



Board of Supervisors Memorandum

July 2, 2013

**Agreements for the Development of the Julian Wash Multi-use Path
Resulting in a New Opportunity to Provide Local Match for Area Hospitals**

I. INTRODUCTION

Since 2005, national, state and local studies continue to highlight troubling statistics regarding the impact of obesity. Obesity, defined as having a Body Mass Index (BMI) greater than 30 kg/m², is a national epidemic that directly impacts the residents of Pima County. Nationally, more than one third of adults and 17 percent of children are obese. From 1980 through 2008, obesity rates for adults have doubled, and rates for children have tripled.¹ Arizona and Pima County are part of this concerning trend.

A 2010 study in the *Archives of Pediatrics and Adolescent Medicine* found that nearly 18 percent of Arizona children are obese, and the rate of childhood obesity rose by 50 percent between 2003 and 2007. During this timeframe, Arizona posted the biggest increase in the prevalence of childhood obesity of all 50 states. In a December 2011 publication entitled *The Obesity Epidemic*, the Arizona Department of Health Services (ADHS) indicates approximately 65 percent of Arizona adults age 18 and over are either overweight or obese; and those with lower incomes, less education and certain ethnic groups are more likely to be obese.

Obesity is a disease that has serious physical, psychological, social and economic consequences for adults and children. It is related to more than 20 major chronic disease and other health consequences, including coronary heart disease, type 2 diabetes, cancers, high blood pressure, high total cholesterol, stroke, liver and gallbladder disease and respiratory problems.

Moderate activity for 30 minutes a day can help lower the risk of chronic disease². People are more prone to be active if they live near parks or playgrounds in neighborhoods with sidewalks or bike paths. The Community Health Action Taskforce, consisting of community members and community stakeholders and led by the Pima County Health

¹ Center for Disease Control and Prevention. National Center for Chronic Disease Prevention and Health Promotion. "Obesity: Halting the Epidemic by Making Health Easier" 2010.

²The Harvard School of Public Health. The Obesity Prevention Source: Physical Activity. <http://www.hsph.harvard.edu/obesity-prevention-source/obesity-causes/physical-activity>

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Department, published an Action Plan in May 2013 that identified opportunities for active living and access to healthy food as two important factors for healthy lifestyles.

Additionally, community members and stakeholders clearly expressed the need for a public infrastructure that is safe and supports healthy life styles.

The impact of obesity, lack of physical activity and poor nutrition is of critical importance to Pima County, as it directly impacts the health and financial wellbeing of the community, its workforce and the cost of healthcare. While health is in part a personal responsibility, the County has a major role in the accessibility of parks, sidewalks and bike paths.

II. PIMA COUNTY'S CONTINUED COMMITMENT TO A HEALTHY COMMUNITY

The Board of Supervisors has continuously promoted healthy lifestyles and actively planned and implemented improved access for residents to community resources that positively impact an individual's health.

The Urban Loop

The Board of Supervisors' commitment to a healthy community was most recently featured in the *Arizona Daily Star* on June 6, 2013, in an article entitled "Tucson's Loop taking shape as 2 parts of multiuse-trail web come together." The Urban Loop is a continuous off-street, multi-modal path that circles metropolitan Pima County with links extending into each region. Approximately 100 miles are completed and available to pedestrians, cyclists, skaters and horseback riders. When fully completed, the Urban Loop System will have 131 miles of continuous, off-street or shared-use paths linking the four major river courses (Rillito River Park, Santa Cruz River Park, Pantano River Park and the Julian Wash Linear Park) and two tributary washes (the Canada del Oro and Tanque Verde). The Urban Loop will connect with 29 Sun Tran Routes, 500 miles of bicycle path, and 34 recreation facilities. This will benefit the County and its residents by providing affordable and accessible recreation areas available for physical activity without safety concerns associated with automobiles.

