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# Board of Supervisors Memorandum

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April 19, 2016

**Banner-University Medical Center South Campus  
Graduate Medical Education Program**

Introduction

Pima County has a strong commitment to and support for the health and welfare of the residents of this community. In 1974, Pima County voters approved bond funds to replace the County General Hospital with a new hospital on the south side of Ajo Way at Country Club Road. The Kino Community Hospital (KCH) as operated by Pima County struggled to provide comprehensive care and experienced continual operational losses due in large measure to the dramatic changes in indigent healthcare financing by the State's Medicaid program, as well as an increasingly complex commercial insurance and competitive environment on the commercial insurance and medical provider side.

In order to ensure proper stewardship of County resources and provide quality healthcare in the area, the County entered into a partnership with University Physicians, Inc. and subsequently The University of Arizona Health Network. On February 28, 2015, University of Arizona Medical Center-South Campus (UAMC-SC) became Banner-University Medical Center-South Campus (BUMC-SC), marking the newest Pima County partner in healthcare provision. The professional operation of this facility continues the County commitment to quality healthcare and the development of a medical workforce made to the people of Pima County years ago.

History of the Hospital on the Kino Campus

From the opening of KCH in 1977, the facility had limited success in providing comprehensive healthcare for residents in southern Pima County. While the facility did address mandated and court-ordered behavioral healthcare and evaluation, medical and surgical services were very limited.

The lack of a dedicated physician base to channel patients to KCH, along with an increasingly complex reimbursement environment from Federal, State and commercial payers, complicated the County's ability to support and maximize operations at the hospital. By 2004, Pima County was losing millions annually, and community reliance on the hospital for services was limited. It was clear a new strategy for operating the hospital was needed. The optimal approach was determined to be a lease of the hospital to a third party with the necessary resources and competency to assume the license for its operation and to transform the site into a viable entity.

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It was at this time that University Physicians, Inc. (UPI), the physician faculty practice for The University of Arizona College of Medicine (UACOM), was engaged in identifying strategies for expansion of the physician training programs at UACOM and introduced their vision of how to leverage the hospital and more readily accelerate achievement of the University's three-prong goal of clinical services, teaching and research.

After careful analysis and much consideration, the Board of Supervisors voted to transfer the State license authorizing operation of the hospital to UPI and entered into a 25-year lease of the hospital and property with an option to extend the lease for another 25 years. The Board's approval of the initial lease included a funding commitment totaling \$127 million over 10 years. The lease mandated significant County oversight on performance measures, maintenance of a set of essential services, continued provision of behavioral health services essential for the County to meet its statutory obligations related to Title 36 behavioral health evaluation and treatment, and a set of service expansion goals supporting revitalization of the hospital campus.

UPI operated the hospital under its property lease with the County using various names for the hospital from June 16, 2004 until June 2010. Among UPI's accomplishments were recruitment of physicians, reopening the Intensive Care Unit (ICU), reestablishment of emergency room services and other actions pivotal to a vibrant clinical setting at which training could be accredited for physicians, nurses and allied health personnel.

While the hospital remained primarily a behavioral healthcare facility, actions taken by UPI helped pave the way for a more comprehensive, integrated healthcare facility. Dialogue with the leadership of University of Arizona Medical Center (UAMC), the established academic medical center and the primary teaching hospital, opened the door to integration of the two facilities into a single, academic medical system. In June 2010, the University physician practices, the health plan, and both Kino and University hospitals agreed to reorganize into a new company. This created a single academic medical system with a new corporate and operational framework named The University of Arizona Health Network (UAHN), operating two hospitals, UAMC-South Campus and UAMC-University Campus.

Since the reorganization, UAMC-SC has continued to develop into a fully integrated hospital, providing comprehensive medical and surgical services, along with behavioral healthcare for Pima County residents. Hospital occupancy has been at consistently peak levels for several months, indicating broad utilization of the facility. Surgical services, specialty clinics, such as diabetes and orthopedic care, and diagnostic procedures have continued to expand as well. The newly remodeled emergency department has provided exceptional care for the most acute patients.

Banner Health took over operation of the UAMCs in January 2015, bringing years of established operational expertise and medical care infrastructure to the Kino Campus. Local staff and leadership have primarily been retained through the acquisition and have

maintained continuity of management while continuing several initiatives to expand and improve service delivery throughout the hospital and provider networks.

On February 25 2016, I directed Facilities Management to assess the physical plant improvements necessary to keep the hospital up to the standards identified by the Joint Commission in their recent accreditation inspection of the facility. Staff has identified several priority projects and have generated initial estimates for resource allocation. These projects include fire safety systems, energy management, HVAC and air handling, as well as sewage projects. In the coming months Pima County and Banner will address these issues and maintain BUMC-SC as a safe and accredited healthcare facility.

#### Service Utilization at Kino Campus

When Pima County first transferred operations of the hospital, the County was losing approximately \$30 million annually, having lost its base hospital status in the emergency medical system and operating the hospital with an average daily census of medical/surgical patients less than 10. Service delivery has dramatically increased, particularly in acute medical and surgical services, and clinic utilization expanded significantly.

