



Board of Supervisors Memorandum

October 3, 2017

**Fifth Amendment to Amended and Restated Lease Agreement
for the Banner University Medical Center-South Campus**

Introduction

Consistent with its commitment and support of the health and welfare of the residents of this community, Pima County has supported the enhancement of healthcare delivery in the community through partnerships for the operation of Banner University Medical Center-South Campus (BUMC-SC). In 1974, Pima County voters approved bond funds to replace the County General Hospital with a new hospital on the south side, at East Ajo Way and South Country Club Road. Kino Community Hospital was operated by the County for years and struggled to provide comprehensive healthcare services for our community's vulnerable residents while remaining fiscally viable in a very dynamic reimbursement environment.

In order to maintain the provision of needed healthcare services on Tucson's south side and to ensure the prudent use of taxpayer dollars, the County contracted with operational partners to ensure the stability and viability of the hospital. These partners have included University Physicians Inc. (UPI), The University of Arizona Health Network (UAHN), and subsequently Banner Health for the operation of the hospital, BUMC-SC. The operation of BUMC-SC continues the County's commitment to quality healthcare and healthcare workforce development made to the people of Pima County years ago.

Service Utilization and Enhancements on the South Campus

The Intergovernmental Agreement (IGA) for the hospital stipulates guiding tenets that the County monitors through a series of financial and statistical reporting requirements. These tenets include efficient and effective service delivery and training of a healthcare workforce, public health and community wellness, accountability and transparency, and financial viability and sustainability. The fiscal and operational viability and capacity of BUMC-SC remains a priority, and performance improvement continues to be assessed using key indicators, including, but not limited to, daily census, patient mix, staffing costs, service utilization, operating revenue and expenditures, and third party payer contracting. Identifying and monitoring external revenue streams remains a priority in order to right-size the County's investment in its facility, as well as to maximize the Federal matching benefit to Pima County.

Table 1: BUMC-SC Patient Volume Comparison, Fiscal Year (FY) 2005 to FY 2017.

	UPI	UAHN	UAMC-SC	BUMC-SC	Percent Change
Key Indicator	FY 2005	FY 2010	FY 2013	FY 2017	FY 2005
Adjusted Patient Days	39,440	80,282	86,508	97,950	148
Total Average Daily Census	65	95	110	101	55
Total Clinic Visits	48,830	126,609	162,821	150,728	209
Total Emergency Department Visits	30,356	33,983	42,017	45,699	51
Total Surgical Procedures	662	1,982	3,350	3,655	452

The South Campus has continued to emerge, grow and enhance patient service delivery. BUMC-SC has seen year-after-year growth in hospital admissions, adjusted patient days, provider-based clinic visits, emergency department visits and surgical procedures. The South Campus has augmented its network of physicians and increased physician retention, in addition to creating new opportunities to respond to growing healthcare trends and service delivery models to meet the needs of this community. The growth and patient volume changes are a reflection of the expanded and improved facilities and retention of a key medical workforce.

The South Campus has seen profitability indicators improve annually, due to service enhancements and patient volume increases, in addition to the County's investment and the infusion of new Federal funds for critical programs such as Graduate Medical Education. Through investment in the hospital, expanded services and new Federal funds, BUMC-SC closed FY 2017 in the black.

The existing IGA effectively links funding to compliance with operational and financial reporting requirements for BUMC-SC. Regular meetings occur between the County and BUMC-SC leadership and key staff to review the financial status of the hospital, discuss operational or strategic clinical developments and initiatives, and explore synergies that support greater coordination and cost effective care.

Amendment Terms

On June 6, 2017, the Board of Supervisors approved the amended IGA with the Arizona Board of Regents and Banner Health, on behalf of Banner University Medical Center Tucson

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Fifth Amendment to Amended and Restated Lease Agreement for the Banner
University Medical Center-South Campus**

October 3, 2017

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Campus and South Campus, for the County's funding commitment of the integrated health system operations of the South Campus.

The County and Banner have identified several capital improvement needs for BUMC-SC, the County-owned building, in order for Banner to retain its Joint Commission accreditation. This accreditation is essential for the continued provision of critical reimbursable healthcare services to this community. Banner will contract for the capital improvements in compliance with competitive procurement requirements of Pima County.

In addition to the capital enhancements outlined in Lease Amendment 5 (Attachment 1), attached is a staff report documenting the BUMC-SC transformation under this new operational model (Attachment 2).

Recommendation

I recommend the Board of Supervisors approve the *Fifth Amendment to Amended and Restated Lease Agreement*, in an amount not to exceed \$3 million, for reimbursement of capital improvements as an integral part of the hospital lease and to enable Banner University Medical Center-South Campus to meet the accreditation standards of the Joint Commission.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – September 25, 2017

Attachments

- c: Jan Leshar, Chief Deputy County Administrator
Dr. Francisco Garcia, Assistant County Administrator for Community and Health Services

ATTACHMENT 1

**FIFTH AMENDMENT TO
AMENDED AND RESTATED LEASE AGREEMENT
BETWEEN PIMA COUNTY AND UNIVERSITY PHYSICIANS HEALTHCARE (NOW
ASSIGNED TO BANNER-UNIVERSITY MEDICAL CENTER SOUTH CAMPUS, LLC)
FOR KINO HOSPITAL CAMPUS
[PIMA COUNTY CONTRACT CT FM 12*2152]**

This Fifth Amendment to Amended and Restated Lease Agreement, effective on the date executed by both parties, is made and entered into by and between Pima County, a political subdivision of the State of Arizona ("County"), and Banner-University Medical Center South Campus, LLC, an Arizona limited liability company ("Banner").

