MENDOCINO COAST HEALTHCARE DISTRICT MUNICIPAL SERVICE REVIEW

Adopted August 4, 2014

Prepared for the
Local Agency Formation Commission of Mendocino County
by
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1. AGENCY OVERVIEW

The Mendocino Coast Healthcare District (MCHD) owns and operates the critical access Mendocino Coast District Hospital, the North Coast Family Health Center (a primary care rural health clinic), home healthcare services, and hospice services. This is the first Municipal Service Review (MSR) for the District.

FORMATION

MCHD was formed on January 17, 1967 by a vote of the District's constituents for the purpose of constructing a public hospital to serve the people of Mendocino County and continues to operate as a local healthcare district pursuant to California Health & Safety Code Section 3200, et seq. The hospital was completed in 1971.[1]

The principal act that governs the District is the Local Healthcare District Law.[2] The principal act empowers healthcare districts to provide medical services, emergency medical, ambulance, and any other services relating to the protection of residents' health and lives.[3] Districts must apply and obtain LAFCo approval to exercise services authorized by the principal act but not already provided (i.e., latent powers) by the district at the end of 2000.

BOUNDARY

MCHD encompasses approximately 680 square miles and extends about 70 miles south from the Humboldt/Mendocino County line. The District is bordered on the west by the Pacific Ocean and includes the City of Fort Bragg and the communities of Westport, Cleone, Caspar, Mendocino, Little River, Albion, Comptche, and Elk. (Refer to Figure 2) Both, the hospital and the rural health clinic are located in the City of Fort Bragg.

Extra-territorial Services

Although the District primarily provides services to patients within its LAFCo approved boundaries (known as the Primary Service Area or PSA), MCHD does provide services to patients outside of its bounds. MCHD describes the area served outside of its legal bounds as its Secondary Service Area (SSA), which includes the southern coastal communities of Gualala,

[1] http://www.mcdh.org/bankruptcy-documents/

[2] Health and Safety Code §32000-32492.

[3] Health and Safety Code §32121(j).

Manchester and Point Area.[4] (Refer to Figure 3: Primary and Secondary Service Areas) In addition, because of the significant tourist and visitor trade associated with the Fort Bragg-Mendocino area, the hospital regularly treats patients who are non-residents.
The Mendocino Coast District Hospital, as part of the Hospital District (MCHD) is the only hospital readily available to the residents of Fort Bragg and the Mendocino Coast. The next nearest hospital is Howard Memorial Hospital in Willits, which is 35 miles away. Figure 1 provides information about other acute care providers in the area.

Figure 1: Acute Care Providers Near MCHD

Hospital	City	Size/Beds	Distance fromMCHD	Drive Time
Frank R. Howard Memorial Hospital	Willits	25	35 miles	50 minutes
Ukiah Valley Medical Center	Ukiah	78	57 miles	1hr. 15 minues
Kaiser Santa Rosa	Santa Rosa	115	114 miles	2 hrs. 13 minutes
Sutter Santa Rosa	Santa Rosa	194	115 miles	2 hrs. 17 minutes
Santa Rosa Memorial	Santa Rosa	325	118 miles	2 hrs. 18 minutes

Unserved Areas

There are no unserved areas within the Hospital District boundary.

SPHERE OF INFLUENCE

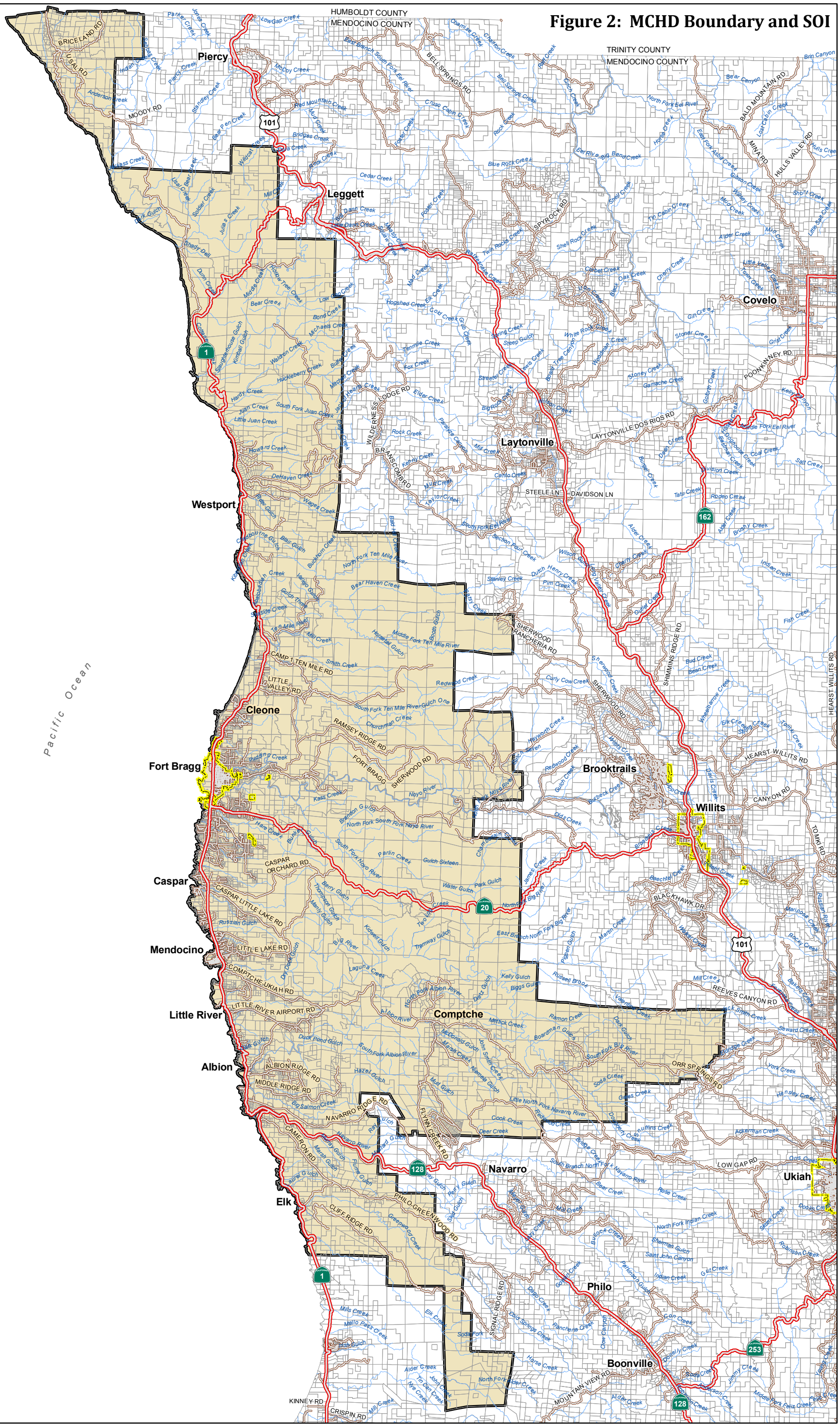
The District's Sphere of Influence (SOI) is coterminous with its boundaries. (Refer to Figure 2: MCHD Boundary and SOI)

In addition to service to residents within the District, as indicated above, MCHD also serves an area along the South Coast (Manchester, Point Arena and Gualala). (Refer to Figure 3) Residents in these communities do not contribute revenue to the District, nor can they be charged additional fees for services. The same applies to non-residents (visitors and tourists) who require District services while on the Mendocino Coast.

As an initial consideration to have the Secondary Service Area annex to the District, LAFCo can consider including this area in the District SOI when the SOI is updated.

