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San Diego Local Agency Formation Commission

Website: www.sdlafco.org

Chairman

Bill Horn
County Board of
Supervisors

April 14, 2016

Vice Chairman

Sam Abed
Mayor
City of Escondido

TO: Distribution List

Members

Dianne Jacob
County Board of
Supervisors

FROM: Executive Officer
Local Agency Formation Commission

Andrew Vanderlaan
Public Member

SUBJECT: Five-Year Sphere of Influence and Service Review for
Fallbrook Health Care District
(MSR13-65;SR13-65;SA13-65)

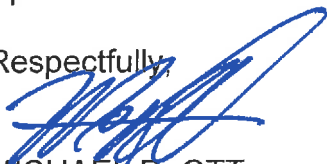
Lorie Zapf
Councilmember
City of San Diego

The above-referenced Five-Year Sphere of Influence and Service Review public hearing item was heard and approved by the Commission on May 4, 2015. Attached is a copy of the resolution approving the Sphere of Influence and Service Review.

Lorraine Wood
Councilmember
City of Carlsbad

Jo MacKenzie
Vista Irrigation District

Respectfully,



MICHAEL D. OTT
Executive Officer

Ed Sprague
Olivenhain Municipal
Water District

Alternate Members

Greg Cox
County Board of
Supervisors

MDO:trl

Chris Cate
Councilmember
City of San Diego

Attachments: Approving Resolution and Statement of Determinations

Racquel Vasquez
Councilmember
City of Lemon Grove

Harry Mathis
Public Member

Vacant
Special District

Executive Officer

Michael D. Ott

Legal Counsel

Michael G. Colantuono

Minute Items: 6A, 6B and 6C
Ref. Nos.: MSR13-65; SR13-65; SA13-65

**RESOLUTION OF THE
LOCAL AGENCY FORMATION COMMISSION
OF THE COUNTY OF SAN DIEGO APPROVING THE
FIVE – YEAR MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE
REVIEW: SAN DIEGO COUNTY HEALTH CARE SERVICES
UPDATING AND AMENDING AND AFFIRMING THE SPHERE OF INFLUENCE
FOR
FALLBROOK HEALTH CARE DISTRICT**

On motion of Commissioner Abed, seconded by Commissioner MacKenzie, the following resolution is adopted:

WHEREAS, pursuant to Government Code Section 56430, the San Diego Local Agency Formation Commission is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and

WHEREAS, pursuant to Government Code Section 56425, the San Diego Local Agency Formation Commission is required to develop and determine a sphere of influence for each local governmental agency within the County, and review and update, as necessary, the adopted sphere not less than once every five years; and

WHEREAS, the Commission adopted a sphere of influence for the Fallbrook Health Care District on June 2, 1986 and affirmed it in 2007; and

WHEREAS, the Fallbrook Health Care District has undergone a sphere of influence and service review study; therefore, the Fallbrook Health Care District sphere is proposed to be affirmed as a coterminous boundary; and

WHEREAS, the Executive Officer of the Commission has filed his report, which was received and considered by the Commission; and

WHEREAS, pursuant to Government Code Section 56427, the Executive Officer of this Commission set a public hearing on the proposed sphere of influence and service review for May 4, 2015, and gave notice of the date, time, and place of said hearing in accordance with Government Code Sections 56660 and 56661.

NOW THEREFORE, BE IT RESOLVED, that the Commission hereby finds, determines, and orders as follows:

- (1) The hearing was held on the date set therefore, and due notice of said hearing was given in the manner required by law.
- (2) At that hearing the Commission called for, heard, and considered all interested parties and read and considered the report of the Executive Officer.
- (3) The Commission finds in accordance with the Executive Officer's determination that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, the sphere updates, affirmations, and amendments are not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA.
- (4) The Commission finds in accordance with the Executive Officer's determination, that pursuant to Section 15306 of the State CEQA Guidelines, the municipal service review is not subject to the environmental impact evaluation process because the service review consists of basic data collection, research, management, and resource evaluation activities that will not result in a serious or major disturbance to an environment resource. The project is strictly for information gathering purposes and is a part of a study leading to an action that has not yet been approved, adopted, or funded.
- (5) The Commission determines pursuant to Government Code Section 56430, the San Diego Local Agency Formation Commission is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence.
- (6) The Commission determines pursuant to Government Code Section 56425, the San Diego Local Agency Formation Commission is required to develop and determine a sphere of influence for each local governmental agency within the County, and review and update, as necessary.
- (7) The Commission determines that on June 2, 1986, the San Diego LAFCO adopted coterminous spheres of influence for the Fallbrook HD, Tri-City HD, Palomar Health HD, and Grossmont HD, and that the Commission affirmed, established, and updated each sphere and service review on August 6, 2007.
- (8) The Commission determines that the Fallbrook HD, Tri-City HD, Palomar Health HD, and Grossmont HD have undergone a sphere of influence and service review in 2015 and for the reasons contained in the Executive Officer's report, affirm, update, and amend the spheres by designating territory as Special Study Areas as shown on the maps, attached hereto.

- (9) The Commission determines that prior to the next *San Diego County Health Care Municipal Service Review (MSR) and Health Care District Sphere of Influence Review (SR)* in 2020, the Fallbrook HD and LAFCO staff should confer to determine if the Fallbrook HD should receive a Special Study Area Designation and/or be assigned a transitional sphere designation indicating that the Fallbrook HD should be dissolved and its service responsibilities reallocated to anyone or all of the remaining Health Care Districts in San Diego County.
- (10) The Commission determines that prior to the next *San Diego County Health Care Services Municipal Service Review (MSR) and Health Care District Sphere of Influence Review (SR)* in 2020, each of the Health Care Districts should evaluate if the territory located within the Special Study designations should be included within their spheres and/or jurisdictional boundaries.
- (11) The Commission determines that per Government Code Section 56425(i), the written statements on file with the Commission specifying the nature, location, and extent of any functions or classes of services provided by each of the Health Care Districts shall be reaffirmed.
- (12) The Commission directed the Executive Officer to prepare Statements of Determinations pursuant to Government Code Sections 56425 and 56430 affirming, updating, and amending the respective spheres of influence and service review associated with the *2015 San Diego County Health Care Services Municipal Service Review (MSR) and Health Care District Sphere of Influence Review (SR)*, based on the reasons contained in the Executive Officer's report and recommendations.
- (13) The Commission directed the Executive Officer to include the Commission's actions per these recommendations in a resolution of approving the affirmation, update, and amendment of the spheres of influence and service review for the Fallbrook HD, Tri-City HD, Palomar Health HD, and Grossmont HD.
- (14) The Commission affirms the sphere of influence for the Fallbrook Health Care District as that territory shown on the attached Map, and described in the Five-Year Sphere of Influence and Service Review and adopts the written Municipal Service Review and the Statement of Determinations (attached hereto) for that agency pursuant to Sections 56425(e) and 56430 of the Government Code.
- (15) The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56880-56882 of the Government Code.

