



HUNTINGTON HOSPITAL

Urgent Care Center Assessment

Executive Summary – May 5, 2006

Background and Objective

Background: The Community has expressed various concerns regarding health care delivery in the Pasadena market focused around a growing under-served segment of the population and delivery of emergency services. In particular,

- ✓ Huntington Hospital is experiencing significant wait times in the Emergency Department causing patients to leave without being seen.
- ✓ Concerns have been expressed from various parts of the Community that a segment of the market is underserved relative to Primary Care and other non-emergent care.

Objective: Assess the market for opportunity and the financial and operational implications relative to development of an Urgent Care Center in the Pasadena market

Conclusions

- ✓ The market demonstrates need for additional capacity in urgent care as well as primary care, primarily during the mid-morning through midnight timeframe.
- ✓ All segments of the community recognize the significant need and are supportive of developing the Urgent Care Center.
- ✓ Two locations for the Center have emerged as most likely: East Del Mar (city-owned property) and the former St. Luke facility.
- ✓ Market demographics, need, and potential incentives from the City appear to favor the East location.
- ✓ Financially, maintaining profitability in this Center will be difficult without incentives or other support from various partners.
- ✓ A significant capital investment approaching nearly \$2 million will likely be required, assuming suitable space could be made available and reconfigured.
- ✓ Development of the Center will not likely eliminate fully the long wait times in the Hospital ED although the issue may be alleviated somewhat.

Community Perceptions

To further understand the issues and concerns among members of the community, interviews were conducted with various Pasadena community representatives:

Representing	Interviewee	Position
City of Pasadena	Bill Bogaard	Mayor
	Cynthia Kurtz	City Manager
	Dr. Takashi Wada	Director, Public Health Department
	Richard Bruckner	Director of Planning and Development
	Sid Tyler	City Council Member, CHAP Board Member
	Steven Madison	Vice Mayor and City Council Member
Huntington Hospital Board	Armando Gonzalez	Board Member
	Paul Ouyang	Board Member
Huntington Hospital	Rary Simmons	Chair, Community Benefit Committee
	Bonnie Kass	Vice President and Chief Nursing Executive
Young and Healthy	Dr. Paula Verrette	Chief of Staff HH, Medical Director CHAP
CHAP	Mary Donnelly	Executive Director
	Margaret Martinez	Executive Director

Community Perceptions – (Continued)

Findings and Observations from Community Interviews:

Need:

- ✓ The indication of need for the Urgent Care Center is consistently strong across all segments of the community
- ✓ The need for primary care is also consistently strong across the community for a large and growing segment of the population
- ✓ The MAP process initiated in the past two years represents community health planning. A survey of 2,000 people on “how to keep Pasadena healthy” identified four major initiatives including Access to Care and Urgent Care
- ✓ Development of the Urgent Care Center will likely *increase* overall volume for urgent care / emergency services in the community as it releases pent-up demand and increases access
- ✓ The perception from many of the interviewees is that the Northwest side of town has the greatest need and may be critical if the Center is located on the East side due to transportation difficulties getting there
- ✓ CHAP identified as having need to enhance their services and capacity

Community Perceptions – (Continued)

Findings and Observations from Community Interviews (Continued):

Services and Hours:

- ✓ Consistently the need for service after 5pm and until at least 10 or 11pm was identified with capacity for walk-ins.
- ✓ May also see a need for additional services during the day to fill perceived capacity with therapy or worker's compensation
- ✓ Some segments expressed an interest for hours "24/7" while others believe the Center absolutely should *not* be open "24/7"
- ✓ A 16 hour cycle was recommended to cover the highest need for the service and to promote effective staffing
- ✓ Lab and Radiology consistently recommended for service. Workers Comp, Therapy, Occupational Health recommended as "filler" to help the Center be more efficient
- ✓ There is interest in the community to continue the education process of Pasadena residents

Community Perceptions – (Continued)

Findings and Observations from Community Interviews (Continued):

Location:

