

Watsonville
Community
Hospital
Cath Lab

May 2022

Overview:

- Halsen Healthcare entered into a capital lease with Phillips Medical Capital to replace the hospital's cardiac catheterization lab in 2019. The hospital had closed its lab in 2017 due to the obsolescence of its equipment. The lab had held a nationally-certified accreditation in Chest Pain Management, participating in a County collaborative between AMR, Dignity, and WCH for rapid treatment of STEMI patients.
- The lease with Phillips Medical Capital included both equipment and construction costs. A construction firm was retained. After the hospital filed for bankruptcy, construction paused but was restarted after the hospital made a direct payment to the contractor.
- The lease with Phillips Medical Capital is an executory contract in the bankruptcy. It can be assumed by the buyer, although certain things have changed and both parties would likely seek to amend the agreement,
- The hospital's executive management team is recommending that the buyer consider an assumption of the capital lease agreement to re-open Cath Lab by end of 2022/ Q1 2023.

Key Physicians:

- Dr. James Joye and Dr. Brandt both take cardiology call and are credentialed with WCH.
- Dr. Joye has an office within the adjacent MOB. Volume currently being referred to different cath labs outside of WCH. Dr. Joye is recruiting partners and mid-level practitioners.
- Physicians are engaged and have committed to performing cases at the hospital.

Volume:

- Historical volume in 2012 was 235 procedures. Our proforma projects 204 procedures in year 1 and 232 procedures in year 2. We anticipate 65% outpatient and 35% inpatient procedures.
- We will perform diagnostic cardiac catheterization procedures, peripheral vascular angioplasty, pacemaker implants, and ICD implantable cardioverter defibrillators, and other general ICD procedures.
- Interventional Radiology Procedures to grow with opening of Cath Lab.

Revenue:

- Net Revenue is projected based on historical PCR % for similar cases at 11% and Payor mix of the hospital with increases in reimbursement projected through managed care negotiations (year 1 at 8%, years 2-5 at 3%)

Operating Expense Assumptions

Vendor Selection:

- Will utilize multiple vendors for supplies (Boston Scientific, Cook Medical, Terumo Medical, Medtronic, Biotronik).

Projected Staffing Model:

- 1 Cath Lab Manager
- 1 Staff Nurse II Step 5 (0.5) FTE
- 1 Staff Nurse II Step 5 (0.8) FTE
- 2 Cardiovascular Tech Step 5 (0.8 x 2) FTE's
- 30% benefits assumption applied
- Experienced staff still working at facility and are interested in re-opening Cath Lab (Charge Nurse, Tech)

Other Operating Expenses:

- Marketing expenses of \$15k in year 1 with slight ongoing spend modeled in out years at \$3K to target local community.
- Will require a cardiovascular directorship \$35K/ year.
- Projected Contribution Margin expenses based on historical surgical spend per case (excluding any labor costs already identified above).

Type of Procedures:

- Will primarily perform stable, elective procedures (85% elective, 15% emergent).
 - Diagnostic Cardiac Catheterization Procedures
 - Peripheral Vascular Angiography/ Interventional Procedures
 - Pacemakers

Operations:

