

**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

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Introduction & Purpose

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 because of The Joint Commission¹ survey that identified several risks to patient safety and resulted in the closure of the acute psychiatric unit.

Condition IV of the Attorney General’s conditional consent provides as follows:

“For five years from the closing date of the Affiliation Agreement unless otherwise stated, ValleyCare Facilities shall be operated and maintained as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services at current licensure, types, and/or levels of services:

- a) Twenty-four-hour emergency medical services, including a minimum of 18 emergency beds/stations at ValleyCare Medical Center;
- b) Acute psychiatric services, including a minimum of 14 beds and geriatric behavioral health services at ValleyCare Memorial Hospital;**
- c) Cardiac services, including but not limited to, the cardiac catheterization laboratory, and the designation as a STEMI Receiving Center at ValleyCare Medical Center;
- d) Critical care services, including a minimum of 9 coronary care beds and 13 intensive care beds at ValleyCare Medical Center;
- e) Obstetrics services, including a minimum of 15 beds at ValleyCare Medical Center;
- f) Orthopedic services, including, but not limited to, joint replacement and spine care services at ValleyCare Medical Center;

¹The 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.

- g) Neonatal intensive care services, including a minimum of 10 neonatal intensive care beds at ValleyCare Medical Center;
- h) Women's imaging and mammography services including, but not limited to, those provided at ValleyCare Medical Center and ValleyCare Medical Plaza located at 5725 W. Las Positas Blvd., Pleasanton, CA 94588;
- i) Urgent care services, including, but not limited to, those provided at the ValleyCare Medical Plaza located at 1133 E. Stanley Blvd., Livermore, CA 94550 and the ValleyCare Urgent Care located at 4000 Dublin, Blvd., Suite 150, Dublin, CA 94568; and
- j) Women's reproductive health care services for ten years from the closing date of the Affiliation Agreement, at ValleyCare Facilities.

ValleyCare Facilities shall not place all or any portion of its above-listed licensed-bed capacity or services in voluntary suspension or surrender its license for any of these beds or services.”

JD Healthcare, Inc. (JD Healthcare) was retained by the Office of the California Attorney General to analyze ValleyCare's request to modify the requirements set forth in Condition IV(b). In preparation of this report, JD Healthcare performed the following:

- A review of ValleyCare's request to modify Condition IV(b) dated December 20, 2017 and submitted to the Office of the California Attorney General;
- A review of the Geri-Psychiatric Behavioral Health Unit Environment of Care discussion in the 2014 and 2017 survey reports for ValleyCare from the Joint Commission on the Accreditation of Healthcare Organizations;
- An analysis of utilization and service information provided by the California Office of Statewide Health Planning and Development (OSHPD) and review of service area trends to determine inpatient adult psychiatric service volume patterns; and
- Interviews with representatives of ValleyCare, area hospitals providing behavioral health services, including geriatric psychiatry, and area physicians serving geriatric patients.

Background & History

ValleyCare is a California nonprofit health system based in Alameda County that provides healthcare services to the communities of Livermore, Pleasanton, Dublin, and San Ramon. The health system

consists of ValleyCare Medical Center in Pleasanton, California and Valley Memorial Hospital in Livermore, California operating under one hospital license.

On May 28, 2014, ValleyCare entered into a Letter of Intent with Stanford Health Care, a California nonprofit public benefit corporation, and the Stanford University School of Medicine to negotiate terms of an Affiliation Agreement. ValleyCare's objective for the Affiliation Agreement was to ensure the continuation of its nonprofit and charitable purposes for the benefit of the communities in its service area. Stanford Health Care ("Stanford") was selected as the affiliation partner because ValleyCare believed Stanford's proposal aligned with the transaction objectives and an affiliation with Stanford was in the best interest of both ValleyCare and its members. On September 26, 2014, ValleyCare entered into the Affiliation Agreement with Stanford. On December 2, 2014, ValleyCare submitted the "Notice of Submission and Request for Consent" to the Office of the California Attorney General.

Medical Development Specialists, LLC, now Vizient, Inc., was retained by the Office of the California Attorney General to prepare a healthcare impact statement to describe the possible effects that ValleyCare's affiliation with Stanford could have on the availability and accessibility of healthcare services to the communities served by ValleyCare. The healthcare impact statement was issued on February 23, 2015. On April 7, 2015, the California Attorney General granted conditional approval of the affiliation between ValleyCare and Stanford.