Passed and adopted by the Local Agency Formation Commission of the County of San Diego this 4th day of May, 2015, by the following vote:

AYES: Commissioners Abed, Horn, Jacob, MacKenzie, Vanderlaan and Alternate Vasquez

NOES: None

ABSENT: Commissioners Wood and Zapf
Alternate Commissioners Cate, Cox and Mathis

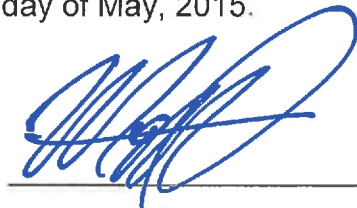
ABSTAINING: None

STATE OF CALIFORNIA)

COUNTY OF SAN DIEGO)

I, MICHAEL D. OTT, Executive Officer of the Local Agency Formation Commission of the County of San Diego, State of California, hereby certify that I have compared the foregoing copy with the original resolution adopted by said Commission at its regular meeting on May 4, 2015, which original resolution is now on file in my office; and that same contains a full, true, and correct transcript therefrom and of the whole thereof.

Witness my hand this 20th day of May, 2015.



MICHAEL D. OTT, Executive Officer
San Diego Local Agency Formation Commission

**ADOPTED STATEMENT OF DETERMINATIONS
MUNICIPAL SERVICE REVIEW
FOR THE FALLBROOK HEALTH CARE DISTRICT
MSR13-65**

On June 2, 1986, the San Diego Local Agency Formation Commission (LAFCO) adopted a coterminous sphere of influence for the Fallbrook Health Care District (HD). The Commission most recently affirmed, established, and updated each sphere and service review on August 6, 2007.

On May 4, 2015, the San Diego LAFCO approved the *Five-Year Sphere of Influence and Service Review: San Diego County Health Care Services Municipal Service Review and Health Care District Sphere of Influence Review*; affirmed, updated and amended, the coterminous sphere of influence for the Fallbrook HD; designated local areas containing medically underserved/understaffed communities and areas of high poverty as *social or economic communities of interest* relevant to the HD; and designated these areas as LAFCO *Special Study Areas*. Refer to Map 1 for the location of the adopted *Special Study Areas*.

The *2015 San Diego County Health Care Services MSR and Sphere Review* concluded that the Fallbrook HD has experienced significant local hospital operational issues that have resulted in the December 2014 closure of its acute-care Fallbrook Hospital, and that these issues may become jurisdictional issues of Commission consideration in the future.

The following statement of determinations is prepared pursuant to Section 56430 of the Government Code and fulfills LAFCO requirements regarding a sphere review and sphere affirmation for the Fallbrook HD pursuant to Section 56425 of the Government Code. A written statement specifying the functions or classes of services provided by the Fallbrook HD and establishing the nature, location, and extent of the functions or classes of District services is on file with LAFCO.

(1) Growth and population projections for the affected area.

The Fallbrook HD authorized health care service area and coterminous sphere of influence includes approximately 70,764 acres (110.57 square miles) located primarily within unincorporated northern San Diego County. (Refer to Map 3) The Fallbrook HD service area and sphere territory includes the unincorporated communities of Fallbrook, Bonsall, De Luz, Rainbow and the I-15 corridor between Gopher Canyon Road and the Riverside County line. A small portion of City of Oceanside incorporated territory is also located within the southwest corner of the Fallbrook HD service area and sphere.

The San Diego Association of Governments (SANDAG) 2014 Special District Population Estimates report a total population of 57,515 within the Fallbrook HD service area and sphere. From 2008-2014, the rate of population growth within

the Fallbrook HD was approximately 6.0%; therefore significant local population growth is not anticipated over the next 5 years.

The SANDAG 2050 Regional Growth Forecast (2011) anticipates that the population residing in the San Diego region will grow approximately 40% by 2050. SANDAG 2050 estimates project the local population within the Fallbrook Subregional Area (SRA) to grow approximately +50.7% from 2013-2030, to a total population of 72,681.

SANDAG 2050 population forecasts indicate the 65-85+ age ranges will grow by approximately 98% to 214% over today's levels. The anticipated population increases are projected to include significant increases in elderly population segments from 2010-2030. The current SANDAG population estimates for the Fallbrook SRA indicate a 65-85+ age range population of 9,054, which represents approximately 19.0% of the total 2013 population.

The SANDAG 2050 subregional population projections show the older population within the Fallbrook SRA will grow significantly (+61.3%) from 2013-2030, to 14,607 or approximately 24.0% of the total 2030 population. The Fallbrook HD should utilize SANDAG's estimated population projections and anticipated demographic changes for planning future health care facilities and services. In particular, the projected expansion of the elderly population by 2030 will necessitate Health Care District planning for sufficient local services and programs to serve the specific needs of older patients.

(2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

On March 4, 2013, the San Diego LAFCO approved the *SB244 Local Agency Matrix*, which references the status of disadvantaged unincorporated communities for each city and affected special district. A disadvantaged unincorporated community is defined as an unincorporated area, containing at least 12 registered voters, where the annual median household income is 80 percent or less of the statewide annual median household income. As of July 1, 2012, a qualifying disadvantaged unincorporated community had an annual median household income of \$46,166 or less.

The Fallbrook HD has one disadvantaged unincorporated community within its adopted sphere of influence, but none contiguous to the sphere. (Refer to Map 2) The identified disadvantaged unincorporated community is located in the Fallbrook town center within the Fallbrook Community Planning Area of unincorporated San Diego County.

(3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Present and Planned Capacity of Public Facilities

The California Office of Statewide Health Planning and Development (OSHPD) Healthcare Information Division (HID) uses submitted financial and operational data for each licensed acute-care hospital to produce an *Annual Financial Disclosure Report* that includes detailed information regarding the hospital's operations, and *Hospital Facility Summary Reports* for the hospital's provision of *Inpatient Services, Emergency Department Services, and Ambulatory Surgery*.

