

## **HEALTH CARE ADVISORY BOARD**

Meeting Summary  
December 8, 2008

### **MEMBERS PRESENT**

Marlene Blum, Chairman  
Bill Finerfrock, Vice Chairman  
Rose Chu, Vice Chairman  
J. Martin Lebowitz, MD  
Francine Jupiter  
Timothy Yarboro, MD  
Dave West  
John Clark  
Ellyn Crawford  
Susan Conrad

### **STAFF**

Sherryn Craig

### **GUESTS**

JoAnne Jorgenson, Health Department  
Jill Switkin, Cooley, Godward, Kronish, LLP  
Mark Looney, Cooley, Godward, Kronish, LLP  
Amanda Gannon, Burke Health & Rehabilitation Center  
Richard Magenheimer, Inova Health System  
Mark Runyon, Inova Health System  
Ron Ewald, Inova Health System  
Kylanne Green, Inova Health System  
Anne Rieger, Inova Health System  
Jennifer Siciliano, Inova Health System

The meeting was called to order by Marlene Blum at 7:38 p.m.

### **Approval of the Minutes**

Rose Chu was not in attendance at the November 10, 2008 meeting. The minutes from November 10, 2008 were accepted as corrected.

### **Special Exception Application Review**

Jill Switkin, representative for Medical Facilities of America 29 LP, presented a Special Exception Application (SEA) to expand the Burke Health and Rehabilitation Center (the Center), a 7.66 acre property located between Burke Lake Parkway and Burke Lake Road. Changing demands of the elderly population in Fairfax County are driving the need for the addition. In the 1980s, when the Center was initially designed and approved, medical care facilities and post-acute care rehabilitation were in substantially less demand than they are today. Moreover, elderly residents are living longer and are being discharged from hospitals sooner, with a need for ongoing rehabilitative care. Based on information provided by the applicant, the Center's

post-acute care population has doubled in the last two years and is now fifty percent of the facility's total patient population. Center representatives also stated that the facility cares for the highest number of short-term rehabilitation patients in Northern Virginia.

The center is currently approved for 120 beds. Because the proposed project will not add any new patient rooms or increase occupancy, the applicant is not seeking state approval through the Certificate of Public Need (COPN) process. However, local approval is required, and the applicant is scheduled for a public hearing before the Fairfax County Planning Commission on Thursday, December 11.

The proposed addition—a 900 square foot rehabilitative gym—will allow the Center to house all of its physical, occupational and speech therapists, progressive rehabilitative technology and associated computer equipment in a single location. The project will also allow the Center's patients to have a larger space in which to conduct physical, occupational and speech therapy.

In response to a question about patients' length of stay, Amanda Gannon, said 30 days was the average stay, but patients requiring long-term rehabilitation may stay a year to a year-and-a-half.

Regarding patient mix, Ms. Gannon stated there was not a fixed division between short and long-term rehabilitation. All beds are certified for Medicaid and Medicare, and while a few patients are self-pay, the majority are insured (e.g. Medicare, Medicaid, or managed care). The Center does not offer a sliding fee scale.

The HCAB did not receive any public inquiries into the SEA. Jill Switkin said that the project has the support of Supervisor Bulova's office. A community meeting was also held, but was poorly attended.

Dr. Lebowitz moved that the HCAB recommend approval of the Center's SEA to the Board of Supervisors. Susan Conrad seconded the motion. The motion carried unanimously.

### **Inova Health System FY 2009 Fiscal Plan**

Richard Magenheimer, Chief Financial Officer (CFO), of Inova Health System thanked the HCAB for postponing its FY 2009 Fiscal Plan presentation until December. According to Mr. Magenheimer, the last 90 days have been challenging as there has been no intervention in tax-exempt financing. The Inova leadership is hopeful that the Troubled Assets Relief Program (TARP) will restore liquidity and stability to the market.