[4] http://www.mcdh.org/about/district-service-area/

Figure 2: MCHD Boundary and SOI



Mendocino Coast Hospital District

Mendocino Coast Hospital District
Incorporated Cities
Parcels
Highways
Roads
Streams

Source: This map was prepared by the Mendocino County Department of Information Services GIS Program, July 2013.

Note: This map is not a survey product.

2 1 0 2 Miles

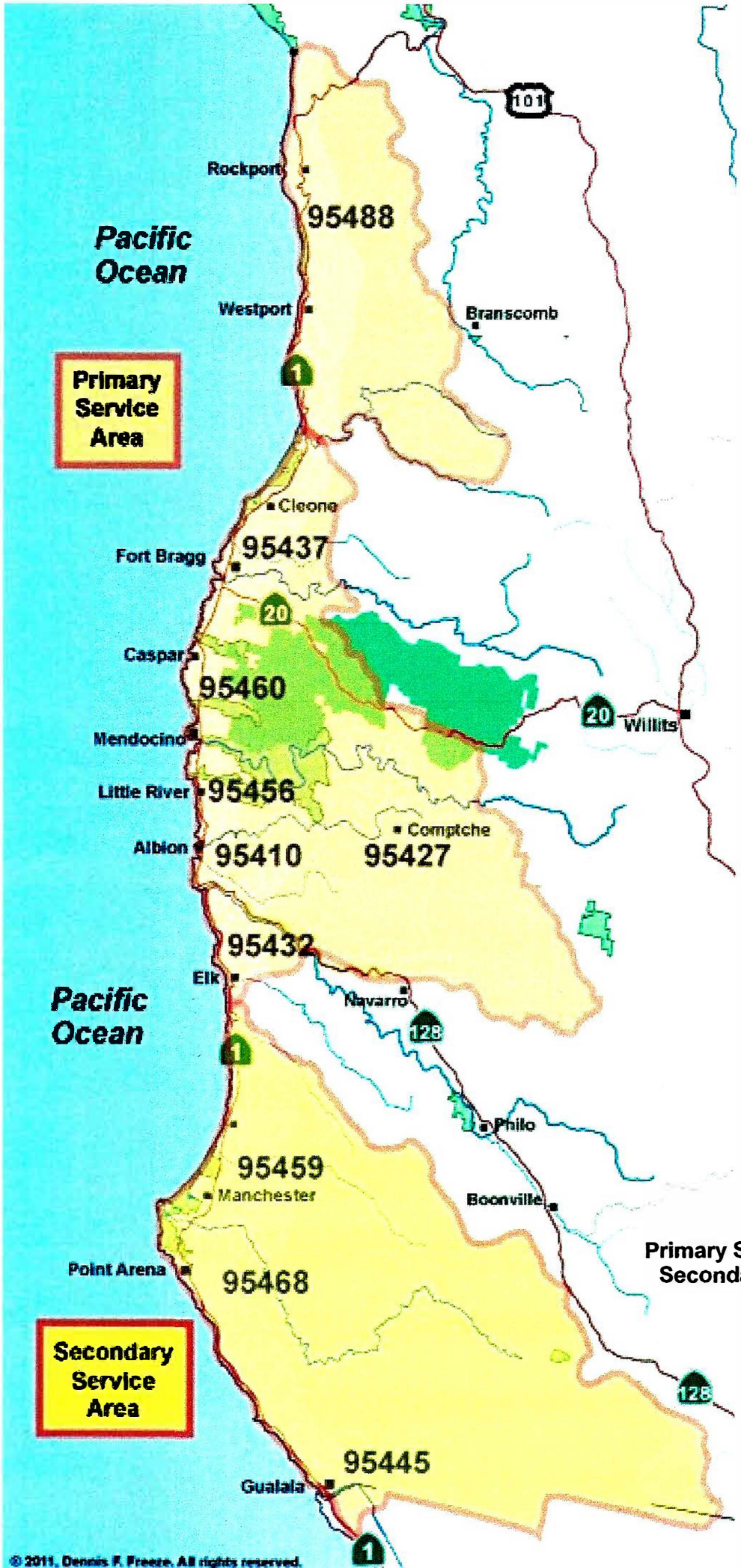


Figure 3:

Primary Service Area and Secondary Service Area

ACCOUNTABILITY AND GOVERNANCE

Accountability of a governing body is signified by a combination of several indicators. The indicators chosen here are limited to: 1) agency efforts to engage and educate constituents through outreach activities, in addition to legally required activities such as agenda posting and public meetings; 2) a defined complaint process designed to handle all issues to resolution; and 3) transparency of the agency as indicated by cooperation with the MSR process and information disclosure.

The principal act orders that the governing body of a healthcare district must have five members. Directors are elected and must be a registered voter within the District.[5] Mendocino Coast Hospital District is governed by a five-member board elected to alternating four-year terms. The current board member names, positions, and term expiration dates are shown in Figure 4.

The Board of Directors has responsibility for the quality of patient care, district policies, and strategic planning, as well as fiduciary responsibility for protecting and enhancing district assets. Members of the Board serve in a voluntary capacity and medical insurance compensation for their services.

Board meetings are held on the fourth Thursday of each month at 6:00 PM in the Redwoods Room at the Mendocino Coast District Hospital. Board meeting agendas are posted on the District website on Friday prior to the meeting, are published in the newspaper, and also posted on the bulletin board and on the doors of the hospital. Board meeting minutes are made available upon request, as well as distributed at the next board meeting.

In addition to the Board of Directors, there are three standing committees of the Board, each consisting of up to two Board members and as many as eight additional non-Board members. The current standing committees include planning, finance, and audit. Standing committees to the Board serve solely in an advisory capacity and recommend action items to the Board for its approval. Special committees may be formed by appointment of the Board's President with full Board concurrence to investigate, study or review specific matters. All committee meetings are open to the public.

[5] Health and Safety Code §32100.

Figure 4: Mendocino Coast Healthcare District Governing Body

Mendocino Coast Healthcare District				
District Contact Information				
Contact:	Wayne Allen, CFO and CEO			
Address:	700 River Drive, Fort Bragg, CA 95437			
Telephone:	707-961-1234			
Website:	www.mcdh.org			
Email:	wallen@mcdh.net			
Board of Directors				
Member Name	**Position**	**Term Expiration**	**Manner of Selection**	**Length of Term**
Patricia Jauregui-Darland	President	December 2014	Elected	4 years
John Kermen, D.O.	Vice President	December 2014	Elected	4 years
Tom Birdsell	Secretary	December 2016	Elected	4 years
Buz Graham, M.D.	Member	December 2014	Elected	4 years
Sean Hogan	Treasurer	December 2016	Elected	4 years
Meetings				
Date:	Fourth Thursday of each month at 6:00 PM			
Location:	Redwoods Room, Mendocino Coast District Hospital.			
Agenda Distribution:	Published in the newspaper, and posted on the District website and the hospital bulletin board and building doors.			
Minutes Distribution:	Made available upon request; distributed at the next board meeting.			

In addition to the required agendas and minutes, MCHD encourages voter participation by announcing Board of Director vacancies at public meetings, paying for advertisements in the local newspaper, and speaking to civic groups, such as the Rotary Club and various churches about the hospital. The District additionally informs the public about its activities through the website where it posts information regarding its services, governance, management, and operations.

In 2014, MCHD mailed a survey to approximately 12,000 registered voters seeking their views on the role of the hospital, the care it provides, and its importance to the community. Over 2,700 responses were received. Highlights of the survey are as follows:

- 94% of respondents indicated they wanted the hospital to continue providing local health care;
- The proximity of the hospital, the quality of care, nurses, physicians, and many other aspects of the hospital were viewed favorably by a large portion of the respondents and

- A majority of respondents (66%) were willing to support a parcel tax to allow the hospital to continue in operation.

