community Hospital (Watsonville), and Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals, Inc. (collectively referred to as Kaiser). In 2022, Dominican, Sutter and Kaiser exceeded their ATMC requirements. Watsonville received a waiver to cure its deficit, which was requested because of the complexities in reporting due to its 2022 bankruptcy and transition from the previous ownership group to the Pajaro Valley Health Care District.

Discussion

Access to Medical Care (ATMC) Agreements

HSA maintains ATMC agreements with the largest health system providers in Santa Cruz County, who operate hospitals, to ensure that specialty care, in-patient and emergency department services are available to Medi-Cal beneficiaries, indigent and persons without insurance. HSA provides annual reports to the Board on local health care system compliance with ATMC agreements that provide charitable or affordable quality health care to low-income, indigent, and other County patients. On February 27, 2024, the Board accepted and filed HSA's annual ATMC report for 2021 and directed HSA to return in December 2024 with the 2022 report, which was subsequently deferred to March 25, 2025.

HSA established its ATMC agreements with Dominican and Watsonville in 1973, as part of larger Hospital Services Agreements. The agreement with Sutter was established in 1993 to coincide with the development of their Maternity and Surgical center and continues for the life of their facility. Dominican's agreement automatically renews each year. Watsonville's agreement expired on June 30, 2022 while transitioning ownership to the Pajaro Valley Health Care District (PVHCD) which was finalized on September 1, 2022. In March 2023, the Board approved a new ATMC agreement with Kaiser for a term of 10 years. HSA is actively engaged in contract negotiations for updated ATMC

agreements with Dominican, Sutter, and Watsonville, under its new public ownership, in anticipation of bringing new agreements to the Board by December 2025.

Annual Reporting

Per the terms of the ATMC agreements with Sutter, Dominican and Watsonville, the hospital can meet their service requirement by providing a portion of net operating costs as either: 5.5% to Charity Care; or 7% to Uncompensated Care. Charity Care is defined as services provided to those unable to pay due to income level. Uncompensated Care is defined as Charity Care, together with Bad Debts including services provided to those unwilling to pay. Both Charity and Uncompensated Care are based on costs incurred for eligible low-income patients not already covered by a current or future form of government-supported health care entitlement program (such as Medicare, Medi-Cal, or Medi-Cruz).

For these agreements, HSA relies on audited data provided from the California Department of Health Care Access and Information (HCAI). If a hospital's HCAI Audited Financial Disclosures report shows that it did not meet its annual requirement for care, then they must cure their shortfall with additional costs from substitute activities. These substitute activities must be documented and approved by HSA through a Deficit Correction Plan (Plan) that allows qualifying substitute activities and in-kind services to meet the ATMC requirements.

The new ATMC agreement with Kaiser has a term of 10 years, in which Kaiser agrees to provide each year 2% of its commercial dues received annually from residents of Santa Cruz County to the provision of health-focused charitable and community benefits to the Santa Cruz County community. Kaiser can meet its annual community benefit commitment through various categories, including non-rollable options for Charity Care, Uncompensated Care to non-Kaiser Permanente patients, grants for the top five health needs, and physician recruitment, and rollable options for in-kind services and grants to PVHCD. This 2022 report includes Kaiser's first reporting year.

Deficit Correction Plan

In 2014, with the inception of the federal Affordable Care Act (ACA), California's healthcare landscape changed by increasing the indigent population's enrollment in Medi-Cal insurance coverage, which is not an eligible cost for ATMC agreements. When the pool of uninsured clients decreased as they became Medi-Cal insured, it made it more difficult for the hospitals to meet their baseline ATMC requirements for Charity and Uncompensated Care. Since that time, Sutter, Dominican, and Watsonville have had to submit annual Plans to satisfy the ATMC requirements. Examples of eligible items that can be included in their plans include:

- a. Losses or significant expenses for operating an Emergency Room for indigent patients;
- b. Cash contributions to HSA or non-profit healthcare organizations directly supporting low-income indigent populations;
- c. Recruitment and relocation costs for medical specialists providing care to indigent patients; and
- d. Other community benefit programs approved by HSA.

Therefore, in 2021, the Board approved amendments to the ATMC agreements with Sutter, Dominican and Watsonville, acknowledging the significant burden borne on hospitals during the COVID-19 pandemic. These amendments provided additional

remedies to cure a deficit in reporting years 2020 through 2022 should the amount committed to charity or uncompensated care not actually be provided.

2022 Access to Medical Care (ATMC) Reports

The 2022 reports for the ATMC program represent the year ended June 30, 2022 for Dominican, and December 31, 2022 for Sutter, Watsonville and Kaiser. The 2022 reporting data is summarized below for each hospital. The data for the Access to Care Worksheets for Dominican, Sutter and Watsonville are based on HCAI's Audited 2022 Financial Disclosure reports. The data for Kaiser was based on the commitment of 2% of commercial dues and calculation of fulfillment categories of community benefit contributions, as confirmed by external auditors. All individual itemized reports including the HSA approved Plans are attached.

Dominican and Sutter have certified that they met the requirements of the ATMC through HSA's acceptance of their Deficit Correction Plans that reflect an excess in care provided in reporting year 2022. Kaiser has certified that it has met its annual commitment and has excess rollable funds that are eligible to be rolled to next year. Watsonville nearly met its obligation with the value of deficit care in the amount of \$22,121; however, they did not provide a Deficit Correction Plan because of the complexities in reporting due to its 2022 bankruptcy and transition from the previous ownership group to PVHCD. Therefore, HSA approved to waive the amount it would take to cure the deficit entirely, per the 2022 amendment.

Table 1: Summarized Detail of 2022 Reporting Year: Access to Medical Care

	Dominican	Sutter	Watsonville	Kaiser	
Reporting Period Ended	6/30/2022	12/31/2022	12/31/2022	Reporting Period Ended	12/31/2022
ATMC Compliance Method	7% Uncompensated Care	5.5% Charity Care	5.5% Charity Care	ATMC Compliance Method	Attachment A from Access to Care Agreement
				Annual Commitment	\$ 4,599,806
Required Care	\$ 7,419,940	\$ 2,128,599	\$ 955,088	Fulfillment (Non-rollable)	\$ 3,141,524
Provided Care	\$ 4,959,277	\$ 785,905	\$ 932,967	Remaining Annual Commitment	\$ 1,458,282
Value of Excess or (Deficit) Care Required	\$ (2,460,663)	\$ (1,342,694)	\$ (22,121)	Fulfillment (Rollable)	\$ 3,894,000
Approved Deficit Correction Contributions	\$ 13,270,209	\$ 1,763,828	Not reported	Excess Rollable Funds- to be rolled to next year	\$ 2,435,718
Excess Care Provided	\$ 10,809,546	\$ 421,134	Waiver of deficit		

Vital Partnerships

HSA sincerely appreciates its partners' dedication and commitment to providing needed charitable or affordable services and community health contributions to support residents with low income and vulnerable members of the community and to ensure access to health care. This was especially evident during the COVID-19 pandemic, where hospitals bore an unprecedented burden treating Santa Cruz residents and saved thousands of lives. With the current political environment, the ATMC agreements are even more vital to ensure inpatient, emergency, and other health care services to low-income, indigent, and other County-responsible patients.

Financial Impact

The recommended actions have no financial impact.

Strategic Initiatives

Operational Plan - Comprehensive Health & Safety

Submitted By:

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Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.