RECITALS

- A. County and University Physicians, Inc., the name of which was later changed to University Physicians Healthcare ("UPH"), an Arizona nonprofit corporation, previously entered into a lease agreement dated April 27, 2004 (as subsequently amended, the "Lease"), pursuant to which County leased to UPH a hospital facility and some associated real property (the "Hospital") formerly operated by County as Kino Community Hospital.
- B. The Lease was subsequently amended several times and then completely amended and restated by the parties pursuant to the Amended and Restated Lease dated June 21, 2011 for reference purposes. The Lease was further amended by the First Amendment to Amended and Restated Lease executed by the County on August 20, 2012, the Second Amendment to Amended and Restated Lease which was fully executed on May 13, 2014, the Third Amendment to Amended and Restated Lease which was fully executed on August 16, 2016, and the Fourth Amendment to Amended and Restated Lease which was fully executed on March 7, 2017.
- C. UPH assigned the Lease to Banner, effective February 27, 2015.
- D. County and Banner have determined that the Hospital needs certain capital improvements to the County owned building in order for Banner to retain its accreditation from The Joint Commission and to maintain essential operations of the hospital campus, as described on Exhibit A (the "Improvements").

AGREEMENT

Now, therefore, the parties agree as follows:

- 1. Reimbursement for Capital Improvements.
 - 1.1. Banner shall be responsible for contracting for the Improvements in compliance with all applicable competitive procurement requirements of Pima County and the requirements of Title 34 of A.R.S.
 - 1.2. County will reimburse Banner for the actual cost of the Improvements in an amount up to but not to exceed Three Million Dollars (\$3,000,000.00).

- 1.3. County will make the reimbursement provided for in subsection 1.2 above to Banner within thirty (30) days after Banner provides County with documentation substantiating Banner's final payment of the actual costs of the Improvements and documentation of the system and equipment specifications. All provisions of Section 17 of the Lease regarding improvements apply to such Improvements, including the requirement to comply with Title 34 of A.R.S. in contracting for the work.
 - 1.4. Preventative Maintenance. Not later than the time Banner submits a request for reimbursement, Banner will establish a preventative maintenance program for any new systems which are part of the Improvements and will provide a copy of the program to the Pima County Facilities Management Director for review and approval.
2. Lease Remains in Effect. The Lease remains in full force and effect as modified by this Fifth Amendment.

IN WITNESS WHEREOF, County and Banner have executed this Fifth Amendment as of the date indicated below.

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PIMA COUNTY, a political subdivision
of the State of Arizona

**BANNER-UNIVERSITY MEDICAL
CENTER SOUTH CAMPUS, LLC**
an Arizona limited liability company

Sharon Bronson
Chair of the Board of Supervisors

Date: _____

By:
Title:

Date: _____

ATTEST:

Julie Castaneda
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:



Lisa Josker
Director, Facilities Management Department

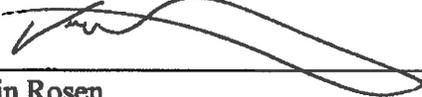
Date: 9/19/17



Francisco Garcia M.D.
Assistant County Administrator for Health
Services and Chief Medical Officer

Date: 19 Sep 2017

APPROVED AS TO FORM:



Tobin Rosen
Deputy County Attorney

Date: 9/15/17

EXHIBIT A – Building Improvements

PIMA COUNTY, a political subdivision
of the State of Arizona

BANNER-UNIVERSITY MEDICAL
CENTER SOUTH CAMPUS, LLC
an Arizona limited liability company

Sharon Bronson
Chair of the Board of Supervisors

Date: _____

By: *Thomas C. Dickson*
Title: *Thomas C. Dickson*
Ceo

Date: *9-15-17*

ATTEST:

Julie Castaneda
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

Lisa Josker
Director, Facilities Management Department

Date: _____

Francisco Garcia M.D.
Assistant County Administrator for Health
Services and Chief Medical Officer

Date: _____

APPROVED AS TO FORM:

Tobin Rosen
Deputy County Attorney

Date: _____

EXHIBIT A – Building Improvements

EXHIBIT A

Replace Cooling Tower for Kitchen Equipment- equipment is failing and in need of replacement.

Replace Fire Pump Control System- Per State fire Marshal this system must be replaced to meet current code and life safety regulations.

Replace BHP Chiller #1- This unit has failed and replacement is required to keep the Behavioral Health Pavillion cool.

Replace sewage ejector pump and upgrade the float system- system is at end of life expectancy and frequent repairs are needed.

