

Santa Cruz – Monterey – Merced Managed Medical Care Commission

Special Meeting Agenda

Tuesday, January 18, 2022

7:30 a.m. – 8:30 a.m.



(800) 700-3874

www.ccah-alliance.org

Special Meeting at the call of the Chairperson

**(Held via Teleconference Pursuant to Assembly Bill 361
signed by Governor Newsom, September 16, 2021)**

Important notice regarding COVID-19: In the interest of public health and safety due to the state of emergency caused by the spread of COVID-19, this meeting will be conducted via teleconference. The following alternatives are available to members of the public to view this meeting and to provide comment to the Board.

1. Members of the public wishing to join the meeting may do so as follows:
 - a. Computer, tablet or smartphone via Microsoft Teams:
[Click here to join the meeting](#)
 - b. Or by telephone at:
United States: +1 (323) 705-3950
Phone Conference ID: 753 258 858#
2. Members of the public wishing to provide public comment on items listed on the agenda may do so in one of the following ways.
 - a. Email comments by 5:00 p.m. on Monday, January 17, 2022 to the Clerk of the Board at clerkoftheboard@ccah-alliance.org.
 1. Indicate in the subject line "Public Comment". Include your name, organization, agenda item number, and title of the item in the body of the e-mail along with your comments.
 2. Comments will be read during the meeting and are limited to five minutes.
 - b. Public comment during the meeting, when that item is announced.
 1. State your name and organization prior to providing comment.
 2. Comments are limited to five minutes.
3. Mute your phone during presentations to eliminate background noise.
 - c. State your name prior to speaking during comment periods.
 - d. Limit background noise when unmuted (i.e. paper shuffling, cell phone calls, etc.).

-
1. **Call to Order by Chairperson Conner. 7:30 a.m.**
 - A. Roll call; establish quorum.
 - B. Supplements and deletions to the agenda.

HEALTHY PEOPLE. HEALTHY COMMUNITIES.

www.ccah-alliance.org

- 2. Consider approving findings that the state of emergency continues to impact the ability of members to meet safely in person and/or State or local officials continue to impose or recommend measures to promote social distancing. (7:35 – 7:45 a.m.)**

A. Ms. Stephanie Sonnenshine, Chief Executive Officer (CEO), will review and Board will consider approving findings that the state of emergency continues to impact the ability of members to meet safely in person and/or State of local officials continue to impose or recommend measures to promote social distancing.

 - Reference materials: Staff report and recommendation on above topic.
Pages 2-01 to 2-02

- 3. Consider approving allocation of grant funding for Pajaro Valley Healthcare District Project (PVHDP). (7:45 – 8:05 a.m.)**

A. Ms. Sonnenshine, CEO, will review and Board will consider approving allocation of grant funding for PVHDP.

 - Reference materials: Medi-Cal Capacity Grant Program Recommendation Summary.
Pages 3-01 to 3-02

- 4. Consider adopting a position of support for Senate Bill 418 (Laird) and direct staff to send Letter of Support to the author(s). (8:05 – 8:20 a.m.)**

A. Ms. Sonnenshine, CEO, will review and Board will consider adopting a position of support for SB 418 and direct staff to send Letter of Support to the author(s).

 - Reference materials: Staff report and recommendation on above topic; Letter of Support; and Amendments to SB 418 as Amended in Senate March 17, 2021.
Pages 4-01 to 4-16

- 5. Consider establishing a Regular Meeting of the Commission for Tuesday, January 25, 2022. (8:20 – 8:30 a.m.)**

A. Ms. Sonnenshine, CEO, will review and Board will consider approving the addition of a regular meeting of the Commission to occur on Tuesday, January 25, 2022, including the time and duration of that meeting.

Announcements:

Meetings of Advisory Groups and Committees of the Commission

The next meetings of the Advisory Groups and Committees of the Commission are:

- Finance Committee
Wednesday, March 23, 2022; 1:30 – 2:45 p.m.
- Member Services Advisory Group
Thursday, February 10, 2022; 10:00 – 11:30 a.m. [*teleconference*]
- Physicians Advisory Group
Thursday, March 3, 2022; 12:00 – 1:30 p.m.
- Whole Child Model Clinical Advisory Committee
Thursday, March 17, 2022; 12:00 – 1:00 p.m. [*teleconference*]
- Whole Child Model Family Advisory Committee
Monday, March 14, 2022; 1:30 – 3:00 p.m. [*teleconference*]

The above meetings will be held via videoconference unless otherwise noticed.

The next regular meeting of the Commission, after this January 18, 2022 special meeting will be held via teleconference unless otherwise noticed:

- Santa Cruz – Monterey – Merced Managed Medical Care Commission
Tuesday, January 25, 2022, time to be determined [*pending Board approval*]
- Santa Cruz – Monterey – Merced Managed Medical Care Commission
Wednesday, February 23, 2022, 3:00 – 5:00 p.m.

Members of the public interested in attending should call the Alliance at (831) 430-5523 to verify meeting dates and locations prior to the meetings.

.....

The complete agenda packet is available for review on the Alliance website at www.ccah-alliance.org/boardmeeting.html. The Commission complies with the Americans with Disabilities Act (ADA). Individuals who need special assistance or a disability-related accommodation to participate in this meeting should contact the Clerk of the Board at least 72 hours prior to the meeting at (831) 430-5523. Board meeting locations in Salinas and Merced are directly accessible by bus. As a courtesy to persons affected, please attend the meeting smoke and scent free.



