A History of Ensuring the Availability of Healthcare

A Legacy of Service, Stewardship and Leadership

City of Austin, Community Care Services Department

August 12, 2004

444

What we will discuss today…

- History: the City of Austin's contribution to Healthcare
- Community Care Services Department's proposed budget to the Hospital District
- Transition requirements related to the Hospital District

City of Austin Healthcare Services

- In the 1880's, the City and County established a City/County Hospital
- In 1915, the City assumed full ownership of and responsibility for Brackenridge Hospital
- In the 1970s, the City started funding primary care clinics to help offset the indigent care burden placed on the Hospital and created the Medical Assistance Program (MAP)
- In 1988, based on physician support and community demand, the City established and funded Children's Hospital of Austin (CHOA)

1980's and Early1990's...

- Health care industry climate was changing
  - Consolidations to survive; large corporations
- Brackenridge Hospital debt to investment pool $35M in 1985
- City General Fund subsidized Hospital Enterprise Fund $92.3M from 1986 - 1995
- City's inability to compete
  - Stand alone facility; government structure
- City considered options:
  - sale, management contract, hospital authority, hospital district, lease

City's Objectives in Leasing Brackenridge Hospital

- Keep the hospital open and viable
- Maintain health care safety net with specific services
  - Pediatric, emergency and trauma, maternity and women's, and physician services
- Limit the City's exposure for increasing charity care costs and hospital operations
- Maintain public accountability

Lease History

- Initial Lease in 1995
- First Lease Amendment in 2002 –
  Austin Women's Hospital (AWH)
- Second Lease Amendment in 2003 –
  Children's Hospital of Austin (CHOA)

Initial Seton Lease

- 30 year lease, with 30 year extension
- Fixed charity care payments
- Established physician service and MAP hospital service payments
- City exposure for hospital operations eliminated as Seton assumes risks of increased costs, volumes
- Dispro payment sharing arrangement established – clinics 16%, Seton 37.8%, City 46.2%

Remaining Exposures in 1995

- Stability of Seton Agreement
- Future certainty of Dispro payment
- City employees at Brackenridge

First Amendment – Austin Women's Hospital (2002)

- Seton to construct women's hospital on 5th floor at total cost of $9.3M
- The cost of non-expansion costs ($2.5M plus cost of funds amortization factor) borne by Seton
- Later (2003) negotiated an agreement with University of Texas Medical Branch (UTMB) to operate Austin Women's Hospital (AWH)

Second Lease Amendment - CHOA

- 60 year initial term (52 years remaining) plus 30 year renewal
- Existing Charity care, physician service and MAP hospital service payments remain remain in place
- Seton obligated to invest $50 million in equipment and facilities in Brackenridge over 20 years
- Dispro sharing formula adjusted so new Children's Hospital will not have negative effect on City's 62.2% share of total Dispro
- Unwind provision expanded to $50M penalty
- Revised and extended cap on AWH operating deficit

Travis County Hospital District 2004

- On May 15, 2004 voters affirmed the desire of the community to create the Travis County Hospital District to address our growing healthcare needs
- The Travis County Hospital District Board of Managers was appointed as of July 29, 2004 and is now duly established
- The Board will consider, adopt and recommend a budget to the Travis County Commissioners in August or September 2004
- The budget proposal will include a negotiated interlocal agreement between the District and the City for continued operations of Community Care Services Department functions on behalf of the District

Benefits Transferred to Hospital District

- Brackenridge Hospital and clinic facilities are unencumbered with debt
- Current annual Dispro-related revenue stream of $13.2M
- Charity care for all City residents who come to any Seton facility that offers the specified services
- A $50M capital investment that Seton is required to spend over 20 years
- $50M in operating cash the District will receive if Seton breaches the lease
- UTMB operation of AWH
- Expanded financial cap with Seton to fund AWH losses incurred by UTMB

Benefits Transferred to Hospital District...cont'd

- Financial benefits of FQHC status for clinics
- History of successful grants, including recent grant for Montopolis clinic
- Outsourcing of FQHC Class A pharmacy dispensing activities to contain costs
- The City will provide centralized administrative support at no cost during the term of the interlocal agreement
- The City is willing to serve as fiscal agent for the District for the first year which would allow the District to bank its entire reserve and operate debt free

The City of Austin's Healthcare Legacy

- Spending every dollar of the City's federal and state healthcare funds, state tobacco funds and hospital and clinic earned revenue weren't enough to cover the City's expenditures in healthcare over the last 25 years.
- There was a gaping ***$630 million*** hole
- And it was the ***citizens of Austin*** that closed this hole not just for themselves, but for residents of Travis County and all of Central Texas as well

Proposed Budget Presented to the Travis County Hospital District Board of Managers

City of Austin

Community Care Services Department

Services Today

- Austin-Travis County Community Health Centers (a.k.a. Clinics, CHCs or the FQHC)
- Medical Assistance Program
- Hospital Leases with Seton and UTMB
- Community Contracts