Fallbrook HD owns the 47-bed Fallbrook Hospital (OSHPD ID No. 106370705), located at 624 East Elder Street, Fallbrook. OSHPD reports the following medical services were licensed to be provided at the Fallbrook Hospital up to December 20, 2014: Emergency – Basic, Nuclear Medicine, Occupational Therapy, Physical Therapy, Respiratory Care Services, Social Services, Mobile Unit – MRI, Speech Therapy. Following the closure of Fallbrook Hospital, the current license (12/21/14–10/31/15) only allows Social Services to be provided at the facility.

The Fallbrook Hospital's 47-licensed bed types included 4 beds for coronary care, 4 beds for intensive care, 4 beds for perinatal care, and 35 beds for unspecified general acute care. The Fallbrook HD also leased and operated the 93-bed Fallbrook Skilled Nursing Facility for long-term care (OSHPD ID No. 206370704) located at 325 Potter Street, Fallbrook.

During the 2012-2013 fiscal year, the Fallbrook HD reported an occupancy rate of 57.8% for its 140 licensed acute-care beds (including the Fallbrook Skilled Nursing Facility). During fiscal years 2010-2013, the Fallbrook HD reported an average overall occupancy rate for its licensed and available acute-care beds as 62.5%; however, the annual occupancy rate declined from 65.9% to 57.8%.

The 2014 Facility Summary Report for Fallbrook Hospital reported a total of 1,815 inpatient discharges, with 76.3% for Acute Care (1,385) and 23.7% for Skilled Nursing/Intermediate Care (430). Total number of inpatient discharge days for 2014 were reported as 24,868, with an average length of stay at 13.7 days. Reported data reflects that annual Fallbrook HD total inpatient discharges decreased by approximately 85% overall from 2010-2014. The average length of stay increased by approximately 73% from 2013-2014.

Adequacy of Public Services

The healthcare service quality indicators used in the *2015 San Diego County Health Care Services MSR and Sphere Review* were produced by: the California HealthCare Foundation (CHCF) through *CalQualityCare.org*, which establishes hospital ratings from patient survey responses on their experiences receiving medical services; and by the federal *Agency for Healthcare Research and*

Quality (AHRQ), which compiles OSHPD statistics on hospital performance for selected medical procedures and conditions in comparison to county and/or statewide averages.

For 2012-2013, CalQualityCare.org reports that Fallbrook Hospital received an overall *Patient Experience Rating of Average* and a total score of 65% compared to the California state average of 68%. The Fallbrook Hospital *Readmission Rate* was 16.10%, which was rated as *Average* compared to the California state average of 15.90%.

Patient responses indicate that 63% would recommend Fallbrook Hospital compared to the State average of 70%. The 2012-2013 CalQualityCare.org indicators and ratings for Fallbrook Hospital medical procedures are generally consistent with state levels. The Fallbrook Hospital indicator ratings range from a *Superior* rating for surgical care measures, to a *Below Average* rating for the percentage of new mothers utilizing breastfeeding.

During the 2010-2013 reporting periods, Fallbrook HD performed none of the Inpatient Mortality Indicators (IMIs) selected procedures and served a limited number of patients experiencing the selected conditions; however, for most of the condition indicators with reported totals, Fallbrook HD mortality rates were generally consistent with state averages; no consistent Fallbrook Hospital mortality rate deficiencies were identified from 2010-2012.

Seismic Safety

State seismic safety requirements for acute-care hospital facilities include mandated deadlines that create significant capital investment needs for hospital facility compliance over the next 10-15 years. Per OSHPD's seismic safety ratings, the main Fallbrook Hospital building, the medical/surgical addition, and the ICU/CCU are required to be brought into compliance with the seismic requirements by January 1, 2030 or be removed from acute care service.

Under the recently-terminated operating agreement for Fallbrook Hospital, all seismic improvement costs were to be the responsibility of the contracted operator, Community Health Systems. Now that the leasing/operating agreement with Community Health Systems is no longer in effect, the seismic compliance responsibility reverts to the Fallbrook HD as the owner of the facilities; however, the Fallbrook Hospital's operational closure in December 2014 may make the 2030 seismic compliance deadline a moot point if the facilities are no longer used for acute-care services.

Disadvantaged Unincorporated Communities

The Fallbrook HD has one disadvantaged unincorporated community within its adopted sphere of influence, but none contiguous to the sphere. (Refer to Map 2) The identified disadvantaged unincorporated community is located in the Fallbrook town center within the Fallbrook Community Planning Area of unincorporated San Diego County.

The identified disadvantaged unincorporated community is located within the authorized service area of the Fallbrook Public Utilities District (PUD) for the provision of sewer and water services; and the North County Fire Protection District (FPD) for the provision of structural fire protection and emergency medical services.

Prior to the 2014 closure, the Fallbrook HD and the Fallbrook Hospital were providing health care services adequately within the District's service area and sphere. Following the closure of the Fallbrook Hospital, the Fallbrook HD and the Fallbrook community will need to address future options for local health care facilities, including transport to regional acute-care facilities and emergency department/trauma centers; and consider potential needs for local urgent care, community clinic, and other outpatient facilities and services.

(4) Financial ability of agencies to provide services.

The Fallbrook HD is required to submit annual financial disclosure reports for its licensed acute-care hospital facilities to OSHPD within four months of the close of the district's fiscal year that include a detailed income statement, balance sheet, statements of revenue and expense, and supporting schedules. OSHPD uses the submitted hospital financial data to produce an *Annual Financial Disclosure Report* for each licensed acute-care hospital that discloses annual totals for: patient revenues; operating and non-operating expenses; breakdowns of expenditures by category; net operating income; and total income or loss.

The Fallbrook HD annual hospital financial disclosures reflect inadequate patient revenues to fund independent operations at Fallbrook Hospital. As of December 2014, the Fallbrook Hospital has closed operations as an acute-care hospital and its long-term operational status is undetermined.

For the 2012-2013 fiscal year, Fallbrook Hospital reported total net operating revenues of \$38,306,345 and total operating expenses of \$45,960,998, for a total net-from-operations loss of (\$7,654,653) and a total annual loss of (\$8,072,323). This loss follows a total loss of (\$4,485,824) for the preceding 2011-2012 fiscal year.

During the 2007-2008 to 2012-2013 fiscal years, Fallbrook HD reported a cumulative total loss of (\$16,831,875) and an average net-from-operations loss of (\$2,209,763) per year. The 2014 termination of the leasing/operating agreement with CHS for Fallbrook Hospital was directly attributed to the on-going operational losses experienced between 2008 and 2013.

The Fallbrook HD holds regular public Board meetings to review and adopt annual budgets, and the HD conducts annual independent financial audits; no financial violations have been reported. The Fallbrook HD complies with all financial disclosure requirements of state and federal regulatory agencies.

The Fallbrook HD receives an annual average of \$1,484,441 in allocated property tax revenues; however, these funds are used to provide community grants to local non-profit health care programs within the district service area,

and to fund the administrative operations of the District. The local property tax revenues annually allocated to the Fallbrook HD are insufficient to independently sustain acute-care hospital operations at the Fallbrook Hospital.

The Fallbrook HD has retired its previous bonded indebtedness; however, the recent closure of the Fallbrook Hospital may compel the Fallbrook community to evaluate utilizing the Fallbrook HD's public financing mechanisms to fund needed health care facilities and services.

(5) Status of, and opportunities for, shared facilities.

Fallbrook HD has engaged in a number of partnerships with other health care entities to maximize its ability to provide and maintain health care programs and services to its service area residents. Due to its far North County location, the Fallbrook HD is close to many Riverside County hospital facilities in the Temecula/Murrieta area in addition to the existing San Diego County regional hospital facilities in Oceanside (Tri-City Medical Center) or Escondido (Palomar Medical Center).

The Fallbrook HD has collaborated with the Tri-City HD and Palomar Health HD by forming Joint Powers Agreements (JPAs) that are designed to manage patients, facilities, and programs between the Districts to maximize efficiencies; however, the closure of the Fallbrook Hospital has eliminated the Fallbrook HD's ability to provide a reciprocal service relationship with its JPA partners.

The 2014 Joint Powers Agreement (JPA) between the Fallbrook HD and Palomar Health HD involved the identification of providers to continue the following health care services in Fallbrook: urgent care, skilled nursing, home health care and hospice, physical therapy, wound care, laboratory services and imaging services. The proposed JPA also included an assessment of the Fallbrook Hospital for potential uses such as an ambulatory surgery center, provide dialysis services, and operate a pharmacy.

Palomar Health HD applied for licensing to assume operational responsibility for the Fallbrook Skilled Nursing Facility; however, the federal Centers for Medicare and Medicaid Services (CMS) subsequently declined the Palomar Health HD's application for licensing the operation because federal regulations require the skilled nursing facility to be affiliated with an acute-care hospital that is located within 250 yards of the nursing facility. The Palomar Health HD's closest hospital, the Palomar Medical Center, is located more than 20 miles from the Fallbrook Skilled Nursing Facility. The Fallbrook HD and Palomar Health HD are continuing to explore opportunities under the JPA to identify potential health care service providers for the Fallbrook HD service area.

(6) Accountability for community service needs, including governmental structure and operational efficiencies.

The Fallbrook HD has demonstrated accountability for community service needs by supporting community health care services within its service area and sphere through the following programs and services: the Community Grant Program, which allocates a portion of the district's annual property tax revenues as grants to non-profit health-related programs serving residents within the Fallbrook HD service area and sphere; the Community Health & Fitness Fair, which provides health screenings and access to health care information to local residents in the community; and Community Collaborative, in which the district partners with several community entities to develop and deliver programs and events for the health and well-being of the residents of the community.

During fiscal year 2013-2014, the Fallbrook HD received a total of \$634,227 in grant requests and approved distribution of \$556,159 to a total of 21 approved applicants. All recipients of grant funding are required to present periodic reports to the Fallbrook HD Board specific to their funded program and the utilization of awarded grant funds. The Fallbrook HD reports the cumulative total amount granted since the program was established in 2000 as \$5,907,362.

The Fallbrook HD operates a public website for the District and the Fallbrook Hospital. The Fallbrook HD website regularly posts news releases, annual reports, budgets, audits, Board meeting notices, Board agendas & minutes, and community health care program information.

Governmental Structure

Governmental structure options available to the Fallbrook HD include several different changes of organization or reorganization, including: dissolution of one or more districts with concurrent annexation of the dissolved district's service area into one or more successor districts; consolidation of two or more districts into one or more successor districts; or a combination of governance actions involving annexations or detachments of district service area and sphere territory.

A proposed reorganization involving dissolution/annexation, or a consolidation/merger of Health Care Districts would transfer the district's assets and liabilities to a designated successor agency, including responsibility for assuming any voter-approved bonded indebtedness. Therefore, a key issue to be determined when considering potential governmental structure options for Health Care Districts involves the identification of a successor agency that is both authorized and capable of sustaining the provision and level of health care services presently provided by the affected Health Care District(s).

If LAFCO approves a proposed jurisdictional change that involves dissolution of one or more Health Care Districts, or a Health Care District proposes to transfer more than 50% of the district's assets, State Law requires the dissolution or transfer agreement to be approved by local voters.

Prior to the 2014 Fallbrook Hospital closure, the facility was leased and operated under a 1998 agreement with Community Health Systems, Inc. (CHS), a for-profit

hospital system based in Tennessee. The agreement with CHS was approved by more than 90% of the local voters; however, ongoing financial losses experienced by CHS led to the termination of the agreement and the subsequent closure of the hospital for acute-care services.

The continued operational losses at Fallbrook Hospital indicate that stand-alone independent operations of acute-care hospital facilities are inefficient without adequate numbers of patients to provide sufficient revenues to financially sustain core hospital operations. The 2015 *MSR and Sphere Review* concludes that additional study should be conducted by the Fallbrook HD to determine if any of the available governance options may be feasible, beneficial, and desirable for sustainably meeting future community health care demands and local facility and service needs.

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

Additional matters related to effective or efficient service delivery, as required by commission policy, are not relevant in considering MSR13-21 for the Fallbrook HD.

**APPROVED STATEMENT OF DETERMINATIONS
FOR AFFIRMATION OF THE COTERMINOUS
ADOPTED SPHERE OF INFLUENCE FOR THE
FALLBROOK HEALTH CARE DISTRICT
SR13-65**

On June 2, 1986, the San Diego Local Agency Formation Commission (LAFCO) adopted a coterminous sphere of influence for the Fallbrook Health Care District (HD). The Commission most recently affirmed, established, and updated each sphere and service review on August 6, 2007.

On May 4, 2015, the San Diego LAFCO approved the *Five-Year Sphere of Influence and Service Review: San Diego County Health Care Services Municipal Service Review and Health Care District Sphere of Influence Review*, and the Commission affirmed, updated and amended the coterminous sphere of influence for the Fallbrook HD. The Commission also designated local areas containing medically underserved or understaffed communities and areas of high poverty as *social or economic communities of interest* relevant to the HD; and designated these areas as LAFCO *Special Study Areas*. Refer to Map 1 for the location of the adopted *Special Study Areas*.

