

HAMILTON COUNTY TAX LEVY REVIEW COMMITTEE

July 7, 2014

Hamilton County Board of Commissioners
Hon. Chris Monzel, President
Hon. Todd Portune
Hon. Greg Hartmann
138 E. Court Street, Room 603
Cincinnati, OH 45202

Re: Indigent Care and Family Services and Treatment Levy Programs Review

Dear Sirs:

This report is from a subcommittee of the Hamilton County Tax Levy Review Committee ("TLRC") that was formed to review requests from all service providers - other than UC Medical Center ("UCMC") and Cincinnati Children's Hospital Medical Center ("CCHMC") - that currently receive funds from the Health and Hospitalization Indigent Care and Family Services and Treatment tax levies. The subcommittee also considered first-time requests for funding from additional agencies.

This subcommittee was chaired by Chris Habel and included TLRC members Dan Unger, Heather Harlow, and Gwen McFarlin. Our work would not have been possible without the outstanding assistance from the County Administration, in particular Ms. Lisa Webb. We were also assisted by Health Management Associates ("HMA") and Howard Wershbaile & Co. ("HWC") who met with many of the service providers to review their operations and use of levy funds and then provided recommendations to the TLRC.

As an initial matter, HMA and HWC both reported that they did not uncover any misuse or waste of levy funds. They reported that all service providers are generally doing more with less. The consultants also did not identify any areas of non-compliance with terms of the current levy agreements by the service providers. Based on these reviews and discussions with the full TLRC, we recommend that both levies be renewed at the same millage.

In the case of the Family Services and Treatment ("FST") levy, unless the millage is increased or one or more programs are eliminated altogether, our consultants are forecasting an insufficient fund balance at the end of the levy cycle. We believe a better alternative solution is an across the board 10% reduction of all currently funded programs and flat funding of the programs during the levy cycle. We also recommend moving the Off the Streets program out of the FST levy and into the Health and Hospitalization Indigent Care ("HHIC") levy since this program primarily serves indigent women who have no place to turn to get off the streets.

Our consultants reviewed all levy funded programs and requests for new funding. Rather than summarize the review of all programs in this letter, we refer you to the reports of HMA and HW&Co. We are recommending funding of programs generally continue in the upcoming levy cycle as they have in the past and as noted on the attached spreadsheet. The discussion that follows only responds to new requests for funding and programs where we are recommending a change in funding or some other action.

1. Sheriff Inmate Medical Contract

Inmate medical services are currently provided on a fixed fee basis under a contract with NaphCare, Inc. that was entered on December 29, 2012. The NaphCare contract cost is the second largest expense from the HHIC levy. Consuming 14.9% of current levy funding and set to rise, the inmate medical contract is second only to the funding currently provided to UCMC for indigent care.

From the TLRC's perspective, the contract with NaphCare contains provisions that are not necessarily favorable to the County. And given that it represents such a significant portion of levy funding, it merits close scrutiny. The contract was awarded at the end of 2012 at \$12,863,000 for a two-year period and has three one-year renewals with automatic cost increases of 4.5% per year. If the contract is renewed each year through 2017, the annual cost of this contract will be \$7,526,100, approximately \$1.5 million more than its first year cost.

We understand that the cost of healthcare is increasing but with new healthcare funding options under the Affordable Care Act ("ACA") and Medicaid expansion, the landscape for funding inmate medical services is shifting and reliance on local tax levy dollars should generally be decreasing, not increasing. Given the shifting landscape, over the coming years we would like to see local tax dollars directed more to services that treat mental health and substance abuse issues (which are less likely to get ACA or Medicaid funding) that affect an estimated 70% of the current HCJC population. This use of levy dollars should slow the revolving door at the HCJC.

