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The \$600M question

Will S.F. waste its money on Laguna Honda?

by Chris Rauber

Gerald Scott has been a resident at **Laguna Honda Hospital** for roughly half his life, ever since he was jumped and severely beaten as a young man 25 years ago. Now he hopes to leave.

Scott's attorneys say he's significantly disabled, with both cognitive and physical impairments, but would be capable of living in an apartment as long as he had an attendant to help with things like cooking, managing money and getting to doctor's appointments.

Cities around the country have been doing just that with patients like Scott: moving them out of aging public nursing homes into independent housing and redirecting money into community care.

Scott has had a sad life, and there's not much Laguna Honda or any other institution could have done to deal with much of his pain since Friday, June 13, 1980, when he was assaulted on a Tenderloin street, on the way to pick up his daughter. "I've only seen my daughter four or five times in 25 years," Scott says.

But San Francisco is getting ready to take exactly the opposite approach. Against a national trend -- and the urging of a range of patient advocates and health-care experts -- the city is moving forward with rebuilding Laguna Honda, its city-run nursing home for the poor. The plan calls for replacing its 1,200 beds with at least 780 new ones, at a cost of at least \$600 million and possibly as much as

\$750 million, if all 1,200 beds are replaced. Critics say it's more about politics than patient care, and compare the process to a runaway train barreling down the tracks.

"Other cities aren't building nursing homes, they're closing them," said a health-care consultant familiar with the niche, who contends the Laguna Honda rebuild is primarily motivated by a desire to preserve relatively high-paying union positions. "It's not about care. It's about jobs."

Opposition blocked

But opponents having been facing a juggernaut. In 1999, voters approved \$299 million in bond funding for a new facility, with close to \$200 million the city expects from tobacco lawsuit settlements and \$120 million in federally backed borrowing slated to cover the rest.

Meanwhile, the **Service Employees International Union** has provided the political juice. The facility has nearly 1,600 full-time-equivalent employees, and 1,357 -- 85 percent of them -- are affiliated with SEIU, one of the city's biggest political players. The union denies that its motive is protecting jobs, but says the city can find the money to both rebuild Laguna Honda and improve care in the community.

The 1999 bond vote came after the U.S. Department of Justice warned the city that

Laguna Honda was unsafe and violated residents' constitutional and statutory rights -- and after an earlier-proposed \$502 million bond measure failed to make it to the 1998 ballot due to cost-related concerns.

Other options were considered, at least in theory, but in practice only a massive rebuild has attracted political support, led largely by SEIU, former City Attorney Louise Renne and their allies.

Complicating matters, the Laguna Honda rebuild controversy is heating up just as the city belatedly begins thinking about the specifics of rebuilding **San Francisco General Hospital**, which could cost another \$800 million or more.

But cost is not the only issue. **AARP's** Online Bulletin, for example, in a June 2004 news story, called the class action against Laguna Honda and the city part of "a growing rebellion against nursing homes" being played out across the country, and many see this as a civil rights issue for the elderly and disabled.

Indeed, in an April 2003 letter to City Attorney Dennis Herrera, the Department of Justice stated bluntly that "the city continues to be in violation of the ADA (Americans with Disabilities Act)" at Laguna Honda, and that "a significant number of LHH residents are unnecessarily isolated in the nursing home."

Alone in the nation

San Francisco is virtually alone in running a huge, city-owned nursing home in the first place. Most cities and counties have long since abandoned the skilled nursing facility business, bailing out in many cases 20 or 30 years ago.

Meanwhile, most new skilled nursing facilities have 200 beds or less, and huge cities like Los Angeles, Dallas and Houston "don't have any

SNF beds," said Pat Terrell, a principal with **Health Management Associates**. HMA prepared a report on the Laguna Honda project for the city controller's office.

HMA couldn't find any models nationally similar to what the city of San Francisco is proposing to do. "San Francisco is very generous, but not progressive" when it comes to city-run long-term care, Terrell concluded. "It still uses a model from the 1930s and '40s of institutionalizing everybody. Everyone else has moved into community services, which is a lot cheaper and much better for people."

Laguna Honda now houses just over 1,000 residents, downsizing slightly in recent years in response to demands by the Department of Justice in the late 1990s that it relieve overcrowding and lack of privacy. But most are still housed in drab open wards, with only curtains to block others from watching their every move.