From the first full year of transition of operations [Fiscal Year (FY) 2005], the hospital has become a modern full-service facility and has seen a 135 percent increase in adjusted patient days, a 225 percent increase in provider clinic visits, 61 percent more emergency department visits and a 348 percent increase in surgical procedures based on FY 2016 annualized year to date figures. The table below provides a comparison in patient volume from 2005.

**Patient Volume Comparison FY 2005 – FY 2016 (Annualized).**

<b>Category</b>	<b>FY 2005</b>	<b>FY 2016*</b>	<b>Change</b>	<b>Percent Change</b>
Adjusted Patient Days	39,440	92,758	53,318	135
Total Clinic Visits	48,830	158,787	109,957	225
Total Emergency Department Visits	30,356	48,742	18,386	61
Total Surgical Procedures	662	2,964	2,302	348
Medical/Surgical Utilization	23%	51%	28	122
Behavioral Health Utilization	77%	49%	-28	-36

#### Graduate Medical Education

The Graduate Medical Education (GME) program at the Kino Campus has expanded dramatically from 17 residents in FY 2009 to 110 residents in FY 2014. This increase speaks to the high standard of quality healthcare provided at this facility since the

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residency accreditation process ensures a robust mix of highly-qualified faculty are onsite to supervise the care of patients, as well as training of physicians and medical students.

Additionally, there exists a well-documented relationship between GME programs' physician retention in the communities providing this training. Development of residency programs and GME funding systems are cited as key initiatives to address physician shortages and retain doctors trained in the state.

#### Amendment Terms

The operational objectives of the Kino Campus remain the delivery of efficient and effective clinic and hospital-based healthcare, development of a skilled professional healthcare workforce, advancement of integrated healthcare and partnership with Pima County in fulfilling obligations related to the medical and behavioral health of our residents. The amendment continues the consistent oversight of BUMC-SC operations via regular meetings between BUMC-SC leadership and Pima County Administration and Health staff. Along with mandated regular reporting, this arrangement will continue to ensure operational objectives are being addressed and verifying Pima County residents return on investment.

#### Recommendation

I recommend the Board of Supervisors approve the amendment to the Intergovernmental Agreement with the Arizona Board of Regents and Banner-University Medical Center in the amount of \$15 million. Approval of the amendment will maintain the County's support of this vital healthcare delivery system and continue provision of matching funds needed to generate federal funding in a two- or three-to-one ratio.

Respectfully submitted,



C.H. Huckelberry  
County Administrator

CHH/mjk – April 1, 2016

#### Attachment

c: Jan Leshar, Deputy County Administrator for Community and Health Services  
Dr. Francisco Garcia, Director, Pima County Health Department

**Fourth Amendment to the Agreement Among Pima County, The Arizona Board of Regents, and Banner Health Relating to the Operation and Funding of a Hospital on Banner-University Medical Center South Campus and The University of Arizona College of Medicine Graduate Medical Education Program**

This fourth amendment (“Amendment”), is entered into by and among Pima County, a body politic and corporate of the State of Arizona (“County”); the Arizona Board of Regents (“ABOR”); and Banner Health on behalf of Banner University Medical Center Tucson Campus, LLC and Banner University Medical Center South Campus, LLC (“Banner”) collectively referred to as the Parties.

**Recitals**

- A. The parties previously entered into an Agreement dated June 15, 2010 with respect to funding the University of Arizona College of Medicine (“UACOM”) public health and education mission, including support of the UACOM’s two-hospital education and clinical system.
- B. On July 1, 2012 the Parties amended the Agreement to reflect the reorganization and renaming of the integrated system and to extend the County’s funding commitment through July 31, 2014.
- C. On August 1, 2014 the Parties again amended the Agreement to refine and restate the goals of the Agreement, provide additional funding to further the progress made toward the achievement of those goals, shorten the termination notice period, and address capital improvement funding and disposition.
- D. On February 28, 2015 Banner Health and the University of Arizona Health Network, Inc. merged resulting in Banner Health being the sole corporate member of Banner University Medical Center Tucson Campus, LLC and Banner University Medical Center South Campus, LLC.
- E. The Parties wish to extend the term of the Agreement and continue funding of the Agreement through fiscal year 2017.

Accordingly, in exchange for ABOR’s and Banner’s commitments and their compliance with all the terms and conditions of the Agreement, the Parties agree as follows:

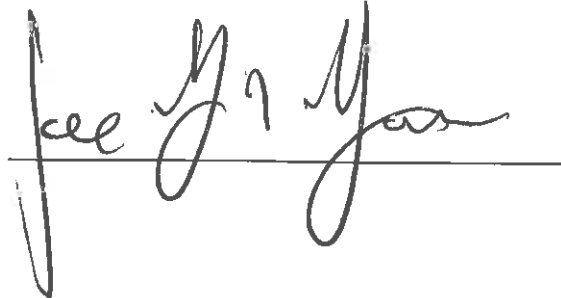
- 1. Attachment A-2 Operational Objectives is replaced with Attachment A-3 Operational Objectives.
- 2. The second sentence of Attachment B-3 Funding and Reporting Paragraph 1 is modified to read as follows: For activities and reporting occurring July 1, 2016 through June 30, 2017, the County will within ten business days of submission of proof to and approval by County of each of the set of reports or deliverables, pay to ABOR a sum not to exceed Fifteen Million Dollars (\$15,000,000) in monthly installments of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000).