Inova has experienced a precipitous drop in patient volume, forcing it to lower 2008 year-end projections. An increase in charity and indigent patients has also decreased its revenue base. It is unclear whether this trend is short or long-term, will accelerate or stabilize.

Bill Finerfrock noted that the local economy has been shown to be "somewhat recession proof." He asked to what extent the national trends were reflected in Inova's local numbers.

Anecdotally, Mr. Magenheimer said that physicians have appointments they are unable to fill. Jobs that were once difficult to hire are now easier to staff. Inova is projecting slower revenue growth and given Inova's sizeable capital needs, a prolonged recession will be difficult for the organization. Inova has set aggressive targets for cost management goals next year.

Susan Conrad asked if the downturn has affected some services more directly than others. Mr. Magenheimer said that elective surgeries have declined and deliveries have been "off."

Mr. Magenheimer pointed out that changes in managed care contracts have affected patients' co-pays and out-of-pocket costs. Procedures that were previously performed in-patient are now required to be outpatient. Mr. Magenheimer stated that patients incur larger out-of-pocket bills when procedures are performed outpatient. Moreover, insurance companies have increased their maximum out-of-pocket charge; the days of capping out at \$1,000 are long gone.

Bill Finerfrock said that in this economy, people are becoming more price-sensitive. He asked Mr. Magenheimer how Inova, as a health care entity, is responding to this price sensitivity.

Mr. Magenheimer said that on the nonmonetary side, Inova has made great strides in improving patient satisfaction. However, he maintained that primary insurance companies limit Inova's ability to restructure its billing policies. At some point, Inova may experiment with scheduling services during off-peak hours. But for now, Inova is trying to be flexible with patients' abilities to pay. Mark Runyon cited the Mediredit program, which allows patients to pay a bill over a set period of time.

Mr. Finerfrock argued that Inova has not had to be price sensitive given its position as the County's primary health care supplier.

Mr. Magenheimer replied that Inova is still a good value for the services that it provides. Moreover, Inova's discount program is designed for people without primary insurance or who have thin primary insurance.

Mr. Runyon said that Inova experienced phenomenal growth at the beginning of 2008; patient volume was up 4.5% over prior year. Inova Fairfax Hospital (IFH) was bursting at the seams. In March, patient volume leveled off; early gains were all but erased. ED visits declined and patient acuity increased. Because patients were sicker, Inova's length of stay increased along with the demand for acute, skilled nursing care.

With the decline in volume, Inova has also seen an increase in Medicaid, charity, and self pay utilization. Charity care costs are projected at \$93 million this year. Inova's unreimbursed Medicaid costs are estimated at \$53 million for 2008, an increase of \$15 million over 2007. Agency staff pay has outpaced Inova's 2008 projections, coming in at \$46 million end-of-year.

Inova is anticipating a substantial cut in Medicaid reimbursements July 1. Mr. Finerfrock said that an infusion from the federal government may offset the state's cuts. He also said that Congress may consider expanding S-CHIP eligibility.

Inova's capital budget for 2008-2011 will total \$1.2 billion. 2009 capital expenses will require 140% of next year's cash flow. Mr. Magenheimer said that the IFH Tower will need to be overhauled in some format. The lack of amenities (e.g. private rooms) has put Inova at a competitive disadvantage.

To undertake construction at IFH, Inova will need to maintain its bond ratings. Currently, Inova has a low cost of debt and would be able to secure a good interest rate with its AA bond rating. However, if Inova's performance deteriorates, its bond rating could be downgraded.

Mr. Finerfrock asked Mr. Magenheimer and Mr. Runyon if, in light of deteriorating economic conditions, they were still planning to move forward with their capital projects. Mr. Magenheimer said Inova has deferred non-critical improvements (e.g. information technology/specialty applications), but is not planning to deviate from the current schedule.

