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# MEMORANDUM

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Date: April 2, 2015

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to read "CH Huckelberry", is written over the typed name and title.

Re: **Banner Transition Update**

## Introduction

Pima County has a strong commitment to and support for the health and welfare of the residents of this community. 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 Kino Community Hospital (KCH) as operated by Pima County struggled to provide comprehensive care and experienced continual operational losses.

In order to maintain proper stewardship of County resources and provide quality healthcare in the area, the County entered into a partnership with University Physicians, Inc. and subsequently The University of Arizona Health Network.

On February 28, 2015, University of Arizona Medical Center–South Campus (UAMC-SC) became Banner-University Medical Center–South Campus (BUMC-SC), marking the newest Pima County partner in healthcare provision. This transition comes as Pima County realized the fulfillment of the potential and promise of quality healthcare and academic professionals made to the people of Pima County years ago.

## History of the Hospital on the Kino Campus

From the opening of KCH in 1977, the facility had limited success in providing comprehensive healthcare for residents in southern Pima County. While the facility did address mandated and court-ordered behavioral healthcare and evaluation, medical and surgical services were very limited.

The lack of a dedicated physician base to channel patients to KCH, along with an increasingly complex reimbursement environment from Federal, State and commercial payers, exacerbated by the passage of Proposition 204 in 2000 that modified Arizona Health Care Cost Containment System (AHCCCS) reimbursement, complicated the County's ability to support and maximize operations at the hospital. By 2004, Pima

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County was losing millions annually, and community reliance on the hospital for services was limited.

It was clear a new strategy for operating the hospital was needed due to the financial burden of continued significant losses, and the fact that bond rating agencies identified this situation as a concern when rating County bonds. The optimal approach was determined to be a lease of the hospital to a third party with the necessary resources and competency to assume the license for its operation and to transform the site into a viable entity.

It was at this time that University Physicians, Inc. (UPI), the physician faculty practice for The University of Arizona College of Medicine (UACOM), was engaged in identifying strategies for expansion of the physician training programs at UACOM and introduced their vision of how to leverage the hospital and more readily accelerate achievement of the University's three-prong goal of clinical services, teaching and research.

After careful analysis and much consideration, the Board of Supervisors voted to transfer the State license authorizing operation of the hospital to UPI and entered a 25-year lease of the hospital and property with an option to extend the lease for another 25 years. The Board's approval of the initial lease included a funding commitment totaling \$127 million over 10 years. The lease mandated significant County oversight on performance measures, maintenance of a set of essential services, continued provision of behavioral health services essential for the County to meet its statutory obligations related to Title 36 behavioral health evaluation and treatment, and a set of service expansion goals supporting revitalization of the hospital campus.

UPI operated the hospital under its property lease with the County using various names for the hospital from June 16, 2004 until June 2010. Among UPI's accomplishments were recruitment of physicians; reopening the Intensive Care Unit (ICU); reestablishment of the emergency room services for the hospital to become a full participant in community emergency patient care; and other actions pivotal to a vibrant clinical setting at which training could be accredited for physicians, nurses and allied health personnel.

While the hospital remained primarily a behavioral healthcare facility, the actions taken by UPI helped pave the way for a more comprehensive, integrated healthcare facility. UPI accelerated dialogue with the leadership of University Medical Center, the established academic medical center and the primary teaching hospital, and opened the door to integration of the two facilities into a single, efficient academic medical system.

In June 2010, agreement was reached with the respective corporate leadership and Boards that the University physician practices, the healthcare plan and both Kino and University hospitals would reorganize into a new company. This created a single academic medical

system with a new corporate and operational framework named The University of Arizona Health Network (UAHN), operating two hospitals, UAMC–South Campus and UAMC–University Campus.

Since the reorganization, UAMC-SC has continued to develop into a fully integrated hospital, providing comprehensive medical and surgical services, along with behavioral healthcare for Pima County residents. Hospital occupancy has been at consistently peak levels for several months, indicating broad utilization of the facility. Surgical services, specialty clinics, such as diabetes and orthopedic care, and diagnostic procedures have continued to expand as well. The newly remodeled emergency department and revitalized trauma service have provided exceptional care for the most acute patients.

Service Utilization at Kino Campus

When Pima County first transferred operations of the hospital, the County was losing approximately \$30 million annually, having lost its base hospital status in the emergency medical system and operating the hospital with an average daily census of medical/surgical patients less than 10.

As UAMC-SC becomes BUMC-SC, the picture is dramatically different. From the first full year of transition of operations [Fiscal Year (FY) 2005], the hospital has become a modern full-service facility and has seen a 124 percent increase in adjusted patient days, a 300 percent increase in ICU and Medical/Surgical inpatient census, a 434 percent increase in surgical procedures and a 237 percent increase in provider clinic visits. Year to date figures for FY 2015 show even greater growth, with adjusted patient days, surgical cases, emergency department visits and clinic visits all ahead of budgeted growth. The table below provides a comparison in patient volume from 2005.

**Patient Volume Comparison: FY 2005 to FY 2015 (Annualized).**

Category	FY 2005	FY 2015	Change	Percent Change
Adjusted Patient Days	39,440	109,054	69,614	177
Total Average Daily Census (ADC)	65	122	57	88
ICU ADC	2	8	6	300
Medical/Surgical ADC	13	59	46	354
Behavioral Health ADC	50	54	4	8
Total Clinic Visits	48,830	172,411	123,581	253
Total Emergency Department Visits	30,356	49,999	19,643	65
Total Surgical Procedures	662	4,039	3,377	510

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Nationwide, Graduate Medical Education (GME) programs are linked to a documented increase in physician retention in the communities providing this training. Development of residency programs and GME funding systems are cited as key initiatives to address physician shortages and retain doctors trained in the state. The GME program at the Kino Campus has expanded dramatically from 17 residents in FY 2009 to 110 residents in FY 2014.

BUMC-UC began operating the hospital on February 28, 2015 and is expected to continue the strong relationship with the people of Pima County. Banner Health is recognized as an industry leader in provision of quality healthcare and hospital operations. Banner Health's merger with an academic enterprise enhances the development and retention of qualified providers throughout Arizona and continues to improve provision of healthcare to residents of Pima County.

CHH/mjk

c: Jan Lesher, Deputy County Administrator for Medical and Health Services