Current Capacity Issues…

- In June 2004, MAP's eligibility phone system received approximately 250,000 attempted calls, of which almost 10,000 entered into the queue for answering
- From April 2001 to April 2004, enrollment of uninsured (sliding scale or "self-pay") patients in the CHC system increased 92%
- Increased competition for a limited number of CHC appointments has led to increases in referrals to the ER of non-emergent patients and increasing delays for non-acute (preventive and maintenance) appointments
- The CHC system has operated at or above capacity since mid-2001 and has already increased medical provider productivity to a level 10% over the national average for urban FQHCs (and most recent reported statistics show CHC system productivity at almost 12% over the national average)

Medical Assistance Program Policy Issue

- City and County residents with incomes up to 200% of poverty currently access healthcare services in the Community Health Centers, ***regardless*** of MAP payor status
- Differences exist in MAP payor coverage for County residents versus City residents
  - County residents up to 100% of poverty are covered through the Medical Assistance Program and up to 200% through Sliding Fee Scale
  - City U.S. permanent residents are covered through the Medical Assistance Program up to 100% of poverty and up to 200% through Sliding Fee Scale
  - City undocumented and homeless are covered through the Medical Assistance Program up to 21% of poverty and up to 200% through Sliding Fee Scale

Medical Assistance Program Policy Issue...cont'd

- The Medical Assistance Program (MAP) provides access to City financed health care benefits coverage for a ***limited number*** of people
- MAP eligibility determination/enrollment affects payments to Seton/Brackenridge for the provision of hospital and other services to MAP enrollees
- MAP eligibility requirements ***do not*** determine, deter or lessen the number of people who seek services at the City Community Health Centers or Brackenridge Hospital

Operating Highlights

- **FY04 Major Accomplishments**
  - Continued 100% utilization of clinic capacity
  - Increased patient access to free drug programs to help offset cost related to the growth in number and cost of prescriptions filled
  - Awarded grants for:
    - Medical service expansion-Montopolis
    - Healthcare for the Homeless
  - Implemented new patient management system to improve efficiency and service delivery
  - Participated in Bureau of Primary Health Care collaborative to improve health outcomes for patients with depression
  - Implemented STEPS grant – diabetes prevention and management
  - Negotiated contract for outsourcing of Class A pharmacy dispensing services to enhance cost containment strategies

Value of the FQHC Designation

- Estimated FY05 Value $10,403,938
  - Funds from enhanced Medicaid reimbursement $4,893,420
  - Funds from enhanced Medicare reimbursement $462,720
  - HRSA ("Section 330") Federal Grants
    - Base CHC Grant $637,798*
    - Homeless Grant $650,000
    - Expanded Medical Capacity - Montopolis $600,000
  - Favorable drug pricing $880,000
  - Bulk drug programs $2,100,000
  - Savings due to FTCA Coverage for medical malpractice $180,000

(*Set to increase by 18,800 per year)

Budget Highlights

Goals for FY 05

- Expand the capacity of the health care system
- Maintain CHC patient satisfaction rating of 95%
- Maintain an overall customer satisfaction rate with MAP services of 95%

Budget Highlights...cont'd

Strategies for FY 05

- Transition to Hospital District
- Availability of prescriptions through community network
- Implementation of 2 new clinic sites
- Begin Electronic Clinical Record system implementation
- Continue development of Urgent Care Center proposal

Budgeting Considerations

- Historical trending and projections, including an analysis of encounter trends, payor mix and enrollment levels
- Incorporation of any known major changes, such as new grants, changes to reimbursement sources or methodologies, changes to federal or state regulatory requirements, etc.
- Cost analysis of inflationary trends, market cost trends, such as increasing cost of pharmaceuticals and salaries
- Inflationary adjustments to contractual obligations
- Evaluation of emerging trends in the delivery of care

Revenue Facts

- Fee or reimbursement changes expected:
  - Standardize co-pay to a minimum of $10 for provider visit in all CHC programs where payment is required (FQHC Board Approved)
  - Medicaid reimbursement rate increases 4%
  - Medicare reimbursement rate increases 3%

Proposed Budget

	Charity Care	Physician Services	Program Operations	Contracted Services	TOTAL
USES:					
Seton Lease*	2,500,000	5,831,834		250,000	8,581,834
Austin Women's Hospital	3,100,000				3,100,000
FQHC Operations			24,787,296		24,787,296
MAP				16,543,819	16,543,819
Grants			6,501,005		6,501,005
People's Community Clinic				226,862	226,862
TOTAL USES	5,600,000	5,831,834	31,288,301	17,020,681	59,740,816
SOURCES:					
Patient Revenue - City			9,277,653		9,277,653
Tobacco**			300,000		300,000
Brack Lease Revenue			10,142,616		10,142,616
AWH Lease Revenue			58,740		58,740
Disproportionate Share Revenue			3,132,800		3,132,800
Interest Income			46,058		46,058
Grant Funding			5,202,479		5,202,479
Grant Program Income			1,298,526		1,298,526
TOTAL SOURCES					29,458,872
Net Sources/Uses					(30,281,944)
Estimated City Property Tax Revenue at .0625					37,607,354
Estimated Fund Balance Transfer for Hospital District Reserve					3,000,000
Net Funds Available for other uses					10,325,410