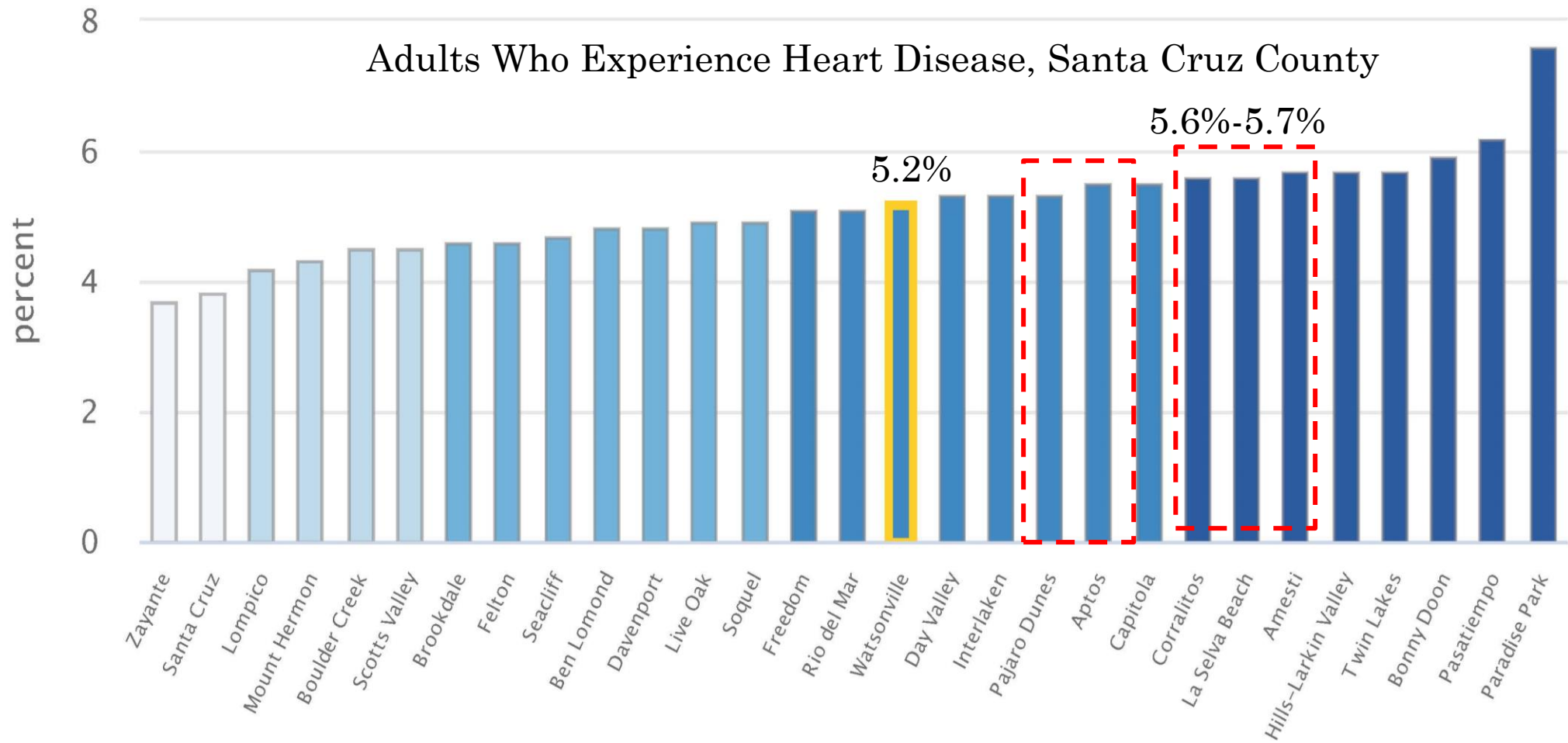
- Will operate under normal business hours and remain available for emergent cases

Key Staffing:

- Experienced staff still working at facility and are interested in re-opening Cath Lab (Charge Nurse, Tech)
- Current CNO previously oversaw WCH Cath Lab and Chest Pain Certification

Health Outcomes:

- Cardiovascular disease is one of the most common conditions in the American population. According to the America Heart Association, cardiovascular diseases affect nearly half of all Americans. The number is growing as the population ages. There are other factors that impact the demand for cardiovascular diagnostics and interventions, including the rate of diabetes, obesity, smoking and alcohol use in the population.



Health Outcomes

Source: <https://www.datasharescc.org/indicators/index/view?indicatorId=2819&localeId=153899>

Volume declined after 2012 due to obsolete equipment

Item	Distribution of Procedures Performed in Catheterization Laboratory	2012	2013	2014	2015	2016	2017	2018
1	Diagnostic Cardiac Catheterization Procedures (LHC, R & LHC)	89	48	10	5	59	24	-
2	Myocardial Biopsy	-	-	-	-	-	-	-
3	Permanent Pacemaker Implantation	29	25	18	1	5	10	-
4	Other Permanent Pacemaker Procedures (Generator or Lead Replacement)	9	4	-	1	7	6	-
5	Implantable Cardioverter Defibrillator (ICD) Implantation	21	-	-	-	-	2	-
6	Other ICD Procedures (Generator or Lead Replacement)	4	1	-	-	-	-	-
7	Percutaneous Coronary Intervention (PCI) - WITH Stent	-	-	-	-	-	-	-
8	Percutaneous Coronary Intervention (PCI) - WITHOUT Stent	-	-	-	2	-	-	-
9	Atherectomy (PTCRA - rotablator, DCA, laser, other ablation, etc.)	20	14	4	3	5	1	-
10	Thrombolytic Agents (Intracoronary only)	-	-	-	-	-	-	-
11	Percutaneous Transluminal Balloon Valvuloplasty (PTBV)	-	-	1	-	-	-	-
12	Diagnostic Electrophysiology (EP) Study	-	-	-	-	-	-	-
13	Catheter Ablation Procedures(SVT,VT,AF)	-	-	-	-	-	-	-
14	Peripheral Vascular Angiography	37	10	11	-	2	2	-
15	Peripheral Vascular Interventional Procedures	26	11	-	1	3	1	-
16	Carotid Stenting Procedures	-	-	-	-	-	-	-
17	Intra-Aortic Balloon Pump Insertion	-	-	-	-	-	-	-
18	Catheter-based Ventricular Assist Device Insertion	-	-	-	-	-	-	-
19	All other catheterization procedures performed in the lab	-	-	-	2	2	1	-
20	Total Catheterization Procedures	235	113	44	15	83	47	-

*Procedure volume from OSHPD/ HCAI Alertis Annual Statistics Reports (2012-18)

