

# **HAMILTON COUNTY TAX LEVY REVIEW COMMITTEE**

July 7, 2014

Hamilton County Board of Commissioners  
Hon. Chris Monzel, President  
Hon. Todd Portune  
Hon. Greg Hartmann  
138 E. Court Street, Room 603  
Cincinnati, OH 45202

Re: 2014 Health and Hospitalization Levy Review – Hospitals

Dear Honorable Commissioners:

This is a report from a subcommittee of the Hamilton County Tax Levy Review Committee (“TLRC”) that was formed to review the hospital funding portion of the Hamilton County Health and Hospitalization Levy (“the Levy”). Over the years, the Levy has functioned as the funder of last resort in providing health care services to the indigent population of Hamilton County. The Levy is being considered for renewal on the November, 2014 ballot. This subcommittee was chaired by Mr. Mike Wilson and included TLRC members Hon. Mark Quarry, Mr. Eppa Rixey, Mr. John Silverman, Hon. John Smith, and Mr. Ed Steiner.

This subcommittee would like to thank Mr. Tom Cooney, TLRC Chair, and the Board of County Commissioners (“BOCC”) for providing us with the opportunity to serve the residents of Hamilton County as members of the TLRC. Additionally, we would like to thank Mrs. Lisa Webb for her diligent work as at the TLRC liaison from the BOCC.

The Levy was originally passed in May, 1966 to support the City of Cincinnati owned General Hospital (now University of Cincinnati Medical Center “UCMC”) in operations and capital improvements. In 1976, Cincinnati Children’s Hospital (“CCHMC”) was added to the Levy. At the time of most recent renewal of the Levy in 2011, the Levy raised approximately \$40 million/year at a millage of 4.49 and with approximately half of the Levy proceeds consumed by UCMC and CCHMC. The balance of Levy proceeds were used to fund Sheriff Inmate Medical care and staffing and a variety of other programs. These programs were analyzed by the TLRC in a report submitted by Subcommittee Chair Chris Habel.

This Levy review began with presentations from both UCMC and CCHMC and benefited from a detailed report provided by consultants with Health Management Associates (“HMA report”). The subcommittee reviewed the HMA report and met several times with staff from UCMC and CCHMC. The subcommittee also toured UCMC and CCHMC facilities with a particular focus on the provision of care for the indigent of

Hamilton County. This subcommittee appreciates the outstanding work provided by HMA and the cooperation demonstrated by UCMC and CCHMC in our review. The results of this Levy review are based on our own knowledge and background, our experience with the 2011 Levy review of the hospital programs, the investigation performed in 2014, and our assessment of how this Levy fits into the overall financial picture of Hamilton County.

### **Recommendation 1: The Levy should be placed on the November, 2014 ballot at the current millage**

In creating our recommendations, this subcommittee has been mindful of the TLRC mission statement, which instructs us to find the right balance between a public need for services and the ability of the taxpayer to bear the burden of property taxes. While UCMC and CCHMC provide outstanding care and are a tremendous asset for our region, the interests of providers are excluded from the scope of this review. It is clear from our review that the need for indigent care in Hamilton County is substantial, but it is also clear that Hamilton County has not fully recovered from the economic recession experienced in 2008-2009. The TLRC believes that the services provided by the Levy are important to the County, but the overall tax burden should not be increased during our fragile economic recovery.

### **Recommendation 2: The Levy term should be 3 years**

Traditionally, the Levy has been renewed at 5-year intervals with strong support from the voters and taxpayers of Hamilton County. In the 2011 version of this review, the TLRC recommended that the Levy be renewed at a 3-year interval due to uncertainty in the coverage expansion anticipated by the 2010 passage of the Patient Protection and Affordable Care Act (“ACA”). The BOCC adopted this recommendation and the voters of Hamilton County approved the renewal of the levy at the same millage by a 69-31 margin. Our hope in 2011 was that the change in health care financing wrought by the passage of the ACA would be well understood by 2014, but this subcommittee has found that considerable uncertainty remains.

The passage of the ACA brought the promise of a reduction in the number of uninsured/underinsured in the United States. The combination of guaranteed issue, an individual mandate, and community rating, along with the establishment of federal and state insurance exchanges and a variety of subsidies, would ensure that most non-indigent would be able to obtain qualified health insurance. The truly indigent would be covered by Medicaid expansion authorized by the ACA and implemented by the State of Ohio starting on January 1, 2014. Many of these changes have been phased in over time and unexpected exemptions have been granted by the federal government at various times.