The Parties have executed this Agreement as of the dates indicated below:

**PIMA COUNTY:**

**ARIZONA BOARD OF REGENTS:**

\_\_\_\_\_  
Sharon Bronson  
Chair of the Board of Supervisors

  
\_\_\_\_\_

Date: \_\_\_\_\_

Date: 3/15/16

**ATTEST:**

\_\_\_\_\_  
Clerk of the Board of Supervisors

**BANNER HEALTH:**

  
\_\_\_\_\_

Its: 3.21.16

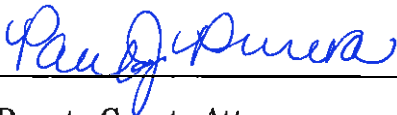
**APPROVALS AS TO FORM:**

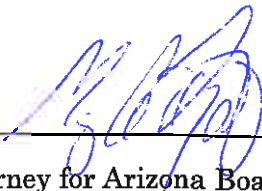
The foregoing Agreement among Pima County, the Arizona Board of Regents and Banner Health has been reviewed and pursuant to A.R.S. §11-952 by the undersigned, each of

whom has determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the party represented by such attorney.

**PIMA COUNTY:**

**ARIZONA BOARD OF REGENTS:**

  
\_\_\_\_\_  
Deputy County Attorney

  
\_\_\_\_\_  
Attorney for Arizona Board of Regents

## **ATTACHMENT A-3**

### **Operational Objectives**

The Parties jointly determined a set of four guiding principles for the successful development and operation of the Banner University Medical Center - South Campus (BUMC-SC) that further the Parties' mutual objectives. Those guiding principles together with the specific goals and objectives intended to service those principles during the time period beginning July 1, 2016 through June 30, 2017 are set forth below.

#### **1. *Efficient and Effective Service Delivery and Training of the Healthcare and Allied Healthcare Workforce.***

##### **a. *Development of a trained, skilled workforce in health care and allied fields***

- i. Ensure and maintain a robust training experience for all University of Arizona Colleges of Medicine, Nursing and Pharmacy training programs at BUMC-SC.
- ii. Expand and enhance training programs that focus on a care delivery model that will improve outcomes by collaborating with healthcare professionals.
- iii. Explore possibilities of training rotations, consistent with CMS resident funding, to locations throughout Pima County
- iv. Explore opportunities to retain University of Arizona College of Medicine resident physicians in Pima County.

##### **b. *Cost-effective and quality service delivery***

- i. Develop care and payment models that improve patient outcomes.
- ii. Ensure continued availability of quality healthcare for southern Arizona through continuous evaluation and assessment of existing and future service needs.

#### **2. *Public Health and Community Wellness.***

##### **a. *Integration of Medical and Community Behavioral Health Systems.***

- i. Enhance and expand integration and cooperation with community behavioral health service providers by collaborating with the local Regional Behavioral Health Authority.
- ii. Explore opportunities to enhance behavioral health service delivery through cost-effective and innovative treatment models.
- iii. Develop BUMC-SC into a Behavioral Health Center of Excellence as recognized by the Arizona Board of Regents. This will be developed in partnership with Pima County, UAHN and The University of Arizona Department of Psychiatry.



- iv. Continue to assist Pima County in fulfilling its involuntary commitment obligations under Title 36 of the Arizona Revised Statutes by serving as the community practice hub for involuntary commitments and through the design and implementation of evaluation and treatment models that respect and individual's right to timely treatment in the least restrictive setting and provide that individual with the opportunity to participate in their evaluation and treatment on a voluntary basis.
- v. Uses its best efforts to make progress in diversion of individuals from involuntary treatment and in development of an outpatient involuntary evaluation program.

b. *Enhancement of Physician and Clinical Services*

Explore opportunities to develop and enhance key programs that positively impact the health and well-being of populations in Pima County through coordinated collaborative community needs assessment, planning and action.

c. *Integration and Cooperation with First Responders*

Continue active cooperation and integration with the community's first responders and emergency response capabilities through active participation in activities, events and exercises.

3. *Accountability and Transparency.*

Ensure regular and systematic reporting of financial and statistical data for BUMC-SC by convening at least monthly financial and operational oversight meetings in conjunction with Pima County and other stakeholders.

4. *Financial Viability and Sustainability.*

a. *Operational Performance*

Continue to improve operational performance through consistent and regular monitoring of key indicators including, but not limited to, average daily census, average length of stay, payor mix, and visits to specific services or specialties.

b. *Financial Reviews*

Ensure improved financial operations through consistent and regular review of financial indicators including, but not limited to, annual revenue and expense goals, gross patient charges, net service revenue, contract or other operating income, operating expense, payer mix and methodology and protocol for allocating federal and state matching dollars for local services.