HEALTH CARE ADVISORY BOARD

Meeting Summary
December 11, 2017

MEMBERS PRESENT
Marlene Blum, Chairman
Bill Finerfrock, Vice Chairman
Rose Chu, Vice Chairman
Deborah Leser
Francine Jupiter
Dr. Michael Trahos, DO
Tim Yarboro, MD
Rosanne Rodilosso

STAFF
Sherryn Craig

MEMBERS ABSENT
Mary Porter
Ann Zuvekas
Ellyn Crawford

GUESTS
John Deardorff, Chief Executive Officer (CEO), Reston Hospital
Ronnie Midgett, Chief Financial Officer (CFO), Reston Hospital
Tracey White, Vice President (VP) of Community and Government Affairs, Reston Hospital
Lee Higginbotham, CEO of Dominion Hospital, Dominion Hospital
Richard Magenheimer, Chief Financial Officer, Inova Health System
Stephanie Schnittger, Assistant Vice President, Finance, Inova Health System
Karen Berube, Assistant Vice President, Population Health Management, Inova Health System
Ann Harbour, Director of Advocacy and Community Outreach, Inova Health System
Dr. Gloria Addo-Ayensu, Health Department
Rosalyn Foroobar, Health Department
Tabitha Kabuka, Community Member

Call to Order

The meeting was called to order by Marlene Blum at 7:37 pm.

November 13, 2017 Meeting Summary

The meeting summary from November 13, 2017 was approved as submitted.

Reston Hospital Community (RHC) Update.

John Deardorff, Chief Executive Officer (CEO), Ronnie Midgett, Chief Financial Officer (CFO), and Tracey White, Vice President (VP) of Community and Government Affairs, provided its annual update, volunteering information on Reston Hospital's capital development plans, investments/partnerships, insurance coverage, and uninsured discount and charity care policies. Lee Higginbotham, CEO of Dominion Hospital, an affiliate of HCA, also provided an update on patient volumes and mental health needs in our community.

RHC is a 187-bed, full-service, medical/surgical hospital serving western Fairfax and eastern Loudoun counties. It employs 1,200 skilled workers and 1,000 privileged physicians. For 31 years, RHC has been an affiliate of HCA – a for profit healthcare system with more than 175 hospitals throughout the United States and Europe.

Mr. Deardorff reported that RHC pays nearly $12.3 million in state and local taxes. In 2016, RHC served almost 116,681 patients, had nearly 50,000 emergency room visits, and delivered 3,600 babies. RHC employs two breast cancer surgeons.

The estimated payer mix is about 30% Medicare, 55% HMO/PPO/Managed Care, 8-9% Medicaid, and 5% self-pay. The average occupancy rate is 65-70%, but tends to run 85% or above earlier in the week (i.e. Monday-Tuesday) when elective surgeries are scheduled. ICU occupancy is considered high at 80%. As a fully certified Level 2 Trauma Center, RHC will need additional capacity.

HCA opened two Urgent Care facilities, branded CareNow, in Sterling. The plan is to open two more – one in Centreville and one in Chantilly.

RHC has received numerous accolades and has been recognized as a high quality provider in stroke care, joint, hip and knee replacements, chest pain, radiation oncology, and as a comprehensive cancer and breast care center. Reston Hospital is a designated Level II Trauma Center. Along with being a fully accredited and advanced certified Metabolic and Bariatric Surgery program, RHC maintains a comprehensive robotic surgery program, including the DaVinci Xi and DaVinci Si for general, gynecological, oncological, thoracic, and neurological surgeries and the Mazor and Mazor X – for spinal surgeries.

Beginning January 2, RHC begins Phase 2 of its Master Plan, which the HCAB reviewed and provided comment on in 2016. This two-year, $72 million expansion will include:

- A new parking garage
- A new patient tower and state of the art Intensive Care Unit that will consolidate the two existing eight-bed units and add an additional 12 ICU beds
- An expansion of RHC's Inpatient Rehabilitation Services to include the addition of 18 inpatient rehab beds
- An expansion of Women and Children's Services, to include 14 additional OB beds for high risk deliveries and the renovation of RHC's Level III NICU
- The opening of a second Catheterization Lab
- Refurbishments to the lobbies, cafeteria, and other patient support areas located on the main level of the hospital, and the addition of a new visitor corridor to improve wayfinding.