If a customer is dissatisfied with MCHD services, that person can submit complaints via the Compliance Hotline established by the District. The hotline number is posted around the hospital and on the website. MCHD reported that it received approximately 11 to 12 complaints in 2013, which were regarding dissatisfaction with the quality of care received. The person in charge of handling the complaints is the quality and risk management supervisor, who receives complaints and conducts the investigation. The quality and risk management supervisor reports to the chief executive officer, who then conveys complaint contents and the results of the investigation to the Board of Directors.

Government Code §53235 requires that if a district provides compensation or reimbursement of expenses to its board members, the board members must receive two hours of training in ethics at least once every two years and the district must establish a written policy on reimbursements. The District's Board members last received ethics training in March 2014. MCHD has established a policy on expense reimbursements.

MCHD has adopted a Policy and Procedure Statement that provides a framework and direction for district governance and administration. Included in the Statement are policies on the code of ethics and conduct, Brown Act requirements and public requests for information.

The Political Reform Act (Government Code §81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (California Code of Regulations §18730), which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. MCHD provided its conflict of interest code.

Government Code §87203 requires persons who hold office to disclose their investments, interests in real property and incomes by filing appropriate forms with the Fair Political Practices Commission each year. The District reported that the Directors complied with this requirement in 2014.

MCHD demonstrated accountability in its disclosure of information and cooperation with the LAFCo questionnaires and other requests. The District's response to the interview requests, written questionnaire and document requests, although slow to materialize, were adequately provided.

MANAGEMENT AND STAFFING

While public sector management standards vary depending on the size and scope of the organization, there are minimum standards. Well-managed organizations evaluate employees annually, track employee and agency productivity, periodically review agency performance, prepare a budget before the beginning of the fiscal year, conduct periodic financial audits to safeguard the public trust, maintain relatively current financial records, conduct advanced planning for future service needs, and plan and budget for capital needs.

MCHD employs 245 full-time equivalent staff. There are 305 positions at MCHD of which 205 are full-time and 100 are part-time. In addition to full- and part-time staff, the District also relies on approximately 80 volunteers.

MCHD administration, which is responsible for delegating the day-to-day operations of the District and its health facilities to the executive managers of the District, consists of the chief executive officer (CEO), chief financial officer, chief of patient care services, chief of human resources, and practice administrator. The chief executive officer, who reports to the Board of Directors, oversees the remainder of the executive staff. Heads of the 20 departments (including Finance, Quality and Risk Management, Medical Records, Cardio/Pulmonary, Housekeeping, Information Services, Volunteer Services, Administration, Nursing Administration, Patient Registration, Human Resources, Engineering, Rehabilitation Services, Medical/Surgical and Swing Infusion Clinic, Ambulance Services, Surgical Services, Emergency Services, Laboratory, Security, North Coast Family Health Center, Home Health/Hospice, Medical Staff Services, Dietary Services, Diagnostic Imaging, Pharmacy, Business Office, Staff Development, and Chaplaincy) report to the MCHD executive managers. Organization Charts for the Hospital Division and the Home Health and Hospice Division are included in this MSR as Exhibits 1 and 2.

Medical staff officers include the chief of staff who reports to the CEO and oversees other officers, including the assistant chief of staff, two MEC members-at-large, chief of surgery, chief of medicine, and medical staff services.

In November 2001, a contract between the District and a local medical group was approved to implement a hospitalist program at the Mendocino Coat District Hospital. The hospitalist program is part of a well-established practice of using physician specialists for the care and treatment of patients in the hospital. Each hospitalist works as a member of the patient care team to ensure patients receive a continuity of care and maintain communication with the primary care physician of each patient. The program was initially managed and staffed by a local medical group. In 2005, the District took over management of the program and the District implemented a full-time hospitalist program in 2006. The program has grown to 13 board certified physicians in the specialties of internal medicine, family practice, and endocrinology. The program provides 24-hour coverage to patients admitted to the hospital. These include unassigned patients, patients admitted through the emergency department, and also admitted patients who have primary care and sub-specialty physicians in the area.

North Coast Family Health Center, which functions as one of the departments of the hospital, is headed by the practice administrator who manages 25 to 30 employees who support primary care physicians, surgeons, nurse practitioners, and other providers.

In addition, the District is supported by the Mendocino Coast Hospital Foundation, which is a stand alone nonprofit organization located in Fort Bragg. It is governed by an eight-member Board of Directors and three-member advisory board, and operated by five employees, including executive director, event coordinator, administrative assistant, and two others.

MCHD performs employee evaluations annually. The department managers are responsible for performing evaluations of their department employees. Department heads are evaluated by the chief executive officer, who is evaluated by the Board.

Employee workload is generally tracked through timesheets. The District monitors its productivity via electronic time clocks, reports from which get evaluated by department managers. MCHD does not conduct formal evaluations of its own performance such as benchmarking or annual reports. The District does not use any performance measures to determine its service adequacy, but realizes its goal of serving the community and aims to provide adequate services to its customers. In 2009, an independent survey of employee satisfaction revealed that 93 percent of District employees were either very satisfied or satisfied with their employment.

The District has made efforts to improve its operational efficiency over the last three years. MCHD installed a more robust electronic productivity system. Additionally, the District acquired new electronic badges that clock when employees leave and return more efficiently.

The District reported that its primary objective was to remain viable, and is open to affiliations with other strategic partners. MCHD's mission is to make a positive difference in the health of its rural community. Specific goals and objectives are recorded in the annual budget. In addition, in 2010 the District adopted a 2011-2012 Strategic Plan.

MCHD is required to perform audits annually, and the District complies with this requirement. The District prepares and adopts an annual budget. MCHD conducts minimal, short term capital improvement planning (CIP) in its annual budget.

GROWTH AND POPULATION PROJECTIONS

This section discusses the factors affecting service demand, such as land uses, and historical and anticipated population growth.

Land Use

Designated land uses within the District consist primarily of timberland production, grazing, and rural residential development.[6] The District's boundary area is approximately 680 square miles.[7] The District is not a land use authority, and does not hold primary responsibility for implementing growth strategies. City of Fort Bragg is the land use

[6] Mendocino County General Plan, 2009, pp. 3-2.

[7] http://city.fortbragg.com/pdf/MSSPEIR_public_comment_lettersPart_I.pdf, pg. A-1.

authority within the city boundaries, while Mendocino County is the land use authority for the unincorporated areas within the District.

Existing Population

As of 2012, according to an estimate by district management, the population of MCHD was approximately 28,000 residents.[8] Its population density is 41 residents per square mile, compared to the countywide population density of approximately 22 residents per square mile.

Projected Growth and Development

MCHD reported that the population within its bounds had been decreasing over the last five years. Similarly, in the next several years, the District is also expecting a decrease in population; however, no formal population projections have been prepared by MCHD. The District reported that it informally planned for population growth by looking at general trends.

The California Department of Finance (DOF) projects a population growth average of 9.5 percent every 10 years for the entirety of Mendocino County.[9] Based on these projections, the District's population will reach approximately 30,660 by the year 2020.

The City of Fort Bragg is expecting that growth in its inland areas will continue to occur at a slow but regular pace (less than 0.5 percent per year) as experienced in the last decade.[10] Along the coastal areas, similarly, the City is expecting growth at a slow but regular pace (one to two percent per year) as during the last decade.[11]

Although the District reported a potential decrease in population in the next few years, the proposed redevelopment of the former Georgia-Pacific mill site could potentially increase the population in MCHD's bounds. The former mill site closed in 2002, but the City of Fort Bragg has plans for its future redevelopment. The preliminary draft of the Mill Site Specific Plan was completed in 2012 and provides the framework for a diversity of land uses, including residential, visitor-serving, commercial retail, mixed-use, education and research, industrial and other employment-generating uses, and open space areas, including passive and active recreation areas as well as natural reserve areas. The

[8] http://city.fortbragg.com/pdf/MSSPEIR_public_comment_lettersPart_I.pdf, p. 1.

