

48. Accept and file 2022 annual report for the Access to Medical Care program, and take related actions ()



## **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**

	<b>Dominican</b>	<b>Sutter</b>	<b>Watsonville</b>	<b>Kaiser</b>	
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	<b>Excess Rollable Funds-</b> to be rolled to next year	\$ 2,435,718
<b>Excess Care Provided</b>	\$ 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:**

Monica Morales, Director of Health Services

**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.

**Table: County of Santa Cruz Health Services Agency  
Uncompensated Care Worksheet: 7% Calculation Method**

**Entity: Dominican Hospital**

**HCAI I.D.#: 106440755**

**2022 Fiscal Year: 7/01/2021 to 6/30/2022**

**Part I.: Medical Costs - Audited by HCAI**

**A. Cost To Charges Ratio: Section 8(1) - page 30**

1. Operating Expenses (Line 200)	\$	463,996,351
2. Gross Revenues (Line 30)	\$	2,380,587,893
<b>3. Cost to Charges Ratio (CCR) = A.1. / A.2.</b>		<b>19.49%</b>

**B. Uncompensated Care Commitment:**

1. Operating Expenses (Page 30, Line 200 - same as above)	\$	463,996,351
2. Less: Govt. Payors Gross Charges [Section 12(7)-12(9) page 49-53]		
a. Medicare Traditional: Line 415, Col. 1+2 - page 49	\$	1,050,326,180
b. Medicare Managed: Line 415, Col 3+4 - page 49	\$	260,380,078
c. Medi-Cal Traditional : Line 415, Col. 5+6 - page 51	\$	70,168,177
d. Medi-Cal Managed: Line 415, Col. 7+8 - page 51	\$	455,872,403
e. County Traditional: Medi-Cruz (Line 415, Col. 9+10) - page	\$	-
f. County Managed (Line 415, Col. 11+12) - page 53	\$	-
<b>3. Total B.2.</b>	<b>\$</b>	<b>1,836,746,838</b>
4. Cost of Government Programs = B.3.*A.3.	\$	357,997,213
5. Net Operating Expense = B.1. - B.4.	\$	105,999,138
6. Threshold Factor Percentage - Uncompensated care 7% Method		<b>7.00%</b>
<b>7. Required Care = B.5 * B.6</b>	<b>\$</b>	<b>7,419,940</b>

**C. Uncompensated Care Provided: Section 8(2) - page 31**

1. Charity (Line 355)	\$	20,334,808
2. Bad Debts (Line 300)	\$	5,109,345
3. Total Charges = C.1. + C.2.	\$	25,444,153
<b>4. Provided Care = A.3 * C.3</b>	<b>\$</b>	<b>4,959,277</b>

<b>D. Excess or (Deficit) Care = C.4 - B.7</b>	<b>Deficit:</b>	<b>\$</b>	<b>(2,460,663)</b>
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**Part II.: Cash & In-Kind Services**

**Qualifying Expenses Provided for Deficit Correction - Approved by HSA**

**E. Hospital's list (See Attached for details)**

<b>a. Cash Contributions to tax-exempt organizations:</b>	\$	1,172,327
Cash contributions to non-profit healthcare organizations directly supporting low-income indigent populations.		
<b>b. Physician Recruitment</b>	\$	104,746
Relocation costs for medical specialists providing care to indigent patients.		
<b>c. Other community benefit programs</b>	\$	7,757,872
Mobile Wellness Clinic		
<b>d. Emergency Room Department</b>	\$	4,235,264
Losses or significant expenses for operating an Emergency Room.		

<b>Total Provided Deficit Correction (E.) :</b>	<b>= \$</b>	<b>13,270,209</b>
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<b>F. Excess Care:</b>	<b>\$</b>	<b>10,809,546</b>
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**Table: County of Santa Cruz Health Services Agency**  
**Charity Care Worksheet: 5.5% Calculation Method**  
**Entity: Sutter Maternity & Surgery Center of Santa Cruz**  
**HCAI I.D.#: 106444012**  
**2022 Calendar Year: 01/01/2022 to 12/31/2022**