The following statement of determinations is prepared pursuant to section 56425 of the Government Code for affirmation of the area shown on the attached map as the coterminous sphere of influence for the Fallbrook HD, and for the designation of *social or economic communities of interest* and LAFCO *Special Study Areas*. A written statement specifying the functions or classes of services provided by the Fallbrook HD and establishing the nature, location, and extent of the functions or classes of District services is on file with LAFCO.

**(1) The present and planned land uses in the area, including
agricultural and open space lands.**

The authorized health care service area and coterminous sphere of influence of the Fallbrook HD includes approximately 70,764 acres (110.57 square miles) located primarily within unincorporated northern San Diego County. (Refer to Map 3) The Fallbrook HD service area and sphere territory includes the unincorporated communities of Fallbrook, Bonsall, De Luz, Rainbow and the I-15 corridor between Gopher Canyon Road and the Riverside County line. A small portion of City of Oceanside incorporated territory is also located within the southwest corner of the Fallbrook HD service area and sphere.

The Fallbrook HD's service area and sphere consists primarily of rural, unincorporated territory, and is generally located within the Fallbrook, Rainbow, and De Luz Community Planning Areas. Land uses within the unincorporated territory, including agricultural and open space lands, are governed by the County of San Diego's General Plan land use and zoning designations. Land uses for the small portion of Fallbrook HD's service area and sphere located within the incorporated territory of the City of Oceanside is governed by the City's General Plan and zoning designations.

(2) The present and probable need for public facilities and services in the area.

The San Diego Association of Governments (SANDAG) 2014 Special District Population Estimates report a total population of 57,515 within the Fallbrook HD service area and sphere. From 2008-2014, the rate of population growth within the Fallbrook HD was approximately 6.0%; therefore significant local population growth is not anticipated over the next 5 years.

The SANDAG 2050 Regional Growth Forecast (2011) anticipates that the population residing in the San Diego region will grow approximately 40% by 2050. SANDAG 2050 estimates project the local population within the Fallbrook Subregional Area (SRA) to grow approximately +50.7% from 2013-2030, to a total population of 72,681.

SANDAG 2050 population forecasts indicate the 65-85+ age ranges will grow by approximately 98% to 214% over today's levels. The anticipated population increases are projected to include significant increases in older population segments from 2010-2030. The current SANDAG population estimates for the Fallbrook SRA indicate a 65-85+ age range population of 9,054, which represents approximately 19.0% of the total 2013 population.

The SANDAG 2050 subregional population projections show the older population within the Fallbrook SRA will grow significantly (+61.3%) from 2013-2030, to 14,607 or approximately 24.0% of the total 2030 population. The Fallbrook HD should utilize SANDAG's estimated population projections and anticipated demographic changes for planning future health care facilities and services. In particular, the projected expansion of the elderly population by 2030 will necessitate Health Care District planning for sufficient local services and programs to serve the specific needs of older patients.

State seismic safety requirements for acute-care hospital facilities have mandated deadlines that create significant capital investment needs for hospital facility compliance over the next 10-15 years. Per the California Office of Statewide Health Planning and Development (OSHPD) seismic safety ratings, the main Fallbrook Hospital building, the medical/surgical addition, and the ICU/CCU are required to be brought into compliance with the seismic requirements by January 1, 2030 or be removed from acute care service.

Under the recently-terminated operating agreement for Fallbrook Hospital, all seismic improvement costs were to be the responsibility of the contracted operator, Community Health Systems. Now that the leasing/operating agreement is no longer in effect, the seismic compliance responsibility reverts to the Fallbrook HD as the owner of the facilities; however, the Fallbrook Hospital's operational closure in December 2014 may make the 2030 seismic compliance deadline a moot point if the facilities are no longer used for acute-care services.

LAFCO Special Study Areas

The California Office of Statewide Health Planning and Development (OSHPD) Medical Service Study Areas (MSSA) that are adjacent to the Fallbrook HD service area and sphere have been designated as *LAFCO Special Study Areas*. (Refer to Map 1) The Special Study Area designations are intended to encourage

local health care service planning for adjacent inhabited areas not currently located within any of the local Health Care District service areas and spheres.

The LAFCO *Special Study Area* designations have been applied to Medical Service Study Areas adjacent to the Fallbrook HD service area and sphere that are designated by OSHPD as a *Medically Underserved Area* and/or *Health Care Professional Shortage Area* that is underserved or understaffed with physicians, registered nurses, or other healthcare professionals; and local areas identified with poverty levels above the regional average of 14.4% (SANDAG 2013).

The Commission has determined that the LAFCO *Special Study Areas* contain *social or economic communities of interest* relevant to the local Health Care Districts and should be considered for potential inclusion in subsequent sphere reviews if the affected HD determines that the area would benefit from inclusion.

The LAFCO *Special Study Area* adjacent to the Fallbrook HD service area and sphere is designated as *Special Study Area No. 1: Fallbrook HD/Camp Pendleton*. The *Special Study Area No. 1* territory includes inhabited urban and rural areas of the northwest corner of San Diego County, including Camp Pendleton and the unincorporated De Luz community, and portions of the Tri-City HD and Fallbrook HD service areas and spheres that overlap the Camp Pendleton boundary. (Refer to Map 3)

The Fallbrook HD service area and sphere extends to the northwest and includes a portion of the unincorporated community of De Luz located between Camp Pendleton to the south and Riverside County to the north (Pendleton-De Luz Community Planning Area). The remainder of the De Luz community that is not currently within the Fallbrook HD service area and sphere and has been designated as part of *Special Study Area No.1* so that the unincorporated Pendleton-De Luz Community Planning Area territory not located within Camp Pendleton may be joined with the Fallbrook HD territory.

While State Law allows for both incorporated and unincorporated territory to be served by Health Care Districts and included within their service areas, Health and Safety Code Section 32001 prohibits the division of incorporated territory within a Health Care District unless LAFCO determines that the area would not be benefitted by inclusion.

As the majority of the City of Oceanside is currently located within the Tri-City HD service area and sphere, the small portion of Oceanside incorporated territory located within the Fallbrook HD service area and sphere has been designated as a LAFCO *Special Study Area* for potential consolidation within the Tri-City HD; however, the Health Care Districts should discuss and collaboratively evaluate the affected area to determine if inclusion within either the Tri-City HD service area and/or sphere would benefit the local area.