Charlene Harrington, a professor of social and behavioral sciences at UCSF's school of nursing, and lead author of a recent study of national trends in long-term care, said San Francisco has far more nursing-home beds than residential-care beds, bucking regional, national and statewide trends, in large part due to the looming presence of Laguna Honda.

Overall, California has the highest number of residential and assisted-living beds in the nation, giving seniors alternatives to nursing homes, according to Harrington. But that's not the case in San Francisco. The city has 5,945 nursing-home beds, compared to 3,551 residential-care beds.

"It raises questions about the rebuilding of Laguna Honda," given the relative shortage of residential-care beds, she said, calling San Francisco "a real outlier."

City has other options

Steve Rousso is a principal with Oakland-based **HFS Consultants**, a firm that has helped urban hospitals and Tehama County to close down money-losing nursing homes or skilled-nursing units. He agrees that San Francisco has other options, all of them cheaper than rebuilding Laguna Honda.

The city could contract with existing private nursing homes, buy private nursing homes on the open market, rebuild San Francisco General Hospital and Laguna Honda jointly, or use much of the money it now uses to operate Laguna Honda to pay for residents to live in assisted-living facilities and other settings. And if **Sutter Health** and **California Pacific Medical Center** decide to shutter **St. Luke's Hospital**, the city could lease the facility, probably for next to nothing, and use it for long-term care.

Rousso predicts that a growing gap between reimbursements from Medi-Cal and escalating operating costs "could easily result in an \$80 million operating deficit by the time the new facility opens."

Best of a bad bunch

As it is, Laguna Honda already is a huge money pit for the city. The 1927-era complex had a budget this year of nearly \$164.8 million, including \$46.77 million in subsidies from San Francisco's general fund.

Nonetheless, over the summer, the city's public health commissioners and Board of Supervisors agreed to authorize the final \$69 million in bond money, out of Proposition A's original \$299 million, to rebuild Laguna Honda in a more contemporary reincarnation, complete with at least 780 skilled-nursing beds.

Mitch Katz, M.D., director of the public health department, which runs Laguna Honda,

defends that choice as the best of an admittedly bad bunch, given what he calls the unwillingness of state Medi-Cal officials to press for a federal Medicaid waiver that would make it financially feasible for the city to provide alternative forms of care to many of Laguna Honda's residents. In any case, Katz says, the decision has been made to move forward with a 780-bed facility, no matter what critics say. "As a practical point, 780 is going forward," he said. "It's already in contract."

Hearing highlights disconnects

In fact, the city is debating making Laguna Honda even bigger, rebuilding it to 1,200 beds to match the facility it is replacing. A decision on the additional 420 nursing-home beds, which could cost an additional \$200 million or more, is still being deliberated by city officials, although funding for that option doesn't appear to be available unless San Francisco asks voters to approve a new bond issue. But for now, the 780-bed version is still generating impassioned debate.

A Nov. 14 hearing at City Hall perfectly illustrated the impasse. Both sides paraded flotillas of wheelchair-bound witnesses before a Board of Supervisors' government audit and oversight committee. Proponents of the full rebuild played a tear-jerking video of Laguna Honda residents begging the city's supervisors not to shutter the facility -- an option that board President Aaron Peskin noted no one is seriously proposing.

Still, the meeting's parade of witnesses starkly illustrated a gulf between the union's position -- which has the support of some Laguna Honda residents and advocacy groups, including the Gray Panthers -- and opponents of the massive rebuild.

Sal Rosselli, longtime president of SEIU's Oakland-based **United Healthcare Workers**

West, told the Business Times that the union backs both positions, in the sense that it supports both a 1,200-bed rebuild and added funding for home care and community-based care: "It's not an either-or from our perspective."

And Rosselli said he "categorically disputes" the idea that SEIU supports the rebuild primarily to protect union jobs there, although he thinks well-paid jobs with strong benefits are a top priority. "Our vision is that if you're a nursing assistant, you have the same skills whether you work in someone's home or in an acute-care hospital," he said. "Our answer is to reform the system so that all health-care workers get fair wages and benefits."

Politics limits options

Even so, when the city, unsettled by rapidly escalating construction estimates for the Laguna Honda rebuild, started to rethink the project this spring, it considered just two options, as summarized by city Controller Ed Harrington in a May 19 report: a full, 1,200-bed rebuild or the 780-bed option with some elements, such as a trust fund to help pay for community services, that haven't generated much support. One opponent dismisses the decision to offer just two options with a single word: "politics."

