



**SAN BENITO COUNTY  
AGENDA ITEM  
TRANSMITTAL FORM**

Dom Zanger  
District No. 1

Kollin Kosmicki  
District No. 2

Mindy Sotelo  
District No. 3  
Vice-Chair

Angela Curro  
District No. 4  
Chair

Bea Gonzales  
District No. 5

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**Item Number: 2.6**

**MEETING DATE:** 01/16/2024

**DEPARTMENT:** COUNTY ADMINISTRATION OFFICE

**AGENDA ITEM PREPARER:** Dulce Alonso

**DEPT HEAD/DIRECTOR:** Ray Espinosa

**SUBJECT:**

**COUNTY ADMINISTRATION OFFICE - R.ESPINOSA**

Approve contract amendment #1 to ECG Management Consultants Contract for phase 2, for an amount of \$70,000.00, and to extend the contract through June 30, 2024; and authorize the Chair to sign contract.

SBC FILE NUMBER: 119

**AGENDA SECTION:**

CONSENT AGENDA

**BACKGROUND/SUMMARY:**

For board consideration and approval is delegating authority to the County Administrative Officer or designee to execute a contract with ECG management consultants from November 1, 2023 to February 29, 2024, in an amount not to exceed \$175,000.00 to conduct phase two (2) of the strategic and financially viability assessment on Hazel Hawkins Memorial Hospital. This scope extension is intended to support the County's financial projections and the next step in reviewing financials and discussing Hazel Hawkins. Key objectives for this phase of the work will be to recommend a detailed physician workforce development plan, develop a business plan for the Hazel Hawkins healthcare enterprise, to include the needed development capital and capital to support operations and build a fully sustainable hospital, and advise the County on the terms of JPA and a management agreement with Salinas Valley Health.

**RESOLUTION OR ORDINANCE NEEDED FOR THIS ITEM:**

No

## **CONTRACT NEEDED FOR THIS ITEM:**

Yes

## **CONTRACT AND RFP HISTORY:**

The San Benito Health Care District, formed in 1958, operates according to Health and Safety Code, section 32000-32492. The District is governed by a five-member Board of Directors elected to serve four years. Hazel Hawkins Memorial Hospital (HHMH), established in 1907, is licensed as a general acute care hospital and has been operated by the District since its inception.

Over time, the San Benito Healthcare District has shifted its previous acute hospital focus and full-bed complement to currently operate a 25-bed "Critical Access" hospital (a designation approved by the Center for Medicare and Medicaid Services), multiple community health and specialty centers (Rural Health Clinics), two skilled nursing facilities, a home health agency, and four satellite lab/draw stations. The hospital's ability to provide healthcare to the community is currently in jeopardy due to debts incurred during the COVID-19 pandemic, the impact of a settlement with the Federal Medicare program related to a cost report filing, inflationary pressures for supplies, pharmaceuticals, labor and benefits, and its inability to fund long term capital needs. In addition, reimbursement for services provided to Medicare and MediCal patients is significantly below the cost of care.

The District is currently in Chapter 9 bankruptcy, approved and authorized by the District Board on May 22, 2023. District Board continues to focus on financial and operational viability and an accelerated search for a partner or buyer in light of ongoing developments.

The County Board of Supervisors on August 8, 2023 authorized the Board Chair to enter into a contract with ECG Management Consultants to conduct a strategic and financial viability assessment on Hazel Hawkins Memorial Hospital. The financial assessment included market trend analysis and volume projections, operational and capital requirements (stand-alone and under various scenarios), financial modeling and impact analysis, including efficiencies that were associated with support from Salinas Valley Health operating assistance, scenario development and sensitivity analysis, including service mix and growth scenarios and scenarios under Salinas Valley Health management and return on investment (ROI) determination.

At the conclusion of the engagement, ECG presented to the County Board of Supervisors on October 24, 2023 a summary of findings and a range of scenarios for consideration and implementation to attain the requisite level of financial performance.

At the Board of Supervisors meeting on October 24, the board approved a letter of intent to be issued to Hazel Hawkins Hospital. Salinas Valley Memorial Hospital and the county submitted a joint letter to Hazel Hawkins on Thursday, October 26, 2023. Please see the attachment.

On the Board Meeting on November 7, 2023 the Board delegate authority to County Administrative Officer or designee to execute contract with ECG management consultants in an amount not to exceed \$175,000.00 to conduct the next phase of the strategic and financial viability assessment on Hazel

Hawkins Memorial Hospital; and/or provide staff direction as desired. the following phase 2 is \$70,000.00 and is presented for board consideration.

**LAST CONTRACT AMOUNT OR N/A:**

Not to exceed \$175,000.00

**STATE IF THIS IS A NEW CONTRACT/ HOW MANY PAST AMENDED CONTRACTS/ OR N/A:**

One previous contract

**STRATEGIC PLAN GOALS: 1. Operational Development & Excellence**

Yes

**STRATEGIC PLAN GOALS: 2. Planning And Sustainable Growth**

Yes

**STRATEGIC PLAN GOALS: 3. Technology**

No

**STRATEGIC PLAN GOALS: 4. Community Engagement**

Yes

**STRATEGIC PLAN GOALS: 5. Health & Safe Community**

Yes

**BUDGETED:**

N/A

**BUDGET ADJUSTMENT NEEDED:**

N/A

**SOURCE OF FUNDING:**

General Fund

**UNFUNDED MANDATE:**

N/A

**SBC BUDGET LINE ITEM NUMBER:**

101.15.1015.1000

**CURRENT FY COST:**

Not to exceed \$245,000.00

**STAFF RECOMMENDATION:**

1. Approve contract amendment #1 to ECG Management Consultants Contract for phase 2, \$70,000.00, and extend the contract through June 30, 2024; and authorize the Chair to sign contract.

**BOARD ACTION RESULTS:**

Approved contract per staff recommendation. (5/0 vote)

**ATTACHMENTS:**

[Amendment #1 to ECG Management Consultant  
Fully Executed ECG Management Contract](#)