There was considerable discussion on Inova's decision to implement automatic hospital records. Mr. Finerfrock encouraged Inova to consider deferring this project, especially if federal money becomes available. Susan Conrad, Bill Finerfrock, and Dr. Lebowitz cautioned Inova about the inter-operability of electronic health records. While Inova is using vendors to implement the new technology, there is no guarantee that its product will interface with other hospitals or practices. Moreover, vendors may promise to comply with federal standards, but it usually comes at an additional cost to the client. Ms. Conrad said Inova and its vendor will create something that they will most certainly need to revisit.

Mr. Runyon said Inova will not meet its admission targets for 2009. Outpatient growth is expected to mitigate a contracting inpatient load.

Mr. Finerfrock asked if managed care contracts are negotiated per diem. Mr. Magenheimer said they are based on case rates, which is why there is continued pressure to bring down patients' length of stays. Mr. Runyon said that Inova is expecting to see greater savings on agency staff pay, as it is becoming easier to fill positions which were once difficult to hire.

Mr. Runyon said that because of the deteriorating budget climate, Inova will advertise a 3% planned rate increase.

Anne Rieger provided an update on Inova's Community Benefits Schedule. Currently, Inova is working to comply with the Internal Revenue Service's (IRS) 990 report and the Virginia Hospital Association's (VHA) data template to improve and standardize its methodology for reporting uncompensated care costs and community health benefits. This new schedule of benefits will allow for cross comparison of all hospitals throughout the state. The reporting methodology used for FY 2009 differs from previous budget years in several ways:

- Omission of Professional & Medical Education and Research in the calculation of Total Uncompensated Care;
- Inclusion of Donated Space and In-Kind Services in the calculation of Total Uncompensated Care;

- Inclusion of Safety Net and Community Affairs Administrative Support in the calculation of Total Uncompensated Care;
- Inclusion of contracted costs to enroll patients in Medicaid/SLH in the calculation of Total Uncompensated Care; and
- Inclusion of hospitalists who treat indigent patients in the Emergency Room (ER) in the calculation of Total Uncompensated Care;

Using this new methodology, Inova's uncompensated care costs are projected at \$211.6 million for FY 2009, an increase of 8.9% over FY 2008 due to increases in the number of indigent and other non-paying patients. Uncompensated care costs are comprised of:

- Indigent, Medicaid/SLH, and Bad Debt Program Costs
- Programs for Low-Income Residents
- Programs for the Broader Community
- Donated Space and In-Kind Services
- Safety Net and Community Affairs Support

Inova is forecasting its FY 2009 community health benefits budget to increase from \$212.4 million to \$230.5 million in unreimbursed costs. Total Community Health Benefits include total uncompensated care costs in addition to research and professional and medical education.

There was considerable discussion regarding Inova's projected Medicaid/SLH Eligibility Assistance costs. The schedule projects 2009 costs at \$1.5 million. Marlene Blum thought this number was high, relative to the Health Department's cost to provide the service. Ms. Rieger said she would double check the figure and report back to the HCAB.

Inova experienced a 6% increase in OB Clinic volume. Inova has redesigned the clinic, implementing a physician-based model of care. The relocation of the OB and Pediatric clinics is also driving some of the increased costs.

Services for the hearing impaired will also be centralized and standardized across the Inova Health System. JoAnne Jorgenson asked Ms. Rieger if Inova will act as a Medicaid hearing aid vendor. Mr. Magenheimer and Ms. Rieger said they would look into it.

Ms. Rieger also noted an increase in the number of diabetes cases. Mount Vernon Hospital has reinstated its Diabetes Center.

HCAB members were pleased with the new Community Benefits Schedule, but did suggest that Inova change the "low or negative margin" title, as it was not clear and would generate questions.

Mr. Finerfrock made a motion that the HCAB send a memo to the Board of Supervisors stating that Inova had satisfied the requirements of the lease agreement and that a 3% rate increase will go into effect in 2009. No additional comment on the rate increase would be provided. Ms. Conrad seconded the motion. The motion passed unanimously.

There being no further business, the meeting adjourned at 9:53 p.m.