Procedure and Payor Mix

Historical Procedures		
Distribution of Procedures Performed in Catheterization Laboratory	2012	Mix
Diagnostic Cardiac Catheterization Procedures (LHC, R & LHC)	89	38%
Peripheral Vascular Angiography	37	16%
Permanent Pacemaker Implantation	29	12%
Peripheral Vascular Interventional Procedures	26	11%
Implantable Cardioverter Defibrillator (ICD) Implantation	21	9%
Atherectomy (PTCRA - rotablator, DCA, laser, other ablation, etc.)	20	9%
Other Permanent Pacemaker Procedures (Generator or Lead Replacement)	9	4%
Other ICD Procedures (Generator or Lead Replacement)	4	2%
Total Catheterization Procedures	235	100%

Historical Patient Type Mix		
Inpatient	106	45%
Outpatient	129	55%
Total	235	100%

Volume Assumptions:

1. Assumed similar procedure and payor mix as historical performance for service line.
1. Assumed more outpatient procedures initially in year 1, with higher acuity afterwards as we ramp up.

Proforma Procedures					
	Year 1	Year 2	Year 3	Year 4	Year 5
	77	88	98	109	121
	32	36	41	45	50
	25	29	32	35	40
	23	26	29	32	35
	18	21	23	26	29
	17	20	22	24	27
	8	9	10	11	12
	3	4	4	5	5
	204	232	259	288	321

Proforma Patient Type Mix					
IP	72	86	104	124	149
OP	132	145	155	163	171
	204	232	259	288	321

IP	35%	37%	40%	43%	47%
OP	65%	63%	60%	57%	53%

Payor	Year 1	Payor Mix
Medicare	92	45%
Managed Medicare	20	10%
Medicaid	20	10%
Managed Medicaid	31	15%
Commercial/ Managed Ca	41	20%
Total	204	100%

Cardiovascular disease continues to be a serious health threat in our community.

With advanced diagnostic and treatment tools we will diagnose and treat blockages and other problems in the arteries often with out the patient needing to undergo surgery.

- Relicensing survey with CDPH ETA 1-2 months
- American College of Cardiology(ACC)/ Society for Cardiovascular Angiography and Interventions provides current standards and evidenced based guidelines
 - Recertify ACC Certification/Chest Pain Center to provide protocols for treating patients with heart attack symptoms
 - WCH obtained this certification in 2012, collaborative program with WCH, AMR and Dignity

Proforma Summary

Hospital Name: Watsonville Community Hospital		PRO FORMA					
Project Name: Catherization Lab / IR Suite		Full Year	Full Year	Full Year	Full Year	Full Year	Full Year
		1	2	3	4	5	6
Volumes:							
Inpatient Cases		83	100	119	143	172	206
Outpatient Cases		152	167	179	188	197	207
Total Volumes		235	267	298	331	369	414
Gross Patient Revenue:							
Inpatient		\$ 17,674,732	\$ 22,270,163	\$ 27,525,921	\$ 34,022,038	\$ 42,051,239	\$ 51,975,332
Outpatient		\$ 12,210,626	\$ 14,103,273	\$ 15,543,217	\$ 16,809,989	\$ 18,180,003	\$ 19,661,673
Total Gross Revenue		\$ 29,885,358	\$ 36,373,435	\$ 43,069,138	\$ 50,832,027	\$ 60,231,242	\$ 71,637,005
Net Patient Revenue		\$ 3,428,859	\$ 4,345,202	\$ 5,225,444	\$ 6,273,973	\$ 7,554,903	\$ 9,121,854
PCR %		11%	12%	12%	12%	13%	13%
Operating Expenses							
Salaries & Wages		\$ 543,281	\$ 565,012	\$ 587,613	\$ 611,117	\$ 635,562	\$ 660,984
Benefits		\$ 162,984	\$ 169,504	\$ 176,284	\$ 183,335	\$ 190,669	\$ 198,295
Supplies		\$ 615,475	\$ 728,111	\$ 827,092	\$ 934,925	\$ 1,061,447	\$ 1,210,249
Medical Specialist Fees		\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Purchased Services		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repairs & Maintenance		\$ -	\$ -	\$ 17,426	\$ 17,600	\$ 17,776	\$ 17,776
Marketing		\$ 15,000	\$ 7,500	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Utilities							
Other Operating		\$ 1,670,485	\$ 1,980,382	\$ 2,255,857	\$ 2,558,132	\$ 2,913,416	\$ 3,331,941
Lease		\$ 313,494	\$ 444,595	\$ 444,595	\$ 444,595	\$ 444,595	\$ 444,595
Total Operating Expenses		\$ 3,355,720	\$ 3,930,104	\$ 4,346,866	\$ 4,787,705	\$ 5,301,465	\$ 5,901,841
EBITDA		\$ 73,139	\$ 415,098	\$ 878,578	\$ 1,486,268	\$ 2,253,438	\$ 3,220,013
EBITDA Margins		2.13%	9.55%	16.81%	23.69%	29.83%	35.30%