

2007-2008 GRAND JURY REPORT

Palo Verde HealthCare District
Palo Verde Hospital, Blythe, California.

Background:

Palo Verde Hospital (PVH) is located in the southeast corner of Riverside County in the City of Blythe, California. Blythe is a rural community. The nearest Hospitals are Brawley to the south ninety-five miles, Needles to the northeast ninety-seven miles, and Indio to the west 112 miles.

The year round population in Blythe is approximately 22,500, almost half of which is comprised of the prison population of Ironwood State Prison (ISP) and Chuckawalla Valley State Prison (CVSP).

Approximately nine million vehicles pass through Blythe on Interstate 10 annually. The PVH serves as the nearest health care safety net for the citizens of Blythe, as well as travelers on the Interstate 10 corridor.

PVH, a fifty-one-bed acute care hospital, is comprised of five separate structures, buildings A, B, C, D and E. Buildings A, D and E are the original hospital structures. They were constructed in 1937. Buildings B and C were built in 1961 and 1978, respectively.

The Palo Verde HealthCare District (PVHD), a non-profit hospital district, was formed in 1948. Various corporations have managed PVH. The management of the hospital is complicated by the fact that there are three entities:

- Medical Executive Committee (MEC), which is comprised of three physicians;
- Board of Directors (Board); and
- Advanced Hospital Management (AHM).

Each has different powers with overall power resting with the Board.

The citizens of Blythe elect the Board. They are given powers as described below:

“The Board is the governing body of the District. All district powers shall be exercised by or under the direction of the Board. The Board is authorized to make appropriate delegations of its powers and authority to officers and employees. The Board shall evaluate the performance of its officers and employees, and also its own performance.”

Given these powers the Board has hired AHM to manage the daily activities of the hospital.

California Business and Professions Code Section 2282.5 states that doctors are “Self Governing”. To work in the hospital each doctor must pass credentialing criteria as established by MEC By-Laws, and with final approval by the Board. The Board does this with advisory input from AHM. Once credentialed, each doctor is under contract to the hospital by mutual consent between the individual doctor and AHM. All contracts must receive approval by the Board.

There was a marked improvement in hospital metrics as shown below in 2006 compared to other years.

1. Average Daily Census (ADC) was 16.2 compared to 13.0 of the prior year.
2. Surgical procedures in 2006 averaged ninety-three per month compared to forty-one per month in the prior year.
3. Between the orthopedic surgeon and the two obstetricians there was an additional increase of 750 surgical cases a year compared to the prior year.

After a near bankruptcy in 2005, PVHD contracted with AHM to return the hospital to solvency. This was accomplished in fiscal year 2007. However, in May of 2007, a dispute between the MEC and AHM, over management decisions, resulted in the medical staff holding back admissions and certification of new physicians. The loss of surgical

procedures reduced revenues substantially, with losses at the end of December 2007, reaching \$1,464,149 as shown below:

FISCAL YEAR 2008 FINANCIALS (1,000's)							
MONTHS	J	A	S	O	N	D	YTD
Net Patient Revenue	1,867	1,679	1,378	1,410	1,508	1,447	9,293
Operating Expenses	1,907	2,068	1,878	1,817	1,656	1,498	10,887
Net Income Gain/(Loss)	(97)	(366)	(490)	(370)	(130)	(10)	(1,464)

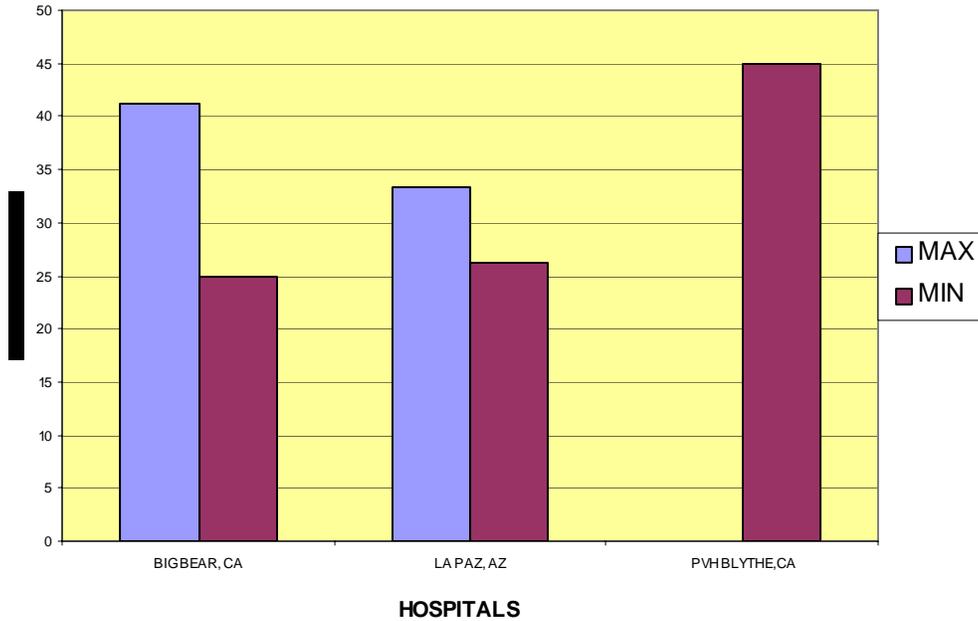
Eventually, other departments were closed including Obstetrics. Additional personnel cut backs were made; however, the hospital continues to lose money and the threat of bankruptcy is once again facing PVH.

