

**FIRST AMENDMENT BETWEEN THE COUNTY OF SAN MATEO AND
Health Management Associates**

This FIRST AMENDMENT, entered into this ____ day of ____ 2007, by and between the COUNTY OF SAN MATEO, hereinafter called "County," and Health Management Associates, hereinafter called "Contractor";

W I T N E S S E T H:

WHEREAS, on June 11, 2007, the parties hereto entered into agreement (hereinafter referred to as the "Original Agreement") pursuant to which the Contractor agreed to review San Mateo Medical Center's internal financial analysis of gain and loss by service line, and preparing five year financial projections, assuming no changes to the configuration of services at the San Mateo Medical Center, the clinics and long-term care facilities; and

WHEREAS, the parties wish to further amend the original Agreement to extend the term to June 30, 2008, and to increase the total amount payable thereunder by \$244,584, from \$55,115 to \$299,699 to cover costs associated with the development of various options for the delivery of healthcare to medically indigent residents;

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. **Section 1, Exhibits and Attachments**, of the Original Agreement is hereby amended in its entirety to read as follows:
The following exhibits and attachments are included hereto and incorporated by reference herein:
Exhibit A—Services - contained in that certain document attached hereto and made a part hereof, marked Exhibit "A" and entitled "Phase 1: Workplan, Methodology, Expertise, Deliverables" and "Phase 2: Workplan, Methodology, Expertise, Deliverables".
Exhibit B—Payments and rates - contained in that certain document attached hereto and made a part hereof, marked Exhibit "A" and entitled "Phase 1 Budget" and "Phase 2 Budget."
2. **Section 3, Payments**, of the Original Agreement is hereby amended in its entirety to read as follows:
In consideration of the services provided by Contractor in accordance with all terms, conditions and specifications set forth herein and in Exhibit "A," County shall make payment to Contractor based on the rates and in the manner specified in Exhibit "B." The County reserves the right to withhold payment if the County determines that the quantity or quality of the work performed is unacceptable. In no event shall the County's total fiscal obligation under this Agreement exceed \$299,699.
3. **Section 4, Term of Agreement**, of the Original Agreement is hereby amended in its entirety to read as follows:

follows:

Subject to compliance with all terms and conditions, the term of this Agreement shall be from June 11, 2007 through June 30, 2008.

- 4. All other terms and conditions of the agreement dated June 11, 2007, including any subsequent amendments to this agreement between the County and Contractor, shall remain in full force and effect.**

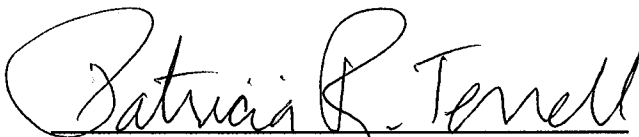
IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hands.

COUNTY OF SAN MATEO

By: _____
President, Board of Supervisors, San Mateo County

Date: _____

Health Management Associates



Contractor's Signature

Date: 8/30/07

EXHIBIT "A"

HEALTH MANAGEMENT ASSOCIATES

*Proposal to Evaluate San Mateo County's Current
Configuration of Health Services and Make
Recommendations for Alternate Configurations*

PRESENTED TO THE
SAN MATEO COUNTY HEALTH DEPARTMENT

APRIL 27, 2007

Introduction

In order to ensure optimal use of County assets and resources relative to the County's obligations and mission with regard to medical, behavioral health and long term care, the San Mateo County Manager is requesting consulting assistance with the following:

- A review of the County's internal financial analysis of gain and loss by service line.
- A five year projection of financial performance, assuming no changes to the configuration of services at the San Mateo Medical Center (SMMC), the clinics and the long term care facility.
- Recommendations for one to three configuration options for SMMC, the clinics and the long term care facility that would maximize the County's assets and resources.