**Part I.: Medical Costs - Audited by HCAI**

**A. Cost To Charges Ratio: Section 8(1) - page 30**

1. Operating Expenses (Line 200)	\$	79,164,915
2. Gross Revenues (Line 30)	\$	251,848,794
<b>3. Cost to Charges Ratio (CCR) = A.1. / A.2.</b>		<b>31.43%</b>

**B. Uncompensated Care Commitment:**

1. Operating Expenses (Page 30, Line 200 - same as above)		\$	79,164,915
2. Less: Govt. Payors Gross Charges [Section 12(7)-12(11) page 49-58]			
a. Medicare Traditional: Line 415, Col. 1+2 - page 49	\$	81,463,776	
b. Medicare Managed: Line 415, Col 3+4 - page 49	\$	25,407,236	
c. Medi-Cal Traditional : Line 415, Col. 5+6 - page 51	\$	1,230,516	
d. Medi-Cal Managed: Line 415, Col. 7+8 - page 51	\$	19,186,360	
e. County Traditional: Medi-Cruz (Line 415, Col. 9+10) -	\$	705,402	
f. County Managed (Line 415, Col. 11+12) - page 53	\$	-	
g. Other Indigent: (Line 415, Col 17+ 18) - page 57	\$	732,736	
<b>3. Total B.2.</b>	<b>\$</b>	<b>128,726,026</b>	
4. Cost of Government Programs = B.3.*A.3.	\$	40,463,108	
5. Net Operating Expense = B.1. - B.4.	\$	38,701,807	
6. Threshold Factor Percentage - Uncompensated care 5.5% Method			<b>5.50%</b>
<b>7. Required Care = B.5 * B.6</b>	<b>\$</b>	<b>2,128,599</b>	

**C. Charity Care Provided: Section 8(2) - page 23**

1. Charity (Line 355)	\$	2,500,213	
<b>2. Provided Care = A.3 * C.3</b>	<b>\$</b>	<b>785,905</b>	

<b>D. Excess or (Deficit) Care = C.4 - B.7</b>	<b>Deficit:</b>	<b>\$</b>	<b>(1,342,694)</b>
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**Part II.: Cash & In-Kind Services**

**Qualifying Expenses Provided for Deficit Correction - Approved by HSA**

**E. Hospital's list (See Attached for details)**

<b>a. Cash Contributions to tax-exempt organizations:</b>	\$	566,600
Cash contributions to non-profit healthcare organizations directly supporting low-income indigent populations.		
<b>b. Physician Recruitment</b>	\$	118,714
Relocation costs for medical specialists providing care to indigent patients.		
<b>c. Other community benefit programs</b>	\$	1,078,514
<b>d. Emergency Room Department</b>	\$	-
Losses or significant expenses for operating an Emergency Room.		

<b>Total Provided Deficit Correction (E.) :</b>	<b>= \$</b>	<b>1,763,828</b>
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<b>F. Excess Care:</b>	<b>\$</b>	<b>421,134</b>
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# Sutter Maternity & Surgery Center of Santa Cruz

## Qualifying Expenses Provided for Deficit Correction 2022

### (\$1,342,694)

**A. Cash Contributions to tax-exempt organizations:** Cash contributions to non-profit healthcare organizations directly supporting low-income indigent populations.

Actionable Insights-CHNA Consultant	\$20,100
Dientes:	\$40,000
Santa Cruz County Black Health Matters	\$20,000
Encompass	\$50,000
First5 Santa Cruz:	\$35,000
Housing Matters:	\$35,000
Salud para la Gente:	\$150,000
Santa Cruz Community Health	\$160,000
Second Harvest of Santa Cruz County	\$16,500
Siena House	\$20,000
United Way of Santa Cruz	\$20,000
<b>TOTAL:</b>	<b>\$566,600</b>

**B. Physician Recruitment:** Relocation costs for medical specialists providing care to indigent patients.

**TOTAL:** **\$118,714**

**C. Other Community Benefit Programs**

Foundation Physicians	\$304,752
Grants and Sponsorships	\$194,500

*Encompass Community Services (\$2,000)*

*Cabrillo College Foundation (\$2,500)*



*El Sistema Santa Cruz (\$500)*  
*Santa Cruz Community Health Centers (\$25,000)*  
*Santa Cruz Lesbian and Gay Diversity Center (\$5000)*  
*Community Bridges (\$10,000)*  
*Pajaro Valley Shelter Services (\$10,000)*  
*Santa Cruz Community Ventures (\$20,000)*  
*Pajaro Valley Loaves and Fishes (\$10,000)*  
*Pajaro Valley Community Health Trust (\$25,000)*  
*Dientes Community Dental Care (\$25,000)*  
*Health Improvement Partnership (\$57,500)*  
*Dominican Hospital (\$2,000)*

