

SUMMARY ACTION MINUTES
ALAMEDA LOCAL AGENCY FORMATION COMMISSION
SPECIAL MEETING

San Leandro Civic Center, City Council Chambers, 835 East 14th Street, San Leandro, CA 94577

November 7, 2016

At 5:34 p.m., Chair Marchand announced that while waiting for a quorum to be reached, the meeting would get started with presentations. He then offered introductory remarks concerning the purpose of the meeting; namely, for the Commission, which had initiated a special study of the Eden Township Healthcare District (ETHD), to receive input from the public and other stakeholders concerning the District. He noted that tonight's meeting was the third of three public meetings held by the Commission in three different locations on this topic. He requested that speakers focus their remarks in line with the following (as noted on the meeting agenda):

- What value, if any, does the ETHD provide to the public?
- For those who find value in the District, what specific needs and/or priorities should the District address?
- For those who do not find value in the District, should the District's functions continue to be provided by another entity?

1. Call to Order and Pledge of Allegiance

Upon the arrival of Commissioner Chan, Chair Marchand called the meeting to order at 5:37 p.m. The Pledge of Allegiance was recited.

2. Roll Call.

Roll was called. A quorum was present of the following commissioners:

County Members: Nate Miley (arrived at 6:05pm), Scott Haggerty (arrived at 6:11pm) and alternate Wilma Chan

City Members: John Marchand

Special District Members: Ayn Wieskamp, Ralph Johnson, and alternate Georgean Vonheeder-Leopold

Public Members: Sblend Sblendorio (arrived at 5:41 pm)

Not Present: City Member Jerry Thorne, alternate City Member David Haubert, and alternate Public Member Tom Pico

Staff present: Mona Palacios, Executive Officer; Andrew Massey, Legal Counsel; and Sandy Hou, Clerk

Background Information on LAFCo and Purpose of the Special Study

LAFCo Executive Officer Mona Palacios provided information on Local Agency Formation Commissions (LAFCos), how and why they were established and what some of their main functions are, and explained the background leading up to the present regarding the ETHD. Concerning the results of the special study of the District, she explained that LAFCo can only initiate an action if the study concludes that such action is warranted. She noted that another way that a change of organization, such as dissolution, could be considered would be through resolution of a local agency such as Alameda County, the District itself, the city of Hayward or city of San Leandro, or by a petition of registered voters or property owners within the District's boundaries. The LAFCo process would include a protest hearing and, depending on the outcome of the protest, possibly an election. She concluded her remarks by noting she had recently become aware of a meeting to be conducted in Sacramento on November 16th by the Little Hoover Commission about healthcare districts and their role and relevance in the current environment and that she would have more information at the regular LAFCo meeting on November 10th.

Project Consultant Richard Berkson spoke about the purpose and focus of the special study of the District. He explained that the purpose was to conduct an objective, independent review of the District's governance, services and funding, and to provide information to LAFCo, and other affected jurisdictions and decision makers to establish a foundation for decisions that could be made concerning the District's future. He discussed what the study would

include, what it would not include, and noted that the comments given tonight would be incorporated in the study. He mentioned that the Commission would consider a timeline for the study at their regular November meeting, and expected that a draft report would be prepared by mid to late November. He concluded his remarks with a very brief overview of the District that included its founding, its boundaries and past and current service focus.

3. Public Comment

Chair Marchand invited members in the audience to address the Commission on any matter not listed on the agenda and within the jurisdiction of the Commission. There were no comments.

4. Eden Township Healthcare District

Chair Marchand invited those who wished to speak to come forward when their name was called, and in consideration of the number of people who wished to speak, to please limit their comments to two minutes.

PUBLIC COMMENT: The following people offered comments.

- Lenore McDonald - director of fund development and government relations for the Center for Elders Independence (CEI) spoke in support of the District. She noted that CEI is a PACE (Programs of All-Inclusive Care for the Elderly) provider, a healthcare insurer and medical provider for mostly Medi-Cal eligible seniors throughout Alameda and West Contra Costa Counties and described some of the services provided, noting that the PACE program was set up to help keep seniors out of the hospital. She acknowledged monetary support from the District and expressed appreciation for the District's support that has allowed her organization to connect with seniors, especially in the unincorporated areas.

COMMISSIONER COMMENTS:

Upon Commissioner Chan requesting to speak, Chair Marchand, as a point of privilege, held public comment to allow Commissioners to offer comments.