[9] Mendocino County General Plan, 2009, pp. 3-5.

[10] City of Fort Bragg Inland General Plan, Land Use element, 2012, p. 2-1.

[11] City of Fort Bragg Coastal General Plan, Land Use element, 2008, p. 2-1.

proposed redevelopment offers an opportunity to reconnect the City to restored coastal bluffs and to expand neighborhoods, downtown businesses, open space, and other uses into the site.[12] It is anticipated that an average annual amount of residential development on the mill site over a 30-year period will be 18 new units per year or 40 new residents per year, which equates to an annual increase of 1.3 percent population. The total new mill site residential population over 30-year period for build-out is projected to be 1,233 persons or 17 percent of the entire population of the City of Fort Bragg. [13]

Perhaps more significant for the District is the influx of visitors and tourists to the Mendocino Coast area. These temporary population increases have the potential to put a strain on the District's ability to provide services. Although not a significant issue at the present time, as the Visit Mendocino program is successful in attracting more visitors, the need for medical services will also expand.

DISADVANTAGED UNINCORPORATED COMMUNITIES

LAFCO is required to evaluate disadvantaged unincorporated communities as part of this service review, including the location and characteristics of any such communities. A disadvantaged unincorporated community (DUC) is defined as any area with 12 or more registered voters, or as determined by commission policy, where the median household income is less than 80 percent of the statewide annual median.[14]

Mendocino LAFCo has utilized census data to identify which communities (census designated places) meet the disadvantaged communities median household income definition.[15] There are 17 disadvantaged unincorporated communities in the County. There are three disadvantaged unincorporated communities within the District, including Albion, Comptche, and Cleone. The City of Fort Bragg is also considered a disadvantaged community, although incorporated.

The criteria for the provision of adequate services to a DUC is limited to water supply, sewage disposal, and structural fire protection. Because the Hospital District does not provide these services, the District is not responsible for assuring that these services are adequately provided to the communities that meet the DUC thresholds.

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[12] http://www.community-design.com/projects/neighborhood/ftbragg.php

[13] Mill Site Specific Plan, PowerPoint Presentation, 2012, http://city.fortbragg.com/pdf/Powerpoint%202%20slides%20per%20page.pdf

[14] Government Code §56033.5.

[15] Based on census data, the median household income in the State of California in 2010 was $57,708, 80 percent of which is $46,166.

FINANCING

The financial ability of agencies to provide services is affected by available financing sources and financing constraints. This section discusses the major financing constraints faced by Mendocino Coast Healthcare District and identifies the revenue sources currently available to the District.

As with most rural hospitals and districts in California, MCHD struggles financially. The financial stability of MCHD has been impacted by the closures of the Georgia Pacific Mill, reductions in the fishing and logging industry on the coast, and reductions in various reimbursement rates.[16] In 2006, the District's financing situation improved after the hospital was converted to critical access hospital (CAH) and started receiving Medicare reimbursements. However, a combination of the recession, a need for sterilized surgical equipment, and a slight loss of market share to larger hospital operators damaged the District's operating position. It is challenging for rural area hospitals to recruit physicians, and as a consequence, lack of available physicians causes an outflow of patients from the area to larger hospitals.

In summer of 2012, the District's negotiations with its major creditors, including United Food and Commercial Workers Union that represents 80 percent of the District's employees (the other 20% being management and confidential employees), as well as Cal-Mortgage, which holds about $30 million in district bonds, failed. At that time it was projected that MCHD could lose as much as $2.5 million in 2012, a negative operating margin of nearly six percent. Cash on hand could only sustain ongoing operations for less than three days.[17] On October 17, 2012, MCHD filed a voluntary petition under Chapter 9 of the United States Bankruptcy Code. The approximate amount of pre-bankruptcy debt was $1,991,000. The District is currently taking several steps to implement operational improvements by the time it exits from bankruptcy. MCHD had to decrease its personnel and combine some positions at the hospital.

The District has entered into physician guarantee agreements due to the need to recruit physicians in certain specialties to the area. The agreements provide for a certain level of income for a specified period of time. The physician is then expected to practice in the area for another specified period of time.

Although MCHD reported that current financial levels were adequate to deliver services, the District's volatile revenue stream significantly decreased in FY 12-13—falling short of expenditures by over $3.2 million. (Refer to Figure 5)

[16] 2006-2007 Mendocino County Grand Jury Report.

[17] Payers and Providers, Mendocino Coast Filing Bankruptcy, 2012.

Figure 5: MCHD Revenues and Expenditures, FYs 12-13 and 11-12

Revenues/Expenditures	FY 12-13	%	FY 11-12	%
Operating revenues				
Net patient service revenue	$42,937,651	98%	$45,448,077	99%
Other operating revenue	$801,241	2%	$627,000	1%
Total operating revenues	**$43,738,892**	**100%**	**$46,075,077**	**100%**
Operating expenses				
Salaries and wages	$15,886,108	34%	$16,537,522	35%
Employee benefits	$9,629,811	21%	$10,125,094	22%
Registry	$949,115	2%	$803,778	2%
Professional fees	$6,771,742	14%	$5,388,940	12%
Supplies	$6,111,179	13%	$6,583,633	14%
Purchased services	$1,378,305	3%	$1,673,413	4%
Repairs and maintenance	$878,348	2%	$558,413	1%
Utilities	$650,951	1%	$786,990	2%
Building and equipment rent	$977,799	2%	$988,924	2%
Insurance	$705,463	2%	$754,630	2%
Depreciation and amortization	$1,836,350	4%	$1,417,060	3%
Other operating expenses	$1,177,467	3%	$1,025,001	2%
Total operating expenses	**$46,952,638**	**100%**	**$46,643,398**	**100%**
Operating income (loss)	**($3,213,746)**		**($568,321)**	
Nonoperating revenues				
District tax revenues	$1,136,279	75%	$1,056,196	71%
Investment income	$15,830	1%	$49,845	3%
Grants and contributions	$361,277	24%	$374,314	25%
Total nonoperating revenues	**$1,513,386**	**100%**	**$1,480,355**	**100%**
Nonoperating expenses				
Interest expense	$844,742	100%	$746,498	100%
Total nonoperating expenses	**$844,742**	**100%**	**$746,498**	**100%**

Revenues

In FY 12-13, MCHD's revenues totaled $48 million, which consisted of operating (97 percent) and non-operating (three percent) revenue sources. A majority of the operating revenue came from charges for services. Non-operating revenue included property taxes, investment income, and grants and contributions. Property tax revenue amounted to $1,136,279 in FY 13, of which $702,184 is utilized for routine operations and $434,095 for the retirement of bonds.

The District charges all its patients equally based on its established pricing structure for the services rendered. The Master Schedule of Charges is evaluated on an ongoing basis to ensure that only allowable charges are billed to comply with Medicare and MediCal regulations. Gross patient revenues decreased by $6 million from FY 12 to FY 13, due mainly to patient volume changes.

Patient service revenue consisted of acute care inpatient hospital services (30 percent), long-term care daily hospital services-swing bed (three percent), outpatient services (62 percent), home health services (one percent), and rural health clinic (four percent), as shown in Figure 6.

Figure 6: Patient Service Revenue

Patient Service Revenue	FY 2013	%
Acute care inpatient hospital services	$29,002,261	30%
Long-term care daily hospital services (swing bed)	$3,017,268	3%
Acute care outpatient services	$59,732,598	62%
Home health services	$1,337,562	1%
Rural health clinic	$3,540,653	4%
Gross patient service revenues	**$96,630,342**	**100%**
Less deductions from revenue	-53,692,691	
Net patient service revenue	**$42,937,651**	

Payments on behalf of certain patients are made to the District by commercial insurance carriers, private payors, the federal government under the Medicare program, and by the State and federal government under the Medicaid program known as MediCal in California. Revenue by payor in FY 12-13 is depicted in Figure 7.

