

Health Districts in Oregon

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EXECUTIVE SUMMARY- Many rural communities in Oregon struggle to keep their health systems economically viable. One local option to create a non-operating revenue stream is the formation of a municipal corporation called a “health district.” The purpose of this paper is to simply describe those health districts that exist, and what they do and can do under Oregon law.

Ownership Structures

In a pure free enterprise economic system all services and businesses would be owned and operated by private individuals or corporations. Those organizations would compete with one another for consumers and be responsible for satisfying the needs or demands of their customers. This, however, is not the case in health care services. Because of the government’s role in securing and protecting the health of the citizens various methods of organizational ownership are at play.

Health care organizations are typically organized into three types of ownership groups. They are: for-profit, non-profit or publicly held. These three types of ownership differentiate themselves by whom they are responsible to and who holds them accountable for their actions.

For-profit organizations are created by incorporating or by acquiring some type of business license through the state. The organization is accountable to the owners, partners, or shareholders. Common for-profit health care organizations include private physician offices, dental practices, pharmacies, and allied health professionals. For-profit organizations exist in areas where, because of the profit motive, there is enough demand for the service to generate a profit. These businesses are subject to taxes on their income and property.

Non-profit organizations are incorporated through state law. These organizations are declared to be tax-exempt because they fill some type of socially charitable need or substantial community benefit that for-profit organizations have NOT found profitable enough to serve. Non-profit organizations have a community-based board of directors who have been entrusted with the care of a community-resource and represent the community’s interest to the organization. The non-profit organization is accountable to its board of directors or trustees, which, in turn is accountable to the community. These organizations are also permitted to accept charitable donations from individuals and accept grants from foundations. The bottom line for non-profit organizations is community service. However, do not confuse “non-profit” with no profit. Non-profit organizations are allowed to make a profit. They simply must reinvest these profits in community service or to the community’s benefit. Common organizations that are non-profit include church affiliated hospitals, community hospitals, federally qualified health centers, community clinics, and many others.

Public or government organizations exist because either the state provides the service or the state allows counties, cities or districts to provide the services through their charters or through statute. Remember, counties, cities and taxing districts get their legitimacy from the state to exist. Public organizations are accountable to the elected officials governing them. Those people are elected, in part, based on their ability to govern the public organization in the public’s interest. Public health services, state mental hospitals, and *health districts* supporting ambulance, clinics, and hospitals are all common health services organized by government.

This paper examines the role of the **health district** in assuring available services in Oregon. In particular, it shares information about rural Oregon, where the population base is not large enough to create a “demand” for services, which will generate enough income for for-profit, or non-profit organizations to survive. It is limited to health districts that are organized around the delivery of primary care clinic or hospital services. Many health districts in rural Oregon are structured to provide emergency medical services (ambulance), emergency communications or nursing homes. They are not part of this paper.

What is a Health District?

A health district is a municipal corporation. It exists with the specific purpose of providing some type of health service. In other words, it is a form of local government that receives its authority from the state to operate. Oregon Revised Statute Chapter 440.320 authorizes that:

1a. Districts may be incorporated as municipal corporations for the purposes of:

- Providing clinically related diagnostic, treatment and rehabilitative services on an inpatient or outpatient basis;
- Providing outreach programs in health care education, health care research and patient care;
- Serving as a resource for health providers in the district; and
- Promoting the physical and mental well-being of district residents.

1b. Health districts may consist of territory in one or more counties, or a city with or without unincorporated territory. A city shall not be divided in the formation of a health district.

2a. A health district may provide services to persons residing outside its boundaries. A health district may provide services within the boundaries of another health district only with written permission of that health district.

Like other local governments, health districts have legal and ethical obligations. Oregon Revised Statute 440.360 describes the powers of health districts. Any corporation formed under this chapter shall have all the powers necessary to carry out the purposes, including, but not limited to, the following:

- To provide directly or indirectly any physical or mental health related service.
- To make any contract or agreement, to purchase and lease real and personal property, to enter into business arrangements or relationships with public or private entities and to create and participate fully in the operation of any business structure, including the development of business structures and arrangements for health care delivery systems and managed care plans.
- To participate in community sponsored health screening, prevention, wellness, improvement or other activities that address the physical or mental health needs of district residents. Such participation may include clinical, financial, administrative, volunteer or other support considered appropriate by the board.
- To perform any other acts that in the judgment of the board are necessary or appropriate to accomplish the purpose of ORS 440.315 to 440.410.

