Becky L. Dugan, Presiding Judge  
Superior Court of California, County of Riverside  
4050 Main Street  
Riverside, California 92501

Riverside County Grand Jury  
Post Office Box 829  
Riverside California 92502

Riverside County Clerk-Recorder  
2720 Gateway Drive  
Riverside, California 92507


September 26, 2018

Overview

Over the past decade, the threat of hospital closures in small, remote communities has increased. Some closed entirely, some now only provide access to outpatient services, including clinics.

Many complex and diverse causes have led to these closures, including increasing regulations under the Affordable Care Act and, in some instances, a lack of Medicaid expansion. Other factors include shrinking populations, uninsured patients, outdated facilities, and the inability to transition into new care delivery models, frequently due to a lack of financial and human resources. The U.S. Department of Agriculture estimates approximately 46.1 million Americans live in rural areas, representing 14% of U.S. residents. Of 1,825 rural hospitals in the United States, these facilities may be classified as critical access, county hospitals, district hospitals or for-profit hospitals.

In many small towns and cities, there is a growing elderly population with significant and chronic health care needs, combined with little insurance, an increased dependence on
government payers, and a shrinking population. Uncompensated care and the growth of managed care has resulted in rural hospitals footing the bill for patients who either cannot afford to pay or are out-of-network. Health care practitioners and specialists are limited, frequently requesting or relying on supplemental income from hospitals for providing care to the underserved community. Recruitment and retention of qualified health practitioners remains difficult.

Over the past ten years, many hospitals in the United States have faced shrinking reimbursement due to the push from inpatient to outpatient services and the momentum for enhanced automation, coupled with the government mandates for increased reporting of data and outcomes to government and non-government third party payers. This has contributed to a lack of funds for investing in new services and technologies, driving patients to larger cities and more modern facilities for healthcare, contributing to a reduction in even more revenue. Rural facilities have suffered more from this trend. The negative impact on larger, urban facilities is significantly less.

When rural hospitals close, residents lack emergency care and a reduction of other health services, including access to primary care practitioners. This negatively impacts life and death situations. Additionally, according to myriad sources, entire communities sink even deeper into financial trouble as more jobs are lost and tax revenues decrease. A stand-alone facility is at significant risk for closure in today’s complex healthcare arena despite best efforts to address the needs of the community.

Palo Verde Hospital, as a rural facility, depicts the plight of the rural hospital, primarily due to the impact of the salient issues described above.

**Timeframe Addressed in this Report**

This report has been prepared by hospital leadership and the district board. The report briefly addresses the past five years of hospital operations, from January 2013 to September 2018. Previous reports from the Grand Jury are dated 2002-2003 and 2007-2008; an overview of these reports is provided herein.

The Palo Verde Hospital Association, a non-profit organization, purchased and operated the hospital in 1948 through an association membership open to anyone 21 years of age or older. Years later, the District and Association entered into an agreement whereby the District and the Association allowed the Association to convey the hospital. At that time, the Association requested assistance from Brim, Inc. [later known as Province Healthcare] to manage the hospital for six months. Negotiations led to a 10-year lease agreement. It was determined, at that time, that the Association would pay against a hospital lien, at the rate of $40,000 per year for approximately 20 years.

2007-2008 Grand Jury Report

This report addressed difficulties arising from the management of the hospital, essentially attributable to the perceived difficulties from three competing entities and stakeholders: The Board of Directors, Advanced Hospital Management [contractor for management services], and the Medical Executive Committee. In addition, bankruptcy was determined to be a threat to the facility. Financial difficulties were noted until fiscal year 2007 when the hospital was restored to solvency. Recommendations from the Grand Jury included the termination of Advanced Hospital Management “for cause,” conflict resolution between various entities [MEC, AHA, and the Board of Directors], and the reopening of surgical and obstetrical services, which were believed to have closed because local physicians refused to admit patients.

There were several recommendations made by the Grand Jury which were challenged by administration, including allegations of high executive management fees, disproportionately high staff wages, regulatory compliance issues, financial distress, and competition from two state prisons related to the recruitment and retention of qualified staff. A response was provided to the Grand Jury on behalf of executive personnel, by Best and Krieger, Attorneys at Law. The report was provided pursuant to Penal Code Section 933[c] and 933.05.
The medical staff agreed with a significant portion of the Grand Jury report citing mismanagement, low staff morale, inadequate leadership, and high wages for hospital executives. They submitted a separate response to the Grand Jury. In addition, sometime between 2008 and 2012, the hospital lost its accreditation status for an unknown period.

