

Health Districts in Oregon

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By: Paul McGinnis MPA, Sonya Howk and Emerson Ong

EXECUTIVE SUMMARY- Many rural communities in Oregon struggle to keep their health systems economically viable. One local option to create a non-operating revenue stream is the formation of a municipal corporation called a “health district.” The purpose of this paper is to simply describe those health districts that exist, what they do and can do under Oregon law and to briefly describe the process of health district formation.

Ownership Structures

In a pure free enterprise economic system all services and businesses would be owned and operated by private individuals or corporations. Those organizations would compete with one another for consumers and be responsible for satisfying the needs or demands of their customers. This, however, is not the case in health care services. Because of the government’s role in securing and protecting the health of the citizens various methods of organizational ownership are at play.

Health care organizations are typically organized into three types of ownership groups. They are: for-profit, non-profit or publicly held. These three types of ownership differentiate themselves by whom they are responsible to and who holds them accountable for their actions.

For-profit organizations are created by incorporating or by acquiring some type of business license through the state. The organization is accountable to the owners, partners, or shareholders. Common for-profit health care organizations include private physician offices, dental practices, pharmacies, and allied health professionals. For-profit organizations exist in areas where, because of the profit motive, there is enough demand for the service to generate a profit. These businesses are subject to taxes on their income and property.

Non-profit organizations are incorporated through state law. These organizations are declared to be tax-exempt because they fill some type of socially charitable need that for-profit organizations have NOT found profitable enough to serve. Non-profit organizations have a community-based board of directors who have been entrusted with the care of a community-resource and represent the community’s interest to the organization. The non-profit organization is accountable to its board of directors or trustees, which, in turn is accountable to the community. These organizations are also permitted to accept charitable donations from individuals and accept grants from foundations. The bottom line for non-profit organizations is community service. However, do not confuse “non-profit” with no profit. Non-profit organizations are allowed to make a profit. They simply must reinvest these profits in community service or to the community’s benefit. Common organizations that are non-profit include church affiliated hospitals, community hospitals, federally qualified health centers, community clinics, and many others.

Public or government organizations exist because either the state provides the service or the state allows counties, cities or districts to provide the services through their charters or through statute. Remember, counties, cities and taxing districts get their legitimacy from the state to exist. Public organizations are accountable to the elected officials governing them. Those people are elected, in part, based on their ability to govern the public organization in the public’s interest. Public health services, state mental hospitals, and *health districts* supporting ambulance, clinics, and hospitals are all common health services organized by government.

This paper examines the role of the **health district** in assuring available services in Oregon. In particular, in rural Oregon, where the population base is not large enough to create a “demand” for services which will generate enough income for for-profit, or non-profit organizations to survive.

What is a Health District?

A health district is a municipal corporation. It exists with the specific purpose of providing some type of health service. In other words, it is a form of local government that receives its authority from the state to operate. Oregon Revised Statute Chapter 440.320 authorizes that Districts may be incorporated as municipal corporations for the purposes of:

- (A) Providing clinically related diagnostic, treatment and rehabilitative services on an inpatient or outpatient basis;
- (B) Providing outreach programs in health care education, health care research and patient care;
- (C) Serving as a resource for health providers in the district; and
- (D) Promoting the physical and mental well-being of district residents

Like other local governments, health districts have legal and ethical obligations. Oregon Revised Statute 440.360 describes the powers of health districts. Any corporation formed under this chapter shall have all the powers necessary to carry out the purposes, including, but not limited to, the following:

- (1) To provide directly or indirectly any physical or mental health related service.
- (2) To make any contract or agreement, to purchase and lease real and personal property, to enter into business arrangements or relationships with public or private entities and to create and participate fully in the operation of any business structure, including the development of business structures and arrangements for health care delivery systems and managed care plans.
- (3) To participate in community sponsored health screening, prevention, wellness, improvement or other activities that address the physical or mental health needs of district residents. Such participation may include clinical, financial, administrative, volunteer or other support considered appropriate by the board.
- (4) To perform any other acts that in the judgment of the board are necessary or appropriate to accomplish the purpose of ORS 440.315 to 440.410.

Health districts serve a defined contiguous geographic area. This geographic area may be any logical boundary for the service to be provided. A health district may be a portion of a county, cross county boundaries, but may not split or divide an incorporated city.

