

May 2, 2022

The Honorable John Vasquez
Chairman, Solano County Board of Supervisors
675 Texas Street, Suite 6500
Fairfield, CA 94533-6342

RE: Request for COVID-19 Relief Through ARPA Funding

Dear Chairman Vasquez and Board Members:

NorthBay Healthcare (NorthBay) is facing a financial crisis due to COVID-19 and the vital role our health system has played for the residents of Solano County since the pandemic began.

To say that the last 25 months have overwhelmed health care organizations – and many other public services – would be an understatement. NorthBay continues to manage the human, and financial, stress of three surges and several mutations of COVID-19. It has become a strain from which NorthBay may not recover without financial assistance.

From the day the first repatriated Americans and cruise ship passengers came to our hospital from the Travis Air Force Base quarantine in 2020, through Dec. 31, 2021, the economic impact to NorthBay has totaled \$94 million.

Fortunately, we were able to recoup some of this loss through the CARES Act Provider Relief Fund and, to a much lesser extent, FEMA reimbursements. Unfortunately, these federal programs have fallen far short, in particular for small, community-based non-profit health systems like NorthBay. In point of fact, the final \$1.75 billion allocation of 2021 Provider Relief Fund was distributed two weeks ago, and NorthBay received zero.

The ongoing failure of federal funding, coupled with the negative financial impact NorthBay has experienced due to Solano County's limited and curtailed health services, has spurred this 11th-hour request. NorthBay has been proud to play the de-facto role of county hospital for Solano County without seeking county funding, but our present circumstances leave us no choice.

BACKGROUND

Managing the Initial COVID Outbreak in 2020

When NorthBay VacaValley Hospital received the first case of community-acquired COVID-19, experts from the Centers for Disease Control and California Department of Public Health arrived, hoping to learn more about how the virus spread. Our hospital became a “test bed” for protocols aimed at treating infected patients as well as protecting health care providers and staff.

As the census in our hospitals increased, the cost of care exploded with a frantic search for PPE, testing equipment and supplies, a spike in employee leave of absences, overtime costs and preparation for patient surges. At the same time, elective procedures and surgeries – a key income source for hospitals – had to be canceled until new infection control measures were adopted. Even then, patients chose to stop or delay their care when COVID-positive patients began to fill beds.

At 2020's end, NorthBay had experienced \$41 million in unbudgeted expense and lost revenue. However, we received \$40 million from the CARES Act Provider Relief Fund, which nearly "made us whole."

Facing a Worsening COVID Crisis in 2021

COVID's impact on hospitals worsened in 2021, yet NorthBay continued to care for everyone who came, regardless of a patient's ability to pay. Expenses continued to climb: PPE supplies, overtime, temporary labor, sick leave, testing equipment and supplies, vaccine distribution and preparations for additional surges.

In addition to treating COVID, NorthBay served as a leader in facilitating public vaccination efforts. In 2021, we administered 84,179 COVID vaccine doses at various sites, including 27,000 at the Vallejo fairgrounds. These costs were absorbed by our system.

In 2021, due to the Delta and Omicron variants, NorthBay experienced a 91% increase in COVID volumes compared to 2020, contributing to a \$53 million negative impact. The amount received from the federal funding (e.g., CARES Act Provider Relief Fund): \$2 million.

Exhibit A: COVID-19 Impact on NorthBay Vs. CARES Act Funding



NORTHBAY'S ARPA FUNDING REQUEST

Limited County Services and Resources

NorthBay is not seeking \$51 million in relief via ARPA funding to offset the deficiencies of the CARES Act Provider Relief Fund.

NorthBay's ARPA-based funding request reflects the expanded and unbudgeted role our health system plays as a broad-based caregiver and the corresponding impact it has had on the county's most frail and socio-economically disadvantaged residents. We understand and empathize with the myriad reasons why Solano County was forced to reduce certain or delay services, but it directly, and significantly, harmed NorthBay's financial performance.

