

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: April 20, 2001

SUBJECT: Fiscal Impact Statement (Revised): "Health Care Privatization
Emergency Act of 2001"

REFERENCE: Bill Number 14-190 as Engrossed and Amended

Conclusion

This fiscal impact statement is based on the financial analysis made by an interorganizational collaborative group with representation from the Office of the Chief Financial Officer (OCFO), affected agencies, the Office of the Mayor and the District of Columbia Financial Responsibility and Management Assistance Authority (DCFRMAA). Based on this analysis there are sufficient funds in the FY 2001 budget to meet the expected District government obligations imposed by this legislation. The proposed FY 2002 budget as submitted by the Mayor provides sufficient funds for the execution of this proposed legislation and that the District multi-year financial plan includes the costs of this legislation for the period of the plan.

Background

The proposed legislation will dissolve the Public Benefits Corporation (PBC). This bill will also establish the Health Care Safety Net Administration in the Department of Health (DOH). This new office will be responsible for contracting for and funding all health care services previously provided by D.C. General Hospital and from satellite clinics. The primary function of the Health Care Safety Net Administration will be to monitor compliance with the contract to provide health care services to District residents formerly provided by the PBC.

A transition team chaired by DOH is in place and working on a plan to implement the proposed legislation. The team is developing a timeline that integrates contractor(s) into the various aspects of the health care operations and results in an orderly shut down of PBC activities. This plan includes ensuring that the public and related regulatory bodies receive statutorily required notification of closure. At this time there are no known pending lawsuits related to closing public operations at D.C. General Hospital. The future risk of such suits and their potential financial impact is unquantifiable at this time.

Financial Plan Impact

As of April 17, 2001, the total FY 2001 cost associated with the transition of the District's publicly financed health care safety net systems was estimated at \$104 million. This estimate includes both the costs of phasing down public operations and starting up contract operations as well as ancillary financial impacts on affected District organizations. This estimate is consistent with the provisions of the proposed legislation. Because the cost estimate is sensitive to the timing of implementation, the identification of additional needs to assure a smooth transition and actual operating costs, this cost estimate may change.

On January 30, 2001, the Mayor, the Chairman of the Council of the District of Columbia and the Chair of DCFRMAA notified both the House and the Senate Appropriations Subcommittees of the District's intent to draw down \$90 million from the District's \$150 million budgeted reserve to meet the unanticipated, one-time or non-recurring costs associated with health care restructuring. These funds are now available to the District. Additional funds above the \$90 million can be made available to the District from its own local FY 2001 resources to fund the differences between the original estimated cost of \$90 million and total FY 2001 transition costs.

For FY 2002, the amounts necessary to cover public health care operations as contemplated in this legislation have been included in the proposed FY 2002 budget submitted by the Mayor to the Council of the District of Columbia. This cost estimate was developed by the collaborative group previously referenced and is based on the workload and costing assumptions the group collectively reached. The OCFO endorses these estimates.

The District has also proposed its FY 2002 through FY 2005 budget and financial plan. In so doing, the costs associated with implementing the proposed legislation have been considered in the Financial Plan that includes an inflationary adjustment for fiscal years beyond 2002. For fiscal years 2003 through 2006 during which time the contract is operating the District will have the opportunity to fine-tune its fiscal year costs for the contract with the submission of each fiscal year's budget.