



Office of Mayor-Elect Lenny Curry

Transition Task Force (Budget)

June 18, 2015

City Hall, Mayor's Conference Room, 117 West Duval Street, Jacksonville FL 32202

IN ATTENDANCE:

Transition Team

Sam Mousa

Mike Weinstein

Shari Shuman

Kirk Wendland

Ashton Hudson

Kevin Stork

Beth Mangold

Charles Moreland

Council Auditor's Office

Trista Straits

Budget Office

Angela Moyer

Kathleen Tyson

Department: Shands - Russ Armistead, CEO; Mike Gleason, CFO; Penny Thompson, VP of Government Affairs

The Budget Review Team introduces themselves. Mr. Russ brings the Budget Review Team up-to-date on the status of the hospital. Mr. Armistead congratulates Mr. Mousa on taking the role of CAO. Mr. Armistead discusses the change in name from Shands Jacksonville to UF Health. It is purely a branding issue.

Mr. Armistead discusses Medicaid money and its distribution. In each of the three years he has been with Shands there were issues/proposals that would have reduced their reimbursement by about \$30 million dollars. The first year, the State converted from daily rate on Medicaid to a DRG system

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(Diagnostic Related Group) where you get diagnosed with a particular problem and that defines your revenue. The second year, the issue was changing the distribution to a tier system meaning different buckets for how the funds would be distributed, another \$30/35 million dollar issue. Shands also managed to avoid that.

Hospitals are now moving away from traditional medicine to more of a managed care model. The problem is Medicaid and uninsured. Shands is the home for the uninsured in Jacksonville. That is the structural issue.

Everyone is directed to a PowerPoint handout on Shands. Mr. Armastad takes the team through the PowerPoint.

Agenda

Uninsured Facts

Florida's population is just over 15 million; 3.8 million (24.8%) are uninsured. In Duval County, 145,000 are uninsured (19%). The City contract to provide insurance for uninsured tends to be about 10,000 but never more than 14,000, 10% of the uninsured in Duval. Because they get the City funding, 100% of those uninsured feel they should be covered. Most uninsured are working. Only 24% are not working. These are "working poor."

UF Health Jacksonville, history, efficiency, funding level

Shands is owned by the City. The Towers and Pavillion are not owned by the City. Mr. Armistead reviews slides that show the history of Shands. Mr. Armistead talked about increasing City employee participation so that it would be preferential and mentioned the new facility – UF Health North. The average of Medicaid and uninsured in Jacksonville at Shands is 51% whereas the average in the 14 hospitals in Florida who treat the uninsured is 25%.

Mr. Armistead discussed hospital economics (2 payers: commercial and government) and making money on the commercially insured to subsidize Medicaid and uninsured. He gave stats on emergency room: 93,000 visits annually; 4,000 trauma visits annually. He explained City contributions for indigent care. This does not include uninsured who did not qualify under the City contract.

Mr. Mousa asks for an explanation of who qualifies under City contract and who does not.

Mr. Armistead talked about a DHG Healthcare Report which concludes they have a revenue issue for the business they are running. They are the 3rd highest Medicaid cost provider in the State. Shands gets 10% of their Medicaid costs from the City. Shands is underfunded.

Why UF Health Jax is Important

They are the 7th largest employer (6,000 employees)

Largest employer of minorities

Combined annual operating budget of \$800 million

Training – 3rd largest in the state (more than 360 residents and hundreds of medical, nursing and pharmacy students)

60% of residents stay in the community

It is the only Level 1 Trauma Center in the region

One of only 3 poison control centers in the state

Mr. Armistead points out the funding and monetary issues UF Health faces due to funding variances: \$97 million less than Memorial, \$35 million less than the City Contract cost of care etc. Other public hospitals in the state have a local funding source and indigent care is absorbed by profit from insured health care. Shands is more of a “magnet” for uninsured and indigent care. Their budget is good this year but in FY2016-17 the Federal government LIP funding will be reduced to \$600 million. UF Health needs increased local support now.

