



Serving the Medical Needs of a Rural Area

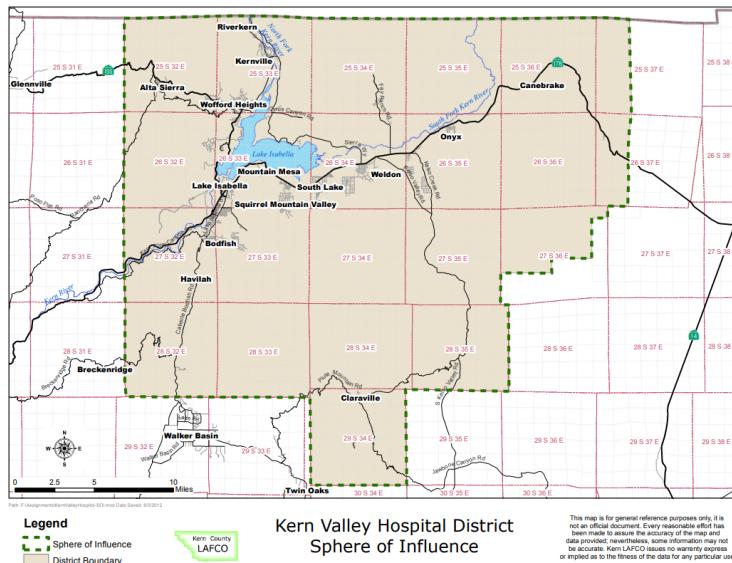


File photos by Kern Valley Hospital District

SUMMARY:

Kern Valley *Healthcare* District was originally named Kern Valley *Hospital* District (emphasis added). In service to the community, the geographic area, the target populations (namely minors, the aged, and tourists), its focus on specialty areas (such as addiction issues, targeted diseases, geriatric care...) as well as its principal functions as a hospital must be considered. Needs for Kern Valley Healthcare District (KVHD) medical services have gone through significant growth.

KVHD is an Independent Special District¹ covering over 400 square miles from Twin Oaks on the south end, to Kernville and Alta Sierra on the north and west, to a point approximately seven miles west of US Highway 14 on the east.



¹ An Independent Special District is governed by a Board of Directors elected exclusively by the residents within the boundaries of the Special District, thus is responsible for raising its own capital. Whereas a Dependent Special District is governed by a Board of Directors appointed by the Board of Supervisors leaving the financial burdens to the County Board of Supervisors.

KVHD's charge is to provide comprehensive medical care as well as hospital emergency healthcare for both the residents and visitors in the area. To fulfill that need, KVHD operates a hospital with a 24/7 emergency room, an in-house pharmacy, a separate clinic, and a retail pharmacy in Mountain Mesa. Further, through outreach efforts, various levels of health education are provided.

Currently, KVHD is undertaking an approximate \$19.7 million upgrade and construction project to bring the hospital into compliance with new seismic standards, and to modernize and increase their overall capacity and efficiency.

PURPOSE OF INQUIRY:

California Penal Code §925 authorizes a Grand Jury to conduct an inquiry and report on various departments throughout the county. KVHD had not been examined by any Kern County Grand Jury in over a decade. Since the last inquiry the Kern River Valley has changed in size, demographics, and overall healthcare needs. The 2021 – 2022 Kern County Grand Jury (Grand Jury) looked at the planning process for the upgrade/construction and reviewed various aspects of KVHD's outreach to determine if it has kept pace with those changes in a manner consistent with local needs.

BACKGROUND:

Medical care for a rural community presents a set of challenges that are generally not found in a more urban setting. Kern Valley Hospital is the major component of the Kern Valley Healthcare District. KVHD takes the leading role in the overall wellness of the entire Kern River Valley and some of the outlying mountain areas.

KVHD was founded in November of 1964 for the purpose of building and operating a 24-bed hospital (12 acute beds and 12 long-term beds). During the first 18 months of operation, approximately 1,000 patients were admitted, and some 4,500 emergency cases were cared for. (That is an impressive average of over eight emergency visits per day.) The need for additional acute care beds resulted in long-term beds being reclassified to "Swing Beds" that could be used for either acute care or long-term care. With the licensure of three intensive care beds in April 1975, the hospital acute bed count increased to 27.

On July 28, 1998, the Board of Directors adopted a resolution to change the name from Kern Valley *Hospital* District to Kern Valley *Healthcare* District to better describe the overall services provided by KVHD. The new name became effective July 1, 1999.

