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Municipal Service Review and Sphere of Influence Updates

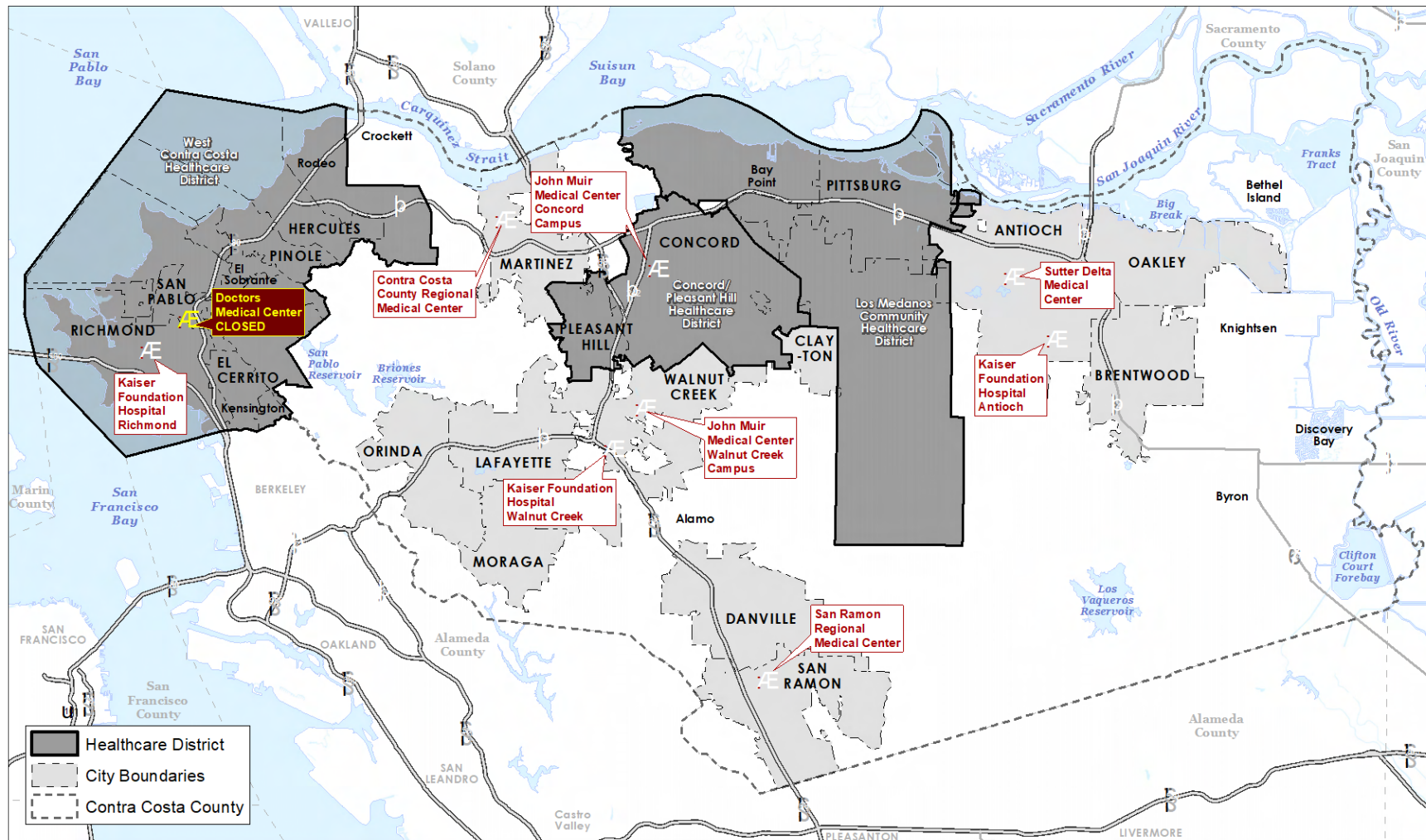
Contra Costa Healthcare Districts

LAFCO Hearing December 13, 2017

Three Contra Costa HCDs

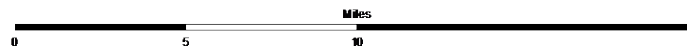
- **Concord/Pleasant Hill** Health Care District
 - Subsidiary district to the City of Concord
- **Los Medanos** Community Healthcare District
 - Completing repayment in 2026 for bankruptcy obligations to the State
- **West Contra Costa** Healthcare District
 - Emerging from bankruptcy

