Grossmont Hospital construction monitoring citizens group adds new member – East County Business News

East County Business News by Rick Griffin

The volunteer citizens group overseeing how taxpayer money is being spent for construction improvements at Grossmont Hospital has a new member. El Cajon resident Jeffrey Olson, division chief of assessment services with San Diego County Assessor's Office, has joined what's called the Independent Citizens' Bond Oversight (ICBOC).

The ICBOC consists of uncompensated East County residents with experience in project management, large-scale construction operations, finance, labor and healthcare industries. Specific seats on the ICBOC are filled by individuals representing various constituency groups, according to ICBOC by-laws. Olson is serving as a representative of the Grossmont Hospital Foundation, a nonprofit organization that helps raise funds for Grossmont Hospital.

Olson, an East County resident since 1985, has worked with the County since 1990. His career has included managing construction and information technology projects, along with real property appraisal of residential, commercial and industrial properties. In his current position since 2006, Olson is involved in projecting assessed value and property tax revenue for the county, as well as 18 incorporated cities and 47 school districts. He also administers the Assessor Office's Property Tax Exemption Program, the Reassessment Exclusion Program and manages property tax appeals. He also is a member of the County's team that interfaces with bond rating agencies.

Olson's appointment to the ICBOC was approved the Grossmont Healthcare District (GHD), a public agency that serves as landlord of the hospital, including ownership of the property and buildings on behalf of local taxpayers.

This entry was posted on Thursday, October 10th. 2013 at 10:16 pm. It is filed under East County Business News (http://www.eastcountystyle.com/category/east-county-business-news/). You can follow any responses to this entry through the RSS 2.0 (http://www.eastcountystyle.com/grossmont-hospital-construction-monitoring-citizens-group-adds-new-member-east-county-business-news/feed/) feed.

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Hospital construction monitoring group seeking additional member

by Rick Griffin

A volunteer citizens committee monitoring construction projects at Grossmont Hospital is looking for another member. The opening is due to term limits for some members of the committee, called the Proposition "G" Independent Citizens' Bond Oversight Committee (ICBOC).

Since 2006, when East County voters approved Prop. G, a $247 million bond measure for financing improvement projects at the hospital, ICBOC members have been meeting to monitor bond dollars spent by the Grossmont Healthcare District (GHD), the public agency managing the bond-financed construction at the hospital. GHD serves as landlord of the hospital, including ownership of the property and buildings on behalf of local taxpayers. According to ICBOC bylaws, committee members must reside within the District's 750 square miles in San Diego's East County and have professional experience that relates to the hospital construction, including backgrounds in healthcare, construction, finance, labor or project management. Members may currently serve for no more than two consecutive two-year terms.

The current opening on the committee is for an "at large" member with no specific experience required, although experience in the financial industry would be preferred, according to Barry Jantz, GHD chief executive officer. The bond-financed construction at the hospital began in 2007 and is scheduled to continue over the next few years. Interested volunteers can obtain an application by contacting GHD at (619) 825-5050, or via e-mail, info@grossmonthealthcare.org.

This entry was posted on Tuesday, November 26th, 2013 at 5:09 am. It is filed under East County Business News (http://www.eastcountystyle.com/category/east-county-business-news/). You can follow any responses to this entry through the RSS 2.0 (http://www.eastcountystyle.com/hospital-construction-monitoring-group-seeking-additional-member/feed/) feed.

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rick griffin's Blog

Grossmont Hospital construction oversight group seeking additional member

Posted by Rick Griffin's Patch Blog, Community News, November 29, 2013 at 01:43 PM

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For more information about the ICBOC, visit grossmonthealthcare.org and click the "Prop. G Independent Citizens' Oversight Committee" icon. Available on the website are meeting minutes, meeting agendas, bylaws, annual workplans, reports, memos and presentations. The full ICBOC Committee meets quarterly and sub-committees meet at various times as needed, some monthly. Interested volunteers can obtain an application by contacting GHD at (619) 825-5050, or via e-mail, info@grossmonthealthcare.org.

