



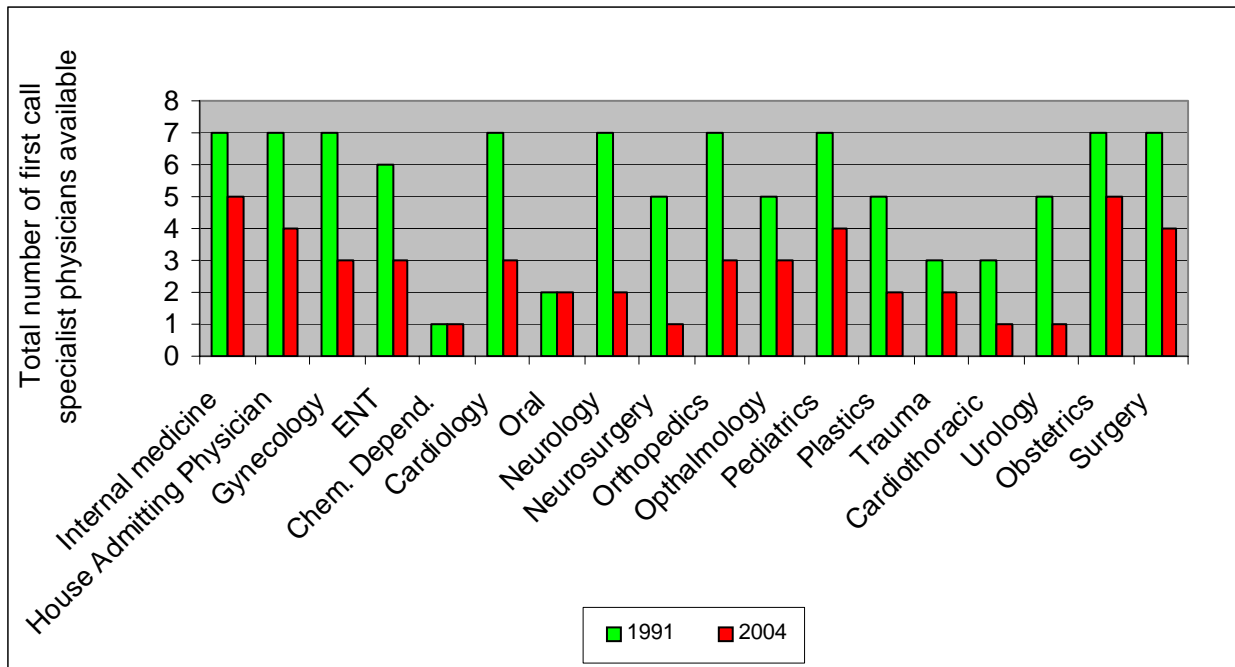
SANTA BARBARA COUNTY
REPORT TO LEGISLATURE ON SB 635
MADDY EMS FUND ACTIVITIES

April 3, 2006

Purpose: Senate Bill 635 sunsets on January 1, 2007, and includes a requirement that “the Board of Supervisors shall report to the Legislature whether, and to the extent that, any actions are taken by the County of Santa Barbara to implement alternative local sources of funding” This report to the Legislature identifies local actions taken by the County to implement alternative local sources of funding.