ValleyCare joined Stanford on May 18, 2015, and ValleyCare Medical Center was renamed Stanford Health Care – ValleyCare following the approval of the Affiliation Agreement. Today, ValleyCare is licensed for 242 beds across its two hospitals in Pleasanton and Livermore and provides cancer, emergency, cardiovascular, pediatrics, obstetrics, surgical, and other healthcare services.

Reasons for the Closure of the Acute Psychiatric Unit

ValleyCare 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 in the psychiatric unit at Valley Memorial Hospital. Following the June 2017 survey, The Joint Commission directed ValleyCare to suspend its psychiatric program in order for ValleyCare to evaluate the safety risks identified in the survey and to develop a corrective action plan.

Environment of Care² Violations

In the July 2014 survey, The Joint Commission cited ValleyCare for failure to formally document correction plans to address safety concerns related to door hinges on patient room doors and bathroom doors in the psychiatric unit. The psychiatric unit staff had identified these risks in a “Suicide Risk Assessment” but had not implemented any mitigation efforts. After reviewing the “Suicide Risk Assessment”, The Joint Commission surveyor recommended adopting a more formalized documentation procedure that included recording the identified risks, the suggested corrective actions, responsible personnel, projected date for completion, and implementation steps.

In the June 2017 Joint Commission survey, ValleyCare was cited for violating Environment of Care Standards EC.02.01.01³ and EC.02.6.01⁴ relating to patient safety and ligature risks in the psychiatric unit. No modifications had been made to the psychiatric unit since the 2014 survey. The Joint Commission’s Official Accreditation Report for 2017 cited Environment of Care violations that include the following:

- Hospital staff had not completed a risk assessment of the geropsychiatric unit and therefore had not realized the safety implications of not having a panic button in the garden area where ligature prone furniture was located;
- All patient rooms on the second floor had ligature risks that included: three-part door hinges on doors, door knobs on the bathroom door, standard sink faucets, and beds with multiple ligature points and cords;
- The back sections of the toilets in the patient bathrooms were not fully encased to prevent ligature points;
- The toilet paper holders in the patient bathrooms were not enclosed and were potential ligature risk points that were not identified in any previous risk assessment;
- A supply cart with ligature points on the handle was located outside the room of a suicidal patient;
- The activity room that was unattended and easily accessible to patients contained electrical cords, lacked pull away curtains, had multiple ligature points such as the sink faucet and handles, and contained several items that could possibly be used as weapons. The room had no surveillance system and was not visible by staff at the nursing stations; and
- The water spout of a fountain in the hallway was a potential ligature point, and the fountain was not directly visible to hospital staff.

²The Joint Commission’s Environment of Care standards require organizations to develop management plans that address safety, security, hazardous materials and waste, fire safety, medical equipment, and utilities.

³Standard EC.02.01.01 refers to the hospital’s management of safety and security risks.

⁴Standard EC.02.6.01 refers to the hospital establishing and maintaining a safe and functional environment.

Following the 2017 survey, The Joint Commission directed ValleyCare to stop accepting patients in its psychiatric program. ValleyCare was instructed to assess the environment of its psychiatric unit and develop a plan to correct the patient safety issues before reopening.