Replace BAS and install pressure monitors- served Sterile Processing and Operating Rooms for correct pressure regulation.

Replace Medical Gas System- system supplies medical air to entire hospital. Two of three compressors have failed and are in need of replacement.

Replace VFD's- Replaced based on prioritization and budget.

Replace ATS gear- switches are at end of useful life and at risk of failing. Replaced based on prioritization and budget.

Replace central plant roof- roof is leaking and in need of replacement.

ATTACHMENT 2

**Banner–University Medical Center South Campus
Progress Report
September 25, 2017**

Introduction and County Commitment

Pima County has a longstanding commitment to support the health and wellness of the residents in this community. Since 2004, the County has manifested that support through the collaborative investment in the operations of what was historically known as Kino Hospital and is now known as the South Campus. This historic partnership, initially with University Physicians Healthcare (UPH), then University of Arizona Health Network (UAHN), and now Banner Health (Banner), facilitated the stabilization and expansion of critical healthcare services to residents in southern Pima County. This shared vision and collaborative effort has significantly enhanced the scope and quality of patient service available in this community and has been critical to maximizing federal match initiatives that expand health workforce capacity and support our capacity to serve the County's residents. The growth of services on the South Campus has enhanced the delivery of medical services, created systems for critical behavioral health and crisis care, and increased access to public health programs.

History of the South Campus Transition and Pima County Collaborations on the Kino Campus

In 1974, Pima County voters approved bond funds to replace the County General Hospital with a new hospital on the south side of Ajo Way at Country Club Road. The County operated Kino Community Hospital (KCH) until 2004, when the Board of Supervisors voted to cease the operation of the hospital and transfer its license to UPH.

The Arizona Health Care Cost Containment System (AHCCCS), the State's Medicaid Agency, uses federal, state and county funds to provide healthcare coverage to the State's Acute and Long-Term Care Medicaid populations. Since 1982, when it became the first statewide Medicaid managed care system in the nation, AHCCCS has operated under a federal 1115 Research and Demonstration Waiver that allows for a public/private partnership in the operation of a managed care model.

Approval of Proposition 204 in 2000 greatly modified the reimbursement environment clinical services and shifted the financial responsibility from counties to AHCCCS. The impact of this change in policy was to permit low-income individuals the flexibility to choose any participating hospitals and providers for their healthcare needs. This in turn significantly reduced the need for a County-run hospital facility for the provision of indigent medical services to residents without a payer source. This shift in state policy complicated the County's ability to operate KCH, since it was put in the position of competing with local hospitals for the same patients. By 2004, the County was losing millions of dollars annually, and community demand and utilization of hospital for services was limited.

Although the County struggled to deliver services on the Kino Campus, the Board maintained a commitment to the provision of critical health services in that geographic area and to those segments of the community that continued to rely on that hospital. At the time, University

Physicians, Inc. (UPI) and The University of Arizona College of Medicine were engaged in identifying strategies for expansion of the physician training programs as part of the larger three-pronged commitment to clinical service delivery, teaching and research. To appropriately steward County resources while simultaneously providing for the continued delivery of essential healthcare services, the County ceased operations of the hospital and transferred its license to UPI, the physician faculty practice for The University of Arizona College of Medicine.

In June 2010, the hospitals, physician practice group, clinical practice and healthcare plan were reorganized into the University of Arizona Health Network (UAHN), establishing itself as a two-hospital integrated academic medical system. UAHN oversaw all operations of the two network hospitals, University of Arizona Medical Center–University Campus (UAMC–UC) and University of Arizona Medical Center–South Campus (UAMC–SC), in addition to the provider-based clinics and related infrastructure associated with both campuses.

In response to a dynamic national competitive healthcare environment and in an effort to maintain its leadership in clinical and training programs, the Arizona Board of Regents (ABOR) voted to authorize The University of Arizona and UAHN to enter into negotiations with Banner Health on July 1, 2014.

The merger between UAHN and Banner Health was completed on February 28, 2015, and the two hospitals were renamed Banner University Medical Center–Tucson Campus and South Campus–BUMC–T and BUMC–SC, respectively. The transition and merger with Banner Health promises to improve the quality of healthcare, create new opportunities for biomedical research and establish a statewide health network for physician training.

Bond Funds and Expansion on the South Campus

Residents of Pima County have prioritized access to services on the Kino South Campus as demonstrated by the overwhelming approval of the 2004 and 2006 bond projects to expand the South Campus into a one-stop public health campus. The collaborative planning process set the stage for long-term development of medical facilities and a teaching environment on the South Campus. This is a significant result of the capital facility expansions at the campus and will have an impact for years to come.