In addition to expanding its main campus, RHC notified the HCAB of its application to build a free-standing ER in Tyson's Corner off US Route 7 at the intersection of Gallows Road and Gallows Branch Road.

HealthWorks for Northern Virginia represents RHC's most significant partnership. RHC's support for HealthWorks totals about $1-2 million annually in in-kind laboratory, pharmacy, and radiation services for residents in need.

Besides HealthWorks, RHC supports other community-based organizations and higher education centers, including Cornerstones, Medical Care for Children Partnership, March of Dimes, Northern Virginia HealthForce and the George Mason University School of Nursing. RHC continues to support the Fairfax Breast Health Network, a nonprofit organization founded by Reston Hospital Center cancer survivors, staff and physicians to provide breast cancer patients and survivors with financial support and resources, including free wigs, hats and breast prostheses.

The hospital provided approximately $23 million in FY 2016 of uncompensated health care, which includes charity care, bad debt, and the uninsured discount. Ronnie Midgett also informed the HCAB that HCA has expanded its charity policy effective for discharges beginning November 1, 2017. This expansion is intended to assist patients who are unable to afford their patient liabilities as a result of being uninsured or under-insured due to high deductible health plans, out-of-network insurance coverage, or various other circumstances. Free, medically necessary care is still available to uninsured patients with household incomes at or below 200% Federal Policy Limit (FPL) guidelines: HCA's current charity policy provides a 100% discount if the patient or guarantor has an income less than 200% FPL. These guidelines are based on both income and family size.

The expanded charity policy will provide additional relief to uninsured and underinsured patients that receive emergent, non-elective services, with balances greater than $1,500, and whose income is between 200% and 400% of FPL guidelines. Patients with incomes between 201-300% of the FPL will have their balance capped at 3% of their income, or the remaining balance after the uninsured discount is applied, whichever is less. Patients with incomes between 301-400% of the FPL, balances will be capped at 4% of their income, or the remaining balance after the uninsured discount is applied, whichever is less. The expanded policy will continue to meet or exceed any specific state or local charity or indigent discount requirements.

An Uninsured Discount is available to uninsured patients with incomes above 200% FPL. The discount equates to 88% of total charges. There is no geographical location limit or time limit imposed on patients applying for Reston Hospital's charity care or uninsured discount policies, and information on these programs is included in all billing documents.

Eligibility specialists and case managers provide assistance to low income patients in applying for Medicaid as well as RHC's charity care and uninsured discount programs. Case managers also work with patients to navigate the county's safety net system, which includes the Community Health Care Network (CHCN). They also provide navigation assistance for the Virginia Health Insurance Exchange. As reported previously, translational assistance is always available, free of charge to all non-English speaking patients.

Lee Higginbotham provided a community update for Dominion Hospital. Dominion is a 116-bed facility located in Falls Church that has operated continuously as a mental health hospital for more than 30 years. The hospital provides 24-hour, seven days a week care for children, adolescents and adults who suffer from debilitating disorders such as anxiety, depression, bipolar disorders, eating disorders, school refusal, and self-injurious behaviors.

In 2016, Dominion treated 3,318 inpatients, 14,363 partial outpatient visits, and 1,725 intensive outpatient visits. The need for mental health services continues to grow in our community, and Dominion has worked to renovate and expand its campus to create additional flexibility within the hospital.

Like RHC, Dominion has been recognized as a high quality service provider and is actively engaged in our community. Dominion's Reflections Center is the only Joint Commission disease-specific certified eating disorders treatment program on the east coast, and was re-accredited earlier this year. Dominion is the first and only program in the Northern Virginia and metropolitan Washington, D.C. region to provide inpatient and partial hospitalization programs, as well as access to outpatient care in one comprehensive treatment center.

Dominion has partnered as a Community Resource Center for the Jason Foundation, a youth suicide prevention and awareness organization. The Community Resource Center serves as a hub where parents, teachers, guidance counselors, students, churches, and other community organizations can get educational materials and learn about training programs available. Dominion also offers financial support and/or in-kind expertise to organizations such as CrisisLink, Prevent Child Abuse America, and the Fairfax Partnership for Youth, among many others. Dominion follows the same charity care and uninsured discount policies as RHC.

