

## **HEALTH CARE ADVISORY BOARD**

Meeting Summary  
November 14, 2012

### **MEMBERS PRESENT**

Marlene Blum, Chairman  
Rose Chu, Vice Chairman  
Bill Finerfrock, Vice Chairman  
Francine Jupiter  
Dr. Tim Yarboro  
Dr. Michael Trahos  
Rosanne Rodillosso  
Ann Zuvekas  
Ellyn Crawford  
Dave West  
Judith Beattie

### **STAFF**

Sherryn Craig

### **GUESTS**

Richard Magenheimer, Inova Health System  
Mark Runyon, Inova Health System  
Anne Rieger, Inova Health System  
Jennifer Siciliano, Inova Health System  
Gloria Addo-Ayensu, MD, MPH, Health Department  
Rosalyn Foroobar, Health Department  
Brenda Gardiner, Department of Administration for Human Services  
Ron McDevitt, Department of Administration for Human Services

### **Call to Order**

The meeting was called to order by Marlene Blum at 7:33 p.m.

### **September Meeting Summary**

The minutes from the September 10, 2012 meeting were revised and accepted.

### **Review Draft Development Condition for Northern Virginia Health Investors' Zoning Application**

The Department of Planning and Zoning (DPZ) and the Office of the County Attorney have crafted a development condition in response to the HCAB's recommendation to the Board of Supervisors (BOS) regarding Northern Virginia Health Investors' (NVHI) proposal to build a skilled nursing facility and assisted living facility in the Sully District. HCAB members were comfortable with the draft condition.

Given the complexity of the proposal, DPZ suggested that the HCAB provide testimony at the December 5 Planning Commission (PC) Hearing. The testimony will include a summary of the HCAB's concerns regarding NVHI's application, its recommendation to

the BOS, and its partnership in developing a practicable development condition. Ann Zuvekas moved that the HCAB testify before the PC on December 5, restricting its comments to its recommendation memo and the DPZ's draft development condition. Dr. Trahos seconded. The motion carried unanimously.

### **Inova Health System FY 2013 Fiscal Plan**

Richard Magenheimer, Chief Financial Officer, Inova Health System, informed the HCAB that Inova has issued \$400 million in bonds with the majority of the proceeds directed toward construction and infrastructure projects.

Mr. Magenheimer also announced Inova's recently executed agreement to acquire Amerigroup-Virginia, a 55,000 member Medicaid health plan with 40,000 members living in Northern Virginia. The agreement is subject to the Virginia Department of Medical Assistance Services (DMAS) and Federal Government Review. Inova hopes to close the deal by the first week of December. Mr. Magenheimer stated that current plan revenues are \$150 million annually and a modest profit margin is expected once start-up costs are subtracted.

The new Medicaid entity will be a wholly owned, tax-exempt subsidiary of Inova Health System. Amerigroup's regional offices are located off of Gallows Road. Inova will provide back office services for a period of time while making arrangements with a third party to provide claims processing and monthly state invoicing.

Bill Finerfrock expressed concern over Inova's increased assumption of risk. Mr. Magenheimer maintained that the purchase fits with Inova's scope of services and with where health care is going. He stated that Inova is the largest provider of services to the Amerigroup health plan, minimizing Inova's risk profile since the system is providing care to a market it currently serves as opposed to buying one in the open market.

In 2012, Inova and Aetna agreed to a 50/50 partnership to form a new, separately licensed, commercial health plan called Innovation Health. Innovation Health is expected to begin marketing and operations in 2013. Aetna will offer Innovation Health and other Aetna products to Northern Virginia employers who have a significant number of employees residing in the Inova service area. For those employers with 50% or more of their employees in the Inova service area, Aetna will offer Innovation Health exclusively. Members of Innovation Health will have access to Aetna's national network, providing broad geographic coverage to those outside the Inova service area and to those traveling.

