

**A REPORT BY
THE 2017-2018 CONTRA COSTA COUNTY GRAND JURY**
725 Court Street
Martinez, California 94553

Report 1802

**Los Medanos Community
Healthcare District**

APPROVED BY THE GRAND JURY

Date April 10, 2018


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GRAND JURY FOREPERSON

ACCEPTED FOR FILING

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ANITA SANTOS
JUDGE OF THE SUPERIOR COURT

Contra Costa County Grand Jury Report 1802

Los Medanos Community Healthcare District

**TO: Contra Costa County Board of Supervisors, Los Medanos
Community Healthcare District, Local Agency Formation
Commission**

SUMMARY

The Los Medanos Community Healthcare District (LMCHD) is a community-based healthcare district that serves Pittsburg, Bay Point, and portions of Clayton, Clyde, and Antioch. The combined population served is approximately 96,760.¹

The Contra Costa County Civil Grand Jury (Grand Jury) conducted an investigation of LMCHD's efficiencies providing healthcare services, and evaluated how the special healthcare needs of its population are being met, especially in terms of preventative healthcare.

The Grand Jury found that LMCHD does not provide any hospital, physician, or emergency medical services. Instead, LMCHD funds grants to third-party agencies that provide healthcare programs and activities related to health, wellness, and disease prevention. The Grand Jury also found LMCHD grant program administrative expenses are high compared to the amount spent on grants. For example, in FY2016-2017, LMCHD spent 40% of its revenue on grants and 36% administering those grants, with the remaining 24% going to reserves. LMCHD's FY2017-2018 budget allocates 42% for grant programs, and 51% for grant program administration. Earlier years' administrative expenditures were similarly distributed. Typically, comparable local governmental administrative entities devote 10-20% to administrative expenses. Previous Grand Jury reports reached similar conclusions.

Based on these findings, the Grand Jury recommends that the Local Agency Formation Commission (LAFCO) consider dissolving LMCHD. The Grand Jury also recommends that the grants for healthcare programs currently funded by LMCHD be maintained by a

successor. These healthcare programs are important to the community. Any savings from the dissolution could be applied to improvement and expansion of healthcare programs.

METHODOLOGY

In the course of its investigation, the Grand Jury:

- Researched the history, programs, and current financial status of the LMCHD
- Interviewed public officials, County employees, and members of the LMCHD Board and the County Board of Supervisors
- Attended an LMCHD Board Meeting and reviewed meeting minutes
- Attended 2017 Local Agency Formation Commission (LAFCO) Healthcare Services Municipal Service Review (MSR) meetings
- Reviewed County records, budget reports, LMCHD's Strategic Plan, and LAFCO's Municipal Service Review documents

BACKGROUND

Previous Grand Jury reports examined LMCHD's administrative expenses. The current Grand Jury investigated LMCHD fiscal performance and healthcare needs of the district in terms of preventative healthcare.

Preventative Healthcare

Healthcare continues to be a significant national and local concern. Research from the Centers for Disease Control and Prevention (CDC) shows that "70 percent of chronic illnesses are preventable, and health costs savings associated with keeping people healthy and out of hospitals substantial." The delivery of healthcare has shifted from hospital-based services to preventative healthcare, which consists of measures taken for disease prevention rather than disease treatment.²

Preventative healthcare is important given the increase in chronic diseases and resulting deaths. One key method for preventing disease is regular check-ups for adults and children. Physicians may consider using these visits to conduct disease screenings, provide tips for healthy and balanced lifestyles, and administer immunizations and boosters. Some common disease screenings include checking for hypertension (high blood pressure), hyperglycemia (high blood sugar, a risk factor for diabetes), hypercholesterolemia (high blood cholesterol), colorectal cancer, and depression. Additionally, screenings specifically for women include mammography (for breast cancer) and Pap smear tests (for cervical cancer).

A presentation to the Board of Supervisors on January 31, 2017, by the County Administrator, identified reduction of hospital dependency as a budget challenge. According to the CDC, a preventative healthcare program reduces hospital dependency by producing a healthier population.

Los Medanos Community Healthcare District

LMCHD was formed in 1948 to operate a hospital within its boundaries. In rural communities, such districts were created to provide for hospitals that otherwise would not exist. LMCHD operated the Los Medanos Community Hospital until 1994 when the hospital closed due to bankruptcy. Since then, LMCHD has not provided any hospital, physician, or emergency medical services. Instead of providing direct services, LMCHD funds third-party agencies that provide health-related programs. LMCHD derives most of its revenue from property taxes. They lease its decommissioned hospital building to the County, which operates it as the Pittsburg Health Center. The Health Center is the largest clinic in the Contra Costa County Health System, with over 100,000 patient visits per year.