Advocacy groups, including **Protection & Advocacy Inc.**, a federally funded nonprofit based in Oakland that advocates on behalf of people with disabilities, continue to argue that a far smaller Laguna Honda rebuild, at about 360 beds, could serve the needs of patients who need to be institutionalized while freeing up resources for many others, who would prefer to be cared for in community settings. The group won a settlement from the city last year that forced it to assess the wishes of Laguna Honda residents and help arrange other options if they prefer to leave the facility.

San Francisco Superior Court Judge James Warren last spring rejected the contention that the 1999 bond issue required the city of San Francisco to rebuild a 1,200-bed Laguna Honda, ruling that Proposition A's funds needn't be used for a specific type or size of facility.

Better options for most of Laguna Honda's elderly and disabled residents could include assisted-living care, home care and various forms of community-based residential care, said Elissa Gershon, a Protection & Advocacy staff attorney and advocate for alternative forms of care.

Protection & Advocacy points to former Laguna Honda residents like Ruth Miller, 89. Miller ended up at Laguna Honda with a head injury, but left the facility against medical advice in early October after about 10 weeks to live independently at Mercy Housing California's Francis of Assisi senior residence home in the Mission district. She lives at home now with help from home-care aides, friends and family, home-delivered meals, case management and a medi-alert system in case of emergencies.

At Laguna Honda, Miller was in a big impersonal ward, surrounded by as many as 28 other residents, and ultimately she didn't want to be there. "I felt that I stayed longer than I should. I raised my voice a little -- or a lot," said Miller.

Over- and underestimating

Gershon and other advocates of community care say more than half and possibly as many as 80 percent of the facility's residents could live outside the institution, with various forms of support and aid, and that many of them would prefer that option. About half of those would prefer supportive housing, 25 percent a "board- and-care facility" and 25 percent would want to return home or to independent housing, according to Targeted Case

Management, a nonprofit that surveyed residents about their wishes.

"The city needs to do a needs assessment and build a rational number of beds, 780 or fewer," Gershon said. "The city is way overestimating the need for skilled nursing beds, and way underestimating the need for community services."

Wanda Jones, a health-care futurist who runs the San Francisco-based New Century Healthcare Institute, concurs. In a Nov. 1 letter to Mayor Gavin Newsom, she said it would make far more sense to sell the Laguna Honda property and use the proceeds to build smaller, community-based facilities in various neighborhoods, in conjunction with other options, such as joint ventures with San Francisco General and other facilities. Without a drastic change in plans, "the City and County (of San Francisco) will find itself stuck with a white elephant whose operating budget it will have to bear for 30-50 years to come."

She didn't get a response.

Critics feel ignored

Newsom, who is on a trip to China, could not be reached for comment, but earlier this year and as a supervisor in the late 1990s he made it clear that he'd prefer a less expensive option than a total rebuild, and he asked for the city controller's report this spring that raised the 780-bed option. Susan Mizner, director of the Mayor's Office on Disability, said that by diverting part of Laguna Honda's \$40 million-to \$50 million-a-year city subsidy to community care, "we could serve about 50 percent more people in the community."

Other critics say their ideas have been ignored, because of the political momentum behind rebuilding a large-scale nursing home.

"It's a black hole, sucking up all of the money for the next 20 or 30 years, which is not right," said Michael Kwok, a former Laguna Honda patient now advocating for more community-based care.

Herb Levine, executive director of the Independent Living Resource Center of San Francisco, says proponents of a rebuild think that aging and disability inevitably translate into nursing home care. Others, he says, see Laguna Honda as their own private charity. "To a certain segment of the population, the wealthy and influential," Levine argues, "Laguna Honda is an icon. It's not about people. It's like we're talking about the symphony."

No exit

As the political and budgetary debates continue, many of the decrepit facility's residents say they just want out.

Bill Phillips, 61, is a former **Amtrak** station master who has been at Laguna Honda for about three years. After recent hip replacement surgery, he believes he could make it outside with the right kind of care. Like his fellow resident Gerald Scott, Phillips said that making such arrangements isn't a high priority at Laguna Honda, so he spends much of his time on an outside deck, watching the world pass by.

"There's nothing to do here except to come out here and smoke," he said. "Just look at this place. It looks like a prison."