Inova agreed that in future budget updates, it would break out the costs and revenues associated with Innovation Health and the new Medicaid Health Plan.

Mark Runyon continued the FY 2012 budget presentation. Inova will open the South Patient Tower at Inova Fairfax Hospital (IFH) after the first of the year. HCAB members

are invited to a community gathering to celebrate the opening on December 14 at 10:00 am.

IFH recently implemented the EpicCare Information System, which will also be rolled out to Inova's physician and ambulatory care operations. The Epic System will be fully implemented at Inova Fair Oaks (IFO) and Loudoun Hospitals in April and at Mount Vernon and Alexandria Hospitals in July. At the conclusion of the summer, Inova will be on one clinical information system platform.

Inova will ramp up its Translational Medicine Institute (ITMI) spending in FY 2013. ITMI did not spend the entire \$35 million that was budgeted in FY 2012. Similarly, Inova budgeted more money than was needed to transition from ICD-9 to ICD-10 coding methodologies. According to Mr. Runyon, these factors explain Inova's improved budget performance. Inova is expected to close FY 2012 with a 9.2% operating margin, or \$33 million over plan.

During FY 2012, Inova's inpatient volumes increased slightly (1%) over prior year. The system experienced greater growth on its outpatient line of business and short case stays. Emergency Department (ED) visits continue to be high with an increase of 4% over prior year. Compared to two years ago, ED visits remain down - a reflection, according to Mr. Runyon, of what's going on in the economy.

Projections for FY 2013 include a 4.9% increase in ED visits and a 3% increase in observation cases. The FY 2013 budget also assumes a 1% increase in overall admissions, reflecting normal organic growth and targeted initiatives. The opening of the Lorton HealthPlex in January is expected to contribute to an incremental volume change.

Inova is continuing efforts to decrease patients' average length of stay. The FY 2013 Average Length of Stay (LOS) is budgeted at 4.7 days, a system-wide measure. Dr. Trahos stated that Inova Alexandria Hospital has an Average LOS of 4.2 days. Mr. Runyon responded that the Length of Stay is different for each hospital based on patient mix.

Inova is budgeting a \$15 million increase in FY 2012 community benefits. Capital expenditures will increase \$182 million over prior year for a total of \$389 million in FY 2013. The budgeted operating margin for FY 2013 is 7.4% of net revenue.

The FY 2013 charge increase is budgeted at 2.5%. Mr. Runyon cited Inova's increasing uncompensated and community benefit related services and its capital replacement and improvement needs in determining the rate increase. Mr. Runyon reported that the rate increase is expected to yield \$7 million in revenues.

The IFH Capital Improvement Plan (CIP) represents the greatest share of Inova's capital expenditures. Inova has also budgeted placeholders for merging and acquiring physician practices and its Accountable Care Organization (ACO) and care management initiatives. Mr. Finerfrock asked for clarification on the "Other Non-Salary" expenses, noting this category represented the largest of Inova's budgeted expenses. Mr. Runyon stated that Epic installation, ITMI, and the operational expenses associated with Innovation Health and the new Medicaid HMO health plans are driving the large cost increase.

Rose Chu asked about Inova's regional competitors with respect to managed care. Mr. Magenheimer stated that Virginia Hospital Center in Arlington and Sentara's Potomac Hospital have already expanded into the managed care market. The HCAB expressed caution about Inova's expansion into managed care. Inova agreed to keep the HCAB apprised on this developing line of business.

Inova is budgeting for flat Medicaid expenditures in FY 2013 and expects future reductions for FY 2014. In light of Health Care Reform and Inova's recent acquisition of Amerigroup, HCAB members questioned the overall magnitude and direction of Inova's unreimbursed care costs. The HCAB suggested that new and expanded payer sources may improve Inova's ability to recover a greater share of its patient care costs, but also agreed that there were many unknowns.

Mr. Magenheimer reported that Inova has \$2.3 billion in cash reserves.