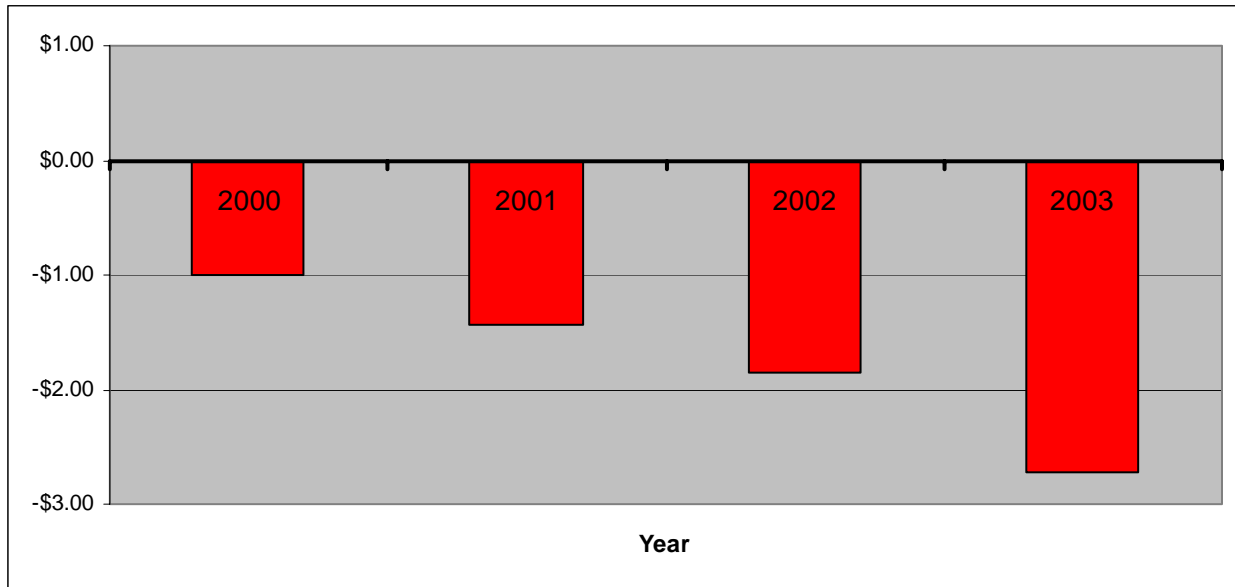
Background: Due to the rising costs of healthcare and the decreasing Medi-Care and Medi-Cal reimbursement rates, coupled with a growing population of the uninsured in Santa Barbara County, hospitals are under ever increasing financial strain. Adding to this is the inclusion of Santa Barbara in Locality 99, a rural classification, resulting in low Medicare reimbursement rates to Physicians and Hospitals. These factors have resulted in the closure of two hospitals in the past seven years; Valley Community Hospital in Santa Maria in 1999, and St. Francis Medical Center in Santa Barbara in 2003. The expense of the State-mandated (SB1953) seismic retrofit program, estimated to be \$800 million for the five remaining hospitals within the county, further adds to their financial burden.

The chart below illustrates the reduction in the number of specialty physicians practicing in Santa Barbara County, which then results in a reduction of emergency department (ED) on-call coverage. This reduction in specialist ED coverage makes it increasingly difficult and costly to provide the level of service needed for the provision of trauma and emergency care the County. In response to many of these statewide trends the bipartisan Senate Office of Research in their May 2003 report titled: “Stretched Thin: Growing Gaps in California’s Emergency Room Backup System”, recommends that all counties be required to establish a Maddy EMS Fund.



**Availability of Specialty Physicians in Santa Barbara County
August 3, 1991 vs. August 3, 2004**

According to the Hospital Association of Southern California, the provision of uncompensated emergency and trauma care to the under and uninsured by local hospitals resulted in an estimated net loss of \$8 million countywide in 2004. This amount is anticipated to increase as the number of uninsured continues to rise. This fiscal hemorrhage cannot be sustained. It would be devastating to the community if another of our hospitals were forced to close. The following chart shows the annual loss to Santa Barbara Cottage Hospital alone, in millions of dollars, for the period of 2000 to 2003.