Health Management Associates

Health Management Associates (HMA) is a national research and consulting firm specializing in complex health care program and policy issues. Our staff has extensive experience with Medicaid, Medicare and programs for the uninsured. Founded in 1985 in Lansing, Michigan, Health Management Associates provides leadership, experience, and technical expertise to local, state, and federal governmental agencies, regional and national foundations, multi-state health system organizations and single site health care providers, as well as employers and other purchasers in the public and private sectors. HMA is widely regarded as a leader in providing technical and analytical services to purchasers, providers and payers in the healthcare field.

HMA has offices in Chicago, Illinois; Washington, D.C.; Lansing, Michigan; Tallahassee, Florida; Austin, Texas; Columbus, Ohio; Indianapolis, Indiana and Long Beach, California. HMA has clients across the country, including public and private hospitals, local and state governments, state hospital associations, and major health care foundations. The firm has extensive expertise in the design and implementation of health programs, particularly with respect to Medicaid payment systems, public program financing, and covering the uninsured.

As the San Mateo County Manager has recommended, HMA proposes two phases for this project.

Phase 1 Workplan

1. Utilizing financial service line analysis from each of the last three (minimum) years, along with interviews with key staff, HMA will review the SMMC internal financial analysis of gain and loss by service line.
 - a. Review the SMMC financial analysis and methodology used for service line specific allocations and results.
 - b. Identify key policy, operational or financial aberrations that may have occurred that would cause significant variation in utilization, revenue or

expenses (e.g., a large capital expense, changed payor mix, changes in staff ratios, etc.) over the short term.

2. HMA will develop a five-year financial projection, assuming there are no changes to the configuration and operation of the SMMC, clinics, and long term care facility.
 - a. Identify and apply relevant cost factors to the internal financial model. Conduct research that would include the following:
 - i. Information from the National Association of Public Hospitals
 - ii. Trend factors such as those outlined by Data Resources Inc.
 - iii. Trends in the number of uninsured in San Mateo County and the Bay Area region
 - iv. Wage indexes and other factors that would affect financial performance
 - v. Policy changes such as health care reform legislation that would affect health care delivery
 - b. Emphasize particular drivers likely to affect public hospitals and health systems, and those specific to San Mateo County and the Bay Area region.
 - c. Identify the core of services that would need to be maintained in order to meet the County's public mission, and identify options to configure the hospital financially to allow the County to maintain those core services, and others that benefit County residents who rely on the County for care.

Methodology

Steve Perlin, HMA Senior Consultant, will serve as Project Manager for Phase 1. With the assistance of Principal **Dave Ferguson**, he will review all historical financial documents and interview key personnel who oversee the collection and analysis of the data. He will confirm that sources for the data are consistent over time, and that aberrations are sufficiently explained. If he finds deficiencies, he will outline how they can be addressed and corrected for future reporting.

Senior Consultant **Karen Cronin** will conduct the research, and work with Steve Perlin to develop the five year projection.

Principals **Pat Terrell** and **Mary Roos** will review the analysis and research, and contribute as needed to the final report.

Expertise

Steve Perlin, Senior Consultant, has over fifteen years of demonstrated expertise in health finance, policy development, and legislative advocacy. He has extensive experience in the areas of Medicaid policy, reimbursement and financing having worked on the redesign of Medicaid inpatient and outpatient reimbursement systems as well as

the development of provider tax and intergovernmental financing structures. He has also worked on Medicare and uncompensated care issues affecting hospitals.

Karen Cronin, Senior Consultant, has worked for over ten years to improve operations, meet accreditation requirements, and foster relationships with affiliates of a large public hospital that also sponsors over twenty residency and fellowship training programs. She has prepared for and participated in accreditation surveys by the Joint Commission on Accreditation of Healthcare Organizations and the Accreditation Council for Graduate Medical Education. Ms. Cronin also participated in the start up of a Medicaid managed care plan for one of the nation's largest public health and hospital systems, acting as liaison to the state and developing provider education materials.