HCDs in Contra Costa



Map created by Contra Costa County Department of Construction and Development, GIS Group
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Municipal Service Reviews

- As part of a Sphere of Influence (SOI) update every 5 years, “as necessary,” LAFCO must prepare a Municipal Service Review (MSR)
- An SOI is a planning boundary that designates the agency’s probable future boundary & service area
- An MSR is a comprehensive study designed to inform LAFCO, local agencies, and the community about the provision of municipal services in the SOI
- MSRs can help to identify efficiencies to improve services and increase revenues available for healthcare

Prior MSR and Special Studies

- Initial healthcare MSR prepared in 2007
 - No changes in SOI or organization were recommended at that time
- Special study of Mt. Diablo HCD in 2012
 - The District subsequently became a subsidiary district to the City of Concord (CPHHCD)
- 2016 Special study of West Contra Costa HCD
 - District entered bankruptcy during the Study

MSR Determinations

Required Determinations:

- Population growth
- Disadvantaged communities
- Present and planned capacity, adequacy, needs or deficiencies
- Financial ability
- Status and opportunities for shared facilities
- Accountability, governance structure, efficiencies

Healthcare District MSRs

- Determinations less applicable to healthcare districts:
 - Many healthcare districts do not own or operate facilities or “infrastructure,” or provide direct services, but may distribute grants and fund programs
 - The determinations apply to more traditional “geographically” defined services & infrastructure, not to granting functions or healthcare services
 - Healthcare is a regional and national issue without strict boundaries defined by facilities
- **Appendix A** describes determinations as applied to healthcare districts in this MSR

Healthcare District MSR*s* (cont'd)

- Are the HCDs providing services of value to the community? Could the funds be better utilized for other purposes?
- Are HCDs adhering to best practices, complying with legal requirements, and administering funds in an efficient manner?
- Could changes in operations, administration, boundaries, or governance, improve the use of public funds and services in the future?

MSR Process

- **Initial Data Review** (website, public documents, Grand Jury reports, press, etc.)
- **Meetings w/District** representatives and discussion of Data Requests
- **Review/Follow-up** to Data Requests
- **Administrative Draft Report**, district and County review
- **Public Review Draft/LAFCO Hearing**
- **Public Comment, Final Draft/LAFCO Hearing**

Health Care Trends and HCDs

- Increasing health care costs, declining reimbursements and growing service demands contributed to closure of many HCD hospitals.
- Operational efficiencies, improved coordination among providers, increased cost savings e.g., through technology help address these trends
- Cost increases likely to continue, funding is uncertain in highly volatile political environment
- Maximizing funding, such as HCD revenues, for health care (including preventive care) becomes imperative

West Contra Costa Healthcare District (WCCHD)

- Filed for bankruptcy in October, 2016, following closure of its hospital in 2015 due to ongoing financial shortfalls
- Anticipates emerging from bankruptcy next year
- Next 5-10 years District will repay debts
- After repayment of debt, property tax of \$3.6 million/year available for healthcare
- Legislation pending to enable County Board of Supervisors to appoint governing body

Concord/Pleasant Hill Health Care District (CPHHCD)

- Previously was the Mt. Diablo Healthcare District in 2012
- Subsidiary district to the City of Concord, includes Pleasant Hill and some unincorporated areas
- Primary source of revenue is property tax
- Approximately \$250,000 in grants
- Staff and administration provided by the City
- Administration is about 20 percent of budget

Los Medanos Community Healthcare District (LMCHD)

- Hospital closed in 1994, District subsequently filed for bankruptcy
- Continues to repay State via rent revenue pass-through from hospital building leased to County for a clinic, plus \$500k/yr next two years
- Provides healthcare grants and program funding of \$280k (FY16) to \$412k (FY18) from \$1 million annual property tax
- Administrative costs about 50% of budget in FY18

Los Medanos Community Healthcare District *(cont'd)*

- After 2026, building lease revenue available for healthcare funding (State debt repaid)
- Lease revenue from former hospital building is about \$100k/year
- Lease extension is being negotiated between District and the County, amount could differ
- On November 17, 2017, LAFCO received an application from Contra Costa County proposing dissolution of the LMCHD.

Contra Costa County

- County provides numerous healthcare facilities, services and funding
- Several private, non-profit hospitals serve the region
- Several medically underserved areas exist in the County and in HCD boundaries
- Health Needs Assessments prepared by hospitals evaluate and prioritize healthcare needs
- Other organizations (e.g., Healthy and Livable Pittsburg Collaborative) address local issues

MSR Determinations (GC 56430)

(1) Growth and population projections for the affected area.