In 2004, Pima County voters approved \$25 million in support of a Public Health Center at the South Campus, adjacent to the medical campus. The resulting building named the Abrams Public Health Center would consolidate public health, medical and administrative services in one location. That same year, voters approved \$66 million to expand the psychiatric facilities, specifically a psychiatric inpatient hospital and psychiatric urgent care, to enhance critical behavioral health services on the South Campus. This bond election allowed for completion of a psychiatric hospital facility (Behavioral Health Pavilion) adjacent

to the medical facility to help offset the pressure on local hospitals by adding more capacity for psychiatric inpatient beds. The Crisis Response Center is a psychiatric urgent care center and was the second of the two behavioral health service facilities with bond support. This Center was envisioned to provide an entry point for individuals and families in crisis while easing the strain on Emergency Departments that were experiencing capacity issues and facilitating the interaction with law enforcement.

The facilities approved through the 2004 and 2006 bond election filled a critical service gap for the community, advancing the delivery and beginning the integration of mental health and public health services. The development of these facilities not only offset the pressure on local hospitals and facilitated the community's use of behavioral health, medical and public health services; it also created the opportunity to deliver services using a 'no wrong door' approach. These bond funds have supported the development of a cohesive and state-of-the-art medical campus. Hosting a full-service medical/surgical hospital, a three-story psychiatric inpatient facility, a psychiatric emergency facility, public health services, provider-based clinics, research and workforce training, the South Campus promotes financial viability and sustainability of continuous health services for residents of Pima County.

IGA Amendment between Pima County and ABOR for South Campus: Public/University Private Collaborative Initiative and Annual General Fund Support

As the hospital operations on the Kino South Campus have evolved, Pima County continues to engage the operators of the South Campus hospital with the goal of improving the scope and quality of services delivered to that community. Execution of intergovernmental agreements (IGAs) have been a critical component, providing for transparency in the fiscal and operational direction of the hospital.

By 2004, the County as the operator of the hospital was losing in excess of \$30 million annually. Pima County was faced with maintaining a facility experiencing declining volumes and inadequate professional staffing and was challenged to provide adequate care. When the County made the decision to lease the hospital and transfer the license, the County also committed to continue to support the operation of the hospital from the General Fund, as outlined in IGAs with the ABOR. General Fund support has been critical to maintain and expand a range of medical and behavioral health services. Prior to FY 2010, the support was an average \$25 million annually. This support has tapered as the hospital's fiscal position has improved. Initially decreasing to \$20 million in FY 2011 and then \$15 million annually in FY 2012 through FY 2017. In FY 2016, the County reduced the payment to \$12.5 million; it is now stabilized at \$15 million in the most recent IGA.

The IGA negotiation process outlines the operational priorities, goals and objectives of the operators (UPI, UAHN and Banner Health) and Pima County, which seek to increase the

access to care, promote financial viability and sustainability of the hospital, and increase patient service delivery for Pima County residents. Per the outlined requisites of the IGA, it details that the hospital leadership and County staff work with the leadership of both hospitals to adhere to several tenets and guiding principles. These include: 1) Efficient and Effective Service Delivery and Training of a Healthcare Workforce, 2) Public Health and Community Wellness, 3) Accountability and Transparency, and 4) Financial Viability and Sustainability.

As part of this IGA, BUMC–SC has committed to continue development of the healthcare workforce by maintaining The University of Arizona College of Medicine training program collaboration and increase resident physician retention programs. This commitment to health professional workforce development continues to improve access to care in Pima County and provide sustained economic benefit to the community. BUMC–SC has committed to continue integration of behavioral and medical healthcare and provide a more comprehensive service delivery system for Pima County residents. Further, BUMC–SC continues to develop or enhance programs that benefit community access to care, improve coordination with first responders and generally expand the scope of available services to the community.

The existing IGA effectively links funding to compliance with operational and financial reporting requirements for BUMC–SC. Regular meetings will continue between the County and BUMC–SC leadership and key staff to review the financial status of the hospital, discuss operational or strategic clinical developments and initiatives, and explore synergies that support greater coordination and cost effective care. The fiscal viability of BUMC–SC remains a priority, and performance improvement continues to be assessed using key indicators, including, but not limited to, daily census, patient mix, staffing costs, service utilization, operating revenue and expenditures, and third party payer contracting. The identification and monitoring of external revenue streams remains a priority, in order to right size the County’s investment in its facility and to help maximize the federal match benefit to Pima County.

Key Service Indicators

Throughout the transition from the County operation of the hospital to its current management structure, the hospital has continued to grow and expand patient service delivery. Adjusted Patient Days (APD) are the statistical measurement of overall hospital utilization. APD reflects overall patient utilization of both inpatient and outpatient services, and demonstrates a 148-percent increase between FY 2005 and FY 2017. Total admissions at BUMC–SC have risen 79 percent since FY 2005, showing a steady year-over-year growth, and admitting 7,532 patients in FY 2017 (compared to 4,200 in FY 2005). Table 1 below outlines the key service indicators monitored regularly for the South Campus.

Table 1: BUMC–SC Patient Volume Comparison, FY 2005 to FY 2017.

