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July 11, 2018

Mario Gutierrez, Foreperson
 2017-18 Contra Costa County Civil Grand Jury
 725 Court Street
 P.O. Box 431
 Martinez, CA 94553-0091

Dear Mr. Gutierrez:

On April 23, 2017, the Contra Costa Local Agency Formation Commission (LAFCO) received Grand Jury Report No. 1802, entitled “*Los Medanos Community Healthcare District.*”

On July 11th, the Commission reviewed the draft response to the Grand Jury, provided input and directed LAFCO staff to submit a response prior to the July 25th deadline. We hereby submit some introductory comments, along with responses to the relevant findings and recommendations contained in Grand Jury Report No. 1802.

INTRODUCTION: In January 2018, Contra Costa LAFCO completed a Municipal Services Review (MSR) and corresponding Sphere of Influence (SOI) updates covering healthcare services in Contra Costa County, as required by statute.

The LAFCO MSR process involved release of a Public Review Draft MSR (December 2017) and a Final Draft MSR (January 2018). The Public Review Draft identified a number of issues relating to the Los Medanos Community Healthcare District (LMCHD), including high overhead costs, needed improvements in the grant program (e.g., use of health needs assessment to target health needs, reporting) and needed updates to the District’s 2011 strategic plan.

In January 2018, LAFCO released the Final Draft MSR. As noted in the MSR report, LMCHD responded to issues identified in the Public Review Draft MSR. Regarding overhead, the District agreed to review and reduce overhead costs, and has done so as reflected in its FY 2018-19 budget. LMCHD also identified an accounting error, whereby some of the District’s program costs were incorrectly reflected in administration. Regarding the granting program and strategic plan, the 2017 Strategic Plan provides updates including references to recent community health needs assessments and performance measure tools to improve the grants process.

The responses that follow provide additional information and excerpts from the MSR report.

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.

Response: *The respondent partially disagrees with the finding.*

The LMCHD website includes the District's 2017 Health Profile, 2017-2022 Strategic Plan and Strategic Goals that address community needs and utilize data contained in various health needs assessments, most of which are recent. The District's Strategic Plan identifies health disparities within the District. The Strategic Plan also contains an "LMCHD Health Profile (2017)" and performance measurement tools. The District's 2017 Health Profile references recent Community Health Needs Assessments (CHNAs).

As noted in the 2017-18 LAFCO MSR, the District provides grant applicants with guidelines for preparation of their submittal, review and follow-up. The guidelines describe the District's goals and require the applicant to specify the health needs that the grant-funded program will address. The District requires grantees to document populations served by its grants, which are then reported by the District.

The MSR notes that LMCHD reporting of persons served did not appear to clearly distinguish total persons served by a program vs. the portion or share reasonably attributable to LMCHD grant funding. Further refinement of the District's reporting is needed to address this issue.

F2. LMCHD used obsolete data rather than the current health needs assessments to prioritize grants.

Response: *The respondent partially disagrees with the finding.*

In developing its 2017 Strategic Plan and the "LMCHD Health Profile", the District relied on various data sources including several CHNAs such as those prepared by Sutter Delta Medical Center (2016), Kaiser Foundation Hospital Antioch (2016), Contra Costa Behavioral Health (2016), and Contra Costa Health Services (2010), along with data from the American Community Survey, U.S. Census Bureau and various other sources.

The LMCHD Strategic Plan was developed to address health needs within the District and to reduce existing health disparities. The District's Strategic Plan contains an "LMCHD Health Profile" which identifies, and is intended to raise awareness of, health disparities in the community. This information is used by the District to prioritize and award grants.

The 2017-18 LAFCO MSR identified areas where the District could improve its use of available data, create more consistent and meaningful measures of outcomes, and improve the accessibility of information on its website.

F3. The Grand Jury found no evidence LMCHD collaborated with the County, nonprofit hospitals, or other local districts to avoid duplication of services.

Response: *The respondent partially disagrees with the finding.*

As noted in the LAFCO MSR, LMCHD participated in the Healthy and Livable Pittsburg Collaborative which also includes the County, City of Pittsburg and other entities. In 2013, the County Health Services Department produced a report describing health issues related to obesity in the Antioch, Bay Point and Pittsburg areas. The report provided an impetus for the formation of the Healthy and Livable Pittsburg Collaborative which includes the LMCHD as a member. The Collaborative produced a Community Action Plan that includes, as described by the Collaborative, “five long-term outcomes focused on nutrition and health education, physical activity, community engagement, physical environment, and policy. Each long-term outcome includes activities and their expected intermediate outcomes that will lead to an improvement of the health status of Pittsburg residents.”

F4. LMCHD's level of administrative costs is high compared to other government agencies that fund grants.

Response: *The respondent partially disagrees with the finding.*

As presented in its FY 2018-19 budget, the District's administrative costs have been reduced to 25%, which is significantly lower than prior year costs, and is now in line with other healthcare districts (HCDs). The 2017-18 LAFCO MSR noted that there is no absolute standard for establishing overhead factors due to differences among agencies' budgets and operations. The MSR included the following comparisons: Concord Pleasant Hill HCD administrative costs were at 20%, Peninsula HCD's overhead was approximately 23% of its expenditures for healthcare programs and grants, and Eden Township HCD budgeted approximately 15% of its community services budget for administrative and overhead costs.

The LAFCO MSR previously reported that LMCHD's overhead and administrative expenses were approximately one-third of General Fund revenues in FY 2015-16, indicating a less efficient use of available funds as compared to Concord Pleasant Hill HCD's overhead. LMCHD's FY 2017-18 budget showed 51% of total General Fund revenues allocated to administrative costs; however, the budget did not distinguish personnel costs attributable to Community Health Program administration, as is the case with FY 2015-16 audited reports. If a share of personnel cost is shifted from district “administration” to “programs,” the administrative cost factor would be reduced to 43%.

As noted in the LAFCO MSR, the District's administrative costs were high. The District has made an effort to reduce its administrative costs, which are now comparable to other HCDs.

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.

Response: *Agree*

One of the factors LAFCO considers in its review of local agencies is “opportunities for shared facilities.” LAFCO encourages agency collaboration and sharing of facilities and resources.

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.

Response: *The recommendation requires further analysis.*

In November 2017, the County submitted an application to LAFCO to dissolve the LMCHD. Presently, the application is incomplete. The County Board of Supervisors is expected to take action in July to complete the application. Once LAFCO has a complete application, the matter will be scheduled for a public hearing before the Commission, at which time the Commission will review the County’s proposal, conduct a public hearing and render a decision on the proposed dissolution.

Should you have questions or need additional information, please contact us.

Sincerely,



Michael R. McGill
Chair, Contra Costa LAFCO