

## **HEALTH CARE ADVISORY BOARD**

Meeting Summary

December 14, 2015

### **MEMBERS PRESENT**

Marlene Blum, Chairman  
Bill Finerfrock, Vice Chairman  
Rose Chu, Vice Chairman  
Ann Zuvekas  
Tim Yarboro, MD  
Francine Jupiter  
Rosanne Rodillo  
Dr. Michael Trahos, DO  
Ellyn Crawford

### **STAFF**

Sherryn Craig

### **GUESTS**

Richard Magenheimer, Inova Health System  
Jake Armstrong, Inova Health System  
Stephanie Schnittger, Inova Health System  
Karen Berube, Inova Health System  
Michael Forehand, Inova Health System  
Rosalyn Foroobar, Deputy Director for Health Services, Health Department  
Lance A. Liotta, MD, PhD, George Mason University, Center for Applied Proteomics and Molecular Medicine  
Emanuel "Chip" Petricoin III, PhD, George Mason University, Center for Applied Proteomics and Molecular Medicine  
Robert Tsien

### **Call to Order**

The meeting was called to order by Marlene Blum at 7:34 pm.

### **November 9, 2015 Meeting Summary**

The meeting summary from November 9, 2015 was approved as submitted.

### **George Mason University's (GMU) Center for Applied Proteomics and Molecular Medicine (CAPMM)**

Co-Directors Lance A. Liotta, MD, PhD and Emanuel "Chip" Petricoin III, PhD, discussed CAPMM's research and partnerships. GMU recruited Drs. Liotta and Petricoin to develop

CAPMM, originating individualized technology and personalized medicine that can be applied to a number of human diseases, including cancer, cardiovascular disease, diabetes, obesity, as well as liver, ocular, neurodegenerative and infectious diseases.

CAPMM has three major clinical sectors: (1) early disease diagnosis and detection where risk markers and therapy monitoring are identified before the onset of disease; (2) cancer prevention that identifies and targets cancerous cells at the pre-invasive stage; and (3) individualized cancer therapy that provides actionable targets for personalized therapy using protein-to-protein interactions.

Drs. Liotta and Petricoin shared research initiatives around nanoparticles, which are 1/50th the size of a red blood cell, and can be used to detect molecular signs of disease that are in the body but are in very low abundance or obscured by other fluids, such as albumin and immunoglobulins. Several partnerships and collaborations have been spun off from CAPMM's research. The Side-Out Foundation, for example, is conducting clinical trials to examine the effects of individualized treatment on patients with metastatic breast cancer. One of the trial locations is Fairfax Cancer Specialists, with offices across Northern Virginia including several in Fairfax County. Results from the molecular profiling (MP) of metastatic lesions showed clinical benefits for 13 of the 25 (52%) patients. This MP research shows great promise and warrants further research.

Other MP tools developed by CAPMM have been licensed to outside companies. One Fairfax company, Perthera, Inc., based out of Tysons, provides state-of-the-art diagnostic technology including genomic, proteomic and phosphoproteomic analysis, along with a patient's medical history to provide actionable therapies and clinical trial options to oncologists and their patients. CAPMM's nanoparticle technology, licensed as Nanotrap Technology® to Ceres Nanosciences in Manassas, is also being evaluated in a clinical trial at Inova Fairfax Hospital for early detection of Lyme disease. Drs. Liotta and Petricoin also shared some promising research in partnership with the Bill and Melinda Gates Foundation to develop a saliva-based Ebola test.

While CAPMM is conducting innovative and groundbreaking research, there were some concerns raised about how accessible and affordable this technology is. Both Dr. Liotta and Petricoin believe the insurance companies will elect to cover these therapies as they will lead to targeted treatments that are more effective.

The HCAB was pleased to hear that CAPMM and Inova are collaborating and not duplicating their efforts. While CAPMM is focused on the cellular proteins (i.e.,

proteomics) side of personalized medicine, Inova has chosen to target genetic sequencing (i.e., genomics) to identify disease markers and targeted therapies.