Grossmont Hospital needs oversight committee volunteer

By Karen Pearlman 4:34 p.m. Dec. 9, 2013

EAST COUNTY — Grossmont Hospital needs a member for its volunteer citizens committee that monitors construction projects via its Proposition G Independent Citizens' Bond Oversight Committee.

The opening on the committee is for an "at large" member with no specific experience required, although experience in the financial industry would be preferred, according to Grossmont Healthcare District CEO Barry Jantz.

The committee has been around since 2006, when East County voters approved Proposition G, a $247 million bond measure for financing improvement projects at the hospital.

The oversight committee members meet to monitor bond dollars spent by the Grossmont Healthcare District, which manages the bond-financed construction at the hospital.

Committee members must reside within the district's 750 square miles in the East County with professional experience that relates to the hospital construction preferred, including a background in healthcare, construction, finance, labor or project management. Members may currently serve for no more than two consecutive two-year terms.

The bond-financed construction at the hospital began in 2007 and will continue over the next few years.

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For more information, visit grossmonthealthcare.org and click the "Prop. G Independent Citizens' Oversight Committee" icon. Interested volunteers can obtain an application by contacting the district at (619) 825-5050.

A Reader's Guide to San Diego Hospital Districts

BY: MARIO KORAN (HTTPS://VOICEOFSANDIEGO.ORG/AUTHOR/MARIO-KORAN/) CONNECT | DECEMBER 2, 2013 |

Mario Koran

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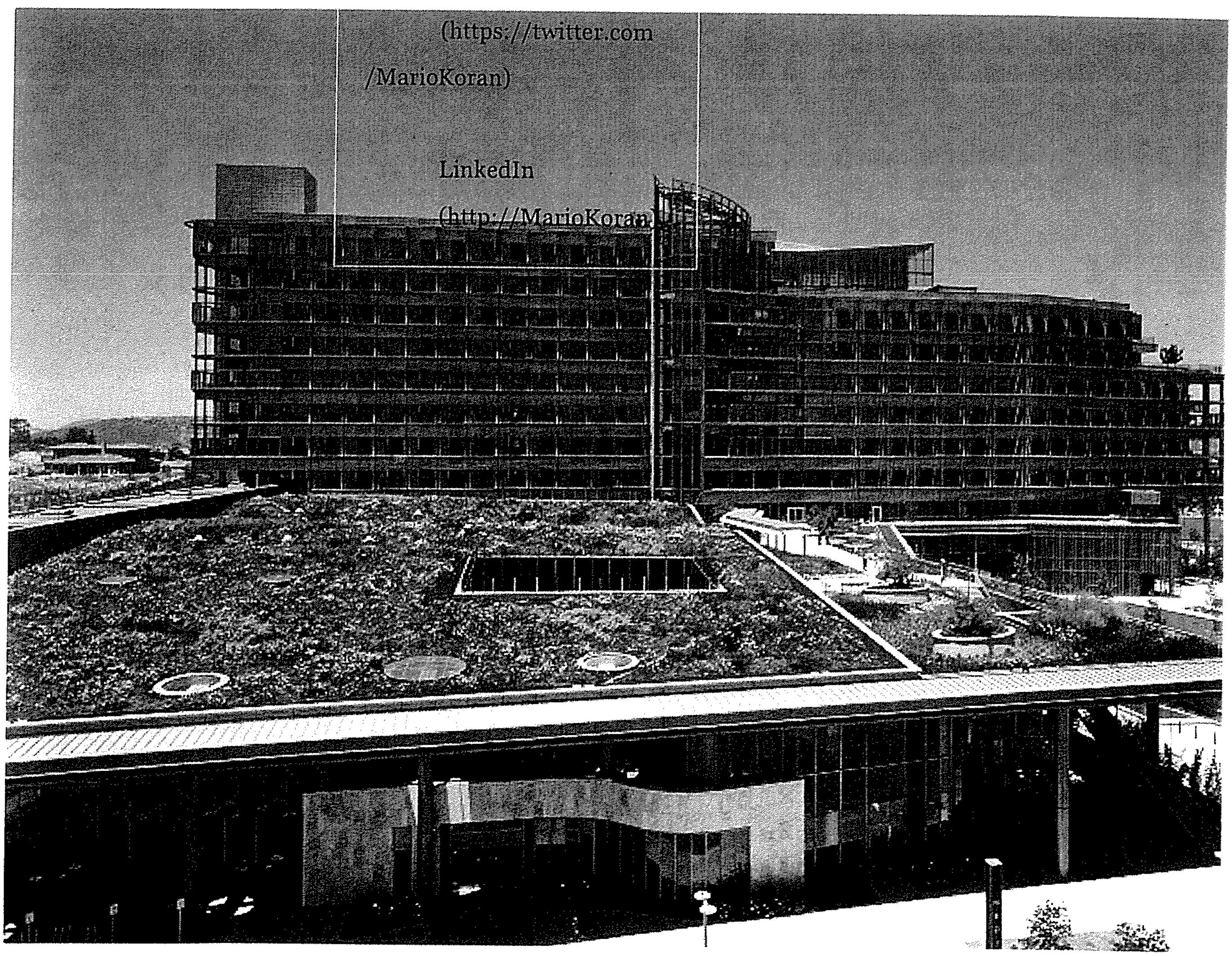

