

CITY COUNCIL STUDYSTUDY SESSION ITEM

SUBJECT

Update on King County Public Hospital District #1 Proposal for Alliance with UW Medicine

STAFF CONTACTS

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FISCAL IMPACT

No direct fiscal impact to the City.

POLICY ISSUES

A portion of South Bellevue is contained within the boundaries of King County Public Hospital District #1 (PHD #1), also known as Valley Medical Center. The area is a portion of Newport Hills and is bounded by SE 49th St. on the north, Lake Washington on the west, the Bellevue city boundary on the south and (roughly) Coal Creek Parkway on the east (**see Attachment 1**). This is the northernmost portion of the Public Hospital District #1 taxing area. In 2006, the Bellevue Council adopted a resolution supporting residents of the area's request to withdraw from the hospital district's boundaries following a significant increase in the district's tax rate. The District's board did not act to remove the area in Bellevue from its boundaries. Recently, Valley Medical Center announced an intent to form an alliance with UW Medicine, which would result in the formation of a new board to oversee the management of Valley Medical Center. The District's board would comprise a portion of the new board. Valley Medical Center is currently seeking comments on the proposal.

This proposal appears to signal a significant change in the future of Public Hospital District #1 and presents an opportunity for the District board to reconsider Bellevue's request for removing the area within Bellevue from the District. Does Council wish to reiterate support for such action?

DIRECTION NEEDED FROM COUNCIL

 X Action
 X Discussion
 X Information

BACKGROUND/ANALYSIS

In 2006, residents of an area of Newport Hills asked the City how to withdraw their property from within the boundaries of PHD #1. This request came forward following a special election in April 2005 that raised the total hospital district property tax levy rate from \$.09 to \$.59 per \$1,000 of assessed value. The 2011 rate is \$.53 per \$1,000 of assessed value.

PHD #1, also known as Valley Medical Center, was the first public hospital district formed in the state and was created in 1948. Bellevue annexed Newport Hills in 1993. Prior to annexation the area received primary emergency medical services through Fire District 25. After annexation, the City used its statutory authority to assume the fire district, and the Bellevue Fire Department is now the primary provider of emergency medical services (EMS) in this area. The majority of EMS transports from the area are taken to Overlake Medical Center in Bellevue.

In 2011, the area of the district that is within Bellevue contained approximately 2,880 dwelling units. The total property tax that will be received by PHD #1 from this area in 2011 is approximately \$645,000. The area is roughly 7.5 miles from Valley Medical Center and 5 miles from Overlake Hospital.

Public hospital districts are special purpose districts. These are political subdivisions of the state and are governmental entities separate from cities or counties. Their existence, legal rights and responsibilities, ability to modify boundaries, and dissolution are governed by their own specific statutory procedures. Thus, the powers to modify the district boundaries—as with the powers that Bellevue has to modify its boundaries is the District's to exercise.

2006 Support for Removal of Area from PHD #1 Boundaries

As noted above, in May 2006, the Bellevue Council approved Resolution No. 7363, expressing the City Council's support for withdrawing territory under the jurisdiction of the City of Bellevue from the area of Public Hospital District #1, expressing a desire to meet with the Board of Commissioners of the District in order to explore withdrawal of the area from the District's Boundaries and to seek potential legislative remedies to effect the withdrawal.

The statutes governing the removal of territory from special purpose districts, and in particular hospital special purpose districts, are old and complex.

Statutory Method 1: RCW 70.44.235 is the first of two RCW statutes governing the withdrawal of areas from a public hospital district. The statute authorizes such withdrawal upon the passage of two resolutions, one by the public hospital district commissioners and a concurring resolution by the city council of the city in which the area proposed for withdrawal is located. However, the public hospital district's resolution must find that withdrawing the area is being done to avoid the proration of the district's tax levy rate under RCW 84.52.010. Proration is the result of reducing several taxing districts' levy rates proportionally to stay under an overall levy rate cap. With few exceptions, under RCW 84.52.010 the aggregate regular levy rates of senior and junior taxing districts cannot exceed \$5.90 per thousand dollars of assessed valuation within the boundaries of any city or county. If the limit is exceeded, the levy of at least one junior taxing district—and public hospital districts are junior taxing districts—must be reduced until the aggregate rate falls to \$5.90.