Pat Terrell, Principal, is nationally recognized for her expertise in health system development, with a particular emphasis on hospitals and networks serving indigent and medically underserved populations. For HMA, she has directed major restructuring projects addressing clinical, organizational, academic and financial issues in large health systems in Dallas, Phoenix, San Francisco, Los Angeles and New Orleans. She also has extensive experience in establishing unique operational partnerships between provider organizations, including both public and private delivery systems. Before joining HMA, she served in the leadership of one of the nation's largest public health and hospital systems for more than a decade and, before that, was the Executive Director of a health policy organization in Chicago.

Mary Roos, RN, Principal, has expertise as a senior health care executive with a strong operational and clinical background. She has assisted clients with formulating and executing strategies to address structural, clinical and operational issues related to the successful delivery of care. Prior to joining HMA, Ms. Roos was the Chief Operating Officer for Saint Joseph Regional Medical Center in Indiana. Ms. Roos is skilled in building effective teams, creating patient-centered environments and designing innovative solutions that contribute to organizational change.

Dave Ferguson, Principal, is an expert in hospital reimbursement, managed care rate setting, and management information systems. Mr. Ferguson frequently consults with hospitals, mental health providers and managed care plans on rate setting and reimbursement issues. Mr. Ferguson is recognized for his ability to identify innovative reimbursement policies that meet the unique needs of providers whose circumstances are outside expected norms. He is often called upon by state officials as well as providers to develop equitable and economical funding mechanisms.

Deliverables for Phase 1:

1. Bi-weekly memos communicating progress to Steering Committee members, including the County Manager (Chair), Medical Center CEO and CFO, Director of the Health Department and Executive Director of the Health Plan of San Mateo, as well as bi-weekly meetings, in phone or in person, between HMA Project Manager and Steering Committee Chair (and other interested/available committee members), to discuss and review bi-weekly progress memos.
2. Conclusions from HMA's review of the internal SMMC financial analysis.

3. A five-year financial projection, assuming no changes to the current configuration of SMMC, the clinics, and the long term care facility.
4. A final written report and slide presentation to be presented to the Steering Committee.

Phase 1 Budget

	Steve Perlin	Karen Cronin	Pat Terrell	Mary Roos	Dave Ferguson	Terry Conway	Administrative Staff	Totals
Rate	\$305	\$260	\$355	\$355	\$305	\$385	\$100	
85%	\$259	\$221	\$302	\$302	\$259	\$327	\$85	
Financial Review	60				15			
Key Staff Interviews	15				15			
Market Research		20						
Report Writing		20		5		2	5	
Presentation	5	5	5					
Total Hours	80	45	5	5	30	2	5	172
Est. Consulting Cost	\$20,740	\$9,945	\$1,509	\$1,509	\$7,778	\$655	\$425	\$42,560
Travel @ 50% of Rate								
50%	\$153	\$130	\$178	\$178	\$153	\$193		
Trips	2	1	1		1			
Travel Hours	20	10	10		12			
Est. Travel Cost	\$3,050	\$1,300	\$1,775	\$0	\$1,830	\$0	\$0	\$7,955
Est. Travel & Incidental Expenses								\$4,600
Est. Total Cost	\$23,790	\$11,245	\$3,284	\$1,509	\$9,608	\$655	\$425	\$55,115

Phase 2 Workplan

Drawing on the operational, clinical, structural and financial expertise that have informed HMA-directed health care system assessments in communities across the country, and building upon delivery system trends, HMA will develop a set of alternative configurations for San Mateo County's Medical Center, its clinics, and its long term care facility and its managed care plan, taking into account the County's current assets, potential partners and mission. This effort will be an in-depth assessment and "testing" of the efficacy of various opportunities for the County to expand access and assure evidence-based health care delivery in the most efficient way possible, maximizing the benefit of local tax dollars within the context of regulatory, financial, operational and policy changes at the state and federal level. Phase 2 will include the following:

1. **Regulatory Analysis**
 - a. Outline the minimum level of inpatient licensed capacity to maintain / maximize state and federal reimbursement streams (reimbursement from SNF, Medi-Cal / behavioral health, FQHC, DSH, Medicare reimbursement, etc).
 - b. Outline the triggering mechanisms that would result in a facility being categorized as an IMD, or as a free standing skilled nursing or psychiatric facility.

