



Carolinus HealthCare System

Board of Commissioners
and Board of Advisors

May 9, 2011

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Michael C. Tarwater, FACHE
Chief Executive Officer

The Honorable Jim Pendergraph
Mecklenburg County Commission
Charlotte Mecklenburg Government Center
600 East 4th Street, 11th Floor
Charlotte, North Carolina 28202

Dear Vice Chairman Pendergraph:

Thank you for allowing me to present to the County Commissioners on May 3, the report on Community Benefit provided by CHS. We appreciated the opportunity to both present and respond to questions from the Commissioners. We also value the long-standing relationship we have had with Mecklenburg County in the areas of behavioral health, public health, MEDIC and indigent care support.

There were two items requested at the meeting which I have attached. First, we were asked to provide only uninsured costs for Slide 26, which reported underinsured (i.e. Medicaid) and uninsured costs as a percent for total costs. The attached Slide 27 provides just the uninsured data. Second, we were asked to provide the mechanics of the current indigent care allocation. Attached is a high level summary of the current year calculation.

There were also several questions and comments related to "free medical clinics." These questions have been raised in the past and we are committed to continuing our history of collaborating and assisting physician supervised clinics with clinical and performance efficiencies.

For instance, many of those without health coverage are eligible for Medicaid but need assistance to qualify. We have invested substantially in the process to minimize county funding and it is one of the reasons the County's share of the indigent care burden has been relatively flat since 1992. We are available to work with and share with any of the free clinics how to optimize Medicaid funding. We also are available to discuss how we could assist some of these clinics to potentially purchase through CHS to get lower prices for supplies and equipment.

At the end of my presentation, Commissioner Dunlap commented on our commitment to build and fund \$24.5 million for the addition of 44 new psychiatric beds that all the studies indicate are needed to serve Mecklenburg County citizens. The beds we plan to

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add require the approval of the Local Management Entity (LME) and the N.C. Secretary of Health and Human Services. LME's are agencies of local government-area authorities or county programs that are responsible for managing, coordinating, facilitating and monitoring the provision of mental health, developmental disabilities and substance abuse services in the catchment area served. We have had the Secretary's written approval since March 10, 2011, but over the last 60 days we have not been able to obtain Mecklenburg County LME's approval. I was hesitant to mention this in my response to Commissioner Dunlap's comment, but feel it is important that we have transparency on this issue with the Commission. We believe that the County staff is confusing and mixing its responsibilities as the LME with its interests under the current CHS contract with Mecklenburg County. These are and should remain separate responsibilities. The appearance that LME approval is being withheld due to the desire to change the County contract with CHS, in our view, is not appropriate and is a conflict of interest as related to the responsibilities of the LME.

I mentioned to both Harry Jones and Michelle Lancaster after the May 3rd meeting, that our desire is to add these psychiatric beds in Mecklenburg County. However, if the LME continues to withhold approval, we will need to seek other options including the building of the beds in another county working with that respective LME. It is not our desire to do this, but the need is great and every day we delay means more time citizens will do without the added inpatient beds. We need to move forward with the building of these beds and separately address whatever contract issues the County now has with CHS on behavioral health, public health, MEDIC and indigent care support. The patients needing behavioral health care should not be denied access while the County attempts to re-negotiate the contract with CHS.

As it relates to transparency, after my meeting with the Commissioners I was interviewed by Karen Garloch and based on the questions, I felt I had to disclose CHS's April 4, 2011 proposal to the County, which is attached. In the spirit of helping the County fulfill its obligations, we have outlined a way to achieve \$10 million of savings to the County in FY 2012 and an estimated \$135 million over the next 10 years compared to the current contract for behavioral health, public health and indigent care support. We believe this to be a very significant adjustment to the current relationship. We were surprised to learn through the *Observer* article that the County staff may not have shared our April 4th written offer with Commissioners. We wanted to be certain, however, that the record clearly reflects what we offered and when we offered it. The timing and magnitude now seems important to understand since subsequent to April 4, Novant Health offered a 50% reduction in their estimated 2012 indigent care funding of \$1.2 million which was reported to receive applause by the Commissioners and extensive local media coverage.

Applause is not what we seek; otherwise, we would have included the \$135 million while the cameras were on last Tuesday night. Rather we want first to receive the LME's approval to build the additional psychiatric inpatient and outpatient services so desperately needed. Second, we remain open to altering the current contract for services in a way that provides substantial savings to the County while taking into consideration historical facts. It was reported earlier that some of the Commissioners and staff want CHS to take over the funding of the CMC-Randolph facility. As was discussed at the Health and Community Support Committee (CSC) meeting on April 19, this facility was built by the County in 1969 and we were asked in 1985 to manage and integrate with CMC in order to achieve several objectives, including improving the quality of care and reducing the out of control increases in County funding. Quality has

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been significantly improved, and at the same time, more patients and services have been provided. Under CHS's management, governmental funding has been \$91 million less than it would have been if the base year funding had simply increased at a medical inflationary level. The savings have come from many initiatives, one of which was moving CMC's psychiatric program in the 1980's to Randolph. It was shared with the CSC how this positively contributed to the \$91 million savings. We have truly delivered significant value over the last 26 years related to behavioral health services. It also needs to be noted that we have given County staff repeated assurance that the new hospital would be operated in a complementary way with CMC-Randolph and will not adversely affect the County's funding responsibilities. See attached letter to Commissioner Leake addressing this in more detail.

I apologize for the length of this letter, but the synergistic relationship between CHS and Mecklenburg County extends back to the 1940's. Over the last several decades it was expanded to include the operation of the County's public health, behavioral health and emergency medical services. Recent comments and actions seem not to give any consideration to the history nor the positives that have occurred and continue to occur for the benefit of the citizens of Mecklenburg County. I am also enclosing a summary of that history. Hopefully, we are misreading what is being said, but we felt it was necessary to clarify some of these issues to ensure that "failure to communicate" was not an outcome of this year's County budget discussions.

Sincerely,



Michael C. Tarwater
Chief Executive Officer

MCT/pb

Attachments

cc Mecklenburg County Commissioners
✓ Harry L. Jones
Michelle Lancaster-Sandlin
James E. S. Hynes
Joseph G. Piemont