King County

Metropolitan King County Council
Law, Justice, Health and Human Services Committee

Staff Report

Agenda Item No.:	6	Date:	May 20, 2009
Briefing No.:	2009-B0132	Prepared by:	Carrie S. Cihak

PURPOSE

This status update and overview of State and Federal budget implications for Public Health is the fourth in a series of monthly Committee briefings focusing on the County's Public Health Centers and their service delivery. The purpose of these monthly briefings is to provide information that will assist the Council in developing policy direction regarding the Public Health Centers' service delivery for the 2010 budget. A schedule of the Committee's briefings appears on page 2.

Today's briefing provides:

1. A status update and next steps on the continuing analysis regarding the LJHHS Committee's Public Health work plan;
2. An overview of the State budget implications for King County Public Health;
3. An overview of Federal budget implications for King County Public Health.

SUMMARY

LJHHS COMMITTEE PUBLIC HEALTH WORK PLAN

The Committee's work plan for development of policy direction regarding the Public Health Center's service delivery is as follows:

	February 24:	Overview of Public Health and Introduction to the Health Care Safety Net
	March 24:	Overview of the Health Care Safety Net: Service needs and demands; History of King County's role; Public Health Center services and budgets; Related community assets and their capacity
	April 28:	Program Analysis: A review of revenues, expenses, visits, access, outcomes, and community resources by type of service (e.g., family planning, oral health)
		Site Analysis: A review of revenues, expenses, facilities, outcomes by site (e.g., Northshore, Renton)
You are here→	**May 20:**	**Opportunities for Collaboration and Stakeholder Involvement**
		State Budget Review and Implications; Federal Outlook
	June 23:	Options Development: Initial analysis of financial allocation methods, efficiencies, number and size of sites, payor mix, alternative revenues, partnerships, the County's role in the safety net
	July 28:	Options Analysis: Review and analysis of transmitted options and recommendations
	August 25:	Committee Recommendations to the Council

In addition to the LJHHS Committee's work, the King County Board of Health is focussing on state and federal health care reform in 2009. Such reform is essential to the long term financial and operational stability of the health safety net. Furthermore, in 2009, Public Health – Seattle & King County will continue to work on implementing adopted operational strategies related to the safety net.

1. STATUS UPDATE ON THE PUBLIC HEALTH WORK PLAN

The Committee has held three in-depth briefings analyzing the Public Health budget, the context of the health safety net in which the Public Health Centers (PHCs) operate, and the Provision programs and sites of the PHCs. A summary of the briefings appears as Attachment 1 to this staff report.

Continuing Analysis

At the last Committee meeting, the Committee provided input on an alternative budget approach for the PHCs that will increase budget transparency and flexibility and will be helpful in more clearly identifying the financing challenges and in developing policy and financial options. The approach will separate direct program costs from Center infrastructure costs and allocate General Fund resources to the infrastructure costs. Direct program costs would then be balanced to dedicated program revenues or, where dedicated revenues are insufficient, the Council would have the opportunity to make clear policy decisions to otherwise fund programs.

Based on the Committee's input, the Department is now working on organizing the 2010 budget using the alternative approach. Staff are continuing to analyze and address details associated with the model.

Next Steps

Staff are working on developing initial options for the Committee's feedback and input in June. At this juncture, staff anticipate developing options for policy guidance in four areas:

1. Policy guidance regarding implementation of operational efficiencies at PHCs;
2. Policy guidance regarding criteria to be used in determining PHC sites;
3. Policy guidance regarding PHC service delivery;
4. Policy guidance regarding opportunities for partnership and collaboration.