Photo courtesy of Palomar Medical Center

Since 2008, Escondido-based Palomar Medical Center has generated about $10.5 million in profits.

It's difficult to imagine large parts of San Diego

County that were once so sparsely populated that communities needed to tax themselves in order to build a hospital. But about 70 years ago, that's exactly what went down.

In the mid-1940s, California drew boundaries for what later became health care districts. Today, four districts exist in San Diego County: Tri-City, Palomar, Grossmont and Fallbrook.

Think of them like school districts, but for health care. District hospitals are publicly subsidized and function like county hospitals — only the county is divided into subsections.

A portion of residents' property taxes can go toward building and modernizing hospitals, and the district can sell bonds to shore up construction capital.

Generally, district hospitals are led by board members elected through a public vote. The idea is that districts will be represented by someone chosen from the community, with its best interests in mind.

Board members, who some districts pay about $100 a pop for participating in board meetings, choose a chief operating officer, whose annual salaries can range from $70,000 to around $1 million (http://www.utsandiego.com /news/2010/sep/18/public-health-exec-pay-tops-1-million/).

Hospital board members often have no background in hospital administration or experience in generating profits in a cutthroat health care market.

To better compete for patients, some districts have partnered with larger, private or not-for-profit health care systems. For example, Fallbrook Hospital and La Mesa's Sharp Grossmont Hospital each have lease agreements with outside entities.

Only Tri-City and Palomar Health have yet to align with a larger system, which makes Nathan Kaufman, managing director of a San-Diego based health care consulting firm, question the hospitals' viability (http://www.utsandiego.com/news/2013/sep/20/better-strategy-needed-to-fix-tri-city/all/?print).

"One interesting thing is that when a board does decide to partner, it gives up part of its authority. In essence, the board votes itself out of a job," Kaufman told Voice of San Diego (http://voiceofsandiego.org).

It begs the question, Kaufman said, of whether the system creates a conflict of interest and keeps boards from making the best possible health care decisions for the people in their districts.

Joy Grossman, who studies impacts of national health care policies as a senior researcher at Center for Studying Health System Change (http://www.hschange.org/index.cgi?file=staff), agrees that small hospitals are under pressure to get bigger.

Those that can't keep pace can be forced to close, she said. The degree to which that matters for the public is a matter of geography, and whether nearby providers could offer immediate care for those who can't travel to another hospital.

"It comes down to what the community feels like it needs, and how to create a viable health care system to meet those needs," she said.

Moving forward, we'll be looking at how hospitals are serving communities across the county, and how that care varies based on geography. For now, meet your hospital districts.

Tri-City: The Scrapper

Tri-City is the bad boy of San Diego County hospital districts. The controversy (http://voiceofsandiego.org/2011/05/30/the-tri-city-hospital-mess-for-dummies/) that's come out of this Oceanside hospital district has mostly focused on squabbling between board members.