Due to the deterioration of services at PVH, the citizens of Blythe, as well as travelers, can no longer depend on the hospital for more than minor emergency clinical care.

Findings:

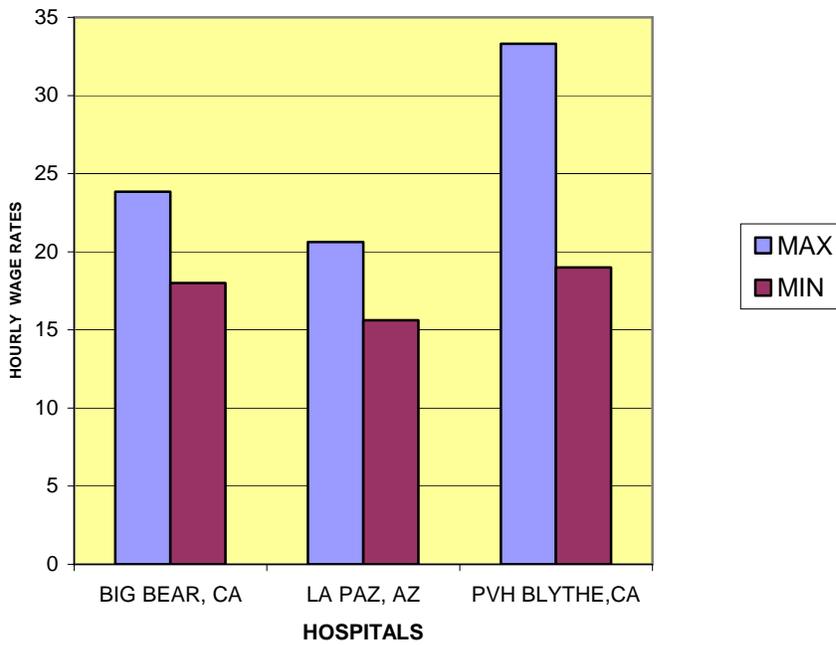
1. The annual fees are disproportionate with the size and financial capability of PVH. The present fees charged by AHM, is approaching a million dollars annually for two executives.
2. AHM staff wage rates are not consistent with other hospitals. A wage comparison of hospitals similar in size and location is shown in the following chart. The PVH Registered Nurse (RN) maximum hourly wage is not shown, as there was no maximum listed on the hourly current wage rates.

RN HOURLY WAGE RATE

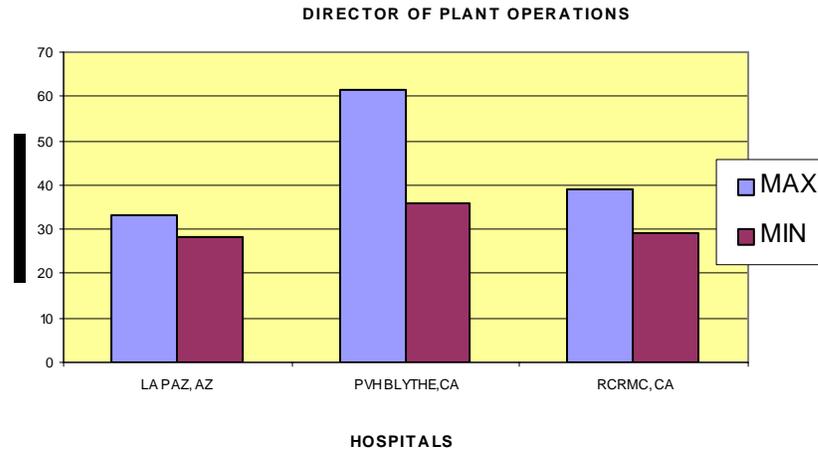


The above wage comparison indicates that PVH's RN minimum hourly wage rate is higher than either Big Bear or La Paz Hospitals' maximum hourly wage rate.

LVN HOURLY WAGE RATE



A similar chart shown above for Licensed Vocational Nurses (LVN) at each hospital illustrates the difference in pay for the PVH's LVNs. Again, the PVH minimum hourly wage rate is higher than the others shown and the maximum hourly wage rate is well above the other hospitals' maximum.