2014-2017

There were no reports provided to the hospital from the Grand Jury from 2014-2017, despite annual visits, generally carried out in April each year, when Grand Jury members attend the Outlook conference in Blythe.

At the end of 2012, the hospital again faced the possibility of bankruptcy and there was apparent conflict amongst the medical staff, Board of Directors, and hospital management. In early 2013, there was a turnover in administration with a concomitant turnover in the middle manager ranks. Newly elected board members faced significant regulatory compliance issues, a historical use of high paid consultants, outsourcing of key services with high cost impact, life safety issues resulting from inadequate or incomplete repairs to the building, low staff morale, and a significant “take-back” of Medicare dollars resulting from questions of medical necessity for inpatient hospital admissions during 2012 and earlier. Business from the prison had diminished significantly because the prison system was providing some of their own onsite medical services for inmates, in response to the trend of an increase in managed care services as a mechanism for lowering healthcare costs throughout the prison system.

In mid-2013, new hospital leadership was hired, and stakeholders started to work together towards a common goal: the viability of the hospital.

During Grand Jury member visits, from 2014-2017, Grand Jury members were apprised of strategic goals and accomplishments, profits and losses, expense reduction strategies, staff morale, recruitment/retention, and other salient issues impacting the day-day operations of the facility. They were apprised of industry trends, a move from inpatient to outpatient services, which contributed to a decline in average daily census, and a concomitant decline in inpatient revenue.
During the above timeframe, members of the Grand Jury provided much positive feedback regarding the ongoing improvement in hospital operations, for example, compliance with regulatory standards, lack of conflict among stakeholders, and improved financial performance. They were provided with an overview of a three-year strategic plan with proposed goals and objectives.

2014-2018 Overview

2014

- Hospital expenses decreased approximately 5.3 million from the previous fiscal year. Worker’s Compensation dollars started to decrease.
- Costly vendor contracts were terminated, and dietary, housekeeping and plant operation services were brought back in-house.
- A hospital-based clinic was opened and licensed through the California Department of Public Health as an outpatient service of the hospital.
- Several healthcare surveys were conducted through the Department of Public Health which showed continued improvement in regulatory compliance.
- Equitability in scheduling practices were implemented reducing the reliance on high-cost travelers.
- Hospital accreditation was achieved through Det Norse Veritas [DNV].
- Significant building repairs were carried out to rectify life safety issues, identified through regulatory and accrediting agency surveys.

2015

- Hospital cash increased significantly while lowering operating expenses.
- “Take-back” dollars by Medicare significantly decreased.
- Worker’s Compensation costs significantly decreased.
• The Board of Directors approved the purchase of an electronic medical record with a suite of systems that integrates financial and clinical data, inpatient and outpatient services and which promotes enhancement of the revenue cycle.
• Community Improvement Fund [CIF] provided monetary support through a low-interest loan for the purchase of the integrated electronic record system, acknowledging the hospital’s vision to be the anchor for health and wellness in the community.
• The hospital applied for and received a $600,000 grant, approved through the Health Resource and Services Administration [HRSA] for a three-year period, to provide health education to school-age children to help reduce the incidence of diabetes in the community. Although the three-year period ended in July of 2018, the hospital applied for, and received an extension of the grant for another year, through 2019. The hospital continues to work with four schools in Blythe.
• Telemedicine services were initiated in ED for patients with behavioral issues.
• Third party payer contracts were renegotiated.
• The Charge Description Master [CDM] was completely updated to ensure supply charges were consistent with industry standards.

2016

• Installation of the integrated electronic health record, financial and clinical system was achieved.
• Participation in the California Public Hospital Redesign and Incentives in Medi-Cal Program [PRIME], a five-year initiative under the Medi-Cal 2020 section waiver, that builds upon the Delivery System Reform Incentive Program [DSRIP] was initiated. The goal of the program is to continue to improve the way that care is delivered and to maximize care value as the industry moves towards alternative payment models and risk-sharing arrangements. Program development and strategies for integrated health was initiated by the hospital to obtain supplemental incentive dollars from the state and to implement specific screening programs. This has helped to increase cash for the facility by collecting and submitting data relative to health and wellness outcomes.
• Participation in the Transitional Care Improvement Program [TCPI] for Medicare Patients was initiated. The program is designed to promote health and wellness in the elderly
population through the implementation of health screening, education, risk assessments, and collaborative care for chronic conditions.