Most recently, the hospital board fired CEO Larry Anderson (http://www.utsandiego.com/news/2013/Nov/04/tri-city-anderson-termination-letter/?#article-copy). Board members accused Anderson of pressuring the hospital's former finance officer to misstate financial reserves, and inappropriately investigating Carlsbad's mayor. After bonuses and other compensation, Anderson earned about $700,000 in 2012.

For all the drama, there's no evidence the skirmishes affected patient care.

Though that hasn't been stellar, either. Ratings published by the California Health Care Foundation indicate that just 60 percent of patients would recommend the hospital to their friends — below the state average. Palomar Health and Tri-City share this in common.

As a standalone health care entity, its major concern is the bottom dollar. And over the years, Tri-City hasn't been afraid to scrap in order to protect it.

In 2009, Tri-City filed a lawsuit against Scripps Health, alleging that its competitor was poaching patients. The suit was later dismissed (http://www.utsandiego.com/news/2013/mar/13/tp-tri-city-patient-poaching-suit-dismissed/), but it exposed Tri-City's desperate need to maintain its patient volume.

Tri-City has for years been toying with the idea of partnering with a larger system, but hasn't taken the leap.

Board Chairman Larry Schallock said that the reason the hospital hasn't yet aligned with an outside entity isn't because it's opposed to the idea — it just hasn't found the right fit.

"Every district is looking to (form an alliance). The issue is agreeing on the terms of those relationships," said Schallock.

"You used to be able to make it as a standalone hospital, but it's becoming harder and harder to make it as a freestanding entity," he said. "In rural areas, a lot of hospitals are simply not surviving."

If Tri-City is hoping to team up with a larger provider, it might do well to move quickly. Based on numbers from the American Hospital Directory, total operating expenses have outpaced net patient revenue at Tri-City, letting go of $7 million in profits since 2008.

Palomar: The Player

Palomar, the only other district going stag in San Diego County, appears more financially sound on paper than its North County counterpart Tri-City.

Since 2008, Escondido-based Palomar Medical Center has generated about $10.5 million in profits. This came after Palomar's concerted marketing efforts — like when it hired former Chargers running back LaDainian Tomlinson to be its ambassador — and efforts to expand its network by hiring more doctors (http://www.utsandiego.com/news/2010/apr/03/doctors-joining-hospital-district/).

And Palomar wasn't above engaging in hospital-turf warfare (http://www.utsandiego.com/news/2010/mar/22/hospital-districts-in-heated-turf-war/) by crossing into enemy territory to build satellite clinics.

But if the two hospitals were squaring off in a contest, Palomar had one important tool on its side: more money.

When Tri-City pitched a bond measure that would secure money for hospital construction, voters didn't bite. Palomar Health, however, sweet-talked voters in 2004 into approving Proposition BB, a measure which raised property taxes and OK'd borrowing $496 million for a new hospital.

In 2012, what its creators called "the most technologically advanced hospital in

California," opened (http://www.utsandiego.com/news/2012/Aug/19/tp-hospital-of-the-future/) in Escondido. The balance of the hospital's $956 million price tag was made up by revenue bonds, fundraising dollars and reserves.

Yet, it's too early for Palomar Health to take a victory lap. Earlier this year, the hospital suffered a $40.8 million net income loss — which it attributed to cuts to Medicare reimbursements — and it was forced to lay off staff. The shortage of cash flow also caused Palomar to violate its bond agreement (http://www.utsandiego.com/news/2013/Jun/22/palomar-bond-covenant-violated/).

Despite its swanky new digs, Palomar Health is also looking for a partner. Hospital CEO Michael Covert, whose 2012 taxable wages topped $1 million (http://www.utsandiego.com/news/2013/Feb/22/palomar-ceo-covert-pay-second-place-third-year/?#article-copy), told the U-T (http://www.utsandiego.com/news/2013/Apr/13/palomar-tri-city-budget-growth/?#article-copy) last spring that Palomar was in in the market for a long-term relationship.