Anne Rieger agreed with Ms. Zuvekas that programs like the Diabetes Center, Life With Cancer, etc., should not be categorized under "Clinical Programs for Low Income Residents." Ms. Rieger will regroup these programs in future benefits schedules beginning in FY 2013. Likewise, Ms. Rieger reported that some programs that are currently subsidized by Inova were excluded from the FY 2012 Schedule of Benefits because they are start ups, but moving forward, will be included in future benefits schedules.

Ms. Rieger also clarified that the Health Source line item represents only those expenses that are subsidized in the community, and do not include corporate services for which Inova receives funding.

Ms. Rieger also agreed that bad debt is not an indigent care expense. Nevertheless, the IRS requires Inova to report it as such.

The Research category does not include ITMI. This line item represents the net costs of clinical trials, for example, after grant funding is subtracted

The Physician Services for Indigent Patients does not include the Inova Medical Group. This line item represents the OB hospitalist group that provides OB services to the Casey Clinic, the County, etc.

Reports from Inova's Community Health Needs Assessment will be made available to the public on Inova's website.

Ms. Zuvekas moved that the HCAB send a memo to the Board of Supervisors informing them of Inova's FY 2013 Budget Presentation and congratulating Inova on its enrollment of 20 Program of All-Inclusive Care for the Elderly (PACE) participants. Francine Jupiter seconded the motion. The motion carried 10 in favor/1 opposed.

### **Update on the Board of Supervisors' Decisions Regarding the Carryover Budget**

Ron McDevitt briefed the HCAB on the County's Carryover Budget, a process where the BOS reviews the prior year expenditures to see what adjustments need to be made to maintain the County's Fiscal Plan. Based on prior year spending, the County took in \$23 million over plan in revenue and reduced expenses by \$27 million.

Mr. McDevitt explained that the largest category of expenses for the County is its personnel costs. The cost to provide fringe benefits (e.g., health, dental and life insurance, retirement, etc.) has rapidly increased in recent years, adding 41.9% on top of employees' base salary, and even more for public safety employees. Compounding the increased costs to provide employee benefits is the County's investment income, which in today's market is earning 2-3% in interest, and the state's inability to pay its share to provide certain services (e.g. Infant Toddler Connection (ITC)). Thus, the BOS added \$3.5 million in Carryover to cover expenses related to employee benefits and an additional \$600,000 to fulfill employee compensation increases (2.5% increase effective July 1 and a 2.5 % increase effective January 1). The compensation increases represent the first time in three years that employees have received raises.

Additionally, the County has set aside \$8.1 million in reserve to cover potential state and federal budget reductions in the event of sequestration. While the \$8.1 million covers programs and services county-wide, the area that would suffer the greatest revenue declines would be human services.

Mr. McDevitt stated that revenue streams are diverse. On aggregate, approximately 1% of all County revenues come from the Federal Government, but for human services, between 9 and 16% of revenues are derived from federal sources.

Mr. McDevitt reported that the Community Services Board (CSB) is fully funded for the current fiscal year. County staff are monitoring the CSB's budget closely, reviewing expense statements weekly. Positions are being kept vacant and all agency expenses

are being managed. While the CSB is not flush with money, Mr. McDevitt reported that they are in the black.

The Loudoun Community Health Center (LCHC) was awarded funding for a New Access Point (NAP) facility to provide comprehensive health care services in the western portion of Fairfax County. Rosalyn Foroobar reported that the BOS provided \$300,000 to support this New Access Point - Health Works for Northern Virginia – which is contiguous to the Herndon Resource Center. The money, in combination with an additional \$300,000 identified within the Health Department as a result of operational efficiencies, will leverage federal grant dollars that were received to support the relocation, build-out, and consolidation of existing safety net providers for the new FQHC. Health Works is expected to serve 1,500-2,000 patients in its first year of operation with total capacity estimated at 4,000 patients.

