



## Legislation Text

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**File #:** 07-1654, **Version:** 2

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Public Health Department requesting direction on how to respond to the request by the El Dorado County Community Health Center (CHC) for forgiveness of the debt payment of \$300,000 owed to the County for setup, expansion, and operation of the Health Center facility on Golden Center Drive, noting Chief Administrative Officer recommending extension of the term of repayment for three years, to December 31, 2010. (Cont'd 1/8/08, Item 35)

**FUNDING:** Tobacco Settlement.

Fiscal Impact/Change to Net County Cost: If CHC is held to repay the \$300,000 (paid out of Tobacco Settlement) owed to the County, those funds could be used to enhance and continue services provided under the Children's Health Initiative, expand health insurance coverage to children who could otherwise not afford it, or be applied to other health-related projects.

Background: Under the guidance of the Public Health Department, the establishment of CHC was approved by the Board of Supervisors using funding from the Tobacco Master Settlement Agreement. CHC now operates full time and has become the primary medical care provider for Medi-Cal, CMSP, underinsured, uninsured and indigent patients on the Western Slope of El Dorado County. The County funded the startup of CHC and provided funding for renovations to the facility from County's Tobacco Master Settlement Agreement to make up the difference between the Center's revenues and expenditures while they explored and sought alternative funding sources. Of that money, \$300,000 was loaned to CHC by the Board on the condition it be paid back by the end of the contract term, set to expire December 31, 2007. In the interim, CHC successfully obtained Federally Qualified Health Center (FQHC) designation, which enabled it to fiscally sustain its operations.

Recently, CHC contacted the Department asking for forgiveness of the \$300,000 payment after the Department requested repayment of the loan by December 31, 2007. Citing insufficient funds to repay the full amount, coupled with its efforts to expand services to reach even more County residents in need, CHC may be forced to downsize its current staffing levels and terminate plans for expansion indefinitely if it had to repay the full amount owed. However, any debt repaid to the County could be used to fund other health-related projects for which funding is scarce or depleting. Therefore, the Department proposes the following four contingencies for the Board's consideration and asks that one be chosen or another alternative be suggested:

1. Insist that CHC repay the amount owed in full.
2. Extend the term of repayment in full for a later date to be determined (Note: the option for a 10 year payback period was presented to the Board by the Department, and was ultimately rejected, at the Board meeting on August 16, 2005).
3. Structure a payment plan over a period of time, whereby CHC can make regular installments.
4. Forgive the debt.

**CAO Review:** Upon receipt of the agenda item, the CAO asked for CHC's available financial

statements. CHC provided financial statements for the year ending June 30, 2006, which included comparable audited data for the prior year. CAO staff reviewed those statements and found that revenues and expenses increased in FY 2005-06 due to increased medical care services provided. CAO staff did not note any information presented in the financial statement that is of concern.

Of the four alternatives presented, the CAO recommends that the Board select option 2, which is to extend the term of repayment for three years, to December 31, 2010. The Public Health staff should work with CHC staff to ensure that CHC reserves \$8,333.33 of its revenue on a monthly basis so that the \$300,000 is available to remit to the County in three years.

Action to be taken: Board to provide direction to the Department on how to respond to CHC regarding the request for debt forgiveness; Department to work with CHC to execute the Board's directive.

Contact: Dan Buffalo

Concurrences: