

**Addendum: Summary of the Analysis of the Request to Modify Condition IV(b) of the Attorney General's Conditions to Change in Control and Governance of ValleyCare Health System on the Availability and Accessibility of Healthcare Services**

Prepared for the Office of the California Attorney General

March 19, 2019

## Introduction

On December 20, 2017, pursuant to Title 11, California Code of Regulations, Section 999.5, subdivision (h), The Hospital Committee for the Livermore-Pleasanton Areas, a California nonprofit public benefit corporation and general acute care hospital doing business as ValleyCare Health System (“ValleyCare”) submitted a request to amend Condition IV(b) set forth in the California Attorney General’s April 7, 2015 conditional consent to the proposed change of control and governance of ValleyCare, pursuant to the terms of the Affiliation Agreement dated September 26, 2014, by and between Stanford Hospital and Clinics, a California nonprofit public benefit corporation, now called Stanford Health Care (“Stanford”). Condition IV(b) requires ValleyCare to provide 14 acute psychiatric beds and geriatric behavioral health services at Valley Memorial Hospital for five years from the closing date of the Affiliation Agreement, which took place on May 18, 2015.

ValleyCare seeks to modify Condition IV(b) and de-license the 14 acute psychiatric beds at Valley Memorial Hospital that ceased operation in June 2017 because of The Joint Commission<sup>1</sup> survey that identified several risks to patient safety. The reasons for its request are based upon the large capital costs associated with reopening the unit due to changed regulatory requirements, the program’s poor and declining utilization, the availability of sufficient community acute psychiatric resources, and the very limited period of time that would be available to operate the unit before the expiration of the California Attorney General’s conditions.

## Description/Summary

Valley Memorial Hospital in Livermore, California and ValleyCare Medical Center in Pleasanton, California now operate as Stanford Health Care – ValleyCare under one hospital license. Valley Memorial Hospital’s services, before a Joint Commission survey in June 2017, included a geropsychiatric program that operated with 14 licensed psychiatric beds. Valley Memorial Hospital also offers a 26-bed skilled nursing service on site which is its only other inpatient program. The geropsychiatric program served only voluntary, low acuity, senior patients coming from over a wide region of the San Francisco Bay Area and had an average daily census of about 6.5 patients. Valley Memorial Hospital did not have specially trained staff or programs or a locked unit necessary to serve other types of non-senior psychiatric patients and no onsite physicians.

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<sup>1</sup>The Joint Commission accredits and certifies more than 21,000 health care organizations and programs in the United States, including hospitals and health care organizations that provide ambulatory and office-based surgery, behavioral health, home health care, laboratory and nursing care center services. It is a nonprofit organization that establishes and evaluates compliance with standards that focus on patient safety and quality of care.

Valley Memorial Hospital's psychiatric unit was surveyed by The Joint Commission in July 2014 and June 2017. In the June 2017 survey, The Joint Commission identified several patient safety and ligature risks that were severe enough that The Joint Commission required Valley Memorial Hospital to suspend its psychiatric program and develop a corrective action plan.

ValleyCare retained architectural consultants to estimate the construction cost of renovating the acute psychiatric unit to comply with The Joint Commission's standards. The architectural consultants estimated the cost to make the improvements necessary for the psychiatric unit to meet The Joint Commission standards to be about \$2.5 million. However, the consultants expected that making the remodels to the psychiatric unit would cause the need for other parts of the 65-year-old outdated hospital building to become compliant with updated state and national building regulations. Related building improvements were expected to cost between \$8.1 million to \$11.0 million. The architectural consultants estimated the process for planning, designing, obtaining approvals, and renovating the psychiatric unit would take at least 20 months to complete, and the unit would not be ready for patients until at least the beginning of 2020. Furthermore, ValleyCare representatives expressed their intention to discontinue operating a psychiatric unit regardless of any facility improvements after the expiration of the Attorney General's conditions.

## Community Need and Impact

In June 2017, when ValleyCare was surveyed and subsequently directed by The Joint Commission to close the psychiatric unit at Valley Memorial Hospital, the geropsychiatric units at Fremont Hospital and Seton Medical Center had not yet opened. The only two dedicated inpatient geropsychiatric units serving the San Francisco Bay Area were at Valley Memorial Hospital and the Jewish Home and Rehabilitation Center. Valley Memorial Hospital has 14 licensed psychiatric beds and Jewish Home and Rehabilitation Center has 13 beds all of which were dedicated to geropsychiatric patients. In early 2018, months after Valley Memorial Hospital's geropsychiatric unit closed, Fremont Hospital, a psychiatric hospital located in Fremont and licensed for 148 beds, opened a new 16 bed dedicated geropsychiatric unit which can be expanded to 20 beds, and Seton Medical Center, located in Daly City, opened a new 20 bed dedicated geropsychiatric unit. Since geropsychiatric services have regional catchment areas, Valley Memorial Care's 14 bed capacity, that was less than 50% filled, essentially was replaced by Fremont Hospital and Seton Medical Center with a combined capacity of 40 new geropsychiatric program beds. Both Seton Medical Center and Fremont Hospital offer a more complete range of services than did Valley Memorial Hospital including a locked unit and a more extensive program of support from area psychiatrists. The Chief Executive Officer of Fremont Hospital states that, since opening the geropsychiatric unit, they have aggressively communicated with the community about the availability of their geropsychiatric services and she believes they are meeting the community's need for these services including the volume that would

have gone to Valley Memorial Hospital. While the average daily census of Fremont Hospital's geropsychiatric program has stabilized at 13-14 patients, the program can also expand its available capacity on two other adult psychiatric units as necessary.

## ValleyCare's Alternative Program Commitments

ValleyCare provided supplemental materials to the Office of the Attorney General on January 4, 2019 describing their commitment of resources for alternative programs intended to have an impact in meeting the local mental health service needs of the community, including the following:

- A three-year grant of \$250,000 per year for 2019, 2020 and 2021 to support the development of the Santa Rita Mental Health Assessment, Referral and Drop-In-Center, a program of Alameda County Behavioral Health Care Services. The Center is intended to assist individuals being released from the Santa Rita Jail to access healthcare services, housing, transportation and other social services;
- A pledge of \$125,000 to support the cost of one full-time marriage and family therapist who will provide non-acute mental health services to area residents at Axis Community Health, a local community health center;
- A pledge of \$31,077 to the Senior Support Program of the Tri-Valley area to support preventative health screenings and examinations for an estimated nine hundred low-income seniors in the community;
- A formal patient transfer agreement with Fremont Hospital established in April 2018. The agreement is in place to facilitate the transfer of appropriate psychiatric patients identified in ValleyCare's emergency department or inpatient units to Fremont Hospital. The agreement is in force until March 31, 2020 with an automatic renewal for one year unless a ninety-day notice is given prior to the expiration date; and
- A formal patient transfer agreement with Seton Medical Center established on August 15, 2018. The agreement is in place to facilitate the transfer of appropriate psychiatric patients identified in ValleyCare's emergency department or inpatient units to Seton Medical Center. The agreement is in force for one year and can be renewed with the written consent of both parties.

## Conclusions

Since the closure of the psychiatric unit at Valley Memorial Hospital in June 2017, Fremont Hospital, a 148-bed psychiatric hospital, has developed a specialty geropsychiatric program with 16 licensed beds. The CEO of Fremont Hospital believes, and it appears from the increased census at Fremont Hospital, that Fremont Hospital has accommodated the historical average daily census of 6.5 patients at Valley

Memorial Hospital's acute psychiatric unit. Additionally, Fremont Hospital has greater capabilities and support programs than were available at ValleyCare's geropsychiatric program. These include a locked psychiatric unit, appropriate physical space, a larger trained support staff, and a larger medical staff with 15 board certified psychiatrists. Additionally, Seton Medical Center opened a new 20 bed licensed geropsychiatric unit, also with a locked unit. As a result, the capacity for serving the community need for geropsychiatric services has been greatly improved.

The commitments of ValleyCare to support alternative programs will improve the access and availability of services for patients with other types of mental health needs.

## Recommendations

If the California Attorney General approves the proposed request to modify Condition IV(b), JD Healthcare recommends the following conditions be required to minimize any potential negative healthcare impact that might result:

- 1) For at least five years from the date that ValleyCare joined Stanford (May 18, 2015), ValleyCare shall maintain the Patient Transfer Agreement with Fremont Hospital;
- 2) For at least five years from the date that ValleyCare joined Stanford (May 18, 2015), ValleyCare shall maintain the Patient Transfer Agreement with Seton Medical Center;
- 3) ValleyCare shall provide a three-year grant of \$250,000 per year for 2019, 2020 and 2021 to support the development of the Santa Rita Mental Health Assessment, Referral and Drop-In-Center;
- 4) ValleyCare shall provide a grant of \$125,000 to support the cost of one full-time marriage and family therapist at Axis Community Health; and
- 5) ValleyCare shall provide a grant of \$31,077 to the Senior Support Program of the Tri-Valley area to support preventative health screenings and examinations.

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