

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 2, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF COUNCIL

FROM: JAMES K. HARTMAN, CITY MANAGER

SUBJECT: BUDGET MEMO # 65 : ANNUAL APPROPRIATIONS TO NON-PROFIT HOSPITALS

This budget memo responds to Councilman Wilson's request for information regarding whether other jurisdictions in Northern Virginia provide annual appropriations to local hospitals, and if so, how much.

Staff reviewed proposed budget documents from Arlington, Fairfax, Loudoun and Prince William Counties and spoke to budget staff in those jurisdictions. With the exception of Prince William County, described below, other Northern Virginia jurisdictions do not make annual contributions to their local hospitals.

Prince William County began funding a Community Health Center (CHC) in FY 2006 in the amount of \$450,000, expecting that the CHC would become federally qualified and receive federal funding. In subsequent years, federal funding was not realized and service target levels were not met. In FY 2009, therefore, Prince William County's Proposed FY 2009 Fiscal Plan eliminates funding of \$462,375 for the Community Health Center (CHC), and shifts \$100,000 each (for a total of \$200,000) to Prince William and Potomac Hospitals to "partially offset the hospitals' cost of providing indigent health care." Budget staff stated it is likely this funding will continue in the near future.

Other local jurisdictions in this region have contractual relationships with non-profit hospitals, where the hospital provides a service and the local government pays for all or some portion of the service.

Also, some jurisdictions such as Fairfax County and Arlington County did provide capital dollars to non-profit hospitals. In Fairfax's case, it was a large sum to INOVA and in Arlington's case it was to help pay for the construction of more psychiatric beds at Arlington Hospital (now Virginia Hospital Center) that the County would then have preference to use. To staff's knowledge, neither Arlington nor Fairfax County have provided capital funds to non-profit hospitals in recent years. Many jurisdictions assist their local hospitals with capital financing through jurisdictional industrial development

authority issuance of tax exempt revenue conduit bonds. No local tax monies are typically used in those financings.

While jurisdictions in Northern Virginia do not provide operating support, all counties and most cities (including Alexandria) provide local matching funds for the State/Local Hospitalization Program (SLH), which subsidizes non-Medicaid eligible low-income hospital patients. The Program mandates a local match, not to exceed 25% of the program expenditures. The FY 2009 Proposed Budget includes \$81,161 in local matching funds, which will be used to assist INOVA Alexandria Hospital in covering a small portion of their unreimbursed indigent care costs.

Finally, the City and most other jurisdictions indirectly support non-profit hospital operating costs by providing real property tax exemptions and business tangible property tax exemptions. For Alexandria, this means that at least an estimated \$1.4 million in real estate taxes is not levied on INOVA Alexandria's property. In addition, exemptions from business tangible property taxation would add significantly to this real property tax exemption amount.