

Healthcare Districts and LAFCO

2017 CALAFCO

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Presentation Preview

- Changing role of healthcare districts
- LAFCO's special role
- A tale of three healthcare districts
- Lessons learned
- Your questions



Changing Role of Healthcare Districts

- Most were originally formed to build and operate hospitals; today about half operate hospitals
- From 1996 to 2014, 12 healthcare districts filed for Chapter 9 bankruptcy
- Healthcare, in general, is in flux
- Healthcare districts must continue to reinvent themselves to fill the unmet healthcare needs in our communities interest
- Some may need help from LAFCO



LAFCO's Special Role

- Meeting the changing needs of our local communities is ingrained in LAFCO
- LAFCO has the ability to respond to forces of change
- ❖ LAFCO can ASSESS (MSRs, special studies)
- ❖ LAFCO can ACT (changes of organization, reorganization)
- ❖ LAFCO has local KNOWLEDGE



A Tale of Three Healthcare Districts

- Contra Costa County has three healthcare districts
 - Concord/Pleasant Hill HCD
 - Los Medanos Community HD
 - West Contra Costa HCD
- All were formed in 1948 to operate hospitals
- All have struggled with finances and operations
- None operate a hospital today



Concord-Pleasant Hill Healthcare District

- Formerly the Mt. Diablo HCD
- In 1996, local voters approved transferring the District's hospital to a non-profit partner
- District struggled for years with service and governance issues
- In 2007, LAFCO prepared a MSR which concluded
 - District was providing minimal services that were not closely related to health care
 - District funds were going to pay primarily for administrative costs (election, benefits, unsuccessful lawsuit)



Concord-Pleasant Hill Healthcare District (cont'd)

- The District was the subject of three Grand Jury reports in 2001, 2003 and 2008
- The Grand Jury reports repeatedly raised the same concerns as presented in the MSR
- The Grand Jury recommended dissolution
- The Grand Jury has no authority to act – however, **LAFCO does**



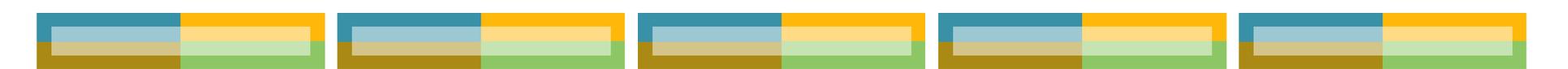
Concord-Pleasant Hill Healthcare District (cont' d)

- The MSR identified options for improving the situation
 1. Reorganization (subsidiary district)
 2. Consolidation
 3. Dissolution
 4. Status quo
- With support from the City of Concord, in 2012, LAFCO reorganized the District (i.e., reduced District's boundary and created a subsidiary district)
- This option eliminated administrative costs and preserved most of the property tax revenue plus the \$1 million annual community benefit fund provided by the non-profit partner
- Today, the City of Concord runs the District and grants nearly 100% of the property tax revenue to CBOs which provide local health care services



Los Medanos Community Healthcare District

- Until 1994, LMCHD operated the Los Medanos Community Hospital; the hospital closed due to financial difficulties
- The District declared bankruptcy in 1994 and now leases its former hospital to the County
- The County uses the facility to operate a health clinic and other public health services
- The LMCHD currently organizes and sponsors programs and events aimed at wellness, prevention, and raising community awareness about important health issues



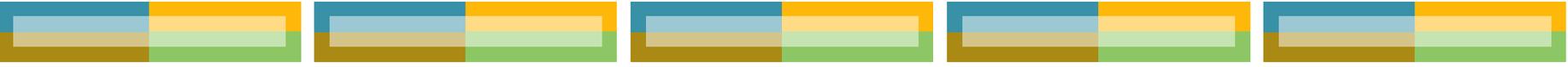
Los Medanos Community Healthcare District (cont'd)

- In 2000, a proposal to dissolve the LMCHD was submitted to LAFCO by a petition of registered voters
- After several LAFCO hearings and much deliberation, LAFCO concluded that dissolution was premature due to the District's complex governance and financial structure (i.e., long-term debt)
- Ultimately, the debt was repaid and voters elected new Board members who have greater focus on using available funds to provide health related services



West Contra Healthcare District

- WCCHD serves all of West Contra Costa County which has significant unmet health care needs
- Since the 1990s, the District has struggled financially
- In 2015, the District was forced to close its hospital, leaving West County with 27 emergency room beds, compared to 69 in East County and 160 in Central County
- In 2016, the District filed for bankruptcy (again)
- The District is trying to sell the hospital and land to help pay off debt totaling nearly \$100 million (COP bonds, County loan, unfunded pension and medical liabilities, and other debt)
- The District receives over \$8 million annually in property and parcel tax revenue



West Contra Healthcare District

- In 2016, LAFCO completed a special study of the WCCHD
- The study made the following findings:
 - Significant healthcare needs exist in West Contra Costa County
 - Justification exists to dissolve the WCCHD due to the loss of the hospital, lack of service, and overwhelming debt
 - Organizational options exist that are less costly than status quo
 - Special Legislation could be pursued to address WCCHD's specific situation
 - Contra Costa County could consider creating a new CSA to provide additional healthcare services in the same geographic area as the WCCHD



West Contra

Healthcare District (cont'd)

- The LAFCO study identifies several governance options for the District
 - Maintain the status quo
 - Consolidate with LMCHD
 - Reorganize as a subsidiary district
 - Consolidate with an existing CSA
 - Reorganize with creation of a new CSA
 - Dissolve with appointment of successor to wind-up affairs



West Contra Healthcare District (cont'd)

- LAFCO deferred its action pending the bankruptcy
- The District, County, LAFCO and others agree that the continued use of WCCHD's property and parcel taxes, after its obligations are repaid, represent an opportunity to maintain and enhance levels of care to the community
- LAFCO is expected to take action following the bankruptcy court decision



Lessons Learned

- Healthcare districts may need to alter their structure and/or role to meet ongoing challenges and changes in the healthcare system; not all will embrace change
- Local/community control and decision-making is optimal
- Getting to a solution is sometimes a windy road
- LAFCO has flexibility to help find solutions
- LAFCO powers and knowledge of local issues can be used to achieve positive outcomes that meet local needs

YOUR QUESTIONS???

