



Office of the City Manager

ACTION CALENDAR
July 16, 2013

To: Honorable Mayor and Members of the City Council
From:  Christine Daniel, City Manager
Submitted by: Jane Micallef, Director, Health, Housing & Community Services
Subject: Tax Exempt Status for Alta Bates Hospital

RECOMMENDATION

1. Adopt a Resolution, as recommended by the Community Health Commission, requiring that Alta Bates Summit Medical Center (ABSMC) provide an annual report to City Council to include specific detail on the qualified charity care and community benefits reported on tax returns and the value of the charity care and community benefits provided to Berkeley residents; and
2. Schedule a City Council work session to provide information to Council and the community about ABSMC's tax exempt status and to include a presentation by Alta Bates Summit Medical Center (ABSMC) regarding the community benefits and charity care provided to Berkeley residents.

FISCAL IMPACTS OF RECOMMENDATION

City staff time in the Finance Department and Health, Housing & Community Services Department will be needed to analyze ABSMC's tax exempt status and the value of City services provided to ABSMC. Without funding for additional staff time to perform this analysis, it will be added to existing workplans.

There is potential significant long-term fiscal benefit for the City if these recommendations result in increases in ABSMC's community benefits and charity care expenditures in the City.

CURRENT SITUATION AND ITS EFFECTS

The CHC has done detailed and thorough research on the issues related to ABSMC's tax exempt status and the impact on the City, which is fully described in the CHC report.

Three issues warrant further discussion:

1. "Community Benefits" is a broad term, encompassing community-based preventive health measures as well as hospital-based charity care. From the perspectives of improving the health of the community, addressing health inequities, and containing health care costs, investment in community-based

preventive health efforts is of equal or greater importance than providing hospital-based charity care. For example, hospitalizations for asthma and for complications of poorly controlled diabetes are two areas of marked health inequities in Berkeley, with African American residents of South and West Berkeley experiencing several times the hospitalization rates of others in the City. If ABSMC were to invest significantly in preventing these diseases rather than focusing primarily on providing hospital charity care for their complications, it would significantly contribute to improving the quality of life, life expectancy, and well-being of the community. The full scope of Community Benefits should be reported along with Charity Care, in order to understand the impact of ABSMC's efforts on the health of the City.

2. The questions the CHC poses for the Finance Department are better addressed by a combination of the Finance Department and HHCS Fiscal and Public Health staff. Some of the questions may be outside the scope of City staff's ability to generate a complete response.
 - a. Finance Department staff can provide an analysis in response to the CHC's questions regarding taxes and fees levied on ABSMC's Berkeley campuses by the City. However, Finance does not have access to information about all taxes and fees levied by other governmental agencies or the value of ABSMC's state and federal tax exemptions. Sales tax information for an individual taxpayer such as ABSMC is confidential, however, categories of taxpayers can be reported upon. Estimating the value of City services provided to ABSMC's Berkeley campuses will be challenging for some services such as police and fire, however, more specific information such as refuse collection costs can be provided.
 - b. HHCS Fiscal staff can provide comparison information for ABSMC versus similar hospitals regarding rates of community benefits and charity care.
 - c. Public Health staff can compare the City's forthcoming (fall 2013) Health Status Report (HSR) with ABSMC's Community Health Needs Assessment (CNHA) when both reports are available, and assess the extent to which ABSMC's Community Benefits plan meets the City's needs and priorities.
3. ABSMC and the City have a shared interest in improving the health of City residents. Improved health leads to lower health care costs, decreased hospital re-admission rates, and decreased inappropriate and excessive Emergency Department utilization. In addition, healthier residents are more productive and contributing members of the community, with improved quality of life and longer lives. Improving the health of Berkeley's least-advantaged populations will decrease health inequities, creating a community in which all residents have equal opportunities to live healthy lives. ABSMC's current CHNA, being

conducted by Valley Vision consultants, is a good example of these shared priorities. The City's Public Health Division has been an active participant in the CHNA "core team" as well as providing key informant interviews and connections to potential Berkeley community focus group participants. Preliminary information from the 2013 HSR has been used to inform the CHNA process and has helped to confirm that South Berkeley is a "community of concern" in the Alta Bates Hospital service area. The CHNA can thus be a foundation from which to collaboratively address the City's most pressing health issues.

BACKGROUND

The accompanying CHC report provides extensive background information.

RATIONALE FOR RECOMMENDATION

Having a non-profit hospital in the City is a significant asset. Understanding clearly the costs and benefits of that asset will enable the City and ABSMC to appropriately direct resources to deliver the greatest impact on the health of the community. In order to be most effective, the full scope of Community Benefits, including Charity Care, should be considered. City staff from both Finance and HHCS can provide information and analysis about tax exempt status and services provided to ABSMC. However, ABSMC is the only source of information about the value of services it provides to Berkeley residents. A Council Work Session at which ABSMC presents information will provide Council with the clearest picture possible of the current costs and benefits accruing to the City and ABSMC.

As the Affordable Care Act moves forward in 2014, the numbers of uninsured and underinsured will decrease, thus lessening the need for charity care. This provides an opportunity for ABSMC to focus its Community Benefits activities on community-based preventive health efforts. The CHNA and the Public Health Division's Health Status Report provide an opportunity to identify shared health priorities for the City.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Janet Berreman, Health Officer, HHCS, 510-981-5301

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

TAX EXEMPT STATUS FOR ALTA BATES HOSPITAL

WHEREAS, the City Council for Berkeley requested that the Community Health Commission look into and make recommendations regarding Charity Care from Alta Bates Hospital; and

WHEREAS, further information is needed about Alta Bates Summit Medical Center's Charity Care and Community Benefits for Berkeley residents; and

WHEREAS, further information is needed about Alta Bates Summit Medical Center - Berkeley Campus' tax exempt status.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that Alta Bates Summit Medical Center (ABSMC) shall provide an annual report to City Council to include specific detail on the qualified charity care and community benefits reported on tax returns and the value of the charity care and community benefits provided to Berkeley residents.

BE IT FURTHER RESOLVED that the Agenda Committee shall schedule a City Council work session to provide information to Council and the community about ABSMC's tax exempt status and to include a presentation by Alta Bates Summit Medical Center regarding the community benefits and charity care provided to Berkeley residents.