



# Hospital Special Levy Town Hall

January 26, 2012

# Garfield County Hospital District



## Spirit of the Squirrel - Worthwhile Work

- Knowing we make the world a better place
- Everyone works toward a shared goal
- Values guide all plans, decisions and actions



# Garfield County Hospital District



Worthwhile work



# Vision, Mission & Values

***Our vision is to define the rural healthcare experience.***

***Our mission is to improve health outcomes by Creating Home & Building Community.***

***We value: Caring, Loyalty, Quality, Safety & Family***



# Long Range Strategies

- Develop 21st Century Healthcare Infrastructure
- Build Community Confidence & Awareness
- Implement Health Home Strategic Plan



# Emergent Strategic Objectives

- Stabilize Cash Flow
- Retain Staff
- Maintain Operational Capacity
- Preserve Organizational Credibility with the Community



# Contribution to Local Economy

- Three main operating units; the clinic long-term care, and hospital.
- Broken down further into several different "product lines" inpatient services (acute care), outpatient services, emergency department, diagnostic laboratory and radiology, physical therapy, ambulatory care (clinic), and long-term care.
- Employs approximately 92 full and part-time staff
- Annual budget of nearly \$8 Million.



# Small and Fragile

- Medicare reimbursement helps promote sustainability of the healthcare system in Garfield County
- Does not completely cover the full cost of providing services
- Very little net excess revenue for capital infrastructure, repair and replacement
- Little room to survive disruptions to cash flow

