

GUAM MEMORIAL HOSPITAL AUTHORITY

Presentation to the Board of Trustees
Fiscal 2015 Appropriations Budget
March 13, 2014

(Document for Public)

Summary

GMHA's leadership is presenting the Fiscal 2015 budget to the Board of Trustees and requesting its approval.

This is a balanced budget!

Appropriations (Slide 18)

Fiscal 2015 Appropriations Total	\$137,956,473
Capital Expenditures	<u>\$ 4,000,000</u>
Total Fiscal 2015 Appropriation	\$141,956,473

Total Revenues (Slide 16 ff)	\$142,083,691
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Following approval, GMHA's Finance Department will prepare the documentation for submission to the Guam Legislature by March 31, 2014²

Summary

The Government of Guam must consider alternative funding initiatives to allow GMHA to sustain its mission and its services. See page 16

GMHA needs a sustainable revenue source to fund the cost of uncompensated care

GMHA has suggested a \$20.00 departure fee

Executive Initiatives

GMHA's executive leaders are implementing the following initiatives:

- Flexible staffing according to the patient census
- Recruitment of primary care and sub-specialty physicians to increase volumes and improve quality of care
- Productivity and performance-based compensation for physicians
- Revenues from new clinical and non-clinical services (e.g., epidurals, intermediate care unit, out-patient physician services, cafeteria out-sourcing, etc.)
- Reduced length of stay for inpatient
- Cost savings through out-sourcing

Assumptions

Medicare

Medicare will update revenue per discharge to GMHA's Fiscal 2015 cost

Medicare's definition of the "Two Midnight" admission rule will reduce GMHA's discharges 5%

Impact of Medicare “Two Midnight”

	<u>Discharges</u>	<u>Revenue per Discharge</u>	<u>Total Revenues</u>
F'2014 Projection	1,449	\$12,890.04	\$18,677,665
Impact of 2 Midnight	(72)		-\$933,883
Adjusted F'2015 Medicare	1,377		\$17,743,781

Assumptions

Medicaid and MIP

GMHA will submit paperwork to the Department of Health and Human Services to require reimbursement at GMHA's cost as computed in the Medicare Cost Report

In addition, GMHA will ask Medicaid and MIP to “settle” reimbursement from the prior fiscal year (F'2014) in Fiscal 2015

Assumptions

Fees

1. GMHA will submit its new fees to the Guam Legislature in March 2015
2. As previously discussed, the blended percentage increase is 60%
3. The increased fees will primarily affect:
 - Commercial Insurers
 - Self-Pay Patients
 - Government of Guam Agencies that reimburse GMHA at its fees

Assumptions

Commercial Insurers

1. GMHA will negotiate new contracts with commercial insurers in the 2nd calendar quarter of 2014
2. GMHA will negotiate:
 - A per diem rate (above Medicare's cost-per-day) for in-patient stays
 - A discounted fee-for-service relationship for out-patient services
 - Reimbursement for physician services at a percentage above Medicare reimbursement

Assumptions

Self-Pay and Uninsured Patients

1. GMHA has projected a 5% collection rate for these patients
2. GMHA will aggressively pursue collection using:
 - In-house collections
 - Assistance with patient/guarantor enrollment in insurance programs
 - Referral of accounts to Revenue and Tax for garnishment - \$50 million
 - Referral of accounts to collection agency

Assumptions

Government of Guam Reimbursement

1. GovGuam and the Legislature will ensure adequate Fiscal 2015 appropriations including:
 - Pharmacy Fund
 - General Fund Appropriations
 - Section 5 Health Fund
 - Legislative Mandate for Section 6
 - Chapter V of General Appropriations (Section 6 (a))
 - General and Special Fund Revenues in Ch. III, Part 1

Assumptions

Government of Guam Reimbursement

2. GovGuam and the Legislature will adequately appropriate funds for Medicaid and MIP based on GMHA's services
3. GovGuam and the Legislature will appropriate funds for:
 - GMHA's services to the self-pay and un-insured patients
 - GMHA's capital expenditures to improve clinical services and update the infrastructure

Assumptions

Other Revenues

GMHA will receive:

Compact Impact funds to support debt	\$2,000,000
Meaningful Use funds for Stage 2	\$ 800,000
Urgent Care subsidy (60%)	\$ 430,000
Gaming Proceeds for Operations (40%)	\$ 290,000