LMCHD is governed by a Board of Directors. The directors are elected at-large by the residents of the District and serve four-year terms.

The FY2017-2018 budget shows a general fund revenue of \$1.0 million. Of that amount, \$0.5 million is allocated to administrative overhead, \$0.4 million to community health programs, and \$0.1 million to reserves.

Local Agency Formation Commissions (LAFCOs)

Local Agency Formation Commissions (LAFCOs) are regional agencies that oversee the creation, expansion, governance, and dissolution of local government bodies. State law requires LAFCOs to prepare a Municipal Service Review (MSR) for each District every five years. These reviews provide information to guide districts in performance improvement and boundary changes and can serve as a catalyst for LAFCO to initiate consolidations or dissolutions.

DISCUSSION

Cancer, heart disease, stroke, and diabetes are the leading causes of preventable morbidity (disease) and premature mortality (death) in Contra Costa County. They are major drivers of health inequities in our communities. Contra Costa Health Services defines health inequities as “unnecessary, avoidable, unfair and unjust differences in health status due to unequal distribution of social, physical, economic and political resources that put some groups at a disadvantage for good health outcomes and limits their ability to lead healthy lives.”³ Major risk factors for chronic diseases include

obesity, poor nutrition, lack of physical activity, tobacco use, and drug and alcohol consumption.⁴