In other words, the district would have to reduce its taxing area by an amount whose levy rate produces revenue equivalent to the excess revenue produced by exceeding the overall levy rate

for the entire district. The statutory \$5.90 levy rate cap is currently not exceeded in this area of PHD #1 in Bellevue, so this approach does not appear to be an option.

Statutory Method 2: RCW 70.44.400 is a second statute providing for the withdrawal of territory from a public hospital district. This statute authorizes a procedure for withdrawal that is provided in the same manner as withdrawal of territory from a water or sewer special purpose district. This statutory procedure is found in RCW 57.28.

A petition signed by a threshold level of voters in the proposed withdrawal area is submitted to the district (**as an alternative, the district may itself adopt a resolution declaring its intent to withdraw territory**). The district holds a hearing and needs to issue findings based on whether the withdrawal of such territory would be of benefit to the territory, and whether a withdrawal would be conducive to the general welfare of the balance of the district. The district's findings and recommendations are sent to the county council, which then holds a hearing of its own and issues its own findings. If either the district or the county finds in the negative, or if district and county disagree, then a special election is held. The cost of this election is borne by the petitioners; however, voters resident in the entire district vote on the withdrawal of the specific territory in question.

Finally, specific taxes or assessments on property that were duly incurred or issued prior to the withdrawal would continue to be levied or assessed after the withdrawal. Examples of these taxes include levies to pay for general operations that may or may not have a sunset provision, and general obligation bonds that are issued with a particular term.

The District Board did not act on the requests included in the city's 2006 resolution, nor did the District support Bellevue's efforts to seek a change in legislation to modify the process for withdrawing from a hospital district in King County in order to allow City residents within PHD #1 to choose whether to continue to be within the boundaries of a public hospital district that was established prior to City incorporation.

Current Proposal for Alliance with UW Medicine

Information from the Valley Medical Center website providing a general overview of the proposed alliance with UW Medicine is provided as **Attachment 3**. The announcement of the alliance has been met with support from public officials in the area including county council members, city council members and mayors from Renton and other cities, state legislators and congressional delegation members. The District Board/Valley Medical Center is seeking comments on the proposal at this time.

The reasoning for supporting withdrawal of the Bellevue territory from the District expressed by the City in 2006, continues to exist today. In summary, these reasons include:

- PHD #1 was established in 1948 to provide tax subsidies in a rural, lightly populated area of King County to ensure health care was available;
- Overlake Hospital, a private, non-profit hospital, which is not supported by a taxing district, is closer to the area in Bellevue in question and serves as the primary destination for Bellevue EMS transports;
- This is the only area in Bellevue that is part of a public hospital district boundary.

While there is no information available that suggests the proposed alliance between VMC and UW Medicine includes discussion of changing the underlying PHD #1 boundaries or taxing

authority, there should be an opportunity through negotiations between VMC and the UW for consideration of a reiterated request to modify the boundaries of the District. To be timely for these negotiations, the request should be made while comment is being taken on the proposed alliance. On tonight's Regular Session agenda, staff has included a Resolution for Council consideration.

OPTIONS:

1. Adopt proposed Resolution No. _____
2. Reject Resolution No. _____ and provide alternative direction to staff.

RECOMMENDATION:

Adopt Resolution No. _____ expressing the City Council's support for withdrawing territory under the jurisdiction of the City of Bellevue from the area of Public Hospital District #1.