Health districts receive tax revenues based on the voter approved permanent rate per \$1,000 in assessed property value within the defined geographic area. Health districts may also assess additional time-limited levies and issue bonds for public works. In addition to the non-operating revenues, health districts are authorized to charge fees to persons who use district facilities or services.

Lastly, the health district is governed by a publicly elected board.

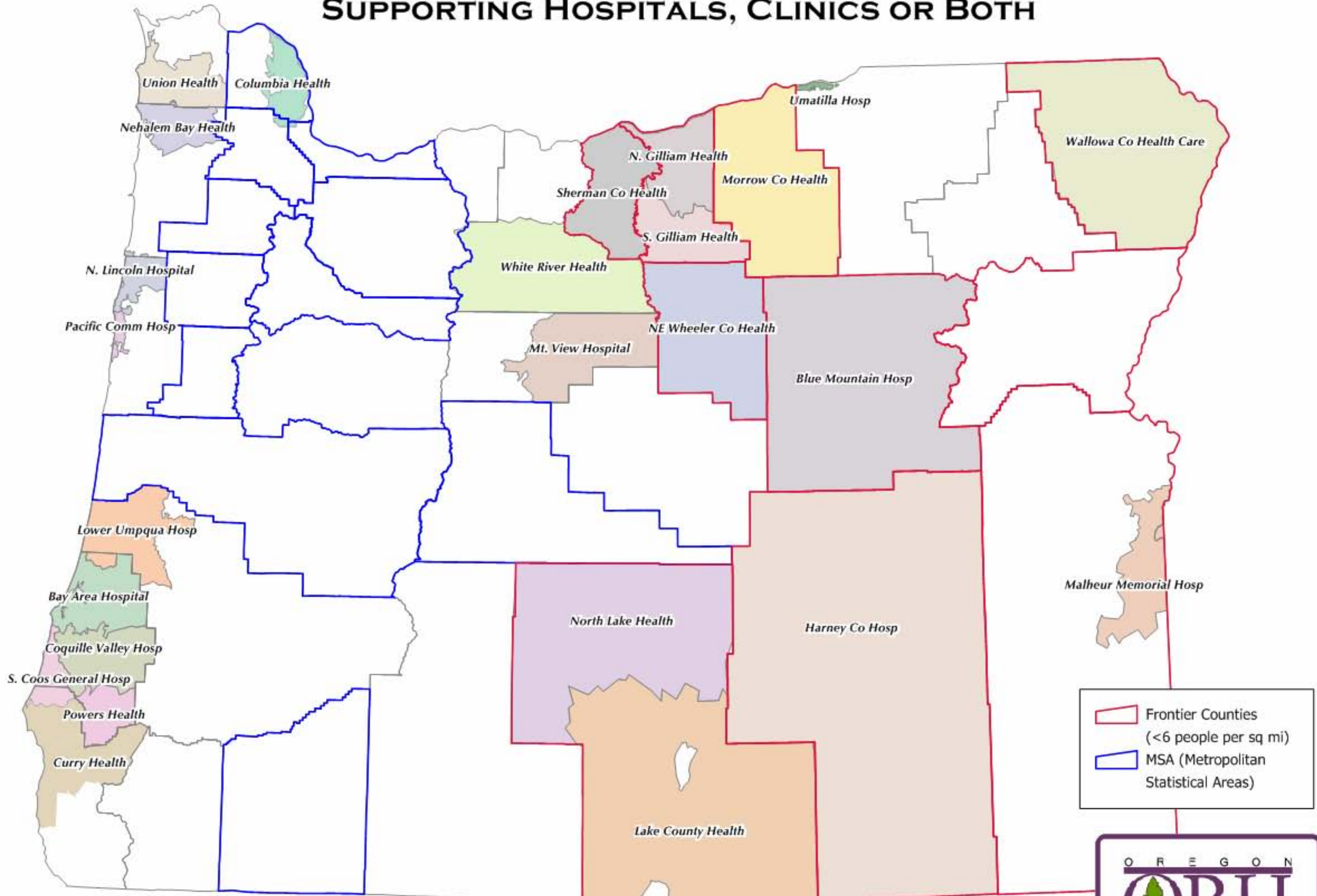
Where Are the Health Districts?