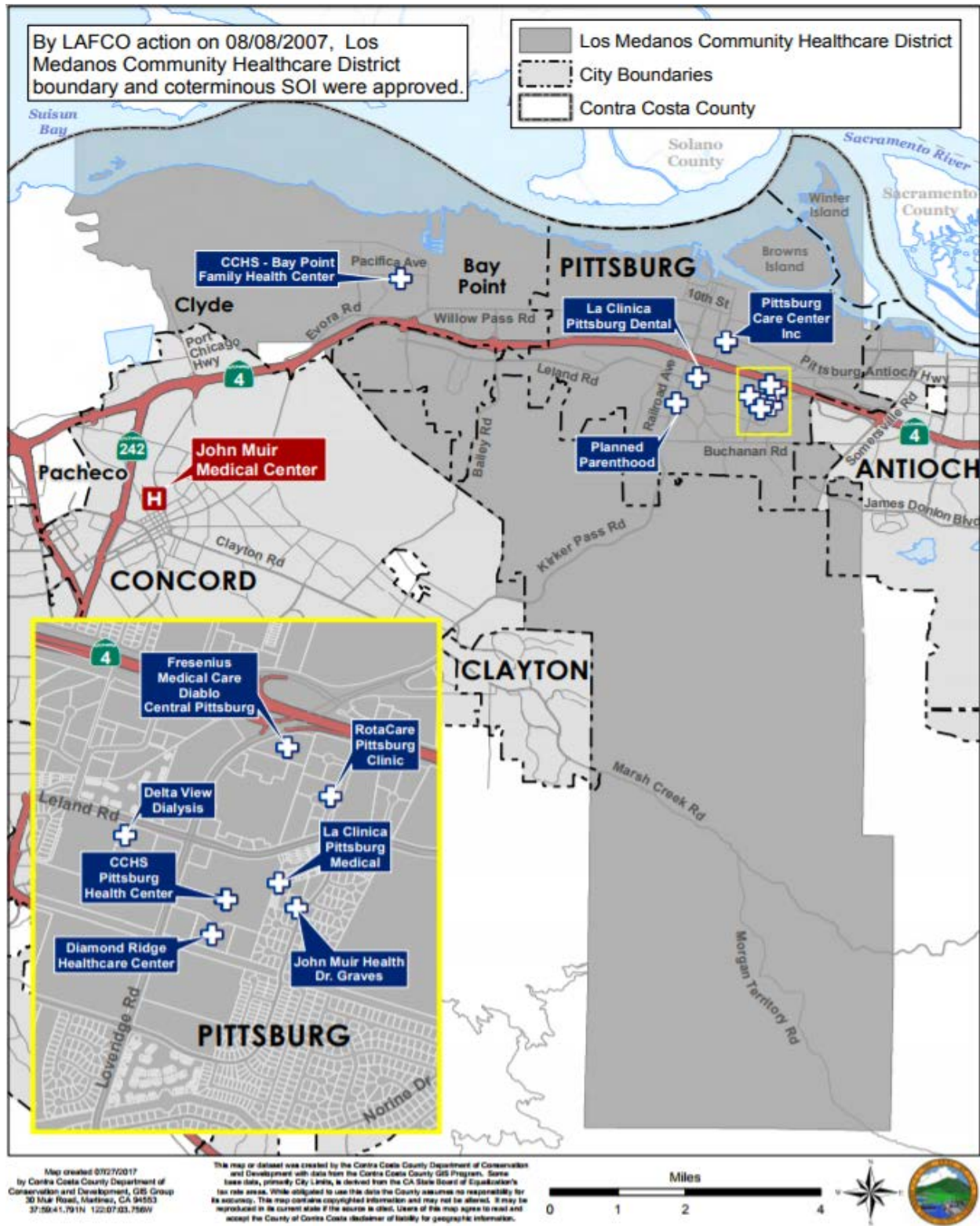
Growth and population projections

Chronic diseases are linked to income, education, and ethnicity and are thus more prevalent in areas of poverty, low educational attainment, and communities of color. The population within the current LMCHD boundaries is especially affected by these socioeconomic conditions and is growing faster than the county at large.⁵ Because of the rapid growth of these populations, preventative healthcare programs are important to improve health in the community and to contain costs.

The Association of Bay Area Governments (ABAG) projects continued growth in LMCHD, estimated at 36% from 2015 through 2040. This compares to 23% growth overall in the County. Population growth and demographic changes will drive future health care needs.⁶

The map below indicates the location of medical facilities within and near LMCHD. While there are no acute care hospitals within the district, several major acute care facilities do exist in adjacent communities. Other medical facilities operate within and around the district to address preventative healthcare needs.

LMCHD Sphere of Influence (SOI)



Characteristics of disadvantaged communities within LMCHD

The unincorporated communities of Clyde and Bay Point, and much of the City of Pittsburg qualify as disadvantaged communities. The California Public Utilities Commission defines “disadvantaged communities” as the areas throughout California which most suffer from a combination of economic, health, and environmental burdens. These burdens include poverty, high unemployment, health conditions like asthma and heart disease, as well as air and water pollution, and hazardous wastes.⁷

Adequacy of Public Services

A presentation to the Board of Supervisors on January 31, 2017, by the County Administrator, identified reduction of hospital dependency as a budget challenge. Some senior officials indicated that a significant number of people obtain treatment for chronic conditions from hospital emergency departments because they lack access to primary care.

LMCHD residents need better access to both primary and urgent care. General medical services are currently provided in the district primarily through the Pittsburg Health Center, which is operated by Contra Costa County, and through clinics in Pittsburg, Antioch, and Bay Point. The Grand Jury found that opportunities exist to expand urgent care services in the Pittsburg Health Center, as well as increase awareness of underutilized health resources. This would improve health outcomes and decrease health disparities.

Accountability

LMCHD adopted a Strategic Plan in 2010 for the years 2011-2016 and updated it to include 2017-2022. The 2010 Strategic Plan relied heavily on the 2010 Community Health Indicators for Contra Costa County, prepared by the Community Health Assessment, Planning and Evaluation Unit (CHAPE). This CHAPE document is intended to help county agencies identify and address health disparities in Contra Costa County. Today, LMCHD uses data from the following resources to determine priority health needs: U.S. Census Bureau (2016), CDC, Contra Costa Health Services reports, and other sources.

Service Delivery and Transparency

The Little Hoover Commission,⁸ in its August 2017 report *Special Districts: Improving Oversight and Transparency*, made several recommendations relevant to LMCHD. Recommendations include: LAFCOs consider district dissolutions to eliminate redundancies and improve efficiency; steps that healthcare districts can take to improve operational transparency—such as requiring every district to have a website with basic information; and to standardize current reporting requirements on revenues, expenditures and reserves.⁹

Although the grant programs funded through LMCHD may be of significant benefit to the community, the LMCHD website lacks data demonstrating such a benefit. It does not provide metrics addressing the public health needs of the community. In addition, it provides no data indicating targeted populations nor any measurement of outcomes.

The Grand Jury found no evidence that LMCHD collaborated with the County, non-profit hospitals, or other local entities to avoid duplication of services. Several organizations received grants from both the County and LMCHD. This duplication of services occurred because the County grant administrator, Keller Canyon Mitigation Fund, supports some of the same programs funded through LMCHD. If the County were to assume administration of LMCHD grant programs, there would be no duplication of administrative expenses because the County grant process is already in place.