*Actual payment to Seton is $5,600,000, but $3,100,000 is received through Seton Supplemental Lease Revenue
**Tobacco settlement revised from $375,000

Requested Enhancements

1. Pay Scale Adjustment for Clinical Staff	$249,000
2. Additional Direct Care Staffing	$196,911
3. Additional MAP Utilization Review Nurse	$54,728
4. Care Manager Model - Additional Direct Care Staff	$117,911
5. Additional Patient Services Representative (MAP)	$52,443
6. Additional Accountant	$48,233
7. Additional Research Analyst	$54,719
8. Credentialing processes	$4,300
9. Patient Services Operational Needs	$8,000
10. Revenue Cycle/Reimbursement Consulting	$12,000
11. JCAHO Certification Process for FQHCs	$2,000
12. ICC Master Patient Index Data Repository (MPICDR)	$100,000
13. National Triage Certification for Triage Nursing Staff	$2,500
14. Recruiting Expenses	$30,000
Total Requested FQHC and MAP Enhancements	**$932,745**

Travis County Hospital District

Transition Issues

Powers of a Hospital District

- Assumes ownership of the hospital system
- Assumes responsibility for providing medical and hospital care for indigent and needy persons within the District
  - City and County can no longer levy or spend taxes on hospital purposes

Travis County Hospital District can only levy property taxes in the amount of 25 cents on each $100 of the taxable value of property taxable by the district

Facilities that Transfer to Hospital District

- Real Property and Leases
  - Brackenridge Hospital
  - Seton Lease and UTMB Lease
  - FQHC Clinics (facilities)
    - Transfer only when District Board determines that FQHC status is not impaired by transfer
    - Mixed use buildings – lease clinic portion to District, City maintains ownership

Other Transfers to Hospital District

- Hospital System Records
- Contract Obligations

Transfer of Clinic and Hospital Operations

- Transfer of clinics, Medical Assistance Program, County Medical Assistance Program, Charity Care Program –
- Interlocal to provide these services to District is proposed
  - Maintaining FQHC status is critical
- Transfer of management of Seton and UTMB leases

Transfer of Certain Funds

- Law only requires transfer of

  all unexpended funds

  that have been **established or appropriated**

  to **support and maintain the hospital facilities for the year in which the district is created**,

  to be used by the district **to operate and maintain those facilities** for the remainder of the year

Other Funds that May Transfer

- Funds related to clinics, MAP, RMAP, Charity Care
  - Current year appropriations
  - Current year balances
  - Unexpended CIP funds for facilities
- City must find that the transfer of funds serves a legitimate public purpose and establish safeguards through an interlocal for the expenditure of the money

Funds that Need Not Transfer

- General fund or reserve funds
  - Regardless of original source
    - DISPRO, tobacco funds, Seton lease payments, City patient revenues prior to lease, proceeds of 1995 sale of hospital equipment to Seton
  - Regardless of name of fund
    - City can change a fund name, change its use, or transfer it to any fund at any time

What about the "$33M Reserve?"

With the 1995 lease of Brackenridge, City was able to:

- Pay off hospital debt, including $56M in GO debt (which District would be required to assume if still outstanding)
- Spend $74.6M for healthcare since 1995
- Maintain an ending balance between $30M and $40M
- This balance was maintained because of concerns about the continuation of the Dispro payment program as well as the viability of the Seton lease
- We believe these concerns no longer exist
  - the Seton lease has been strengthened in a number of ways as discussed earlier
  - Dispro appears to be stable, in fact increasing, for the foreseeable future
- We therefore transferred this ending balance to the General Fund in 2002 to make clear to bond rating agencies it was available for general appropriation

Services That Do NOT Transfer

- Public Health
  - Role is to promote community- wide wellness, prevent disease and protect all from infectious diseases, environmental hazards and epidemics
- EMS Services
- Austin/Travis County MHMR contract

Recap of City of Austin Healthcare Contribution

- City of Austin taxpayers have spent more than $630M for healthcare in the last 25 years
- Brackenridge Hospital is debt-free ($56M paid in 1995)
- Current annual Dispro related revenue stream is $13.2M
- Charity care provided for all City residents who come to any Seton facility that offers the specified services
- UTMB operation of AWH
- Expanded financial cap with Seton to fund AWH losses incurred by UTMB
- Financial benefits of FQHC status for clinics
- Managed the County clinics for over 25 years
- Implemented the outsourcing of FQHC Class A pharmacy dispensing activities to contain costs
- The City will provide centralized administrative support at no cost during the term of the interlocal agreement with the District
- The City is willing to serve as fiscal agent for the District for the first year which would allow the District to bank its entire reserve and operate debt free