ValleyCare Psychiatric Unit Correction Plan Requirements

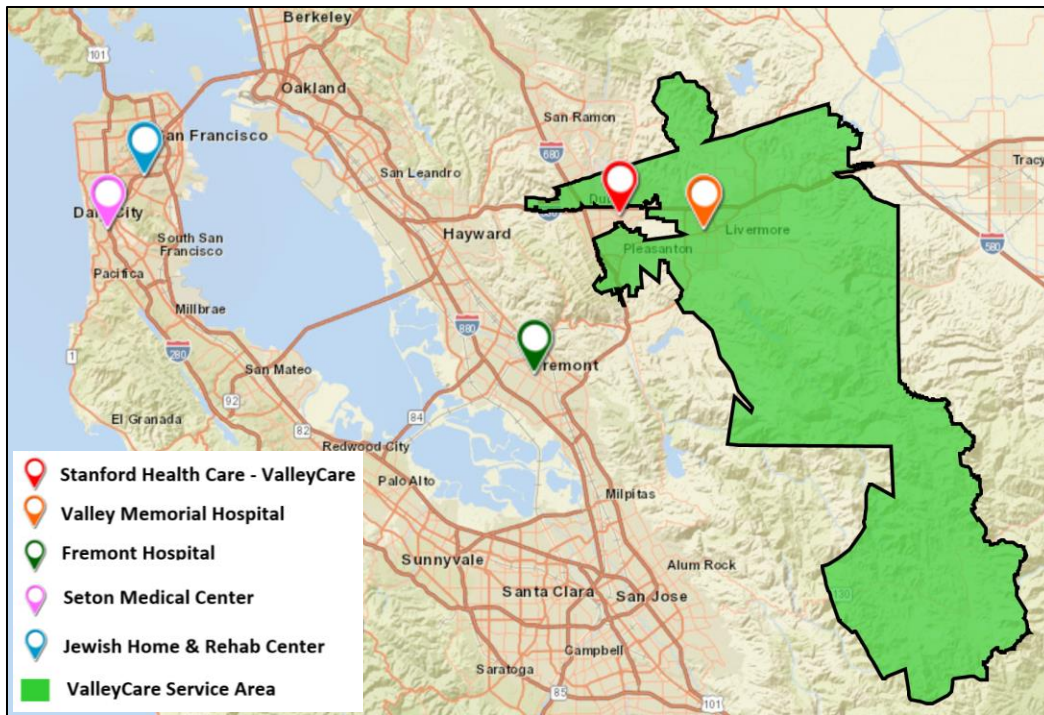
ValleyCare retained architectural consultants to estimate the construction cost of renovating the acute psychiatric unit to comply with The Joint Commission's Environment of Care standards. The architectural consultants assessed the cost to improve the bathrooms, doors, hardware, and fixtures in patient rooms and community areas. The consultants also estimated the cost of installing a surveillance system, an observation window between the nurse's station and the activity room, and the appropriate modifications to the activity room and patio area. The estimated cost for these improvements was \$2,447,966.

The architectural consultants expected costs would increase after considering the additional measures to comply with state and national building regulations. California's OSHPD must review and approve the corrections made to the psychiatric unit, and further renovations to satisfy OSHPD requirements may include overall building improvements to the fire system, fire safety exit routes, and public telephones. Additionally, ValleyCare would have to remodel the bathrooms, water fountains, walkways, and elevators throughout the facility to comply with the Americans with Disabilities Act ("ADA"). The architects' estimated cost after considering the additional corrections needed by OSHPD range between \$8,147,000 and \$11,022,000. 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 have expressed their intention to discontinue operating a psychiatric unit regardless of any facility improvements after the expiration of the Attorney General's conditions. With the California Attorney General's five-year approval conditions set to expire on May 17, 2020, a renovated psychiatric unit would remain open for less than four months before a potential permanent closure.

Inpatient Geropsychiatric Services Market Analysis

At the time of the affiliation between ValleyCare and Stanford, ValleyCare offered the only psychiatric program with specialized inpatient geropsychiatric services in its service area. Since the closure of ValleyCare's 14-bed psychiatric unit, two new specialty inpatient psychiatric programs serving geropsychiatric patients have opened in the region at Fremont Hospital and Seton Medical Center. In addition, Jewish Home & Rehab Center located in San Francisco continues to serve geropsychiatric patients on a regional basis.

The figures in the following table show the approximate distances and travel times to the area facilities that offer geropsychiatric services.



APPROXIMATE TIMES AND DISTANCES FROM STANFORD HEALTH CARE - VALLEYCARE		
Facility	Distance (miles)	Approximate Time (hours)
Valley Memorial Hospital	6.6	0.2
Fremont Hospital	18.7	0.4
Seton Medical Center	64.8	1.1
Jewish Home & Rehab Center	67.2	1.1

Source: Google Maps

Fremont Hospital

Fremont Hospital is a for-profit, 148-bed psychiatric hospital owned by Universal Health Services, Inc. located in the city of Fremont, California approximately 19 miles from Stanford Health Care - ValleyCare. Fremont Hospital has 15 area psychiatrists on its medical staff and offers adult and youth mental health services. Fremont Hospital opened a 16-bed, locked geriatric behavioral health program in March 2018 that admits voluntary and involuntary patients 24-hours a day. In calendar year (CY) 2017, Fremont Hospital reported 5,114 acute adult psychiatric discharges.