The HCAB will send a memo to the Board of Supervisors that discusses some of CAPMM's research projects and existing partnerships.

### **Inova FY 2016 Budget**

Per the lease requirements, Richard Magenheimer, Chief Financial Officer; Jake Armstrong, Senior Vice President, Finance; Stephanie Schnittger, Assistant Vice President, Finance; Karen Berube, Assistant Vice President, Population Health Management; and Michael Forehand, Director, Advocacy and Community Outreach, appeared before the HCAB to review Inova's FY 2015 results and its FY 2016 fiscal plan.

Inova reported a 6.7% increase in cash reserves from \$3 billion in FY 2014 to \$3.2 billion in FY 2015. Inova's debt is \$1.85 billion. Despite substantial capital investments, strong revenue growth, particularly at Inova's acute care hospitals, resulted in \$210.2 million in projected income (1.2% increase, or \$2.6 million over FY 2015 plan) and a projected operating margin on plan of 6.8%. FY 2015 admissions and observation cases increased over prior year while ambulatory surgeries declined due to a number competing surgery centers in Maryland.

Inova representatives cautioned that its operating environment in 2016 will grow more challenging with Medicare payment cuts to pay for coverage via expanded Medicaid and exchange premium subsidies, greater market competition (e.g. StoneSprings Hospital Center in Southern Loudoun County and Novant's Haymarket facility), business development and master planning strategies for the former ExxonMobil campus, and major enhancements to IT security controls and environment. Combined, these factors are forecasted to lower Inova's operating margin from 6.8% in FY 2015 to 5.1% in FY 2016.

Inova's ambulatory business development and capital re-investments are also expected to contribute to an increase in FY 2016 patient volumes. FY 2016 inpatient admissions are expected to increase 2.4% with much of this growth a result of opening the Inova Women's Hospital and Inova Children's Hospital (IWHICH) on the Inova Fairfax Medical Campus. ED visits are projected to increase 2.8% attributable, in part, to the opening of the Ashburn HealthPlex in 2015 and the Inova Mount Vernon ED expansion scheduled for 2016.

Inova's Medicare and Medicaid payments are expected to be flat in 2016 which means the unreimbursed cost of treating these patients will continue to grow. With respect to Inova's FY 2016 managed care contracts, the hospital is working to negotiate adequate and reasonable compensation for the services it provides.

Inova has made considerable progress in streamlining its cost structure over the last several years to facilitate significant capital reinvestment requirements, strategic priorities, and structural changes in payment systems. However, the FY 2016 budget includes a 9% increase in total operating expenses. In addition to routine inflation, FY 2016 expenditures are increasing as a result of opening new acute facilities, physician services, population health, and ambulatory growth.

Salaries, wages and benefits are budgeted at \$1.45 billion, an increase of 10% in 2016. Mr. Magenheimer shared that Inova is having trouble recruiting certain positions, like OB nurses, and is having to pay premium salaries. The opening of the new IWICH facility has led to a \$13 million increase in labor (e.g., housekeeping, engineering and maintenance, NICU nurses, etc.). Inova will also be making changes to its pension and retirement plan, resulting in expenditure side increase.

Supplies and other non-salary costs are budgeted at \$1.27 billion, an increase of 4.8%. Pharmaceuticals costs are projected to increase 8.2% in FY 2016 due to inflation. Higher increases are expected for clinically infused drugs (e.g., oncology and others), a line of business Inova is growing as it makes way for the Dwight and Martha Schar Cancer Institute in 2018. In total, 2016 pharmaceutical expenses will be \$108 million, an increase of 15.2% which encompasses both business growth and inflationary increases.

Furthermore, Inova has budgeted \$629.5 million in FY 2016, a 16% increase over FY 2015, in capital expenditures. For the last several years, the Inova Fairfax Campus Improvement Project (IFH CIP) has required significant capital investment and although the project is nearing completion, an additional \$22 million in expenditures is projected for FY 2016.