Health districts serve a defined contiguous geographic area. This geographic area may be any logical boundary for the service to be provided. A health district may be a portion of a county, cross county boundaries, but may not split or divide an incorporated city.

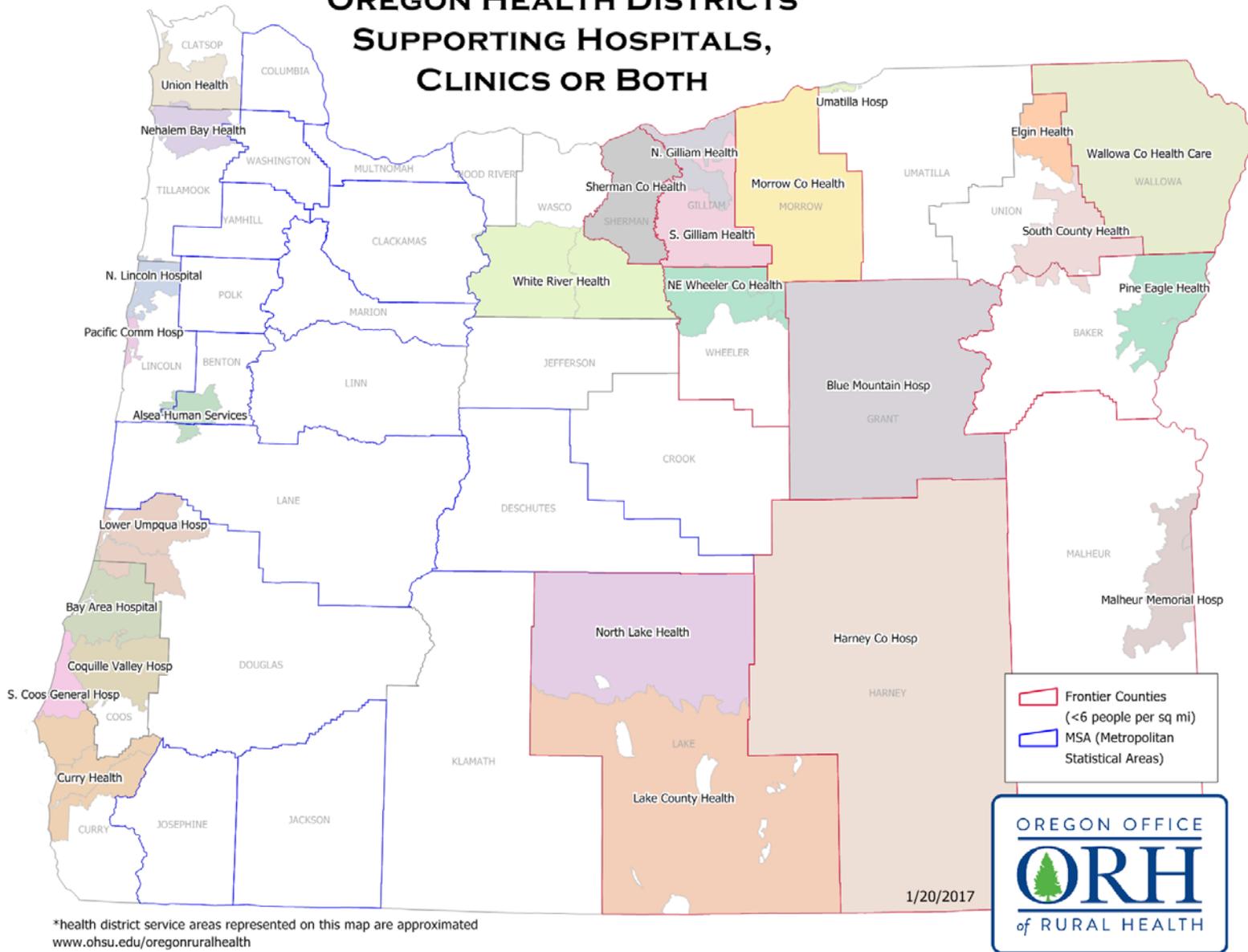
Health districts receive tax revenues based on the voter approved permanent rate per \$1,000 in assessed property value within the defined geographic area. Health districts may also assess additional time-limited levies and issue bonds for public works. In addition to the non-operating revenues, health districts are authorized to charge fees to persons who use district facilities or services.

Lastly, the health district is governed by a publicly elected board.

Where Are the Health Districts?