2. **Financial Analysis**

- a. Conduct a high level review of the financial implications for various configurations of the County health facilities and health plan.
- b. How would Medicare, MediCal, and other reimbursement streams be affected if med-surg beds closed or were provided through other relationships?
- c. How would San Mateo's emergency, psychiatric and long term care admissions be affected by reduced or closed medical surgical beds?
- d. What are the implications of leasing the inpatient capacity?

3. Operational Analysis

- a. Outline the operational implications of minimal licensing levels
 - i. What would be the minimum staffing requirements if the hospital functioned at the minimum medical-surgical bed level?
 - ii. How would patient services be affected if medical-surgical beds closed?
 - iii. How would hospital admissions and transfers be affected?
- b. Develop delivery system alternatives that address the provision of a comprehensive scope of services for the target population that the County is mandated to serve, based on the service needs of that population, medical evidence and financial sustainability.
- c. Present models that are built upon partnerships between the County and other providers, rooted in current relationships and others that are developing through current initiatives, such as the hospital consortium and the blue ribbon task force on the uninsured,

Methodology

Prior to starting Phase 2, HMA will meet with the Steering Committee to identify key stakeholders and potential partners to include in interviews and discussions. HMA will develop a timeline for interviews that will be reviewed and approved by the Steering Committee to ensure appropriate coordination of communication with external stakeholders.

Bi-weekly progress memos will be provided to Steering Committee members, and bi-weekly meetings, in phone or in person, between HMA Project Manager and Steering Committee Chair (and other interested/available committee members), will take place to discuss and review bi-weekly progress memos.

Pat Terrell will serve as Project Manager of Phase 2 and will lead a team composed of **Dr. Terry Conway**, **Nicola Moulton** (HMA's LTC expert who oversaw the LTC component of HMA's engagement in San Francisco), **Kelly Johnson** (managed care expertise), **Steve Perlin**, **Dave Ferguson** and **Karen Cronin**.

It is anticipated that Phase 2 will commence upon the satisfactory completion of Phase 1 and will require four months to complete. In addition to the office-based research (both financial and regulatory), it has been HMA's experience that such an assessment, which will include intensive discussions with key stakeholders and potential partners, as well as regular sessions with the County leadership team, will require twice monthly on-site visits (of two days per visit) with 2-3 staff at each visit. It is anticipated that Pat Terrell and Dr. Conway will be in San Mateo 6 times in the four month period, Nicola Moulton, and Kelly Johnson will be there twice each and Karen Cronin, Dave Ferguson and Steve Perlin will each be there once. During the four months of Phase 2, it is optimal that there are bi-weekly meetings/conference calls with the leadership team from the County to assess progress and discuss findings. At the conclusion of Phase 2, HMA will produce:

A final written report to the Steering Committee outlining configuration options for San Mateo Medical Center, its clinics and its long term care facility, taking into consideration the County's public mission. Communication with parties outside the Steering Committee regarding these and/or preliminary drafts of configuration options will be undertaken at the direction of the Steering Committee.

Phase 2 Budget

	Steve Perlin	Karen Cronin	Nicky Moulton	Pat Terrell	Terry Conway	Dave Ferguson	Kelly Johnson	Total
Rate	\$305	\$260	\$260	\$355	\$385	\$305	\$305	
85%	\$259	\$221	\$221	\$302	\$327	\$259	\$259	
On-site Hours	16	16	32	96	96	16	32	304
Off-site Hours	30	30	30	80	40	30	20	260
Est. Consulting Cost	\$11,926	\$10,166	\$13,702	\$53,108	\$44,506	\$11,926	\$13,481	\$158,814
Travel @ 50% of Rate								
50%	\$153	\$130	\$130	\$178	\$193	\$153	\$153	
Trips	1	1	2	6	6	1	2	
Travel Hours	16	16	32	96	96	16	32	
Est. Total Airfare	\$500	\$500	\$1,050	\$3,000	\$3,000	\$600	\$1,200	
Est. Travel Cost	\$2,940	\$2,580	\$5,210	\$20,040	\$21,480	\$3,040	\$6,080	\$61,370
Estimated Expenses (Lodging, meals, copying, etc.)								
Est. Travel & Incidental Expenses								\$24,400
Est. Total Cost	\$14,866	\$12,746	\$18,912	\$73,148	\$65,986	\$14,966	\$19,561	\$244,584

