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Hospital Council
of Northern & Central California

Excellence Through Leadership & Collaboration

June 6, 2014

The Honorable Norma Santiago, Chair
Board of Supervisors
El Dorado County
330 Fair Lane
Placerville, CA 95667

Dear Supervisor Mikulaco:

I am writing to strongly urge your support for Marshall Medical Center's (Marshall) request to fund its cancer center. This action is the right decision because it will help preserve existing hospital services, will expand access to critical cancer treatment right in El Dorado County, and will invest in quality economic development.

As the Regional Vice President of the Hospital Council of Northern and Central California – a nonprofit hospital and health system trade association representing 185 hospitals in 50 of California's 58 counties – I wish to add a statewide perspective about the hospital industry to put into context why your support for this funding request is so important. As the only hospital on the entire Western Slope, Marshall is a great institution that has been founded, maintained, and utilized by the community in El Dorado County. Its leadership, both its community governing board and its administration, have carefully planned to meet patient needs now and in the future. However, this is an uphill battle for any hospital given the health care climate in our state and nation. The unfolding implementation of the Affordable Care Act has created much uncertainty. As you well know, nothing causes quite so much difficulty in managing financial affairs as uncertainty.

At the same time, the federal government is far and away the number one provider of health coverage through Medicare and Medicaid (known as Medi-Cal in California). In Marshall's case, some 70 percent of patients are covered by these programs. The problem is that the reimbursement rates of these programs for hospitals and physicians are so underfunded that they do not even cover the cost of treatment. If that were not bad enough, the state further cut Medi-Cal reimbursement to balance the budget in 2011. Moreover, state and federal regulatory structures are so complex that compliance is extremely costly.

What all this means is that hospitals are squeezed from every angle. Some of the recent fallout has been hospital closures. Palm Drive Hospital in Sebastopol closed in April. Corcoran District Hospital closed last year. And as we speak, Doctors Medical Center in San Pablo is on life support – a tax to keep its doors open was rejected by voters last month and closure is a likely outcome.

All of them were stand-alone hospitals, like Marshall, serving a patient mix with a high percentage of Medicare and Medi-Cal. However, stand-alone hospitals are not the only ones

struggling. The five hospitals in the Daughters of Charity health system were recently put up for sale. Furthermore, other large hospital systems have posted losses early in 2014.

Most impactful, the dirty little secret about hospital finance is that every hospital, no matter the size, has to write off millions of dollars of uncompensated care – world-class care for which they never receive any payment from any source. The reality in 2014 is that the forces at work are more likely to close a hospital than open a new one.

Marshall Medical Center is a great hospital. It is well-run and is doing many things right. At the same time, without proper care and feeding, even the best-run hospitals could be threatened with insurmountable challenges in this environment. That is where you come in. You have the opportunity to support the Marshall team so that they can continue to support your constituents.

Marshall has a plan to provide enhanced treatment for the number-one killer in El Dorado County – cancer. By funding the full request of \$800,000, you will be part of helping your constituents to receive cutting-edge care for these dreaded diseases without having to leave the county. If your constituents are forced to seek treatment outside of El Dorado, not only will they be unnecessarily inconvenienced during their time of greatest challenge, but they will eventually pull the medical services and spending across the county line with them.

My final point is regarding the economic impact of your vote. As you know, Life Sciences and Health Services is one of our region's six key economic clusters identified by the collaborative Next Economy effort. And the economic impact report recently commissioned by the Hospital Council reveals relevant insight to this matter. First, there is a significant economic multiplier effect for investing in capital projects as the use of local contractors and vendors sends positive financial ripples through the community. Also, the wages and salaries for these health care professionals are 70 percent higher than the average for California. Hospital and health care spending also generates jobs for less skilled workers. Finally, employment in the health industry is more stable and less cyclical—during recessions fewer jobs are lost in health care than in many other sectors. Health care supports jobs requiring a wide variety of education and experience levels, not just those intended for white-collar professionals.

In short, your vote to support Marshall's request is a vote for one more piece in the master plan for nurturing our economy in a strategic way – all while preserving the fine health care you already enjoy and enhancing that care for the future.

Thank you for your consideration.

Sincerely,



Brian L. Jensen
Regional Vice President
Hospital Council of Northern and Central California