In-Kind Health Education (408 hrs)	\$33,850
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*Free health education classes for general public, including lactation and breast feeding classes*

OB Services Access for High Risk Patients Referred by County	\$88,402
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Foundation Athletic Trainers	\$207,724
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*PAMF funded athletic trainers provided in-kind to Santa Cruz City Schools to prevent head injuries and other athletic based injuries.*

<b>TOTAL:</b>	<b>\$829,228</b>
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<b>COVID Respiratory Care Clinic Additional Costs:</b>	<b>\$249,286</b>
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Salaries & Benefits	\$176,156
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Supplies	\$10,420
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Purchased Services	\$62,710
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## **TOTAL QUALIFYING EXPENSES**

**(A. CASH CONTRIBUTIONS + B. PHYSICIAN RECRUITMENT  
+ C. OTHER COMMUNITY BENEFIT PROGRAMS)**

**\$1,763,828**

**Table: County of Santa Cruz Health Services Agency  
Charity Care Worksheet: 5.5% Calculation Method**

**Entity: Watsonville Community Hospital**

**HCAI I.D.#: 106444013**

**2022 Calendar Year: 01/01/2022 to 12/31/2022**

**Part I.: Medical Costs - Audited by HCAI**

**A. Cost To Charges Ratio: Section 8(1) - page 22**

1. Operating Expenses (Line 200)	\$	152,430,892
2. Gross Revenues (Line 30)	\$	960,233,068
<b>3. Cost to Charges Ratio (CCR) = A.1. / A.2.</b>		<b>15.87%</b>

**B. Uncompensated Care Commitment:**

1. Operating Expenses (Pag3 22, Line 200 - same as above)		\$	152,430,892
2. Less: Govt. Payors Gross Charges [Section 12(7)-12(11) page 40-44]			
a. Medicare Traditional: Line 415, Col. 1+2 - page 40	\$	246,679,555	
b. Medicare Managed: Line 415, Col 3+4 - page 40	\$	49,685,200	
c. Medi-Cal Traditional : Line 415, Col. 5+6 - page 41	\$	81,514,916	
d. Medi-Cal Managed: Line 415, Col. 7+8 - page 41	\$	471,016,988	
e. County Traditional: Medi-Cruz (Line 415, Col. 9+10) -	\$	-	
f. County Managed (Line 415, Col. 11+12) - page 42	\$	-	
g. Other Indigent: (Line 415, Col 17+ 18) - page 44	\$	1,944,764	
<b>3. Total B.2.</b>	<b>\$</b>	<b>850,841,423</b>	
4. Cost of Government Programs = B.3.*A.3.		\$	135,065,664
5. Net Operating Expense = B.1. - B.4.		\$	17,365,228
6. Threshold Factor Percentage - Uncompensated care 5.5% Method			<b>5.50%</b>
<b>7. Required Care = B.5 * B.6</b>		<b>\$</b>	<b>955,088</b>

**C. Charity Care Provided: Section 8(2) - page 23**

1. Charity (Line 355)	\$	5,877,191
<b>2. Provided Care = A.3 * C.3</b>	<b>\$</b>	<b>932,967</b>

<b>D. Excess or (Deficit) = C.4 - B.7</b>	<b>Deficit:</b>	<b>\$</b>	<b>(22,121)</b>
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**Part II.: Cash & In-Kind Services**

**Qualifying Expenses Provided for Deficit Correction - Approved by HSA**

**E. Hospital's list (See Attached for details)**

<b>a. Cash Contributions to tax-exempt organizations:</b>	\$	-
Cash contributions to non-profit healthcare organizations directly supporting low-income		
<b>b. Physician Recruitment</b>	\$	-
Relocation costs for medical specialists providing care to indigent patients.		
<b>c. Other community benefit programs</b>	\$	-
<b>d. Emergency Room Department</b>	\$	-
Losses or significant expenses for operating an Emergency Room.		