- ✓ The City property on the East side of Pasadena (3160 E. Del Mar) has consistently been identified as a desirable location due to potential financial incentives from the City, ample parking, existing facility, and transportation from other parts of the City
- ✓ The former St. Luke’s facility on the North side of Pasadena has also been consistently identified as desirable for reasons of potential compatible facility, parking, and surrounding environment
- ✓ The Northwest side of Pasadena is identified as an underserved part of the City, in spite of the CHAP clinic, although patients from other parts of the City may not travel to this location for care. This area is not generally considered desirable
- ✓ Some factions expressed an interest in having an urgent care center located in both the East and Northwest sides of Pasadena, expressing concern that residents from either side typically do not travel across town
- ✓ Generally, the attitude is that the Center should *not* be located on the Hospital campus but select a location that does not intimidate the poor or the wealthy
- ✓ Space with ample parking may be restrictive in the Pasadena area

Community Perceptions – (Continued)

Findings and Observations from Community Interviews (Continued):

Financial Support:

- ✓ The City has not indicated availability of financing support, other than potential incentives around leasing of the East side property at a nominal rate. Apparently there are several other groups very interested in this property so time is of the essence to declare interest for the Urgent Care Center if this is a consideration
- ✓ To offer operating support, the City would be required to consider such a request relative to Police, Fire, Education, and Housing on an annual basis and may find it very difficult to make a long-term commitment if any at all
- ✓ Costs of real estate have been referenced up to \$300 to \$500 per square foot
- ✓ This year, five of the eight City Council members are up for re-election so tax proposals to fund an operation like this will not be very popular

Community Perceptions – (Continued)

Findings and Observations from Community Interviews (Continued):

Competition/Partners:

- ✓ The CHAP clinic in NW Pasadena is trying to fill the need of primary/convenience care but has limited capacity. City does not want the Urgent Care Center to compete with CHAP
- ✓ Delivery of “other” services such as therapy or worker’s comp may incite negative reactions from providers of similar services in the community
- ✓ HCAP grant for the City to develop a phone call-in triage system could support the Center with appropriate patient steering
- ✓ Physician offices generally seem to be “busy” which could alleviate potential backlash from the medical community if primary care was included in the Center. However, if the Center gets into primary or non-episodic care it could be a friction point with physicians
- ✓ In a recent physician meeting on “core values”, the ED physicians were supportive of the project
- ✓ Health Care Partners has a competing urgent care center located near the Hospital. Generally they seem to be busy but they focus on their own members. They are going to 24 hour service and take some walk-ins
- ✓ Kaiser was recommended by multiple parties as a possible partner as was a couple specific physician groups
- ✓ Recommendation was made by one party to *not* partner with CHAP for service reasons

Community Perceptions – (Continued)

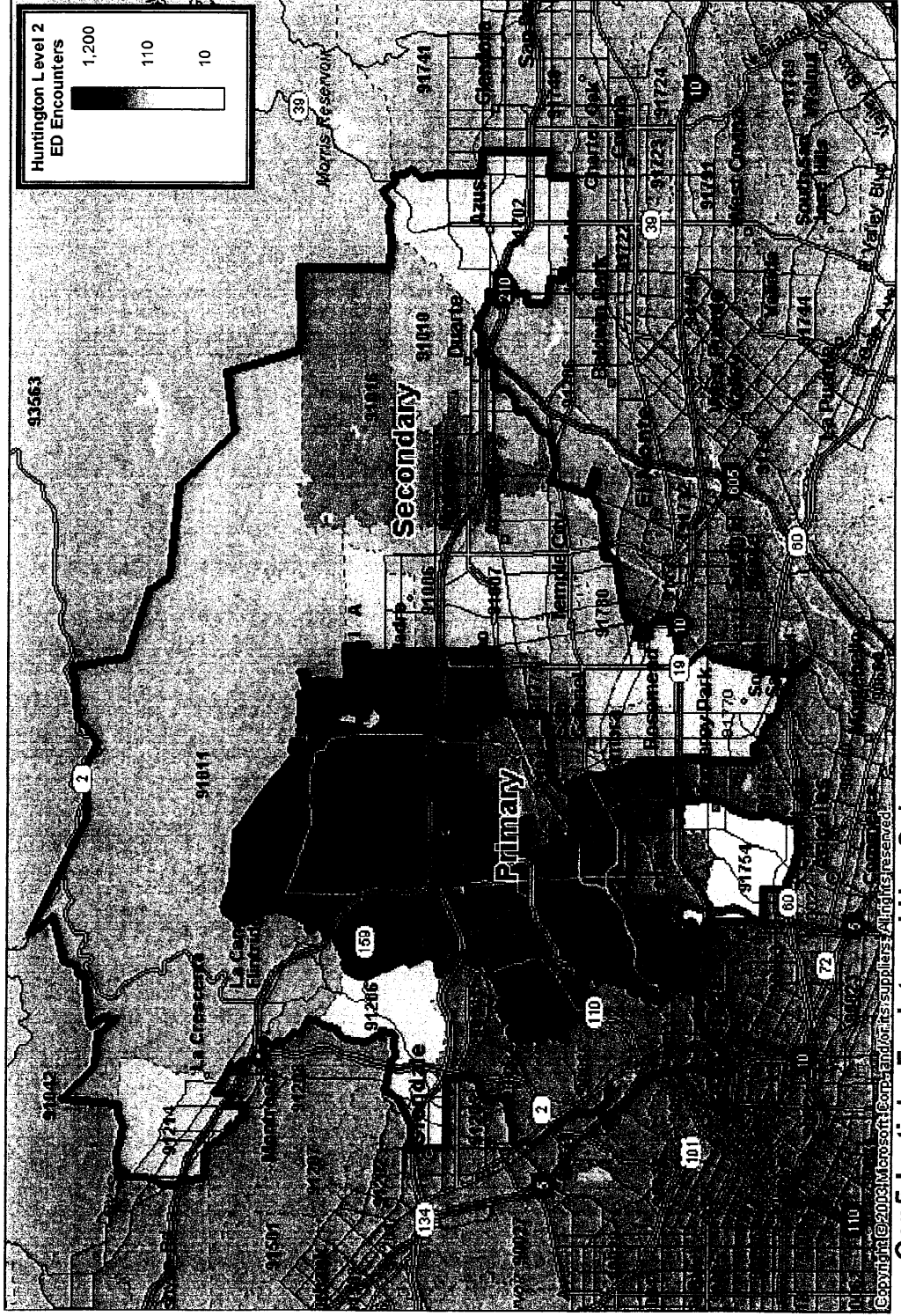
Findings and Observations from Community Interviews (Continued):