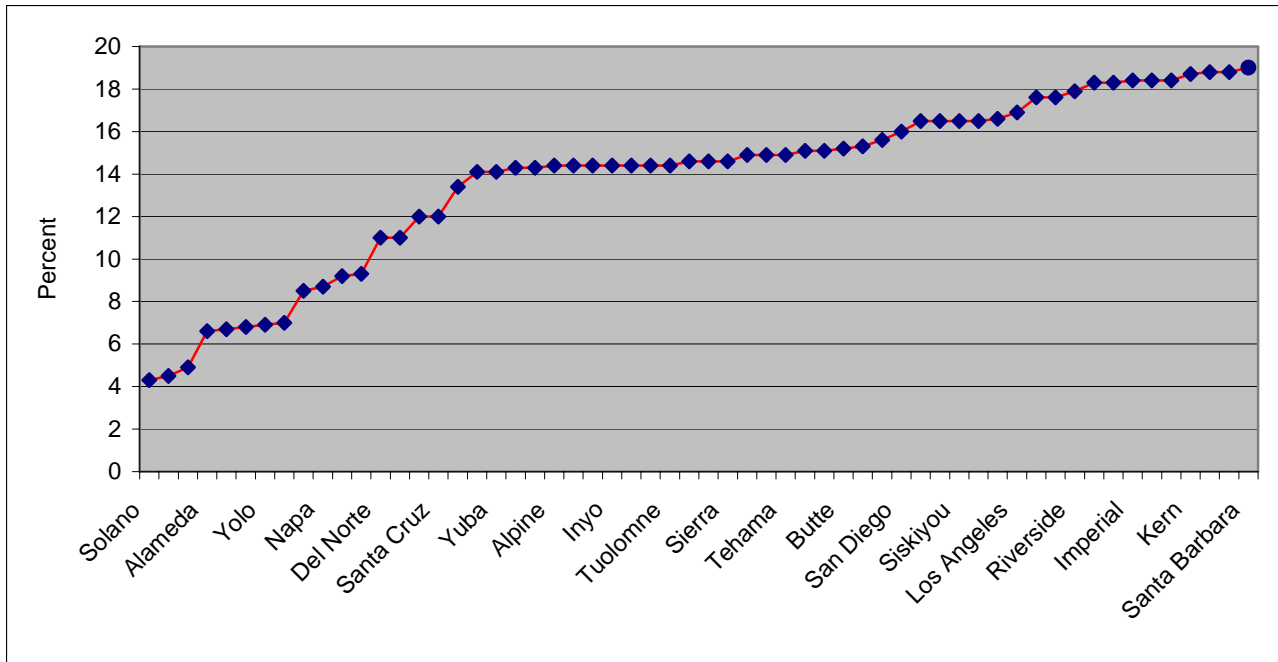


**Emergency Department Losses
Santa Barbara Cottage Hospital
Level II Trauma Center**

Santa Barbara Cottage Hospital is the only Level II Trauma Center between Los Angeles and San Jose. Moreover, due to the regulatory requirements for designation of a trauma center, it has the only 24/7-physician on-call panel on the Central Coast. This is primarily due to the Title 22 requirements hospitals must meet in order to be designated as a trauma center.

Cottage Hospital accepts transfer patients who are transferred from other facilities throughout the tri-counties (Ventura, Santa Barbara and San Luis Obispo) and has the only pediatric ICU on Central Coast.

The number of uninsured non-elderly adult individuals (ages 18-64) in Santa Barbara County tripled between 1981 and 2001. Additionally, in 2001 Santa Barbara has had the highest percentage of uninsured children (ages 0-18) of any county in the entire State (19% vs. the State average of 9.6%).



Percentage of children without insurance by County (2001)

In 2005, there were over 131,000 Emergency Room visits in Santa Barbara County. Approximately 58% of the patients treated were uninsured or underinsured. This translates to roughly 76,000 patient visits for which local hospitals and physicians received little or no compensation.

History of the Maddy Fund in Santa Barbara County: In November 26, 1991, based on strong recommendations from the Courts and Law Enforcement who identified significant needs for funding to address construction of critically needed criminal justice facilities, the Santa Barbara County Board of Supervisors passed Resolution # 91-682 that allocated all funds collected under Government Code 76000 to the Courthouse Construction Fund and Criminal Justice Facilities Construction Fund. Due to this critical need, the option to implement a Maddy EMS Fund was not exercised at that time.