DATE: January 18, 2022
TO: Santa Cruz-Monterey-Merced Managed Medical Care Commission
FROM: Stephanie Sonnenshine, Chief Executive Officer
SUBJECT: AB 361 – Brown Act: Teleconferencing Meeting Procedures

Recommendation. Staff recommend the Board consider making the following findings by majority vote, pursuant to Government Code § 54953 (e) (3), to allow for the Board to meet remotely through teleconferencing, due to the present state of emergency, under the permissions provided via AB 361:

- (A) The Board has considered the circumstances of the state of emergency.
- (B) Any of the following exists:
 - (i) The state of emergency continues to impact the ability of members to meet safely in person.
 - (ii) State or local officials continue to impose or recommend measures to promote social distancing.

Summary. AB 361 (Statutes 2021) amended Government Code § 54953 to modify rules requiring the physical presence of members of a public agency for the purposes of conducting a public meeting during declared states of emergency and when state or local officials have imposed or recommended measures to promote social distancing. In order to meet while implementing the permissions provided in AB 361, the Board must make the above referenced findings by majority vote and must reconsider the circumstances every 30 days.

Background. On September 16, 2021 Governor Newsom signed AB 361 (Rivas) which allows a local agency to use teleconferencing without complying with certain Brown Act requirements as long as notice and accessibility requirements are met, public members are allowed to observe and address the local agency body at the meeting, and the local agency body has a procedure for receiving and swiftly resolving requests for reasonable accommodations.

Under the provisions of AB 361, during a proclaimed state of emergency and when state or local officials have imposed or recommended measures to promote social distancing, a public body may meet via the abbreviated teleconferencing procedures when the public body has determined by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Discussion. When the Board last met for its December 1, 2021 meeting, the circumstances regarding COVID and the Omicron variant were not yet present as they currently stand. Since the December meeting, the State has entered a new COVID surge and on December 15, 2021 the Governor issued a new Statewide mask mandate which requires all individuals in California to wear a mask in both indoor public spaces and workplaces. To meet via teleconferencing as permitted by the Brown Act (as amended in AB 361) during a

HEALTHY PEOPLE. HEALTHY COMMUNITIES.
w w w . c c a h - a l l i a n c e . o r g

proclaimed state of emergency, the Board must consider the current circumstances of the state of emergency and, by majority vote, find that the state of emergency impacts the ability of members to meet safely in person and/or State or local officials continue to impose or recommend measures to promote social distancing.

In order to continue to utilize teleconferencing under these procedures after this Special Meeting of the Board and if the state of emergency remains active or state or local officials continue to impose or recommend measures to promote social distancing, the Board must, no later than 30 days after this meeting and every 30 days thereafter, reconsider the circumstances of the state of emergency. Therefore, the Board will be asked to convene for a regular meeting on January 25, 2022 to reconsider these circumstances as they relate to the next regular meeting of the Board on February 23, 2022.

Fiscal Impact. There is no fiscal impact associated with this agenda item.

Attachments. N/A

Medi-Cal Capacity Grant Program Recommendation Summary



Applicant: Pajaro Valley Healthcare District Project
County: Santa Cruz
Grant Award History: N/A

Capital Program - Implementation

Project Name: Watsonville Community Hospital
Project Site Address: 75 Nielson Street, Watsonville, CA 95076
Type of Capital Project: Acquisition of Watsonville Community Hospital (Operations)
Proposed Start/End Dates: 01/17/2022 - 06/31/2023
Total Project Budget: \$61,775,000
Request Amount: **\$3,000,000**
***Recommended Award:** **\$3,000,000**

Proposal Summary: The Pajaro Valley Healthcare District Project (PVHDP) requests \$3M in one-time funding to support the acquisition of Watsonville Community Hospital. Support from the Alliance will ensure future access to essential hospital services for Medi-Cal members in the Pajaro Valley, which includes the communities in South Santa Cruz County (80% of Medi-Cal patient volume) and North Monterey County (20% of Medi-Cal patient volume).

Watsonville Community Hospital is a 106-bed acute care facility that provides a range of medical services, including emergency care, pediatrics, OB-GYN, medical/surgical care, anesthesiology, wound care, gastroenterology, orthopedics, cardiovascular disease, and outpatient ancillary services. The hospital serves a high proportion of Medi-Cal members. It also serves a large number of children and childbearing age adults, primarily Hispanic and reliant on low-wage jobs in agriculture and service. Residents in the hospital service area face multiple barriers to care, including limited English proficiency, poverty, lack of insurance and limited access to transportation.

In October 2021, after years of financial uncertainty, Watsonville Community Hospital announced plans to file Chapter 11 bankruptcy and indicated it may have to close the hospital. The PVHDP, a new non-profit, was formed by the County of Santa Cruz, City of Watsonville, Community Health Trust of the Pajaro Valley and Salud Para La Gente to prevent the closure of the hospital. The goal of the PVHDP is to ensure the viability of Watsonville Community Hospital by forming a healthcare district and purchasing the hospital.