MOTION:

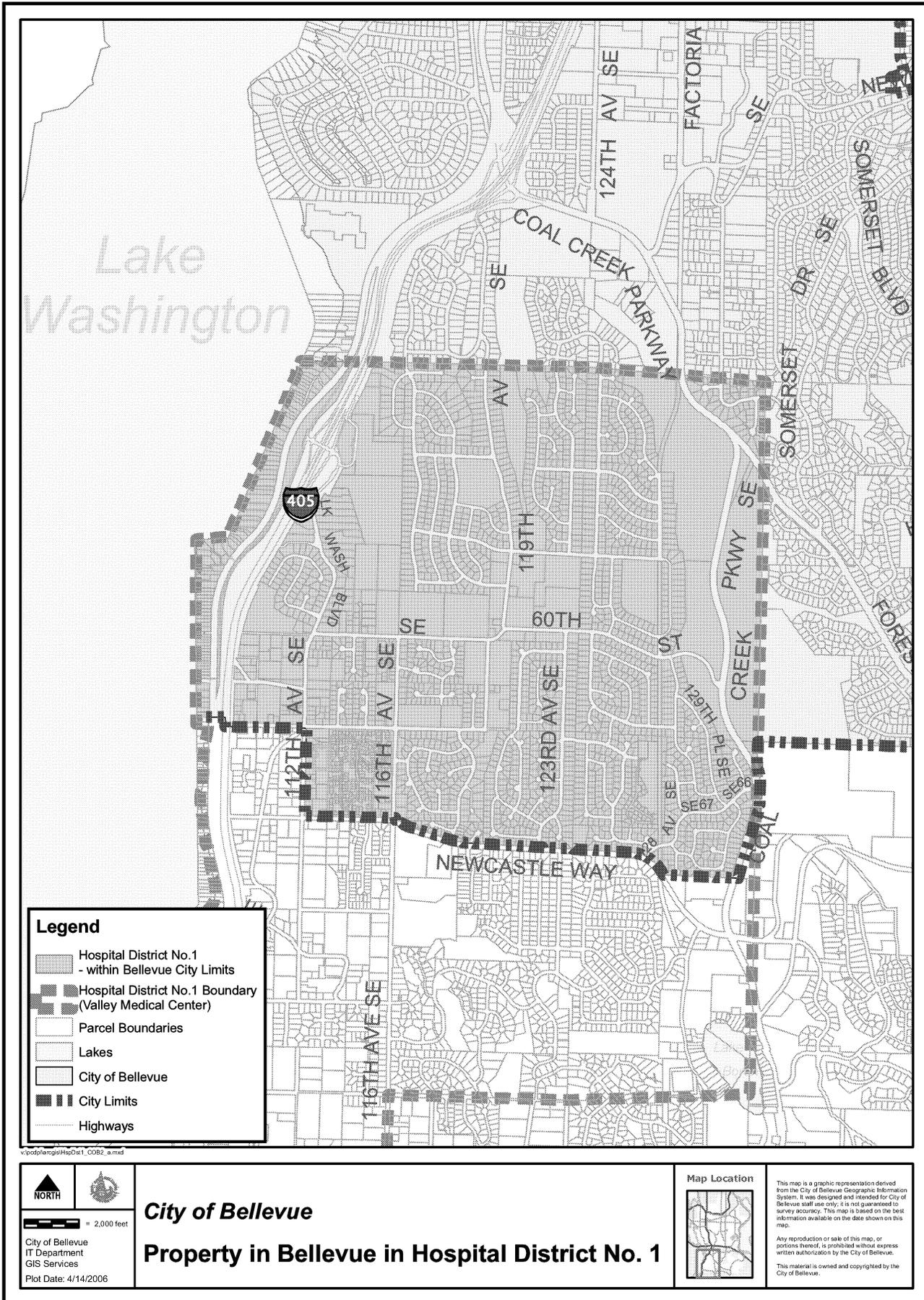
Move to adopt Resolution No. _____

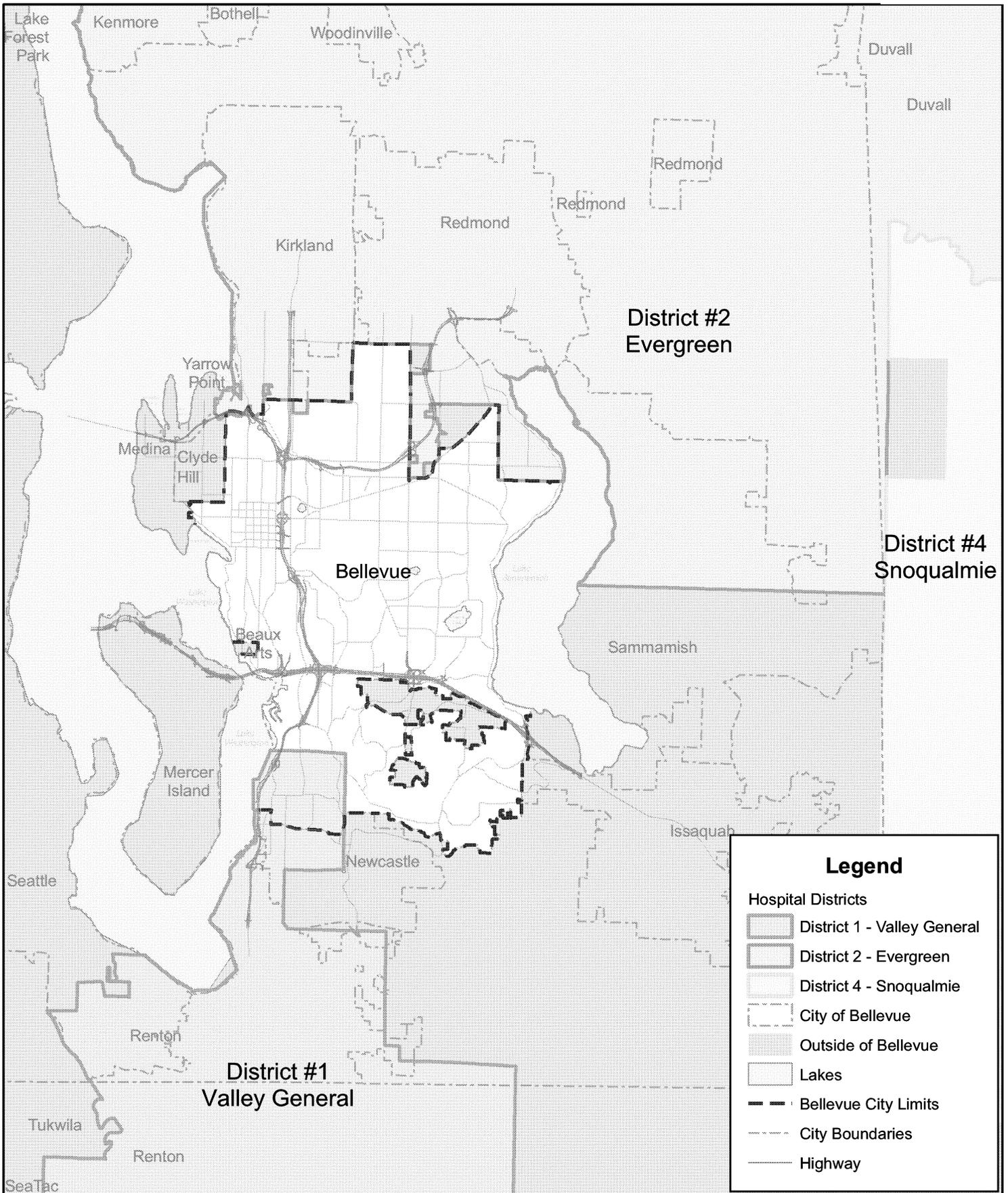
Effective Date:

If approved, this Resolution is effective immediately.

ATTACHMENTS:

- (1) Property in Bellevue in Public Hospital District #1
- (2) Public Hospital Districts in King County
- (3) Information on Valley Medical's proposed alliance with UW Medicine at www.valleymed.org
- (4) Proposed Resolution No. _____





V:\pocpl\arcgis\HospitalDistricts_ab.mxd

= 12,000 feet

City of Bellevue
IT Department
GIS Services



Plot Date: 4/14/2006

Public Hospital Districts in King County

SS 2-14

Legend

Hospital Districts

- District 1 - Valley General
- District 2 - Evergreen
- District 4 - Snoqualmie
- City of Bellevue
- Outside of Bellevue
- Lakes
- Bellevue City Limits
- City Boundaries
- Highway

