Board of Supervisors Memorandum

May 21, 2019

Sixth Amendment to the Agreement Between Pima County, The Arizona Board of Regents and Banner Health

Background

Since opening the Kino Community Hospital in 1977, Pima County has sought to facilitate comprehensive healthcare at this facility to benefit the residents of this community. The County remains invested in the growth and development of the South Campus because it is an essential resource for health and wellness to our residents. Since 2005, the County has expanded the services on the South Campus through partnerships with University Physicians Health Care, University of Arizona Health Network and now Banner Health. These partnerships are guided by a shared vision to bring critical health care services to the community served by the South Campus. This has allowed the number and type of health services to strategically expand and flourish, and these partnerships have been key to federal match initiatives that build the health workforce, promote quality services and build capacity to serve the County's residents. The growth and expansion of services on the South Campus have transformed the delivery of medical services, 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 southwest of Ajo Way at Country Club Road. The Kino Community Hospital (KCH) operated by the County until 2004, when the Pima County Board of Supervisors voted for the County to cease operations.

A number of factors motivated this major policy change. The most important being the approval of Proposition 204 in 2000, which shifted the responsibility for indigent health from the counties to the newly created Arizona State Medicaid Agency, Arizona Health Care Cost Containment System (AHCCCS). In addition, new managed care reimbursement models placed the County Hospital at a disadvantage and in direct competition with private and public sector hospitals and health care providers who were seeking to serve the same patient base. This change in state policy provided many health care options for Medicaid funded patients, and the county-run hospital became the hospital of last resort serving only those patients with no payer source and those in behavioral crisis who had nowhere else to turn. These factors in concert with a very low patient census, nursing staff shortages, and inadequacy of physician coverage led to the decision to look for alternative solutions to meet the needs of Pima County residents.

While the County was struggling to deliver services on the Kino Campus, there was still a strong commitment to provide critical health services in this community at this site. Pima County contracted directly with, and subsequently transferred the hospital license to, University Physicians, Inc. (UPI) as the first operator of the South Campus facility in Fiscal

Year (FY) 2005, with the goal that this public/private partnership would improve the quality of patient care and overall service delivery in a medically underserved area of Pima County. At the time, UPI and The University of Arizona were developing strategies to augment sites and locations available for health care professions training and the South Campus facility provided a setting for that expansion. By 2010, The University of Arizona had a robust clinical partner with a well-established clinical network that included two hospitals, a robust academic clinical practice, and a health plan.

Pima County's Intergovernmental Agreement (IGA), initially with UPI, migrated to the Arizona Board of Regents for the operations of the South Campus by the University of Arizona Health Network. Since February 2015, Banner Health has operated both the South Campus and Tucson Campus, in a merger with the University of Arizona Health Network, creating a statewide health network for physician training and the provision of innovative medical and behavioral health care.

South Campus Expansion Through Voter Approved Bond Initiatives

Residents of Pima County 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. In 2004, Pima County voters approved $25 million dollars in support of construction of a Public Health Center adjacent to the County's hospital. The Abrams Public Health Center was built to house the County Health Department, Pima County Medicaid plan and related home-health business operations. Today this building also includes leased space for Banner Family Medicine and Diabetes clinics and patient education programs; Banner clinical faculty office space; The University of Arizona's Collaboratory (a joint enterprise of the Family Medicine Department, College of Agriculture, and the College of Public Health); Ashline (State tobacco cessation support line operated by University of Arizona College of Public Health); in addition to a biotech startup incubator.

Additionally in 2006, voters approved $66 million dollars to expand critical behavioral health infrastructure in Pima County to serve the needs of patients in crisis, those undergoing Court Ordered Evaluation and other individuals with behavioral health needs picked-up by law enforcement. Bond resources financed the construction of a state of the art behavioral health facility that includes a psychiatric urgent care and a psychiatric inpatient hospital unit. The facility designed to promote efficient interaction with law enforcement and to promote a "no wrong door" philosophy whereby community members in crisis can access services with minimal obstacles.

Highlights of Current South Campus Offerings

The South Campus is unique for the availability of both acute and long-term psychiatric services in a comprehensive setting with high quality medical specialty availability and patient support services delivered in a single setting 24 hours per day, 7 days a week. The Behavioral Health Pavilion (BHP) and the Crisis Response Center, jointly provide a blend of services enabled in part by the unique facility constructed with bond resources.