**Total Provided Deficit Correction (E.) :** = **Not Reported**

<b>F. Excess Care:</b>	<b>\$</b>	<b>(22,121) *</b>
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\*Waiver applied to cure the deficit, per Amendment #5 to ATMC Agreement

**Table: County of Santa Cruz Health Services Agency  
Access to Care Worksheet**

**Entity: Kaiser**

**2022 Calendar Year: 1/01/2022 to 12/31/2022**

A. Commercial Dues Revenue		\$ 229,990,281.00
X 2%		
B. Annual Commitment Amount		\$ 4,599,805.62
Less: <b>Access to Care Fulfillment Options (Non-rollable):</b>		
C. Contributions for Charity Care	\$ 1,515,260.00	
D. Uncompensated Care	\$ 1,301,264.00	
E. Grants for Top Five Health Needs	\$ 325,000.00	
F. Recruitment of Physicians	\$ -	
<b>G. Total Expended on Non-Rollable Options</b>		\$ 3,141,524.00
H Remaining Annual Commitment Amount to be Met		\$ 1,458,281.62
Less: <b>Access to Care Rollable Fulfillment Options:</b>		
I. In-Kind Services Provided During the Year (complete Attachment B)	\$ 894,000.00	
J. Amount of Initial Grant Paid During the Year	\$ 3,000,000.00	
K. Amount of Additional Grant Paid During the Year	\$ -	
L. Amount Rolled into this year from Prior Years for In-Kind Services, Initial Grant and Additional Grant		N/A
<b>M. Total Available to Meet Annual Commitment from Rollable Options</b>		\$ 3,894,000.00
N. Excess Rollable Funds to meet Annual Commitment Amount – to be rolled to next year		\$ 2,435,718.38
O. Deficit – Additional Amount Needed to Meet Annual Commitment Amount		\$ -

The Access to Care Worksheet shall be accompanied by the following reports:

- ☒ Report from Kaiser's external auditors (see Attachment C, Sample Auditors' Report).
- ☒ Annual report to the County in substantially the form of Attachment D, showing the name, dollar value, and purpose of each grant that was applied towards the Annual Commitment.
- ☐ Annual report in substantially the form of Attachment E, showing the name of each physician, such physician's specialty, and the dollar value being counted towards that physician's recruitment, for those physicians whose recruitment was applied towards the Annual Commitment.

**ATTACHMENT B**

**Agreement Regarding Value of In-Kind Services Provided**

**2022 Calendar Year: 1/01/2022 to 12/31/2022**

Pursuant to Section 1(e)(1) of the Access to Medical Care Agreement (the "AMCA"), dated as of March 23, 2023, by and among Kaiser Foundation Health Plan, Inc., a California

nonprofit public benefit corporation ("KFHP"), Kaiser Foundation Hospitals, Inc., a California nonprofit public benefit corporation ("KFH" and together with KFHP, "Kaiser"), and the County of Santa Cruz, California (the "County"), the Parties agreed that in-kind consulting, accounting and administrative services provided or in-kind grants made by Kaiser to the Pajaro Valley Health District Project, the Pajaro Valley Health District, the hospital corporation formed by PVHCD to acquire Watsonville Community Hospital (the "Hospital") or provided to the Hospital, including in-kind amounts contributed following the acquisition of the Hospital in connection with the continued turn-around and development of the Hospital's operations and services, will be counted toward satisfaction of Kaiser's Annual Commitment to the County pursuant to the AMCA. Section 1(e)(1) of the AMCA provides that the value of the in-kind services provided each year shall be reasonably agreed upon by the Hospital and Kaiser.

Kaiser and the Hospital hereby agree that the total aggregate value of in-kind services provided by Kaiser during the period of, 1/01/2022 to 12/31/2022 is **\$894,000.00**

The in-kind services provided by Kaiser during this period include:

IT Consulting	\$ 894,000.00
<b>Grand Total</b>	<b>\$ 894,000.00</b>

Terms used but not otherwise defined herein shall have the meanings given to them in the AMCA.

Dated: November 22, 2024. By:

KAISER FOUNDATION HOSPITALS, INC.