Other Issues and Barriers:

- ✓ Access issues for the underserved population is a bigger issue than physician supply – after hours, MediCal patients have virtually no access other than Huntington ED
- ✓ Demand appears to be “pent up” with the access issues identified and the “left without being seen” volumes at the Huntington ED – development of the Urgent Care Center may likely not ease congestion at the Hospital ED
- ✓ Insurance contracts at the Hospital may need to be re-written to include the Center
- ✓ Staffing shortages could be an issue in finding physicians, nurses, and extenders. Need to leverage significantly to PAs and MAs
- ✓ The Hospital is beginning to use PAs in the ED which should help on ED congestion
- ✓ Suggestion was made to allow ED doctors the opportunity to “manage the staffing and scheduling” for the Center. Also, try to recruit physicians new to the area to work shifts in the Center
- ✓ The Hospital should *not* do this project alone – Partner

ED Utilization Trends – (Continued)

Huntington Hospital – ED Level 2 PSA & SSA



Source: Huntington Hospital

ED Utilization Trends – (Continued)

Left Without Being Seen

Patients leaving the Emergency Department “without being seen” represent communities primarily within the Primary Service Area (64% of the total) but also include zip codes from the Secondary Service Area (13%) as well as communities completely outside the Service Area (23%).

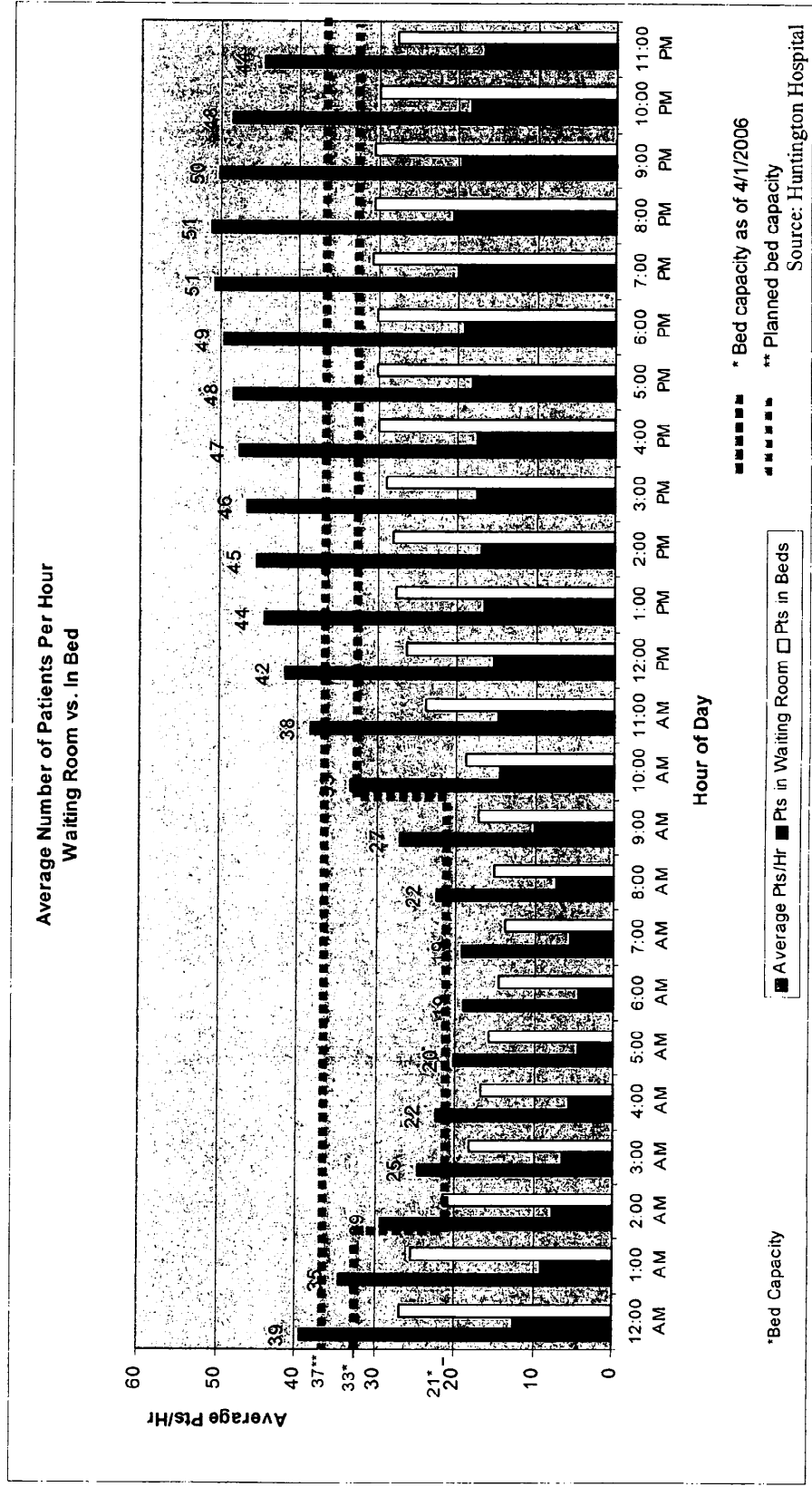
- Primary Service Area
- Secondary Service Area
- Outside the Service Area

Source: Huntington Hospital

Zip Code	City	Patients Who Left Without Being Seen
Various	Various	743
91103	Pasadena	364
91001	Altadena	330
91104	Pasadena	300
91107	Pasadena	172
90042	Los Angeles	171
91106	Pasadena	162
91101	Pasadena	160
91030	South Pasadena	128
91105	Pasadena	94
90032	Los Angeles	61
91801	Alhambra	55
91016	Monrovia	50
90041	Los Angeles	44
91108	San Marino	38
90031	Los Angeles	32
90065	Los Angeles	29
91775	San Gabriel	29
91010	Duarte	25
91214	La Crescenta	25
91006	Arcadia	22
91803	Alhambra	21
91011	La Canada Flintridge	18
91024	Sierra Madre	18
91770	Rosemead	18
91780	Temple City	18
91776	San Gabriel	15
91007	Arcadia	14
91206	Glendale	14
91702	Azusa	14
91754	Monterey Park	10
Total		3194

ED Utilization Trends – (Continued)

Based on a time analysis performed by the Hospital, the number of patients begins to exceed available beds in the ED around 9am and continues through the day, peaking in late evening (7pm through 11pm)



Investment Requirements

It is expected the following capital would be required to operationalize the Urgent Care Center:

Description	Amount
Facility Refurbishments	\$1,000,000
Equipment / Furniture and Fixtures	350,000
Working Capital (3 months)	450,000
Total Facility and Working Capital	\$1,800,000