By 2014, the full impact of these changes has not been felt, but a number of conclusions can be drawn based on the available data.

1. A significant portion of the indigent population of Hamilton County will now be covered over the next few years by Medicaid expansion and the federal exchange.
2. Some county residents that were previously covered by employer provided insurance will now purchase insurance on the federal exchange or receive coverage via Medicaid resulting in a reduction in care reimbursements to UCMC and CCHMC.
3. Medicare and Medicaid reimbursements will be reduced to providers as a result of passage of the ACA.
4. While the positive impact of (1) will be offset by negative impacts from (2) and (3), overall, this will result in a positive financial impact to UCMC and CCHMC that will improve their ability to provide care to indigent county residents.

By 2017, HMA estimates that UCMC will have a net financial impact of \$8,400,000 and CCHMC will have a net financial impact of \$2,100,000. CCHMC is affected less than UCMC since many children not covered by private insurance were previously covered by Medicaid or SCHIP. This subcommittee would like to emphasize that these estimates have a great deal of uncertainty and are contingent on continued implementation of the ACA and Medicaid expansion in Ohio.

If these estimates are realized by 2017, the BOCC will have a choice to make regarding the future of the Levy. The commissioners could repurpose Levy funds for specific public health initiatives or alternatively reduce the property tax burden for county residents. A 3-year levy term will allow the TLRC and BOCC to better assess the results of the transformation in healthcare financing that is currently underway.

An additional consideration in recommending a 3-year Levy term is the increases found in the Sheriff Inmate Medical Contract with NaphCare, Inc. The current contract runs through 2014 and allows for three 1-year renewals with substantial cost increases. As mentioned by Chris Habel in his subcommittee report, the TLRC believes that there is potential for the contract to be put back out to bid or renegotiated with more favorable terms. Given the recommendation by the TLRC to keep Levy millage flat and the increases in the NaphCare contract planned in years 4 and 5, a 3-year Levy term gives time for this process to play out. This will give the BOCC much greater confidence in how to direct Levy proceeds.

### **Recommendation 3: UCMC should be funded in the Levy at approximately \$13.5 million per year**

As a tax-exempt hospital, UCMC is required by various provisions of federal and Ohio law to serve those who can pay little or nothing towards the cost of their care. After the passage of the ACA, tax-exempt hospitals are additionally required to conduct a community health needs assessment every 3 years, create and publicize a written financial assistance policy, limit charges for emergency or medically necessary care to uninsured patients to the same amount charged for insured patients, and no longer engage in extraordinary collection practices. UCMC has met these requirements and

considers providing indigent care as part of their overall mission. UCMC receives some reimbursement for uncompensated care from the state of Ohio in the form of the HCAP program, but this does not cover the full cost. From 2011-2013, according to the HMA report, the cost of providing uncompensated care at UCMC averaged more than \$50 million per year.

In 2011, the TLRC was concerned that too much indigent care was provided at UCMC through the expensive Emergency Department with insufficient focus on primary care. This subcommittee is pleased to report that UCMC has since focused on expanding their ED diversion program with Health Care Action Now (HCAN) and expanding the footprints of their primary care clinics. UCMC has also taken steps to encourage indigent county residents to enroll in Medicaid expansion and to find coverage through federal exchanges whenever possible. Considering UCMC's good stewardship of Levy funds, the impact of these positive steps, the positive financial impact to UCMC of the ACA implementation, and the overall mix of programs funded by this Levy, the TLRC recommends UCMC receive approximately \$13.5 million per year to fund indigent care services.

**Recommendation 4: CCHMC should be funded in the Levy at approximately \$5 million per year**

As a tax-exempt hospital, CCHMC is subject to the same requirements described earlier in this report. Using similar methodology, the HMA report showed that the cost of providing uncompensated care at CCHMC from 2011-2013 was about \$6 million year. Our review found that CCHMC has done an outstanding job of diverting Emergency Department visits to their primary care system. In particular, this subcommittee would like to thank CCHMC for their commitment to primary care they demonstrated in reopening a pediatric health care clinic in Harrison after the original operator lost federal funding. Given CCHMC's ongoing good stewardship of Levy funds, the positive impact to CCHMC of the ACA implementation, and the overall mix of programs funded by this Levy, the TLRC recommends UCMC receive approximately \$5 million per year to fund indigent care services.