As mentioned above, since 1991 a number of factors have contributed to substantially increasing the need for a Maddy Fund in Santa Barbara County. The rate of uninsured adults has risen dramatically, and is now reported by local emergency departments to be 24%. Government insurance programs (i.e. Medicare) have continued to decrease their payment relative to the costs of providing care. The seismic retrofit program, introduced in 1994, and the more recent nurse staffing rations, have added, significant capital and operational costs to the acute care hospitals.

In 2002, a group of physicians recognized the need for a Maddy EMS Fund, and began to investigate the options. They found that Santa Barbara County was the only county in the State with a Level II Trauma Center that did not receive Maddy funds, and was the most populous county by far (400,000, compared to 150,000 for the next most populous county) not to have a Maddy Fund.

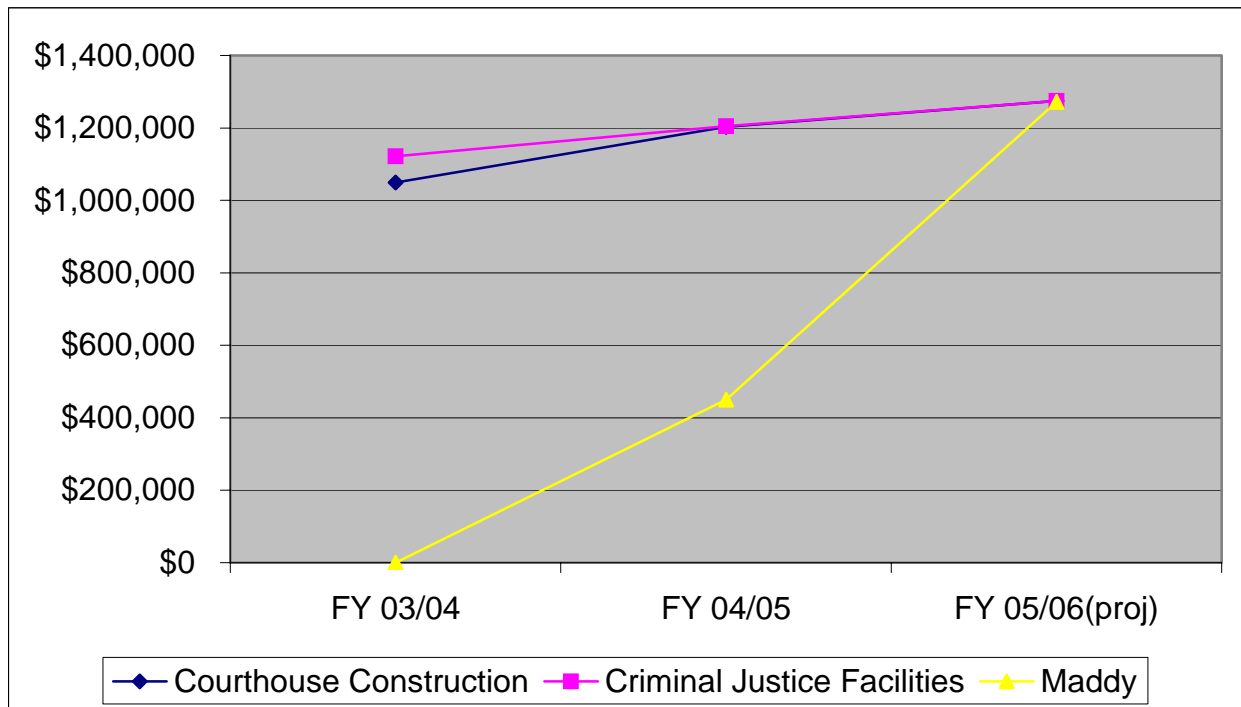
As a result of their efforts, the Santa Barbara County Board of Supervisors directed staff to work with other interested parties to sponsor legislation to establish a source of funding for a Maddy EMS Fund in Santa Barbara County.