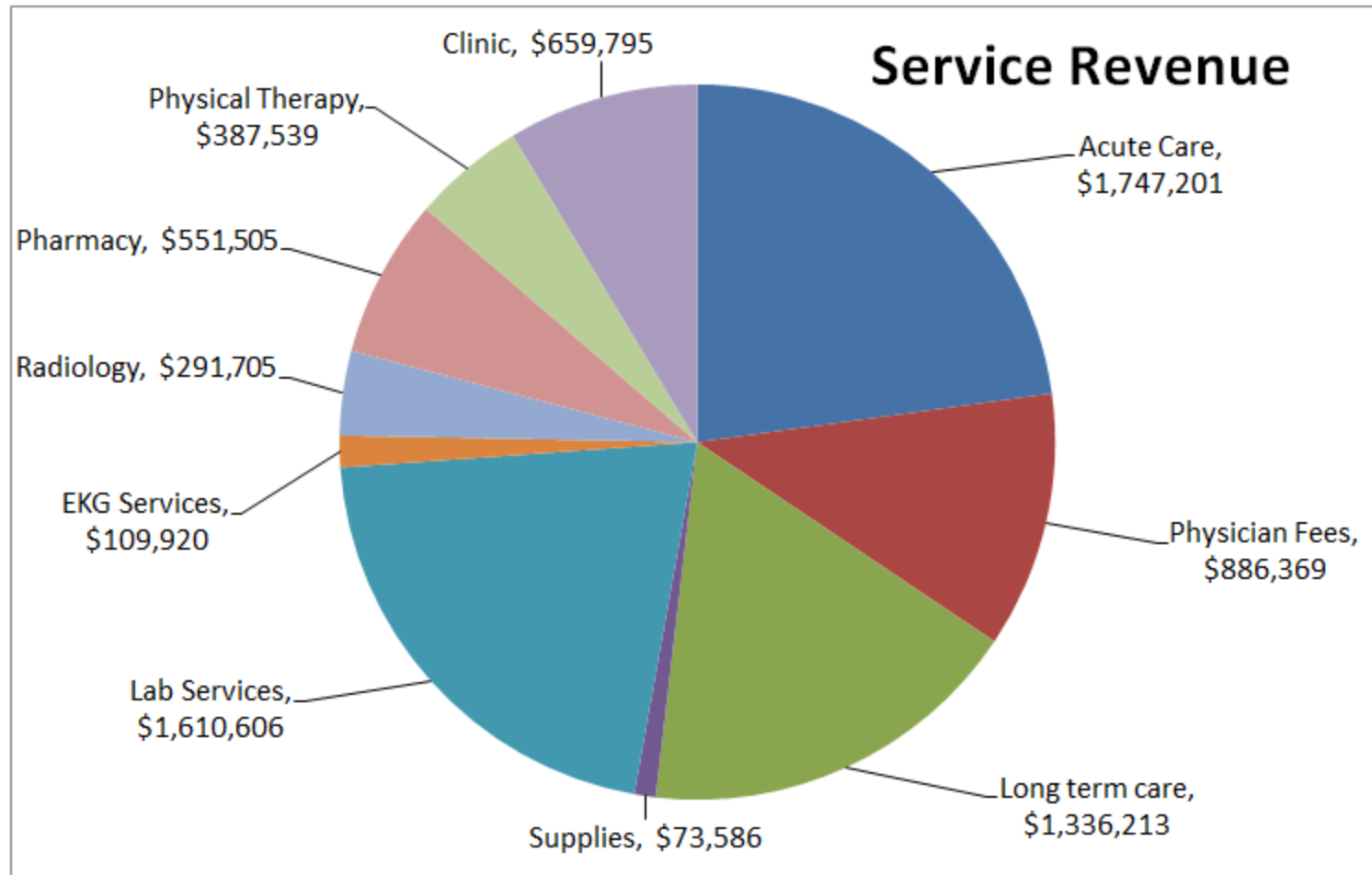


# Interdependent Health System

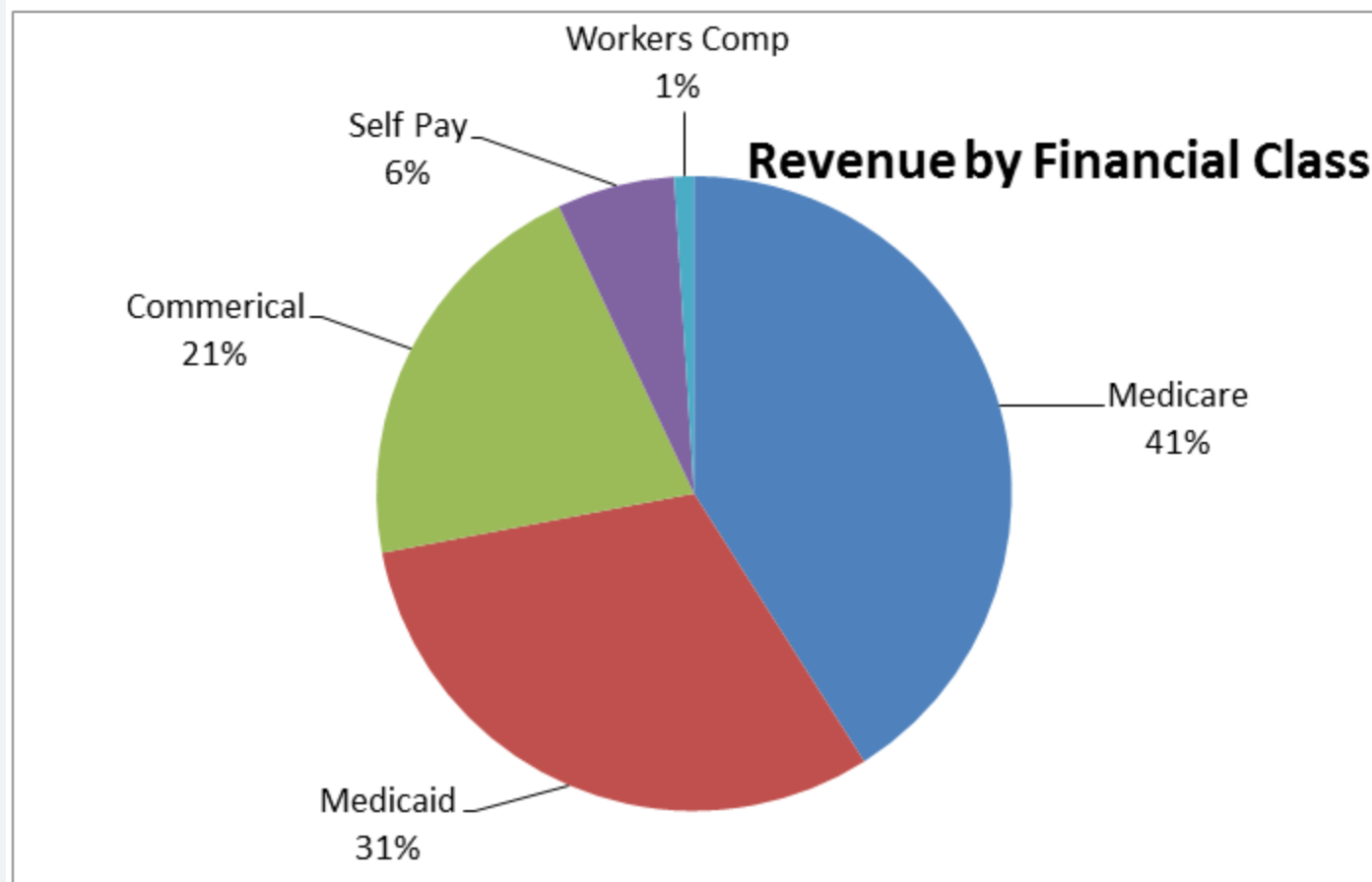
- Service complement is one of the keys to health care system sustainable
- Many lines of service such as the clinic, laboratory, emergency department and physical therapy generated revenue that subsidized other lines of service
- Allows the medical system to remain sustainable