This paper limits its review of health districts to those that provide hospital or clinic services. Others are established to provide nursing homes, ambulance services, and emergency communication services. The map on page 5 displays the **approximate** service areas of the existing health districts in Oregon supporting hospitals or clinics. A cursory examination of the map readily reveals that health districts are a rural phenomenon. They appear to be located in areas that are **NOT** on the Interstate 5 or Interstate 84 corridors. With the exception of the Columbia Health District in Columbia County, **NO** other health districts supporting clinics or hospitals exist in those counties defined by the federal

Office of Management and Budget as Metropolitan Statistical Areas. Further, the map shows “Frontier” areas in Oregon (6 people or fewer per square mile). Ten counties are represented as “frontier” and only one, Baker, does not have at least one health district serving the local population. The other concentration of health districts is along the Oregon Coast. Again, smaller population bases and greater distance to larger systems of care appear to be similar traits shared with the districts in frontier areas.

OREGON HEALTH DISTRICTS

SUPPORTING HOSPITALS, CLINICS OR BOTH



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*health district service areas represented on this map are approximated
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Health District Facts and Figures

Districts Supporting Clinics

There are 25 health districts in Oregon supporting clinic or hospital services. 11 of those 25 districts support primary care clinics. Two of those 11, the Northeast Wheeler County Health District and the Columbia Health District, contract with the State of Oregon to be the local public health entity. Four of the 11 districts supporting clinics once provided hospital services. Those include the Umatilla Hospital District (hospital closed in 1982), Harvey A. Reinhart Memorial Hospital (hospital closed in 1990), Malheur Memorial Hospital District (hospital closed in 1989) and the Columbia Health District (hospital closed in 1989). In November of 2004 south Columbia County residents voted to dissolve their district and reform a new district with new boundaries and a higher permanent rate. The voters approved this with the intention of re-opening the hospital.

The range of non-operating revenues generated from districts supporting clinics is from \$24,781 to \$170,677 with an average of \$87,423. Based on 2007 populations from the Office of Rural Health's Primary Care database, the per-capita tax for clinics averages \$56.26 per year. Please note that because of the unique situation with the Columbia Health District's efforts mentioned above, their tax imposed is EXCLUDED from the averages presented for districts supporting clinics.

Districts Supporting Hospitals

14 of the 25 health districts in Oregon support inpatient hospital services. 13 of those 14 hospitals have converted to Critical Access Hospital status under the Rural Medicare Hospital Flexibility Program. This means they use less than 25 inpatient beds and have an average length of stay of less than 96 hours. Many of these district hospitals operate clinics, nursing homes and ambulance services as well as the hospital. Bay Area Hospital in Coos Bay, Oregon operates organizationally as a health district but does not impose any taxes.

The range of non-operating funds supporting hospitals and health systems ranges from \$0 to \$1,579,490 with an average of \$803,501. Based on 2007 populations from the Office of Rural Health's Primary Care database, the per-capita tax for hospitals averages \$88.79 per year.

Table 1 displays the data regarding tax revenues for health districts.