Assumption Employed and Recruited Physicians – F'2015

<u>Hours (2080 = 1.0 FTE)</u>	<u>Job Name</u>	<u>Employee Name</u>	<u>Current Pay Rate</u>	<u>Proposed New Rate</u>	<u>Comp Budget</u>	<u>Additional FTEs</u>
2,080.00	HOSPITAL STAFF PHYSICIAN - SNU Total				\$187,200	1.00
1,976.00	HOSPITALIST - PEDIATRIC S Total				\$177,840	-
1,253.20	HOSPITALIST(CARDIO) HEART Total				\$191,514	-
4,160.00	HOSPITALIST-CARDIO Total				\$1,040,000	2.00
7,215.00	HOSPITALIST-GENERAL SURGE Total				\$908,505	-
2,080.00	HOSPITALIST-INFECTIOUS DISEASE Total				\$270,400	1.00
16,411.20	HOSPITALIST-INTERNAL MEDICINE Total				\$1,477,008	4.00
2,080.00	HOSPITALIST-NEUROLOGIST Total				\$270,400	1.00
2,080.00	HOSPITALIST-PULMONOLOGY Total				\$270,400	1.00
6,240.00	NP - URGENT CARE Total				\$405,600	3.00
23,031.32	PHYSICIAN - EMERGENCY ROOM Total				\$3,631,784	2.00
520.00	PHYSICIAN - HEMODIALYSIS Total				\$49,400	-
2,080.00	PHYSICIAN - LABORATORY Total				\$187,200	-
2,080.00	PHYSICIAN - NICU Total				\$187,200	-
8,320.00	PHYSICIAN - OB/GYN Total				\$1,081,600	3.00
2,360.00	PHYSICIAN - OPERATING ROOM Total				\$748,800	2.00
8,644.22	PHYSICIAN - PEDIATRIC S Total				\$777,980	2.00
7,616.18	PHYSICIAN - RADIOLOGY Total				\$1,841,547	-
100,227.12	Grand Total				\$13,704,378	22.00

Anesthesiologists

Employed (6.0 FTE plus 1.0 Recruit)

\$1,924,000

Contracted (1.0 FTE)

\$ 350,000

Profit and Loss Summary

Revenues from Collections (Note 1)	\$89.5 million
Funds from/through GovGuam	\$44.6 million
Federal Funding	\$ 3.1 million
Other Funding	<u>\$ 4.9 million</u>
Total Revenues	\$142.1 million

Operating Expenditures	\$138.0 million
Capital Expenditures	<u>\$ 4.0 million</u>
Total Expenditures	\$142.0 million

Contributions to Net Assets \$ 0.9 million

(Please read Note 1 re probability of collecting these \$'s.)

Projected F'2015 Revenues

Total Collections from Operations (Note 1) \$89,477,164

Note 1: Collection \$'s are dependent on 1) Medicare, Medicaid and MIP reimbursing GMHA at cost (\$20 million) and 2) Local insurers accepting contract terms that reimburses GMHA at a percentage above costs.

<u>Appropriations from/through GovGuam</u>	<u>FY 2014 BUDGET LAW</u>	
Pharmacy Fund (Section 2)	\$9,313,055	\$9,313,055
Less: 75% Allocation to Medicaid - \$8.5 Million Federal Match to GMHA	-\$6,984,791	-\$2,328,264
GMHA General Fund Appropriation (Section 4) Operating expenses	\$2,894,340	\$2,894,340
Section 5 Health Fund for Operating Expenses - Misc (Section 5 (a))	\$3,977,478	\$3,977,478
GMHA Line of Credit (Healthy Futures) Section 5 (b))	\$1,000,000	\$1,000,000
Legislative Mandate for Section 6	\$10,529,959	\$14,529,959
Chapter V of General Appropriations Act (Section 6 (a))	\$7,635,619	\$7,635,619
General and Special Fund revenues in Chapter III, Part 1 (Section 6 (b))	\$2,894,340	\$2,894,340
Funding for GMHA's Capital Expenditures		\$4,000,000
Urgent Care Subsidy (60%)		\$430,000
Gaming Revenues (40%)		\$290,000
Sub-Total - Appropriations from GovGuam	\$31,260,000	\$44,636,527
<u>Federal Funding</u>		
CMS Meaningful Use Funds for Stage 2		\$800,000
Grant Revenue		\$270,000
Compact Impact Funds - Debt Financing	\$2,000,000	\$2,000,000
Total Government Funding - Excluding Medicaid and MIP	\$2,000,000	\$3,070,000
<u>Other Revenues</u>		
Collections from Collection Agencies and DRT		\$4,300,000
Revenue - Cafeteria (or Sub-Lease)		\$400,000
Revenues - Other		\$200,000
Sub-Total - Other Revenues		\$4,900,000
Total Collections	Document for Public	\$142,083,691