2018 Inova Health System Fiscal Plan.
Richard Magenheimer, Chief Financial Officer; Stephanie Schnittger, Assistant Vice President, Finance; Karen Berube, Assistant Vice President, Population Health Management; and Ann Harbour, Director of Advocacy and Community Outreach presented Inova's 2018 Budget.

While Inova provided conservative projections about modest growth and a challenging operating environment for the current fiscal year, Inova improved its 2017 performance from budgeted income of $144 million and an operating margin of 4.2% to projected income of $154.4 million and an operating margin of 4.5%. Inova also reported an increase in cash reserves from $3.45 billion in 2016 to $4.2 billion in 2017.

Despite high premium labor costs and unfavorable care costs for INTotal Health, Inova's Medicaid managed care plan, and Innovation Health, its commercial insurance plan, Inova achieved growth in most of its acute care facilities, improved key physician and other ambulatory business performance, and navigated increasing risk within its population health division.

While overall inpatient and equivalent admissions were down slightly compared to the same period in 2016, Inova continued to have strong emergency department visits, deliveries, neonatology admissions and inpatient surgeries that contributed to an increase in net revenue per equivalent admission in 2017 of approximately 6%.

Medicare rates are expected to increase in 2018. The major contributing factor for this increase is related to CMS changes to the Uncompensated Care formula and distribution methodology. These changes are expected to favor safety net hospitals with large charity care and bad debt. Most Inova hospitals are expected to have a favorable impact from these changes in 2018.

Medicaid payments are expected to be flat in 2018 which means the unreimbursed cost of treating these patients will continue to grow. On October 31, Inova sold its Medicaid plan to United Healthcare. Inova was not selected as one of the six Medicaid plans for the Age, Blind and Disabled. Coupled with the state's decision to bid out its general Medicaid population, Inova felt the scale of its plan would limit its competitiveness for a potential award.

With respect to Inova's 2018 managed care contracts, the hospital is working to negotiate adequate and reasonable compensation for the services it provides. In May 2017, Innovation Health exited the Health Insurance Exchange (HIX) marketplace. While Innovation performed well in the commercial market, it incurred high claims and low premiums on the HIX. Inova will concentrate on increasing Innovation's membership scale.

For 2018, CareFirst BlueCross BlueShield is the only health plan on the Virginia HIX that includes Inova physicians and facilities in its network. Inova is not in-network with the other available plans, Kaiser and Cigna Connect. As a result, Inova is projecting an increase in charity care and bad debt provided by Inova facilities.

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. The 2018 budget includes a 1.5% decrease in total operating expenses. In addition to routine inflation, 2018 expenditures are increasing as a result of employee compensation, medical supplies and pharmaceuticals, and depreciation and interest costs.

Inova reached critical clinical staffing shortages in 2017 and incurred more than $65 million in temporary and premium labor costs. Salaries, wages and benefits are budgeted at $1.74 million, an increase of 6.3% over prior year. Achieving 2018 projections is heavily predicated on filling critical positions particularly in Inova's operating rooms.

Pharmaceutical expenses are also expected to increase in 2018 due to higher technology costs associated with new therapies, particularly in the area of oncology drugs. To combat this growth, Inova is implementing a robust cost reduction initiative in pharmaceutical expenses including drug replacement programs for indigent patients and expansion of the 340B drug discount program at Inova Fairfax. In total, budgeted 2018 pharmaceutical expenses will be $140 million, an increase of 10.7% over 2017. Supplies and other non-salary costs are budgeted at $1.22 million, an increase of 1.7

Furthermore, Inova has budgeted $699.3 million in capital expenditures in 2018, a 67% increase over 2017. The increase in capital expenditures is largely due to the Inova Center for Personalized Health (ICPH) development, projects at Fairfax and Loudoun hospitals, and technology investments. Inova's forecast anticipates additional capital expenditures and ventures of $1.6 billion over the three-year period 2018-2020.

