

Shingle Springs Tribal Health Program New Clinic Feasibility Analysis



June 2010
Shingle Springs, California

Memo



THE INNOVA GROUP
T U C S O N

Date: July 27, 2010

To: Ernest Vargas

From: Kent Tarbet

Subject: Shingle Springs New Clinic Feasibility Study

Attached is a copy of the final revision of the feasibility study. It has incorporated all the changes and edits that we have previously discussed.

The objective of this study was to be conservative and to project what the financial impact would be with the development of a new clinic. I feel that we have met that objective. The strategy of increasing market share with the Medi-Cal market is a sound one. Shingle Springs is positioned well to be able to capture a large percentage of this market. This study used the most conservative reimbursement models as we projected future periods.

I am happy to present this study and the supporting documentation. It presents what I believe are reasonable projections and shows that based on the loan amount, clinic operations will be able to cover the debt service of this project. It is my recommendation that Shingle Springs pursue this project as it will provide an updated clinic for Tribal Members located closer to their residences as well as provide the space necessary to grow the healthcare services while maintaining a strong financial foundation.

I appreciate you letting us complete this study and look forward to visiting the clinic when it is completed.



Table of Contents

Project Description 1

Executive Summary 1

Organization Background..... 2

Project Cost..... 5

Population Projections 5

Service Demand Projections 6

Financial Projections and Key Assumptions 7

APPENDIX

A El Dorado County Population and Volumes

 El Dorado County Population 9

 El Dorado County Primary Care Visits 10

 El Dorado County Dental Care Visits 11

B. Service Demand

 Primary Care Demand 12

 Dental Care Demand 16

 Assumptions..... 18

C Consolidated Health Service Financial Projections

 Income Statement 19

 Balance Sheet..... 20

 Statement of Cash Flows 21

 Financial Ratios..... 22

 Amortization Schedule 23

 Depreciation Schedule 24

D Trended Income Statement Projections 25

E Adjusted Trended Income Statement Projections 27

F Primary Care Strategy Financial Impact 29



G	Dental Strategy Financial Impact	35
H	Flintco Construction Estimate	38
I	Equipment and Furnishings Estimate	64
J	2006 Audited Financial Statement	69
K	2007 Audited Financial Statement	129
L	2008 Audited Financial Statements	192



Project Description

The Board of Shingle Spring Tribal Health Corporation has voted to build a new clinic. It will be located on Tribal property off of Highway 50 and Red Hawk exit. This land currently sits on Tribal Trust Land. The land will reside within the Trust but Tribal Leaders have allowed the Health Clinic to be built on it. Currently the Health Clinic resides in rented space which is too small and does not allow for the expansion of services. Under IHS regulations, Tribal Health clinics receive a yearly funding agreement amount which contributes to the operations of the clinic. This amount does not meet all the operational needs of the clinic. IHS also allows Tribal Health Programs to keep all funds that they are reimbursed by third party payors to assist in offsetting any shortages from this funding. Under a negotiated agreement between IHS and Center for Medicare & Medicaid Services (CMS), tribal health programs receive a fixed all-inclusive rate for each visit from patients that qualify for Medicaid (Medi-Cal). This negotiated amount for tribal programs in California is \$289 per visit for FY 2010 under the federal criteria of a Federal Qualified Health Center (FQHC). In order to cover the increased costs of providing services, Shingle Springs Health Corporation needs to expand the number of reimbursable clinic visits from third party payors, particularly Medi-Cal. In order to accommodate increased visits, new clinic space is needed for the Medical and Dental areas, as well as administrative and other support areas. This new building will allow the clinic to expand reimbursable services as well as services needed to enhance the health of the Tribal community.

Executive Summary

Shingle Springs Tribal Health resides in El Dorado County which currently is an underserved area for healthcare services. This study looks at the population projections for El Dorado County to 2030 and determines, based on national utilization rates, what the demand is for Primary Care and Dental Care visits would be. These visits are then broken down by payor types such as Medicare, Medi-Cal, IHS, and other third party resources based on the patient demographics. Since Shingle Springs as a Tribal Health program qualifies as a FQHC, the reimbursement for Medicare and Medi-Cal is substantially higher than it is for other providers or like services in El Dorado County. Due to the low reimbursement amounts to non-FQHC providers, most prefer to minimize the amount of Medi-Cal patients they see. This provides a large opportunity for Shingle Springs to provide Medical and Dental services to an underserved Medi-Cal patient population. This analysis looks at what a reasonable market capture of these volumes would financially mean to the clinic. Three various volume scenarios are presented which show the clinic visits based on having routine hours (Monday-Friday, 8-5), expanded hours (Monday-Friday, 8-9), and extending the number of days that the clinic is open (Monday-Friday, 8-9; Saturday 9-9) (*see Appendix B*). In this analysis, the additional volume projections are only increased once the new clinic is opened. Volumes in 2011 and 2012 are based on normal growth limited by the existing physical constraints of



the leased building. These projections are based on a calendar year. It is projected that the new clinic will open on July 2013.