Seton Medical Center

Seton Medical Center is a 357-bed hospital located in the city of Daly City, California approximately 65 miles from Stanford Health Care - ValleyCare. The hospital's key services include cardiovascular services, oncology, orthopedics and joint replacement, and spine care.

Seton Medical Center opened a new 20-bed acute geropsychiatric unit in January 2018. The hospital's geriatric behavioral program has locked capabilities and admits both voluntary and involuntary patients and is also capable of treating medical comorbidities.

Jewish Home & Rehab Center

Jewish Home & Rehab Center is a 13-bed acute geropsychiatric hospital in San Francisco, California. The hospital is located on the campus of San Francisco Campus for Jewish Living located approximately 67 miles from Stanford Health Care – ValleyCare. Established in 1985, Jewish Home & Rehab Center admits geropsychiatric patients on a voluntary or involuntary basis. In fiscal year (FY) 2017, Jewish Home & Rehab Center reported 177 acute adult psychiatric discharges.

Analysis of ValleyCare's Inpatient Psychiatric Program

ValleyCare Acute Psychiatric Service Volumes

The psychiatric unit at Valley Memorial Hospital was not a locked facility and operated as a short-term, voluntary inpatient program focused on diagnosing and caring for the low acuity behavioral health conditions of geriatric patients. The program had two psychiatrists on the medical staff, one located in Stockton and the other located in San Francisco. Patients were admitted with conditions including memory loss from Alzheimer's or dementia, disorientation, hallucinations, depression, anxiety, manic depressive illness, acute psychosis, and adjustment disorders of aging. The following table shows inpatient service volumes for the acute psychiatric service line from CY 2013 to CY 2017.

VALLEY MEMORIAL HOSPITAL ACUTE PSYCHIATRIC SERVICE VOLUMES CY 2013 – CY 2017 ¹						
Year	Days	Patients	Patient Days	ALOS	Average Census	Occupancy
CY 2013	365	197	2,448	12.4	6.7	47.9%
CY 2014	365	190	2,504	13.2	6.9	49.0%
CY 2015	365	176	2,403	13.7	6.6	47.0%
CY 2016	365	154	2,136	13.9	5.8	41.7%
CY 2017	169	70	1,025	14.6	6.1	43.3%
Total	1,630	787	10,516	13.4	6.5	46.1%

Source: ValleyCare

¹Valley Memorial Hospital closed its psychiatric unit on June 18, 2017

Valley Memorial Hospital admitted 787 inpatient psychiatric patients from CY 2013 through June 18, 2017 when the psychiatric unit closed. Over the prior five-year period, the psychiatric program’s average daily census had remained relatively constant between six to seven patients. Since the closure, Stanford Health Care – ValleyCare established a formal patient transfer agreement with Fremont Hospital in April 2018. The agreement is in place to facilitate the transfer of appropriate psychiatric patients identified in Stanford Healthcare – ValleyCare’s emergency department or inpatient units to Fremont Hospital. In place of being transferred to Valley Memorial Hospital’s now closed psychiatric program, patients would be transferred to Fremont Hospital. The agreement is in force until March 31, 2020 with an automatic renewal for one (1) year unless a ninety-day notice is given prior to the expiration date.

Patient Origin

While ValleyCare historically provided acute psychiatric services to patients from around the San Francisco Bay area, the majority of patients originated from within a 10-mile radius of Stanford Health Care - ValleyCare. The following table shows the patient origin of Valley Memorial Hospital’s psychiatric patients by city from CY 2013 to CY 2017.

