

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** September 8, 2008

**FROM:** CITY MANAGER

**SUBJECT:** URGENT CARE IN PASADENA

**RECOMMENDATION:**

This item is presented for informational purposes only.

**BACKGROUND:**

Development of an urgent care center in Pasadena was identified by community residents, health care providers, and city leaders as one of the top community health priorities during the Public Health Department's MAP strategic planning process. While the expansion of Huntington Hospital's Emergency Department (ED) will certainly help to improve access to this level of care, there remains a significant degree of utilization of emergency facilities and services by area residents that have non-emergent medical conditions more appropriately addressed by an outpatient urgent care center. An urgent care center would provide greater access to health care and ultimately save money for the local health care system and community by providing a level of intermediate care that is not currently available.

The problem of access to health care in the greater Pasadena area has been identified as a growing concern, with approximately 20% of the population without health insurance coverage. The closure of St. Luke Medical Center in 2002 left Pasadena with only Huntington Hospital to provide emergency care for the community. Although initially designed to serve 30,000 patient visits per year, the Huntington Hospital ED patient volume is now over twice the original estimated capacity. Consequently, their ED is oversaturated and non-acute patients can wait hours before receiving care. Due to this high utilization, the ED is at maximum capacity and on diversion approximately 30% of the time, requiring paramedic units to either wait with their patients at the emergency department until a bed is available or travel to neighboring hospitals, thus pulling the units out of circulation within Pasadena and causing potential response time delays.

An analysis of Huntington Hospital utilization data revealed that a significant portion (>30%) of their ED visits were for non-emergent situations. The lack of an outpatient urgent care center and the large number of uninsured with no regular source of care forces these individuals to inappropriately use the emergency room for non-acute conditions. In other situations, individuals in need of medical attention delay their care

due to a lack of evening and weekend outpatient options, only to find their conditions worsening and ultimately costing both the patient and health system more money due to complications that could have been avoided with prompt treatment. The health care community has clearly identified the lack of an urgent care facility as a significant problem.

#### **PROPOSED URGENT CARE MODEL:**

Sustainability of an urgent care center is challenging and would be based on a number of factors: “payer mix” of insured versus uninsured clients; contributions from partnering agencies; location and leasing options; co-location of other medical services during non-peak hours; range of services offered and hours of operation; and, future health care reform measures at the State or Federal level that could impact reimbursement revenue.

For the last few years, the City of Pasadena, Huntington Medical Foundation, Huntington Hospital, and the Community Health Alliance of Pasadena (CHAP) have been discussing the possibility of partnering together to develop an urgent care center in Pasadena. The current urgent care model that the partners have preliminarily agreed upon is as follows:

- The City of Pasadena would allow the urgent care facility to be located on City property for a nominal lease, as well as consider an initial contribution of \$500,000 for site improvements and initial capital expenses.
- Huntington Memorial Hospital would contribute up to \$1.4 million to be used to support initial operating losses. In addition, they will work with the City on a pilot project to allow the City’s paramedic units, with ER approval, to divert non-emergent 9-1-1 transports away from the ER directly to the urgent care facility.
- Huntington Medical Foundation would be the agency responsible for operation of the urgent care facility. They are the entity best positioned to take on this responsibility due to their established reputation in the community, existing insurance contracts, experience in outpatient care, and IT and administrative support capacity.
- CHAP clinic would establish a satellite primary care site co-located with the urgent care center in order to alleviate the burden of the uninsured and to maximize the utilization of the facility when urgent care demand is low during the day. CHAP, as a Federally Qualified Health Center, receives enhanced reimbursements for the care of uninsured and underinsured clients. In addition, CHAP would be able to serve as a primary care home for these patients, with the capacity to enroll eligible clients into various programs and link them with other health and social service resources. CHAP was awarded a recent grant of \$500,000 to assist with the initial expenses for this satellite clinic.