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An Exciting Strategic Vision for the Future of Valley Medical Center

[Home](#) > [Newsroom](#) > [Affiliation](#)

An Exciting Strategic Vision for the Future of Valley Medical Center

 [View a video](#)

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Learn more about

UW Medicine



Valley Medical Center (VMC) is pleased to announce that the CEOs of UW Medicine and Valley Medical Center signed a non-binding Letter of Intent on January 18, 2011 to explore the feasibility of a strategic alliance. By integrating VMC with the UW Medical Health System, the alliance could:

UW Medicine CEO Paul Ramsey, left, and Valley Medical Center CEO Rich Roodman swapped hats after VMC's Board of Commissioners agreed to move forward with

- Increase access to healthcare services for South King County residents; improve efficiency of care; align best practice models
- Expand clinical, teaching and research

VMC Mission
 The District is a healthcare network committed to improving the overall health of our community. Governed by publicly elected commissioners, it provides, in collaboration with its medical staff and community agencies, comprehensive quality care and service in a cost effective and compassionate manner.

UW Medicine Mission
 UW Medicine's mission is to improve the health of the public by advancing medical knowledge, providing outstanding primary and

Public Support for

studying the feasibility of a strategic alliance between UW Medicine and Valley Medical Center.

programs

- Position both organizations for future healthcare reform opportunities, such as the

creation of an Accountable Care Organization (ACO).

The components of UW Medicine Health System currently include: University of Washington Medical Center, Harborview Medical Center, UW Neighborhood Clinics, UW Physicians, Airlift NW, UW School of Medicine and Northwest Hospital. UW Medicine also shares in the ownership and governance of Seattle Cancer Care Alliance with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center, and Children's University Medical Group with Seattle Children's Hospital.

VMC's in-depth evaluation with UW Medicine will include the exploration of the development of an ACO as a proactive response to meeting the challenges of healthcare reform.

Benefits to VMC and the Community

Both organizations share a history and vision of providing outstanding clinical care with a firm commitment to patient safety and excellence and a shared mission of improving community health. VMC is interested in exploring the possible expansion of:

- Enhanced, specialized services on the VMC main campus and in South King County, including senior and geriatric services
- Areas under immediate consideration for clinical enhancements include: emergency services, oncology, obstetrics, family medicine, cardiovascular and stroke care
- Enhanced, continued medical education and clinical research opportunities on the VMC campus
- Joint community education programs Such enhancements should provide a broader range of local services for residents in the hospital district

VMC's Assets Would Remain District Assets

Public district hospitals are allowed to affiliate, merge or jointly operate with other public or nonprofit entities under Washington law. Under the proposed alliance, the District would continue ownership of its hospital, neighborhood clinics and other assets and liabilities. All tax revenue would be used exclusively for the benefit of the District and not be spent outside the District. The strategic alliance would adopt centralized planning and management, not change ownership of assets.

VMC Would Continue Offering All Core and Clinical Services

Patients can continue their care at VMC. VMC would retain all of the core clinical services and medical technologies currently available at the hospital, on the VMC campus and in VMC owned/operated clinics. An alliance may enhance many of the services and treatment options now offered and likely bring new services to the area.

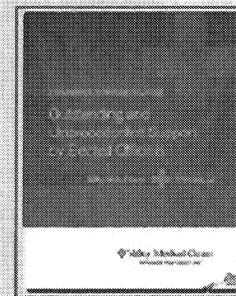
VMC-Employed Physicians and Employees Would Remain VMC Employees

The Valley Medical Group physicians would continue as a separate group and not become UW Medicine physicians, though more VMC staff might seek and receive active UW clinical appointments. Private practice physicians will continue their privileges at VMC. It is envisioned that VMC employees, including management level employees, would continue to work for VMC.