Prior to the 2020 San Diego County Health Care Services MSR and Sphere Review, the Fallbrook HD should determine if territory located within the LAFCO *Special Study Areas* would benefit from inclusion within their spheres and/or authorized service areas through future annexation proposals or other changes of organization.

Prior to the 2020 San Diego County Health Care Services MSR and Sphere Review, the Fallbrook HD and LAFCO staff should confer to evaluate potential sphere of influence designation options for the District's authorized service area, including potential assignment of a transitional sphere designation indicating that its service responsibilities should be reallocated to any or all of the remaining Health Care Districts in San Diego County.

(3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

Present Capacity of Public Facilities

The OSHPD Healthcare Information Division (HID) uses submitted financial and operational data for each licensed acute-care hospital to produce an *Annual Financial Disclosure Report* that includes detailed information regarding the hospital's operations, and annual *Hospital Facility Summary Reports* for the hospital's provision of *Inpatient Services, Emergency Department Services, and Ambulatory Surgery*.

Fallbrook HD owns the 47-bed Fallbrook Hospital (OSHPD ID No. 106370705), located at 624 East Elder Street, Fallbrook. OSHPD reports the following medical services were licensed to be provided at the Fallbrook Hospital up to December 20, 2014: Emergency – Basic, Nuclear Medicine, Occupational Therapy, Physical Therapy, Respiratory Care Services, Social Services, Mobile Unit – MRI, Speech Therapy. Following the closure of Fallbrook Hospital, the current license (12/21/14 – 10/31/15) only allows Social Services to be provided at the facility.

The Fallbrook Hospital's 47-licensed bed types included 4 beds for coronary care, 4 beds for intensive care, 4 beds for perinatal care, and 35 beds for unspecified general acute care. The Fallbrook HD also leased and operated the 93-bed Fallbrook Skilled Nursing Facility for long-term care (OSHPD ID No. 206370704) located at 325 Potter Street, Fallbrook.

During the 2012-2013 fiscal year, the Fallbrook HD reported an occupancy rate of 57.8% for its 140 licensed acute-care beds (including the Fallbrook Skilled Nursing Facility). During fiscal years 2010-2013, the Fallbrook HD reported an average overall occupancy rate for its licensed and available acute-care beds as 62.5%; however, the annual occupancy rate declined from 65.9% to 57.8%.

The OSHPD 2014 *Facility Summary Report* for Fallbrook Hospital reported a total of 1,815 inpatient discharges, with 76.3% for Acute Care (1,385) and 23.7% for Skilled Nursing/Intermediate Care (430). Total number of inpatient discharge days for 2014 were reported as 24,868, with an average length of stay at 13.7 days. Reported data reflects that annual Fallbrook HD total inpatient discharges have decreased by approximately 85% overall from 2010-2014. The average length of stay increased by approximately 73% from 2013-2014.

The Fallbrook HD 2014 Emergency Department (ED) *Facility Summary Report* states that a total of 9,490 ED Encounters occurred during the reporting period. Total annual Fallbrook Hospital ED encounters have varied over 2010-2014 but have remained between 9,300 and 10,300 per year. The Fallbrook HD's submitted 2013 *Facility Utilization Report* for Fallbrook Hospital states that the

hospital had a total of 3 operating rooms that performed a total of 2,170 surgical operations, with a total of 883 inpatient procedures and 1,287 outpatient procedures.

Adequacy of Public Services

The healthcare service quality indicators used in the *2015 San Diego County Health Care Services MSR and Sphere Review* were produced by: the California HealthCare Foundation (CHCF) through *CalQualityCare.org*, which establishes hospital ratings from patient survey responses on their experiences receiving medical services; and by the federal *Agency for Healthcare Research and Quality (AHRQ)*, which compiles OSHPD statistics on hospital performance for selected medical procedures and conditions in comparison to county and/or statewide averages.

For 2012-2013, *CalQualityCare.org* reports that Fallbrook Hospital received an overall Patient Experience Rating of *Average* and a total score of 65%, compared to the California state average of 68%. The Fallbrook Hospital Readmission Rate was rated as *Average* (16.10%), compared to the California state average of 15.90%. Patient responses indicate that 63% would recommend Fallbrook Hospital compared to the State average of 70%.

The 2012-2013 *CalQualityCare.org* indicators and ratings for Fallbrook Hospital medical procedures are generally consistent with state levels. The Fallbrook Hospital indicator ratings range from a *Superior* rating for surgical care measures, to a *Below Average* rating for the percentage of new mothers utilizing breastfeeding.

During the 2010-2013 reporting periods, Fallbrook HD performed none of the OSHPD Inpatient Mortality Indicator (IMI) procedures and served a limited number of patients experiencing the selected IMI conditions; however, for most of the condition indicators with reported totals, Fallbrook HD mortality rates were generally consistent with state averages; no consistent Fallbrook Hospital mortality rate deficiencies were identified from 2010-2012.

Prior to the 2014 Fallbrook Hospital closure, the Fallbrook HD was providing health care services adequately within the District's service area and sphere. Following the closure of the Fallbrook Hospital, the Fallbrook HD and the Fallbrook community will need to address future options for local health care facilities, including transport to regional acute-care facilities and emergency department/trauma centers; and consider potential needs for local urgent care, community clinic, and other outpatient facilities and services.

(4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The Commission has determined that social or economic communities of interest of relevance to Fallbrook HD exist within local Medical Service Study Areas (MSSA) designated as a *Medically Underserved Area* and/or *Health Care Professional Shortage Area* by the California Office of Statewide Health Planning

and Development (OSHPD); and within local areas identified with poverty levels above the regional average of 14.4% (SANDAG 2013).

The OSHPD Medical Service Study Areas adjacent to the Fallbrook HD service area and sphere that contain existing social or economic communities of interest have been designated as LAFCO *Special Study Areas* to encourage local health care service planning and identify inhabited areas to be considered for potential inclusion in subsequent sphere reviews. (Refer to Map 3)













(5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Fallbrook HD is authorized to provide health care services and does not provide public facilities or services related to sewers, municipal/industrial water, or structural fire protection; therefore, the determination does not apply to the Fallbrook HD sphere review and update.

