

HEALTH CARE ADVISORY BOARD

Meeting Summary
November 14, 2011

MEMBERS PRESENT

Marlene Blum, Chairman
William Finerfrock, Vice Chairman
Rose Chu, Vice Chairman
Francine Jupiter
Dr. Marty Lebowitz
Ann Zuvekas
Dave West
Susan Conrad
Rosanne Rodillo

STAFF

Sherryn Craig

GUESTS

Richard Magenheimer, Inova Health System
Mark Runyon, Inova Health System
Jennifer Siciliano, Inova Health System
Dr. Gloria Addo-Ayensu, Health Department
Rosalyn Foroobar, Health Department
Marie Custode, Health Department
Robin Wilson, Health Department

Call to Order

The meeting was called to order by Marlene Blum at 7:35 p.m.

October Meeting Summary

The minutes from the October 19, 2011 meeting were accepted as presented.

Inova Health System FY 2012 Fiscal Plan

Richard Magenheimer, Chief Financial Officer, Inova Health System, provided an update on Inova's FY 2011 Fiscal Plan. As reported during the midyear budget review meeting in August, Inova's prior year earnings have been adjusted downward: a \$167 million pension charge was applied to FY 2005-2006.

Mr. Magenheimer characterized FY 2012 as the first year of a major transitional period for the organization. The system's physical assets require substantial renovations and enormous capital reinvestments. The bidding process to select contractors for the new Inova Fairfax Women's Hospital is set for next fall. The South Patient Tower on the IFH's campus is scheduled to open early next year. Inova is in the process of implementing two ventures, the Inova Translational Medicine Institute (ITMI) and EpicCare, a new information technology (IT) and business software. Unbudgeted IT expenditures associated with the decision to replace the organization's clinical and

financial systems with Epic and ensuring Inova's file structure is ICD-10 compliant will necessitate tighter cost control efforts in FY 2012.

Mark Runyon, Senior Vice President of Finance, continued with Inova's FY 2011 financial results. Volume growth resumed in FY 2011, although deliveries have decreased and outpatient and home visit volumes remain soft. Equivalent admissions and Emergency Department (ED) visits have increased 2% and 6%, respectively. Payer mix shifts and lower Medicare acuity also resulted in lower revenue per case.

Mr. Runyon characterized EpicCare as a "one off" system. Under Inova's current vendor, GE Centricity, each provider (e.g., urgent care centers, physicians, home health, etc.) operated under a different IT and billing system. In evaluating its IT systems, Inova learned that it would cost more money to upgrade the GE system than to convert to Epic. Epic will connect all providers across the Inova system. The interoperability of Epic will facilitate one patient record enterprise wide; every portal of care will essentially update the same patient record. Epic will also improve patient user functionality through "My Chart" - a feature that allows patients to access their records across the Inova system.

Epic is used across many of the country's academic medical centers. The software is used in 250 hospitals and is estimated to house data for 110 million patients. Epic will be integral to meeting ITMI's goals.

In response to a question about meaningful use requirements, Mr. Runyon stated that Inova hopes to capitalize on the federal funds that are available, but does not anticipate on seeing any money before FY 2013.

Inova projects to end FY 2011 with \$2.39 billion in net revenue, \$31 million or 1.3% over plan. FY 2011 operating expenses are estimated at \$2.18 billion, \$21 million or 1% over plan and FY 2011 operating income is forecast at \$199.6 million or 8.4% of net revenue. Mr. Runyon noted \$30 million in FY 2011 cost overruns, including the new laboratory and unexpected IT expenditures.

Asked about the declines in outpatient visits and inpatient surgeries, Mr. Runyon stated that elective procedures, particularly plastics, joint and orthopedic surgeries, have continued to decrease. Reductions in this procedure base have been most notable at Mount Vernon, Fair Oaks, and Fairfax hospitals.

Despite FY 2011 cost overruns, the timing of capital projects led to lower than expected depreciation, resulting in improved FY 2011 projections.