#### **SITE SELECTION**

Over the last three years multiple sites for an urgent care facility were evaluated. Criteria used for these assessments included location in east Pasadena, sufficient space of 10,000 square feet, needs for tenant improvements and build out, willingness to convert office space for medical use, willingness to allow after hours and weekend use, lease cost, public transportation access, and parking requirements. Sites with the

greatest potential were evaluated and included two locations on Altadena Drive, one on East Foothill Boulevard, one on Sierra Madre Boulevard, and one on East Colorado Boulevard. They were all ultimately rejected for various reasons such as poor access for clients, insufficient parking, significant build out costs, added costs for after hours use, and lease expense. The former Shakey's Pizza location on Foothill was also discussed as a potential for urgent care, but it would require a considerable cost to expand the structure and convert it to medical space. The feasibility study analyzed the potential of urgent care in Northwest Pasadena, but determined that this would not support a favorable payer mix and would result in poor revenue projections.

The City-owned property at Del Mar has been identified as an excellent location for the urgent care center. This determination was based in part on a feasibility study conducted by Huntington Hospital that analyzed non-emergent utilization of their emergency room and the home addresses and insurance status of those clients. The report is included as Attachment A.

The location is well positioned due to the proximity of other medical outpatient facilities and the potential to draw clients from both the Huntington Hospital and Arcadia Methodist Hospital networks of providers. According to the market analysis, this location would have a favorable "payer mix" by being able to attract an adequate number of insured clients to help subsidize any losses related to the uninsured.

Avoiding the ongoing cost of lease expense is pivotal to the fiscal viability of the urgent care project. The lease cost for a 10,000 square foot medical facility, depending upon the market, could be as much as \$400,000 per year. Because it is a City-owned property, the City has the option of leasing the Del Mar space at a nominal cost to the urgent care partnership.

A number of community residents have been lobbying for urgent care to be situated at the former St. Luke site. Several of these residents have been involved in the Public Health Department's MAP Urgent Care Workgroup for the last two years and their opinions have been taken into consideration. However, staff have evaluated the St. Luke property, as well as other potential sites, and feel that the City's efforts should remain with the Del Mar location for the following reasons:

- The market analysis and feasibility study commissioned by Huntington Hospital estimated that the Del Mar site would generate \$400,000 more in revenue over 5 years compared to the St. Luke site due to more favorable "payer mix" projections at Del Mar.
- City staff has contacted the developer of the St. Luke site to inquire about the availability of 8,000 – 10,000 square feet of medical space needed for our model of urgent care practice. A market rate lease for urgent care at a privately owned medical facility could potentially be \$400,000 per year, which would make this option fiscally unsustainable as this would add \$2 million in additional operating costs over 5 years. Coupled with the estimated \$400,000 less in revenue due to the assumed payer mix between the locations, utilization of the St. Luke site would put an additional operating cost burden on the facility of at least \$2.4 million in the first 5 years. Although the developer may be willing to discuss a discounted rate for an urgent care center, it is unlikely that they would

be able to reduce the lease cost far enough for the proposed business model to be sustainable.

- The \$500,000 grant obtained by CHAP needs to be expended by the summer of 2009 or the funds will be rescinded. There is very limited private funding for health care projects in today's economic environment and it would be challenging for CHAP or any of the partners to initiate a new fund development campaign to replace this money. Staff believes that this timeline is achievable only at the Del Mar site. An urgent care center incorporated into a new private development project at the St. Luke property would be subject to the development and approval process of the entire site which would likely require several years of pre-development work before construction could begin.
- Community members have stated that an urgent care center should be situated north of the 210 freeway because a large disaster event such as an earthquake that may potentially collapse all 210 freeway overpasses would leave the northeast Pasadena area with no access to health care. Staff questions this reasoning due to the fact that an earthquake strong enough to collapse all freeway overpasses would certainly render an outpatient medical clinic unusable as well. Urgent care centers are not under the same retrofitting State requirements as hospitals and emergency rooms.
- Individuals have stated that north Pasadena and Altadena need an urgent care center because "it can take an ambulance half an hour to get to Huntington Hospital, San Gabriel Valley's only trauma center" and because "...an elderly person having a stroke (north of the 210 freeway) may need immediate diagnosis."<sup>1</sup> Staff believes that the community may not clearly understand the differences between urgent care and emergency facilities. An outpatient urgent care is not licensed, staffed, or equipped to accept 9-1-1 paramedic emergencies. The proposed model uses only two to three practitioners and will provide only ambulatory care such as diagnosis and treatment for ear infections, flu symptoms, sprained ankles, etc. In addition, the proposed urgent care would not be in operation 24 hours a day/7 days a week.