MAP 1

Health Care Districts (HD) San Diego County Adopted Spheres of Influence And Special Study Areas

Fallbrook HD: MSR/SR/SA13-65
 Grossmont HD: MSR/SR/SA13-67
 Palomar Health HD: MSR/SR/SA13-77
 Tri-City HD: MSR/SR/SA13-92

-  Special Study Areas
-  Fallbrook HD
-  Fallbrook HD SOI
-  Grossmont HD
-  Grossmont HD SOI
-  Palomar Health HD
-  Palomar Health HD SOI
-  Tri-City HD
-  Tri-City HD SOI
-  HD Hospitals
-  Cities
-  Camp Pendleton

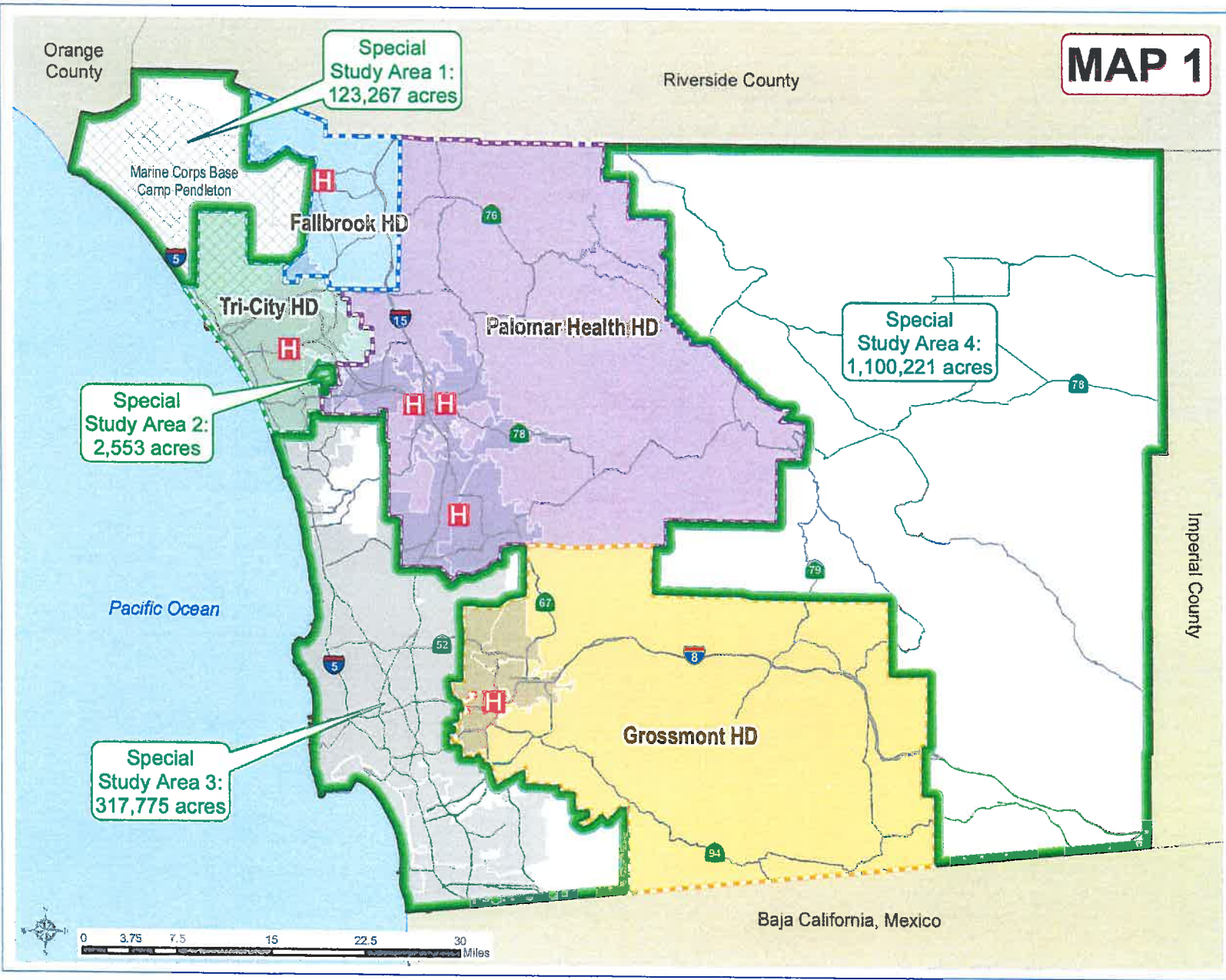
SOI = Sphere of Influence

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MAP 2

Health Care Districts (HD) San Diego County Adopted Spheres of Influence And Disadvantaged Unincorporated Communities (DUC)

Median Household of
\$46,166 or less
(Census Tracts)

Fallbrook HD: MSR/SR/SA13-65
Grossmont HD: MSR/SR/SA13-67
Palomar Health HD: MSR/SR/SA13-77
Tri-City HD: MSR/SR/SA13-92

-  DUCs
-  Fallbrook HD
-  Grossmont HD
-  Palomar Health HD
-  Tri-City HD
-  HD Hospitals
-  Cities
-  Camp Pendleton