Commissioner Chan spoke in favor of dissolution of the District, a position she feels is pretty clear-cut, and gave the following reasons for advocating for dissolution:

- The District spends 88% of its budget on administrative expenses, and only 12% on healthcare needs.
- The District represents 360,00 residents; whereas, the largest number of healthcare needs of residents in the District are served by the two safety net hospitals – San Leandro Hospital in San Leandro and St. Rose Hospital in Hayward.
- The District is failing in its obligation to provide on-going substantial support to the two hospitals.
- The County has substantially supported St. Rose Hospital, considerably more than the amount of grants given by the District.
- The District's mismanagement of San Leandro Hospital resulted in having to pay Sutter a large amount in damages and legal fees.
- A vote by the District in 2013 to raise \$20M for the hospital has not materialized.
- Financial waste is rampant in the District's operations.

Commissioner Chan recommended that LAFCo take immediate steps to disband the District, keep the community based organizations whole for the full term of their grants and distribute the remaining money to San Leandro and St. Rose Hospitals. (A written copy of Commissioner Chan's comments is attached hereto.)

PUBLIC COMMENT: (cont'd)

- Lisa LaFave, RN at San Leandro Hospital for 22 years spoke in favor of dissolution of the District so that the funds could be used to support the hospital which she felt had been pillaged by Sutter.
- Assembly Member Rob Bonta, representing Oakland and San Leandro – asked the Commission to consider dissolution of the District. Because Eden Health District was failing to live up to its mission, the State

passed legislation he authored - AB 2737 – that requires a healthcare District to spend 80% of its budget on providing healthcare and no more than 20% on administrative costs. His view is that the District may have run its course and it is time to dissolve it.

- Mike Brannan, CNA at San Leandro Hospital – spoke in support of dissolving the District. He said the District should be liquidated and its assets used to support the hospital. He expressed his opinion that the District “got played” by Sutter.
- Roxann Lewis, ETHD Board Member – noting that there has been a big change in healthcare since the District was established, said the District is focusing on educating people so as to avoid the need to go to the hospital. She feels the recommendation for dissolution is just a money grab and shared that an audit just completed of the District shows that its administrative costs are actually 11%.
- Tom Lorentzen, ETHD Board Member – agreed with the previous speaker and noted a moral imperative of improving health outcomes without falling into the money trap. In his opinion, the District provides a good return on investment.
- Pat Mathews, RN at St. Rose Hospital for 13 years – spoke in favor of dissolving the District. She said St. Rose serves many homeless, uninsured, disadvantaged people, and that in the past five years, the hospital has come within 2 days of closing due to a lack of funds.
- Dianne Kubota, St. Rose Hospital – agreed with the previous speaker in favor of dissolving the District, noting that 50% of the hospital’s patients are uninsured, and the hospital does not get fully reimbursed. She said she feels they are always begging for money. She feels the District should help the hospital.
- Michael Plummer, RN at San Leandro Hospital for 32 years – also spoke in favor of dissolution of the district. He said the District did not live up to its promise to help the hospital out.
- Joel Pease, resident of Castro Valley – asked what was the reason for the District? He said the funds should be directed to patient care. If the District is inefficient, then it should be decided whether the District still needs to exist.
- Robert Glotch, San Leandro Boys and Girls Club – spoke in support of the District with which his organization has had a 17-year relationship. He said that they rely on grants and over those 17 years have received \$230,000+ in support from the District, that his organization provides nutrition education, gardening and cooking classes, and that the District’s support has allowed them to do tremendous good.
- Jim Prola, San Leandro City Councilmember – agreed with conclusions expressed in the 2015-2016 Grand Jury Report on the District that it has failed in its mission. He expressed displeasure at the actions of Dev Mahadevan (the District’s CEO) when he did not allow people to speak when the District was voting. Said he agrees the District should be dissolved.
- Dr. Itoco Garcia, Principal of Cherryland Elementary School (in the Hayward Unified School District) – spoke in support of the District. He said that the mission of healthcare has changed to one of keeping people out of hospitals. His school has benefited in multiple ways from the support of the District.
- Rose Johnson, Davis Street CEO – as a current recipient of a grant from the District, requested that the Commission, if it decides to dissolve the District, make sure the grant provided by the District continues.
- Patti Maloney, George Mark Children’s House social worker – spoke in support of the District saying that the District has supported her organization, which provides important services to families with children who have serious illnesses, services which are not readily available elsewhere.