This paper limits its review of health districts to those that provide hospital or clinic services. Others are established to provide nursing homes, ambulance services, and emergency communication services. The map on page 5 displays the **approximate** service areas of the existing health districts in Oregon supporting hospitals or clinics. A cursory examination of the map readily reveals that health districts are a rural phenomenon. They appear to be located in areas that are **NOT** on the Interstate 5 or Interstate 84 corridors. **NO** health districts supporting clinics or hospitals exist in those counties defined by the federal Office of Management and Budget as Metropolitan Statistical Areas. Further, the map shows “Frontier” areas in Oregon (6 people or fewer per square mile). All ten frontier counties have at least one health district serving the local population. The other concentration of health districts is along the Oregon Coast. Again, smaller population bases and greater distance to larger systems of care appear to be similar traits shared with the districts in frontier areas.

OREGON HEALTH DISTRICTS SUPPORTING HOSPITALS, CLINICS OR BOTH



*health district service areas represented on this map are approximated
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Health District Facts and Figures

Districts Supporting Clinics

There are 28 health districts in Oregon supporting clinic or hospital services. 13 of those 28 districts support primary care clinics. Two of those 13, the Northeast Wheeler County Health District and the Columbia Health District, contract with the State of Oregon to be the local public health entity. Three of the 13 districts supporting clinics once provided hospital services. Those include the Umatilla Hospital District (hospital closed in 1982), Harvey A. Reinhart Memorial Hospital (hospital closed in 1990), and Malheur Memorial Hospital District (hospital closed in 1989). In the last five years three of these districts were newly formed. Pine Eagle (Halfway), Elgin Health and South County (Union). The South County Health District was formed but a permanent rate was not established by the voters. The Power Health District discontinued requesting tax revenues yet still exists,

The range of non-operating revenues generated from districts supporting clinics is from \$24,781 to \$170,677 with an average of \$87,423. Based on 2015 populations from the Office of Rural Health's Primary Care database, the per-capita tax for clinics averages \$56.26 per year. Please note that because of the unique situation with Powers and South County Health Districts their \$0 amount is excluded from determining an average per-capita cost.

Districts Supporting Hospitals

13 of the 24 health districts in Oregon support inpatient hospital services. Many of these district hospitals operate clinics, nursing homes and ambulance services as well as the hospital. Bay Area Hospital in Coos Bay, Oregon operates organizationally as a health district but does not impose any taxes. Most recently the Mountain View Hospital District in Jefferson County dissolved.

The range of non-operating funds supporting hospitals and health systems ranges from \$0 to \$1,579,490 with an average of \$803,501. Based on 2015 populations from the Office of Rural Health's Primary Care database, the per-capita tax for hospitals averages \$88.79 per year.

Table 1 displays the data regarding tax revenues for health districts.