As we understand it, the NaphCare contract provides NaphCare with few incentives to manage medical cost to the taxpayer. NaphCare is paid a flat fee based on inmate population rather than actual services provided. In addition, NaphCare does not incur cost or penalties when inmates are sent outside the HCJC for medical treatment. And once an inmate leaves the HCJC, the costs hit the taxpayers in two ways – through Sheriff's Office transport and guarding costs and the actual medical services that are billed back to the levy by healthcare providers. In other words, it seems there is no incentive for NaphCare to do all it can to treat an inmate at the HCJC. And once the inmate leaves the HCJC, the meter begins to run on the taxpayers for the inmate medical care that, in some cases, might have been covered under the flat fee NaphCare contract. We are not faulting NaphCare or the Sheriff's Office and have no evidence of misuse, we simply observe that there are no contractual incentives to protect the taxpayer and we think there should be.

We recommend that the NaphCare contract be put back out for bid or renegotiated rather than simply renewing it as-is with automatic 4.5% increases for the next three years. The contract terms need to reward the vendor for managing costs below a specific threshold and penalize them in a financially meaningful way when they do not. We also recommend that the levy funds be the secondary source of inmate medical funding with private insurance and/or Medicare/Medicaid being used as the first line of funding whenever possible. Our consultants also recommended implementing telemedicine, which would allow NaphCare to tap specialized outside medical resources when needed without incurring the cost of transportation and guarding that further burden the levy.

2. Inmate Medical Staffing

The 2014 levy cycle has \$5,959,644 budgeted for Sheriff's Office FTE's who maintain security at the Talbert House 1617 Reading Road Facility, and the Admissions Section, Health Services Section and Psychiatric Unit at the HCJC. The staffing allocated to these services has been consistent at 32 FTEs for the 1617 Reading Road facility and 33.7 FTEs for the HCJC. But the levy funding paid for these consistent staffing levels has varied widely, partly due to timing of payments and partly due to the persons who are actually filling the FTEs.

The consultants reported that the costs per FTE at the 1617 Reading Road facility are significantly higher than the cost of the FTEs at the HCJC (ranging from 29% higher at 1617 Reading Road in 2011 to a high of 53% in 2012 and estimated to be approximately 43% in 2014). The consultants stated "There appears to be a number of reasons for the higher cost per Officer at 1617 Reading Road including the fact that Officers with longer seniority are being assigned to that location, overtime and lump sum vacations are being factored in as well as pension costs associated with a small population of only eight Officers is subject to more fluctuations than a average of a large population that is used to calculate the cost to provide medical related security at the HCJC."

The consultants and the TLRC recommend that a funding cap be set for the Sheriff's Office at the 1617 Reading Road facility. The cap should be set for 2015 at the 90% of the cost of providing these 32 FTEs in 2014, which is projected to be \$677,930, plus a 3% annual increase each year after 2015 during the levy cycle. At the HCJC, the consultants and the TLRC recommend an allocation methodology be used for payment of the 33.7 FTEs supporting the medical services at the HCJC. The recommendation is that the levy funding be capped at what the consultants estimated the 2014 projected costs of \$4,746,700 in year 2015 and then increased 3% per year thereafter. In short, the staffing levels at both facilities are stable, yet the costs paid by the levy have been highly variable. We believe these changes will allow the County to better manage this situation and free up levy funds to support other inmate services (*e.g.*, opiate addiction services) that go to our mission of preventing higher cost services.

3. Existing TB Control and Proposed Syphilis Program

The Hamilton County Tuberculosis Control Clinic receives \$933,250 in funds from the HHIC levy annually. The impacts of the ACA and Medicaid expansion remain to be seen but should have some, albeit potentially limited, impact on this program. Because a significant percentage (more than half) of the patients served by the clinic are recent immigrants to the U.S. , they may not be eligible for healthcare coverage but yet need TB treatment to avoid creating a larger health issue in our community. It is likely that the ACA and Medicaid expansion will provide some additional funding to the TB program and as a result, the Hamilton County Health Commissioner Tim Ingram has requested that the TB control program only receive \$840,000 during the next levy cycle (a \$93,250 decrease) and that \$90,000 be directed to funding a new syphilis program.