# Interdependent Health System



# Interdependent Health System



# Nursing Home Subsidies

- Medicare reimbursement does not cover the cost of providing routine nursing home care
- Problem for the district as these services consume large amounts of cost
- Reimbursement from other payer sources is insufficient to cover the cost
- The district routinely subsidized the nursing home
- Cost of subsidizing the nursing home reached a point where the practice was no longer sustainable



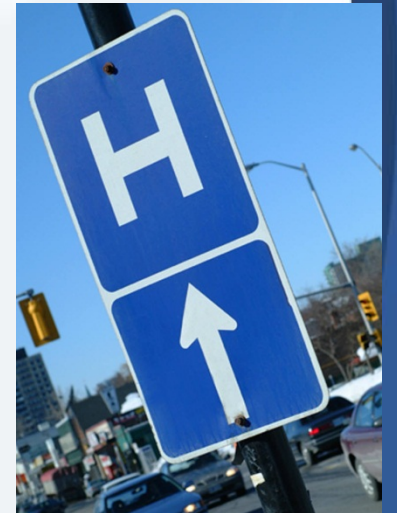
# Cost of Nursing Home Subsidy

- Over the course of the last four years the demand for long-term care services steadily declined
- Just over half of the beds in the facility remained occupied
- Empty beds reduced cost somewhat but due to relatively fixed overhead and minimum routine operating cost, the expense associated with retaining these beds resulted in a financial drain to the district