Examples of reduced, diminished and curtailed county health services include the following:

- **Clinic Closures:** Solano County clinics, due to staffing shortages, often went days and sometimes weeks without seeing patients. Those who needed care had to seek it at NorthBay emergency rooms.
- **Reduced Mental Health Services:** NorthBay faced increased challenges in placing patients in need of mental health services post-discharge, resulting in increased Length of Stay (LOS) without additional reimbursement. Despite best efforts, county staff had no solution when a COVID patient was ready for psychiatric placement. Toward year's end, one or two venues were put forward by county staff, but these facilities could not accept our patients. In addition, Solano County's Crisis Stabilization Unit was sending patients directly to our emergency rooms because they could not accept COVID-positive clients, and initially had no way of testing them.
- **Reduced Skilled Nursing/Long-Term Care Beds:** Solano County suffers from a shortage of skilled nursing and long-term care beds, and this shortage was exacerbated due to staffing/service cutbacks. Because the county's health network was hobbled, and available beds in its facilities were limited (and in many cases non-existent), the extended (and unreimbursed) LOS for hospital patients became a costly consequence.

In addition, NorthBay experienced profoundly sad, if not tragic, consequences due to the reduction or curtailment of services and resources. Too often, family members would drop off an elderly or developmentally disabled relative at our emergency rooms and leave. We took in individuals who the Regional Center or home health agencies were unable to accept, either because they represented chronic, complex care needs and/or these entities had inadequate staffing levels to provide care for these people.

Impact on NorthBay and Basis for ARPA Assistance

The 2021 negative financial impact on NorthBay was embodied in two distinct ways:

1. Our emergency rooms became primary and chronic care clinics for non-emergent Medi-Cal and uninsured patients; and,
2. The length of stay in hospitals increased for Medi-Cal and uninsured patients needing further care and awaiting discharge because they could not be placed in the proper care setting.

Emergency Rooms Becoming Primary/Chronic Care Clinics

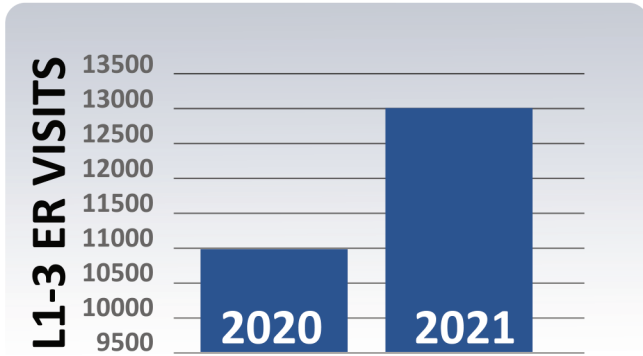
In 2021, NorthBay experienced a 19% increase in Level I-II-III Medi-Cal and uninsured emergency room visits (2,071 additional patients). These are patients are considered low-level or fundamentally non-emergent cases. In contrast, Level IV and V patients require emergency/trauma care.

This is the fundamental problem with Medi-Cal and the uninsured: If they have nowhere else to go for primary and basic care because clinics are closed, they go to the emergency room. Of course, our hospitals are always open, and we cannot say no to a patient coming to the ER, even if it is not an emergency.

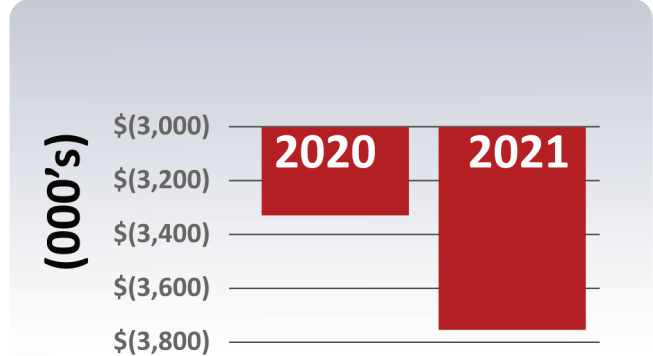
The result of 2,000-plus more patients was an additional loss of \$388,000 compared to 2020.

Our total loss on this population was \$3.7 million in 2021.