Fallbrook: The Little Sister

If Tri-City is the bad boy of the district, Fallbrook is the little sister — the one playing off to the side, minding her own business.

As the smallest health care district in the county, Fallbrook Hospital serves its own community and those just east of Camp Pendleton in Rainbow, De Luz and Bonsall.

Fallbrook is in the middle of a 30-year lease agreement with Tennessee-based Community Health Systems (CHS). Unlike Palomar and Tri-City, which each give the hospital about $7 million a year in taxpayer funds, Fallbrook taxpayers don't fund hospital operations.

Vi Dupre, Fallbrook health care district's executive officer, said there's no commingling of funds in her district. The hospital itself belongs to the public, but under the lease agreement, CHS maintains the facility and keeps it staffed. As such, none of the hospital's earning go to the district.

Instead, said Dupre, "the dollars of the district go back into the community" through grant awards, educational outreach and free health screenings.

The arrangement, she said, had been beneficial for both the district and the hospital until relatively recently.

Financial information from the American Hospital Directory shows Fallbrook Hospital lost about $4.8 million in profits since 2008.

Last June, Fallbrook made a pact (http://www.utsandiego.com/news/2013/Jun/29/tp-tri-city-fallbrook-hospitals-form-new-pact/) with Tri-City in which Fallbrook promised to send patients to Tri-City for specialized care, and Tri-City swore to return patients to Fallbrook after the treatment was provided.

Grossmont: The Hero

Based on financial stability, Grossmont's the poster child for San Diego hospital districts.

La Mesa's Sharp Grossmont Hospital began a 30-year lease agreement with Sharp Health Care in 1991. It seems to be working. Since 2008, the hospital has increased profits by $25.1 million.

The hospital's quality of care isn't too shabby, either. Along with Fallbrook, Sharp Grossmont was named a "top performer (http://www.utsandiego.com/news/2013/Oct/30/hospitals-joint-commission-top/)" this year by the nation's largest accreditor of health care facilities.

Grossmont CEO Barry Jantz (http://www.utsandiego.com/news/2011/Feb/23/grossmont-health-care-ceo-gets-raise/) said that its agreement with Sharp means the district owns the buildings, and the Sharp operates the hospital. In Grossmont's case, Sharp even upgrades facilities on its own dime, Jantz said.

Public money doesn't support the hospital, except for when the district approves a bond measure like it did in 2004. In that case, the district put about $230 million of its approved $500 million toward hospital improvements.

Jantz said he sits on the board, and weighs in on operational decisions, but for the most part "keeps (his) hands out" of running the hospital. Jantz said he and Sharp administrators share a vision for the future of the hospital.

As to whether it would be wise for other districts to follow Grossmont's model, Jantz said it's important to "compare apples to apples." All districts have different needs, he said, and just because a lease agreement works out better for one health care district doesn't mean it's the right choice for another.

"I can say that there's a definite benefit to our relationship with Sharp. Can I say that it gives us an advantage? I can't say that. We're not in competition (with other districts)," he said.

The Future of the Districts

Experts and CEOs agree on this: In order for district hospitals to survive, they need to align themselves with other health care providers. Once they do that, however, they give up a certain degree of control over the decisions made for folks in their communities.

In a sense, they are no longer public hospitals — at least not in the traditional sense. It raises the question, then, of whether the hospitals serve their intended purpose, or if they're necessary at all.

Grossman said that a district hospital's future "depends on the district's geography and whether communities suffer or lose access to health care if hospitals close."

But determining whether certain hospitals are needed is not a mystery.

"It's an empirical question," Grossman said. We can measure things like travel time, and if it's too far to get help from other providers in the case of emergencies, she said.

And if it's determined the hospital isn't necessary?

"Then it becomes a question of political and cultural trade-offs, and whether getting rid of that hospital creates the perception that it's a less desirable place to live," she said.

Mario Koran (https://voiceofsandiego.org/author/mario-koran/)

Mario reports on hospitals, nonprofits and educational institutions, digging into their impact on the greater San Diego community. Reach him directly at 619.325.0531, or by email: mario@vosd.org (mailto:mario@vosd.org).