Figure 7: Payor Contributions

Payor	FY 2013	%
Medicare	$2,889,534	27%
MediCal	$2,309,831	21%
Other third party payors	$3,104,932	29%
Self pay and other	$2,470,667	23%
Gross patient accounts receivable	$10,774,964	100%
Less allowances for contractual adjustments and bad debt	($7,420,000)	
Net patient accounts receivable	$3,354,964	

The District also receives contributions from the Mendocino Coast Hospital Foundation, which raises funds for patient services and the replacement and purchase of equipment. The foundation is the vehicle through which the community invests its money in the Mendocino Coast Healthcare District. The foundation raises money to fund specific projects for the healthcare district. In FY 12-13, the District received about $293,312 in contributions from the foundation. The hospital provides office space to the foundation at no charge, and the foundation's directors and computer equipment are covered under the hospital's general liability, directors and officers, and property insurance.

MCHD is considering the implementation of a new revenue stream in the form of a parcel tax. The District reported this tax may be considered within the next two years. In 2004, the District made efforts to have a special tax implemented; however, it did not pass.

Expenditures

Total expenditures in FY 12-13 were $48 million, of which over 98 percent were operating expenditures and two percent were considered non-operating expenditures. The most significant operating expenses were salaries and wages (34 percent) and employee benefits (21 percent). Other significant expenses were professional fees and supplies. (Refer to Figure 5)

Total expenditures exceeded total revenues in FY 12-13 by over $2.5 million. Operating expenditures exceeded operating revenues by $3.2 million in the same fiscal year. To compare, in FY 11-12, the District's revenues exceeded expenditures by $165,536. While expenditures remained fairly equivalent to the prior year's costs, revenues significantly decreased from FY 11-12 to FY 12-13, due to a decrease in service demand, as previously discussed.

During FY 12-13, the District invested $3.5 million into the hospital facility. The two primary additions included the purchase of the electronic health records computer hardware and software, and the capitalization of the diagnostic imaging equipment.

As of June 30, 2013, the District had $2,806,938 recorded as construction-in-progress, representing cost capitalized for various remodeling, major repair, or expansion projects on the hospital's premises. Future commitments related to these projects are approximated to be just over $1 million.

Liabilities and Assets

The District's long-term debt at the end of FY 12-13 is summarized in Figure 8.

Figure 8 : MCHD Long-Term Debt

Debt Borrowings	Balance FY 2013
Refunding revenue bonds, series 1996; due in annual principal payments through 2020 at various amounts; interest due semi-annually at rates between 5.75% to 5.875%; collateralized by hospital assets.	$1,765,000
General obligation bonds, series 2000 (interest); due in annual principal payments through 2030 at various amounts; interest due semi-annually at rates between 3.4% to 5.25%; collateralized by district taxes	$3,940,000
General obligation bonds, series 2000 (cap app); due in annual principal payments starting in 2013 through 2024 at various amounts; interest due semi-annually at rates between 3.4% to 5.25%; collateralized by district taxes.	$811,539
Refunding revenue bonds, series 2009; due in annual principal payments through 2029 at various amounts; interest due semi-annually at rates between 2.62% to 4.75%; collateralized by hospital assets.	$4,445,000
Revenue bonds, series 2010, due in annual principal payments through 2029 at various amounts; interest due semi-annually at rates between 2.00% to 4.85%; collateralized by hospital assets.	$2,495,000
Note payable to a lending institution related to the federal and state meaningful use program; due in three separate principal payments starting in November 2014 and bearing interest at 4%; unsecured.	$2,500,000
Loan payable to Cal-Mortgage Loan Insurance Division (State of California); bearing interest at 5%; guaranteed by hospital revenues.	$1,005,806
Other	$1,526,444
Sub-total	**$18,488,789**
Less current maturities	($2,124,832)
TOTAL	**$16,363,957**

The District reported that it did not have a formal reserve policy. However, as a management practice, MCHD budgets to have designated reserves. At the end of FY 12-13, the District had a Discretionary Capital Improvement Reserve Fund of $4,519,612, and a Restricted Bond Reserve Fund of $2,750,215

Financing Efficiencies

MCHD does not engage in any joint financing mechanisms.

2. MUNICIPAL SERVICES

HEALTHCARE SERVICES

Service Overview

The Mendocino Coast Healthcare District (MCHD) owns and operates an acute-care critical access hospital located in Fort Bragg, and a primary-care rural health clinic. The District also provides hospice services and home healthcare services. The Hospital is licensed for 49 beds and is currently operating 25 beds.

Mendocino Coast District Hospital is a 25-bed acute care facility licensed by the State of California Department of Health Services and accredited by The Joint Commission on Accreditation of Healthcare Organizations. The hospital provides emergency, inpatient and outpatient services, and healthcare education to prevent, manage and treat chronic and acute conditions. Fifteen of the hospital's acute care medical/surgical beds are licensed by the California State Department of Public Health for utilization as swing beds for use as either acute care beds or as skilled nursing beds, as the need demands.

In 2007, the District purchased a local physician group and converted the practice into a provider-based rural health clinic. The purchase of the North Coast Family Health Center permits the District to maintain a continuity of care for primary care services in the community, and provides an additional revenue source for the District.

Core medical services along with other inpatient and outpatient specialty services are provided by the District at the hospital and the clinic. Core services delivered by the District include medical, pediatrics, emergency medicine, imaging (radiology), laboratory and physical therapy. Specialty services include inpatient and outpatient surgery, outpatient occupational and speech therapy, cardiac rehabilitation, obstetrics, and an orthotics lab. The hospital provides primary care and certain secondary services, within the capability of its medical staff (family practice, general surgery and orthopedic surgery). Cases that require a medical specialty not represented by the hospital's medical staff and cases that require technology not available at the hospital are transferred to other health facilities located in Santa Rosa and San Francisco.

Services provided by MCHD include:

- Emergency Department -- The emergency department is staffed 24-hours a day by a team of medical professionals. All physicians are certified in Advanced Cardiac Life Support (ACLS). Emergency department registered nurses are assisted by paramedics and emergency medical technicians (EMT). Medical consultants are available on-call in various specialties.

- ICU/CCU -- The four-bed combination Intensive and Critical Care Unit is designed to provide specialized care for critically ill or injured patients. The unit is staffed by registered nurses who have completed the specialized education and technical training required. The unit is equipped with life-support equipment, as well as current medical technology, which allows physicians and nurses to monitor all vital signs. The unit also has telemetry services, which enable the hospital staff to monitor cardiac functions for an additional four patients in the medical/surgical unit.

- Obstetrics (perinatal) -- The hospital's obstetrical unit was one of the first in-house, family-centered maternity care programs in California. The obstetrical unit includes labor, delivery and recovery services, plus a four-bed nursery with facilities for immediate care, stabilization, and transport for critically ill newborns.

- Medical/Surgical -- The medical/surgical unit provides care for both, medical patients and patients hospitalized under any of the specialty surgical services offered at the hospital, such as general surgery, orthopedic surgery and urologic surgery. In addition, a designated pediatric area is available to provide medical and surgical care to infants and children. The medical/surgical area is staffed by registered nurses, licensed vocational nurses, and certified nursing assistants.

- Swing Bed Program -- Fifteen of the hospital's acute care beds are licensed by the State for utilization as skilled nursing beds. The Swing Bed Program allows patients whose medical condition has stabilized to remain in the hospital if they still require skilled nursing services that cannot be provided by the local skilled nursing facility. Such services may include physical therapy, occupational therapy, speech therapy, respiratory therapy, IV therapy, and/or other skilled nursing services.