2. STATE BUDGET IMPLICATIONS FOR PUBLIC HEALTH

Background

Public Health – Seattle & King County relies heavily on State funding to deliver programs across the "3Ps" of Protection, Promotion, and Provision, as well as to fund core organizational attributes of the Department. Revenues to the Public Health Fund from the State total roughly $90 million in 2009, or about half of the Fund. Broadly speaking, revenues to the Public Health Fund from the State fall into three categories:

1. State and federal pass-through of Medicaid-related revenues, totaling roughly $46 million in 2009;
2. State contracts and grants (in some cases pass-through of Federal funds), totaling roughly $36 million in 2009, including roughly $2 million in "5930" funding for communicable disease;

3. State Public Health Funding (MVET backfill), totaling $9.5 million in 2009.

Washington State faced a $9 billion deficit for the 2009-2010 biennium. The State Legislature just ended their 2009 session with passage of a State budget that the Governor is now reviewing.

Implications

An initial analysis of the impacts that the State budget will have on King County Public Health is included as Attachment 1 to this staff report.

The good news is that no reductions were made to State Public Health Funding (MVET backfill), which is one of the flexible revenue sources on which the Department relies. However, the State budget does include some significant reductions in several program areas, as listed in Attachment 1. In some cases, such as for some revenues related to PHC programs, we do not yet know what the final impact will be because it will depend on how the State implements budget reductions through caps on caseloads and reimbursement rates.

3. FEDERAL BUDGET IMPLICATIONS FOR PUBLIC HEALTH

Background

Federal revenues are also an important source of funding to meet local Public Health objectives. Many of the Federal revenues that come to King County Public Health pass through the State and are included in the State revenue discussion above. For example, the Federal government provides Medicaid funding to the states, which the states supplement and administer through state-level insurance programs.

The Department also receives several revenues directly from the Federal government, totaling roughly $12 million in 2009. Ryan White AIDS revenues account for $6.3 million, or just over half of this total. Health Care for the Homeless is another significant direct grant from the Federal government, at $2 million in 2009.

Implications – Federal Stimulus Package

Attachment 2 to this staff report provides an overview of funds that may be available to King County Public Health from the Federal American Recovery and Reinvestment Act of 2009 (the Federal stimulus package). While some significant new sources of funding will be available, for the most part, the stimulus package funds new activities and will not provide assistance in meeting the financing gaps associated with on-going services. Some of these stimulus funds will flow through the State and help to mitigate what would have been otherwise more substantial decreases in State Medicaid reimbursement rates.

Implications – Other Federal Actions

The Federal government has enacted some changes and administrative rules outside of the Federal stimulus package that will provide for some modest increases in revenues for ongoing Public Health programs.

Family Planning: The 2009 adopted budget provides funding for family planning services for only nine months of this year because of a substantial financial gap in the program. By proviso, the Council requested that the Executive propose alternatives for funding and delivering family planning services in 2009. In its proviso response, the Department indicated that the County has received notice that it will receive additional federal family planning funds for 2009. The additional funds, combined with some operational strategies, will enable Public Health to maintain family planning services for all of 2009. The Department has submitted to the County's Office of Management & Budget a request for supplemental appropriation to expend the additional federal funding which has not yet been transmitted to the Council.

Women, Infants & Children: In addition, the Federal government enacted changes that slightly increase rates for the Women, Infants & Children (WIC) program and increase caseload. Public Health is working with its WIC partners to increase caseload by about 4,500 slots, about a 13% increase to help meet increasing demand during the economic downturn.

Other significant Federal actions may take place between now and the end of 2009. For example, the U.S. Congress is actively working on national health care reform legislation and is also considering a national Nurse Family Partnership program. The President has also asked Congress to appropriate $1.5 billion to fight flu-based threats to public health. Such actions could have a major impact on Public Health programs and financing, but what those impacts might be are speculative at this time and may continue to be unknowable until well into King County's 2010 budget process.