This practice extends to other job classifications, including Director of Plant Operations, which is a non-medical position. Riverside County Regional Medical Center (RCRMC) has 439 beds compared to PVH, which has only fifty-one beds, and yet the minimum hourly wages of PVH are close to the maximum of RCRMC. The La Paz Hospital hourly wages are more in line with RCRMC.

3. The President of the Board has failed in his authority to appoint standing, special, or community ad-hoc committees of non-board members to act as an advisory group to the Board. The function of the standing committees is, if assigned, would be to review:
 - Budget and business plans;
 - Personnel matters;
 - Legal and legislative issues; and
 - Periodic inspections of the hospital facility to ensure that the hospital meets regulation requirements.

4. Interviews with existing Board members revealed a lack of understanding of the By-Laws governing the PVHD. This lack of understanding exists in spite of the fact that each elected or appointed Board Director is provided with a training manual. This manual contains the current District and Medical Staff By-Laws, as well as a copy of the Brown Act, and the complete California Health and Safety Codes, Division 23, "The Local Health Care District Law".
5. AHM has failed to respond to some of the doctors' complaints, as exemplified by assigning nurses with insufficient training for their assigned departments.
6. The current Medical Staff By-Laws, Section 6.4-1, requires only an authorized certified member of the medical staff to be the only one to admit patients to the hospital. This section is used by some physicians to withhold the admission of patients, bringing the hospital to near bankruptcy.
7. The existing contract between the PVHD and AHM authorizes an automatic five-percent increase in the fees paid to AHM in January of every year. The automatic increase has no performance targets as a requirement to receiving this increase.
8. PVHD Board Members receive agenda packets just prior to board meetings, giving them little time to study the financial and operational data, regulatory compliance issues, and previous Board meeting minutes.
9. PVHD By-Laws grant the Board primary responsibility on matters of policy. The Board is responsible for the regular review of PVH budgetary and financial matters related to, and including, the annual audit. The Board has relinquished its oversight to AHM. These inactions approach misfeasance.
10. The PVH Obstetrics Department was closed in June 2007, as a result of some doctors refusing to admit patients to PVH. Women are currently being transported great distances to other hospitals, putting them at risk.

11. The lack of hospital services at PVH impacts the nearby prisons, CVSP and ISP. Prisoners with surgical needs are being transported to outlying hospitals in Riverside, Brawley, or San Diego. Each incident requires two vehicles, one for a guard and the prisoners, and a second for back-up guards.

**ADDED COST TO LOCAL PRISONS
2007-2008**

Month	AUG	SEPT	OCT	NOV	DEC	JAN
\$1,000's	976	421	321	417	567	666

These costs, totaling over \$3.3 million annually, do not include the high cost of fuel. Concurrent with these costs to the prisons is a substantial loss of revenue to PVH.

Recommendations:

**Riverside County Board of Supervisors
Palo Verde HealthCare District Board
City of Blythe**

1. The Board must terminate AHM, with cause, based on the fact that the hospital is near bankruptcy under their management.
2. Re-evaluate the present staff's wage rate structure and reduce them to be more in line with hospitals of similar size and location.
3. The Board President must appoint citizens from the Blythe community who want to be involved and have skills to serve on advisory, standing, or ad-hoc committees. This community involvement should enhance the capabilities and the functioning of the Board.
4. Members of the Board must understand and follow their By-Laws, including the California Health and Safety Code, Division 23.
5. Complaints registered by the MEC must be made in writing and submitted to AHM and the Board for review and disposition. AHM must respond in writing with a positive approach to solving the problems in no more than seven calendar days after submission. Should any conflict arise the Board will resolve the conflict.

6. Modify the MEC By-Laws to allow a Hospitalist, “A physician who specializes in seeing and treating other physicians’ hospitalized patients in order to minimize the number of hospital visits by the patients’ regular physician” to admit patients, a practice common in other hospitals.
7. Amend the future administrative contracts to add performance targets that must be achieved prior to granting any increase in compensation.
8. The PVHD By-Laws need to include a policy that the Board of Director’s agenda packets must be prepared and distributed to the five-member Board a minimum of three days prior to a Board meeting. This allows time for the members to study critical data and request any additional information, if necessary.
9. Prior to the monthly Board meeting, the Board must routinely review in detail the PVH budgets and financial performance with the hospital’s Financial Officer, and take necessary action.
10. Reopen the Obstetrics Department and hire qualified personnel to staff it.
11. The Board should:
 - a. Resolve the conflict among the Board, AHM and the MEC; and
 - b. Reopen the surgical services, thus giving the state prisons a nearby hospital.

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Response Due: 09/03/08