Name:  Omair Afshari

Title: COO

WATSONVILLE COMMUNITY HOSPITAL

Name:  Math Venz

Title: COO



KPMG LLP  
Suite 1400  
55 Second Street  
San Francisco, CA 94105

## **Independent Accountants' Agreed-Upon Procedures Report**

To the Board of Directors  
Kaiser Foundation Health Plan, Inc. and Subsidiaries  
Kaiser Foundation Hospitals and Subsidiaries

We have performed the procedures enumerated below related to the attached annual computations to be submitted to the County of Santa Cruz (the Subject Matter or Worksheet) for the year ended December 31, 2022. Kaiser Foundation Health Plan, Inc. and Subsidiaries and Kaiser Foundation Hospitals and Subsidiaries (Kaiser) are responsible for the Subject Matter.

Kaiser has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting Kaiser in submitting the annual computation to the County of Santa Cruz. Kaiser is responsible for submitting the annual computation to the County of Santa Cruz. This report may not be suitable for any other purpose.

The procedures are specified in the Access to Medical Care Agreement, and the County of Santa Cruz is party to such contract.

No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

The procedures and the associated findings are as follows:

- A. We have obtained Kaiser's financial records to determine through recalculation that the amount of commercial dues revenue reported on Line A of the Worksheet agrees with the amount set forth in Kaiser's financial records, and noted no differences.
- B. We have recomputed the amount on Line B of the Worksheet and compared it to 2% of the amount of Line A of the Worksheet, and noted no differences.
- C. We have obtained a list of Charity Care procedures performed by Kaiser and the Center for Medicare & Medicaid Services (CMS) Medicare Fee for Services rates provided in Santa Cruz County. We have increased those rates by twenty percent (20%) and compared to the amount set forth on Line C of the Worksheet, and noted no differences.
- D. We have obtained a list of Uncompensated Care procedures performed by Kaiser and the CMS Medicare Fee for Services rates provided in Santa Cruz County. We have increased those rates by twenty percent (20%) and compared to the amount set forth on Line D of the Worksheet, and noted no differences.
- E. We have obtained the report provided by Kaiser in the form of Attachment D to the Access to Medical Care Agreement (AMCA). We have obtained Kaiser's financial records and determined through recalculation that the amounts of the grants reported in Attachment D to the AMCA agree with the amounts set forth in Kaiser's financial records, and noted no differences. We have compared the total of the amounts set forth in the report to Line E of the Worksheet, and noted no differences.



- F. We have obtained the report provided by Kaiser in the form of Attachment E to the AMCA. We have compared the average Medical Group Management Association (MGMA) compensation for those specialties to Attachment E to the AMCA, and noted no differences. Where the MGMA average compensation for a physician's speciality exceeded \$150,000, the number \$150,000 was used for that physician. Where the MGMA amount was less than \$150,000, we have determined by inspection that the lesser number was used for that physician, and noted no differences. We added the amounts for each recruited physician together and compared with the amount reported on Line F of the Worksheet, and noted no differences.
- G. We summed the amounts on Lines C, D, E, and F of the Worksheet and compared it with the amount reported on Line G of the Worksheet, and noted no differences. We subtracted the amount on Line G of the Worksheet from the amount on Line B of the Worksheet to compute the Remaining Annual Commitment Amount to be Met as reported on Line H of the Worksheet, and noted no differences.
- H. We compared the amount of in-kind services set forth on Attachment B to the AMCA with the amount reported on Line I of the Worksheet, and noted no differences.
- I. Not used
- J. We obtained a listing of the amount of grants or charitable contributions that Kaiser provided during the reporting year to Pajaro Valley Healthcare District (PVHCD), or the Hospital Corporation formed by PVHCD to acquire Watsonville Community Hospital (the Hospital) to be spent for acquisition of the Hospital or for working capital of the Hospital. We compared this amount with the amount reported on Line K of the Worksheet, and noted no differences.
- K. We compared Line N of the prior year's Worksheet to Line L of the current year's Worksheet, and noted no differences.
- L. We summed the amounts on Lines I, J, K, and L and compared that to the amount reported on Line M of the Worksheet, and noted no differences.
- M. We subtracted the amount on Line H from the amount on Line M. To the extent the amount was a positive number, we compared it to the amount on Line N of the Worksheet, and to the extent the amount was a negative number, we compared it to the amount on Line O of the Worksheet, and noted no differences.