In late 2021, PVHDP leaders were able to bring in professional resources to negotiate operational funding for the bankruptcy from the hospital's landlord, Medical Properties Trust (MPT). A "stalking horse" bid was also negotiated (i.e., purchase agreement filed with the Court identifying PVHDP as priority purchaser) that was acceptable to the hospital, MPT and the bankruptcy court. PVHDP secured the support of a local State legislative delegation that is bringing forward an urgent bill to form the healthcare district during the week of January 18, 2022, with subsequent hearings and action expected the week of January 26, 2022 and February 9, 2022. The Governor's Office is considering a funding request in support of the acquisition.

Both have indicated their support relies on the demonstration of a significant level of local commitment and investment.

Impact/Outcomes: Watsonville Community Hospital provides critical hospital services to Alliance members in Santa Cruz and Monterey counties. This includes providing nearly half of all emergency services and delivering more babies than any other hospital in Santa Cruz County. In an area where the nearest alternative hospital is a 25-50-minute drive away, the closure of Watsonville Community Hospital would be devastating for the health, wellbeing and safety of the Pajaro Valley community. The closure of the hospital would also put significant strain on the other hospitals in Santa Cruz and Monterey counties. Review of 2019 data as a pre-pandemic point of reference indicates Watsonville Community Hospital served a total of 16,341 Alliance members (80% Santa Cruz County, 20% Monterey County), with an average of 160 inpatient admissions per quarter and 15,356 emergency department visits per year. In the event the facility closes, these members would have to be redirected to other facilities for services.

This project prevents hospital closure, creates a sustainable operating model for existing services and preserves ongoing health care access for Medi-Cal members in Santa Cruz and Monterey counties. The project will result in the formation of a locally governed healthcare district, acquisition of Watsonville Community Hospital and a successful transition of Watsonville Community Hospital ownership and operations. Healthcare districts have access to additional funding and revenue sources which will help ensure the viability of hospital and health care services through Watsonville Community Hospital into the future.

Funding Request: Given the time-sensitivity of this request and the significant impact the closure of Watsonville Community Hospital would have on Alliance members and the health care systems in Santa Cruz and Monterey counties, the Alliance accepted this application outside of the typical application cycle. If approved, this award would be contingent on PVHDP securing the necessary financial support to complete the acquisition of Watsonville Community Hospital. Staff recommends funding for the grant award be allocated from the unallocated Medi-Cal Capacity Grant Program budgets in Santa Cruz County (80% of request; \$2.4M) and Monterey County (20% of request; \$600K). If approved, the remaining unallocated budgets after this award would be \$16.6M in Santa Cruz County and \$44.0M in Monterey County.



DATE: January 18, 2022
TO: Santa Cruz-Monterey-Merced Managed Medical Care Commission
FROM: Stephanie Sonnenshine, Chief Executive Officer
SUBJECT: Senate Bill 418 (Laird): Letter of Support

Recommendation. Staff recommend the Board adopt a position of support for Senate Bill (SB) 418 (Laird) and direct staff to send the attached letter of support to the author(s).

Background. Watsonville Community Hospital (WCH) is a 106-bed acute care facility that provides a range of medical services, including emergency care, pediatrics, OB-GYN, medical/surgical care, anesthesiology, wound care, gastroenterology, orthopedics, cardiovascular disease, and outpatient ancillary services. The hospital serves a high proportion of Medi-Cal members. It also serves a large number of children and childbearing age adults, primarily Hispanic and reliant on low-wage jobs in agriculture and service. Residents in the hospital service area face multiple barriers to care, including limited English proficiency, poverty, lack of insurance and limited access to transportation. The hospital and associated services are critical to maintain access to these vital health care services for residents in the Pajaro Valley.

In October 2021, WCH announced plans to file Chapter 11 bankruptcy and indicated it may have to close the hospital. The Pajaro Valley Healthcare District Project, a new non-profit, was formed by the County of Santa Cruz, City of Watsonville, Community Health Trust of the Pajaro Valley and Salud Para La Gente to prevent the closure of the hospital. The goal of the Pajaro Valley Healthcare District Project is to ensure the ongoing viability of WCH by forming a healthcare district and purchasing the hospital.

Discussion. Legislative action is required to authorize the formation of the healthcare district. Local Legislators, including Senator Caballero and Assemblymembers Rivas and Stone, have joined with Senator Laird as Coauthors on a bill that would authorize the formation of the Pajaro Valley Healthcare District. The bill will lay out the boundaries of the district, make clear that the new district will be subject to the oversight of the Santa Cruz and Monterey County Local Agency Formation Commissions (LAFCOs), and direct the initial district board of directors to establish zones for the eventual election of future directors. Additionally, the new Pajaro Valley Healthcare District would be subject to all of the requirements and authorities of other California healthcare districts, as contained in Health and Safety Code Section 32000.

SB 418 (Laird) is the legislative vehicle which will be used for this purpose. SB 418 will be heard with amendments offered on January 19, 2022, in the Assembly Local Government Committee. Attached are the amendments to the bill as expected to be offered.

Passage of SB 418 and the formation of the Pajaro Valley Health Care District is a critical step towards ensuring WCH remains open and able to provide critical services to the community while also ensuring the hospital is under local control and stewardship.

Fiscal Impact. There is no fiscal impact associated with this agenda item.

Attachments.

