

Date of Hearing: June 13, 2018

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Cecilia Aguiar-Curry, Chair
SB 522 (Glazer) – As Amended January 3, 2018

SENATE VOTE: 39-0

SUBJECT: West Contra Costa Healthcare District.

SUMMARY: Dissolves the existing Board of Directors of the West Contra Costa Healthcare District (WCCHD) and requires the Board of Supervisors of Contra Costa County to either serve as or appoint the district board. Specifically, **this bill:**

- 1) Dissolves the existing district board of the WCCHD and removes any remaining board members from office effective January 1, 2019.
- 2) Requires the Board of Supervisors of Contra Costa County to either serve as the district board or appoint a new board.
- 3) Specifies that if the new board is filled by appointment, the board may include at least one Contra Costa County Supervisor and one city council member of any city located within district boundaries. The term of the appointed board member must be four years, or until a successor qualifies and takes office.
- 4) Requires the Board of Supervisors to determine whether the appointed members serve at its pleasure or staggered four-year terms, subject to removal for cause. Vacancies must be filled by appointment of the Board of Supervisors.
- 5) Contains legislative findings and declarations to support its purposes.

EXISTING LAW:

- 1) Provides for the formation of local health care districts and specifies the services that can be provided.
- 2) Requires that the board of a healthcare district consist of five directors, each of whom is required to be a registered voter residing in the district boundaries. Board members shall serve terms of four years, unless otherwise specified by law.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS:

- 1) **Healthcare Districts.** To respond to the inadequacy of acute care services in rural areas, the Legislature enacted the Local Hospital District Law to provide medically underserved areas without access to hospital facilities to construct and operate community hospitals.

SB 1169 (Maddy), Chapter 696, Statutes of 1994, changed the name of the principal act to “The Local Healthcare District Law” to better reflect the shift in the provision of healthcare services outside of hospital settings. The powers and duties granted to healthcare districts have remained largely unchanged while demographics and the districts themselves have changed significantly. Over one-third of the healthcare districts in California have either closed or sold their hospital, thus moving away from the original legislative intent of “hospital districts” following the change in law in 1994.

There are currently 79 healthcare districts in California. Of the total, 38 healthcare districts own and operate a hospital; five districts own, but do not operate, a hospital; and 36 healthcare districts do not own or operate a hospital. Of the 36 districts that do not own or operate a hospital, 19 districts provide direct services (like ambulance or clinic services), and 17 districts do not provide direct services, and instead, administer grant funding as their sole purpose.

- 2) **Background and Bill Summary.** The WCCHD was formed in 1948 for the purpose of building and operating a hospital to benefit the residents of West Contra Costa County. The WCCHD operated a full-service acute care facility until its closure in 2015, providing services to both inpatients and outpatients. However, the WCCHD struggled financially beginning in the mid-1990’s, experiencing increasing costs, declining reimbursements, and growing service demand from low-income populations, the uninsured and underinsured. Although the WCCHD emerged from a 2006 bankruptcy, it never managed to regain financial solvency and fell further into debt. The WCCHD shut its hospital, a full-service acute care facility in 2015. The closure resulted in a significant loss of hospital beds and emergency department facilities, as well as the elimination of other specialized services.

The WCCHD’s board continues to function with limited staff as it sells its building, equipment, and other property, and arranges for ongoing resolution of its outstanding debts and obligations. With limited available resources, significant debts and other ongoing costs, the District has no funds available for health-related programs; it faces potential future financial shortfalls and increases in debt. This adverse financial situation is likely to continue until the WCCHD’s debt to the County and other outstanding financial obligations are repaid over the next 10-12 years. After the WCCHD extinguishes its debts, more than \$9 million in annual revenue could be available, after administrative expenses, for healthcare-related services and facilities for residents of west Contra Costa County.

In a 2016 special study, the Contra Costa Local Agency Formation Commission (LAFCO) determined that dissolving the WCCHD would eliminate millions of dollars in funding for healthcare in the community, further exacerbating existing healthcare challenges faced by residents of West Contra Costa County. The LAFCO recommended, and the County agreed, that modifying the board membership of the WCCHD from an elected to an appointed board is important to ensure the future financial stability of the WCCHD, as it will save approximately \$450,000 in election costs every two years. In order to fulfill the LAFCO’s recommendation, SB 522 dissolves the existing Board of Directors of the WCCHD and requires the Board of Supervisors of Contra Costa County to either serve as or appoint the district board. This bill is sponsored by the author.

- 3) **Author’s Statement.** According to the author, “The WCCHD was established in 1948 to provide essential health services to the communities of West Contra Costa. Since the mid-1990s, the district has struggled financially — from increasing costs and a growing service demand, to declining reimbursements. In 2015, the district’s hospital closed down, further exacerbating healthcare challenges for residents of West Contra Costa.

“In 2016, a county commission reported that dissolving the WCCHD entirely would eliminate millions of dollars in funding for the community. The commission, along with the county, agreed that modifying the board membership from an elected to an appointed board would help restore financial stability to the district, while also maintaining essential health services to the community it serves.

“The district currently spends half of its budget, or \$450,000, every other year to conduct elections. SB 522 gives the County Board of Supervisors authority to appoint a board which would result in the district saving \$450,000 every other year which would help bring financial stability to the district while allowing the community to continue accessing essential health services.”

- 4) **Local Problems, Local Solutions.** By dissolving the existing board of the WCCHD and allowing the Contra Costa County Board of Supervisors to either serve as or appoint new board members to serve at its pleasure, SB 522 effectively makes the WCCHD a dependent district. As opposed to independent special districts where the board members are elected by their constituents or are appointed to terms of fixed length, dependent special districts function akin to a city or county department, ultimately dependent upon the decisions made by the governing city council or board of supervisors. The Legislature has delegated the power to control local boundaries and local governance authority to the 58 countywide LAFCOs, including the authority to change an independent special district into a dependent one.
- 5) **Arguments in Support.** Supporters argue that, “By appointing the Board of Supervisors as the governing body for the District, SB 522 allows the District to retain monies that would otherwise be spent on election and administrative costs associated with an elected governing body. These funds can be used to provide needed health care services within the County, addressing immediate needs as well as alleviating overcrowding at local emergency departments.”

- 6) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Contra Costa County
West Contra Costa Healthcare District

Opposition

None on file

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