We agree with the recommendation to reduce the TB clinic funding to \$840,000. The \$90,000 in new funding would go to conduct syphilis and HIV tests at inmate intake and re-entry at the HCJC. We agree with the Health Commissioner's assessment that this new program is needed. We first recommend attempting to cover these screening costs under the NaphCare contract that was discussed above. We also encourage the Health District to pursue their suggestion that the HCJC be identified by ODH as an expanded testing site, which we understand would allow state funding to be used for this program. If those two efforts fail, then the levy, as the funder of last resort, should be used for this new program.

4. OSU Extension

Hamilton County OSU Extension has approached the TLRC requesting funding for the first time. The OSU Extension proposes to offer four programs to the indigent population at a cost of \$69,500 per year. The programs would include financial literacy, 4-H, health and wellness and horticulture. We applaud the programs of the OSU Extension. These are good and important programs for the community. However, it is difficult for us to justify adding these new programs into the levy that was intended to provide safety net healthcare services for the truly indigent at a time when we are recommending cuts to funding for core medical services. In the circumstances we find ourselves today, we do not recommend funding the OSU Extension request.

5. Center for Respite Care

The Center for Respite Care is a 14-bed facility located in modest, somewhat makeshift space in Avondale. The Center provides medical care for the homeless after they are discharged from the hospital or an outpatient procedure. Several members of our subcommittee visited the facility and we believe the Center to be the epitome of a service that the HHIC levy was intended to cover. Like us, homeless citizens are admitted to the hospital and have surgery and other procedures. Unlike us, when they

are discharged, they do not go home to recovery care provided by family or friends, they typically return to the streets. And oftentimes, shortly thereafter, they return to either the emergency room or the HCJC, both of which cost thousands of dollars per day. The Center for Respite Care provides 24/7 medical and nursing care for up to 30 days at an average cost of less than \$155 per day. In addition, the patients receiving wrap around services and every effort is made to ensure they leave the Center and enter housing rather than go back to the streets. These indigent neighbors in need truly would fall through the cracks and cost the taxpayers much more but for the Center.

The Center for Respite Care has a close relationship with the hospitals and healthcare providers both in terms of operations and funding. However, in recent years one of its primary funding sources, UCMC, has significantly reduced its financial support widening an existing funding gap. In 2013, the Center received about 40% of its funding from state and federal sources, 21% from local healthcare organizations and the remaining 39% of its revenues from private foundations, private charitable contributions and other resources. Despite its best efforts, the Center has a budget gap of about \$350,000. Yet the Center has only requested \$250,000 in levy funding, promising to find the rest of the budget gap elsewhere.

The TLRC was impressed by the work of the Center for Respite Care and recommends funding the full \$250,000 request from the HHIC levy. We also applaud and encourage the area hospitals and healthcare providers to continue to support, and ideally to increase the support of, the Center for Respite Care financially and with other resources.

6. Homeless Healthcare Coordination

The single largest new request for levy funding comes from Strategies to End Homelessness (“STEH”). Beginning in 2013, STEH started receiving \$300,000 annually from the HHIC levy. STEH is asking that this funding be increased to \$2,300,000 per year for the full levy cycle. Based on our conversations with STEH representatives, we believe this program and levy requests will extend indefinitely into the future, well beyond the upcoming levy cycle. Given this, we think it is in the County’s best interest to set reasonable expectations for use of this significant funding at this time.

The funding request is primarily geared towards implementing the Homeless to Homes (“HTH”) plan that was developed by STEH and adopted by Cincinnati City Council and the County Commissioners in 2009. Through public and private funding, over \$29 million has been raised to build five new shelter facilities all of which are either online or coming online in the next two years. According to our consultants, the requested funds would pay for essential services (*i.e.*, case management, mental health services, outpatient health services, healthcare, education, employment assistance/job training, life skills training, substance abuse treatment, transportation and direct client expenses) operating expenses (*i.e.*, maintenance, security, equipment, insurance,

utilities, food, furnishings, supplies, real estate taxes, shift coverage staff, on-site supervisory staff and indirect costs) at these five facilities.