- Inpatient and Outpatient Surgical Services -- Surgery facilities at the hospital consist of two operating rooms and a three-bed post anesthesia recovery unit. The hospital offers a wide variety of surgical services and has the equipment and expertise to perform gynecological and general surgery via the laparoscope, and advanced orthopedic procedures via arthroscope. The hospital's ambulatory surgical service allows patients to have surgery and return home on the same day.

- Laboratory -- The laboratory department provides clinical laboratory, medicine, pathology, and transfusion services. Over 95 percent of requested tests are performed in-house, reducing delays in reporting results.

- Outpatient Services -- In addition to outpatient surgical services, the hospital provides treatment for patients receiving chemotherapy, blood transfusions, diagnostic clinical studies, including endoscopic exam and biopsy, and other specialized treatments or procedures.

- ICU/CCU -- The four-bed combination Intensive and Coronary Care Unit is designed to provide specialized care for critically ill or injured patients. The unit is staffed by registered nurses who have completed the specialized education and technical training required. The unit is equipped with sophisticated life-support equipment, as well as current medical technology, which allows physicians and nurses to monitor all vital signs. The unit also has telemetry services, which enable the hospital staff to monitor cardiac functions for an additional six patients in the medical/surgical unit.

- Obstetrics (perinatal) -- The hospital's obstetrical unit was one of the first in-house, family-centered maternity care programs in California. The obstetrical unit includes labor, delivery., recovery and post-partum services, plus a four-bed nursery with facilities for immediate care, stabilization, and transport for critically ill newborns.

- Medical/Surgical -- The medical/surgical unit provides care for both, medical patients and patients hospitalized under any of the specialty surgical services offered at the hospital, such as general surgery, orthopedic surgery and urologic surgery. In addition, a designated pediatric area is available to provide medical and surgical care to infants and children. The medical/surgical area is staffed by registered nurses, clerical support, and certified nursing assistants.

- Swing Bed Program -- Fifteen of the hospital's acute care beds are licensed by the State for utilization as skilled nursing beds. The Swing Bed Program allows patients whose medical condition has stabilized to remain in the hospital if they still require skilled nursing services. Such services may include physical therapy, occupational therapy, speech therapy, respiratory therapy, IV therapy, and/or other skilled nursing services that cannot be provided by the local skilled nursing facility.

- Inpatient and Outpatient Surgical Services -- Surgery facilities at the hospital consist of two operating rooms and a three-bed post anesthesia recovery unit. The hospital offers a wide variety of surgical services and has the equipment and expertise to perform ophthalmology procedures, gynecological and general surgery via the laparoscope, and advanced orthopedic procedures via arthroscope. The hospital's ambulatory surgical service allows patients to have surgery and return home on the same day.

- Laboratory -- The laboratory department provides clinical laboratory, medicine, pathology, and transfusion services. Over 95 percent of requested tests are performed in-house, reducing delays in reporting results.

- Outpatient Services -- In addition to outpatient surgical services, the hospital provides treatment for patients receiving chemotherapy, blood transfusions, diagnostic clinical studies, including endoscopic exam and biopsy, and other specialized treatments or procedures.

- Outpatient Services -- Outpatient services include the provision of chemotherapy, IV admixtures and clinical support in the outpatient surgery department and the on-site Hematology-Oncology-Infusion Clinic. Pharmacists provide on-site and on-call

support to nurses and physicians by providing drug information, drug selection and dosing calculation assistance, and patient monitoring through established protocols designed to provide patients with optimal drug therapy.

- Nutrition Department -- The District's nutrition department is dedicated to providing patient meals. A registered dietician provides inpatient nutrition counseling. Individual outpatient instruction is available with a physician's referral. Group classes in weight control and general nutrition are held weekly periodically.

- Home Health Care Program -- Under the direction of a referring physician, the home care program provides skilled healthcare and social services to the patient and family in familiar and comfortable surroundings. The home care team promotes family integrity and independence by teaching families the skills they need to care for the home patient. The home health service area extends from Westport to Sea Ranch. All referrals and communications are received through the Fort Bragg Home Healthcare office.

- Hospice Program -- Hospice care responds to the special needs of the terminally ill patient. Hospice is a coordinated program of palliative and supportive care for dying persons and their families. Services are provided by an interdisciplinary team of professionals and volunteers.

- Ambulance Service -- The hospital is designated as a "base hospital." It monitors local and countywide emergency radio channels and can dispatch two advanced life support ambulances to any location in the District.

- Outpatient Clinic (North Coast Family Health Center) -- The North Coast Family Health Center offers primary care and specialty care services to the community, including family practice, internal medicine, women's health, general medicine, nephrology, endocrinology, ophthalmology, orthopedics, osteopathy, podiatry, pediatrics, diabetes education, bone densitometry, pacemaker checks, and spinal adjustments.

MCHD does not provide contract services to other agencies; however, it does receive contracted services in the form of biomedical equipment maintenance.

The District noted that there were occasions when other providers delivered similar services within or adjacent to MCHD bounds, including private physicians. One of the providers is Venice Group, which provides outpatient lab services. In addition, there is also Mendocino Coast Clinic, which is a federally qualified, not-for-profit, health center.

Demand for Services and Capacity

MCHD reported that demand for services had decreased slightly over the last three years (approximately 2% per year). In addition to the population decline within the

District's bounds, MCHD also attributes the decreased demand for services to outflow of patients to larger hospitals, and to the fact that customers are healthier because of the focus on preventative medicine.

In FY 12-13, there were 3,796 total acute patient days, as compared to 3,913 for the prior year. This three percent decrease was a result of less patient volume during the winter flu season. Swing bed care days were 1,411 for FY 12-13 as compared to 1,907 for FY 11-12. This 26 percent decrease was due to fewer patients medically qualifying for sub-acute levels of care.

Emergency department visits increased to 9,525 as of June 30, 2013, which is up from 9,266 as of June 30, 2012. Visits increased by 259 or 2.8 percent during that time period.

Average acute care length of stay increased to 3.65 days in FY 12-13 from 3.47 in FY 11-12. Outpatient referral visits decreased to 52,139 in FY 12-13 from 53,714 in the prior year, due to decreases in patient activity in most of the outpatient departments.

Total inpatient and outpatient surgeries decreased to 1,822 in FY 12-13 from 1,971 in the prior year, which is a total decrease of 149, due to the fewer number of outpatient cases that were seen in that year.

Home health visits increased to 5,275 in FY 12-13 from 4,794 in FY 11-12. Visits increased by 481, due to more order authorizations from referring physicians.

Rural health clinic visits decreased to 26,649 in FY 12-13 from 29,303 in the prior year. Visits decreased by 2,654 due to a reduction in available staff for family nurse practitioners and physicians at the North Coast Family Health Center.

The District reportedly forecasts service needs by identifying and observing trends. MCHD expects a slight increase in demand within its bounds over the next 10 years.

However, the redevelopment of the mill site is expected to have a significant effect on hospital operations. The increase in industrial activity and population will impact the emergency room, which is currently beyond capacity on major weekends and holidays. The District operates one ambulance in Fort Bragg and one in Mendocino; the demand for which will potentially be increased by the emergency calls associated with the additional population and industrial activity forecast for the mill site. The rural health clinic is also expected to have a substantially increased number of visits and require additional facilities to handle the increase in population. Currently, the North Coast Family Health Center has about 30,000 medical visits per year. With an increase in this number, it will require an increase in the number of providers and facilities to deliver the needed services.