Mr. Armistead discusses the new UF Health North hospital. They are paying rent for the building; planning to build 92 inpatient beds; helps citizens of north Jacksonville have health care coverage— currently most health care is south of the river. This hospital sees more of a mix of people – insured and uninsured. This hospital is an attempt to get finances to look more like hospitals in other areas. Currently UF Health has 60-70 days of cash and the lowest rating with Moody’s. This may be a way to get them to have a slightly better financial model. Other hospitals have a portion of the millage rate dedicated to covering indigent care.

Possible Solutions

Increase funding from local GR

One-time capital infusion – purchase former Methodist facilities via a public bond issue

Dedicated funding source for City Contract (requires legislative action in Tallahassee)

Support from other local hospitals/possible community healthcare alliance

Mr. Mousa asked what programs, activities, actions, have they taken to change, reorganize, think differently? What are they doing to minimize the constant “woe is me”?

They have built the north site to support 8th street location.

They don’t have a lot of options without impacting their services like continuing to overcharge commercial patients, remove residency and trauma, downsized beds and force people to wait in ER or

go to other hospitals. They cannot take out radiology. They have gone 3 years without salary increases. They are starting to lose staff. Even the most committed are thinking twice about staying.

In the past, if a patient presenting with one thing and other things were found they would treat everything. Now, they only treat what the patient presents with at the time. The patient would have to return again presenting with what they already knew the patient had. Also, other hospitals are directing their uninsured to Shands. They may stabilize the uninsured and then send them to Shands.

The Legislation needs to allow Duval County to pass a healthcare tax. Mr. Armistead described Dade County's support to their City hospital. Some uninsured has gone down due to Obama Care but not significantly.

Critical Community Issue

Survival of UF Health Jacksonville

June 18, 2015



Agenda

- Uninsured Facts
- UF Health Jacksonville
 - *History*
 - *Efficiency*
 - *Funding Level*
- Why UF Health Jax is Important
- Possible Solutions



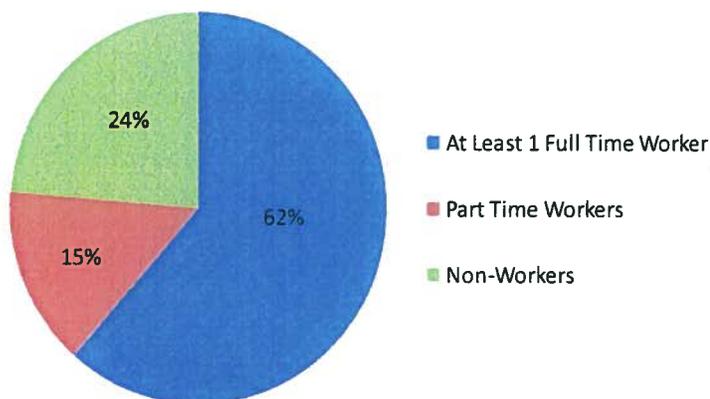
Percent Uninsured, Florida and Duval County

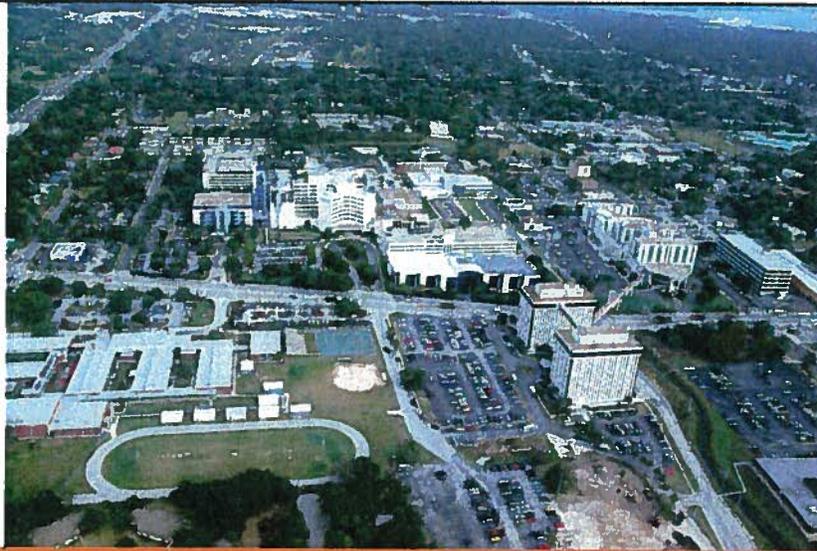
	<65 years old			18-64 years old		
	Population	Uninsured	% Uninsured	Population	Uninsured	% Uninsured
Florida	15,338,984	3,804,839	24.8%	11,416,945	3,342,845	29.3%
Duval County	753,293	145,023	19.3%	553,712	128,314	23.2%