Julian Wash Project

The County's budget for Fiscal Year (FY) 2014 includes three projects that comprise the next phase of construction of The Urban Loop. These three projects are referred to as the Julian Wash project and are budgeted at \$3,325,000. The Julian Wash project will install approximately 3.5 miles of pathway along the wash from Interstate 10 (at Drexel Road) to Campbell/Kino Parkway as displayed on the attached map.

The Julian Wash project provides a key recreational resource in underserved and economically stressed areas. The project will also increase safety for the users of The Loop by removing a roadside development connection and replacing it with a car-free path.

III. FORMATION OF THE COMMUNITY HEALTHCARE BENEFIT FOUNDATION

In 2012, Tucson Medical Center (TMC), with the approval of its Board of Directors, formed a nonprofit organization named Community Healthcare Benefit Foundation of Pima County (CHBFPC) for the purposes of charitable contributions to initiatives targeted to improvement of the health status of the community. CHBFPC subsequently approved a restructuring to include Carondelet Health Network (CHN) as a member of the Foundation. With this change, CHBFPC now represents two of the three nonprofit hospital systems serving the residents of Pima County.

As part of its mission, CHBFPC promotes the health and wellbeing of the residents of Pima County and lessens the burden of government by, among other things, providing financial and programmatic support for community facilities that offer recreational and athletic opportunities for children and adults to help control obesity problems and improve health and fitness.

In November 2012, CHBFPC and Southern Arizona Community Sports, Inc. entered an escrow agreement permitting CHBFPC to contribute approximately \$6 million toward the construction of Curtis Park also known as The Southern Arizona Community Sports Center (SACS Center). The SACS Center is located in the heart of Tucson, at River Road and La Cholla Boulevard, and is part of the Flowing Wells neighborhood. The facility is scheduled for completion on July 1, 2013, with an anticipated grand opening in August 2013. It will be the largest indoor sports facility in southern Arizona. The SACS Center will provide five basketball courts, eight volleyball courts, badminton, cheerleading, fitness classes and other activities to promote healthy lifestyles. The SACS Center, referred to as Curtis Park, provides these services at little to no cost for the community.

IV. CHBFPC COMMITMENT FOR THE CONSTRUCTION OF THE JULIAN WASH PROJECT

On June 11, 2013, the CHBFPC Board approved an irrevocable contribution of \$3,590,000 to provide infrastructure focused on improved facilities for the residents of the community for biking, walking and other types of physical activity. Specifically, the irrevocable donation is to accomplish the next section of The Loop referred to as Julian Wash. The commitment to this project fulfills the mission of CHBFPC and supports the goals of both CHBFPC and the County.

Legal Framework

Two legal documents have been prepared to permit CHBFPC to accomplish the project. First is the Agreement for the Development of the Julian Wash Multi-use Path, which permits CHBFPC to construct the Julian Wash project at its own cost and expense and appoints the County as its agent to manage the project. The County will provide final plans and specifications for the project, select the construction firms, oversee the design and construction work and approve invoices for payment from the escrow account. CHBFPC will pay the County a construction management fee in an amount up to \$265,000 to reimburse the costs of County staff administering the Julian Wash construction project for the Foundation. Use of County staff for this oversight will assure that the construction meets County specifications. The total amount required to complete the project, including the use of Pima County project development services staff, is \$3,590,000.

The Second Agreement is the Escrow Agreement appointing an Escrow Agent approved by the County and CHBFPC. The Agreement establishes an escrow account designated as the "Julian Wash Escrow Account" to receive the irrevocable donation of \$3,590,000 from CHBFPC. The County will have sole authority to direct all disbursements from the Escrow Account, and the Escrow Agent will disburse the monies as authorized by the County. CHBFPC is committed to depositing \$3,590,000 no later than 30 days after approval by the Board of Supervisors of the Escrow Agreement.

Ms. Judy Rich, Chief Executive Officer of CHBFPC, has approved the two agreements.

V. OPPORTUNITY TO PROVIDE FUNDING FOR LOCAL MATCH TO AREA HOSPITALS

Over the last three years, the State has reduced eligibility for the State's Medicaid program known as the Arizona Health Care Cost Containment System (AHCCCS) and the scope of services covered under that program. As a result, the uninsured population in Pima County has risen to approximately 133,000 adults and children. This has placed an enormous financial burden on local hospitals.

Reports to ADHS by area hospitals in Pima County indicate their uncompensated care increased by 38 percent between FY 2009 and FY 2011. The Arizona Hospital and Health Care Association reports the statewide cost of uncompensated care in hospitals rose from 3.5 percent in 2009 to 6.1 percent as of January 2012. Local hospitals indicate the figures are even greater and steadily increasing. TMC projects uncompensated care will increase from \$40 million in FY 2011 to as much as \$70 million in FY 2013. In January 2013, Carondelet Health Network (CHN) reported operating losses of nearly \$90 million, which included the costs of uninsured care.

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Further exacerbating the burden on hospitals training physicians in the program known as Graduate Medical Education (GME) is the fact the State has substantially eliminated its funding for GME. This has adversely impacted The University of Arizona Health Network (UAHN) hospitals and TMC, all of which have physician training programs.

All of these hospital systems are eligible for certain payments from AHCCCS that offset some of the unreimbursed care to the uninsured population; and with the exception of CHN, there is also funding for unreimbursed costs for GME. However, in order for the hospitals to receive this funding, they must identify a local match contributor to fund the State match obligation. The local match serves as the State portion of the total cost, which in Arizona is approximately one third, which generates federal funding equal to two thirds of the payments through AHCCCS. In other words, with each dollar of local match, AHCCCS can generate two dollars of federal funding to compensate qualifying hospitals for a portion of their uninsured care and physician training costs.

Historically, Pima County has funded opportunities for the two hospitals in UAHN. Currently, local match contributions for those hospitals are funded via The University of Arizona utilizing County funds provided through its Intergovernmental Agreement (IGA) with the Arizona Board of Regents.

At this time, AHCCCS has funding available for TMC and St. Mary's Hospital/CHN if local match can be provided. These hospitals meet the criteria for receiving Disproportionate Share Hospital (DSH) funding to offset uninsured care costs, since they provide care to a population of which at least 25 percent are Medicaid.

AHCCCS could pay these two hospitals as much as \$19 million in new federal funds if \$9.7 million were contributed as local match. The County's financial constraints, as reflected in its budget for FY 2014, limit the County's ability to assist the hospitals in securing the full stream of federal funds that are available to them.

However, in light of the irrevocable contribution commitment by CHBFPC, the County will no longer need to utilize General Funds to construct the Julian Wash Multi-use Path, making it possible to commit \$3,325,000 (\$3,590,000 less the County management fee of \$265,000) as local match for these hospitals. This funding will generate \$6,411,457 in new federal funds that otherwise would not be available to offset the costs of uninsured care by these hospitals. The commitment by CHBFPC is not conditional upon whatever action the Board of Supervisors might take regarding the local match program. If this commitment is approved by the Board, AHCCCS will make payments to TMC totaling \$6,231,332 (\$4,103,332 in new federal monies, plus \$2,128,000 in local match from the County). Payments from AHCCCS to St. Mary's/CHN will total \$3,505,124 (\$2,308,124 in new federal monies, plus \$1,197,000 in local match from the County). If the Board of Supervisors approves, I will direct staff to prepare the IGAs between Pima County and AHCCCS to commit the \$3,325,000 in local match funds required to secure the

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\$6,411,457 in federal funds and present those to the Board at its August 6, 2013 meeting.

