Financial Condition and Trends

Missouri's Local Public Health System

2003

Missouri's local public health agencies receive financial support from diverse sources. This report examines those sources, compares levels of support among agencies, and reviews trends in revenue over recent years. The primary focus is on locally generated fees, local tax revenue that supports public health activities, and revenue from contracts with Department of Health and Senior Services (DHSS). All information contained in this report was obtained from Form DH 37 (Annual Financial Report) submitted annually by each local public health agency.

REVENUE IN SUPPORT OF LOCAL PUBLIC HEALTH

Financial support of local public health efforts increased each year from 1999 through 2003. In 1999, Missouri's local public health agencies collected $107 million in revenue from local taxes, locally generated fees, and DHSS contract payments. During a 5-year period between 1999 and 2003, revenue from these sources increased to approximately $157 million, a 32% increase. About 58% of the $50 million increase came from local sources, and the remaining 42% resulted from increases in funds distributed through DHSS contracts. (Graph 1.A)

Other sources such as grants and reimbursement Medicare and Medicaid provide a significant portion of local agencies' revenue accounting for approximately 8% of the total in 1999 and approximately 13% of the total in 2003. Public health revenue from these sources fluctuated slightly from year to year, however the amount more than doubled over the 5-year period between 1999 and 2003 from approximately $9 million to $20.5 million. The total reimbursement from Medicaid and MC+ increased each year, rising from $4.5 million in 1999 to $6.4 million in 2003, an increase of 49%. Medicare reimbursement accounted for $340,000 in 1999, but rose to $1.16 million during 2003, a 240% increase. The majority of agencies bill Medicare exclusively for Influenza vaccine administration.

Revenue generated by local public health agencies for non-public health services such as home health and homemaker programs has also grown from about $13.4 million in 1999 to about $17 million in 2003, an increase of approximately 27%.

COMPARISON OF PUBLIC HEALTH REVENUE FROM LOCAL SOURCES AND FROM DHSS

For all agencies combined, locally generated revenue continues to provide the largest portion of financial support, ranging from 69% to 74% of combined state and local revenue during the past 5 years. The percentage contributed by DHSS fluctuated slightly during this

period, growing from 26% in 1999 to 31% in 2002 and in 2003. (See Graph 1.A) A jump from 28% in 2001 to 31% in 2002 can be contributed in part to an inflow of federal funds distributed to local agencies through contracts intended to assist with preparedness to respond to bioterrorism. These federally funded contracts contributed just over $500,000 in 2002 and about $4.5 million in 2003. However, in 2003 there were decreases in DHSS distribution through other contracts, including the core public health functions contract. Cuts in the state general revenue budget were responsible for the majority of such decreases.

Only 25% of revenue distributed to local agencies via DHSS contracts in 2003 came from state revenue. Federal funds supported 75% of DHSS contract revenue distribution. The state thus contributed less than 8% of local public health agency support in 2003. Included in the 8% is revenue distributed through the core public health functions contract, which accounts for about 5% of public health revenue. Agencies' dependence on this contract varies. For example, the core contract represented 37% of total public health revenue for Holt County in 2003, but only 1.2% of public health revenue in St. Louis County.

VARIATION IN SOURCES OF LOCAL PUBLIC HEALTH REVENUE BY SIZE OF POPULATION AND GOVERNANCE

The ratio of DHSS support to locally generated support varies by size of population served by the agency, and also by governance. Agencies established under RSMo Chapter 205 are governed by an elected board and receive revenue from a dedicated local property tax. Eighty-seven (87) of the 114 local public health agencies in Missouri are established in this way. Twenty-seven (27) agencies are established under either RSMo Chapter 192 or RSMo Chapter 70. These agencies are governed by a city and/or county government and compete for funding with other units of government for a share of local general revenue.

It would seem logical that as a group, agencies with local taxes as a guaranteed source of revenue would contribute a greater percentage of their support than would DHSS. For 2003, that was not the case. For all agencies combined, those governed by boards received a smaller percentage of revenue from local sources than agencies administered by city/county units of government. Board governed agencies received 61% of their revenue from local sources, while those governed by city/county units received 73% of revenue from local sources. These numbers are skewed because of the large amount of local financial support provided by cities and counties to the largest agencies. However, when separated into groups according to size of population served, agencies in each group, when governed by boards, receive a higher ratio of financial support from local sources. (See Graphs 1.B & 1.C)

As a group, agencies that serve populations fewer than 20,000, which are governed by a board, receive 55% of combined revenue from local sources. The group of agencies serving this size of population, governed by a county commission receives 38% of their support from local sources and 62% from DHSS.

As a group, agencies that serve populations between 20,001 and 40,000, governed by a board, receive 57% of their revenue from local sources and 43% from DHSS. The group of

agencies serving this size of population, governed by a city or county governing body, receives 42% of their support from local sources and 58% from DHSS.

As a group, agencies that serve populations between 40,001 and 80,000, when governed by a board, receive 62% of their revenue from local sources and 38% from DHSS. The group of agencies serving this size of population, when governed by a city or county, receives 53% of their revenue from local sources and 47% from DHSS.

As a group, agencies that serve populations over 80,000, when governed by a board, receive 80% of their revenue from local sources and only 20% from DHSS. The group of agencies serving this size of population, when governed by a city or county governing body, receives 75% of their revenue from local sources and 25% from DHSS.