VALLEY MEMORIAL HOSPITAL ACUTE PSYCHIATRIC PATIENT ORIGIN BY CITY CY 2013 - CY 2017		
City	Patient Count	Percentage
Livermore	177	22.58%
Pleasanton	100	12.76%
Dublin	42	5.36%
Walnut Creek	36	4.59%
Fremont	25	3.19%
Concord	23	2.93%
Danville	23	2.93%
San Ramon	22	2.81%
Stockton	22	2.81%
Tracy	20	2.55%
San Leandro	18	2.30%
Hayward	17	2.17%
Antioch	16	2.04%
Brentwood	12	1.53%
Martinez	12	1.53%
Subtotal	553	70.27%
All Other Cities (94)	234	29.73%
Total	787	100%

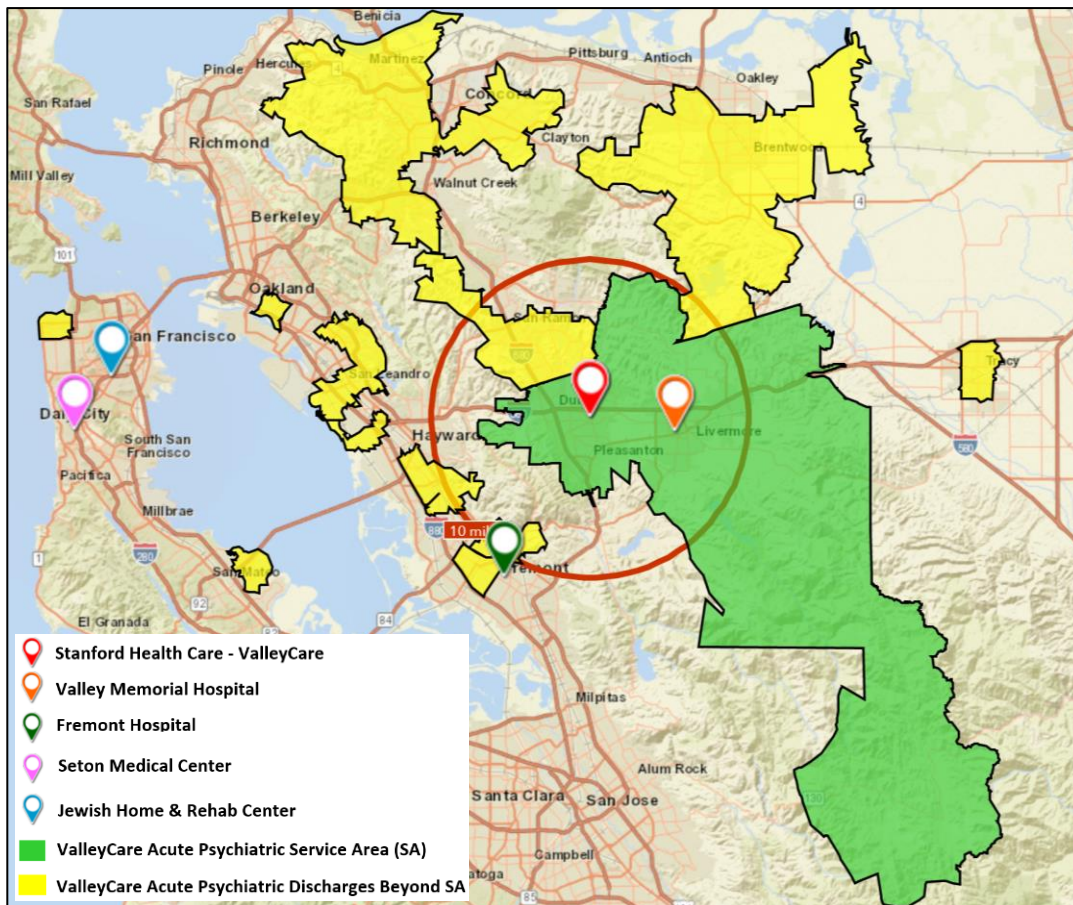
Source: ValleyCare

In CY 2016, approximately 70% of ValleyCare’s inpatient psychiatric discharges originated from the five ZIP codes in Livermore, Pleasanton, and Dublin that define its service area. The remaining 30% of discharges were distributed throughout the San Francisco Bay area.

VALLEY MEMORIAL HOSPITAL ACUTE PSYCHIATRIC DISCHARGES PATIENT ORIGIN BY ZIP CODE CY 2016				
ZIP Code	Community	Discharges	Percentage	Cumulative %
94550	Livermore	38	22.62%	22.62%
94551	Livermore	26	15.48%	38.10%
94566	Pleasanton	23	13.69%	51.79%
94588	Pleasanton	15	8.93%	60.71%
94568	Dublin	15	8.93%	69.64%
Subtotal		117	69.64%	69.64%
Other ZIPs		51	30.36%	
Total		168	100%	100%

Source: CY 2016 OSHPD Inpatient Discharge Database

The following map⁵ shows the service area of ValleyCare’s inpatient psychiatric service line and the psychiatric discharges for outside the service area in CY 2016.