Key Indicator	UPH	UAHN	UAMC–SC	BUMC–SC	Change	Percent Change
	FY 2005	FY 2010	FY 2013	FY 2017		
Adjusted Patient Days (APD)	39,440	80,282	86,508	97,950	58,510	148
Total Average Daily Census (ADC)	65	95	110	101	36	55
Total Clinic Visits	48,830	126,609	162,821	150,728	101,898	209
Total Emergency Department Visits	30,356	33,983	42,017	45,699	15,343	51
Total Surgical Procedures	662	1,982	3,350	3,655	2,993	452

There are a number of provider-based clinics and offsite services linked through the South Campus network. These include the Abrams Public Health Center and Alvernon Clinic. Services offered at these locations include diabetes prevention and education center (DPEC) and family medicine at the Abrams Public Health Center; family medicine and neurology offered at the Alvernon Clinic.

Since FY 2005, clinic volumes have seen drastic increases due to physician recruitment, increased provider based clinic services, and offsite clinics. Of particular note, the DPEC in the Abrams Public Health Center has seen service volumes increased 177 percent since it opened its doors in FY 2013. Averaging 60 to 70 visits per month in its first year, it has continued to expand its services to include targeted education activities, such as cooking classes, in conjunction with medical diabetes management. The Wilmot Clinic, previously a multi-service provider-based clinic, has now become Banner Whole Health (BWH) Clinic, an integrated behavioral health service provider that, although not a provider-based clinic, has strong clinical linkages to the behavioral offerings on the South Campus. BWH has completed over 13,000 appointments since January 1, 2016. Services include group and family therapy, case management and referral services, peer support services, psychiatric evaluation, substance abuse services and comprehensive physical health services.

Overall, hospital volume continues to improve on the South Campus. Surgical procedures continue to increase (showing a 452 percent increase since FY 2005). This is a function of a number of factors including expanded and improved surgical facilities and staffing and improved surgeon recruitment and retention. Additionally, the closure of the Surgery Center shifted significant outpatient surgical volume to the South Campus in 2017 and has been another key volume driver.

Daily Census figures have shown a 55-percent increase in volume since 2005 and remained steady, averaging just over 100 annually for recent consecutive years. Over the past year, BUMC–SC has shown impressive growth in volume and service advancements, which have been strategically matched to meet the critical health priorities of this community.

Banner Health has continued to advance its spectrum of services, including advancements across their network in telehealth capacity. Banner’s telehealth program responds to requests

from patient care bedside teams, tele-ICU, tele-acute care and tele-behavioral health. BUMC–SC is actively aligning with technological advancements throughout the Banner Health network, engaging in the deployment of services, such as the tele-ICU program. Critical care physicians, acute care nurse practitioners and nurses staff this program 24 hours a day, 7 days a week.

Profitability and Financial Indicators

In addition to patient service quality and volume indicators, another focus of the joint Financial Oversight Committee is to examine the fiscal health of the South Campus in the IGA. In 2004, the hospital was losing in excess of \$30 million annually. However, through improved and enhanced service delivery, County support and infusion of federal-match funding, the South Campus has been continuously trending toward profitability.

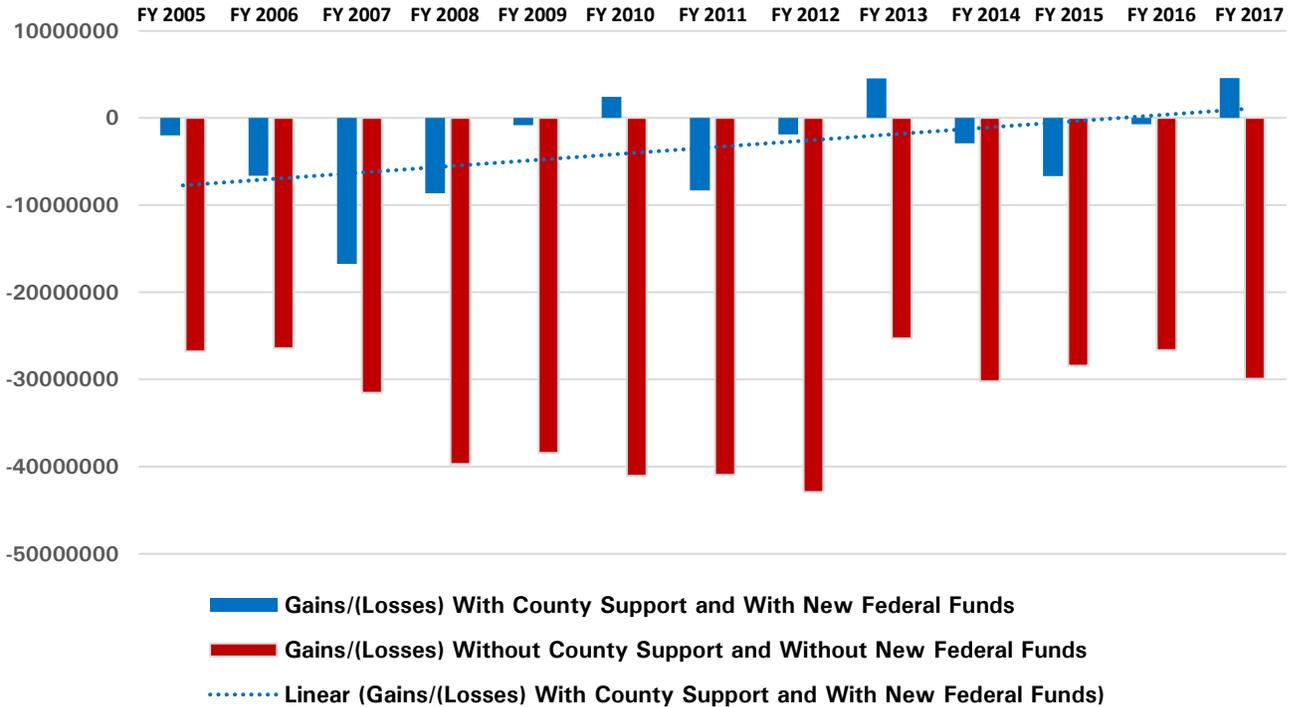
In FY 2013, through a large infusion of one-time federal matching funds¹, the South Campus saw a net gain of \$4.6 million year-over-year. BUMC–SC has seen operational and financial improvement annually, with a \$5.5 million improvement between FY 2015 and FY 2016 and a \$5.2 million improvement between FY 2016 and FY 2017. In FY 2017, BUMC–SC saw net gains monthly for 67 percent of the year, closing at a net gain of \$4.6 million.