- Jason Toro, Manager of Barbara Lee Center for Health & Wellness in the San Leandro School District, - said he did not want to take a position, but shared that the Center had received a grant of \$10,000 from the District for 2016.
- Bruce Udelf, resident of Hayward, Executive Director of Baywood Court, a not-for profit retirement community in Castro Valley serving 300 residents – said that although they no longer need funding from the District anymore, they still have a cordial relationship. He wondered if the District gets dissolved what the Supervisors’ plans are for funding the acute care hospitals as well as the not-for-profits currently funded by the District. He noted that acute care hospitals are closing and that it is predicted that 4-5 more hospitals in the area would be closing in the next 5-10 years, with San Leandro Hospital on that list.
- Delvecchio Finley, Alameda Health System (AHS) – Talked about the AHS integrated delivery system and San Leandro Hospital. He said that he supports dissolution of the District.
- Kinkini Banerjee, resident of San Leandro and a Trustee of AHS spoke in support of dissolution of the District. She found it appalling that 88% of the District’s budget went to administrative costs and only 12% to direct services. She said that she was extremely disappointed with the District’s lack of support towards the hospital and its lack of a partnering spirit. She recommended either dissolution of the District or the implementation of a strong accountability process to monitor the District’s resources so that they are used for the community.
- Pauline Cutter, Mayor of San Leandro – said it is important to allow emergency room hospitals to stay open. Promises made by the District concerning San Leandro Hospital were not kept. St. Rose Hospital also needs help. She does not want to see the non-profits and hospitals pitted against each other.

COMMISSIONER COMMENTS:

- Commissioner Chan thanked everyone for coming out, especially considering it was the night before an election, and also thanked the community organizations for what they do. She then addressed her comments to the LAFCo Commissioners concerning what she considered were the sole issues to be considered concerning the District; primarily if it is a well-run healthcare District that is efficient and doing the right thing. She noted that of all the healthcare Districts throughout the state, only a handful do not provide direct services. She advised that the following questions be looked at and focused on concerning the District:
 - Does it provide efficient, sustainable public services?
 - Is it well run?
 - Is there waste in administrative expense?
 - Is it right to have valet parking? – Parking that almost equals the amount of its grants?
 - What should a healthcare District be doing?

Chair Marchand thanked all the speakers for their comments and assured everyone that there would be further opportunity to offer comments at the upcoming LAFCo regular meeting.

5. Adjournment of Special Meeting

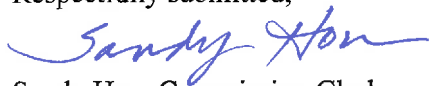
The meeting was adjourned at 6:48 p.m.

6. Next Meeting of the Commission

November 10, 2016 - Regular meeting at the Dublin San Ramon Services District in Dublin

Attachment – Commissioner Chan’s comments

Respectfully submitted,



Sandy Hou, Commission Clerk

These minutes were approved by the Commission on November 30, 2016.

Attest: 

Mona Palacios, LAFCo Executive Officer



This discussion falls under LAFCOs mission to “ensure efficient, sustainable public services” per the legislative intent since 1963.¹

Today we are discussing what I feel is a pretty clear cut issue – what to do with ETHD, a district that spends 88% of its budget on administrative expenses and only 12% on the healthcare needs of its residents.²

ETHD represents over 360,000 residents in Castro Valley, Hayward and San Leandro.³ By and far, the largest number of residents’ healthcare needs are served by two safety net hospitals, St. Rose in Hayward and San Leandro Hospital (SLH) in San Leandro. The two facilities see 68K patients in their emergency rooms every year and 3K patients in acute care beds every month. Most of these patients are elderly, low income or uninsured.

Especially with both facilities suffering from historically low state funding⁴, ETHD is failing in its obligation to provide on-going and substantial support to these two facilities and thus to over 8.6K patients a month.

In the case of St. Rose, ETHD has given only \$2.95M in grants.⁵ Meanwhile, the County of Alameda has provided well over \$60M in leveraged dollars to the vulnerable patients at St. Rose since 2006.

In the case of San Leandro Hospital, the District administration has mismanaged its obligations to patients since 1998 when, failing to run the facility successfully, it transferred management to Sutter Health. In 2008, the district signed an agreement with Sutter giving them an option to buy. When Sutter moved to exercise the option in 2009, ETHD sued Sutter and after a protracted unsuccessful lawsuit, was forced to cede title to Sutter and was ordered to pay over \$19M in damages and legal fees – all money originally coming from taxpayers.⁶

¹ “Legislative Act.” Local Agency Formation Commission of Alameda County. <https://www.acgov.org/lafco/act.htm>

² “The Failure of Eden Township Healthcare District’s Mission,” 2015 – 2016 Alameda County Grand Jury Final Report. <https://www.acgov.org/grandjury/final2015-2016.pdf>.