AVERAGE PER CAPITA REVENUE FROM DHSS AND LOCAL SOURCES

The statewide average per capita revenue in support of local public health from combined state and local sources increased from $22 in 1999 to $28 in 2003. (Graph 2.A) The portion of average per capita revenue coming from DHSS contracts increased from $6 in 1999 to $9 in 2003. (Graph 2.B) Note: 75% of revenue that supported DHSS contracts is federal revenue.

RANGE OF PER CAPITA REVENUE FROM DHSS AND LOCAL SOURCES

Per capita local public health revenue varies widely, ranging from a low of $7 to a high of $73 in 2003. (Graph 2.A) The highest per capita amount ($73) was received by a Board of Trustees governed agency that serves a population of fewer than 4000. DHSS provided $25.06 of this agency's per capita amount, and local tax alone contributed over $40 per capita.

The lowest per capita amount ($7) was received by an agency governed by county government and serving a population greater than 80,000. DHSS provided $4.86 of this agency's per capita amount. Local sources provided only $2.14 per capita.

VARIATION IN PER CAPITA DISTRIBUTION OF CONTRACT FUNDS BY DHSS IN 2003

The average per capita distribution of contract funds from DHSS to agencies that serve populations over 80,000 is $7.51, however the per capita range for agencies of this size is from $1.99 (St. Charles County) to $29.88 (St. Louis City). (Graph 3.H)

The average per capita distribution of contract funds from DHSS to agencies that serve populations between 40,001 and 80,000 is $8.60. The range of per capita distribution is from $4.32 (Jasper County) to $13.40 (Joplin City). (Graph 3.F)

The average per capita distribution of contract funds from DHSS to agencies that serve populations between 20,001 and 40,000 is $8.87. The range of per capita distribution to this size of agency is from $2.40 (Warren County) to $20.30 (Randolph County). (Graph 3.D)

The average per capita distribution of contract funds from DHSS to agencies that serve populations fewer than 20,000 is $14.09. The range of per capita distribution to this size of agency is from $6.11 (Cooper County) to $33.76 (Carter County). (Graph 3.B)

FINANCIAL SOLVENCY

Although there are exceptions, local public health agencies that are governed by city or county units of government are not able to carry remaining revenue balances forward to the next fiscal year. Agencies governed by a Board of Trustees are able to maintain cash balances of unspent revenue, and many hold reserves in certificates of deposit or other investments. At the end of 2003, the amount of reserve in cash or other liquid assets was substantial for some agencies. The average amount of reserve is greater proportionally with the size of population served by a Board of Trustees governed agency. However, the group of agencies that serve populations greater than 80,000 saw a decrease in their average reserve amount since 2001; all other groups of agencies were able to increase their average reserve.

At the end of 2003, agencies that serve populations fewer than 20,000 had an average of $294,125 in reserve, a 23% increase since 2001. The average amount of reserve for agencies that serve populations from 20,001 to 40,000 was $351,000, a 10% increase. Agencies serving populations from 40,001 to 80,000 had an average reserve of $931,301, a 16% increase since 2001. An average reserve of $1.2 million was held by agencies that serve populations greater than 80,000. This average reserve is down from $1.5 million for 2001, a 20% decrease. (Graph 4.A)

REVENUE FROM NON PUBLIC HEALTH ACTIVITY 2003

About 30% of Missouri's local public health agencies provided home health services, and 14% had homemaker programs in 2003. Agencies serving small population sizes were most likely to offer these programs.

Twenty-six (26) of 56 agencies (46%) that serve populations fewer than 20,000 generated an average of $185,000 in 2003 by providing home health services. Homemaker services were provided by 13 agencies in this group, generating average revenue of $266,000. The range of income to individual agencies for these services was wide from less than $4,000 to over $1 million for homemaker programs, and from $8,600 to $684,000 for home health.

Five (5) of the 29 agencies (17%) that serve populations between 20,001 and 40,000 generated an average of $361,000 from home health programs, and 1 agency in this group offers a homemaker program producing approximately $600,000.

Two (2) agencies that serve populations between 40,001 and 80,000 provide home health generating an average of over $1 million, and 1 agency in this group operates a homemaker program that produced revenue of nearly $4 million.

Only 1 agency in the group of agencies that serves populations greater than 80,000 provided home health generating about $256,000 in revenue, and 1 agency provided homemaker services producing revenue of $73,000.

AGENCY EXPENDITURE 2003

Salary costs represent the largest portion of budget spending in 2003 for all agencies regardless of size of population served. Staff salary accounts for 46% of expenditure in agencies that serve populations over 80,000, however all other groups of agencies spend a higher portion of their budget (58% to 59%) on salaries. Staff benefit costs account for approximately the same portion of budget (12.5% to 13.3%) for all groups of agencies. The largest agencies are more likely to contract for services, spending approximately 21% of their budget in this way; agencies in each of the groups serving smaller population sizes use only 4% to 6% of their budget for contracted services. Salary and benefit costs referenced here include those that are allocated to non-public health programs such as home health and homemaker.

Agencies serving populations between 20,001 and 40,000 spent nearly 11% of their budget on supplies and equipment in 2003. Agencies in each of the other groups spent a slightly lesser portion of their budget (6.6%- 9%) for supplies and equipment. The portion of budget spent for travel ranged from less than 1% in the largest agencies to about 3% in the smallest agencies for 2003.

Agencies serving populations between 40,001 and 80,000 spent a larger portion of their budget (5.8%) on capital improvements in 2003 than did agencies serving other population sizes. From 1.2% to 2.9% of budget expenditure went for capital improvement in agencies serving other population sizes.