We were engaged by Kaiser to perform this agreed-upon procedures engagement. We conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Subject Matter. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Kaiser and the County of Santa Cruz, and is not intended to be, and should not be, used by anyone other than the specified parties.

**KPMG LLP**

San Francisco, California  
February 11, 2025

**Table: County of Santa Cruz Health Services Agency  
Access to Care Worksheet**

**Entity: Kaiser**

**2022 Calendar Year: 1/01/2022 to 12/31/2022**

A. Commercial Dues Revenue		\$ 229,990,281.00
X 2%		
B. Annual Commitment Amount		\$ 4,599,805.62
<b>Less: Access to Care Fulfillment Options (Non-rollable):</b>		
C. Contributions for Charity Care	\$ 1,515,260.00	
D. Uncompensated Care	\$ 1,301,264.00	
E. Grants for Top Five Health Needs	\$ 325,000.00	
F. Recruitment of Physicians		
<b>G. Total Expended on Non-Rollable Options</b>		\$ 3,141,524.00
H Remaining Annual Commitment Amount to be Met		\$ 1,458,281.62
<b>Less: Access to Care Rollable Fulfillment Options:</b>		
I. In-Kind Services Provided During the Year (complete Attachment B)	\$ 894,000.00	
J. Amount of Initial Grant Paid During the Year	\$ 3,000,000.00	
K. Amount of Additional Grant Paid During the Year	\$ -	
L. Amount Rolled into this year from Prior Years for In-Kind Services, Initial Grant and Additional Grant	\$ -	
<b>M. Total Available to Meet Annual Commitment from Rollable Options</b>		\$ 3,894,000.00
N. Excess Rollable Funds to meet Annual Commitment Amount – to be rolled to next year		\$ 2,435,718.38
O. Deficit – Additional Amount Needed to Meet Annual Commitment Amount		\$ -

The Access to Care Worksheet shall be accompanied by the following reports:

- ☐ Report from Kaiser's external auditors (see Attachment C, Sample Auditors' Report).
- ☒ Annual report to the County in substantially the form of Attachment D, showing the name, dollar value, and purpose of each grant that was applied towards the Annual Commitment.
- ☒ Annual report in substantially the form of Attachment E, showing the name of each physician, such physician's specialty, and the dollar value being counted towards that physician's recruitment, for those physicians whose recruitment was applied towards the Annual Commitment.

## ATTACHMENT D

### KAISER PERMANENTE

#### Annual Report of Grants Made in Santa Cruz County during the 2022 Calendar Year

Pursuant to Section 1(c) of the Access to Medical Care Agreement (the "AMCA"), dated as of March 23, 2023, by and among Kaiser Foundation Health Plan, Inc., a California nonprofit public benefit corporation ("KFHP"), Kaiser Foundation Hospitals, Inc., a California nonprofit public benefit corporation ("KFH" and together with KFHP, "Kaiser"), and the County of Santa Cruz, California (the "County"), the Parties agreed that funds granted by Kaiser to non-profit causes that support any one or more of the top five health needs identified by Kaiser in Santa Cruz County in either Kaiser's internal Community Health Needs Assessment or the joint Community Health Needs Assessment will be counted toward satisfaction of Kaiser's Annual Commitment to the County pursuant to the AMCA. The following is a report showing the grant recipients, the amounts granted to each recipient and the purpose of each grant made in Santa Cruz County during the above-referenced calendar year.

Grant Approval Date	Grant Recipient	Amount Granted	Purpose of the Grant
06.30.22	Volunteer Center of Santa Cruz County (VC)	\$25,000.00	Grant supported VC's Healthy Connections project, which provided healthy meals, food distribution, lifestyle coaching, health and wellness classes, and CalFresh enrollment support to at least 350 adults with a serious mental health illness in Santa Cruz County.
06.30.22	Warming Center Program	\$25,000.00	Grant supported three Warming Center Program projects, Footbridge Services Center, Secret Garden Women's Shelter, and Warming Center, to help people gain the stability needed to face future possibilities and provide basic homeless services such as showers, storage, laundry.
06.30.22	FoodWhat?!, Inc. (FW)	\$25,000.00	Grant supported FW's The Power of Food: Fostering Youth Health, Empowerment, and Healing project, an effort to meet the drastic needs of marginalized youth and families in terms of food security and its related health and economic impact by creating stable food access points.
06.30.22	Pajaro Valley Unified School District (PVUSD)	\$25,000.00	Grant supported PVUSD's Family Engagement and Wellness Center, a one-stop-shop collaborative model that supports students/families' health and social service needs through a continuum of care approach