1. Letter of Support
2. Amendments to SB 418 as Amended in Senate March 17, 2021

1600 Green Hills Road, Ste. 101
Scotts Valley, CA 95066-4981
831-430-5500

950 East Blanco Road, Ste. 101
Salinas, CA 93901-4487
831-755-6000

530 West 16th Street, Ste. B
Merced, CA 95240-4710
209-381-5300



January 18, 2022

The Honorable John Laird
California State Senate
1021 O Street
Sacramento, CA 95814

Re: SB 418 (Laird): Pajaro Valley Healthcare District as proposed to be amended – SUPPORT

Dear Senator Laird:

On behalf of Central California Alliance for Health (the Alliance), I write to express our strong support for Senate Bill 418, which establishes the Pajaro Valley Healthcare District in Santa Cruz and Monterey Counties. SB 418 is urgently needed to address the imminent closure of the Watsonville Community Hospital (WCH) and to ensure that the hospital remains open and accessible to our community.

Watsonville Community Hospital is a 106-bed hospital employing 620 people, including a medical staff of over two hundred physicians. WCH provides a range of essential medical services, including an emergency room, OB-GYN, pediatrics, medical surgical care, wound care, gastroenterology, orthopedics, cardiovascular disease, dermatology and more.

Watsonville Community Hospital has been essential in serving its community's primarily low-income, under and uninsured populations of color for over a century and has proved crucial in serving those disproportionately impacted by COVID-19 throughout the pandemic. Over 50% of the hospital's patients are covered by Medi-Cal.

As the Medi-Cal managed care plan serving over 248,000 members in Santa Cruz and Monterey counties through a County Organized Health System model of managed care, the Alliance is keenly aware of the critical importance of WCH and the vital services it provides within the community it serves. Residents of the Pajaro Valley rely on access to essential health care services provided by WCH.

SB 418 establishes the Pajaro Valley Health Care District. lays out the district's boundaries, and makes clear that the new district will be subject to the oversight of the Santa Cruz and Monterey County Local Agency Formation Commissions (LAFCOs). Furthermore, SB 418 directs the initial district board of directors to establish zones for the eventual election of future directors. Additionally, the new Pajaro Valley Healthcare District would be subject to all of the requirements and authorities of other California healthcare districts, as contained in Health and Safety Code Section 32000.

1600 Green Hills Road, Ste. 101
Scotts Valley, CA 95066-4981
831-430-5500

950 East Blanco Road, Ste. 101
Salinas, CA 93901-4487
831-755-6000

530 West 16th Street, Ste. B
Merced, CA 95240-4710
209-381-5300



The Honorable John Laird
January 18, 2022
Page 2

The urgent formation of this healthcare district, as outlined in SB 418, is necessary to ensure that the Watsonville Community Hospital remains open and under the stewardship of a public entity.

For these reasons, the Alliance is pleased to offer its support of SB 418.

Sincerely,

Stephanie Sonnenshine
Chief Executive Officer

cc: The Honorable Cecilia Aguiar-Curry, Chair, Assembly Local Government Committee
Members and Consultants, Assembly Local Government Committee
The Honorable Anna Caballero, California State Senate
The Honorable Robert Rivas, California State Assembly
The Honorable Mark Stone, California State Assembly

AMENDMENTS TO SENATE BILL NO. 418
AS AMENDED IN SENATE MARCH 17, 2021

Amendment 1

In the heading, below line 1, insert:

(Coauthor: Senator Caballero)

(Coauthors: Assembly Members Robert Rivas and Stone)

Amendment 2

In the title, in line 1, strike out "amend Section 30968 of the Public Resources Code, relating", strike out line 2 and insert:

add Chapter 9 (commencing with Section 32498.5) to Division 23 of the Health and Safety Code, relating to health care districts, and declaring the urgency thereof, to take effect immediately.

Amendment 3

On page 1, before line 1, insert:

SECTION 1. The Legislature finds and declares all of the following:

(a) Watsonville Community Hospital is a 106-bed hospital located in the Pajaro Valley, which straddles southern County of Santa Cruz and northern County of Monterey on California's central coast. The hospital provides important acute care and emergency services in a culturally diverse community where the nearest alternative hospital can be up to an hour away during regularly congested commutes.

(b) Watsonville Community Hospital employs 620 people and has a medical staff of over 200 physicians. It provides a range of quality medical services, including pediatrics, obstetrics and gynecology, internal medicine, family medicine, anesthesiology, wound care, gastroenterology, orthopedics, cardiovascular disease, dermatology, and more. In 2020, the hospital delivered more babies than any other hospital in the County of Santa Cruz. Serving a significant immigrant population, the hospital provides care to those without English language proficiency in their preferred language.

(c) The community of Watsonville has historically faced many health and economic disparities. The pandemic has resulted in the loss of employment and school closures, and has caused nonessential workers and at-risk populations to stay home. Overcrowded and substandard housing conditions, food insecurity, lack of transportation, and the high cost of housing have intensified disparities overnight. The Pajaro Valley saw dramatic and disproportionate rates of COVID-19 infections, hospitalizations, and death as compared to the rest of the County of Santa Cruz.

(d) Over the last 21 years of for-profit ownership, the hospital administration has changed 20 times. Due to this history, partners of the Pajaro Valley Healthcare District Project all believe community ownership will provide more consistent



management, oversight, and stability for the patients, staff, and community. Public ownership through a local hospital district also creates financing and funding opportunities not otherwise available to a for-profit or nonprofit entity.