The BHP is a state-of-the-art psychiatric inpatient facility on the South Campus immediately adjacent to the medical facility. This facility has significantly expanded the capacity for acute behavioral health service provision in the community. The BHP is a secure facility with an emergency room that connects to the medical facility for the secure transfer of patients in need of psychiatric care. The BHP currently serves 80 percent of Pima County Title 36, Court Ordered Evaluation patients, and its two, 24-bed secure units, are often at capacity for both involuntary and voluntary treatment.

Recently, the third floor of BHP includes a new psychiatric outpatient unit. This access point provides patients with coordinated services that include medical, psychiatry, and crisis units. This location is also the site for a neuro-therapy suite that will include Transcranial Magnetic Stimulation for patients with major depressive disorders that have not responded to medication and therapy. The BHP is staffed with Banner attending physicians, residents and nurse as part of a larger more Graduate Medical Education Program that operates on both campuses.

Adjacent to the BHP is the Crisis Response Center (CRC), the nationally recognized psychiatric urgent care center. The CRC strives for a "No Wrong Door" approach, with 24/7 access to services regardless of insurance type or ability to pay. It also features a secure sally port connecting the South Campus and BHP and facilitating efficient Law Enforcement access. Patients seen during a psychiatric emergency can be transferred to a longer-term behavioral health or medical services, or coordinated back into care in the community. The CRC is a critical compliment to services in this community, not only deflecting patients from unnecessary Emergency Department visits, but from detention facilities as well.

In addition to the behavioral health and acute care services on the South Campus there are a number of public health, wrap-around services and patient primary care and education available on the South Campus. The Diabetes Clinic and Family Community Practice are two provider-based clinics located in the Abrams facility and operated under South Campus oversight. Both clinics are integral in the provision of long-term primary care for patients.

The Diabetes Clinic, located in the Abrams Public Health Center, is a comprehensive treatment and education suite, hosting resources for patients on nutrition, their diabetes treatment, and includes a demonstration kitchen for cooking classes and further maintenance of diabetes treatment for the patient. Staffed with specialized practitioners including physicians, nurse practitioners, pharmacists, and dieticians, this clinic provides comprehensive diabetes related patient care. The Diabetes Clinic has grown steadily from 450 patients per month in FY 2016 to an average of 540 per month in FY 2018.

Family Community Medicine (FCM) practice, also located in the first floor of the Abrams Public Health Center and serves as a comprehensive primary care center. The FCM services include acute and preventative care for individuals and families, serving 2,186 patients per month in FY 2018. This primary care access point provides critical linkages to specialty services available on the South Campus and Tucson Campus.

Intergovernmental Agreements Supporting South Campus Operations

The Board of Supervisors recognized the impact of the loss of Kino Community Hospital as a resource for the health and wellness of county residents. For that reason, the Board entered into a series of IGAs and a lease to ensure any future hospital operator meets the health needs of the community and that services and programs on site are develop with substantive input from the County. These agreements have been strategic in improving and expanding the quality and content of clinical and behavioral services in this community. They also provide a mechanism to ensure the operator and the County develop a collective vision for the future of what is now known as the Banner South Campus and provide fiscal transparency and accountability for the County's investment.

The IGA outlines the operational priorities, goals and objectives that have remained relatively constant across the operators (UPI, UAHN, and now Banner Health) and over time. These tenets include: 1) Efficient and Effective Service Delivery and Training of Healthcare Workforce, 2) Public Health and Community Wellness, 3) Accountability and Transparency, and 4) Financial Viability and Sustainability. County funding is linked to hospital operational and financial reporting requirements stipulated in the agreement. These include, but are not limited to financial and operational updates from the hospital; updates of activities in bond-funded facilities (including provider-based clinics, Behavioral Health Pavilion and Crisis Response Center, etc.) and strategic initiatives that build upon and improve the value services provided at that hospital.

When the Board of Supervisors made the decision to cease operations of the South Campus, it also recognized the strategic role a well-functioning health care partner could serve to address critical unmet needs in Pima County. For this reason, General Fund resources were budgeted to fund the IGA executed with the Arizona Board of Regents. Prior to FY 2010, the County funded this at approximately $25 million dollars per year in order to offset financial loss for the operations of the hospital. This has tapered over time as the hospital performance has improved eventually dropping $15 million since FY 2012. The Board's investment helps offset the uncompensated care for indigent patients. It is also used to draw down federal matching funds to expand and retain a well-trained health care work force, and contributes substantially to the economic growth of this community.