LMCHD did not utilize health needs assessments to determine the community's health needs before funding programs. Health needs assessment is a "systematic method of identifying unmet health and healthcare needs of a population and making changes to meet these unmet needs."¹⁰

For comparison, in 2016 the Kaiser Foundation Hospital-Antioch conducted a Community Health Needs Assessment (CHNA) of its service area, which includes the LMCHD geography. Based on the CHNA, Kaiser determined that the top healthcare priorities in the area were: 1) Economic Security, and 2) Obesity, Diabetes, Healthy Eating, and Active Living.¹¹ Kaiser's CHNA cited the names of grantees, the grant amounts they received, the nature of their project, and their progress to date. Kaiser had implemented the grants, tracked the grantees' progress, and documented their results. The outcomes of the programs were clearly displayed on Kaiser's website. Kaiser's CHNA is an example of what other healthcare providers use to manage grant distribution based on community health needs.

The grant program is important as the non-profit entities delivering the services can best focus on particular needs of affected communities, where the services are most needed. This safety net ensures that grant program funds are allocated and used effectively for the most disadvantaged communities.

Finances

LMCHD receives nearly all its annual revenue from property taxes. It uses this revenue to pay for program and wellness grants, as well as administrative expenses. It also funds an ongoing reserve/surplus. The tables below provide a breakdown of these revenue/expense items for fiscal years 2013 through 2018.

Table 1

LMCHD Governmental Fund Revenue and Expenditure year ended June
(\$ in Thousands)

	2013	2014	2015	2016	2017	2018
Revenue	683	786	865	960	1,106	992
Grants/Program Outreach	(345)	(380)	(303)	(329)	(438)	(412)
Administration	(438)	(358)	(423)	(362)	(396)	(510)
Surplus/Deficit	(100)	48	139	269	272	70

Source: 2018 Adopted Budget, 2017 unaudited financial statements, 2013-2016 audited financial statements

Table 2

LMCHD Governmental Fund Revenue and Expenditure year ended June
Expense as a % of Revenue

	2013	2014	2015	2016	2017	2018
Grants/Program Outreach	51%	48%	35%	34%	40%	42%
Administration	64%	46%	49%	38%	36%	51%

Source: 2018 Adopted Budget, 2017 unaudited financial statements, 2013-2016 audited financial statements

LMCHD's FY2017-2018 Budget allocated \$411,875 (or 42%) of the total General Fund to be spent on community health programs. The LMCHD's largest expenditure category is general administration at \$509,698 (or 51%) of total revenues.

According to the 2017 fiscal year unaudited financial statements, the District spent 36% of its revenue on administrative expenses and 40% on grants and programs. The remaining revenue was held as cash. As of June 30, 2017, the District had a cash balance of \$1.8 million. Of the \$1.8 million cash on hand, \$0.9 million was held in a bank account that earned no interest, and \$0.9 million at LAIF (Local Agency Investment Fund) in an interest-earning account. (See Table 3)

Table 3

LMCHD Governmental Fund Cash Balance as of year ended June (\$ in Thousands)

	2013	2014	2015	2016	2017
Cash on hand	296	349	422	697	889
Investment in LAIF	849	828	880	886	943
Total	1,145	1,176	1,302	1,584	1,832

Source: 2017 Unaudited financial statements, 2013-2016 audited financial statements

Operational Efficiency

LMCHD's administrative expenses range from 36% to 64% of General Fund revenues from FY2013-2018, depending on whether grant administration and program development are included in overhead. Other comparable Federal Grant programs run at 10% administrative costs. Contra Costa County budget runs at 15% administrative costs, and Concord/Pleasant Hill Healthcare District runs at 20%.¹² Because LMCHD is a free-standing entity, it incurs higher overhead costs than Concord/Pleasant Hill Healthcare District, a subsidiary district of the City of Concord.

During FY2015-2016, LMCHD funded twelve Community Health Programs in the amount of \$268,569, or approximately 25% of LMCHD revenue (see table 4). LMCHD's largest expenditure category was for administrative expense at \$362,307 or 38% of total revenues.