Additional challenges to Inova's financial outlook moving into FY 2012 include Healthcare Reform. Coverage expansion for those who are currently uninsured is expected to begin in 2014. Most expanded coverage will be paid at Medicaid rates,

which currently reimburses Inova 60% of the cost to provide care. While this coverage expansion will help incrementally, since Inova will be reimbursed for treatment it would not have been paid prior to HCR, it will be at Inova's lowest payor rate. Inova also expects small employers and commercial businesses to migrate to health insurance exchanges. According to Mr. Runyon, states are planning to tie exchanges to Medicare, Inova's second worst payor. Medicare reimburses 80-85% of the cost to provide care.

Pay for Performance will also affect revenue streams as providers will be rewarded or penalized based on quality performance measures and patient satisfaction. Inova's Chronic Care Management program and PACE (Program of All-Inclusive Care for the Elderly) initiatives are designed to better manage patient's medical needs and prevent unnecessary readmissions. Inova's conversion to EpicCare will also provide its staff with the tools they need to continuously improve outcomes.

Mr. Runyon cautioned that federal deficit reduction efforts may result in additional Medicare and Medicaid provider cuts. Funding for HCR is also expected to come from cuts in Medicare and Medicaid.

The conversion of all coding systems from current ICD9 to ICD10 methodology is federally mandated to occur by October 1, 2013. ICD10 compliance substantially increases Inova's document requirements and adversely impacts coder productivity. In formulating its remediation plan, Inova identified 44 systems that touch its billing cycle. Major IT investments are required in order to insure Inova's compliance with ICD10 mandates. Mr. Runyon estimated these modification/replacement/remediation efforts to cost Inova \$25 million over the next several areas.

Mr. Finerfrock asked how many plans Inova has been able to successfully test. According to Mr. Runyon, Aetna and United Healthcare went live on November 1. Blue Cross & Blue Shield are in the test phase, but not ready for production yet. The plan that Inova is most worried about is the state's.

As Mr. Magenheimer mentioned, Inova is embarking on a critical period of recapitalization. The organization will invest nearly \$2.5 billion in capital improvements through 2016. A significant portion of that investment will occur at Fairfax Hospital. Inova's FY 2012 capital spend is projected at \$550 million, an increase of 178% over FY 2011.

In addition to recapitalization, Inova is focusing its efforts on transforming the healthcare delivery model. Mr. Magenheimer noted that by 2018, health care spending will account for 20% of the country's Gross Domestic Product (GDP), growth that is unsustainable long term. Inova anticipates that fee for service payments will give way to at risk mechanisms such as Accountable Care Organizations (ACOs) and Value Based Purchasing. As a result, Inova is redesigning its care processes to deliver more

efficient, affordable care. Two of Inova's programs, ITMI and physician integration, will enhance Inova's ability to meet patients' health care needs.

With respect to Inova's plan to selectively expand primary care, a question was asked about its employment models and their relationship to the system's charity care policy. Mr. Magenheimer responded that Inova currently employs 170 doctors, most of them located on the Fairfax campus either in pediatric or adult subspecialties. Inova is finding it increasingly difficult to get adequate coverage for some of its clients. Mr. Magenheimer said that Inova does not have plans to employ hundreds of doctors. The primary thrust of its physician integration efforts is not an "employ the world strategy" but to hire physicians in areas/disciplines that are underserved and by nature, are not replacing themselves. Mr. Magenheimer said that Inova will rely on employment or the development of proprietary networks to secure primary care physicians and other specialists as needed. The employment model used will depend on the specialty and if there is a shortage. Inova has currently hired 20-25 primary care physicians.

Marty Lebowitz commented that there is no surfeit of doctors going into primary care. Federal efforts to expand health care coverage will compound the supply issue. He cited Massachusetts' experience with HCR as cautionary evidence. While he agreed with the goal of increasing Inova's primary care capacity, he expressed concern about the system-wide effects of overall recruitment.

