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Special Study: Mount Diablo Health Care District Governance Options

presented to
Contra Costa LAFCO

presented by
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December 14, 2011

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Purpose of the Study

- Addresses past and ongoing community concerns about whether MDHCD should continue as a district
- A "Special Study" is required before dissolution or consolidation of a district
- LAFCO determinations per GC §56881(b):
 - Public service costs after change are less than or similar to alternatives
 - Dissolution or change of organization would promote public access and accountability

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Overview of Health Care Districts

- 1945 Local Hospital District Law established local agencies to:
 - Provide and operate community hospitals and other health care facilities in underserved areas
 - Recruit and support physicians
- In 1993 legislation renamed hospital districts to healthcare districts, and expanded services and regulations
- Increased costs and declining resources have caused significant changes in health care industry
- HCDs in other counties have been dissolved or consolidated as a result of financial distress

Health Care Districts in California

Statistic	Number
Healthcare Districts in California	82
Counties with Healthcare Districts	40
Counties with multiple Healthcare Districts	19
County with most healthcare districts	Kern (7)
Rural healthcare districts	29
Healthcare districts without hospitals	30
Districts providing ambulance service	5
Districts that have declared bankruptcy	4
Districts that are dissolved or otherwise reorganized	5

Source: ACHD 2011

HCD Authorized Services

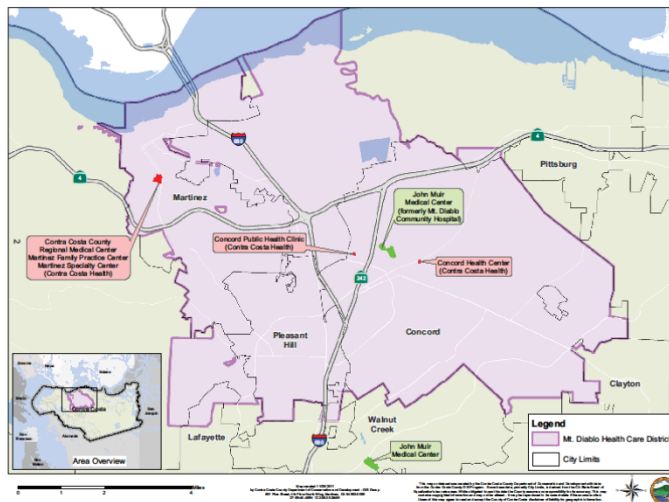
- Health facilities, diagnostic and testing centers, and free clinics
- Outpatient programs, services, and facilities
- Retirement programs, services, and facilities
- Chemical dependency services and facilities
- Other healthcare programs, services, and facilities
- Health education programs
- Wellness and prevention programs
- Support of other health care service providers, groups, and organizations
- Ambulance or ambulance services
- Participation in or management of health insurance programs

Mt. Diablo Health Care District (MDHCD)

- Formed in 1948 as the Concord Hospital District
- In 1994 renamed "Health Care District"
- Boundaries: Martinez, Lafayette (portions), Concord, Pleasant Hill (portions), and unincorporated Clyde and Pacheco
- Two prior proposals to dissolve MDHCD in 1972, 1976
- Receives \$240,000 in property taxes, and \$25,000 from John Muir Health annually
- In 1996 entered into Community Benefits Agreement (CBA) and transferred assets to John Muir health

MDHCD Boundaries

Figure 1 District Boundaries MDHCD Special Study



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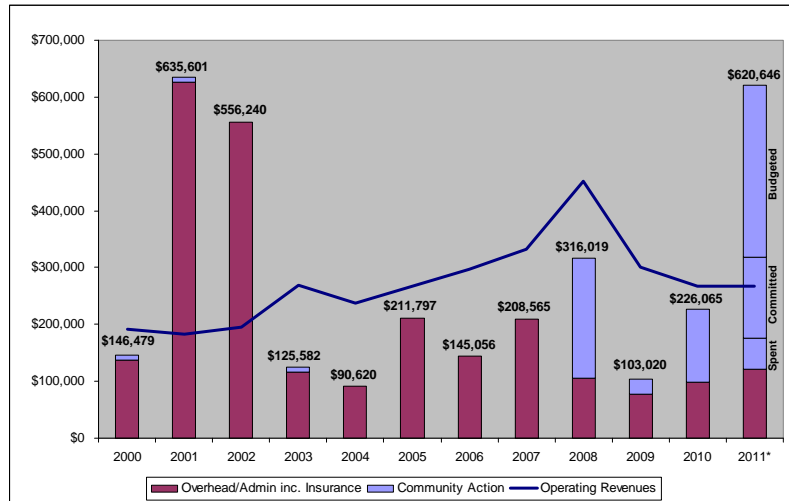
Summary of Findings

- 2000-2011, approximately 26% of expenditures for Community Action (74% overhead and benefits)
- In 2011, 80% of expenditures are budgeted for Community Action (before Exec. Director costs)
- After fund balance depleted, 55% of \$265,000 operating revenue would be available for Community Action
- Newly-hired Exec. Director could help address past operational, access and accountability problems
- After Exec. Director costs, legal costs, and insurance savings, minimal operating revenue available for Community Action

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Summary of MDHCD Revenues and Expenditures