Source: US Census Bureau



Majority of Uninsured are Working





UF Health Jacksonville

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History

- **1971** – City Owned University Hospital Opened.
- **1982** – Renamed University Medical Center (UMC) and became a private not-for-profit organization that contracted with the city to operate the facility and provide care to qualified Duval County indigents.



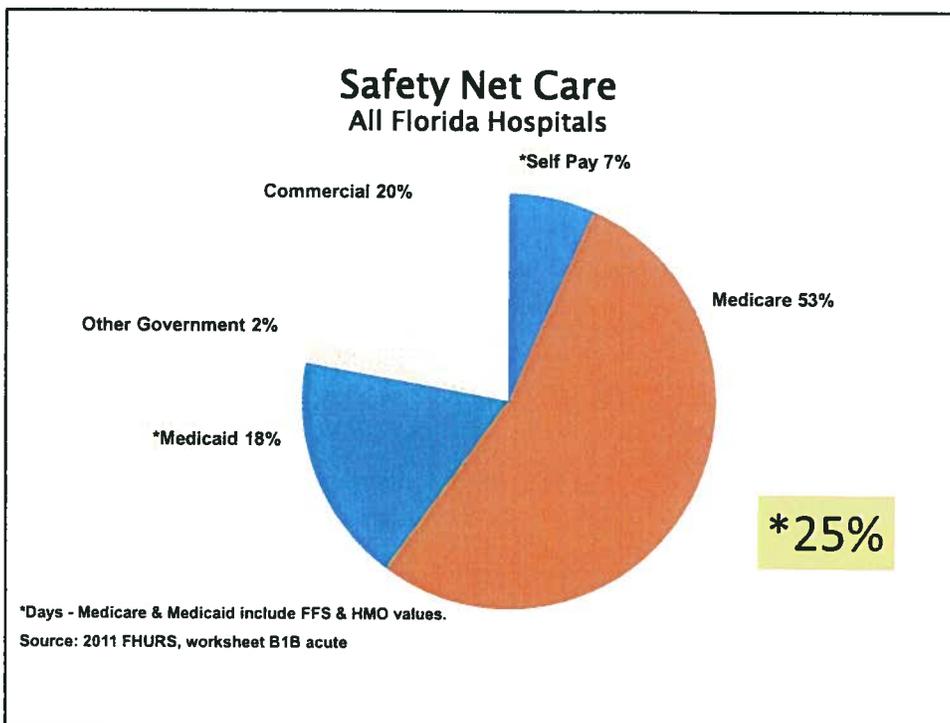
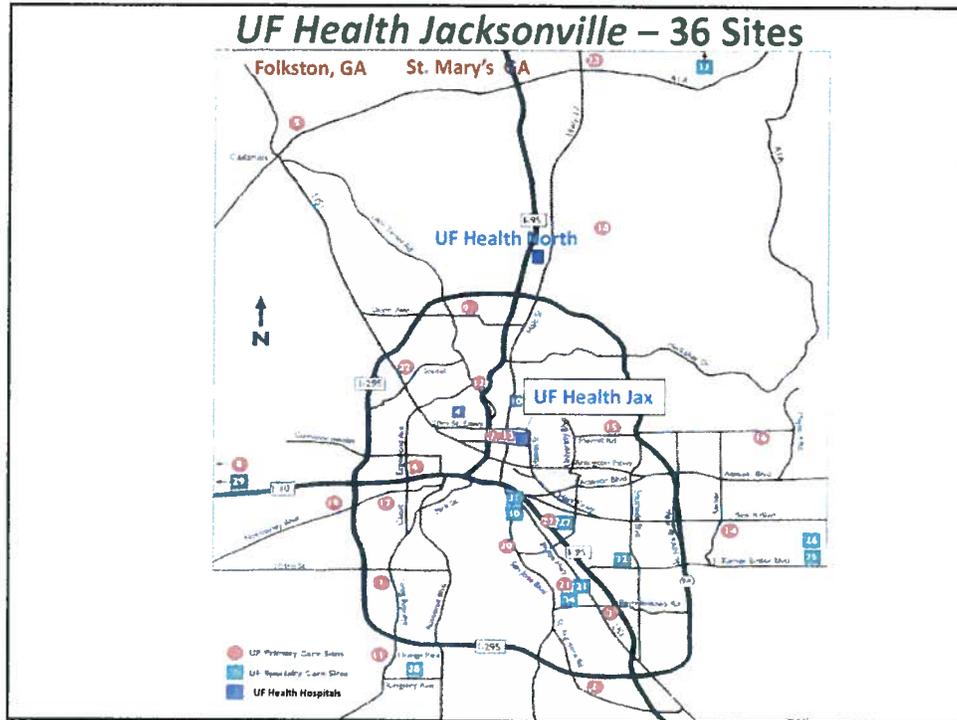
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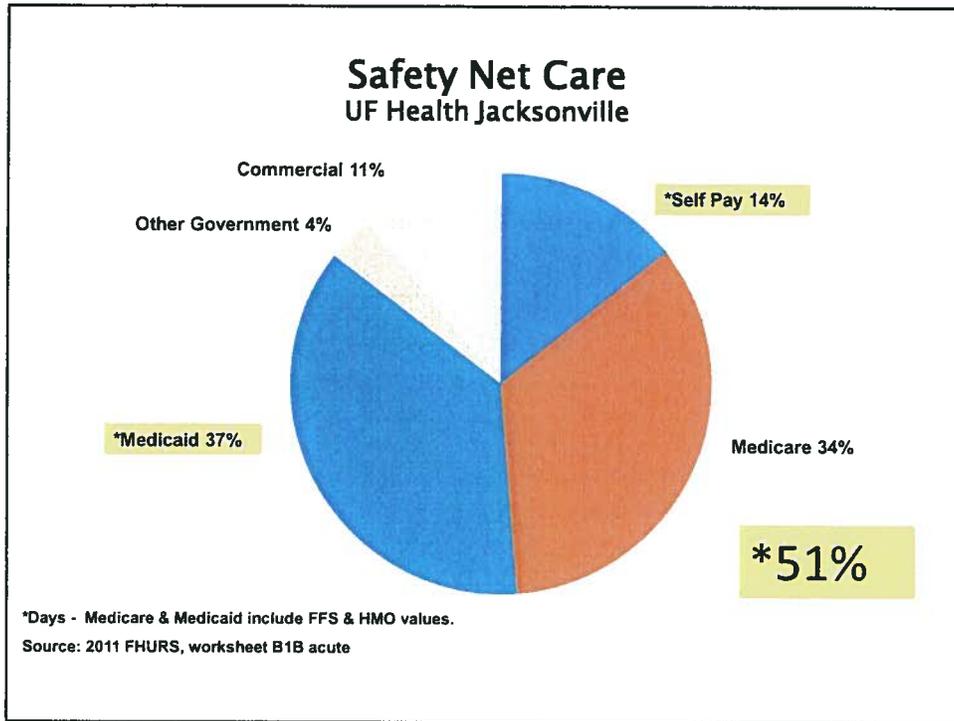
History

- **1988** – UMC and UF Faculty programs designated as Urban Campus of the University of Florida
- **1999** – UMC and Methodist Medical Center merged. Later renamed Shands Jacksonville.