Mr. Finerfrock asked if Inova is reconsidering its decision not to pursue an ACO. Mr. Magenheimer replied that the implications of ACOs for the community are uncertain and Inova is waiting to see how these models develop before moving in that direction.

Marlene Blum returned to the relationship between Inova's primary care practices and its charity care policy. She specifically asked if the practices will be independent of Inova and if they will take charity care patients. Mr. Magenheimer responded that Inova will own the practices and that if charity care patients present at the practices, they will be treated.

Ms. Blum expressed concern over the viability of Inova's plan. According to the lease agreement, any changes in restricting access to participants (i.e., refusing charity care patients) would require Inova to inform the County in advance and provide documentation of the need, extent, and impact of the restrictions.

Mr. Magenheimer stated that it is not the mission of its primary care practices to solicit charity care patients. Mr. Finerfrock asked if Inova planned to post its charity care policy in the waiting rooms of each practice. Mr. Magenheimer replied yes.

Ms. Blum asked if the practices will accept Medicaid. Mr. Magenheimer's initial response was that no Medicaid patients would be accepted. Later in the discussion, though, he indicated a decision to accept Medicaid clients is currently under discussion. He

maintained that indigent patients will be treated, but by appointment only. <NOTE: To clear up any uncertainty, Inova's Chief Medical Information Officer will appear at an upcoming HCAB meeting.>

Ms. Blum asked how Inova will handle the eligibility process for charity care. For example, will each practice have staff in place to verify proof of income? Mr. Magenheimer was not able to answer and noted that only a few practices are open.

A question was asked about Inova's ability to impute avoided costs per patient treated through its primary care initiative. Mr. Magenheimer answered that these calculations are difficult to compute.

Mr. Runyon continued with Inova's FY 2012 projections. The organization has budgeted \$90 million in cost-saving initiatives to reduce expenditures system-wide. Management reductions in FY 2011 provided additional savings to the system. The organization has completed benchmarking studies and reviewed its support services, many of which have now been outsourced. Pay scales are being adjusted and 1,500 FTEs are being taken out of the system to enhance productivity. These staffing reductions are being managed through attrition. Better contracting and standardization of vendors/devices is driving down Inova's supply costs.

In total, Inova projects FY 2012 operating income of \$186 million or 7.4% of net revenue, a decrease from FY 2011 operating income of \$199.6 million or 8.4% of net revenue.

Mr. Finerfrock expressed concern about Inova's capital investments, which are designed to enhance the inpatient side of the organization. However, today's health care model is focused on reducing hospital inpatients and ER visits, leading to fewer beds and lower occupancy. Mr. Finerfrock expressed caution about using capital dollars to fund projects that may not be relevant to what health care or delivery service models will look like in 4-5 years.

Mr. Magenheimer responded that it is Inova's contention that it does not have competitive facilities. He stated that the main patient tower at Inova Fairfax Hospital cannot support its current patient load. Moreover, the architectural code has considerably increased the required square footage per bed.

However, Mr. Magenheimer felt that Inova would recoup some efficiencies due to the timing of its capital needs. The construction market remains soft and Inova has been able to secure contractors and subcontractors at much better rates than it would have several years ago.

Mr. Runyon reviewed Inova's projected FY 2012 reimbursements. Governmental payments are expected to be generally flat or declining. Additional cuts may be

mandated via the Supercommittee's deficit reduction work. Specifically, Medicare outpatient volume is expected to decrease 5% over prior year. Inova also expects to lose reimbursement due to the Recovery Auditor Contracts (RAC) process. Managed care payment increases are also lower than in prior years.

Inova's FY 2012 expenses are expected to increase 6% over FY 2011. No rate increase was planned for FY 2011. However, Inova is implementing a 2.5% rate increase on gross charges for FY 2012. According to Mr. Magenheimer, most of Inova's commercial contracts pay a percentage of charges. He maintained that in lieu of a rate increase, Inova is leaving money on the table.

