

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Santa Barbara, CA 93101
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Agenda Number:

Prepared on: 8/4/06
Department: Public Health Department
Budget Unit: 041
Agenda Date: 8/15/06
Placement: Administrative
Estimate Time: N/A
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Elliot Schulman, MD, MPH,
Director and Health Officer
Public Health Department

STAFF CONTACT: Jane Overbaugh
Primary Care and Family Health Division
Public Health Department 681-5173

SUBJECT: Agreement with Marian Medical Center for Hospitalist Services.

Recommendation:

That the Board of Supervisors:

Approve and authorize the County Executive Officer to execute an Agreement with Marian Medical Center for Hospitalist Services for the period September 1, 2006, to June 30, 2009, in the amount of \$814,877.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with Goal No. 2. A Safe and Healthy Community in Which to Live, Work, and Visit.

Executive Summary and Discussion: With the decision to offer primary care to patients in an ambulatory care setting comes the obligation to provide or insure the provision of hospital based services twenty-four hours/day, three hundred and sixty five days/year. That obligation for Medi-Cal patients assigned to Public Health Department Clinics is also detailed in our contract with the Santa Barbara Regional Health Authority.

For many years the Public Health Department has had two separate models for meeting this obligation to our patients and area hospitals. In south Santa Barbara County, a key component of our long standing contractual relationship with Santa Barbara Cottage Hospital for the Internal Medicine Residency program is the use of residents to provide all hospital based medical care to county clinic patients. As a result, physicians employed at Calle Real, Franklin and Carpinteria clinics are responsible only for the care of patients in our ambulatory care clinics and for participating in an after hours call group for phone consultation only. In contrast, Internal Medicine and Family Medicine physicians and Pediatricians at our Santa Maria and Lompoc clinics are responsible for caring for patients in the clinic and for being part of a call group that

provides telephone consultation and admits, rounds and discharges clinic patients in the hospital. Typically, each physician is on call one or two days per week and one weekend per month. When on call, the physician may be called in the middle of the night to admit a complicated patient and spend another three or four hours per shift taking care of existing patients. The following day they are typically in the clinic providing eight hours of ambulatory care to the patients on their schedules.

Marian Hospitalist Program. Several years ago, Marian Medical Center began its hospitalist program to provide local physicians with an alternative for caring for their patients in an inpatient setting. The increased emphasis on improving quality and patient safety in hospitals, combined with growing pressure to reduce costs, has led to an explosion in the number of physicians who work solely in hospitals throughout the country. Today, approximately 12,000 physicians practice hospital medicine, making it the fastest growing medical specialty in the country, according to the Society of Hospital Medicine. Proponents of this model argue that physicians who constantly care for acutely ill patients make them better equipped to identify problems, create treatment plans and move patients through the hospital more quickly. Over the past few years, as more local physicians and clinics indicated interest in using hospitalists to admit their patients, Marian began to increase the number of physicians they employed in this practice.

At the same time that the health care industry began to shift to the use of hospitalists, a number of our north county physicians began expressing concerns about the challenges of a combined clinic and hospital practice. Three physicians who left our Santa Maria practice in the last four years cited the increased acuity of patients and the stress of a combined practice as one reason for leaving. With the physician shortage and the high cost of living in Santa Barbara County, we had increasing difficulty filling vacant positions with qualified physicians. Over the last two years, our Medical Director reported that over 40% of physician candidates who inquired about vacant positions opted not to apply because the practice involved hospital work. As recruitment became more difficult, positions remained vacant for longer periods limiting access for our clinic patients and increasing the burden on the remaining physicians.

PHD/Marian Hospital Agreement. In October 2005, the Public Health Department initiated discussions with Marian Medical Center and the hospitalist group to see if they would be willing to take over all or part of the care of county patients. In the prior fiscal year, PHD physicians admitted 391 patients for a total of 2,414 inpatient days. To absorb that increase in volume, the hospital indicated that it would need to add one full time hospitalist, at a cost of approximately \$280,000, which includes salary, benefits, malpractice coverage and the cost of recruitment. Under the agreement, the hospitalists would provide all medically necessary hospital and emergency department care to county patients and provide timely medical notes at discharge to permit ongoing care of the patient in our clinic. Reports will be provided to the PHD on a monthly basis detailing the number of admissions by financial class, primary and secondary diagnosis and length of stay. Cost of living increases of three percent were included for the second and third year of the agreement as was a provision to increase compensation if the volume of patients grew by ten percent. A detailed financial analysis revealed that it would be cost effective to enter in to this agreement. Additionally, the hospital would assume the malpractice risk for inpatient services thus reducing county exposure.

However, this change does transition a function previously provided by county physicians to the private sector and with that comes the loss of income for the hours spent in the hospital. On average, each full time physician spent an additional 350 hours/year providing hospital care and were compensated @ \$22,735/yr. in addition to their base salary. Currently, three physicians would be impacted by this change. In February 2006 the Union of American Physicians and Dentists was formally notified of our intention to enter in to this

public/private partnership and given the opportunity to form an internal competition team to present a counter proposal. While they have not done so, in the negotiation process they have indicated that they do not support this change. In our negotiations with Marian Medical Center, we talked with them about some of the concerns raised by PHD physicians about the loss of income and the potential loss of their inpatient skills resulting from this change and asked that Marian consider entering in to agreements with PHD physicians to cover available shifts as mutually beneficial. They agreed to do so.

Approval of this contract will allow the PHD to focus on the delivery of ambulatory care to our Santa Maria patients, increase access and decrease wait times for patients by increasing the hours physicians are available in clinic, decrease the burden on existing physicians of a combined hospital and clinic practice and assist with recruitment of new physicians when a vacancy occurs.

This agreement has been approved by County Counsel and is currently undergoing review by Marian Hospital's corporate attorneys. This is coming before you today to insure a timely September 1 implementation in light of the Board's summer vacation schedule.

Mandates and Service Levels: This is a not a mandated program, however, the agreement does assist the County in meeting its statutory obligations for inpatient acute medical care. There is no change in programs or service level.

Fiscal and Facilities Impacts: Approval of this contract will not increase the use of General Fund or Special Revenue Fund resources by the Public Health Department.

The three-year contract amount is approximately \$814,877 or an average of \$271,625 per year. (This is less than the \$280,000 cited in the Executive summary because the first year is only a 10-month agreement) These amounts are not-to-exceed amounts and will vary based upon the amount of recruitment expenses that the hospitalist group will have, based on their turnover. The PHD will pay the entire amount of recruitment expense in the first year, but will only share on a pro-rata basis in any recruitment expenses in subsequent years.

This contract will be fully funded from the combination of: 1) cost avoidance of paying for the County physician's salaries while performing services in the hospital (less any revenues generated), and; 2) the new revenues generated from having more physician time available in the Santa Maria primary care clinic to see patients. The amount generated by those two actions is estimated at \$350,000. Therefore, this may have a benefit to the County of a savings of \$75,000 to \$80,000 per year, depending upon patient volume and acuity. These funds will be used to partially offset any increased salaries and benefits costs that result from union negotiations and inequity increases for employed County physicians.

This action will not result in a need for any additional facilities.

Special Instructions: Please return a copy of the minute order to PHD Contracts Unit, 300 North San Antonio Road, Building 8, Santa Barbara, CA 93110 **Attn: Margaret Granger (805) 681 5367.**

Concurrence: None required.