**Recommendation 5: The annual services test provided in the Levy contracts with CCHMC should be adjusted to account for a more realistic estimate of uncompensated care**

The HMA report indicated that CCHMC would be at risk of not meeting the annual services test in future years if the estimated impact of the ACA was realized. The annual services test was put in place to ensure that Hamilton County did not reimburse the hospitals for more than the cost of the care provided. During our review, it was found that the definition of the test did not allow for inclusion of provider services which impact CCHMC directly as they are CCHMC employees. The TLRC believes that the test should accurately reflect the cost of care provided and that the BOCC should work with UCMC and CCHMC to develop a more accurate test.

## **Recommendation 6: Hamilton County should no longer pursue “Medicaid maximization”**

The HMA report recommended that Hamilton County investigate the possibility of Medicaid Maximization. Other jurisdictions across the country have been able to leverage federal matching of state Medicaid spending to maximize funding for indigent care. Instead of funding providers directly, the possibility existed of transferring funding to the state of Ohio, receiving a federal match of approximately \$1.68 for every \$1 spent. This could have allowed Hamilton County the financial flexibility to improve indigent care and public health, or reduce the size of the Levy. While this subcommittee has concerns about federal spending and deficits, the mission of the TLRC is to balance the needs of county residents and taxpayers. It is no surprise that this subcommittee was very interested in the possibility of “Medicaid maximization.”

To that end, Mike Wilson was able to meet with the members of the BOCC individually, County Administrator, Christian Sigman, and Director of the Ohio Office of Healthcare Transformation, Greg Moody. During these meetings, the history of county efforts to pursue “Medicaid maximization” were explored along with the possibility of going forward with this plan in the current levy cycle. Unfortunately, this subcommittee found that “Medicaid maximization” is no longer possible after the state of Ohio implemented Medicaid expansion.

In order for the County to have implemented this, they would have worked with the state of Ohio to write a coverage expansion into the state Medicaid plan that would need to have been approved by the federal government. This could have been written in a way that could have covered the indigent care provided by this Levy. Since the mechanism for maximization relied on coverage expansion and the indigent population of Hamilton County has already been impacted by the Medicaid expansion implemented on January 1, 2014, the County should no longer pursue this possibility.

## **Recommendation 7: Enforce current reporting requirements with UCMC and CCHMC and work with the hospitals to develop better metrics going forward**

The Levy contract in previous cycles included a number of reporting requirements from both UCMC and CCHMC. These requirements were designed so that the BOCC and county residents would be able to analyze the services provided by the Levy and ensure that these funds were well spent. The HMA report found that there were six instances for UCMC and two instances for CCHMC where information called for in the contract had not been provided to the County.

This subcommittee believes that timely and germane reporting is critical in evaluating the cost effectiveness of Levy spending and the actual health impact of the services provided to the indigent population. At the request of the TLRC and Hamilton

County, UCMC has agreed to provide all contractually obligated reporting by 12/31/2014 and CCHMC has agreed to provide the information as requested by the County.

While this subcommittee contributed considerable time and energy in reviewing the Levy, none of the members are healthcare professionals and our expertise in this area is limited to our general knowledge. However, we can confidently recommend broad areas of report data that we believe will provide a picture of indigent care services in Hamilton County:

1. Cost of indigent care provided (new annual services test)
2. Payer mix of county residents – private insurance, self-pay, Medicaid, Medicare, etc...
3. Overall county healthcare metrics
4. Health outcomes of Levy-covered indigent population

Our recommendation dovetails with the recommendation in the report submitted Chris Habel for the County to fund a County Healthcare Officer. We recognize the commitment that UCMC and CCHMC have to public health and their mission to serve the indigent. We also believe that UCMC and CHMC will work in good faith to develop reporting metrics in conjunction with the County, but the County needs a knowledgeable healthcare finance professional to negotiate with the hospitals effectively. In addition, the County needs a healthcare finance professional to oversee and enforce compliance with the eventually agreed upon contractual reporting requirements. With these improved contractual reporting requirements in place and with proper oversight, we can ensure the needs of county residents are better met and that the BOCC is well informed during the next Levy cycle.

This subcommittee appreciates the opportunity to serve our fellow citizens of Hamilton County and to review the important services provided by the Health and Hospitalization Levy to the neediest in our County. We trust the BOCC will find this analysis valuable in their deliberations on the future of the Levy.

Respectfully Submitted,

Hamilton County Tax Levy Review Committee  
Hospital Subcommittee

Chair, Mike Wilson

Mark Quarry  
Eppa Rixey  
John Silverman  
John Smith

Ed Steiner