History

- **2013** – Began doing business as *UF Health Jacksonville*.
- The core hospital facility remains the property of the City of Jacksonville
 - Two formal agreements with SJMC / UF Health Jax:
 - Facility lease through 2067
 - Indigent Care agreement (renewed annually)





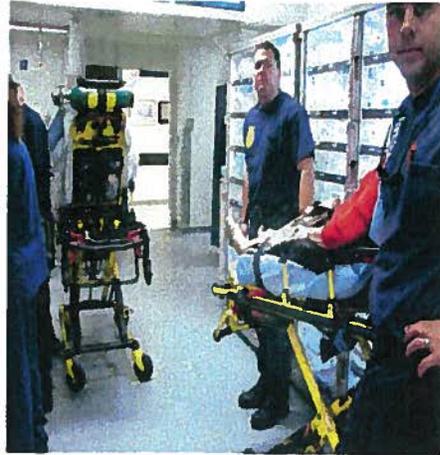
Jacksonville Hospitals - Percentage of Acute Care Patient Days by Payer - 2012

	Shands/ UF Health	Baptist Downtown	St. Vincent's Riverside	Memorial Hospital	Mayo Clinic	Baptist Beaches	St. Vincent's Southside
Self pay	14	8	7	7	4	9	8
Medicare	33	38	63	52	55	54	57
Medicaid	39	20	11	16	1	5	10
Other govt fixed price				10			
Insurance/charge based			1		13	1	1
Commercial HMO/PPO	7	30	17	15	6	29	22
Other Com/discounted	7	4	1		21	2	2

Source: Florida Agency for Health Care Administration - 2012 Florida Hospital Financial Data report

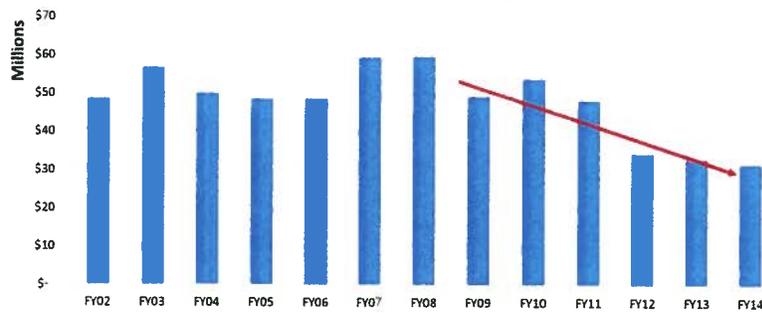
ER ICU

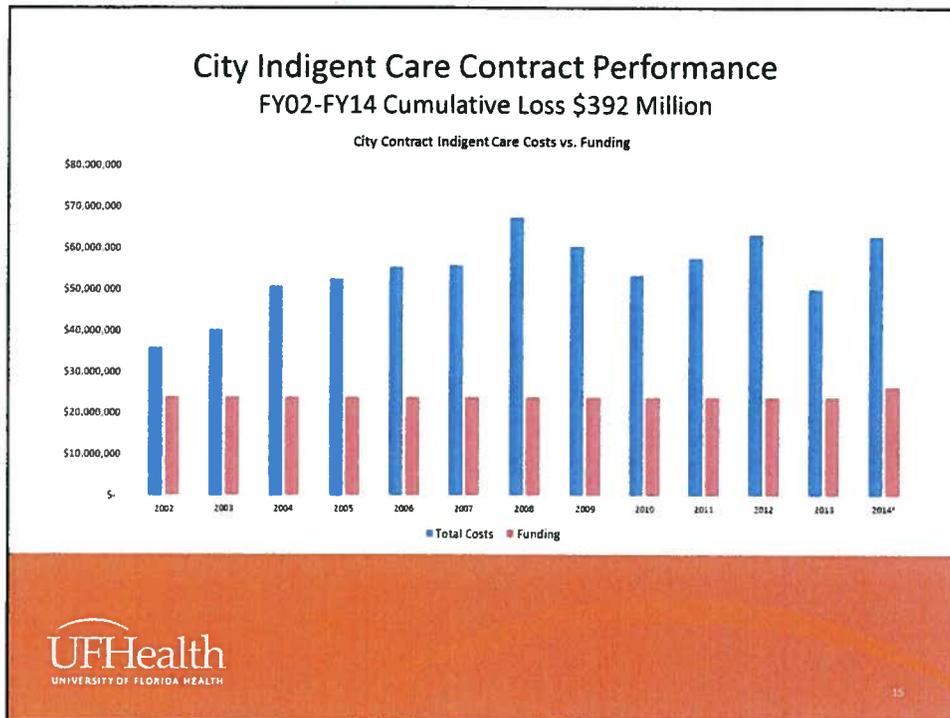
- 10-40 patients admitted and waiting for a bed
- 93,000 visits annually
- 4,000 trauma visits annually
- 3 air ambulances stationed at:
 - St Augustine
 - Lake City
 - Yulee
- One OR staffed and ready 24/7 for trauma