- Countywide growth 23% from 2015 to 2040
- Contra Costa HCDs 28% to 38% growth

Population growth, an aging population, income inequalities, and increasing healthcare & insurance costs underscore importance of HCD funding.

MSR Determinations *(cont'd)*

(2) The location and characteristics of any disadvantaged unincorporated communities...

- Disadvantaged communities exist in all the HCDs
- These areas generally correlate with medically underserved State designations
- Health needs assessments prioritize “Economic Security” as a primary health issue in addition to “Obesity, Diabetes, Healthy Eating, and Active Living”

MSR Determinations *(cont'd)*

3) Capacity, adequacy of public services, & needs or deficiencies ...

- CPHHCD and LMCHD provide grant funding that supplements current healthcare resources
- CPHHCD and LMCHD have adopted goals addressing healthcare needs in their communities
- Both districts require documentation of how grant recipients address healthcare needs

MSR Determinations (*cont'd*)

3) Capacity, adequacy of public services, & needs or deficiencies ...(cont'd)

- CPHHCD and LMCHD prioritize access to healthcare by underserved populations
- LMCHD reporting does not distinguish persons served by portion of programs funded by their grants

MSR Determinations (*cont'd*)

(4) Financial ability ... to provide services.

- WCCHD emerging from bankruptcy, seven more years of debt repayment, then approx. \$3.6 mill. available for healthcare
- CPHHCD continues to utilize property taxes for healthcare grants with efficient administration as part of City
- LMCHD faces increased payments to State of \$500k next two years

MSR Determinations (*cont'd*)

(4) Financial ability ... to provide services (cont'd)

- LMCHD continues to pass-through its rent income to State through 2026.
- After 2026 and end of State pass-throughs, rent income will be available for District admin and healthcare purposes
- LMCHD currently negotiating with County over lease extension and amount of future rent; increases benefits District, but reduces County funds

MSR Determinations (*cont'd*)

(5) Status of, and opportunities for, sharing...

- Both CPHHCD and LMCHD collaborate to some extent with existing health providers, esp. grant recipients
- Broader collaboration w/County, hospitals, other districts less evident; both participate in Healthy and Livable Pittsburgh Collaborative
- CPHHCD does invite County health professionals to address grant committee and distribute Needs Assessments

MSR Determinations (*cont'd*)

(5) Status of, and opportunities for, shared facilities (cont'd)

- Use of County data by LMCHD limited to older data
- Both districts rely on grant applicants to document community health needs, and to explain the nexus between grants and those needs

MSR Determinations (*cont'd*)

(6) Accountability, structure & efficiencies.

- Strategic planning by both CPHHCD and LMCHD is minimal
- LMCHD generally follows best practices related to transparency, with the exception of its website
- LMCHD past admin 36%-42% of budget; FY18 it is 51%; CPHHCD ratio is about 20%
- CPHHCD generally follows best practices, although District is not always clearly distinguished from City operations

MSR Determinations (*cont'd*)

(6) Accountability, structure & efficiencies (cont'd)

Governance options:

- **WCCHD** – Special legislation pending for County Supervisors to appoint governing body. No other options evaluated.
- **CPHHCD**
 - Status Quo
 - Dissolution

MSR Determinations (*cont'd*)

(6) Accountability, structure, efficiencies (cont'd)

Governance options:

- **LMCHD**
 - Status Quo
 - Creation of CSA
 - Consolidation with another District
 - Consolidation with EM-1
 - Special legislation
 - Dissolution
 - Subsidiary district to Pittsburgh

MSR Determinations *(cont'd)*

(7) Any other matter related to effective or efficient service delivery, as required by commission policy.

No other matters identified at this time.

SOI Findings

- **WCCHD** – Emerging from bankruptcy, change in SOI and boundary could adversely affect revenues and repayment of debts.
- **CPHHCD**
 - Small area of Concord that is in LMCHD could be re-aligned.
 - Other small areas of Concord could be added, unincorporated could be excluded, limiting boundaries to Concord and Pleasant Hill.
 - Minimal revenue and service impacts.

SOI Findings (*cont'd*)

- **LMCHD**

- Includes territory in City of Concord, could be adjusted to exclude that area
- Also includes small portions of Clayton and Antioch that could be modified; minor impact on revenues, unless County adjusts tax allocations.
- Creation of subsidiary district to Pittsburg would require reduction/elimination of unincorporated areas in southern area of District
- Dissolution would be signaled by designation of zero sphere

QUESTIONS?