With the increase in population, there is anticipated to be an increase in inpatient census at the hospital, which will impact the other ancillary services associated with inpatient care, such as the laboratory operation, food nutritional services, and diagnostic services. The only department that would reportedly be able to handle the increase in demand is the new diagnostic imaging center that opened in 2011.

Infrastructure and Facilities

The District owns and operates a hospital, which is a 25-bed acute care facility licensed by the State of California Department of Public Health. The hospital, located at 700 River Drive, in the City of Fort Bragg, was opened in June of 1971 and financed by the issuance of $2,250,000 in general obligation bonds authorized at an election held in the District on December 5, 1967; and the receipt of a $637,934 Federal Hill-Burton grant in 1969. A 9,000 square foot addition to the hospital was completed in 1994, and funded in part by revenue bonds issued in 1990 by the District. This addition contained a new emergency room and laboratory department. In 1996, the District issued revenue bonds to refund the 1990 revenue bonds, and to finance radiology and surgery department improvements. In 2001, the District issued current interest general obligation bonds in the aggregate principal amount of $4,615,000, and capital appreciation general obligation bonds in the aggregate principal amount of $884,627.75 (collectively called the Series 2001 General Obligation Bonds). Proceeds of the Series 2001 General Obligation Bonds were used to finance the construction and equipping of the patient services building, which included the rehabilitation department, patient registration, the hematology/oncology clinic, administrative offices for finance, and a conference room.

The hospital was licensed for 52 acute beds until March 31, 2004, at which time the State Department of Public Health granted the hospital a change in its licensed beds to 49 beds. Although the hospital continues to be licensed for 49 beds, in October of 2006 the hospital became a 25-bed Critical Access Hospital (CAH), which is a hospital that is certified to receive cost-based reimbursement from Medicare. The 49 beds consist of 38 general acute care[18] beds, four intensive care beds, and seven perinatal (obstetrics) beds. In 2006, when the hospital became a CAH, 20 general acute care beds and four perinatal beds were suspended by the District. To be eligible for critical access status, a hospital must be located in a rural area, be at least 35 miles from any other hospital, and have no more than 25 beds.

The North Coast Family Health Center, a rural health clinic fully utilizes 12,300 square foot of the Mendocino Coast Medical Plaza located on District property. The Mendocino Coast Medical Plaza is owned by a California limited liability company, formed for the purpose of constructing and managing the Mendocino Coast Medical Plaza building. Construction of the plaza building began in 2004 and was completed in 2005.

[18] Fifteen of the hospital's general acute care beds are approved as swing beds for skilled nursing services.

Infrastructure Needs or Deficiencies

By 2030, MCHD will be required to replace the main hospital building because it will no longer meet the State of California earthquake requirements.[19] The District has already commenced facility planning for this eventual need.

In addition, the District has planned a number of other minor capital improvement projects, including replacing the nurse call system, adding a new telephone switchboard, and replacing flooring materials in multiple departments of the hospital.

In its 2011-2012 Strategic Plan, the District indicated that it was one of its strategic goals to continue to develop a state of the art physical plant and campus, which would be attractive, highly functional and support the hospital's efforts to provide those it serves with the "ideal" patient experience. The project entails updating, modernizing and refurbishing patient rooms, common areas and infrastructure components; as well as ensuring that the hospital meets all requirements of the SB 1953 seismic safety law.

Shared Facilities and Regional Collaboration

MCHD is a participating member of a Northern California JPA within which healthcare districts in the area share ideas, work plans and management best practices. The District also holds memberships in the California Hospital Association, the Association of California Healthcare Districts, the American Hospital Association, the Hospital Council of Northern and Central California, and other professional healthcare organizations.

In addition, MCHD has established affiliation programs for clinical site training with schools and programs, including the nursing program at California State University in Chico, the nursing and paramedic programs at Mendocino College in Ukiah, the radiology program at Santa Rosa Junior College, and the phlebotomy and emergency medical technician program at the Mendocino County Office of Education.

The hospital provides office space to the Mendocino Coast Hospital Foundation, and the foundation's directors and computer equipment are covered under the hospital's general liability and property insurance policies.

Service Adequacy

There are several benchmarks that may define the level of healthcare service provided by an agency, such as complaints, patient outcomes, occupancy rates, staffing levels, costs,

[19] http://city.fortbragg.com/pdf/MSSPEIR_public_comment_lettersPart_I.pdf, pg. 3.

emergency room closures and workload, operating room use, and the extent to which residents go to other hospitals for service. Complaints, costs and staffing levels were discussed in the previous sections of this chapter. Indicators of service adequacy discussed here include: 1) prevention quality indicators; 2) community-acquired pneumonia mortality rates; 3) inpatient mortality indicators; 4) hospital occupancy rate; 5) EMS ambulance diversion rates; 6) operating room use; 7) the extent to which residents go to other hospitals for service; and 8) accreditation information. These indicators for measuring service adequacy are established by the Center for Medicare and Medicaid Studies (CMS) and Office of Statewide Health Planning and Development (OSHPD).

Although this data is not available specifically for MCHD, or even for Mendocino County, it is important to discuss Prevention Quality Indicators (PQIs).[20] Due to small population sizes, twenty-four counties in California were reported using seven groupings of two to five counties each. Groups were used because the count of selected hospitalizations in some counties was too small for meaningful analysis. Mendocino County was grouped together with Del Norte and Humboldt into the North Coast Group. For some of the indicators, including diabetes long-term complications, pediatric asthma, pediatric gastroenteritis, hypertension, congestive heart failure, urinary tract infection, and lower extremity amputation among patients with diabetes, the North Coast Group had some of the California's best (lowest) rates, suggesting that residents there have the best access to outpatient care for these diseases. When a person receives early and proper treatment for specific medical conditions, disease complications may be reduced or eliminated, disease progression may be slowed, and hospitalization may be prevented. For all other PQIs that include diabetes short-term complications, perforated appendix, chronic obstructive pulmonary disease, dehydration, bacterial pneumonia, angina without procedure, and adult asthma, the group displayed average performance.[21]

Community-acquired pneumonia is one of the leading causes of death both nationwide and in California. For this reason, OSHPD chose it to be one of the conditions studied in the California Hospital Outcomes Program (CHOP), an initiative mandated by the State of California. The latest reports available are for 2002-2004. During that period, MCHD had similar community-acquired pneumonia mortality rates to the State average.

Inpatient Mortality Indicators (IMIs) for MCHD are available for acute myocardial infarction, congestive heart failure, acute stroke, gastro-intestinal hemorrhage, hip fracture,

[20] The Prevention Quality Indicators (PQIs) are a set of measures that can be used with hospital inpatient discharge data to identify quality of care for "ambulatory care sensitive conditions" in adult populations. These are conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease. The Prevention Quality Indicators represent hospital admission rates for 4 ambulatory care sensitive conditions.

[21] OSHPD, Preventable Hospitalizations, PQI maps, 1999-2008.

and pneumonia for 2011.[22] Evidence suggests that high mortality may be associated with deficiencies in the quality of hospital care provided. The IMIs are part of a suite of measures called Inpatient Quality Indicators (IQIs), developed by the Federal Agency for Healthcare Research and Quality (AHRQ), that provide a perspective on hospital quality of care. IMIs are calculated using patient data reported to OSHPD by all California-licensed hospitals. All IMIs include risk-adjustment, a process that takes into account patients' pre-existing health problems to "level the playing field" and allow fair comparisons among hospitals. The District's mortality rates in 2011 for acute myocardial infarction were 12.8 percent compared to 6.5 percent statewide; heart failures were zero percent compared to three percent statewide; 12.9 percent for acute stroke compared to 9.4 percent statewide; zero percent for gastro-intestinal hemorrhage compared to 2.2 percent statewide; zero percent for hip fracture compared to 2.3 percent statewide; and 4.9 percent for pneumonia compared to 4.1 percent statewide. MCHD is considered not significantly different from the statewide average for all Inpatient Mortality Indicators.