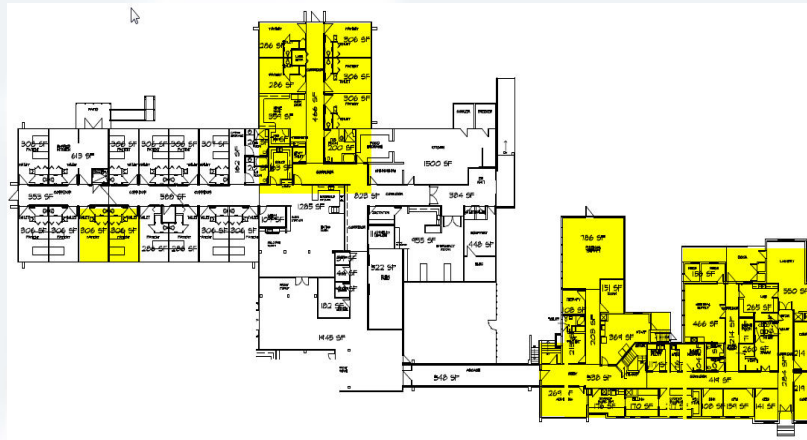
# Solution – Reduce Bed Capacity

- Critical Access Hospitals are allowed up to 25 beds to be used for any combination of care.
- Banking the 20 under-utilized long term care beds is expected to eliminate the deficit attributable to these beds
- Will allow the district to keep long-term care services available to the community through the use of the remaining 25 hospital swing-beds,
- Will help the district prepare for further reductions in reimbursement that are anticipated due to federal and state budget cuts



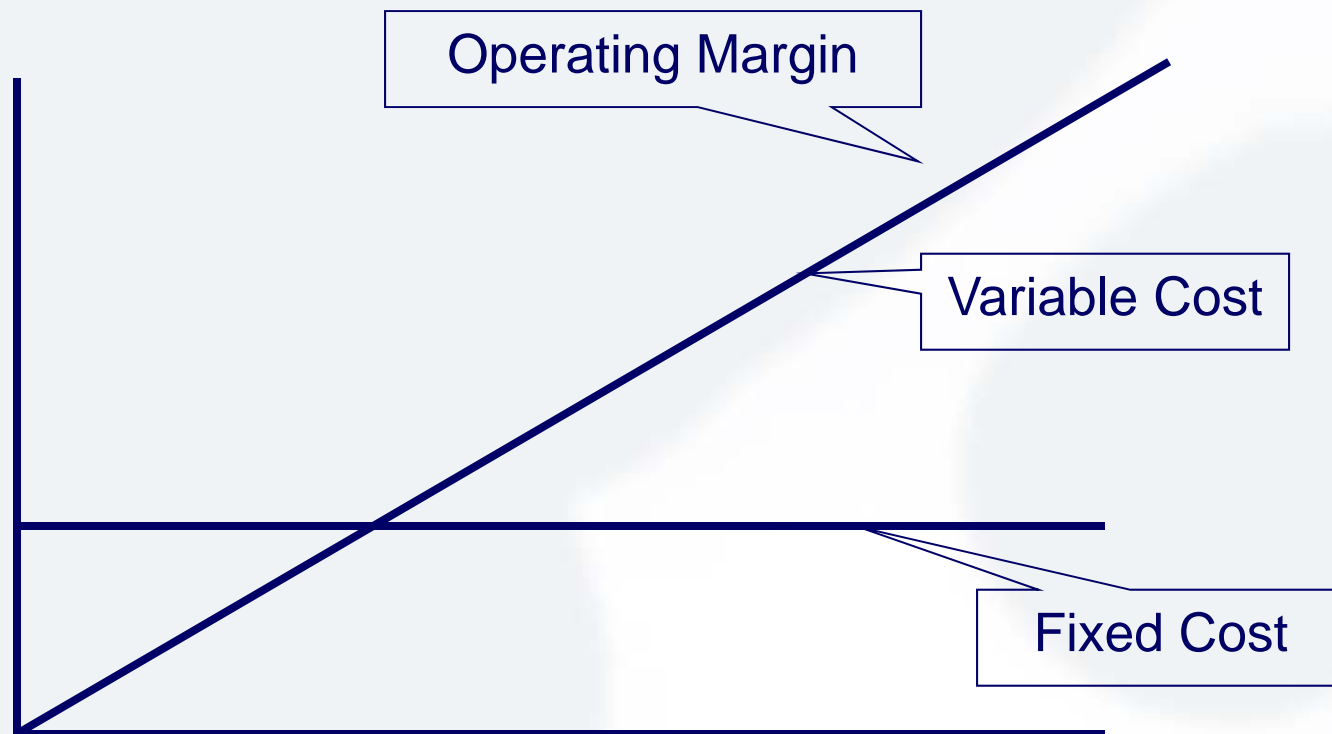
# Swing Bed Transition

- Swing Bed Transition is Necessary to Assure Sustainability
- During the transition from the "old" cost structure (45 beds) to the "new" cost structure (25 beds) Medicare will continue to pay the district at the old rates
- When Medicare re-calculates the rates they should begin to compensate for much of the cost that they previously disallowed