(e) Originally incorporated in 1902 as a privately owned for-profit entity, the Watsonville Community Hospital board of directors voted in 1950 to reorganize to nonprofit status. This allowed a bond sale and access to federal and state grants for construction of a new hospital, which opened in 1969. That facility was seriously damaged in the 1989 Loma Prieta earthquake. With funding from the Federal Emergency Management Agency, the current facility, which replaced the 1969 facility and opened in 1998, is sufficient to keep pace with the growing needs of the community. In 1998, the previously not-for-profit hospital was sold to a for-profit company, Community Health Systems (CHS). The proceeds of the sale were contributed to a community trust, the Community Health Trust of Pajaro Valley. This trust also held a right of first refusal if CHS were to decide to sell the hospital.

(f) In 2015, Community Health Systems reorganized and formed a new subsidiary, Quorum Health Resources, consisting of its small hospitals. Facing financial difficulties, Quorum decided to sell Watsonville Community Hospital in 2019, and the Community Health Trust of Pajaro Valley had the option to acquire the hospital. However, at that time the Community Health Trust of Pajaro Valley decided not to purchase the hospital, and it was sold to a company called Halsen Healthcare and the hospital operated under a corporation named Watsonville Hospital Corporation (WHC). The real estate for the hospital was purchased by a subsidiary of Medical Properties Trust (MPT), a real estate investment trust, and then leased back to WHC.

(g) In January 2021, MPT, after declaring numerous events of default, exercised its stock pledge and replaced the Halsen-appointed board of directors with a new independent board of directors, and the new board designated Prospect Medical Holdings as the new hospital manager. However, this change in management did not solve the hospital's liquidity crisis. To remain in operation, the hospital has had to borrow millions of dollars to address operating losses and the hospital remains in default on its operating loan from another subsidiary of MPT regarding the real property of the hospital.

(h) In 2020 and 2021, during the COVID-19 epidemic, with rising costs of labor and supplies, the hospital experienced significant financial losses. As of August 2021, WHC had a year-to-date cashflow shortfall of over \$17,000,000. It also fell into arrears in its obligations to suppliers, employees, and lenders.

(i) Watsonville Community Hospital has been essential in serving its community's primarily low-income, underinsured, and uninsured populations of color for over a century and proved crucial in serving those disproportionately impacted by COVID-19 throughout the pandemic. This is evidenced by 43 percent of the hospital's gross revenue coming from the Medi-Cal program and an additional 30 percent of its gross revenue coming from the Medicare Program, serving the aged and disabled.

(j) The Pajaro Valley Healthcare District Project (PVHDP), a nonprofit organization, was created by the County of Santa Cruz, the City of Watsonville, Salud Para La Gente, and the Community Health Trust of Pajaro Valley, for the purpose of forming a new California health care district. For several years, the partners of PVHDP have been concerned about the continuance of operations and the financial viability

of Watsonville Community Hospital, and have been working together to explore the possibility of community ownership.

(k) PVHDP has initiated a process to establish and capitalize a local health care district to purchase the hospital on behalf of the community through the Chapter 11 bankruptcy/restructuring process commenced by WHC, to prevent the hospital's closure and loss of critical community services. With strong community and stakeholder support, the PVHDP partners are well positioned to engage the Legislature, the Governor, and private funders. In addition, WHC and PVHDP intend to seek emergency funding from public and private entities to support the short-term operating capital needs of the hospital and eventual acquisition of the hospital.

(l) If PVHDP cannot raise sufficient funds to acquire and operate the hospital, WHC intends to close the hospital and liquidate the assets. For this reason, PVHDP believes it is critical to the health and welfare of the community that it will be able to keep this important hospital open under the stewardship of the community, rather than under another for-profit operator. To do this, it is imperative that emergency funding and urgency legislation be considered immediately in the 2021–22 legislative session.

(m) It is necessary to permit the formation of the Pajaro Valley Health Care District for the above-described purposes.

SEC. 2. Chapter 9 (commencing with Section 32498.5) is added to Division 23 of the Health and Safety Code, to read:

CHAPTER 9. PAJARO VALLEY HEALTH CARE DISTRICT

32498.5. (a) A local hospital district designated as the Pajaro Valley Health Care District is hereby formed within the Counties of Santa Cruz and Monterey. The Pajaro Valley Health Care District may be organized, incorporated, and managed as provided in this division, and may exercise the powers granted or necessarily implied by this division, only if the relevant county board of supervisors chooses to appoint an initial board of directors, as described in Section 32100. All other provisions of this division apply to the Pajaro Valley Health Care District, except as provided in this chapter.

(b) The territory of the district shall be the following area: Situated in the Counties of Santa Cruz and Monterey, State of California; being all the lands within the boundary of the Pajaro Valley Unified School District, excepting the lands to the north and west of the following described line: beginning at a point on the edge of the Pacific Ocean at the intersection with the projected centerline of Aptos Beach Drive; thence along said projected centerline to the intersection of the centerline of Aptos Beach Drive and the centerline of Rio Del Mar Boulevard; thence along the centerline of Rio Del Mar Boulevard in a northeasterly direction to the intersection of the centerline of Rio Del Mar Boulevard and the centerline of Bonita Drive; thence along the centerline of Bonita Drive in a westerly direction to the intersection of the centerline of Bonita Drive and the centerline of Freedom Boulevard; thence along the centerline of Freedom Boulevard in a northerly and easterly direction to the intersection of the centerline of Freedom Boulevard and the centerline of Hames Road; thence along the centerline of Hames Road in an easterly direction to the end of the centerline of Hames Road and the beginning of the centerline of Browns Valley Road; thence along the centerline of

Browns Valley Road in a northerly and easterly direction to the end of the centerline of Browns Valley Road and the beginning of the centerline of Hazel Dell Road; thence along the centerline of Hazel Dell Road in an easterly and southerly direction to the intersection of the centerline of Hazel Dell Road and the centerline of Mount Madonna Road; thence along the centerline of Mount Madonna Road in a southerly direction to the intersection of the centerline of Mount Madonna Road and the centerline of Gaffey Road; thence along the centerline of Gaffey Road 1300 feet, more or less, in an easterly direction to a point on the centerline of Gaffey Road; thence leaving the centerline of Gaffey Road 90 feet, more or less, in a northeasterly direction to a point on the Santa Cruz County line.