Over the following years the facility went through several growth stages, which included:

- Opening an outpatient clinic.
- The opening of an off-site pharmacy.
- The addition of a Tesla battery for emergency electrical back-up power which shortens the time before the use of generators is needed.
- Opening a 74-bed Long Term Care Facility within the confines of the hospital.
- The use of tele-medicine for counseling, psychiatry and neurology programs for identification of potential stroke victims.
- Implementation of a MobileCare Clinic to help serve those in outlying areas which has been beneficial in addressing COVID-19.

The Sylmar earthquake of 1971, the Loma Prieta earthquake of 1989, and the San Fernando earthquake of 1994 demonstrated the need for more stringent seismic reinforcement standards statewide. The first of the stronger building codes² were designed to ensure that a hospital will withstand a major earthquake without collapsing. The second set requires that hospitals will not only remain standing but be able to continue to operate.³

METHODOLOGY:

The Grand Jury employed several approaches for creating this report. It included, but was not limited to, interviews with KVHD staff, architect, architectural consultant, facility tours, examination of hospital (non-medical) documents, as well as research on the internet.

DISCUSSION OF FACTS:

The hospital includes a 24-hour/seven day a week Emergency Room, Acute Care section, Intensive Care Unit, a Long-Term Care facility, non-public on-site pharmacy, off-site retail pharmacy, an Outpatient Clinic, and MobileCare Clinic.

There has been a convergence of community growth, and an aging population. The 51-year-old hospital structure requires seismic retrofit and general modernization. However, the lack of a dedicated funding stream creates issues for the small rural hospital. Further complicating construction, is a lack of qualified contractors in the Kern River Valley.

In 2016, KVHD made an application through the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program. This allows KVHD the ability to access additional funding.

In 2016, preliminary plans were accepted by the Office of Statewide Planning & Development, now known as California Department of Health Care Access and Information (HCAI). The date of acceptance by HCAI secured the 2016 code enforcement standards, provided that no major changes were subsequently made to the plans.

A long-term Financial Trends Report is compiled quarterly by the Finance Committee that tracks income and expenses to show the current financial health of KVHD. Upper management and the Board of Directors determined KVHD is able to contribute 19.7 million to fund the scaled-down project.

Plans were drawn for remodel and renovation, to be paid for by a proposed bond issue, and repaid by a parcel tax. On three different occasions between 2007 and 2018, bond measures were defeated by the voters.

The most recent bond measure stated:

² *Building and Construction Industry (Improving Productivity) Act of 2016* mandates a seismic retrofit of hospitals to go into effect in 2022. KVHD is on schedule to meet the 2022 standards.

³ *2019 California Building Standards Code (Cal. Code Regs., Title 24)* is a more robust standard due for completion in 2030. As of the date of this report, those upgrades are unfunded and thus proving more problematic for KVHD and many other hospitals.

Ballot question:

“To maintain local access to advanced, life-saving emergency medical care at Kern Valley Hospital for victims of accidents, heart attacks, strokes and other medical emergencies; keep medical equipment, technology and hospital facilities up-to-date; expand the Emergency Room; and attract and retain qualified doctors and medical specialists; shall Kern Valley Healthcare District establish a parcel tax of \$98 per year, with independent citizens' oversight, mandatory audits, no money for hospital salaries, and all funds dedicated to improving Kern Valley Hospital?”

Impartial analysis:

The following impartial analysis of the measure was prepared by the office of the Kern County Counsel:

“The Board of Directors (“Board”) of the Kern Valley Healthcare District (“District”) placed this measure on the ballot. A “Yes” vote by at least two-thirds (2/3) of the voters voting on this measure will authorize the District to levy a special tax of ninety-eight dollars (\$98) annually on each taxable parcel of land within the District. The parcel tax will terminate after the year 2057.

The tax proceeds will be used to maintain local access to emergency medical care at Kern Valley Hospital, to keep medical equipment, technology, and hospital facilities up to date, to expand the emergency room, and to attract and retain qualified doctors and medical specialists. The tax may be used to fund future capital needs of the District or to secure long-term borrowing to finance future capital needs of the District.

The tax proceeds will be deposited in a separate fund. The District's appropriations limit will be established by the amount of tax proceeds during the first year of the tax. If the Board authorizes securities for issuance and sale, the Board will create one or more funds or accounts for the deposit of the securities proceeds.

The District's chief financial officer will issue an annual report to the Board showing the amount of securities proceeds received, and the amount of money expended, and the status of the acquisition, construction, or financing of the capital projects to be financed with the proceeds. The Board will establish an independent citizens' oversight committee to ensure that securities proceeds are expended only for future capital projects.”