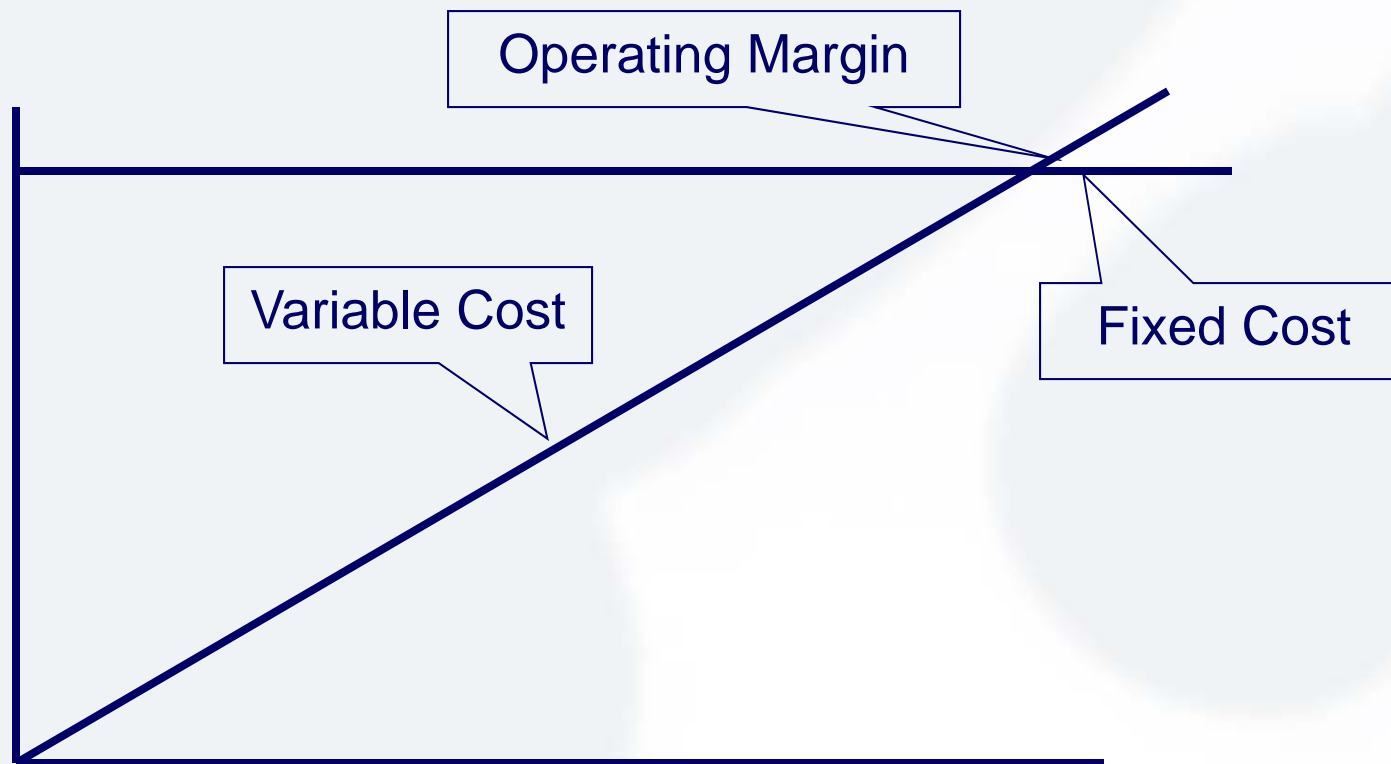
# Cost Based Reimbursement

*In “business as usual” control fixed cost..  
Improve operating margin*



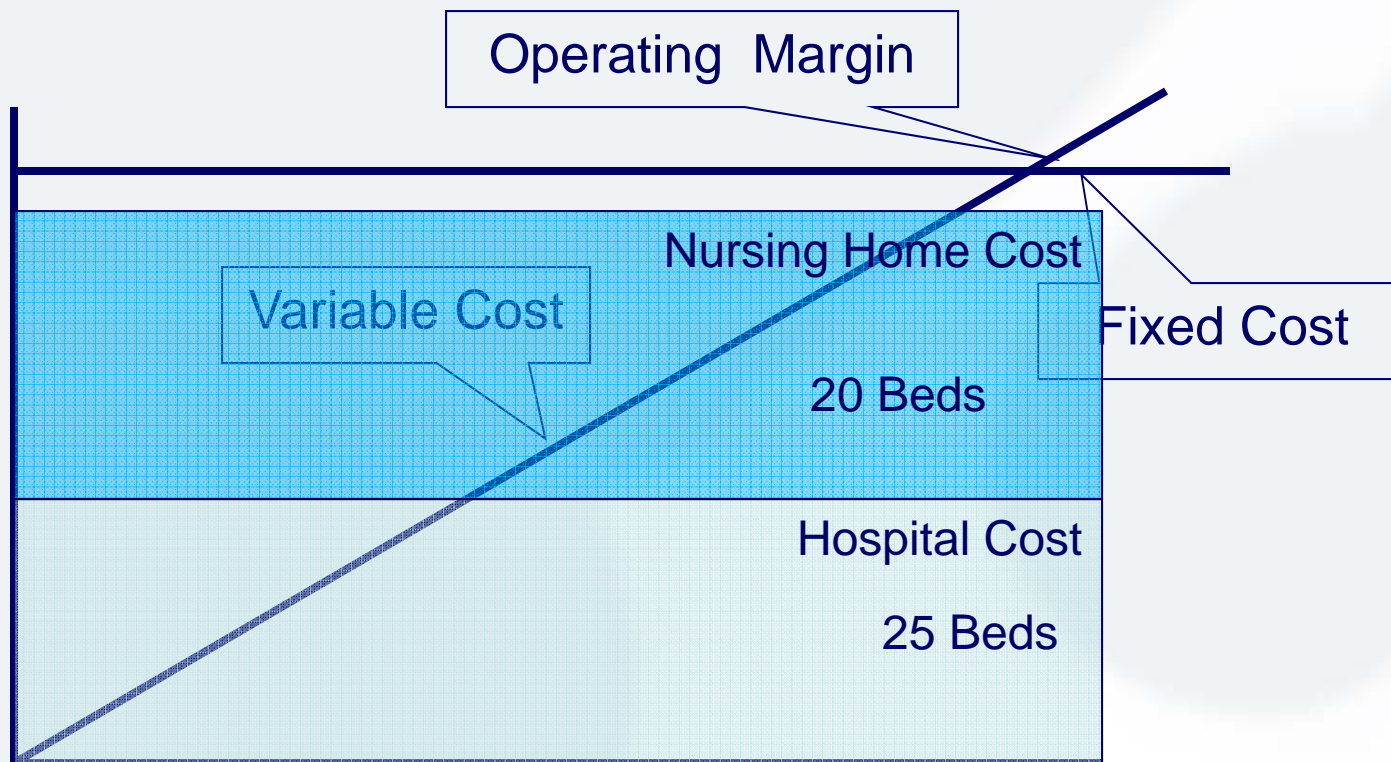
# Cost Based Reimbursement

Fixed costs are relatively high per unit of volume due to smaller volumes



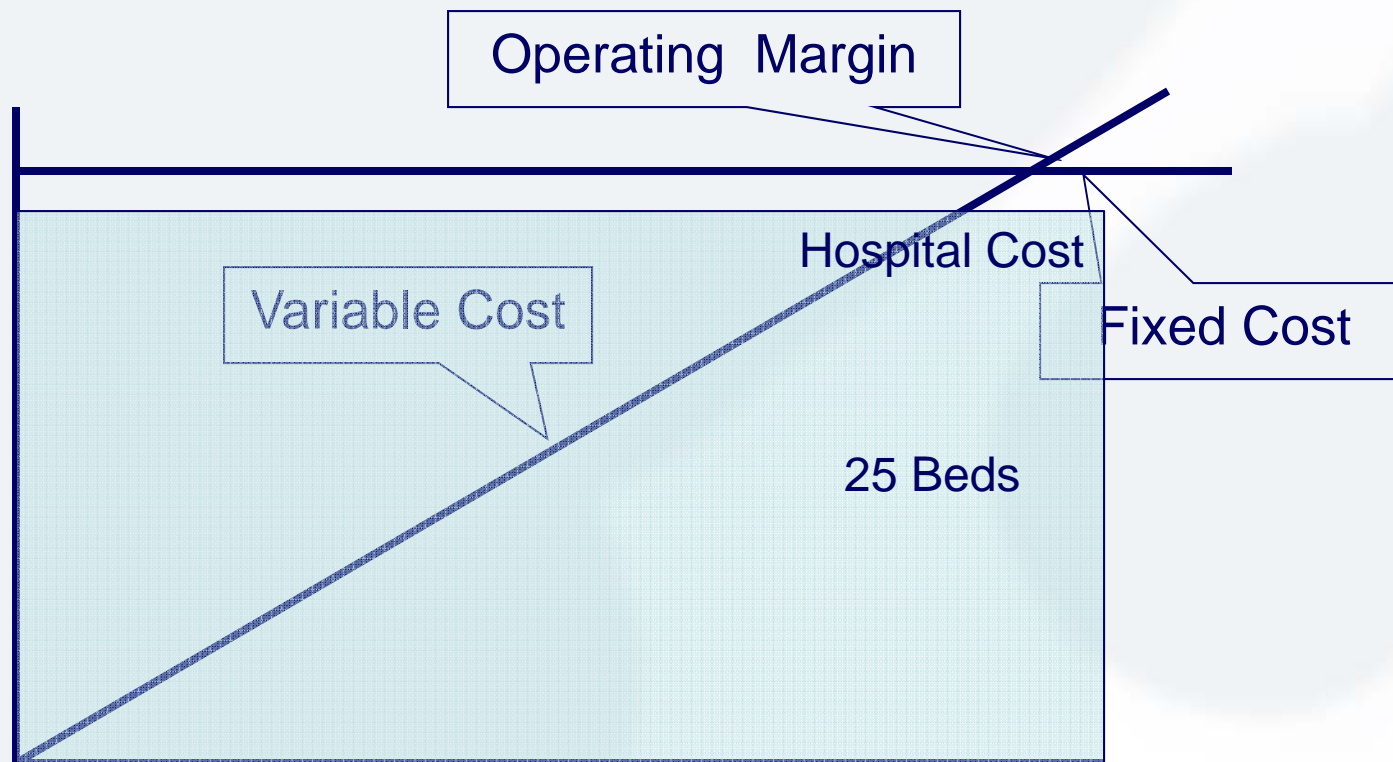
# Cost Based Reimbursement

Nursing Home is not a reimbursable cost center



# Cost Based Reimbursement

The Hospital is generally a reimbursable cost center



# We Need to Figure Out the New Business Model



“We will always deliver care to our community...we just need to figure out what the new business model is.”

– Diane Cecchetti, President & CEO Multicare



# Swing Bed Transition

- The district fully expects Medicare reimbursement rates to catch up to the new cost structure
- The entire health system will be better off in the end as a result of the bed changes. In the meantime the district needs to bridge the cash flow gap or face a serious disruption in service.



# Short Term Cash Flow

- Short term Cash Flow Position Puts Hospital System in Jeopardy
- Like a business that has a need for a certain amount of start-up capital
- The business model for the hospital has changed
- The district is currently being paid under an old cost structure much less than what the district would be paid under this new structure.
- Until Medicare payment rates stabilize the district will experience negative cash flow.
- Larger health systems are often positioned better to deal with these fluctuations.