INVITED

- Dr. David Fleming, Director, Public Health – Seattle & King County
- Dorothy Teeter, Chief of Health Operations, Public Health – Seattle & King County
- Sarah Hopkins, Special Projects Manager, Public Health – Seattle & King County
- Ben Leifer, Chief Administrative Officer, Public Health – Seattle & King County
- Connie Griffith, Chief Financial Officer, Public Health – Seattle & King County
- Dennis Worsham, Regional Health Officer, Public Health – Seattle & King County
- Kirsten Wysen, Epidemiologist, Public Health – Seattle & King County
- Rachel Quinn, Health Policy Liaison, King County Office of the Executive

ATTACHMENTS

1. Summary of Key Points from LJHHS Briefings, p. 6
2. State Budget Implications for King County Public Health, p. 9
3. Overview of Funds to Support Public Health in the American Recovery and Reinvestment Act of 2009, p. 10

SUMMARY OF KEY POINTS FROM LJHHS BRIEFINGS

The full briefing papers are available at http://mkcclegisearch.kingcounty.gov/mattersearch/ by searching for the briefing numbers appearing in parentheses below.

FEBRUARY: OVERVIEW OF PUBLIC HEALTH (2009-B0049)

Existing Policy basis

State law assigns to King County the regional responsibility to provide and fund public health services. The governance structure for Public Health is complex, involving the Washington State Department of Health, City of Seattle, King County, and the King County Board of Health.

The County adopted the PHOMP as a strategic plan to guide the delivery of public health services. The PHOMP establishes the functions of Public Health as health protection, health promotion, and provision assurance. The PHOMP includes four-year goals and strategies for each of these "3Ps".

In the face of $16.4 million in budget reductions for Public Health in 2009 with further reductions anticipated in 2010, the 2009 adopted budget requires the Department to work in conjunction with the Council to develop policy options regarding the Public Health Centers' service delivery for 2010.

The Public Health Budget

The Public Health budget of over $300 million in 2009 is complex, existing in 4 funds, with 5 appropriation units, and hundreds of revenue sources. Over 60% of the Public Health Fund budget of $192 million is budgeted for Provision services ($116 million), the majority of which are delivered through the Public Health Centers. The 2009 adopted budget includes $16.4 million in reductions, including $4 million in reductions to Provision.

The Public Health Funding Challenge

King County and other local public health jurisdictions are facing a structural funding challenge in Public Health, with expenditures and service demands rising faster than the growth of revenues. The funding challenge is related to several factors on the international, national, and State level that are converging on the local level.

Among these challenges is the increasing lack of access for individuals to health care services. As a result of these trends, a higher percentage of visits to Public Health Centers are not reimbursable.

In addition, Public Health has lost stable, dedicated sources of flexible funding, such as the MVET. Public Health has relied instead on contributions from the State and County's General Funds, which are not assured from year to year (and, in fact, are threatened with elimination given the economic downturn). These total $41 million in 2009.

MARCH: OVERVIEW OF THE HEALTH SAFETY NET (2009-B0080)

History

For over 100 years, the Department of Public Health has delivered health safety net services designed to protect and improve health, such as health services for new mothers and health care services to treat and prevent communicable diseases like tuberculosis. The bulk of health safety net services offered through the Public Health Centers (PHCs) is similar to the services offered by other local health jurisdictions in Washington State. However, the Department does offer some primary care, which other jurisdictions in Washington State typically do not.

Service Need

The population in need of health safety net services includes the uninsured, underinsured, and Medicaid insured population, totaling 635,000 people or about one-third of King County's population. The population in need of services is increasing and far exceeds the current capacity of the health safety net and the availability of resources.

Disparities in access to health care exist by several measures including income, race, gender, age, and geography. Moreover, certain subpopulations, such as people who are homeless, have complex needs or particular difficulties in accessing care. The County has historically played a role in ensuring adequate access to care for some subpopulations in order to reduce disparities, limit the spread of infectious disease and maintain population health over the long term. These roles provide some guidance to strategically focus the County's contribution to the safety net to best protect population health.