**Exhibit B: Volume Increase
Medi-Cal/Uninsured Level I – III ER Visits**



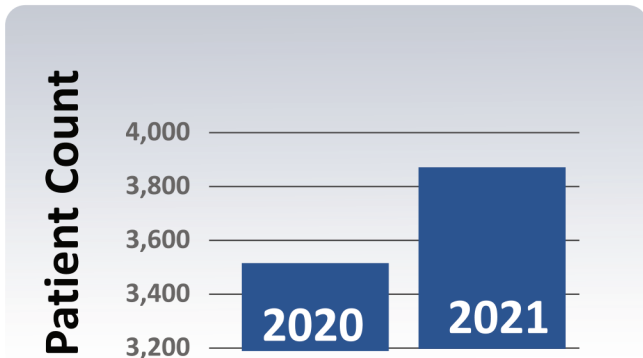
**Exhibit C: Profitability Impact
Medi-Cal/Uninsured Level I – III ER Visits**



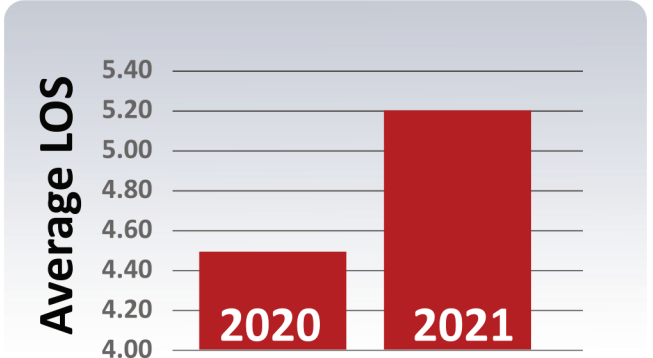
Increased LOS for Patients Awaiting Discharge

In 2021, our two hospitals experienced a 10% increase (360 discharges) in Medi-Cal and uninsured inpatient discharges. This, coupled with limited or no county resources to discharge these patients to, contributed to a 17% increase in the average length of stay over the prior year (2020). When LOS increases, a hospital’s variable costs also increase, but without any increase in reimbursement. In 2021, the additional cost of these patients, due to their increase in number plus their increase in hospitalization, was \$13.8 million.

**Exhibit D: Increase in
Medi-Cal/Uninsured Admissions**



**Exhibit E: Increase in
Medi-Cal/Uninsured Average LOS**



For the two factors cited above, the additional burden on NorthBay for serving the underserved and uninsured in 2021 alone totaled \$14,188,000, which is the basis of our application and funding request.

NorthBay’s ARPA Funding Request

Solano County is a three-legged stool when it comes to health care. Should the “NorthBay leg” be removed, it is unlikely the remaining legs and the county Public Health department could care for the 48,000 Medi-Cal recipients and the thousands of uninsured who receive their care in our emergency departments, hospitals, urgent care centers and outpatient clinics. Of note, NorthBay cares for more than 40% of the Medi-Cal patients in Solano County.

The enormous impact of the pandemic in 2021, the meager relief aid from the federal government, and a financially challenging start to 2022 (including ongoing wage pressures due to inflation) combine to put our health system in peril. We are not being dramatic when we state that NorthBay has never faced such significant financial pressure that, if left unaddressed, threatens our future.

Our request for ARPA funding is a sliver of the total impact NorthBay has borne. We seek aid from Solano County only to mitigate the losses incurred caring for the additional Medi-Cal and uninsured patients who would have been treated elsewhere, in a more appropriate setting.

In addition, while the losses NorthBay experienced for treating these patients due to a lack of county resources in 2021 totaled \$14,188,000, we simply seek to split this loss, as we understand that the Board of Supervisors is in an unenviable position of balancing myriad needs and ARPA requests.

NorthBay therefore requests \$7,094,000 in ARPA funding to offset how our health system has had to assume the under-compensated role of serving as the safety net and de-facto county hospital in Solano County.

Understanding that ARPA funds are being divided into two disbursement “tranches,” this amount could be divided into two payments, one from the first \$43 million disbursement you are considering and one from the second. In addition, it would seem that NorthBay’s funding request could fall into several of the “Board Approved Eligible Categories”:

- Public Health
- Negative Economic Impacts
- Services to Disproportionately Impacted Communities
- Revenue Replacement

Thank you for understanding and recognizing the vital role NorthBay has played in providing a broad range of health services in Solano County. This is a role that extends beyond our traditional mission, but one we have been proud to play, as a vital partner in caring for the residents, especially those most in need, of Solano County.

Sincerely,



B. Konard Jones
President & CEO
NorthBay Healthcare
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Fairfield, CA 94534