Rose Chu asked if the reason Kaiser moved to Virginia Hospital Center is because it received a better rate. Mr. Runyon said that he would not be able to answer, but presumed one of the reasons for the move was the rate charge. However, Kaiser's more complicated cases, including OB and NICU, have not moved. These cases incur a lower cost margin.

Mr. Finerfrock suggested that Inova would not have to raise its rate to recover more of its charges. Mr. Runyon said that Inova's contracts run in three year cycles; they do not come due at the same time. Moreover, Inova will continue its 35% discount for self pay patients. Mr. Magenheimer stated that Inova's charges are demonstrably lower than any other facility in the state.

Mr. Finerfrock noted that Inova's net to gross is disproportionately higher than what is seen elsewhere in the region. Mr. Magenheimer said that Inova is continuing to struggle with employers, particularly those who are self insured. Negotiated payments are exceeding Inova's charges.

Mr. Finerfrock asked what Inova has in accumulated reserves. Mr. Magenheimer responded \$2.4 billion.

Mr. Magenheimer underscored the changing nature of Inova's risk profile. While Inova is projecting an operating margin of 8.4% for FY 2011, a lower margin of 7.4% is projected for FY 2012. Inova has committed itself to spend money regardless of increases in its patient load, rate of gross charges, or managed care contracts.

Mr. Finerfrock asked what additional revenue will be generated under the 2.5% retail rate increase. Mr. Magenheimer replied \$1-2 million. However, he concluded that Inova is increasingly falling into a "non-comparable situation" with other providers in the region.

The discussion moved to Inova's new Translational Medicine Institute. Inova's Board of Trustees approved funding of ITMI in early 2011. Inova will invest \$150 million over the next five years to implement technologies that integrate a patient's gene

sequencing and molecular structure into routine patient care. A more detailed discussion of ITMI is scheduled for the HCAB's February 2012 meeting.

Ann Zuvekas asked why Inova's bad debt was included in its community benefit. Mr. Magenheimer explained that bad debt constitutes care that was provided but not reimbursed. Inova is operating under the assumption that people who fall under the category of bad debt are considered indigent.

Jen Siciliano announced that the new Inova Cares Clinic is opening in Reston on December 5. Well baby visits will now be structured using a group model approach. The HCAB will receive a presentation on Inova's Transitional Care Program in the new year.

Marty Lebowitz moved that the HCAB send a memo to the BOS informing them that the HCAB met with Inova representatives, as called for in the County's Lease Agreement, reviewed Inova's FY 2012 Fiscal Plan, and support the proposed 2.5% retail rate increase. Francine Jupiter seconded the motion.

During discussion, some members disagreed with Inova's planned rate increase, citing projected net revenues and cash reserves.

The motion carried: 5 in favor, 3 opposed, and 1 abstained.

The Partnership for a Healthier Fairfax (PFHF) Update

Marie Custode, Public Health Strategic Planner, updated the HCAB on the Partnership for a Healthier Fairfax. The coalition has grown from 75 to 110 organizations and has moved from the assessment to the planning phase. Ms. Custode briefly reviewed the assessment:

The *Local Public Health System Assessment* (LPHSA) was conducted in November 2008 and had 89 participants. It evaluated the collective performance of all the organizations and entities that contribute to the community health, specifically identifying the strengths and weaknesses of the Fairfax public health system.

The *Forces of Change* (FoC) Assessment, co-chaired by Bill Finerfrock and Jennifer Siciliano, focused on trends, factors, and events that were likely to influence community health and quality of life, or that would impact the work of the local public health system. The FoC identified 40 Forces of Change, and their corresponding threats and opportunities.