This led to the introduction of legislation, SB 635, co-authored by Senators Dunn and Romero and Assembly member Jackson, which allows Santa Barbara County to increase the additional penalties for criminal violations, under Government Code Section 76000, by \$5 per every \$10 of base fines, and to collect \$2.50 for every parking violation in the county, to provide revenue for a Maddy EMS Fund.

The Governor signed SB 635 into law on November 4, 2004 and Santa Barbara County began collecting the increased fines on January 1, 2005. The collection of Maddy funds has gradually increased since its collections began, and is anticipated to level out at approximately \$137,000 monthly, which equates to approximately \$1.6 million in annual revenue.

Initial opposition to the bill centered around the argument that increasing fines would lead to diminishing revenues to other funds created by GC 76000, as violators would elect to serve jail time or perform community service in lieu of the additional payment. However, in Santa Barbara County this has not been the case, as the Courthouse Construction Fund and Criminal Justice Facilities Funds continue to rise despite the addition of the Maddy Fund.

These data are presented in the graph below. The Maddy Fund was established in January 2005, the graph for Fiscal Year 2004-2005 represents the first six-month of revenue. For Fiscal Year 2005-2006, the last three months is projected based on totals revenues collected to date.



No Impact on Courthouse and Criminal Justice Fund as a result of establishing local Maddy Fund

Who benefits from Maddy Funds: Every resident of, and visitor to, Santa Barbara County benefits from the access to emergency medical and trauma care that the Maddy Fund helps preserve. Maddy funds are used to partially offset the cost of emergency room and trauma services provided to the under and uninsured. In 2005, \$1,271,836 was collected and distributed from the Maddy Fund. The fund provided \$609,489 for physicians and \$441,354 to hospitals to defray a portion of the uncompensated emergency and trauma care they provide. The County of Santa Barbara receives 10% of the funds collected to administer the fund.

Actions taken to implement alternative local sources of funding: The County of Santa Barbara is working diligently to identify and implement alternate local sources of funding for uncompensated emergency and trauma care provided by local physicians and hospitals as well as ways to provide that care in a most efficient manner. Following is a brief summary of some of the actions taken since the passage of SB 635, in November 2004:

- **Local Maddy Committee formed.** Committee consists of representatives from the County Administrator's Office, hospital emergency department physicians groups, the Hospital Association of Southern California, Santa Barbara County Medical Society, the county legislative committee, the EMS Agency, Public Health Department and hospital administrators. Numerous meetings held to strategize about means of securing permanent funding.
- **Addressing the inappropriate inclusion of Santa Barbara County in Medicare's Locality 99.** Under this categorization, Santa Barbara healthcare providers are paid at a rate intended for less costly rural areas, which is estimated in \$5 million in lower payments to physicians that is substantially less than the cost of providing care. Medical providers continue to seek Federal opportunities to increase the level of Medicare payment to Santa Barbara County through realignment from Locality 99.
- **Public Opinion Survey conducted.** Voters positive about need for strengthening the emergency medical care system show majority support for sales tax increase for trauma/emergency care/law enforcement system – but less than the 66% (2/3 vote requirement) which is necessary to pass a local ballot initiative.
- **Public education on the urgent need to support emergency medical and trauma care.** Emergency room physicians, Hospital representatives, Emergency Medical Services Agency staff, and other community leaders are conducting community outreach activities to educate public and the business community as to the need for increased funding for emergency room and trauma centers.
- **Examining the feasibility of a ballot initiative.** Options and timelines were reviewed with County Clerk-Recorder-Assessor, Emergency Room physicians, Hospital representatives, Emergency Medical Services Agency staff, County administrators and other elected officials. Identified competing, crucial local

funding requirements that are anticipated to be on the local ballot between 2006-2009.