The County provides annual mission support as an investment in BUMC–SC. These resources in conjunction with federal matching support offset monthly and annual operational losses experienced by the hospital and in part due to the large behavioral health population served. While operating losses without mission support from the County and without infusion of federal dollars trend at an average loss of \$28 million since FY 2013, it is a stark improvement to the years' prior losses. Between FY 2005 and FY 2012, the average annual loss was around \$36 million. Adjusted patient days are an effective method to measure revenue as it is a way to assign a single volume measure to the entire operational services. When adjusted for patient volume, operating losses in FY 2005 showed a \$679 loss per adjusted patient day, whereas FY 2017 has displayed a 107 percent improvement, showing an adjusted loss per patient day of \$305.

The BUMC-SC Net Gain/Loss from Patient Service Revenue for FY 2005 through FY 2017 are shown in Figure 1 below.

¹ Safety Net Care Hospital Payment, a one-time federal match infusion for expansion of KidsCare II and Federalizing Proposition 202 Trauma/Emergency Department Fund.

Figure 1: BUMC–SC Net Gain/(Loss) from Patient Service Revenue



Federal Matching Programs

As a local government match partner, Pima County collaborates with AHCCCS to generate federal funding for eligible hospitals from the Centers for Medicare and Medicaid (CMS). Federal matching programs enable an approximate 2:1 match of federal dollars generated from a local investment. The County collaborates with ABOR to identify match opportunities for federal dollars to the benefit of the South Campus. This funding allows the hospital to continue to provide services while bringing new federal dollars into the local economy, supporting both the physical and fiscal health of the community.

Through this program, eligible hospitals with qualified local match partners enter into a public/private agreement to draw down these federal matching funds for its disproportionate share of indigent healthcare. In Arizona, under ARS § 36-2903.01, qualifying health providers like the Banner-University Hospitals can work with local, county and tribal governments to recoup funding for those services through these federal programs.

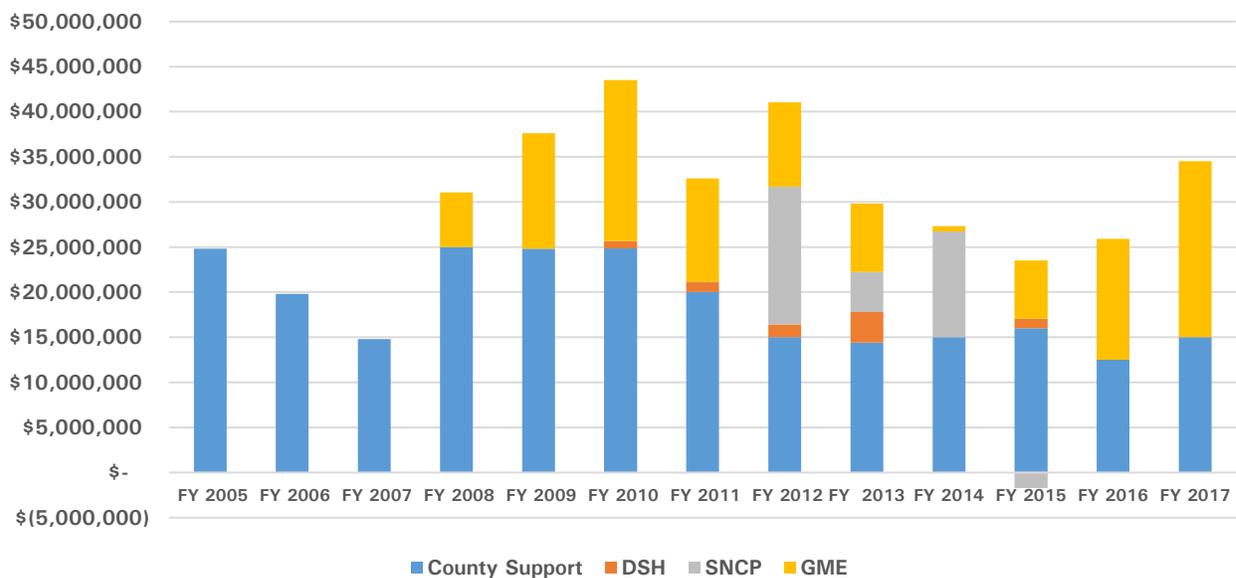
BUMC-SC, in addition to BUMC-Tucson (located on Campbell Avenue at The University of Arizona) are both participants in federal matching programs. Federal matching funds enhance their operational capacity to further Graduate Medical Education (GME), offset indigent care