Inova's 6.3% decrease in net revenue and 1.5% decrease in total operating expenses translates into a $9.7 million, or 6.3% decrease, in income from operations over the prior year and a projected operating margin of 4.3% in 2018 (Table 1).

In 2018, Inova is proposing to increase its gross charges 6.2% in 2018. The rate increase would not affect indigent patients.

In 2016, Inova changed its charity care policy to allow for a 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 applied to underinsured patients as well as uninsured patients.

Inova indicated that it will need to reevaluate the eligibility criteria for its charity care policy. While Inova is committed to protecting the increasing number of patients with high deductibles, Mr. Magenheimer indicated that Inova needs to recover its expenses from patients with coverage. Under its current policy, many charges are being forgiven. Inova is considering a nine-month residency requirement and requiring additional documentation to verify residency.

Inova is forecasting its 2018 community health benefits spending, which excludes bad debt, to increase from $301.3 million to $319.6 million. Total Community Health

Benefits include total uncompensated care costs in addition to research and professional and medical education.

Inova's Schedule of Community Benefits also shows declining expenses for the Programs for All-Inclusive Care of the Elderly (PACE) – the Medicaid/Medicare dual eligible program for seniors. After more than five years of operating the PACE program, Inova has decided to solicit bids to sell PACE to an enterprise that specializes in capitated care models. Since its inception, PACE has struggled to attain its enrollment milestones. Mr. Magenheimer stated that while a final decision on PACE has not been made, the increasing transportation costs and the limited program scale are no longer economically viable.

Rose Chu moved that the HCAB send a memo to the Board of Supervisors reporting that Inova had presented its 2018 fiscal plan as required by the lease agreement and that the memo would acknowledge Inova's proposed rate increase. Dr. Trahos, DO seconded. The motion carried with two abstentions.

HCAB Resolution for Richard Magenheimer

The HCAB unanimously approved a resolution honoring Richard Magenheimer's 30 years of service at Inova and his work with the Health Care Advisory Board and wished him well in retirement.

Opioids Discussion

Dr. Gloria discussed the complex public health challenges posed by the opioid epidemic. She showed the progression of overdose deaths from 1999 through 2014. Compared to other states, Virginia has a lower rate of age-adjusted drug overdose deaths.

Virginia county-level overdose death rates differ for prescription and illegal opioids with fentanyl and/or heroin mortality rates being higher. Fatal overdoses are increasing in Fairfax County, and emergency department overdoses in Fairfax County are highest among 15-24 year olds.

The Fairfax County Youth Survey also provides data on opioid use among youth and adolescents. In 2016, 4.6% of FCPS students reported taking painkillers without a doctor's order in the past month. Fairfax County youth reported slightly higher than national rates for past-month use of heroin. Use of painkillers and heroin overall has remained flat or decreased over the last five years.

Dr. Gloria also presented data on Neonatal Abstinence Syndrome (NAS) in Virginia, which was added to the Virginia State Board of Health's reportable conditions on November 27, 2017. As a result, there was some discussion as to how reliable the previously reported rates were.

Dr. Gloria and Robin Wilson are coordinating the Fairfax County Opioid Task Force. There are five subcommittees:

- Education and Awareness for the general public and providers to increase awareness of addiction, treatment, and recovery, and to reduce stigma
- Drug Storage, Monitoring, and Disposal to promote safe handling and storage of prescription drugs
- Treatment for those with opioid use disorder and at risk of overdose
- Enforcement & Criminal Justice to target suppliers, link to treatment, and protect public safety personnel
- Data & Monitoring to integrate efforts, identify trends, and target and evaluate interventions

Ms. Wilson summarized the current activities for each subcommittee and the multi-prong, public health approach that's guiding the work.

A question was asked about the CSB and their representation on the task force. Rosalyn Foroobar stated the Health Department would follow up.

It was also noted that pharmacists were missing from the key stakeholders.

In addition to individual users, a question was asked about the impact opioid use is having on families/dependents.

The Task Force is scheduled to appear before the Board of Supervisors Health and Human Services Committee and School Board in January 2018.

Due to the late hour, the HCAB recommended that Dr. Gloria and Robin return to the HCAB in February to discuss the Task Force's recommendations.

There being no further business, the meeting adjourned at 10:40 pm.