- **Increasing Tobacco Settlement Fund commitment to Emergency Medical Care.** The Board of Supervisors recommended \$2 plus million of the County's Tobacco Settlement Funds be allocated in Fiscal Year 2006-2007 to fund Health Safety Net Providers including: Hospitals Emergency Rooms, Emergency Room Physicians, Primary and Specialty Care Providers, and other health safety net providers.
- **Reducing the numbers of individuals who seek care in an emergency department who could appropriately be treated elsewhere.** County Public Health Department established a women's health center to provide care to the under and uninsured.
- **Improved ability for trauma center to collect reimbursable charges.** Revised EMS treatment protocols to improve trauma patient identification in the field to assisted Trauma Center with accurate identification of patients who qualify for reimbursable trauma treatment charges.
- **Renegotiated ambulance contract to increase funding to emergency medical services.** Required additional training for field personnel on trauma care, and implementation of new \$1.5 million dispatch system to improve overall system efficiencies and reduce system costs.
- **Increased county commitment to injury prevention,** with the goal of reducing the overall cost of trauma care through support of programs such as, child car passenger safety; low cost extreme sports helmet program to reduce head injuries; DUI prevention programs in the local high schools to reduce alcohol and drug related traumatic injuries, and fall prevention. The second leading cause of traumatic death is falls in the elder population, and the nationwide trends have helped us target this as a local focus for our increasing elder population.

Challenges to implement local funding source prior to January 1, 2007 sunset:

The County has identified a number of funding challenges and or competing financial needs to be considered by local voters. Following is a summary of some of the challenges facing the County.

- Uncertainty of November 2005 general election being held
- County split. On the June 2006 ballot is a local measure asking the voters of Santa Barbara County whether they want to split the County in two, which would result in the formation of a new "Mission County". Geographical loyalties and uncertainties may well interfere with the effort to secure a countywide improvement in emergency care and public safety prior to June 2006 ballot measure.
- The extension of an existing critical local transportation funding measure (Measure D), which provides ½ cent sales tax to the County and eight cities

within the county, and sunsets in 2010, is anticipated to be on the November 2006 ballot.

- The County is seeking a means to fund a new jail facility in response to a court order to reduce local jail overcrowding. Potential funding options discussed include a local ballot initiative.
- The proposed California Hospital Association Tobacco Tax and other State wide tax Initiative are currently in circulation and may appear as competing initiatives on the November 2006 ballot.
- Public opinion survey indicates that there is a lack of awareness among Santa Barbara county residents of the financial difficulties facing local hospitals, which will take considerable time to address.
- The State-mandated seismic retrofit fund raising campaign, needing to raise over \$800 million to rebuild and/or retrofit all the County's acute care hospitals, is tapping many community resources.
- There is very little understanding of the expense and fragility of a trauma care system, despite the crisis in nearby Los Angeles County and other communities.

Why the County is Requesting a 3-year Extension of the Maddy Fund

A major issue impacting the County's ability to consider placing an emergency room funding measure on the ballot is a separate critical transportation funding need that the local voters will be asked to support. The County and each of the eight cities within the county are seeking voter approval to extend the ½ cent sales tax, known as "Measure D" for local transportation funding. This funding is critical to maintain roadway infrastructure within the cities and the county. Measure D was passed in November 1989, expires in April of 2010, and must be renewed prior to its expiration in order for the cities and county to continue to receive critical transportation funds. The extension of Measure D is scheduled to be placed on the November 2006 ballot.

In addition, the County is seeking a means to fund the construction of a new jail as it is under Court Order to reduce jail overcrowding in the existing County jail.

Faced with these competing funding needs, the County is seeking to determine the best strategy to increase the likelihood of success for each of these important funding measures. The County is concerned that placing competing measures before local voters will likely result in the failure of all.

If granted, a three-year extension of the Maddy Fund, through January 1, 2010, will provide the additional time necessary for the County to increase critical awareness of the need for emergency room/trauma center funding and will allow other critical and potentially competing initiatives to be considered.