³ “Growth and Population Projections,” Eden Township Healthcare District Municipal Service Review. Prepared for the Local Agency Formation Commission of Alameda County by Policy Consulting Associates LLC/Baracco and Associates. December 9, 2013. <https://www.acgov.org/lafco/documents/finalmsr2013/eden-final.pdf>.

⁴ “Funding shortfall of more than \$1.3 billion could push safety-net hospitals to brink,” by Venetia Lal and Gwen Driscoll. UCLA Newsroom. June 2, 2014. <http://newsroom.ucla.edu/releases/funding-shortfall-of-more-than-1-3-billion-could-push-safety-net-hospitals-to-brink>.

⁵ “Eden Health District Issues Grant to St. Rose Hospital.” Eden Health District. <http://ethd.org/eden-health-district-issues-grant-st-rose-hospital/>. For a full list of grants and sponsorships given through June 2016, see: <http://ethd.org/wp-content/uploads/2016/06/Grants-Summary.pdf>.

⁶ Memorandum of Points and Authorities in Support Eden Township Healthcare District’s Motion for Periodic Payment. Superior Court of the State of California, County of Alameda. Filed October 27, 2009.



Eventually, through intensive negotiation, Alameda Health Systems was able to take over SLH and keep it open for the benefit of the community. There was a formal vote by ETHD in June 2013 to work to raise \$20M for the hospital for sustained operations.⁷ To date, none of this money has materialized.

Meanwhile, financial waste is rampant in the district's operation. Based on its own financial report, in 2017, the district will pay out less than 3% of its annual net assets toward charitable activities. It will spend close to \$5.8M in property management costs to justify a benefit of less than \$575K in grants to local community based organizations. Included in projected 2017 expenses is \$306K for valet parking in Dublin!⁸ This is an outrage!

In March 2012, the New York Times ran an article entitled "As the Uninsured Go Without Care, Health Districts Hold Reserves of Money". They note that local LAFCOs have failed to evaluate how these districts are being run.⁹ I trust this will not be true of our LAFCO. In August 2012, Contra Costa LAFCO voted to disband the Mt. Diablo Health Care District board.¹⁰ We can do the same here.

Based on the above, I believe that LAFCO should take immediate steps to disband the ETHD. The community based organizations should remain whole for the full term of their grants and the remaining money should be distributed to San Leandro and St. Rose hospitals. It is simply wrong to pit community organizations against our safety net hospitals. In addition, if the hospital grants flow through the County, they could possibly be doubled through the Intergovernmental Transfer process. This could provide as much as \$22M each to St. Rose and SLH.

In closing, I would like to say that I do not blame the current board – as a number of members were not seated when prior poor decisions were made. I also recognize that as a largely voluntary board, it relies on information and recommendations given to it by the administration. It is interesting to note that since 2012, administration at AHS, SLH and St. Rose have all been reorganized and refreshed for the better while ETHD has remained the same.

As an alternate to LAFCO and a chair of the County Health Committee, I am happy to provide additional information. The main goal should be to insure that the thousands of vulnerable residents of the district and the taxpayers are well served.

⁷ "Sutter Health: Eden Township must pay up or donate to San Leandro Hospital," by Bay Area News Group. East Bay Times. August 5, 2013. <http://www.eastbaytimes.com/2013/08/05/sutter-health-eden-township-must-pay-up-or-donate-to-san-leandro-hospital/>.

⁸ Approved Annual Budget Fiscal Year 2017. Eden Health District. <http://ethd.org/wp-content/uploads/2016/07/Budget-Approved-FY17.pdf>

⁹ "As the Uninsured Go Without Care, Health Districts Hold Reserves of Money," by Jennifer Gollan and Katharine Mieszkowski. The New York Times. March 10, 2012. <http://www.nytimes.com/2012/03/11/us/as-uninsured-go-without-california-health-districts-hold-reserves.html>.

¹⁰ "Mt. Diablo Health Care District stripped of power; Concord assumes oversight," by Lisa Vorderbrueggen. Contra Costa Times. <http://www.co.contra-costa.ca.us/DocumentCenter/Home/View/7373>.