⁵ Discharges from Modesto, Manteca, Porterville, and Grass Valley not shown.

Analysis of the Request by ValleyCare to Amend Condition IV(b)

JD Healthcare analyzed ValleyCare's request to amend Condition IV(b) and concluded that de-licensing ValleyCare's 14 psychiatric beds will not have a negative impact on the access or availability of geropsychiatric services for the residents of ValleyCare's service area due to the following reasons:

1. Fremont Hospital opened a 16-bed geropsychiatric unit in March 2018 located approximately 19 miles from Stanford Health Care – ValleyCare and approximately only 15 minutes more in travel time than to Valley Memorial Hospital;
2. In April 2018, ValleyCare established a two-year patient transfer agreement with Fremont Hospital to provide inpatient psychiatric care for appropriate geriatric patients that otherwise would have been admitted to the psychiatric unit at Valley Memorial Hospital. The agreement also applies more broadly to other types of psychiatric patients;
3. The 14-bed psychiatric unit at Valley Memorial Hospital is an unlocked unit that operated with an average daily census of 6.5 low acuity patients and an occupancy rate of 46%. These patients can be accommodated at area skilled nursing facilities or Fremont Hospital;
4. Fremont Hospital's geropsychiatric unit can expand to 20 beds and offers more extensive psychiatric services and supportive programs than Valley Memorial Hospital with a much larger psychiatric medical staff. The hospital has the capacity to treat the geriatric patient volume historically treated at Valley Memorial Hospital;
5. Seton Medical Center opened a 20-bed, locked geropsychiatric unit in January 2018 and is located 65 miles from Valley Memorial Hospital. It offers new geropsychiatric capacity and is a second referral choice in addition to Fremont Hospital;
6. Seton Medical Center is capable of treating geriatric behavioral health patients with medical comorbidities that could not be treated at Valley Memorial Hospital;
7. Jewish Home & Rehab Center is a 13-bed acute geropsychiatric hospital established in 1985 and serves as a third referral choice for geropsychiatric services; and
8. The renovation of Valley Memorial Hospital's psychiatric unit could only be completed by early 2020 while the California Attorney General's approval conditions expire on May 17, 2020.

9. ValleyCare representatives stated that they would not intend on operating the psychiatric unit at Valley Memorial Hospital beyond the date that the Attorney General's conditions expire.

Conclusion

ValleyCare operated the only geropsychiatric program in the area at the time of its affiliation with Stanford. 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 the capacity for 20 beds. Fremont Hospital can accommodate 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.

Valley Memorial Hospital would only be able to reopen its acute psychiatric unit after completing The Joint Commission's remediation requirements. This could be accomplished by early 2020, which is approximately only four months prior to the expiration of the California Attorney General's five-year conditions. Because Fremont Hospital and Seton Medical Center have opened new geropsychiatric programs, there will be sufficient capacity to accommodate the geriatric patients historically treated at Valley Memorial Hospital.

Recommendation

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

- 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.

Appendix

List of Interviewees

Last Name	First Name	Position	Affiliation
Berkowitz	Alisa	Program Director – Geriatric Behavioral Health	Jewish Home
Ford	Katy Taylor	Associate Principle Architect	Ratcliff Architects
Gregerson	Scott	President	Stanford Health Care - ValleyCare
Gunderson	Davis	ValleyCare Manager of Strategic Initiatives	Stanford Health Care - ValleyCare
Krames, MPA	Crysta	Director of Business Development	Fremont Hospital
Rollins, PhD, LMHC	Marlon	Acting Chief Executive Officer	Fremont Hospital
Ruiz, MD	Ruben	Psychiatric and Neurology Provider	Stanford Health Care - ValleyCare
Singh, MD	Devindar	Internal Medicine Provider	Fremont Internal Medicine Association
Waraich, MD	Bhupinder	Psychiatric Provider	Fremont Psychiatry Medical Group
Yee, MD, FCCP	Jon	Vice President of Clinical Initiatives	Stanford Health Care – ValleyCare, UHA