Service Delivery

The health safety net is comprised of PHCs, Community Health Centers (CHCs), and many other private providers. Centers and other delivery sites are located throughout the County, but service location and delivery is not collectively organized. The PHCs and CHCs have different services and business models, with the PHCs delivering traditional public health "categorical" services to specific subpopulations and the CHCs providing primary care medical services. All parts of the health safety net are financially challenged. Because of the financial challenges and differences in service delivery, if budget reductions require the County to cut services at PHCs, the rest of the system will not be able to fill the gap.

Characteristics for Options Regarding the County's Financial Role

Based on this and the previous briefing on Public Health financing and budget, staff have identified the following characteristics for options that may be useful to the Council:

1. A predictable, sustainable, and clear role for the County's financial contribution.
2. A framework for services that is prioritized to best protect population health, or in a budget reduction environment, produce the least harm.
3. Scalable up or down in response to available financing from County or other sources
4. Enabling of evolution over the longer-term.

APRIL: PROGRAM & SITE ANALYSIS (2009-B0110)

The Public Health Provision Function

The PHOMP defines the functions of Public Health as Protection, Promotion, and Provision. Provision programs make up about 60% of the budget and flexible funding for the $192 million Public Health Fund. Provision programs address important public health population-based goals such as access to care and communicable disease control. A significant set of Provision services are delivered outside PHCs, although 60% of the budget for the Provision function and over 70% of the flexible revenues are for those Provision programs delivered by PHCs.

Public Health Center Provision Programs

The typical PHC client is a young pregnant woman whose income is below the federal poverty level. She is eligible for Medicaid health insurance coverage and receives her health care from a private provider. At the PHC, she receives a range of well-integrated services that are designed to support a healthy pregnancy and the health and development of her child. PHCs serve over half of low-income pregnant women and children who are eligible to receive MSS, WIC, and ICM services. PHCs serve a much smaller proportion of the target population for Family Planning and Immunizations, but target these services to populations that may have particular difficulty accessing care through other providers. A set of more intensive Family Support Services are offered through PHCs that are targeted to specific populations primarily around outcomes that seek to avoid involvement in the criminal justice system.

PHCs are part of a health safety net that provides access to primary care and dental services to people without adequate insurance or who have Medicaid insurance coverage. PHCs serve a large number of people who represent a small proportion of the uninsured population.

About one-quarter of visits to PHCs require interpretation services.

Public Health Center Sites

The County operates 10 PHCs fairly evenly distributed throughout the County. Attachments to the April staff report detail the variation in PHCs by size, services, visits and clients, and budget. PHC sites and programs vary widely in the proportion and level of flexible funding supporting them.

An Alternative Public Health Center Budget Approach

The current budget approach conflates direct program costs with infrastructure costs and variable costs with fixed costs. This creates an unpredictable level of General Fund need each year, creates challenges for budget and management accountability, and greatly complicates the development of options for the investment of General Fund resources. The Department has developed an alternative budget approach which distinguishes between direct program costs and infrastructure costs. The alternative approach increases budget transparency and flexibility and is helpful in identifying financing challenges and in developing policy and financial options.