Federal Medicaid Reimbursement through State*

*State LIP / DSH Funding





Efficient?*

Executive Summary – Benchmarking

UF Health Jacksonville to Compare Group

Capacity and Utilization	<ul style="list-style-type: none"> • Total Discharges per Acute Care Bed • Average Length of Stay, Acute Care • Medicare Case Mix Index 	<div style="display: flex; justify-content: space-around;"> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> </div>
Capital Structure	<ul style="list-style-type: none"> • Average Age of PPE • Long Term Debt to Capitalization • Debt Service Coverage Ratio 	<div style="display: flex; justify-content: space-around;"> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> </div>
Liquidity	<ul style="list-style-type: none"> • Days in First Patient Accounts Receivable 	<div style="display: flex; justify-content: space-around;"> <div style="width: 10px; height: 10px; background-color: yellow; border-radius: 50%;"></div> </div>
Revenues, Expenses and Profitability	<ul style="list-style-type: none"> • Total Margin • Operating Margin • Medicare Inpatient Cost per Discharge, Acute Care • Medicare Inpatient Cost per Day, Acute Care • Total Patient Revenue per FTE Acute Care 	<div style="display: flex; justify-content: space-around;"> <div style="width: 10px; height: 10px; background-color: red; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: yellow; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> </div>
Productivity and Efficiency	<ul style="list-style-type: none"> • Discharges and Revenue per FTE • Discharges per Bed, Acute Care 	<div style="display: flex; justify-content: space-around;"> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> </div>
Patient Mix	<ul style="list-style-type: none"> • High-Risk Discharges as % of Total Discharges, Acute Care • Outpatient Revenues as Total Revenues 	<div style="display: flex; justify-content: space-around;"> <div style="width: 10px; height: 10px; background-color: yellow; border-radius: 50%;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> </div>

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#UFHealthConnect

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DHG HEALTHCARE

The Joint Venture of UF Health and DHG

High Risk – Heavy Medicaid Provider* Executive Summary – Reimbursement

➤ Top 10 hospitals % Medicaid distributions to total Medicaid costs

Provider Name	Net Medicaid Payments	Total Medicaid Costs	% Mcd Pymts/Total Mcd Costs
BAY MEDICAL CENTER	12,825,220	33,337,243	38%
UNIVERSITY OF MIAMI HOSPITAL & CLINICS	10,079,550	26,850,590	38%
UF HEALTH JACKSONVILLE	103,213,344	294,520,779	35%
MT. SINAI MEDICAL CENTER	19,541,999	56,689,624	34%
H. LEE MOFFIT CANCER CENTER	20,301,535	61,267,669	33%
JACKSON MEMORIAL HOSPITAL	270,514,847	882,483,751	31%
MEMORIAL HOSPITAL MIRAMAR	11,777,748	39,669,645	30%
TAMPA GENERAL HOSPITAL	90,854,205	309,153,661	29%
ALL CHILDREN'S HOSPITAL	55,947,148	204,004,358	27%
LEE MEMORIAL HOSPITAL	38,275,813	141,131,472	27%