# It Will Take Time

- Cost reduction strategies have been implemented to close a cash flow gap of approximately \$70K per month during the transition into the new rates.
- It will take up to a year or longer for Medicare rates to stabilize



# Cash Reserves

- Cash Reserves are Nearly Depleted
- Today the district has approximately \$250K in reserves
- What remains represents previously encumbered reserves that were released to bridge the gap until the cash flow position stabilizes



# Regular Tax Revenue

- Regular Tax Revenue is approximately 1% of the Budget
- Regular tax provides about \$80,000 of support to the district annually. This amounts to approximately 24 cents per thousand of assessed property value
- Nearly all other income to the district is generated as a result of providing medical services



# Regular Tax Revenue

Levy Comparison	
Morton General Hospital (Morton)	\$ 1,544,805
Quincy Valley Hospital (Quincy)	\$ 1,055,096
Dayton General Hospital (Dayton)	\$ 818,171
Lincoln Hospital (Davenport)	\$ 515,976
Odessa Memorial Hospital (Odessa)	\$ 506,191
Columbia Basin Hospital (Ephrata)	\$ 403,786
Newport Community Hospital (Newport)	\$ 381,771
Coulee Community Hospital (Grand Coulee)	\$ 264,481
Ferry County Memorial Hospital (Republic)	\$ 206,237
Garfield County Memorial Hospital (Pomeroy)	\$ 80,733
**Most current available data	

# 1 Year Levy

- 1 year \$750,000 special levy
- Cost \$2.32 / \$1,000 of assessed property value
- If the levy is approved by voters the district could then seek a short term tax anticipation loan based on the voted tax
- Short term financing would be used to stabilize the cash flow position of the district until reimbursement catches us with the new cost structure
- The levy will help sustain the hospital until rates stabilize



# Potential Impact on Services

- Services Remain Open - Presently the clinic, long term care and hospital continue to operate with no disruption in service
- If the levy does not pass the district could be forced to fully or partially suspend operations impacting all services; clinic, long term care, therapy, lab, and emergency room



# Reduction in Force

- To preserve cash the district has implemented extensive reductions in force through an involuntary unpaid furlough
- Direct care staff positions have also been adjusted to reflect the new capacity of the system
- Staff reductions will remain in place until the cash flow position of the district stabilizes
- The district will continue to evaluate and add back resources as seems prudent to do so



# Reduction in Force

- Net impact of bed reduction is being experienced in all positions as staffing levels have changed
- Direct care staffing has not yet fully stabilized
- Non Care positions - Approximately 30 People; mostly clerical and administrative staff; Transcription, Housekeeping, Central Supply, Accounting, Nursing Administration, Maintenance, Social Services, Activities and Transportation have been directly impacted
- These adjustments have been made without impacting patient care



# Medical System Capacity

- Sustaining long term cuts to the districts cost structure could cause irreparable damage to the system capacity.
- Critical to restore the district to full operating capacity as soon as possible or risk more permanent impact to Medicare reimbursement when reimbursement finally catches up with the new cost structure.
- Due to the cost-based payment structure, the longer the district sustains these cuts the more it hurts the capacity of the system



# Rock and a Hard Place

The hospital would not likely survive if it did not eliminate excess nursing home bed capacity and improve its cost structure but because the hospital is paid by Medicare on a prospective basis, it will take time for Medicare to recalculate rates and pay the hospital correctly. While the district is waiting for Medicare rates to stabilize, payment adjustments are eroding cash reserves making it necessary to reduce cost and seek support for a levy.



# Technology Requirements

- Technology is also a concern
- Short window of time to meet new technology standards for medical records
- If the district fails to comply with these standards by the deadline the district could stand to lose over a million dollars in reimbursement from Medicare
- Our current financial position makes it nearly impossible for the district to get short term financing and meet the deadline for complying



# Why is a Levy Necessary?

A levy is necessary in order to avoid disruption of services and permit the district to proceed with the required update to technology.