The Human Services Council has proposed joint planning meetings with other Boards, Authorities and Commissions (BACs) to prepare for the FY 2014 County Budget. The meetings would be used to inform BACs on the County's current fiscal situation, needs and demands, in addition to possible reductions in revenues. Two planning meetings have been scheduled – a short one on December 10 and a longer one on January 22. Because the HCAB is scheduled to meet at the same time as the HSC in December, Ms. Blum proposed that the HCAB convene its meeting at 8:15 rather than 7:30 pm. This will allow Ms. Blum, and anyone else who is interested, in participating in the HSC meeting from 7:00 - 8:00 pm. In addition to its annual update from Reston Hospital, the HCAB is scheduled to hold a public hearing on Brightview Senior Living's proposal to build an Assisted Living Facility in the Mason District on December 10.

### **Update on Health Care Reform**

Brenda Gardiner provided an update on the County's Health Care Reform Task Force. She briefly reviewed the October 9 presentation to the BOS, which was provided in the November meeting packet. Between 130,000 and 140,000 Fairfax County residents (approximately 12% of the total population) are uninsured or underinsured. Expansion of Medicaid eligibility, if enacted in Virginia, would cover approximately 25,000-30,000 additional individuals. Virginia's Medicaid program currently covers individuals with incomes ranging between 80% and 133% of Federal Poverty Level (FPL), depending upon need category, with some services offered to very low income individuals at or below 30% FPL; and 250% FPL for nursing home residents. An additional 30,000-40,000 individuals could receive subsidies under a Virginia Health Insurance Exchange (HIE). However, even with full implementation of these options, the County's current service array is still needed to support primary, behavioral, public health, oral, and support services because gaps will remain for newly covered individuals and other not covered.

Virginia has received an extension from the Department of Health and Human Services (HHS) for establishing its Health Exchange. In the event that the state chooses not to

administer the exchange, it has signaled that it will allow the federal government to do so.

Access issues remain a pressing concern. As a provider, the County continues to use waiting lists for services. The economic outlook moving into FY 2014 is uncertain as the County is facing potential cuts to services and reductions in payer sources. There is a tremendous need for adult dental care and traditional prescription filling services. The County is committed to working with community providers to fill gaps in a fragmented network.

Work groups will be created to support ongoing activities. Recommendations for the Fairfax County Safety Net include:

- Integrate “front door” services to improve access;
- Build on strengths and expertise of individual network provider models and best practices to align resources and create a coordinated system approach;
- Plan for the future and define success;
- Leverage all available funding opportunities; and
- Engage and strengthen community infrastructure with service providers.

Ms. Gardiner distributed a draft of the Fairfax Community Health Collaborative Charter and invited members to share comments by e-mail at [Brenda.Gardiner@fairfaxcounty.gov](mailto:Brenda.Gardiner@fairfaxcounty.gov). The Purpose of the Collaborative will be moved to the beginning of the Charter.

Ms. Gardiner will make copies of the full report available to the HCAB.

### **Consideration of HCAB Review Criteria**

Ellyn Crawford has agreed to chair a workgroup to review the HCAB’s criteria for making recommendations to the BOS. The workgroup will work through the winter and present a proposal to the HCAB by early Spring. Members who are interested in participating in the workgroup should contact Sherryn Craig and/or Ms. Crawford.

### **Other Business**

HCAB members expressed interest in having a briefing on the use of hospital observations versus admissions and preparing a memo to the BOS about the issue and the implications for people living in the community. Ms. Craig will work with Ms. Zuvekas and Ms. Blum to identify potential speakers/panelists.

The HCAB will celebrate its 40<sup>th</sup> Anniversary in 2014. Staff will work to identify a date in the spring to convene a breakfast reception prior to a BOS meeting. Ms. Craig will work to gather pictures and historical documents celebrating key HCAB milestones. Staff will work with the BOS to secure a Board Proclamation.

There being no further business, the meeting adjourned at 9:58 pm.