- The hospital successfully passed a state licensing survey, which is conducted every three years. The unannounced survey is conducted by the California Department of Public Health and evaluates compliance with safety standards, medication practices, and infection prevention.

2017

- Continued refinement of the electronic health record.
- Continued participation in the state and federal incentive programs for PRIME and TCPI. Continued development of integrated behavioral health strategies was implemented. In addition, the hospital worked on a collaborative basis with the County Supervisor for the 4th district and other community organizations on issues that relate to residents placed on 5150 holds for posing a threat to self or others.
- Development of integrated health screening programs were further advanced to identify and refer patients seen in the Emergency Department who have a history of depression, drug abuse, and/or alcohol abuse.
- A successful re-accreditation survey was achieved through DNV. The hospital was acknowledged for demonstrating continual performance improvement. Additionally, the hospital met all the conditions required for compliance with the International Standards Organization [ISO], which is required at the end of the first 3-year accreditation survey through DNV.

2018

- Preparation for upgrade of the electronic health system has been initiated. “Go live” date is in December.
- PVH, one of two hospitals out of the total number of HRSA grantees, was selected to receive an extension of the original HRSA grant. This approval allows the facility to continue work with school children on health and nutrition for a fourth year and to use the remaining funds of $200,000.
• PVH continues to integrate the needed components for health screenings and risk assessments and the coordination of wellness programs. Tools have been developed for providing transitional care services from hospital to home, in preparation of working with residents who have chronic health conditions.

• Education and training of "promaturas" or community-based, grassroots educators for diabetes will be conducted in mid-October to further promote the goal of reducing the incidence of diabetes in the community.

Hospital Response to Grand Jury Recommendations

The purpose of this response to the Grand Jury Report, dated June 28, 2018, is to address the recommendations identified in the report.

Grand Jury Recommendation [1]

PVH, which is geographically remote from other acute care facilities shall be utilized to the extent possible in the stabilization of patients prior to transfer to other medical facilities.

Hospital Response

The dispatch of patients to PVH and/or larger, more distant facilities is through the Emergency Medical System [EMS] Agency of Riverside County. How and where patients are dispatched from the field is not within the purview of this facility. We do not have access to data or information regarding the numbers or types of patients transferred from the service area. Additionally, the facility has no way of identifying whether American Medical Response [AMR], the approved emergency transport service for the community, is handling stabilization and transport in a manner that is consistent with county standards. Transporting patients to PVH could cause delays in transfer to trauma or tertiary centers with the potential for resulting in adverse patient care outcomes when rapid transport time is critical. This recommendation should be referred to Riverside EMS for in-depth evaluation. Additionally, the timeliness of transports should be evaluated and whether additional transport vehicles and personnel should be acquired by AMR to support district needs.
Grand Jury Recommendation [2]

*PVH shall have trauma, surgery and emergency service teams available for 24-hour coverage. It is recommended that the Riverside County Board of Supervisors [BOS] and Riverside University Health System [RUHS] assist in the establishment of these services.*

Hospital Response

This is not a viable option for the facility. Several trauma teams would need to be immediately available to provide coverage on a 24/7 basis and would require multi-specialty services with highly qualified and competent care providers. It would take millions of dollars and several years to attain this goal. Renovation of the facility, the purchase of expensive capital equipment, and the recruitment of competent specialists and other health care providers would be needed. Additionally, it is uncertain as to whether there are enough trauma victims transported out of the area on an annual basis that would make this financially beneficial for PVH if a trauma program was implemented. The cost to support this type of program is likely to far outweigh the benefits. It is highly unlikely that a trauma center could ever be developed or sustained.

Grand Jury Recommendation [3]

*The Board of Supervisors, Palo Verde Hospital, and Palo Verde Healthcare District shall work with Riverside University Health System authorities to improve the District’s operations, to provide necessary and acceptable community standards of care by re-establishing a link and partnership with Riverside University Health System.*

Hospital Response

Since the fourth quarter of 2016, the hospital has worked with the County Supervisor for the 4th District on myriad goals and challenges. Through his efforts, and the efforts of key personnel working with him, Palo Verde Hospital [PVH] has collaborated with Jennifer Cruikshank CEO,
and their Chief Medical Officer, Dr. A. Tabuenca from RUHS in exploring opportunities and programs that would benefit our rural facility. This includes:

1. The provision of specialty services through physician networks;
2. The provision of additional telemedicine services other than psyche;
3. The provision of enhanced psychiatric services;
4. Expansion of integrated and behavioral health services;
5. The feasibility of collaborative partnerships with Desert Regional Medical Center; and
6. The feasibility of collaborative partnerships with Borrego Health Systems and Clinics.