A down-sized plan was resubmitted. KVHD was advised that their original proposal had been closed due to missed project deadlines. After several delays, a revised approximate 19.7 million project with the updated 2019 seismic retrofit requirements was developed. The revised plan was submitted to HCAI in April 2022 with construction to be completed by December 2027. This would put the hospital in compliance for the 2030 deadline.

To date, a full-time Project Manager and full-time Construction Manager have not been hired to coordinate tasks and time frames of the roughly thirteen phases of the total project. Part of the wellness efforts of KVHD is to address two specific healthcare challenges: the growing and dangerous addiction problems, and the special needs of the senior population. According to the

latest U.S. Census Data, the median age within KVHD is 53. However, over half of the population falls within those two targeted age categories: 10 to 24-year-olds (14.4%), who are at greater risk for drug addiction and overdoses; and those over 60 (36.8%) who are facing the multiplicity of geriatric health complications.

KVHD staff routinely visits schools throughout the Kern River Valley to talk with students and school personnel about the dangers of drugs. Aiding in this endeavor, KVHD has been successful in attracting some NFL® players to talk to students, in person, about the dangers of drug use. While this approach has been well accepted by and at the schools, KVHD believes that much remains to be done to confront the drug phenomena at every possible opportunity.

To enhance the health status of seniors, KVHD built a 74 bed Long-Term Care Facility in 1991 on the hospital grounds and more recently has acquired two small buses (one equipped with a wheelchair lift) to transport patients to Bakersfield for medical services unavailable in the Kern River Valley, such as advanced imaging and some surgeries. In addition, nutrition, diabetic cooking classes, and a take back medication drive-through have also been established.

A Master Project Schedule⁴ is a living document that identifies important dates and activities. If adhered to, it will keep track of all components of a project and can warn and predict delays and cost over-runs.

Examples of delays:

Hospital Plan:

4/27/2021 Building and Planning Committee and Special Meeting of the Board of Directors, Meeting Minutes (These minutes were “Accepted” at the Board Meeting Minutes on 5/6/2021 and “Approved” at the Building and Planning and special Meeting of the Board 5/25/2021)

- Master Plan Update 3 New Building layout proposed and will rework the layout.

11/23/2021 Building and Planning Committee and Special Meeting of the Board of Directors Meeting Minutes (Accepted at the Board of Director’s Meeting of 12/6/2021 and Approved by the Building and Planning Committee on 12/28/2021)

- Master Plan Update, 4. Master Project Timing Discussion: “The Board is now under the impression that we are over 18 months behind schedule”

⁴ **Master Projects Schedule**

“The **master projects schedule** is created from the project plan and individual schedules. Creating the master project schedule will give the team an overview of what needs to be done, when it needs to be done and when it should be completed. The master project schedule should take into account all fixed schedules.... The master project schedule allows the project manager to monitor the progress of the project toward the completion of important milestones.”

2/22/2022 Building and Planning Committee with a Special Board of Directors Meeting Minutes (Board of Directors approved 3/29/22 and approved by the Building and Planning Committee on 4/26/2022)

- Architectural and Engineering Contracts Update: “to develop a cover sheet.”

Storage Cabinets:

July 24, 2021, Building and Planning Committee and Special Board of Supervisors Meeting Minutes “Plans to have Bids before the next meeting.”

3/29/2022 Building and Planning Committee and Special Meeting of the Board of Directors Meeting Minutes “Cabinets to be completed by next week.”

Roberts’ Rules of Order have not been consistently followed:

- The Board of Director’s Meeting of April 11, 2022, “approved” the meeting minutes for:
 - Building & Planning Committee meeting of March 29, 2022. (Committee Minutes indicated the February 22, 2022, Committee Minutes were approved.)
 - Governance meeting of March 29, 2022. (Committee Minutes indicated the February 22, 2022, Committee Minutes were approved.)
 - Finance Committee March 30, 2022. (Committee Minutes indicated the February 23, 2022, Committee Minutes were approved.)

The Board of Directors Minutes should have reflected:

- **Accepted** – the approved February 22, 2022, Meeting Minutes for Building and Planning.
- **Accepted** – the approved February 23, 2022, Meeting Minutes for the Finance Committee.
- **Approved** – Board of Director’s Meeting Minutes of March 7, 2022.
- **Accepted** – the approved March 29, 2022, Meeting Minutes for the Building and Planning, Finance and Governance Committee Meeting.