			with multiagency, multilingual, and multi-cultural wraparound supports and services.
06.30.22	Friends of Santa Cruz County Parks (dba County Park Friends)	\$25,000.00	Grant supported County Park Friends and other agencies to raise funds to reimagine Willowbrook County Park in honor of Sgt. Damon Gutzwiller who was killed in the line of duty on June 6, 2020, while serving Santa Cruz County.
06.30.22	Alzheimer's Disease and Related Disorders Association, Inc.	\$25,000.00	Grant supported Alzheimer's Association to provide outreach, public education, support groups, and individualized care planning for Santa Cruz residents with Alzheimer's and related dementia, and their families and caregivers. With a focus on diversity and inclusion, no-cost offerings were provided virtually and in-person in English and Spanish.
06.30.22	Walnut Avenue Family & Women's Center	\$25,000.00	Grant supported Walnut Avenue's Survivor Advocacy & Prevention of Interpersonal Violence (IPV) project, which provided outreach and services (food, clothing, safety, crisis intervention, legal advocacy, mental and physical health care) to best meet the needs of IPV survivors in Santa Cruz County via in an individualized, survivor-centered approach.
06.30.22	United Way of Santa Cruz County (fiscal sponsor for Cradle to Career [C2C])	\$25,000.00	Grant supported C2C's continued focus on recovery from the COVID-19 pandemic by expanding its Family Wellness Program to include Shoreline Middle School and Live Oak, Del Mar, and Green Acres elementary schools. The goal was to develop/strengthen each school's parent leadership committee to engage families in culturally connected healthy lifestyle activities.
06.30.22	Boys & Girls Clubs of Santa Cruz County (BGCSCC)	\$25,000.00	Grant supported BGCSCC's Healthy Outcomes for Youth in Need project to deliver healthy lifestyle activities for youth ages 6 to 18. Project components included daily physical activity, mental and behavioral health supports, walking buses, and healthy snacks and meals.
06.30.22	Court Appointed Special Advocates	\$25,000.00	Grant supported CASA of Santa Cruz County's work to recruit, screen, train, match, and supervise court-appointed volunteers who mentor and advocate for

	(CASA) of Santa Cruz County		children and youth in the Santa Cruz Dependency and Juvenile Court Systems.
06.30.22	Scotts Valley Educational Foundation's (SVEF)	\$25,000.00	Grant supported SVEF in providing access to counseling services to all students in Scotts Valley Unified School District by funding five counselors who met with students individually and in group contexts, providing an established curriculum at all school levels, and sharing outside resources to families as needed.
06.30.22	Grey Bears	\$25,000.00	Grant supported Grey Bears' Healthy Food Program to ensure that Santa Cruz County aging adults – including isolated and disabled seniors, families, and farmworkers – had access to healthy food, food security, and opportunities to volunteer and engage socially; stay active and in their own homes; and live healthy, meaningful lives.
06.30.22	Valley Churches United	\$25,000.00	Grant supported Valley Churches United, a year-round food pantry providing healthy nutritional food to low-/very-low-income clients in Bonny Doon, San Lorenzo Valley, and Scotts Valley. The service area is part of a very underserved area of Santa Cruz County and the agency's focus on providing clients with healthy supplemental food is a critical safety net.
<b>TOTAL</b>	<b>\$325,00.00</b>		

Terms used but not otherwise defined herein shall have the meanings given to them in the AMCA.

Dated: Feb 6, 2025

KAISER FOUNDATION HOSPITALS, INC.

By: 

Name: Omar Alkhani

Title: COO San Jose Service Area

KAISER FOUNDATION HEALTH PLAN, INC.

By: 

Name: Evelyn Tran

Title: Area Portfolio Leader