Projected \$'s from Operations

<u>Insurer</u>	<u>Method of Reimbursement</u>	<u>Attrition</u>	<u>Volume</u>	<u>Revenues</u>
Medicare IP (at est. F2015 Cost)	Discharges	5% Reduction for 2 Midnight	1,377	\$17,743,781
Medicaid IP (at est. F2015 Cost)	Patient Days	10% Loss	10,544	\$15,727,650
MIP IP (at est. F2015 Cost)	Patient Days	10% Loss	3,467	\$5,171,396
Commercial Insurers (Per Diem)	Patient Days	25% Loss (Starting 1/1/2015)	9,446	\$21,134,660
Self Pay (Collected 5%)	Charges	No Change	\$18,096,762	\$904,838
Collections - InPatient				<u>\$60,682,326</u>
Medicare OP	% to Charge	No Change	\$2,791,245.00	\$1,993,362
Medicaid OP	% to Charge	10% Loss	\$5,981,750.10	\$5,584,411
MIP OP	% to Charge	10% Loss	\$1,591,436.70	\$1,346,774
Commercial Insurers	% to Charge	25% Loss (Starting 1/1/2015)	\$4,616,343.00	\$3,923,892
Self Pay (Collected 5%)	5% of Charges	No Change	\$3,986,586.00	\$199,329
Collections - OutPatient				<u>\$13,047,768</u>
Medicare MD		No Change. Add 22 Providers	\$5,079,828	\$2,682,149
Medicaid MD		10% Loss. Add 22 Providers	\$8,379,072	\$4,424,150
MIP MD		10% Loss. Add 22 Providers	\$3,595,069	\$1,898,196
Commercial Insurers		25% Loss. Add 22 Providers	\$5,392,237	\$3,774,566
Self Pay (Collected 5%)		No Change. Add 22 Providers	\$7,705,316	\$385,266
Collections - MD				<u>\$13,164,328</u>
Medicare SNU	Patient Days	No Change	1,316	\$296,100
Medicaid SNU	Patient Days	No Change	774	\$387,000
MIP SNU	Patient Days	No Change	2,816	\$1,408,000
Commercial SNU	Patient Days	No Change	515	\$450,625
Self Pay SNU	5% of Charges	No Change	\$820,356	\$41,018
Collections - SNU				<u>\$2,582,743</u>
Medicare				\$22,715,392
Medicaid				\$26,123,212
MIP				\$9,824,367
Commercial				\$29,283,742
Self Pay				\$1,530,451
Sub-Total Collections				<u>\$89,477,164</u>

Projected F'2015 Expenses

<u>Expense Category</u>	<u>Fiscal 2015 Projection</u>
Bioterrorism Expenses	\$109,957
Compact Impact Expenses	\$1,652
Contractual Services	\$11,690,110
Depreciation Expenses	\$4,815,640
Drug Testing	\$6,000
Fringe Benefits	\$21,663,996
GO Bond Expenses	\$835,343
Interest Expenses	\$1,192,000
Inventory Adjustment	\$586,817
Minor Equipment	\$1,425,307
Miscellaneous	\$1,730,199
Salaries	\$73,773,825
Supplies & Materials	\$15,769,421
Travel & Mileage Reimbursement	\$231,987
Utilities	\$4,124,218
Sub-Total	<u>\$137,956,473</u>
Capital Expenditures	\$4,000,000
Total Expenditures	<u><u>\$141,956,473</u></u>

Assumptions in Expenses

1. Vendor payments will be made \$10 million
 2. GMHA will pay for un-funded mandates
 3. Remainder from 5/2013 Executive Order \$ 1 million
 4. Estimated Additional Costs - Hay Study \$ 5 million
 5. Retirement Fund for DC Employees \$ 8 million
 6. Capital Expenditures
- Requested: \$12.2 million Budgeted: \$ 4 million

Contact Information

Alan C Ulrich, Chief Financial Officer

Guam Memorial Hospital Authority

850 Gov. Carlos G. Camacho Road

Oka Tamuning, GU 96913

Direct: 671.647.2934 or 671.647.2190 (Candy, Assistant)

Cellular: 671.487.3453

Email: alan.ulrich@gmha.org