FINDINGS:

- F1. The growing and aging population, converging with tourism, old facilities and seismic retrofit requirements, has created a need for major renovations and remodeling of the current infrastructure.
- F2. There are few qualified contractors that are willing and/or able to undertake a major construction project in the Kern River Valley, limiting the breadth of the contractor bid process.
- F3. The architect of record, coordinates with the KVHD Management Team and is responsible for submissions to HCAI on behalf of KVHD.

- F4. The coordination between KVHD, the Architect, the Project Manager, and Construction Manager is imperative in keeping the complex task of having the hospital fully functional during construction.
- F5. A comprehensive Master Projects Schedule has not been written to be disseminated.
- F6. The completion of a construction project is dependent on having the correct personnel contracted to perform all the unique functions required for the successful completion of the build. An additional layer of management is needed to assure proper sequencing and timely performance. Specifically, this includes both a Project Manager and a Construction Manager, typically contracted professionals. Without these professionals, time frames can be extended, and materials are at risk of not being ordered and delivered on a timely basis.
- F7. Inflation is a risk factor in any long-term project. A shortage of certain goods or products can create an increase in price. Likewise, when the cost of producing actual goods increases, or there is an increase in the price of products, the cost of the entire project will go up. These factors are currently being considered in the budgeting process of the project.
- F8. Committee Meeting Minutes are considered a legal document and open to public view once they are approved by the issuing committee. KVHD's Board of Directors routinely approves committee minutes prior to them being approved by the issuing committee. A potential conflict exists if the draft of the Committee Minutes are approved by the Board of Directors and then corrected by the issuing committee.
- F9. After a two-year hiatus, due to COVID, KVHD is resuming outreach activities addressing drug addiction and senior nutrition in the Kern River Valley.

COMMENTS:

The Grand Jury thanks the management and staff of Kern Valley Healthcare District and other entities for their help and cooperation in compiling this report.

RECOMMENDATIONS:

- R1. No later than November 1, 2022, KVHD should contract with a dedicated Project Manager to work closely with an assigned liaison and the Board of Directors to oversee all phases of the entire project, establish project needs and coordinate all areas of the retrofit/remodel/build. The Project Manager should:
- In conjunction with the Architect and Construction Manager, determine and define the project scope and objectives.
 - Forecast resources needed to reach objectives and manage resources in an effective and efficient manner.
 - In conjunction with the Financial Officer, prepare a budget based on the scope of work, resource requirements, and fiscal health of KVHD.
 - Track project costs in order to meet budget and prepare for cost overruns or unanticipated cost increases.
 - Develop and manage a detailed project schedule and work plan.

- Provide timely project updates to various stakeholders about strategy, adjustments, and progress.
- Manage contracts with vendors and suppliers by assigning tasks and communicating expected deliverables.
- Utilize industry best practices, techniques, and standards throughout entire project execution.
- Monitor progress and adjust as needed.
- Measure project performance to identify areas for improvement.

(Finding 4)

- R2. Within 60 days of hiring/contracting, the Project Manager should develop a comprehensive Master Projects Schedule that will include all aspects of the construction plan. (Findings 4, 5 and 6)
- R3. Plans have been submitted to HCAI and are under review. The Request for Proposal (RFP - bidding process) and contract for a Construction Manager should be completed no later than February 1, 2023, or 90 days prior to the anticipated final approval of the plans from HCAI, whichever comes first. (Findings 4 and 6)
- R4. In addition to the primary duty of overseeing a construction project, within 60 days of hiring/contracting, the Construction Manager should:
- Work closely with the Project Manager to establish the requirements for the construction.
 - Assist in the bidding process.
 - Liaise with local authorities to obtain licenses and permits for the project.
 - Ensure the construction project complies with all safety and building regulations.
 - Conduct an in-depth analysis of the project to formulate the budget and develop the deliverables.
 - Prepare necessary reports on the project.
 - Maintain daily employee logs and monitor the cost codes of each one of them.
- (Finding 6)
- R5. To minimize the negative impact of inflation or other construction difficulties, the Building and Planning Committee should complete a monthly cost analysis. (Finding 7)
- R6. KVHD should require a Performance Bond and Labor Bond to ensure the successful completion of the retrofit/rebuild. (Finding 7)
- R7. Cease “**accepting**” Committee Meeting Minutes prior to their approval by the authoring committee. Minutes can be “**accepted, subject to approval**” by the Board of Directors if they have not been accepted by the issuing committee. (Finding 5)

NOTES:

- Kern Valley Healthcare District should post a copy of this report where it will be available for public review.