* Estimate for 2011, source: "Budget vs. Actual, Jan. 1, 2011 to Oct. 31, 2011"

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Summary of Findings (cont'd)

- Assets (cash and short-term investments) were \$830,000 at end of 2010
- Projected balance of \$480,000 at end of 2011 (depending on expenditures)
- Long-term liabilities for lifetime health insurance benefits in excess of \$800,000 at end of 2010
- Insurance costs may be reduced because of recent changes, but liability remains
- Additional Executive Director costs (\$120,000 annually) plus current \$120,000 overhead would consume nearly all recurring \$265,000 operating revenue

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Possible Changes of Organization

- Maintenance of status quo
- Consolidation with another “unlike” or “like” district
 - e.g., Los Medanos Community Healthcare District
- Dissolution and appointment of a successor for winding up purposes only
 - e.g., City of Concord or CSA EM-1
- Dissolution and appointment of a successor to continue health care services within the district
 - e.g., CSA EM-1
 - City of Concord considered, but cannot form a subsidiary district for healthcare purposes, and only represents a portion of current MDHCD area

Status Quo

- **Advantages**
 - MDHCD continues to pursue improvements in the provision of local health care
 - MDHCD provides oversight of CBA & participates in HCF
 - Hiring of Executive Director likely to improve operations
- **Disadvantages**
 - High expenditures for overhead (80-90% of operating revenue) assuming ongoing Executive Director costs
 - MDHCD at risk of continuing past practices, including lack of Community Action programs

Consolidation – MDHCD/LMCHD

- **Advantages**

- Existing territory served by MDHCD would continue to be served by successor district
- Revenues of the two districts could be used to enhance services of the combined district
- Economies of scale result in reduced administrative costs

- **Disadvantages**

- Property tax expended by new, larger district, potentially reducing benefits to MDHCD taxpayers
- Reduced local representation
- Likely political opposition to consolidation

Dissolution – Winding up MDHCD affairs

- City of Concord (greatest a.v.) or CSA EM-1 (by LAFCO transfer of assets)

- **Advantages**

- Elimination of MDHCD admin. expenses
- Existing MDHCD property tax revenues revert to other agencies (after payment of MDHCD obligations)

- **Disadvantages**

- No further provision of current MDHCD health-related services
- MDHCD property tax no longer available for health care
- Loss of CBA provisions, including oversight of facilities and licenses, and participation in CHF grant process

Dissolution – Successor Continues Services

- CSA EM-1 designated as successor
- **Advantages**
 - Existing territory served by MDHCD would continue to be served by a new EM-1 zone
 - Elimination of MDHCD admin. expenses, funds become available for health care
 - Continue to use property taxes for health care in area, and provide for an advisory board representing area
 - Professional staff to implement policies and programs
 - Continuation of CBA provisions, including oversight of facilities and licenses, and participation in CHF grant process

Dissolution – Successor Continues Services (*cont'd*)

- **Disadvantages**
 - Primary function of EM1 is ambulance service, with some related training services (CPR, defibrillators)
 - One or more cities could opt out of “zone”, potentially reducing property tax increment in the future
 - Reduced local representation

About CSA EM-1

- CSA EM-1 administered by the Contra Costa Health Services Department
- 1989, CSA EM-1 was established Countywide to:
 - Provide funding for enhancement of emergency medical services
 - Expand paramedic services
 - Upgrade the EMS communications system
 - Provide additional medical training and equipment for fire first responders
- EM-1 is authorized to provide emergency medical services and “miscellaneous extended services”
- CSA EM-1 was approved by all cities within the County

MDHCD Services vs. CSA EM-1 and Health Services Department

Service	MDHCD	CSA – EM1	County Health Services Dept.
Health Facilities			x
Outpatient			x
Retirement			x
Chemical Dependency			x
Other healthcare programs	x	x	x
Health Education	x	x	x
Wellness		x	x
Support other healthcare providers	x	x	x
Ambulance		x	x
Health Insurance			x

Dissolution Process

- At a noticed public hearing, LAFCO:
 - Accepts the special study
 - Considers adopting a zero SOI
 - Considers making findings in accordance w/Special Study
 - Considers adopting a resolution initiating dissolution
- LAFCO notifies State agencies and allows a 60-day comment period
- At a noticed public hearing, LAFCO considers approving dissolution
- Following 30-day reconsideration period, LAFCO staff holds protest hearing

Dissolution Process (*cont'd*)

- Absent requisite protest, Commission orders dissolution after determining whether an election is required
- If there is no election or the dissolution is approved by the voters, LAFCO staff:
 - records dissolution paperwork
 - files with the State Board of Equalization making dissolution effective
- Allocation of property taxes, pursuant to LAFCO Terms and Conditions, would be contingent on County formation of EM-1 zone and creation of advisory board

Recommendations

- Justification exists for dissolution of MDHCD based on the low portion of revenue available for health care
- Options exist that could better utilize existing MDHCD resources
- City as successor to continue MDHCD services rejected because of inability to create subsidiary district, and because of limited service area
- Consolidation with LMCHD considered, but it would likely encounter high degree of political opposition
- Dissolution/appointment of CSA EM-1 as successor represents best option for continuing services with substantial reduction in current overhead costs