SAN MATEO COUNTY
HEALTH SYSTEM

Agenda Item No. 5.A.
Board of Directors Meeting
Date 2-3-2010

TO: **Board of Directors, Sequoia Health Care District**

FROM: **Jean Fraser, Chief, San Mateo County Health System**
Susan Ehrlich, MD, CEO San Mateo Medical Center

RE: **Request for a $4,300,000 Capital Contribution for a Consolidated Primary Care Clinic for Working Uninsured and Low-Income Residents in North Fair Oaks**

DATE: **January 26, 2010**

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San Mateo County is facing a crisis: with the economic recession, many county residents have lost their jobs and their health insurance. These newly-uninsured residents cannot afford to pay for care at private hospitals and doctors. Instead, they are seeking care at county facilities. The San Mateo County Health System has experienced a:

- 63% increase in enrollment in ACE, which is our coverage program for very low-income residents, from 12,465 to 20,362 over the last 16 months.
- 19% increase in visits by working but uninsured residents who make too much to qualify for ACE.

At the same time we are experiencing this tremendous increase in demand, we are constrained by our physical space from expanding the number of primary care appointments. As a result, we currently have:

- 4,100 people waiting for primary care appointments.
- 4-17 month waits for residents to get an appointment at one of our clinics.
- 14% increase in Emergency Room visits, even though we opened an Urgent Care Center at the hospital to divert patients away from the ER.

This problem is especially critical in the southern part of the County, where San Mateo Medical Center's (SMMC) clinics, along with Ravenswood Family Health Center, provide virtually the only access to health care for the uninsured and individuals on Medi-Cal. Unfortunately, three of SMMC's four clinics in the south county have physical constraints that not only limit our ability to expand, but actually put us at risk for losing clinic capacity.

We are requesting that the Sequoia Health Care District contribute $4.3 million to enable the SMC Health System to consolidate these three clinics into one larger, modern, efficient and effective facility in North Fair Oaks. This will ensure long-term access to primary care services for working and low-income, underinsured and uninsured residents of the SHCD as efficiently as possible.

A New Consolidated Clinic for South County

In fiscal year 2008-09, San Mateo Medical Center (SMMC -- consisting of the hospital and all our clinics) provided approximately 235,000 visits to 50,000 individuals. SMMC's south county clinics are critical components of the Health System's system of care for working and low-income uninsured and underinsured patients.

Nearly 33% of all the Medical Center's clinic visits each year occur at Fair Oaks, Fair Oaks Children's' and Willow Clinics. The two Fair Oaks Clinics are located within the Healthcare District and all three serve residents who live in the District. Fair Oaks Children's' Clinic is located in trailers that are over 15 years old. Not only are the trailers nearing the end of their useful life, but they also constrain us from expanding services as demand increases. At

Willow Clinic, the Veterans' Administration has refused to give us a long term lease, indicating they may take the space for their own needs sometime soon. Finally, the Fair Oaks Adult Clinic is 15 years old and has no room for expansion.

SHCD residents make up 85% (Fair Oaks Adult), 89% (Fair Oaks Children's) and 30% (Willow) of the visits at the clinics, or 60% of the total visits at these clinics. These clinics currently serve over 11,000 residents of the Sequoia Healthcare District. If the clinics were consolidated into one site in North Fair Oaks, we would expect that number to increase.

The only way we can expand our capacity is to consolidate the clinics into a larger space, thereby allowing us to streamline administration and management and replace those positions with clinical staff members who can use the additional exam rooms to see more patients. We are seeking contributions to defray the cost of a consolidated clinic.

The new clinic would be constructed in North Fair Oaks, though the exact site has not been selected yet. We are exploring three options to determine what will meet our timing (occupancy within two years while we continue to operate the existing clinics) and our financial needs (occupancy costs equivalent to our current occupancy costs). The options are building a new clinic on county property, entering into an agreement with a developer in which we would agree to a long-term lease in exchange for the developer constructing the building that we need, or entering into a long-term lease in an existing building that could easily be modified into a clinic.

In all cases, the Health System needs donations to cover the one-time costs of clinic-specific improvements, moving the clinics, furnishing and equipping the clinics, and project management and moving costs. In addition to SHCD, the Health System has approached Lucille Packard Children's' Hospital and the Packard Foundation for a contribution.

Project Cost Estimates:

Estimated Land Value and Construction Cost:	$17,300,000
Estimated Clinic-Specific Improvements, Equipment And Furnishings, Moving, Project Management Costs:	$ 6,300,000

Operating Comparisons: Current State and New Consolidated Clinic

- **Staffing will decrease from 89.5 FTE's to 87.0 FTE's**. Six new providers and support staff would be added and several redundant administrative positions would be eliminated.
- **Space will increase from 27,500 square feet to 36,000 square feet and exam rooms from 39 to 52.** There would be additional space for educational classes, patient group care, meetings, WIC and other related services, a laboratory and an eight-chair dental clinic. The space would have separate adult and pediatric care services and would be organized on a team approach to care.
- **Visit volume will increase from 68,989 to an estimated 91,000 visits.**
- **7,000 additional patients will be served.** More than 19,000 individuals currently receive their primary medical care at these clinics. The new facility will provide care to 26,000 patients.
- **Costs per visit will decrease in the new facility from the current rate of $255 to $227.**

Conclusion

Obtaining a commitment from your Board for the additional $4.3 million needed will make this project feasible. You will not have to contribute the funds until we have selected the site and entered into a building deal, but having your commitment in hand will give us the needed credibility to negotiate with landowners.

Thank you for your consideration of our request. Your contribution will make an enormous difference in the lives of Sequoia Healthcare District residents.