



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 3, 2020

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of the release of \$490,575 in FY 2020 Contingent Reserve Funding to fund the INOVA Hospital Contribution.

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**ISSUE:** Consideration of the release of \$490,575 in FY 2020 Contingent Reserve Funding to fund the City's annual contribution to INOVA Hospital.

**RECOMMENDATION:** That the City Council release \$490,575 in FY 2020 Contingent Reserve funding for the INOVA Hospital contribution.

**BACKGROUND:** The City has provided a financial contribution to INOVA Hospital annually for decades. This contribution was formalized through a Memorandum of Agreement (MOA) between the City of Alexandria and INOVA Alexandria Hospital in 2017. This contribution of about \$1 million is used by INOVA to cover the cost of providing obstetric and prenatal care to women who are uninsured and underinsured and not able to cover the costs of this care. During the FY 2020 budget process, City Council raised the question of whether recent changes to expand Medicaid coverage would impact revenues earned by INOVA and therefore possibly lessen the need for this contribution by the City. During the FY 2020 add/delete process, Council placed half of the City's annual contribution into contingent reserve (\$490,575) pending a Medicaid impact analysis by INOVA and a subsequent review and recommendation by City staff.

**DISCUSSION:** In the fall of 2019, INOVA provided City staff with a Medicaid impact analysis. Staff conversed with INOVA over the course of four months and evaluated this information. INOVA's analysis demonstrated that they ultimately did not see a reduction in the need for this funding. While Medicaid coverage was expanded in some areas, the January 2019 Medicaid expansion did not specifically apply to pregnant women (attachment 4, page 1). Furthermore, due to a number of unknown variables, the number of patients served by this MOA decreased when compared to the first six months of 2018, while costs increased \$550 per patient due to the fixed costs associated with the obstetrics and prenatal care outlined in the MOA (attachment 3, page 2). An additional component of INOVA's Medicaid impact analysis was consideration of the hospital's provision of free or reduced cost healthcare services for patients who do not qualify for Medicaid (attachment 3, page 2-3). Both INOVA and the City are committed to continuing to provide this type of care to this vulnerable population.

After staff's review of the Medicaid impact analysis and subsequent follow up conversations with INOVA, staff is recommending that Council release the remaining contribution funds to INOVA.

**FISCAL IMPACT:** The \$490,575 is currently held in FY 2020 contingent reserve for this purpose therefore there will be no

additional impact to the City's operating budget.

Should City Council accept the staff recommendation, the \$490,575 placed in FY 2021 contingent reserves will also be released. This will add \$490,575 to the FY 2021 INOVA funds now held in contingent reserves so INOVA will receive four quarterly payments of \$245,287.50 for FY 2021 totaling \$981,150.

**ATTACHMENTS:**

Attachment 1: INOVA September 2019 Report to the City Manager

Attachment 2: INOVA Medicaid Expansion Report

Attachment 3: Follow up Responses to INOVA Medicaid Expansion Report

**STAFF:**

Debra Collins, City Manager's Office

Lisa Henty, Office of Management & Budget