



REPORT TO CITY COUNCIL

Approved by:


Arnaldo Rodriguez, City Manager

Council Meeting of: October 5, 2022

Agenda Number: B-7

SUBJECT:

Letter of Support for the Affiliation of Madera Community Hospital, Trinity Health and Saint Agnes Medical Center

RECOMMENDATION:

Approve a Minute Order Approving a Letter of Support the Affiliation of Madera Community Hospital, Trinity Health and Saint Agnes Medical Center.

DISCUSSION:

Council may recall, during the Public Comment portion of the August 3, 2022 Council meeting, Madera Community Hospital (MCH) discussed ongoing financial challenges faced as a result of COVID-19 pandemic. MCH has stated that the Hospital has accrued nearly \$17 million dollars in losses resulting from the pandemic and was seeking assistance from the City for \$1 million in American Rescue Plan Act (ARPA) funding. It should be noted that the City received approximately \$23 million in ARPA funds, which was previously allocated in its entirety to the City's sewer and water systems in order to help mitigate rate increases. Council approved to agendize the matter in the form of a workshop in a future meeting to receive further information regarding the Hospital's deficit and detailed financial information that supports the organization's need for financial assistance. More recently at the September 21, 2022 Council meeting, Council instructed staff to prepare a letter expressing the City's support for the hospital affiliation.

BACKGROUND:

The Council held a workshop on September 21, 2022 where Madera Community Hospital staff presented an update on the state of hospital, including:

- MCH has entered into an affiliation agreement with Saint Agnes and Trinity Health in order to seek a path to financial security and to preserve ongoing healthcare services to the community.
- The sudden onset and duration of the pandemic was un precedented for the medical community. The Hospital's normal the operating budget was being funneled into

supporting public health responses to COVID-19, vaccinations, medical care, intensive care expansion, testing, contact tracing, isolations and capital investments.

- MCH is the only full-service hospital that serves the needs of Madera residents
- \$1 million in ARPA requested from the City for the replacement of an air handler (\$3.2 million project) to promote better air filtration and reduce the spread of airborne pathogens.
- Madera Community Hospital is the largest private employer in Madera with over 800 employees on staff.
- Non-profit organization that receives no taxpayer assessments and main income source stems from insurer reimbursements, largely from governmental programs such as Medi-Cal or Medicare who receive reduced rates.
- MCH has accrued over \$17 million in losses and is in danger of reducing services or closing, which would have a detrimental impact to the community of Madera and surrounding hospitals that do not have the capacity to accommodate an influx of patients.
- Contributors to the deficit include increased physician and nursing salaries, costly medications/treatments, reduced reimbursements and shouldering the cost of intensive care services
- MCH would appreciate alternative forms of support, particularly a letter to the State Attorney General expressing the City's support for their affiliation agreement with Trinity Health.

It is duly noted that prior to the Workshop, the City, in conjunction with Madera Community Hospital and Madera County met with Senator Anna Caballero, State Assemblyman Frank Bigelow, Congressman Jim Costa and the Department of Justice to discuss other protentional avenues for funding. Following this discussion, State Assemblyman Frank Bigelow and Senator Anna Caballero announced that \$5 million in state funding was secured to support MCH in recovering from their deficit and to ensure services continue without interruption or closure until its merge with Trinity Health Corporation and Saint Agnes Medical Center.

As the City's ARPA funds have been allocated, Council directed Staff to prepare a Letter of Support to the affiliation between MCH, Trinity Health and Saint Agnes Medical Center.

FINANCIAL IMPACT:

The signing of the Letter of Support has no direct financial impact to the City or County.

ALTERNATIVES:

Council may elect to decline the submittal of the support letter.

ATTACHMENTS:

1. Letter of Support



October 5, 2022

The Honorable Neli Palma
Supervising Deputy Attorney General
Healthcare Rights and Access, California Department of Justice
Office of the Attorney General
1300 I Street
Sacramento, CA 95814

The Honorable Emilio Varanini
Supervising Deputy Attorney General
Healthcare Rights and Access, California Department of Justice
Office of the Attorney General
455 Golden Gate Ave, 11th Floor
San Francisco, CA 94102

Dear Supervising Deputy Attorney Generals Palma and Varanini,

The City of Madera respectfully expresses its support for the affiliation between Madera Community Hospital, Saint Agnes Medical Center and Trinity Health Corporation. Madera Community Hospital (Hospital) operates a full-service, non-profit general acute care hospital that houses 106 beds and is the only adult hospital Madera County, with the next proximal hospital located over twenty miles away.

Madera Community Hospital is a vital healthcare resource for the residents of Madera and plays a major role in the social and economic vitality of our city. It is the largest private employer in Madera, with over 800 individuals on staff and is a significant economic contributor to our City. Madera is located in a rural area of the Central Valley and serves a disadvantaged population. Eighty percent of the Hospital's revenue is received from government programs like Medi-Care and Medicare, who benefit from reduced payer rates, and without adequate funding opportunities or private payer reimbursements, the Hospital has had difficulty in recruiting physicians and nurses, updating equipment and implementing technology to best its serve patients.

In addition, COVID-19 has resulted in detrimental impact Madera Community Hospital, which has experienced significant operating losses equating to several millions of dollars during the last

two years. Specifically, inflated labor costs, nursing shortages, costly medications/treatments, reduced reimbursements and shouldering the cost of intensive care services and treatments during the pandemic have contributed to financial hardships faced by the Hospital.

As a nation, we have seen an increasing number of rural hospitals face bankruptcy or closure due to financial pressure. Madera Community Hospital plays an indispensable role for the residents of Madera and surrounding communities as the major source of inpatient and outpatient services, emergency care and surgical care. A closure or reduction in services would be a disastrous blow to not only the residents of Madera, but the neighboring hospitals who would be forced to absorb the healthcare needs of our 60,000 and growing community. Therefore, the City supports the Hospital's decision to seek a path to financial security and to preserve community healthcare for the County of Madera by affiliating with Trinity Health and Saint Agnes Medical Center.

On behalf of the City of Madera, I urge you to favorably review the Affiliation Agreement set forth by these organizations.

Sincerely,

Santos Garcia, Mayor
City of Madera