In addition to capitalizing the initial facility, the Center is expected to incur operating losses during the first two years of startup which will require capitalization as follows (for the East scenario):

Startup Operating Costs	Amount
Loss Year 1 at 60% expected volume	\$ 992,000
Loss Year 2 at 80% expected volume	734,000
Total Start-up Losses Requiring Funding	\$1,726,000

Scenario Analysis

Location of the proposed Urgent Care Center will potentially drive different financial results as a result of population trends, referral patterns, and payer mix. Two locations were evaluated with the implications summarized in attached projected financial statements:

- ✓ Scenario 1 – Location in East Side City Property
- ✓ Scenario 2 – Location in old St. Luke facility

These locations are identified in a map of the primary service area on a subsequent page.

Consideration of the various locations above incorporated changes in assumed capture rates within surrounding zip codes which drive alternative volumes, payer mix, and corresponding revenue and variable expenses. The current baseline and assumed capture rates for the two scenarios above are summarized on a subsequent slide.

Scenario Analysis – (Continued)

A third location in Northwest Pasadena was considered for the proposed Urgent Care Center based on expression by several of the interviewees of general need for primary and urgent care in this part of the community.

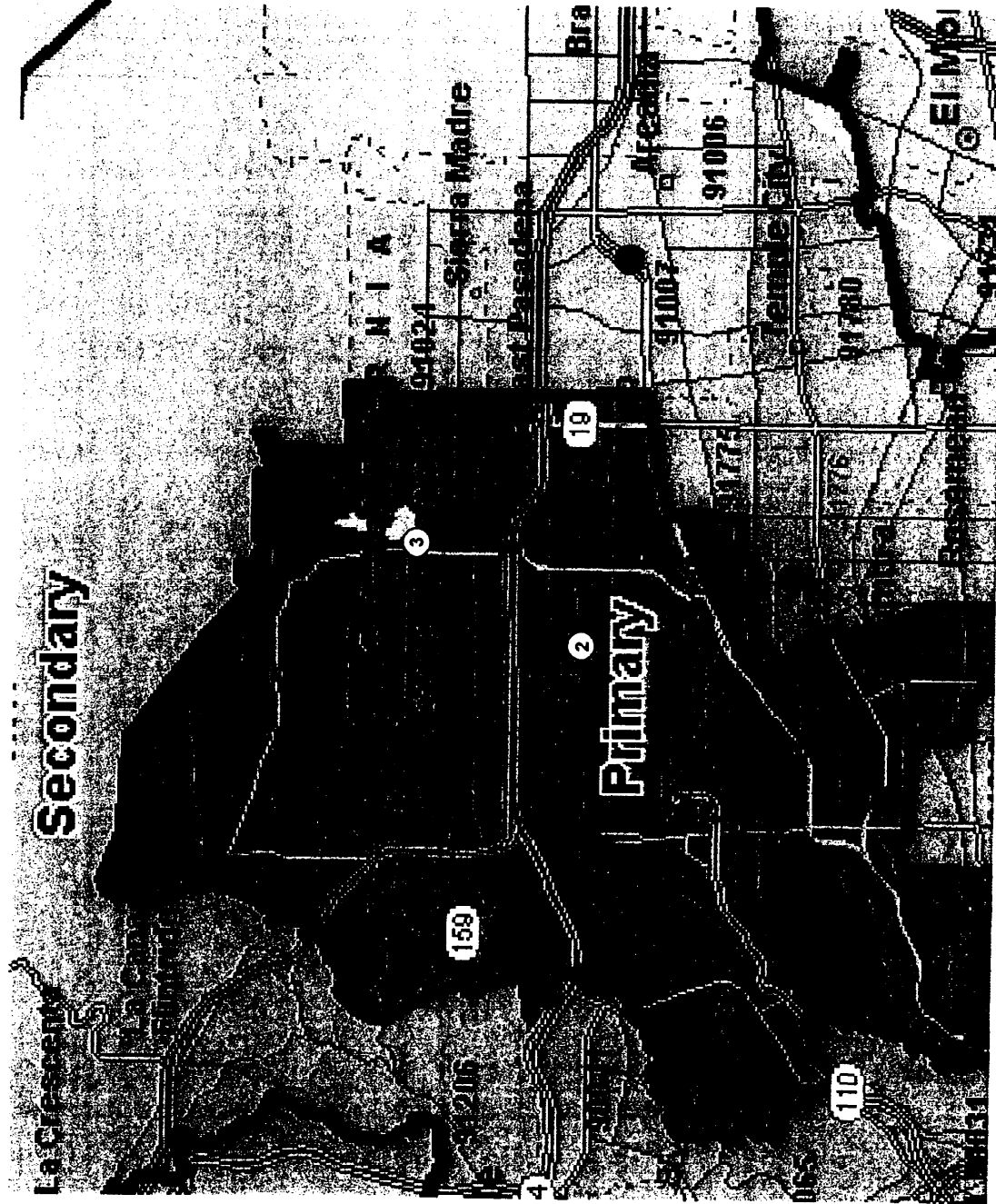
Currently, the CHAP clinic serves this area which includes zip codes 91103, 91104, and parts of 91001. The Clinic, which was initially funded in part by Huntington Hospital, Kaiser, and other constituents, is currently expanding its role to include more walk-in business and primary care. As we discussed this location during our interview process, several individuals strongly suggested that the Urgent Care Center should *not* be located in this part of the City. Potential competition with CHAP was also cited as a concern.