- Persons wishing to receive an email notification of newly released reports may sign up at: www.kerncounty.com/grandjury
- Present and past Kern County Grand Jury Reports and Responses can be accessed on the Kern County Grand Jury website: www.kerncounty.com/grandjury

RESPONSE DEADLINE:

RESPONSES ARE REQUIRED PURSUANT TO CAL. PENAL CODE § 933, SUBD. (C) AND 933.05 WITHIN 90 DAYS TO:

- **PRESIDING JUDGE**
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301
- **FOREPERSON**
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301

Reports issued by the Grand Jury do not identify individuals interviewed. Cal. Penal Code § 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.



Where Healthcare and Community Connect

September 20, 2022

The Honorable Collette Humphrey, Presiding Judge
Kern County Superior Court
1415 Truxtun Avenue, Suite 212
Bakersfield, CA 93301

Dear Judge Humphrey:

Please accept this letter as Kern Valley Healthcare District's response to the Final Report from the Grand Jury released on June 6, 2022. We apologize for the delay in our response, and appreciate the review performed by the Grand Jury.

Kern Valley Healthcare District thanks the Grand Jury for their review of our operations and their findings and recommendations for improvement.

R1. The first recommendation of the Grand Jury was that no later than November 1, 2022, KVHD should contract with a dedicated Project Manager to work closely with an assigned liaison and the Board of Directors to oversee all phases of the entire renovation/seismic retrofit project as are defined in the Grand Jury recommendations.

KVHD agrees that we should hire a dedicated Project Manager to help plan and oversee the construction project. KVHD has every intention of doing this, but not necessarily by November 1. The hospital's architectural plans have been submitted to California's Department of Health Care Access and Information (HCAI) for plan check, and this process can take many months, if not a year or more to complete. Revisions to plan checks can add significant delays to the implementation plans. Our hiring of this expertise will be dependent on our assessment of the time it will take to work with the state to finalize construction documents and issue building permits.

R2. Within 60 days of hiring or contracting, the Project Manager should develop a comprehensive Master Projects Schedule that will include all aspects of the construction plan.

While KVHD agrees with the recommendation of the Grand Jury as to the duties of the Project Manager and the timing of those duties, we will not at this time set specific target dates as to when the identified tasks will be completed. This will be done upon contracting with the specific individual who will lead this effort. We fully agree that timing is very important to stay on target and on budget and will move with all speed to make this happen as quickly as can be accomplished.

R3. Plans have been submitted to HCAI and are under review. The Request for Proposal (bidding process) and contract for a Construction Manager should be completed not later than February 1, 2023, or 90 days prior to the anticipated final approval of the plans from HCAI.

KVHD agrees with the recommendation regarding the contracting of a Construction Manager. We cannot at this time predict that this would be done by February 1st but do agree that it will be done 90 days or more before we believe we will have construction documents and building permits.

R4. Recommendation 4 outlines the duties of the Construction Manager.

KVHD agrees that the duties of the Construction Manager, should include the tasks identified, as well as many other. Some of these tasks will be performed by the Construction Manager, and others will be performed by internal and architectural staff. We thank the Grand Jury for their thoughts and ideas.

R5. To minimize the negative impact of inflation or other construction difficulties, the Building and Planning Committee of the Board should complete a monthly cost analysis.

We fully agree with the Grand Jury on this point. This process is already underway at KVHD and has been for some time on other construction projects at the district.

R6. KVHD should require a Performance Bond and Labor Bond to ensure the successful completion to the retrofit/rebuild.

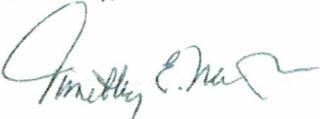
KVHD concurs with this recommendation, and it will be addressed by the Board and legal counsel at the appropriate time prior to construction.

R7. Cease "accepting" Committee meeting minutes prior to their approval by the authoring committee. Minutes can be "accepted, subject to approval" by the Board of Directors if they have not been accepted by the issuing committee.

This recommendation was implemented immediately. The agenda for the Board Meeting on June 6, 2022, reflects this change. We appreciate the Grand Jury noticing this practice.

We appreciate the Grand Jury for their thoroughness in their review and assessment, and thank them for their comments, suggestions, and compliments. It was our pleasure to work with them.

Sincerely,



Timothy E. McGlew
Chief Executive Officer

cc: Kern County Grand Jury, Foreperson
1415 Truxtun Avenue, Suite 600
Bakersfield, CA 93301