The *Community Themes and Strengths* (CTS), chaired by Marlene Blum, gathered input to understand what public health issues are important to the community. The CTS conducted a community health survey, which was translated into multiple languages

and formats. The CTS received 6,201 completed surveys. In addition to the survey, the CTS used focus groups, interviews, and PhotoVoice to capture community concerns.

The *Community Health Status* (CHS) was chaired by Dr. P.J. Maddox. Ann Zuvekas' also served on the CHS Subcommittee. The charge of the CHS was to analyze key indicators and data on health status, quality of life and risk factors in the community.

A working group of the PFHF met over the summer to identify strategic issues. Ms. Custode referenced the Strategic Issue Diagrams that were distributed to the HCAB in the November meeting packet. The five issues that emerged are:

- Healthy Lifestyles
- Access to Health Services (inclusive of primary, oral and behavioral health)
- Data
- Environment/Infrastructure
- Health Workforce

The PFHF is in the process of forming Strategic Issue Teams. These teams will identify current initiatives and opportunities for collaboration, outreach to engage new stakeholder groups, and formulate goals, strategies and measures of success.

The PFHF is asking HCAB members to volunteer for a strategic issue team and/or connect the PFHF with existing community initiatives or new partners. Commitment/interest forms were distributed at the meeting and will be resent electronically to all HCAB members.

Ms. Custode also briefed the HCAB on the selection of Fairfax County for a Community Transformation Grant (CTG). Approximately \$1.3 million in funding for this award was included as part of the Affordable Care Act. The CTG is administered by the Department of Health and Human Services (HHS) through the Centers for Disease Control and Prevention (CDC) and is estimated to improve the lives of 120 million Americans. The purpose of the award is to tackle the root causes of chronic disease. The CTG promotes population-based approaches and targeted strategies to reduce health disparities.

Fairfax is one of 61 states and communities selected for the grant, positioning Fairfax as a leader in community health. Fairfax has been approved for \$500,000 in funding per year for five years, monies that will be used to hire a project director, project analyst, and project assistant in addition to trainings and facilitation on meeting planning and consensus building. The grant does not cover direct services. Fairfax plans to apply for implementation funding – about \$2.5 million over a five year period.

The CTG is designed to increase the PFHF's ability to implement policy, systems, environmental, infrastructure, and programmatic changes to promote health and

prevent chronic disease. The CDC has outlined five strategic directions for CTG recipients, with the first three being required and the last two optional:

- Tobacco-free living
- Active living and healthy eating
- High impact evidence-based clinical and preventive services
- Social and emotional wellness
- Healthy and safe physical environment

In its application for funding, Fairfax outlined a plan for all five strategic directions.

The CTG provides funding for capacity building activities. These efforts will include:

- Establishing a Leadership Team;
- Trainings on social determinants of health, and policy, systems, and environmental change;
- Conducting policy analysis;
- Mobilizing community resources; and
- Developing a Community Transformation Implementation Plan

The next PFHF meeting is scheduled for Wednesday, December 14 in the Health Department's Rowland Conference Center from 6:45 – 9:30 pm.

Other Business

Affordable Health Care Community Advisory Committee (CAC)

The CHCN served 19,000 patients through 56,000 visits in FY 2011. A wait list for services remains in effect. The CAC learned that Kaiser is no longer using midlevel professionals to provide care within its health system. Kaiser is giving early out's to these professionals and deploying them to health centers around the region. The CHCN has received five of these professionals, with each making a two-and-a-half-year service commitment.

The CHCN has one dedicated provider at each site who takes same-day appointments (approximately 15-18 patients). This arrangement appears to be working well

Topical Presentations

Ann Zuvekas suggested the need for informative presentations on health issues affecting the county. Ms. Zuvekas volunteered to prepare a draft plan and identify possible speakers.

December HCAB Meeting

The HCAB meeting scheduled for December 12 has been cancelled. The presentation on the new Division of Community Health Development and Preparedness has been rescheduled for the February 13 meeting.

There being no further business, the meeting adjourned at 9:50 pm.