

Contra Costa County Grand Jury Report 1109

MT. DIABLO HEALTH CARE DISTRICT—DISSOLVE NOW!

TO: Mt. Diablo Health Care District Board

SUMMARY

The Mt. Diablo Health Care District (District) has outlived its purpose. After assets were transferred to John Muir Medical Center in 1996, its mission was to advocate for and fund health care programs and to ensure that the former Mt. Diablo Medical Center continued to function as a regional medical center serving Martinez, Concord, and portions of Lafayette and Pleasant Hill. Today these communities are being served by John Muir Health (formerly known as John Muir Medical Center), a not-for-profit privately supported health care provider with medical centers in Walnut Creek and Concord, the site of the former Mt. Diablo Medical Center. John Muir Health has invested more than \$180 million in the John Muir/Mt. Diablo Concord campus.

From 2000 through 2009, the District received \$2,450,604 in property taxes and contributions from John Muir Health. It granted \$243,823 toward community outreach programs. It spent approximately \$600,000 to pursue an unsuccessful lawsuit against John Muir Health. Additionally, the District spent \$360,000 for lifetime health insurance covering two people and their dependents while amassing a 2009 audited fund balance of over \$800,000.

This is a District whose original mission has been completed, and one that only sporadically provides services to the community. Under California statute, only the voters in the District can dissolve it. The Grand Jury concludes the District needs to initiate the dissolution process since its mission as a health care district is not being fulfilled.

BACKGROUND

The 63-year-old property tax-supported District ran a hospital until 1996 when the hospital and related property were transferred to John Muir Medical Center, now known as John Muir Health. For the past 14 years the District, governed by a five-member publicly elected Board, has sought health related projects to support, but has spent most of its funds instead on legal and other administrative expenses.

The District Board turnover in 2010 was high because three members resigned. Three of the five current Board members are new and have only served since December 2010. As a result, the

experience level of the Board has decreased and institutional knowledge now resides with one Board member who has served more than 20 years.

One present and one former Board member and their spouses may be entitled to lifetime health insurance from the District. More than \$36,000 of District funds is expended annually to provide this coverage. No evidence was found that Medicare or competitive bidding was sought for the coverage. From 2000 through 2009, the District paid out more than \$360,000 for health care coverage for these Board members.

The District continues to receive the property tax revenue plus an annual \$25,000 grant from John Muir Health to provide health related community outreach. The following table shows data from the ten most recent financial statements:

Year	Property Tax Income	John Muir Grant Income	Community Outreach Expenditure
2000	\$149,154	\$25,000	\$403
2001	\$157,037	\$25,000	\$500
2002	\$181,724	\$25,000	\$0
2003	\$194,215	\$25,000	\$87
2004	\$203,594	\$25,000	\$0
2005	\$223,369	\$25,000	\$0
2006	\$255,649	\$25,000	\$0
2007	\$290,638	\$25,000	\$0
2008	\$276,694	\$25,000	\$211,000
2009	\$267,630	\$25,000	\$31,833
Total	\$2,200,604	\$250,000	\$243,823

At least two of the District’s former Board members have recommended dissolving the District. However, nothing has happened toward that end. On three separate occasions the Grand Jury has reported on the District. In 2001 the Grand Jury (Report 0101) concluded the District was no longer fulfilling a useful mission and recommended that it be dissolved. Again in 2003, the Grand Jury recommended dissolution (Report 0309). Finally in 2008 (Report 0806), the Grand Jury recommended that within six months of their report the District submit a dissolution plan to the Local Area Formation Commission (LAFCO). All three reports can be found on the Grand Jury’s website.

FINDINGS

1. The District has made a few small grants totaling \$243,823, amounting to less than 10 percent of the total revenues collected from property taxes and contributions, while accumulating a fund balance in excess of \$800,000 which is available for health related programs.

2. Over 10 percent of the District's annual income is expended for health care insurance for one current Board member and one former Board member and their spouses. This payment may be a lifetime District obligation to these individuals.
3. The District has outlived its useful purpose and is no longer needed.

RECOMMENDATIONS

1. The Board should promptly develop a plan to allocate funds to health programs for District residents.
2. The Board should promptly review the current health insurance coverage for qualified current or former Board members to assure compliance with District policy. Health insurance premiums should be approved by the Board.
 - a. If the recipients are eligible for Medicare, the Board should require enrollment in Medicare making it the primary provider. If District policy provides for supplemental coverage, the Board should undertake a competitive bid process for such coverage.
 - b. If recipients are not Medicare eligible, the Board should initiate competitive bidding for the primary insurance.
3. Mt. Diablo Health Care District should initiate dissolution proceedings promptly.

REQUIRED RESPONSES

Findings & Recommendations

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