Expertise

In addition to the individuals previously listed in Phase 1, Phase 2 would include the active involvement of:

Dr. Terry Conway, Principal, provides consulting assistance in the areas of health system development, medical staff organization, hospital/medical school relationships, and clinical approaches to disease management, including a focus on specialty care reorganizations. Prior to joining HMA he was the chief operating officer of the Ambulatory and Community Health Network, Cook County Bureau of Health Services. His duties included the direction of all operations of a system of 31 primary and specialty outpatient community and hospital-based health centers that deliver approximately

850,000 clinical encounters per year. He has also served as the associate chairman of the Department of Medicine Cook County Hospital and as interim chairman of the Department of Medicine and chief of the Division of General Medicine and Primary Care Cook County Hospital. Previous experience includes associate medical director of Anchor Health Management Organization, and medical director of Community Health Northwestern University Medical School and medical director of Near North Health Services Community Health Center. Dr. Conway was the principal investigator conducting intervention to improve community-based physician asthma care to inner city patients, and the principal investigator of a project funded by the Robert Wood Johnson Foundation to implement chronic disease management of asthma through community involvement, patient empowerment, physician practice change and health center reorganization. He has participated in NIH and AHRQ research projects to study and change minority patient behavior in diabetes and asthma care. He has also conducted research and published in the area of the role of primary care and violence, predictors of physician attitudes towards managed care, as well as a number of topics in prevention in physician practice.

Kelly Johnson, Principal, has significant experience with Medicaid managed care and Medicare Advantage. Experience includes market and feasibility analyses for new business opportunities, preparation of responses to RFPs and applications for HMO licenses, feasibility and readiness reviews and program implementation. She has also worked with numerous community-based providers and agencies regarding program sustainability, federally qualified health clinic designation, grant applications and funding opportunities.

Nicola J. Moulton, Senior Consultant, has over 20 years of experience in a variety of health care and public service settings, including experience both as a public provider and State Medicaid administrator of long-term care, institutional and community-based services for persons with varying disabilities and for elders. Ms. Moulton specializes in the development of Medicaid programs for persons with long-term care needs including managed, integrated acute and long-term care programs, behavioral health programs, and special long-term care projects including consumer directed care initiatives and nursing home transition projects. She has written Section 1915(c) and Section 1115 waivers, and assists states, providers and advocacy groups with the design of programs for persons with disabilities encompassing policy analysis and development, funding analysis and development, and implementation.

Ms. Moulton has a BSN and worked previously as a licensed Nursing Home Administrator for a 150-bed SNF/MR, a Certified Biofeedback Therapist, a psychiatric nurse and as executive director of an indigent health care program and environmental support organization.

Relevant Experience and HMA References

Following are summaries of HMA projects that are relevant to the work we would do for San Mateo County and serve as references from public hospital systems who are current clients.

Los Angeles County Department of Health Services (Los Angeles)

HMA was hired in 2005 to assist the County health system to redesign clinical operations to allow it to move into a new, smaller acute care hospital. HMA has been working closely with hospital and system leadership to assess the needs for inpatient beds, specialty outpatient services and lower levels of care resources. A significant part of this effort was the determination of criteria for specialty care demand, comparing existing service capacities to what would be expected for the population being served. This project is ongoing.