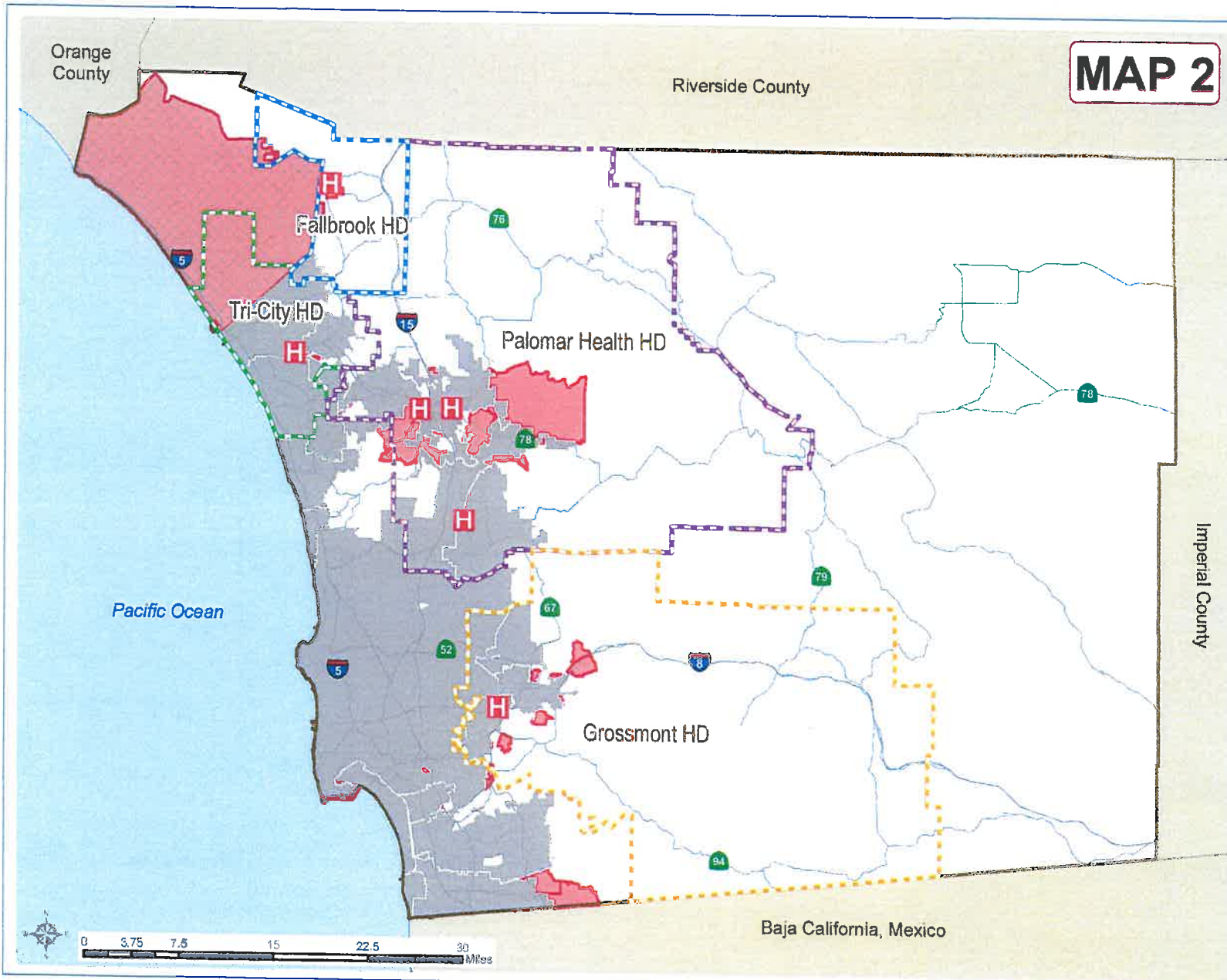
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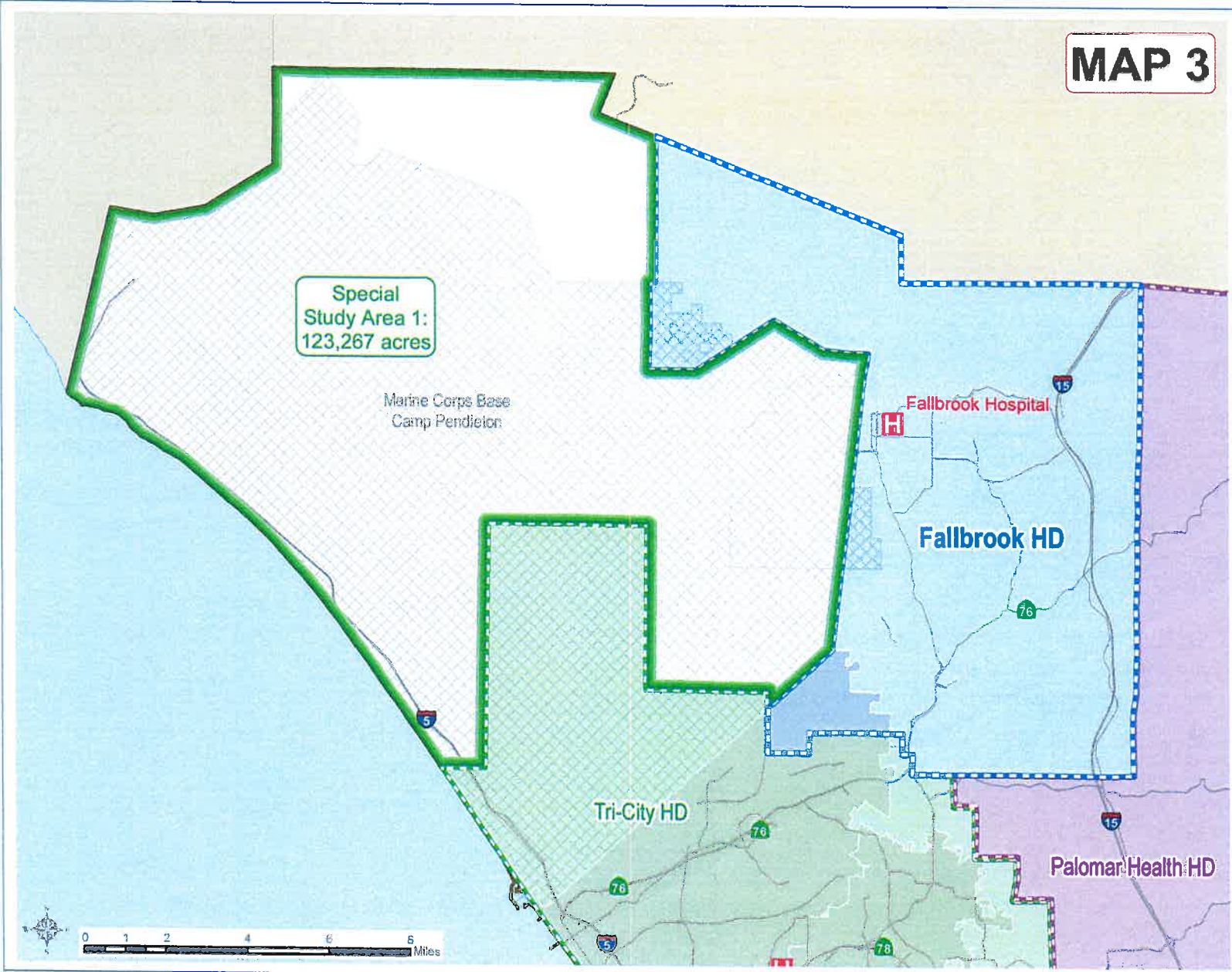


MAP 3

Fallbrook HD

Adopted Sphere of Influence And Special Study Area

Fallbrook HD: MSR/SR/SA13-65



Special Study Area 1:
123,267 acres








Marine Corps Base
Camp Pendleton

Fallbrook Hospital

Fallbrook HD

Tri-City HD

Palomar Health HD

-  Special Study Areas
-  Fallbrook HD
-  Palomar Health HD
-  Tri-City HD
-  HD Hospitals
-  Cities
-  Camp Pendleton

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