



City Council Report

Date: May 20, 2013
To: City Council
Through: Alex Deshuk, Manager of Technology and Innovation
Scott J. Butler, Assistant to the City Manager
From: Ed Quedens, Business Services Director
Mickey Tait, Audit & Tax Collections Administrator
Subject: Amendment to the Mesa Tax Code - Access to Care Assessment
Citywide

Strategic Initiatives



Purpose and Recommendation

Council is recommended to adopt an Access to Care (“ATC”) Ordinance (Exhibit A) amending the Mesa Tax Code (“MTC”) for an industry-requested ATC assessment that will create a new funding source for Arizona Health Care Cost Containment system (“AHCCCS”) payments to hospitals within the City of Mesa who provide significant amounts of uncompensated care to uninsured and low-income patients. It is further recommended that Council authorize the City Manager to enter into an Intergovernmental Agreement with AHCCCS to achieve the goals of the ordinance.

Background

Hospitals in Arizona serve as an economic engine, creating high-quality, well-paying jobs that provide benefits. The economic downturn has caused significant financial pressures on hospitals. An increasing number of uninsured individuals seeking medical care over the past several years have caused a spike in uncompensated care costs for hospitals throughout the state.

To address this issue, Mesa area hospitals are proposing the Mesa ATC, which would create a new funding source for AHCCCS payments to these area hospitals within the City who provide significant amounts of uncompensated care to uninsured and low income patients. In 2011, The Arizona State Legislature created an opportunity to create economic funding pools from political subdivisions to draw down federal matching dollars through Senate Bill 1357, adopted during the Fiftieth Legislature – First Regular Session of 2011.

Discussion

The ATC Ordinance would authorize the City to impose a short-term assessment on area hospitals of \$461.91 per inpatient discharge for each participating hospital. Currently there are eight hospitals within the City that are expected to participate. The assessment would expire on December 31, 2013, when certain provisions of the Federal Affordable Care Act take effect. A separate ATC Fund would be created into which the short-term assessment revenues would be deposited. The City would then, via an Intergovernmental Agreement, transfer this funding to AHCCCS, minus a fee to cover administrative costs. If approved by the Center for Medicare and Medicaid Services ("CMS"), the federal government would provide matching funds for its share of the payments, equal to a 2 to 1 match. Mesa area hospitals that provide significant amounts of uncompensated care to uninsured and low-income patients would receive payments based upon their share of uncompensated care.

The Mesa ATC Ordinance prohibits hospitals that are subject to the assessment from passing the cost of the assessment on to patients or private third-party payers. The ATC Ordinance will not result in increased cost to the City or to Mesa residents.

Should the City Council approve the Ordinance, AHCCCS will submit the proposal to the federal government for approval by CMS. The assessment would only take effect upon approval by CMS and an Intergovernmental Agreement between the City and AHCCCS.

Additionally, the assessment will be contingent on the ordinance being adopted as a local option by the Municipal Tax Code Commission.

Alternatives

The City Council can choose to deny the ATC Ordinance which would not have a financial or operational impact upon the City, but would have an impact upon area hospitals that would otherwise be receiving matching federal funds.

Fiscal Impact

The Mesa ATC Ordinance would promote economic development by protecting and expanding jobs in the health care sector and related fields within Mesa. The Access to Care fund is anticipated to bring over \$35 million in revenues for transfer to AHCCCS. This will result in over \$49 million in federal matched funding to support uncompensated care for Mesa residents. In addition, these funds will help ensure the financial stability and viability of hospital systems in the City and promote access to healthcare for residents.

The City would retain \$6,250 per quarter to cover the administrative costs to implement and administer the ATC Assessment fund. The administrative costs include staffing costs for setup, administration, implementation, and payment processing including supervisory personnel, accounting, bank deposit and balancing, fund wire transfers to AHCCCS, and fund reconciliation.

Coordinated With

This proposed Access to Care Ordinance is coordinated with the City Attorney's Office, the City Manager's Office, Business Services, Tax Audit and Collections, Banner Health, and Mountain Vista Medical Center.