Table 4

Summary of LMCHD FY2015-2016 Grants

Student Eyeglasses Program	\$ 7,750
Youth Intern Program	\$ 4,682
African American Community Baby Shower	\$10,000
District Programs and Activities Committee	\$ 851
CPR/FAST	\$ 8,980
Pittsburg Swim Academy	\$20,900
Supervisor Glover's Youth Summit	\$10,000
St. Vincent de Paul RotaCare	\$30,000
Health and Wellness Fall Allocation	\$85,988
Health and Wellness Summer Allocation	\$75,359
Board Community Benefit Fund	\$10,300
Community Garden	\$ 3,759
TOTAL FUNDING	\$268,569

Source: LMCHD Annual Financial Report, June 30, 2016

Conclusions

To shift the current healthcare landscape in the community and offer more preventative healthcare services, dissolution of the LMCHD is recommended. Any cost savings can be directed toward enhancing current healthcare preventive services provided by the grantees, and exploring new programs and possible creation of an urgent care facility.

The community agrees and the Grand Jury's research validates the need for improvement of health services and urgent care in the area. The County health system may be in the best position to offer those services at a lower cost.

FINDINGS

- F1. LMCHD website lacked data addressing the public health needs of the community or measurable outcomes of the grant programs targeting the population served.
- F2. LMCHD used obsolete data rather than the current health needs assessments to prioritize grants.
- F3. The Grand Jury found no evidence LMCHD collaborated with the County, non-profit hospitals, or other local districts to avoid duplication of services.
- F4. LMCHD's level of administrative costs is high compared to other government agencies that fund grants.
- F5. As the County already has a grant administration program in place, and has some of the same grantees as the District, there is potential for administrative cost savings through elimination of redundancies.
- F6. LMCHD did not maximize cash assets as large balances were left in non-interest bearing account.

RECOMMENDATIONS

- R1. LAFCO should consider dissolving the LMCHD by December 2018 and assigning all the assets, rights, and responsibilities to the County as the successor to LMCHD.
- R2. The Board of Supervisors should consider maintaining grant funding levels for healthcare programs upon dissolution of LMCHD.
- R3. The Board of Supervisors should consider using any savings from LMCHD dissolution to improve and expand healthcare programs once appointed as the successor to LMCHD.

REQUIRED RESPONSES

	Findings	Recommendations
Contra Costa County Board of Supervisors	F5	R2, and R3
Los Medanos Community Healthcare District	F1, F2, F3, F4, and F6	
Local Agency Formation Commission	F1, F2, F3, F4, and F5,	R1

These responses must be provided in the format and by the date set forth in the cover letter that accompanies this report. An electronic copy of these responses in the form of a Word document should be sent by e-mail to ctadmin@contracosta.courts.ca.gov and a hard (paper) copy should be sent to:

Civil Grand Jury – Foreperson
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Appendix

¹ Berkson Associates, *Healthcare Services Municipal Service Review & Sphere of Influence Updates: Public Review Draft* (Martinez, CA: Contra Costa LAFCO, December 2, 2017): 39, http://www.contracostalafco.org/municipal_service_reviews/healthcare-services/Public%20Review%20Draft%2012-5-17.pdf.

² Little Hoover Commission, *Special Districts: Improving Oversight and Transparency*. Report #239 (August, 2017): 46, <http://www.lhc.ca.gov/sites/lhc.ca.gov/files/Reports/239/Report239.pdf>.

³ Contra Costa Health Services, *Community Health Indicators for Contra Costa County* (Martinez, CA: Contra Costa Health Services, December, 2010), accessed April 2, 2018, http://cchealth.org/health-data/hospital-council/2010/pdf/2010_community_health_indicators_report_complete.pdf.

⁴ Contra Costa Health Services, *Health Indicators and Environmental Factors Related to Obesity for Antioch, Bay Point, and Pittsburg* (Martinez, CA: Contra Costa Health Services, May, 2013): I, accessed April 2, 2018, <http://cchealth.org/prevention/pdf/Health-Indicators-and-Environmental-Factors-Related-to-Obesity-2013.pdf>.

⁵ Contra Costa Health Services, *Health Indicators and Environmental Factors*, III.

⁶ Berkson Associates, *Healthcare Services Municipal Service Review*, 40.

⁷ “Disadvantaged Communities”, California Public Utilities Commission, accessed April 2, 2018, <http://www.cpuc.ca.gov/discom/>.

⁸ Little Hoover Commission, *Special Districts*.

⁹ Berkson Associates, *Healthcare Services Municipal Service Review*, 4.

¹⁰ Berkson Associates, *Healthcare Services Municipal Service Review*, 10, 14.

¹¹ Berkson Associates, *Healthcare Services Municipal Service Review*, 40.

¹² Berkson Associates, *Healthcare Services Municipal Service Review*, 55.