The PVH leadership team has also initiated preliminary discussions with Adventist Health System for a possible affiliation with a multi-specialty physician group. Already ruled out, is the possibility of working with other hospitals to have medical school residents’ practice in the Palo Verde District. Geographical distance, and the financial constraints [federal dollars] realized by health care facilities from Palm Desert to Loma Linda, which are associated with residency programs, has made this an unrealistic goal.

**In Summary**

Recruitment and retention of qualified personnel for the hospital is difficult for a stand-alone facility in the current health care arena. Currently, much of the professional staff working in the facility are traveling from Yuma, Los Angeles, Riverside and Havasu. As employees sever employment with PVH, it is difficult to find replacements. The prison and jail remain the biggest competitors for the facility in terms of staff recruitment. The hospital cannot compete with benefit packages offered by state institutions. Additionally, the prison has most recently imposed constraints on their staff, prohibiting them from working at Palo Verde Hospital. They cited a law that was passed over two decades ago that had never been enforced. The negative impact for the hospital is the loss of several registered nurses who worked on a per diem basis in the facility. This has increased the shortage of personnel for the hospital. Support to have this decision reversed has been solicited from V. Manuel Perez, County Supervisor from the 4th District, Congressman Raul Ruiz, and Assemblyman Eduardo Garcia.
Further complicating the recruitment of staff is a lack of retail stores, entertainment, and business growth in the City of Blythe. There is little to no incentive for health care workers to move to and/or work in Blythe. Additionally, Palo Verde College does not support a program for registered nurses. Licensed Vocational Nurses [LVNs] are used on a minimal basis by the facility due to the limitations imposed by licensure and scope of practice for this level of nurse.

The hospital continues to work on achieving established goals and objectives for 2018 and 2019:

1. Increase inpatient census which will increase revenue and reimbursement.
2. Explore the feasibility of outpatient services that are financially beneficial for this facility. Certain services, for example, mammograms, are not financially beneficial for the facility because historically, volume is too low to sustain this type of program.
3. Expand hospital-based clinic hours and evaluate the benefit of classifying the clinic as a Federally Qualifying Healthcare Clinic [FQHC] which may provide additional funding.
4. Evaluate the conversion of licensure for the facility from general acute care services to critical access services, which would require decreasing the number of licensed beds, but has the potential for increasing reimbursement for the provision of inpatient services.
5. Evaluate the feasibility of obtaining licensure for Swing Beds as part of the conversion to Critical Access, which would allow the hospital to provide and bill for post-acute care hospital services once a patient is discharged from general acute care.
6. Install a state-of-the-art CT scanner within the facility and eliminate the [outside] mobile CT scanner which is constantly affected by the hot weather and humidity in Blythe.
7. With increased revenue and reimbursement, improve building maintenance and purchase much needed capital equipment, for example, chillers, X-ray units, and operating room tables.
8. Maintain hospital accreditation and compliance with regulatory standards.
9. Continue the growth and development of local personnel, through implementation of the leadership succession plan, to provide onsite training and education, for job positions previously provided by high-paid consultants or temporary agency personnel. This goal has been ongoing during the past three-years. Local personnel continued to be trained for:
   a. Expanded business office and billing functions;
b. Materials Management;
c. Infection Control and prevention;
d. Human Resources;
e. Plant Operations;
f. Emergency Room nursing;
g. Labor and Delivery nursing;
h. Case Management and Clinical Health Coaches;
i. Dietary Supervision and Nutrition; and
j. Quality Management.

10. Increase telemedicine services for medical conditions: pulmonary, cardiac, neurological.

In addition, cross-training of department personnel has been ongoing so the needs of more than one department can be met without reducing work-hours for full time personnel when inpatient census fluctuates.

Members of the leadership team: administration and management, key members of the medical staff, and the board of directors, have successfully worked together on a collaborative basis for over five [5] years to achieve positive outcomes for the hospital, community, and staff.