For these reasons, the urgent care partnership continues to focus on the Del Mar site as the most feasible option for development.

#### **CONCLUSION:**

The proposed urgent care project is a prime example of a public/private partnership working together to bring this needed resource to the community using a fiscally sound business plan. The model is unique in its design and has already drawn interest from other jurisdictions and from funding agencies that view the partnership as an innovative means to develop and deliver this health care service.

City staff and the urgent care partnership organizations believe that the Del Mar site remains the most feasible location due to its more favorable revenue projections, timeline requirements for grant funding, and reduced operating expenses primarily related to the avoidance of lease costs in using a city owned property. Maintenance of the current timeline with the urgent care opening by the fall of 2009 is essential in order to preserve grant

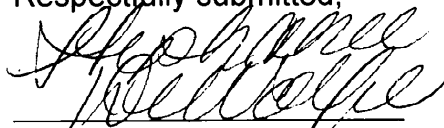
---

<sup>1</sup> Pasadena Weekly, "Now or Never" 8/9/07

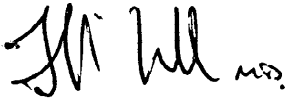
funding that has already been secured. This will also help to address critical community needs by improving access to care for our residents and by helping to relieve our local healthcare providers who are overburdened by increasing demand for services. Moving forward on the Del Mar site would not preclude another urgent care entity from locating services at the St. Luke property in the future.

City staff and the urgent care partnership organizations will continue to work with the public and community residents to address their concerns and keep them informed of the project's progress.

Respectfully submitted,

  
\_\_\_\_\_  
Bernard K. Melekian  
City Manager

Prepared by:



Takashi M. Wada MD MPH  
Health Officer  
Pasadena Public Health Department

Huntington Memorial Hospital  
100 W. California Boulevard  
P.O. Box 7013  
Pasadena, California 91109-7013  
(626) 397-5555 FAX (626) 397-2995

Stephen A. Ralph  
*President*  
*Chief Executive Officer*

August 18, 2008

Honorable Bill Bogaard  
Mayor  
City of Pasadena  
100 N. Garfield Avenue  
Pasadena, California 91109

Dear Mayor Bogaard:

Thank you for the opportunity to address the Pasadena City Council last week related to the proposed Urgent Care facility in our community.

Enclosed please find an executive summary of the PriceWaterhouseCoopers urgent care feasibility study commissioned by the hospital in 2006. Although time has elapsed since its completion, we believe the findings and conclusions are still sound.

While the process has been slower than expected, we are grateful now to have a strong team of city staff members in place to help move this project forward. Please know that the early and consistent involvement of Dr. Takashi Wada has been instrumental in our progress to date.

It is my hope that the enclosed summary will encourage the city to move forward in its decision to allocate \$500,000 toward architectural and site renderings of 3160 E. Del Mar Boulevard. We would also encourage you, ultimately, to consider underwriting the full cost of site improvements, as this will be a city-owned facility.

The partners in the collaborative – Huntington Hospital, CHAP and Huntington Medical Foundation – anticipate running an efficient clinic that will serve all members of the community, with the added benefit of having both the Pasadena Police Department and the Pasadena Fire Department represented within the new facility.

Thank you in advance for your thoughtful consideration of this important project – and for your commitment to the health and wellbeing of Pasadena's residents for years to come.

Mayor Bill Bogaard  
August 18, 2008  
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Ralph", with a long horizontal flourish extending to the right.

Stephen A. Ralph  
President and Chief Executive Officer

Enclosure

cc: Vice Mayor Steve Haderlein  
Councilmember Jacque Robinson  
Councilmember Margaret McAustin  
Councilmember Chris Holden  
Councilmember Victor Gordo  
Councilmember Steve Madison  
Councilmember Sid Tyler  
Bernard Melekian, City Manager  
Takashi Wada, M.D.  
Margaret Martinez, CHAP  
Wendy Karsten, Huntington Medical Foundation