Fiscal Health of the South Campus

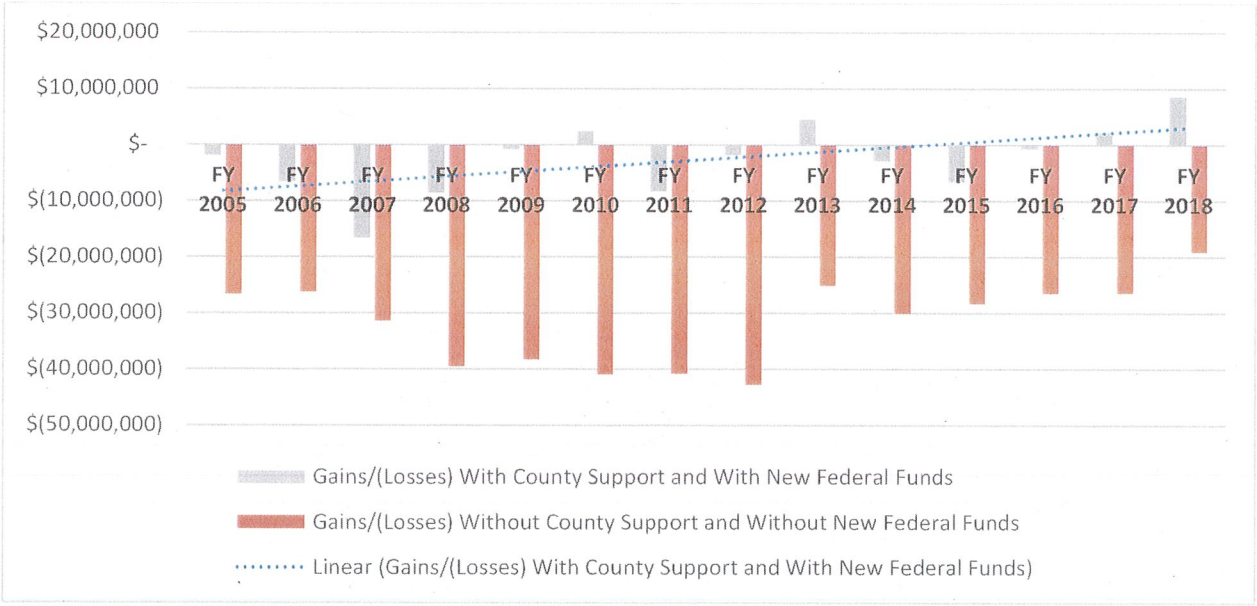
As outlined in the IGA between the County, ABOR and now Banner, the fiscal viability of the hospital is critical to the continued provision of robust health services accessible to this community. Staff from the County and Banner Health meet monthly to review the financial

performance of the operation. In FY 2013, through a large infusion of one-time federal match funding funds[1], Banner University Medical Center South Campus (BUMC-SC) saw a net gain of $4.6 million. Year-over-year, BUMC-SC has seen important operational and financial improvements, including a gain of $5.5 million between FY 2015 and FY 2016, and a $5.2 million dollar 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 dollars. (See Figure 1)

The County provides annual support as an investment in the advancement and financial health of BUMC-SC. County support in conjunction with federal matching funds offset operational losses at the hospital. Between FY 2005 and FY 2012, the average annual loss was around $36 million. Without County mission support and federal match funding, the hospital would have lost $19 million.

Through enhanced service delivery, delivery models and continued innovation, the hospital has continued to grow. For the past two years, Banner Health has maintained continued net revenue closing FY 2018 with a net operating income of $8.6 million and 230 percent increase from FY 2015, under the former operator. Since Banner Health took over the operations of the South Campus, financial indicators continue to project operational growth in effective care and health care service delivery.