The TLRC recommends that the STEH receive levy funds in a phased in manner as the facilities and additional healthcare related services at them are brought online. And when fully phased in, we believe this funding should amount to the lesser of \$2.3 million per year or 25% of the actual documented costs for the essential services and operating expenses associated with the five shelters. Our consultants reported that if the request is funded at \$2.3 million, it would represent 26% of the projected costs. We are concerned that the programs not become excessively dependent on County taxpayer funds that are subject to the will of the voters every three to five years. We also recommend that as a condition to funding, STEH be required to apply its review and allocation process for the levy dollars to the five shelters just as it does with other funding. Shelters that are performing and achieving measurable and effective outcomes to end homelessness should receive more funding than those that do not. STEH should also be required to report annually on performance of the shelters and the use of these levy funds.

7. Alternative Interventions for Men

Based on the success of the Alternative Interventions for Women (“AIW”), the jail diversion program that is currently receiving levy funding, the Central Clinic of Cincinnati is proposing to create the same program for men. The program will provide substance abuse and mental health treatment for non-violent men involved in the criminal justice system as an alternative to costly incarceration. This effort is a collaboration of Pretrial Services and the Probation Department. The potential beneficiaries of this program would be non-violent men who are under the supervision of the Probation Department, whose mental health issues are less severe than those addressed by the Mental Health Court but who nonetheless need treatment for mental health and/or substance abuse.

The TLRC recommends that some level of funding be provided to support the AIM program because this program is targeted at minimizing higher cost incarceration and inpatient treatment in an effort to return non-violent offenders to productive tax-paying citizens. The request was for the AIM program was \$250,000 per year during the levy cycle. Ideally, the funds for this jail diversion program could be realized from savings on the NaphCare contract and inmate medical staffing and increased recovery from inmate health insurance and Medicaid.

8. Off the Streets

The Off the Streets program is a collaborative effort that provides a wide array of services to assist women involved in prostitution to achieve safety, recovery, empowerment and community reintegration. The program currently receives about \$60,000 in levy funds from the Family Services and Treatment levy and has requested an additional \$65,000 in funding for the

upcoming levy to reach more women and expand the base of services available to them, specifically including housing.

Given that we are recommending an approximately \$2 million increase in funding for STEH to address homelessness and housing, we see the Off the Streets request for additional levy funds to assist with housing as potentially duplicative. We recommend conditioning the STEH levy funding on having STEH work with the Off the Streets program to help secure housing for the women in the Off the Streets program in the women's shelter that is part of the STEH program and assistance with permanent housing from the STEH supported programs. As noted above, we recommend that the current funding for Off the Streets be renewed (at its current level, not with a 10% reduction being applied to other FST levy funded programs) and transferred from the FST levy to the HHIC levy since the Off the Streets program is principally serving indigent women.

9. Office of Re-Entry

The Office of Re-Entry is requesting an additional \$55,000 in funding beyond the \$232,067 in levy funds it will receive in 2014 to meet the needs of those being released from the HCJC and Ohio state prisons. The Office has a goal of reducing recidivism by 50% in Hamilton County, developing a comprehensive re-entry system in the County and advocating for legislative and policy changes that help ex-offenders transition back to society.

There are two other re-entry programs that are funded by the levy (the Sheriff's Reentry and the Municipal Court Office of Re-Entry). Our consultant recommended that these three re-entry programs better coordinate their efforts to minimize inefficiencies and overlap in services and maximize their programs. In light of this observation, the potential for duplicative funding, and the need to cut FST programs by 10% across the board to maintain a levy fund balance, we do not recommend funding the request for an additional \$55,000 at this time.

10. Treatment Courts/Court Clinic

The Hamilton County Courts have become nationally recognized leaders in innovative solutions to an overburdened criminal justice system, developing real solutions rather than incarceration and costly jail construction. While no jail diversion program is 100% successful, these programs have changed many lives in our community for the better at lower cost to the taxpayer.