**Table 1
Oregon Health Districts - Facts and Figures Tax Year 2014-2015**

2014-2015 Fiscal Year								
District	County	Total Assessed Value	Permanent Tax Rate Levied - Per \$1,000 valuation	Authority Imposed Expressed in dollars	Local Options Authority or Bond Imposed	Total Tax Imposed	2015 Population	Per Capita Tax
Clinic Services								
Pine Eagle Health	Baker	\$ 137,505,238	\$ 0.85		116,875	\$116,875	1,614	\$ 72.41
Powers Health	Coos	\$ 52,410,855	\$ -	\$ -	\$ -	\$ -		
North Gilliam Health	Gilliam	\$ 582,702,772	\$ 0.94	\$ 548,109	\$ -	\$ 548,109	919	\$ 596.42
South Gilliam Health	Gilliam	\$ 148,436,547	\$ 0.83	\$ 124,263	\$ -	\$ 124,263	1,006	\$ 123.52
North Lake Health	Lake	\$ 198,143,932	\$ 0.85	\$ 168,003	\$ -	\$ 168,003	2,185	\$ 76.89
Malheur Memorial Hos	Malheur	\$ 261,321,398	\$ 0.86	\$ 221,629	\$ -	\$ 221,629	6,096	\$ 36.36
Sherman County Health	Sherman	\$ 433,693,873	\$ 0.48	\$ 200,002	\$ -	\$ 200,002	1,730	\$ 115.61
Nehalem Bay Health	Tillamook	\$ 1,099,899,531	\$ 0.03	\$ 33,986	\$ -	\$ 33,986	3,837	\$ 8.86
East Umatilla Health	Umatilla	\$ 277,213,238	\$ 0.14	\$ 39,261	\$ -	\$ 39,261	7,873	\$ 4.99
Umatilla Hospital	Umatilla	\$ 348,256,411	\$ 0.48	\$ 167,859	\$ -	\$ 167,859	2,685	\$ 62.52
Eligin Health District	Union	\$ 143,275,594	\$ 0.50	\$ 70,041	\$ -	\$ 70,041	2,685	\$ 26.09
Union Health District	Union	\$				\$	5,263	
White River Health	Wasco	\$ 282,833,988	\$ 0.25	\$ 71,094	\$ 138,575	\$ 209,670	3,126	\$ 67.07
NE Wheeler County Hea	Wheeler	\$ 83,231,066	\$ 1.01	\$ 80,088	\$ -	\$ 80,088	1,403	\$ 57.08
Clinic Total or Averages			\$ 0.53	\$ 143,695		\$ 1,979,785	38,808	\$ 51.01
Hospital Service								
Union Health	Clatsop	\$ 3,090,912,728	\$ 0.05	\$ 157,860	\$ -	\$ 157,860	12,261	\$ 12.87
Bay Area Hospital	Coos	\$ 179,338,000	\$ -	\$ -	\$ -	\$ -	41,587	\$ -
Coquille Valley Hospita	Coos	\$ 462,477,506	\$ 1.53	\$ 674,603	\$ -	\$ 674,603	11,319	\$ 59.60
South Coos General Hos	Coos	\$ 952,637,140	\$ 0.89	\$ 807,829	\$ -	\$ 807,829	7,574	\$ 106.66
Curry Health	Curry	\$ 923,093,448	\$ 0.74	\$ 685,396	\$ -	\$ 685,396	7,979	\$ 85.90
Lower Umpqua Hospita	Douglas	\$ 499,441,682	\$ 3.97	\$ 1,867,768	\$ -	\$ 1,867,768	7,499	\$ 249.07
Blue Mountain Hospital	Grant	\$ 530,312,157	\$ 2.13	\$ 1,131,043	\$ 961,922	\$ 2,093,016	7,149	\$ 292.77
Harney County Hospital	Harney	\$ 499,035,965	\$ 1.93	\$ 936,746	\$ -	\$ 936,746	7,104	\$ 131.86
Lake County Hospital	Lake	\$ 754,478,253	\$ 2.03	\$ 1,508,307	\$ -	\$ 1,508,307	5,712	\$ 264.06
North Lincoln Hospital	Lincoln	\$ 2,575,321,281	\$ 0.52	\$ 1,312,959	\$ -	\$ 1,312,959	16,853	\$ 77.91
Pacific Communities Hc	Lincoln	\$ 3,540,773,525	\$ 0.36	\$ 1,218,391	\$ -	\$ 1,218,391	12,417	\$ 98.12
Morrow County Health	Morrow	\$ 1,778,004,712	\$ 0.61	\$ 1,033,349	\$ 484,700	\$ 1,033,349	11,221	\$ 92.09
Wallowa Co. Health Car	Wallowa	\$ 699,515,723	\$ 1.05	\$ 737,070	\$ -	\$ 737,070	6,901	\$ 106.81
Hospital Total or Averages			\$ 1.22	\$ 928,563	\$ 111,279	\$ 13,033,294	155,576	\$ 83.77

Why form a health district?

The first item one might ponder is “Why do people form health districts?” In most cases, districts are formed to secure a steady stream of non-operating revenues. The idea is to equally spread the burden of support among the population that will benefit from the services made available and provide a consistent income source without the burden of annual fund raising campaigns. Without the infusion of non-operating revenues, most districts would not be viable operations because of smaller populations and therefore less demand for the service. While non-profit organizations and health districts can receive charitable donations and foundation grants, rarely may those funds be used to supplement existing operating expenses. So, stabilizing existing operations is a potential reason for district formation.

Another reason is to gain the ability to issue bonds for construction projects or the purchase of major durable equipment.

The social value or peace of mind community residents have knowing that health professional services or hospitals services are indeed in the area when, and if, they have a medical need is another reason for support health districts. Maintaining local control of a community-based asset is another reason for using the health district as a means of retaining services. The governance structure allows for the reflection of community norms and values to be expressed through the policies and procedures that operate the district.

Health Districts and Integration of Health Services

Health Districts are in a unique position to serve as an organizational vehicle to assist their local communities integrating services under one organization. Note that the authority health districts have would allow them to manage and operate primary care, mental health, oral health and any number of other services under one organization.

Summary

Health Districts in Oregon are a viable organizational infrastructure option for securing health services desired by the public in the communities they serve.