San Mateo LAFCo
Health Care District
Municipal Service Review
& Sphere of Influence Review

CALAFCo Staff Workshop
April 2, 2008
Key Events in California Health Care Districts

- Post WWII Hospital Districts formed in California to construct and operate hospitals
- 1978 Proposition 13 resulted in designated share of property tax allocation to Hospital Districts
- 1980s & 1990s health care financing changes challenged fiscal stability of public hospitals and Districts closed or transferred hospitals through affiliation, leases, agreements
Key Events in Health Care Districts (cont)

- In 1993, Hospital District enabling Legislation was rewritten, renaming districts Health Care Districts, expanding mission and services
- In 1994, Legislation enacted requiring seismic safety standards requiring compliance by 2013 and in most cases hospital replacement
Health & Safety Code
32000 et seq. Authorized Services

- Establish, maintain, operate assist in facilities including hospitals, clinics
- Nurses Training & Day Care
- Outpatient programs & facilities
- Retirement programs, services, facilities
- Chemical dependency programs, services facilities
- Other programs & facilities within and outside boundaries for benefit of people served by district
Sequoia & Peninsula Health Care Districts

- Formed in 1946 to build and operate Sequoia Hospital
- South County boundaries
- 1996 Voters approved transfer of Sequoia Hospital-(Meas. H
- Five member locally elected board, 2 fulltime personnel including CEO, contract legal counsel
- SHCD Board members serve on SHS board which oversees contract with CHW

- Formed in 1947 to build & operate Peninsula Hospital
- Central San Mateo County up to SSF
- 1985 Board voted to lease hospital to Mills-Peninsula
- 2006 voters approved transfer of Hospital - Measure V
Health Care Districts - San Mateo County

Legend
Health Care District
NAME
- PENINSULA HEALTH CARE DISTRICT
- SEQUOIA HEALTH CARE DISTRICT
- Cities

Health Care Facilities
Name
- Kaiser Foundation
- Sequoia Hospital
- San Mateo Medical Center
- Peninsula Hospital
- San Mateo Medical Center
- Kaiser Foundation
- Mills Hospital

0 1.5 3 4.5 6 7.5 9 12 Miles
Health Care Dist. Services

- Sequoia administers Sequoia Hospital Pension Program (pass thru)
- Administers HeartSafe Public Defibrillator Program
- Funds variety of programs including CHI, Nursing Education, Sequoia Hospital Foundation, Samaritan

**Hospital Oversight thru Public private partnership

- Peninsula funds variety of programs including Nursing programs, Samaritan House, CHI, Senior Health

(See Budget detail)
Determinations

- **Infrastructure:** Both hospitals require rebuild to meet seismic safety standards and will be rebuilt, public private, huge reserves
- **Financing:** Prop. Tax, Rental & Investment income, accumulation of reserves
- **Population Growth:** 42% of population excluded, significant growth thru out including 65 & over
Determinations

- Rate Restructuring: no rates setting authority
- Cost Avoidance: Action to transfer hospitals, funding of programs administered by others
- Management Efficiencies: 2 separate agencies, boards gen’l managers to administer grants
Governance Alternatives

• Discussion of alternatives is required and does not represent a recommendation or proposal for reorganization of a district

• Agreements with hospital operators (contractual obligations), required voter approval for dissolution and/or additional tax/assessment and property tax scheme set a complex stage for any reorganization
Governance Alternatives

- Dissolution without transfer of service responsibility, services cease
- Dissolution with transfer of service responsibility
- Consolidation with expansion countywide
- Consolidation with JPA with county for coordinated programs
- Status Quo
Financing Constraints & Opportunities

- Given that other privately operated hospitals in the County operate without local public oversight and related tax funded accumulated reserves, the Districts and voters could periodically revisit the reserve policy and accumulation of reserves weighed against the benefit of using tax revenues for other purposes.

- Property tax distribution and requirements for voter approval of new taxes are constraints to expansion of district boundaries.
Governance Alternatives

• Government structure options with a focus on health care include: status quo, dissolution, consolidation and inclusion of excluded areas or variations of these options to include all areas of the County.

• Dissolution of the districts would not result in reduction of property tax paid by the taxpayer because Proposition 13 set property tax at 1% of assessed value.
Governance Alternatives

- While the two different contractual arrangements between the Districts and the hospital operators do not preclude reorganization, reorganization is complicated by the contracts.
- Reorganization is further complicated by laws governing property tax distribution and required voter approval of dissolution and/or taxation to raise additional revenues.
Local Accountability & Governance

- Both Boards appoint members to hospital oversight boards. Peninsula Health Care District representatives appointed to Mills Peninsula Health Services report hospital oversight activities to the full PHCD board at the District meeting. The agenda of the Sequoia Healthcare District Board (SHCD) meeting does not reflect this practice. SHCD taxpayers and residents could be kept informed of hospital oversight activities through reports by SHCD representatives on Sequoia Health Services at regular SHCD board meetings.
Local Accountability & Governance

• Both Districts maintain websites which provide information on the relationship of the Districts with the private operators and information on grant funding to community health care programs. Information on the websites on how residents can receive services funded by the Districts, including but not limited to community clinics, is not included.
Sphere of Influence

CKH Act does not limit the Commission’s discretion in setting a sphere of influence

• CKH Act does not contain glossary of specific labels for spheres of influence

• Revisited every five years
Sphere Designation
Alternatives

• Dissolution without transfer of service responsibility, activities cease
• Dissolution with transfer of service responsibility
• Consolidation
• Consolidation with expansion
• Status Quo, accepting boundaries as adequate
• Alternative Sphere “Transitional” recognizing countywide need, excluded areas, changes in Districts focus on health programs that could benefit excluded areas
Sphere Designation

- The spheres of the Peninsula Health Care District and the Sequoia Healthcare District shall be "transitional sphere of influence" recognizing that:
Sphere of Influence

• The Peninsula and Sequoia Health Care Districts have evolved from hospital districts to health care districts with significant areas of San Mateo County excluded from district boundaries and programs

• The demand for and economics of health care delivery and hospital operation is subject to change
Sphere of Influence

- The Peninsula and Sequoia Health Care Districts have evolved from hospital districts to health care districts with significant areas of San Mateo County excluded from district boundaries and funded programs.

- The demand for and economics of health care delivery and hospital operation is subject to change.