(c) Following the formation of the district, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code) governs any change of organization.

32498.6. (a) Notwithstanding any other law, within five years of the date of the first meeting of the Board of Directors of the Pajaro Valley Health Care District, the board of directors shall adopt a resolution to divide the district into zones and number the zones consecutively.

(b) In establishing these zones, the board of directors shall provide for representation in accordance with demographic and geographic factors of the entire area of the district, including population factors. The board of directors shall fix the time and place for a hearing on the proposed establishment of zones. At this hearing, any elector of the district may present their views and plans in relation to the proposed zoning, but the board of directors shall not be bound thereby and their decision, in the resolution adopted, shall be final.

(c) The zones shall be effective for the next district election after the resolution of the board of directors for which there is time to implement the zones and elections within the zones.

SEC. 3. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances surrounding the operation of the Watsonville Community Hospital. .

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

The imminent financial collapse of the Watsonville Community Hospital is a serious threat to the public health and safety of the residents of the region, as it is one of two hospitals serving the County of Santa Cruz and the only hospital serving the City of Watsonville and surrounding area. An urgency statute to form a local health care district is necessary to allow local officials the opportunity to purchase the Watsonville Community Hospital and ensure the continuance of hospital operations at the earliest possible time.

83640

01/05/22 04:19 PM
RN 22 02092 PAGE 5
Substantive

Amendment 4
On page 1, strike out lines 1 and 2 and strike out page 2

- 0 -

SECURED
COPY

PROPOSED AMENDMENTS

**RN 22 02092 11
01/05/22 04:18 PM
SUBSTANTIVE**

PROPOSED AMENDMENTS TO SENATE BILL NO. 418

AMENDED IN SENATE MARCH 17, 2021

SENATE BILL

No. 418

**Introduced by Senator Laird
(Coauthor: Senator Caballero)**

(Coauthors: Assembly Members Robert Rivas and Stone)

February 12, 2021



RN2202092

Amendment 1

~~An act to amend Section 30968 of the Public Resources Code, relating to sea level rise; add Chapter 9 (commencing with Section 32498.5) to Division 23 of the Health and Safety Code, relating to health care districts, and declaring the urgency thereof, to take effect immediately.~~

Amendment 2

LEGISLATIVE COUNSEL'S DIGEST

SB 418, as amended, Laird. ~~Sea level rise planning; database; Pajaro Valley Health Care District.~~

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the authority and procedures for the initiation, conduct, and completion of changes of organization and reorganization of cities and districts by local agency formation commissions.

This bill would create the Pajaro Valley Health Care District, as specified, except that the bill would authorize the Pajaro Valley Health Care District to be organized, incorporated, and managed, only if the relevant county board of supervisors chooses to appoint an initial board of directors.

The bill would require, within 5 years of the date of the first meeting of the Board of Directors of the Pajaro Valley Health Care District, the board of directors to divide the district into zones and number the

PROPOSED AMENDMENTS

SB 418

— 2 —

**RN 22 02092 11
01/05/22 04:18 PM
SUBSTANTIVE**

zones consecutively. The bill would require that, after formation, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 govern any organizational changes for the Pajaro Valley Health Care District.

This bill would make legislative findings and declarations as to the necessity of a special statute for the creation of the Pajaro Valley Health Care District within the Counties of Santa Cruz and Monterey.

This bill would declare that it is to take effect immediately as an urgency statute.

~~Existing law requires the Natural Resources Agency, in collaboration with the Ocean Protection Council, to create, update biannually, and post on an internet website a Planning for Sea Level Rise Database describing steps being taken throughout the state to prepare for, and adapt to, sea level rise. Existing law further requires that various public agencies and private entities provide to the agency, on a biannual basis, sea level rise planning information, as defined, that is under the control or jurisdiction of the public agencies or private entities, and requires the agency to determine the information necessary for inclusion in the database, as prescribed. Existing law repeals these provisions on January 1, 2023.~~

~~This bill would extend the sunset date for the above provisions until January 1, 2028.~~

~~Vote: majority^{2/3}. Appropriation: no. Fiscal committee: yes-no. State-mandated local program: no.~~

The people of the State of California do enact as follows:

- + SECTION 1. The Legislature finds and declares all of the
- + following:
- + (a) Watsonville Community Hospital is a 106-bed hospital
- + located in the Pajaro Valley, which straddles southern County of
- + Santa Cruz and northern County of Monterey on California's
- + central coast. The hospital provides important acute care and
- + emergency services in a culturally diverse community where the
- + nearest alternative hospital can be up to an hour away during
- + regularly congested commutes.
- + (b) Watsonville Community Hospital employs 620 people and
- + has a medical staff of over 200 physicians. It provides a range of
- + quality medical services, including pediatrics, obstetrics and
- + gynecology, internal medicine, family medicine, anesthesiology,

Amendment 3

+ wound care, gastroenterology, orthopedics, cardiovascular disease,
+ dermatology, and more. In 2020, the hospital delivered more babies
+ than any other hospital in the County of Santa Cruz. Serving a
+ significant immigrant population, the hospital provides care to
+ those without English language proficiency in their preferred
+ language.