The financial projections of this study are based on two funds which are directly related to Health Services:

- Health Fund
- 3rd Party Fund

All trended income statements and balance sheets use only these two funds as their basis for projections. The trended income uses audited year, 2006, 2007, and 2008 to develop a trend to 2020 which shows what the clinic could expect if nothing changed from current operations (*See Appendix D*). This Trended Income statement is then adjusted to reflect the changes of moving into a new building with is associated depreciation and interest as well the cost of increased square footage. The management has also suggested that a strategy of increase Medical and Dental visits be undertaken, targeting the Medi-Cal market in El Dorado County. The results of these strategic initiatives are outlined in Appendix F for Primary Care and Appendix G for Dental Care. These strategies along with the adjusted trended statements are consolidated in Appendix C which contains a:

- Health Services Consolidated Income Statement
- Health Services Consolidated Balance Sheet
- Health Services Consolidated Statement of Cash Flows
- Selected Ratios based on these consolidated statements

This report demonstrates that, with a Loan of \$13,095,816 from the USDA and an initial Tribal contribution of \$2,600,000 into the Health Fund, this clinic has the ability to cash flow and service the debt.

Organization Background

Shingle Springs Tribal Health Program is governed by a 7-member Health Board, with 2-alternates. The Health Board is responsible for governing the health program.

The Executive Director is responsible for the day-to-day management of the health program. The clinic is comprised of Medical, Dental, and Behavioral Health. Within those departments there are Department Directors that are responsible for the day-to-day operation of their department.



The Executive Director reports to the Health Board on a monthly basis regarding the activity of the clinic from the previous month. The Executive Director will bring items to the Health Board that require their approval, which could be employee raises, new job descriptions, policies and procedures, new programs, etc.

Key Personnel:

Beth Ann Bodi, Executive Director

Beth Ann is responsible for the day-to-day operations of Shingle Springs Tribal Health Program. Beth Ann has been Executive Director since June 2000. Beth Ann started working for Shingle Springs Tribal health Program February 1997. Beth Ann has a Bachelors Degree in Business Administration.

Genny Whitehurst, Deputy Director

Genny started for working Shingle Springs Rancheria as the Chairman's Executive Assistant in 2005. Genny has recently been hired as the Deputy Director. Genny started May 2010. Genny is responsible for the day-to-day functions of the clinic when the Executive Director is unavailable.

John D. Verzosa, MD

Dr. Verzosa has been working for Shingle Springs Tribal health Program as the medical Director since July 1997. Dr. Verzosa is a Board Certified Family Physician and provides medical care to our patients. He has been instrumental in directing and supervising the many areas of clinic growth within the medical department. Dr. Verzosa has been an active member in the community, being identified as a physician leader with the local hospital, Marshall Medical Center. He has also been participating for the past 5 years, in a county collaborative to provide access and better medical care to needed populations.

Rose Hollow Horn Bear, IMFT, Behavioral Health Director:

Rose started with Shingle Springs Tribal health in 1998. Rose started as the Quality Assurance Specialist. Rose received her Bachelor's Degree in Behavioral Science in June 2000. Rose then went on to receive her Master's Degree in Behavioral Science. Rose is now the Marriage Family Therapist for Shingle Springs Tribal Health Program. Rose is also the Behavioral Health Director; her department consists of a Clinical Psychologist and Adult/Child Psychiatrist.



Cris Shepard, Dentist/Dental Director

Dr. Shepard graduated with a BA in Sociology from Pomona College in 2003 and received his Doctor of Dental Medicine (DMD) in 2007 from the University of Nevada Las Vegas, School of Dental Medicine. Dr. Shepard has been the Dental Director at Shingle Springs Tribal Health Program since July 2007.

Travis Giles, IT Director:

Joined the Navy when he was 18 and Spent 2 years in an intense 12 hour a day Naval College learning Basic electronic theory, advanced electronic theory, Servos and robotics systems, Computer science, RADAR systems, Computer data systems, Advanced Weapon Systems. He then spent the next four years traveling around the world on The U.S.S. Bunker Hill and The U.S.S. Monterey repairing, maintaining and operating Advanced Electronic Weapon systems. Left the military in 1991 and moved to Santa Cruz California where he worked as an Electronics Systems Engineer for 10 years designing video servers and automation systems for the broadcast industry. Travis came to Placerville California in 2008 and become Information Technology Director of the Shingle Springs Tribal Health clinic.

BS EE, Microsoft Certified Systems Engineer, Microsoft Certified Network Administrator, Microsoft Certified Professionals. Microsoft Certified Associate, Cisco Networking Associate, C++ programming.

Kasey Lonbaken, RN, Outreach Director

Kasey started at the clinic in 2003 as a Community Health Representative and recently graduated from nursing school. Kasey oversees the Outreach and Transportation Departments which includes health education and screenings, injury prevention programs, diabetes prevention and education as well as assisting uninsured Native Americans to find coverage for health care.

Ernest Vargas, Fiscal Director

Ernest has worked for Tribal Governments / Tribal Organizations for the last 14 years and has been the Fiscal Director for the Tribe since March 2009. He has been involved in multiple program / business start up and expansions from inception to completion including expansions in multiple counties and site locations. He also has experience in investments, financial planning, and strategic planning.



Project Cost

Full detail of the project cost is contained in Appendix H. The contractor for this project is Flintco Constructive Solutions. It is assumed that the contractor will carry the construction loan for this project. The following outlines their cost projections:

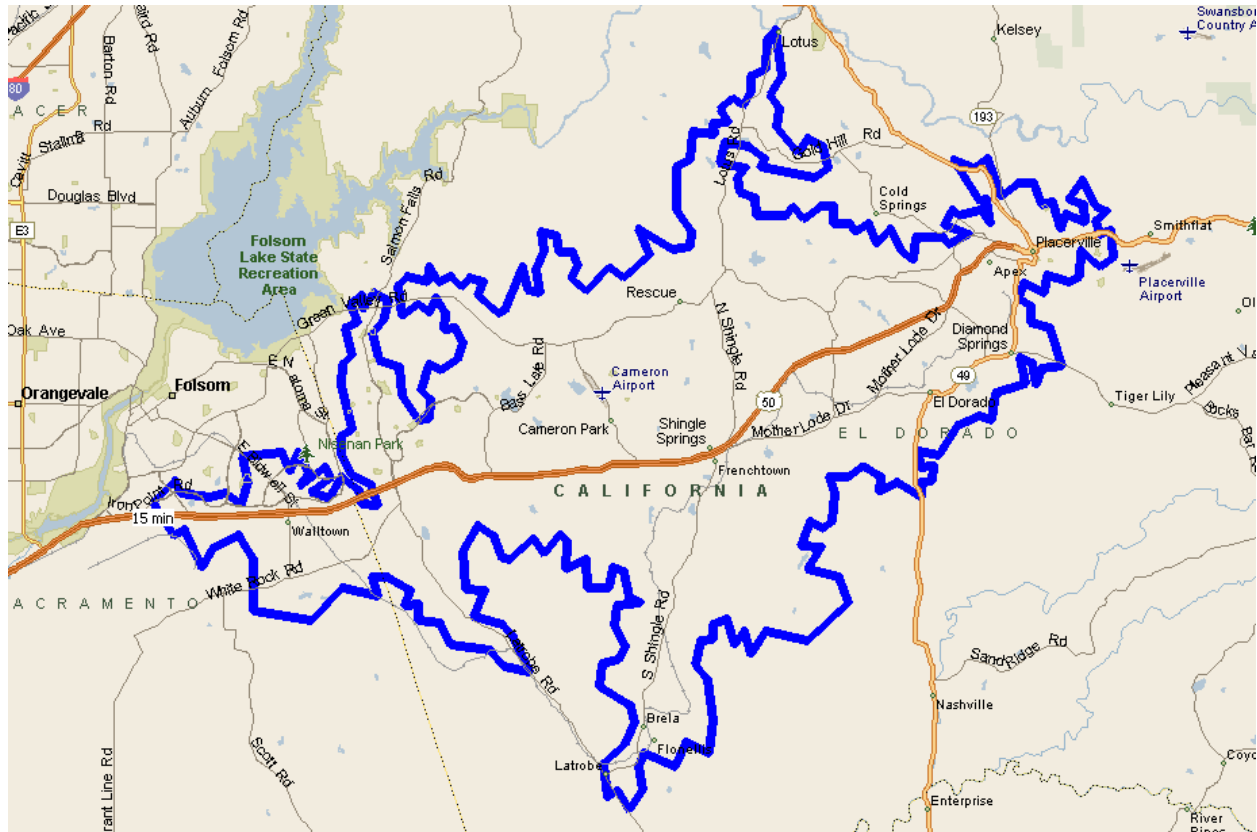
Site Improvements	\$ 1,600,287
Parking Structure	\$ 1,603,890
Health Clinic Building	\$10,569,414

A list of equipment as prepared by Shingle Springs is presented in Appendix I.

Moveable Equipment	\$ 1,922,225
Total Project Cost	\$15,695,816

Population and Visit Projections

The population projections used is taken from the State of California, Department of Finance as published in 2009 (*See Appendix A*). These projections are broken down by age demographic and applied to utilization rates published by either the Center for Disease Control (CDC) or the American Dental Association (ADA). These utilization rates are national rates so no adjustments have been made for El Dorado County. Medi-Cal user population for El Dorado County is based on actual users for 2006,2007,2008,2009 and published by the California Department of Health. A ratio of users to population was made to project future Medi-Cal users into 2030. The map on the next page outlines the service area for Shingle Springs Tribal Health.



Service Demand Projections

This projection takes the total primary care and dental visits available in El Dorado county and determines a strategic market share that Shingle Springs could reasonable expect to receive. (See *Appendix B*) It also takes into account the space limitations and provider limitations of Shingle Springs. It is assumed that all Native Americans needing medical services and not having any other financial resources will receive their care at the clinic free of charge. Referrals to outside providers will be made and paid for by the clinic in accordance with IHS regulations.