City of Alameda
HEALTH CARE DISTRICT

June 14, 2021

Memorandum to: City of Alameda Health Care District
Board of Directors

From: Debi Stebbins
Executive Director

RE: Position Paper on SB 1953 Seismic Requirements for 2030

The following position paper on the SB 1953 seismic requirements for 2030 are presented for discussion, modification, and eventual adoption by the Board of Directors for use in our advocacy efforts in the community, various stakeholders and with elected officials.

Introduction:

Alameda Hospital faces the challenge of compliance with the seismic requirements effective in 2030 imposed by SB 1953, the legislation that has guided hospital seismic guidelines for almost 30 years. The construction requirements for Alameda Hospital to meet these standards are estimated to cost at least $200 million and are likely to result in significant disruption in hospital services for several years. Unless the current requirements of SB 1953 are amended, Alameda Hospital could be one of many California hospitals that is threatened with closure. The Board of Directors of the City of Alameda Health District believes these requirements need to be reassessed and amended to avoid a drastic loss of hospital capacity in the State and health care services in Alameda.

The content of this background paper draws extensively on a 2019 RAND study that evaluated California 2030 seismic standards, including the cost of compliance, the affordability of the legislation for hospitals, and possible policy alternatives to reshape the future implementation of SB 1953. The purpose of this paper is to inform the community of Alameda, the AHS community and our elected officials of the impending crisis in health care delivery imposed by SB 1953 and to urge exploration of alternatives to current legislation.

Background of Legislation:

SB 1953 was enacted in wake of Northridge earthquake of 1994 which resulted in total collapse or severe damage to several area hospitals. SB 1953 established deadlines for ensuring life safety as well as continued operation after a seismic event. A first set of deadlines under the law, (originally 2008, later extended to 2020) were intended to prevent total collapse of hospital facilities. At Alameda Hospital, Alameda Health

System will complete a retrofit project to comply with 2020 seismic standards this year at a cost of over $25 million.

SB 1953 calls for a higher level of seismic retrofit, including bracing and anchoring equipment, utilities, and services, by 2030 that is designed to enable hospitals to continue to provide acute and critical care services after a seismic event.

The 2030 standards will require significant capital financial expenditures for California hospitals, made more overwhelming in the wake of financial burdens imposed by the COVID 19 pandemic. In some cases this may cause hospitals to defer other capital investments which are vital in the face of changes in the health delivery system and technological advances. Capital also becomes unavailable or operational improvements that could benefit hospital operations, service enhancements and the health and wellness of Californians.

Summary of Seismic Requirements at Alameda Hospital:

In 2019-2020, the City of Alameda Health Care District completed two studies which inform the manner in which Alameda Hospital responds to the seismic requirements in 2030.

The first study shows that the need for acute care beds in Alameda by 2029 may be reduced to the current licensed acute bed capacity of 80 beds to 25 beds. In addition, the emergency department is projected to continue to serve about 18,000 patients a year, including 1000 ambulance visits by the Alameda Fire Department Paramedic Program.

The Emergency Department at Alameda Hospital is a critical service to the Alameda community which as an island with four points of access/egress from Oakland is highly vulnerable to isolation from the rest of the East Bay in the event of a natural disaster or even frequent traffic congestion. The potential of limiting services in the future to just the emergency department has been considered; however, California law, unlike licensure codes in other States, California requires that emergency departments cannot be licensed independently from acute care beds.

The District conducted a second architectural assessment of the buildings that comprise Alameda Hospital in 2019 that show that the newest building on campus (known as the South Wing, built in 1983) is compliant with the 2030 seismic standards and could accommodate the 25 acute beds that are needed in 2029..

However the seismic regulations require that all the functions required to support the acute beds and the emergency department would need to be relocated from non-compliant buildings into the South Wing. The 2019 architectural review concluded that the cost of relocating the services necessary to support the emergency department and associated acute beds could cost $200 million or more.

The duration of construction and sequencing of relocation of departments necessary to complete this project would be highly disruptive to continuing services to the community while the project was underway. In some cases, services might be shut down or unavailable to the community for an extended time. It is highly unlikely that the District or Alameda Health System could raise the funds necessary to complete such a project before 2030. In addition, the commitment of that level of capital would definitely compromise the ability of the System to commit the capital investments necessary for other important upgrades to necessary equipment, technology and new services.

For these reasons, the Alameda community is in danger of losing the health care resources necessary to meet community need by 2030.

Financing the 2030 seismic requirements in California:

The challenge of securing funding for the seismic requirements is not limited to Alameda but in fact is a statewide challenge – one that may be an impending disaster for the health industry in California.

The RAND study concluded that the total cost of compliance with 2030 standards will be in the range of $40 billion to $140 billion. This significant range is based on whether hospitals can retrofit existing structures or be required to build entirely new facilities. Construction costs in California are about 40% higher than in other states in part due to the seismic requirements. In addition, new construction necessitates bringing hospitals up to code in all other respects, such as square footage requirements per bed and complete ADA compliance. For all these reasons, seismic upgrades for hospitals far outstrip the cost of upgrades to other areas of state infrastructure.

31% of California hospital beds are associated with non-compliant hospitals that have either the potential for financial distress or already have severe financial distress.

The RAND study states that currently about 22% of California hospitals are in some degree of financial distress; this estimate is no doubt understated in the wake of extraordinary lost revenue and greater expenses at hospitals during the pandemic. The 2030 seismic burden could increase the percentage of hospitals in financial distress to 40% or more.

When SB 1953 was enacted, it was an unfunded mandate for hospitals. Unlike seismic upgrades to other parts of California infrastructure (e.g. highways, school safety, public utilities) that are financed through public funding or bond measures, hospitals are faced with meeting the entire burden of compliance with seismic standards and on an up-front basis. The public does not participate even indirectly in funding these requirements since hospitals are generally unable to pass along the financing these investments under the current payor structure.

There is significant unevenness in the ability of a given hospital or hospital system to afford the significant capital investment required to meet the 2030 seismic standards. Critical access, public, academic and high MediCal hospitals are disproportionately affected by both seismic requirements and financial distress.

While, public hospitals owned by city or County governments or by universities in some cases have an option for raising capital via bonds or general fund tax revenue, District hospitals such as Alameda Hospital usually do not have such funding sources.

Summary:

The City of Alameda Health Care District and AHS strongly urge consideration of a number of amendments to the implementation of SB 1953 which will avert a health care crisis in many California hospitals, including those serving the most vulnerable and underserved. Some of these alternatives were raised in the 2019 RAND study; others are actively being advocated by industry associations such as the California Hospital Association (CHA) and the Association of California Health Care Districts (ACHD). They include:

- Extending deadlines for compliance with the current requirements beyond 2030
- Identifying sources of public funding in lieu of or to augment private capital investment
- Exemption of certain facilities from seismic upgrades, notably smaller hospitals or those in critical access areas
- Limiting seismic upgrades to only certain portions of a hospital's operations, such as the emergency department, in order to demonstrate a hospital's ability to stay in operation for a limited time period (e.g. a few days) following an earthquake until patients can be safely relocated to another operating facility.
- Exploration of loosening licensure requirements to allow for micro hospitals or freestanding emergency departments in California that both protect public safety but will not entail that immense capital investment required by the current law.

Finally, in the almost 30 years since SB 1953 was passed, the model of health care delivery and the role of acute hospitals in that system has evolved**.** The demand for acute care beds has given way to an increased emphasis on outpatient services as result of changing technology, development of new drugs and consumer expectations. Some of these trends were further impacted over the last year and half by the pandemic. For all these reasons, the optimal allocation of capital investment between inpatient and outpatient care is unclear and needs more evaluation before SB 1953 requirements for 2030 are implemented in their current form.