District Board of Commissioners Would Remain Intact: New Board Would Oversee VMC Management

The District's Board of Commissioners would continue as it currently exists. If and when the alliance is in place, VMC would be managed as a component of UW Medicine, subject to the oversight of a newly created board comprised of the District commissioners, as well

Expanded Healthcare Services in South King County



Letters of support from elected officials

View a growing list of supporters



"With this strategic alliance, we would be able to give

our local community access to additional clinical services, as well as an additional depth of sub-specialization through the expertise of one of the top medical organizations in the United States. VMC brings community focus, a personalized and contemporary patient environment, and a history of great clinical outcomes and technical innovation. Combining these

as additional representatives from the hospital District's area and UW Medicine. Public oversight of VMC would increase dramatically.

VMC Name Expected to Reflect Affiliated Relationship

The District's legal name will remain Public Hospital District No. 1 of King County. VMC expects to continue to operate under its business name, Valley Medical Center, with an additional reference to UW Medicine.

Volunteer Organizations Would Remain Separate

VMC and UW Medicine's volunteer groups would remain unchanged and continue to support their local, individual organizations. Alliance with an Organization Like UW Medicine is Consistent with VMC's Mission VMC is, and will remain, a community focused organization. The non-binding Letter of Intent enables VMC to explore how a strategic alliance would further enhance its mission.

Learn more

Proposed strategic alliance

- Attend a Community Information Meeting. [View schedule](#)
- Can't attend a meeting? Submit your comments & suggestions:



[Email](#)



425.656.5056

features with the excellence of UW Medicine's clinical, teaching and research programs would certainly be a benefit to the residents of Southeast King County."

**– Rich Roodman,
CEO, Valley Medical
Center**



**"UW
Medicine
and Valley
Medical
Center**

share a commitment to providing outstanding clinical care with an emphasis on patient safety and service. A strategic alliance would support our mission of improving the health of the public and would enhance our ability to provide national leadership for healthcare reform."

**– Dr. Paul Ramsey,
CEO, UW Medicine
and Dean, UW
School of Medicine**

2455-RES
3/17/2011

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. _____

DRAFT

A RESOLUTION expressing the City Council's support for withdrawing territory under the jurisdiction of the City of Bellevue from the area of Public Hospital District #1, and requesting that Public Hospital District #1 take steps to pay off bonded indebtedness to extinguish obligations of residents of areas requesting withdrawal from the district.

WHEREAS Bellevue residents are both taxpayers within the area of Public Hospital District #1 (PHD #1) and are also within the jurisdiction of the City of Bellevue; and

WHEREAS, PHD #1 was created in 1948, prior to Bellevue incorporation, and included a large area of rural farmland in South and Central King County in order to provide subsidies via property tax to ensure adequate health care in sparsely populated areas; and

WHEREAS, today the area of Bellevue within the PHD #1 boundary contains residents with access to multiple private health-care providers in and around the Bellevue that do not receive support from property taxes; and

WHEREAS, PHD #1 levies a property tax of up to 59 cents per \$1,000 of assessed valuation, which levy impacts Bellevue residents who do not predominately receive emergency services from the District; and

WHEREAS, the majority of emergency medical transports from the territory are taken to Overlake Hospital, not Public Hospital District #1 facilities; and

WHEREAS, in 2006 the City requested that the District consider allowing withdrawal of Bellevue territory from the District; and

WHEREAS, PHD #1's recent announcement of a strategic alliance with University of Washington Medicine (UW Medicine) provides an opportunity to reconsider the appropriate boundaries for PHD #1; now therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Council requests that PHD #1 and UW Medicine consider the withdrawal of territory under the jurisdiction of the City of Bellevue from Public Hospital District #1 and requests that PHD #1 declare its support for such withdrawal.

2455-RES
3/17/2011

Section 2. The City Council encourages PHD #1 to explore ways to retire bonded indebtedness sooner than currently scheduled in order to ensure that any residents within areas requesting withdrawal from the District are relieved of debt payment obligations as soon as possible following such withdrawal.

Passed by the City Council this _____ day of _____, 2011,
and signed in authentication of its passage this _____ day of _____,
2011.

(SEAL)

Don Davidson, DDS
Mayor

Attest:

Myrna L. Basich, City Clerk