STATE BUDGET IMPLICATIONS FOR KING COUNTY PUBLIC HEALTH

Funding Type	2010 Impacts on King County of State Program Funding - 5/5/09
Provision – Public Health Centers	**FQHC capitation revenue rate: $1 million to $2 million Reduction** Potential changes in the FQHC capitation revenue rate may be occurring; a reduction is possible. No definitive information is available at this time. This will impact Public Health Centers (PHCs) and Community Health Centers (CHCs) primary care and dental services. **Medicaid Match for Interpretation Services: $601,000 Increase** New federal legislation provides for a 75% reimbursement of interpretation services for pregnant women and children, up from 50%. These federal funds are passed through the State. **Maternity Support Services: Revenue impact not yet known** The state budget has a 20% cut to MSS, which will be implemented through capping the number of service units allowed for low, medium, and high risk clients. This will cut both ways. Smaller MSS providers (non-FQHCs) are expected to stop doing MSS, which will free up caseload as well as dollars so more clients will be seen by Public Health. In addition, enrollment is increasing due to the economy (more poor people and more pregnancies). Revenue projections will be reviewed in the fall when more is known about implementation of the changes to the MSS program in the state budget. **Family Planning: Revenue impact not yet known** Family Planning has reduced revenues for known cuts to the state budget. At this point, we will assume that further reductions to family planning from the state will be offset by increases in Take Charge (Medicaid) revenues. **Basic Health Plan: Revenue impact not known, increase in uninsured** The State budget includes a $255 million reduction to the Basic Health Plan, which is estimated to result in a reduction of about 40,000 slots. This will result in a higher number of uninsured people in King County who may seek services at PHCs and CHCs.
Protection & Promotion	**HIV/AIDS: $935,000 Reduction** Reductions will be taken in HIV/AIDS, Laboratory, STD, and Jail Health. **Colon Health: $300,000 Reduction** **Tobacco Program: $300,000 to $400,000 Reduction** Prevention is looking at the prospect of significant reductions in revenue for the Tobacco Program as a result of the state budget, but the specific level is not yet known. **"5930" Communicable Disease Funding: $400,000 Reduction** Reduced by 20% statewide in the adopted budget, from $20 million to $16 million for the biennium. The methodology for determining the county's reduction is not finalized.
Flexible Funding	**State Public Health Funding (MVET Backfill): No Change**

ATTACHMENT 3

Public Health
Seattle & King County

April 29, 2009

Overview of Funds to Support Public Health in the American Recovery and Reinvestment Act of 2009

Here is an overview of specific ways that Public Health – Seattle & King County is pursuing funding made available by the ARRA. It will be updated weekly. Department contact: Dennis Worsham, Regional Health Officer, dennis.worsham@kingcounty.gov, more ARRA grant information at http://publichealth.metrokc.gov/grants/.

Category *Type*	Timeline	Description *(Assigned Team)*
Federal: These funds are being administered directly to local entities, including Local Health Jurisdictions (LHJs), from the Federal government.		
Federally Qualified Health Centers (FQHCs) *Formula*	Application Submitted 3/16/09	Funds for Community Health Center services. *(Kirsten Wysen, Janna Wilson)* $408,355 for two years starting 4/1/09 to hire staff to respond to increased demand for Health Care for the Homeless services
Formula/Competitive	More info in one month	Funds for Capital. *(Rachel Quinn, Janna Wilson)*
Wellness and Prevention *Competitive*	More info TBA late spring/summer 2009	*(Karen Hartfield, David Bibus, James Krieger, Charissa Fotinos, Julie West)*
Health Information Technology (HIT) *Competitive*	More information will be announced late spring/summer 2009.	FQHC Funds/Medicaid Incentives *(Rachel Quinn, Janna Wilson)* State Planning Grant *(Rachel Quinn, HCA or DOH)* Regional Extension Center *(Rachel Quinn, Dorothy Teeter)* *(IT lead needed)*
Comparative Effectiveness Research (of treatments and strategies to improve health) *Competitive*	More info in one month	PHSKC may partner with Puget Sound Health Alliance. *(Rachel Quinn)*
National Institutes of Health (NIH) *Competitive*	Application process is currently open See attached list of PHSKC applications	Research Grants. *(Meg Goldman, various)*

Continued on next page.

State: These funds are being administered directly to the states from the federal government and from their to local entities, including LHJs.		
Child Care & Development Block Grant *Formula/Competitive*	Gathering some info now, more info in one month	*(Dennis Worsham, Kathy Carson)*
Federal Matching Assistance Percentage (FMAP) *Formula*	Application Submitted from the Governor	PHSKC is currently tracking this. Funds will come through regular Medicaid payment processes as "avoided cuts" not revenue increases. *(Kirsten Wysen, Marcy Maurer)*