and assist the hospitals in absorbing costs through Disproportionate Share Hospital Payments (DSH) and Safety Net Care Pool (SNCP) to continue to provide effective high-quality care to the residents of Pima County.

Federal matching programs have been integral to the financial viability of the South Campus. Between FY 2005 and FY 2017, the distribution of additional funding infusing the hospital has been a mix of County dollars and GME funding, with added match funding opportunities to offset indigent care at both hospitals in the network, specifically DSH and SNCP. The expansion of the Affordable Care Act (ACA) and consequently the drastic shift and improvement to the payer mix, resulted in a significant decrease in ‘self-pay’ and an inverse increase in individuals covered under the AHCCCS/Medicare network. The net result is that while match-funding opportunities to offset indigent care (DSH) have decreased, available match dollars for GME remain unchanged.

Figure 2 below shows the year-over-year distribution of County support, GME, DSH and SNCP federal funding streams. The SNCP was a one-time funding opportunity with distribution of funds between FY 2012 and FY 2014. (Due to a federal overpayment to the hospitals, there was a SNCP reimbursement in FY 2015.) DSH funding opportunities are diminished in FY 2016 due a shift in federal policies that favor rural critical access hospitals. As Banner continues to prioritize academic physician training, the largest distribution of federal funds are through GME matching payments.

Figure 2: BUMC-South Campus: County Support and New Federal Funds, FY 2005 through FY 2017



Graduate Medical Education (GME)

Working in partnership with Pima County, BUMC–SC has been the beneficiary of GME federal funds, enabling the hospital to increase GME post-graduate training opportunities (i.e., Fellowships and residencies) and further support medical workforce in Pima County and southern Arizona. CMS is the main supporter for GME nationally. CMS provides funding through a federal matching program intended to offset some of the clinical education and expenses incurred by hospitals in the training and oversight of key residency programs as they provide necessary care for local patients.

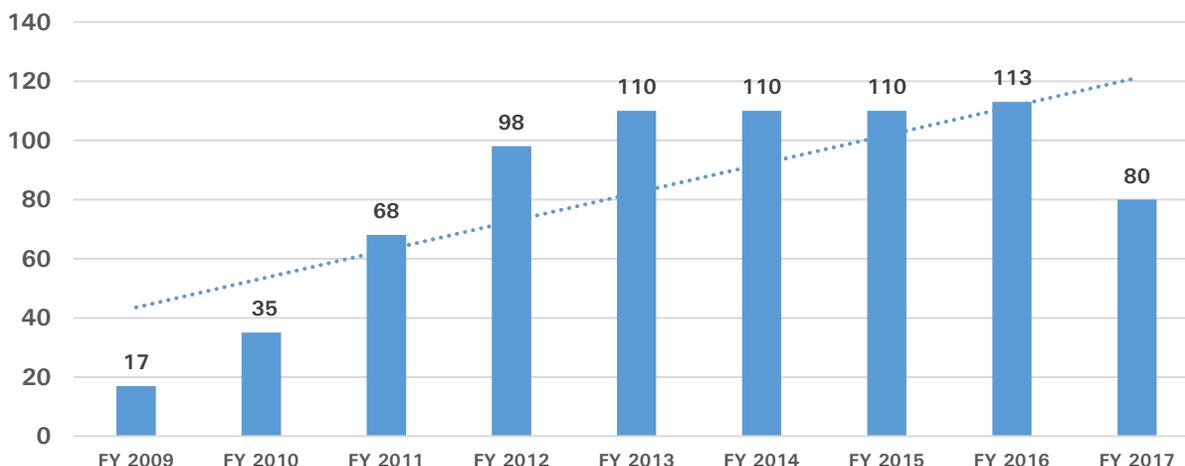
The Banner-University hospitals are both highly regarded GME accredited training sites for internship, residency, fellowship and subspecialty programs. GME does not offset expenditures for the didactic preparation of medical students and residents; rather it is a payment to the hospitals to enhance clinical training opportunities for an array of subspecialties. The Banner-University hospitals participate in the GME program as part of their investment in the expansion of the physician-training network.

The investment in GME is critical to improving the physician workforce and supports improved patient access and care. Of the physicians that have completed the GME program at Banner-University hospitals in Pima County, approximately 50 percent remain in the state and three quarters of these doctors are practicing in southern Arizona.