Figure 1: Banner University Medical Center Gains / Loss from Patient Service Revenue



[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

Key Service Indicators and Service Utilization on the South Campus

Pima County has been tracking these indicators as a measure of patient care and provision of services since transferring operations of the hospital in 2005. Through collaborative monthly oversight of the hospital operations on the South Campus, Pima County closely monitors key services indicators including admissions, average daily census, clinic visits, Emergency Department visits and surgical procedures. One of the most important indicators is Adjusted Patient Days (APD), which is a metric of overall hospital utilization reflecting utilization of both inpatient and outpatient services. (See Table 1)

Patient Mix on the South Campus continues to improve. In FY 2005, the average daily census was 15 medical/surgical patients and 50 behavioral health patients. Since FY 2016, that distribution has balanced, with 48 percent of the patients, presenting for medical or surgical needs and 52 percent admitted for behavioral health care. This shows the growth of the services available for the acute care patients and that it remains one of the most integrated and accessible campuses in Arizona and certainly within Pima County.

Overall the performance and the profitability of the hospital has improved since FY 2017, reflecting growth in reimbursement, improved contracts with insurance plans, and high quality patient service provision. Table 1 shows growth over time and by hospital operator over the past 14-years of service delivery on the South Campus.

Table 1. BUMC-SC Patient Volume Comparison FY 2005 to FY 2018

Key Indicator	UPH	UAHN	UAMC-SC	BUMC-SC	BUMC - SC		Percent
Fiscal Year	FY 2005	FY 2010	FY 2013	FY 2017	FY 2018	Change	Change
Adjusted Patient Days	39,440	80,282	86,508	97,950	85,375	45,935	116%
Total Average Daily Census	65	95	110	101	107	42	65%
Total Clinic Visits	48,830	126,609	162,821	150,728	144,102	95,272	195%
Total Emergency Department Visits	30,356	33,983	42,017	45,699	47,257	16,901	56%
Total Surgical Procedures	662	1,982	3,350	3,655	4,109	3,447	521%

Federal Match Funding and Graduate Medical Education

Since 2008, the County has partnered with hospitals in our community to draw upon Federal Matching opportunities to support hospitals providing a disproportionate share of care to low-income populations and qualified as critical access hospitals. In Arizona, per ARS 36-2903.01, local governments and other qualified match partners may enter into public/private agreements in collaboration with AHCCCS to draw down allocated federal funds from CMS. These approximately 2:1 match resources support programs such as Graduate Medical Education (GME), Disproportionate Share Hospital Payments (DSH), and the one time federal Safety Net Care Pool (SNCP). Hospitals and communities use these investments to grow

residency-training programs, offset uncompensated care, and augment critical services. Table 2 illustrates that the County's investment has resulted in a total of $650,432,222 new federal funds directed by the federal government to Pima County hospitals during the past ten years.

Table 2: Match Initiatives and New Federal Funds FY 2008 - FY 2018

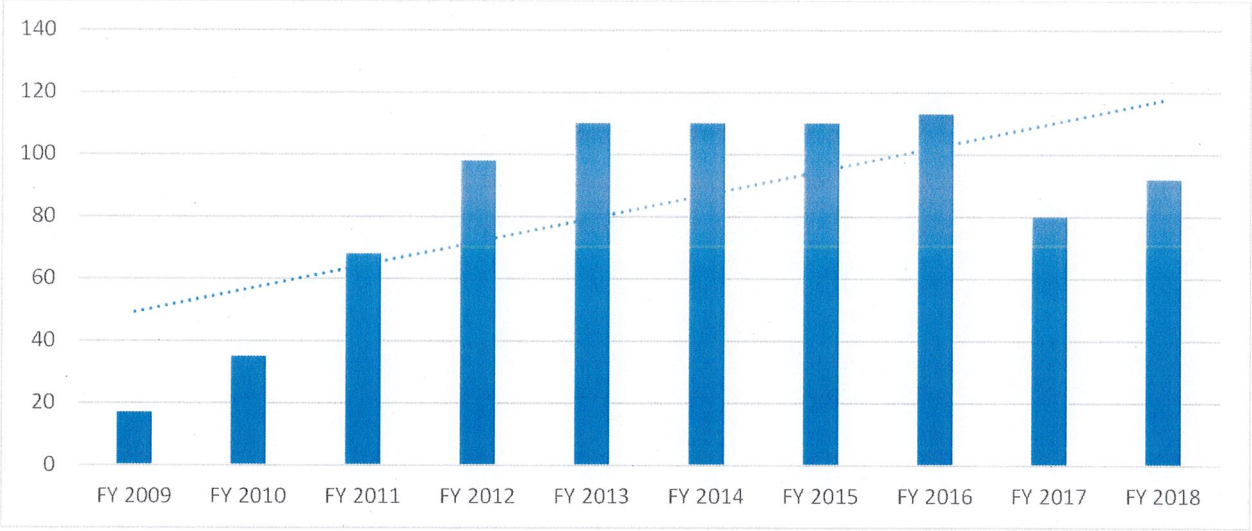
	Local Match Provided by County	Local Match Provided by UA	TOTAL LOCAL MATCH	New Federal Funds BUMC-SC	New Federal Funds BUMC-T	Physician Practice	NFF TOTAL
GME Initiative	$62,308,455	$139,127,914	$201,436,369	$126,838,668	$383,067,439	$0	$509,906,107
DSH Initiative	6,048,979		6,048,979	6,728,668	4,902,991		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
Grand Total	**$109,882,164**	**$166,360,974**	**$276,243,138**	**$165,024,901**	**$465,447,000**	**$19,960,321**	**$650,432,222**
Percentage	40%	60%	100%	25%	72%	3%	100%