The District's hospital had an occupancy rate of 57.8 percent in FY 12-13, compared to a statewide average of 59.5 percent.[23] This occupancy rates suggest that service adequacy is satisfactory, and there are enough hospital beds in the area to serve patients as needed.

Emergency room closure data was not available for recent years. The last year when this information was reported was 2007. The MCHD hospital was closed for a total of zero hours during that year. For 2012, in lieu of emergency closure rates, EMS ambulance diversion rates were used as an indicator for emergency room use. In 2012, ambulances were not diverted to other hospitals from the MCHD hospital.

The operating room at the MCHD hospital was used for surgeries approximately 22 percent of the available time in 2012.[24] The operating room was used for outpatient surgery 2.5 times more than for inpatient surgery. The operating room appears to have enough capacity to accommodate existing demand and possible future growth.

The adequacy of hospital facilities and services in meeting the needs of District residents can be gauged by the extent to which residents travel outside their region to receive hospital services. The rates were calculated based on patient discharge data from

[22] OSHPD did not report mortality rates for other conditions (for ecophageal resection, pancreatic resection, abdominal aortic aneurism repair, craniotomy, percutaneous transluminal coronary angioplasty, and carotid endaterectomy) for the District because fewer than three procedures were performed or conditions were treated.

[23] OSHPD, *Annual Financial Disclosure Report*, June 30, 2013. Latest figure found for State of California was 2010, http://www.oshpd.ca.gov/hid/Products/Hospitals/AnnFinanData/HospFinanTrends/

[24] Operating room use rates are calculated as the number of surgery-minutes divided by the annual capacity of the operating rooms (number of minutes in a year is based on 24-hour use).

OSHPD.[25] Residential location was approximated by zip code. About 82 percent of residents who live within MCHD boundaries patronize the district hospital.

There are several major healthcare-related accreditation organizations in the United States: Healthcare Facilities Accreditation Program (HFAP); Joint Commission (JC), Community Health Accreditation Program (CHAP); Accreditation Commission for Health Care (ACHC); The Compliance Team – Exemplary provider programs; Healthcare Quality Association on Accreditation (HQAA); and DNV Healthcare, Inc. (DNVHC). For the State of California, the primary accreditation organization is the Joint Commission. The Joint Commission is a not-for-profit organization that accredits and certifies more than 19,000 health organizations and programs in the country. Accreditation can be earned by an entire healthcare organization, for example, hospitals, nursing homes, office-based surgery practices, home care providers, and laboratories. In California, the Joint Commission is part of the joint survey process with State authorities. Hospitals are not required to be accredited in order to operate. Accreditation generally recognizes outstanding performance by a healthcare provider.

Mendocino Coast District Hospital is fully licensed by the Department of Health Services and accredited by the Joint Commission on Accreditation of Healthcare Organizations.

The District's Profile for Healthcare Services is presented in Figure 9.

[25] Discharge data includes discharges from ambulatory surgery center, emergency department, inpatient discharges, and inpatient discharges that originated in the emergency department.

Figure 9: Mendocino Coastal Healthcare District Service Profile

Healthcare Services			
Facilities			
Hospitals/Clinics	**Location**	**Built/Acquired**	**Owner**
Mendocino Coast District Hospital	700 River Drive, Fort Bragg, CA 95437	1971	MCHD
North Coast Family Health Center	721A River Drive, Fort Bragg, CA 95437	2007	MCHD
Service Challenges			
The District's main challenge is its financial struggles, caused by the recent economic recession, reduction in the fishing and logging industry, reduction in various reimbursement rates, outflow of patients to larger hospitals, lack of available physicians, and healthier population.			
Facility Needs/Deficiencies			
The main infrastructure need is the long-term but significant need to replace the main hospital building by 2030 because it would no longer meet the earthquake requirements.			
Facility Sharing			
Current Practices: The hospital provides office space to the Mendocino Coast Hospital Foundation. The District is a member in multiple professional organizations and a JPA, in addition to participating in various affiliation programs.			
Future Opportunities: No future opportunities for facility sharing were identified.			
Service Adequacy			
Occupancy rate (FY 12-13)	57.8 percent compared to 59.5 percent statewide in 2010		
Emergency room closure rate (2012)	0 percent		
Operating room use (2012)	22 percent		
Patient patronage (2012)	82 percent		
Accreditations	Joint Commission on Accreditation		

3. MSR DETERMINATIONS

Growth and Population Projections

- As of 2012, the population within Mendocino Coast Healthcare District (MCHD) was approximately 28,000.
- MCHD reported that the population within its bounds had been decreasing over the last five years. Similarly, in the next several years, the District is also expecting a decrease in population.
- Although the District reported a potential decrease in population in the next few years, the proposed redevelopment of the former Georgia-Pacific mill site could potentially increase the population in MCHD bounds. The total additional residential population over the 30-year period until build-out of the project is projected to be 1,233 persons.

Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

- There are three disadvantaged unincorporated communities in the District: Albion, Comptche and Cleone. The City of Fort Bragg is also considered a disadvantaged community, although incorporated.
- Because MCHD does not provide water, sewer or structural fire protection services, the District is not responsible for assuring that these services are adequately provided to the disadvantaged urban communities within the District boundaries.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- Redevelopment of the old Georgia-Pacific mill site would impact service provision in the District. MCHD would require additional capacity and resources to accommodate the population increase.
- By 2030, MCHD will be required to replace the main hospital building, as it will no longer meet the State of California earthquake requirements.

- Based on the service adequacy indicators, including prevention quality indicators, community acquired pneumonia mortality rates, inpatient mortality indicators, emergency room closure rate, and patient patronage, the District provides adequate level of services.

- There appear to be enough hospital beds at the hospital to accommodate current and additional demand. Similarly, there appears to be enough operating room capacity to serve current needs and potential growth. After the development of the mill site the capacity will need to be reassessed.

- The accreditation by the Joint Commission attests to the high quality of services provided by the District.

Financial Ability of Agencies to Provide Services

- MCHD undergoes continuous financial difficulties caused by economic downturn, closure of fisheries and logging industry in the area, reductions in various reimbursements, lack of available physicians, and outflow of patients to larger hospitals that provide wider array of services.

- In 2012, the District declared bankruptcy, and is currently in the process of making improvements to its operational efficiency as well as cutting costs to improve its financial situation.

- MCHD receives financial assistance from the Mendocino Cost Hospital Foundation that raises funds for patient services and the replacement and purchase of equipment.

- The District currently has over $16 million in long-term debt.

- Although the District does not keep any formal financial reserves, it attempts to save as much as possible at the end of each fiscal year.

Status and Opportunities for Shared Facilities

- MCHD is a participating member of the Northern California JPA, the California Hospital Association, the Association of California Healthcare District, the American Hospital Association, the Hospital Council of Northern and Central California, and other professional healthcare organizations.

- MCHD has established affiliation programs for clinical site training with schools and various programs.

- The hospital provides office space to the Mendocino Coast Hospital Foundation, and the foundation's directors and computer equipment are covered under the hospital's general liability and property insurance policies.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- MCHD is governed by a five-member Board of Directors. The Board updates constituents, posts agendas and makes information regarding its meetings available to the public.

- All of the District's current Board members were elected, which demonstrates interest in the affairs of the agency within the community.

- In addition to the legally required public outreach, the District keeps its constituent informed by participating in public events, posting information on its website and soliciting feedback.

- MCHD demonstrated accountability in its disclosure of information and cooperation with the LAFCo questionnaires and other requests. The District's response to the interview requests, written questionnaire and document request, although slow to materialize, were adequately provided.