Between FY 2008 and FY 2016, there has been a total local match of \$125.6 million in support of the GME program within the area Banner-University hospitals, returning a total distribution of \$284.1 million between both hospital campuses. A total of \$86.7 million was allocated specifically to the GME program at BUMC-SC between FY 2008 and FY 2016.

As shown in Figure 3 below, the GME program at BUMC-SC has expanded dramatically from 17 residents in FY 2009 to 113 residents in FY 2016. According to FY 2016 data, of the 168 graduates, 62 (37 percent) have stayed to practice specifically in Pima County. In FY 2017, there was a decrease in GME positions filled (decrease of 113 residents to 80) at South Campus. This is due to the administrative movement of the Psychiatry and Neurology residency program to University Campus, although, notably, these trainees still spend significant time at the South Campus.

**Figure 3: GME Positions Filled at BUMC-SC
FY 2009 through FY 2017**



The GME partnerships are a critical program in our community. All of the residency programs have a focus on bringing much needed medical care to the rural areas of southern Arizona and many of the residents complete rotations in medically underserved areas. The program provides for the continued recruitment and education of resident physicians in all such critical areas as family medicine, internal medicine, ophthalmology and emergency medicine, while providing a net positive financial impact on the local economy associated with the trainees and faculty hires.

Disproportionate Share Hospital Payments (DSH)

The DSH program provides supplementary income to thousands of American hospitals where Medicaid inpatients account for a large amount of the patient load. DSH is a federal matching initiative working in conjunction with local State Medicaid programs to mitigate the impact of indigent care on eligible local hospitals.

Through the collaboration between the Pima County and Banner-University between FY 2010 and FY 2012, a total of \$6 million was invested as a local match by the County, returning \$11.6 million to the two hospitals. The South Campus received more than \$6.7 million to offset indigent care and support the operations within the hospital.

Safety Net Care Pool (SNCP)

The SNCP was a one-time funding opportunity between FY 2012 and FY 2013 from CMS and open to all Arizona hospitals, with specific focus on hospitals in receipt of DSH payments

to offset indigent care, rural hospitals, hospitals fitting the Critical Area Hospital classification and safety net hospitals.

SNCP funding allowed hospitals to enhance additional coverage for children in the Children’s Health Insurance Program (CHIP), referred to as KidsCare in Arizona and among the participating hospitals. Additionally, it allowed funding to enhance the operational capacity and designation for Trauma Centers and Emergency Departments, specifically for Critical Access Hospitals and rural hospitals. This funding was a critical turning point for BUMC–SC, allowing it to recover uncompensated care costs of providing healthcare to patients uninsured or underinsured and to continue to further Emergency Department operations for both the hospital and the Behavioral Health Pavilion.

This funding opportunity had a drastic impact on both Banner–University hospitals, infusing the hospitals with a total local match of \$68.8 million, drawing down a Federal Match of \$128.9 million for BUMC–SC, BUMC–Tucson and the Physicians Practice.

Total Federal Match Funding for the Hospital Network

Federal Matching programs have been an effective way to improve the care and training provided by BUMC–SC and BUMC–Tucson. Participation in these initiatives allows hospitals to remain fiscally solvent and continue to enhance their critical services to Pima County. These initiatives not only infuse necessary dollars to support the hospitals, they help train and provide the medical workforce that is critical to this community. Through Federal Match programs, BUMC-SC has received \$125 million to enhance their operations, training programs and critical care, specifically in trauma and emergency services. The two Banner-University hospitals have received a \$424 million federal match for all the identified initiatives and continue to partner with the County for local match funding to further the community commitment to expand access to care, a health community, and expanded economic development (see Table 2 below).

Table 2: Federal Match Funding for BUMC-SC, BUMC-T and Physicians Practice, FY 2008 through FY2016.

	Local Match by County	Local Match by UA	Total Local Match	New Federal Funds Distributed to BUMC-SC	New Federal Funds Distributed to BUMC-T	Physician Practice	New Federal Fund Total
GME Initiative	\$44,471,785	\$ 81,177,007	\$125,648,792	\$ 86,724,431	\$197,401,828		\$284,126,259
DSH Initiative	6,048,979		6,048,979	6,728,668	4,902,991		11,631,659
SNCP Initiative	41,524,730	27,233,060	68,757,790	31,457,565	77,476,570	\$19,960,321	128,894,456
Totals	\$92,045,494	\$108,410,067	\$200,455,561	\$124,910,664	\$279,781,389	\$19,960,321	\$424,652,374
Percent	46	54	100	29	66	5	100

Future Innovation and Growth

The South Campus continues to grow as a multifaceted academic medical center. The transformation of the South Campus represents a dividend from the shared investment by the County and hospital operational partners. The South Campus has emerged as an integrated health hub that makes medical, surgical, behavioral health, crisis and public health services available on one campus and fosters a 'no wrong door' approach to meet critical healthcare needs. Pima County, Banner and The University of Arizona leadership have leveraged the oversight meetings, IGA development and regular communication to ensure a clinically high-quality, fiscally sound South Campus that continues to strategically expand services and grow the physician workforce to meet the health needs and priorities of this community.