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State of Louisiana Department of Health and Hospitals/LSU-Health Care Services

HMA has been engaged by the State of Louisiana since July of 2006 to develop, negotiate and execute a model "Medical Home System of Care" for the four Parishes around New Orleans. This work has entailed determining the population to be covered, the primary care and specialty care services that would be required, the most effective models for assuring a seamless and effective continuum of care and a financing strategy to pay for the implementation of this system for uninsured and under-insured people. HMA is now working with Louisiana State University-Health Care Services Division (that operates the public health and hospitals system) to implement this network, designing a medical home model that will assure primary, specialty and inpatient services for 50,000 uninsured people. This model will utilize both public sector and private sector providers

Fred Cerise, MD
Secretary, State of Louisiana Department of Health and Hospitals
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fcercise@dhh.la.gov

Maricopa County Health Care District (Phoenix)

HMA was engaged in January of 2006 by the Maricopa County Health Care District, the newly enacted governance body for the public hospital system (including community clinics, an acute hospital and behavioral health facility), to undertake a comprehensive analysis of the strategic priorities facing the health care system. The health system had gone through a number of different management structures, had a strained relationship with most community organizations and with other health care providers and an arrangement with a private physician group that built both primary care and specialty care capacity based on how many providers that they could find and what services were

profitable, rather than what the community needed. One aspect of the Maricopa report addressed the population trends, location of primary care and specialty care needs for the defined vulnerable populations. The report also identified potential partnerships with other providers to expand capacity for both primary and specialty care services.

At the conclusion of this study, HMA was retained to address issues related to the plan, including organization of medical staff relations, contracting and structure.

Betsey Bayless

CEO

Maricopa Integrated Health System (public hospital system for Phoenix)

602-344-5566

Betsey.bayless@hcs.maricopa

Additional References:

Dallas County Commissioners Court (Dallas, Texas)

HMA was engaged in May of 2004 by the Dallas County Commissioners Court to undertake a comprehensive analysis of the long range planning issues for the financing and delivery of health care services for the medically indigent in the County, as well as look at potential synergies with the neighboring six Counties. The final report addressed issues ranging from the effectiveness of the Parkland clinics (both primary care and specialty) in meeting the needs of the populations, the impact on the academic affiliation on the provision of clinical services, the potential partnership opportunities with other providers in the community to enhance access to care and the potential for collaboration with other Counties.

At the conclusion of this nine-month study, HMA was retained to: renegotiate the affiliation agreement between Parkland and the University of Texas, to convert the Parkland clinics to Federally Qualified Health Centers, to assess the quality of the Dallas County Jail Health Services, to restructure the Parkland Emergency Department, to represent the County in negotiations in Austin for increased Medicaid reimbursement, to establish clinical partnerships between Parkland and private hospitals and, most recently, to oversee the development of a Master Capital Plan for Parkland Hospital.

Ron Anderson, MD

President and CEO

Parkland Health and Hospital System

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Catholic Healthcare West

Los Angeles County Department of Health Services

San Francisco Department of Public Health

HMA was engaged in 2003 by the President and CEO of Catholic Healthcare West (CHW), a not-for-profit network of more than 40 hospitals primarily in California, to assess the potential for building partnerships between the CHW system's inner city hospitals in Los Angeles and San Francisco and their public hospital counterparts. Over

the course of the project, HMA has been able to work intimately with the public sector leadership in both cities, bring together the administrative leadership of both the public and private hospitals, develop a detailed agenda for collaboration between the two systems, and begin implementation of specific clinical and organizational collaborations. In San Francisco, this partnership has already proceeded to the stage of an agreement on a Memorandum of Understanding between CHW and the San Francisco Department of Public Health to continue to move forward as partners on a series of activities that will rationalize and expand care to the medically underserved. In Los Angeles, HMA is currently representing CHW in developing potential public/private partnerships with two of the County's hospitals.

One of these hospitals, Rancho Los Amigos, a renowned rehabilitation center, is the subject of a potential partnership between CHW, LAC and the Rehabilitation Institute of Chicago. HMA is also assisting CHW in preparing a plan to keep inpatient hospital services in an inner city area should the County hospital there lose its CMS certification and funding.

In addition to public/private partnership development, HMA is assisting CHW with securing reduced drug pricing for one of its eligible hospitals and developing creative financing through the state's Medicaid agency for a hospital system that serves as the only facility delivering care to the poor in one California county.

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