Table 1
Oregon Health Districts - Facts and Figures
Tax Year 2006-2007

District	County	Assessed Value	Permanent Rate	Permanent Tax Imposed	Local Option	Total Tax Imposed	Population	Per Capita Tax
CLINIC SERVICE								
Powers Health	Coos	\$40,705,000	1.8723	\$75,847		\$75,847	1,030	\$73.64
North Gilliam Health	Gilliam	\$140,923,000	0.9425	\$132,309		\$132,309	785	\$168.55
South Gilliam Health	Gilliam	\$132,703,000	0.8293	\$109,620		\$109,620	1,067	\$102.74
North Lake Health	Lake	\$137,135,000	0.85	\$116,459		\$116,459	1,706	\$68.26
Malheur Memorial Hospital	Malheur	\$198,749,000	0.8634	\$170,677		\$170,677	6,206	\$27.50
Sherman County Health	Sherman	\$218,989,000	0.478	\$100,970		\$100,970	1,767	\$57.14
Nehalem Bay Health	Tillamook	\$802,015,000	0.0309	\$24,781		\$24,781	3,152	\$7.86
Umatilla Hospital	Umatilla	\$253,410,000	0.482	\$122,142		\$122,142	7,081	\$17.25
White River Health	Wasco	\$206,641,000	0.25	\$51,659		\$51,659	2,728	\$18.94
Columbia Health	Columbia	\$2,032,681,000	0.4233	\$860,535		\$860,535	38,674	\$22.25
NE Wheeler County Health	Wheeler	\$58,077,000	1.0084	\$57,184		\$57,184	1,045	\$54.72
CLINIC AVERAGES			0.7300	\$87,423		\$87,423	5,931	\$56.26
HOSPITAL SERVICE								
Union Health	Clatsop	\$2,280,240,000	0.1365	\$311,291	\$671,798	\$983,090	11,721	\$83.87
Bay Area Hospital	Coos	\$2,306,001,000	0	\$0		\$0	41,919	\$0.00
Coquille Valley Hospital	Coos	\$361,576,000	1.5299	\$550,585		\$550,585	12,329	\$44.66
South Coos General Hospital	Coos	\$679,558,000	0.8892	\$604,293		\$604,293	7,389	\$81.78
Curry Health	Curry	\$720,756,000	0.7425	\$535,161		\$535,161	7,319	\$73.12
Lower Umpqua Hospital	Douglas	\$402,702,000	3.9729	\$1,579,490		\$1,579,490	7,956	\$198.53
Blue Mountain Hospital	Grant	\$387,584,000	2.1329	\$826,256	\$483,279	\$1,309,535	7,471	\$175.28
Harney County Hospital	Harney	\$365,553,000	1.9314	\$694,752		\$694,752	7,389	\$94.03
Mt. View Hospital	Jefferson	\$1,133,179,000	0.2508	\$283,994	\$129,994	\$413,988	15,991	\$25.89
Lake County Health	Lake	\$304,627,000	2.0311	\$611,127		\$611,127	5,742	\$106.43
North Lincoln Hospital	Lincoln	\$1,802,646,000	0.5184	\$934,575		\$934,575	16,783	\$55.69
Pacific Communities Hospital	Lincoln	\$2,531,479,000	0.3625	\$915,619	\$220,408	\$1,136,027	13,044	\$87.09
Morrow County Health	Morrow	\$1,052,739,000	0.605	\$931,439		\$931,439	11,780	\$79.07
Wallowa Co. Health Care	Wallowa	\$536,222,000	1.0497	\$964,961		\$964,961	7,012	\$137.62
HOSPITAL AVERAGES			1.1538	\$695,967		\$803,502	12,418	\$88.79

Sources:

Oregon Property Tax Statistics Supplement, Fiscal Year 2006-7; Oregon Dept. of Revenue.

City and County Population Data 2007

Why form a health district?

The first item one might ponder is “Why do people form health districts?” In most cases, districts are formed to secure a steady stream of non-operating revenues. The idea is to equally spread the burden of support among the population that will benefit from the services made available and provide a consistent income source without the burden of annual fund raising campaigns. Without the infusion of non-operating revenues, most districts would not be viable operations because of smaller populations and therefore less demand for the service. While non-profit organizations and health districts can receive charitable donations and foundation grants, rarely may those funds be used to supplement existing operating expenses. So, stabilizing existing operations is a potential reason for district formation.

Another reason is to gain the ability to issue bonds for construction projects or the purchase of major durable equipment.

The social value or peace of mind community residents have knowing that health professional services or hospitals services are indeed in the area when, and if, they have a medical need is another reason for support health districts. Maintaining local control of a community-based asset is another reason for using the health district as a means of retaining services. The governance structure allows for the reflection of community norms and values to be expressed through the policies and procedures that operate the district.

Steps in the Formation of Health District

The information presented here is NOT legal advice. It is intended to serve as a general description of what communities must complete and to demonstrate the level of work needed to form a district. It is suggested that good legal and financial advice be secured BEFORE beginning this process. The timeline is generally between 12-18 months. Timing is important. District elections can be held during the May or November general elections. Districts formed in even numbered years begin receiving tax revenues in July of the next odd numbered year.

STEP 1- Form Committee

The first step in district formation is the establishment of a working committee whose tasks include:

- Gauging community interest and support of the proposed district

Several groups the authors have been involved with in Oregon spent time describing the benefits of the proposed services to “external audiences.” These audiences included end users, key influence leaders, formal leaders, media and other health related organizations. They generated lists of potential community objections to formation and formulated logical answers to those address the objections. Further, they made lists of potential benefits and devised ways of incorporating those benefits into promotional strategies. These included both quantitative and qualitative measurable benefits.

- Determining the metes and bounds of the proposed district

The easiest way to determine the geographic area of the proposed district is to estimate where the bulk of the consumers who will use the service reside. In district formation it is much easier and quicker to determine the geographic area by using existing tax supported organizations such as county lines, school district boundaries, water or fire districts etc.. If the planning group determines that none of the existing tax

boundaries makes sense for the proposed health district, it must request a physical survey from the Secretary of State to “map out” the metes and bounds for them. This can cause a considerable delay.