VI. RECOMMENDATIONS

I recommend the Board of Supervisors approve the following:

1. The Agreement for the Development of the Julian Wash Multi-use Path that permits CHBFPC to construct the Julian Wash project at its own cost utilizing County staff for project management under the oversight of the Deputy County Administrator for Public Works;
2. The Escrow Agreement from which payments will be made for costs related to the Julian Wash construction, including the cost of County staff oversight, and which will be funded with the irrevocable commitment from the Community Healthcare Benefit Foundation of Pima County of \$3,590,000; and
3. Commitment of the \$3,325,000 for local match in the amounts specified in this memorandum as reinvestment in the healthcare system by securing new federal funds through Arizona Health Care Cost Containment System for Tucson Medical Center and St. Mary's Hospital.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – June 18, 2013

Attachment

c: Jan Leshar, Deputy County Administrator, Medical and Health Services
Honey Pivrotto, Assistant County Administrator, Health
Judy Rich, Chief Executive Officer, Community Healthcare Benefit Foundation of Pima County

When you are in a wheelchair, you may have a difficult time getting into a car. The City of Denver has a program called "the loop" that provides a free wheelchair accessible taxi service. This service is available to anyone who is unable to get into a car, and it is available 24 hours a day.

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Always Show Courtesy When Passing Other Path Users
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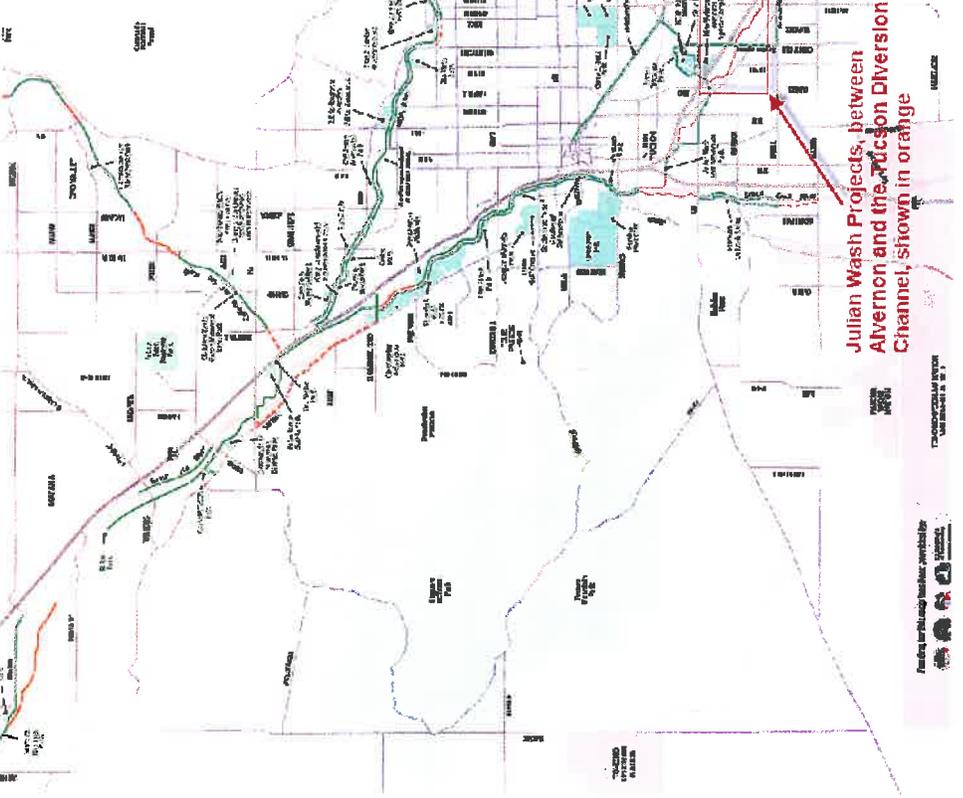
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**Julian Wash Projects, between
 Alvernon and theudson Diversion
 Channel, shown in orange**



Planning for a more sustainable future
 City of Denver