+ (c) The community of Watsonville has historically faced many
+ health and economic disparities. The pandemic has resulted in the
+ loss of employment and school closures, and has caused
+ nonessential workers and at-risk populations to stay home.
+ Overcrowded and substandard housing conditions, food insecurity,
+ lack of transportation, and the high cost of housing have intensified
+ disparities overnight. The Pajaro Valley saw dramatic and
+ disproportionate rates of COVID-19 infections, hospitalizations,
+ and death as compared to the rest of the County of Santa Cruz.

+ (d) Over the last 21 years of for-profit ownership, the hospital
+ administration has changed 20 times. Due to this history, partners
+ of the Pajaro Valley Healthcare District Project all believe
+ community ownership will provide more consistent management,
+ oversight, and stability for the patients, staff, and community.
+ Public ownership through a local hospital district also creates
+ financing and funding opportunities not otherwise available to a
+ for-profit or nonprofit entity.

+ (e) Originally incorporated in 1902 as a privately owned
+ for-profit entity, the Watsonville Community Hospital board of
+ directors voted in 1950 to reorganize to nonprofit status. This
+ allowed a bond sale and access to federal and state grants for
+ construction of a new hospital, which opened in 1969. That facility
+ was seriously damaged in the 1989 Loma Prieta earthquake. With
+ funding from the Federal Emergency Management Agency, the
+ current facility, which replaced the 1969 facility and opened in
+ 1998, is sufficient to keep pace with the growing needs of the
+ community. In 1998, the previously not-for-profit hospital was
+ sold to a for-profit company, Community Health Systems (CHS).
+ The proceeds of the sale were contributed to a community trust,
+ the Community Health Trust of Pajaro Valley. This trust also held
+ a right of first refusal if CHS were to decide to sell the hospital.

+ (f) In 2015, Community Health Systems reorganized and formed
+ a new subsidiary, Quorum Health Resources, consisting of its
+ small hospitals. Facing financial difficulties, Quorum decided to

PROPOSED AMENDMENTS

SB 418

— 4 —

**RN 22 02092 11
01/05/22 04:18 PM
SUBSTANTIVE**

+ *sell Watsonville Community Hospital in 2019, and the Community Health Trust of Pajaro Valley had the option to acquire the hospital. However, at that time the Community Health Trust of Pajaro Valley decided not to purchase the hospital, and it was sold to a company called Halsen Healthcare and the hospital operated under a corporation named Watsonville Hospital Corporation (WHC). The real estate for the hospital was purchased by a subsidiary of Medical Properties Trust (MPT), a real estate investment trust, and then leased back to WHC.*

+ *(g) In January 2021, MPT, after declaring numerous events of default, exercised its stock pledge and replaced the Halsen-appointed board of directors with a new independent board of directors, and the new board designated Prospect Medical Holdings as the new hospital manager. However, this change in management did not solve the hospital's liquidity crisis. To remain in operation, the hospital has had to borrow millions of dollars to address operating losses and the hospital remains in default on its operating loan from another subsidiary of MPT regarding the real property of the hospital.*

+ *(h) In 2020 and 2021, during the COVID-19 epidemic, with rising costs of labor and supplies, the hospital experienced significant financial losses. As of August 2021, WHC had a year-to-date cashflow shortfall of over \$17,000,000. It also fell into arrears in its obligations to suppliers, employees, and lenders.*

+ *(i) Watsonville Community Hospital has been essential in serving its community's primarily low-income, underinsured, and uninsured populations of color for over a century and proved crucial in serving those disproportionately impacted by COVID-19 throughout the pandemic. This is evidenced by 43 percent of the hospital's gross revenue coming from the Medi-Cal program and an additional 30 percent of its gross revenue coming from the Medicare Program, serving the aged and disabled.*

+ *(j) The Pajaro Valley Healthcare District Project (PVHDP), a nonprofit organization, was created by the County of Santa Cruz, the City of Watsonville, Salud Para La Gente, and the Community Health Trust of Pajaro Valley, for the purpose of forming a new California health care district. For several years, the partners of PVHDP have been concerned about the continuance of operations and the financial viability of Watsonville Community Hospital,*

+ and have been working together to explore the possibility of
+ community ownership.

+ (k) PVHDP has initiated a process to establish and capitalize
+ a local health care district to purchase the hospital on behalf of
+ the community through the Chapter 11 bankruptcy/restructuring
+ process commenced by WHC, to prevent the hospital's closure
+ and loss of critical community services. With strong community
+ and stakeholder support, the PVHDP partners are well positioned
+ to engage the Legislature, the Governor, and private funders. In
+ addition, WHC and PVHDP intend to seek emergency funding
+ from public and private entities to support the short-term operating
+ capital needs of the hospital and eventual acquisition of the
+ hospital.