Graduate Medical Education

Graduate Medical Education (GME) is one of the largest programs supported through this match mechanism. The partnership between Pima County and the Banner University Health Network, both South Campus and Tucson campus have leveraged dollars to increase health profession training, fellowships and residencies. CMS provides this federal match to offset some of the clinical education and expenses incurred by hospitals in the training and oversight of key residency programs, specifically payments to hospitals to enhance clinical training in a variety of key sub-specialties.

This program critical because it increases the physician provider pool in southern Arizona, specifically Pima County. Research indicates that residency location is an important determinant of subsequent practice location. As of FY 2018, BUMC had 224 total graduates, 49 percent of the total graduates stayed in Arizona, 41 percent of which stayed to practice in Pima County. In FY 2016, there were 168 graduates, with only 37 percent staying to practice in Pima County. A recent reorganization of training sites for Psychiatry and Neurology residency training programs have caused a temporary dip in these numbers. However in FY 2018 98 were part of the training programs based at the South Campus in Emergency Medicine, Family Medicine, Internal Medicine and Medical Toxicology.

Table 3: Graduate Medical Education (GME) Filled Positions at BUMC-SC FY 2009 – FY 2018



Disproportionate Share Hospital Payments and Safety Net Care Pool

Disproportionate Share Hospital Payments (DSH) is a federal matching initiative to offset the cost of indigent care in hospital settings. A one-time Safety Net Care Pool (SNCP) federal funding opportunity provided additional support to Critical Access Hospitals. The SNCP funding to local entities helped support the Children's Health Insurance Program (CHIP), referred to as KidsCare in Arizona, and enhanced trauma center capacity in Arizona.

Between FY 2010 and FY 2012, $6 million of the County funded IGA resources were invested as the local match, returning $11.6 million to the two hospitals ($6.7 million specifically allocated to the South Campus). In FY 2013, the partnership between the County and the hospital leveraged the SNCP funding opportunity providing $41.5 (of a $68.8) million dollar local match to draw down a Federal $128.9 million in federal match resources for the benefit of what is now BUMC-SC and BUMC-Tucson. SNCP and DSH were critical turning points for South Campus, enabling it to recover uncompensated care costs associated with providing necessary care for patients that were uninsured. It also allowed this hospital to be a partner in more robust network to protect the children in Southern Arizona through augmented coverage and enhance trauma and emergency department access and provision of services at both campuses.

Recommendation

Pima County's participation in the unique public-private partnership that is our Agreement between Banner University Medical Center, The University of Arizona and Pima County has yielded a high-quality well-functioning comprehensive health care institution meeting the unique needs of a largely underserved population. County staff are deeply engaged with Banner and University of Arizona partners to ensure the scope and quality of programing offered at that facility serves the strategic interests and health of Pima County residents.

Based on the success of this historical partnership, I recommend the Board approve the attached Intergovernmental Agreement.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/mp – May 10, 2019

c: Jan Lesher, Chief Deputy County Administrator
Francisco Garcia, Assistant County Administrator for Community and Health Services
Paula Perrera, Director, Behavioral Health