- Determining the budget and tax issues

In determining the budget and tax issues, the working committee must decide how much non-operating (tax money) is needed to insure stable operations of the proposed health service. Once that amount has been decided upon, based on the valuation of the property within the boundaries of the district, a permanent tax rate (per \$1,000 of assessed valuation) can be determined. The math is as follows:

Determine the Amount of Money Needed – Example (\$150,000)

Determine the Total Assessed Valuation of the Proposed Boundary (\$200,000,000) divided by 1,000

Solve for “Y” in Sample Equation Below

$$Y \times (\$200,000,000 / 1,000) = \$150,000$$

$$Y = \$150,000 / (\$200,000)$$

$$Y = \$.75 \text{ per } \$1,000 \text{ in Valuation}$$

- Determining the method of formation

The law allows county commissioners to initiate or “declare” formation of a district, but most are hesitant to do so without going through the due process of public comments and public confirmation through the elections process. This means someone or group needs to “petition” them with a request to form a district. Even if the commissioners declare a district public confirmation and funding must be confirmed through the elections process.

- Determining the petition circulation process

The formation process calls for the delivery of a petition signed by 15 percent of the registered electors, (voters) in the territory OR 100 electors whichever is greater; or 15 owners of land or the owners of 10 percent of the acres, whichever is greater. Legal experts will help with the wording of the petition that will include a description of the district and a map. The petition is approved by the county commissioners and then circulated in the community. Signatures must be gathered within a six-month period.

- Designating chief petitioner(s)

Individuals or individual representatives of an organization must act as the chief petitioners for the formation. These folks are expected to pay for surety bonds, filing fees, election costs, etc.. These funds may be recovered if the district formation is successful.

STEP 2 – Public Hearings

Once the petition has been circulated and signatures collected, the petition is filed with the county and the clock begins to tick leading up to the election day. Once the petition is determined by the County to be valid, the county commission (or county court) has 30-50 days to give notice and hold the first public hearing.

The petitioners will present the budget information, describe the scope of services to be provided and the proposed boundary during these public hearings. Questions from the commissioners (or court members) and members of the public are addressed at this time. Further, landowners have the right to attempt to describe why their property should or should not be included in the boundary. At the end of the meeting, given

satisfactory evidence, the county orders formation of the district, approves the boundaries and sets a time for the second hearing.

The second hearing occurs after public notice 20-50 days after the orders directed at the first hearing. During the second hearing, the formal actions of the county include: accepting the boundaries, ordering elections on district formation, enacting a formulation resolution, approving the ballot title and publishing a notice of district board elections.

STEP 3 – Candidates for election to District Board

Following the procedures established by the Secretary of State's Office, candidates for the position of health district director file their intent to seek office. ORS 440.330 describes the number of directors, terms, effect of absence, and determines that district employees are not eligible to serve on the board. There are between 5 and 15 members allowed on a health district board.

STEP 4 – Campaign

The committee formed in Step 1 begins to advocate in favor of district formation, establishment of a permanent rate, and may have candidates it favors for the election. A political action committee should be formed and registered with the county clerk of courts. This enables the candidate to campaign, accept political contributions, etc.. But perhaps the most important activity is educating the voters regarding the potential benefits accrued from the formation and funding of the district.

STEP 5 – Election Day

Generally the ballot will contain a question that has two parts that must be approved. The two parts are: 1) shall a district be established? And 2) should a permanent tax rate of \$xx per \$1,000 of assessed valuation be approved? Sometimes these will be listed as two separate measures on the ballot and BOTH must be approved in order for the district to exist. Newly formed districts MUST have a permanent tax rate or they will be found null and void if the funding is not also approved.

On the same ballot, there should be a separate list of candidates for board director positions. Again, while you may vote on this item, it is based upon the assumption that the ballot question(s) above are approved.

STEP 6 – Waiting for the Money

District fiscal years are July 1 to June 31. If the election for the formation of a district occurs in an odd numbered year, the board must wait until July of the NEXT odd numbered year to begin receiving tax dollars. So, the ideal time to vote on the district formation is in November of an even numbered year in order to generate tax revenues seven months later.

Summary

Health Districts in Oregon are a viable organizational infrastructure option for securing health services desired by the public in the communities they serve.