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EAST COUNTY

Hospital panel seeks volunteer member

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KAREN PEARLMAN • U-T

LA MESA PREVAILS IN HOUSING DISPUTE

City can collect attorneys fees in lawsuit that grew out of failed development

KAREN PEARLMAN • U-T

1/9/14

LA MESA

The city of La Mesa, which won a 2011 court decision in a lawsuit involving a proposal to build housing for older adults near Briercrest Park, has now secured an appellate court ruling that the city should recover attorneys fees in the case.

The 4th District Court of Appeal ruled in December that La Mesa can recover fees for its lawyers in a suit over the failed $23 million housing development. The fees total at least $150,000.

The suit, filed in March 2010 by Briercrest Development L.P., claimed that the city had breached a contract when it ended its agreement with the company for plans to develop senior housing on 2½ acres the city owns on Murray Drive near Grossmont Hospital.

The plan for Briercrest Development to build nearly 80 senior-friendly condominiums started in September 2004, but the developers changed their original plans and looked to create an assisted living facility/skilled nursing facility in its place. Looking for money to develop the facility, Briercrest sought federal funding through the Department of Housing and Urban Development, but was turned down.

La Mesa officials said they became concerned in 2009 with the lack of progress and a new amendment to the ground lease was negotiated. The amended agreement outlined conditions the developer needed to satisfy including financing, a beginning construction date, the receipt of governmental entitlements and permits, and a set performance schedule, or the city would terminate the agreement. City officials said they ended the agreement when the conditions were not met.

> "It is a great relief to finally regain control of the city's property."
> Dave Witt • La Mesa city manager

A trial court ruling in November 2011 supported the city's case and awarded attorneys fees to La Mesa.

Briercrest appealed the decision, but the 4th District decision means the city can recoup the costs for the work of city attorneys Glenn Sabine and Gregory Lusitana. The cost amounts to nearly $150,000, plus other costs that were associated with the appeal, City Manager Dave Witt said.

"It is a great relief to finally regain control of the city's property," Witt said. "The concept of this development area was to create a park (Briercrest Park) that promoted healing and surround the park with compatible uses. This

SEE LAWSUIT • PAGE 2

LAWSUIT • City to figure out how to use property

FROM PAGE 1

decision will allow the city to move forward to put this property to a productive use for the community."

An attorney for Briercrest Development, Kathryn Karcher, said the company would have no comment on the appellate decision.

The La Mesa City Council will now discuss what to do with the property. The council is expected to take action on the property this year, City Councilman Ernie Ewin said.

"It's now free of any restrictions, so we'll take a look at it," Ewin said. "Some use of it is already under way, set up areas for the Healthcare District from their Prop. G bond construction activities. This is a unique parcel that adjoins a tremendous asset to the city of La Mesa. I'm sure there will be other good projects in the future to consider. As the real estate market improves, there will be room for a great adjoining project to the park."

Witt said discussion about what to do with the property will start during 2014, with "maybe a year-long process to select a new developer." Witt said he'd like the city to move on this as quickly as it can.

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Palomar Health rating outlook downgraded to 'negative'

By THOR KAMBAN BIBERMAN, The Daily Transcript
Monday, January 20, 2014

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Article Comments

While the **Palomar Health** system's bonds -- needed to build the new medical center in Escondido and other improvements --haven't received a downgrade, the ratings outlook has deteriorated from "stable" to "negative."

According to Fitch Ratings, improved cash flow toward the end of last year kept Palomar Health's actual rating from falling from its current BB-plus level.

Officials from the health system couldn't be reached for comment Monday.

"PH has a significant debt burden due to its facilities master plan," Fitch stated in a news release. "As of June 30, 2013, total debt outstanding was $1.1 billion and included $575 million of revenue bonds and $559 million of general obligation (GO) bonds."

The bonds are secured by a gross revenue pledge of PH's Obligated Group, which is comprised of PH's acute care facilities and other health care related entities, but excludes Arch Health Partners, a related medical foundation.

Fitch said a large factor in Palomar Health's favor is that the big- ticket item in the $1.06 billion facilities master plan -- the 288-bed Palomar Medical Center in Escondido -- was completed and open for business in August 2012.

The revision in outlook to "negative" from "stable" reflects a greater decline in liquidity than expected during Fitch's last rating review, in conjunction with stressed financial operations that are just beginning to rebound.

During Fitch's last rating review, Palomar Health's fiscal 2013 year-to-date performance had deteriorated because of challenges with the transition to the new facility.

In February 2013, Palomar Health undertook a variety of measures to keep its fiscal house in order -- notably, a reduction in the health system's workforce by 133 full-time equivalent positions in July and August 2013.

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Other initiatives included capitation management improvement, pharmaceutical expense management and information systems outsourcing.

These and other measures resulted in about a $29 million savings, but Fitch said Palomar Health's debt burden remains high and the maximum annual debt coverage is weak, "and PH barely met its covenant requirement in fiscal 2013."

While an improved end of the year prevented an actual downgrade, Fitch said, "PH's liquidity position is particularly concerning." The ratings agency did expect the fiscal picture to improve this year, however.

Palomar Health, formerly known as Palomar Pomerado Health System, is a California hospital district that operates three primary hospitals in North San Diego County -- the new medical center, Palomar Pomerado Hospital in Poway and the old Palomar Hospital that has been converted into an urgent care facility -- along with multiple clinics.

For fiscal 2013, PH's consolidated audited results included its medical foundation, Arch Health Partners.

Total operating revenue in fiscal 2013 was $670 million. Palomar Health operates a total of 508 beds.

Fiscal 2013 ended with a negative 8 percent operating margin ($53.6 million operating loss), compared with a 3.4 percent operating margin ($19 million operating income) the prior year.

Included in these results are the operations of Arch Health Partners, which contributed $14.5 million to the loss in fiscal 2013.

"There is new management at Arch Health Partners and PH is implementing better oversight," which should reduce losses, Fitch wrote.

There are other concerns. "Volume continues to be a concern, especially from its strategic partnership with **Kaiser (Permanente)** which has not achieved targeted expectations," Fitch wrote.

As of June 30, 2013, PH's unrestricted cash and investments dropped to $119 million from $178 million the prior year driven by the equity contribution for the completion of its facilities master plan.

With all the concerns, Fitch believes that Palomar Health's location in North San Diego County is one of its main credit strengths with opportunity to capture the population growth along the Interstate 15 corridor.

Fitch added that PH's strategic operating relationships with Kaiser Permanente and Rady Children's Hospital San Diego (both rated A-plus by Fitch), along with its investment in Arch Health Partners should also pay dividends over time.

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Healthcare district OKs ballot measure for lease

By Karen Pearlman (/staff/karen-pearlman/) 6:27 p.m. Feb. 3, 2014

LA MESA — The Grossmont Healthcare District has launched preparations for a possible June ballot measure to extend the existing lease agreement with Sharp HealthCare for the operation of Grossmont Hospital.

District board members on Monday gave the go-ahead to begin preparing a ballot measure with the June election as a target date. The board's final decision whether to proceed in June is expected in early March.

The district is a public agency that serves as landlord of the La Mesa hospital on behalf of the community.

The district and Sharp HealthCare are making revisions to a lease extension agreement, which would be available for public review and input when finalized. A 30-year lease with Sharp signed in 1991 is scheduled to expire in 2021.

Discussions have been underway for more than a year about extending the lease for 30 years, while making improvements to the current agreement.

This is a unique opportunity for the citizens to consider extending the agreement with Sharp HealthCare," said District CEO Barry Jantz. "This is a public-private partnership that has served the community for over two decades, bringing millions of dollars in Sharp funding to maintain and improve East County's community-owned hospital as a state-of-the-art facility."

Based on state law, voters have the ability to approve any hospital lease extension between the district and Sharp. Passed in 2005, Assembly Bill 1155 specified that the district could extend its lease with Sharp following a vote of the people. Grossmont is the only healthcare district in California allowed to consider a lease extension.