The Hospital is considering ways to broaden its community strategy relative to increasing service to the Hispanic and Asian segments of the population and the NW location would not enable that strategy.

Transportation from the NW quadrant to other parts of the City, namely the East side and the St. Luke location, was reviewed and several bus routes were identified as providing adequate transportation in reasonable time and cost to both the East side and St. Luke locations.

Therefore, for all of the reasons above, no further analysis was performed on the Northwest quadrant for possible location of the Urgent Care Center.

Scenario Analysis – (Continued)



Proposed locations for the Urgent Care Center relative to Huntington Hospital, CHAP, and Competitor Hospitals

- - Huntington Hospital
- ② - City East Side Property
- ③ - St. Luke Facility

- Competitors**
- - Methodist Hospital
 - - Alhambra Hospital
 - - San Gabriel Valley M. C.
 - - Verdugo Hills Hospital
 - - CHAP

Scenario Analysis – (Continued)

Volume, payer mix, and financial implications from locating the proposed Urgent Care Center in each of the two scenarios is compared to the Baseline in the table below. Volume is assumed to “ramp up” at 60% in Year 1, 80% in Year 2, and 100% in Year 3.

	BASELINE			EAST LOCATION		ST. LUKE LOCATION	
	Volume	Profit / (Loss)		Volume	Profit / (Loss) *	Volume	Profit / (Loss)
Year 1	7,186	(\$1,164,000)		8,733	(\$993,000)	8,451	(\$1,039,000)
Year 2	9,879	(\$975,000)		12,014	(\$736,000)	11,621	(\$799,000K)
Year 3	12,724	(\$734,000)		15,485	(\$417,000)	14,982	(\$502,000)
Year 4	13,131	(\$751,000)		15,966	(\$422,000)	15,444	(\$511,000)
Year 5	13,493	(\$777,000)		16,426	(\$431,000)	15,880	(\$524,000)

Payer Mix							
Commercial		36.1%			37.0%		35.6%
MediCal		36.9%			36.4%		37.7%

*Does not include any financial incentives from the City of Pasadena.

Scenario Analysis – (Continued)

Implications to Huntington Hospital of the expected transfer of ED volume to the proposed new Urgent Care Center include a planned reduction of Level I and II visits at the Hospital ED as volume shifts to the new urgent care centers. However, volume is expected to increase in the Hospital ED for Level III and Level IV services as the wait times decline due to a shift out of the less intensive services. Because average capture rates generally do not exceed 35% to 45% in the primary service area, an increase of five percentage points in market share would not be unexpected (approximately 10% to 12% increase below).

Pro Forma 2005	Huntington Hospital ED Level I and Level II Volume			Comments
	Current Volume	Scenario 1 - East	Scenario 2 - St Luke	
Level I	5,016	3,115	3,124	Volume lost to new UCC
Level II	7,737	4,796	4,808	Volume lost to new UCC
Subtotal	12,753	7,911	7,932	
Level III	21,162	23,701	23,701	Increase 12%
Level IV	10,204	11,224	11,224	Increase 10%
Level V	467	467	467	No Change
Level VI	242	242	242	No Change
Trauma Activation	204	204	204	No Change
Zero Level Assigned	391	391	391	No Change
Subtotal	32,670	35,635	35,635	
Total Hospital OP ED Visits	45,423	43,546	43,567	