Other hospital-based infrastructure projects requiring capital spending in FY 2016 include the Inova Center for Personalized (ICPH) and Inova Dwight and Martha Schar Cancer Institute, Inova Fair Oaks Hospital Surgery Expansion and Remodeling, Inova Mount Vernon Emergency Department Expansion, Inova Ashburn Healthplex, Inova Loudoun Hospital Surgery Expansion, Inova Loudoun Hospital Master Plan, and Technology Services. To support its CIP, Inova will be undertaking additional

expenditures on interest and depreciation. Further discussion on Inova's CIP was deferred to the HCAB's January 11 meeting.

Inova's 7.1% increase in net revenue and a 9% increase in total operating expenses translates into a \$161 million, or 19.2% decrease, in income from operations over prior year and a projected operating margin of 5.1% in FY 2016.

Inova is forecasting its FY 2016 community health benefits spending, which excludes bad debt, to increase from \$223.2 million to \$230.3 million. Inova's FY 2016 community health programs represent 7.3% of the system's projected net revenue. Total Community Health Benefits include total uncompensated care costs in addition to research and professional and medical education.

Inova representatives also shared that they will open clinics for the working poor in Sterling, Alexandria, and Annandale in 2016. Inova is committed to serving those individuals who work, have no insurance through their jobs or are inadequately insured. The clinics represent a stop gap between indigent clinics (i.e., FQHCs and CHCN) and those who have health exchange policies that essentially provide catastrophic coverage at a low premium but with high deductibles.

These clinics are not designed to be medical homes. They will serve adults primarily in the areas of ongoing primary care, prevention, and management of chronic illnesses like diabetes, hypertension, and heart disease. Ms. Berube explained that for a flat \$40 fee, patients can receive care for illnesses, like strep, upper respiratory infections, or the flu, that do not require a visit to the ER. Likewise, for a \$10 weekly subscription, patients, including those who are culturally and/or linguistically isolated, can have Inova providers (e.g., nurses, nurse practitioners, and social workers) manage their chronic conditions with the goal of educating patients and empowering them to control their own disease care. The annual cost of operating these clinics is projected at \$3 million. Startup activities related to this initiative are budgeted at \$1.5 million in the FY 2016 budget.

Inova will change its charity care policy effective January 1, 2016. Full charity write-off for patients in households with income levels at or below 400 percent of Federal Poverty Guidelines (FPG) (rather than sliding scale applied to households in the 200% to 400% range as was previously the case). This policy change will apply to underinsured patients as well as uninsured patients.

For those individuals with household income levels above 400 percent of FPG and whose patient responsibility (whether due to being uninsured or under insured) represents greater than 30% of their annual household income also qualify for 100% charity for amounts in excess of 30% of annual household income (defined as catastrophic charity). For uninsured individuals who do not qualify for charity care, a self-pay discount will be provided that reflects what Inova would be paid on insured patients. The HCAB members expressed their support of Inova's enhanced indigent care policy.

In FY 2016, Inova will implement a 5.2% retail rate increase. Because of the system's decision to enhance its indigent care policy to people below 400% of FPG, Inova believes the most economically vulnerable individuals will be insulated from any effects of a charge increase.

Ann Zuvekas moved that the HCAB send a memo to the Board of Supervisors that relays the information Inova representatives shared, including support for the enhanced charity care policy, but a nominal description of the rate increase. Bill Finerfrock seconded the motion. The motion carried with 8-Y, 0-N, and 2 abstentions.

### **Other Business**

The Community Health Care Network (CHCN) will have an open house on January 15, 2016. A Save the Date has been e-mailed to all HCAB members.

Molina's contract to operate CHCN will end in June. The RFP process did not yield a good result, and the County has decided not to award a contract for primary care. However, a contract has been awarded for pharmacy services. The Health Department has started to work with Inova to develop a short term plan, and possibly longer, for models of care for CHCN

There being no further business, the meeting adjourned at 9:56 pm.