➤ The median % Medicaid Payments to Total Medicaid Costs is 14%

*UF Health Comment

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Lack of Local Revenue* Executive Summary – Reimbursement

➤ Top 10 hospitals % IGTs (Taxes) to Total Medicaid Costs

Provider Name	Total All IGTs	Total Medicaid Costs	% IGTs/Total Mcd Costs
BROWARD HEALTH - IMPERIAL POINT HOSPITAL	32,529,319	36,757,048	88%
BROWARD HEALTH - BROWARD GENERAL MEDICAL CEN	124,396,457	258,807,329	48%
JACKSON MEMORIAL HOSPITAL	407,806,637	882,483,751	46%
MEMORIAL REGIONAL HOSPITAL	113,996,106	319,534,597	36%
CITRUS MEMORIAL HEALTH SYSTEM	8,561,920	26,282,968	33%
INDIAN RIVER MEDICAL CENTER	11,760,436	43,153,063	27%
BROWARD HEALTH - NORTH BROWARD MEDICAL CENTE	23,859,981	87,833,588	27%
SARASOTA MEMORIAL HOSPITAL	26,460,414	100,689,346	26%
MEMORIAL HOSPITAL MIRAMAR	10,146,635	39,669,645	26%
BROWARD HEALTH - CORAL SPRINGS MEDICAL CENTER	17,085,447	67,974,632	25%
UF HEALTH JACKSONVILLE	29,523,988	294,520,779	10%

➤ The median % IGTs (Taxes) to Total Medicaid Costs is 7%

*UF Health Comment

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UF Health Jacksonville
compared to
Jackson Memorial

	Total Medicaid & <u>Uninsured Costs</u>	Net Medicaid & <u>Local Funds</u>	Net Funding <u>Percentage</u>
UF Health Jacksonville	\$ 294,520,779	\$ 129,488,938	44.0%
Jackson Memorial	\$ 882,483,751	\$ 678,321,484	76.9%
UF Health Jacksonville at Jackson Memorial funding level %		\$ 226,383,513	76.9%
Increase / (Decrease) vs. current funding level		\$ 96,894,575	



Why UF Health Jax is Important

- Combined, UF Health Jacksonville and the UF COM* is a vital component of the Jacksonville economy:
 - the 7th largest employer (~6,000 employees)
 - the **largest** employer of minorities
 - Combined annual operating budget of ~\$800M

*College of Medicine



Why UF Health Jax is Important

- UF Health Jacksonville trains the future health care workforce in Jacksonville: 360+ residents (3rd largest in the State) and hundreds of medical, nursing and pharmacy students.
- ~60% of residents stay in the community

Why UF Health Jax is Important

- Other hospitals do not have the physical capacity to absorb the clinical volumes of UF Health Jacksonville
- UF Health Jacksonville is the only Level I Trauma Center in the region
- UF Health Jacksonville is one of only three poison control centers in the state

Why UF Health Jax is Important

- FY15-16 LIP funding includes **\$5.2M** of one year “phase-out” distributions
- Tallahassee is expecting Jacksonville to shoulder more of the funding responsibility
- Federal LIP funding will be reduced from \$1.0B to \$600M for FY16-17
- Ability to finance UF Health North IP beds is dependent upon increased local support now

Funding Variances

- \$97 million less than Jackson Memorial
- \$35 million less than City Contract cost of care
 - Only includes qualified City Contract patients
 - Does not include homeless or other uninsured patients
- \$15 million less than if funding had been increased by the health care CPI since 2002
 - 2002 funding level was not covering cost of care

Possible Solutions

- Increase funding from local GR
- One-time capital infusion to purchase former Methodist facilities via a public bond issue
- Dedicated funding source for City Contract
 - Requires legislative action in Tallahassee
- Support from other local hospitals / possible community healthcare alliance