



April 29, 2024

Mary Casillas  
Chief Executive Officer  
San Benito Healthcare District  
911 Sunset Drive  
Hollister, CA 95023

Dear Ms. Casillas:

Attached please find some updated materials related to the San Benito County's (COSB) proposal to the San Benito Healthcare District (SBHCD) for the future growth and sustainability of local healthcare services.

San Benito County's (COSB) proposal to the San Benito Healthcare District (SBHCD) is focused on maintaining Hazel Hawkins Memorial Hospital (HHMH) as a growing, financially successful, locally controlled health system – as it has been for many generations – for another 100 years and beyond. The decisions made today will impact all San Benito County residents and those yet to be born for decades to come. COSB's detailed proposal is based upon a few core premises that set HHMH on a path of growth, sustainability, transparency, clinical excellence, and local control.

First, COSB's proposed partnership with SBHCD allows for expanded local governance that offers better strategic leadership, more responsiveness to the needs of the community, leadership on clinical effectiveness and efficiency. Overall, local governance allows leadership to understand the true growing healthcare needs of our community in a more open and transparent way that drives results. COSB's proposal for a Joint Powers Authority (JPA) and a new operational governance board overseeing the operations of HHMH only assure additional financial investments and that more San Benito County residents will participate in securing the success of our local hospital through greater healthcare, business, and strategic expertise. Broad and open voluntary hospital governance is a key success factor for over 80 percent of all community hospitals in the United States. Why not this prevailing model in San Benito County?

Second, HHMH needs a new strategy, one that expands the physician footprint and access in our growing county. A new physician strategy must be brought to bear, invested in, and led with experienced partners and leaders. Today in the United States, almost 75 percent of all practicing physicians are employed by health systems and healthcare organizations, yet HHMH has no dedicated, affiliated, employed medical practice to support local physicians and encourage young new medical graduates to come and practice in San Benito County. Our proposal dedicates capital to invest and ongoing support of a new affiliated Hazel Hawkins Medical Group. We will support our local physicians, and we will set up a new medical group structure (via a 1206b clinic) to recruit more physicians and advanced practice professionals (APPs) to practice locally full time in this new medical group. We will also look to work with other larger academic health systems such as Stanford Health for clinical partnerships (e.g., e-consults) for serious healthcare problems. Our financially sustainable growth proposal for HHMH is based on investing in new physicians and clinical professionals to serve more local citizens.

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Lastly, our proposal assures that San Benito County citizens will make the decisions about the health care we need and receive. Our proposal assures locally controlled healthcare, healthcare determined by our citizens just as it has been for over 100 years. Our proposal will focus HHMH on a mission to serve the healthcare needs of our community versus the demands of distant, non-local equity shareholders of a for-profit company. Through our proposed governance model, the community will decide what financial investments are made at HHMH for facilities, equipment, physician specialties, employees, and clinical programs to meet the needs of our community versus allowing a sole profit motive to determine what services are delivered. And just as important, local leaders will continue to direct and support the economic benefit of one of the single largest local employers in San Benito County with over 700 employees. HHMH is not only one of the largest employers, but also provides citizens with high-paying jobs that significantly contribute to the economic benefit of our community.

Given HHMH's past record of financial issues, the current bankruptcy proceedings and all the other public machinations, it is our conviction that the single most important question that must be asked and answered is, can a hospital located in San Benito County with 65,000 plus residents, one of the fastest growing counties in the State of California, offer clinically excellent healthcare and be financially sustainable? As this proposal demonstrates with the accompanying investment, a new business strategy focused on building a local medical group, and broader local and more accountable governance, the answer is unequivocally yes.

The attached materials that are intended to supplement those already provided to the District, including a new term sheet and an updated financial plan. The updated financial plan incorporates some important contemporary assumptions regarding the bankruptcy, current performance, and cash availability. Our business plan continues to demonstrate that with the County's committed capital and smart strategic investment, the future of healthcare in our County is bright.

We look forward to further discussion and urge you and the District board to accept the County's proposal for future partnership.

Sincerely,

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Ray Espinosa  
Chief Administrative Officer

cc: Board of Directors, San Benito Healthcare District  
Board of Supervisors, County of San Benito  
Cecilia Montalvo, Founderwerk, Inc.  
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