+ (l) If PVHDP cannot raise sufficient funds to acquire and
+ operate the hospital, WHC intends to close the hospital and
+ liquidate the assets. For this reason, PVHDP believes it is critical
+ to the health and welfare of the community that it will be able to
+ keep this important hospital open under the stewardship of the
+ community, rather than under another for-profit operator. To do
+ this, it is imperative that emergency funding and urgency
+ legislation be considered immediately in the 2021–22 legislative
+ session.

+ (m) It is necessary to permit the formation of the Pajaro Valley
+ Health Care District for the above-described purposes.

+ SEC. 2. Chapter 9 (commencing with Section 32498.5) is added
+ to Division 23 of the Health and Safety Code, to read:

+

+

CHAPTER 9. PAJARO VALLEY HEALTH CARE DISTRICT

+

+ 32498.5. (a) A local hospital district designated as the Pajaro
+ Valley Health Care District is hereby formed within the Counties
+ of Santa Cruz and Monterey. The Pajaro Valley Health Care
+ District may be organized, incorporated, and managed as provided
+ in this division, and may exercise the powers granted or necessarily
+ implied by this division, only if the relevant county board of
+ supervisors chooses to appoint an initial board of directors, as
+ described in Section 32100. All other provisions of this division
+ apply to the Pajaro Valley Health Care District, except as provided
+ in this chapter.

PROPOSED AMENDMENTS

SB 418

— 6 —

**RN 22 02092 11
01/05/22 04:18 PM
SUBSTANTIVE**

+ (b) *The territory of the district shall be the following area:*
+ *Situated in the Counties of Santa Cruz and Monterey, State of*
+ *California; being all the lands within the boundary of the Pajaro*
+ *Valley Unified School District, excepting the lands to the north*
+ *and west of the following described line: beginning at a point on*
+ *the edge of the Pacific Ocean at the intersection with the projected*
+ *centerline of Aptos Beach Drive; thence along said projected*
+ *centerline to the intersection of the centerline of Aptos Beach Drive*
+ *and the centerline of Rio Del Mar Boulevard; thence along the*
+ *centerline of Rio Del Mar Boulevard in a northeasterly direction*
+ *to the intersection of the centerline of Rio Del Mar Boulevard and*
+ *the centerline of Bonita Drive; thence along the centerline of*
+ *Bonita Drive in a westerly direction to the intersection of the*
+ *centerline of Bonita Drive and the centerline of Freedom*
+ *Boulevard; thence along the centerline of Freedom Boulevard in*
+ *a northerly and easterly direction to the intersection of the*
+ *centerline of Freedom Boulevard and the centerline of Hames*
+ *Road; thence along the centerline of Hames Road in an easterly*
+ *direction to the end of the centerline of Hames Road and the*
+ *beginning of the centerline of Browns Valley Road; thence along*
+ *the centerline of Browns Valley Road in a northerly and easterly*
+ *direction to the end of the centerline of Browns Valley Road and*
+ *the beginning of the centerline of Hazel Dell Road; thence along*
+ *the centerline of Hazel Dell Road in an easterly and southerly*
+ *direction to the intersection of the centerline of Hazel Dell Road*
+ *and the centerline of Mount Madonna Road; thence along the*
+ *centerline of Mount Madonna Road in a southerly direction to the*
+ *intersection of the centerline of Mount Madonna Road and the*
+ *centerline of Gaffey Road; thence along the centerline of Gaffey*
+ *Road 1300 feet, more or less, in an easterly direction to a point*
+ *on the centerline of Gaffey Road; thence leaving the centerline of*
+ *Gaffey Road 90 feet, more or less, in a northeasterly direction to*
+ *a point on the Santa Cruz County line.*

+ (c) *Following the formation of the district, the*
+ *Cortese-Knox-Hertzberg Local Government Reorganization Act*
+ *of 2000 (Division 3 (commencing with Section 56000) of Title 5*
+ *of the Government Code) governs any change of organization.*

+ 32498.6. (a) *Notwithstanding any other law, within five years*
+ *of the date of the first meeting of the Board of Directors of the*
+ *Pajaro Valley Health Care District, the board of directors shall*

+ adopt a resolution to divide the district into zones and number the zones consecutively.

+ (b) In establishing these zones, the board of directors shall provide for representation in accordance with demographic and geographic factors of the entire area of the district, including population factors. The board of directors shall fix the time and place for a hearing on the proposed establishment of zones. At this hearing, any elector of the district may present their views and plans in relation to the proposed zoning, but the board of directors shall not be bound thereby and their decision, in the resolution adopted, shall be final.

+ (c) The zones shall be effective for the next district election after the resolution of the board of directors for which there is time to implement the zones and elections within the zones.

+ SEC. 3. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances surrounding the operation of the Watsonville Community Hospital. .

+ SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

+ The imminent financial collapse of the Watsonville Community Hospital is a serious threat to the public health and safety of the residents of the region, as it is one of two hospitals serving the County of Santa Cruz and the only hospital serving the City of Watsonville and surrounding area. An urgency statute to form a local health care district is necessary to allow local officials the opportunity to purchase the Watsonville Community Hospital and ensure the continuance of hospital operations at the earliest possible time.

Page 1 1 SECTION 1. ~~Section 30968 of the Public Resources Code is~~
2 ~~amended to read:~~

Page 2 1 ~~30968. This division shall remain in effect only until January~~
2 ~~1, 2028, and as of that date is repealed, unless a later enacted~~
3 ~~statute, that is enacted before January 1, 2028, deletes or extends~~
4 ~~that date.~~

Amendment 4

O