The Veterans Court is a perfect example. Ohio has the sixth largest veteran population in the Nation and veterans suffering from mental illness and substance abuse disorders related to their military experience, especially those returning from combat tours in recent years, wind up in our criminal justice system. Rather than incarcerate veterans as if their experience is like every other inmate, in appropriate cases, the Veterans Court diverts these individuals into VA and other specialized

programs that can help them rebuild their lives. Because the VA is involved and helps provide the support, the VA is providing a significant portion of the funding for these services rather than the County. The success stories from veterans who have been through the Veterans Court are compelling and the judges and staff working in the courthouse on this and the other special dockets have vouched for their importance and success. Funding through another grant has ended and therefore the court clinic has made a modest request for \$100,000 in additional funding from the FST levy. We strongly recommend this funding be provided.

11. County Healthcare Officer

Through this 2014 levy review cycle, we recognize now more than ever how many programs are operating in the healthcare (broadly defined) area of Hamilton County that are supported by the tax levies. We recommend that consideration be given to allocating levy funds to hiring a County Healthcare Officer. This person would be focused on managing and overseeing the expenditure of taxpayer dollars on healthcare in the County, with the goal of maximizing the efficiency and effectiveness of County funding.

The origins of these levies date back generations and were initially intended to provide a local safety net for local citizens. But the federal and to a lesser degree state government have imposed new and different tax burdens on our citizens and businesses to provide healthcare to all citizens. In theory this should eventually negate the need for a local safety net for many of the current levy funded services. To proceed with “business as usual” on these levies and healthcare expenditures is not sound fiscal or tax policy. We are not saying the safety net should be removed or lessened. What we are saying is that someone should be paying close attention to what percentage of that net the County should properly now provide.

If Medicaid expansion and/or expanded health insurance coverage under the ACA provides funding for any healthcare service, those should be the primary source of funding so that levy funds can be freed up and used for other needed programs that Medicaid expansion and the ACA do not address. Hiring a qualified expert in financial and healthcare matters to work with the County and the service providers to completely maximize the state and federal funding that our County deserves would likely more than pay for the salary of this position.

12. Healthcare Recommendations from Health Management Associates

Our consultant Health Management Associates (“HMA”) was engaged to review and make recommendations regarding the health care services that are provided through all of the tax levies in light of the changes coming about as a result of the ACA and Medicaid expansion in Ohio. The following recommendations from HMA should be addressed in the upcoming HHIC and Family Services and Treatment levies:

- The County should consider instituting stronger oversight, monitoring and reporting mechanisms, particularly for the purchase of service contracts under the Family Services and Treatment levy. HMA identified the NaphCare contract at the HCJC as potentially problematic observing that the situation “where the vendor has limited financial risk for inmate services and where the vendor is not financially responsible for off-site medical services, requires strong documentation from the vendor on how they manage health services provided to inmates and vigilance from the County in reviewing NaphCare’s procedures in providing inmate health services.” The County Healthcare Officer discussed immediately above would go a long way towards addressing this recommendation.
- The County should consider adopting policies and processes to identify the health insurance status of all those entering custody at the HCJC. Health coverage through a health insurance exchange is accessible to those who are in custody awaiting adjudication. Some healthcare costs provided in the HCJC may be covered by an inmate’s private health insurance (*e.g.*, pharmacy) and recovery of such costs should be sought and offset against the HCJC medical contract.
- Many of those being released from the HCJC will likely be eligible for Medicaid and every effort should be made to enroll them upon release. In theory the ACA and expansion of Medicaid (and its cost to taxpayers) should allow a reduction in levy spending (and taxes) over time.

In closing, we appreciate the opportunity to be of service to our fellow citizens and elected officials and trust that the foregoing recommendations are helpful to you in your decision making on the HHIC and FST levies.

Sincerely,

HHIC and FST Levy Programs Review Subcommittee

Chris Habel
Heather Harlow
Gwen McFarlin
Dan Unger